

Chicago



Quick Stats

3.5%

The Chicago Metro unemployment rate dropped 80 basis points from the previous quarter to 3.5%.

\$65.58

Crude oil reached a price of \$65.58/Barrel in Q2 2019. These are the highest prices observed since October 2018.

27 Properties

The overall Chicago construction pipeline added 27 properties and a total of 6.6 msf throughout the second quarter of 2019.

3.9 MSF

Lake County, US-64 Corridor, and the I-55 Corridor submarkets represented 3.9 msf and 47.9% of all leasing velocity.

Chicago Industrial Market

The Chicago Industrial Market, comprised of over 1.12 billion square feet, continued to observe strong fundamentals throughout the second quarter of 2019. Vacancy witnessed a slight uptick of 30 basis points (bps) up to 6.2% when compared to last quarter.

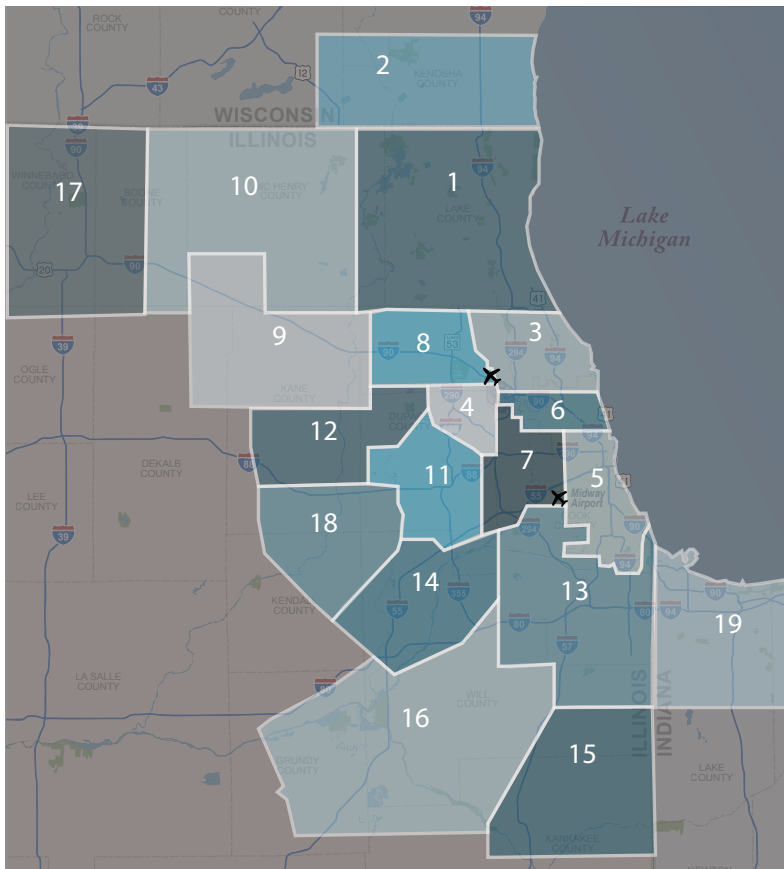
Most of the leasing activity this quarter took place in Lake County, US-64 Corridor, and the I-55 Corridor submarkets. These three markets represented 3.9 msf and 47.9% of all leasing velocity. Logistics and Ecommerce companies signed over 1.9 million square feet (msf) in the second quarter of 2019. At the half-way point of 2019, the Chicago industrial market has recorded 6.2 msf of net absorption. The market is also at 94% occupancy which is the highest in the last decade.

Construction volume increased slightly to 19.3 msf from 18.3 msf last quarter. The speculative construction wave continues as over 70% of the current construction pipeline is being built on a speculative basis. There were 12 properties over 100,000 square feet (sf) delivered to the market in Q2 2019, totaling over 4.6 msf.

Economic Overview

Chicago's diverse economy continued to grow moderately throughout the second quarter of 2019. As of May 2019, unemployment stood at 3.5%, up 10 bps year-over-year. The metropolitan area added more than 65,000 jobs as of May 2019, an increase of 1.4% year-over-year. Lake County observed the largest decrease in unemployment, down 40 bps to 4.1%. The manufacturing sector witnessed an increase of 5,300 jobs or 1.3% compared to May 2018. Trade, transportation and utilities gained 9,100 jobs during the quarter, an increase of 1%.

Chicago and airline officials broke ground during the first half of 2019 on an upgrade and expansion of O'Hare International Airport's Terminal 5 rehabilitation. City officials have stated that this project will increase the space by about 350,000 square feet (sf) and add 10 new gates to the terminal by 2021. The continuing upgrades to both passenger and cargo facilities should keep O'Hare competitive and help retain its position as the busiest airport for years to come.



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	1,124,702,373	69,803,125	6.20%	1,301,734	8,673,807	19,320,902	\$5.97
1	Lake County	72,879,385	3,719,779	5.10%	701,785	991,536	916,125	\$5.74
2	Southern Wisconsin	34,391,305	3,584,356	10.40%	947,971	---	787,741	\$4.50
3	North Cook	42,122,902	2,084,273	4.90%	268,791	395,613	150,000	\$7.30
4	O'Hare	114,238,268	7,092,656	6.20%	292,930	642,561	654,682	\$5.46
5	South Chicago Industrial	104,114,195	5,070,432	4.90%	-36,490	359,643	1,509,900	\$9.61
6	North Chicago Industrial	55,053,759	3,383,254	6.10%	-84,782	126,141	---	\$10.31
7	West Cook	58,289,364	2,140,638	3.70%	-4,598	122,977	1,431,780	\$5.01
8	I-90 East Corridor	22,930,615	890,629	3.90%	-5,188	183,539	494,050	\$4.42
9	I-90 West/Elgin Corridor	33,377,601	1,016,590	3.00%	268,498	283,913	897,100	\$4.78
10	McHenry County	26,591,533	2,073,473	7.80%	-36,518	131,566	---	\$4.88
11	East DuPage	27,800,197	1,070,182	3.80%	-130,058	679,094	153,042	\$5.94
12	US-64 Corridor	78,653,121	4,026,616	5.10%	-584,267	1,133,512	2,172,739	\$5.40
13	South Cook	77,280,708	2,562,702	3.30%	-44,890	168,091	219,267	\$4.89
14	I-55 Corridor	96,978,760	9,931,493	10.20%	825,752	1,765,393	5,534,237	\$5.87
15	I-57 Corridor	20,921,237	1,710,568	8.20%	-1,285,713	117,600	---	\$6.50
16	I-80 Corridor	94,578,829	11,064,848	11.70%	137,136	514,364	3,421,058	\$5.29
17	I-39 Corridor	53,874,234	3,007,339	5.60%	245,771	---	263,000	\$3.80
18	I-88 Corridor	63,000,843	3,902,838	6.20%	87,404	752,469	716,181	\$6.56
19	Northwestern Indiana	47,625,517	1,470,459	3.10%	-261,800	305,795	---	\$4.44

Vacancy & Availability

The vacancy increased 30 bps since last quarter and is currently recorded at 6.2%. The submarkets that observed the most significant decreases in vacancy were North Cook, I-55 Corridor, and the I-39 Corridor – decreasing 80 bps to 4.9%, 80 bps to 10.2% and 40 bps 5.6%, respectively.

The markets with the largest increases in vacancy percentage were the I-57 corridor, US-64, and Southern Wisconsin. The I-57 corridor increasing 620 bps to 8.2%, 120 bps to 5.1%, and 250 bps to 10.4%, respectively. The significant drop in the I-57 Corridor is largely attributed to Sears vacating its nearly 1.4 msf logistics center in Manteno, IL. Southern Wisconsin had three buildings totaling over 2 msf deliver in the second quarter, increasing the submarket's inventory by more than 6%

Absorption & Demand

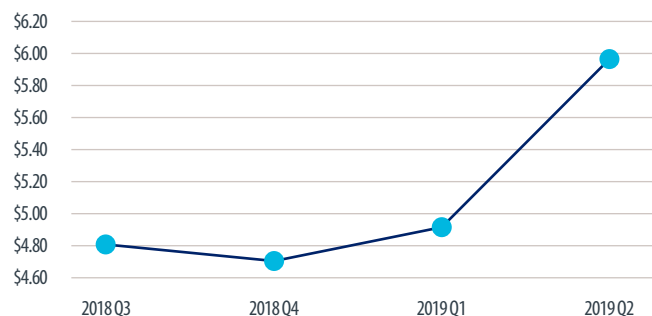
The Chicago industrial market witnessed an increase in total leasing activity of over 20% - up to 8.67 msf. There were 266 leases signed with an average size of 30,542 sf. The submarkets with the highest leasing activity were Lake County, US-64 Corridor, and the I-55 Corridor submarkets. These three markets represented 3.9 msf and 47.9% of all leasing velocity. Demand remained strong across the market with net absorption totaling 1.3 msf. The largest lease of the quarter was signed by Wholesale Interiors which subleased 549,588 sf from Follett Higher Education's space in Aurora.

Out of the top seven lease deals this quarter, four were renewals and one was a sublease. The largest contribution to net absorption was RJW Transport moving into their 416,000-sf space at 50 Southcreek Parkway in Romeoville. RJW has continued to increase their footprint in the Chicago market, confirming that Chicago is still essential in the logistics and ecommerce industry.

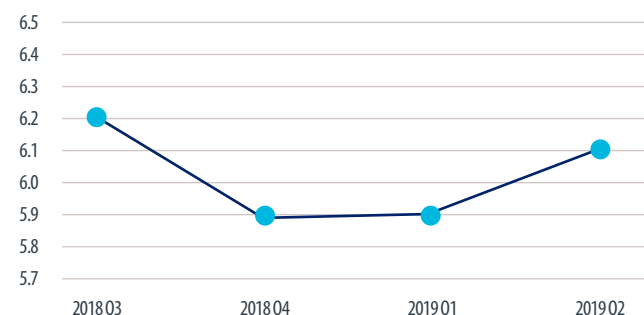


The largest tenant move out was Sears vacating their 1.38 msf building located at 1600 N Boudreau Road, Manteno. The move-out significantly impacted the net absorption of the I-57 Corridor submarket.

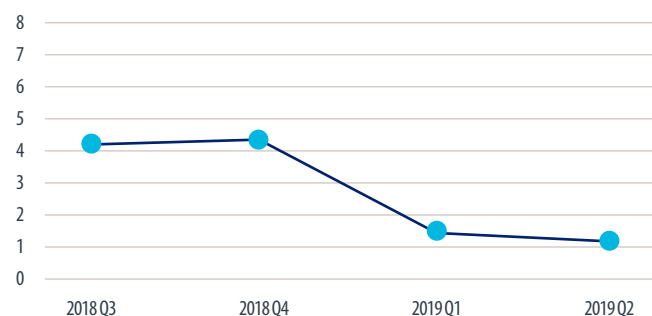
Average Asking Rental Rate (\$)



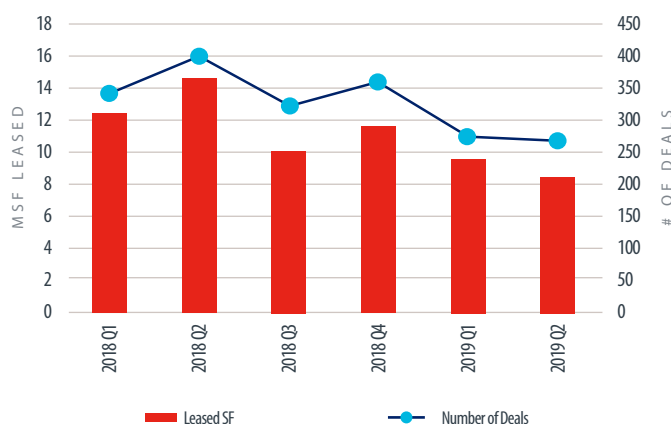
Vacancy Rate (%)



Net Absorption (MSF)



Leasing Activity



Construction

Institutional capital continues to be bullish on new industrial product, particularly in the O'Hare submarket. This funding is a key factor driving the development pipeline -- and there appears to be no end in sight throughout the remainder of 2019. One exception is the big box activity in I-80, where additional absorption is needed before new buildings could break ground.

Construction activity has remained strong across the market, with 19.3 msf currently under construction and an estimate of 8 msf to deliver within the remainder of 2019. 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.

The overall Chicago construction pipeline added 27 properties and a total of 6.6 msf throughout the second quarter of 2019. The largest project to break ground within the second quarter was a build-to-suit for alcohol beverage company Diageo. The massive 1.5 msf building will be the distribution counterpart to their current production facility already in Plainfield. There were a total of 16 buildings delivered to the market, adding an additional 4.8 msf to the massive Chicagoland inventory. The largest building to be delivered within the second quarter of 2019 was 12508 38th St in Kenosha, WI. The 800,000-sf build-to-suit project was built for Uline, the ever-growing distributor of shipping, industrial and packaging materials.

The O'Hare submarket continues to see good demand from developers and a shortage of land for development. This activity

has pushed up land prices, which are hovering around \$25 psf. That pricing may increase as some of the new product is absorbed and if sites can be delivered in DuPage County.

Brennan Investment Group recently signed their first lease in Elk Grove Technology Park for a 43,206-sf lease with Broetje-Automation. This business park is being developed on one of the last remaining large parcels of land in the O'Hare submarket which is approximately 80 acres. The site will be the U.S. headquarters and production facility for manufacturing and assembling robotic systems and automated composite manufacturing equipment.

Investment

Industrial assets continued to be a favorite sector for investors. Transactional volume during the second quarter was recorded at \$546 million with an average price of \$69 psf. Canadian investors continued to pour capital into the marketplace, acquiring \$152 million worth of product year-to-date in 2019. Over the past 24 months, the most active buyers of Chicago industrial product were Prologis and Blackstone, acquiring \$1.2 billion and \$957 million, respectively.

The largest sale of the quarter was 5959 West Howard Street in Niles. The property traded hands from Scannell Properties to the Saudi Arabia based REIT, SEDCO Capital. The 306,448-sf property sold for \$84,262,500 or \$274.97/sf. The property was built in 2015 as a build-to-suit for FedEx, which still has 11 years remaining on their 15-year lease.

Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
Wholesale Interiors	2805 Duke Parkway, Aurora, IL	I-88 Corridor	549,588	Sublease
Armada	1255 N Schmidt Road, Romeoville, IL	I-55 Corridor	460,800	Renewal
Lennox	175 Southcreek Parkway, Romeoville, IL	I-55 Corridor	384,000	New
Ferguson	880 S Rohlwing Road, Addison, IL	East DuPage	308,782	Renewal
Accuride Corporation	4050 Rock Creek Boulevard, Joliet, IL	I-80 Corridor	291,728	Renewal
Rockpoint Logistics	901 Bilter Road, Aurora, IL	I-88 Corridor	291,510	Renewal
Convenience Concepts	1717 W Harvester Road, West Chicago, IL	US-64 Corridor	286,622	New

Notable Sales Comps

Address	Size	Buyer	Seller	Sale Price	Price PSF
5959 W Howard Street, Niles, IL	406,448	SEDCO Capital	Scannell Properties	\$84,262,500	\$207
308 S Division Street, Harvard, IL	1,331,727	Brennan Investment Group	Industrial Realty Group	\$26,569,500	\$20
2101 Dralle Road, University Park, IL	679,600	Brennan Investment Group	BlueLinx Corporation	\$23,000,000	\$34
95 N 17th Street, Saint Charles, IL	238,401	New Mountain Capital	Pretium Packaging	\$17,000,000	\$71
10550 86th Avenue, Pleasant Prairie, IL	196,400	Scannell Properties	Wangard Partners Inc.	\$14,543,496	\$74

CHICAGOLAND

Construction
& Deliveries

Notable Q2 Construction [275,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	% Leased
I-55 Corridor	Steiner Rd & 143rd St Plainfield, IL	1,500,000	BTS	Q1-2020	Seefried Properties	100%
South Chicago	3501 S Pulaski Rd, Chicago, IL	999,900	Speculative	Q2-2020	Hilco Real Estate	0%
I-80 Corridor	25101 S Ridgeland Ave, Monee, IL	879,040	Speculative	Q3-2019	Location Finders International	0%
I-80 Corridor	3901 Brandon Rd, Joliet, IL	826,755	Speculative	Q3-2019	CenterPoint Properties	0%
US-64 Corridor	805 Discovery Dr, West Chicago, IL	782,000	BTS	Q3-2019	Prtizker Realty Group, LLC	100%
I-55 Corridor	2 Prologis Park 355, Lockport, IL	750,314	BTS	Q3-2019	Prologis	100%
I-80 Corridor	Cargo Ct, Minooka, IL	705,661	BTS	Q3-2019	Prologis	100%
I-55 Corridor	901-1001 W Bluff Rd, Romeoville, IL	684,320	Speculative	Q3-2019	CT Realty Investors	0%
West Cook	1400 S Laramie Ave, Cicero, IL	575,935	Speculative	Q3-2019	Bridge Development Partners	0%
I-55 Corridor	775 Veterans Pky, Bolingbrook, IL	573,752	Speculative	Q2-2020	Crow Holdings	0%
I-55 Corridor	20100 Renwick Rd, Romeoville, IL	543,780	Speculative	Q3-2019	Duke Realty Corporation	0%
I-55 Corridor	SW 143rd St & Gougar Rd, Lockport, IL	542,944	Speculative	Q1-2020	ML Realty	0%
I-88 Corridor	2350 Frieder Ln, Aurora, IL	503,244	Speculative	Q3-2019	Sterling Bay	0%
Southern Wisconsin	I-94, Kenosha, WI	500,000	BTS	Q3-2021	Haribo	100%
US-64 Corridor	555 Innovation Dr, West Chicago, IL	500,000	Speculative	Q1-2020	Scannell Properties	31%
I-80 Corridor	1200 Cherry Hill Rd, Joliet, IL	424,000	Speculative	Q3-2019	Northern Builders, Inc	100%
South Chicago	S Woodlawn Ave, Chicago, IL	400,000	Speculative	Q1-2020	Ryan Companies US, Inc	0%
I-90 East Corridor	703-709 W Algonquin Rd, Arlington Heights, IL	331,175	BTS	Q3-2019	Hamilton Partners	18%
I-90 West/ Elgin Corridor	2451 Bath Rd, Elgin, IL	325,020	Speculative	Q4-2019	Scannell Properties	0%
I-55 Corridor	1 Prologis Park 355, Lockport, IL	315,647	Speculative	Q4-2019	Prologis	0%
US-64 Corridor	2525 Enterprise Cir, West Chicago, IL	303,601	Speculative	Q4-2019	Midwest Industrial Funds	0%
Southern Wisconsin	4306 120th Ave, Kenosha, WI	287,741	Speculative	Q3-2019	Logistics Property Co, LLC	0%
TOTAL		13,254,829				

CHICAGOLAND

Construction & Deliveries



Select Notable Q2 Deliveries [100,000+ SF]

Market	Building	NRA	Type	Developer	Major Tenants	% Leased
South Chicago	2545 W 24th St Chicago, IL	174,536	Speculative	Venture One	Concordance Healthcare Solutions	100%
Southern WI	12508 38th St Kenosha, WI	800,000	BTS	Uline	Uline	100%
Southern WI	4306 120th Ave Kenosha, WI	748,500	Speculative	Logistics Property Co LLC	N/A	0%
Southern WI	2602 128th Ave Kenosha, WI	524,399	Speculative	Zilber Property Group	N/A	0%
I-55 Corridor	901-1001 W Bluff Rd Romeoville, IL	657,540	Speculative	CT Realty Investors	N/A	0%
O'Hare	3311 Charles St Franklin Park, IL	113,747	Speculative	Crow Holdings Industrial	N/A	0%
I-80 Corridor	21530-21540 Frontage Rd Shorewood, IL	757,880	Speculative	HSA Commercial Real Estate	N/A	0%
I-80 Corridor	24601 S Frontage Rd E Channahon, IL	252,208	Speculative	Crow Holdings Industrial	N/A	0%
I-88 Corridor	540 Frontenac Rd Naperville, IL	131,040	Speculative	Peak Construction	N/A	0%
US-64 Corridor	27W461 North Ave Winfield, IL	265,550	Speculative	Conor Commercial	N/A	0%
O'Hare	1055-1065 Sesame St Bensenville, IL	116,294	Speculative	Peak Construction	N/A	0%
I-90 East Corridor	1731 Wall St Mount Prospect, IL	132,270	Speculative	Black Creek Group	N/A	0%

Contiguous Blocks [\[Available Class A Space | 450,000+ SF\]](#)

Building Address	Submarket Name	City	State	Rentable Building Area	Max Building Contiguous Space	Building Status	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
901-1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Existing	CT Realty Investors
775 Veterans Pky	I-55 Corridor	Bolingbrook	IL	573,752	573,752	Under Construction	Crow/Diamond Realty
20100 Renwick Rd	I-55 Corridor	Romeoville	IL	543,780	543,780	Under Construction	Duke Realty Corp
SW 143rd St & Gougar Rd	I-55 Corridor	Lockport	IL	542,944	542,944	Under Construction	ML Realty Partners LLC
145 Pinnacle Dr	I-55 Corridor	Romeoville	IL	469,920	469,920	Existing	Prologis Uslv Subreit 4 LLC
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
21100 SW Frontage Rd	I-80 Corridor	Shorewood	IL	1,000,053	507,187	Existing	Clarion Partners
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Under Construction	Bailey Ridge Owner LLC
3901 Brandon Rd	I-80 Corridor	Joliet	IL	826,755	826,755	Under Construction	Prudential Financial
30260 Graaskamp Blvd	I-80 Corridor	Wilmington	IL	810,900	810,900	Existing	Elion Partners
21530-21540 Frontage Rd	I-80 Corridor	Shorewood	IL	757,880	757,880	Existing	HSA Commercial Real Estate
2700 Ellis Rd	I-80 Corridor	Joliet	IL	754,923	689,524	Existing	CBRE Global Investors Ltd
23700 W Bluff Rd	I-80 Corridor	Channahon	IL	749,554	749,554	Existing	Oxford Properties Group
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
251 Laraway Rd	I-80 Corridor	Joliet	IL	374,460	374,460	Existing	Global Logistic Properties Ltd
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	503,244	Under Construction	Butterfield Lot 401 Owner LLC
2001 N Division St	McHenry County	Harvard	IL	619,590	619,590	Existing	Edward Gong
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
11290 80th Ave	Southern Wisconsin	Pleasant Prairie	WI	525,688	502,033	Existing	UBS Real Estate Investments Inc
2602 128th Ave	Southern Wisconsin	Kenosha	WI	524,399	524,339	Existing	Zilber Property Group

O'Hare Sales Activity

Could users soon be priced out of the market for investment sales?

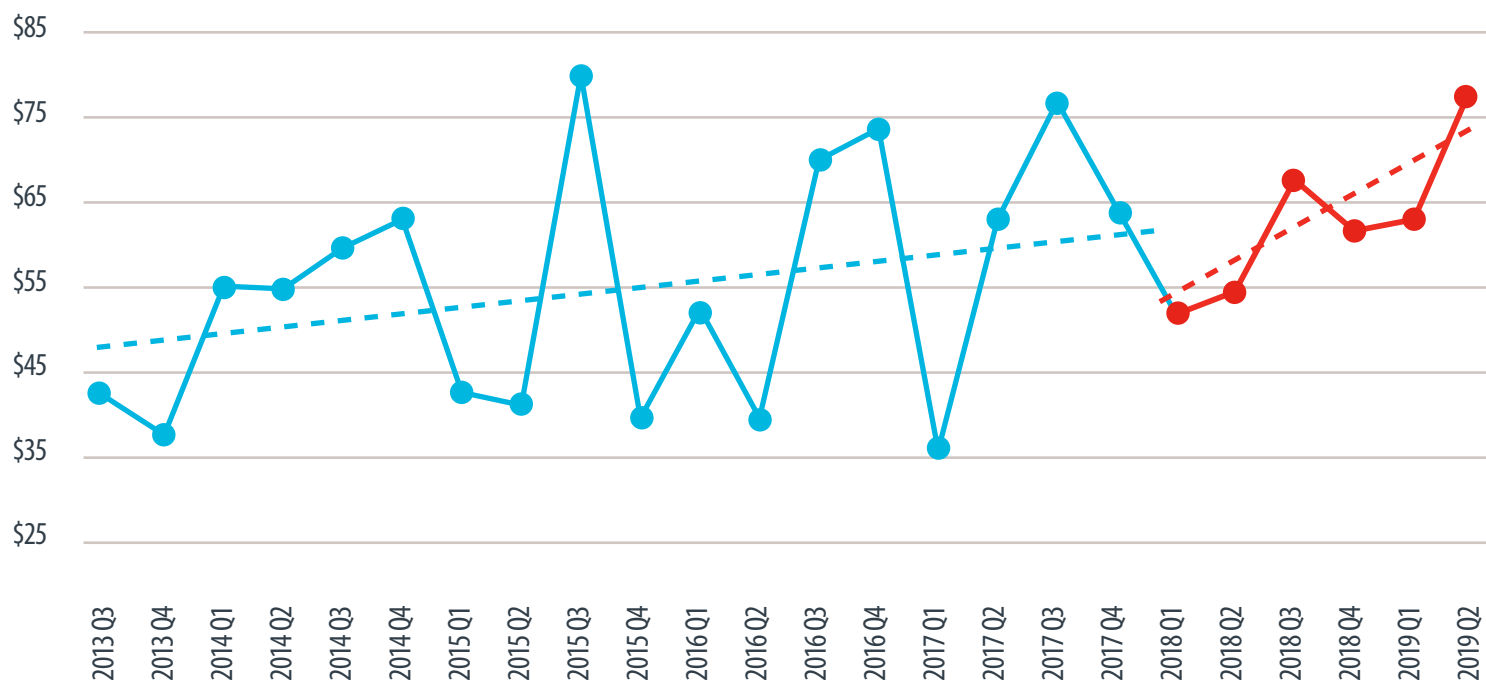
Low inventory and robust demand are pushing O'Hare industrial sales to record highs, reaching levels only seen once before during a rare spike in 2015. The past six quarters have witnessed significant pricing growth, climbing to an impressive \$75 psf. The average price psf grew more than 50.2% from Q1 2018 to current. This represents average annual growth of 33.5%. Current growth vastly outpaces historic pricing compared to the last five years, which had average annual growth of only 4.5%. Fueling this price growth was the demand of simply being in the O'Hare submarket there were more sales in 2018 than any other year before.

More than 60% of the sales in the O'Hare submarket over the last five years have been investor transactions, forcing user/owner purchasers to compete with large investment players. This dynamic significantly impacts pricing as investor demand drives value upward.

Since Q3 2013, there have been 325 industrial investment sales in the O'Hare submarket, totaling \$1.66 billion across 30.5 msf of space. The average building size was 94,059 sf.

With the majority of class A assets in the O'Hare submarket controlled by institutional owners who are not looking to sell, other investors and users are required to shift their focus to class B and class C assets. Given this dynamic, values for class B and class C assets should continue to rise. Both users and investors are also watching the Chicago area property tax situation and its potential to affect operating costs. Due to the property tax situation in Cook County, along with the current demand from potential purchasers, sellers of class B and class C industrial assets located in DuPage County may see a 25% to 35% premium in pricing compared to Cook County assets.

O'Hare Historical Sales Comparison





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