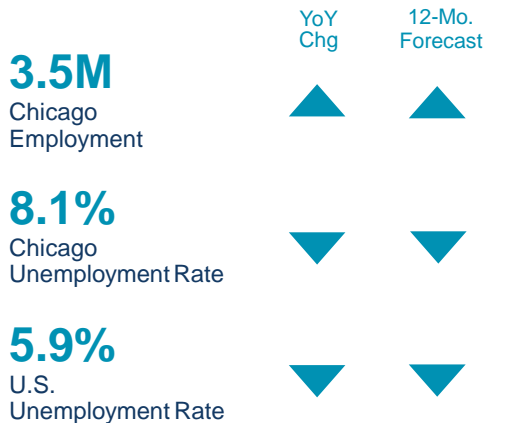


### ECONOMIC INDICATORS Q2 2021



Source: BLS, Moody's Analytics  
2021Q2 data are based on latest available data

### ECONOMIC OVERVIEW

Total employment in the Chicago metropolitan statistical area has slowly rebounded after bottoming out in April 2020. After peaking at 16.5% in April 2020, Chicago's unemployment rate dropped to 8.1% in May 2021. Industrial-using sectors recorded significant job growth since last April; notably, the trade and transportation sector added 86,000 jobs from April 2020 through May 2021, an increase of 10.4%. The manufacturing sector recorded more modest gains over the same period, with 8,000 jobs added (+2.1%). Propelled by strong construction activity throughout the market, construction sector jobs jumped 20.9% (+20,900 jobs) between April 2020 through May 2021.

### DEMAND: Highest Mid-Year New Leasing Total on Record

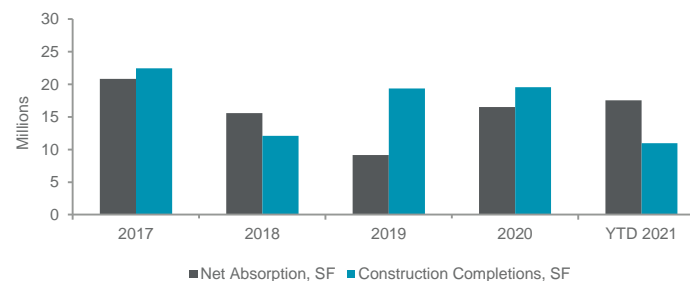
Through the first half of 2021, new leasing totaled 26.2 million square feet (msf), amounting to a 13.8% increase year-over-year (YOY) and marking the largest mid-year new leasing total on record. Big-box leasing accelerated in Q2 with deals over 300,000 square feet (sf) increasing 5.5% from Q1, bringing the year-to-date (YTD) big-box total to 11.6 msf. Demand was concentrated in retail trade/e-commerce and logistics, which accounted for nearly half (49.7%) of new leasing. Three submarkets—Interstate 80, Interstate 55 and O'Hare—dominated the leasing landscaping, accounting for over half (52.2%) of new leasing activity despite representing just 25.0% of inventory. There were two lease transactions over 900,000 sf: Tangent Technologies inked a 925,000-sf deal within the Southern Fox Valley and Lion Electric signed a 906,517-sf lease within the Interstate 80 Corridor. Lease renewals increased 33.3% YOY, with 12.7 msf in renewals signed through Q2.

Record demand coupled with a more disciplined development pipeline further tightened the market. Vacancy decreased 70 basis points (bps) YOY to 4.8%, the lowest recorded vacancy since Q4 2018. Submarkets with notable decreases in vacancy were Interstate 80 and Southern Fox Valley, which both recorded over 300-bps drops in vacancy. The amount of vacant sublease space dropped YOY from 3.0 msf last year to 2.5 msf in Q2, with vacant sublease space accounting for just 4.4% of overall vacant space. Overall net absorption increased a remarkable 192% YOY to 17.5 msf as users moved into previously leased space and several big-box build-to-suit (BTS) projects were completed, including Ferrara Candy's 1.6-msf BTS in DeKalb and Target's 1.0-msf BTS in Chicago. Interstate 80, Interstate 55 and O'Hare recorded the most absorption through mid-2021; together, the submarkets accounted for 57.3% (10.0 msf) of total space absorbed.

### PRICING: Warehouse/Distribution Space Records Strong Rent Growth

Overall average asking net rental rates increased 4.6% YOY to \$5.61 per square foot (psf). Following strong demand for Warehouse/Distribution space, rents for these assets jumped 7.0% YOY to \$5.32 psf.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



### Supply: Robust Construction Activity Persists, Spec Development Increases

Chicago's industrial pipeline showed no signs of slowing and is already on-track to outpace 2020's robust figures. Construction completions totaled 10.9 msf, with an additional 25.2 msf of inventory under construction – up 15.5% YOY. Submarkets with the most product under construction were Interstate 80, Interstate 55 and the South Suburbs which collectively accounted for 57.1% of overall construction.

BTS development continued to increase, with 9.4 msf delivered through Q2, up from the 2.8 msf delivered this time last year. There is an additional 9.2 msf of BTS product under construction—amounting to 36.4% of inventory under construction. With several big-box BTS projects delivered through mid-2021, the average size of BTS under construction dropped 20.3% from 721,632 to 574,877 sf.

After modest speculative (spec) development in 2020, tightening vacancy and strong leasing propelled spec activity through mid-2021. As of Q2, spec construction reached 16.0 msf, up from the 11.7 msf under construction one year ago. The average project size jumped 33.5% from 267,384 to 356,945 sf as several 1-msf developments broke ground in Q2 2021.

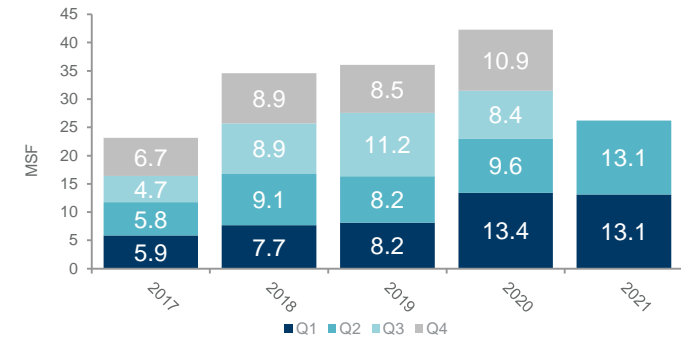
### Sales: User Sales Increase

After strong sales in H1 2020 largely buoyed by several major portfolio sales, investor sales in H1 2021 dropped considerably; sales reached 15.5 msf compared to 33.3 msf sold one year ago. Investor demand for infill product continued to rise, substantially increasing sale prices in those geographies. The O'Hare and Northern Cook County submarkets both saw investment sale purchase price psf increase upwards of 26.0% YOY. User sales increased 11.8% YOY, totaling 5.2 msf through Q2. The average user sale purchase price recorded a modest 3.8% increase YOY to \$59.54 psf.

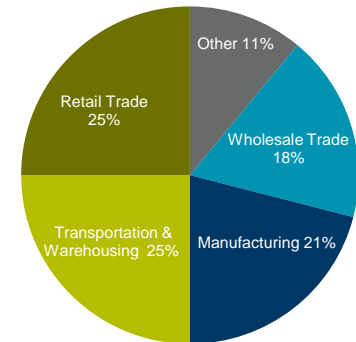
### OUTLOOK

- The Chicago industrial market recorded the largest mid-year new leasing total on record due in large part to strong big-box leasing. We expect big-box activity to remain strong in the second half of 2021.
- Spec construction increased substantially YOY prompted by a tightening market, but developers are more disciplined regarding where and how much they'll build. Spec development will continue to be concentrated in and around infill submarkets. The rise in spec development will place upward pressure on vacancy through the end of 2021 and into 2022.
- Demand from both investors and users for industrial product will remain strong in the coming quarters, pushing prices for well-located, high-quality assets. Tenant requirements for locations close to major population centers will continue and therefore we expect more infill, vacant big-box retail and outdated office space be converted or demolished to make way for new industrial product.

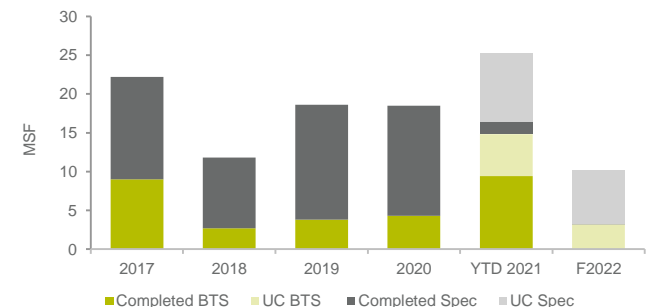
### OVERALL NEW LEASING ACTIVITY



### NEW LEASING BY INDUSTRY (H1 2021)



### NEW SUPPLY (COMPLETIONS & UC BY DELIVERY DATE)



# MARKETBEAT CHICAGO



## Industrial Q2 2021

### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT* (MF)	OVERALL WEIGHTED AVG NET RENT* (OS)	OVERALL WEIGHTED AVG NET RENT* (W/D)
Chicago North	90,259,085	3,013,679	3.3%	32,752	326,087	0	0	\$5.33	\$13.04	\$7.40
Chicago South	130,690,992	4,937,787	3.8%	514,091	1,036,697	1,498,994	1,137,811	\$6.08	\$11.00	\$5.30
Western Cook County	100,562,136	3,712,797	3.7%	-354,839	969,696	1,248,377	0	\$4.54	N/A	\$5.12
South Suburbs	86,168,928	3,362,120	3.9%	54,696	1,300,466	2,511,981	109,786	\$5.78	\$5.49	\$4.88
Northern Cook County	50,054,657	2,041,754	4.1%	-186,486	180,062	171,752	0	\$6.14	\$6.80	\$6.07
Northwest Cook County	32,355,061	1,361,234	4.2%	-167,888	182,858	1,114,481	0	N/A	\$7.49	\$5.65
Northern Fox Valley	37,402,529	2,308,552	6.2%	486,288	1,653,499	629,186	230,829	\$4.91	\$11.30	\$5.78
Northeast DuPage	28,014,627	1,336,638	4.8%	-174,809	448,517	714,130	189,300	\$6.24	\$7.44	\$5.22
Southern DuPage	14,980,622	567,470	3.8%	-15,728	111,821	126,445	0	\$6.07	\$7.83	\$6.84
Central DuPage	45,711,028	2,242,438	4.9%	370,466	777,977	508,687	0	\$5.21	\$7.12	\$6.47
Southern Fox Valley	90,658,271	5,554,241	6.1%	1,900,084	2,473,941	1,627,216	186,146	\$4.80	\$10.17	\$5.43
Lake County	82,601,987	3,995,349	4.8%	1,105,278	812,348	904,901	1,588,599	\$7.04	\$7.51	\$5.45
McHenry County	21,677,769	2,141,944	9.9%	-143,567	152,715	0	0	\$4.64	N/A	\$4.63
Western Kane County	6,703,300	607,548	9.1%	844,519	1,016,119	0	0	\$5.69	N/A	\$3.47
Interstate 55 Corridor	95,428,731	7,951,786	8.3%	2,387,651	5,091,450	2,914,825	646,380	\$4.44	\$5.04	\$4.50
Interstate 80 Corridor	103,792,358	4,243,983	4.1%	5,716,903	5,212,671	9,003,802	3,125,309	\$4.75	\$8.54	\$4.17
Interstate 39 Corridor	19,703,793	644,754	3.3%	1,681,000	50,000	0	1,688,400	\$4.53	N/A	\$4.19
Southeast Wisconsin	49,385,406	2,558,615	5.2%	1,532,168	1,034,527	2,285,791	1,429,872	\$4.61	N/A	\$5.79
O'Hare	95,643,054	4,253,744	4.4%	1,937,609	3,365,843	0	624,292	\$6.50	\$8.32	\$6.43
<b>CHICAGO TOTALS</b>	<b>1,181,794,334</b>	<b>56,836,433</b>	<b>4.8%</b>	<b>17,520,188</b>	<b>26,197,294</b>	<b>25,260,568</b>	<b>10,956,724</b>	<b>\$5.56</b>	<b>\$7.99</b>	<b>\$5.32</b>

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

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

### KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
325 State Route 31	Southern Fox Valley	Tangent Technologies LLC	925,000	New
3835 Youngs Road	Interstate 80 Corridor	Lion Electric	906,517	New
501 International Parkway	Interstate 80 Corridor	Kenco Logistic Services, Inc.	849,691	New
900 Knell Road	Western Kane County	DSV	760,720	New
41W368 Freeman Road	Northern Fox Valley	E-commerce User	629,186	New

### KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2200 Channahon Road	Interstate 80 Corridor	Griffin Capital   Industrial Realty Group	1,470,368	\$11.5M   \$8
8801 88th Avenue	Southeast Wisconsin	Majestic Realty Co.   Pritzker Realty Group, LLC	424,164	\$35.0M   \$83
1501 Remington Boulevard	Interstate 55 Corridor	Clarion Partners   Exeter Property Group	365,814	\$23.8M   \$65

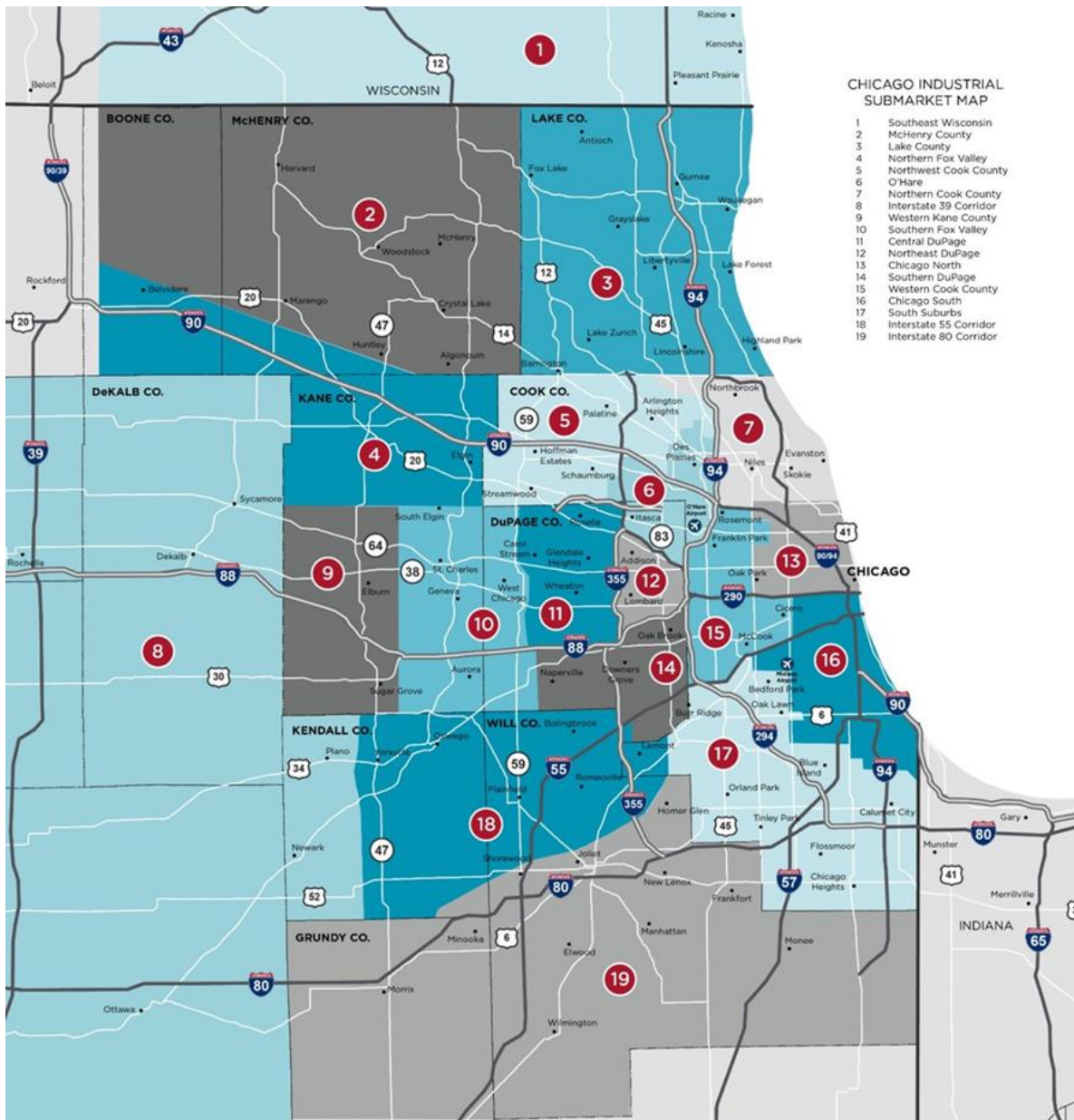


# MARKETBEAT CHICAGO

## Industrial Q2 2021



### INDUSTRIAL SUBMARKETS



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