

CHICAGO INDUSTRIAL

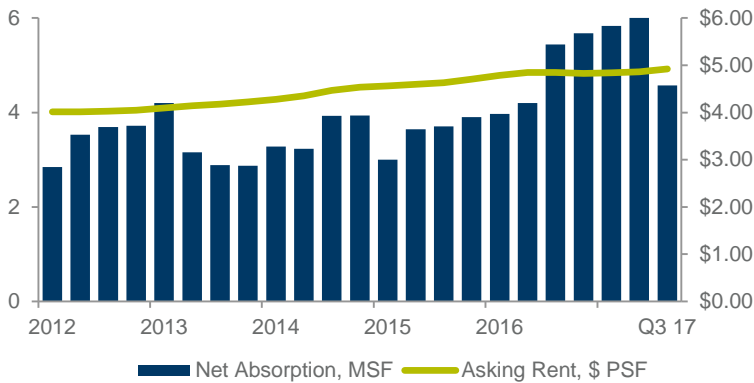
Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Chicago Employment	4.7M	4.7M	▲
Chicago Unemployment	5.7%	4.9%	▼
U.S. Unemployment	4.9%	4.4%	▼

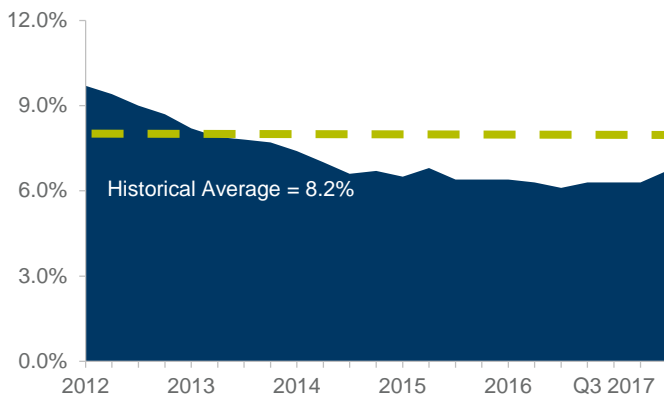
Market Indicators

	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	6.1%	6.7%	▲
YTD Overall Net Absorption	18.6M	14.1M	■
Under Construction	18.9M	12.3M	▲
Overall Average Asking Rent (PSF)	\$4.79	\$5.03	▲

Overall Net Absorption/Asking Rent  
4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Chicago unemployment is down nearly a full percentage point year over year, closing out the third quarter at 4.9%. Chicago remains in the top three nationwide for lowest cost of doing business behind Atlanta and Houston according to KPMG. Chicago continues to be a hub for manufacturing, ranking second nationally for overall manufacturing employment and first in a number of different manufacturing industries for GRP including food, metal, electrical, paper, and plastic.

Market Overview

New leasing activity for the Chicago industrial market totaled just under 13.3 million square feet (msf) through the third quarter of 2017, 53.5% below the Q3 2016 total. While 2017 has paled in comparison to the record setting activity of 2016, the Chicago industrial market as a whole has continued to see rising leasing activity with higher velocity of deals 100,000 square feet (sf) and lower. New leasing demand year-to-date remained strongest in the Interstate 55 Corridor submarket, but in the 3<sup>rd</sup> quarter alone, Central DuPage, O'Hare, and the South Suburbs saw a major uptick in activity. For the second consecutive quarter, the largest transaction was a renewal totaling 915,643 sf for M. Block & Sons, Inc. warehouse space in Tinley Park. This renewal was the only transaction completed over 300,000 sf in Q3.

Despite the slight uptick in vacancy, the third quarter of 2017 confirmed predictions of another active year in the Chicago industrial market with rental rates continuing to climb. Investment sales totaled 15.3 msf year to date, 41.2% below the 26.1 msf traded in the first three quarters of 2016. However, investment sales picked up 81.1% from Q1 of this year.

New construction continues to pop up throughout the market indicating investors are confident the Chicago market is an industrial mainstay. Chicago boasts over 12.3 msf under construction and 18.1 msf delivered so far this year. New inventory delivered through the first three quarters is heavy with speculative development accounting for 58.7% of all new product. Steady tenant demand has been encouraging to developers, but vacancy is anticipated to continue rising as new product hits the market.

Outlook

The fourth quarter of 2017 should continue to see rising activity, but start to show signs of bifurcation. The big box markets have large amounts of speculative construction to fill with limited tenants in the market seeking over 200,000 sf. However, markets with limited new, available inventory such as O'Hare and DuPage will see rising activity and decreasing vacancy rates as eager tenants quickly occupy any available space. After a tight few years, the Chicago industrial market now offers a plethora of newly developed available space to attract tenants in the market previously unable to find product aligning with their needs.

# MARKETBEAT

## Chicago

### Industrial Q3 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	104,313,605	113,939	216,872	3.8%	(143,593)	76,500	40,700	\$6.15	\$17.50	\$6.26
Chicago South	134,644,845	900,798	636,698	3.9%	729,311	520,994	555,413	\$4.64	\$9.23	\$5.82
Western Cook County	106,323,054	1,607,789	423,769	9.3%	832,893	99,076	838,614	\$3.97	N/A	\$4.91
South Suburbs	89,451,917	935,833	418,950	5.2%	1,013,575	0	334,950	\$3.31	\$7.00	\$3.41
Northern Cook County	54,122,113	236,677	286,969	6.2%	(-254,912)	501,716	135,650	\$6.32	\$9.46	\$6.42
Northwest Cook County	34,914,621	243,456	339,600	7.9%	(470,346)	0	50,000	\$8.12	\$9.19	\$5.37
Northern Fox Valley	35,906,479	542,164	211,892	9.1%	587,426	0	449,399	\$6.62	\$9.99	\$4.89
Northeast DuPage	31,395,491	512,724	133,680	4.1%	369,654	0	0	\$5.39	\$10.68	\$5.88
Southern DuPage	15,493,518	89,523	41,050	6.2%	(125,605)	0	185,600	\$5.49	\$10.86	\$6.55
Central DuPage	46,357,939	1,048,895	356,608	8.7%	230,445	372,000	1,050,653	\$5.57	\$6.64	\$4.74
Southern Fox Valley	88,550,883	590,111	24,483	6.9%	1,659,316	169,250	1,092,293	\$3.93	\$19.47	\$4.46
Lake County	82,299,795	594,003	211,491	5.6%	788,387	0	485,295	\$4.75	\$10.87	\$5.25
McHenry County	22,609,923	112,461	0	12.5%	(31,007)	0	0	\$3.35	N/A	\$5.14
Western Kane County	7,365,039	0	0	5.0%	(295,620)	0	0	\$5.38	N/A	\$4.25
Interstate 55 Corridor	87,397,707	2,145,374	46,289	10.6%	3,342,535	1,628,827	3,110,589	\$6.71	\$8.87	\$4.65
Interstate 80 Corridor	86,627,554	1,758,903	0	8.7%	4,957,318	8,104,567	7,441,728	\$2.91	\$6.50	\$3.79
Interstate 39 Corridor	17,685,571	24,800	0	5.5%	24,800	0	0	\$2.79	N/A	\$3.10
Southeast Wisconsin	44,355,586	534,147	0	6.9%	1,369,379	609,720	2,227,208	\$3.96	\$6.22	\$4.29
O'Hare	100,839,884	1,273,687	577,170	5.9%	(453,709)	209,275	175,982	\$4.67	\$7.20	\$5.15
<b>CHICAGO TOTALS</b>	<b>1,190,601,524</b>	<b>13,265,284</b>	<b>3,925,521</b>	<b>6.7%</b>	<b>14,130,247</b>	<b>12,345,925</b>	<b>18,174,074</b>	<b>\$4.66</b>	<b>\$10.63</b>	<b>\$4.82</b>

Rental rates reflect asking \$psf/year

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

### Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
550 W North Frontage Road, Bolingbrook	269,591	Menasha Packaging	Warehouse/Distribution	Interstate 55 Corridor
1695-1701 Crossroads Drive, Joliet	192,390	Kellogg's	Warehouse/Distribution	Interstate 80 Corridor
200 Regency Drive, Glendale Heights	142,834	Mechanical Servants	Warehouse/Distribution	Central DuPage

\*\*Does not include Renewals.

### Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / PSF	SUBMARKET
Portfolio Sale, 21 properties, Illinois	2,350,000	CenterPoint Properties/ Westmount Realty Capital	Multiple	\$87,015,000/\$37	Part of 21-building Chicago portfolio
23534 South Central Avenue, University Park	1,000,560	Venture One/ CBRE	Warehouse/Distribution	\$52,900,000/ \$53	Interstate 80 Corridor
2600 West Haven Road, Joliet	934,000	Central Grocers/ Supervalu Inc.	Warehouse/Distribution	\$61,000,000/ \$65	Interstate 80 Corridor

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