

Metropolitan Chicago  
Market Review

# Year-End Market Review & 2016 Forecast

**NAI**Hiffman

hiffman

**To our valued customers, partners and future clients...**

A few short weeks ago, the multi-state Powerball lottery jackpot rose to an unprecedented \$1.5 Billion. I'm confident that each person who bought tickets thought much less about the odds (1 in 292,201,338) than about what they would do with all that money when they won. Sure, we all know the chances are slim logically - but someone has to win, right? Why not me? I bought a ticket and found myself calculating my after-tax take-home total and weighing the pros and cons of a lump sum versus an annuity payment. In the days and hours leading up to the drawing, media outlets fed the flames of optimism with lists of advice for the eventual winner. Each article boiled down to the same key point - things get crazy, so don't try to figure it out on your own. Get advice from professionals who can help you handle your taxes, your investments and your long-lost relatives. Now I didn't win the Powerball and chances are good (1 in 292,201,338) that you didn't either, but the advice is simple and good and applicable for all of us as we begin 2016. It's so obvious and also easy to forget: We all have incredible resources at our disposal, connections and networks only a call or e-mail away.

As you'll see on the following pages, 2015 was an incredible year for Chicago real estate. All sectors continued positive trends throughout the year and indicating more upward growth. They succeeded not by chance like a lottery drawing, but through the solid underlying fundamentals that have steadily built in this market over the past six years. Of course, there are and always will be uncertainties, and those things reinforce the thesis of those optimistic Powerball-planning articles: Plan with what you know, and seek the help of experts to navigate the things that you don't. We hope you will find the statistics and analysis in this market review to be beneficial in the coming months, and we look forward to working alongside you to make 2016 a successful year.

Regards,



John R Picchiotti  
COO, Brokerage

NAI Hiffman Metropolitan Chicago  
**Year-End Market Review**  
& 2016 Forecast

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# Local Economy

POPULATION (2014 CENSUS)	9,537,289
POPULATION CHANGE (2000-2014)	+4.8%
MEDIAN HOUSEHOLD INCOME (2015)	\$53,657
GROSS METRO PRODUCT (2015)	\$630.3 BILLION
EMPLOYMENT - NONFARM (Q4 2015)	4,600,000 ▲
JOBS GAINED (Q1 2015-Q4 2015)	47,000 ▲
CHICAGO METRO UNEMPLOYMENT RATE	5.4% ▼
ILLINOIS UNEMPLOYMENT RATE	5.7% ▲
U.S. UNEMPLOYMENT RATE	5.0% ▼



Overall Trend



US Unemployment

5.0%

Case-Shiller Home Price Index

128.53

Q2 2015 US GDP Change

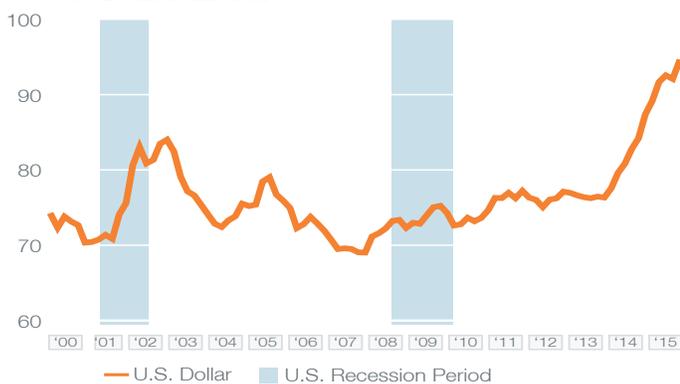
2.0%

With a metropolitan population of nearly 10 million, Chicago is the third largest MSA in the U.S. after New York and Los Angeles and is the most influential economic region between the East and West Coasts. Foreign Policy Magazine recently ranked Chicago sixth among world competition, measuring econometrics from the number of Fortune 500 companies to the flow of goods and services through airports, rail, roads and ports. Situated at the geographical heart of the nation, Chicago's locational advantages have fostered its development into an international center for transportation, manufacturing, banking, securities, technology, services, wholesale and retail trade. In addition, Chicago is one of the principal trading centers for commodities, financial futures and derivative products with the Chicago Mercantile Exchange and Board of Trade. O'Hare International still ranks as one of the busiest airports in the world with numerous non-stop flights to leading international business centers in Europe, Asia and the Middle East.

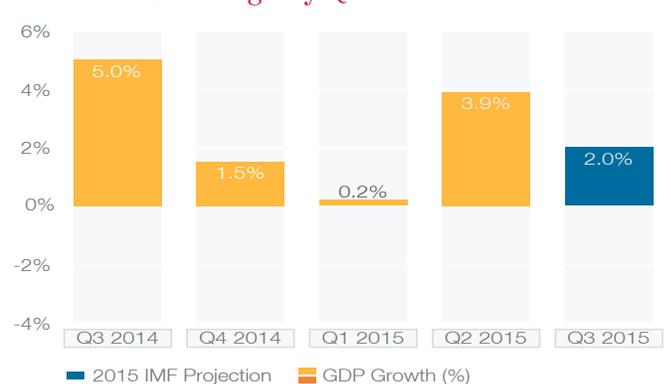
## Global Economy

Global economic growth disappointed in 2015, slowing to 2.4%. The lack of growth can be attributed to several factors: China, the world's second largest economy, grew at a much slower rate, little economic growth in Europe and the social and political issues of dealing with the flow of refugees from the Middle East and Africa. China's economic problems and the inability to implement long-term solutions raised concern. The Chinese stock market suffered a substantial collapse that caused a great deal of unease among investors. The country's officials employed a variety of tactics to avoid a total stock market collapse. Despite the success of the tactics, investors remain wary and question the validity of China's estimate of GDP at 6% to 7%, as pundits believe that figure is overstated. In Europe, the European Central Bank extended a bond buying program, reduced a key interest rate and passed measures to encourage more bank lending. The eurozone economy

U.S. Dollar Index



US GDP Change by Quarter



grew at an anemic annual rate of 1.2% and unemployment measured at 10.7%.

# Local Economy

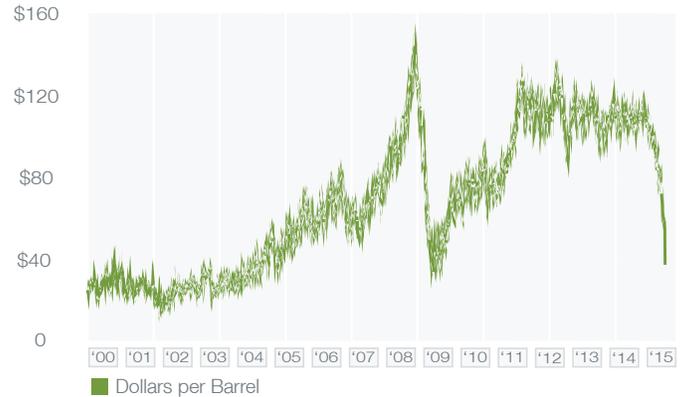
## U.S. Economy

The Fed raised interest rates based upon favorable economic news, primarily due to the labor market and housing data. Employment improved at a slow and steady pace, ending the year with an unemployment rate at 5.0%, lower than the 5.6% rate at the end of 2014. Total non-farm employment averaged a monthly gain of 237,000, adding 2.3 million jobs. One sector that did fare well was the energy sector, shedding 93,000 jobs amid record low oil prices. Crude oil prices declined to near an 11-year low and finished the year trading at \$36/barrel. The decline in pricing is largely attributed to US fracking, Saudi oil production and stagnant global demand. Real domestic product (GDP) expanded at 2.0%, based upon the third and final revision to the third quarter growth figure. Falling oil prices coupled with the expectation of higher interest rates helped boost the US dollar which rose over the course of 2015 and gained approximately 9% over its closing value at the end of 2014. The equities markets endured a tough cycle in 2015 as only the Nasdaq posted a year-on-year gain. The S&P 500 was up 6.45% fourth quarter but down -0.73% over the year. The housing market remained strong throughout year, with solid sales activity and an 6.3% annual increase in the median home value.

## Local Economy

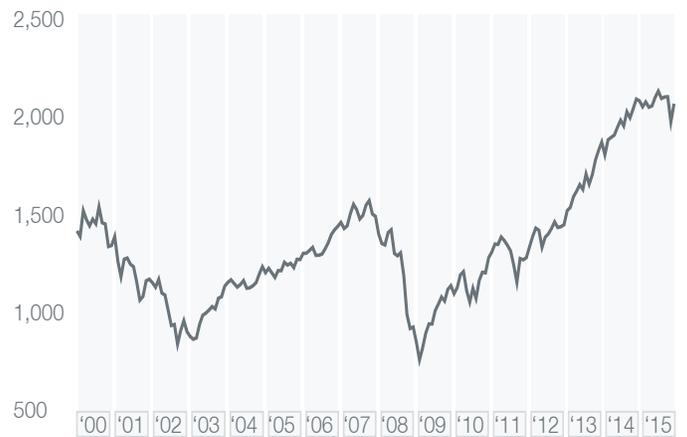
Job growth in the area has been slower than average over the past year with total non-farm employment at 4,613,800, up 47,000 or 1.0%. The professional and business services and education and health services industries saw the biggest increases in employment, up 1.6%. Job gains in the leisure and hospitality sector dropped after the city implemented a \$1.75 an-hour-minimum-wage hike. The Chicago metropolitan area's unemployment rate improved to 5.4% yet still sits above the US unemployment rate of 5.0%. Construction activity in the Chicago metropolitan increased during 2015, with an estimated value of \$11.3 billion for commercial and residential projects. This figure represents a 2% annual increase from the previous year and the fifth straight year of increases, according to Dodge Data & Analytics. The current volume is still well below the pre-recession levels. The residential sector is driving the market, primarily apartments instead of condominiums and single-family homes as was the case during the previous cycle. Dodge is predicting a 7% rise in construction starts in 2016: \$6.84 billion for non-residential and \$5.30 billion for residential. The Case-Shiller Home Price index decreased to 128.53. The Chicago metropolitan area GDP of \$630.3 (billion) ranks third in the nation, behind New York (\$1,573.8 billion) and Los Angeles (\$887.9 billion).

## Crude Oil Prices



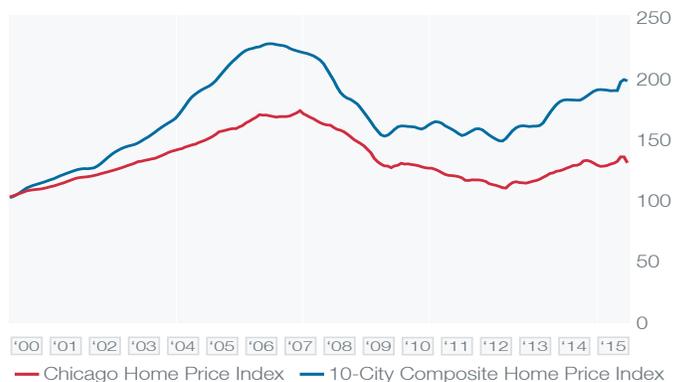
Source: Federal Reserve Bank of St. Louis

## S&P 500 Index



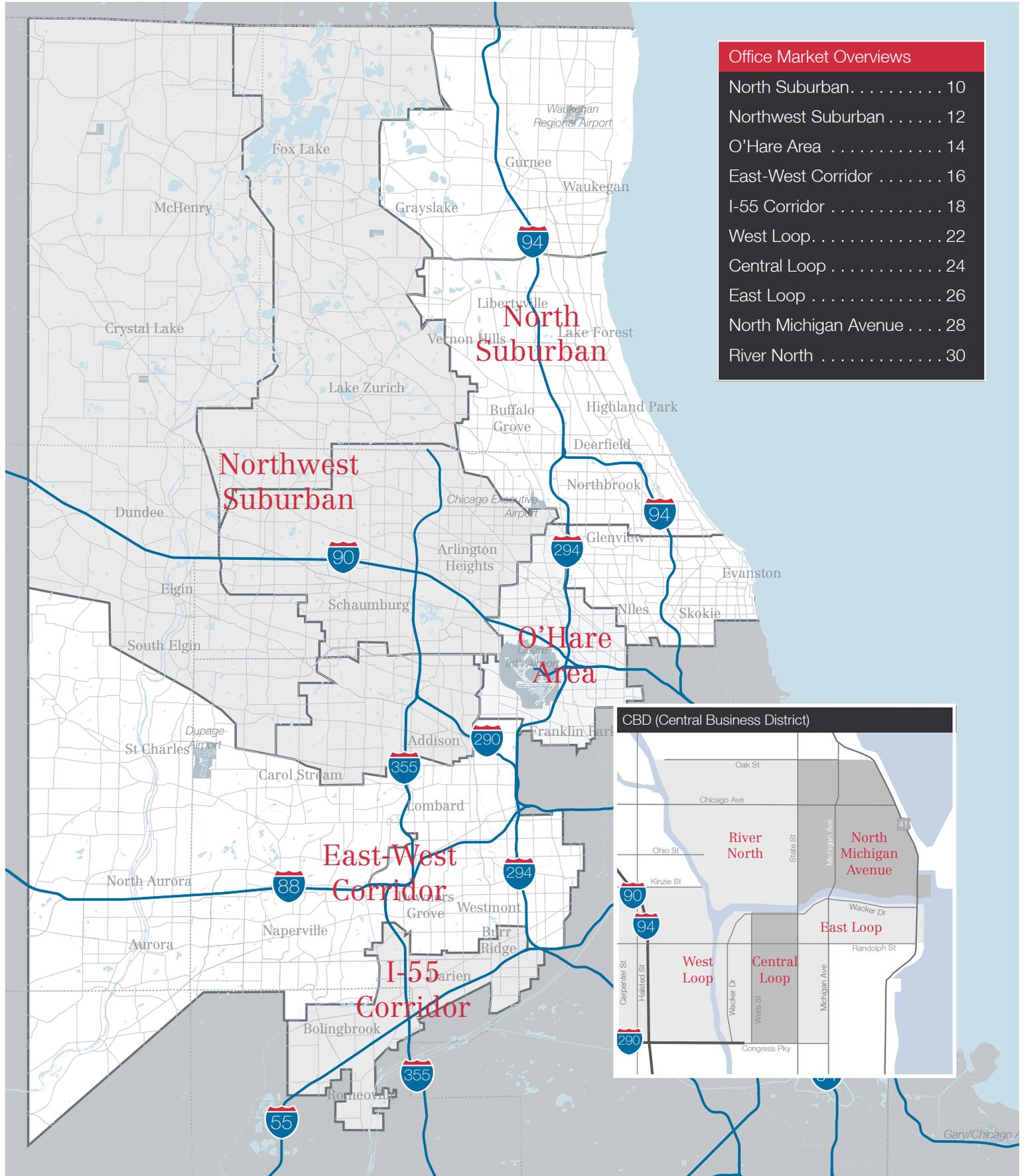
Source: Federal Reserve Bank of St. Louis

## S&P/Case-Shiller Home Price Index



Source: Federal Reserve Bank of St. Louis

# Chicago Office Markets



## Fourth Quarter 2015

Market/ Submarket	# Bldgs.	Total RBA (SF)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Available	Q4 2015 Net Absorption (SF)	Total 2015 Absorption (SF)	Q4 2015 Under Constr. (SF)
North Suburban	524	30,321,585	13.46% ▼	0.63% ◀▶	14.09% ▼	21.46% ▲	109,167	760,867	0
Class "A"	133	17,318,270	12.07% ▼	0.77% ▲	12.84% ▼	23.73% ▲	121,025	650,357	0
Class "B"	256	10,085,362	16.34% ▲	0.55% ▲	16.89% ▲	19.35% ▲	-13,662	53,446	0
Class "C"	135	2,917,953	11.78% ▼	0.07% ▼	11.84% ▼	15.31% ▼	1,804	57,064	0
Northwest Suburban	585	33,762,617	19.65% ▲	0.86% ▼	20.51% ▲	27.23% ▲	-77,936	-76,930	753,300
Class "A"	103	16,650,944	16.56% ▲	1.24% ▼	17.79% ▲	26.37% ▲	-118,575	-266,514	753,300
Class "B"	335	14,096,648	24.35% ▼	0.52% ▼	24.87% ▼	29.72% ▲	10,063	-3,571	0
Class "C"	147	3,015,025	14.78% ▼	0.32% ◀▶	15.10% ▼	20.33% ▲	30,576	193,155	0
O'Hare Area	169	15,217,106	16.37% ▼	0.51% ◀▶	16.88% ▼	21.96% ▼	146,436	-16,151	0
Class "A"	38	8,296,341	11.37% ▼	0.79% ◀▶	12.16% ▼	18.28% ▼	116,135	120,903	0
Class "B"	85	5,918,161	23.40% ▼	0.18% ◀▶	23.59% ▼	27.47% ▼	12,819	-145,055	0
Class "C"	46	1,002,604	15.21% ▼	0.12% ▼	15.34% ▼	18.56% ▼	17,482	8,001	0
East-West Corridor	667	43,032,999	17.58% ▲	1.38% ▼	18.96% ◀▶	23.50% ▼	6,410	244,516	131,328
Class "A"	144	21,192,182	15.56% ▲	0.43% ▼	15.99% ▲	23.68% ▼	-26,538	77,374	131,328
Class "B"	346	16,844,042	21.79% ▼	2.90% ▼	24.69% ▼	25.20% ▲	47,001	51,145	0
Class "C"	177	4,996,775	11.97% ▲	0.25% ▲	12.22% ▲	17.04% ▲	-14,053	115,997	0
I-55 Corridor	86	4,019,255	12.16% ▼	0.25% ▲	12.41% ▼	20.62% ▲	2,386	-35,592	0
Class "A"	11	698,578	5.30% ▼	0.00% ◀▶	5.30% ▼	15.30% ▼	1,310	-2,087	0
Class "B"	57	2,685,974	14.72% ▼	1.34% ▼	15.06% ▼	23.96% ▲	10,072	-26,639	0
Class "C"	18	634,703	8.85% ▲	0.12% ▲	8.97% ▲	12.36% ▲	-8,996	-6,866	0
<b>Suburban Totals</b>	<b>2,031</b>	<b>126,353,562</b>	<b>16.83% ▼</b>	<b>0.92% ▼</b>	<b>17.75% ▼</b>	<b>23.72% ▲</b>	<b>186,463</b>	<b>876,710</b>	<b>884,628</b>
Class "A"	429	64,156,315	14.22% ▼	0.77% ▼	15.00% ▼	23.60% ▲	93,357	580,033	884,628
Class "B"	1,079	49,630,187	21.24% ▼	1.28% ▼	22.53% ▼	25.50% ▲	66,293	-70,674	0
Class "C"	523	12,567,060	12.70% ▼	0.21% ◀▶	12.91% ▼	17.31% ▲	26,813	367,351	0
West Loop	110	45,377,793	8.62% ▼	0.93% ◀▶	9.55% ▼	20.80% ▲	125,518	101,817	2,564,446
Class "A"	33	30,193,318	10.03% ▼	0.83% ▲	10.86% ▼	22.70% ▲	57,874	-109,561	2,564,446
Class "B"	35	11,212,802	6.22% ▼	1.36% ▼	7.58% ▼	20.70% ▲	46,372	271,002	0
Class "C"	42	3,971,673	4.63% ▼	0.52% ▲	5.15% ▼	6.57% ▼	21,272	-59,624	0
Central Loop	81	38,559,342	9.01% ▼	0.73% ▼	9.74% ▼	18.97% ◀▶	192,672	721,267	0
Class "A"	24	19,661,779	7.46% ▼	0.67% ▼	8.13% ▼	19.14% ▼	195,050	382,314	0
Class "B"	32	15,500,580	8.49% ▼	0.96% ▲	9.45% ▲	17.78% ▲	-11,761	308,805	0
Class "C"	25	3,396,983	20.43% ▼	0.01% ▼	20.44% ▼	23.45% ▼	9,383	30,148	0
East Loop	67	23,267,896	14.50% ▼	0.69% ◀▶	15.19% ▼	18.53% ▼	64,181	152,494	0
Class "A"	10	10,864,735	13.68% ▼	1.19% ▼	14.87% ▼	19.07% ▼	65,939	163,131	0
Class "B"	19	7,349,927	17.08% ▲	0.26% ▲	17.34% ▲	19.74% ▼	-25,705	111,662	0
Class "C"	38	5,053,234	12.52% ▼	0.23% ▲	12.75% ▼	15.63% ▼	23,947	-122,299	0
North Michigan Ave.	61	13,130,025	14.31% ▼	1.15% ▲	15.47% ▼	20.37% ▼	6,218	-47,415	0
Class "A"	11	6,202,259	17.11% ▼	1.34% ▼	18.45% ▼	23.00% ▼	7,950	-103,049	0
Class "B"	34	6,131,682	12.39% ▼	1.07% ▲	13.45% ▼	18.90% ▼	1,493	29,514	0
Class "C"	16	796,084	7.36% ▼	0.40% ▼	8.77% ▲	11.16% ▲	-3,225	26,120	0
River North	126	13,530,272	8.76% ▼	0.24% ▼	9.00% ▼	12.72% ▼	203,387	53,594	0
Class "A"	6	4,088,938	4.50% ▼	0.12% ◀▶	4.62% ▼	7.10% ▼	47,848	48,530	0
Class "B"	41	5,798,248	13.48% ▼	0.07% ▼	13.55% ▼	16.98% ▼	122,164	-15,504	0
Class "C"	79	3,643,086	6.04% ▼	0.63% ▼	6.67% ▼	12.23% ▲	33,375	20,568	0
<b>Downtown Totals</b>	<b>445</b>	<b>133,865,328</b>	<b>10.33% ▼</b>	<b>0.78% ▼</b>	<b>11.11% ▼</b>	<b>19.02% ▼</b>	<b>591,976</b>	<b>981,757</b>	<b>2,564,446</b>
Class "A"	84	71,011,029	10.18% ▼	0.85% ▼	11.02% ▼	20.29% ▼	374,661	381,365	2,564,446
Class "B"	161	45,993,239	10.46% ▼	0.85% ▼	11.30% ▼	18.85% ▼	132,563	705,479	0
Class "C"	200	16,861,060	10.61% ▼	0.35% ▲	10.96% ▼	14.13% ▼	84,752	-105,087	0
<b>Metro Chicago Totals</b>	<b>2,476</b>	<b>260,230,790</b>	<b>13.48% ▼</b>	<b>0.85% ▼</b>	<b>14.33% ▼</b>	<b>21.30% ▼</b>	<b>778,439</b>	<b>1,858,467</b>	<b>3,449,074</b>
Class "A"	513	135,167,344	12.10% ▼	0.81% ▼	12.91% ▼	21.86% ▲	468,018	961,398	3,449,074
Class "B"	1,240	95,623,426	16.05% ▼	1.07% ▼	17.12% ▼	22.31% ▼	198,856	634,805	0
Class "C"	723	29,440,020	11.50% ▼	0.29% ◀▶	11.79% ▼	15.49% ▼	111,565	262,264	0

# Suburban Office Market

# OFFICE BUILDINGS	2,031
MARKET SIZE (SF)	126,353,562
TOTAL VACANCY	22,422,426 SF (17.75%)
DIRECT VACANCY	21,262,497 SF (16.83%)
SUBLEASE VACANCY	1,159,929 SF (0.92%)
AVAILABLE SPACE	29,985,568 SF (23.72%)
Q4 2015 NET ABSORPTION (SF)	186,463
TOTAL 2015 NET ABSORPTION (SF)	876,710
UNDER CONSTRUCTION (SF)	884,628
Q4 2015 NEW SUPPLY (SF)	0



Overall Trend



Vacancy Rate



Net Absorption



Asking Rents



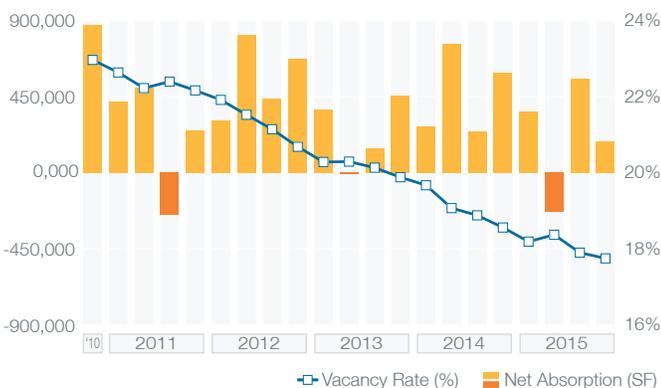
Pictured above: Bannockburn Lakes I, part of Glenstar's JV with Walton Street Capital's acquisition of Bannockburn Lakes I, II, & IV from Wells Fargo & Lone Star in Bannockburn

Comprised of several dispersed pockets of office developments, corporate parks and high-rise office towers, the suburban office market has experienced historically higher vacancy rates, larger swings in absorption, and lower rents than Chicago's downtown office market. The 15 largest suburban office complexes each total at least 1.1 million SF, which is comparable in size to just one larger, class "A" trophy asset in the Central Business District.

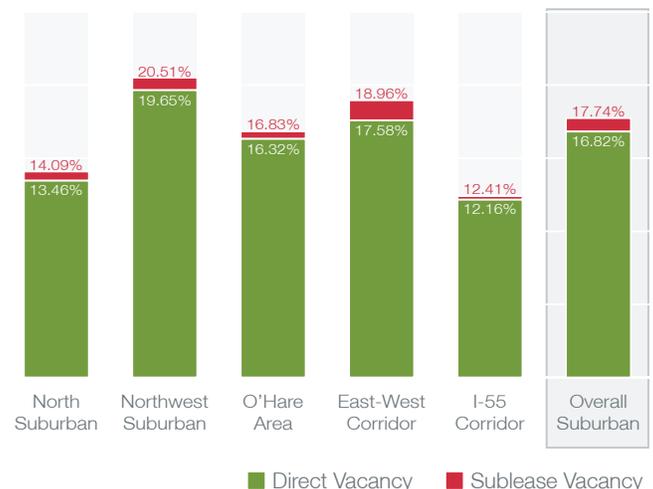
## Quarter in Review

The overall Chicago suburban office continued to improve during the fourth quarter. Positive net absorption totaled 186,000 SF and increased the absorption total to nearly 877,000 SF. The Chicago suburban office vacancy rate declined to 17.75%, down 82 basis points from the vacancy rate of 18.56% recorded one year ago. Tenant requirements, seeking class "A" assets that offer a multitude of modern building amenities, has increased the disparity between class "A" space and class "B" space. The vacancy rate for Class "A" space measured 15.00% throughout the suburbs compared to the class "B" vacancy rate of 22.50%. All fourth quarter significant lease transactions were completed by tenants seeking to move into or renew at class "A" buildings. Demand by investors for class "A" assets included two of the significant fourth quarter sale transactions. Pricing levels exceeded \$200 PSF for two well-located properties. Highland Landmark V in Downers Grove, 100% leased, sold at \$286 PSF and One O'Hare Centre in Rosemont, traded at \$218 PSF, with a 96% occupancy rate at the time of sale.

## Suburban Vacancy | Absorption



## Suburban Direct & Overall Vacancy



## Looking Forward

Major companies looking to shed significant suburban footprints leaves both challenges and opportunities looking ahead. Kraft Heinz' move to the city presented Medline Industries with an opportunity to relocate to the 679,000 SF campus in Northfield. Motorola's decision to enter into a sale/leaseback for a portion of its campus and shed 277 acres of unused land offers a significant future development potential for the suburbs. Both AT&T and Navistar are looking to substantially downsize, adding large blocks of available space to the suburban office market.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
	2000 W AT&T Dr, Hoffman Estates	1,300,000
Innovation Park Lake County	600 N US Highway 45, Libertyville	966,091
Kraft Heinz Headquarters	3 Lakes Dr, Northfield	656,827
Navistar Headquarters	2701 Navistar Dr, Lisle	593,360
Zurich Towers I	1400 American Ln, Schaumburg	441,531 <sup>1</sup>
Zurich Towers II	1450 American Ln, Schaumburg	440,538 <sup>1</sup>
	2001 N Division St, Harvard	407,347
AON Office Building (SL)	1000 Milwaukee Ave, Glenview	405,039
West Plaza	3100 Sanders Rd, Northbrook	365,268
Shuman Boulevard 263	263 Shuman Blvd, Naperville	354,000

(SL) All or partially a sublease listing  
<sup>1</sup>vacancy late 2017

## Suburban Office – Significant Buildings On the Market

4th Quarter 2015

Market	Building Address	Size (SF)	Target Price	Price PSF	Seller	Status
Northwest Suburban	Motorola Campus, Schaumburg	985,823	\$68,021,787	\$69	Motorola	Marketing
East-West Corridor	4225 Naperville Rd, Lisle	693,438	\$139,000,000	\$200	Blackstone	Marketing
North Suburban	Kraft Heinz Headquarters, Northfield	679,000	\$73,000,000	\$108	WP Carey	Under Contract
Northwest Suburban	150 and 200 N Martingale Rd, Schaumburg	521,362	\$43,400,000	\$83	Cornerstone RE Advisors	Marketing
North Suburban	3, 6 & 9 Parkway Blvd N, Deerfield	480,592	\$84,000,000	\$175	The John Buck Company	Marketing

## Suburban Office – Significant Sale Transactions

4th Quarter 2015

Market	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
North Suburban	Bannockburn Lakes I, II and IV, Bannockburn	419,238	\$27,450,000	\$65	Glenstar JV Walton Street Capital	Wells Fargo/Lone Star
O'Hare	6250 N River Rd, Rosemont	380,360	\$83,000,000	\$218	MDC JV Nicola Crosby	CBRE
East-West Corridor	333 and 377 E Butterfield Rd, Lombard	367,108	\$44,000,000	\$120	Hamilton Partners/Millbrook	LaSalle Investment Mgmt
East-West Corridor	3005 Highland Pky, Downers Grove	250,545	\$71,600,000	\$286	Cornerstone RE Advisors	Adventus
North Suburban	630-650 Dundee Rd, Northbrook	188,042	Undisclosed	Undisclosed	KBS Realty Advisors	The Davis Companies

## Suburban Office – Significant Lease Transactions

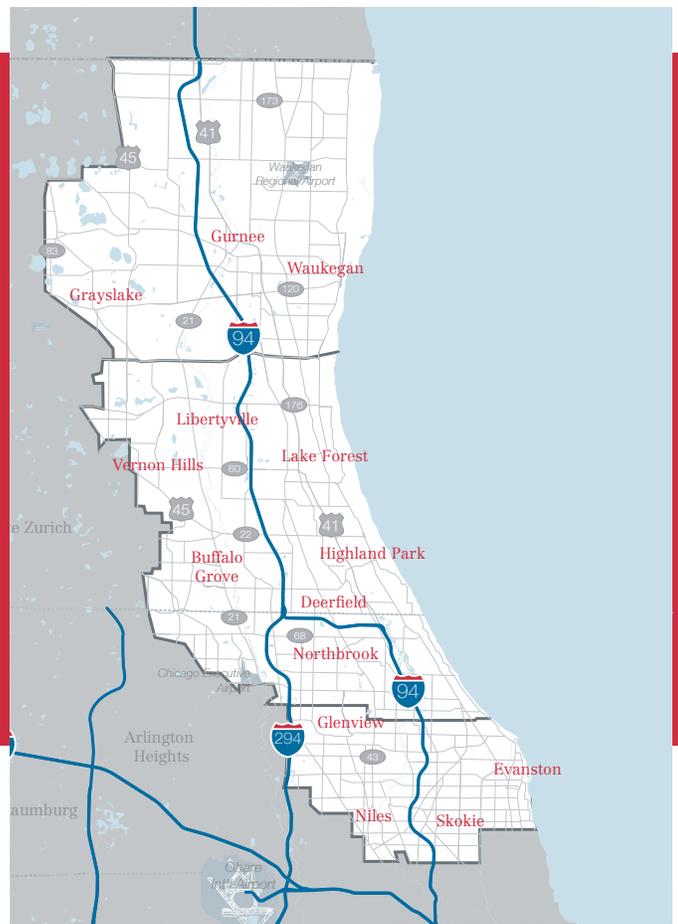
4th Quarter 2015

Market	Property Address	Leased (SF)	Tenant	Lease Type
North Suburban	150 S Saunders Rd, Lake Forest	126,595	Horizon Pharma, Ind	Sublease
Northwest Suburban	1600 Golf Rd, Rolling Meadows	80,000	Bank of America	Lease renewal/expansion
North Suburban	3000 S Lakeside Dr, Bannockburn	72,696	Donlen Corporation	New lease
North Suburban	5250 Old Orchard Rd, Skokie	60,968	SG2	Lease renewal
Northwest Suburban	20 N Martingale Rd, Schaumburg	51,636	McGladrey & Pullen	Lease renewal
North Suburban	3000 S Lakeside Dr, Bannockburn	47,270	Option Care Enterprises	New lease

Entries highlighted in red denote NAI Hiffman transactions

# North Suburban

# OFFICE BUILDINGS	524
MARKET SIZE (SF)	30,321,585
TOTAL VACANCY	4,272,771 SF (14.09%)
DIRECT VACANCY	4,082,191 SF (13.46%)
SUBLEASE VACANCY	190,580 SF (0.63%)
AVAILABLE SPACE	6,507,428 SF (21.46%)
Q4 2015 NET ABSORPTION (SF)	109,167
TOTAL 2015 NET ABSORPTION (SF)	760,867
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



Vacancy Rate

14.09%

Net Absorption

109,167 SF

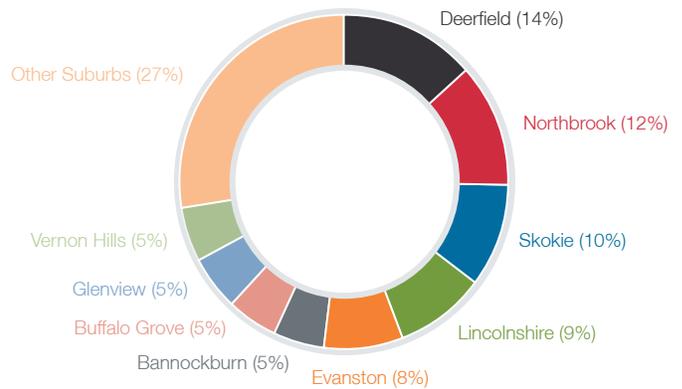
Asking Rents

The North Suburban market is diverse in industry, but best known as a headquarters solution to many of Chicagoland's largest employers. With an unparalleled, qualified workforce, the north suburbs also lay claim to Chicago's popular "North Shore" communities where many of the area's chief executives and advisors choose to reside. In previous years, the market had fallen victim to large reductions in size from companies such as Allstate and Hewitt Associates, but the market has bounced back in large part due to pharmaceutical-related staples including Walgreens, Baxter, Abbott Laboratories, and related spin-offs such as Baxalta and AbbVie, among others.

## Vacancy | Absorption



## Inventory by City



Annual net absorption totaled 761,000 SF, the strongest level of annual absorption recorded in this submarket over the past seven years.

## Quarter in Review

The North Suburban submarket's fourth quarter positive net absorption of 109,000 SF, increased the annual absorption figure to nearly 761,000 SF and marks the strongest level of annual absorption recorded in this submarket over the past seven years. The vacancy rate continued to improve, decreasing to 14.09%. This represents a significant 250 basis point improvement from the vacancy rate of 16.62% recorded one year ago.

The largest Chicagoland fourth quarter lease occurred in the North submarket where Horizon Pharma subleased 126,000 SF at Landmark of Lake Forest. The biopharmaceutical firm will relocate its US headquarters within the submarket, moving from its current location in Deerfield. Two new leases totaling 120,000 SF were secured during the quarter at Bannockburn Corporate Center where Donlen Corporation and Option Care Enterprises will occupy 73,000 SF and 47,000 SF, respectively. Also in Bannockburn, a joint venture between GlenStar Properties and Walton Street Capital acquired four of the five buildings which comprise Bannockburn Lake I-IV. The largest sale during the quarter included three of the buildings that the joint venture acquired from Wells Fargo. The joint venture subsequently bought the fourth vacant building from Hudson Advisors. The buyer plans to invest in capital improvement upgrades as it seeks new tenants to fill the 50% vacancy.

## Looking Forward

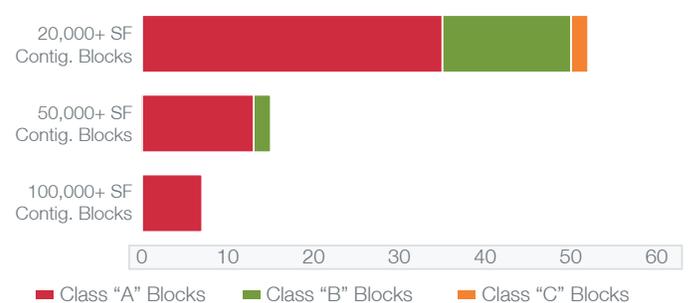
As Medline Industries finalizes a transaction at the Kraft Heinz campus, the medical products supplier is now marketing for sale the three-building 343,000 SF campus in Lincolnshire that it acquired in early 2015. The future use of the former Aon Hewitt campus is undetermined but will likely have an impact on the submarket upon its sale. With no new construction, owners of class "A" properties continue to invest in quality building amenities and upgrades to remain competitive and meet tenant demand.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
Innovation Park Lake County	600 N US Highway 45, Libertyville	966,091
Kraft Heinz Headquarters	3 Lakes Dr, Northfield	656,827
AON Office Building (SL)	1000 Milwaukee Ave, Glenview	405,039
West Plaza	3100 Sanders Rd, Northbrook	365,268
Two Overlook Point	2 Overlook Pt, Lincolnshire	304,013
Woodland Falls Corporate Center	26125 N Riverwoods Blvd, Mettawa	159,821
Bannockburn Lake III	2355 Waukegan Rd, Bannockburn	103,115

(SL) All or partially a sublease listing

## Contiguous Block Analysis



## Significant North Suburban Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
Bannockburn Lake	Building I, II and IV, Bannockburn	315,738	\$22,950,000	\$73	GlenStar JV Walton Street Capital	Wells Fargo
Edens Corporate Center	630 and 650 Dundee Rd, Northbrook	188,040	Undisclosed	Undisclosed	KBS Realty Advisors	The Davis Companies
Bannockburn Lake	Building III, Bannockburn	107,631	\$4,425,000	\$41	GlenStar JV Walton Street Capital	Hudson Advisors

## Significant North Suburban Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
Landmark of Lake Forest II	150 S Sanders Rd, Lake Forest	126,595	Horizon Pharma, Inc	Sublease
Bannockburn Corporate Center	3000 Lakeside Dr, Bannockburn	72,696	Donlen Corporation	New lease
Old Orchard Towers South	5250 Old Orchard Rd, Skokie	60,968	SG2	Lease renewal
Bannockburn Corporate Center	3000 Lakeside Dr, Bannockburn	47,270	Option Care Enterprises	New lease

Entries highlighted in red denote NAI Hiffman transactions

# Northwest Suburban

# OFFICE BUILDINGS	585
MARKET SIZE (SF)	33,762,617
TOTAL VACANCY	6,923,883 SF (20.51%)
DIRECT VACANCY	6,634,807 SF (19.65%)
SUBLEASE VACANCY	289,076 SF (0.86%)
AVAILABLE SPACE	9,193,650 SF (27.23%)
Q4 2015 NET ABSORPTION (SF)	-77,936
TOTAL 2015 NET ABSORPTION (SF)	-76,930
UNDER CONSTRUCTION (SF)	753,300
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

20.51%

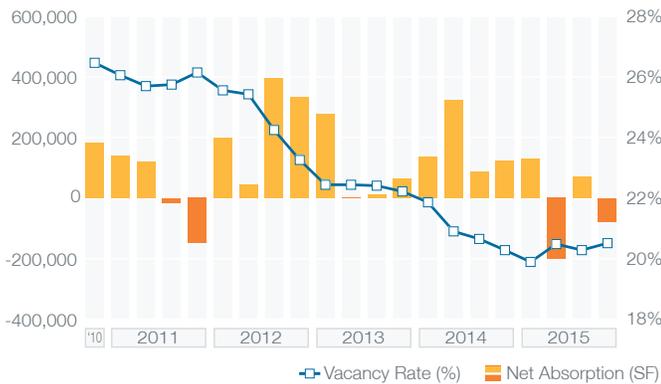
## Net Absorption

-77,936 SF

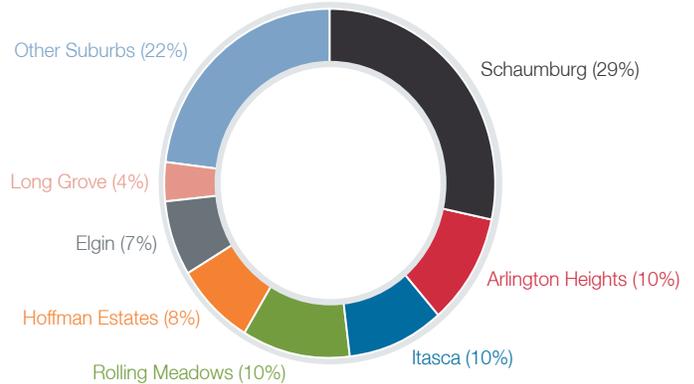
## Asking Rents

The Northwest Suburban market is highly influenced by activity in the Schaumburg Area submarket, which includes the municipalities of Schaumburg, Hoffman Estates, Rolling Meadows, Arlington Heights and Palatine (65% of total market inventory). Recently, big companies such as HSBC and Verizon have leased significant amounts of space in the submarket. The vacancy rate in the Northwest Suburban market increased dramatically in 2009 and 2010 to more than 27%, but has since dropped nearly 7% due to more than 1.9 million SF of net absorption over the past three years.

## Vacancy | Absorption



## Inventory by City



This submarket struggled throughout the year as space returning to the market exceeded tenant demand, driving the vacancy rate up to 20.51%.

## Quarter in Review

The Northwest Suburban submarket saw a large block of space become available in the fourth quarter as Blackberry-maker RIM terminated its lease and vacated 135,000 SF at 2550 W Golf Rd in Rolling Meadows. As a result, market fundamentals weakened in the Northwest Suburban submarket during the fourth quarter as net absorption totaled negative 78,000 SF. The submarket struggled throughout the year as more space was vacated than was leased, resulting in an annual absorption total of negative 77,000 SF. The vacancy rate increased 23 basis points over the previous quarter to 20.51%, and represents the highest rate within the suburban office market.

1600 Corporate Center in Rolling Meadows secured both the most significant sale transaction and lease transaction during the quarter. Helios Property Management acquired the class "A" office asset at 1600 Golf Rd for \$63 PSF. The multi-tenanted 253,000 SF building is 90% occupied, in large part due to a sizable lease renewal and expansion with existing tenant, Bank of America, and signed a lease renewal and expansion for 80,000 SF. One notable new lease signed during the quarter was by Direct Travel for 34,000 SF at 200 N Martingale Rd in Schaumburg.

## Looking Forward

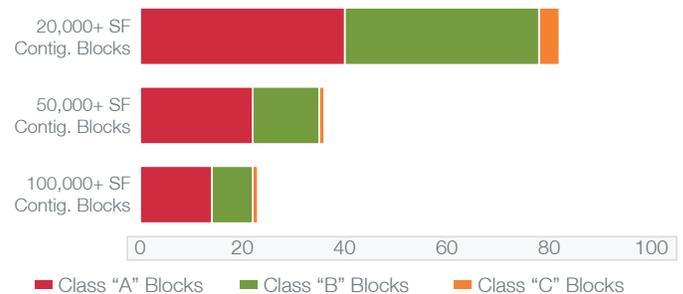
The potential for redevelopment of Motorola Solution's existing Schaumburg corporate campus is moving forward as the communications technology firm announced it will divide its 277-acre campus into five parcels. The company plans to lease back two existing buildings, a 12-story corporate tower and a 2-story technology building, for the remaining 1,600 Motorola employees at the Schaumburg location. The company previously sold a portion of the site, 38.2 acres, to Zurich North America for the insurance group's 753,000 SF headquarters which is currently under construction. With a vacancy rate above 20% in this submarket, it is likely the majority of future redevelopment plans will be for uses other than office space.

### Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
	2000 W AT&T Dr, Hoffman Estates	1,300,000
Zurich Tower I	1400 American Ln, Schaumburg	441,531 <sup>1</sup>
Zurich Tower II	1450 American Ln, Schaumburg	440,538 <sup>1</sup>
	2001 N Division St, Harvard	407,347
Two Pierce Place	2 Pierce Pl, Itasca	328,378
Meadows Corporate Center	2550 W Golf Rd, Rolling Meadows	216,592
Fischer Corporate Center	1707 N Randall Rd, Elgin	202,463

<sup>1</sup>vacancy late 2017

### Contiguous Block Analysis



### Significant Northwest Suburban Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
1600 Corporate Center	1600 Golf Rd, Rolling Meadows	252,476	\$16,000,000	\$63	Helios Property Management C-III Asset Management	
	1200 N Arlington Heights Rd, Itasca	100,480	\$4,300,000	\$45	Hamilton Partners	Principal Financial

### Significant Northwest Suburban Lease Transactions

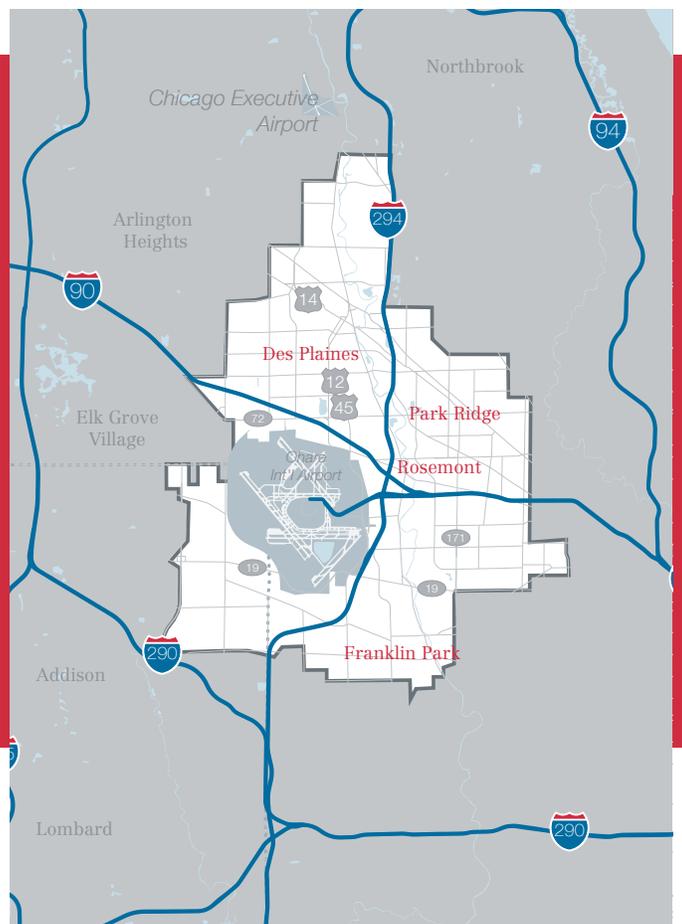
4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
1600 Corporate Center	1600 Golf Rd, Rolling Meadows	80,000	Bank of America	Lease renewal/expansion
Woodfield Preserve II	20 N Martingale Rd, Schaumburg	51,636	McGladrey & Pullen	Lease renewal
	200 N Martingale Rd, Schaumburg	33,693	Direct Travel	New lease
	111 E Busse Rd, Mt Prospect	25,806	Chase Bank	Lease renewal

Entries highlighted in red denote NAI Hiffman transactions

# O'Hare Area

# OFFICE BUILDINGS	169
MARKET SIZE (SF)	15,217,106
TOTAL VACANCY	2,569,040 SF (16.88%)
DIRECT VACANCY	2,491,173 SF (16.37%)
SUBLEASE VACANCY	77,867 SF (0.51%)
AVAILABLE SPACE	3,341,114 SF (21.89%)
Q4 2015 NET ABSORPTION (SF)	146,436
TOTAL 2015 NET ABSORPTION (SF)	-16,151
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

16.88%

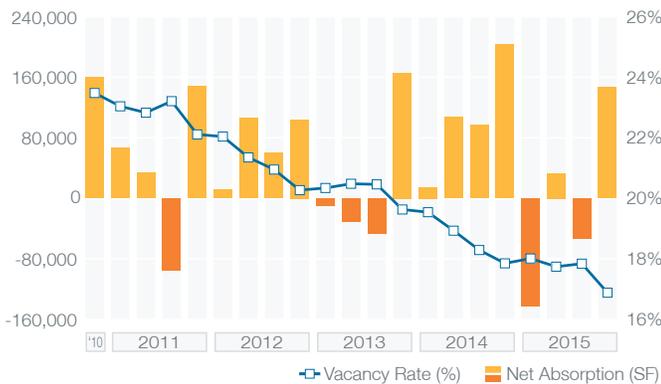
## Net Absorption

146,436 SF

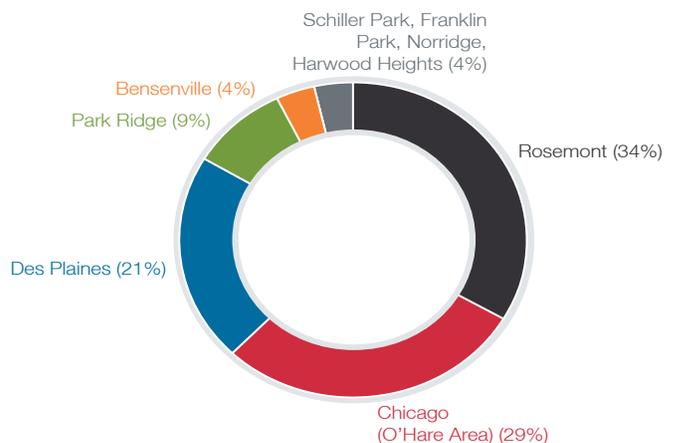
## Asking Rents

At approximately 15.3 million SF, the O'Hare submarket is one of the smallest suburban markets. Due to its central location, proximity to O'Hare International Airport and access to amenities and public transportation, this submarket led the suburban office recovery starting in 2010. Geographically, O'Hare sits in the center of the major suburban submarkets providing the "middle ground" for employees coming from surrounding locations, not to mention immediate access to the airport for multi-market companies. This location, expanded retail amenities and multiple transportation access points draws new office users and helps to retain the existing tenant base. O'Hare is the only submarket providing access to the CTA's elevated train lines from the city and the Metra North Central line, allowing convenient public transportation for city-dwelling staff members.

## Vacancy | Absorption



## Inventory by City



The overall outlook for this submarket remains strong due to recent market demand, strong occupancy levels and no new construction planned.

## Quarter in Review

The O'Hare submarket posted positive net absorption of 146,000 SF during the fourth quarter, with a number of tenants taking occupancy during the quarter which contributed to the strong quarterly absorption figure. The largest tenants included Nationwide Loan Company moving into 22,000 SF and World Kitchen's expansion of 14,000 SF. Annual absorption in the submarket was relatively flat at negative 16,151 SF, as market activity throughout the past year was generally comprised of smaller sized transactions less than 10,000 SF in size. The vacancy rate declined to 16.83%, down 100 basis points from the 17.85% vacancy rate recorded one year ago. The O'Hare submarket continues to remain tight, particularly for class "A" space where the vacancy rate decreased to 11.37%. The limited availability of class "A" space contributed to slower absorption in 2015.

The largest sale during the quarter was One O'Hare Centre, a 380,000-SF class "A" office building, acquired by MDC Realty Advisors and Nicola Crosby for \$218 PSF. This marks one of the highest PSF figures for a suburban office sale in 2015. Fourth quarter leasing activity increased with three larger leases signed, greater than 20,000 SF in size. First Union Rail and Rail Europe Inc both committed to new leases in Rosemont and Des Plaines, respectively. In Park Ridge, Healthcare Information Services (HIS) signed a 25,000 SF lease renewal.

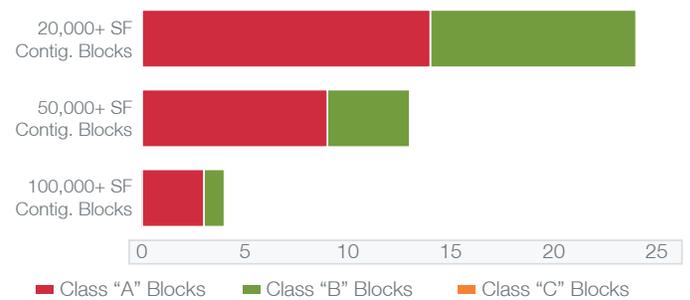
## Looking Forward

Continued tenant demand into 2016 should keep market fundamentals relatively balanced, barring any significant O'Hare submarket tenant announcement that would impact its real estate footprint within the submarket. As Banco Popular continues to vacate its space, absorption and vacancy may experience quarterly fluctuations, however the overall outlook for this submarket remains strong due to recent market demand, strong occupancy levels and no new construction planned.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
O'Hare Gateway Office Center	9600 W Bryn Mawr Ave, Rosemont	161,676
Cumberland Centre	5450 N Cumberland Ave, Chicago	143,525
1350 Touhy Plaza	1350 E Touhy Ave, Des Plaines	119,729
US Cellular Plaza	8420 W Bryn Mawr Ave, Chicago	119,219
Triangle Plaza	8750 W Bryn Mawr Ave, Chicago	92,166
O'Hare Aerospace Center	4825 N Scott St, Schiller Park	74,656
O'Hare International Center II	10255 W Higgins Rd, Rosemont	66,274

## Contiguous Block Analysis



## Significant O'Hare Area Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
One O'Hare Centre	6250 N River Rd, Rosemont	380,360	\$83,000,000	\$218	MDC Property JV Nicola Crosby	CBRE Global Investors

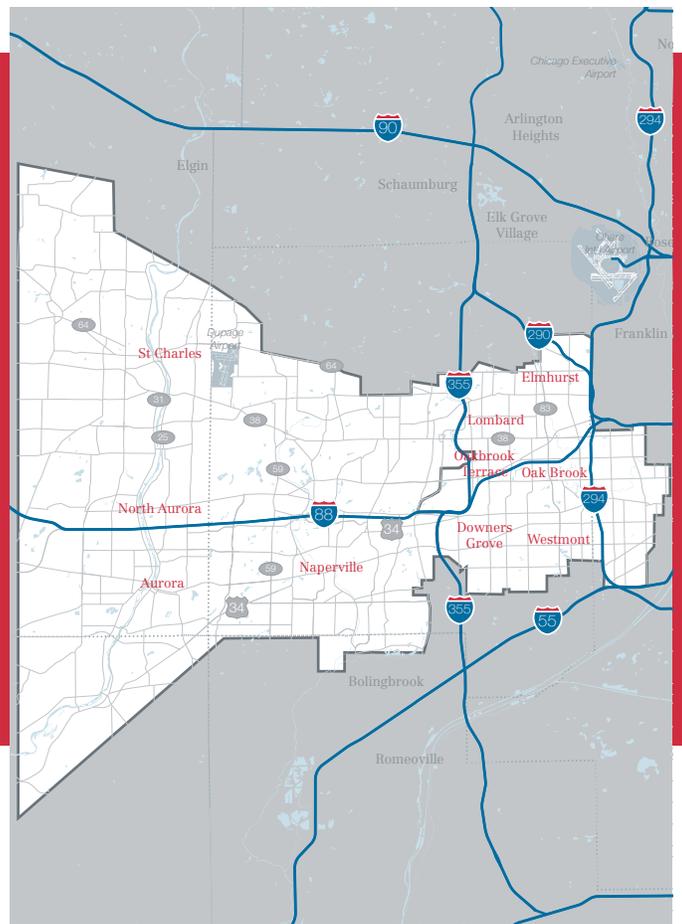
## Significant O'Hare Area Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
Park Ridge Plaza	350 S Northwest Hwy, Park Ridge	24,534	Healthcare Information Services	Lease renewal
Riverway	9377 W Higgins Rd, Rosemont	24,225	First Union Rail	New lease
1350 Touhy Plaza	1350 E Touhy Ave, Des Plaines	23,543	Rail Europe Inc	New lease

# East-West Corridor

# OFFICE BUILDINGS	667
MARKET SIZE (SF)	43,032,999
TOTAL VACANCY	8,158,109 SF (18.96%)
DIRECT VACANCY	7,565,720 SF (17.58%)
SUBLEASE VACANCY	592,389 SF (1.38%)
AVAILABLE SPACE	10,114,494 SF (23.50%)
Q4 2015 NET ABSORPTION (SF)	6,410
TOTAL 2015 NET ABSORPTION (SF)	244,516
UNDER CONSTRUCTION (SF)	131,328
Q4 2015 NEW SUPPLY (SF)	0



Vacancy Rate

18.96%

Net Absorption

6,410 SF

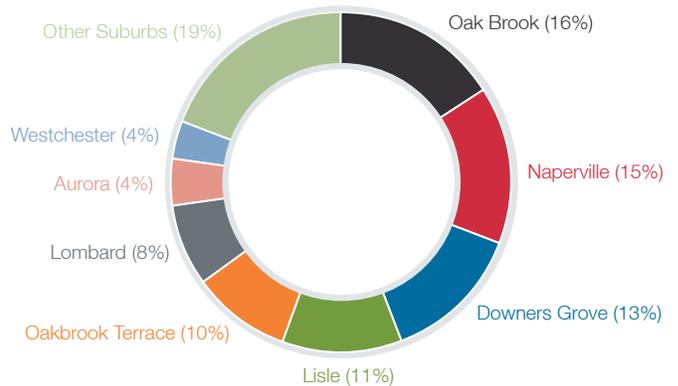
Asking Rents

Largest of the suburban office markets, the East-West Corridor is diverse in many ways. Split into western and eastern sections by I-355, the western half of the market consists of relatively new product and the majority of the larger blocks of space. The characteristically more stable eastern section is defined by more diverse multi-tenant buildings, smaller blocks of space, and older product. Historically home to large technological users including Alcatel-Lucent and Tellabs, Inc and other sizeable corporations such as Navistar and BP Amoco, the western half of the market is more prone to sudden changes in vacancy and absorption.

## Vacancy | Absorption



## Inventory by City



Highland Landmark V sold for \$286 PSF and represents the highest price PSF for a suburban office building sold in 2015.

## Quarter in Review

Market fundamentals were relatively flat in the East-West Corridor during the quarter. Despite nominal positive net absorption of 6,400 SF, the annual absorption figure totaled 245,000 SF and represents the second strongest annual absorption figure within the suburban office submarkets. The vacancy rate remained relatively unchanged from the previous quarter at 18.96%, yet improved nearly 50 basis points over the past year.

The most notable investment sale during the quarter was Cornerstone RE Advisers' acquisition of Highland Landmark V in Downers Grove. The class "A" asset was 100% occupied and sold for \$286 PSF, the highest PSF figure for a suburban office building sold in 2015. Notable lease transactions during the quarter ranged from 20,000 SF to 27,000 SF in size. The largest new lease signed was by Alloya Corporate Federal Credit Union, committing to 26,000 SF in Naperville. Transdev signed a lease renewal for 27,000 SF in Lombard.

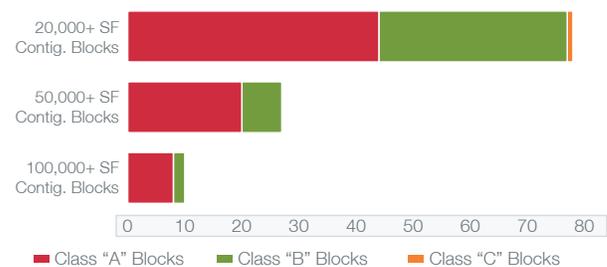
## Looking Forward

During the quarter, Navistar International began to market 595,000 SF in Lisle. The manufacturer is looking for a tenant or buyer for half of its 1.2 million SF headquarters. This looming large block of space competes with other sizable office options in the western portion of the East-West Corridor: the former OfficeMax headquarters building totaling 354,000 SF, ConAgra Foods' 162,000 SF office space and the nearly completed 130,000 SF build-to-suit facility that SKF Group recently announced it will no longer move into. With a limited numbers of tenants currently requiring space greater than 100,000 SF, there may be a marked increased in the vacancy rate, particularly within the western portion of the East-West Corridor.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
	2701 Navistar Dr, Lisle	593,360
263 Shuman Boulevard	263 Shuman Blvd, Naperville	354,000
Oakmont Centre	700 Oakmont Ln, Westmont	256,767
4201 Winfield	4201 Winfield Rd, Warrenville	249,996
2400 Cabot	2400 Cabot Dr, Lisle	205,633
Corridors Two	2655 Warrenville Rd, Downers Grove	149,615
Westwood of Lisle 2	2441 Warrenville Rd, Lisle	132,134

## Contiguous Block Analysis



## Significant East-West Corridor Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
Highland Pointe	333 and 377 Butterfield Rd, Lombard	367,108	\$44,000,000	\$120	Hamilton Partners/Millbrook	LaSalle Investment Mgmt
Highland Landmark V	3005 Highland Pky, Downers Grove	250,545	\$71,600,000	\$286	Cornerstone RE Advisers	Adventus RE Partners

## Significant East-West Corridor Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
Butterfield Centre	720 E Butterfield Rd, Lombard	27,111	Transdev	Lease renewal
Park Lake Center	184 Shuman Blvd, Naperville	25,930	Alloya Corporate Federal Credit Union	New lease
One Oakbrook Terrace	1 Oakbrook Ter, Oakbrook Terrace	23,621	Napleton Group	New lease
	27545 Diehl Rd, Warrenville	20,540	Pella Windows	New lease

Entries highlighted in red denote NAI Hiffman transactions

# I-55 Corridor

# OFFICE BUILDINGS	86
MARKET SIZE (SF)	4,019,255
TOTAL VACANCY	498,623 SF (12.41%)
DIRECT VACANCY	488,606 SF (12.16%)
SUBLEASE VACANCY	10,017 SF (0.25%)
AVAILABLE SPACE	828,882 SF (20.62%)
Q4 2015 NET ABSORPTION (SF)	2,386
TOTAL 2015 NET ABSORPTION (SF)	-35,592
UNDER CONSTRUCTION (SF)	0
Q3 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

12.41%

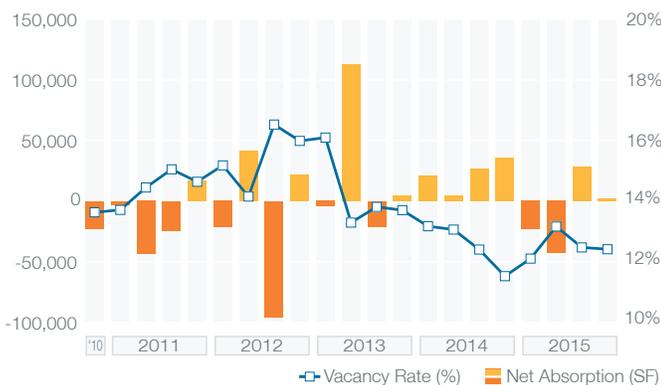
## Net Absorption

2,386 SF

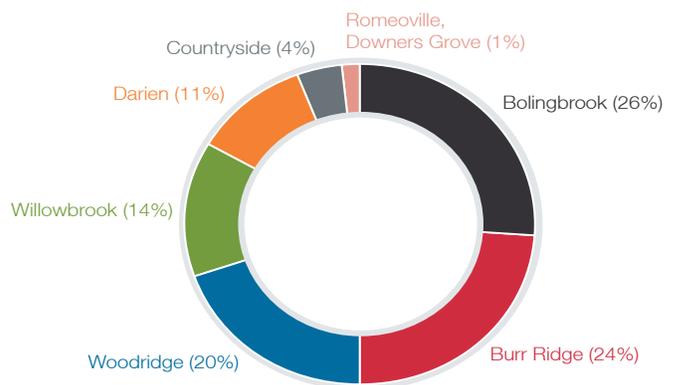
## Asking Rents

Although small in volume of space, the I-55 Corridor market benefits from convenient access to area expressways and tollways including I-55, I-294 and the recently completed I-355 extension. Drawing from an excellent labor pool, the area is an ideal choice for companies who don't want to move as far north as Oak Brook, providing a convenient location for their employees living in the southwest suburbs. Growth in the I-55 Corridor market is tied to the rapid growth of Will County. User types are mixed with a large presence of industrial services, catering to the large industrial base in the area and medical services, supporting the area hospitals in La Grange, Hinsdale, and the Adventist Bolingbrook Hospital.

## Vacancy | Absorption



## Inventory by City



Large lease commitments by Ulta and the University of Chicago are a positive development for market fundamentals in 2016.

## Quarter in Review

Quarterly absorption was relatively flat, totaling 2,800 SF in the I-55 Corridor. The annual net absorption figure totaled negative 36,000 SF, largely impacted by the departure of Chicago Bridge & Iron earlier in the year at Tallgrass Corporate Center. However, existing Tallgrass Corporate Center tenant, Ulta, committed to a 70,000 SF expansion within the building, with a targeted occupancy in early 2016. The vacancy rate improved nominally to 12.41% yet measures 89 basis points higher than the vacancy rate of 11.52% recorded one year ago.

Two sizable lease transactions occurred during the quarter including Ulta's lease for 70,000 SF and the University of Chicago who committed to 38,000 SF at Estancia Corporate Center in Burr Ridge. Also in Burr Ridge, Alion Science and Technology Corp subleased 8,400 SF. One sizable office building in Woodridge sold to an investor for \$150 PSF. A smaller building in Burr Ridge, totaling 8,400 SF, sold to an owner/user for \$112 PSF.

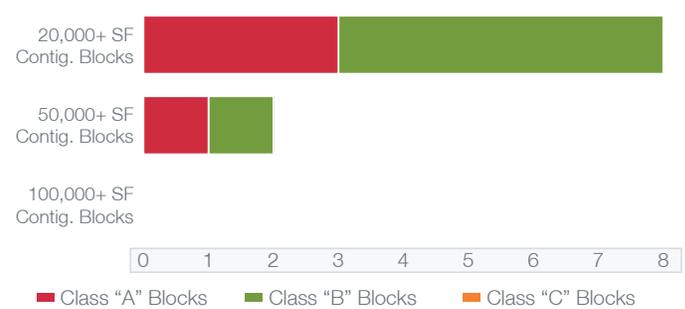
## Looking Forward

Given the smaller size of the submarket relative to the other suburban markets, fundamentals in the I-55 Corridor tend to fluctuate more as demand can be sporadic in terms of volume and timing. The recently signed leases by Ulta and the University of Chicago will positively impact this submarket in 2016 when the tenants take occupancy of the new space.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
	220 Remington Blvd, Bolingbrook	79,832
Tallgrass Corporate Center	1000 Remington Blvd, Bolingbrook	59,500
Midpoint II	7135 Janes Ave, Woodridge	46,624
	1333 Burr Ridge Pky, Burr Ridge	30,000
	840 S Frontage Rd, Woodridge	30,000
Midpoint IV	7155 Janes Ave, Woodridge	29,344
	8310-8350 S Madison, Burr Ridge	25,013
High Ridge Park Bldg I & II	6880 N Frontage Rd, Burr Ridge	24,834

## Contiguous Block Analysis



## Significant I-55 Corridor Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
	3540 Seven Bridges Dr, Woodridge	36,733	\$5,500,000	\$150	West Wind Properties, LLC	Hagge Construction Co
	114 Shore Dr, Burr Ridge	8,400	\$945,000	\$112	Shore 114 LLC	Everest Snow Management

## Significant I-55 Corridor Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
Tallgrass Corporate Center	1000 Remington Blvd, Bolingbrook	70,000	Ulta	Lease expansion
Estancia Corporate Center	150 Harvester Dr, Burr Ridge	38,341	University of Chicago	New lease
	1000 Burr Ridge Pky, Burr Ridge	8,378	Alion Science and Technology Corp	Sublease

Entries highlighted in red denote NAI Hiffman transactions

# Downtown Office Market

# OFFICE BUILDINGS	445
MARKET SIZE (SF)	133,865,328
TOTAL VACANCY	14,873,709 SF (11.11%)
DIRECT VACANCY	13,865,328 SF (10.33%)
SUBLEASE VACANCY	1,047,915 SF (0.78%)
AVAILABLE SPACE	25,458,485 SF (19.02%)
Q4 2015 NET ABSORPTION (SF)	591,976
TOTAL 2015 NET ABSORPTION (SF)	981,757
UNDER CONSTRUCTION (SF)	2,564,446
Q4 2015 NEW SUPPLY (SF)	0



Pictured above: BMO Harris Bank Building, Samsung Life Insurance acquired two buildings from Commonwealth Partners, including the 591,845 SF building at 115 S LaSalle St in the Central Loop

Overall Trend



Vacancy Rate

11.11%

Net Absorption

591,976 SF

Asking Rents



The Chicago Loop, Wacker Drive, and North Michigan Avenue are all iconic landmarks that give Chicago worldwide recognition. Historic buildings and modern high-rises define Chicago's famous skyline, home to several of the tallest buildings in the country. These landmarks, combined with O'Hare International Airport and public transportation including the "E", commuter train lines and dozens of bus lines, all make Chicago's 24-hour downtown a world-class business center and tourist destination. Wacker Drive in the West Loop is the most active corridor in the downtown office market, but when it comes to rents companies pay for office space, it isn't as expensive as one would think, ranking 20th most expensive for office tenants, behind cities like San Francisco, New York, Austin and Portland, Oregon.

## Quarter in Review

The downtown office market fundamentals improved significantly during the fourth quarter. Positive net absorption measured 592,000 SF and boosted the annual absorption figure to 982,000 SF, consistent with the annual average absorption total recorded over the past three years. The CBD vacancy rate tightened to 11.11%, with the West Loop, Central Loop and River North submarkets measuring an even tighter vacancy rate, in the 9% range. Significant fourth quarter sale transactions traded between \$230 PSF and \$265 PSF, at lower PSF figures than previous quarterly sales as fourth quarter sales included a class "A" building with a higher vacancy and class "B" assets. Notable fourth quarter tenant demand included sizable lease renewals and new lease commitments for projects under construction and proposed.

## Downtown Vacancy | Absorption



## Downtown Direct & Overall Vacancy



## New Development

Three new office projects remain underway in the downtown office market totaling 2.5 million SF, all located in the West Loop. During the fourth quarter, a new project was announced by The John Buck Company as the development firm secured its anchor tenant, CNA Insurance. The insurance company will relocate its global headquarters to the planned office tower at 151 N Franklin St. The firm finalized its 278,000 SF lease, which includes naming rights to the building, several weeks into the first quarter of 2016. The new 807,000 SF office tower, CNA Center, is scheduled to break ground first quarter of 2016.

## Largest Blocks of Available Space

Submarket	Building Name	Building Address	Block Size (SF)
West Loop	Riverside Plaza	300 S Riverside Plz	497,007
Central Loop	The National	125 S Clark St	424,822
West Loop		311 W Monroe St	387,705
North Michigan Ave	515 N State	515 N State St	385,273
West Loop	The Franklin	222 W Adams St	306,572
Central Loop		203 N LaSalle St	292,777
East Loop	Two Illinois Center	233 N Michigan Ave	288,012
West Loop		150 N Riverside Dr	279,984 <sup>1</sup>
West Loop	The Franklin	227 W Monroe St	277,673
Central Loop	Insurance Exchange Building	175 W Jackson Blvd	271,020

<sup>1</sup>under construction

## Downtown Office – Significant Buildings On the Market

4th Quarter 2015

Submarket	Building Name	Building Address	Size (SF)	Target Price	Price PSF	Seller	Status
River North	AMA Plaza	330 N Wabash Ave	1,140,000	\$540,000,000	\$474	Riverview/Five Mile	Marketing
Central Loop	Four40	440 S LaSalle St	1,041,000	\$230,000,000	\$221	TIER REIT	Marketing
Central Loop		181 W Madison St	952,560	\$320,000,000	\$336	CBRE Global Investors	Marketing
West Loop	Civic Opera House	20 N Wacker Dr	919,164	\$220,000,000	\$239	601 W Companies	Marketing

## Downtown Office – Significant Sale Transactions

4th Quarter 2015

Submarket	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
East Loop	200 E Randolph St	2,700,000	\$712,000,000	\$264	601 W Companies	Piedmont REIT
Central Loop	BMO Harris Buildings <sup>1</sup>	1,200,000 <sup>1</sup>	\$314,350,000	\$262	Samsung Life Insurance	CommonWealth Partners
Central Loop	1 N Dearborn St	881,679	\$202,000,000	\$229	Beacon Capital	Chetrit Group

## Downtown Office – Significant Lease Transactions

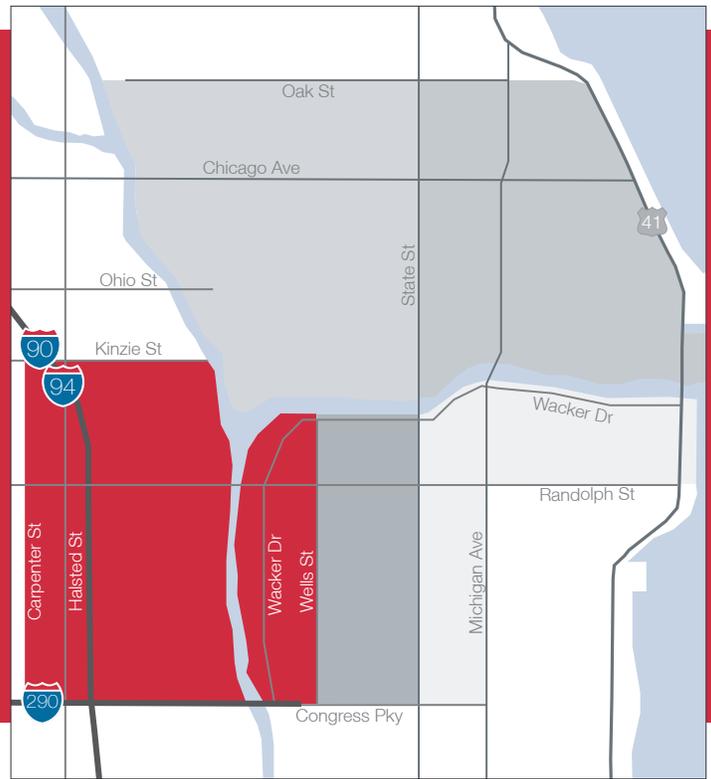
4th Quarter 2015

Submarket	Building Name	Property Address	Leased (SF)	Tenant	Lease Type
West Loop		71 S Wacker Dr	265,000	Mayer Brown, LLP	Lease renewal
Central Loop		111 W Washington St	128,467	GrubHub Inc.	Lease renewal/expansion
West Loop		150 N Riverside Dr	113,000	Navigant Consulting, Inc	New lease
West Loop		71 S Wacker Dr	79,348	IBM	Lease renewal

<sup>1</sup>Includes 2 buildings: 115 S LaSalle St, totaling 591,845 SF and 111 W Monroe St, totaling 610,760 SF

# West Loop

# OFFICE BUILDINGS	110
MARKET SIZE (SF)	45,377,793
TOTAL VACANCY	4,334,402 SF (9.55%)
DIRECT VACANCY	3,910,991 SF (8.62%)
SUBLEASE VACANCY	423,411 SF (0.93%)
AVAILABLE SPACE	9,436,570 SF (20.80%)
Q4 2015 NET ABSORPTION (SF)	125,518
TOTAL 2015 NET ABSORPTION (SF)	101,817
UNDER CONSTRUCTION (SF)	2,564,446
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

9.55%

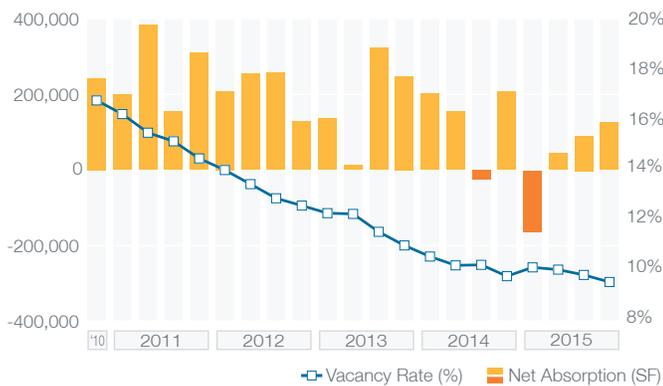
## Net Absorption

125,518 SF

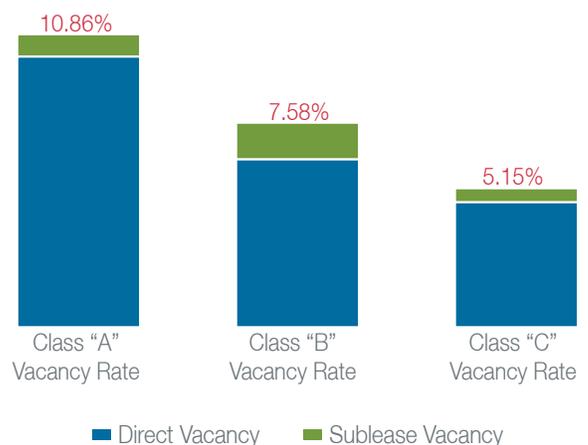
## Asking Rents

The last decade's development cycle in Downtown Chicago transformed the West Loop into the premier office submarket due to its proximity to multiple transportation options. Wacker Drive lies at the heart of the submarket and has been the corridor of the most significant office developments. After several years of no construction cranes in the submarket, new development activity has begun again, with three buildings under construction at 444 W Lake St, 1330 W Fulton St, and 150 N Riverside Dr totaling 2.5 million SF.

## Vacancy | Absorption



## Vacancy by Class Type



CNA Insurance announced plans to relocate its global headquarters to a newly proposed 807,000 SF office tower at 151 N Franklin St.

## Quarter in Review

Market fundamentals improved in the West Loop in the fourth quarter with positive net absorption totaling 126,000 SF. Annual net absorption totaled nearly 102,000 SF in this submarket and represents a sharp decrease compared to the average annual level of 650,000 SF recorded over the past five years. Due to consistent demand, the West Loop submarket remains relatively tight, maintaining one of the lowest vacancy rates of all the submarkets in the CBD. The vacancy rate declined to 9.55%, down 23 basis points over the rate recorded one year ago.

Projects under development in the West Loop secured notable lease commitments during the fourth quarter. Navigant Consulting committed to a 113,000 SF lease at 150 N Riverside Dr. Two tenants, Balyasny Asset Management and Harrison Street Real Estate Capital will join the tenant roster at River Point, leasing 41,000 SF and 40,000 SF respectively. During the fourth quarter, CNA Insurance announced it will relocate its global headquarters to a new office tower at 151 N Franklin St, scheduled to break ground during the first quarter of 2016. The insurance company finalized its 278,000 SF lease several weeks into the first quarter of 2016 and included naming rights to the building, to be called CNA Center.

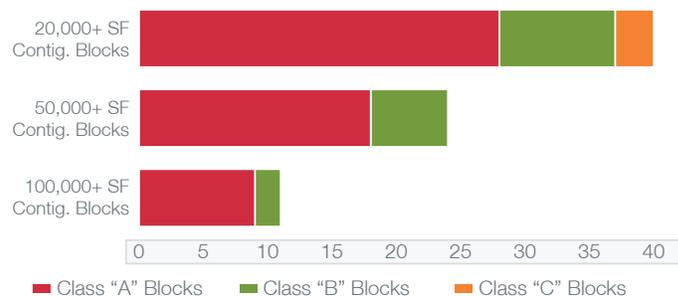
## Looking Forward

The two office towers currently under development, River Point - 1 million SF and 150 N Riverside - 1.2 million SF have achieved substantial pre-leasing commitments with both developments at or near 70% preleased. Both buildings are scheduled to be completed between year-end 2016 and first quarter 2017. A smaller scale third development, Fulton West - 288,000 SF, is located on the western edge of the West Loop submarket and secured two commitments representing 28% of the building. The delivery of the new towers, along with the planned tower at 151 N Franklin St, will impact the market as tenants moving into the new space will be vacating second generation space throughout the market, leaving the market with significant blocks of available space.

### Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
Riverside Plaza	300 S Riverside Plz	497,007
	311 W Monroe St	387,705
The Franklin	222 W Adams St	306,576
	150 N Riverside Dr	279,984
The Franklin	227 W Monroe St	277,673
	71 S Wacker Dr	246,872
	200 W Monroe St	158,207

### Contiguous Block Analysis



### Significant West Loop Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
	333 W Wacker Dr	867,821	\$320,500,000	\$369	PNC Realty Investors	Hines US Core Fund JV <sup>1</sup>
	200 W Adams St	677,222	\$168,250,000	\$248	Gerding Edlen	Sterling Equities JV Lincoln Property

### Significant West Loop Lease Transactions

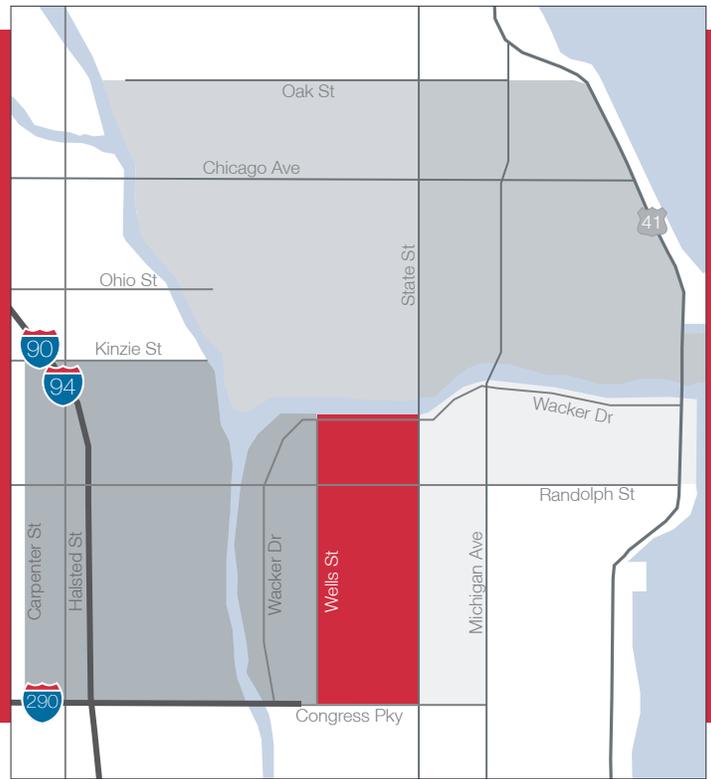
4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
	71 S Wacker Dr	265,000	Mayer Brown, LLP	Lease renewal
	150 N Riverside Dr	113,563	Navigant Consulting, Inc	New lease
	71 S Wacker Dr	79,348	IBM	Lease renewal
River Point	444 W Lake St	40,254	Harrison Street Real Estate Capital	New lease
River Point	444 W Lake St	40,000	Balyasny Asset Management	New lease

<sup>1</sup>Hines US Core Office Fund JV Sumitomo Life JV GM Investment Management

# Central Loop

# OFFICE BUILDINGS	81
MARKET SIZE (SF)	38,559,342
TOTAL VACANCY	3,756,927 SF (9.74%)
DIRECT VACANCY	3,475,510 SF (9.01%)
SUBLEASE VACANCY	281,417 SF (0.73%)
AVAILABLE SPACE	7,313,330 (18.97%)
Q4 2015 NET ABSORPTION (SF)	192,672
TOTAL 2015 NET ABSORPTION (SF)	721,267
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

9.74%

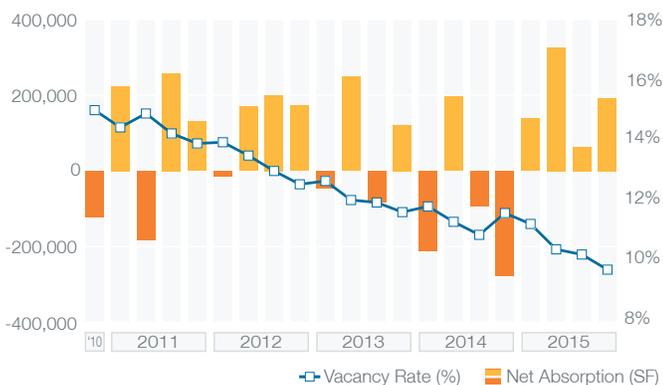
## Net Absorption

192,672 SF

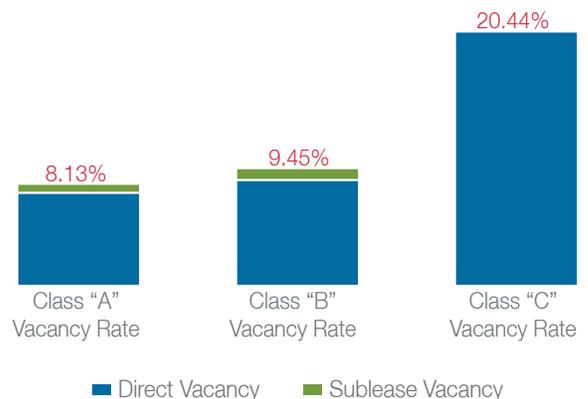
## Asking Rents

Historically, the Central Loop submarket had been Chicago's core financial district. While this area has evolved over the decades, several banks still remain and it has become a central hub for many local and national law firms. Chicago's "EI" train serves the submarket well, as the area is surrounded by the trains' "loop". Unlike many of the West Loop's more modern and well-equipped structures, buildings in the Central Loop tend to be older with smaller floor plates and less in-building parking.

## Vacancy | Absorption



## Vacancy by Class Type



The class "A" rate is exceptionally tight at 8.13% and ranks as the lowest vacancy amongst the CBD submarkets.

## Quarter in Review

The Central Loop submarket performed strong throughout the year. Fourth quarter positive net absorption totaled 193,000 SF and boosted the annual absorption total to 721,000 SF. The vacancy rate declined below the 10% mark, down to 9.74% vacant. The class "A" vacancy rate is exceptionally tight at 8.13% and ranks as the lowest vacancy rate for Class "A" space amongst the CBD submarkets.

During the quarter, one notable sale transaction was Samsung Life Insurance's acquisition of two buildings, the BMO Harris Bank Buildings totaling 1.2 million SF. In addition, Beacon Capital Partners purchased 1 N Dearborn St, a 940,000-SF building that is home to the Loop headquarters of Chicago Public Schools where CPS occupies 182,000 SF. Both investment sales traded in the \$230 and \$262 PSF range. One sizable lease transaction announced during the quarter was GrubHub's renewal and expansion for 128,000 SF. The online food delivery company signed a lease renewal for 72,000 SF and an expansion for 56,000 SF with an anticipated occupancy during the second quarter of 2016.

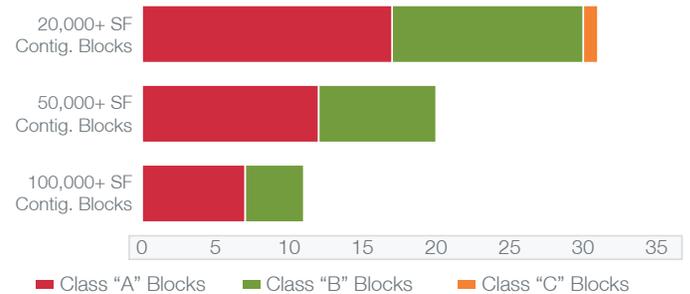
## Looking Forward

The outlook for the Central Loop submarket remains positive although next year this submarket may see decreased absorption levels due to a smaller number of options for tenants looking for class "A" space. For tenants with larger space requirements, there are currently seven options greater than 150,000 SF in size. The recent pricing for investment sales within the Central Loop is a testament to the strong fundamentals within the submarket.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
The National	125 S Clark St	424,822
	203 N LaSalle St	292,777
Insurance Exchange Building	175 W Jackson Blvd	271,020
One North Dearborn	1 N Dearborn St	207,587
Citadel Center	131 S Dearborn St	202,972
Chase Tower	10 S Dearborn St	193,319
	222 N LaSalle St	165,866

## Contiguous Block Analysis



## Significant Central Loop Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
BMO Harris Bank Buildings 2 buildings <sup>1</sup>		1,200,000 <sup>1</sup>	\$314,350,000	\$262	Samsung Life Insurance	CommonWealth Partners
One North Dearborn	1 N Dearborn St	881,679	\$202,000,000	\$229	Beacon Capital Partners	Chetrit Group

## Significant Central Loop Lease Transactions

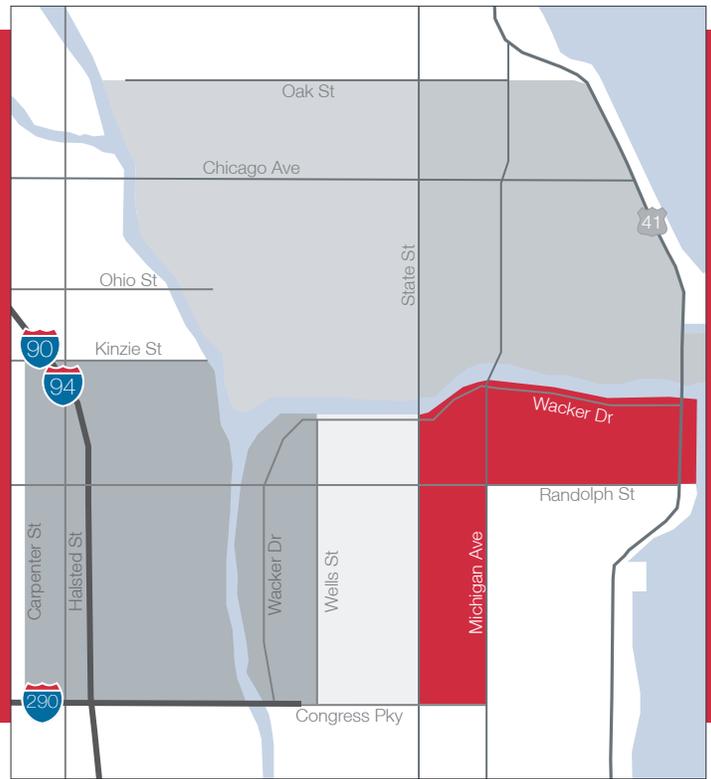
4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
Burnham Center	111 W Washington St	128,467	GrubHub, Inc	Lease renewal/expansion

<sup>1</sup>Includes 2 buildings: 115 S LaSalle St, totaling 591,845 SF and 111 W Monroe St, totaling 610,760 SF.

# East Loop

# OFFICE BUILDINGS	67
MARKET SIZE (SF)	23,267,896
TOTAL VACANCY	3,533,934 SF (15.19%)
DIRECT VACANCY	3,374,486 SF (14.50%)
SUBLEASE VACANCY	159,448 SF (0.69%)
AVAILABLE SPACE	4,312,582 SF (18.53%)
Q4 2015 NET ABSORPTION (SF)	64,181
TOTAL 2015 NET ABSORPTION (SF)	152,494
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

15.19%

## Net Absorption

64,181 SF

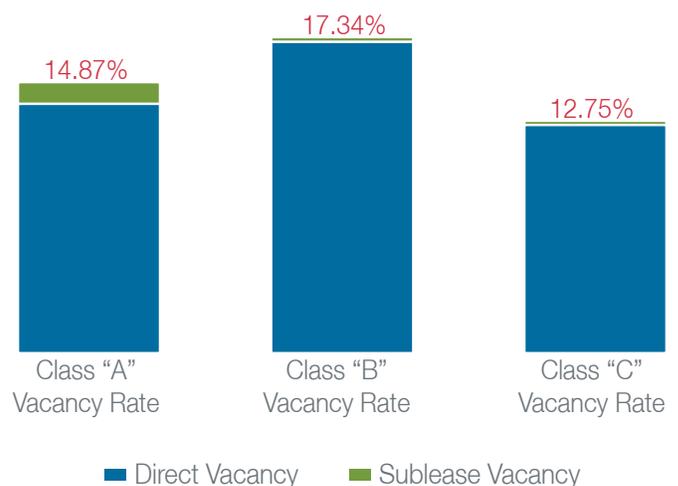
## Asking Rents

Unlike neighboring submarkets such as the West Loop or Central Loop, the East Loop submarket is far more diverse due to the presence of several universities, not-for-profits, condominium conversions and a growing retail component. Over the past several years, the submarket has benefited from a plethora of condo conversion projects that have rejuvenated the area and its aging buildings. However, since the economic downturn, the market for condo conversions has been greatly diminished. The area does not benefit from the easy access to highways or commuter lines that neighboring submarkets enjoy, but it is still within walking distance of the “E” trains, Millennium Park and close to Lake Shore Drive.

## Vacancy | Absorption



## Vacancy by Class Type



CNA's decision to leave the East Loop will likely impact this submarket as the insurance company will vacate 719,000 SF in a 1.1 million SF building.

## Quarter in Review

Tenant demand increased during the second half of 2015 which contributed to improved market fundamentals in the East Loop submarket. Fourth quarter positive net absorption totaled 64,000 SF, and improved the total annual absorption figure to 152,000 SF. The vacancy rate decreased to 15.19% and represents a significant annual improvement from the vacancy rate of 16.34% posted one year ago.

One notable building sale occurred during the fourth quarter. Aon Center, a 2.7 million SF office tower, was acquired by 601W Companies. The John Buck Company agreed to purchase CNA Plaza as part of the agreement for the insurance company becoming the anchor tenant at the new office development at 151 N Franklin St. The sale is anticipated to close in the beginning of 2016 and the insurance company will lease back its current space until the new building is completed. One Prudential secured four new tenants during the fourth quarter for a combined total of nearly 150,000 SF. The largest new tenant will be law firm Clark Hill PLC, who will occupy 72,000 SF upon lease commencement in 2017. In addition, Pandora Media, the University of Chicago and Zeno Group will also join the tenant roster in 2016.

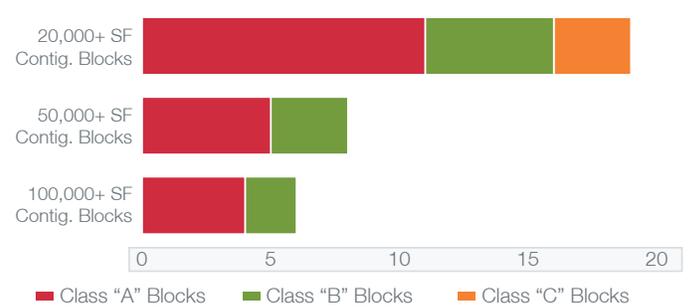
## Looking Forward

Market fundamentals will improve in this submarket in 2016 as tenants who signed new leases during the second half of 2015 take occupancy throughout 2016. CNA's decision to leave the East Loop will likely impact this submarket as the insurance company will vacate 719,000 SF in a 1.1 million SF building known as "Big Red."

### Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
Two Illinois Center	233 N Michigan Ave	288,012
AON Center	200 E Randolph St	131,274
One Prudential Plaza	130 E Randolph St	116,867
One North State	1 N State St	115,189
	303 E Wacker Dr	113,039
One Congress Center	401 S State St	110,898
	55 E Monroe St	71,139

### Contiguous Block Analysis



### Significant East Loop Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
Aon Center	200 E Randolph St	2,700,000	\$712,000,000	\$264	601W Companies	Piedmont REIT
CNA Plaza	333 S Wabash Ave	1,100,000	Pending	Pending	The John Buck Company	CNA Financial Corp

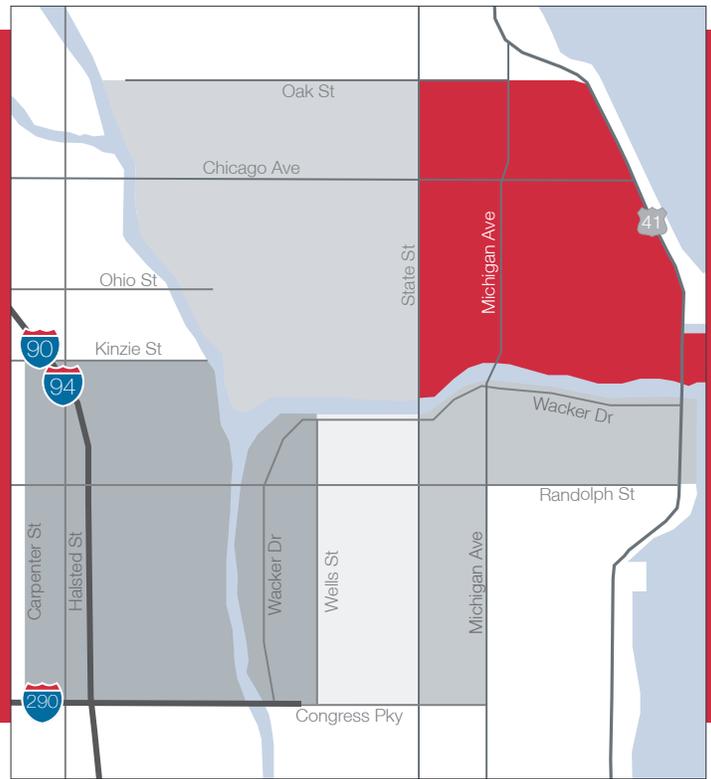
### Significant East Loop Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
One Prudential Plaza	130 E Randolph St	71,813	Clark Hill PLC	New lease
	322 S Michigan Ave	51,708	The American Academy of Art	Lease renewal
One Prudential Plaza	130 E Randolph St	32,331	Pandora Media	New lease
One Prudential Plaza	130 E Randolph St	23,399	University of Chicago	New lease
One Prudential Plaza	130 E Randolph St	22,036	Zeno Group	New lease

# North Michigan Avenue

# OFFICE BUILDINGS	61
MARKET SIZE (SF)	13,130,025
TOTAL VACANCY	2,030,778 SF (15.47%)
DIRECT VACANCY	1,879,171 SF (14.31%)
SUBLEASE VACANCY	151,607 SF (1.16%)
AVAILABLE SPACE	2,674,262 SF (20.37%)
Q4 2015 NET ABSORPTION (SF)	6,218
TOTAL 2015 NET ABSORPTION (SF)	-47,415
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

15.47%

## Net Absorption

6,218 SF

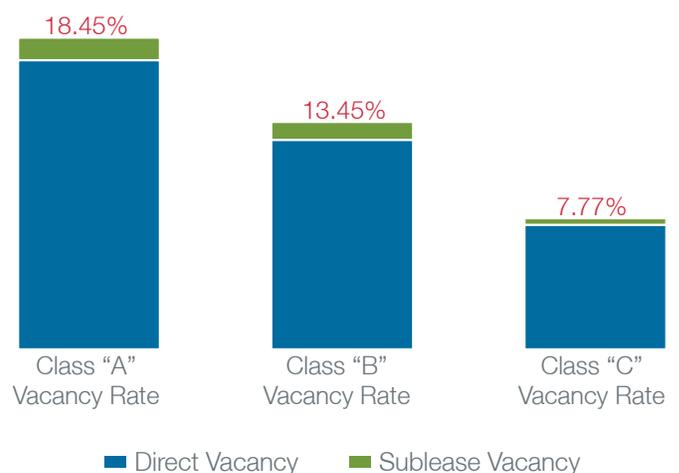
## Asking Rents

One of the smallest office submarkets in Chicago's Central Business District, the North Michigan Avenue submarket is diverse, similar to the East Loop submarket which borders it to the south. A distinguished retail corridor interspersed with posh residential towers, North Michigan Avenue is a Chicago icon renowned throughout the world. The office submarket consists of primarily smaller-sized spaces. The submarket is home to Northwestern Memorial Hospital and the new home of the Lurie Children's Hospital of Chicago. The presence of these large healthcare institutions should benefit the submarket for years to come.

## Vacancy | Absorption



## Vacancy by Class Type



The class "A" space vacancy rate totaled 18.45%, the highest vacancy rate among all the CBD submarkets.

## Quarter in Review

Market activity was relatively flat in the North Michigan Avenue submarket during the fourth quarter. Positive net absorption totaled 6,200 SF during the fourth quarter, yet the annual absorption figure totaled negative 47,000 SF. Despite the modest quarterly decrease, the current vacancy rate of 15.47% remains the highest vacancy rate of all the CBD submarkets. Class "A" space in this submarket has struggled throughout the year with a vacancy rate to 18.45% as of the fourth quarter. The majority of the largest blocks of available space are located within class "A" properties and totals over 580,000 SF.

There were no significant sale or lease transactions to report during the fourth quarter.

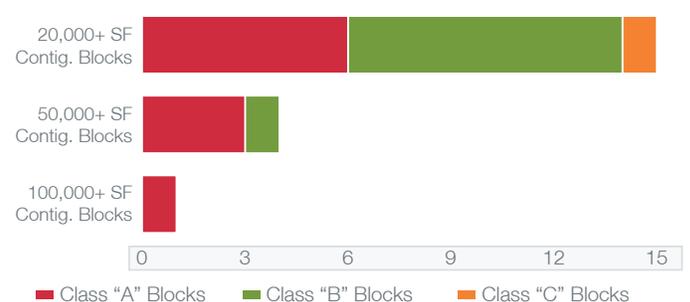
## Looking Forward

North Michigan Avenue, the smallest submarket in the CBD in terms of number of buildings and total SF inventory, will continue to lag behind the other CBD submarkets. With limited tenant demand coupled with the large blocks of available space, market fundamentals will be slow to improve within this submarket. Tenants with sizable space requirements and seeking class "A" properties typically focus on other submarkets within the CBD as the North Michigan Avenue submarket is located the farthest from the suburban commuter train stations. Employers remain sensitive to employees' commute thus limiting the desirability of this submarket. This submarket is attractive to tenants with smaller space requirements that seek to enjoy the multitude of renowned retail, restaurant and entertainment amenities the area offers.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
515 N State	515 N State St	385,273
Tribune Tower	435-445 N Michigan Ave	69,943
NBC Tower	455 N Cityfront Plaza Dr	63,672
	401 N Michigan Ave	60,483
One Magnificent Mile	980 N Michigan Ave	42,187
American Dental Association Building	211 E Chicago Ave	37,265
John Hancock Center	875 N Michigan Ave	36,891

## Contiguous Block Analysis



## Significant North Michigan Avenue Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
None to report						

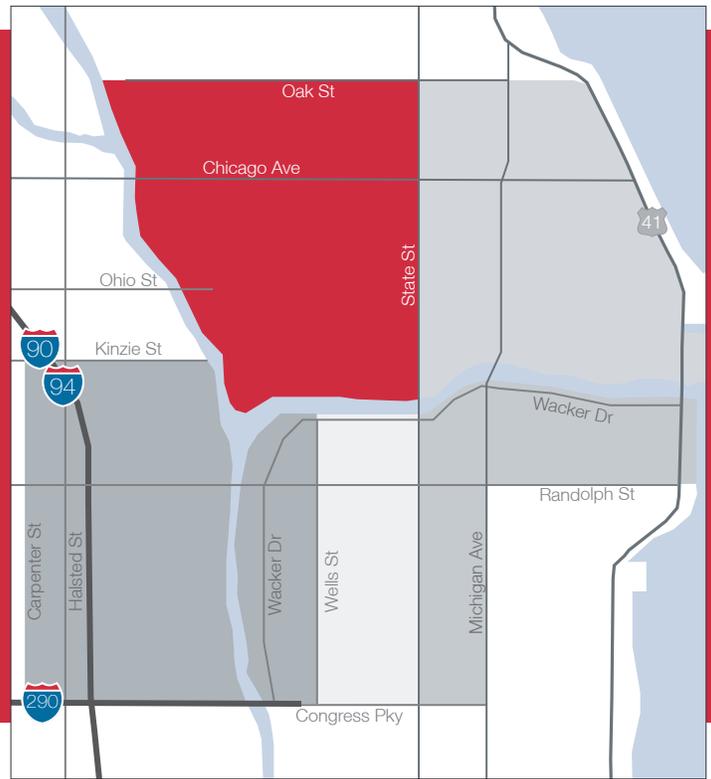
## Significant North Michigan Avenue Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
None to report				

# River North

# OFFICE BUILDINGS	126
MARKET SIZE (SF)	13,530,272
TOTAL VACANCY	1,217,668 SF (9.00%)
DIRECT VACANCY	1,185,636 SF (8.76%)
SUBLEASE VACANCY	32,032 SF (0.24%)
AVAILABLE SPACE	1,720,459 SF (12.72%)
Q4 2015 NET ABSORPTION (SF)	203,387
TOTAL 2015 NET ABSORPTION (SF)	53,594
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

9.0%

## Net Absorption

203,387 SF

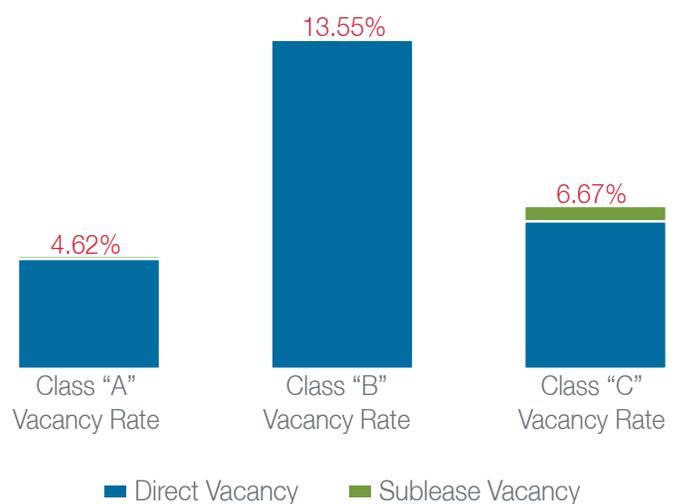
## Asking Rents

Comprised of predominantly class “C” timber-loft style office buildings, the River North submarket is also home to several modern glass and steel class “A” office towers. The recent construction in the neighborhood of high-end residential developments, retail and up-scale restaurants has also been of note, but only one available development site remains at Wolf Point where the Chicago river splits, so major new office developments will be rare. The submarket is the least accessible to transportation of all the downtown office submarkets, but offers sensational views along the Chicago River. Several high-profile, quickly-growing companies call River North home, including deal-of-the-day website company Groupon and Yelp.

## Vacancy | Absorption



## Vacancy by Class Type



The growth of tech companies has fueled the majority of tenant demand over the past several years.

## Quarter in Review

Fourth quarter market fundamentals improved in River North with strong positive net absorption of 203,000 SF, largely due to Groupon taking occupancy of 114,000 SF at 600 W Chicago Ave. Despite the significant absorption during the fourth quarter, the annual absorption figure totaled 54,000 SF. The vacancy rate dropped 150 basis points from the third quarter, to the fourth quarter rate of 9.0%. The River North submarket remains the tightest submarket in the CBD.

Transaction activity was lighter during the fourth quarter with smaller sized lease transactions and no significant sale transactions to report. Load/Delivered, a third-party logistics firm, announced its lease commitment for 23,000 SF at 640 N LaSalle St. In addition, two technology firms signed new leases in the River North submarket. Uptake, a data analytics firm, leased nearly 19,000 SF at 600 W Chicago Ave and Origami Risk, risk management information systems company, committed to 12,000 SF at the Merchandise Mart.

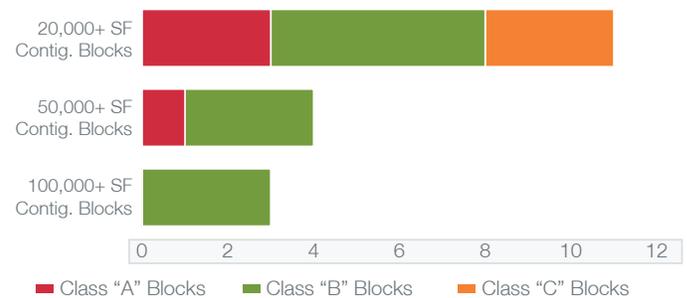
## Looking Forward

The growth of tech companies has fueled the majority of tenant demand within this submarket over the past several years and greatly contributed to the current low vacancy rate. Companies with significant growth may be challenged the find large blocks of available space, greater than 100,000 SF in size, within this submarket. The number of options in this size range declined from 5 opportunities one year ago to 3 options as of the fourth quarter.

## Largest Blocks of Available Space

Building Name	Building Address	Block Size (SF)
River North Point	350 N Orleans St	218,072
600 West Chicago	600 W Chicago Ave	117,101
The Merchandise Mart	222 Merchandise Mart Plz	112,000
Dearborn Plaza	20 W Kinzie St	71,269
	435 N LaSalle St	38,658
River North Concourse	750 N Orleans St	31,700
Reid Murdoch Center	325 N LaSalle St	29,082

## Contiguous Block Analysis



## Significant River North Sale Transactions

4th Quarter 2015

Building Name	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
None to report						

## Significant River North Lease Transactions

4th Quarter 2015

Building Name	Property Address	Leased (SF)	Tenant	Lease Type
	640 N LaSalle St	23,000	Load/Delivered	New lease
	600 W Chicago Ave	18,568	Uptake	New lease
Merchandise Mart	222 Merchandise Mart Plz	11,675	Origami Risk	New lease

# Medical Office Review

## Year-End 2015



Pictured above: Midwest Orthopedics at Rush, located at 1611 W Harrison St, purchased by Harrison Street Capital

### Year in Review

Across a 19.3 million SF inventory, the Chicagoland medical office market in 2015 saw a decrease in direct vacancy and ended the year at 12.8% with a positive total annual net absorption of 49,773 SF.

The Affordable Care Act continued to affect Chicagoland's health systems' decision making regarding expansion, mergers, cost control, and delivering the most successful health outcomes while creating the most positive patient experience possible. Many systems across the region have been implementing new business and healthcare delivery strategies to allow them to efficiently operate under the Affordable Care Act. Under the previous pay-for-service healthcare model, a hospital system's main income drivers were from the higher acuity cases served at the main hospital campus. Under the Affordable Care Act's pay-for-performance model, healthcare systems are realizing that income will have to be driven from the front end of the care continuum (i.e. primary care, internal medicine, pediatrics and women's health). Heightened demand for modern and more efficient outpatient medical office space has been generating an increase in both ground-up development and retrofitting of selective existing medical office buildings closer to the patient and away from the main hospital campus. Additionally, the initiative of providing more convenient care to patients in a lower cost setting is driving some health systems to look at repurposing retail real estate for outpatient or urgent care clinical uses.

### Investment Activity

32 Metro Chicago MOB sale transactions were completed in 2015 representing \$413 million in gross sales volume and over 1.4 million SF of space. The average price was \$292 PSF. Four investors accounted for 74% of the 2015 sales volume. The largest single transaction was Harrison Street Capital's acquisition of 1611 W Harrison in Chicago in a sale leaseback transaction with Midwest Orthopaedics at Rush for \$29.5 million or \$540 PSF. The largest portfolio transaction was the MB Real Estate/Kayne Anderson JV acquisition of the eight property Pain Specialists of Greater Chicago portfolio for \$96 million or \$296 PSF. Note that there are a number of owners who tend to be generous in their classification of office buildings as medical office. For purposes of this analysis we have defined medical office as buildings with 100% medical use, no mixed use properties were included. The MOB investment market is a niche market that has experienced dramatic growth in recent years. Public capital, primarily REITs, and equity funds represent 80% +/- of investor capital. Net lease investors are increasingly active in the smaller single-tenant net lease transactions. Foreign investors have been minor players in this niche market to date. While on-campus properties have historically experienced more favorable pricing, i.e. lower cap rates, the spread has narrowed to an estimated 75 basis points. On-campus cap rates average an estimated 6.25% to 6.5% while off-campus cap rates average an estimated 7.0% to 7.25%. Other pricing variables include tenant credit, lease term, age/functionality of improvements, and tenant mix.

### Major Local Healthcare Development Projects in the Pipeline

In September, University of Chicago Medicine broke ground on its \$61 million, 108,000 SF Center for Advanced Care in Orland Park. The facility will be University of Chicago Medicine's largest off-campus facility when it opens in late 2016 or early 2017 and will include 80 exam rooms for several specialties including oncology, orthopedics, cardiology, pediatrics, gastroenterology, women's health, surgical consulting, infusion therapy center and diagnostic imaging.

Presence St. Joseph Medical Center broke ground on an \$11 million, 28,000 SF Senior Health Pavilion and Family Immediate Care Center in Romeoville. The outpatient facility will provide specialized services to seniors in addition to providing specialized services to seniors in addition to providing access to advanced imaging, lab services and immediate care to local families.

## Notable Medical Office Transactions

2015

Address	Price	Price PSF	Buyer	Seller
8-building portfolio sale <sup>1</sup>	\$125,500,000	\$127-\$454	MB Real Estate/Kayne Anderson JV	Pain Specialists of Greater Chicago
993-9977 Woods Dr, Skokie	\$29,500,000	\$262	MB Real Estate/Kayne Anderson JV	Walton Street Capital
3-building portfolio sale <sup>2</sup>	\$94,400,000	\$321-\$378	Ventas	ARC Healthcare Trust
1611 W Harrison St, Chicago	\$63,200,000	\$540	Harrison Street Capital	Midwest Orthopedics at Rush
301 N Madison St, Joliet	\$19,500,000	\$278	ARC Healthcare Trust	Rendina Companies

<sup>1</sup>Properties located in Willowbrook, Des Plaines, Glenview, Morton Grove, Chicago, Wilmette, & Lincolnwood

<sup>2</sup>Properties located in Aurora, Chicago, & Crystal Lake

Additionally the facility will provide advanced physical therapy and has plans for a fitness center that will be open to the public when the facility opens in August of 2016.

In Streeterville, work continued on the Rehabilitation Institute of Chicago's new 900,000 SF, \$523 million replacement hospital with a projected completion date of fall 2016 and occupancy in early 2017. The RIC is the nation's #1 ranked provider of comprehensive physical medicine and rehabilitation care to patients from around the world. The state-of-the-art facility will feature cutting-edge "Ability Labs", 242 patient beds, conferencing space and a 680 car parking garage.

Presence St. Joseph Hospital opened the doors on its new \$157 million, 205,000 SF medical office building on their Lincoln Park campus that will house outpatient surgery, medical imaging, physical therapy, cancer care, digestive disease care, and a 350 car parking garage. The facility represents Presence Health's biggest investment since the 11-hospital network formed in 2011.

In far northwest suburban Huntley, Centegra Health System plans to build an 80,000 SF medical office building to house physicians attached to the new \$233 million, 360,000 SF Centegra Hospital-Huntley. The hospital is set to open in mid-2016 with the medical office building projected to be complete in Spring of 2017. The medical office building will be anchored by 30,000 SF regional campus for Rosalind Franklin University of Medicine and Science which will act as a feeder for their internal medicine resident program.

In west suburban Oak Brook, a joint venture between Rush University Medical Center and Midwest Orthopaedics at Rush announced plans to build a four-story, 103,000 SF medical outpatient building that will focus on orthopedic care and include medical office space, athletic performance improvement programs, rehabilitation and an ambulatory surgery center. In November, Rush University Medical Center announced plans to build a \$500 million, 620,000 SF outpatient center just east of its main hospital tower on the system's near-west side campus. Projected to be complete in 2020, the nine-story tower will consolidate outpatient services from several buildings currently on the both sides of the Eisenhower expressway including primary care, specialty physician offices, the Rush Ambulatory Surgi Center and all outpatient clinical and diagnostic services. This represents the second major project to be built as a part of the system's plans to upgrade its campus.

## Looking Forward

Several main drivers will continue to shift healthcare systems' focus from inpatient to outpatient care and drive development of outpatient facilities: 1) Patient experience and satisfaction will play a major role in where patients will choose to receive care and often factoring into this choice are healthcare facilities that are geographically proximate to where they live and work; 2) The demand for the delivery of healthcare in a lower-cost setting like urgent care and retail clinics as it is the most cost effective way to treat the population; and 3) Ultimately healthcare providers are attempting to manage the population's health that they geographically serve and strategically located ambulatory care sites allow the provider to more proactively manage chronic illness, preventative care and post-acute care follow up. Managing a patient's continuum of care through an organized outpatient healthcare model is the best way to keep patients healthy and out of the hospital.

# Office Investment Market

## Year-End 2015



Pictured above: **Willis Tower, Chicago** The Blackstone Group's acquisition of Willis Tower established record-pricing at \$1.5 billion, the highest priced office sale outside of New York.

### A Macro/Metro Chicago Perspective

From a macro perspective, there are several key variables which could impact commercial real estate (CRE) prices and sales volume in 2016 and beyond: Federal Reserve policy, the economy and bubble-pricing concerns. Will the Federal Reserve Bank implement further increases in interest rates? If so, would these increases present investors with attractive non-CRE options? Cap rate impact? Is the U.S. economy slipping into a recession? Have CRE prices reached bubble levels with core pricing levels significantly exceeding 2007 peak pricing?

From a Metro Chicago perspective, there are several variables which could have an increasing impact on CRE prices and sales volume in 2016 and beyond. These variables are tied to the challenging fiscal conditions of the state of Illinois, Cook County and city of Chicago brought about in large part by the unfunded public sector retirement funds. These unaddressed issues create uncertainty over the future taxation projects in the area. Springfield gridlock continues.

### Downtown Office Market

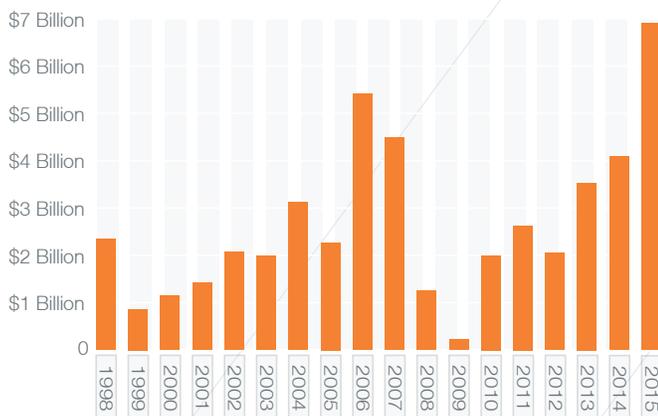
The charts below show the annual dollar sales volume of combined Class A and B buildings (property and portfolio transactions versus entity level transactions) from 1998 through 2015, and the corresponding year-over-year percent changes.

**Looking Back** The previous market peak was \$5.4 billion in 2006. Following the financial crisis, the market bottomed out in 2009 at \$230 million, a 96% reduction in dollar volume from 2007. Forward to 2015, the aggregate sales volume set a record at \$6.9 billion. Using a 117 million square foot base of Class A and B space, the 2009 sales volume represented .6% of this space in contrast to the 2015 sales volume which represented 20% of this space. Over the past 15 years, sales totaled \$43.5 billion with an average PSF price of \$242. The average annual sales volume over this period was \$2.9 billion.

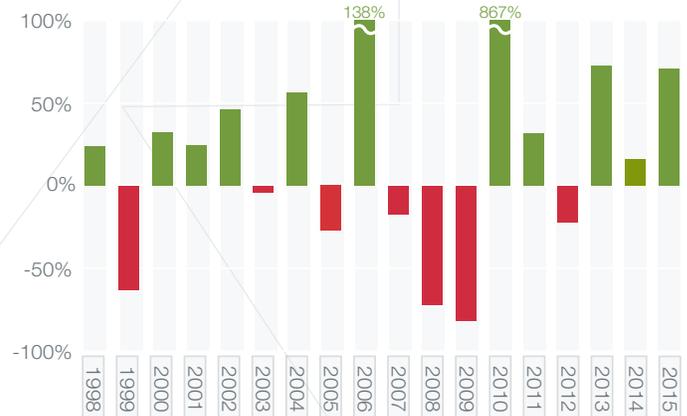
**The Year in Review** Twenty four sales were completed in 2015, ten of which represented buildings in excess of one million square feet. The average 2015 holding period was 80 months. The average increase in sale price over acquisition price was 51%. Downtown Chicago remained a seller's market as cap rate compression continued with a majority of transactions reflecting low to mid 5% cap rates. The sale of a partial interest in One North Wacker translated to a price of \$543 PSF, below the record set by the 2014 sale of 300 North LaSalle at \$652 PSF 25% above the estimated replacement cost. Blackstone's June acquisition of the Willis Tower established the highest price paid for an office building outside of New York City at \$1.5 billion or \$337 PSF.

**Looking Forward** The ongoing improvement in market fundamentals has removed much of the "value add opportunity" found in the market just a short time ago. As such, returns will be driven from growth in property performance versus cap rate compression. It will be challenging to maintain the 2015 sales volume going forward given the recent sales volume. Between

### Downtown Sales Volume



### Year-Over-Year Change - Downtown Sales Volume



2013 and 2015, 51.4 million square feet of Class A and B space or 44% of the market, sold. It will take several years to improve property performance in order to increase values. A potential wild card on the operations side of CBD office buildings is the city of Chicago's exposure to unfunded police, fireman and teacher retirement funds and the potential impact on real estate taxes as the cities weigh funding options.

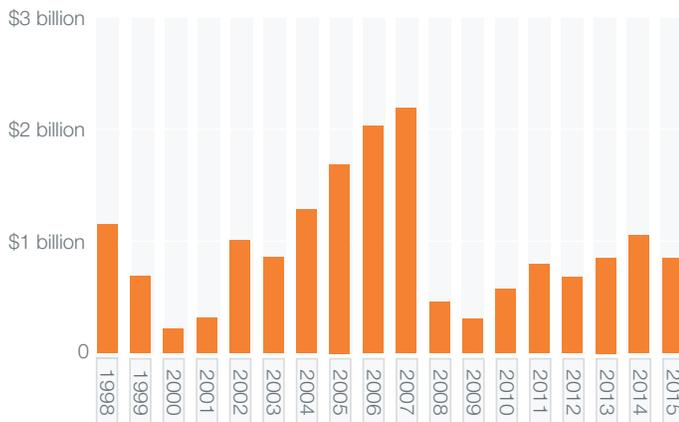
## Suburban Office Market

The charts below show the annual dollar sales volume of combined Class A and B buildings (property and portfolio transactions versus entity level transactions) from 1998 through 2015, and the corresponding year-over-year percent changes for non-medical suburban office transactions.

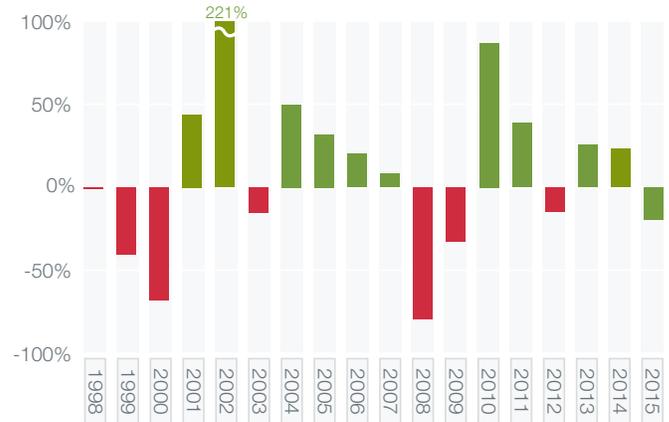
**Looking Back** The annual dollar sales volume peaked in 2007 at \$2.2 billion and bottomed out in 2009 at \$308 million, a reduction in volume of 86% from 2007. CY 2010 experienced an 87% increase in volume. While the suburban market dollar transaction volume recovered from the 2009 trough, with 2013 and 2014 annual increases of nearly 25%, the 2015 calendar year sales volume of just over \$847 million is less than 40% of the 2007 peak volume of \$2.2 billion. Using a 113 million square foot base of Class A and B suburban space, the 2009 sales represented 2.5% of this space, 5.3% for 2015. Over the past 15 years, sales totaled \$14.9 billion. The average annual sales volume over this period was \$994 million. The recovery of the suburban office market has dramatically lagged that experienced by the downtown office market in terms of both volume and pricing improvement; nevertheless, with an estimated \$900 million of properties currently for sale or under contract and properties to be added throughout the year, we expect the recovery to gain momentum in 2016. The key issue: Will seller's pricing expectations be met?

**The Year in Review** Twenty nine sales were completed in 2015. Cornerstone's \$153.8 million (\$220 PSF) acquisition of the four building Class-A Corporate 500 Center in Deerfield from General Electric Capital Corporation was the largest single property suburban transaction. Lone Star Funds closed two multi-state portfolio transactions which included an aggregate of 1.5 million SF in nine Metro Chicago office buildings: a multi-state portfolio from Equity Commonwealth which included

## Suburban Sales Volume



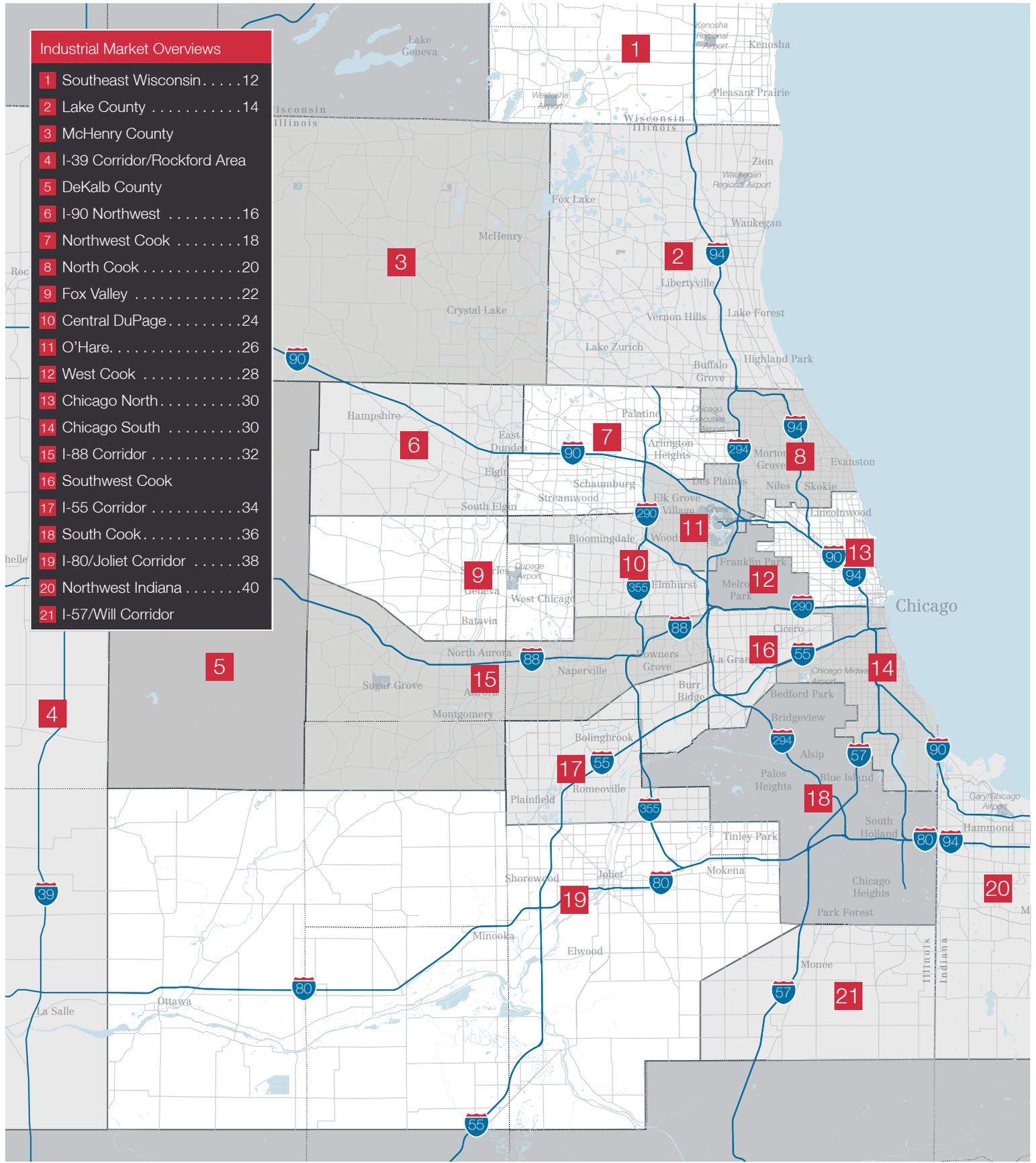
## Year-Over-Year Change - Suburban Sales Volume



53 properties and a second multi-state portfolio transaction, acquired from Columbia Property Trust, which included 15 properties six of which were in suburban Chicago. Entity-level transactions included Blackstone's acquisition of the 172 property GE Capital portfolio reported to have been underwritten at a 7.2% cap rate, and Griffin Capital Essential Asset REIT, Inc.'s acquisition of the 13 property portfolio from Signature Office REIT, Inc.

**Looking Forward** Office investors seeking additional yield had been expected to look toward suburban Chicago as an alternative to the fully priced East and West Coast office markets. To date this has not been realized. The return of institutional investors in the market has been slower than expected though fundamentals continue to improve.

# Chicago Industrial Submarkets



# Fourth Quarter 2015

	Submarket	# Bldgs	Total RBA (SF)	Vacancy Rate (%)	Available Rate (%)	Q4 2015 NET Absorption (SF)	YTD 2015 Net Absorption(SF)	Q4 2015 New Supply (SF)	Q4 2015 Under Constr. (SF)
1	Southeast Wisconsin	542	49,468,425	6.54% ▲	8.39% ▲	-127,037	3,655,773	175,000	2,717,849
2	Lake County	933	67,956,368	7.27% ▲	11.79% ▲	-219,203	120,016	0	626,848
3	McHenry County	435	25,395,823	9.73% ▼	11.94% ▲	42,610	156,974	0	0
4	I-39 Corridor	222	25,048,601	16.42% ▲	16.26% ◀▶	-176,923	250,528	186,000	0
5	DeKalb County	58	7,190,869	9.36% ▲	14.33% ▲	63,688	102,513	220,000	987,000
6	I-90/Northwest	443	28,227,032	7.55% ▼	11.48% ▼	305,769	1,397,735	0	551,368
7	Northwest Cook	525	29,146,678	7.40% ▲	8.58% ▲	-315,275	284,564	423,672	0
8	North Cook	710	46,211,052	4.44% ▼	8.95% ▲	120,753	403,211	0	217,064
9	Fox Valley	496	32,378,205	7.03% ▲	6.03% ▼	-236,240	-44,109	0	299,520
10	Central DuPage	1,098	67,684,409	3.86% ▼	8.76% ▲	343,968	858,671	290,826	689,872
11	O'Hare	1,727	101,921,562	5.33% ▼	9.00% ▼	310,234	1,759,850	184,000	112,862
12	West Cook	729	59,489,616	6.35% ▲	12.62% ▲	-89,342	390,722	588,233	0
13	Chicago North	1,089	60,836,643	7.49% ◀▶	8.98% ▼	-252,872	-879,408	0	0
14	Chicago South	1,684	148,806,648	7.41% ▼	10.29% ▼	369,450	127,929	353,680	219,858
15	I-88 Corridor	778	63,845,471	4.65% ▼	7.66% ▲	287,320	2,085,635	238,000	1,016,948
16	Southwest Cook	491	40,542,851	6.71% ▼	9.62% ▲	-168,341	-111,924	0	0
17	I-55 Corridor	682	88,427,311	7.02% ▼	8.80% ▼	771,666	3,668,089	639,435	1,077,163
18	South Cook	1,126	84,779,154	7.79% ▲	9.68% ▼	85,359	1,481,981	150,000	0
19	I-80/Joliet Corridor	630	71,859,516	4.95% ▼	10.24% ▲	602,407	5,152,529	574,867	4,985,529
20	Northwest Indiana	440	36,529,480	5.55% ▼	7.47% ▼	304,249	772,030	300,000	203,000
21	I-57/Will Corridor	83	13,818,934	17.91% ▼	20.79% ▼	260,489	212,109	46,467	0
<b>Flex Space Summary</b>									
	Total Flex Space	1,531	72,591,894	14.41% ▼	16.80% ▼	363,610	724,148	0	0
<b>Total Market</b>									
	Totals	16,452	1,222,156,542	7.24% ◀▶	10.26% ◀▶	2,646,653	22,569,566	4,370,180	13,704,881

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# Industrial Market

# INDUSTRIAL BUILDINGS	16,452
MARKET SIZE (SF)	1,222,156,542
TOTAL VACANCY	88,469,321 SF (7.24%)
DIRECT VACANCY	86,619,526 SF (7.09%)
SUBLEASE VACANCY	1,849,795 SF (0.15%)
AVAILABLE SPACE	125,422,653 SF (10.26%)
Q4 2015 NET ABSORPTION (SF)	2,646,653
TOTAL 2015 NET ABSORPTION (SF)	22,569,566
UNDER CONSTRUCTION (SF)	13,704,881
Q4 2015 NEW SUPPLY (SF)	4,370,180
TOTAL 2015 NEW SUPPLY (SF)	18,648,345



Overall Trend



Vacancy Rate



Net Absorption



Market Rents



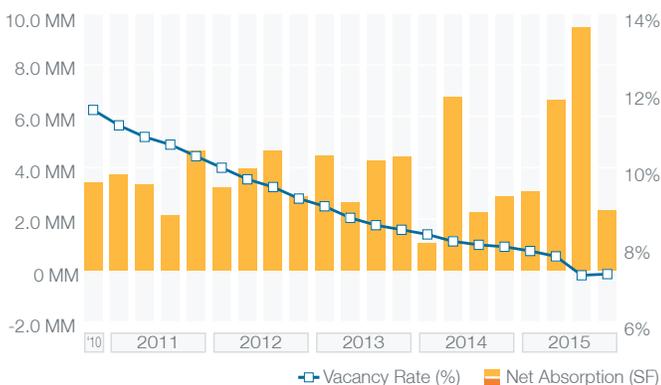
Pictured above: AEW Capital Management purchased 4700 Proviso Ave in Melrose Park, part of a Chicago area 8-building portfolio sale from TA Realty in October

Chicago is the second largest industrial market in the U.S. with over 1.2 billion SF of inventory, second only to the Greater Los Angeles industrial market. The Chicago industrial market remains the most influential in the Midwest, due to its growing prominence as an inland port and its diverse, comparatively low-cost labor force. It has the second largest workforce in the country and ranks as the largest manufacturing market. Chicago's strategic location and transportation infrastructure make it the most important transportation center in the country. Located in the path of three of the nation's busiest transcontinental expressways (I-80, I-90 and I-94), Chicago also claims 70 percent of the nation's rail and intermodal activity. The metropolitan area sits at the convergence of all six class-one railways and within a day's drive of one-third of the country's population.

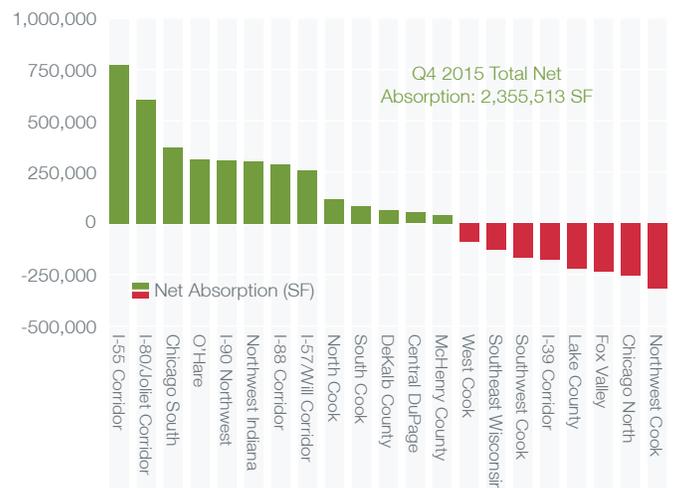
## Quarter in Review

Fourth quarter results for the Chicago metropolitan industrial market capped an outstanding year. Quarterly positive net absorption totaled 2.6 million SF, and increased the annual absorption figure to an impressive 22.6 million SF. The I-80/Joliet Corridor, Southeast Wisconsin, and the I-55 Corridor captured the highest 2015 absorption figures for a combined total of 12.5 million SF. The overall industrial vacancy rate nominally changed to the fourth quarter rate of 7.24%. Nine submarkets are extremely tight with vacancy rates falling in the 3% to 6% range.

## Industrial Vacancy | Absorption



## Quarterly Net Absorption by Submarket



# Industrial Market

Projects completed during the fourth quarter totaled 4.4 million SF, increasing the annual construction delivery total to 18.6 million SF. This level of new construction deliveries surpassed the 20-year annual construction average of 15 million SF. Projects under construction totaled 13.7 million SF.

Fourth quarter sales activity included numerous portfolio sales in addition to several large property acquisitions. One of larger portfolio sales included Exeter Property Group's sale of a 217-property, 57.8 million SF portfolio for \$3.15 billion and includes a number of industrial assets throughout the Chicago market.

Significant fourth quarter lease transactions occurred throughout the area with third-party logistics firms driving sizable tenant demand. The I-55 Corridor secured two new tenants, OHL and XPO/Frontera, committing to 672,000 SF and 352,000 SF, respectively. In Southeast Wisconsin, SC Johnson Wax renewed a lease on behalf of its third party logistics provider Exel Logistics. In the South Cook submarket, Nufarm Americas Inc signed a 376,000 SF lease and Leggett & Platt and Oak Creek Distribution renewed leases.

## Largest Blocks of Available Space

Submarket	Building Address	City	Block Size (SF)
I-80/Joliet Corridor	20901 W Walter Strawn Dr	Elwood	799,294
I-80/Joliet Corridor	29700 Graaskamp Blvd <sup>1</sup>	Wilmington	792,000
I-55 Corridor	1125 Remington Blvd	Romeoville	767,161
I-80/Joliet Corridor	201 Emerald Dr <sup>1</sup>	Joliet	746,772
I-80/Joliet Corridor	2700 Ellis Rd	Joliet	689,515
Chicago South	2600 W 35th St	Chicago	647,800
Lake County	1750 Bridge Dr <sup>1</sup>	Waukegan	626,848
Southeast Wisconsin	8448 38th St <sup>1</sup>	Somers	600,539
Northwest Cook	555 Northwest Ave	Northlake	588,233
Northwest Cook	400 N Wolf Rd	Northlake	559,103

<sup>1</sup>under construction

## Total Sale Transactions and Price PSF



Investment and user industrial sales \$1 million or greater

Source: NAI Hiffman & CoStar

## Industrial Market – Significant Sale Transactions

4th Quarter 2015

Submarket	Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
West Cook	4700 Proviso Ave, Melrose Park	619,039	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty
I-88 Corridor	1200 Orchard Gtwy, Aurora	604,565	\$46,200,000	\$76	American Realty Advisors	USAA Real Estate Company
I-55 Corridor	333 Gibraltar Dr, Bolingbrook	579,900	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
Northwest Indiana	6515 AmeriPLEX Dr, Portage	574,249	\$18,300,000	\$32	Venture One Real Estate JV DRA Advisors	Midpoint USA LLC
West Cook	3400 Wolf Rd, Franklin Park	522,584	\$20,100,000	\$38	Panattoni Development Company	A.M. Castle & Co
West Cook	5000 Proviso Dr, Berkeley	509,640	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty
I-80/Joliet Corridor	2780 McDonough St, Joliet	476,965	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
<b>South Cook</b>	<b>13144 S Pulaski Rd, Alsip</b>	<b>370,705</b>	<b>\$8,600,000</b>	<b>\$23</b>	<b>Cabot Properties Inc</b>	<b>CBRE Global Investors Ltd</b>

## Industrial Market – Significant Lease Transactions

4th Quarter 2015

Submarket	Property Address	Leased (SF)	Tenant	Lease Type
I-55 Corridor	790 Taylor Rd, Romeoville	672,080	OHL	New lease
Southeast Wisconsin	2617 West Rd, Sturtevant	432,000	SC Johnson Wax	Lease renewal
<b>South Cook</b>	<b>21399 Torrence Ave, Sauk Village</b>	<b>375,785</b>	<b>Nufarm Americas Inc</b>	<b>New lease</b>
I-55 Corridor	150 E Crossroads Pky, Bolingbrook	352,338	XPO/Fonterra	New lease
I-88 Corridor	1705 Sequoia Dr, Aurora	350,800	Hyundai Motor America	Sale/leaseback
<b>South Cook</b>	<b>6755 W 65th St, Bedford Park</b>	<b>275,898</b>	<b>Leggett &amp; Platt</b>	<b>Lease renewal</b>
<b>South Cook</b>	<b>7557-7575 S 78th Ave, Bridgeview</b>	<b>254,425</b>	<b>Oak Creek Distribution</b>	<b>Lease renewal</b>
O'Hare	333 Howard Ave, Des Plaines	235,781	C.H. Robinson	New lease

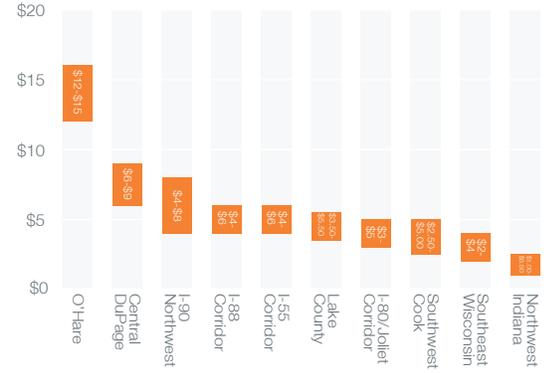
<sup>1</sup> Part of a Chicago area 8-building portfolio sale, totaling 1.9 million SF <sup>2</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties

Entries highlighted in red denote NAI Hiffman transactions

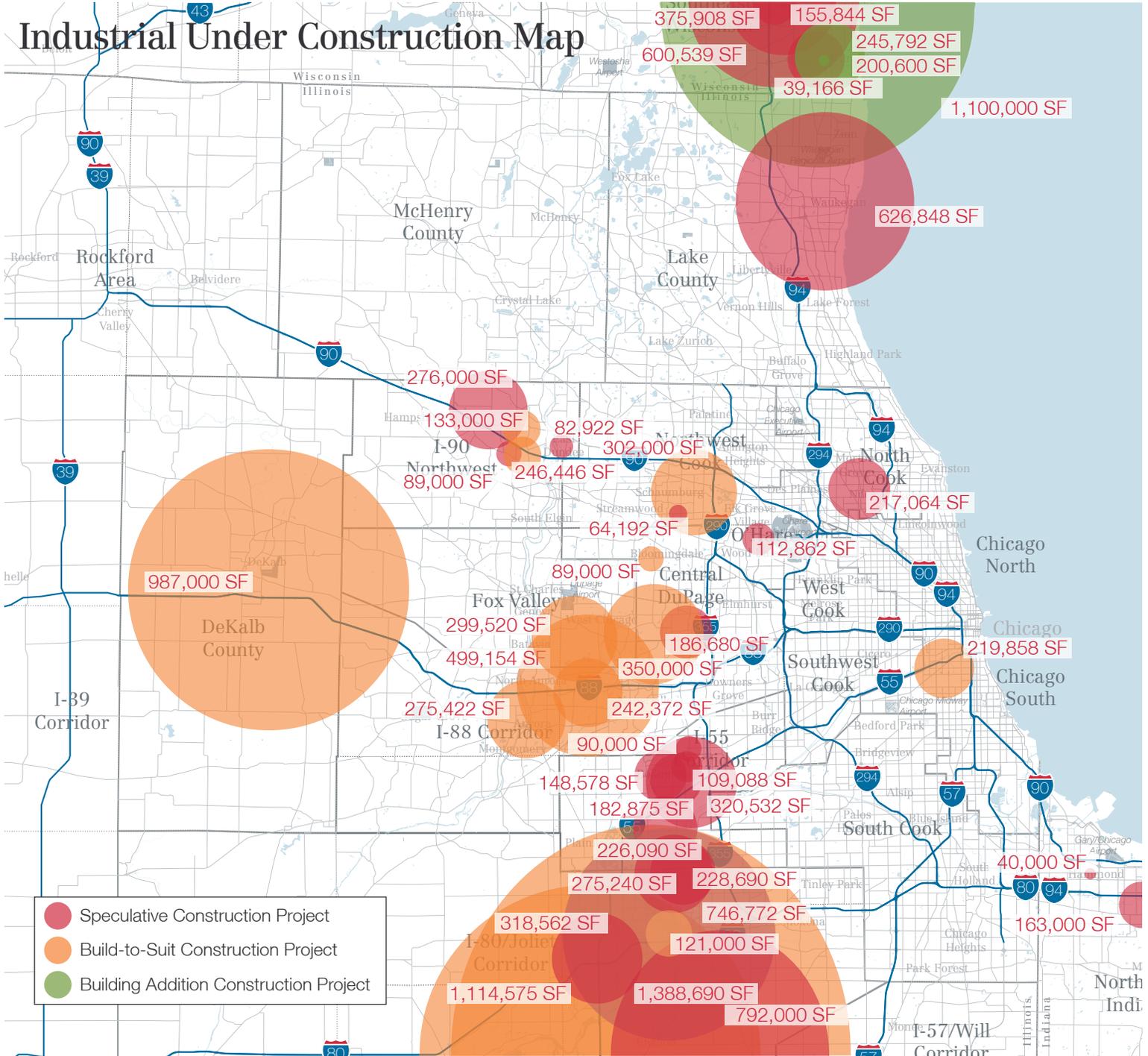
## New Development

New industrial development gained momentum throughout the Chicago industrial market as fourth quarter construction deliveries totaled nearly 4.4 million SF, increasing the annual total to 18.6 million SF. The largest construction delivery was a speculative project totaling 575,000 SF in the I-80 Corridor. The building was delivered 50% preleased to Consolidated Distribution Corp with the balance of the building now being expanded by an additional 792,000 SF. 13.7 million SF is currently under construction, balanced between speculative and build-to-suit/building additions. New development underway is centered around the interstate systems with limited infill speculative and redevelopment projects in established submarkets.

## Industrial Land Prices by Submarket



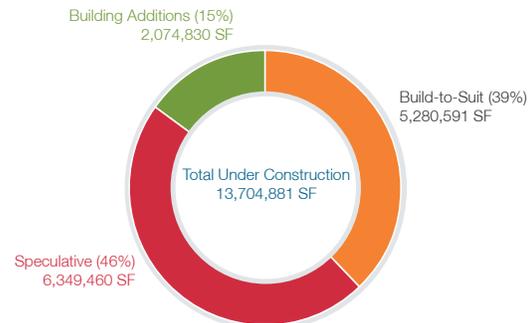
## Industrial Under Construction Map



## Construction Deliveries



## Industrial Construction by Type



## Notable Ongoing Speculative Construction Projects

4th Quarter 2015

Submarket	Building Address	Size (SF)	User	Developer
Central DuPage	601 Regency Dr, Glendale Heights	186,680	N/A	Darul Qasim
I-55 Corridor	Fountain Square Commerce Center, Bolingbrook	320,532	N/A	McShane Development
I-55 Corridor	1881 Normantown Rd, Romeoville	226,090	N/A	Molto Properties
I-55 Corridor	990 Veterans Pky, Bolingbrook	182,875	N/A	Distribution Realty
I-55 Corridor	Fountain Square Commerce Center, Bolingbrook	148,578	N/A	McShane Development
I-55 Corridor	Fountain Square Commerce Center, Bolingbrook	109,088	N/A	McShane Development
I-80/Joliet Corridor	29700 Graaskamp Blvd, Wilmington	792,000	N/A	Ridge Property Trust
I-80/Joliet Corridor	201 Emerald Dr, Joliet	746,772	N/A	Hillwood
I-80/Joliet Corridor	Frontage & Mound Rd, Shorewood	318,562	N/A	Clarion Partners
I-80/Joliet Corridor	355 Corporate Center, Lockport	275,240	N/A	Panattoni
I-80/Joliet Corridor	355 Corporate Center, Lockport	228,690	N/A	Panattoni
I-90 Northwest	2770 Alft Ct, Elgin	246,446	N/A	Molto Properties
Lake County	1750 Bridge Dr, Waukegan	626,848	N/A	Bridge Development
North Cook	5600-5750 W Jarvis Ave, Niles	217,064	Thermal Care (135,300 SF)	Cabot Properties
Northwest Indiana	6451 North Wind Pky, Hobart	163,000	N/A	Becknell Industrial
O'Hare	2200-2220 Arthur Ave, Elk Grove Village	112,862	N/A	DCT Industrial
Southeast Wisconsin	First Park 94, Somers	600,539	N/A	First Industrial
Southeast Wisconsin	Enterprise Business Park, Sturtevant	375,908	N/A	Ashley Capital
Southeast Wisconsin	LakeView Corporate Park, Pleasant Prairie	200,600	N/A	CenterPoint Properties
Southeast Wisconsin	Globe Dr, Sturtevant	155,844	N/A	The Opus Group

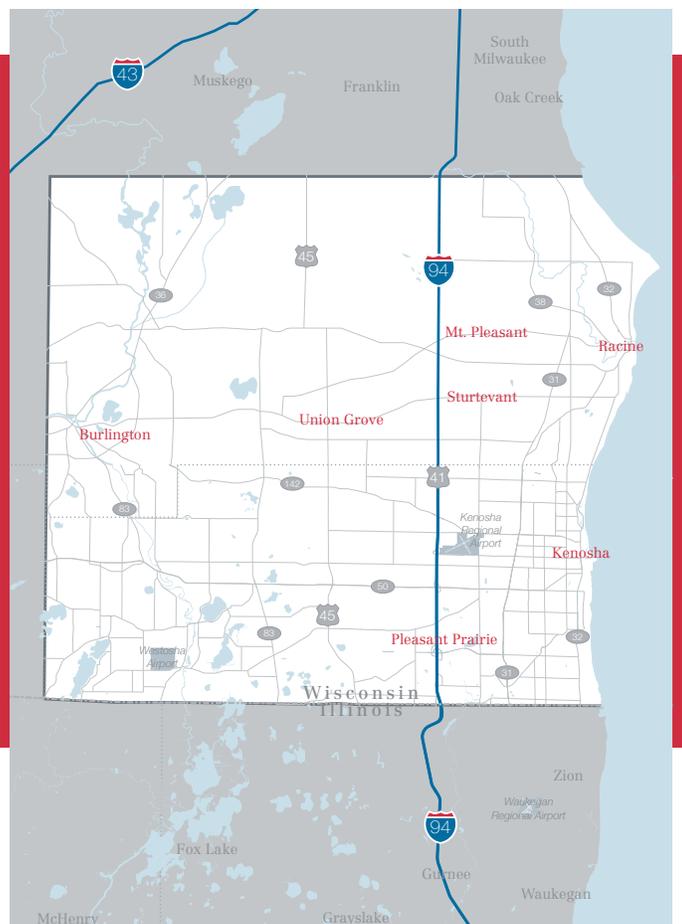
## Notable Ongoing Build-to-Suit Construction Projects

4th Quarter 2015

Submarket	Building Address	Size (SF)	User	Developer
Central DuPage	191 E North Ave, Carol Stream	350,000	CoreCentric	DCT Industrial Trust
Central DuPage	250 Madsen Dr, Bloomingdale	89,000	LaVeZZi Precision, Inc	IDI Services Group
Chicago South	3000 S Damen Ave, Chicago	219,858	FedEx	Scannell Properties
DeKalb	Park 88, DeKalb	987,000	3M	Venture One
Fox Valley	Roosevelt Rd, West Chicago	299,520	DS Containers	CenterPoint Properties
I-80/Joliet Corridor	CenterPoint Intermodal Center, Joliet	1,388,690	Undisclosed Food Tenant	CenterPoint Properties
I-80/Joliet Corridor	2550 Logistics Dr, Joliet	1,114,575	Saddle Creek	CenterPoint Properties
I-80/Joliet Corridor	5 Emerald Rd, Joliet	121,000	Cadence Premier Logistics	Cadence Premier Logistics
I-88 Corridor	Butterfield Corporate Park, Aurora	499,154	Fellowes Inc	Duke Realty Corporation
I-88 Corridor	1405 Sequoia Dr, Aurora	275,422	Victory Packaging	Principle Construction Corp
I-88 Corridor	2 Duke Pky, Aurora	242,372	Shorr Packaging	Duke Realty Corporation
I-90 Northwest	Wesemann Dr, West Dundee	133,000	Renishaw Inc	The Opus Group

# Southeast Wisconsin

# INDUSTRIAL BUILDINGS	542
MARKET SIZE (SF)	49,468,425
TOTAL VACANCY	3,235,003 SF (6.54%)
DIRECT VACANCY	3,235,003 SF (6.54%)
SUBLEASE VACANCY	0 SF (0.0%)
AVAILABLE SPACE	4,151,390 SF (8.39%)
Q4 2015 NET ABSORPTION (SF)	-127,037
TOTAL 2015 NET ABSORPTION (SF)	3,655,773
UNDER CONSTRUCTION (SF)	2,717,849
Q4 2015 NEW SUPPLY (SF)	175,000
TOTAL 2015 NEW SUPPLY (SF)	3,500,185



## Vacancy Rate

6.54%

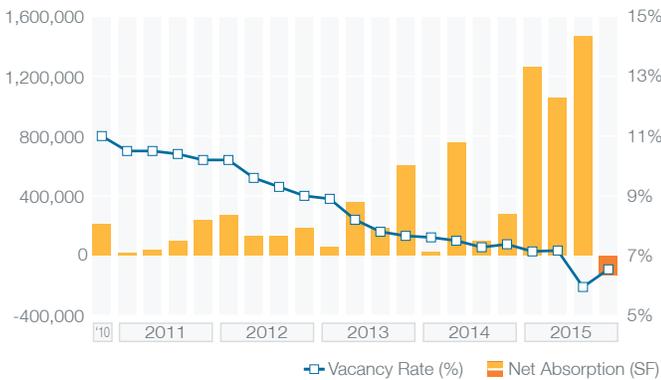
## Net Absorption

-127,037 SF

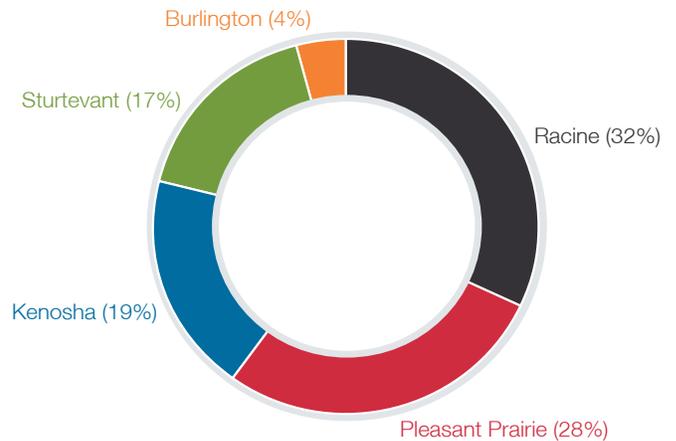
## Market Rents

Demand in Southeast Wisconsin continues to be driven by users in Illinois seeking lower operating costs, economic development incentives and perceived tax advantages with abundant land continuing to be improved for both user and speculative development with direct tollway access. The Lakeview Corporate Park in Pleasant Prairie and the Grandview Business Park in Sturtevant are two of the submarket's premier industrial parks. The area is home to an international roster of companies including Ta Chen, S.C. Johnson, IRIS, Yamaha and Jelly Belly. Other significant users in the area include Jockey International, Uline Inc, Abbott Laboratories, and the new 1.7 million SF build-to-suit campus for Amazon.com. Available raw land, improved infrastructure, and solid market absorption is priming planned developments in Kenosha County. Closely-held local companies are joining regional and national distribution operations like Amazon in servicing Chicagoland from north of the border.

## Vacancy | Absorption



## Inventory by City



This submarket ranks third throughout the Chicago metropolitan area with strong tenant demand measured by an annual net absorption total of 3.6 million SF.

## Quarter in Review

The Southeast Wisconsin submarket vacancy rate increased slightly during the fourth quarter as net absorption totaled negative 127,000 SF. The fourth quarter results represent an anomaly as the previous three quarters posted record absorption totals, bringing the annual 2015 absorption total to 3.6 million SF. This submarket ranks third among the Chicago metropolitan area submarket's annual absorption figure. The vacancy rate rose to 6.54%, yet still measures below the overall Chicago metropolitan area rate of 7.24%.

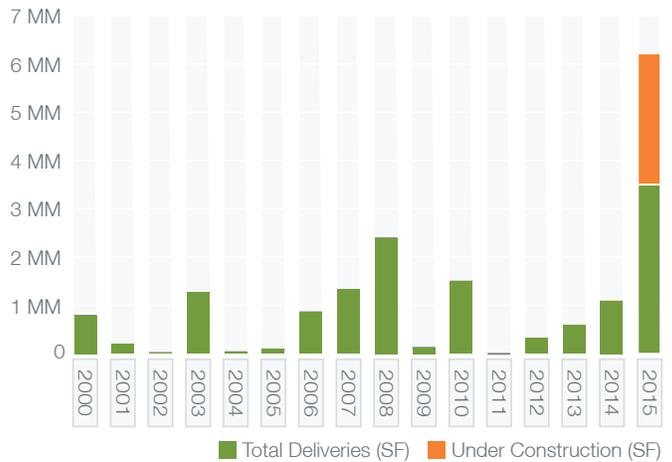
One speculative project in Kenosha was completed during the fourth quarter, adding 175,000 SF to the industrial inventory. This delivery increased the annual construction total to 3.5 million SF. Construction is underway on 7 projects totaling 2.7 million SF. Approximately half of the new construction activity is built on a speculative basis, with buildings ranging in size from 155,000 SF to 600,000 SF. The largest speculative project is First Industrial's 600,000 SF speculative warehouse/distribution facility at First Park 94 in Somers. The largest build-to-suit project underway is for ULINE, totaling 1.1 million SF.

While sale and leasing activity was quiet during the fourth quarter, two notable transactions occurred in Sturtevant. SC Johnson Wax, the manufacturer of household and consumer products, renewed a 432,000 SF lease on behalf its third party logistics provider Exel Logistics. Carpetland USA acquired a 33,000 SF industrial building for \$21 PSF.

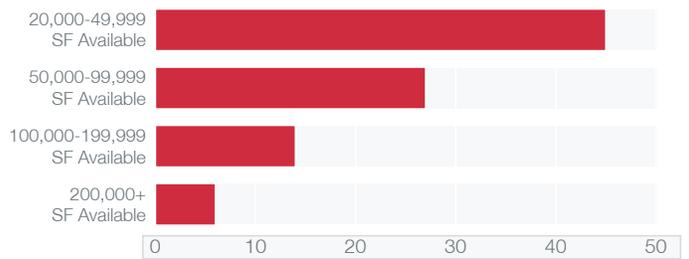
## Looking Forward

Strong tenant demand characterized market activity through the majority of 2015. With a declining number of large blocks of available space, it is anticipated new speculative projects currently underway will be an attractive opportunity for tenants in the market in 2016 with significant space requirements.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
8448 38th St <sup>1</sup>	Somers	600,539
10601 Enterprise Dr	Sturtevant	375,908
9201 Wilmot Rd	Pleasant Prairie	363,468
3030 S Sylvania Ave	Sturtevant	334,048
8505 100th St	Pleasant Prairie	256,240
1220 Mound Ave	Racine	200,000
9949 58th Pl	Kenosha	173,165

<sup>1</sup>under construction

## Significant Southeast Wisconsin Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
9320 Michigan Ave, Sturtevant	32,980	\$685,060	\$21	Carpetland USA	A.R.T. Studio Clay Company

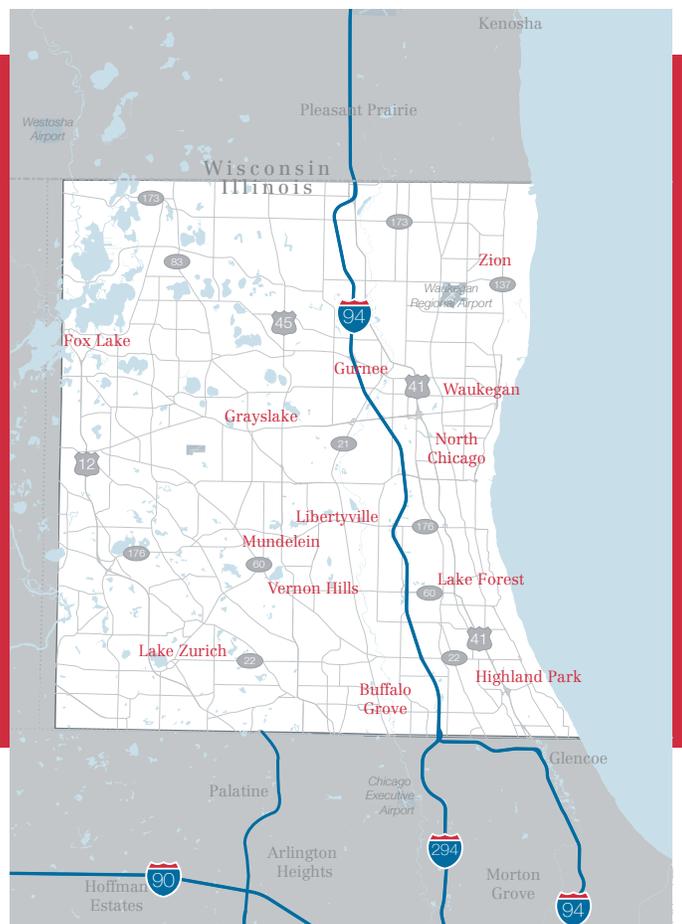
## Significant Southeast Wisconsin Lease Transactions

4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
2617 West Rd, Sturtevant	432,000	SC Johnson Wax	Lease renewal

# Lake County

# INDUSTRIAL BUILDINGS	933
MARKET SIZE (SF)	67,956,368
TOTAL VACANCY	4,939,565 SF (7.27%)
DIRECT VACANCY	4,925,585 SF (7.25%)
SUBLEASE VACANCY	13,980 SF (0.02%)
AVAILABLE SPACE	8,013,153 SF (11.79%)
Q4 2015 NET ABSORPTION (SF)	-219,203
TOTAL 2015 NET ABSORPTION (SF)	120,016
UNDER CONSTRUCTION (SF)	626,848
Q4 2015 NEW SUPPLY (SF)	0
TOTAL 2015 NEW SUPPLY (SF)	860,488



## Vacancy Rate

7.27%

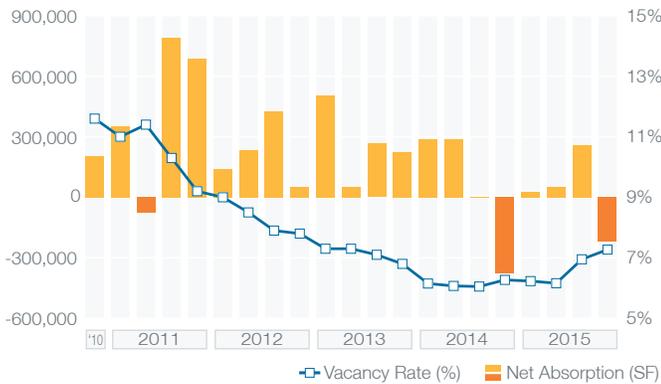
## Net Absorption

-219,203 SF

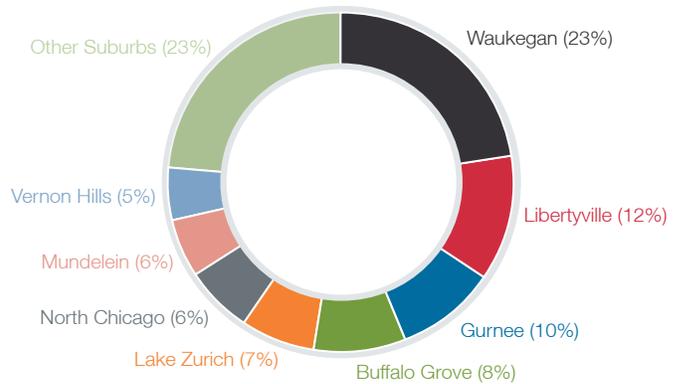
## Market Rents

The Lake County industrial submarket is notable for its roster of corporate headquarters and heavy concentration of owner-occupied real estate, all located within close proximity to the I-94 Tri-State Tollway. Entrepreneurial owners and corporate managers residing along the lakefront and northwest Lake County make this area attractive for investment. Large corporations including Abbott Laboratories, Baxter, Caremark, Takeda, Walgreens and Abbvie join privately-held companies such as CDW and Medline to form a vibrant base of employment. Historically, Lake County's relatively low property tax rates have attracted companies from Cook County, although infrastructure demands have begun to slightly even the playing field on commercial property taxation. The effect on Lake County rental rates stems in part from increased pressure from speculative development and new business park development in Southeast Wisconsin.

## Vacancy | Absorption



## Inventory by City



Fourth quarter leasing activity will make a positive contribution to net absorption in 2016.

# Lake County

## Quarter in Review

Limited tenant activity within the Lake County submarket during the fourth quarter resulted in weakened market fundamentals for the quarter however the annual results remain positive. Although fourth quarter absorption totaled negative 219,000 SF, the year-to-date figure was positive at 120,000 SF. The vacancy rate rose to 7.27% during the fourth quarter, yet represents a 100 basis point decrease from the vacancy rate recorded one year ago.

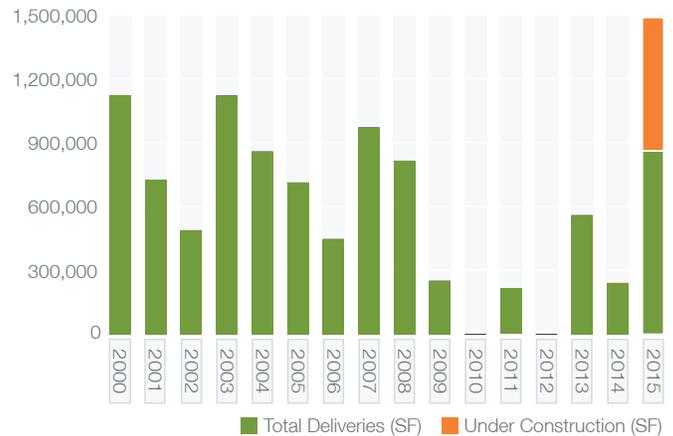
Although no construction projects were completed fourth quarter, three speculative buildings totaling 860,000 SF were added to the Lake County submarket inventory in 2015. To date, the largest project, ACC Logistics Center, has secured lease commitments for 70% of the 454,000 SF project. Construction continues on a large speculative project at Bridge Point North in Waukegan. Bridge Development is constructing a 627,000 SF warehouse/distribution facility with an anticipated delivery date in the first quarter 2016.

Two portfolio sale transactions shifted ownership for industrial buildings in the 60,000 to 100,000 SF size range in this submarket. Three new sizable leases were signed during the quarter for a total commitment over 271,000 SF. The largest lease was Visual Pak, leasing 111,000 SF in Waukegan.

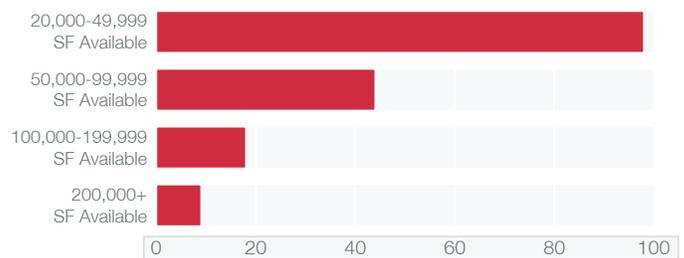
## Looking Forward

Although this submarket ended the year with a flat performance, strong fourth quarter leasing will contribute to positive net absorption into 2016. In addition, market fundamentals will be impacted upon the delivery of Bridge Development's speculative sizable project. If no pre-leasing commitments are secured, the vacancy rate will likely increase in 2016.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
1750 Bridge Dr <sup>1</sup>	Waukegan	626,848
3600 Sunset Ave	Waukegan	379,000
800 S Northpoint Blvd	Waukegan	365,336
1270 S Waukegan Rd	Waukegan	290,000
45-85 Albrecht Dr	Lake Bluff	256,298
3601 N Skokie Hwy	North Chicago	249,661
804 E Park Ave	Libertyville	220,542

<sup>1</sup>under construction

## Significant Lake County Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
610 Schelton Rd, Lincolnshire	98,735	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Industrial Property Trust	LaSalle Investment Management
450 Barclay Blvd, Lincolnshire	78,630	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
570-580 Capital Dr, Lake Zurich	68,650	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
28401 N Ballard Dr, Lake Forest	63,159	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group

## Significant Lake County Lease Transactions

4th Quarter 2015

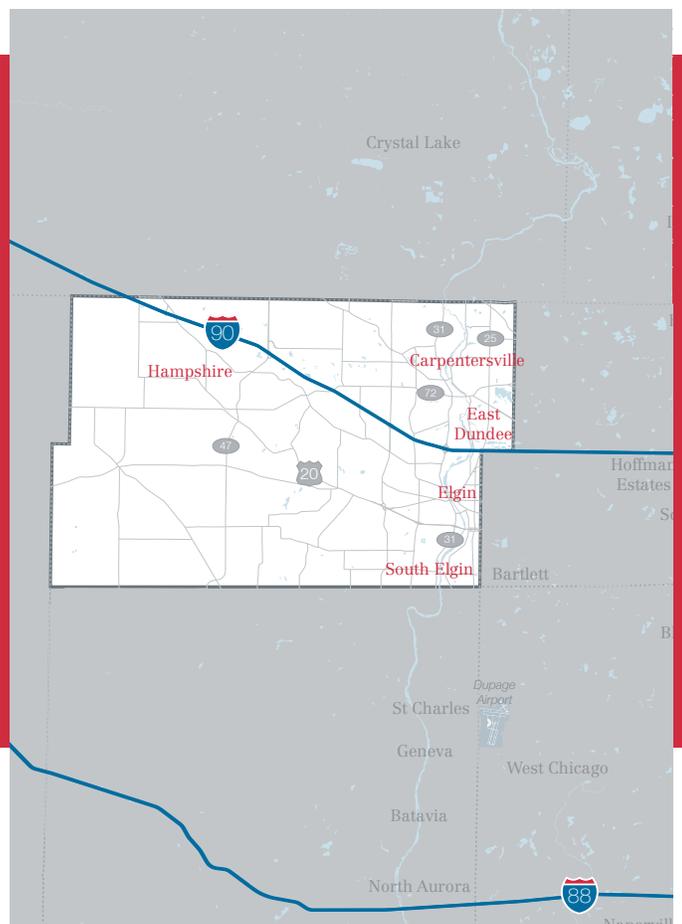
Property Address	Leased (SF)	Tenant	Lease Type
1745-1855 S Waukegan Rd, Waukegan	111,182	Visual Pak	New lease
1243 Gregory Dr, Antioch	108,575	GFX International	New lease
851 E Park Ave, Libertyville	51,624	All American Containers	New lease
3600-3696 Bur Wood Dr, Waukegan	48,372	Stradis Healthcare	Lease extension

<sup>1</sup>Part of 5-building portfolio sale <sup>2</sup>Exeter Property Group sold a 217-property, 57.8 MSF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties.

Entries highlighted in red denote NAI Hiffman transactions

# I-90 Northwest

# INDUSTRIAL BUILDINGS	443
MARKET SIZE (SF)	28,227,032
TOTAL VACANCY	2,130,514 SF (7.55%)
DIRECT VACANCY	2,081,914 SF (7.38%)
SUBLEASE VACANCY	48,600 SF (0.17%)
AVAILABLE SPACE	3,241,103 SF (11.48%)
Q4 2015 NET ABSORPTION (SF)	305,769
TOTAL 2015 NET ABSORPTION (SF)	1,397,735
UNDER CONSTRUCTION (SF)	551,368
Q4 2015 NEW SUPPLY (SF)	0
TOTAL 2015 NEW SUPPLY (SF)	1,078,120



## Vacancy Rate

7.55%

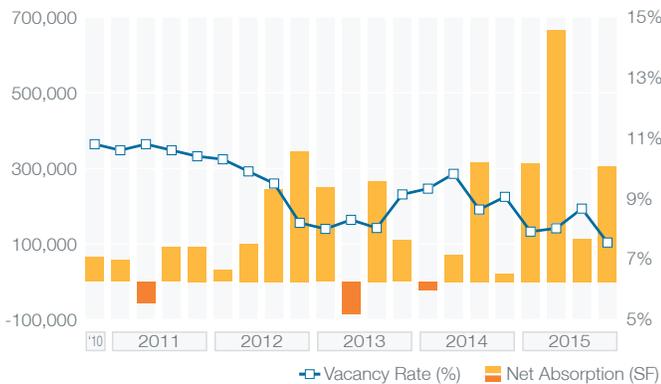
## Net Absorption

305,769 SF

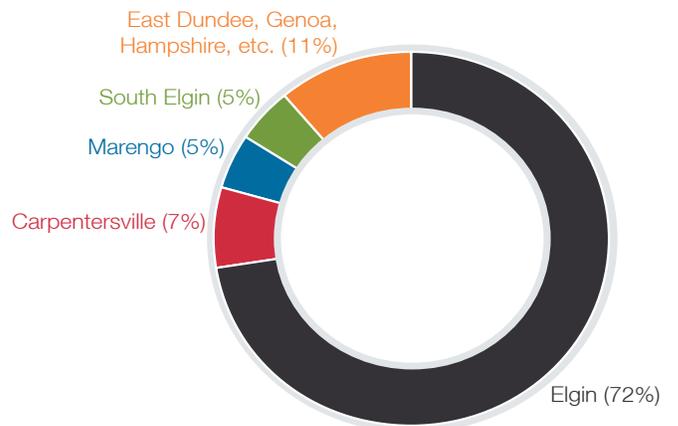
## Market Rents

The I-90 Northwest industrial submarket is attractive to companies looking for excellent interstate access, relatively low taxes, potential incentives and a strong labor pool. Most of the industrial inventory base in the submarket is located within minutes of one of several four-way intersections with I-90. The opening of the full four-way interchange at I-90 and Route 47 has become a catalyst for additional growth and expansion farther west. This access serves to make the I-90 Northwest submarket a good distribution point for companies that are serving the I-90/upper-midwest supply chain. The availability of developed land and continued easy access in to the Chicago market have always been a key asset of the area. Additionally, the Elgin area provides an abundant, educated labor pool. Population along and near the Fox River has increased dramatically over the past decade. More than 73% of the total submarket inventory is located in Elgin.

## Vacancy | Absorption



## Inventory by City



Annual market performance in this submarket was strong, impacted by notable tenant demand during the first half of 2015.

# I-90 Northwest

## Quarter in Review

The I-90 Northwest submarket posted positive net absorption of 306,000 SF, increasing the annual absorption figure to 1.4 million SF, doubling the previous annual absorption high of 722,000 SF recorded in 2012. The vacancy rate dropped to 7.55%, down 150 basis points over the past year.

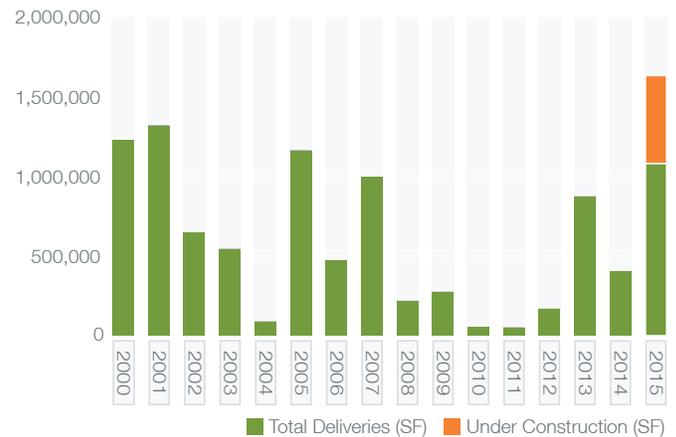
Four projects are under construction and total 551,000 SF. Three speculative projects are underway, totaling 418,000 SF. The buildings range in size from 83,000 SF to 246,000 SF. One build-to-suit project is under construction, a 133,000 SF facility for Renishaw. Two speculative projects are in the planning phase, 385,000 SF and 59,000 SF, both located in Elgin.

Three sizable buildings sold in Elgin during the fourth quarter. Hackman Capital Partners acquired a 115,000 SF building as part of a portfolio sale from First Industrial. The building was 60% occupied at the time of sale. Tenant demand was less active during the fourth quarter compared to the first half of 2015. One notable new lease was signed by Samara Vendrell Products, totaling nearly 13,000 SF, also located in Elgin.

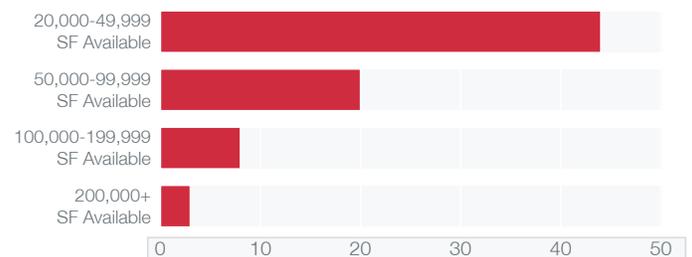
## Looking Forward

Annual market performance in the I-90 Northwest submarket was strong, impacted by notable tenant demand during the first half of 2015. The preleasing status of the speculative construction deliveries in the coming year may dictate the timing of the commencement of planned speculative projects.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
200-290 Burnet Dr	Gilberts	275,265
2500 Northwest Pky	Elgin	250,828
2770 Alft Ct	Elgin	246,446
305-325 Corporate Dr	Elgin	150,550
300 N West St	Marengo	145,135
950 Tollgate Rd	Elgin	132,219
300-330 Corporate Dr	Elgin	102,843

## Significant I-90 Northwest Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
1600 Fleetwood Dr, Elgin	246,052	\$4,090,000	\$17	Midwest Industrial Funds	Lightolier, Inc
2000 Fox Ln, Elgin	138,175	\$7,275,000	\$53	2000 Fox Lane Investors LLC	Todd & Libby Ricke LLC
1111 Davis Rd, Elgin	114,651	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Hackman Capital Partners	First Industrial Realty Trust

## Significant I-90 Northwest Lease Transactions

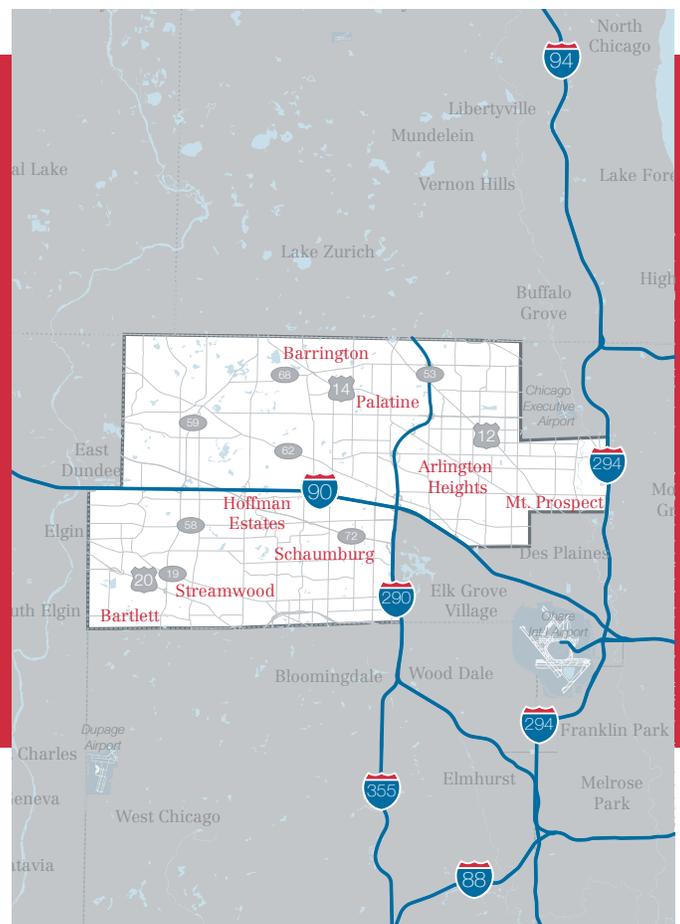
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
1001-1091 Davis Rd, Elgin	13,197	Samara Vendrell Products	New lease

<sup>1</sup>Part of a Chicago area 6-building portfolio sale

# Northwest Cook

# INDUSTRIAL BUILDINGS	525
MARKET SIZE (SF)	29,146,678
TOTAL VACANCY	2,156,064 SF (7.40%)
DIRECT VACANCY	2,149,902 SF (7.38%)
SUBLEASE VACANCY	6,162 SF (0.02%)
AVAILABLE SPACE	2,501,273 SF (8.58%)
Q4 2015 NET ABSORPTION (SF)	-315,275
TOTAL 2015 NET ABSORPTION (SF)	284,564
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	423,672
TOTAL 2015 NEW SUPPLY (SF)	725,672



## Vacancy Rate

7.4%

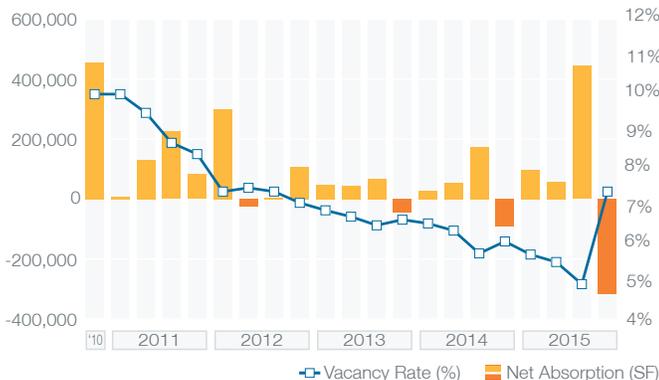
## Net Absorption

-315,275 SF

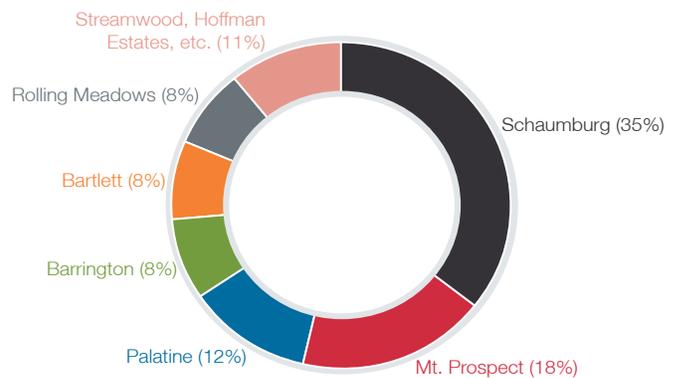
## Market Rents

The Northwest Cook submarket is a desirable business location for entrepreneurial owners and corporate managers who reside in the area's suburban communities. The submarket is conveniently located close to Chicago's O'Hare International Airport and has excellent access to Chicago and the western suburbs using I-90, I-290 and Route 53. The user base generally consists of specialized manufacturing and service companies. Many international companies, particularly Asian and European, have located their North American headquarters here due to the close proximity to the airport. Few modern distribution facilities exist relative to neighboring submarkets. This submarket is dominated by flex, technology and research and development space. Predominantly an infill market there are still a few large land sites and business parks available for new construction. Many users come from the adjacent tight O'Hare submarket looking for newer construction or a location closer to their residences. However, Cook County taxes remain a concern to some users.

## Vacancy | Absorption



## Inventory by City



The redevelopment potential for Motorola Solutions 277-acre campus may further improve the vitality of the area and thus increase tenant activity.

## Quarter in Review

The vacancy rate rose sharply in the Northwest Cook submarket during the fourth quarter, largely due to the delivery of a 424,000 SF vacant speculative building. Despite negative net absorption of 315,000 SF, the annual absorption figure totaled 285,000 SF. The vacancy rate of 7.40% is the same rate recorded third quarter 2012. Despite the quarterly increase, the vacancy rate in the submarket is just slightly above the overall Chicago metropolitan area rate of 7.24%.

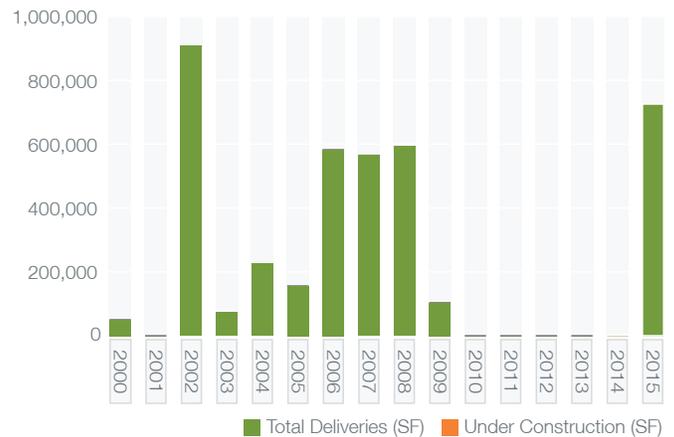
Construction is limited in this in-fill submarket as there are no projects underway or planned to date. Two new construction deliveries added 726,000 SF to the industrial base. As previously mentioned, a 424,000 SF speculative project was completed in Streamwood during the fourth quarter. This is the first sizable speculative project delivered to this submarket over the past 10 years.

AEW Capital Management acquired a 250,000 SF building in Schaumburg through a portfolio sale. The single tenant building is fully leased to 3D Exhibits Inc. Two new notable leases signed include e3 Diagnostics commitment for 31,000 SF in Arlington Heights and Accu-Tech leased 20,000 SF.

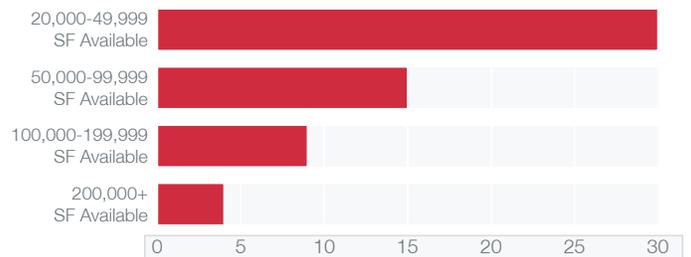
## Looking Forward

Market fundamentals will likely improve as the newly completed speculative project gains occupancy, capturing tenant demand from the neighboring Central DuPage submarket. Motorola announced plans to divide its 277-acre campus into five parcels and sell the unused real estate. The development potential is yet to be determined but any new projects may further improve the vitality of the area, thus increasing tenant activity.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
555 Northwest Ave	Northlake	588,233
400 N Wolf Rd	Northlake	559,103
10 Falcon Ct	Streamwood	423,672
1365-1375 Mitchell Blvd	Schaumburg	304,800
555 Northwest Ave	Northlake	162,000
555 Northwest Ave	Northlake	144,390
1340 Brewster Creek Blvd	Bartlett	120,265

## Significant Northwest Cook Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
798-800 Albion Ave, Schaumburg	250,259	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty

## Significant Northwest Cook Lease Transactions

4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
3311-3333 N Kennicott Ave, Arlington Heights	30,777	e3 Diagnostics	New lease
1660 Wall St, Mount Prospect	20,379	Accu-Tech	New lease

<sup>1</sup>Part of a Chicago area 8-building portfolio sale, totaling 1.9 million SF.

# North Cook

# INDUSTRIAL BUILDINGS	710
MARKET SIZE (SF)	46,211,052
TOTAL VACANCY	2,052,492 SF (4.44%)
DIRECT VACANCY	1,859,792 SF (4.02%)
SUBLEASE VACANCY	192,700 SF (0.42%)
AVAILABLE SPACE	4,134,518 SF (8.95%)
Q4 2015 NET ABSORPTION (SF)	120,753
TOTAL 2015 NET ABSORPTION (SF)	403,211
UNDER CONSTRUCTION (SF)	217,064
Q4 2015 NEW SUPPLY (SF)	0
TOTAL 2015 NEW SUPPLY (SF)	450,000



## Vacancy Rate

4.44%

## Net Absorption

120,753 SF

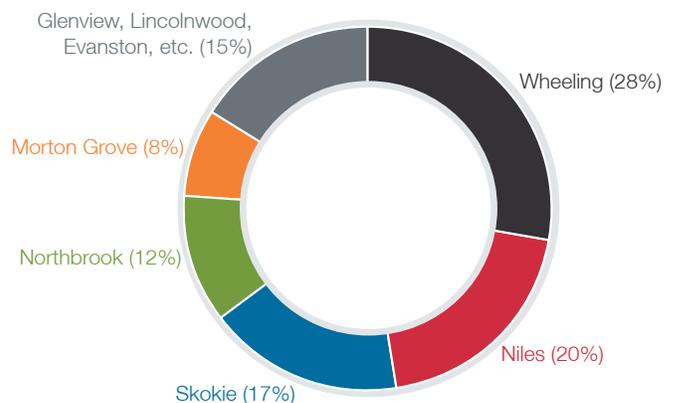
## Market Rents

Desirable for users seeking quick access to Chicago, major area expressways, and the northern suburbs, the North Cook submarket is also attractive to long-term Chicago-based users looking for proximity to the city while escaping congestion. The area has the advantage of an inventory of buildings with better specifications than many of the antiquated buildings found in the city of Chicago. It tends to be a primarily owner/user market, with limited leasing opportunities. The user base generally consists of service providers and light manufacturers willing to pay for location, accessibility to O'Hare, potentially lower transportation costs but primarily access to labor. Although there has been an increased amount of speculative big box construction, the inventory base is mostly comprised of 1960s–1970s-era buildings with lower ceilings and low parking ratios. Higher taxes may be a deterrent for some users, while others are willing to pay the price for the location.

## Vacancy | Absorption



## Inventory by City



As this submarket tightens further, speculative projects are likely to achieve leasing success as new facilities provide modern building features.

# North Cook

## Quarter in Review

Positive net absorption totaled 121,000 SF during the fourth quarter in the North Cook submarket, improving the annual absorption figure to 403,000 SF. The vacancy rate declined to the current rate of 4.4%, matching the all-time low level of 4.4% recorded during the third quarter in 2014.

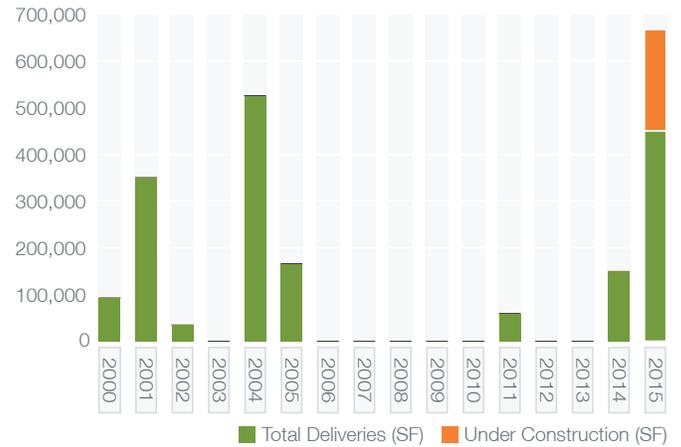
This infill submarket typically will see modest construction activity yet this year, two new projects added 450,000 SF to the industrial base, the highest level of new construction recorded since 2004. Two build-to-suit projects, both located in Niles, were completed this year and include a 350,000 SF facility for FedEx and a 100,000 SF building addition for Woodward, Inc. One speculative project is underway in Niles. The 217,000 SF building secured a 135,000 SF preleasing commitment by Thermal Care, Inc. The project is scheduled to be delivered during the first quarter of 2016.

One noteworthy fourth quarter sale was a 150,000 SF building, built in 2014. The multi-tenanted property is fully leased and sold for \$140 PSF. Several significant lease transactions characterized fourth quarter tenant activity. Prinz USA renewed its 84,000 SF lease in Northbrook and Avery Dennison committed to a new lease for 78,000 SF in Niles.

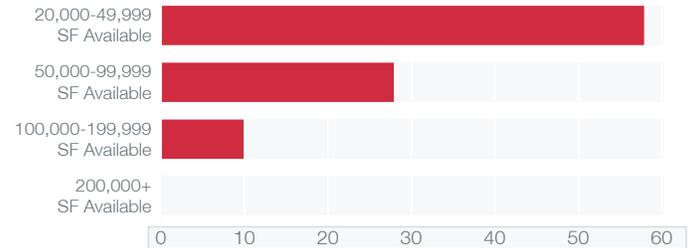
## Looking Forward

As this submarket continues to further tighten, speculative projects are likely to achieve leasing success, demonstrated by the significant preleasing commitment for the speculative project currently underway. Two planned speculative projects, totaling 238,000 SF, are anticipated to get underway in 2016. Consistent leasing and sales activity from users within the submarket will continue to fuel demand.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
7300-7400 Linder Ave	Skokie	192,700
6200 W Howard	Niles	176,949
7555 N Caldwell Ave	Niles	149,196
3500 Oakton St	Skokie	133,199
7720 N Lehigh Ave	Niles	130,000
8051 Central Park Ave	Skokie	118,715
3411 Woodhead Dr	Northbrook	116,800

## Significant North Cook Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
7711 Gross Point Rd, Skokie	150,105	\$21,000,000	\$140	The Ron Kaufman Companies, LLC	Panattoni Development Company
6565 W Howard St, Niles	78,000	\$2,425,000	\$31	The Missner Group	Feld Family Limited Partnership
750 Anthony Trl, Northbrook	63,305	\$4,450,000	\$70	Underwriters Laboratories Inc	Damar Stone

## Significant North Cook Lease Transactions

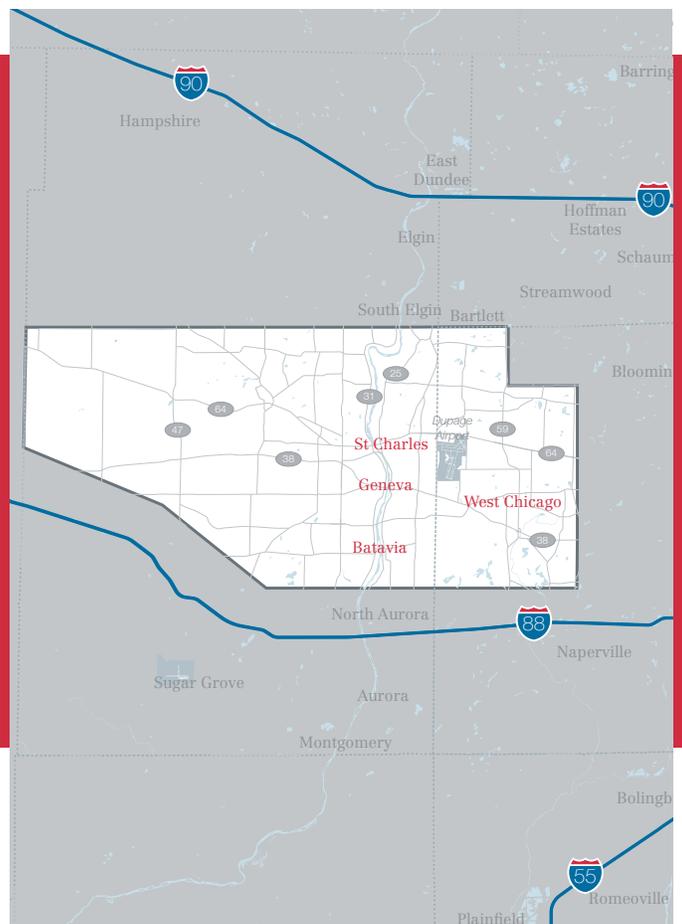
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
515 Huehl Rd, Northbrook	84,087	Prinz USA	Lease renewal
6565 W Howard St, Niles	78,000	Avery Dennison	New lease
7300-7400 Linder Ave, Skokie	60,597	Generation Brands	Sublease/expansion

Entries highlighted in red denote NAI Hiffman transactions

# Fox Valley

# INDUSTRIAL BUILDINGS	496
MARKET SIZE (SF)	32,378,205
TOTAL VACANCY	2,275,893 SF (7.03%)
DIRECT VACANCY	2,231,190 SF (6.89%)
SUBLEASE VACANCY	44,703 SF (0.14%)
AVAILABLE SPACE	1,953,452 SF (6.03%)
Q4 2015 NET ABSORPTION (SF)	-236,240
TOTAL 2015 NET ABSORPTION (SF)	-44,109
UNDER CONSTRUCTION (SF)	299,520
Q4 2015 NEW SUPPLY (SF)	0
TOTAL 2015 NEW SUPPLY (SF)	0



## Vacancy Rate

7.03%

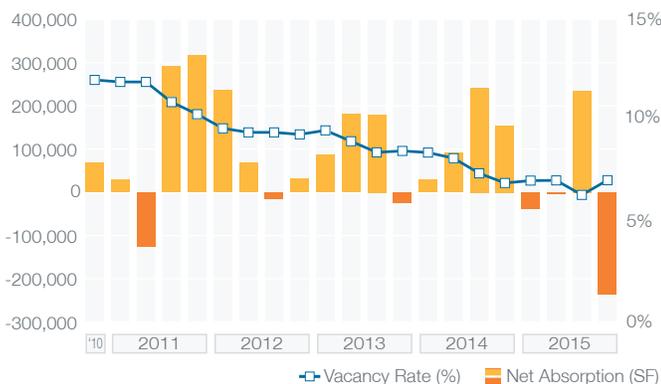
## Net Absorption

-236,240 SF

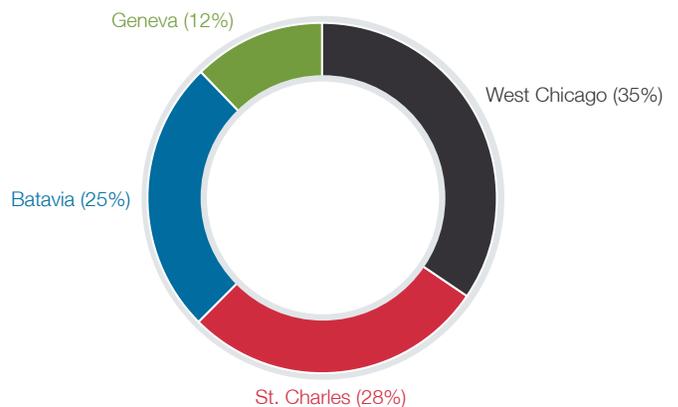
## Market Rents

The Fox Valley submarket lies between the I-90/Northwest submarket to the north and the I-88 Corridor submarket to the south and has non-direct access to major expressways. It is primarily an owner/user market with leasing opportunities in the small to mid-size range. The user base generally consists of manufacturing companies that serve the area within close proximity to users' homes. Much of the inventory is composed of mid-1980s buildings in contrast to the modern "big-box" distribution warehouses of neighboring submarkets. However, there is land available for new state-of-the-art construction. Many users choose to be in the Fox Valley submarket due to the need to remain in the submarket long-term because of the proximity their labor pool and homes, resulting in limited transaction velocity.

## Vacancy | Absorption



## Inventory by City



Sealy Mattress vacated 213,000 SF which slowed momentum during the fourth quarter.

## Quarter in Review

Market momentum weakened during the fourth quarter in the Fox Valley submarket, largely due to the departure of one sizable tenant, Sealy Mattress, who vacated 213,000 SF in Batavia. The impact on fourth quarter net absorption was negative and totaled 236,000 SF. The annual net absorption figure totaled negative 44,000 SF. The vacancy rate rose 73 basis points from the previous quarter, up to the current rate of 7.03%.

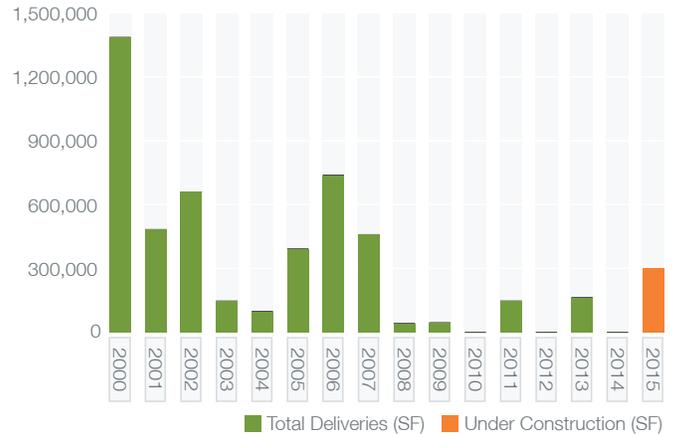
Construction has been limited over the past eight years as the majority of new construction activity is located just south of this submarket, along the I-88 Corridor. One sizable build-to-suit project is underway in this submarket for a 301,000-SF distribution center for DS Containers at DuPage Business Center in West Chicago. This marks the first significant construction project within this submarket since the recession. There are multiple sites within the submarket with proposed projects marketed. These sites can accommodate buildings ranging in size from 25,000 SF to 400,000 SF.

Notable fourth quarter market activity within the Fox Valley submarket was limited to sale transactions as there were no significant lease transactions to report. The largest building sold was part of a portfolio sale, a 251,000 SF building in Batavia. The multi-tenant facility was 100% leased at the time of sale.

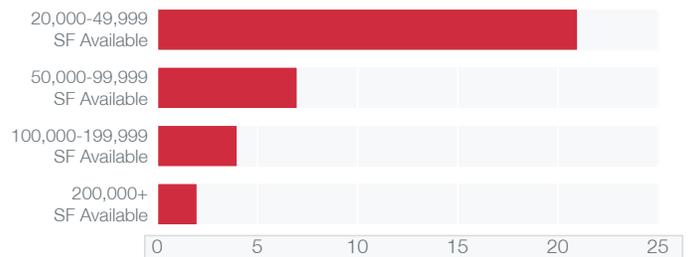
## Looking Forward

Despite the fourth quarter market performance, this submarket has historically maintained stable market fundamentals. As new development opportunities dwindle in the neighboring I-88 Corridor submarket to the south, limited new development opportunities may become more viable in this submarket.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
1717 W Harvester Rd	West Chicago	465,940
1030 Fabyan Pky	Batavia	212,728
1160 Pierson Dr	Batavia	190,861
1070 Swanson Dr	Batavia	107,800
825-845 W Hawthorne Ln	West Chicago	79,392
3635-3645 Swenson Ave	St Charles	65,047

## Significant Fox Valley Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
1160 Pierson Dr, Batavia	251,465	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
2505 Enterprise Cir, West Chicago	174,352	\$12,550,000	\$72	Simpson Manufacturing Co Inc	CenterPoint Properties
950 N Raddant Rd, Batavia	170,462	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
3820 Ohio Ave, St Charles	50,000	\$3,375,000	\$68	West Wind Properties LLC	Ohio Partners LLC

## Significant Fox Valley Lease Transactions

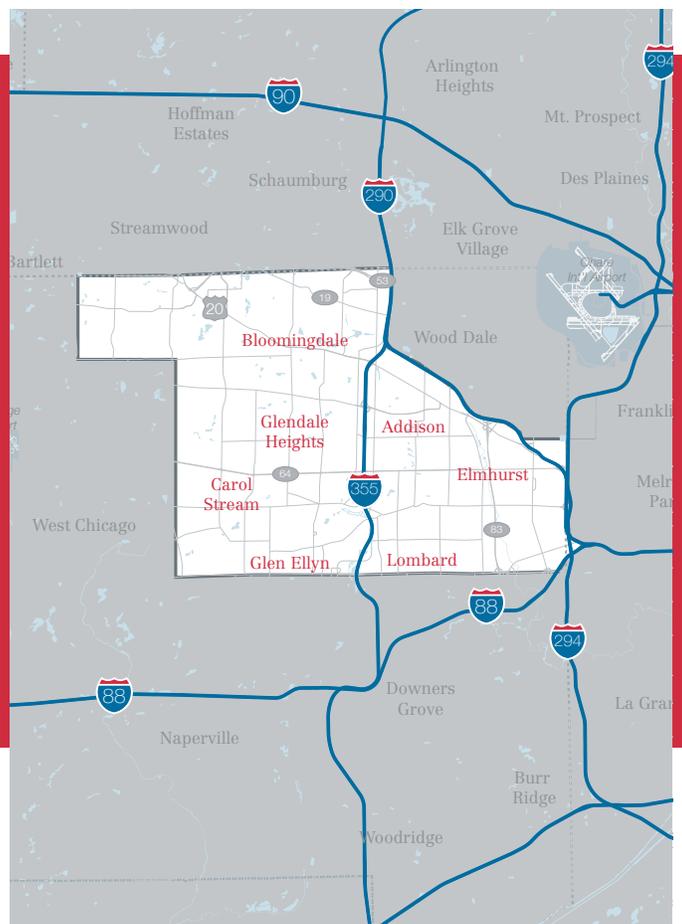
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
None to report			

<sup>1</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties.

# Central DuPage

# INDUSTRIAL BUILDINGS	1,098
MARKET SIZE (SF)	67,684,409
TOTAL VACANCY	2,600,099 SF (3.86%)
DIRECT VACANCY	2,489,331 SF (3.69%)
SUBLEASE VACANCY	110,768 SF (0.17%)
AVAILABLE SPACE	5,903,911 SF (8.76%)
Q4 2015 NET ABSORPTION (SF)	343,968
TOTAL 2015 NET ABSORPTION (SF)	858,671
UNDER CONSTRUCTION (SF)	689,872
Q4 2015 NEW SUPPLY (SF)	290,826
TOTAL 2015 NEW SUPPLY (SF)	290,826



## Vacancy Rate

3.86%

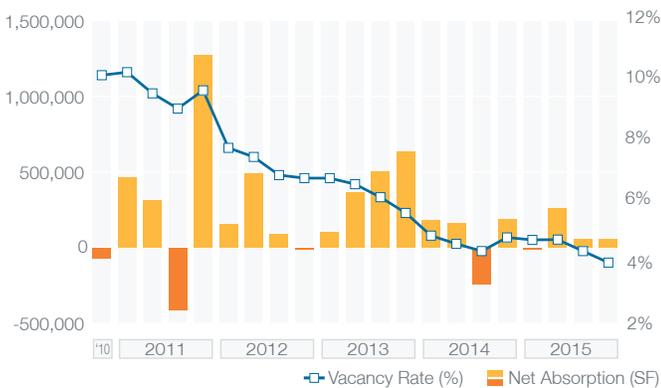
## Net Absorption

343,968 SF

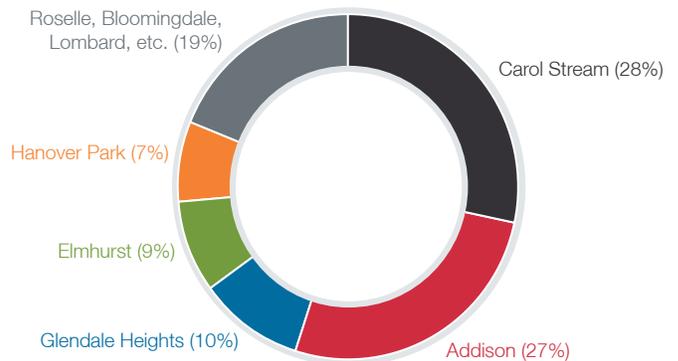
## Market Rents

The mature Central DuPage Submarket has long been favored by users and both private and public investors for its relatively low property taxes, well-educated workforce and access to Metropolitan Chicago's arterial roads and interstate system. Users in the Central DuPage submarket vary by type and are not limited to primarily distribution like other nearby submarkets. This diversified economy has grown over the past few decades and as a result there are very few land sites remain available for infill development. The I-390 expansion project (formerly called Elgin O'Hare Expressway), currently underway, will increase access to the Central DuPage Submarket and bring about the redevelopment of functionally obsolete buildings. For all of these reasons, the area is favored by institutional ownership.

## Vacancy | Absorption



## Inventory by City



The newly delivered speculative projects, 100% preleased, demonstrates tenant demand for state-of-art, highly functional space.

## Quarter in Review

The Central DuPage submarket tightened further during the fourth quarter to 3.86% vacant and represents the lowest vacancy rate throughout the Chicago metropolitan industrial market. Positive net absorption totaled 344,000 SF during the quarter, driving the annual absorption total to 859,000 SF.

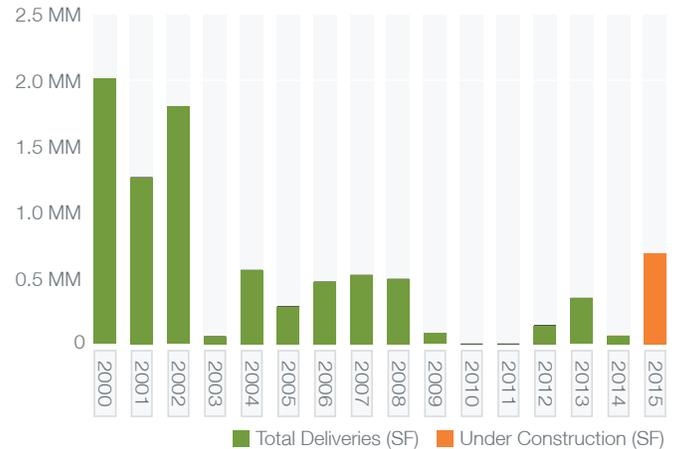
Two speculative projects delivered fourth quarter are fully occupied which greatly contributed to strong fourth quarter absorption. The larger building, 154,000 SF, was leased by Affordable Office Interiors. Four projects are under construction, totaling 690,000 SF. The largest building underway is a 350,000-SF build-to-suit project for CoreCentric Solutions in Carol Stream.

Sale activity was robust during the quarter. Hillwood Investment Properties' acquired a 321,000 SF building in Hanover Park, fully leased to Fujifilm USA. Significant fourth quarter leasing activity included new lease transactions as well as one sizable lease renewal. The two largest lease transactions occurred in Roselle where Kellstrom Commercial Aerospace, Inc signed a 160,000 SF renewal and Aquion leased 91,000 SF in the newly completed speculative project.

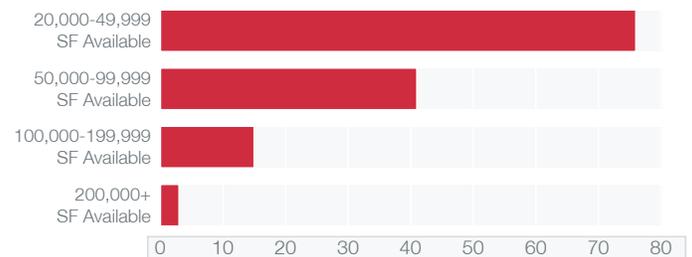
## Looking Forward

The newly delivered speculative projects, 100% preleased, demonstrates tenant demand for state-of-the-art, highly functional space. This success should bode well for speculative projects currently underway and planned in this tight submarket. In addition, a recently completed speculative project totaling 424,000 SF in neighboring Streamwood may attract tenant demand due to its close proximity to this submarket.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
6525 Muirfield Dr	Hanover Park	356,299
601 Regency Dr <sup>1</sup>	Glendale Heights	186,680
180 Exchange Blvd	Glendale Heights	177,615
135-195 E Elk Trl	Carol Stream	167,089

<sup>1</sup>under construction

## Significant Central DuPage Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
850 Central Ave, Hanover Park	321,378	Undisclosed	Undisclosed	Hillwood Investment Properties	TA Realty
1620 Central Ave, Roselle	205,259	\$13,350,000	\$65	NOW Foods	Kiam Ventures
180 Exchange Blvd, Glendale Heights	177,615	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
1100 N Swift Rd, Addison	127,539	\$10,450,000	\$82	Lincoln Property Company	Ray Emerick Distribution Systems

## Significant Central DuPage Lease Transactions

4th Quarter 2015

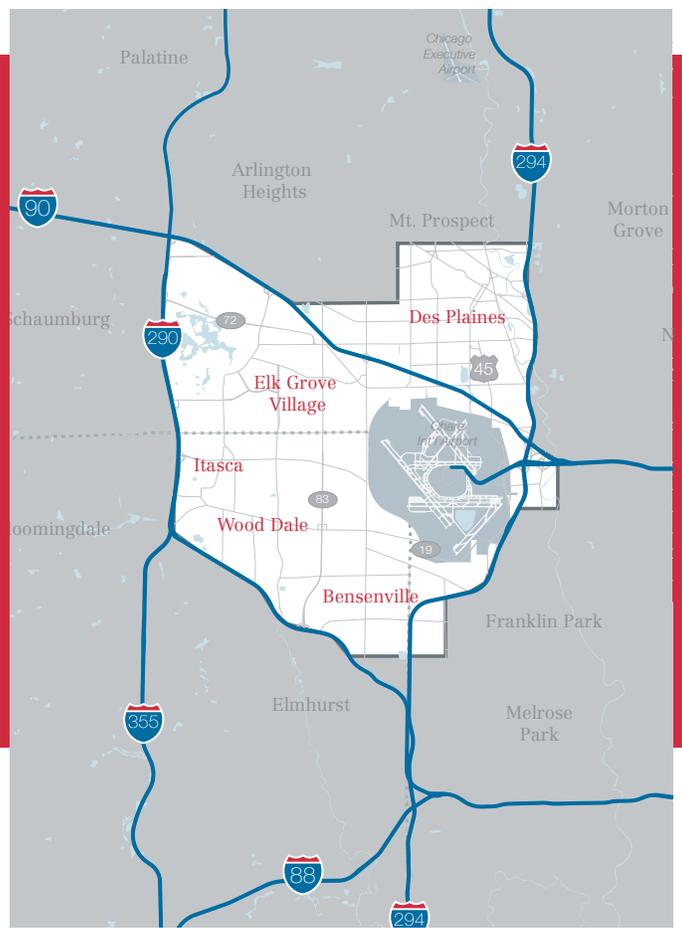
Property Address	Leased (SF)	Tenant	Lease Type
450 Medinah Rd, Roselle	160,000	Kellstrom Commercial Aerospace, Inc	Lease renewal
101 S Gary Ave, Roselle	91,049	Aquion	New lease
400 W Grand Ave, Elmhurst	58,076	The Boyde Group	New lease
450 S Lombard Rd, Addison	34,851	TST/Impreso, Inc	New lease

<sup>2</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties.

Entries highlighted in red denote NAI Hiffman transactions

# O'Hare

# INDUSTRIAL BUILDINGS	1,727
MARKET SIZE (SF)	101,921,562
TOTAL VACANCY	5,432,155 SF (5.33%)
DIRECT VACANCY	5,025,500 SF (4.93%)
SUBLEASE VACANCY	406,655 SF (0.40%)
AVAILABLE SPACE	9,168,364 SF (9.00%)
Q4 2015 NET ABSORPTION (SF)	310,234
TOTAL 2015 NET ABSORPTION (SF)	1,759,850
UNDER CONSTRUCTION (SF)	112,862
Q4 2015 NEW SUPPLY (SF)	184,000
TOTAL 2015 NEW SUPPLY (SF)	1,170,781



## Vacancy Rate

5.33%

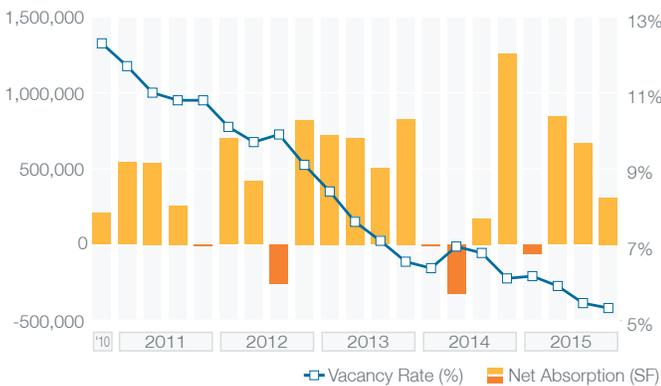
## Net Absorption

310,234 SF

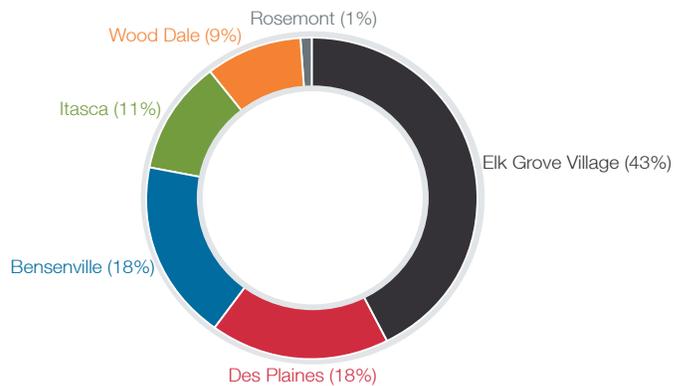
## Market Rents

The O'Hare submarket is unique due to its close proximity to O'Hare International Airport and its central location at the crossroads of Chicago's expressway system. The O'Hare submarket holds the most industrial inventory of all of the Chicagoland submarkets. Elk Grove Village alone is the nation's largest industrial park, including more than 40 million SF of industrial and flex space. With construction activity picking up again in the O'Hare submarket, new, state-of-the-art facilities are being built as older, obsolete structures are being torn down. The demand for state-of-the-art facilities is driven by the massive modernization program that serves to increase airport capacity by 60% and decrease delays by 70%. This program is slated for completion in 2020 at a cost of \$15 billion. Currently O'Hare International Airport is ranked 6th in the country and 17th in the world with respect to total tonnage of air cargo which passes through each year. The city is forecasting that the airport modernization will boost Chicago's ranking with respect to air cargo tonnage. Developers are aggressively seeking large land sites in advance for this increase in cargo capacity.

## Vacancy | Absorption



## Inventory by City



This submarket's consistent positive net absorption and low vacancy rate will continue to push pricing upward for leasing and sale transactions.

## Quarter in Review

Positive net absorption totaled 310,000 SF during the fourth quarter, increasing the annual absorption total to nearly 1.8 million SF. The vacancy rate decreased to 5.33% and represents a 78 basis point drop from the vacancy rate of 6.11% recorded one year ago.

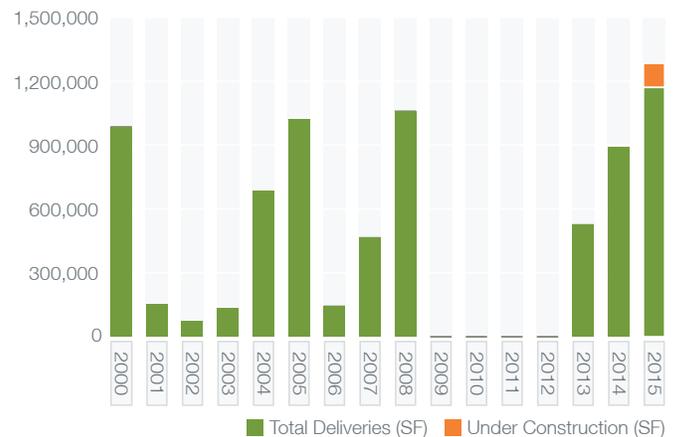
One new speculative building was completed during the fourth quarter, adding 184,000 SF to the industrial base. The building was delivered with a preleasing commitment by Geib Industries for approximately 50,000 SF. One building is under construction, a 112,000-SF building in Elk Grove Village. The speculative project secured a preleasing commitment during the fourth quarter by McNichols Company. The metal fabricator will occupy the entire building upon completion, anticipated second quarter of 2016.

The largest new lease signed fourth quarter was by CH Robinson for 236,000 SF. The third-party logistics firm took occupancy of 75,000 SF during the fourth quarter and will expand into the balance of the building mid 2016. Several portfolio sale transactions were recorded during the quarter and included two buildings within this submarket. The largest sale was Hackman Capital Partners acquisition of a 252,000 SF building in Bensenville.

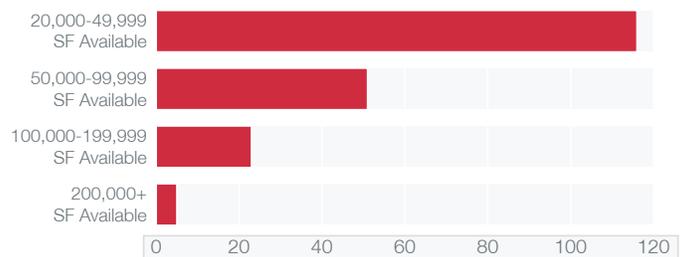
## Looking Forward

This submarket's consistent positive net absorption and low vacancy rate will continue to push pricing upward, for leasing and sales. Strong market fundamentals will continue to fuel limited redevelopment opportunities, underscored by the recent leasing success with CH Robinson and McNichols Company.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
851-875 E Devon Ave	Elk Grove Village	268,645
855 N Wood Dale Rd	Wood Dale	231,679
777 Mark St	Wood Dale	227,800
591 Supreme	Bensenville	201,395
2800-2900 Lively Blvd	Elk Grove Village	164,225
610 N York Rd	Bensenville	154,758

## Significant O'Hare Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
1010-1050 Sesame St, Bensenville	252,000	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Hackman Capital Partners	First Industrial Realty Trust
1600 Busse Rd, Elk Grove Village	125,000	\$5,250,000	\$42	Carretera Construction	CenterPoint Properties
1376 Industrial Dr, Itasca	85,556	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
1590 Touhy Ave, Elk Grove Village	67,811	\$2,250,000	\$33	Anderson Lock Company	Bigston Corporation

## Significant O'Hare Lease Transactions

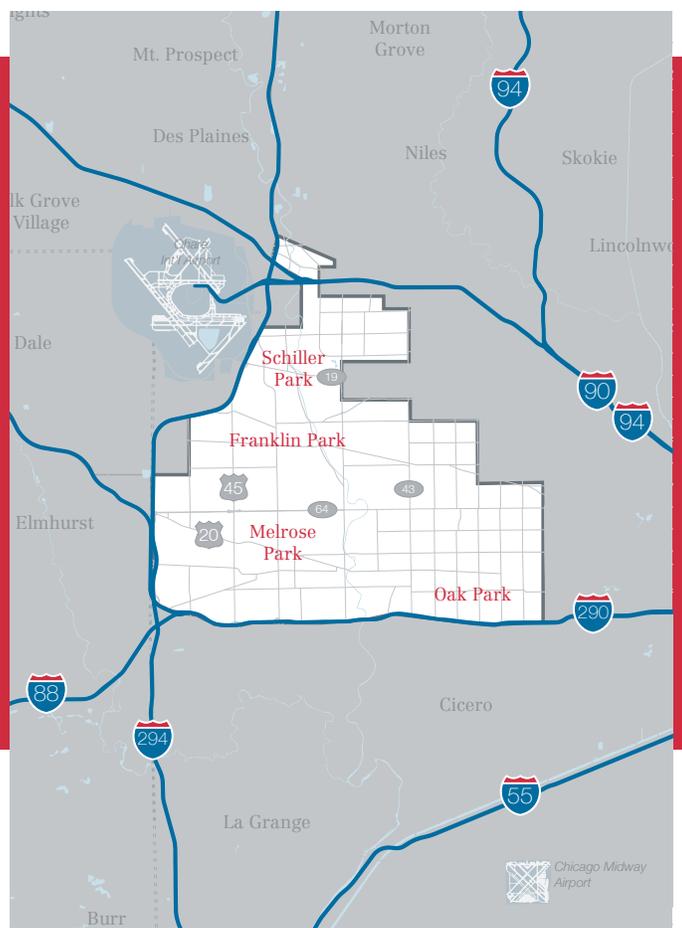
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
333 Howard Ave, Des Plaines	235,781	C.H. Robinson	New lease
1100 Kirk St, Elk Grove Village	126,722	Batavia Container	Sublease renewal
1601 Pratt Blvd, Elk Grove Village	115,040	Daltile	Lease renewal
2200-2220 Arthur Ave, Elk Grove Village	112,862	McNichols Company	New lease
2200 S Mount Prospect Rd, Des Plaines	73,286	Cycle Logistics	New lease

<sup>1</sup>Part of a Chicago area 6-building portfolio sale <sup>2</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties. Entries highlighted in red denote NAI Hiffman transactions

# West Cook

# INDUSTRIAL BUILDINGS	729
MARKET SIZE (SF)	59,489,616
TOTAL VACANCY	3,775,845 SF (6.35%)
DIRECT VACANCY	3,767,845 SF (6.34%)
SUBLEASE VACANCY	8,000 SF (0.1%)
AVAILABLE SPACE	7,508,701 SF (12.62%)
Q4 2015 NET ABSORPTION (SF)	-89,342
TOTAL 2015 NET ABSORPTION (SF)	390,722
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	588,233
TOTAL 2015 NEW SUPPLY (SF)	588,233



## Vacancy Rate

6.35%

## Net Absorption

-89,342 SF

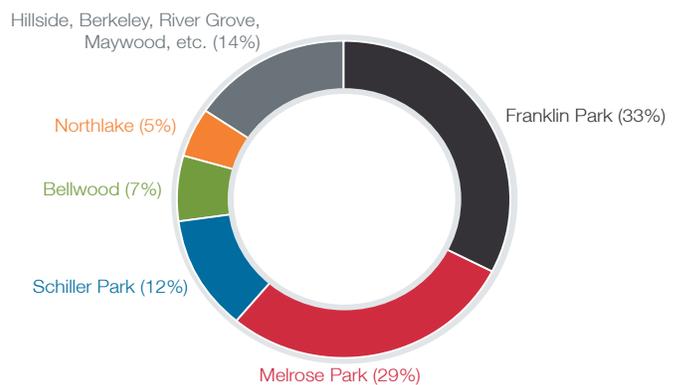
## Market Rents

The West Cook submarket draws companies from the City of Chicago looking for a more functional building and additional amenities compared to the aging, often obsolete inventory of properties in Chicago. Additionally, companies migrate to the area from the nearby O'Hare submarket where interstate and airport access is similar, but rental rates tend to be higher. The West Cook submarket benefits from good access to the City of Chicago, close proximity to area interstates and rail providers and relatively low rental rates. It is primarily an owner/user market, but leasing opportunities have increased as institutional and private owners have entered the submarket.

## Vacancy | Absorption



## Inventory by City



Panattoni acquired a 522,000 SF building on a 28-acre site and plans to raze the existing building and construct a 491,000 SF facility in 2016.

## Quarter in Review

The West Cook submarket market lost ground in the fourth quarter, largely due to the delivery of a 588,000 SF speculative facility that was 100% vacant. Despite the lackluster quarterly results, annual net absorption totaled 391,000 SF. Although the vacancy rate rose to 6.35%, the current rate is a 65 basis point improvement to the vacancy rate recorded one year ago.

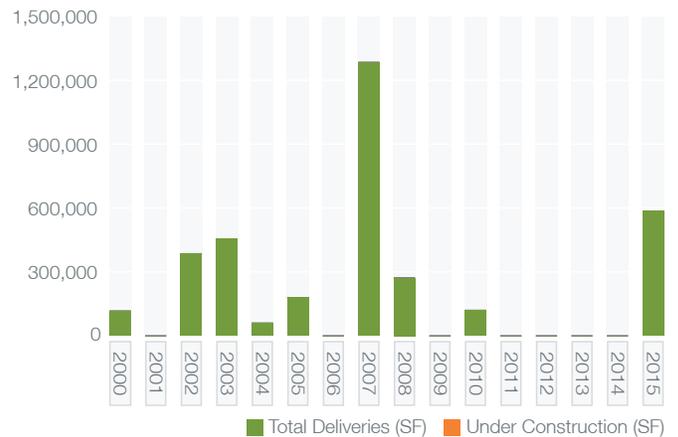
One large construction project, a 588,000 SF speculative building, was completed in Northlake, a redevelopment on the site of the former Dominick's distribution center. While no projects are underway, Pritzker Realty Group is scheduled to begin construction on a 194,000 SF speculative building in the Franklin Park Rail Center. During the fourth quarter, Panattoni Development Company acquired A.M. Castle & Co's 523,000 SF building in Franklin Park. The developer plans to raze the building and construct a 491,000 SF building on the 28-acre site.

AEW Capital Management acquired three industrial buildings, totaling 1.5 million SF in the West Cook submarket through a portfolio sale. Two sizable lease renewals were executed by companies located in Melrose Park, including Dynamic Manufacturing Inc - 94,000 SF and Spirit Delivery & Distribution - 73,000 SF. One noteworthy new lease signed during the quarter was Tax Air Freight, committing to 55,000 SF in Franklin Park.

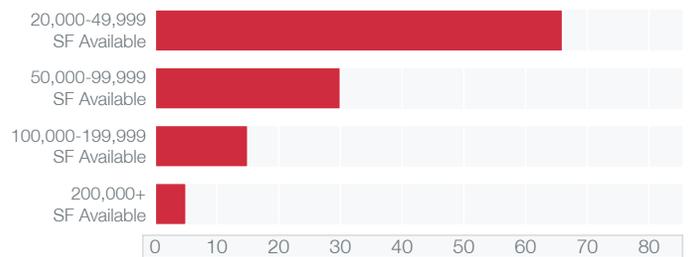
## Looking Forward

The submarket has greatly benefited from its central location, as noted by consistent annual absorption during the real estate recovery, despite its aging inventory. New speculative construction projects are well-positioned to meet market demand.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
555 Northwest Ave	Northlake	588,233
2721-2727 Edgington St	Franklin Park	487,700
10601 Seymour Ave	Franklin Park	458,884
2233 West St	River Grove	408,688
2701 Washington Blvd	Bellwood	300,000
9441 Fullerton Ave	Franklin Park	274,675
9234 Belmont Ave	Franklin Park	179,164

## Significant West Cook Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
4700 Proviso Ave, Melrose Park	619,039	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty
3400 Wolf Rd, Franklin Park	522,584	\$20,100,000	\$38	Panattoni Development Company	A.M. Castle & Co
5000 Proviso Dr, Berkeley	509,640	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty
3501 Mount Prospect Rd, Franklin Park	362,600	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	AEW Capital Management	TA Realty

## Significant West Cook Lease Transactions

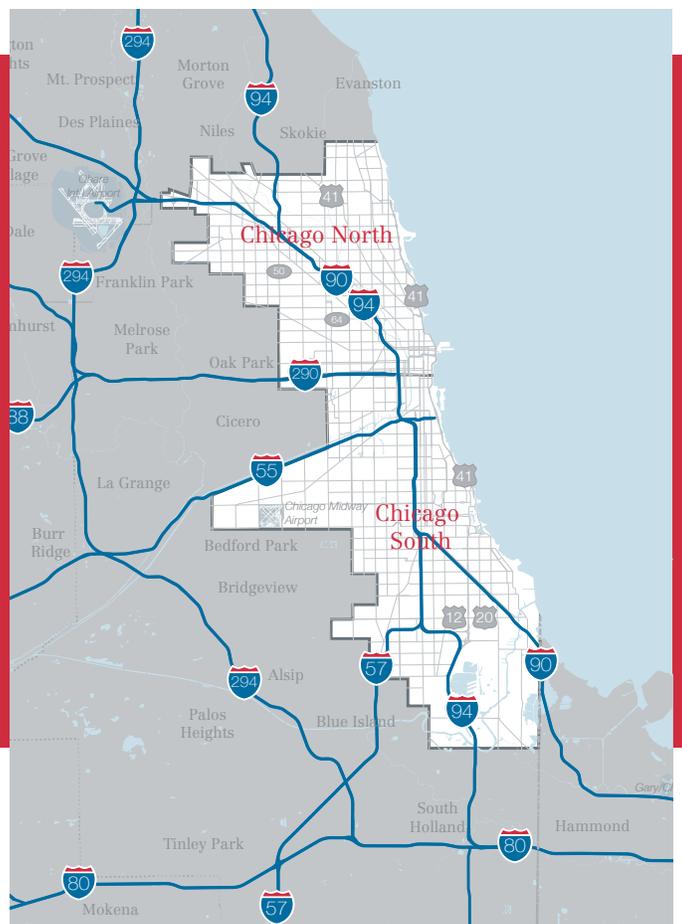
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
2800 W Lake St, Melrose Park	93,804	Dynamic Manufacturing, Inc	Lease renewal
2680-2690 W Lake St, Melrose Park	72,777	Spirit Delivery & Distribution	Lease renewal
10700 W Waveland Ave, Franklin Park	55,011	Tax Air Freight	New lease

<sup>1</sup>Part of a Chicago area 8-building portfolio sale, totaling 1.9 million SF.

# Chicago

# INDUSTRIAL BUILDINGS	2,773
MARKET SIZE (SF)	209,643,291
TOTAL VACANCY	15,587,601 SF (7.44%)
DIRECT VACANCY	15,459,010 SF (7.38%)
SUBLEASE VACANCY	128,591 SF (0.06%)
AVAILABLE SPACE	20,776,915 SF (9.91%)
Q4 2015 NET ABSORPTION (SF)	116,578
TOTAL 2015 NET ABSORPTION (SF)	-751,479
UNDER CONSTRUCTION (SF)	219,858
Q4 2015 NEW SUPPLY (SF)	353,680
TOTAL 2015 NEW SUPPLY (SF)	503,680



Vacancy Rate

7.44%

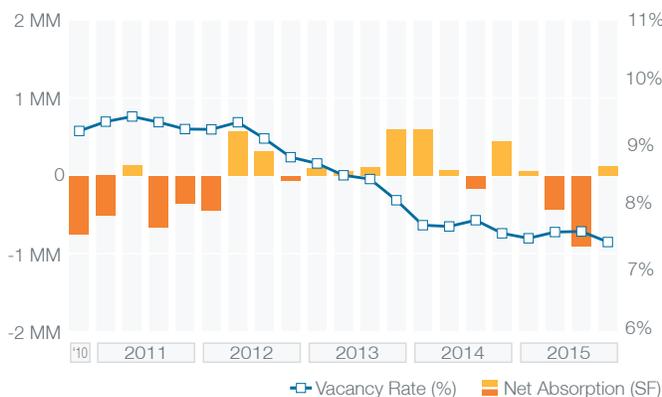
Net Absorption

116,578 SF

Market Rents

Chicago proper is by far the largest submarket in terms of total square feet and number of buildings. While the industrial base is geographically diverse, much of the modern development of late have taken place in neighborhoods close to downtown, such as Pilsen/Bronzeville (Near South), Kinzie Corridor/Avondale (Near North), and Back of the Yards/Crawford (Near Southwest) and Goose Island. There are several planned industrial developments in these neighborhoods; the industrial projects compete with residential and retail more than in any other submarket. In addition, the West Loop/Fulton Market District has seen a lot of interest lately especially for redevelopment projects, easily the hottest market in Chicago regardless of property type. This competition translates into higher land values, which ultimately causes the rental rates and sales prices to be higher. Companies that place a premium on proximity to end-users will pay higher real estate expenses. Many industrial companies operate in less-functional buildings as a trade-off for a readily available labor pool. Since 1987, the City of Chicago

## Vacancy | Absorption



has seen a slowing of the erosion of its industrial base, through the creation of Planned Manufacturing Districts (PMDs). These PMDs make it nearly impossible to change the zoning, which has kept the underlying cost of industrial land low; however some firms have recently challenged these PMDs, and appear they will be successful. This will potentially alter Chicago's industrial landscape in many ways.

Prudential's acquisition of a newly constructed, vacant building underscores a belief there is pent up demand for new product in the city.

# Chicago

## Quarter in Review

The City of Chicago posted positive net absorption of 117,000 SF during the fourth quarter. The vacancy rate decreased 7.44%, down slightly from the third quarter rate of 7.61%.

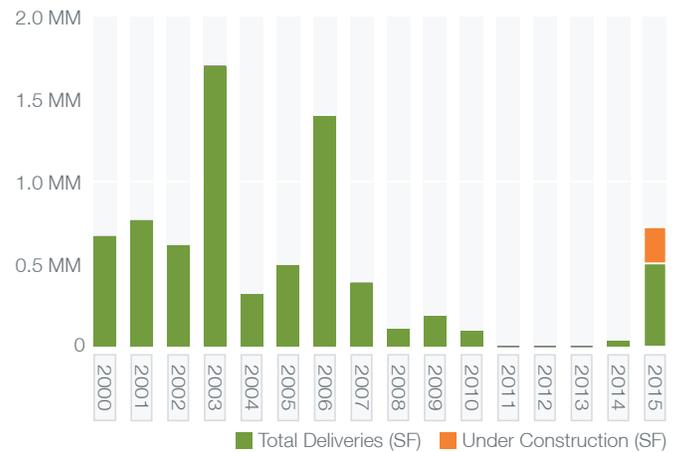
Construction is limited in this long established submarket, however, select new development projects are in various stages of construction in highly desirable locations. Two new construction projects were delivered during the fourth quarter, adding totaling 354,000 SF to the industrial inventory on the near southwest side of the city. The larger project was a 317,000 SF speculative building at 3348 S Pulaski Rd, currently on the market for lease. The smaller construction completion was a build-to-suit project for Amigo Foods.

Two sizable investment sales were completed on the near southwest side along I-55. The largest transaction was Prudential Investment Management's acquisition of the 100% vacant, newly completed speculative project. In addition, Heitman LLC purchased a 278,000 SF, multi-tenanted building that is fully-leased. The seller, a joint venture of Venture One and DRA Advisors LLC, recently signed a lease with Amazon for 150,000 SF. Two notable new lease transactions were signed by Intergrated Power Services and Goose Island Beer Co.

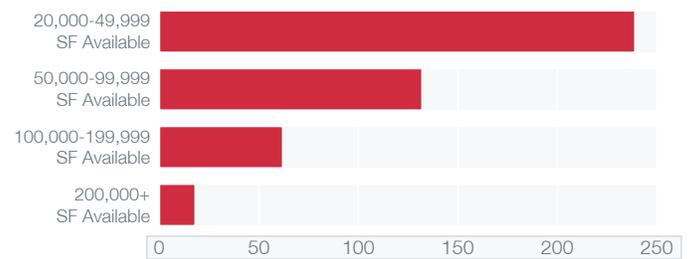
## Looking Forward

Fourth quarter investment sale pricing levels illustrates the desirability of well-located properties in the city of Chicago. Prudential's acquisition of a vacant building underscores investors belief that there is pent up demand for highly functional, last mile new distribution space within the city limits. This market testament will fuel the prospect of new development opportunities on the southwest side.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
2600 W 35th St	Chicago	647,800
2101 W Pershing Rd	Chicago	513,895
3101 S Kedzie Ave	Chicago	501,675
1900 N Austin Ave	Chicago	460,000
4800 W Roosevelt Rd	Chicago	450,000
2540 W Polk St	Chicago	373,420

## Significant Chicago Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
3348 S Pulaski Rd	316,680	\$29,750,000	\$94	Prudential Investment Management	Panattoni Development Company
2801 S Western Ave	277,523	\$30,275,000	\$109	Heitman LLC	Venture One JV DRA Advisors, LLC
1401-1435 W 15th St	131,000	\$3,300,000	\$25	Cedar Street Companies	Incapital LLC

## Significant Chicago Lease Transactions

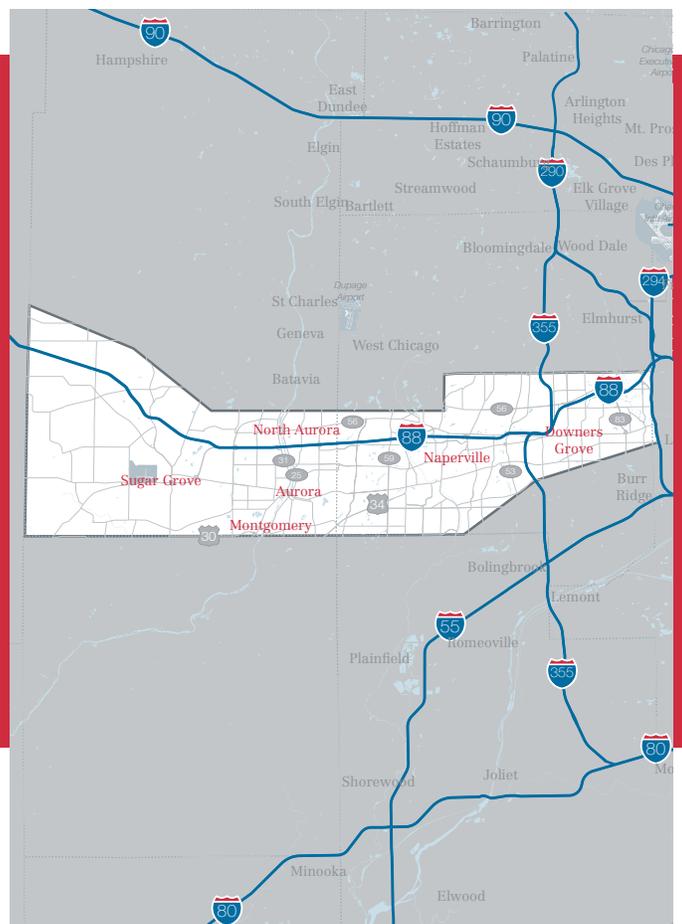
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
900 E 103rd St	22,019	Integrated Power Services	New lease
501 N Sacramento Blvd	15,077	Goose Island Beer Co	Lease expansion

Entries highlighted in red denote NAI Hiffman transactions

# I-88 Corridor

# INDUSTRIAL BUILDINGS	778
MARKET SIZE (SF)	63,845,471
TOTAL VACANCY	2,966,780 SF (4.65%)
DIRECT VACANCY	2,945,471 SF (4.62%)
SUBLEASE VACANCY	21,060 SF (0.03%)
AVAILABLE SPACE	4,890,805 SF (7.66%)
Q4 2015 NET ABSORPTION (SF)	287,320
TOTAL 2015 NET ABSORPTION (SF)	2,085,635
UNDER CONSTRUCTION (SF)	1,016,948
Q4 2015 NEW SUPPLY (SF)	238,000
TOTAL 2015 NEW SUPPLY (SF)	667,756



## Vacancy Rate

4.65%

## Net Absorption

287,320 SF

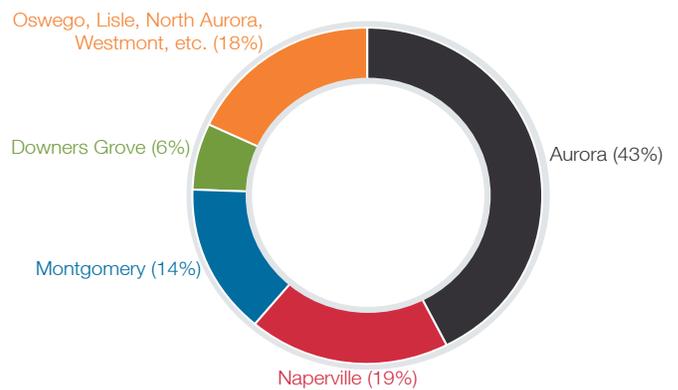
## Market Rents

The I-88 Corridor industrial submarket saw increased tenant and speculative developer demand due to the lack of available land in neighboring submarkets such as Central DuPage. Developers were drawn to the number of larger sized land sites for multi-building developments and easy access to major expressways that the I-88 submarket has to offer. With limited options for “in-fill” development opportunities in Central DuPage and I-55 submarkets, the I-88 submarket became an area of demand over the past couple years.

## Vacancy | Absorption



## Inventory by City



The record high level of absorption of 2.1 million SF improved the vacancy rate to an unprecedented low level of 4.65%.

# I-88 Corridor

## Quarter in Review

The I-88 Corridor exhibited strong quarterly market performance throughout the year. Positive net absorption totaled nearly 287,000 SF during the fourth quarter, boosting the annual total to nearly 2.1 million SF and surpassing the previous annual high level of 1.7 million SF recorded in 2012. The vacancy rate decreased to 4.65%, down sharply from one year ago when the vacancy rate measured 7.11%.

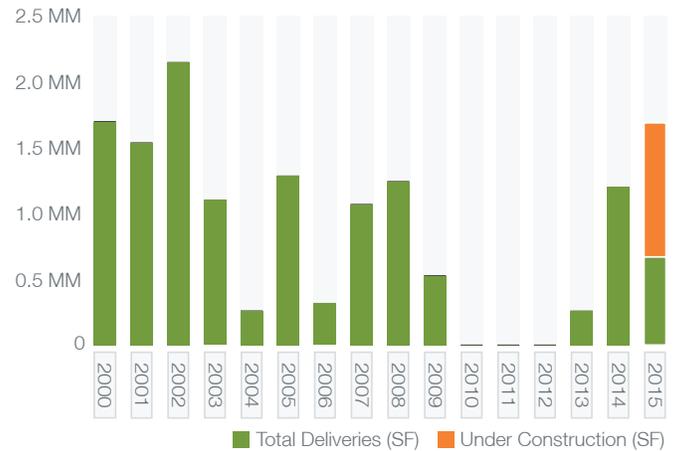
One speculative project was completed during the fourth quarter, a 238,000 SF building that was delivered 100% vacant. This new completion increased the annual new construction total to 668,000 SF. Three projects are currently under construction on a build-to-suit basis and will add over 1 million SF to the industrial base upon completion during the first half of 2016.

The largest single property acquisition throughout the market was American Realty Advisors purchase of a 605,000 SF distribution facility that is fully-leased to Midwest Warehouse & Distribution. The other significant sale transactions were sale/leasebacks. Hyundai Motor America sold its 350,000 SF distribution facility in Aurora to Cabot Properties and signed a lease for an initial 5-year term plus two 5-year renewal options. Also in Aurora, High Street Realty Company entered into a sale/leaseback with Illinois Auto Electric Co.

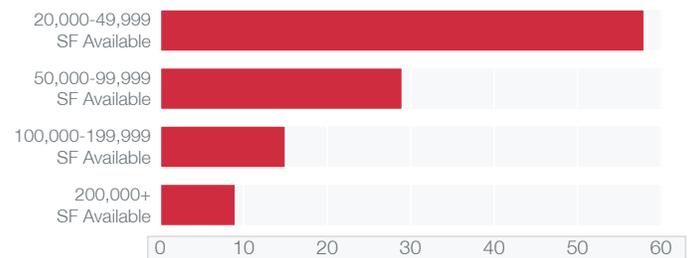
## Looking Forward

The record high level of absorption in the I-88 Corridor improved the vacancy to an unprecedented low level. Given the success of new construction and the declining number of options of sizable blocks of quality space, construction activity will continue into 2016, both on a build-to-suit and speculative basis.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
4200 Ferry Rd <sup>1</sup>	Aurora	402,860
1600 Sequoia Dr <sup>1</sup>	Aurora	375,040
2413 Prospect Dr	Aurora	320,047
175 Ambassador Dr	Naperville	306,073
2001-2051 Baseline Rd	Montgomery	295,620
966 Corporate Blvd	Aurora	238,604
300 Mitchell Rd	North Aurora	228,447

<sup>1</sup>under construction

## Significant I-88 Corridor Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
1200 Orchard Gtwy, Aurora	604,565	\$46,200,000	\$76	American Realty Advisors	USAA Real Estate Company
1705 Sequoia Dr, Aurora	350,800	\$24,250,000	\$69	Cabot Properties, Inc	Hyundai Motor America
700 N Enterprise, Aurora	250,000	Undisclosed	Undisclosed	High Street Realty Company, LLC	Illinois Auto Electric Co

## Significant I-88 Corridor Lease Transactions

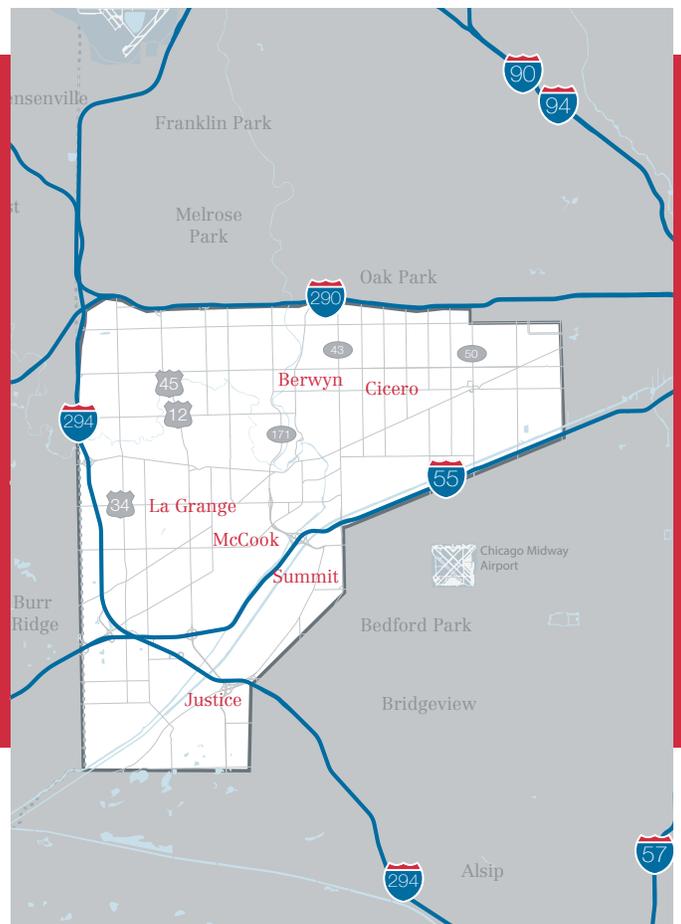
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
1705 Sequoia Dr, Aurora	350,800	Hyundai Motor America	Sale/leaseback
3920 Enterprise Ct, Aurora	92,800	International Paper Company	Sublease
27715-27745 Diehl Rd, Warrenville	23,305	DLT Corporation	New lease

Entries highlighted in red denote NAI Hiffman transactions

# Southwest Cook

# INDUSTRIAL BUILDINGS	491
MARKET SIZE (SF)	40,542,851
TOTAL VACANCY	2,721,184 SF (6.71%)
DIRECT VACANCY	2,721,184 SF (6.71%)
SUBLEASE VACANCY	0 SF (0.00%)
AVAILABLE SPACE	3,898,580 SF (9.62%)
Q4 2015 NET ABSORPTION (SF)	-168,341
TOTAL 2015 NET ABSORPTION (SF)	-111,924
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	0
TOTAL 2015 NEW SUPPLY (SF)	891,745



## Vacancy Rate

6.71%

## Net Absorption

-168,341 SF

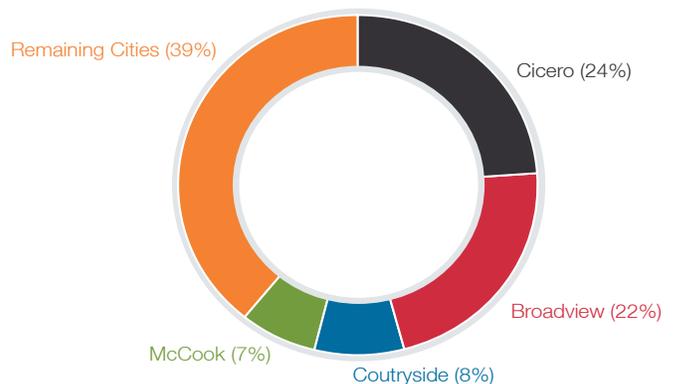
## Market Rents

Typically an infill market, the Southwest Cook submarket has witnessed the return of a handful of new development projects in 2014. With close proximity to local interstates I-290, I-294, and I-55, the Southwest Cook market remains a great location for users looking for space due to its ease of access to the city and surrounding areas, and the quality labor pool to choose from.

## Vacancy | Absorption



## Inventory by City



Recently completed speculative projects were delivered with no significant preleasing activity as leasing velocity has been slower in this submarket.

## Quarter in Review

Market fundamentals weakened during the fourth quarter as space returning to the market outpaced demand. Annual net absorption totaled negative 112,000 SF. The vacancy rate decreased 20 basis points from the previous quarter to the fourth quarter rate of 6.71%. Two obsolete buildings were demolished during the quarter and removed from the inventory. The current vacancy rate measures nearly 280 basis points below the highest level of 9.50% recorded in the first quarter of 2010.

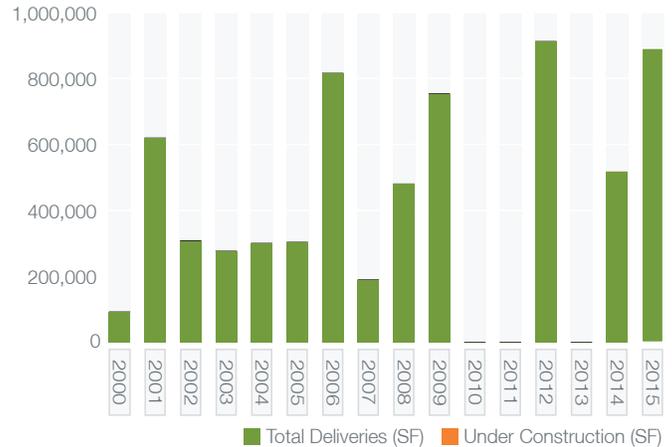
Three new speculative projects were completed during the year, adding 892,000 SF of new product during 2015. This new inventory houses the majority of the largest available blocks of space. A new speculative project totaling 238,000 SF is planned to begin construction in early 2016.

One notable lease transaction was signed during the quarter in one of the recently delivered speculative projects. Tire and rubber company, Bridgestone, leased 64,000 SF in the 226,000 SF building. No significant sale transactions were reported in the Southwest Cook submarket during the fourth quarter.

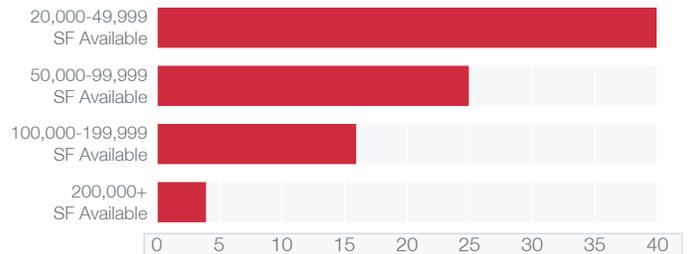
## Looking Forward

Leasing velocity has been slower in this submarket compared to other submarkets in the Chicago metropolitan area. While the recently completed speculative projects were delivered with no significant preleasing activity, it is anticipated that tenant demand will drive leasing in the newly delivered space in 2016.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
8601 W 47th St	McCook	353,322
8701 W 47th St	McCook	312,227
9450 W Sergo Dr	McCook	310,315
4800 Vernon St	McCook	163,223
8201-8401 W 47th St	McCook	162,139
5645-5649 W 31st St	Cicero	160,182

## Significant Southwest Cook Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
None to report					

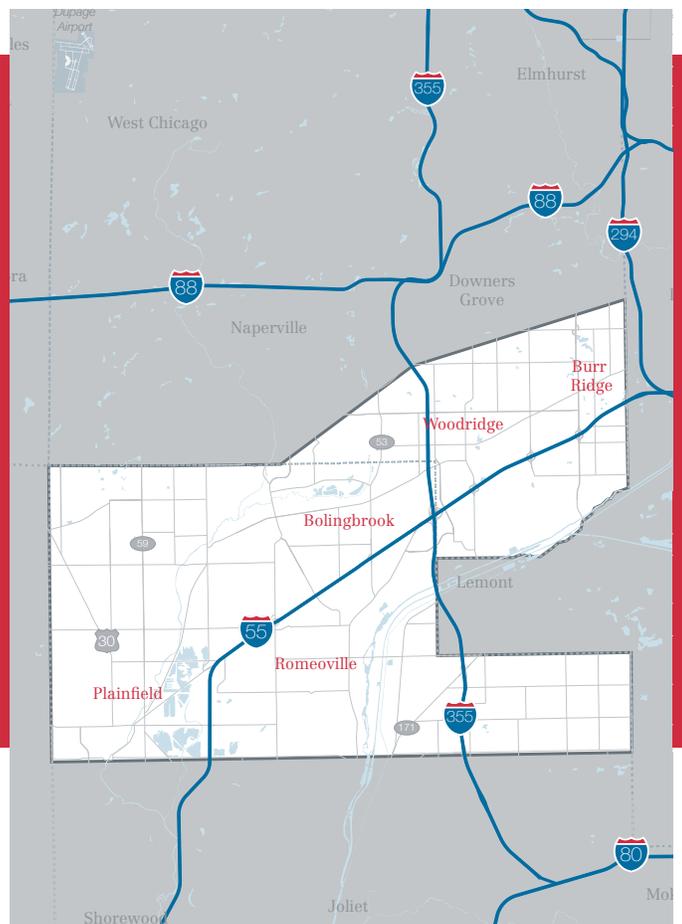
## Significant Southwest Cook Lease Transactions

4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
8201-8401 W 47th St, McCook	64,057	Bridgestone	New lease

# I-55 Corridor

# INDUSTRIAL BUILDINGS	682
MARKET SIZE (SF)	88,427,311
TOTAL VACANCY	6,211,089 SF (7.02%)
DIRECT VACANCY	5,961,168 SF (6.74%)
SUBLEASE VACANCY	249,921 SF (0.28%)
AVAILABLE SPACE	7,783,189 SF (8.80%)
Q4 2015 NET ABSORPTION (SF)	771,666
TOTAL 2015 NET ABSORPTION (SF)	3,668,089
UNDER CONSTRUCTION (SF)	1,077,163
Q4 2015 NEW SUPPLY (SF)	639,435
TOTAL 2015 NEW SUPPLY (SF)	2,846,655



## Vacancy Rate

7.02%

## Net Absorption

771,666 SF

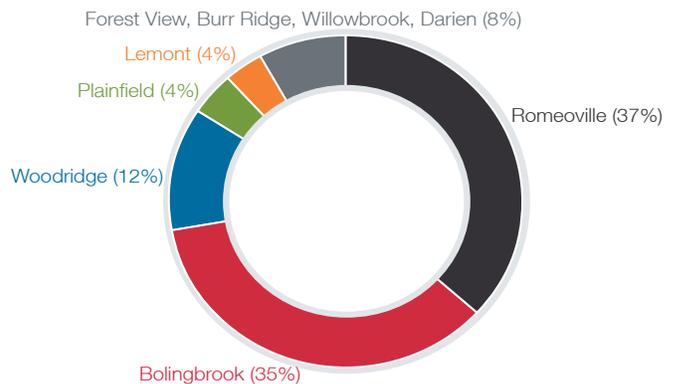
## Market Rents

The I-55 Corridor is one of the most desirable regional distribution submarkets due to its location close to cross-country interstates I-55 and I-80, its proximity to Chicago's consumers and labor market, its newer, modern warehouse buildings, and attractive real estate tax rates. As a result, the I-55 Corridor has seen the highest level of development, leasing and sales activity over the past several years and has been the focus of many institutional buyers. Given the desirability of this submarket, most of the larger land sites have been developed and there are limited parcels available for development.

## Vacancy | Absorption



## Inventory by City



This submarket enjoyed consistent quarterly absorption, resulting in 3.7 million SF of annual net absorption, the second highest level throughout Chicagoland.

# I-55 Corridor

## Quarter in Review

This submarket enjoyed consistent performance each quarter of this year. Fourth quarter net absorption totaled 772,000 SF and increased the annual absorption total to 3.7 million SF, the second highest level of annual absorption throughout the Chicago metropolitan area. The vacancy rate declined to 7.02%, down 120 basis points from the rate recorded one year ago.

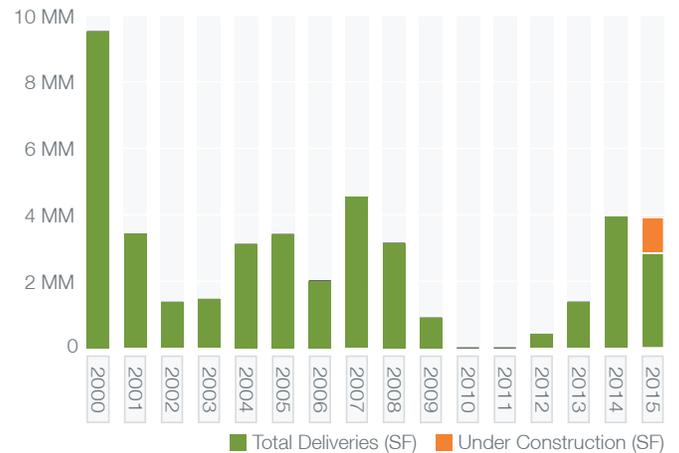
Four construction projects, all located in Bolingbrook, were completed during the quarter, adding 639,000 SF to the industrial base inventory. Two completions were build-to-suit projects, including a 250,000 SF building addition for Ferrara Candy and 160,000 SF for West Liberty Foods. Two speculative projects completed were delivered with substantial pre-leasing commitments by Universal Laminating and Baldor, leasing 78,000 SF and 57,000 SF, respectively. Annual construction completions totaled 2.8 million SF. Six speculative projects are currently underway and total 1 million SF with another 3.5 million SF of new construction planned for this submarket.

The I-55 Corridor submarket secured the largest fourth quarter lease transaction throughout the Chicago market, a 672,000 SF lease by OHL for a recently completed speculative project. Industrial Property Trust acquired two buildings via portfolio sale, totaling 441,000 SF and 100% occupied at time of sale.

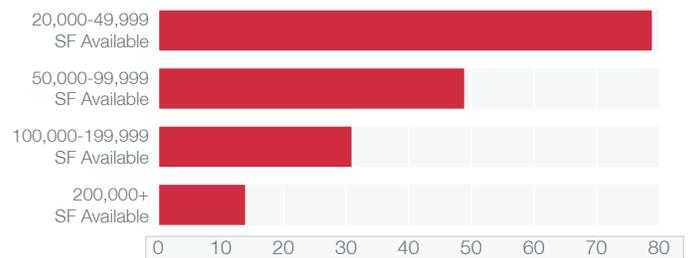
## Looking Forward

Large blocks of available space have diminished over the past year due to robust leasing activity. This tenant demand helps fuel the current wave of speculative development. Continued tenant demand should bode well for the current construction pipeline underway and will shift planned development to the construction phase in 2016.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
1125 Remington Blvd	Romeoville	767,161
14908 Gougar Rd S	Lockport	512,265
555 Saint James Gate	Bolingbrook	419,317
1000 Veterans Pky	Bolingbrook	405,844
700 S Weber Rd	Bolingbrook	382,228
800 Veterans Pky	Bolingbrook	325,144
Fountain Square Commerce Center <sup>1</sup>	Bolingbrook	320,532

## Significant I-55 Corridor Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
333 Gibraltar Dr, Bolingbrook	579,900	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group
771 W Crossroads Pky, Bolingbrook	269,662	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Industrial Property Trust	LaSalle Investment Management
1140-1152 Arbor Dr, Romeoville	171,812	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Industrial Property Trust	LaSalle Investment Management
1411-1415 Enterprise Dr, Romeoville	120,143	\$5,800,000	\$48	HSRE Fund V Holding Company	Future Vantage LLC

## Significant I-55 Corridor Lease Transactions

4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
790 Taylor Rd, Romeoville	672,080	OHL	New lease
150 E Crossroads Pky, Bolingbrook	352,338	XPO/Fonterra	New lease
575 Veterans Pky	219,040	Custom Goods	New lease

<sup>1</sup> Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties. <sup>2</sup>Part of 5-building portfolio sale.

Entries highlighted in red denote NAI Hiffman transactions

# South Cook

# INDUSTRIAL BUILDINGS	1,126
MARKET SIZE (SF)	84,779,154
TOTAL VACANCY	6,604,649 SF (7.79%)
DIRECT VACANCY	6,597,154 SF (7.78%)
SUBLEASE VACANCY	7,200 SF (0.01%)
AVAILABLE SPACE	8,209,775 SF (9.68%)
Q4 2015 NET ABSORPTION (SF)	85,359
TOTAL 2015 NET ABSORPTION (SF)	1,481,981
UNDER CONSTRUCTION (SF)	0
Q4 2015 NEW SUPPLY (SF)	150,000
TOTAL 2015 NEW SUPPLY (SF)	150,000



## Vacancy Rate

7.79%

## Net Absorption

85,359 SF

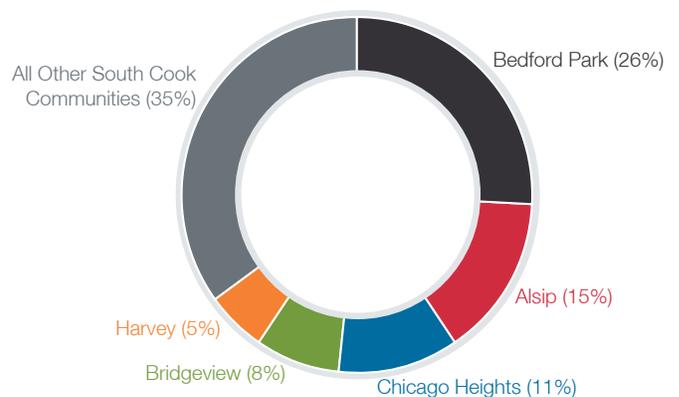
## Market Rents

South Cook is the third largest submarket in Chicago by both inventory size (SF) and number of buildings. The prominence of this submarket hasn't translated into heavy transaction velocity, however, as high-growth distribution firms have tended to focus their expansion in the collar counties (with lower property tax rates) to the south and west. A significant portion of South Cook's industrial base is manufacturing-oriented, so the buildings tend to be older and designed for production, not distribution. Many of the communities are considered in-fill locations, meaning vacant land sites are rare, with buildings needing to be torn down to accommodate new development. Ownership is mixed, including institutional, owner/user and both national and local private owners. Prospects looking in South Cook are attracted to the availability of skilled labor, proximity to downtown Chicago, and customer base.

## Vacancy | Absorption



## Inventory by City



Limited new development over the past seven years has helped keep supply in balance with demand.

# South Cook

## Quarter in Review

Positive net absorption totaled 85,000 SF during the fourth quarter, driving the annual absorption total to nearly 1.5 million SF. The vacancy rate increased slightly to 7.79%, yet down nearly 160 basis points from the rate recorded one year ago.

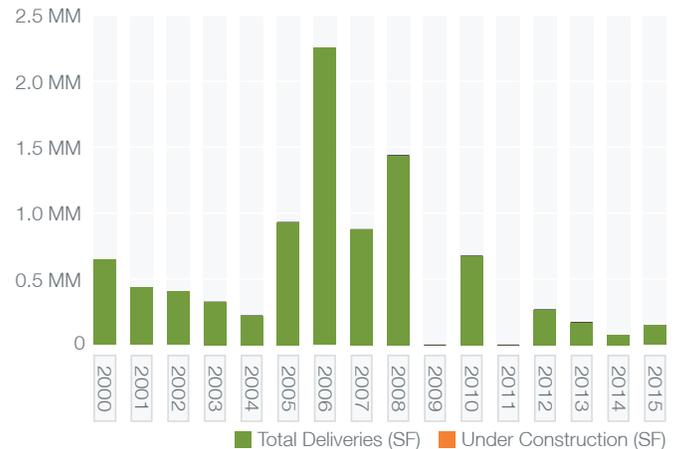
The only construction project in this submarket was a 150,000 SF build-to-suit project for Professional Freezing Services in Bedford Park, delivered during the fourth quarter. There are currently no projects under construction or planned for this highly-developed, in-fill location.

Sales activity was largely driven by investment sales during the fourth quarter. Cabot Properties acquired a fully-leased, 371,000 SF building in Alsip. Large tenants committed to sizable lease transactions during the fourth quarter as Nufarm Americas signed a new lease for a 376,000 SF building in Sauk Village. In addition, three lease renewals were signed, totaling close to 650,000 SF.

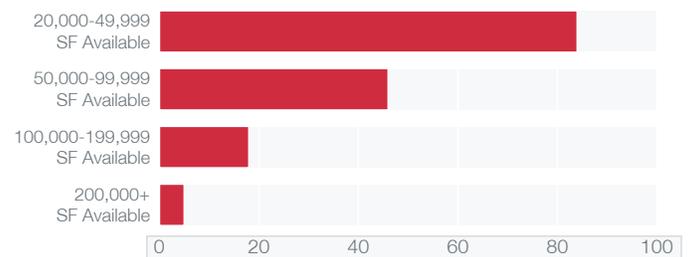
## Looking Forward

This submarket has experienced improved market fundamentals during the past year. Limited new development over the past seven years has helped keep supply in balance with demand. Tenants with new space requirements greater than 200,000 SF have five options to choose from within this submarket and also have alternatives in the adjacent submarket, across the state line into Indiana.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
5750 W 118th St	Alsip	481,262
21700 Mark Collins Dr	Sauk Village	365,000
11801 S Central Ave	Alsip	284,356
21800 S Cicero Ave	Matteson	250,000
300 E Joe Orr Rd	Chicago Heights	223,517
17725 Volbrecht Rd	Lansing	150,000

## Significant South Cook Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
13144 S Pulaski Rd, Alsip	370,705	\$8,600,000	\$23	Cabot Properties Inc	CBRE Global Investors Ltd
11939 S Central Ave, Alsip	320,171	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Hackman Capital Partners	First Industrial Realty Trust
7301-7361 S Meade Ave, Bedford Park	156,000	Portfolio Sale <sup>2</sup>	Portfolio Sale <sup>2</sup>	Abu Dhabi Investment, PSP Investments Exeter Property Group	

## Significant South Cook Lease Transactions

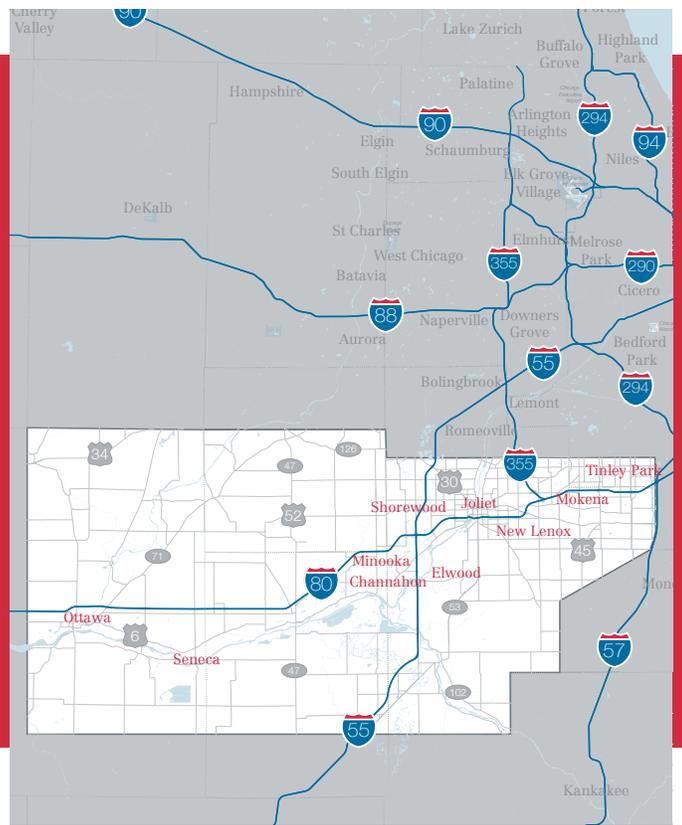
4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
21399 Torrence Ave, Sauk Village	375,785	Nufarm Americas Inc	New lease
6755 W 65th St, Bedford Park	275,898	Leggett & Platt	Lease renewal
7557-7575 S 78th Ave, Bridgeview	254,425	Oak Creek Distribution	Lease renewal
7800 W 71st St, Bridgeview	117,077	Menasha Packaging	Lease renewal

<sup>1</sup>Part of a Chicago area 6-building portfolio sale. <sup>2</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties. Entries highlighted in red denote NAI Hiffman transactions

# I-80/Joliet Corridor

# INDUSTRIAL BUILDINGS	630
MARKET SIZE (SF)	71,859,516
TOTAL VACANCY	3,557,644 SF (4.95%)
DIRECT VACANCY	3,556,144 SF (4.95%)
SUBLEASE VACANCY	1,500 SF (0.0%)
AVAILABLE SPACE	7,357,015 SF (10.24%)
Q4 2015 NET ABSORPTION (SF)	602,407
TOTAL 2015 NET ABSORPTION (SF)	5,152,529
UNDER CONSTRUCTION (SF)	4,985,529
Q4 2015 NEW SUPPLY (SF)	574,867
TOTAL 2015 NEW SUPPLY (SF)	3,027,542



## Vacancy Rate

4.95%

## Net Absorption

602,407 SF

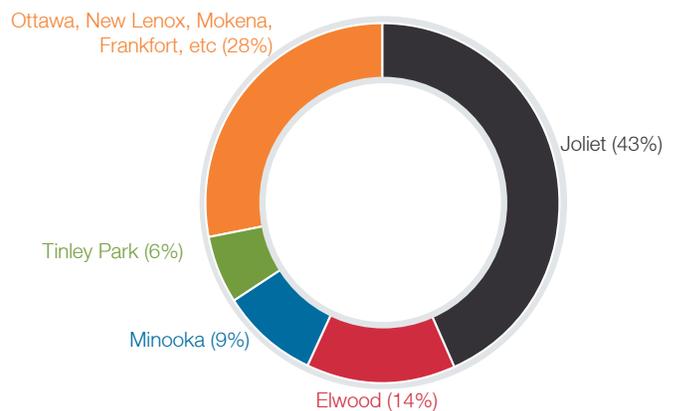
## Market Rents

The I-80/Joliet Corridor submarket has historically catered to multi-state “big box” distribution. Its access to I-80, I-55 and I-355 position the corridor well for distribution operations. In addition, the nation’s largest inland port is located in Joliet and Elwood. This intermodal development, also known as CenterPoint Intermodal Center, has remained a bright spot not only in the corridor, but for the entire Chicago market. CenterPoint Intermodal Center offers intermodal service, direct rail service, barge service as well as unit train service from multiple rail providers.

## Vacancy | Absorption



## Inventory by City



The low vacancy rate, success of construction activity and strong positive absorption position this submarket for continued growth in 2016.

# I-80/Joliet Corridor

## Quarter in Review

Positive net absorption in the I-80/Joliet Corridor totaled during the 602,000 SF fourth quarter, ending the year with an impressive 5.1 million SF of absorption. This submarket captured the highest level of absorption for 2015 in the Chicago metropolitan area. The vacancy rate continued to decrease, measuring 4.95% vacant as of fourth quarter. This represents a dramatic 335 basis point drop from the 8.30% vacancy rate recorded at year-end 2014.

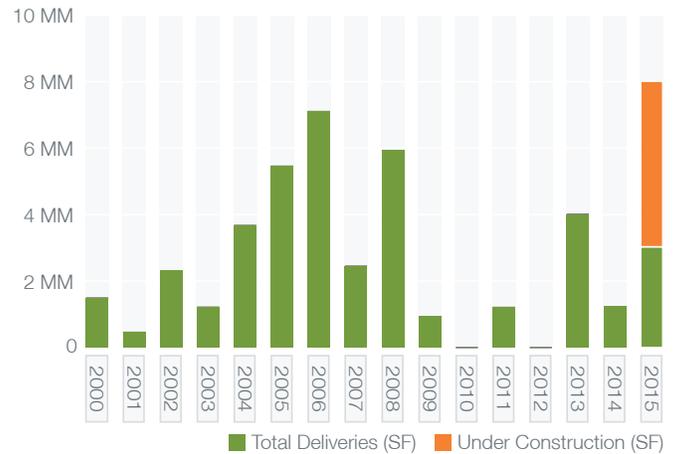
Ridge Development's speculative project totaling 575,000 SF was completed during the fourth quarter. The building was 50% preleased to Consolidated Distribution Corp. The building is now being expanded which will result in 792,000 SF being available, with the balance of the space to be completed mid 2016. Eight development projects are underway, totaling 5 million SF. The largest project is a 1.4 million SF build-to-suit distribution facility for an undisclosed food manufacturer in Joliet's CenterPoint Intermodal Center.

Exeter Property Group sold the majority of its interest in a portfolio of industrial assets. The sale included a 477,000-SF building in Joliet, completed in 2006 and fully leased to Ozburn Hessey Logistics. Another logistics firm, Delta Logistics, leased 49,500 SF in Joliet.

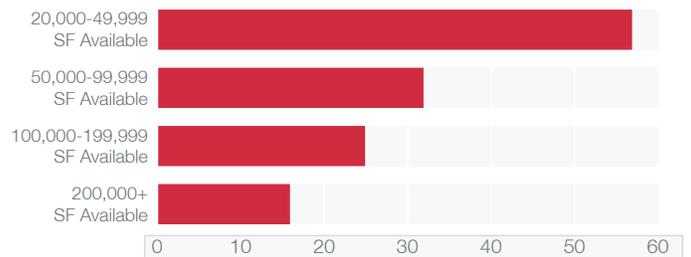
## Looking Forward

Tenants in the market seeking opportunities greater than 200,000 SF typically look to this submarket due to the availability of state-of-the art, industrial product to meet their space requirements. Given the declining, low vacancy rate, the success of construction activity and the increasingly strong positive absorption, this submarket is well positioned for continued growth in 2016.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
20901 W Walter Strawn Dr	Elwood	799,294
29700 Graaskamp Blvd <sup>1</sup>	Wilmington	792,000
201 Emerald Dr <sup>1</sup>	Joliet	746,722
2700 Ellis Rd	Joliet	689,515
21100 SW Frontage Rd	Shorewood	507,187
16824 Enterprise Blvd <sup>1</sup>	Crest Hill	438,150
3451 S Chicago St <sup>2</sup>	Joliet	365,845

<sup>1</sup>under construction <sup>2</sup>under contract

## Significant I-80/Joliet Corridor Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
2780 McDonough St, Joliet	476,965	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group

## Significant I-80/Joliet Corridor Lease Transactions

4th Quarter 2015

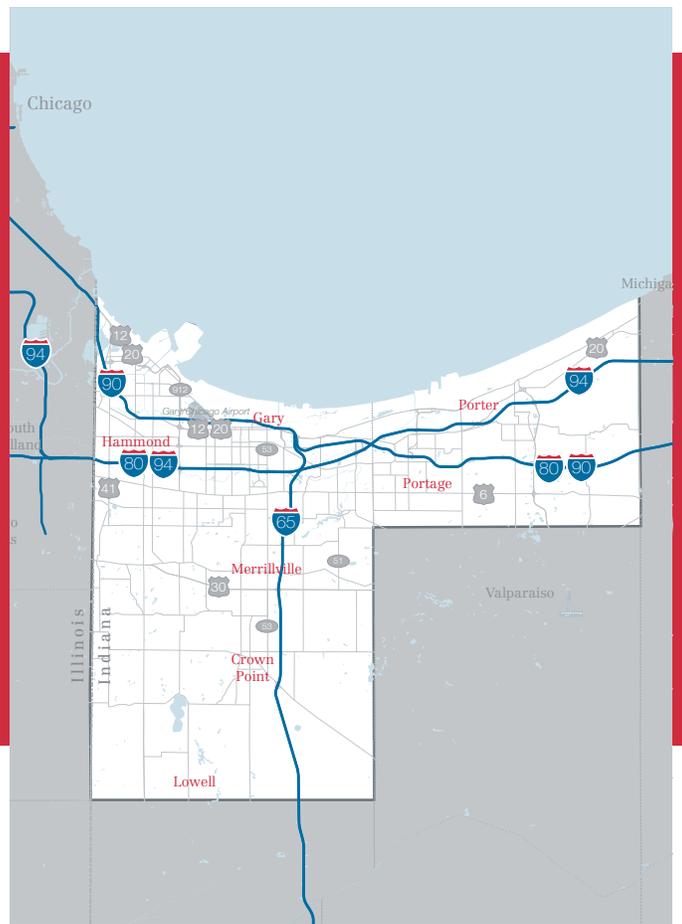
Property Address	Leased (SF)	Tenant	Lease Type
3401 S Chjicago St, Joliet	49,500	Delta Logistics	New lease

<sup>1</sup>Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties.

Entries highlighted in red denote NAI Hiffman transactions

# Northwest Indiana

# INDUSTRIAL BUILDINGS	440
MARKET SIZE (SF)	36,529,480
TOTAL VACANCY	2,029,162 SF (5.55%)
DIRECT VACANCY	2,015,162 SF (5.52%)
SUBLEASE VACANCY	14,000 SF (0.03%)
AVAILABLE SPACE	2,727,067 SF (7.47%)
Q4 2015 NET ABSORPTION (SF)	304,249
TOTAL 2015 NET ABSORPTION (SF)	772,030
UNDER CONSTRUCTION (SF)	203,000
Q4 2015 NEW SUPPLY (SF)	300,000
TOTAL 2015 NEW SUPPLY (SF)	794,195



## Vacancy Rate

5.55%

## Net Absorption

304,249 SF

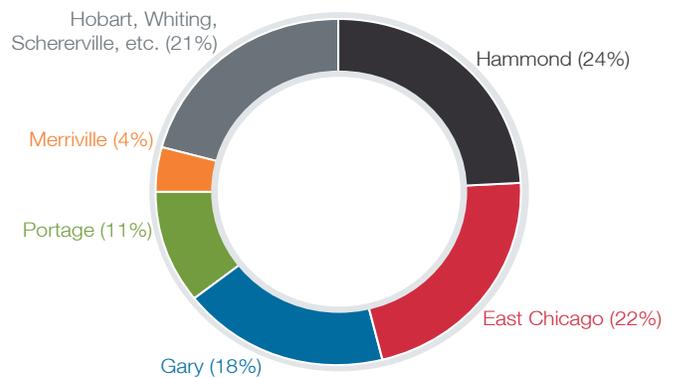
## Market Rents

The Northwest Indiana submarket is a bifurcated market, with areas north of I-80 including the towns of Hammond, East Chicago, and Gary containing some of the heaviest manufacturing facilities in the world, home to companies like BP Amoco, US Steel, and Arcelor Mittal. There are many functionally obsolete crane and manufacturing buildings housing firms in this area that service the steel and chemical industries. South of I-80, towns such as Munster, Hobart, Merrillville and Portage cater to more modern business parks. Indiana has historically held significant economic advantages over Illinois, such as lower property taxes, utility costs, labor rates, and soft costs (workman's compensation and unemployment insurance). Most companies new to Northwest Indiana migrate from South Cook and Will Counties, but existing Northwest Indiana firms rarely move west across the state line to Illinois.

## Vacancy | Absorption



## Inventory by City



A 574,000 SF building was purchased vacant and then partially leased, logging the largest sale and lease transaction of the quarter.

# Northwest Indiana

## Quarter in Review

The Northwest Indiana submarket posted positive net absorption during the fourth quarter, absorbing nearly 304,000 SF of vacant space and boosting the annual absorption figure to 772,000 SF. The vacancy rate decreased to 5.55%, down 100 basis points from the rate recorded one year ago.

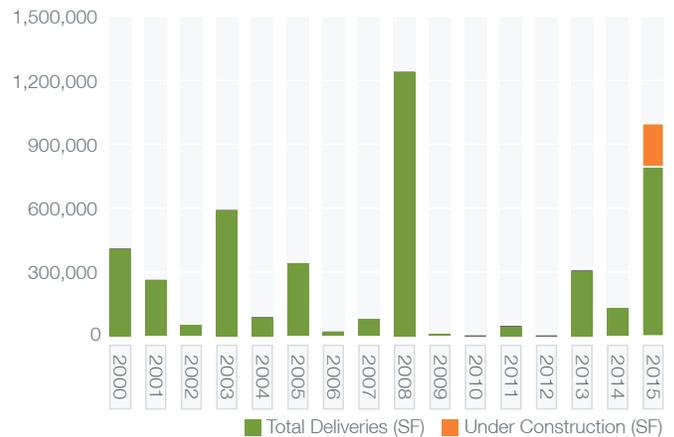
The only new construction completed in 2015 was a 300,000 SF build-to-suit project for MonoSol, delivered during the fourth quarter. Two speculative projects are underway, totaling 203,000 SF. The larger 163,000 SF building secured a pre-leasing commitment during the previous quarter for half of the project. Construction activity is increasing in this submarket to meet tenant requirements for new, efficient space.

One building, totaling 574,000 SF and located in Portage, secured the most significant sale transaction and lease transaction during the fourth quarter. A joint venture between Venture One Real Estate and DRA Advisors acquired the warehouse facility, part of AmeriPLEX at the Port. The new owners subsequently secured a lease commitment for 40% of the building by Logistics Team prior to closing. LMG Industries signed a new lease for 20,000 SF in Hammond.

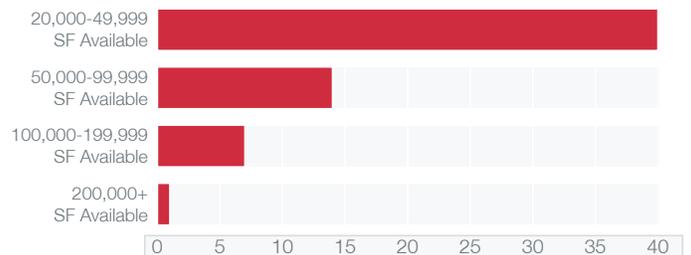
## Looking Forward

The newer inventory in this submarket has seen good market activity by both users and investors during the past year, demonstrated by the fourth quarter sale and lease at AmeriPLEX at the Port. There are currently only two options for users requiring large blocks of space, which have been completed within the past 20 years. With the declining vacancy rate and increasing absorption, more new speculative projects may be announced in 2016.

## Construction Deliveries



## Blocks of Available Space



## Largest Blocks of Available Space

Building Address	City	Block Size (SF)
6515 AmeriPLEX Dr	Portage	341,249
6750 Daniel Burnham Dr	Portage	164,500
3200 Sheffield Ave	Hammond	140,000
3600 Michigan Ave	East Chicago	106,000
4531 Columbia Ave	Hammond	104,182
101 W Oakley Ave	Lowell	100,000
4610 Kennedy Ave	East Chicago	100,000

## Significant Northwest Indiana Sale Transactions

4th Quarter 2015

Building Address	Size (SF)	Sale Price	Price PSF	Buyer	Seller
6515 AmeriPLEX Dr, Portage	574,249	\$18,300,000	\$32	Venture One Real Estate JV DRA Advisors	Midpoint USA LLC
5900 Carlson Ave, Portage	157,120	Portfolio Sale <sup>1</sup>	Portfolio Sale <sup>1</sup>	Abu Dhabi Investment, PSP Investments	Exeter Property Group

## Significant Northwest Indiana Lease Transactions

4th Quarter 2015

Property Address	Leased (SF)	Tenant	Lease Type
6515 AmeriPLEX Dr, Portage	233,249	Logistics Team	New lease
3200 Sheffield Ave, Hammond	20,000	LMG Industries	New lease

<sup>2</sup> Exeter Property Group sold a 217-property, 57.8 million SF portfolio for \$3.15 billion and retain a minority interest in the portfolio, continuing to manage the properties.

Entries highlighted in red denote NAI Hiffman transactions

# Logistics Review

## Year-End 2015



Pictured above: BNSF Logistics Park Chicago located at CenterPoint Intermodal Center in Joliet / Elwood, Illinois.

### E-Commerce and Interesting Supply Chain Finds in 2015

The World of Logistics continued to deliver in 2015. From conferences to conversations with CEO's, below are interesting finds over the previous year, not surprisingly dominated by e-commerce.

**91%** of Holiday sales came from Brick-and-Mortar this Holiday Season, even with the e-commerce phenomenon.

**40%** of U.S. mobile phone owners will become mobile phone shoppers by 2017. There are more mobile devices on earth than people.

**74%** of consumers will wait 5 seconds for a web page to load on their mobile device before abandoning the site.

**46%** of consumers are unlikely to return to a mobile site if it didn't work properly during their last visit.

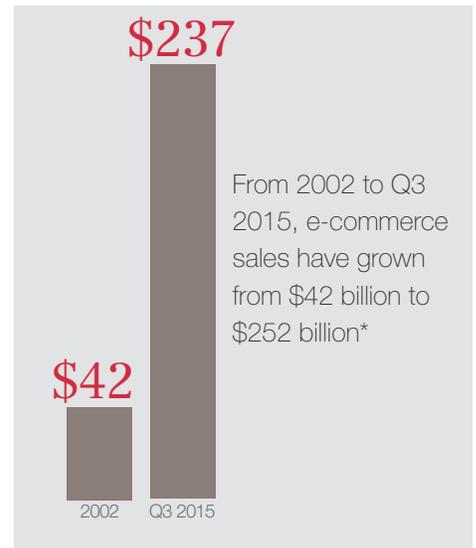


The average attention span of a consumer is 7 seconds, a goldfish is 9 seconds.

**49%** of distribution companies consider it a top-priority to respond to the challenges of multi-channel distribution.

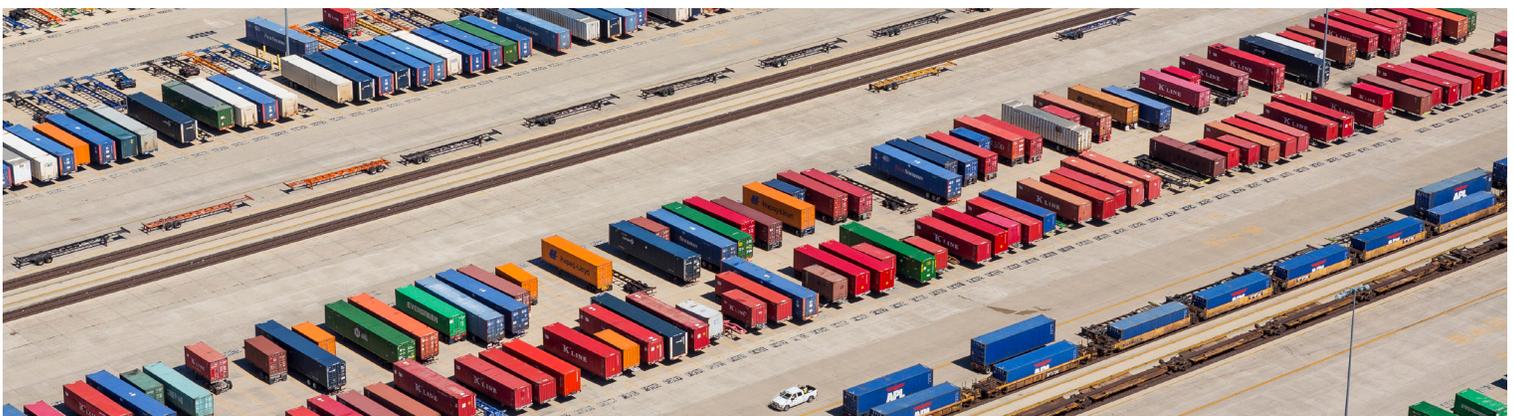
The buzz word for this type of distribution is Omni-Channel, which can be defined as a multichannel approach to sales that seeks to provide the customer with a seamless shopping experience whether the customer is shopping online from a desktop or mobile device, by telephone or in a bricks and mortar store. Omni-Channel is now omni-present and the retail supply chain is trying to keep pace with the heightened expectations for on-demand availability and expedited delivery.

- More fulfillment centers will be needed in highly populated areas. The battleground for e-commerce is now transportation, more specifically the final mile.
- The pressure on actual rent will further reduce in comparison to the importance of location and building site design. Tenants will require facilities that allow them to better adapt to the pressures on trucking and labor. Labor and transportation will be the key components to site selection. Labor and the concern about the supply is becoming a more consistent topic of conversation with corporations.



\*Source: U.S. Census Bureau News

- Amazon dominates the e-commerce landscape. Of every additional \$1 Americans spent for items online this year, Amazon captured 51 cents, according to a recent estimate by analysts at Macquarie Research. And of the expected \$94 billion growth in all retail sales this year – both in stores and online – Amazon took a staggering \$22 billion, or almost a quarter per Macquarie. It's estimated that half of all American households will be Amazon Prime members by 2020. Over all, Amazon's share of United States e-commerce sales jumped to 26% this year from 22% last year, and 16% in 2011, according to Macquarie estimates.
- NAI Hiffman recently utilized Amazon Prime Now - total time from purchase to final delivery was well under the one-hour mark, coming in at a remarkable 17 minutes. The upcharge for the expedited delivery? Free for two-hour deliveries or an extra \$7.99 to fulfill it within one hour.
- The third party logistics (3PL) sector whose gross revenue has grown from \$104 billion in 2005 to over an estimated \$166 billion in 2015 is anticipated to continue with rapid growth.
- From 2010 until mid-2014, world oil prices had been fairly stable, at around \$110 a barrel. But since June prices have reduced by more than half. Brent crude oil is now below \$32 a barrel for the first time since May 2009 and US crude is down to below \$31 a barrel. The reasons for this change are twofold - weak demand in many countries due to insipid economic growth, coupled with surging US production.
- After years of discussion on the approaching truck capacity shortfall, there has been a softening in the demand in the 4th quarter of 2015 due to overstocking of product and excess inventory.
- Regarding Chicago's global positioning:
  - Ranked as the #1 Metro for corporate investment in the U.S.
  - Ranked the 4th Most Economically Powerful City in the World
  - If Chicago were its own country, its economy would rank 20th in the world



# Industrial Investment Market

## Year-End 2015



Pictured above: 8451 W 183rd, part of Abu Dhabi's acquisition of Exeter Property Group's national portfolio

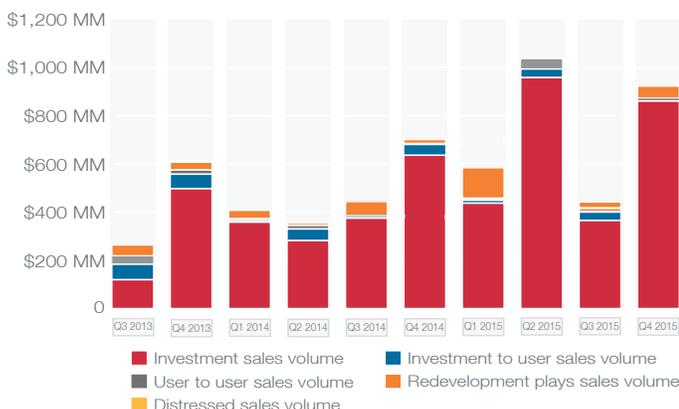
### Investment Market Trends

Total industrial investment sales volume in 2015 was estimated at \$2.617 billion, the highest since peaking in 2007 at \$3.41 billion before the most recent recession. By sales volume, the fourth quarter of 2015 was the second most active quarter of the last twelve, surpassed only by the second quarter of 2015. With an average sale price of \$58.20 PSF, \$859.25 million of industrial product sold in the fourth quarter alone in 17 transactions, comprising 74 buildings and 14.76 million SF of space. Both the second and fourth quarter's historically high sales volumes were due in large part to continued portfolio and entity-level sales activity both locally and nationally. Stripping national portfolios and entity-level transactions from the 2015 data, industrial investment sales volume steadily increased over the past four quarters, showing a 10.7% increase from first to second quarter, a 36.6% increase from second to third quarter, and a 16.3% increase from third to fourth quarter. Industrial investment sales volume and pricing on a per square foot and CAP rate basis continued to increase throughout 2015 as demand outpaced new deliveries and investor competition intensified for the limited inventory of desirable core product. An upswing in rents, increasing occupancy and consistent absorption are welcome signs for investors looking to capture future value, as few investment alternatives with similar risk profiles are available in the current global economy.

Tracking all industrial investment sales over \$5 million in the Chicago market, there were 59 sales transactions in 2015, accounting for \$2.617 billion in total volume, crushing the approximate \$1.65 billion in all of 2014. After investment sales, redevelopment accounted for the next largest sales volume, with 14 deals transacting for more than \$241 million in total sales volume.

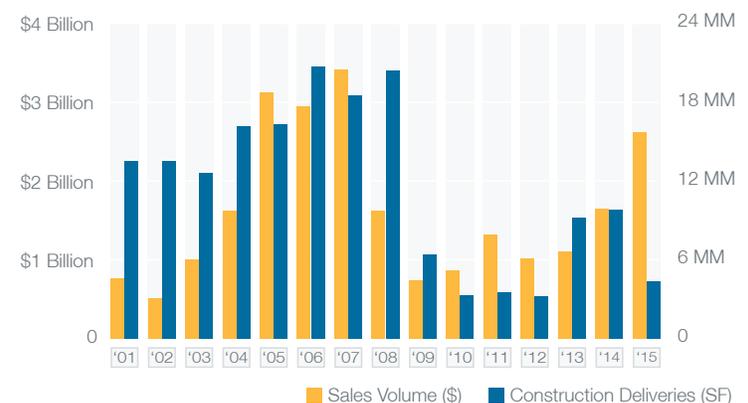
73% of the total 2015 industrial investment sales volume is attributable to portfolio and entity-level transactions, with 180 buildings trading in 15 portfolio sales, for a total of \$1.913 billion. Similar to full year 2015, 75% of the fourth quarter sales volume, or \$646 million, is attributable to the five portfolio and entity-level transactions recorded in that quarter. The largest fourth quarter transaction was Global Logistics Properties acquisition of Industrial Income Trust, who's allocated Chicago assets accounted for \$280 million in sales volume. Global Logistics Properties is publically traded on the Singapore Exchange, with a majority of its stock owned by the Government of Singapore Investment Corporation. The second largest transaction of the fourth quarter was Abu Dhabi Investment Authority's \$3.15 billion acquisition of the Exeter US Industrial Portfolio, who's allocated Chicago assets accounted for \$237.4 million in sales volume. The largest entity-level sale of 2015 occurred in the second quarter with the sale of KTR Capital Partners, LLC to a joint-venture between Prologis and Norgis Bank, the central bank of Norway. KTR's 60 Chicago area assets were valued at \$742 million or \$78.80 PSF. The remaining 12 portfolio transactions in 2015 totaled 11.5 million SF and \$654 million of sales, or an average of \$57.03 PSF. Global volatility, disappointing economic data from emerging economies and political instability have benefited the United States industrial real estate market, as off-shore investors increase their allocations in the historically under-

### Quarter-by-Quarter Sales Comparison



Source: HFF

### Investment Sales Volume vs. Construction Deliveries



Source: HFF/NAI Hiffman

\*2015 value is YTD

represented sector, in an effort to place large amounts of capital in safe haven economies and to achieve higher risk-adjusted returns. In the collected 2015 sales data, almost all of the largest portfolio and entity level transactions have been acquired by global capital. Of the remaining portfolios not purchased by global capital, most are considered class “B” product, where demand is expected to continue as an alternative to the limited class “A”, core opportunities, where CAP rates and yields are falling below the range of some investors, primarily due to overall market confidence and aggressive underwriting.

Institutions and advisors were the most active buyers of industrial investment opportunities in the Chicago area in 2015, acquiring \$1.047 billion worth of assets in 13 transactions, for more than 17.6 million SF. This is a drastic increase from the estimated \$234.8 million industrial investment sales volume this same group purchased in all of 2014. Institutions and advisors were increasingly busy in the second half of 2015, with total acquisitions estimated at \$738.5 million, a 138% increase in volume over the first half, acquiring approximately \$309.3 million. This is mainly due to the Global Logistics Properties acquisition of Industrial Income Trust and the Abu Dhabi Investment Authority acquisition of the Exeter US Industrial Portfolio. However, excluding entity-level transactions, institutions and advisors were still the most active buyers and sellers of industrial investments in the Chicago area market in 2015, acquiring \$524.5 million and disposing of \$316.3 million in industrial assets.

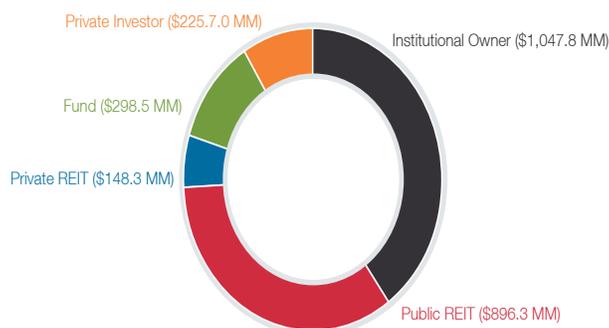
The second half of 2015 saw a drastic increase in single-tenant, net-lease activity, pushing the product type to the second highest volume behind portfolios. Sales activity for single-tenant, net leased product for the second half of 2015 was estimated at \$178.7 million in 10 transactions. This is a 56% increase from the first half of 2015, which was estimated at \$114.5 million in sales volume. Total 2015 industrial single-tenant, net-lease sales volume was approximately \$293.2 million in 15 transactions, averaging \$94.00 PSF. Buyers continue to be willing to pay up for the stability and long-term cash flow of credit tenants, especially in an investment environment where few viable investment alternatives are available. Further, sale/leaseback transactions remain an attractive way for owner/users to monetize the value of their long-term tenancy in existing real estate. Nine sale/leaseback transactions occurred in 2015, totaling more than \$101 million in sales volume. The largest single-tenant, net-lease investment sale transaction of 2015 was the sale of the 174,780 SF Preferred Freezer Services facility to AAG Management, in June for \$54 million, or \$308.96 PSF. The largest sale/leaseback transaction of the fourth quarter was the sale of a 350,800 SF Hyundai Motor America facility in Aurora, IL to Cabot Properties for \$24.25 million, or \$69.13 PSF.

## Significant Industrial Investment Sales

Year-End 2015

Size (SF)	Sale Price	Price PSF	# Bldgs	Property Name	Buyer	Seller
9,416,642	\$741,999,535	\$79	60	KTR Portfolio, Chicago	Prologis JV Norges Bank	KTR Capital Partners, LLC
4,208,049	\$280,791,508	\$67	16	Industrial Income Trust Portfolio, Chicago	Global Logistics Properties Ltd	Industrial Income Trust
4,801,515	\$242,498,818	\$51	20	IndCor Portfolio, Chicago	GIC JV Global Logistics Properties	IndCor Properties
3,852,319	\$237,400,000	\$62	26	Exeter US Industrial Portfolio, Chicago	Abu Dhabi Investment Authority	Exeter Property Group
1,995,150	\$98,901,000	\$50	8	Prime Industrial Portfolio, Various, IL	AEW Capital Management	TA Realty
955,463	Undisclosed	Undisclosed	8	Regent O'Hare, Elk Grove Village	Distribution Realty Group/Pearlmark	DK Real Estate Services
174,780	\$54,000,000	\$309	1	Preferred Freezer Facility II, Chicago	AAG Management	KTR Capital Partners, LLC

## Full-Year Buyer Type by Sales Volume



Source: HFF

The Industrial Investment Market Review data has been provided by HFF, L.P.

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# Retail Review

## Year-End 2015



### Year in Review

The total year-end vacancy rate for the Chicago Metropolitan retail market in 2015 was 6.1%. There was 1.8 million SF under construction with an average rental rate of \$17.02 PSF. It's not hard to notice that the book, music, travel and video retailers have practically disappeared from having a brick and mortar presence and we have observed an over abundant amount of mattress retailers emerging. Mattress Firm is set to acquire its largest rival, Sleepy's, and will have 3,500 retail locations nationwide. A new concept founded in Chicago as a single store, Protein Bar now has 20 locations and has expanded into D.C. and Denver. The company is projecting to grow 20% annually over the next decade. Macy's, the largest department store in the U.S., announced 50+ store closings, while Sears Holdings began shuttering 130 stores.



### E-Commerce, Multi-Channel Retailing, & Technology

For the past several years, we have been monitoring how online shopping will affect brick and mortar stores. The stores have fought back with their own e-commerce operations and internet retailers have dabbled in temporary storefronts, known as pop-ups. Both online and storefronts are converging in multichannel retailing to offer their customers a variety of ways to purchase products and even be able to research them prior to purchase. Many forward-thinking retailers have implemented loyalty points programs, which offer not only blanket discounts but personalized offers and services, as well. Several online retailers are preparing to open their first retail storefronts this year, including Sundance Catalog, who has announced up to 150 stores in the next several years.

An even bigger trend than e-commerce is the use of technology. Social networks serve as a major shopping platform and shopping centers and malls have begun tracking customers' preferences. Retailers can now see when a customer is approaching its facility and can instantly send out a message or coupon tailored to those preferences, in hopes to make the in-store experience more like being online.



### Pending Transactions

DRA Advisors is acquiring Inland Real Estate's portfolio of 167 properties including Algonquin Commons, Crystal Point Center, Four Flags and Orland Park Place, representing 1.72 million SF and an allocated aggregate sale price of \$257.6M or \$150 PSF. Many of Inland's properties are anchored by grocery stores with significant concentrations in the Chicago and Minneapolis-St. Paul areas. Oak Brook-based Inland, a public company, will become a privately held real estate investment trust after the acquisition.

## Notable Retail Transactions

2015

Address	Price	Price PSF	Buyer	Seller
669 N Michigan Ave, Chicago <sup>1</sup>	\$295,000,000	\$1,990	Meyer Bergman Ltd	J.P. Morgan Investment Management Inc
58-104 E Oak St, Chicago	\$176,000,000	\$3,034	Ponte Gadea USA, Inc	Convexity Properties
755 W North Ave, Chicago	\$64,000,000	\$1,018	Georgetown Company	Acadia Realty
271 Town Square, Wheaton	\$573,000,000	\$282	Tucker Development	AV Wheaton Town Square LLC
122 Hawthorn Center, Hawthorn Mall, Vernon Hills <sup>2</sup>	\$196,000,000	\$303	Centennial Real Estate Company LLC	Westfield Group
195 Fox Valley Center Dr, Westfield Mall, Aurora <sup>2</sup>	\$170,000,000	\$308	Centennial Real Estate Company LLC	Westfield Group
2323 Capital Dr, Northbrook <sup>3</sup>	\$65,800,000	\$458	CBRE Global Investors Ltd	Prudential Investment Management, Inc
25-81 Waukegan Rd, Glenview <sup>4</sup>	\$50,000,000	\$486	LaSalle Investment Management	Regency Centers Corporation

<sup>1</sup>Part of a 3-property portfolio sale <sup>2</sup>Part of a 5-property portfolio sale <sup>3</sup>Part of a 4-property portfolio sale <sup>4</sup>Part of a 3-building portfolio sale



## Notable Retail Trends

The restaurant industry will continue to be a major factor in the success of brick and mortar retail, as millennials and baby boomers spend a lot of their disposable income on food. Brewpubs and the craft beer industry is a growing trend, as are vegan and BBQ restaurants. Lifestyle-oriented services, such as yoga studios, massage therapy, apothecary and pet supply stores continue to thrive and are now billion dollar industries. Medical service tenants such as dental and eye care facilities are looking for retail storefronts instead of traditional office space, in order to gain exposure and benefit from pedestrian and vehicular traffic.

Sky Zone Trampoline Park has made the shift from flex and industrial space to malls and shopping centers, since they drive traffic and serve as an entertainment use. The company currently operates approximately 110 locations in four countries and they are targeted to open 35-40 new locations in the US in 2016. Sky Zone occupies both new and 2nd generation big box anchor space, in sizes up to 25,000 SF, as well as smaller, flexible footprints as low as 12,000 SF.



# NAI Global is strategic & innovative



## Locations by Country

### North America

- Canada
- Mexico
- United States

### Latin America & The Caribbean

- Argentina
- Bahamas
- Brazil
- Chile
- Costa Rica
- Jamaica
- Panama
- Peru
- Venezuela

### Asia Pacific

- Australia
- China
- India
- Indonesia
- Japan
- South Korea
- Malaysia
- New Zealand
- Philippines
- Singapore
- Taiwan

### Europe, Africa & The Middle East

- Austria
- Belgium
- Bulgaria
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Iceland
- Israel
- Kazakhstan
- Kuwait
- Latvia
- Norway
- Qatar
- Republic of Serbia
- Romania
- Russian Federation
- South Africa
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

We are an international real estate services organization with the institutional strength of one of the world's leading property investment companies.

Our experts are strategic and innovative, working collaboratively to realize maximum potential and generate creative solutions for our clients worldwide.

Our collaborative services platform provides an expansive, yet nimble and responsive structure enabling us to efficiently deliver superior results.

## Methodology

The information included in this review is the result of a compilation and analysis of data from various sources on class "A", class "B", and class "C" industrial properties located in the metropolitan Chicago area defined by the submarket map on the previous page. NAI Hiffman obtained the information from property representatives, CoStar Group, RealCapital Analytics, industry periodicals and magazines, our in-house property database, and other sources. NAI Hiffman greatly appreciates the participation of each of these individuals, companies and resources, without whose help this report would not have been possible.

All of the information detailed throughout this report is saved and organized in our own in-house database and is regularly updated. Utilizing this database, we can analyze, calculate and report demographic information, inventory, vacancy, availability, net absorption, and transactional information.

## Definitions

The NAI Hiffman Market Reviews track several measures of market conditions. This information is collected for individual properties then consolidated, organized and analyzed for submarket and market totals. These terms, used throughout the reports, are defined below according to NAIOP Terms & Definitions.

**Total Inventory (Market Size)** The total square footage of gross rentable area in a specific market. It includes the gross rentable area in buildings that have received a certificate of occupancy. Total inventory increases when a new building is delivered and decreases when an existing building is destroyed, demolished or its use changes.

**Vacancy Rate** A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. Vacant space is inventory that is not currently occupied.

**Net Absorption** The net change in occupied space in a given market between the current measurement period and the last measurement period. Net absorption can be either positive or negative and must include decreases as well as increases in inventory levels. For the purpose of this report, sublease space is included in the calculation of net absorption.

**New Supply** The total inventory delivered to the market since the last measurement period. Delivered is defined as total square footage and/or number of buildings that has completed construction and received a certificate of occupancy during a stated period.

**Under Construction** Buildings where either: a) actual ground breaking has occurred (site excavation or foundation work) and construction is ongoing (not abandoned or discontinued) but for which a certificate of occupancy has not yet been issued; or b) properties undergoing conversion to office from another use or c) properties undergoing a major renovation where 75 percent or more of the building is not available for lease and building generally requires a certificate of occupancy to be made available for lease.

**Available Space** The total amount of space that is currently being marketed as available for lease in a given time period. It includes space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. Available space excludes shadow space.

**Shadow Space** That portion of leased space which is vacant but not available space. Shadow space is difficult to measure. (Synonym: phantom space)

## Executive Leadership

**Dennis Hiffman**  
Chairman  
630 691 0616  
dhiffman@hiffman.com

**David Petersen, RPA**  
CEO  
630 691 0691  
dpetersen@hiffman.com

**John Picchiotti**  
COO - Brokerage  
630 691 0608  
jpicchiotti@hiffman.com

**Bob Assoian**  
Managing Director  
630 317 0761  
bassoian@hiffman.com

## Office Services

**Michael Flynn, CCIM, SIOR**  
Executive Vice President  
630 691 0600  
mflynn@hiffman.com

**Linda Garske**  
Senior Vice President  
630 317 0742  
lgarske@hiffman.com

**Daniel O'Neill**  
Executive Vice President  
630 691 0610  
doneill@hiffman.com

**Michael Van Zandt**  
Senior Vice President  
630 368 0848  
mvanzandt@hiffman.com

**James Adler**  
Executive Vice President  
630 691 0605  
jadler@hiffman.com

**Perry Higa**  
Vice President  
630 693 0684  
phiga@hiffman.com

**Jack Reardon**  
Senior Vice President  
630 693 0647  
jreardon@hiffman.com

**Jason Wurtz**  
Vice President  
630 693 0692  
jwurtz@hiffman.com

**Kailey Boyd**  
Associate  
630 693 0677  
kboyd@hiffman.com

**Adam Johnson**  
Vice President  
630 317 0729  
ajohnson@hiffman.com

**Jason Streepy**  
Senior Vice President  
630 317 0743  
jstreepy@hiffman.com

**Brian Edgerton**  
Vice President  
630 693 0671  
bedgerton@hiffman.com

**Patrick Kiefer**  
Executive Vice President  
630 693 0670  
pkiefer@hiffman.com

**Aubrey Van Reken**  
Vice President  
630 693 0679  
avanreken@hiffman.com

## Investment Services

**Arthur Burrows**  
Senior Vice President  
630 693 0675  
aburrows@hiffman.com

**Shawn Frick**  
Financial Analyst  
630 317 0702  
sfrick@hiffman.com

**Patrick Sullivan**  
HFF, L.P.  
Managing Director  
312 980 3610  
psullivan@hfflp.com

**Mark Katz**  
HFF, L.P.  
Managing Director  
312 528 3650  
mkatz@hfflp.com

## Retail Services

**Dan Hiffman**  
Senior Sales Associate  
630 693 0655  
dan@hiffman.com

**Jana Foreman**  
Senior Retail Leasing  
Representative  
630 693 0682  
jforeman@hiffman.com

## Industrial Services

**John Cash, SIOR**  
Executive Vice President  
630 691 0609  
jcash@hiffman.com

**Sam Badger**  
Senior Vice President  
630 693 0640  
sbadger@hiffman.com

**Casey Baird**  
Associate  
630 693 0697  
cbaird@hiffman.com

**Joe Bennett**  
Associate  
630 317 0794  
jbennett@hiffman.com

**Howard Bergdoll**  
Associate  
630 317 0724  
hbergdoll@hiffman.com

**Duke Botthof**  
Executive Vice President  
847 520 0204  
botthof@hiffman.com

**Joe Bronson, SIOR**  
Senior Vice President  
630 317 0725  
jbronson@hiffman.com

**Brian Colson**  
Executive Vice President  
630 691 0619  
bcolson@hiffman.com

**Steve Connolly, SIOR**  
Executive Vice President  
630 693 0642  
sconnolly@hiffman.com

**Benjamin Cremer**  
Senior Vice President  
630 691 0614  
bcremer@hiffman.com

**Kelly Disser**  
Senior Vice President  
630 317 0721  
kdisser@hiffman.com

**Packy Doyle**  
Associate  
630 691 0601  
pdoyle@hiffman.com

**Jeff Fischer**  
Executive Vice President  
630 317 0726  
jfischer@hiffman.com

**Michael Freitag**  
Associate  
630 693 0652  
mf Freitag@hiffman.com

**Chris Gary**  
Vice President  
630 693 0694  
cgary@hiffman.com

**Bruce Granger**  
Senior Vice President  
630 693 0648  
bgranger@hiffman.com

**David Haigh**  
Vice President  
630 693 0649  
dhaigh@hiffman.com

**Whit Heitman**  
Senior Vice President  
630 693 0653  
wheitman@hiffman.com

**Daniel Leahy, SIOR**  
Executive Vice President  
630 691 0604  
dleahy@hiffman.com

**Jay Maher**  
Vice President  
630 693 0689  
jmaher@hiffman.com

**Mark Moran**  
Executive Vice President  
630 693 0656  
mmoran@hiffman.com

**Lawrence Much, SIOR**  
Executive Vice President  
630 691 0606  
lmuch@hiffman.com

**Adam Naparsteck**  
Vice President  
630 693 0676  
anaparsteck@hiffman.com

**Michael Robbins**  
Vice President  
630 693 0680  
mrobbins@hiffman.com

**Adam Roth, CCIM, SIOR**  
Executive Vice President  
630 691 0607  
aroth@hiffman.com

**Stephen Sullivan**  
Vice President  
847 610 0123  
ssullivan@hiffman.com

**Alex Sutterer**  
Associate  
630 693 0644  
asutterer@hiffman.com

**Brett Tomfohrde**  
Associate  
630 693 0669  
btomfohrde@hiffman.com

**Eric Tresslar**  
Executive Vice President  
630 693 0650  
etresslar@hiffman.com

**Brandon Waters**  
Associate  
630 693 0673  
bwaters@hiffman.com

**Brad Weiner**  
Vice President  
630 693 0667  
bweiner@hiffman.com

**John Whitehead**  
Vice President  
630 693 0643  
jwhitehead@hiffman.com

## Marketing

**Whitney Kannaka**  
Director of Marketing  
630 317 0713  
wkannaka@hiffman.com

Elsa Gaztambide  
Kassandre Janson  
Karen Kirian  
Melody Lawrence

**Matt Hronick**  
Senior Designer  
630 693 0693  
mhronick@hiffman.com

Judy Loch  
Cindy Nickell  
Alison O'Connell  
Janice Ridderhoff

**Lauren Fishbune**  
Marketing Manager  
630 317 0737  
lfishbune@hiffman.com

Tammi Sowinski  
Lynn Zbierski  
Tracey Zommer

**Colin Borows**  
Associate Designer  
630 317 0728  
cborows@hiffman.com

## Research

*For further information regarding the content of this market review, or for specialty reports, please contact your local broker or:*

**Kelly DeBouver**  
Senior Research Manager  
630 693 0645  
kdebouver@hiffman.com

**Brian Chandler**  
Research Associate  
630 317 0738  
bchandler@hiffman.com



NAI Hiffman Commercial Real Estate Services  
One Oakbrook Terrace | Suite 400 | Oakbrook Terrace IL 60181 | USA  
+1 630 932 1234 | [www.hiffman.com](http://www.hiffman.com)