NEWMARK

Chicago

Industrial Market Report

2Q26

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Access the Extended 2Q26 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.

2Q26 Chicago Industrial Market Observations

Economy

- Chicago's labor market held roughly flat through 2Q26, with nonfarm employment up just 0.1% year-over-year to approximately 3.854 million jobs. Unemployment rose to 5.1%, up from 4.4% a year prior, continuing the statewide trend toward slower hiring.
- Manufacturing and Construction employment each grew about 1.5% year-over-year, even as Trade, Transportation & Utilities, the region's largest job sector, contracted 1.2%.
- Momentum has cooled across both sectors from their post-pandemic peaks. Trade, Transportation & Utilities growth slipped into slightly negative territory over the past year, while Manufacturing held onto more modest, steady gains.

Leasing Market Fundamentals

- The Chicago industrial market posted 4.9 MSF of net absorption in 2Q26, bringing year-to-date absorption to 6.6 MSF and already surpassing full-year 2025 activity. Total vacancy fell to 5.1%, nearly 270 basis points below the market's 20-year average of 7.8%.
- Leasing activity climbed to 16.4 MSF across 220 transactions in 2Q26, up 23.1% year-over-year and above the market's 15.8 MSF long-term quarterly average. Class A product accounted for 57.7% of leasing volume through the first half of 2026, the second-highest share on record.
- Average direct asking rents increased to $6.86/SF NNN in 2Q26, up from $6.80/SF in 1Q26 and a 6.0% year-over-year increase. Limited quality availability continues to support landlord leverage in the market's most functional space.

Major Transactions

- Chicago industrial investment totaled $2.73 billion year-to-date through 2Q26, already surpassing full-year 2023 volume. Average pricing held near cycle highs at $99/SF, with cap rates stabilizing around 6.7%.
- Leasing was anchored by RJW Logistics Group's 1.2 MSF build-to-suit lease at Karis Park West in Montgomery along the I-88 Corridor and KeHE Distributors' 1.2 MSF lease of a cross-dock facility in Joliet along the I-80 Corridor. Hyundai Translead also added 906,517 SF in Channahon as part of a $450 million investment reviving a former Will County manufacturing plant.
- Investment activity was led by Realty Income Corp's $153.8 million acquisition of three Dermody DPIF III industrial assets across the Chicago metro. The firm also purchased the fully leased Central Steel & Wire Co. facility in University Park from CRG/Venture One for $124.0 million.

Outlook

- The construction pipeline remains disciplined at 12.3 MSF, just 1.0% of inventory, and sublease availability continues to normalize. Vacancy is expected to keep trending toward or below the market's 20-year average of 7.8% as absorption outpaces new deliveries into the second half of 2026.
- Flight-to-quality will remain a defining theme, with Class A leasing tracking toward one of its strongest years since 2010. Rent bifurcation should keep widening as premium submarkets like South DuPage and O'Hare command growing premiums over outlying corridors.
- Capital markets activity should continue to normalize gradually, supported by private capital accounting for 40.7% of 2026 YTD acquisitions and stabilizing cap rates near 6.7%. Chicago's number two national ranking in Newmark's Industrial Market Durability Index reinforces its long-term positioning on freight connectivity and manufacturing competitiveness.

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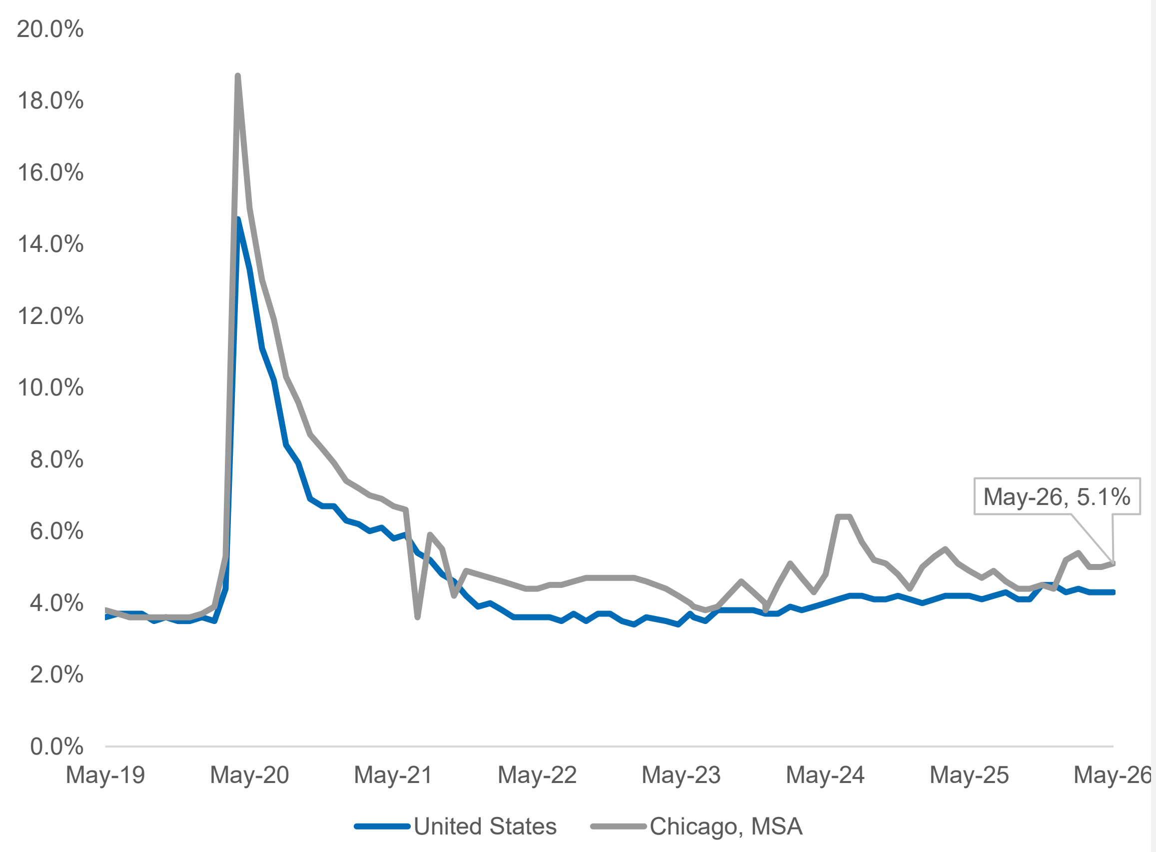
Economy

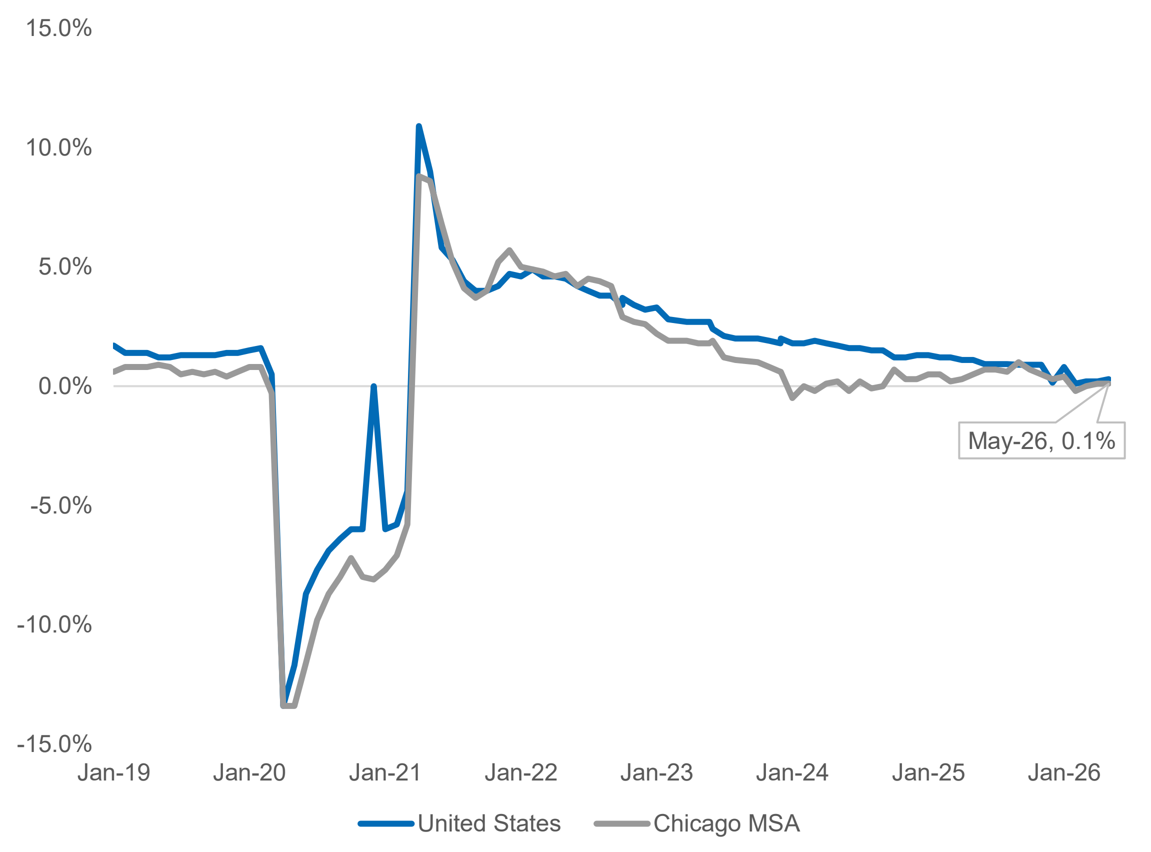
Unemployment Rises Amid Modest Job Growth

The Chicagoland area's labor market remained essentially flat through May 2026, with year-over-year nonfarm job growth stalling amid broader economic headwinds. Total nonfarm employment in the MSA stood at approximately 3.854 M jobs in May 2026, virtually unchanged (0.1%) compared to May 2025. The unemployment rate rose to 5.1% in May 2026 from 4.4% a year prior, reflecting a continued statewide trend of rising unemployment.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

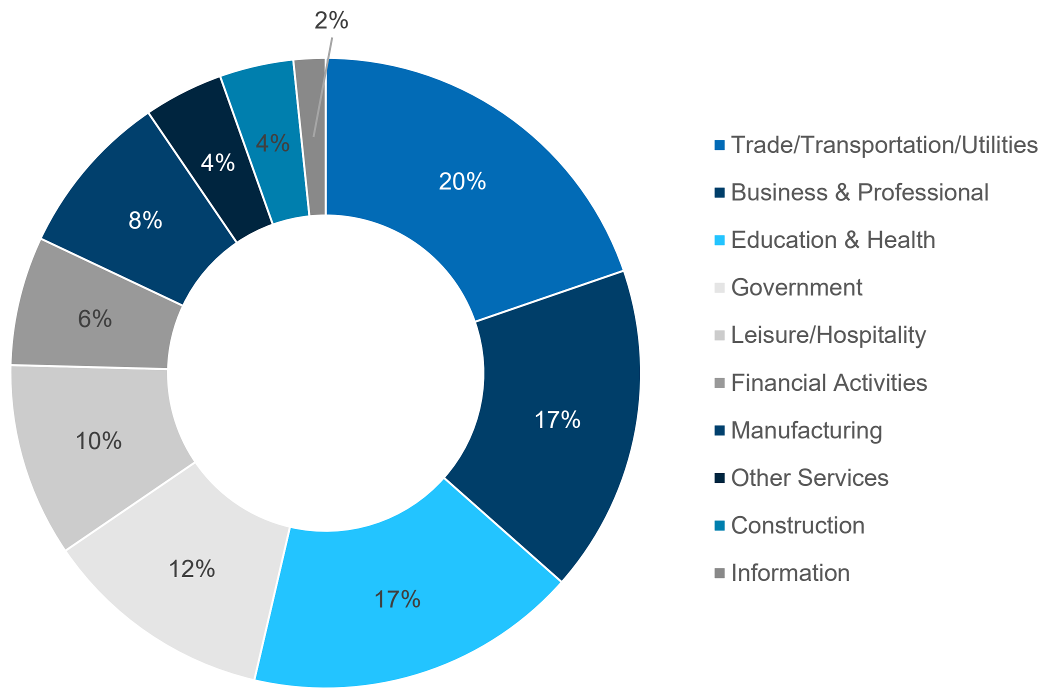


Source: U.S. Bureau of Labor Statistics, Chicago MSA

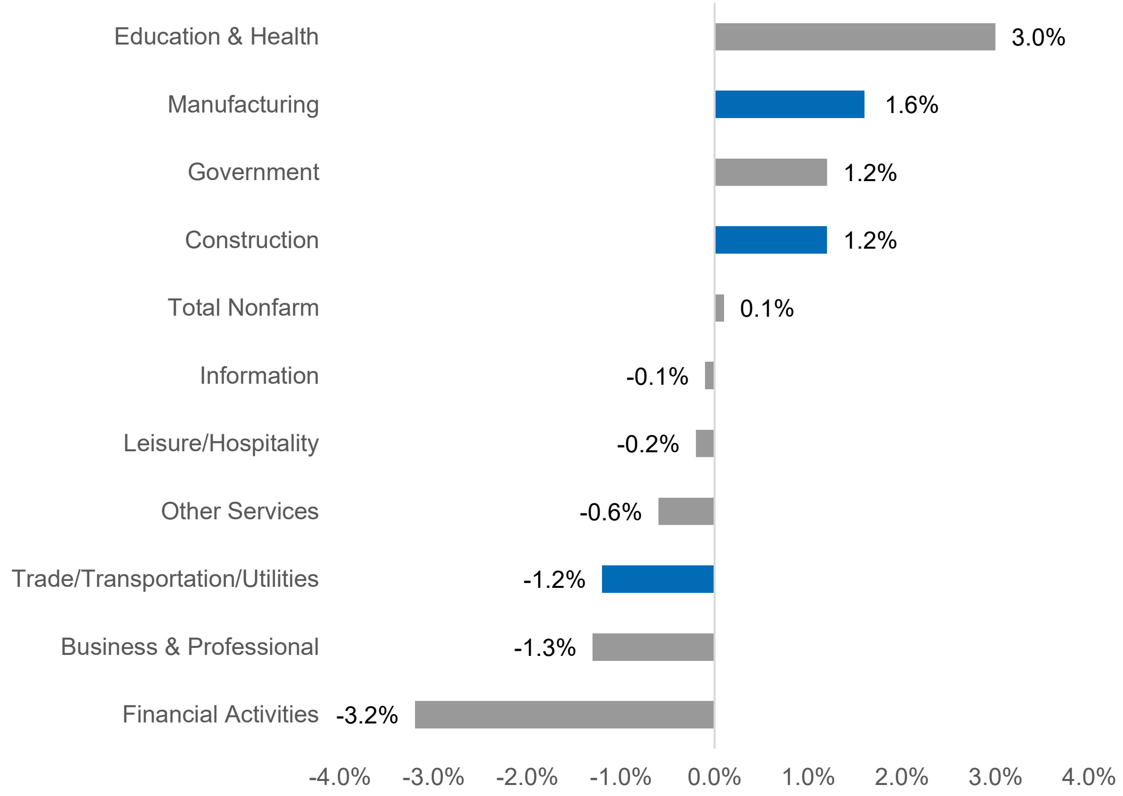
Manufacturing and Construction Gain Momentum

Chicago metro employment held roughly flat over the past year, up just 0.1%. Trade, Transportation & Utilities, the region's largest employment sector at 20% of total nonfarm jobs, contracted 1.2% year-over-year, a trend worth monitoring for warehouse and distribution demand. Steady construction hiring alongside accelerating manufacturing employment points to continued strength in industrial-using sectors even as pure logistics headcount softens.

Employment by Industry, May 2026



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

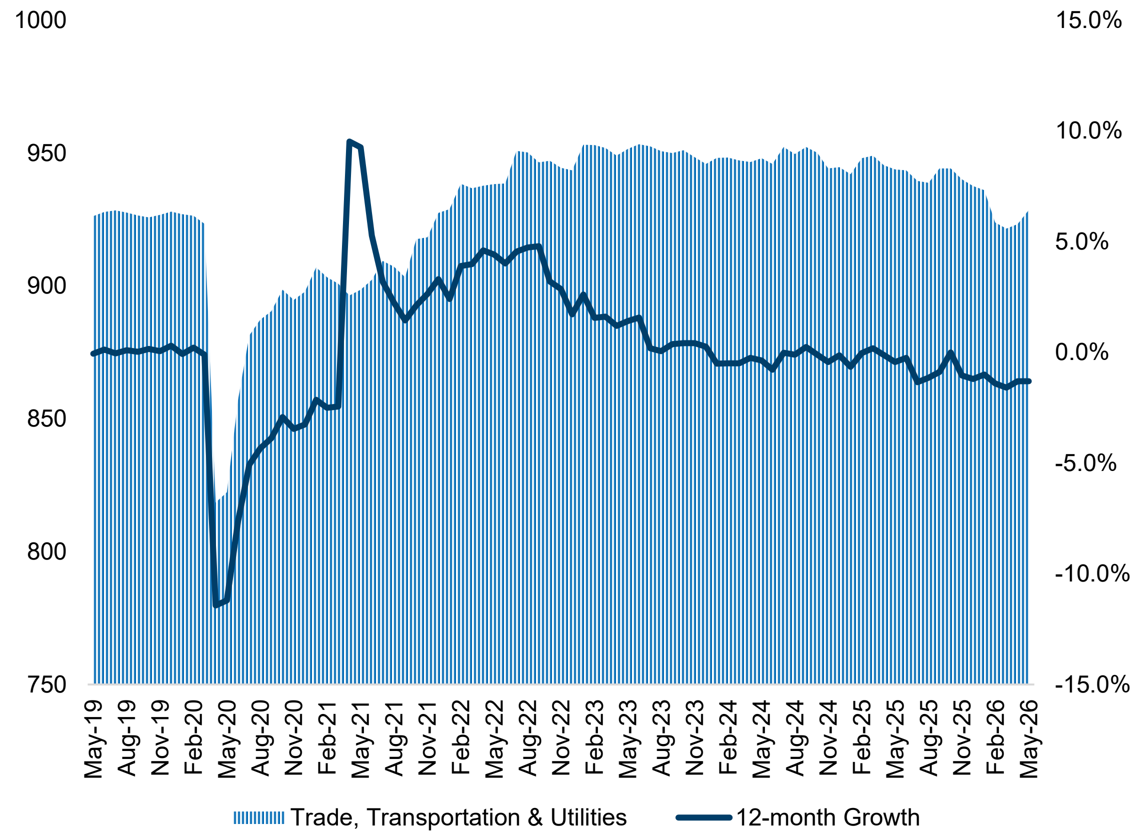


Source: U.S. Bureau of Labor Statistics, Chicago MSA

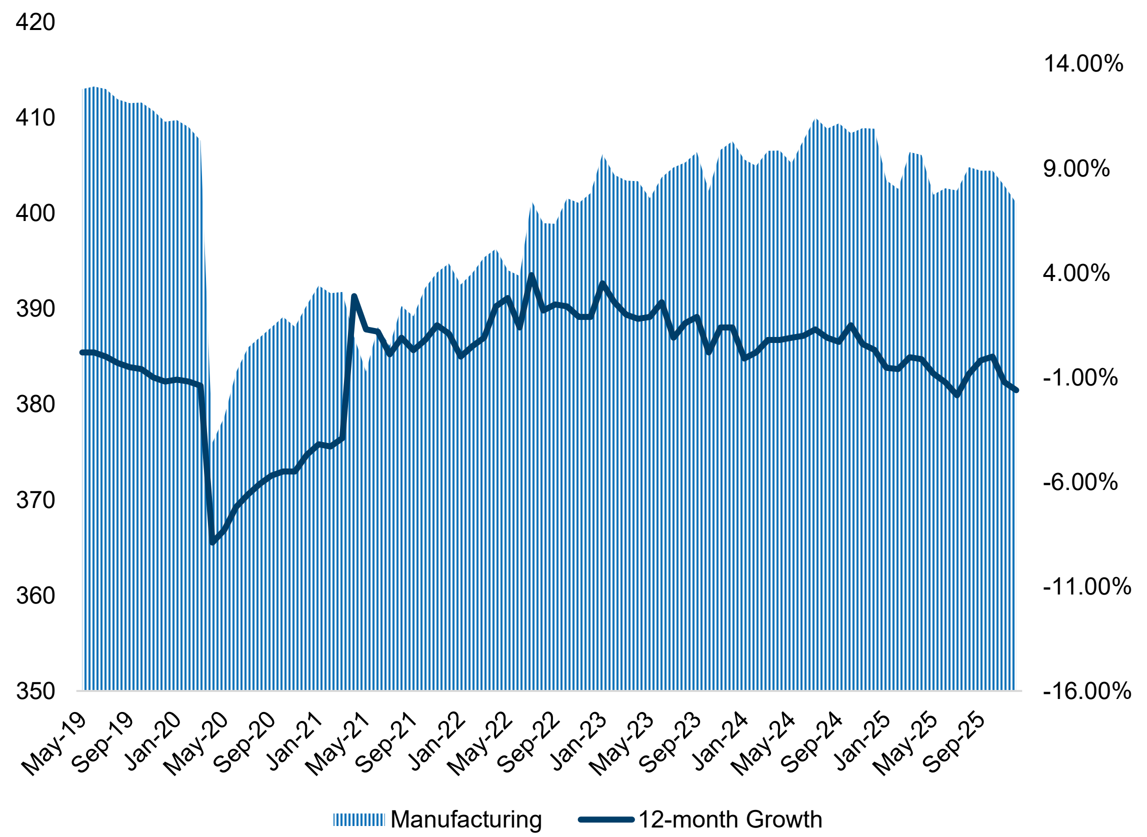
Job Growth Decelerates Across Industrial Sectors

Trade, Transportation & Utilities and Manufacturing employment both plunged sharply in early 2020 before rebounding to post-pandemic highs, with growth rates peaking near 10% and 4%, respectively, in 2021 amid a low base and e-commerce-driven hiring surge. Since then, momentum in both sectors has steadily cooled, with Trade, Transportation & Utilities growth slipping into slightly negative territory over the past year while Manufacturing has held onto modest gains.

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



Total Employment and 12-Month Growth Rate, Manufacturing



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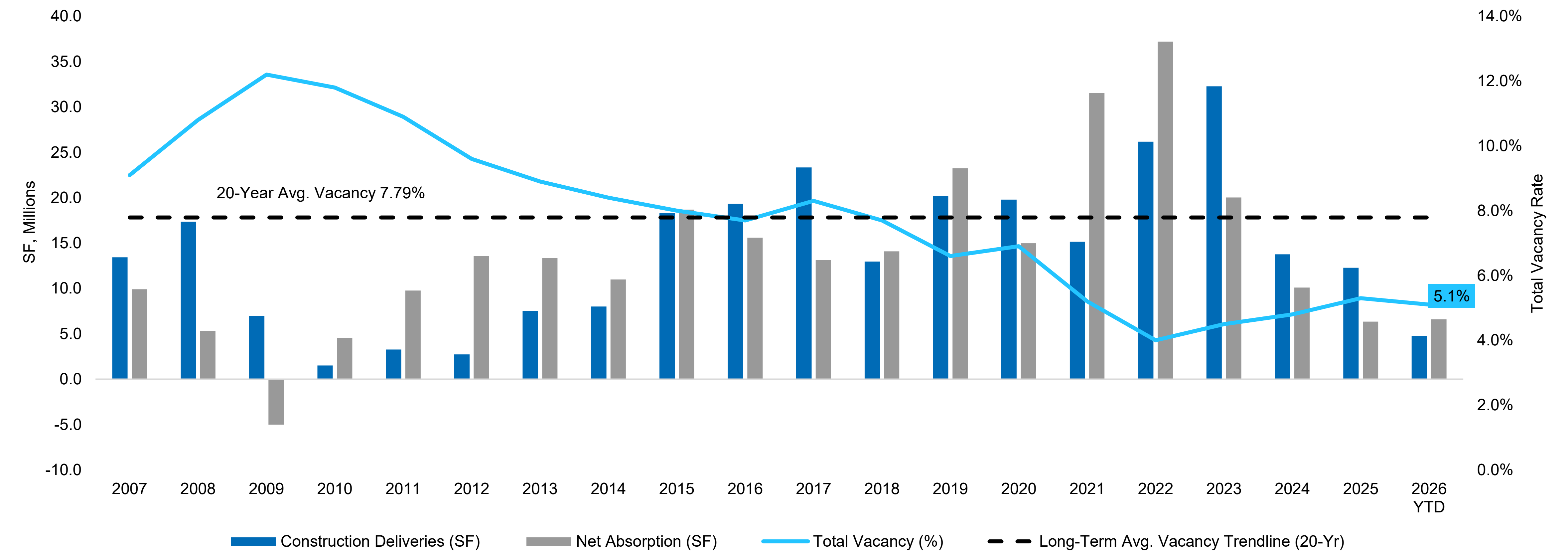
Leasing Market Fundamentals

Absorption in 1H26 Has Already Surpassed Full-Year 2025

Chicago's industrial market posted 4.9 MSF of net absorption in 2Q26, bringing the year-to-date total to 6.6 MSF through the first half of the year. That pace has already surpassed the market's full-year 2025 absorption total, highlighting a meaningful rebound in tenant demand from last year's softer environment. With new deliveries still relatively limited, stronger occupancy growth has helped drive vacancy lower and reinforced improving market fundamentals entering the second half of 2026.

Historical Construction Deliveries, Net Absorption, and Vacancy

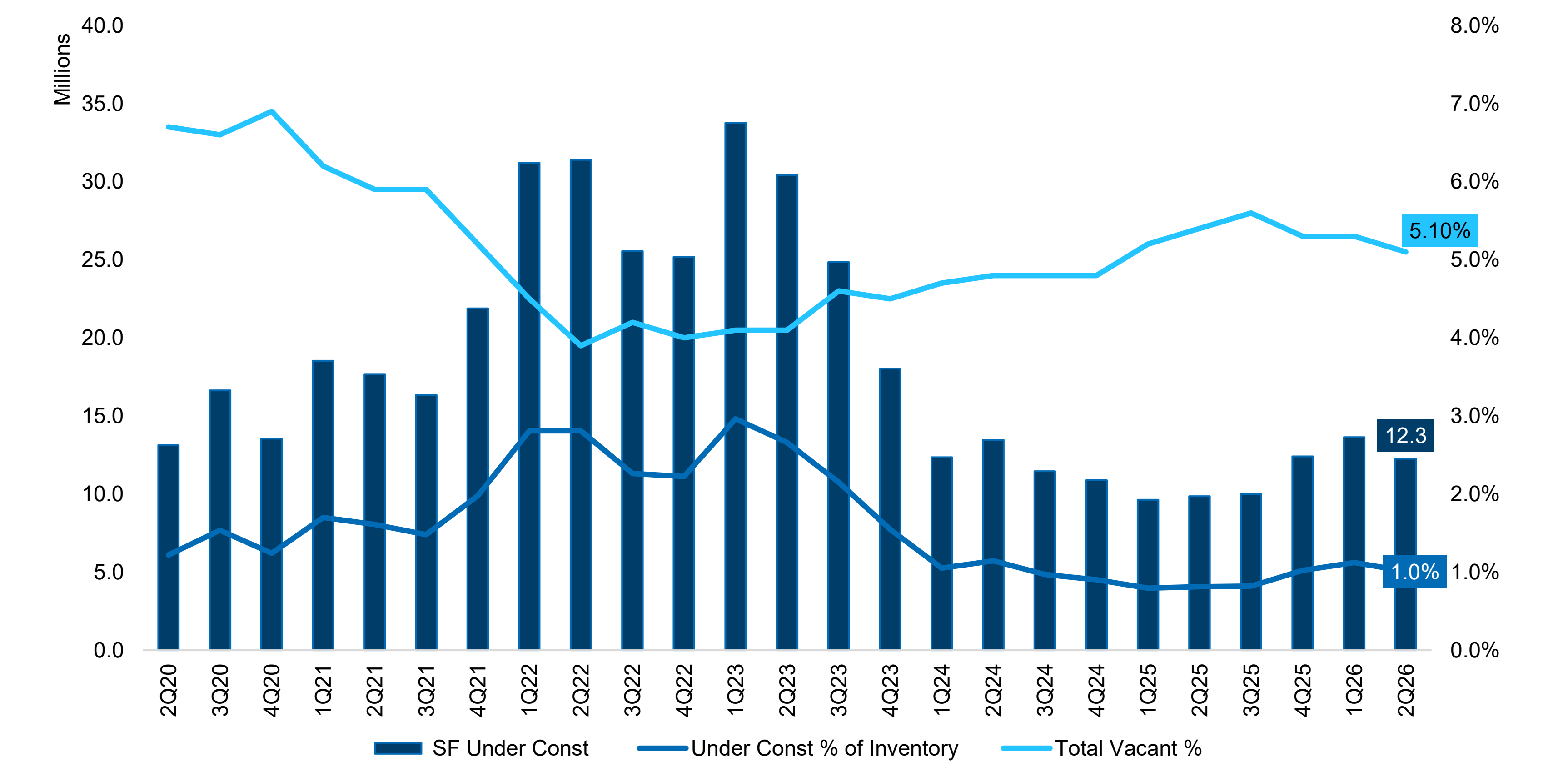


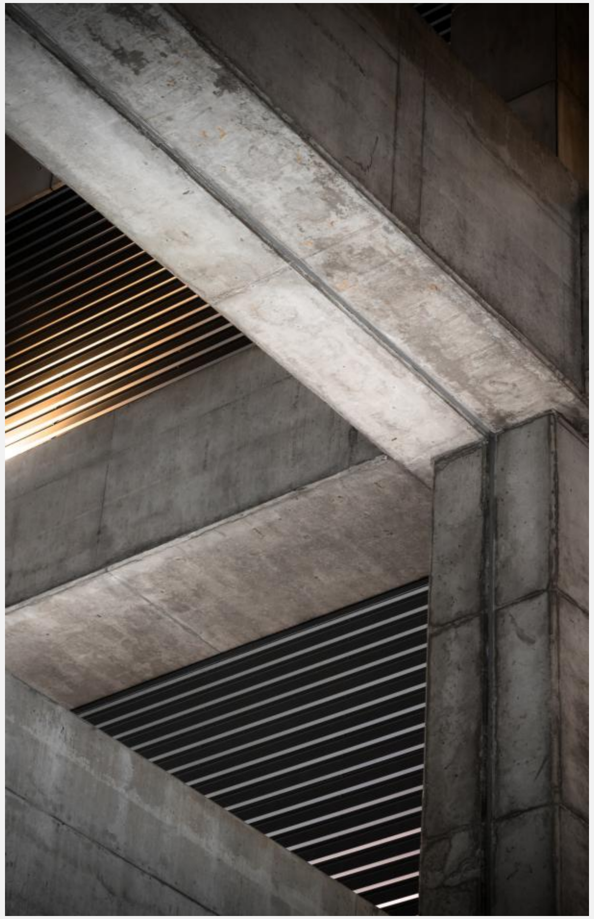
Source: Newmark Research

Selective Developer Reengagement Lifts Pipeline Levels

Chicago's industrial pipeline remained disciplined in 2Q26, totaling 12.3 MSF under construction, down quarter over quarter from 13.6 MSF but still 24.6% above the 9.9 million square feet underway one year ago. At just 1.0% of total inventory, the current pipeline remains well below the 31.4 MSF peak recorded in 2Q22, reinforcing that developers have resumed activity selectively while keeping new supply broadly in check.

Industrial Under Construction and % of Inventory



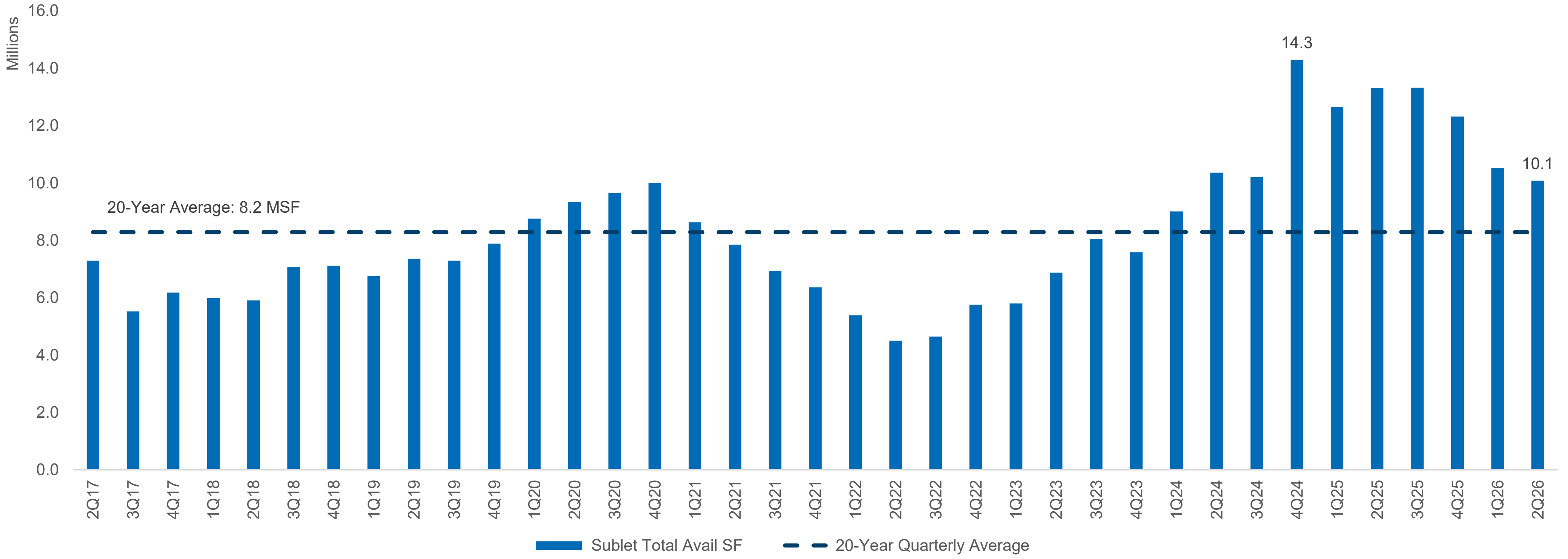


Source: Newmark Research

Sublease Availability Continues to Normalize

Sublease availability declined again in 2Q26, falling to 10.1 MSF and extending the market's pullback from the 14.3 MSF peak reached in 4Q24. While available sublease space remains elevated relative to the market's 20-year quarterly average, the recent trend points to steady normalization. This improvement should gradually reduce a source of competitive pressure on direct availabilities, particularly in larger blocks where sublease offerings had weighed more heavily on market conditions.

Available Industrial Sublease Volume (MSF)

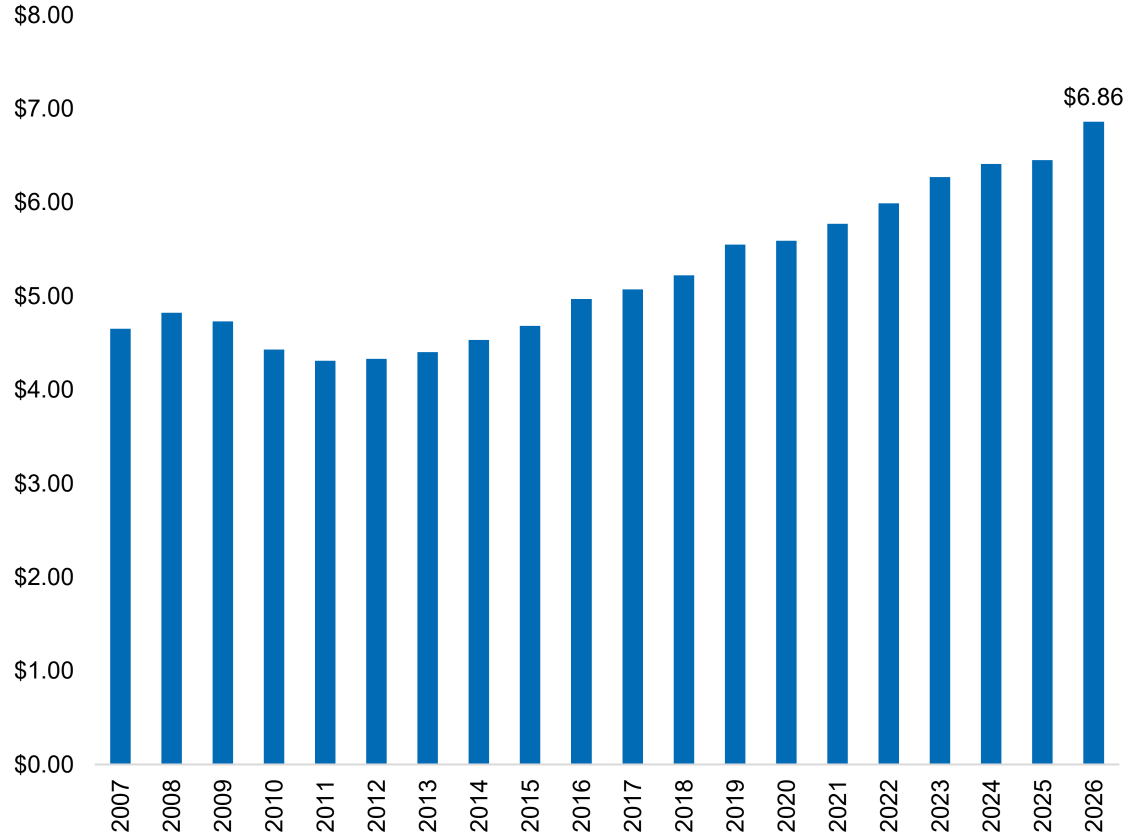


Source: Newmark Research

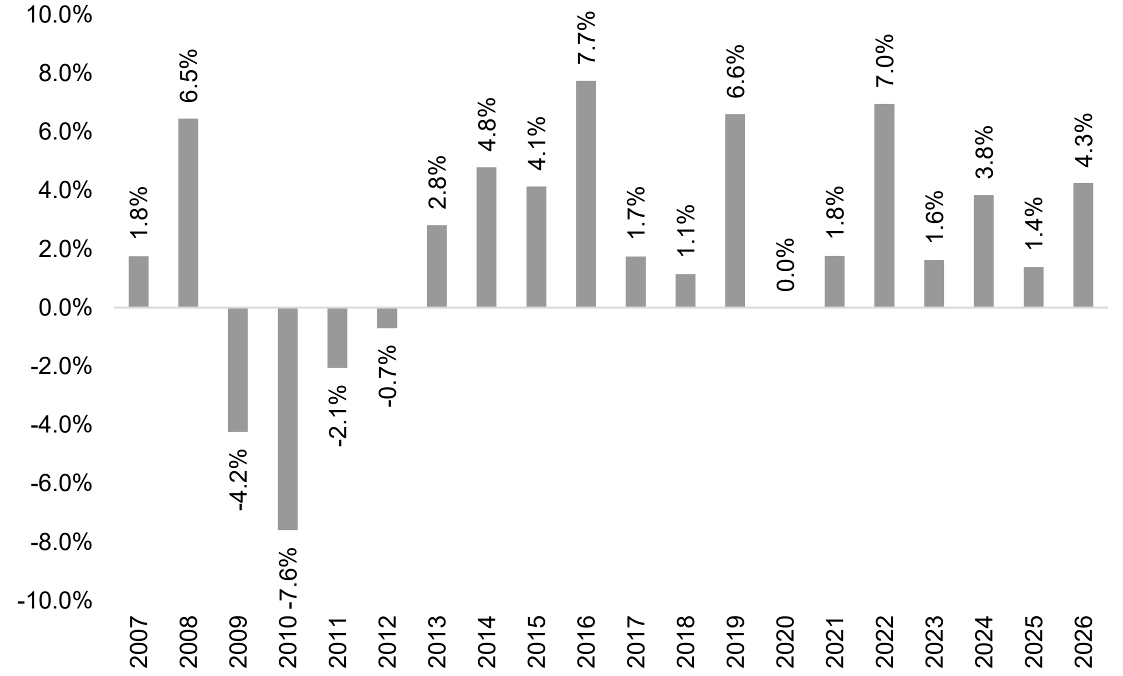
Asking Rents Push Higher as Premium Space Continues to Set the Market

Chicago's average direct asking rent increased to $6.86/SF NNN in 2Q26, up from $6.80/SF in 1Q26 and 6.0% above 2Q25. Even with total vacancy still low at 5.1% and direct vacancy at 4.8%, the market's pricing story remains concentrated in the most functional space, where limited quality availability continues to support landlord leverage and keep realized rents elevated relative to broader market averages.

Industrial Average Direct Asking Rent, $/SF, NNN



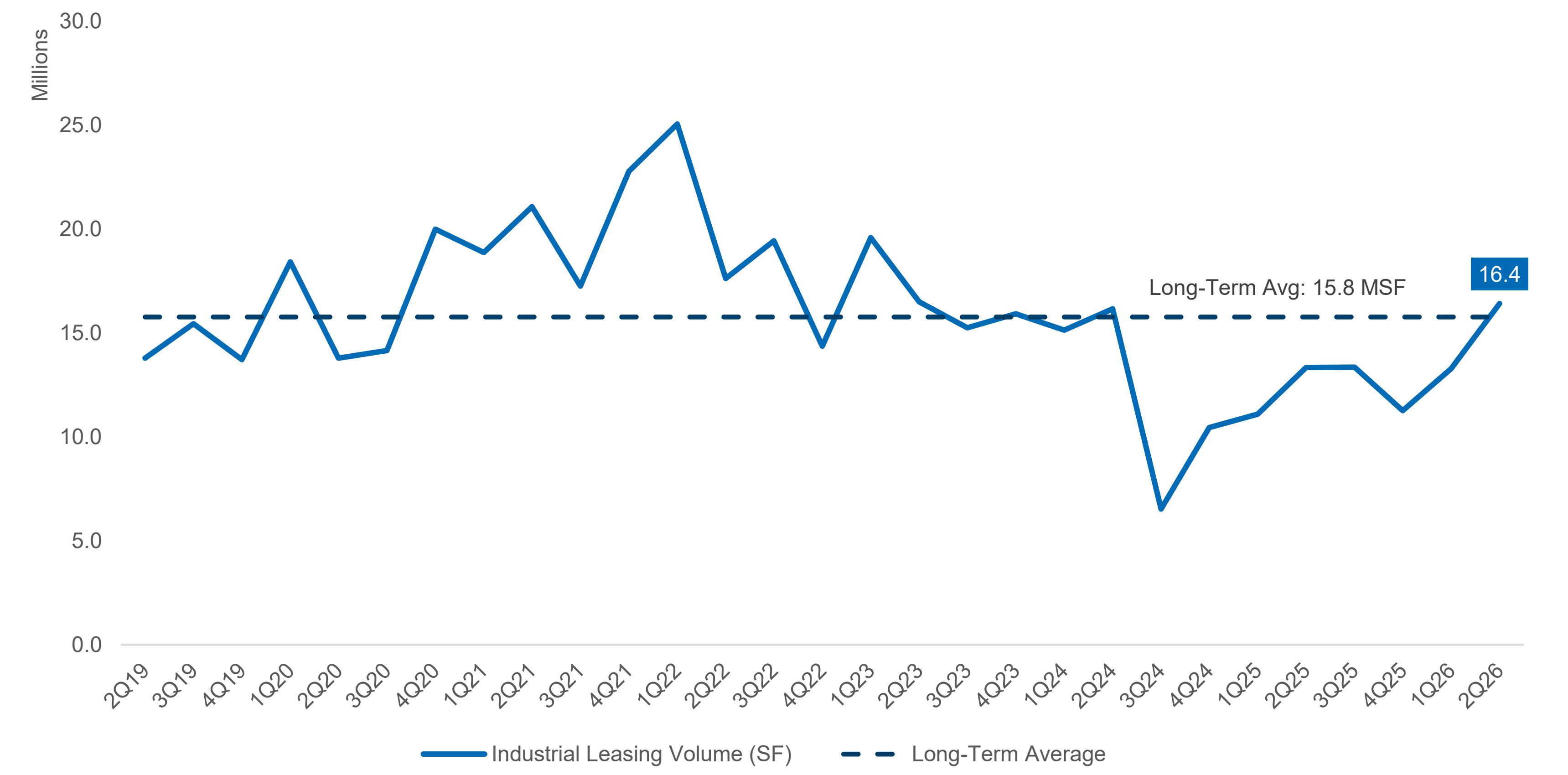
Year-over-Year Average Direct Asking Rent Growth Rate



Leasing Volume Climbs Back Above the Long-Term Average

Industrial leasing activity totaled 16.4 MSF in 2Q26 across 220 transactions, up 23.1% year-over-year and above the market's 15.8 MSF long-term quarterly average. This marks the continuation of a steady recovery that began in 3Q24, when volume bottomed at 6.5 MSF, its lowest point since 2019. With an average transaction size of 74,654 SF, 2Q26 activity reflects a broadening base of demand rather than reliance on a handful of oversized deals, signaling a healthier, more durable pace of leasing heading into the second half of the year.

Historical Leasing Volume (MSF)



74,654 SF
Average 2Q26 Transaction Size

220
Total 2Q26 Lease Transactions

23.1%
YOY Increase in Leasing Volume

Source: Newmark Research, Costar

Notable Second Quarter Lease Transactions

Large second-quarter transactions were concentrated in the I-88 and I-80 corridors, led by a mix of logistics, food distribution and advanced manufacturing users occupying large-format and build-to-suit facilities. These leases highlight continued demand for modern bulk space and the reactivation of former manufacturing sites across the western and southwest suburbs.

Tenant	Building(s)	Submarket	Type	Square Feet
RJW Logistics Group	Karis Park West	I-88 Corridor	Direct New	1,200,000
RJW Logistics Group signed a 10-year build-to-suit lease to anchor Karis Park West in Montgomery.				
KeHE Distributors	21533 Cherry Hill Rd.	I-80 Corridor	Direct New	1,196,000
KeHE leased the full 1.2 MSF cross-dock facility at Cherry Hill Business Park in Joliet, built with convertible freezer-cooler space.				
Hyundai Translead	3835 Youngs Rd.	I-80 Corridor	Direct New	906,517
Hyundai Translead is reopening the former Lion Electric bus plant in Channahon, part of a $450 million investment reviving two shuttered Will County plants.				
UGL Truck	325 State Route 31	I-88 Corridor	Direct New	635,000
UGL Truck expanded its footprint at The Grid at Route 31, the redeveloped former Caterpillar campus in Montgomery where the company already operates its truck center.				
Distribution 2000, Inc.	1120-1140 Remington Blvd	I-55 Corridor	Direct New	453,568
Distribution 2000, a third-party logistics provider serving consumer packaged goods clients, signed a new lease for the full building at Windham Industrial Center in Romeoville.				

Source: Newmark Research

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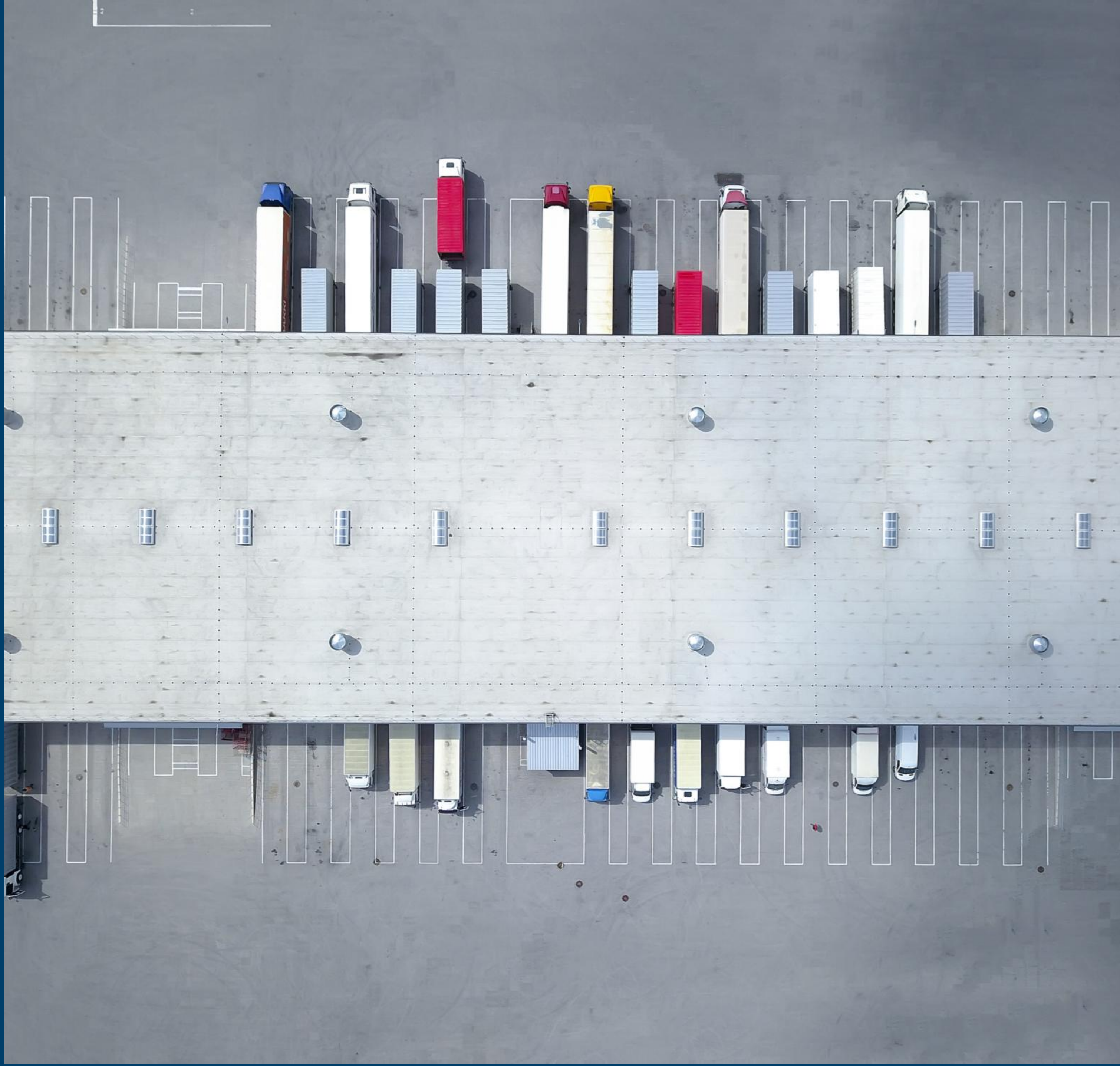
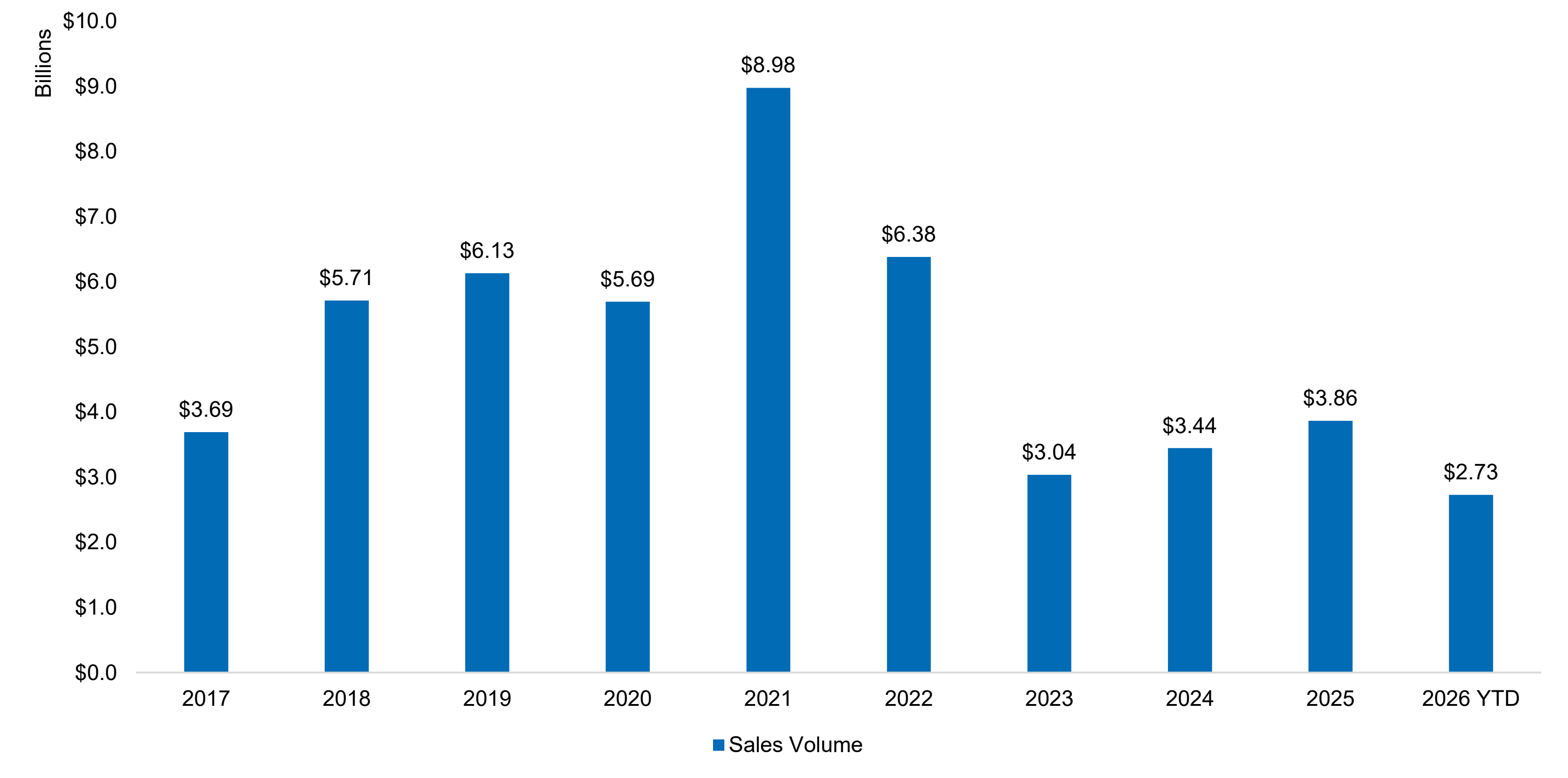
Capital Markets Fundamentals



Chicago Industrial Investment Sales Rebound but Remain Below 2021 Peak

Chicago industrial investment activity continued to normalize in 2026, with year-to-date sales volume reaching $2.73 billion, already surpassing full-year 2023 levels. While volumes remain well below the extraordinary 2021 peak of $8.98 billion, the market has clearly moved past the 2023 trough, reflecting improved pricing confidence and a modest return of capital to the sector.

Chicago Industrial Sales Volume ($B)



Source: Newmark Research, MSCI Real Capital Analytics

Notable Second Quarter Sale Transactions

Buyer	Seller	Building	City	Sale Price	Price/SF	Square Feet
Realty Income Corp	Dermody Properties	Dermody DPIF III Industrial Portfolio 2026 — 3 of 7 Properties	Chicago Metro	$153.8M	$177.66	865,699
The sales were part of a 7-property, $452.5M national portfolio. The three Chicago-area assets include two single-tenant warehouse/distribution buildings in Glenview and a warehouse in Elmhurst.						
Realty Income Corp	CRG, Venture One	Central Steel & Wire Co	University Park	$124.0M	$138.24	897,000
Single-tenant warehouse/distribution facility fully leased to metal fabricator Central Steel and Wire.						
TA Chen International LLC	EQT Exeter	8500 109th Street	Pleasant Prairie	$87.0M	$118.16	736,298
Warehouse property last traded in July 2022 for $81.0M.						
Missner Group	CHI	Crow Holdings Int IN Industrial Portfolio 2026 — 2 of 2 Properties	Merrillville, IN	$62.1M	$114.82	540,986
The sales include the fully occupied NFI Industries facility at 9602 Georgia St and a second building at 9401 Georgia St.						
Morgan Stanley	EQT Exeter, EQT Real Estate	Siteone Midwest Distribution Hub	Pleasant Prairie	$47.5M	$113.80	417,384
Fully occupied, single-tenant facility leased to SiteOne Landscape Supply; last traded in July 2022 for $31.9M.						

Source: Newmark Research, CoStar, Real Capital Analytics

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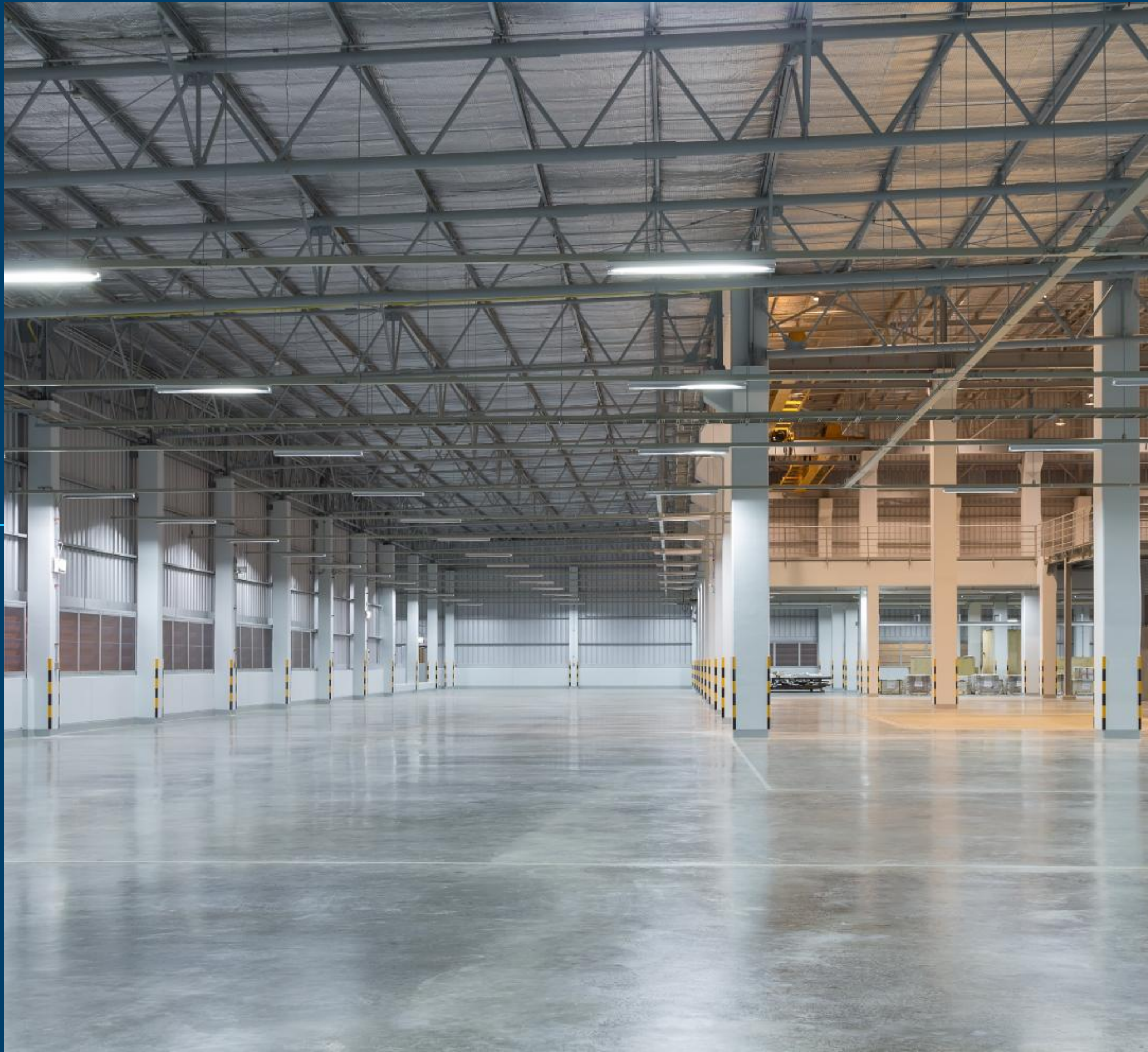
Supplemental Tables



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	85,969,576	1,767,041	3.80%	-7,417	13,353	$6.29	$10.87	$7.07
Far North	79,712,150	-	4.70%	162,564	299,356	$6.14	$9.42	$6.92
Fox Valley/North Kane	42,276,898	543,269	4.70%	480,319	815,495	$4.74	$12.98	$5.78
I-39 Corridor	22,819,078	-	2.10%	-86,170	-92,440	N/A	$11.60	$3.79
I-55 Corridor	121,375,152	938,223	6.20%	1,587,193	1,566,534	$6.49	$11.45	$6.45
I-80 Corridor	128,557,140	737,761	5.50%	2,445,213	3,522,962	$5.40	$9.16	$5.51
I-88 Corridor	77,759,918	1,209,000	4.90%	-661,400	-837,342	$5.34	$11.75	$5.74
Kenosha County	51,386,324	500,000	9.60%	586,716	678,001	$5.88	$10.35	$6.01
McHenry	18,407,637	95,000	1.00%	241,112	195,616	$7.23	$6.66	$8.38
Near North	52,147,536	-	4.70%	-196,638	56,723	$12.62	$13.78	$12.09
North City	64,957,288	67,593	6.20%	293,245	286,014	$8.13	$7.52	$9.18
Northwest	30,802,611	48,000	8.90%	-562,396	-754,977	$6.54	$10.27	$7.83
NW Indiana	25,899,587	2,820,830	4.00%	530,505	630,462	$7.04	$10.00	$6.49
O'Hare	114,653,354	409,400	4.00%	830,849	899,172	$7.38	$10.13	$7.85
Rockford	39,024,354	1,353,885	5.10%	210,026	206,760	$6.06	N/A	$5.20
South City	101,890,712	440,680	3.90%	-890,214	-1,116,237	$7.52	$8.60	$7.44
South Cook	77,167,811	970,123	4.80%	-25,743	436,495	$4.25	$11.63	$5.00
South DuPage	7,578,598	367,842	2.50%	107,043	100,668	$1.95	$11.80	$8.13
West Cook I	62,251,223	-	4.80%	188,758	-63,240	$5.69	$6.93	$5.92
West Cook II	9,241,799	-	14.80%	-312,629	-234,575	$6.76	$13.50	$7.02
Totals	**1,214,700,380**	**12,268,647**	**5.10%**	**4,920,936**	**6,608,800**	**$6.43**	**$10.37**	**$6.86**

Source: Newmark Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.