

YoY Chg 12-Mo. Forecast

3.9%

Vacancy Rate



29.2M

YTD Net Absorption, SF



\$6.62

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

3.8M

Chicago Employment



4.7%

Chicago Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
4Q22 data are based on latest available data

ECONOMIC OVERVIEW

Employment trends in the Chicago Metropolitan Area continued to move in a positive direction. While still above the national unemployment rate of 3.7%, unemployment in Chicago dropped to 4.7% in quarter four of 2022 (Q4 2022), a decline of 70 basis points (bps) year-over-year (YOY). The labor pool also expanded, as non-farm employment grew to 3.8 million individuals, an increase of over 3.5% YOY. Additionally, the industrial using labor force reached 1.6 million individuals, up 3.1% YOY, due to growing employment in manufacturing, trade/transportation, and construction industries. Forecasts indicate that these trends will persist and that metro employment levels will continue to rise while the unemployment rate drops.

DEMAND: 2022's New Leasing Activity Reaches 2nd Highest Level on Record

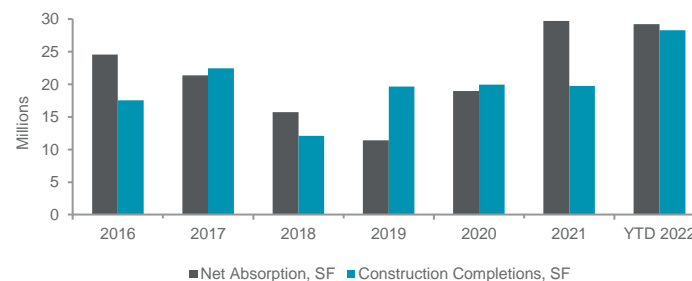
By year-end, new leasing totaled 43.7 million square feet (msf), down 25.2% YOY. This was the second highest annual new leasing figure on record. Demand remained strong in the warehouse/distribution sector, accounting for 90.4% (38.2 msf) of new leasing in 2022. Demand for manufacturing space grew 60.9% quarter-over-quarter (QOQ) and by year-end, new leasing totaled 3.5 msf. Four submarkets: Interstate 80 Corridor, Interstate 55 Corridor, Southeast Wisconsin, and Western Cook County posted the highest amount of new leasing activity, accounting for nearly half (46.9%) of total new leasing despite representing just 30.4% of inventory. The transportation/warehousing and wholesale trade industries propelled demand, totaling 53.1% of new leasing.

Despite the decrease in new leasing, vacancy remained tight across the market, ending the year at 3.9%, down 10 bps YOY. Submarkets with notable decreases in vacancy included Interstate 55 Corridor, Western Kane County, and Interstate 39 Corridor which recorded 500 bps, 490 bps, and 280 bps drops in vacancy, respectively. Vacancy for warehouse/distribution space fell 40 bps YOY to 4.7%. Overall net absorption recorded a 1.7% decrease YOY to 29.2 msf. However, in Q4 absorption increased 81.3% QOQ. Interstate 55 Corridor, Interstate 80 Corridor, and Southeast Wisconsin recorded the most absorption through 2022 year-end. Together, these three submarkets accounted for over half (64.2%) of total space absorbed.

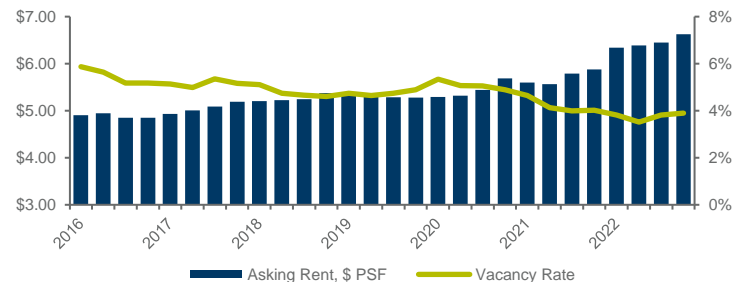
PRICING: Strong Rent Growth Continues across Major Submarkets and Sectors

The overall average asking net rental rate increased 12.7% YOY to \$6.62 per square foot (psf). Rents in the manufacturing sector experienced the largest uptick in asking rents, up 21.1% to \$6.89 psf. Likewise, rents in the warehouse/distribution sector climbed 10.0% YOY to \$6.03 psf. Interstate 55 Corridor and Western Cook County recorded significant YOY growth in rent, up 33.2% to \$5.55 psf and 27.4% to \$6.14 psf, respectively. The O'Hare submarket continued to record the highest overall asking net rental rate of \$8.75, up 21.6% YOY.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Supply: Construction Activity Persists Primarily for SPEC

Chicago's industrial pipeline continued to grow, with construction completions totaling 28.3 msf, a new all-time high, and up 43.2% YOY. As of year-end, an additional 26.4 msf was under development. The majority of industrial product was delivered in Interstate 80 Corridor, Southeast Wisconsin, and Interstate 55 Corridor, which collectively accounted for over half (57.7%) of deliveries in 2022. Additionally, these three submarkets hold 13.9 msf of product under construction, 52.7% of the total.

There was 8.9 msf of built-to-suit (BTS) product completed through year-end, down 28.5% YOY. At current, there is 5.0 msf of BTS product under construction, with 970,630 square feet (sf) expected to be delivered by Q1 2023. The Interstate 80 Corridor, and Western Cook County submarkets account for 75.2% of new BTS deliveries anticipated by the end of 2023.

Speculative (SPEC) construction continues to dominate the market, accounting for 81.0% (21.4 msf) of all construction in Q4. Three submarkets: Interstate 55 Corridor, Interstate 80 Corridor and Southeast Wisconsin account for 52.8% of SPEC development through Q4. A total of 19.3 msf of SPEC product was delivered through year-end, up 167.3% from the 7.2 msf delivered in 2021. Of the total 19.3 msf speculative product completed in 2022, 51.8% was preleased, which contributed towards positive absorption.

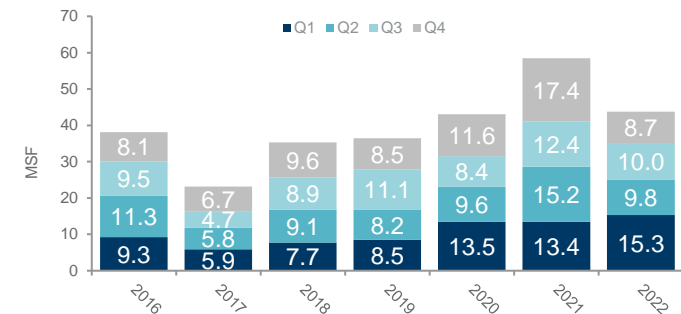
Sales: Investment Sales Decrease as the Market Slows

There was 46.6 msf of industrial product sold through Q4, down 9.6% YOY. Investment sales reached 38.1 msf, down 0.9% YOY. The submarkets that recorded the highest amount of investment sales were Interstate 80, Southeast Wisconsin, and O'Hare, totaling 12.6 msf. User sales decreased 34.9% YOY, totaling 8.5 msf. Submarkets with the highest amount of user sales include Chicago North, Lake County, and Southern Fox Valley, totaling 3.5 msf.

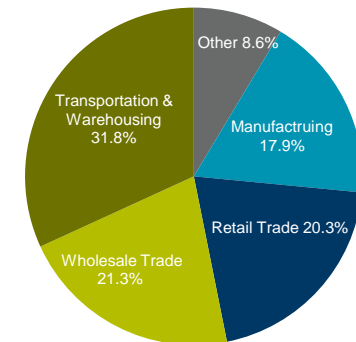
OUTLOOK

- Interest rate hikes that have occurred in 2022 have caused capital market volatility and delayed the start of many proposed speculative construction projects which should lead to further supply constraints in 2023 and into 2024.
- New Leasing activity reached its second highest level on record in 2022, followed by 2021's record breaking total. With several large tenants active throughout the market, demand is likely to remain strong throughout 2023.
- As previously leased space is occupied during the next several quarters and pre-leased SPEC and BTS developments are delivered, overall net absorption is expected to remain strong despite the economic headwinds.
- Record low vacancy levels continue to push overall asking net rental rates higher, especially in submarkets with limited inventory. While asking rents will trend higher, the rate of growth is anticipated to moderate as 2023 progresses.

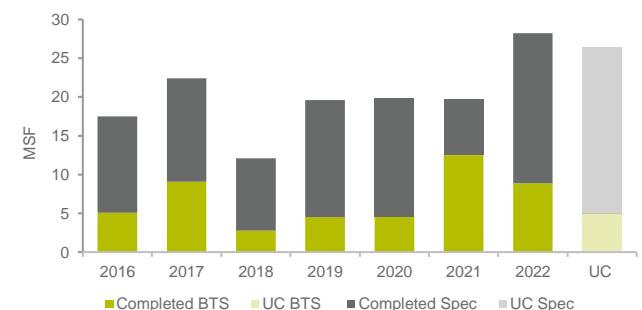
OVERALL NEW LEASING ACTIVITY



NEW LEASING BY INDUSTRY (YTD 2022)



NEW SUPPLY (COMPLETIONS & UNDER CONSTRUCTION)



MARKETBEAT CHICAGO



Industrial Q4 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	89,380,631	3,146,146	3.5%	-15,898	765,849	1,184,800	0	\$6.92	\$14.36	\$9.18
Chicago South	133,086,645	4,660,025	3.5%	1,574,689	2,977,442	300,192	893,399	\$6.41	\$12.88	\$5.76
Western Cook County	99,707,735	2,653,898	2.7%	1,262,191	3,578,566	2,007,809	1,039,510	\$7.04	N/A	\$5.21
South Suburbs	87,802,256	3,284,952	3.7%	1,402,091	1,989,039	1,421,968	1,902,250	\$5.90	\$8.30	\$4.84
Northern Cook County	50,323,111	1,730,411	3.4%	-224,029	874,298	448,320	171,752	\$6.75	\$7.04	\$6.90
Northwest Cook County	33,397,218	1,752,248	5.2%	134,830	1,393,095	1,589,523	795,626	\$9.07	\$8.45	\$8.02
Northern Fox Valley	39,245,906	1,490,040	3.8%	2,248,691	1,347,829	1,878,745	2,266,376	N/A	\$7.87	N/A
Northeast DuPage	28,875,412	839,432	2.9%	963,205	1,638,748	268,288	768,931	\$5.74	\$8.06	\$6.87
Southern DuPage	15,415,242	516,537	3.4%	-7,783	487,736	0	126,445	\$6.36	\$8.73	\$9.41
Central DuPage	46,033,768	1,317,188	2.9%	645,188	2,374,512	153,000	139,500	N/A	N/A	\$7.49
Southern Fox Valley	94,557,650	5,526,780	5.8%	1,689,044	3,174,684	1,477,627	2,884,121	\$4.58	\$10.01	\$5.78
Lake County	83,921,089	3,779,284	4.5%	324,503	2,039,947	461,956	357,082	\$8.23	\$12.54	\$6.17
McHenry County	22,487,109	2,009,800	8.9%	-329,251	61,267	0	0	N/A	N/A	\$5.00
Western Kane County	6,789,137	26,250	0.4%	335,948	40,328	0	0	\$4.50	N/A	N/A
Interstate 55 Corridor	100,418,254	3,141,482	3.1%	7,979,880	6,300,184	3,115,983	3,237,938	N/A	N/A	\$5.55
Interstate 80 Corridor	113,757,760	4,616,857	4.1%	6,284,247	6,341,830	8,262,804	7,730,731	\$4.59	N/A	\$4.83
Interstate 39 Corridor	20,736,476	345,620	1.7%	597,065	670,885	0	0	\$5.00	N/A	\$5.26
Southeast Wisconsin	56,169,299	3,659,006	6.5%	4,482,605	4,273,140	2,549,259	5,341,501	\$4.95	N/A	\$5.13
O'Hare	96,284,313	3,067,607	3.2%	-135,761	3,403,495	1,315,312	605,028	\$7.85	\$9.96	\$8.75
CHICAGO TOTALS	1,218,389,011	47,563,563	3.9%	29,211,455	43,732,874	26,435,586	28,260,190	\$6.89	\$9.43	\$6.03

*Rental rates reflect weighted net asking \$psf/year **New leasing does not match national statistics

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
SWC Millsdale Road & Route 53	Interstate 80 Corridor	Target	1,400,000	New
30350 South Graaskamp Boulevard	Interstate 80 Corridor	PrimeSource	1,019,200	New
910 East Stevenson Road	Interstate 39 Corridor	PetSmart, Inc	1,000,350	Renewal*
11290 80 th Avenue	Southeast Wisconsin	Uline	502,033	Renewal*
10220 Werch Drive	Interstate 55 Corridor	Plastipak Holdings, Inc.	367,999	Renewal*

*Renewals not included in new leasing statistics

KEY SALES TRANSACTIONS Q4 2022

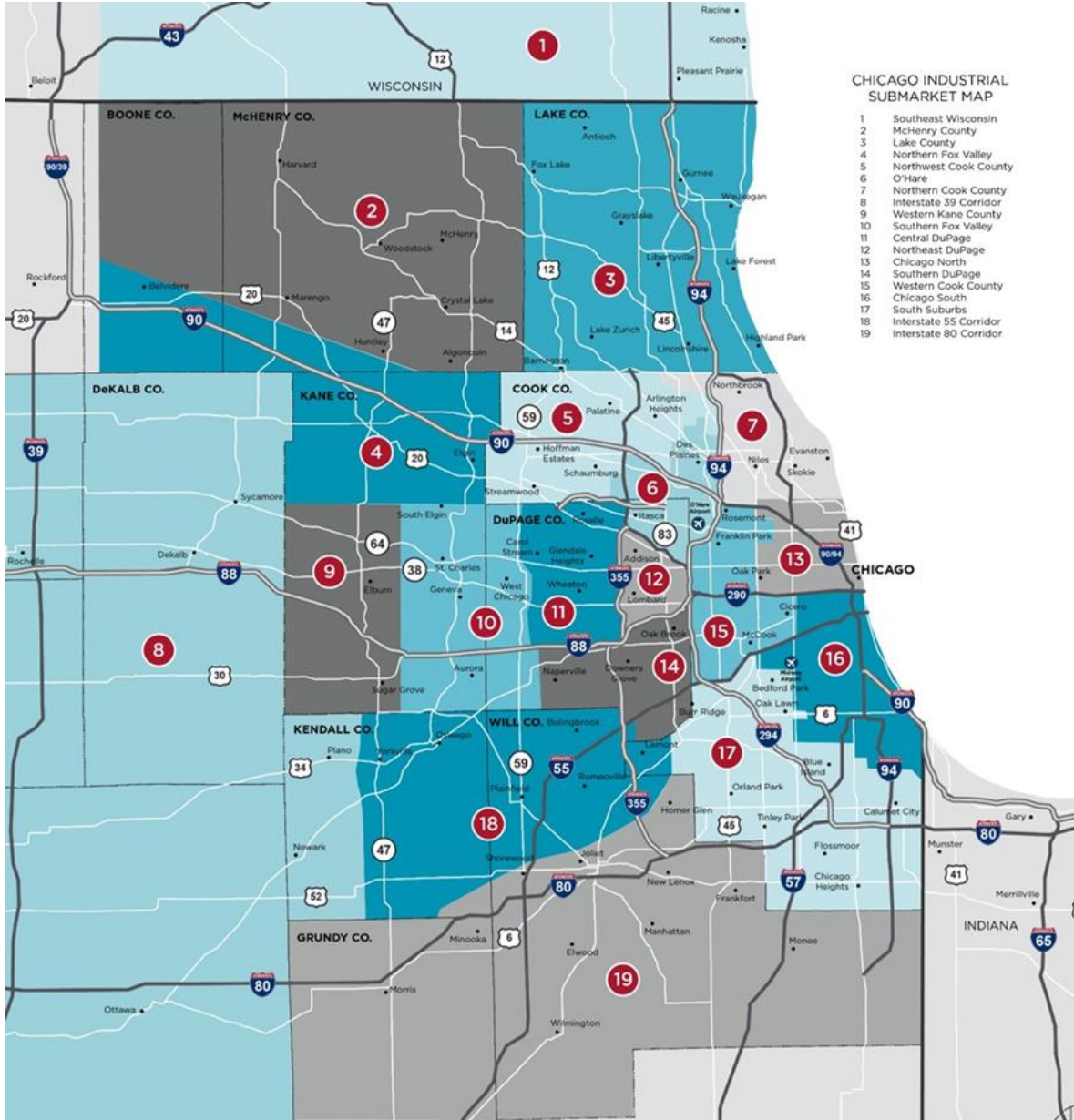
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
7450 McCormick Boulevard	Northern Cook County	Tenneco Inc Oak Street Real Estate Capital	1,000,000	\$53.3M \$53
777 West Chicago Avenue	Chicago North	Tribune Publishing Bally's Corporation	479,513	\$200.0M \$417

MARKETBEAT CHICAGO

Industrial Q4 2022



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