TRANSWESTERN

CHICAGO

INDUSTRIAL MARKET | Q2 2025

1.43B
Inventory SF

201,098
Net Absorption SF

5.4%
Direct Vacancy

8.9%
Total Availability

15.4M
Under Construction SF

$9.59
Asking Rent PSF

Chicago Industrial Market Softens Further

Market Observations

- The Chicago industrial market continued to show signs of softening in the second quarter of 2025, as tenant demand moderated following a sharp slowdown in absorption from the end of the first quarter. While the direct vacancy rate held steady at 5.4%, overall vacancy continued to climb, driven by persistently elevated sublease availability. Over the past year, sublease space has averaged 14.9 MSF, well above historical norms, highlighting ongoing tenant recalibration and a more selective leasing environment.

- Direct leasing activity in the second quarter totaled 11.5 MSF, marking a 22.29% year-over-year decline and remaining well below the pandemic-era peak of 23 MSF in the fourth quarter of 2021.

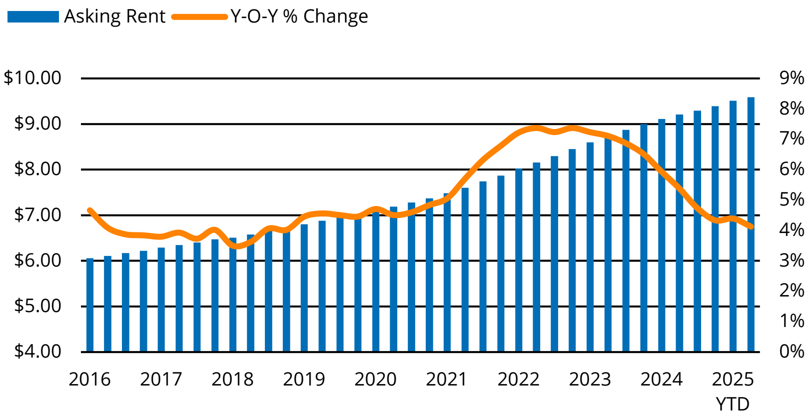
- Under construction square footage reached 15.4 MSF. New starts totaled just 3.1 MSF, barely offsetting deliveries of 2.4 MSF—the lowest quarterly total in seven years. This restrained pipeline reflects a more cautious development environment.

- While the Chicago industrial market is slowing, this trend does not yet appear to be driven by tariff-related impacts. Although shifting trade policies are expected to influence demand and supply in the long term, current market dynamics suggest continued normalization of the market after the surge in demand due to COVID-19.

CHICAGO INDUSTRIAL MARKET | Q2 2025

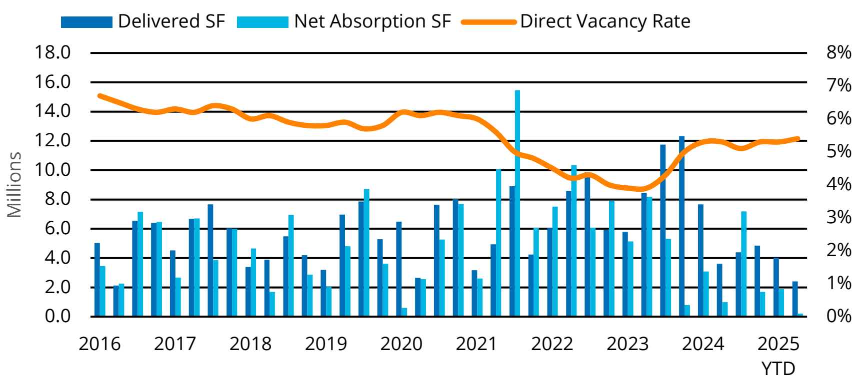
- **Net absorption** in the second quarter of 2025 totaled positive 201,098 SF, driven by positive 1.5 MSF of warehouse-distribution space and offset by negative 1.3 MSF of manufacturing space. The I88 Corridor submarket recorded the highest absorption for the quarter, with 761,858 SF of positive absorption.
- The **direct vacancy** increased by 10 basis points from the first quarter to the second quarter, reaching 5.4%. The overall vacancy rate, which includes sublease space, rose by 20 basis points to 6.0%. The highest vacancy rates are in the Kenosha submarket, with 13.0% direct and 13.2% overall, which has seen its inventory expand by 37.5% over the past five years.
- The average **asking rent** for the Chicago metro area was $9.59 PSF in the second quarter of 2025, up 4.1% year over year. Despite ongoing increases in rental rates, the pace of growth has slowed, returning to pre-pandemic norms.
- Currently, 15.4 MSF of industrial space is **under construction**, significantly lower than the peak of 42.3 MSF in the first quarter of 2023. Only 3.6 MSF delivered in the second quarter of 2025, marking the lowest quarterly total in seven years.

ASKING RENT



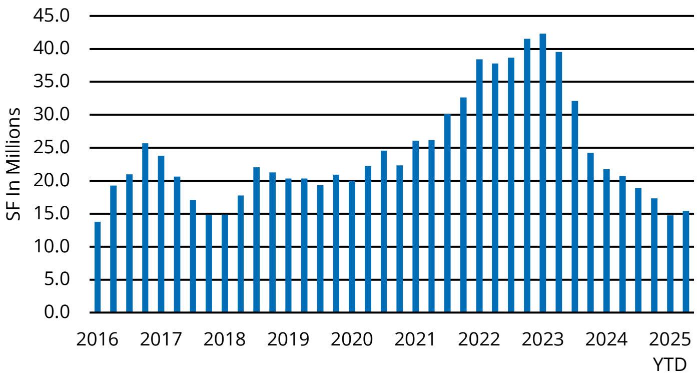
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

CHICAGO INDUSTRIAL MARKET | Q2 2025

MARKET INDICATORS TABLE

By Submarket | Q2 2025

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	2025 NET ABSORPTION SF	ASKING RENT PSF, NNN
FOX VALLEY	67,111,549	3,461,831	5.2%	5.2%	456,722	(352,247)	(632,512)	$9.05
I55 / I80 SOUTHWEST CORRIDORS	272,882,247	16,771,667	6.1%	7.3%	3,612,356	(268,984)	(666,843)	$8.78
I88 CORRIDOR	82,186,958	2,589,129	3.2%	3.5%	2,523,828	761,858	1,343,331	$8.82
INDIANA	66,813,094	2,027,240	3.0%	3.7%	1,086,229	309,123	580,186	$9.11
KENOSHA	53,091,048	6,884,040	13.0%	13.2%	371,000	588,110	(99,173)	$7.35
LAKE COUNTY NORTH	43,815,699	2,637,962	6.0%	6.1%	43,900	490,900	661,829	$9.24
LAKE COUNTY SOUTH	47,137,134	2,410,691	5.1%	5.3%	430,141	49,179	88,973	$10.91
MCHENRY COUNTY	33,255,379	752,630	2.3%	2.5%	0	(63,727)	73,802	$9.44
NORTH CHICAGO	68,706,992	7,186,669	10.5%	10.8%	67,593	(420,681)	(505,266)	$12.78
NORTH COOK	51,978,481	3,240,007	6.2%	6.8%	0	(43,558)	48,432	$12.02
NORTH DUPAGE	41,222,606	1,430,810	3.5%	4.0%	0	366,285	177,860	$9.63
NORTHWEST	91,226,297	4,871,651	5.3%	5.8%	1,451,246	(195,674)	753,056	$11.35
O'HARE	107,698,189	4,541,491	4.2%	5.2%	1,737,048	(759,979)	(984,416)	$11.26
SOUTH CHICAGO	114,586,033	5,896,968	5.1%	5.3%	555,569	(29,460)	(39,660)	$9.87
SOUTH SUBURBAN	92,587,575	4,201,683	4.5%	4.8%	376,019	(35,475)	(181,981)	$8.77
SOUTHWEST	34,385,736	1,057,864	3.1%	3.1%	0	-38,240	1,264,291	$6.84
UPPER NORTHWEST	50,750,095	2,807,048	5.5%	5.5%	2,598,000	173,481	81,216	$5.68
WEST COOK	75,167,002	4,058,458	5.4%	6.2%	99,682	(406,021)	(311,834)	$9.76
WEST SUBURBAN	39,909,795	1,124,749	2.8%	3.4%	0	76,208	57,427	$11.47
TOTAL	**1,434,511,909**	**77,952,588**	**5.4%**	**6.0%**	**15,409,333**	**201,098**	**1,708,718**	**$9.59**

Source: CoStar, Transwestern

MARKET INDICATORS TABLE

By Property Type | Q2 2025

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	2025 NET ABSORPTION SF	ASKING RENT PSF, NNN
WAREHOUSE-DISTRIBUTION	1,107,008,686	63,482,018	5.7%	6.4%	14,878,333	1,511,918	3,253,472	$9.52
MANUFACTURING	327,503,223	14,470,570	4.4%	4.6%	531,000	(1,310,820)	(1,544,754)	$9.84
TOTAL	**1,434,511,909**	**77,952,588**	**5.4%**	**6.0%**	**15,409,333**	**201,098**	**1,708,718**	**$9.59**

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.

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