

January 2025

**As we usher in a New Year, Core Industrial Realty is pleased to share our Q1 2025 Newsletter. We hope you find beneficial information enclosed.**

### Capital Costs

The Federal Open Market Committee (FOMC) delivered a ½ point reduction to their target rate in Mid-September and followed up with ¼ point reduction in November and a ¼ point reduction in December. After their December meeting, the Fed penciled in just two (2) rate cuts in 2025.

Despite the FOMC's aggressive campaign to tame inflation by bringing benchmark interest rates to their highest point in 16 years, much of the business world has continued to perform well in the past few years. This has kept stock prices high, job losses relatively low, and the incomes of employees rising faster than inflation. The economy at large is not sending any signals to the Federal Reserve that they should be in a hurry to lower rates. Certain sectors of our economy, however, have been weakened, arguably as a result of the Fed's effort to bring down inflation these past few years.

As Fed Chairman Jerome Powell said in May of 2022, "We don't have surgical tools, they are famously blunt tools". Home Sales for 2024 are on pace for their worst year in 30 years and Manufacturing output has been flat for 2+ years. The conflicting performances of certain components of our economy make the Fed's decisions on further interest rate cuts in 2025 difficult for them and difficult for us to predict. With the potential of steep tariffs from a new administration, achieving the Fed's preferred inflation rate may prove illusive in 2025.

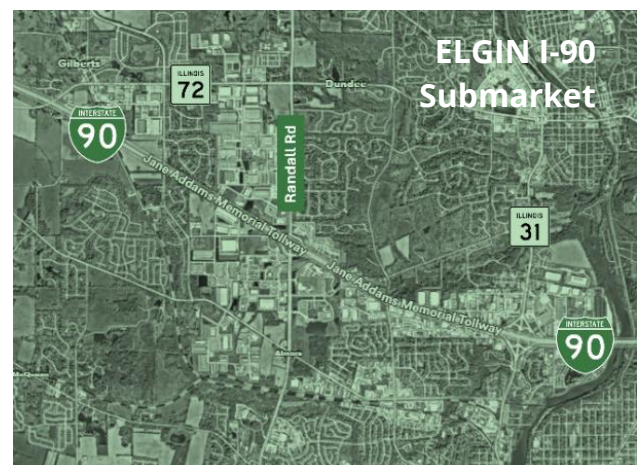
	12/01/2023	12/01/2024
U.S. Unemployment	3.7%	4.1%
10-Year Treasury Yield	4.22%	4.192%
Target Range Federal Funds Rate	5% - 5.25%	4.5% - 4.75%
30-Year Fixed Rate	7.03%	6.81%

As we mentioned in our September newsletter, the underlying factors that determine the need for the Federal Reserve to continue to lower rates contrast with what drives a strong industrial real estate market, namely demand. Regardless of the number of interest rate cuts the Fed implements in 2025, the Chicagoland Industrial real estate market enters the year relatively balanced from a supply and demand perspective. The key to a healthy 2025 industrial real estate market is a healthy and employed U.S. consumer.

### Elgin/I-90 (Kane County) Submarket Snapshot

Elgin and the I-90 Corridor have enjoyed brisk industrial leasing activity in smaller spaces (less than 50,000 SF) in 2024. Rental rates for the smaller units in the market have settled in the mid \$7.00 net psf range and, in several transactions, reached \$8.00 net psf.

Size	Average Net Rate
Up to 50,000 SF	\$7.48 psf
50,000-100,000 SF	\$7.24 psf
100,000 SF+	\$6.55 psf
Average Annual Net Rent Escalations	3.41%



### Elgin/I-90 (Kane County) Submarket Snapshot (continued)

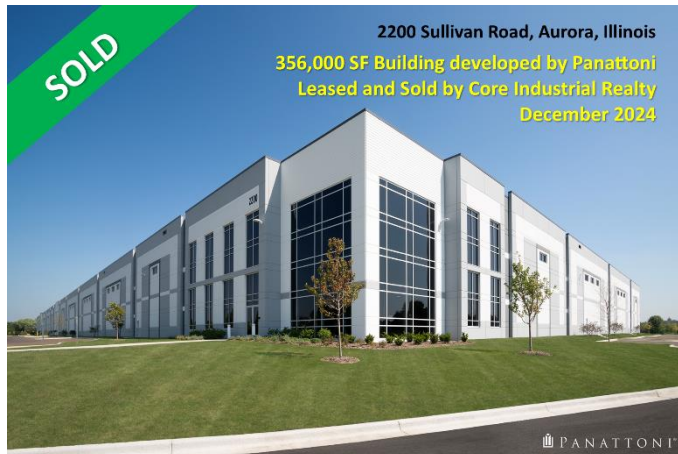
Speculative buildings with larger spaces (100,000 SF+) have struggled to gain as much traction as the smaller size range has in 2024. Presently, there are 6 speculative buildings completed and ready for occupancy in the submarket totaling 1,430,883 SF of space. The Submarket saw larger leases completed of 445,000 SF by tenant John B. Sanfilippo & Son in Venture One’s speculative facility in Huntley, and 130,000 SF was leased by tenant Andres International in NorthPoint’s Algonquin Corporate Center. One speculative building of 144,000 SF was sold in 2024. Core Industrial represented a plastics manufacturing company in their purchase of a 144,000 SF speculative building developed by Seefried Industrial Properties.

### Core Industrial Realty

Core Industrial Realty is pleased to share the addition of Martin Geary to our brokerage team. Martin joins Core after time in business development and sales for a staffing solutions company here in Chicago. Previously, Martin attended the University of Dayton where he achieved Dean’s List honors and made the Pioneer League Academic Honor Roll while playing football throughout his studies at the University of Dayton.



Core Industrial Realty recently celebrated our second anniversary in December. To date, Core has completed transactions with total consideration of more than **\$250,000,000** in leasing and sales of industrial real estate assets. We are extremely grateful for the many transactions completed and excited to have Martin join our brokerage team in 2025.



### THANK YOU!

Most importantly, we recognize that none of our accomplishments would be possible without you, our customers, and trusted partners. Our goal from day one has been to provide our customers with a unique and better experience than what they have been accustomed to. I believe we do and will continue to provide superior service through tailored solutions for each project we take on. Nothing is a given here at Core. We strive to be detail oriented and, in many respects, perfectionists.

#### Noel S. Liston

Managing Broker

nliston@coreindrealty.com

#### Nick Krejci

nkrejci@coreindrealty.com

#### Matthew Lee

mlee@coreindrealty.com

#### Frank Damato

fdamato@coreindrealty.com

#### Parker Ray

pray@coreindrealty.com

#### Ryan Mullins

rmullins@coreindrealty.com

#### Billy Jeffers

wjeffers@coreindrealty.com

#### Martin Geary

mgeary@coreindrealty.com

#### Mary Kedzior

mkedzior@coreindrealty.com

#### Carrie Santos

csantos@coreindrealty.com