

CHICAGOLAND INDUSTRIAL MARKET REPORT

Lee & Associates of Illinois, LLC

Fourth Quarter 2016

Industrial Market Marches On

The Chicago economy has continued to grow, albeit at a slower pace, with the addition of 37,900 net new jobs over the past twelve months, a lackluster growth rate of 0.8%, down from the 1.3% growth rate of the previous quarter. The unemployment rate currently stands at 5.3%, down slightly from a year ago when the unemployment rate stood at 5.4%. The forecast for job growth has been positive, with companies such as Amazon stating that new jobs will be added to the Chicagoland market over the course of 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.

At year end 2016, there was nearly 19 million square feet of space currently under construction. Speculative construction projects have outpaced build-to-suit projects, with 10.6 million of spec square feet currently under way, and 7.6 million square feet build-to-suit projects under construction. It will be important to keep an eye on inventory levels and vacancy rates in those submarkets where speculative construction levels are high; including North DuPage, the Joliet/I-80 Corridor, and the I-55 Corridor.

It was a strong year in 2016 when compared to 2015, with vacancy falling by 53 basis points, available inventory declining by 11.8 million square feet (down 12.1%), the amount of space coming back on the market down 21.7%, and leasing activity up 11.8%. Another solid year is forecast for 2017 as vacancy is expected to remain in the 6.5% to 7.0% range, and demand for space is expected to increase. Following a tumultuous election cycle, many economists expect the commercial real estate sector to continue in a positive vein, with some of the larger risks to the economy coming from foreign sources as opposed to domestic ones.

“The risks to the economy are not domestic; locally the forecast is positive. The wild-cards in the market are the actions from foreign powers such as Russia, the EU, China, and North Korea”

*Chris Huecksteadt
Executive Vice President*



Construction levels in Chicago are near an all-time high, both speculative and build-to-suit.

Highlights

- Overall vacancy rate remains at 6.79%
- The amount of space under construction increased to over 19M square feet in 4Q
- Spec deliveries outpaced build-to-suit activity again in the fourth quarter

CHICAGOLAND INDUSTRIAL MARKET STATISTICS

Lee & Associates of Illinois, LLC

Fourth Quarter of 2016

Page	Submarket	Industrial Base	Available Inventory	Vacancy	YTD New SF Delivered	Under Construction	4q16 Net Absorption	YTD Net Absorption
6	Central DuPage	22,463,836	571,647	2.5%	15,072	-	(76,948)	159,680
8	Chicago North	71,567,656	5,708,962	8.0%	95,000	40,700	(118,167)	271,559
10	Chicago South	111,950,082	9,749,797	8.7%	256,858	746,070	(96,544)	476,045
12	Fox Valley	37,237,388	1,981,944	5.3%	730,216	137,500	280,768	217,083
14	I-39 Corridor	86,362,048	3,585,356	4.2%	978,120	336,000	307,489	1,608,339
16	I-55 Corridor	92,042,278	8,651,361	9.4%	4,871,582	2,344,878	(112,434)	5,187,189
18	I-57 Corridor	30,902,821	1,853,230	6.0%	188,467	1,857,165	160,952	777,805
20	I-88 Corridor	64,209,241	4,376,382	6.8%	2,551,547	954,720	547,127	2,386,722
22	Joliet/I-80 Corridor	78,060,022	3,200,347	4.1%	3,482,909	7,487,059	874,949	5,345,619
24	Lake County	76,576,519	6,220,801	8.1%	844,513	442,734	644,008	1,550,082
26	McHenry County	28,615,034	1,993,072	7.0%	-	-	(92,469)	14,572
28	North Cook	37,727,318	1,854,510	4.9%	217,280	135,650	81,188	277,608
30	North DuPage	62,584,531	4,063,857	6.5%	1,148,802	1,256,153	(191,878)	77,626
32	North Kane	36,161,859	3,043,242	8.4%	1,503,565	56,250	972,757	1,203,611
34	Northwest Cook	46,419,959	3,108,290	6.7%	-	56,297	142,738	429,876
36	Northwest Indiana	46,059,677	1,924,802	4.2%	249,813	-	25,296	(13,619)
38	O'Hare	99,372,337	5,663,078	5.7%	783,000	175,982	128,878	1,566,933
40	South Cook	85,252,893	5,353,456	6.3%	-	-	511,488	2,252,449
42	Southeast Wisconsin	56,100,859	2,919,237	5.2%	2,564,095	2,227,208	256,811	2,298,336
44	Southwest Cook	27,648,644	2,783,318	10.1%	282,933	-	12,837	1,148,736
46	West Cook	69,799,105	7,430,800	10.6%	1,253,883	734,014	(395,059)	(540,874)
TOTALS		1,267,114,107	86,037,489	6.8%	22,017,655	18,988,380	3,863,787	26,695,377

Statistical Highlights

Strong tenant and buyer demand caused the Chicago industrial vacancy rate to fall 53 basis points in 2016 from year-end 2015. The Chicago area industrial vacancy rate fell to 6.79 percent at year-end 2016- a significant decline from the 7.32 percent rate reported one year ago.

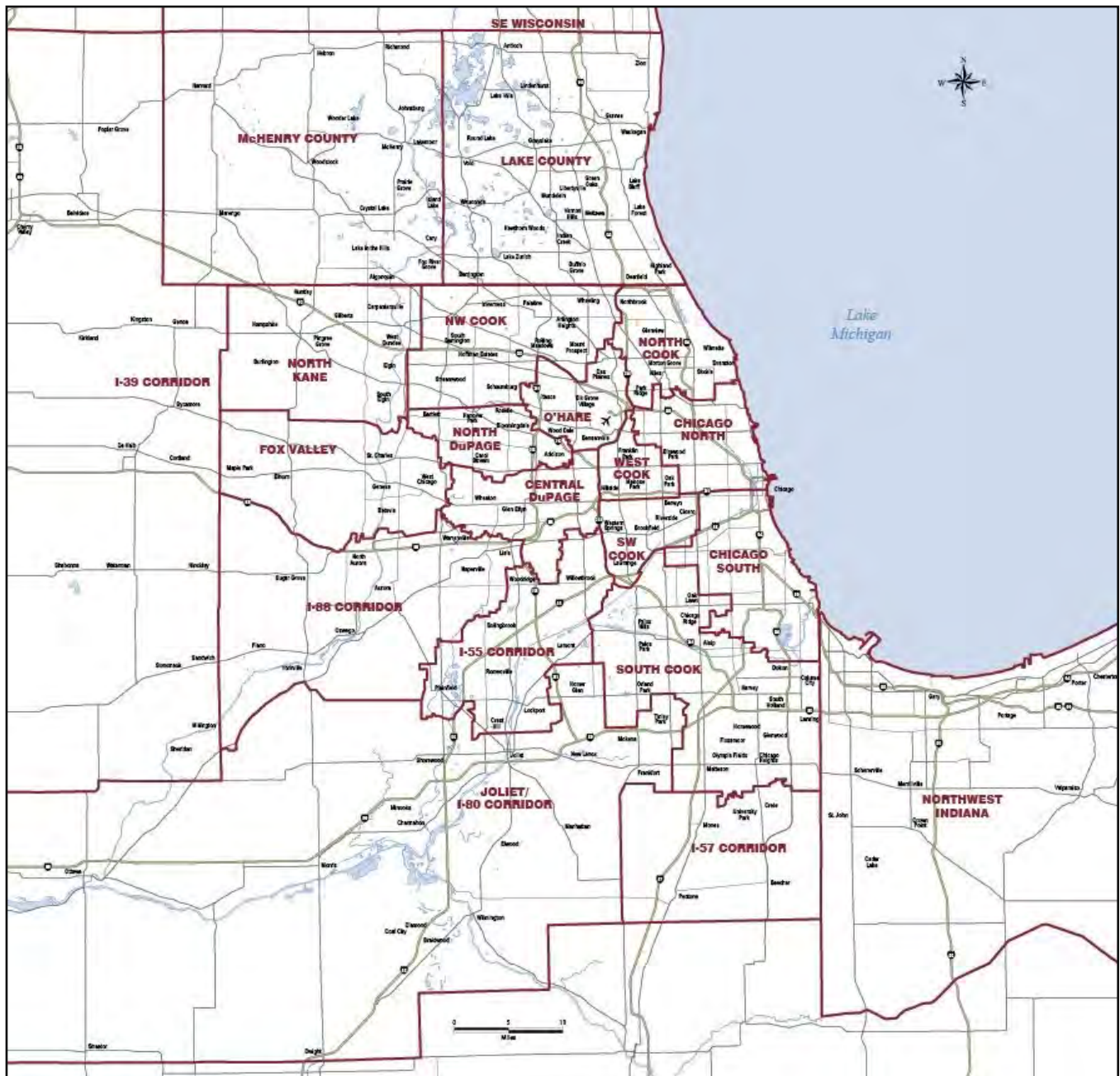
Vacant industrial supply made a noticeable improvement from the 2015 year-end total of 97.8 million square feet, dropping 11.8 million square feet to 86.0 million square feet at the end of 2016. Industrial space returning to the market in 2016 decreased from the 45.6 million square feet reported one year ago to 35.7 million square feet. Leasing activity for 2016 totaled 38 million square feet an improvement from the 2015 volume of 34 million square feet.

Sale activity decline in 2016. Only 10.7 million square feet of transactions were completed this year, which was a 22 percent decline from the 13.8 million square feet sold in 2015. Construction also increased from 12.8 million square feet marked in 2015 to 19.0 million square feet in 2016.

CHICAGOLAND INDUSTRIAL SUBMARKET MAP

Lee & Associates of Illinois, LLC

Fourth 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.

CHICAGOLAND MARKET



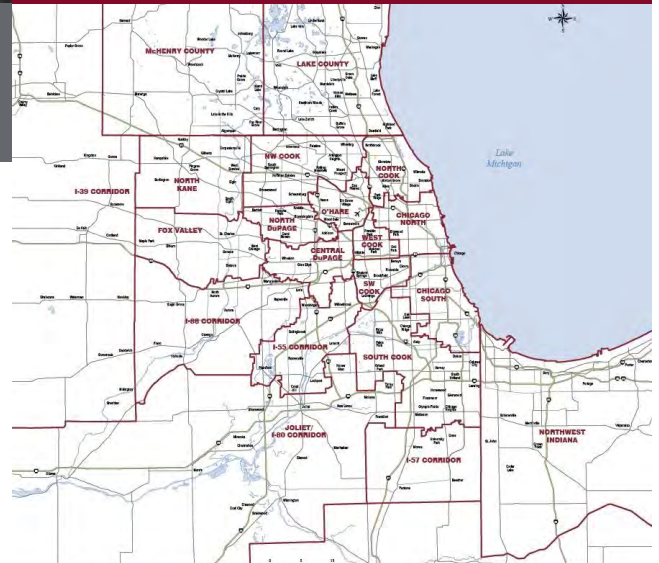
The story in 2016 has been the amount of new construction to occur. Many submarkets are experiencing record levels of construction. Even with the amount of new space delivered, vacancy is low.

Key Stats:

Industrial Base	1,267,114,107
Vacancy Rate	6.8%
YTD New SF Delivered	22,017,655
SF Under Construction	18,988,380
Q4 Net Absorption	3,863,787
YTD Net Absorption	26,695,377

Lee-d Story

The Chicago economy has continued to grow, albeit at a slower pace, with the addition of 37,900 net new jobs over the past twelve months, a lackluster growth rate of 0.8%, down from the 1.3% growth rate of the previous quarter. The unemployment rate currently stands at 5.3%, down slightly from a year ago when the unemployment rate stood at 5.4%. The forecast for job growth has been positive, with companies such as Amazon stating that new jobs will be added to the Chicagoland market over the course of 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 Chicagoland Region & Submarkets

At year end 2016, there was nearly 19 million square feet of space currently under construction. Speculative construction projects have outpaced build-to-suit projects, with 10.6 million of spec square feet currently under way, and 7.6 million square feet build-to-suit projects under construction. It will be important to keep an eye on inventory levels and vacancy rates in those submarkets where speculative construction levels are high; including North DuPage, the Joliet/I-80 Corridor, and the I-55 Corridor.

Notable Transactions

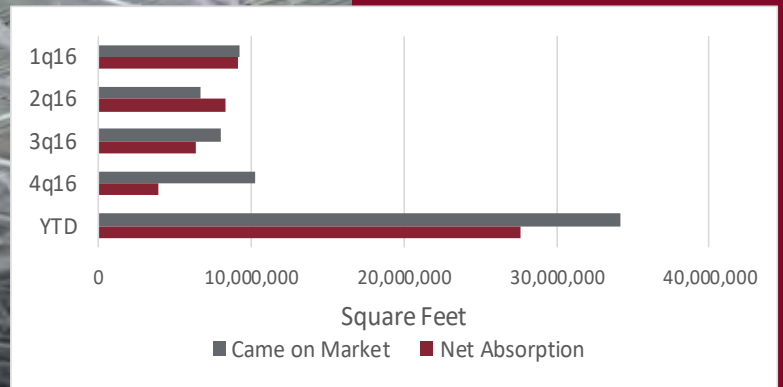
Site	Size	Type	Seller/Landlord	Buyer/Lessor
1 Duke Pkwy in Aurora	954,720	New Lease	Duke Realty	Amazon.com
1701 W Normantown in Romeoville	814,848	Lease Renewal	Heitman LLC	Sears Logistics Services
21700 Mark Collins in Sauk Village	776,515	Sale	Global Logistics Properties	Warehouse Specialists, Inc.
1750 Bridge in Waukegan	626,848	New Lease	Bridge Development	Amazon.com
4200 Ferry in Aurora	402,860	New Lease	Duke Realty	Amazon.com
3708 River in Franklin Park	325,045	Sale	TA Realty	AEW Capital Management

Lee Transactions in **RED**

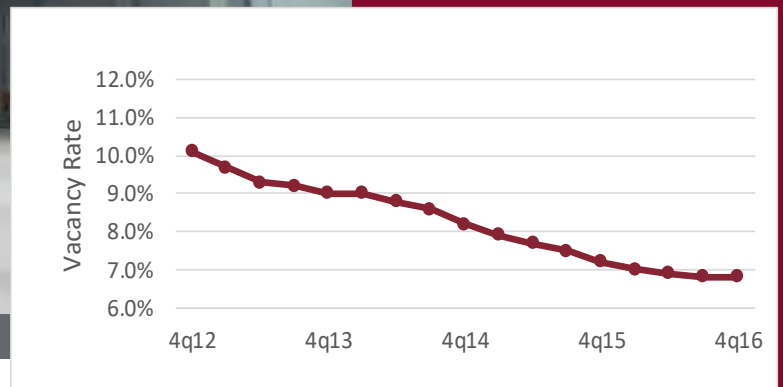


Lee serves all facets of the Industrial Real Estate market.

On Mkt & Absorption



Vacancy Rate

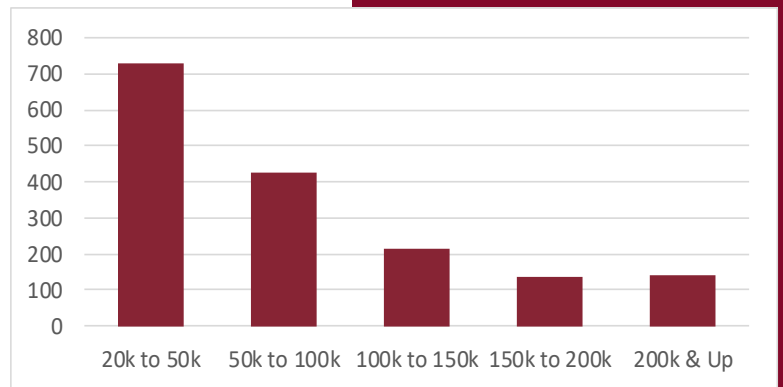


Fourth Quarter Overview

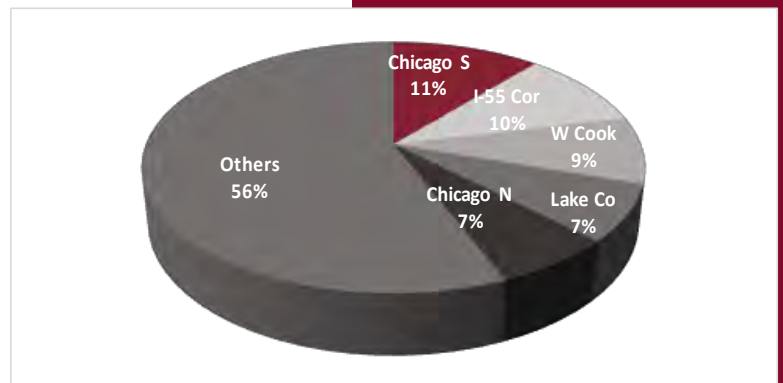
The Chicago Market fourth quarter vacancy rate of 6.79 percent was identical to the third quarter. Steady user demand was not enough to overcome the amount of space returning to the market. With a total of 85.9 million square feet, the available industrial supply remained unchanged in the fourth quarter.

Construction completions totaled 6.3 million square feet during the fourth quarter. Once again speculative new construction projects outpaced build-to-suit deliveries. At the end of the fourth quarter 4.8 million square feet of new speculative facilities were completed. Fourth quarter leasing activity totaled 7 million square feet, a 31 percent decrease from the third quarter. User sale volume jumped 22 percent from the third quarter level of 1.7 million square feet to 2.1 million square feet. Steady fourth quarter user demand contributed to positive net absorption of 3.8 million square feet. However, this was 38 percent lower than the third quarter total of 6.3 million square feet.

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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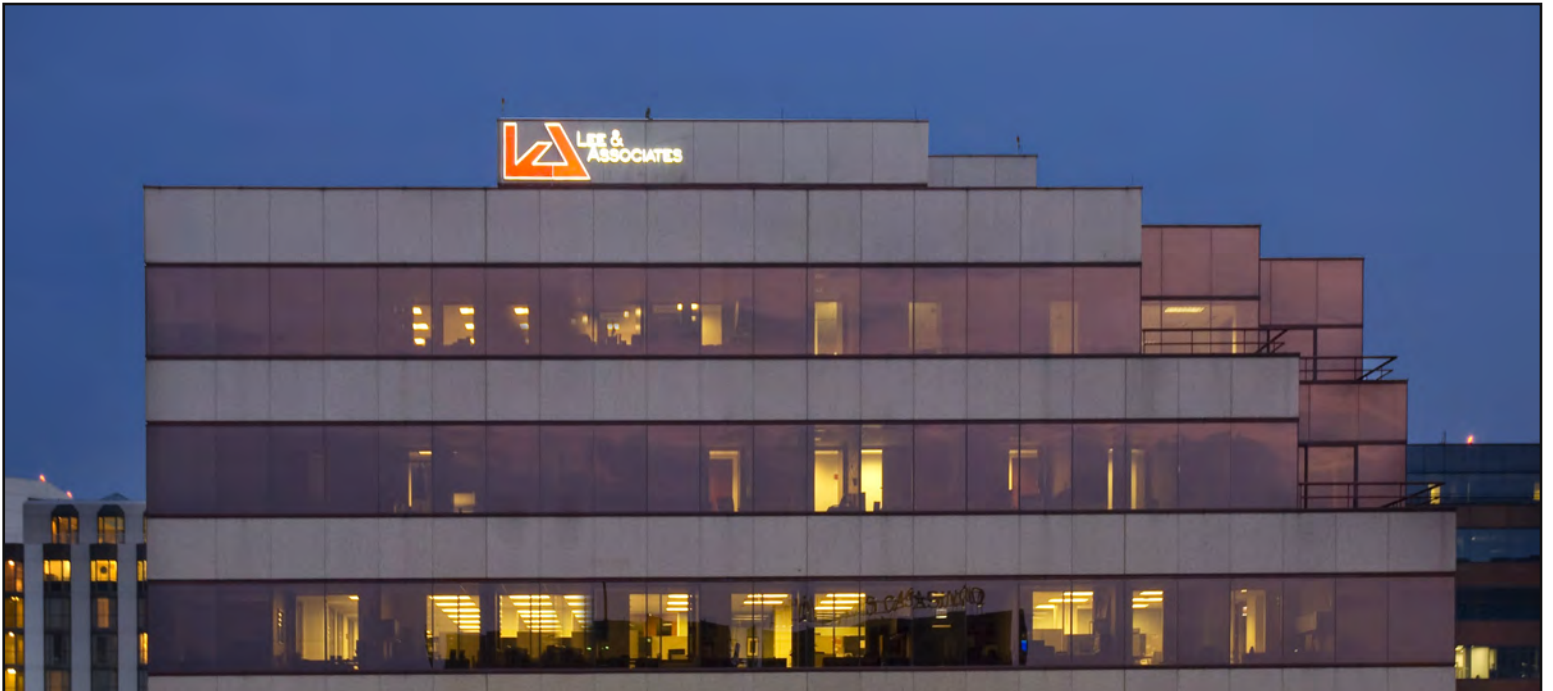
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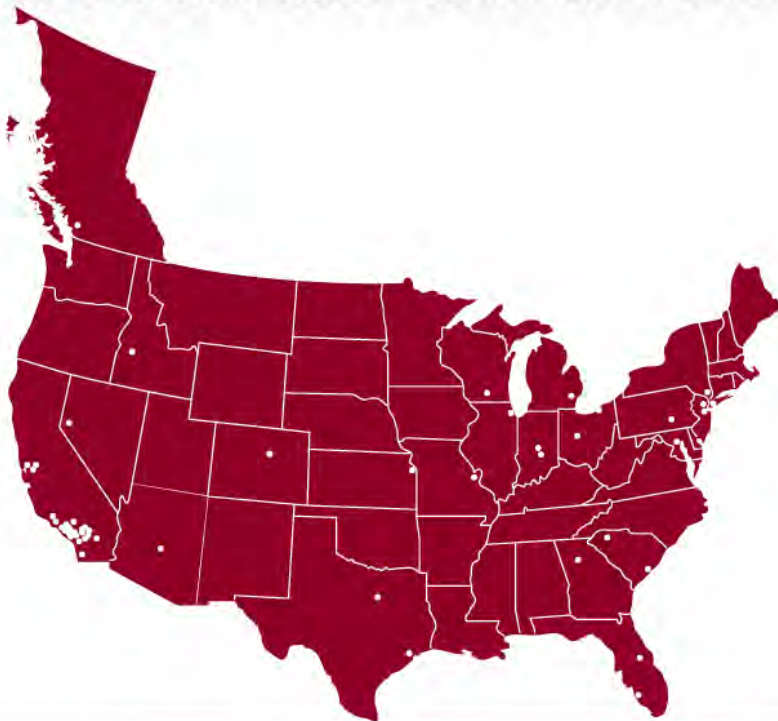
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LOCAL EXPERTISE. NATIONAL REACH. WORLD CLASS.



INTERNATIONAL ORGANIZATION, LOCAL OWNERSHIP

Established in 1979, Lee & Associates has expanded across the nation and North America 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 and now in Vancouver, British Columbia, making it one of the largest and fastest growing commercial real estate organizations in North America.



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|-------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 2016 - Vancouver, B.C. | 2012 - Orlando, FL | 2009 - Long Beach, CA | 2006 - Oakland, CA | 2002 - Chicago, IL | 1990 - Carlsbad, CA |
| 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 | |

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