

Chicago

Absorption below 2021 but still second strongest year on record

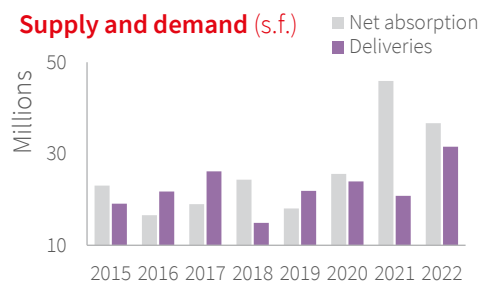
- Absorption down from 2021, but 11 million s.f. stronger than 2020
- Construction completions reach all time high at 31.6 million s.f.
- Vacancy is leveling out in the high two percent range
- Rental rate growth puts leverage in landlord's favor

Absorption for 2022 was an impressive 36 million s.f. although this was 14 million less than 2021's all-time high figure. The fourth quarter contributed 7 million feet, which is down quarter-over-quarter. The most notable new lease was Prime Source Building Products taking a 1 million s.f. speculative building in Wilmington. In addition, a 1.2 million-s.f. build to suit for Kraft Foods with Trammel Crow Company was inked in DeKalb and stands out due to its sheer size. On a local level, the I-80, I-55 and North DuPage submarkets' year-end leasing volume exceeded 5.0 million s.f. While Chicago North, I-57, McHenry Co, North Cook Co & Northwest Indiana were below 1.0 million s.f. I-80 & I-57 were the only markets to capture Q4 net absorption volume in excess of 1.0 million s.f. I-80 saw due to strong leasing demand while I-57 was impacted by the former 1.3 million s.f. Kmart facility taken off the market – since they elected to continue using the facility. The Q4 vacancy rate was unchanged from Q3 at 2.8 % and is down 63 basis points from 2021.

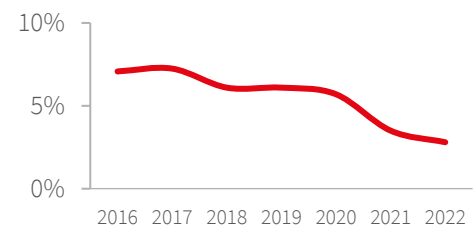
Outlook

Asking net rents reached \$6.75 p.s.f. which is more than a dollar higher than year-end 2021. We expect leverage to remain in the landlord's court in the near future due to continued low vacancy rates and the fact that sublease space is not an issue. The Fox Valley, I-39, I-55 Corridor, I-57 Corridor, North Cook Co, North DuPage Co, McHenry Co, O'Hare & West Cook markets all had vacancies under 2.0%. The I-55 Corridor is extremely tight at 0.5%. Tenants have more options in Chicago North, Lake Co & Southeast Wisconsin where vacancies are above 5%. With over 40 million s.f. currently under construction, we forecast tenants to have greater options in late 2023. 8.6 million s.f. was delivered in Q4 bringing 2022's volume to 31.6 million s.f. a new all-time high. The Duke Realty entity sale to Prologis included 37 assets across seven submarkets around Chicago and captured the headlines due to its scale. While the broader investment sales market is challenged, we still saw several entrepreneurial or value-add players closing in Q4 including Tradelane Properties, Clear Height Properties, Sarofim Realty Advisors, High Street Logistics Properties, and Faropoint Investments.

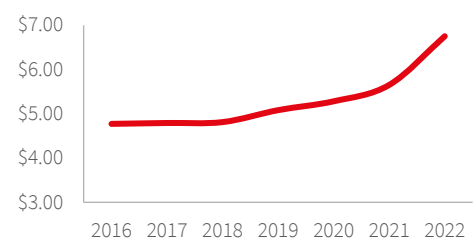
Fundamentals	Forecast
YTD net absorption	36,690,745 s.f. ▼
Under construction	40,448,660 s.f. ►
Total vacancy	2.8% ►
Sublease vacancy	0.01% ►
Direct asking rent	\$6.75 p.s.f. ▲
Concessions	Declining ▼



Total Vacancy



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Total vacancy (%)	availability (%)	Total average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Chicago total										
Warehouse & Distribution	736,871,626	6,125,468	29,374,047	4.0%	3.5%	9.2%	\$6.76	8,203,387	29,534,507	38,085,455
Manufacturing	565,240,286	625,288	7,091,423	1.3%	1.9%	3.5%	\$6.68	152,534	1,772,233	2,064,370
Special Purpose	5,183,944	250,000	225,275	4.3%	0.5%	0.5%	\$8.00	250,000	250,000	0
Overall Total	1,307,295,856	7,000,756	36,690,745	2.8%	2.8%	6.8%	\$6.75	8,605,921	31,556,740	40,448,660
North Cook County Ind										
Warehouse & Distribution	16,224,989	-109,973	552,247	3.4%	3.0%	12.3%	\$9.54	0	171,752	1,660,868
Manufacturing	30,983,234	75,711	76,287	0.2%	1.2%	3.6%	\$7.56	0	0	0
Special Purpose	298,334	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	47,506,557	-34,262	628,534	1.3%	1.8%	6.8%	\$9.31	0	171,752	1,660,868
O'Hare Ind										
Warehouse & Distribution	58,793,755	223,901	183,150	0.3%	2.6%	7.6%	\$9.63	80,053	518,753	1,585,269
Manufacturing	35,780,338	-81,036	129,002	0.4%	0.7%	2.6%	\$7.96	0	0	0
Special Purpose	104,236	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	94,678,329	142,865	312,152	0.3%	1.9%	5.7%	\$9.26	80,053	518,753	1,585,269
South Suburbs Ind										
Warehouse & Distribution	46,171,876	225,443	2,290,919	5.0%	4.5%	8.6%	\$6.25	213,600	1,902,250	1,483,554
Manufacturing	42,694,380	-356,897	203,008	0.5%	1.6%	3.8%	\$5.00	0	63,000	0
Special Purpose	1,484,130	250,000	250,000	16.8%	0.0%	0.0%	\$0.00	250,000	250,000	0
Overall Total	90,350,386	118,546	2,743,927	3.0%	3.0%	6.2%	\$6.12	463,600	2,215,250	1,483,554
Chicago North										
Warehouse & Distribution	16,150,036	160,968	176,224	1.1%	4.8%	12.8%	\$18.69	141,360	141,360	1,184,800
Manufacturing	35,007,140	326,596	709,606	2.0%	5.1%	7.6%	\$11.27	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	51,157,176	487,564	885,830	1.7%	5.0%	9.3%	\$12.62	141,360	141,360	1,184,800
Chicago South										
Warehouse & Distribution	38,554,380	-224,991	860,358	2.2%	5.5%	8.6%	\$7.21	0	781,295	300,192
Manufacturing	60,517,539	242,842	523,746	0.9%	1.7%	3.3%	\$9.44	0	0	0
Special Purpose	175,304	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	99,247,223	17,851	1,384,104	1.4%	3.2%	5.4%	\$7.63	0	781,295	300,192
Fox Valley										
Warehouse & Distribution	24,471,969	877,474	1,525,464	6.2%	2.9%	9.7%	\$6.56	966,869	1,492,162	1,458,080
Manufacturing	17,967,209	10,000	104,565	0.6%	0.4%	1.6%	\$0.00	0	0	0
Special Purpose	64,736	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	42,503,914	887,474	1,630,029	3.8%	1.8%	6.4%	\$6.56	966,869	1,492,162	1,458,080
I-39										
Warehouse & Distribution	18,167,550	-50,000	-50,000	-0.3%	0.8%	0.8%	\$4.25	0	0	1,940,000
Manufacturing	16,034,288	30,000	136,057	0.8%	1.1%	4.0%	\$5.42	0	112,000	0
Special Purpose	1,090,992	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	35,292,830	-20,000	86,057	0.2%	0.9%	2.2%	\$5.13	0	112,000	1,940,000
I-55										
Warehouse & Distribution	85,350,524	283,099	5,111,498	6.0%	0.4%	7.0%	\$7.04	0	2,048,310	4,057,956
Manufacturing	13,724,778	45,758	326,535	2.4%	1.0%	1.7%	\$8.79	0	326,243	0
Special Purpose	74,417	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	99,149,719	328,857	5,438,033	5.5%	0.5%	6.3%	\$7.09	0	2,374,553	4,057,956
I-57										
Warehouse & Distribution	24,928,318	1,557,498	1,637,024	6.6%	0.9%	10.0%	\$6.88	0	0	0
Manufacturing	10,512,235	-2,060	-62,930	-0.6%	4.0%	3.7%	\$4.50	0	0	897,000
Special Purpose	275,905	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	35,716,458	1,555,438	1,574,094	4.4%	1.8%	8.0%	\$6.82	0	0	897,000
I-80										
Warehouse & Distribution	98,707,967	2,543,911	5,465,278	5.5%	3.8%	9.1%	\$5.50	3,676,233	7,861,870	5,791,479
Manufacturing	22,238,015	-200,321	1,364,381	6.1%	4.3%	4.7%	\$4.78	0	982,456	0
Special Purpose	269,370	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	121,215,352	2,343,590	6,829,659	5.6%	3.9%	8.3%	\$5.42	3,676,233	8,844,326	5,791,479
I-88										
Warehouse & Distribution	46,206,422	-337,149	628,957	1.4%	3.5%	7.0%	\$6.16	0	961,144	1,101,829
Manufacturing	24,036,086	320,525	323,574	1.3%	2.4%	2.8%	\$5.82	0	28,000	0
Special Purpose	219,109	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	70,461,617	-16,624	952,531	1.4%	3.1%	5.6%	\$6.12	0	989,144	1,101,829

Lake County

Warehouse & Distribution	43,857,949	44,606	225,298	0.5%	6.9%	9.7%	\$6.64	512,249	731,159	435,289
Manufacturing	32,955,153	-169,418	810,393	2.5%	3.6%	5.2%	\$8.60	0	90,000	0
Special Purpose	288,990	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	77,102,092	-124,812	1,035,691	1.3%	5.5%	7.7%	\$7.06	512,249	821,159	435,289
McHenry County										
Warehouse & Distribution	9,191,879	-49,572	-62,072	-0.7%	1.3%	2.1%	\$5.45	0	0	0
Manufacturing	20,951,298	63,236	298,536	1.4%	0.9%	3.9%	\$4.00	0	0	0
Special Purpose	131,940	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	30,275,117	13,664	236,464	0.8%	1.0%	3.3%	\$4.29	0	0	0
North DuPage County										
Warehouse & Distribution	52,873,382	49,937	2,255,486	4.3%	2.1%	5.6%	\$8.76	0	1,188,476	889,196
Manufacturing	34,577,043	94,292	456,026	1.3%	0.4%	1.0%	\$6.47	0	0	24,700
Special Purpose	91,809	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	87,542,234	144,229	2,711,512	3.1%	1.5%	3.8%	\$8.70	0	1,188,476	913,896
North Kane County										
Warehouse & Distribution	24,279,965	39,855	2,380,478	9.8%	4.2%	16.4%	\$6.67	548,699	2,338,035	3,463,512
Manufacturing	17,373,317	84,545	151,988	0.9%	0.9%	3.0%	\$5.81	40,800	40,800	509,070
Special Purpose	100,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	41,753,282	124,400	2,532,466	6.1%	2.8%	11.1%	\$6.62	589,499	2,378,835	3,972,582
Northwest Cook County										
Warehouse & Distribution	14,270,512	0	366,549	2.6%	6.0%	12.5%	\$8.72	0	715,573	1,189,344
Manufacturing	14,749,094	-34,210	-6,817	0.0%	0.5%	2.2%	\$7.50	0	0	0
Special Purpose	79,646	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	29,099,252	-34,210	359,732	1.2%	3.2%	7.4%	\$8.70	0	715,573	1,189,344
Northwest Indiana										
Warehouse & Distribution	11,647,497	-193,667	-54,451	-0.5%	6.5%	22.1%	\$6.44	55,585	566,823	1,941,490
Manufacturing	43,636,249	97,853	900,244	2.1%	1.3%	2.9%	\$6.44	111,734	129,734	633,600
Special Purpose	176,052	0	-24,725	-14.0%	14.0%	14.0%	\$8.00	0	0	0
Overall Total	55,459,798	-95,814	821,068	1.5%	2.4%	7.4%	\$6.46	167,319	696,557	2,825,090
Rockford Area										
Warehouse & Distribution	12,612,428	0	513,373	4.1%	4.9%	6.0%	\$4.00	141,360	341,360	1,668,765
Manufacturing	19,907,901	-51,492	243,650	1.2%	3.7%	3.7%	\$3.78	0	0	0
Special Purpose	16,500	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	32,536,829	-51,492	757,023	2.3%	4.2%	4.7%	\$3.88	141,360	341,360	1,668,765
Southeastern Wisconsin										
Warehouse & Distribution	47,029,114	801,860	4,244,562	9.0%	7.8%	19.7%	\$5.69	1,481,633	6,734,931	5,959,882
Manufacturing	27,648,460	125,161	372,981	1.3%	2.5%	2.6%	\$3.75	0	0	0
Special Purpose	27,550	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	74,705,124	927,021	4,617,543	6.2%	5.9%	13.8%	\$5.58	1,481,633	6,734,931	6,008,882
West Cook County										
Warehouse & Distribution	47,381,114	282,268	1,123,705	2.4%	1.9%	4.5%	\$9.07	385,746	1,039,254	1,973,950
Manufacturing	43,946,529	4,203	30,591	0.1%	1.5%	4.3%	\$6.21	0	0	0
Special Purpose	214,924	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	91,542,567	286,471	1,154,296	1.3%	1.7%	4.4%	\$8.46	385,746	1,039,254	1,973,950