

INVESTMENT OUTLOOK

Industrial
Chicago Metro Area

IPA
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ADVISORS

MIDYEAR 2025

Western Suburbs Lead Metrowide Performance, Drawing Accelerated Investment Activity

Rapid construction decline drives tightening market. Deliveries slated for 2025 will undercut the half-decade average by 70 percent, dropping below anticipated demand despite falling corporate confidence. With nearly half of 2025 completions fully leased as of June, supply pressures should be at their lowest in over a decade through year-end. In 2024, leasing concentrated in Chicago's northern and southern suburbs, led by agreements inked for over 1 million square feet each by Amazon, Samsung and Post Consumer Brands. This year, logistics and related companies will drive large-scale move-ins. RJW Logistics Group, C&Y Logistics and Uline have already occupied nearly 2 million square feet, with plans to collectively fill another 2.5 million square feet in the coming months. Meanwhile, sub-50,000 square-foot leases have maintained a wide spread across the metro, with heightened activity near Elk Grove Village, in the Glendale Heights-Addison area and along Interstate 55 from Bridgeport to Romeoville.

Small suburban footprints draw investor attention. Transaction velocity accelerated almost 40 percent during the 12 months ended in March on an annual basis. Amid heightened competition for listings, the average price per square foot continued to rise, exiting the first quarter at \$119. Meanwhile, as buyers and sellers came to terms with elevated borrowing costs, the mean cap rate rose to 7.7 percent for the first time since 2015. Preliminary second-quarter data suggests that Chicago's western suburbs remain a focal point for investors. The Interstate 88 corridor between Interstates 355 and 39, along with the area encompassing Interstates 80 and 55 to the southwest, accounted for over half of trades. Here, investors may find sub-50,000-square-foot, pre-2000-vintage assets adjacent to major thoroughfares for \$70 to \$100 per square foot.

2025 MARKET FORECAST

+0.2% **EMPLOYMENT:** Chicago's workforce expands by 10,000 roles in 2025 — a historically subdued figure for the metro. Amid a national slowdown, this is Chicago's fourth year of moderating job creation.

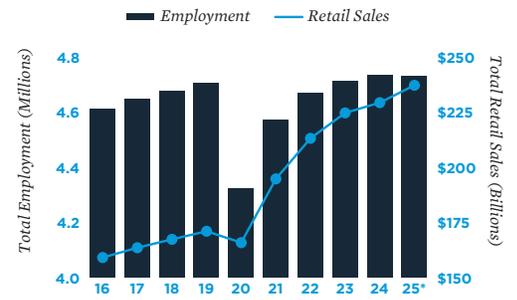
7.5 million sq. ft. **CONSTRUCTION:** Completions will plummet by approximately 10 million square feet from 2024's tally as inventory expands by just 0.6 percent. This year's delivery volume is the smallest since 2013.

-10 bps **VACANCY:** Local vacancy dips to 5.6 percent this year — the fifth-lowest rate among major U.S. industrial markets. This measure is 220 basis points below the metro's average vacancy since 2000.

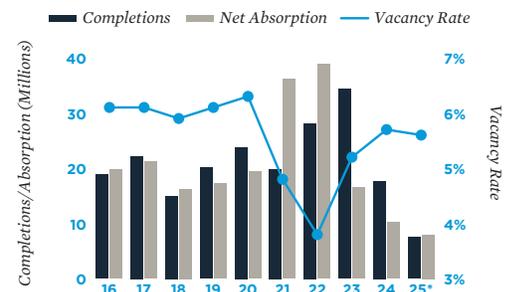
+4.2% **RENT:** Annual growth in Chicago's mean asking rent will exceed 4.0 percent for a seventh straight year, notably surpassing the national mark and ending 2025 at \$8.72 per square foot.

INVESTMENT: *The I-88 corridor entered April at 3.8 percent vacancy. As Chicago's second-largest submarket by inventory, the area's strong fundamentals and stock of smaller properties should sustain investor interest.*

Economic Trends



Supply and Demand



Rent Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.