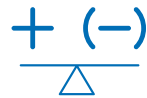


CHICAGO SUBURBAN OFFICE MARKET | Q1 2025



122.8M
Inventory SF



86.5K
Net Absorption SF



18.9%
Direct Vacant Available Rate



26.4%
Total Availability



0
Under Construction SF



\$24.49
Asking Rent PSF

Vacancy Rates Tighten as Inventory Reduces

Market Observations

- The outlook for Chicago's suburban office market is mixed. While the direct vacancy rate has declined, this shift is more about shrinking inventory than a surge in demand. Lower vacancy rates will improve the market's health in the near term, but without sufficient demand, the long-term outlook remains concerning.
- The largest new lease deal in Chicago's suburban office market in the first quarter occurred in the North Suburban submarket, where Fortune Brands Innovations signed a 332,000-SF lease at 1 Horizon Way in Deerfield. The home and security products company will be consolidating multiple Midwestern offices and establishing a new headquarters at the former Horizon Therapeutics campus.
- The largest sales transaction in Chicago's suburban office market in the first quarter was the purchase of 2625 Butterfield Rd. in Oak Brook by a partnership led by Steve Panko; the price was \$14.95M or \$64 PSF. The partnership plans to make creative investments in the property to improve its marketability.
- Recovery in Chicago's suburban office market hinges on reducing outdated inventory, as a significant demand increase is unlikely. Since the first quarter of 2022, 5.6 MSF of office space has been removed from inventory and either demolished or converted into other uses. Redevelopment of older properties for data centers, self-storage, and multifamily continues. For remaining office buildings to survive, property owners will need to be willing to invest in enhancements, spec suite build-outs, and tenant improvement allowances.

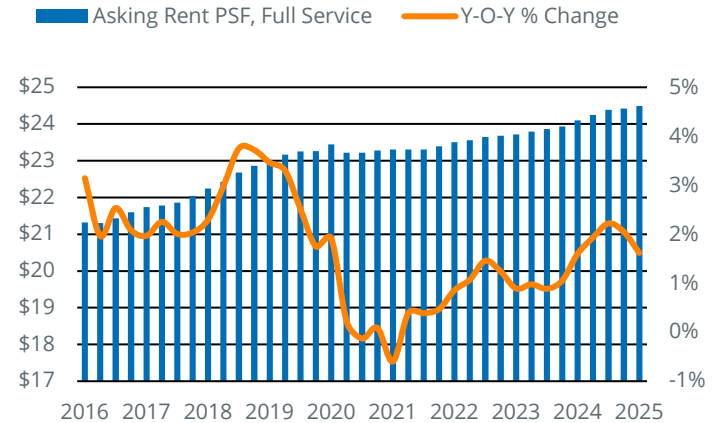




CHICAGO SUBURBAN OFFICE MARKET | Q1 2025

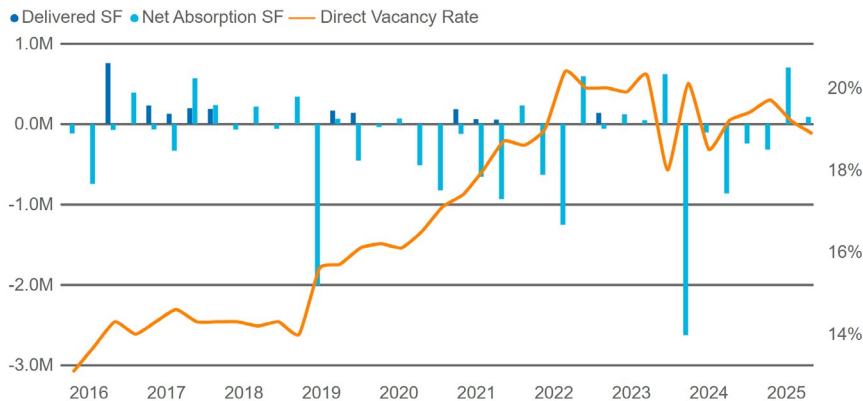
- Chicago's suburban office **direct vacant available rate** decreased by 30 basis points to 18.9% during the first quarter, down from the fourth quarter. Total availability, which includes all space being marketed, reached 26.4%, up 20 basis points from last quarter and down 140 basis points year over year.
- Net absorption** in the first quarter of 2025 totaled positive 86,482 SF. The Class A sector experienced positive absorption of 189,046 SF, while the Class B and C sectors saw negative absorption of 102,564 SF. The Northwest submarket recorded the largest amount of positive absorption, totaling 91,788 SF.
- Full-service rents** continue to hold firm, up 1.6% year over year to \$24.49 PSF in the first quarter. The highest asking rents are found in the O'Hare submarket, with a total submarket average of \$27.99 PSF.
- The **construction pipeline** in Chicago's suburban market has remained dormant, with no office buildings larger than 40,000 SF currently under construction. Since 2016, very little office space has been constructed, and almost all new developments have been built to suit for owner occupancy.

ASKING RENT



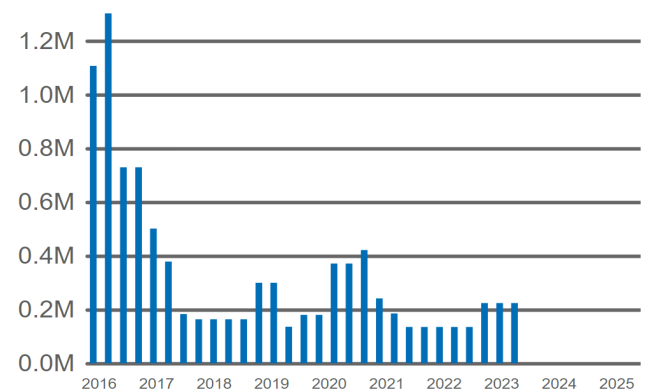
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern



CHICAGO SUBURBAN OFFICE MARKET | Q1 2025

OFFICE MARKET INDICATORS

All Classes of Space | Q1 2025

SUBMARKET	INVENTORY	DIRECT VACANT AVAILABLE SF	DIRECT VACANCY AVAILABLE RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Eastern East/West Corr	25,564,976	4,936,463	19.3%	27.0%	0	(609)	(609)	\$24.34
North Suburban	31,538,079	5,502,166	17.4%	24.8%	0	(31,128)	(31,128)	\$25.55
Northwest	32,112,036	7,318,169	22.8%	29.9%	0	91,788	91,788	\$24.68
O'Hare	12,889,900	2,330,076	18.1%	25.9%	0	(17,268)	(17,268)	\$27.99
Western East/West Corr	20,658,279	3,094,073	15.0%	22.9%	0	43,699	43,699	\$22.58
Total	122,763,270	23,180,947	18.9%	26.4%	0	86,482	86,482	\$24.49

Source: CoStar, Transwestern

To continually improve the content provided to our clients, starting at Q1 2025, Transwestern Research has revised its office methodology which may shift current and historical data in our market reporting. Please reach out to the research contact(s) noted in this report with any questions.



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 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and @Transwestern.

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