

FIGURES | CHICAGO INDUSTRIAL | Q4 2024

Construction down, build-to-suits dominate the pipeline at year-end

▲ 4.7%

Vacancy Rate

▼ 1.6M

SF Net Absorption

▼ 1.7M

SF Construction Delivered

▲ 12.7M

SF Under Construction

▲ \$8.19

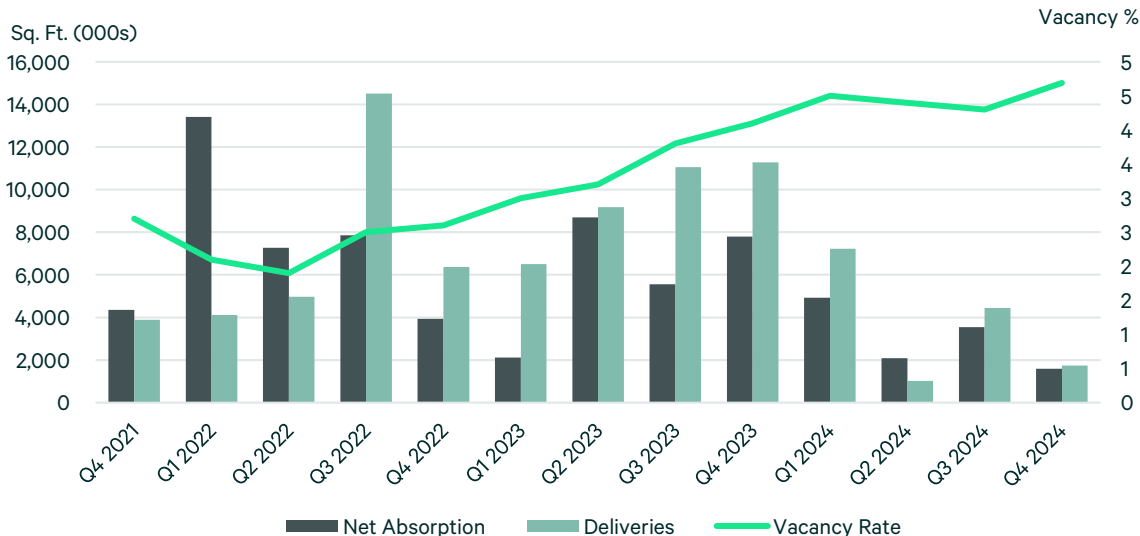
NNN/YR Lease Rate

Note: Arrows indicate change from previous quarter.

Total available sublease space nearly doubles year-over-year

- The Chicago Industrial market's vacancy rate continued its upward trend, rising to 4.7%, an increase of 40 basis points from 4.3% in Q3 2024, and up 60 basis points from 4.1% in Q4 2023.
- Total available sublease space also increased quarter-over-quarter, jumping from 12.4 million sq.ft. to 15.8 million sq.ft., nearly doubling from 7.8 million sq.ft. measured year-over-year in Q4 2023.
- Quarterly net absorption fell to 1.6 million sq.ft., a notable decline from 3.5 million sq.ft. in Q3 2024 and significantly lower than the 7.8 million sq.ft. recorded in Q4 2023.
- Construction activity totaled 12.7 million sq.ft. in Q4 2024, compared to 10.2 million sq.ft. in Q3 2024. Construction deliveries reached 1.7 million sq.ft., a slight increase from 1.4 million sq.ft. in Q3 2024, but considerably lower than the 17 million sq.ft. recorded year-over-year.
- Total leasing activity dipped quarter-over-quarter landing at 8.3 million sq.ft., bringing the overall year-to-date figure to 40.3 million sq.ft.
- Overall, the market experienced increased vacancy and sublease availability, accompanied by a downturn in net absorption, while still maintaining strong construction activity.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

Availability Rate

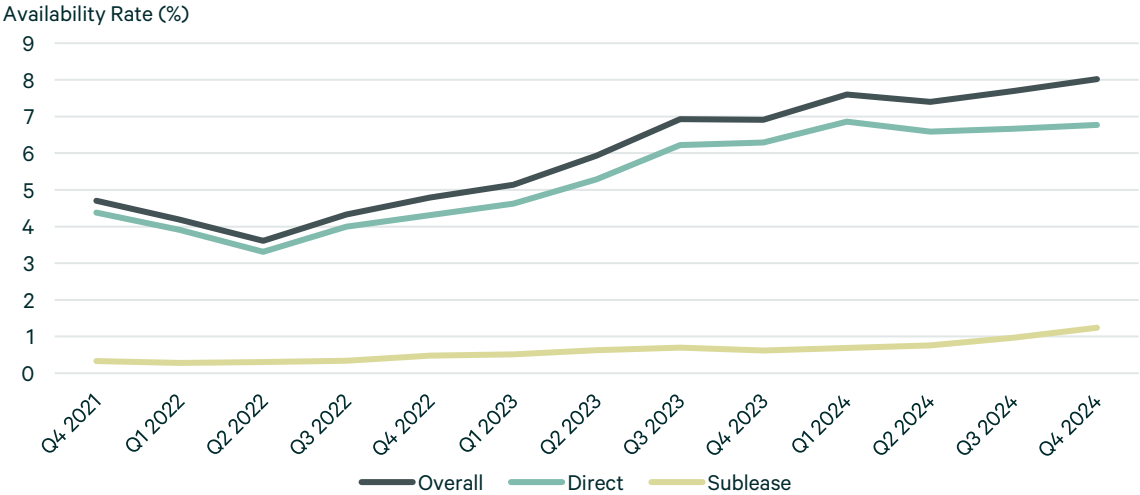
The availability rate in the Chicago Industrial market increased to 8.1% in Q4 2024, up from 7.7% in Q3 2024, representing a rise of 40 basis points quarter-over-quarter. This marks a notable increase from 7.0% at the same time last year, resulting in a year-over-year growth of 100 basis points. Since reaching 7.5% in Q2 2020, the availability rate has fluctuated, peaking at 7.6% in Q4 2023 before its recent uptick.

At the end of Q4 2024, the Joliet Area submarket recorded the highest availability rate at 12.1%, while the Dekalb submarket reported the lowest at 2.3%. The largest direct space to come online this quarter was Northern Builder’s 802,440 sq.ft. speculative development, currently under construction in Joliet. Additionally, the sublease availability rate saw significant growth, totaling 15.8 million sq.ft. in Q4 2024 compared to 7.8 million sq.ft. in Q4 2023. The Joliet submarket recorded the highest sublease availability rate at 2.6%, with the market’s largest available sublease space of 990,140 sq.ft. located at 3301 Brandon Rd. From October to December, seven sublease spaces exceeding 200,000 sq.ft became available.

Asking Rent

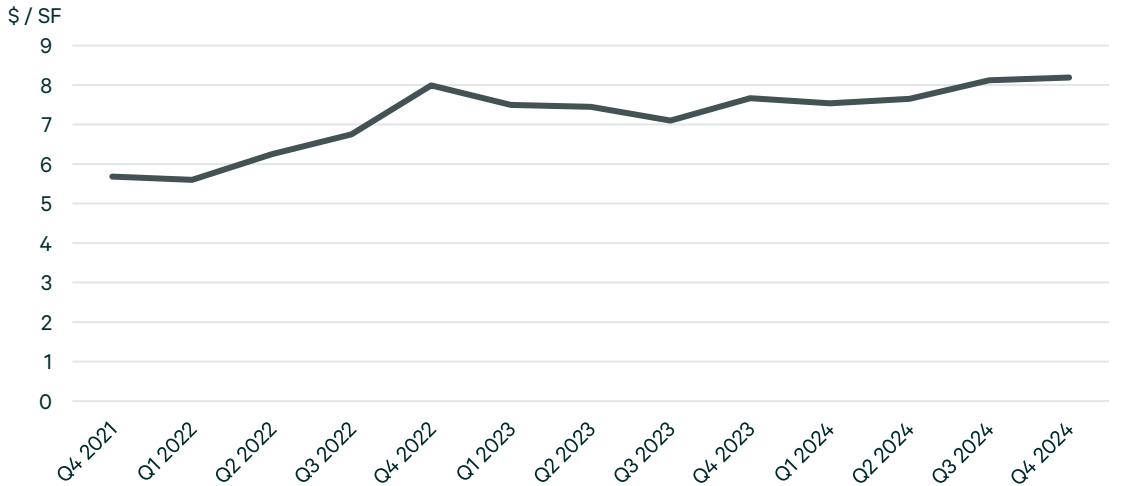
In Q4 2024, the average asking direct lease rate for the Chicago Industrial market reached \$8.19 PSF, up from \$8.11 in the previous quarter. Class A rents increased to \$8.38 PSF, while Class B/C rents stood at \$7.97 PSF. The City North submarket recorded the highest average lease rate at \$12.34 PSF, while the Rockford submarket had the lowest at \$4.86 PSF. Year-over-year, the average direct asking lease rate increased by 6.7%. Overall, the City North and O'Hare submarkets continued to command the highest average base lease rates, underscoring their premium location within the market.

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

Net Absorption

In Q4 2024, the Chicago Industrial market experienced net absorption of 1.6 million sq. ft., a significant decline from the 3.5 million sq.ft. reported in Q3 2024. Despite this quarterly downturn, several submarkets showed strong year-to-date net absorption figures. The Joliet Area recorded a year-to-date net absorption of 3.1 million sq.ft., followed closely by Southeast Wisconsin with 2.5 million sq.ft. Northwest Indiana and the Far West Suburbs also reported robust figures, with year-to-date net absorption of 1.3 million sq.ft. and 1.1 million sq.ft. respectively. The South Suburbs saw the largest move-in of the year, with Samsung occupying 1.6 million sq.ft. at 701 Central Ave in University Park. Total year-to-date net absorption in Chicago dropped 52%, totaling 11.9 million sq.ft. compared to 24.2 million sq.ft. at the end of 2023.

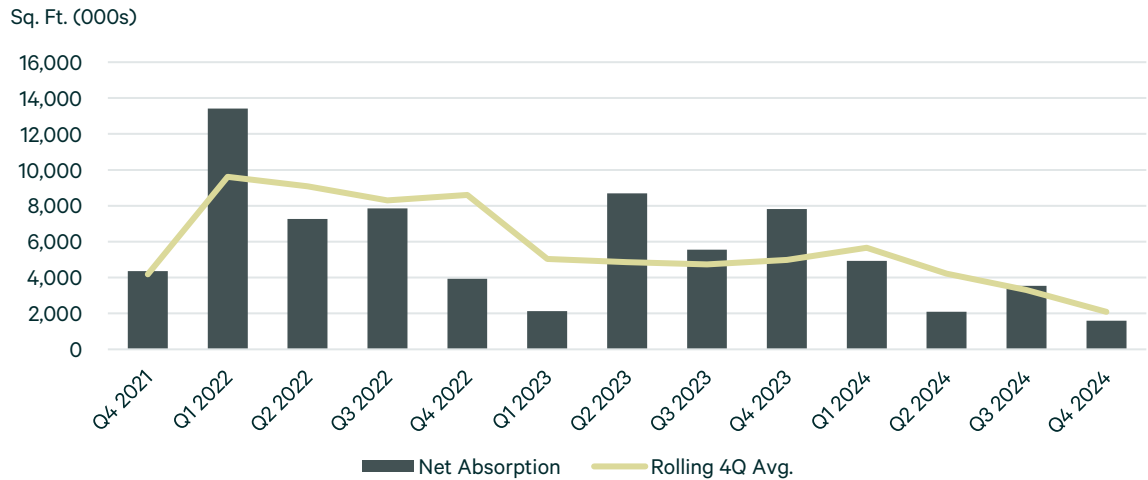
Construction Activity

Construction activity remained steady during the fourth quarter, with 3.8 million sq.ft. breaking ground, marking the highest volume of quarterly construction starts for the year. In 2024, the Chicago market recorded a total of 9.5 million sq.ft. in construction starts, down 52% from 19.7 million sq.ft. at the end of 2023. The largest groundbreaking of the year was Walmart’s 1.2 million sq.ft. build-to-suit distribution center at 1500 S Appleton Rd in Belvidere, closely followed by CJ Logistics’ 1.1 million sq.ft. facility in Joliet.

Currently, there are 41 projects underway, totaling 12.7 million sq.ft., with 66% being constructed as build-to-suit and 34% on a speculative basis. Notably, build-to-suit developments have outpaced speculative projects for the third consecutive quarter.

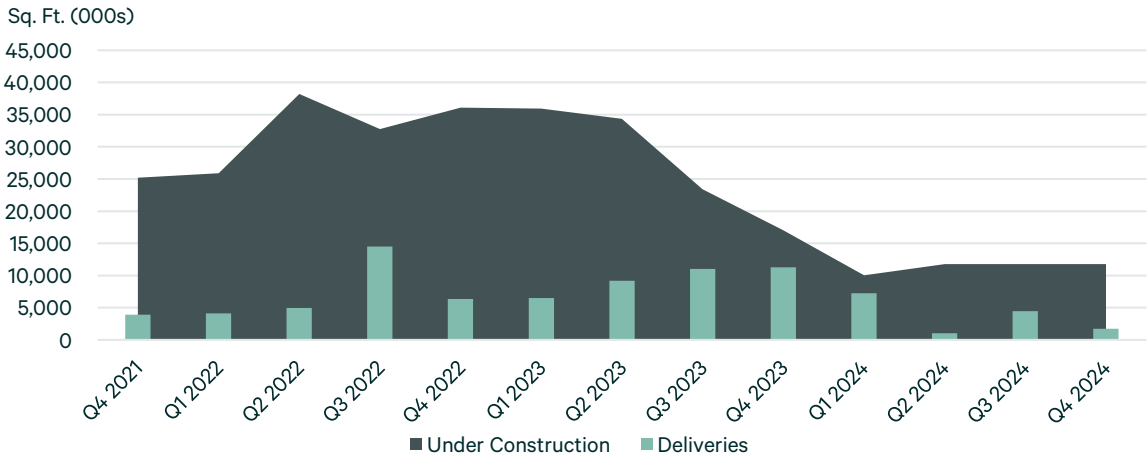
Following a record year of deliveries in 2023, a significant volume of construction completions occurred in 2024, with 1.7 million sq.ft. completed in the fourth quarter, bringing the year-to-date total to 14.4 million sq.ft. The most notable delivery of the year was General Mills’ 1.3 million sq.ft. build-to-suit development in Rockford, followed by The Logistics Property Company’s 1.2 million sq.ft. speculative multistory logistics facility in Chicago’s Goose Island neighborhood. The largest completions for the quarter included a 577,442 sq.ft. warehouse at 21225 Lidice Pkwy in Crest Hill, and Cabot’s 399,630 sq.ft. facility at 2000 S. Rowell Ave in Joliet.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2024

FIGURE 5: Construction Activity



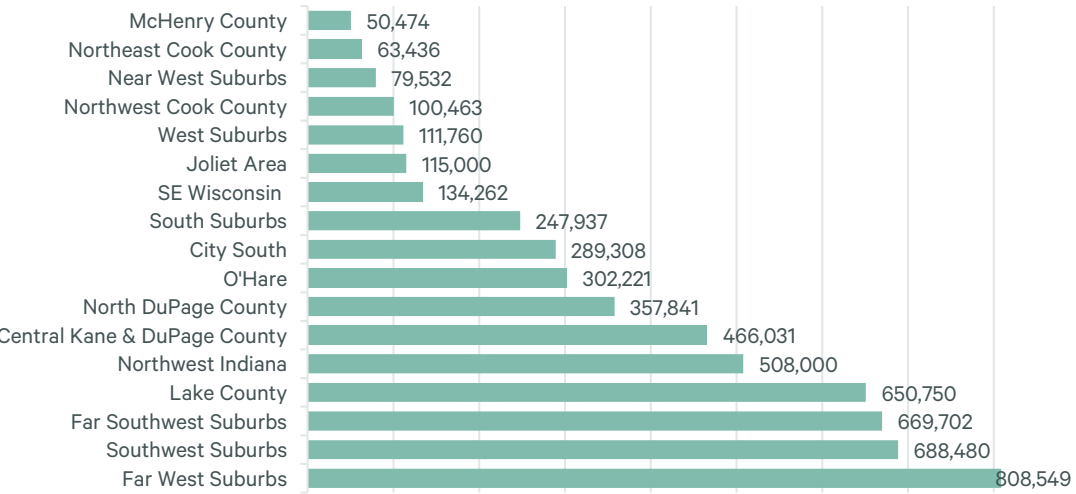
Source: CBRE Research, Q4 2024

Leasing Activity

Total leasing activity dipped quarter-over-quarter, landing at 8.3 million sq.ft., bringing the overall year-to-date figure to 40.3 million sq.ft. New lease transaction volume (including new leases and expansions) slightly decreased quarter-over-quarter from 5.5 million sq.ft. to 5.3 million sq.ft., consisting of 99 transactions greater than 10,000 sq.ft. The largest deal of the quarter was done by a confidential tenant in Romeoville for 497,717 sq.ft. The O'Hare submarket topped the market in new leasing activity for the year, with 3.4 million sq.ft. of new leases signed in 2024.

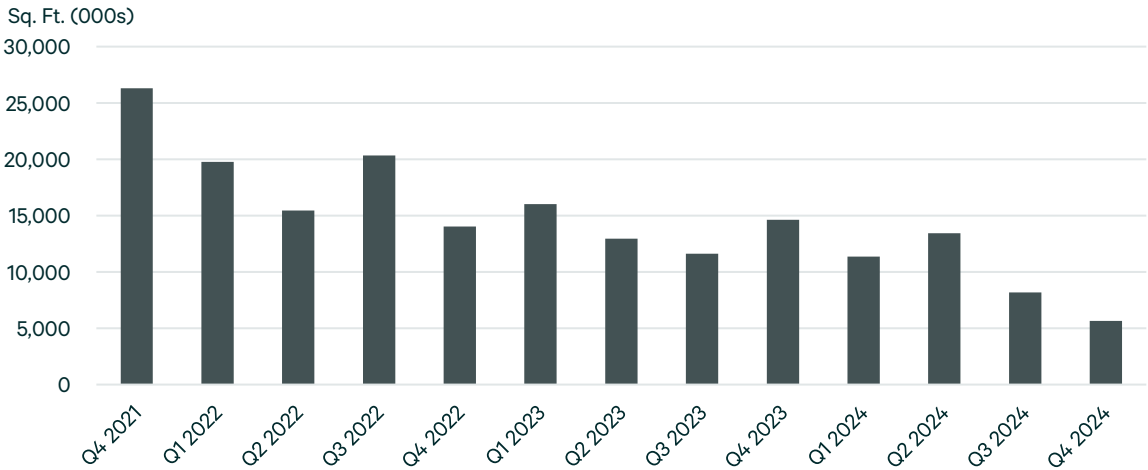
A total of 47 renewal transactions totaling 3.0 million sq.ft. were signed in Chicago, a decrease from 3.9 million sq.ft. signed in Q3 2024. The second largest deal of the quarter was a renewal for 470,160 sq.ft. signed by Mazda in the Far West Suburbs. From September to December, twenty renewals exceeding 100,000 sq.ft. each were signed, accounting for 36% of total leasing activity. Additionally, seven new subleases were signed during the fourth quarter, totaling 206,894 sq.ft.

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



Source: CBRE Research, Q4 2024

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



Source: CBRE Research, Q4 2024

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential tenant	497,717	New Lease	295 Southcreek Pkwy	Far Southwest Suburbs
Mazda	463,636	Renewal	900 Bilter Rd	Far West Suburbs
Flextronics America	335,340	New Lease	1501 Harris Rd	Lake County
Daifuku	300,000	Expansion	6300 Northwind Pkwy	Northwest Indiana
MSI Express	274,800	New Lease	1885 W State St	Central Kane & DuPage County
eLogistics	270,934	New Lease	4275 Ferry Rd	Far West Suburbs
Cargill	209,734	Renewal	1400-1570 E 98th Pl	City South
LKQ MIDWEST	141,904	Renewal	16801 Exchange Ave	South Suburbs
Chemical Light	130,275	New Lease	333 Corporate Woods Pkwy	Lake County

Source: CBRE Research, Q4 2024

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.	403,298,128	2.4	4.8	4.3	0.5	9.91	335,523	(1,447,911)	171,744	542,458
100,000-199,999 sq. ft.	237,993,740	3.7	7.7	6.4	1.3	8.66	889,903	1,035,013	147,500	1,855,525
200,000-299,999 sq. ft.	153,428,927	6.2	10.7	9.1	1.5	8.23	604,060	231,438	449,480	1,650,334
300,000-499,999 sq. ft.	185,583,013	6.3	8.9	7.4	1.5	7.46	465,577	2,652,530	399,630	1,693,480
500,000-749,999 sq. ft.	123,898,578	8.5	11.4	9.5	1.9	7.06	(254,445)	139,110	577,442	1,093,565
750,000 sq. ft.	170,628,055	5.6	10.3	8.3	2.0	7.65	(443,210)	5,747,992	0	5,870,460
Total	1,274,830,441	4.7	8.0	6.8	1.2	8.19	1,597,408	8,358,172	1,745,796	12,705,822

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	883,203,423	4.9	8.9	7.4	1.5	7.94	1,477,277	8,515,288	875,742	9,108,464
Manufacturing	293,994,221	2.5	4.9	4.2	0.7	8.16	(133,508)	(158,075)	0	903,565
R&D / Flex	25,237,357	1.4	3.2	2.7	0.6	10.20	(7,892)	(107,174)	0	0
Other Industrial	72,395,440	11.5	12.1	11.5	0.6	10.01	261,531	108,133	870,054	2,693,793
Total	1,274,830,441	4.7	8.0	6.8	1.2	8.19	1,597,408	8,358,172	1,745,796	12,705,822

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
All Other Buildings	1,095,614,739	3.4	6.6	5.5	1.1	8.54	1,620,457	1,870,013	1,094,910	10,441,736
Class A	179,215,702	12.3	16.8	14.4	2.4	7.52	(23,049)	6,488,159	650,886	2,264,086
Total	1,274,830,441	4.7	8.0	6.8	1.2	8.19	1,597,408	8,358,172	1,745,796	12,705,822

Market Statistics by Submarket

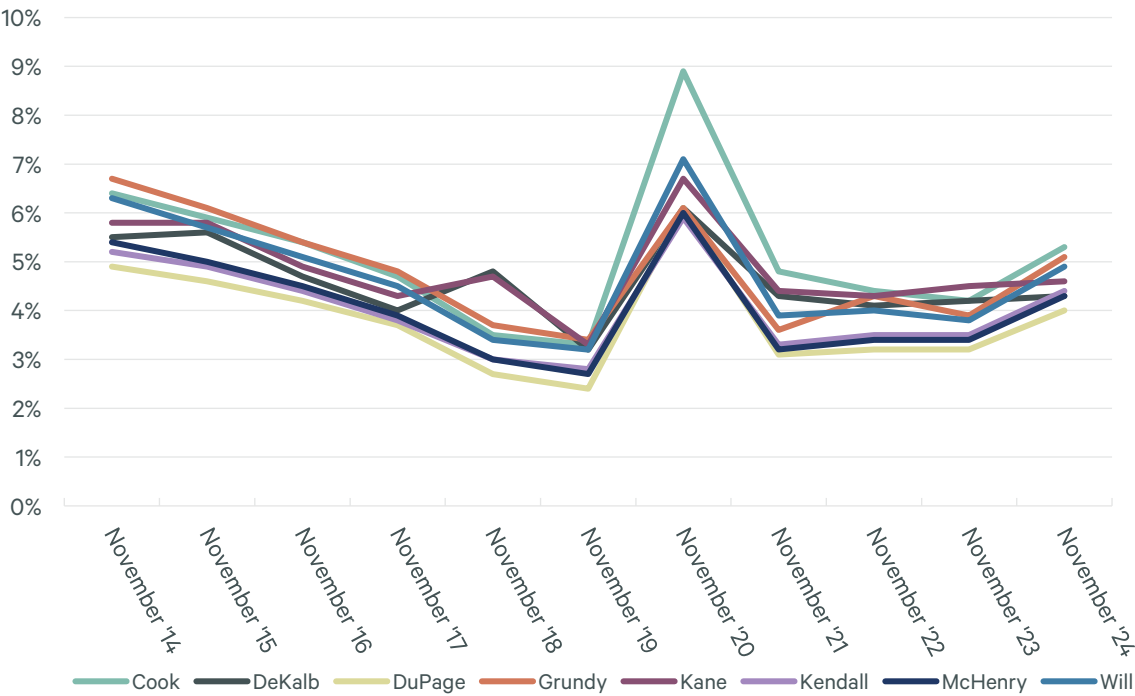
	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central Kane & DuPage County	41,247,775	3.6	6.5	6.0	0.5	8.79	346,011	849,938	0	296,722
City North	62,045,552	4.0	6.8	6.5	0.3	12.86	15,937	34,414	0	0
City South	105,878,232	2.9	6.2	5.6	0.6	8.48	22,220	-324,458	220,944	428,533
Dekalb Area	14,046,789	0.2	2.3	2.3	0.0	6.55	110,200	74,353	0	775,000
Far Southwest Suburbs	97,338,095	5.0	9.6	5.9	3.8	7.85	(172,877)	(91,302)	0	292,053
Far West Suburbs	70,367,266	2.7	5.4	5.1	0.2	6.08	150,882	1,066,261	0	1,987,880
Joliet Area	107,136,251	6.8	12.1	9.5	2.5	6.96	(407,156)	3,088,070	1,226,552	3,821,539
Lake County	81,019,908	4.6	7.2	6.7	0.5	7.01	288,093	281,297	0	246,757
McHenry County	23,656,006	4.3	7.0	6.7	0.3	6.17	(64,293)	433,176	0	0
Near West Suburbs	81,893,362	4.5	7.6	5.5	2.0	9.49	(304,920)	(110,704)	0	99,682
North DuPage County	46,316,919	2.7	5.9	5.1	0.7	7.01	408,969	828,666	98,300	470,804
North Kane County	36,764,355	7.1	7.8	6.2	1.6	8.28	(166,534)	80,415	0	0
Northeast Cook County	50,808,059	4.8	6.3	6.1	0.2	7.65	(97,555)	(454,17)	0	0
Northwest Cook County	32,242,152	5.9	7.3	6.8	0.5	8.43	160,436	601,03	0	321,730
Northwest Indiana	33,226,689	6.0	7.0	5.8	1.1	10.21	(16,430)	1,332,425	0	1,025,600
O'Hare	102,378,101	3.0	8.8	6.6	2.2	11.06	550,477	(550,607)	0	66,552
Rockford	37,879,035	3.7	5.0	4.1	0.9	4.86	165,190	1,675,354	200,000	1,200,000
Southeast Wisconsin	84,320,818	10.1	13.2	12.1	1.03	5.52	370,373	2,543,887	0	1,074,201
South Suburbs	62,811,659	5.2	10.3	10.1	0.2	9.96	92,875	680,394	0	567,259
Southwest Suburbs	64,438,092	4.9	7.9	7.2	0.7	9.53	155,014	(212,937)	0	0
West Suburbs	39,015,326	1.5	3.9	2.6	1.3	9.98	(9,504)	19,025	0	31,510
Total	1,274,830,441	4.7	8.0	6.8	1.2	8.19	1,597,408	11,844,481	1,745,850	12,705,822

Economic Overview

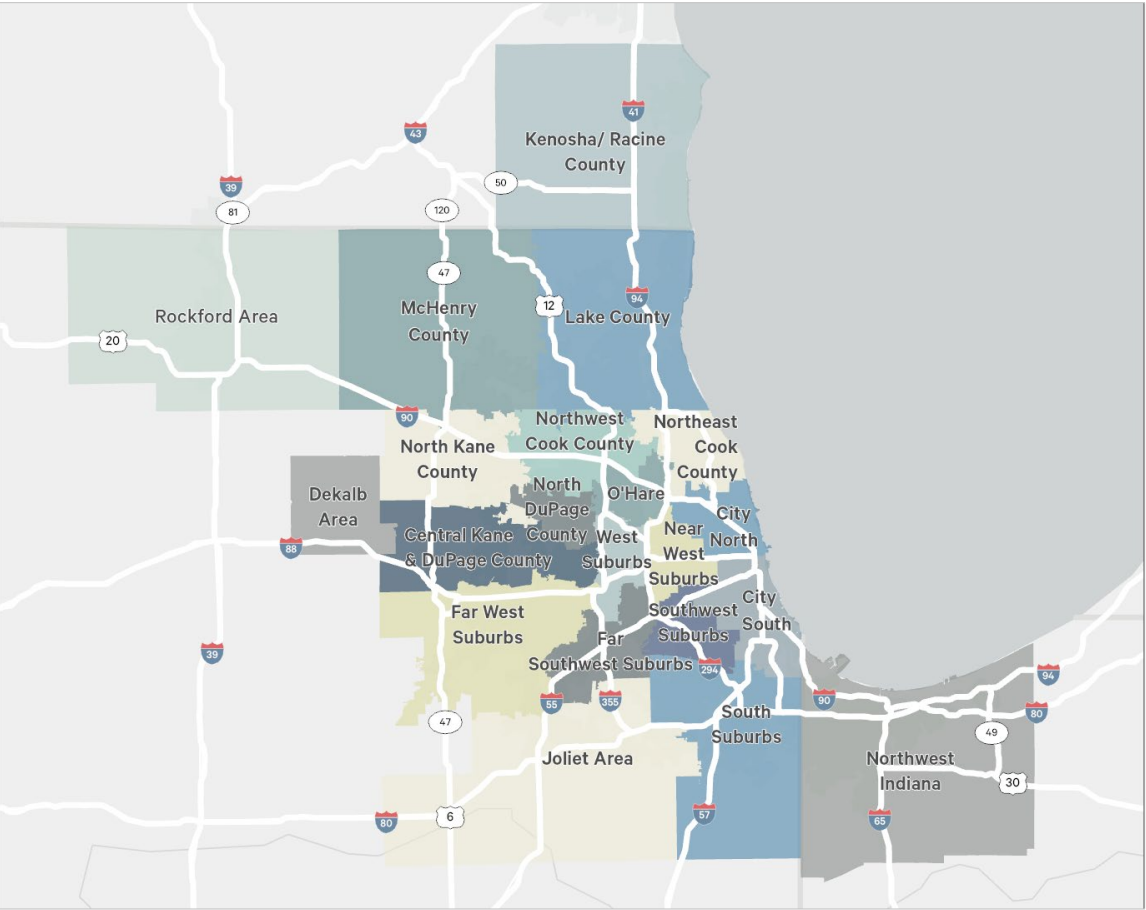
The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Figure 8: Year-over-Year Unemployment Rates by County, not seasonally adjusted (as of November 2024)



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.

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