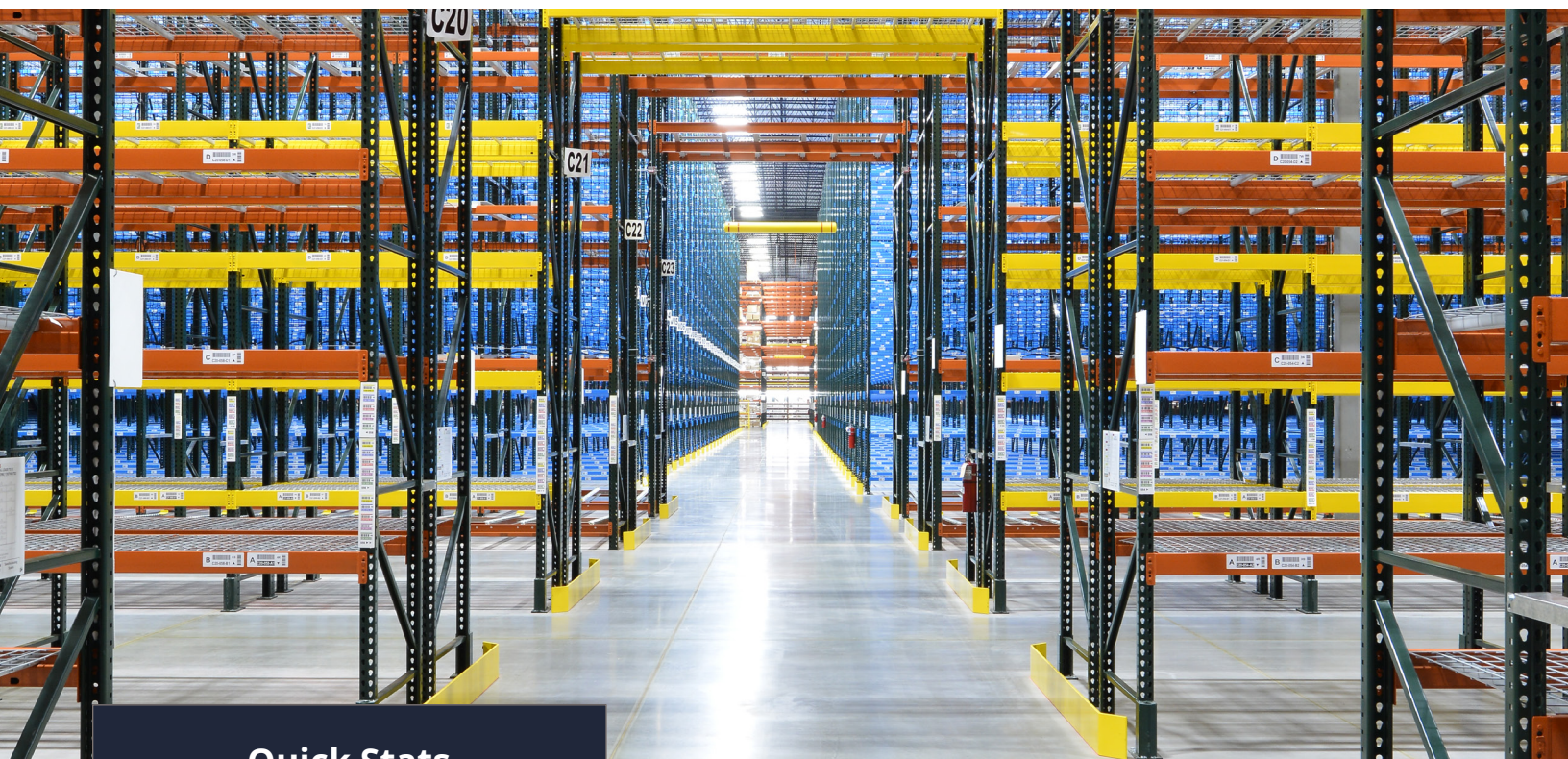


Chicago



Quick Stats

6.6% Vacancy

Chicago's industrial market had a 6.6% vacancy rate at Q4 2020, edging up from 6.4% at Q3 2020.

Leasing activity

There were 318 leases completed totaling 12.9 msf during Q4 2020. The I-80 Corridor (2.76 msf), O'Hare (1.77 msf) and South Cook (1 msf) had the most activity.

Construction

There are six buildings totaling 4.5 msf under construction in the I-80 submarket, part of the overall 20 msf pipeline.

New inventory

Construction totaled 22.4 msf in 2020, up 10% from 2019. The I-80 Corridor, Southern WI and the I-39 Corridor lead the way.

Industrial market overview

Retail to industrial: Where's the return?

Americans spent nearly \$200 billion on online holiday shopping in 2020, an increase of more than 30% from 2019, according to Adobe Analytics. This e-commerce surge has been a boon to the industrial sector -- and is about to provide a significant lesson in reverse logistics. As consumers faced limitations on in-person shopping, many adopted a "buy three and return two" approach that is testing many retailers' logistics strategies. With returns from this holiday season expected to double, to around \$1 billion or more, companies are scrambling to find ways to process the volume of merchandise.

Many retailers are short on space in existing distribution centers for the returns process and are renting temporary space to help manage the process, while others are reconfiguring their warehouse space or retail stores to accommodate returns. Amazon, for example, has been using its Whole Foods store locations as drop off centers, along with many Kohl's stores. Walmart is partnering with FedEx to have the delivery service pick up returns directly from consumers.

Some industry experts predict that returns will increasingly be handled by third party logistics providers that have the customer support and labor available to process the returns. This growth in returns could also be a boon for industrial owners, particularly those with older, Class B buildings.

Vacancy & availability

The overall vacancy rate for the Chicago industrial market remained relatively unchanged in Q4 2020 at 6.6%, with East DuPage and the I-55 Corridor seeing the largest increases. The addition of large blocks of new space that delivered vacant were factors in impacting the vacancy rates in each submarket.

The East DuPage submarket reached 4.3% vacancy (up 105 bps), after seeing vacancy under 4% for seven of the previous nine quarters. This uptick was due in part to a 175,414-sf building at 955 Weigel Ave. in Elmhurst delivering to the market vacant. The I-55 Corridor recorded a 9.7% vacancy rate (up 130 bps), with a 542,944-sf building at 14532 S. Gougar Rd. in Lockport delivering vacant. That big box submarket, with nearly four times the inventory of East DuPage, has seen

vacancy fluctuate from 12.6% in Q4 2017 to 8.1% in Q2 2020, as large blocks of space deliver and then are leased.

Submarkets that saw decreases in vacancy in the fourth quarter include Southern Wisconsin, with a 230 bps drop to 4.4%; the I-80 Corridor, with a 130 bps drop to 6.2%; and I-39 and I-88, where each had a 100 bps drop 6.7% and 6.6%, respectively. Vacancy has also fluctuated over the past two years in the I-80 Corridor, reaching 12.4% in Q4 2018 and decreasing over the last three quarters from a peak of 10% in Q1 2020.

Vacancy in the O'Hare submarket declined slightly, from 8.5% in Q3 2020 to 8.3% in Q4 2020. Net absorption declined considerably, from 1 msf in Q3 2020 to 365,096-sf in Q4 2020. There are currently five buildings under construction, totaling 666,319-sf.

Industrial submarkets by the numbers

Submarket	Inventory (SF)	Vacancy (SF)	Vacancy (%)	Net Absorption	Leasing Activity (SF)	Under Construction
Overall Market	1,142,592,574	75,425,878	6.60%	6,243,817	12,987,915	19,978,663
Lake County	71,111,091	4,932,367	6.9%	129,354	467,019	1,632,783
Southern WI	35,508,801	1,556,705	4.4%	859,442	286,427	2,724,650
North Cook	42,477,686	2,173,997	5.1%	(292,097)	407,854	0
O'Hare	109,078,350	9,068,711	8.3%	365,096	1,776,629	666,319
South Chicago Industrial	105,836,240	4,581,264	4.3%	417,008	138,432	1,879,544
North Chicago Industrial	54,836,542	3,830,441	7.0%	(491,785)	15,670	42,000
West Cook	58,344,333	2,062,099	3.5%	228,695	511,442	0
I-90 East Corridor	24,341,020	1,732,501	7.1%	223,704	226,196	0
I-90 West/Elgin Corridor	36,504,091	2,838,474	7.8%	140,604	719,290	315,623
McHenry County	24,392,165	2,227,868	9.1%	(105,294)	32,173	0
East DuPage	28,134,607	1,211,106	4.3%	(239,673)	320,037	500,300
US-64 Corridor	74,020,082	4,641,486	6.3%	718,041	770,840	1,294,974
South Cook	78,274,140	3,224,481	4.1%	484,271	1,021,382	1,865,307
I-55 Corridor	103,422,983	10,034,861	9.7%	136,707	915,453	624,857
I-57 Corridor	21,180,491	2,035,860	9.6%	(66,584)	1,350,000	1,015,000
I-80 Corridor	99,629,096	6,199,611	6.2%	2,856,654	2,759,198	4,508,968
I-39 Corridor	54,507,513	3,634,807	6.7%	631,353	395,395	2,567,000
I-88 Corridor	68,168,445	4,524,826	6.6%	658,695	734,992	0
Northwestern Indiana	52,824,898	4,914,413	9.3%	(410,374)	139,486	341,338

Absorption & demand

Leasing activity remained steady in Q4 2020 with 318 transactions totaling 12.9 msf compared with 294 transactions totaling 11.75 msf in the third quarter. The last two quarters showed a strong rebound from Q2 when activity dropped to 9.5 msf as the pandemic slowed the market. Adding in the more robust activity for Q1 (13.3 msf), the year closed with a total of 46.3 msf of leasing activity, approximately 12% lower than 2019.

Submarkets with the highest amount of leasing activity in Q4 2020 were the I-80 Corridor (2.76 msf), O'Hare (1.77 msf), and I-57 Corridor (1.35 msf).

Net absorption was 6.24 msf for the quarter, an increase from 4.68 msf in the third quarter. Submarkets with the highest net absorption included the I-80 corridor (2.86 msf), Southern Wisconsin (859,442 sf) and the US-64 Corridor (718,041-sf).

Among the notable leases of the quarter were a 1.36 msf build-to-suit for Scotts Fertilizer at 24101 S. Bradley Road in Channahon, IL; an 1.35 msf renewal by Clorox at 2400 Dralle Rd in University Park; and a 1 msf lease by CJ Logistics at 24101 S Bradley Rd in Channahon, IL.

Investment

Among the top sales of the quarter were 25101 S. Ridgeland Avenue in Monee, an 879,040 sf building sold by DeBartolo Development to Hillwood for \$50.3 million (\$57 psf); 160 Southcreek Parkway in Lockport, a 648,960 sf building sold by LaSalle Investment Management to Exeter Property Group for

\$43.6 million (\$67 psf); and 3507 S. 51st Street in Chicago, a 316,550 sf building sold by Conor Commercial to GLP Capital Partners for \$42 million (\$133 psf).

Top sales of the year included 3501 120th Place in Kenosha, WI, a 1.02 msf two-building Amazon fulfillment center sold by Prologis to Kohlberg Kravis Roberts & Co. for \$119.2 million (\$117.35 psf); 3300 Channahon Road in Joliet, a 1.22 msf Target distribution center sold by AEW Capital Management to Kohlberg Kravis Roberts & Co. for \$87.5 million (\$71.71 psf), and the sale of a 4 msf building at 325 State Route 31 in Montgomery from Caterpillar to Reich Brothers for \$68.58 million (\$17.14 psf). Caterpillar plans to lease back a portion of the space.

Notable Q4 industrial leases

Tenant	Address	Submarket	SF	Lease type
1 Scotts Fertilizer	24101 S Bradley Rd Channahon, IL	I-80 Corridor	1,360,520	New
2 Clorox	2400 Dralle Rd University Park, IL	I-57 Corridor	1,350,000	Renewal
3 CJ Logistics	24101 S Bradley Rd, Channahon, IL	I-80 Corridor	1,000,110	New
4 Kimberly-Clark Corporation	740 N Prologis Pky, Romeoville, IL	I-55 Corridor	805,912	Renewal

Notable Q4 sales comps

Address	Size	Buyer	Seller	Sale Price	Price PSF
1 25101 S Ridgeland Ave, Monee, IL	879,040	Hillwood	DeBartolo Development	\$50,300,000	\$57
2 160 Southcreek Pky, Lockport, IL	648,960	Exeter Property Group	LaSalle Investment Management	\$43,600,000	\$67
3 3507 W 51st St, Chicago, IL	316,550	GLP Capital Partners	Conor Commerical	\$42,000,000	\$133

Construction overview

Industrial construction remained strong in the fourth quarter, with 5.2 msf of space delivered, bringing the total for 2020 to 22.4 msf. This was a 10 percent increase from the 20 msf delivered in all of 2019. This large construction spree has delivered 55.5 msf to the Chicago market since Q1 2018.

Among the submarkets with the largest volume of deliveries in 2020 was the I-80 Corridor, with 5.3 msf. This included the largest delivery of Q4 2020 at 3401 Brandon Rd., Elwood, IL, a 1.64 msf build-to-suit by CenterPoint Properties for Harbor Freight. There also are six buildings under construction, totaling 4.5 msf, in that submarket, part of the total 20 msf pipeline in the Chicago market.

Other top markets for ongoing construction are Southern Wisconsin, with seven buildings totaling 2.7 msf, and the I-39 Corridor, with two buildings totaling 2.6 msf.

Among the other notable deliveries over 500,000 sf were 540 W. Taylor Road, Romeoville, IL, a 646,380-sf build-to-suit by Pizzuti for Crate & Barrel in Pinnacle Business Park; 14532 S. Gougar Rd., Lockport, IL, a 542,944-sf speculative development by ML Realty Partners in the I-55 Corridor; and 3940 S. Lakeside Dr., Waukegan, IL, a 501,109-sf speculative development by Bridge Development Partners in the Lake County submarket.

COVID-19 disruption pushing construction costs higher

Increasing construction costs and material shortages continue to be on the radar in the industrial sector, as production of steel, lumber, concrete and other materials are impacted by the pandemic. At many junctures in the construction process, material producers and contractors have to limit their staff to ensure social distancing or close down periodically after a COVID-19 outbreak. The disruption then pushes back production timelines and reduces capacities. In the Chicago market, some developers are reporting significant delays in securing materials such as precast concrete, which could push construction starts back three to six months.

According to the Q4 2020 U.S. Chamber of Commerce Commercial Construction Index, 71% of contractors surveyed nationally report facing some materials shortages. Lumber was the most-noted material, followed by steel, and electrical and lighting supplies. Steel and aluminum have experienced modest price hikes and the price of concrete decreased slightly.

Construction Dive reports that 58% of all contractors are putting in higher bids on projects to compensate for price increases, delays and shortages. Up to 39% are turning down work opportunities due to shortages and delays. These issues could cause the overall costs of construction projects to rise higher, but the volume of construction is expected to remain steady for 2021, as demand continues to fuel activity.

Notable Q4 construction, (1 msf + projects)

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
Lake County	20444 W Peterson Rd, Grayslake, IL	1,400,000	BTS Medline	Q1-2021	The Alter Group	100
I-80 Corridor	24101 S Bradley Rd, Channahon, IL	1,360,520	Speculative	Q4-2021	Venture One Real Estate	100
I-80 Corridor	3501 Brandon Rd, Elwood, IL	1,128,258	Speculative	Q1-2021	CenterPoint Properties	0
I-57 Corridor	23257 S Central Ave, University Park, IL	1,015,000	BTS Amazon	Q1-2021	Venture One Real Estate	100

Notable Q4 deliveries, (500k + sf)

Market	Building	RBA	Type	Developer	Major Tenants
I-80 Corridor	3401 Brandon Rd, Elwood, IL	1,639,000	BTS	CenterPoint Properties	Harbor Freight
I-55 Corridor	Pinnacle 24 -W Taylor Rd & Southcreek Pkwy, Romeoville, IL	646,380	BTS	Pizzuti	Crate & Barrel
I-55 Corridor	14532 S Gougar Rd, Lockport, IL	542,944	Speculative	ML Realty Partners	n/a
Lake County	3940 S Lakeside Dr, Waukegan, IL	501,109	Speculative	Bridge Development Partners	n/a

As e-commerce activity continues to fuel the industrial sector, we expect an unprecedented volume of retail returns flowing through distribution and warehouse space, as well as bricks and mortar stores. Those retailers and e-tailers that can master the reverse logistics process will win out in the minds of consumers and be well positioned for continued growth in the online shopping sector.



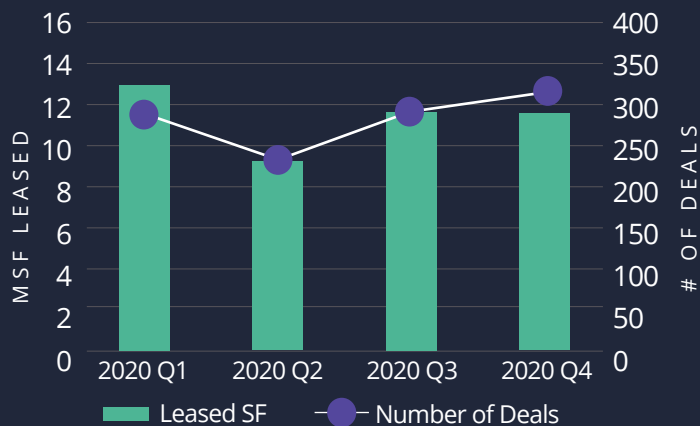
Adam Haefner
Principal
Industrial Services

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

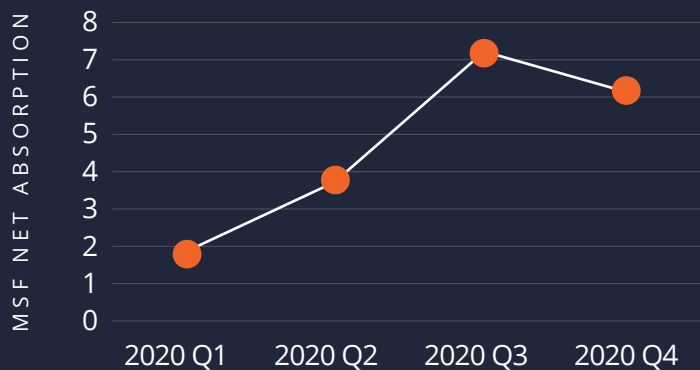
Building Address	Submarket	City	State	Rentable Building Area	Max Building Contiguous Space	Building Status	Owner
901 Carlow Dr	I-55 Corridor	Bolingbrook	IL	997,802	997,802	Existing	Heitman
1010 Taylor Rd	I-55 Corridor	Romeoville	IL	824,753	824,753	Existing	Molto Properties
1701 Remington Blvd	I-55 Corridor	Bolingbrook	IL	800,000	800,000	Existing	Clarion Partners
1001 W Bluff Rd	I-55 Corridor	Romeoville	IL	657,540	657,540	Existing	Prologis
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
3501 Brandon Rd	I-80 Corridor	Elwood	IL	1,128,258	1,128,258	Under Construction	CenterPoint Properties
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	W-C Joliet Owner IX LLC
25101 S Ridgeland Ave	I-80 Corridor	Monee	IL	879,040	879,040	Existing	Hillwood
1501 Internationale Pky	I-80 Corridor	Minooka	IL	849,691	849,691	Existing	Prologis
2700 Ellis Rd	I-80 Corridor	Joliet	IL	689,654	689,524	Existing	CBRE Global Investors Ltd
2695 Plainfield Rd	I-80 Corridor	Joliet	IL	654,328	654,328	Existing	Angelo, Gordon & Co
21100 SW Frontage Rd	I-80 Corridor	Shorewood	IL	1,000,053	507,187	Existing	Clarion Partners
2000 Deerpath Rd	I-88 Corridor	Aurora	IL	764,895	764,895	Existing	Panattoni Development Company
1501 Harris Rd	Lake County	Libertyville	IL	596,616	596,616	Existing	Dermody Properties
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	Under Construction	Gatling Community Development
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	Greco/DeRosa Investment Group

Chicagoland industrial metrics

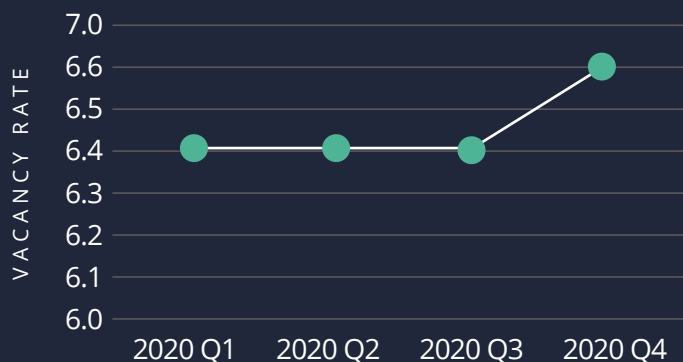
Leasing activity (MSF)



Net absorption (MSF)



Vacancy rate (%)



Get more market information

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