



Chicago industrial market report

Q4 2023

**AVISON
YOUNG**

Chicago industrial market trends

20 msf

Construction activity declining

The Chicago market has seen a substantial decline in industrial construction due to rising interest rates and economic uncertainty. This decrease is projected to lead to a noticeable shortage of new inventory over the next 18-24 months. Currently, there is 20 msf under development, down 46% from 2022 and, of that, 70% is being built on a speculative basis. The scarcity of new supply should continue to drive rental growth in the market.

-38%

Decrease in leasing activity

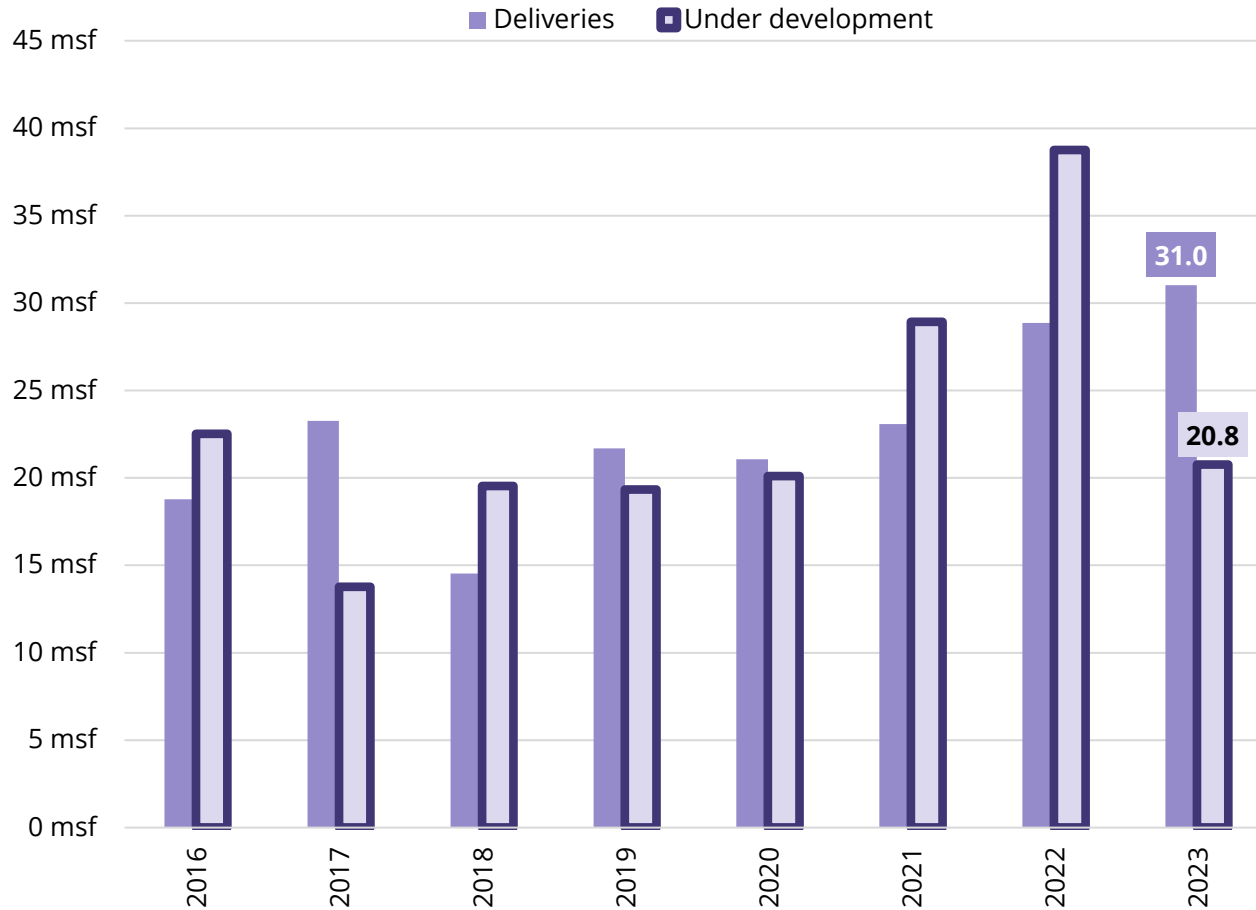
Chicago's 2023 leasing activity declined compared to the highs attained over the past two years. A total of 41 msf was leased in 2023, down 38% from 2022 and down 47% from the all-time high of 77.7 msf in 2021. The industrial market observed a modest rise in vacancy and expects the rate to stabilize in 2024.

11.9%

Strong rental growth

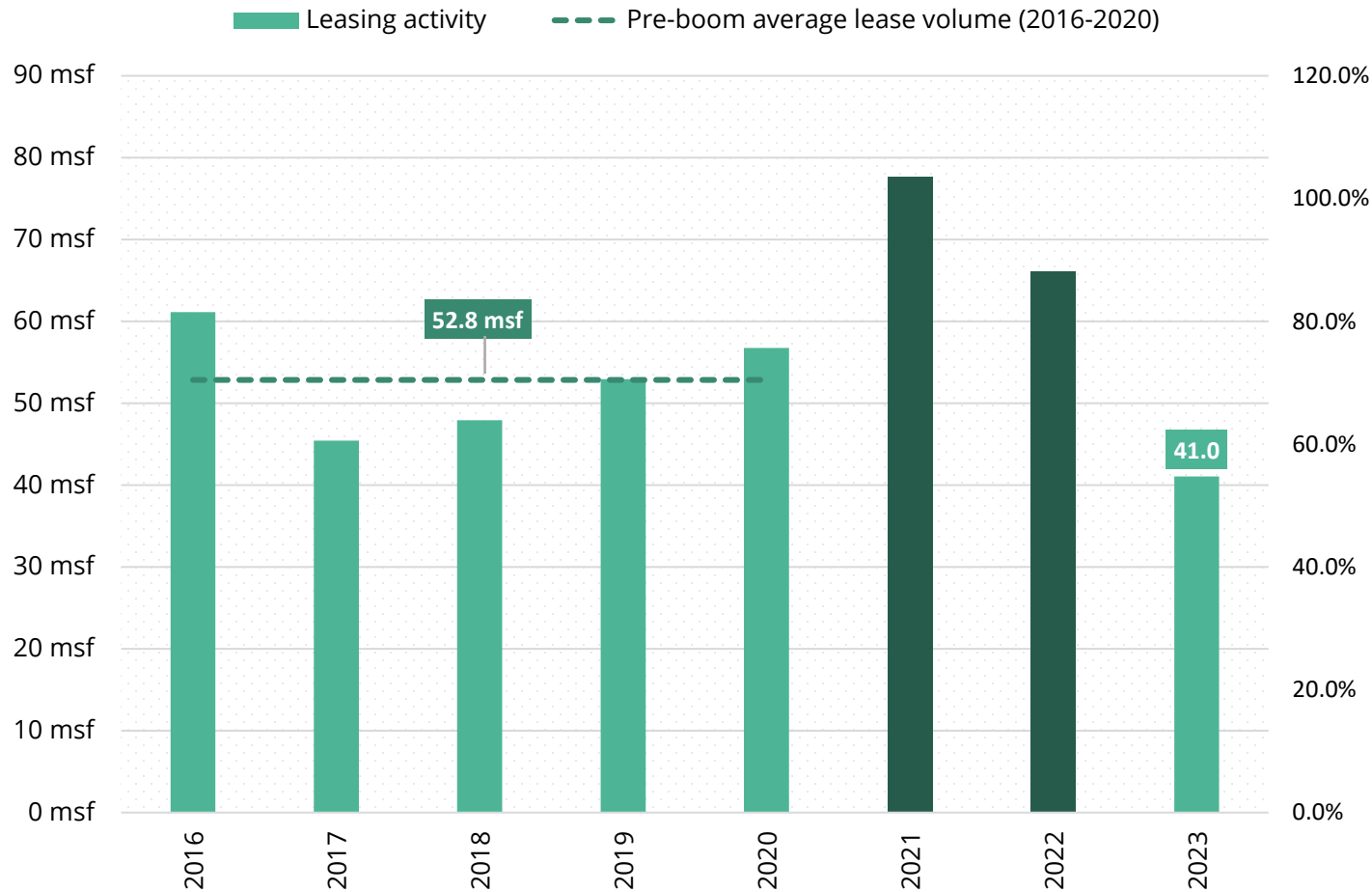
The Chicago industrial market continues to see strong rental growth, increasing 11.9% from 2022. Average starting rents in 2023 stood at \$7.90 NNN. The strong rental growth underscores the Chicago market's appeal to businesses seeking industrial spaces, driven by its strategic location as a distribution point utilizing a robust transportation network.

Construction activity decelerates



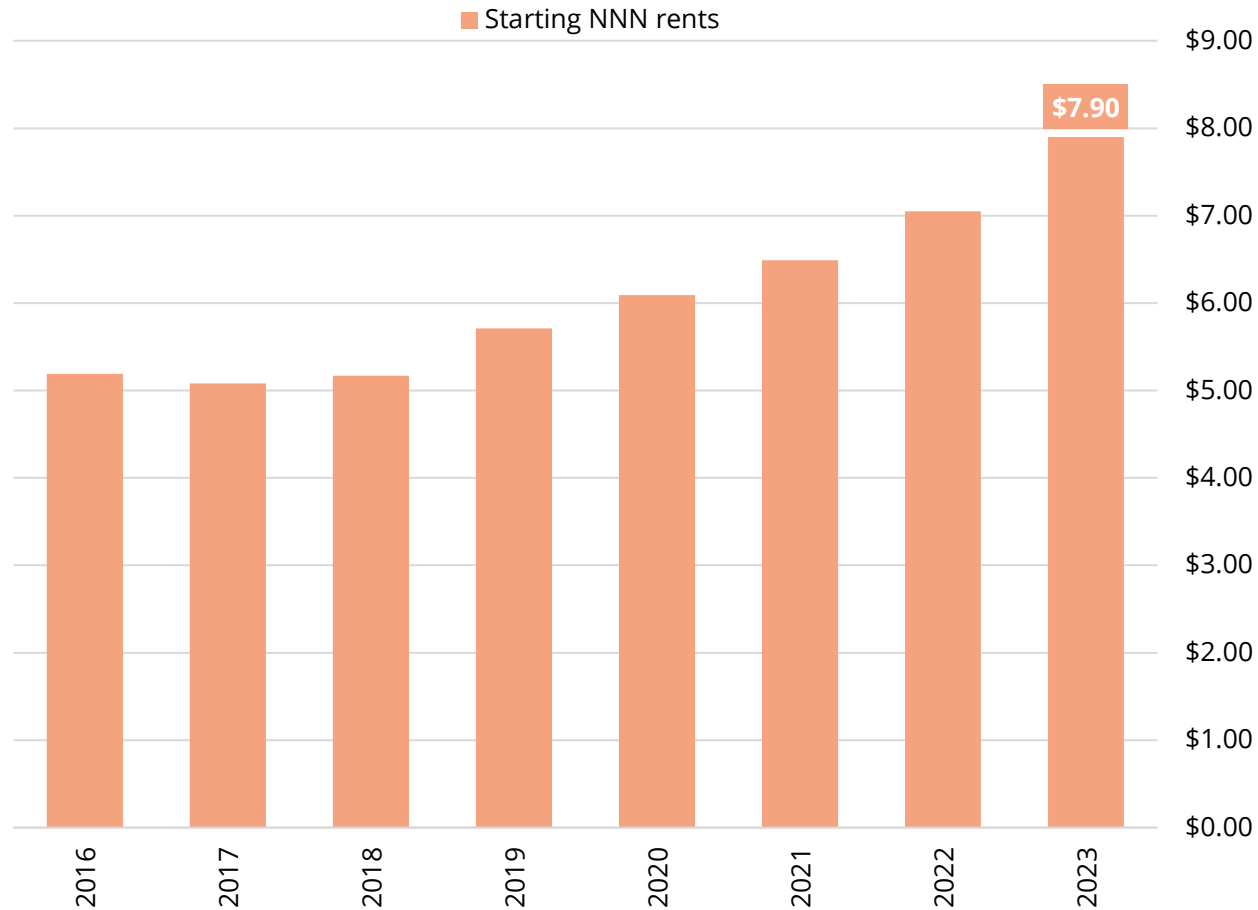
While deliveries of new industrial space continued to rise in 2023, construction activity declined 46% from 2022. Only 1.4 msf broke ground in Q4 2023, representing 11% of construction starts during 2023. Important to note — 70% is being built on a speculative basis.

Leasing recedes to pre-boom levels



Leasing activity declined throughout 2023 nearly 38% over the past two years; however, only 22% from the 2016 to 2020 pre-boom average of 52.8 msf

Rental rates continue to climb

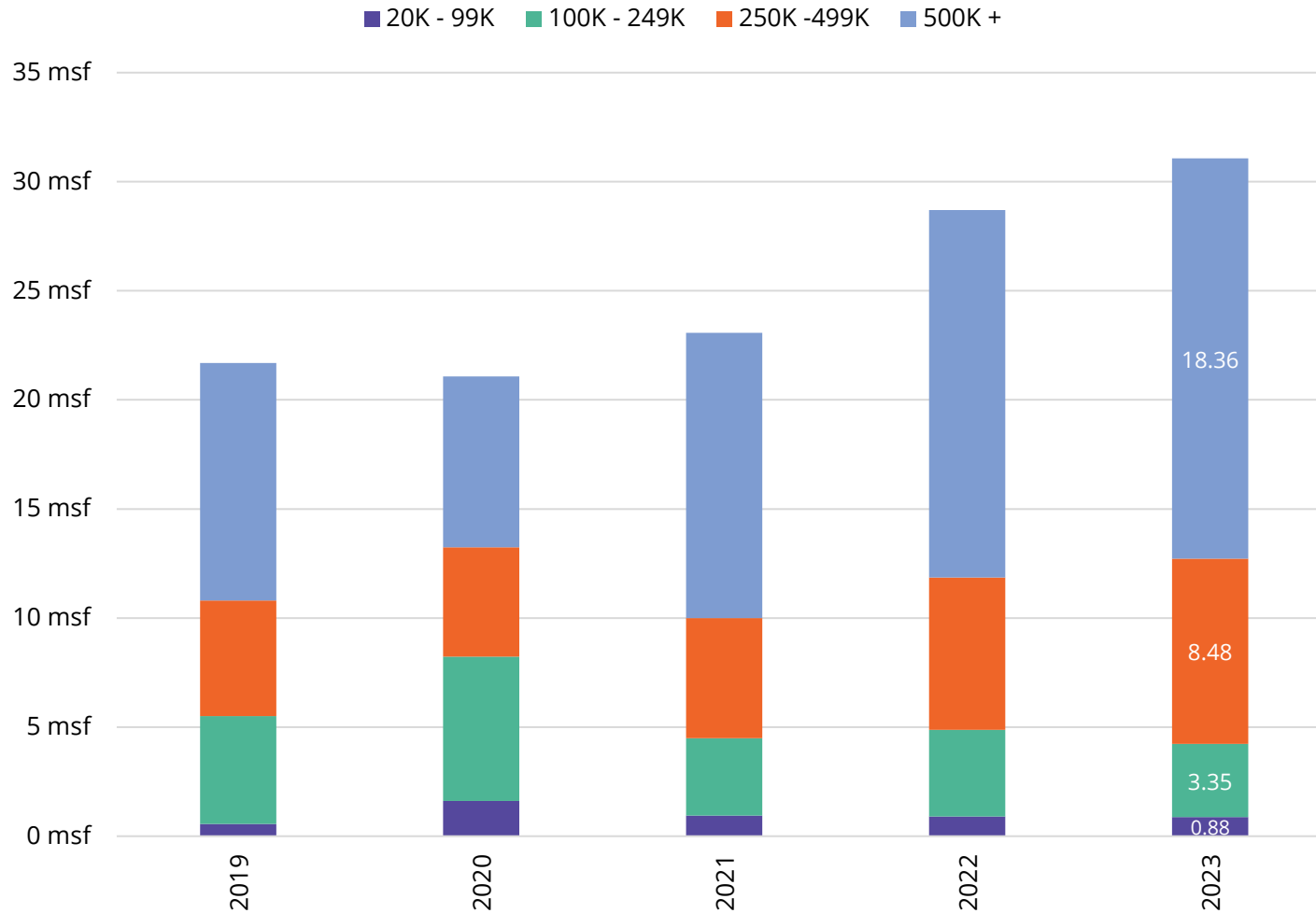


Chicago's industrial market has experienced a steady rise in starting rents, with the average NNN rents reaching \$7.90/sf in 2023. This represents nearly 12% increase year-over-year, on top of remarkable growth since 2018.

Supply and demand update

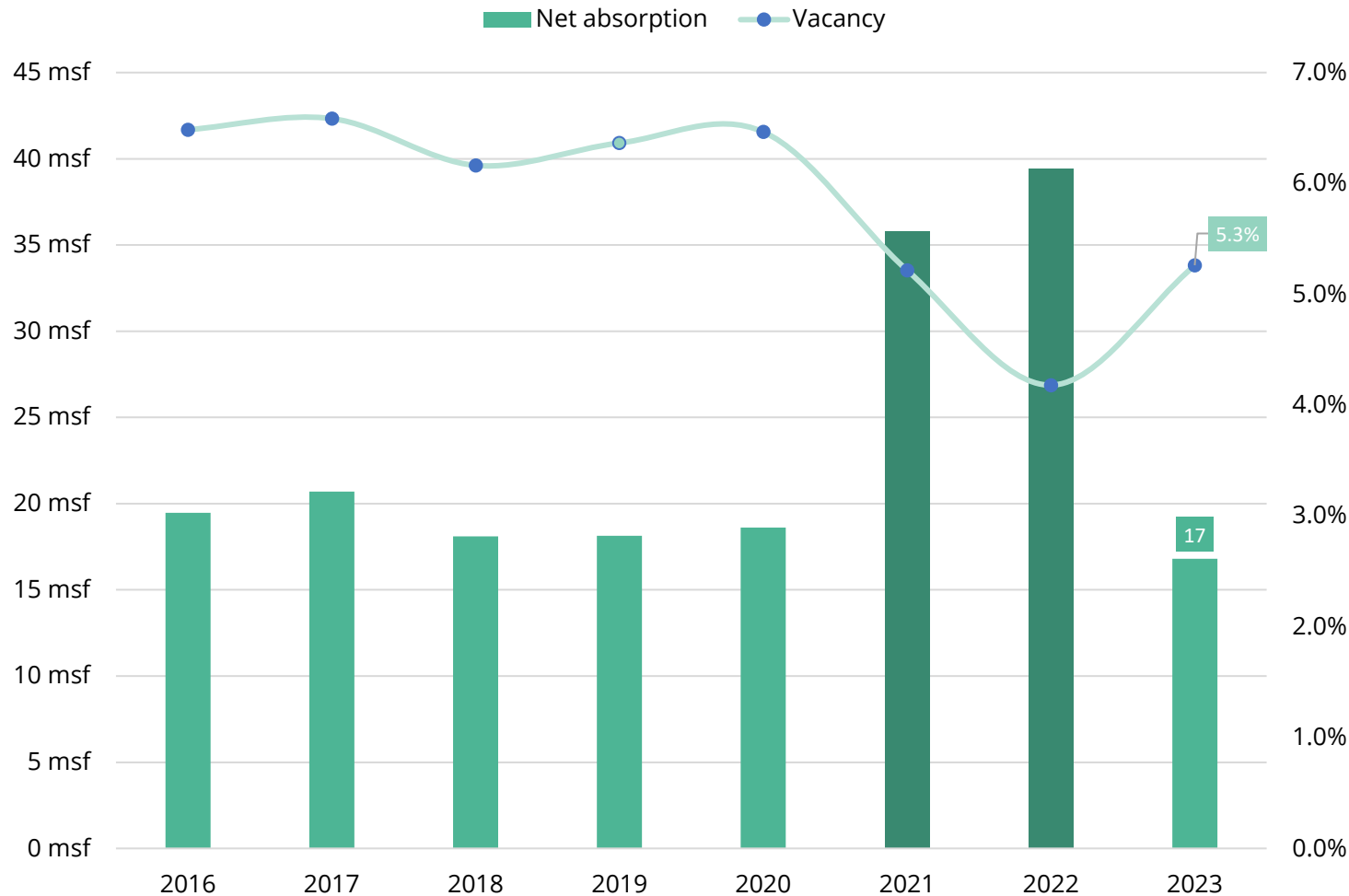


Inventory growth by building size since 2019



A total of 125.5 msf of new inventory delivered to the Chicago market since 2019, 53% of that comprising big box inventory of 500,000 sf or larger. New development exploded after the pandemic to keep up with elevated levels of inventory which impacted the development of big box inventory.

Net absorption vs. vacancy

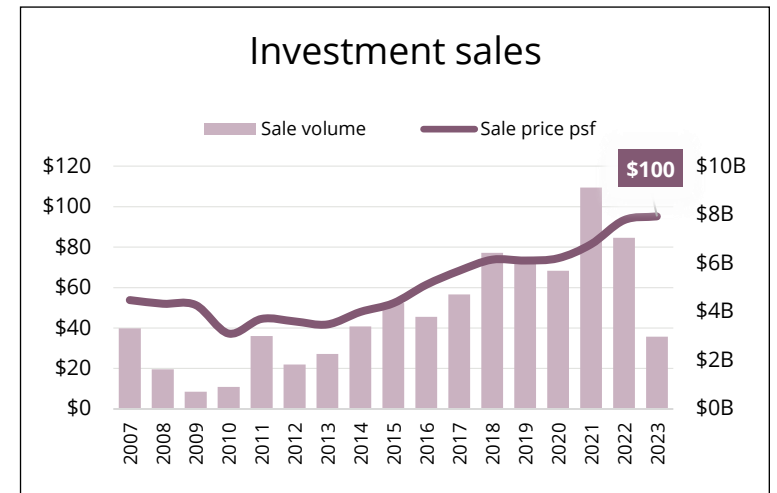
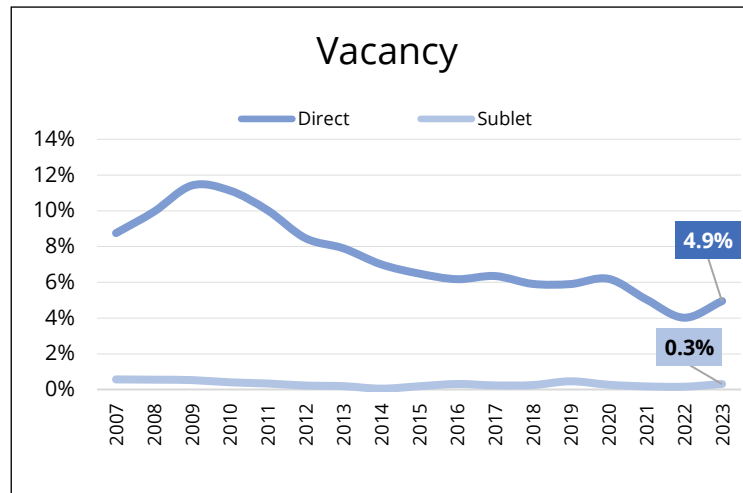
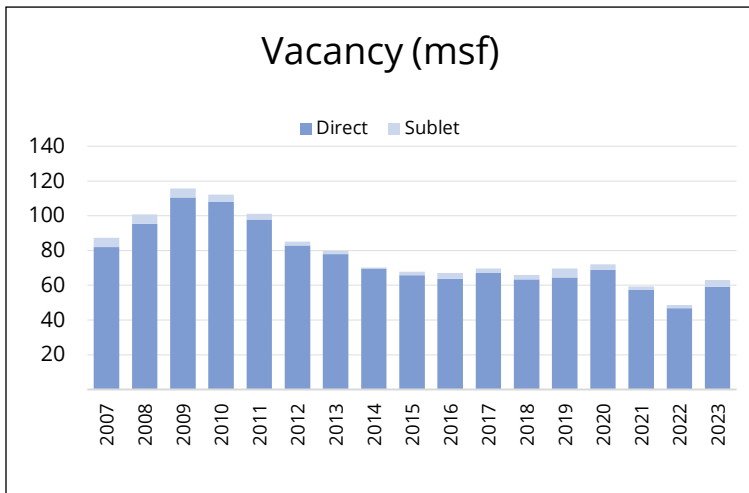
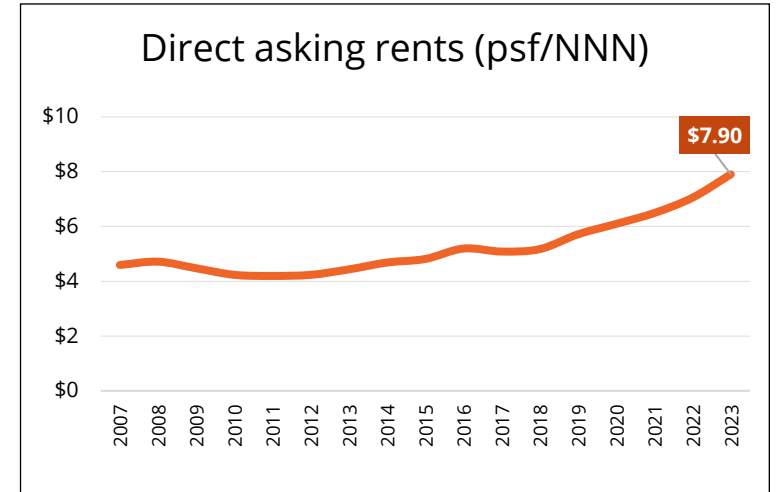
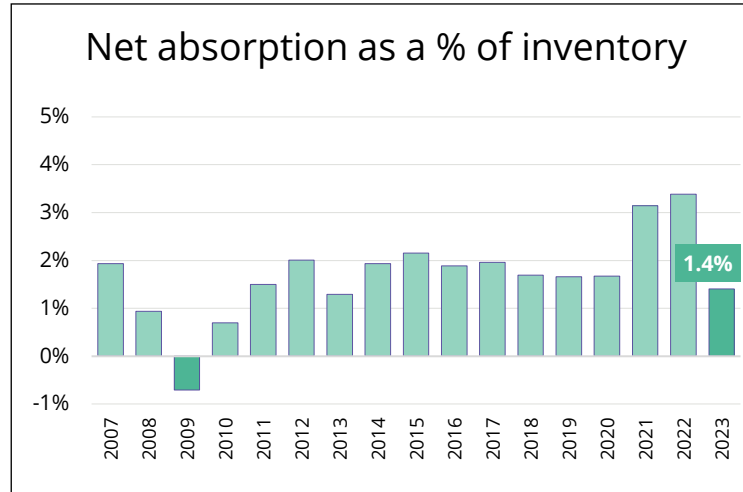
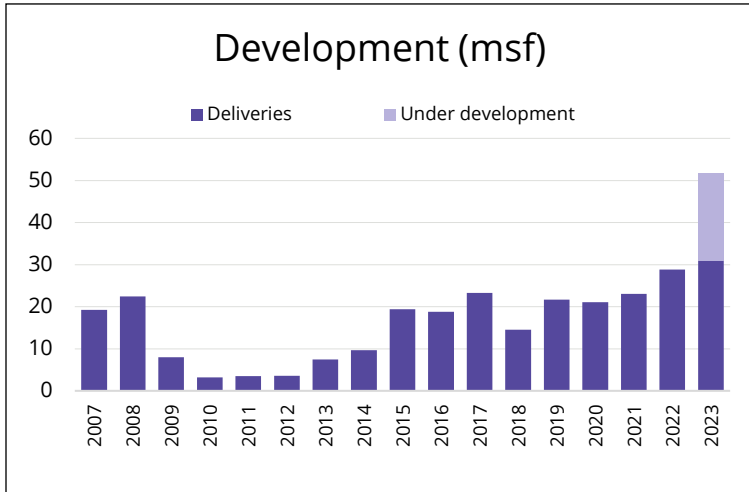


Net absorption spiked in 2021 and 2022, reaching record-breaking levels. Levels gradually decreased in 2023 and returned to align with the average of 19 msf seen in 2016 to 2020.

Appendix



Chicago industrial market indicators



Chicago industrial market activity

Recent leasing activity

Tenant name	Address	Submarket name	Sign date	Size (sf)	Transaction type	Lease type
GE	I-80 & Brisbin Rd, Morris, IL	I-80 Corridor	Oct 2023	1,199,700	New	Direct
Life Fitness	3901 Rock Creek Blvd, Joliet, IL	I-80 Corridor	Nov 2023	464,400	New	Direct
Reynolds Consumer Products	25100 S Ridgeland Ave, Monee, IL	I-57 Corridor	Nov 2023	452,505	New	Direct

Recent sales activity

Buyer name	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller name
LBA Realty	190 Touhy Ave Des Plains, IL	Nov 2023	67,650	\$16,325,000	\$241	Seefried Properties
The Brimel LLC	300 Overland Dr North Aurora, IL	Nov 2023	104,978	\$14,000,000	\$133	Opus Group
F & F Realty	1060 W Van Buren St Chicago, IL	Dec 2023	122,363	\$12,000,000	\$98	Universal Overall

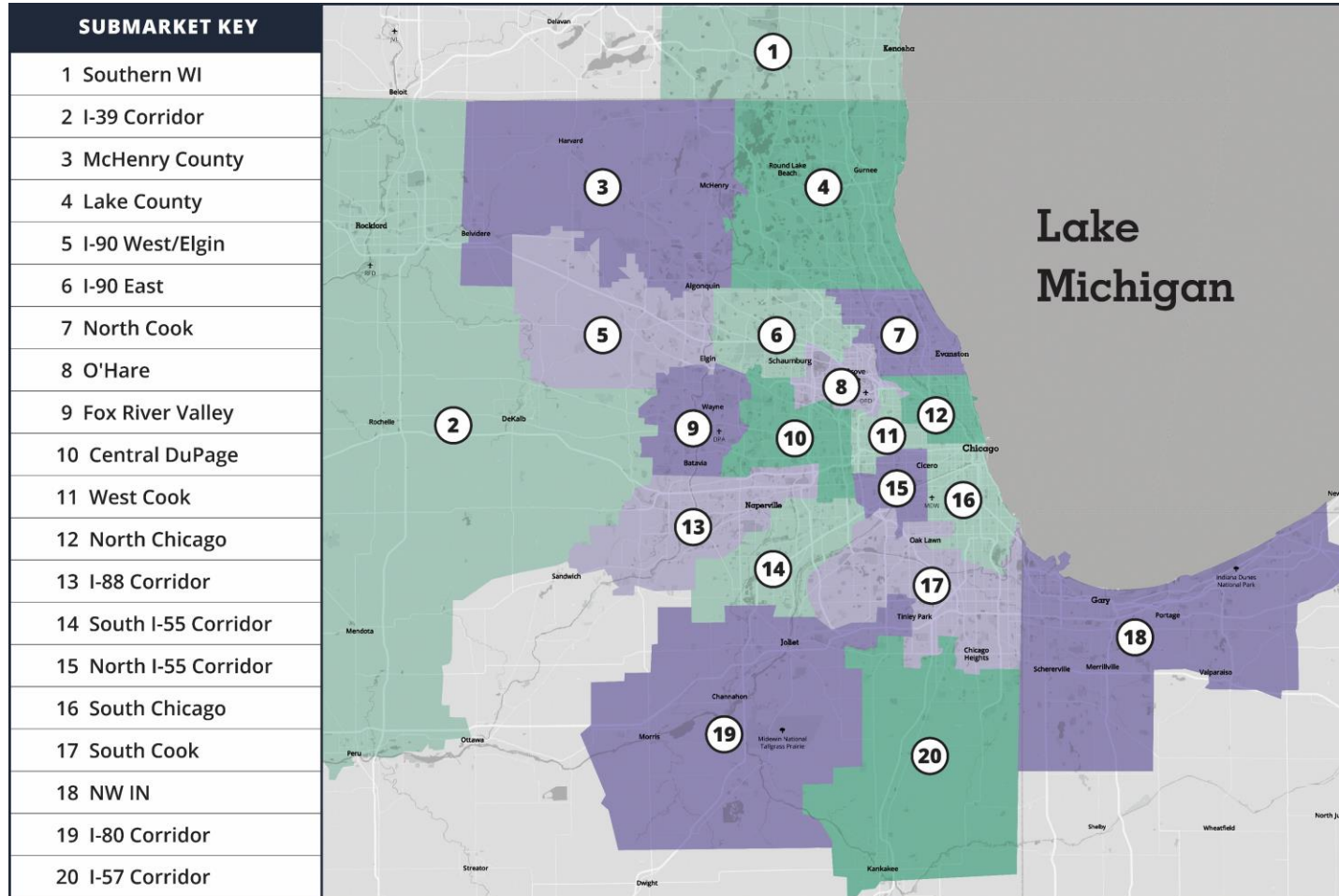
Top projects under development

Address	Submarket name	Delivery date	Building size (sf)	Released %	Developer name
1237 W Division St, Chicago, IL	North Chicago	Jul 2024	1,184,800	0%	Logistics Property
102 W Compass Blvd, Joliet, IL	I-80 Corridor	Jan 2024	1,139,153	0%	NorthPoint Development
1735 20 th Ave, Kenosha, WI	Southern Wisconsin	Nov 2024	1,010,880	0%	Becknell Industrial

Chicago industrial market stats

Submarket name	Existing inventory (sf)	Deliveries YTD (sf)	Under development (sf)	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption YTD (sf)	Net absorption YTD (% of inventory)
O'Hare	111,906,906	1,266,287	311,426	3.6%	0.8%	4.5%	-435,028	-0.39%
I-80 Corridor	106,725,556	7,651,257	2,700,723	4.6%	0.2%	4.8%	6,457,141	6.05%
South I-55 Corridor	102,926,384	4,123,369	937,647	3.5%	0.2%	3.7%	2,508,108	2.44%
South Chicago	94,533,478	130,354	343,282	4.8%	0.1%	4.9%	-263,837	-0.28%
Lake County	72,793,768	794,063	334,215	5.1%	0.3%	5.4%	398,949	0.55%
South Cook	72,468,749	795,100	914,467	3.2%	0.2%	3.5%	1,639,110	2.26%
Central DuPage	67,736,926	418,704		2.5%	0.3%	2.7%	238,166	0.35%
I-88 Corridor	65,247,368	1,101,869	937,805	2.5%	0.4%	2.9%	1,870,308	2.87%
I-39 Corridor	62,295,062	761,789	2,275,165	4.7%	0.2%	4.9%	778,775	1.25%
North I-55 Corridor	54,706,408	1,624,034	164,243	3.8%	0.6%	4.5%	80,320	0.15%
Northwest Indiana	49,587,059	663,500	1,970,080	6.8%	0.3%	7.1%	180,900	0.36%
Southern Wisconsin	48,891,159	4,783,502	1,010,880	14.6%	0.0%	14.6%	2,009,445	4.11%
North Chicago	45,134,528	141,360	1,184,800	8.1%	0.2%	8.3%	68,696	0.15%
West Cook	44,901,068	289,024	2,192,739	4.2%	0.8%	5.0%	-962,201	-2.14%
Fox River Valley	44,388,376	1,595,594	934,643	4.7%	0.1%	4.9%	1,022,513	2.30%
North Cook	43,667,679		1,271,396	3.1%	0.2%	3.4%	152,180	0.35%
I-90 West/Elgin Corridor	37,950,591	2,323,321	2,331,128	5.5%	0.6%	6.1%	1,497,726	3.95%
McHenry County	25,637,846	738,453		10.7%	0.0%	10.7%	-110,710	-0.43%
I-90 East Corridor	23,350,164	310,071	957,912	4.5%	0.2%	4.7%	383,874	1.64%
I-57 Corridor	22,303,525	1,518,246		10.6%	0.1%	10.7%	-720,168	-3.23%
Market total	1,197,152,600	31,029,897	20,772,551	4.9%	0.3%	5.3%	16,794,267	1.4%

Chicago industrial submarket map



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)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

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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