KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Chicago

ECONOMY

- AI remains the primary driver of economic growth in Q3 2026: capital expenditures (capex) are driving business investment growth, while corporate earnings growth drives equity valuations and, with it, consumer spending.
- The Federal Reserve voted unanimously in September to raise rates 25 basis points (bps), to 3.75%-4.00%, following insufficient progress toward its inflation target and reversing two years of policy easing. Higher borrowing costs and inflated yield expectations will create headwinds for new supply in Chicago within the context of an already contracted development pipeline.
- Retail spending rebounded strongly in August across multiple categories, including online retail. Retail inventory-to-sales ratios have held steady month-over-month in 2026, suggesting generally healthy inventory management despite tariff policy volatility and transport and shipping cost increases in the global supply chain.
- Specialized manufacturing in AI infrastructure, defense, drone and aerospace continues to spur logistics space demand in select markets. AI-supporting companies are seeking warehouse space to support construction of semiconductor fabs, data centers and the equipment that will fill them.
- Consistent with the Q2 2026 outlook, continued economic growth will hinge on the sustainability of AI capex spending and earnings growth, employment and wage growth, retail sales, financial market conditions, and geopolitical events with their impact on energy markets and overall market sentiment.

VACANCY

- Chicago overall market vacancy declined again quarter-over-quarter (QOQ) to 6.1%, now 20 bps below the long-term average of 6.3%.
- Quarterly vacancy decline has averaged 50 bps over the last two years in Chicago, while the market's inventory base has grown by an average of 23 bps quarterly in the same period, illustrating a consistently positive pace at which tenants are taking occupancy.
- The four submarkets with the highest vacancy in Chicago in Q3 were the I-290 Corridor (12.6%), North Cook (10.7%), North Chicago (9.8%), and Southeast Wisconsin (9.1%) submarkets. Collectively, however, these four geographies account for less than 13% of Chicago's total inventory base, limiting the impact of their higher-than-average vacancy rates on the market in its entirety.
- These four highest-vacancy submarkets have an average of 2.9 million square feet (M SF) of vacant space, compared to an average of 3.6M SF across the remainder of the larger submarkets with proportionally lower vacancy rates.

TRENDS: LOGISTICS PROPERTIES

	Q3 2025	Q3 2026	Chg YOY
Vacancy	6.6%	6.1%	▼
Net Asking Rent Growth	4.8%	5.8%	▲
Quarterly Net Absorption (SF)	1.5M	6.2M	▲
Under Construction (SF)	12.7M	12.1M	▼
New Deliveries (SF)	1.3M	3.2M	▲

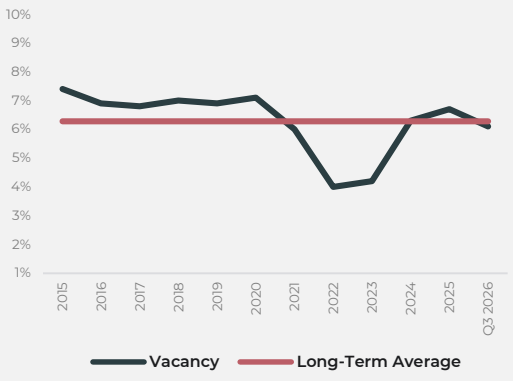
ECONOMIC INDICATORS

	Sept 25	Sept 26	Delta	
National Warehousing Employment (thousands)	1,853	1,831	(1.2%)	▼

	Sept 25	Sept 26	Delta	
Chicago MSA Population	9.45M	9.62M	1.7%	▲

▶ Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



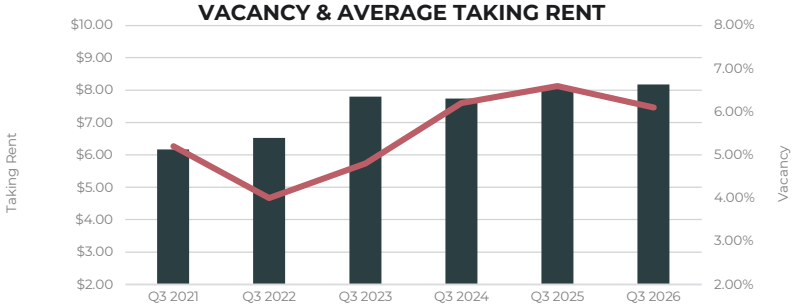
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Chicago

LEASING & ABSORPTION

- Quarterly leasing volume and quarterly net absorption in Chicago surged QOQ. Both metrics came close to levels seen in Chicago in Q4 2025 and Q1 2026, two of the highest leasing and absorption quarters since the 2022 cycle peak.
- Total 12-month trailing leasing activity is 65M SF, the highest volume in Chicago since Q1 2022.
- Tenants executed more than 15.6M SF of leases Q3, up 9% from Q2 and only 1M SF behind Q1 2026 (16.5M SF). Year-over-year (YOY) leasing is up by two-thirds, following a lighter 9.4M SF in Q3 2025.
- Quarterly net absorption was 6.2M SF in Q3, benefiting from the commencement of several big-box leases that were signed earlier this year.
- This is an increase of over one-third QOQ, and only 350,000 SF less than Chicago's Q1 2026 quarterly net absorption of 6.5M SF.
- Chicago's year-to-date (YTD) absorption of 17.3M SF and 12-month trailing total net absorption of 25M SF are the highest the market has seen since highs of 30M+ SF annual absorption in 2022. YTD net absorption has already surpassed the 2025 annual total of 12.4M SF.
- The leading submarkets for net absorption are Greater O'Hare and the market's bulk logistics submarkets: I-55, I-57 and I-80 Corridors. All four recorded positive quarterly net absorption of 1M+ SF in Q3. O'Hare, I-55 and I-80 also lead the market for YTD absorption: 2.6M SF, 4.3M SF, and 4.2M SF, respectively.
- The same three submarkets lead in leasing, with Greater O'Hare, I-55 and I-80 submarkets each recording a 12-month trailing total of 10M to 20M SF of leasing volume. Collectively, they captured more than 44M SF of leasing activity over the last year, more than two-thirds of the market's 65M SF 12-month total.
- Chicago's weighted average 12-month taking net rent was $8.17 per square foot (/SF) in Q3, a moderate YOY increase from $8.05/SF net in Q3 2025.

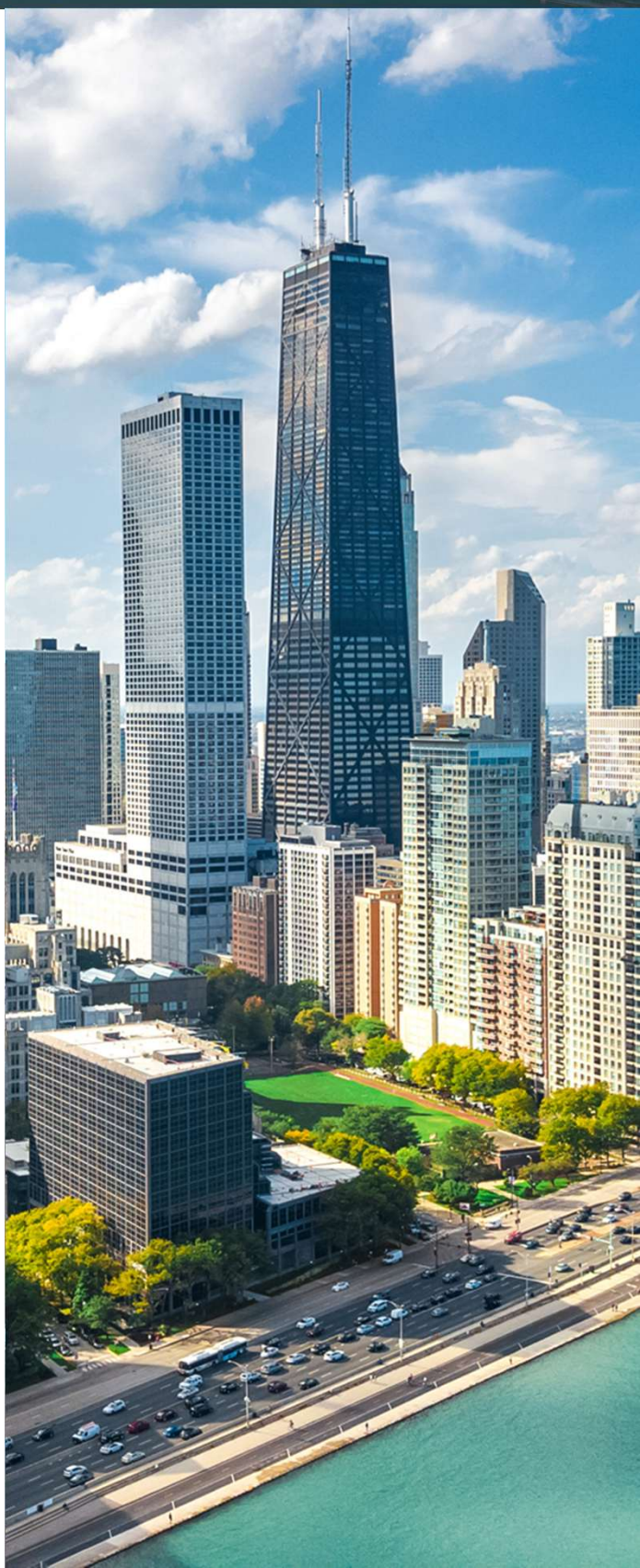
VACANCY & AVERAGE TAKING RENT



	Q3 2021	Q3 2022	Q3 2023	Q3 2024	Q3 2025	Q3 2026
Taking Rent	$6.17	$6.52	$7.80	$7.74	$8.05	$8.17
Vacancy	5.20%	4.00%	4.80%	6.20%	6.60%	6.10%

Taking Rent — Vacancy

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



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Chicago

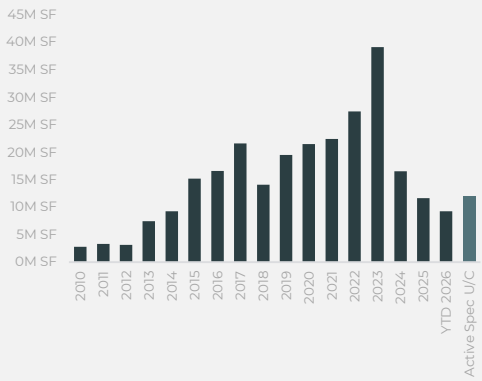
BIG BOX DEMAND

- High levels of tenant activity in the big-box sector (500,000 SF or larger) drove much of Chicago's strong demand YTD.
- Tenants have signed 22 leases in this size range YTD, compared to 24 total in 2025 and only 11 in 2024.
- Big box tenants have leased 19M SF of space in Chicago in the first three quarters of 2026, accounting for 41% of all leasing volume YTD. By comparison, the same sector leased less than 10M SF in both Q1-Q3 2024 and Q1-Q3 2025, accounting for 31% and 24% YTD total leasing, respectively.
- Furthermore, tenants have shown their preference for first-generation, never-occupied Class A space and BTS options over second-generation spaces of the same size. More than two-thirds of new big box leases by volume YTD were in new construction facilities or BTS.
- Large third-party logistics (3PL) and e-commerce users like RJW, DHL and Amazon have each signed multiple large leases this year, a majority by SF volume of which were new speculative deliveries, pre-leased facilities not yet completed, or BTS.
- These bulk tenants have leased up essentially all of Chicago's big box speculative construction: as of Q3 2026, the largest building underway in Chicago that is still available for lease is NorthPoint's midsize and divisible 430,000 SF facility in Algonquin.

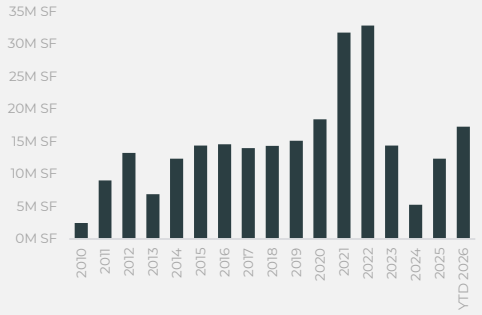
CONSTRUCTION

- Chicago's current supply pipeline shrank by 17% QOQ with just over 12M SF under construction as of Q3 2026.
- BTS and pre-leased construction have dominated the pipeline since Q4 2025, averaging 60% of the total volume of active construction.
- Just over 3M SF of new space delivered in Q3 2026, down by 5% QOQ. Of the 13 delivered facilities, 8 have space remaining for lease, with the largest being Mapletree's 312,000 SF building at 3600 Houbolt Road, Joliet.
- The largest delivery of the quarter was Hillwood and Clarius's joint venture 970,000 SF facility in University Park, the largest speculative groundbreaking in Chicago in the last year. DHL pre-leased the building immediately prior to its delivery in September.
- Of the 4.4M SF anticipated to still deliver before year-end, only one-third of the new space remains available for lease. A total of 1.3M SF of speculative construction is slated for delivery among five buildings in Greater O'Hare, I-55 Corridor, I-90 Corridor, and I-290 Corridor.
- Q4 historically sees fewer groundbreakings in the market, partly due to inclement weather in Chicago. With one-third of the current pipeline due to deliver by year-end, combined with higher borrowing costs due to the Federal Reserve's September rate increase, supply in Chicago could remain constrained in the near term.

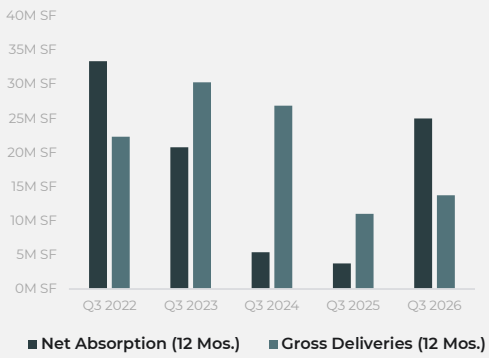
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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Chicago

MARKET SUMMARY Q3 2026

Submarket Cluster	Total Inventory	Vacancy Rate	Availability Rate*	Q3 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	49,760,016	7.4%	10.6%	326,161	408,007	2,740,133	818,035	565,210	$6.45
Greater O'Hare	105,796,392	5.8%	11.2%	1,100,246	2,598,745	5,384,478	1,637,875	414,266	$10.57
I-290 Corridor	11,784,903	12.6%	13.1%	(73,703)	-471,535	222,101	364,102	85,680	$6.42
I-55 Corridor	118,019,126	6.1%	12.1%	1,082,901	4,334,796	10,217,792	1,336,030	3,302,318	$7.33
I-57 Corridor	59,271,820	5.1%	9.8%	1,032,371	1,725,289	4,221,393	0	970,123	$7.17
I-80 Corridor	109,654,283	4.3%	6.9%	1,101,164	4,215,733	6,399,526	3,574,783	705,706	$6.61
I-88 Corridor	55,267,942	5.0%	10.1%	256,644	452,346	3,940,603	146,787	192,322	$8.34
I-90 Corridor	57,908,228	6.3%	9.0%	285,728	1,433,097	2,794,689	1,866,863	461,369	$7.90
Lake County	53,893,505	7.1%	8.7%	(125,002)	278,569	2,251,869	0	0	$7.27
McHenry County	15,762,142	2.5%	6.3%	95,487	158,014	181,775	40,000	91,200	$7.21
North Chicago	32,109,105	9.8%	13.7%	13,782	14,166	36,580	0	67,593	$12.69
North Cook	29,272,609	10.7%	9.9%	(206,654)	-172,733	837,988	0	351,520	$9.80
North DuPage	58,042,341	3.2%	9.4%	170,314	138,379	2,184,018	123,927	243,915	$9.26
Northwest Indiana	38,865,523	4.6%	6.3%	272,136	-340,425	2,189,605	1,284,000	1,348,449	$9.04
South Chicago	59,163,183	7.8%	11.8%	74,590	364,179	728,402	671,575	180,900	$8.51
Southeast Wisconsin	43,472,426	9.1%	11.3%	745,820	2,120,403	2,308,840	200,000	237,788	$6.11
Total Chicago	**898,043,544**	**6.1%**	**9.9%**	**6,151,985**	**17,257,030**	**46,639,792**	**12,063,977**	**9,218,359**	**$8.17**

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 Q3 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
Venture Park 65, Crown Point, Indiana	NW Indiana	Undisclosed	1,200,000	BTS
5258 University Parkway, University Park	I-57 Corridor	DHL	970,123	New Lease
25101 South Ridgeland Avenue, Monee	I-57 Corridor	DHL	879,949	New Lease
29700 South Graaskamp Boulevard, Wilmington	I-80 Corridor	Undisclosed	720,000	New Lease

TOP SPECULATIVE CONSTRUCTION Q3 2026

Property Address	Submarket	Developer	Square Feet	Est. Completion Date
90 & Randall Logistics Park – Building 4, Algonquin	I-90 Corridor	NorthPoint Development	428,900	Q4 2026
891 West Laraway Road, Joliet	I-80 Corridor	Mapletree Investments	419,520	Q1 2027
1368 Poorman Parkway, West Chicago	Fox Valley	PRG	400,125	Q1 2027
5300 Saint Charles Road, Berkeley	Greater O'Hare	Dermody Properties	357,619	Q1 2027

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