

	YoY Chg	12-Mo. Forecast
24.4% Vacancy Rate	▲	▼
-712K YTD Net Absorption, SF	▲	▲
\$24.81 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.

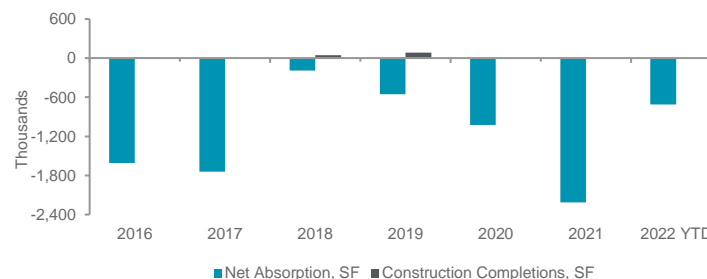
DEMAND: Q2 2022 Sees Strongest Leasing Activity in Two Years

Q2 2022 saw slightly increased vacancy and decreased rents in the suburban Chicago market. However, quarter-over-quarter (QOQ) leasing rose roughly 11% from 1.3 million square feet (msf) to 1.4 msf. Year-to-date (YTD) leasing is at its highest volume since 2016. The Eastern East/West Corridor and Central North submarkets accounted for 59.5% of activity, seeing 1.2 msf and 473,000 sf of newly leased space, respectively. Ace Hardware inked a deal for 297,000 sf, significantly contributing to the overall leasing volume.

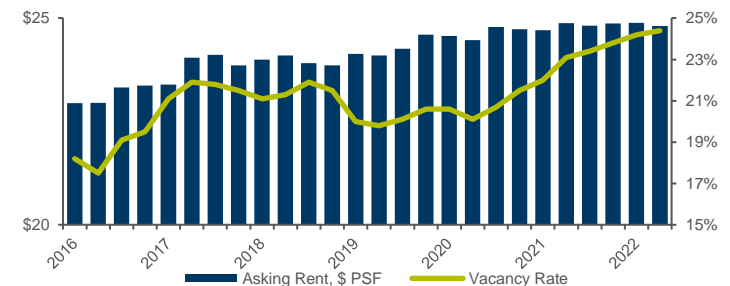
Absorption across the suburban office market remained negative, reaching -712,000 sf at the end of Q2. Negative absorption shrank to -133,039 sf in Q2 2022 from -579,000 sf in Q1 2022. YTD absorption recorded -712,000 sf, compared to -1.5 msf at this time last year. For the second quarter in a row, five submarkets saw small, but positive levels of absorption, including O'Hare, Southwest, Far North, Far Northwest and Near North. O'Hare and the Far Northwest both saw relatively significant levels of positive absorption at 53,000 sf and 70,000 sf, respectively.

There were no construction starts or deliveries in the suburban office market 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 since 2018. There was one property under renovation, 1601 Sherman Avenue, located within the Near North submarket. The 48,000-sf project is expected to be completed later this year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO SUBURBAN

Office Q2 2022

SUPPLY: Overall and Sublease Vacancy Level-Off

Direct vacancies in the suburban office market appear to be leveling off after eight consecutive quarters of vacancy increases. Direct vacancy increased only 10 bps QOQ to 22.9%, the lowest increase since the start of the pandemic. Overall vacancy increased 20 bps QOQ to 24.4%. Notable move-outs include Wells Fargo in the Central North/Tri-State submarket, vacating 79,000 sf and Newlywed Foods in the O'Hare submarket vacating 44,000 sf. The submarkets with the largest vacancy were North DuPage and Central Northwest at 31.0% and 30.3% overall, respectively. Conversely, the Far North and Southwest Corridors have the lowest overall vacancies at 8.5% and 11.0%, though these submarkets have low office inventory compared to other suburban submarkets.

The sublease vacancy rate held steady at 1.4%, 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 79% of sublease vacancies. Overall sublease availability stands at 3.4 msf, meaning there is an additional 2.0 msf of sublease space being marketed for future occupancy.

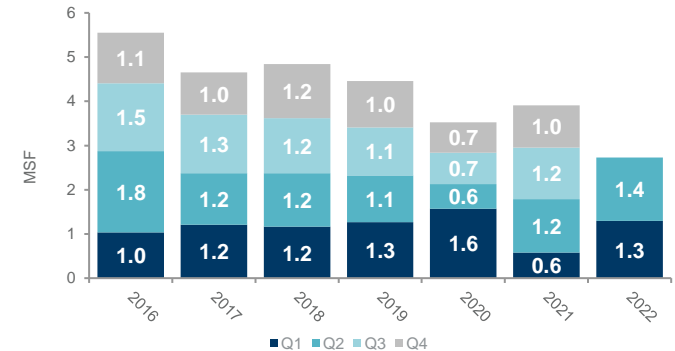
PRICING: Asking Rents Remain Flat Across Region

Overall asking rent growth for all classes of suburban office space remains flat but varies considerably across submarkets. Overall gross asking rents dipped slightly by \$0.08 (-0.3%), and class A rents fell \$0.06 (-0.2%) QOQ to \$29.86 per-square-foot (psf). Class B rents rose slightly by \$0.05 (0.2%) QOQ to \$22.70. These decreases were driven largely by significant drops in asking rental rates in a few key markets, namely the Central Northwest, Eastern East/West Corridor, and the Far Northwest. The Eastern East/West Corridor in particular saw a dramatic drop in asking rental rates, falling \$0.56 (-2.2%) to \$25.11 QOQ. Increases in O'Hare (+0.6%), Western East/West Corridor (+0.6%), and the Near North (+0.7%) balanced out these decreases.

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 2.0 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.

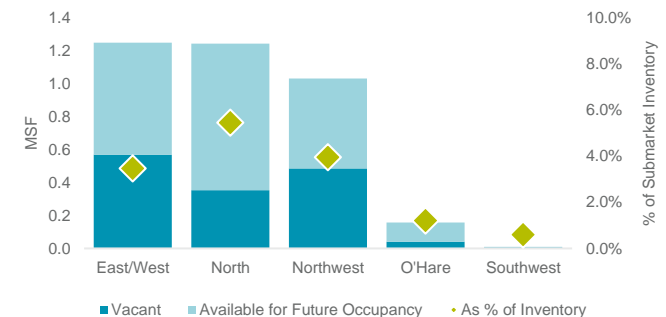
OVERALL NEW LEASING ACTIVITY



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	684,772	77,370	18.7%	80,310	50,741	29,765	0	\$18.27	N/A
Central Northwest	18,305,822	5,284,675	264,214	30.3%	8,151	-219,841	291,011	0	\$23.19	\$27.94
North DuPage	3,740,705	1,089,914	68,784	31.0%	-25,652	-13,402	64,269	0	\$23.10	\$24.25
NORTHWEST TOTALS	26,120,446	7,059,361	410,368	28.6%	62,809	-182,502	385,045	0	\$22.70	\$26.98
Far North	1,043,209	88,854	0	8.5%	6,199	6,199	18,645	0	\$16.79	N/A
Central North/Tri-State	16,231,300	4,164,609	289,170	27.4%	78,193	-109,339	473,724	0	\$25.99	\$30.22
Near North	5,481,885	954,048	31,242	18.0%	-2,414	25,111	58,916	0	\$27.82	\$34.87
NORTH TOTALS	22,756,394	5,207,511	320,412	24.3%	81,978	-79,029	551,285	0	\$26.21	\$31.28
Eastern East / West	22,382,013	4,689,908	545,764	23.4%	-133,282	-335,369	1,150,696	0	\$25.11	\$29.68
Western East / West	13,551,508	3,181,717	97,556	24.2%	-189,598	-170,915	353,306	0	\$23.72	\$26.66
EAST / WEST TOTALS	35,933,521	7,871,625	643,320	23.7%	-322,880	-506,284	1,503,992	0	\$24.54	\$28.54
O'Hare	12,906,049	2,492,182	34,320	19.6%	38,212	53,893	267,228	0	\$30.10	\$36.89
Southwest	1,634,167	167,868	12,667	11.0%	6,842	1,500	19,031	0	\$20.80	N/A
SUBURBAN TOTALS	99,350,577	22,789,547	1,421,087	24.4%	-133,039	-712,422	2,726,581	0	\$24.81	\$29.80

*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	38,116,465	9,171,566	739,439	26.0%	-69,187	-616,252	1,503,730	0	\$30.25	\$29.80
CLASS B	44,59,809	10,167,924	660,318	24.3%	-107,785	-158,264	949,040	0	\$22.97	\$22.70
CLASS C	16,674,303	3,459,057	21,330	20.9%	55,484	62,094	273,811	0	\$17.79	\$17.76

*Rental rates reflect gross asking \$psf/year

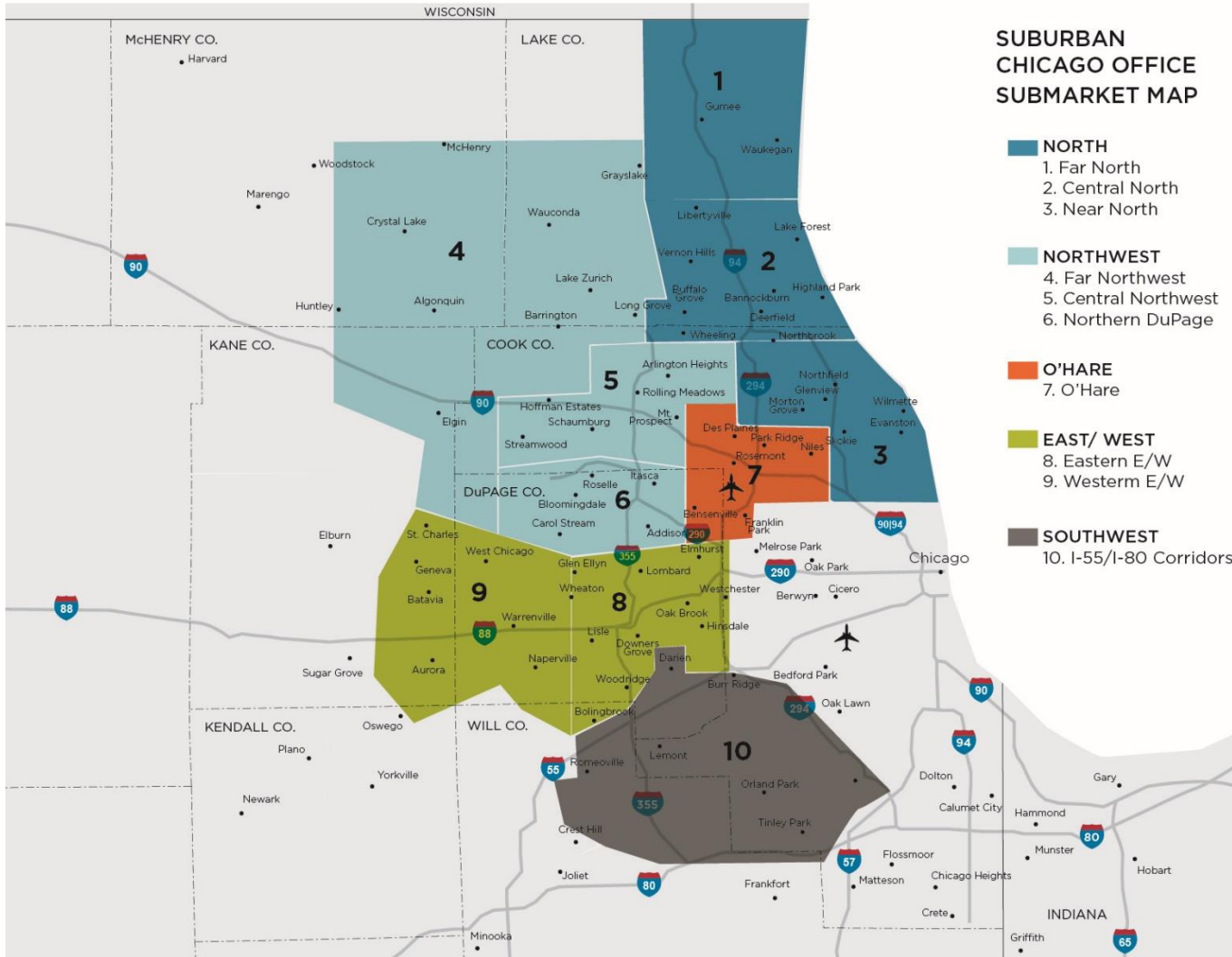
KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2915 Jorie Boulevard	Eastern East/West Corridor	Ace Hardware	297,127	New
1415 West Diehl Road	Western East/West Corridor	Endotronix	82,916	New
1515 East Woodfield Road	Central Northwest	Pronto Finance	24,700	New
2001 Spring Road	Eastern East/West Corridor	ND Paper	24,384	Sublease
1450 American Lane	Central Northwest	RSM US LLP	22,265	New

CHICAGO SUBURBAN

Office Q2 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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