

INDUSTRIAL MARKET UPDATE

Chicago Industrial Market – Q1 2025

Overview: Manufacturing and FIRE (Finance, Insurance, and Real Estate) industries largely drive Chicago's economic engine, just as it's the nation's premier freight hub. According to the Chicago Metropolitan Agency for Planning, about 25% of all freight trains and 50% of all intermodal trains in the U.S. pass through Chicago, serving as a primary interchange point between coasts. The city's nation-leading intermodal infrastructure and relatively affordable rents should keep tenant demand and its year-over-year average rent growth stable through 2025.

The tight industrial vacancy rate underscores that current area landlords should face less supply-side competition than others across the country. While e-commerce and distribution sectors continue to show strength in the industrial space, there is favorable momentum from users in food processing, manufacturing, and data centers. Overall, companies face prolonged decision-making due to market uncertainty and the impact of expected tariffs.

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Leasing Activity

- Overall vacancy rate is currently 4.87%.
- Leasing activity improved to over 8M SF, up from approx. 6M SF in the second half of 2024.
- There has been stronger demand in the 250,000+ SF requirements, whereas less demand in requirements smaller than 150,000 SF.
- Positive absorption in Q1 around 1.9M SF, which was consistent with the end of 2024. Expected to rise in Q2.









Rental Rates

- Overall average Net Rental Rates are currently \$8.34/SF NNN.
- The O'Hare submarket continues to demonstrate the highest average asking net rates at \$9.78/SF.
- Rates are at a premium for newer, well-located product closer to expressways and the airports.
- Rates are expected to continue increasing due to improving demand, higher construction costs and a strained labor force.

Construction Deliveries

- Deliveries have been limited to around 3.5 million square feet, which sits below the average delivery numbers.
- Owner-build-to-suit deliveries accounted for 60%, while speculative deliveries were almost 40%.
- With major developments expected to slow in 2025, the focus will shift to shallow bay spaces ranging from 20,000 SF to 150,000 SF. Overall, fewer big box developments are in progress.

Leasing Activity (Select Deals in Past 12 Months)

 Kenosha West 502,033 SF	 Central Kane/DuPage 463,363 SF	 Joliet Area 408,394 SF	 North I-55 Corridor 306,805 SF
 South I-55 Corridor 281,464 SF	 Central Will 278,450 SF	 Central Kane/DuPage 263,682 SF	 West Cook North 248,912 SF

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\$8.34/SF

OVERALL
AVERAGE NET
RENTAL RATE



11.8M SF

NEW
DEVELOPMENT
UNDER
CONSTRUCTION



4.87%

CHICAGO
VACANCY
RATE



CENTRAL DUPAGE: 2.74%
CHICAGO NORTH: 3.12%
CHICAGO SOUTH: 5.83%
NORTH SUBURBS: 3.46%
NORTHWEST SUBURBS: 4.98%
O'HARE: 2.92%
SOUTH SUBURBS: 5.55%
I-88 CORRIDOR: 3.28%



47.6%

NEW LEASING BY
TRANSPORTATION &
WAREHOUSING

WHOLESALE TRADING: 18.5%
MANUFACTURING: 17.7%
OTHER: 16.2%



5.31%

CHICAGO
UNEMPLOYMENT
RATE



3.05M

UNDER
SALE
ACTIVITY



CENTRAL DUPAGE: 94,300 SF
CHICAGO NORTH: 10,150 SF
CHICAGO SOUTH: 700,124 SF
NORTH SUBURBS: 91,007 SF
NORTHWEST SUBURBS: 47,810 SF
O'HARE: 87,112 SF
SOUTH SUBURBS: 252,890 SF
I-88 CORRIDOR: 44,403 SF