



Office Q4 2021

	YoY Chg	12-Mo. Forecast
25.2% Vacancy Rate	▲	▼
-2.7 MSF YTD Net Absorption, SF	▼	▲
\$24.63 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

ECONOMY: Employment Continues to Strengthen

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.

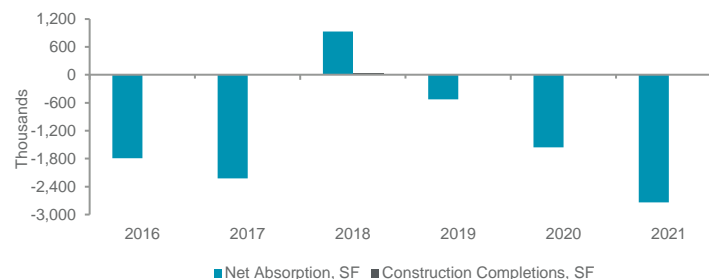
DEMAND: 2021 Leasing Activity Surpasses Last Year

Demand for space within the Chicago suburban market experienced a reduction in the fourth quarter (Q4 2021). New leasing activity totaled 769,172 square feet (sf), down 31.5% quarter-over-quarter (QOQ) but saw an increase of 13.2% YOY. The East/West Corridor and the North Corridor dominated the leasing landscape, accounting for 56.8% of total leasing. Conversely the Northwest Corridor and O'Hare Corridor saw little change compared to last quarter. Despite a large decrease in square footage being leased, some sizeable deals were inked across the Chicago Suburbs. Leica Biosystems executed the largest new lease totaling 42,696-sf, that accounted for 25.1% of all leasing activity in the Northwest Corridor. Although renewal activity dropped in the fourth quarter, renewals increased 11.6% YOY, totaling 1.3 msf. Renewals accounted for 34.8% of total 2021 leasing activity, up from 32.3% YOY.

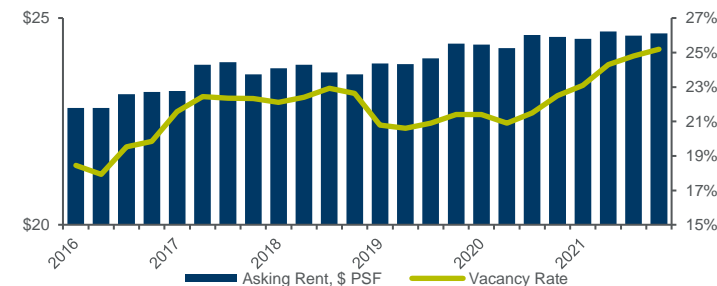
The overall suburban market recorded 2.7 msf of negative absorption through Q4 2021, which marked the sixth consecutive quarter of negative absorption. The Southwest Corridor was the only area with positive absorption in Q4, totaling 99,972 sf as Northwestern College occupied 77,751 sf of space at 9400 South Cicero Avenue.

Suburban construction activity remains relatively quiet as it did in prior quarters. However, T3 Oak Brook Commons by Hines is currently in the planning phase with the asset adding 300,000 sf to the East/West Corridor.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO SUBURBAN

Office Q4 2021

SUPPLY: Overall Vacancy Increases While Sublease Vacancy Decreases

The market added 402,348 sf of vacant space during Q4, pushing the overall vacancy rate to 25.2%, an increase of 40 basis points (bps) QOQ and 270 bps YOY. There is 25.6 msf of vacant space across the market, up from 22.9 msf one year ago. The Northwest corridor recorded the highest vacancy in the market at 32.8%, largely due to sizeable move-outs by INTUIT Inc. (24,085 SF) and Lake Forest School of Management (14,000 sf). O'Hare remains comparatively tight, with vacancy ending the quarter at 19.9%, marking a 90-bps increase from the prior year.

Sublease vacancy decreased 0.5% in Q4 for the first time in five consecutive quarters, a number that has doubled since the start of the pandemic, ending the quarter at 1.8 msf. Much of this space is located within the East/West Corridor and the North Corridor, accounting for 70.1% of vacant sublease space. There is an additional 2.3 msf of sublease space being marketed for future occupancy, bringing the total sublease available space in the market to 4.4 msf. The North Corridor recorded the largest decrease in vacant space with 291,399 sf of leasing in Q4; driving vacancy down 80 bps QOQ to a current vacancy rate of 24.4%.

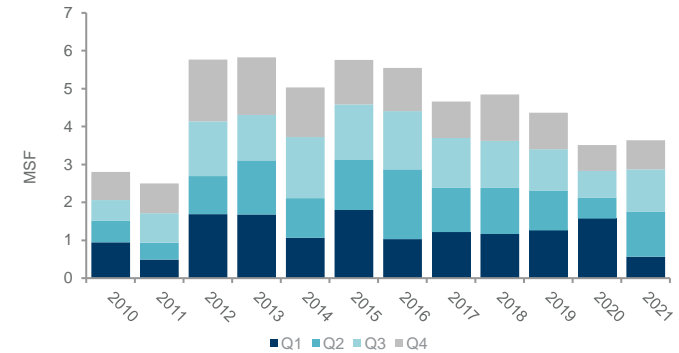
PRICING: Class A and B Rents See Slight Increase

After staying stable through much of the year; rental rates have slightly increased. Overall gross asking rents increased 0.2% QOQ to \$24.63 per square foot (psf). The Southwest Corridor recorded the highest rent growth of 1.1% QOQ, increasing to \$20.11 psf. Class A Rents were relatively flat this quarter up by 0.1% to \$29.59 psf. Class B rents mirrored Class A rents with an increase of 0.1% to \$22.54 psf. Class C rents decreased 0.5% to \$17.79 despite a 51.4% increase of leasing activity since the previous quarter.

OUTLOOK

- Leasing momentum increased YOY and will likely increase in the coming quarters as the office market continues to recover.
- As previously leased space is occupied in the coming quarters, vacancy will decrease as space is absorbed.
- Momentum could potentially be counterbalanced by 2.3 msf of sublease space available for future occupancy that could hit the market over the next several quarters.
- A surplus of sublease supply combined with limited demand will exert more downward pressure on asking rents in 2022.

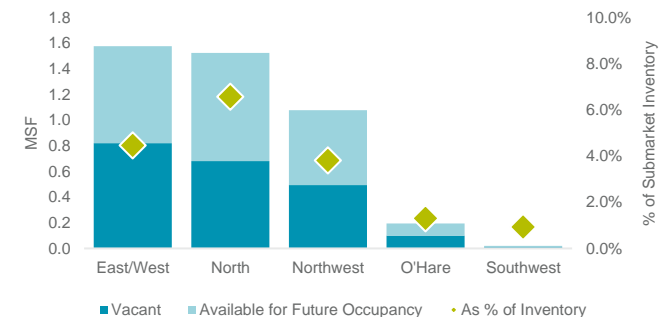
OVERALL NEW LEASING ACTIVITY



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	3,717,416	971,017	55,584	27.6%	32,449	-45,376	143,365	0	\$18.56	N/A
Central Northwest	20,831,387	5,847,806	327,299	29.6%	-53,788	-400,781	661,703	0	\$23.36	\$27.02
North DuPage	3,740,705	1,118,554	93,287	32.4%	-29,098	39,835	74,942	0	\$24.22	\$26.21
NORTHWEST TOTALS	28,289,508	7,937,377	476,170	29.7%	-50,437	-406,322	880,010	0	\$23.08	\$26.83
Far North	1,043,209	259,408	0	24.9%	0	6,407	25,045	0	\$15.34	N/A
Central North/Tri-State	16,582,207	3,815,834	524,133	26.2%	-154,430	-163,585	631,835	0	\$25.31	\$29.99
Near North	5,578,464	1,010,842	54,936	19.1%	1,899	-277,633	182,195	0	\$27.07	\$34.60
NORTH TOTALS	23,203,880	5,086,084	579,069	24.4%	-152,531	-434,811	839,075	0	\$25.09	\$31.15
Eastern East / West	21,838,016	4,626,305	613,995	24.0%	-150,971	-609,350	859,960	84,000	\$24.99	\$30.27
Western East / West	13,471,184	3,443,724	94,457	26.3%	-41,271	-886,841	386,484	0	\$23.51	\$26.55
EAST / WEST TOTALS	35,309,200	8,070,029	708,452	24.9%	-192,242	-1,496,191	1,246,444	84,000	\$24.38	\$28.82
O'Hare	12,811,800	2,488,086	64,354	19.9%	-107,110	-469,012	518,885	0	\$30.16	\$36.42
Southwest	2,169,136	254,070	8,574	12.1%	99,972	71,903	154,176	0	\$20.11	N/A
SUBURBAN TOTALS	101,783,524	23,835,646	1,836,619	25.2%	-402,348	-2,734,433	3,638,590	84,000	\$24.63	\$29.59

*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	40,056,518	8,836,414	1,005,939	24.6%	-234,415	-1,300,063	1,297,188	0	\$30.00	\$29.59
CLASS B	45,010,946	11,147,747	804,973	26.6%	-76,092	-1,038,726	1,738,975	84,000	\$22.96	\$22.54
CLASS C	16,716,060	3,851,485	25,707	23.2%	-91,841	-395,644	602,427	0	\$17.83	\$17.79

*Rental rates reflect gross asking \$psf/year

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
263 Shuman Boulevard	Western East/West Corridor	XPO Logistics, Inc.	50,663	Renewal*
21440 West Lake Cook Road	Far Northwest	Leica Biosystems	42,696	New
2715 Jorie Boulevard	Eastern East/West Corridor	BDO Digital	28,000	New
999 Oakmont Plaza Drive	Eastern East/West Corridor	John Burns Construction	27,500	New
1111 East Touhy Avenue	O'Hare	Aldridge Electric	26,503	New

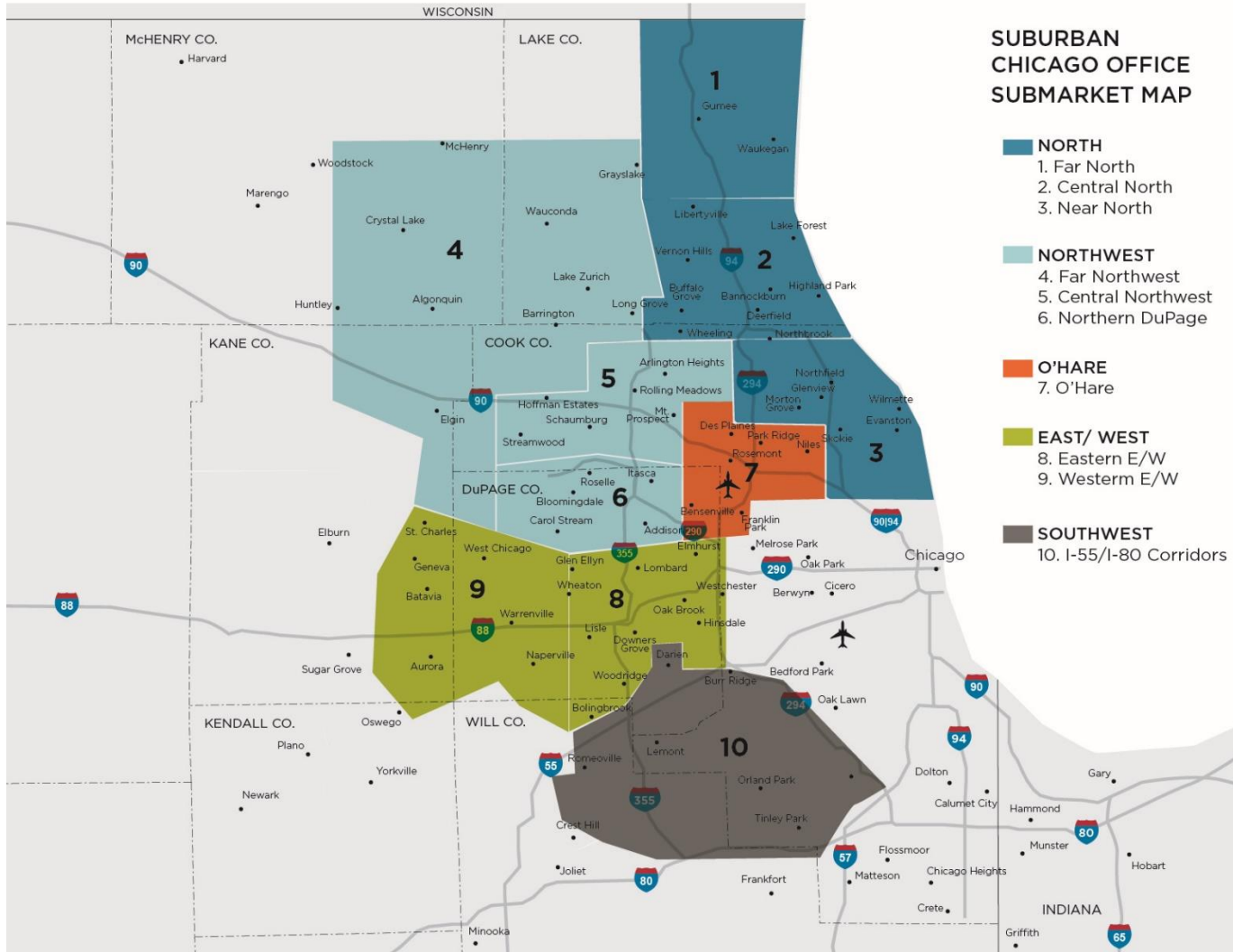
*Renewals not included in leasing statistics

CHICAGO SUBURBAN

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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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