

	YoY Chg	12-Mo. Forecast
20.3% Vacancy Rate	▲	▼
-4.9M YTD Net Absorption, SF	▼	▲
\$41.54 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
3.5M Chicago Employment	▲	▲
6.4% Chicago Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q4 data are based on latest available data

ECONOMIC OVERVIEW

Employment in the Chicago Metropolitan Statistical Area continues to rebound, dropping to a post-pandemic low of 6.4% in Q4 2021. This represents a drop of over 1,000 basis points (bps) from the April 2020 high of 16.4%. Nonfarm employment figures continue to rise steadily, growing 3.6% year-over-year (YOY) as of November 2021, an increase of 162,300 jobs. Professional and business services showed the strongest growth in office-using employment, growing by 19,200 jobs (+2.4%) during the same period, followed by financial activities with 1,100 jobs (+0.3%). The information sector saw a slight YOY decrease of 600 jobs (-0.8%) but grew throughout Q3 and Q4 from its April 2021 low by 900 jobs (+1.3%). Barring unforeseen economic disturbances, this growth trend is expected to continue.

SUPPLY & DEMAND: Tech Occupiers, Talent and Top Tier Assets Drive Market

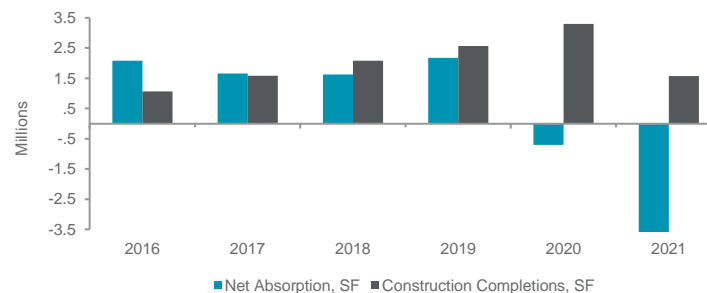
The Central Business District (CBD) recorded 1.5 million square feet (msf) of new leasing activity during the fourth quarter of 2021 (Q4 2021). Further demonstrating the relative flight to quality, roughly 69.0% of this activity was concentrated in Class A buildings, a nearly 7.0 percentage point increase from the Class A share of leasing in Q4 2019. YOY, overall leasing activity increased by roughly 22.0%.

Notwithstanding law firm Kirkland & Ellis LLP's 614,000-sf mega deal at the currently under construction Salesforce Tower, major leasing activity in 2021 has been driven largely by tech occupiers and a broader need for talent. Of note in Q4 2021:

- Citing talent acquisition as a factor in the decision, Vizient signs largest deal of quarter, taking 112,000 sf at the Old Post Office.
- Milwaukee Tools signed a 70,000-sf deal at the Old Post Office establishing the firm's new 'Engineering Hub' which will generate a few hundred new jobs in the CBD.
- Amazon expanded by 67,000 sf at 222 West Adams Street. The company announced plans to hire 450 more employees in the Chicago market. With this move Amazon expanded their overall footprint within this building upwards of 172,000 sf.

Though leasing velocity has picked up considerably relative to 2020, absorption remained negative for the fifth consecutive quarter totaling roughly -682,000 sf for the period and bringing full-year net absorption to -4.9 msf. Despite this, negative absorption in Q4 2021 deviated significantly from the first three quarters of 2021, during which absorption averaged -1.4msf. Overall vacancy increased 50 basis points (bps) quarter-over-quarter (QOQ) to 20.3%. Class A vacancy went unchanged since last quarter, staying at 18.2%. Further signifying flight to quality trend.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO CBD

Office Q4 2021



Supply Pressure: Construction Pipeline

As of year-end 2021, the amount of office product under construction within the CBD totaled 3.5 msf across six assets of which roughly 55% is preleased. Further highlighting the continued aggressive development activity in Fulton Market District, Sterling Bay's 225,000-sf speculative office project at 345 North Morgan Street broke ground in August 2021 and is expected to be ready for move-in by October 2022. Elsewhere, two 1 msf+ developments including both BMO and Salesforce Towers continue to progress with expectations that the buildings will deliver in Q2 2022 and Q1 2023, respectively. For the year, nearly 1.6 msf of newly constructed, speculative office space was delivered across the market. Paralleling healthy pre-leasing across the active construction pipeline, aggregate vacancy rate across office assets delivered in 2021 is just 37.2%. The relatively strong leasing activity across both active construction and 2021 deliveries further emphasizes the modern occupier's need for high quality office space.

Supply Pressure: Sublease Activity

Sublease availability increased for the ninth consecutive quarter to just over 6.0 msf – the highest figure recorded since Cushman & Wakefield began tracking sublet inventory. Vacant sublease space totaled roughly 3.6 msf at year end. Despite the increase in overall availability, the pace at which sublease space is coming to the market has significantly declined. Put in perspective, the increase in sublease availability from Q4 2019 to Q4 2020 was upwards of 190.0% whereas the YOY increase as of Q4 2021 totals just over 17.0%. Further, just 25,000 sf of sublet availability was added to the market in Q4 2021, by far the lowest mark since the onset of the pandemic. Of sublets added to the market in 2021, just a handful represent a large share of new sublet inventory across the market. In River North, Groupon and Yelp added a combined 422,000 sf of sublease availability at 600 West Chicago Avenue and the Merchandise Mart, respectively. In the West Loop, another major factor in increased sublet availability has been Uber Freight, which added approximately 126,000 sf of sublet availability at 225 West Randolph Street. Given continued recovery across the office market, the expectation is that the pace of sublease space added to the market will continue to slow as occupiers consider return to office plans in 2022.

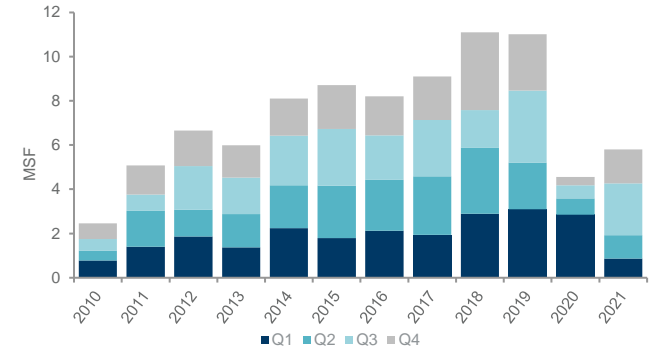
Pricing: Rents Still Softening

Overall gross asking rents reached \$41.54 per square foot (psf), down \$0.32 from Q3 2021. Since Q3, Class A asking rents declined \$0.24 (-0.5%) to \$48.02 psf, Class B decreased \$0.14 (-0.04%) to \$38.73 psf, and Class C remained flat QOQ at \$30.11 psf. Of note, the East and West Loops saw relatively larger declines in overall asking rates when comparing submarkets with rents in those submarkets falling \$0.30 psf (-0.8%) and \$0.25 psf (-0.6%), respectively.

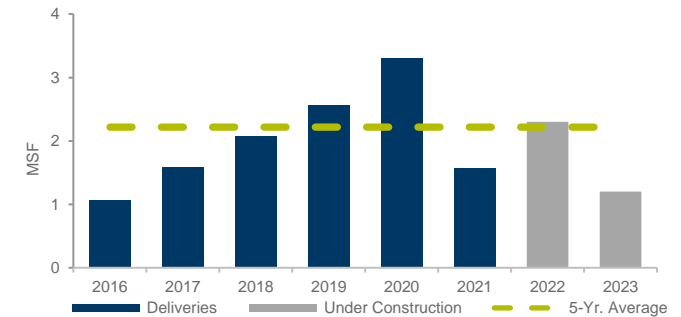
OUTLOOK

- Office Market recovery emphasized by the significant increase in leasing activity in 2021 should continue into 2022.
- Select occupiers may opt for short-term renewals as firms grapple with the impact of new or emerging COVID-19 variants.
- The pace at which new sublease availability is coming to market will continue to slow as market forces absorb quality sublease opportunities and users pull sublease availabilities off the market as firms return to office in 2022.

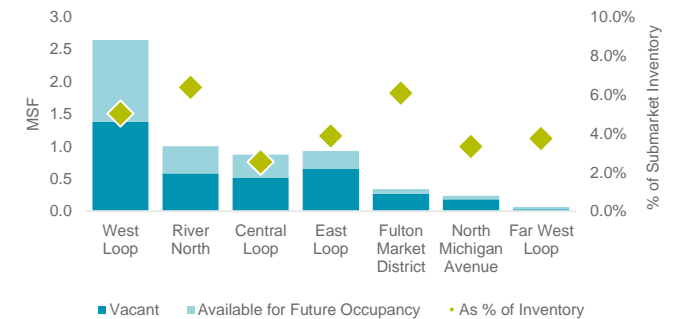
OVERALL NEW LEASING ACTIVITY



NEW SUPPLY



CURRENT SUBLEASE AVAILABILITY



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Loop	34,311,054	6,759,018	516,446	21.2%	-82,343	-1,373,365	926,808	0	\$39.99	\$47.42
East Loop	23,959,923	4,692,885	650,716	22.3%	-217,493	-1,409,043	888,710	0	\$36.97	\$40.63
Far West Loop	1,686,155	283,789	26,983	18.4%	799	-42,117	38,651	0	\$30.56	N/A
Fulton Market District	5,644,842	1,965,974	264,278	39.5%	-21,433	-51,686	611,639	787,811	\$49.12	\$53.44
North Michigan Avenue	7,052,629	902,408	182,508	15.4%	-57,178	-161,079	116,501	0	\$41.54	\$45.51
River North	15,713,100	2,586,437	581,316	20.2%	-134,057	-543,264	1,140,264	1,200,202	\$40.83	\$47.77
West Loop	52,786,908	7,833,543	1,377,903	17.5%	-170,034	-1,342,172	2,085,640	1,544,000	\$45.18	\$48.92
DOWNTOWN TOTALS	141,154,611	25,024,054	3,600,150	20.3%	-681,739	-4,922,726	5,808,213	3,532,013	\$41.54	\$48.02

*Rental rates reflect gross asking \$/psf

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT*	OVERALL AVG ASKING RENT*
Class A	75,407,763	11,971,852	1,754,095	18.2%	20,384	-1,534,872	3,720,391	3,438,013	\$48.66	\$48.02
Class B	52,356,343	10,201,122	1,703,346	22.7%	-503,133	-2,465,179	1,516,641	94,000	\$39.04	\$38.73
Class C	13,390,505	2,851,080	142,709	22.4%	-198,990	-922,675	571,181	0	\$30.12	\$30.11
DOWNTOWN TOTALS	141,154,611	25,024,054	3,600,150	20.3%	-681,739	-4,922,726	5,808,213	3,532,013	\$41.90	\$41.54

*Rental rates reflect gross asking \$/psf

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
433 West Van Buren Street	West Loop	Vizient	112,000	New
111 East Wacker Drive	East Loop	Taft Stettinius & Hollister LLP	108,131	Renewal*
167 North Green Street	Fulton Market District	MoLo Solutions	93,710	New
161 North Clark Street	Central Loop	Grant Thornton, LLP	86,297	Renewal*
540 West Madison Street	West Loop	R-T Specialty, LLC	83,228	New

*Renewals nor extensions are included in leasing statistics

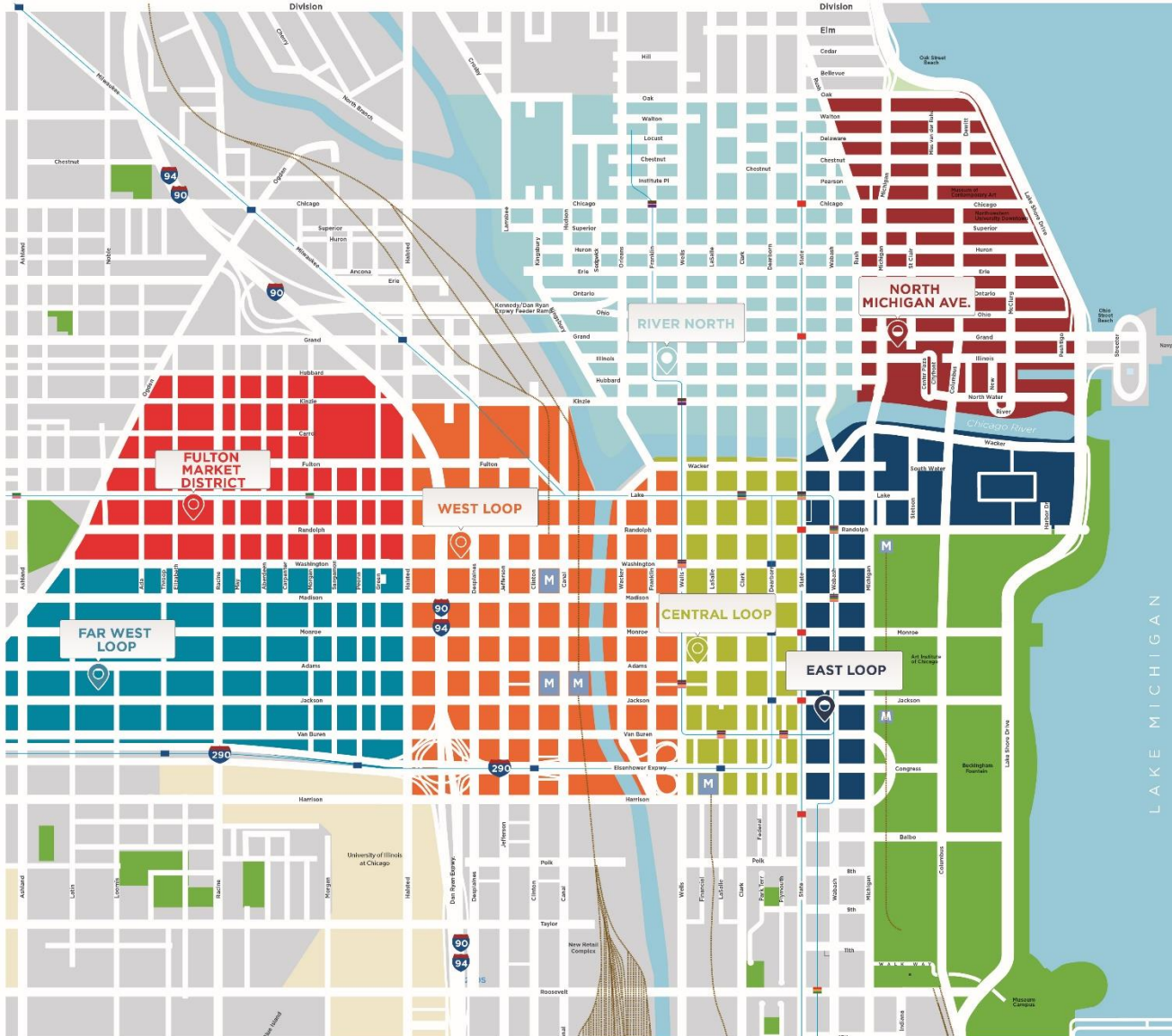
KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
1100 West Fulton Market	Fulton Market District	Fulton Street Cos., Huizenga Capital Management Zagame Corporation	45,380	\$41.8M \$920

CHICAGO CBD

Office Q4 2021

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