

YoY Chg 12-Mo. Forecast

4.1%

Vacancy Rate



7.5M

YTD Net Absorption, SF



\$6.14

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

3.7M

Chicago Employment



5.0%

Chicago Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2022Q1 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 5.0% as of Q1 2022. Industrial-using sectors recorded significant job growth over the last year; notably, the trade and transportation sector added 36,400 jobs year-over-year (YOY) through February 2022, an increase of 4.0%. The manufacturing sector recorded more modest gains over the same period, adding 6,400 jobs (+1.6%). Propelled by strong construction activity throughout the market, the construction sector added 9,200 jobs YOY (+6.2%).

DEMAND: Sixth Straight Quarter of Double-Digit New Leasing, Vacancy At All-time Low

New leasing totaled 13.6 million square feet (msf), up 1.4% YOY and marking the sixth consecutive quarter of double-digit leasing. Demand was concentrated in logistics and retail trade/e-commerce, which accounted for over half (56.3%) of new leasing. Big-box demand increased, pushing the average deal size up 38.6% YOY to 106,439 square feet (sf). There were six new deals signed over 500,000 sf during Q1, up from the five deals signed this time last year. Three submarkets, including Interstate 55, Interstate 80 and Southeast Wisconsin dominated the leasing landscape, accounting for over half (54.7%) of new leasing activity despite representing just 21.4% of inventory. Notable Q1 lease transactions include an e-commerce user signing two 1-msf leases within the Interstate 80 and Southeast Wisconsin submarkets. NFI inked a 997,802-sf sublease deal within the Interstate 55 submarket.

Strong leasing demand further tightened the market. Vacancy decreased 90 basis points (bps) YOY to 4.1%, a record low. Submarkets with notable decreases in vacancy were Interstate 55 and Northern Fox Valley which recorded 480-bps and 380-bps drops in vacancy, respectively. Overall net absorption increased 36.7% YOY to 7.5 msf as users moved into previously leased space and 1.1 msf of completed build-to-suit (BTS) product was delivered during Q1. Interstate 55, Interstate 80 and Southeast Wisconsin recorded the most absorption; together, these submarkets accounted for 90.1% (6.8 msf) of total space absorbed.

PRICING: Strong Rent Growth Across Major Submarkets

Record-breaking demand has pushed up average asking rental rates across the market with most submarkets recording significant YOY rent growth. Overall average asking net rental rates increased 9.9% YOY to \$6.14 per square foot (psf). The O'Hare submarket recorded substantial growth in overall asking rates, up 13.0% YOY to \$7.56 psf. Interstate 80 saw rates jump 10.7% YOY to \$4.82 psf. With demand largely driven by the warehouse/distribution sector, asking rates for those spaces recorded a 7.9% increase YOY from \$5.41 psf to \$5.84 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 as demand for space continues. Construction completions totaled 5.3 msf, with an additional 26.5 msf of inventory under construction (+17.6% YOY). Submarkets with the most product delivered were Interstate 80 and Southeast Wisconsin, which collectively accounted for 76.4% of overall construction. Interstate 80, Southeast Wisconsin and the South Suburbs have the most product under construction, totaling 14.8 msf or 56.1% of overall inventory under construction.

There was 1.1 msf of BTS product delivered during Q1, down from the 2.3 msf delivered one year ago. At current, the 10.2 msf of BTS product under construction accounts for 38.3% of inventory under construction. With several big-box BTS projects having broken ground in recent quarters, the average size of BTS under construction jumped 3.9% from 697,898 sf to 724,953 sf YOY.

Speculative (spec) construction reached 16.3 msf, up from 8.2 msf one year ago. There has been 4.2 msf of spec product completed through Q1. The average project size jumped 8.4% from 313,731 sf to 340,034 sf as several big-box developments broke ground in recent quarters. Of the total 20.5 msf spec product built during Q1 and currently under construction, 17.7% has been preleased. Nearly half (44.9%) of spec development is located within Interstate 80 and Southeast Wisconsin.

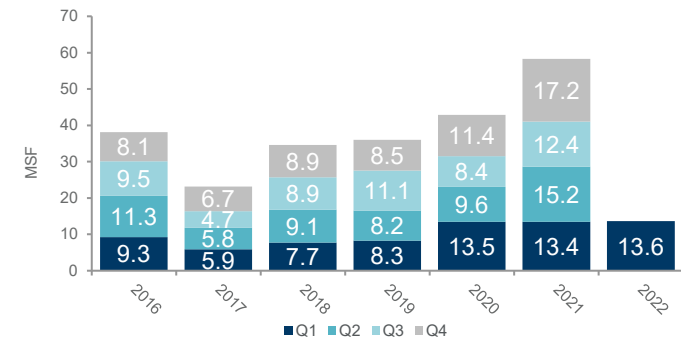
Sales: User Sales Increase

Investment sales reached 9.2 msf during Q1, up from the 7.9 msf transacted one year ago. Investors paid premiums for product located in high-performing submarkets. O'Hare, Northeast DuPage and Central DuPage recorded YOY psf purchase price increases of 59.7%, 45.7% and 42.1%, respectively. User sales decreased 48.4% YOY, totaling 1.7 msf. Nearly half of user sales (49.2%) occurred within the Southern Fox Valley, Western Cook County, and South Suburbs submarkets.

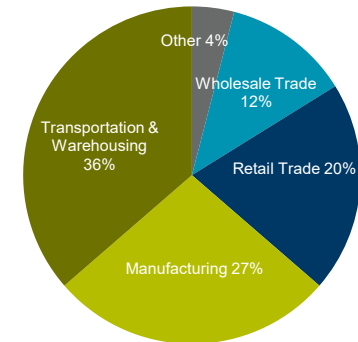
OUTLOOK

- The Chicago industrial market recorded six 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 throughout the remainder of 2022.
- Spec construction increased substantially YOY prompted by a tightening market. Spec development will continue to be concentrated in high demand and infill submarkets.
- Strong preleasing of spec construction will minimize the impact of new construction on vacancy rates.
- 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 will be converted or demolished to make way for new industrial product.

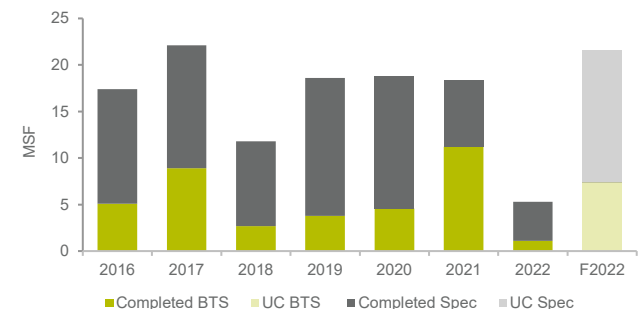
OVERALL NEW LEASING ACTIVITY



NEW LEASING BY INDUSTRY (Q1 2022)



NEW SUPPLY (COMPLETIONS & UC BY DELIVERY DATE)



MARKETBEAT CHICAGO



Industrial Q1 2022

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	89,339,040	3,117,414	3.5%	78,113	24,539	0	0	\$6.04	\$14.36	\$6.97
Chicago South	132,029,854	5,172,751	3.9%	127,163	477,528	893,399	0	\$5.84	\$12.88	\$5.75
Western Cook County	102,497,658	2,440,054	2.4%	525,225	1,110,787	1,990,027	0	\$5.39	\$10.08	\$4.88
South Suburbs	86,193,041	3,467,166	4.0%	-183,360	870,907	2,566,717	0	\$5.64	\$5.49	\$6.11
Northern Cook County	50,769,049	1,930,699	3.8%	-162,609	129,188	171,752	0	\$6.46	\$6.79	\$5.74
Northwest Cook County	33,353,647	2,221,779	6.7%	-40,803	216,276	80,053	677,981	\$5.68	\$8.57	\$5.54
Northern Fox Valley	36,804,388	1,360,783	3.7%	335,244	95,433	1,789,261	0	\$5.50	\$9.59	\$5.62
Northeast DuPage	28,276,792	1,412,969	5.0%	-10,928	386,172	887,209	150,010	\$6.15	\$8.68	\$6.11
Southern DuPage	15,230,253	424,558	2.8%	60,100	231,034	126,445	0	\$6.18	\$7.35	N/A
Central DuPage	45,892,774	1,940,998	4.2%	-81,572	944,760	292,500	0	N/A	\$6.36	\$6.35
Southern Fox Valley	91,668,986	4,452,859	4.9%	-15,513	363,441	1,953,904	125,205	\$4.40	\$9.96	\$6.65
Lake County	83,455,390	4,712,988	5.6%	-193,536	355,448	602,249	0	\$6.88	\$12.60	\$6.45
McHenry County	22,487,110	1,818,017	8.1%	10,232	10,000	0	0	\$4.13	N/A	\$6.47
Western Kane County	6,729,600	82,878	1.2%	295,620	0	0	0	\$4.50	N/A	\$6.12
Interstate 55 Corridor	97,192,667	4,507,619	4.6%	3,708,449	3,935,987	2,546,719	305,760	\$5.67	\$6.92	\$4.84
Interstate 80 Corridor	107,121,897	4,355,706	4.1%	1,738,147	1,953,762	7,390,217	2,598,034	\$4.87	N/A	\$4.80
Interstate 39 Corridor	20,031,418	435,599	2.2%	82,120	82,120	0	0	\$3.94	N/A	\$5.72
Southeast Wisconsin	52,054,976	2,947,080	5.7%	1,347,258	1,563,659	4,883,184	1,483,926	\$5.03	N/A	\$5.44
O'Hare	95,576,556	2,666,357	2.8%	-75,937	873,088	297,328	0	\$6.97	\$8.74	\$7.55
CHICAGO TOTALS	1,196,705,096	49,468,274	4.1%	7,543,413	13,624,129	26,470,964	5,340,916	\$5.83	\$9.32	\$5.84

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

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

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4300 Brandon Road	Interstate 80 Corridor	E-commerce User	1,035,034	New
10601 38th Street	Southeast Wisconsin	E-commerce User	1,004,400	New
901 Carlow Drive	Interstate 55 Corridor	NFI	997,802	New
South Cicero Avenue	South Suburbs	SC Johnson & Sons, Inc.	806,707	New
10400 West North Avenue	Western Cook County	CEVA Logistics	707,953	New

KEY SALES TRANSACTIONS Q1 2022

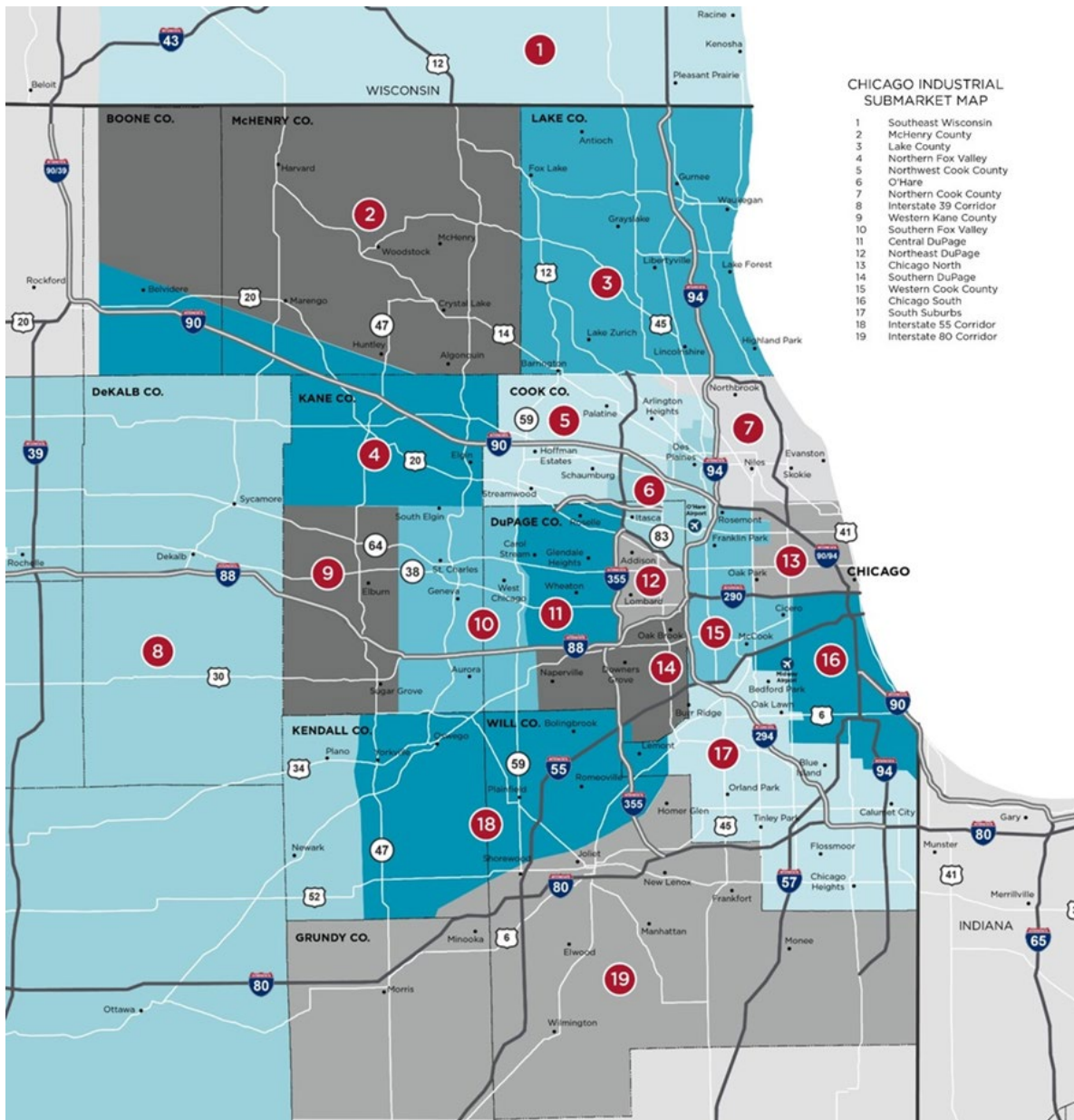
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
18801 Oak Park Avenue	Interstate 80 Corridor	Blackstone EQT - Exeter	915,643	\$65.8M \$72
3835 Youngs Road	Interstate 80 Corridor	Walton Street Capital Avison Young	906,517	\$96.8M \$107

MARKETBEAT CHICAGO

Industrial Q1 2022



INDUSTRIAL SUBMARKETS



GREGORY ROGALLA

Research Manager

Tel: +1 847 518 3200

Gregory.rogalla@cushwake.com

DAVID HOEBBEL

Research Director

Tel: +1 314 257 0788

David.hoebbel@cushwake.com

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