

# MARKETBEAT

# Chicago

Industrial Q4 2017



## CHICAGO INDUSTRIAL

### Economic Indicators

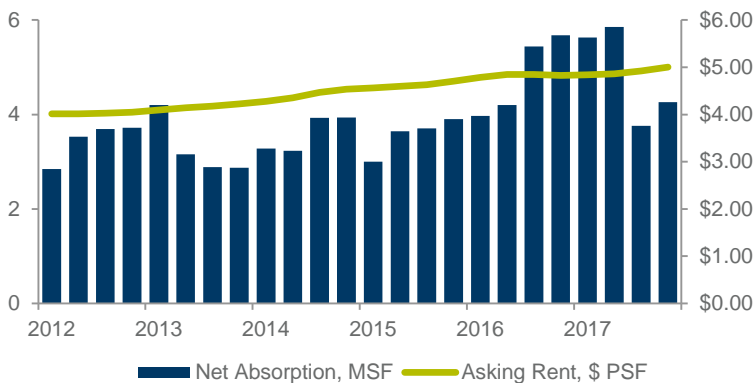
	Q4 16	Q4 17	12-Month Forecast
Chicago Employment	4.7M	4.7M	▼
Chicago Unemployment	5.9%	5.1%	▲
U.S. Unemployment	4.7%	4.1%	▼

### Market Indicators

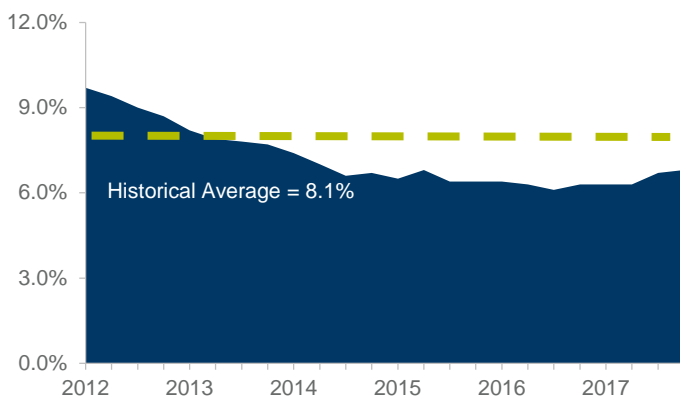
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	6.3%	6.8%	▲
YTD Net Absorption (sf)	22.7M	17.0M	■
Under Construction	20.6M	8.3M	■
Overall Average Asking Rent (PSF)	\$4.76	\$5.08	▲

### Overall Net Absorption/Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



### Economy

Chicago unemployment fell nearly a full percentage point year-over-year, closing out 2017 at 5.1%. According to the U.S. Census Bureau, Chicago total city employment is at the highest level in decades with high education levels enticing large companies looking for strong talent.

### Market Overview

New leasing activity for the Chicago industrial market totaled just under 17.5 million square feet (msf) in 2017, 49.8% below the record setting 2016 total. The infill submarkets including Central DuPage, O'Hare, and Western Cook reported the strongest leasing performance either increasing or matching last year's activity. This year was in many ways "the year of the renewal", with large tenants including Kimberley Clark, Mondelez, and Clearwater Paper among the top four. M. Block & Sons' 915,643-sf renewal in Tinley Park topped the list as the largest deal of the year. This strong tenant desire to remain in the market for years to come has solidified Chicago as an industrial mainstay.

Investment sales hit 27.9 msf traded in 2017, only 23.9% below the highly active 2016. Blackstone Group made a large play in the final quarter purchasing a 36-property national industrial portfolio from Prologis and 19 of those properties are in the Chicago market totaling 3.2 msf.

New construction finally began to plateau as developers seek absorption of existing properties ahead of breaking ground on new speculative space. Current construction is still speculative heavy but dropped a significant 61.7% from last year showing restraint from ambitious investors looking for opportunity in the hot Chicago market. The market enters 2018 with 27.8% less spec construction than at the beginning of 2017, a positive sign for a market looking to work through new product delivered over the past few years. Chicago still boasted over 8.3 msf of projects under construction and 23.4 msf delivered throughout 2017 with rising construction costs serving as the main driver of increased asking rates. New spec deliveries will likely be the determining factor of investor confidence in the market based on whether they fill quickly with eager tenants or sit vacant in the coming quarters. Developers are cautiously optimistic taking a wait and see approach; vacancy increases in new spec buildings should cast a shadow on new developments planning to break ground.

### Outlook

The coming year should be a turning point in the Chicago industrial market. While tenant demand has remained strong, the market is teetering on the edge of new development meeting demand and being overbuilt. The big box markets like the Interstate 80 and Interstate 55 corridors, have large amounts of vacant speculative construction to fill with limited large occupiers currently active in the market. Other markets such as O'Hare and downtown are eager for new space to meet tenant demand for airport and last mile distribution access. In the wake of its construction boom, the Chicago market has solidified itself as an industrial market able to offer newly developed space for all types of users. In the upcoming quarters we will see continued leasing demand in the small to mid size range, as well as, increased vacancy driven by a plethora of newly developed product.

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## Chicago Industrial Q4 2017



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Chicago North	104,351,873	113,939	591,746	4.1%	-562,543	0	40,700	\$6.41	\$17.50	\$6.24
Chicago South	134,644,845	994,398	636,698	3.9%	701,869	520,994	555,413	\$4.49	\$9.23	\$6.33
Western Cook County	105,564,909	1,937,057	524,419	9.4%	827,293	1,111,093	838,614	\$3.98	N/A	\$5.08
South Suburbs	89,451,917	1,107,379	483,400	6.0%	606,787	0	334,950	\$3.51	\$7.00	\$3.30
Northern Cook County	54,305,022	330,244	369,799	5.9%	115,941	320,667	316,699	\$6.18	\$9.23	\$6.46
Northwest Cook County	34,954,271	266,677	377,350	8.6%	-921,017	0	50,000	\$7.18	\$8.48	\$5.46
Northern Fox Valley	35,906,479	675,490	268,432	9.3%	355,346	0	449,399	\$6.62	\$10.06	\$4.91
Northeast DuPage	31,395,491	597,411	133,680	4.7%	194,239	0	0	\$5.43	\$10.55	\$6.01
Southern DuPage	15,439,518	89,523	41,050	6.1%	16,614	253,000	185,600	\$5.49	\$10.52	\$6.85
Central DuPage	46,544,939	1,774,377	356,608	7.6%	869,960	486,000	1,236,653	\$5.55	\$6.65	\$4.94
Southern Fox Valley	88,550,883	1,119,159	98,712	5.7%	2,033,256	169,250	1,092,293	\$3.99	\$19.59	\$4.57
Lake County	82,310,313	1,150,579	251,620	5.0%	1,107,877	558,500	485,295	\$5.07	\$10.45	\$5.30
McHenry County	22,609,923	123,369	0	12.3%	5,366	0	0	\$3.35	N/A	\$5.15
Western Kane County	7,607,503	0	0	8.5%	-575,620	0	0	\$5.38	N/A	\$4.25
Interstate 55 Corridor	88,353,498	2,308,292	46,289	12.7%	2,232,633	727,036	4,066,380	\$4.17	\$8.87	\$4.60
Interstate 80 Corridor	89,950,078	2,061,671	1,330,119	7.7%	8,498,536	3,556,843	10,739,452	\$2.91	\$6.50	\$3.83
Interstate 39 Corridor	17,685,571	24,800	0	5.3%	66,417	0	0	\$2.79	N/A	\$3.43
Southeast Wisconsin	45,121,150	689,991	0	7.8%	1,675,034	423,850	2,836,928	\$3.96	\$6.22	\$4.24
O'Hare	100,839,884	2,048,806	1,132,568	5.8%	-208,144	209,275	175,982	\$4.78	\$7.07	\$5.18
<b>CHICAGO TOTALS</b>	<b>1,195,588,067</b>	<b>17,413,162</b>	<b>6,642,490</b>	<b>6.8%</b>	<b>17,039,844</b>	<b>8,336,508</b>	<b>23,404,358</b>	<b>\$4.71</b>	<b>\$10.06</b>	<b>\$4.86</b>

Rental rates reflect asking \$psf/year

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

### Key Lease Transactions 2017

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
3900 Brandon Road, Joliet	501,313	CTDI	Warehouse/Distribution	Interstate 80 Corridor
16824 Enterprise Boulevard, Crest Hill	438,150	E-Commerce Tenant	Warehouse/Distribution	Southern Fox Valley
3400 N Wolf Road, Franklin Park	310,348	Expeditors Logistics	Warehouse/Distribution	Southern Fox Valley

\*\*Does not include Renewals.

### Key Sales Transactions 2017

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE / PSF	SUBMARKET
Portfolio Sale, 19 properties, Illinois	3,156,058	Prologis / Blackstone Group	Multiple	Undisclosed	Part of 36-building national portfolio
Portfolio Sale, 12 properties, Illinois	2,355,994	Brennan / Plymouth REIT	Multiple	\$71,200,000 / \$24*	Part of 15-building national portfolio
Portfolio Sale, 16 properties, Illinois	1,960,400	Cabot Properties / DRA Advisors	Multiple	\$10,700,000 / \$77*	Part of 186-building national portfolio

\*price psf based on allocation

Cushman & Wakefield  
9500 W Bryn Mawr Ave  
Suite 600  
Rosemont, IL 60018  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Caroline Kelner, Research Analyst  
Tel: +1 312 470 1844  
[Caroline.Kelner@cushwake.com](mailto:Caroline.Kelner@cushwake.com)

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