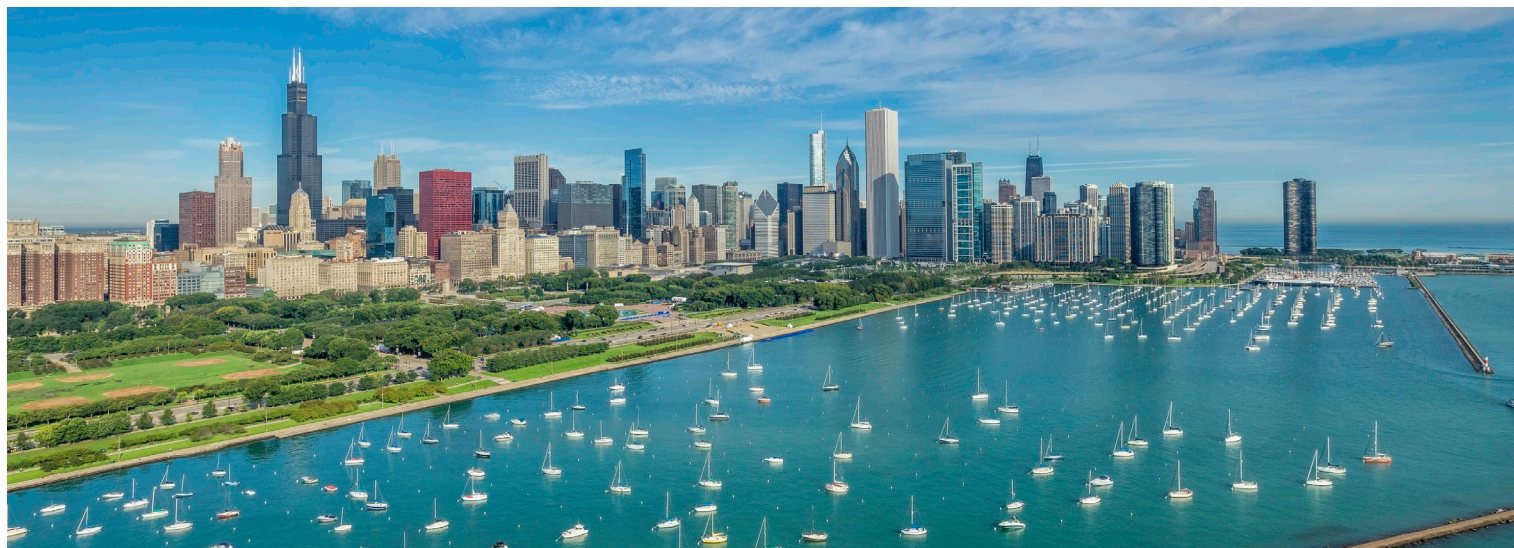


Chicago CBD



Market Facts

5.4%

Chicago's unemployment rate trended downward.
As of January 2018, unemployment stood at
5.4%--down 60 bps year-over-year.

23,200 jobs

The metro Chicago area added
23,200 jobs year-over-year.

6.9 MSF

There are currently 14 buildings
under construction within the CBD,
totaling 6.9 msf.

8,148 SF

The average deal size during the
first quarter was 8,148 sf.

2.3 MSF

There was 2.3 msf of space leased
during the first quarter.

Economic Overview

Chicago's economic climate continued to trend upwards throughout the first quarter of 2018. As of January 2018, metropolitan area unemployment dropped 60 basis points (bps) year-over-year to 5.4%, with the most job growth occurring within education and healthcare services, and financial services—adding 6,900 and 6,700 jobs respectively. Chicago is home to roughly 2.7 million people, of which 1.3 million are working adults. Several prestigious universities are located within the City, a major draw for companies within the area to attract a talented workforce.

Google has announced plans that it would potentially be adding upwards of 1,000 jobs at its River West location. There are reports that several other cities are also being considered. Currently, the firm has approximately 800 employees in Chicago. AT&T has also announced that it will be adding 500 jobs at one of its call centers on Chicago's North Side. They will be joining the 300 employees that have been added over the last year.

Chicago has made the shortlist for Amazon's HQ2, one of 20 markets across North America. Recently, Amazon executives met with city and state officials to tour three of the ten development sites that were initially presented. These sites included Fulton Market, Sterling Bay's Lincoln Yards, and Related Midwest's site in the South Loop, which is being branded as The 78.

Office Market Overview

The CBD office market saw an active start to 2018. Vacancy decreased 30 bps from last quarter to 10.7%. Vacancy within class A product decreased by 80 bps to 11.9% over the same period. Demand remained strong across the market with 2.3 million square feet (msf) leased, driving net absorption up to 1 msf—a 77% increase over last quarter. The most active submarkets were the West Loop, River North, and the Central Loop.

Construction activity remained strong with 6.9 msf under development. Two notable projects broke ground during the first quarter. This includes the historic Post Office, which will add 2.7 msf of refurbished high-end office space to the South Loop, and the second was 110 N Wacker, a 1.4 msf class A trophy tower in the West Loop. The project is 42.2% leased to Bank of America. These two projects increased the total sf under construction from 2.6 msf to 6.7 msf. 151 N Franklin, also known as CNA Center, and 625 W Adams are both expected to be delivered during the later half of the second quarter. This will add 811,815 sf of vacant space to the market.

The coworking craze remains strong throughout the CBD. At year-end 2017, there was nearly 2 msf of coworking space spread across 81 locations within the market. This number is anticipated to grow, most notably by Spaces, Vault, and evolveHer. Spaces has leased an entire building within the River North submarket, their third location within the City. Vault, a technology focused coworking space based in San Francisco, is opening their second location in the United States in the River West/Fulton Market submarket. EvolveHer, a women's only coworking space, opened their first location in River North.

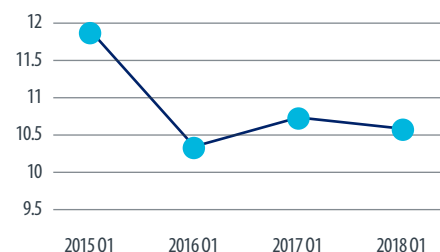
Trends to Watch

Construction Activity – Construction activity continues to thrive across the CBD. There are currently 14 projects in varying stages of construction, totaling 6.9 msf. There are two large projects that are expected to deliver during the second quarter. This will add 811,815 sf of vacant space to the market.

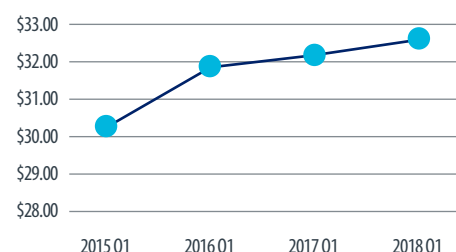
Amazon – Chicago was shortlisted, along with 20 other markets, as the potential home to the company's HQ2. There were 10 sites that were presented to Amazon executives, most notably Lincoln Yards, The 78, and The Old Post Office.

Landlord's Market – CBD landlords have seen fundamentals shift in their favor. Therefore concessions often provided to tenants such as improvement allowances and free rent have become more limited.

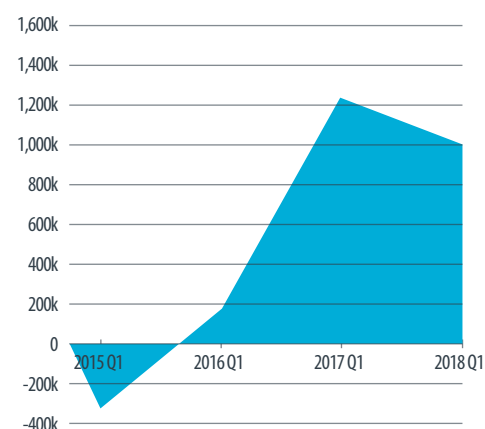
Vacancy Rate (%)



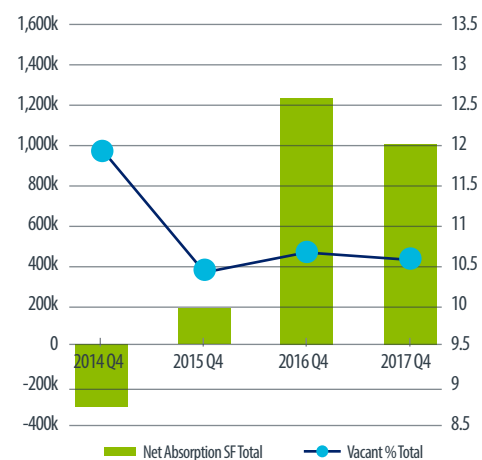
Office Base Rent Overall



Total Net Absorption (SF)



Net Absorption vs. Vacancy (%)

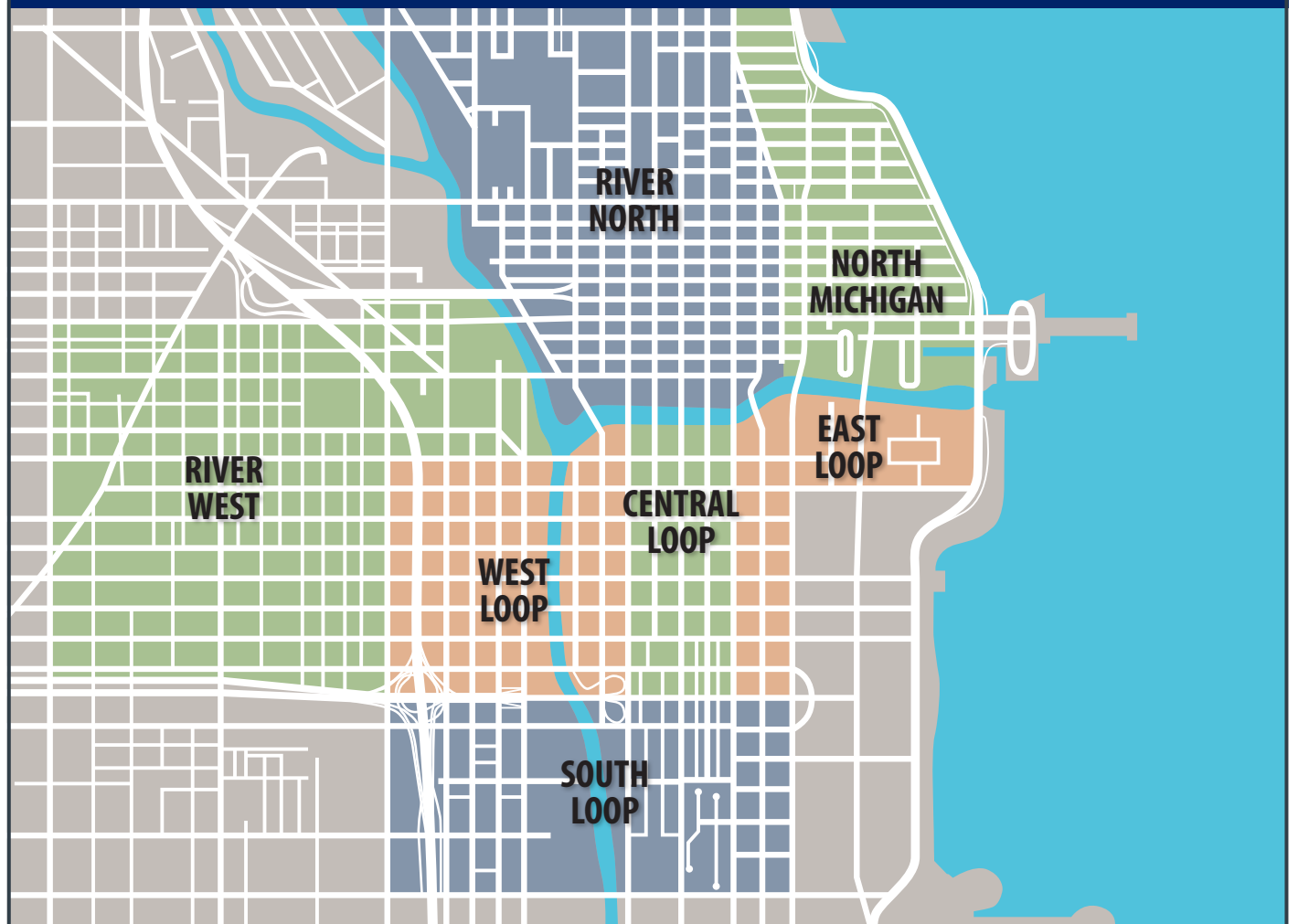


Chicago CBD Submarket Snapshot | Q1

A look at basic metrics in each downtown submarket

Submarket	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Total Available (SF)	Vacancy Rate			Leasing Activity (SF)	Net Absorption (SF)	Average Asking Rent		
					Overall Vacancy	Class A	Class B			Overall Avg	Class A	Class B
CBD	175,222,455	17,252,528	1,374,063	18,626,591	10.7%	11.9%	9.7%	2,334,005	1,006,861	\$32.64	\$42.25	\$31.46
West Loop	54,519,138	6,378,075	586,777	6,964,852	12.8%	13.4%	12.1%	753,760	151,835	\$39.89	\$47.91	\$35.34
Central Loop	47,105,084	4,624,301	357,824	4,982,125	10.6%	12.3%	8.8%	471,953	53,278	\$34.63	\$40.41	\$32.82
East Loop	28,118,535	2,798,044	174,405	2,972,449	10.6%	11.0%	11.8%	393,898	384,300	\$30.38	\$38.33	\$32.54
River North	18,578,749	1,070,852	158,804	1,229,656	6.6%	5.4%	7.9%	491,980	118,660	\$37.63	\$46.50	\$32.98
North Michigan Ave	16,801,382	1,382,448	57,418	1,439,866	8.6%	11.9%	5.5%	63,588	117,887	\$31.02	\$36.05	\$29.21
River West	6,213,851	770,716	38,835	809,551	13.0%	26.8%	11.2%	157,826	35,082	\$30.14	\$44.32	\$32.44
South Loop	3,885,716	228,092	0	228,092	5.9%	N/A	8.4%	1,000	145,819	\$24.81	N/A	\$24.88

CBD Submarket Map





West Loop

West Loop

Containing 54 msf, the West Loop submarket saw moderate fundamentals ending the first quarter of 2018 with a decrease in overall vacancy to 12.8%. Class B office space within the submarket saw a 120-bps uptick in vacancy to 12.7%. The submarket saw leasing activity dip, with 753,760 sf having been leased—a 51% decrease from last quarter. Net absorption decreased by 60.7% from last quarter to 151,835 sf. Rental rates continue to be some of the highest recorded within the CBD, this is due to location and high-end product.

There were 81 lease transactions recorded within the submarket during the first quarter, with an average deal size of 10,982 sf. Notable lease transactions include Morgan Stanley, which has leased 122,256 sf at the Willis Tower. This was the largest lease to be signed at the iconic tower since the major renovation was announced by Blackstone. Starbucks has signed a 29,490-sf office lease at 111 N Canal. The deal more than doubles its existing office space within the submarket. Egon Zehnder renewed and expanded at 1 N Wacker. The executive recruitment firm renewed 17,133 sf and expanded into an additional 23,000 sf, bringing their total footprint at the building to 40,133 sf.

The West Loop has an abundance of new development under construction. Most recently, a new 1.4 msf trophy tower located at 110 N Wacker. The project is being developed in tandem by The Howard Hughes Corporation and Riverside Investment & Development Company and is 42.2% preleased to Bank of America. Construction continues at 151 N Franklin and 625 W Adams, which will add 807,355 sf and 437,586 sf to the market respectively. Both projects are slated for a second quarter delivery date. 625 W Adams, which is being built on a speculative basis, is currently vacant.

Total RBA
54,519,138 SF

Direct Available Space
6,378,075 SF

Sublet Available Space
586,777 SF

Total Available
6,964,852 SF

Overall Vacancy
12.8%

Leasing Activity
753,760 SF

Net Absorption
151,835 SF

Average Asking Rent
\$39.89

Central Loop

Central Loop

The Central Loop submarket contains 47 msf which continues to see increased demand. Overall vacancy remained unchanged at 10.6%. There was a significant drop in class B vacancy—down 60 bps from last quarter. Class A vacancy recorded a minor uptick to 12.3%. Strong demand prompted the total sf leased to rise from previous quarters. There were 77 lease transactions during the first quarter of 2018, totaling 471,953 sf. The average deal size was 6,078 sf. Net absorption rose dramatically from a negative 70,531 at the end of 2017 to a positive 53,278 sf in the first quarter of 2018. There has been no recent development within the submarket, the last building delivered was in 2008.

Notable lease transactions include Euromonitor International's lease of 36,023 sf at 1 N Dearborn. The firm is relocating their headquarters to the Central Loop from North Michigan Avenue. Other deals include GSA's lease of 33,634 sf at 131 S Dearborn and TCS Education System's lease of 28,544 at 203 N LaSalle. The top investment sale transaction within the submarket was 1 S Dearborn, which was acquired by Starwood Capital Group from Olen Capital for \$360 million or \$434 psf. The sale came after the building's largest tenant, Sidley Austin, renewed their 574,812 sf lease. The property was 90.4% leased at the time of sale.



Starwood Capital Group purchased 1 S Dearborn from Olen Capital for \$360 million or \$434 psf.

Total RBA
47,105,084 SF

Direct Available Space
4,624,301 SF

Sublet Available Space
357,824 SF

Total Available
4,982,125 SF

Overall Vacancy
10.6%

Leasing Activity
471,953 SF

Net Absorption
53,278 SF

Average Asking Rent
\$34.63



East Loop

East Loop

The East Loop submarket, consisting of 28 msf, recorded increased demand which drove leasing activity and net absorption up when compared to previous quarters. Vacancy recorded a 120-bps drop from last quarter to 10.6%. Both class A and B vacancies trended downward. There were 55 lease transactions during the first quarter, totaling 393,898 sf. with the average deal size just over 7,000 sf. Net absorption recorded a substantial increase over last quarter and is currently sitting at 384,300 sf. Construction remains stagnant within the market, the last property delivered was in 2005. This is favorable for existing product as there is no new competition.

Notable lease transactions include Kemper Corporation, which has leased 64,956 sf at the Aon Center. The firm will be relocating their headquarters from 1 E Wacker within the same submarket. This is the first major transaction since the buildings new owner, 601 Companies, has started a major renovation of the property.



The Kemper Corporation leased 64,956 sf at the Aon Center. This was the largest lease to have been signed within the submarket in 2018.

Total RBA
28,118,535 SF

Direct Available Space
2,798,044 SF

Sublet Available Space
174,405 SF

Total Available
2,972,449 SF

Overall Vacancy
10.6%

Leasing Activity
393,898 SF

Net Absorption
384,300 SF

Average Asking Rent
\$30.38



River North

River North

The River North submarket contains 18 msf and continues to benefit from strong demand. Vacancy trended downward by 50 bps to 6.6% during the first quarter. There were 42 lease transactions, totaling 491,890 sf. The average lease size was 10,916 sf. This activity pushed net absorption up to 118,660 sf—a 251% increase from the previous quarter.

Notable lease transactions include Tempus Labs' lease of 83,622 sf at 600 W Chicago. Spaces, a coworking space, has leased 78,265 sf at 620 N LaSalle. This building is currently under renovation and is their third and largest location in Chicago. Gartner, a research and advisory firm, leased 74,450 sf at 350 N Orleans. The tenant is relocating and expanding from space in the West Loop. Equity Commonwealth sold 600 W Chicago to Sterling Bay for \$510 million or \$310 psf. The 1.6 msf property was 98.3% leased at the time of sale. The new owner will be undertaking a major renovation, converting 72,000 sf of parking into additional office and retail.

While there are no properties currently under construction, there are three proposed properties totaling 2.3 msf that are courting tenants in hopes of breaking ground in 2018. The largest project is Wolf Point South Tower, the 1.8-msf building is being developed at 320 N Orleans St by Hines Interests. The most recent building to have been delivered to the market was 412 N Wells, which was completed late last year. The 56,000-sf class A building is currently 100% leased to RxBar and was developed by Centrum Partners.

Total RBA

18,578,749 SF

Direct Available Space

1,070,852 SF

Sublet Available Space

158,804 SF

Total Available

1,229,656 SF

Overall Vacancy

6.6%

Leasing Activity

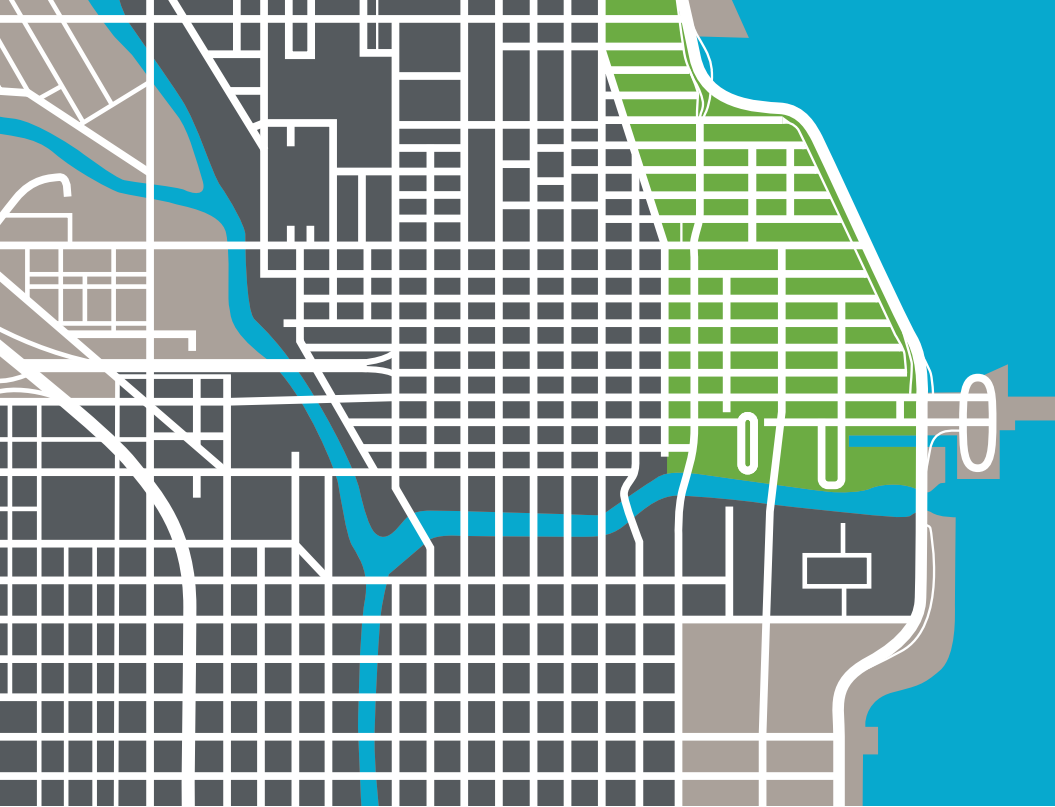
491,980 SF

Net Absorption

118,660 SF

Average Asking Rent

\$37.63



North Michigan Avenue

North Michigan Avenue

The North Michigan Avenue submarket contains 16 msf and recorded modest growth during the first quarter. Vacancy recorded an 8.6% dip to 50 bps. Class B vacancy trended downward, while class A recorded a slight uptick. There were only 22 lease transactions, totaling 63,688 sf with an average deal size of 2,809 sf. This prompted an increase in net absorption to 117,887 sf. Sublease space availability decreased by 41% from last quarter.

There were no significant lease transactions signed during the first quarter. The largest lease signed took place at 444 N Michigan, where Mandarich Law signed for 8,385 sf. Several notable tenants moved into new space within the submarket during the first quarter. This includes Lurie Children's Hospital of Chicago which moved into 37,189 sf at 680 N Lake Shore Dr and the Tribune Company which moved into 23,250 sf at 515 N State. This is predominantly a retail and residential area of the CBD; however, there are several larger tenants who chose to make the submarket home. This includes Northwestern University, Northwestern Hospital, and FCB Global.



Lurie Children's Hospital moved into their 37,189-sf space at 680 N Lake Shore Dr. This was the largest move-in to occur within the submarket this quarter.

Total RBA
16,801,382 SF

Direct Available Space
1,382,448 SF

Sublet Available Space
57,418 SF

Total Available
1,439,866 SF

Overall Vacancy
8.6%

Leasing Activity
63,588 SF

Net Absorption
117,887 SF

Average Asking Rent
\$31.02



River West

River West

The River West Submarket remains one of the CBD's most newsworthy submarkets. There is approximately 6.2 msf with vacancy currently posted at 13.0%, this marks a 100 bps drop when compared to last quarter. There were 29 lease transactions signed during the first quarter, totaling 157,826 sf. The average deal size was 6,548 sf.

Notable lease transactions include Aspen Dental's lease of the entire 50,987 sf at 1040 W Randolph. The space, which was Sterling Bay's former headquarters location, will serve as the dental support company's second headquarters and will employ upwards 250 employees. Vault, a technology focused coworking space, has leased 20,482 sf at 1115 W Fulton. This will be the company's second location outside of San Francisco. The property is expected to break ground in late 2018 and deliver in 2019.

The submarket has recorded significant construction activity. Currently, there are nine buildings under construction totaling 1.5 msf. Of this, 53% of the space is being listed as available. The largest property under way is 1045 W Randolph, a 608,000-sf class A building which will house McDonald's corporate headquarters. Sterling Bay is the developer and is expected to deliver during the second quarter. 375 N Morgan broke ground during the first quarter. The 215,000-sf property is being developed by Latsko Interests and is unique in that each floor is stepped back allowing each tenant to have a private outdoor space. There were no properties that were delivered during the first quarter. The largest investment sale to be recorded during the first quarter was 210-220 N Green St. The office was sold by a joint venture between Shorenstein Properties and Shapack Partners to local investor Leo Capital Holdings. The 116,178-sf office property is 100% leased to WeWork.

Total RBA
6,213,851 SF

Direct Available Space
770,716 SF

Sublet Available Space
38,835 SF

Total Available
809,551 SF

Overall Vacancy
13.0%

Leasing Activity
157,826 SF

Net Absorption
35,082 SF

Average Asking Rent
\$30.14

South Loop

South Loop

The South Loop submarket is the smallest within the CBD, with a total footprint of 3.8 msf. Demand has generally been slower when compared to other submarkets. Vacancy shifted downward by 80 bps to 5.9% during the first quarter of 2018. There was only one lease signed during the quarter, totaling 1,000 sf. Net absorption was recorded at 145,819 sf—up from negative 12,747 sf last quarter.

Construction within the submarket remained limited. The only property to have been constructed in the last 10 years is the Ascent Ch3 Data Center located at 737 S Desplaines which delivered during the first quarter of 2018. The 120,000-sf class A data center was developed by the Ascent Corporation, following the trend happening throughout the Chicago industrial market, which has been seeing of increased data center development throughout the Chicago industrial market. The historic Post Office redevelopment project has commenced, which will add 2.7 msf of refurbished high-end office space to the South Loop. The project is being developed by the 601 Companies. Further development is poised to commence on Related Midwest's site called The 78, which is the proposed 62-acre mixed use development at the southwest corner of Roosevelt Rd and Clark St. The project is one of the proposed locations for Amazon's HQ2. If completed, this will likely prompt significant growth throughout the submarket.



Work has commenced on the much-anticipated redevelopment of the Old Post Office. The project will add 2.7 msf of high-end office space to the market.

Total RBA
3,885,716 SF

Direct Available Space
228,092 SF

Sublet Available Space
0 SF

Total Available
228,092 SF

Overall Vacancy
5.9%

Leasing Activity
1,000 SF

Net Absorption
145,819 SF

Average Asking Rent
\$24.81

CBD

Construction & Deliveries

Q1 Under Construction [20,000+ SF Projects]

Market	Building	Class	NRA	Delivery Date	Developer	Major Tenants	% Leased**
South Loop	433 W Van Buren St	A	2,700,000	Q1-2019	The 601W Companies	N/A	0%
West Loop	110 N Wacker Dr	A	1,420,997	Q3-2020	Riverside Investment & Development Company	Bank of America	0%
West Loop	151 N Franklin St	A	807,355	Q2-2018	The John Buck Company	CNA, Hinshaw & Culbertson	54%
River West	1045 W Randolph St	A	608,000	Q2-2018	Sterling Bay	McDonalds Corporation	93%
West Loop	625 W Adams St	A	437,586	Q2-2018	White Oak Realty Partners	N/A	0%
River West	375 N Morgan St	A	215,000	Q3-2019	Structure Management Midwest	N/A	20%
River West	210 N Carpenter St	A	203,589	Q3-2018	Sterling Bay	Leopardo Construction, Revolution Marketing	23%
River West	1201 W Lake St	A	145,816	Q4-2018	McCaffery Interests Inc	N/A	0%
River West	1220 W Van Buren Ave	B	110,000	Q2-2019	The Missner Group Co	N/A	0%
River West	905 W Fulton Market	A	93,604	Q2-2019	Thor Properties LLC	N/A	0%
West Loop	811 W Fulton Market	A	63,909	Q1-2020	Shapack Partners	N/A	0%
River West	816-820 W Fulton Market	A	63,519	Q4-2019	Thor Properties LLC	N/A	0%
River West	450 N Morgan S	A	50,000	Q3-2018	MAB Capital Management	N/A	18%
River West	939 W Fulton St	A	49,957	Q2-2018	Madison Capital	Vital Proteins	100%
			2018	2,302,303			
			2019	3,282,123			
			2020	1,484,906			
			Total	6,969,332			

CBD | Notable Q1 Leases

Tenant	Address/Name	Submarket	Size (SF)	Type
Morgan Stanley	233 S Wacker Dr	West Loop	122,256	New
Tempus Labs	600 W Chicago Ave	River North	83,622	New
Spaces	620 N LaSalle St	River North	78,265	New
Gartner	350 N Orleans St	River North	74,450	New
Kemper Corporation	200 E Randolph	East Loop	64,956	New
Bank of America	540 W Madison St	West Loop	41,484	New
Braintree	222 Merchandise Mart	River North	39,272	New

CBD | Notable Q1 Investment Sales

Address/Name	Size (SF)	Buyer	Seller	Sales Price	PSF
600 W Chicago Ave	1,643,280	Sterling Bay	Equity Commonwealth	\$510,000,000	\$310.35
1 S Dearborn St	828,538	Starwood Capital Group	Olen Commercial	\$360,250,000	\$434.80
20 S Clark St	379,903	Slate Office REIT	Exan Capital	\$85,600,000	\$225.32
717 S Desplaines St	116,739	The 601W Companies	Ascent Corporation	\$34,000,000	\$291.25
400-420 N May St	75,000	MCZ Development Corporation	Lech Losiowski	\$15,250,000	\$203.33

CBD | Large Contiguous Blocks [\[Class A with over 100,000 SF\]](#)

Submarket	Building Address	Class	Building RBA	Contiguous Space	Space Type
South Loop	433 W Van Buren St	A	2,700,000	2,700,000	Under Construction
West Loop	110 N Wacker	A	1,420,997	821,365	Under Construction
West Loop	625 W Adams St	A	437,586	435,365	Under Construction
North Michigan Avenue	515 N State St	A	671,957	340,362	Existing
Central Loop	21 S Clark St	A	1,904,229	297,000	Existing
Central Loop	203 N LaSalle St	A	750,000	261,379	Existing
West Loop	151 N Franklin St	A	807,355	257,016	Under Construction
West Loop	71 S Wacker Dr	A	1,490,825	215,447	Existing
East Loop	200 E Randolph St	A	2,737,902	194,868	Existing
West Loop	300 S Riverside Plz	A	1,048,357	185,577	Existing
East Loop	233 N Michigan Ave	A	1,174,371	178,931	Existing
River West	375 N Morgan St	A	215,000	174,000	Under Construction
Central Loop	222 N LaSalle St	A	1,034,532	164,926	Existing
West Loop	222 W Adams St	A	899,025	160,614	Existing
River North	222 Merchandise Mart Plaza	A	4,000,000	153,900	Existing
West Loop	550 W Jackson Blvd	A	406,041	144,207	Existing
West Loop	500 W Madison St	A	1,448,095	141,404	Existing
Central Loop	175 W Jackson Blvd	A	1,452,390	137,111	Existing
River West	1201 W Lake St	A	145,816	133,378	Under Construction
West Loop	30 S Wacker Dr	A	1,200,000	129,216	Existing
West Loop	123 N Wacker Dr	A	540,621	121,428	Existing
River West	210 N Carpenter St	A	203,589	117,270	Under Construction
West Loop	111 S Wacker Dr	A	1,213,322	112,052	Existing
Central Loop	1 S Dearborn St	A	828,538	106,624	Existing
Central Loop	180 N LaSalle St	A	781,670	101,885	Existing

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