

	YoY Chg	12-Mo. Forecast
21.9% Vacancy Rate	▲	▲
-1.7M YTD Net Absorption, SF	▲	▲
\$42.42 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
3.7M Chicago Employment	▲	▲
4.6% Chicago Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2022Q2 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 4.6% in Q2 2022, a drop of 240 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 construction, transportation, information, and professional and business services sectors, adding 4,900 (+3.7%), 29,400 (+4.1%) and 36,900 (+5.5%) jobs YOY, respectively. Forecasts indicate that these trends will continue and that metro employment levels will continue to rise while the unemployment rate drops.

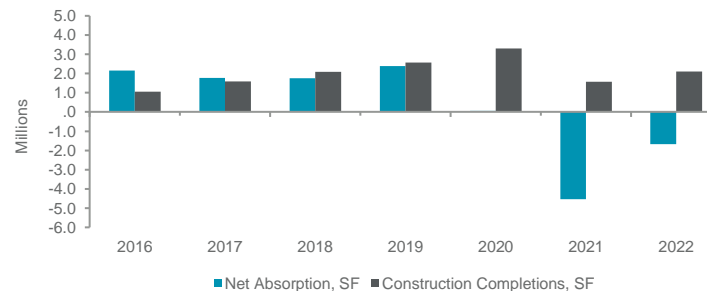
SUPPLY & DEMAND: Leasing Activity in Top Tier Assets Continues to Drive CBD

The Chicago Central Business District (CBD) recorded 1.7 million square feet (msf) of new leasing activity during the second quarter of 2022 (Q2 2022), an increase of 400,000 square feet (sf) from the prior quarter bringing year-to-date (YTD) leasing to 3.1 msf. As compared to Q2 2021, leasing activity recorded a 60.5% increase. Accounting for 72.7% of all CBD new leasing activity for the period, Class A new leasing volume increased roughly 25.0% from Q4 2021.

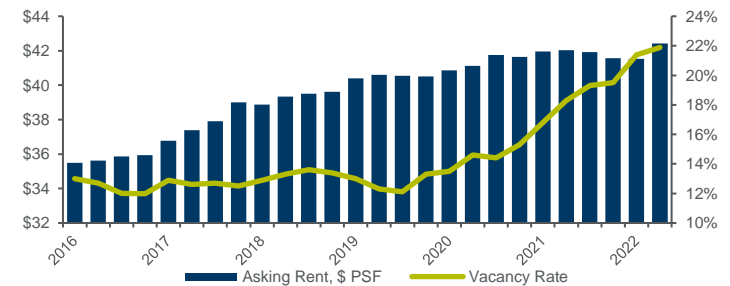
For the quarter, the largest new lease transaction was inked by Boston Consulting Group for roughly 250,000 sf at 360 North Green Street in Fulton Market, which is being developed by Sterling Bay. 320 South Canal Street continues to lease large blocks of space, recently adding Skadden to its roster of tenants. The law firm leased 88,000 sf of space at the building. In Fulton Market, Valor Equity Partners leased 24,000 sf at 320 North Sangamon which is now 85% occupied. Fulton Market continues to lead the broader CBD in net absorption, recording more than 600,000 sf of positive net absorption year-to-date (YTD). Renewal activity saw an increase of 128.2% from last quarter. Although downsizing, Echo Global Logistics, Inc. renewed for 186,000 sf at 600 West Chicago Avenue in River North and Chicago Public Schools signed a 182,000-sf renewal at 1 North Dearborn Street in the Central Loop.

Though leasing has accelerated considerably since the beginning of 2021, absorption remained negative for the seventh consecutive quarter totaling roughly -771,000 sf for the period. Fulton Market and West Loop recorded positive absorption with 608,000 sf and 44,000 sf, respectively. Despite this, negative absorption did decrease compared to Q2 2021 by roughly 52.0%. Overall vacancy increased 50 basis points (bps) quarter-over-quarter (QOQ) to 21.9%. Class A vacancy decreased 20 bps ending the quarter at 19.8%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO CBD

Office Q2 2022



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

There was 2.1 msf of office product delivered within the CBD through Q2, which was collectively 38.6% preleased. Anchored by BMO Harris Bank, the most notable delivery of the year was 320 South Canal in the West Loop. Further highlighting the continued lease-up of development activity in Fulton Market, Sterling Bay's 360 North Green Street building is over 50.0% pre-leased with the signing of Boston Consulting Group anchoring more than half of the building. The Fulton Market District has roughly 6.7 msf of proposed construction slated to be completed by 2026. In the River North submarket, Salesforce Tower continues to progress with expectations that the building will deliver in Q1 2023. Additionally, 311 West Huron Street broke ground and is expected to deliver in Q3 2023. As of Q2, the current development pipeline is 80.4% pre-leased, this 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 eleventh consecutive quarter to just shy of 6.7 msf – the highest figure recorded since Cushman & Wakefield began tracking sublet inventory. Vacant sublease space totaled roughly 3.9 msf at quarter-end, increasing roughly 47.4% YOY. Despite increased sublease vacancy, the pace at which the space has come to market is slowing. To put into perspective, the increase in sublease availability from Q2 2020 to Q2 2021 was upwards of 63.9% whereas the YOY increase as of Q2 2022 totals 23.7%. Of sublets added to the market in Q2 2022, spaces less than 15,000 sf account for 45.2% of sublease availability. Largest subleases coming to market this quarter include Deloitte's 53,000-sf space at 111 South Wacker Drive and CSG Systems International's 51,000-sf space at 1 North Dearborn Street. With roughly 6.7 msf 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 return to the office.

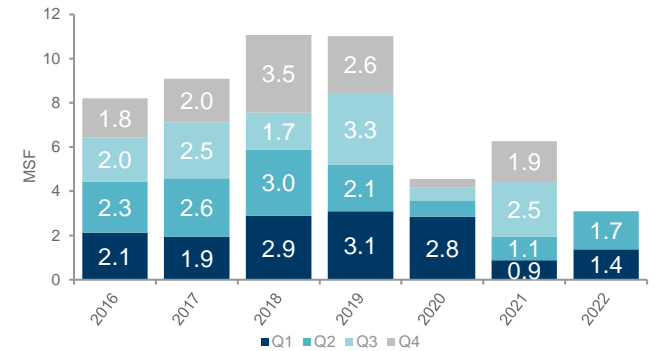
Pricing: Overall Rents See Slight Increase

Overall gross asking rents increased to \$42.42 per square foot (psf), up \$0.89 from last quarter. Since Q1, Class A asking rents have increased by \$1.66 (3.5%) to \$49.55 psf, Class B slightly increased \$0.33 (0.8%) to \$39.22 psf, and Class C saw an increase of \$0.36 (1.2%) to \$30.29 psf. Direct asking rents increased \$0.90 (2.2%) to \$42.84. As owners continue to invest into upgraded spaces and amenities, the expectation is that rents for top tier space will also increase.

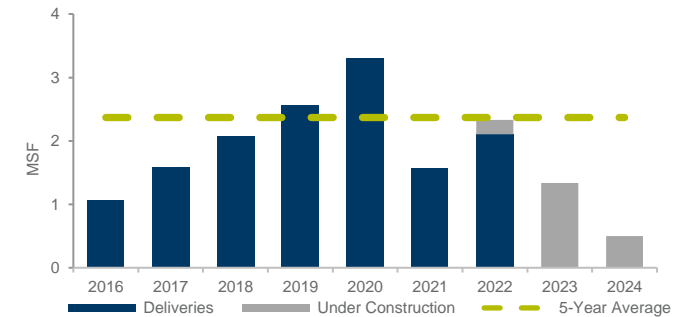
OUTLOOK

- The sublease availability pace has slowed down but will likely continue to increase as tenants reassess their real estate needs.
- Trophy and top-tier assets will continue to outperform the rest of the market as occupiers battle for talent.

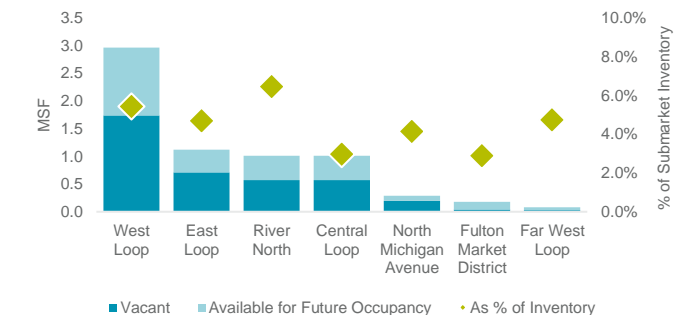
OVERALL NEW LEASING ACTIVITY



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	7,821,464	573,865	24.6%	-546,363	-1,273,904	362,277	0	\$40.47	\$48.25
East Loop	23,916,151	4,722,291	708,798	22.7%	-301,653	-302,779	294,467	0	\$37.75	\$41.61
Far West Loop	1,686,155	293,161	31,065	19.2%	-293	-13,675	17,328	0	\$30.77	N/A
Fulton Market District	6,252,653	1,789,638	43,645	29.3%	120,022	608,054	554,841	723,844	\$67.10	\$77.05
North Michigan Avenue	7,052,629	934,828	194,669	16.0%	21,279	-44,828	137,276	0	\$41.22	\$45.19
River North	15,713,100	2,548,634	574,498	19.9%	-108,704	-201,602	486,457	1,339,702	\$41.62	\$48.12
West Loop	54,630,233	9,411,584	1,737,204	20.4%	44,074	-451,918	1,247,135	0	\$45.16	\$48.79
DOWNTOWN TOTALS	143,353,456	27,521,600	3,863,744	21.9%	-771,638	-1,680,652	3,099,781	2,063,546	\$42.42	\$49.55

*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	77,462,528	13,388,068	1,979,620	19.8%	114,599	-146,022	2,096,295	2,063,546	\$50.43	\$49.55
Class B	52,524,997	11,333,545	1,739,701	24.9%	-790,838	-1,329,170	729,257	0	\$39.54	\$39.22
Class C	13,365,931	2,799,987	144,423	22.0%	-95,399	-205,460	274,229	0	\$30.38	\$30.29
DOWNTOWN TOTALS	143,353,456	27,521,600	3,863,744	21.9%	-771,638	-1,680,652	3,099,781	2,063,546	\$42.84	\$42.42

*Rental rates reflect gross asking \$/psf

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
360 North Green Street	Fulton Market District	Boston Consulting Group	250,171	New
600 West Chicago Avenue	River North	Echo Global Logistics, Inc.	186,000	Renewal*
1 North Dearborn Street	Central Loop	Chicago Public Schools	182,000	Renewal*
233 South Wacker Drive	West Loop	IMC	157,056	Renewal*
233 South Wacker Drive	West Loop	Abbott Laboratories	106,724	New

*Renewals are not included in leasing statistics

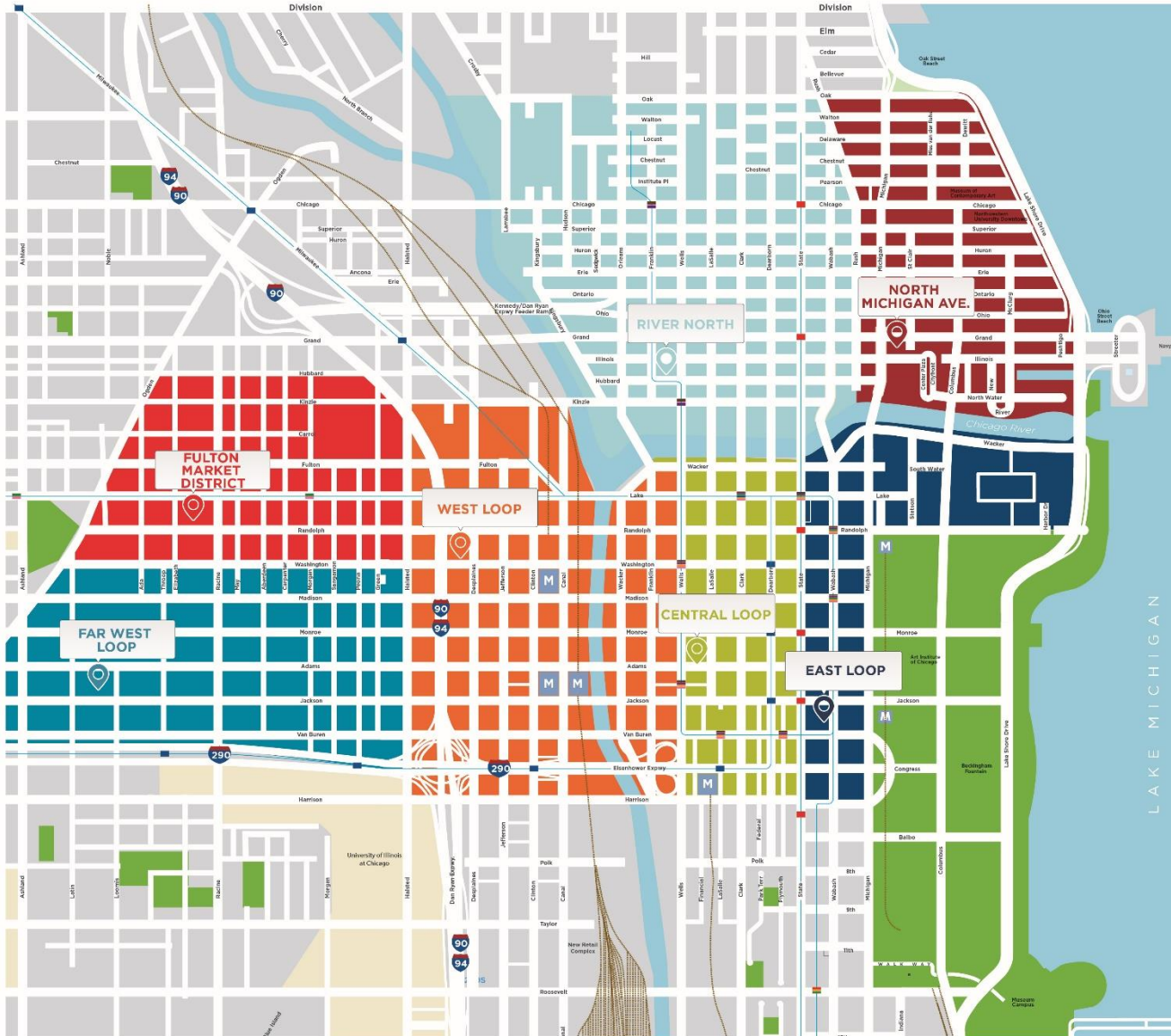
KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
1101 West Lake Street	Fulton Market District	Link Real Estate Coltown Properties	54,000	\$16.0M \$296

CHICAGO CBD

Office Q2 2022

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