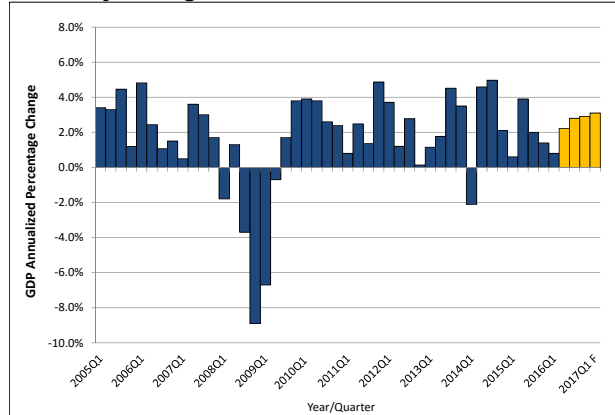




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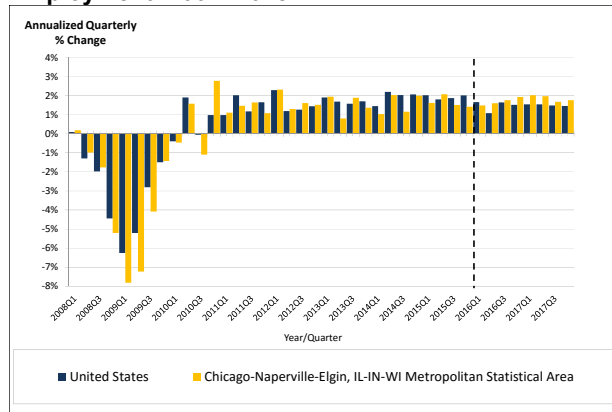
## **SOUTH SUBURBAN CHICAGO/NW INDIANA REAL ESTATE MARKET – Q2 2016**

### **Quarterly Change in U.S. Gross Domestic Product**



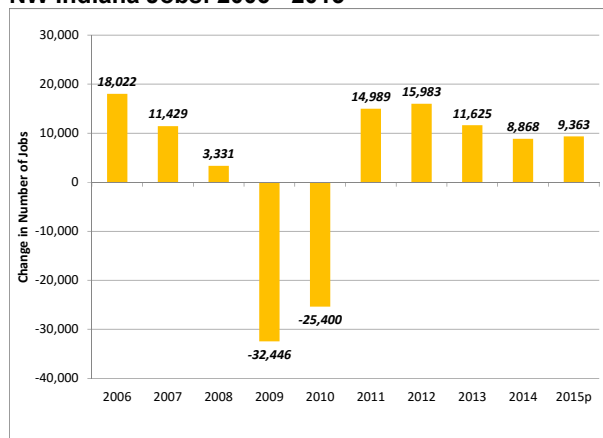
Sources: U.S. Bureau of Economic Analysis and Real Estate Counselors International, Inc.

### **Recent/Forecast Quarterly Change for Chicago MSA Employment: 2007 - 2018**



Sources: United States Bureau of Labor Statistics, Moody's Analytics, and Real Estate Counselors International, Inc.

### **Recent Changes in South Suburban Chicago/NW Indiana Jobs: 2006 - 2015**



Sources: Illinois Department of Employment Security, U.S. Bureau of Labor Statistics, Moody's Analytics and Real Estate Counselors International, Inc.

### **The U.S. and Metro Chicago Economies**

We are now in the fourth longest expansion in the nation's economic history, according to data available from the U.S. Bureau of Economic Analysis. Concern over an impending recession, which peaked when the global financial markets were at their lows in January/February of this year are unfounded, according to Moody's Analytics. Even though the May employment report was one of the weakest that has been exhibited for some time, recession concerns are exaggerated. Moody's does not believe that this single month's report is evidence that the economy is slowing or headed for recession.

In fact, nearly all other national economic data, including a near record low number of layoffs, large numbers of workers confident enough to quit their jobs and a record high number of job openings portrays a positive outlook for the U.S. economy. Notwithstanding, the U.S. economy is not without some challenges. GDP growth had slowed dramatically in late 2015. The 1<sup>st</sup> quarter real change in GDP was just under 1%, following a weak gain in the 4<sup>th</sup> quarter of last year.

**Job growth in metro Chicago is forecast to remain moderately strong through at least year-end 2017**, a direct result of growth in Construction, Leisure & Hospitality, Professional & Business Services and Education & Health Services.

### **South Suburban Chicago/NW Indiana Market Economy**

In total, at the end of the 1<sup>st</sup> quarter 2015, we estimate this market contained a total of 743,143 private sector jobs (excludes all government employees).

### **The South Suburban Chicago/NW Indiana Market**



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The total number of jobs contained in the South Suburban Chicago/NW Indiana Market in early 2015 was about 3,000 jobs above the pre-recession peak in the 1<sup>st</sup> quarter 2008. Note: The Illinois Department of Employment Security reports sub-county employment data lagged by more than one year.

Total jobs in the combined area of South Suburban Cook County, Will County and Northwest Indiana (i.e., the South Suburban Chicago/NW Indiana Market) surpassed its 2008 peak by early 2015.

Both the Illinois portion and Indiana portion of this market are dominated by the Manufacturing, Construction and Transportation/Utilities employment sectors.

There were approximately 36,000 manufacturing jobs in NW Indiana and about 58,000 manufacturing jobs in South Suburban Chicago at the end of the 1<sup>st</sup> quarter 2015. Although growth in the number of manufacturing jobs has been relatively flat as of late, the total number of construction jobs has been increasing at a moderately strong pace in this overall market.

The seasonally adjusted April unemployment rate for the NW Indiana (aka Gary, Indiana metro division) and the Chicago metro division (Illinois portion of the Chicago MSA) was 6.8% and 6.5% respectively.

**THE RETAIL SPACE MARKET**

At the end of the 2<sup>nd</sup> quarter, this market area contained approximately 48.6 million square feet of retail space built since 1990.

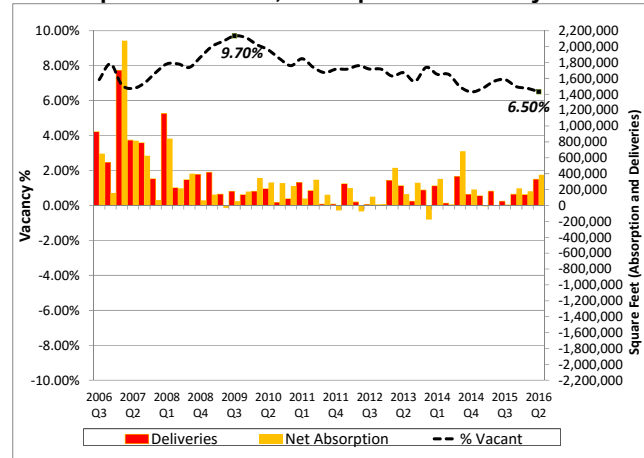
**Retail space vacancy has declined by 60 basis points over the last four quarters.**

Demand/Supply Variables	All Retail Buildings Built Since January 1990
Number of Properties, 2016 Q2	2,519
Total Net Rentable Square Feet, 2016 Q2	48,569,371
Vacancy Rate, 2016 Q2	6.50%
Vacancy Rate, 2015 Q2	7.10%
Basis Point Change in Vacancy, 2015 Q2 to 2016 Q2	-60
Gross Asking Rent, 2016 Q2	\$15.73
Gross Asking Rent, 2015 Q2	\$15.44
% Change in Asking Rent, 2015 Q2 to 2016 Q2	1.8%
Space Absorbed, 2015 Q2 to 2016 Q2	795,684
Space Delivered, 2015 Q2 to 2016 Q2	846,089
Space Under Construction, 2016 Q2	351,249
Space Under Construction, 2015 Q2	386,231

Sources: Costar Group and Real Estate Counselors International, Inc.

Although the average net asking rent had been on a downward trend since 2009, the 2<sup>nd</sup> quarter 2016 rent is 1.8% above the average asking rent at the 2<sup>nd</sup> quarter 2015.

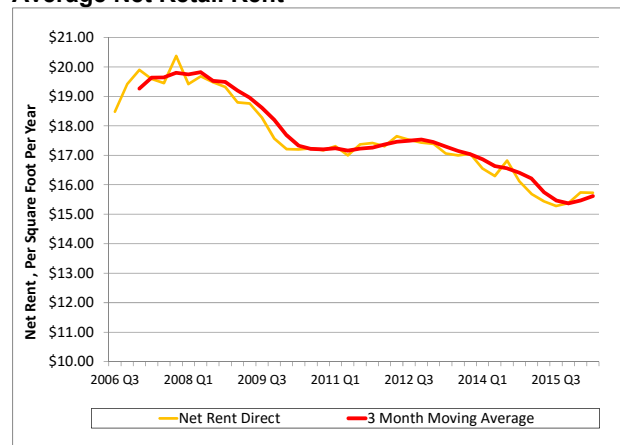
**Retail Space Deliveries, Absorption & Vacancy**



Sources: Costar Group and Real Estate Counselors International, Inc.

At the end of the 2<sup>nd</sup> quarter 2016, there was 351,249 square feet of retail space under construction approximately the same amount of space under construction at the end of the 2<sup>nd</sup> quarter 2015.

**Average Net Retail Rent**



Sources: Costar Group and Real Estate Counselors International, Inc.

**THE INDUSTRIAL SPACE MARKET**

At the end of the 2<sup>nd</sup> quarter, this market area contained approximately 141.5 million square feet of industrial space built since 1990.

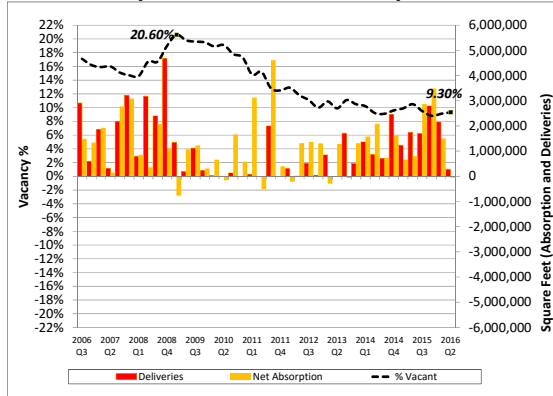
**Industrial space vacancy has declined by 129 basis points over the last four quarters.**

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**Industrial Space Deliveries, Absorption & Vacancy**



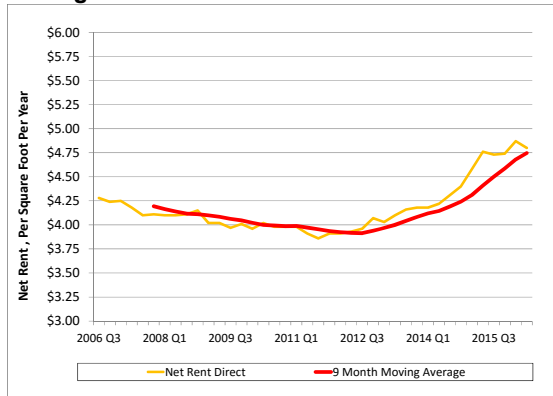
Sources: Costar Group and Real Estate Counselors International, Inc.

Demand/Supply Variables	All Industrial Buildings Built Since January 1990
Number of Properties, 2016 Q2	1,403
Total Net Rentable Square Feet, 2016 Q2	141,512,105
Vacancy Rate, 2016 Q2	9.30%
Vacancy Rate, 2015 Q2	10.50%
Basis Point Change in Vacancy, 2015 Q2 to 2016 Q2	-129
Gross Asking Rent, 2016 Q2	\$4.80
Gross Asking Rent, 2015 Q2	\$4.76
% Change in Asking Rent, 2015 Q2 to 2016 Q2	0.8%
Space Absorbed, 2015 Q2 to 2016 Q2	8,606,001
Space Delivered, 2015 Q2 to 2016 Q2	8,584,455
Space Under Construction, 2016 Q2	8,256,211
Space Under Construction, 2015 Q2	4,294,307

Sources: Costar Group and Real Estate Counselors International, Inc.

The average industrial net rent has been on an upward trend since 2012 and increased by 0.8% over the past four quarters.

**Average Industrial Net Rent**



Sources: Costar Group and Real Estate Counselors International, Inc.

**THE OFFICE SPACE MARKET**

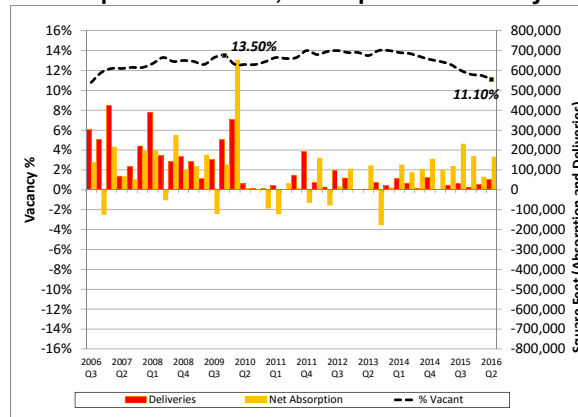
This market area contained approximately 14.9 million square feet of office space at the end of the 2<sup>nd</sup> quarter.

Office space vacancy has declined by 190 basis points over the last four quarters; the average office rent is increasing slowly.

Demand/Supply Variables	All Office Buildings
Number of Properties, 2016 Q2	950
Total Net Rentable Square Feet, 2016 Q2	14,937,678
Vacancy Rate, 2016 Q2	10.00%
Vacancy Rate, 2015 Q2	11.90%
Basis Point Change in Vacancy, 2015 Q2 to 2016 Q2	-190
Gross Asking Rent, 2016 Q2	\$16.35
Gross Asking Rent, 2015 Q2	\$16.15
% Change in Asking Rent, 2015 Q2 to 2016 Q2	1.2%
Space Absorbed, 2015 Q2 to 2016 Q2	734,746
Space Delivered, 2015 Q2 to 2016 Q2	118,041
Space Under Construction, 2016 Q2	150,000
Space Under Construction, 2015 Q2	98,100

Sources: Costar Group and Real Estate Counselors International, Inc.

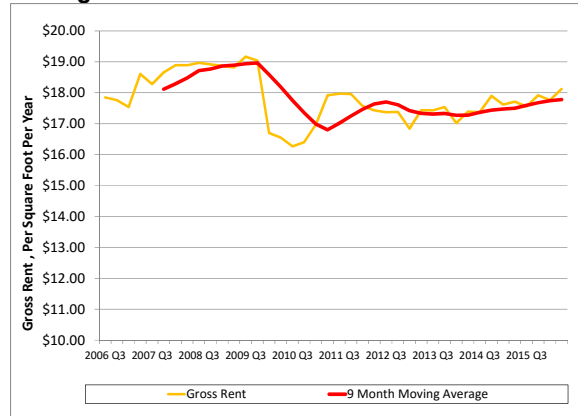
**Office Space Deliveries, Absorption & Vacancy**



Sources: Costar Group and Real Estate Counselors International, Inc.

The average office rent has been on an upward trend since 2014 and increased by 1.2% over the past four quarters.

**Average Office Gross Rent**

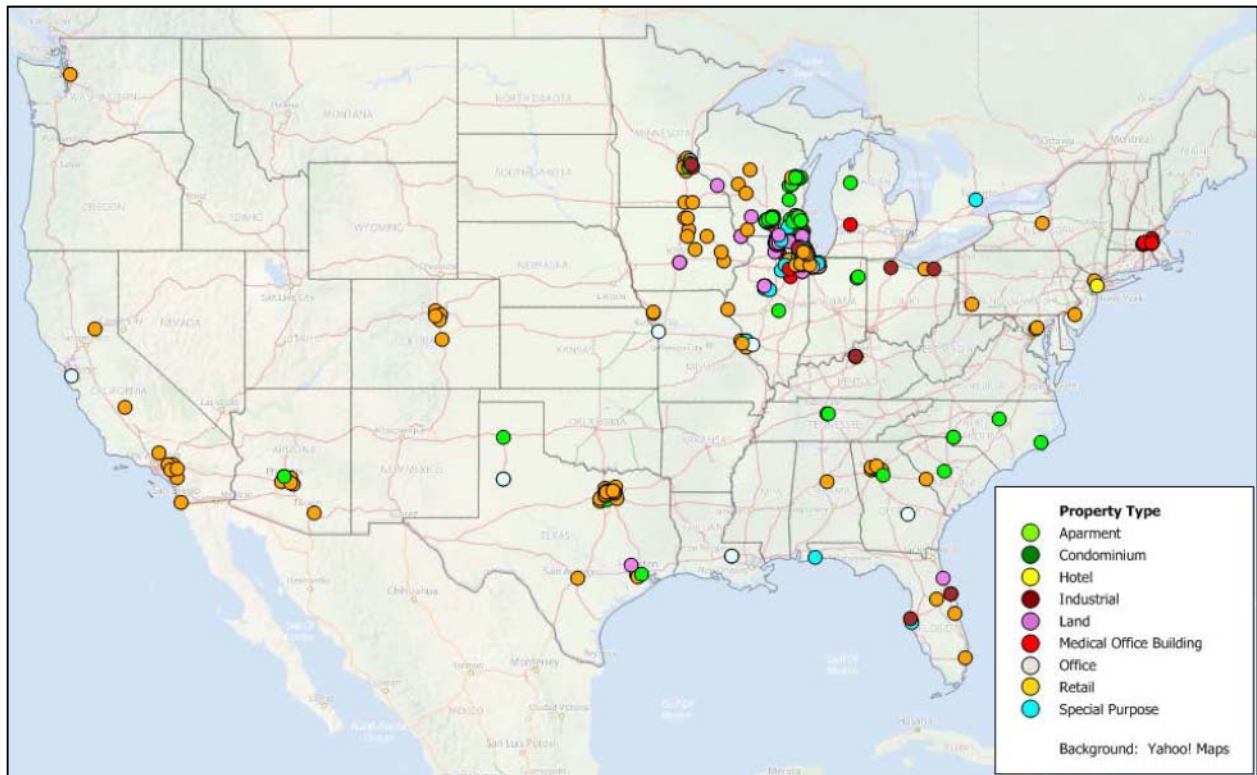


Sources: Costar Group and Real Estate Counselors International, Inc.

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**LOCATION OF RECI's 2014/2015 ENGAGEMENTS**



**Thomas J. Amato, CRE**  
**Benjamin J. Slagter**  
**Robert A. Wilson, MAI**

**Real Estate Counselors International, Inc.**

We have long-term relationships with financial institutions, developers, investors, major corporations, government agencies, healthcare providers, and other public and private concerns. Among our specialties are:

- Portfolio Valuations
- Property Appraisals
- Market Feasibility Analysis
- Acquisition Due Diligence
- Disposition Pricing
- Forensic Due Diligence/Evaluations
- Litigation Support/Dispute Resolution
- Fair Market Value Rent Studies

RECI is an independently owned, commercial real estate valuation and consulting company headquartered in Chicago, Illinois. With roots to 1935, we have earned the reputation as a full-service firm known for our ability to perform high level, complex projects.

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