

MARKETBEAT CHICAGO

Industrial Q4 2019



YoY
Chg

12-Mo.
Forecast

4.9%

Vacancy Rate



16.1M

Net Absorption, SF



\$5.52

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY
Chg

12-Mo.
Forecast

3.8M

Chicago Metro
Employment



3.6%

Chicago Metro
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

Footnote: 2019Q4 data are based on latest available data.

ECONOMY: Record Low Unemployment Persists

The Chicago Metropolitan Area economy continued to improve throughout 2019. Local unemployment recorded a minimal increase of 10 basis points (bps) from year-end 2018 to 3.6%. As of November 2019, 28,500 jobs were added year-over-year (YOY). The manufacturing sector saw 1,100 jobs added over the same time period, representing a 0.3% YOY increase which slightly lags the national manufacturing job growth rate of 0.6%. Low unemployment coupled with moderate job growth highlights a tight labor market.

DEMAND: Leasing Activity Surges in 2019

The Chicago industrial market remained strong in 2019. New leasing totaled 34.8 million square feet (msf), up an impressive 12.3% YOY. Heightened big-box leasing activity pushed the average deal size up 12.3% YOY to 66,537 square feet (sf). There were 10 new lease transactions over 500,000 sf signed in 2019 (total: 7.5 msf), up from seven deals (total: 5.5 msf) in 2018. Interstate 55 Corridor, Interstate 80 Corridor, O'Hare and West Cook County accounted for 55.1% of all new leasing in 2019 (19.2 msf). The largest deal signed in the fourth quarter 2019 was Unis' 826,755-sf lease at 3901 Brandon Road in Elwood.

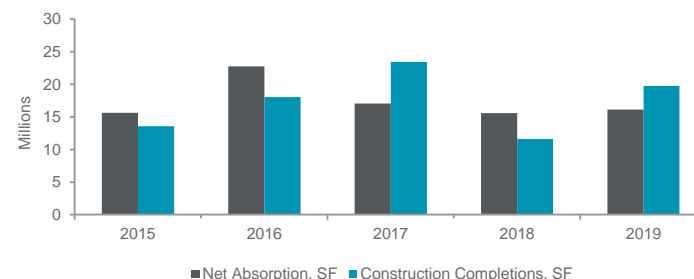
Overall vacancy ended the year at 4.9%, down 60 basis point (bps) YOY. The majority of submarkets (12 out of 19) recorded a YOY drop in vacancy. Submarkets with the largest declines in vacancy were: Northern Fox Valley, which fell 250 bps to 2.4%; Western Cook County, which dropped 180 bps to 5.2%; and Northern Cook County, which declined 110 bps to 3.6%.

Overall net absorption increased 3.4% YOY to 16.1 msf. Interstate 55 Corridor, Lake County and Interstate 80 lead the market with 9.3 msf absorbed, accounting for 57.9% of total absorption. As tenants occupy previously leased space, absorption is expected to increase throughout the first half of 2020.

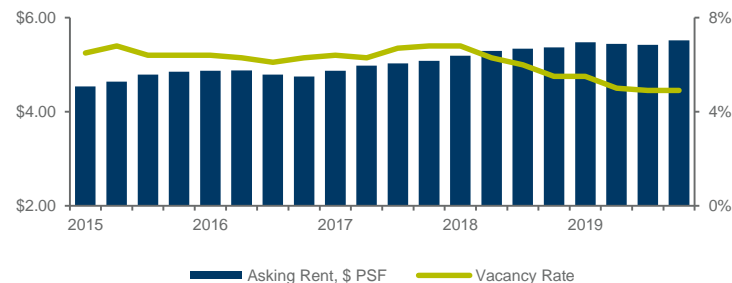
PRICING: Asking Rents Continue to Rise

Rent growth maintained its upward momentum; overall asking weighted average net rental rates ticked up 2.8% YOY to \$5.52 per square foot (psf). Major infill submarkets saw rental rates rise considerably YOY due to increased demand; average asking rental rates in O'Hare and Western Cook County increased 21.4% YOY to \$6.40 psf and 6.89% to \$4.51 psf, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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Supply: Robust Construction Activity Continues Throughout 2019

An impressive 19.8 msf of new industrial product was delivered in 2019, a 70.1% increase YOY. Interstate 80 Corridor, Interstate 55 Corridor and Southeast Wisconsin submarkets recorded the most deliveries, accounting for 53.7% (10.6 msf) of total completions.

The year ended with 16.8 msf under construction, 60.7% of which is being built on a speculative basis. The average project size fell slightly YOY, from 312,406 sf to 294,058 sf. Interstate 55, Southern Fox Valley and Chicago South led construction, accounting for 33.4% of overall under-construction space. After ending 2018 with no construction activity, both Northern Fox Valley and Northern Cook County recorded increased activity in 2019, ending the year with 675,352 sf and 653,062 sf under construction, respectively.

The amount of build-to-suit space under construction surged 76.9% YOY to 6.6 msf due to several large projects breaking ground in 2019. Notable build-to-suits include: an eCommerce company (1.0 msf), Crate & Barrel (646,380 sf), and Fresenius Kabi (590,525 sf).

Sales: Portfolio Sales Drive Investment Activity

Both investment and user sale transactions recorded sharp increases. Users purchased 10.9 msf of industrial product in 2019, up 56.0% YOY. There were 44.8 msf of investment sales transacted over the same period, up 38.4% YOY. The increase in investment activity can be attributed to several bulk portfolios that traded hands in 2019.

One of the largest user sale transactions of 2019 was EMCO Chemical Distributors' purchase of 3601 North Skokie Highway in North Chicago from CenterPoint Properties. The 540,000-sf property traded for \$16.6 million (\$31 psf). A notable investment sale transaction was Nuveen's purchase of a 27-property portfolio from The Blackstone Group for \$2.9 billion. The Chicago-area portion of the portfolio consisted of five properties totaling 1.6 msf.

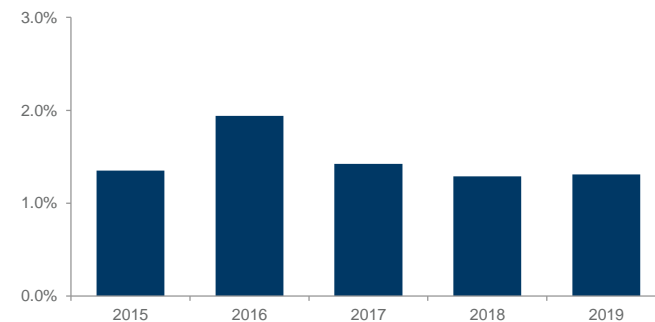
Outlook

- The Chicago market will continue to record strong activity in 2020. With record-high leasing in 2019, absorption will increase as tenants move into their previously leased spaces.
- BTS construction surged in 2019 and this trend will continue in 2020 as more users require specialized buildings. Developers will also look to build more "spec-to-suits" – customized speculative projects to appeal to users with niche demands such as cold storage or heavy power.
- The combined impact of trade policy and cooling manufacturing activity bear monitoring in regard to the overall industrial market.

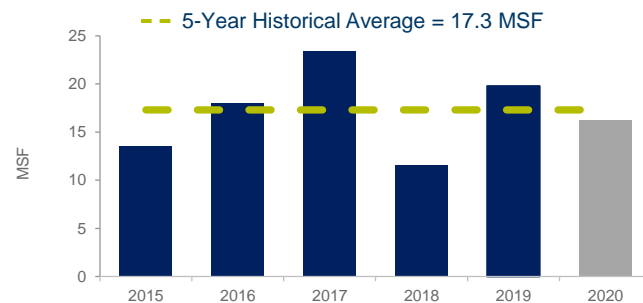
WAREHOUSE/MANUFACTURING ASKING RENT (\$ PSF, NNN)



INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



NEW SUPPLY



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Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Chicago North	104,668,004	2,749,646	2.6%	-113,366	454,659	0	0	\$6.61	\$10.00	\$7.39
Chicago South	137,229,212	4,030,312	2.9%	289,937	2,229,162	1,918,434	284,536	\$5.36	\$10.33	\$5.15
Western Cook County	108,376,912	5,622,181	5.2%	2,118,837	2,879,722	387,000	1,837,604	\$3.88	N/A	\$5.58
South Suburbs	89,422,394	2,737,073	3.1%	-289,475	1,067,038	219,267	0	\$4.55	\$7.23	\$3.90
Northern Cook County	54,648,803	1,945,982	3.6%	252,366	916,999	653,062	0	\$5.99	\$6.74	\$5.10
Northwest Cook County	35,202,840	1,337,969	3.8%	338,114	250,189	1,502,999	624,771	\$6.37	\$10.23	\$4.77
Northern Fox Valley	36,597,234	888,499	2.4%	650,863	606,074	675,352	251,780	\$6.95	\$9.71	\$5.31
Northeast DuPage	31,658,941	1,230,613	3.9%	-414,041	738,917	0	0	\$6.49	\$11.39	\$6.00
Southern DuPage	16,268,629	992,955	6.1%	656,751	520,901	153,042	931,858	\$5.91	\$11.86	\$7.49
Central DuPage	47,251,861	2,269,714	4.8%	134,384	1,444,723	200,000	748,846	\$2.85	\$8.50	\$5.84
Southern Fox Valley	92,175,173	3,382,148	3.7%	1,706,746	2,447,052	1,988,402	1,875,931	\$4.28	\$13.90	\$4.68
Lake County	85,089,701	2,767,728	3.3%	2,620,645	1,882,008	1,229,594	1,500,664	\$4.56	\$9.10	\$5.40
McHenry County	22,746,313	1,362,824	6.0%	147,733	76,666	0	0	\$6.12	N/A	\$5.10
Western Kane County	7,640,101	404,846	5.3%	-44,400	55,600	0	0	\$3.70	N/A	\$3.04
Interstate 55 Corridor	93,070,958	8,731,101	9.4%	4,431,958	6,756,524	3,717,908	3,728,829	\$4.17	N/A	\$4.51
Interstate 80 Corridor	100,202,751	11,293,830	11.3%	2,277,639	6,514,814	1,525,747	4,880,833	\$4.31	\$7.54	\$3.88
Interstate 39 Corridor	18,274,385	565,967	3.1%	67,648	206,479	0	183,000	\$4.04	N/A	\$2.98
Southeast Wisconsin	47,704,107	3,588,049	7.5%	357,235	2,725,301	1,206,525	1,992,389	\$4.40	\$10.00	\$4.91
O'Hare	102,762,507	4,103,250	4.0%	933,720	3,026,157	1,383,969	915,429	\$6.12	\$8.91	\$5.99
CHICAGO TOTALS	1,230,990,826	60,004,687	4.9%	16,123,294	34,798,985	16,761,301	19,756,470	\$5.19	\$10.29	\$4.94

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1860 West Jefferson Avenue	Southern Fox Valley	Crate & Barrel	827,268	Renewal
3901 Brandon Road	Interstate 80 Corridor	Unis, LLC	826,755	New Lease
901-1001 West Bluff Road	Interstate 55 Corridor	Geodis Logistics, LLC	400,400	New Lease
365 North Avenue	Central DuPage	Shippfusion	381,600	New Lease

KEY SALES TRANSACTIONS Q4 2019

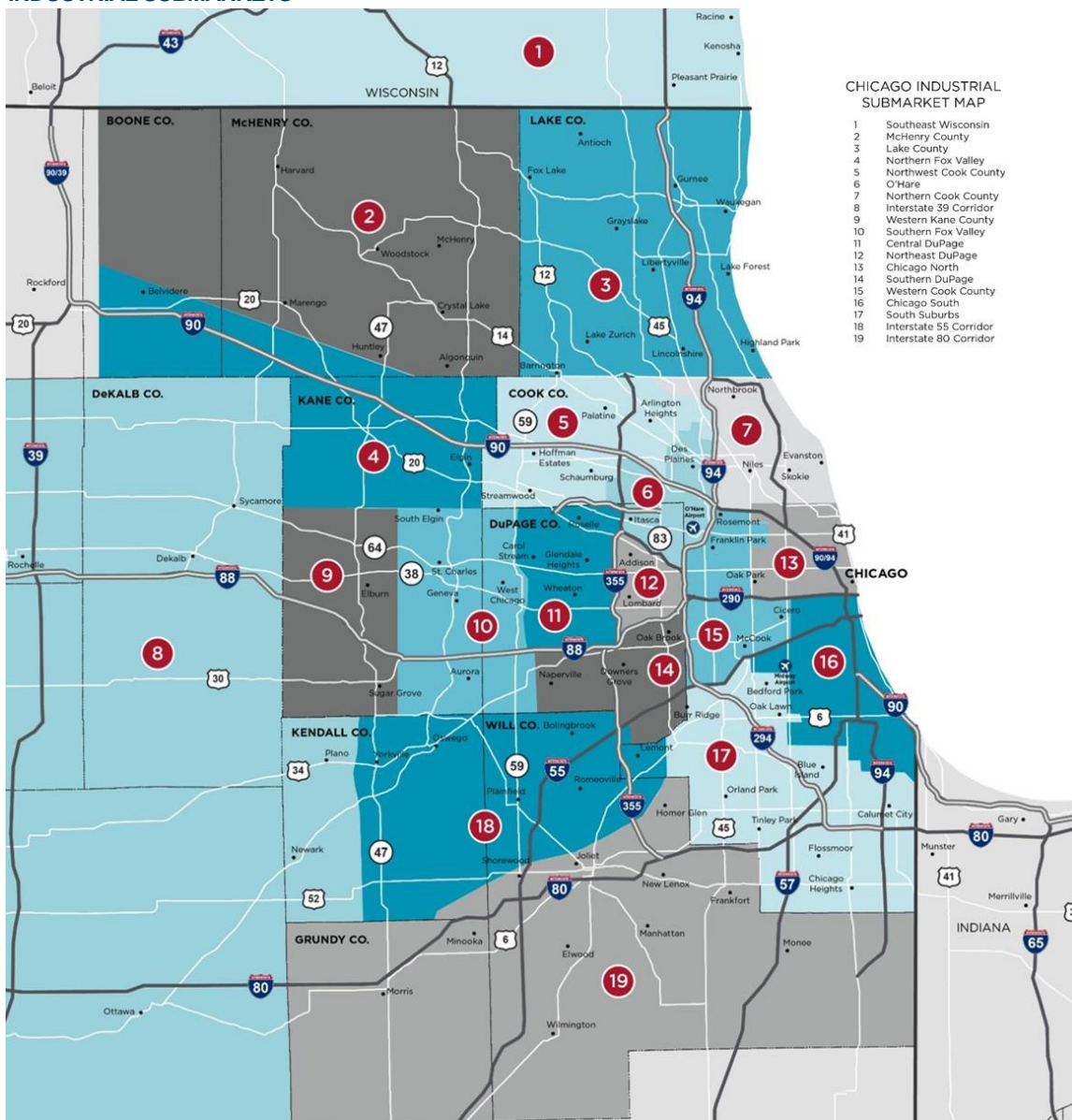
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1800 West Central Road	Northwest Cook County	Colony Capital / Ares Real Estate Management	637,566	\$42.3M/\$66
3348 South Pulaski Road	Chicago South	Prudential RE Investors / LBA Realty	316,680	\$38.5M/\$121
999 Dalton Lane	Interstate 55 Corridor	Northern Builders / ML Realty Partners	302,354	\$21.9M/\$72

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INDUSTRIAL SUBMARKETS



Gregory Rogalla

Senior Analyst

Tel: +1 847 518 3200

gregory.rogalla@cushwake.com

Linsey Smith, PhD

Research Director

Tel: +1 312 424 8045

linsey.smith@cushwake.com

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