TRANSWESTERN

CHICAGO CBD OFFICE MARKET

Q3 2023

TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.1	5.0	↑	5.6	↑
YTD NET ABSORPTION (Thousands SF)	-1,263	-743	↓	-842	↑
DIRECT VACANCY RATE	19.8%	17.7%	↑	15.0%	↑
DIRECT VACANT SF (MSF)	31.7	28.1	↑	23.4	↑
AVAILABLE SUBLET SF (MSF)	7.9	6.7	↑	5.2	↔
UNDER CONSTRUCTION (MSF)	0.7	2.0	↓	3.9	↓
MARKET RENT, FULL SERVICE (PSF)	$40.41	$40.32	↑	$40.24	↔
YTD SALES VOLUME (Millions)	$90	$1,430	↓	$337	↑

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

The Chicago office market continued to languish in the third quarter of 2023. There was 514,582 square feet of negative absorption and the direct vacancy rate rose by 30 basis points to 19.8%. The amount of available sublease space fell by 177,998 square feet to 7.9 million square feet. Leasing activity remains well below the pre-pandemic average. Though a handful of tenants expanded their space usage in the third quarter, those expansions were outweighed by other tenants' contractions.

Construction activity has reached its lowest level in a decade. After a second quarter with no investment sales, there was just one investment sale in the third quarter. Multiple office properties available on the market may be worth less than their existing debt.

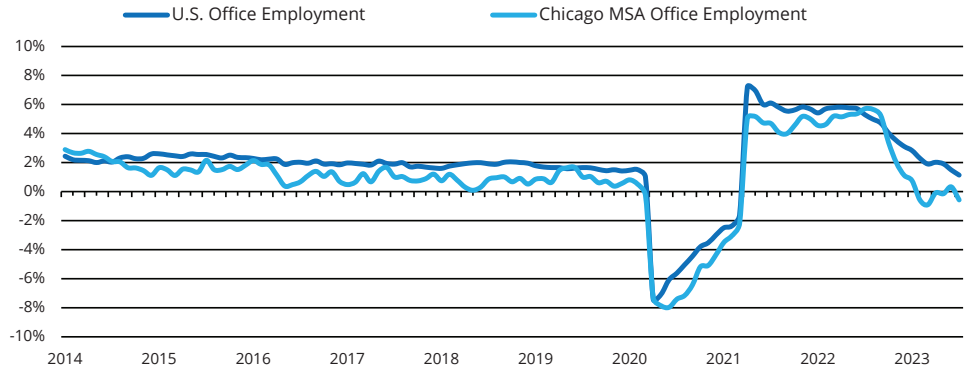
Although the office market is generally in a poor state, building owners with the financial resources to weather the storm will be well positioned to compete for tenants. Tenants now consider the financial position of a building's ownership to be of utmost importance. Buildings in financial distress will continue to miss out on leasing opportunities and fall into further distress, while those with proven stability will attract more attention. While it is clearly a tenants' market, tenants can be surprised to find that they do not have as much leverage at the most desirable buildings.

ECONOMY

Interest Rates Will Remain High

- The Federal Reserve (Fed) added one more interest rate hike in July, and choose to hold rates steady in September, leaving the current range of federal funds rate at 5.25% to 5.50%. The Fed has indicated that there is unlikely to be more than one additional hike in rates but has also signaled that rates are expected to remain high in the coming years.
- While economic indicators appear to show inflation gradually cooling, the Personal Consumption Expenditures (PCE) Index, the Fed's preferred measure of inflation, increased 0.4% in the month of August, up from the 0.2% seen in June and July. On an annual basis, the index increased 3.5%. However, the more important core PCE index, excluding food and energy, increased only 0.1% in August, down from 0.2% in June and July. The core index increased 3.9% on an annual basis.
- The economy continues to add jobs at an impressive pace with an estimated 336,000 jobs created in the U.S. in September, bringing the total for the third quarter of 2023 up to 799,000. There were 209,000 weekly initial unemployment claims at the end of September, lower than historic averages historic averages.
- Locally, the unemployment rate increased 90 basis points in August to 5.1%, the highest it has been since February of 2022. The U.S. unemployment rate was 3.8% in August, just 30 basis points higher than it was in July. Approximately 50,000 jobs were added to the local economy over the past year with Education and Health Services jobs leading the pack, closely followed by Leisure and Hospitality.
- The number of office-using jobs in the U.S. increased by 1.0% year over year in August; locally, office-using jobs decreased by 1.1% during the same period. The Professional and Business Services industry lost 12,200 jobs in the Chicago area year over year, the Information industry lost 8,300 jobs and the Financial Activities industry gained 2,800 jobs.

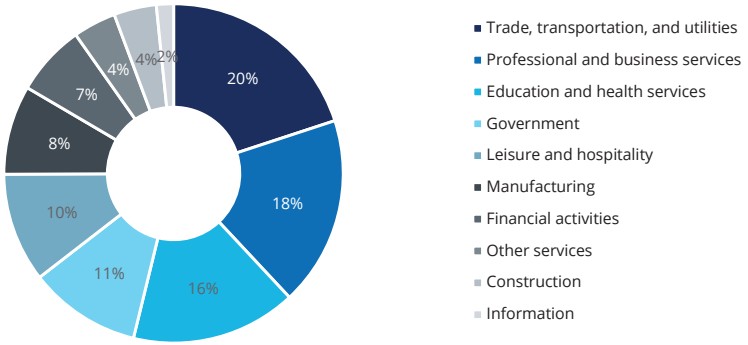
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics

SHARE OF EMPLOYEES BY INDUSTRY

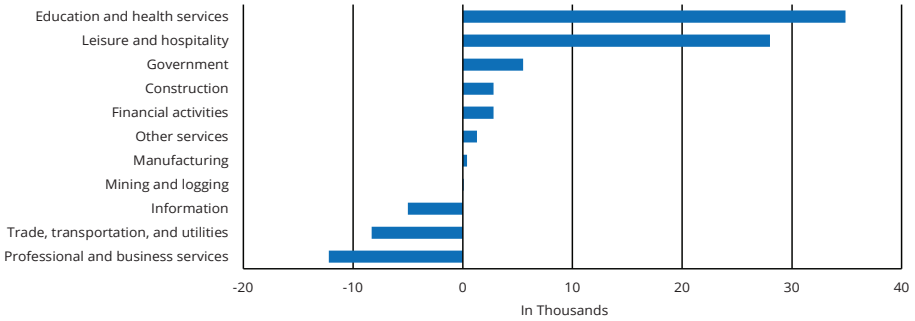
Chicago MSA | August 2023



Source: Bureau of Labor Statistics

Y-O-Y JOB GROWTH BY INDUSTRY

Chicago MSA | August 2023



Source: Bureau of Labor Statistics

NET ABSORPTION

Negative Class A Absorption

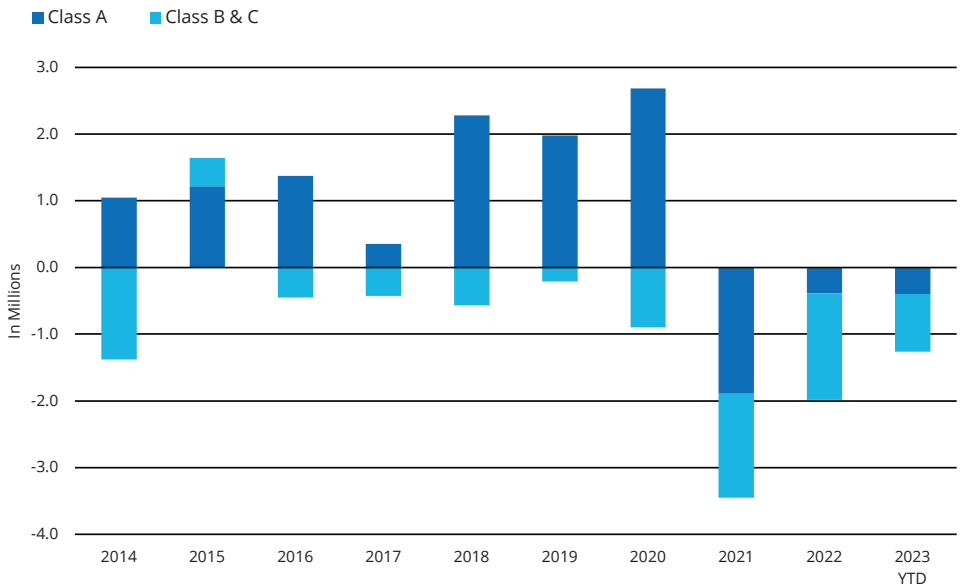
- Net absorption totaled negative 514,582 square feet during the third quarter of 2023. There was negative 589,763 square feet in the Class A sector and positive 75,181 square feet in the Class B and C sectors.
- The most negative absorption was seen in the East Loop submarket, where CNO Financial Group/Bankers Life vacated 139,000 square feet at 111 E. Wacker Drive.
- One positive sign in the market was a number of tenants expanding their space in the third quarter, the most prominent example being Invenergy's renewal of 96,000 square feet and expansion of 84,000 square feet at 1 S. Wacker Drive. However, these expansions will not outweigh the number of contractions in the market, so more negative absorption can still be expected in the future .

LEASING ACTIVITY

Deal Volume Remains Sluggish

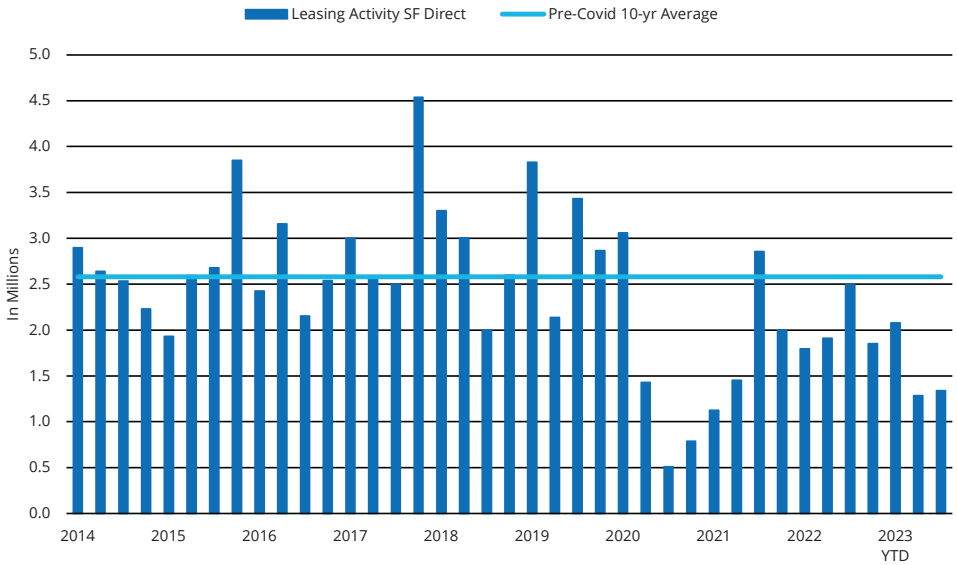
- Direct leasing activity measured 1.3 million square feet during the third quarter of 2023, still significantly less than the quarterly average of 2.6 million square feet seen in the 10 years prior to COVID-19.
- There were two new direct deals larger than 50,000 square feet signed in the third quarter of 2023. Winston & Strawn leased 148,000 square feet at 300 N. LaSalle St., and Greenberg Taurig leased 90,000 square feet at 360 N. Green St. Unfortunately, these tenants will be leaving behind more space than they will move into. Winston & Strawn will be vacating 250,000 square feet at 35 W. Wacker Drive. and Geenberg Taurig will be leaving 125,000 square feet at 77 W. Wacker Drive.
- The largest sublease was signed since the amount of available sublease space began to balloon in response to the pandemic. GoHealth subleased 89,000 square feet at 222 W. Merchandise Mart from VelocityEHS.
- 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

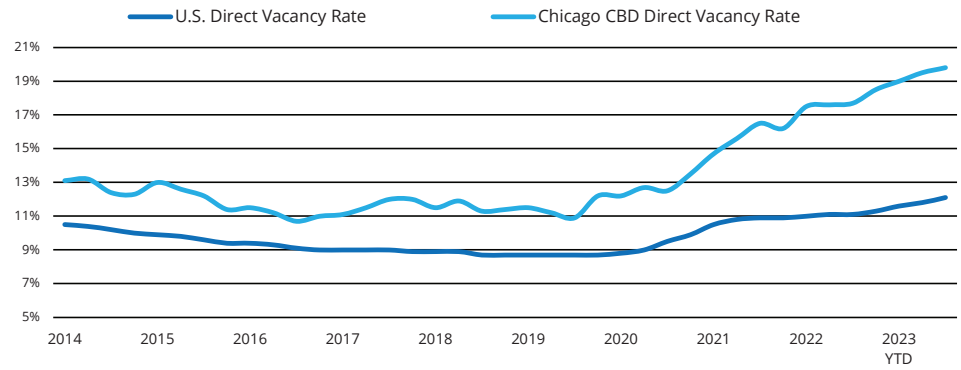
- The direct vacancy rate in Chicago's CBD increased by 30 basis points during the third quarter to 19.8%, up 210 basis points year over year.
- Chicago's Class A direct vacancy rate increased by 50 basis points during the third quarter to 18.1%, while the Class B and C rate decreased by 20 basis points to 24.0%.
- 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

Large Sublease Signed

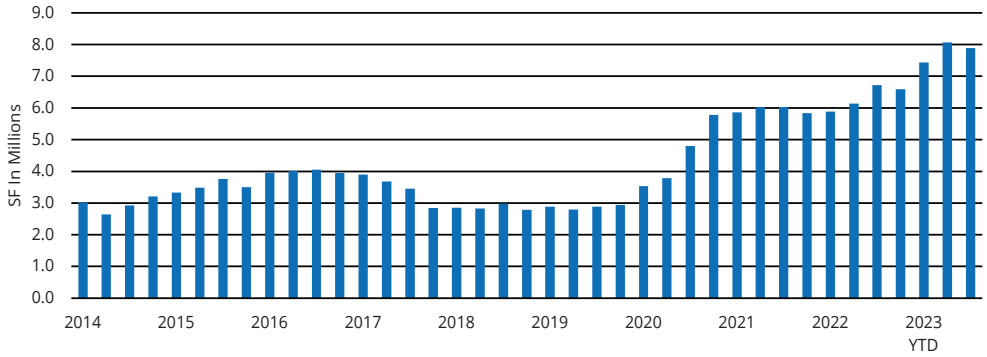
- The amount of available sublease space decreased by 177,998 square feet in the third quarter of 2023 to 7.9 million square feet, representing 4.9% of total inventory.
- Seven blocks of sublease space larger than 50,000 square feet were added to the market in the third quarter. The largest were Huron Consulting Group's 82,668 square feet at 550 W. Van Buren St. and Trustwave's 71,792 square feet at 70 W. Madison St.
- GoHealth subleased 89,000 square feet at 222 W. Merchandise Mart from VelocityEHS.
- The American Library Association took its 53,999 square feet of available sublease space at 225 N. Michigan Ave. off the market in the third quarter.
- The West Loop has 40% of the total available sublease space, followed by the Central Loop, which has 22%.

DIRECT VACANCY RATE



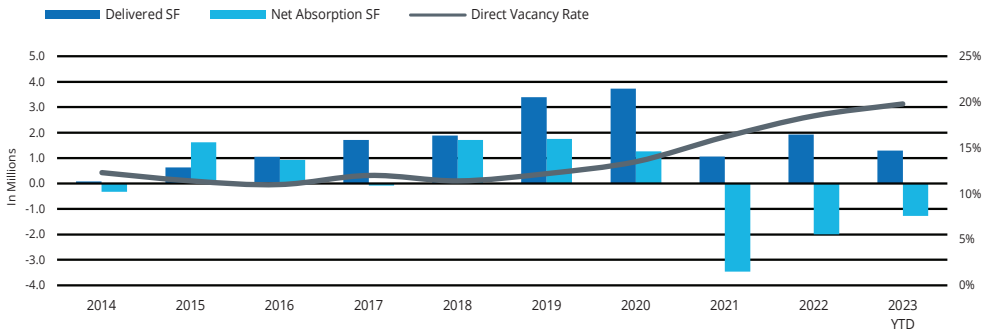
Source: Transwestern, CoStar

AVAILABLE SUBLEASE SPACE



Source: Transwestern, CoStar

DELIVERY IMPACT ON KEY INDICATORS



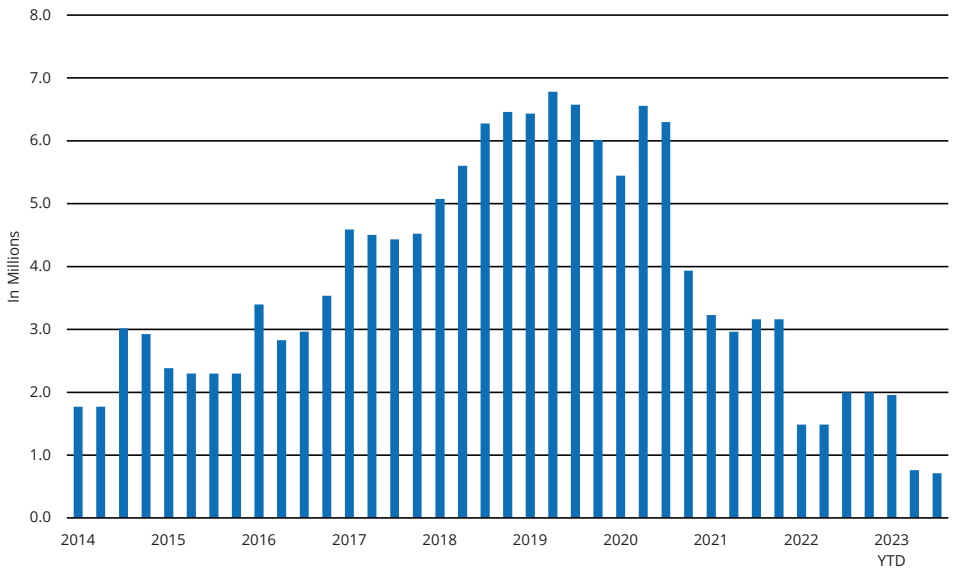
Source: Transwestern, CoStar

UNDER CONSTRUCTION

Office Pipeline Slows

- Chicago's development pipeline had 710,680 square feet under construction at the end of the third quarter, down significantly from the high tide of 6.8 million square feet under construction in 2019.
- The only office building completed in the third quarter was a 48,560-square-foot building in the West Loop at 732 W. Randolph St. So far it has secured one 5,990-square-foot client, Mauricie Law Group.
- 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 put 119,950 square feet of its 500,000 square feet on the sublease market.
- There are two office development currently under construction. A 493,683-square-foot office property at 360 N. Green St. in Fulton Market is 65.4% preleased and expected to be delivered in March 2024. A 217,000-square-foot office property at 311 W. Huron St. in River North is 59% preleased and expected to be delivered in by the end of 2023.
- 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



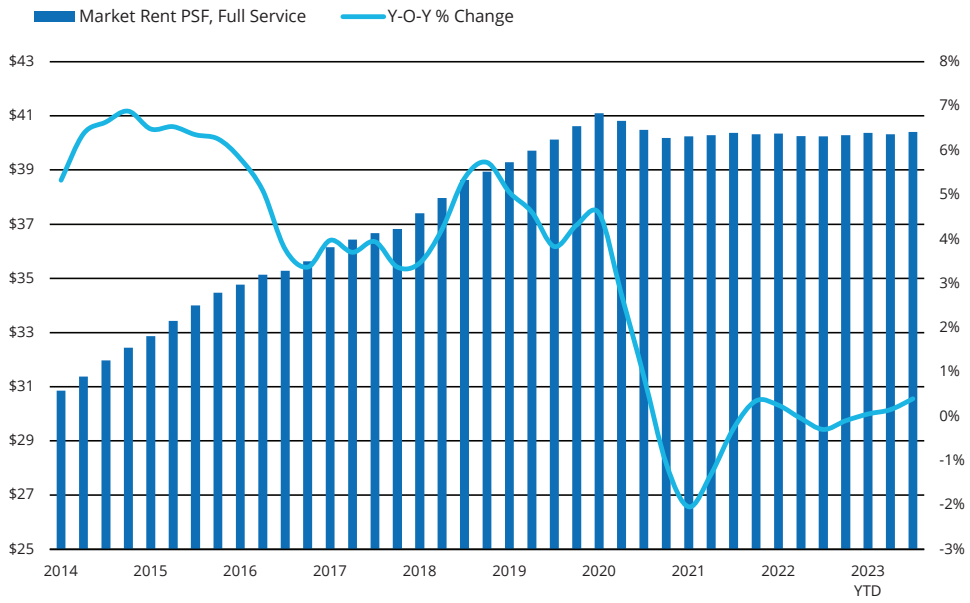
Source: Transwestern, CoStar

RENTAL RATES

Market Rents Hold Steady

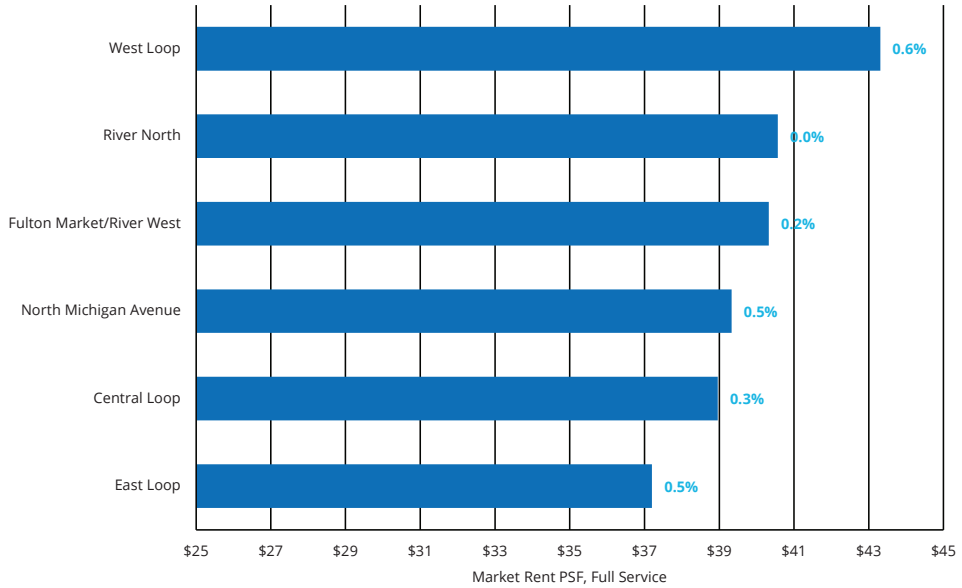
- Market rents continue to hold firm despite elevated vacancy, up 0.4% year over year to $40.41 per square foot in the third quarter.
- Class A market rents rose 0.5% year over year to $44.32 per square foot in the third quarter. The Class A market should see rents hold strong and perhaps increase over the next 12 months as flight to quality drives competition for the highest quality space. Class B and C market rents have held steady after declining in 2020, 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



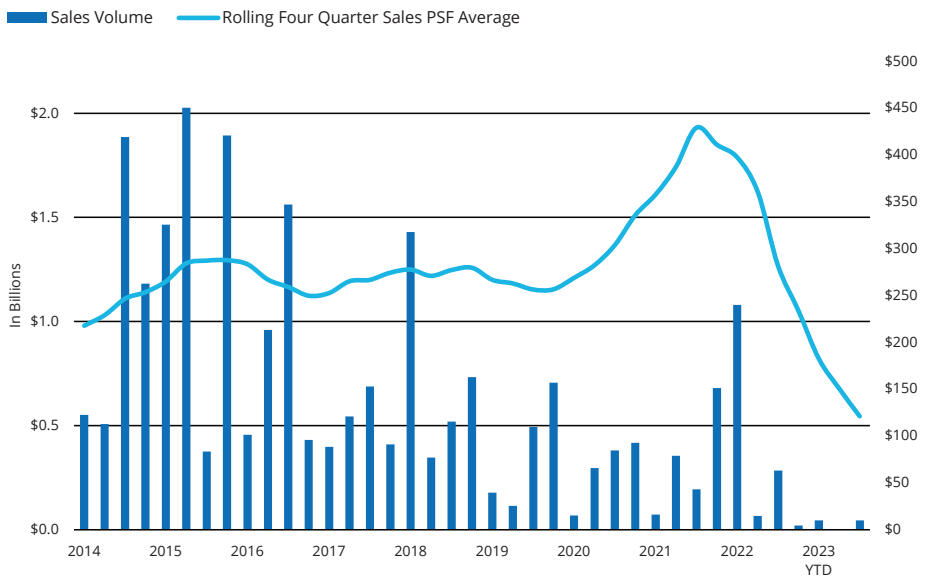
Source: Transwestern, CoStar

SALES

Office Values Plummet

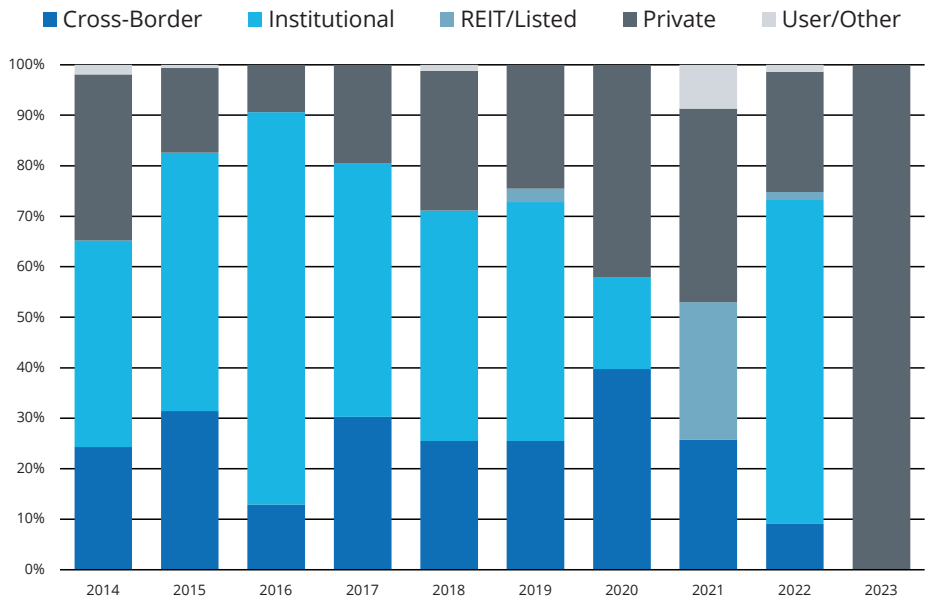
- There was one office investment sale completed in Chicago's CBD in the third quarter. Menashe Properties purchased the 623,524-square-foot building at 230 W. Monroe St. for $45 million, or $72 per square foot. The property is approximately 60% leased. This was an all-cash, debtor controlled transaction, reportedly at a cap rate of 7.6%. As the first significant office sale in 2023, this transaction illustrates just how much value office buildings in Chicago's CBD have declined. Accesso Partners paid $122 million for the building in 2014, and took out a $87.7 million loan from Morgan Stanley in 2019.
- Chicago developer R2 is in negotiations to acquire 150 N. Michigan Ave. for an estimated $60 million, or $92 per square foot. Additionally, the previously reported deal for Agave Holdings to aquire 300 S. Wacker Drive for approximately $92 million has fallen apart.
- 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 so few 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.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

Q3 2023 NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
Invenergy	1 S. Wacker Drive	West Loop	Ren/Exp	180,000
Winston & Strawn	300 N. LaSalle St.	River North	New	148,000
Harrison Street	919 W. Fulton Market St.	Fulton Market/River West	New	128,576
Relativity	231 S. LaSalle St.	Central Loop	Ren/Con	100,000
Greenberg Traurig	360 N. Green St.	River West	New	90,000
GoHealth	222 W. Merchandise Mart Plaza	River North	Sublease	89,000
Lockton Companies	500 W. Monroe St.	West Loop	Ren/Exp	66,726
RWE	353 N. Clark St.	River North	Ren/Exp	56,949
Total Quality Logistics	125 S. Clark St.	Central Loop	New	36,322
ICE	353 N. Clark St.	River North	Ren/Con	28,557
RCP Advisors	353 N. Clark St.	River North	Ren	28,341
Chan Zuckerberg Biohub	400 N. Aberdeen St.	Fulton Market/River West	New	28,000
Capgemini	333 W. Wacker Drive	West Loop	Ren	27,341
Berkshire Hathaway Specialty Insurance	1 N. Wacker Drive	West Loop	Ren/Exp	25,897
Drift Net Securities	70 W. Madison St.	Central Loop	Ren	23,361
Argo Group	24 E. Washington St.	East Loop	New	20,900
Stellar Career College	205 W. Randolph St.	West Loop	New	20,647
Latimer Levay Fyock	55 W. Monroe St.	Central Loop	Ren	17,000
Scale Marketing	515 N. State St.	North Michigan Ave	Sublease	16,820
Alight Solutions	320 S. Canal St.	West Loop	New	16,018
Buyers Edge Platform	222 W. Merchandise Mart Plaza	River North	New	15,559
American Express Global Business Travel	1 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	SELLER	BUYER
175 W JACKSON	On the Market	Q3 2023	Central Loop	$110,000,000	1,452,390	$76	LNR (Lender)	TBD
1333 N KINGSBURY	On the Market	Q3 2023	River North	$11,000,000	100,057	$110	Credit Suisse	TBD
161 N CLARK	On the Market	Q2 2023	Central Loop	$110,000,000	1,068,877	$103	Societe Generale (Lender)	TBD
300 S WACKER	On the Market	Q2 2023	West Loop	$60,000,000	512,354	$117	Deutsche Bank (Lender)	TBD
213 W INSTITUTE	On the Market	Q2 2023	River North	$15,000,000	148,949	$101	KBS	TBD
620 N LASALLE	On the Market	Q2 2023	River North	$14,000,000	89,514	$156	Next Realty	TBD
35 E WACKER	On the Market	Q1 2023	East Loop	$50,000,000	570,000	$88	Manulife (Lender)	TBD
200 S WACKER	On the Market	2022	West Loop	$150,000,000	754,751	$199	Manulife	TBD
150 N MICHIGAN	Under Contract	Q2 2023	East Loop	$65,000,000	654,508	$99	Metlife (Lender)	R2
40 E HURON	Under Contract	Q2 2023	North Michigan Ave	$4,600,000	53,576	$86	A.J. Jindal	Undisclosed
230 W MONROE	Sold	Q3 2023	West Loop	$45,000,000	623,524	$72	Morgan Stanley (Lender)	Menashe
208 S JEFFERSON	Sold	Q2 2023	Fulton Market/ River West	$1,350,000	52,500	$26	Powell Properties	Blue Star Properties
900 N BRANCH	Sold	Q1 2023	Goose Island	$17,500,000	179,490	$97	WP Carey	Bradford Allen/ Guggenheim Partners
1033 W VAN BUREN	Sold	Q1 2023	West Loop	$6,000,000	84,000	$71	Case Equity/ Lexington Realty	Mon Ami Partners

Source: CoStar, Real Capital Analytics, Transwestern

MARKET INDICATORS TABLE

All Classes of Space | Q3 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	37,109,065	8,583,136	23.1%	24.8%	0	-29,270	-262,099	$38.96
EAST LOOP	26,750,318	5,802,165	21.7%	22.9%	0	-283,520	-491,437	$37.20
FULTON MARKET/RIVER WEST	8,212,427	1,071,514	13.0%	16.0%	493,680	70,727	226,210	$40.33
NORTH MICHIGAN AVE	11,517,674	1,903,746	16.5%	18.6%	0	-32,709	-62,264	$39.33
RIVER NORTH	17,606,359	3,784,181	21.5%	25.8%	217,000	-96,106	-162,447	$40.57
WEST LOOP	58,529,317	10,640,629	18.2%	20.9%	0	-143,704	-510,987	$43.31
TOTAL	**159,725,160**	**31,680,371**	**19.8%**	**22.2%**	**710,680**	**-514,582**	**-1,263,024**	**$40.41**

Source: Transwestern, CoStar

MARKET INDICATORS TABLE

Class A | Q3 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	21,009,295	4,873,894	23.2%	25.1%	0	-119,851	-167,297	$44.04
EAST LOOP	17,754,498	3,396,277	19.1%	20.5%	0	-282,246	-379,847	$40.06
FULTON MARKET/RIVER WEST	5,067,081	453,203	8.9%	12.9%	493,680	19,389	295,497	$48.76
NORTH MICHIGAN AVE	9,302,065	1,331,026	14.3%	16.8%	0	-30,173	-47,054	$43.20
RIVER NORTH	12,433,611	2,559,043	20.6%	26.4%	217,000	-59,873	77,367	$44.34
WEST LOOP	47,875,388	8,042,992	16.8%	19.5%	0	-117,009	-179,269	$45.70
TOTAL	**113,441,938**	**20,551,435**	**18.1%**	**20.8%**	**710,680**	**-589,763**	**-400,603**	**$44.32**

Source: Transwestern, CoStar

MARKET INDICATORS TABLE

Class B & C | Q3 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	16,099,770	3,709,242	23.0%	24.5%	0	90,581	-94,802	$34.33
EAST LOOP	8,995,820	2,362,178	26.3%	27.1%	0	-1,274	-111,590	$32.46
FULTON MARKET/RIVER WEST	3,145,346	618,311	19.7%	21.0%	0	51,338	-69,287	$28.73
NORTH MICHIGAN AVE	2,215,609	572,720	25.8%	26.1%	0	-2,536	-15,210	$34.34
RIVER NORTH	5,172,748	1,225,138	23.7%	24.3%	0	-36,233	-239,814	$32.47
WEST LOOP	10,653,929	2,597,637	24.4%	26.8%	0	-26,695	-331,718	$34.77
TOTAL	**46,283,222**	**11,085,226**	**24.0%**	**25.4%**	**0**	**75,181**	**-862,421**	**$33.61**

Source: Transwestern, CoStar

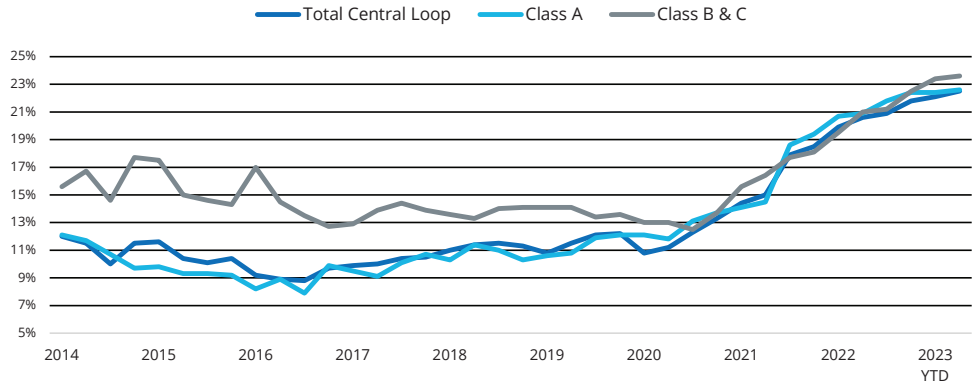
CENTRAL LOOP

More Large Tenants Leaving

- The Central Loop submarket had 29,270 square feet of negative absorption in the third quarter, the direct vacancy rate remained at 23.1%, and the overall vacancy rate increased by 10 basis points to 24.8%.
- Two more large Central Loop tenants will be leaving the submarket. Winston & Strawn will be vacating 250,000 square feet at 35 W. Wacker Drive and moving to River North. Greenberg Taurig will be moving out of 124,672 square feet at 77 W. Wacker Drive and relocating to Fulton Market.
- LARGEST NEW DEAL: Total Quality Logistics - 36,322 square feet - 125 S. Clark St.
- LARGEST RENEWAL: Relativity - 100,000 square feet - 231 S. LaSalle St.
- NEW LARGE BLOCKS OF SUBLEASE SPACE:
  - Trustwave - 57,406 square feet - 30 S. Wacker Drive
  - Cleveland-Cliffs Inc. - 53,857 square feet - 1 S. Dearborn 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



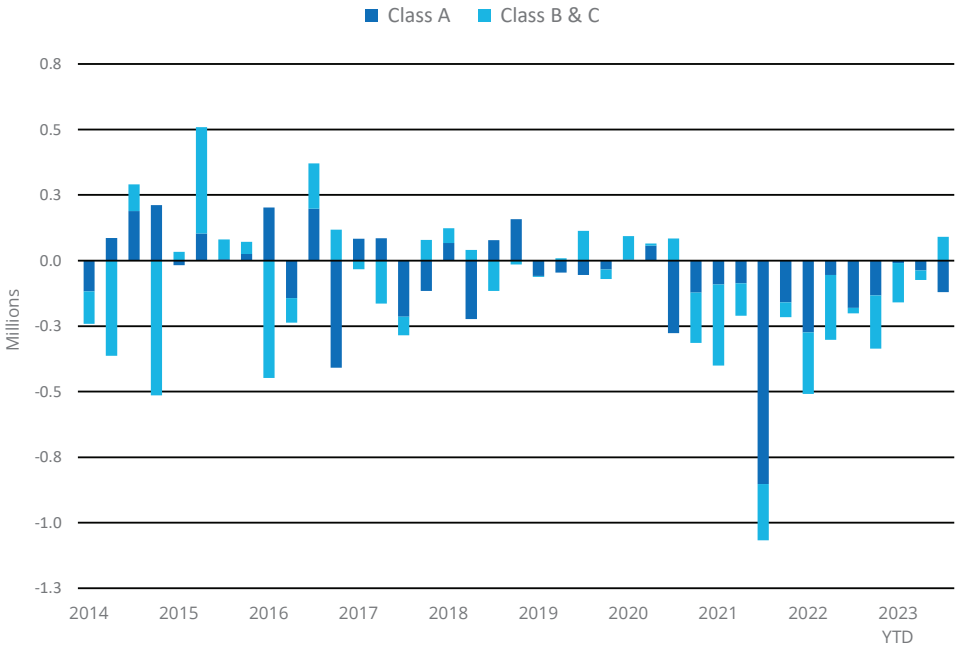
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q3 2023	Q3 2022	TREND
INVENTORY	37,109,065	37,109,065	↔
DIRECT VACANCY RATE	23.1%	21.5%	↑
OVERALL VACANCY RATE	24.8%	23.1%	↑
YTD NET ABSORPTION (SF)	(262,099)	(1,012,311)	↑
YTD DIRECT LEASING ACTIVITY (SF)	922,457	1,885,056	↓
AVAILABLE SUBLEASE (SF)	1,745,020	1,224,853	↓
CLASS A MARKET RENT	$44.04	$43.85	↑
CLASS B & C MARKET RENT	$34.33	$34.27	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar

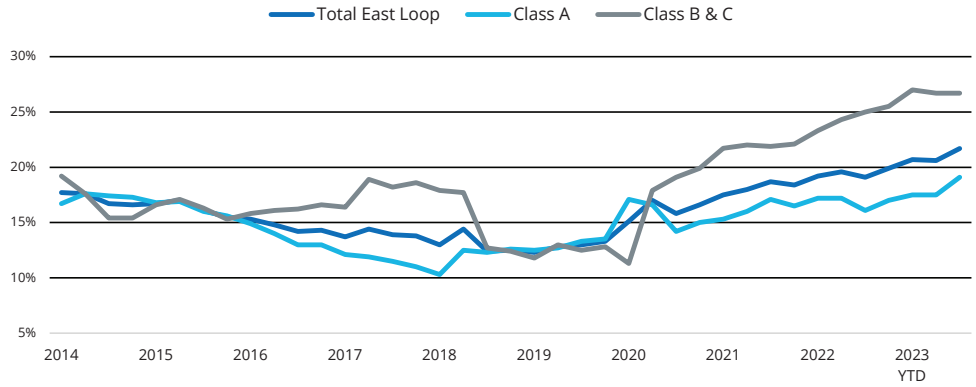
EAST LOOP

Negative Absorption

- The East Loop had 283,520 square feet of negative absorption in the third quarter, primarily due to CNO Financial Group/Bankers Life vacating 139,000 square feet at 111 E. Wacker Drive. The direct vacancy rate increased by 109 basis points to 21.7%, and the overall vacancy rate increased by 100 basis points to 22.9%.
- LARGEST DIRECT NEW DEAL: Argo Group - 20,900 square feet - 24 E. Washington St.
- NEW LARGE BLOCK OF SUBLEASE SPACE: JLL - 61,281 square feet - 200 E. Randolph St.

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



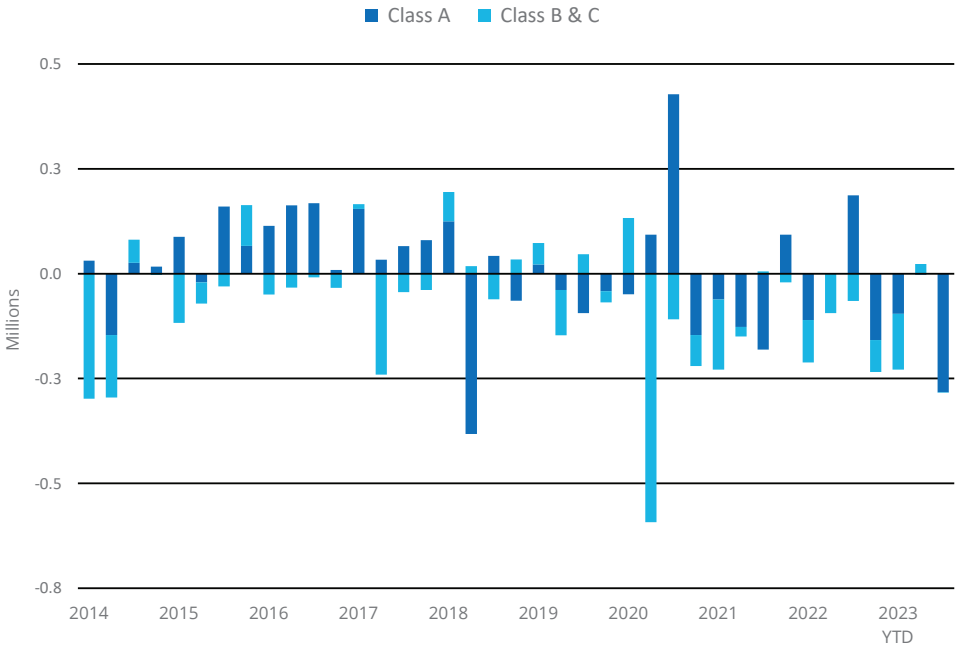
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q3 2023	Q3 2022	TREND
INVENTORY	26,750,318	26,795,318	↓
DIRECT VACANCY RATE	21.7%	19.1%	↑
OVERALL VACANCY RATE	22.9%	20.8%	↑
YTD NET ABSORPTION (SF)	(447,727)	(182,672)	↓
YTD TOTAL LEASING ACTIVITY (SF)	388,145	611,776	↓
AVAILABLE SUBLEASE (SF)	919,163	1,049,542	↓
CLASS A MARKET RENT	$40.06	$39.81	↑
CLASS B & C MARKET RENT	$32.46	$32.43	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar

NORTH MICHIGAN AVENUE

Quiet Quarter

- The North Michigan Avenue submarket had 32,709 square feet of negative absorption in the third quarter, the direct vacancy rate increased by 30 basis points to 16.5%, and the overall vacancy rate increased by 30 basis points to 18.6%.
- There were no known direct new deals or renewals larger than 15,000 square feet signed in the third quarter.
- LARGEST SUBLEASE: Scale Marketing - 16,820 square feet - 515 N. State St.

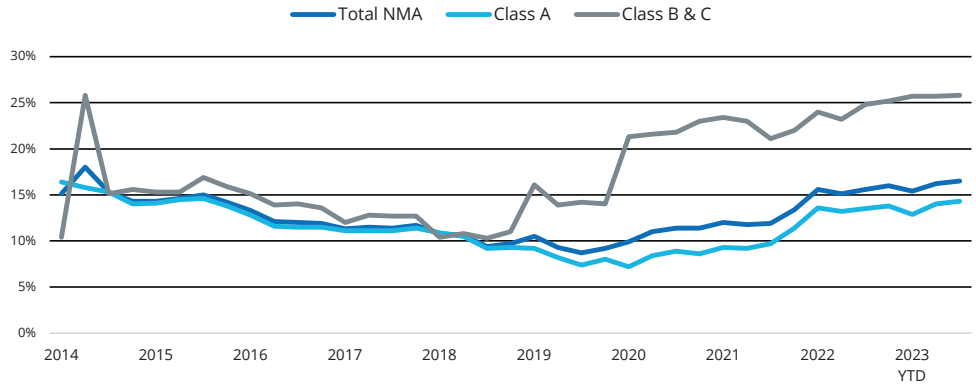
The North Michigan Avenue submarket borders include Division Street (north), State Street (west), Lake Michigan (east), and the Chicago River (south). It is home to retailers, hotels, restaurants, entertainment venues, advertising and marketing agencies, and the Northwestern Memorial Hospital campus.

Y-O-Y COMPARISON

	Q3 2023	Q3 2022	TREND
INVENTORY	11,517,674	11,517,674	↔
DIRECT VACANCY RATE	16.5%	15.6%	↑
OVERALL VACANCY RATE	18.6%	17.5%	↑
YTD NET ABSORPTION (SF)	(62,264)	(258,266)	↑
YTD TOTAL LEASING ACTIVITY (SF)	205,331	209,622	↓
AVAILABLE SUBLEASE (SF)	465,782	441,819	↑
CLASS A MARKET RENT	$43.20	$42.89	↑
CLASS B & C MARKET RENT	$34.34	$34.28	↑

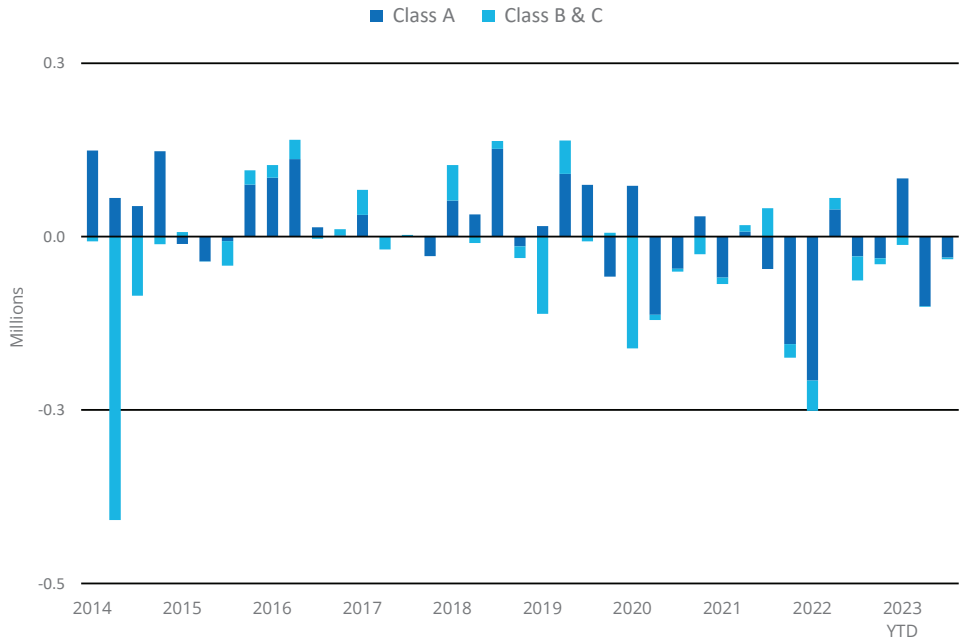
Source: Transwestern, CoStar

DIRECT VACANCY



Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar

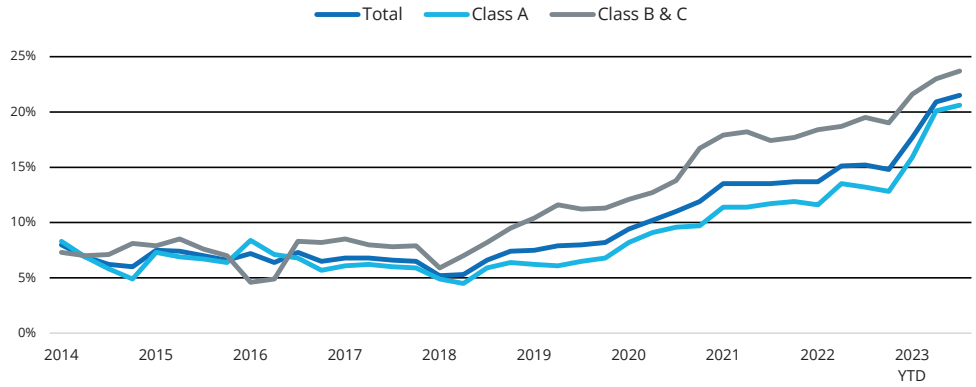
RIVER NORTH

Large Sublease Signed

- The River North submarket had 96,106 square feet of negative absorption in the third quarter, the direct vacancy rate increased by 60 basis points to 21.5%, and the overall vacancy rate increased by 90 basis points to 25.8%.
- LARGEST NEW DEAL: Winston & Strawn - 148,000 square feet - 300 N. LaSalle St.
- LARGEST RENEWAL: RWE - 56,949 square feet - 353 N. Clark St. (includes an expansion of 28,392 square feet)
- LARGEST SUBLEASE: GoHealth - 89,000 square feet - 222 W. Merchandise Mart Plaza.

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



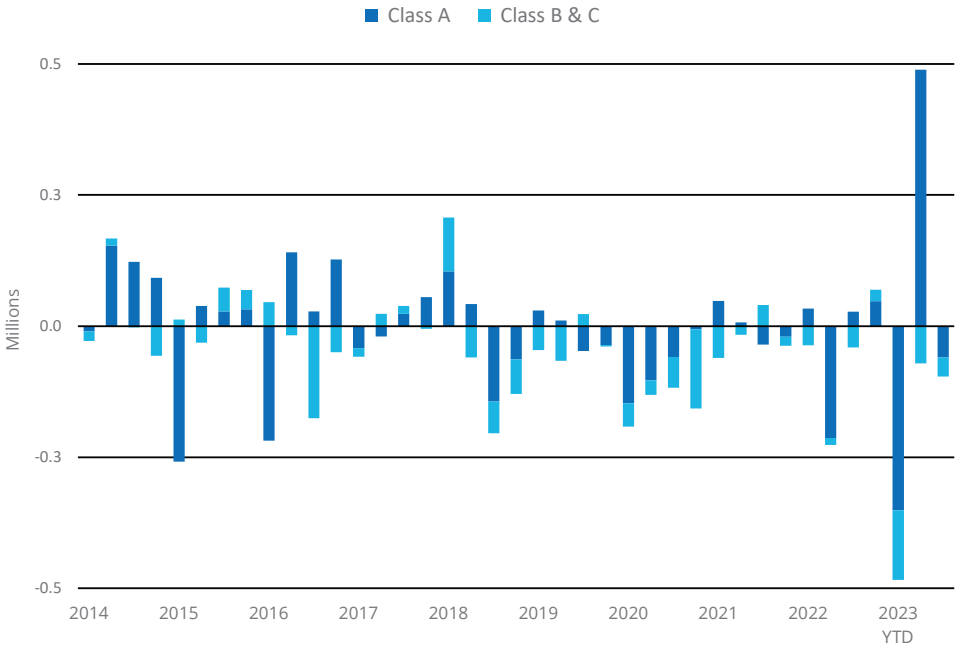
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q3 2023	Q3 2022	TREND
INVENTORY	17,606,359	16,406,157	↑
DIRECT VACANCY RATE	21.5%	15.2%	↑
OVERALL VACANCY RATE	25.8%	19.3%	↑
YTD NET ABSORPTION (SF)	(162,447)	(242,454)	↑
TOTAL LEASING ACTIVITY (SF)	676,296	784,210	↓
AVAILABLE SUBLEASE (SF)	1,095,852	1,039,682	↑
CLASS A MARKET RENT	$44.34	$44.20	↑
CLASS B & C MARKET RENT	$32.47	$32.69	↓

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar

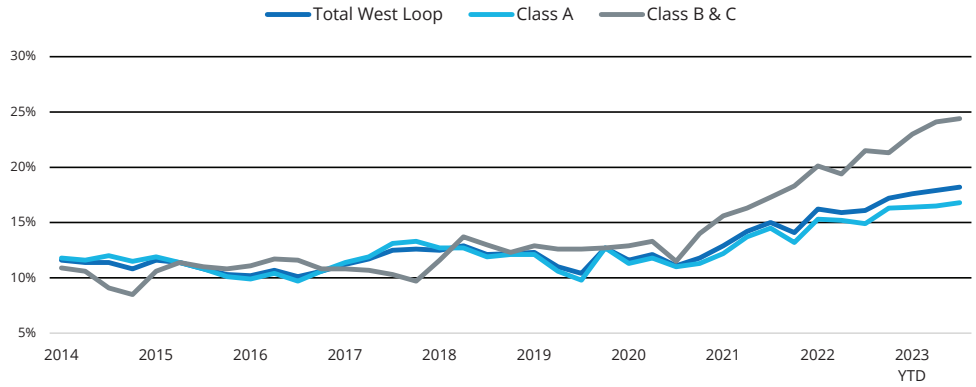
WEST LOOP

More sublease space added to the market

- The West Loop submarket had 143,704 square feet of negative absorption in the third quarter, the direct vacancy rate increased by 30 basis points to 18.2%, and the overall vacancy rate increased by 60 basis points to 20.9%.
- LARGEST DIRECT NEW DEAL: Stellar Career College- 20,647 square feet - 205 W. Randolph St.
- LARGEST RENEWAL: Invenergy - 180,000 square feet - 1 S. Wacker Drive (includes an expansion of 84,000 square feet)
- NEW LARGE BLOCKS OF SUBLEASE SPACE:
  - Huron Consulting Group - 82,668 square feet - 550 W. Van Buren St.
  - BP - 57,406 square feet - 30 S. Wacker Drive
  - William Blair - 54,870 square feet - 150 N. Riverside Plaza

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



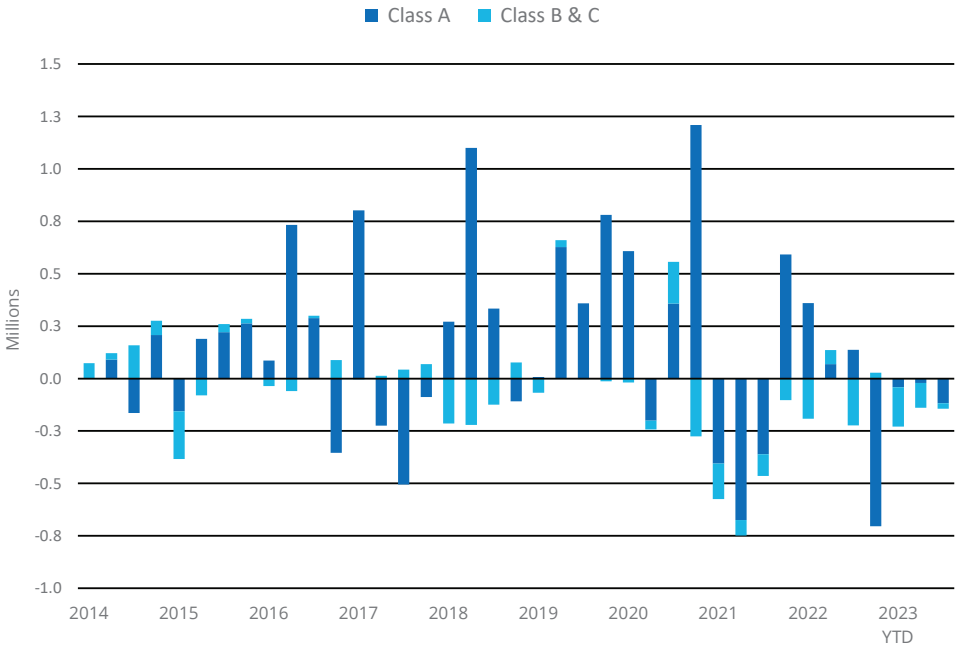
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q3 2023	Q3 2022	TREND
INVENTORY	58,529,317	58,480,757	↑
DIRECT VACANCY RATE	18.2%	16.1%	↑
OVERALL VACANCY RATE	20.9%	18.3%	↑
YTD NET ABSORPTION (SF)	(510,987)	218,510	↓
YTD TOTAL LEASING ACTIVITY (SF)	2,053,431	2,030,719	↑
AVAILABLE SUBLEASE (SF)	3,147,206	2,778,559	↑
CLASS A MARKET RENT	$45.70	$45.42	↑
CLASS B & C MARKET RENT	$34.77	$34.66	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar

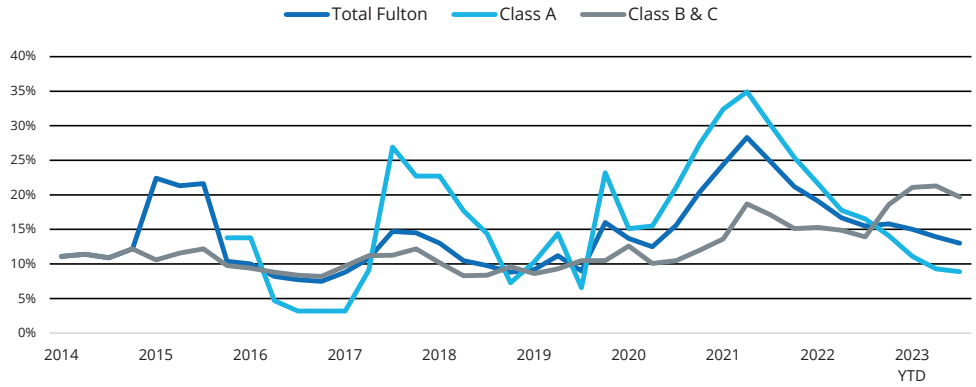
FULTON MARKET/RIVER WEST

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 8.9%.
- 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 65.4% preleased and is expected to be delivered in 2024.
- LARGEST DIRECT NEW DEAL: Harrison Street - 128,576 square feet - 919 W. Fulton Market 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



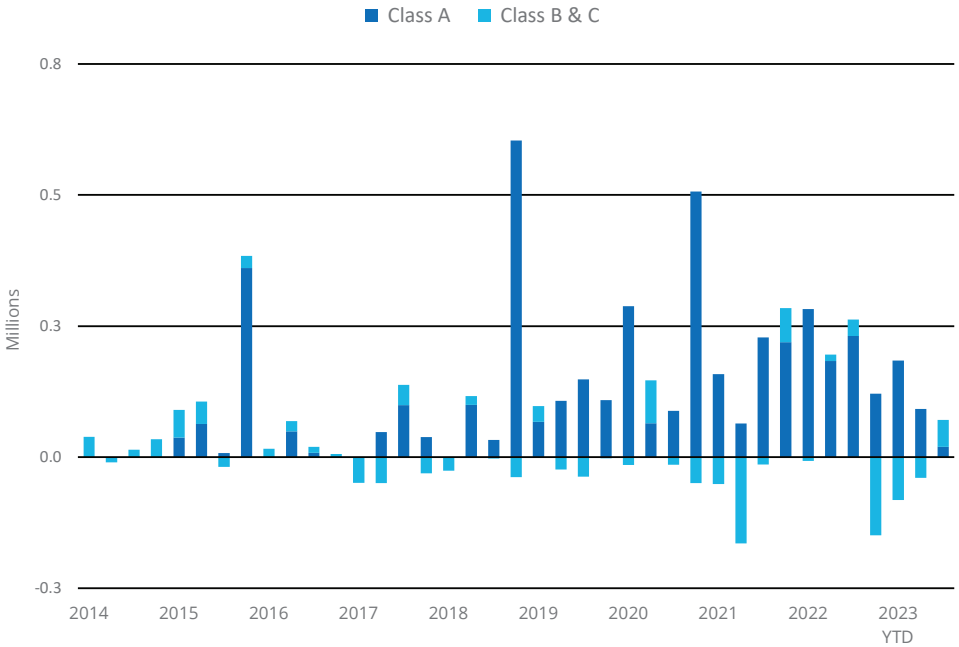
Source: Transwestern, CoStar

Y-O-Y COMPARISON

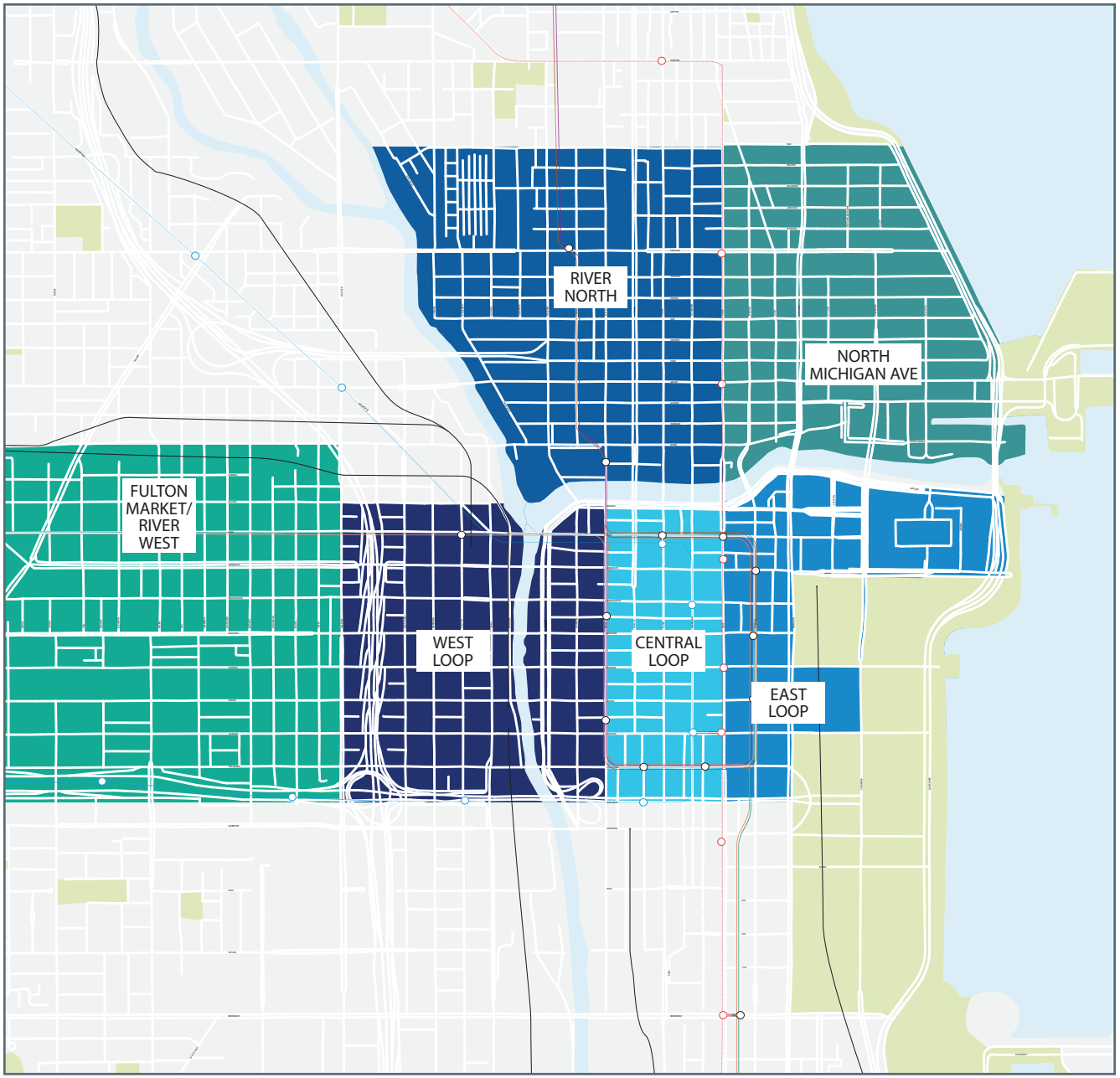
	Q3 2023	Q3 2022	TREND
INVENTORY	8,212,427	8,015,719	↑
DIRECT VACANCY RATE	13.0%	15.5%	↓
OVERALL VACANCY RATE	16.0%	16.6%	↓
YTD NET ABSORPTION (SF)	226,210	734,176	↓
TOTAL LEASING ACTIVITY (SF)	456,191	678,362	↓
AVAILABLE SUBLEASE (SF)	514,200	185,041	↑
CLASS A MARKET RENT	$48.76	$48.64	↑
CLASS B & C MARKET RENT	$30.00	$29.99	↑

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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