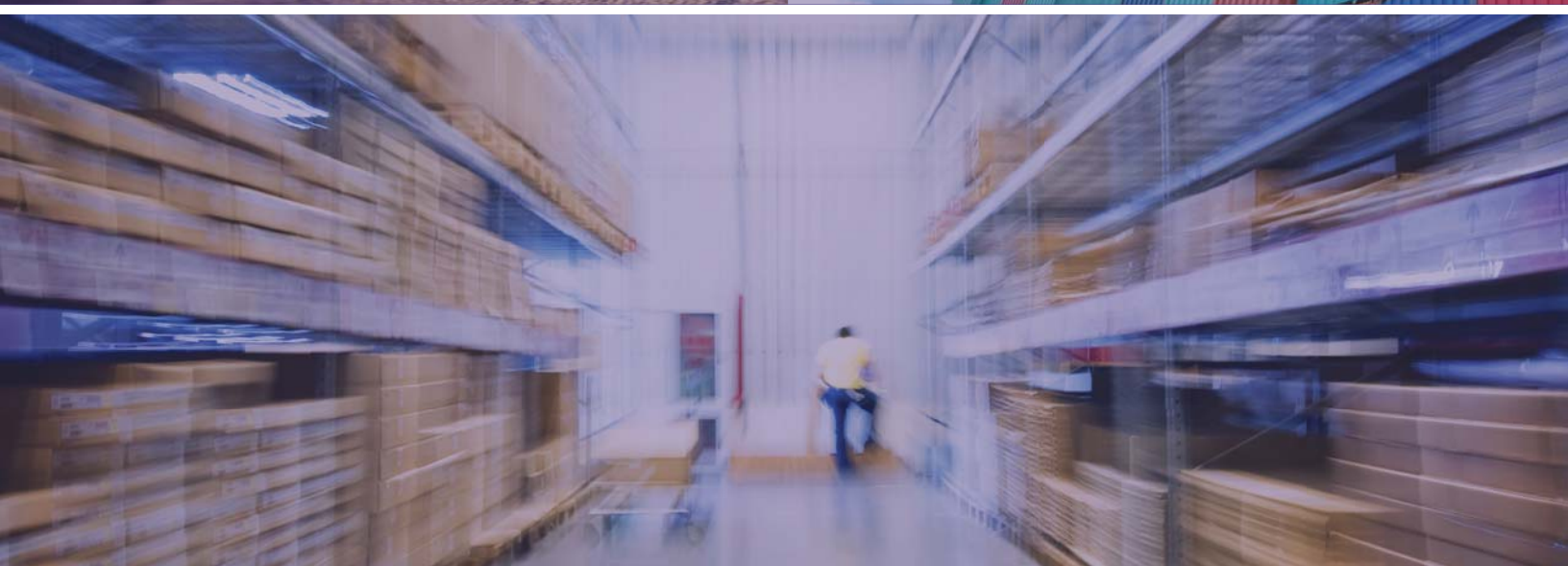


# MID-YEAR 2017 NATIONAL

## LEE & ASSOCIATES SUPPLY CHAIN & LOGISTICS REPORT

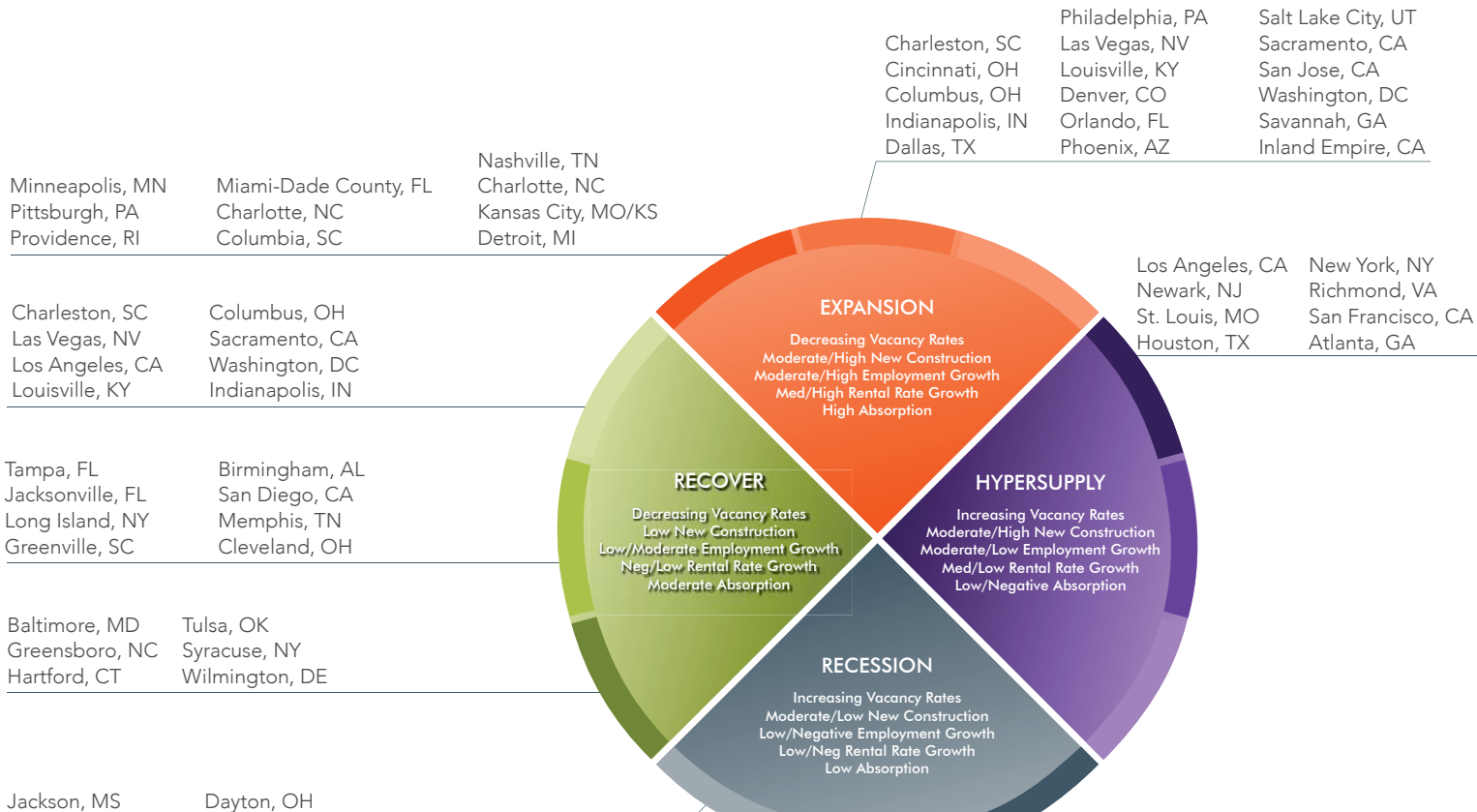
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# TOP 28 NORTH AMERICAN DISTRIBUTION MARKETS



● Top Tier US Markets 
 ● Second Tier Markets 
 ● Third Tier Markets 
 ● Lee Nationwide Office locations



## LEE SUPPLY CHAIN: REGIONAL MAP STATS

| #   | City                | Market Size *    | Bulk Market Size * | Rental Rate *<br>(Bulk Modern) | Vacancy * | Under Construction * | Absorption *<br>(Q1 & Q2) |
|-----|---------------------|------------------|--------------------|--------------------------------|-----------|----------------------|---------------------------|
| 1a. | Los Angeles         | 761,886,350 SF   | 727,292,097 SF     | \$9.48                         | 1.2%      | 7,983,302 SF         | 100,387 SF                |
| 1b. | Inland Empire       | 392,711,051 SF   | 377,432,058 SF     | \$6.61                         | 3.31%     | 24,230,530 SF        | 8,255,488 SF              |
| 2.  | Chicago             | 1,277,302,383 SF | 1,205,210,568 SF   | \$4.26                         | 6.5%      | 16,447,558 SF        | 15,634,491 SF             |
| 3   | Northern New Jersey | 816,662,964 SF   | 753,308,910 SF     | \$7.10                         | 5.6%      | 12,531,438 SF        | 1,577,152 SF              |
| 4.  | Dallas / Ft.Worth   | 864,478,597 SF   | 731,318,582 SF     | \$3.65                         | 6.5%      | 22,269,488 SF        | 10,599,170 SF             |
| 5.  | Atlanta             | 626,454,619 SF   | 474,631,625 SF     | \$3.54                         | 6.7%      | 16,963,258 SF        | 12,757,657 SF             |
| 6.  | Philadelphia        | 1,089,388,733 SF | 1,002,204,385 SF   | \$4.84                         | 5.9%      | 15,226,755 SF        | 11,713,693 SF             |
| 7.  | Detroit             | 568,656,562 SF   | 516,734,861 SF     | \$5.52                         | 3.4%      | 4,127,980 SF         | (259,881 SF)              |
| 8.  | Houston             | 586,162,279 SF   | 534,539,256 SF     | \$6.74                         | 5.6%      | 4,440,619 SF         | 2,942,663 SF              |
| 9.  | Minneapolis         | 385,786,544 SF   | 308,467,397 SF     | \$6.63                         | 4.1%      | 1,632,600 SF         | 242,756 SF                |
| 10. | Seattle             | 300,000,000 SF   | 210,000,000 SF     | \$5.75                         | 3.3%      | 6,300,000 SF         | 3,650,000 SF              |
| 12. | Phoenix             | 299,334,022 SF   | 161,462,627 SF     | \$4.56                         | 8.4%      | 3,344,584 SF         | 4,014,033 SF              |
| 13. | Columbus            | 271,735,696 SF   | 59,225,814 SF      | \$3.50                         | 5.4%      | 4,817,291 SF         | (268,582 SF)              |
| 16. | Denver              | 298,169,961 SF   | 247,515,179 SF     | \$5.45                         | 5.0%      | 4,012,307 SF         | 2,267,041 SF              |
| 17. | East Bay / Oakland  | 264,602,399 SF   | 209,886,487 SF     | \$10.00                        | 3.6%      | 1,692,123 SF         | 1,515,270 SF              |
| 18. | Memphis             | 254,566,458 SF   | 245,212,062 SF     | \$3.48                         | 7.4%      | 2,378,580 SF         | 892,055 SF                |
| 19. | Charlotte           | 327,959,027 SF   | 297,499,276 SF     | \$4.53                         | 4.6%      | 3,766,918 SF         | 3,788,184 SF              |
| 20. | St. Louis           | 271,238,015 SF   | 254,789,273 SF     | \$4.41                         | 6.1%      | 2,900,428 SF         | 2,090,355 SF              |
| 21. | Louisville          | 208,147,451 SF   | 198,042,559 SF     | \$3.89                         | 6.2%      | 3,944,302 SF         | (599,969 SF)              |
| 22. | Orlando / Lakeland  | 188,676,779 SF   | 159,993,116 SF     | \$6.43                         | 4.9%      | 1,655,643 SF         | 1,682,917 SF              |
| 23. | Stockton / Modesto  | 165,000,000 SF   | 80,000,000 SF      | \$4.49                         | 3.0%      | 3,500,000 SF         | 1,500,000 SF              |
| 25. | Milwaukee           | 323,465,569 SF   | 277,843,438 SF     | \$4.64                         | 4.5%      | 1,922,510 SF         | 2,126,458 SF              |
| 26. | Norfolk / Hampton   | 114,022,715 SF   | 99,221,827 SF      | \$5.87                         | 5.1%      | 504,000 SF           | 1,723,260 SF              |
| 28. | Nashville           | 209,482,719 SF   | 193,255,761 SF     | \$4.34                         | 9.1%      | 3,852,000 SF         | 1,716,468 SF              |
| 29. | Savannah            | 55,747,883 SF    | 54,051,190 SF      | \$4.25                         | 3.1%      | 4,522,792 SF         | 945,030 SF                |

### PLEASE SEE DEFINITIONS BELOW

|                          |   |
|--------------------------|---|
| * Market Size (SF):      | Includes shallow bay & flex.  |
| Bulk Market Size (SF):   | Excludes shallow bay & flex.  |
| Rental Rates (\$):       | NNN lease rate for a 200,000 SF, 30'-36' high modern, and functional building (at the end of Q2 in 2017). |
| Vacancy (%):             | For warehouse product, excluding shallow bay and flex (at the end of Q2 in 2017).                         |
| Under Construction (SF): | Total industrial including flex (at the end of Q2 in 2017).   |
| Absorption (SF):         | Total industrial including flex. (include net absorption for last 2 quarters)                             |

# RECENT NATIONAL SIGNIFICANT (Mid-Year 2017)

## SUPPLY CHAIN LOGISTIC TRANSACTIONS

| SQ. FT.   | BUYER/TENANT               | LANDLORD/SELLER           | CITY/STATE          |
|-----------|----------------------------|---------------------------|---------------------|
| 2,399,500 | Amazon                     | Trammell Crow             | Thornton, CO        |
| 1,039,570 | ASOS                       | Majestic Realty           | Atlanta, GA         |
| 1,022,554 | DSC Logistics              | Liberty Property Trust    | Elwood, IL          |
| 1,014,592 | Green Door Capital         | Prologis                  | Columbus, OH        |
| 1,007,705 | Amazon                     | Goodman Birtcher          | Mira Loma, CA       |
| 1,004,400 | Lindt                      | Panattoni                 | McDonough, GA       |
| 1,002,189 | Amazon                     | Lewis                     | Riverside, CA       |
| 1,000,821 | Uline                      | Ackerman                  | Braselton, GA       |
| 1,000,000 | Conair                     | Conair                    | Glendale, AZ        |
| 1,000,000 | Amazon                     | Ashley Capital            | Livonia, MI         |
| 915,643   | M. Block & Sons, Inc.      | Hillwood                  | Tinley Park, IL     |
| 900,000   | Amazon                     | Kojain                    | Romulus, MI         |
| 822,257   | Amazon                     | Trammell Crow             | Jefferson, GA       |
| 800,000   | Uline                      | IDS                       | Lacey, WA           |
| 777,620   | Amazon                     | Prologis                  | Redlands, CA        |
| 770,195   | UPS                        | Prologis                  | Tacoma, WA          |
| 718,219   | Target                     | Bridge Development        | Perth Amboy, NJ     |
| 702,668   | Lifetime Brands            | Panattoni                 | Rialto, CA          |
| 652,195   | Sealy & Co.                | DHL                       | Columbus, OH        |
| 646,000   | Ikea                       | Divco West Properties     | Canyon, CA          |
| 618,350   | UPS                        | First Industrial          | Phoenix, AZ         |
| 604,852   | Mars                       | LaSalle                   | Austell, GA         |
| 604,178   | B. Braun Medical           | Alere                     | Ontario, CA         |
| 600,000   | Amazon                     | IDI Gazely                | Stockton, CA        |
| 573,899   | Best Buy                   | JP Morgan                 | Ontario, CA         |
| 552,677   | Arvato Digital (Microsoft) | JP Morgan                 | Ontario, CA         |
| 500,000   | Medline                    | Medline                   | Lacey, WA           |
| 492,322   | S&S Activewear, LLC        | Hunt Southwest            | Fort Worth, TX      |
| 479,310   | Best Buy                   | LA Brickyard LLC          | Compton, CA         |
| 474,454   | Office Depot               | Prologis                  | Fremont, CA         |
| 474,235   | Techstyle                  | Circle Industrial         | Perris, CA          |
| 474,082   | Amazon                     | Prologis                  | Phoenix, AZ         |
| 450,438   | LKQ                        | AEW                       | Mira Loma, CA       |
| 447,606   | Armada                     | Duke Realty               | East Point, GA      |
| 441,675   | Radial Logistics (Zara)    | Thrifty Oil               | Rialto, CA          |
| 438,150   | Amazon                     | Ridgeline/Cabot           | Crest Hill, IL      |
| 417,125   | DHL                        | Exeter                    | Columbus, OH        |
| 406,625   | Kuehne + Nagel, Inc.       | Robinson Weeks Partners   | Ellenwood, GA       |
| 401,076   | Amazon                     | WA Capital Management     | Sumner, WA          |
| 398,485   | Kubota                     | DCT Industrial Trust      | Pendergrass, GA     |
| 368,931   | Atlanta Bonded Warehouse   | Industrial Property Trust | Kennesaw, GA        |
| 365,400   | Auto-Man                   | Prologis                  | South Brunswick, NJ |
| 360,709   | Expeditors                 | Prologis                  | Roselle, IL         |
| 357,555   | UPS                        | Consolidated              | Aurora, CO          |
| 352,338   | Samsung                    | Liberty Property Trust    | Bolingbrook, IL     |
| 316,320   | XPO Logistics              | Exeter Property Group     | Fairburn, GA        |
| 310,458   | Expeditors                 | Pannatoni                 | Franklin Park, IL   |

| SQ. FT. | BUYER/TENANT                | LANDLORD/SELLER                 | CITY/STATE          |
|---------|-----------------------------|---------------------------------|---------------------|
| 304,800 | Elkay Plastics              | Prologis                        | Schaumburg, IL      |
| 299,810 | Dematic                     | Ridge Property Trust            | Fort Worth, TX      |
| 270,764 | Yusen Logistics             | Prologis                        | Carson, CA          |
| 268,905 | Pinchal & Co.               | Pizzuti/USAA                    | Columbus, OH        |
| 261,880 | Essendant                   | Liberty Property Trust          | Phoenix, AZ         |
| 250,000 | Century Plastics            | Quadrate Development            | Macomb, MI          |
| 245,340 | Summit Warehouse            | St. Paul                        | Denver, CO          |
| 222,000 | Capital Logistics           | 20100 Alameda Property Co II LP | Compton, CA         |
| 219,280 | Simple Human                | Sores Regis                     | Long Beach, CA      |
| 204,600 | Liberty Property Trust      | AEK Realty                      | Moonachie, NJ       |
| 198,094 | Unis                        | Kings Road Apts.                | Long Beach, CA      |
| 195,000 | Fisher Intl                 | GLP                             | South Brunswick, NJ |
| 181,348 | Kwal Paint                  | First Industrial                | Aurora, CO          |
| 180,848 | West Rock                   | Prologis                        | La Mirada, CA       |
| 180,000 | Nippon Express              | Prologis                        | Columbus, OH        |
| 178,370 | Mars PetCare                | Duke/CRAA                       | Columbus, OH        |
| 176,031 | Capital Logistics           | Neil J. Curry Trust             | Long Beach, CA      |
| 173,900 | System Services of America  | Prologis                        | Tracy, CA           |
| 170,596 | LSI (3PL)                   | Ave 55                          | Puyallup, WA        |
| 170,000 | Systems Services of America | Prologis                        | Tracy, CA           |
| 168,398 | Quick Pick Express          | Watson Land Company             | Carson, CA          |
| 160,000 | FST Logistics               | Exeter                          | Columbus, OH        |
| 157,000 | 1 Commerce, LLC             | Jarod Realty                    | Cranford, NJ        |
| 155,800 | Vie Logistics               | Z/A Torrance Associates, LLC    | Torrance, CA        |
| 148,800 | Classic Accessories         | CenterPoint                     | Kent, WA            |
| 141,790 | Lasership (Amazon)          | Duke/CRAA                       | Columbus, OH        |
| 140,000 | CVS                         | Five Star                       | Phoenix, AZ         |
| 132,000 | Home Brands                 | Prologis                        | Phoenix, AZ         |
| 130,000 | Inroe Plastics              | General Development             | Auburn Hills, MI    |
| 125,919 | UPS                         | International Airport Centers   | Puyallup, WA        |
| 125,081 | Uriman Company              | Comstock Realty Partners        | Union City, CA      |
| 123,864 | Wizards of the Coast, Inc.  | GLP                             | Grand Prairie, TX   |
| 115,200 | Samsung                     | Transpacific Dev. Co.           | Coppell, TX         |
| 115,000 | Lennox Industries           | Panattoni                       | Fife, WA            |
| 112,000 | Furniture Factory Direct    | Principal                       | Fife, WA            |
| 110,000 | CapRock                     | SunChase Holdings               | Phoenix, AZ         |
| 101,700 | Coast Aluminum              | IBG Huntwood Associates         | Hayward, CA         |
| 101,297 | R+E Automated Systems       | Four Star Realty, LLC           | Romeo, MI           |
| 92,130  | DTS                         | Majestic Realty                 | Aurora, CO          |
| 91,600  | D&J CFS                     | Prologis                        | Edison, NJ          |
| 91,000  | Amazon                      | Exeter                          | Manteca, CA         |
| 90,000  | Dart Container              | GPS Intl                        | Stockton, CA        |
| 82,000  | Jenoptik                    | BTS-Jenoptik                    | Rochester Hills, MI |
| 64,366  | Adient US, LLC              | WKW                             | Battle Creek, MI    |
| 64,000  | Trademark                   | EastGroup                       | Phoenix, AZ         |
| 60,000  | ANS                         | EastGroup                       | Chandler, AZ        |
| 55,984  | Lineage Logistics, LLC      | Owens Coming Automotive, LLC    | Novi, MI            |
| 53,000  | Pac-CLAD                    | Colony Industrial               | Phoenix, AZ         |

LEE & ASSOCIATES TRANSACTIONS ARE HIGHLIGHTED IN GREY



# INDUSTRIAL OUTLOOK

## Big Box Distribution: 32' versus 36' Clear Height

The industrial development market continues to evolve and we've seen building clear heights continue to grow taller over the last 30 years. In the 1970s most buildings were built with a 20' clear height or fewer. Today, the big question developers of big box space are facing is: do you build a 32' clear or 36' clear building and what is the cost/benefit analysis of doing so? And what is the size threshold where tenant demand drives the need for a 36' clear building? The below highlights the benefits tenants will receive through a taller clear height and what the impact is on cost.

### CLEAR HEIGHT

Roof

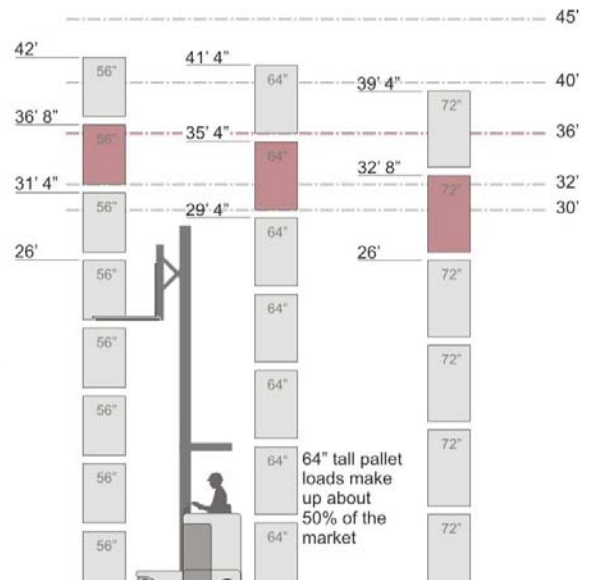
Clear Height - Distance from the floor to the lowest-hanging ceiling member or hanging objects, beams, joists or truss work descending down into a substantial portion of the industrial work area. This is the most important measure of the interior height of an industrial building because it defines the minimum height of usable space within the structure. (Synonyms: clear headway, clearance), as stated by NAIOP.

### Benefits:

- For a user that will fully “cube out” the building, they can increase storage capacity by 10 % to 25%.
- Increasing the storage capacity allows tenants to lease less square footage and reduce their overall rent expense.
- A taller clear height is more conducive for e-commerce users with automated racking and/or mezzanine storage needs.

### Costs / Tradeoffs:

- The main cost factors in constructing a 36' clear building are the floor slab thickness, fire protection system and the structural steel. In total, these three items will increase the building costs somewhere between \$1.25 per square foot and \$1.75 per square foot.
- Due to the increased construction cost for a 36' clear building, to keep the cap rate the same the rental rate would need to increase by \$0.10 - \$0.15 psf.
- Not all users will demand a 36' clear height.
- From the available small sampling to date, the investment market is not recognizing a huge difference on a cap rate basis between a 32' clear and 36' clear building. Term, credit, location and long term functionality of the building are still the main drivers in establishing value.



FOR LEASE



**1,101,889 SF**  
2185, 2255 W. Lugonia Ave.  
Redlands, CA



**120,000 SF**  
1385 Valentine Industrial Parkway  
Pendergrass, GA



**424,280 SF**  
2800 S. Millers Ferry Rd.  
Wilmer, TX



**121,295 SF**  
E of NEC Arizona Ave. & Palomino  
Chandler, AZ



**106,000 SF**  
17500 Twenty Three Mile Rd.  
Macomb Township, MI



**771,839 SF**  
1300 California Ave.  
Redlands, CA



**312,750 SF**  
501 Steward Rd.  
Rochelle, IL



**417,600 SF**  
17100 S. Harlan Rd.  
Lathrop, CA



**516,174 SF**  
2235 Spiegel Dr.  
Groveport, OH



**190,400 SF**  
5701 Meadows Dr.  
Grove City, OH



**135,200 SF**  
Southside Industrial Parkway  
Hapeville, GA



**73,062 SF**  
17150 Margay Ave.  
Carson, CA

FOR SALE



**191,000 SF**  
215 N Hill Brady  
Battle Creek, MI



**90,552 SF**  
9310 S. McKemy St.  
Tempe, AZ



**199,069 SF**  
2020 & 2032 E. 220th  
Carson, CA



**86,900 SF**  
28355 Lakeview  
Lyon Township, MI



**362,670 SF**  
5180 N. Railhead Rd.  
Fort Worth, TX



**295,620 SF**  
2001 Baseline Dr.  
Montgomery, AL





**408,908 SF**  
5100 West 70th Place  
Bedford Park, IL



**322,000 SF**  
3265 Southpark Place  
Grove City, OH



**132,601 SF**  
6455 Kinsley St.  
Dearborn, MI



**269,831 SF**  
5900 Meadows Dr.  
Grove City, OH



**414,020 SF**  
2255 S. Waterman Ave.  
San Bernardino, CA



**200,500 SF**  
7405 Graham Rd.  
Fairburn, GA



**110,710 SF**  
225 South 51st St.  
Phoenix, AZ



**151,600 SF**  
Danview Technology Ct.  
Shelby Township, MI



**421,405 SF**  
Brewster Creek Blvd.  
Bartlett, IL



**329,000 SF**  
Santa Anita Ave.  
Cucamonga, CA



**143,888 SF**  
4730 Fite Ct  
Stockton, CA



**203,656 SF**  
2700 S. Millers Ferry Rd.  
Wilmer, TX



**549,805 SF**  
Waterman Dist. Center  
San Bernadino, CA



**485,850 SF**  
7879 Lemont Rd.  
Darien, IL



**172,640 SF**  
5356 Georgia Hwy 85  
Atlanta, GA



**159,332 SF**  
1235 Commerce Rd.  
Morrow, GA



**76,460 SF**  
1840-1880 S. 7th Ave.  
Phoenix, AZ



**96,320 SF**  
SW Corner of Presidio & Greenfield  
Mesa, AZ

FOR LEASE

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