

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Chicago

ECONOMY

- » The Fed's September meeting culminated in its first cut of the year, bringing the funds rate to 4.0-4.25%. The move was cited as "risk management" following a weakening job market, hoping to bolster consumers and businesses by reducing borrowing costs, encouraging spending and supporting hiring efforts.
- » Further rate cuts could be on the horizon as the Fed meets in October, obscured by a lack of key data missing due to the ongoing government shutdown. Although reports on employment may be delayed, the Fed will be looking for opportunities for economic stimulus as consumer spending and business confidence takes a dip.
- » The near-term economic outlook is contingent on the impact of tariffs on company margins and potential related hiring impacts, as well as retail sales, a key industrial demand driver.
- » The seasonally adjusted retail inventories-to-sales ratio remains low compared to long-term trends. Once lower-tariffed inventory is exhausted by retailers, companies will need to decide whether to reduce in-house expenses to absorb additional taxation or pass on costs to consumers.
- » A longer-term economic outlook will depend on how businesses take advantage of lower borrowing costs and government-offered incentives to increase domestic production in the U.S.
- » The Supreme Court has fast-tracked its review of the legality of "Liberation Day" tariffs, which questions whether the power to levy such tariffs lies with Congress rather than the Executive branch. An overturning of the policies under review could provide relief to businesses and consumers, who have been anticipating the rising cost of imported goods.

VACANCY

- » The Chicago industrial market remains stable in terms of vacancy, with no more than 50 basis points (bps) of quarter-over-quarter (QOQ) change in the last 24 months.
- » Vacancy decreased QOQ for the first time in a year, closing Q3 2025 at 6.5% - 30 bps above the long-term average of 6.2%. Year-over-year (YOY) vacancy has risen 30 bps.
- » The reduction in vacant space was aided by the absorption of multiple big-box facilities in the I-80 and I-57 bulk submarkets: first generation spaces that have been vacant and available since delivering in 2023. Tenants moved into more than 2.5 million square feet (M SF) of vacant space in these submarkets in Q3.
- » While vacancy declined minimally QOQ for Chicago at large, recent absorption has led to material vacancy decline in some of Chicago's bulk markets such as I-80 Corridor (-270 bps QOQ) and SE Wisconsin (-370 bps QOQ) - indicative of positive near-term vacancy trends.

TRENDS: LOGISTICS PROPERTIES

| | Q3 2024 | Q3 2025 | Chg YOY |
|-------------------------------|---------|---------|---------|
| Vacancy | 6.2% | 6.5% | ▲ |
| Net Asking Rent Growth | 3.4% | 2.7% | ▼ |
| Quarterly Net Absorption (SF) | 3.3M | 1.6M | ▼ |
| Under Construction (SF) | 8.2M | 12.7M | ▲ |
| New Deliveries (SF) | 4.5M | 1.0M | ▼ |

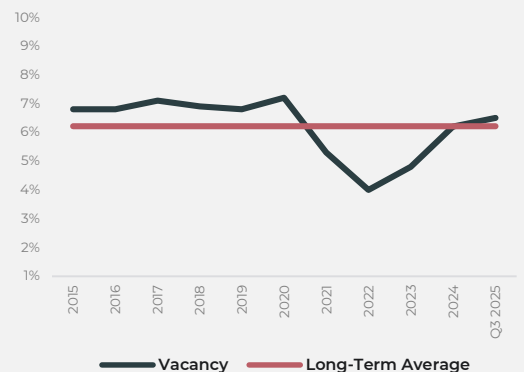
ECONOMIC INDICATORS

| | Aug 24 | Aug 25 | Delta |
|---|--------|--------|----------|
| National Warehousing Employment (thousands) | 1,856 | 1,829 | (1.5%) ▼ |

| | July 23 | July 24 | Delta |
|------------------------|---------|---------|--------|
| Chicago MSA Population | 9.34M | 9.40M | 0.6% ▲ |

► Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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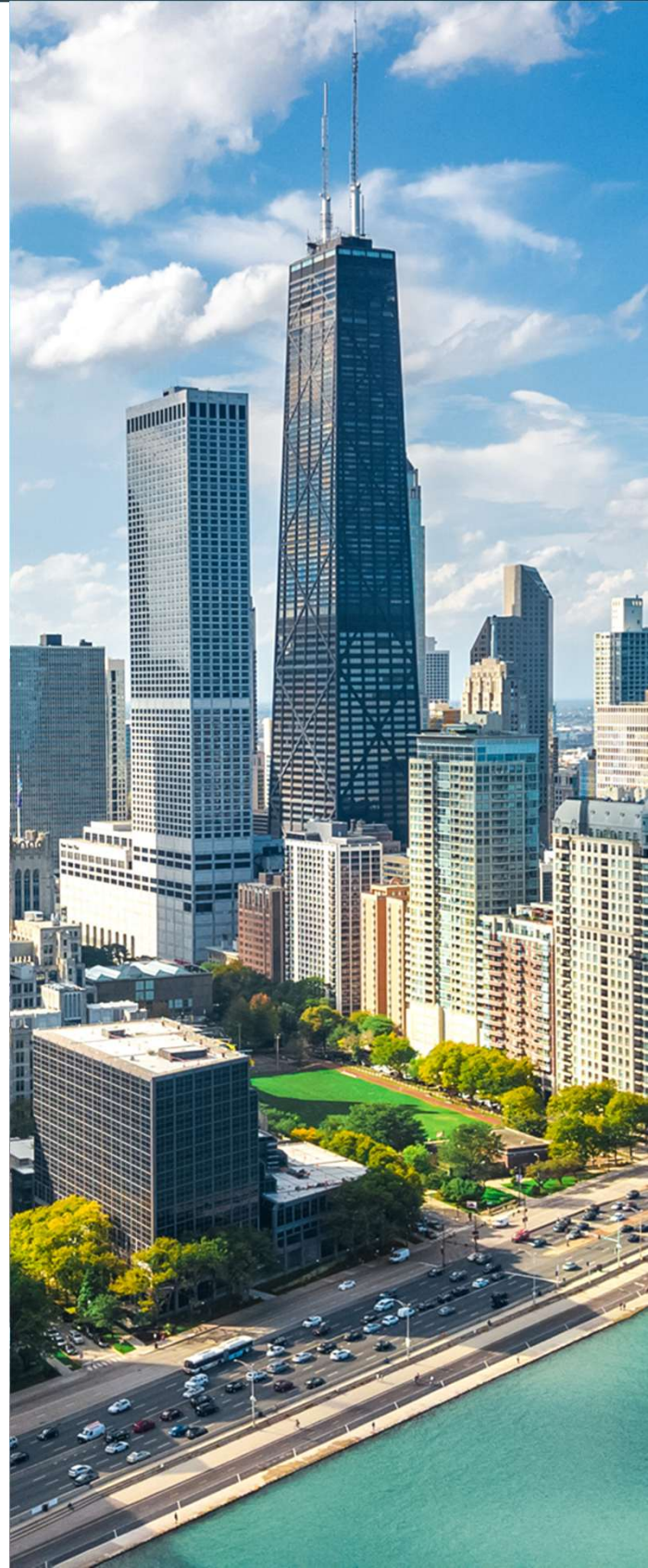
Chicago

NET ABSORPTION

- » Chicago saw 1.6M SF of positive net absorption in Q3, bringing the year-to-date (YTD) total to 4M SF.
- » More than 3M SF of new leases inked in Q3 have yet to commence – translating to future absorption in Q4 or Q1 2026.
- » Low absorption is offset by the slowdown in speculative deliveries YTD; tenants are choosing from a much larger pool of existing vacant facilities when compared to facilities under construction.
- » A softening in demand is not unique to the Chicago market, as national absorption rates have experienced significant post-pandemic moderation. National absorption declined 47.7% YOY in Q3 while Chicago trails at a 46% decrease YOY. A Q3 uptick in QOQ national net absorption SF is tempered by extremely low Q2 2025 numbers, when national net absorption was at its lowest since 2010.
- » Chicago absorption has followed that national trend, on the rise in Q2 and Q3 2025 after hitting negative net absorption in Q4 2024 and Q1 2025 (-473,000 SF and -1.8M SF, respectively).
- » Demand remains heavily influenced by shifting political and economic policies as businesses contend with changing tariff policy, employment concerns and stubborn inflation rates.

LOGISTICS LEADERS

- » 3PL/E-commerce users continue to take down large amounts of available space in the Chicago market, dominating YTD leasing activity.
- » RJW Logistics Group has moved into nearly 3M SF of space in Chicago in 2025, effectively doubling their footprint in the market to over 7M SF in the I-55 and I-80 Corridor submarkets.
- » CJ Logistics is nearing completion on the market’s second-largest build-to-suit (BTS) development (behind Walmart’s specialized distribution center in Belvidere): 1.1M SF in Elwood. slated to deliver in Q4.



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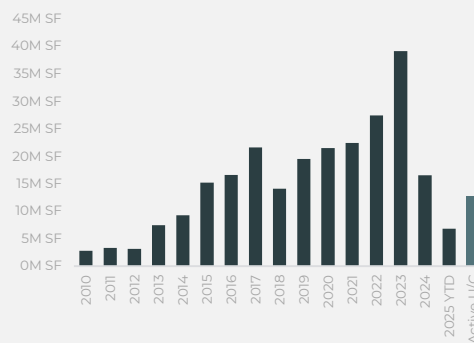
SUBLEASING

- » After nearly doubling between 2023 and 2024, Chicago sublease inventory declined YOY from 14.5M SF in Q3 2024 to 13.7M SF in Q3 2025.
- » A negligible amount of space was added QOQ, only 103,000 SF more than in Q2 2025.
- » Sublease transactions have averaged 650,000 SF quarterly in 2025, for a total of 2M SF sublease transactions YTD.
- » The total amount of sublease inventory remains high compared to the long-term average of 5.6M SF. However, it represents a small portion of total logistics space at only 1.5% of total market inventory and a relatively stable portion of leasing activity YTD in 2025.

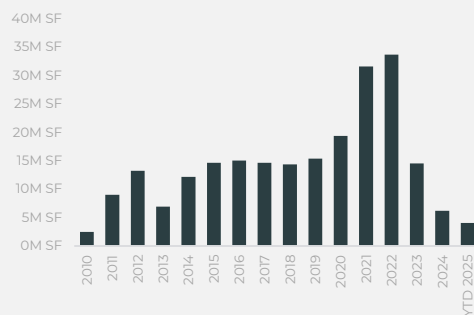
CONSTRUCTION

- » Construction volume in Chicago rose for the second consecutive quarter, increasing from 10M SF in Q2 to 12.7M SF in Q3. YOY construction volume is also up more than 50%. Construction levels in Q3 2024 marked a five-year low for the Chicago market, further accentuating this quarter's elevated numbers.
- » Two-thirds of construction commencements in Q3 were speculative, allowing speculative space to maintain its lead over BTS/pre-leased construction in Chicago for the second consecutive quarter.
- » BTS construction volume represented about half of the quarter's deliveries (500,000 SF). Looking forward, Chicago should have a proportionally higher volume of speculative space slated to deliver in the next six months (5.7M SF of speculative space compared to 3.3M SF of BTS space).
- » Developers are showing continued confidence in the strength of demand in Chicago, with another big box groundbreaking in Q3: Hillwood & Clarius's joint venture 970,000 SF warehouse in University Park.
- » Chicago experienced a period of low speculative starts, with no large big-box projects commencing between Q3 2023 and Q3 2024. There has been a large groundbreaking nearly ever subsequent quarter; while not matching the velocity of the previous burst of construction in 2020-2022, the steady supply of big-box saves the market from a drought of new bulk options going into 2026.
- » The I-55 Corridor leads the market in terms of construction volume with 3.4M SF underway, followed by the I-80 Corridor submarket with 2.2M SF of active construction.
- » Though the recent Fed rate cut may translate to lower debt costs for developers looking to build, there is not a consistent correlation between historical rate cuts by the Fed and national construction volume. A better indicator of whether developers will invest in Chicago would be continued stability in vacancy and a strengthening outlook for tenant demand into 2026.

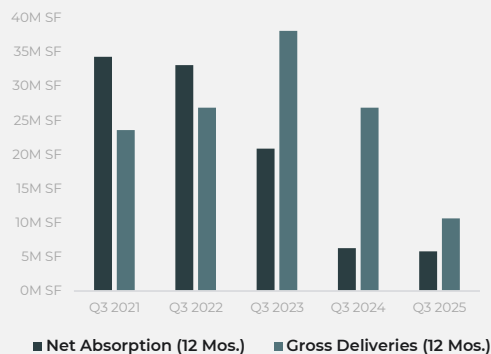
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q3 2025

| Submarket Cluster | Total Inventory | Vacancy Rate | Availability Rate* | Q3 2025 Overall Net Absorption | 2025 YTD Overall Net Absorption | 2025 YTD New Leasing Activity | Under Construction | 2025 YTD Construction Completions | Q3 Average Net Rent |
|----------------------|--------------------|--------------|--------------------|--------------------------------|---------------------------------|-------------------------------|--------------------|-----------------------------------|---------------------|
| Fox Valley | 48,564,156 | 6.7% | 9.0% | 108,342 | 677,478 | 1,341,810 | 566,210 | 1,071,722 | \$6.75 |
| Greater O'Hare | 109,484,115 | 7.2% | 11.4% | (407,813) | (904,030) | 4,717,575 | 282,470 | 538,419 | \$10.18 |
| I-290 Corridor | 11,277,190 | 7.3% | 15.4% | (45,427) | (44,791) | 20,000 | - | - | \$11.95 |
| I-55 Corridor | 117,795,388 | 6.1% | 12.4% | (167,664) | (1,283,824) | 6,446,709 | 3,431,054 | 537,391 | \$8.36 |
| I-57 Corridor | 59,265,047 | 6.0% | 7.8% | 1,021,288 | 719,410 | 1,811,056 | 1,070,123 | 410,019 | \$7.43 |
| I-80 Corridor | 107,490,258 | 7.0% | 8.7% | 836,878 | 1,307,401 | 5,808,017 | 2,224,995 | 439,239 | \$7.40 |
| I-88 Corridor | 51,131,064 | 3.3% | 11.3% | (463,337) | 817,815 | 4,157,082 | 139,542 | 450,778 | \$7.05 |
| I-90 Corridor | 57,651,613 | 6.5% | 7.7% | 133,167 | 794,849 | 2,241,890 | 1,995,358 | 713,928 | \$8.45 |
| Lake County | 53,993,271 | 6.4% | 8.9% | (204,756) | 719,427 | 935,023 | 430,141 | 323,978 | \$7.22 |
| McHenry County | 15,718,679 | 2.3% | 2.6% | 80,439 | 128,376 | - | 131,200 | - | \$6.06 |
| North Chicago | 33,134,705 | 10.9% | 13.7% | (7,235) | (450,911) | 55,490 | 67,593 | - | \$7.45 |
| North Cook | 29,234,752 | 9.9% | 9.8% | (83,619) | (490,601) | 1,232,780 | 726,556 | - | \$7.97 |
| North DuPage | 57,390,967 | 2.7% | 5.5% | (96,684) | 400,584 | 1,940,772 | - | 31,510 | \$10.18 |
| Northwest Indiana | 38,101,477 | 4.4% | 7.4% | 461,070 | 859,578 | 597,013 | 1,020,649 | 1,142,211 | \$6.17 |
| South Chicago | 58,867,380 | 6.5% | 11.2% | (366,652) | (554,303) | 1,424,435 | 440,269 | 269,287 | \$9.97 |
| Southeast Wisconsin | 44,167,507 | 12.3% | 15.5% | 781,478 | 1,137,317 | 3,171,071 | 200,000 | 964,565 | \$6.19 |
| Total Chicago | 893,267,569 | 6.5% | 9.9% | 1,579,475 | 3,833,775 | 35,900,723 | 12,726,160 | 6,893,047 | \$8.05 |

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.

SIGNIFICANT LEASE TRANSACTIONS Q3 2025

| Property Address | Submarket | Tenant | Square Feet | Lease Type |
|--|---------------|-----------------|-------------|------------|
| Matte57, 21500 Gateway Drive, Matteson | I-57 Corridor | Peopleworks | 757,504 | New Lease |
| 800 Bilter Road, Aurora | I-88 Corridor | DSV Air & Sea | 592,539 | Renewal |
| 775 Veterans Parkway, Bolingbrook | I-55 Corridor | Amazon | 573,752 | New Lease |
| 437-515 Tower Boulevard, Carol Stream | North DuPage | Owens and Minor | 514,403 | Renewal |

TOP SPECULATIVE CONSTRUCTION Q3 2025

| 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 | Q4 2026 |
| Cherry Hill Business Park # 21, New Lenox | I-80 Corridor | Affinius/Northern Bldrs | 802,440 | Q4 2025 |
| Plainfield Business Center, 143 rd & Steiner, Plainfield | I-55 Corridor | Trammell Crow Company | 788,000 | Q4 2025 |
| 251 South Pinnacle Drive, Romeoville | I-55 Corridor | Dermody Partners | 460,426 | Q1 2026 |



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