

# CHICAGO INDUSTRIAL OVERVIEW

## THIRD QUARTER 2015

### VACANCY

The vacancy rate of the Greater Chicagoland industrial market continued to decrease into the second half of 2015. At the conclusion of the third quarter, a reported 7.59% of the market's 1.3 billion square feet of industrial inventory throughout the Chicago metro area, Northwest Indiana, and Southeast Wisconsin remained vacant, **the lowest vacancy figure recorded since the first quarter of 2006**. This decrease in vacancy represents a notable improvement of 407 basis points since the market's recent peak rate of 11.66% in the third quarter of 2011. In addition, the Chicago metro market concluded the third quarter with a vacancy rate of 7.54%, a decrease of 55 basis points since the third quarter of the previous year.

Out of twenty-four submarkets, fourteen have reported decreases in vacancy rates since the end of the second quarter. Strong leasing activity during the quarter contributed to an ample reduction of vacant product of over 90 basis points in both the I-55 Corridor and DuPage submarkets since the end of the second quarter. The Will and Southeast Wisconsin submarkets also reported decreasing vacancy rates of over 30 basis points. In contrast, the Thorndale Corridor and South Cook submarkets reported increasing rates of vacancy of over 20 basis points since the previous quarter.

Key statistical indicators such as the compacting vacancy rate, consecutive quarters of positive net absorption, and growing tenant and user activity throughout 2015 have demonstrated the market-wide recovery and the strength of the Greater Chicagoland industrial market. With the growing e-commerce and supply logistics industries, the Greater Chicagoland area is expected to see continued improvement as it solidifies itself as a distribution and industrial focal point for users, tenants, developers, and investors alike.

Vacancy Rate



Net Absorption



Asking Rents



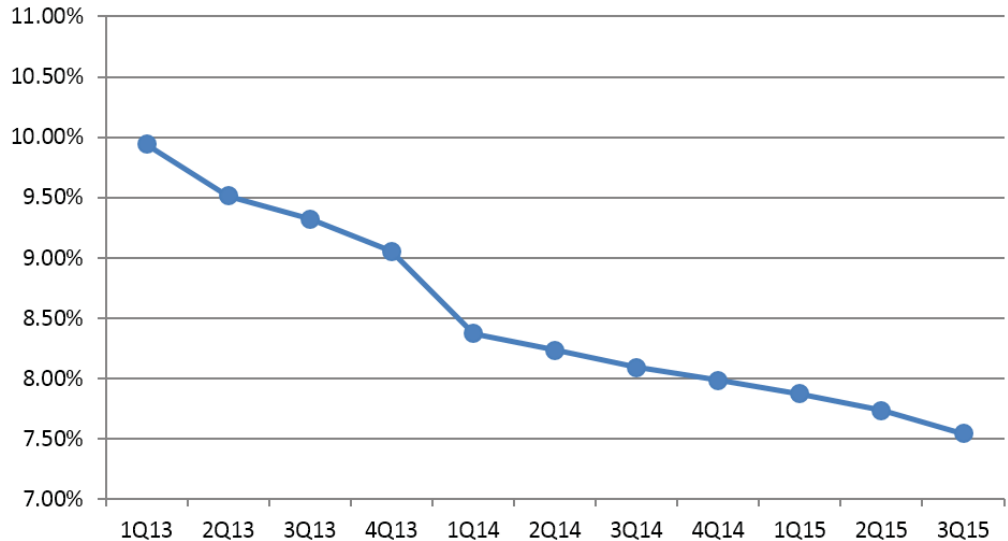
Lease & Sale Activity



Q/Q STAT SNAPSHOT

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MARKET INFO  
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### Chicago Metro Area Historical Vacancy



## ABSORPTION

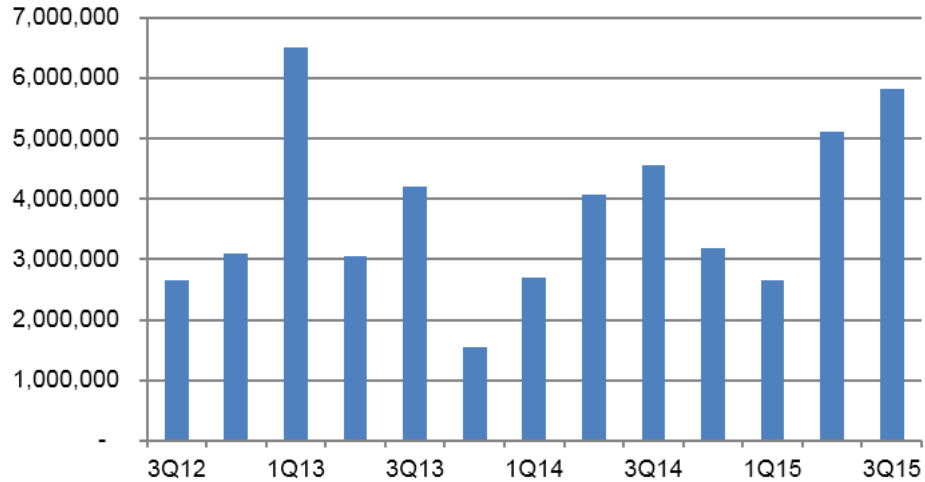
The Greater Chicagoland market absorbed almost 6.9 million square feet of industrial product during the third quarter. Absorption is defined as the change in occupancy over a given period of time and provides a key statistical indicator of the health of a market.

The end of the third quarter marked the seventeenth consecutive quarter of positive net absorption and the most substantial occupancy gain year-to-date compared to the 2.7 million square feet reported in the first quarter of the year and 5.9 million square feet during the second quarter.

Several submarkets reported occupancy gains of over 1 million square feet during the quarter including DuPage and the I-55 Corridor. The Will submarket also reported a positive absorption gain of over 1 million square feet in large part due to the delivery and subsequent occupancy of Michelin's 1.7 million square foot facility in Wilmington.

Year-to-date, the 15.4 million square feet of cumulative positive net absorption reported at the end of the third quarter has already surpassed the 14.1 million square feet reported at the end of the year in 2014. **Positive net absorption is expected to continue through the year's end as user and tenant momentum continues to drive occupancy of new and emerging space.**

## Chicago Metro Area Quarterly Absorption



## LEASING ACTIVITY

Leasing activity accounted for 8.8 million square feet of completed transactions, an increase compared to the 8.5 million square feet of tenant transactions reported in the second quarter and 5.9 million square feet reported in the first quarter. Twenty-one lease transactions were recorded that were each over 100,000 square feet or larger.

A substantial portion of these transactions occurred within the DuPage submarket and I-55 Corridor, totaling 1.9 million square feet of leasing activity and 1.6 million square feet, respectively. The combined total amount of transactions within these two markets resulted in 40% of the quarter's cumulative submarket total. M&R Printing Equipment's relocation to a 319,885 square foot facility, in which M&R was represented by Paine/Wetzel, was one of the largest lease signings within the DuPage submarket during the third quarter.

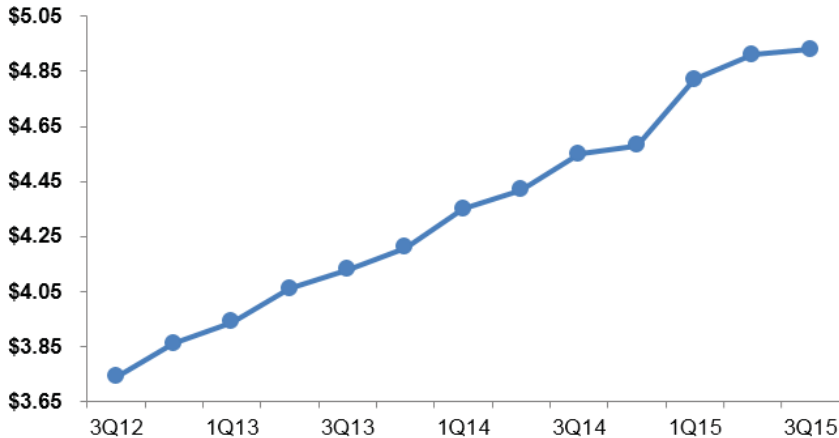
## SELECT DEALS

Location	Tenant	Type	Size	Submarket
Bolingbrook	Central American Group	New	490,420	I-55 Corridor
Bolingbrook	Swap.com	New	361,176	I-55 Corridor
Carol Stream	H.D. Smith Medical	New	334,718	DuPage
<b>Roselle</b>	<b>M&amp;R Printing Equipment</b>	<b>New</b>	<b>319,885</b>	<b>DuPage</b>
Sturtevant	Graham Packaging Company	Renewal	300,410	Wisconsin
Bolingbrook	Kane is Able	New	220,592	I-55 Corridor
Antioch	Actavis	New	213,746	Lake
Bolingbrook	Ferguson Enterprises, Inc.	New	209,763	I-55 Corridor
Carol Stream	Demar Logistics	Renewal	201,090	DuPage
Carol Stream	DesignPac Gifts, LLC	New	188,142	DuPage

BOLD denotes a PW deal

## LEASE ECONOMICS

Chicago Metro Area Historical Rents



At the end of the third quarter, average asking lease rates in the Greater Chicagoland market increased to \$4.87 per square foot Net. **The Chicago metro market averages an asking rate of \$4.93 per square foot Net, an 8% increase since the previous year's average asking rate and a 32% increase since the recent lowest asking rate of \$3.68 per square foot recorded in the second quarter of 2011.**

Sixteen out of twenty-four submarkets reported asking lease rate increases of \$0.20 or greater since the previous year. The greatest increases in average asking lease rates since the third quarter of 2014 occurred in the Lake submarket, noting a 25% rent increase, and the DuPage submarket, noting a 29% increase. As vacant supply continues to decrease and tenant demand grows, rental rates are expected to climb higher across all submarkets.

## SALES ACTIVITY

Owner and user sales remained active during the third quarter and resulted in 2.4 million square feet of completed transactions. The Northwest Indiana and Kane submarket reported the greatest amount in owner and user sale volume, reporting over 400,000 square feet in sales while DuPage and Lake each reported over 200,000 square feet in sales activity. The largest owner and user sale of the quarter occurred with Hoist Liftruck Manufacturing Inc.'s multi-property purchase of three buildings totaling 548,969 square feet in the Northwest Indiana submarket.

Investor activity was also prevalent in the third quarter. Distribution Realty Group, LLC purchased the Regent O'Hare Center's portfolio of 9 buildings totaling 955,460 square feet and Prologis acquired Remington Lakes I & II totaling 686,320 square feet in the I-55 Corridor.

## SELECT SALE TRANSACTIONS

Location	Size	Buyer	Seller	Price	Submarket
Elk Grove Village - 9 Buildings	955,940	Distribution Realty Group, LLC	DK Real Estate Services	\$59.8MM/62.54PSF	O'Hare
Monee	700,200	Exeter Property Group	Griffin Capital Essential Asset REIT, Inc.	\$22MM/\$31.42PSF	Will
Bolingbrook - 2 Buildings	686,320	Prologis	International Airport Centers, Inc.	\$40MM/\$58.28PSF	I-55 Corridor
East Chicago - 3 Buildings	548,969	Hoist Liftruck Manufacturing, Inc.	Read Properties, LLC	\$12MM/\$21.88PSF	Indiana
Elgin	342,620	Zurich Alternative Asset Mgmt. LLC	Conor Commercial Real Estate	\$29MM/\$84.64PSF	Kane
Chicago	265,294	DCT Industrial Trust	Calmark, Inc.	\$1.75MM/\$6.60PSF	Chicago South
Carol Stream	167,323	Industrial Property Trust	Abbott Land & Investment	\$21.4MM/\$127.90PSF	DuPage
West Chicago	160,000	KCLK LLC	Cantore & Construction	\$2.8MM/\$17.50PSF	DuPage
South Holland	149,067	Venture One Real Estate, LLC	Henley Management Company	\$2.9MM/\$19.45PSF	South Cook
Batavia	131,250	Cabot Properties, Inc.	West Wind Properties, LLC	\$7.9MM/\$60.48PSF	Kane

## CONSTRUCTION

Tenant	Size	Status	Submarket
Michelin	1,700,000	Complete	Will
Saddle Creek Logistics	1,114,575	U/C	Will
Uline	1,100,000	U/C	Wisconsin
Amazon	1,015,740	Complete	Wisconsin
Weber-Stephen Products Co.	757,120	Complete	McHenry
Uline	520,000	Complete	Wisconsin
Amazon	513,976	Complete	Wisconsin
CoreCentric Solutions, Inc.	350,000	U/C	DuPage
FedEx	350,000	Complete	North Cook
<b>Sunstar Americas, Inc.</b>	<b>302,000</b>	<b>Complete</b>	<b>Golden Corridor</b>

BOLD denotes a PW deal

The third quarter concluded with just over 4 million square feet of construction deliveries, bringing the year-to-date total to 10.1 million. Notably, Michelin's 1.7 million square foot build-to-suit, the largest construction completion of 2015, delivered in the Will submarket. Sunstar Americas' 302,000 square foot build-to-suit facility, in which Paine/Wetzel represented Sunstar Americas, was completed in the Golden Corridor.

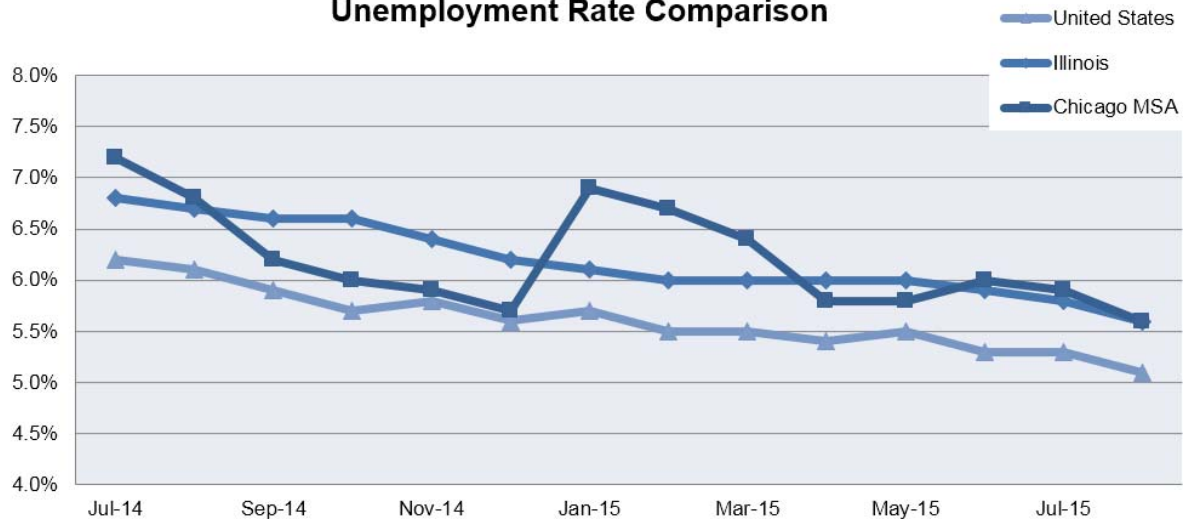
Additionally, several speculative facilities were completed during the third quarter. IDI Gazeley's 454,276 square foot facility delivered in the Lake submarket and is currently 47% leased. Interstate Partners' 275,265 square foot speculative building was also delivered to the Kane submarket, currently 0% leased.

Many speculative buildings are scheduled for delivery in the upcoming fourth quarter include Dermody Properties' 353,322 square foot speculative building delivering to the West Cook submarket and The Opus Group's 423,672 square foot building delivering to the Thorndale Corridor. With an increase in speculative construction underway, vacancy rates may be affected in the coming quarter but the heightened tenant activity seen in the previous quarters is expected to off-set the additions of the newly constructed facilities.

## ECONOMIC FORECAST

Source: Bureau of Labor Statistics

### Unemployment Rate Comparison



The national unemployment rate fell at the end of the quarter to 5.1%, an improvement from the 5.8% unemployment rate reported at the end of the third quarter in 2014. The statewide unemployment rate has also continued to steadily fall since the beginning of the year, ending the quarter at a rate of 5.6%. Similarly, the Chicago Metropolitan Statistical Area (Chicago-Naperville-Arlington Heights) fell to a rate of 5.6%, a marked decrease since the 6.2% recorded at the end of the third quarter in 2014. The economy has continued to steadily improve through 2015 on both a national and regional level and the decreasing rate of unemployment offers evidence of its continuing recovery.

CHICAGO INDUSTRIAL OVERVIEW/

**THIRD QUARTER 2015 CHICAGO INDUSTRIAL MARKET STATISTICS**

Market	Inventory	Available	Vacancy	Absorption				Asking	
				Current	YTD	Leased	Sold	Rate	Price
Central City	85,088,199	3,067,803	3.61%	(75,368)	125,318	64,898	56,444	5.95	45.60
Chicago North	85,789,123	3,749,483	4.37%	119,398	90,735	76,799	279,345	5.88	52.84
Chicago South	96,798,722	6,968,246	7.20%	45,278	159,555	60,525	342,081	4.57	38.96
North Cook	68,073,491	4,640,118	6.82%	517,656	441,993	595,618	132,429	5.99	59.07
Lake	67,141,834	6,037,025	8.99%	228,376	487,132	266,128	188,495	5.75	61.43
Golden Corridor	24,156,039	2,228,871	9.23%	95,211	(224,616)	90,967	70,141	6.23	61.59
Ohare	103,458,707	7,918,500	7.65%	698,226	1,245,504	869,073	473,651	5.77	57.55
West Cook	109,930,681	9,922,581	9.03%	(798,517)	(844,485)	149,330	326,250	5.29	41.13
Midway	38,901,441	2,973,435	7.64%	55,543	(298,863)	52,344	192,384	4.22	35.59
South Cook	71,014,194	6,292,287	8.86%	152,954	426,688	190,070	85,861	4.26	36.41
I-55 Corridor	90,609,648	7,006,262	7.73%	1,158,405	3,601,539	1,885,642	36,092	5.45	64.02
Dupage	107,273,514	8,895,003	8.29%	(342,556)	1,660,352	218,835	171,802	5.80	70.24
Mchenry	21,706,058	2,919,152	13.45%	911,875	1,082,647	795,995	143,800	4.52	36.73
Thorndale Corridor	27,251,955	2,083,992	7.65%	21,239	304,141	57,497	143,443	5.76	69.48
Kane	88,368,190	7,313,140	8.28%	125,382	1,701,380	488,463	24,250	4.82	58.42
Kendall	1,890,863	124,066	6.56%	0	34,800	0	0	5.94	58.42
Grundy	10,294,807	273,679	2.66%	0	38,600	0	0	2.25	38.12
Will	71,834,026	6,756,185	9.41%	2,181,282	3,550,255	2,036,194	272,217	4.90	62.16
Kankakee	3,499,606	442,200	12.64%	12,470	12,470	12,470	0	4.44	64.26
Boone	3,250,714	200,358	6.16%	0	0	0	0	4.18	42.49
Dekalb	23,205,814	774,709	3.34%	0	(10,000)	0	0	3.41	37.29
Lasalle	3,771,546	102,310	2.71%	0	0	0	0	3.20	41.70
<b>Chicago Metro Area</b>	<b>1,203,309,172</b>	<b>90,689,405</b>	<b>7.54%</b>	<b>5,106,854</b>	<b>13,585,145</b>	<b>7,910,848</b>	<b>2,938,685</b>	<b>\$ 4.93</b>	<b>\$ 50.89</b>
Wisconsin	40,508,170	2,937,975	7.25%	836,530	1,262,416	520,692	377,000	4.11	37.87
Northwest Indiana	28,961,756	3,001,535	10.36%	(69,841)	595,012	62,800	0	4.14	31.37
<b>Grand Total</b>	<b>1,272,779,098</b>	<b>96,628,915</b>	<b>7.59%</b>	<b>5,873,543</b>	<b>15,442,573</b>	<b>8,494,340</b>	<b>3,315,685</b>	<b>\$ 4.87</b>	<b>\$ 49.54</b>

## CHICAGO INDUSTRIAL SUBMARKET MAP



OUR MISSION IS TO PROVIDE THE HIGHEST POSSIBLE PROFESSIONAL REAL ESTATE REPRESENTATION TO OUR CLIENTS BY CREATING VALUE AND PROMOTING THEIR BEST INTERESTS AT ALL TIMES.

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