



Chicago Industrial Market

Market Fundamentals Return to Pre-Pandemic Levels

A full 12 months into the pandemic, it's time to reflect back on what's occurred in the market. The industrial market entered the pandemic at an all-time high with vacancy rates at their lowest levels and absorption; asking rents and new construction at record highs. At the start of the pandemic, the commercial real estate market collectively hit the pause button as the world temporarily shut down. Confidence in the industrial market returned far more quickly than the retail and office markets due to the new normal requiring more industrial space as consumers purchased from the comfort of their homes. This sentiment of only a slight dip in the market as opposed to a full long-term stop is reflected in the rental rates on transactions completed during the pandemic. When leases completed in 2019 or pre-pandemic are analyzed, the average net rental rate was \$6.19/SF; from March 2020 or the start of the pandemic through the summer, rental rates on completed deals dipped to \$5.59/SF; from Labor Day through the first quarter of 2021, rental rates have risen back to \$6.04/SF. These rents reveal the uncertainty felt through the summer as the businesses reacted to the state of the world at the time, including second rounds of outbreaks, social unrest and the upcoming election. As far as the industrial market goes, that hesitation seems to have dissipated.

Current Conditions

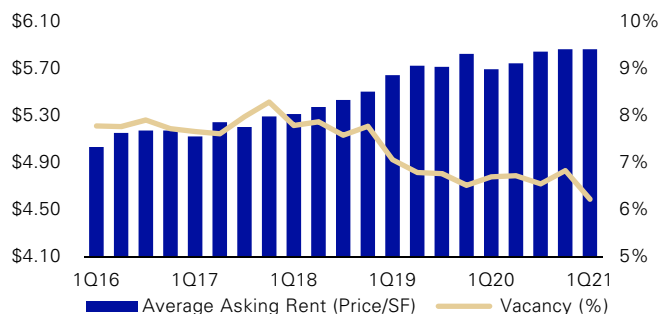
- Vacancy recorded a decade low at 6.2%.
- Retail and consumer good tenants accounted for 26.2% of the square footage leased this quarter.
- The Michelin Tires site sold for \$130.5 million, the metro's second-largest single industrial property sale ever.
- 18.6 million square feet of industrial product is currently under construction.

Market Summary

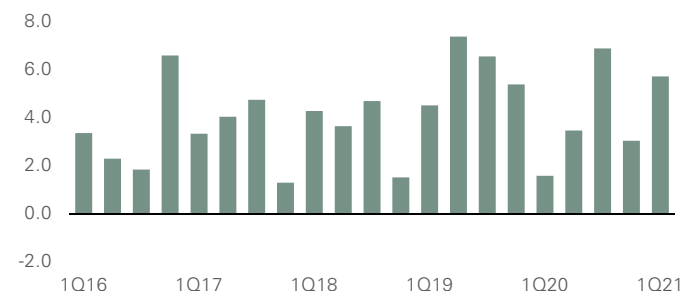
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	1.15B	1.15B	1.13B	↑
Vacancy Rate	6.2%	6.8%	6.7%	↓
Quarterly Net Absorption (SF)	5.71M	3.03M	1.57M	↓
Average Asking Rent/SF	\$5.86	\$5.86	\$5.69	↑
Under Construction (SF)	18.6M	14.5M	9.1M	↑
Deliveries (SF)	1.26M	6.82M	3.66M	↑

Market Analysis

AVERAGE ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, MILLIONS)



First-Quarter Overview

2021 started with a bang as it absorbed 5.7 million square feet of space, vacancy dropped 60 basis points to 6.2% and rental rates held steady at a record high of \$5.86/SF. At 6.2%, vacancy is now at the lowest point it has been in more than 10 years. Deliveries were on the lower end, with just over 1.0 million square feet delivering due to inclement weather in the first quarter; several scheduled completions were pushed into second-quarter 2021. Still, several new projects started bringing the total inventory currently under construction up to 18.6 million square feet. Leasing activity was solid, with several mid-size leases being signed.

Leasing Activity Led by Retailers and Consumer Goods

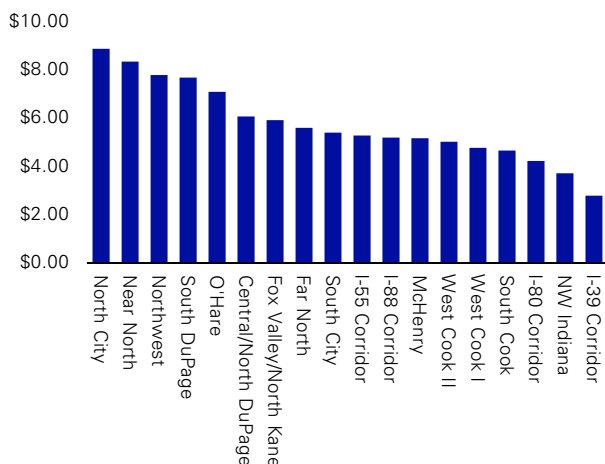
Retail and consumer goods tenants accounted for 26.2% of the square footage leased this quarter, a trend that is likely a result of numerous companies recognizing the continued consumer trend of online purchasing and at-home delivery that has been a staple for most of the public throughout the duration of the pandemic. According to McKinsey & Company research, online purchasing in all retail categories have seen a 35.0% increase in credit-card and debit-card spending from January 2020 to January 2021. Many retailers and consumer goods companies have needed to re-evaluate logistical processes and space needs for warehousing to support the new-normal of online purchasing. The standard of two-day or same-day delivery is now a consumer expectation that's a demand driver many companies have needed to consider while making industrial space decisions. The last-mile logistics strategy has been adopted by many retailers, putting products and consumer goods in smaller hubs closer to high populated areas, resulting in better delivery speeds.

E-commerce giant Amazon, added 144,645 square feet to its vast Chicago leasing portfolio this quarter after signing a five-year lease at North Avenue Commerce Center in West Chicago. Akira Fashion announced a consolidation of several facilities and signed a lease with Prologis at 150 East Crossroads Parkway this quarter. The women's clothing company will occupy the entire 352,338-square-foot warehouse for the next five years.

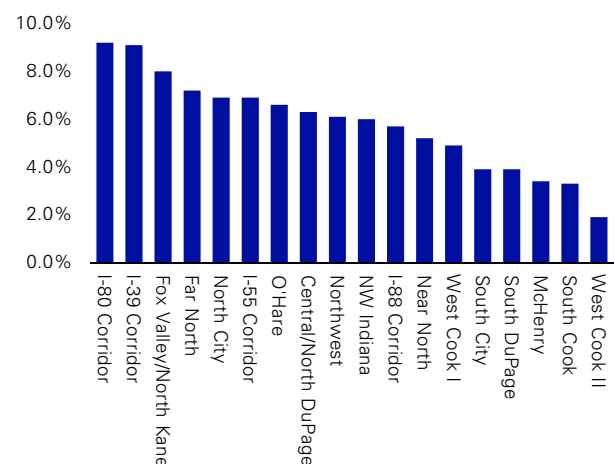
Investment Sales

Investment sales were down 72.1% in total sales volume at the start of 2021, compared to first-quarter 2020. According to Real Capital Analytics, the Chicago metro had only 43 properties totaling \$673.3 million transacted by the end of March. Nationally, industrial investments saw a year-over-year decrease of 54.4% this quarter. Several markets across the country are experiencing similar challenges. Despite the dip in market performance in the first quarter, the Chicago Metro recorded its second-largest single industrial property sale ever after Silver Creek Development acquired 29900 South Graaskamp Boulevard from Transwestern Development Company for \$130.5 million. Michelin Tires currently occupies the 2.0 million-square-foot Wilmington property. The top player in Chicago this quarter was New York-based Blackstone Real Estate Income Trust. The company purchased six properties totaling 1.2 million square feet in a portfolio sale from CenterPoint Properties for \$151.0 million. At the time of the sale, four of the six properties were 100% leased. Expect acquisitions to pick up going into second-quarter 2021 if industrial leasing continues to perform and the broader economy starts to heal.

Average Asking Rent By Submarket



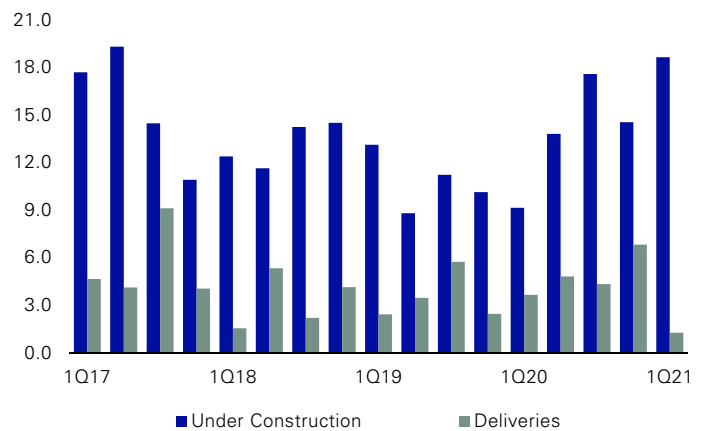
Vacancy By Submarket



Looking Forward

The outlook for the Chicago industrial market is very bullish, while the office and retail markets took another hard hit this quarter. Industrial continues to perform at peak levels. As vaccine rollouts ramp up throughout the country and case numbers decline, optimism is spreading. In Chicago, Kastle Security tracked that badge swipes increased this quarter almost 400 basis points from 16.9% the first week of January to 20.7% mid-March, which will also help the industrial market as things like restaurants and cafes in city centers get back to business. There are challenges in the market such as Cook County's tax issue, the state's fiscal status and over-supply, but thanks to Chicago's top standing as a transportation hub, infrastructure and diverse economy, the market will continue to thrive.

Construction and Deliveries (SF, Millions)



Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Lippert Components	I-80 Corridor	18801 Oak Park Avenue	Direct	915,643
Magick Woods	I-88 Corridor	16000 Sequoia Drive	Renewal	375,040
Akira Fashion	I-55 Corridor	150 East Crossroads Parkway	Direct	352,338
Petco	I-80 Corridor	3801 Rock Creek Boulevard	Renewal	309,840
Lawson Products Inc	I-55 Corridor	8801 West 47 th Street	Extension	306,805
Tazza Brand East Inc	I-55 Corridor	340 West Crossroads Parkway	Extension	299,520
Eby-Brown Company LLC	I-88 Corridor	2001 Baseline Road	Extension	288,681
Toynk Toys	Fox Valley/North Kane	205 Burnet Drive	Direct	285,821
Shorr Packaging	Central/North DuPage	555 Innovation Drive	Direct	250,000
Amazon	Central/North DuPage	North Avenue Commerce Center	Direct	144,645

Select Sales Transactions

Buyer	Market	Building	Price Per SF	Square Feet
Silver Creek Development	I-80 Corridor	29900 South Graaskamp Boulevard	\$65	2,000,000
Blackstone Real Estate Income Trust	-	CenterPoint IL Industrial Portfolio 2021	\$123	1,220,848
Exeter	I-80 Corridor	1151 East Laraway Road	\$61	736,780
Prologis	North City	930 West Evergreen Avenue	\$287	348,400
Prologis	South City	2550 South Ashland	\$32	338,700
Fairway America	Central/North DuPage	2055 West Army Trail Road	\$73	116,406
AvPORTS	O'Hare	555 Santa Rosa Drive	\$37	109,971
Mygrant Glass	West Cook I	1250 Garnet Drive	\$83	100,303
Manzil Real Estate LLC	South Cook	330-338 West Armory Drive	\$25	98,340
Maciel LLC	South Cook	16800 South Canal Street	\$36	91,504

RESEARCH Q1 2021

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist. Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central/North DuPage	87,175,102	1,646,524	6.3 %	278,467	278,467	\$4.72	\$10.33	\$6.05
Far North	120,921,007	3,550,663	7.2 %	892,913	892,913	\$4.56	\$8.74	\$5.57
Fox Valley/North Kane	36,727,205	-	8.0 %	151,431	151,431	\$5.15	\$7.44	\$5.89
I-39 Corridor	30,599,849	1,600,000	9.1 %	118,892	118,892	\$2.77	\$6.75	\$2.77
I-55 Corridor	112,383,980	229,191	6.9 %	2,535,894	2,535,894	\$4.92	\$10.84	\$5.25
I-80 Corridor	103,113,217	3,730,075	9.2 %	(1,645,234)	(1,645,234)	\$3.25	\$7.72	\$4.20
I-88 Corridor	71,118,121	-	5.7 %	559,831	559,831	\$4.19	\$11.56	\$5.17
McHenry	18,868,953	-	3.4 %	(127,941)	(127,941)	\$5.59	\$11.88	\$5.14
Near North	54,851,581	-	5.2 %	171,003	171,003	\$5.77	\$11.08	\$8.32
North City	72,470,849	-	6.9 %	(476,977)	(476,977)	\$6.82	\$8.99	\$8.85
Northwest	32,803,492	-	6.1 %	559,538	559,538	\$7.33	\$9.17	\$7.76
NW Indiana	22,714,237	279,000	6.0 %	183,092	183,092	\$3.43	\$10.00	\$3.69
O'Hare	123,136,720	144,350	6.6 %	1,013,129	1,013,129	\$5.87	\$10.05	\$7.06
South City	103,766,828	2,139,406	3.9 %	(185,198)	(185,198)	\$6.63	\$4.97	\$5.38
South Cook	75,108,444	2,383,173	3.3 %	885,990	885,990	\$4.09	\$8.80	\$4.63
South DuPage	8,814,737	-	3.9 %	(39,595)	(39,595)	\$2.07	\$12.23	\$7.66
West Cook I	67,078,141	875,752	4.9 %	268,136	268,136	\$4.28	\$8.66	\$4.75
West Cook II	9,179,193	-	1.9 %	575,935	575,935	\$5.00	-	\$5.00
Total	1,150,831,656	18,640,858	6.2 %	5,719,306	5,719,306	\$5.08	\$9.63	\$5.86

Submarket Statistics By Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	450,636,258	16,828,983	7.6%	3,540,967	3,540,967	\$5.89
Incubator	42,836,032	-	1.9%	129,029	129,029	\$8.86
R&D/Flex	57,386,472	-	8.3%	144,126	144,126	\$9.63
Warehouse/Distribution	599,972,894	1,811,875	5.3%	1,905,184	1,905,184	\$5.08
Total	1,150,831,656	18,640,858	6.2%	5,719,306	5,719,306	\$5.86

Economic Conditions

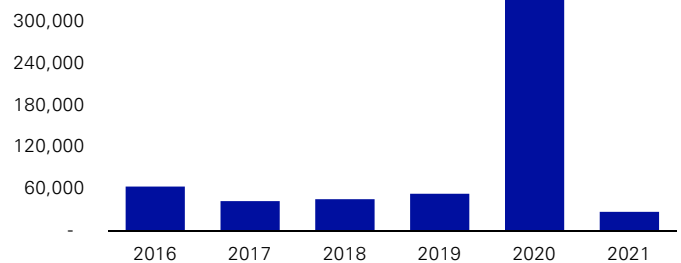
The pandemic has had a serious and long-lasting impact on the global and local economy. But as the vaccine rollout continues there is optimism and glimpses that the long road to recovery is beginning. The U.S. saw unemployment spike and hit a record high in at 14.7% in April, declining to its current rate of 6.0%.

Chicago's unemployment rate also peaked in April at 17.5% but has since declined to half of that at 8.8% in February. Mass layoffs also recorded new highs in 2020 with 341,000 layoffs in 2020, more than the past four years combined, 2021 is off to a slower start with 26,847 layoffs. As we begin the recovery process some industries were minimally hit such as transportation and warehousing which was actually able to capitalize on the pandemic others such as shopping malls or conference centers may never be what they once were.

The city and metropolitan area will need to work together and be flexible in order to move forward through the recovery which many are hoping will be faster than the 2008 recovery. There are challenges that the city was facing before the pandemic that will continue to be roadblocks such as the state's fiscal situation and the Cook County tax issue. Chicago will have to lean on its position as a technology leader in the Midwest, transportation and warehousing hub and budding life science sector to help the long-term recovery.

Layoff Stats

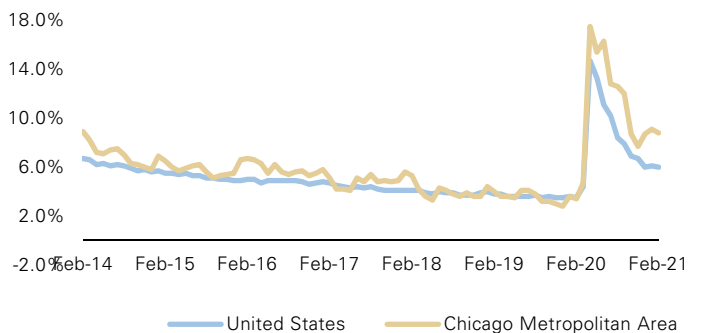
IL MASS LAYOFFS (INITIAL CLAIMS), FEBRUARY 2021



Source: Illinois Department of Employment Security, Economic Information and Analysis

Unemployment Rate

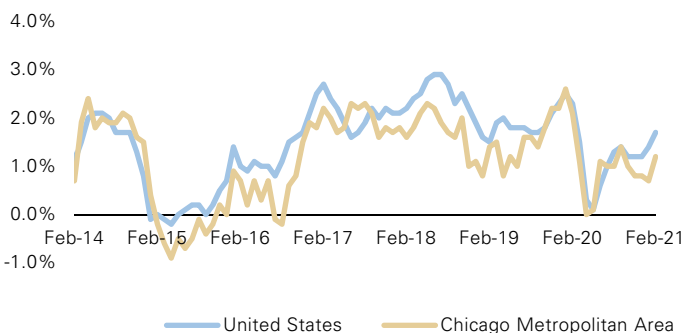
SEASONALLY ADJUSTED, FEBRUARY 2021



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

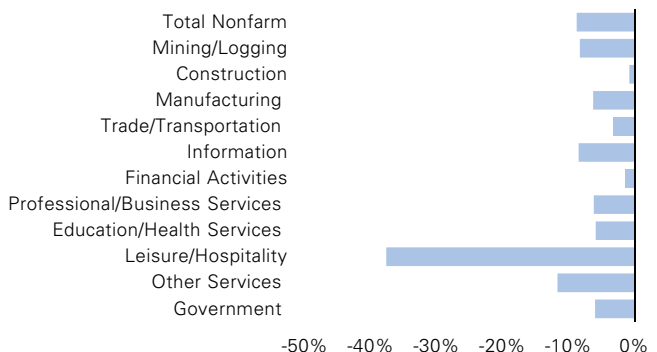
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJ.



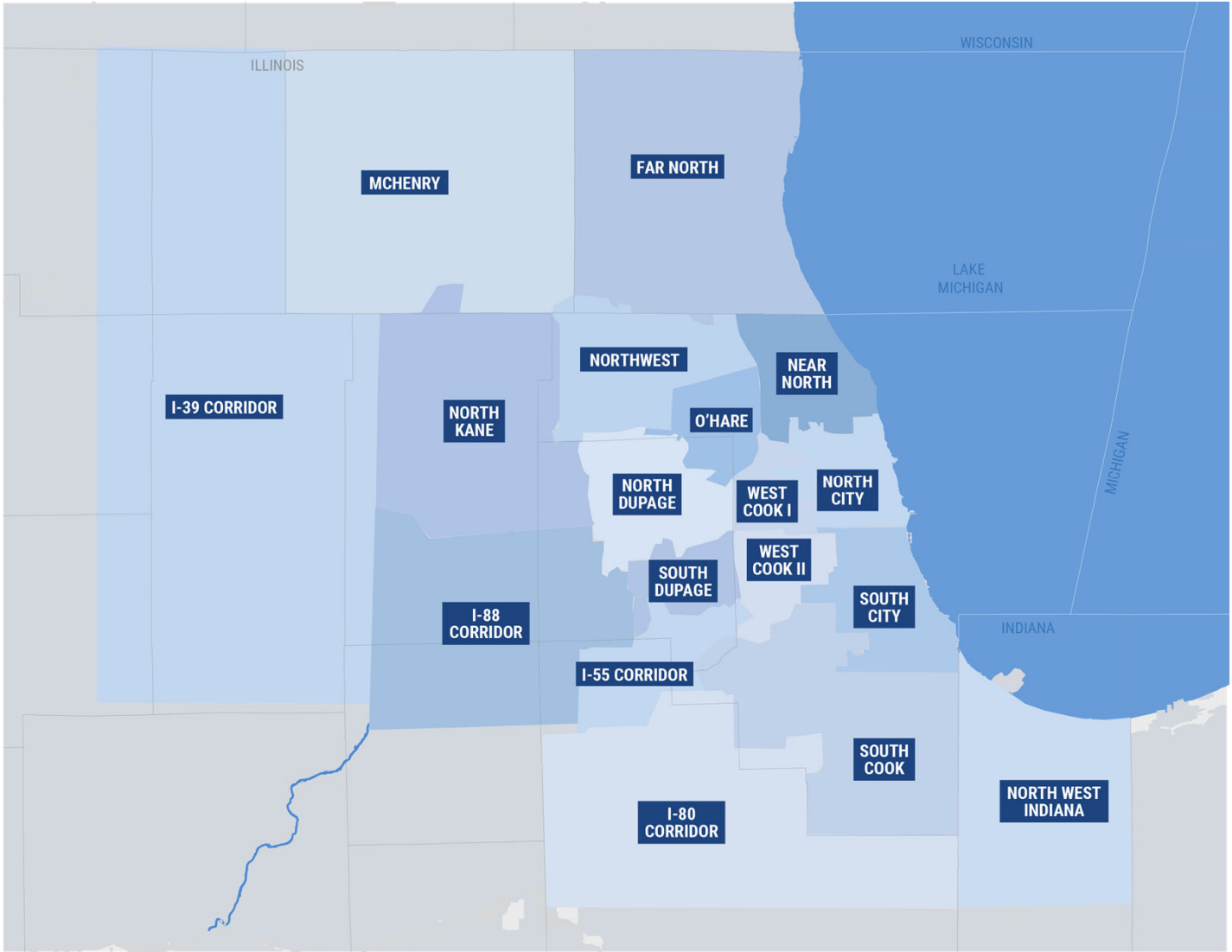
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

CHICAGO, FEB. 2021, 12-MONTH % CHANGE, SEASONALLY ADJ.



Source: U.S. Bureau of Labor Statistics



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