

Chicago

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Fundamentals revert to more commonly observed levels across Chicago industrial market

Slackened demand and a deceleration in leasing activity across the Chicago industrial market pushed vacancy higher in the first quarter of 2024. Vacancy increased 190 basis points (bps) from a year ago to 6.8%, marking three consecutive quarters of increasing vacancy, although it remained commensurate with observed pre-pandemic levels. Accordingly, net absorption remained in positive territory to start the year but has fallen off from the peak of the pandemic as many occupiers paused expansions and reevaluated space requirements. Signals of the occupier pullback were evidenced by nine sublease offerings in excess of 100,000 square feet (sf) that were brought to market in the first quarter.

Construction starts nosedive as developers slow spec projects

A precipitous decline in Chicagoland warehouse construction were observed over the past several quarters, slowing by more than 70% since development peaked in late 2022. Developers have sharply cut back on new starts in the face of higher costs of capital and fluctuating demand. However, rising vacancy could soon reverse course as inventory growth slows while occupier demand for quality space rebounds. Meanwhile, landlords finally showed some inclination to retreat on deal terms, with asking rents inching lower for the first time in over a year. However, face rents were down just 0.9% from last quarter, and remained well above pre-pandemic levels as owners preferred to offer tenants relief via concessions.

Sustaining demand for quality buildings across I-55 Corridor

Buttressed by its reputation as a marquee logistics and distribution submarket, for featuring strong labor demographics, and for excellent access to the City of Chicago, the I-55 Corridor remained one of the most in-demand Chicago submarkets among occupiers and investors alike. The I-55 submarket commanded some of the region's highest asking rents, and its vacancy rate held below the greater market average despite ample new construction over the past several years. Three of the five largest leases executed this period occurred in the I-55 Corridor, as did the largest ownership transfer by value.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	962.6 msf	1,010.6 msf	+48.0 msf
Vacancy Rate	4.7%	6.8%	+210 bps
Asking Rental Rate	\$5.67	\$6.37	+12.3%
Net Absorption	6.8 msf	2.0 msf	-4.8 msf
Under Construction	35.4 msf	11.4 msf	-24.0 msf
Deliveries	7.8 msf	7.1 msf	+0.7 msf

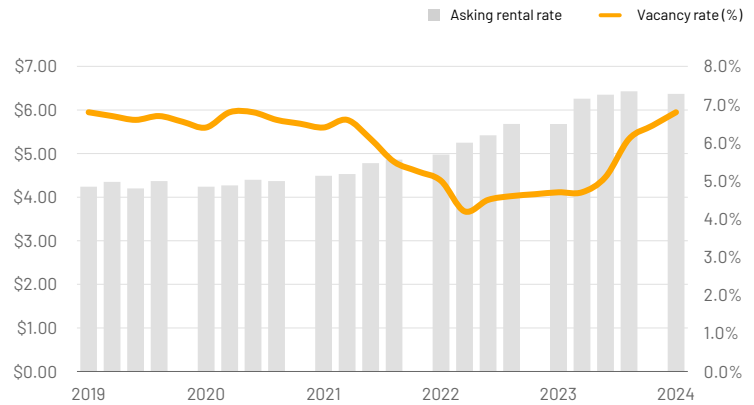
Outlook

01 Asking rents may incrementally retreat in 2024, but landlords will continue to provide value to tenants via concessions including rent abatement and flexible terms

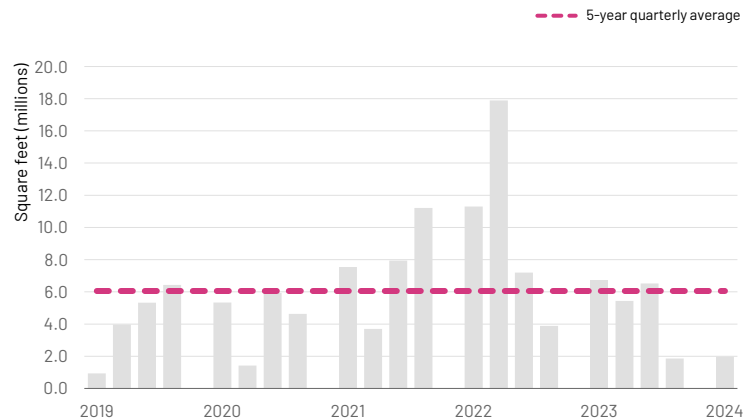
02 Construction levels may remain lowered in the near term, but a bounce back is increasingly likely by year end as opportunistic developers anticipate renewed demand

03 Available sublease space, which has increased 65% year over year, may continue to mount in the near term, creating downward pressure on asking rents

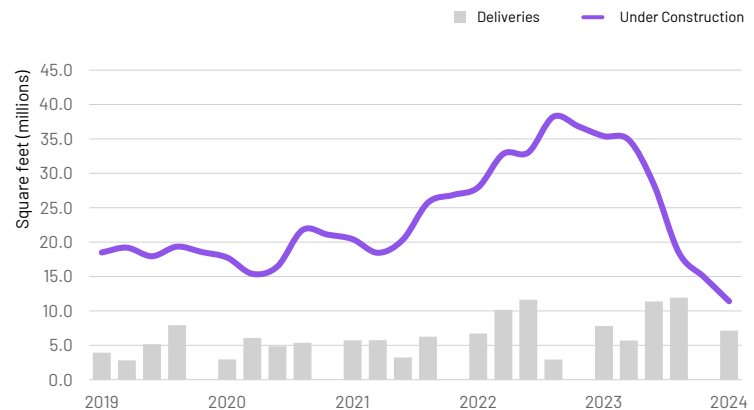
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

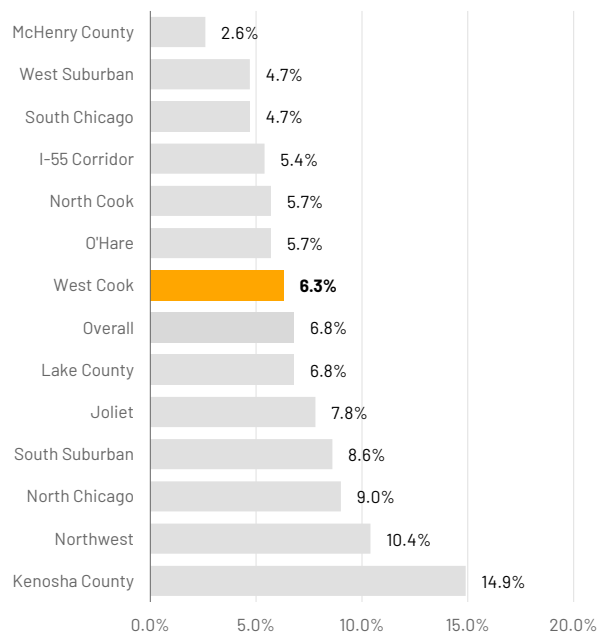
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
HARIBO	447,000	Kenosha County	9403 136 th Avenue	New Lease	Food & Beverage
LaserShip	335,000	I-55 Corridor	565 S Pinnacle Drive	New Lease	Logistics & Distribution/3PLs
Tru Vue Inc.	299,000	I-55 Corridor	9400 W 55 th Street	Renewal	Manufacturing
Ferrara Candy Company	234,000	West Cook	2300 Maywood Drive	Renewal	Food & Beverage
Metalrays	162,000	I-55 Corridor	187 Southcreek Parkway	New Lease	Manufacturing

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Brookfield	1,277,000	I-55 Corridor	Three properties in Bolingbrook and Romeoville	\$98.8 M / \$77	DWS Group
Brookfield	164,000	O'Hare	2425 Busse Road	\$83.5 M / \$510	DWS Group
EQT Exeter	736,000	Lake County	Four properties in Gurnee	\$72.0 M / \$98	CenterPoint Properties / UBS
Venture One / Kovitz Investment Group	785,000	West Suburban	609 Kirk Road & 1750 Wallace Avenue	\$50.2 M / \$64	RR Donnelley
RIM Logistics	400,000	Northwest	1303 Jack Court	\$44.0 M / \$110	Midwest Industrial Funds

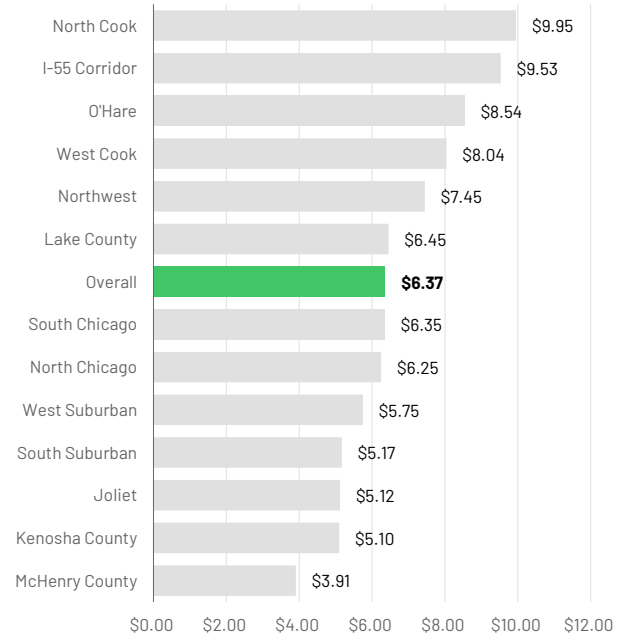
Vacancy Rate Comparison (%)

CHICAGO SUBMARKETS



Rental Rate Comparison (\$/sf)*

CHICAGO SUBMARKETS



*based on all classes of available inventory

Chicago Q1 2024 - Industrial

For more information, please contact us:

[savills.us](https://www.savills.us)

Savills Chicago
150 North Riverside Plaza
Suite 1900
Chicago, IL 60606
+1 312 595 2900

Anders Klein
Regional Research
Director, Midwest and
Central US
aklein@savills.us

Mark Russo
Vice President,
Industrial Research
mrusso@savills.us

Gregg Healy
Executive Vice President,
Head of Industrial Services
ghealy@savills.us

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 availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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