

Office Q1 2022

	YoY Chg	12-Mo. Forecast
25.1% Vacancy Rate	▲	▼
-404K YTD Net Absorption, SF	▼	▲
\$24.89 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
3.7M Chicago Employment	▲	▲
5.0% Chicago Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

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

ECONOMY: Employment Trending in the Right Direction

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 5.0% in Q1 2022, a drop of 230 basis points (bps) Year-Over-Year (YOY). The labor pool also expanded, as non-farm 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 while the unemployment rate drops.

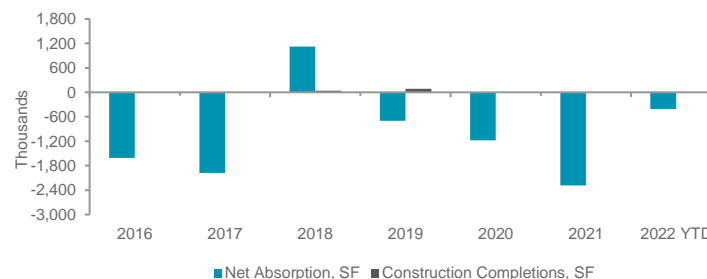
DEMAND: First Quarter 2022 Leasing Activity Strongest in Two Years

The suburban office market saw significant new leasing and renewal activity in Q1 2022. Quarter-Over-Quarter (QOQ), new leasing rose 29.0% from 0.95 million square-feet (msf) to 1.22 msf. This activity is on par with pre-pandemic levels, comparable to leasing volumes recorded between 2016 and 2019. The Eastern East/West Corridor and Central North submarkets accounted for 60.0% of activity, seeing 409,000-square feet (sf) and 320,000-sf of newly leased space, respectively. There was one mega deal over 150,000-sf signed in Q1, significantly contributing to the overall leasing volume – Abbott Laboratories inked a 167,000-sf sublease in Central North.

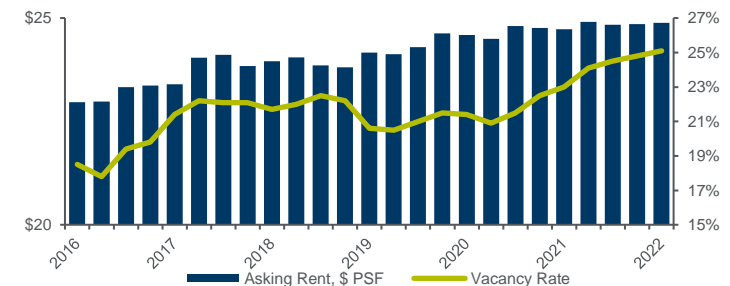
Absorption across the suburban office market remained negative, reaching -404,000 sf at the end of Q1. Negative absorption grew from -350,250-sf in Q4 2021, but decreased YOY, down from -508,600-sf in Q1 2021. Five submarkets saw small, but positive levels of absorption, an improvement from Q4 2021 during which only the Southwest Corridor saw positive absorption QOQ. O'Hare and the Near North both saw relatively significant levels of positive absorption at 35,500-sf and 32,900-sf, respectively.

There were no construction starts or deliveries in the suburban office during the first quarter, however the 220,000-sf T3 Oakbrook Commons from Hines is in the initial proposal phase in the Eastern East/West Corridor. If completed, this innovative engineered timber complex located near the regional business hub around the Oakbrook Mall would represent the first speculative office project in suburban Chicago in since 2018.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO SUBURBAN

Office Q1 2022



SUPPLY: Overall Vacancy Increases While Sublease Vacancy Decreases

Q1 2022 saw a continuance of trends from previous quarters, recording an increase in both overall and direct vacancies while sublease vacancy recorded a minor decrease. Overall vacancy increased 30 bps QOQ to 25.1%. Notable move-outs include Sentinel Technologies Inc in the Eastern East/West Corridor vacating 72,000-sf and Nicor National in the Western East/West Corridor vacating 65,000-sf. The submarkets with the largest vacancy were North DuPage and Central Northwest at 31.7% and 32.9% overall, respectively. Conversely, the Far North and Southwest Corridors have the lowest overall vacancies at 9.1% and 10.5%, though these submarkets have low office inventory compared to other suburban submarkets.

Sublease fell by 10 bps to 1.5%, or 1.4 msf, the lowest since Q3 2020. Sublease vacancies are largely concentrated within Central North, Central Northwest, and Eastern East/West Corridor. Collectively these submarkets account for 75% of sublease vacancies. Overall sublease availability stands at 3.7 msf, meaning there is an additional 2.3 msf of sublease space being marketed for future occupancy.

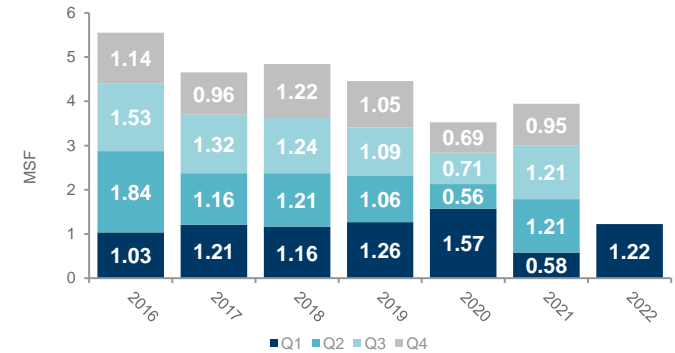
PRICING: Asking Rents Remain Flat Across Region

Overall asking rent growth for all classes of suburban office space remains flat but varies considerably across submarkets. Overall asking rents edged up just \$0.03 (0.1%), while class A and B rents fell \$0.08 (-0.25%) and \$0.03 (-0.1%) QOQ to \$29.74 per-square-foot (psf) and \$22.74 psf, respectively. These decreases were driven largely by significant drops in asking rental rates in a few key markets, namely the Far Northwest, Near North, and North DuPage. North DuPage in particular saw a dramatic drop in asking rental rates, falling \$1.16 (-4.7%) to \$23.02 QOQ. Increases in O'Hare (+0.9%), Central North (+1.3%), and Central Northwest (+0.5%) balanced out these losses.

OUTLOOK

- Leasing momentum increased YOY and QOQ, returning to typical pre-pandemic levels and will likely continue to grow as companies return to the office and evaluate their space needs.
- Vacancy in all office classes will likely continue to grow, but the pace at which vacancies are coming back to the market will slow.
- As 2.3 msf of sublease space comes available in future quarters, the current trend of declining sublease vacancy will be challenged.
- Rents will remain flat or even decrease slightly as competitively priced subleases hit the market.

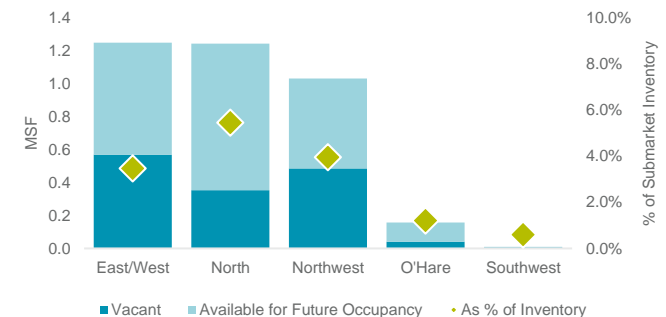
OVERALL NEW LEASING ACTIVITY



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	4,073,919	1,079,782	77,370	28.4%	-29,569	--29,569	13,690	0	\$18.31	N/A
Central Northwest	18,302,999	5,704,470	313,005	32.9%	-209,727	-209,727	149,495	0	\$23.46	\$27.77
North DuPage	3,740,705	1,093,092	93,287	31.7%	6,723	6,723	54,926	0	\$23.02	\$24.17
NORTHWEST TOTALS	26,117,623	7,877,344	483,662	32.0%	-232,573	-232,573	218,111	0	\$22.92	\$26.93
Far North	1,043,209	95,053	0	9.1%	0	0	8,274	0	\$16.79	N/A
Central North/Tri-State	16,230,903	4,207,410	306,095	27.8%	-171,291	-171,291	319,877	0	\$25.83	\$30.27
Near North	5,506,561	932,043	45,494	17.8%	32,864	32,864	42,196	0	\$27.52	\$34.51
NORTH TOTALS	22,780,673	5,234,506	351,589	24.5%	-138,427	-138,427	370,347	0	\$26.02	\$31.22
Eastern East / West	22,407,028	4,651,924	465,729	22.8%	-81,587	-81,587	409,587	0	\$25.60	\$30.42
Western East / West	13,551,508	3,135,966	102,292	23.9%	10,006	10,006	91,937	0	\$23.61	\$26.64
EAST / WEST TOTALS	35,958,536	7,787,890	568,021	23.2%	-71,581	-71,581	501,524	0	\$24.80	\$28.94
O'Hare	12,906,049	2,449,992	41,282	19.3%	35,499	35,499	121,696	0	\$30.08	\$36.13
Southwest	1,634,167	166,495	4,791	10.5%	3,078	3,078	11,080	0	\$20.60	N/A
SUBURBAN TOTALS	99,397,048	23,516,227	1,449,345	25.1%	-404,004	-404,004	1,222,758	0	\$24.89	\$29.74

*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	38,099,172	9,286,326	833,184	26.6%	-537,262	-537,262	664,491	0	\$30.15	\$29.74
CLASS B	44,598,773	10,646,091	592,954	25.2%	111,260	111,260	397,650	0	\$23.01	\$22.74
CLASS C	16,699,103	3,583,810	23,207	21.6%	21,998	21,998	160,617	0	\$17.78	\$17.75

*Rental rates reflect gross asking \$psf/year

KEY LEASE TRANSACTIONS Q1 2022

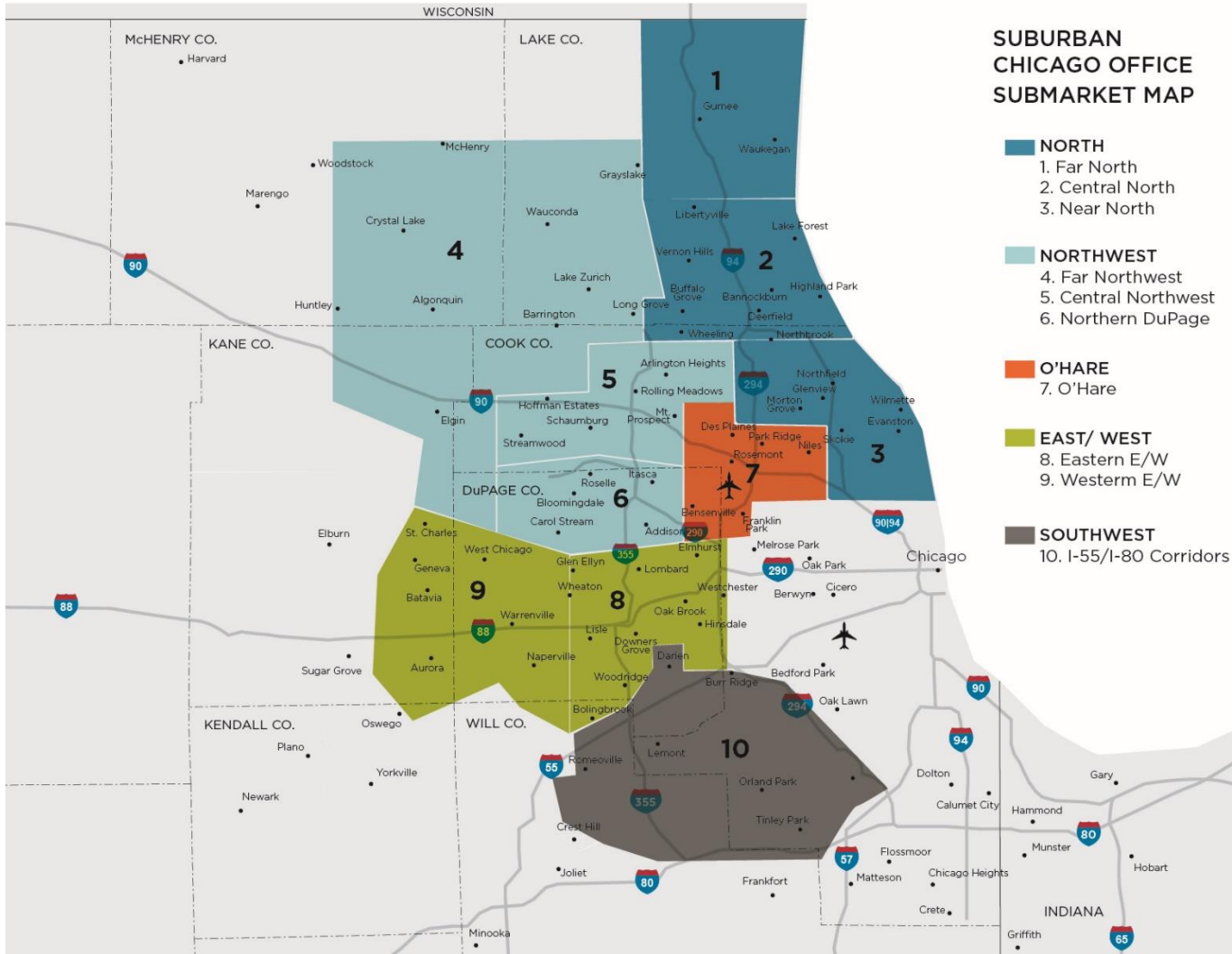
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
150 South Saunders Road	Central North/Tri-State	Abbott Laboratories	166,900	New, Sublease
5400 Pearl Street	O'Hare	Advocate Health and Hospitals Corporation	85,904	Renewal*
2100 Spring Road	Eastern East/West Corridor	Millennium Trust Company	50,956	Renewal*
3000 Lakeside Drive	Central North/Tri-State	Options Care Health	43,687	Renewal*
1701 Golf Road	Central Northwest	Siemens	23,643	New

*Renewals not included in leasing statistics

CHICAGO SUBURBAN

Office Q1 2022

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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