

Chicago



Online grocery gaining buy-in during pandemic?

As the COVID-19 pandemic continues to spread across the U.S., it has led to a major shift in consumer demand creating new opportunities for retailers. Per a survey conducted by Coresight Research, approximately 67 percent of consumers expect to do more shopping online as the pandemic continues, and nearly 70 percent of those shoppers said they thought they would buy more food online. Online grocery delivery companies have seen record growth in daily app downloads as these consumers shift towards online deliveries.

This shift in consumer demand has created an employment gap causing companies, such as Instacart & Walmart Grocery, to hire part-time & full-time workers at both the national level and local level. As the pandemic continues to evolve, one thing is clear: online grocery deliveries will continue to grow as the landscape is becoming more competitive than ever. As such, we anticipate the need for additional cold storage space as well as micro fulfillment center to meet consumer demand.

Chicago Industrial Market

Chicago's industrial market began the year on a strong trajectory, coming off of robust development, leasing and capital markets activity in 2019. The outlook for a steady or moderately slowing pace for 2020 shifted abruptly near the end of the quarter, however, with the spread of the novel coronavirus (COVID-19). A review of research from the first quarter shows a market with strong long-term indicators that is retrenching and shifting to find its footing amidst this unprecedented healthcare and economic crisis. As uncertainty moves in, tenants and landlords are faced with many challenges related to space utilization and economic forecasting.

Among the bright spots for the industrial sector is its role in supporting e-commerce and logistics, which are vital to the delivery of medical supplies, food and other necessities. During the end of the quarter, the food and consumer goods sectors saw a surge in demand, for example, as consumers rushed to stock up and order online. Grocery stores were forced to quickly adapt their inventories

and evaluate their logistics and supply chain operations to manage the increased demand.

This report highlights current market activity and incorporates insights from brokers on how landlords, tenants, and investors can navigate this challenging and complex situation.

“*Tenants are facing many important decisions right now as they evaluate their operations, growth plans and ability to sustain their business during a slowdown. Many tenants with upcoming lease expirations can benefit from 'blend-and-extend' transactions that will allow them to remain in place during this time of uncertainty. Some landlords might be resistant to short term extensions or terms that might leave a landlord with space to fill during an inopportune time in the market.*”



Steven Kohn
Principal, Industrial Services

Adapting to a New Normal

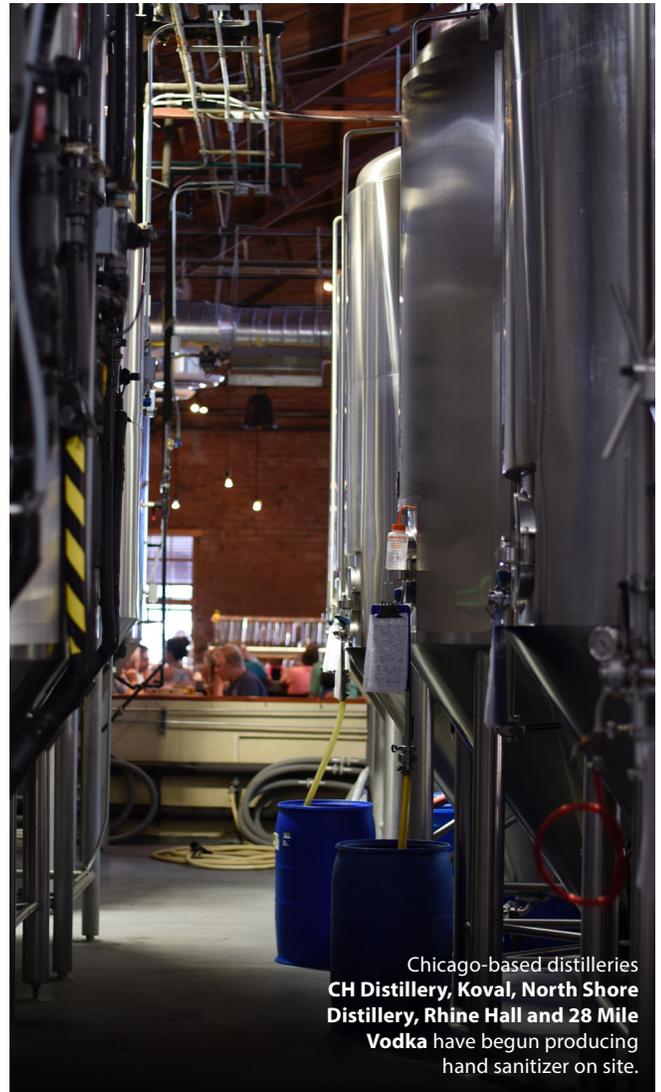
With the outbreak of COVID-19, demand for medical supplies and protective equipment have changed dramatically. As the medical industry faces mass shortages of essential supplies necessary to combat the virus, several Chicago area companies are switching their operations to help produce medical supply safety equipment to meet the demand.

Tenants are repurposing manufacturing lines and shifting business focuses to help hospitals and first responders by producing personal protective equipment (PPE). This shift in manufacturing is likely to be seen all over the U.S. in the weeks to come. With this change, companies are not only able to retain their workforce but also establish new revenue streams during this difficult time.

The following are a few examples of companies shifting production to meet demand:

- **Furniture companies** now making fabric masks
- **Local distilleries** now making hand sanitizers
- **3D printing companies** now producing bands that can be used for protective shields (50/day)
- **Marketing and architectural studios** converting existing machinery to cut out protective shields to be used by first responders & medical professionals (making 6,000/day)

According to CNBC, some major foodservice operators like Sysco and U.S. Foods have shifted operations from supplying restaurants, where demand has dropped precipitously, to working directly with grocery stores, to somewhat offset losses from those revenue streams.



Chicago-based distilleries **CH Distillery, Koval, North Shore Distillery, Rhine Hall and 28 Mile Vodka** have begun producing hand sanitizer on site.

Vacancy & Availability

Industrial vacancy remained fairly stable in Q1 2020, edging up 70 bps from the fourth quarter of 2019 to 6.6%. The submarkets with the largest decrease in vacancy were I-55, down 140 bps to 8.7%; West Cook, down 50 bps to 4%; and I-80, down 50 bps to 10%.

The largest increases in vacancy occurred in I-88, up 330 bps to 10.2%; I-90/West Elgin, up 130 bps to 3.7%; and US-64, up 120- bps to 7%. This was the first time the I-88 Corridor was over 10% since the second quarter of 2011 when it was at 10.3%.

While the two leading big box submarkets -- I-80 and I-55 -- remain higher than several others, each has levels well below those seen during the last market downturn in 2009. I-80 hit its peak of 21.8% vacancy in Q1 of 2009, while I-55 hit its peak of 15.3% at Q3 2009.

“It’s important to remember that this is not the same as 2008. Unlike the Great Recession, the industrial market was strong going into the pandemic and banks have exhibited significant discipline with lending. We have a solid foundation and are hopeful that once we get past this initial jolt to the market, we can climb out of this and return to a more stable flow of business.”



Adam Haefner
Principal, Industrial Services

Absorption & Demand

The Chicago market had 12.3 msf of leasing activity in the first quarter, an increase from 10.5 msf in the fourth quarter of 2019. There were 243 leases signed in the quarter, with an average of 50,713 sf.

The I-55 corridor had the highest leasing activity (1.83 msf), followed by the I-88 Corridor (1.76 msf) and the I-57 Corridor (1.38 msf). The I-55 Corridor also had the highest positive absorption, at 2 msf.

Among the largest leases during the first quarter were: Lowe’s, 1.38 msf at 1600 N. Boudreau Rd., Manteno, IL in the I-57 Corridor; Pactiv, 787,499-sf at 1101 W. Airport Rd., Romeoville, IL in the I-55 Corridor; and Amazon, 749,554-sf at 23700 W. Bluff Rd., Channahon, IL, in the I-80 Corridor.

“We are seeing many landlords trying to hold firm on rates, but also willing to work with tenants to find mutually beneficial solutions,” says Haefner. “Tenants that are having short-term difficulties should be upfront about it and come to the table with a realistic plan for working through this difficult business climate.”

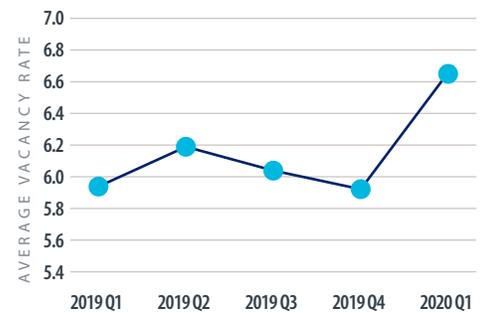
Leasing Activity



Net Absorption (MSF)



Vacancy Rate (%)



Industrial Submarkets by the Numbers

Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Leasing Activity (sf)	Under Construction	Avg Asking Rent
Overall Market	1,121,677,137	74,039,199	6.6%	1,362,976	12,323,379	15,958,757	\$5.68
Lake County	71,001,261	2,999,239	4.2%	-189,713	533,092	1,195,904	\$5.09
Southern Wisconsin	34,574,841	3,401,683	9.8%	-126,325	598,648	824,525	\$4.52
North Cook	42,418,318	2,065,559	4.9%	187,757	666,550	200,000	\$6.31
O'Hare	106,453,747	8,158,659	7.7%	-761,789	1,377,191	1,711,768	\$5.47
South Chicago Industrial	105,411,041	5,072,588	4.8%	186,023	142,952	1,764,667	\$7.83
North Chicago Industrial	54,836,266	3,095,708	5.6%	-264,485	302,706	---	\$9.71
West Cook	58,437,960	2,336,408	4.0%	742,680	229,721	---	\$9.89
I-90 East Corridor	23,474,048	1,089,040	4.6%	305,003	114,309	177,304	\$4.25
I-90 West/Elgin Corridor	34,810,176	1,283,720	3.7%	-34,922	315,660	1,448,184	\$4.98
McHenry County	23,551,026	1,593,299	6.8%	-17,378	22,083	---	\$4.81
East DuPage	27,704,796	1,145,635	4.1%	5,746	442,378	278,250	\$6.18
US-64 Corridor	72,578,428	5,115,532	7.0%	-365,714	852,563	1,745,630	\$5.39
South Cook	77,785,920	3,535,253	4.5%	97,325	537,296	70,884	\$3.27
I-55 Corridor	100,170,665	8,671,601	8.7%	2,021,759	1,832,552	2,023,522	\$6.04
I-57 Corridor	20,986,460	1,770,853	8.4%	-32,760	1,384,851	---	\$6.50
I-80 Corridor	94,241,142	9,405,705	10.0%	730,036	936,917	2,744,027	\$4.42
I-39 Corridor	54,150,777	3,873,519	7.2%	12,417	45,000	1,600,000	\$3.39
I-88 Corridor	67,948,053	6,938,287	10.2%	-639,894	1,755,023	---	\$5.59
Northwestern Indiana	51,142,212	2,486,911	4.9%	-492,790	233,887	174,092	\$4.22

Construction

The Chicago industrial market had 24 buildings totaling 5.8 msf delivered in the first quarter of 2020, including a 1.5 msf building in Plainfield, IL developed by Seefried Properties, Inc. that is fully occupied by Diageo. There currently is 16 msf of new space underway. This follows a robust year in 2019, when 65 new buildings totaling 18.8 msf come onto the market.

The submarkets with the largest amount of space under construction include the I-80 Corridor, with 7 buildings totaling 2.74 msf; the I-55 Corridor, with six buildings totaling 2.02 msf; and South Chicago, with five buildings totaling 1.76 msf.

Seven of the most notable buildings under construction are 400,000-sf and under, a sign of the market shifting to smaller spaces to fill tenant demand.

Investment

According to Real Capital Analytics, there was nearly \$2 billion in industrial sales in the first quarter of 2020, on par with the previous two quarters, which had \$2 billion (Q4 2019) and \$2.1 billion (Q3 2019) in sales. Over the last four quarters 563 properties have changed hands, with a total sales volume of \$6.8 billion.

Investment sales continued to garner strong pricing in the first quarter, with an Amazon transaction ranking as among the top sales. The e-commerce giant paid \$50.5 million, \$267 psf, for a 119-acre site at 200 Old Chicago Dr., Bolingbrook, IL, with plans to build a new facility. The seller was Cox Enterprises. Other notable sales include a 305,208-sf building at 200 Industrial Parkway, Minooka, IL, which Prologis sold to Lexington Realty Trust for \$39.1 million and a 596,712-sf building at 1501 Harris Rd., Libertyville, IL, which Medline Distribution sold to Dermody Properties for \$37.6 million.

“ Investors are taking a close look at their portfolios and reevaluating short and long-term strategies to try to maximize their market positions and minimize their exposure. We expect to see a renewed focus on core markets as well as growth markets that have proven themselves over time. We’re also seeing investors look more closely at the tenant makeup to ensure that the underlying business fundamentals are solid. ”



Erik Foster
Principal & Practice Leader, Industrial Capital Markets

Notable Q1 Industrial Leases

Tenant	Address	Submarket	Size (SF)	Type
Lowe's	1600 N Boudreau Rd, Manteno, IL	I-57 Corridor	1,380,351	New
Pactiv	1101 W Airport Rd, Romeoville, IL	I-55 Corridor	787,499	New
Amazon	23700 W Bluff Rd, Channahon, IL	I-80 Corridor	749,554	New
Unknown	2180-2380 Sullivan Rd, Aurora, IL	I-88 Corridor	530,937	New
Colony Display	601-605 Kingsland Dr, Batavia, IL	US-64 Corridor	488,571	New

Notable Q1 Sales Comps

Address	Size	Buyer	Seller	Sale Price	Price PSF
200 Old Chicago Dr, Bolingbrook, IL*	189,468	Amazon	Cox Enterprises	\$50,500,000	\$267
200 Industrial Pky, Minooka, IL	305,208	Lexington Realty Trust	Prologis	\$39,100,000	\$128
1501 Harris Rd, Libertyville, IL	596,712	Dermody Properties	Medline Distribution Center	\$37,600,000	\$63
6855 W 65th St, Bedford Park, IL	219,267	Morgan Stanley	Bridge Development	\$21,556,000	\$98
1717 W Harvester Rd, West Chicago, IL	465,940	Plymouth Industrial	The Blackstone Group	\$18,650,000	\$40

* Sold for land value/redevelopment project.

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Construction & Deliveries



Notable Q1 Construction [500,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	% Leased
I-39 Corridor	Gurler Rd, Dekalb, IL	1,600,000	BTS	Q2-2021	Trammell Crow Company	100%
I-80 Corridor	3501 Brandon Rd, Elwood, IL	1,128,145	Speculative	Q4-2020	CenterPoint Properties	0%
I-80 Corridor	I-55/Amoco Rd, Channahon, IL	1,100,000	BTS	Q4 2020	Venture One Real Estate	100%
South Chicago	3501 S Pulaski Rd, Chicago, IL	999,900	Speculative	Q2-2020	Hilco Real Estate	100%
Southern Wisconsin	120th Avenue, Pleasant Prairie, WI	590,525	BTS	Q2-2020	Venture One Real Estate	100%
I-55 Corridor	775 Veterans Pky, Bolingbrook, IL	573,752	Speculative	Q3-2020	Crow Holdings Industrial	0%
I-55 Corridor	14532 S Gougar Rd, Lockport, IL	542,944	Speculative	Q2-2020	ML Realty Partners LLC	0%
Lake County	Bridge Point North, Bldg IX, Waukegan, IL	500,000	Speculative	Q3-2020	Bridge Development Partners	0%
TOTAL		7,035,266				

Select Notable Q1 Deliveries [200,000+ SF]

Market	Building	NRA	Type	Developer	Major Tenants	% Leased
I-55 Corridor	25820 W 143rd St, Plainfield, IL	1,500,000	BTS	Seefried Properties Inc	Diageo	100%
I-88 Corridor	2000 Deerpath Rd, Aurora, IL	764,895	Speculative	Panattoni Development Co Inc	N/A	0%
South Chicago	S Woodlawn Ave, Chicago, IL	400,000	Speculative	Ryan Companies	N/A	0%
I-90 West/Elgin Corridor	2451 Bath Rd, Elgin, IL	326,272	Speculative	Scannell Properties	N/A	0%
West Cook	1801 N 5th Ave, Melrose Park, IL	252,000	Speculative	Ridgeline Property Group LLC	Amazon	100%
I-80 Corridor	Monee Corporate Center, Monee, IL	220,440	Speculative	Northern Builders Inc	Great Western Malting Co	100%
South Cook	6855 W 65th St, Bedford Park, IL	219,267	Speculative	Bridge Development Partners	N/A	0%
I-55 Corridor	599 S Schmidt Rd, Bolingbrook, IL	218,754	Speculative	Bridge Development Partners	N/A	0%
Southern Wisconsin	8500 116th St, Pleasant Prairie, WI	205,732	Speculative	Seefried Industrial Properties	Ta Chen International Inc	100%

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Large-Scale
Availabilities

Contiguous Blocks [Available Class A Space | 500,000+ SF]

Building Address	Submarket Name	City	State	Rentable Building Area	Max Building Contiguous Space	Building Status	Owner Name
1010 Taylor Rd	I-55 Corridor	Romeoville	IL	824,753	824,753	Existing	Molto Realty
1701 Remington Blvd	I-55 Corridor	Bolingbrook	IL	800,000	800,000	Existing	Clarion Partners
901-1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Existing	CT Realty Investors
775 Veterans Pky	I-55 Corridor	Bolingbrook	IL	573,752	573,752	Under Construction	Trammell Crow Residential
14532 S Gougar Rd	I-55 Corridor	Lockport	IL	542,944	542,944	Under Construction	ML Realty Partners LLC
3501 Brandon Rd	I-80 Corridor	Elwood	IL	1,128,145	1,128,145	Under Construction	CenterPoint Properties
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	1,026,000	1,026,000	Existing	Core5 Industrial Partners
24101 S Bradley Rd	I-80 Corridor	Channahon	IL	1,000,110	1,000,110	Existing	USAA Real Estate
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Existing	Location Finders International
30260 S Graaskamp Blvd	I-80 Corridor	Wilmington	IL	810,900	810,900	Existing	Elion Partners
2700 Ellis Rd	I-80 Corridor	Joliet	IL	689,515	689,515	Existing	CBRE Global Investors Ltd
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	671,040	671,040	Existing	Angelo, Gordon & Co
21100 SW Frontage Rd	I-80 Corridor	Shorewood	IL	1,000,053	507,187	Existing	Clarion Partners
2000 Deerpath Rd	I-88 Corridor	Aurora	IL	764,895	764,895	Existing	Panattoni Development Company Inc
Bridge Point North Building	Lake County	Waukegan	IL	500,000	500,000	Under Construction	Bridge Development Partners
2001 N Division St	McHenry County	Harvard	IL	619,590	619,590	Existing	Edward Gong
21700 Mark Collins Dr	South Cook	Sauk Village	IL	776,515	776,515	Existing	Warehouse Specialists, LLC



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Properties

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