

	YoY Chg	12-Mo. Forecast
<b>21.9%</b> Vacancy Rate	▲	▲
<b>-2.2M</b> YTD Net Absorption, SF	▼	▲
<b>\$42.21</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>3.8M</b> Chicago Employment	▲	▲
<b>4.3%</b> Chicago Unemployment Rate	▼	▼
<b>3.5%</b> U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics  
Q322 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 3.5%, unemployment in Chicago dropped to 4.3% in quarter three of 2022 (Q322), a drop of 190 basis points (bps) year-over-year (YOY). The labor pool also expanded, as non-farm employment grew to nearly 3.8 million individuals, an increase of over 4.6% YOY. Forecasts indicate that these trends will continue and that metro employment levels will continue to rise while the unemployment rate drops.

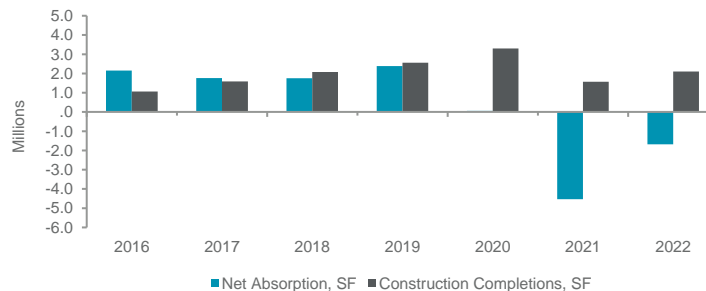
## SUPPLY & DEMAND: Leasing Activity in Top Tier Assets Continues to Drive CBD

Chicago's Central Business District (CBD) recorded 1.3 million square feet (msf) of new leasing activity during Q322, a decrease of 400,000 square feet (sf) from the prior quarter, bringing year-to-date (YTD) leasing to 4.5 msf. As compared to Q321, leasing activity recorded a 105,000-square feet (sf) increase. Class-A space accounted for 53.2% of all CBD new leasing activity for the period.

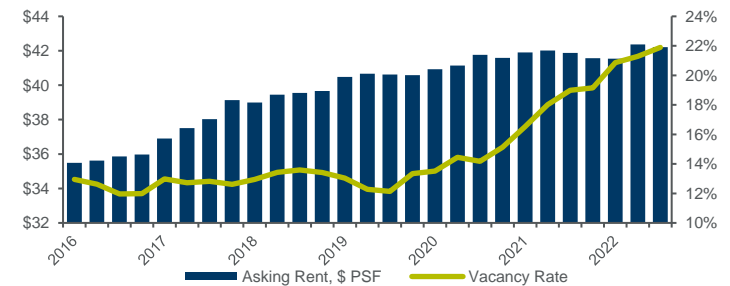
For Q322, the largest new lease transaction was inked by Cook County for roughly 106,000 sf at 161 North Clark St. in the Central Loop. The Central Loop also saw Morningstar renew for 266,000 sf at 22 West Washington St. Optiver US LLC also renewed for nearly 100,000 sf at 130 East Randolph St. in the East Loop. In Fulton Market, Wellington Management Company leased 24,000 sf at 345 North Morgan St. which is currently under construction and 64.0% pre-leased. Google expanded at 210 North Carpenter Street by 23,000 sf, bringing their total space to 156,000 sf. Renewal activity saw a decrease of 25.3% from last quarter. HERE Technologies subleased a portion of space to Constellation Energy at 100 North Riverside Plz. for 44,000 sf.

Though leasing has accelerated considerably since the beginning of 2021, absorption remained negative for the seventh consecutive quarter totaling roughly negative 862,000 sf for the period. Fulton Market continues to be the only submarket to record positive net absorption, recording more than 883,000 sf of positive net absorption YTD. Negative net absorption did decrease compared to Q321 by roughly 34.2%. Overall vacancy increased 60 basis points (bps) quarter-over-quarter (QOQ) to 21.9%. Class A vacancy increased 10 bps ending the quarter at 19.2%.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# CHICAGO CBD

Office Q3 2022



## SUPPLY PRESSURE: Construction Pipeline Continues to See Pre-Leasing Activity

There was 2.1 msf of office construction completions within the CBD through Q322, which was collectively 38.6% preleased. Anchored by BMO Harris Bank, the most notable delivery of the year was 320 South Canal St. in the West Loop. Further highlighting the continued lease-up of development activity in Fulton Market, Sterling Bay's 360 North Green St. building is over 50.0% pre-leased, with Boston Consulting Group anchoring the building. The Fulton Market District has roughly 5.6 msf of proposed construction slated to be completed by the end of 2025. In the River North submarket, the Salesforce Tower at 333 West Wolf Plz. continues to progress with an expected completion date in Q123. Additionally, 311 West Huron St. is currently under construction and is expected to deliver in Q323. As of Q322, the current development pipeline is 40.7% pre-leased; this includes the fully leased Salesforce Tower. The relatively strong leasing activity across both ongoing construction projects and 2022 completions emphasizes the modern occupier's demand for high quality office space.

## SUPPLY PRESSURE: Sublease Availability Continues to Increase

Sublease availability increased for the 12th consecutive quarter to over 6.8 msf – the highest figure recorded since Cushman & Wakefield began tracking sublet inventory. Roughly 4.1 msf of sublease space is vacant currently, with an additional 2.7 msf becoming available in the future. While fewer subleases are hitting the market, the rate at which lessors are leaving spaces vacant without a sublease is increasing, resulting in a larger sublease vacancy rate. For perspective, the YOY increase in sublease vacancy from 3Q20 to 3Q21 was 30.4%, whereas the YOY increase from Q321 to Q322 totals 67.5%. Of sublets added to the market in Q322, spaces of more than 15,000 sf account for 85.7% of sublease availability. The largest subleases coming to market this quarter include ActiveCampaign's 101,000-sf space at 1 North Dearborn St., Amount's 79,000-sf space at 222 North LaSalle St. and Segal McCambridge's 64,000-sf space at Willis Tower. Given continued recovery across the office market, it is expected that the pace of sublease space added to the market will continue to slow as occupiers return to the office.

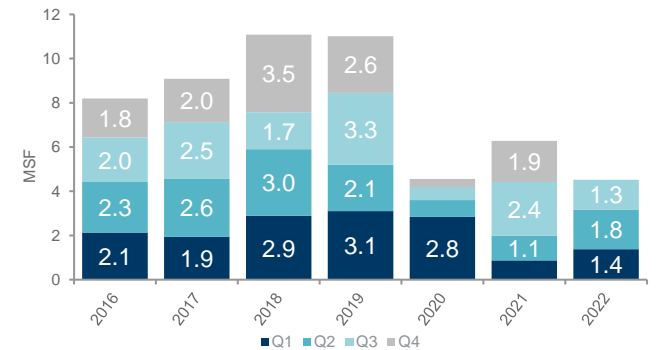
## PRICING: Overall Rents Slightly Decrease

Overall gross asking rents decreased to \$42.21 per square foot (psf), down \$0.16 from last quarter. Since Q222, Class A asking rents have decreased by \$0.16 (-0.3%) to \$49.26 psf, Class B slightly decreased \$0.13 (-0.3%) to \$39.02 psf, and Class C saw a decrease of \$0.01 (-0.1%) to \$30.34 psf. Direct asking rents decreased \$0.12 (-0.3%) to \$42.77 psf. As owners continue to invest into upgraded spaces and amenities, the expectation is that rents for top tier space will likely increase.

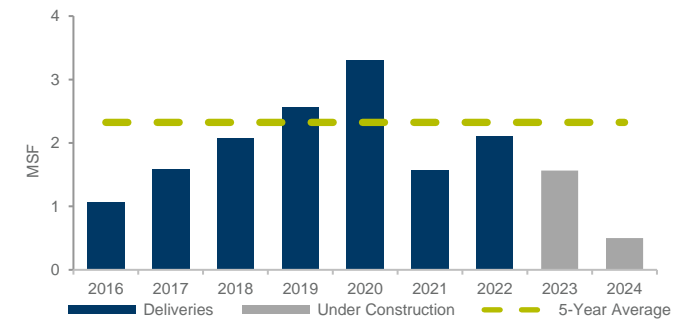
## OUTLOOK

- 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.

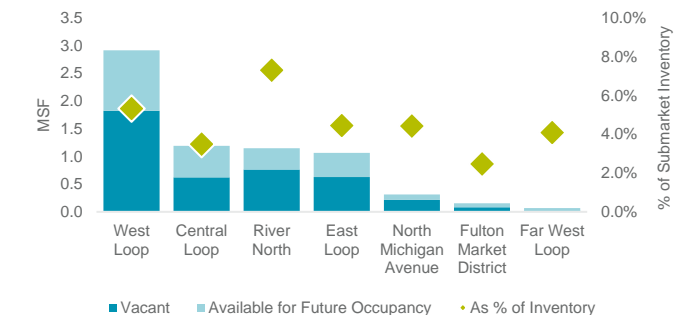
## OVERALL NEW LEASING ACTIVITY



## 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	8,131,407	619,980	25.7%	-377,528	-1,609,880	705,516	0	\$40.32	\$47.96
East Loop	23,953,971	4,709,017	625,255	22.3%	-71,242	-362,902	443,982	0	\$37.58	\$41.91
Far West Loop	1,686,155	295,155	19,857	18.7%	2,826	-10,849	39,677	0	\$31.42	N/A
Fulton Market District	6,252,653	1,468,889	81,988	24.8%	185,849	883,839	648,541	723,844	\$67.22	\$77.44
North Michigan Avenue	7,052,629	992,362	214,526	17.1%	-151,444	-171,556	173,809	0	\$40.87	\$44.25
River North	15,713,100	2,330,264	760,501	19.7%	-108,492	-293,444	612,412	1,339,702	\$41.17	\$47.71
West Loop	54,753,302	9,351,827	1,818,198	20.4%	-342,022	-666,539	1,897,024	0	\$44.75	\$48.48
<b>DOWNTOWN TOTALS</b>	<b>143,514,345</b>	<b>27,278,921</b>	<b>4,140,305</b>	<b>21.9%</b>	<b>-862,053</b>	<b>-2,231,331</b>	<b>4,520,961</b>	<b>2,063,546</b>	<b>\$42.21</b>	<b>\$49.26</b>

\*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	77,559,697	12,715,165	2,186,454	19.2%	-121,891	-51,464	2,848,825	2,063,546	\$50.71	\$49.26
Class B	52,524,997	11,593,868	1,820,263	25.5%	-522,036	-1,771,728	1,253,609	0	\$39.38	\$39.02
Class C	13,429,651	2,969,888	133,588	23.1%	-218,126	-408,139	418,527	0	\$30.37	\$30.34
<b>DOWNTOWN TOTALS</b>	<b>143,514,345</b>	<b>27,278,921</b>	<b>4,140,305</b>	<b>21.9%</b>	<b>-862,053</b>	<b>-2,231,331</b>	<b>4,520,961</b>	<b>2,063,546</b>	<b>\$42.77</b>	<b>\$42.21</b>

\*Rental rates reflect gross asking \$/psf

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
22 West Washington Street	Central Loop	Morningstar	266,167	Renewal*
161 North Clark Street	Central Loop	Cook County	106,402	New, Sublease
130 East Randolph Street	East Loop	Optiver US LLC	99,586	Renewal*
100 North Riverside Plaza	West Loop	Constellation Energy	44,379	New
24 East Washington Street	East Loop	Ferrero	44,357	New

\*Renewals are not included in leasing statistics

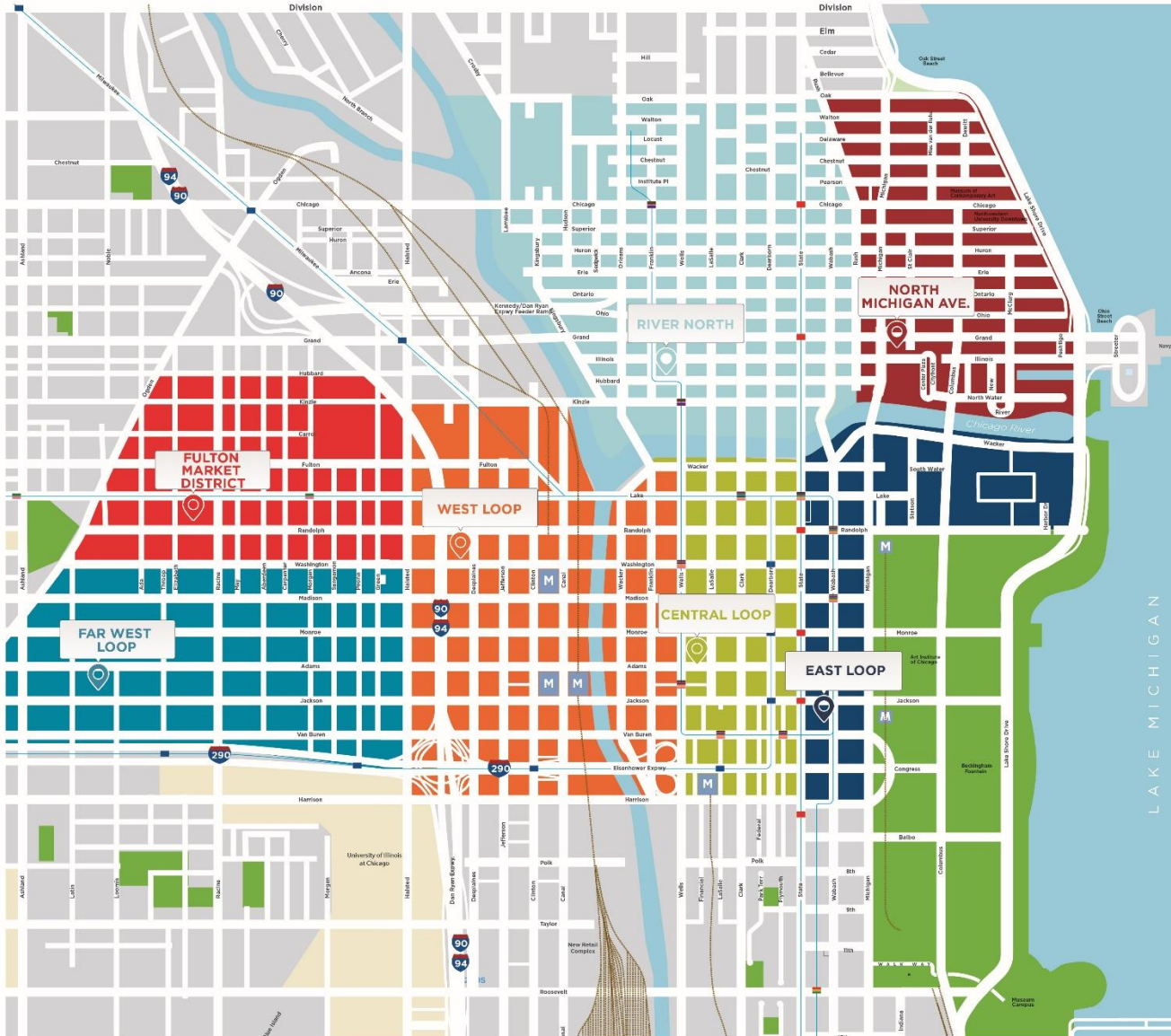
## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER   BUYER	SF	PRICE/\$ PSF
111 West Monroe Street	Central Loop	Samsung Asset Management   The Prime Group	625,696	\$43.1M   \$69
115 South LaSalle Street	Central Loop	Samsung Asset Management   State of Illinois	591,430	\$75.0M   \$127
217 North Jefferson Street	West Loop	Metonic Real Estate Solutions   Tri Star Equities	59,200	\$21.0M   \$354

# CHICAGO CBD

Office Q3 2022

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