

FIGURES | CHICAGO INDUSTRIAL | Q1 2025

Vacancy rates rise despite increase in new leasing activity

▲ 5.4%

Vacancy Rate

▲ 1.4M

SF Net Absorption

▲ 4.0M

SF Construction Delivered

▼ 9.6M

SF Under Construction

▲ \$8.58

NNN/YR Lease Rate

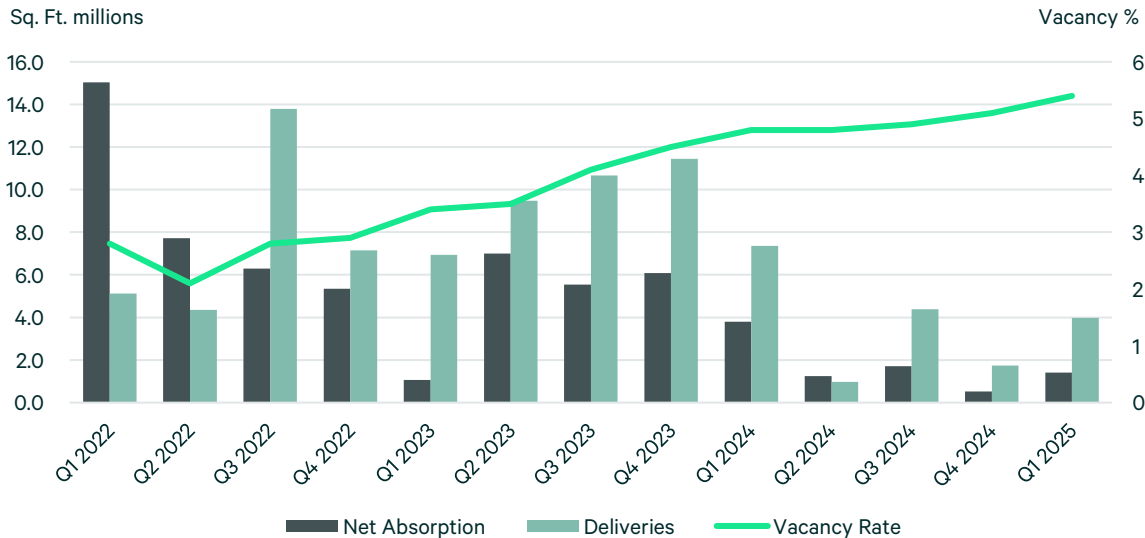
Note: Arrows indicate change from previous quarter.

SUMMARY

- At the end of Q1 2025, the Chicago industrial market reported a 5.4% vacancy rate, a 31 basis points (bps) increase quarter-over-quarter.
- Average asking rental rates increased to \$8.58 PSF, compared to \$8.11 PSF measured at the end of 2024, and were up 18% year-over-year.
- The construction pipeline decreased to 9.6 million SF, as 16 properties totaling 4.0 million SF delivered at the end of the first quarter. Construction starts more than doubled year-over-year, as four speculative developments and one build-to-suit development broke ground, totaling 739,608 SF.
- Although quarterly net absorption increased from 520,237 SF to 1.4 million SF quarter-over-quarter, total absorption was significantly lower than the 3.8 million SF measured in Q1 2024.

CBRE has updated the criteria for industrial tracked building sets to reflect buildings with a Net Rentable Area (NRA) of 30,000 square feet or higher. In addition to creating regional consistency, this change will enhance the reporting and depth of data on each market's most competitive buildings. Historical stats have been revised to reflect current industrial thresholds.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2025

Availability Rate

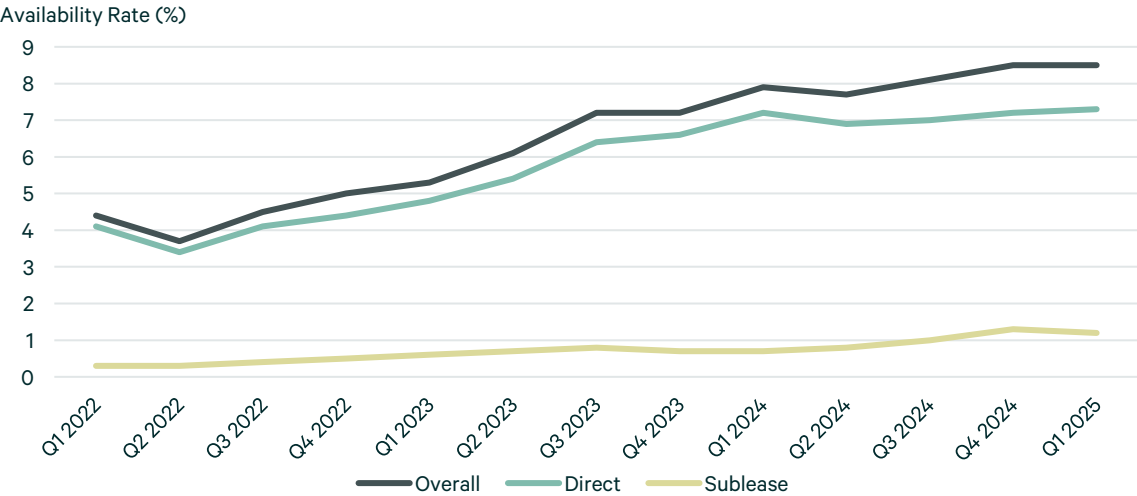
The availability rate in Chicago increased 20 bps to 8.7% quarter-over-quarter, while the Chicago industrial market’s overall vacancy rate also increased 31 bps to 5.4%. The DeKalb submarket recorded the lowest availability rate at 3.7%, while the SE Wisconsin submarket witnessed the highest availability rate at 12.1%, a slight decrease from 13.2% measured in Q4 2024.

Southeast Wisconsin, Joliet and the Far Southwest Suburbs submarkets collectively accounted for 25% of the market’s available space. The largest space to come online this quarter was an 824,590 SF space at 1010 Taylor Rd in the Far Southwest Suburbs. The sublease availability rate decreased 12 bps to 1.2% in the first quarter, bringing the total amount of available sublease space to 13.7 million SF. The Far Southwest Suburbs and the Joliet submarket again led the market with the highest amount of available sublease space, landing at 3.2% and 2.6%, respectively. A significant amount of available sublease space is concentrated in the Far Southwest Suburbs, with five spaces over 300,000 SF on the market.

Asking Rent

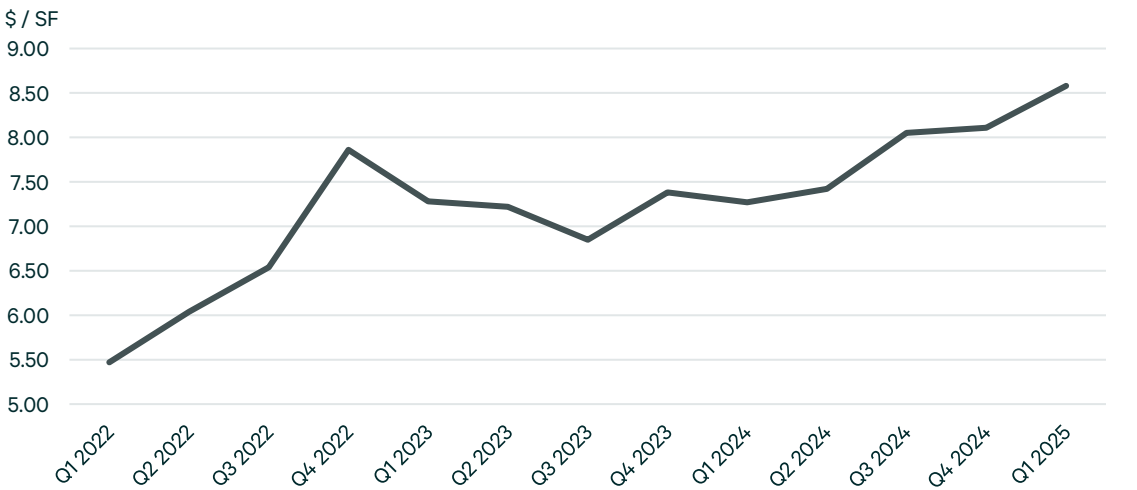
In Q1 2025, the average asking lease rate climbed to \$8.59 PSF, up from \$8.11 PSF measured in Q4 2024. Class A rents increased to \$8.84 PSF, while Class B/C rents also grew to \$8.36 SF. The submarket with the highest average lease rate was the Southwest Suburbs at \$14.18 PSF, reflecting a significant increase from \$9.53 PSF recorded in Q4 2024. The O'Hare and City North submarkets also continued to command high lease rates, averaging \$11.00 and \$12.19 PSF. The Rockford submarket had the lowest average lease rate at \$4.61 PSF followed by the SE Wisconsin submarket at \$5.49. Rent growth is likely to rise at a more moderate pace, as the market adjusts to a more stable equilibrium between supply and demand.

FIGURE 2: Availability Rates



Source: CBRE Research, Q1 2025

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q1 2025

Net Absorption

In Q1 2025, the Chicago industrial market experienced an increase in net absorption from Q4 2024, with a total of positive 1.4 million SF, up from positive 520,237 SF in Q4. The Joliet Area led the submarkets with the highest net absorption at 1.1 million SF, a substantial increase from -806,004 SF in the previous quarter. The Far West Suburbs followed with 1.0 million SF, up from 155,597 SF in Q4 2024. North Kane County also showed positive momentum with 451,777 SF, an uptick from -166,534 SF in Q4 2024. Notable move-ins include a confidential tenant occupying a 1.2 million SF build-to-suit and RJW Logistics Group occupying 976,954 SF at 2903 Schweitzer Rd in the Joliet Area submarket.

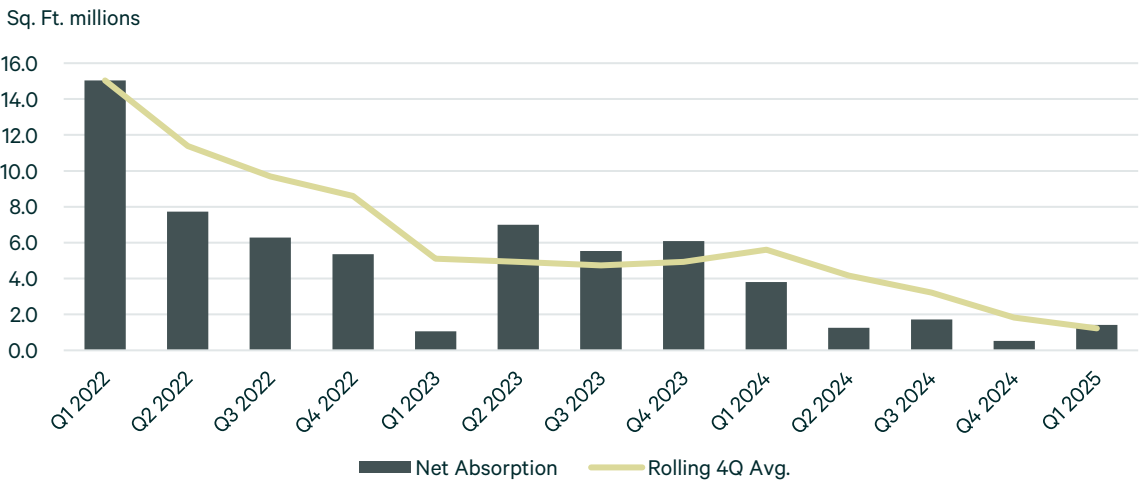
Construction Activity

In the first quarter of 2025, the Chicago market recorded 9.6 million SF under construction, down 6% from 10.3 million SF at the beginning of 2024. Construction starts saw a significant decrease quarter-over-quarter with groundbreakings dropping to 738,608 SF, down from 3.8 million SF. However, starts more than doubled year-over-year, as four speculative developments and one build-to-suit development broke ground.

As of Q1 2025, there are 33 projects underway, totaling 9.6 million SF, with 61% being constructed as build-to-suit and 39% on a speculative basis. The Joliet Area submarket reported the most construction activity with a total of 2.4 million SF under construction, including a 1.1 million SF build-to-suit, which is the second largest project currently underway in Chicagoland.

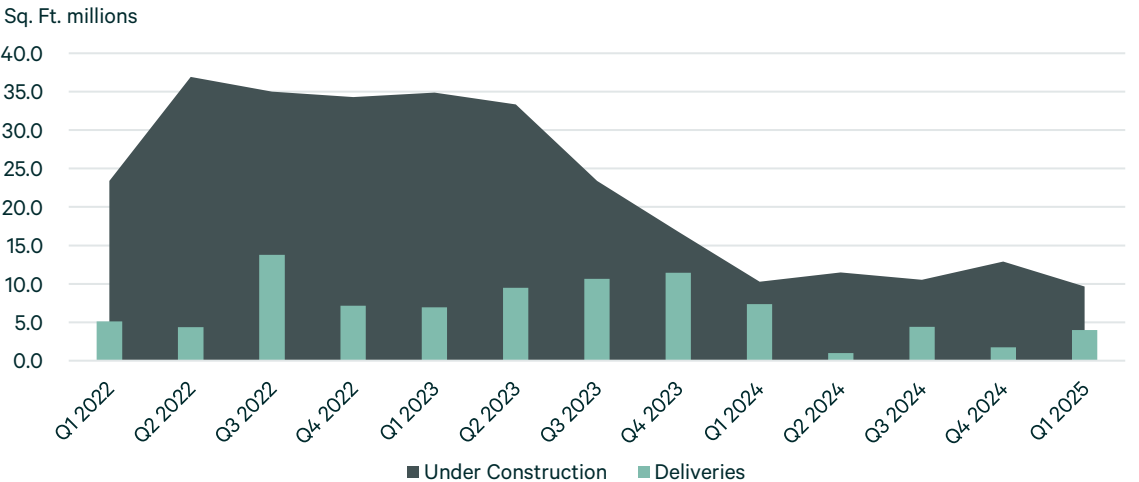
The largest projects under construction include Walmart’s 1.2 million SF at 1500 S Appleton Rd in Belvidere, IL, and CJ Logistics 1.1 million SF at S Diagonal St & W Mississippi St in Elwood, IL. Construction deliveries also surged, with 3.9 million SF completed, up from 1.7 million SF in Q4 2024. Notable deliveries include 1.2 million SF at I-80 and Brisbin Rd in Morris, IL, and 500,000 SF at 2200 Galena Rd in Montgomery, IL.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2025

FIGURE 5: Construction Activity

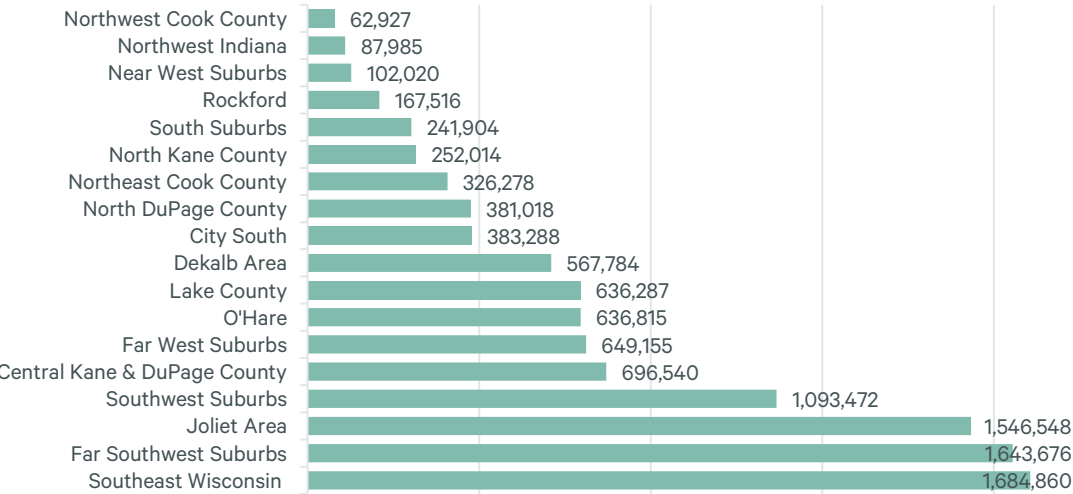


Source: CBRE Research, Q1 2025

Leasing Activity

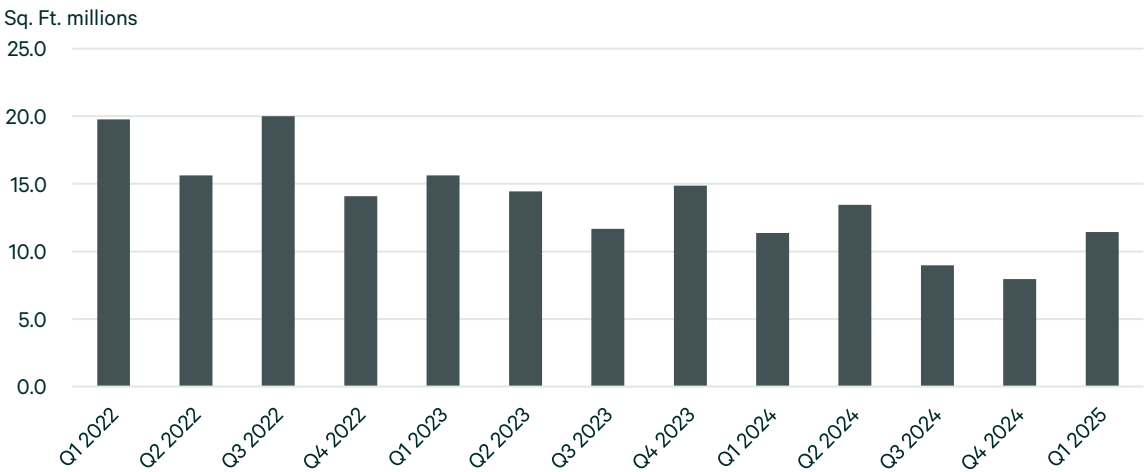
Total new leasing activity increased 21% in Q1 2025, with a total of 6.3 million SF leased, compared to 5.2 million SF Q4 2024. From January to March, 106 new leases were signed with RJW Logistics signing the top deal of the quarter at 2093 Schweitzer Rd in Joliet for 975,954 SF. Additionally, 38 renewals totaling 6.1 million SF were signed, accounting for 46% of overall leasing activity. This is a large increase from the 3.0 million SF signed in Q4 2024. The SE Wisconsin submarket led the market with the most leasing activity of the quarter, totaling 1.9 million SF leased. This was driven by Uline’s substantial activity including two major renewals and one new lease, totaling 1.6 million SF. The Far Southwest Suburbs, Joliet and Southwest Suburbs submarkets all transacted over 1.0 million SF of leases. Additionally, seventeen new subleases were signed during the first quarter, totaling 590,906 SF. The largest sublease was an extension signed by Mako Freight for 100,000 SF at 25810 S Ridgeland Ave in Monee.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q1 2025

FIGURE 8: Key Lease Transactions

| Tenant | Sq. Ft. Leased | Transaction Type | Address | Submarket |
|---------------------|----------------|------------------|------------------------------|-----------------------|
| RJW Logistics Group | 976,954 | New Lease | 2903 Schweitzer Rd | Joliet Area |
| Uline | 602,000 | Renewal | 11400 88th Ave | SE Wisconsin |
| Panduit | 567,784 | Renewal | 1700 E Fairview Dr | Dekalb Area |
| Uline | 520,860 | Renewal | 8495 116th St | SE Wisconsin |
| Uline | 502,000 | New Lease | 11290 80th Ave | SE Wisconsin |
| W. W. Grainger | 408,394 | Renewal | 3501 Corporate Dr | Joliet Area |
| HU-Friedy | 326,278 | New Lease | 2501 Sanders Rd – Building 3 | Northeast Cook County |
| JW Fulfillment | 311,608 | New Lease | 1433 Internationale Pkwy | Far Southwest Suburbs |
| Lawson Products | 306,805 | Renewal | 8801 8801 W 47th St | Southwest Suburbs |
| Global Market Foods | 281,463 | New Lease | 430 Gibraltar Dr | Far Southwest Suburbs |

Source: CBRE Research, Q1 2025

Market Statistics by Size

| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|-------------------------|-------------------|---------------|--------------------|---------------------|-----------------------|----------------------------------|--------------------------------|--------------------|------------|--------------------|
| Under 100,000 sq. ft. | 290,798,291 | 2.9 | 5.6 | 5.1 | 0.6 | 9.90 | 150,165 | 150,165 | 262,189 | 514,988 |
| 100,000-199,999 sq. ft. | 238,088,125 | 4.6 | 7.8 | 6.8 | 1.0 | 8.86 | (906,475) | (906,475) | 169,287 | 2,107,916 |
| 200,000-299,999 sq. ft. | 154,334,821 | 6.4 | 11.3 | 9.8 | 1.6 | 8.63 | 728,426 | 728,426 | 1,155,494 | 765,551 |
| 300,000-499,999 sq. ft. | 186,294,771 | 6.8 | 9.2 | 8.1 | 1.1 | 8.81 | 459,165 | 459,165 | 699,880 | 993,600 |
| 500,000-749,999 sq. ft. | 124,398,578 | 9.6 | 10.7 | 8.6 | 2.1 | 7.37 | (492,798) | (492,798) | 500,000 | 593,565 |
| 750,000 sq. ft. | 171,827,575 | 5.5 | 9.4 | 7.9 | 1.5 | 7.83 | 1,473,709 | 1,473,709 | 1,199,520 | 4,670,940 |
| Total | 1,165,742,161 | 5.4 | 8.5 | 7.3 | 1.2 | 8.58 | 1,412,192 | 1,412,192 | 3,986,370 | 9,646,560 |

Market Statistics by Product Type

| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|--------------------------|-------------------|---------------|--------------------|---------------------|-----------------------|----------------------------------|--------------------------------|--------------------|------------|--------------------|
| Distribution / Logistics | 824,278,759 | 5.8 | 9.2 | 7.9 | 1.3 | 8.32 | 228,789 | 228,789 | 3,304,324 | 8,859,976 |
| Manufacturing | 263,936,113 | 3.1 | 5.5 | 4.7 | 0.8 | 8.40 | (51,830) | (51,830) | 310,000 | 593,565 |
| R&D / Flex | 21,624,436 | 1.9 | 4.0 | 3.5 | 0.5 | 9.65 | (79,822) | (79,822) | 0 | 0 |
| Other Industrial | 55,902,853 | 13.0 | 13.7 | 13.0 | 0.7 | 10.85 | 1,315,055 | 1,315,055 | 372,046 | 193,019 |
| Total | 1,165,742,161 | 5.4 | 8.5 | 7.3 | 1.2 | 8.58 | 1,412,192 | 1,412,192 | 3,986,370 | 9,646,560 |

Market Statistics by Class

| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|---------------------|-------------------|---------------|--------------------|---------------------|-----------------------|----------------------------------|--------------------------------|--------------------|------------|--------------------|
| Class A | 180,997,306 | 12.7 | 15.9 | 13.4 | 2.6 | 7.52 | 981,599 | 981,599 | 1,969,246 | 565,551 |
| All Other Buildings | 984,744,855 | 4.1 | 7.1 | 6.2 | 0.9 | 9.07 | 430,593 | 430,593 | 2,017,124 | 9,081,009 |
| Total | 1,165,742,161 | 5.4 | 8.5 | 7.3 | 1.2 | 8.58 | 1,412,192 | 1,412,192 | 3,986,370 | 9,646,560 |

Market Statistics by Submarket

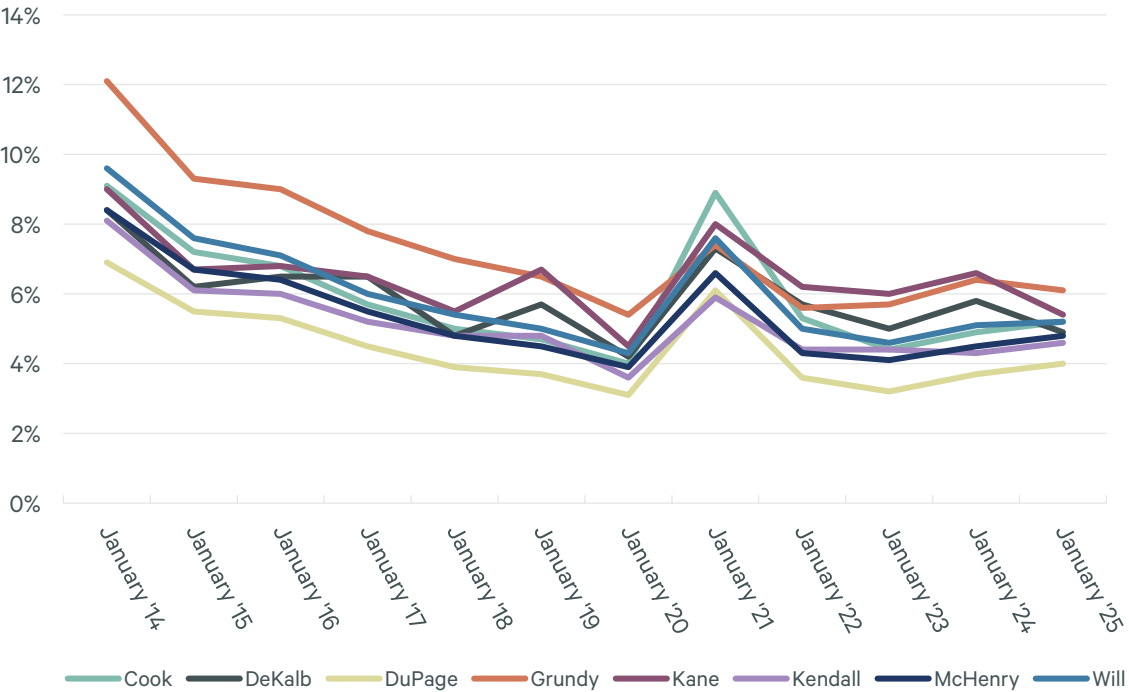
| | Net Rentable Area | Total Vacancy | Total Availability | Direct Availability | Sublease Availability | Avg. Direct Asking Rate (NNN/YR) | Current Quarter Net Absorption | YTD Net Absorption | Deliveries | Under Construction |
|------------------------------|-------------------|---------------|--------------------|---------------------|-----------------------|----------------------------------|--------------------------------|--------------------|------------|--------------------|
| Central Kane & DuPage County | 37,386,348 | 5.1 | 8.7 | 7.6 | 1.1 | 9.05 | (144,774) | (144,774) | 296,722 | 0 |
| City North | 51,626,365 | 4.7 | 8.4 | 8.1 | 0.3 | 12.19 | (78,090) | (78,090) | 0 | 0 |
| City South | 100,215,661 | 3.8 | 6.6 | 6.0 | 0.6 | 9.18 | (386,825) | (386,825) | 169,287 | 440,146 |
| Dekalb Area | 13,267,005 | 1.1 | 3.4 | 3.4 | 0.0 | 6.42 | (120,090) | (120,090) | 0 | 775,000 |
| Far Southwest Suburbs | 94,384,695 | 5.4 | 9.9 | 6.6 | 3.2 | 7.88 | (357,121) | (357,121) | 0 | 292,053 |
| Far West Suburbs | 66,990,518 | 3.5 | 6.9 | 6.6 | 0.2 | 5.62 | 1,057,686 | 1,057,686 | 1,199,880 | 928,778 |
| Joliet Area | 106,087,510 | 7.6 | 11.0 | 8.4 | 2.6 | 7.12 | 1,133,186 | 1,133,186 | 1,402,279 | 2,419,260 |
| Lake County | 73,524,100 | 5.0 | 7.4 | 7.1 | 0.4 | 6.77 | 160,866 | 160,866 | 246,757 | 0 |
| McHenry County | 21,249,567 | 4.9 | 7.4 | 6.6 | 0.8 | 6.14 | (12,822) | (12,822) | 0 | 0 |
| Near West Suburbs | 72,862,683 | 5.1 | 8.1 | 5.9 | 2.2 | 9.65 | (70,746) | (70,746) | 0 | 99,682 |
| North DuPage County | 43,566,870 | 4.0 | 5.2 | 4.5 | 0.7 | 6.92 | (66,743) | (66,743) | 0 | 470,804 |
| North Kane County | 33,287,078 | 6.4 | 9.2 | 8.6 | 0.6 | 8.22 | 451,777 | 451,777 | 0 | 0 |
| Northeast Cook County | 43,582,313 | 6.0 | 8.1 | 7.8 | 0.3 | 9.77 | (228,573) | (228,573) | 0 | 0 |
| Northwest Cook County | 26,181,360 | 7.3 | 10.0 | 9.4 | 0.5 | 8.05 | 31,777 | 31,777 | 83,124 | 238,606 |
| Northwest Indiana | 31,410,704 | 6.3 | 6.6 | 5.2 | 1.4 | 10.43 | 122,492 | 122,492 | 215,000 | 1,169,811 |
| O'Hare | 87,603,640 | 4.0 | 9.4 | 7.6 | 1.8 | 11.01 | (239,834) | (239,834) | 66,552 | 47,219 |
| Rockford | 33,986,127 | 4.5 | 5.5 | 4.5 | 1.0 | 4.61 | 7,876 | 7,876 | 0 | 1,200,000 |
| Southeast Wisconsin | 80,268,775 | 10.4 | 12.5 | 12.0 | 0.5 | 5.55 | (-65,801) | (65,801) | 0 | 1,173,201 |
| South Suburbs | 57,826,027 | 5.9 | 9.5 | 9.2 | 0.3 | 10.03 | 124,935 | 124,935 | 275,259 | 392,000 |
| Southwest Suburbs | 60,404,911 | 5.4 | 8.9 | 8.1 | 0.9 | 14.08 | 110,636 | 110,636 | 0 | 0 |
| West Suburbs | 30,029,904 | 1.8 | 4.7 | 3.3 | 1.4 | 10.5 | (17,620) | (17,620) | 31,510 | 0 |
| Total | 1,165,742,161 | 5.4 | 8.5 | 7.3 | 1.2 | 8.58 | 1,412,192 | 1,412,192 | 3,986,370 | 9,646,560 |

Economic Overview

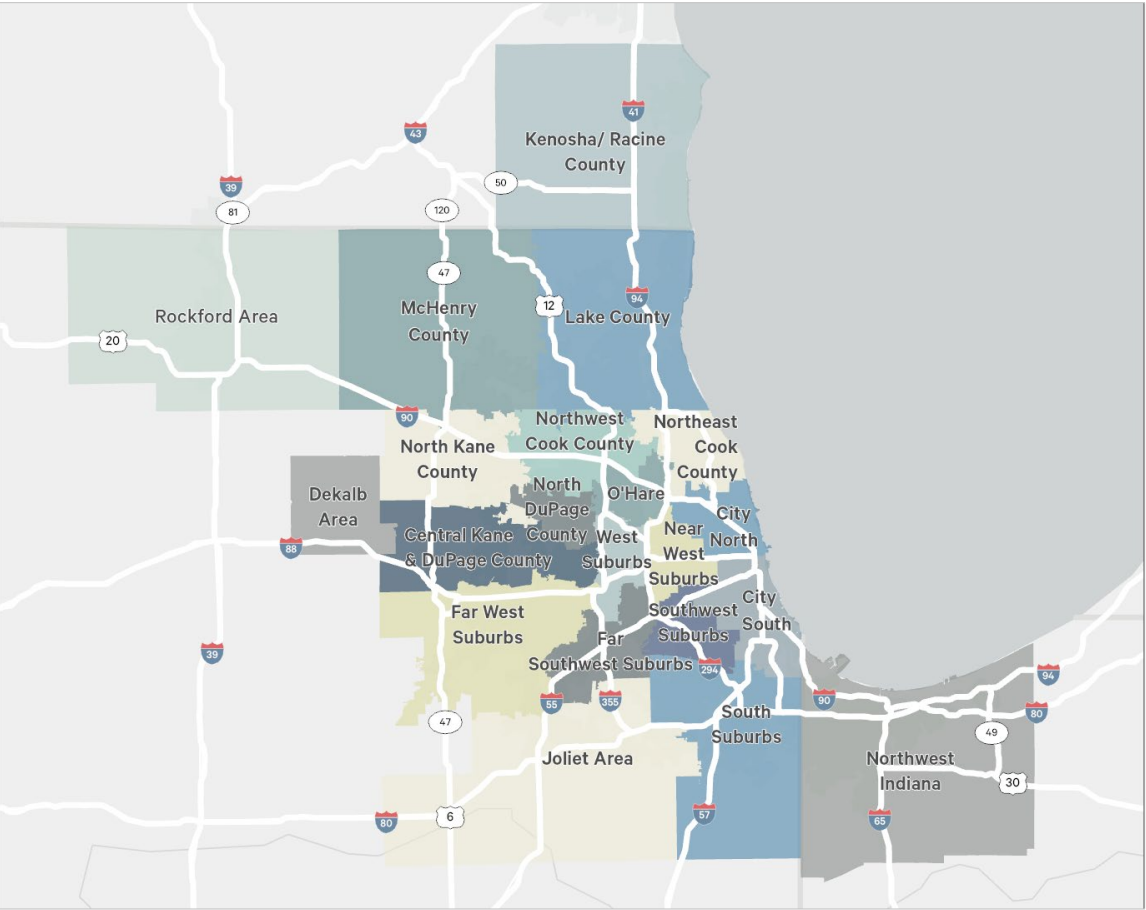
Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

Figure 8: Year-over-Year Unemployment Rates by County, not seasonally adjusted (as of January 2025)



Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Los Angeles and Ventura counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Marissa Oberlander
Research Director
(312) 540-4686
marissa.oberlander@cbre.com

Michael Raleigh
Field Research Manager
(312) 935-1003
michael.raleigh@cbre.com

Jordan Goldberg
Senior Field Research Analyst
(636) 233-2767
jordan.goldberg2@cbre.com

Camryn Ketchum
Field Research Analyst
(414) 870-2265
camryn.ketchum@cbre.com

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