

# Chicago

Industrial | Q4 2023 Market Report

## Quarterly Snapshot

- ↑ Average Rent  
\$8.01/SF
- ↑ Vacancy  
4.7%
- ↑ Net Absorption  
17,958,724 SF

## Occupier's Perspective

The capital markets environment continues to be complex. The rapid increase in interest rates has led to uncertainty in the lending market, halting transaction volume. There is some repricing taking place as owners grapple with the current debt environment. Transaction totals are down from last quarter, with the average price per square foot inching up two percent.

The fourth quarter saw 171 million square feet of new product delivered for buildings over 100,000 square feet nationwide. This number represents both speculative and build-to-suit projects. Construction starts have fallen off to their lowest levels since 2014 with 49.8 million square feet, leading some to believe that there are significantly overbuilt markets.

From a leasing perspective, 2023 ended with 699 million square feet of transactions nationwide, with 178 million square feet of transactions completed in the quarter. If economic headwinds persist, the level may dip below the 10-year average, which would be a welcome change for users as the market changes to be more tenant favorable.

The Chicagoland industrial market ended the year softening as developer and landlords realize that they have overshot their predictions for demand, leaving an abundance of high rent, speculative space empty. The fourth quarter saw leasing totals below ten million for the third straight quarter. With lower leasing volume and the lowest net absorption figures since 2011 (with 1.2 million square feet of positive absorption) the market is in flux. Vacancy is still near the record low, sitting at 4.3 percent with triple net rents increased to \$8.01. Notable users moving out this quarter are Dart at 701 Central Ave, University Park and CommScope at 27000 Ellis Dr, Joliet. Additionally, Walmart (1,500,800 square feet) moved into 201 S McLindon Rd in Minooka.

There are 70 buildings under construction, totaling over 18.0 million square feet of new space – most of which is being built on spec. Anticipated new product, coupled with limited options, has pushed rents into uncharted territory as triple net rents across all sizes and submarkets increased. Building sales for the quarter totaled \$802 million in volume, with the average price per square foot increasing to \$88 per RSF. The average cap rate for these transactions ticked up 90 basis points to 7.8 percent.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Crate & Barrel	368,047 SF	I-88 West	Renewal	Industrial
GEODIS	347,760 SF	South I-55 Corridor	New Lease	Industrial
Norkol	326,166 SF	I-88 West	New Lease	Industrial

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
5.6%	▲	\$4.93	I-39 Corridor
5.1%	▲	\$6.14	Joliet
2.4%	▼	\$7.01	I-88 Corridor
6.6%	▲	\$7.26	NWI
5.0%	▲	\$7.38	South Suburban
14.4%	▲	\$7.45	Kenosha
3.0%	▲	\$8.36	O'Hare
3.8%	▲	\$8.53	I-55 Corridor