

Conditions further tighten for industrial tenants in Chicago as demand swells

Asking rents across the Chicago industrial market continued to trend upward in the first quarter, increasing 7.5% quarter-over-quarter to \$5.76 per square foot (psf). Nearly 7 million square feet (msf) of net absorption was observed this quarter, well above the long-term average. Vacancy has tracked downward for four consecutive quarters and stood at 6.8% this quarter, down 260 basis points (bps) from a year ago. With almost 28 million square feet of new product currently under construction, quality options exist for occupiers in the market, albeit at price points higher than some tenants are used to paying.

Larger leases witnessed at new developments

Approximately 4.5 million square feet of industrial space delivered in the first quarter of 2022. 1.2 msf alone were completed in two Kenosha properties, both of which remain entirely available to occupiers. Leasing activity this period was stymied by supply constraints, but tenants remained active in the market. While Amazon has reportedly shifted its strategy to acquire more of the properties it occupies, the company nevertheless leased more than 1.0 msf on 38th Street in Kenosha, to be utilized as a same-day distribution center. Power management company Eaton leased 371,000 sf in Woodridge at Duke Realty's speculative development that is set to deliver in July.

Fewer affordable options for occupiers seeking strategic proximity to airports, major arteries

With much of the the new development in the Chicago market taking place in more outlying locations, some companies are being forced to locate further away from O'Hare, larger suburbs, and the major interstate interchanges. On the upside, these more rural locales typically command lower asking rents and property taxes. Some developers have considered repurposing existing types properties and converting them to industrial. In one example, Dermody Properties acquired the former Allstate office campus in Northbrook and is seeking to turn the 120-acre parcel into more than 3 msf of warehouse buildings.

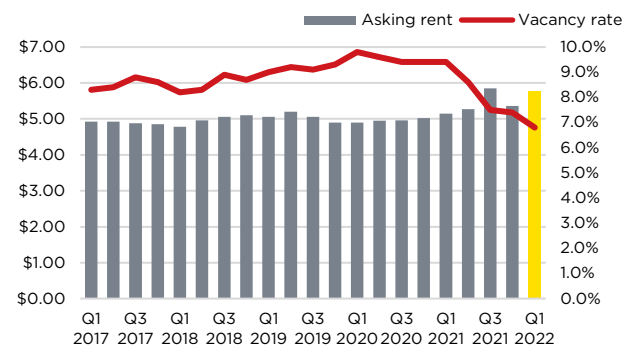
Outlook

- Supply chain issues are causing headaches for some developers as construction delays mount and costs soar, yet new construction projects have continued, and development should remain elevated in the near and medium terms
- Although market conditions are comparatively tight, vacancy is holding just a few percentage points lower than the long-term vacancy average
- While rents have risen sharply since the start of the pandemic, Chicago remains a comparatively affordable market as compared to many coastal U.S. markets and, for that reason, will continue to be attractive to occupiers

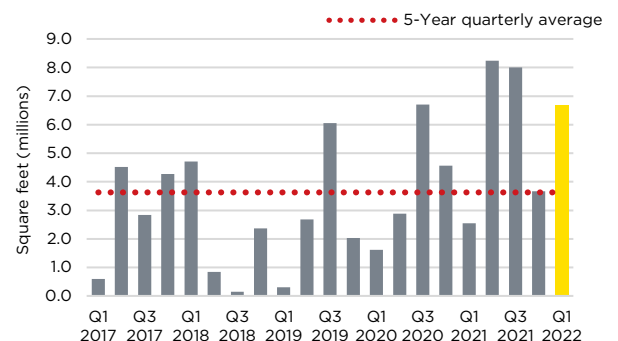
KEY STATISTICS

| | Q1 2021 | Q1 2022 | y-o-y Change |
|--------------------------|-----------|-----------|--------------|
| Inventory | 600.1 MSF | 611.9 MSF | ▲ |
| Vacancy Rate | 9.4% | 6.8% | ▼ |
| Quarterly Net Absorption | 2.6 MSF | 6.7 MSF | ▲ |
| Under Construction | 21.6 MSF | 27.8 MSF | ▲ |
| Deliveries | 4.9 MSF | 4.5 MSF | ▼ |
| Asking Rental Rate | \$5.15 | \$5.76 | ▲ |

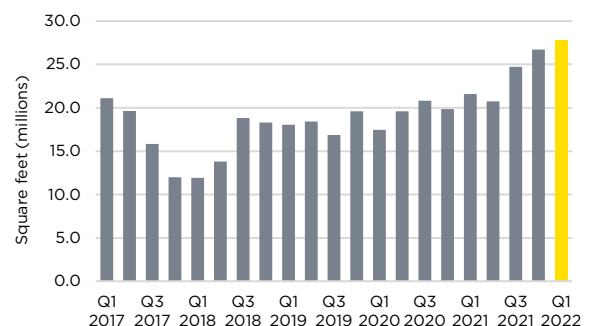
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

27.8M

square feet under construction, well above the historical average

11.8%

asking rent growth over the past 12 months

2.7%

Joliet exhibits lowest submarket vacancy, declining for the fourth straight quarter

TOP TRANSACTIONS

Leases

| Tenant | Square Feet | Address | Transaction Type | Submarket | Landlord |
|------------------|-------------|---------------------------------|------------------|-------------|-------------------------|
| Amazon | 1,050,000 | 10601 38 th Street | New | Kenosha | Venture One Real Estate |
| Eaton | 371,000 | 10000 Woodward Avenue | New | I-55 | Duke Realty |
| Pitney Bowes | 363,000 | 14746 S Gougar Road | New | Joliet Area | ML Realty Partners |
| RTC | 228,000 | 265 Marquette Drive | Renewal | I-55 | Black Creek Group |
| Symbia Logistics | 184,000 | 1150 W 115 th Street | Expansion | I-55 | Ivanhoé Cambridge |

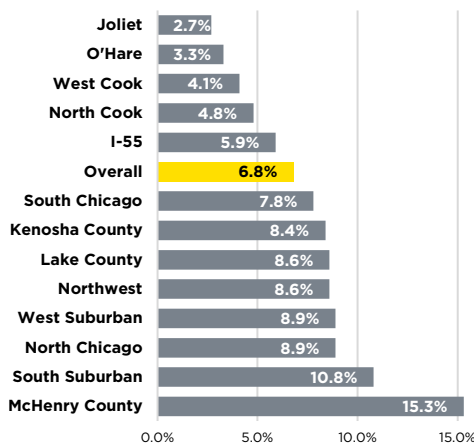
Sales

| Owner/Buyer | Square Feet | Address | Price | Submarket | Seller |
|-----------------------------|-------------|-------------------------------|--------------|----------------|--------------------------|
| Avison Young | 907,000 | 3835 Youngs Road | \$96,750,000 | Joliet Area | Walton Street Capital |
| First Investments LLC | 338,000 | 2700 52 nd Street | \$13,550,000 | Kenosha County | Thomas Barnhill |
| Farallon Capital Management | 265,000 | 1600 Industrial Drive | \$11,200,000 | McHenry County | Brennan Investment Group |
| Northbrook Properties | 213,000 | 5650 Centerpoint Court | \$19,180,000 | Lake County | CenterPoint Properties |
| Kovitz Management | 196,000 | 10550 86 th Avenue | \$24,300,000 | Kenosha County | Scannell Properties |

Source: Savills Research

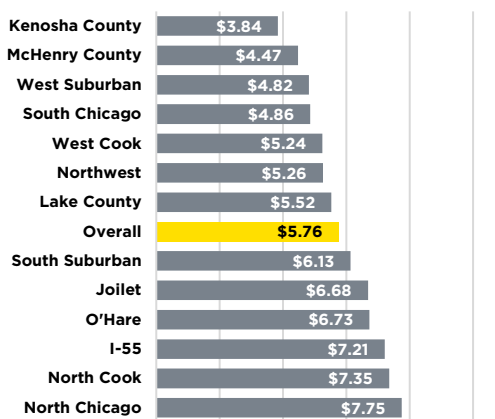
VACANCY RATE COMPARISON

Chicago Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)

Chicago Industrial Submarkets



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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

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