

Chicago Industrial MarketView

Q4 2013

CBRE Global Research and Consulting



CHICAGO
UNEMPLOYMENT



ILLINOIS
UNEMPLOYMENT



NATIONAL
UNEMPLOYMENT

AVAILABILITY RATE AT LOWEST LEVEL SINCE 2000

Quick Stats

Q4 2013		QoQ	YoY
Availability Rate	8.4%	↓	↓
Lease Rate	\$4.38	↑	↑
Net Absorption	3,915,336	↓	↓
Under Construction	6,653,722	↑	↑
2013		Size (Sq. Ft.)	
Lease (not renewals)		35,211,686	
User Sale		19,905,367	
Gross Absorption		55,117,053	

Hot Topics

- Construction completions for 2013 doubled since 2012.
- There are 6.7 million sq. ft. currently under construction, which is the highest since 2007 and is more than the total under construction for 2009 – 2011.
- 14th consecutive quarter of positive net absorption
- 8.4% availability rate lowest since 2000

The Institute for Supply Management's manufacturing index registered in at 57, the second highest reading for the year. Any reading over 50 indicates expansion in the industry. December's reading marks the seventh consecutive quarter of expansion. Key manufacturing indicators, all strongly correlated to the industrial sector including new orders, production, imports and exports, all had continued growth through 2013. US retail holiday sales were up 2.3%, but the seasonal buzz was the outsized performance of online sales on "Cyber Monday." Online retail sales grew 21% over 2012 and now represent over 6% of all retail sales. With the rise of mobile devices and the transparency between traditional brick and mortar stores and online storefronts, sales are projected to grow 14% annually through 2017, which represents 10% of all US retail sales.

The continued growth with online retail sales is causing many major e-commerce retailers and logistics companies to strategize, ensuring that they utilize the most efficient and cost effective supply chain process. For many of these companies, selecting the Chicago industrial market for their distribution facilities is a logical choice. As the major American inland port, six of the seven largest railroads move through the metro area. Additionally, O'Hare airport is the fifth busiest in terms of cargo activity. From there, Chicago is a two day drive to the vast majority of the U.S. population. All of which ensures sustained growth and expansion for the Chicago industrial market.

The overall Chicago industrial market, which includes Southern Wisconsin and Northwest Indiana, contains nearly 1.2 billion sq. ft. of inventory and currently reflects an availability rate of 8.4%, a 10 basis point decline from Q3 2013. The availability rate in the Chicago market has not been this low since 2000, when it was 7.7%. The metro area subtotal registers in at 8.5% and reflects a 10 basis point decline from the previous quarter. When

compared to one year ago, the overall market reflects a decline of 70 basis points, while the metro area decreased by 60 basis points.

Leasing activity for 2013 totaled 35.2 million sq. ft., a 14% decline compared to 2012's total. The O'Hare and Far Southwest Suburban submarkets dominated leasing activity in 2013 and accounted for nearly 31% of the overall market leasing activity, while only accounting for 15% of the inventory. Included in the Q4 2013 leasing activity is Network Way's 174,059 sq. ft. lease in Wood Dale and their 128,113 sq. ft. lease by Distribution 2000, Inc. in Romeoville.

User sales totaled 19.9 million sq. ft., a 14% increase from 2012. Some of the largest transactions include the 756,560 sq. ft. purchase by Scanell / FedEx in Niles, Sterling Lumber Company's 597,887 sq. ft. purchase in Phoenix, Illinois and the 300,114 sq. ft. purchase by Kohls Corporation in Menomonee Falls.

Construction activity remains on the rise as large blocks of available space continue to decline. Currently, there are 18 projects under construction, totaling 6.6 million sq. ft. Of that total, 3.0 million sq. ft. is still available. Fourth quarter had a surge in construction activity, with 8 projects, totaling 3.1 million sq. ft., breaking ground during the quarter. Thirteen projects, totaling 2.6 million sq. ft. were completed during the quarter, bringing the 2013 completions to nearly 6.8 million sq. ft.

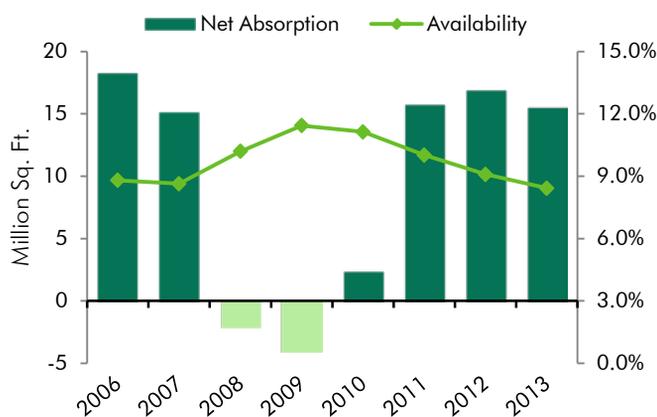
Construction starts for the year total nearly 8.9 million sq. ft., reflecting the largest amount of activity since 2008. These starts are divided nearly even between build-to-suit (BTS) at 49% and speculative at 51%. Some of the larger projects include Amazon's 1 million sq. ft. BTS in Kenosha, Pactiv's 898,560 sq. ft. BTS in Romeoville and Pinnacle's 672,080 sq. ft. spec project in Romeoville.

Table #1: Chicago Industrial Market Statistics

Submarket	Rentable Building Area (Sq Ft)	Availability Rate (%)	Vacancy Rate (%)	YTD User Sales (Sq. Ft.)	YTD Leasing Activity (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Average Asking Lease Range (\$/Sq. Ft./Yr)	
McHenry County (1)	19,327,707	14.9%	14.5%	420,547	479,757	142,789	0	\$2.75	to \$4.00
Lake County (2)	79,298,676	7.8%	7.2%	1,133,381	2,049,514	371,777	218,500	\$3.25	to \$5.25
NE Cook County (3)	61,601,147	5.2%	3.9%	2,173,152	960,555	555,885	0	\$3.25	to \$4.75
NW Cook County (4)	37,739,400	8.0%	6.5%	294,076	897,585	529,366	0	\$4.40	to \$4.80
N Kane County (5)	26,504,111	12.7%	11.3%	402,362	581,483	-855,419	501,205	\$4.25	to \$4.75
N DuPage County (6)	31,817,147	9.6%	7.2%	546,210	2,139,604	1,417,364	0	\$4.00	to \$5.95
O'Hare (7)	108,388,002	9.3%	7.2%	1,977,931	4,928,329	1,310,959	358,822	\$3.00	to \$6.50
City North (8)	109,053,506	7.1%	5.3%	1,362,949	983,449	-466,551	0	\$5.00	to \$10.00
Near West Suburbs (9)	99,956,534	9.4%	6.3%	2,312,016	2,558,337	1,744,073	0	\$2.75	to \$5.00
West Suburbs (10)	41,713,494	5.0%	3.6%	882,636	1,269,392	974,781	0	\$4.00	to \$6.25
Central Kane & DuPage (11)	37,544,668	6.4%	5.4%	400,113	1,222,405	216,414	0	\$3.50	to \$5.50
Far West Suburbs (12)	62,054,672	7.0%	6.0%	717,111	1,445,532	1,027,866	904,565	\$3.40	to \$5.75
Southwest Suburbs (13)	67,948,951	9.8%	6.8%	754,934	2,237,069	-315,479	553,670	\$2.75	to \$4.95
Far SW Suburbs (14)	75,716,304	9.6%	7.6%	474,500	5,957,960	643,223	2,520,640	\$3.25	to \$5.00
City South (15)	141,301,201	7.3%	5.5%	2,454,183	1,154,100	2,952,501	0	\$3.50	to \$5.00
South Suburbs (16)	57,382,215	9.4%	7.7%	2,318,889	1,603,554	459,771	0	\$2.85	to \$3.75
Joliet Area (17)	55,813,312	12.7%	12.1%	751,388	1,665,462	3,015,439	520,000	\$2.75	to \$4.25
Chicago Metro Area Subtotal	1,113,161,047	8.5%	6.8%	19,376,378	32,134,087	13,724,759	5,577,402	\$4.43	
Northwest Indiana (18)	29,860,735	9.4%	7.0%	139,026	531,211	349,995	0	\$2.00	To \$4.75
Kenosha/Racine (19)	54,845,690	5.2%	4.3%	389,963	2,546,388	1,436,997	1,076,320	\$2.75	to \$4.50
Total	1,197,867,472	8.4%	6.6%	19,905,367	35,211,686	15,511,751	6,653,722	\$4.38	

Source: Submarket Stats- CBRE Research, Q4 2013

Chart #1: Net Absorption vs Availability Rate

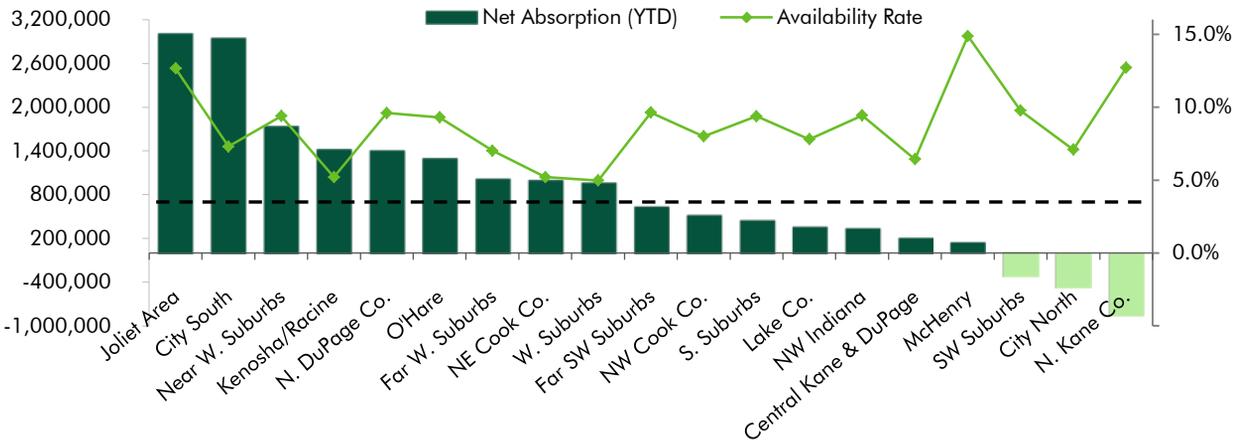


Q4 2013 marked the 14th consecutive quarter of positive net absorption. 3.9 million sq. ft. of positive net absorption occurred during the quarter, bringing the 2013 total to 155 million sq. ft.

The Chicago industrial availability rate registered in at 8.4% at the end of 2013, reflecting the lowest rate since 2000. This rate reflects a decrease of 10 basis points from last quarter and a decline of 70 basis points from one year ago.

Source: CBRE Research, Q4 2013

Chart #2: Net Absorption by Submarket



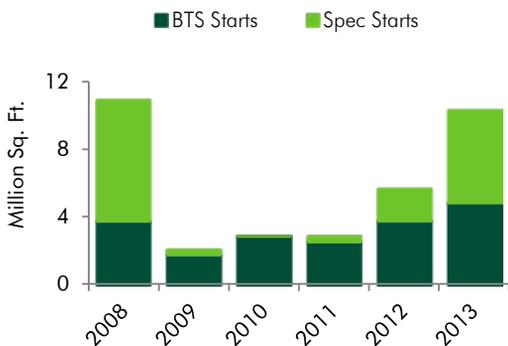
Source: CBRE Research Q4 2013

Chart #3: Net Absorption vs. Construction Completions vs. Under Construction



Source: Construction- CBRE Research Q4 2013

Chart #4: Construction Starts: BTS vs. SPEC



Source: Construction- CBRE Research Q4 2013

Table #2: Top 5 Transactions

TENANT	SIZE (Sq. Ft.)	TYPE	ADDRESS
1. Amazon	1,000,000	New Lease	38 th Street Kenosha, WI
2. Scancell/ FedEx	756,560	User Sale	5959 W. Howard Ave Niles
3. Sterling Lumber Company	597,887	User Sale	323 E 151 st Street Phoenix
4. Uline	256,240	New Lease	8505 100 th Street Pleasant Prairie, WI
5. DesignPac	248,912	Renewal	2407-2457 North Avenue Melrose Park

Source: Top 25 Transactions- CBRE Research Q4 2013



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