



ULI Chicago's "Front Stoop Series"
Global Meets Local: The Pandemic's Effect on Global Supply Chains & Chicago's Industrial Market Supply Chain
October 29, 2020

A Conversation With:
Craig Hurvitz, *Senior Director of Research, Colliers*
Todd Steffen, *Vice President, Supply Chain Solutions, Colliers*

On October 29th, ULI Chicago members convened virtually for the Front Stoop Series to discuss "Global Meets Local: The Pandemic's Effect on Global Supply Chains & Chicago's Industrial Market Supply Chain". The discussion was led by Todd Steffen, *Vice President, Supply Chain Solutions* and Craig Hurvitz, *Senior Director of Research* of Colliers International. Highlights from the conversation are presented below:

Macro indicators of late suggest improving conditions for global supply chains

Economic indicators such as inventory levels, PMI, supplier deliveries, and other related metrics have improved in the last few months after experiencing some decline after the onset of the pandemic. Similarly, port activity in the US' major ports (Los Angeles & Long Beach, Houston, NJ) has experienced strong month over month increases and is generally only slightly below prior-year levels. Lastly, intermodal activity has rebounded above 2018 and 2019 levels, largely driven by this heightened imported container volumes seen at US ports.

Industrial real estate has benefited from trends accelerated by the current pandemic

It is no secret that the pandemic has fueled e-commerce. Currently, e-commerce represents 16% of all retail sales and that rate is expected to see strong future growth, especially in certain e-commerce segments like grocery. Perhaps more interesting are the impacts of e-commerce on industrial space. Increased investment in warehouse automation, needed to meet the demands of e-commerce, decreases labor costs for companies and allows new industrial markets to become competitive. Similarly, the need for last mile logistical infrastructure is transforming urban retail and older industrial buildings into redesigned industrial product that can meet the needs of sophisticated logistical networks. A "prime" example of this trend is of course Amazon, who has more than doubled its industrial presence in just the last ~3 years (148M SF in 2018 to 329M SF as of 10/2020), with over a third of its current locations representing last mile facilities.

Amazon has been a major driving force behind Chicago's industrial market activity

As mentioned above, Amazon has remarkably grown its US industrial footprint, and Chicago has experienced a large share of this growth. Q1 2020 was a record quarter for leasing of industrial space in Chicago, with Q2 leasing activity slightly trailing Q1 activity. But of note, 51% of Chicago's Q2 industrial leasing activity was attributed to Amazon (7.1M SF). Furthermore, industrial build-to-suits for Amazon have represented some of the region's largest (recent build-to-suits include buildings totaling 3.8M SF, 1.3M SF, and 1.1M SF).

Summary written by Jesus Mendoza, *Senior Associate, Partners Enterprise Capital*