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# The last word on last mile

September 16, 2019 | [Matt Baker](#)

Ever since the e-commerce revolution, the real estate industry has grappled with the concept of the last mile—where it is, how to build it up and how to capitalize on it. Perhaps unsurprisingly, the answers to these remain elusive.

“Most of my listings are in the city of Chicago or the close-in suburbs. When I started 22 years ago, no developer would touch those areas,” said Steven Kohn, principal at [Avison Young](#). “Then the world changed in '08 and infill became the buzz word. One man's infill might be central DuPage where another guy thinks it's Halsted and Division.”

An industry veteran with more than 20 years of experience, [Kohn recently joined Avison Young](#) with a mandate to help lead and grow the firm's industrial real estate brokerage practice in Cook County and labor-related markets across the Chicago market. [...]

The headline-grabbing projects and transactions are usually on greenfield sites in the I-55 and I-80 corridors where there's still room to build modern, high-ceilinged warehouses that serve multinational firms' logistics purposes. But for every million-square-foot lease, there are matching cumulative leases in smaller, infill locations.

Chicago's industrial market witnessed the lease-up of [8.67 million square feet last quarter](#), a 20 percent increase from the first quarter of 2019. And the average size of each deal, among the 266 transactions that Avison Young tracked, was 30,542 square feet. The I-80 corridor, conversely, had [just one lease](#) in that same time frame.

“In the city and close-in suburbs, you see local, manufacturing companies owned by people that live around here,” Kohn said. “Their mindset is much more about ownership. They are going to control the property and not let a landlord tell them in five years that the rent is going up.”

Because of these two users with differing approaches, there's been a dichotomy in industrial real estate—not just in Chicago but in every major industrial market. User one: multinational and logistics companies that take hundreds of thousands of square feet in highway-adjacent properties where they can rack product three stories high and easily transport it out to numerous markets. User two: local firms making or distributing goods largely to the surrounding market that take tens of thousands of square feet in legacy, Class B locations in infill locations.

Because of the last mile phenomenon, however, those two users are beginning to compete for the same space.

“There is e-commerce and infill demand from developers now who would typically have developed along I-80 or I-55,” said Kohn. “They are now looking into these oddball neighborhoods in the city and the close-in suburbs where they can buy antiquated buildings, or small buildings on large land sites, and put up modern warehouses.”

During his career, Kohn has negotiated more than 26 million square feet of industrial sales and leasing transactions and assisted clients with obtaining more than \$30 million worth of tax incentives. Cook County is notorious for a number of things, including its taxes. But according to Kohn, the situation isn’t as dire as many think.

“The industrial real estate taxes of the city of Chicago are as low as anywhere in our general area,” Kohn said.

“The real challenge is the Cook County suburbs. In fact, the western and southern Cook County suburbs have the highest per-square-foot industrial real estate taxes of anywhere in the country.”

However, local municipalities and the county all understand the situation and have been receptive to tax grievances. As long as real estate taxes stay relatively in line with those in DuPage and Lake Counties, including through Class 6b and other real estate tax incentives, Kohn believes that there won’t be an increase in users fleeing Cook County

“Most investors have a negative view of Cook County. The uncertainty of the real estate taxes with the new assessor, the labor difficulties, the perception of danger—all of this has made people very leery. But the one thing they’ll stretch on is infill,” Kohn said. “At the end of the day, distribution is about rooftops, and there are more rooftops in Cook County than there are anywhere else.”

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