

NEWMARK

Chicago
Industrial Market Report

4Q25

Access the Extended 4Q25 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.

Chicago Industrial Market Observations

Economy

- Historically, Chicago's unemployment rate has trended above the U.S. average. However, the two have now converged, both sitting at 4.4% as of September 2025. Hiring has slowed in response to inflationary pressures and sustained high interest rates.
- Annual job growth across Chicago's industrial-related sectors was mixed. Construction recorded the strongest gains over the past twelve months, with employment rising nearly 4.9%, while manufacturing and trade and transportation both saw employment contract over the same period.
- Chicago's manufacturing sector contracted by 1.1% over the past year, underperforming the recovery seen nationally. Trade, transportation, and utilities also declined by 0.9% during the same period. These setbacks underscore persistent challenges, from skilled labor shortages to the lasting effects of recent factory closures and relocations.



Leasing Market Fundamentals

- Fourth quarter net absorption totaled 5.2 million square feet, bringing the annual total to 5.9 million square feet and driving vacancy down 30 basis points to 5.2%.
- The industrial pipeline has normalized over the past year and now totals 11.6 million square feet, representing just 0.9% of total inventory.
- Leasing activity strengthened following a slowdown in the second half of 2024, with fourth quarter deal volume reaching 11.3 million square feet and bringing total annual leasing to 49.1 million square feet.
- Average asking rents continued to trend higher on an annual basis, holding at \$6.57 per square foot in 4Q25 and reflecting 1.5% year-over-year growth.

Major Transactions

- Class A space accounted for 53.1% of leasing activity in 2025, reflecting sustained tenant preference for modern, high-quality facilities.
- In the largest lease of the quarter, Kimberly Clark signed for 1.5 million square feet at 30961 S Elion Way in Wilmington.
- In the largest sale of the quarter, Centaur Capital Partners and Talos Capital acquired a 314,028-square-foot FedEx Ground distribution facility in Niles for \$72.2M.



Outlook

- Vacancy is expected to continue trending lower as leasing momentum improves and near-term deliveries remain limited, allowing the market to further work through recent speculative supply.
- Tenant demand will remain focused on Class A product, with newer buildings capturing the majority of activity and supporting continued absorption in core logistics corridors.
- Development activity is likely to reaccelerate modestly in late 2026, as improving fundamentals and stable rents encourage selective speculative starts.
- Capital markets should remain muted, with pricing supported for premium assets, while overall transaction volume stays constrained by financing costs and cautious investment.

Table of Contents

1. Economy
2. Leasing Market Fundamentals
3. Capital Markets Fundamentals
4. Supplemental Tables

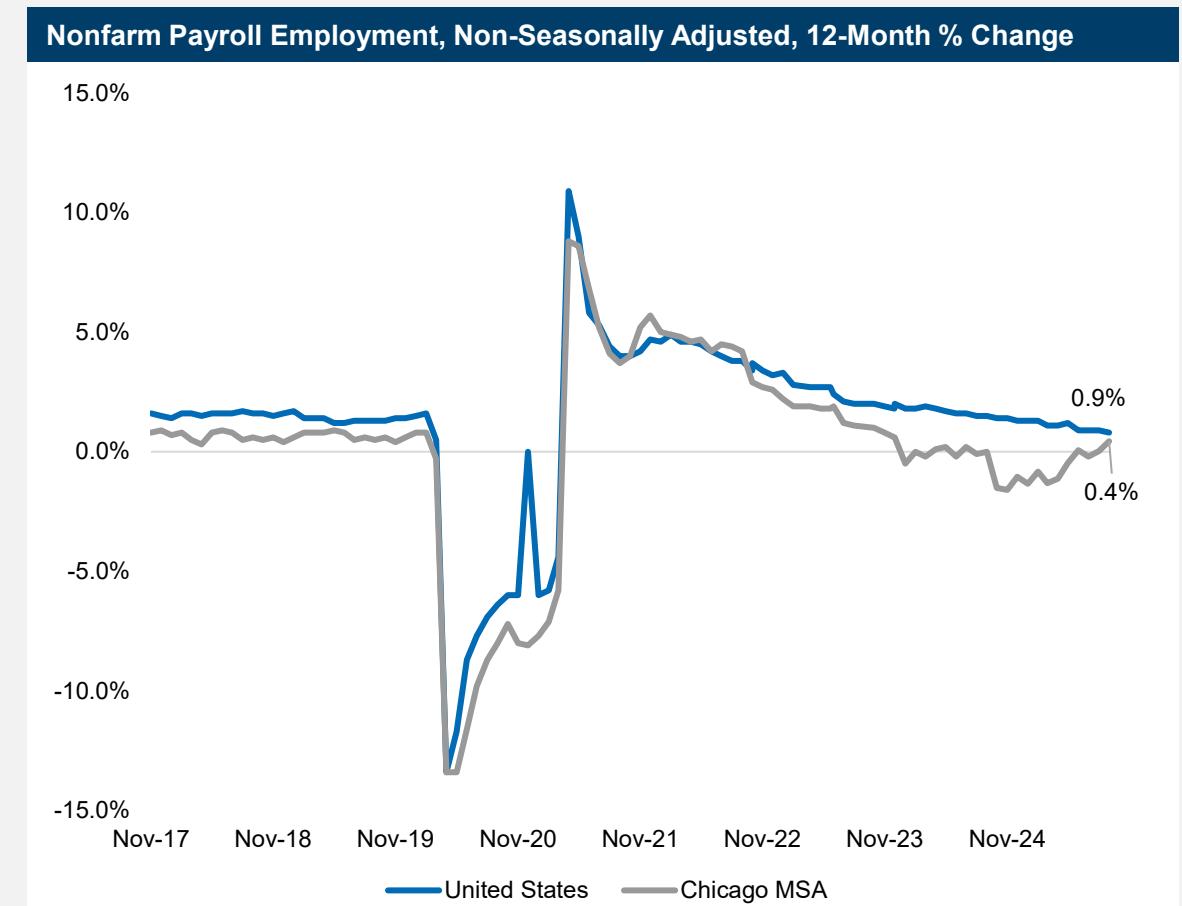
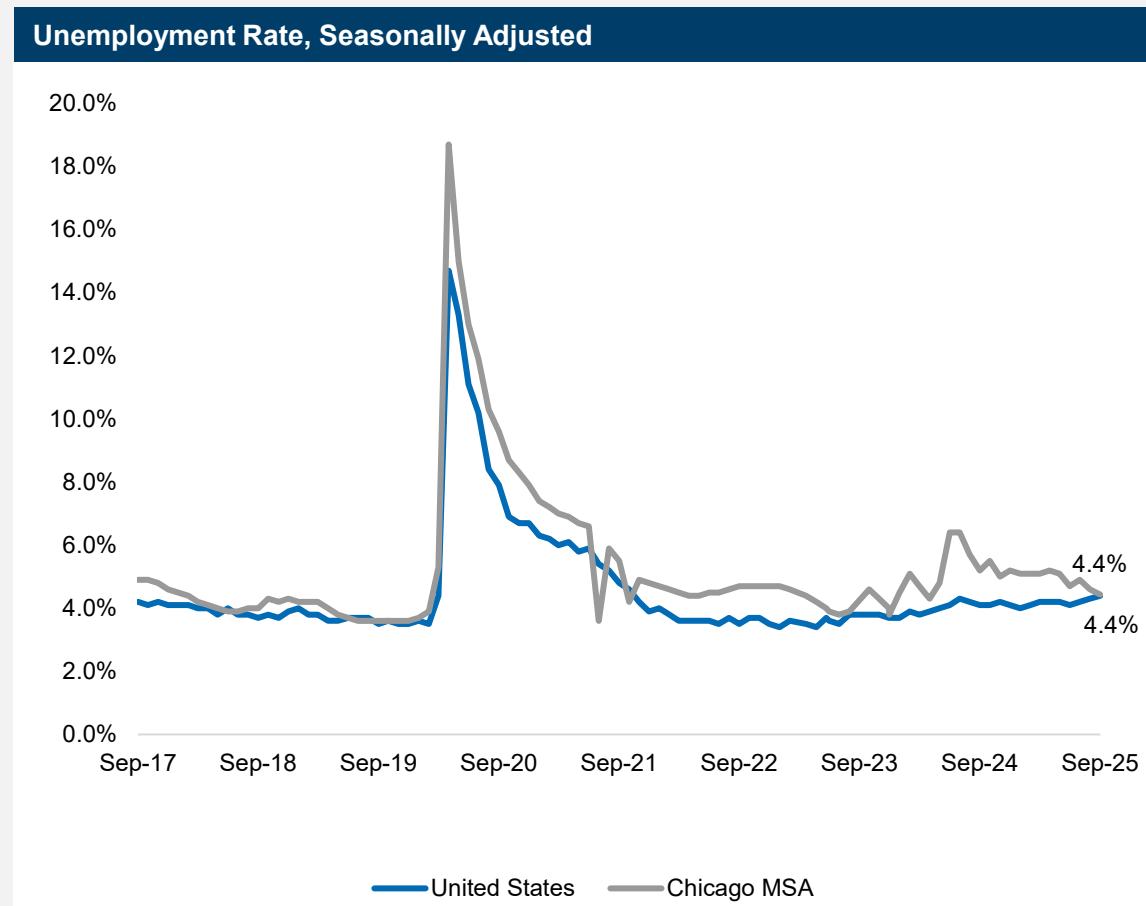
01

Economy



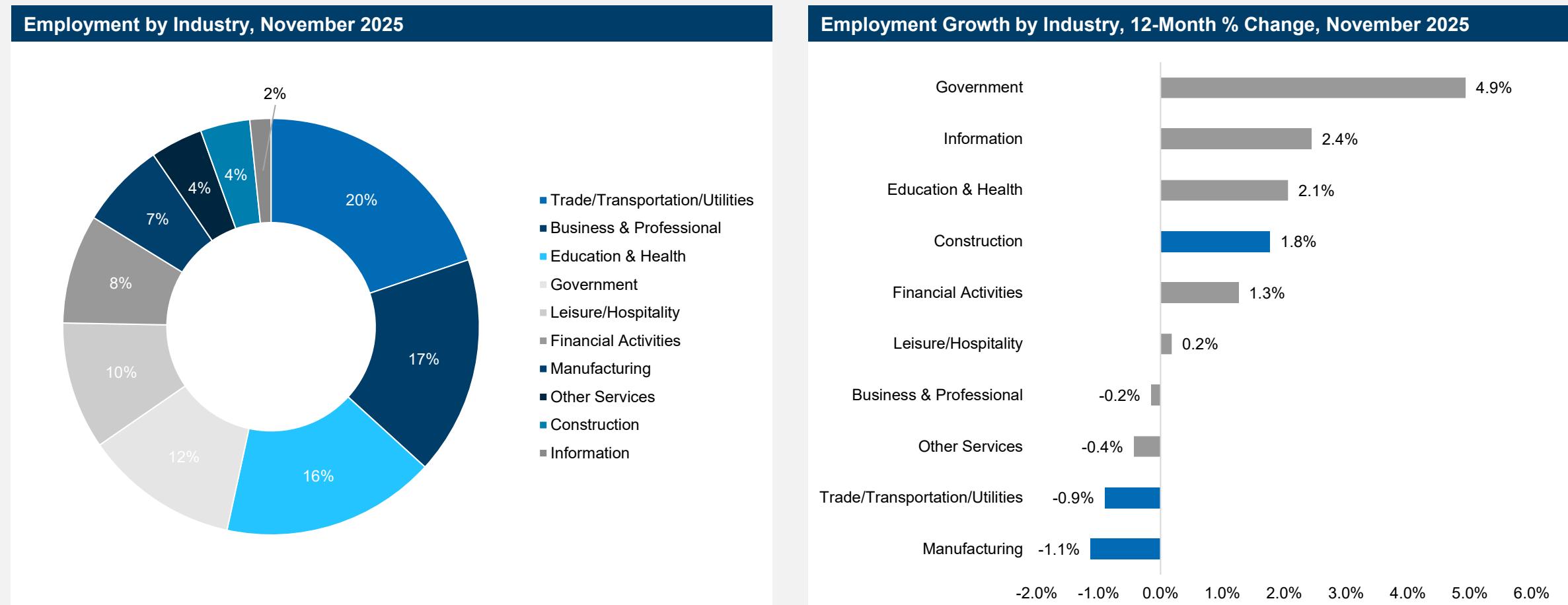
Chicago Unemployment Aligns With National Average

Historically, Chicago's unemployment rate has trended above the U.S. average. However, the two have now converged, both sitting at 4.4% as of September 2025. Hiring has slowed in response to inflationary pressures and sustained high interest rates.



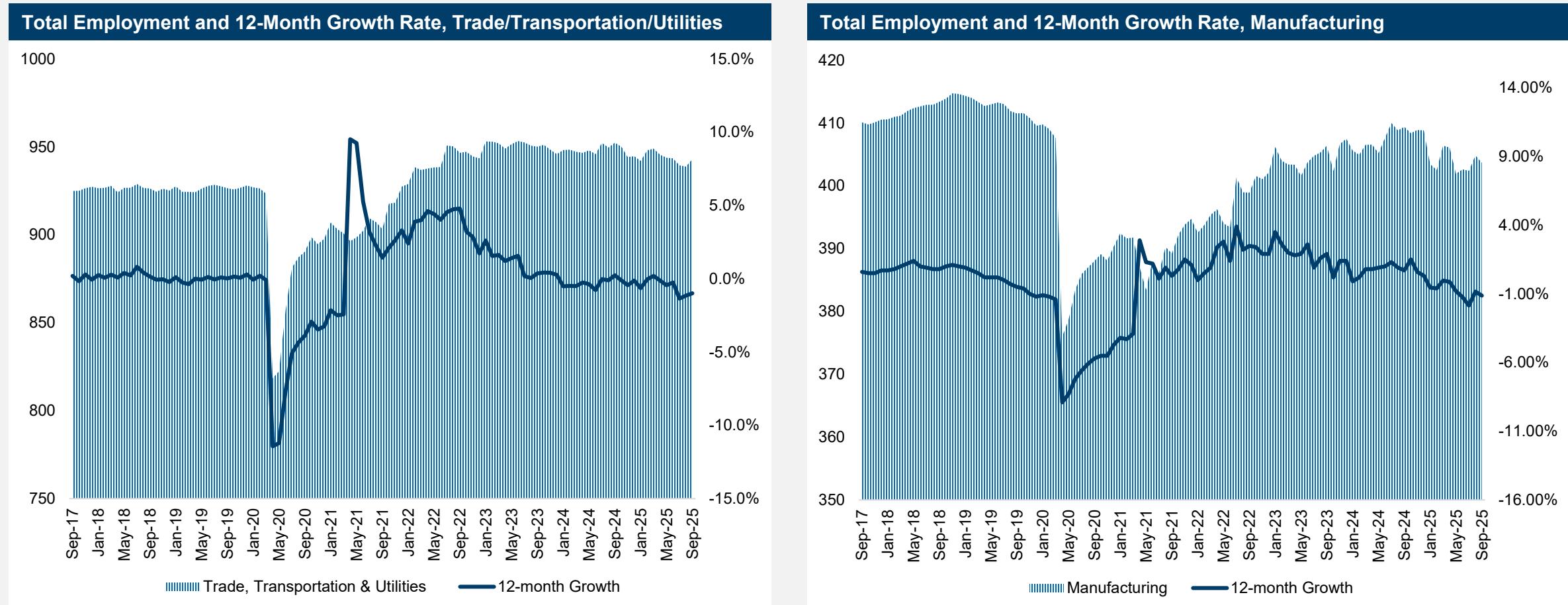
Construction Job Growth Offsets Weakness in Manufacturing and Logistics

Annual job growth across Chicago's industrial-related sectors was mixed. Construction recorded the strongest gains over the past twelve months, with employment rising nearly 4.9%, while manufacturing and trade and transportation both saw employment contract over the same period.



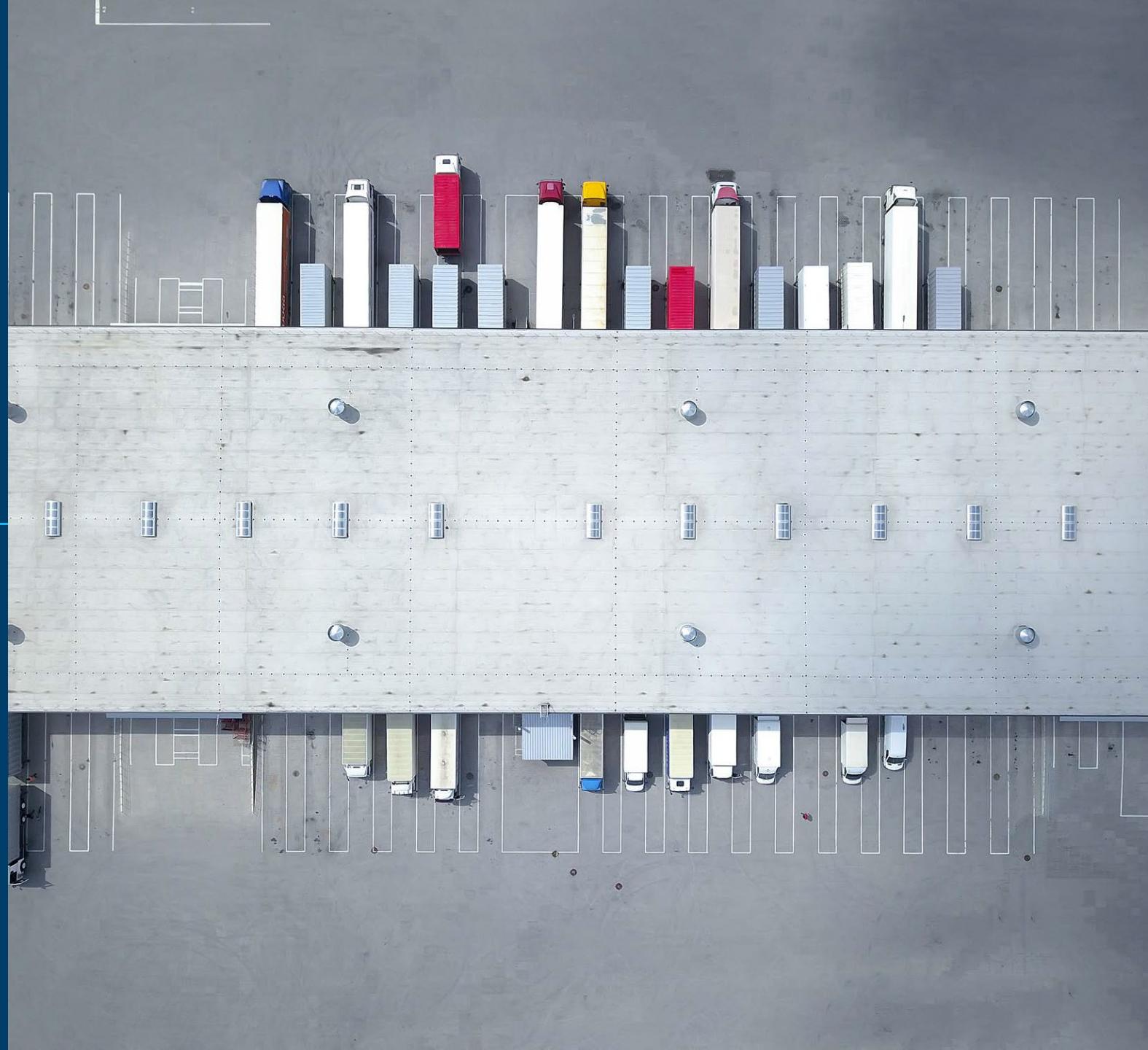
Employment Declines Across Core Sectors

Chicago's manufacturing sector contracted by 1.1% over the past year, underperforming the recovery seen nationally. Trade, transportation, and utilities also declined by 0.9% during the same period. These setbacks underscore persistent challenges, from skilled labor shortages to the lasting effects of recent factory closures and relocations.



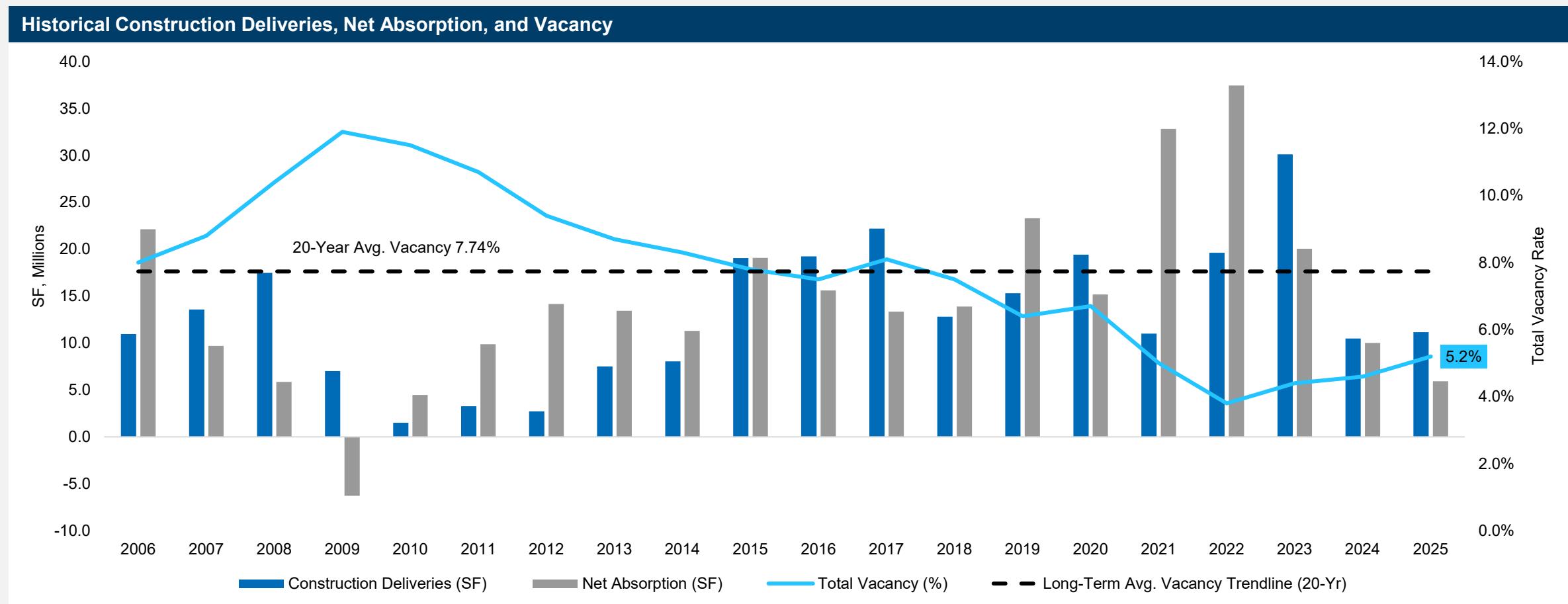
02

Leasing Market Fundamentals



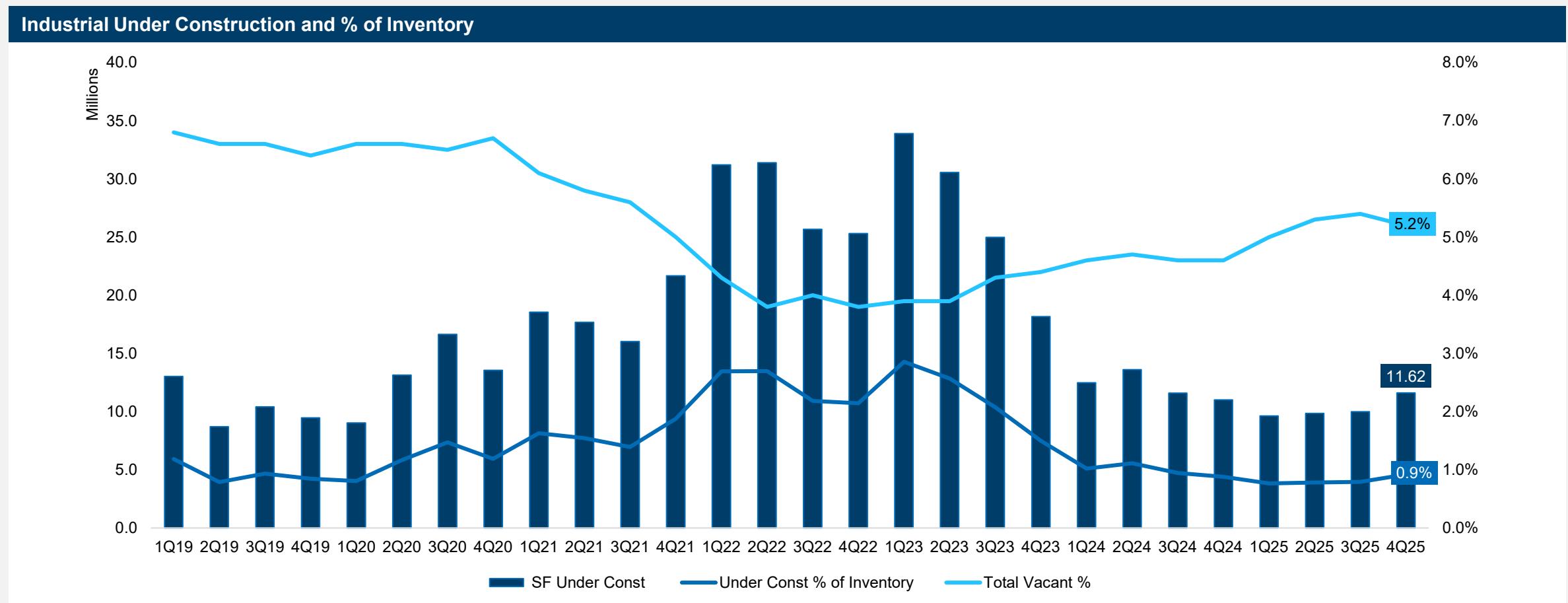
Fourth Quarter Absorption Restores Market Momentum

The Chicago industrial market regained momentum late in 2025 after an unusually slow first half of the year. Fourth quarter net absorption totaled 5.2 million square feet, bringing the annual total to 5.9 million square feet and driving vacancy down 30 basis points to 5.2%. Although vacancy remains above the historic lows seen during the pandemic period, it remains well below the long-term average of 7.7%. With construction activity moderating, the market appears to be working through recent supply additions and moving toward greater balance heading into 2026.



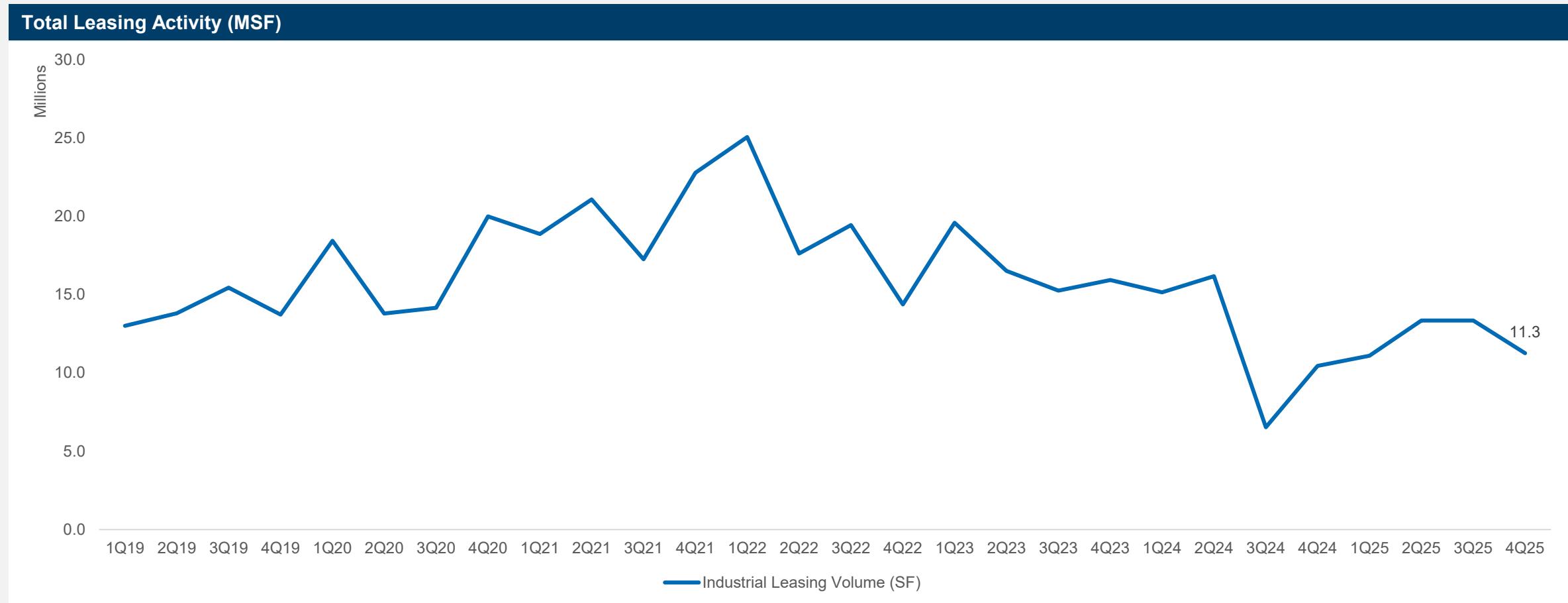
Pipeline Normalizes After Expansionary Development Cycle

Chicago's industrial pipeline has normalized over the past year and now totals 11.6 million square feet, representing just 0.9% of total inventory. The market experienced a development boom in 2022 driven by aggressive speculative construction, with under-construction inventory peaking at 2.9% in early 2023. That level of activity was well above long-term replacement norms, which range from 1.0% to 1.5%. Deliveries are expected to remain limited in 2026, allowing future vacancy to be driven by demand conditions rather than by new supply.



Leasing Activity Regains Traction

Leasing activity strengthened following a slowdown in the second half of 2024, with fourth quarter deal volume reaching 11.3 million square feet and bringing total annual leasing to 49.1 million square feet. The rebound signals improving tenant engagement, and leasing momentum is expected to extend into 2026 as demand continues to recover.



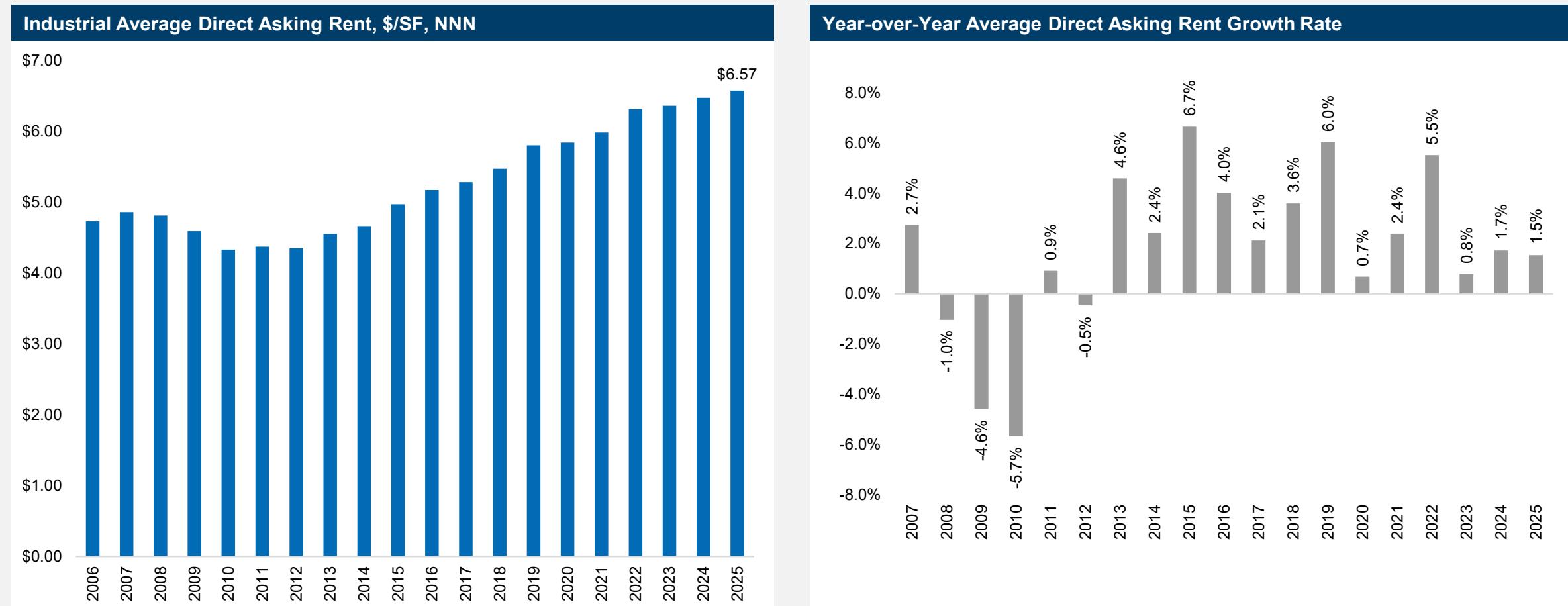
Excess Sublease Space Persists in Older Inventory

Sublease availability declined modestly in the fourth quarter to 12.8 million square feet. While down from the 4Q24 peak of 15.3 million square feet, inventory remains well above the 20-year quarterly average of 8.1 million square feet. Despite this excess, the available space is concentrated in older, less functional buildings, with an average age of 34 years. This concentration in lower-quality product is likely to constrain rent pressure primarily to aging facilities, with limited impact to newer, institutional-grade space.



Asking Rents Hold Firm With Modest Annual Growth

Average asking rents continued to trend higher on an annual basis, holding at \$6.57 per square foot in 4Q25 and reflecting 1.5% year-over-year growth. Landlords have maintained pricing power in well-located and modern facilities, with rates supported by tight overall vacancy and limited new supply entering the market.

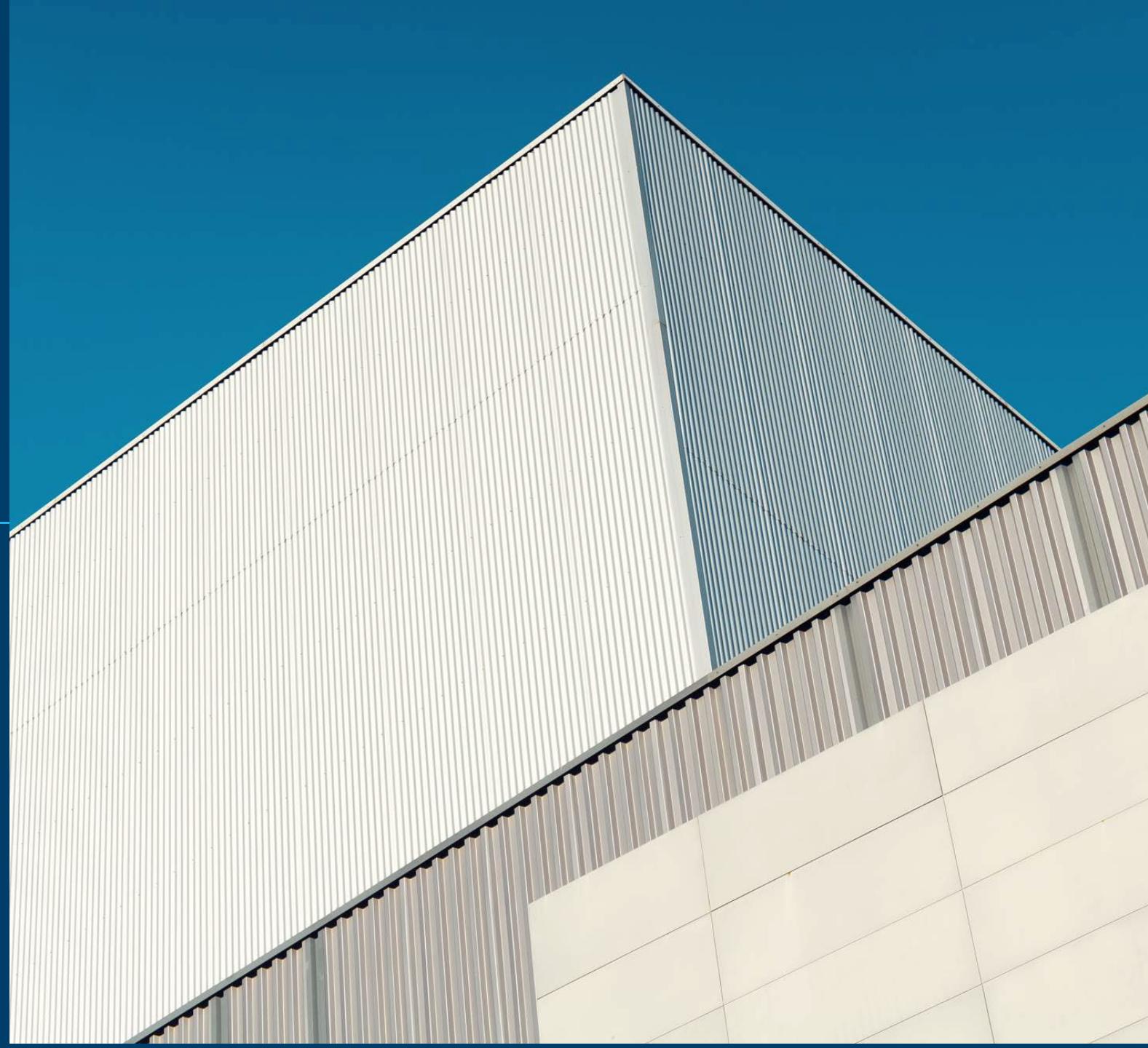


Notable Fourth Quarter Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Kimberly Clark	30961 S Elion Way	I-80 Corridor	New	1,541,200
RJW Logistics	26351 W 143 rd	I-88 Corridor	New	1,209,000
Greenbox Systems	30542 S Elion Way	I-80 Corridor	New	1,002,000
Amazon	1125 Remington Blvd	I-55 Corridor	Renewal	767,161
Ariens	8448 38 th St	Kenosha County	Renewal	601,439

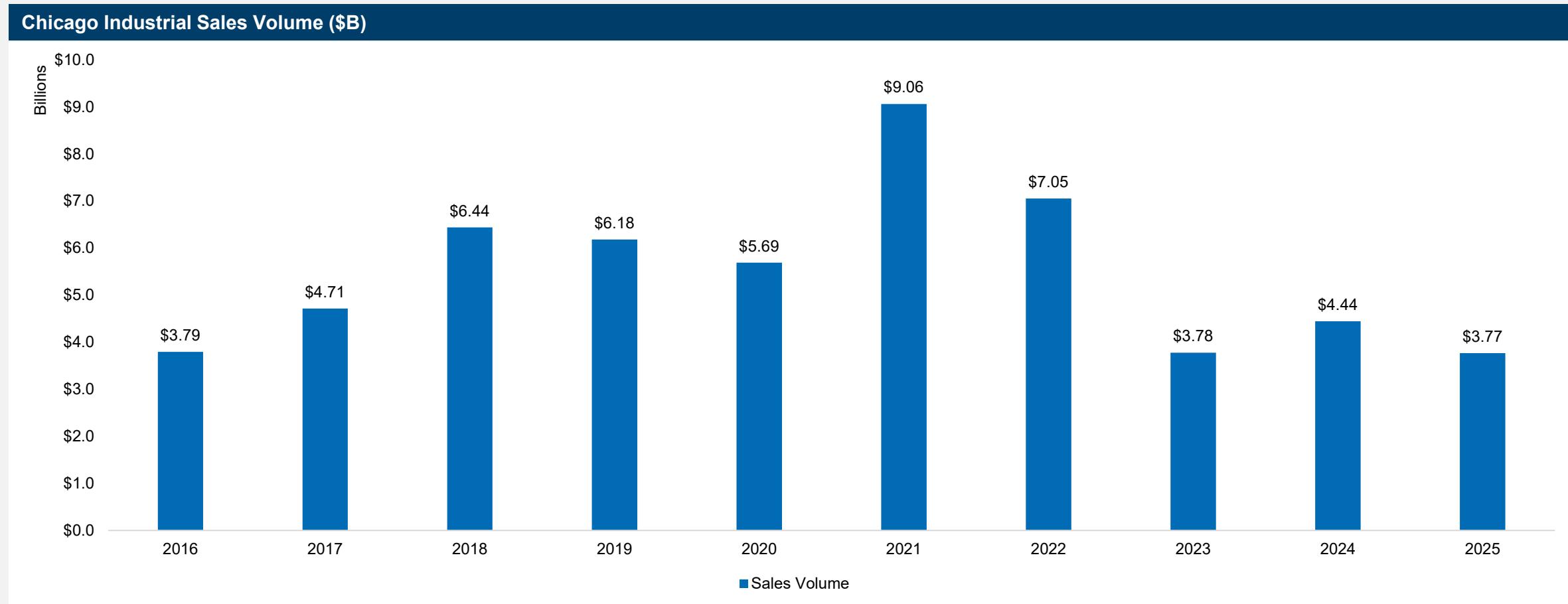
03

Capital Markets Fundamentals



Capital Markets Activity Continues to Lag Historical Levels

Annual sales volume totaled \$3.8 billion in 2025, down 9.0% year-over-year and roughly 75% of the 10-year average. Elevated borrowing costs, economic uncertainty, and softer leasing fundamentals are expected to continue constraining transaction activity in the near term.

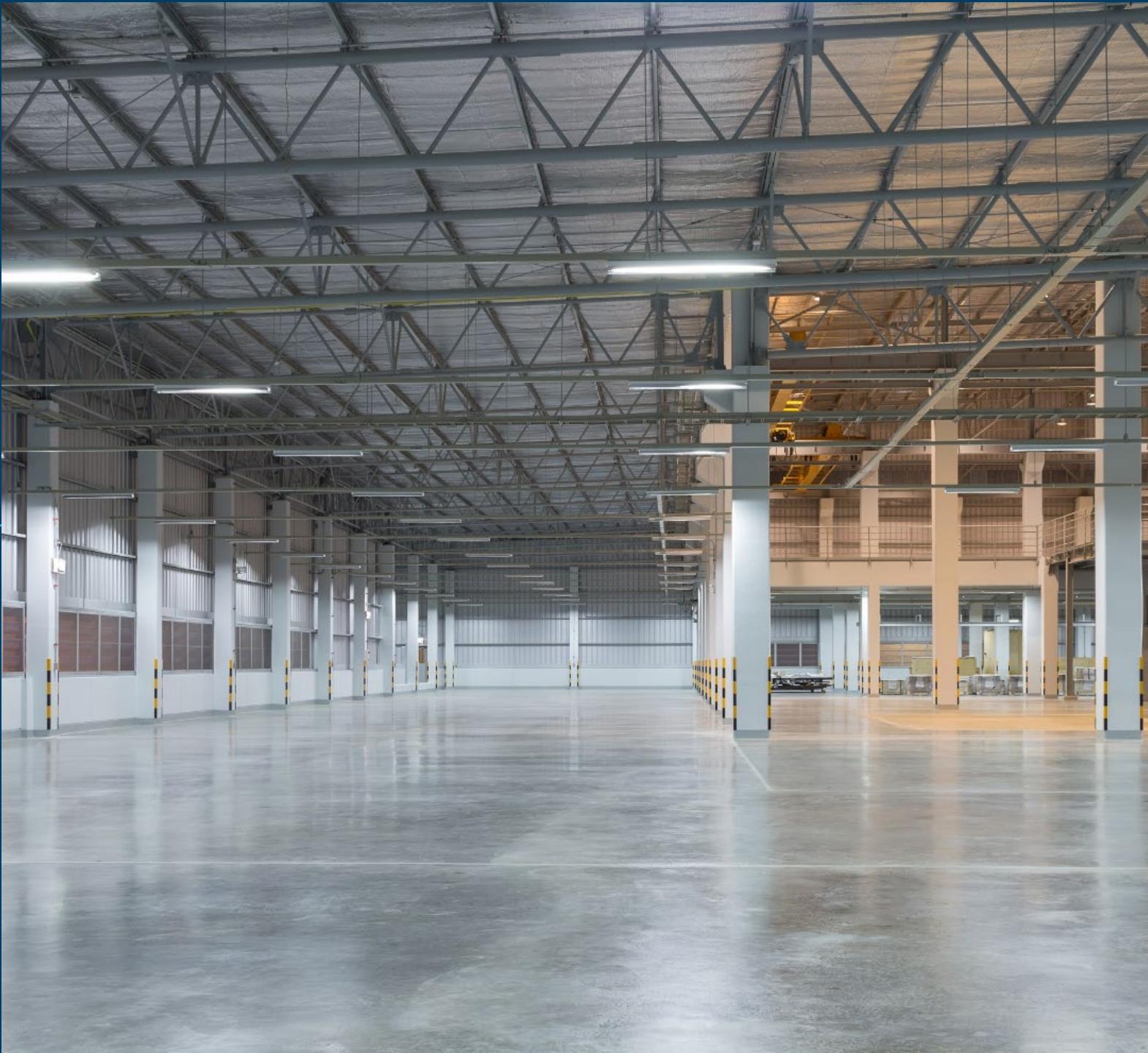


Notable Fourth Quarter Sale Transactions

Buyer	Seller	Building	City	Sale Price	Price/SF	Square Feet
Centaur Capital Partners / Talos Capital	SEDCO Holdings	5959 W Howard St	Niles	\$72.2M	\$229.94	314,000
STAG Industrial	Nuveen	25100 S Ridgeland	Monee	\$70.5M	\$110.53	637,407
High Street	Link Logistics	1200 Central Rd 101 Mittel Dr 365 Village Dr	Hanover Park Wood Dale Carol Stream	\$65.7M	\$121.00	541,998
Engendren Corporation	Flint Development	1338 120 th Ave	Paris, WI	\$43.2M	\$85.74	509,408
Goldman Sachs	Blackstone	710 W Belden Ave	Addison	\$31.0M	\$89.45	346,233

04

Supplemental Tables



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