



A RENDERING OF THE AMAZON FULFILLMENT FOR MARKHAM. IMAGE VIA AMAZON.

2021 By the Numbers: Here are the Chicago area's biggest industrial leases and construction completions of the year

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The year is nearly over but it's safe to say that 2021 is one that will be remembered by commercial real estate professionals for many years to come. As developers rush to complete new projects and prospective client tenants compete for highly coveted Class A space, it's as though the market can't seem to expand fast enough. There has been a common theme in each quarter of 2021: **dramatic demand**.

While we still won't be able to glean the complete picture for 2021 until Q4 results are tallied and published sometime in January or February, there is still plenty of data to look back on and synthesize. And by **the end of Q3** of this year, there were a number of records that had been shattered in the Chicago industrial world. Leasing activity is way up, absorption is sky-high, and vacancy is very low.

How low can we go?

Overall vacancy is so low that it's been **at least a couple of decades** since the region has witnessed such a trend.

Here's a quick rundown of just some of the numbers. According to a Q3 report from NAI Hiffman, the total vacancy rate for the region was pegged at 5.1% by the end of October. The region had seen 14.35 million square feet of leasing activity and a net absorption of 10.26 million square feet. And by the end of Q3, there was over 25 million square feet of new industrial product still under construction across the Chicago area.

"It's incredible to consider that the positive net absorption has maintained a streak of 10-plus years at this point," says Mike Morrone, research director with NAI Hiffman. "I don't think there's been a quarter where space has returned to the market — outweighing move-ins, tenant signings and all of that — since the Great Recession over 10 years ago."

Today's demand means business is good for industrial developers. And while the demand doesn't appear to be letting up anytime soon, challenges with the supply chain, long lead times, and costs have certainly had **an impact on construction**. But even with these major hiccups, vacancy hasn't budged.

"Of the 21 submarkets that we track across the Chicago market, from Southeast Wisconsin to Northwest Indiana, not a single industrial submarket had a double digit vacancy rate," Morrone says of the trend.

"There wasn't any momentum loss because of the pandemic," he elaborates. "Things have just continued moving along, and really, probably the only potential danger is running out of land to develop into new developments."

Big deals

On the theme of new developments, we've seen some big lease deals and construction completions in 2021. Morrone took a look back at the numbers throughout the year and totaled up these two lists to share with *Chicago Industrial Properties*. And again, while the actual picture for 2021 won't be seen until early next year, here's where we stand just a few weeks out from 2022.

Duke Realty's **lease with Wayfair** for a new 1.2 million square-foot build-to-suit facility in Romeoville is currently the largest Chicago-area industrial lease deal so far this year. Unless a bigger deal is inked in the final weeks of the year, it's likely to remain the biggest lease of 2021. Construction on the facility started back in March.

Amazon’s deal for a 1.16 million square foot building in Huntley takes the second spot and then rounding out the top three leases of 2021 is Walmart, which has committed to 1.12 million square feet in Joliet. Other names that appear in the top ten include a mix of retailers, logistics groups, and manufacturers, such as Lion Electric, Kenco Logistics and Home Depot.

The I-80/Joliet submarket saw the most play in the top ten list of industrial lease deals claiming four spots. McHenry County made two appearances on the list, while the I-88, I-55, I-57, and South Cook corridors each had a single entry in the top ten.

Rank	Tenant	Size (SF)	Address	City	Submarket	Lease Type
1	Wayfair	1,200,420	1040 W Renwick Rd	Romeoville	I-55 Corridor	Build-to-suit lease
2	E-commerce User	1,160,075	11400 Venture Court	Huntley	McHenry County	Build-to-suit lease
3	Major National Retailer	1,128,258	3501 Brandon Rd	Joliet	I-80/Joliet Corridor	New direct lease
4	U.S. Medical Glove Company	941,314	325 State Route 31	Montgomery	I-88 Corridor	New direct lease
5	Lippert Components	915,643	18801 Oak Park Ave	Tinley Park	I-80/Joliet Corridor	New direct lease
6	Lion Electric Co	906,517	3835 Youngs Rd	Joliet	I-80/Joliet Corridor	New direct pre-lease
7	Central Steel & Wire Company	897,000	Central Ave	University Park	I-57/Will Corridor	Build-to-suit lease
8	Kenco Logistics	849,691	501 Internationale Pky	Minooka	I-80/Joliet Corridor	New direct lease
9	Home Depot	655,200	6600 W 68th St	Bedford Park	South Cook	Build-to-suit lease
10	Amazon	629,186	41W368 Freeman Rd	Huntley	McHenry County	Build-to-suit lease

Chart data provided by NAI Hiffman.

On top of the millions of square feet of space that was leased up this year, there were millions more delivered across the Chicago region. When taking into account the total volume just from the top ten deliveries for 2021, we’re looking at over 16 million square feet of new industrial space.

Amazon’s two sibling facilities in Matteson and Markham each have a footprint of roughly 850,000 square feet, but stack multiple stories high to bring the total to 3.8 million square feet each. That’s roughly *7.6 million square feet* just between the two facilities. But Amazon’s not done yet. There was also a 1 million square foot delivery in University Park that Amazon took this year, **bringing their total to 8.6 million square feet** of space just in the top ten list of new completions.

Nine of the properties in the top ten deliveries for 2021 are build-to-suit facilities spanning anywhere from 1.66 million square feet to just 646,000 square feet. The lone spec deal was a facility in Joliet built by CenterPoint Properties. The other big-name tenants on the list include Uline, Crate & Barrel, Target, Ferrara Candy and Medline Industries.

Rank	Type	Size (SF)	City	Submarket	User	Developer
1	Build-to-suit	3,800,000	Matteson	South Cook	Amazon	Seefried Industrial Properties
2	Build-to-suit	3,800,000	Markham	South Cook	Amazon	Scannell Properties
3	Build-to-suit	1,660,000	DeKalb	DeKalb County	Ferrara Candy	Trammell Crow Company
4	Build-to-suit	1,400,000	Grayslake	Lake County	Medline Industries	The Alter Group
5	Speculative	1,128,258	Joliet	I-80/Joliet Corridor	Major National Retailer	CenterPoint Properties
6	Build-to-suit	1,088,000	Kenosha	Southeast Wisconsin	Uline	Hunzinger Construction
7	Build-to-suit	1,015,000	University Park	I-57/Will Corridor	Amazon	Venture One Real Estate
8	Build-to-suit	999,900	Chicago	Chicago South	Target	Hilco Real Estate
9	Build-to-suit	647,000	Kenosha	Southeast Wisconsin	Uline	Hunzinger Construction
10	Build-to-suit	646,380	Romeoville	I-55 Corridor	Crate & Barrel	Pizzuti

Chart data provided by NAI Hiffman.

There's more to come

With over 25 million square feet of new industrial space still under construction by the end of Q3, this means that there will be significant deliveries in 2022. And with leasing activity and absorption so high, much of this yet-to-be-completed space is already claimed. But it's not just **the big box facilities** that industrial tenants are after.

"We're seeing supply problems for tenants in the lower square footage," Morrone says about the current demand and low inventory. "Think about a constrained market like O'Hare where people want to be that close in but might not have the opportunity."

However, when studying these lists and watching the headlines, it's clear that there are a few industries in particular that are really driving this current industrial boom. But it's this **rapid growth in the logistics and distribution space** combined with the evolving supply chain that is pushing industrial demand into stratospheric heights.

"Both manufacturing and logistics are fueling new leasing activity," says Morrone. "As we're seeing the supply chain disruptions, firms that have the capacity or have the potential to look into this real estate space will try to have something a little bit closer to home or closer to the market."

But just as it's already doing, the industrial market in Chicago will continue to grow outwards, relieving some pressure on already **matured and maxed-out submarkets like O'Hare** and inner ring suburban areas.

"There's absolutely still opportunity in industrial but you really just need to know where to look right now," Morrone says.

"You're seeing a lot of positive momentum in I-80 and then tons of new development happening out in the I-55 corridor, which had a whole bunch of leasing activity in the third quarter."

It's still to be seen how much relief the pipeline of under-construction industrial facilities will have on the overall market, however, it's clear that 2021 will be looked back on and remembered as a banner year for Chicago industrial real estate.