



Chicago industrial market report

Q4 2024

**AVISON
YOUNG**

Chicago industrial market trends

1.4%

Sublet availability on the rise

Sublet availability reached a record-breaking 16.7 msf, accounting for 1.4% of the total Chicago market inventory. Despite this increase, Q4 2024 overall vacancy remains healthy at 5.6%. The South I-55 corridor has 3.8 msf of sublet availability, the highest of Chicago's industrial submarkets. Even so, South I-55 remains desirable, registering vacancy at only 4.3% at year-end. Given ongoing demand and strategic location, the submarket is well-positioned to recover and absorb the available space.

40.1 msf

Leasing activity stabilizing

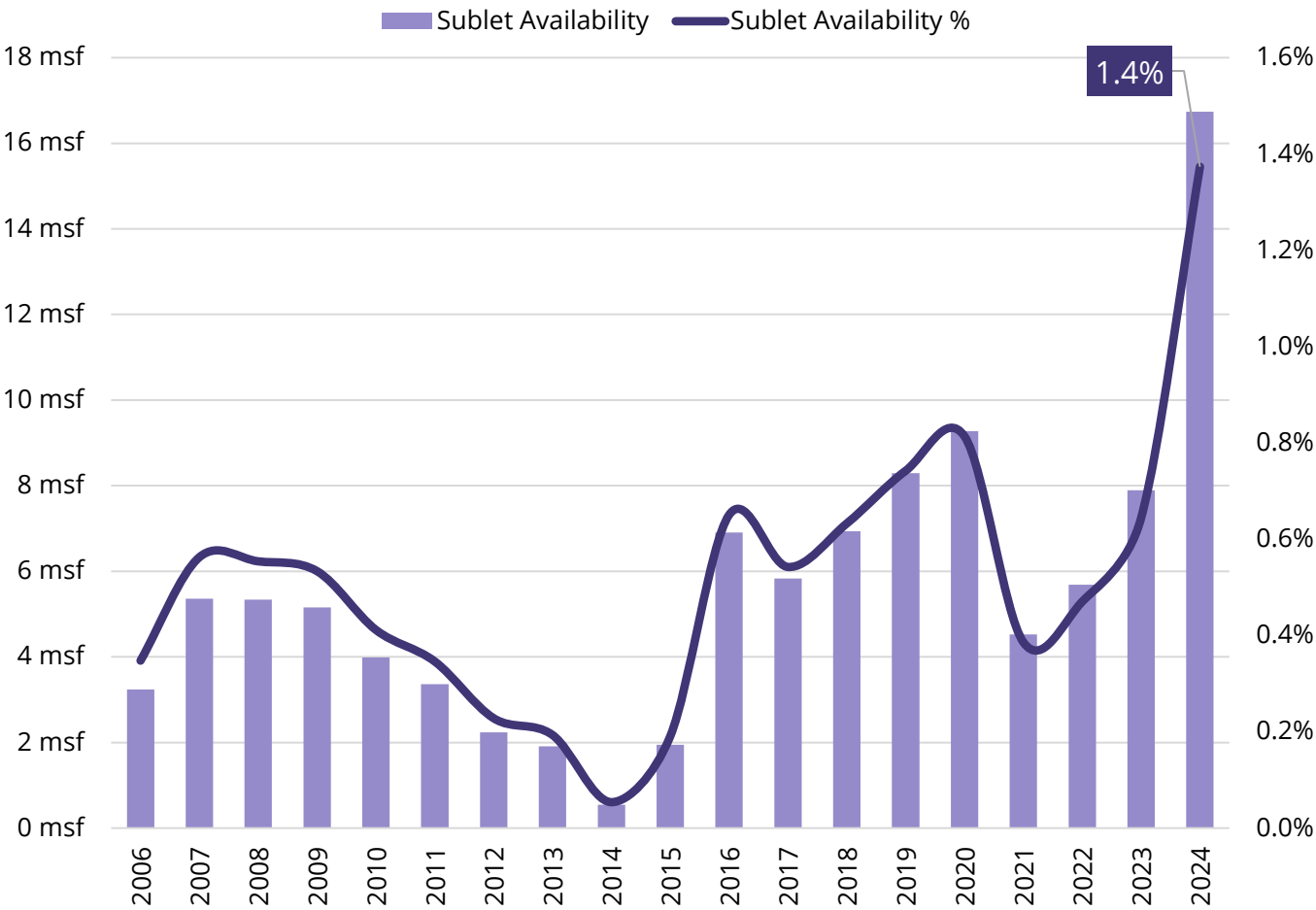
Leasing activity has normalized after a pandemic-induced surge, with 40.1 msf leased in 2024. Despite a slight decline, leasing activity surpassed 2017-2019 annual historical averages of 33.5 msf. The Chicago industrial market remains active with strong demand and healthy market fundamentals. The South I-55 corridor and I-80 submarkets remain the most active, accounting for 33% of Chicago industrial's total leasing volume in 2024.

14 msf

Construction activity slowly increasing

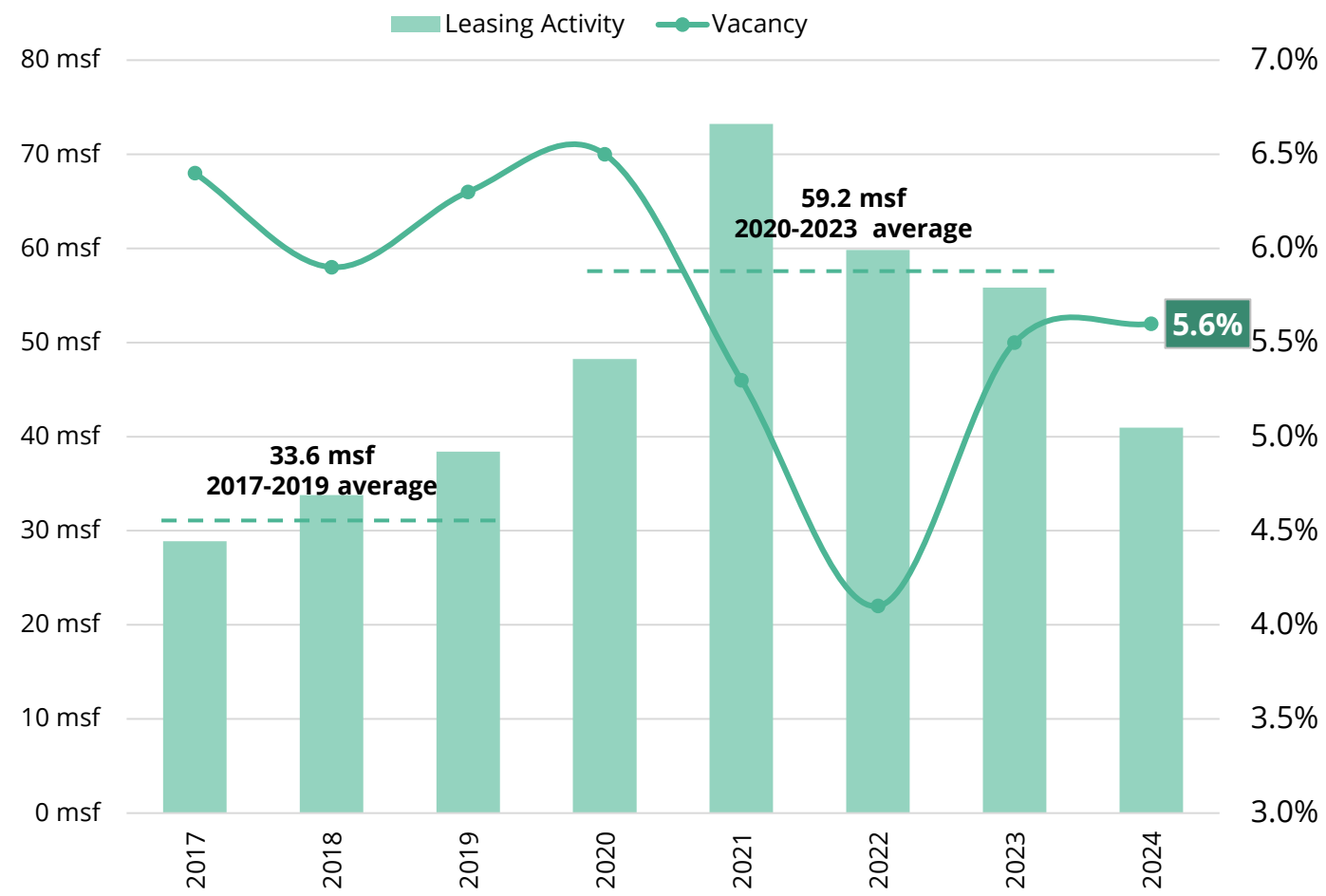
Construction activity is slowly picking up, with 14 msf currently under development. The market favors build-to-suit projects over speculative development, a significant shift from Q4 2023. BTS activity, as part of the total construction pipeline, increased from 30% to 57% from the prior year. This shift further highlights the ongoing economic challenges pushing developers to exercise prudence. The Chicago industrial market has seen an influx in cold storage facilities breaking ground throughout 2024 with over 4 msf now under construction.

Sublet availability soars to all-time high



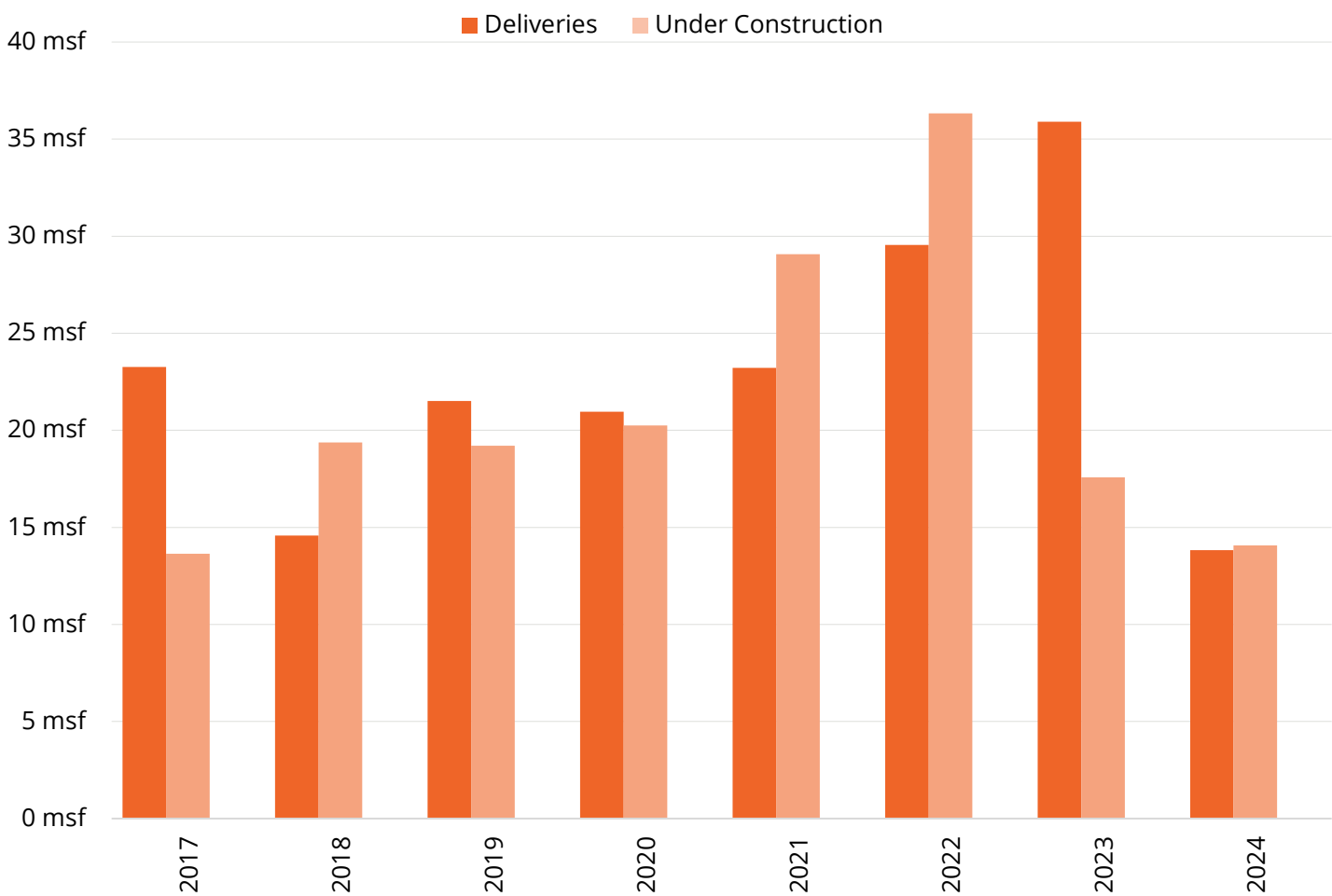
Total sublet availability reached an all-time high of 16.7 msf at the end of 2024 with 6 msf of that space left vacant. Large companies such as Home Depot, Cubework, Geodis and Ulta alone added 2.2 msf of sublet space in Q4 2024. The rise in sublet space can be attributed to companies that overextended real estate needs during COVID are now readjusting their real estate footprint and inventory levels to better align with their current requirements.

Leasing activity stabilizing while vacancy remains low



Leasing activity has normalized after experiencing a surge during/after the pandemic. A total of 40.1 msf of space in the Chicago industrial market leased during 2024. Annual leasing activity averaged 33.6 msf from 2017 through 2019. Although recent activity is down, the market remains active with strong demand and low vacancy. Rental rates remain healthy, averaging \$8.19/nnn at the end of 2024, reflecting a 4.1% increase from the prior year.

Construction pipeline slowly accelerating

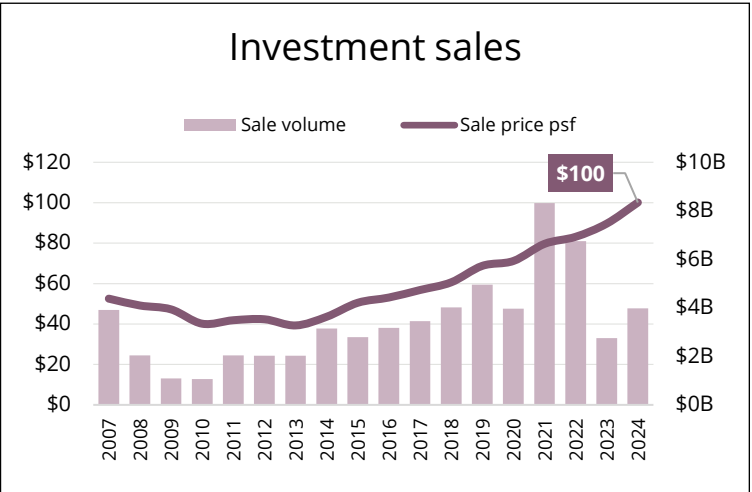
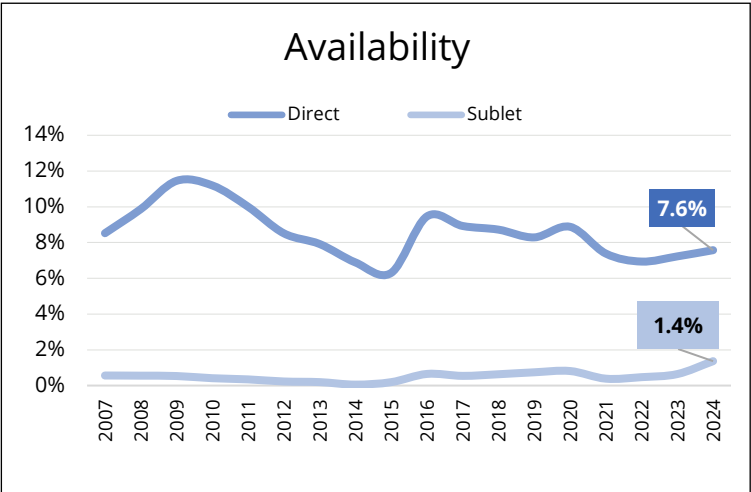
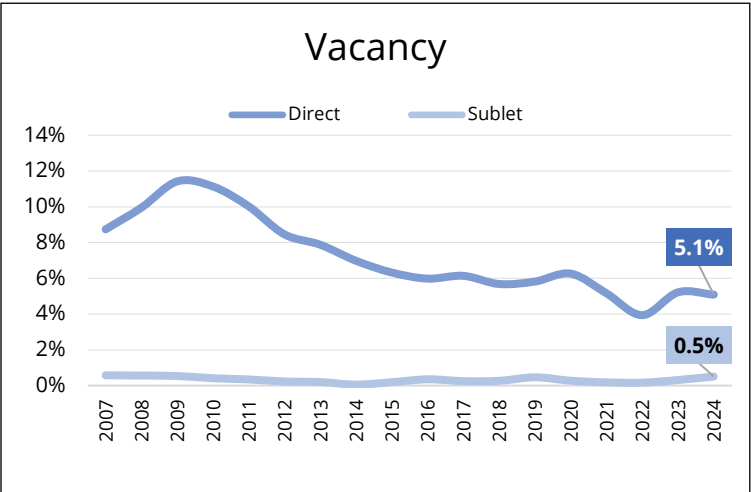
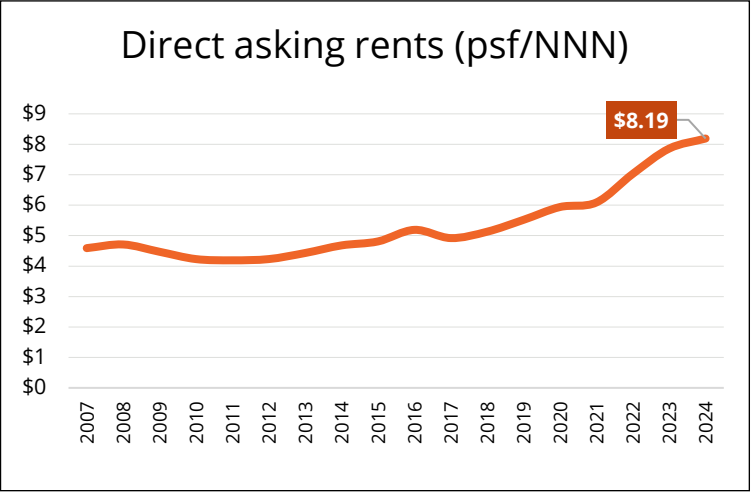
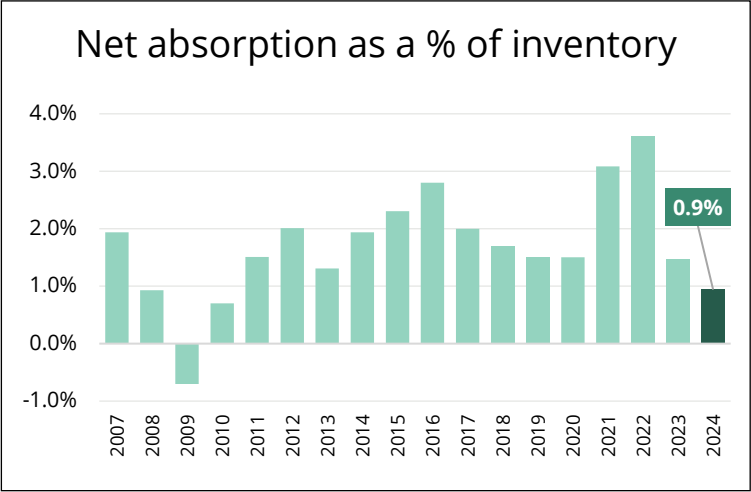
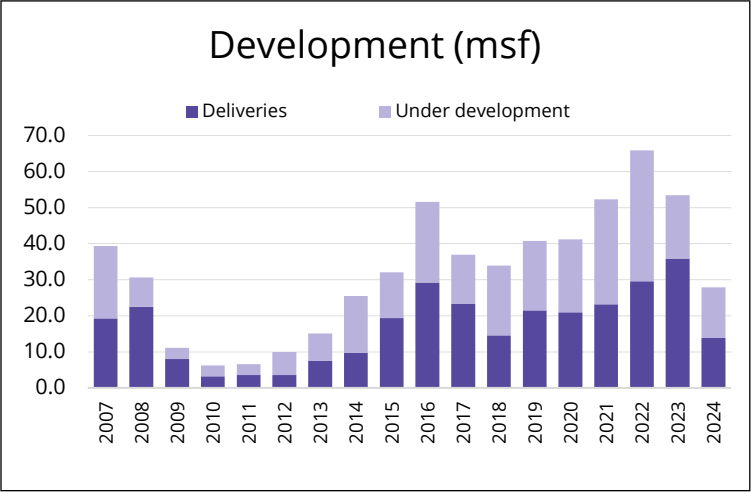


There is currently 14 msf under development with 57% of the space being developed on a build-to-suit basis. Speculative construction activity continues to decrease due to the challenges with securing construction financing and the current economic environment. In 2024, the Chicago market has seen a surge in cold storage projects breaking ground, with over 4 msf of the 14 msf under construction dedicated to these highly specialized facilities.

Appendix



Chicago industrial market indicators



Chicago industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Pioneering Technology	295 Southcreek Pky, Romeoville, IL	South I-55	Dec 2024	497,717	New	Direct
Menasha Packaging	456 International Pky, Minooka, IL	I-80 Corridor	Oct 2024	456,860	Renewal	Direct
Mazda	900 Bilter Rd, Aurora, IL	I-88 Corridor	Oct 2024	436,636	Renewal	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Grainger	501 Internationale Pky, Minooka, IL	Dec 2024	849,691	\$78,000,000	\$91	Prologis
Radian Investment Management	10700 S Doty Ave, Chicago, IL	Dec 2024	140,000	\$47,700,000	\$340	Ryan Companies
Ares Management	2200 Sullivan Rd, Aurora, IL	Dec 2024	356,462	\$46,340,000	\$130	Panattoni

Top projects under development

Address	Submarket	Delivery date	Building size (sf)	% Preleased	Developer
1508 Crosslink Pky, Belvidere, IL	I-39 Corridor	Mar 2027	1,200,000	100%	Walmart
I-80 & Brisbin, Morris, IL	I-80 Corridor	May 2025	1,200,000	100%	Crow Holdings
1237 W Division St, Chicago, IL	North Chicago	Jan 2025	1,184,800	0%	Logistics Property Co.

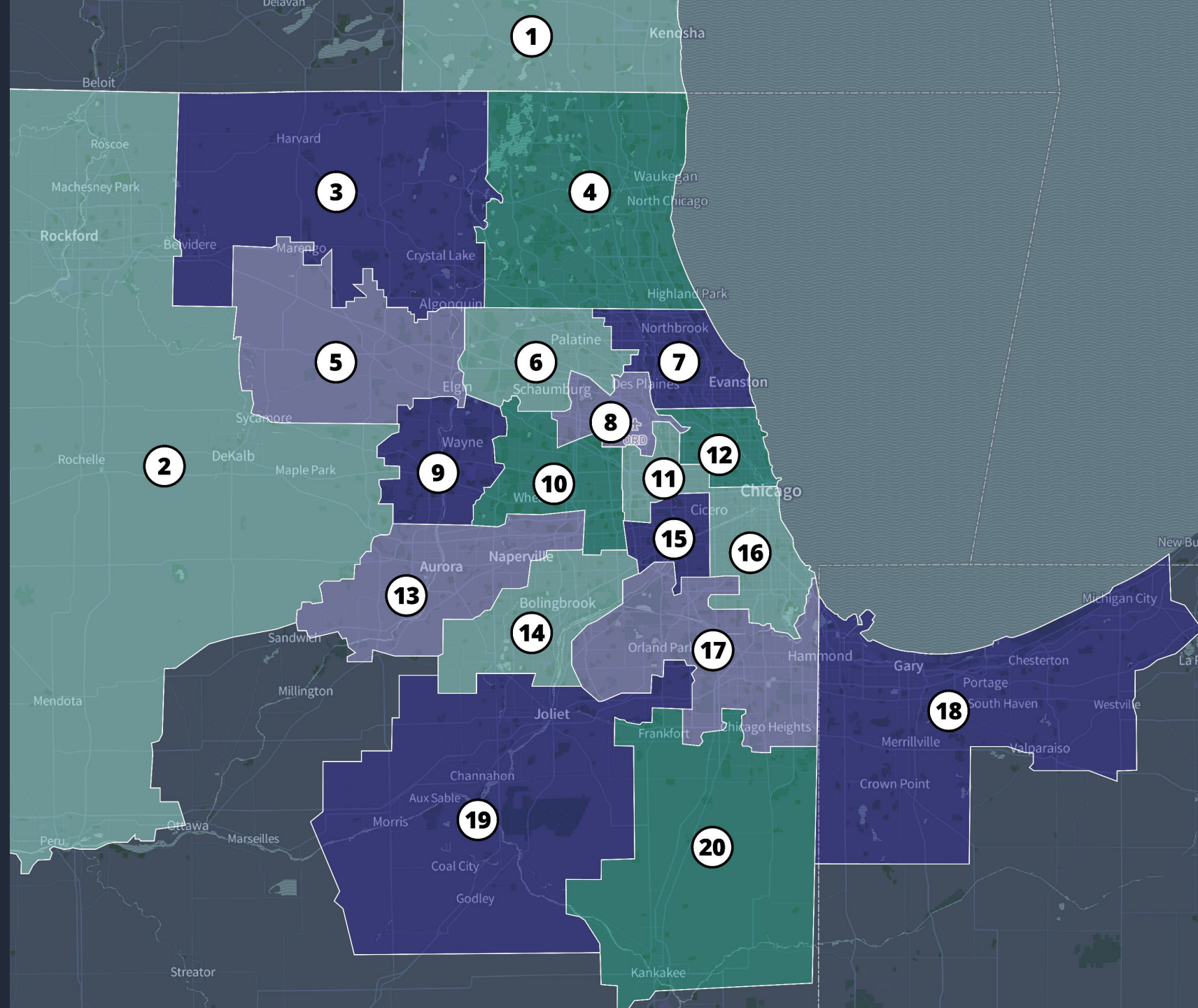
Chicago industrial market stats

Submarket name	Existing inventory (sf)	YTD Deliveries (sf)	Under development (sf)	Direct vacancy	Sublet vacancy	Total vacancy	YTD Net absorption (sf)	YTD Net absorption % of inventory
O'Hare	110,360,679	196,940	99,682	4.3%	1.1%	5.3%	-701,089	-0.64%
I-80 Corridor	108,585,761	2,560,591	4,393,621	7.2%	0.4%	7.6%	660,256	0.61%
South I-55 Corridor	104,027,590	1,183,839	1,469,933	3.6%	0.7%	4.3%	516,597	0.50%
South Chicago Industrial	93,118,416		747,231	3.9%	0.2%	4.1%	305,807	0.33%
Lake County	73,466,661	650,556		6.0%	0.3%	6.2%	299,322	0.41%
South Cook	71,877,886	1,282,452	276,019	5.3%	0.1%	5.5%	51,423	0.07%
Central DuPage	67,595,470		57,100	2.8%	0.6%	3.4%	-403,057	-0.60%
I-88 Corridor	65,791,127	596,061	665,928	3.6%	0.4%	4.0%	182,534	0.28%
I-39 Corridor	64,601,969	200,165	2,225,000	5.2%	0.5%	5.7%	55,850	0.09%
North I-55 Corridor	55,134,977	398,954		5.5%	0.6%	6.1%	-660,858	-1.20%
Southern Wisconsin	50,093,421	1,441,790	593,565	12.4%	0.5%	12.9%	2,118,873	4.23%
Northwest Indiana	49,373,350	246,000	640,520	3.2%	0.8%	4.0%	1,161,613	2.35%
West Cook	46,013,498	1,603,119		4.5%	1.1%	5.6%	1,373,211	2.98%
Fox River Valley	44,881,994	763,229	1,262,127	4.3%	0.0%	4.4%	971,491	2.16%
North Cook	44,553,515	824,844		5.7%	0.8%	6.5%	-139,180	-0.31%
North Chicago Industrial	44,347,029		1,227,896	7.3%	0.3%	7.6%	335,582	0.76%
I-90 West/Elgin Corridor	40,211,325	949,258	139,840	7.1%	0.4%	7.5%	1,234,497	3.07%
I-57 Corridor	29,724,769	55,000		4.4%	0.1%	4.4%	2,107,538	7.09%
McHenry County	24,899,364			1.9%	0.4%	2.3%	1,524,473	6.12%
I-90 East Corridor	23,285,807	879,577	273,730	5.5%	0.1%	5.6%	409,264	1.76%
Market total	1,211,944,608	13,832,375	14,072,192	5.1%	0.5%	5.6%	11,404,147	0.94%

Chicago Industrial Submarket Map

SUBMARKET KEY

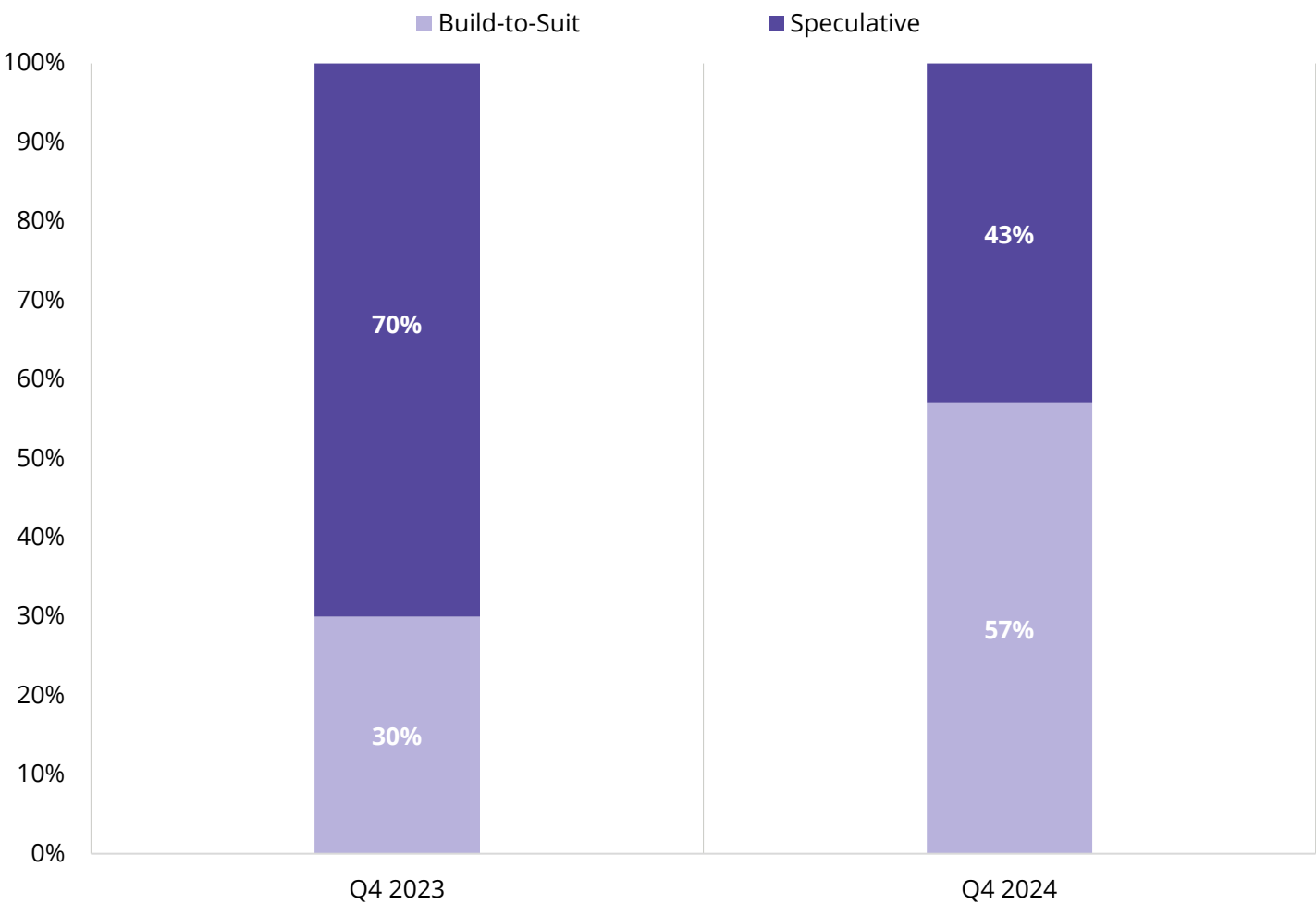
- 1 Southern WI
- 2 I-39 Corridor
- 3 McHenry County
- 4 Lake County
- 5 I-90 West/Elgin
- 6 I-90 East
- 7 North Cook
- 8 O'Hare
- 9 Fox River Valley
- 10 Central DuPage
- 11 West Cook
- 12 North Chicago
- 13 I-88 Corridor
- 14 South I-55 Corridor
- 15 North I-55 Corridor
- 16 South Chicago
- 17 South Cook
- 18 NW IN
- 19 I-80 Corridor
- 20 I-57 Corridor



Let's examine more prevailing industrial trends



Build-to-suit projects dominate activity



Over the past year, the proportion of the Chicago industrial development pipeline dedicated to build-to-suit projects increased significantly, rising from 30% to 57%. This shift is largely driven by companies with specialized requirements or the desire to own their real estate who are electing to go the build-to-suit route. Meanwhile, speculative construction continues to decrease due to the ongoing challenges in securing construction financing in the current economic climate.

Chicago industrial development pipeline

51 properties

under development

14 million sf

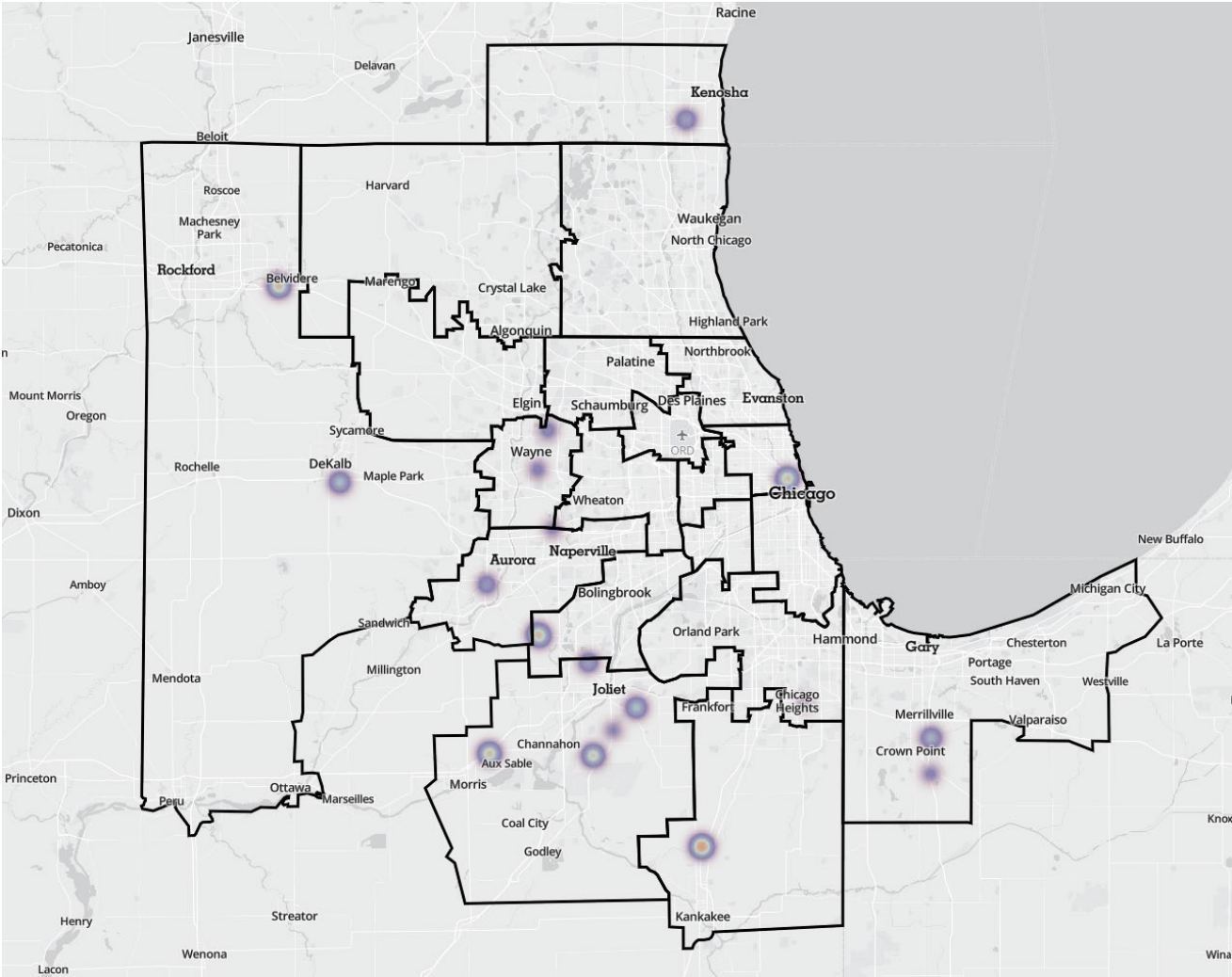
under construction

Major developments

1508 Crosslink Pky, Belvidere, IL
1.2 msf (Walmart Grocery DC)

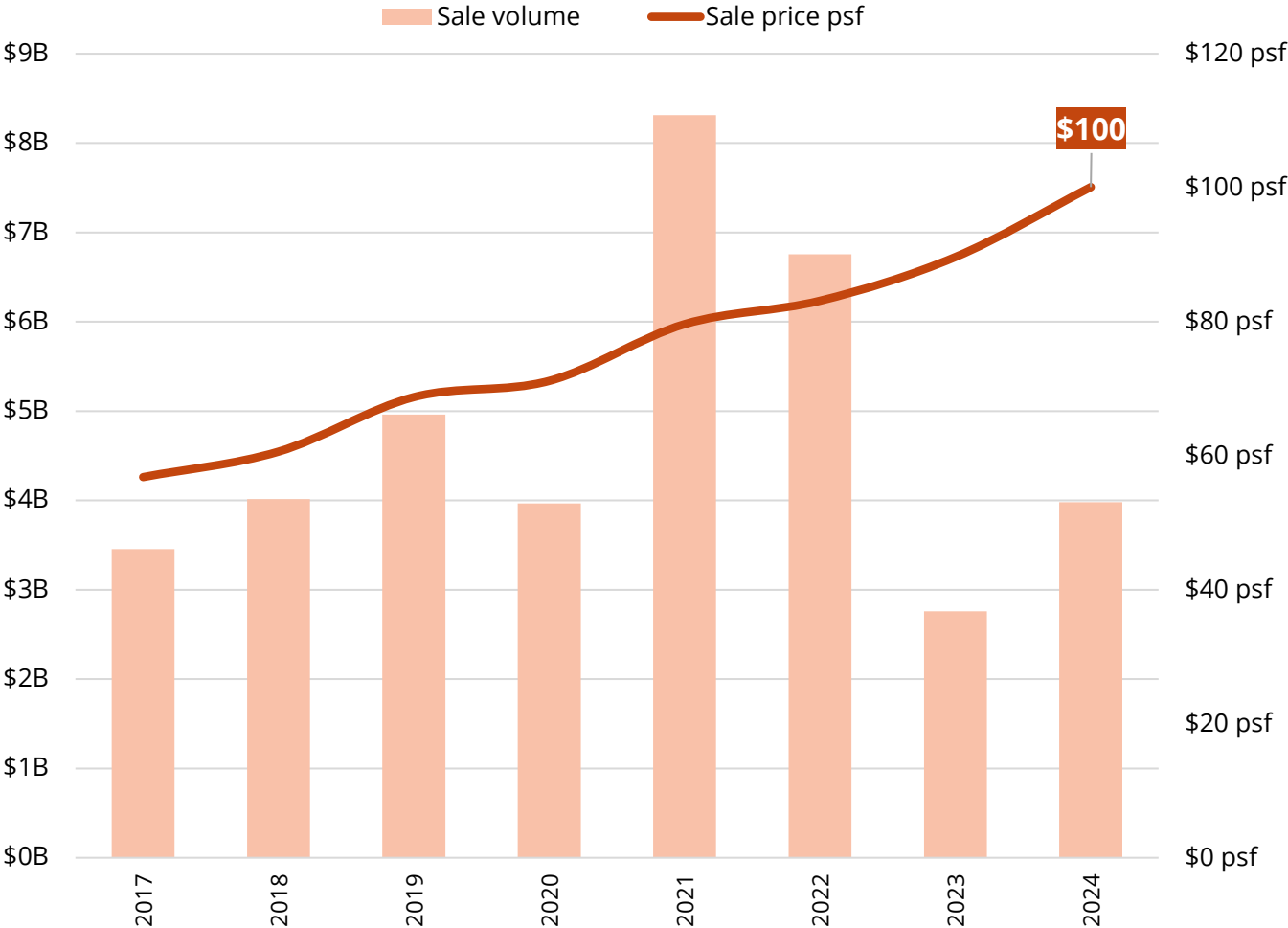
I-80 & Brisbin Rd, Morris, IL
1.2 msf (GE Haier)

1237 W Division St, Chicago, IL
1.1 msf (Speculative)



*Survey consists of industrial buildings greater than 20,000 sf.

Sales activity surged over the last two quarters



Overall sales volume totaling \$3.9 billion in 2024 increased 44% from the prior year, with 65% of total sales volume occurring in the second half of the year. Federal funds rate was cut three times throughout 2024. Two of these reductions took place in the second half of the year, playing a significant role in boosting sales activity during this period.

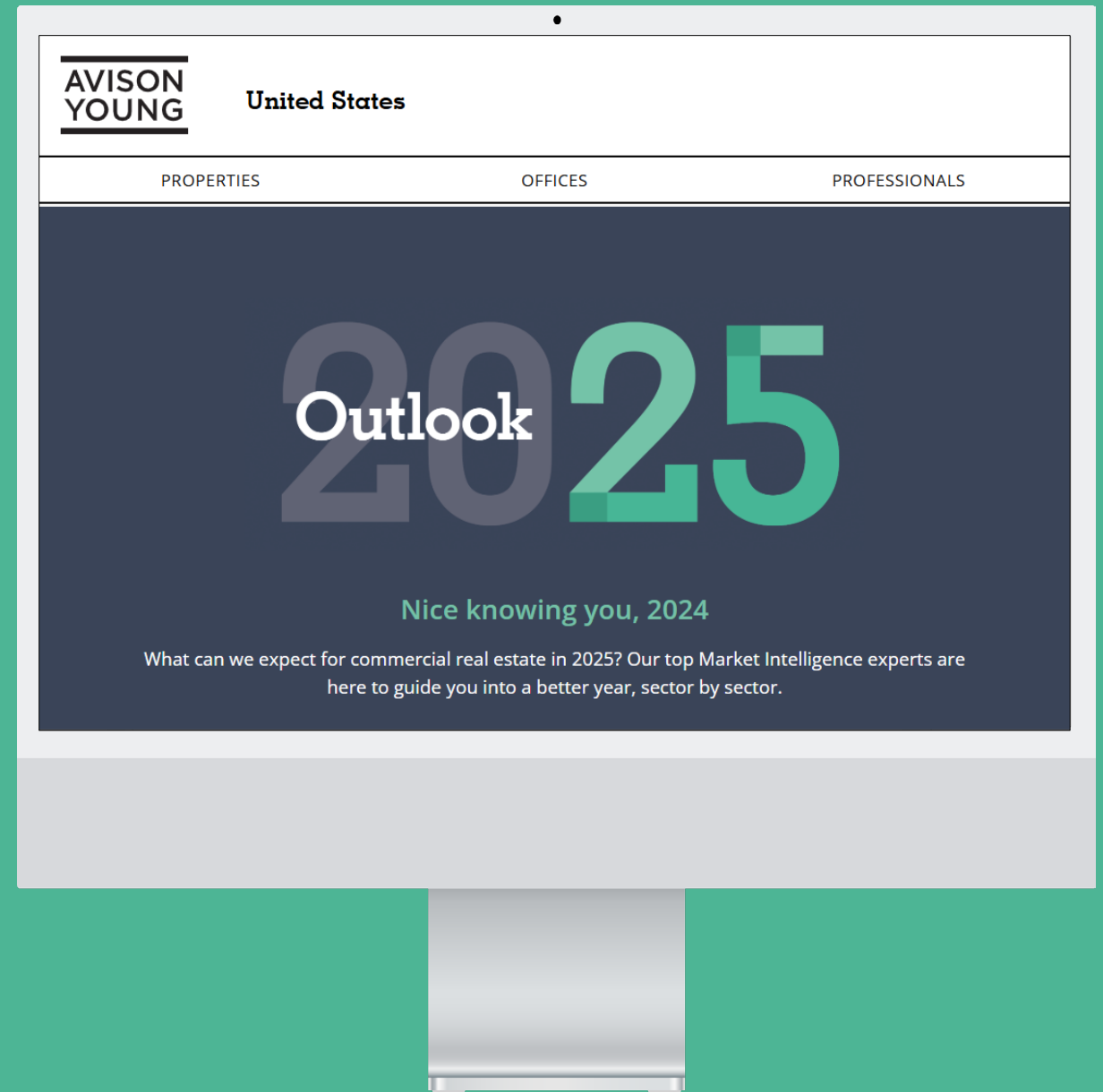
Get a glimpse
ahead with our

Outlook 2025

Nice to meet you, 2025!

What can we expect for commercial real estate this year? Our top Market Intelligence experts are here to guide you into a better year, sector by sector.

See the intel for yourself



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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