CHICAGOLAND INDUSTRIAL
MARKET REPORT

Lee & Associates of Illinois, LLC First Quarter 2017

Outlook for Industrial Market Remains Bright

The Chicago economy has continued to grow, with the addition of 38,500 net new jobs over the past twelve months, a growth rate of 1.1%, up from the 0.5% growth rate of the previous quarter. The unemployment rate currently stands at 5.1%, the lowest rate reported since 2007 (nearly a *decade* ago!). The outlook for the local economy, relative to job formations, is largely positive, which should stimulate the demand for industrial space, including warehouse/distribution space, manufacturing facilities, and food processing/distribution plants. With the expected increase in demand, and a slight slowdown in the amount of new space coming to the market, the expectation is that vacancy will tighten, especially toward the latter part of 2017.

At year end 2016, there was nearly 19 million square feet of space currently under construction. As of the end of the first quarter of this year, that number has declined to 17.7 million square feet. Nearly 4 million square feet was delivered in the first quarter, with over half of that in the Joliet/I-80 Corridor submarket. Even with the amount of new product delivered in that submarket, the vacancy rate there is one of the lowest in the Chicagoland region at 4.0%.

Demand was exceptionally strong in the first quarter with a total net absorption of 5.7 million square feet. This represents a significant increase over the 3.7 million square feet of net absorption in the prior quarter. The I-80 Corridor accounted for a good portion of overall absorption in the Chicagoland area, with over 2.2 million net square feet absorbed. General Mills and Kellogg's accounted for over 2 million square feet of new lease activity (1.5 million square feet and .5 million square feet respectively) in this submarket. In addition to the ecommerce sector, interest from food processing and distribution companies has had a remarkable impact on demand over the past six months; a trend that will likely continue through the remainder of the year and beyond.

"Even after an incredible 2016 in terms of new construction and absorption, the current year looks to be nearly as strong. All the fundamentals are in place for this to be another great year."

Chris Huecksteadt
Executive Vice President

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

Highlights

- Overall vacancy fell to 6.6% in Chicagoland
- Nearly 4 million new square feet of space came on line during the first 3 months of 2017
- Net absorption surpassed 5.7 million square feet in the first quarter

CHICAGOLAND INDUSTRIAL

MARKET STATISTICS

Lee & Associates of Illinois, LLC | First Quarter of 2017

Page	Submarket	Industrial Base	Available Inventory	Vacancy	YTD New SF Delivered	Under Construction	1q17 Net Absorption	YTD Net Absorption
6	Central DuPage	22,260,613	650,049	2.9%	-	-	(84,301)	(84,301)
8	Chicago North	71,616,182	5,347,089	7.5%	-	40,700	62,845	62,845
10	Chicago South	112,117,172	10,017,671	8.9%	166,370	719,337	4,931	4,931
12	Fox Valley	37,546,288	2,032,073	5.4%	308,900	137,500	258,771	258,771
14	I-39 Corridor	86,362,048	3,582,800	4.1%	-	336,000	(3,444)	(3,444)
16	I-55 Corridor	92,042,278	8,268,384	9.0%	-	3,886,519	637,569	637,569
18	I-57 Corridor	30,902,821	1,841,880	6.0%	-	1,857,165	11,350	11,350
20	I-88 Corridor	64,060,664	4,207,073	6.6%	-	954,720	184,569	184,569
22	Joliet/I-80 Corridor	80,320,471	3,219,019	4.0%	2,260,449	6,124,815	2,232,854	2,232,854
24	Lake County	76,579,816	6,096,560	8.0%	42,537	442,734	84,310	84,310
26	McHenry County	28,615,034	1,270,169	4.4%	-	-	722,903	722,903
28	North Cook	37,862,968	1,527,707	4.0%	135,650	-	463,838	463,838
30	North DuPage	62,870,131	4,080,430	6.5%	285,600	970,553	323,804	323,804
32	North Kane	36,218,109	3,134,828	8.7%	56,250	-	(29,203)	(29,203)
34	Northwest Cook	46,419,959	2,897,192	6.2%	-	56,297	240,110	240,110
36	Northwest Indiana	46,059,677	2,012,418	4.4%	-	80,000	(87,616)	(87,616)
38	O'Hare	99,312,917	5,752,312	5.8%	-	306,579	(134,818)	(134,818)
40	South Cook	84,769,313	5,213,444	6.2%	-	-	136,529	136,529
42	Southeast Wisconsin	56,130,634	2,899,463	5.2%	29,775	1,602,348	49,549	49,549
44	Southwest Cook	27,648,644	2,732,440	9.9%	-	-	46,928	46,928
46	West Cook	69,884,119	7,445,731	10.7%	674,014	217,525	624,614	624,614
	TOTALS	**1,269,599,858**	**84,228,732**	**6.6%**	**3,959,545**	**17,732,792**	**5,746,092**	**5,746,092**

Statistical Highlights

The overall first quarter vacancy rate in Chicago fell to 6.6 percent, down 16 basis points from the fourth quarter volume of 6.7 percent. Heightened first quarter leasing volume coupled with steady user demand and a modest amount of space returning to the market resulted in the improved first quarter results. Thirteen of the twenty-two Chicago-area industrial submarkets experienced a decline in vacancy rate from the prior quarter. Chicago area's vacant supply also went down in the first quarter. The first quarter total of 84.2 million square feet is slightly below the 86 million square feet posted in the fourth quarter of 2016.

The Chicago area witnessed first quarter lease transactions totaling 7.9 million square feet. This was a 15 percent increase from last quarter's 6.9 million square feet but a major decrease when compared to the 10.3 million square feet leased one year ago. First quarter sale volume measured 2.2 million square feet, up 3.1 percent from the 2.1 million square feet sold in the fourth quarter of 2016.

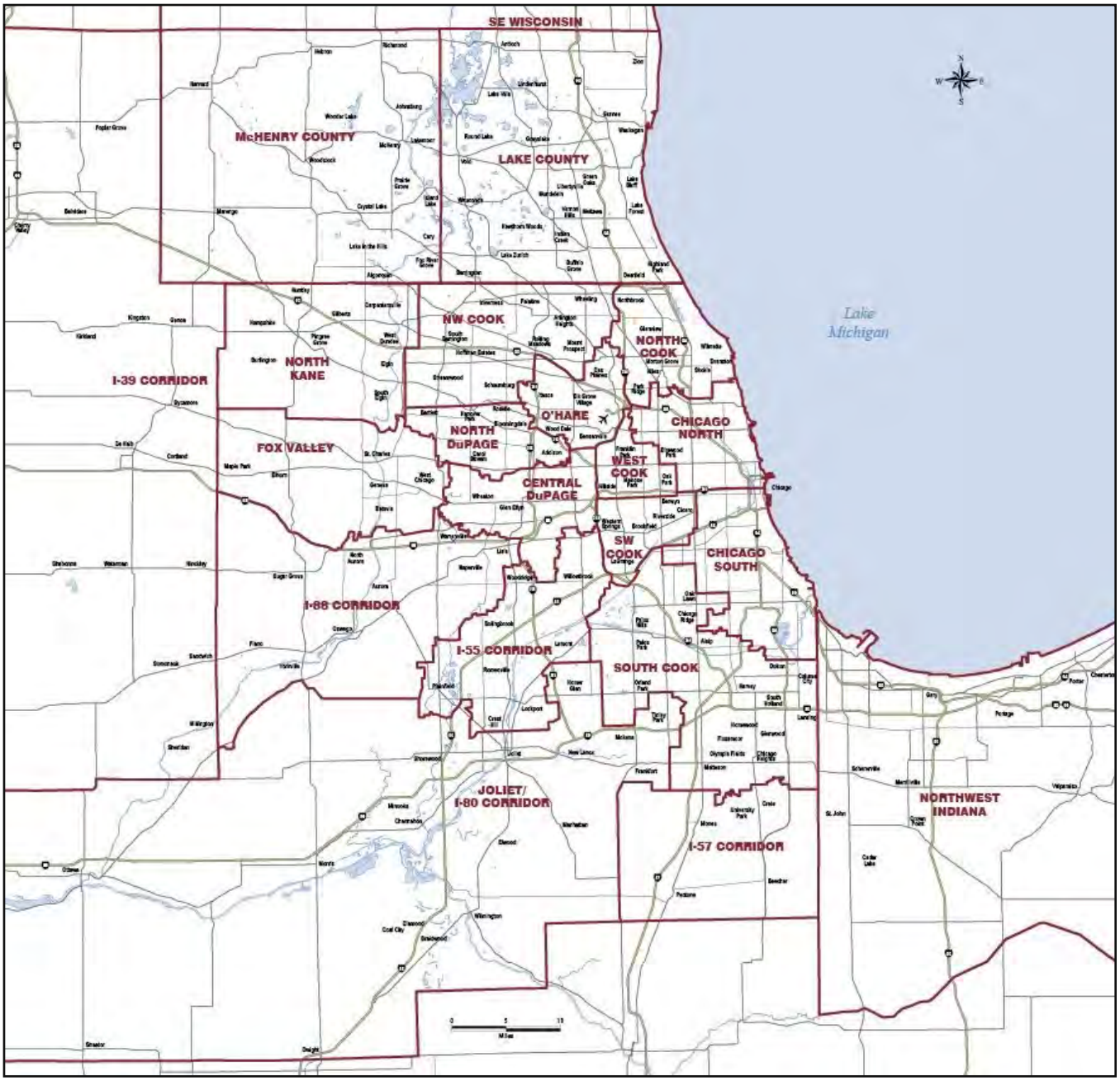
Heightened first quarter tenant demand and steady user demand sustained the first quarter net absorption of positive 5.7 million square feet, a dramatic improvement from the 3.8 million square feet posted in the fourth quarter of 2016.

CHICAGOLAND INDUSTRIAL

SUBMARKET MAP

Lee & Associates of Illinois, LLC

First Quarter of 2017



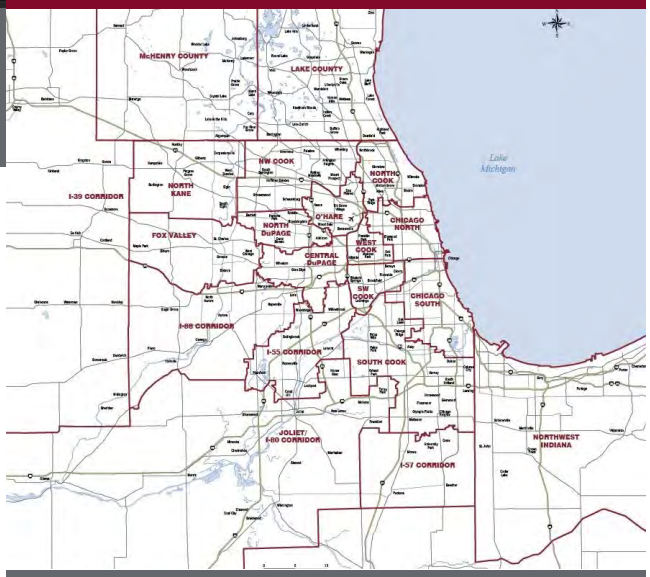
The first quarter witnessed 3.9 million square feet of new construction, which was substantially lower than the 6.3 million square feet posted in the fourth quarter. Speculative projects outpaced build-to-suit projects once again, however that gap is slowly closing with 1.99 million square feet versus 1.96 million square feet of build-to-suit activity. 49 new projects (32 speculative and 17 build-to-suit) are currently under construction. 26 of the 49 projects are scheduled to be completed second quarter of 2017 adding 8.2 million square feet of new inventory to the market.

CHICAGOLAND MARKET

The story in 2017 will be the absorption of newly delivered space. Even with the amount of new space delivered, vacancy remains low.

Key Stats:

Industrial Base	**1,269,599,858**
Vacancy Rate	**6.6%**
YTD New SF Delivered	**3,959,545**
SF Under Construction	**17,732,792**
Q1 Net Absorption	**5,746,092**
YTD Net Absorption	**5,746,092**



The Chicagoland Region & Submarkets

Lee-d Story

In addition to a growing economy (1.1% job growth year over year), activity in the industrial sector remains strong. Investment activity continues to improve, as organizations such as ULI have rated the industrial sector "the best opportunity in 2017 for investment and development among the major commercial real estate property types. With inventories tightening in nearly all submarkets, lease rates have continued to rise, while tenant demand has begun to shift to areas adjacent to many of the most sought after submarkets.

At year end 2016, there was nearly 19 million square feet of space under construction. That number fell slightly in the first quarter, to 17.7 million square feet. Projects are being delivered to the market and the expectation is that new construction levels will moderate. Land in the most desirable locations is becoming more scarce, which will slow development and push some developers further out along major development corridors.

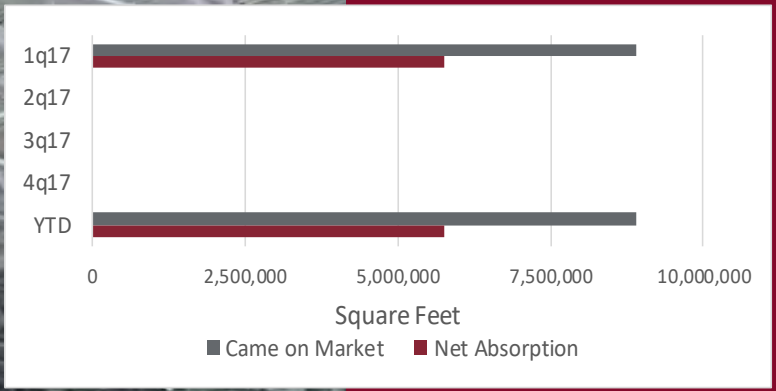
Notable Transactions

Site	Size	Type	Seller/Landlord	Buyer/Lessor
30131 Ridgeway in Wilmington	1,508,425	New Lease	Elion Partners	General Mills, Inc.
11595 McConnell in Woodstock	540,000	Sale	Quad/Graphics, Inc.	Flocon, Inc.
3900 Brandon in Joliet	501,313	New Lease	CenterPoint	CDTI
99 N Pinnacle in Romeoville	280,962	New Lease	DCT Industrial Trust	Geodis
1695 Crossroads in Joliet	266,680	New Lease	TIAA	Kellogg's
1200 Greenbriar in Addison	263,490	New Lease	LaSalle Investment Mgmt.	Parts Town

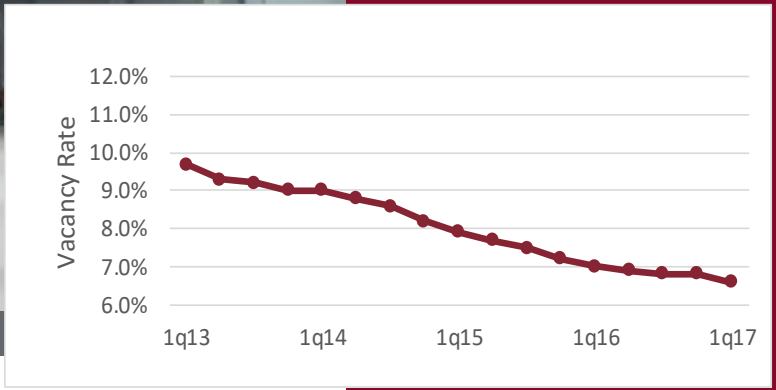
Lee Transactions in RED

Lee serves all facets of the Industrial Real Estate market.

On Mkt & Absorption



Vacancy Rate

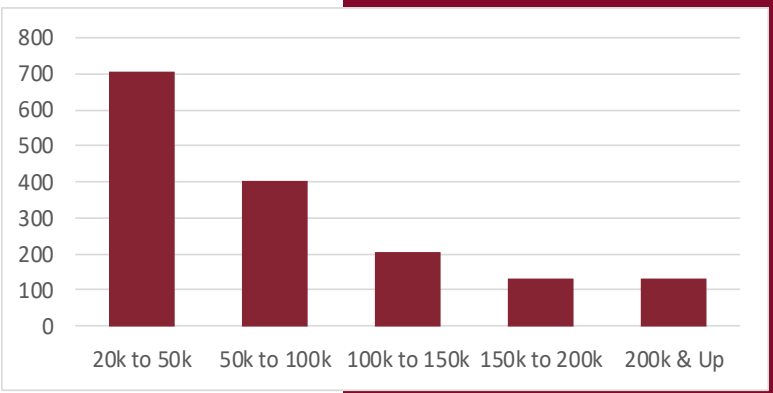


First Quarter Overview

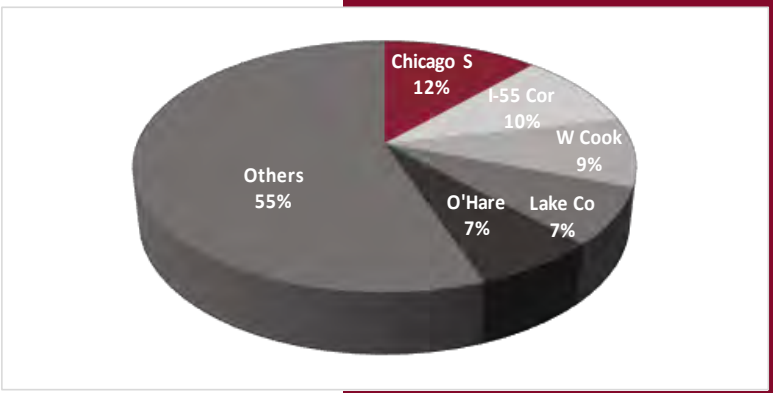
As it has done for the past five years, the vacancy rate in the Chicagoland industrial sector continued its downward momentum, falling from 6.79% the previous quarter to it's current level of 6.63%. Even with the addition of nearly 4 million square feet, strong demand (over 5.7 million square feet of net absorption) was enough to push the vacancy rate even lower.

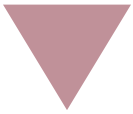
Several submarkets in the Chicagoland area are exhibiting near record lows in terms of vacancy, even as new construction and deliveries reach all time highs in some of these areas. The I-80 Corridor currently is at 4% vacancy, even though 2.2 million new square feet came on the market during the first quarter (and another 6.1 million square feet is under construction). Over 2.5 million square feet were leased during the quarter in this submarket, making it the most active in the entire region. The I-55 Corridor, O'Hare area, and North DuPage also exhibited strong leasing activity, though they are not the only submarkets that saw high demand levels to start the year.

Available Units by Size



Available by Submarket





Vacancy

Net Absorption

Lease Rates

LEE & ASSOCIATES

WHO WE ARE…

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, Washington, 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 and 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.

CHICAGOLAND MARKET
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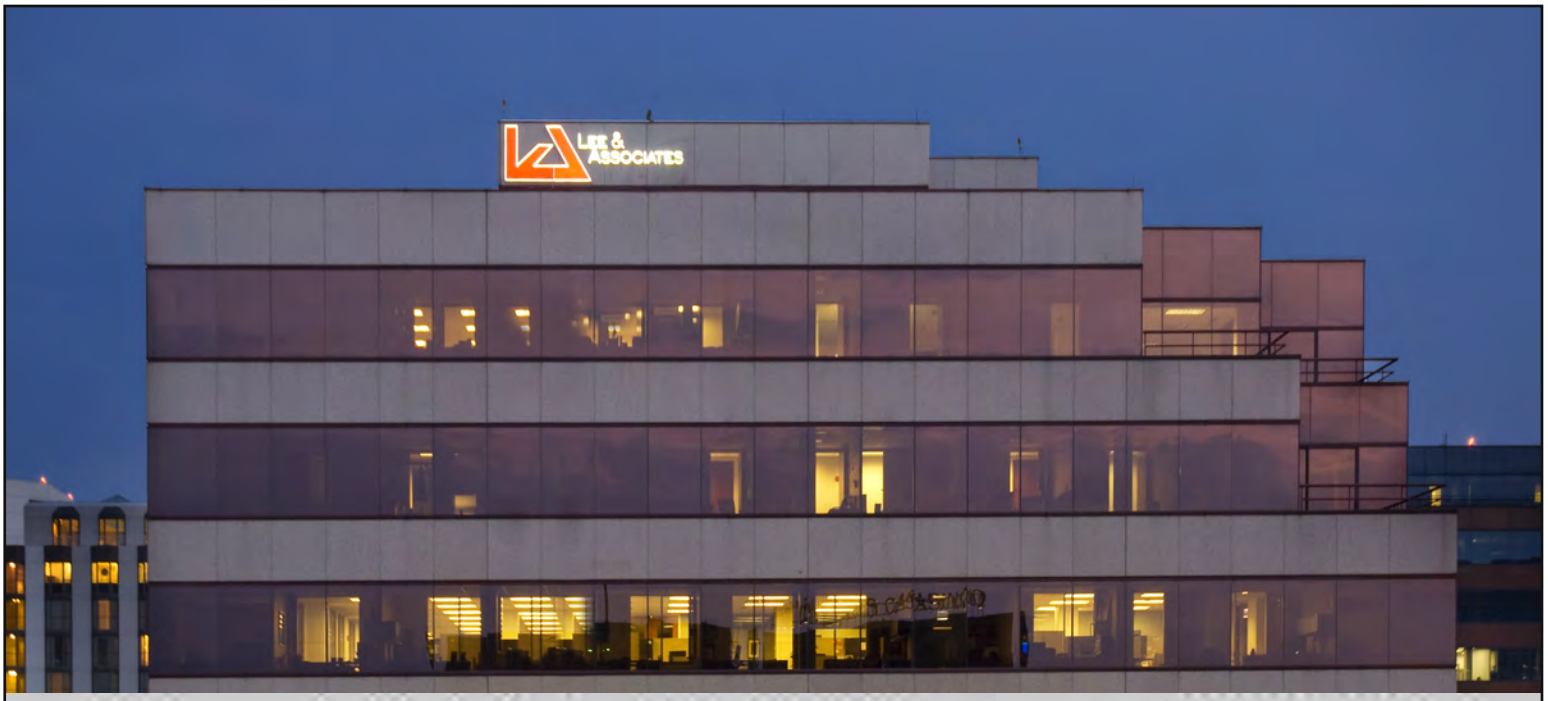
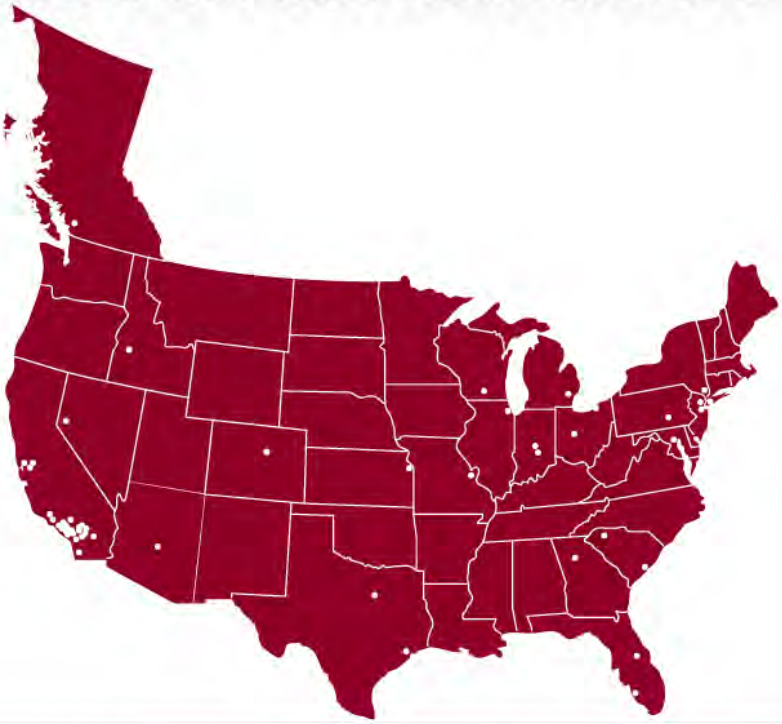


LOCAL EXPERTISE. NATIONAL REACH. WORLD CLASS.



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.

LEE & ASSOCIATES®
COMMERCIAL REAL ESTATE SERVICES

2016 - Vancouver, B.C.
2015 - Eastern Pennsylvania
2015 - Columbus, OH
2015 - Houston, TX
2014 - Denver, CO
2014 - Cleveland, OH
2013 - Long Island-Queens, NY
2013 - Chesapeake Region , MD
2012 - Edison, NJ
2012 - Orlando, FL
2012 - Charleston, SC
2011 - Fort Myers, FL
2011 - Kansas City, KS
2011 - Manhattan, NY
2011 - Greenville, SC
2010 - Atlanta, GA
2010 - Greenwood, IN
2010 - Indianapolis, IN
2009 - Long Beach, CA
2009 - Elmwood Park, NJ
2008 - Boise, ID
2008 - ISG, LA, CA
2008 - Palm Desert, CA
2008 - Santa Barbara, CA
2006 - Antelope Valley, CA
2006 - Dallas, TX
2006 - Madison, WI
2006 - Oakland, CA
2006 - Reno, NV
2006 - San Diego - UTC, CA
2006 - Ventura, CA
2006 - San Luis Obispo, CA
2005 - Southfield, MI
2005 - Los Olivos, CA
2004 - Calabasas, CA
2004 - St. Louis, MO
2002 - Chicago, IL
2001 - Victorville, CA
1999 - Temecula Valley, CA
1996 - Central LA, CA
1994 - Sherman Oaks, CA
1994 - West LA, CA
1993 - Pleasanton, CA
1993 - Stockton, CA
1991 - Phoenix, AZ
1990 - Carlsbad, CA
1990 - Industry, CA
1989 - LA - Long Beach, CA
1989 - Riverside, CA
1987 - Ontario, CA
1984 - Newport Beach, CA
1983 - Orange, CA
1979 - Irvine, CA

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