KBCADVISORS

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Chicago

ECONOMY

- The US economy continues to see heavy domestic AI infrastructure investment, while concerns over negative wage growth continue to impact consumer spending and have lowered expectations for future Fed rate cuts.
- Estimations of job growth in June were lower than expected following a stronger labor market in Q1. However, a year-over-year (YOY) comparison shows 152,000 more jobs were created in the first half of 2026 compared to the same period in 2025. Future job growth will depend on whether incentives for increased domestic manufacturing investment, among other industries, will result in the creation of new employment opportunities.
- The first five months of 2026 saw factors of growth somewhat offset inflation: higher tax refunds and increased credit card borrowing translated to boosted retail spending from consumers. Tax refunds alone were 18% higher YOY, totaling more than $50B back to consumers' pockets.
- Many retailers spurred on increased retail spending with huge sales incentives in June, including Amazon. The e-commerce giant pushed their annual Prime Day sale from the second week in July to late June, driving up retail sales more than 9% YOY in its four-day sales period.
- With limits to how much consumers can draw down savings or increase spending on credit, income growth will be pivotal to sustained retail sales growth throughout the remainder of the year.

VACANCY

- The Chicago market saw overall positivity in its fundamentals in Q2 2026, including vacancy: the current vacancy rate of 6.2% is below the long-term average of 6.3%.
- Chicago's vacancy rate has fallen 50 basis points (bps) YOY. Quarter-over-quarter (QOQ) vacancy saw no change and similarly almost no material increase in overall inventory in the market, a figure expected to change in the second half of the year with gross construction deliveries anticipated to exceed 2025 by more than 5 million square feet (M SF).
- The overall vacancy rate in Chicago has averaged a quarterly change of no more than 10 bps increase or decrease for the last seven quarters.
- A previous similar streak for Chicago was between Q4 2015 and Q1 2021 – where average quarterly vacancy ranged from 6.8% to 7.1% with no change greater than 10 bps for 22 quarters straight. Logistics inventory grew by 83M SF in the same time period.
- Comparatively, Chicago added more than half of the same amount of inventory in just one year of heavy expansion (48M SF in 2023) and has been able to maintain a vacancy rate close to its long-term average throughout the subsequent years due to consistent tenant demand and despite quarterly fluctuations in net absorption.

TRENDS: LOGISTICS PROPERTIES

	Q2 2025	Q2 2026	Chg YOY
Vacancy	6.7%	6.2%	▼
Net Asking Rent Growth	3.2%	4.6%	▲
Quarterly Net Absorption (SF)	790K	2.5M	▲
Under Construction (SF)	10.1M	14.4M	▲
New Deliveries (SF)	4.5M	3.4M	▼

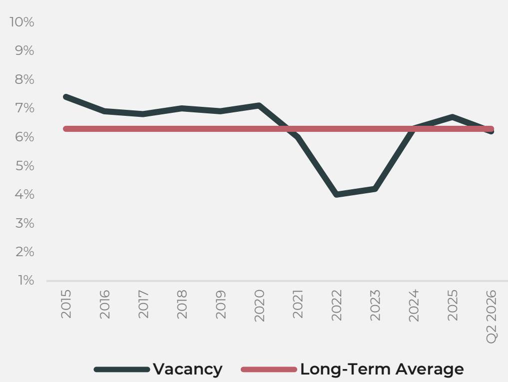
ECONOMIC INDICATORS

	Jun 25	Jun 26	Delta	
National Warehousing Employment (thousands)	1,871	1,850	(1.1%)	▼

	Dec 24	Dec 25	Delta	
Chicago MSA Population	9.45M	9. 62M	1.8%	▲

▶ Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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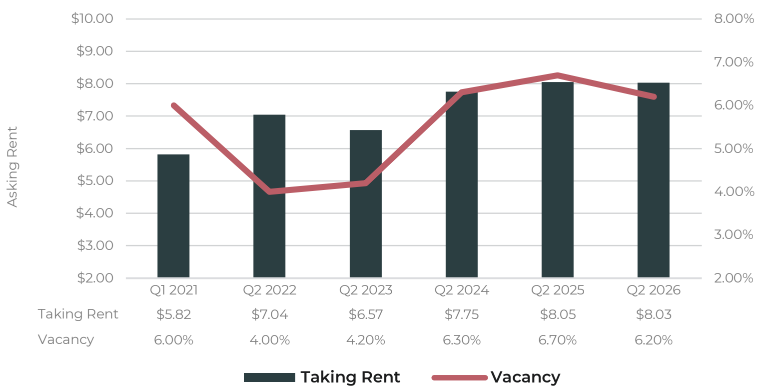
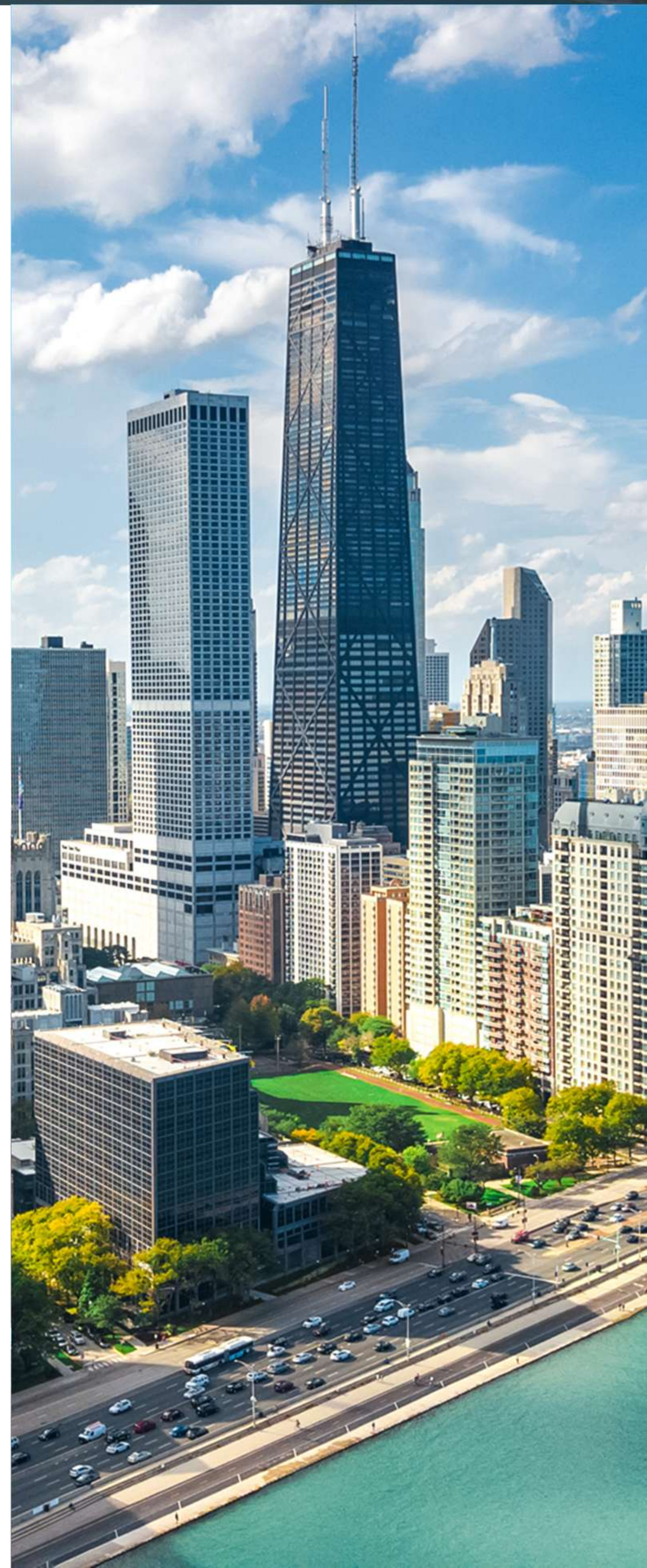
LEASING & ABSORPTION

- Net absorption in Chicago declined QOQ but more than doubled YOY – 2.5M SF compared to 800,000 SF in Q2 2025.
- Trailing 12-month leasing activity has sustained a volume of more than 50M SF for three consecutive quarters, surpassing a near-term high of 47M SF in Q4 2023. As the market successfully balances new inventory with strong tenant demand, leasing activity has also well surpassed new gross deliveries at more than four times the volume for the past three quarters.
- Big box leasing continues to represent a large portion of demand over the past 12 months: 19M SF of transaction activity was in spaces more than 500,000 SF with an average lease size of 900,000 SF (up from an average of 867,000 SF in Q1 2026). This leasing activity makes up nearly 40% of 12-month total leasing volume.
- More than 11.6M SF of new lease activity signed this year has yet to take occupancy and will account for future absorption in 2026 and into 2027.
- Half of this volume, however, is comprised of build-to-suit activity where occupancy dates are moving targets based on completion and delivery of the buildings, and where occupancy timing should have no effect on overall Chicago vacancy.
- Weighted average leasing rates have moderated: from $8.17 per SF (/SF) in Q1 to a current rate of $8.03/SF, with a slight YOY decline from $8.05/SF in Q2 2025. Q1 2026 saw high-water marks at $14.00–16.00/SF, particularly in the Greater O'Hare and North DuPage submarkets, whereas Q2's highest rates were between $12.00–14.00/SF almost exclusively in the Greater O'Hare submarket.
- One outlier is the North Chicago submarket, whose average asking rates are consistently in the mid-teens due to its densely populated location and limited availability of high-quality industrial inventory. The submarket has seen two recent net leases garnering a $21.00/SF lease rate within the last 12 months.

VACANCY & AVERAGE TAKING RENT



*Average taking rent is a 12-month trailing average weighted rent averaged by submarket



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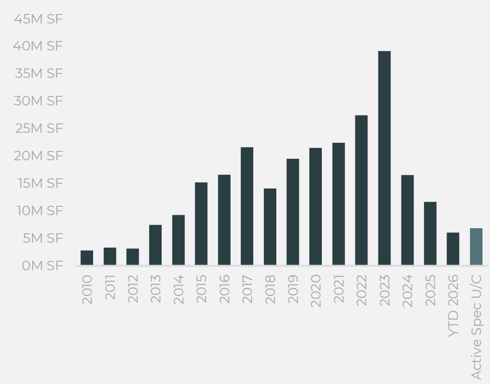
DATA CENTER ACTIVITY

- Illinois has long been a central destination for data center users, though rapid expansion of infrastructure to meet demand for AI uses has elicited concerns from residents regarding increased energy costs and resource utilization, including local freshwater sources.
- In response, Governor J.B. Pritzker effected a halt on new data center tax incentives starting July 1, promising to establish guardrails ensuring future data center growth will balance the needs of both residents and companies. The tax incentive pause will not affect projects already in process.
- In March 2026, Joliet approved entitlements for one of the largest data centers in the country: spanning nearly 800 acres, the Hillwood-Powerhouse joint venture will consist of more than 20 buildings built in multiple phases that will reach an output of more than 1.8 gigawatts – nearly the entire generation capacity of the Hoover Dam. The project is expected to break ground in 2027 with anticipated completion in 2032.

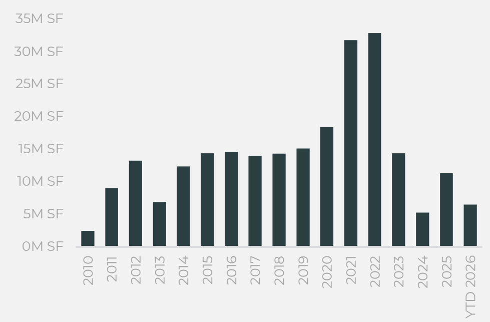
CONSTRUCTION

- Speculative construction experienced a rebound in Q2 following a near-term low of only 26% of total construction volume in Q1. There are currently more than 40 available new facilities underway in the market totaling 6.9M SF, representing nearly half of all active construction (14.4M SF including build-to-suit developments).
- Though demand for big box space is still healthy in Chicago, developers have shifted focus to satisfying the need for midsize, divisible space – as evident in multiple new projects in the market between 100,000 and 500,000 SF. More than three-quarters of groundbreakings in Q2 fell within this size range.
- NorthPoint, Seefried, Mapletree, PRG, Crow Holdings, CRG, Bridge, ML Realty, Brookfield and High Street LP are all underway on midsize developments, with many projects located in infill submarkets such as South Chicago, I-290 Corridor and Greater O'Hare.
- A continuing trend towards midsize development (as opposed to big box or small bay) is found in the growth of average footprint of new speculative facilities QOQ. In Q1, the average space slated to deliver in 2026 was less than 150,000 SF – with small bay projects dominating and a distinct lack of big box space underway. Due to larger groundbreakings in Q2, the average space slated for delivery this year has grown to nearly 260,000 SF.
- The largest groundbreaking of the quarter was another 788,000 SF warehouse by Trammell Crow Company in Plainfield Business Center (I-55 Corridor) – phase two of the park's development following a pre-lease of their initial building of the same size by RJW in Q1.
- Chicago is still enduring a lack of million-square foot speculative construction: the largest available building on the market continues to be the 970,000 SF joint venture by Hillwood & Clarius in University Park (I-57 Corridor) – anticipated to deliver in Q3.

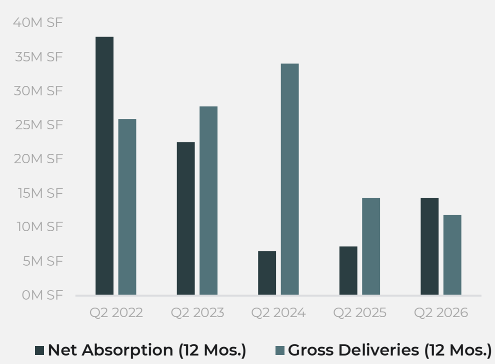
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q2 2026

Submarket Cluster	Total Inventory	Vacancy Rate	Availability Rate*	Q2 2026 Overall Net Absorption	2026 YTD Overall Net Absorption	2026 YTD Leasing Activity	Under Construction	2026 YTD Construction Completions	12 Month Average Taking Net Rent**
Fox Valley	50,165,508	7.8%	11.4%	(222,686)	251,946	561,864	1,383,245	565,210	$6.18
Greater O'Hare	105,945,210	6.3%	11.9%	515,376	(497,399)	2,422,885	1,225,376	1,172,332	$10.01
I-290 Corridor	11,978,788	9.6%	14.1%	(323,233)	(103,459)	40,725	364,102	171,360	$7.76
I-55 Corridor	118,609,170	6.1%	12.0%	73,244	2,237,054	6,327,897	1,162,936	6,834,654	$7.41
I-57 Corridor	59,462,602	4.3%	12.2%	776,650	567,263	1,431,052	970,123	970,123	$6.90
I-80 Corridor	108,795,765	4.7%	6.1%	774,044	1,272,612	3,603,279	3,574,430	3,990,506	$6.36
I-88 Corridor	54,121,244	6.0%	10.6%	(97,036)	(101,448)	2,215,765	102,196	486,840	$8.50
I-90 Corridor	57,730,695	5.8%	9.5%	512,965	(553,565)	1,098,677	1,965,500	2,061,138	$7.61
Lake County	54,028,869	6.3%	8.4%	(114,376)	(128,866)	397,002	-	-	$7.08
McHenry County	16,014,984	2.4%	4.2%	10,227	(85,020)	138,059	40,000	222,400	$7.20
North Chicago	32,419,286	9.8%	13.0%	(758)	(86,210)	132,541	-	135,186	$7.55
North Cook	29,523,009	10.1%	11.6%	105,790	290,278	93,721	-	703,040	$17.75
North DuPage	57,896,183	3.9%	8.6%	127,795	(734,281)	1,100,613	367,842	243,915	$6.76
Northwest Indiana	38,842,563	4.4%	7.5%	(140,763)	16,775	139,714	2,519,214	3,590,944	$8.87
South Chicago	58,853,994	7.4%	12.4%	77,147	80,851	55,420	568,689	361,800	$6.37
Southeast Wisconsin	43,114,756	9.8%	12.0%	392,441	842,100	1,651,536	200,000	975,576	$6.13
Total Chicago	**897,502,626**	**6.2%**	**10.3%**	**2,466,827**	**3,268,631**	**21,410,750**	**14,443,653**	**6,028,885**	**$8.03**

Data compiled in this report is reflective of warehouse/distribution product only, excluding flex and specialty properties and those under 20,000 SF. Absorption is defined as space availability removal at tenant occupancy as opposed to removal of availability at transaction date. Data may differ from national statistical figures produced by KBC.
*Availability rate is calculated as all space currently being marketed as available, including occupied and sublease space, as a percentage of total inventory.
**Rents presented are 12-month (trailing) weighted averages by submarket and are not representative of quarterly or asking rents.

SIGNIFICANT LEASE TRANSACTIONS Q2 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
Cherry Hill, 21533 South Cherry Hill Road, Joliet	I-80 Corridor	Kehe	1,195,560	New Lease
1120-1140 Remington Boulevard, Boligbrook	I-55 Corridor	Distribution 2000	453,568	New Lease
971-991 Supreme Drive, Bensenville	Greater O'Hare	STG Logistics	260,338	Sublease
10 North Mitchell Avenue, Addison	North DuPage	Amcor Rigid Plastics	257,974	Renewal

TOP SPECULATIVE CONSTRUCTION Q2 2026

Property Address	Submarket	Developer	Square Feet	Est. Completion Date
University Park Logistics Center, 5258 University Pky, University Park	I-57 Corridor	Hillwood/Clarius Partners	970,123	Q3 2026
Plainfield Business Center Building 2, 26220 West 143rd Street, Plainfield	I-55 Corridor	Trammell Crow Company	788,000	Q1 2027
90 & Randall Logistics Park, Building 4, Algonquin	I-90 Corridor	NorthPoint Development	428,900	Q4 2026
1368 Poorman Parkway, West Chicago	Fox Valley	PRG	400,125	Q1 2027

KBCADVISORS

Ryan O'Leary
+1 630 781 7908
ryan.oleary@kbcadvisors.com

Jeff Fischer
+1 630 992 3108
jeff.fischer@kbcadvisors.com

Todd Steffen
+1 470 865 9298
todd.steffen@kbcadvisors.com

Matt LeFevere
+1 319 560 2182
matt.lefevere@kbcadvisors.com

Sam Ridenour
+1 704 451 3078
sam.ridenour@kbcadvisors.com

Michael Conway
+1 815 529 7100
michael.conway@kbcadvisors.com

Jonathan Postweiler
+1 224 244 0710
jonathan.postweiler@kbcadvisors.com

Brandon Waters
+1 847 370 0733
brandon.waters@kbcadvisors.com

Rick Lindstrom
+1 847 778 2024
rick.lindstrom@kbcadvisors.com

Ben Scherer
+1 612 356 6464
ben.scherer@kbcadvisors.com

Emily Siegenthaler
+1 312 860 5509
emily.siegenthaler@kbcadvisors.com

Barrett Stephan
+1 847 471 7373
barrett.stephan@kbcadvisors.com

Chicago Office
2 Mid America Plaza,
Suite 1050
Oakbrook Terrace, IL 60181

Michelle Emperor
Market Researcher
+1 847 489 5571
michelle.emperor@kbcadvisors.com

Kaily Fox
+1 708 870 1184
kaily.fox@kbcadvisors.com