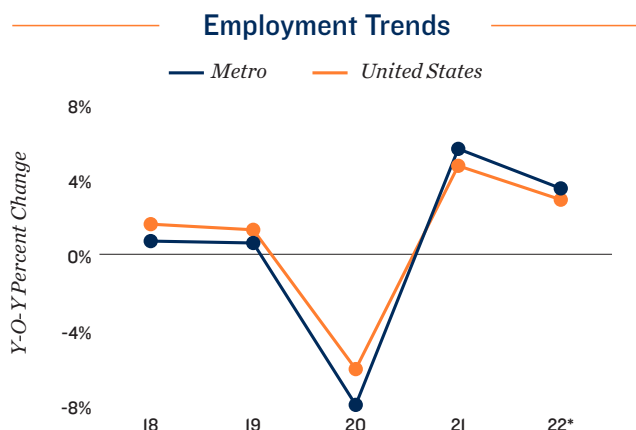


## Demand Soars to New Heights Near O'Hare; Multilevel Warehouses Signal Robust Fundamentals

**Supply chain issues supercharge airport area performance.** Global logistics issues and local cargo bottlenecks have translated to substantial leasing activity near O'Hare Airport, which saw a 410-basis-point drop in vacancy over the 12-month period ended March. Despite high demand here, the active pipeline barely exceeds 800,000 square feet. Due to limited supply, the vacancy rate entering April was just 2.5 percent. A dramatic increase in warehouse and distribution center construction appears warranted, as frenetic pre-leasing activity has extended to projects in the proposal stage. Additionally, high demand is spilling over to suburban submarkets that offer proximity to the airport.

**Dense locales require innovative solutions.** Builders recently began construction on a 600,000-square-foot warehouse in the North Side, set to be Chicago's first multistory distribution center. The Goose Island-adjacent parcel drew developers due to the high concentration of e-commerce activity in the area, totaling more than \$2 billion of annual sales in a five-mile radius. The metro can expect more of these projects in high-cost areas, such as the North Side and Cook County, where residential proximity supports higher rents. Additionally, firms are using the Chicagoland area to deploy new last-mile delivery concepts. A 1.1 million-square-foot automated distribution center piloted by Walmart is scheduled for completion in summer 2022, the first of its kind piloted by the retailer.



\* Forecast  
Sources: BLS; CoStar Group, Inc.

## Industrial 2022 Outlook



160,000

JOBS  
will be created

### EMPLOYMENT:

Expanding 3.5 percent this year, Chicago's employment base is set to overtake the pre-pandemic level by the end of 2022. The retail trade, transportation and utilities sector reported an all-time high of active positions at the end of the first quarter.



25,300,000

SQ. FT.  
will be completed

### CONSTRUCTION:

Annual completions are set to surpass the 25 million-square-foot mark for the first time since 1997. Several large-scale distribution centers are underway along the Interstate 55 Corridor leading south as developers pursue parcels along this route.



40

BASIS POINT  
decrease in vacancy

### VACANCY:

Despite the high volume of finalizations anticipated this year, robust leasing activity is expected to continue, leading to a second consecutive year of vacancy compression. Metrowide availability will end 2022 at 4.8 percent.



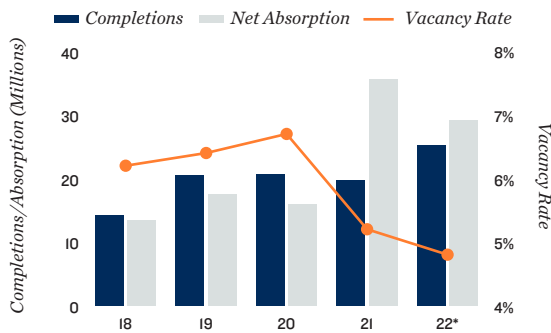
6.9%

INCREASE  
in asking rent

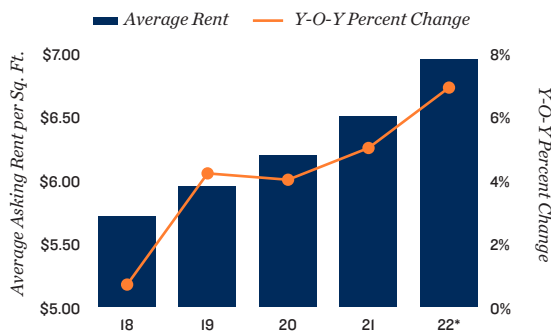
### RENT:

Tight conditions will translate to a multidecade high for rent growth, putting the mean marketed rate at \$6.95 per square foot. Sub-3 percent vacancy and minimal construction near O'Hare Airport may support above-average rent growth in the area.

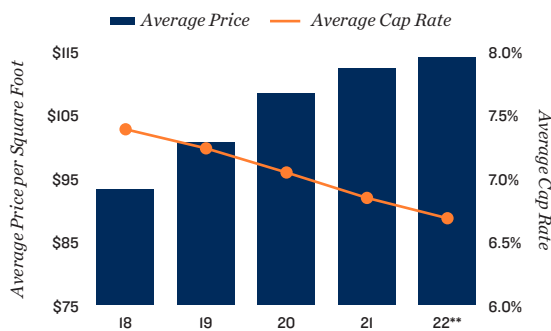
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

## IQ 2022 - 12-Month Period



### CONSTRUCTION

**19,882,000** sq. ft. completed

- Completions for the 12-month period ended in March exceeded the previous yearlong span by around 660,000 square feet. The western suburbs and I-55 Corridor led construction, receiving 3.2 million square feet each.
- Projects in the proposal phase sum to roughly 90 million square feet, indicating significant developer interest in breaking ground moving forward.



### VACANCY

**180** basis point decrease in vacancy Y-O-Y

- Chicago observed its most rapid 12-month vacancy compression in multiple decades, driving availability down to 4.8 percent at the onset of April.
- Tenants are exhibiting a clear preference for properties adjacent to ports and major transportation arteries. O'Hare and the Southwest-I-55 Corridor both observed vacancy declines of at least 400 basis points.



### RENT

**4.7%** increase in the average asking rent Y-O-Y

- A substantial decline in vacancy supported solid rent growth, bringing the average asking rent to \$6.63 per square foot at the end of the first quarter.
- Outlying suburban markets saw the greatest rent gains over this period. The mean marketed rent advanced 12.8 percent in the western suburbs and 18.4 percent in McHenry County.

## Investment Highlights

- As economic outlooks improved and e-commerce trends highlighted Chicago's position as a vital transportation node, trade velocity during the 12-month period ending in March achieved an all-time high, surpassing the previous period by over 70 percent. A sizable increase in buyer activity drove pricing up 4 percent to a record average of \$114 per square foot.
- One of the nation's top logistics hubs for air cargo, neighborhoods immediately adjacent to O'Hare Airport accounted for the largest share of trades this period. This submarket's importance to global supply chains has drawn the attention of investors from coastal metros and further afield, leading to an increase in out-of-state and foreign capital at play here. Heightened bidding activity could push some investors to seek properties en route to the airport, particularly along Interstate 90 and Interstate 294 in adjacent submarkets.
- Manufacturing-related transactions represent a sizable share of the metro's industrial investment activity, accounting for roughly 30 percent of all trades in the trailing yearlong span ended March. Investors in this sector pursued O'Hare-adjacent properties due to the area's transportation links, but also sought out assets in western Cook and northern Kane counties.