

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

# Chicago

## ECONOMY

- » The U.S. economy entered 2026 with meaningful tailwinds to growth including expanded business investment tax incentives, larger personal tax refunds, significant AI related business investment, and investor optimism related to reshoring the manufacturing base.
- » While wage growth has been moderating following a slowdown in inflation, Q1's average monthly employment growth increased to nearly 70,000, up from 20,000 year-over-year (YOY). The healthcare sector has consistently seen the largest growth over the last 12 months.
- » Future economic growth depends on multiple factors including job growth, sustained AI investment, and increased domestic investment in other sectors. Additional factors include trade and fiscal policy, favorable financial market conditions and future stability in the Strait of Hormuz.
- » January and February saw a meaningful increase in retail sales growth rates on the heels of a slower-than-normal holiday season. Retail inventory to sales ratio has stabilized over the last year, with only 10-20 basis points (bps) of change month-to-month (MTM) since Q1 2025. Despite some volatility in inflation and consumer confidence in that period, a consistent ratio suggests businesses are efficiently managing inventory turnover, striking a healthy balance with consumer demand.

## VACANCY

- » For the first time since 2022, national industrial vacancy remained flat quarter-over-quarter (QOQ) at 7.9%. Chicago vacancy declined 12 bps QOQ and stayed flat YOY at 6.2%.
- » Chicago has now experienced four consecutive quarters of positive net absorption coupled with restrained new supply, both of which have contributed to the market's consistent vacancy rates.
- » For the second consecutive quarter, a majority of Chicago submarkets saw little to no change in vacancy, with the greatest increase taking place in the I-90 submarket from 5.6% to 6.6% QOQ: five vacancies in multi-tenant buildings totaling approximately 577,000 square feet (SF).
- » Some submarkets, such as North Chicago and North Cook, are experiencing higher vacancy than their long-term averages: both above 10% vacant in Q1 with a median vacant building age of 50-60 years.
- » The North and South Chicago, I-290 Corridor, and North Cook submarkets all have an average available building age of at least 45 years and have averaged 220 bps higher vacancy rates than the overall market over the last 12 months.
- » These four submarkets also averaged less than 0.2% leasing as a percent of inventory, compared to 1.4% for the remaining Chicago submarkets - perhaps signaling a flight to newer, more modern space for today's tenants.

## TRENDS: LOGISTICS PROPERTIES

	Q1 2025	Q1 2026	Chg YOY
Vacancy	6.2%	6.2%	▬
Net Asking Rent Growth	3.4%	4.9%	▲
Quarterly Net Absorption (SF)	2.4M	3.3M	▲
Under Construction (SF)	9.1M	13.8M	▲
New Deliveries (SF)	1.4M	2.7M	▲

## ECONOMIC INDICATORS

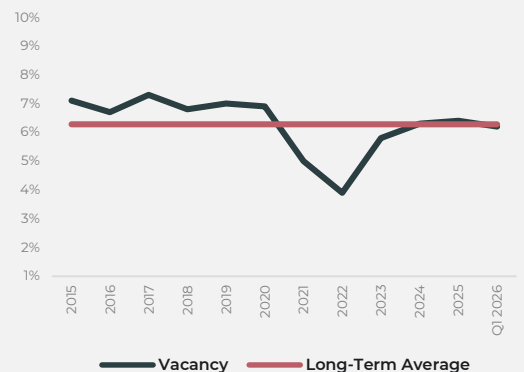
	Mar 25	Mar 26	Delta
National Warehousing Employment (thousands)	1,880	1,830	(2.7%) ▼

	Dec 24	Dec 25	Delta
Chicago MSA Population	9.45M	9.62M	1.8% ▲

► Increases / Decreases YOY

## VACANCY VS. LONG-TERM AVERAGE

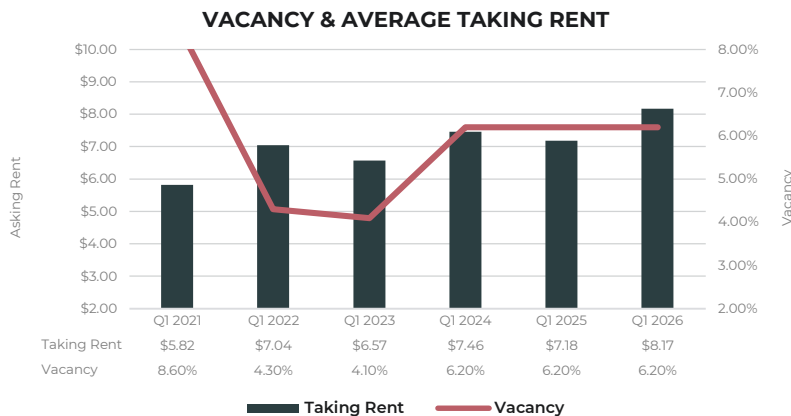


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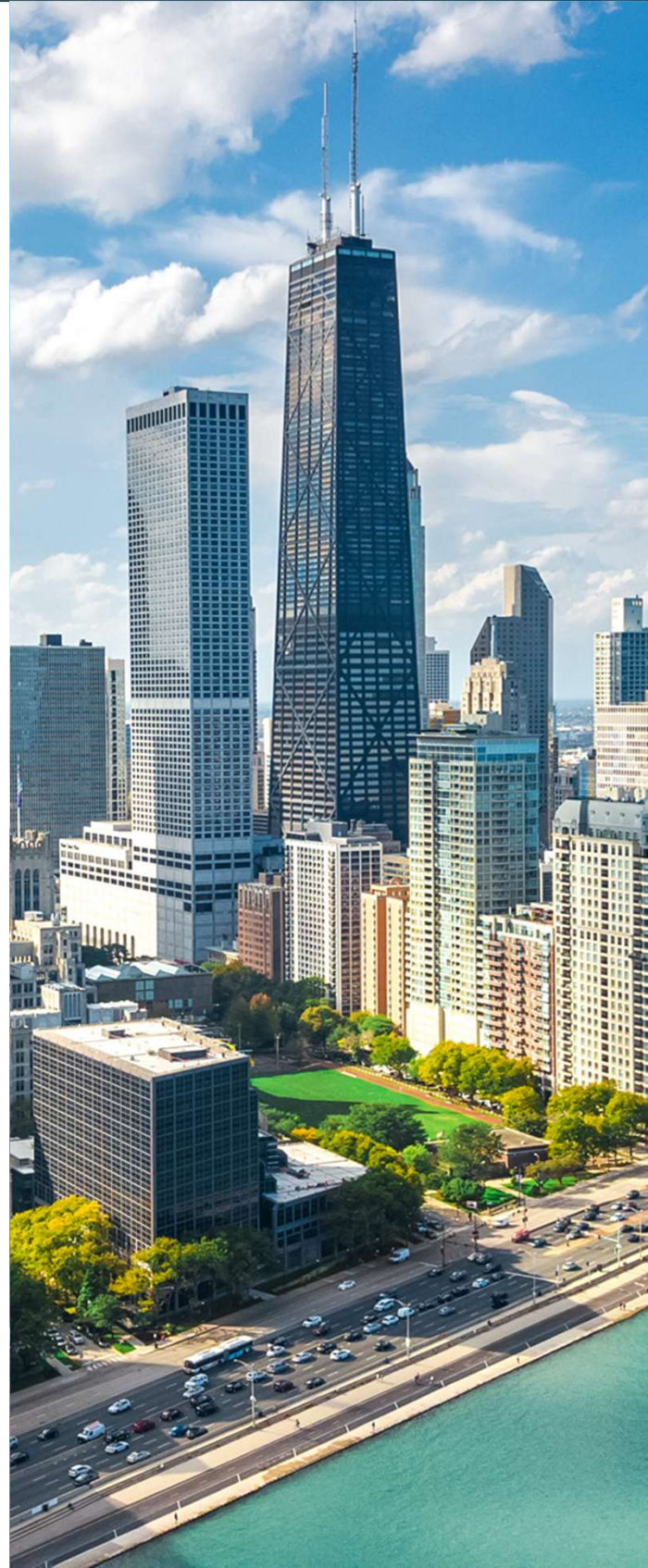
# Chicago

## NET ABSORPTION

- » Chicago’s net absorption for Q1 2026 was 3.3 million (M) SF, down from 7M SF in Q4 2025 but still the second strongest quarter of absorption for the market since 2024.
- » Two of Chicago’s largest speculative developments were both leased and absorbed in Q1: 992,000 SF in Bridge Point McCook by Crane Worldwide Logistics and 788,000 SF in Plainfield Business Center by RJW. The absorption of these spaces combined represents a vacancy decline of 150 bps in the I-55 Corridor.
- » After a strong leasing start to the year, new leases signed since the beginning of the year will add an additional 7M SF of future absorption in bulk space alone. There have been eight leases of at least 500,000 SF executed year-to-date (YTD), primarily in big box submarkets: I-80, I-55, I-57 and I-88 Corridors. These large leases represented more than two-thirds of the quarter’s total leasing activity.
- » National demand has surpassed the current supply pipeline, despite occupiers still contending with geopolitical and economic uncertainty. Chicago tenant demand similarly surpassed new supply in Q4 2025, and 2026 has begun with strong leasing almost four times the volume of speculative construction underway.
- » Big box leasing (over 500,000 SF) has rebounded over the last year: 21M SF of leases have been signed with an average transaction size of 867,000 SF. The previous 12 months saw less than 15M SF of transactions in this size range, with an average transaction size of less than 790,000 SF.
- » Current available supply in this bulk size range is approximately 20M SF in Chicago, including both existing and under construction space.
- » Large tenants are consistently being drawn to the Chicago market for its interstate, rail, and air transportation infrastructure. Additionally, Chicago’s access to available labor and geographically central location allow businesses to meet staffing needs and reach the majority of the country within a two-day drive.



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



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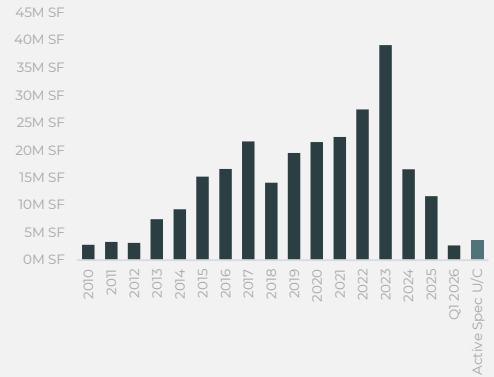
## SUBLEASING

- » Chicago sublease inventory declined QOQ and by more than 1M SF YOY, from 10.8M SF at the beginning of 2025 to 9.7M SF currently available. Sublease space hit an all-time high volume at 11.7M SF available in Q3 2024. The long-term average for sublease inventory in Chicago is 5.6M SF.
- » Subleasing activity doubled QOQ, with more than 700,000 SF of leases signed compared to less than 300,000 SF in Q4 2025. Subleases were executed throughout Greater Chicago as compared to Q4 2025, when most subleases were clustered in infill submarkets, including Greater O'Hare and North DuPage.
- » Contributing to the lower volume of sublease inventory is a recent direct lease by Hyundai at 3835 Youngs Road, Joliet in the I-80 Corridor. The former Lion Electric building was one of the largest available spaces in Chicago and was being marketed for sublease before the new tenant signed a direct lease.

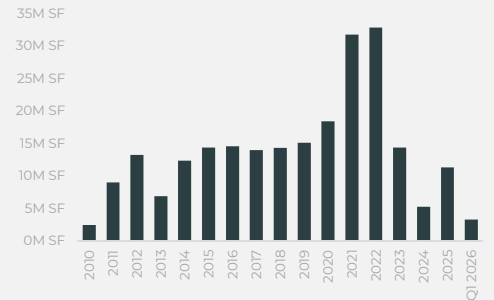
## CONSTRUCTION

- » The speculative construction pipeline in Chicago continued to shrink as build-to-suit (BTS) developments reached a current cycle high in Q1, comprising nearly 75% of all space under construction compared to less than 60% in Q1 2025.
- » Of the 13.8M SF of active projects, more than 10M SF are BTS or pre-leased space – including five buildings of more than 1.1M SF in bulk submarkets: I-80, I-90, I-55 Corridors and NW Indiana.
- » Chicago will likely remain dominated by BTS projects for at least another quarter. Many developments predicted to break ground in the spring and summer months will be within a smaller size range compared to the big box buildings currently underway.
- » Only 3.6M SF of active construction is available for lease, the largest of which is 970,123 SF in University Park, a joint development by Hillwood and Clarius expected to deliver this summer.
- » The average size of the remaining available spaces slated for delivery in 2026 is less than 150,000 SF, whereas the average Q1 2026 lease transaction was 175,000 SF.
- » The previous two years' average space and lease size were separated by a larger delta: about 85,000 SF in 2025 and 125,000 SF in 2024. While demand in certain size ranges is caused by a multitude of factors and can vary widely, the current pipeline seems well positioned to capture the size of tenants that are currently transacting in the market.
- » Furthermore, the restricted supply of new speculative construction in the market has positively impacted absorption by limiting the amount of newly delivered space in direct competition with existing product. This trend is predicted to continue throughout 2026.

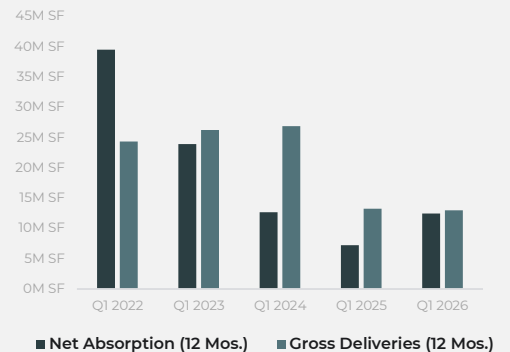
## NEW SUPPLY



## NET ABSORPTION



## SUPPLY & DEMAND



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## MARKET SUMMARY Q1 2026

Submarket Cluster	Total Inventory	Vacancy Rate	Availability Rate*	Q1 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	49,843,538	7.0%	9.4%	251,946	251,946	219,621	565,210	-	\$6.70
Greater O'Hare	107,543,657	6.9%	12.0%	(497,399)	(497,399)	1,222,676	409,996	348,070	\$10.08
I-290 Corridor	11,301,654	6.9%	15.1%	(103,459)	(103,459)	-	85,680	-	\$9.57
I-55 Corridor	118,411,064	5.8%	11.8%	2,237,054	2,237,054	4,044,238	2,543,297	1,037,345	\$8.01
I-57 Corridor	59,183,446	3.8%	11.8%	567,263	567,263	1,310,052	970,123	-	\$7.81
I-80 Corridor	108,340,309	5.4%	6.7%	1,272,612	1,272,612	1,842,204	3,695,506	-	\$7.43
I-88 Corridor	52,863,633	5.0%	8.3%	(101,448)	(101,448)	1,893,530	294,518	-	\$7.52
I-90 Corridor	57,438,843	6.6%	8.5%	(553,565)	(553,565)	681,517	1,567,600	181,269	\$8.73
Lake County	54,654,840	6.5%	7.8%	(128,866)	(128,866)	283,137	-	-	\$7.01
McHenry County	15,903,807	2.4%	4.5%	(85,020)	(85,020)	24,939	76,200	55,000	\$6.42
North Chicago	32,963,406	10.0%	13.3%	(86,210)	(86,210)	34,406	67,593	-	\$10.55
North Cook	29,675,437	10.3%	11.0%	290,278	290,278	41,790	-	351,520	\$9.20
North DuPage	57,349,037	3.4%	8.2%	(734,281)	(734,281)	408,764	243,915	-	\$9.47
Northwest Indiana	38,798,790	4.1%	7.2%	16,775	16,775	89,540	2,543,214	501,395	\$7.31
South Chicago	58,773,643	7.1%	11.5%	80,851	80,851	42,148	-	180,900	\$8.59
Southeast Wisconsin	43,468,701	10.2%	12.7%	842,100	842,100	569,434	737,788	-	\$6.28
<b>Total Chicago</b>	<b>896,513,805</b>	<b>6.2%</b>	<b>9.9%</b>	<b>3,268,631</b>	<b>3,268,631</b>	<b>12,707,996</b>	<b>13,800,640</b>	<b>2,655,499</b>	<b>\$8.17</b>

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 Q1 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
2200 Channahon Road, Rockdale	I-80 Corridor	Hyundai Translead	1,380,070	New Lease
Karis Park West, Orchard Road, Montgomery	I-88 Corridor	RJW	1,200,000	Build to Suit
Bridge Point McCook, 9130 West 55 <sup>th</sup> Street, McCook	I-55 Corridor	Crane Worldwide Logistics	992,151	New Lease
3835 Youngs Road, Joliet	I-80 Corridor	Hyundai Translead	906,517	New Lease

## TOP SPECULATIVE CONSTRUCTION Q1 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	Q4 2026
17025 Davey Road, Woodridge	I-55 Corridor	Panattoni	326,630	Q3 2026
3600 Houbolt Road, Joliet	I-80 Corridor	Mapletree	312,306	Q3 2026
2300 Warrenville Road, Downers Grove	North DuPage	Bridge Industrial	243,915	Q3 2026



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