

CHICAGOLAND INDUSTRIAL MARKET REPORT

Lee & Associates of Illinois, LLC

Third Quarter 2016

Construction Levels Near All-Time High

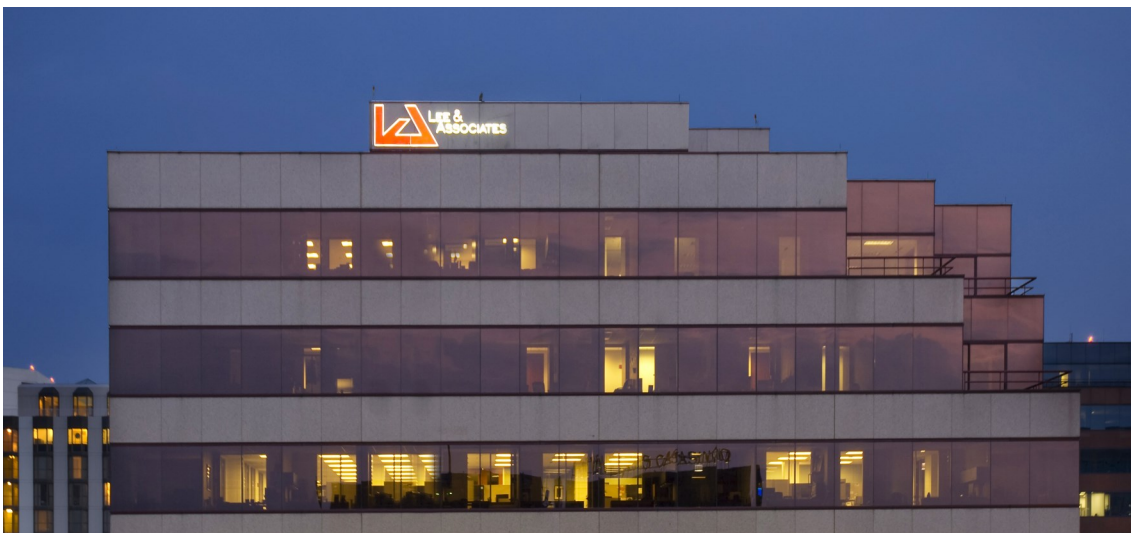
The Chicago economy has continued to grow, with the addition of 62,200 net new jobs over the past twelve months, a growth rate of 1.3%, nearly identical to the rate of growth experienced in the previous quarter. The unemployment rate currently stands at 5.4%, down from a year ago when the unemployment rate stood at 5.6%. Steady growth in the job market should provide the impetus necessary to keep the industrial real estate market moving in a positive direction for the remainder of the year, and provide a solid foundation as the market heads in to 2017. With inventories tightening in many submarkets, lease rates have crept upward, and tenant demand has begun to shift to areas adjacent to the many of the most sought after submarkets.

The theme for much of 2016 has been new construction. As of 3q16, there is over 17.6 million square feet of new industrial space under construction. This is the most in over a decade in the Chicagoland market (just over 20 million square feet was under construction way back in 2005). Many submarkets reacted to dwindling supply and increased demand by aggressively pursuing new development opportunities. Expect the vacancy rate in several submarkets to tick upward as this new inventory gets delivered.

Third quarter results for the Chicagoland industrial market were largely positive, as expected. Quarterly positive net absorption reached 6.3 million square feet, boosting year-to-date net absorption to nearly 24 million square feet. The I-80 and I-55 Corridor submarkets captured a significant share of overall absorption with 20.9% and 20.5% of total 3Q absorption respectively. The overall industrial vacancy rate continued to decline through the third quarter, to 6.8%, with eight of Lee's submarkets currently exhibiting vacancy rates below 6.0%, putting upward pressure on lease rates and spurring new development activity.

“Construction levels are nearing an all time high. However, with the steady and strong rate of absorption demonstrated over the past three quarters, vacancy rates have continued to decline.”

*Chris Huecksteadt
Executive Vice President*



Chicago is home to 1¼ billion square feet of industrial space, second in the U.S. only to the Los Angeles area.

Highlights

- Overall vacancy rate dropped to 6.8%
- The amount of space under construction increased to over 17M square feet in 3Q
- Speculative construction accounts for 55% of new product currently being built

CHICAGOLAND INDUSTRIAL MARKET STATISTICS

Lee & Associates of Illinois, LLC

Third Quarter of 2016

Page	Submarket	Industrial Base	Available Inventory	Vacancy	YTD New SF Delivered	Under Construction	3q16 Net Absorption	YTD Net Absorption
6	Central DuPage	22,476,836	507,699	2.3%	15,072	-	123,475	236,628
8	Chicago North	71,736,929	5,850,773	8.2%	-	135,700	126,786	389,726
10	Chicago South	112,215,376	10,014,781	8.9%	256,858	746,070	343,175	1,526,332
12	Fox Valley	36,806,692	1,831,950	5.0%	299,520	430,696	20,000	(63,685)
14	I-39 Corridor	86,362,048	3,913,845	4.5%	978,120	336,000	1,373,930	1,300,850
16	I-55 Corridor	90,234,506	6,609,766	7.3%	2,918,895	3,181,623	1,308,708	5,299,623
18	I-57 Corridor	30,797,821	1,909,182	6.2%	83,467	1,962,165	23,677	616,853
20	I-88 Corridor	64,209,241	4,923,513	7.7%	2,551,547	-	(175,205)	1,839,595
22	Joliet/I-80 Corridor	77,382,022	3,397,296	4.4%	2,804,909	4,817,323	1,336,682	4,470,670
24	Lake County	76,590,477	6,879,000	9.0%	687,013	199,500	(119,839)	906,074
26	McHenry County	28,615,034	1,900,603	6.6%	-	-	84,684	107,041
28	North Cook	37,828,698	2,051,544	5.4%	87,280	135,650	(154,494)	196,420
30	North DuPage	62,446,801	3,991,209	6.4%	781,169	356,250	(342,760)	269,504
32	North Kane	35,068,216	2,971,562	8.5%	409,922	1,117,012	192,319	230,854
34	Northwest Cook	46,419,959	3,251,028	7.0%	-	50,000	97,284	287,138
36	Northwest Indiana	46,059,677	1,950,098	4.2%	229,813	-	219,502	(38,915)
38	O'Hare	99,275,296	5,691,597	5.7%	539,000	419,982	717,834	1,438,055
40	South Cook	85,252,893	5,650,187	6.6%	-	-	627,195	1,740,961
42	Southeast Wisconsin	55,475,999	2,631,516	4.7%	1,939,235	2,227,208	811,874	2,041,525
44	Southwest Cook	27,365,711	2,652,318	9.7%	-	283,124	345,597	1,135,899
46	West Cook	69,890,503	7,155,368	10.2%	473,978	1,295,664	(588,547)	(133,590)
TOTALS		1,262,510,735	85,734,835	6.8%	15,055,798	17,693,967	6,371,877	23,797,558

Statistical Highlights

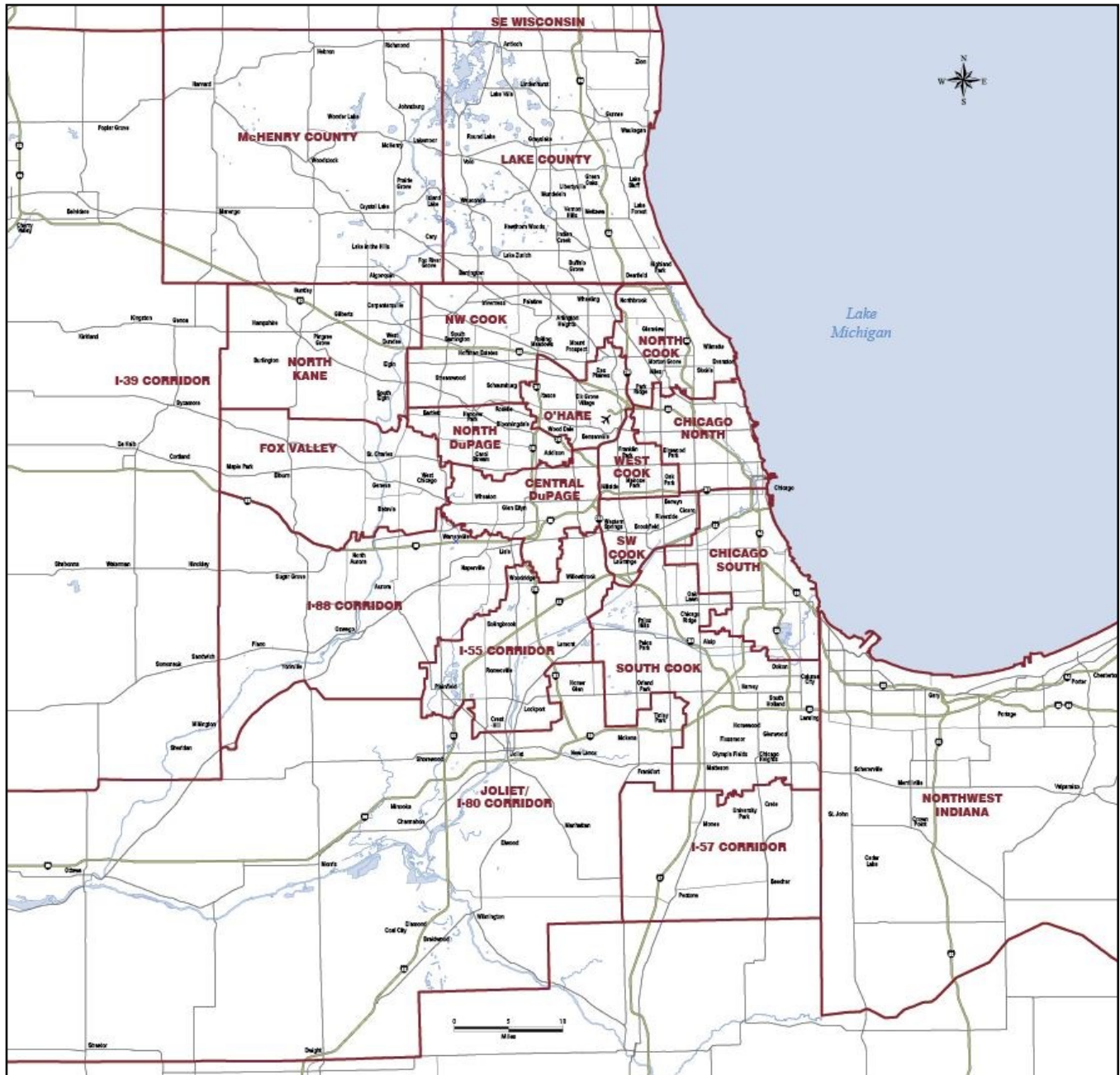
Lee tracks nearly 1.25 billion square feet of existing industrial space in the Chicagoland area, which includes much of northern Illinois, southeast Wisconsin, and northwest Indiana. Market wide, vacancy has continued to decline, to its current level of 6.8% (just over 85,000,000 square feet currently available). There is another 17.6 million square feet under construction, with 10.2 million of that in the Joliet/I-80, I-55 Corridor, and Southeast Wisconsin submarkets. The I-57 Corridor, North Kane and West Cook submarkets each also have well over a million square feet under construction.

Deliveries in the first nine months of 2016 totaled over 15 million square feet, with over 2.5 million square feet delivered in each of the following submarkets: I-55 Corridor, I-88 Corridor, and I-80 Corridor. The Southeast Wisconsin submarket also saw nearly 2 million square feet of new space delivered. Net absorption remains high, with nearly 24 million square feet of space absorbed through the third quarter of the year.

CHICAGOLAND INDUSTRIAL SUBMARKET MAP

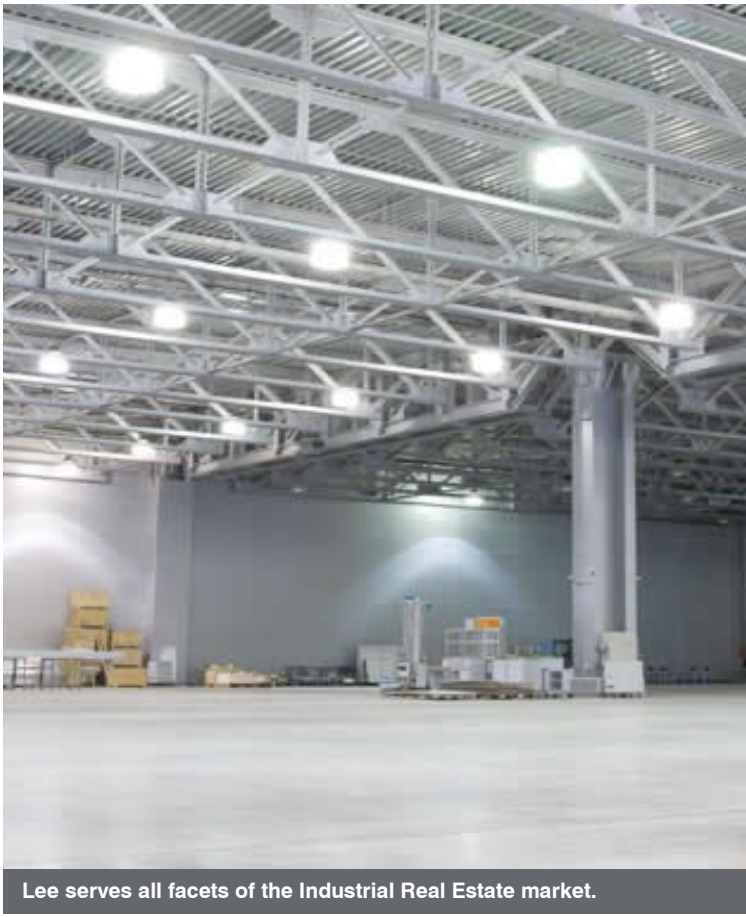
Lee & Associates of Illinois, LLC

Third Quarter of 2016



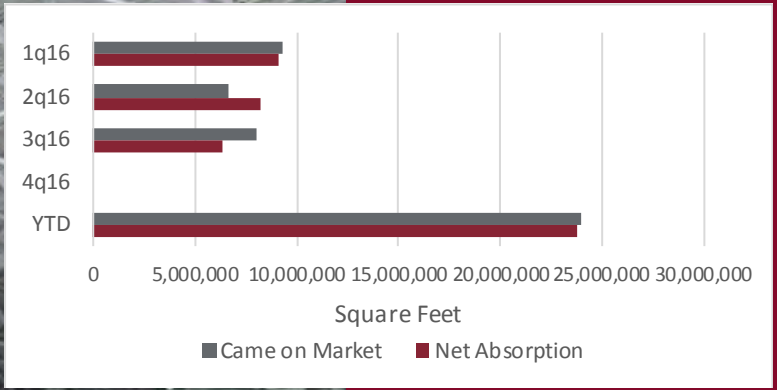
Lee Submarkets

Lee & Associates has divided the Chicagoland area into 21 distinct submarkets for analysis and review. Lee covers the greater Chicagoland market, including southeast Wisconsin, northwest Indiana, and much of northern Illinois. Lee & Associates has also been involved in projects throughout the Midwest and the country.

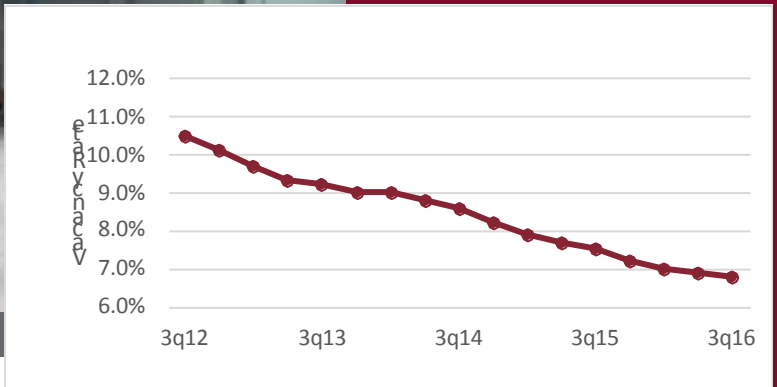


Lee serves all facets of the Industrial Real Estate market.

On Mkt & Absorption



Vacancy Rate

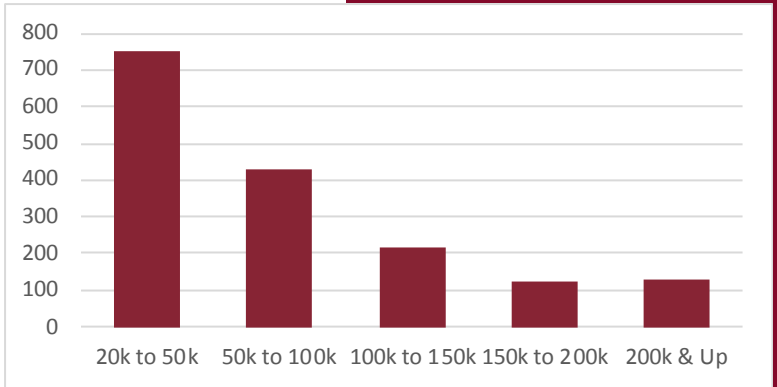


Third Quarter Overview

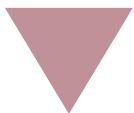
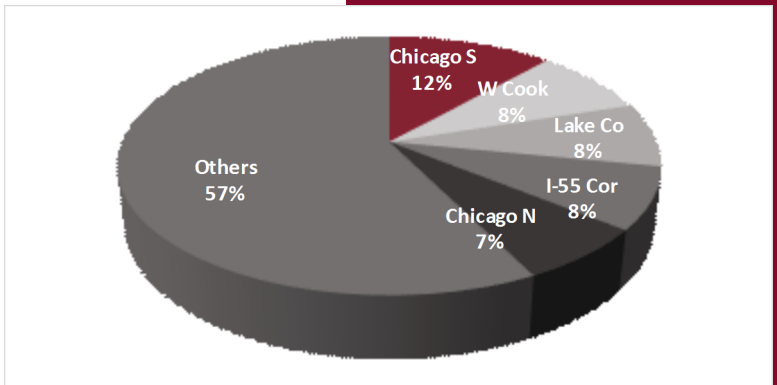
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The overall industrial vacancy rate continued to decline through the third quarter, to 6.8%, with eight of Lee's submarkets currently exhibiting vacancy rates below 6.0%, putting upward pressure on lease rates and spurring new development activity.

Available Units by Size



Available by Submarket



Vacancy



Net Absorption



Lease Rates



LEE & ASSOCIATES

WHO WE ARE...

Lee & Associates of Illinois, LLC

Second Quarter of 2016

About Us

With offices in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, Nevada, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Texas, and Wisconsin, the Lee & Associates group of independently owned and operated companies is the largest regional commercial real estate services provider in the United States.

Each Lee & Associates group office represents a broad array of regional, national and international clients, from individual investors and small businesses, to large corporations and institutions.

Lee & Associates clients enjoy a comprehensive range of specialized commercial real estate services including industrial, office and retail property sales and leasing, real estate investment consulting, real estate financing, property acquisition and disposition, tenant representation and relocation, property and portfolio evaluation and market research.

Origin & Philosophy

In 1979, founder Bill Lee established the first Lee & Associates office, driven by the unique idea to turn real estate brokers into company owners or “shareholders”. Bill Lee’s guiding philosophy was the clients’ interests would be best served by a collective team effort from experienced sales agents who had an ownership stake in the privately-held organization, earned through exceptional performance and ethical practice.

Not merely employees, profit-sharing Lee owner/agents would strive to create a sense of shared responsibility and cooperation throughout the organization, and would encourage an orientation toward long-term client relationships and business solutions.

Since then, Bill Lee’s profit sharing concept has proven enormously successful, and has fueled an explosive growth to include an additional thirty-two group offices throughout the nation.

The Lee Advantage

Fast Client Results. As company owners, Lee principals have a vested interest in the swift, successful completion of client assignments and transactions. Our associate brokers continually strive to earn ownership standing, encouraging a coordinated team effort and fast effective results for clients.

Streamlined Personal Service. Each Lee group office is owned and operated by the brokers in that office. Clients deal directly with decision makers, not with an unwieldy corporate bureaucracy like with many of our competitors.

Experience Counts. The average number of years experience of Lee’s principal commercial brokers is 15-20 years. Our unique profit-sharing structure attracts the best people as owner brokers, only those with exceptional skills, confidence and ethical practice.

Long-Term Relationship. Lee & Associates boasts the lowest turnover rate in the industry. Our ownership structure encourages longevity, allowing for long term relationships with clients.

In-Depth Market Knowledge. Each Lee group office is committed to providing the best data and analysis for the market it serves. No other commercial real estate company has made specialized market knowledge and research as central to its business practice.

Business Stability. Since inception, each Lee & Associates group office has been profitable, privately-held and managed by its individual shareholders. Newly formed offices are stable, debt-free operations, with all startup capital funded by shareholders of all offices through Lee’s venture capital group.

Strong National Affiliations. Lee & Associates maintains affiliations with recognized brokers in all major US real estate markets. Lee’s national organization affiliations include: SIOR, NACOR, IFMA, CRE, ICSC, IDRC and CCIM.

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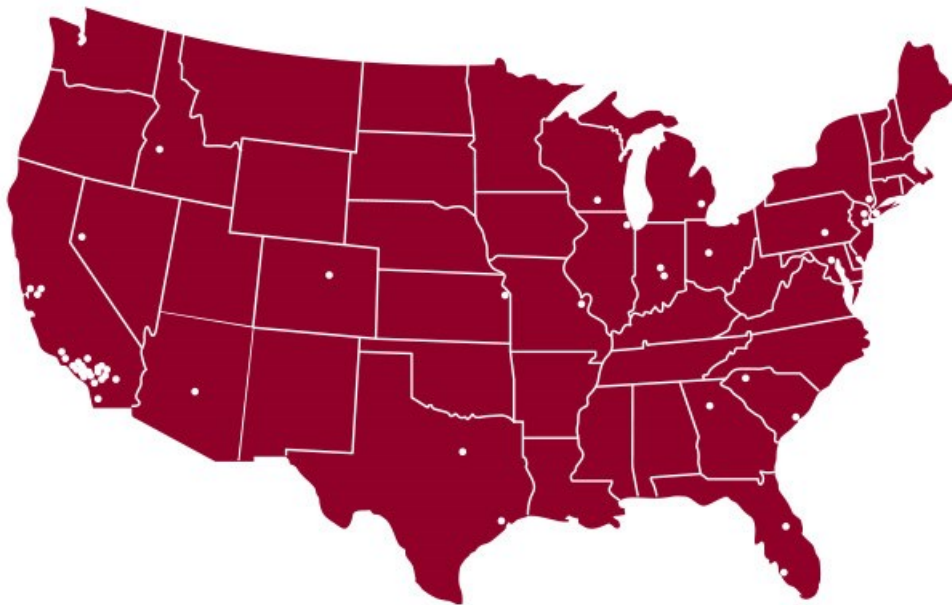
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LOCAL EXPERTISE. NATIONAL REACH. WORLD CLASS.



NATIONAL ORGANIZATION, LOCAL OWNERSHIP

Established in 1979, Lee & Associates has expanded across the nation with offices that are individually owned by the shareholders of that office, thus encouraging an entrepreneurial spirit and allowing more freedom and creativity to make real estate transactions work.

EXPLOSIVE GROWTH

Since its inception there has been an explosive growth of Lee & Associates offices throughout the country, making it one of the largest and fastest growing commercial real estate organizations in the United States.



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|-------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 2015 - Eastern Pennsylvania | 2012 - Charleston, SC | 2009 - Elmwood Park, NJ | 2006 - Reno, NV | 2001 - Victorville, CA | 1990 - Industry, CA |
| 2015 - Columbus, OH | 2011 - Fort Myers, FL | 2008 - Boise, ID | 2006 - San Diego - UTC, CA | 1999 - Temecula Valley, CA | 1989 - LA - Long Beach, CA |
| 2015 - Houston, TX | 2011 - Kansas City, KS | 2008 - ISG, LA, CA | 2006 - Ventura, CA | 1996 - Central LA, CA | 1989 - Riverside, CA |
| 2014 - Denver, CO | 2011 - Manhattan, NY | 2008 - Palm Desert, CA | 2006 - San Luis Obispo, CA | 1994 - Sherman Oaks, CA | 1987 - Ontario, CA |
| 2014 - Cleveland, OH | 2011 - Greenville, SC | 2008 - Santa Barbara, CA | 2005 - Southfield, MI | 1994 - West LA, CA | 1984 - Newport Beach, CA |
| 2013 - Long Island-Queens, NY | 2010 - Atlanta, GA | 2006 - Antelope Valley, CA | 2005 - Los Olivos, CA | 1993 - Pleasanton, CA | 1983 - Orange, CA |
| 2013 - Chesapeake Region, MD | 2010 - Greenwood, IN | 2006 - Dallas, TX | 2004 - Calabasas, CA | 1993 - Stockton, CA | 1979 - Irvine, CA |
| 2012 - Edison, NJ | 2010 - Indianapolis, IN | 2006 - Madison, WI | 2004 - St. Louis, MO | 1991 - Phoenix, AZ | |
| 2012 - Orlando, FL | 2009 - Long Beach, CA | 2006 - Oakland, CA | 2002 - Chicago, IL | 1990 - Carlsbad, CA | |

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