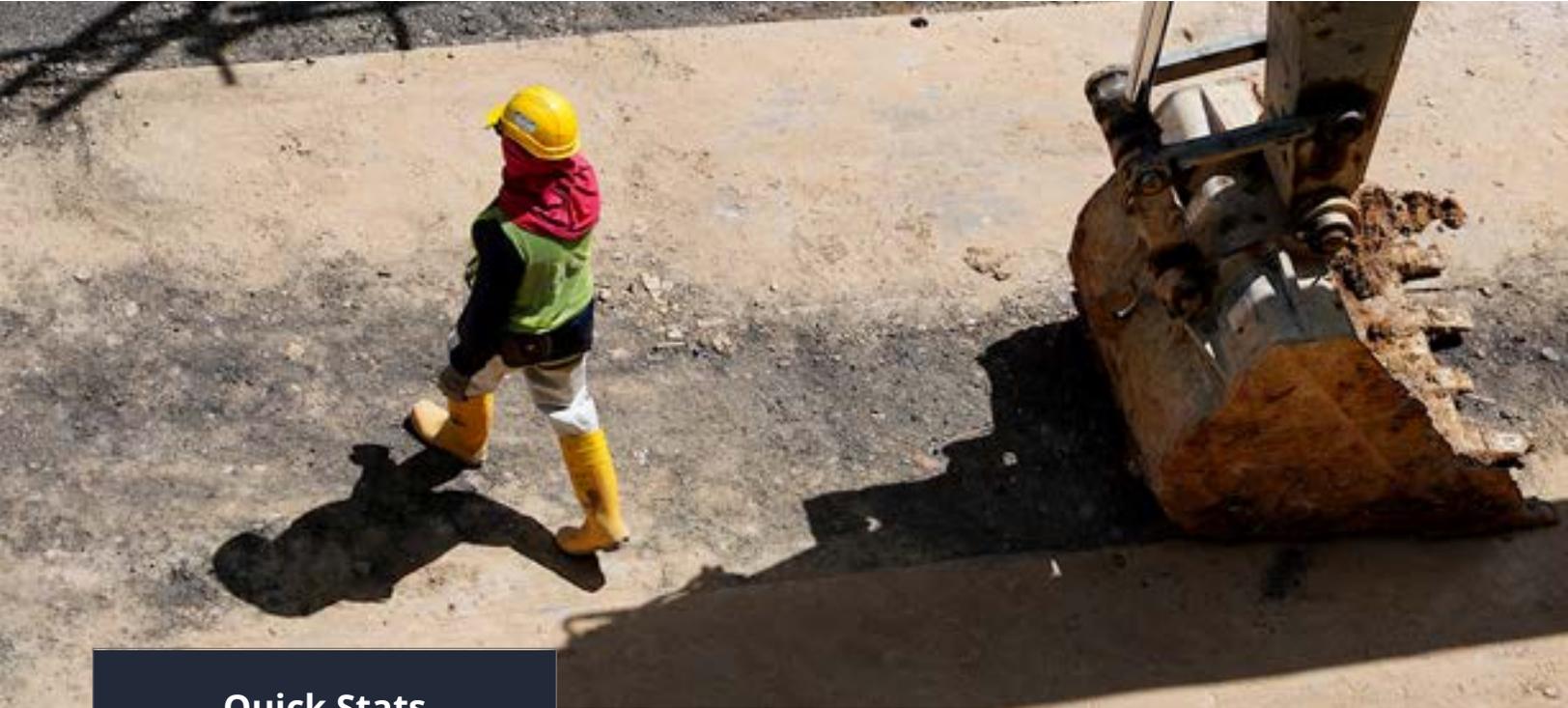


Chicago



Quick Stats

6.6% Vacancy

Chicago's industrial market showed continued resilience with vacancy at 6.6%, a slight uptick from 6.4% in the previous quarter.

Leasing Activity

There were 321 leases completed totaling 12.8 msf during Q1 2021, with the most activity in I-80 (3.8 msf), I-55 (2.3 msf), and O'Hare (1.2 msf).

Construction

There is nearly 18.8 msf under construction, including 3.38 msf in the I-80 Corridor and 2.7 msf in the US-64 Corridor.

New Inventory

There was 4.4 msf delivered during the first quarter. Lake County, the I-80 Corridor and the I-55 Corridor lead the way.

Industrial Market Overview

The Chicago industrial market continued its hot streak in the first quarter, with strong tenant demand from large corporate healthcare, retail and e-commerce businesses supporting a continued wave of activity.

One sign of the market's strength was a large industrial acquisition in Goose Island, an emerging growth market that has attracted attention from developers and investors in recent years. In the largest investment transaction of the quarter, Prologis paid \$100 million -- \$356 psf -- for a 339,000 sf industrial facility in the North Chicago submarket. The facility is fully leased to Quiet Logistics, Mars and other tenants. The seller was a joint venture between Greenfield Partners and Related Fund Management.

As national, regional and local logistics and e-commerce businesses

continue to expand throughout the market, developers are working to meet demand. During the first quarter, there were 11 properties larger than 20,000 sf and totaling 4.4 msf delivered to the market. Five of those buildings were 100% leased, bringing the overall occupancy to 86%. Among the notable completions were build-to-suits for Medline (1.4 msf in Lake County) and Crate & Barrel (646,380 sf in the I-55 Corridor); along with a 472,216 sf new building in Southern Wisconsin that has been leased to Visual Pak.

The construction pipeline includes nearly 19 msf of space for big box tenants such as Amazon (1 msf build-to-suit in the I-57 Corridor) and Ferrara Candy (1.66 msf build-to-suit in the I-39 Corridor). There also are several speculative projects in the market, including a 1.36 msf building by Venture One being constructed in Channahon, in the I-80 Corridor.

Vacancy & Availability

The overall vacancy rate for the Chicago industrial market continued to show resilience with vacancy at 6.6%, a slight increase from 6.4% in the previous quarter.

The West Cook submarket had the lowest vacancy at 2.3%, edging down from 3.5% in the previous quarter. McHenry County (10.7%) and the I-55 Corridor (10.4%) had the two highest vacancy levels, with both showing negative absorption in the first quarter.

Vacancy in the O'Hare submarket declined to 7% from 8.3% in the fourth quarter. There was 1.8 msf of net absorption in the quarter and a total of 3.4 msf since Q3 2020. The O'Hare submarket has three buildings under construction totaling 503,890 sf.

Overall net absorption in the Chicago market was 5.16 msf, down from 6 msf in the fourth quarter, with 18.8 msf of new buildings currently under construction across the market.

Industrial submarkets by the numbers

| Submarket | Inventory (SF) | Vacancy (SF) | Vacancy (%) | Net Absorption | Leasing Activity (SF) | Under Construction |
|--------------------------|----------------------|-------------------|-------------|------------------|-----------------------|--------------------|
| Overall Market | 1,149,431,158 | 76,559,000 | 6.6% | 5,160,827 | 12,813,091 | 18,802,562 |
| Lake County | 72,747,477 | 4,771,714 | 6.6% | 1,608,461 | 362,584 | 911,296 |
| Southern WI | 36,285,328 | 2,214,137 | 6.1% | (23,560) | 652,745 | 2,094,778 |
| North Cook | 42,683,315 | 2,187,440 | 5.1% | (8,443) | 220,464 | 0 |
| O'Hare | 109,387,029 | 7,697,266 | 7.0% | 1,766,094 | 1,282,123 | 503,890 |
| South Chicago Industrial | 105,796,859 | 5,124,623 | 4.8% | (541,259) | 438,121 | 2,139,544 |
| North Chicago Industrial | 55,019,091 | 4,317,944 | 7.8% | (64,144) | 164,087 | 0 |
| West Cook | 58,642,348 | 1,368,726 | 2.3% | 693,373 | 241,913 | 651,617 |
| I-90 East Corridor | 24,041,850 | 1,331,777 | 5.5% | 375,224 | 294,445 | 428,431 |
| I-90 West/Elgin Corridor | 36,757,449 | 2,980,785 | 8.1% | 87,818 | 558,295 | 135,000 |
| McHenry County | 24,496,275 | 2,618,361 | 10.7% | (370,493) | 61,255 | 0 |
| East DuPage | 28,254,025 | 1,341,006 | 4.7% | (129,900) | 535,518 | 500,300 |
| US-64 Corridor | 74,129,623 | 3,982,815 | 5.4% | 647,671 | 697,680 | 2,698,301 |
| South Cook | 79,419,178 | 4,424,866 | 5.6% | (67,178) | 496,859 | 750,000 |
| I-55 Corridor | 103,535,554 | 10,772,236 | 10.4% | (90,995) | 2,309,780 | 624,857 |
| I-57 Corridor | 22,187,232 | 2,226,410 | 10.0% | (190,550) | 6,600 | 1,015,000 |
| I-80 Corridor | 99,697,391 | 6,319,335 | 6.3% | 1,002,534 | 3,827,044 | 3,380,710 |
| I-39 Corridor | 54,940,463 | 4,306,070 | 7.8% | (366,263) | 28,657 | 2,567,000 |
| I-88 Corridor | 68,443,780 | 3,925,923 | 5.7% | 586,517 | 585,794 | 87,000 |
| Northwestern Indiana | 52,966,891 | 4,647,566 | 8.8% | 245,920 | 49,127 | 314,838 |

Absorption & Demand

Industrial leasing across Chicago's submarkets remained steady during Q1 2021, with 321 leases totaling 12.8 msf. This represents a slight decrease year-over-year from the 12.3 msf transacted during Q1 2020.

The highest amount of leasing activity occurred in the I-80, Corridor, which had 3.8 msf of activity in the quarter following a strong 2020 with 9.8 msf of leasing. Other leading submarkets included I-55, with 2.3 msf; and O'Hare, with 1.3 msf. Tenant demand continues to attract new development throughout the market and may trigger more new space in I-80 and other submarkets in 2021.

Net absorption in the Chicago industrial market was 5.16 msf in Q1 2021, down slightly from 6.24 msf during the previous quarter. Submarkets with the highest absorption were O'Hare, with 1.8 msf; Lake County, with 1.6 msf; and I-80, with just over 1 msf.

The Chicago industrial market continues to attract global investors looking for well leased and strategically located assets. Given the need to connect e-commerce businesses with a large pool of urban shoppers, we expect Chicago to continue to be on the radar for investors.



Erik Foster
Principal & Practice Leader,
Industrial Capital Markets

I-80 also led the Chicago submarkets for the largest leases of the quarter, including a 915,643 sf lease by Lippert Components at 18801 Oak Park Avenue in Tinley Park and a 507,187 sf lease to Xpedient Logistics at 21100 SW Frontage Road in Shorewood. Other notable leases included a 472,176 sf lease to Visual Pak at Wilmot Road and 136th Avenue in Bristol, WI, in the Kenosha area.

Investment

Two large investment sales in the first quarter demonstrate the continued strength of the Chicago industrial market. According to Real Capital Analytics, Prologis paid \$100 million -- or \$356 psf -- for an industrial facility at 930 W. Evergreen Street on

Goose Island, extending its Chicago holdings into the North Chicago industrial Corridor. The seller was a joint venture between Greenfield Partners and Related Fund Management.

Also, Silver Creek Development purchased a three building, 2 msf complex at 29900 S. Graaskamp Boulevard in southwest suburban Wilmington, IL from Elion Partners for \$130.5 million (\$65 psf). The complex, near the intersection of I-55 and I-80, is leased to Michelin North America.

Other sales of note include 1151 E. Laraway Road, Joliet, a 741,238 sf property purchased by Exeter Property Group from Clarion Partners for \$45.4 million (\$61 psf) and 351 Internationale Drive, Bolingbrook, IL, a 434,992 sf facility purchased by Midwest Warehouse Distribution system from J.P. Morgan Chase for \$25.9 million (\$59 psf).

Notable Q1 industrial leases

| Tenant | Address | Submarket | SF | Lease type | |
|--------|--------------------|-------------------------------------|--------------------|------------|---------|
| 1 | Lippert Components | 18801 Oak Park Ave, Tinley Park, IL | I-80 Corridor | 915,643 | New |
| 2 | Xpedient Logistics | 21100 SW Frontage Rd, Shorewood, IL | I-80 Corridor | 507,187 | New |
| 3 | Visual Pak | Wilmot Rd, Kenosha, WI | Southern Wisconsin | 472,176 | New |
| 4 | Radial | 715 Theodore Ct, Romeoville, IL | I-55 Corridor | 421,360 | Renewal |

Notable Q1 sales comps

| Address | Size | Buyer | Seller | Sale Price | Price PSF | |
|---------|--|-----------|---------------------------------------|---------------------|---------------|-------|
| 1 | 29900 S Graaskamp Blvd, Wilmington, IL | 2,017,849 | Silver Creek Development | Elion Partners | \$126,500,000 | \$63 |
| 2 | 930 W Evergreen Ave, Chicago, IL | 280,500 | Prologis | Greenfield Partners | \$100,000,000 | \$356 |
| 3 | 1151 E Laraway Rd, Joliet, IL | 741,238 | Exeter Property Group | Clarion Partners | \$45,400,000 | \$61 |
| 4 | 351 Internationale Dr, Bolingbrook, IL | 434,992 | Midwest Warehouse Distribution System | J.P. Morgan Chase | \$25,900,000 | \$59 |

Construction Overview

Chicago's long cycle of new construction continued this quarter with 4.4 msf delivered during Q1 2021, comparable to the 5.2 msf posted during the previous quarter. Large e-commerce and consumer retail tenants, such as Target, are driving a sizable portion of the new construction activity.

Submarkets with the highest levels of new deliveries included Lake County, with 1.44 msf; the I-80 Corridor, with 1.13 msf; the I-55 Corridor, with 646,380 sf.; and Southern Wisconsin, with 629,872 sf. Even with this significant new construction, Lake County boasted 1.6 msf in net absorption in the quarter, while I-80 saw positive absorption just over 1 msf.

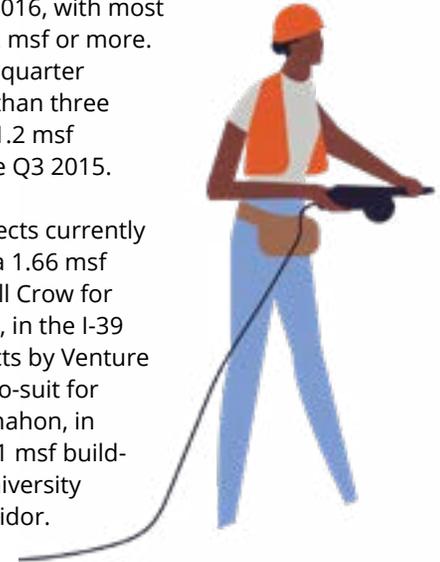
Chicago's industrial market has 18.8 msf currently under construction as developers continue to fill the demand for modern space that can connect businesses to major transportation corridors. Submarkets with the most new construction in progress are the I-80 Corridor, with 3.38 msf, the US-64 Corridor, with 2.7 msf, and the I-39 Corridor, which has 2.57 msf.

Notable deliveries included a 1.4 msf build-to-suit for Medline at 20444 W. Peterson Road in Lake County; a 1.12 msf speculative building at 3501 Brandon Road in

Elwood in the I-80 Corridor; a 646,380 sf build-to-suit for Crate & Barrel at 564 W. Taylor Road in the I-55 Corridor, and a 472,216 sf at Wilmot Road and 136th Street in Southern Wisconsin, which was leased to Visual Pak.

The I-80 and I-55 submarkets have led the way in buildings under construction for many years. I-80 has had at least five buildings under construction in any given quarter since Q1 2016, with most totaling approximately 2 msf or more. This represents the first quarter that I-55 has had fewer than three buildings and less than 1.2 msf under construction since Q3 2015.

Among the notable projects currently under construction are a 1.66 msf build-to-suit by Trammell Crow for Ferrara Candy in DeKalb, in the I-39 Corridor, and two projects by Venture One -- a 1.36 msf build-to-suit for Scotts Fertilizer in Channahon, in the I-80 Corridor, and a 1 msf build-to-suit for Amazon in University Park, along the I-57 Corridor.



Notable Q1 construction

| Market | Building | RBA | Type | Delivery Date | Developer | % Leased |
|---------------|--|-----------|-----------------------|---------------|-------------------------|----------|
| I-39 Corridor | Gurler Rd, DeKalb, IL | 1,660,000 | BTS Ferrara Candy | Q2-2021 | Trammell Crow Company | 100 |
| I-80 Corridor | 24231 S Exchange Blvd, Channahon, IL | 1,360,520 | BTS Scotts Fertilizer | Q4-2021 | Venture One Real Estate | 100 |
| I-57 Corridor | 23257 S Central Ave, University Park, IL | 1,015,000 | BTS Amazon | Q2-2021 | Venture One Real Estate | 100 |
| South Chicago | 3501 S Pulaski Rd, Chicago, IL | 999,900 | Speculative | Q2-2021 | Hilco | 100 |
| I-80 Corridor | 3835 Youngs Rd, Joliet, IL | 906,507 | Speculative | Q3-2021 | Clarius | 0 |

Notable Q1 deliveries

| Market | Building | RBA | Type | Developer | Major Tenants |
|--------------------|------------------------------------|-----------|-------------|----------------------------|----------------|
| Lake County | 20444 W Peterson Rd, Grayslake, IL | 1,400,000 | BTS | The Alter Group | Medline |
| I-80 Corridor | 3501 Brandon Rd, Elwood, IL | 1,128,258 | Speculative | CenterPoint Properties | |
| I-55 Corridor | 564 W Taylor Rd, Romeoville, IL | 646,380 | BTS | Pizzuti Companies | Crate & Barrel |
| Southern Wisconsin | Wilmot Rd, Kenosha, WI | 472,216 | Speculative | HSA Commercial Real Estate | Visual Pak |

Chicago Urban Industrial Outlook

Demand for infill space throughout the city continues to be strong, with submarkets such as West Cook seeing vacancy decline to 2.3% at Q1 2021, from 3.5% at Q4 2020. Net absorption was 693,373 for the first quarter. There are three buildings, totaling 651,617 sf, under construction, following four quarters with no new product in the pipeline.

Amazon, which continues to push into urban neighborhoods to expand its last mile delivery locations, is pursuing the purchase of the 70-acre Central Steel & Wire facility in Gage Park. While the e-commerce giant has multiple locations in outlying submarkets, this location would allow for closer touch points to serve the city's large urban population with next day and same day delivery.

The pandemic has dealt a significant blow, however, to many small to mid-sized industrial businesses in the city, particularly those that historically supported convention, hotel, retail and related businesses.

Chicago's infill industrial sites continue to be in strong demand, with large developers and investors paying a premium for locations that tie into the city's strong population base. Many tenants are having challenges finding space in this super low vacancy environment.



Steve Kohn
Principal,
Industrial Services

The Northwest Indiana market is attracting a wide range of industrial users looking for modern space with proximity to the Chicago market. Given the region's strong demographics and population growth, we expect significant expansion in that submarket over the next five years.



Adam Haefner
Principal,
Industrial Services

Northwest Indiana Market Update

As industrial activity expands throughout the Chicago market, there are growth sectors developing in submarkets around the perimeter. One example is Northwest Indiana, which is comprised of 52 msf of space and benefits from its comprehensive infrastructure and transportation network supported by three Class 1 railroads and the Port of Indiana-Burns Harbor. Approximately 100 ships, 400 barges, 300,000 trucks, 12,000 railcars and 200 laker vessels move cargo through the Port of Indiana-Burns Harbor each year.

Demand for space is being seen from smaller to large Fortune 50 companies that are expanding from within the market and newly entering the market. Businesses in the manufacturing, warehousing, e-commerce and food sectors are particularly active in seeking space.

The market had 245,920 sf of net absorption in the first quarter and, following several quarters with little new construction, now has 314,838 sf under construction. One notable new development is Northwest Indiana Crossings, a 279,348 sf building at 9401 Georgia Street in Merrillville, IN that is anchored by Midwest Truck & Auto. The project is being developed by Crow Holdings. Avison Young is the exclusive leasing agent for the development.



Target's Rapid Growth

Among the national retail corporations expanding in the market is Target Corp., which has seen in-store and online sales skyrocket by 145% in 2020 due to the pandemic. According to CoStar, the company plans to build as many as 40 new retail stores across the U.S. this year, plus online fulfillment centers in select markets. Target's Chicago fulfillment site is the 1 msf facility under construction at 3501 S. Pulaski Road in Chicago's Little Village neighborhood. Target's earnings report showed a nearly 20% growth in overall sales -- to \$92.4 billion -- for fiscal year 2020.



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

| Building Address | Submarket | City | State | Rentable Building Area | Max Building Contiguous Space | Building Status | Owner |
|-----------------------|----------------|--------------------|-------|------------------------|-------------------------------|--------------------|-------------------------------------|
| 901 Carlow Dr | I-55 Corridor | Bolingbrook | IL | 997,802 | 997,802 | Existing | Heitman LLC |
| 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. |
| 333 Gibraltar Dr | I-55 Corridor | Bolingbrook | IL | 579,900 | 579,900 | Existing | Exeter Property Group |
| 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 | Existing | ML Realty Partners LLC |
| 3835 Youngs Rd | I-80 Corridor | Joliet | IL | 906,517 | 906,517 | Under Construction | W-C Joliet Owner IX LLC |
| 25101 S Ridgeland Ave | I-80 Corridor | Monee | IL | 879,040 | 879,040 | Existing | Hillwood |
| 2700 Ellis Rd | I-80 Corridor | Joliet | IL | 689,524 | 689,524 | Existing | CBRE Global Investors Ltd |
| 2695 Plainfield Rd | I-80 Corridor | Joliet | IL | 654,328 | 654,328 | Existing | Angelo, Gordon & Co. |
| 2000 Deerpath Rd | I-88 Corridor | Aurora | IL | 764,895 | 764,895 | Existing | Panattoni Development Company, Inc. |
| 1501 Harris Rd | Lake County | Libertyville | IL | 596,616 | 596,616 | Existing | Dermody Properties, Inc. |
| 3940 S Lakeside Dr | Lake County | Waukegan | IL | 501,109 | 501,109 | Existing | 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 | Existing | Logistics Property Company, LLC |
| 21700 Mark Collins Dr | South Cook | Sauk Village | IL | 776,515 | 776,515 | Existing | Warehouse Specialists, LLC |
| Enterprise Cir | US-64 Corridor | West Chicago | IL | 501,048 | 501,048 | Under Construction | GD Investment Group |

Chicagoland industrial metrics

Leasing Activity (MSF)



Net Absorption (MSF)



Vacancy Rate (%)



Get more market information

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