

	YoY Chg	12-Mo. Forecast
<b>4.6%</b> Vacancy Rate	▼	▲
<b>25.7M</b> YTD Net Absorption, SF	▲	▲
<b>\$5.78</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>3.5M</b> Chicago Employment	▼	▲
<b>6.4%</b> Chicago Unemployment Rate	▼	▼
<b>4.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics  
2021Q4 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 6.4% as of Q4 2021. Industrial-using sectors recorded significant job growth over the last year; notably, the trade and transportation sector added 36,900 jobs year-over-year (YOY) through November 2021, an increase of 4.0%. The manufacturing sector recorded more modest gains over the same period, adding 7,800 jobs (+2.0%). Propelled by strong construction activity throughout the market, the construction sector added by 2.8% 4,800 jobs YOY (+2.8%).

### DEMAND: Fifth Straight Quarter of Double-Digit New Leasing

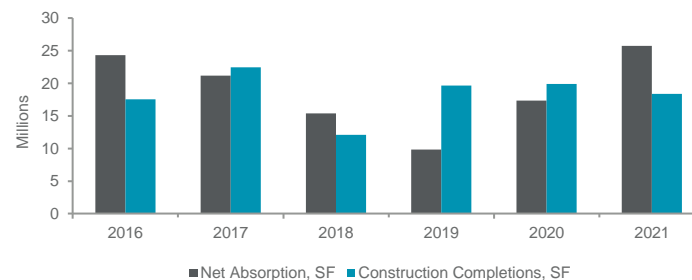
By year-end, new leasing totaled 54.2 million square feet (msf), up 26.4% YOY and marking the fifth consecutive quarter of double-digit leasing. Demand was concentrated in logistics and retail trade/e-commerce, which accounted for over half (51.7%) of new leasing. Big-box demand increased, pushing the average deal size up 12.3% YOY. There were 18 new deals signed over 500,000 square feet (sf), up from 13 in 2020. Four submarkets, including Interstate 55, Interstate 80, O'Hare and Southern Fox Valley—dominated the leasing landscape, accounting for over half (59.6%) of new leasing activity despite representing just 32.6% of inventory. O'Hare recorded the highest deal velocity, with 20.2% of new deals during 2021. New builds and product under construction saw an influx of leasing activity throughout 2021, with 35.0% (18.9 msf) of new deals occurring in buildings built since 2020 or those currently under construction or proposed. Notable Q4 lease transactions include Central Steel & Wire inking an 897,000-sf build-to-suit (BTS) deal and Home Depot signing an 879,040-sf lease, both located in Interstate 80. Lease renewals increased 42.9% YOY, with 23.6 msf in renewals signed throughout 2021.

Record demand further tightened the market. Vacancy decreased 70 basis points (bps) YOY to 4.6%. Submarkets with notable decreases in vacancy were Interstate 80 and Southern Fox Valley which recorded 340-bps and 310-bps drops in vacancy, respectively. Overall net absorption increased 48.3% YOY to 25.7 msf as users moved into previously leased space and 11.2 msf of completed BTS product was delivered during 2021. Interstate 80, Interstate 55, Southern Fox Valley and O'Hare recorded the most absorption; together, these submarkets accounted for 69.8% (18.0 msf) of total space absorbed.

### PRICING: Strong Rent Growth Across Major Submarkets

Overall average asking net rental rates increased 1.8% YOY to \$5.78 per square foot (psf). Lake County and Central DuPage recorded significant YOY growth in rent, up 9.6% to \$6.42 psf and 7.3% to \$6.28 psf, respectively.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT CHICAGO



## Industrial Q4 2021

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

Chicago's industrial pipeline showed no signs of slowing as activity outpaced 2020's robust figures. Construction completions totaled 18.5 msf, with an additional 26.8 msf of inventory under construction – up 31.4% YOY. Submarkets with the most product delivered were Interstate 80, Lake County and Southeast Wisconsin, which collectively accounted for 46.2% of overall construction. Interstate 80, Southeast Wisconsin and Interstate 55 have the most product under construction, totaling 17.1 msf or 63.8% of overall under construction.

BTS development continued to increase, with 11.2 msf delivered during 2021, up from 4.6 msf one year ago. At current, the 9.2 msf of BTS product under construction accounts for 34.4% of inventory under construction. With several big-box BTS projects delivered throughout 2021, the average size of BTS under construction dropped 8.0% from 716,548 sf to 658,928 sf YOY.

Spec construction reached 17.6 msf, up from 6.4 msf one year ago. There has been 7.2 msf of spec product completed through year-end. The average project size jumped 41.1% from 276,968 sf to 390,709 sf as several 1-msf developments broke ground in recent quarters. Of the total 24.8 msf speculative product built in 2021 and currently under construction, 27.5% has been preleased, up from 21.5% last year. Over half (54.3%) of spec development is located within Interstate 80 and Southeast Wisconsin.

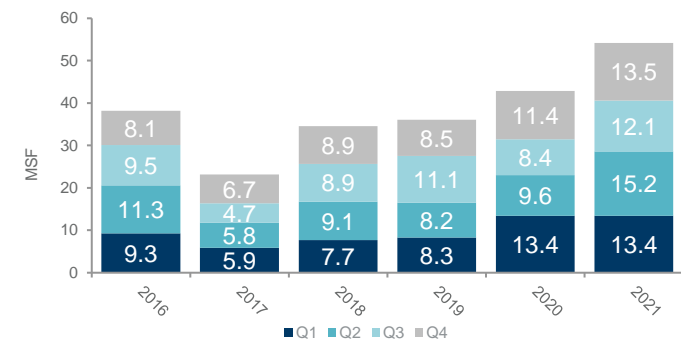
### Sales: User Sales Increase

Investment sales reached 41.3 msf, down slightly from the 49.1 msf transacted one year ago. Investors paid premiums for product located in high-performing submarkets. Interstate 80, Interstate 55 and O'Hare recorded YOY psf purchase price increases of 16.9%, 16.3% and 14.3%, respectively. User sales increased 50.7% YOY, totaling 11.6 msf, up from 2020's total of 7.7 msf. Nearly a quarter of user sales (22.3%) occurred within the Lake County and Chicago North submarkets.

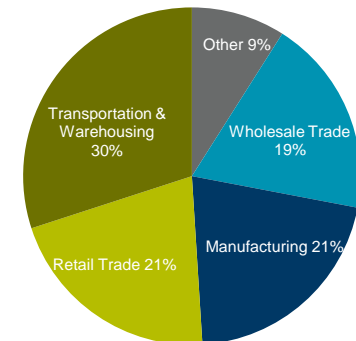
### OUTLOOK

- The Chicago industrial market recorded five straight quarters of double-digit new leasing, due in large part to strong big-box leasing. This is expected to continue throughout 2022 with several large users still active in the market.
- Overall net absorption should see a substantial increase as previously leased space and BTS developments are occupied in 2022.
- Spec construction increased substantially YOY prompted by a tightening market. Spec development will continue to be concentrated in and around infill submarkets.
- Due to strong preleasing, speculative construction completions will not negatively impact vacancy in 2021.
- 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 to be converted or demolished to make way for new industrial product.

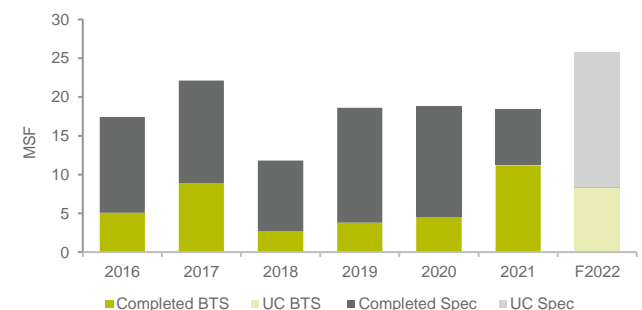
### OVERALL NEW LEASING ACTIVITY



### NEW LEASING BY INDUSTRY (2021)



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



# MARKETBEAT CHICAGO



## Industrial Q4 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	89,859,028	3,348,332	3.7%	-360,554	540,639	0	0	\$6.00	\$14.32	\$6.65
Chicago South	131,424,616	5,619,612	4.3%	231,865	1,929,653	893,399	1,743,188	\$6.05	\$12.88	\$5.65
Western Cook County	102,619,578	3,241,311	3.2%	401,633	2,549,739	777,092	652,014	\$4.36	\$10.08	\$5.04
South Suburbs	86,573,311	3,566,744	4.1%	419,518	1,774,290	1,688,650	933,117	\$5.60	\$5.49	\$6.42
Northern Cook County	50,768,685	2,008,825	4.0%	-229,359	900,689	171,752	0	\$6.69	\$6.79	\$5.51
Northwest Cook County	32,710,504	1,537,551	4.7%	234,617	714,876	677,981	436,500	\$5.31	\$7.70	\$4.97
Northern Fox Valley	37,520,533	1,925,363	5.1%	931,321	3,918,271	1,789,261	230,829	\$5.46	\$9.05	\$5.40
Northeast DuPage	28,126,498	1,298,645	4.6%	8,025	833,828	768,931	322,400	\$6.07	\$8.36	\$6.38
Southern DuPage	14,974,421	470,634	3.1%	176,548	260,747	126,445	0	\$6.18	\$7.35	\$6.33
Central DuPage	45,892,943	2,000,604	4.4%	469,482	1,866,362	292,500	216,187	\$5.46	\$6.36	\$6.42
Southern Fox Valley	91,497,663	4,378,777	4.8%	3,675,466	4,452,442	1,630,909	900,942	\$4.40	\$10.89	\$6.03
Lake County	83,294,666	4,698,494	5.6%	1,320,939	2,289,600	602,249	2,403,500	\$7.05	\$13.11	\$6.01
McHenry County	21,713,050	1,890,286	8.7%	37,206	217,070	0	0	\$4.80	N/A	\$5.73
Western Kane County	6,729,600	610,748	9.1%	841,319	1,039,219	0	0	\$5.42	N/A	\$3.69
Interstate 55 Corridor	97,226,287	8,153,177	8.4%	3,766,016	12,671,012	2,765,344	2,221,025	\$5.67	\$6.92	\$4.15
Interstate 80 Corridor	104,419,751	3,679,555	3.5%	7,190,390	7,995,734	9,987,934	3,948,640	\$4.85	\$7.34	\$4.67
Interstate 39 Corridor	20,031,418	503,129	2.5%	1,697,625	70,696	0	1,688,400	\$4.35	N/A	\$6.08
Southeast Wisconsin	50,197,900	3,214,117	6.4%	1,582,799	2,950,718	4,337,101	2,221,755	\$5.16	N/A	\$5.05
O'Hare	95,596,488	2,874,664	3.0%	3,319,095	7,179,098	297,328	624,292	\$6.29	\$8.34	\$6.93
<b>CHICAGO TOTALS</b>	<b>1,191,176,940</b>	<b>55,020,568</b>	<b>4.6%</b>	<b>25,713,951</b>	<b>54,154,683</b>	<b>26,806,876</b>	<b>18,542,789</b>	<b>\$5.85</b>	<b>\$8.67</b>	<b>\$5.40</b>

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

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

### KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Central Avenue and Steger Road	Interstate 80 Corridor	Central Steel & Wire Co	897,000	New
25101 South Ridgeland Avenue	Interstate 80 Corridor	Home Depot Inc	879,040	New
1701 Remington Boulevard	Interstate 55 Corridor	Diageo North America, Inc.	800,000	Renewal*
1070 Windham Parkway	Interstate 55 Corridor	PAE Inc	723,291	Renewal*
5800 Industrial Road	Interstate 80 Corridor	ExxonMobil	701,228	Renewal*

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q4 2021

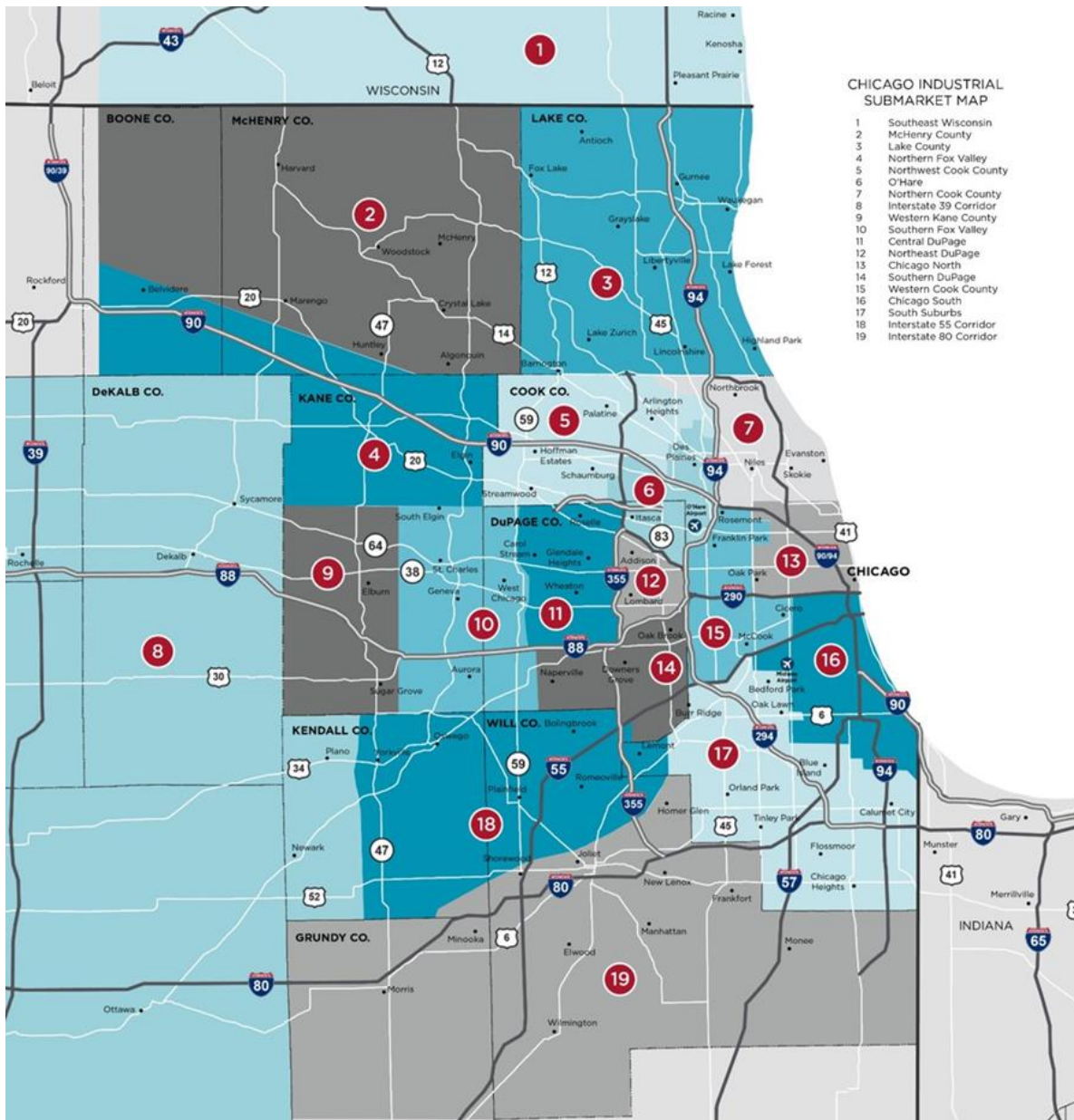
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2695 Plainfield Road	Interstate 80 Corridor	Angelo Gordon   Top Line Furniture	654,328	\$23.1M   \$35
1400-1490 West Dundee Road	Northwest Cook County	Rohrman Family Realty LP   Ridgeline Property Group, LLC	494,560	\$18.4M   \$37

# MARKETBEAT CHICAGO

## Industrial Q4 2021



### INDUSTRIAL SUBMARKETS



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