



NEWMARK

Chicago
Industrial Market Report

1Q26

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Access the Extended 1Q26 Chicago Industrial Market Conditions & Trends Report



The extended version of this report includes:

- **Submarket-Level Insights:** In-depth analysis of how current trends and market dynamics are shaping the industrial landscape
- **Comprehensive Market Statistics:** Detailed breakdowns of vacancy, absorption, leasing, rental rates, and construction activity



To access, please reach out to your Newmark contact.

1Q26 Chicago Industrial Market Observations



Economy

- The Chicago labor market opened 2026 on uneven footing, adding 14,100 nonfarm jobs over the year, while simultaneously seeing unemployment rise 200 basis points to 5.2%, a pattern that aligns with a broader statewide shift toward slower hiring rather than widespread layoffs.
- Chicago's industrial labor base contracted across all major sectors, with manufacturing, trade and transportation, and construction employment each declining year-over-year. This broad pullback signals a cooler operating environment where industrial hiring is increasingly cautious and focused on productivity gains rather than headcount growth.
- Chicago's manufacturing employment is underperforming the national trend, as its older plants shift to automation, consolidation and offshoring, allowing operations to be maintained with fewer workers.



Leasing Market Fundamentals

- The Chicago industrial market opened 2026 with solid fundamentals, recording 1.7 MSF of net absorption in the first quarter. Vacancy held flat over the quarter at 5.3%, 250 basis points below the 20-year average of 7.8%.
- Leasing has regained momentum from the late 2024 slowdown, with 1Q26 volume rebounding to 13.3 MSF. Class A product accounted for 59.4% of leasing activity, underscoring continued tenant preference for modern, high-quality space.
- Average asking rents climbed to \$6.80 per square foot, as tight vacancy and limited new supply continue to support rate increases above the market average.



Major Transactions

- Sales volume reached \$1.3 billion, the strongest first quarter since 2022 and a 57% year-over-year increase. Average pricing continues to trend upward, reaching \$102/SF.
- Leasing was anchored by General Mills' 1.51 MSF renewal in Wilmington and Hyundai Translead's 1.38 MSF new lease in Channahon, with Crane Worldwide adding close to 1.0 MSF to its footprint to support logistics operations tied to AWS.
- Investment activity was led by large portfolio trades, including DRA Advisors' \$206.1 million acquisition of 32 Venture One industrial assets across the Chicago metro and Ares Management's \$118.7 million purchase of a Blackstone-owned Amazon distribution facility in Joliet as part of a 13-property portfolio



Outlook

- Vacancy is expected to continue trending lower. Robust leasing activity over recent quarters is expected to improve occupancy gains in the second half of 2026 as those leases commence. With construction deliveries at just 2.8 MSF, the lowest quarterly delivery volume since 2020, and the pipeline moderating, the market continues to move toward equilibrium.
- Flight-to-quality will intensify as occupiers consolidate into newer Class A product with better power, loading and amenities.
- Capital markets activity is expected to remain focused on institutional-grade, modern logistics and specialized industrial assets, with portfolio trades and sale-leasebacks providing liquidity even as overall transaction volume stays below peak levels.

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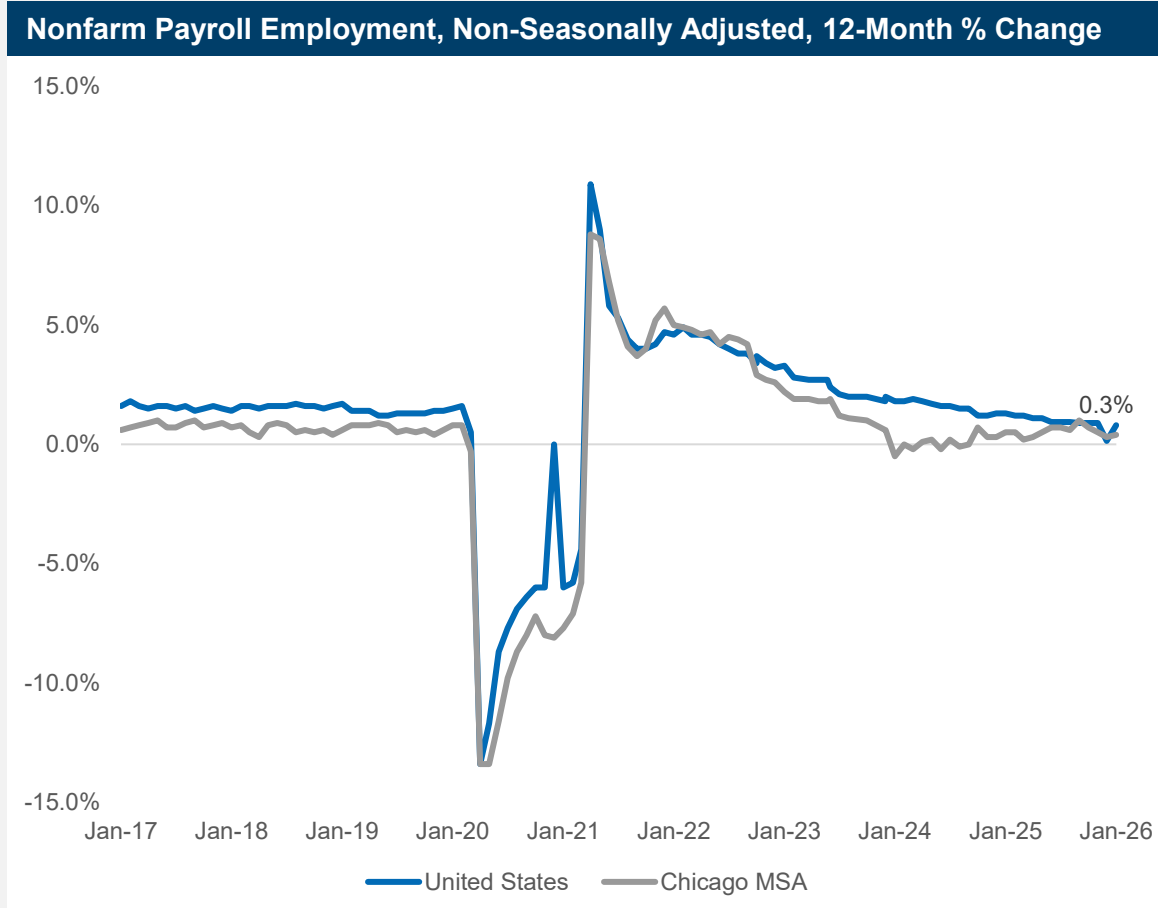
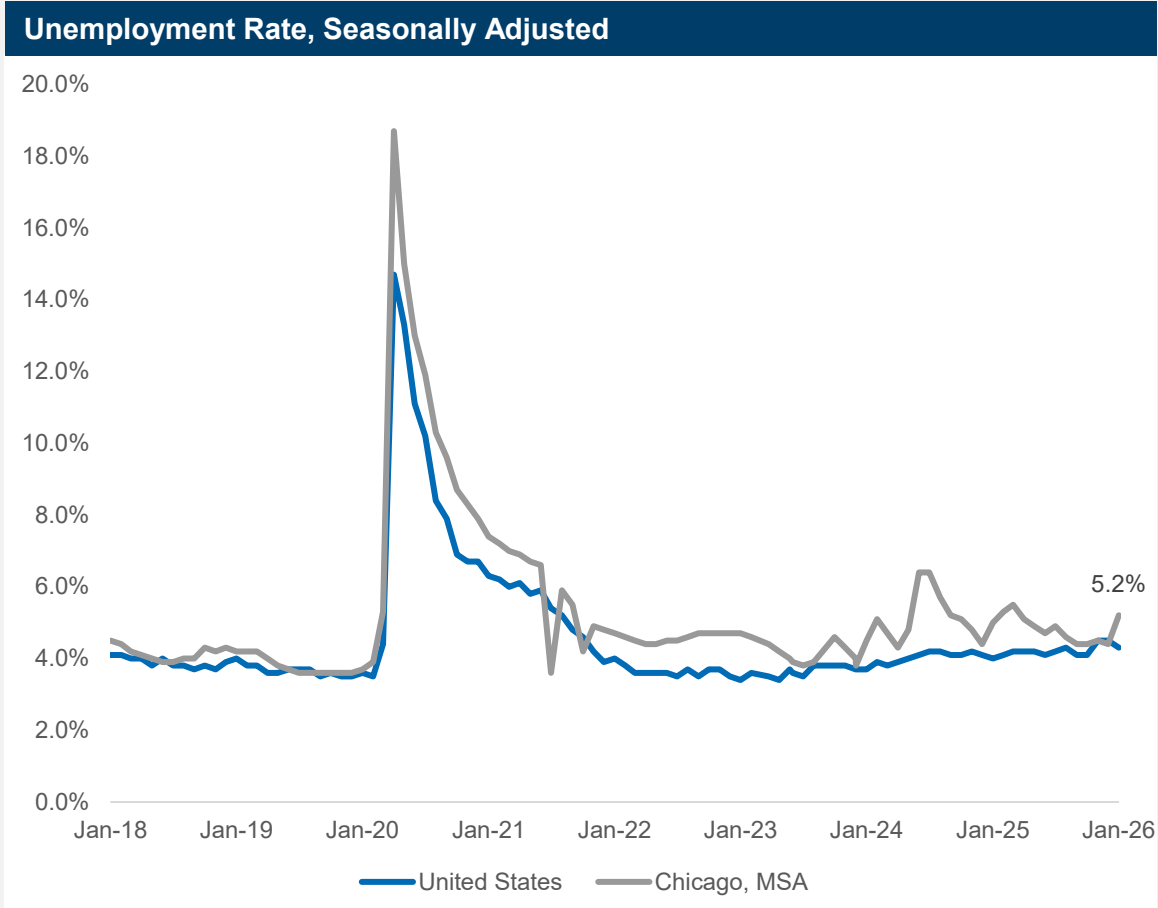
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Economy



Job Gains Offset by Uptick in Unemployment

The Chicago metro labor market opened 2026 on uneven footing, adding 14,100 nonfarm jobs compared with January 2025 while simultaneously seeing unemployment rise to 5.2 percent from 5.0 percent a year earlier, a pattern that aligns with a broader statewide shift toward slower hiring rather than widespread layoffs.

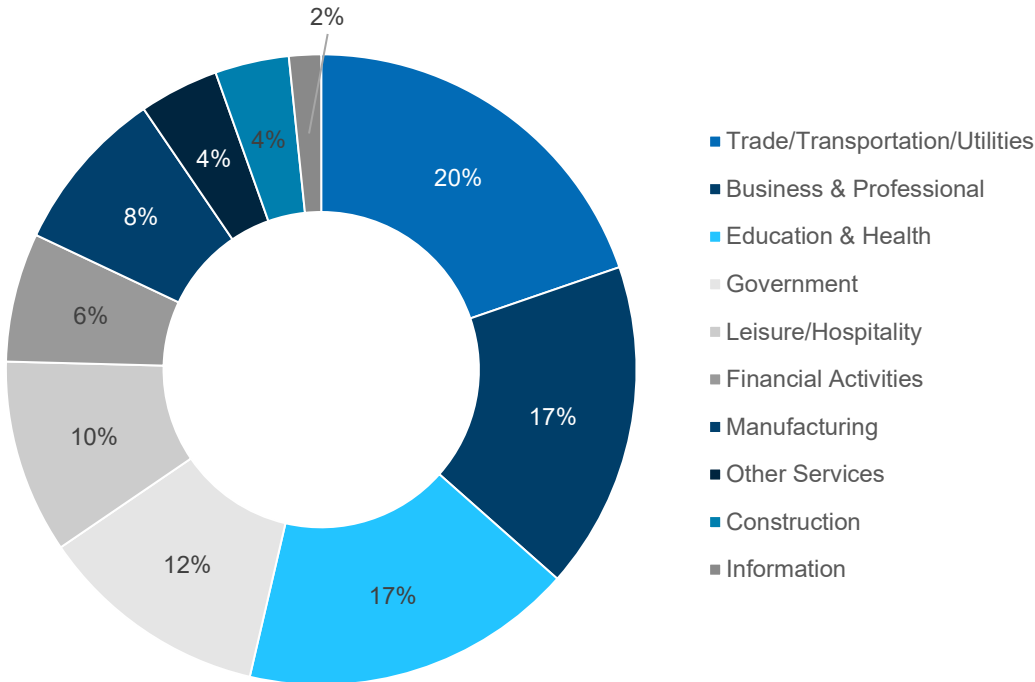


Source: U.S. Bureau of Labor Statistics, Chicago MSA
 * Due to the federal government shutdown, some year-end 2025 employment data was unavailable.

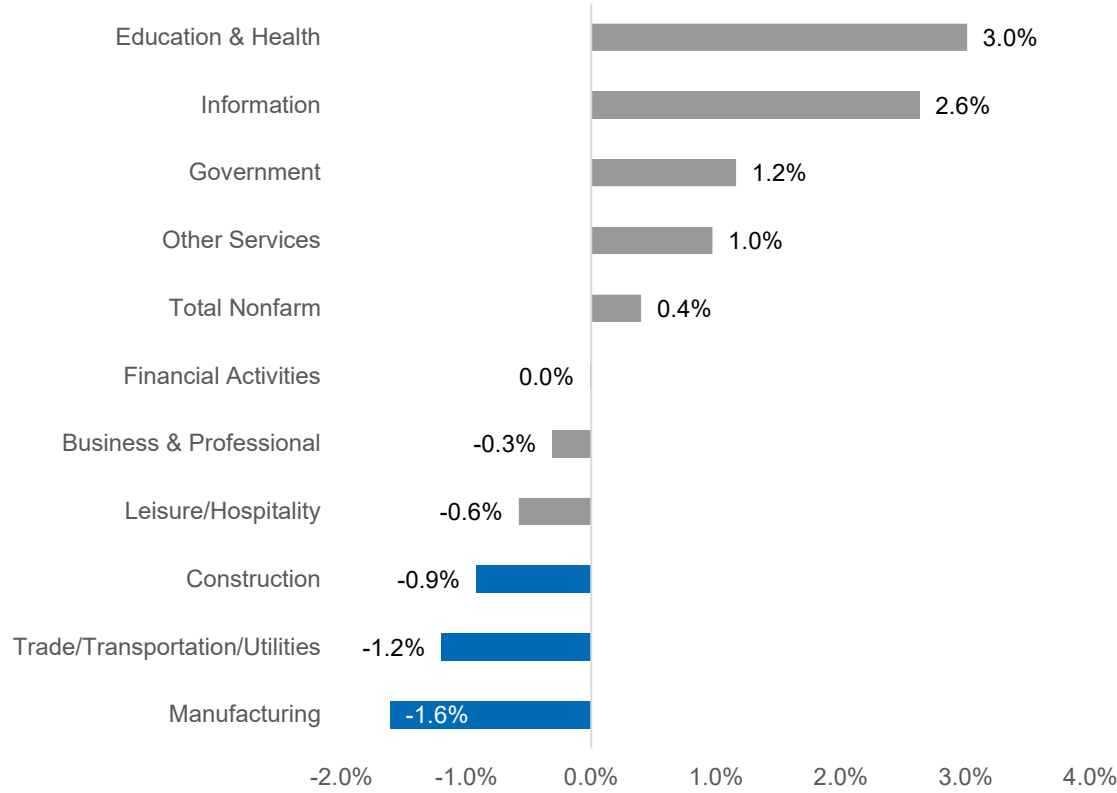
Industrial Hiring Continues to Soften

In January 2026, Chicago’s industrial labor base contracted across all major sectors, with manufacturing, trade and transportation, and construction employment each declining year-over-year. This broad pullback signals a cooler operating environment where industrial hiring is increasingly cautious and focused on productivity gains rather than headcount growth.

Employment by Industry, January 2026



Employment Growth by Industry, 12-Month % Change, January 2026

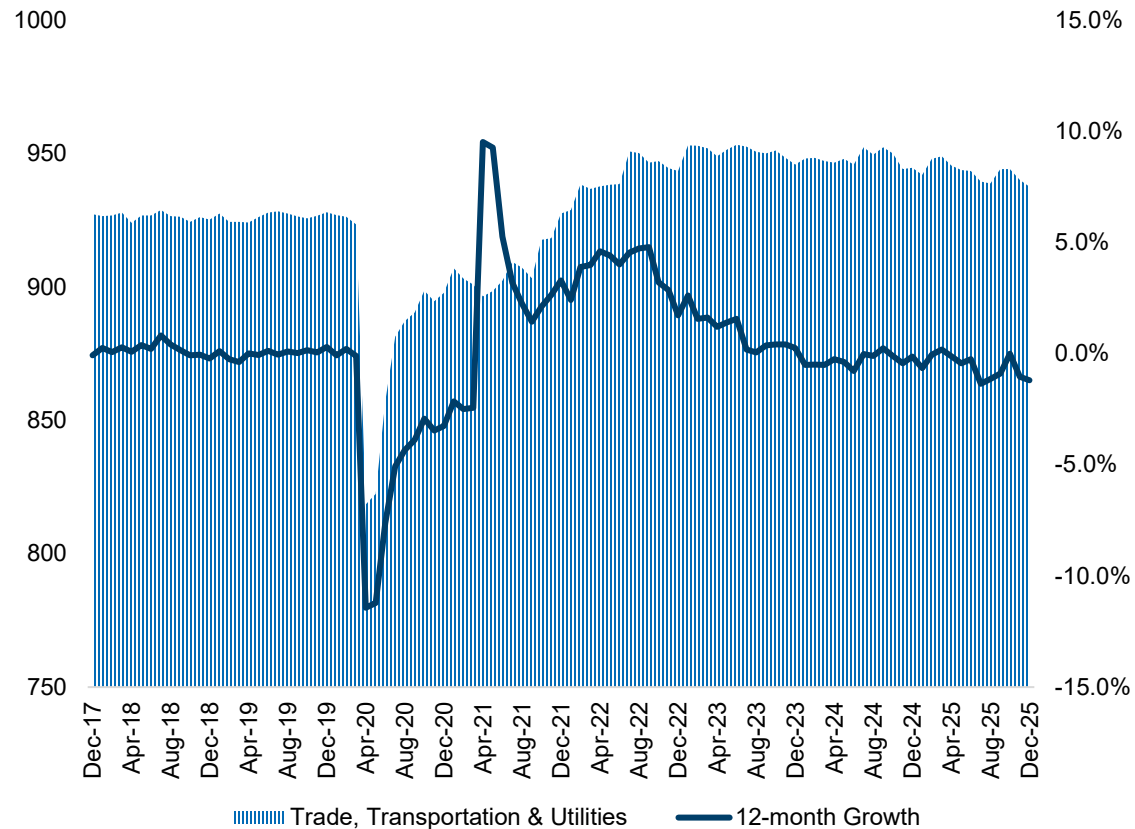


Source: U.S. Bureau of Labor Statistics, Chicago MSA

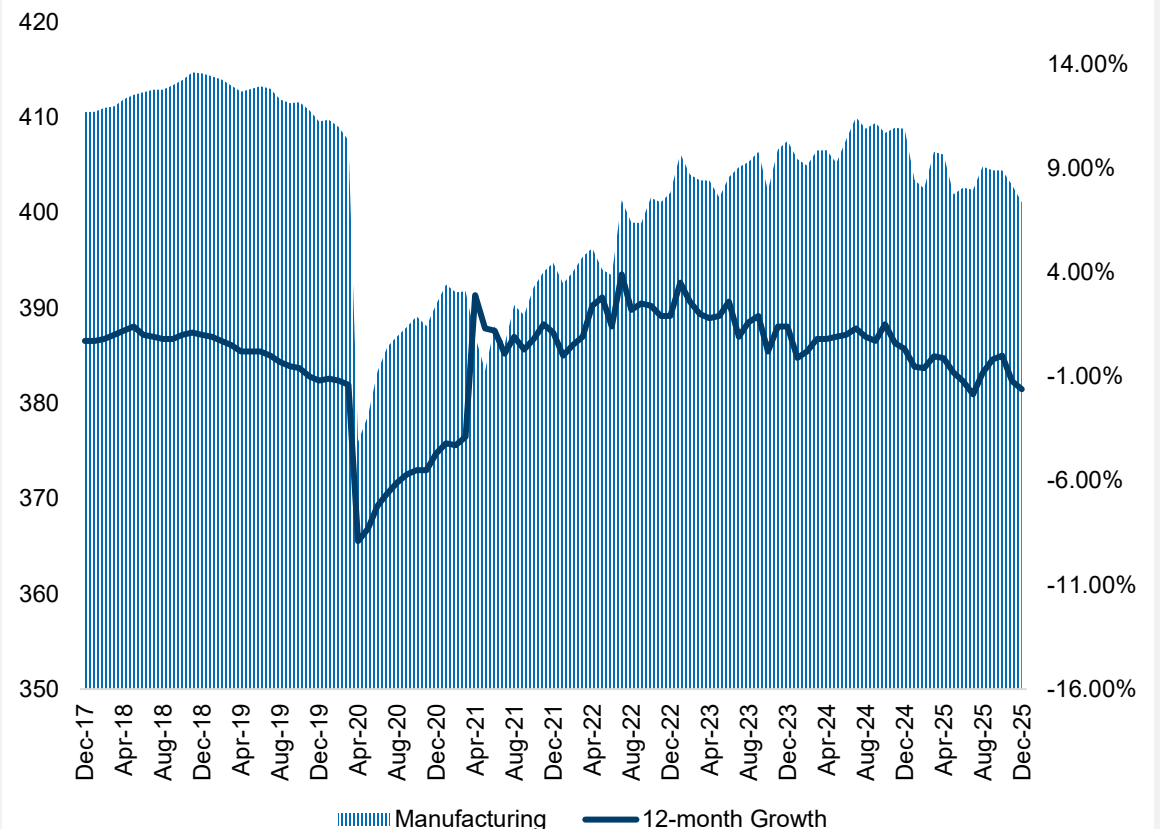
Employment Declines Across Core Industrial Sectors

Chicago's manufacturing sector contracted by 1.6% over the past year, underperforming the recovery seen nationally. Trade, transportation, and utilities also declined by 1.2% during the same period. These setbacks underscore persistent challenges, from skilled labor shortages to the lasting effects of recent factory closures and relocations. Chicago's manufacturing employment is underperforming the national trend, as its older plants shift to automation, consolidation and offshoring, allowing operations to be maintained with fewer workers.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



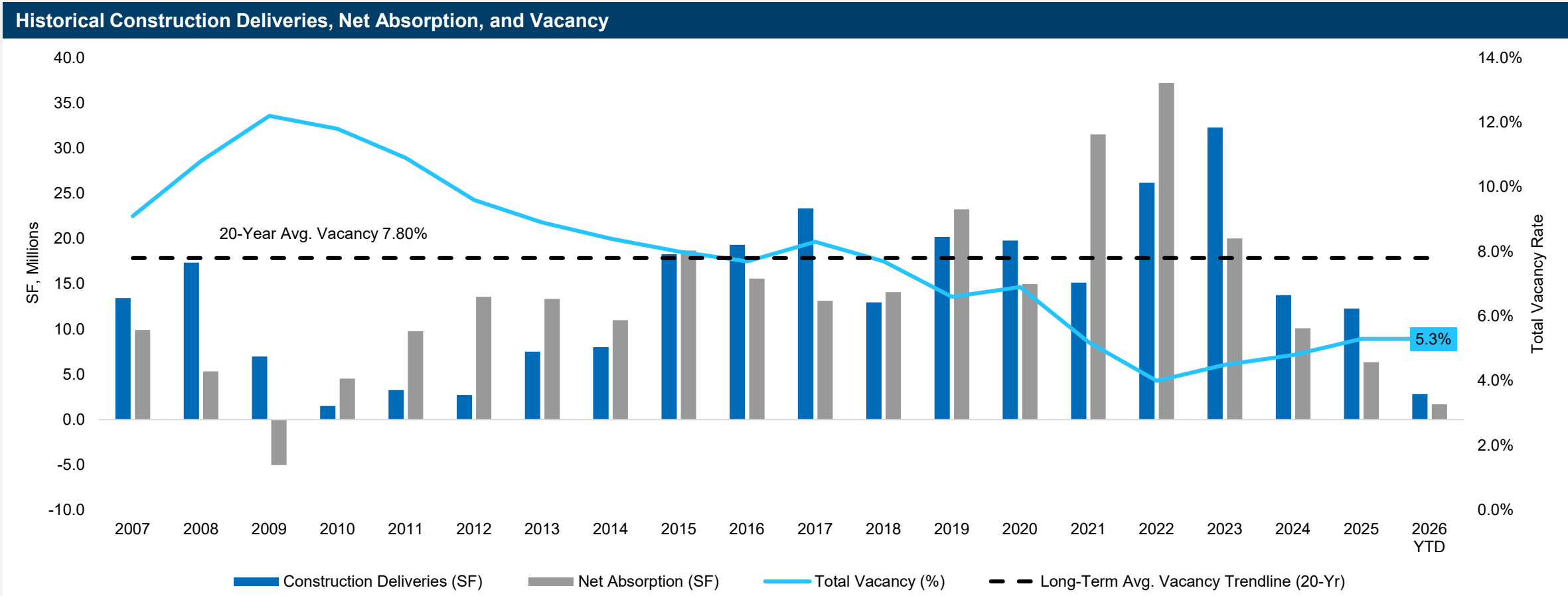
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Leasing Market Fundamentals



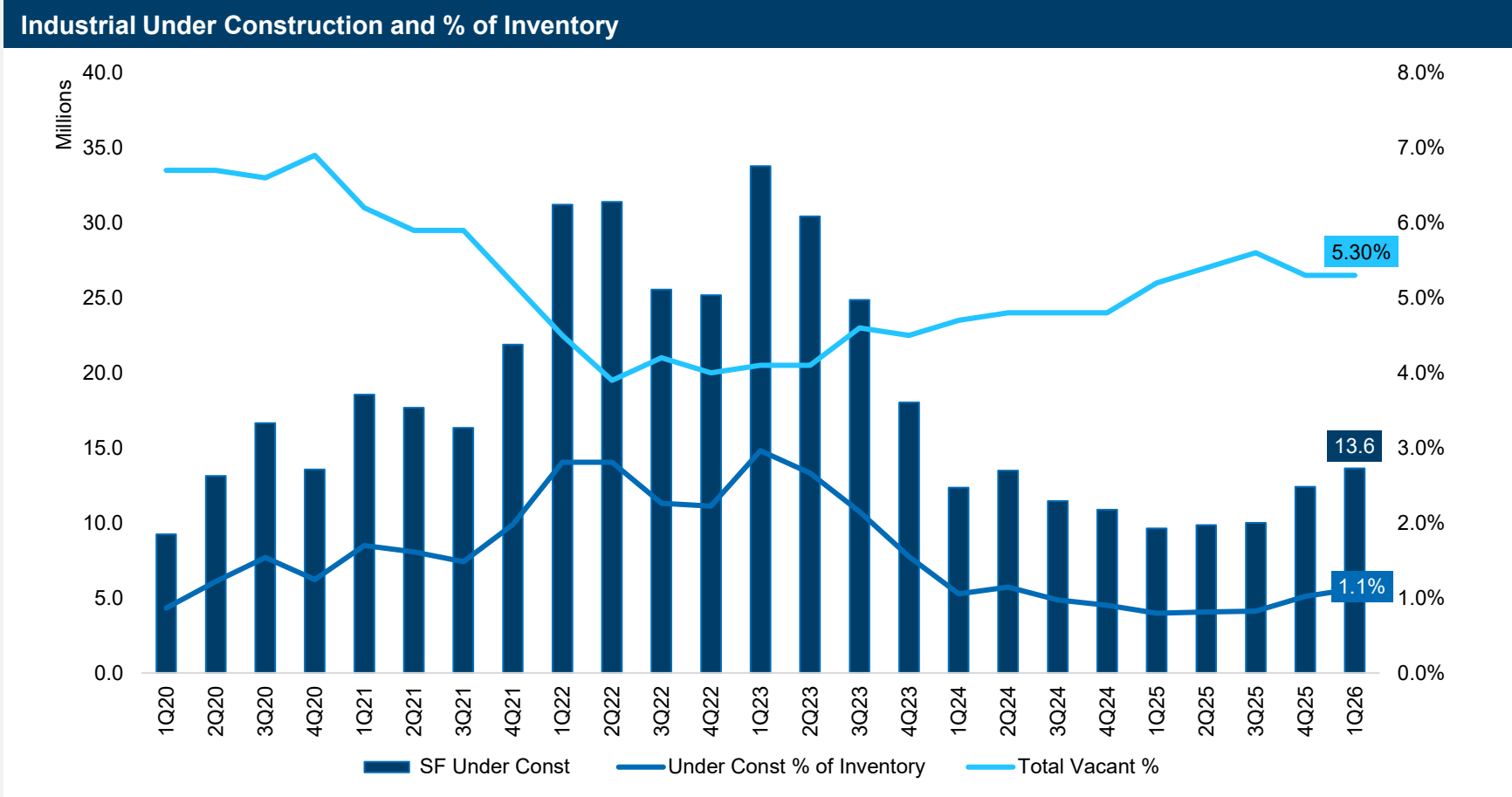
Vacancy Holds as Leasing Activity Lays Groundwork for Growth

The Chicago industrial market opened 2026 with solid fundamentals, recording 1.7 MSF of net absorption in the first quarter. Vacancy held flat over the quarter at 5.3%, 250 basis points below the 20-year average of 7.8%. Robust leasing activity over recent quarters is expected to improve occupancy gains in the second half of 2026 as those leases commence. With construction deliveries at just 2.8 MSF, the lowest quarterly delivery volume since 2020, and the pipeline moderating, the market continues to move toward equilibrium.



Pipeline Recovers Modestly as Developer Confidence Returns

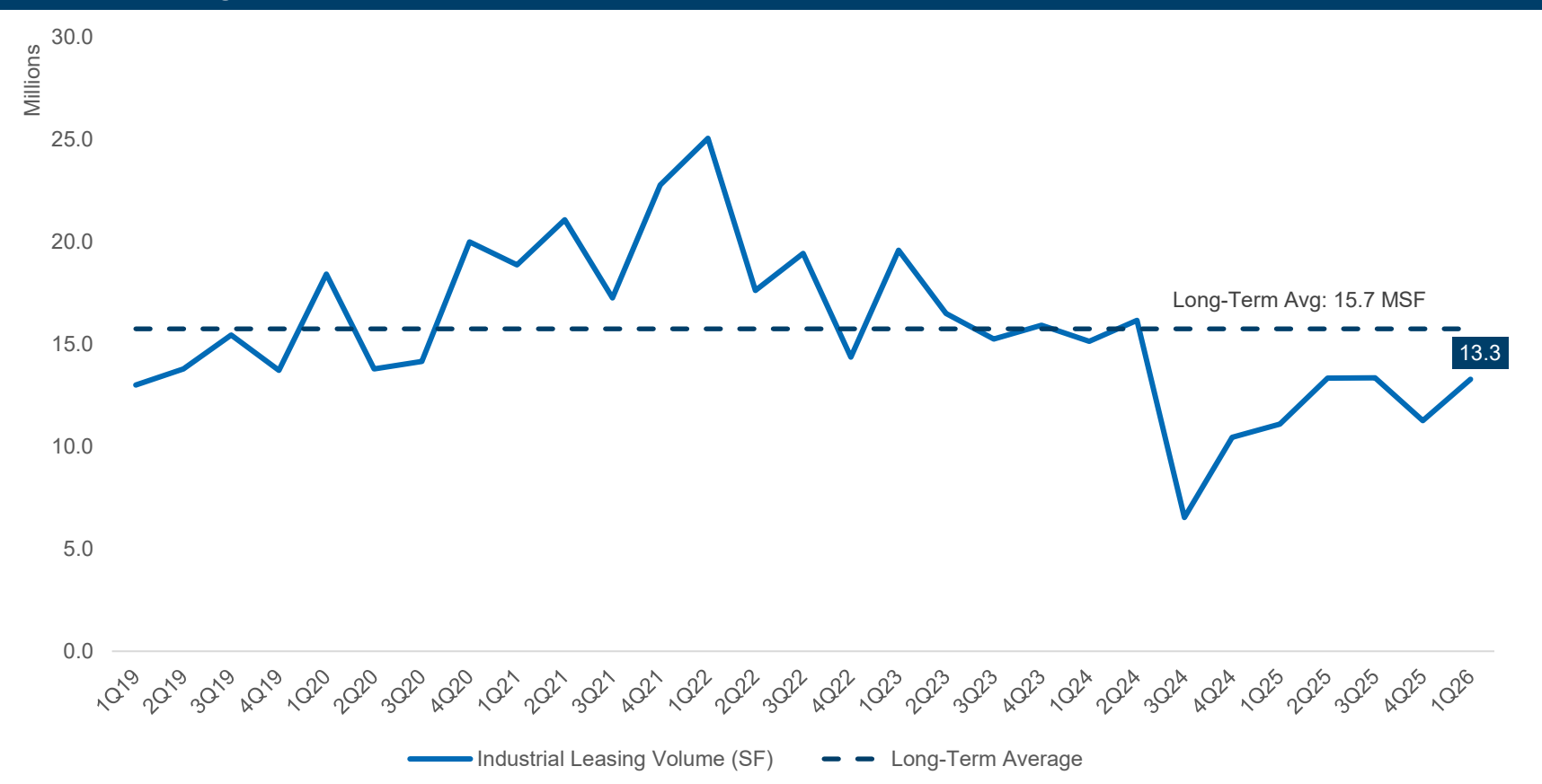
After bottoming out at 9.6 MSF in early 2025, Chicago's industrial pipeline has edged back up to 13.6 MSF, or 1.1% of total inventory. This level is consistent with the market's pre-pandemic development norm, and signals selective developer reengagement in the market. With quarterly deliveries remaining light at 2.8 MSF, the supply side poses little near-term risk to occupancy, and future vacancy will be determined primarily by the pace of tenant demand.



Leasing Momentum Improves in 1Q26

Chicago industrial leasing has regained momentum from the late 2024 slowdown, with 1Q26 volume rebounding to 13.3 MSF. While activity remains just below the 15.7 MSF long-term average, the upturn signals that demand is normalizing and that tenants are moving forward with larger, longer-term requirements. Recovery is being led by big-box commitments in core distribution corridors, setting the stage for further improvement as 2026 progresses.

Historical Leasing Volume (MSF)



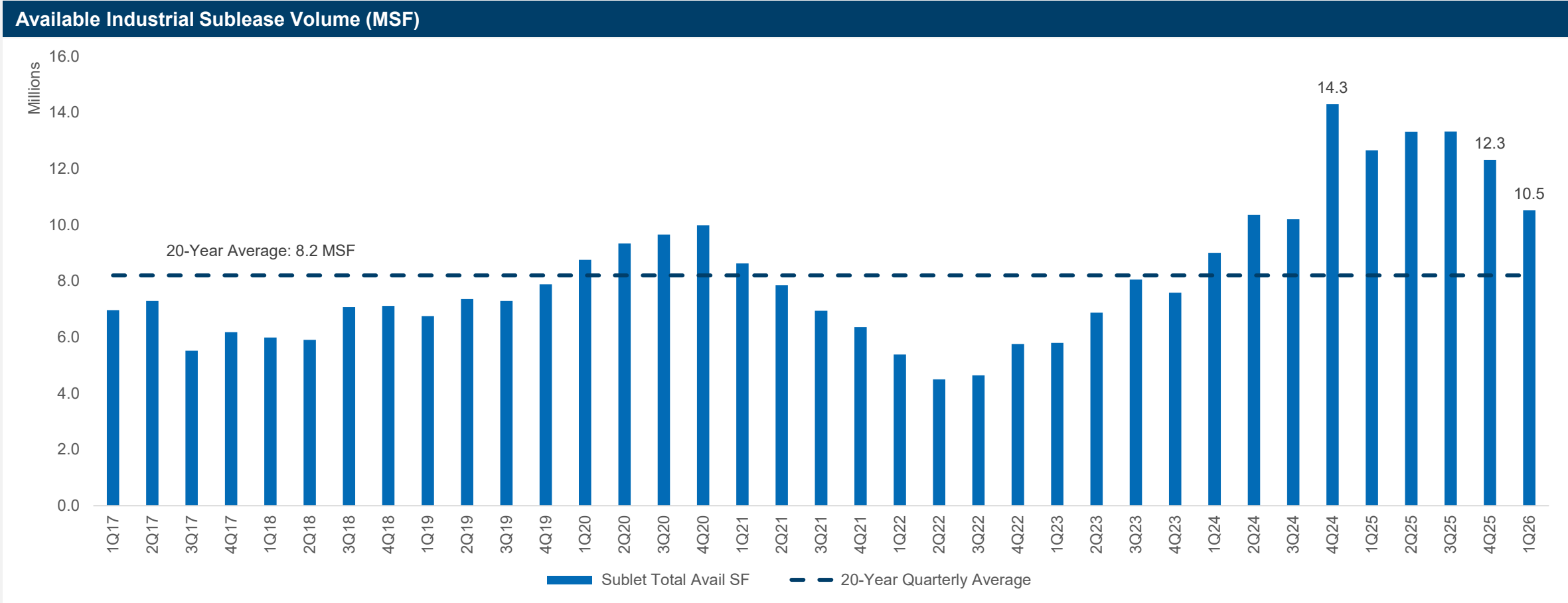
242,674 SF
Average 1Q26 Transaction Size

\$9.82 NNN
Average 1Q26 Taking Rent

19.7%
YOY Increase in Leasing Volume

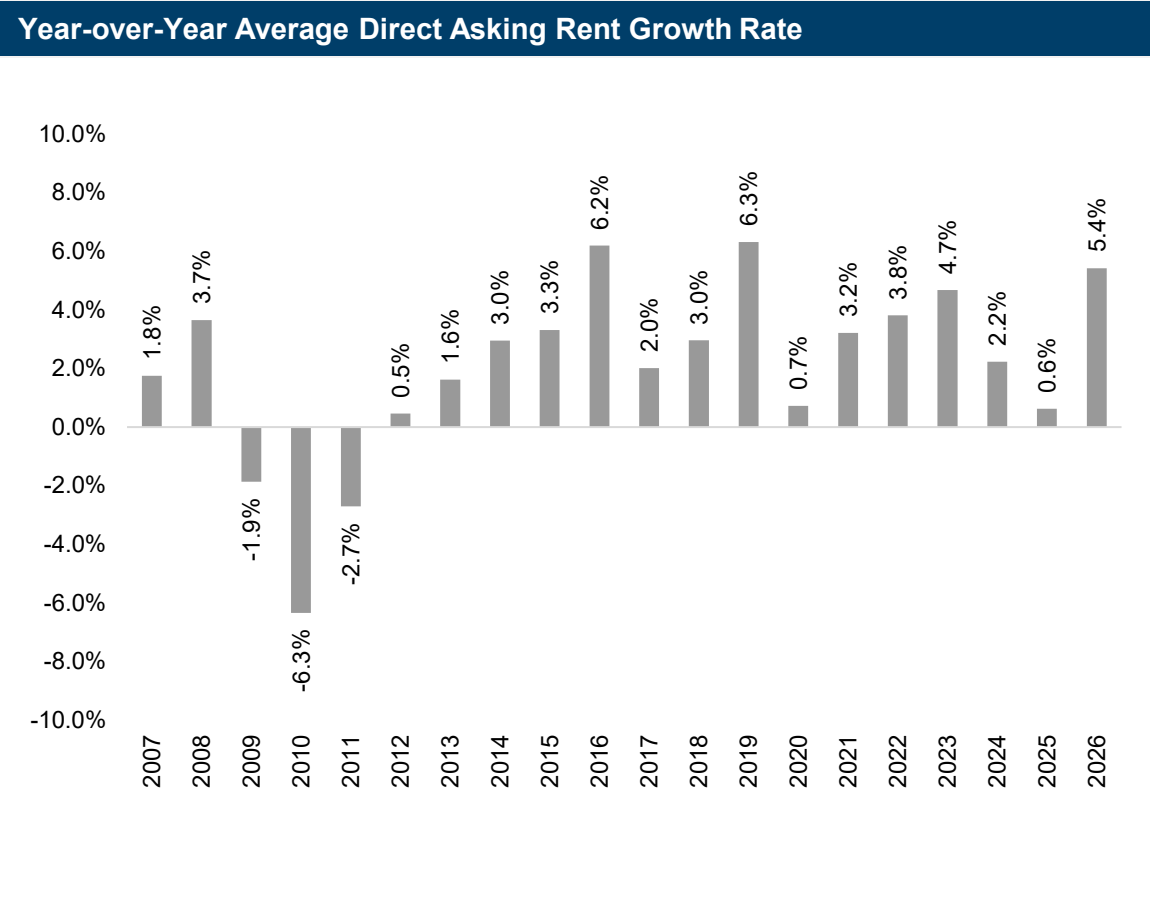
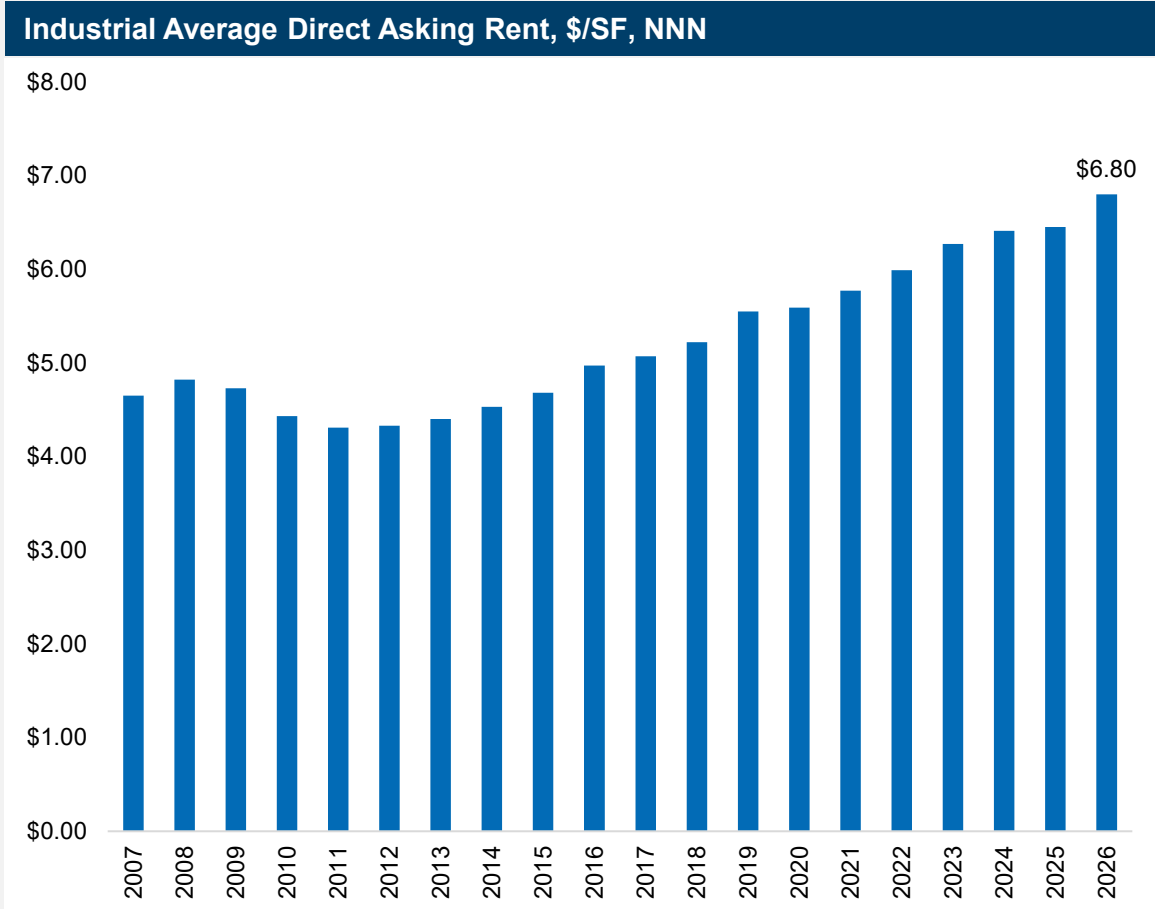
Sublease Availability Posts Strongest Quarterly Decline Since Peak

Sublease availability declined in the first quarter to 10.5 million square feet. While still elevated from historic levels, this represents a 26% reduction from the 4Q24 peak of 14.3 million square feet and a 15% reduction over the quarter. Nearly 50% of the quarterly decrease was attributed to leasing activity, while the other half was space that was withdrawn from the market or went direct.



Rent Growth Accelerates as Market Fundamentals Hold Firm

Average asking rents climbed to \$6.80 per square foot in the first quarter, an all-time high for the Chicago industrial market and a 5.4% increase year-over-year. This figure reflects a weighted average across all direct available space in the metro, which can skew towards older, less desirable product. Tasking rents on executed transactions are trending meaningfully higher, concentrated in premium and well-located product where tight vacancy and limited new supply continue to support rate increases above the market average.



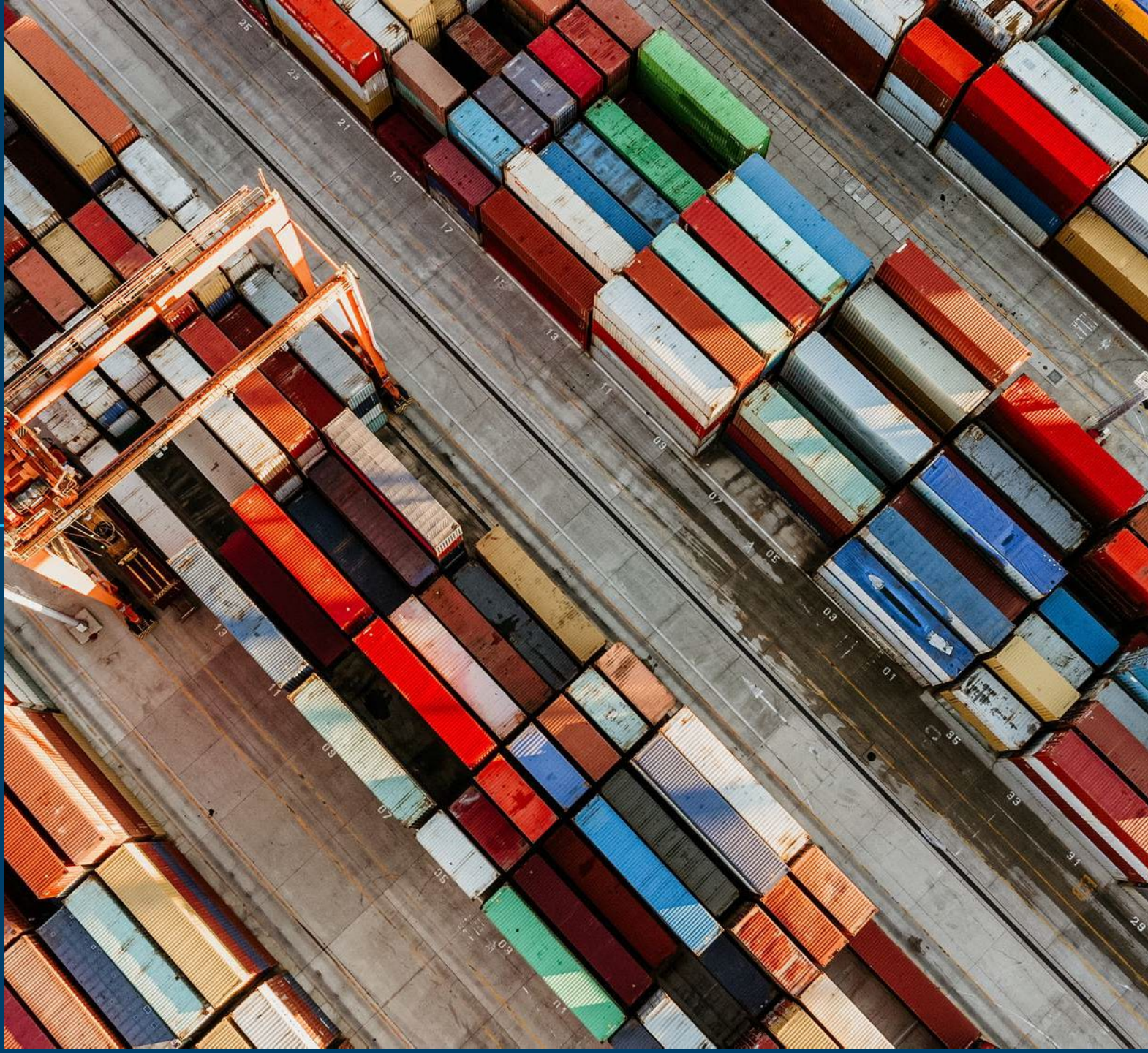
Notable First Quarter Lease Transactions

Large first-quarter transactions were concentrated in the I-55 and I-80 corridors, led by a mix of food, logistics and e-commerce users in modern bulk facilities. These leases highlight the continued importance of Chicago’s logistics infrastructure for regional and national supply chain networks.

Tenant	Building(s)	Submarket	Type	Square Feet
General Mills	30131 Ridgeway Blvd	I-80 Corridor	Renewal	1,508,425
<i>General Mills renewed its 1.5 MSF Wilmington distribution facility, preserving a major food logistics hub in the I-80 Corridor.</i>				
Hyundai Translead	2200 Channahon Rd	I-80 Corridor	New	1,380,070
<i>Hyundai Translead leased the full 1.38 MSF facility at 2200 Channahon Road for trailer-related manufacturing and distribution operations.</i>				
Crane Worldwide	9130 W 55 th St	I-55 Corridor	New	999,126
<i>Crane Worldwide leased nearly 1.0 MSF in McCook to support logistics operations tied to Amazon Web Services equipment handling.</i>				
RJW Logistics	26220 W 143 rd St	I-55 Corridor	New	788,000
<i>RJW Logistics leased the full 788,000 SF building in Plainfield, expanding its consumer goods distribution footprint along I-55.</i>				
Amazon	201 Emerald Dr	I-80 Corridor	Renewal	746,801
<i>Amazon renewed 746,801 SF at Laraway Crossings, maintaining a key distribution node in the Joliet submarket.</i>				

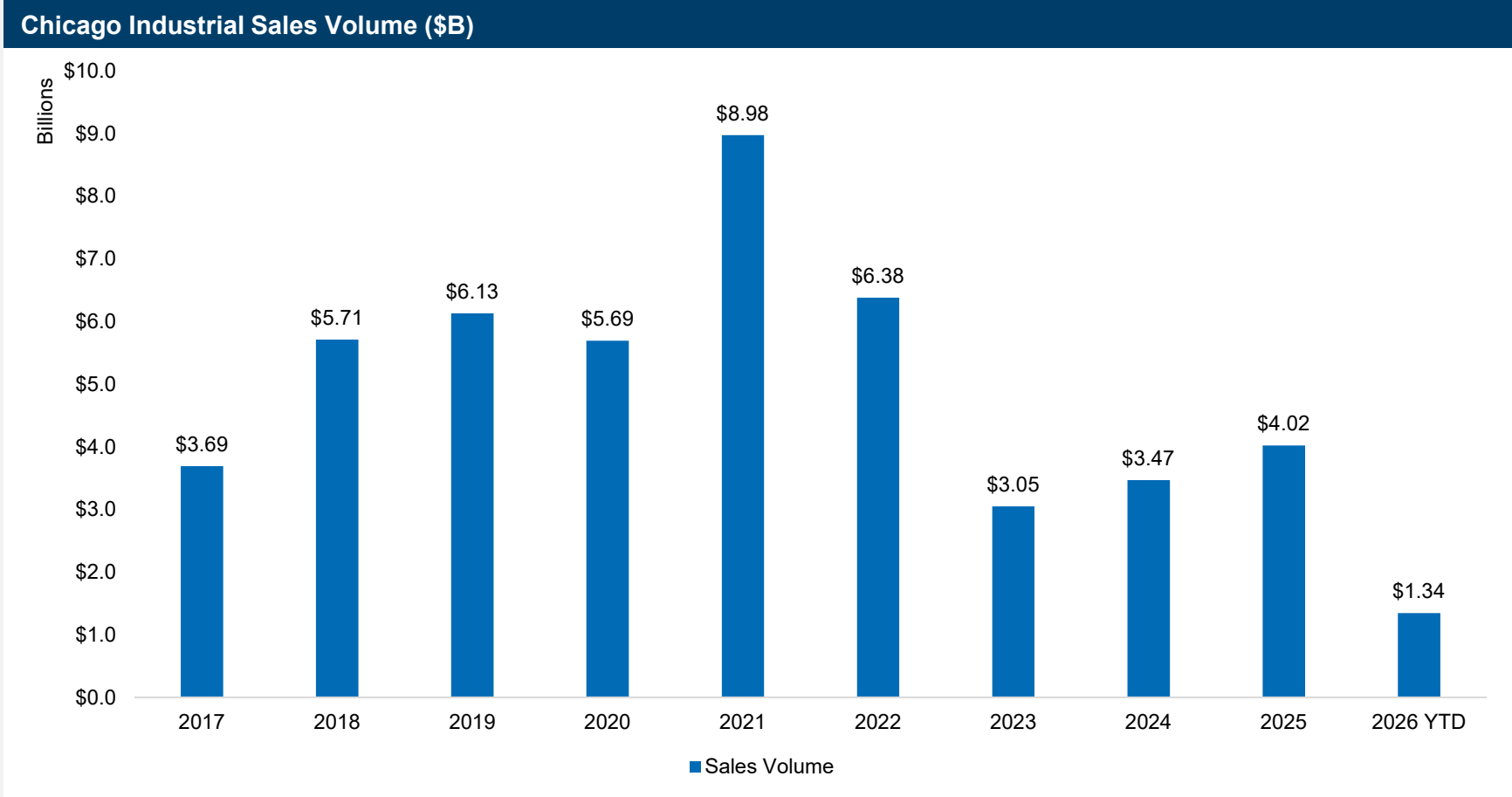
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Capital Markets Fundamentals



Industrial Sales Volume Gains Momentum

Industrial sales volume in Chicago has reset from the 2021 peak of roughly \$9.0 billion, with annual activity hovering in the \$3 to \$4 billion range over the past three years. However, 1Q26 sales reached \$1.3 billion, the strongest first quarter since 2022 and a 57% year-over-year increase, signaling a shift to a more normalized trading environment where tighter debt markets are tempering but not derailing capital flows.



Notable First Quarter Sale Transactions

Buyer	Seller	Building	City	Sale Price	Price/SF	Square Feet
DRA Advisors	Venture One	Venture One Industrial Portfolio 2026 32 of 43 Properties	Chicago Metro	\$206.1M	\$122.57	1,681,483
<i>The sales were part of a 43-property portfolio primarily focused on the Chicago market. Assets range from single tenant logistics and warehousing to interstate trucking and docking hubs.</i>						
Ares Management	Link Logistics	Project Sunshine Blackstone Portfolio 2026 3 of 13 Properties	Joliet	\$118.7M	\$94.10	1,261,404
<i>These sales were part of a 13-property portfolio and include the 411,840-sf Amazon distribution center at 410 E Laraway Rd, which sold for \$49.0M.</i>						
Marq Logistics	EQT Real Estate	EQT USA Industrial Portfolio 2026 6 of 36 Properties	Chicago Metro	\$87.7M	\$90.10	973,440
<i>These sales were part of a 36-property portfolio of institutional-grade logistics assets across 12 major distribution markets. Tenants are diversified across the e-commerce, distribution, and light manufacturing sectors.</i>						
ML Realty Partners	AAR Corporation	1100 N Wood Dale Rd	Wood Dale	\$26.0M	\$105.84	245,650
<i>AAR Corporation sold its manufacturing HQ in a sale-leaseback to ML Realty Partners, with the lease running through July 31, 2028, and AAR continuing to fully occupy the facility for its aerospace operations.</i>						
Cardinal Industrial	Weber Packaging Solutions	711 W Algonquin Rd	Arlington Heights	\$23.9M	\$88.13	271,203
<i>Weber Packaging Solutions sold its manufacturing HQ to Cardinal Industrial via a sale-leaseback, signing a 15-year absolute triple-net lease while the buyer assumed a \$13.25 million loan as part of a 1031 exchange.</i>						

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Supplemental Tables



Submarket Overview

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	WH/Dist Asking Rent	R&D/Flex Asking Rent	Total Asking Rent (Price/SF)
Central/North DuPage	85,869,576	1,589,471	3.7 %	20,770	20,770	\$5.83	\$10.83	\$6.54
Far North	79,607,618	-	4.9 %	136,792	136,792	\$6.18	\$9.41	\$7.01
Fox Valley/North Kane	42,176,898	543,269	5.7 %	335,176	335,176	\$6.95	\$11.91	\$6.74
I-39 Corridor	22,819,078	-	1.7 %	-6,270	-6,270	-	\$10.10	\$4.03
I-55 Corridor	121,150,485	893,184	7.4 %	-20,659	-20,659	\$6.70	\$11.45	\$6.50
I-80 Corridor	126,996,640	2,237,806	6.2 %	1,077,749	1,077,749	\$5.31	\$11.10	\$5.33
I-88 Corridor	77,956,926	1,359,162	3.9 %	-175,942	-175,942	\$5.22	\$23.48	\$7.11
Kenosha County	51,410,689	500,000	10.7 %	91,285	91,285	\$5.80	\$10.38	\$5.92
McHenry	18,407,637	95,000	2.3 %	-45,496	-45,496	\$5.93	\$6.10	\$7.82
Near North	52,147,536	-	4.3 %	253,361	253,361	\$10.64	\$13.86	\$10.86
North City	65,230,261	67,593	6.7 %	-7,231	-7,231	\$8.20	\$6.59	\$9.16
Northwest	31,470,305	48,000	7.0 %	-192,791	-192,791	\$6.37	\$10.50	\$7.91
NW Indiana	25,899,587	2,820,830	6.0 %	99,957	99,957	\$7.21	\$10.00	\$6.60
O'Hare	114,665,951	647,196	4.5 %	68,323	68,323	\$7.24	\$10.40	\$7.83
Rockford	38,978,828	1,353,885	5.6 %	-3,266	-3,266	\$5.51	-	\$4.50
South City	101,609,824	180,900	2.9 %	-226,023	-226,023	\$7.80	\$9.72	\$7.48
South Cook	77,376,102	970,123	4.7 %	462,238	462,238	\$4.57	\$11.92	\$5.04
South DuPage	7,578,598	243,915	3.9 %	-6,375	-6,375	\$1.95	\$12.37	\$7.08
West Cook I	63,032,221	-	5.7 %	-251,998	-251,998	\$5.75	\$7.00	\$6.09
West Cook II	9,156,119	85,680	10.5 %	78,054	78,054	\$5.00	-	\$6.55
Totals	1,214,362,513	13,636,014	5.3 %	1,687,654	1,687,654	\$6.35	\$10.85	\$6.80

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