

LEE & ASSOCIATES CHICAGO

INDUSTRIAL MARKET REPORT

Q3
2023



NET
ABSORPTION



VACANCY RATE



LEASING
ACTIVITY



NEW SUPPLY



UNDER
CONSTRUCTION

MARKET OVERVIEW

NEW SPEC DELIVERIES PUSH VACANCY RATE HIGHER

The vacancy rate increased for the third quarter in a row in Chicago's industrial market, rising by 80 basis points during the third quarter of 2023 to 4.47 percent. Net absorption remained positive despite the increase in vacancy, totaling 919,000 square feet. This is the smallest net absorption tally since the second quarter of 2020 and brings the year-to-date net absorption total to 10.4 million square feet.

The vacancy rate has increased by 98 basis points over the past two quarters, surpassing the 4 percent mark for the first time since the first quarter of 2022. This increase can be attributed to the completion of speculative developments combined with the increase in vacant sublease space totaling 7.4 million square feet.

A total of 32 speculative construction projects were delivered during the third quarter of 2023, totaling 11.4 million square feet. These projects were delivered 73 percent vacant, adding 9.0 million square feet of vacant space to the market, pushing the vacancy rate up.

The amount of industrial space under construction dropped. Currently there are 59 projects under construction totaling 22 million square feet, of which 14 million square feet are scheduled for completion by the end of 2023. Only 6 buildings started construction in the third quarter totaling 1.4 million square feet. This is a 57 percent decline from the past two quarters and a 75 percent decline when compared to one year ago when 24 buildings started construction.

Continued...



VACANCY RATE

Q3: 4.47%



NEW LEASING ACTIVITY

Q3: 5,459,677 SF



USER SALE ACTIVITY

Q3: 2,393,468 SF



NET ABSORPTION

Q3: 918,530 SF



INVENTORY BASE

Q3: 1,404,909,948 SF



NEW SUPPLY DELIVERED

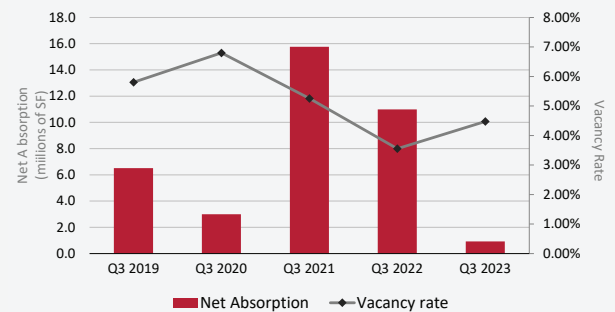
YTD: 26,905,490 SF



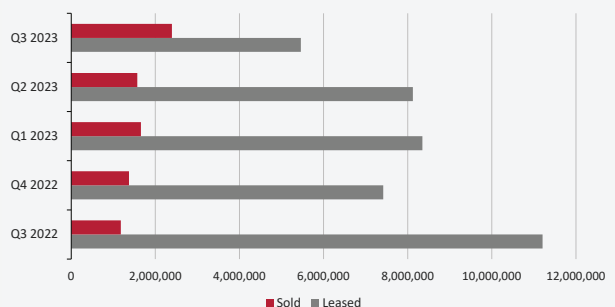
UNDER CONSTRUCTION

Q3: 22,277,366 SF

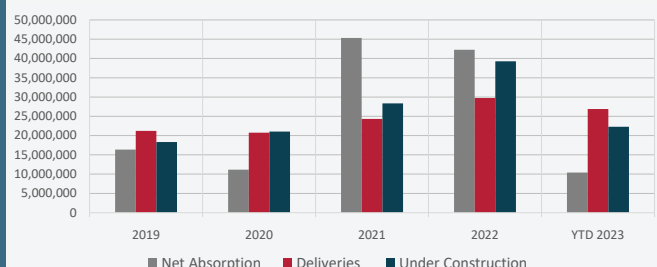
VACANCY & ABSORPTION



LEASE & USER SALE ACTIVITY



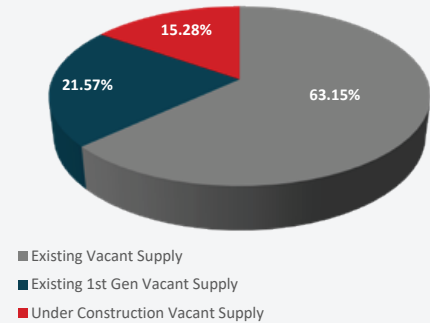
NET ABSORPTION VS. NEW DEVELOPMENT



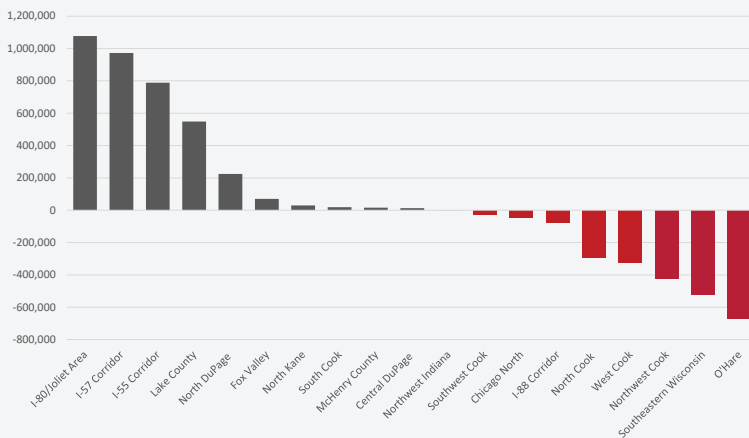
The third quarter witnessed lower consumer demand, 5.4 million square feet of new leasing deals were signed, representing a 32.8 percent decrease compared to the 8.1 million square feet signed in the previous quarter. The year-to-date figure of nearly 22 million square feet is in line with the midyear average achieved from 2017 to 2019, indicating the industrial real estate market is back to normal levels.

Chicago's industrial vacancy rate will continue to increase over the coming quarters as new speculative completions outpace demand. The pipeline of industrial product under construction will continue to drop and the balance between new supply and demand will return, and vacancy rate will stabilize.

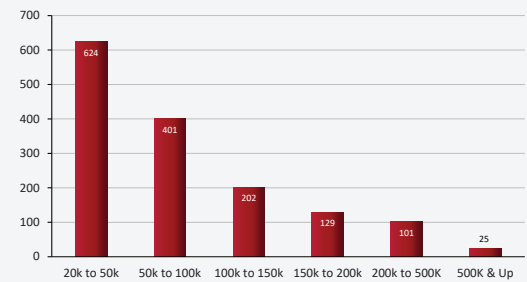
AVAILABLE SUPPLY



NET ABSORPTION BY SUBMARKET



AVAILABLE BY SIZE



PARTIAL LIST OF UNDER CONSTRUCTION PROJECTS - [CLICK FOR INTERACTIVE MAP](#)

ADDRESS	SUBMARKET	DEVELOPER	END DATE	SIZE	TYPE
11075 McLincoln Rd., Minooka	I-80/Joliet Corridor	Molto Properties	Q4 2023	1,500,800	BTS
NEC Route 20 & Irene Rd., Belvidere	Rockford	Scannell Properties	Q4 2023	1,318,680	BTS
102 W. Compass Blvd. - Bldg 3, Joliet	I-80/Joliet Corridor	NorthPoint Development	Q4 2023	1,139,153	SPEC
1237 W. Division St., Chicago	Chicago North	Logistics Property Co	Q3 2024	1,029,400	SPEC
30404 S. Elion Blvd., Wilmington	I-80/Joliet Corridor	Elion Partners	Q4 2023	1,002,000	SPEC
9820 Mississippi St., Merrillville	Indiana	Crow Holdings	Q4 2023	1,001,162	SPEC
9301 W. 55th St. - Bldg 1, McCook	Southwest Cook	Bridge Industrial	Q4 2023	992,126	SPEC
11110 Burlington Rd., Kenosha	Wisconsin	HSA Commercial RE	Q1 2024	918,624	SPEC
10400 W. North Ave. #3, Melrose Park	West Cook	Bridge Industrial	Q4 2023	707,953	SPEC
10400 W. North Ave. #2, Melrose Park	West Cook	Bridge Industrial	Q1 2024	669,914	SPEC
16799 S. Cicero Ave., Oak Forest	South Cook	Logistics Property Co	Q4 2024	664,453	SPEC
14200 Commerce Ct. - Bldg 1, Huntley	North Kane	The Prime Group	Q4 2023	540,960	SPEC
187 Southcreek Pkwy. - Bldg A, Romeoville	I-55 Corridor	Bridge Industrial	Q4 2023	497,480	SPEC
4000 Commercial Ave., Northbrook	North Cook	Panattoni	Q1 2024	448,320	SPEC

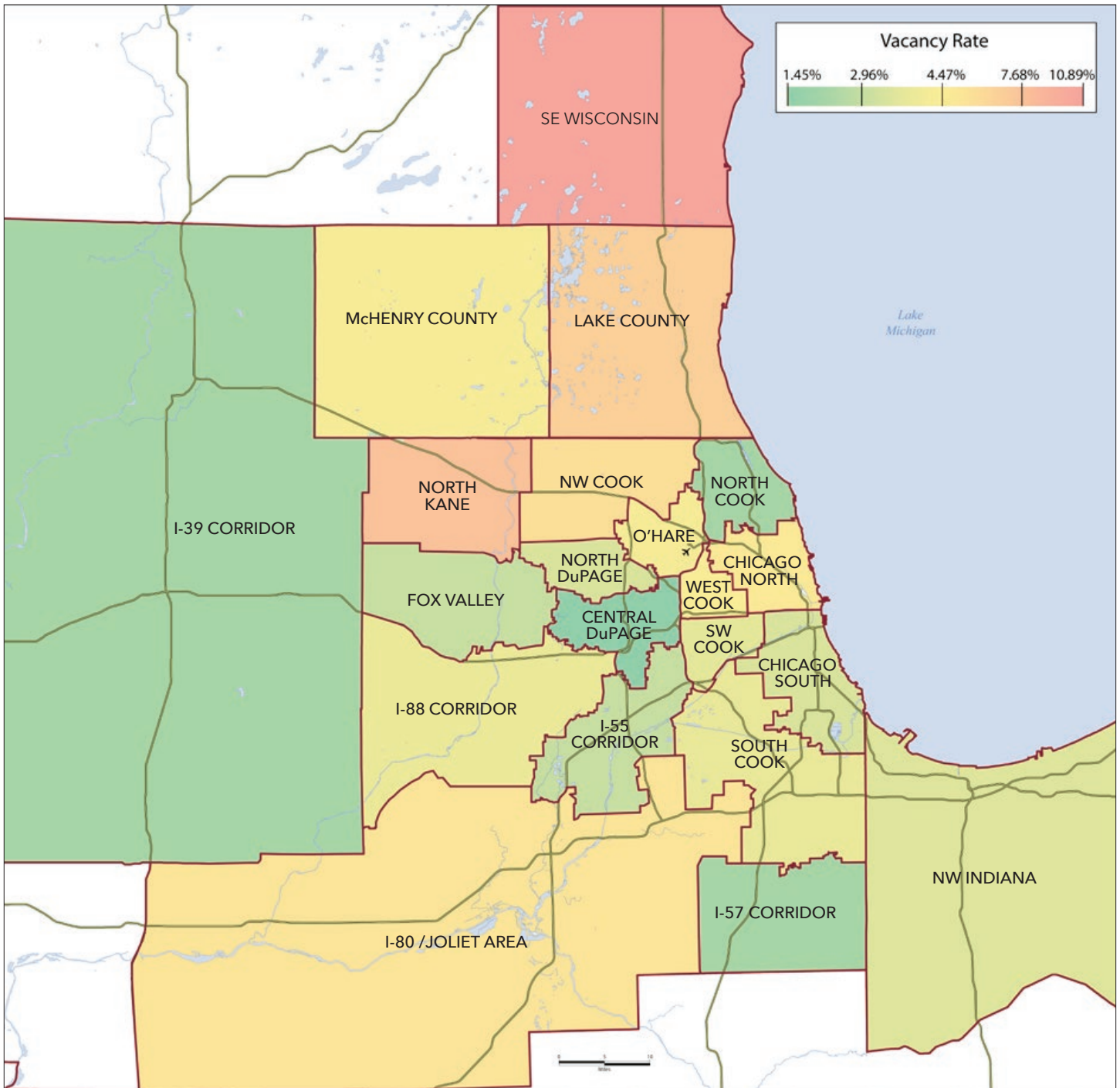
SUBMARKET	INDUSTRIAL BASE	AVAILABLE INVENTORY	VACANCY	YTD NEW SF DELIVERED	UNDER CONSTRUCTION	3Q23 NET ABSORPTION	YTD NET ABSORPTION
Central DuPage	24,276,202	352,933	1.45%	-	150,416	12,895	150,201
Chicago North	71,379,997	3,699,618	5.18%	141,360	1,029,400	(43,461)	(23,711)
Chicago South	116,388,920	3,989,264	3.43%	130,354	192,088	(375,373)	268,422
Fox Valley	43,985,227	1,382,225	3.14%	1,072,440	934,643	69,686	842,912
I-39 Corridor	32,837,093	818,449	2.49%	-	-	(120,365)	(251,478)
I-55 Corridor	113,798,887	3,503,560	3.08%	3,488,395	1,522,624	788,447	1,468,197
I-57 Corridor	36,439,211	811,007	2.23%	1,518,245	-	971,978	2,454,498
I-88 Corridor	69,599,299	2,948,503	4.24%	1,082,158	917,286	(75,042)	682,309
I-80/Joliet Area	113,569,990	6,007,803	5.29%	5,441,646	4,622,181	1,077,270	3,374,892
Lake County	83,982,975	4,493,543	5.35%	435,289	-	548,622	243,543
McHenry County	28,713,367	1,239,370	4.32%	738,453	-	15,267	(499,393)
North Cook	37,954,648	829,927	2.19%	-	1,660,868	(296,956)	(350,593)
North DuPage	67,947,844	2,373,867	3.49%	791,442	-	224,104	(210,171)
North Kane	43,255,155	2,979,809	6.89%	2,026,332	1,802,218	29,583	(173,990)
Northwest Cook	48,121,837	2,681,593	5.57%	821,648	468,096	(425,760)	464,058
Northwest Indiana	49,858,055	1,775,231	3.56%	287,991	2,100,242	1,306	224,106
O'Hare	104,446,298	4,558,812	4.36%	1,293,631	160,340	(669,092)	(316,794)
Rockford Area	48,940,702	1,724,257	3.52%	80,445	1,618,680	41,705	180,505
South Cook	90,706,259	3,652,126	4.03%	809,504	664,453	18,920	1,407,300
Southeast Wisconsin	82,072,998	8,938,926	10.89%	6,165,948	1,484,390	(521,761)	1,197,085
Southwest Cook	27,067,659	1,011,765	3.74%	245,002	1,346,322	(27,085)	(64,901)
West Cook	69,567,325	3,093,177	4.45%	335,207	1,603,119	(326,358)	(675,974)
TOTALS	1,404,909,948	62,865,765	4.47%	26,905,490	22,277,366	918,530	10,391,023

Q3 2023 TOP LEASES

							
1771 E. Gurler Road DeKalb		790 W. Taylor Road Romeoville		794-854 Golf Lane Bensenville		501 Steward Road Rochelle	
SIZE	775,000 SF	SIZE	672,080 SF	SIZE	352,119 SF	SIZE	312,750 SF
TYPE	New - BTS	TYPE	Renewal	TYPE	Renewal	TYPE	Renewal
LANDLORD	Trammel Crow Company	LANDLORD	Florida State Board of Administration	LANDLORD	Prologis	LANDLORD	Ascendas REIT
TENANT	Kraft Heinz Company	TENANT	Geodis Logistics	TENANT	The Bradford Exchange, LTD.	TENANT	Del Monte Foods, Inc.

Four Chicago-area submarkets experienced a third quarter decrease in vacancy rate from the previous quarter. Lake County and Fox Valley submarkets achieved the highest decrease, while Southeast Wisconsin, North Kane and Northwest Cook submarkets had the highest increase for the quarter.

SUBMARKET MAP COLOR CODED BY VACANCY RATE



[Click a submarket to go to that section.](#)

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Each Lee & Associates group office represents a broad array of regional, national and international clients, from individual investors and small businesses, to large corporations and institutions.

Lee & Associates clients enjoy a comprehensive range of specialized commercial real estate services including industrial, office and retail property sales and leasing, real estate investment consulting, real estate financing, property acquisition and disposition, tenant representation and relocation, property and portfolio evaluation and market research.

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In 1979, founder Bill Lee established the first Lee & Associates office, driven by the unique idea to turn real estate brokers into company owners or "shareholders". Bill Lee's guiding philosophy was the clients' interests would be best served by a collective team effort from experienced sales agents who had an ownership stake in the privately-held organization, earned through exceptional performance and ethical practice.

Not merely employees, profit-sharing Lee owner/agents would strive to create a sense of shared responsibility and cooperation throughout the organization, and would encourage an orientation toward long-term client relationships and business solutions.

Since then, Bill Lee's profit sharing concept has proven enormously successful, and has fueled an explosive growth to include dozens of additional offices throughout the nation.

THE LEE ADVANTAGE

Fast Client Results. As company owners, Lee principals have a vested interest in the swift, successful completion of client assignments and transactions. Our associate brokers continually strive to earn ownership standing, encouraging a coordinated team effort and fast effective results for clients.

Streamlined Personal Service. Each Lee group office is owned and operated by the brokers in that office. Clients deal directly with decision makers, not with an unwieldy corporate bureaucracy like with many of our competitors.

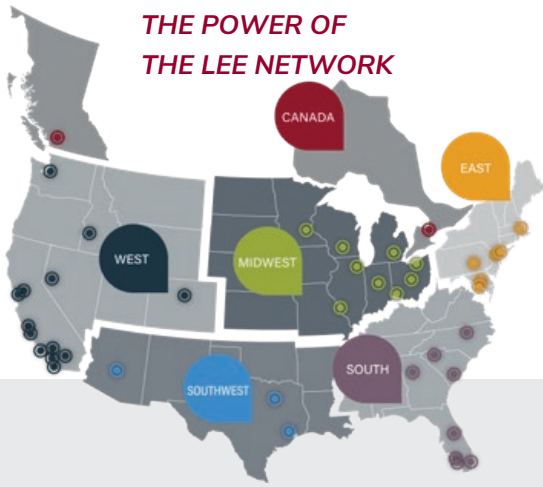
Experience Counts. The average experience of Lee's principal commercial brokers is 15-20 years. Our unique profit-sharing structure attracts the best people as owner brokers, only those with exceptional skills, confidence and ethical practice.

Long-Term Relationship. Lee & Associates boasts the lowest turnover rate in the industry. Our ownership structure encourages longevity, allowing for long term relationships with clients.

In-Depth Market Knowledge. Each Lee group office is committed to providing the best data and analysis for the market it serves. No other commercial real estate company has made specialized market knowledge and research as central to its business practice.

Business Stability. Since inception, each Lee & Associates group office has been profitable, privately-held and managed by its individual shareholders. Newly formed offices are stable, debt-free operations, with all startup capital funded by shareholders of all offices through Lee's venture capital group.

Strong National Affiliations. Lee & Associates maintains affiliations with recognized brokers in all major US real estate markets. Lee's national organization affiliations include: SIOR, NACOR, IFMA, CRE, ICSC, IDRC and CCIM.



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Lee & Associates is the largest broker-owned commercial real estate firm in North America, and one of the fastest growing!

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EXPLOSIVE GROWTH

LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.

2023 - Pittsburgh, PA
2023 - Bakersfield, CA
2023 - Baton Rouge / Lafayette, LA
2022 - San Francisco, CA
2022 - Omaha, NE
2022 - Calgary, AB
2021 - Nashville, TN
2022 - LA - Downtown, CA
2022 - Omaha / Lincoln, NE
2020 - Naples, FL
2020 - Washington, DC
2020 - Boston, MA
2019 - Toronto, ON
2018 - Cincinnati, OH
2018 - Raleigh, NC

2018 - Miami, FL
2016 - Seattle, WA
2016 - Walnut Creek, CA
2016 - Vancouver, BC Canada
2016 - Twin Cities, MN
2016 - Pasadena, CA
2015 - Eastern Pennsylvania, PA
2015 - Columbus, OH
2015 - Houston, TX
2014 - Denver, CO
2014 - Cleveland, OH
2013 - Long Island-Queens, NY
2013 - Chesapeake Region, MD
2012 - Edison, NJ
2012 - Orlando, FL

2012 - Charleston, SC
2011 - Fort Myers, FL
2011 - Manhattan, NY
2011 - Greenville, SC
2010 - Atlanta, GA
2010 - Greenwood, IN
2010 - Indianapolis, IN
2009 - Long Beach, CA
2008 - Boise, ID
2008 - ISG, LA, CA
2008 - Palm Desert, CA
2008 - Santa Barbara, CA
2006 - Antelope Valley, CA
2006 - Dallas, TX
2006 - Madison, WI

2006 - Oakland, CA
2006 - Reno, NV
2006 - San Diego - UTC, CA
2006 - Ventura, CA
2006 - San Luis Obispo, CA
2005 - Southfield, MI
2005 - Los Olivos, CA
2004 - Calabasas, CA
2004 - St. Louis, MO
2002 - Chicago, IL
2001 - Victorville, CA
1999 - Temecula Valley, CA
1996 - Central LA, CA
1994 - Sherman Oaks, CA
1994 - West LA, CA

1993 - Pleasanton, CA
1993 - Stockton, CA
1991 - Phoenix, AZ
1990 - Carlsbad, CA
1990 - Industry, CA
1989 - LA - Long Beach, CA
1989 - Riverside, CA
1987 - Ontario, CA
1984 - Newport Beach, CA
1983 - Orange, CA
1979 - Irvine, CA



Lee & Associates of Illinois Office

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