



TRANSWESTERN

# CHICAGO CBD OFFICE MARKET

## Q4 2023



### TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
<b>UNEMPLOYMENT RATE</b>	4.3	4.2	↑	5.7	↑
<b>YTD NET ABSORPTION</b> (Thousands SF)	-1,645	-1,983	↑	-805,684	↑
<b>DIRECT VACANCY RATE</b>	20.2%	18.6%	↑	15.6%	↑
<b>DIRECT VACANT SF</b> (MSF)	32.1	29.2	↑	24.2	↑
<b>AVAILABLE SUBLET SF</b> (MSF)	7.9	6.6	↑	5.5	↔
<b>UNDER CONSTRUCTION</b> (MSF)	0.7	2.0	↓	3.6	↓
<b>MARKET RENT, FULL SERVICE</b> (PSF)	\$42.06	\$41.71	↑	\$41.59	↔
<b>YTD SALES VOLUME</b> (Millions)	\$141	\$1,449	↓	\$277	↑

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

During the fourth quarter of 2023, office market conditions in the Chicago metro area continued to worsen. 2023 ended with a total of 1.6 million square feet of negative absorption. While significant, this was less than the negative absorption that occurred in 2021 and 2022. Leasing activity over the fourth quarter remained approximately one million square feet lower than pre-pandemic averages, and the total leasing activity over the year was even less than the leasing activity in 2021 and 2022.

Despite business leaders' emphasis on returning to the office, tenants continue to significantly reduce their space requirements. As they trade in quantity for quality of space, the highest-quality buildings will benefit while older buildings decline further.

The limited number of investment sales transactions that occurred in 2023 demonstrated a significant decrease in value. In 2024, buyers waiting for the market to hit rock bottom may begin to take advantage of opportunities in the distressed market.

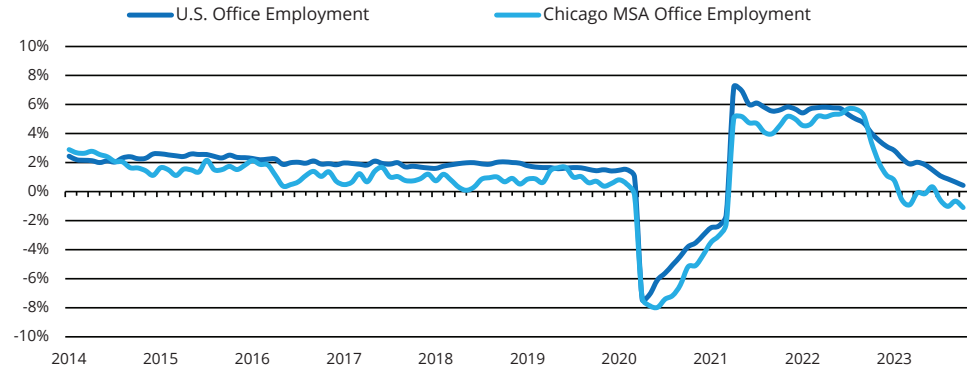


### ECONOMY

#### Interest Rates May Decrease in 2024

- The Federal Reserve (Fed) held the range of federal funds rate at 5.25% to 5.50% in December and signaled that there could be three quarter-point rate cuts in 2024. This would be a welcome relief to the commercial real estate industry, which has been under considerable stress due to the most aggressive period of rate hikes in history.
- Economic indicators appear to show inflation gradually cooling. The Personal Consumption Expenditures (PCE) Index, the Fed's preferred measure of inflation, did not change in October and decreased 0.1% in November after increasing 0.4% in August and September. On an annual basis, the index increased 2.6%. The more important core PCE index, which excludes food and energy, increased 0.1% in both October and November, down from 0.3% in September. The core index increased 3.2% on an annual basis.
- The economy continues to add jobs at an impressive pace with an estimated 216,000 jobs created in the U.S. in December, bringing the total for the year up to 2,697,000. There were 202,000 weekly initial unemployment claims at the end of December, which remains lower than historic averages.
- Locally, the unemployment rate decreased 10 basis points in November to 4.3%, down from 5.1% in August. The U.S. unemployment rate was 3.7% in December. Approximately 43,300 jobs were added to the local economy over the past year, with Education and Health Services jobs leading the pack, followed by Government.
- The number of office-using jobs in the U.S. increased by 0.4% year over year in November; locally, office-using jobs decreased by 1.4% during the same period. The Professional and Business Services industry lost 18,800 jobs in the Chicago area year over year, and the Information industry lost 5,800 jobs, while the Financial Activities industry gained 6,300 jobs.

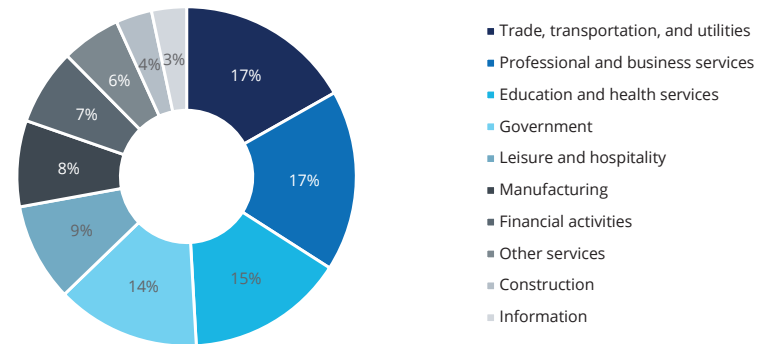
### Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics

### SHARE OF EMPLOYEES BY INDUSTRY

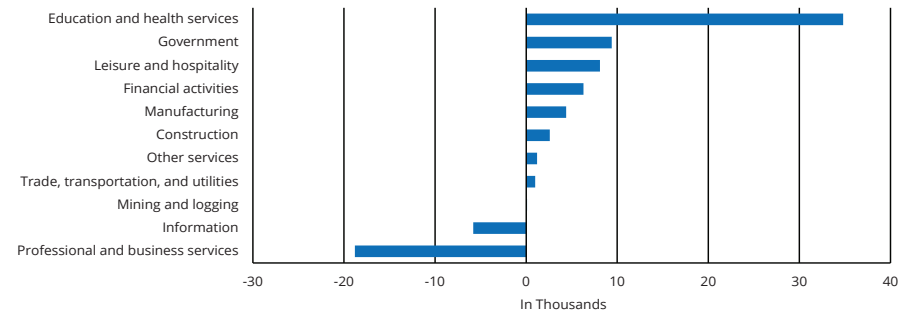
Chicago MSA | November 2023



Source: Bureau of Labor Statistics

### Y-O-Y JOB GROWTH BY INDUSTRY

Chicago MSA | November 2023



Source: Bureau of Labor Statistics



### NET ABSORPTION

#### Downsizing Trend Continues

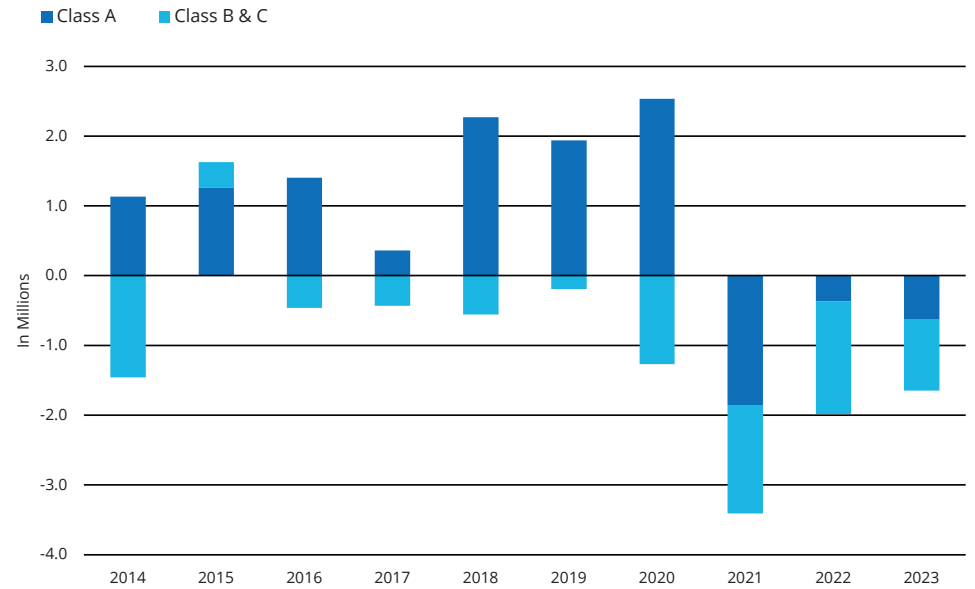
- Net absorption totaled negative 411,717 square feet during the fourth quarter of 2023, bringing absorption for the year down to negative 1.6 million square feet. There was negative 207,542 square feet in the Class A sector and negative 204,265 square feet in the Class B and C sectors.
- The most negative absorption was seen in the West Loop submarket, where The Chicago Mercantile Exchange vacated 188,285 square feet at 550 W. Washington Blvd.
- The downsizing trend continued in the fourth quarter. Mesrirow renewed 110,000 square feet at 353 N. Clark St., but gave back approximately 165,000 square feet. More negative absorption can be expected next year due to these types of contractions.

### LEASING ACTIVITY

#### Deal Volume Remains Sluggish

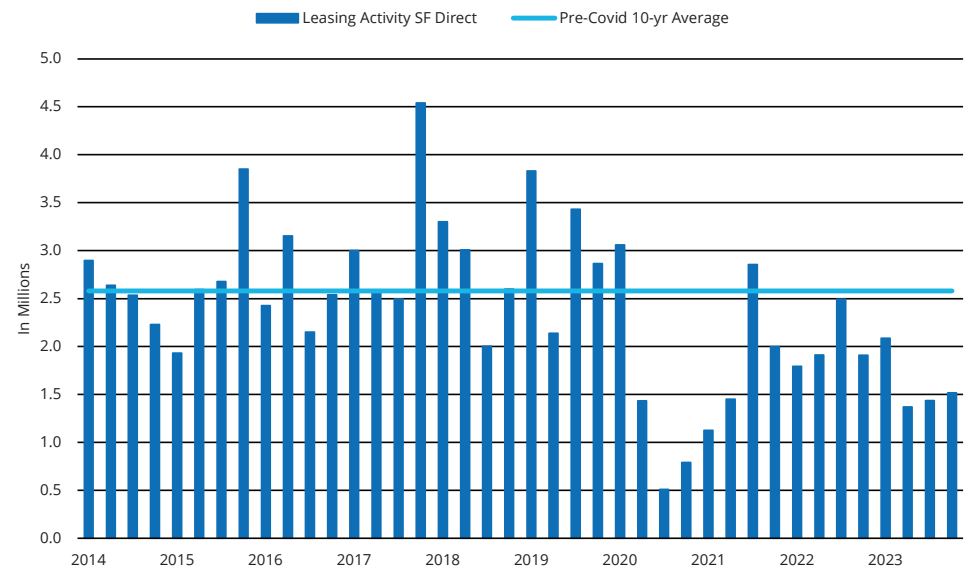
- Direct leasing activity measured 1.5 million square feet during the fourth quarter of 2023, bringing the year's total up to 6.4 million square feet. This is still significantly less than the quarterly average of 2.6 million square feet and yearly average of 10.3 million square feet seen in the 10 years prior to COVID-19.
- There were three new direct deals larger than 50,000 square feet signed in the fourth quarter of 2023. Neal Gerber Eisenberg leased 89,547 square feet at 225 W. Randolph St., Interpublic Group leased 77,163 square feet at 222 W. Merchandise Mart Plaza, and S.C. Johnson leased 73,592 square feet that it had previously been subleasing at 550 W. Washington Blvd. Unfortunately, the largest two tenants will be leaving behind more space than they will move into. Neal Gerber Eisenberg will be vacating 118,715 square feet at 2 N. LaSalle St., and Interpublic Group will be leaving 140,000 square feet at 875 N. Michigan Ave.

### NET ABSORPTION BY CLASS



Source: Transwestern, CoStar

### LEASING ACTIVITY



Source: Transwestern, CoStar



### DIRECT VACANCY

#### Vacancy Rate Continues to Rise

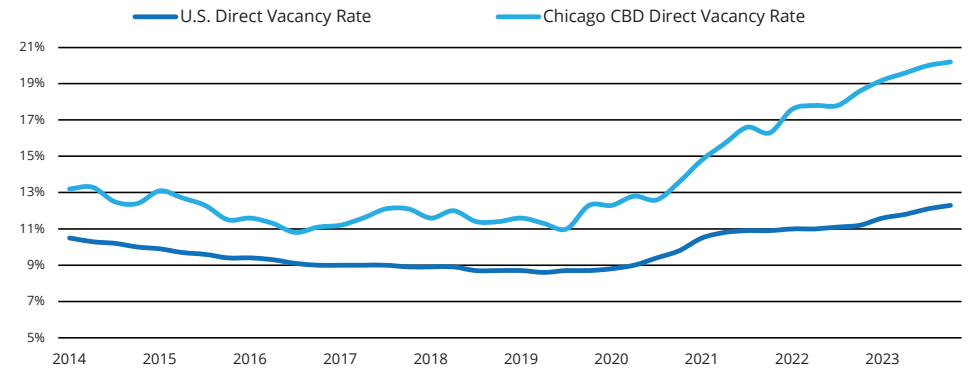
- The direct vacancy rate in Chicago's CBD increased by 20 basis points during the fourth quarter to 20.2%, up 160 basis points year over year.
- Chicago's Class A direct vacancy rate increased by 10 basis points during the fourth quarter to 18.3%, while the Class B and C rate increased by 40 basis points to 24.9%.
- 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

#### Another Large Sublease Signed

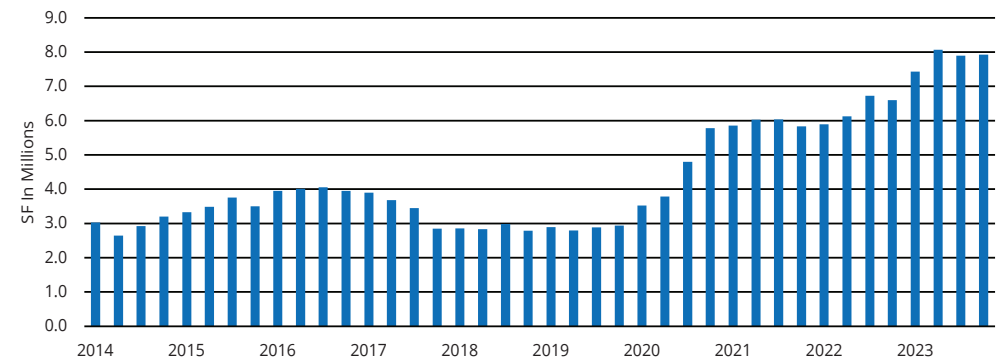
- The amount of available sublease space remained at 7.9 million square feet in the third quarter of 2023, representing 5.0% of total inventory.
- The only block of sublease space larger than 50,000 square feet that was added to the market in the fourth quarter was Lewis Brisbois Bisgaard & Smith's 55,418 square feet at 550 W. Adams St.
- OneDigital subleased 100,000 square feet from Willis Towers Watson at Willis Tower, 233 S. Wacker Drive. This was the largest sublease signed since the beginning of the pandemic.
- The West Loop has 41% of the total available sublease space, followed by the Central Loop, which has 21%.

### DIRECT VACANCY RATE



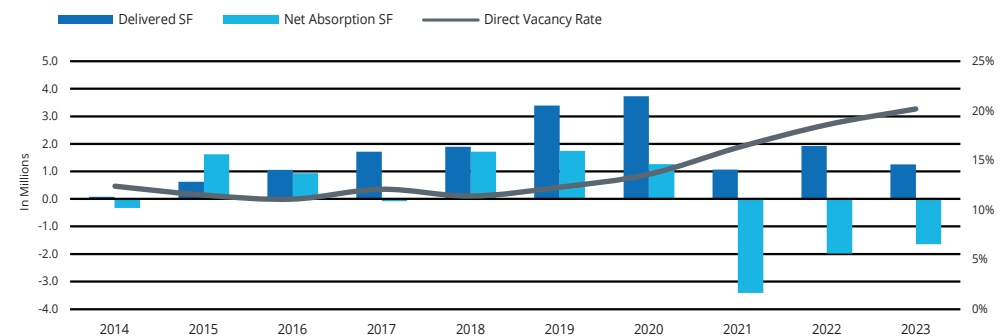
Source: Transwestern, CoStar

### AVAILABLE SUBLEASE SPACE



Source: Transwestern, CoStar

### DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern, CoStar

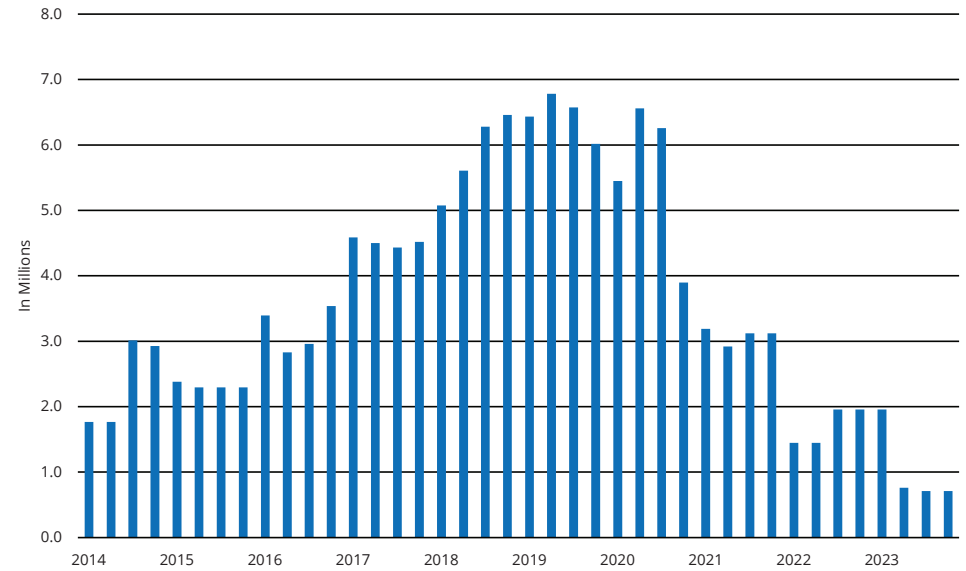


## UNDER CONSTRUCTION

### Office Pipeline Slows

- Chicago’s development pipeline had 710,680 square feet under construction at the end of the fourth quarter, down significantly from the high tide of 6.8 million square feet under construction in 2019.
- There are two office developments currently under construction. A 493,683-square-foot office property at 360 N. Green St. in Fulton Market is 68.2% 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 early 2024.
- The only office buildings completed in 2023 were Salesforce Tower, a 1.2 million-square-foot trophy tower at 333 W. Wolf Point Plaza in the River North submarket, and a 48,560-square-foot building in the West Loop at 732 W. Randolph St.
- 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

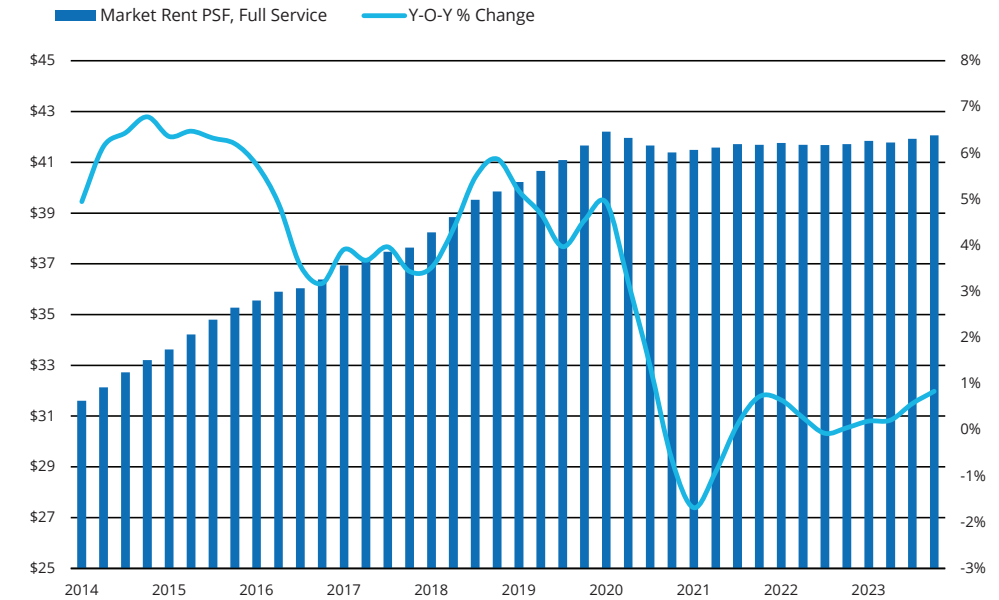


### RENTAL RATES

#### Market Rents Hold Steady

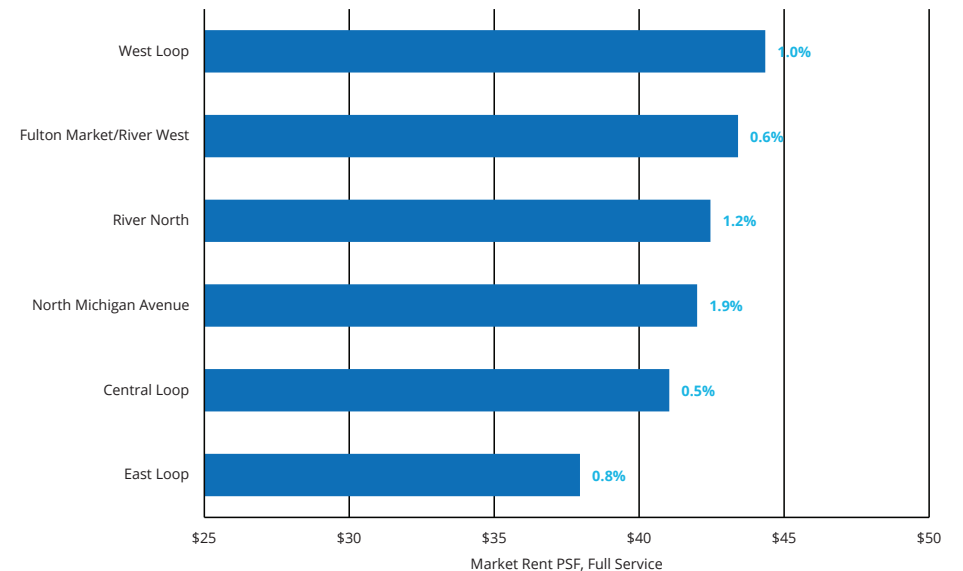
- Market rents continue to hold firm despite elevated vacancy, up 0.8% year over year to \$42.06 per square foot in the fourth quarter.
- Class A market rents rose 1.8% year over year to \$45.19 per square foot in the fourth quarter. The Class A market should see rents hold strong and perhaps increase 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 submarket 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

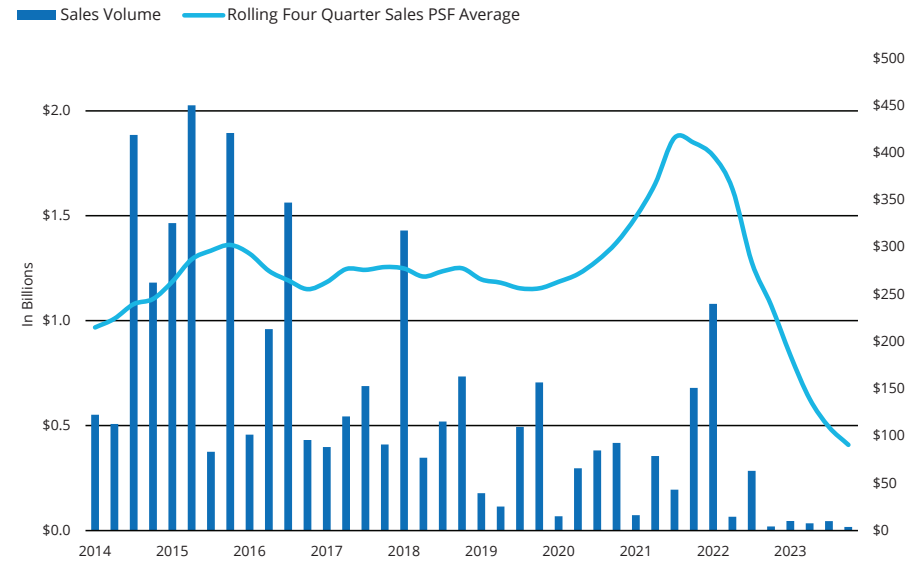


### SALES

#### Office Values Plummet

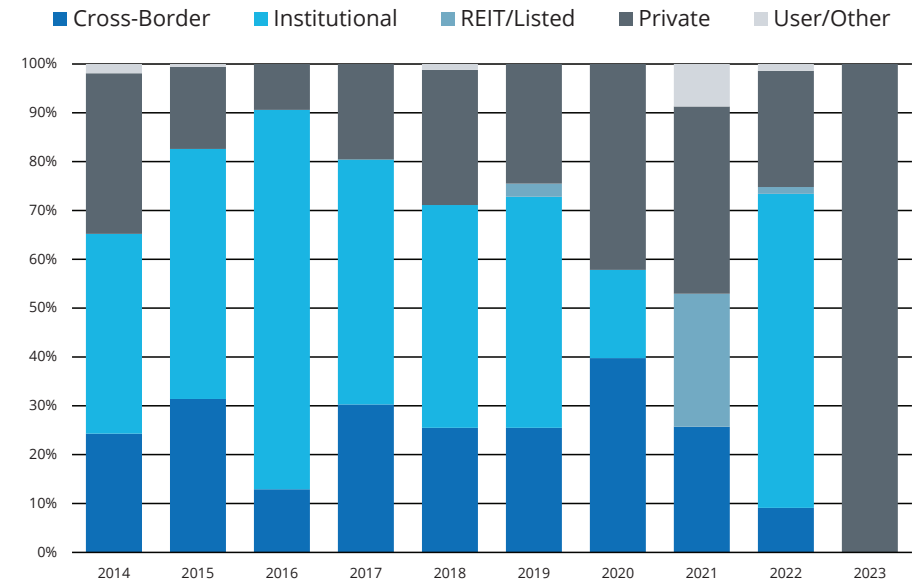
- There were two office investment sales completed in Chicago’s CBD in the fourth quarter, both of which represent significant loss of value. Coastal Partners purchased 213 W. Institute Place from KBS for \$17 million, or \$109 per square foot. This price was 61% less than KBS paid for the property in 2017. Igor Gabel purchased the leasehold interest in 300 W. Adams St. for \$4 million, or \$16 per square foot, from a Morgan Stanley-related entity, which took over the property through a deed-in-lieu of foreclosure in 2021. When the property was last sold in 2012, the leasehold interest in the building had an appraised value of \$38 million.
- Prime Group has a contract to purchase 35 E. Wacker Drive for an estimated \$39 million, or \$68 per square foot, which it reportedly plans to partially convert into a hotel. Additionally, Chicago developer R2 has been in negotiations to acquire 150 N. Michigan Ave. since the second quarter of 2023 for an estimated \$60 million, or \$92 per square foot.
- 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



## Q4 2023 NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
Mesirow	353 N. Clark St.	River North	Ren/Con	110,028
OneDigital	233 S. Wacker Drive	West Loop	Sublease	100,000
Neal Gerber Eisenberg	225 W. Randolph St.	West Loop	New	89,547
Interpublic Group (IPG)	222 W Merchandise Mart Plaza	River North	New	77,163
S.C. Johnson	550 W. Washington Blvd.	West Loop	New	73,592
Clark Hill	130 E. Randolph St.	East Loop	Ren	71,813
Riley, Safer, Holmes & Cancila	1 S. Dearborn St.	Central Loop	New	38,481
MonoSol	1375 W. Fulton St.	Fulton Market/River West	New	35,021
Solomon Cordwell Buenz	330 N. Wabash Ave.	North Michigan Ave	New	34,437
Illinois Institute of Technology	400 N. Aberdeen St.	Fulton Market/River West	New	34,000
Hireology	303 E. Wacker Drive	East Loop	Ren	32,711
Gordon Rees Scully Mansukhani (GRSM)	1 N. Wacker Drive	West Loop	New	29,839
Workbox	125 S. Clark St.	Central Loop	New	29,033
BatesCarey	191 N. Wacker Drive	West Loop	Ren	25,723
Groupon	35 W. Wacker Drive	Central Loop	Sublease	25,000
Eimer Stahl	224 S. Michigan Ave.	East Loop	Ren	22,300
Aeris Communications	24 E. Washington St.	East Loop	New	21,331
Lathrop GPM	155 N. Wacker Drive	West Loop	Ren	20,821
Cerity Partners	320 S. Canal St.	West Loop	New	19,643
CA Student Living	800 W. Fulton St.	Fulton Market/River West	New	17,960
Humana	111 N. Canal St.	West Loop	New	15,709
Epstein Becker Green	227 W. Monroe St.	West Loop	Exp	15,664
Iron Galaxy	125 S. Clark St.	Central Loop	Exp	15,291
Greer Burns & Crain	200 W. Madison St.	West Loop	New	15,204
Solomon Partners	10 S. Wacker Drive	West Loop	Ren	15,000

= Transwestern deal

Source: Transwestern, CoStar





2023 NOTABLE SALES

ADDRESS	STATUS	DATE	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	SELLER	BUYER
350 N ORLEANS	On the Market	Q4 2023	River North	\$160,000,000	1,328,668	\$120	Blackstone/ Wells Fargo (Lender)	TBD
175 W JACKSON	On the Market	Q3 2023	Central Loop	\$130,000,000	1,452,390	\$90	Brookfield/ LNR (Lender)	TBD
1333 N KINGSBURY	On the Market	Q3 2023	River North	\$10,500,000	100,057	\$105	Credit Suisse	TBD
161 N CLARK	On the Market	Q2 2023	Central Loop	\$160,000,000	1,068,877	\$150	CBREIM/ Societe Generale (Lender)	TBD
35 E WACKER	Under Contract	Q4 2023	East Loop	\$39,000,000	570,000	\$68	Dorchester/ Manulife (Lender)	Prime Group
150 N MICHIGAN	Under Contract	Q2 2023	East Loop	\$60,000,000	654,508	\$92	Metlife (Lender)	R2
213 W INSTITUTE	Sold	Q4 2023	River North	\$17,000,000	155,385	\$109	KBS	Coastal Partners
300 W ADAMS (leasehold)	Sold	Q4 2023	West Loop	\$4,000,000	254,154	\$16	LNR Partners (Special Servicer)/ Morgan Stanley (Lender)	Igor Gabel
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 | Q4 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	36,290,033	8,747,133	24.1%	25.7%	0	-163,997	-426,096	\$41.04
EAST LOOP	26,995,844	5,900,263	21.9%	22.9%	0	-141,808	-589,535	\$37.96
FULTON MARKET/RIVER WEST	8,174,647	964,208	11.8%	14.4%	493,680	80,226	293,516	\$43.41
NORTH MICHIGAN AVE	11,316,831	1,877,221	16.6%	18.8%	0	26,525	-35,739	\$42.00
RIVER NORTH	17,267,301	3,806,110	22.0%	26.2%	217,000	35,249	-127,198	\$42.46
WEST LOOP	58,561,065	10,786,214	18.4%	21.4%	0	-247,912	-759,886	\$44.35
<b>TOTAL</b>	<b>158,605,721</b>	<b>32,081,149</b>	<b>20.2%</b>	<b>22.6%</b>	<b>710,680</b>	<b>-411,717</b>	<b>-1,644,938</b>	<b>\$42.06</b>

Source: Transwestern, CoStar

**MARKET INDICATORS TABLE**

Class A | Q4 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	21,181,914	4,913,351	23.2%	25.0%	0	-39,457	-206,754	\$44.93
EAST LOOP	18,000,024	3,483,635	19.4%	20.5%	0	-87,358	-467,205	\$40.41
FULTON MARKET/RIVER WEST	5,027,081	357,735	7.1%	11.1%	493,680	68,388	350,965	\$51.03
NORTH MICHIGAN AVE	9,107,642	1,305,041	14.3%	17.0%	0	25,985	-21,069	\$43.51
RIVER NORTH	12,105,611	2,617,119	21.6%	27.3%	217,000	-898	76,469	\$47.77
WEST LOOP	47,899,657	8,114,777	16.9%	20.1%	0	-174,112	-354,368	\$46.28
<b>TOTAL</b>	<b>113,321,929</b>	<b>20,791,658</b>	<b>18.3%</b>	<b>21.2%</b>	<b>710,680</b>	<b>-207,452</b>	<b>-621,962</b>	<b>\$45.19</b>

Source: Transwestern, CoStar

**MARKET INDICATORS TABLE**

Class B & C | Q4 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	15,108,119	3,833,782	25.4%	26.7%	0	-124,540	-219,342	\$35.60
EAST LOOP	8,995,820	2,416,628	26.9%	27.7%	0	-54,450	-122,330	\$33.06
FULTON MARKET/RIVER WEST	3,147,566	606,473	19.3%	19.8%	0	11,838	-57,449	\$29.76
NORTH MICHIGAN AVE	2,209,189	572,180	25.9%	26.2%	0	540	-14,670	\$35.75
RIVER NORTH	5,161,690	1,188,991	23.0%	23.5%	0	36,147	-203,667	\$33.03
WEST LOOP	10,661,408	2,671,437	25.1%	27.5%	0	-73,800	-405,518	\$35.63
<b>TOTAL</b>	<b>45,283,792</b>	<b>11,289,491</b>	<b>24.9%</b>	<b>26.2%</b>	<b>0</b>	<b>-204,265</b>	<b>-1,022,976</b>	<b>\$34.41</b>

Source: Transwestern, CoStar



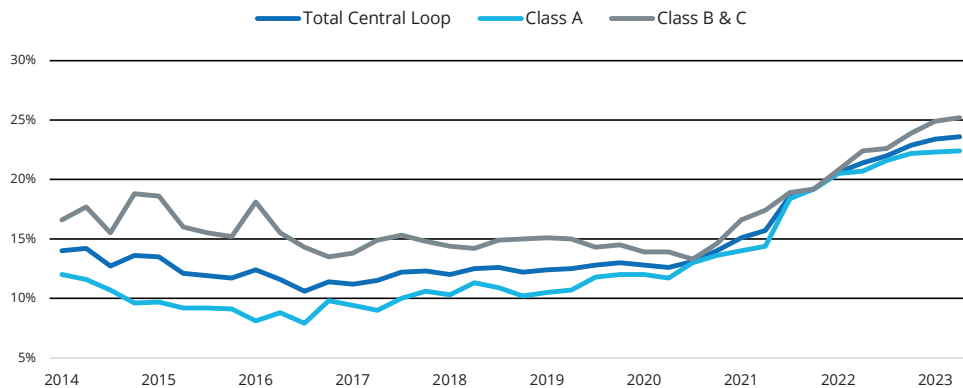
### CENTRAL LOOP

#### Another Large Tenant Leaving

- The Central Loop submarket had 163,997 square feet of negative absorption in the fourth quarter, bringing the year's total down to 426,096 square feet of negative absorption. The direct vacancy rate increased by 40 basis point in the fourth quarter to 24.1%. The overall vacancy rate increased by 30 basis points to 25.7%.
- Another large Central Loop tenant will be leaving the submarket. Neal Gerber Eisenberg will be vacating 118,715 square feet at 2 N. LaSalle St. and moving to 89,547 square feet at 225 W. Randolph St. in the West Loop, which is currently undergoing a major renovation.
- LARGEST NEW DEAL: Riley, Safer, Holmes & Cancila - 38,481 square feet - 1 S. Dearborn St.
- LARGEST EXPANSION: Iron Galaxy - 15,291 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



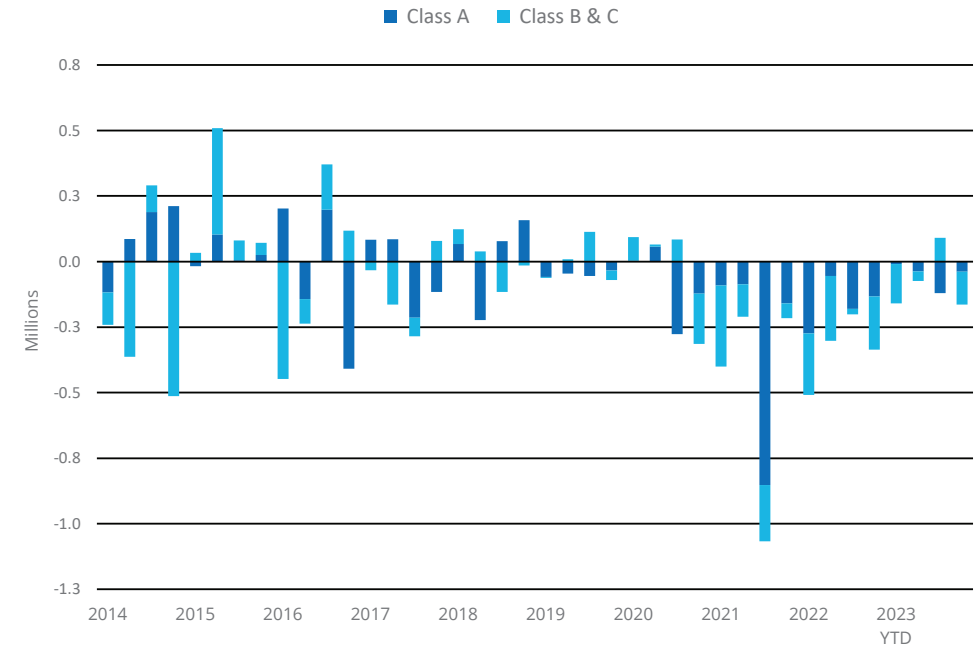
Source: Transwestern, CoStar

#### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	36,290,033	36,290,033	↔
<b>DIRECT VACANCY RATE</b>	24.1%	22.9%	↑
<b>OVERALL VACANCY RATE</b>	25.7%	25.0%	↑
<b>YTD NET ABSORPTION (SF)</b>	(426,096)	(1,348,159)	↑
<b>YTD DIRECT LEASING ACTIVITY (SF)</b>	1,207,104	2,926,298	↓
<b>AVAILABLE SUBLEASE (SF)</b>	1,726,000	1,351,292	↑
<b>CLASS A MARKET RENT</b>	\$44.93	\$44.69	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$35.60	\$35.49	↑

Source: Transwestern, CoStar

#### NET ABSORPTION



Source: Transwestern, CoStar



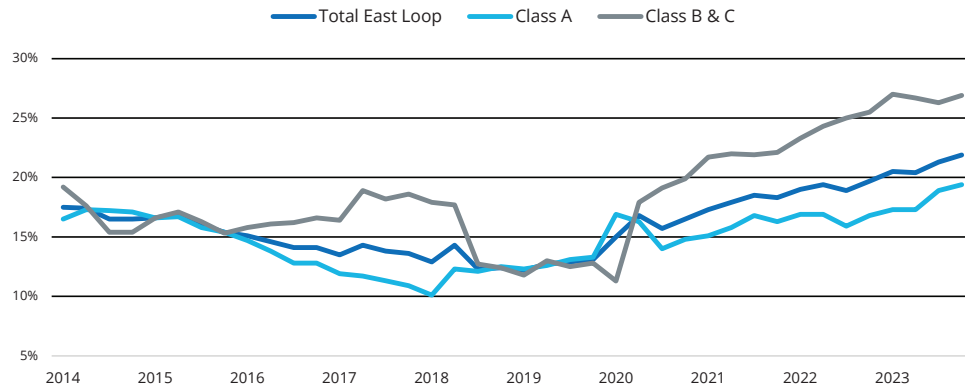
### EAST LOOP

#### Negative Absorption

- The East Loop had 141,808 square feet of negative absorption in the fourth quarter, bringing the year's total down to 589,535 square feet of negative absorption. The direct vacancy rate increased by 60 basis points to 21.9%, and the overall vacancy rate increased by 40 basis points to 22.9%.
- LARGEST DIRECT NEW DEAL: Aeris Communications - 21,331 square feet - 24 E. Washington St.
- LARGEST RENEWAL: Clark Hill - 71,813 square feet - 130 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



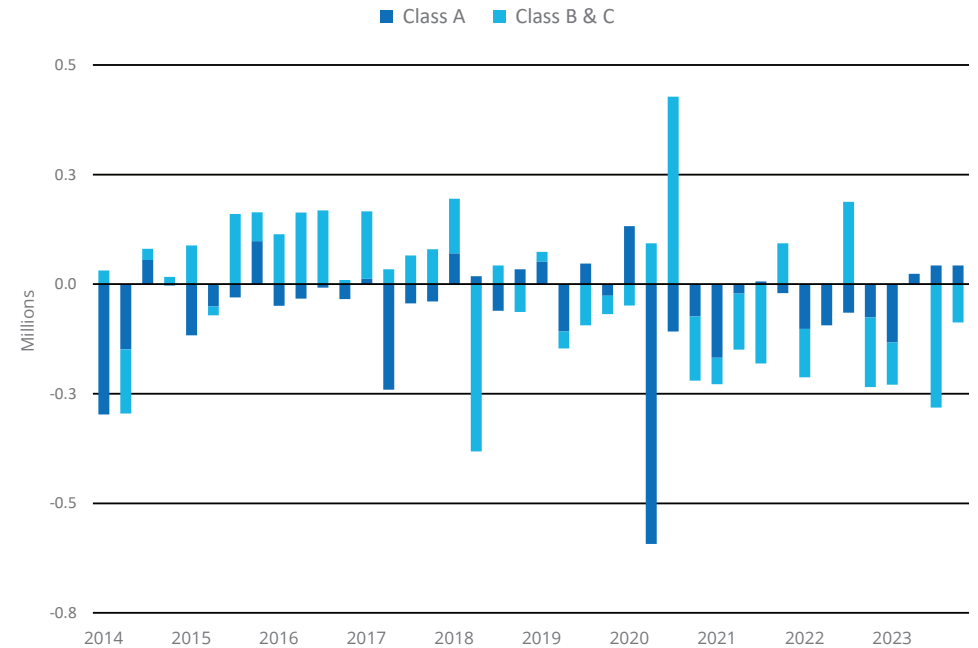
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	26,995,844	26,995,844	↔
<b>DIRECT VACANCY RATE</b>	21.9%	19.7%	↑
<b>OVERALL VACANCY RATE</b>	22.9%	21.2%	↑
<b>YTD NET ABSORPTION (SF)</b>	(589,535)	(417,065)	↓
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	647,116	765,931	↓
<b>AVAILABLE SUBLEASE (SF)</b>	924,374	950,530	↓
<b>CLASS A MARKET RENT</b>	\$40.41	\$40.00	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$33.06	\$33.01	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



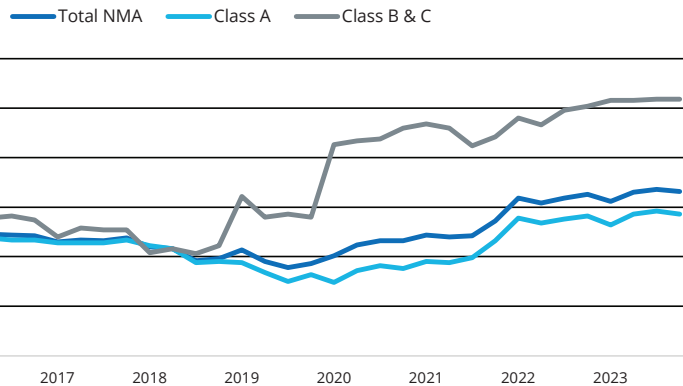
### NORTH MICHIGAN AVENUE

#### Quiet Quarter

- The North Michigan Avenue submarket had 35,249 square feet of positive absorption in the fourth quarter, bringing the year's total up to 35,739 square feet of negative absorption. The direct vacancy rate decreased by 20 basis points to 16.6%, and the overall vacancy rate decreased by 10 basis points to 18.8%.
- LARGEST DIRECT NEW DEAL: Solomon Cordwell Buenz - 34,437 square feet - 330 N. Wabash 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.

#### DIRECT VACANCY



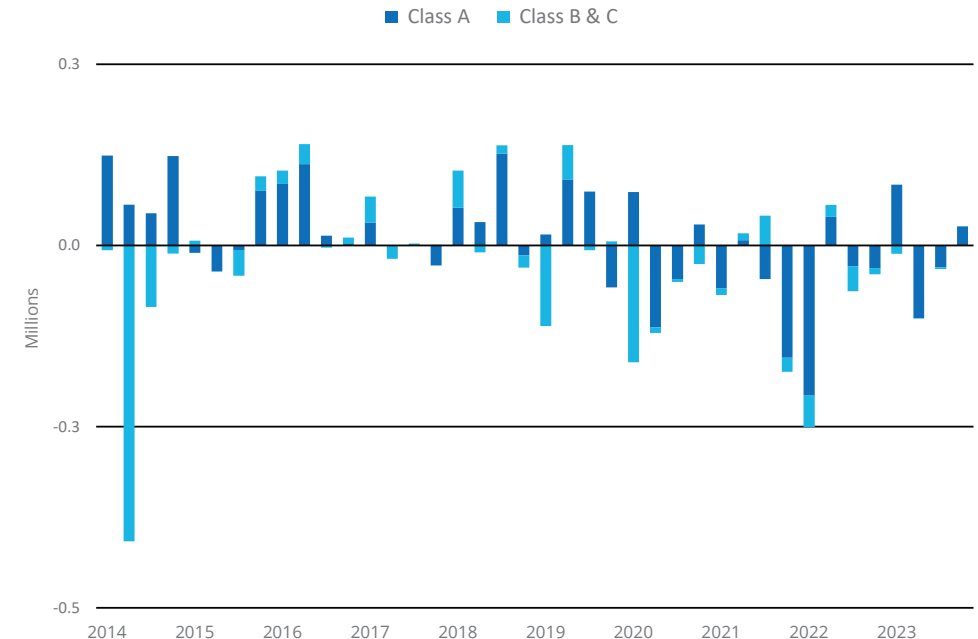
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	11,316,831	11,316,831	↔
<b>DIRECT VACANCY RATE</b>	16.6%	16.3%	↑
<b>OVERALL VACANCY RATE</b>	18.8%	18.2%	↑
<b>YTD NET ABSORPTION (SF)</b>	(35,739)	(298,337)	↑
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	296,807	238,836	↑
<b>AVAILABLE SUBLEASE (SF)</b>	495,532	446,046	↑
<b>CLASS A MARKET RENT</b>	\$43.51	\$42.60	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$35.76	\$35.54	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



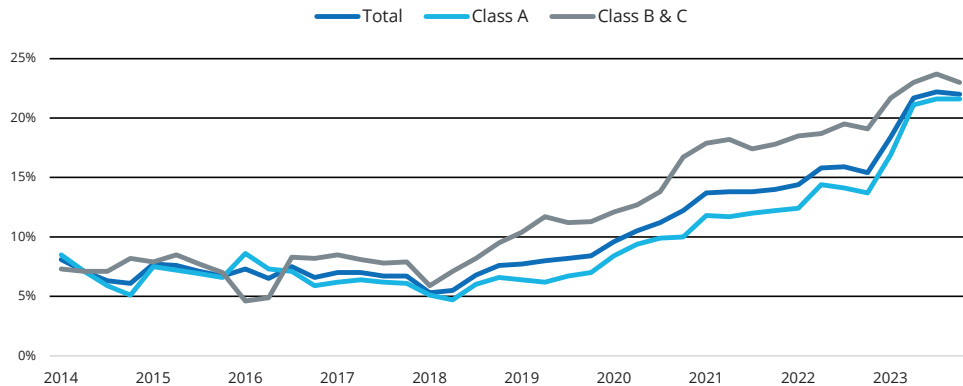
### RIVER NORTH

#### 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



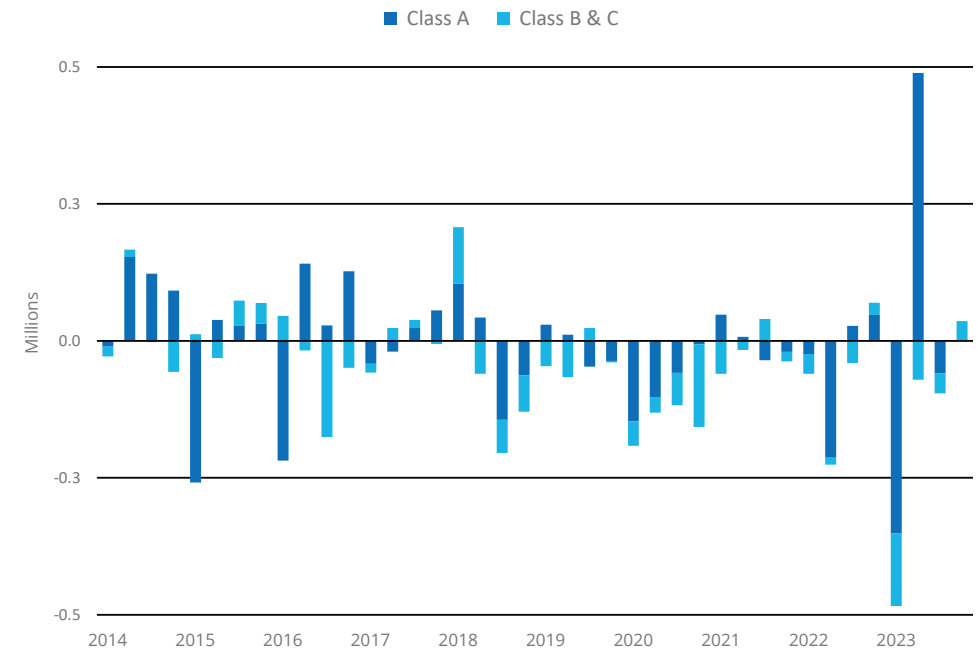
Source: Transwestern, CoStar

#### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	17,267,301	16,067,099	↑
<b>DIRECT VACANCY RATE</b>	22.0%	15.4%	↑
<b>OVERALL VACANCY RATE</b>	26.2%	19.6%	↑
<b>YTD NET ABSORPTION (SF)</b>	(127,198)	(229,944)	↑
<b>TOTAL LEASING ACTIVITY (SF)</b>	859,094	839,208	↑
<b>AVAILABLE SUBLEASE (SF)</b>	1,095,611	1,068,946	↑
<b>CLASS A MARKET RENT</b>	\$44.76	\$44.52	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$33.04	\$32.88	↑

Source: Transwestern, CoStar

#### NET ABSORPTION



Source: Transwestern, CoStar



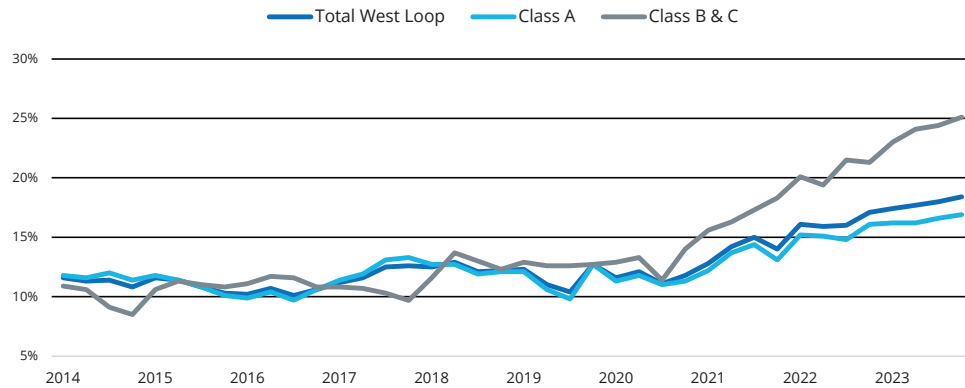
### WEST LOOP

#### Large Sublease Signed at Willis Tower

- The West Loop submarket had 247,912 square feet of negative absorption in the fourth quarter, bringing the year's total down to 759,886 square feet of negative absorption. The direct vacancy rate increased by 40 basis points to 18.4%, and the overall vacancy rate increased by 70 basis points to 21.4%.
- LARGEST DIRECT NEW DEAL: Neal Gerber Eisenberg - 89,547 square feet - 225 W. Randolph St.
- LARGEST RENEWAL: BatesCarey - 25,723 square feet - 191 N. Wacker Drive
- LARGEST SUBLEASE: OneDigital - 100,000 square feet - 233 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



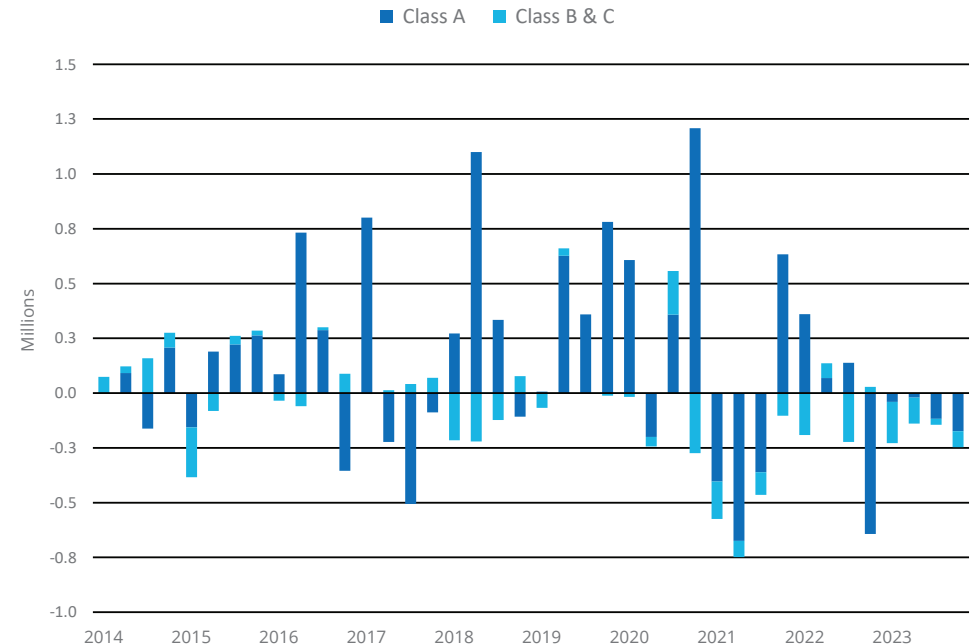
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	58,561,065	58,513,492	↑
<b>DIRECT VACANCY RATE</b>	18.4%	17.1%	↑
<b>OVERALL VACANCY RATE</b>	21.4%	19.2%	↑
<b>YTD NET ABSORPTION (SF)</b>	(759,886)	(396,643)	↓
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	2,925,275	2,644,112	↑
<b>AVAILABLE SUBLEASE (SF)</b>	3,128,798	2,622,015	↑
<b>CLASS A MARKET RENT</b>	\$46.26	\$45.76	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$35.64	\$35.49	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



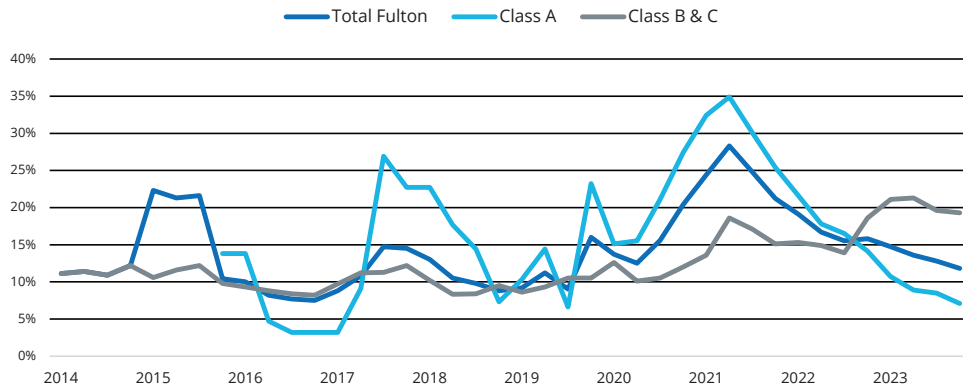
### FULTON MARKET/RIVER WEST

#### Sublease Availability Grows

- 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 the Class A direct vacancy rate is down to 7.1%.
- 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 68.2% preleased and is expected to be delivered in 2024.
- The amount of available Class A sublease space has climbed to 462,238 square feet, which is nearly equal to the 470,728 square feet of directly available Class A space.
- LARGEST DIRECT NEW DEAL: MonoSol - 35,021 square feet - 1375 W. Fulton 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



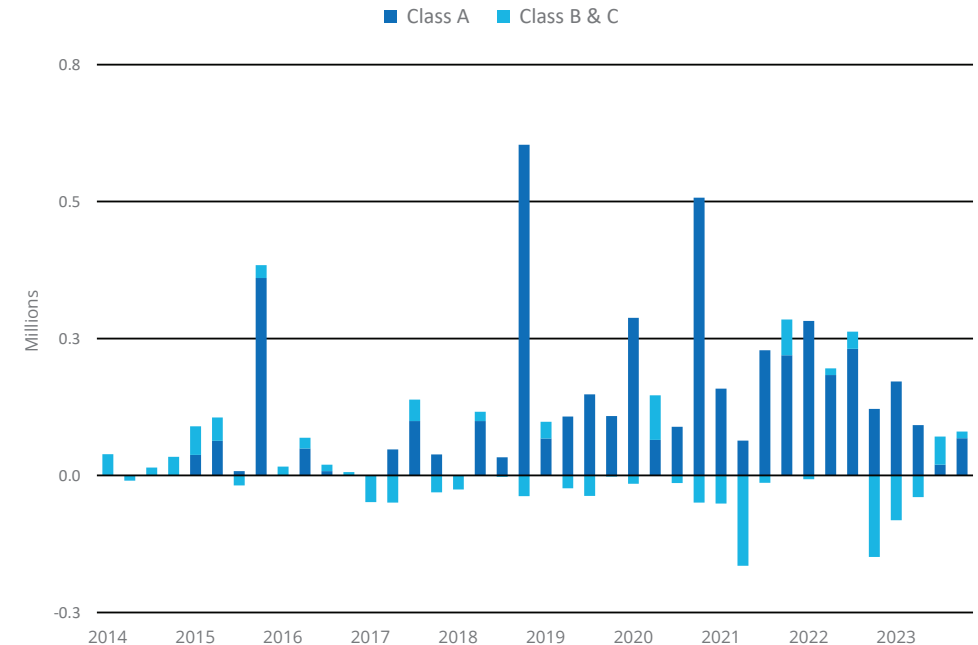
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	8,174,647	8,217,939	↓
<b>DIRECT VACANCY RATE</b>	11.8%	15.8%	↓
<b>OVERALL VACANCY RATE</b>	14.4%	17.2%	↓
<b>YTD NET ABSORPTION (SF)</b>	293,516	707,234	↓
<b>TOTAL LEASING ACTIVITY (SF)</b>	581,447	743,073	↓
<b>AVAILABLE SUBLEASE (SF)</b>	552,240	151,781	↑
<b>CLASS A MARKET RENT</b>	\$51.05	\$50.58	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$29.76	\$29.80	↓

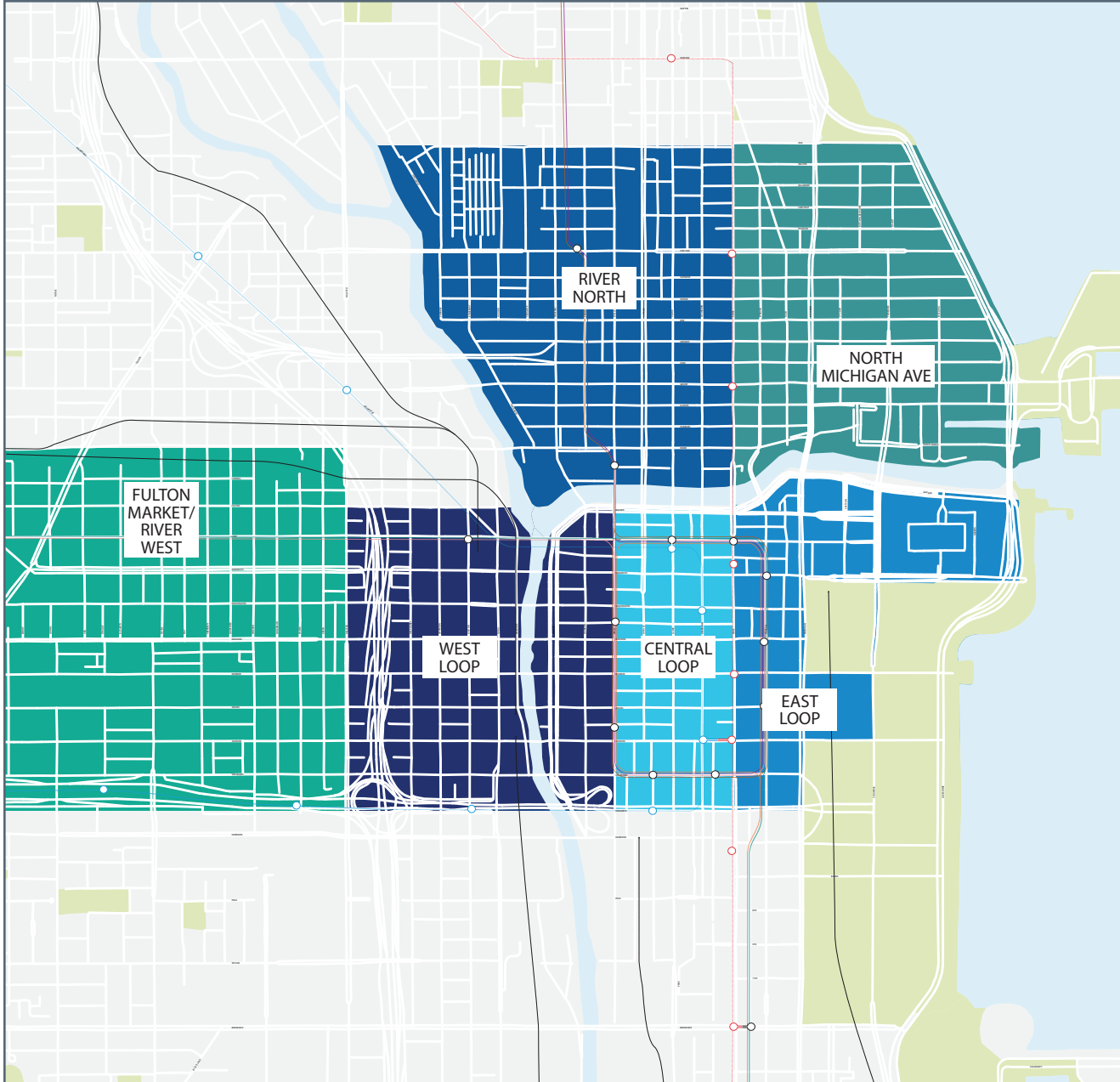
Source: Transwestern, CoStar

### 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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