

YoY Chg      12-Mo. Forecast

**3.9%**  
Vacancy Rate



**16.3M**  
YTD Net Absorption, SF



**\$6.19**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2022

YoY Chg      12-Mo. Forecast

**3.7M**  
Chicago Employment



**4.6%**  
Chicago Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2022Q2 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. Chicago's unemployment rate dropped to 4.6% as of Q2 2022, a 240-basis point (bps) drop year-over-year (YOY). Industrial-using sectors recorded significant job growth over the last year. Most notably, the trade and transportation sector added 33,200 jobs YOY through May 2022, an increase of 3.6%. The manufacturing sector recorded more modest gains over the same period, adding 16,600 jobs (+4.2%). Propelled by strong construction activity throughout the market, the construction sector added 7,500 jobs YOY (+4.2%).

### DEMAND: Vacancy At All-time Low

New leasing totaled 22.8 million square feet (msf) through mid-2022, down 20.2% YOY, primarily driven by record breaking leasing activity in 2021 coupled with record low vacancy. Demand was concentrated in logistics and retail trade/e-commerce, which accounted for over half (52.2%) of new leasing. Four submarkets, including Interstate 55, Interstate 80, Southeast Wisconsin and Western Cook County dominated the leasing landscape through Q2, accounting for over half (50.1%) of new leasing activity despite representing just 29.9% of inventory. The average lease size rose 2.9% from 79,251 square feet (sf) at this time last year to 81,585 sf. Notable Q2 lease transactions included Uline's 757,418-sf lease at the newly delivered Heartland 94 Logistics Center in Southeast Wisconsin. Expeditors signed a 669,914-sf build-to-suit (BTS) lease at Bridge Point Melrose Park in Western Cook County.

Strong leasing demand further tightened the market, driving vacancy downwards by 40 basis points (bps) to 3.9%, a record low. Vacancy for warehouse/distribution assets fell 70 bps YOY to 4.4%. Submarkets with notable decreases in vacancy were Interstate 55, Northern Fox Valley and O'Hare which recorded 590-bps, 170-bps and 160-bps dips in vacancy, respectively. Overall net absorption recorded a moderate 13.1% decrease YOY to 16.3 msf. As recently signed deals commence in the coming quarters, absorption will increase further. Interstate 55, Interstate 80 and Southeast Wisconsin recorded the most absorption through mid-2022. Together, these submarkets accounted for 79.5% (12.9 msf) of total space absorbed.

### PRICING: Strong Rent Growth Across Major Submarkets

Due to the increased tightening of the market, average asking rental rates across the market have seen substantial jumps. The overall average asking net rental rates increased 11.8% YOY to \$6.19 per square foot (psf). The O'Hare submarket recorded substantial growth in overall asking rates, up 20.4% YOY to \$8.20 psf. Interstate 55 saw rates jump 15.9% YOY to \$5.13 psf. With demand largely centered within the warehouse/distribution sector, average asking rents for those assets increased 8.7% YOY to \$5.68 psf. Average manufacturing rents increased an impressive 16.6% YOY to \$6.14 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. As of mid-2022, construction completions totaled 10.9 msf, with an additional 32.5 msf of inventory under construction (+29.1% YOY). Submarkets with the most product delivered were Interstate 80, Southeast Wisconsin and Interstate 55, which collectively accounted for 72.4% of overall construction. Interstate 80, Southeast Wisconsin and the South Suburbs have the most product under development, totaling 17.1 msf or 52.7% of overall inventory under construction.

There was 2.3 msf of BTS product delivered through Q2, down from the 9.4 msf delivered one year ago. At current, the 11.2 msf of BTS product under development accounts for 33.9% of inventory under construction. Of which, 6.7 msf is expected to be delivered by the year-end 2022. This will positively impact absorption in future quarters.

Speculative (spec) construction reached 21.5 msf, up from 16.3 msf one year ago. There has been 8.5 msf of spec product completed through Q2. Of the total 30.0 msf of spec product built through Q2 or currently under construction, 18.8% (5.6 msf) has been preleased. Over half (53.6%) of spec development is located within Interstate 80, southeast Wisconsin and South Suburbs.

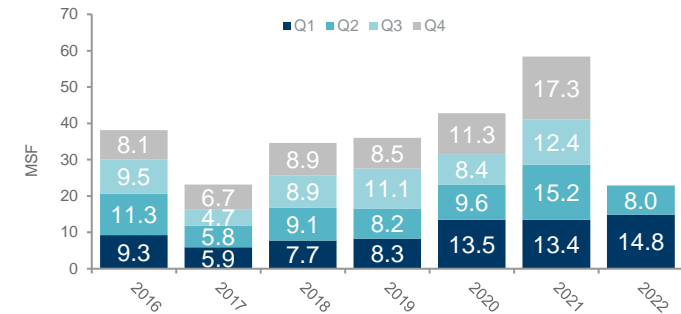
## Sales: Investment Sales Increase

There was 25.5 msf of industrial product sold through mid-2022, up 4.1% YOY. Investment sales reached 20.8 msf, up from the 18.4 msf transacted this time last year. Submarkets which recorded the highest amount of investment sales were Interstate 80, Chicago North and O'Hare, totaling 8.0 msf (38.3%). User sales decreased 23.6% YOY, totaling 4.7 msf. Submarkets which recorded the highest amount of user sales were O'Hare, South Suburbs and Western Cook County, totaling 1.8 msf (38.4%).

## OUTLOOK

- The Chicago industrial market recorded continued to record substantial new leasing over the past several quarters, due in large part to strong big-box demand. This is expected to continue throughout the second half of 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 it is expected more infill, vacant big-box retail and outdated office space will be converted or demolished to make way for new industrial product.

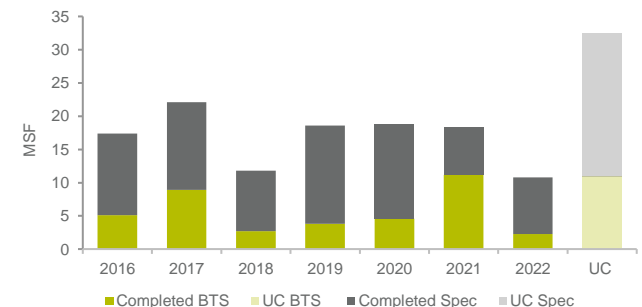
## OVERALL NEW LEASING ACTIVITY



## NEW LEASING BY INDUSTRY (YTD 2022)



## NEW SUPPLY (COMPLETIONS & UNDER CONSTRUCTION)



# MARKETBEAT CHICAGO



## Industrial Q2 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	89,315,350	3,050,573	3.4%	-15,941	81,031	0	0	\$6.61	\$14.36	\$7.32
Chicago South	133,412,754	6,099,056	4.6%	611,257	1,402,335	242,458	781,295	\$6.29	\$12.88	\$5.52
Western Cook County	99,244,500	2,659,090	2.7%	829,397	2,368,259	2,473,680	573,639	\$5.16	N/A	\$4.95
South Suburbs	86,192,341	3,035,882	3.5%	344,370	1,574,270	3,324,814	0	\$5.44	\$5.49	\$5.16
Northern Cook County	50,905,321	1,840,606	3.6%	-1,835	235,505	0	171,752	\$6.46	\$6.13	\$5.84
Northwest Cook County	33,317,015	2,211,828	6.6%	1,408	640,437	901,768	677,981	\$7.82	\$8.36	\$6.29
Northern Fox Valley	36,962,786	1,387,172	3.8%	133,183	288,965	2,507,491	0	\$5.50	\$8.79	\$5.25
Northeast DuPage	28,464,858	814,641	2.9%	584,638	1,253,921	699,308	337,911	\$5.89	\$8.88	\$5.23
Southern DuPage	15,309,893	554,778	3.6%	37,875	242,834	0	126,445	\$5.96	\$8.28	\$6.21
Central DuPage	45,892,106	1,529,032	3.3%	352,244	1,219,924	292,500	0	N/A	\$14.91	\$6.24
Southern Fox Valley	92,005,929	4,869,631	5.3%	-125,001	994,964	3,134,061	332,205	\$4.31	\$9.96	\$5.44
Lake County	83,563,489	4,046,307	4.8%	293,549	1,213,322	819,038	0	\$7.38	\$12.60	\$6.35
McHenry County	22,487,109	1,800,517	8.0%	27,732	27,500	0	0	\$4.02	N/A	\$5.55
Western Kane County	6,765,892	66,578	1.0%	295,620	30,328	0	0	\$5.18	N/A	N/A
Interstate 55 Corridor	98,768,208	2,139,737	2.2%	7,352,642	4,380,988	2,944,630	1,606,630	\$8.50	N/A	\$4.89
Interstate 80 Corridor	109,089,934	4,085,207	3.7%	3,679,980	2,297,195	8,895,235	4,523,751	\$4.47	N/A	\$5.06
Interstate 39 Corridor	20,765,086	1,111,035	5.4%	-41,100	657,568	0	0	\$3.94	N/A	\$5.26
Southeast Wisconsin	52,415,266	2,757,083	5.3%	1,887,123	2,404,573	4,892,766	1,754,216	\$5.03	N/A	\$5.18
O'Hare	95,524,179	2,352,073	2.5%	12,845	1,529,938	1,332,688	0	\$7.76	\$9.85	\$7.99
<b>CHICAGO TOTALS</b>	<b>1,200,402,016</b>	<b>46,410,826</b>	<b>3.9%</b>	<b>16,259,986</b>	<b>22,843,857</b>	<b>32,460,437</b>	<b>10,885,825</b>	<b>\$6.14</b>	<b>\$9.55</b>	<b>\$5.68</b>

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

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

### KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2100 Internationale Parkway	Interstate 55 Corridor	Bridgestone Americas Tire Operations, LLC	764,000	Renewal*
8311 38th Street	Southeast Wisconsin	Uline	757,418	New
10400 West North Avenue	Western Cook County	Expeditors	669,914	New
200 East Corporate Drive	Interstate 39 Corridor	Raynor Garage Door Company	575,448	Sublease
2805 Duke Parkway	Southern Fox Valley	Baxton	551,200	Renewal*

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q2 2022

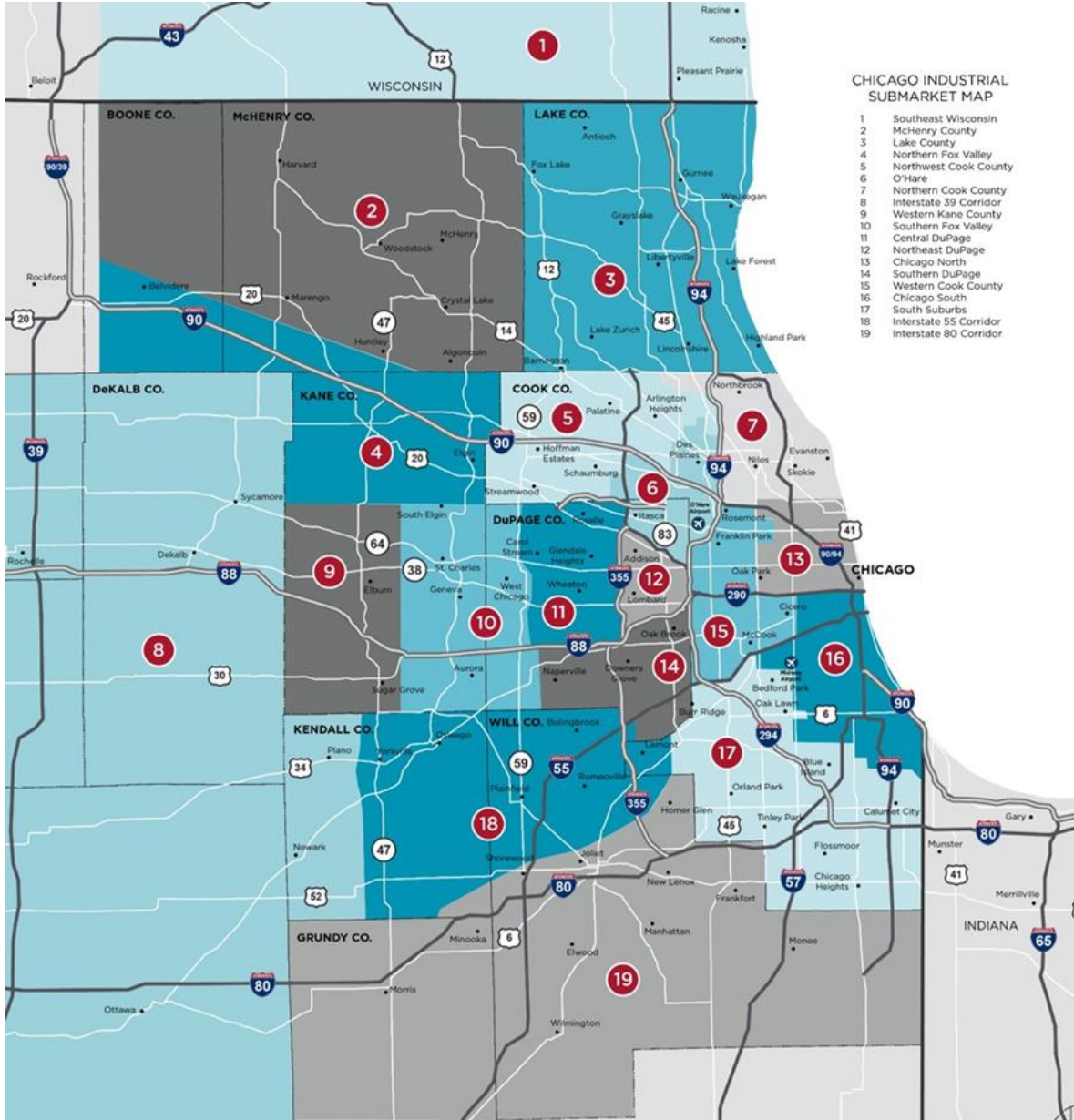
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Chicago Headquarters Portfolio Sale	I-55, Central DuPage, Lake County	Link Logistics   High Street Logistics Properties	973,557	\$146.0M   \$150
10200 55th Street	Southeast Wisconsin	Panattoni Development Company   Pritzker Realty Group	270,290	\$28.1M   \$104

# MARKETBEAT CHICAGO

## Industrial Q2 2022



### INDUSTRIAL SUBMARKETS



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