

Chicago



Market Facts

5.5%

Chicago's unemployment rate remained relatively flat year-over-year.

\$361.5 M

There was \$361.5M venture capital invested within Chicago area

1.7%

The metro Chicago area added over 61,500 jobs year-over-year.

16,200 jobs

The most active industry in the Chicagoland area during the first quarter of 2016 was the leisure and hospitality sector

Economic Overview

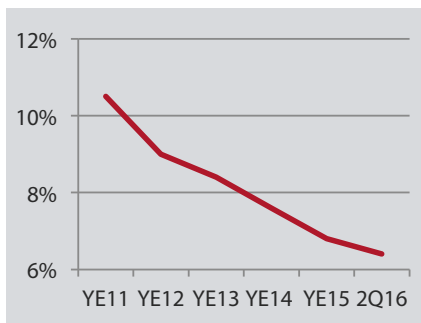
Chicago's diverse economy continued to grow moderately throughout the second quarter of 2016. The metropolitan area added more than 61,000 jobs as of May 2016—up 1.3% year-over-year. The strong job market kept unemployment relatively unchanged over the same period—recorded at 5.5%. The supersectors that recorded the highest year-over-year growth in employment were leisure and hospitality; professional and business services; and trade, transportation and utilities sectors—witnessing increases of 250 bps, 160 bps, and 140 bps respectively. The manufacturing sector saw minimal growth. According to World Business Chicago, there were 693 corporate expansions within the Chicagoland area in 2015, up 11.1% from 2014. This compelled Site Selection Magazine to list Chicago as a "Top Metro" in the United States. Notable expansions within the

market include Amazon, which plans to add 2,000 full-time jobs at their new I-80 East corridor warehouse. McDonalds has stated that it will move its corporate headquarters from suburban Oak Brook to the West Loop.

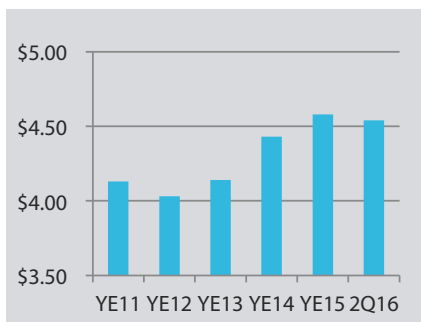
The Chicago housing market saw moderate increases in sale prices. As of May there have been 11,600 home sales—up 12% from May 2015. Median sale prices rose 7% over the same period. Rents across the city are expected to rise considerably with the proposed tax increase. Looking forward, home sales in certain suburban areas are expected to pick up throughout 2016 as home prices in the city of Chicago keep rising.



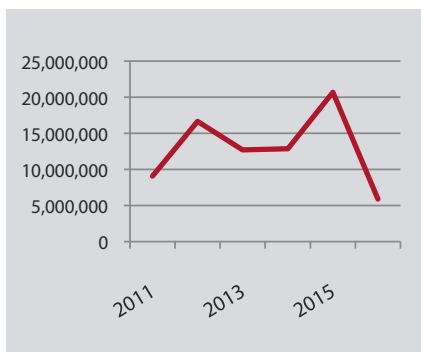
Historical Vacancy Rates



Average Asking Rental Rates



Historical Net Absorption



Industrial Market Overview

The Chicago industrial market witnessed another quarter of tremendous growth. There was a substantial boost in both leasing activity and net absorption. Vacancy trended downward for the seventh consecutive quarter—surpassing prerecession levels. Rental rates remained competitive, continuing to increase quarter-over-quarter. Market conditions continued to favor landlords over users. Construction of both speculative and build-to-suit projects remained strong across the market. Infill development continued to track investor/developer interest, especially within submarkets in urban areas inundated with older buildings and short on available land. This follows the trend of users preferring locations closer to workforce and transportation hubs.

Vacancy & Availability

Overall, vacancy dropped to 6.4% during the second quarter of 2016. Down 40 bps year-over-year. Submarkets with the largest year-over-year decreases were the I-55 Corridor, the I-80 East Corridor, and the South Cook submarkets—down 170 bps to 6.2%, 160 bps to 5.5% and 120 bps to 5.7% respectively. Most submarkets recorded moderate downward shifts in vacancy. The McHenry County and the I-57 Corridor submarkets are beginning to experience positive momentum and decreased vacancy from this time last year, ending the second quarter at 10.8% and 3.8% respectively. The City of Chicago submarkets are experiencing increased activity due to strong infill development. The South Chicago submarket witnessed a 70 bps drop year-over-year to 7.5%.

Demand within the O'Hare submarket remained strong, with vacancy decreasing 10 bps year-over-year and currently sitting at 5.3%. The Lake County and Southern Wisconsin submarkets continued to witness falling vacancy rates. Looking forward, industrial demand should continue throughout the remainder of 2016, pushing vacancy rates lower, especially in certain submarkets.

Absorption & Demand

A steady stream of demand across the market brought second quarter net absorption to 2.3 msf, a moderate year-over-year decrease. Lake County saw a resurgence in leasing activity, resulting in 934,000 sf being absorbed during the second quarter—up 190% year-over-year. The O'Hare submarket remained attractive to users, with 229,000 sf absorbed, relatively unchanged from the second quarter of 2015. The East DuPage submarket recorded a dramatic increase in absorption, increasing 129% year-over-year to 184,000 sf. While most submarkets recorded minimal upticks in absorption, both the I-88 Corridor and I-90 West/Elgin Corridor submarkets have experienced decreased absorptions during the second quarter. This is in part due to recently completed speculative buildings delivered throughout 2016 and the last half of 2015, many of which remain vacant.

Leasing activity remained strong throughout the second quarter of 2016. Ecommerce giant, Amazon, continued to expand throughout the market. With the completion of two leases totaling 1.5 msf within the I-55 Corridor and I-80 East Corridor submarkets. Furniture retailer RoomPlace, lost a 325,000

sf warehouse to a massive fire. The company is relocating into a 453,000 sf space within the I-55 Corridor submarket. Both Samsung and Cyprus Medical Products leased approximately 380,000 sf each within CenterPoint's Intermodal Center located in the I-80-East Corridor submarket. The 1.1 msf development is now fully leased.



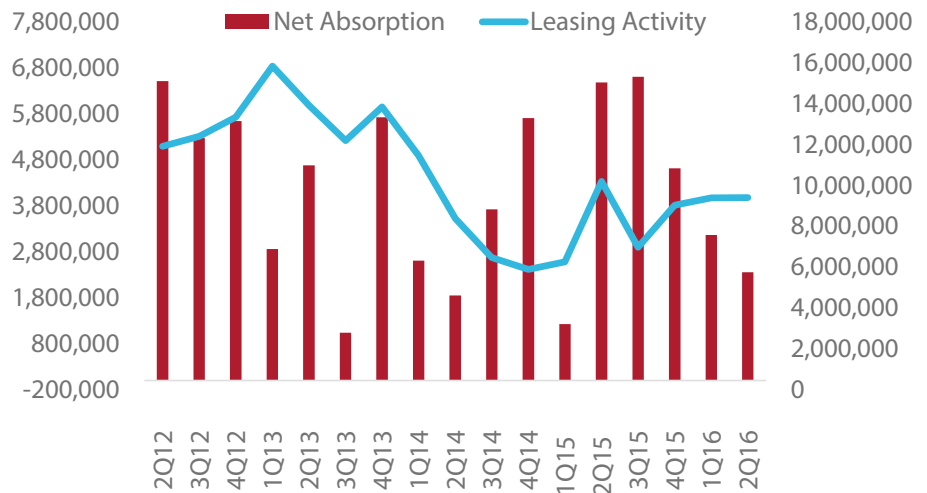
Rental Rates

Improving fundamentals across the market have caused average asking rental rates to trend upward over the past several years, averaging \$4.54 psf in the second quarter of 2016. Prominent submarkets such as Lake County, the I-55 Corridor, and O'Hare have witnessed moderate rental rate growth over the last year due to strong leasing activity. The North Chicago submarket recorded an impressive 24% year-over-year jump in average asking rental rates.

Investment

Industrial product continued to record high pricing as market fundamentals propel investor appetite. Capital continued to pour into industrial product, with new and foreign capital adding to local dollars. Investor appetite for class B product continued where there was value-add potential. These low cap rates predict that investment into industrial product should continue throughout 2016.

Leasing Activity Trends



Notable second quarter investment sale transactions included the sale of 900 North Schmidt Road, a 546,450 sf property. The property located within the I-55 Corridor submarket was sold by KeHE Distributors to Gramercy Property Trust for \$29.2 million, or \$53 psf. JLL Income Property Trust purchased 2570 Orchard Gateway Road, a fully leased 304,000 sf property located in the I-88 Corridor Submarket, from McShane Development Company for \$27.7 million, or \$90 psf.

Construction

The Chicago industrial market continued to witness tremendous growth in construction volume. There was 1.9 msf delivered during the second quarter with an additional 15 msf under construction. Only 49% of space under construction is preleased or build-to-suit, the remainder being speculative which is a strong indicator of developer/investor faith in the market. The I-80 East Corridor, I-55 Corridor and the Southern Wisconsin submarkets continue to record the most product under construction, with a combined 9.7 msf. The development

pipeline is expected to remain strong through 2016, particularly the development of infill projects located in major submarkets where demand outweighs supply.

Bridge Development's 626,000 sf speculative project at Bridge Point North in Lake County's Waukegan was the largest building delivered during the second quarter of 2016. The IKEA Distribution Center, a 1.2 msf build-to-suit project was the largest project to commence construction during the first quarter. Hillwood Development is developing the project which is located within the I-80 East Corridor submarket. Pizzuti broke ground on a 416,000 sf speculative building located in the I-55 Corridor's Pinnacle Business Center.



Top Lease

Tenant	Address	Submarket	Size (SF)	Type
Amazon	1125 Remington Blvd	I-55 Corridor	767,161	New
Amazon	201 Emerald Rd	I-80 East Corridor	746,772	New
RoomPlace	1120-1140 Remington Blvd	I-55 Corridor	453,568	New
Samsung	21051 W Walter Strawn Dr	I-80 East Corridor	383,494	New
Cypress Medical Products	21051 W Walter Strawn Dr	I-80 East Corridor	383,206	New

Top Sales

Address	Size (SF)	Buyer	Seller	Sales Price
900 North Schmidt Road	546,450	Gramercy Property Trust, Inc.	Ke He Distributors	\$29,263,008
2570 Orchard Gateway	304,560	JLL Income Property Trust, Inc.	McShane	\$27,700,000
3-7 Timber Ct	320,722	TA Realty	Prologis	\$17,950,000
2400 Commerce Drive	128,539	Founders Properties, LLC	Laser Precision	\$10,225,000

Under Construction

Address/Name	Developer	Submarket	Size (SF)	Type
IKEA Distribution Center	Hillwood	I-80 East Corridor	1,250,000	Build-to-Suit
1200 W 120th Ave	Uline	Southern Wisconsin	1,000,000	Build-to-Suit
24827 Lorenzo Rd	Ridge Development	I-80 East Corridor	678,000	Build-to-Suit
Majestic Corporate Center	Majestic Realty	Southern Wisconsin	424,164	Build-to-Suit
50 Southcreek Pky	Pizzuti Companies	I-55 Corridor	416,504	Speculative
2601 Galvin Dr	McShane	I-90 West/Elgin Corridor	385,000	Speculative

Recently Completed

Address	Developer	Submarket	Size (SF)	Type
1750 Bridge Drive	Bridge Development Patners, LLC	Lake County	626,848	Speculative
2850 Duke Parkway	Duke Realty Corporation	I-88 Corridor	499,154	Build-to-suit
4200 Ferry Road	Duke Realty Corporation	I-88 Corridor	402,860	Speculative
20216 Airport Road	WBS Equities, LLC	I-55 Corridor	188,000	Build-to-suit
2200-2220 Arthur Avenue	DCT Industrial Trust	O'Hare	112,862	Build-to-suit

Market By The Numbers

Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Under Construction	Avg Asking Rent
North Cook	41,461,082	2,478,342	6.0%	-199,528	0	\$6.78
O'Hare	113,271,914	5,899,960	5.2%	229,708	553,165	\$5.88
I-90 East Corridor	20,359,723	1,946,029	9.6%	95,998	0	\$5.62
I-90 West/Elgin Corridor	30,063,479	2,801,993	9.3%	-87,508	969,999	\$5.44
Lake County	64,783,206	4,789,757	7.4%	934,614	0	\$5.59
McHenry County	22,465,055	2,423,618	10.8%	-52,823	0	\$3.40
West Cook	68,623,932	5,498,609	8.0%	-168,234	377,183	\$4.44
East DuPage	33,461,007	1,287,541	3.8%	184,060	0	\$5.86
US-64 Corridor	65,684,548	2,986,200	4.5%	139,514	1,084,130	\$4.91
I-88 Corridor	54,026,360	2,915,865	5.4%	1,552,387	827,193	\$4.50
South Cook	76,344,268	4,347,366	5.7%	323,093	0	\$3.95
I-55 Corridor	86,806,950	5,391,193	6.2%	173,615	2,593,335	\$5.00
I-80 East Corridor	64,778,676	3,555,589	5.5%	-350,969	4,940,994	\$3.82
I-80 West Corridor	9,533,463	415,983	4.4%	-1,158	0	\$5.00
I-57 Corridor	13,812,246	527,747	3.8%	6,500	0	\$5.25
I-39 Corridor	46,646,140	4,132,033	8.9%	283,409	987,000	\$3.17
South Chicago Industrial	102,496,915	7,670,159	7.5%	312,370	0	\$4.91
North Chicago Industrial	58,470,239	4,982,019	8.5%	-35,044	95,000	\$8.82
Southern Wisconsin	27,507,577	978,431	3.6%	535,729	2,226,351	\$4.09
Overall Market	1,064,787,862	68,256,890	6.4%	2,359,657	15,056,288	\$4.54



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