

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Chicago

ECONOMY

- » In an effort to provide a more favorable rate environment for businesses and consumers, the Fed reduced the federal funds rate by 25 basis points (bps) in December. This brings the rate to 3.5%-3.75% following two previous cuts in September and October.
- » Gross domestic product (GDP) accelerated in the second half of 2025, driven by services spending, AI investment and a rebound in durable goods spending.
- » Early fourth quarter retail sales showed improvement over weaker third quarter sales, despite threat of inflation and costs passed on through changing tariff policy.
- » Looking to 2026, business investment tax incentives will give companies the boost they need to increase domestic investment. Consumers also benefit from larger personal tax refunds, which is predicted to increase consumer spending.
- » Realizing significant economic benefits from these tax incentives will depend on corporate confidence in the economy, financial markets, and policy environment as well as consumers' capacity to spend versus save.

VACANCY

- » Chicago industrial market vacancy ended the year right where it began – at 6.3%. The market has maintained vacancy between 6.2-6.3% for six out of the last eight quarters, exactly in line with the long-term average.
- » Year-over-year (YOY) vacancy was only 10 bps higher – a nominal change considering overall market inventory has grown 0.75% in the same time frame.
- » Comparably, national vacancy has held at 7.9% for the last six months.
- » Two-thirds of Chicago submarkets saw vacancy either hold or decline quarter-over-quarter (QOQ), with an average change of -24 bps.
- » The I-57 Corridor submarket saw the greatest decline of 200 bps QOQ in Q4 2025, dropping from 6% to 4% vacancy – largely aided by the absorption of 757,000 square feet (SF) leased by Peopleworks in Matteson (owned by Crow Holdings). This was also the largest lease for the submarket in 2025.
- » Severe vacancy swings have become less likely in Chicago due to moderation in speculative development as well as healthy absorption of existing product, particularly in the big box sectors of the market.
- » Restrained construction throughout 2025 allowed tenants to absorb most of the bulk speculative space that has delivered since 2023, with the vast majority of new construction over 750,000 SF left clustered in the SE Wisconsin submarket.

TRENDS: LOGISTICS PROPERTIES

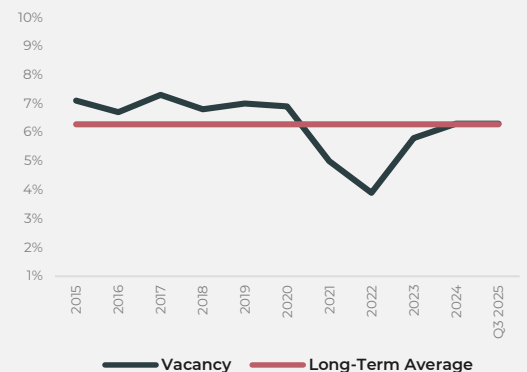
	Q4 2024	Q4 2025	Chg YOY
Vacancy	6.3%	6.3%	=
Net Asking Rent Growth	3.3%	4.6%	▲
Quarterly Net Absorption (SF)	(900k)	6.9M	▲
Under Construction (SF)	9.7M	10.7M	▲
New Deliveries (SF)	3.8M	4.5M	▲

ECONOMIC INDICATORS

	Dec 24	Dec 25	Delta
National Warehousing Employment (thousands)	1,890	1,837	(2.8%) ▼
Chicago MSA Population	9.45M	9.62M	01.8% ▲

► Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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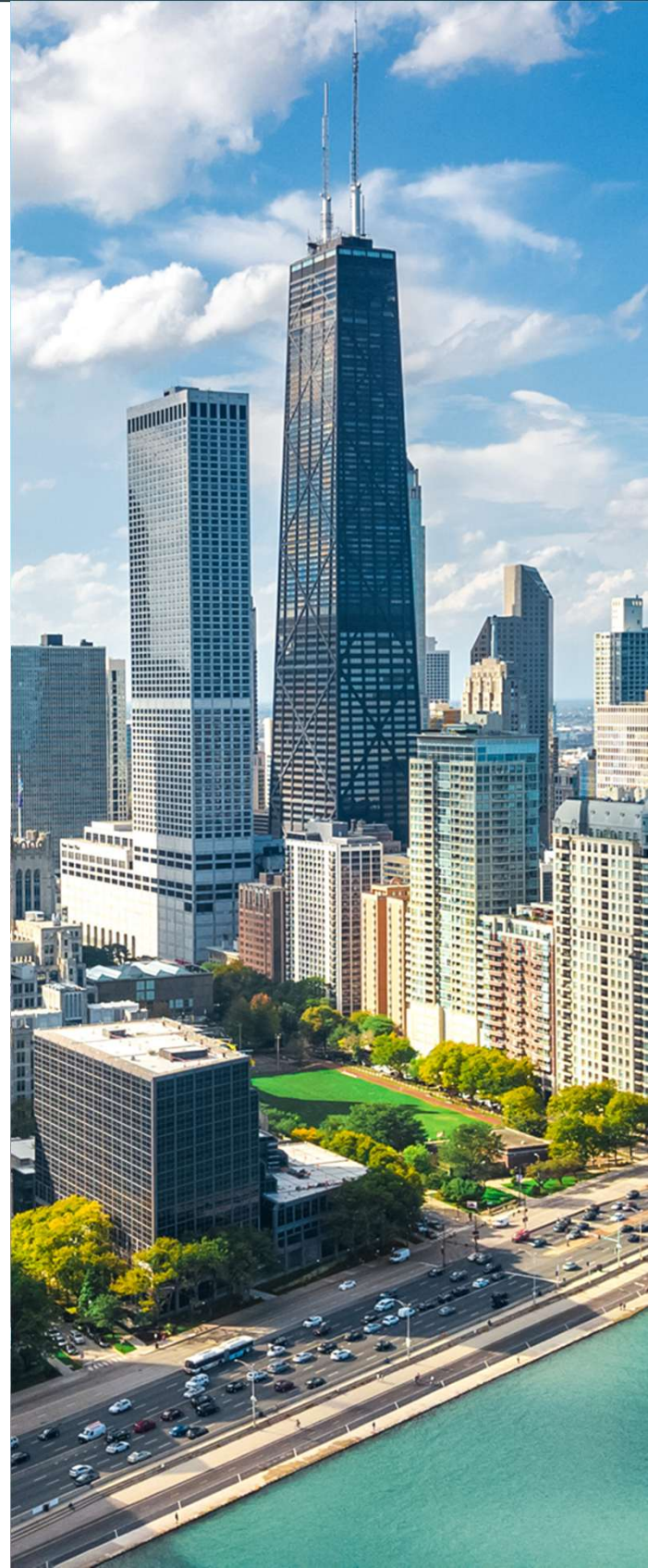
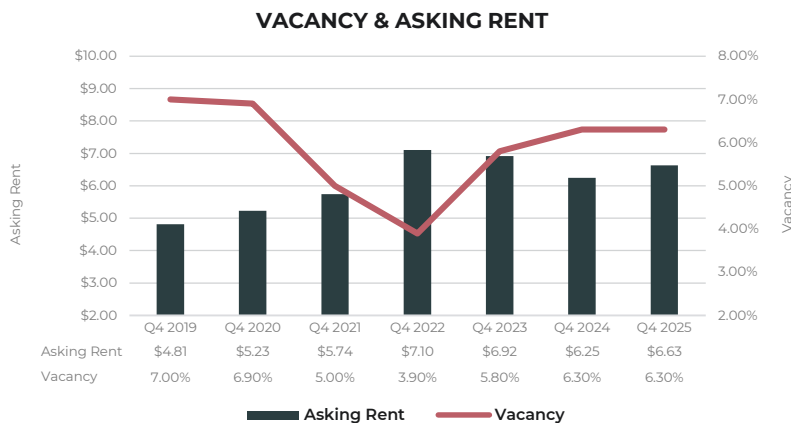
Chicago

NET ABSORPTION

- » Chicago closed the year with its strongest period of quarterly net absorption since Q3 2023: nearly 7 million (M) SF of newly occupied space in the market.
- » The two largest move-ins were by RJW (1.2M SF leased in NorthPoint's Third Coast Global Logistics Hub in Joliet) and Peopleworks (750,000 SF leased from Crow Holdings in Matteson).
- » The uptick in absorption brings Chicago's total annual absorption to 11.3M SF, tempered somewhat by low 2nd and 3rd quarters (800,000 SF and 1.2M SF). Although Chicago has been experiencing a prolonged period of lower absorption compared to historical averages, the market proves its consistency with the rarity of negative net absorption quarters – only two in more than ten years.
- » Demand remains heavily influenced by shifting trade policy and conflicting economic signals – companies are taking their time to thoroughly evaluate expansion and leasing decisions.
- » National absorption similarly saw a rebound closing 2025, with more than 70% of markets reporting positive net absorption. Total national annual absorption remains moderated at about one-third of its most recent historical peak at year end 2021 (70M SF in 2025 vs. 180M SF in 2021).

BULK PRODUCT LIMITED

- » Tenants snapped up the last available speculative big box facilities in Chicago over the course of 2025. Five leases over 750,000 SF were signed and commenced/absorbed, greatly reducing bulk availability in Chicago, particularly in the I-80, I-57 and I-55 Corridor submarkets.
- » Large availabilities in Chicago (over 750,000 SF) are now a varied inventory consisting mostly of manufacturing, and second generation Class A/B buildings – rather than being dominated by new construction.



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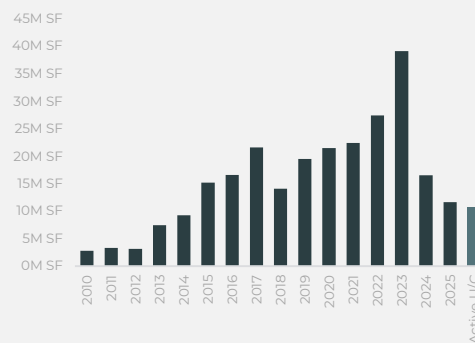
SUBLEASING

- » After nearly doubling between 2023 and 2024, Chicago sublease inventory declined to its lowest volume in more than a year: 10.7M SF as of Q4 2025. Sublease space hit an all-time high volume at 11.7M SF available in Q3 2024.
- » Subleasing velocity slowed in Q4 2025 at less than 300,000 SF of transactions, but a total of 2.2M SF of subleases were signed in 2025 – representing more than 5% of total leasing volume.
- » The total amount of sublease inventory remains high compared to the long-term average of 5.6M SF. The current available sublease volume represents 1.5% of total market inventory and contributed a steady portion of leasing activity in 2025.

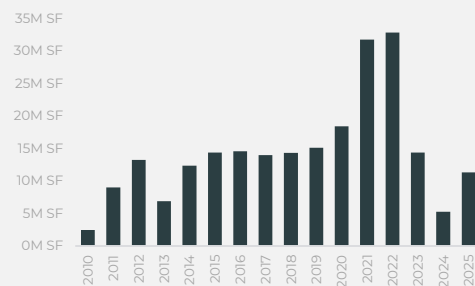
CONSTRUCTION

- » Total construction volume in Chicago declined QOQ from 12.7M SF in Q3 to 10.7M SF in Q4, when the market saw 4.5M SF of new supply deliver and only 1.8M SF break ground.
- » New construction starts saw an increase YOY – nearly 2M SF in Q4 compared to less than 500,000 SF of starts at year end 2024.
- » The balance of available speculative construction and build-to-suit (BTS)/pre-leased space has shifted once again for Chicago with spec space in the minority, due in large part to advance leasing of multiple big box facilities that recently delivered or are nearly complete.
- » Only 4.6M SF of active construction is available for lease. The remaining 6M SF is off market – BTS or speculative construction that is already leased but has yet to deliver.
- » There are currently no speculative buildings more than 1M SF under construction in Chicago and only two larger than 750,000 SF – both of which have seen high levels of activity from large tenants in the market and are likely to lease up in 2026.
- » Build-to-suit transactions surged in late 2025: two undisclosed tenants signed a total of 2.7M SF at Elion Logistics Park 55 in Wilmington (I-80 Corridor) and Goodyear signed on for 1.3M SF in Dekalb with Mohr Partners (Fox Valley/Dekalb Submarket).
- » These projects will contribute nearly 4M SF of a total 8.7M SF of build-to-space that will be underway in early 2026.
- » The I-55 Corridor continues to lead the market with more than 3M SF of active construction, including two big box facilities totaling 2M SF in Plainfield (both pre-leased/BTS).
- » Though the recent Fed rate cuts 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.

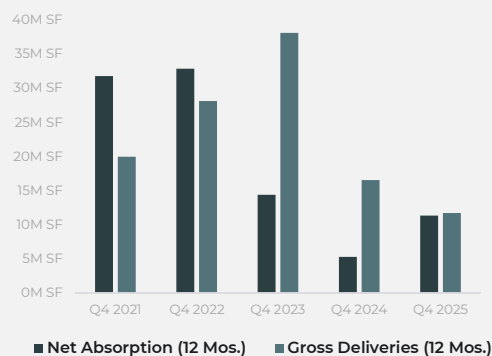
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q4 2025

Submarket Cluster	Total Inventory	Vacancy Rate	Availability Rate*	Q4 2025 Overall Net Absorption	2025 YTD Overall Net Absorption	2025 YTD Leasing Activity	Under Construction	2025 YTD Construction Completions	YTD Average Taking Net Rent
Fox Valley	49,863,991	7.0%	8.5%	(2,450)	(203,424)	3,327,669	565,210	1,071,722	\$6.82
Greater O'Hare	108,176,240	6.6%	11.9%	779,297	13,868	5,901,144	508,070	538,419	\$9.86
I-290 Corridor	11,277,190	7.3%	15.3%	7,724	(56,517)	321,757	85,680	-	\$7.19
I-55 Corridor	118,114,987	6.5%	12.3%	(515,480)	(1,082,080)	8,854,729	3,254,012	1,497,433	\$8.56
I-57 Corridor	58,500,682	4.0%	9.5%	885,320	924,140	2,330,420	970,123	510,019	\$7.19
I-80 Corridor	107,367,045	6.6%	8.7%	2,768,399	4,862,126	9,676,692	667,306	2,369,234	\$7.67
I-88 Corridor	51,934,309	4.1%	9.0%	378,456	1,617,941	4,527,861	192,322	450,778	\$7.39
I-90 Corridor	57,384,649	5.6%	8.8%	442,165	1,335,087	3,138,804	1,748,869	1,351,115	\$8.25
Lake County	54,249,553	6.8%	8.8%	394,491	1,346,964	1,335,932	-	1,497,433	\$6.95
McHenry County	15,833,716	1.9%	2.0%	65,984	194,360	176,619	131,200	-	\$6.50
North Chicago	33,050,237	10.3%	12.8%	287,266	(173,018)	301,127	67,593	-	\$11.79
North Cook	29,436,031	9.4%	9.2%	66,581	366,603	1,272,019	351,520	375,036	\$7.46
North DuPage	57,320,954	2.6%	6.5%	76,577	748,219	2,180,660	243,915	31,510	\$10.05
Northwest Indiana	38,159,381	5.0%	7.9%	144,290	978,535	860,457	1,269,609	1,227,211	\$6.91
South Chicago	58,661,737	7.2%	10.8%	486,149	(257,550)	1,780,124	180,900	528,656	\$8.54
Southeast Wisconsin	44,167,507	10.7%	13.8%	681,250	678,360	3,270,555	437,788	964,565	\$5.99
Total Chicago	893,498,209	6.3%	9.7%	6,946,019	11,293,614	49,256,569	10,674,117	11,669,817	\$7.95

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 Q4 2025

Property Address	Submarket	Tenant	Square Feet	Lease Type
ELP55, 30961 South Elion Boulevard, Wilmington	I-80 Corridor	Undisclosed	1,541,200	Build to Suit
Peace Road & Fairview Drive, DeKalb	Fox Valley/Dekalb	Goodyear Tire	1,300,000	Build to Suit
26351 West 143 rd Street, Plainfield	I-55 Corridor	RJW	1,209,000	New Lease
ELP55, 30542 South Elion Boulevard, Wilmington	I-80 Corridor	Undisclosed	1,122,000	Build to Suit

TOP SPECULATIVE CONSTRUCTION Q4 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
251 South Pinnacle Drive, Romeoville	I-55 Corridor	Dermody Partners	460,426	Q1 2026
Bridge Point Summit, 7945 West 59 th Street, Summit	I-55 Corridor	Bridge Industrial	341,887	Q2 2026
3600 Houbolt Road, Joliet	I-80 Corridor	Mapletree	312,306	Q3 2026



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