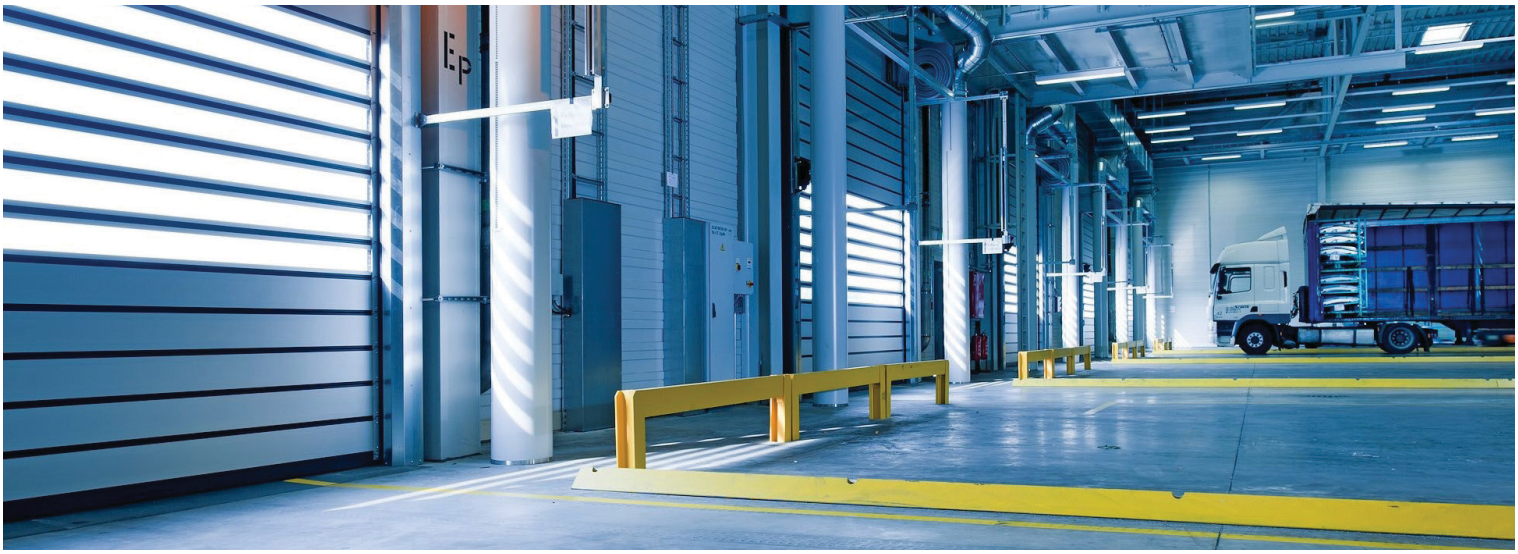
AVISON YOUNG

Second Quarter 2018 Industrial Market Report

Chicago



Market Facts

4.3%

As of June 2018, unemployment stood at **4.3%**, down 110 basis points (bps) year-over-year.

6,200 jobs

Manufacturing jobs increased 1.5% year-over-year, which equates to **6,200** jobs.

12 Properties

There were **12** properties delivered during the second quarter of 2018, totaling 5 msf.

9.9 MSF

There were 330 leases signed during the second quarter, totaling **9.9 msf**. The average deal size was 32,970 sf.

Economic Overview

Chicago's economy has seen significant improvement over the last 12 months. As of May 2018, unemployment stood at 3.4%—down 100 basis points (bps) year-over-year, just slightly lower than the national average of 3.6%. Cook and DuPage Counties saw the largest decreases in unemployment, down 130 bps to 4.3% and 100 bps to 2.6% respectively. Employment sectors which saw the largest year-over-year increases in jobs were construction, financial services, and government. Manufacturing jobs increased 1.5% year-over-year, which equates to 6,200 jobs. As of March 2018, total air cargo tonnage was recorded at 178,228 tons—up 2.5% from March 2017.

Chicago Industrial Market

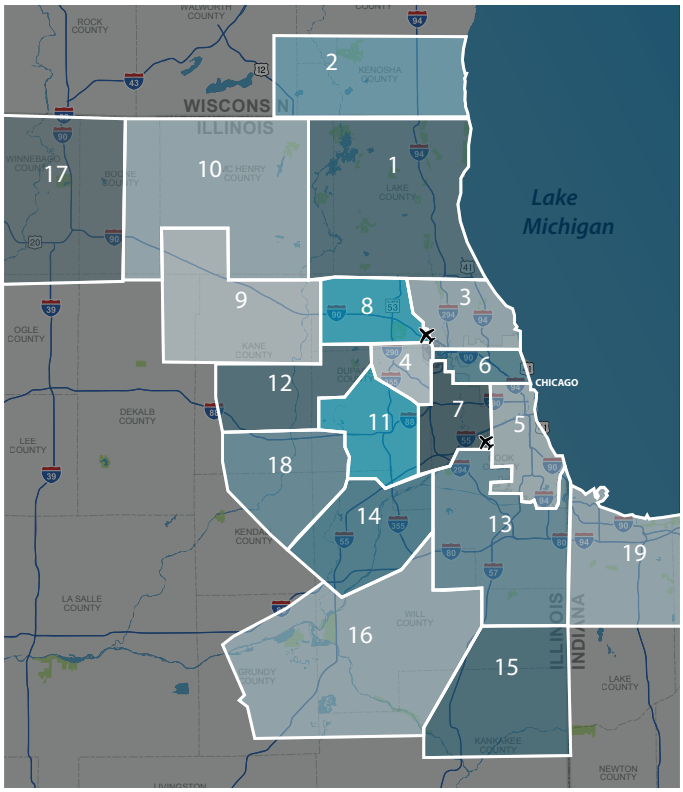
The Chicago Industrial Market saw leasing demand stay strong despite vacancy remaining stagnant at 5.9%. Net absorption witnessed a sharp decline due to the amount of new product hitting the market, with much of it remaining vacant. Following several quarters of strong construction activity, there was a sharp decrease year-over-year, with 10.2 msf currently under construction—down 44% from the second quarter of 2017. Overall asking net rental rates remained relatively unchanged at $4.37 psf. Transactional volume recorded a -47.5% dip year-over-year, currently recorded at $604.5 million.

Trends To Watch

Labor: Labor has become an increasingly important factor in site selection, primarily in markets where there is more intense competition between users.

Spec Construction: Speculative construction remains active across the Chicago market, with only 16% of projects currently under construction over 200,000 sf being delivered as build-to-suit. Some markets such as the I-80 and I-55 Corridors are beginning to oversaturate with vacant speculative buildings.

Single Loading Buildings: Developers have been maximizing building efficiency by adding loading docks to only one side of the buildings and adding additional trailer parking.



Industrial Submarkets by the Numbers

Map Key	Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Leasing Activity (sf)	Under Construction	Avg Asking Rent
	Overall Market	1,116,647,486	66,366,823	5.9%	3,897,866	9,973,004	10,251,032	$4.37
1	Lake County	70,634,628	3,321,654	4.7%	507,757	732,594	558,500	$5.76
2	Southern Wisconsin	31,664,702	1,080,895	3.4%	551,788	24,300	322,173	$4.47
3	North Cook	42,050,675	2,023,571	4.8%	244,110	320,525	0	$6.45
4	O'Hare	112,261,160	4,324,685	3.9%	-5,521	1,871,848	2,185,218	$5.53
5	South Chicago Industrial	102,755,173	5,622,668	5.5%	-47,800	660,848	1,145,244	$6.16
6	North Chicago Industrial	56,765,844	2,948,419	5.2%	-17,010	95,557	0	$8.79
7	West Cook	49,318,554	1,952,790	4.0%	212,490	468,965	323,343	$4.49
8	I-90 East Corridor	21,432,318	2,357,132	11.0%	-85,994	179,783	112,505	$4.62
9	I-90 West/Elgin Corridor	32,632,394	1,661,210	5.1%	156,357	795,277	0	$5.02
10	McHenry County	23,455,713	2,269,921	9.7%	-204,858	29,576	0	$4.53
11	East DuPage	33,286,200	1,314,883	4.0%	-30,288	373,332	1,032,632	$5.61
12	US-64 Corridor	69,147,885	4,323,269	6.3%	2,119,869	809,728	483,296	$3.70
13	South Cook	77,055,909	3,017,325	3.9%	18,422	474,909	0	$4.50
14	I-55 Corridor	95,160,082	10,231,803	10.8%	243,750	1,462,883	2,198,256	$4.43
15	I-57 Corridor	20,345,463	440,125	2.2%	14,692	27,497	0	$6.50
16	I-80 Corridor	85,673,548	9,131,260	10.7%	1,130,273	234,051	1,788,614	$4.04
17	I-39 Corridor	51,130,968	4,142,626	8.1%	-577,140	134,500	67,251	$2.83
18	I-88 Corridor	58,289,646	2,352,181	4.0%	-30,157	1,080,924	0	$5.59
19	Northwestern Indiana	44,623,672	1,999,723	4.5%	-302,874	153,430	34,000	$3.98

Vacancy & Availability

Sitting at 5.9%, overall market vacancy remained unchanged from first quarter 2018. Most submarkets saw vacancy decrease. The I-90 West/Elgin Corridor, the I-88 Corridor, and O'Hare saw the most dramatic decrease—down 230 bps to 5.1%, 160 bps to 4.0% and 60 bps to 3.9% respectively. Due to 11 msf of new product having been added to the submarket within the last 12 months, the I-80 Corridor continued to record an increasing vacancy rate—up 310 bps to 10.7%.

Absorption & Demand

Leasing activity across the market remained strong. There were 330 leases signed during the second quarter, totaling 9.9 msf. This correlates to a 32.3% increase when compared to the first quarter. The average deal size was 32,970 sf. Submarkets which recorded the most activity were O'Hare, the I-55 Corridor, and the I-88 Corridor. These three submarkets accounted for 44% of the overall space leased.

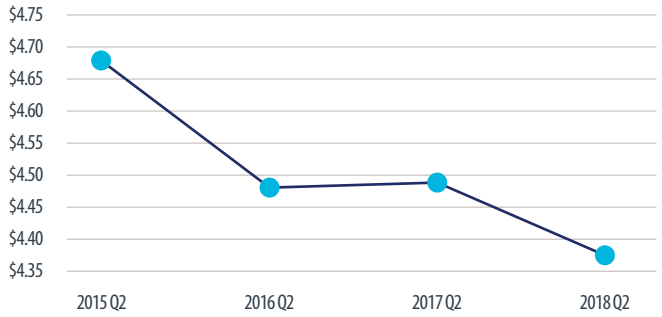
The largest lease signed during the second quarter was inked by HD Supply in the West Cook submarket. The industrial distributor took 588,233 sf at 525 Northwest Ave in Northlake. Two of the other large leases signed during the quarter were located within the I-88 Corridor submarket. Glanbia, a nutritional food company, leased 452,153 sf of space at 1100 Orchard Gtwy in North Aurora. Dart, a foam product manufacturer, leased 429,756 of space at 300 N Mitchell Rd in North Aurora. The Bolke-Miller Company, a food packaging company, preleased 308,107 sf at 1350 Bridge Dr in Waukegan, IL. Located within Lake County, the property is currently listed as proposed and being developed by Bridge Development Partners. The building is slated to commence construction during the third quarter of 2018.

Overall asking rental rates remained relatively unchanged during the second quarter of 2018, currently recorded at $4.37 per square foot (psf).

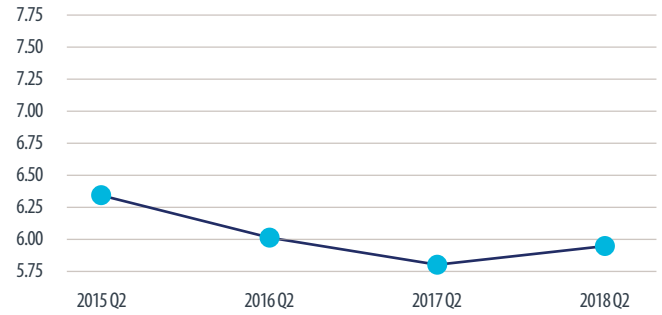
44%

The O'Hare, I-55 Corridor, and the I-88 Corridor submarkets accounted for 44% of the overall space leased.

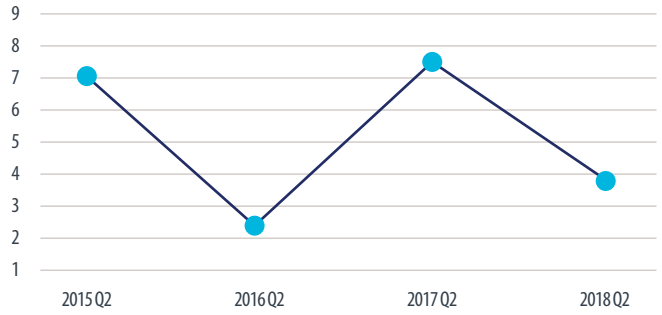
Average Asking Rental Rate ($)



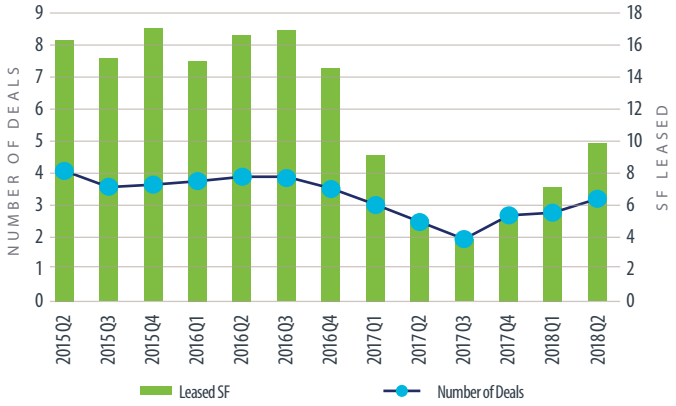
Vacancy Rate (%)



Net Absorption (MSF)



Leasing Activity



Construction

Construction activity has remained strong across the market, with 10.2 msf currently under construction. There were 12 properties delivered during the second quarter of 2018, totaling 5 msf, of which 3.9 msf was located within the I-80 Corridor. Submarkets which are seeing the most activity are the I-80 and I-55 Corridors, O'Hare and South Chicago. Much of the space being developed within both the O'Hare and South Chicago submarkets is labeled as infill. These submarkets are each recording upwards of 1 msf of construction and totaling 81% of overall construction. The product currently under construction that is over 200,000 sf accounts for 6.9 msf of speculative space and only 1.1 msf (16%) of build-to-suit space.

Three properties over one million sf were delivered within the I-80 Corridor. The largest property being IKEA's distribution center located at 650 Emerald Dr in Joliet. The 1.2 msf build-to-suit was developed by Gray Construction Co. Two speculative buildings were also delivered, totaling 2.2 msf. This now leaves the construction pipeline with no buildings over 1 msf under construction. The largest property currently in development is LFI Industrial's 879,040-sf speculative project on Ridgeland Ave in Monee, located within the I-80 Corridor submarket. The largest build-to-suit under construction is IDI Logistics' project located at 2101 E Route 173 in Antioch. The 558,500-sf property is being built for Handi-foil.

Investment

Investment activity within the industrial product dipped slightly during the second quarter of 2018. There were 74 properties that traded with a transactional volume of $604.6 million. The average price per sf (psf) was recorded at $63. To-date in 2018, the top countries placing capital in industrial real estate are Singapore, Japan and Canada. Buyer composition remains centered around public REITs and institutional investors.

The largest investment sale transaction during the second quarter was 6750 Daniel Burnham Dr in Portage, Indiana. The 517,000-sf, class A property traded between DRA Advisors and Taurus Investment Holdings for $27.1 million, or $52.59 psf. The property was 100% leased at the time of sale to several tenants including Hosley International Distribution and MCP Performance Plastics. 1300 Busse Rd in Elk Grove Village traded for $24.7 million, or $107.62 psf. Duke Realty developed the 229,841-sf building for Yusen Logistics, who negotiated the sale price as part of a sale leaseback agreement.



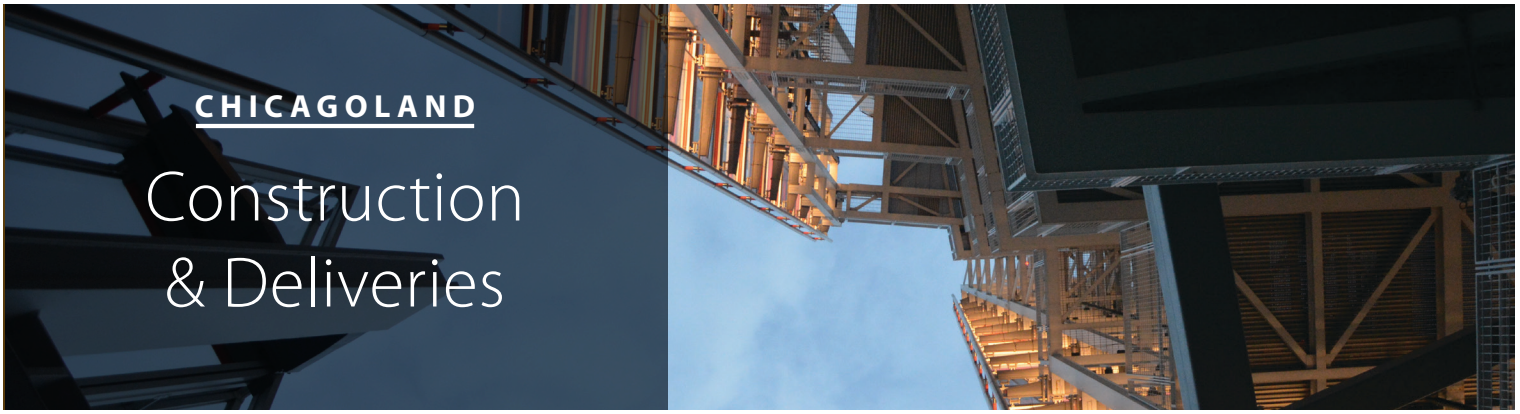
The largest investment sale transaction during the second quarter was 6750 Daniel Burnham Drive in Portage, Indiana.

Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
HD Supply	525 Northwest Ave	West Cook	588,233	New
Glanbia	1100 Orchard Gtwy	I-88 Corridor	452,153	New
Dart	300 N Mitchell Rd	I-88 Corridor	429,756	New
RJW Transport Inc	1000 Veterans Pkwy	I-55 Corridor	405,844	New
Bolke-Miller Company	1350 Bridge Dr	Lake County	308,107	New
iHerb	2640 Auto Mall Dr	I-90/West Elgin Corridor	257,344	New

Notable Sales

Address	Size (SF)	Buyer	Seller	Sales Price
750 Daniel Burnham Dr, Portage, IN	517,000	Taurus Investment Holdings, LLC	DRA Advisors LLC	$27,190,000
300 Busse Rd, Elk Grove Village, IL	229,841	Yusen Logistics Inc	Duke Realty Corporation	$24,734,500
2065 George St, Melrose Park, IL	501,305	LBA Realty	Sears Holding Corporation	$16,000,000
3535 S Torrance Ave, Chicago, IL	386,675	Great Lakes Reloading	CenterPoint Properties	$14,400,000



Notable Q2 Construction [200,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	Major Tenants	% Leased**
I-80 Corridor	Ridgeland Ave	879,040	Speculative	Q4- 2018	LFI Industrial	N/A	0%
I-55 Corridor	Bluff Rd - Interchange 55 Logistics Park	684,320	Speculative	Q4-2018	CT Realty Advisors	N/A	0%
I-55 Corridor	Bluff Rd - Interchange 55 Logistics Park	657,540	Speculative	Q4-2018	CT Realty Advisors	N/A	0%
South Chicago	2075 W 43rd St	633,057	Speculative	Q4-2018	MAT	N/A	0%
Lake County	Gregory Dr	558,500	BTS	Q3-2018	IDI Logistics	Undisclosed	100%
I-80 Corridor	23400 US Route 6	442,000	Speculative	Q4-2018	Clarion Partners	N/A	0%
I-55 Corridor	500 N Pinnacle Dr	407,385	Speculative	Q1-2019	Panattoni Development Co	N/A	0%
O'Hare	11601 Copenhagen Ct	400,192	Speculative	Q4-2018	Panattoni Development Co	N/A	0%
O'Hare	10701 Seymour Ave	333,696	Speculative	Q2-2018	CenterPoint Properties	N/A	0%
West Cook	1531 S 54th Ave	323,343	Speculative	Q2-2018	Bridge Development	Royal Group	100%
South Chicago	3507 W 51st St	316,550	Speculative	Q4-2018	McShane Development	N/A	0%
US-64 Corridor	1370 Brewster Creek Blvd	300,000	BTS	Q3-2018	Rana USA	Rana USA	100%
I-80 Corridor	18700 S Ridgeland Ave	296,180	Speculative	Q3-2018	Hillwood	N/A	0%
I-88 Corridor	3800 Finley Rd	291,840	Speculative	Q1-2019	Bridge Development	N/A	0%
I-55 Corridor	2501 Internationale Pky	283,436	Speculative	Q2-2018	Prologis	N/A	0%
O'Hare	10601 Franklin Ave	277,762	Speculative	Q3-2018	Bridge Development	N/A	0%
I-88 Corridor	2390 Curtiss St	253,000	BTS	Q3-2018	Rexnord Corp	Rexnord Corp	100%
Southern WI	5312 104th Ave	249,583	Speculative	Q4-2018	Zilber Property Group	N/A	0%
I-88 Corridor	3700 Lacy Rd	231,460	Speculative	Q2-2019	Bridge Development	N/A	0%
O'Hare	10601 Seymour Ave	225,891	Speculative	Q3-2018	CenterPoint	None	0%
	2018	**7,114,090**					
	2019	**930,685**					
	Total	**8,044,775**					

Notable Q2 Deliveries

Market	Building	NRA	Type	Developer	Major Tenants	% Leased**
I-80 Corridor	650 Emerald Dr	1,250,000	BTS	Gray Construction	Ikea	100%
I-80 Corridor	3300 Channahon Rd	1,220,140	Speculative	The Opus Group	None	0%
I-80 Corridor	24101 S Frontage Rd	1,000,110	Speculative	USAA Real Estate	None	0%
South Chicago	13535 S Torrence Ave	380,944	BTS	Centerpoint Properties	CRRC Sifang America	100%
I-80 Corridor	Route 6 & Houbolt Rd	355,199	Speculative	First Industrial Realty Trust	None	0%
North Cook	3601 Howard St	236,912	Speculative	Hillwood Development Company	None	0%
Lake County	1275 Bridge Dr	197,000	BTS	Bridge Development	Visual Pak	100%
I-80 Corridor	1965 Terminal Ct	112,500	BTS	Meridian Design Build	N/A	100%
O'Hare	350 N York Rd	95,962	Speculative	Liberty Property Trust	None	0%
North Cook	1075 Chaddick Dr	83,755	Speculative	Sitex Group	None	0%
North Cook	571 Wheeling Rd	47,500	BTS	Pal Group, Inc.	Pal Group, Inc.	100%
Lake County	1370-1380 Ensell Rd	39,578	Speculative	Schaff International	Schaff International	100%
	Construction Completed Total	**5,019,600**				

Contiguous Blocks [Available Class A Space | 200,000+ SF]

Building Address	Submarket Name	City	State	Year Built	Rentable Building Area	Max Building Contiguous Space	Percent Leased	Owner Name
300 Channahon Rd	I-80 Corridor	Joliet	IL	2018	1,220,140	1,220,140	0%	AEW Capital Management
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	2017	1,026,000	1,026,000	0%	Core5 Industrial Partners
24101 S Frontage Rd	I-80 Corridor	Channahon	IL	2018	1,000,110,	1,000,110	0%	USAA Reaal Estate Company
100 E Millsdale Rd	I-80 Corridor	Joliet	IL	2017	992,640	992,640	0%	Hillwood
Ridgeland Ave	I-80 Corridor	Monee	IL	2018	879,040	879,040	0%	Location Finders International
30260 Graaskamp Blvd	I-80 Corridor	Wilmington	IL	2018	810,000	810,000	0%	Ridge Property Trust
1101 W Airport Rd	I-55 Corridor	Romeoville	IL	2016	787,499	787,499	0%	DCT Industrial Trust Inc
21700 Mark Collins Dr	South Cook	Sauk Village	IL	2006	776,515	776,515	100%	Warehouse Specialists Inc
23700 W Bluff Rd	I-80 Corridor	Channahon	IL	2017	749,554	749,554	0%	IDI Logistics
Bluff Road	I-55 Corridor	Romeoville	IL	2018	684,320	684,320	0%	CT Realty Investors
175 Southcreek Pky	I-55 Corridor	Romeoville	IL	2017	676,026	675,682	.05%	Panattoni Development Company
Bluff Road	I-55 Corridor	Romeoville	IL	2018	657,540	657,540	0%	CT Realty Investors
2075 W 43rd St	South Chicago	Chicago	IL	2018	633,057	633,057	0%	Marina Crossings Owner LLC
2001 N Division St	McHenry County	Harvard	IL	1997	619,590	619,590	0%	Edward Gong
251 Laraway Rd	I-80 Corridor	Joliet	IL	2004	374,460	574,378	0%	GIC Real Estate
2700 Ellis Rd	I-80 Corridor	Joliet	IL	2006	689,524	558,746	100%	CBRE Global Investors Ltd
11290 80th Ave	Southern WI	Pleasant Prairie	WI	2007	502,033	502,033	100%	UBS Real Estate Investments Inc
145 Pinnacle Dr	I-55 Corridor	Romeoville	IL	2007	469,964	469,964	0%	DCT Industrial Trust Inc
3901 Rock Creek Blvd	I-80 Corridor	Joliet	IL	1998	464,400	464,400	100%	CBRE Global Investors Ltd
23400 US Route 6	I-80 Corridor	Channahon	IL	2018	442,000	442,000	0%	Clarion Partners
10 Falcon Ct	I-90 East Corridor	Streamwood	IL	2016	423,726	423,726	0%	The Opus Group
50 Southcreek Pky	I-55 Corridor	Romeoville	IL	2017	416,504	416,504	0%	Pizzuti Companies
21051 W Walter Strawn Dr	I-80 Corridor	Elmwood	IL	2008	1,182,788	415,800	100%	CenterPoint Properties
500 S. Pinnacle Dr	I-55 Corridor	Romeoville	IL	2020	407,385	407,385	0%	Panattoni Development Company Inc
8701 W 47th St	West Cook	McCook	IL	2014	312,186	405,791	83%	Heitman LLC
11601 Copenhagen Ct	O'Hare	Franklin Park	IL	2018	400,370	400,370	0%	Panattoni Development Company Inc
365 E North Ave	US-64 Corridor	Carol Stream	IL	2017	381,600	381,600	0%	Dermody Properties Inc
850 Veterans Pky	I-55 Corridor	Bolingbrook	IL	1997	361,176	361,176	100%	Prologis
Route 6 & Houbolt Rd	I-80 Corridor	Joliet	IL	2018	355,199	355,199	0%	First Industrial Realty Trust, Inc
6515 Ameriplex Dr	Northwest Indiana	Portage	IN	2008	574,249	341,249	41%	DRA Advisors LLC
2001 N Division St	McHenry County	Harvard	IL	1997	335,315	335,315	0%	Edward Gong
10701 Seymour Ave	O'Hare	Franklin Park	IL	2018	333,696	333,696	0%	CenterPoint Properties
600 Remington Blvd	I-55 Corridor	Bolingbrook	IL	2016	320,914	320,914	0%	McShane Development Co
3507 W 51st St	South Chicago	Chicago	IL	2018	316,550	316,550	0%	McShane Development Co
16200 W 163rd St	I-55 Corridor	Lockport	IL	2018	308,988	308,988	0%	Exeter Property Group LLC
999 Dalton Ln	I-55 Corridor	Bolingbrook	IL	2017	302,354	302,354	0%	Northern Builders
8725 31st St	Southern WI	Somers	WI	2017	602,348	301,174	50%	First Industrial Realty Trust Inc
1323 Brewster Creek Blvd	I-90 East Corridor	Bartlett	IL	2017	421,403	299,437	53%	Exeter Property Group
18700 S Ridgeland Ave	I-80 Corridor	Tinley Park	IL	2018	296,180	296,180	0%	Hillwood
3800 Finley Rd	I-88 Corridor	Downers Grove	IL	2019	291,840	291,840	0%	Bridge Development Partners
4050 Rock Creek Blvd	I-80 Corridor	Joliet	IL	2017	291,728	291,316	14%	IDI Logistics
2501 Internationale Pky	I-55 Corridor	Woodridge	IL	2018	283,436	283,436	0%	Prologis
7225 Santa Fe Dr	I-55 Corridor	Hodgkins	IL	2016	282,933	282,933	0%	Seefried Properties Inc
605 Tri State Pky	Lake County	Gurnee	IL	2005	272,000	272,000	100%	Allergan
5139 W 73rd St	South Cook	Bedford Park	IL	2006	270,789	270,789	100%	Global Logistic Properties Ltd
1150 W 115th St	I-55 Corridor	Bolingbrook	IL	2008	453,090	269,590	41%	IDI Logistics
3926 Bur Wood Dr	Lake County	Waukegan	IL	2017	400,758	262,424	35%	Sun Life Institutional Investments
8801 88th Ave	Southern WI	Pleasant Prairie	WI	2016	424,164	261,560	39%	Majestic Realty Co
24601 S Frontage Rd E	I-80 Corridor	Channahon	IL	2019	252,208	252,208	0%	Crow Holdings
5312 104th Ave	Southern WI	Kenosha	WI	2018	249,583	249,583	0%	5111 South 9th Street LLC
1000 N County Line Rd	East DuPage	Elmhurst	IL	2007	248,748	248,748	100%	Industrial Property Trust, Inc
2770 Alft Ct	I-90 West/Elgin Corridor	Elgin	IL	2015	246,446	246,446	0%	Molto Capital LLC
2801 Alft Ln	I-90 West/Elgin Corridor	Elgin	IL	2016	308,553	243,571	22%	Northern Builders
25975 S Cleveland Ave	I-80 Corridor	Monee	IL	2005	239,700	239,700	100%	Exeter Property Group
3601 Howard St	North Cook	Skokie	IL	2018	236,912	236,912	0%	Hillwood Development Company
1165-1185 W Crossroads Pky	I-55 Corridor	Romeoville	IL	2004	471,500	235,750	50%	DCT Indstrial Trust Inc
3700 Lacey Rd	I-88 Corridor	Downers Grove	IL	2019	231,460	231,460	0%	Bridge Development Partners
1347 S Mount Prospect Rd	O'Hare	Des Plaines	IL	2006	76,504	228,603	100%	James Campbell Company LLC
10601 Seymour Ave	O'Hare	Franklin Park	IL	2018	225,891	225,891	0%	CenterPoint Properties
700 N Enterprise St	I-88 Corridor	Aurora	IL	1990	222,000	222,000	100%	High Street Realty Company LLC
1243 Gregory Dr	Lake County	Antioch	IL	2015	454,276	213,746	74%	IDI Logistics
900 Bilter Rd	I-88 Corridor	Aurora	IL	2009	463,636	212,000	100%	Liberty Property Trust
3348 S Pulaski Rd	South Chicago	Chicago	IL	2015	316,680	209,900	34%	PGIM Real Estate
700 Gateway Dr	I-55 Corridor	Bolingbrook	IL	2005	206,711	206,711	0%	Prologis
801 Bilter Rd	I-88 Corridor	Aurora	IL	2007	203,092	203,092	0%	Liberty Property Trust
2600 Wirsing Pky	I-39 Corridor	DeKalb	IL	2006	202,340	202,340	0%	JPMorgan Chase & Co
16200 W 163rd St	I-55 Corridor	Lockport	IL	2018	302,588	200,579	34%	Exeter Property Group LLC

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