

YoY Chg      12-Mo. Forecast

**4.7%**

Vacancy Rate



**23.6M**

YTD Net Absorption, SF



**\$5.67**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q3 2021

YoY Chg      12-Mo. Forecast

**3.6M**

Chicago Employment



**8.1%**

Chicago Unemployment Rate



**5.2%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2021Q3 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 16.4% in April 2020, Chicago's unemployment rate dropped to 8.1% in August 2021. Industrial-using sectors recorded significant job growth since last April; notably, the trade and transportation sector added 95,000 jobs from April 2020 through August 2021, an increase of 11.4%. The manufacturing sector recorded more modest gains over the same period, with 16,900 jobs added (+4.4%). Propelled by strong construction activity throughout the market, construction sector jobs jumped 18.6% (+28,200 jobs) between April 2020 through August 2021.

### DEMAND: Fourth Straight Quarter of Double-Digit New Leasing, Record-Low Vacancy

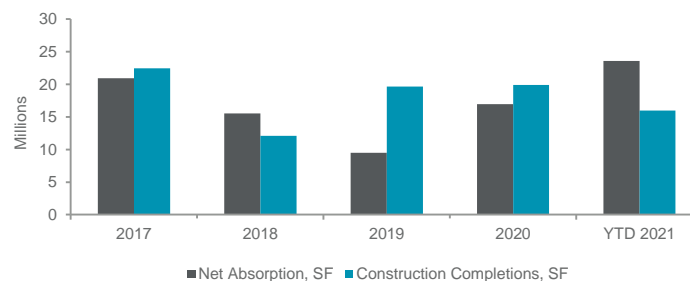
2021 year-to-date (YTD) new leasing totaled 38.9 million square feet (msf), up 23.8% year-over-year (YOY) and marking the fourth consecutive quarter of double-digit leasing. Demand was concentrated in retail trade/e-commerce and logistics, which accounted for over half (52.8%) of new leasing. Four submarkets—Interstate 55, Interstate 80, O'Hare and Southern Fox Valley—dominated the leasing landscape, accounting for over half (57.5%) of new leasing activity despite representing just 32.6% of inventory. O'Hare recorded the highest deal velocity, with 22.1% of new deals in the quarter. Notable Q3 lease transactions include an e-commerce user inking a 1.1-msf build-to-suit (BTS) deal in Northern Fox Valley and US Medical Glove signing a 941,314-sf lease in Southern Fox Valley. Lease renewals increased 22.8% YOY, with 16.4 msf in renewals signed through Q3.

Record demand coupled with a more disciplined development pipeline further tightened the market. Vacancy decreased 80 basis points (bps) YOY to 4.7%, the lowest vacancy figure on record. Submarkets with notable decreases in vacancy were Southern Fox Valley and Interstate 80, which recorded 450-bps and 320-bps drops in vacancy, respectively. Overall net absorption increased a remarkable 109% YOY to 23.6 msf as users moved into previously leased space and several BTS projects were completed in Q3, including two e-commerce BTS developments totaling 1.6 msf. Interstate 80, Interstate 55, Southern Fox valley and O'Hare recorded the most absorption through Q3; together, the submarkets accounted for 71.0% (16.7 msf) of total space absorbed.

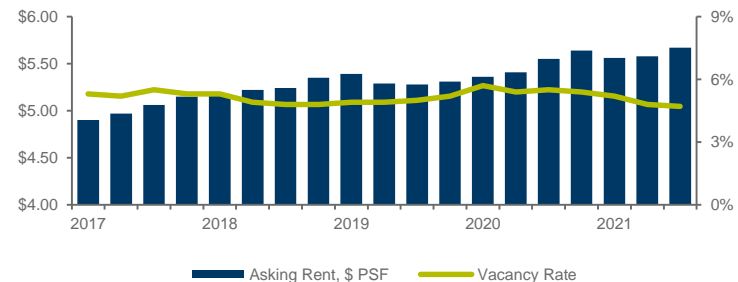
### PRICING: Strong Rent Growth in Warehouse/Distribution Space

Overall average asking net rental rates increased 2.2% YOY to \$5.67 per square foot (psf). Southern Fox Valley and Interstate 80 recorded the highest YOY growth in rent, up 14.1% to \$5.74 psf and 11.2% to \$5.05 psf, respectively. Following strong demand for warehouse/distribution space, rents for these assets jumped 6.4% YOY to \$5.45 psf. Rents for manufacturing facilities increased 2.1% over the same period.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT CHICAGO



## Industrial Q3 2021

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

Chicago's industrial pipeline showed no signs of slowing and is on-track to outpace 2020's robust figures. Construction completions totaled 15.9 msf, with an additional 23.9 msf of inventory under construction – up 20.6% YOY. Submarkets with the most product under construction were Interstate 80, Interstate 55 and the Southeast Wisconsin which collectively accounted for 55.8% of overall construction.

BTS development continued to increase, with 11.2 msf delivered through Q3, up from 3.1 msf one year ago. Currently, there is 8.0 msf of BTS product under construction—accounting for 33.5% of inventory under construction. With several big-box BTS projects delivered through Q3, the average size of BTS under construction dropped 4.4% from 700,289 sf to 669,222 sf.

After modest speculative (spec) development in 2020, tightening vacancy and strong leasing propelled spec activity across the market. Spec construction reached 15.9 msf, up from 12.6 msf one year ago. There has been 4.8 msf of spec product completed through Q3, with an additional 5.3 msf expected to be delivered through the end of 2021. The average project size jumped 19.2% from 290,331 sf to 346,022 sf as several 1-msf developments broke ground in recent quarters. Over half (54.7%) of spec development is located within Interstate 80, Southeast Wisconsin and Chicago South. There has been strong preleasing activity through Q3—50.1% of completed spec space was preleased upon delivery.

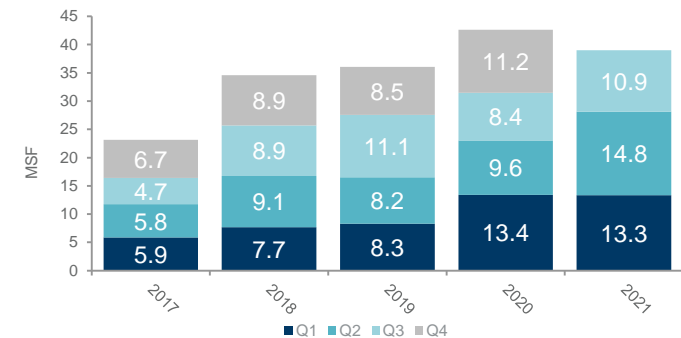
### Sales: User Sales Increase

After strong sales in 2020, largely buoyed by several major portfolio sales, investor sales lagged through Q3 2021. Sales reached 26.7 msf compared to 39.9 msf sold one year ago. Investor demand for infill product continued to rise, substantially increasing sale prices in those geographies. The Central DuPage and O'Hare submarkets saw average investment sale purchase price psf increase YOY by 13.1% and 10.4%, respectively. User sales increased 45.3% YOY, totaling 8.1 msf through Q3 and surpassing 2020's annual total of 7.7 msf.

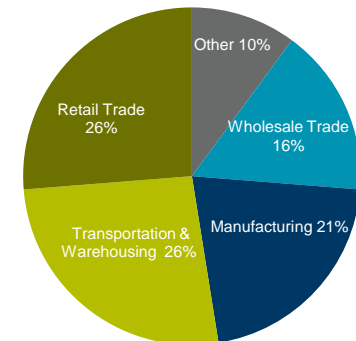
### OUTLOOK

- The Chicago industrial market recorded four straight quarters of double-digit new leasing, due in large part to strong big-box leasing. We expect big-box activity to remain strong throughout the remainder of 2021 and into 2022.
- 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.

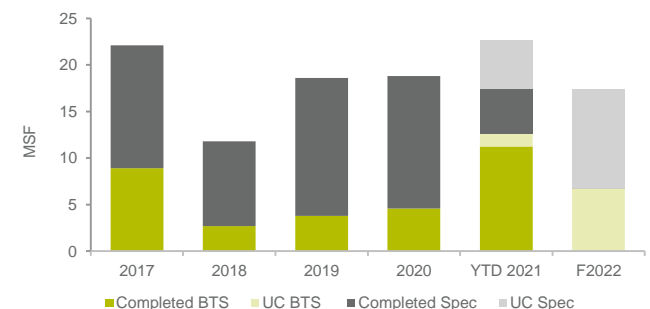
### OVERALL NEW LEASING ACTIVITY



### NEW LEASING BY INDUSTRY (YTD 2021)



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



# MARKETBEAT CHICAGO



## Industrial Q3 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	89,830,097	3,232,641	3.6%	-193,728	466,608	0	0	\$5.40	\$13.04	\$7.07
Chicago South	131,118,646	5,678,536	4.3%	-1,849	1,589,401	1,199,937	1,436,868	\$6.02	\$11.00	\$5.64
Western Cook County	101,874,470	3,253,414	3.2%	-16,308	1,484,182	1,429,106	0	\$4.30	\$6.08	\$4.70
South Suburbs	86,523,239	3,524,648	4.1%	682,165	1,652,771	1,688,650	933,117	\$5.66	\$5.49	\$4.20
Northern Cook County	50,727,786	2,371,987	4.7%	-533,075	616,698	171,752	0	\$6.35	\$6.79	\$6.02
Northwest Cook County	32,709,504	1,497,434	4.6%	274,849	639,240	677,981	436,500	\$4.89	\$7.42	\$4.99
Northern Fox Valley	37,520,533	2,175,673	5.8%	667,011	3,314,188	1,789,261	230,829	\$4.96	\$9.29	\$5.15
Northeast DuPage	28,128,561	1,437,611	5.1%	-120,849	568,181	768,931	322,400	\$6.55	\$7.98	\$7.19
Southern DuPage	14,974,421	587,277	3.9%	76,208	206,419	126,445	0	\$7.28	\$7.27	\$6.39
Central DuPage	45,725,741	1,422,307	3.1%	869,332	1,670,442	508,687	0	\$5.46	\$7.12	\$6.53
Southern Fox Valley	90,641,490	3,748,627	4.1%	3,861,686	4,285,411	1,447,089	186,146	\$4.63	\$10.89	\$5.65
Lake County	83,100,523	4,209,089	5.1%	1,637,984	1,786,885	770,646	2,235,103	\$5.24	\$7.55	\$5.47
McHenry County	21,677,769	1,992,627	9.2%	-61,435	167,215	0	0	\$3.74	N/A	\$5.21
Western Kane County	6,729,600	623,848	9.3%	828,219	1,026,119	0	0	\$5.66	N/A	\$3.69
Interstate 55 Corridor	96,346,546	7,474,818	7.8%	3,747,930	7,704,030	2,229,023	1,703,155	\$5.67	\$4.58	\$4.39
Interstate 80 Corridor	104,564,343	4,318,622	4.1%	6,547,347	5,621,258	8,451,334	3,948,640	\$4.75	\$7.34	\$4.50
Interstate 39 Corridor	20,041,714	820,754	4.1%	1,380,000	70,696	0	1,688,400	\$4.40	N/A	\$4.64
Southeast Wisconsin	50,177,289	3,535,399	7.0%	1,347,267	1,294,365	2,688,832	2,221,755	\$4.69	N/A	\$5.22
O'Hare	95,459,683	3,526,831	3.7%	2,590,317	4,807,417	0	624,292	\$6.64	\$7.89	\$6.75
<b>CHICAGO TOTALS</b>	<b>1,187,871,955</b>	<b>55,432,143</b>	<b>4.7%</b>	<b>23,583,071</b>	<b>38,971,526</b>	<b>23,947,674</b>	<b>15,967,205</b>	<b>\$5.46</b>	<b>\$8.02</b>	<b>\$5.45</b>

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

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

### KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11400 Venture Court	Northern Fox Valley	E-commerce User	1,160,075	New
325 State Route 31	Southern Fox Valley	US Medical Glove Company	941,314	New
100 Prologis Parkway	Interstate 80 Corridor	Mondelez	806,400	Renewal*
775 Veterans Parkway	Interstate 55 Corridor	UNIS	573,752	New
325 State Route 31	Southern Fox Valley	DSV Solutions Inc.	550,000	New

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q3 2021

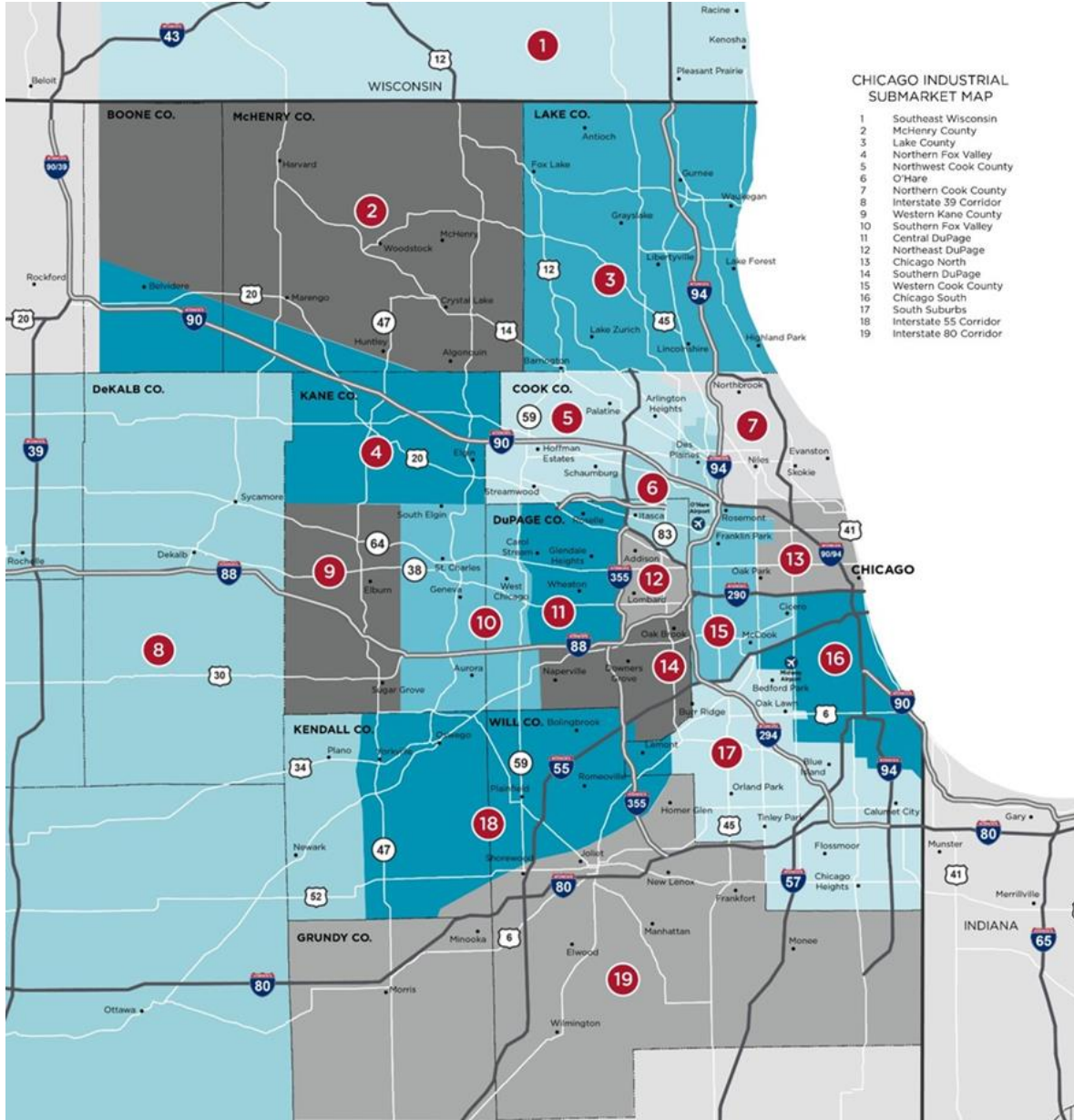
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1023 East Laraway Road	Interstate 80 Corridor	Core5 Industrial Partners   John Hancock Financial	1,026,000	\$94.3M   \$92
555 Saint James Gate	Interstate 55 Corridor	Pritzker Realty Group, LP   TradeLane Properties	419,610	\$24.6M   \$59
27W501 North Avenue	Central DuPage	Conor Commercial   GID	265,550	\$38.0M   \$143

# MARKETBEAT CHICAGO

Industrial Q3 2021



## INDUSTRIAL SUBMARKETS



### GREGORY ROGALLA

Research Manager

Tel: +1 847 518 3200

[Gregory.rogalla@cushwake.com](mailto:Gregory.rogalla@cushwake.com)

### DAVID HOEBBEL

Research Director

Tel: +1 314 257 0788

[David.hoebbel@cushwake.com](mailto:David.hoebbel@cushwake.com)

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