

Chicago



Quick Stats

3.3%

As of November 2019, Chicago metro unemployment stood at 3.3%, down 20 basis points (bps) year-over-year.

Interest Rates

The Federal Reserve decreased interest rates to 1.5% - 1.75% in the fourth quarter.

New Construction

The Chicago industrial market saw 65 new buildings totaling 18.8 msf come into the market in 2019, with 18 msf currently underway across 78 buildings.

Cannabis & Warehouse Usage

2020 brought the legalization of recreational cannabis in Illinois, and with it a focus within the real estate industry on tracking how this will impact space utilization and employment.

Chicago Industrial Market

Chicago continues to experience a strong development cycle in the industrial sector, with 65 new buildings totaling 18.8 msf added to the market throughout 2019. As we look into the first quarter of 2020 there is plenty more on the way, with nearly another 18 msf under construction. The development is spreading out across the market and being absorbed at a steady pace, totaling 17.5 msf in 2019.

One new legislative development being eyed carefully for 2020 is the legalization of recreational cannabis with particular focus on its space utilization and employment. Early indicators point to a prosperous business section, as cannabis sales in the state totaled \$10.8 million over the first five days of the new year. The cannabis industry has had a positive impact in states where it has been legalized, reducing unemployment and increasing occupancy in less desirable big box and corner retail properties that can be easily converted to grow houses and dispensaries.

Chicago-based Cresco Labs, an integrated multistate cannabis operator, announced its revenues were up 184% year-over-year and 21% quarter-over-quarter in the third quarter of 2019. The global marijuana market increased by 37%

in 2018 and could grow even more as states legalize recreational cannabis across the country. Illinois is currently home to 21 cultivation centers, but they don't have enough product to supply the dispensaries, so growers could increase their space as soon as they are given clearance. Investors in the cannabis industry and its related real estate are unlikely to be disappointed as Illinoisans are buying the now-legal substance at high rates throughout the state.

While cannabis is likely to have an impact on the local level, it is not legal at the federal level. This means that many national and global space occupiers and investors might stay away from those properties that house cannabis operations due to concerns about operating across state lines.

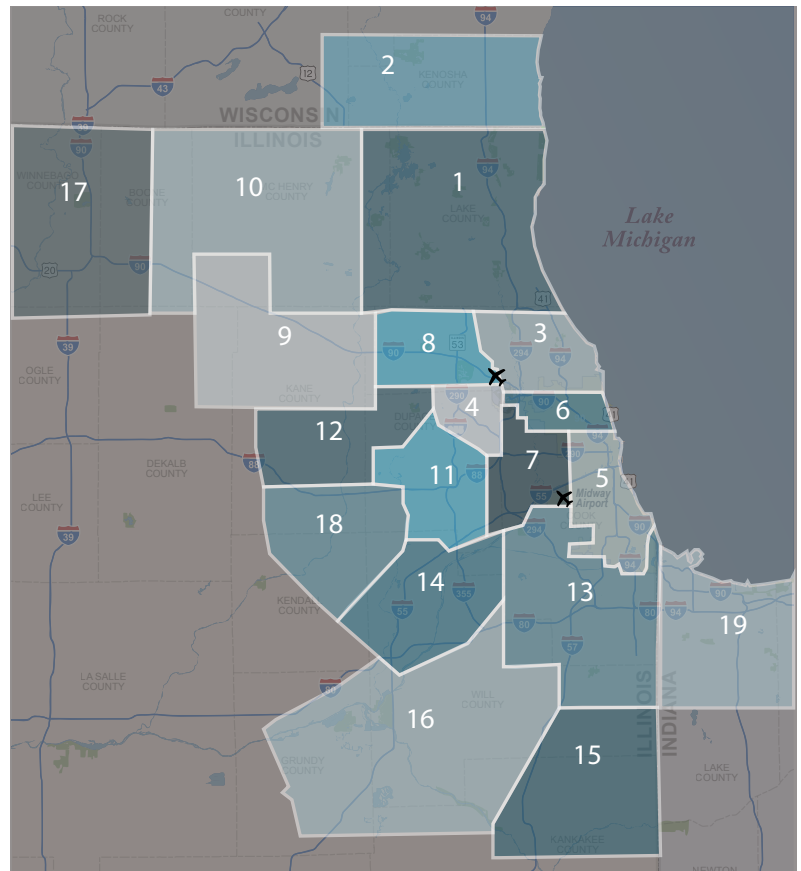
Economic Overview

The Chicago economic landscape continued to improve throughout the fourth quarter of 2019. As of November, the unemployment rate dropped 20 basis points (bps) year-over-year to 3.3%. The education and health services sector had the largest employment gain for the year ending November 2019, adding 15,600 jobs. This 2.1 percent job growth within the sector however, was lower than the nationwide increase of 2.9 percent.

Economic Overview (continued)

According to the Bureau of Labor Statistics, four Chicago area supersectors each lost 2,000 or more jobs over the year, including professional and business services (-5,300); trade, transportation and utilities (-2,300); construction (-2,100); and information technology (-2,000). On a national level, all those supersectors added jobs over the year.

Both DuPage and Cook County recorded the lowest unemployment rates in the region, posted at 2.5% and 3.3% respectively. The metropolitan area added 28,600 jobs as of November 2019, an increase of 0.6% year-over-year. Additionally, the BLS stated that the Chicago MSA had year-over-year employment increases each month since October 2010. Manufacturing jobs saw a modest increase year-over-year, up 1,100 as of November 2019.



Industrial Submarkets by the Numbers

Map Key	Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Leasing Activity (sf)	Under Construction	Avg Asking Rent
	Overall Market	1,114,243,790	69,155,184	6.2%	2,930,153	8,216,221	17,987,982	\$5.51
1	Lake County	71,122,579	2,872,126	4.0%	524,694	132,966	1,357,489	\$5.34
2	Southern Wisconsin	34,369,109	3,069,626	8.9%	-22,850	250,048	2,173,175	\$4.56
3	North Cook	42,095,137	1,922,043	4.6%	193,019	325,171	653,062	\$6.42
4	O'Hare	106,594,715	7,291,773	6.8%	-728,411	1,064,356	1,634,847	\$5.30
5	South Chicago Industrial	104,636,669	4,934,346	4.7%	83,269	453,313	1,858,779	\$6.90
6	North Chicago Industrial	54,901,915	2,811,018	5.1%	331,659	93,647	---	\$10.72
7	West Cook	58,088,960	2,612,088	4.5%	-41,382	995,031	611,135	\$7.50
8	I-90 East Corridor	22,868,731	851,418	3.7%	97,062	99,534	678,179	\$4.25
9	I-90 West/Elgin Corridor	33,921,122	825,826	2.4%	254,213	148,120	1,664,476	\$5.21
10	McHenry County	23,541,420	1,575,921	6.7%	131,597	29,488	---	\$4.88
11	East DuPage	27,658,497	964,752	3.5%	29,015	395,198	431,292	\$6.19
12	US-64 Corridor	72,275,837	4,215,872	5.8%	-270,375	817,736	1,918,398	\$5.41
13	South Cook	76,835,506	3,374,011	4.4%	-230,937	223,206	219,267	\$3.18
14	I-55 Corridor	98,488,193	9,951,414	10.1%	-835,479	1,379,059	3,290,149	\$5.93
15	I-57 Corridor	20,933,553	1,738,093	8.3%	170,366	---	---	\$6.50
16	I-80 Corridor	93,846,756	9,837,019	10.5%	1,656,504	501,906	558,747	\$4.48
17	I-39 Corridor	54,175,220	3,620,936	6.7%	980,157	851,820	---	\$3.43
18	I-88 Corridor	67,197,889	4,656,836	6.9%	552,736	422,706	764,895	\$5.64
19	Northwestern Indiana	50,691,982	2,030,066	4.0%	55,296	32,916	174,092	\$4.41

Vacancy & Availability

Industrial vacancy remained at 6.2% in the fourth quarter, with 2.9 msf of absorption and 8.2 msf of leasing activity. Markets with the lowest vacancy included the I-90 West/Elgin Corridor, the East DuPage Submarket, and the I-90 East Corridor, which boasted 2.4%, 3.5% and 3.7% vacancy respectively. East DuPage and I-90 East are landlocked corridors with limited new construction, and both are relatively close to O'Hare Airport. The I-90 West/Elgin corridor continues to have a low vacancy despite 1.7 msf of new construction currently underway. High-vacancy submarkets include the I-80 Corridor, I-55 Corridor, and Southeastern Wisconsin, which came in at 10.5%, 10.1% and 8.9% respectively. The I-80 corridor is recovering from a 13.1% vacancy during the third quarter, which came from a glut of new speculative construction that recently began to lease. With just 558,747sf currently under construction, demand is beginning to catch up with supply in this far south suburban submarket.

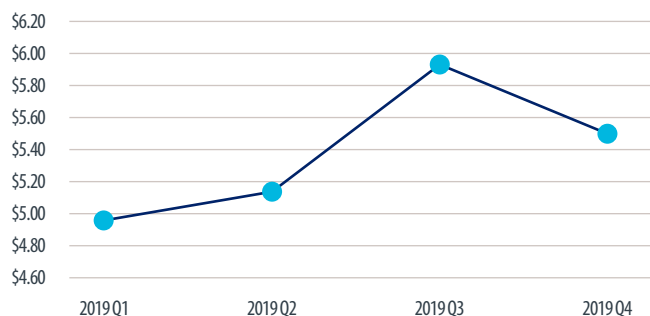
Absorption & Demand

Net absorption was up in 2019 to 17.5 msf from 16.2 msf in 2018, with 1,083 leases signed over the course of the year. Just over 2.9 msf of absorption occurred during the fourth quarter. The two largest leases of the fourth quarter were both in the I-55 Corridor. RJW Logistics leased 543,780 sf at 20100 Renwick Road in Romeoville, while Geodis leased 400,400 sf at 901-1001 W. Bluff Road in Romeoville. Despite these two leases, the submarket saw negative absorption of 835,479 sf due to its high levels of new construction. The I-80 Corridor submarket fared well regarding absorption, with DSC Logistics, LeSaint Logistics LLC, and Walmart all signing large leases during the fourth quarter, contributing to a total of 1.65 msf of positive absorption in that submarket. Logistics and ecommerce tenants continue to lead the way in absorbing space across the Chicago industrial market. These companies are quickly leasing up much of the new construction completed over the course of 2019.

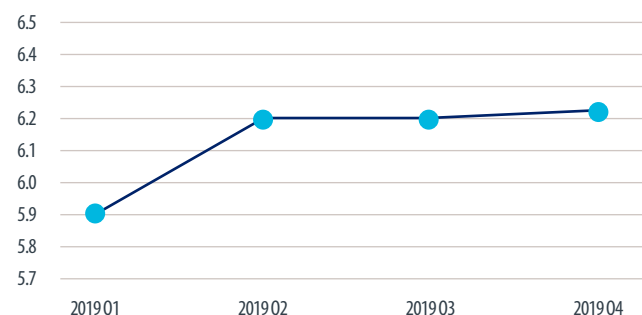


The I-55 Corridor observed the highest activity within Chicagoland with 1.3 msf leased within the fourth quarter of 2019.

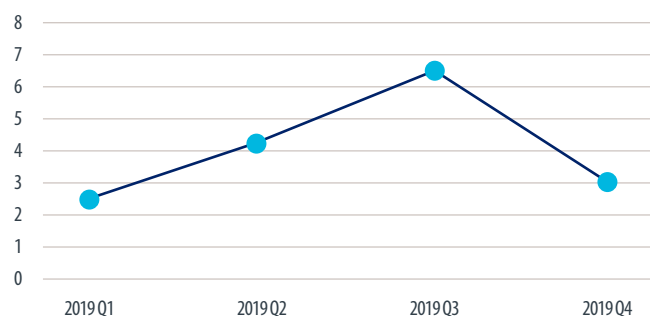
Average Asking Rental Rate (\$)



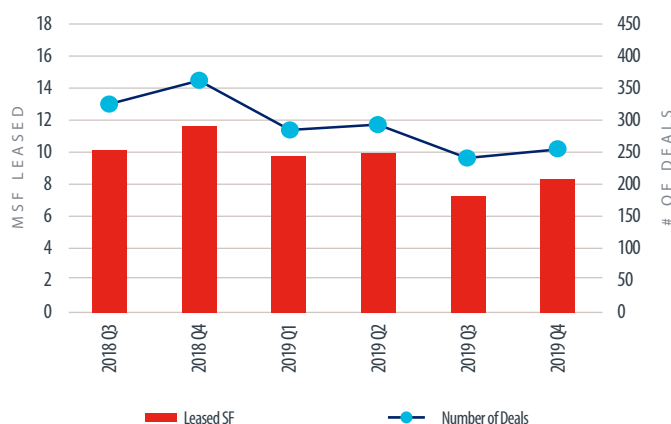
Vacancy Rate (%)



Net Absorption (MSF)



Leasing Activity



Construction

The Chicago industrial market saw 65 new buildings totaling 18.8 msf come onto the market in 2019. Construction is continuing at high levels, with 6.4 msf being built in eight buildings over 500,000 sf, and 18 msf of total construction currently underway.

Three of the largest new buildings are in the I-55 Corridor submarket: The 1.5 msf building at Steiner Road and 143rd Street in Plainfield, the 573,752 sf building at 775 Veterans Parkway in Bolingbrook and the 542,944 sf building at 14532 S. Gougar Road in Lockport. The 1.5 msf building is a build-to-suit for Diageo who will occupy the entire structure, while the other two buildings were built on spec. In the city's South Chicago submarket, a 999,900 sf building at 3501 S. Pulaski is being built on spec by Hilco Real Estate, while Logistics Property Company is working on a 932,400 sf spec building at 3217 136th Street in Kenosha, WI. Chicago construction has remained steady over the past several quarters, although it is migrating from the far reaches of the I-80 Corridor and the Southeastern Wisconsin submarket to be spread more evenly throughout infill and other locations.

Investment

Individual property sales were strong in Chicago throughout the fourth quarter, with price psf ranging from \$66 to \$226. The largest individual property sale was the 637,517 sf building located at 1800 W. Central Road in Mount Prospect, which Ares Real Estate Management Holidays LLC bought from Colony Capital for \$42.3 million. Other large sales included PGIM, Inc.'s sale of the 316,680 sf building at 3348 S. Pulaski Road in Chicago to LBA Realty (\$38.5 million); Pure Development's sale of the 158,000 sf building at 100 Bowes Road in South Elgin to Intercontinental Real Estate Corporation (\$35.6 million); and Distribution Realty Group LLC's sale of the 190,226 sf building at 220 N. York Road in Bensenville to Metlife, Inc. (\$24.9 million). More portfolio sales may be on tap for 2020 as large investors continue to show interest in distribution center properties, particularly those sold as portfolios.

Notable Q4 Industrial Leases

Tenant	Address	Submarket	Size (SF)	Type
RJW Logistics	20100 Renwick Road, Romeoville, IL	I-55 Corridor	543,780	New
Geodis	901-1001 W Bluff Road, Romeoville, IL	I-55 Corridor	400,400	New
UNKNOWN	365 E North Avenue, Carol Stream, IL	US-64 Corridor	381,600	New
Nexus Distribution	6220 W 73rd Street, Bedford Park, IL	South Cook	380,269	Renewal

Top 2019 Industrial Leases

Tenant	Address	Submarket	Size (SF)	Type
Target	3300 Channahon Road, Joliet, IL	I-80 Corridor	1,220,140	New
Amazon	I-55/Amoco Road, Channahon, IL	I-80 Corridor	1,100,000	New
UNIS	3901 Brandon Road, Joliet, IL	I-80 Corridor	826,755	New
LTD Commodities	1000 Bilter Road, Aurora, IL	i-88 Corridor	694,367	Renewal

Notable Q4 Sales Comps

Address	Size	Buyer	Seller	Sale Price	Price PSF
1800 W Central Road, Mount Prospect, IL	637,517	Ares Real Estate Mgmt Holdings	Colony Capital Inc	\$42,300,000	\$66
3348 S Pulaski Road, Chicago, IL	316,680	LBA Realty	PGIM, Inc	\$38,500,000	\$122
100 Bowes Road, South Elgin, IL	158,000	Intercontinental Real Estate Corp	Pure Development	\$35,674,667	\$226
220 N York Road, Bensenville, IL	190,226	MetLife, Inc	Distribution Realty Group LLC	\$24,920,000	\$131

Top 2019 Sales Transactions

Address	Size	Buyer	Seller	Sale Price	Price PSF
5959 W Howard Street, Niles, IL	314,202	SEDCO Capital	Scannell Properties	\$84,262,035	\$268
930 W Evergreen Avenue, Chicago, IL	280,500	Greenfield Partners	Mars	\$73,284,000	\$261
1800 W Central Road, Mount Prospect, IL	637,517	Ares RE Management Holdings LLC	Colony Capital Inc	\$42,300,000	\$66
2500 S Damen Avenue, Chicago, IL	128,200	Lineage Logistics	AAG Management	\$40,000,000	\$312

CHICAGOLAND

Construction
& Deliveries

Notable Q4 Construction [500,000+ SF Projects]

Market	Building	NRA	Type	Delivery Date	Developer	% Leased
I-55 Corridor	Steiner Rd & 143rd St, Plainfield, IL	1,500,000	BTS	Q1-2020	Seefried Properties	100%
South Chicago	3501 S Pulaski Rd, Chicago, IL	999,900	Speculative	Q2-2020	Hilco Real Estate	0%
Southern Wisconsin	3217 136th Ave, Kenosha, WI	932,400	Speculative	Q3-2020	Logistics Property Company	0%
I-88 Corridor	I-88 & Orchard Rd, Aurora, IL	764,895	Speculative	Q3-2020	Panattoni Development Co	0%
Southern Wisconsin	120th Avenue & 122nd St, Pleasant Prairie, WI	590,525	BTS	Q2-2020	Venture One Real Estate	100%
I-55 Corridor	775 Veterans Pky, Bolingbrook, IL	573,752	Speculative	Q2-2020	Trammell Crow	0%
I-55 Corridor	14532 S Gougar Rd, Lockport, IL	542,944	Speculative	Q1-2020	ML Realty Partners	0%
Lake County	Bridge Point North, Bldg IX, Waukegan, IL	500,000	Speculative	Q3-2020	Bridge Development Partners	0%

TOTAL 6,404,416

Select Notable Q4 Deliveries [100,000+ SF]

Market	Building	NRA	Type	Developer	Major Tenants	% Leased
I-80 Corridor	1600 Rock Run, Joliet, IL	137,640	Speculative	Janko Group	N/A	0%
I-88 Corridor	945 Corporate Dr, Aurora, IL	274,664	Speculative	Molto Properties	N/A	0%
I-88 Corridor	2350 Frieder Ln, Aurora, IL	503,244	Speculative	Sterling Bay	N/A	0%
I-90 West/Elgin Corridor	100 Bowes St, Elgin, IL	158,000	BTS	Pure Development	Wayfair, Inc	100%
Lake County	1765 Butterfield Rd, Libertyville, IL	126,611	BTS	Pharma Logistics	Pharma Logistics	60%
O'Hare	801 Innovation Dr, Elk Grove Village, IL	128,550	Speculative	Brennan Investment Group	N/A	0%
South Chicago	10636 S Woodlawn Ave, Chicago, IL	100,000	BTS	Gotham Greens Farms LLC	Gotham Greens	100%
Southern WI	4306 120th Ave, Building 2, Kenosha, WI	287,741	Speculative	Ridge Development	N/A	0%
US-64 Corridor	2525 Enterprise Circle, West Chicago, IL	303,601	Speculative	Midwest Industrial Funds	N/A	0%
West Cook	1800 5th Ave, Melrose Park, IL	236,000	Speculative	Ridgeline Property Group, LLC	Amazon	100%

CHICAGOLAND

Large-Scale
AvailabilitiesContiguous 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
1101 W Airport Rd	I-55 Corridor	Romeoville	IL	787,499	787,499	Existing	Prologis, Inc
901 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Existing	CT Realty Investors
14532 S Gougar Rd	I-55 Corridor	Lockport	IL	542,944	542,944	Under Construction	ML Realty Partners LLC
1701 Remington Blvd	I-55 Corridor	Bolingbrook	IL	800,000	800,000	Existing	Clarion Partners
1010 Taylor Rd	I-55 Corridor	Romeoville	IL	824,753	824,753	Existing	Molto Properties LLC
775 Veterans Pky	I-55 Corridor	Bolingbrook	IL	573,752	573,752	Under Construction	Trammell Crow Residential
2700 Ellis Rd	I-80 Corridor	Joliet	IL	689,515	689,515	Existing	CBRE Global Investors Ltd
3901 Rock Creek Blvd	I-80 Corridor	Joliet	IL	464,400	464,400	Existing	CBRE Global Investors Ltd
23700 W Bluff Rd	I-80 Corridor	Channahon	IL	749,554	749,554	Existing	IDI Logistics
24101 S Bradley Rd	I-80 Corridor	Channahon	IL	1,000,110	1,000,110	Existing	USAA Real Estate
21100 SW Frontage Rd	I-80 Corridor	Shorewood	IL	1,000,053	507,187	Existing	Clarion Partners
30260 Graaskamp Blvd	I-80 Corridor	Wilmington	IL	810,900	810,900	Existing	Elion Partners
1023 E Laraway Rd	I-80 Corridor	Joliet	IL	1,026,000	1,026,000	Existing	Core5 Industrial Partners
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	671,040	671,040	Existing	Angelo, Gordon & Co
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Existing	Location Finders International
2350 Frieder Ln	I-88 Corridor	Aurora	IL	503,244	503,244	Existing	Theodore Novak
I-88 & Orchard Rd	I-88 Corridor	Aurora	IL	764,895	764,895	Under Construction	Panattoni Development Co, 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
3501 S Pulaski Rd	South Chicago	Chicago	IL	999,900	999,900	Under Construction	Hilco Redevelopment Partners
21700 Mark Collins Dr	South Cook	Sauk Village	IL	776,515	776,515	Existing	Warehouse Specialists, LLC
3217 136th Ave	Southern WI	Kenosha	WI	932,400	932,400	Under Construction	Logistics Property Company, LL C



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