



# Chicago industrial market report

Q4 2022

**AVISON  
YOUNG**

# Chicago industrial market trends

## 16%

### Sublease availabilities trending upwards

Sublease availabilities have been on the rise as many companies overextended themselves during COVID-19 due to high demand. They are now starting to give back some of that space as they navigate the new norm after COVID-19 and continue to monitor supply chain concerns. Total sublet availability within the Chicago market increased 16% when compared to 2021.

## 53 msf

### Leasing activity in 2022

Overall leasing activity in 2022 has softened when compared to historical highs during the pandemic; however, overall demand remains strong. Pricing has remained stable although, it may plateau in 2023. 7.4 msf of industrial space was leased in Q4, with 53 msf leased throughout 2022, representing a 30.8% decline year-over-year. The leasing volume in Chicago; however, is 10 msf higher than the 20-year average.

## 4.0%

### Vacancy decreased to record low

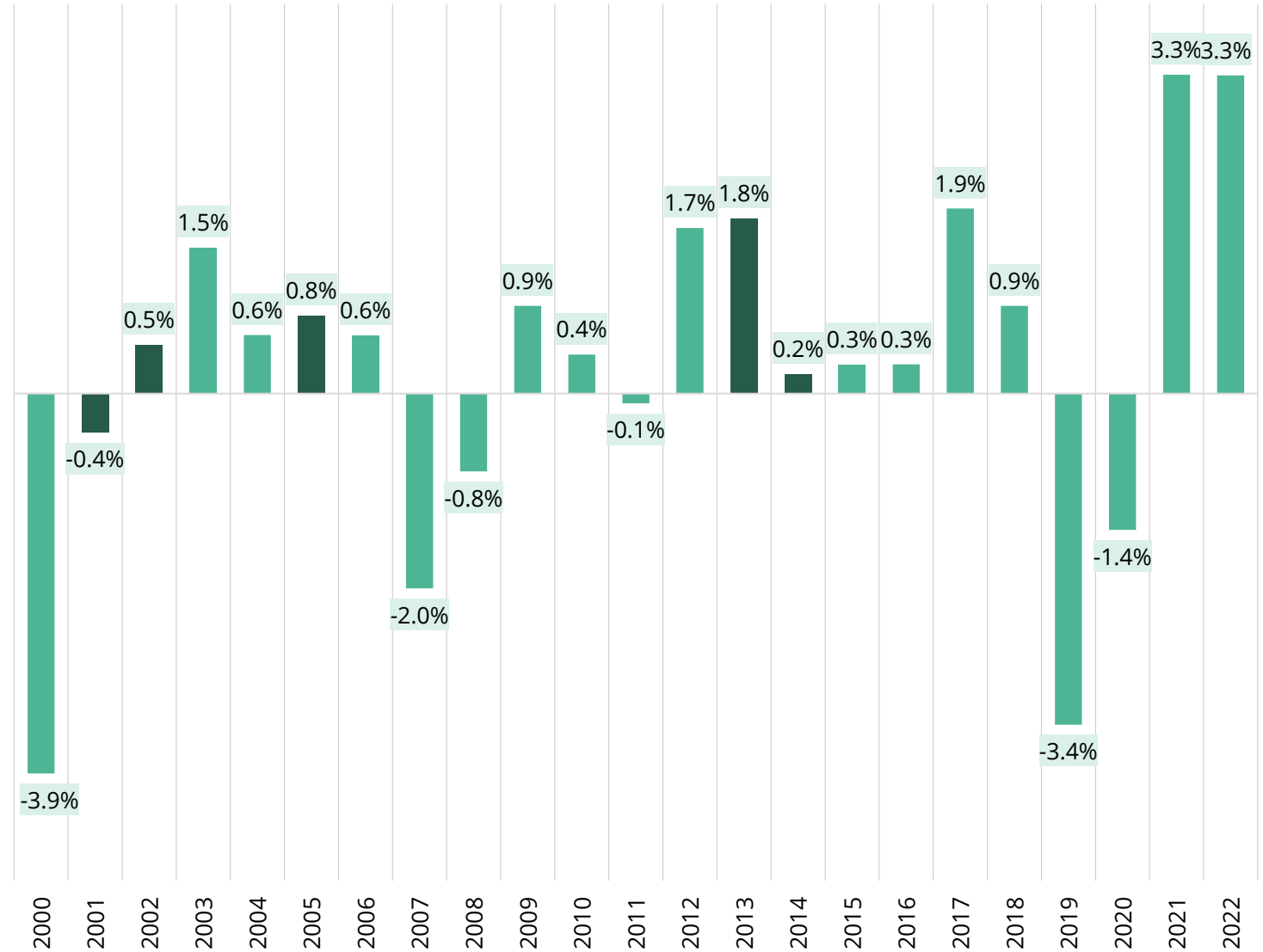
Vacancy decreased to 4% — a record low for the Chicago industrial market — in spite of 28.9 msf of new inventory added in 2022, underscoring the overall strength of the market. Fourteen of the twenty Chicago industrial submarkets record a vacancy rate below 5%, a strong indicator of the robust demand across the market.

# Net absorption as a share of inventory

# 6.6%

net absorption as a percentage of inventory from 2021 through 2022

Record-breaking absorption has continued to push vacancy to an all-time low; however, leasing activity has softened when compared to historical highs observed during the pandemic, signaling a possible decline in net absorption.



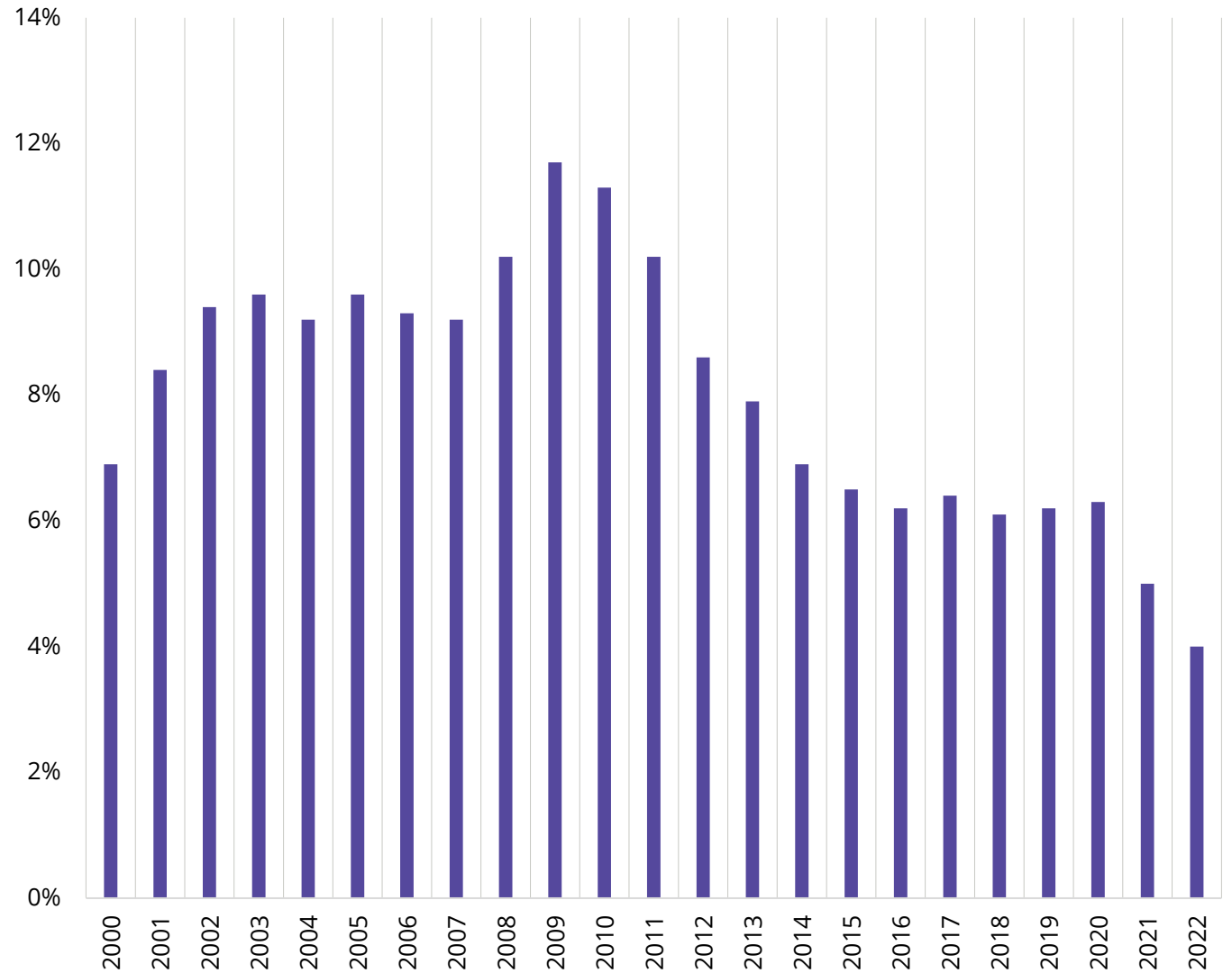
Source: AVANT by Avison Young, CoStar

# Chicago vacancy rate

# 4.0%

overall vacancy is at an all-time low

Vacancy has reached an all-time low of 4.0% at the end of 2022, with record-breaking construction activity and absorption highlighting the overall strength of market fundamentals. Fourteen of the twenty submarkets within Chicago remain below 5% vacancy.



Source: AVANT by Avison Young, CoStar

# Chicago development activity

# 28.9 msf

delivered to the Chicago market in 2022 with a total of 33.4 msf currently under construction

The I-80 corridor, Southern WI and the South I-55 corridor submarkets remain the most active submarkets in terms of construction activity, recording roughly 15.1 msf of new development.



# Industrial development pipeline

**99 properties**

under construction

**33.4 msf**

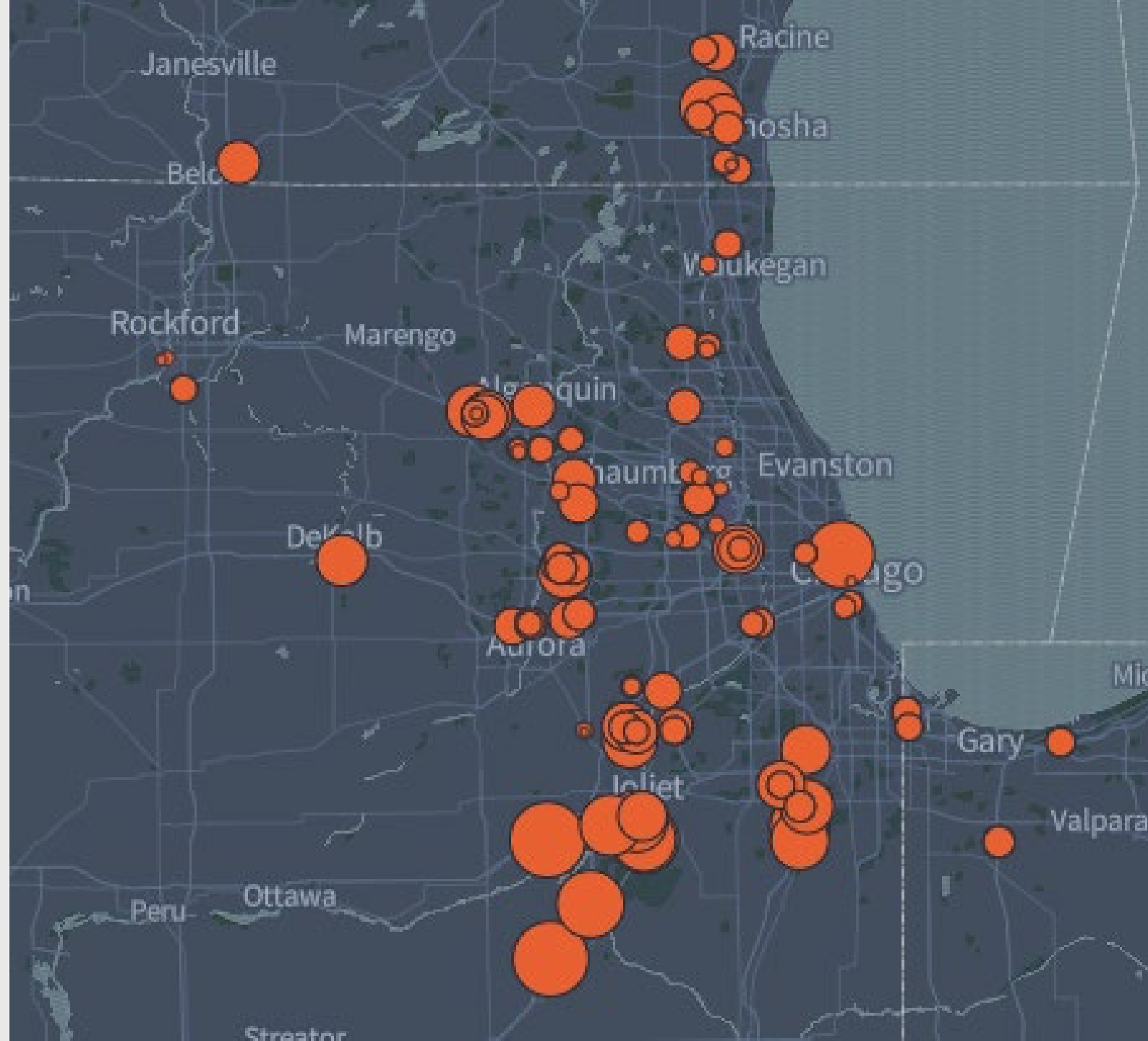
under construction

**3.1%**

share of industrial inventory

**14.8 msf**

pipeline for 750,000+sf buildings, indicating the demand for big box inventory

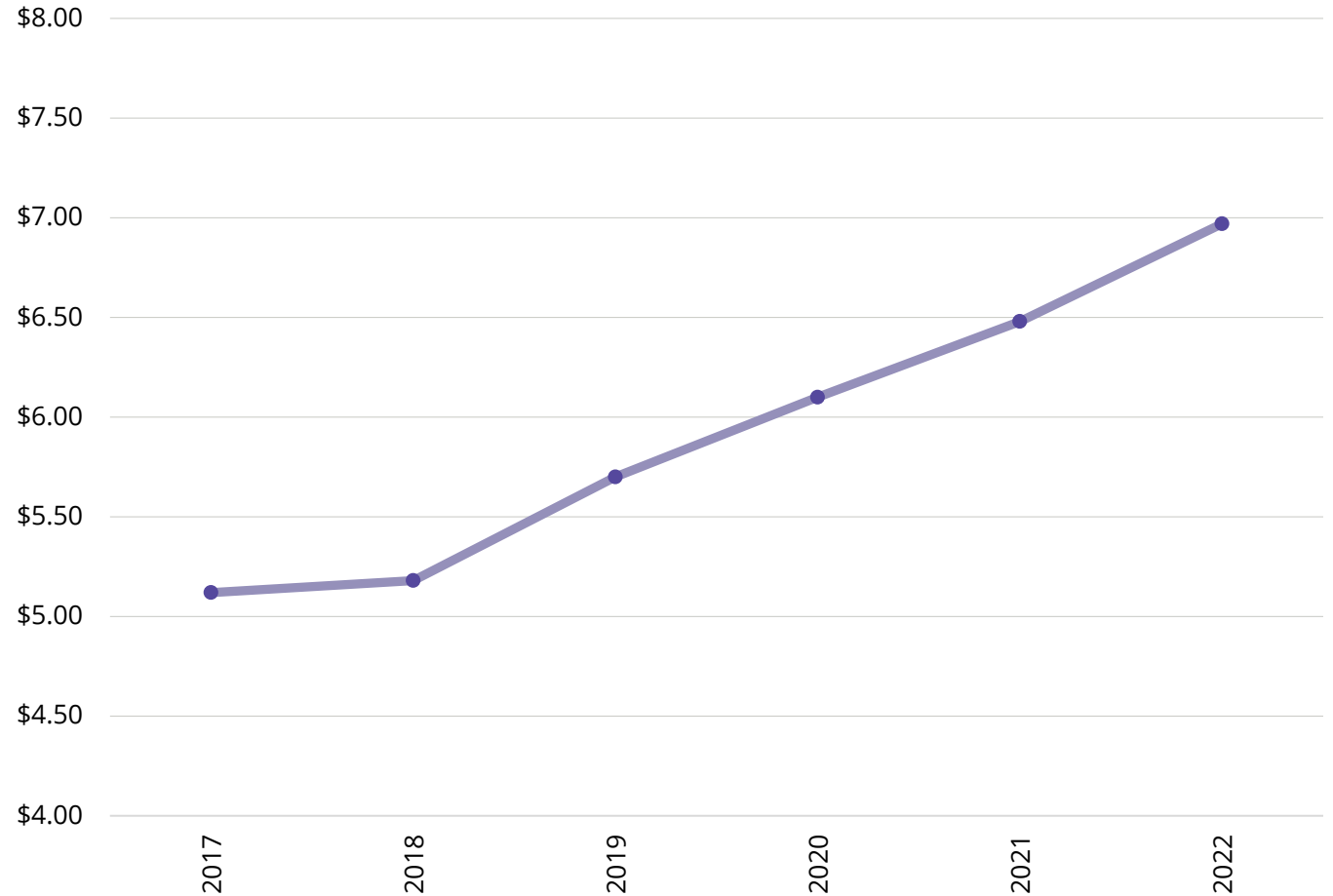


# Chicago NNN asking rents

# \$6.97 psf

Rental rate increased 7.5% compared to 2021.

Pricing has remained stable although, may start to trend downward from the current year-over-year increase of 7.5%. Average annual escalations have decreased slightly to 3.5% and longer-term transactions are now starting to close.



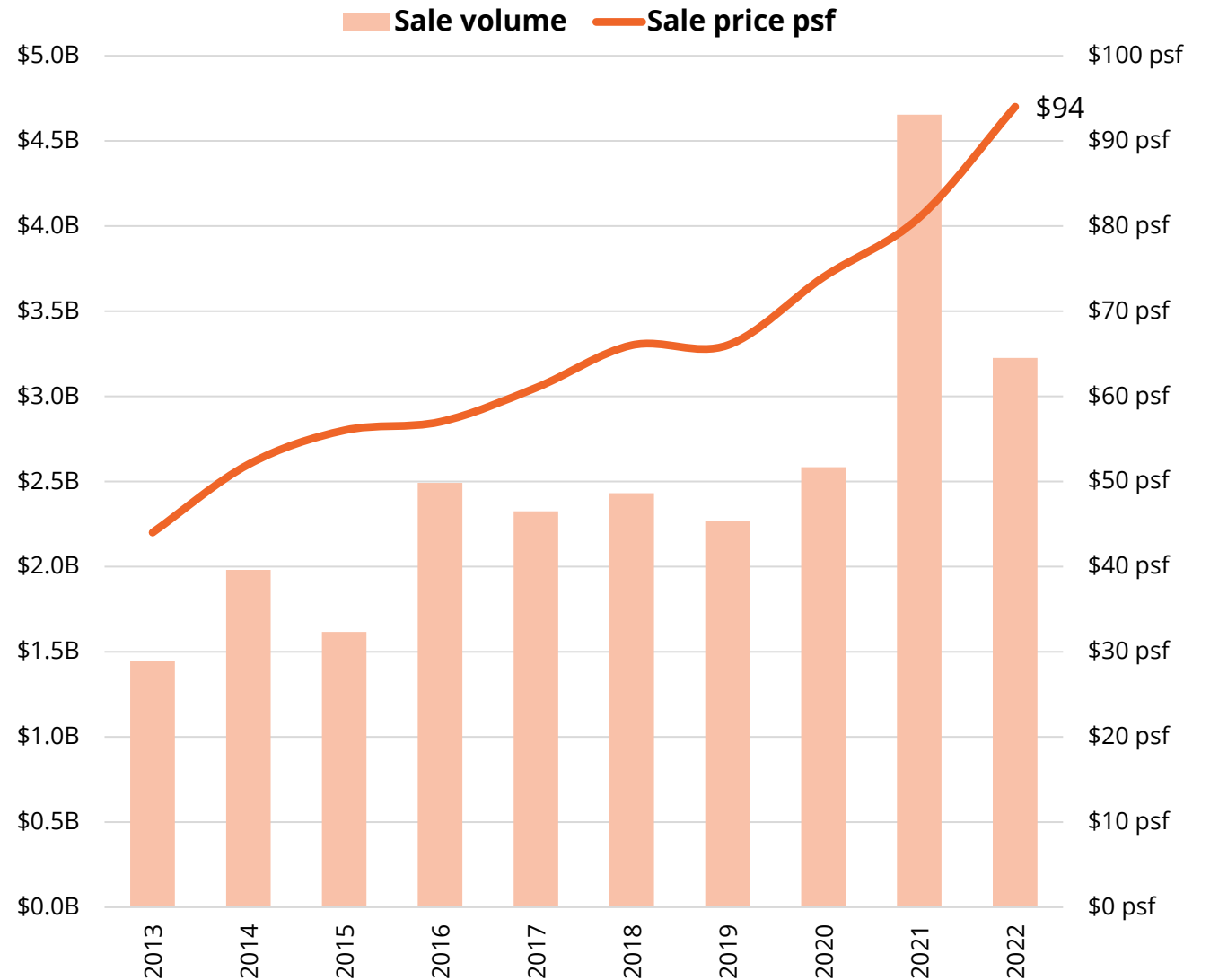
Source: AVANT by Avison Young

# Chicago investment sales activity and price

# \$3.2 B

Investment activity down 30.6% compared to the year prior.

Overall investment activity decreased from the highs of 2021 however remain 33.1% higher than the 10 year historical average.





# Chicago industrial market activity

## Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
PrimeSource	30350 S Graaskamp Blvd, Wilmington, IL	11/2022	1,019,200	Direct	New	I-80 Corridor
Diageo	1701 Remington Blvd, Bolingbrook, IL	12/2022	800,000	Direct	Renewal	South I-55 Corridor
DS Waters of America	10220 Werch Dr, Woodridge, IL	11/2022	367,999	Direct	Renewal	South I-55 Corridor

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Oak Street Real Estate Capital	777 W Chicago Ave, Chicago, IL	11/2022	49,918	\$200,000,000	\$417.00	Tribune Publishing
Oak Street Real Estate Capital	7450 McCormick Blvd, Skokie, IL	12/2022	1,000,005	\$53,294,000	\$53.29	Tenneco
Cabot Properties	230-260 E Lies Rd, Carol Stream, IL	12/2022	347,440	\$32,800,000	\$94.40	Stockbridge Capital Group

## Top projects under development

Property	Address	Delivery Date	Building size (sf)	% Released	Developer	Submarket
Minooka Distribution Center	11075 McLinden Rd, Minooka, IL	11/2023	1,500,800	100%	Molto Properties	I-80 Corridor
Third Coast Intermodal Hub	SWC Millsdale & Route 53, Joliet, IL	07/2023	1,218,120	0%	NorthPoint Development	I-80 Corridor
	1237 Division St, Chicago, IL	07/2024	1,184,800	0%	Logistics Property	North Chicago

# Chicago industrial market stats

Submarket	Existing inventory (sf)	Deliveries YTD (sf)	Under development (sf)	Direct vacancy	Sublet vacancy	Total vacancy	4Q 2022 Net Absorption	YTD Net Absorption
Southern Wisconsin	43,527,187	6,037,652	4,755,083	8.8%	0.1%	8.9%	1,267,026	4,231,509
I-39 Corridor	60,480,400	141,360	3,300,165	5.6%	0.2%	5.9%	331,566	593,644
McHenry County	24,775,761	22,000	488,759	7.7%	0.0%	7.7%	37,477	77,301
Lake County	73,914,197	102,107	853,313	4.1%	0.3%	4.4%	426,616	1,589,722
I-90 West/Elgin	37,260,675	1,708,249	40,800	3.6%	0.4%	4.0%	54,513	2,366,651
I-90 East	25,262,371	546,076	821,648	6.3%	0.2%	6.5%	493,741	514,973
North Cook	43,181,168	601,276	0	3.5%	0.0%	3.5%	307,446	987,933
O'Hare	110,175,923	1,386,943	1,019,743	3.1%	0.3%	3.4%	329,259	1,044,144
Fox River Valley	38,321,158	2,032,743	1,570,832	3.0%	0.0%	3.0%	793,496	1,844,910
Central DuPage	69,966,385	908,431	471,288	2.4%	0.1%	2.5%	84,423	2,170,880
West Cook	40,693,425	941,945	818,058	1.6%	0.3%	2.0%	119,572	1,549,323
North Chicago	55,244,732	0	1,326,160	7.8%	0.2%	8.0%	333,827	21,289
I-88 Corridor	68,306,116	1,162,209	725,696	3.4%	0.5%	3.9%	634,730	2,466,113
South I-55	104,157,727	3,238,413	4,073,285	2.2%	0.0%	2.2%	(576,104)	8,228,850
North I-55	51,508,957	868,800	409,245	1.4%	0.3%	1.7%	399,629	1,680,753
South Chicago	108,477,011	943,295	300,192	3.9%	0.0%	3.9%	701,775	2,295,530
South Cook	57,647,721	1,096,450	1,696,554	4.5%	0.1%	4.6%	294,690	1,199,364
NW Indiana	51,690,001	762,598	2,488,328	6.0%	0.2%	6.2%	(51,694)	334,767
I-80 Corridor	98,560,254	6,439,360	7,384,080	3.7%	0.2%	3.9%	1,351,094	4,802,877
I-57 Corridor	30,967,237	0	897,000	2.2%	0.1%	2.3%	1,839,738	2,633,468
<b>Market Total</b>	<b>1,194,118,406</b>	<b>28,939,907</b>	<b>33,440,229</b>	<b>3.8%</b>	<b>0.2%</b>	<b>4.0%</b>	<b>7,412,917</b>	<b>38,996,241</b>

# Industrial insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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## Putting people and the planet first

There is a vital role for our sector to create healthy, productive workplaces for employees, cities that are centers of prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

**Global ESG Report**



## Manufacturing in motion

Reshoring and nearshoring are not new topics in the U.S., but they do have new life – and perhaps for good cause. In the past it's only produced inconsistent results across industries and is continuing to ebb and flow over time and within the American psyche.

**U.S. reshoring and nearshoring**



## Tracking U.S. employment trends

Rising layoffs and declining job postings are also indicating that the economy is becoming distressed. Employment data and industries are analyzed across cycles for a real-time and historical look at economic conditions.

**U.S. Employment Overview**

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