

Q2
2023

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Industrial Market Report

METROPOLITAN CHICAGO

Industrial Market Report

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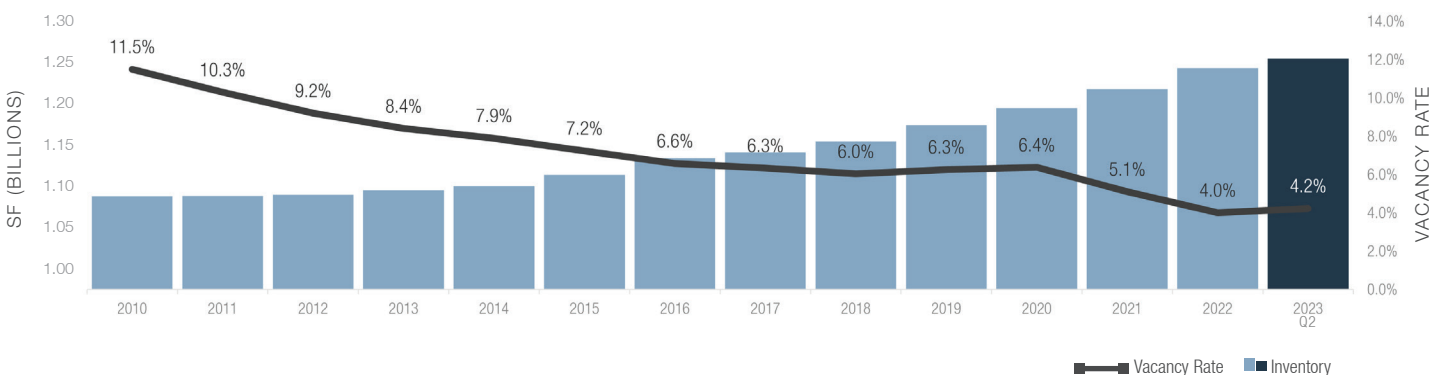
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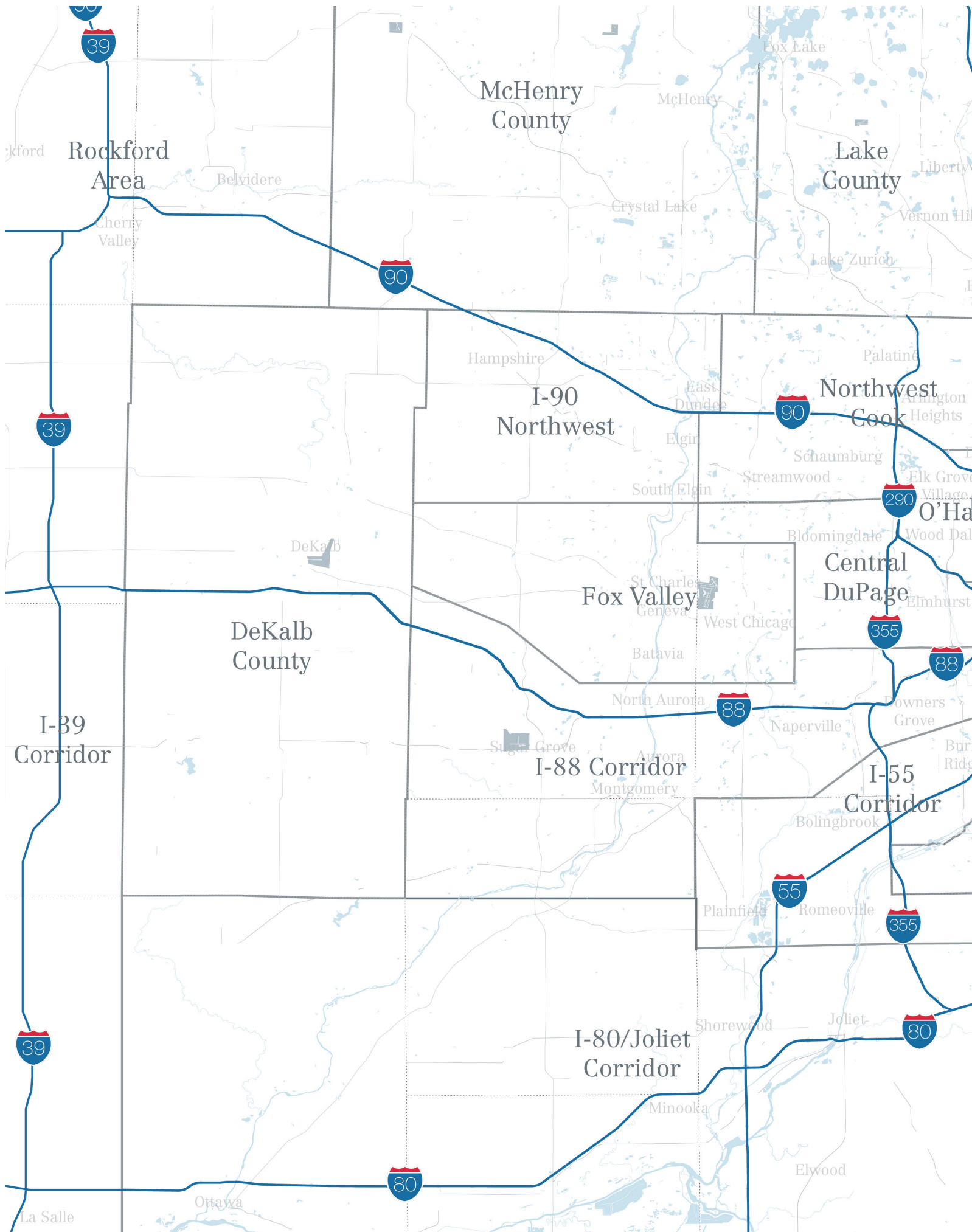
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Industrial Market Statistics

Submarket	2023 Total RBA (SF)	2023 Total Vacant (SF)	2023 Total Vacancy	2023 Availability Rate	2023 Net Absorption (SF)	YTD Net Absorption (SF)	2023 Leasing Activity (SF)	YTD Leasing Activity (SF)	2023 New Supply (SF)	Under Construction (SF)
Central DuPage	80,892,997	2,299,697	2.8%	4.3%	104,123	-198,964	649,846	1,513,084	187,824	603,618
Chicago North	59,755,772	4,672,546	7.8%	10.0%	70,763	-211,681	142,310	240,946	141,360	1,274,800
Chicago South	117,676,388	5,553,472	4.7%	7.5%	403,817	-214,173	1,071,325	1,429,328	0	300,192
DeKalb County	14,634,899	582,773	4.0%	3.8%	-27,581	3,803	7,140	97,022	700,000	3,175,000
Fox Valley	42,416,817	1,620,047	3.8%	7.6%	35,283	92,479	253,068	927,619	1,072,440	934,643
I-39 Corridor	43,632,207	3,285,895	7.5%	8.4%	-246,963	-324,293	10,000	307,116	0	1,500,165
I-55 Corridor	110,064,232	3,308,302	3.0%	5.6%	1,596,117	765,326	1,002,995	3,613,412	1,683,656	2,918,438
I-57/Will Corridor	23,928,538	97,038	0.4%	13.2%	316,321	311,297	51,020	56,044	897,000	1,002,496
I-80/Joliet Corridor	108,652,094	3,328,469	3.1%	7.4%	1,019,980	1,684,652	1,345,992	3,503,028	1,630,057	6,085,529
I-88 Corridor	71,500,974	2,322,240	3.2%	9.4%	338,641	1,375,775	593,307	1,354,003	749,435	822,418
I-90 Northwest	41,829,588	1,583,094	3.8%	11.0%	-313,701	977,203	103,158	401,822	906,456	2,992,227
Lake County	78,582,555	4,374,650	5.6%	8.6%	-44,573	-6,641	676,391	976,906	410,365	383,698
McHenry County	24,739,465	1,893,477	7.7%	4.9%	196,001	109,563	51,198	205,768	738,430	0
North Cook	47,029,164	1,532,848	3.3%	7.2%	-78,600	90,682	167,411	473,576	0	1,660,868
Northwest Cook	26,432,480	1,438,634	5.4%	9.7%	65,140	213,644	58,833	603,026	201,600	720,447
Northwest Indiana	47,263,582	3,198,282	6.8%	11.7%	-614,299	-317,194	30,352	284,341	0	1,860,008
O'Hare	105,180,105	3,379,052	3.2%	7.1%	214,678	681,511	785,391	2,158,986	1,098,109	338,398
South Cook	86,518,977	2,890,166	3.3%	6.6%	252,987	514,321	88,578	1,513,908	37,000	1,671,957
Southeast Wisconsin	75,564,971	4,639,068	6.1%	14.0%	1,170,995	2,030,141	58,128	1,586,658	538,888	4,634,960
Southwest Cook	35,180,414	657,352	1.9%	6.7%	28,544	6,572	69,522	206,684	245,002	1,346,322
West Cook	59,863,705	2,459,828	4.1%	7.3%	-176,454	-127,155	219,707	376,088	148,144	1,887,506
Total Market	1,301,339,924	55,116,930	4.2%	8.0%	4,311,219	7,456,868	7,435,672	21,829,365	11,385,766	36,113,690

Vacancy Rate and Available Inventory





Industrial Market

OVERVIEW MAP



Industrial Market Summary

Chicago's industrial outlook remains bright, but economic pressures are expected to cause some moderation

 Vacancy Rate
4.2%

 2023 Net Absorption
7.5M SF

 2023 New Leasing
21.8M SF

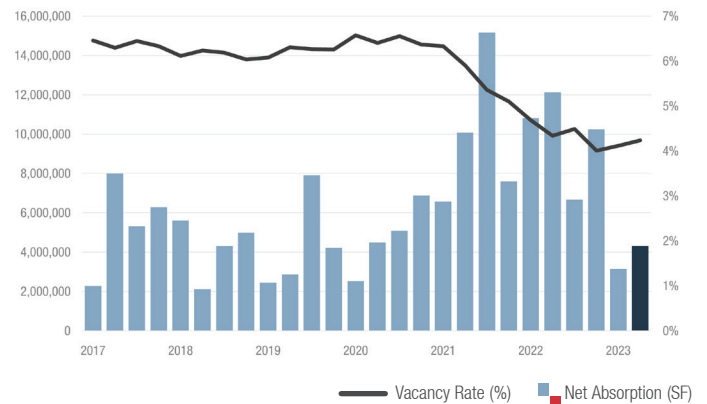
Chicago's Industrial Fundamentals Remain Strong Despite Moderation

Chicago's industrial market continues to shine in 2023, as persistent demand continues to drive substantial leasing and robust new development. The region saw 7.5 million square feet of positive net absorption during the first half of the year, while vacancy remains tight at 4.2% overall despite substantial new supply hitting the market over the past year. Chicago's industrial outlook remains bright, but economic pressures are expected to cause some moderation, as interest rate hikes and rising construction costs have slowed new groundbreakings and contributed to a pullback from the historic absorption levels of 2021 and 2022. However, Chicago remains uniquely positioned for continued growth, as its centralized location and expansive transportation infrastructure continue to draw major industrial players to the region.

Chicago registered 7.4 million square feet of new leasing activity during the second quarter, bringing the year-to-date total to 21.8 million square feet. Following a historic 2021 that saw a record-high 82.2 million square feet of annual new leasing activity, velocity has moderated over the last several quarters due to dwindling availability in a tighter market.

The I-80/Joliet Corridor led all submarkets with 1.3 million square feet of new leasing activity during the quarter, with a number of notable leases including Unilever signing for nearly 1.2 million square feet at 2250 Berens Court in New Lenox. The I-55 submarket registered 1.0 million square feet of new activity, headlined by RJW leasing 627,000 square feet at 21-81 N Weber Road in Romeoville.

Market Summary



	Q2 2023	SF
Market Size		1,301,339,924
Total Vacancy	55,116,930	4.2%
Direct Vacancy	51,052,216	3.9%
Sublease Vacancy	4,064,714	0.3%
Available Space	104,359,696	8.0%
QTR Net Absorption	4,311,219	
YTD Net Absorption	7,456,868	
Under Construction	36,113,690	
YTD New Supply	11,385,766	
QTR New Leasing Activity	7,435,672	
YTD New Leasing Activity	21,829,365	



Chicago saw 7.5M SF of positive net absorption during the first half of the year, a significant deceleration from recent totals, as available inventory continues to tighten.



The total vacancy rate remains near cyclical lows at 4.2% during the second quarter.



Chicago's development pipeline remains robust at 36.1M SF, though new groundbreakings are expected to slow in the face of rising interest rates and increased construction costs.



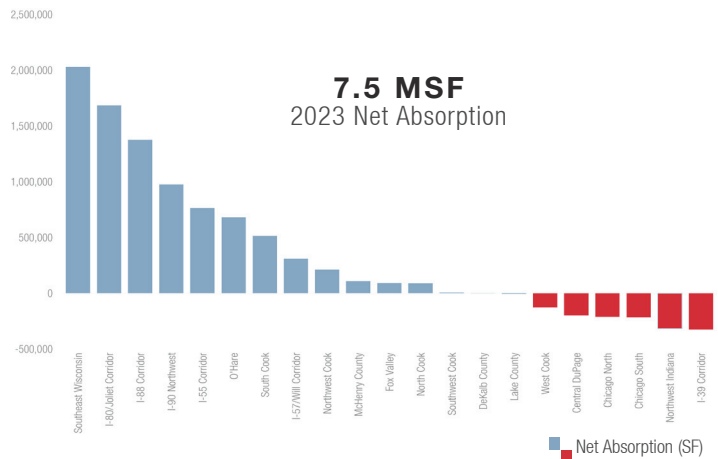
Chicago remains uniquely positioned for continued growth, as its centralized location and expansive transportation infrastructure continue to draw major industrial players to the region.

Vacancy remains tight at 4.2%, the sixth consecutive quarter of sub - 5.0% overall vacancy. New supply outpaced net absorption during the first half of the year, leading to a modest 20 basis point rise in vacancy from the end of 2022. On balance, demand has significantly outpaced available new supply since the start of the pandemic, driving vacancy to near cyclical lows.

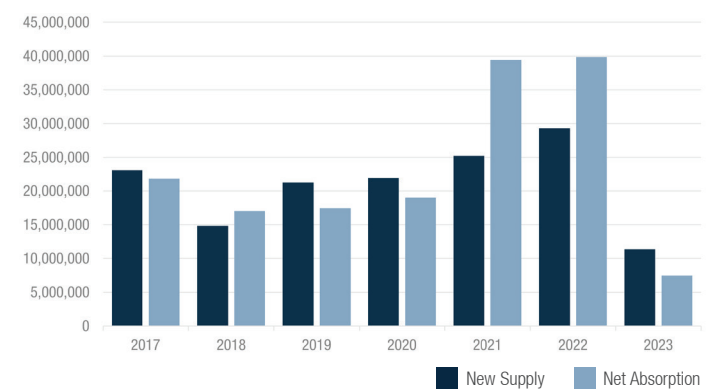
Chicago maintains a robust development pipeline, with 36.1 MSF currently under construction. 11.4 MSF of new product has delivered through the first half of 2023, modestly behind the pace of 26.6M SF delivered annually during 2022. SPEC development represents 79.6% of total inventory under construction, affirming developer and owners' confidence in their ability to lease-up this space without an anchor tenant upon groundbreaking.

Three submarkets currently have over 3.0 million square feet under construction, led by the I-80/Joliet Corridor with 6.1 million square feet across nine projects. There are 13 Chicagoland submarkets that have more than 1.0 million square feet of development underway.

Net Absorption by Submarket



New Supply vs Net Absorption



Significant Transactions



New Lease

2250 Berens Ct
New Lenox
1,159,200 SF

I-80/Joliet Corridor

Tenant
Unilever



New Lease

21-81 N Weber Rd Building 1
Romeoville
627,600 SF

I-55 Corridor

Tenant
RJW



New Lease

14200 Commerce Ct
Huntley
329,000 SF

McHenry County

Tenant
Kuriyama of America, Inc.



New Lease

175 Ambassador Dr,
Naperville
306,100 SF

I-88 Corridor

Tenant
HD Supply, Inc.



New Lease

840 E Green St,
Bensenville
276,500 SF

O'Hare

Tenant
R&M Trucking Co.



New Lease

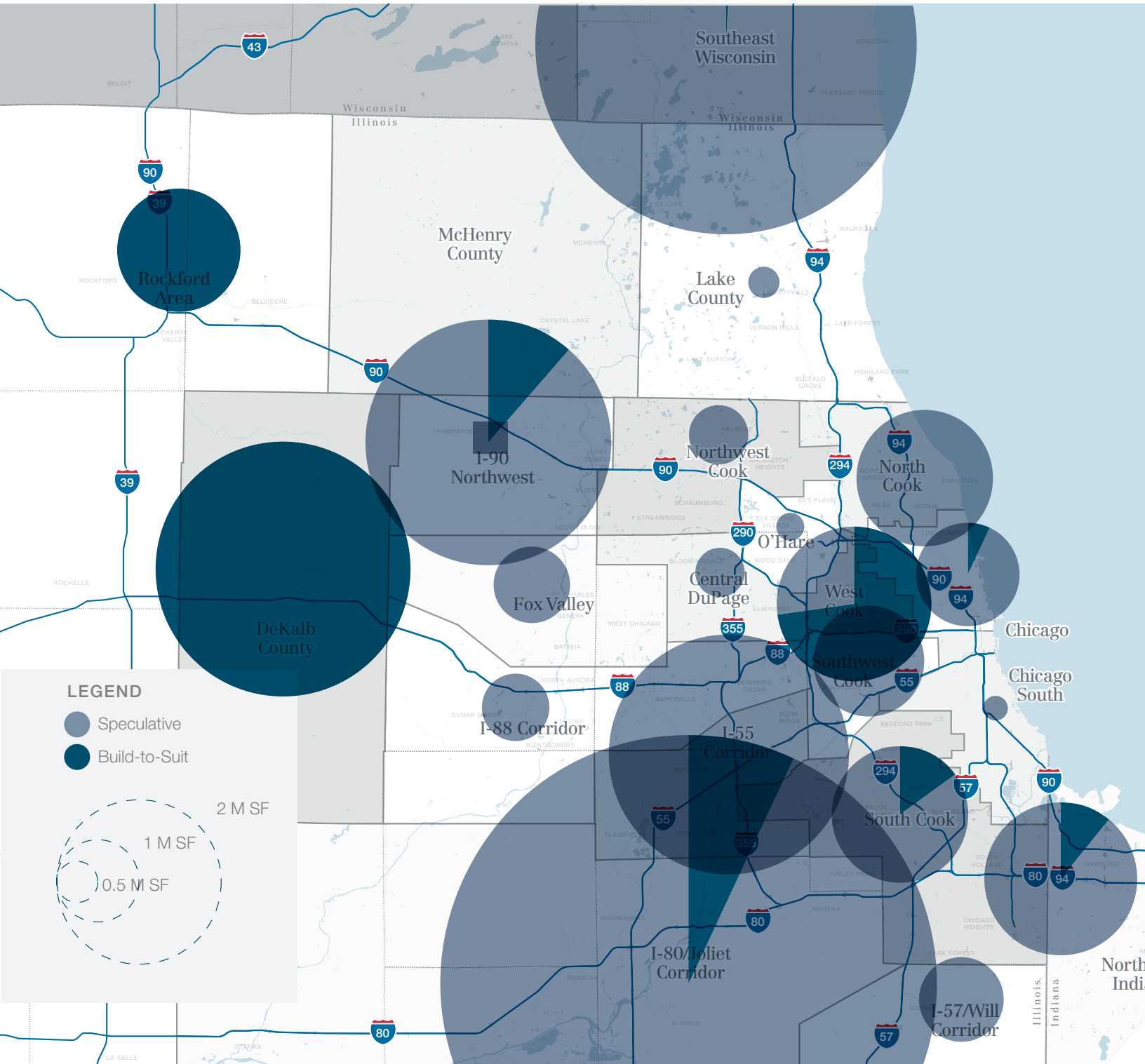
1400-1580 E 97th Pl
Chicago
259,700 SF

Chicago South

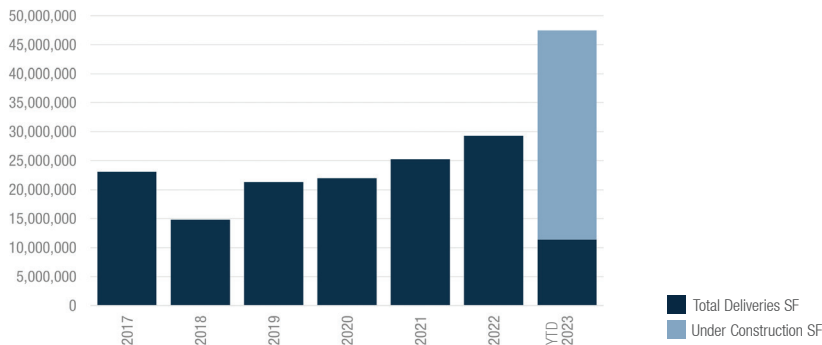
Tenant
MWD Logistics, Inc.

Construction Activity

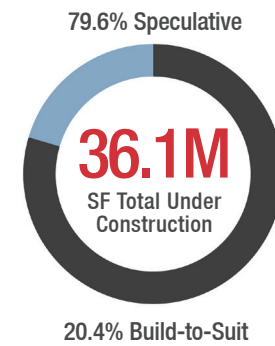
11.4M SF of new supply delivered across the Chicago metropolitan area during the first half of the year, following nearly 30M SF during the year in 2022. While construction remains near all-time highs, supply chain delays continue to push some projects' delivery dates further than projected. Limited availability of land and rising construction costs have pushed some developers to seek options in less densely concentrated submarkets, including Southeast Wisconsin which has seen 7.1M SF delivered since the start of 2022. Demand for new, high-quality warehousing and distribution space continues to drive a robust pipeline, though new groundbreakings are expected to moderate during the second half of the year.



YTD Deliveries and Current Construction



Construction Type



Notable Speculative Projects Under Construction

Submarket	Building Address	City	Size (SF)	Developer
I-80/Joliet Corridor	SWC Millsdale & Route 53 - Third Coast Intermodal Hub - Bldg. 2	Elwood	1,218,120	NorthPoint Development
Chicago North	1237 W Division St	Chicago	1,184,800	Logistics Property Company, LLC
I-80/Joliet Corridor	SWC Millsdale & Route 53 Rd - Third Coast Intermodal Hub - Bldg. 3	Joliet	1,138,717	NorthPoint Development
I-80/Joliet Corridor	SWC Millsdale & Route 53 Rd - Third Coast Intermodal Hub - Bldg. 1	Elwood	1,056,275	NorthPoint Development
I-80/Joliet Corridor	30404 S Elion Blvd - Elion Logistics Park 55	Wilmington	1,002,000	Elion
Northwest Indiana	9820 Mississippi St - Bldg. 2	Crown Point	1,001,162	Crow Holdings
Southwest Cook	9301 W 55th St - Bldg. 1	McCook	992,126	Bridge Industrial
I-80/Joliet Corridor	2903 Schweitzer Rd	Joliet	977,145	CenterPoint Properties
Southeast Wisconsin	11110 Burlington Rd	Kenosha	918,624	HSA Commercial
South Cook	21500 Gateway Dr - Matte57 Commerce Center	Matteson	757,504	Crow Holdings
Southeast Wisconsin	1484 120th Ave	Kenosha	734,992	Flint Development
I-90 Northwest	Jim Dhamer Dr - Venture Park 47	Huntley	729,823	Venture One Real Estate
South Cook	16799 S Cicero Ave	Oak Forest	664,453	Logistics Property Company, LLC
I-55 Corridor	21-81 N Weber Rd - Bldg. 1	Romeoville	627,840	Molto Properties
I-57 Corridor	25100 S Ridgeland Ave	Monee	621,246	Seefried Industrial Properties

Notable Build-to-Suit Projects Under Construction

Submarket	Building Address	City	Size (SF)	User	Developer
DeKalb	Gurler Rd - Facebook Data Center	DeKalb	2,400,000	Meta/Facebook	Meta
I-39	1210 Irene Rd	Belvidere	1,300,000	General Mills	Scannell Properties
DeKalb	1771 E Gurler Rd	DeKalb	775,000	Kraft Heinz	Trammell Crow
West Cook	10400 W North Ave Bldg. 3	Melrose Park	707,953	CEVA Logistics	Bridge Industrial
West Cook	10400 W North Ave Bldg. 2	Melrose Park	669,914	Expeditors International	Bridge Industrial
I-80/Joliet	11075 McLinden Rd	Minooka	400,000	Walmart	Molto Properties
I-90 Northwest	Route 31 & I-90	West Dundee	254,830	Reyes Coca-Cola Bottling	Transwestern Development
South Cook	21701 Central Ave - Phase 1	Matteson	250,000	Innovative Industrial Properties (cannabis industry)	ARCO Construction
I-39	Baxter Rd - Bldg. 3	Cherry Valley	200,165	DB Schenker	Venture One Real Estate
NW Indiana	628 Hoffman St	Hammond	195,000	Meats by Linz	Park Development Partners

Capital Markets Overview

by Pat Sullivan

COMPARING Q2 2022 TO Q2 2023

SECOND QUARTER 2022 MARKET SNAPSHOT

\$1,101.3 M 37 \$95.48 11.5 M

SECOND QTR. 2023

\$ 208.9 M

Sales Volume

13

Sales Transactions

\$92.67

Avg Sales Price PSF

2.3 M

SF Sold

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
TOTAL SALES VOLUME	\$1.101 B	\$1.263 B	\$2.341 B	\$391.7 M	\$208.9 M
TOTAL SF SOLD	11.5 M	12.6 M	27.9 M	3.7 M	2.3 M
# BUILDINGS SOLD	83	75	152	13	16
# OF TRANSACTIONS	37	44	44	13	13
SALE/LEASEBACK TRANSACTIONS	6	14	12	3	5
PORTFOLIO TRANSACTIONS	10	9	11	1	1

Total second-quarter 2023 industrial investment sales volume in the Chicago MSA is estimated at \$208.9 million, an 81 percent decrease from the second quarter of 2022. Investment momentum experienced a decrease in volume due to a disconnect between seller expectations and buyer values caused by rising interest rates, thus less favorable debt terms, and inflation concerns. Interest in industrial investments remains strong and transaction volume could increase as investors attempt year end closings. Thirteen (13) transactions occurred during the second quarter, totaling 2.25 million square feet across 16 buildings.

Average price per square foot decreased 13.5 percent, from the \$107.09 per square foot average reported in Q1 2023 to the \$92.67 per square foot average in Q2 2023. Significant capital has been sidelined with the increase in interest rates, but the consistently strong tenant demand, low vacancy rates, increasing rents, and equity allocated toward industrial real estate will make for a strong market once we adjust pricing expectations after the debt markets stabilize. Investors and lenders are expected to continue to target industrial investment opportunities in 2023 and 2024.

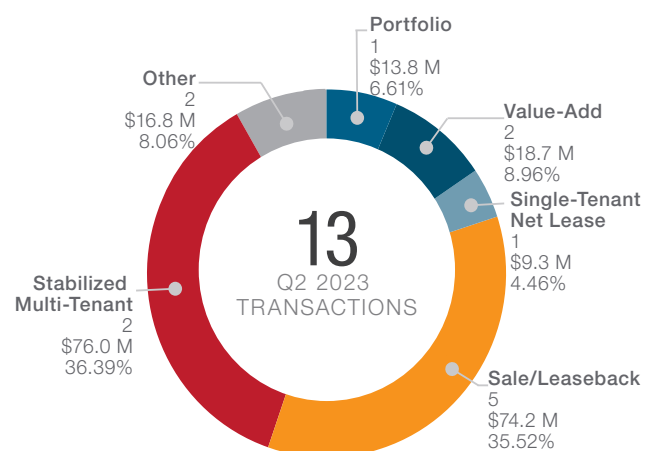
Funds were the most active buyers during the second quarter of 2023, acquiring approximately 900,000 square feet of industrial product, accounting for \$93.45 million in transactions, or 44.7 percent of overall volume. Institutional / Advisors were the second most active buyers, accounting for approximately \$72.8 million in transactions, or 34.8 percent of the overall volume. Users were the most active sellers, selling over 880,000 square feet of industrial product, accounting for approximately \$83.3 million in transactions,

or 39.9 percent of overall volume. Sale/leasebacks were the most popular type of transaction, accounting for 38.5 percent of all Q2 2023 transactions, a trend we expect to continue in 2024.

The only portfolio transaction was MLG Capital's acquisition of 2 buildings totaling 123,306 square feet from Morgan Realty Partners for \$13.8 million. Portfolios accounted for \$13.8 million, or 6.6 percent, of the second-quarter sales volume in the Chicago MSA.

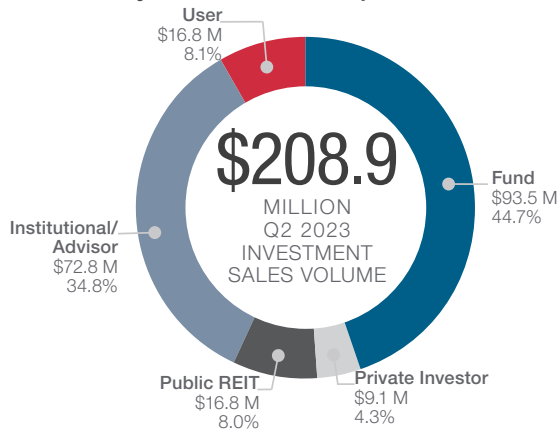
The largest single asset transaction of the second quarter was Bank of America's \$55.5 million acquisition of I-88 Gateway Logistics Center, totaling 604,565 SF, in Aurora from American Realty Advisors.

Transactions by Sale Type

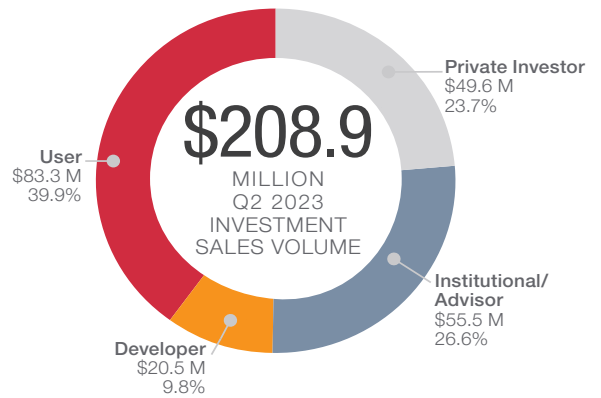


Number of Deals / Volume / % of Total

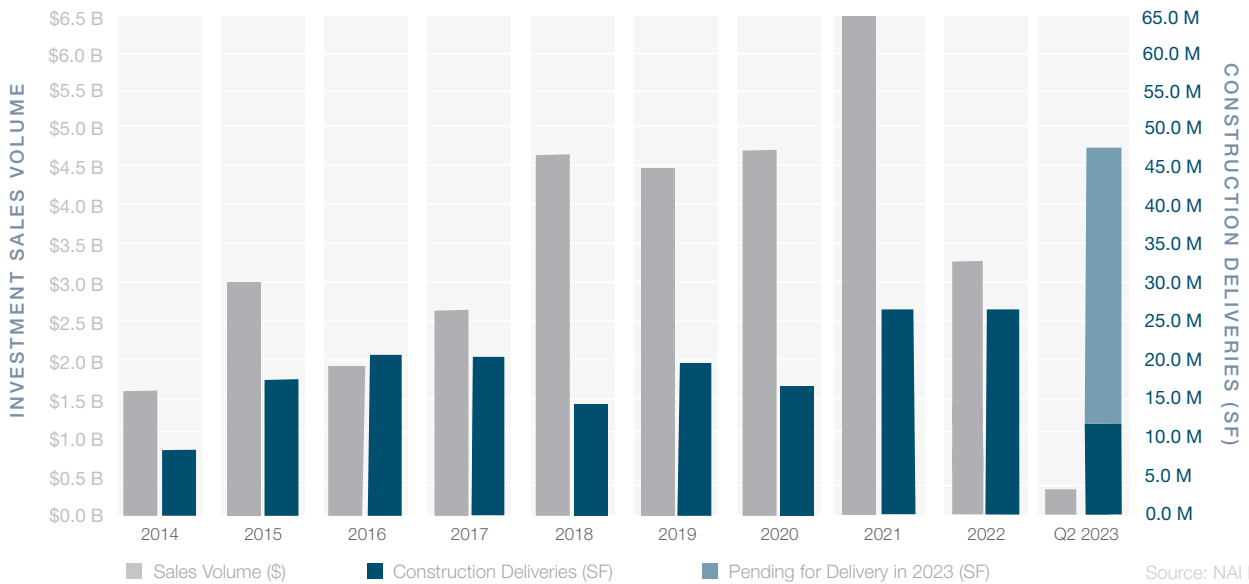
Buyer Pool Composition



Seller Pool Composition



Investment Sales Volume vs. Construction Deliveries



Source: NAI Hiffman



604,565 SF
INVESTMENT SALE

I-88 GATEWAY LOGISTICS CENTER
AURORA, IL

SALE PRICE | PRICE PSF
\$55,500,000 | \$91.80

BUYER
Bank of America

SELLER
American Realty Advisors



404,953 SF
SALE/LEASEBACK

VISUAL PAK SALE/LEASEBACK
WAUKEGAN, IL

SALE PRICE | PRICE PSF
\$39,578,500 | \$97.74

BUYER
Venture One Real Estate

SELLER
Visual Pak Companies



151,677 SF
INVESTMENT SALE

25-35 EAST PIPER LANE
PROSPECT HEIGHTS, IL

SALE PRICE | PRICE PSF
\$20,500,000 | \$135.16

BUYER
Sarofim Realty Advisors

SELLER
Connor Commercial Real Estate /
Globe Corporation JV

Economic Overview

Despite continued job growth, significant headwinds remained as elevated inflation and rising interest rates put downward pressure on the financial markets.

Unemployment Rate



Total Nonfarm Job Growth



Y-O-Y Industrial-Using Employment



Labor Market Steady

- The U.S. labor market has remained resilient following an initial downturn during the beginning of the pandemic, averaging 458,000 new jobs added monthly since the beginning of 2021.
- Unemployment remains below pre-pandemic levels at 3.7% as of May 2023.
- Despite continued job growth, significant headwinds remain as elevated inflation and rising interest rates put downward pressure on consumer spending and the financial markets.
- Locally, Chicago's economy held steady during the second quarter, with the unemployment rate dropping to 3.5% as of May 2023.
- Total nonfarm employment has increased steadily during 2023, adding 160,100 jobs since the start of the year.
- Chicago has seen year-over-year growth in the majority of job sectors, led by the Leisure and Hospitality sector at 7.8%.
- Industrial-using employment has increased 0.7% year-over-year, with notable gains in the Mining & Logging (6.7%), and Manufacturing (1.9%) sectors.

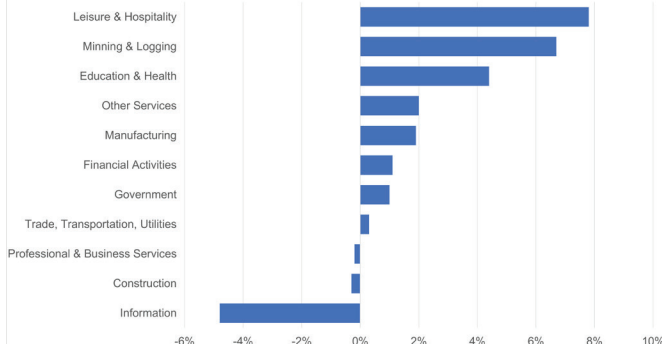
INDUSTRIAL-USING EMPLOYMENT



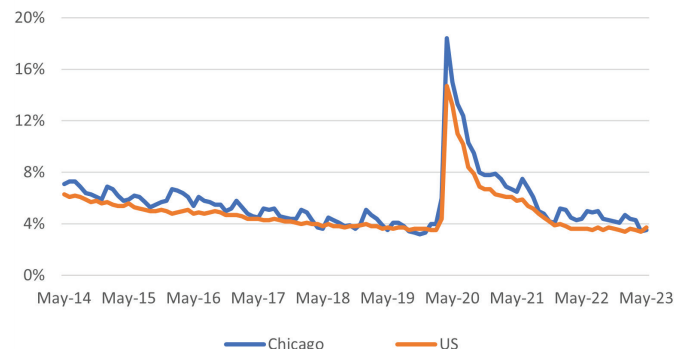
TOTAL PAYROLL EMPLOYMENT



Y-O-Y JOB CHANGE BY INDUSTRY



UNEMPLOYMENT RATE





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