

Chicago



Chicago rental rates push up despite little change in vacancy; as construction pipeline swells, uncertainty over whether demand can be sustained



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As the greater economy remained hamstrung by the pandemic at the close of 2020, all real estate sectors found themselves mired in varying degrees of uncertainty. To date, Chicago's industrial asset class has been more resilient than others in the wake of the pandemic, as tenant demand has remained strong among certain types of large occupiers. However, many users have chosen to remain on the sidelines, taking a wait-and-see approach concerning their occupancy requirements.

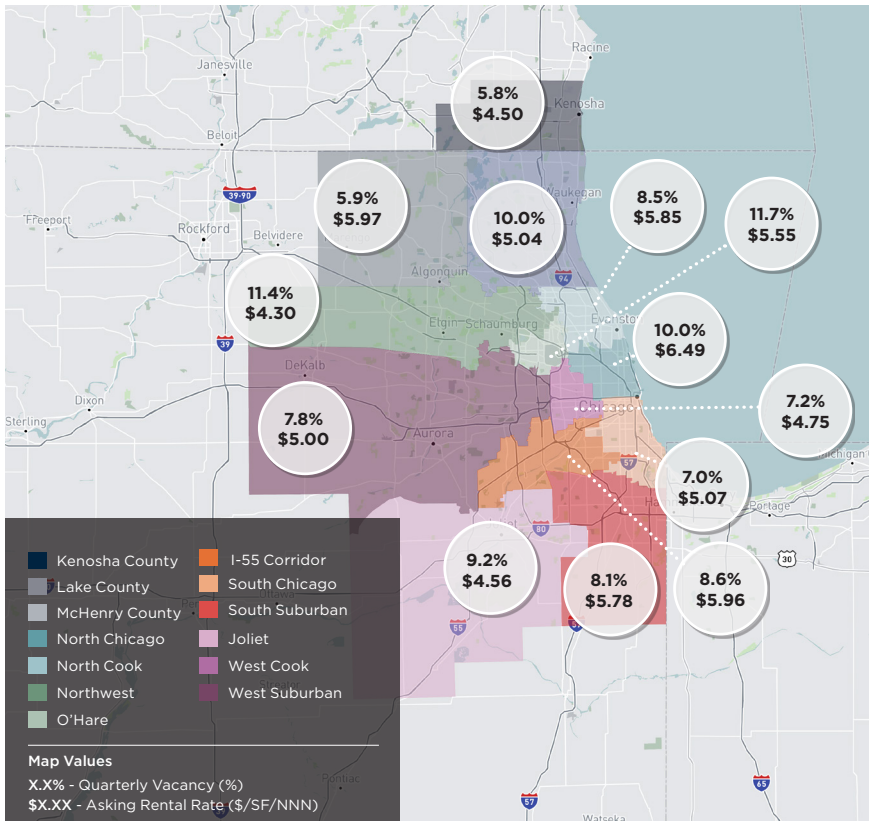
Overall net asking rents in the Chicago market ticked upwards over the quarter, to \$5.11 per square foot (psf), an increase of 2.0% over the previous quarter. Additionally, asking rents grew 4.3% year over year. The overall vacancy rate has held relatively steady, increasing 10 basis points (bps) year over year to 8.7%, and was unchanged from the previous quarter. The market's construction pipeline remained robust, with nearly 20 million square feet (msf) under construction at the close of 2020. This added supply may eventually exert downward pressure on rents. While economic uncertainty is expected to endure and inventory

KEY STATISTICS

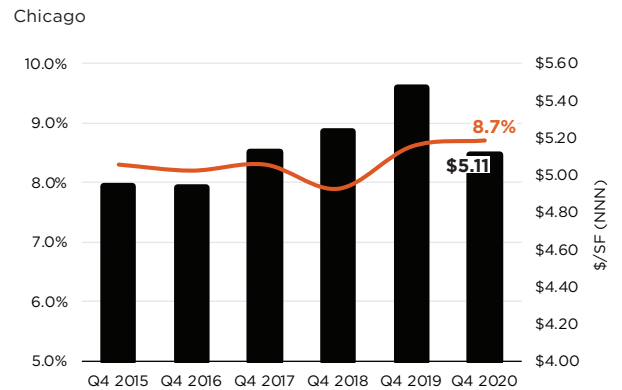
	Q4 2019	Q4 2020	y-o-y Change
Inventory	570,057,277	587,021,818	▲
Vacancy Rate	8.6%	8.7%	▲
Net Absorption	1,479,774	3,885,098	▲
Under Construction	18,206,826	19,810,867	▲
Asking Rental Rates	\$4.90	\$5.11	▲

balloons, demand may nevertheless be sustained as large e-commerce, food, and healthcare users continue to remain active in the market.

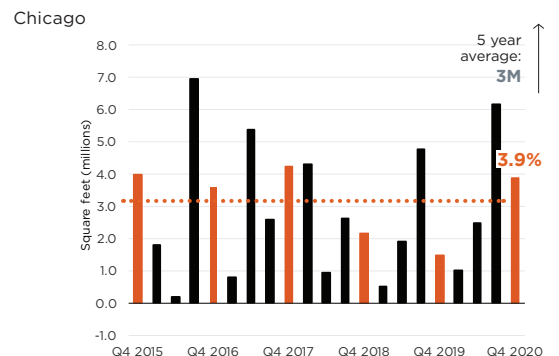
Notable transactions this quarter included a pair of deals at Crossroads 55 in Channahon. Scotts Miracle-Gro leased nearly 1.3 msf of a build-to-suit that delivers in late-2021. Also, CJ Logistics America leased 1.0 msf next door at 24101 South Frontage Road. While sales activity perked up in the fourth quarter, total transaction values were down by more than 10% year over year. In the largest transaction this period, Dallas-based Hillwood acquired an 879,000-sf warehouse at 25101 S Ridgeland Avenue, in Monee. The property, which is occupied by Amazon and others, sold for \$50.3 million, or \$57.00 psf.



VACANCY AND ASKING RENT TRENDS



NET ABSORPTION



“While there continues to be uncertainty with the pandemic and the resulting economy, there are signs of gradual reopening of facilities in the Chicago Metro area. As tenants are able to begin projecting future needs beyond 2021, there will be opportunities for expansion and / or rightsizing due to the significant amount of new construction coming on line this year.”

– Bruce McConnell, Senior Managing Director

SUBMARKET OVERVIEW

50,000 SF and up (flex and owner occupied excluded)

Submarket	Existing Inventory		Vacancy			Q4 2020 Net Absorption (SF)	Q4 2020 Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Kenosha County	79	21,670,913	1,111,694	1,259,571	5.8%	1,708,305	1,085,997	2,835,883	\$4.50
Lake County	276	39,570,343	3,741,272	3,961,957	10.0%	(1,160,595)	998,205	1,595,375	\$5.04
McHenry County	70	10,021,728	593,484	593,484	5.9%	(61,928)	0	0	\$5.97
North Chicago	212	27,602,016	2,753,803	2,753,803	10.0%	(800,992)	0	0	\$6.49
North Cook	163	20,172,281	1,588,695	1,707,869	8.5%	70,601	564,706	0	\$5.85
Northwest	240	33,382,345	3,693,214	3,795,389	11.4%	245,766	3,004,586	230,829	\$4.30
O'Hare	410	51,525,674	5,595,793	6,046,140	11.7%	(755,883)	1,970,695	624,292	\$5.55
I-55 Corridor	444	97,273,785	8,211,176	8,317,484	8.6%	2,275,613	2,345,892	931,395	\$5.96
South Chicago	331	51,241,509	3,518,968	3,603,668	7.0%	681,836	1,374,759	1,879,544	\$5.07
South Suburban	174	36,566,206	2,778,623	2,972,289	8.1%	597,997	355,388	3,703,480	\$5.78
Joliet	158	58,786,323	4,691,522	5,381,046	9.2%	(797,256)	4,461,854	3,647,795	\$4.56
West Cook	206	36,133,621	2,462,009	2,605,695	7.2%	1,468,274	387,000	0	\$4.75
West Suburban	576	103,074,944	7,290,057	7,990,398	7.8%	3,603,145	3,840,289	4,362,274	\$5.00

MAJOR TRANSACTIONS

Sales

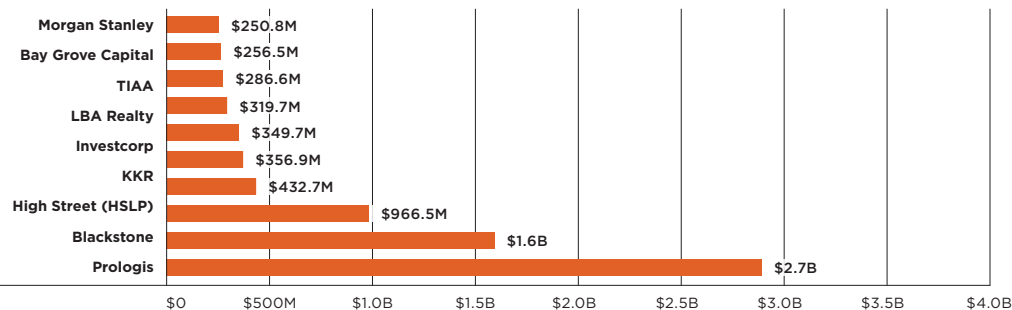
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Hillwood	DeBartolo Development	Nov 2020	25101 S Ridgeland Avenue	879,000	2019	57.17	\$50,300,000	South Suburban
Exeter Property Group	LaSalle Investment Management	Oct 2020	160 Southcreek Parkway	649,000	2008	33.45	\$43,600,000	I-55
STAG Industrial	Midwest Industrial Funds	Dec 2020	6600 River Road	630,000	1976	20.56	n/a	I-55
Glen Una Management Co.	Baker Development Corp.	Dec 2020	1400 N 25th Avenue	456,000	1957	15.80	\$20,950,000	West Cook
Geneva Supply	American Girl Brands LLC	Dec 2020	12400 Fox River Road	385,000	1993	45.28	\$4,200,000	Kenosha

Leases

Tenant	Square Feet	Address	City	Submarket	Landlord
Scotts Miracle-Gro	1,290,000	24231 S Exchange Boulevard	Channahon	Joliet	USAA Real Estate
CJ Logistics	1,000,000	24101 S Frontage Road	Channahon	Joliet	USAA Real Estate
Weber-Stephen Products	622,000	11811 Oak Creek Parkway	Huntley	Northwest	W.P. Carey
Dynamic 3PL	500,000	30260 Graaskamp Boulevard	Wilmington	Joliet	Elion Logistics Partners
Tru Vue	299,000	9400 W 55th Street	McCook	I-55	High Street Logistics Properties

TOP BUYERS

Past 3 Years



Source Savills Research

Market Highlights



Vacancy Rises

Year-Over-Year Change: **1.2%**
Q4 2019: **8.6%** | Today: **8.7%**



Asking Rent Growth

Year-Over-Year Change: **4.3%**
Q4 2019: **\$4.90** | Q4 2020: **\$5.11**



Under Construction

Year-Over-Year Change: **8.8%**
Q4 2019: **18.2 MSF**
Q4 2020: **19.8 MSF**

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