



TRANSWESTERN

CHICAGO CBD OFFICE MARKET

Q2 2023



TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.2	4.5	↓	5.7	↑
YTD NET ABSORPTION (Thousands SF)	178	-238	↑	-96	↓
DIRECT VACANCY RATE	19.4%	17.5%	↑	14.6%	↑
DIRECT VACANT SF (MSF)	30.6	27.4	↑	22.3	↑
AVAILABLE SUBLET SF (MSF)	8.1	6.1	↑	5.0	↔
UNDER CONSTRUCTION (MSF)	0.9	1.5	↓	4.2	↓
MARKET RENT, FULL SERVICE (PSF)	\$41.79	\$41.56	↑	\$41.33	↔
YTD SALES VOLUME (Millions)	\$0	\$66	↓	\$312	↑

Source: Transwestern , Bureau of Labor Statistics, CoStar, Real Capital Analytics

In the second quarter of 2023, the Chicago office market was stagnant and uneasy. However, there was positive absorption of 177,609 square feet as Salesforce relocated to the newly finished development at 333 W. Wolf Point Plaza. Despite this, the direct vacancy rate rose by 50 basis points to 19.4% due to leased but unoccupied space in the new development. The amount of available sublease space is still increasing and leasing activity remains lower than pre-pandemic levels.

Construction activity has reached its lowest level in a decade. Investment sales have ceased entirely and many office properties available on the market are valued at barely enough to cover their existing debt.

Although the office market is generally in a poor state, highly desirable trophy assets are still performing well. Most tenants are seeking to consolidate their space requirements and relocate to more upscale buildings. Consequently, the buildings they leave behind will need to be repurposed and numerous building owners are contemplating the possibility of converting their office spaces into residential properties.

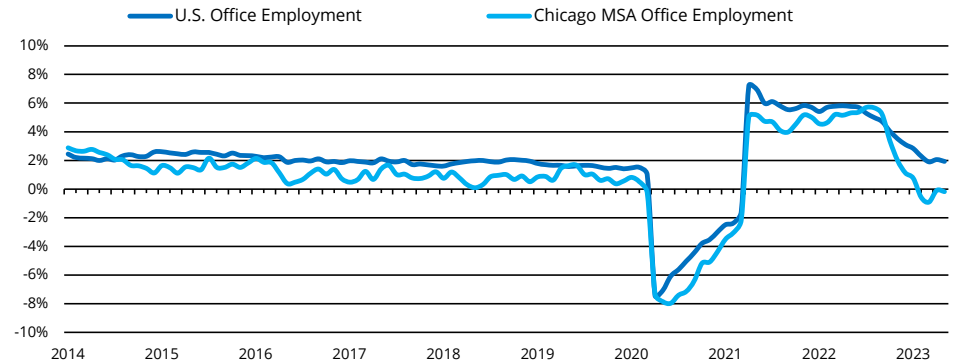


ECONOMY

Soft Landing May Be Possible After All

- The Federal Reserve (Fed) added one more interest rate hike in the second quarter of 2023, bringing the current range of federal funds rate up to 5.00% to 5.25%. In June, the Fed choose not to raise rates again for the first time since March 2022. The turmoil seen in the banking sector in the first quarter of 2023 seems to have subsided. After two bank failures in March, there was one additional failure in May, First Republic Bank, but there does not appear to be any immediate crisis on the horizon. However, there is still significant stress in financial markets and growing concerns about commercial real estate loan defaults. Meanwhile, the inflation problems that caused the Fed to raise rates seem to be subsiding. Annual inflation as measured by the consumer price index was down to 3.0% in June, the lowest it has been since reaching a high of 9.1% in June of 2022.
- The economy continues to add jobs at an impressive pace with an estimated 732,000 jobs created in the U.S. in the second quarter of 2023. Weekly initial unemployment claims reached 265,000 in mid-June, the highest level seen since October 2021, but have since returned to lower levels. The ongoing resiliency of the labor market is providing hope that the Fed’s efforts to rein in inflation may indeed end with a “soft landing” rather than the recession many have feared.
- Locally, the unemployment rate was 3.2% in May, slightly lower than the U.S. rate of 3.7%. Approximately 82,000 jobs were added to the local economy over the past year with Leisure and Hospitality jobs leading the pack, closely followed by Education and Health Services.
- The number of office-using jobs in the U.S. increased by 1.9% year over year in May; locally, office-using jobs decreased by 0.2% during the same period. The Professional and Business Services industry lost 3,600 jobs in the Chicago area year over year, the Information industry lost 2,600 jobs and the Financial Activities industry gained 4,000 jobs.

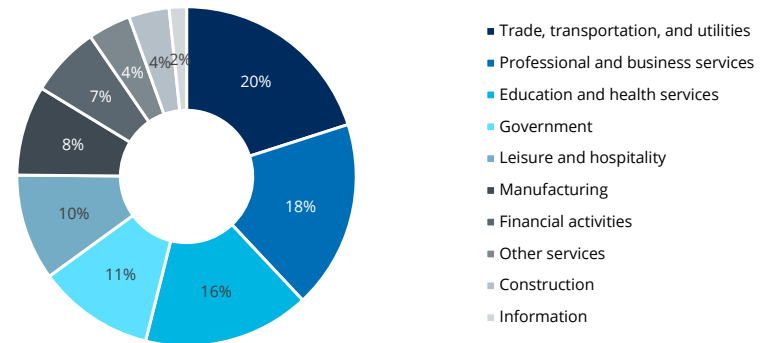
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics

SHARE OF EMPLOYEES BY INDUSTRY

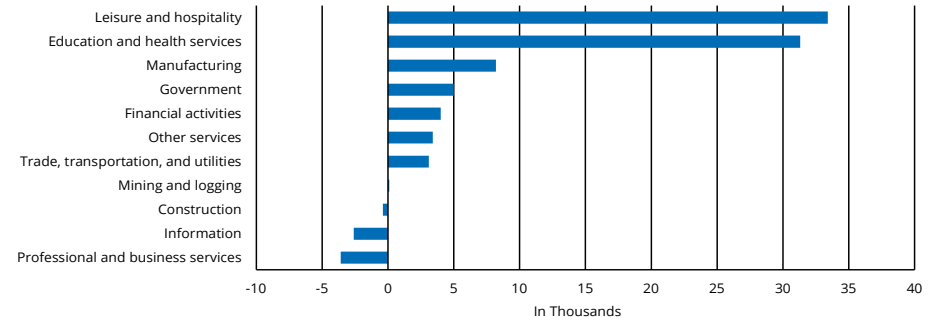
Chicago MSA | May 2023



Source: Bureau of Labor Statistics

Y-O-Y JOB GROWTH BY INDUSTRY

Chicago MSA | May 2023



Source: Bureau of Labor Statistics



NET ABSORPTION

Positive Class A Absorption

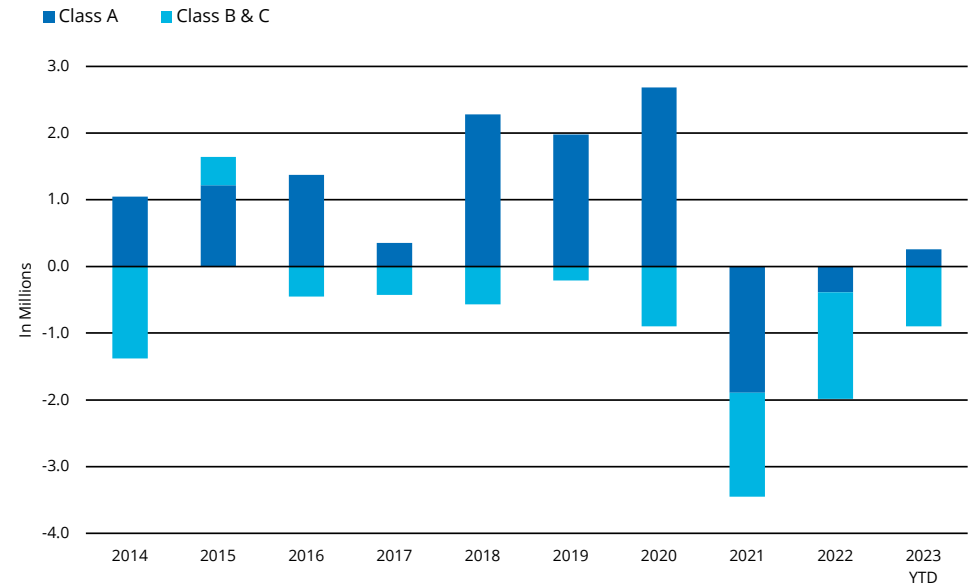
- Net absorption totaled positive 177,609 square feet during the second quarter of 2023. There was positive 380,360 square feet in the Class A sector and negative 202,751 square feet in the Class B and C sectors.
- The most positive absorption was seen in the River North submarket, where Salesforce moved into 500,000 square feet at 333 W. Wolf Point Plaza, the new 1.2 million-square-foot office tower that was completed in the second quarter. Salesforce also left behind approximately 120,000 square feet at 111 W. Illinois St. in River North.
- Many renewing tenants are giving back space, and most tenants in the market are aiming to contract their space usage considerably. Due to this, more negative absorption can be expected in the future.

LEASING ACTIVITY

Deal Volume Remains Sluggish

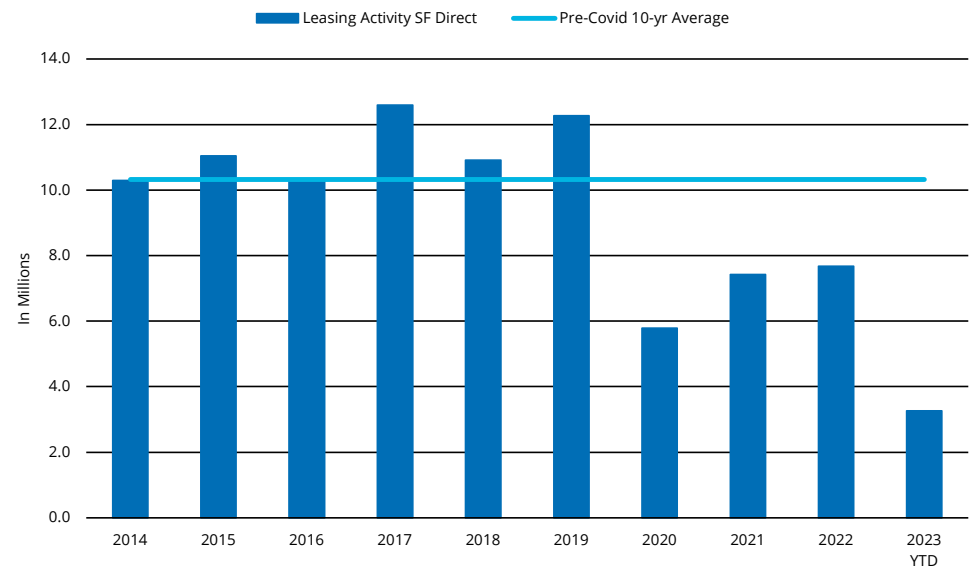
- Direct leasing activity measured 1.7 million square feet during the second quarter of 2023, still significantly less than the quarterly average of 2.6 million square feet seen in the 10 years prior to COVID-19.
- There were two new direct deals larger than 50,000 square feet signed in the second quarter of 2023, after two consecutive quarters without any. Both of these large deals were signed at 320 S. Canal St., the 1.5 million-square-foot tower completed in 2022. Antares Capital signed on for 87,586 square feet and Molson Coors leased 83,848 square feet.
- There were only 14 new direct deals larger than 15,000 square feet with identified tenants in the second quarter, 11 renewals, and three subleases.
- Tenants in the market are increasingly concerned with the financial position of the owners of prospective buildings. As tenants look to avoid buildings in financial distress, leasing activity will be increasingly concentrated in the most desirable buildings. Meanwhile, buildings that are struggling will continue to miss out on leasing opportunities and fall into further distress.

NET ABSORPTION BY CLASS



Source: Transwestern, CoStar

LEASING ACTIVITY



Source: Transwestern, CoStar



DIRECT VACANCY

Vacancy Rate Continues to Rise

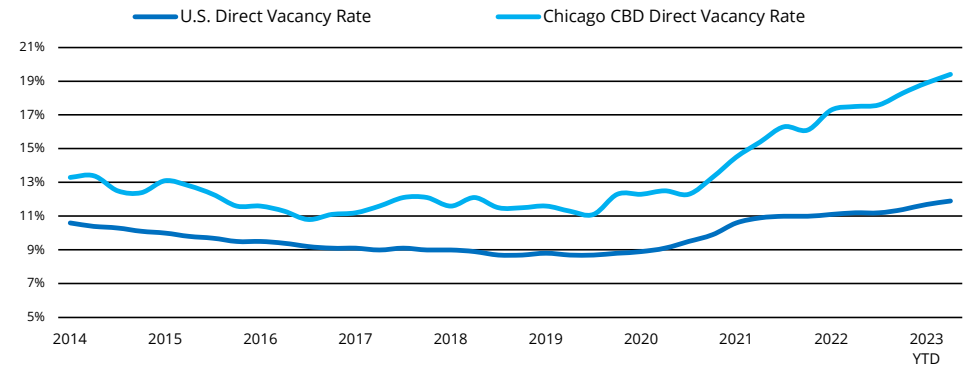
- The direct vacancy rate in Chicago’s CBD increased by 50 basis points during the second quarter to 19.4%, up 190 basis points year over year.
- Chicago’s Class A direct vacancy rate increased by 60 basis points during the second quarter to 17.6%, while the Class B and C rate increased by 40 basis points to 23.8%.
- Chicago’s vacancy rates continue to climb faster than in other U.S. cities as Chicago’s office market grapples with challenges that existed before COVID-19 took a toll on the office sector. Large amounts of new inventory came online just when leasing activity came to a standstill, leaving many large blocks of vacancy difficult to fill. Chicago’s vacancy rate can be expected to climb even further as sublease spaces roll to direct availability and tenant contractions come to fruition.

SUBLEASE AVAILABILITY

Historic Abundance of Sublease Space

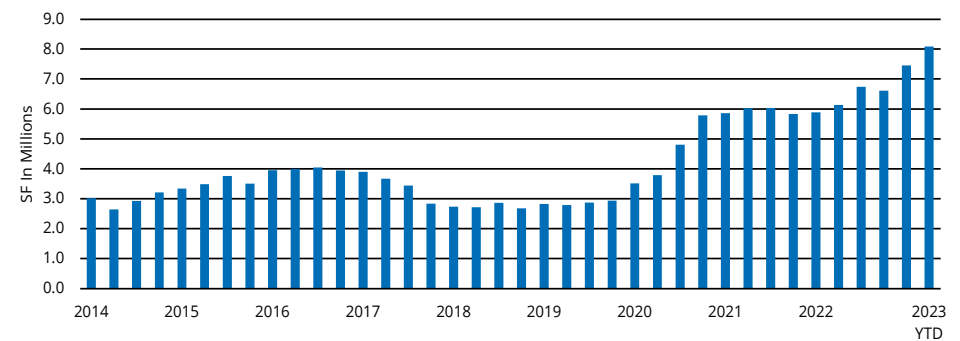
- The amount of available sublease space increased by 632,164 square feet in the second quarter of 2023 to another historic high of 8.1 million square feet, representing approximately 5% of total inventory.
- Four blocks of sublease space larger than 50,000 square feet were added to the market in the second quarter. The largest were Facebook’s 78,800 square feet at 151 N. Franklin St. and Golub Capital’s 75,202 square feet at 150 S. Wacker Drive.
- Cars.com, ArentFox Schiff, and YMCA of USA recently took large blocks of sublease space off the market after finding no takers.
- The West Loop has 40% of the total available sublease space, followed by the Central Loop, which has 21%.

DIRECT VACANCY RATE



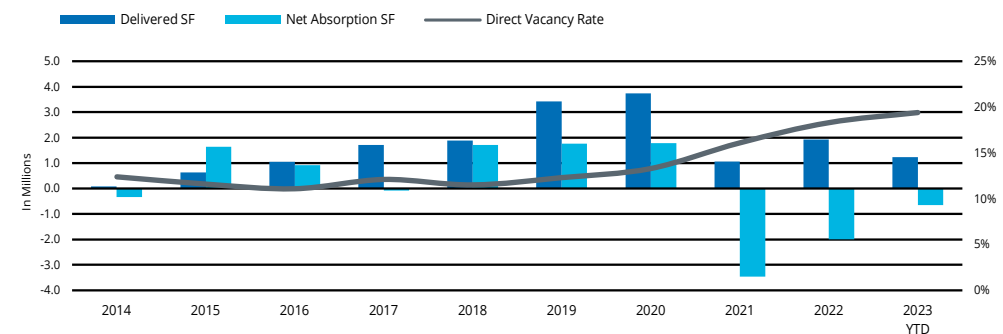
Source: Transwestern, CoStar

AVAILABLE SUBLEASE SPACE



Source: Transwestern, CoStar

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern, CoStar

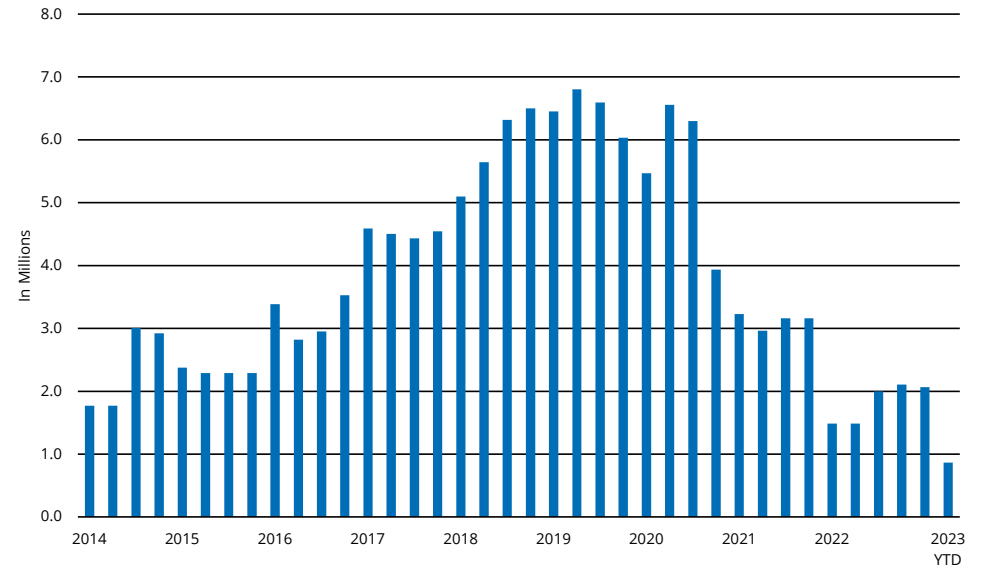


UNDER CONSTRUCTION

Office Pipeline Slows

- Chicago’s development pipeline had 864,481 square feet under construction at the end of the second quarter, down significantly from the high tide of 6.8 million square feet under construction in 2019.
- Salesforce Tower, a 1.2 million-square-foot trophy tower at 333 W. Wolf Point Plaza in the River North submarket, was completed in the second quarter of 2023. In 2021, Kirkland & Ellis signed on to join Salesforce as an anchor tenant in the building. The building is 100% preleased, but Salesforce recently put 119,950 square feet of its 500,000 square feet on the sublease market.
- The other significant office development still under construction is 360 N. Green St., a 493,683-square-foot office property in Fulton Market. Boston Consulting Group signed on for approximately 250,000 square feet in May of 2022. The building is expected to be delivered in March 2024.
- Office construction in Chicago’s CBD is expected to remain constrained in the coming years as high interest rates and an uncertain future for office demand keep developers and investors on the sidelines. However, continued enthusiasm for the Fulton Market area and tenant demand for the highest quality space may tempt some bullish developers to move forward with their plans.

UNDER CONSTRUCTION



Source: Transwestern, CoStar

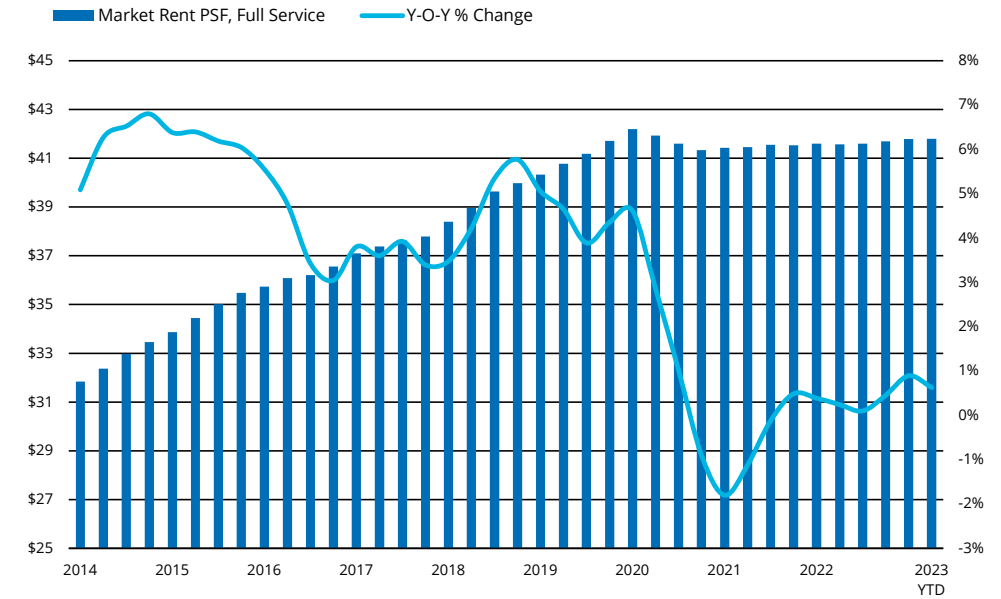


RENTAL RATES

Market Rents Hold Steady

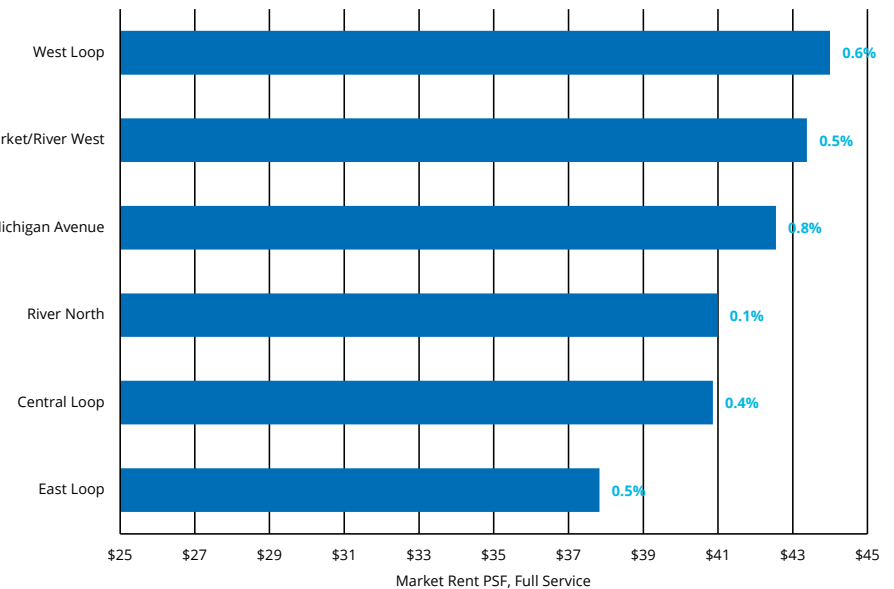
- Market rents continue to hold firm despite elevated vacancy, up 0.6% year over year to \$41.79 per square foot in the second quarter.
- Class A market rents rose 0.7% year over year to \$44.61 per square foot in the first quarter. The Class A market should see rents hold strong and perhaps increase over the next 12 months as flight to quality drives competition for the highest quality space. Class B and C market rents have held steady but are not expected to increase.
- Landlords have widely elected to offer more robust concession packages while maintaining face rents. Rent abatement has increased slightly, and tenant improvement allowances have increased significantly due to higher construction costs. In some cases, tenant improvement allowances are especially high to cover termination penalties and existing lease obligations.
- Class A rents in the Fulton Market/River West and West Loop submarkets continue to rise above all the other submarkets.

MARKET RENT



Source: Transwestern, CoStar

MARKET RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: Transwestern, CoStar

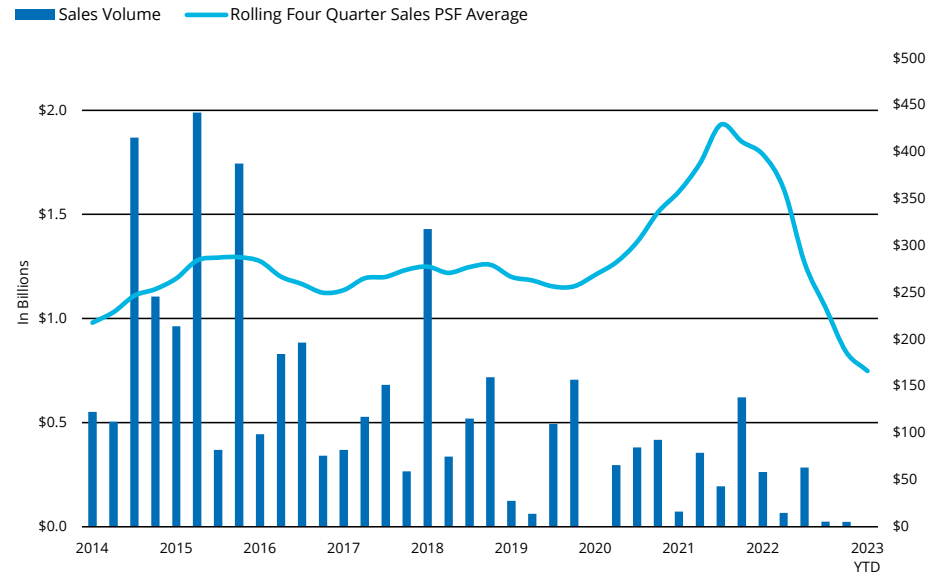


SALES

Investment Sales Come to a Halt

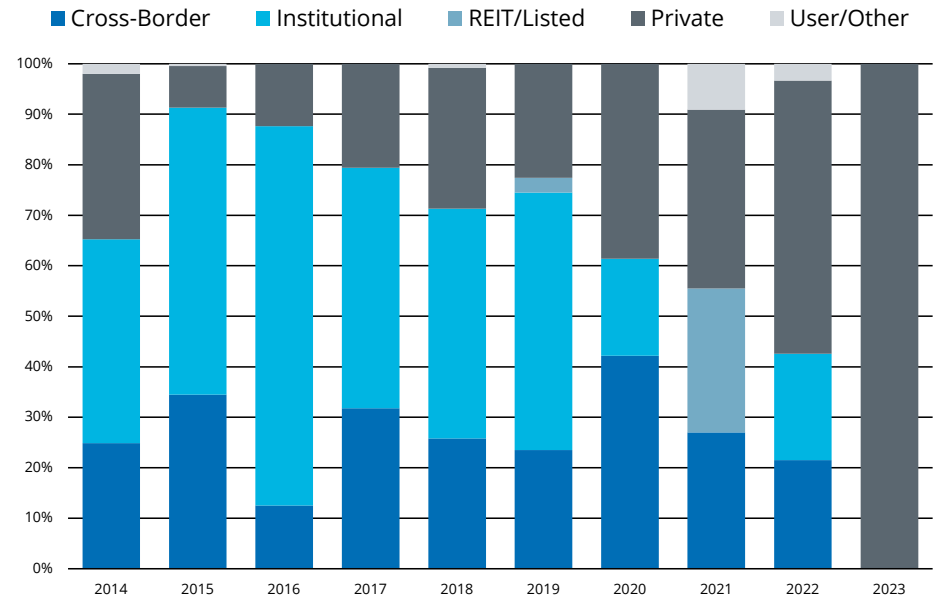
- There were no office investments in Chicago’s CBD in the second quarter.
- There are two office buildings under contract. Agave Holdings is in the process of acquiring 300 S. Wacker Drive for approximately \$92 million, or \$180 per square foot. Chicago developer R2 is in negotiations to acquire 150 N. Michigan Ave. for an estimated \$60 million, or \$92 per square foot. Both of these deals would eliminate any equity the ownership entities once had in the buildings and depend on the lender’s willingness to both take a loss on the remaining loan balance and provide financing to the buyer.
- The majority of buildings currently on the market are likely to be worth less than the existing debt on the property. It is difficult for buyers, sellers, and lenders to know what the current value of a property is when there have been no recent sales for comparison.
- Some of the buildings on the market are being positioned as prime candidates for residential conversions. However, for a conversion to be financially viable, a buyer would have to pay a very low price to acquire the property. Once enough sales are completed to establish the new bottom sales price, it is likely that more sales for conversions will happen.
- There are a significant number of buildings in various levels of financial distress, particularly in the Central Loop. Owners are faced with higher interest rates, higher construction costs, concerns about property tax increases, lower occupancy, and continued uncertainty about future office demand. These factors have some owners questioning the wisdom of making the reinvestments necessary to attract tenants or continuing to make debt payments.
- There are now 14 office buildings in Chicago’s CBD with loans being overseen by special servicers.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



Q2 2023 NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
Aon	200 E. Randolph St.	East Loop	Ren/Con	300,000
ArentFox Schiff	233 S. Wacker Drive	West Loop	Ren	184,747
Antares Capital	320 S. Canal St.	West Loop	New	87,586
Molson Coors	320 S. Canal St.	West Loop	New	83,848
OFI (Olam)	24 E. Washington St.	East Loop	New	79,738
Raymond James	120 S. Riverside Plaza	West Loop	New	58,196
The Vistria Group	300 E. Randolph St.	East Loop	Ren/Exp	40,000
PT Financial Companies, LLC	500 W. Madison St.	West Loop	Ren	39,862
Armstrong Teasdale	100 N. Riverside Plaza	West Loop	Ren	34,109
Wilson Dow	311 N. Green St.	River West	New	31,822
Paper Source	125 S. Clark St.	Central Loop	Ren	28,638
SOMPO	155 N. Wacker Drive	West Loop	New	28,000
Insight Global	353 N. Clark St.	River North	Ren	27,043
Oak Street Health	30 W. Monroe St.	Central Loop	Ren	26,848
Ahead	444 W. Lake St.	West Loop	Sublease	26,300
Bank Administration Institute	222 W. Adams St.	West Loop	New	25,875
Helix Logistics	227 W. Monroe St.	West Loop	New	25,632
Roetzel & Andress	70 W. Madison St.	Central Loop	Sublease	23,909
Risk Placement Services	525 W. Van Buren St.	West Loop	Ren	22,287
PHMG	401 N. Michigan Ave.	North Michigan Ave	Ren/Con	22,225
Heartland Alliance	55 E. Monroe St.	East Loop	New	20,941
The Commercial Club Foundation	190 S. LaSalle St.	Central Loop	New	20,648
Turf Experience Center	222 W. Merchandise Mart Plaza	River North	Ren/Exp	18,682
Insight 2 Profit	125 S. Wacker Drive	West Loop	New	18,511
MassMutual	30 S. Wacker Drive	West Loop	New	18,000
Nelson Mullins Riley & Scarborough	123 N. Wacker Drive	West Loop	Sublease	16,694
Leapfrog Brands	1400 N. Kingsbury St.	Goose Island	New	15,499
Axis Insurance Company	233 S. Wacker Drive	West Loop	New	15,000

= Transwestern deal

Source: Transwestern, CoStar



2023 NOTABLE SALES

ADDRESS	STATUS	DATE	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
230 W. MONROE ST.	On the Market	Q2 2023	West Loop	\$62,000,000	623,524	\$99	Morgan Stanley (Lender)	TBD
111 W. WASHINGTON ST.	On the Market	Q2 2023	Central Loop	Undisclosed	584,000	NA	Golub & Co	TBD
33 N. LASALLE ST.	On the Market	Q2 2023	Central Loop	\$48,000,000	402,000	\$119	John Buck Company	TBD
20 W. KINZIE ST.	On the Market	Q2 2023	River North	\$60,000,000	280,000	\$214	Alter Group	TBD
213 W. INSTITUTE PLACE	On the Market	Q2 2023	River North	\$20,000,000	148,949	\$134	KBS	TBD
620 N. LASALLE ST.	On the Market	Q2 2023	River North	\$14,000,000	89,514	\$156	Next Realty	TBD
203 N. LASALLE ST.	On the Market	Q1 2023	Central Loop	\$95,000,000	620,330	\$153	Sumitomo	TBD
35 E. WACKER DRIVE	On the Market	Q1 2023	East Loop	\$50,000,000	570,000	\$88	Dorchester Corp	TBD
311 S. WACKER DRIVE	On the Market	2022	West Loop	\$130,000,000	1,313,317	\$99	Morgan Stanley (Lender)	TBD
200 S. WACKER DRIVE	On the Market	2022	West Loop	\$155,000,000	754,751	\$205	Manulife	TBD
150 N. MICHIGAN AVE.	Under Contract	Q2 2023	East Loop	\$60,000,000	654,508	\$92	Metlife (Lender)	R2
300 S. WACKER DRIVE	Under Contract	Q2 2023	West Loop	\$92,000,000	512,354	\$180	Golub/Alcion	Agave Holdings
900 N. BRANCH ST.	Sold	Q1 2023	Outside CBD	\$17,500,000	179,490	\$97	Bradford Allen	WP Carey
1033 W. VAN BUREN ST.	Sold	Q1 2023	West Loop	\$6,000,000	84,000	\$71	Mon Ami Partners	Case Equity/Lexington Realty

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS TABLE

All Classes of Space | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	36,101,287	8,553,866	23.7%	25.6%	0	-73,379	-232,829	\$40.86
EAST LOOP	26,279,283	5,033,810	19.2%	20.4%	0	21,167	-207,917	\$37.83
FULTON MARKET/RIVER WEST	8,173,545	1,137,241	13.9%	16.1%	493,680	52,445	155,483	\$43.38
NORTH MICHIGAN AVE	11,443,682	1,871,037	16.3%	18.4%	0	-101,362	-29,555	\$42.55
RIVER NORTH	17,596,871	3,567,075	20.3%	24.2%	217,000	417,735	38,659	\$40.99
WEST LOOP	58,517,996	10,452,109	17.9%	20.3%	48,560	-138,997	-367,283	\$44.00
TOTAL	158,131,719	30,615,138	19.4%	21.6%	864,481	177,609	-643,442	\$41.79

Source: Transwestern, CoStar

MARKET INDICATORS TABLE

Class A | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	21,038,717	4,754,043	22.6%	24.6%	0	-37,561	-47,446	\$44.64
EAST LOOP	17,768,298	3,114,031	17.5%	18.6%	0	-1,973	-97,601	\$40.16
FULTON MARKET/RIVER WEST	5,107,170	472,592	9.3%	12.0%	493,680	91,816	276,108	\$50.54
NORTH MICHIGAN AVE	9,228,073	1,300,853	14.1%	16.7%	0	-100,443	-16,881	\$44.22
RIVER NORTH	11,558,451	2,249,060	19.5%	24.5%	217,000	449,799	203,338	\$43.60
WEST LOOP	47,794,808	7,877,423	16.5%	18.9%	48,560	-21,278	-62,260	\$45.88
TOTAL	112,495,517	19,768,002	17.6%	20.0%	864,481	380,360	255,258	\$44.61

Source: Transwestern, CoStar

MARKET INDICATORS TABLE

Class B & C | Q2 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	15,062,570	3,799,823	25.2%	27.1%	0	-35,818	-185,383	\$35.58
EAST LOOP	8,510,985	1,919,779	22.6%	24.3%	0	23,140	-110,316	\$32.99
FULTON MARKET/RIVER WEST	3,066,375	664,649	21.7%	23.1%	0	-39,371	-120,625	\$30.29
NORTH MICHIGAN AVE	2,215,609	570,184	25.7%	25.7%	0	-919	-12,674	\$35.63
RIVER NORTH	6,038,420	1,318,015	21.8%	23.8%	0	-32,064	-164,679	\$35.90
WEST LOOP	10,723,188	2,574,686	24.0%	26.5%	0	-117,719	-305,023	\$35.59
TOTAL	45,636,202	10,847,136	23.8%	25.6%	0	-202,751	-898,700	\$34.79

Source: Transwestern, CoStar



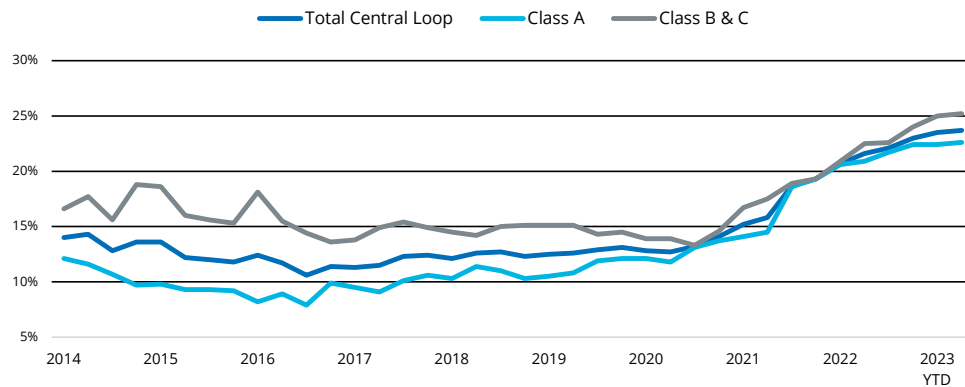
CENTRAL LOOP

Reinvention on the way

- The Central Loop has lost multiple large tenants to new trophy towers in the West Loop in recent years. LaSalle Street, the center of Chicago’s historic Financial District, will need to reinvent itself in order to remain relevant. There are plans to convert underutilized office space into residential and hotel uses and reinvigorate retail spaces with tenants that will enhance the neighborhood.
- LARGEST NEW DEAL: The Commercial Club Foundation - 20,648 square feet - 190 S. LaSalle St.
- LARGEST RENEWAL: Paper Source - 28,638 square feet - 125 S. Clark St.

The Central Loop’s boundaries are the Chicago River (north), Wells Street (west), State Street (east), and Harrison Street (south). The Central Loop includes the Financial District, as well as many government offices, law firms, and professional services.

DIRECT VACANCY



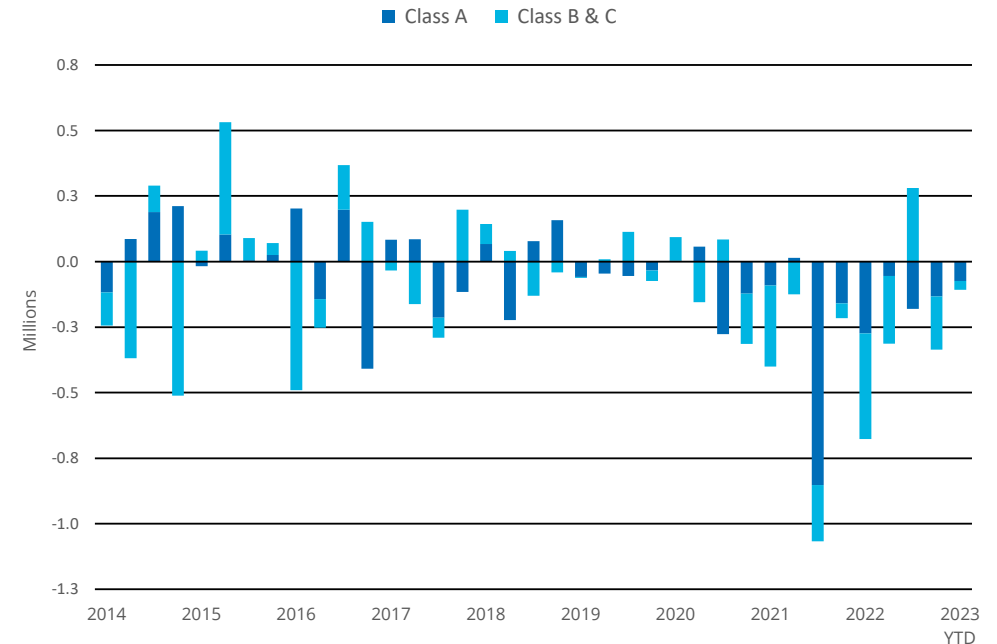
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2023	Q2 2022	TREND
INVENTORY	36,101,287	36,101,287	↔
DIRECT VACANCY RATE	23.7%	21.6%	↑
OVERALL VACANCY RATE	25.6%	22.9%	↑
YTD NET ABSORPTION (SF)	(232,829)	(810,286)	↑
YTD DIRECT LEASING ACTIVITY (SF)	673,786	499,166	↑
AVAILABLE SUBLEASE (SF)	1,721,377	969,567	↑
CLASS A MARKET RENT	\$44.64	\$44.41	↑
CLASS B & C MARKET RENT	\$35.58	\$35.47	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



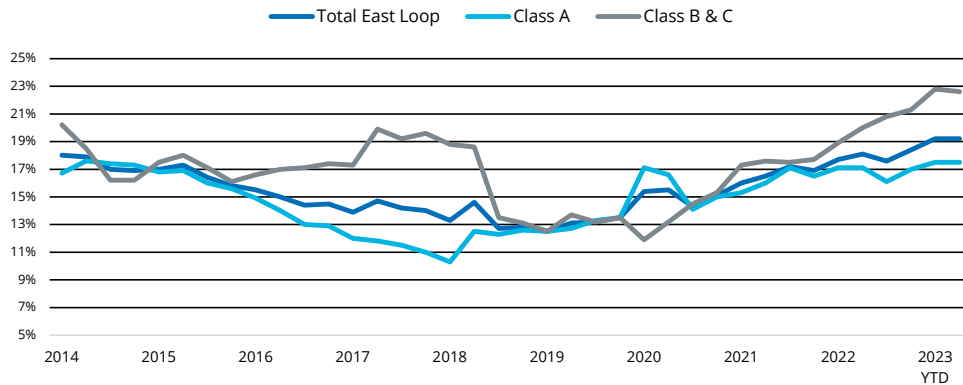
EAST LOOP

Holding Steady

- The East Loop had 21,167 square feet of positive absorption in the second quarter, the direct vacancy rate remained unchanged at 19.2% and the overall vacancy rate decreased by 20 basis points to 20.4%.
- LARGEST DIRECT NEW DEAL: OFI (Olam) - 79,738 square feet - 24 E. Washington St.
- LARGEST RENEWAL: AON - 300,000 square feet (contraction of 100,000 square feet) - 200 E. Randolph St.
- NEW LARGE BLOCK OF SUBLEASE SPACE: Omnicom Group - 68,820 square feet - 225 N. Michigan Ave.

The East Loop is bordered by the Chicago River (north), State Street (west), Lake Michigan (east), and Harrison Street (south). It is inhabited by a variety of corporate tenants with a heavy lean toward advertising and media firms.

DIRECT VACANCY



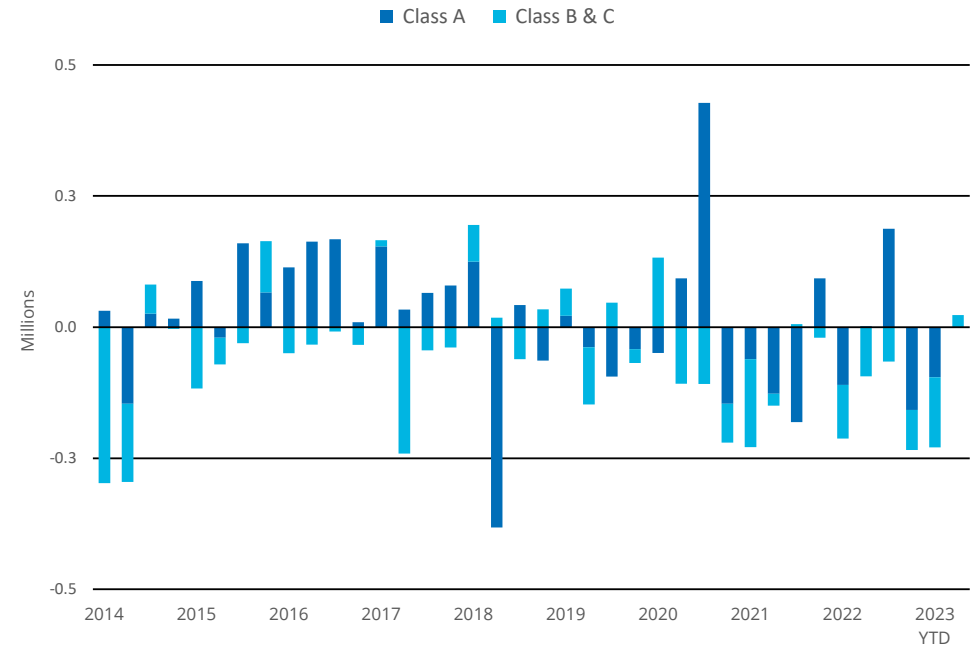
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2023	Q2 2022	TREND
INVENTORY	26,279,283	26,324,283	↓
DIRECT VACANCY RATE	19.2%	18.1%	↑
OVERALL VACANCY RATE	20.4%	20.5%	↓
YTD NET ABSORPTION (SF)	(207,917)	(304,551)	↑
YTD TOTAL LEASING ACTIVITY (SF)	179,387	463,943	↓
AVAILABLE SUBLEASE (SF)	1,037,149	1,014,925	↑
CLASS A MARKET RENT	\$40.16	\$39.87	↑
CLASS B & C MARKET RENT	\$32.99	\$32.96	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



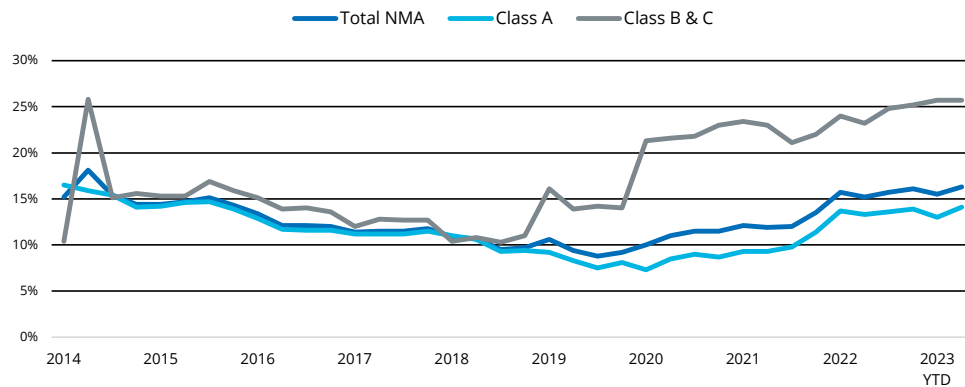
NORTH MICHIGAN AVENUE

No New Deals

- The North Michigan Avenue submarket had 101,362 square feet of negative absorption in the second quarter, the direct vacancy rate increased by 80 basis points to 16.3% and the overall vacancy rate increased by 100 basis points to 18.4%.
- There were no direct new deals larger than 15,000 square feet signed in the second quarter.
- **LARGEST RENEWAL:** PHMG - 22,225 square feet (contraction of 7,300 square feet) - 401 N. Michigan Ave.

The North Michigan Avenue submarket borders include Division Street (north), State Street (west), Lake Michigan (east), and the Chicago River (south). It is home to retailers, hotels, restaurants, entertainment venues, advertising and marketing agencies, and the Northwestern Memorial Hospital campus.

DIRECT VACANCY



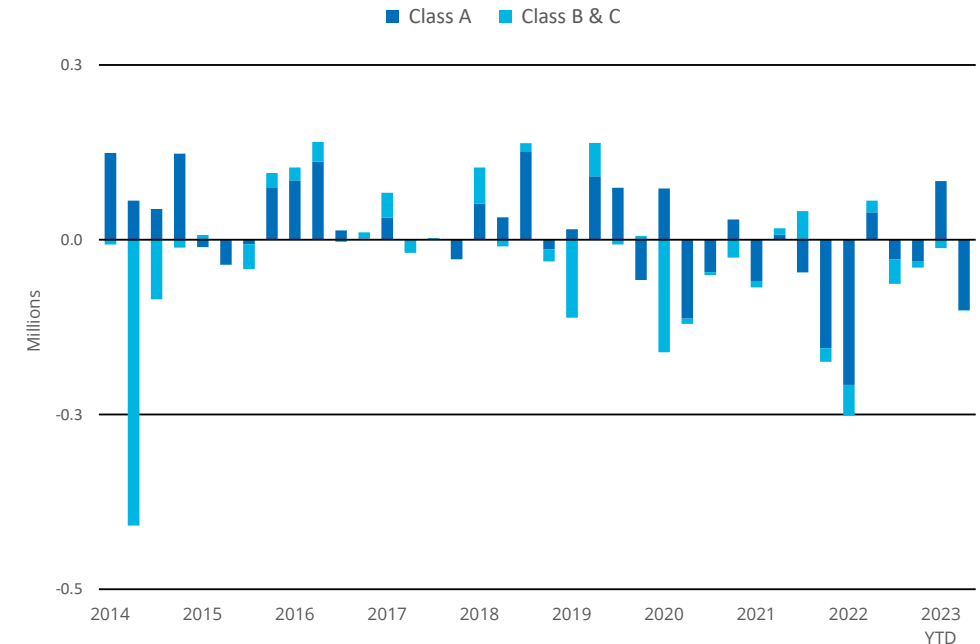
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2023	Q2 2022	TREND
INVENTORY	11,443,682	11,443,682	↔
DIRECT VACANCY RATE	16.3%	15.2%	↑
OVERALL VACANCY RATE	18.4%	16.6%	↑
YTD NET ABSORPTION (SF)	(29,555)	(195,217)	↑
YTD TOTAL LEASING ACTIVITY (SF)	135,145	138,333	↓
AVAILABLE SUBLEASE (SF)	490,019	385,835	↑
CLASS A MARKET RENT	\$44.22	\$43.80	↑
CLASS B & C MARKET RENT	\$35.63	\$35.42	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



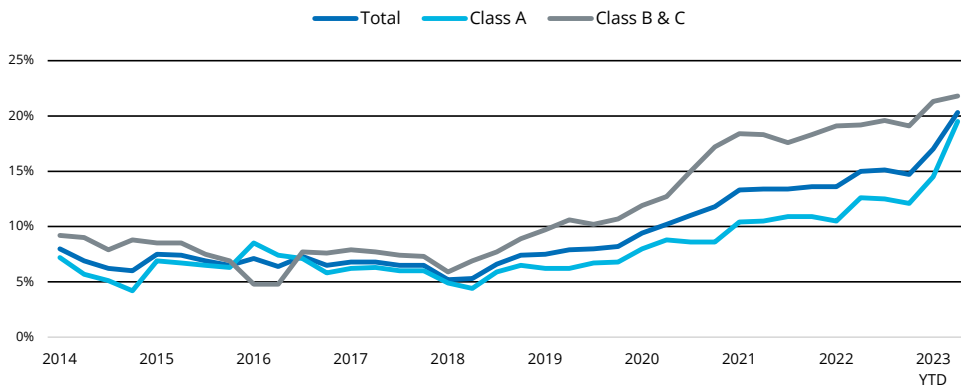
RIVER NORTH

Salesforce Tower Delivered

- Salesforce Tower, a 1.2 million-square-foot trophy tower at 333 W. Wolf Point Plaza, was completed in the second quarter of 2023. The building is 100% preleased. Salesforce moved into its namesake tower in the second quarter, creating positive absorption. Salesforce put 119,950 square feet of its space on the sublease market before moving in. Kirkland and Ellis' 600,000 square feet remain vacant until the law firm takes occupancy in the third quarter, causing the vacancy rate to increase.
- There were no direct new deals larger than 15,000 square feet signed in the second quarter.
- LARGEST RENEWAL: Insight Global - 27,043 square feet - 353 N. Clark St.
- NEW LARGE BLOCKS OF SUBLEASE SPACE:
 - Salesforce - 119,950 square feet - 333 W. Wolf Point Plaza
 - PayPal - 53,676 square feet - 222 W. Merchandise Mart

The borders of the River North submarket are defined as Division Street (north), State Street (east), and the Chicago River (west & south). Historically, it has been home to small, older buildings that cater to furniture galleries and small businesses, but has more recently become a hub for technology, startups, and trading firms.

DIRECT VACANCY



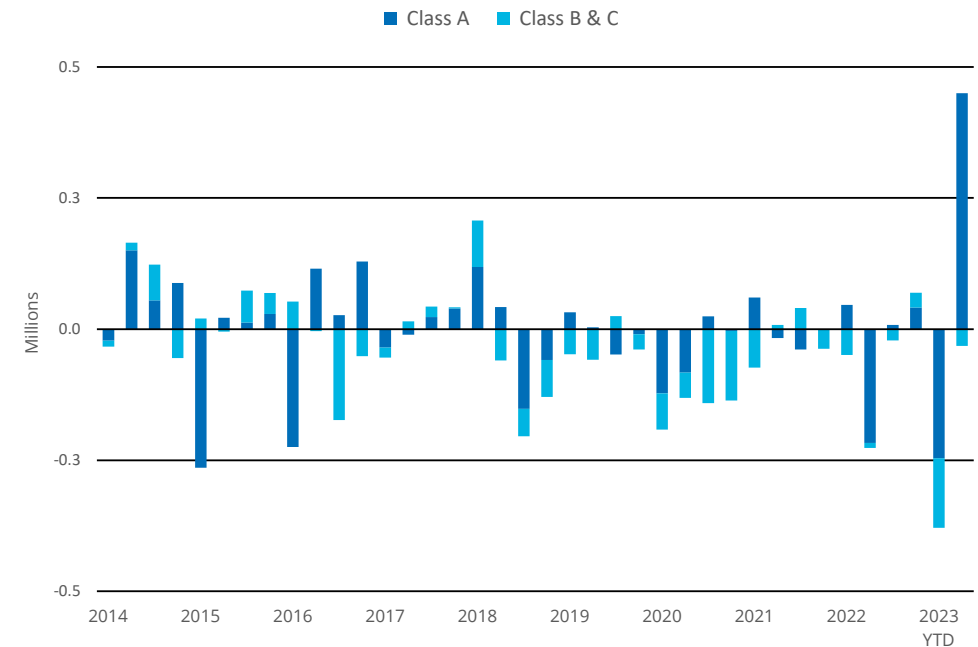
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2023	Q2 2022	TREND
INVENTORY	17,596,871	16,396,669	↑
DIRECT VACANCY RATE	20.3%	15.0%	↑
OVERALL VACANCY RATE	24.2%	18.4%	↑
YTD NET ABSORPTION (SF)	38,659	(229,276)	↑
TOTAL LEASING ACTIVITY (SF)	324,045	696,975	↓
AVAILABLE SUBLEASE (SF)	1,162,459	982,847	↑
CLASS A MARKET RENT	\$43.60	\$43.50	↑
CLASS B & C MARKET RENT	\$35.90	\$36.07	↓

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



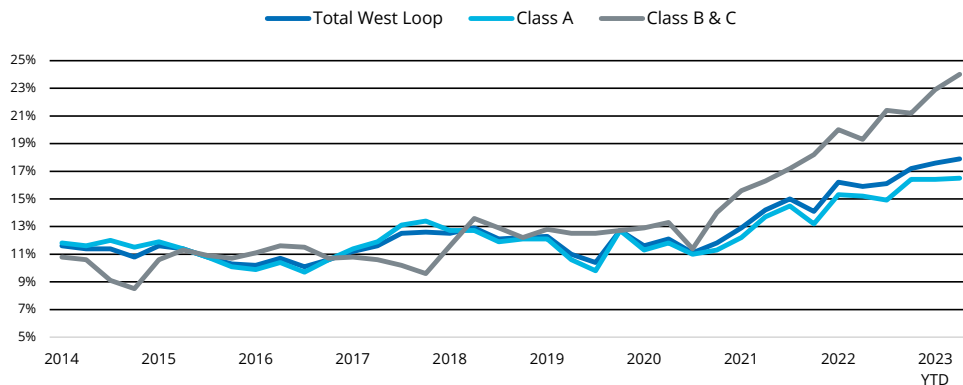
WEST LOOP

More sublease space added to the market

- The West Loop submarket had 138,997 square feet of negative absorption in the second quarter, the direct vacancy rate increased by 30 basis points to 17.9% and the overall vacancy rate increased by 30 basis points to 20.3%.
- LARGEST DIRECT NEW DEAL: Antares Capital - 87,586 square feet - 320 S. Canal St.
- LARGEST RENEWAL: ArentFox Schiff - 184,747 square feet - 233 S. Wacker Drive
- NEW LARGE BLOCKS OF SUBLEASE SPACE:
 - Facebook - 78,800 square feet - 151 N. Franklin St.
 - Golub Capital - 75,202 square feet - 150 S. Wacker Drive

The West Loop's borders are defined as the Chicago River and Kinzie Drive (north), Halsted Street (west), Wells Street (east), and Harrison Street (south). The West Loop is the largest submarket and is home to law firms, financial services firms, insurance companies, and multiple corporate headquarters.

DIRECT VACANCY



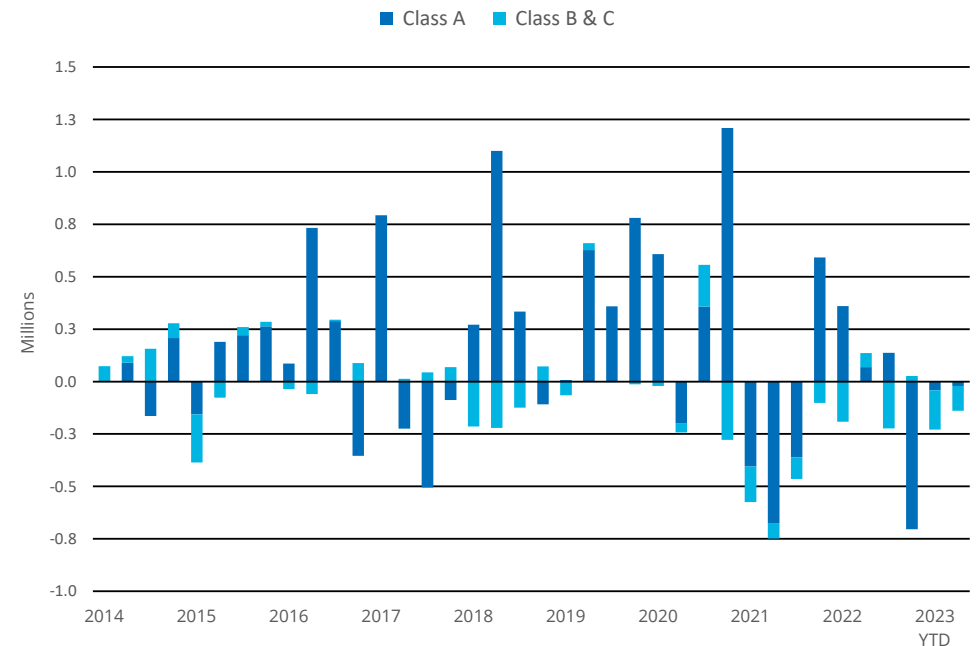
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2023	Q2 2022	TREND
INVENTORY	58,517,996	58,517,996	↔
DIRECT VACANCY RATE	17.9%	15.9%	↑
OVERALL VACANCY RATE	20.3%	18.1%	↑
YTD NET ABSORPTION (SF)	(367,283)	304,214	↓
YTD TOTAL LEASING ACTIVITY (SF)	1,675,574	1,466,147	↑
AVAILABLE SUBLEASE (SF)	3,218,720	2,571,594	↑
CLASS A MARKET RENT	\$45.88	\$45.50	↑
CLASS B & C MARKET RENT	\$35.59	\$35.49	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



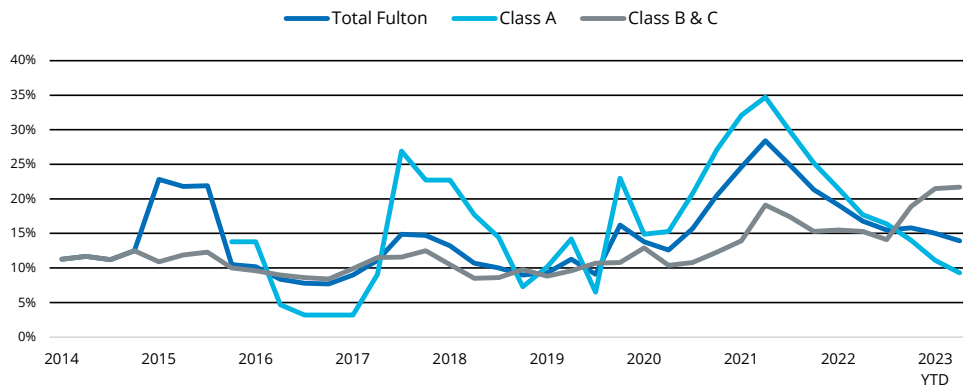
FULTON MARKET/RIVER WEST

New construction slows down

- New office buildings in Fulton Market have defied the market conditions seen in the rest of the city. Class A buildings in the submarket command the highest rents, and direct vacancy rates are down to 9.3%.
- Construction has slowed down after reaching a peak of over 2 million square feet right before the pandemic began. A 493,683-square-foot office property at 360 N. Green St. is all that remains under construction. The building is 51% preleased and is expected to be delivered in 2024. The remaining 235,656 square feet of space at 360 N. Green St. is the only block of available office space larger than 150,000 in Fulton Market, except for the life science/medical/office space remaining at Fulton Labs, 400 N. Aberdeen St.
- LARGEST DIRECT NEW DEAL: Wilson Dow - 31,822 square feet - 311 N. Green St.

Fulton Market/River West's borders are defined as Hubbard Street (north), Ashland Avenue (west), Halsted Street (east), and I-290 Eisenhower Expressway (south). River West is a rapidly growing submarket, particularly the Fulton Market area, which has been attracting prominent tenants and many investors eager to capitalize on its redevelopment potential. The submarket's growth since 2015 has been exponential.

DIRECT VACANCY



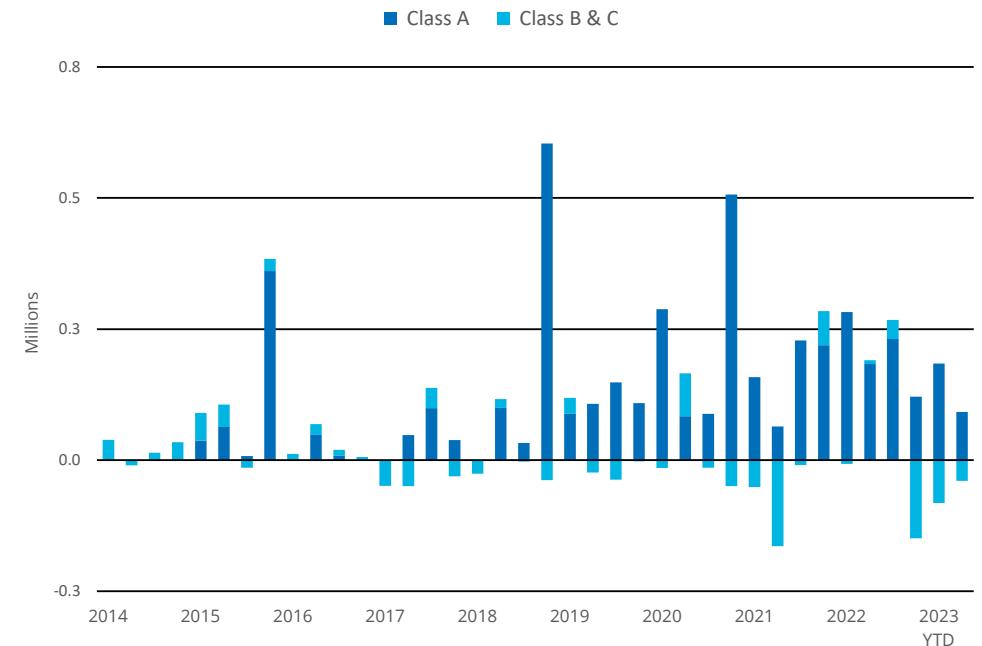
Source: Transwestern, CoStar

Y-O-Y COMPARISON

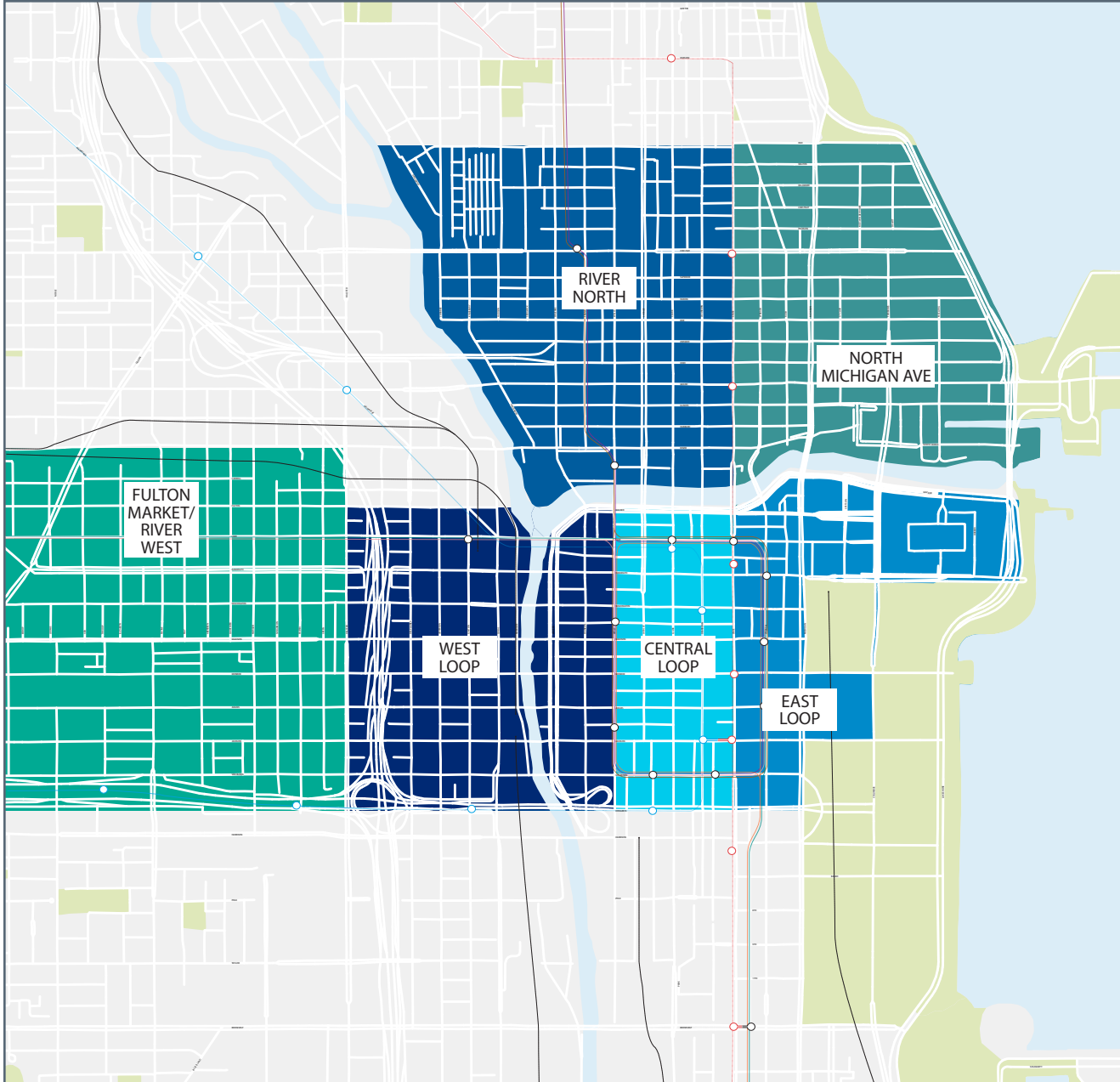
	Q2 2023	Q2 2022	TREND
INVENTORY	8,173,545	7,976,837	↑
DIRECT VACANCY RATE	13.9%	16.8%	↓
OVERALL VACANCY RATE	16.1%	17.8%	↓
YTD NET ABSORPTION (SF)	155,483	466,608	↓
TOTAL LEASING ACTIVITY (SF)	286,744	442,241	↓
AVAILABLE SUBLEASE (SF)	451,905	204,602	↑
CLASS A MARKET RENT	\$50.54	\$50.33	↑
CLASS B & C MARKET RENT	\$30.29	\$30.10	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Chicago metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties 10,000 square feet and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

FOR MORE INFORMATION

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