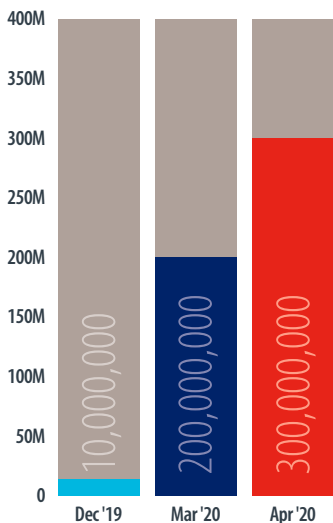




Video Conferencing Explosion

As more and more employees are working remotely due to the impact of COVID-19 video technology has seen a surge in usage over the past few months. Zoom, a popular video conferencing company has seen a surge in usage in the past month of up to roughly 300 million daily participants in video meetings. Will any of these patterns continue post-lockdown?

Daily Zoom Meeting Participants



SOURCE: The Verge | Zoom

Chicago CBD Office Market: Finding a New Normal

Coming off of several solid years of leasing and class A office development activity, the Chicago market reached an abrupt pause in mid-March due to the spread of the novel coronavirus (COVID-19). Office buildings closed and businesses began the complex task of managing employee wellness and remote working arrangements, and trying to plan for the post-COVID-19 office environment.

Prior to the pandemic, the office market was on solid footing, with several large leases signed and a steady flow of construction. The quarter ended with nearly 3.2 msf of leasing activity and 610,308 sf of positive absorption in the Central Business District (CBD).

The vacancy rate in the CBD was 11.5% in the first quarter, holding steady from the fourth quarter. This follows a strong two year cycle that added 6 msf of class A space to the market.

The end of the quarter saw a significant retrenchment, as leasing and investment activity hit the brakes. The Fulton Market,

a venerable hot spot of activity, saw its first pause in momentum, with Google pulling back from leasing an additional 200,000 sf across the street from its Midwest headquarters.



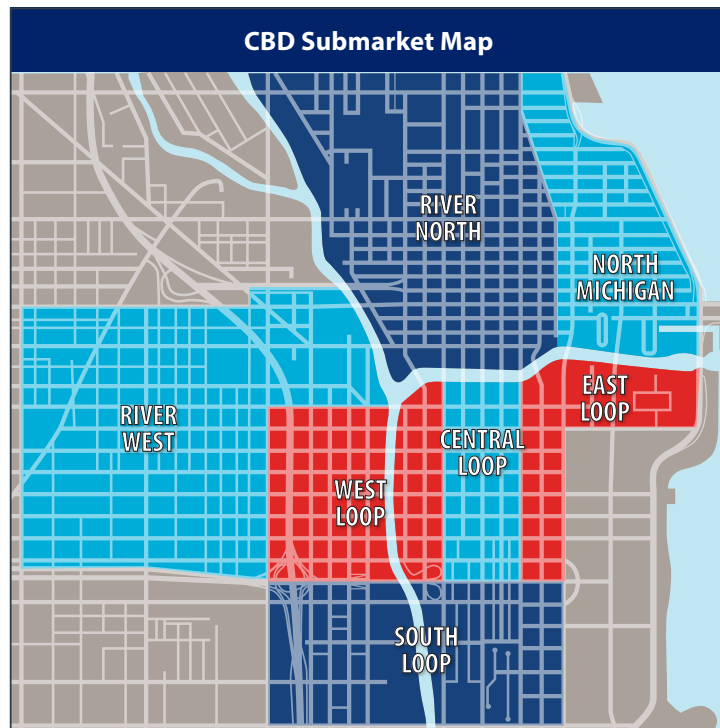
“The impact of the pandemic is unprecedented and not yet fully known. Historically, the Chicago business community has met tough challenges with resiliency, tenacity and creativity. The byproduct has often been innovation and change. We’re confident that Chicago will rebound and continue to attract top tier corporate businesses and employee talent to support economic growth. At Avison Young, we continue to focus on supporting our clients’ business operations and further strengthening relationships.”



Danny Nikitas
Principal, Managing Director

Chicago CBD Submarket Snapshot | Q1

A look at basic metrics in each downtown submarket



Vacancy & Availability

Overall vacancy within the CBD remained flat in the first quarter at 11.5%. The East Loop recorded the highest vacancy rate, at 15.7%, due in part to the delivery of a 672,590-sf building by Brookfield Asset Management, Inc. at 24 E. Washington St. The North Michigan Avenue vacancy was unchanged and was the lowest rate, at 6.7%.

The vacancy for Class A properties was 12.4%, a slight decrease from 12.5% in the fourth quarter. Class B vacancy edged up to 11.1% from 10.8% in the fourth quarter.

"Tenants facing uncertainty and challenging business issues should be forthright about their situation and realistic in their expectations for landlord support," says Principal and downtown office specialist, Konstantine Sepsis. "We are working with many tenants to determine strategies for space utilization, but also acknowledging that they may be better served by engaging in direct discussions with landlords to reach amicable solutions."

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			
CBD	182,275,613	26,881,696	3,684,140	30,565,836	11.5%	12.4%	11.1%	3,180,983	610,308	\$27.68
West Loop	58,284,422	8,611,960	1,696,704	10,308,664	11.8%	12.1%	11.5%	817,446	643,278	\$28.61
Central Loop	47,322,554	7,344,816	564,839	7,909,655	11.1%	13.5%	9.0%	1,206,803	-33,698	\$26.52
East Loop	28,250,276	4,495,224	472,679	4,967,903	15.7%	16.1%	18.9%	197,261	52,800	\$25.12
River North	18,776,146	2,191,349	405,590	2,596,939	9.9%	7.8%	12.5%	472,354	-192,378	\$31.00
North Michigan Ave	17,864,606	1,416,586	227,774	1,644,360	6.7%	7.3%	6.5%	82,361	-90,040	\$24.72
River West	8,282,574	2,471,853	311,734	2,783,587	12.5%	17.2%	11.5%	404,758	230,730	\$32.52
South Loop	3,495,035	349,908	4,820	354,728	8.4%	N/A	13.6%	---	-384	\$25.30

“As we navigate the pandemic, we’re using every means possible to engage with and advise our clients. Technology has never been more important as we look for creative ways to show properties virtually and deliver critical and confidential documents safely. We are working around the roadblocks to keep business flowing.”

Konstantine Sepsis
Principal,
Downtown Office Specialist



Absorption & Demand

Leasing activity in the CBD was fairly steady during the first quarter, reaching 3.18 msf compared with 3.23 msf in the fourth quarter of 2019. There were 303 transactions completed, compared with 343 in the fourth quarter. The Central Loop had the highest leasing activity at 1.2 msf, which was 37% of all leasing volume.

Notable first quarter leases included a 533,889 sf renewal for Citadel Enterprise Americas at 1 S. Dearborn St. in the Central Loop; a 182,643 sf lease for Aspen Dental at 800 W. Fulton St. in River West; a 105,931 sf lease for Faegre Drinker Biddle & Reath at 320 S. Canal St. in the West Loop; and a 76,313 sf lease for Help at Home at the Sullivan Center in the East Loop.

The West Loop posted the highest net absorption of the quarter, with 643,278 sf, but was down from 739,287 sf in the fourth quarter of 2019. Net absorption in the CBD was 610,308 sf, an increase from 576,306 in the fourth quarter.

Construction

While the pandemic has put a temporary halt to developers starting new projects, there were 11 projects over 100,000 sf underway during the first quarter, totaling 5.2 msf, with 2.8 msf set to deliver in 2020. The largest project under construction is 110 N. Wacker, a 1.55 msf development by Riverside Investment that is 75% leased and set to deliver in the third quarter. Riverside Investment is also building the 1.46 msf BMO Tower at 320 S. Canal St. that is scheduled to deliver in the first quarter of 2022.

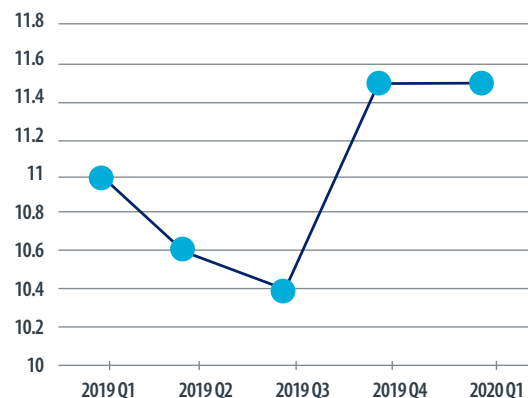
The largest project delivered in the quarter was a 672,590-sf building at 24 E. Washington St. in the East Loop. Three others, totaling 178,031 are in River West and range from 89,865 sf (215 N. Peoria St.) to 29,401 sf (1040 W. Fulton Market St.). That smaller project is 49.71% preleased, while the other two (215 N. Peoria St. and 400 N. Noble St.) are 0% preleased.

There was 850,612 sf of construction completed in the first quarter.

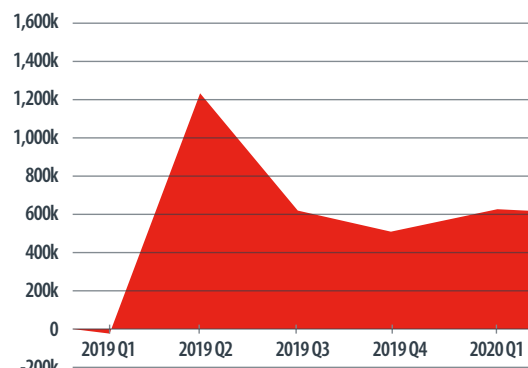
Investment

Among the notable investment transactions was the \$68 million sale of a 591,577 sf building at 801 S. Canal St. from Canal/Taylor Ventures to The 601W Companies, which recently completed a massive renovation of the Old Post Office. The Canal St. building, known as Canal Center is close to Union Station in a section of the market that has attracted notable investment and leasing activity in recent years.

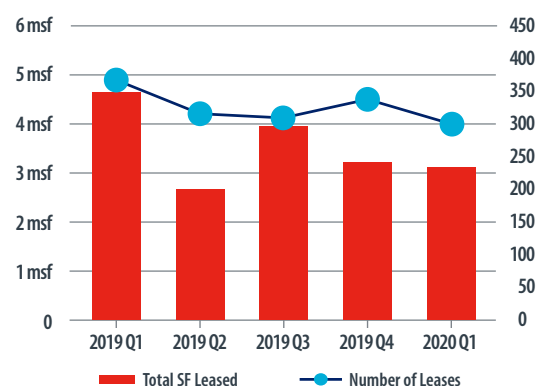
Vacancy Rate (%)



Total Net Absorption (SF)



Lease Activity



Trends to Watch as the Workforce Returns

As businesses try to define the “new normal” heading toward mid-year, Avison Young is monitoring the following emerging trends:

“Return to Work” strategies -- Businesses are evaluating how the post-COVID-19 offices will look and function. Among the options being considered are redesigned interiors to change work flow patterns and support social distancing. Lobby and common area may be upgraded to streamline the flow of workers and support wellness checks, among other options.

Flexible employee work schedules -- that allow for staggered shifts and provide workers flexibility in accessing (often crowded) public transportation at off-peak hours.

Shifts in Square Footage Per Employee -- After years of shrinking employee work areas, businesses may shift to larger spaces or add remote working plans. One key question is how to work within collaborative space?

Increase in Subleases -- as companies focus on financial recovery and some reevaluate space allocations.

Thinking Ahead to Recovery, However Far Away That May Be

Last month, PwC started publishing a series of weekly 'COVID-19 CFO Pulse' surveys, asking finance leaders from across the United States & Mexico a number recurring questions to measure their insights and sentiment. Questions range from the magnitude of the pandemic on different aspects of their business, how to control costs and planned investments and the impact of government stimulus.

One key metric was projected business recovery timing. As reported by Axios this week, the PwC survey provides a key comparison of how long on average post-COVID-19 would CFO's anticipate their business would get 'back to usual,' contrasting responses from early March against those from April 8th, 2020.

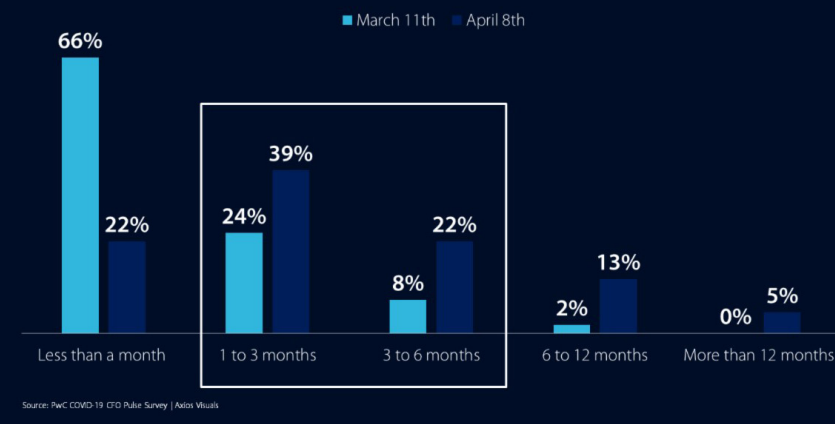
The overarching theme is that expectations of recovery time is shifting to a longer timeframe from increasing uncertainty in the marketplace. PwC's survey also revealed that 81% of those surveyed are now anticipating COVID-19 to decrease their company's revenue this year, up from 58% when first surveyed in March 2020. As this pandemic continues to unfold, many companies are finding it challenging to maintain their current level of workforce and could potentially see further increases in unemployment in the months to come.

“ This is a critical time for facilities managers as they evaluate each building's unique configuration and determine guidelines and protocols to support social distancing, efficient employee traffic flow, and other factors necessary for a successful return to work plan. ”

Randel Waites
Principal & Managing Director,
Property Management Services



PwC survey of American CFO's: if the COVID-19 pandemic ended today, when would you be back to 'business-as-usual'?





CBD

Construction & Deliveries

2020 Q1 Under Construction [100,000+ SF Projects]

Market	Building	Class	NRA	Delivery Date	Developer	Major Tenants	% Leased**
West Loop	110 N Wacker Dr	A	1,546,909	Q3-2020	Riverside Investment	Bank of America, Jones Day	75%
West Loop	320 S Canal St	A	1,463,000	Q1-2022	Riverside Investment	BMO Financial	36%
River West	167 N Green St	A	600,000	Q4-2020	Shapack Partners	WeWork?	7%
River West	800 W Fulton St	A	480,490	Q1-2021	Thor Equities	Aspen Dental	42%
River West	320 N Sangamon St	A	301,979	Q1-2021	Tishman Speyer	N/A	11%
River West	1375 W Fulton St	A	300,224	Q2-2020	CBRE	Glassdoor	17%
River North	448 N LaSalle St	A	174,599	Q1-2021	Midwest Property Group LTD	WeWork, CA Ventures	42%
River West	1220 W Van Buren Ave	A	129,732	Q4-2020	The Missner Group Company	N/A	0%
River West	905 W Fulton Market	A	108,650	Q2-2020	Thor Equities	Mondelez	97%
River West	318 N Carpenter St	A	104,977	Q3-2020	Murphy Development Group	N/A	0%

2020 2,790,492

2021 957,058

2022 1,463,000

Total 5,210,560

2020 Q1 Deliveries

Market	Building	Class	RBA	Developer	Major Tenants	% Leased**
East Loop	24 E Washington St	A	672,590	Brookfield Asset Management, Inc.	Numerator	10%
River West	215 N Peoria St	A	89,865	Parkside Realty, Inc	N/A	0%
River West	400 N Noble St	A	58,765	Shapack Partners	N/A	0%
River West	1040 W Fulton Market St	A	29,401	Summit Design + Build LLC	N/A	50%

Total 850,621

The CBD logo consists of the letters 'CBD' in a bold, white, sans-serif font, centered within a dark blue rectangular background.

Notable Leases, Sales & Contiguous Blocks

CBD | Notable Q1 Leases

Tenant	Address/Name	Submarket	Size (SF)	Type
Citadel Enterprise Americas	1 S Dearborn St	Central Loop	533,889	Renewal
Aspen Dental	800 W Fulton St	River West	182,643	New
Faegre Drinker Biddle & Reath	320 S Canal St	West Loop	105,931	New
Help at Home	1-35 S State St	East Loop	76,313	New

CBD | Notable Q1 Investment Sale

Address/Name	Size (SF)	Buyer	Seller	Sales Price	PSF
801 S Canal St	591,577	The 601W Companies	Canal/Taylor Venture	\$68,000,000	\$114.95

CBD | Large Contiguous Blocks [Class A with over 200,000 SF]

Submarket	Building Address	Class	Building RBA	Contiguous Space	Space Type	Developer
Central Loop	135 S LaSalle Street	A	1,310,047	693,448	Existing	AmTrust Realty Corp
East Loop	24 E Washington Street	A	672,590	661,561	Existing	Brookfield Asset Management, Inc
West Loop	320 S Canal Street	A	1,463,000	507,403	Under Construction	Riverside Investment & Development Co
West Loop	555 W Monroe Street	A	445,000	422,000	Existing	Principal Financial Group, Inc
River West	167 N Green Street	A	600,000	421,664	Under Construction	Walton Street Capital, LLC
River North	222 Merchandise Mart Plaza	A	4,000,000	304,815	Existing	Vornado Realty Trust
River West	320 N Sangamon Street	A	301,979	261,821	Under Construction	Tishman Speyer
River West	800 W Fulton Street	A	480,490	243,851	Under Construction	Thor Equities
River West	1375 W Fulton Street	A	300,224	236,205	Under Construction	Reliable Contracting & Equipment Co
West Loop	120 S Riverside Plaza	A	707,803	221,118	Existing	Callahan Capital Properties



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Properties



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