



TRANSWESTERN

CHICAGO INDUSTRIAL MARKET

Q4 2024



TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.9	4.0	↑	5.2	↑
NET ABSORPTION (MSF)	0.1	0.8	↓	5.5	↓
OVERALL VACANCY RATE	5.6%	5.3%	↑	5.3%	↑
OVERALL VACANT SF (MSF)	79.1	74.4	↑	72.7	↑
UNDER CONSTRUCTION (MSF)	19.3	21.8	↓	28.2	↓
ASKING RENT, NNN (PSF)	\$9.37	\$9.10	↑	\$8.29	↑
SALES VOLUME (Millions)	\$377	\$490	↓	\$602	↔
SALES PRICE (PSF)	\$117	\$86	↑	\$83	↑

Source: Transwestern , Bureau of Labor Statistics, CoStar, Real Capital Analytics

INDUSTRIAL MARKET SLOWING

In the fourth quarter of 2024, the Chicago industrial market experienced a total net positive absorption of 100,576 square feet, bringing the annual total to 6.97 million square feet. The direct vacancy rate remained steady at 5.0%. Meanwhile, available sublease space nearly doubled in 2024, increasing from 8.5 million square feet at the end of 2023 to 16.4 million square feet by the close of 2024.

Only 1.3 million square feet of new inventory was added in the fourth quarter of 2024, the lowest added in a single quarter since 2013. However, lower interest rates spurred a slight increase in construction activity, with 12 projects breaking ground, totaling 3.5 million square feet.

Demand for industrial space in the Chicago market declined significantly in 2024. The corresponding lower levels of new construction should help keep vacancy rates relatively stable. If lower interest rates trigger a substantial increase in new construction in 2025, market uncertainty could rise. However, it is unlikely that developers will break ground on many speculative projects in this environment, and most new projects will be significantly preleased, thereby mitigating overall market risk.

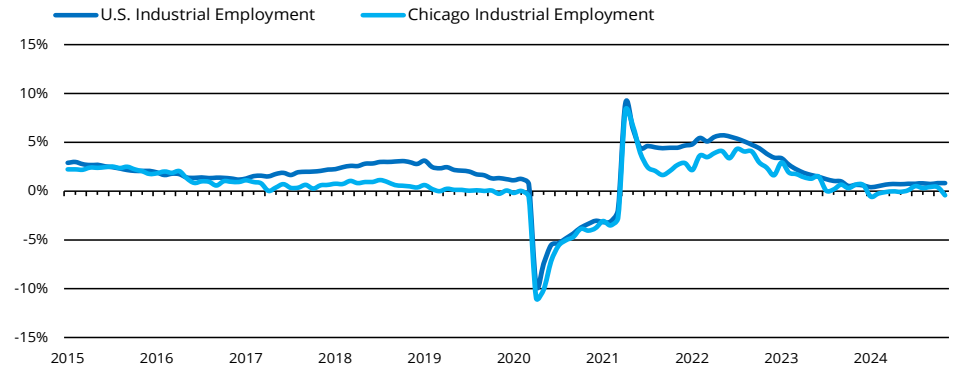


ECONOMY

Fed Expected to Hold Interest Rates Steady

- In September 2024, the Federal Reserve (Fed) lowered the federal funds rate by half a percentage point for the first time since rapidly raising them in response to inflation. There were two subsequent quarter percentage point cuts in November and December, bringing the current rate down to 4.25% to 4.5%. These adjustments have been a relief for the commercial real estate industry, which was significantly impacted by higher rates. The Fed is expected to hold rates steady in the coming months.
- The U.S. economy sustained robust job growth, adding an estimated 256,000 jobs in December, bringing the quarterly total to 511,000. Weekly initial unemployment claims remained below historical averages, and the national unemployment rate was 4.1% at the end of the fourth quarter.
- Locally, the unemployment rate decreased by 40 basis points in November to 4.9%. The local economy lost approximately 7,500 jobs over the past year, with the largest declines in professional and business services.
- The number of industrial space-using jobs in the U.S. increased by 0.8% year over year in November; locally, industrial space-using jobs decreased by 0.4% during the same period.

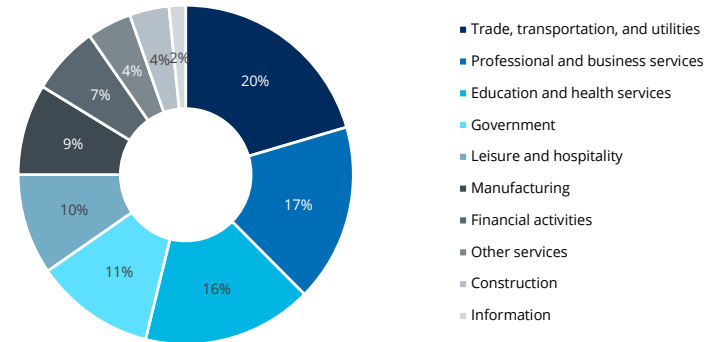
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

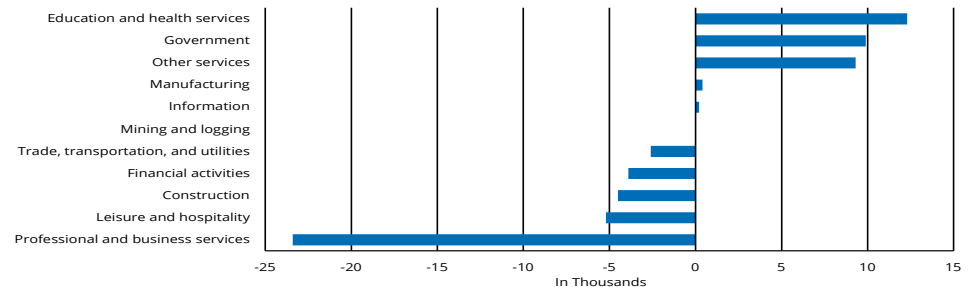
Chicago MSA | November 2024



Source: Bureau of Labor Statistics

Y-O-Y JOB GROWTH BY INDUSTRY

Chicago MSA | November 2024



Source: Bureau of Labor Statistics

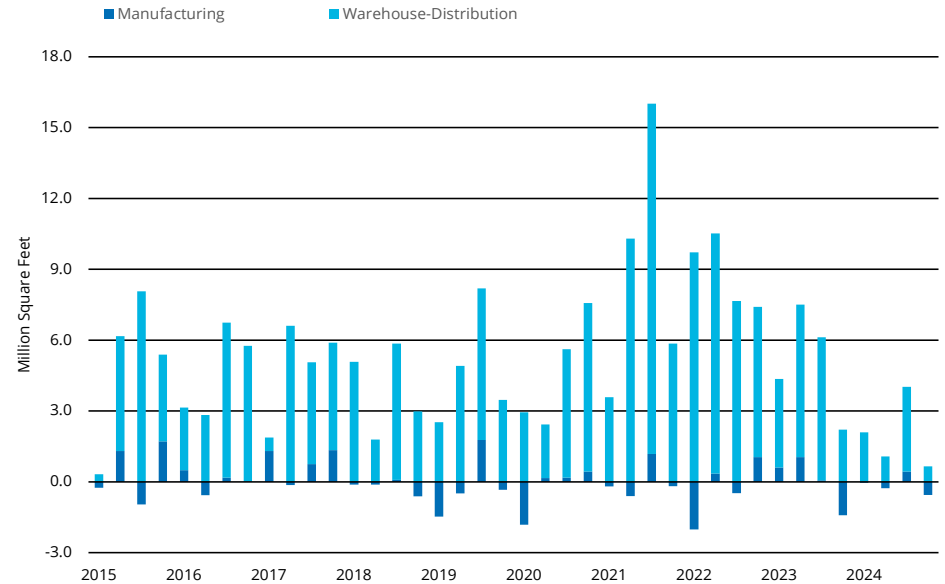


NET ABSORPTION

Demand Declines

- Total net absorption in the fourth quarter was 100,576 square feet, consisting of 656,017 square feet of warehouse-distribution space and negative 555,541 square feet of manufacturing space. This represents the lowest total quarterly absorption since the first quarter of 2015 and the lowest quarterly warehouse-distribution space absorption since the first quarter of 2017.
- The Fox Valley submarket had the highest absorption in the fourth quarter, with 1.2 million square feet of positive absorption.
- Leasing activity in the fourth quarter amounted to 7.2 million square feet, significantly lower than the historic high of 23.6 million square feet in the first quarter of 2022.

NET ABSORPTION BY PRODUCT TYPE



Source: Transwestern, CoStar

NOTABLE LEASES

Q4 2024

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
Pioneer Technologies	185 Southcreek Pky., Romeoville	I55 / I80 Southwest Corridors	New	497,717
Mazda	900 Bilter Rd., Aurora	Fox Valley	Renewal	463,363
Menasha Packaging	457 International Pky., Minooka	Southwest	Renewal	456,861
Flextronics America	1501 Harris Rd., Libertyville	Lake County North	New	335,340
eLogistics	4275 Ferry Rd., Aurora	I88 Corridor	New	270,934

Source: CoStar, Transwestern

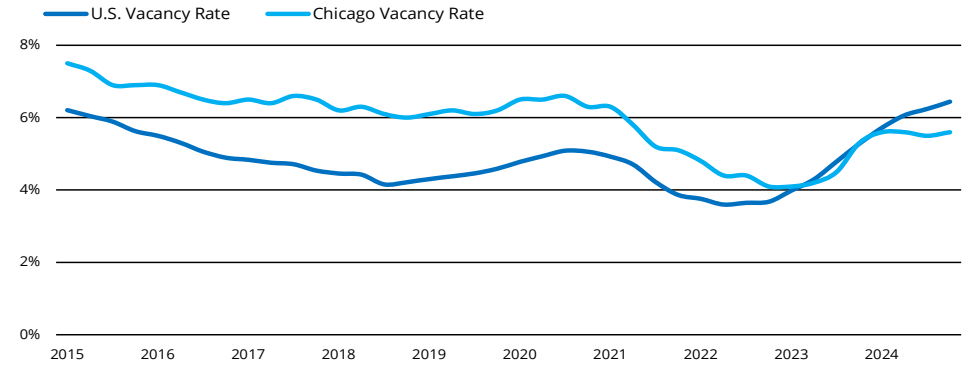


VACANCY

Vacancy Rates On the Rise

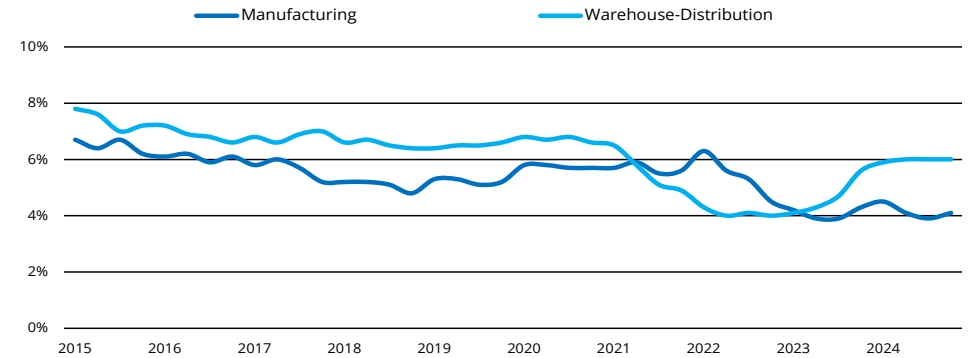
- The direct vacancy rate remained at 5.0% in the fourth quarter. The overall vacancy rate, including sublease space, increased by one basis point to 5.6%.
- Manufacturing space has a direct vacancy rate of 3.8% and an overall vacancy rate of 4.1%. Warehouse-distribution space has a direct vacancy rate of 5.4% and an overall vacancy rate of 6.0%.
- The lowest vacancy rates are in the McHenry County submarket, with 2.5% direct and 3.0% overall. The highest vacancy rates are in the Kenosha submarket, with 11.9% direct and 12.5% overall, which has seen its inventory expand by 36.8% over the past five years.
- Vacancy is expected to continue to rise in 2025 as more inventory is added to the market and demand weakens. Unless there is significant negative absorption, the direct vacancy rate should not rise over 6.2%.

OVERALL VACANCY RATE



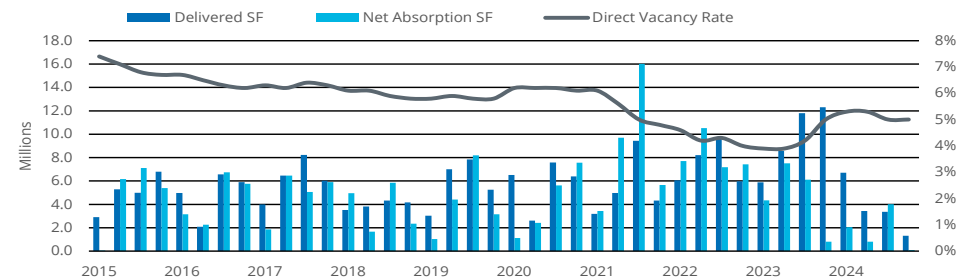
Source: Transwestern, CoStar

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: Transwestern, CoStar

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern, CoStar

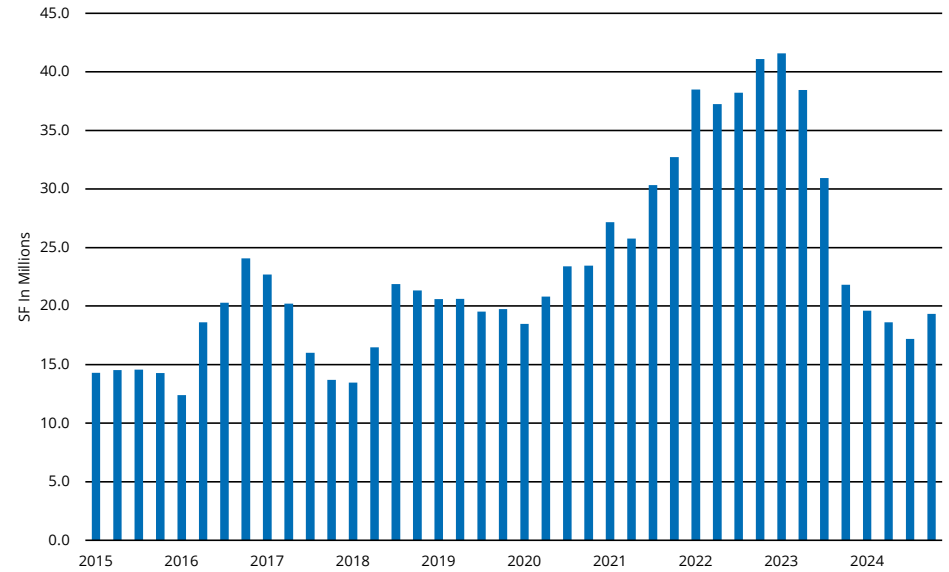


UNDER CONSTRUCTION

Development Pipeline Slows

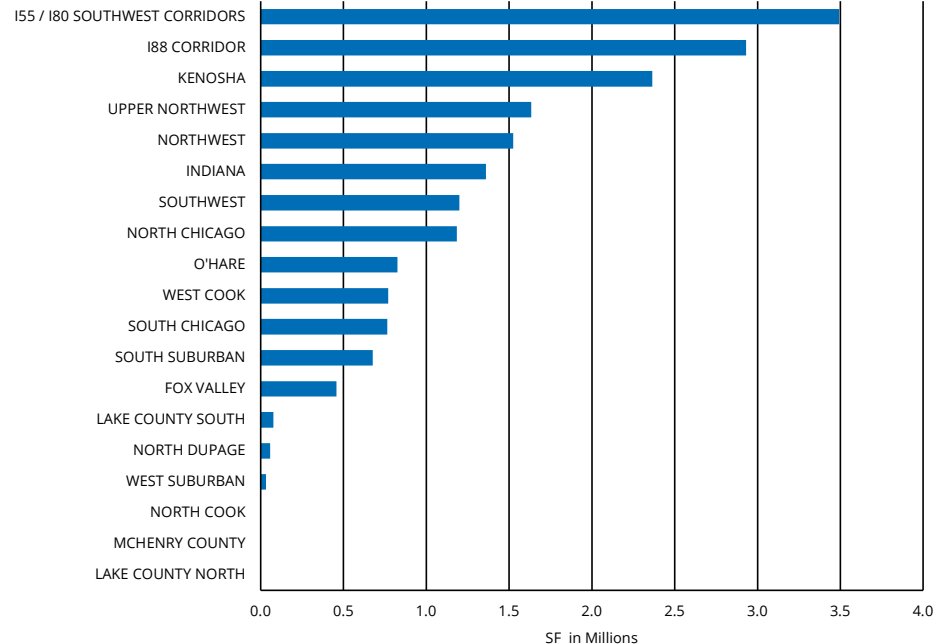
- Currently, 19.3 million square feet of industrial space is under construction, down significantly from the historic high of 41.6 million square feet in the first quarter of 2023. Only 1.3 million square feet were delivered in the fourth quarter of 2024, the lowest since the first quarter of 2013.
- Approximately 3.5 million square feet of industrial space broke ground in the fourth quarter, up from 1.3 million square feet in the third quarter.
- The development pipeline consists of 98.1% warehouse-distribution space and 1.9% manufacturing space.
- About 67.8% of the inventory under construction has been preleased.
- Approximately a third of all inventory under construction is located in the I-55/I-80 Southwest Corridors and I-88 Corridor submarkets.

UNDER CONSTRUCTION



Source: Transwestern, CoStar

UNDER CONSTRUCTION BY SUBMARKET



Source: Transwestern, CoStar

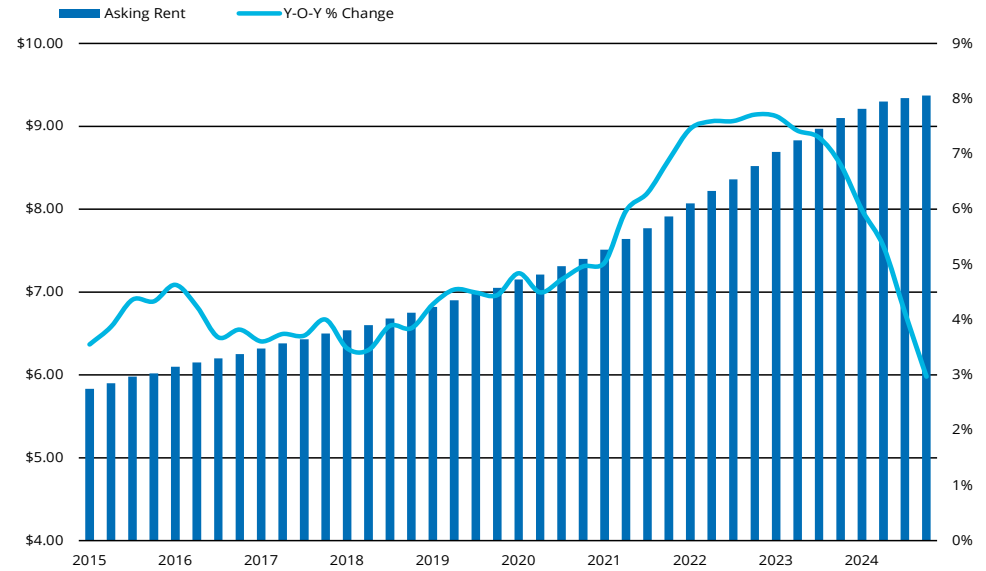


RENTAL RATES

Rental Rate Growth Slows

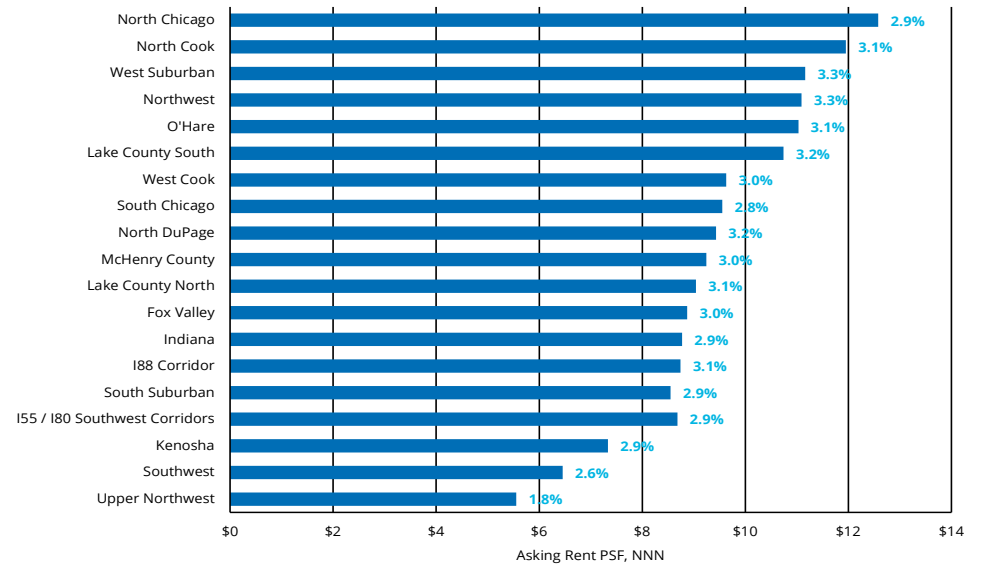
- The average asking rent for the Chicago metro area was \$9.37 per square foot in the fourth quarter of 2024, up 3.0% year over year.
- Rent has grown by 30.6% since the second quarter of 2020.
- Over the past 12 months, rent increased in all Chicago area submarkets. The slowest growth, 1.8%, was in the Upper Northwest submarket, while the highest growth, 3.3%, was in the West Suburban submarket.
- Despite ongoing increases in rental rates, the growth pace has decelerated, resulting in the lowest rate of growth in a decade.

ASKING RENT



Source: Transwestern, CoStar

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: Transwestern, CoStar

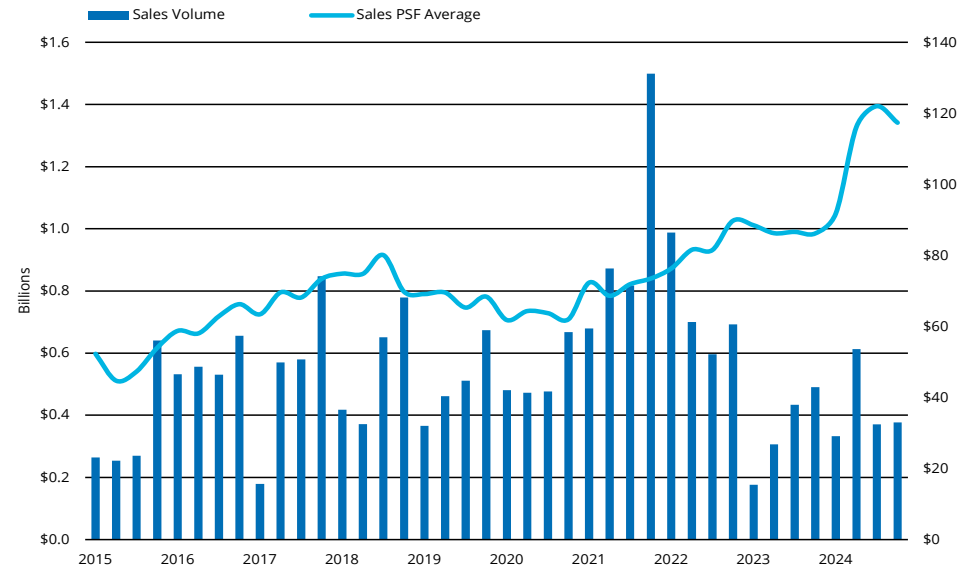


SALES

Sales Volume Remains Low

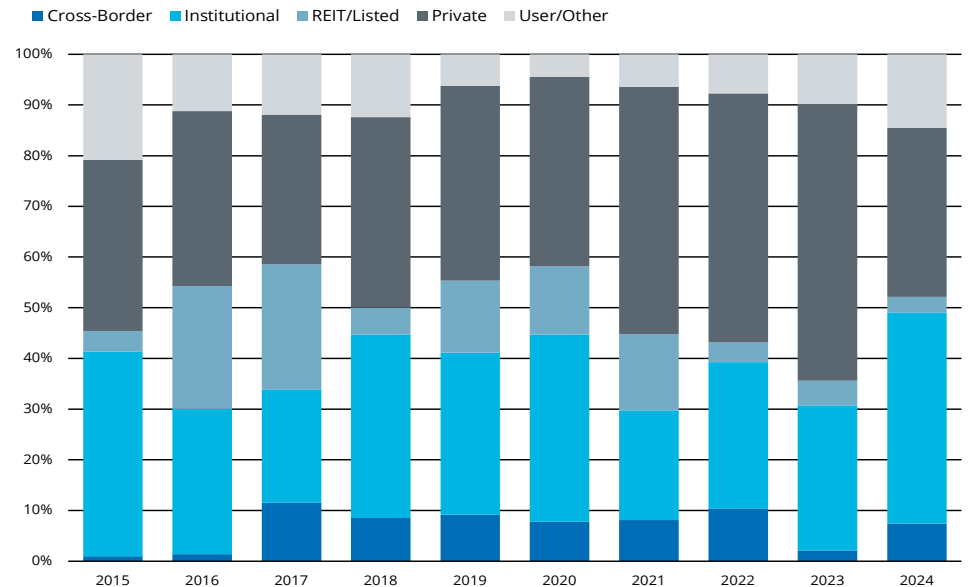
- The rapid increase in interest rates and reduced access to capital have led to a sharp decline in all commercial real estate investments since 2022. However, the industrial market remains one of the most attractive sectors, with the average sales price per square foot continuing to grow. With interest rates now lower than they were a year ago, investments in industrial real estate are likely to increase again, though not to the levels seen in 2022.
- There was \$376.7 million of Chicago-area industrial investment sales in the fourth quarter, bringing the year's total up to \$1.69 billion. The average sales price per square foot was \$117 in the fourth quarter of 2024, 36.2% year over year.
- With demand for industrial properties slowing, end users have been able to find properties to purchase after being largely shut out of the market during the peak of investment interest.

SALES VOLUME



Source: Transwestern, Real Capital Analytics, CoStar

BUYER CAPITAL COMPOSITION



Source: Transwestern, Real Capital Analytics, CoStar



MARKET INDICATORS TABLE

By Submarket | Q4 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	2024 NET ABSORPTION SF	ASKING RENT PSF, NNN
FOX VALLEY	67,823,010	2,829,419	4.2%	4.2%	456,722	1,233,812	637,052	\$8.79
I55 / I80 SOUTHWEST CORRIDORS	269,184,208	14,509,294	5.4%	6.4%	3,493,209	(2,219,269)	(970,373)	\$8.48
I88 CORRIDOR	82,163,443	2,542,695	3.1%	3.2%	2,930,463	555,856	400,854	\$8.69
INDIANA	60,532,269	1,878,846	3.1%	3.7%	1,359,767	(276,868)	1,314,086	\$8.76
KENOSHA	52,268,028	6,242,421	11.9%	12.5%	2,364,565	(122,695)	930,038	\$7.21
LAKE COUNTY NORTH	42,454,780	2,951,651	7.0%	7.1%	0	(37,251)	71,107	\$9.01
LAKE COUNTY SOUTH	47,029,938	2,372,662	5.0%	5.3%	76,821	367,859	508,578	\$10.68
MCHENRY COUNTY	33,329,800	836,982	2.5%	3.0%	0	(184,607)	(217,257)	\$9.22
NORTH CHICAGO	70,898,934	5,574,540	7.9%	8.1%	1,184,800	(87,875)	(665,505)	\$12.93
NORTH COOK	51,980,959	3,285,972	6.3%	7.0%	0	(225,979)	(258,772)	\$11.91
NORTH DUPAGE	41,221,430	1,252,558	3.0%	3.7%	57,100	(159,625)	(300,387)	\$9.37
NORTHWEST	91,019,030	5,155,145	5.7%	5.9%	1,523,634	767,034	2,252,851	\$11.09
O'HARE	108,428,170	3,879,501	3.6%	4.5%	824,502	364,870	(658,712)	\$10.98
SOUTH CHICAGO	115,930,742	5,447,677	4.7%	4.9%	764,900	(157,928)	84,753	\$9.54
SOUTH SUBURBAN	91,586,966	3,931,257	4.3%	4.4%	677,068	431,212	2,224,896	\$8.50
SOUTHWEST	30,627,641	1,057,503	3.5%	3.5%	1,200,000	(138,341)	234,651	\$6.43
UPPER NORTHWEST	50,050,713	2,823,908	5.6%	6.3%	1,633,000	177,851	855,927	\$5.58
WEST COOK	75,485,082	3,745,024	5.0%	6.0%	769,596	(135,009)	704,281	\$9.56
WEST SUBURBAN	41,073,167	1,150,666	2.8%	3.3%	31,510	(52,571)	(174,031)	\$11.14
TOTAL	1,423,088,309	71,467,721	5.0%	5.6%	19,347,657	100,476	6,974,037	\$9.37

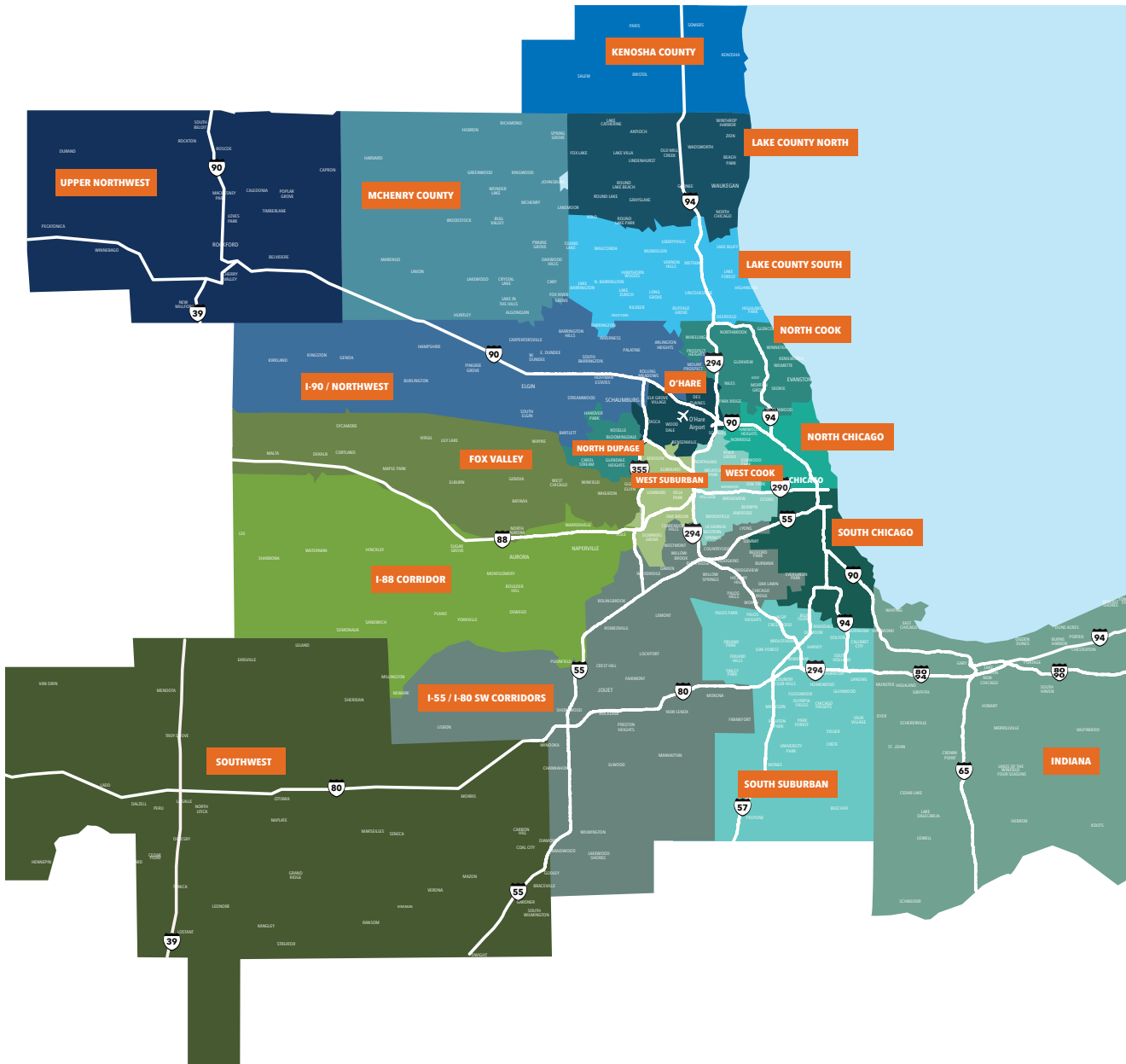
Source: CoStar, Transwestern

MARKET INDICATORS TABLE

By Property Type | Q4 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	2024 NET ABSORPTION SF	ASKING RENT PSF, NNN
WAREHOUSE-DISTRIBUTION	1,089,223,165	58,857,063	5.4%	6.0%	18,976,657	656,017	7,398,242	\$9.27
MANUFACTURING	333,865,144	12,610,658	3.8%	4.1%	371,000	(555,541)	(424,205)	\$9.71
TOTAL	1,423,088,309	71,467,721	5.0%	5.6%	19,347,657	100,476	6,974,037	\$9.37

Source: CoStar, Transwestern



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in the Chicago metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency. Inventory is defined as existing Class A, B and C industrial /flex properties, 10,000 square foot minimum rentable base area.

FOR MORE INFORMATION

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