

ILLINOIS | INDUSTRIAL

Here's who is leasing industrial space in the Chicago area this year (and it's not just Amazon)

AJ LATRACE | AUGUST 30, 2021



PHOTO BY AJ LATRACE

Amazon, Tesla, and Lion Electric: These are just a few of the big players who are gobbling up industrial space across the Chicago area this year, helping push the region to **a 20-year record low** industrial vacancy rate. But how much space are they taking and how much is currently under construction? A recently released Q2 2021 report from Colliers offers insight into these numbers, and more.

The report indicates what others **have already illustrated** this year, which is that demand is high for new industrial space and vacancies are low. But the Colliers report specifically looks at big box buildings specifically, or properties that are 200,000 square feet or larger with 28' clear height or greater. And the Q2 numbers show that the record-setting pace of leasing activity continued into the early summer.

One big takeaway is that 7.1 million square feet of big box industrial space was absorbed in the second quarter of 2021, bringing the total between the first half of the year to 15.3 million square feet of industrial space taken. This means that in the first half of 2021, more space was absorbed than in the entirety of 2020 (which was 15.1 million square feet). The 8.2 million square feet of net absorption from Q1 this year is the record, the report indicates.

The data illustrates the strong demand for industrial real estate at the present moment, yet it's likely to continue well into the future, says Mike Senner, Executive Vice President at Colliers.

“[It used to be that] when I felt that we were at the end of a cycle, and saw that we had a good run for 24 or 36 months, I’d think that it’s got to taper at some point. But I don’t feel like that now,” Senner says of the current investment climate for industrial real estate in the Chicago area.

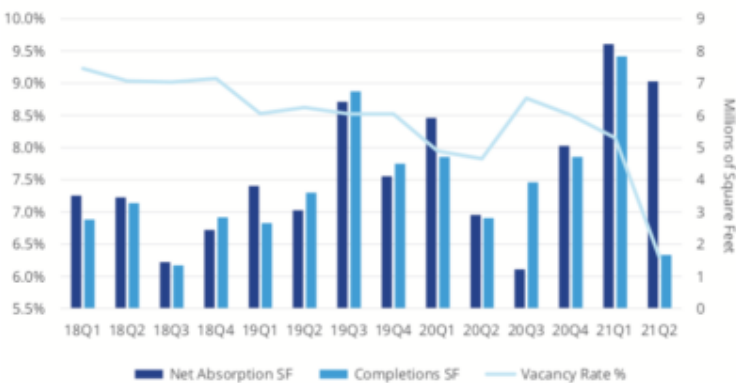
“There’s a lot of demand at the moment and because of the fact that there’s more money allocated to buy industrial real estate, there’s been a ton of cap rate compression, and more people entering the industrial development arena, we’ve been in a good environment for a while, but this is like a turbo-charged version of that.”

Market Indicators



	21Q2	21Q1	20Q2
Vacancy Rate	6.30%	8.15%	7.83%
Quarterly Net Absorption (SF)	7,063,287	8,214,317	2,915,915
YTD Net Absorption (SF)	15,277,604	8,214,317	8,840,027
Quarterly Completions (SF)	1,674,202	7,833,356	2,810,496
Under Construction (SF)	19,487,406	13,676,877	16,491,255
Quarterly New Leasing Activity (SF)	8,631,742	8,231,554	6,015,299
Avg Asking Rental Rate (PSF Net)	\$4.85	\$4.82	\$4.68

Absorption, Supply & Vacancy



Construction Completions by Type



Charts via Colliers

Currently, 19.5 million square feet of new industrial space is under construction throughout the Chicago area, a significant increase from the 13.6 million square feet that was being built during the first quarter. Completions were big in Q1 however, with 7.8 million square feet of new space being delivered in the first three months of the year while another 1.67 million was completed between April and June.

Competition is fierce as developers seek sites in desirable locations to construct new big box industrial properties, but at some point, the intensely hot (and pricey) market could see some developers or players decide to finally sit it out as the potential for risk increases.

“Land prices continue to grow even though construction costs have risen,” Senner says of the trend. “It’s really competitive, but it’s hard to not make money as an industrial developer at the moment. However, there are some people who will cap out and say, ‘I’m not going to pay 22 bucks a foot for land near O’Hare,’ and then others will pick it up, they’ll build a building to lease it, and they’ll sell it at a four-cap and they’ll be in good shape.”

As to the who, what and where, the report also offers a list of the biggest leases and largest active construction projects in the Chicago area by the end of Q2. The biggest lease deal from Q2 2021 was Lion Electric’s commitment to over 900,000 square feet in Joliet. The electric bus company **announced its intentions** to open a manufacturing facility in May, in which 745 jobs are expected to be created once it is up and running. The second largest lease from last quarter was by Kenco Logistics, which is taking roughly 850,000 square feet in Minooka.

The move by Lion Electric, along with the big lease deal by Tesla in Lockport, could signal that electric vehicle manufacturers are looking to secure good sites in the region as the industrial real estate boom sees more and more demand and competition for the best locations.

“There certainly seems to be a bit of a rush to secure locations in big metropolitan areas, but Rivian, and companies like that, haven’t made any money yet despite their market cap being crazy,” Senner says. “It’s a trend where we ask, is that something that will be here forever, or is it a gold rush and everyone thinks they need a foothold?”

Not to be outdone, Amazon has kept up the pace of its industrial leasing in the region, taking a combined 1.13 million square feet just in the second quarter alone. The leases were for a 629,000–square–foot deal **in Huntley** and a 501,000–square–foot space **in Waukegan**. Rounding out the top five lease deals of Q2 is paper and packaging company Veritiv with its 482,000–square–foot transaction in Aurora.

Chicago Big Box Industrial | Largest 21Q2 New Leasing Activity

#	Tenant	Size (SF)	Address	Submarket	Lease Type
1	Lion Electric	906,517	3835 Youngs Road, Joliet	I-80 Joliet Corridor	New lease
2	Kenco Logistics	849,691	501 Internationale Parkway South, Minooka	I-80 Joliet Corridor	New lease
3	Amazon	629,186	41W33 Freeman Road, Huntley	Elgin I-90 Corridor	Build-to-suit lease
4	Amazon	501,109	3940 S Lakeside Drive, Waukegan	Lake County	New lease
5	Veritiv	482,279	2000 Deerpath Road, Aurora	I-88 Corridor	New lease
6	RJW Logistics	452,129	16535 W Prologis Parkway, Lockport	I-55 Corridor	New lease
7	Signode Corporation	360,709	1600 Central Avenue, Roselle	Central DuPage	New lease
8	Discount Tire	326,272	2451 Bath Road, Elgin	Elgin I-90 Corridor	New lease
9	Tesla Motors	308,988	16342 W 163rd Street, Lockport	I-55 Corridor	New lease
10	Blue Wave Products, Inc	274,400	101 N Raddant Road, Batavia	Fox Valley	New lease

Transactions in blue designate Colliers transations

Chart via Colliers

With demand so high and contractors constructing space at a feverish pace, there is still much more to come in the coming quarters. According to the report, the largest under-construction project is a massive 1.29 million square-foot facility for Scott’s Miracle Gro out in Channahon. Wayfair’s 1.2 million square-foot space being built in Romeoville is the second largest facility under construction at the moment.

Other 1+ million square-foot facilities in the works across the region are being built for companies such as Proctor & Gamble, ULINE and Target. Even candy maker Haribo is getting in on the industrial boom by **building a facility in Pleasant Prairie** to distribute its beloved gummies.

Chicago Big Box Industrial | Active Construction Projects*

#	Type	Size (SF)	Address	User	Developer
1	Build-to-suit	1,290,460	24231 S Exchange Boulevard, Channahon	Scott's Miracle Gro	Venture One Real Estate
2	Build-to-suit	1,200,420	Renwick Rd, Romeoville	Wayfair	Duke Realty Corporation
3	Speculative	1,159,200	2250 Berens Court, New Lenox	TBD	Northern Builders
4	Build-to-suit	1,100,000	330 Airport Road, Morris	Proctor & Gamble	Panattoni
5	Build-to-suit	1,080,000	12656 Uline Way, Kenosha, WI	ULINE	ULINE
6	Speculative	1,054,852	3501 S Pulaski Road, Chicago	Target	Hilco Redevelopment Partners
7	Speculative	1,019,200	W Murphy Road, Wilmington	TBD	Elion Partners
8	Speculative	906,517	3835 Youngs Road, Joliet	Lion Electric	Clarius Partners
9	Build-to-suit	898,000	12534 Uline Way, Kenosha, WI	ULINE	ULINE
10	Build-to-suit	655,200	6600 W 68th Street, Bedford Park	Home Depot	Duke Realty Corporation
11	Build-to-suit	629,186	41W33 Freeman Road, Huntley	Amazon	Venture One Real Estate
12	Speculative	501,048	Enterprise Circle, West Chicago	TBD	Greco De Rosa
13	Build-to-suit	500,000	30260 Graaskamp Boulevard, Wilmington	Dynamic 3PL	Elion Partners
14	Build-to-suit	487,400	12488 Goldbear Drive, Pleasant Prairie, WI	Haribo	Haribo
15	Speculative	447,216	9403 136th Avenue, Bristol, WI	TBD	HSA Commercial Real Estate

This article also appears in the September 2021 issue of Chicago Industrial Properties.

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