

	YoY Chg	12-Mo. Forecast
22.3% Vacancy Rate	▲	▲
-2.8M YTD Net Absorption, SF	▲	▲
\$42.10 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
3.8M Chicago Employment	▲	▲
4.7% Chicago Unemployment Rate	▼	▼
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2022Q4 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 3.7%, unemployment in Chicago dropped to 4.7% in quarter four of 2022 (Q4 2022), a drop of 70 basis points (bps) year-over-year (YOY). The labor pool also expanded, as non-farm employment grew to 3.8 million individuals, an increase of over 3.5% YOY. Forecasts indicate that these trends will continue and that metro employment levels will continue to rise while the unemployment rate drops.

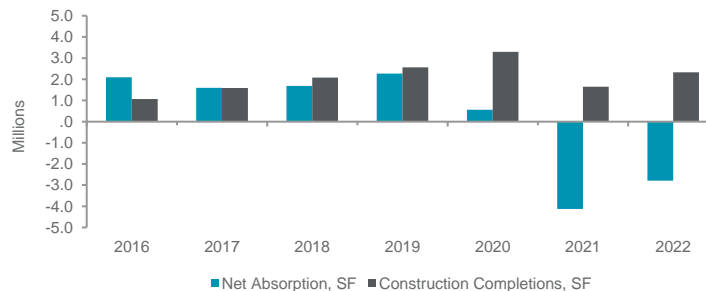
SUPPLY & DEMAND: Leasing Activity in Top Tier Assets Continues to Drive CBD

Chicago's Central Business District (CBD) recorded 925,000 square feet (sf) of new leasing activity in Q4, a decrease of 500,000 sf from the prior quarter, bringing year-to-date (YTD) leasing to 5.5 million square feet (msf). Leasing activity recorded a 940,000 sf decrease YOY. Class-A space accounted for 55.1% of all CBD new leasing activity for the period. Renewal activity saw a decrease of 61.8% from last quarter.

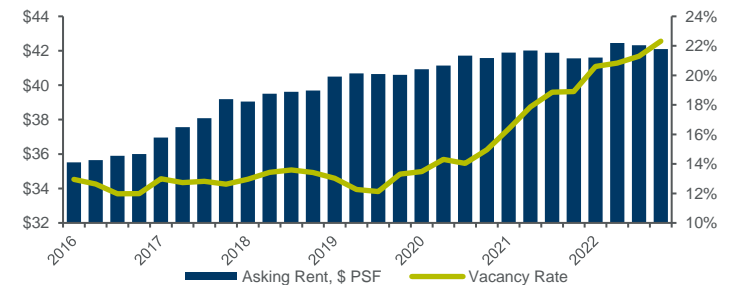
The largest new lease transaction signed during Q4 was inked by Zoro Tools, Inc. for roughly 42,000 sf at 500 West Madison St. in the West Loop. The West Loop also saw Alvarez & Marsal Inc renew for 42,000 sf at 540 West Madison St. Twin Brook Capital took over a 29,000-sf sublease at 111 South Wacker Dr. In Central Loop, Loop Capital Markets LLC leased 37,000 sf at 425 South Financial Pl. Newcold USA Services expanded in the West Loop at 500 West Madison St. by 36,000 sf, bringing their total space to 41,000 sf. Sandbox subleased a portion of space to Shore Capital Partners at 1 East Wacker Dr. for 14,000 sf.

Though leasing has accelerated considerably since the beginning of 2021, absorption remained negative for the last eight consecutive quarters, totaling roughly negative 1.1 million square feet (msf) in Q4. Fulton Market continues to be the only submarket to see positive net absorption, recording more than 1.1 msf in 2022. Negative net absorption did increase compared to 2021 by roughly 32.4%. Overall vacancy increased 100 basis points (bps) quarter-over-quarter (QOQ) to 22.3%. Class A vacancy increased 30 bps ending the quarter at 19.0%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CHICAGO CBD

Office Q4 2022



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

There was 2.3 msf of office construction completions within the CBD through 2022, which was collectively 40.1% 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 demand in Fulton Market, Sterling Bay’s 360 North Green St. building is over 50.0% pre-leased, with Boston Consulting Group anchoring the building. Also in Fulton Market, 345 North Morgan Street finished construction in Q4 2022 with 64.1% preleased and continuing to see leasing activity. Outside of active projects, Fulton Market has roughly 5.8 msf of additional proposed development in the pipeline. In River North, the Salesforce Tower at 333 West Wolf Plz. continues to progress with an expected completion date in Q1 2023. Additionally, 311 West Huron St. is currently under construction and is expected to deliver in Q3 2023. As of Q4, the current development pipeline is 80% pre-leased; this includes the fully leased Salesforce Tower. The relatively strong leasing activity across both ongoing construction projects and completions in 2022 emphasizes the modern occupier’s demand for high-quality office space.

SUPPLY PRESSURE: Sublease Availability Continues to Increase

Sublease availability increased for the thirteenth consecutive quarter to over 6.9 msf – the highest figure recorded since Cushman & Wakefield began tracking sublet inventory. Roughly 4.1 msf of sublease space is currently vacant, with an additional 2.8 msf becoming vacant 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 Q4 2020 to Q4 2021 was 14.8%, whereas the YOY increase from Q4 2021 to Q4 2022 totals 59.4%. Of sublets added to the market in Q4, spaces of more than 25,000 sf account for 55.3% of sublease availability. The largest subleases coming to market this quarter include Sprout Social’s 64,000-sf space at 131 South Dearborn St., TransUnion’s 55,000-sf space at 550 West Adams St. and YMCA of the USA’s 54,000-sf space at 101 North Wacker Dr.

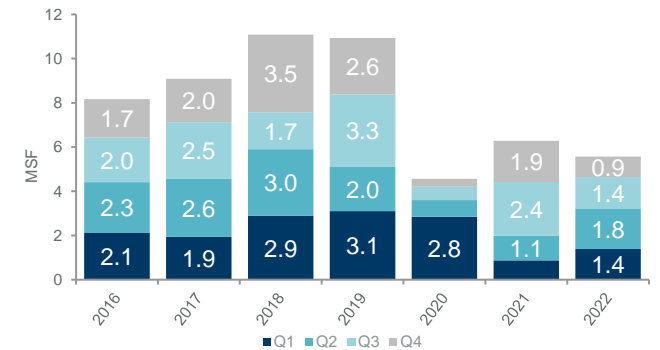
PRICING: Overall Rents Slightly Decrease

Compared to last quarter, overall gross asking rents decreased to \$42.10 (-0.5%) per square foot (psf), down \$0.22. Similarly, Class A asking rents have decreased by \$0.13 (-0.3%) to \$49.26 psf, Class B slightly decreased \$0.03 (-0.1%) to \$39.03 psf, and Class C saw a decrease of \$0.14 (-0.5%) to \$30.18 psf. Direct asking rents decreased \$0.17 (-0.4%) to \$42.66 psf. As owners continue to invest into upgraded spaces and amenities, the expectation is that rents for top tier space will likely increase.

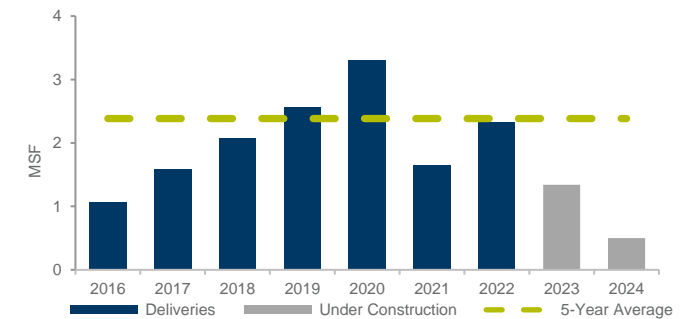
OUTLOOK

- Sublease availability will 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.

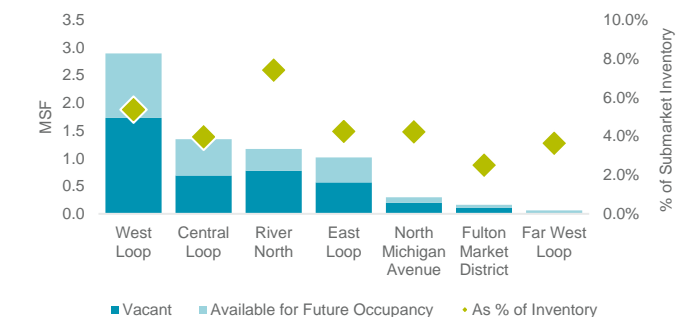
OVERALL NEW LEASING ACTIVITY



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	33,921,230	8,459,482	689,910	27.0%	-508,074	-1,985,436	966,894	0	\$40.27	\$48.40
East Loop	23,953,971	5,054,462	564,780	23.5%	-391,684	-707,550	544,429	0	\$37.61	\$41.70
Far West Loop	1,686,155	335,874	12,336	20.7%	-53,267	-51,568	71,826	0	\$33.11	N/A
Fulton Market District	6,506,080	1,355,371	109,529	22.5%	179,658	1,110,503	719,065	498,844	\$67.65	\$75.36
North Michigan Avenue	7,052,629	1,020,984	196,069	17.3%	-38,638	-210,194	189,559	0	\$40.94	\$44.51
River North	15,787,246	2,471,888	777,349	20.6%	-166,959	-428,354	707,814	1,339,702	\$41.14	\$47.64
West Loop	53,904,050	9,093,488	1,727,393	20.1%	-79,819	-518,131	2,368,787	0	\$44.57	\$48.45
DOWNTOWN TOTALS	142,811,361	27,791,549	4,077,366	22.3%	-1,058,783	-2,790,730	5,568,374	1,838,546	\$42.10	\$49.26

*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	77,887,270	12,533,115	2,281,960	19.0%	-50,732	101,927	3,424,329	1,838,546	\$50.76	\$49.26
Class B	51,675,745	12,223,246	1,667,824	26.9%	-843,409	-2,387,535	1,601,516	0	\$39.36	\$39.03
Class C	13,248,346	3,035,188	127,582	23.9%	-164,642	-505,122	542,529	0	\$30.22	\$30.18
DOWNTOWN TOTALS	142,811,361	27,791,549	4,077,366	22.3%	-1,058,783	-2,790,730	5,568,374	1,838,546	\$42.66	\$42.10

*Rental rates reflect gross asking \$/psf

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
540 West Madison Street	West Loop	Alvarez & Marsal Inc	41,957	Renewal*
500 West Madison Street	West Loop	Zoro Tools, Inc.	41,875	New
425 South Financial Place	Central Loop	Loop Capital Markets L.L.C.	36,676	New
500 West Madison Street	West Loop	Newcold USA Services	35,469	New
1 South Wacker Drive	West Loop	Trading Technologies International, Inc.	30,494	New
203 North LaSalle Street	Central Loop	Mintel	29,957	New
70 West Madison Street	Central Loop	Hennessy & Roach, P.C.	29,127	New

*Renewals are not included in leasing statistics

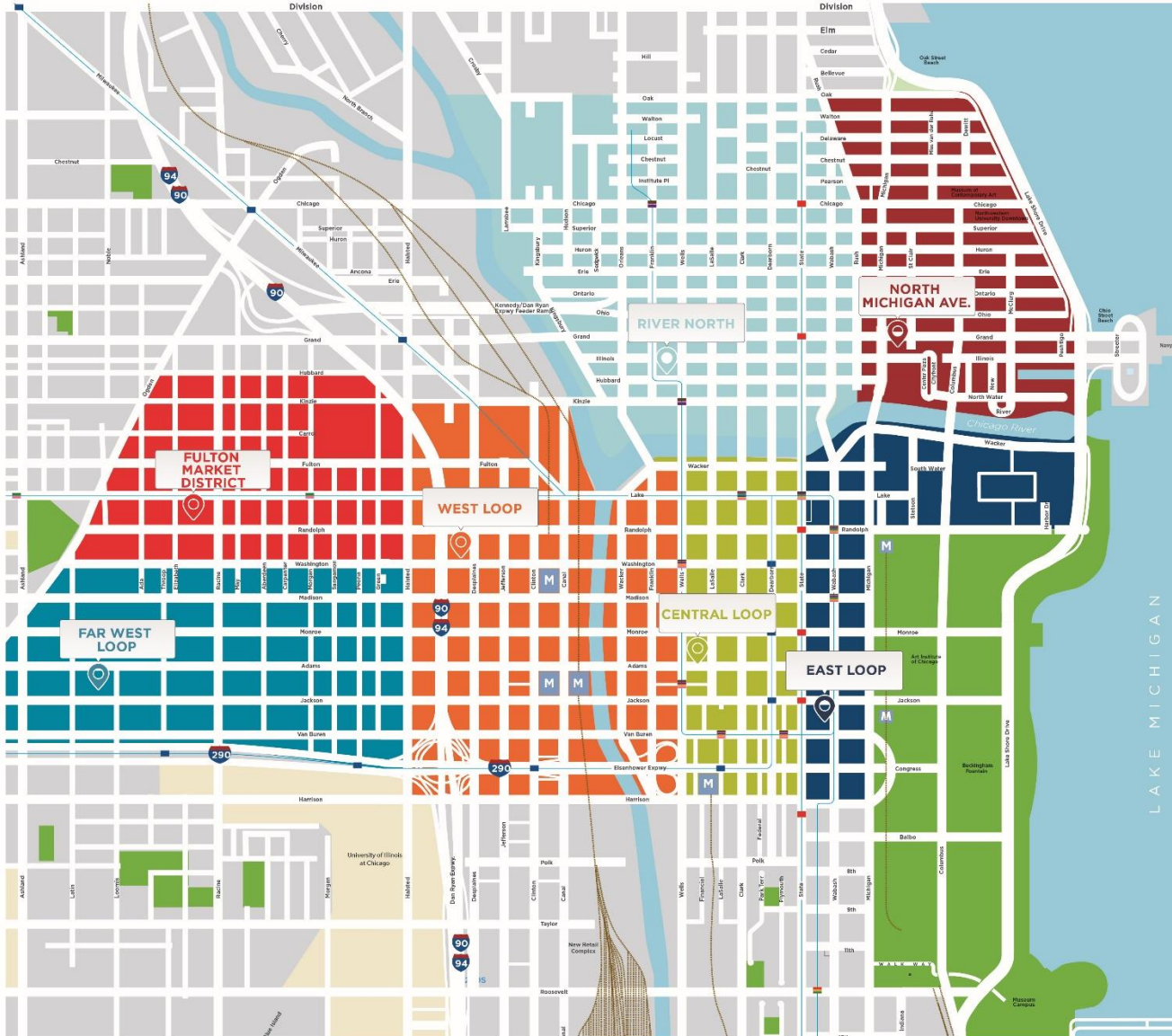
KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
600 West Jackson Boulevard	West Loop	Stockbridge Capital Group Farbman Group	111,104	\$10.8M \$97

CHICAGO CBD

Office Q4 2022

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