

Chicago CBD

Office Market | Q1 2026

Encouraging Signals Beneath Headline Weakness

Market Observations

At first glance, first-quarter market indicators suggest a challenging start to 2026. A record-high vacancy rate of 23.2% and 381,453 SF of negative net absorption point to continued weakness. However, a closer look reveals several encouraging trends that support a more constructive outlook.

The volume of available sublease space continues to decline, as does the amount of future direct availability. Class B and C properties have posted two quarters of positive absorption following 23 straight quarters of losses. Tenant behavior is shifting, with more companies expanding their occupied space rather than continuing to downsize.

With no office buildings currently under construction, tightening supply at the highest-quality properties should help drive renewed interest in lower-quality assets. In addition, long-distressed buildings are beginning to trade, positioning these assets for reinvestment and improved performance.

Together, these factors point to growing stability and improving prospects for the Chicago CBD office market.



156.4 MSF
Inventory



-381.5K SF
Net Absorption



23.2%
Direct Vacancy



30.4%
Total Availability



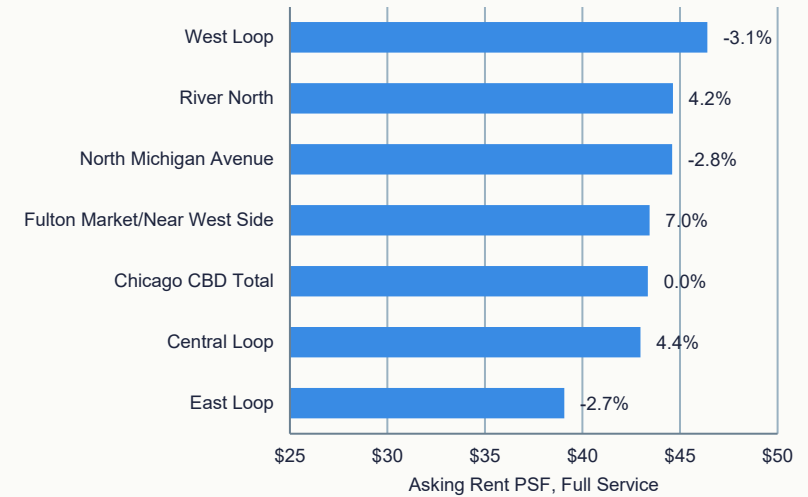
0 SF
Under Construction



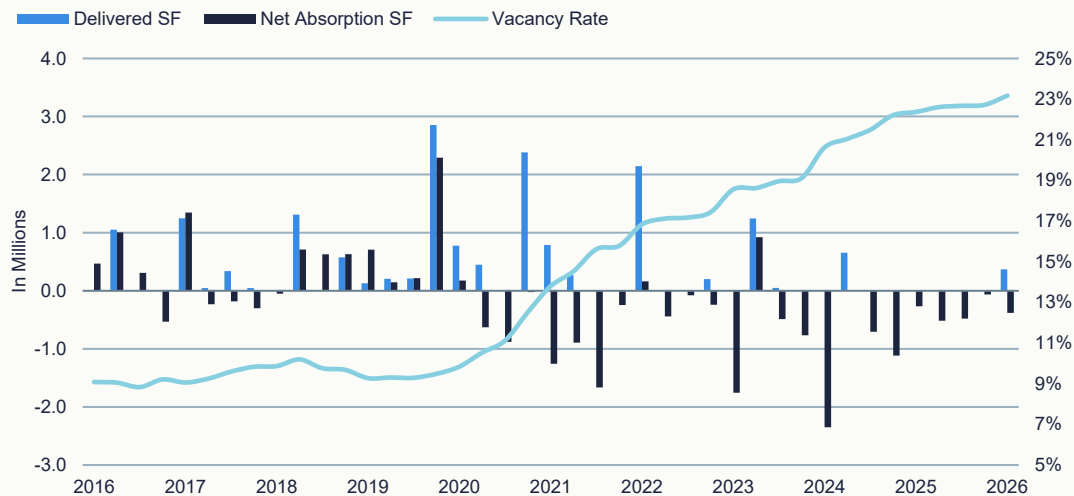
\$43.35 PSF
Asking Rent

- The **direct vacancy** rate reached 23.2%, increasing 46 basis points in the first quarter of 2026, while total availability declined 40 basis points to 30.4%.
- **Net absorption** totaled negative 381,453 SF, with 630,297 SF of negative Class A absorption and 248,844 SF of positive Class B and C absorption. This marked the second consecutive quarter of positive absorption for Class B and C space, following 23 straight quarters of negative absorption.
- **Full-service rents** averaged \$43.35 PSF this quarter, unchanged year over year.
- The only office building under construction was delivered, leaving the **construction pipeline** empty for the foreseeable future.
- First-quarter **investment sales** continued to reflect significant value deterioration across the market, with properties trading at prices 44% to 81% below their previous sale values. However, several properties that had been mired in financial distress for years now have new owners with the ability to reinvest in these assets and return them to functional market use.

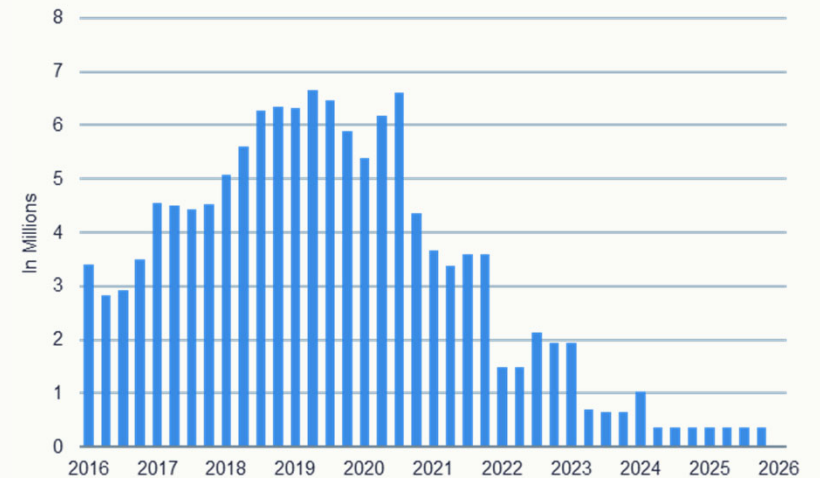
Asking Rents By Submarket and Y-O-Y Growth



Delivery Impact On Key Indicators



Under Construction



Market Indicators Table

All Classes of Space | Q1 2026

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Availability Rate	Under Construction SF	Net Absorption SF	Y-O-Y Net Absorption SF	Asking Rent PSF, Full Service
Central Loop	35,715,855	9,625,846	27.0%	33.6%	0	(688,127)	(1,252,108)	\$42.97
East Loop	27,715,694	7,810,892	28.2%	35.1%	0	(17,955)	(295,997)	\$39.07
Fulton Market/Near West Side	8,769,174	1,144,756	13.1%	20.9%	0	341,571	563,981	\$43.44
North Michigan Avenue	8,469,762	2,209,845	26.1%	38.3%	0	(221,825)	(326,977)	\$44.60
River North	17,369,271	4,304,216	24.8%	29.7%	0	13,117	66,397	\$44.64
West Loop	58,408,772	11,161,304	19.1%	26.8%	0	191,766	(196,637)	\$46.40
Total	156,448,528	36,256,859	23.2%	30.4%	0	(381,453)	(1,441,341)	\$43.35

Source: CoStar, Transwestern

Research Methodology

The information in this report is the result of a compilation of information on office properties located in the Chicago Central Business District (CBD). This report includes single tenant, multi-tenant and owner-user properties 40,000 SF and larger, excluding properties owned by a government agency and medical outpatient buildings.

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¹Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

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