

Chicago industrial rents continue to rise as occupier demand shows no signs of waning

The Chicago industrial market witnessed a continued swell in pricing in the fourth quarter, reaching a record of \$5.90 per square foot (psf) and increasing 17.3% year-over-year. The market observed more than 17.1 million square feet (msf) of net absorption for the year, eclipsing the 15.6 msf recorded in 2020. Increased demand for space has suppressed vacancy levels to 8.0% this quarter, down 140 basis points (bps) from the close of 2020. Quality options remain available for active tenants in the market, due in part to the more than 28 million square feet of new product currently under construction.

Construction activity hums in outlying territories

Development activity is spread out across the market and includes a mix of speculative and build-to-suit construction. However, almost half of all current projects by square footage are situated in the outlying Joliet (7.0 msf) and Kenosha (5.6 msf) submarkets. Among the largest developments, CenterPoint Properties is constructing a pair of 1.0 msf properties at its Intermodal Center in Joliet and Elwood. In Kenosha, NorthPoint Development's 750,000 sf speculative development on 104th Street is scheduled to deliver in early 2022. While tenant demand is sustaining current market conditions, it remains a question whether rental rates will continue to grow in the short and medium term as inventory balloons.

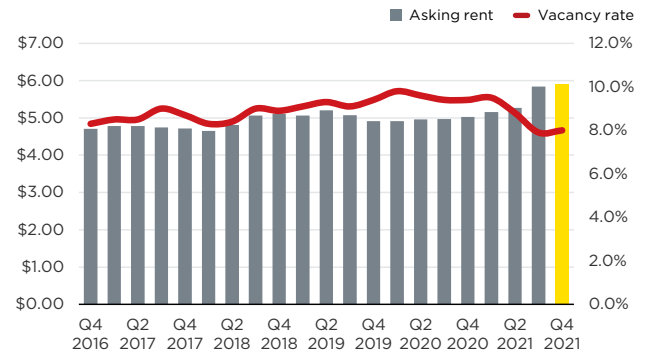
Transaction activity up in 2021 as large occupiers are well positioned to engage market

2021 deal activity across the market was up by approximately 7.7% over 2020, to 50.3 msf leased. Central Steel & Wire signed the largest deal of the fourth quarter, leasing a nearly 900,000 sf build to suit in University Park that will serve as the firm's headquarters and operational hub. Meanwhile, Diageo North America's 800,000 sf renewal transaction was among several lease extensions signed by larger occupiers in the fourth quarter. Diageo reportedly renewed for six years at 1701 Remington Boulevard in Bolingbrook.

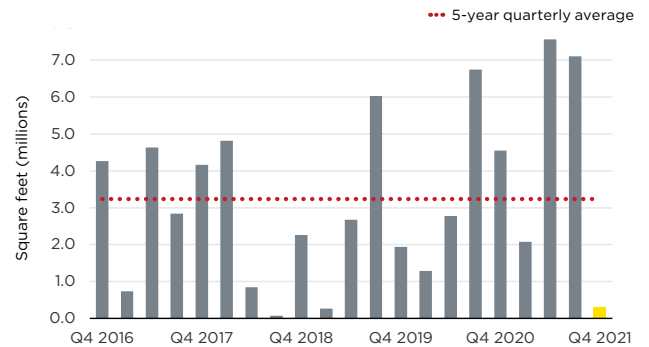
KEY STATISTICS

	Q4 2020	Q4 2021	Y-o-Y Change
Inventory	593.1 MSF	602.7 MSF	▲
Vacancy Rate	9.4%	8.0%	▼
Quarterly Net Absorption	4.6 MSF	0.3 MSF	▼
Under Construction	19.2 MSF	28.5 MSF	▲
Deliveries	5.7 MSF	1.3 MSF	▼
Asking Rental Rate	\$5.03	\$5.90	▲

ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



Outlook

- Opportunities existing for expansion and rightsizing due to the significant amount of new construction coming online
- Amazon, a major driver of demand in Chicago, is shifting its real estate strategy from leasing to acquiring land and property which will likely alter market dynamics
- While new development continues at a record pace, supply chain issues involving steel and precast concrete are delaying and will continue to slow deliveries of new inventory

BY THE NUMBERS

28.5M

SF under construction, which is the highest in at least 25 years

17.3%

asking rent growth over the past 12 months

3.3%

West Cook exhibits lowest submarket vacancy

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Central Steel & Wire	897,000	SEC Central Avenue and Steger Road	New	South Suburban	CanAm University Park, LLC
Diageo North America	800,000	1701 Remington Boulevard	Renewal	I-55	Clarion Partners
GEODIS	476,965	2780 McDonough Street	Renewal	Joliet	EQT Exeter
3M	410,400	1211 Fairview Drive	Renewal	West Suburban	Modiv
Silgan Containers	377,378	2908 128th Avenue	New	Kenosha	Zilber Property Group

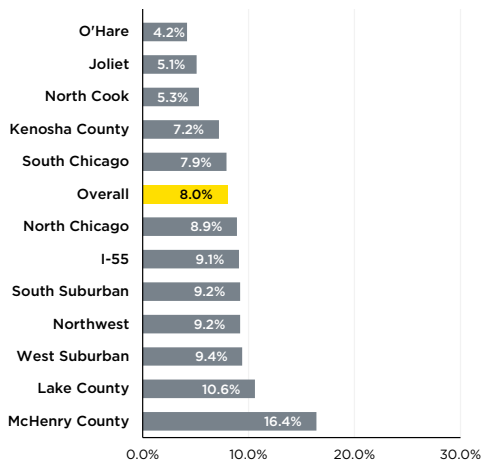
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Top-Line Furniture	654,000	2695 Plainfield Road	\$23,100,000	Joliet	Angelo, Gordon & Co
Black Creek Group	612,000	355 Logistics Center	\$67,500,000	Joliet	High Street Logistics Properties
Rockwell Management	556,000	3250 South Central Avenue	\$23,900,000	West Cook	Richard Bennett
New Mountain Capital	408,000	2650 Galvin Drive	\$23,333,333	Northwest	B O X Partners
Ridgeline Property Group	371,000	1400-1490 W Dundee Road	\$18,500,000	Northwest	Robert Rohrman

Source: Savills Research

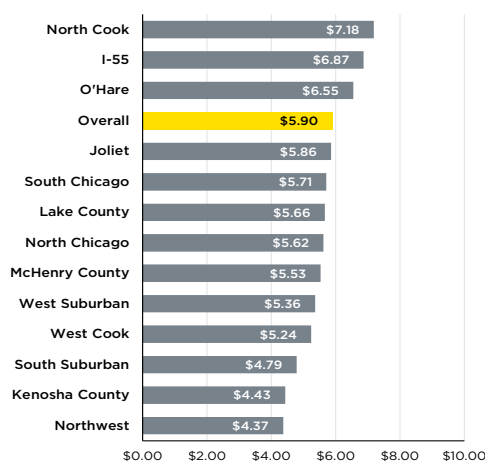
VACANCY RATE COMPARISON

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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