

Chicago



Quick Stats

4.3%

The unemployment rate remains strong in the Chicago Metro at **4.3%**, a slight increase of 30 basis points from Q4 2018.

13,000 jobs

13,000 jobs have been added to the manufacturing and construction sectors since February of 2018.

1,000,000 sf

The largest spec building is currently a **1,000,000 sf** building being constructed in Kenosha by Darwin Realty & Development.

57%

The construction pipeline is up **57%** year-over-year.

Busiest

O'Hare International was named the **busiest** airport in the United States for 2018.

Chicago Industrial Market

The Chicago industrial Market, comprised of over 1.1 billion square feet (bsf), continued to observe a declining vacancy rate and an abundance of construction activity across most major submarkets during the first quarter. Most of the leasing activity was seen within I-80 Corridor, I-55 Corridor and the O'Hare submarkets representing a total of 3.1 msf and 43% of all leasing velocity. Construction volume remained high across many submarkets, with 59 buildings totaling 19.3 million square feet under construction, much of it speculative. While this figure remains relatively steady from last quarter, it marks the 19th consecutive quarter during which at least 35 buildings totaling more than 10 million square feet have been under construction. This indicates an unusually long cycle for high levels of demand and speculative construction.

Economic Overview

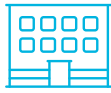
The Chicago economic landscape continued to improve throughout the first quarter of 2019. As of February, the unemployment rate dropped 90 basis points (bps) year-over-year to 4.3%. This is slightly elevated when compared to the national average of 4.1%.

Manufacturing and construction sectors have added 13,000 jobs since February of 2018 contributing to a total of 587,100 jobs between the two sectors, representing a combined 2.2% year-over-year growth.

Chicago O'Hare International Airport was recently recognized as the nation's busiest in terms of total flights for the first time since 2014. O'Hare transported more than 83.4 million passengers in 2018, representing a 4.5% increase year-over-year, according to the Chicago Department of Aviation (CDA). The airport's importance to the industrial sector is clear. On average in 2018, there were 60 cargo flights per day departing from or arriving at O'Hare. International flights carried an average of 3,876 tons of cargo per day, with domestic flights carrying an average of 1,152 tons of cargo per day.

The City of Chicago made history on April 2, 2019 electing Lori Lightfoot as the first African-American female mayor. The changing political landscape has created a sense of uncertainty that will unfold in the second half of 2019.

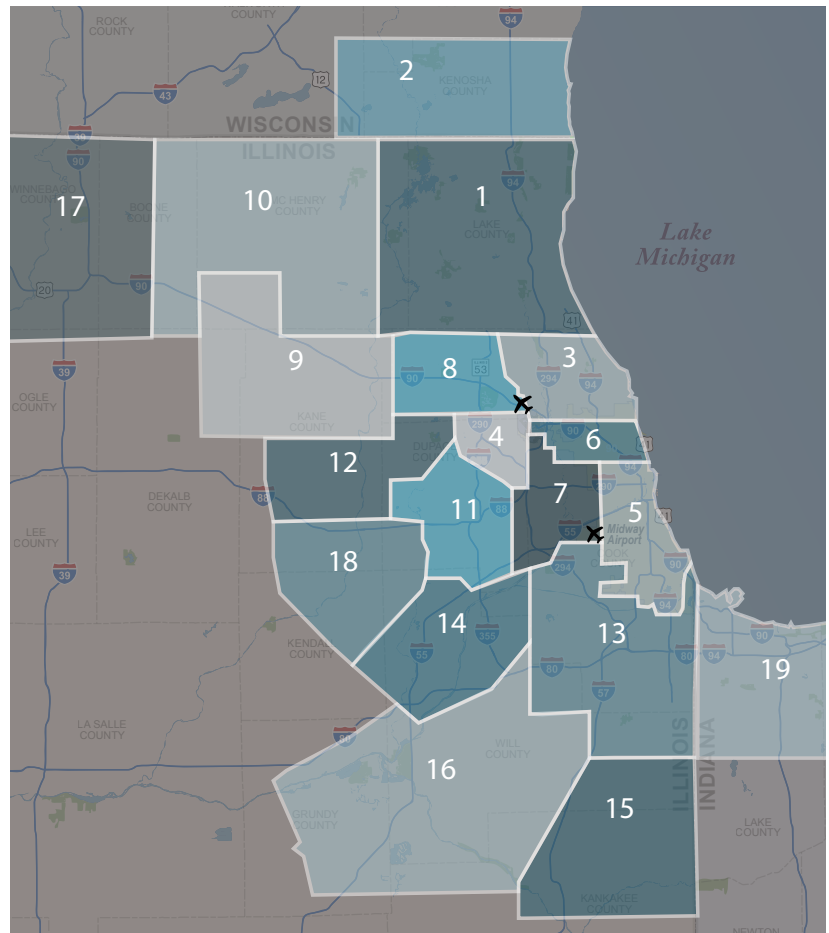
Trends to Watch



Multi-story warehouses continue to be the talk of the industrial sector, as developers look for creative ways to fill demand for last mile and other warehousing space in dense, urban population bases. While there are several proposals in the market in New York City, for example, the prospects of multi-story warehouses in Chicago appear to be years away. Given available land within a 30-minute truck drive from Chicago's urban core, there is little incentive for developers to pay the added cost of buying infill sites and building vertically.



Sale-leasebacks will continue to drive a portion of investment activity in the industrial sector, as they provide stable cash flow for investors and opportunities for businesses to monetize their real estate assets. Tax law changes have prompted many corporations to look closely at how sale leasebacks might positively impact their balance sheets. One notable sale leaseback this quarter was 10411 80th Ave in Pleasant Prairie, WI, which sold for \$16 million or \$81.88 psf. The 195,415-sf property was delivered in January of 2019. Doheny's, a swimming pool supply business, sold the building to STAG Industrial and is leasing the site on a long-term basis.



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	1,116,293,354	66,131,436	5.92%	1,651,752	7,218,291	19,320,347	\$5.38
1	Lake County	72,142,819	3,825,797	5.30%	-332,452	294,165	1,403,943	\$5.84
2	Southern Wisconsin	32,360,640	2,567,790	7.90%	-35,528	301,079	3,860,640	\$4.62
3	North Cook	42,349,601	2,397,182	5.70%	18,041	49,401	150,000	\$6.59
4	O'Hare	114,573,731	7,261,549	6.30%	420,482	934,640	551,381	\$5.06
5	South Chicago Industrial	103,371,863	4,415,365	4.30%	201,943	488,536	1,284,436	\$6.21
6	North Chicago Industrial	54,962,970	3,274,497	6.00%	191,232	237,396	---	\$9.37
7	West Cook	57,487,927	1,887,048	3.30%	46,781	444,580	575,935	\$5.15
8	I-90 East Corridor	20,414,645	604,925	3.00%	231,228	42,156	626,320	\$4.57
9	I-90 West/Elgin Corridor	33,113,293	1,316,955	4.00%	-7,729	60,565	118,457	\$5.23
10	McHenry County	26,540,517	2,103,195	7.90%	-3,064	15,108	---	\$4.85
11	East DuPage	28,954,749	954,037	3.30%	-83,485	246,496	---	\$5.82
12	US-64 Corridor	78,118,552	3,053,589	3.90%	467,068	581,905	1,446,910	\$3.75
13	South Cook	77,485,532	2,907,034	3.80%	-215,003	459,868	219,267	\$4.54
14	I-55 Corridor	96,459,257	10,648,435	11.00%	-74,884	1,071,901	3,496,611	\$5.74
15	I-57 Corridor	21,193,709	424,855	2.00%	-68,300	301,048	---	\$6.50
16	I-80 Corridor	93,609,003	10,191,896	10.90%	1,183,737	1,114,132	4,556,226	\$4.94
17	I-39 Corridor	52,690,644	3,183,310	6.00%	-403,330	215,900	183,000	\$3.37
18	I-88 Corridor	62,951,081	3,861,202	6.10%	-15,629	318,165	847,221	\$5.63
19	Northwestern Indiana	47,530,821	1,252,775	2.60%	130,644	41,250	---	\$4.50

Vacancy & Availability

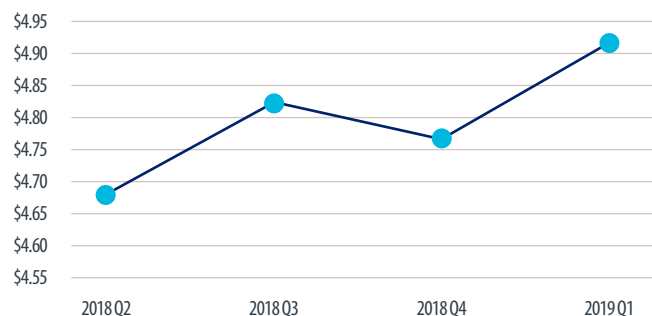
The vacancy rate dropped 20 basis points (bps) since last quarter and is currently recorded at 5.9%. The submarkets that observed the largest gains in occupancy included the I-80 corridor, South Chicago and I-90 East Corridor – dropping 110 bps to 10.9%, 90 bps to 4.3% and 70 bps to 3%, respectively.

The markets with the largest increases in vacancy percentage were Southern Wisconsin, I-88 corridor, and Lake County. Southern Wisconsin vacancy increased 140 bps which can be partially attributed to the flow of speculative construction that is continuing in that market. This quarter alone more than 440,000 sf of speculative properties were delivered. Vacancy in the I-88 submarket was recorded at 6.1%, an increase of 80 basis points. This increase in vacancy can be attributed to the completion of 638,575 sf of speculative space in the first quarter. With Lake County observing slightly weaker leasing activity than last quarter, vacancy increased 50 bps to a still very strong 5.3%.

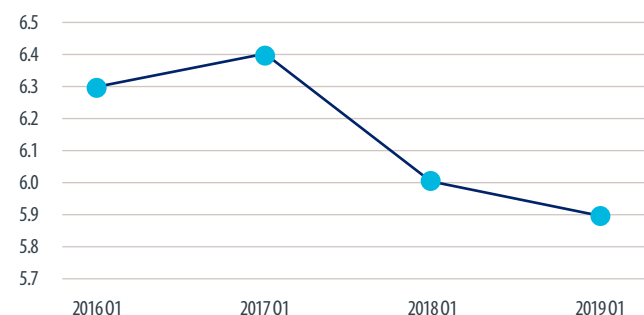
Absorption & Demand

Leasing activity throughout the Chicago market witnessed a slight decline when compared to the previous quarter – down 13% to 7.2 msf. There were a total of 242 leases signed with an average size of 29,100 sf. The submarkets with the highest leasing activity were the I-80, I-55 Corridor and the O'Hare submarkets, which accounted for 3.1 msf and 43% of all leasing activity within the quarter. Demand across the market remains strong with net absorption totaling 1.6 msf. Pharmaceutical company Fresenius Kabi penned the largest lease of the quarter in Pleasant Prairie, Wisconsin. The 590,000-sf lease helped offset the impact of new construction in the submarket to contribute to a relatively neutral -35,000-square-foot net absorption.

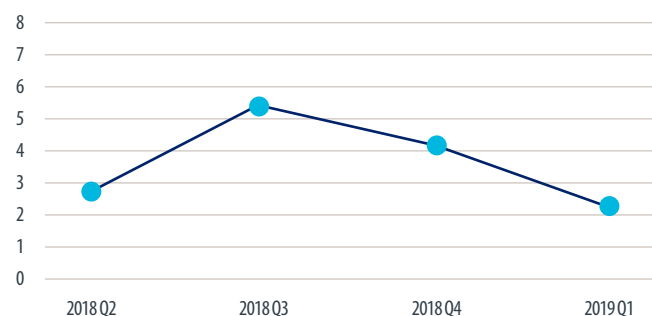
Average Asking Rental Rate (\$)



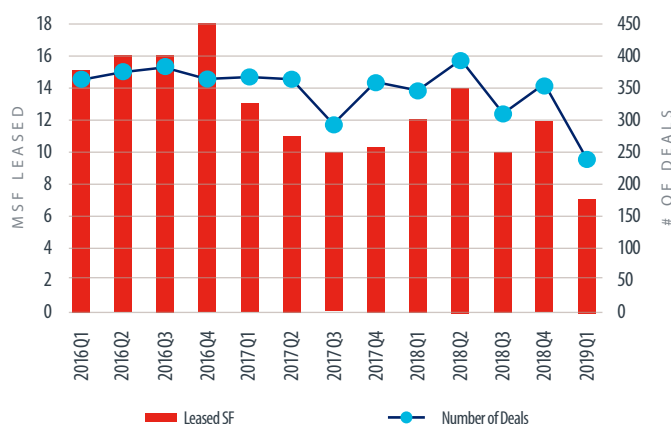
Vacancy Rate (%)



Net Absorption (MSF)



Leasing Activity



43%

*I-80, I-55, & O'Hare Submarkets
accounted for 45% of all leasing
activity signing 3.12 msf in Q1, 2019*

Construction

The market continues to witness tremendous growth in new product being delivered. There is a total of 19.3 msf currently under construction with a dominant presence in I-80, Southern Wisconsin and the I-55 corridor. These three submarkets currently have 11.9 msf under construction, with I-80 corridor submarket totaling 4.5 msf alone.

The largest building under construction is 77th Ave in Kenosha, WI. The development is a 1 msf speculative project underway in the Southern Wisconsin Submarket. The building is being developed by Darwin Realty and Development Corporation. The Southern Wisconsin Submarket currently has 3.8 msf, almost 20% of total square footage under construction.

The most active developer is currently CT Realty Investors. The firm is currently building over 1.3 msf split between two buildings. Both buildings are being constructed on a speculative basis and both are in the I-55 Corridor Submarket.

Chicago. The 512,713 sf property, built in 1950 and renovated in 1992, was sold by CenterPoint Properties to EMCO Chemical Distributors for \$16,650,000 or \$32.47 psf. Many other buildings sold during the quarter were newer, which was reflected in the average sale price for the quarter of \$63 psf. The total size volume accounted for 13.3 msf and was 84.8% leased at the time of sale.

Other notable sales included:

- Alpha Industrial Properties purchasing a new 81,212-sf building at 845 N. Larch in Elmhurst from Venture One Real Estate for \$12.1 million, or \$149 psf, showing the value of modern buildings near transportation hubs.
- Canadian developer Onni Group purchased a 152,914-sf former Greyhound bus maintenance facility at 901-1101 N Halsted St., Chicago for \$248.50 psf. This site may transition from an industrial property to another use, such as residential.

Investment

There were 80 investment sale transactions during the first quarter of 2019, with a transactional volume of \$661.5 million. Following several years of strong activity, this represents a significant dip of 46% in volume when compared to Q1 2018.

The top investment sale transaction during the first quarter of 2019 was the sale of 3601 N Skokie Highway in North



The top investment transaction of Q1 2018 was the purchase of 3601 N Skokie Highway in North Chicago. The 512,713 sf property sold for \$16,650,000 or \$32.47 psf.

Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
Fresenius Kabi	120th Avenue & 122nd Street, Pleasant Prairie, WI	Southern WI	590,525	New
Bed Bath & Beyond	850 Veterans Parkway, Bolingbrook, IL	I-55 Corridor	361,176	New
ODW Logistics	5300 Proviso Drive, Melrose Park, IL	West Cook	343,410	Renewal
First Logistics	2075 W 43rd Street, Chicago, IL	South Chicago	331,059	New
Madden Communications	8725 31st Street, Somers, WI	Southern WI	301,079	New

Notable Sales Comps

Address	Size	Buyer	Seller	Sale Price	Price PSF
3601 N Skokie Hwy, North Chicago, IL	512,713	EMCO Chemical Dist Inc	Centerpoint Properties	\$16,650,000	\$32.47
10411 80th Ave, Pleasant Prairie, WI	195,415	STAG Industrial Inc	Doheny's	\$16,000,000	\$81.88
701 Devon Ave, Elk Grove Village, IL	218,000	ML Realty Partners LLC	Arrow Plastic Mfg	\$14,925,000	\$68.46
1998 Melissa Ln, Aurora, IL	172,654	First Industrial Realty Trust	The Missner Group Co	\$12,258,500	\$71.00
845 N Larch Ave, Elmhurst, IL	81,212	Alpha Industrial Properties	Venture One Real Estate	\$12,101,000	\$149.01

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Construction & Deliveries



Notable Q1 Construction [275,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	% Leased
Southern Wisconsin	77th Ave, Kenosha WI	1,000,000	Speculative	Q4-2019	Darwin	0%
South Chicago	3501 S Pulaski Rd, Chicago IL	999,900	Speculative	Q1-2020	Hilco Real Estate	0%
I-80 Corridor	25101 S Ridgeland Ave, Monee IL	879,040	Speculative	Q4-2019	Location Finders International	0%
I-80 Corridor	3901 Brandon Rd, Joliet IL	826,755	Speculative	Q2-2019	CenterPoint Properties	0%
Southern Wisconsin	12508 38th St, Kenosha WI	800,000	BTS	Q2-2019	Uline	100%
US-64 Corridor	805 Discovery Dr, West Chicago IL	782,000	BTS	Q2-2019	Pritzker Realty Group LLC	100%
I-80 Corridor	21228 Frontage Rd, Shorewood, IL	757,880	Speculative	Q2-2019	HSA Commercial Real Estate	0%
I-55 Corridor	2 Prologis Park 355, Lockport IL	750,314	BTS	Q4-2019	Prologis	100%
Southern Wisconsin	4306 120th Ave, Kenosha IL	748,500	Speculative	Q3-2019	Logistics Property Co LLC	0%
I-55 Corridor	901-1001 W Bluff Rd, Romeoville IL	684,320	Speculative	Q2-2019	CT Realty Investors	0%
I-55 Corridor	901-1001 W Bluff Rd, Romeoville IL	657,540	Speculative	Q2-2019	CT Realty Investors	0%
I-55 Corridor	SW143rd St & Gougar Rd, Lockport, IL	545,010	Speculative	Q4-2019	Krusinski Construction Co	0%
Lake County	1350 Bridge Dr, Waukegan, IL	544,429	Speculative	Q2-2019	Bridge Development Partners	73%
I-55 Corridor	20100 Renwick Rd, Romeoville, IL	543,780	Speculative	Q2-2019	Duke Realty Corporation	0%
Southern Wisconsin	STH 142 & 148th Ave, Kenosha, WI	524,399	Speculative	Q2-2019	Zilber Property Group	1%
I-88 Corridor	2350 Frieder Ln, Aurora, IL	503,244	Speculative	Q3-2019	Sterling Bay	31%
Southern Wisconsin	I-94, Kenosha, WI	500,000	BTS	Q3-2021	HAIRBO of America	100%
I-80 Corridor	1200 Cherry Hill Rd, Joliet, IL	424,000	Speculative	Q2-2019	Northern Builders Inc	0%
US-64 Corridor	2513 Enterprise Cir, West Chicago, IL	399,360	BTS	Q2-2020	CenterPoint Properties	100%
West Cook	1400 S Laramie Ave, Cicero, IL	343,090	Speculative	Q3-2019	Bridge Development Partners	0%
I-90 East Corridor	703-709 W Algonquin Rd, Arlington Hts, IL	331,175	Speculative	Q2-2019	Hamilton Partners	18%
I-55 Corridor	1 Prologis Park 355, Lockport, IL	315,647	Speculative	Q3-2019	Prologis	0%
Southern Wisconsin	4306 120th Ave, Kenosha WI	287,741	Speculative	Q3-2019	Logistics Property Co LLC	0%

TOTAL 14,148,124

CHICAGOLAND

Construction
& Deliveries

Select Notable Q1 Deliveries

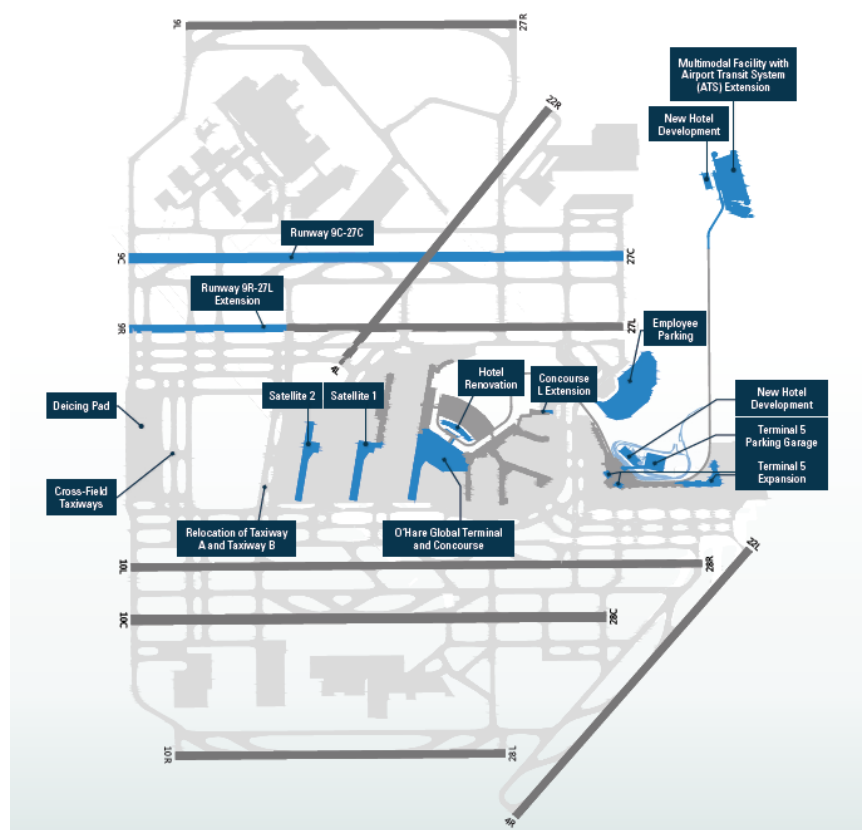
Market	Building	NRA	Type	Developer	Major Tenants	% Leased
O'Hare	11601 Copenhagen Ct, Franklin Park, IL	400,370	Speculative	Panattoni Development Company	N/A	0%
I-90 East Corridor	703-709 W Algonquin Rd, Arlington Hts, IL	331,175	BTS	Hamilton Parters	Taiki USA Inc	37%
US-64 Corridor	1370 Brewster Creek Blvd, Bartlett, IL	300,000	BTS	Rana USA, Inc	Rana Meal Solutions	100%
I-88 Corridor	3800 Finley Rd, Downers Grove, IL	291,345	Speculative	Bridge Development Partners	N/A	0%
O'Hare	10701 Franklin Ave, Franklin Park, IL	277,762	Speculative	Bridge Development Partners	N/A	0%
Southern WI	5312 104th Ave, Kenosha, WI	250,048	Speculative	Zilber Property Group	N/A	0%
I-80 Corridor	2301 W Haven Ave, New Lenox, IL	202,582	BTS	Northern Builders Inc	Automann	100%
Southern WI	10550 86th Ave, Pleasant Prairie, IL	196,300	Speculative	Wangard Partners Inc	N/A	0%
O'Hare	220 N York Rd, Bensenville, IL	190,226	Speculative	EverWest Real Estate Investors LLC	N/A	0%
I-88 Corridor	3600 Lacey Rd, Downers Grove, IL	174,576	Speculative	Bridge Development Partners	N/A	0%
I-88 Corridor	1998 Melissa Ln, Aurora, IL	172,654	Speculative	First Industrial Realty Trust Inc	N/A	0%
O'Hare	200 Innovation Dr, Elk Grove Village, IL	165,128	BTS	Brennan Investment Group	N/A	0%
O'Hare	150 Innovation Dr, Elk Grove Village, IL	151,693	BTS	Brennan Investment Group	N/A	0%
US-64 Corridor	1100 N Raddant Rd, Batavia, IL	102,142	Speculative	Midwest Industrial Funds	N/A	0%

Contiguous Blocks [\[Available Class A Space | 250,000+ SF\]](#)

Building Address	Submarket Name	City	State	Rentable Building Area	Max Building Contiguous Space	Percent Leased	Owner Name
1010 Taylor Rd	I-55 Corridor	Romeoville	IL	824,753	824,753	Existing	Molto Properties LLC
1101 W Airport Rd	I-55 Corridor	Romeoville	IL	787,499	787,499	Existing	Prologis Inc
901-1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	684,320	684,320	Under Construction	CT Realty Investors
175 Southcreek Pky	I-55 Corridor	Romeoville	IL	676,026	676,026	Existing	Panattoni Development Co
901-1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Under Construction	CT Realty Investors
160 S Southcreek Pky	I-55 Corridor	Romeoville	IL	648,960	648,960	Existing	LaSalle Investment Management Inc
SW 143rd St & Gougar Rd	I-55 Corridor	Lockport	IL	545,010	545,010	Under Construction	Krusinski Construction Co
20100 Renwick Rd	I-55 Corridor	Romeoville	IL	543,780	543,780	Under Construction	Duke Realty Corp
145 Pinnacle Dr	I-55 Corridor	Romeoville	IL	469,920	469,920	Existing	Prologis Inc
500 S Pinnacle Dr	I-55 Corridor	Romeoville	IL	407,385	407,385	Existing	Panattoni Development Co
3300 Channahon Rd	I-80 Corridor	Joliet	IL	1,220,140	1,220,140	Existing	AEW Capital Management
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	1,026,000	1,026,000	Existing	Core5 Industrial Partners
24101 S Frontage Rd	I-80 Corridor	Channahon	IL	1,000,110	1,000,110	Existing	USAA Real Estate Company
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Under Construction	Bailly Ridge Owner LLC
3901 Brandon Rd	I-80 Corridor	Joliet	IL	826,755	826,755	Under Construction	CenterPoint Properties
30260 Graaskamp Blvd	I-80 Corridor	Wilmington	IL	810,900	810,900	Existing	Ridge Property Trust
21228 Frontage Rd	I-80 Corridor	Shorewood	IL	757,880	757,880	Under Construction	HSA Commercial Real Estate
23700 W Bluff Rd	I-80 Corridor	Channahon	IL	749,554	749,554	Existing	Oxford Properties Group
2700 Ellis Rd	I-80 Corridor	Joliet	IL	754,923	689,524	Existing	CBRE Global Investors Ltd
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	671,040	671,040	Existing	Angelo, Gordon & C
3901 Rock Creek Blvd	I-80 Corridor	Joliet	IL	464,400	464,400	Existing	CBRE Global Investors Ltd
1695-1701 Crossroads Dr	I-80 Corridor	Joliet	IL	459,469	459,469	Existing	TA Realty
2805 Duke Pky	I-88 Corridor	Aurora	IL	551,200	549,588	Existing	Duke Realty Corporation
2350 Frieder Ln	I-88 Corridor	Aurora	IL	503,244	501,696	Under Construction	Butterfield Lot 401 Owner LLC
2001 N Division St	McHenry County	Harvard	IL	619,590	619,590	Existing	Edward Gong
11601 Copenhagen Ct	O'Hare	Franklin Park	IL	400,370	400,370	Existing	Panattoni Development Co
3501 S Pulaski Rd	South Chicago	Chicago	IL	999,900	999,900	Under Construction	Hilco Real Estate
21700 Mark Collins Dr	South Cook	Sauk Village	IL	776,515	776,515	Existing	WSI
77th Avenue	Southern Wisconsin	Kenosha	WI	1,000,000	1,000,000	Under Construction	Cendrillon LLC
STH 142 & 148th Ave	Southern Wisconsin	Kenosha	WI	524,399	524,339	Under Construction	Zilber Property Group
11290 80th Ave	Southern Wisconsin	Pleasant Prairie	WI	525,688	525,688	Existing	UBS Real Estate Investments Inc

O'Hare International Airport

O'Hare Expansion Plan



Recently, the City of Chicago announced that Studio ORD, led by Jeanne Gang, was selected as the architectural firm that will oversee the design and development of O'Hare International Airport's Terminal 2 rehabilitation. Soon to be renamed the Global Terminal, the Terminal 2 project is estimated at \$8.5 billion and is expected to be completed by 2028. The Global Terminal will result in three new concourses, approximately 25% more gates, and a 50% increase in terminal area.

The Global Terminal project will come in addition to the infrastructure upgrades currently underway at O'Hare. Since 2008, the airport has completed three runways and one runway extension. Currently under construction are one new runway and one runway extension, which are expected to be completed by 2021. Additionally, the airport recently completed a state-of-the-art rental car facility as well as an extension of the airport tram line. The continuing upgrades to both passenger and cargo facilities should keep O'Hare competitive as the busiest airport for years to come.



- 900,000 Flight operations, over 22,000 were cargo flights
- International flight operations are up 47% from 2017.



- Only U.S. gateway where six of the seven major North American railroads can interchange with air cargo.
- Chicago is one of world's top five intermodal container handlers and #1 in Western Hemisphere



- Leading gateway for air cargo between the U.S. and China by both value and tonnage.
- O'Hare is responsible for moving two-thirds of the international cargo in the Midwest.

Source: Chicago Department of Aviation & FAA



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