

June 2025

As the first half of 2025 quickly comes to an end, Core Industrial Realty is pleased to share our Q2 2025 Newsletter. We hope you find beneficial information enclosed.

Capital Costs

Much has changed since the inauguration of our 47th U.S. President. Not much has changed with the stance of the Federal Open Market Committee (FOMC). The January 2025, March 2025 and May 2025 FOMC meetings resulted in no changes to the Federal Reserve target rate (4.25%-4.5%). At the December 2024 meeting, the Fed penciled in two rate cuts for 2025 and it is looking more and more likely that those two cuts would be the best-case scenario. Federal Reserve minutes released from the May 6th/May 7th meeting indicated that Chairman Jerome Powell felt the central bank “was effectively sidelined until the Trump administration finalizes its tariff plans and the impact on the economy becomes clearer”.

The past earnings season kicked off in April with better-than-expected earnings. Heading into the earnings season, there was general unease due to the economy slowing down and the potential for employment slowdown, both of which would negatively impact earnings, and that did not happen. Earnings came in much stronger than what investors were anticipating.

	06/01/2025	12/01/2024
U.S. Unemployment	4.2%	4.1%
10-Year Treasury Yield	4.46%	4.19%
Target Range Federal Funds Rate	4.25% - 4.5%	4.25% - 4.5%
30-Year Fixed Rate	6.96%	6.81%

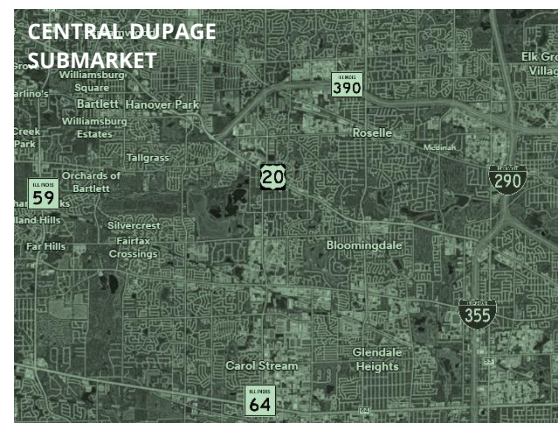
Tariffs (The Elephant in the Room)

The start and stop nature of tariff implementation has proven to be chaotic but not the existential threat to the domestic economy many had feared. Optimism for tariff relief through negotiated settlements with key overseas partners has kept sentiments positive overall. Presently, there is no quantifiable method to assess the impacts of tariffs on the domestic economy.

We do know that uncertainty unleashed by start and stop tariffs has reduced container ship arrivals at West Coast ports in Los Angeles and Long Beach ports by approximately 17% in May. We also know that durable goods orders fell 6.3% in April 2025 from March 2025. Sustained downturn in container ship arrivals at our ports will have a negative impact on industrial real estate, initially around coastal markets where key ports are located and, further down the line, at e-commerce and warehouse facilities throughout the country. The U.S. Court of International Trade ruled on May 28th that President Trump overstepped his authority when he imposed his reciprocal tariffs. The court ordered that the challenged tariff orders be vacated. On May 29th, a Federal Appeals Court has temporarily put on hold a ruling that voided President Trump’s tariffs. Stay tuned.

Central DuPage Submarket Snapshot

Central DuPage has maintained one of the lowest vacancy rates in the Chicago metropolitan market for quite some time. The vacancy rate is currently approximately 2.5%. The bulk of recent leasing activity has been for deal sizes of less than 100,000 SF. The largest lease that took place in the previous quarter was at 815 Kimberly Drive in Carol Stream where Bulldog Cartage LLC leased 188,100 SF within a Prologis owned facility.



Central DuPage Notable Sales

- **Investment Sale:** A large investment group purchased 303 Munroe Drive in Bloomingdale, IL on a sale/leaseback basis with Pickens Kane Moving. The price per square foot was \$125 for 171,000 square feet.
- **End User Sale:** 455 E. North Avenue in Carol Stream. The seller of this 110,000 SF building was Pregis, and the sale price per square foot was \$85.00.

Central DuPage Development

The largest development in the submarket is Cratos Industrial Properties' 171,000 SF spec building in Bartlett, IL. This development is located at the SE corner of Kenyon Rd and Route 25.

Central DuPage Submarket	Average Net Rate
Up to 50,000 SF	\$8.75 psf
50,000-100,000 SF	\$8.10 psf
100,000 SF+	\$7.55 psf
Average Annual Net Rent Escalations	3.45%

Core Industrial Realty

Last month a few Core Industrial brokers attended the Home Delivery World 2025 Conference in Nashville, TN. The Conference included a strong mix of companies with approximately 50% being end users of warehouse and distribution space and 50% in technology and consulting space.

Some key takeaways from the Conference that our brokers shared with us:

- Warehouse automation is moving quickly with a focus on robotics AI and smart inventory systems.
- Companies with warehouse concerns are investing heavily to streamline fulfillment and offset labor issues.
- Of course, tariffs were an active point of discussion at the Home Delivery World 2025 Conference with many companies sharing they have already begun adapting by nearshoring or shifting inventory strategies which could impact their short-term space demand and result in more temporary leasing for Just in Time storage needs.
- Third party logistic providers are now offering full-time software solutions that include route optimization, fleet visibility, and real time freight marketplaces, and wish to be seen as strategic partners rather than service providers.
- Demand for space seemed strong amongst the participants at the Conference with the focus on short-term leasing and pop-up type warehouses for overflow inventory.
- The Logistics industry as a whole is becoming much more tech driven and responsive with a focus on tightening delivery windows, reducing emissions, and finding flexible, scalable real estate solutions to support it.

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.

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