



TRANSWESTERN

# CHICAGO CBD OFFICE MARKET

## Q1 2024



### TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
<b>UNEMPLOYMENT RATE</b>	5.3	4.4	↑	5.7	↑
<b>YTD NET ABSORPTION</b> (Thousands SF)	-1,362	-934	↓	-260	↓
<b>DIRECT VACANCY RATE</b>	21.2%	19.2%	↑	16.1%	↑
<b>DIRECT VACANT SF</b> (MSF)	33.3	30.0	↑	24.8	↑
<b>AVAILABLE SUBLET SF</b> (MSF)	7.3	7.4	↑	5.7	↔
<b>UNDER CONSTRUCTION</b> (MSF)	1.1	2.0	↓	3.3	↓
<b>MARKET RENT, FULL SERVICE</b> (PSF)	\$41.90	\$41.59	↑	\$41.59	↔
<b>YTD SALES VOLUME</b> (Millions)	\$109	\$45	↑	\$275	↑

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

Throughout the first quarter of 2024, the office market conditions within the Chicago Central Business District (CBD) deteriorated further. Negative absorption reached 1.4 million square feet, escalating the direct vacancy rate to a record high of 21.2%. Leasing activity remained depressed and, there were only two investment sales.

Despite the prevailing sense of pessimism in the CBD office market, there were some positive developments, particularly in the hard-hit Central Loop. Mayor Johnson announced his support of the office-to-residential conversions that the previous administration had initiated. Additionally, JPMorgan Chase, which had been shopping the market for a new Chicago location, announced that it is committed to staying at their current 1.9 million-square-foot tower at 10 S. Dearborn St. in the Central Loop. Chase will be investing in a major redevelopment of the tower, which it owns.

The Chicago office market, which has weathered many storms, will be sure to recover in the coming years. However, the market will continue to decline in the near term. More prospective buyers who have been waiting for the market to bottom out may soon start seizing opportunities within the distressed market. While the accompanying loss of value may be painful, it will lay the groundwork for a significant rebound.

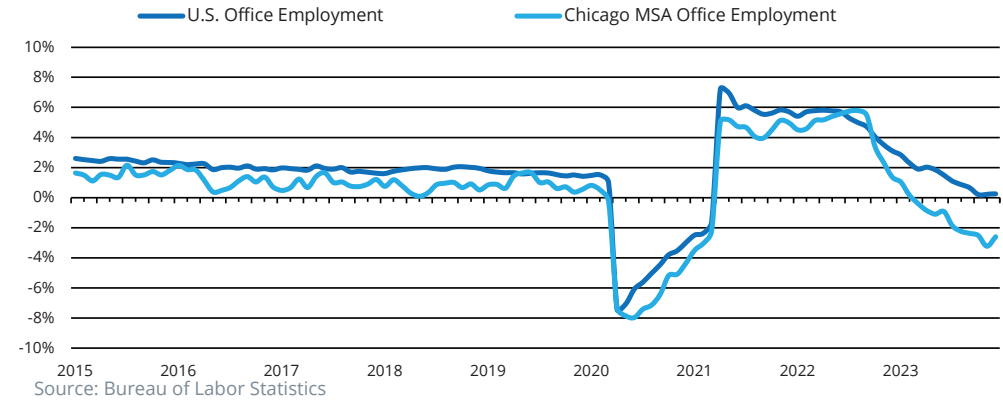


### ECONOMY

#### Interest Rates Stay High For Now

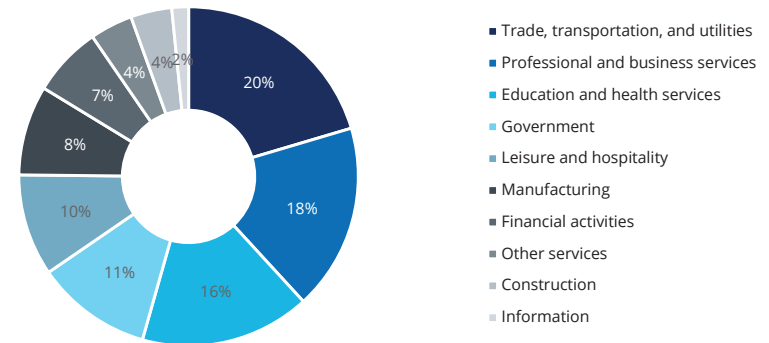
- In March, the Federal Reserve (Fed) maintained the range of the federal funds rate at 5.25% to 5.50%, affirming its stance of refraining from rate cuts until witnessing sustained evidence of inflation reduction. Nonetheless, the ongoing economic expansion suggests that the Fed’s pursuit of a “soft landing” may be on track. The commercial real estate sector, eagerly anticipating rate cuts, will need to persevere in the high-rate environment for the time being.
- The U.S. economy sustained robust job growth, adding an estimated 303,000 jobs in March, bringing the quarterly total to 829,000. Weekly initial unemployment claims remained below historical averages, and the national unemployment rate stood at 3.8% in March.
- Locally, the unemployment rate increased 50 basis points in February to 5.3%, the highest it has been since August of 2021. Approximately 10,700 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 0.3% year over year in February; locally, office-using jobs decreased by 3.2% during the same period. The Professional and Business Services industry lost 35,100 jobs in the Chicago area year over year, and the Information industry lost 3,200 jobs, while the Financial Activities industry lost 1,000 jobs.

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



### SHARE OF EMPLOYEES BY INDUSTRY

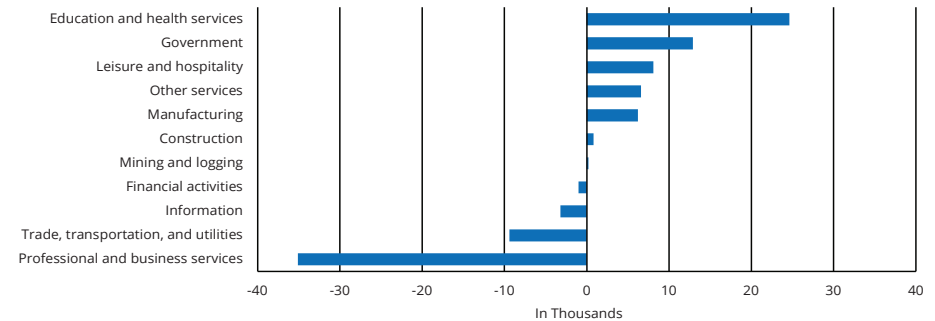
Chicago MSA | February 2024



Source: Bureau of Labor Statistics

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

Chicago MSA | February 2024



Source: Bureau of Labor Statistics



### NET ABSORPTION

#### Groupon Sublease Becomes Direct Availability

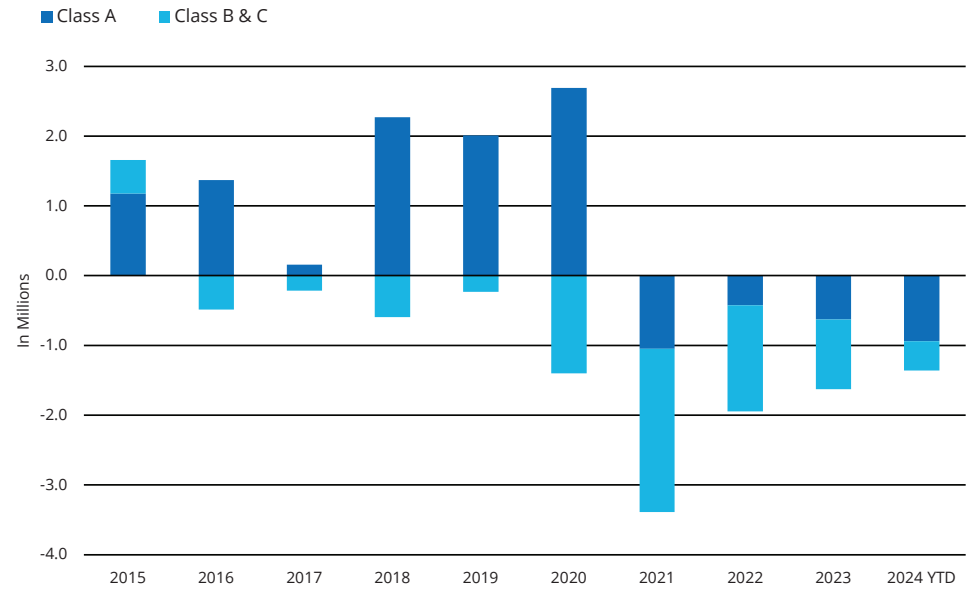
- Net absorption totaled negative 1.4 million square feet during the first quarter of 2024. There was negative 938,462 square feet in the Class A sector and negative 423,388 square feet in the Class B and C sectors.
- The building with the most negative absorption was 600 W. Chicago Ave. in River North, where approximately 300,000 square feet of Groupon’s former space became directly available after spending years on the sublease market. Groupon paid \$9.6 million to terminate its lease two years early, and moved to a 25,000-square-foot space subleased from Publicis at 35 W. Wacker Drive.
- The negative River North absorption at 600 W. Chicago Ave. was outweighed by the 662,400 square feet of positive absorption created by Kirkland & Ellis moving into 333 W. Wolf Point Plaza, Salesforce Tower. Unfortunately, there was plenty of negative absorption caused by smaller tenant move outs in other submarkets to bring the CBD’s total absorption down to negative territory.

### LEASING ACTIVITY

#### Three Large New Deals at 300 N. LaSalle St.

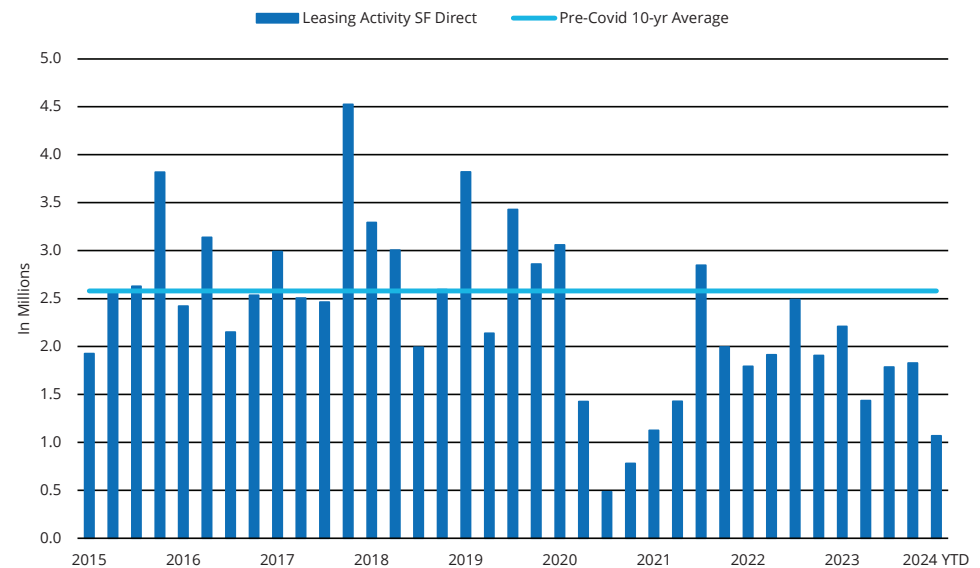
- According to CoStar data, direct leasing activity measured 1.1 million square feet during the first quarter of 2024, still significantly less than the quarterly average of 2.6 million square feet seen in the 10 years prior to COVID-19.
- The three largest new deals signed in the first quarter of 2024 were all at 300 N. LaSalle St. in River North: White & Case leased 63,936 square feet, Ventas leased 49,088 square feet, and Crowell & Moring leased 48,966 square feet. These deals will help the building’s occupancy recover after Kirland & Ellis vacates over 600,000 square feet in the second quarter of 2024.

### NET ABSORPTION BY CLASS



Source: Transwestern, CoStar

### LEASING ACTIVITY



Source: Transwestern, CoStar



### DIRECT VACANCY

#### Vacancy Rate Continues to Rise

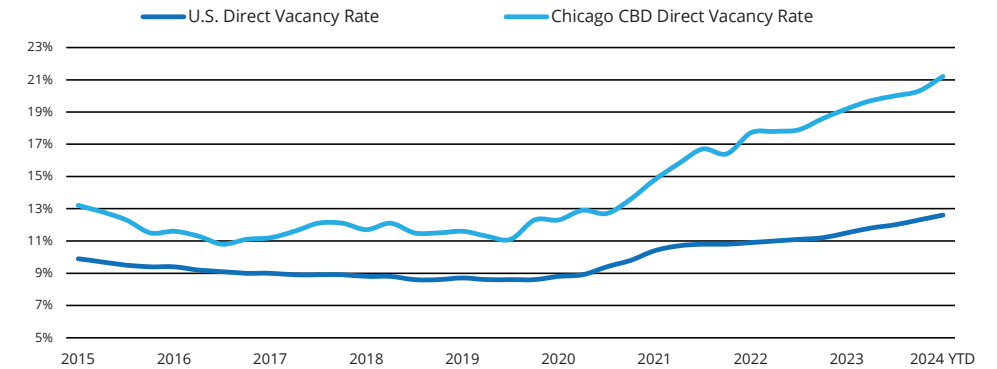
- The direct vacancy rate in Chicago’s CBD increased by 90 basis points during the first quarter to 21.2% - up 200 basis points year over year.
- Chicago’s Class A direct vacancy rate increased by 90 basis points during the first quarter to 18.9%, while the combined Class B and C rate increased by 90 basis points to 26.3%.
- 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

#### Sublet Availability Falls

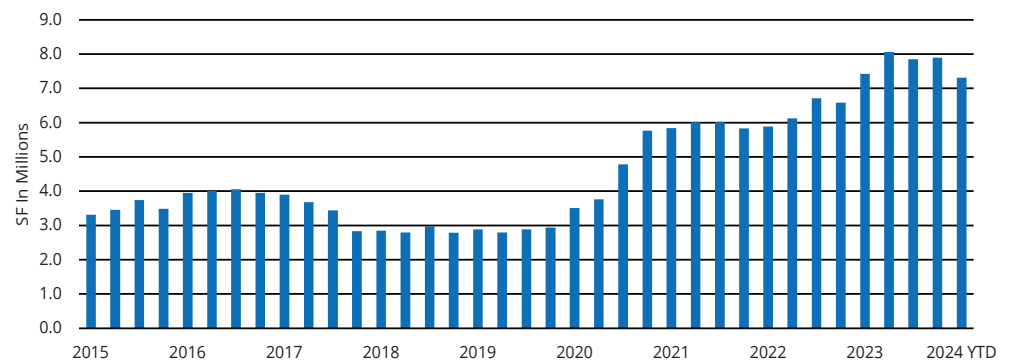
- The amount of available sublease space fell to 7.3 million square feet in the first quarter of 2024, from a historic high of 8.1 million square feet in the second quarter of 2023. The current sublease inventory represents 4.7% of total inventory.
- The decrease in available sublease space is primarily due to space reverting to direct availability. Groupon had the largest block of available sublease space until it terminated its lease, causing nearly 300,000 square feet of direct availability to hit the market. Uptake had a 63,750-square-foot sublet space available until its lease expired in the first quarter as well.
- The only block of sublease space larger than 50,000 square feet that was added to the market in the first quarter was Charles Schwab’s 67,000 square feet at 600 W. Chicago Ave.
- The largest sublease signed in the first quarter was ARCO/Murray’s sublease of 28,693 square feet at 500 W. Madison St.

### DIRECT VACANCY RATE



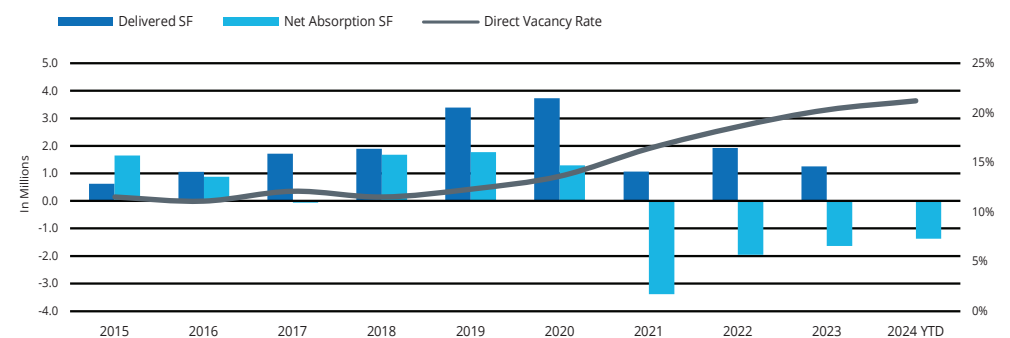
Source: Transwestern, CoStar

### AVAILABLE SUBLEASE SPACE



Source: Transwestern, CoStar

### DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern, CoStar

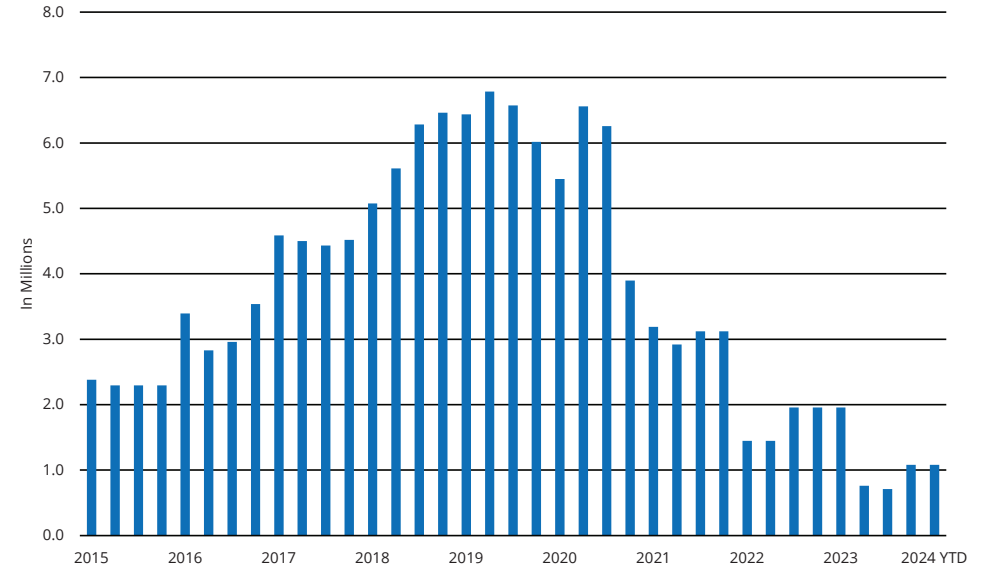


### UNDER CONSTRUCTION

#### New Development Breaks Ground

- Chicago’s development pipeline had 1,019,688 square feet under construction at the end of the first quarter - down significantly from the high tide of 6.8 million square feet under construction in 2019.
- There are three 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 April 2024. A 217,000-square-foot office property at 311 W. Huron St. in River North is 51.6% preleased and is also expected to be delivered in April 2024. A 369,008-square-foot office development recently broke ground at 919 W. Fulton Market and is expected to be delivered in May of 2025. Harrison Street Capital signed a 112,004-square-foot lease at the development in September.
- 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

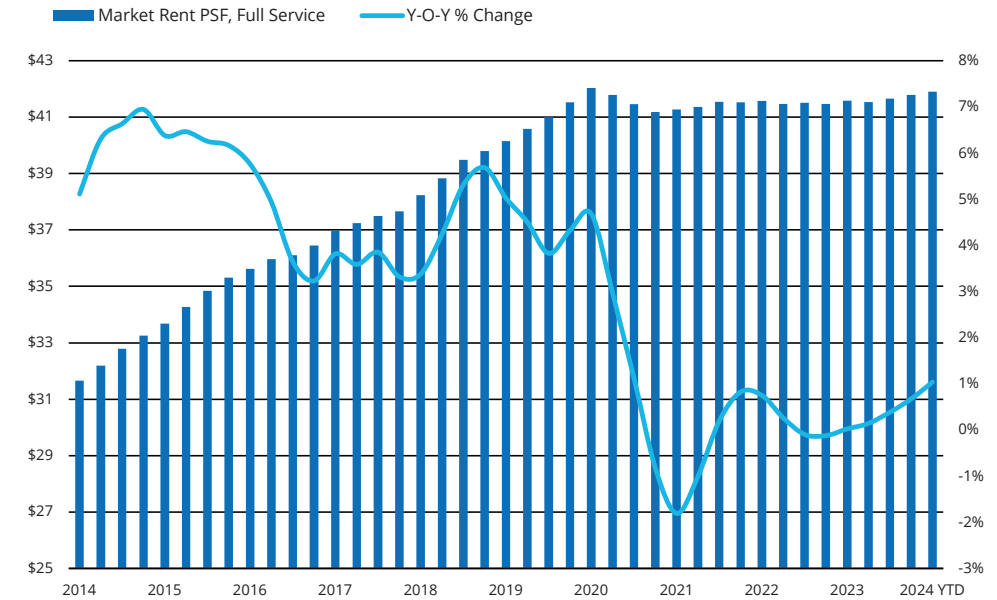


### RENTAL RATES

#### Market Rents Hold Steady

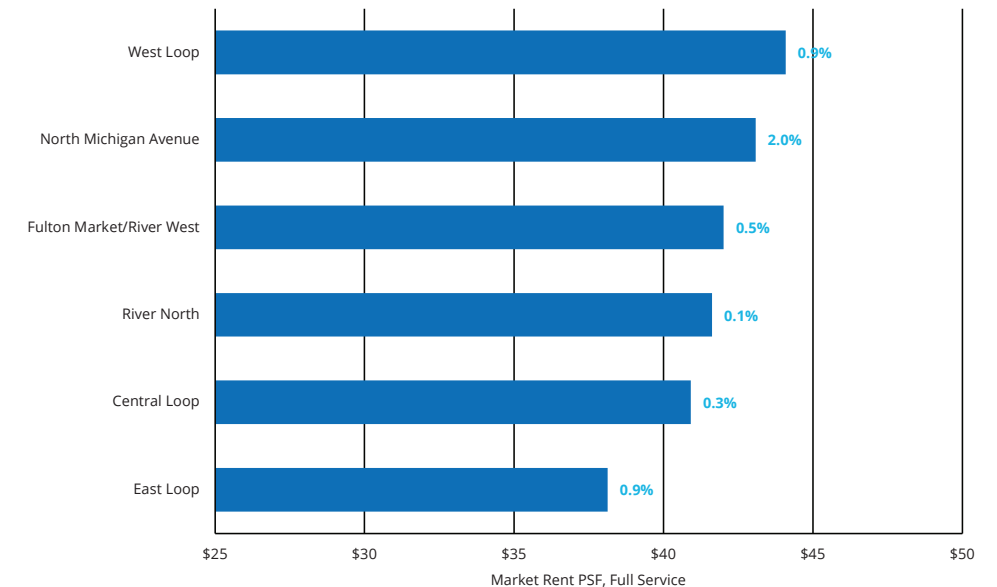
- Market rents continue to hold firm despite elevated vacancy - up 0.7% year over year to \$41.90 per square foot in the first quarter.
- Class A market rents rose 0.9% year over year to \$44.82 per square foot in the first quarter. The Class A market should see rents hold strong and perhaps increase 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 after declining in 2020 and 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. Landlords with available capital have been investing in more spec suites, which tend to lease faster as tenants are less interested in spaces that will require lengthy build outs.
- 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

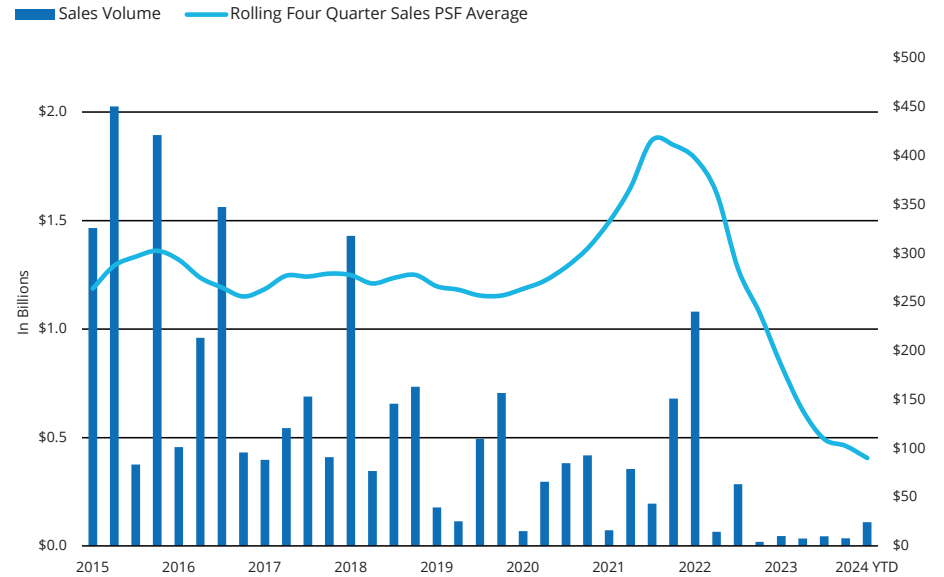


### SALES

#### Office Values Plummet

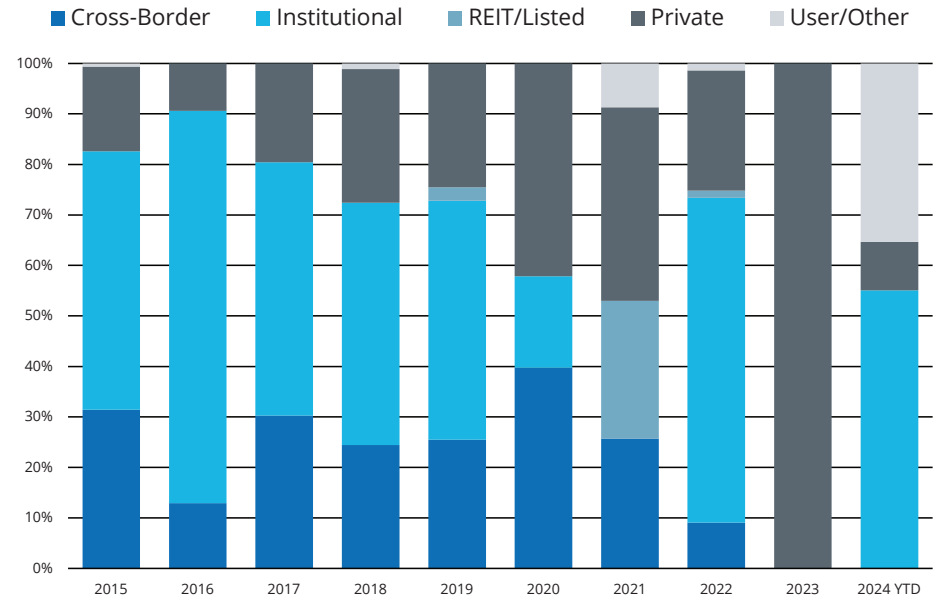
- There were two office investment sales completed in Chicago’s CBD in the first quarter, both of which represent significant loss of value. R2 purchased 150 N. Michigan Ave. for \$60 million, or \$92 per square foot. The property was last sold for \$121 million in 2017. The Community Solution Education System and the Chicago School purchased the office building that Tyson Foods vacated in 2022 at 400 S. Jefferson St. for \$38.5 million, or \$156 per square foot. Their intention is to utilize the property for the establishment of a new institution, the Illinois College of Osteopathic Medicine. The property was last sold for \$97.5 million in 2013.
- There are four office properties in Chicago’s CBD that are currently under contract to be sold. The largest is 161 N. Clark St., which had a \$230 million loan held by Society Generale that the owner had stopped making payments on. Society Generale has chosen Farpoint Development as the buyer with an estimated \$155 million sale price.
- 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.
- 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



## Q1 2024 NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
NBC	455 N Cityfront Plaza	North Michigan Ave	Ren/Con	95,537
PNC	1 N Franklin	West Loop	Ren/Con	95,000
FDIC	300 S Riverside	West Loop	Ren	75,067
White & Case	300 N LaSalle	River North	New	63,936
Ventas, Inc.	300 N LaSalle	River North	New	49,088
Crowell & Moring	300 N LaSalle	River North	New	48,966
Harris & Harris	111 W Jackson	Central Loop	Ren/Con	48,619
R.J. O'Brien & Associates	222 S Riverside	West Loop	Ren/Con	48,000
Monroe Capital	155 N Wacker	West Loop	New	40,000
The Trade Desk	227 W Monroe	West Loop	Ren/Exp	37,692
Attorneys' Liability Assurance Society (ALAS)	10 S Riverside	West Loop	New	36,838
Havas	24 E Washington	East Loop	New	33,000
AMLI Residential	141 W Jackson	Central Loop	Ren	30,219
Aquatic Capital	225 W Randolph	West Loop	New	30,051
ARCO/Murray	500 W Monroe	West Loop	Sublease	28,693
Steelcase	811 W Fulton	Fulton Market/River West	New	28,161
Blue Ops	200 S Michigan	East Loop	New	27,752
Hall, Prangle & Schoonveld	200 S Wacker	West Loop	Ren	26,026
Pure Storage	111 S Wacker	West Loop	Ren	23,937
The LaSalle Network	200 N LaSalle	Central Loop	Ren/Exp	22,884
MillerKnoll	1144 W Fulton	Fulton Market/River West	New	21,651
SBSB Law	1 S Wacker	West Loop	Ren/Exp	20,415
SEIU	200 E Randolph	East Loop	New	20,073
Redshelf	175 W Jackson	Central Loop	Sublease	20,000
Mattiq	400 N Aberdeen	Fulton Market/River West	New	17,377
Eagle Seven Holdings	500 W Jackson	West Loop	Ren	17,167
Robbins, Schwartz, Nicholas, Lifton & Taylor	190 S LaSalle	Central Loop	New	16,196
City of Chicago	2 N LaSalle	Central Loop	Exp	16,097
Kaplan	444 N Michigan	North Michigan Ave	Ren	15,401
OFS Brands	1115 W Fulton	Fulton Market/River West	New	15,397
Cube Group	401 N Morgan	Fulton Market/River West	New	15,082

= Transwestern deal

Source: Transwestern, CoStar



2024 NOTABLE SALES

ADDRESS	STATUS	DATE	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	SELLER	BUYER
600 W CHICAGO	On the Market	Q1 2024	River North	\$200,000,000	1,596,950	\$125	Sterling Bay/Morgan Stanley (Senior Lender)/Nuveen (Mezz)	TBD
70 W MADISON	On the Market	Q1 2024	Central Loop	\$100,000,000	1,439,574	\$69	Hearn/GEM/Farallon/ Bank of America (Lender)	TBD
350 N ORLEANS	On the Market	Q1 2024	River North	\$150,000,000	1,328,668	\$113	EQ Office/ Wells Fargo (Lender)	TBD
29 N WACKER	On the Market	Q1 2024	West Loop	\$10,000,000	133,580	\$75	Allstate	TBD
300 S WACKER	On the Market	Q2 2023	West Loop	\$75,000,000	535,013	\$140	Golub& Alcion Ventures/ Deutsche Bank (Senior Lender)/	TBD
620 N LASALLE	On the Market	Q2 2023	River North	\$10,000,000	79,764	\$125	Next Realty	TBD
161 N CLARK	Under Contract	Q1 2024	Central Loop	\$155,000,000	1,068,877	\$145	CBREIM/ Societe Generale (Lender)	Farpoint
211 E CHICAGO	Under Contract	Q1 2024	North Michigan Ave	TBD	394,230	TBD	American Dental Association	Ann & Robert H. Lurie Children's Hospital
500 N MICHIGAN	Under Contract	Q1 2024	North Michigan Ave	\$65,000,000	322,443	\$202	Schapira/ Truist (Lender)	Inspired
35 E WACKER	Under Contract	Q4 2023	East Loop	\$39,000,000	570,000	\$68	Dorchester/ Manulife (Lender)	Prime Group
150 N MICHIGAN	Sold	Q1 2024	East Loop	\$60,000,000	654,508	\$92	Metlife (Lender)	R2
400 S JEFFERSON	Sold	Q1 2024	West Loop	\$38,500,000	247,000	\$156	The Community Solution Education System	Office Properties Income Trust

Source: CoStar, Real Capital Analytics, Transwestern



**MARKET INDICATORS TABLE**

All Classes of Space | Q1 2024

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	35,592,321	9,178,740	25.8%	27.4%	0	-431,607	-431,607	\$40.91
EAST LOOP	26,996,344	6,295,044	23.3%	24.4%	0	-394,781	-394,781	\$38.13
FULTON MARKET/RIVER WEST	8,299,714	1,005,735	12.1%	14.5%	862,688	-41,527	-41,527	\$42.01
NORTH MICHIGAN AVE	10,524,618	1,825,828	17.3%	19.9%	0	-135,314	-135,314	\$43.08
RIVER NORTH	17,216,901	3,666,482	21.3%	23.2%	217,000	132,428	132,428	\$41.62
WEST LOOP	58,456,569	11,279,129	19.3%	22.1%	0	-491,049	-491,049	\$44.08
<b>TOTAL</b>	<b>157,086,467</b>	<b>33,250,958</b>	<b>21.2%</b>	<b>23.2%</b>	<b>1,079,688</b>	<b>-1,361,850</b>	<b>-1,361,850</b>	<b>\$41.90</b>

Source: Transwestern, CoStar

Class A | Q1 2024

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	17,898,199	4,109,795	23.0%	25.2%	0	-179,052	-179,052	\$44.23
EAST LOOP	18,000,024	3,848,155	21.4%	22.5%	0	-364,520	-364,520	\$40.63
FULTON MARKET/RIVER WEST	4,894,051	413,369	8.4%	12.1%	862,688	-55,634	-55,634	\$49.56
NORTH MICHIGAN AVE	9,108,492	1,443,632	15.8%	18.7%	0	-138,591	-138,591	\$44.00
RIVER NORTH	11,209,109	2,199,195	19.6%	22.0%	217,000	241,834	241,834	\$44.80
WEST LOOP	47,809,997	8,557,276	17.9%	20.7%	0	-442,499	-442,499	\$46.22
<b>TOTAL</b>	<b>108,919,872</b>	<b>20,571,422</b>	<b>18.9%</b>	<b>21.3%</b>	<b>1,079,688</b>	<b>-938,462</b>	<b>-938,462</b>	<b>\$44.82</b>

Source: Transwestern, CoStar

Class B & C | Q1 2024

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	17,694,122	5,068,945	28.6%	29.6%	0	-252,555	-252,555	\$37.56
EAST LOOP	8,996,320	2,446,889	27.2%	28.1%	0	-30,261	-30,261	\$33.12
FULTON MARKET/RIVER WEST	3,405,663	592,366	17.4%	17.8%	0	14,107	14,107	\$29.26
NORTH MICHIGAN AVE	1,416,126	382,196	27.0%	27.4%	0	3,277	3,277	\$37.17
RIVER NORTH	6,007,792	1,467,287	24.4%	25.6%	0	-109,406	-109,406	\$35.62
WEST LOOP	10,646,572	2,721,853	25.6%	28.1%	0	-48,550	-48,550	\$34.51
<b>TOTAL</b>	<b>48,166,595</b>	<b>12,679,536</b>	<b>26.3%</b>	<b>27.6%</b>	<b>0</b>	<b>-423,388</b>	<b>-423,388</b>	<b>\$35.22</b>

Source: Transwestern, CoStar

\*Direct plus sublease vacancy



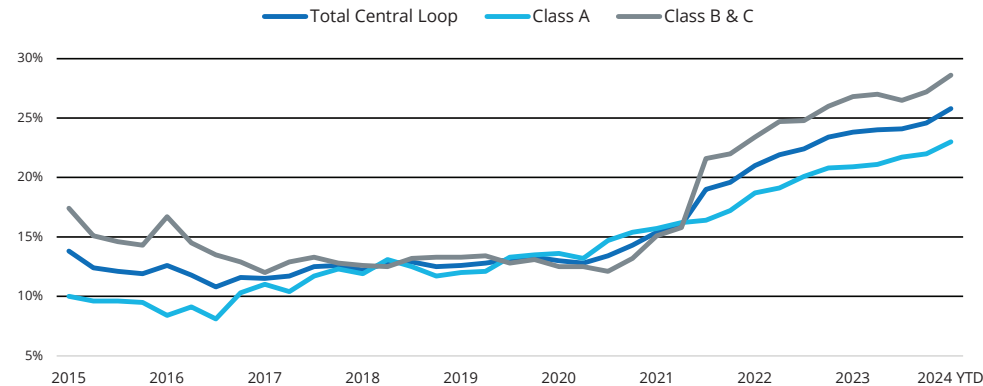
### CENTRAL LOOP

#### JPMorgan Chase Recommits to the Central Loop

- The Central Loop submarket had 431,607 square feet of negative absorption in the first quarter, and the direct vacancy rate increased by 120 basis points to 25.8%. The overall vacancy rate also increased by 120 basis points to 27.4%.
- In the first quarter, two significant announcements were made in the Central Loop area. Firstly, Mayor Johnson pledged support for the proposed office-to-residential conversions along LaSalle Street. Secondly, JPMorgan Chase revealed plans for a substantial reinvestment in its existing building at 10 S. Dearborn St. within the Central Loop, opting to remain at its current location instead of pursuing relocation to a new development.
- Societe Generale, the holder of a \$230 million loan on 161 N. Clark St., has chosen Farpoint Development as the buyer for the property. The previous owner defaulted on the loan, prompting the selection of Farpoint Development to take over the property.

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



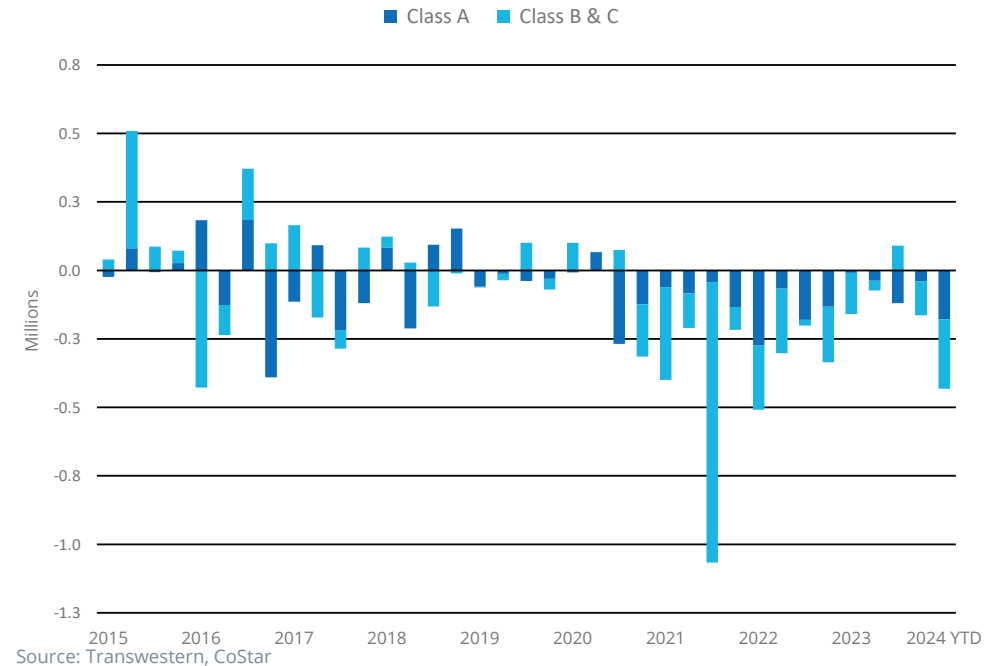
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q1 2024	Q1 2023	TREND
<b>INVENTORY</b>	35,592,321	35,592,321	↔
<b>DIRECT VACANCY RATE</b>	25.8%	23.8%	↑
<b>OVERALL VACANCY RATE</b>	27.4%	25.8%	↑
<b>YTD NET ABSORPTION (SF)</b>	(431,607)	(159,450)	↓
<b>YTD DIRECT LEASING ACTIVITY (SF)</b>	171,379	592,460	↓
<b>AVAILABLE SUBLEASE (SF)</b>	1,554,376	1,736,673	↓
<b>CLASS A MARKET RENT</b>	\$44.23	\$43.89	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$37.56	\$37.56	↔

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



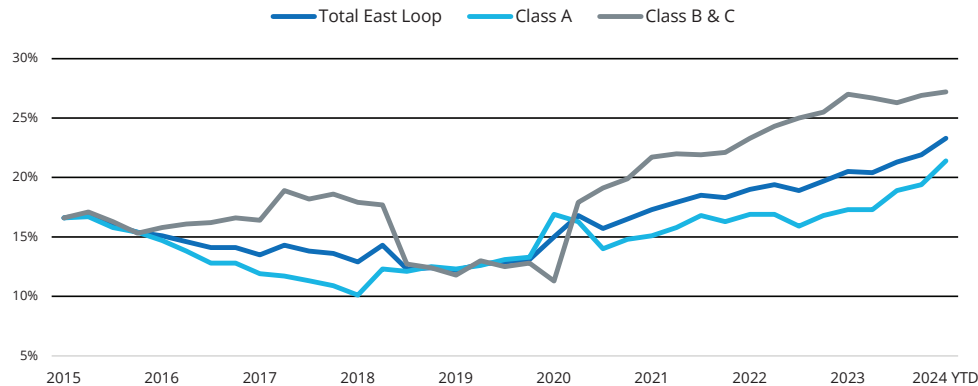
### EAST LOOP

#### Large Building Sold

- The East Loop had 394,781 square feet of negative absorption in the first quarter, and the direct vacancy rate increased by 140 basis points to 23.3%. The overall vacancy rate increased by 150 basis points to 24.4%.
- The largest investment sale in the CBD in the first quarter was in the East Loop. R2 purchased 150 N. Michigan Ave. for \$60 million, or \$92 per square foot. The transaction was financed by Metlife, which held the \$87 million mortgage on the property, which was last sold for \$121 million in 2017.
- LARGEST DIRECT NEW DEAL: Havas - 33,000 square feet - 24 E. Washington 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



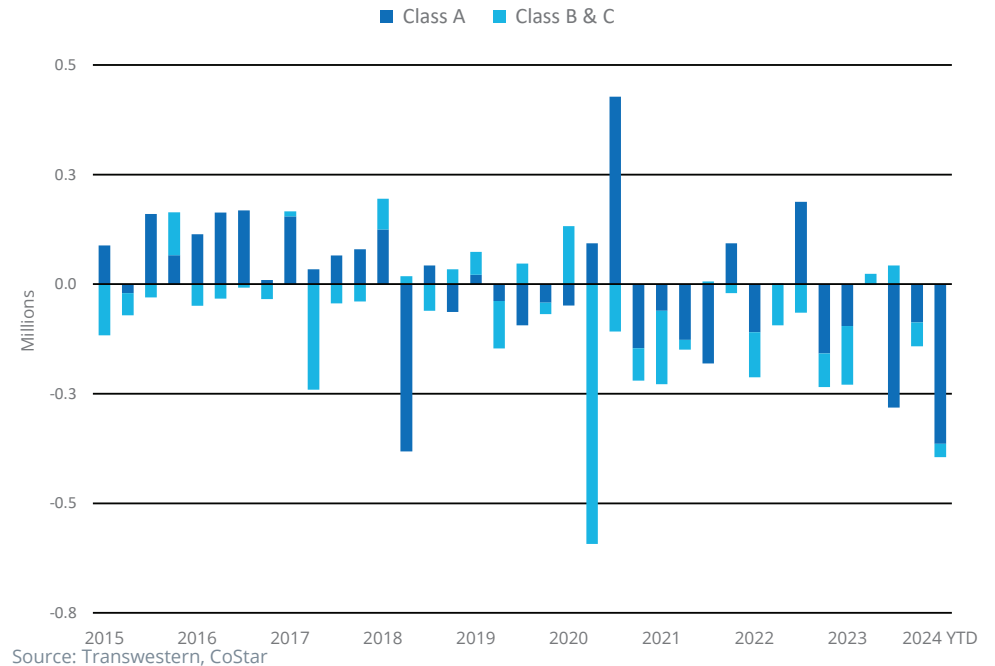
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q1 2024	Q1 2023	TREND
<b>INVENTORY</b>	26,996,344	26,996,344	↔
<b>DIRECT VACANCY RATE</b>	23.3%	20.5%	↑
<b>OVERALL VACANCY RATE</b>	24.4%	21.8%	↑
<b>YTD NET ABSORPTION (SF)</b>	(394,781)	(229,084)	↓
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	135,517	111,693	↑
<b>AVAILABLE SUBLEASE (SF)</b>	946,454	867,176	↑
<b>CLASS A MARKET RENT</b>	\$40.63	\$40.22	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$33.12	\$32.90	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



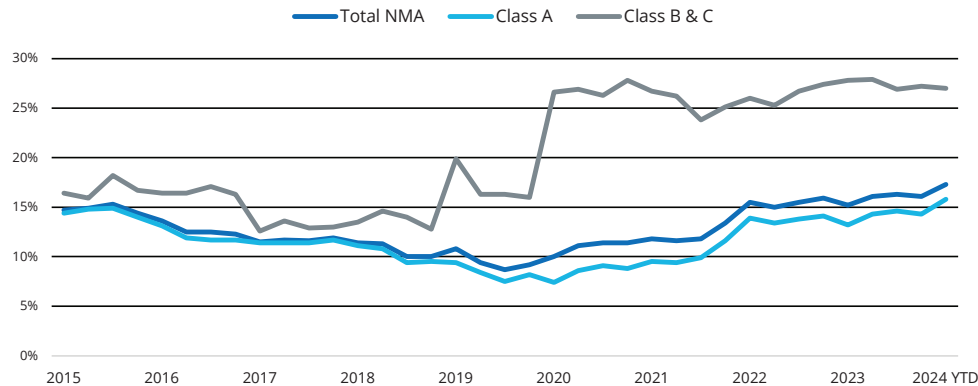
### NORTH MICHIGAN AVENUE

#### Two Buildings Under Contract

- The North Michigan Avenue submarket had 135,314 square feet of negative absorption in the first quarter, and the direct vacancy rate increased by 120 basis points to 17.3%. The overall vacancy rate increased by 150 basis points to 19.9%.
- Two office buildings in the North Michigan Avenue submarket are under contract to be purchased. The American Dental Association is negotiating the sale of 211 E. Chicago Ave. to Ann & Robert H. Lurie Children’s Hospital for an undisclosed amount. The office building at 500 N. Michigan Ave. is also reported to be under contract for an estimated \$65 million.
- LARGEST DEAL: NBC - 95,537-square-foot renewal - 455 N Cityfront Plaza

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



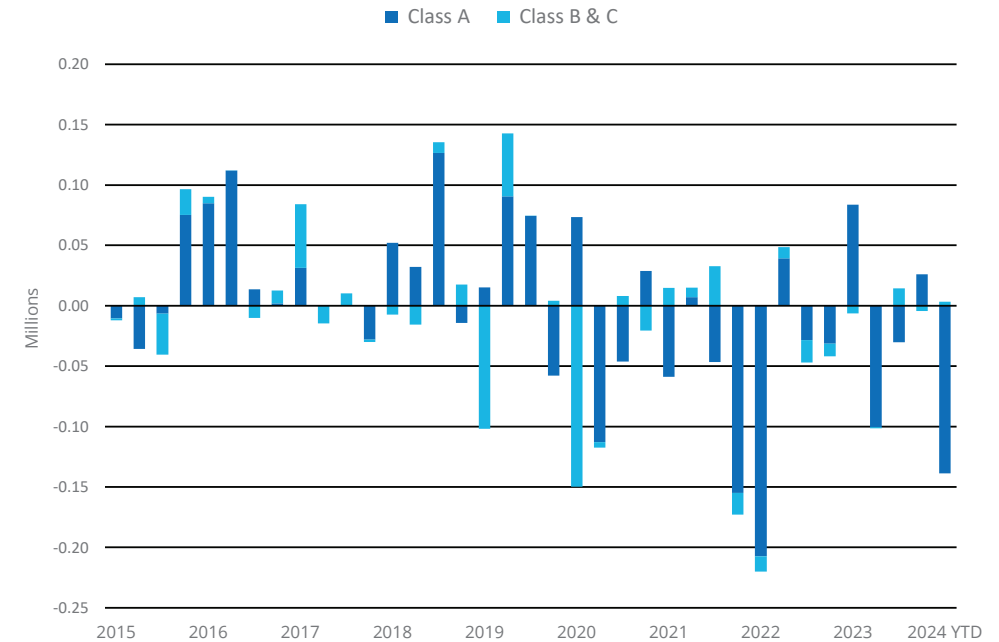
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q1 2024	Q1 2023	TREND
<b>INVENTORY</b>	10,524,618	10,524,618	↔
<b>DIRECT VACANCY RATE</b>	17.3%	15.9%	↑
<b>OVERALL VACANCY RATE</b>	19.9%	17.3%	↑
<b>YTD NET ABSORPTION (SF)</b>	(135,314)	77,195	↓
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	33,712	118,052	↓
<b>AVAILABLE SUBLEASE (SF)</b>	495,381	450,223	↑
<b>CLASS A MARKET RENT</b>	\$44.00	\$43.03	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$37.17	\$37.03	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



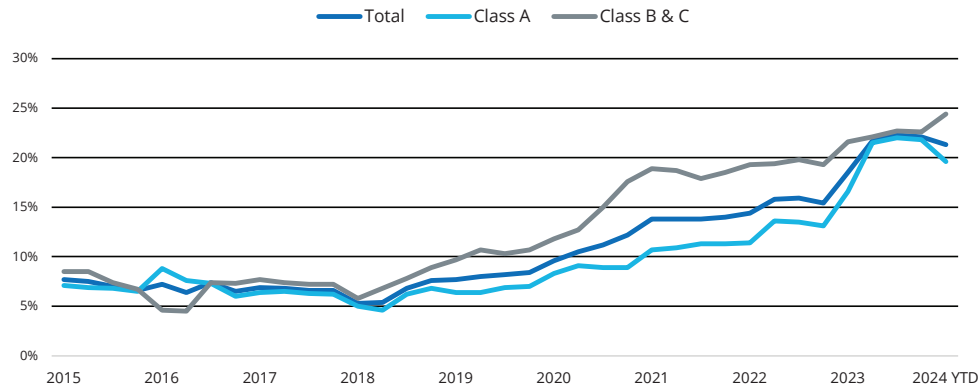
### RIVER NORTH

#### Groupon Sublease Goes Direct

- The River North submarket had 132,428 square feet of positive absorption in the first quarter, and the direct vacancy rate decreased by 80 basis points to 21.3%. The overall vacancy rate decreased by 300 basis points to 23.2%.
- After spending years on the sublease market, Groupon’s former 300,000-square-foot space at 600 W. Chicago Ave. is now a large block of direct availability. Groupon paid \$9.6 million to terminate its lease two years early.
- Kirkland & Ellis relocated to 333 W. Wolf Point Plaza, Salesforce Tower in the first quarter. The law firm will fully vacate its space at 300 N. LaSalle in the second quarter. The owner of 300 N. LaSalle St. has aggressively pursued new tenants to fill the imminent vacancy, already signing three deals in the first quarter.
- LARGEST NEW DEAL: White & Case - 63,936 square feet - 300 N. LaSalle St.

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



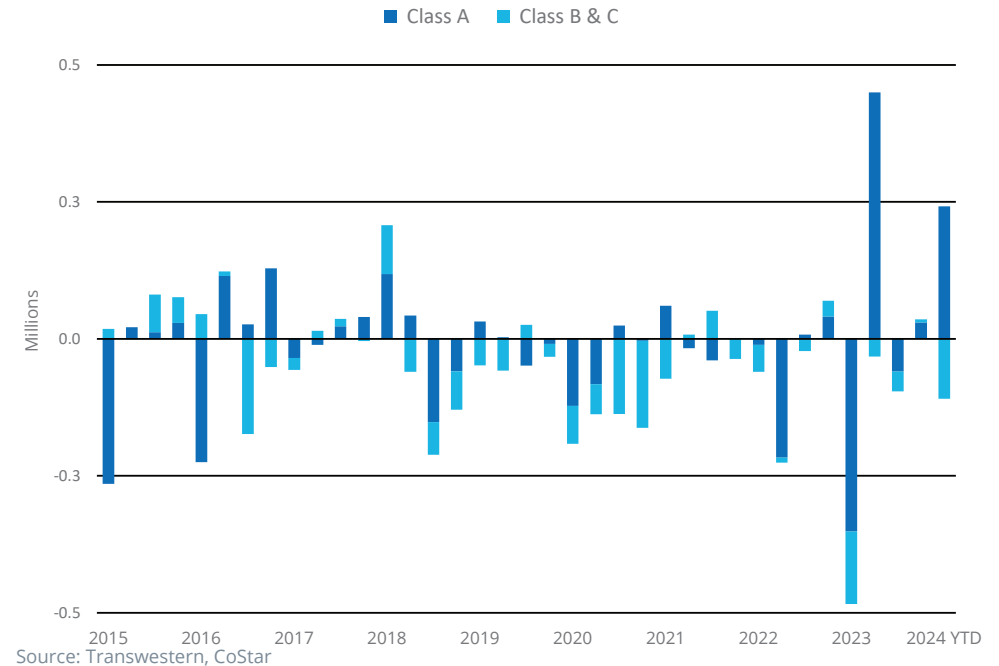
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q1 2024	Q1 2023	TREND
<b>INVENTORY</b>	17,216,901	16,016,699	↑
<b>DIRECT VACANCY RATE</b>	21.3%	18.5%	↑
<b>OVERALL VACANCY RATE</b>	23.2%	22.5%	↑
<b>YTD NET ABSORPTION (SF)</b>	132,428	(484,076)	↑
<b>TOTAL LEASING ACTIVITY (SF)</b>	206,031	258,483	↑
<b>AVAILABLE SUBLEASE (SF)</b>	735,396	1,029,128	↑
<b>CLASS A MARKET RENT</b>	\$44.80	\$44.68	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$35.62	\$35.69	↓

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



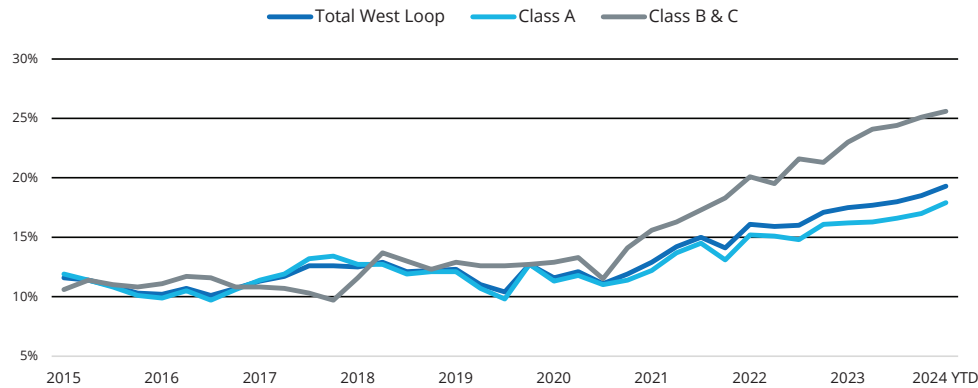
### WEST LOOP

#### Negative Absorption Hits the West Loop

- The West Loop submarket had 491,049 square feet of negative absorption in the first quarter, and the direct vacancy rate increased by 80 basis points to 19.3%. The overall vacancy rate increased by 60 basis points to 22.1%.
- LARGEST DIRECT NEW DEAL: Monroe Capital - 40,000 square feet - 155 N. Wacker Drive
- LARGEST RENEWAL: PNC - 95,000 square feet - 1 N. Franklin St. (also a contraction of 21,000 square feet)
- LARGEST SUBLEASE: ARCO/Murray - 28,693 square feet - 500 W. Monroe St.

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



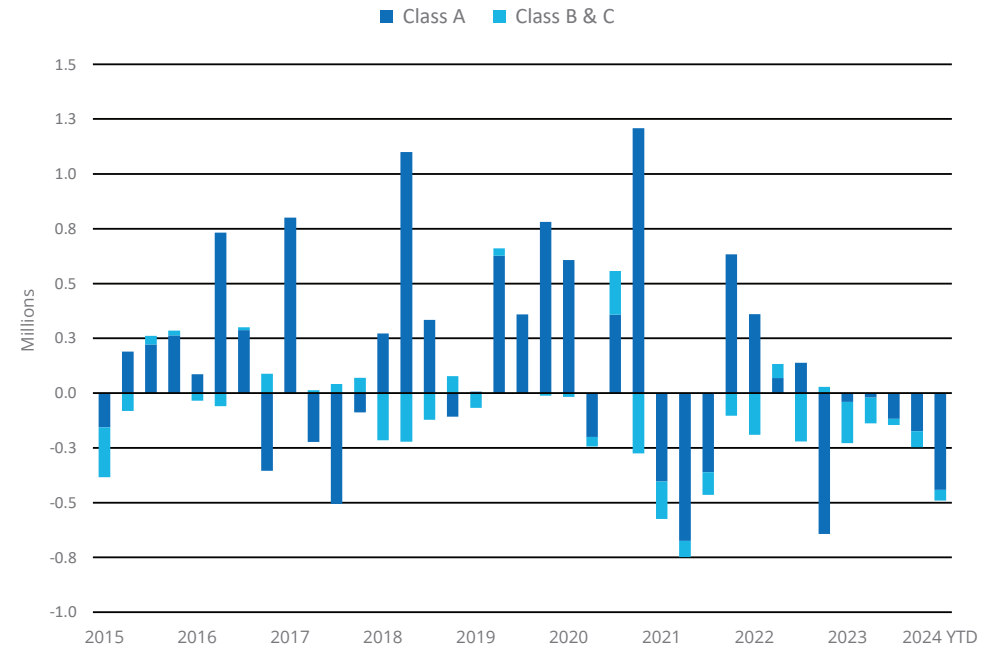
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

	Q1 2024	Q1 2023	TREND
<b>INVENTORY</b>	58,456,569	58,408,996	↑
<b>DIRECT VACANCY RATE</b>	19.3%	17.5%	↑
<b>OVERALL VACANCY RATE</b>	22.1%	19.9%	↑
<b>YTD NET ABSORPTION (SF)</b>	(491,049)	(228,761)	↓
<b>YTD TOTAL LEASING ACTIVITY (SF)</b>	439,107	1,007,238	↓
<b>AVAILABLE SUBLEASE (SF)</b>	3,022,645	2,951,350	↑
<b>CLASS A MARKET RENT</b>	\$46.22	\$45.77	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$34.51	\$34.40	↑

Source: Transwestern, CoStar

### NET ABSORPTION



Source: Transwestern, CoStar



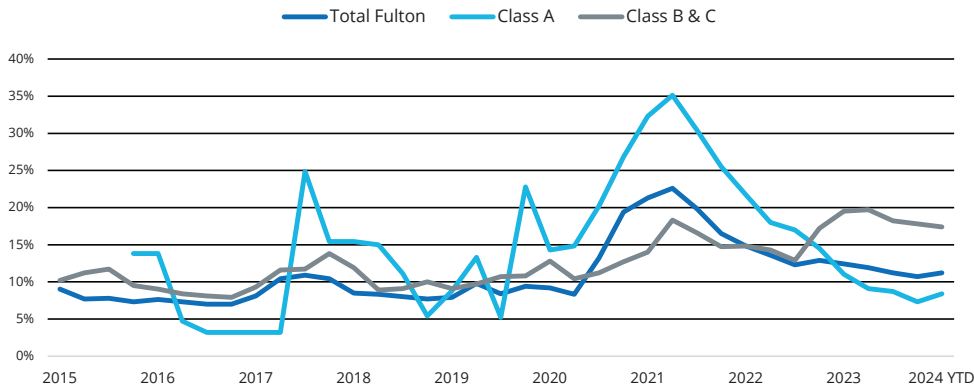
### FULTON MARKET/RIVER WEST

#### Another Building Breaks Ground

- 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 8.4%.
- A 493,683-square-foot office property under construction at 360 N. Green St. is nearing completion. The building is 68.2% preleased. A 369,008-square-foot office development recently broke ground at 919 W. Fulton Market after Harrison Street Capital signed a 112,004-square-foot lease at the development in September. The development is expected to be delivered in May of 2025.
- There is 464,210 square feet of available Class A sublease space, which is more than the 413,369 square feet of directly available vacant Class A space.
- LARGEST DIRECT NEW DEAL: Steelcase - 28,161 square feet - 811 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



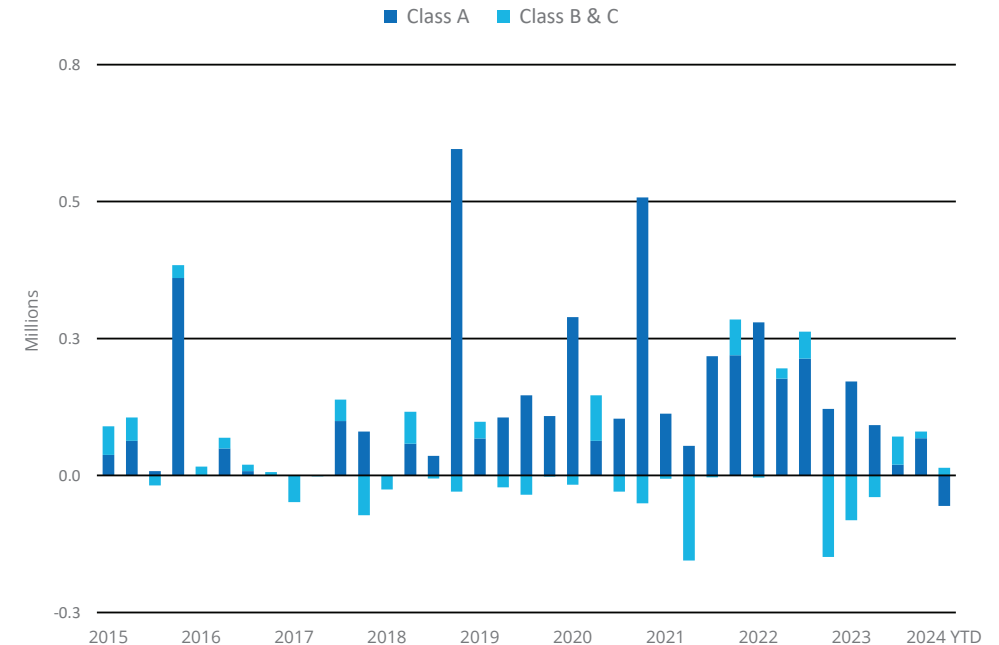
Source: Transwestern, CoStar

### Y-O-Y COMPARISON

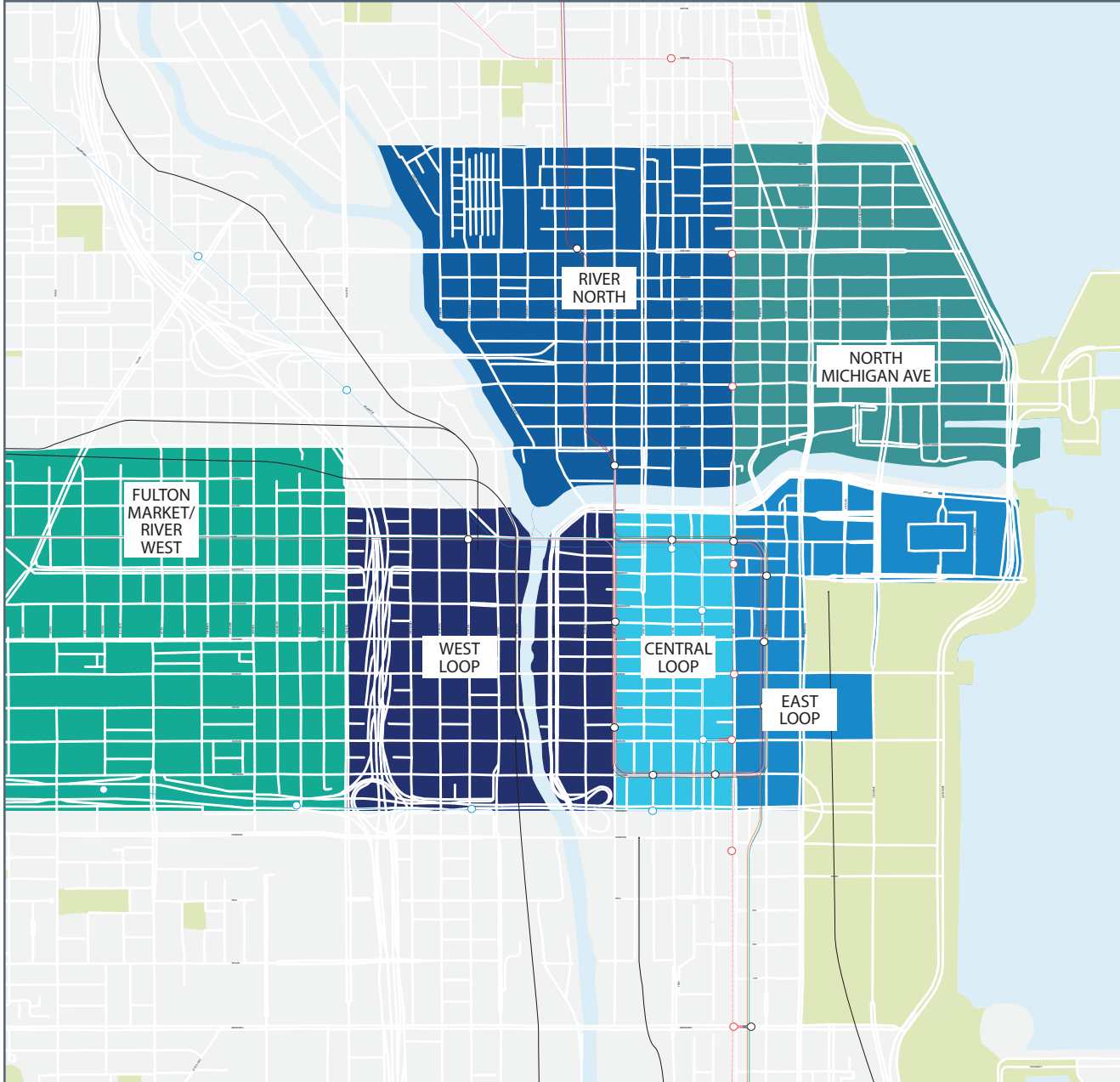
	Q4 2023	Q4 2022	TREND
<b>INVENTORY</b>	8,299,714	8,343,006	↓
<b>DIRECT VACANCY RATE</b>	12.1%	14.5%	↓
<b>OVERALL VACANCY RATE</b>	14.5%	16.6%	↓
<b>YTD NET ABSORPTION (SF)</b>	(41,527)	90,118	↓
<b>TOTAL LEASING ACTIVITY (SF)</b>	81,144	123,714	↓
<b>AVAILABLE SUBLEASE (SF)</b>	554,212	393,160	↑
<b>CLASS A MARKET RENT</b>	\$49.56	\$49.19	↑
<b>CLASS B &amp; C MARKET RENT</b>	\$29.26	\$29.37	↓

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 40,000 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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