

	YoY Chg	12-Mo. Forecast
25.9% Vacancy Rate	▲	▲
-2.8 MSF YTD Net Absorption, SF	▼	▼
\$24.58 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
3.6M Chicago Employment	▼	▲
8.1% Chicago Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q3 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 May 2020, adding 278,400 jobs from the bottom through August 2021. Nonfarm employment reached 3.6 million jobs, 6.9% below the February 2020 peak. Office-using employment reached just over 1.0 million jobs in the quarter, up 37,200 jobs (3.9%) from its pandemic low. Financial services sector employment is 2.6% below its pre-pandemic peak, professional services employment is 3.1% below its peak, and information sector employment is 11.3% below its peak. After peaking at 16.4% in April 2020, unemployment has dropped to 8.1% by August 2021. This downward trend is likely to persist if economic recovery continues unencumbered.

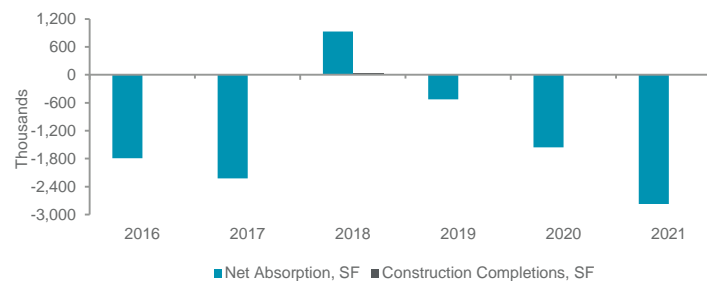
DEMAND: Despite Overall Slowdown in Leasing, Big Deals are Getting Done

Demand in the Chicago suburban market moderated in the third quarter (Q3 2021). New leasing activity totaled 923,377 square feet (sf), down 21.4% quarter-over-quarter (QOQ). The East/West Corridor and the North Corridor accounted for the lion's share—59.7%--of new leasing activity. Despite tepid leasing through Q3, some sizeable deals were transacted across the suburbs. The largest new deal of the quarter was signed by Centene Management, who took 90,000 sf at The Shuman (263 Shuman Boulevard). Northwest College leased 77,751 sf at 9400 South Cicero in the Southwest Corridor and AMCOR inked a 58,943-sf deal in the North Corridor at 3 Parkway North.

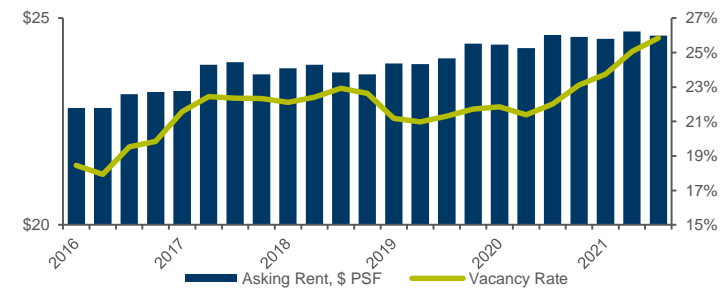
Signs of recovery in the market are evident despite weak leasing in the quarter. At the end of 2020, renewals accounted for 38.2% of deal activity but that has trended downward. Renewals accounted for 18.1% of total leasing activity this quarter down from 30.2% a year ago.

Absorption was negative for the fifth consecutive quarter at negative 790,158 sf, propelled by major move-outs such as National Louis University, which vacated over 100,000 sf at 5202 Old Orchard Road. Year-to-date (YTD), the overall market has recorded 2.7 msf of negative absorption. Headwinds are likely to persist for the market due in part to an older stock of inventory competing against newer and more centrally located CBD product.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO SUBURBAN

Office Q3 2021

SUPPLY: Sublease Supply Still Climbing

The market added 640,335 sf of vacant space during Q3, pushing the overall vacancy rate to 25.9%, an increase of 80 basis points (bps) QOQ and 380 bps year-over-year (YOY). There is 24.2 msf of vacant space across the market, up from 21.3 msf one year ago. The Northwest corridor recorded the highest vacancy in the market at 30.3%, largely due to sizeable move-outs by Protective Life Insurance (55,000 sf), National Union Fire Insurance (40,556 sf) and Pearson Education (29,989 sf). O'Hare remains comparatively tight, with vacancy ending the quarter at 19.4%--650 bps below the market average.

Sublease vacancy increased for the ninth consecutive quarter and has doubled since the start of the pandemic, ending the quarter at 2.0 msf. The East/West Corridor and the Northwest Corridor recorded the largest YOY increase in vacant sublease supply, adding 374,800 sf and 353,200 sf, respectively. There is an additional 2.4 msf of sublease space being marketed for future occupancy, bringing the total sublease available space in the market to 4.4 msf. The East/West Corridor recorded the largest increase in vacant space with 258,840 sf added in Q3; vacancy in the submarket is currently 25.1%, up 610 bps YOY.

Suburban construction activity remains muted with only 700 Oakmont under construction. However, T3 Oak Brook Commons by Hines passed the proposal stage; if construction moves forward, the asset will add 300,000 sf to the East/West Corridor.

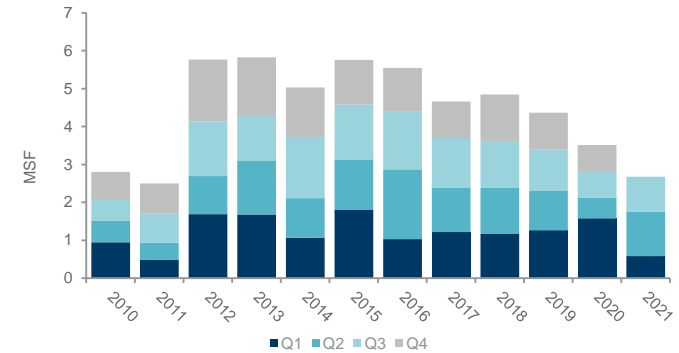
PRICING: Rents Continue to Soften

After staying stable through much of the year; rental rates have softened. Overall gross asking rents dropped 0.4% QOQ to \$24.58 per square foot (psf). The only submarket to record rent growth was North submarket which saw an increase of 0.5% QOQ to \$30.54 psf, buoyed by high asking rents within the City of Evanston. Class A Rents were relatively flat this quarter up by 0.2% to \$29.55 psf. Class A asking rents in the inner suburban submarkets – Eastern East/West, Near North, and O'Hare – increased 0.5% QOQ to \$32.82 psf; while the outer suburban Class A rents declined by 0.3% QOQ to \$27.33 psf.

OUTLOOK

- Leasing momentum decelerated in Q3 2021 and will likely remain muted.
- Vacancy will likely increase at an accelerated pace as 2.4 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.

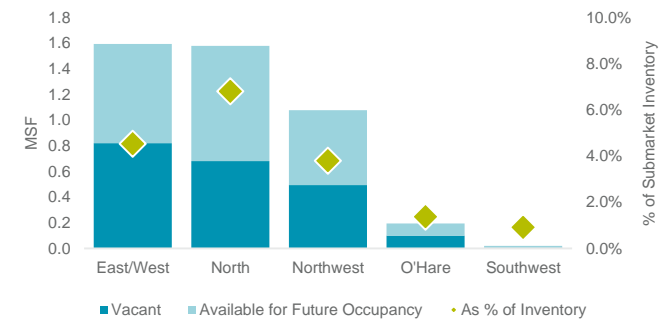
OVERALL NEW LEASING ACTIVITY



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	1,024,989	55,584	28.7%	-114,985	-77,825	92,576	0	\$18.94	N/A
Central Northwest	20,861,619	5,971,774	343,860	30.3%	-83,903	-446,842	463,511	0	\$23.42	\$27.13
North DuPage	3,725,387	1,109,978	93,287	32.3%	-11,743	52,661	58,867	0	\$23.97	\$26.13
NORTHWEST TOTALS	28,349,490	8,106,741	492,731	30.3%	-210,631	-472,006	614,954	0	\$23.16	\$23.09
Far North	1,043,209	263,169	0	25.2%	8,000	2,646	19,040	0	\$15.40	N/A
Central North/Tri-State	16,577,895	3,933,059	532,315	26.9%	-25,227	-97,253	447,824	0	\$25.67	\$29.72
Near North	5,578,464	1,080,715	147,294	22.0%	-103,488	-299,356	145,929	0	\$27.30	\$32.86
NORTH TOTALS	23,199,568	5,276,943	679,609	25.7%	-120,715	-393,963	612,793	0	\$25.46	\$30.54
Eastern East / West	21,750,682	4,591,712	698,674	24.3%	-187,318	-640,615	664,366	84,000	\$24.68	\$30.42
Western East / West	13,471,184	3,439,195	120,132	26.4%	-219,531	-863,773	308,422	0	\$23.43	\$26.60
EAST / WEST TOTALS	35,221,866	8,030,907	818,806	25.1%	-406,849	-1,504,388	972,788	84,000	\$24.16	\$28.88
O'Hare	12,788,734	2,383,762	98,301	19.4%	-25,802	-370,475	347,236	0	\$30.04	\$36.86
Southwest	2,179,136	408,922	4,791	19.0%	-26,161	-31,173	131,590	0	\$19.90	N/A
SUBURBAN TOTALS	101,738,794	24,207,275	2,094,238	25.9%	-790,158	-2,772,005	2,679,361	84,000	\$24.58	\$29.55

*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	40,026,990	8,714,962	1,216,019	24.8%	-161,399	-1,200,238	1,114,901	0	\$30.01	\$29.55
CLASS B	44,952,126	11,554,136	850,915	27.6%	-467,670	-1,171,242	1,166,660	84,000	\$22.92	\$22.51
CLASS C	16,759,678	3,938,177	27,304	23.7%	-161,089	-400,525	397,800	0	\$17.91	\$17.88

*Rental rates reflect gross asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2021

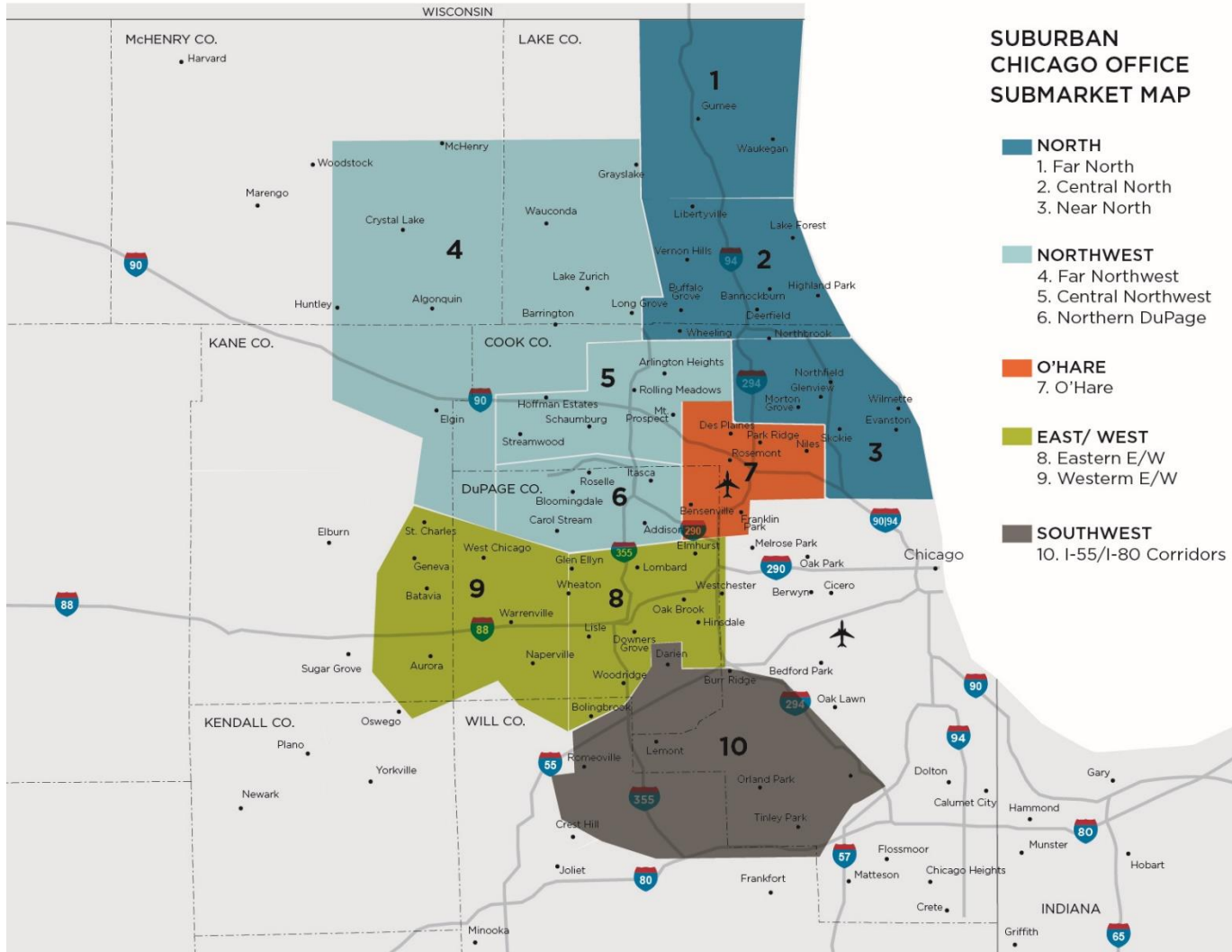
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
263 Shuman Boulevard	Western East/West Corridor	Centene Management Company LLC	90,000	New
9400 South Cicero Avenue	Southwest Corridor	NW College	77,751	New
3 Parkway North	Central North/Tri-State	AMCOR	58,943	New
2650 Warrenville Road	Eastern East/West Corridor	PNC Bank, National Association	55,988	Renewal*
1450 American Lane	Central Northwest	Ally Financial Inc.	55,042	New

*Renewals not included in leasing statistics

CHICAGO SUBURBAN

Office Q3 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

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