

CHICAGO INDUSTRIAL

Economic Indicators

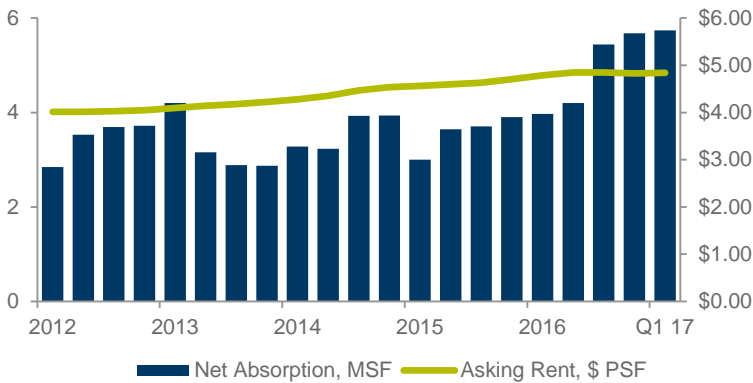
	Q1 16	Q1 17	12-Month Forecast
Chicago Employment	4.6 M	4.7 M	▲
Chicago Unemployment	6.0%	5.6%	▼
U.S. Unemployment	4.9%	4.8%	■

Market Indicators

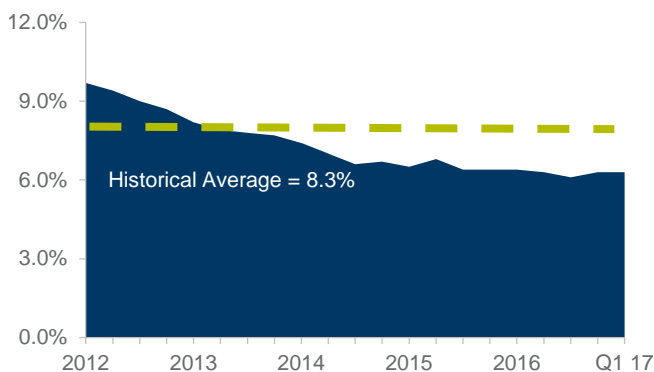
	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	6.4%	6.4%	▲
Overall Net Absorption	2.4 M	2.7 M	■
Under Construction	13.0 M	16.7 M	▲
Overall Average Asking Rent (PSF)	\$4.87	\$4.87	■

Overall Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

U.S. manufacturing continued to grow for the seventh consecutive month in March, but the rate of growth is slackening after a post-election surge. U.S. eCommerce sales grew by a rapid 15.1% year-over-year in 2016, dwarfing bricks-and-mortar sales growth and providing a key source of demand for industrial property.

Market Overview

New leasing activity for the Chicago industrial market totaled just over 3.5 million square feet (MSF) in the first quarter of 2017, 37.9% below the Q1 2016 total. The general consensus is that there has been a pause – not a halt – in transaction activity which is not indicative of a slow year to come. Leasing demand was strongest in the Interstate 80 Corridor submarket for the third consecutive quarter, with nearly 800,000 square feet (SF). Inventory Liquidators Corporation and CTDI signed two of the largest leases, for just over 531,000 SF in Western Cook County and 501,000 SF in the Interstate 80 Corridor submarket respectively.

With a presidential transition spurring an outlook shift in economic trajectory, many investors and tenants displayed a wait-and-see approach but are gearing up for another active year. Investment sales totaled 3.0 MSF and was 42.3% below the 5.4 MSF traded in Q1 2016. Warehouse properties accounted for 68.0% of all sales. The slowdown was anticipated after 2016 had one of the most active first quarters in the last five years.

Construction this quarter is a strong indication that the Chicago industrial market is still far from cooling off. Completions totaled just under 3.1 MSF, and the in-progress pipeline contains nearly 16.7 MSF with build-to-suit (BTS) construction accounting for 53.5% or about 8.9 MSF of the total. High tenant demand has been encouraging to developers who have over 7.7 MSF of speculative construction coming to market over the next 9-12 months. The strong flow of tenants within the Chicago market over the last several quarters has given rise to increased construction for both BTS and speculative product.

Outlook

While market activity reflected a slight hesitation in tenants making space decisions an increased stream of leasing and sales activity is anticipated in the coming quarters.

The overall Chicago market will maintain low vacancies and see continued demand for new product from tenants of all sizes. Submarkets such as the ever active Interstate 80 and Interstate 55 Corridors will stay attractive to tenants with large square footage requirements helping to decrease vacancy and tighten up rents in the next few quarters. At the same time, infill sites in and near the City of Chicago will be high on the radar of companies seeking to be closer to business and residential end users.

MARKETBEAT

Market Name

Industrial Q1 2017



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Chicago North	104,371,814	43,583	138,000	3.7%	(76,118)	117,200	0	\$5.96	\$17.50	\$5.78
Chicago South	133,869,327	139,780	87,304	3.9%	(4,505)	695,413	0	\$4.75	\$9.23	\$5.30
Western Cook County	106,106,466	714,710	50,556	9.3%	502,932	262,825	491,089	\$3.96	\$3.65	\$5.12
South Suburbs	89,116,967	143,749	29,920	5.9%	91,063	334,950	0	\$3.23	\$7.00	\$3.79
Northern Cook County	53,986,463	74,905	73,969	5.6%	17,536	135,650	0	\$5.44	\$11.09	\$6.29
Northwest Cook County	34,581,327	28,800	0	5.8%	(70,400)	50,000	0	\$7.42	\$8.86	\$5.27
Northern Fox Valley	35,906,479	112,604	108,100	9.2%	343,048	0	449,399	\$6.11	\$10.79	\$4.76
Northeast DuPage	31,395,491	41,848	0	4.9%	(31,103)	0	0	\$4.82	\$10.30	\$5.84
Southern DuPage	15,253,918	56,489	0	4.9%	(110,039)	185,600	0	\$5.49	\$10.12	\$6.64
Central DuPage	45,398,143	54,098	0	7.5%	(108,904)	970,653	80,000	\$5.37	\$6.76	\$4.76
Southern Fox Valley	87,154,030	179,116	24,483	7.1%	(70,486)	1,092,293	0	\$3.99	\$10.70	\$4.51
Lake County	81,814,500	294,711	12,436	5.9%	82,786	485,295	0	\$4.90	\$10.64	\$5.35
McHenry County	22,609,923	4,934	0	13.0%	(70,459)	0	0	\$3.65	N/A	\$5.07
Western Kane County	7,365,039	0	0	5.0%	(295,620)	0	0	\$5.38	N/A	\$4.25
Interstate 55 Corridor	84,311,366	602,137	46,289	10.1%	289,651	2,571,333	84,675	\$5.65	\$8.87	\$4.82
Interstate 80 Corridor	81,445,580	779,153	0	6.2%	1,829,096	8,187,970	2,259,754	\$2.91	\$6.50	\$3.81
Interstate 39 Corridor	17,685,571	24,800	0	5.5%	24,800	0	0	\$2.79	N/A	\$3.29
Southeast Wisconsin	42,753,238	0	0	6.8%	0	1,602,348	624,860	\$4.09	\$6.22	\$4.02
O'Hare	100,748,430	234,316	164,346	5.1%	323,963	0	175,982	\$4.70	\$6.95	\$5.25
CHICAGO TOTALS	1,175,874,072	3,529,733	735,403	6.4%	2,667,241	16,691,530	4,165,759	\$4.58	\$9.24	\$4.78

Rental rates reflect asking \$PSF/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
100 Prologis Way, Morris*	806,400	Mondelez	Warehouse/Distribution	Interstate 80 Corridor
8999 Palmer Drive, River Grove*	531,227	Inventory Liquidators Corporation	Warehouse/Distribution	Western Cook County
3900 Brandon Road, Joliet	501,313	CTDI	Warehouse/Distribution	Interstate 80 Corridor

*Renewal – not included in leasing activity statistics

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / PSF	SUBMARKET
Portfolio Sale, 16 Buildings, Illinois	1,960,400	Cabot Properties/ DRA Advisors	Multiple	\$106,175,264/ \$54	Part of 185-building national portfolio.
800 South Northpoint Boulevard	365,336	WMS Industries/ Venture One	Manufacturing	Undisclosed	Lake County
1502 N 25 th Avenue, Melrose Park	139,331	Principal Global Investors/ GLP	Warehouse/Distribution	\$10,700,000 / \$77	Western Cook County

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