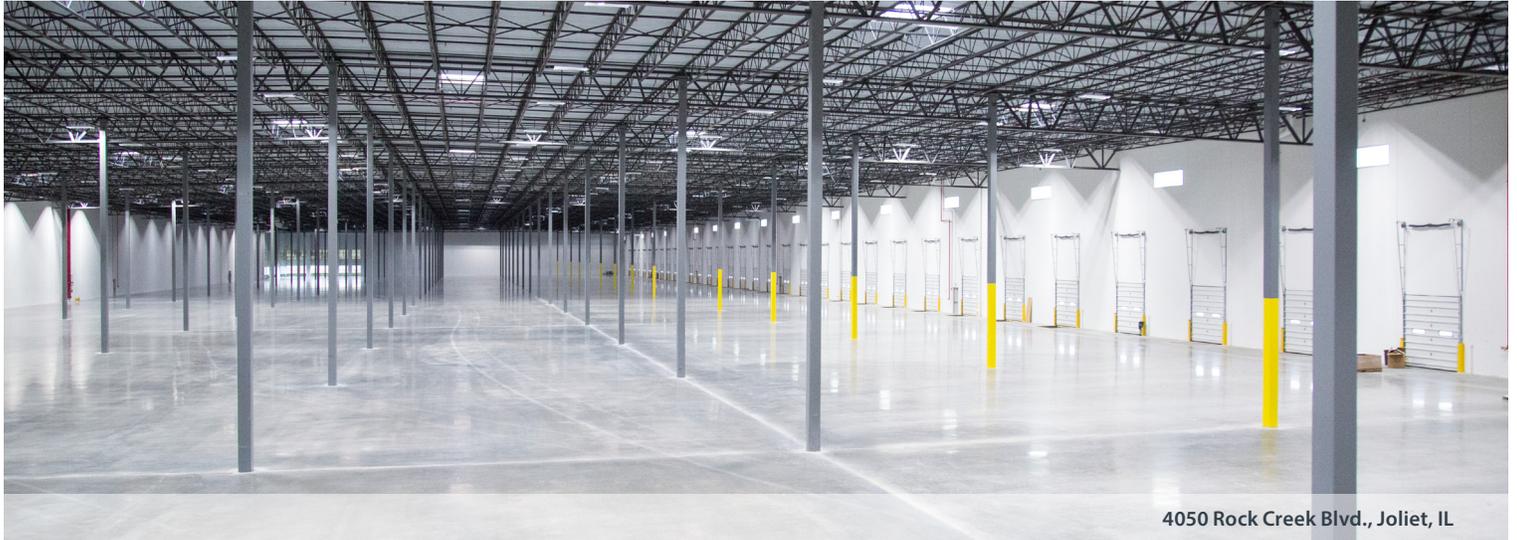


# Chicago



4050 Rock Creek Blvd., Joliet, IL

## Market Facts

**4.7%**

Chicago's unemployment rate trended downward. As of November 2017, unemployment stood at 4.7%

**31,678 jobs**

The metro Chicago area added 31,678 jobs year-over-year, which translates to 0.8% increase.

**1.7 MSF**

There was 1.7 msf of new product delivered to the market, of which 90% was speculative.

**5.5 MSF**

5.5 msf was leased during the fourth quarter, relatively flat from the previous quarter.

## Economic Overview

Chicago's economic climate continued to see improvement throughout the fourth quarter of 2017. The metropolitan area added 31,678 jobs as of November—up 0.8% year-over-year. This job growth pushed the unemployment rate down to 4.7%—down from 5.2% last year. Both Kenosha and Cook Counties recorded the largest decreases in unemployment within the region. The super sectors that witnessed the highest year-over-year growth in employment were financial services, information technology and construction—up 4.0%, 1.8% and 1.1% respectively. The Midwest saw manufacturing output rise 5.7% year-over-year as of October 2017, while the US only increased by 3.6% nationally. Within the manufacturing sector, steel output recorded the highest year-over-year growth at 2.2%.

The Electronic Logging Device (ELD) law took effect in December of 2017, requiring commercial drivers to maintain hour-of-service records limiting their allowed drive times per shift. This has the potential to have a major impact on users who rely on trucking to transport their goods and materials in a timely manner, potentially prompting the need for more distribution centers to cut transportation costs.

## Chicago Industrial Market

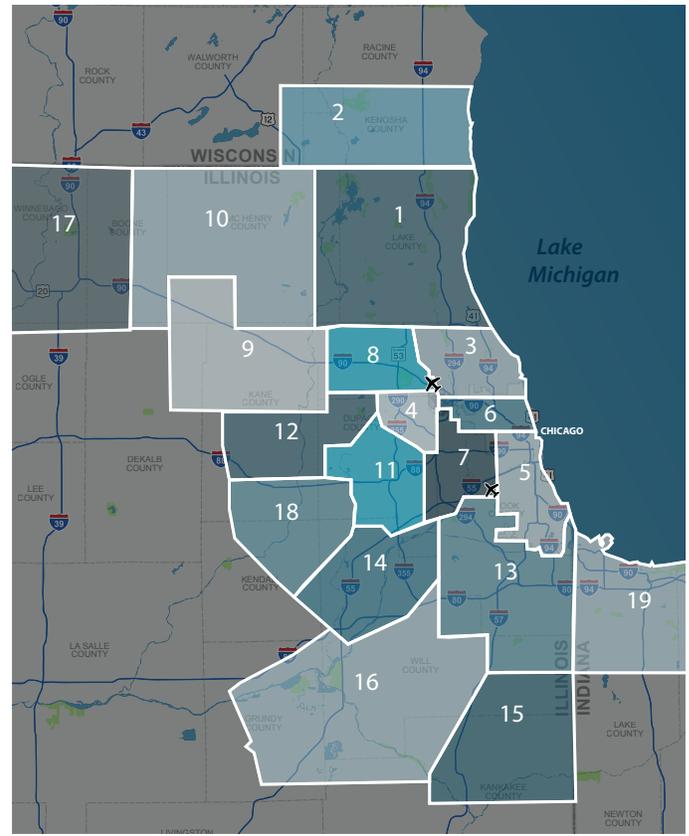
The Chicago industrial market, comprised of over 1 billion square feet (bsf), continued to witness a declining vacancy rate across most major submarkets during the fourth quarter. Construction activity has begun to slow with only 1.7 million square feet (msf) having been delivered this quarter. There was an additional 12.4 msf still under construction at the end of the quarter—down 41% year-over-year. Leasing velocity has slowed when

## Chicago Industrial Market (continued)

compared to previous quarters. The average deal size fell 2% from last quarter with the largest deal signed being 312,750 sf. Investment activity slowed during the fourth quarter with transactional volume down 11% year-over-year.

## Looking Ahead

The Southern Wisconsin submarket is poised for significant expansion stemming from Foxconn's massive new manufacturing plant. Wisconsin gave upwards of \$3 billion in incentives to lure the company north of the state line. Once completed, the plant will likely employ upwards of 13,000 workers with an average salary of \$53,000 per year. Construction is expected to commence during the first half of 2018. The entire facility will be around 20 msf. This will likely drive further development within the submarket as supporting companies seek space closer to the new plant. The state's strong incentives package could also drive further growth.



## Market By The Numbers

Map Key	Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Under Construction	Avg Asking Rent
	<b>Overall Market</b>	<b>1,063,879,922</b>	<b>66,750,419</b>	<b>6.3%</b>	<b>4,058,397</b>	<b>12,459,065</b>	<b>\$4.46</b>
1	Lake County	70,101,075	3,076,419	4.4%	808,924	598,078	\$5.55
2	Southern Wisconsin	31,614,688	1,810,592	5.7%	24,641	0	\$4.16
3	North Cook	41,400,392	2,028,142	4.9%	-21,591	368,167	\$5.64
4	O'Hare	112,596,624	5,114,264	4.5%	385,977	2,192,909	\$5.69
5	South Chicago Industrial	102,773,610	5,883,070	5.7%	175,228	140,000	\$6.28
6	North Chicago Industrial	57,049,650	3,443,145	6.0%	713,425	0	\$9.40
7	West Cook	49,194,510	2,777,308	5.6%	-51,093	155,907	\$4.81
8	I-90 East Corridor	20,753,390	2,510,968	12.1%	70,583	40,000	\$4.62
9	I-90 West/Elgin Corridor	32,273,022	2,776,635	8.6%	224,745	50,136	\$4.85
10	McHenry County	23,355,012	1,621,987	6.9%	207,599	0	\$4.27
11	East DuPage	33,188,398	1,642,023	4.9%	-95,608	253,000	\$5.55
12	US-64 Corridor	68,958,099	4,394,265	6.4%	51,771	400,891	\$3.86
13	South Cook	76,750,746	2,566,588	3.3%	329,214	0	\$3.68
14	I-55 Corridor	94,192,113	12,089,573	12.8%	-384,535	1,176,212	\$4.66
15	I-57 Corridor	20,302,963	1,244,906	6.1%	334,944	0	\$6.08
16	I-80 Corridor	78,503,601	5,436,145	6.9%	752,505	6,571,264	\$4.37
17	I-39 Corridor	50,346,459	3,407,351	6.8%	41,666	67,251	\$2.73
18	I-88 Corridor	56,430,110	2,939,263	5.2%	402,931	169,250	\$4.91
19	Northwestern Indiana	44,095,460	1,988,066	4.5%	87,071	0	\$3.82

### Vacancy & Availability

Chicago's overall vacancy rate dipped 20 basis points (bps) from the third quarter and is currently recorded at 6.3%. 12 of the 19 submarkets witnessed declining vacancy. Submarkets that saw the largest downward shift were Lake County, North Chicago, and the I-90 West/Elgin Corridor—dropping 130 bps to 4.4%, 130 bps to 6.0% and 110 bps to 8.6% respectively. Vacancy within the I-80 Corridor has remained unchanged during the fourth quarter despite 8.2 msf of new product having been delivered throughout 2017. Amazon moved into their 438,150-sf building which was the largest space absorbed during the quarter within the I-80 Corridor. The I-55 Corridor saw the highest uptick in vacancy—up 120 bps to 12.8%. This is due in part to the high amount of space delivered throughout the year coupled with a lack of demand.

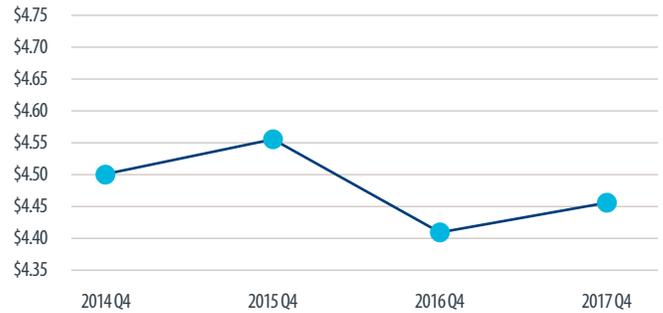
### Absorption & Demand

Leasing activity throughout the Chicago market has remained steady from last quarter. There were 5.5 msf leased during the fourth quarter, bringing the year-end total to 31.5 msf leased in 2017. The average deal size fell 2% from the third quarter to 17,721 sf, while net absorption saw a 26% decrease and is currently recorded at 4 msf. The most active markets during the fourth quarter were Lake County, the I-80 Corridor and North Chicago, which accounted for 56% of total space absorbed.

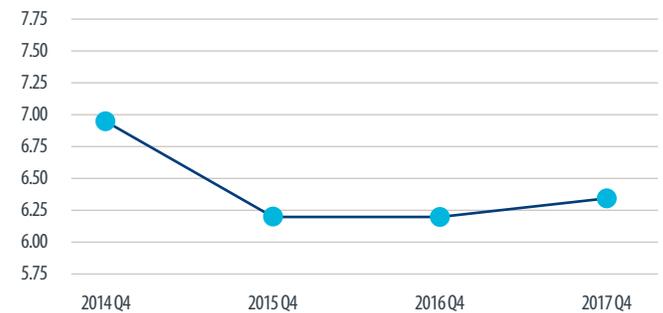
Notable lease transactions include Weiman renewing their 255,418-sf space at 705 Tri-State Pky in the Lake County submarket. They have been at the location since 2013 and have expanded several times. The ODW Company signed a short-term extension for 247,997 sf at 5300 Proviso Dr in the West Cook submarket. Magick Woods has expanded into 213,739 sf at 1600 Sequoia Dr in the I-88 Corridor submarket. This brings their total footprint in the building to 375,040 sf. Demand in the E-commerce and food related industries remains strong.

Overall, asking rental rates remained relatively unchanged, averaging \$4.46 per square foot (psf). Submarkets commanding the highest rental rates are North and South Chicago, I-57 Corridor, O'Hare and North Cook, collectively averaging \$6.62 psf.

#### Average Asking Rental Rate (\$)



#### Vacancy Rate (%)



#### Net Absorption (MSF)



#### Leasing Activity



## Construction

The Chicago market saw a decrease in product delivered during the fourth quarter of 2017—down 79% to 1.7 msf. This drop can be attributed to eight properties delivered during the third quarter that were over 500,000 sf. The largest building to be delivered this quarter was 417,384 sf, the average size delivered was 174,556 sf, and 90% of the new product was built on a speculative basis. There is currently an additional 12.4 msf under construction. The majority of this product is located within the I-80 Corridor, O'Hare and the I-55 Corridor submarkets, which account for 79% of the product under construction.

The above mentioned 417,384 sf building is located within the Southern Wisconsin submarket, located at 11559 80th Ave in Pleasant Prairie. This speculative project was developed by CenterPoint Properties and remains vacant. There are 13 buildings—totaling 2.1 msf—currently under construction in the popular O'Hare submarket, with the majority of the pipeline being speculative. CenterPoint has broken ground on two of the speculative buildings totaling more than 550,000 sf, divided at 225,891 and 333,696 sf, on a 33-acre site located across from O'Hare International Airport on Seymour Avenue. Both properties are scheduled to be delivered in late 2018. The largest project under construction is the 1.5 msf build-to-suit for General Mills. The project is being developed by Ridge Development and was chosen by General Mills due to the excellent location, which is minutes from both the BNSF Logistics Park in Elwood and the Union Pacific Intermodal Terminal in Joliet.

## Investment

Investment within industrial product lagged slightly during the fourth quarter when compared to this time last year. Transactional volume recorded a 5.1% drop year-over-year to \$944.2 million. The average price per sf rose 18.8% over this same time period to \$86 psf. Over the last 12 months, the most active buyers of industrial product were institutional and private capital, accounting for 33% and 29% respectively. Canadian investors continued to pour capital into the marketplace, acquiring \$192 million worth of product in 2017.

The largest individual property sale was the Core5 Logistics Center located at 1023 E Laraway Rd in Joliet. The recently completed 1,026,000 sf speculative building traded for \$49.3 million or \$49 psf. The buyer was Core5 Industrial Partners who purchased from developer Exel, Inc. (DHL Supply Chain). 3300-3500 Corporate Dr in Joliet also traded during the fourth quarter; it was 100% leased at the time of sale. The 442,484-sf building was purchased by TA Realty from JLL Income Property Trust for \$28.2 million or \$63 psf.



*A newly completed speculative project located at 4050 Rock Creek Blvd. in Joliet adds 291,728 sf to the I-80 Corridor submarket.*

## Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
Del Monte Foods, Inc	501 S Steward Rd	I-39 Corridor	312,750	Renewal
Weinman	705 Tri-State Pky	Lake County	255,418	Renewal
The ODW Company	5300 Proviso Dr	West Cook	247,997	Renewal
Majick Woods Inc	1600 Sequoia Dr	I-88 Corridor	213,739	Expansion
Unknown	1240 N Central Ave	I-39 Corridor	182,000	New
M&R Printing	440 Medinah Rd	US-64 Corridor	162,840	New

## Notable Sales

Address	Size (SF)	Buyer	Seller	Sales Price
1023 E Laraway Rd, Joliet, IL	1,026,000	Core5 industrial Partners	Exel Inc	\$49,363,500
3300-3500 Corporate Dr, Joliet, IL	442,484	TA Realty	JLL Income Property Trust, Inc	\$28,200,000
4404 W Anne Lurie Pl, Chicago, IL	310,775	High Street Equity Advisors	Westmount Realty Capital LLC	\$18,950,000
175 Mercedes Dr, Carol Stream, IL	290,095	Exeter Property Group	American Litho	\$17,800,000



### Notable Q4 Construction [200,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	Major Tenants	% Leased**
I-80 Corridor	30131 Ridgeway Blvd	1,508,425	BTS	Q2-2018	Ridge Development	General Mills	100%
I-80 Corridor	650 Emerald Ave	1,250,000	BTS	Q2-2018	Gray Construction Co.	IKEA	100%
I-80 Corridor	Houbolt Rd & Route 6	1,220,140	Speculative	Q2-2018	The Opus Group	None	0%
I-80 Corridor	24101 S Frontage Rd	1,000,110	Speculative	Q1-2018	USAA Real Estate Company	None	0%
I-80 Corridor	30260 Graaskamp Blvd	810,000	Speculative	Q1-2018	Ridge Development	None	0%
Lake County	Gregory Dr	558,500	BTS	Q3-2018	IDI Logistics	Undisclosed	100%
O'Hare	11601 Copenhagen Ct	400,192	Speculative	Q4-2018	Panattoni Development Co	None	0%
I-80 Corridor	Route 6 & Houbolt Rd	355,199	Speculative	Q2-2018	First Industrial	None	0%
O'Hare	10701 Seymour Ave	333,696	Speculative	Q2-2018	CenterPoint Properties	None	0%
I-55 Corridor	16200 W 163rd St	302,588	Speculative	Q3-2018	Exeter Properties	None	0%
US-64 Corridor	Hecht Rd	300,000	BTS	Q3-2018	Rana USA	Rana USA	100%
I-55 Corridor	2501 Internationale Pky	283,436	Speculative	Q2-2018	Prologis	None	0%
O'Hare	10601 Franklin Ave	277,762	Speculative	Q3-2018	Bridge Development	None	0%
I-80 Corridor	7280 N Lisbon Rd	255,996	BTS	Q1-2018	Costco	Costco	100%
I-88 Corridor	2390 Curtiss St	253,000	BTS	Q3-2018	Rexnord Corp	Rexnord Corp	100%
North Cook	3601 Howard St	236,912	Speculative	Q3-2018	Hillwood	None	0%
O'Hare	10601 Seymour Ave	225,891	Speculative	Q3-2018	CenterPoint Properties	None	0%
O'Hare	10601 Franklin Ave	203,802	Speculative	Q3-2018	Bridge Development	None	0%
<b>Delivery 2018</b>		<b>9,775,649</b>					
<b>Total</b>		<b>12,459,065</b>					

### Notable Q4 Deliveries

Market	Building	NRA	Type	Delivery Date	Developer	Major Tenants	% Leased**
Southern Wisconsin	11559 80th Ave	417,384	Speculative	Q4-2017	CenterPoint Properties	None	0%
I-80 Corridor	4050 Rock Creek Blvd	291,728	Speculative	Q4-2017	IDI Logistics	None	14%
McHenry County	3 Oak Dr	200,000	BTS	Q4-2017	Sage Products		100%
US-64 Corridor	1365-1395 Brewster Creek Blvd	186,000	Speculative	Q4-2017	Ridge Development	None	0%
North Cook	720 Northgate Pky	181,049	Speculative	Q4-2017	Hamilton Partners	None	0%
Southern Wisconsin	99th St	149,811	Speculative	Q4-2017	Zilber Property Group	None	0%
I-55 Corridor	5 Greenwood Ave	140,109	Speculative	Q4-2017	DCT Industrial	None	0%
I-88 Corridor	2119 Fischer Dr	104,957	Speculative	Q4-2017	MOLTO Properties	None	0%
Southern Wisconsin	9511 58th Pl	42,235	Speculative	Q4-2017	Zilber Property Group	None	0%
I-55 Corridor	525 Anderson Dr	32,291	Speculative	Q4-2017		None	0%
<b>Construction Completed Total</b>		<b>1,745,564</b>					

## 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
Houbolt Rd & Route 6	I-80 Corridor	Joliet	IL	2018	1,220,140	1,220,140	0%	AEW Capitaio Management
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	2017	1,026,000	1,026,000	0%	Core5 Industrial Partners
100 E Millsdale Rd	I-80 Corridor	Joliet	IL	2017	992,640	992,640	0%	Hillwood
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%	Edon Construction Co., 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 Gazeley
5800 W Industrial Dr	I-80 Corridor	Monee	IL	2000	701,228	701,228	0%	Exeter Property Group
175 Southcreek Pky	I-55 Corridor	Romeoville	IL	2017	676,026	676,026	0%	Panattoni
2001 N Division St	McHenry County	Harvard	IL	1997	619,590	619,590	0%	Edward Gong
525 Northwest Ave	West Cook	Northlake	IL	2015	588,233	588,233	0%	Prudential Financial, Inc
333 Gibraltar Dr	I-55 Corridor	Bolingbrook	IL	1998	579,900	579,900	100%	Exeter Property Group
825 Bluff Rd	I-55 Corridor	Romeoville	IL	2005	500,160	500,160	0%	James Campbell Company LLC
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
1100 Orchard Gtwy	I-88 Corridor	North Aurora	IL	2016	452,153	452,153	0%	AEW Capital Management
8701 W 47th St	West Cook	McCook	IL	2014	312,289	451,879	68%	Heitman
300 Mitchell Rd	I-88 Corridor	North Aurora	IL	2015	429,756	429,756	47%	Liberty Property Trust
8801 88th Ave	Southern WI	Pleasant Prairie	WI	2016	424,164	424,164	0%	Majestic Realty Co
10 Falcon Ct	I-90 East Corridor	Streamwood	IL	2016	423,726	423,726	0%	USAA Real Estate
1323 Brewster Creek Blvd	US-64 Corridor	Bartlett	IL	2017	421,403	421,403	0%	Exeter Property Group
11559 80th Ave	Southern WI	Pleasant Prairie	WI	2017	417,384	417,384	0%	CenterPoint Properties
50 Southcreek Pky	I-55 Corridor	Romeoville	IL	2016	416,504	416,504	0%	Pizzuti Companies
1000 Veterans Pky	I-55 Corridor	Bolingbrook	IL	1999	405,844	405,844	0%	Prologis
11601 Copenhagen Ct	O'Hare	Franklin Park	IL	2018	400,192	400,192	0%	Panattoni Development Company Inc
2601 Galvin Dr	I-90 West/Elgin Corridor	Elgin	IL	2016	385,372	385,372	0%	McShane Development Co
365 E North Ave	US-64 Corridor	Carol Stream	IL	2017	381,600	381,600	0%	Dermody Properties Inc
14630 S 147th Ct	I-55 Corridor	Lockport	IL	2017	371,994	371,994	0%	ML Realty Partners LLC
10501 Seymour Ave	O'Hare	Franklin Park	IL	2016	367,389	367,389	0%	Molto Capital, LLC
2601 Internationale Pky	I-55 Corridor	Woodridge	IL	1999	356,621	356,621	0%	J.P. Morgan Investment Management Inc
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
16200 W 163rd St	I-55 Corridor	Lockport	IL	2018	308,988	308,988	0%	Exeter Property Group LLC
16200 W 163rd St	I-55 Corridor	Lockport	IL	2018	302,588	302,588	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
16508 S John Lane Crossing	I-55 Corridor	Lockport	IL	2017	300,494	300,494	0%	Duke Realty Corporation
15901 W 147th St	I-55 Corridor	Lockport	IL	2017	293,872	293,872	0%	ML Realty Partners LLC
4050 Rock Creek Blvd	I-80 Corridor	Joliet	IL	2017	291,728	291,316	14%	Industrial Prop Fund Viii
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
1100-1150 W Airport Rd	I-55 Corridor	Romeoville	IL	2017	282,886	282,886	0%	Clarion Partners
2301 Ellis Ct	I-80 Corridor	New Lenox	IL	2005	282,840	282,840	100%	Gramercy Property Trust Inc.
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
3900 Bur Wood Dr	Lake County	Waukegan	IL	2017	400,758	262,424	100%	Bentall Kennedy
2640 Auto Mall Dr	I-90 West/Elgin Corridor	Elgin	IL	2016	257,344	257,344	0%	Zilber Property Group
3900 Brandon Rd	I-80 Corridor	Joliet	IL	2017	751,769	250,456	67%	CenterPoint Properties
3851 Youngs Rd	I-80 Corridor	Joliet	IL	2013	1,001,184	248,774	76%	Higgins Development Partners
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
3601 Howard St	North Cook	Skokie	IL	2018	236,912	236,912	0%	Hillwood
265 Marquett Dr	I-55 Corridor	Bolingbrook	IL	2005	228,480	228,480	0%	Global Logistic Properties Ltd
10601 Seymour Ave	O'Hare	Franklin Park	IL	2018	225,891	225,891	0%	CenterPoint Properties
700 N Enterprize St	I-88 Corridor	Aurora	IL	1990	222,000	222,000	100%	High Street Realty Company LLC
3348 S Pulaski Rd	South Chicago	Chicago	IL	2015	316,680	209,900	34%	PGIM Real Estate
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%	2600 DeKalb IL LLC

## Trends To Watch

**2018 Property Taxes:** The passing of the new tax bill should benefit property owners, prompting further capital investment in commercial real estate ventures.

**Market Drivers:** Demand within E-commerce and food-related industries are expected to remain high throughout 2018.

**O'Hare Development:** The O'Hare submarket is seeing a construction boom with 13 buildings totaling 2.1msf currently under construction. This represents a 46% jump over last year.

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