

Chicago



Market Facts

4.0%

As of October 2018, unemployment stood at **4.0%**, down 60 basis points (bps) year-over-year.

10,600 Jobs

The construction sector recorded a significant increase in employment year-over-year to **10,600 jobs**, an increase of 5.8%.

764,895 SF

Orchard Gateway in Aurora will be home to the largest active industrial speculative development project within the I-88 corridor. The warehouse distribution facility will be approximately **764,895 sf** and sit on 53 acres.

Interest Rates

The Federal Reserve has raised **interest rates** four times within 2018, bringing the total number of hikes to nine since late 2015.

Chicago Industrial Market

Strong demand continues to drive Chicago's industrial market, with food and transportation industries, in particular generating significant leasing volume and net absorption. Once again, the Southern Wisconsin market witnessed a significant increase in construction activity, raising the total amount to 4.9 msf, a 50% increase from the previous quarter. Construction activity also increased by 59% when compared year-over-year, with a total of 19,483,067 sf currently under construction. The overall market vacancy rate increased 40 bps during the fourth quarter of 2018, up to 6.1% from 5.7% last quarter.

Economic Overview

The Chicago economic climate continued to accelerate throughout the fourth quarter of 2018. As of October, the unemployment rate dropped 60 basis points (bps) year-over-year to 4.0%. Both DuPage and Kenosha continue to record the lowest unemployment rates in the region, posted at 3.1% and 3.3% respectively. Lake County, Indiana has the highest unemployment rate within the region, currently sitting at 4.9% with an increase of 30 bps year-over-year.

Due to the prime location and superlative infrastructure, the Chicago market continues to interest new companies and see expanding footprints of existing companies. As home to six of the nation's seven Class I North American railroads and access to six major U.S. Interstates, Chicago remains a primary U.S. rail hub and home to top logistics and manufacturing operations.

Throughout 2018, the Federal Reserve has raised interest rates 4 times, illustrating a healthy economy. With the increased interest rates, a reduction in the borrowing of funds could impact investment in commercial real estate in the year ahead.

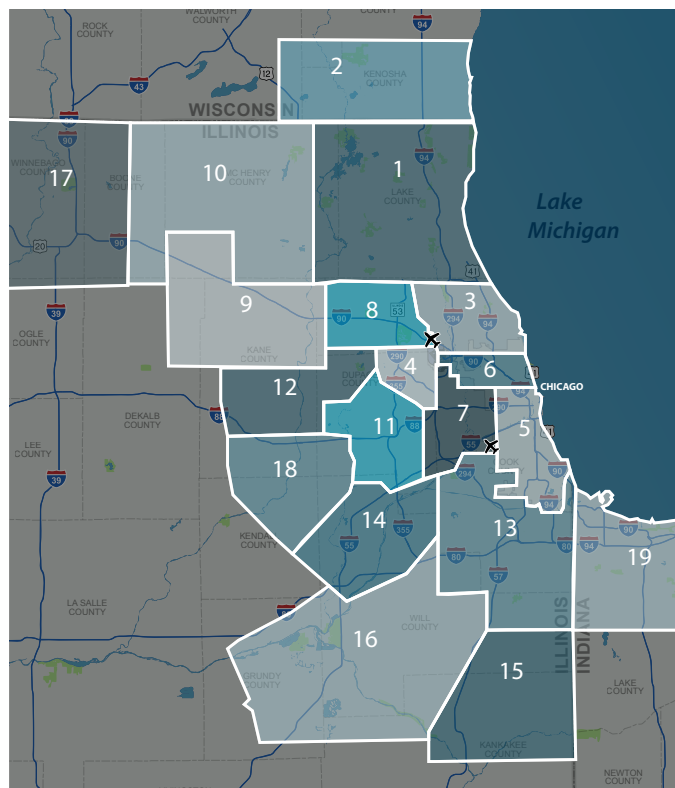
Trends To Watch

Increase in Artificial Intelligence within Warehouses:

The Chicago market has seen an increase in the use of artificial intelligence within industrial warehouses, enhancing business productivity and efficiency. Examples of this can be seen in build-to-suit projects for IKEA (1.25 msf) and Amazon (2.6 msf) within the I-80 Corridor and Southern Wisconsin sub-markets respectively.

Tariffs: As the full impact of tariffs on Chinese imports and exports is still undetermined, it is a market trend Avison Young is tracking. Some effect can already be seen within the US agricultural industry, which could influence the broader food industry, including food manufacturing, wholesale distribution operations and segments of the restaurant industry.

Overbuilding in Some Areas: Concerns of overbuilding loom within the I-80 Corridor and other Chicago land sub-markets. Within the past 12 months, the I-80 Corridor has added 7.7 msf of new inventory with an additional 3.3 msf currently under construction.



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	1,125,353,733	67,916,647	6.1%	4,240,496	8,345,800	19,483,067	\$4.61
1	Lake County	71,900,337	3,280,345	4.6%	807,908	671,397	1,373,943	\$5.82
2	Southern Wisconsin	31,878,936	2,078,045	6.5%	-769,777	42,235	4,958,589	\$4.61
3	North Cook	42,265,613	2,383,491	5.6%	-166,192	494,180	0	\$6.70
4	O'Hare	113,199,833	6,512,587	5.8%	178,666	1,143,834	1,622,856	\$5.44
5	South Chicago Industrial	104,369,490	5,450,902	5.2%	460,865	502,313	480,173	\$5.88
6	North Chicago Industrial	55,630,654	3,535,899	6.4%	-245,993	120,506	0	\$8.72
7	West Cook	57,387,992	2,219,515	3.9%	263,527	69,208	575,935	\$5.19
8	I-90 East Corridor	20,241,508	742,575	8.9%	362,766	164,330	782,370	\$4.48
9	I-90 West/Elgin Corridor	32,921,981	1,436,384	4.4%	184,752	494,046	118,457	\$5.54
10	McHenry County	26,512,585	2,100,131	7.9%	165,542	154,726	0	\$4.49
11	East DuPage	33,048,875	1,133,114	3.4%	273,438	280,897	678,858	\$5.89
12	US-64 Corridor	77,832,381	3,406,335	4.4%	427,530	730,061	1,962,142	\$3.58
13	South Cook	86,178,925	3,235,901	3.8%	193,241	682,753	0	\$4.66
14	I-55 Corridor	96,733,307	10,945,545	11.3%	981,978	2,013,228	2,201,287	\$5.55
15	I-57 Corridor	20,647,032	350,755	1.7%	7,700	23,000	0	\$6.50
16	I-80 Corridor	93,060,153	11,127,020	12.0%	57,555	131,498	3,562,905	\$3.87
17	I-39 Corridor	52,148,003	3,164,681	6.1%	344,493	17,537	183,000	\$3.28
18	I-88 Corridor	62,264,702	3,302,503	5.3%	798,419	40,705	982,552	\$5.52
19	Northwestern Indiana	47,131,426	1,510,919	3.2%	504,851	569,346	0	\$4.33

Vacancy & Availability

The Chicago market recorded a slight uptick in vacancy, seeing a 40 bps increase to 6.1% from 5.7% in the previous quarter. The submarkets with the most significant decreases in vacancy were McHenry County and I-39 Corridor, decreasing 180 bps and 70 bps respectively. Southern Wisconsin and O'Hare saw the largest increase in vacancy, up 280 bps to 6.5% and up 120 bps to 5.8% respectively.

The submarkets with the highest vacancy rate are the I-80 Corridor and I-55 Corridor with 12% and 11.3%. These vacancy increases can be attributed to the spike in construction deliveries over the past two years, with 15.4 msf delivered in I-80 and 5.7 msf delivered in I-55.

Absorption & Demand

Overall Leasing activity across the market remained strong with a total of 3.8 msf leased throughout the fourth quarter. This correlates to an additional 1.2 msf, marking a 16% increase from the third quarter 2018. Submarkets which recorded the most activity were the I-55 Corridor, O'Hare and US-64 Corridor. These three submarkets accounted for 8 msf total and 46% of overall space leased in the Chicago Market.

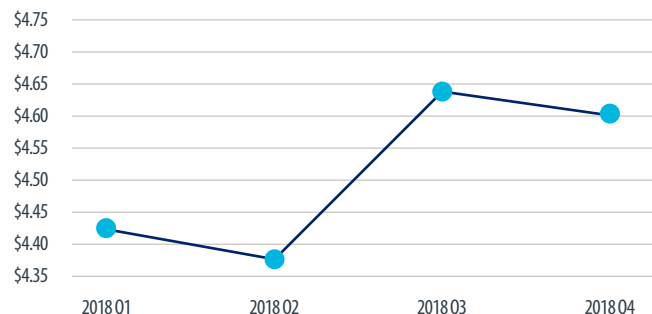
The largest lease signed YTD was inked by Kellogg. The food manufacturing giant will occupy 705,661 sf at 6225 E. Minooka Dr. within the I-80 corridor. Construction began in the fourth quarter 2018 with an estimated completion in the second quarter of 2019.

The largest lease signed during the fourth quarter of 2018 was signed by RJW Transport, who will occupy 416,504 sf located at 50 Southcreek Parkway within the I-55 Corridor. RJW Transport is a Chicago-based, nationwide logistics provider that significantly increased their local footprint in 2018, adding an additional 1.1 msf, all of which is within the I-55 corridor.

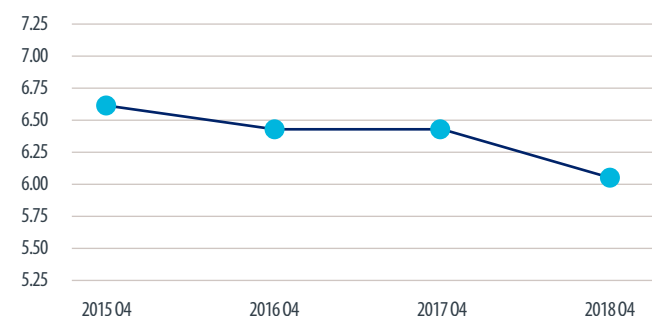
3.8 msf

Overall Leasing activity across the market remained strong with a total of 3.8 msf leased throughout the fourth quarter.

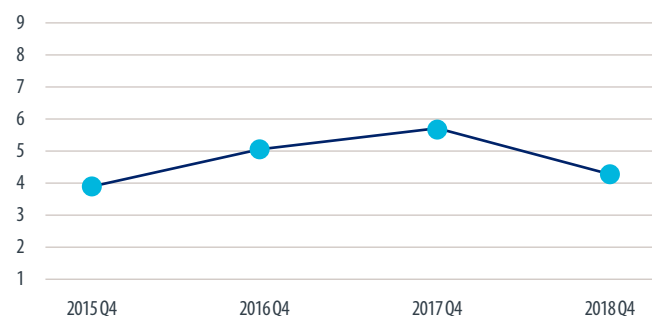
Average Asking Rental Rate (\$)



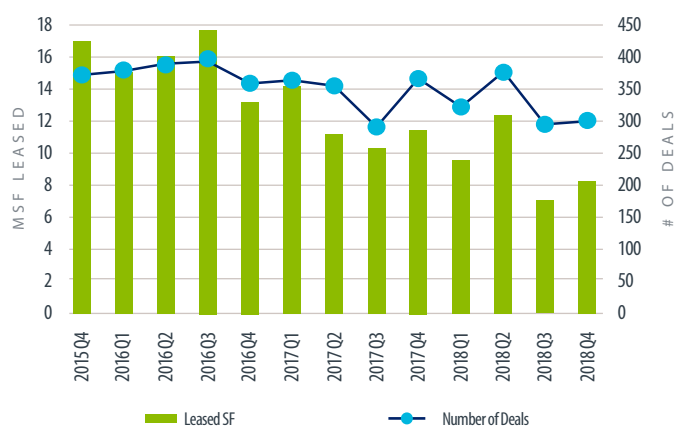
Vacancy Rate (%)



Net Absorption (MSF)



Leasing Activity



Construction

The market saw an increase in construction of slightly more than 5.2% over the previous quarter, with 19.5 msf currently in development. The submarkets with the most inventory under construction are Southern Wisconsin and the I-80 Corridor, with 4.9 msf and 3.6 msf respectively.

There were 20 properties totaling 4 msf delivered during the fourth quarter of 2018, with an average building size of 200,000 sf. The ongoing theme of speculative construction going vertical was verified once again, with 17 of the 20 properties built on a speculative basis. The O'Hare submarket recorded six deliveries during the quarter, totaling nearly 625,000 sf. The delivered properties were all built on a speculative basis and remain vacant.



The O'Hare submarket recorded six deliveries during the quarter, totaling nearly 625,000 sf.

Investment

The largest investment sales transaction of 2018 was 1685 N Throop St in Chicago. The 410,000-sf property was fully vacant at the time of sale and traded for \$104,700,000, or \$255 psf. The purchaser, Sterling Bay, plans to redevelop the site into a mixed-use project that will predominately focus on office and multi-family. The site was owned by the City of Chicago, which changed the zoning allowing for redevelopment on the site.

The top investment sale transaction during the fourth quarter of 2018 was the sale of 12161 S Central Ave within the South Cook submarket. The 171,624-sf, cross-dock truck terminal traded between Expor LLC and The Carlyle Group for \$31.5 million, or \$183.54 psf. Expor originally built the building in 2013 to serve as its operations hub and decided to undertake a sale-leaseback on the property for an additional 15 years.



The largest investment sales transaction of 2018 was 1685 N Throop St in Chicago.

Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
RJW Transport	50 Southcreek Pky, Romeoville, IL	I-55 Corridor	416,504	New
Old World Industries	605 W Crossroads Pky, Bolingbrook, IL	I-55 Corridor	354,400	New
Alliance Steel	2700 E 5th Ave, Gary, IN	Northwest Indiana	285,000	New
Arro Corporation	7225 Santa Fe Dr, Hodgkins, IL	I-55 Corridor	282,933	New
ODW Logistics	5300 Proviso Dr, Melrose Park, IL	West Cook	247,997	Renewal

Notable Sales

Address	Size (SF)	Buyer	Seller	Sales Price
525 Northwest Ave, Northlake, IL	588,233	Property Reserve Inc	Prudential Financial	\$70,600,000 (\$120/sf)
100 E Millsdale Rd, Joliet, IL	992,640	NFI Industries Inc	Hillwood	\$50,624,640 (\$51/sf)
350 S Rohlwing Rd, Addison, IL	453,361	Metropolitan Life Insurance Co	Mandel Management LLC	\$46,083,333 (\$102/sf)
10 Falcon Ct, Streamwood, IL	423,726	TA Realty	The Opus Group	\$32,350,000 (\$76/sf)
12161 S Central Ave, Alsip, IL	171,624	Dayton Street Partners LLC	Expor LLC	\$31,500,000 (\$184/sf)

CHICAGOLAND Construction & Deliveries

Notable Q4 Construction [275,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	% Leased**
Southern WI	3217 136th Ave, Kenosha, WI	1,800,000	Speculative	Q1- 2019	Logistics Property Company	0%
I-80 Corridor	Ridgeland Ave, Monee, IL	879,040	Speculative	Q2-2019	Principle Construction Corp	0%
I-80 Corridor	3901 Brandon Rd, Elwood, IL	826,755	Speculative	Q2-2019	CenterPoint Properties	0%
US-64 Corridor	805 Discovery Dr, West Chicago, IL	782,000	Speculative	Q2-2019	Pritzker Realty Group LLC	0%
I-80 Corridor	21228 Frontage Rd, Shorewood, IL	757,880	Speculative	Q1-2019	HSA Commercial Real Estate	0%
Southern WI	4306 120th Ave, Kenosha, WI	748,500	Speculative	Q4-2019	Ridge Development	0%
I-55 Corridor	Bluff Rd, Romeoville, IL	684,320	Speculative	Q1-2019	CT Realty Investors	0%
I-55 Corridor	Bluff Rd, Romeoville, IL	657,540	Speculative	Q1-2019	CT Realty Investors	0%
Lake County	1350 Bridge Dr, Waukegan, IL	544,429	Speculative	Q1-2019	Bridge Development	73%
I-55 Corridor	20100 Renwick Rd, Romeoville, IL	543,780	Speculative	Q2-2019	Duke Realty Corporation	0%
Southern WI	I-94 Highway 142, Kenosha, WI	524,000	Speculative	Q1-2019	Zilber Property Group	0%
I-80 Corridor	Cherry Hill Business Park, Joliet, IL	424,000	Speculative	Q2-2019	Northern Builders Inc	0%
O'Hare	11601 Copenhagen Ct, Franklin Park, IL	400,370	Speculative	Q1-2019	Panattoni Development Company Inc	0%
West Cook	1400 S Laramie Ave, Cicero IL	343,090	Speculative	Q2-2019	Bridge Development	0%
I-90 East Corridor	703-709 W Algonquin Rd, Arlington Heights, IL	330,720	Speculative	Q1-2019	Hamilton Partners	0%
US-64 Corridor	2525 Enterprise Circle, West Chicago, IL	325,250	Speculative	Q3-2019	Midwest Industrial Funds	0%
I-55 Corridor	1 Prologis Park 355, Lockport, IL	315,647	Speculative	Q3-2019	Prologis	0%
US-64 Corridor	1370 Brewster Creek Blvd, Bartlett, IL	300,000	BTS	Q1-2019	Rana USA Inc	100%
I-88 Corridor	3800 Finley Rd, Downers Grove, IL	291,345	Speculative	Q1-2019	Bridge Development	0%
Southern WI	4306 120th Ave, Kenosha, WI	287,741	Speculative	Q4-2019	Ridge Development	0%
O'Hare	10701 Franklin Ave, Franklin Park, IL	277,805	Speculative	Q1-2019	Bridge Development	0%
Total		12,044,212				

Notable Q4 Deliveries

Market	Building	NRA	Type	Developer	Major Tenants	% Leased**
South Chicago	2075 W 43rd St, Chicago, IL	633,057	Speculative	Marina Cartage Inc	N/A	0%
Lake County	2101 E Route 173, Antioch, IL	558,500	BTS	IDI Logistics	Handi-Foil	100%
I-80 Corridor	23400 US Route 6, Channahon, IL	442,000	Speculative	Ridgeline Property Group LLC	N/A	0%
I-55 Corridor	500 S Pinnacle Dr, Romeoville, IL	407,385	Speculative	Panattoni Development Company	N/A	0%
South Chicago	3507 W 51st St, Chicago, IL	316,550	Speculative	McShane Development Company	N/A	0%
I-88 Corridor	2390 Curtiss St, Downers Grove, IL	253,000	BTS	Becknell Industrial	Rexnord Corporation	100%
Southern WI	10550 86th Ave, Pleasant Prairie, WI	196,300	Speculative	Wangard Partners	N/A	0%
I-88 Corridor	898 Meridian Lake Dr, Aurora, IL	184,851	Speculative	Seefried Properties	N/A	15%
US-64 Corridor	990 North Ave, Glendale Heights, IL	183,296	Speculative	Duke Realty Corporation	N/A	0%
O'Hare	9100 Belmont Ave, Franklin Park, IL	178,516	Speculative	Ridge Development	N/A	0%
O'Hare	1111 Chase Ave, Elk Grove Village, IL	133,076	Speculative	Panattoni Development Company	N/A	0%
O'Hare	2080 Lunt Ave, Elk Grove Village, IL	126,689	Speculative	Stream Data Centers	N/A	0%
I-55 Corridor	2379 Davey Rd, Woodridge, IL	124,575	Speculative	Meridian Design Build LLC	N/A	0%
Construction Completed Total		3,737,795				

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
3217 136th Ave	Southern Wisconsin	Kenosha	WI	1,800,000	1,800,000	0%	Logistics Property Company
3300 Channahon Rd	I-80 Corridor	Joliet	IL	1,220,140	1,220,140	0%	AEW Capital Management
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	1,026,000	1,026,000	0%	Core5 Industrial Partners
24101 S Frontage Rd	I-80 Corridor	Channahon	IL	1,000,110	1,000,110	0%	USAA Real Estate Company
100 E Millsdale Rd	I-80 Corridor	Joliet	IL	992,640	992,640	0%	Hillwood
Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	0%	Bailey Ridge Owner LLC
3901 Brandon Rd	I-80 Corridor	Elwood	IL	826,755	826,755	0%	CenterPoint Properties
30260 Graaskamp Blvd	I-80 Corridor	Wilmington	IL	810,900	810,900	0%	Ridge Property Trust
1101 W Airport Rd	I-55 Corridor	Romeoville	IL	787,499	787,499	0%	Prologis
21700 Mark Collins Dr	South Cook	Sauk Village	IL	776,515	776,515	100%	Warehouse Specialists Inc
21228 Frontage Rd	I-80 Corridor	Shorewood	IL	757,880	757,880	0%	HSA Commercial Real Estate
23700 W Bluff Rd	I-80 Corridor	Channahon	IL	749,554	749,554	0%	IDI Logistics
Bluff Road	I-55 Corridor	Romeoville	IL	684,320	684,320	0%	CT Realty Investors
175 Southcreek Pky	I-55 Corridor	Romeoville	IL	676,026	676,026	0%	Panattoni Development Company
Bluff Road	I-55 Corridor	Romeoville	IL	657,540	657,540	0%	CT Realty Investors
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	655,000	655,000	0%	Equity Industrial Partners Corp
160 S Southcreek Pky	I-55 Corridor	Romeoville	IL	648,960	648,960	100%	LaSalle Investment Management Inc
2075 W 43rd St	South Chicago	Chicago	IL	633,057	633,057	0%	Marina Cartage Inc
2001 N Division St	McHenry County	Harvard	IL	619,590	619,590	0%	Edward Gong
2700 Ellis Rd	I-80 Corridor	Joliet	IL	689,524	558,746	100%	CBRE Global Investors Ltd
2805 Duke Pky	I-88 Corridor	Aurora	IL	551,200	549,588	100%	Duke Realty Corp
20100 Renwick Rd	I-55 Corridor	Romeoville	IL	543,780	543,780	0%	Duke Realty Corp
I-94 Highway 142	Southern Wisconsin	Kenosha	WI	524,000	524,000	0%	Zilber Property Group
11290 80th Ave	Southern Wisconsin	Pleasant Prairie	WI	502,033	502,033	100%	UBS Real Estate Investments Inc
145 Pinnacle Dr	I-55 Corridor	Romeoville	IL	469,920	469,920	0%	Prologis
3901 Rock Creek Blvd	I-80 Corridor	Joliet	IL	464,400	464,400	100%	CBRE Global Investors, Ltd
23400 US Route 6	I-80 Corridor	Channahon	IL	442,000	442,000	0%	Clarion Partners
21051 W Walter Strawn Dr	I-80 Corridor	Elwood	IL	1,182,788	415,800	65%	CenterPoint Properties
500 S Pinnacle Dr	I-55 Corridor	Romeoville	IL	407,385	407,385	0%	Panattoni Development Company Inc
11601 Copenhagen Ct	O'Hare	Franklin Park	IL	400,370	400,370	0%	Panattoni Development Company Inc
365 E North Ave	US-64 Corridor	Carol Stream	IL	381,600	381,600	0%	Dermody Properties Inc
251 Laraway Rd	I-80 Corridor	Joliet	IL	374,460	374,460	0%	GIC Real Estate
850 Veterans Pky	I-55 Corridor	Bolingbrook	IL	361,176	361,176	100%	Prologis
3500 Channahon Rd	I-80 Corridor	Joliet	IL	355,199	355,199	0%	First Industrial Realty Trust Inc
1400 S Laramie Ave	West Cook	Cicero	IL	343,090	343,090	0%	Bridge Development Partners
2001 N Division St	McHenry County	Harvard	IL	335,315	335,315	0%	Edward Gong
703-709 W Algonquin Rd	I-90 East Corridor	Arlington Heights	IL	330,720	330,720	0%	Hamilton Partners
2525 Enterprise Circle	US-64 Corridor	West Chicago	IL	325,250	325,250	0%	Midwest Industrial Funds
3507 W 51st St	South Chicago	Chicago	IL	316,550	316,550	0%	McShane Development Co
1 Prologis Park 355	I-55 Corridor	Lockport	IL	315,647	315,647	0%	Prologis
16200 W 163rd St	I-55 Corridor	Lockport	IL	308,988	308,988	0%	Exeter Property Group LLC
999 Dalton Ln	I-55 Corridor	Bolingbrook	IL	302,354	302,354	0%	Northern Builders
8725 31st St	Southern Wisconsin	Somers	WI	602,348	301,174	50%	First Industrial Realty Trust Inc
1323 Brewster Creek Blvd	US-64 Corridor	Bartlett	IL	421,403	299,437	53%	Exeter Property Group
18700 S Ridgeland Ave	I-80 Corridor	Tinley Park	IL	296,180	296,180	0%	Hillwood
4050 Rock Creek Blvd	I-80 Corridor	Joliet	IL	291,728	291,728	0%	IDI Logistics
3800 Finley Rd	I-88 Corridor	Downers Grove	IL	291,345	291,345	0%	Bridge Development Partners
25810 S Ridgeland Ave	I-80 Corridor	Monee	IL	431,600	278,250	64%	Exeter Property Group
605 Tri State Pky	Lake County	Gurnee	IL	271,771	271,771	100%	Allergan
5139 W 73rd St	South Cook	Bedford Park	IL	270,789	270,789	100%	Global Logistic Properties Ltd
1150 W 115th St	I-55 Corridor	Bolingbrook	IL	453,090	269,590	41%	IDI Logistics
North Ave & Morton Rd	US-64 Corridor	Winfield	IL	265,550	265,550	0%	Conor Commercial Real Estate
8801 88th Ave	Southern Wisconsin	Pleasant Prairie	WI	424,164	261,560	39%	Majestic Realty Co
24601 S Frontage Rd E	I-80 Corridor	Channahon	IL	252,208	252,208	0%	Crow Holdings
5312 104th Ave	Southern Wisconsin	Kenosha	WI	250,048	250,048	0%	Zilber Property Group
1400 S Laramie Ave	West Cook	Cicero	IL	232,845	232,845	0%	Bridge Development Partners

For more information, please contact:

Kathleen Cavanaugh

Research Manager
312.940.6266
kathleen.cavanaugh@avisonyoung.com

George Susral III

Research Analyst
312.796.0379
george.susral@avisonyoung.com

Avison Young | Chicago

One South Wacker Drive, Ste. 3000
Chicago, Illinois, 60606
www.avisonyoung.com



Intelligent
Real Estate
Solutions

avisonyoung.com

© 2019 Avison Young - Chicago, LLC. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.

