

	YoY Chg	12-Mo. Forecast
<b>25.5%</b> Vacancy Rate	▲	▲
<b>-2.0 MSF</b> YTD Net Absorption, SF	▼	▼
<b>\$24.60</b> Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
<b>3.5M</b> Chicago Employment	▼	▲
<b>8.1%</b> Chicago Unemployment Rate	▼	▼
<b>5.9%</b> U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics  
2021Q2 data are based on latest available data

## ECONOMY: Employment Continues to Strengthen

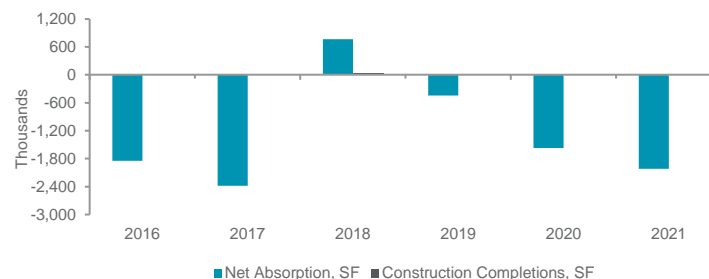
Total nonfarm employment in the Chicago Metropolitan Division has slowly rebounded since bottoming out in April 2020, increasing by 228,200 jobs from April through June 2021. Nonfarm employment reached 3.5 million jobs, 7.9% below the peak recorded in February 2020. Office-using employment reached 1.0 million jobs, up 39,500 jobs (3.3%) from the one year ago. The professional and business services sector has rebounded most quickly amongst office-using industries, adding 37,600 jobs (+5.2%) since the bottom in May 2020, but still 35,000 jobs below its pre-pandemic peak in February 2020. The financial services sector added 7,000 jobs since its trough in June 2020 and sits just 1.5% below its pre-pandemic peak. After peaking at 16.4% in April 2020, unemployment has dropped to 8.1% by June 2021. This downward trend is likely to persist as economic recovery continues unencumbered.

## DEMAND: New Leasing Accelerates

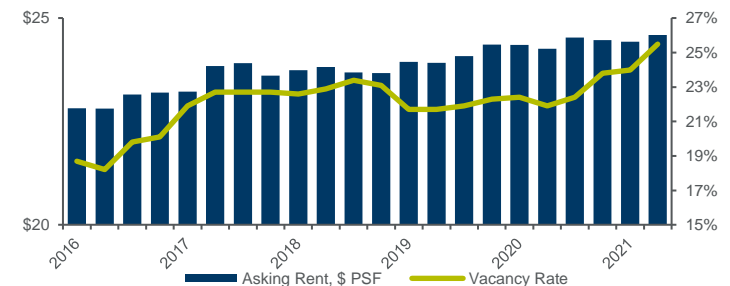
After an anemic 2020 and early 2021, new leasing activity accelerated in the second quarter, reaching 1.0 million square feet (msf)—an 86% increase quarter-over-quarter (QOQ). The largest deals of the quarter were renewals, with AbbVie renewing for just under 200,000 sf at Lakeside Point I and II in the Far North submarket. The largest new deal of the quarter was inked by Lakeshore Recycling Systems, who took just over 47,000 sf at 5500 Pearl Street in O'Hare. Year-to-date (YTD) new leasing activity surpassed 1.6 msf and is poised to continue its upward trajectory as firms solidify their return-to-work policies and long-term office requirements.

While demand has picked up, a lack of leasing velocity over the last year is finally being reflected in occupancy levels. Through mid-2021, Chicago's suburban market recorded negative 1.5 msf of net absorption—a level comparable to the negative absorption witnessed in the mid-2010's when tenants migrated to the CBD. Since Q2 2020, suburban occupiers shed 3.8 msf of office space due in part to tenant uncertainty about future real estate needs. All submarkets—except for the Southwest Corridor—registered negative absorption. US Foods vacated their space at 6133 North River Road (212,500 sf), as did Ceannate Corporation (61,500 sf) at 1100 West Lake Cook Road, and Valspar Corp (26,022 sf) at 8725 West Higgins Road. Protective Life and Fresenius Medical Care added the largest blocks of sublease space into the market in Q2 2021 at 55,500 sf and 44,000 sf, respectively.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# CHICAGO SUBURBAN

Office Q2 2021



## SUPPLY: Inner vs outer suburban bifurcation persists

Overall vacancy continued to climb, reaching a new high of 25.5% in Q2, an increase of 150 basis points (bps) QOQ and 384 bps YOY. The market added 1.5 msf of vacant space in the second quarter, 12.5% of which was sublease space. Total vacant space stands at 25.9 msf, up from 22.0 msf a year ago. Class A overall vacancy increased 169 bps QOQ to 24.6%—the largest increase in vacancy among all classes. Inner suburban submarkets—Near North, O’Hare, and the Eastern East/West—continued to outperform the total suburban market, with vacancy across those submarkets at 21.9%, 364 bps below the overall market rate.

## Sublease: Class A product accounts for majority of sublease vacancy

After a brief slowdown in Q1 2021, new sublease supply accelerated in Q2; just under 190,000 sf of sublease vacancy was added to the market, up 10.6% QOQ. Vacant sublease space reached 2.0 msf, accounting for 8.2% of vacant inventory, up from 4.9% one year ago. Class A product accounted for the vast majority (62.3%) of sublease vacancy on the market, an increase of 705 bps since Q2 2020. The East/West Corridor accounted for 36.4% of vacant sublease space—the largest share of any submarket. Sublease availability—which includes both vacant space and space being marketed for future occupancy—also increased 17.9% QOQ to 4.2 msf and accounted for 13.6% of total market availability in Q2 2021.

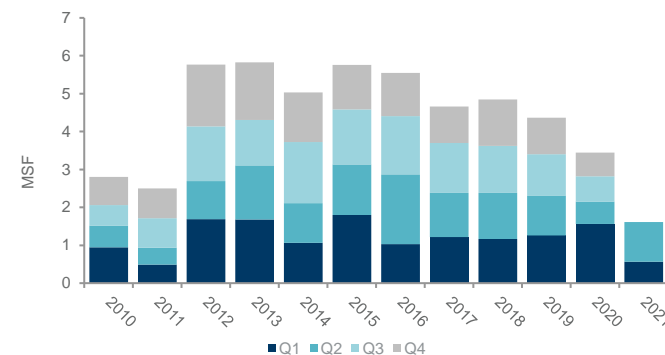
## PRICING: Rents Continue to Soften

Asking rents remained relatively flat over the quarter. Direct gross asking rents increased 0.8% QOQ to \$24.83 per square foot (psf) whereas sublease asking rents increased 0.2% to \$19.29 psf due to a substantial increase in Class A sublease vacancy in the quarter. The O’Hare submarket remained comparatively tight and thus recorded healthy rent growth with Class A rents increasing 4.6% YOY to \$36.78, Class B rents increasing a modest 0.6% to \$26.03 and Class C rents rising 2.2% to \$18.66.

## OUTLOOK

- Leasing momentum accelerated in Q2 2021 and will continue to rise through the rest of the year as the economy regains its footing, office occupancy increases, and occupiers who sat on the sidelines during the pandemic reenter the market.
- Vacancy will likely increase at an accelerated pace as 2.2 msf of sublease space available for future occupancy could potentially hit the market over the next several months.
- A surplus of sublease supply combined with limited demand will exert more downward pressure on asking rents in 2021 and 2022.

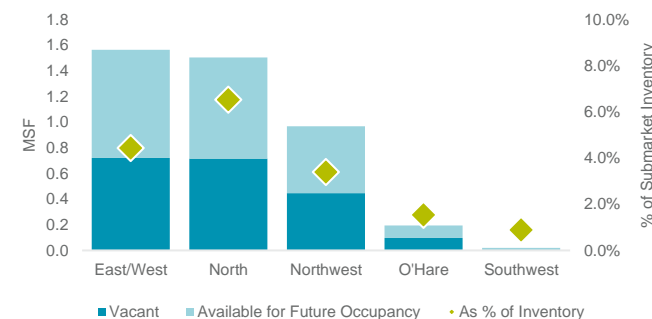
## OVERALL NEW LEASING ACTIVITY



## OVERALL VACANCY



## CURRENT SUBLEASE AVAILABILITY



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Far Northwest	3,762,484	1,018,362	55,584	28.5%	-47,277	-68,279	37,312	0	\$20.07	N/A
Central Northwest	21,034,873	6,157,131	296,437	30.7%	-162,050	-373,472	327,627	0	\$23.40	\$27.23
North DuPage	3,725,387	1,099,410	93,287	32.0%	63,399	63,229	28,803	0	\$23.98	\$26.13
<b>NORTHWEST TOTALS</b>	<b>28,522,744</b>	<b>8,274,903</b>	<b>445,308</b>	<b>30.6%</b>	<b>-145,928</b>	<b>-378,522</b>	<b>393,742</b>	<b>0</b>	<b>\$23.16</b>	<b>\$27.00</b>
Far North	1,042,009	270,378	0	26.0%	-3,782	-10,048	14,870	0	\$15.37	N/A
Central North/Tri-State	16,629,080	3,780,564	598,232	26.3%	-171,723	-41,522	181,252	0	\$25.93	\$29.67
Near North	5,376,633	951,391	115,441	19.8%	-143,026	-151,363	82,479	0	\$26.90	\$34.38
<b>NORTH TOTALS</b>	<b>23,047,722</b>	<b>5,002,333</b>	<b>713,673</b>	<b>24.8%</b>	<b>-318,531</b>	<b>-202,933</b>	<b>278,601</b>	<b>0</b>	<b>\$25.48</b>	<b>\$30.52</b>
Eastern East / West	21,760,679	4,544,864	647,442	23.9%	-401,459	-502,979	462,227	84,000	\$24.73	\$30.30
Western East / West	13,487,783	3,390,214	71,576	25.7%	-434,330	-586,864	181,255	0	\$23.52	\$26.71
<b>EAST / WEST TOTALS</b>	<b>35,248,462</b>	<b>7,935,078</b>	<b>719,018</b>	<b>24.6%</b>	<b>-835,789</b>	<b>-1,089,843</b>	<b>643,482</b>	<b>84,000</b>	<b>\$24.21</b>	<b>\$29.83</b>
<b>O'Hare</b>	<b>12,785,850</b>	<b>2,369,489</b>	<b>96,417</b>	<b>19.3%</b>	<b>-240,585</b>	<b>-343,760</b>	<b>258,714</b>	<b>0</b>	<b>\$30.13</b>	<b>\$36.78</b>
<b>Southwest</b>	<b>2,269,542</b>	<b>409,929</b>	<b>2,376</b>	<b>18.2%</b>	<b>17,446</b>	<b>1,926</b>	<b>40,937</b>	<b>0</b>	<b>\$20.03</b>	<b>N/A</b>
<b>SUBURBAN TOTALS</b>	<b>101,874,320</b>	<b>23,991,732</b>	<b>1,976,792</b>	<b>25.5%</b>	<b>-1,523,387</b>	<b>-2,013,132</b>	<b>1,615,476</b>	<b>84,000</b>	<b>\$24.60</b>	<b>\$29.53</b>

\*Rental rates reflect gross asking \$psf/year

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT	OVERALL AVG ASKING RENT (CLASS A)*
CLASS A	39,879,744	8,589,606	1,231,649	24.6%	-677,532	-1,044,841	612,807	0	\$29.93	\$29.53
CLASS B	45,054,098	11,401,524	732,126	26.9%	-740,959	-813,940	674,716	84,000	\$22.94	\$22.55
CLASS C	16,940,478	4,000,602	13,017	23.7%	-104,896	-154,351	327,953	0	\$17.90	\$17.89

\*Rental rates reflect gross asking \$psf/year

**KEY LEASE TRANSACTIONS Q2 2021**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1675 Lakeside Drive	Far North	AbbVie	99,567	Renewal*
1615 Lakeside Drive	Far North	AbbVie	98,319	Renewal*
28100 Torch Parkway	Western East/West Corridor	EN Engineering, LLC	79,830	Renewal*
5500 Pearl Street	O'Hare	Lakeshore Recycling Systems	47,081	New
2655 Warrenville Road	Eastern East/West Corridor	Oak Street Health	41,429	New

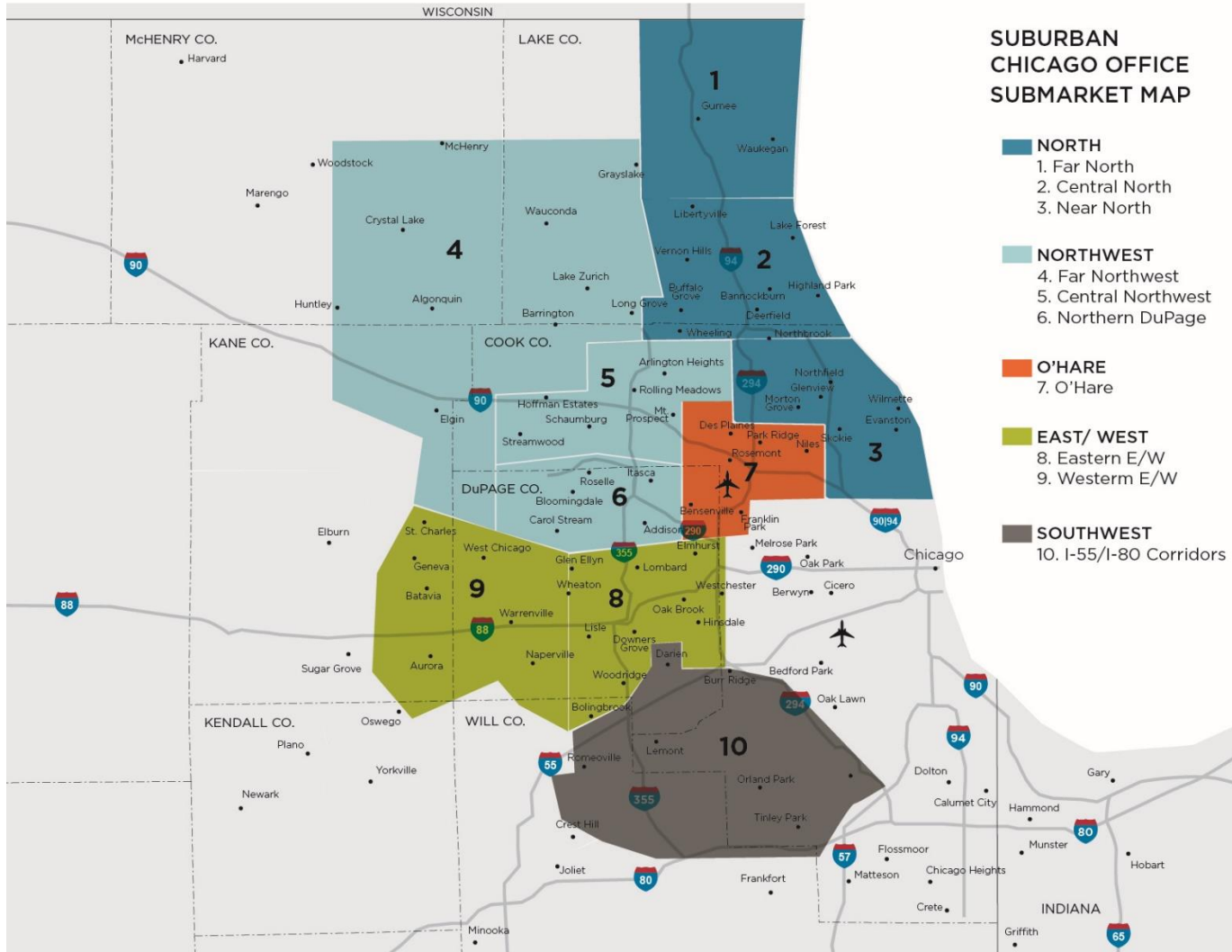
\*Renewals not included in leasing statistics



# CHICAGO SUBURBAN

Office Q2 2021

OFFICE SUBMARKETS



SUBURBAN CHICAGO OFFICE SUBMARKET MAP

- NORTH
  1. Far North
  2. Central North
  3. Near North
- NORTHWEST
  4. Far Northwest
  5. Central Northwest
  6. Northern DuPage
- O'HARE
  7. O'Hare
- EAST/ WEST
  8. Eastern E/W
  9. Western E/W
- SOUTHWEST
  10. I-55/I-80 Corridors

**CHIGOZIRI MGBEAHURU**

Analyst

Tel: +1 201 426 2235

[chigoziri.mgbeahuru@cushwake.com](mailto:chigoziri.mgbeahuru@cushwake.com)

**LINSEY SMITH, PhD**

Research Director

Tel: +1 312 424 8045

[linsey.smith@cushwake.com](mailto:linsey.smith@cushwake.com)

**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.