TRANSWESTERN

CHICAGO

INDUSTRIAL MARKET | Q3 2025

1.43B
Inventory SF

658,401
Net Absorption SF

5.6%
Direct Vacancy

8.9%
Total Availability

15.6M
Under Construction SF

$9.30
Asking Rent PSF

Chicago Industrial Market Momentum Eases

Market Observations

- The Chicago industrial market softened further in the third quarter of 2025, as momentum slowed following a year of elevated activity. Vacancy edged higher, and sublease availability remained a key pressure point, reaching 15.2 MSF, the highest level in a decade. Leasing and development activity pulled back, signaling a broader recalibration in market dynamics.

- Direct leasing activity in the third quarter totaled 9.1 MSF, down 21.1% from last quarter, marking a reversal after three consecutive quarters of growth. The drop signals a shift in momentum following a period of sustained demand.

- Construction activity remained muted in the third quarter, with 15.6 MSF under construction, a 14.9% decline from the same period last year. Deliveries totaled just 2.5 MSF, the lowest quarterly volume in nine years, while 61.9% of space under construction is pre-leased, reflecting a cautious market environment and a strong emphasis on build-to-suit projects.

- While the Chicago industrial market continues to slow, this reflects a shift in tenant behavior and supply dynamics following years of pandemic-fueled expansion. Occupiers are prioritizing efficiency, reassessing space needs, and managing costs. Vacancy is expected to rise gradually as new deliveries and second-generation space add pressure to market conditions. While trade policy shifts remain a long-term consideration, current conditions are driven more by cyclical adjustment than external disruption.

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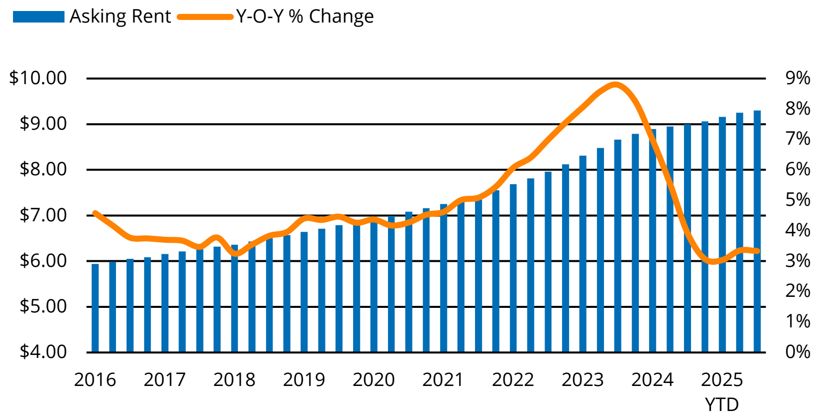
- **Net absorption** in the third quarter of 2025 totaled positive 658,401 SF, driven by positive 2.8 MSF of warehouse-distribution space, offset by negative 2.1 MSF of manufacturing space. The Kenosha submarket recorded the highest absorption for the quarter, with 1.2 MSF of positive absorption, supported by strong tenant demand throughout 2025.

- The **direct vacancy** increased by 10 basis points from the second quarter to third quarter, reaching 5.6%. The overall vacancy rate, which includes sublease space, rose by 10 basis points to 6.1%. The North Chicago submarket recorded the highest vacancy this quarter, with 10.6% direct and 10.9% overall, continuing its trend of elevated vacancy levels.

- The average **asking rent** for the Chicago metro area was $9.30 PSF in the third quarter of 2025, up 3.3% year over year. Despite continued increases in rental rates, the pace of growth has moderated, remaining in line with pre-pandemic trends.

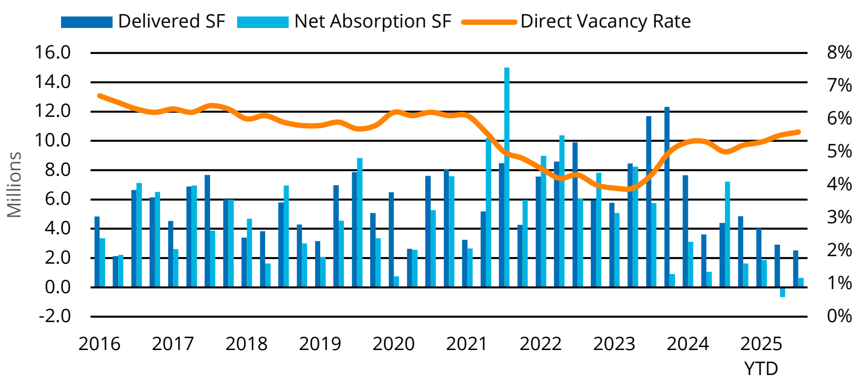
- Currently, 15.6 MSF of industrial space is **under construction**, significantly lower than the peak of 42.8 MSF in the first quarter of 2023. Only 2.5 MSF delivered in the third quarter of 2025, marking the lowest quarterly total in nine years.

ASKING RENT



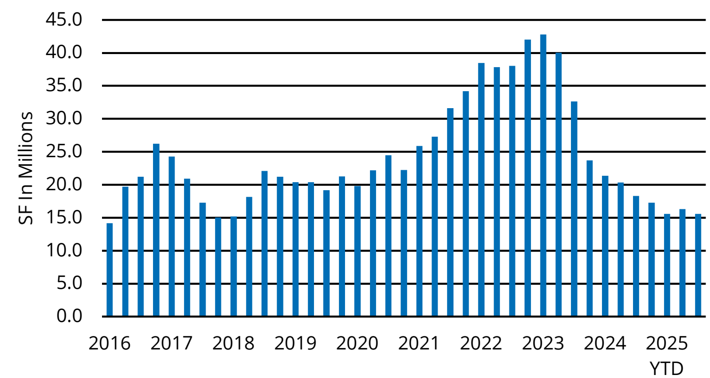
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

CHICAGO INDUSTRIAL MARKET | Q3 2025

MARKET INDICATORS TABLE

By Submarket | Q3 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	67,357,262	4,110,233	6.1%	6.3%	0	(351,680)	(985,765)	$8.51
I55 / I80 SOUTHWEST CORRIDORS	272,103,199	17,516,986	6.4%	7.0%	3,860,962	526,515	(1,114,282)	$8.16
I88 CORRIDOR	82,835,472	2,923,625	3.5%	3.9%	2,356,423	79,124	1,425,710	$8.51
INDIANA	66,751,784	1,828,671	2.7%	3.4%	1,825,072	432,565	1,040,498	$8.64
KENOSHA	53,476,618	5,582,010	10.4%	10.7%	500,000	1,170,997	1,071,824	$6.82
LAKE COUNTY NORTH	43,646,463	2,792,030	6.4%	6.5%	0	(110,168)	551,661	$9.02
LAKE COUNTY SOUTH	46,822,439	2,412,851	5.2%	5.4%	430,141	48,408	131,834	$10.82
MCHENRY COUNTY	33,245,544	739,277	2.2%	2.2%	131,200	13,353	88,055	$9.32
NORTH CHICAGO	67,745,693	7,153,992	10.6%	10.9%	67,593	(19,797)	(599,811)	$12.65
NORTH COOK	53,134,632	3,285,089	6.2%	6.9%	351,520	(45,082)	3,350	$11.90
NORTH DUPAGE	41,152,060	1,504,042	3.7%	3.8%	0	(76,216)	290,069	$9.46
NORTHWEST	91,689,058	5,272,535	5.8%	6.2%	1,065,014	77,479	810,635	$11.00
O'HARE	107,426,070	5,124,734	4.8%	5.6%	1,337,469	(401,664)	(1,097,538)	$11.16
SOUTH CHICAGO	113,552,133	6,189,166	5.5%	5.5%	555,569	(335,104)	(371,245)	$9.83
SOUTH SUBURBAN	91,836,648	4,267,200	4.6%	5.5%	151,000	200,002	(104,779)	$8.65
SOUTHWEST	34,218,873	1,198,990	3.5%	3.5%	0	(141,126)	1,123,165	$6.80
UPPER NORTHWEST	50,664,056	3,270,644	6.5%	6.5%	2,687,750	(463,596)	(380,780)	$5.67
WEST COOK	75,216,619	3,971,689	5.3%	6.2%	257,087	(14,699)	(125,383)	$9.59
WEST SUBURBAN	39,861,413	1,055,659	2.6%	3.1%	0	69,090	126,517	$11.25
TOTAL	**1,432,736,037**	**80,199,423**	**5.6%**	**6.0%**	**15,576,800**	**658,401**	**1,883,735**	**$9.30**

Source: CoStar, Transwestern

MARKET INDICATORS TABLE

By Property Type | Q3 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	1,104,582,038	63,374,717	5.7%	6.2%	15,094,022	2,752,122	6,147,423	$9.17
MANUFACTURING	328,153,999	16,824,706	5.1%	5.6%	482,778	(2,093,721)	(4,263,688)	$10.06
TOTAL	**1,432,736,037**	**80,199,423**	**5.6%**	**6.0%**	**15,576,800**	**658,401**	**1,883,735**	**$9.30**

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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