Kretchmer Associates

REAL ESTATE AND PLANNING CONSULTING

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Moving Will County Market Analysis

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PRODUCED FOR

Chicago Metropolitan Agency for Planning (CMAP)

Kretchmer Associates

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SUMMARY AND CONCLUSIONS

Project Scope

Kretchmer Associates prepared a market analysis for the southwestern area of Will County, an area roughly bounded by I-80 and Route 30 on the north, Wilmington-Peotone Road on the south, the Cook – Will county border on the east, and the Will – Grundy county border on the west. The purpose of this study is to provide a realistic market-driven analysis from which future land use planning scenarios can be developed. The focus of this report is on the industrial and residential markets as these are the ones with the greatest opportunity for growth.

The findings in this report reflect our review of industry research, our own analysis, and phone interviews conducted with employees of Cushman Wakefield, Colliers, NAI Hiffman, JLL, Avison Young, and CenterPoint familiar with Will County, as well as multiple residential realtors or sales agents.

Incorporating Uncertainty from COVID-19

At the time of this writing, there is considerable uncertainty about the economy and real estate market nationally, regionally and locally. The full impacts will not be known until the pandemic ends. Whether this will result in a prolonged recession, how long it will take businesses to ramp up again, and how quickly individuals will get back to work will determine the short-term impacts. Long term impacts are difficult to predict.

The pandemic strongly impacts the retail industry, which had problems prior to the virus outbreak. Homebuilding will be affected depending on how long unemployment and furloughs last and how long it takes for buyers to recoup the losses to their savings for a down payment. Absent government intervention, communities may see a wave of mortgage defaults once more. The rental market will be disrupted short-term, as tenants may not be able to afford their rents and will seek less expensive options. During the prior recession, those who lost their homes to foreclosure became renters, which increased rental demand.

The industrial market in the Land Use Study Area (LUSA) is heavily dependent on transportation and logistics, including warehouses for e-commerce. While some shipments have been reduced, demand for food and other staples has increased, and demand may exist for flexible warehouse space to meet unpredictable logistics needs. We expect that the shake-out in the retail industry will continue, resulting in continued demand for large warehouses and the intermodal facilities in the LUSA.

Major Opportunity Areas

The Land Use Existing Conditions Report suggests 8 Major Opportunity Areas based on 6 criteria, including 2 opportunity areas selected for near term change. The criteria are:

- Proximity to major transportation corridors, including I-55, I-80, and IL-53
- Proximity to major economic anchors
- Significant contiguous land for new development and infill opportunities
- Proximity to existing municipal incorporated areas and existing infrastructure
- Potential to protect waterways including Jackson Creek, Des Plaines River, and DuPage River

Major Opportunity Areas

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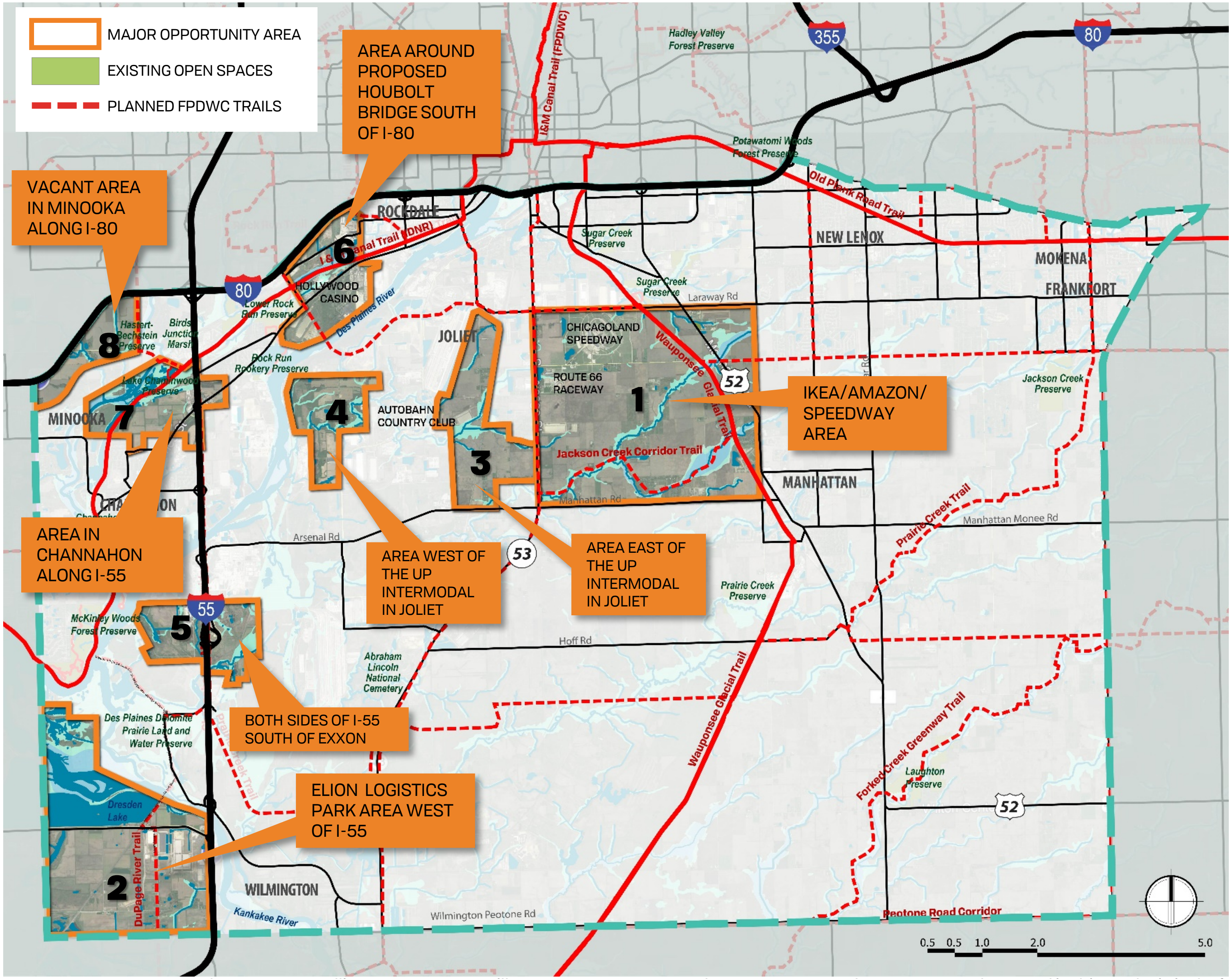

8 Major Opportunity Areas are suggested based on the following criteria:

- **PROXIMITY TO MAJOR TRANSPORTATION CORRIDORS, INCLUDING I-55, I-80 AND IL 53.**
- **PROXIMITY TO MAJOR ECONOMIC ANCHORS**
- **SIGNIFICANT CONTIGUOUS LAND FOR NEW DEVELOPMENT AND INFILL OPPORTUNITIES**
- **PROXIMITY TO EXISTING MUNICIPAL INCORPORATED AREAS AND EXISTING INFRASTRUCTURE**
- **POTENTIAL TO PROTECT WATERWAYS INCLUDING JACKSON CREEK, DES PLAINES RIVER AND DUPAGE RIVER**
- **OPPORTUNITIES TO IMPLEMENT FPDWC PLANNED TRAIL CORRIDORS, INCLUDING THE IL 53, JACKSON CREEK AND DUPAGE RIVER TRAIL CORRIDORS**

Source: Ginkgo Planning & Design

Data sources: CMAP Land Use, 2015; Satellite Imagery, 2017; Will County GIS, 2019. Note: The CMAP 2015 Land Use Inventory data used in this analysis is draft data.

- Opportunities to implement Forest Preserve District of Will County (FPDWC) planned trail corridors, including the IL-53, Jackson Creek, and DuPage River Trail corridors

The above-described criteria are compatible with market factors that influence where development occurs. Specifically, locations within 3 miles of I-80 and I-55 (preferably within 1 mile) are most attractive in general for industry in the LUSA, while proximity to IL-53 is also attractive for companies' regional distribution networks.

Companies like IKEA and Amazon are major economic anchors, users that tend to predict what places will be attractive to other companies looking for similar locational attributes. Major economic anchors also include infrastructure important to industry, especially the UP and BSNF intermodal facilities in Joliet and Elwood.

To site the 1 million square foot industrial buildings demanded in the LUSA, developers need 50 contiguous acres. Many also need proximity to labor leading them to infill sites closer to existing concentrations. Some existing parks have "pad-ready" sites to meet these needs. As development progresses, infill sites with good access to labor become more scarce, leading developers to seek land elsewhere. To avoid land use conflict and negative impacts from trucking and traffic congestion, it makes economic sense to steer development demand to opportunity areas that match the criteria listed above.

Summary of Findings

The Land Use Study Area is growing in both population and employment, and this trend is projected to continue, though most likely at a slower rate than it has since the end of the recession.

The area is most known regionally as the major transportation and logistics hub for the greater Chicago region and the Midwest with two major intermodal facilities. This has created conflicts between residents and industry relative to truck traffic, congestion and pollution. The purpose of this report is to provide data and analysis that can be used to develop recommendations for mitigating these conflicts through the Truck Routing Study and to develop scenarios for future land use that address the needs of residents, businesses, property owners and government.

Industrial space grew by 82% in the LUSA in the past ten years to well over 55 million square feet. While the industrial vacancy rate was higher at the end of 2018 (14.8%) than it had been over the prior three years, it dropped to 13.0% by the end of 2019. A tight market in 2016 led to overbuilding over the next two years, though there is still a large amount of interest in leasing and owning these warehouses, particularly from third party logistics companies (3PL), major retailers (Walmart, Target, IKEA, etc.) and e-commerce companies such as Amazon.

Residential development has picked up since the end of the recession with almost 1,800 housing units added between 2014 and 2018, 88% of which was single-family homes. New builders took over dormant subdivisions that were stalled by the recession and built new product that has sold well if priced at entry to middle market prices.

At this time, there are more than 1,200 approved but unbuilt lots with infrastructure in Manhattan and more than 2,100 approved without infrastructure (assuming the village's typical residential density). However, concern over industrial development west of US-52 has raised concerns over the future marketability of homes west of Cedar Road. This impacts existing homes as well as new construction.

There is only one small subdivision in Joliet in the LUSA with unbuilt lots and none in Elwood. There are also subdivisions in Channahon not yet built out, as well as extensive land for future residential growth.

Based on short-term projections by demographic data provider Esri and extrapolating CMAP's Will County 2050 projections to the LUSA, we estimate demand for 13,500 residential units, or 468 per year on average by 2050. Of these, the annual average number of owner-occupied units is 305 and the number of rental units is 163. Given the very limited supply of rental units in the LUSA and the need for workforce housing to meet employment needs, we estimate that the rental share will increase from its current 18% to 25%. This will require zoning changes on the part of municipalities, which currently have almost all residential land zoned for single-family housing.

Since the market for retail development will follow the increase in rooftops, future retail demand will be dictated by the pace of residential development. The LUSA and southwestern Will County are not significant office locations within the Chicago region. Other than office space to serve the local population, such as medical and service businesses, office development will play a minor role in future development in the LUSA.

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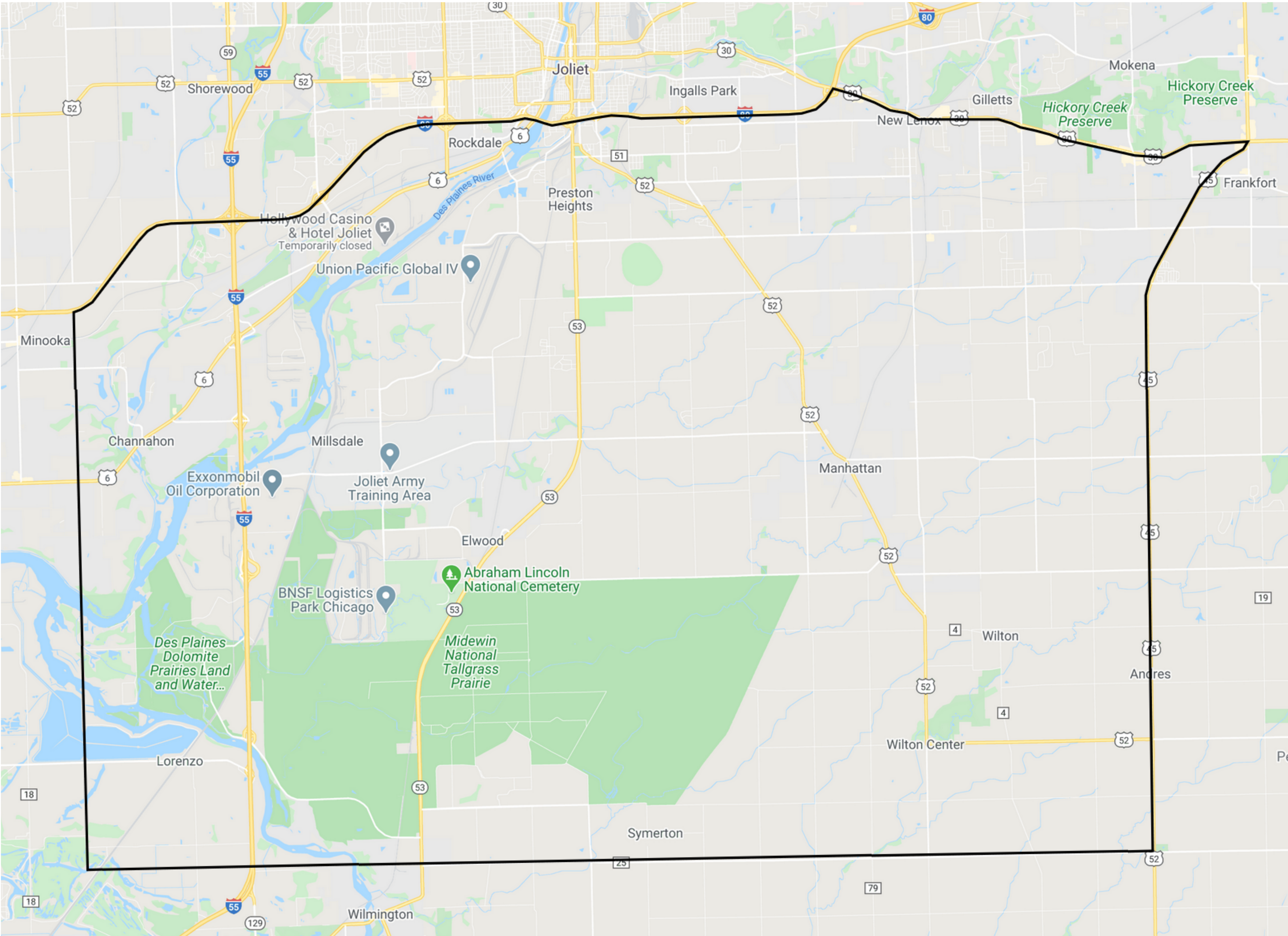
OVERVIEW OF STUDY AREA

The LUSA is in southwestern Will County and includes all or portions of Joliet, Elwood, Manhattan, Channahon, Minooka, Wilmington, Rockdale, New Lenox, Mokena, Frankfort, and Symerton. It is bounded by I-80 and Route 30 on the north, the Will - Cook County line on the east, Wilmington-Peotone Road on the south and the Will - Grundy county line on the west. It covers approximately 242 square miles, 51% of which (124 square miles) is agricultural.

Of these 124 square miles, nearly 93% is currently unincorporated. Other major uses include large industrial parks, two intermodal facilities, single-family residential neighborhoods, and publicly owned open space and natural resources, most notably the Midewin National Tallgrass Prairie and the Abraham Lincoln National Cemetery.

A map of the area is on the following page.

Moving Will County Land Use Study Area



Source: Kretchmer Associates

DEMOGRAPHICS AND EMPLOYMENT

Population and Households

Table 1 shows the population and household trends in the Land Use Study Area and Will County from 2000 and projected to 2024 based on the U.S. Census and estimates and projections by Esri, a demographic data vendor. The LUSA registered a major increase in both population and households (30-32%) between 2000 and 2010 with significant growth prior to the recession.

New residential development stalled after the recession but started up again in the middle of the decade. As such, both population and households experienced an 8% increase between 2010 and 2019 and are projected to increase by another 5% over the next five years. (Note that these projections pre-date the COVID-19 outbreak.)

Will County's growth was even higher prior to the recession with population and household growth of 34-35% between 2000 and 2010. Both grew, but at a much lower rate of 4% between 2010 and 2019, with projected growth of 3% by 2024.

Both the LUSA and county are characterized by households with children. Twenty percent of the LUSA's population is under 15; in the county the share is higher at 22%. Approximately 13% of residents in both the Land Use Study Area and county are senior citizens. Thirty-seven percent of the LUSA's population is ages 25-54, lower than the county's 41%.

The median age is higher in the LUSA at 38.9 years than in the county overall (36.9 years).

Household Income

The median household income in the LUSA is estimated at $90,843, 8% higher than the county's $83,997. Almost 23% of households in the LUSA and 27% in the county have incomes under $50,000, the level that generally equates to 60% of the Area Median Income or AMI in the Chicago metropolitan area.

On the upper end, 45% of the LUSA's and 41% of the county's households have incomes over $100,000, with 8-9% over $200,000. The median incomes are projected to increase by 11% over the next five years. Table 2 shows the income distribution and projection for 2024.

Households by Age and Income

Almost 20,000 households in the LUSA or 78% are under 65. By 2024, the number is projected to grow very slightly by only 0.4%.

The number of senior households is projected to increase by 19%, consistent with the aging of the Baby Boomer population.

The most significant increases will be among those headed by a household 25-44, 65-74 and 75+ years of age. The 25-44-year-old cohort includes young families with children. Table 3 shows these trends.

Table 1

POPULATION CHARACTERISTICS
LAND USE STUDY AREA AND WILL COUNTY

	Land Use Study Area		Will County	
	Number	Percent	Number	Percent
Population				
2000 Census	54,325		502,288	
2010 Census	70,348		677,560	
Change, 2000-2010	16,023	29.5%	175,272	34.9%
2019 Estimated	75,815		706,224	
Change, 2010-2019	5,467	7.8%	28,664	4.2%
2024 Projected	79,332		725,533	
Change, 2019-2024	3,517	4.6%	19,309	2.7%
Households				
2000 Census	17,937		167,550	
2010 Census	23,683		225,256	
Change, 2000-2010	5,746	32.0%	57,706	34.4%
2019 Estimated	25,649		235,135	
Change, 2010-2019	1,966	8.3%	9,879	4.4%
2024 Projected	26,856		241,806	
Change, 2019-2024	1,207	4.7%	6,671	2.8%
Average Household Size, 20'	2.93		2.96	
Population by Age, 2019				
Under 5	4,496	5.9%	46,684	6.6%
5-14	11,020	14.5%	105,673	15.0%
15-24	9,323	12.3%	88,883	12.6%
25-34	9,160	12.1%	93,241	13.2%
35-44	10,185	13.4%	99,032	14.0%
45-54	10,998	14.5%	98,080	13.9%
55-64	10,479	13.8%	85,769	12.1%
65-74	6,402	8.4%	55,168	7.8%
75-84	2,714	3.6%	24,302	3.4%
85+	1,038	1.4%	9,392	1.3%
Median Age, 2019	38.9		36.9	

Source: Esri

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Table 2

INCOME CHARACTERISTICS
LAND USE STUDY AREA AND WILL COUNTY

	Land Use Study Area		Will County	
	Number	Percent	Number	Percent
2019 Household Distribution	25,649		235,135	
Under $15,000	1,180	4.6%	13,645	5.8%
$15,000-24,999	1,322	5.2%	14,548	6.2%
$25,000-34,999	1,251	4.9%	13,610	5.8%
$35,000-49,999	2,087	8.1%	21,006	8.9%
$50,000-74,999	4,200	16.4%	39,548	16.8%
$75,000-99,999	3,987	15.5%	35,290	15.0%
$100,000-149,999	6,088	23.7%	50,557	21.5%
$150,000-199,999	3,330	13.0%	27,360	11.6%
$200,000+	2,204	8.6%	19,571	8.3%
Median Household Income	$90,843		$83,997	
2024 Household Distribution	26,856		241,806	
Under $15,000	1,060	3.9%	11,967	4.9%
$15,000-24,999	1,189	4.4%	12,833	5.3%
$25,000-34,999	1,083	4.0%	11,944	4.9%
$35,000-49,999	1,884	7.0%	18,939	7.8%
$50,000-74,999	4,062	15.1%	38,065	15.7%
$75,000-99,999	3,968	14.8%	35,075	14.5%
$100,000-149,999	6,684	24.9%	55,679	23.0%
$150,000-199,999	4,269	15.9%	34,395	14.2%
$200,000+	2,657	9.9%	22,909	9.5%
Median Household Income	$100,811		$93,045	

Note: Numbers may not sum to given totals due to rounding.

Source: Esri

Table 3

HOUSEHOLDS BY AGE
LAND USE STUDY AREA

	2019		2024		Change	
	Number	Percent	Number	Percent	Number	Percent
Households by Age	25,650		26,857		1,207	4.7%
Age 15-24	307	1.2%	293	1.1%	-14	-4.6%
Age 25-34	3,283	12.8%	3,548	13.2%	265	8.1%
Age 35-44	4,930	19.2%	5,308	19.8%	378	7.7%
Age 45-54	5,662	22.1%	5,283	19.7%	-379	-6.7%
Age 55-64	5,693	22.2%	5,529	20.6%	-164	-2.9%
Total Under 65	19,875	77.5%	19,961	74.3%	86	0.4%
Age 65-74	3,716	14.5%	4,321	16.1%	605	16.3%
Age 75+	2,059	8.0%	2,575	9.6%	516	25.1%
Total 65+	5,775	22.5%	6,896	25.7%	1,121	19.4%

Source: Esri

Table 4 shows the household income distribution for those under 65 and 65+ years of age. Among those under 65, 18% have incomes below $50,000, while 40% of those 65+ are in this category.

Seniors often have lower incomes than younger households since most are no longer working. However, 18% of seniors in the LUSA have incomes under $25,000, indicating a significant number of very low-income households. In contrast, only 7% of households under 65 are very low-income.

The number of households under 65 with incomes under $100,000 is projected to decrease, while the number with incomes over $100,000 is projected to increase by 2024. This is due to the assumed increase in household incomes. The number of households 65+ is projected to increase for all income groups except for those under $25,000.

Household Size and Type

The LUSA is fairly evenly split between small (1-2 person) and larger (3+-person) households. Over 75% are considered family households as shown in Table 5.

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Table 4

HOUSEHOLDS BY AGE AND INCOME
LAND USE STUDY AREA

	2019		2024		Change	
	Number	Percent	Number	Percent	Number	Percent
Household Income - Under Age 65						
$0-$14,999	735	3.7%	621	3.1%	-114	-15.5%
$15,000-$24,999	729	3.7%	602	3.0%	-127	-17.4%
$25,000-$34,999	728	3.7%	556	2.8%	-172	-23.6%
$35,000-$49,999	1,325	6.7%	1,081	5.4%	-244	-18.4%
$50,000-$74,999	2,876	14.5%	2,533	12.7%	-343	-11.9%
$75,000-$99,999	3,158	15.9%	2,935	14.7%	-223	-7.1%
$100,000-$149,999	5,370	27.0%	5,658	28.3%	288	5.4%
$150,000-$199,999	2,981	15.0%	3,698	18.5%	717	24.1%
$200,000+	1,973	9.9%	2,277	11.4%	304	15.4%
Household Income - Age 65+						
$0-$14,999	444	7.7%	439	6.4%	-5	-1.1%
$15,000-$24,999	594	10.3%	587	8.5%	-7	-1.2%
$25,000-$34,999	523	9.1%	528	7.7%	5	1.0%
$35,000-$49,999	764	13.2%	804	11.7%	40	5.2%
$50,000-$74,999	1,325	22.9%	1,529	22.2%	204	15.4%
$75,000-$99,999	828	14.3%	1,033	15.0%	205	24.8%
$100,000-$149,999	718	12.4%	1,026	14.9%	308	42.9%
$150,000-$199,999	348	6.0%	570	8.3%	222	63.8%
$200,000+	231	4.0%	380	5.5%	149	64.5%

Source: Esri

Table 5

HOUSEHOLD CHARACTERISTICS
LAND USE STUDY AREA

	Number	Percent
Households by Size	25,468	
1 Person	5,259	20.6%
2 Person	7,746	30.4%
3 Person	4,500	17.7%
4 Person	4,559	17.9%
5 Person	2,339	9.2%
6 Person	675	2.7%
7 + Person	390	1.5%
Households by Type		
Non-Family Households	6,207	24.4%
Family Households	19,261	75.6%

Note: Due to data availability, Land Use Study Area approximated using Census tracts.

Source: US Census, American Community Survey 2014-2018

ON TO 2050 Projections

CMAP projections for 2050 show Will County's population increasing by 58% from 2010 to 2050 for an annual average of 1.4% as shown in Table 6. With Esri's 2019 population estimate of 706,200 (as shown above), the average annual increase from 2019-2050 equates to 1.6% or 11,300.

Translating this increase to households based on an average 2019 household size of 2.96 persons, the average annual household growth from 2019-2050 is projected at 1.7% or 3,900. This is 3.4 times higher than the estimated 2010-2019 average household growth of 0.5%.

Should these projections occur, there will be significant demand countywide for new housing. With areas to the north in Will County more built out, it is likely that the Land Use Study Area could grow at a higher rate depending on residential land availability and industrial development patterns.

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Table 6

WILL COUNTY POPULATION AND HOUSEHOLDS
2010-2050

	Population	Change
CMAP Projection		
2010	669,013	
2015	678,149	
2050	1,056,213	
2010-2050 Change	387,200	58%
2010-2050 Average Annual Change	9,680	1.4%
Esri Population Estimate		
2019	706,224	
Change 2019-2050	349,989	50%
2019-2050 Average Annual Change	11,290	1.6%
Estimated Households 2019-2050		
2019 Average Household Size	2.96	
2019 Households	235,135	
2050 Households	356,829	
Change 2019-2050	121,694	52%
Average Annual Household Change	3,926	1.7%

Source: CMAP, ON TO 2050 Socioeconomic Forecast Appendix, Esri, Kretchmer Associates.

Jobs and Businesses by Industry

The total mix of jobs as of 2017 (according to the U.S. Census' Longitudinal Employer Household Dynamics program) shows that 48% of employees in the LUSA earned more than $40,000, but 20% earned less than $15,000. In the decade from 2008-2017, employment in the LUSA grew by 11,300 or 47% and 51% of these new employees earned more than $40,000 per year.

Although some positions in these industries are not tied to industrial real estate, enough are that we consider Utilities, Construction, Manufacturing, and Transportation and Warehousing to be industrial for this purpose. As of 2017, 41% of jobs in the LUSA (14,500 jobs) were in these four sectors, higher than the share of Will County's jobs in the same industries (22%). The LUSA accounts for only 14% of the county's total jobs but 26% of its jobs in these sectors. Manufacturing had the largest number of jobs (5,400), followed by Transportation and Warehousing (4,600).

These industrial sectors have seen steady growth since 2009 with a spike in 2016. The number of jobs in Transportation and Logistics increased 66%, while manufacturing jobs declined by 4%. Tables showing jobs located in the LUSA (at-place employment) and resident employment by industry follow.

The vast majority (30,500 or 78%) of employed residents living in the LUSA do not work in these industrial sectors. The largest single employment sectors in 2017 were Health Care and Social Assistance, Educational Services, and Retail Trade, though these are followed by Manufacturing.

Major Employers

The largest employer in the LUSA is Amazon in Joliet, with approximately 3,500 employees. Other major employers include Walmart, BNSF, Stepan (a chemical manufacturer), and Georgia Pacific (paper) in Elwood; ExxonMobil (refinery) and Bunge Loders Croklaan (global vegetable oils and fats manufacturer) in Channahon; Michaels (crafts) in New Lenox; Meijer in Mokena; and Michelin in Wilmington. The number of companies by industry in the LUSA appears in Table 9, while estimated jobs at these employers appear in Table 10.

Commuting Trends

Only 14% of employees both live and work in the LUSA. A plurality of those who work in the LUSA live in Joliet (14% or 4,900 people). Chicago is home to 6% of workers (2,300), New Lenox to 4% (1,500), Channahon to 3% (900), and Manhattan to 2% (700). Other home locations for over 400 LUSA workers each are: Tinley Park, Crest Hill, Minooka, Shorewood, Frankfort, Lockport, Bolingbrook, Mokena, Orland Park, Wilmington, Morris, Plainfield, and Romeoville.

Over ¼ of LUSA residents work in Chicago (4,200 or 11%), Joliet (3,800 or 10%), or New Lenox (2,400 or 6%). Over 1,000 LUSA residents each commute to Frankfort or Mokena, while over 400 each travel to: Orland Park, Tinley Park, Bolingbrook, Naperville, Channahon, Aurora, Downers Grove, Romeoville, Minooka, Plainfield, Manhattan.

Table 7

JOBS LOCATED IN THE LAND USE STUDY AREA

NAICS	Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		Change	
											Number	Percent	Number	Percent
	All	24,244	24,834	25,080	26,950	26,901	28,508	28,573	29,828	32,894	35,583	100.0%	11,339	39.8%
11	Agriculture, Forestry, Fishing, and Hunting	54	48	69	45	59	49	54	71	69	55	0.2%	1	2.0%
21	Mining	93	91	79	99	88	66	84	97	140	119	0.3%	26	39.4%
22	**Utilities**	**763**	**777**	**800**	**1,575**	**1,727**	**1,679**	**1,710**	**1,815**	**1,747**	**1,657**	**4.7%**	894	**53.2%**
23	**Construction**	**2,793**	**2,492**	**2,793**	**1,965**	**2,013**	**2,305**	**2,758**	**2,844**	**3,197**	**2,855**	**8.0%**	62	**2.7%**
31-33	**Manufacturing**	**4,695**	**4,361**	**5,624**	**5,593**	**5,422**	**5,336**	**5,215**	**5,267**	**5,325**	**5,392**	**15.2%**	697	**13.1%**
42	Wholesale Trade	1,365	1,934	1,847	2,071	2,000	2,212	2,178	2,355	2,321	5,866	16.5%	4,501	203.5%
44-45	Retail Trade	1,625	1,688	1,817	2,224	1,976	1,922	1,942	2,321	2,526	2,754	7.7%	1,129	58.7%
48-49	**Transportation and Warehousing**	**2,784**	**2,833**	**2,826**	**3,546**	**3,669**	**4,095**	**4,396**	**4,109**	**5,679**	**4,638**	**13.0%**	1,854	**45.3%**
51	Information	131	133	274	238	194	216	220	213	204	198	0.6%	67	31.0%
52	Finance and Insurance	492	486	508	563	557	706	651	488	443	424	1.2%	-68	-9.6%
53	Real Estate Rental and Leasing	171	159	123	138	154	206	236	292	271	318	0.9%	147	71.4%
54	Professional, Scientific, and Technical Services	731	790	775	902	929	809	803	844	858	855	2.4%	124	15.3%
55	Management of Companies and Enterprises	22	12	20	10	29	41	34	21	5	4	0.0%	-18	-43.9%
56	Administrative and Support and Waste Management and Remediation Services	731	954	798	1,062	1,518	1,752	1,453	1,448	1,462	1,552	4.4%	821	46.9%
61	Educational Services	1,417	1,602	1,125	1,121	1,066	1,067	1,084	1,275	1,294	1,221	3.4%	-196	-18.4%
62	Health Care and Social Assistance	1,824	1,985	1,095	1,209	1,153	1,348	1,359	1,658	2,670	2,706	7.6%	882	65.4%
71	Arts, Entertainmen, and Recreation	1,737	1,552	1,421	1,581	1,587	1,500	1,240	1,317	1,190	1,211	3.4%	-526	-35.1%
72	Accommodations and Food Services	1,388	1,527	1,492	1,506	1,268	1,360	1,386	1,594	1,779	1,917	5.4%	529	38.9%
81	Other Services (except Public Administration)	927	889	1,022	951	930	1,263	1,176	1,131	1,123	1,264	3.6%	337	26.7%
92	Public Administration	501	521	572	551	562	576	594	668	591	577	1.6%	76	13.2%

Source: U.S. Census, Longitudinal Employer Household Dynamics Program

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Table 8

EMPLOYEES LIVING IN THE LAND USE STUDY AREA

NAICS	Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		Change	
											Number	Percent	Number	Percent
	All	34,745	32,794	33,433	36,579	37,086	37,282	38,130	38,660	39,166	39,169	100.0%	4,424	11.9%
11	Agriculture, Forestry, Fishing, and Hunting	50	64	62	59	56	49	54	59	72	54	0.1%	4	8.2%
21	Mining	33	30	45	40	36	28	33	35	31	38	0.1%	5	17.9%
22	**Utilities**	**279**	**354**	**342**	**397**	**450**	**451**	**438**	**481**	**430**	**409**	**1.0%**	130	**28.8%**
23	**Construction**	**2,639**	**2,201**	**1,990**	**2,026**	**2,080**	**2,080**	**2,310**	**2,576**	**2,580**	**2,712**	**6.9%**	73	**3.5%**
31-33	**Manufacturing**	**4,201**	**3,567**	**3,508**	**3,815**	**3,805**	**3,765**	**3,676**	**3,578**	**3,706**	**3,615**	**9.2%**	-586	**-15.6%**
42	Wholesale Trade	1,934	1,869	1,810	1,986	2,024	2,047	2,109	2,063	2,129	2,219	5.7%	285	13.9%
44-45	Retail Trade	3,815	3,626	3,748	4,247	4,151	4,006	4,063	4,125	4,233	4,109	10.5%	294	7.3%
48-49	**Transportation and Warehousing**	**1,528**	**1,387**	**1,388**	**1,610**	**1,642**	**1,711**	**1,738**	**1,795**	**1,940**	**1,902**	**4.9%**	374	**21.9%**
51	Information	605	580	661	643	604	615	650	583	629	569	1.5%	-36	-5.9%
52	Finance and Insurance	1,416	1,376	1,488	1,499	1,481	1,451	1,477	1,456	1,465	1,531	3.9%	115	7.9%
53	Real Estate Rental and Leasing	413	379	385	425	427	448	488	437	461	483	1.2%	70	15.6%
54	Professional, Scientific, and Technical Services	1,817	1,776	1,812	2,021	2,022	2,149	2,204	2,276	2,267	2,282	5.8%	465	21.6%
55	Management of Companies and Enterprises	382	365	412	464	473	418	478	465	415	392	1.0%	10	2.4%
56	Administrative and Support and Waste	1,964	1,546	1,761	1,989	2,129	2,112	2,269	2,231	2,263	2,341	6.0%		17.9%
	Management and Remediation Services												377	
61	Educational Services	3,387	3,719	4,007	4,266	4,220	4,414	4,470	4,443	4,436	4,417	11.3%	1,030	23.3%
62	Health Care and Social Assistance	4,229	4,087	4,098	4,674	4,890	4,825	4,856	5,103	5,189	5,009	12.8%	780	16.2%
71	Arts, Entertainmen, and Recreation	881	865	871	964	957	928	902	893	920	959	2.4%	78	8.4%
72	Accommodations and Food Services	2,500	2,400	2,200	2,505	2,655	2,690	2,722	2,889	2,899	2,966	7.6%	466	17.3%
81	Other Services (except Public Administration)	1,199	1,166	1,215	1,282	1,323	1,386	1,448	1,437	1,491	1,517	3.9%	318	22.9%
92	Public Administration	1,473	1,437	1,630	1,667	1,661	1,709	1,745	1,735	1,610	1,645	4.2%	172	10.1%

Source: U.S. Census, Longitudinal Employer Household Dynamics Program

Table 9

COMPANIES LOCATED IN THE LAND USE STUDY AREA AND WILL COUNTY (2019)

NAICS	Industry	Land Use Study Area		Will County	
		Number	Percent	Number	Percent
	All	2,235	100.0%	19,205	100.0%
11	Agriculture, Forestry, Fishing, and Hunting	11	0.5%	60	0.3%
21	Mining	11	0.5%	25	0.1%
22	**Utilities**	**5**	**0.2%**	**26**	**0.1%**
23	**Construction**	**296**	**13.2%**	**1,842**	**9.6%**
31-33	**Manufacturing**	**118**	**5.3%**	**818**	**4.3%**
42	Wholesale Trade	108	4.8%	738	3.8%
44-45	Retail Trade	238	10.6%	2,459	12.8%
48-49	**Transportation and Warehousing**	**119**	**5.3%**	**624**	**3.2%**
51	Information	29	1.3%	324	1.7%
52	Finance and Insurance	78	3.5%	931	4.8%
53	Real Estate Rental and Leasing	84	3.8%	727	3.8%
54	Professional, Scientific, and Technical Services	175	7.8%	1,671	8.7%
55	Management of Companies and Enterprises	3	0.1%	18	0.1%
56	Administrative and Support and Waste Management and Remediation Services	95	4.3%	861	4.5%
61	Educational Services	63	2.8%	580	3.0%
62	Health Care and Social Assistance	136	6.1%	1,801	9.4%
71	Arts, Entertainmen, and Recreation	52	2.3%	435	2.3%
72	Accommodations and Food Services	131	5.9%	1,339	7.0%
81	Other Services (except Public Administration)	301	13.5%	2,465	12.8%
92	Public Administration	77	3.4%	442	2.3%
99	Unclassified	104	4.7%	1,019	5.3%

Sources: Esri, Infogroup

Table 10

MAJOR EMPLOYERS IN THE LAND USE STUDY AREA

Employer	Municipality	Industry	Employees
Amazon	Joliet	Distribution - General Merchandise	3,500
Walmart	Elwood	Distribution - General Merchandise	900
BNSF	Elwood	Logistics - Rail	800
ExxonMobil	Channahon	Energy - Refinery	710
Stepan	Elwood	Manufacturing - Chemicals	450
Michaels	New Lenox	Distribution - Crafts	400
Georgia-Pacific	Elwood	Distribution - Paper	400
Bunge Loders Croklaan	Channahon	Manufacturing - Oils	325
Meijer	Mokena	Retail - Grocery	300
Michelin	Wilmington	Distribution - Tires	300

Note: Efforts were made to show the largest employers, but this list may not be comprehensive.
Source: Comprehensive Annual Financial Reports, ESRI Business Analyst

Unemployment Trends

COVID-19 has severely upended the economy and led to historic mass layoffs in March 2020. However, monthly labor force reports from the Illinois Department of Employment Security (IDES) do not yet reflect these layoffs, so available local statistics reflect the previous long run of near "full employment" nationwide.

As of January 2020, Will County's unemployment rate was 4%, an improvement of 1.1 percentage points over January 2019. The Chicago MSA's rate of 3.8% was similar and improved by the same scale over the previous year. Will County's rate in January was the same as Illinois and the nation.

The "Perma-Temp" System

The nature of warehouse employment has changed in modern retail and TDL industries in a trend that complicates the measurement of industry employment and also negatively impacts workers.

Warehouse Workers for Justice (WWJ) estimates that 70% of Chicagoland warehouses employ temporary employees rather than direct hires. According to the organization, many workers report that in suburban Will County it is impossible to find work anywhere other than at a staffing agency. For example, WWJ notes that workers at Walmart's Import Distribution Center in Elwood were split among 10 different employers until recently. Large companies like Walmart now employ layers of subcontractors, each competing to provide flexible labor at a low cost. These may be staffing companies themselves or third party logistics firms who subcontract while handling supply chains for other retailers and manufacturers.

Author and President Obama's head of the Department of Labor's Wage and Hour Division David Weil calls this phenomenon the "fissured workplace" and criticizes it for leaving many without fair wages, a career path, or a safe work environment.

INDUSTRIAL MARKET TRENDS

Will County

According to CBRE, the global real estate brokerage firm, 4th quarter 2019 was the 38th consecutive quarter of positive net absorption in the Chicago industrial market, with a total of 12.5 million square feet absorbed for the year. Across the region, 48 tenants were searching for at least 50,000 square feet, totaling 19.4 million being actively sought.

According to CoStar data, Will County's industrial inventory grew from 135 million square feet in 2010 to 187 million square feet in 2019, a 38% increase (approximately 52 million square feet). This averages over 5 million square feet added to the market yearly (through Quarter 3) over the course of a decade.

Deliveries are a measure of when buildings under construction are completed and "delivered" to the market or to a contracted occupant. Deliveries through the third quarter peaked in 2017 with 12 million square feet, approximately twice the amount delivered in 2016 or 2018. Over 6 million square feet were delivered in 2018 and 2019 through the third quarter. Approximately 4 to 7 million square feet were absorbed (purchased or leased) each year in 2017-2019 through the third quarter, but this was not enough to keep up with the massive amount of finished construction.

This led vacancy to grow rapidly to 10.6% in 2018. By 2019, the rate fell below 10% as demand continued. The spike in vacancy was due to rapid growth in inventory that takes time be absorbed. The market is continuing to absorb large amounts of space, so developers continue to produce it. The addition of a handful of buildings can cause a large increase in the vacancy rate when each building is 1+ million square feet, as is the case in Will County.

Due to this rapid pace of newly constructed huge buildings, Will County's vacancy rate was much higher than the Chicago region's (3.6%) as of the third quarter of 2019. The County's share of the region's industrial inventory was 16% at year-end 2019, up from 12% in 2010 due to land availability and excellent highway access.

Land Use Study Area

The Land Use Study Area accounts for 29% of the county's industrial inventory. This is an increase from 22% in 2010. The LUSA's inventory has seen massive growth of 82% in 10 years. By the end of the third quarter of 2019, this inventory included 412 buildings with well over 55 million square feet total.

As in the County overall, the LUSA's vacancy rate increased sharply from 2016 to 2018 as new space was delivered. The rate increased from 5.1% to 14.8% in three years as 12 million square feet were delivered and 6 million were absorbed – approximately 34%. By 2019, deliveries slowed as new space had yet to fill up. The vacancy rate decreased by 1.8 percentage points over the previous year to 13.0% at year-end 2019. Charts showing these trends follow.

The average industrial rent increased from $3.85 per square foot in 2010 to $5.51 in 2019 in Will County and from $3.71 to $5.75 in the LUSA. This equates to a 14.8% increase in the LUSA and 11.2% in the County.

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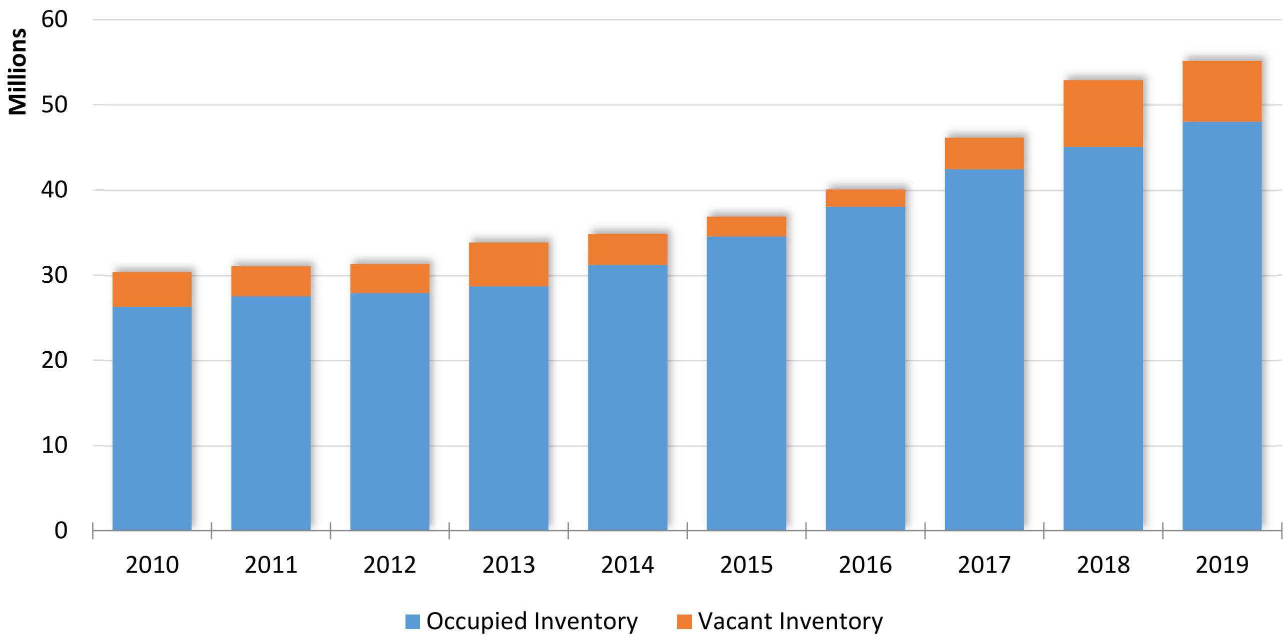
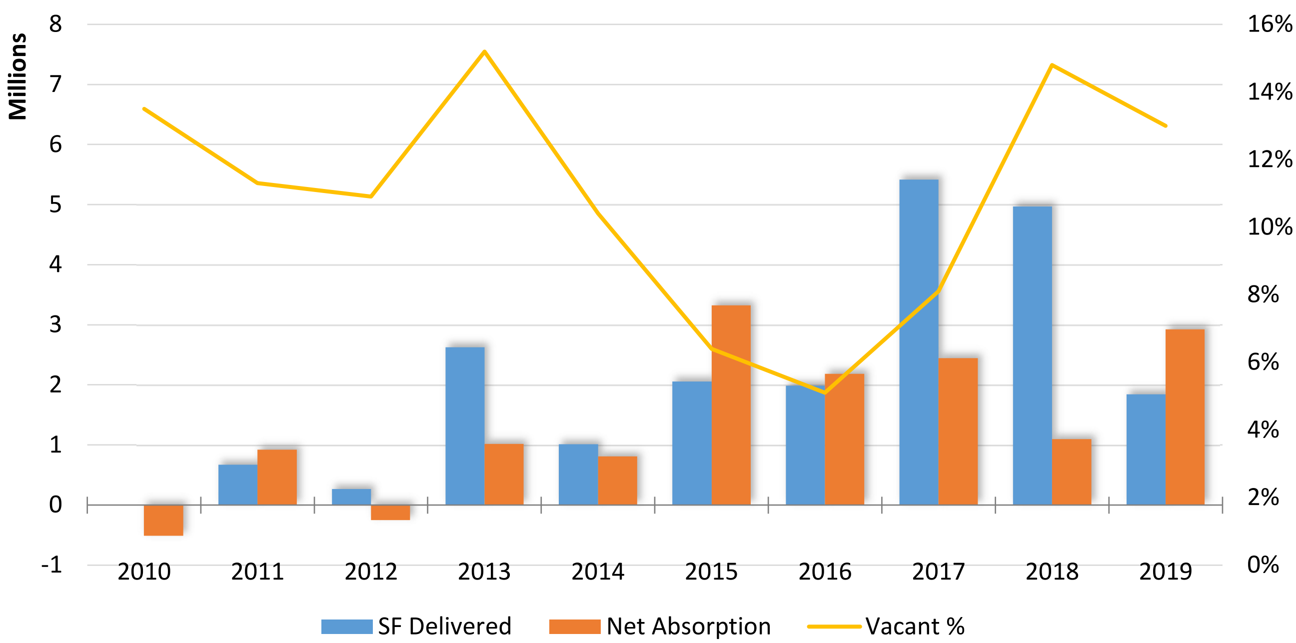
FIGURE 1 – LAND USE STUDY AREA OCCUPIED AND VACANCY INDUSTRIAL BUILDINGS



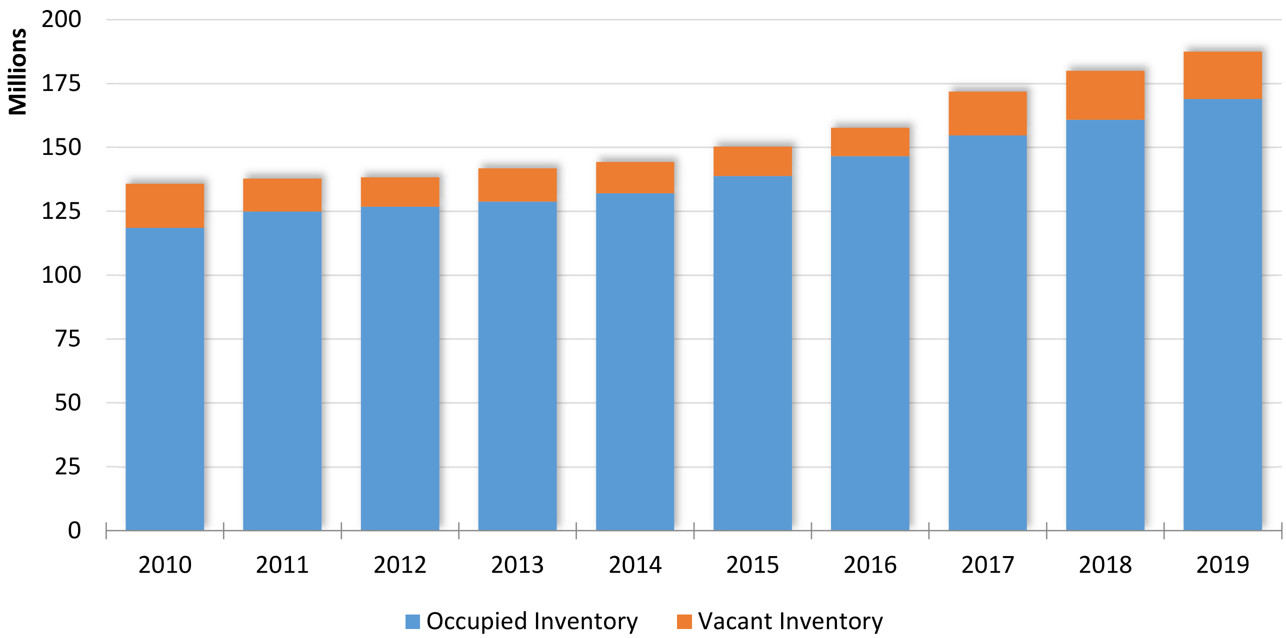
Source: CoStar

FIGURE 2 – LAND USE STUDY AREA INDUSTRIAL DELIVERIES AND ABSORPTION



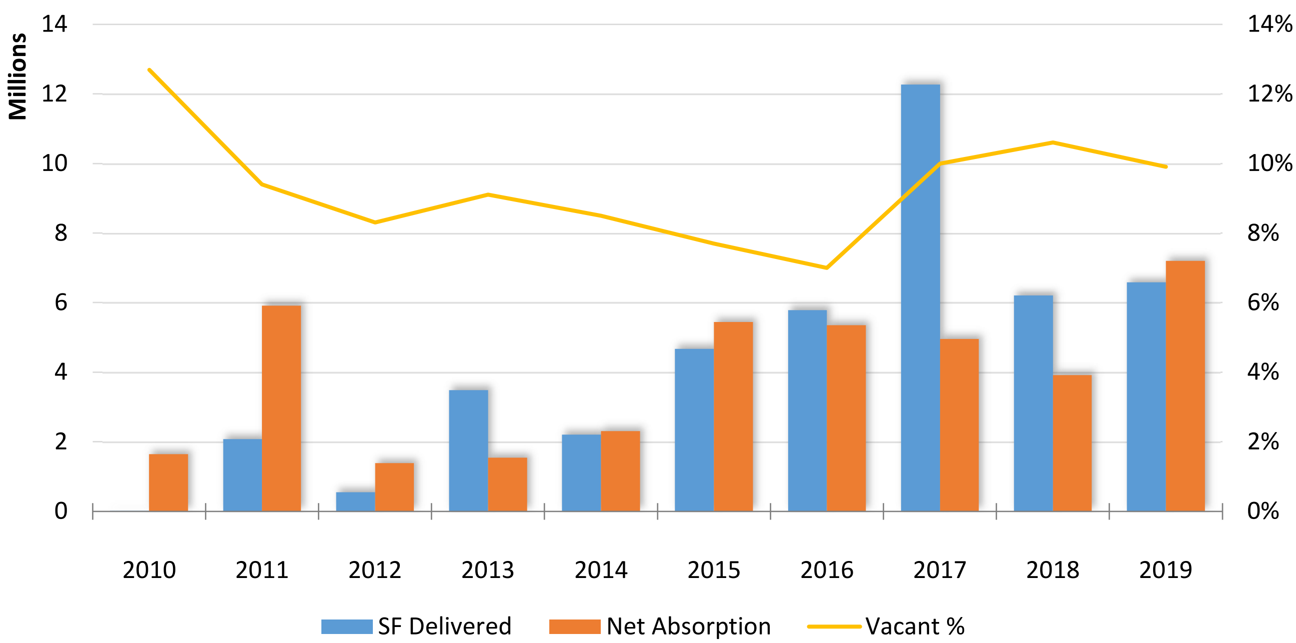
Source: CoStar

FIGURE 3 – WILL COUNTY OCCUPIED AND VACANT INDUSTRIAL BUILDINGS



Source: CoStar

FIGURE 4 – WILL COUNTY INDUSTRIAL DELIVERIES AND ABSORPTION



Source: CoStar

Agricultural Land Valuation

According to the Illinois Society of Professional Farm Managers & Rural Appraisers (ISPFMRA), the average sale price per acre of farmland of all qualities in Illinois peaked in 2013 at $6,079-$12,538 per acre for fair to excellent quality farmland and in 2014 for recreational land at $3,925. Statewide, farmers were 62% of buyers.

The ISPFMRA's 2018 Illinois Farm Values & Lease Trends report states that most activity over the last decade in "transitional tracts", or those being converted out of farming, has been "centered near Elwood's huge intermodal facility. Sales in the $20,000-$40,000 per acre range are the most common for industrial warehouses. There has been little activity of bare land being converted to residential. Most of the residential building has been on previously engineered or existing developed lots." These prices are well above the price per acre for farming.

Three large transitional sales in 2018 were in Will County. They were 32 acres at $10,147 per acre, 40 acres at $27,500 per acre, and 289 acres at $20,348 per acre. These prices make clear the strong incentive facing farmers considering selling their land for industrial development.

Factors Influencing the Industrial Market

Industrial real estate brokers and developers active in Will County at some of the nation's largest companies expect the current development trends to continue for the foreseeable future – at least 10 years (if not longer – some think 20+ years). Will County is perhaps the TDL center of the Chicago area, which is one of the nation's hottest industrial real estate markets.

The following market factors represent a distillation of these interviews and our analysis.

The strongest determinant for the development of TDL properties is proximity to I-55 and I-80, especially to one or more 4-way interchanges. These locations are the "hottest." Companies like Will County for lower real estate taxes and highway access (especially I-80) while retaining access to labor.

More than one mile from an interstate, market potential declines, prices are lower, the largest companies begin to fall off, and local companies doing smaller "deals" increase. But they do exist, notably along IL-53. Locations over 3 miles from an interstate are far less viable.

Users with high volume intermodal needs or overweight containers want to be "inside" CenterPoint's intermodal facility. Those focused more on regional distribution want to be within 10-15 miles of the intermodal, though up to 30 miles could be viable (as an absolute maximum).

Typical rents range from $3.24 per square foot NNN (what Target is paying) to $7 per square foot NNN for more sophisticated and expensive buildings. (NNN or "triple net" means that tenants pay their pro rata share of real estate taxes, building insurance and common area maintenance. In a gross lease, the landlord covers these expenses so the asking rent is higher, but uncommon in new buildings.)

Speculative developers also like Will County because even a vacant building can be sold to an investor, though this could change if investment preferences shift to another asset class.

There are relatively few rail users, so highways are more valuable to more companies – though Elwood and Joliet will strongly attract rail users compared to Cook and DuPage counties. Most land along these corridors is already slated for development or is otherwise not in "play" e.g. developers "sitting" on it, restrictive zoning, etc. To be clear, much of this land is still vacant in the LUSA and could take a decade to fill, perhaps longer depending on the economy and barriers to developing other land. By comparison, in northern Will County (Bolingbrook/Romeoville), land for industry is closer to reaching true build-out.

For other developers looking to enter the market – those who don't already control existing parks or land planned for industrial – it is difficult to find the 50-100-acre sites required for these large buildings. This is why some developers are now pushing to develop land farther from highways and not served by rail, such as the area east of IL-53. They are willing to take big risks on resident opposition and on acquiring the intermodal access still needed to make this viable.

With intermodal access, large expanses of this "south central" Will County area should be marketable for industry over the next decade. Without intermodal access, significant industrial development east of IL-53 is not currently viable as drives to the intermodals approach 20 minutes. The route to the intermodals would be circuitous, and existing competitive sites in the LUSA have superior highway access. As more land fills up and expectations around highway proximity shift as a result, it is possible that in 10-20 years this calculation changes.

Smaller development could still occur east of IL-53 without intermodal access, since companies seeking regional distribution have more flexibility with interstate proximity and local highways. Even if large scale development does not occur, it will be important to implement a land use policy that avoids scattershot development, which can impact surrounding land uses.

Some companies need an intermodal location (i.e. CenterPoint) while others do not. Typical absorption at CenterPoint is 1-1.3 million square feet per year. According to the developer, the park has approximately 10 years of supply remaining (1,000 acres that could accommodate 13-15 million square feet more).

Some of the available land for development is currently used for container storage, while other parcels are not on the market. This allows some containers to stay on-site, but most are still leaving.

Drayage costs make locations farther away more expensive for companies using the intermodal heavily (perhaps 10-15% of users). For companies without heavy intermodal use or overweight containers, some say the rent is similar vs. other locations, while others see a 10-15% rent premium for locating at the intermodals.

Regardless, there are few incentives for light users to locate specifically at the intermodal, with increased traffic and more access restrictions presenting a disincentive for those seeking primarily regional distribution. Drayage costs for truckloads increase for companies not located at the intermodals – approximately $100 per container. However, for companies that are minimally dependent on rail, these costs are a small factor in locational decisions.

An additional cost of being farther from the intermodals is the time value of trucks waiting in traffic congestion. For example, Walmart and Home Depot have buildings at the intermodals because they have a large volume of containers coming straight from Los Angeles by train. Others include Harbor Freight and Saddle Creek (a large third party logistics or 3PL company).

From a regional distribution standpoint (moving products from warehouse to store to customer), highway proximity is much more important than intermodal access. Therefore, CenterPoint's available land does not need to be absorbed by the market before other industrial land will be developed. If development occurs east of IL-53 with an intermodal connection, such development will still need to compete with CenterPoint on rates and amenities.

In the event a new CSX intermodal were to be built in Crete in southeastern Will County (locally approved, but now on hold), it should not impact the UP and BNSF intermodals in the LUSA much because CSX primarily serves the East Coast, while these other two intermodals mostly serve the West Coast and Texas.

For many companies, labor availability remains a strong motivation to locate in the north part of the LUSA, if not the more densely developed communities in northern Will County. The area most favorable for attracting labor is now north of Bluff Road to I-80 near I-55. (Availability of labor also drives companies to stay in Cook County despite higher taxes, though lower taxes in Will are attractive for investors.)

Some large companies may have dual facilities, with activities less dependent on labor farther from the more populous communities and other operations closer to the labor supply. For example, Amazon has both extremely large warehouses and smaller distribution facilities (250,000 square foot) throughout the region.

Elion in Wilmington is still seen as rather far for labor, though it benefits from being on I-55. This is one reason the developer emphasizes on-site amenities for workers and drivers.

Sites in Grundy County or those somewhat farther south along I-55 are near enough for regional distribution, and buildings have dramatically more trailer parking for the same price, so the economics may be similar. This makes more distant areas along the highways competitive for some users, though Grundy County is still considered a different market. However, these locations may still be too far for attracting enough labor.

Some companies' locational decisions come down to the particularities of their supply chain and business strategy. These approaches are proprietary and can be hard to predict, but they factor in (for example):

- Labor
- Transportation
- Sometimes neighbors
- Need for a pad-ready site with utilities vs. tolerance for raw land development
- Preference for a free-standing facility vs. locating in an industrial park.

The market in this subregion is for large buildings, not small "incubators," which are expensive to build on a per square foot basis. In Will County, building sizes, ceiling heights, and trailer parking have continued to grow. There is reportedly a shortage of "small" buildings with closer to 100,000 square feet and high ceilings (24'). Fortune 1000 companies have been moving forward with 350,000-650,000 square foot buildings or larger, but medium-sized companies have been more hesitant.

In neighboring Cook County and Northwest Indiana, there has been less new construction in recent decades so there may be fewer options between a very old building and a brand new one. Northwest

Indiana tends to have lower fees and lower worker compensation costs (and lower taxes than Cook but not necessarily Will). But the location near highway and rail in Will County is a strong attractor.

Assorted other developing industry needs and trends include:

- Demand for more trailer storage, more parking, and larger sites for the same sized buildings to accommodate these.
- Freestanding trailer parking on "excess land" is a growing “asset class” due to new driver regulations dictating daily and monthly stopping times. These need 3-5 acres. Rates may be $20-$30/day or $350/month per truck. A high tax on trailer storage would stop this activity.
- TDL growth is driving growth in pallet companies, though this has historically been a strength of Chicago’s south suburbs more than the southwest ones.
- It may be easier to address driver shortages, fuel price fluctuations and other unknowns by locating at CenterPoint, since transportation costs are a large part of the total "bill". Any greater predictability could become more valuable during and after COVID-19.
- Higher buildings are more expensive both in building costs and in labor. Buildings with clear heights of 36-40' required higher skilled forklift operators and come with expensive fire regulations. The benefits are not there for every company or in more distant locations with a smaller labor pool.
- Verticality (multiple stories) is still rare and not being pursued with any amount of consistency to impact land use except in dense urban locations.
- Increasing automation could make farther locations more viable if it reduces labor reliance.
- While many companies have wanted the option of a site-level rail connection, many who have it reportedly do not use it. This is distinct from intermodals, which connect rail and road. Varying opinions suggest that effectively connecting rail-using companies with rail-served buildings is difficult in Will County.

Opportunity Area Market Factors for Near Term Change

<u>Area 1</u>

This area is bounded by Laraway Road on the north, Manhattan Road on the south, and IL-53 on the west and extends just east of US-52. It includes the industrial anchors IKEA, Amazon, and the existing Laraway Crossings industrial park at the north end. At the northeast corner of Laraway Road and IL-53, the park has 362 acres with a total buildout potential of 7 buildings and 5 million square feet. It should have land still available despite recent development. Chicagoland Speedway and Route 66 Raceway are also economic anchors.

While this location does not front on an interstate, it still offers good access to I-80 and IL-53 for companies to distribute goods regionally. It also benefits from proximity to labor in the northern portion of the LUSA.

Amazon occupies two buildings in Laraway Crossings. It opened its the first fulfillment center here in October 2015. The 500,000 square foot facility receives incoming orders and processes them, shipping out products in the region.

The second began as an almost 750,00 square foot speculative warehouse developed by Hillwood Investment Properties, expandable by another 312,000 square feet. This is a “high cube” building with 36-foot clear ceiling heights, deep truck courts, 76 high dock doors (expandable to 169), drive-in doors, and parking for 154 cars and 72 trailers, also expandable. It also has advanced lighting, an ESFR sprinkler system, a reinforced roof, heavy dock equipment, and high performance electrical. This feature list is typical of the qualities that companies seek in new industrial buildings.

Amazon is also opening another 1 million square foot fulfillment center in Channahon at Venture One Real Estate's Crossroads 55 industrial park. Reportedly, this facility will focus specifically on "pick, pack, and ship" of large items. The company also operates a 750,000 square foot fulfillment center in Romeoville in the Windham Lakes Business Park.

In 2015, IKEA announced plans to build their first 1.4 million square foot Midwest distribution center on a 72-acre site in Laraway Crossings. Within 4 months, the company was planning a second center immediately west of the first. These opened in 2017 and 2018.

The newest building garners special attention for unique features that are not becoming standard at this point, but could in the future, though some are tailored to IKEA's needs. These include a fully automatic storage "silo", vacuum cranes, flat pallet boards that stay inside the facility for reuse, and a huge 9,000 square foot solar array on the roof (spread over almost 269,000 square feet).

Based on these locations, both companies probably look for "pad-ready" sites with entitlements and utilities in place with good labor access (despite an increasing focus on automation).

Adjacent to Laraway Crossings is Core5 Logistics Center at I-80 Joliet, a newer industrial park with an occupied 737,000 square foot building, another 1+ million square foot speculative building on the market (almost 60 acres) with space for almost 200,000 square feet of expansion, and another 37 acres of land for more development. The park also has expansion space for 133 more trailer parking spots. Building features are like those noted above in the Amazon facility.

Area 1 is a proven location for industry that makes sense for future adjacent development as land becomes available. Focus on this for near term change acknowledges this momentum and creates an opportunity for improvement of the I-80 interchange at IL-53, which brokers call problematic and very dangerous.

Area 2

In contrast to the closer-in, multi-park character of Area 1, the second area for near term change is at the far southwest section of the LUSA on the west side of I-55 north of Wilmington-Peotone Road. It is currently viewed as far from labor. However, its I-55 location is attractive in the market and it boasts frontage along the BNSF's Transcontinental Mainline that runs from Los Angeles to Chicago, along with convenient intermodal access.

It also offers plenty of entitled land on a full interchange at Lorenzo Road. It makes sense from a planning standpoint to also focus efforts on a more distant location with no shortage of master planned sites for 1+ million square foot buildings. Such a focus could prevent random development on non-contiguous greenfields. This is the Elion Logistics Park 55, formerly called RidgePort Logistics Center.

Elion Partners purchased the park in summer 2019 and immediately announced a $2 billion expansion plan, pushing the total planned to 30+ million square feet of industrial and commercial space (mostly big box industrial). All told, the park has 1,500 acres of developable land. The current spec building on the market at 30260 Graaskamp Boulevard is 811,000 square feet with 211,000 more for future expansion (1.2 million total).

Occupants include Michelin, Post, Batory Foods, Lineage logistics, PURIS, a non-GMO organic pea protein, starch, and fiber producer, and commercial users Mobil, TA, Petro, Shell, and Knights Inn.
Elion is emphasizing a range of amenities given the distance it requires workers to travel, items it claims "[focus on] the well-being of truck and warehouse employees," helping them to "restore, reenergize, nourish, and explore." The referenced amenities are those typical of a full-featured travel plaza with services for long haul truck drivers, including showers, a store, a restaurant, and more. 140 acres of retail services are planned, though this total seems to include areas for car and truck parking. Phase 1 is planned to include more restaurants, a hotel, healthcare, a fitness center, a barber shop, pet care, and a chapel.

The roads are expandable up to four lanes, and there are first responders (fire and police) and a helipad. The property also includes 40 acres of wetlands with seating and a path. $140 million in TIF enables the developer to lower pass-through costs to tenants, allowing the park to be competitive with Indiana but also likely meant to attract users who might otherwise seek a location farther north in the county.

With TIF investment and the focus on providing amenities in addition to purely industrial buildings, it makes also makes sense to focus planning efforts here so that the public investment provides the most incremental value for the TIF.

Other Major Opportunity Areas

Area 3
The area east of the UP intermodal west of IL-53 between Laraway Road and Mississippi Avenue will be marketable since it has similar proximity to I-80 as Area 1, somewhat better proximity to I-55, and of course is near the intermodal.

Area 4
The area west of the UP intermodal to the Des Plaines River has the same virtue of intermodal proximity with even better proximity to I-80 and I-55, including the desirable intersection between the two.

Area 5
While some think of I-80 as the primary interstate, a location on I-55 is desirable from a labor attraction standpoint. Area 5 is west of Elwood straddling I-55 and is also near the intermodals.

Area 6
I-80 frontage is a huge benefit for industry, especially so close to the I-55 interchange. This area is between I-80 and the Des Plaines River and includes or is adjacent to multiple industrial park anchors.

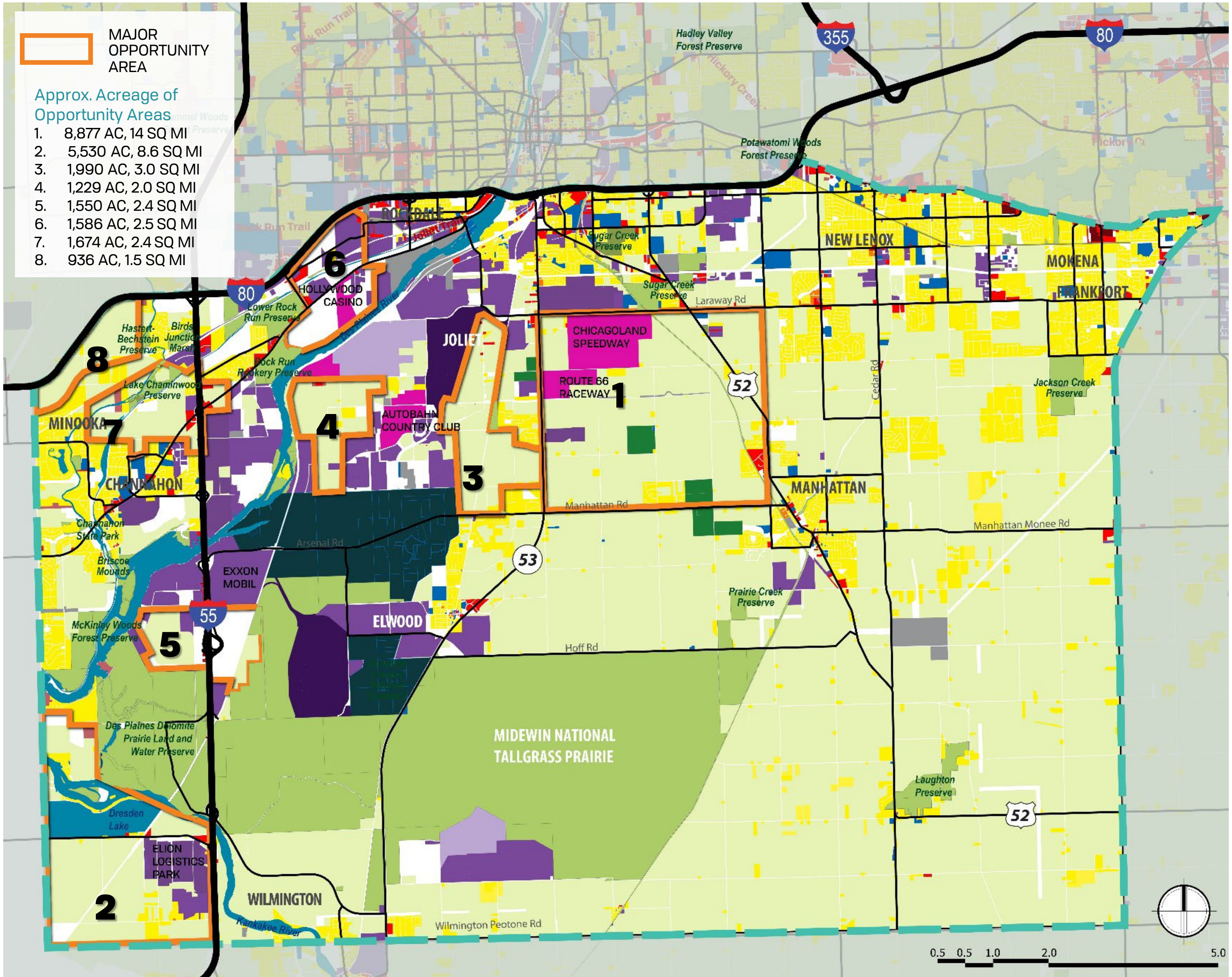
Area 7
This is west of I-55 in Channahon and Minooka and is an attractive area for industry with excellent proximity to the I-80 interchange, good intermodal access and frontage on I-55.

Area 8
This area is slightly farther west along I-80 in Minooka so is less in demand but can accommodate large buildings and trailer parking with highly desirable I-80 frontage very close to I-55. This is a good opportunity for later development to retain immediate highway access and avoid disparate greenfield developments to the east.

Maps follow showing the Major Opportunity Areas once again and recent business expansions and ongoing industrial developments in and near the LUSA and these Major Opportunity Areas.

Opportunity Areas: Existing Land Uses and Acreage

REVISED 3-27-20



OPPORTUNITY AREAS 1 THROUGH 6 ARE NEAR EXISTING INTERMODAL FACILITIES AND MAJOR INDUSTRIAL ANCHORS. VACANT, INFILL AND FARMED PARCELS IN THESE AREAS OFFER SIGNIFICANT OPPORTUNITIES FOR NEW DEVELOPMENT.

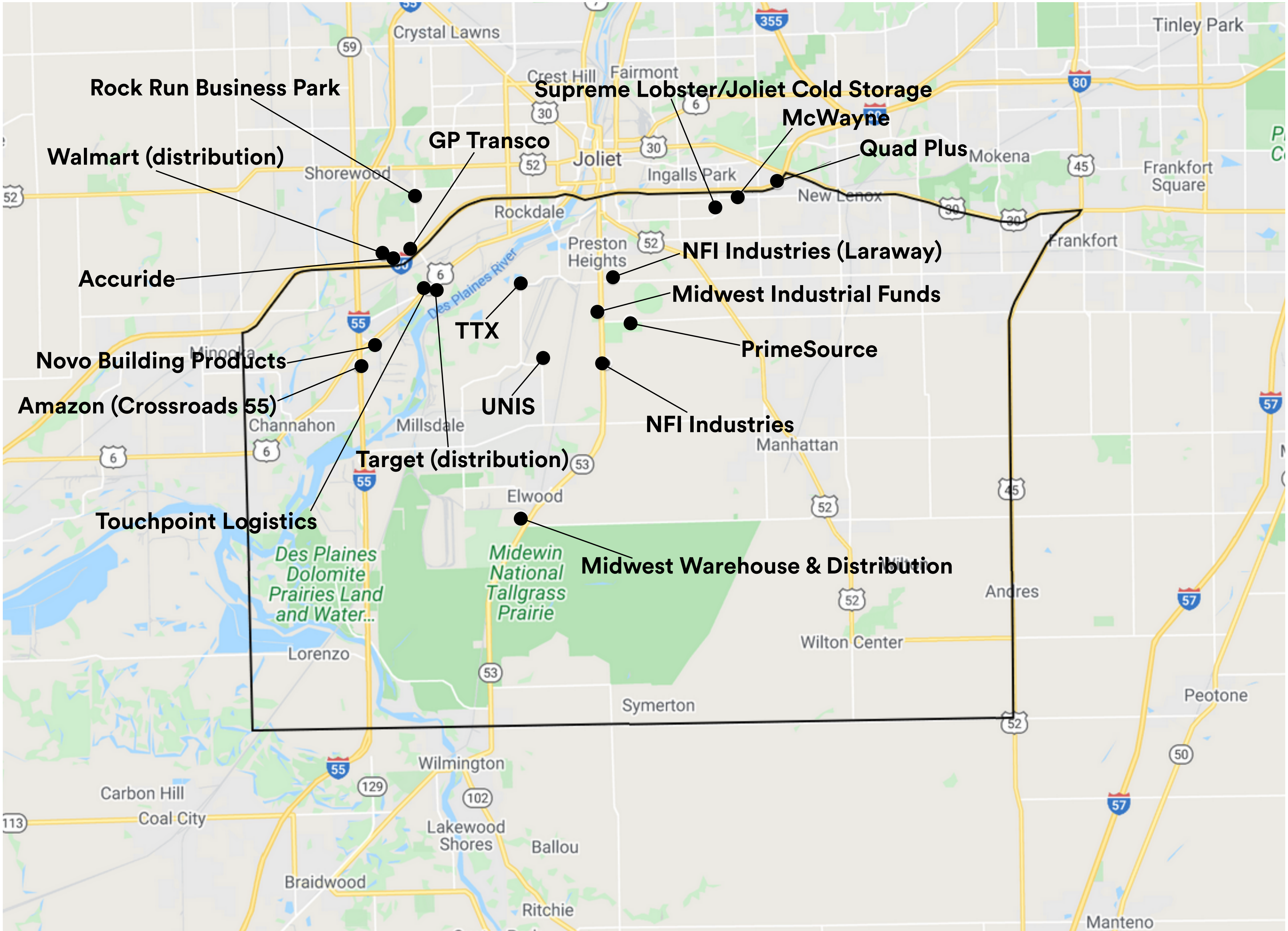
OPPORTUNITY AREAS 7 & 8 ARE PRIMARILY FARMLAND TODAY AND OFFER OPPORTUNITIES TO ATTRACT NEW DEVELOPMENT ALONG I-80 AND I-55.

RESIDENTIAL
COMMERCIAL
INDUSTRIAL/UTILITY
OPEN SPACE
AGRICULTURAL
CIVIC/INSTITUTIONAL
VACANT

Source: Ginkgo Planning & Design

Data sources: CMAP Land Use, 2015; FPDWC, 2019; Will County GIS, 2019. Note: The CMAP 2015 Land Use Inventory data used in this analysis is draft data.

Recent/Planned Industrial Expansions & Developments In/Near the LUSA



Sources: Will County CED, LoopNet, Kretchmer Associates

HOUSING OVERVIEW AND FOR-SALE HOUSING MARKET

Housing Tenure

As of the 2014-2018 period, the American Community Survey (ACS) estimates a very low vacancy rate of 4.2% overall and only 2.4% for rental units. As will be discussed below, there has been very little rental construction in the LUSA in decades. The overwhelming majority of housing units are owner-occupied (82%). The ownership share for those under 65 years is similar to this, while it is higher for those 65+ (85%), which is common. Seniors are more likely to be homeowners as they have lived in the area for a long time and purchased when prices were lower. Many younger households have difficulty saving for a down payment given increasing home prices and student debt.

Housing Stock Size and Age

Table 11 shows the characteristics of the housing stock. Over 89% of the housing is single-family detached and attached. Multi-family buildings with 5+ units account for only 5% of all housing. The Land Use Study Area's housing stock is relatively new, with 29% built since 2000, 31% in the 1980s and 1990s, 23% in the 1960s and 1970s, and 17% before 1960. Almost 1,100 units were added since 2010, compared to just over 6,700 between 2010 and 2009.

Residential Building Permits

The graphs below show single-family and multifamily building permits in four LUSA municipalities between 2009 and 2018. Joliet had the highest number of total permits (1,372), followed by Manhattan (493) and Channahon (366). Only 12% of the 2,237 units were multifamily, with Joliet accounting for 58% of these. Elwood issued only 6 permits for single-family houses during this period. Construction permits picked up in 2013 and have increased steadily since.

Owner-Occupied Housing and Affordability

According to data from the ACS, as of 2014-2018, 71% of the owner-occupied housing in the LUSA had a mortgage with a median monthly cost of $1,827. This was 2.4 times higher than the $774 median monthly cost for owners without a mortgage. Affordability is a concern among those with a mortgage, as 26% were paying more than the recommended 30% of income. Only 13% of those without a mortgage had the same cost burden.

Home Sales

Kretchmer Associates obtained and analyzed data from the Multiple Listing Service (MLS) on closed home sales between 2015 and 2019 in the municipalities in the Land Use Study Area. Table 14 shows the number of sales, average price, market time, home size, year built and property taxes for the ten area communities. A map showing concentrations of these sales also follows.

Over this five-year period, there were 5,000 sales with a weighted average price of $255,600 and a median price of $232,900. The communities with the most sales during this period were New Lenox, Manhattan, Channahon, and Frankfort. The highest average prices were in Frankfort and Mokena (at $430,000 and $434,000), while the least expensive were in Rockdale and Joliet ($113,000 and $118,000). The average age of homes sold was 1991 and the average size was 1,932 square feet. Property taxes averaged 2.1% of the sales price.

Table 11

HOUSING OCCUPANCY AND TENURE
LAND USE STUDY AREA

	Number	Percent
Housing Occupancy/Vacancy		
Total housing units	26,580	
Vacant units	1,112	4.2%
Vacant units for rent	111	2.4%
Housing Tenure		
Occupied housing units	25,468	
Owner-occupied units	20,996	82.4%
Renter-occupied units	4,472	17.6%
Occupied Units (Households 15-64)	19,924	
Owner Occupied	16,260	81.6%
Renter Occupied	3,664	18.4%
Occupied Units (Households 65+)	5,136	
Owner Occupied	4,344	84.6%
Renter Occupied	792	15.4%

Note: Due to data for the Land Use Study Area approximated using Census tracts.

Source: US Census, American Community Survey, 2014-2018

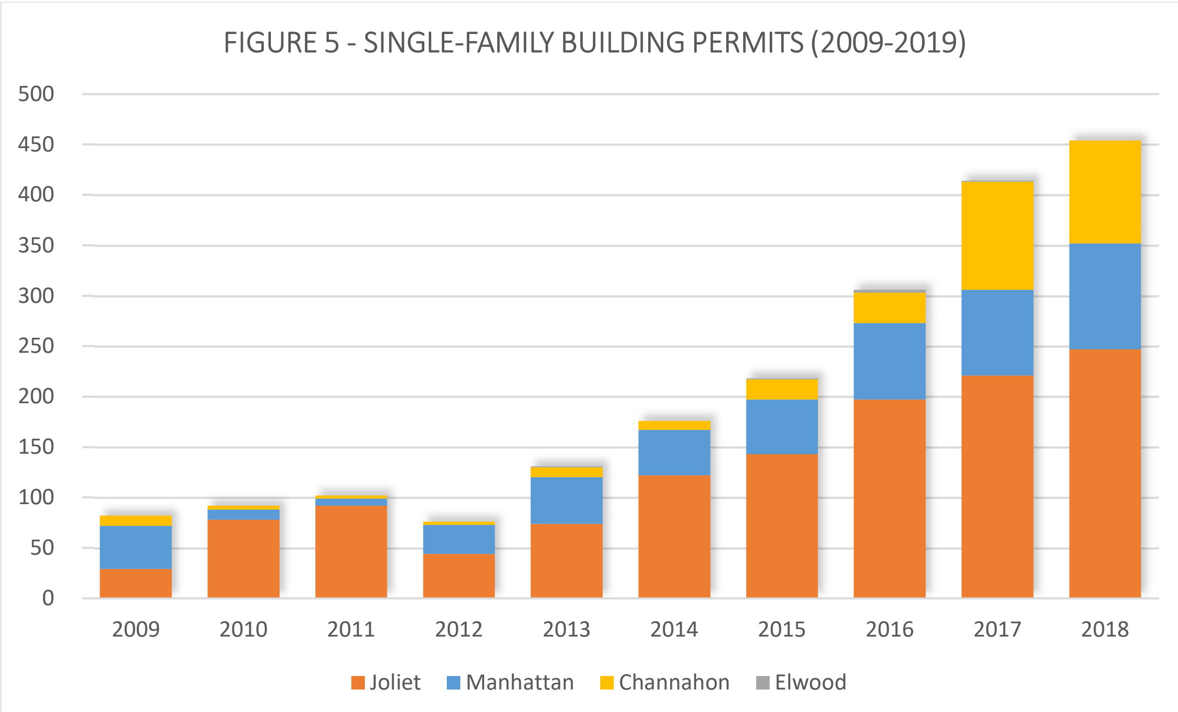
Table 12

HOUSING CHARACTERISTICS
LAND USE STUDY AREA

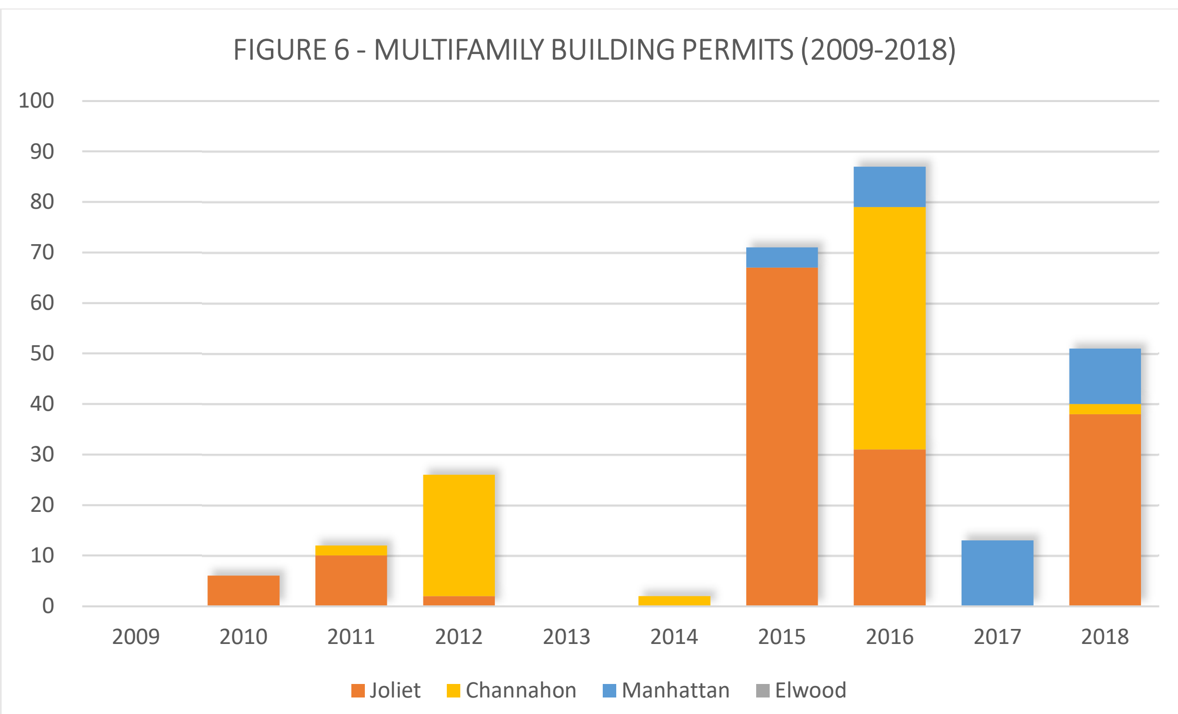
	Number	Percent
Total Units	26,580	
Single-Family Detached	21,356	80.3%
Single-Family Attached	2,429	9.1%
2-4 Units	1,161	4.4%
5-9 Units	614	2.3%
10+ Units	773	2.9%
Mobile Home, Other	247	0.9%
Year Structure Built		
2014 and later	413	1.6%
2010-2013	667	2.5%
2000-2009	6,716	25.3%
1990-1999	5,494	20.7%
1980-1989	2,714	10.2%
1970-1979	3,983	15.0%
1960-1969	1,997	7.5%
1950-1959	1,899	7.1%
1940-1949	917	3.4%
1939 or earlier	1,780	6.7%

Note: Due to data availability, Land Use Study Area approximated using Census tracts.

Source: US Census, American Community Survey 2014-2018



Source: U.S. Census



Source: U.S. Census

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Table13

HOMEOWNERSHIP CHARACTERISTICS
LAND USE STUDY AREA

	With a mortgage		Without a mortgage	
	Number	Percent	Number	Percent
Owner-Occupied Housing Units	14,850	70.7%	6,146	29.3%
Monthly Housing Cost				
Less than $200	0	0.0%	106	1.7%
$200 to $399	24	0.2%	523	8.5%
$400 to $599	45	0.3%	1,346	21.9%
$600 to $999	216	1.5%	2,912	47.4%
$1,000 to $1,299	647	4.4%	861	14.0%
$1,300 to $1,499	2,913	19.6%	251	4.1%
$1,500 to $1,999	4,144	27.9%	-	-
$2,000 to $2,499	3,264	22.0%	-	-
$2,500 to $2,999	1,949	13.1%	-	-
$3,000 or more	1,648	11.1%	-	-
$1,500 or more	-	-	147	2.4%
Median Housing Cost	$1,827		$774	
Monthly Housing Cost as Percent of				
Less than 20%	6,354	42.8%	4,531	73.7%
20-29%	4,635	31.2%	772	12.6%
30% or more	3,840	25.9%	807	13.1%
Zero or negative income	21	0.1%	36	0.6%

Note: Due to data availability, Land Use Study Area approximated using Census tracts.

Source: US Census, American Community Survey 2014-2018

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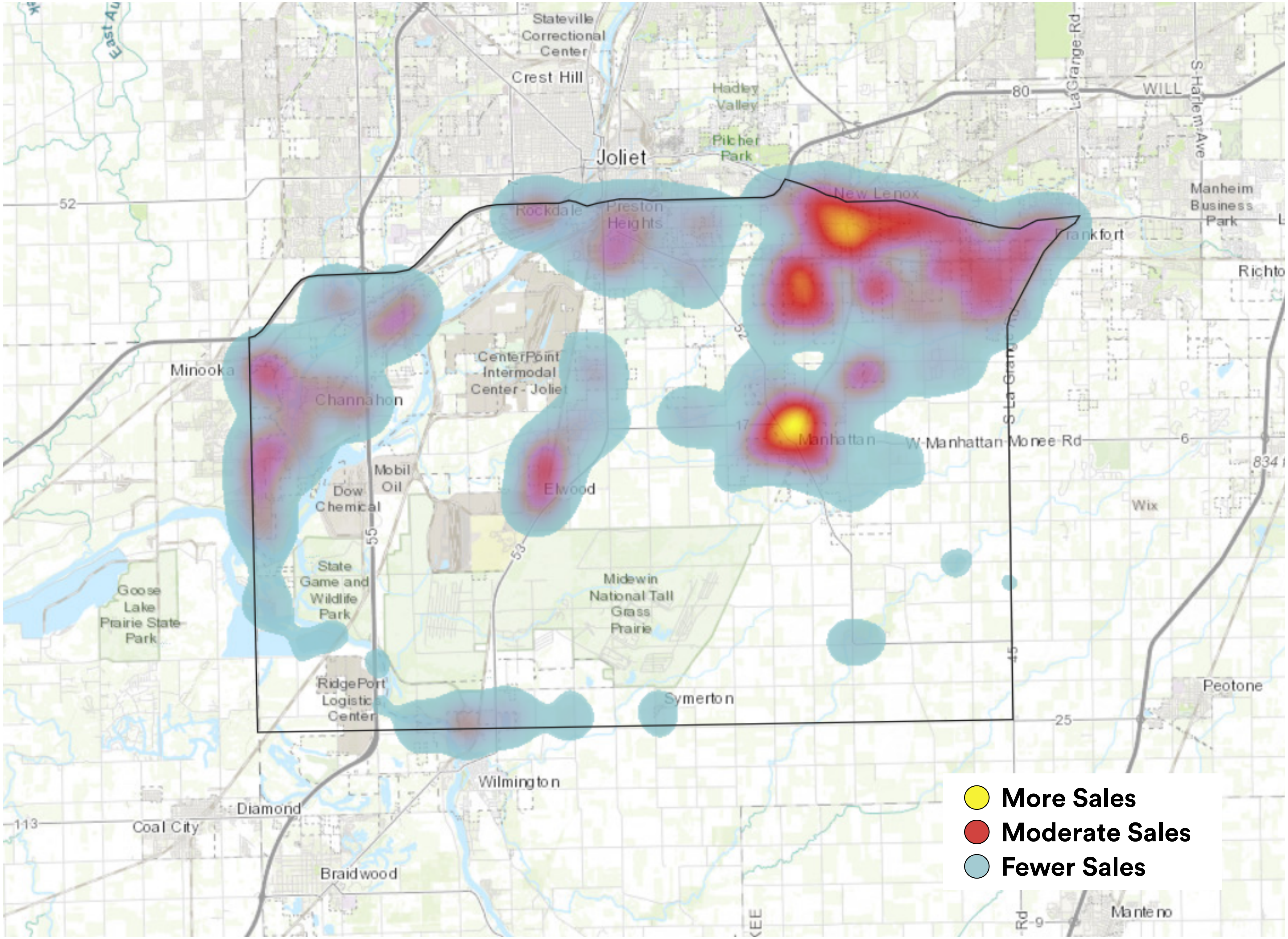
Table 14

HOME SALES IN LAND USE STUDY AREA MUNICIPALITIES - 2015-2019

Municipality	# of Sales	Avg Sale Price	Avg Market Time	Avg Size (SF)	Avg Year Built	Avg Property Taxes
Elwood	310	$195,920	97	1,338	1990	$4,275
Joliet	398	117,564	65	1,382	1960	2,763
Manhattan	902	243,645	85	2,037	1997	5,760
Channahon	599	222,103	77	1,924	1989	5,067
Minooka	167	249,056	75	2,121	1992	5,725
Rockdale	61	112,931	66	1,141	1940	1,915
Wilmington	146	197,778	131	1,598	1984	3,751
New Lenox	1,887	265,916	74	1,741	1995	5,485
Frankfort	505	430,052	110	3,227	2000	10,108
Mokena	83	434,180	97	2,969	2007	7,854
	Total	Weighted Avg./ Median	Weighted Avg./ Median	Weighted Avg./ Median	Weighted Avg./ Median	Weighted Avg./ Median
	5,058	$255,573	82	1,932	1991	$5,611
		$232,874	81	1,832	1991	$5,276

Source: Multiple Listing Service; Kretchmer Associates.

All Home Sales 2015-2019 in Land Use Study Area



Sources: MLS, Kretchmer Associates

Foreclosures

As the largest municipality in the Land Use Study Area, Joliet had by far the largest number of foreclosure filings over the past 11 years at more than 10,600, followed far behind by the other communities as shown in Table 15 based on data from the Woodstock Institute. As occurred throughout the region, foreclosure filings dropped precipitously in 2014 and have continued to decrease in the following years.

Despite the decrease in foreclosure filings, communities in the LUSA still have a high share of homeowners with negative equity. Over 15% of homeowners in Joliet and Manhattan, 12% in Wilmington, 7% each in Channahon and New Lenox, and 6% in Elwood have negative equity, much higher than the 8% national rate. This is due to the slower appreciation in the housing market in the Chicago region overall compared to the nation.

In addition, Elwood, Joliet and Manhattan also have a higher percentage of owners who are delinquent on their mortgages compared to the national 1.1% rate. These data are from 2018 and no doubt the numbers will increase this year due to the higher unemployment numbers due to COVID-19.

Subdivisions Underway and Planned

Manhattan has nine subdivisions approved with infrastructure and three approved without infrastructure. Table 16 summarizes these. Most of the subdivisions are in the northern half of the village. Some are subdivisions where building stopped during the recession due to financial problems incurred by their developers. New homes in the entry and middle price range have been selling very well in the past few years in Stonegate (Lennar) and Hanover Estates (Distinctive Homebuilders), both of which have a significant number of buildable lots.

There is only one active subdivision in the Joliet section of the LUSA, Cedar Creek west of IL-53 off Millsdale Road. This development also stalled during the recession and was taken over by Distinctive Homebuilders in the past year. However, the subdivision is adjacent to industrial uses, hence more truck traffic, and has had more limited buyer interest. Homes are smaller and less expensive than in Manhattan. The City of Joliet is not looking for more residential development in the LUSA, given the availability of land on the west side of the city.

As was shown earlier, there are no residential projects underway in Elwood, and nothing is planned.

In New Lenox, Four Seasons of New Lenox, an active adult development with 600+ units is planned by K. Hovnanian, a national homebuilder but the site is north of the Land Use Study Area near Silver Cross Hospital.

Channahon also has subdivisions with unbuilt lots, but the number of lots is not available. The village also has a considerable amount of potentially developable land for future residential growth.

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Table 15

FORECLOSURE FILINGS AND MORTGAGE DELINQUENCY
LAND USE STUDY AREA MUNICIPALITIES

	Joliet	Elwood	Manhattan
Foreclosure Filings			
2008	1,118	13	18
2009	1,493	19	53
2010	1,861	23	96
2011	1,279	21	79
2012	1,471	13	80
2013	1,042	12	53
2014	624	11	38
2015	543	12	30
2016	434	8	28
2017	435	24	24
2018	349	14	15
Total	10,649	170	514
Homes with Negative Equity	15.5%	6.2%	15.5%
Delinquent on Mortgage	1.8%	3.1%	1.8%

	Channahon	New Lenox	Wilmington
Foreclosure Filings			
2008	35	78	27
2009	58	107	38
2010	60	160	37
2011	43	116	27
2012	66	150	35
2013	45	95	29
2014	18	64	15
2015	22	53	12
2016	19	78	38
2017	22	68	25
2018	18	54	24
Total	406	1,023	307
Homes with Negative Equity	7.4%	7.1%	11.8%
Delinquent on Mortgage	1.0%	0.7%	0.8%

Note: Negative equity and delinquency as of June 30, 2018. U.S. averages: negative equity - 8.2%, delinquency - 1.1%.

Source: Woodstock Institute, Zillow

Table 16

RESIDENTIAL SUBDIVISIONS WITH AVAILABLE LOTS

Community and Subdivision	# of Acres	Total Units	Buildable Lots Available #	Buildable Lots Available % of Total	Density (units/acre)
Manhattan					
Approved with Infrastructure					
Beck's Farm	142	253	122	48%	1.8
Butternut Ridge	76	75	28	37%	1.0
Hanover Estates	195	343	135	39%	1.8
Ivanhoe	125	222	112	50%	1.8
Leighlinbridge Unit 5	14	60	28	47%	4.3
Stonegate	135	380	377	99%	2.8
Sunset Lakes	155	307	274	89%	2.0
Tramore	103	336	140	42%	3.3
Whitefeather	160	436	22	5%	2.7
Total	1,105	2,412	1,238	51%	2.2
Approved, no Infrastructure					
Keating Estates	239	625	625	100%	2.6
Lexington	607	NA	NA	NA	NA
Manhattan Meadows	160	306	306	100%	1.9
Joliet					
Cedar Creek	NA	154	47	31%	NA

NA Not Available

Source: Village of Manhattan; Kretchmer Associates.

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Insights from Residential Professionals in the Area

Kretchmer Associates staff interviewed real estate brokers and homebuilders active in Manhattan, Joliet and Elwood, the three communities most impacted by potential industrial development.

In Manhattan, buyers are most interested in homes east of Cedar Road as they feel that homes there will be less impacted by truck traffic and the potential of future industrial development east of IL-53. Some current residents of Manhattan's west side are starting to look at homes farther east just in case more industrial buildings are constructed on the west side of the village.

Sales activity has been brisk in Manhattan with buyers attracted to the village because of its high-quality schools, open space, less traffic congestion, and prices $80,000-100,000 lower than homes of comparable size and features in New Lenox, Mokena, and Orland Park. However, newer subdivisions have Special Service Areas (SSAs) in place to fund infrastructure. The SSA can add $2,500 a year to the owner's real estate tax bill starting two years after purchasing. This is why Lennar's homes in Stonegate are priced relatively low so that the monthly mortgage and real estate taxes will be affordable to a wider range of buyers.

Homes sell quickly in Elwood though there are fewer homes on the market given the village's small size. Prices are lower than in Manhattan though homes haven't appreciated much in the past few years. Some prospective buyers don't want to move to Elwood because of the truck and auto traffic generated by CenterPoint's buildings. However, brokers felt that entry level homes would sell well in Elwood.

Cedar Creek is the only active subdivision in Joliet south of I-80. The prices are reasonable, but the location is considerably less desirable for most potential buyers. Most buyers already live in Joliet.

Demand for New Homes

Based on population projections by Esri over the next five years and by CMAP to 2050, there will continue to be strong demand for more owner-occupied housing in the Land Use Study Area. The factors that have attracted buyers here should continue, as long as future industrial development does not cause excessive traffic, noise, and pollution. Table 17 shows the potential demand for 305 units of owner-occupied housing per year on average, for a total of 8,500 units between 2019 and 2050. The demand for rental housing is discussed in the following chapter of this report.

Impact of Industrial Development on the Residential Market in the Land Use Study Area

The potential industrial development as planned at Northpoint will have a negative effect on home values in Manhattan according to realtors. It will dampen residential demand for homes west of Cedar Road and especially west of US-52. This will hurt existing homeowners as well as subdivisions underway but not yet built out.

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Table 17

POTENTIAL DEMAND FOR OWNER-OCCUPIED HOUSING IN THE LAND USE STUDY AREA

	Number	Percent
2019 Households	25,649	
2024 Households	26,856	
Household Change	1,207	4.7%
Average Annual Household Change	241	0.9%
2019 Owner-Occupied Units and Share of Occupied Units	21,135	82.4%
Potential Additional Demand 2019-2024		
Additional Owner Demand to 2024 (due to household change and 75% owner share*)	905	75%
Potential Additional Demand 2025-2050		
2050 Households (consistent with county's growth at 1.7%/year)	38,270	
Household Change	11,414	42.5%
Owner Demand based on 75% Share of Household Growth	8,560	75%
2019-2050		
Total Owner-Occupied Demand	9,466	
Average Annual Owner-Occupied Demand	305	

* Assumes increase in rental demand from 17.6% to 25% of all housing due to limited rental housing in Land Use Study Area.

Source: Kretchmer Associates based on estimates and projections from Esri and CMAP.

RENTAL HOUSING MARKET

Rent and Affordability

As shown above, only 18% of units in the Study Area are renter-occupied. The median gross rent (contract rent plus tenant-paid utilities) was $1,080 according to the most recent ACS data. Sixteen percent paid under $750, 28% paid $750-999, and 48% paid over $1,000.

Affordability is a very real concern for renters in the Land Use Study Area. Forty-five percent of renters pay more than 30% of their income in gross rent. This is not surprising since there are few affordable apartments funded through the Illinois Housing Development Authority, HUD, the townships, Will County, or the Housing Authority of Joliet in these communities. According to information from these entities, the LUSA has only 319 affordable rental units, and all but 8 units are for seniors. These affordable units represent only 7% of all rental units, well below what is needed.

Market Rental Trends

Kretchmer Associates obtained rental market data from Reis, a national real estate data company owned by Moody's, for the area within a 12-mile radius of Elwood. This includes a larger geographic area than the Land Use Study Area as it includes most of Joliet, but it gives a reasonable picture of the rental market in the LUSA communities. The survey includes 10 properties with 2,380 units, all of which are in Joliet. Only one is south of I-80 in the LUSA. All of the properties are older, generally 40-50 years old. However, the overall vacancy rate is very low at only 2.5%, indicating a very tight rental market. The average asking rent is $967 across all unit types, below the median for the LUSA.

In comparison, the Joliet submarket, which includes a much larger area extending up to Romeoville and Bolingbrook, has a higher vacancy rate at 6.8%, along with a much higher average rent of $1,122 because there are more higher quality, Class A properties in the communities at the northern end of the submarket.

Both the LUSA and Joliet sub-market have significantly lower average rents than the Chicago metro area ($1,514). However, the Land Use Study Area's vacancy rate is still half the rate of the region's (5.2%).

The graphs below show the average asking rent and vacancy trends for the Land Use Study Area (12-mile radius from Elwood), Joliet submarket, and Chicago Metro area. Maps showing the area covered within 12 miles of Elwood and the Joliet submarket follow.

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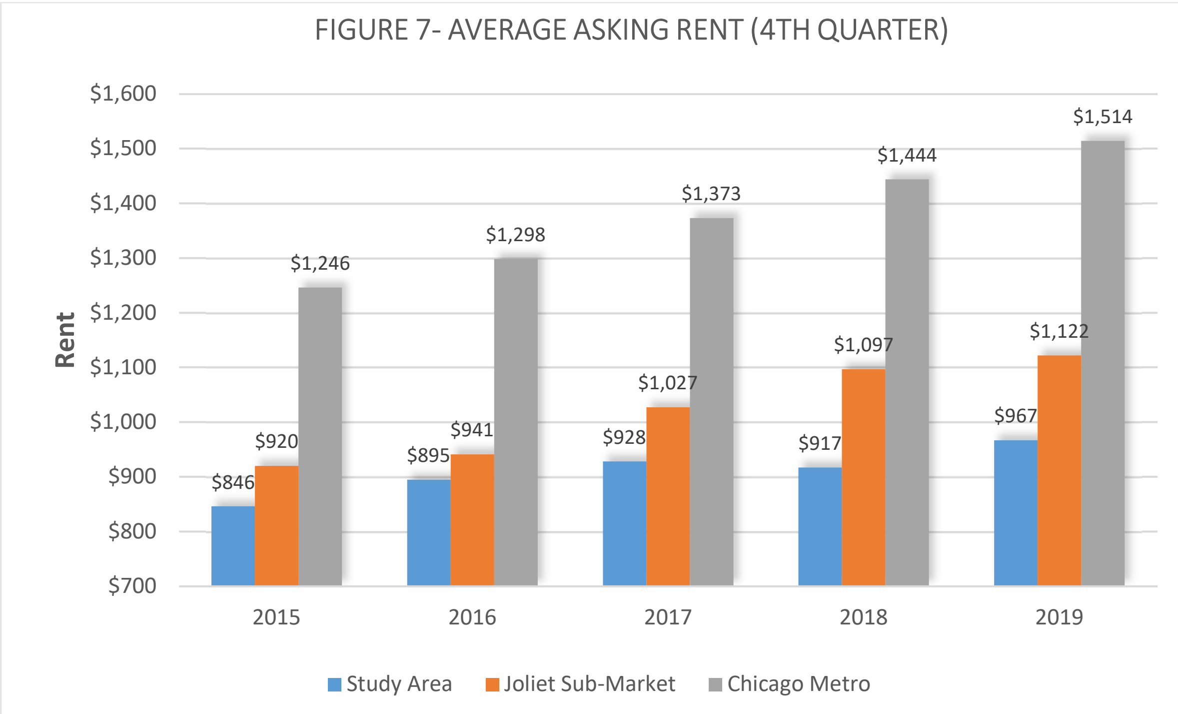
Table 18

RENTAL CHARACTERISTICS
LAND USE STUDY AREA

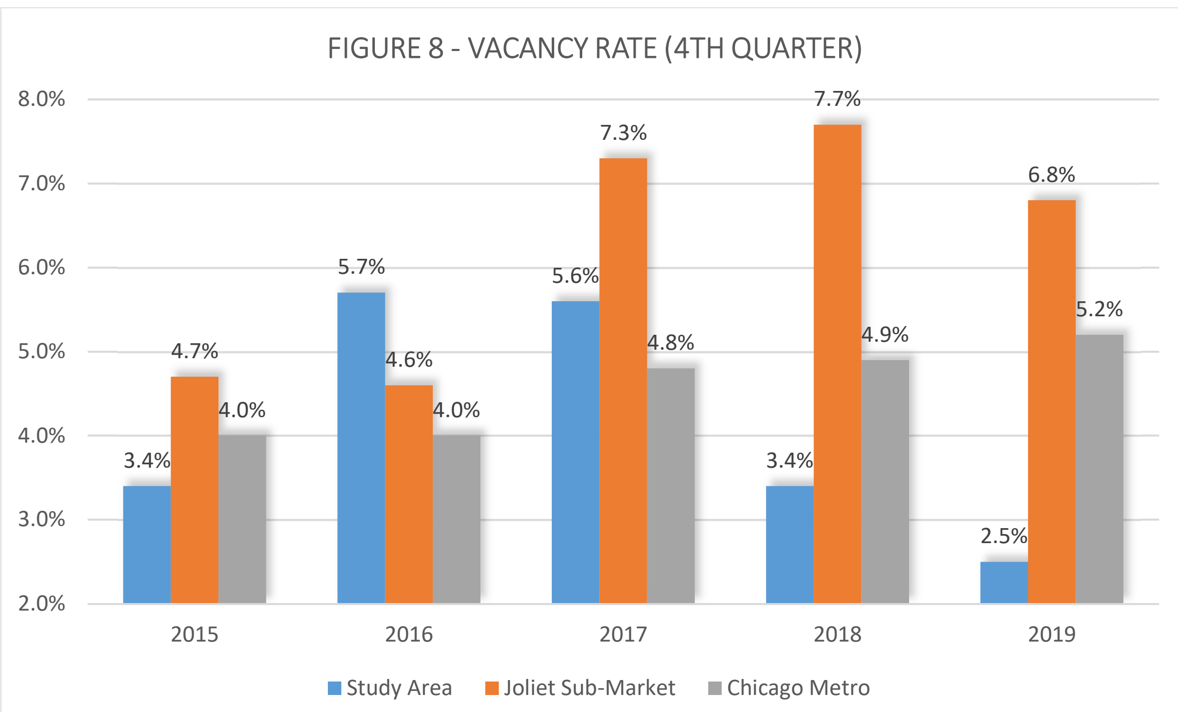
	Number	Percent
Total Renter-Occupied Housing Units	4,472	
Gross Rent		
Less than $250	18	0.4%
$250-$499	148	3.3%
$500-$749	567	12.7%
$750-$999	1,245	27.8%
$1,000-$1,249	918	20.5%
$1,250-$1,499	698	15.6%
$1,500-$1,999	400	8.9%
$2,000+	135	3.0%
No Cash Rent	343	7.7%
Median Gross Rent	$1,080	
Gross Rent as Percent of Income		
Less than 15%	579	12.9%
15-19.9%	550	12.3%
20-24.9%	455	10.2%
25-29.9%	466	10.4%
30-34.9%	352	7.9%
35% or more	1,670	37.3%
Not computed	400	8.9%

Note: Due to data availability, Land Use Study Area approximated using Census tracts.

Source: US Census, American Community Survey 2014-2018

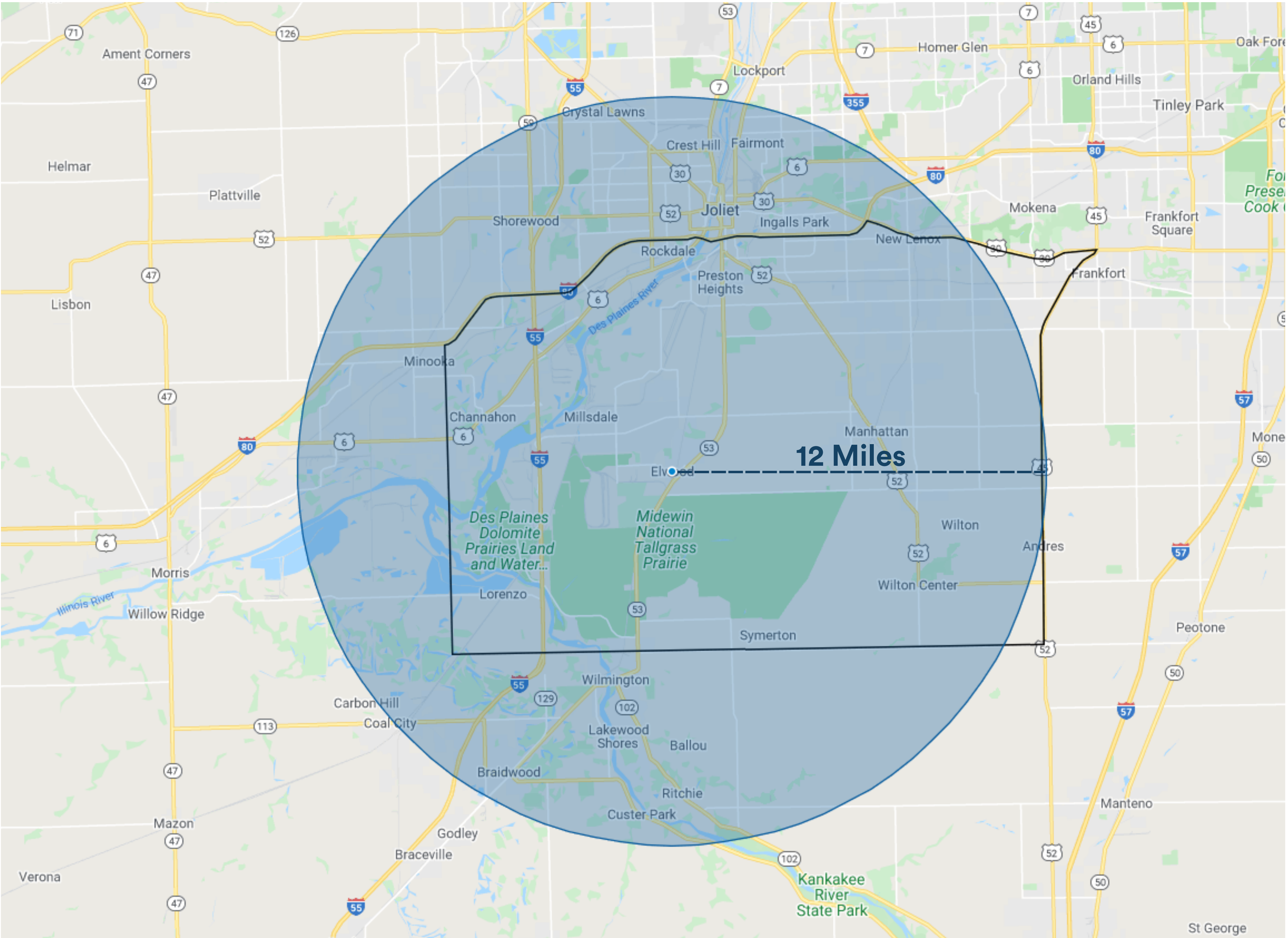


Source: Reis



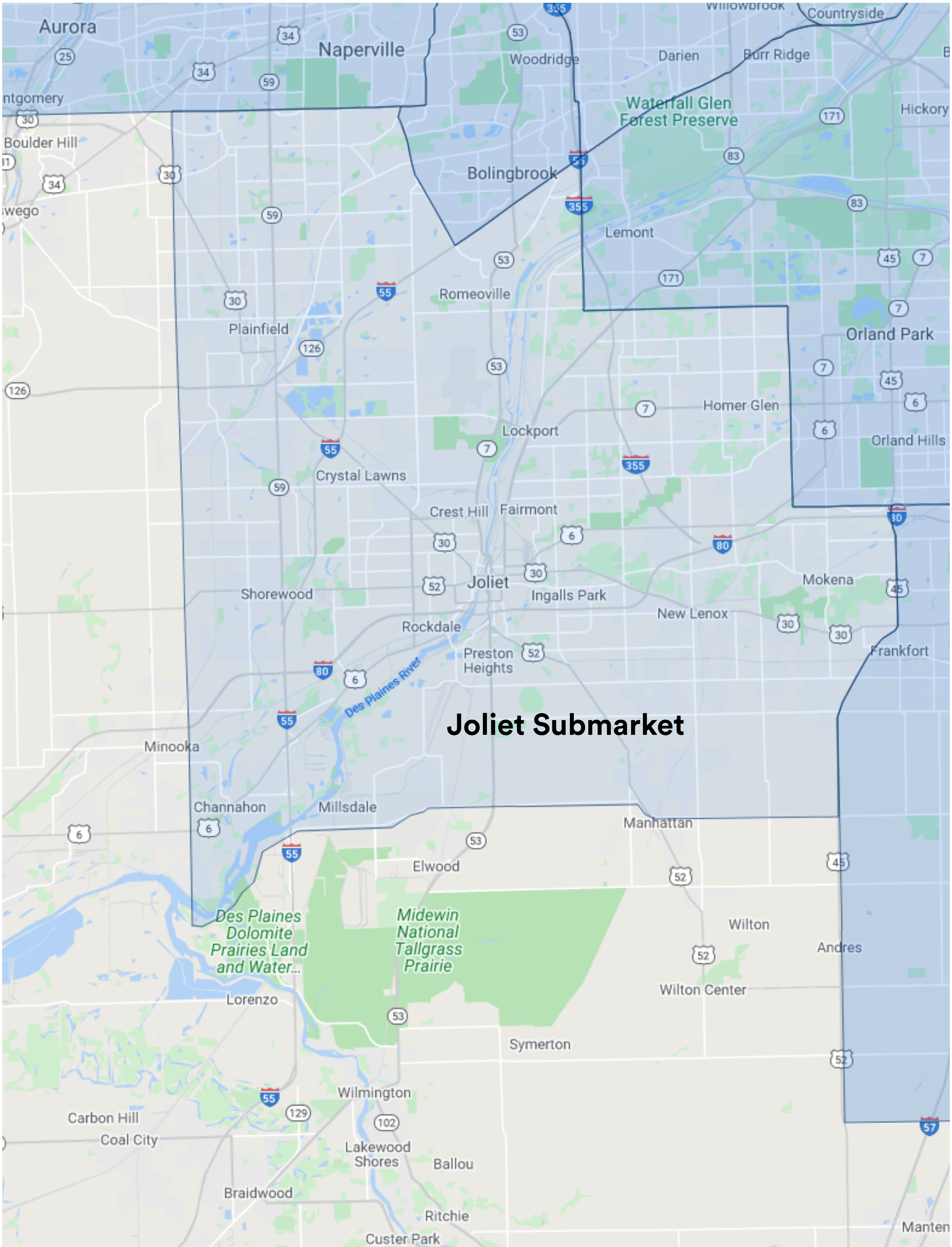
Source: Reis

Rental Market Area (12-Mile Radius from Elwood)



Source: Kretchmer Associates

Joliet Apartment Submarket
(area covered by Reis data)



Sources: Reis, Kretchmer Associates

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Rental Demand

The LUSA's small number of rental units, lack of affordable rental properties, lack of multifamily construction in recent years, and the aging of existing market-rate rental properties demonstrate the need for more rentals at all price points.

The following table shows the potential demand for rental units at all levels over the coming years. We estimate demand for 2,200 rental units between 2019 and 2024 based on the growth in population and the unmet demand due to the low rental share in the Land Use Study Area today.

We conservatively assume that there would be demand for an additional 1,900 units if the rental share increased relatively modestly from the current 18% to 25%. This is the current unmet demand.

We also calculated the potential demand to 2050 based on CMAP's population projection for Will County (1.7% per year). Applying this rate to the 2024 household projection from Esri, results in additional demand between 2025 and 2050 of almost 2,900 rental units, again assuming a 25% share. The total rental demand to 2050 is projected at 5,050 units or 163 per year on average.

While most of this demand will be for market-rate units, a portion will be for affordable units for families and seniors. Assuming affordable demand is 15-20% of the total demand, there is a need for 750-1,000 affordable rental units by 2050.

Local realtors report a need for more rental housing of all types, particularly for workforce housing so that employees can live closer to their jobs at the TDL firms in the area.

There is a need across the price spectrum, for high quality, higher priced rentals, medium-priced rentals, and those for low and moderate-income households.

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Table 19

POTENTIAL RENTAL DEMAND IN THE LAND USE STUDY AREA

	Number	Percent
2019 Households	25,649	
2024 Households	26,856	
Household Change	1,207	4.7%
Average Annual Household Change	241	0.9%
2019 Renter-Occupied Units and Share of Occupied Units	4,514	17.6%
Potential Additional Demand 2019-2024		
2019 Rental Units assuming 25% Renter Share	6,412	25.0%
Unmet Current Rental Demand (Difference in current and 25% share)	1,898	
Additional Rental Demand to 2024 (due to household change and 25% rental share)	302	
2024 Rental Demand (Unmet current and additional due to household change)	2,200	
Potential Additional Demand 2025-2050		
2050 Households (consistent with county's growth at 1.7%/year)	38,270	
Household Change	11,414	42.5%
Rental Demand based on 25% Share of Household Growth	2,853	25.0%
2019-2050		
Total Rental Demand	5,053	
Average Annual Rental Demand	163	
Affordable Rental Demand (15-20%)	750-1,000	15-20%

Source: Kretchmer Associates based on estimates and projections from Esri and CMAP.