



Office Q1 2022

YoY Chg 12-Mo. Forecast

21.5%
Vacancy Rate



-876K
YTD Net Absorption, SF



\$41.46
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

3.7M
Chicago Employment



5.1%
Chicago Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2022Q1 data are based on latest available data

ECONOMIC OVERVIEW

Employment trends in the Chicago Metropolitan Area continue to move in a positive direction. While still above the national unemployment rate of 3.6%, unemployment in Chicago dropped to 5.1% in Q1 2022, a drop of 230 basis points (BPS) Year Over Year (YOY). The labor pool also expanded, as nonfarm employment grew to 3.7 million individuals, an increase of over 5.0% YOY. Major contributors to labor market growth were the leisure and hospitality, information, and professional and business services sectors, adding 72,300 (+28.9%), 5,500 (+8.4%), and 29,800 (+4.5%) jobs YOY, respectively. Forecasts indicate that these trends will continue and that metro employment levels will continue to rise.

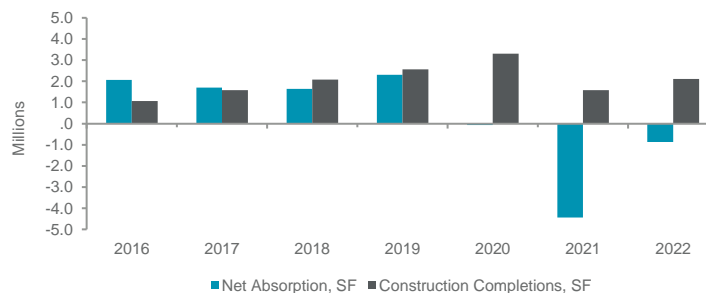
SUPPLY & DEMAND: Leasing Activity in Top Tier Assets Continues to Drive CBD

The Chicago Central Business District (CBD) recorded roughly 1.3 million square feet (msf) of new leasing activity during the first quarter of 2022 (Q1 2022). Despite accounting for 63.0% of all CBD leasing activity for the period, Class A leasing volume declined roughly 7.0% from Q4 2021. As compared to Q12021, leasing activity recorded a 40.0% increase.

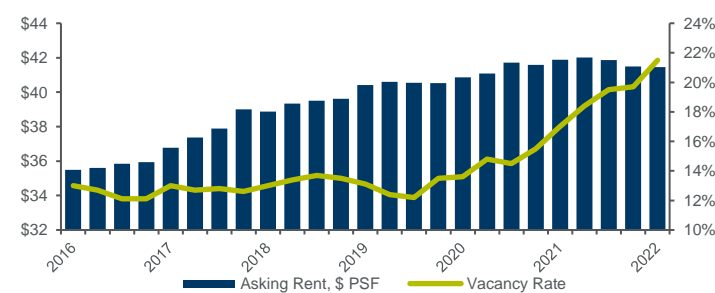
For the quarter, the largest new lease transaction was Avant's 81,000 sf deal at The Merchandise Mart – a move that doubled the firm's footprint in the market. The Old Post Office at 433 West Van Buren continues to benefit from a recent flight to quality as the newly renovated building leased over 50,000 sf to VillageMD. The firm joins Walgreens as a co-tenant in the building just five months after Walgreens purchased a \$5.2B stake in the company. In Fulton Market, Mark Anthony Brands and Snap, Inc. agreed to terms on over 80,000 sf in new deals at 167 North Green and 800 West Fulton, respectively. Fulton Market also led the broader CBD in net absorption by far, recording more than 488,000 sf in positive net absorption during the quarter. Renewal activity declined from previous quarters but did include some notable activity. Private equity firm GTCR Golder Rauner, LLC executed a renewal and expansion totaling over 80,000 sf of space at 300 North LaSalle in River North and Basis Technologies renewed 70,000 sf at 1 South State in the East Loop.

Though leasing has accelerated considerably since the beginning of 2021, absorption remained negative for the sixth consecutive quarter totaling roughly -876,000 sf for the period. Despite this, negative absorption did decrease compared to Q1 2021 by roughly 33%. Overall vacancy increased 180 basis points (bps) quarter-over-quarter (QOQ) to 21.5%. Class A vacancy increased 250 bps ending the quarter at 20.0%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO CBD

Office Q1 2022



Supply Pressure: Construction Pipeline Continues to See Strong Pre-Leasing Activity

As of the end of the first quarter, the amount of office product delivered within the CBD totaled 2.1 msf across four assets of which are collectively 38.6% preleased. Anchored by BMO Harris Bank with plans to occupy the space next quarter, the most notable deliver in Q1 was 320 South Canal in the West Loop. Additionally, law firms Chapman & Cutler and Faegre Drinker took occupancy of into roughly 100,000 sf of space at the new tower. Further highlighting the continued aggressive development activity in Fulton Market District, Trammell Crow's 407,000 sf life-science building at 400 North Aberdeen Street was delivered this quarter. The Fulton Market District has roughly 2.7 msf of proposed construction slated to be completed by 2025. In the River North submarket, the Salesforce Tower continues to progress with expectations that the building will deliver in Q1 2023. As for pre-leasing across the active construction pipeline, 90.7% of space is preleased which includes the fully-leased Salesforce Tower. The relatively strong leasing activity across both active construction and 2022 deliveries further emphasizes the modern occupier's demand for high quality office space.

Supply Pressure: Sublease Availability

Sublease availability increased for the tenth consecutive quarter to just shy of 6.2 msf – the highest figure recorded since Cushman & Wakefield began tracking sublet inventory. Vacant sublease space totaled roughly 3.4 msf at year end, increasing roughly 29.2% YOY. Despite the increase in overall vacancy the pace at which sublease space is coming to the market has significantly declined. For context, the increase in sublease vacancy from Q1 2020 to Q1 2021 was upwards of 87.4% whereas the YOY increase as of Q1 2022 totals 29.2%. Of sublets added to the market in 2021, relatively smaller spaces represent the large share of new sublet inventory across the market. Larger blocs of sublease availability include VSG Partner's 63,000-sf space at 600 West Chicago Avenue and a 64,000-sf block of space at 200 East Randolph. With roughly 6.2msf of sublease space available, over 2.8 msf will become available in the future. 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 being to return to office.

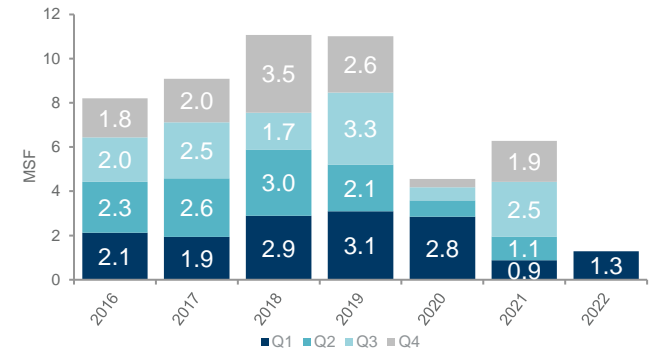
Pricing: Overall Rents Soften Slightly

Overall gross asking rents decreased to \$41.46 per square foot (psf), down just \$0.04 from Q4 2021. Since 2021 Q1, Class A asking rents decreased by \$0.22 (-0.46%) to \$47.89 psf, Class B decreased \$0.48 (-1.2%) to \$38.80 psf, and Class C saw a slight increase of \$0.59 (2.01%) to \$29.89 psf. Direct Asking Rents saw a slight decrease of \$0.16 (-0.38%) to \$41.90. Competitively priced availabilities combined with the continued delivery of top-tier space should drive relative stability across CBD asking rates over the near-term.

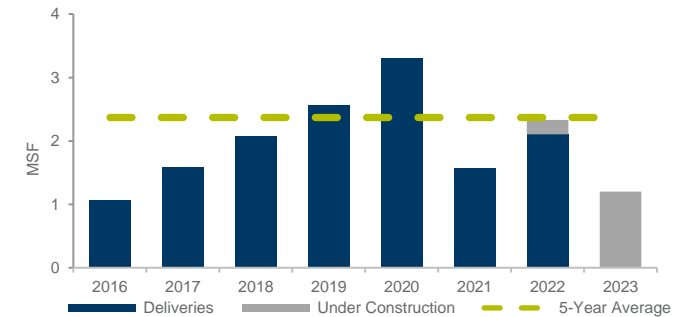
OUTLOOK

- Trophy and top-tier assets will continue to outperform the rest of the market as occupiers battle for talent.
- 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.

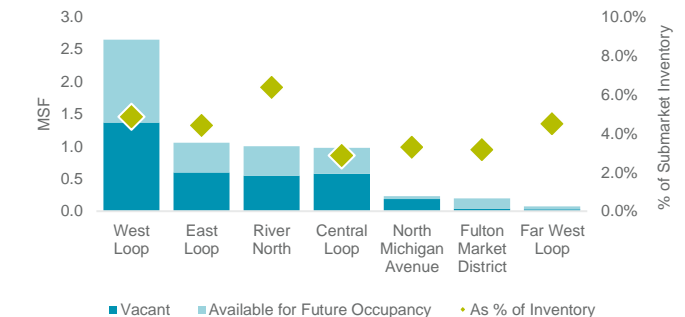
OVERALL NEW LEASING ACTIVITY



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	34,102,535	7,267,824	576,398	23.0%	-754,850	-754,850	129,764	0	\$40.44	\$48.23
East Loop	23,961,206	4,671,586	598,076	22.0%	-9,664	-9,664	145,189	0	\$37.43	\$41.76
Far West Loop	1,686,155	287,554	26,983	18.7%	-13,382	-13,382	5,925	0	\$30.82	N/A
Fulton Market District	6,252,653	1,901,682	38,585	31.0%	488,032	488,032	196,126	225,000	\$37.25	\$53.69
North Michigan Avenue	7,037,533	941,920	186,762	16.0%	-66,107	-66,107	41,482	0	\$41.25	\$45.37
River North	15,713,100	2,535,997	548,219	19.6%	-90,096	-90,096	227,493	1,200,202	\$40.99	\$47.37
West Loop	54,552,484	9,802,150	1,366,871	20.5%	-430,243	-430,243	533,554	0	\$45.32	\$49.38
DOWNTOWN TOTALS	143,305,666	27,408,713	3,341,894	21.5%	-876,310	-876,310	1,279,533	1,425,202	\$41.46	\$47.89

*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	77,399,337	13,846,346	1,603,733	20.0%	-218,781	-218,781	801,950	1,425,202	\$48.57	\$47.89
Class B	52,495,343	10,757,748	1,623,788	23.6%	-538,930	-538,930	343,223	0	\$39.18	\$38.80
Class C	13,410,986	2,804,619	114,373	21.8%	-118,599	-118,599	134,360	0	\$29.99	\$29.89
DOWNTOWN TOTALS	143,305,666	27,408,713	3,341,894	21.5%	-876,310	-876,310	1,279,533	1,425,202	\$41.90	\$41.46

*Rental rates reflect gross asking \$/psf

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
300 North LaSalle Street	River North	GTCR Golder Rauner, L.L.C	85,369	Renewal*
222 West Merchandise Mart Plaza	River North	Avant	81,340	New
1 South State Street	East Loop	Basis Technologies	70,107	Renewal*
433 West Van Buren Street	West Loop	VillageMD	52,500	New
350 North Orleans Street	River North	Stripe	45,009	New

*Renewals nor extensions are included in leasing statistics

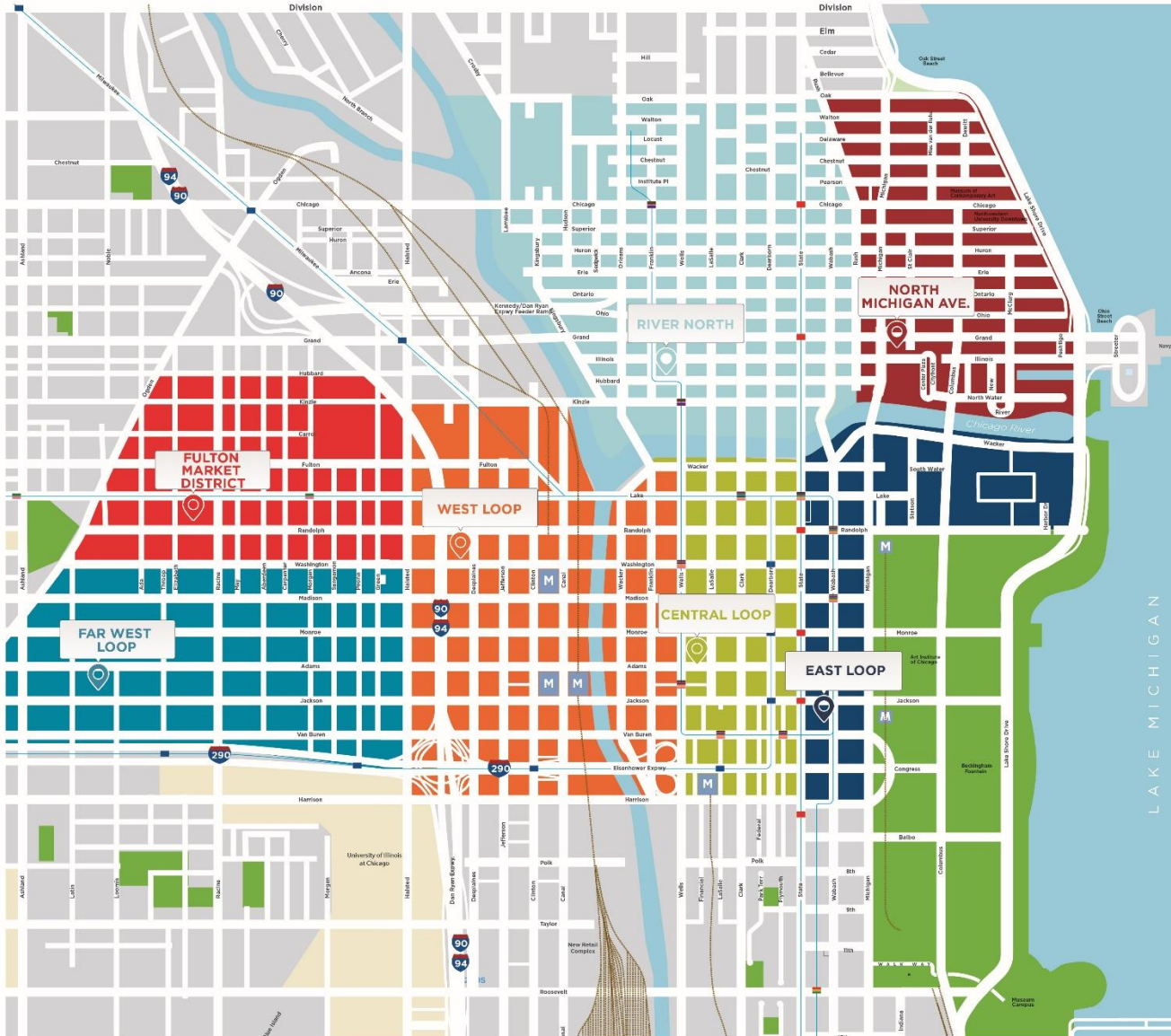
KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
35 West Wacker Drive	Central Loop	UBS Group Opal Holdings	1,118,042	\$415.0M \$371
200 West Jackson Boulevard	West Loop	Angelo, Gordon & Co. & White Oak Realty Partners Nightengale Properties LLC	484,076	\$130.0M \$269
225 West Washington Street	West Loop	Kinship Capital, Golub & Company Agave Holdings LLC	483,497	\$82.6M \$171

CHICAGO CBD

Office Q1 2022

OFFICE SUBMARKETS



KEVIN AUBLE

Research Analyst

Tel: +1 312 995 5196

kevin.auble@cushwake.com

GREGORY ROGALLA

Research Manager

Tel: +1 847 518 3200

gregory.rogalla@cushwake.com

DAVID HOEBBEL

Research Director

Tel: +1 314 257 0788

david.hoebbel@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 over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 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.