

Chicago



Quick Stats

6.4% Vacancy

Chicago's industrial sector showed continued resilience with vacancy at 6.4%, a slight decrease from 6.5% in the previous quarter.

Leasing Activity

I-80, O'Hare and the US-64 Corridor witnessed the most leasing activity within Q3 2020 with a total of 4.5 msf and represented 45% of all leasing activity within the market.

Construction

The Chicago industrial market has 7 Properties currently under construction that are over 1 msf and 5 of the 7 are build-to-suits, as tenants look for more customization of their space.

New Inventory

A total of 15.8 msf has been delivered to that Chicago Industrial market year-to-date 2020.

Chicago Industrial Market

Development and leasing activity continued at a strong pace in Chicago's industrial sector during Q3 2020, as ecommerce and logistics businesses try to keep pace with demand for consumer, grocery and medical supply products during the pandemic.

There is 20.5 msf of construction underway, with an additional 5.8 msf delivered in Q3 2020. This follows several record years for development that brought 50.3 msf of new deliveries from Q1 2018 through Q3 2020.

As ecommerce continues to expand and evolve, there is a growing focus on finding hyper-localized delivery centers to support "last touch" fulfillment to dense population areas. Given the shortage of land or suitable existing buildings in infill locations, some developers are scrambling to find sites. Others are exploring converting obsolete retail or movie theater locations into distribution, warehouse or fulfillment use.

These types of redevelopments can take many forms -- from full conversions to industrial to hybrid developments that combine in-store retail with warehouse space. The conversion of retail sites to industrial usage has its challenges, however, and is a broader theme that is likely to shape the industrial sector for years to come. Not all municipalities will be open to the idea because of the potential for lost sales tax revenue and increased truck traffic.

The expansion in ecommerce is also having an impact on the trucking and transportation industry. Many companies are looking for new facilities that can accommodate repair and trailer storage -- for ecommerce and other trucking industry activity. Industrial sites that support the parking and other features needed by the transportation industry are also in short supply. It is also difficult to obtain approval for new development of these types of facilities because of heavy trucking.

Vacancy & Availability

Chicago's industrial sector showed continued resilience in the third quarter, with vacancy at 6.4%, a slight decrease from 6.5% in the previous quarter. Net absorption reached 4.68 msf, up from 3.6 msf in Q2 2020.

The largest shift in vacancy occurred in the I-57 Corridor, where a shuttered Kmart distribution center at 333 S. Spruce St., Manteno IL, came onto the market, resulting in a 730 basis point (bps) jump in vacancy from 2% to 9.3%. Conversely, the I-88 Corridor saw a decrease from 10.2% to 7.8%, following Amazon's lease of 291,345 sf at 3800 Finley Rd and 212,937 sf at 3700 Lacey Rd., both in Downers Grove, IL.

In the I-90 West/Elgin Corridor, vacancy rose 210 bps, from 5.9% to 8%, with the addition of five new buildings totaling 989,124-sf. And, in the US-64 corridor, vacancy increased from 5.2% to 6.6%, with negative net absorption of 167,235 sf. This follows a much stronger second quarter where net absorption was positive, at 1.1 msf. The East DuPage submarket had the lowest vacancy rate of the quarter, at 2.8%, with 458,488 sf of net absorption.

A look at the two leading big box markets shows that vacancy dropped 8.9% to 7.6% in I-80 and edged up slightly from 8.1% to 8.2% in I-55. Net absorption in I-80 was 1.6 msf, down from 2.5 msf in Q2 2020 and was 995,950 sf in I-55, up from 628,735 sf in Q2 2020.

We are seeing strong demand from retailers, e-tailers and consumer products companies looking for regional distribution centers in outlying areas where large enough land sites can still be acquired. There is also considerable demand for infill space to support the final touch of the fulfillment process and can help meet the delivery expectations of today's consumers.

Adam Haefner
Principal, Industrial Services



Industrial submarkets by the numbers

Submarket	Inventory (SF)	Vacancy (SF)	Vacancy (%)	Net Absorption	Leasing Activity (SF)	Under Construction	Average Asking Rent
Overall Market	1,135,005,996	76,179,678	6.40%	4,680,365	10,022,638	20,551,635	\$5.51
Lake County	70,994,397	4,692,914	6.6%	(415,510)	627,732	2,133,892	\$5.30
Southern WI	35,387,087	2,557,488	7.2%	(98,000)	15,225	1,453,231	\$4.63
North Cook	42,400,515	1,878,559	4.4%	214,578	331,155	60,000	\$6.06
O'Hare	108,201,679	8,939,940	8.3%	1,148,560	1,294,390	514,523	\$5.98
South Chicago Industrial	106,114,942	5,116,772	4.8%	835,846	165,770	1,879,544	\$5.46
North Chicago Industrial	54,543,724	3,344,067	6.1%	(69,320)	276,349	0	\$9.89
West Cook	58,296,400	2,290,794	3.9%	32,099	660,480	0	\$7.13
I-90 East Corridor	24,178,586	1,849,637	7.6%	(6,201)	320,769	0	\$4.38
I-90 West/Elgin Corridor	36,432,236	2,902,488	8.0%	163,013	488,657	290,603	\$5.14
McHenry County	24,160,318	2,099,674	8.7%	77,843	78,000	0	\$5.00
East DuPage	27,909,391	795,237	2.8%	458,488	237,964	367,200	\$6.21
US-64 Corridor	73,397,475	4,825,728	6.6%	(167,235)	1,013,755	1,154,050	\$5.84
South Cook	78,134,264	3,691,086	4.7%	145,068	165,567	850,000	\$3.30
I-55 Corridor	101,628,801	8,321,970	8.2%	995,950	861,138	1,619,930	\$5.93
I-57 Corridor	21,138,059	1,969,276	9.3%	(1,545,006)	10,000	1,015,000	\$4.75
I-80 Corridor	96,905,449	7,390,525	7.6%	1,582,583	2,222,434	7,527,162	\$4.64
I-39 Corridor	54,515,941	3,870,939	7.1%	(180,490)	566,054	1,660,000	\$3.52
I-88 Corridor	68,138,090	5,289,445	7.8%	1,690,399	311,281	0	\$6.57
Northwestern Indiana	52,528,642	4,353,139	8.3%	(182,300)	375,918	26,500	\$4.23

Absorption & Demand

Leasing activity remained strong in Q3 2020, with activity reaching 10 msf across 272 transactions. This activity is an increase from 9.3 msf across 232 transactions in Q2 2020. The last four quarters have seen a total of 43.5 msf of leasing in 1,075 transactions.

Submarkets with the highest amount of leasing activity in Q3 2020 were I-80 (2.2 msf), O'Hare (1.3 msf) and the US-64 Corridor (1 msf).

Net absorption was 4.68 msf for the quarter. Submarkets with the highest net absorption included the I-88 Corridor (1.7 msf), the I-80 corridor (1.6 msf), and O'Hare (1.1 msf).

Among the notable leases signed were a 1.03 msf lease by General Motors at 1023 Laraway Rd., Joliet, IL, in the I-80 Corridor; a 570,028 sf lease by McKesson Corporation at 1125 W. Sycamore Rd., Manteno, IL in the I-57 Corridor; a 419,610 sf lease renewal by RR Donnelly at 555 Saint James Gate, Bolingbrook, IL in the I-55 Corridor; and a 81,880-sf lease by Kenco Logistics Services at 21520 Frontage Rd., Shorewood, IL in the I-80 Corridor

Investment

According to Real Capital Analytics, there was \$596.7 million in industrial sales in the third quarter, a 69.6% decline year-over-year, as the pandemic continued to slow sales. There were 79 properties sold for an average asking price of \$75 per square foot, holding steady on pricing from Q2 2020. Sales totals for the past four quarters show a stable level of activity -- \$5 billion across 442 properties.

Among the top sales of the quarter were 901-1001 West Bluff Rd., Romeoville, IL, a 1.34 msf building purchased by CT Realty Advisors from Prologis for \$98 million (\$73 psf); 605 Tri State Parkway, Gurnee, IL, a 255,272 sf building purchased by CBRE Global Investors from Venture One for \$25 million (\$92 psf); and 601-605 Kingsland Dr., Batavia, IL, a 488,571-sf building purchased by Venture One Real Estate from BK Equities LLC for \$21.2 million (\$43 psf).

Notable Q3 industrial leases

Tenant	Address	Submarket	SF	Lease type	
1	General Motors	1023 E Laraway Road, Joliet, IL	I-80 Corridor	1,026,000	New
2	McKesson Corporation	1125 W Sycamore Road, Manteno, IL	I-57 Corridor	570,028	New
3	RR Donnelly	555 Saint James Gate, Bolingbrook, IL	I-55 Corridor	419,610	Renewal
4	Kenco Logistics Services	21520 Frontage Road, Shorewood, IL	I-80 Corridor	381,880	New

Notable Q3 sales comps

Address	Size	Buyer	Seller	Sale Price	Price PSF	
1	901-1001 W Bluff Road, Romeoville, IL	1,341,860	CT Realty Investors	Prologis	\$98,001,610	\$73
2	605 Tri State Parkway Gurnee, IL	255,272	CBRE Global Investors	Venture One	\$25,030,000	\$92
3	601-605 Kingsland Drive, Batavia, IL	488,571	Venture One Real Estate	BK Equities, LLC	\$21,200,000	\$43
4	325 N Ashland Avenue, Chicago, IL	80,000	TradeLane Properties	Rickard Bindery	\$12,000,000	\$150

Investors are continuing to focus on industrial assets in core markets, such as Chicago, due to the strength and stability these markets provide. Cap rates remain stable and are compressing in some markets for well-located deals with strong tenancy and growth potential. We expect to see strong momentum heading into year-end, as investors look to place capital and focus on the industrial sector as the asset class of choice.



Erik Foster
Principal & Practice Leader,
Industrial Capital Markets

Construction

Developers continue to push forward with new projects to satisfy demand from industrial users, bringing the total square footage under construction in the quarter to 20.5 msf.

The submarkets with the largest amount of space under construction include the I-80 Corridor, with ten buildings totaling 7.5 msf; Lake County with four buildings totaling 2.13 msf; and the South Chicago Industrial Corridor, with three buildings totaling 1.88 msf.

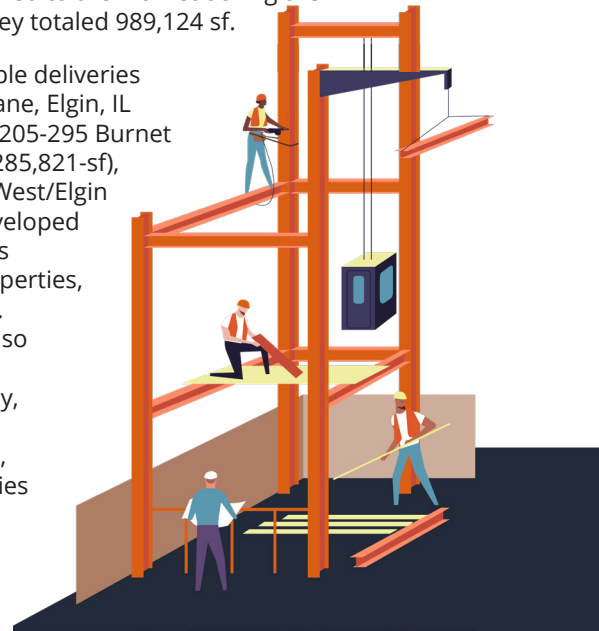
Speculative construction continues to drive a sizable portion of the development activity and is causing an increase in vacancy rates in some submarkets, such as the I-90 West/Elgin Corridor. As noted previously, vacancy rose 210 bps to 8%, with the addition of five new speculative buildings, totaling nearly 1 msf, delivered vacant in that submarket.

There is a shift in the construction picture, however. A review of buildings that are 1 msf and larger shows that five of the seven are build-to-suits, as some tenants look for more customization of their space. One example is the Medline, 1.4 msf facility at Peterson Road and Route 83 in northwest suburban Grayslake, IL, in the Lake County submarket.

That development is slated for completion in 2021.

In the I-90 West/Elgin Corridor there were five properties delivered to the market during the third quarter. They totaled 989,124 sf.

Among the notable deliveries were 2900 Alft Lane, Elgin, IL (376,918-sf) and 205-295 Burnet Dr., Gilberts, IL, (285,821-sf), both in the I-90 West/Elgin Corridor and developed by Crow Holdings and Seefried Properties, Inc., respectively. Crow Holdings also delivered 825 Veterans Parkway, Bolingbrook, IL, (256,375-sf). And, Scannell Properties delivered 555 Innovation Dr., West Chicago, IL (250,000-sf).



Notable Q3 construction, (1 msf + projects)

Market	Building	RBA	Type	Delivery Date	Developer	% Leased
I-39 Corridor	Gurler Road, Dekalb, IL	1,660,000	BTS Ferrara Candy	Q3-2020	Trammell Crow Company	100
I-80 Corridor	3401 Brandon Road Elwood, IL	1,639,000	BTS Harbor Freight	Q4-2020	CenterPoint Properties	100
Lake County	20444 W Peterson Road Grayslake, IL	1,400,000	BTS Medline	Q1-2021	The Alter Group	100
I-80 Corridor	3501 Brandon Road, Elwood, IL	1,282,145	Speculative	Q4-2020	CenterPoint Properties	0
I-80 Corridor	I-55/Amoco Road, Channahon, IL	1,100,000	BTS Amazon	Q4-2020	Venture One Real Estate	100
I-57 Corridor	23257 S Central Avenue, University Park, IL	1,015,000	BTS Amazon	Q4-2020	Venture One Real Estate	100
I-80 Corridor	24101 S Bradley Road, Channahon, IL	1,000,110	Speculative	Q4-2020	Venture One Real Estate	0

Notable Q3 deliveries, (250k + sf)

Market	Building	RBA	Type	Developer	Major Tenants
I-90 West/Elgin Corridor	2900 Alft Lane, Elgin, IL	376,918	Speculative	Crow Holdings	N/A
I-90 West/Elgin Corridor	205-295 Burnet Drive, Gilberts, IL	285,821	Speculative	Seefried Properties, Inc	N/A
I-55 Corridor	825 Veterans Parkway, Bolingbrook, IL	256,375	Speculative	Crow Holdings	N/A
US-64 Corridor	555 Innovation Drive, West Chicago, IL	250,000	Speculative	Scannell Properties	N/A



Amazon Prime Day Pays Off

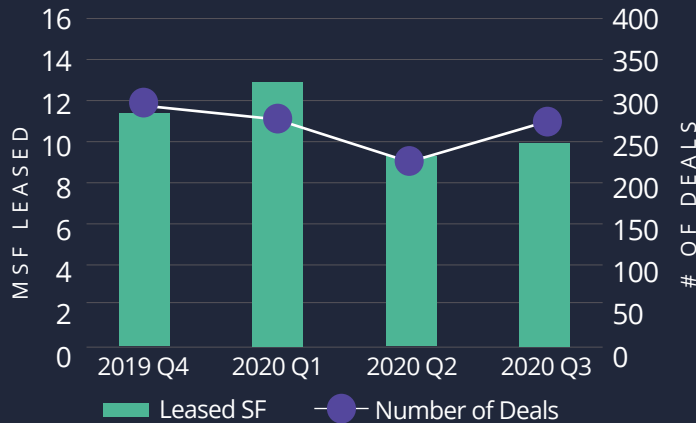
Amazon's two-day Prime Day event delivered big sales for the ecommerce giant and its small business retailers. Amazon reports that more than \$900 million in sales occurred in the two weeks leading up to Prime Day, with the two-day event producing \$3.5 billion in sales for independent third-party sellers across 19 countries. The two-day event also spurred strong sales activity by other large retailers and online businesses, including Walmart, Target and others.

Contiguous blocks, (available Class A space, 500k +)

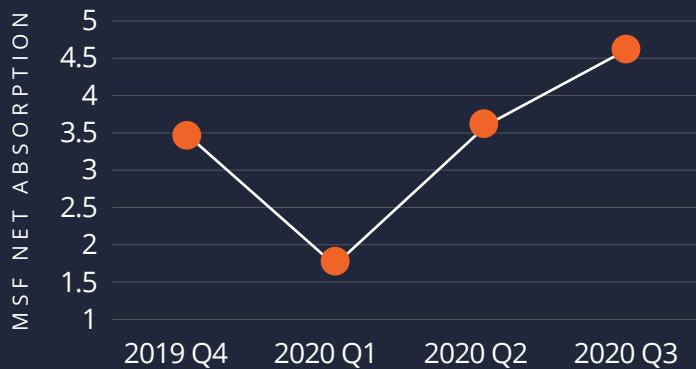
Building Address	Submarket	City	State	Rentable Building Area	Max Building Contiguous Space	Building Status	Owner
1010 Taylor Rd	I-55 Corridor	Romeoville	IL	824,753	824,753	Existing	Molto Properties
1701 Remington Blvd	I-55 Corridor	Bolingbrook	IL	800,000	800,000	Existing	Clarion Partners
1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Existing	Prologis, Inc
775 Veterans Pky	I-55 Corridor	Bolingbrook	IL	573,752	573,752	Existing	Crow Holdings
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	1,282,145	1,128,145	Under Construction	CenterPoint Properties
24101 S Bradley Rd	I-80 Corridor	Channahon	IL	1,000,110	1,000,110	Under Construction	USAA Real Estate
18801 Oak Park Ave	I-80 Corridor	Tinley Park	IL	915,643	915,643	Existing	The Blackstone Group LP
3835 Youngs Rd	I-80 Corridor	Joliet	IL	906,517	906,517	Under Construction	Higgins Development Partners
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Existing	Location Finders International
501 Internationale Pky	I-80 Corridor	Minooka	IL	849,691	849,691	Existing	Prologis, Inc
2700 Ellis Rd	I-80 Corridor	Joliet	IL	689,515	689,524	Existing	CBRE Global Investors Ltd
21100 SW Frontage Rd	I-80 Corridor	Shorewood	IL	1,000,053	507,187	Existing	Clarion Partners
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	671,040	671,040	Existing	Angelo, Gordon & Co
2000 Deerpath Rd	I-88 Corridor	Aurora	IL	764,895	764,895	Existing	Panattoni Development Company, Inc
3940 S Lakeside Dr	Lake County	Waukegan	IL	501,109	501,109	Under Construction	Bridge Development Partners
12200 S Avenue O	South Chicago	Chicago	IL	580,587	580,587	Under Construction	NorthPoint Development
S Cicero Ave	South Cook	Country Club Hills	IL	810,000	810,000	Under Construction	Gatling Community Development Inc
21700 Mark Collins Dr	South Cook	Sauk Village	IL	776,515	776,515	Existing	Warehouse Specialists, LLC
555 Innovation Dr	US-64 Corridor	West Chicago	IL	250,000	500,000	Existing	Scannell Properties

Chicagoland industrial metrics

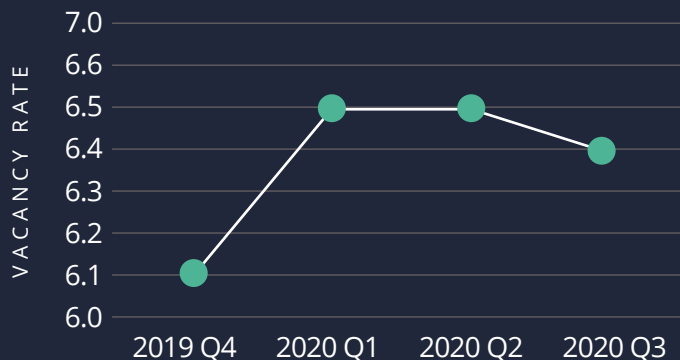
Leasing Activity (MSF)



Net Absorption (MSF)



Vacancy Rate (%)



Freight Volume Expected to Jump 30%



As ecommerce and logistics growth continues to drive significant activity in the industrial sector, there is correlating growth in freight transportation, with projections of a 30% rise by 2040. The U.S. Department of Transportation forecasts that total U.S. freight movement will rise from about 18.6 billion tons in 2018 to 24.1 billion in 2040, a 30% increase. Projections include a 19.7% increase for 2020; a 21.9% increase for 2030; and a 24.1% increase for 2040.

Get more market information

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