

YOY Chg      12-Mo. Forecast

**24.1%**  
Vacancy Rate



**-908K**  
YTD Net Absorption, SF



**\$24.89**  
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.

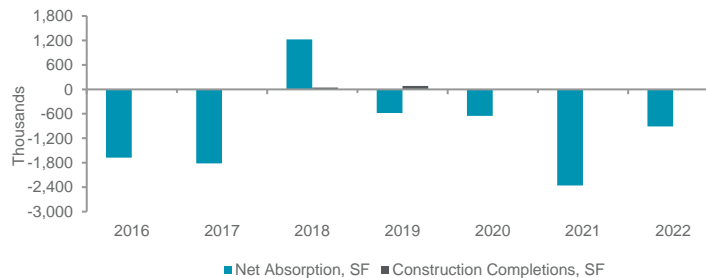
## DEMAND: Q4 Deals Push Leasing to Strongest Year since 2016

Vacancy remained steady in Q4, while asking rental rates rose slightly in the suburban Chicago market. Strong quarterly leasing continued the trends seen throughout 2022 with 146 leases recorded for a Q4 total of 797,686 square feet (sf) leased. Total new leasing for 2022 reached nearly 4.6 million square feet (msf), a YOY increase of 20.9%. Eastern East/West Corridor and Western East/West Corridor submarkets accounted for 42.1% of activity, totaling 185,270 sf and 149,846 sf of newly leased space in Q4, respectively. The Near North submarket also saw significant activity, recording its largest amount of new leasing (106,286 sf) since 2016, largely due to Underwriters Laboratories Inc. 53,075 sf lease at Orrington Plaza.

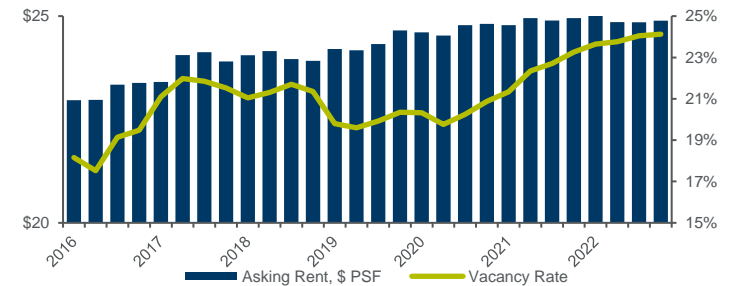
Net absorption across the suburban office market remained negative for a year-end total of negative 908,348 sf. Net absorption rose significantly to end the year recording a modest negative 25,182 sf after a combined total of negative 883,165 sf in the previous three quarters. This is the least negative absorption figure since Q3 2020. Year-to-date (YTD) net absorption is up 52% YOY, standing at negative 908,347 sf compared to negative 2,357,412 sf at the end of Q4 2021. Five submarkets saw small to moderate positive levels of net absorption; Central Northwest; Central North/Tri-State; and Near North. No submarket recorded year-end total positive absorption.

The Oakbrook Commons from Hines is in the initial proposal phase in the Eastern East/West Corridor. If completed, this innovative, \$500 million mixed-use development would include a 210,000-sf engineered timber office tower and would represent the first speculative office project in suburban Chicago since 2018. Completion is projected for 2025.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# CHICAGO SUBURBAN

Office Q4 2022



## SUPPLY: Overall and Sublease Vacancy Level-Off

Vacancies in the suburban office market continued to level off in Q4 after the sharp rise seen at the start of the pandemic. Direct vacancy rose only 10 bps quarter-over-quarter (QOQ) to 22.9%. Overall vacancy remained steady QOQ at 24.1%, though vacancy increased 80 bps from Q1. Class A vacancy increased 110 bps YOY to 25.1%, though decreased QOQ from 25.2% in Q3. The submarkets with the largest vacancy rates were North DuPage and Central Northwest at 30.8% and 30.5%, respectively. On the other end of the spectrum, O'Hare is the primary submarket with the lowest vacancy rate at 19.2%. The Far North and Southwest Corridor have the lowest overall vacancies at 15.9% and 11.3%, respectively, though these submarkets have low office inventory compared with other suburban submarkets.

Vacant sublease space decreased by 57,542 sf, for a new total of 1.2 msf; while the sublease vacancy rate falling by 10 bps to 1.2%, the lowest since Q4 2020. Sublease vacancies are largely concentrated within Central North/Tri-State, Central Northwest, and Eastern East/West Corridor. Collectively these submarkets account for 74.2% of sublease vacancies. Overall sublease availability stands at 3.4 msf, meaning there is an additional 2.2 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 remained flat but varied considerably across submarkets. Overall gross asking rents rose slightly by \$0.04 (0.1%), and Class A rents rose more significantly by \$0.15 (0.5%) QOQ to \$30.21 per square foot (psf). Class B rents rose slightly by \$0.03 (0.1%) QOQ to \$22.94 psf. The North DuPage submarket, where overall gross asking rents fell in Q3 22 to \$22.87 psf, the lowest in five years, recovered this quarter, rising by \$0.24 (1%) to a 2022 high of \$23.11 psf. Other submarkets that saw significant rental rate movement include Near North, which fell by \$0.10 (-0.3%) QOQ to \$28.17 psf, and Western East/West Corridor which fell by \$0.11 (-0.5%) QOQ to \$23.55 psf.

## OUTLOOK

- Leasing is up YOY, exceeding 2021's year-end total, returning to pre-pandemic levels.
- Vacancy in all office classes will likely remain steady, with Class-A space continuing to be in high demand and commanding a rental rate premium.
- As 2.2 msf of sublease space comes available in future quarters, the current trend of declining sublease vacancy will be challenged.

## 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	949,421	77,370	25.2%	-48,620	-196,549	39,248	0	\$18.77	N/A
Central Northwest	18,305,822	5,312,184	278,779	30.5%	39,810	-67,061	598,810	0	\$23.66	\$28.22
North DuPage	3,740,705	1,114,546	36,392	30.8%	-18,918	-16,014	198,490	0	\$23.11	\$24.63
<b>NORTHWEST TOTALS</b>	<b>26,120,446</b>	<b>7,376,151</b>	<b>392,541</b>	<b>29.7%</b>	<b>-27,728</b>	<b>-279,624</b>	<b>836,548</b>	<b>0</b>	<b>\$23.07</b>	<b>\$27.48</b>
Far North	983,959	156,570	0	15.9%	-8,192	-26,828	45,055	0	\$14.09	N/A
Central North/Tri-State	16,260,941	4,278,888	254,442	27.9%	37,809	-258,000	709,561	0	\$25.89	\$29.90
Near North	5,520,445	1,038,142	23,894	19.2%	28,187	-13,519	195,586	0	\$28.17	\$36.98
<b>NORTH TOTALS</b>	<b>22,775,345</b>	<b>5,473,600</b>	<b>278,336</b>	<b>25.3%</b>	<b>57,804</b>	<b>-298,347</b>	<b>950,202</b>	<b>0</b>	<b>\$26.06</b>	<b>\$31.27</b>
Eastern East / West	22,374,569	4,676,567	361,624	20.9%	-14,139	-196,214	1,659,684	0	\$25.60	\$30.72
Western East / West	13,535,320	2,995,798	112,086	23.0%	-5,510	-102,231	668,685	0	\$23.55	\$27.45
<b>EAST / WEST TOTALS</b>	<b>35,909,889</b>	<b>7,310,741</b>	<b>473,710</b>	<b>21.7%</b>	<b>-19,649</b>	<b>-298,445</b>	<b>2,328,369</b>	<b>0</b>	<b>\$24.76</b>	<b>\$29.63</b>
<b>O'Hare</b>	<b>12,913,246</b>	<b>2,447,005</b>	<b>34,733</b>	<b>19.2%</b>	<b>-41,565</b>	<b>-49,047</b>	<b>598,217</b>	<b>0</b>	<b>\$29.37</b>	<b>\$36.85</b>
<b>Southwest</b>	<b>1,634,167</b>	<b>172,738</b>	<b>12,667</b>	<b>11.3%</b>	<b>5,956</b>	<b>17,116</b>	<b>43,571</b>	<b>0</b>	<b>\$21.44</b>	<b>N/A</b>
<b>SUBURBAN TOTALS</b>	<b>99,353,093</b>	<b>22,780,235</b>	<b>1,191,987</b>	<b>24.1%</b>	<b>-25,182</b>	<b>-908,347</b>	<b>4,756,907</b>	<b>0</b>	<b>\$24.89</b>	<b>\$30.21</b>

\*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	38,076,204	9,032,795	534,769	25.1%	25,865	-433,098	2,556,820	0	\$30.39	\$30.21
CLASS B	44,562,141	10,340,860	636,795	24.6%	-88,260	-303,355	1,626,009	0	\$22.94	\$22.70
CLASS C	16,714,748	3,406,580	20,423	20.5%	37,213	-171,894	574,078	0	\$17.61	\$17.59

\*Rental rates reflect gross asking \$psf/year

## KEY LEASE TRANSACTIONS Q4 2022

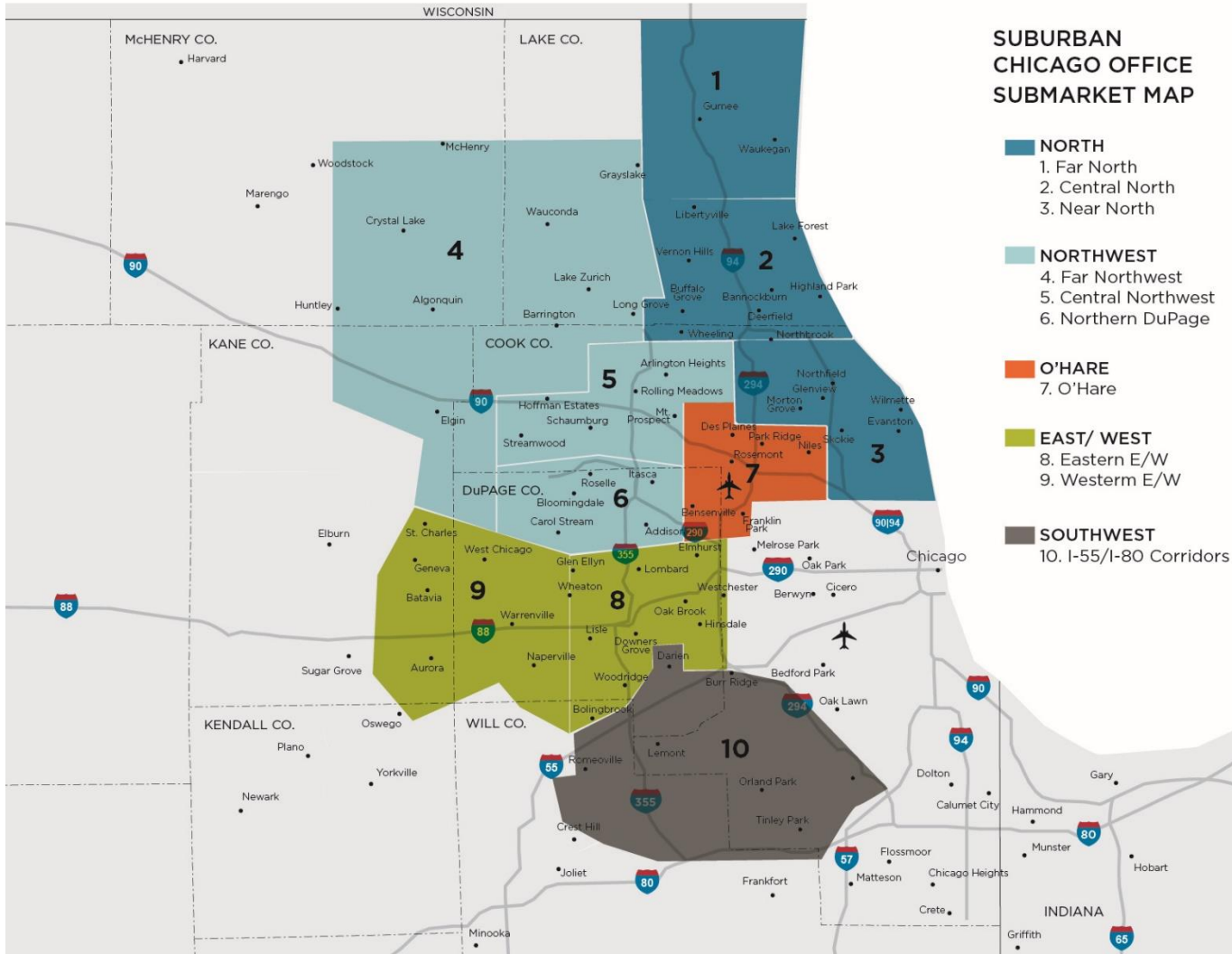
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Orrington Plaza	Near North	Underwriters Laboratories Inc.	53,075	New
Oak Creek Center	Eastern East/West Corridor	Griffith Foods	27,779	New
2001 Butterfield Road	Eastern East/West Corridor	JMG Financial Group	23,029	Renewal*
Woodfield Corporate Center	Central Northwest	AVI-SPL	21,599	New
Aria Park Innovation Center	Eastern East/West Corridor	Illinois Department of Employment Security	21,175	New

\*Renewals are not included in leasing statistics

# CHICAGO SUBURBAN

Office Q4 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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