

# Chicago CBD



## Quick Stats

3.5%

The Chicago metro unemployment rate dropped 80 basis points from the previous quarter to from 3.5%.

18,300 jobs

As of May 2019, the Professional and Business Service sector has added 18,300 jobs when compared year-over-year.

O'Hare Expansion

Chicago and airline officials broke ground during the first half of 2019 on an upgrade and expansion of O'Hare International Airport Terminal 5 (International Terminal).

7 MSF

There are currently 16 properties totaling 7 msf under construction within the CBD and 47.8% preleased.

## Economic Overview

Chicago's diverse economy continued to grow moderately throughout the second quarter of 2019. As of May 2019, unemployment stood at 3.5%, up 10 basis points (bps) year-over-year. The metropolitan area added more than 65,000 jobs as of May 2019, an increase of 1.4% year-over-year. Lake County observed the largest decrease in unemployment, down 40 bps to 4.1%.

Chicago officials and airline representatives broke ground during the first half of 2019 on an upgrade and expansion of O'Hare International Airport Terminal 5. City officials have stated that this project will increase the space by about 350,000 square feet (sf) and add 10 new gates to the airport's international terminal by 2021. The continuing upgrades to both passenger and cargo facilities should keep O'Hare competitive and help retain its position as the nation's busiest airport for years to come.

**IN THE NEWS:** Real estate taxes have become a consistent topic of conversation as many buildings are facing unprecedented tax increases, which is driving up tenants' gross rental rate.

## CBD Market Overview

Overall vacancy within the CBD recorded a decrease of 40 bps to 10.5%. Class A product saw a significant decrease in vacancy of 170 bps down to 10% while class B product increased 100 bps over the same timeframe. Leasing activity remained strong with 2.2 million square feet (msf) leased throughout the second quarter, bringing the total year-to-date sf leased to 7.3 msf. The West Loop and the East Loop submarkets accounted for 1.4 msf of leasing within the second quarter, which represents 67% of all leasing activity.

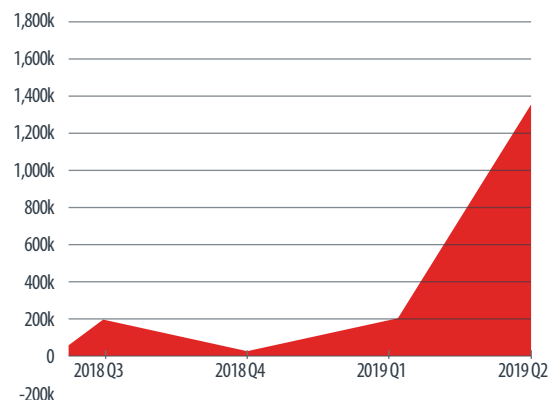
There are currently 16 properties totaling 7 msf under construction within the CBD. The two largest being The Old Post Office (433 W Van Buren Street) and Bank of America Tower (110 N Wacker Drive) accounting for 4.2 msf and 60% of construction inventory. The largest development within the CBD is The Old Post Office located at 433 W Van Buren within the West Loop which is 2.5 msf and undergoing an \$800 million-plus renovation. The property is currently 41% preleased and expected to be completed within the second half of 2019.



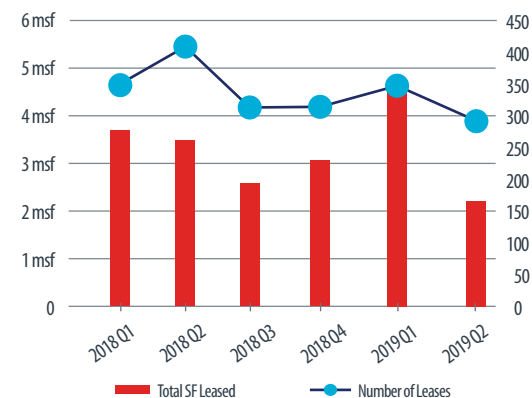
### Vacancy Rate (%)



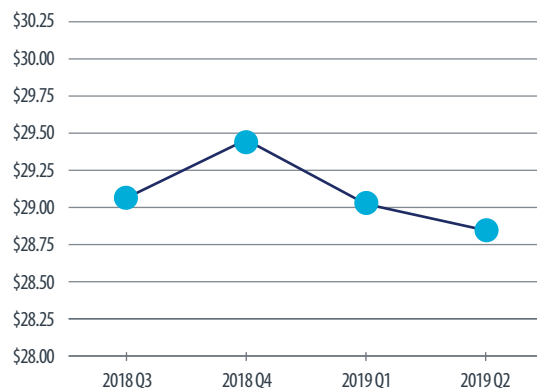
### Total Net Absorption (SF)



### Lease Activity



### Office Base Rent

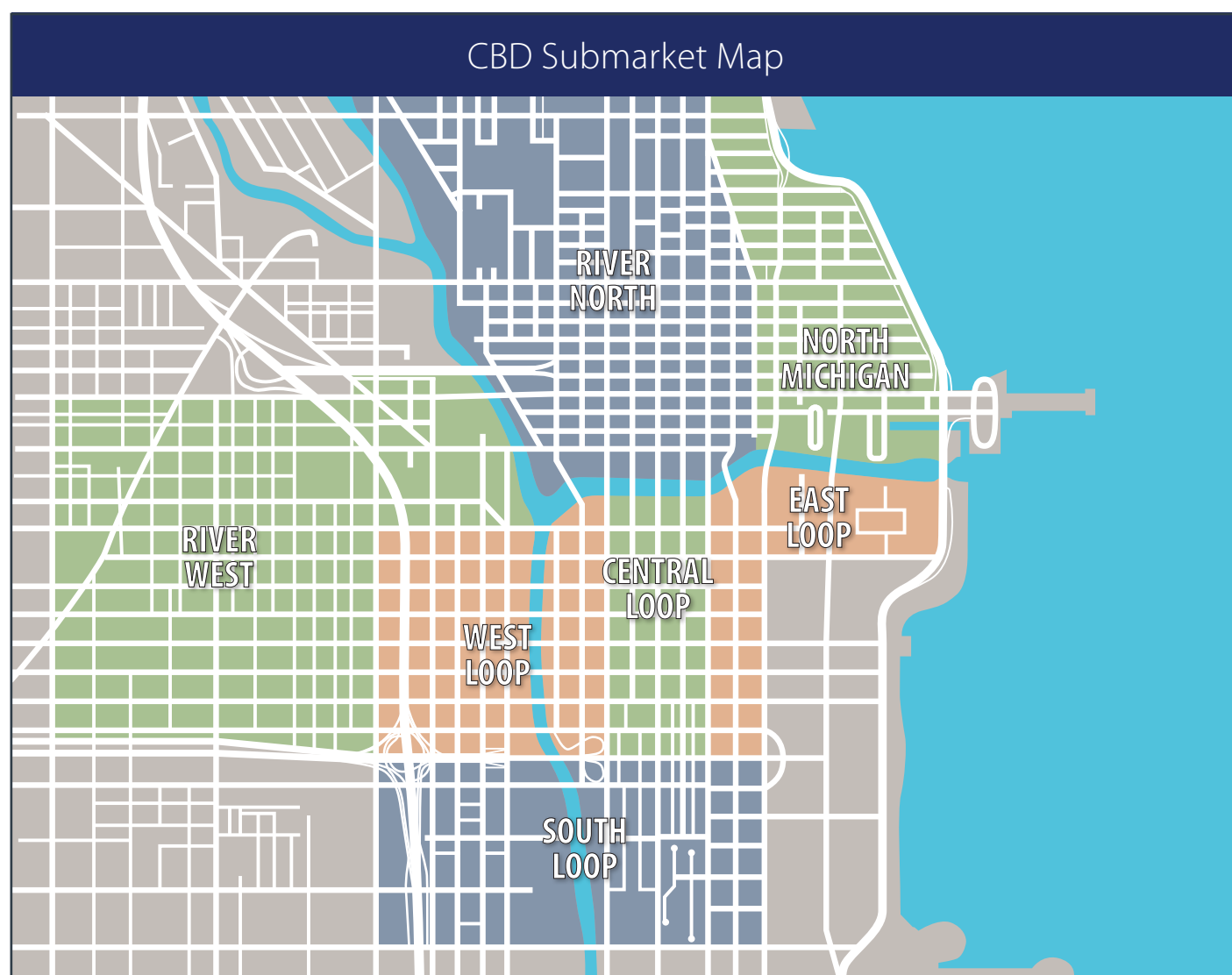




## Chicago CBD Submarket Snapshot | Q2

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			
CBD	178,049,843	25,529,949	3,040,159	28,570,108	10.5%	10.0%	11.6%	2,200,098	581,695	\$27.90
West Loop	55,774,589	8,518,123	1,239,964	9,758,087	11.1%	11.8%	10.0%	1,129,796	560,655	\$29.34
Central Loop	47,577,650	6,325,019	637,661	6,962,680	10.6%	12.3%	9.2%	277,886	32,202	\$28.67
East Loop	27,488,207	4,636,218	420,580	5,056,798	13.2%	10.9%	21.0%	348,756	16,640	\$25.21
River North	18,683,600	2,043,727	404,241	2,447,968	8.6%	5.0%	12.3%	221,613	-29,559	\$32.49
North Michigan Ave	17,714,915	1,368,402	144,652	1,513,054	6.7%	8.5%	5.2%	134,233	768,301*	\$26.90
River West	7,315,047	2,306,986	178,556	2,485,542	10.5%	11.7%	11.2%	84,733	11,357	\$32.91
South Loop	3,495,835	331,474	14,505	345,979	7.5%	N/A	12.2%	3,081	-9,600	\$25.35





# West Loop

## West Loop

As the CBD's largest submarket with 56 msf of office space, the West Loop continues to see increased demand and strong fundamentals. Overall vacancy dropped another 90 bps to 11.1% from the previous quarter, marking eight consecutive quarters of lowering vacancy in the West Loop. There were approximately 81 lease transactions signed in the second quarter of 2019, totaling more than 1.1 msf, with the average deal size sitting at 13,948 sf.

There were several notable leases in the second quarter. The largest lease being international law firm Perkins Coie signing for 101,840 sf in the currently-under-construction 110 N Wacker. The company is expected to move in shortly after the building is complete in the first half of 2020. Another notable lease transaction was coworking behemoth WeWork's execution on an additional 91,559 sf in Chicago. The new lease at 625 W Adams Street brings the company's Chicago footprint to over 800,000 sf. The final notable deal signed came from Home Chef taking 75,000 sf at The Old Post Office. The building is currently under extensive renovations and is expected to be completed by the third quarter 2019.

There were no investment transactions in the second quarter.

The West Loop continues to record the highest amount of inventory under construction with a whopping 4 msf split between only two buildings. The Old Post Office accounts for over 50% of this construction. The 2.5 msf building is owned by the 601W Companies and is expected to be completed in the upcoming third quarter of 2019. It is estimated that the company will spend around \$800 million by completion of the overhaul. The Old Post Office saw 131,698 sf of preleasing activity this quarter split between two deals, the property is currently 42% leased. The second building under construction is 110 N Wacker. The building will be named after its largest tenant, Bank of America. While smaller than the Old Post Office, Bank of America Tower is still sizeable at more than 1.5 msf and is expected to be completed in the first half of 2020. Bank of America Tower is currently 67.24% preleased.

Total RBA  
**55,774,589 SF**

Direct Available Space  
**8,518,123 SF**

Sublet Available Space  
**1,239,964 SF**

Total Available  
**9,758,087 SF**

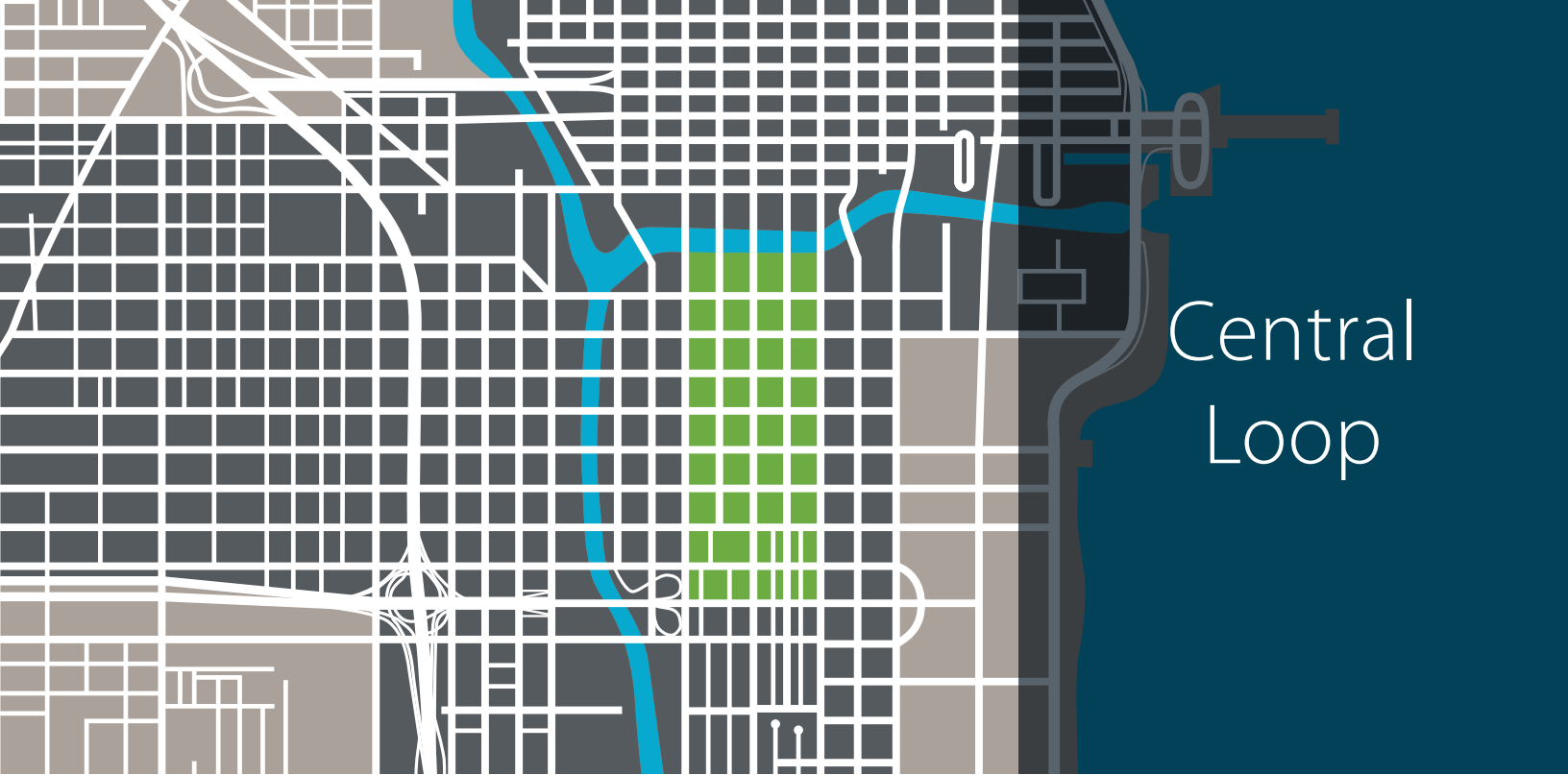
Overall Vacancy  
**11.1%**

Leasing Activity  
**1,129,796 SF**

Net Absorption  
**560,655 SF**

Average Asking Rent  
**\$29.34**





# Central Loop

## Central Loop

The Central Loop contains 47.5 msf of office space and continues to see increased demand. The Central Loop is well known as Chicago's financial and legal hub. Overall vacancy continued to trend downwards in the second quarter of 2019, down 20 bps to 10.6% when compared to the previous quarter. Leasing activity continued to show moderate demand with over 275,000 sf leased across 57 deals with an average deal size of 4,875 sf. The largest lease of the quarter was for 76,000 sf at 79 W Monroe Street.

A notable investment sale within the second quarter was 19 S LaSalle Street, which traded from Columbus Properties, Inc to Chicago investor Ruben Espinoza. The 159,000-sf property sold for \$22 million or \$138 psf.

There is one property currently under construction at 145 S Wells Street. The 224,157-sf property is being developed by Moceris & Roszak and is expected to be completed in the second half of 2019. The property is currently being developed on a speculative basis.

Looking forward, the Central Loop's health could come in to question as soon as 2020, when three major tenants begin to leave the submarket for newly constructed buildings in other markets. Bank of America, BMO Harris and Northern Trust have all signed leases for a cumulative 1.85 msf.

Total RBA  
**47,577,650 SF**

Direct Available Space  
**6,325,019 SF**

Sublet Available Space  
**637,661 SF**

Total Available  
**6,962,680 SF**

Overall Vacancy  
**10.6%**

Leasing Activity  
**277,886 SF**

Net Absorption  
**32,202 SF**

Average Asking Rent  
**\$28.67**



# East Loop

## East Loop

The East Loop submarket contains 27.5 msf of office space located near Chicago's lakefront. Vacancy was recorded at 13.2% during the second quarter of 2019, a 10-bps increase from the previous quarter. There were 64 lease transactions signed throughout the second quarter of 2019 for a total of 348,756 sf, with an average of 5,450 sf.

Notable leases included financial services company Northern Trust signing for 85,398 sf at 333 S Wabash Avenue. Secondly, software company Showpad signed for 50,023 sf at 1 N State Street. The location will serve as the company's North American headquarters. The empty construction pipeline for the waterfront submarket continues, with no new construction in the last 5 years, and none expected for the foreseeable future.



Northern Trust signed a lease for an additional 85,398 sf, increasing their total footprint up to 490,117sf within 333 S Wabash.

Total RBA  
**27,488,207 SF**

Direct Available Space  
**4,636,218 SF**

Sublet Available Space  
**420,580 SF**

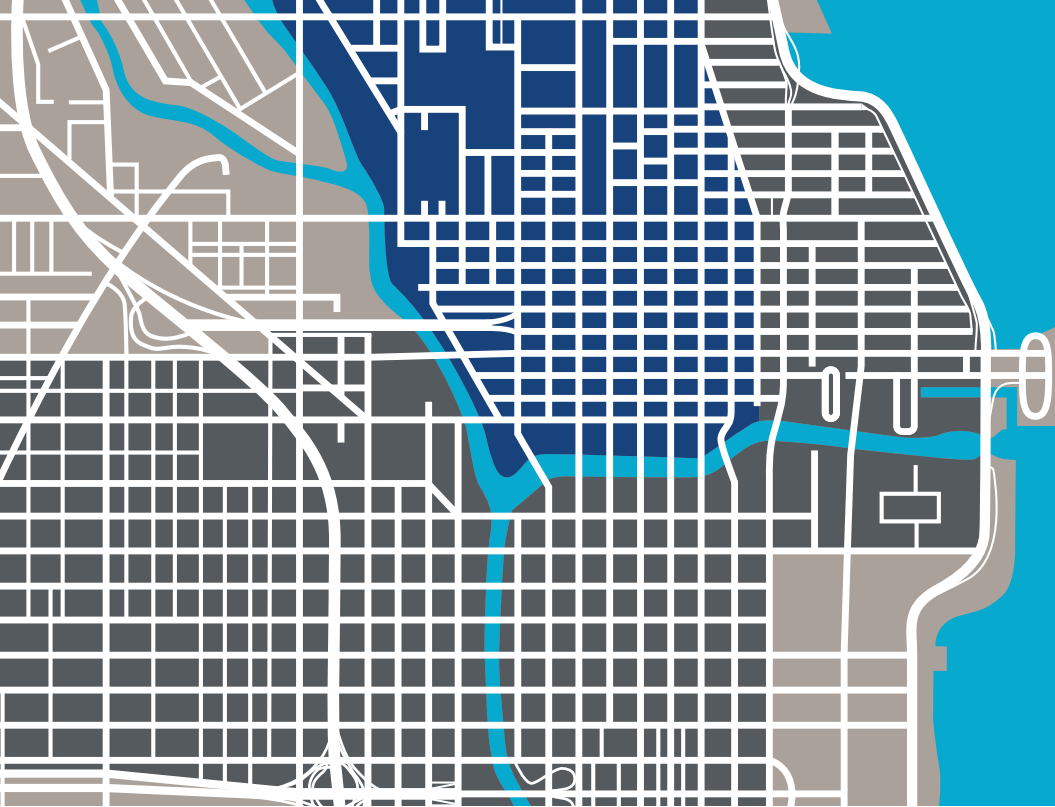
Total Available  
**5,056,798 SF**

Overall Vacancy  
**13.2%**

Leasing Activity  
**348,756 SF**

Net Absorption  
**16,640 SF**

Average Asking Rent  
**\$25.21**



# River North

## River North

The River North submarket, which contains 18 msf, witnessed an increase in vacancy of 40 bps up to 8.6%. Leasing activity has begun to slow with a total of 462,397 sf having been leased year-to-date with an average lease size of 4,578 sf. The submarket is currently 91% occupied with approximately 1.6 msf vacant with most of the space available within Class B product.

Notable lease transactions included Tempus, a genomic-testing and data-analytics company, who signed a new lease for 37,940 sf at 600 W Chicago Avenue. The second noteworthy lease within the second quarter of 2019 was for Opex Analytics who relocated their HQ office from Evanston to 18,000 sf within 350 N Orleans Street.

The largest investment sale year-to-date was 412 N Wells Street, which traded between Centrum Realty & Development and Mercury Capital for \$31,100,000 or \$740 psf. The 42,000-sf property was built in 2017 and is fully occupied by RxBar. There are currently six properties within River North larger than 10,000 sf available for sale, totaling 202,954 sf with an average asking price of \$301 psf.

Total RBA

**18,683,600 SF**

Direct Available Space

**2,043,727 SF**

Sublet Available Space

**404,241 SF**

Total Available

**2,447,968 SF**

Overall Vacancy

**8.6%**

Leasing Activity

**221,613 SF**

Net Absorption

**-29,559 SF**

Average Asking Rent

**\$32.49**





# North Michigan Avenue

## North Michigan Avenue

The North Michigan Avenue submarket, containing 17,714,915 sf of office space, has continued to see vacancy shift downward to 6.7% within the second quarter of 2019. Year to date, there have been 461,897 sf leased with an average lease size of 10,497 sf. This prompted an increase in net absorption to 768,301 sf.

The largest investment sale transaction this quarter was the sale of 233 E Erie Street, a medical office building totaling 82,185 sf. The property traded for \$40M or \$487 psf between Streeterville Center and Healthcare Trust of America. The property was 89% leased at the time of sale and the sale was an off-market transaction.

There was one property that delivered to the submarket, Northwestern's Biomedical Research Tower located at 303 E Superior Street. This 12-story, 700,000 sf building will house 23 research groups per lab floor and create 2,000 new full-time jobs while adding \$390 million a year in economic activity in Chicago.



The Northwestern Biomedical Research Tower at 303 E Superior Street was the only delivery in the CBD in the second quarter. The 700,000-sf medical office building was designed by architecture firm Perkins + Will.

Total RBA  
**17,714,915 SF**

Direct Available Space  
**1,368,402 SF**

Sublet Available Space  
**144,652 SF**

Total Available  
**1,513,054 SF**

Overall Vacancy  
**6.7%**

Leasing Activity  
**134,233 SF**

Net Absorption  
**768,301 SF**

Average Asking Rent  
**\$26.90**

# River West

## River West

The River West submarket comprises 7.3 msf of office space and saw a slight 10 bps decrease in vacancy to 10.5%. Class A product recorded a dramatic downward shift in vacancy from 14.5% to 11.7%. Year-to-date, the River West submarket has leased 575,072 sf with an average deal size of 14,376 sf. Net absorption has begun to slow with a total of 136,975 sf having been absorbed year-to-date.

There was one notable investment sale transaction within the submarket. 159 N Sangamon Street, a 90,344-sf loft property, traded between Tucker Development and Asana Partners for \$41,594,500 or \$460 psf. The property is fully leased to coworking firm Spaces and private equity firm Parker Gale.

One building delivered within the second quarter of 2019, adding 14,589 sf to the submarket. 216 N May Street, a four-story office building, delivered to the market with no tenants.



The largest building under construction in the River West submarket is 167 N Green Street. The 600,000-sf & 17-story tower is being developed by Shapack Partners and has already attracted coworking giant WeWork with a 133,749-sf lease.

Total RBA  
**7,315,047 SF**

Direct Available Space  
**2,306,986 SF**

Sublet Available Space  
**178,556 SF**

Total Available  
**2,485,542 SF**

Overall Vacancy  
**10.5%**

Leasing Activity  
**84,733 SF**

Net Absorption  
**11,357 SF**

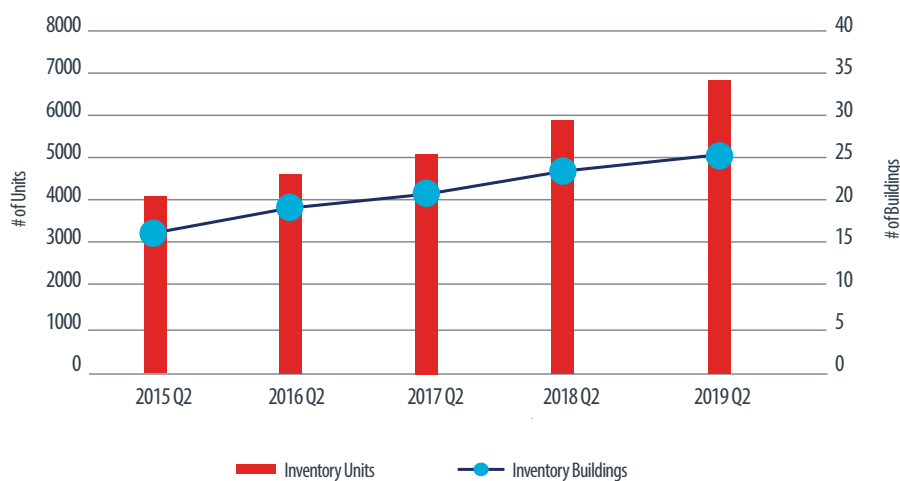
Average Asking Rent  
**\$32.91**

# South Loop

## South Loop

The South Loop contains 3.4 msf and is the CBD's smallest submarket. Office vacancy decreased by 90 bps down to 7.5% in the second quarter of 2019. There have been 10 leases signed in 2019, totaling 11,752 sf with an average deal size of 1,175 sf. The area has primarily taken a multifamily stance in the market. The South Loop contributes to over 1/3 of the multifamily space in the Loop and accounts for more than 50% of the current construction of multifamily properties.

Historical South Loop Multifamily Inventory



Total RBA  
3,495,835 SF

Direct Available Space  
331,474 SF

Sublet Available Space  
14,505 SF

Total Available  
345,979 SF

Overall Vacancy  
7.5%

Leasing Activity  
3,081 SF

Net Absorption  
-9,600 SF

Average Asking Rent  
\$25.35



**CBD**

# Construction & Deliveries



## Q2 Under Construction [\[20,000+ SF Projects\]](#)

Market	Building	Class	NRA	Delivery Date	Developer	Major Tenants	% Leased**
West Loop	433 W Van Buren St	A	2,500,000	Q3-2019	601W Companies	Walgreens, AbelsonTaylor	41.83%
West Loop	110 N Wacker Dr	A	1,546,909	Q2-2020	Riverside Investment	Bank of America	67.24%
East Loop	24 E Washington St	A	652,452	Q1-2020	Brookfield Asset Management	N/A	0%
River West	167 N Green St	A	600,000	Q4-2020	Shapack Partners	N/A	0%
River West	333 N Green St	A	590,525	Q1-2020	Sterling Bay	WPP US, Ernst & Young	74.58%
River West	1375 W Fulton St	A	300,224	Q2-2020	Trammell Crow Company	Glassdoor	17.13%
Central Loop	145 S Wells St	A	224,157	Q3-2019	Moceri & Roszak	N/A	0%
River West	1220 W Van Buren Ave	A	129,732	Q4-2020	The Missner Group	N/A	0%
River West	215 N Peoria St	B	115,200	Q1-2020	Clayco	N/A	21.99%
River West	905 W Fulton Market	A	108,650	Q3-2019	Thor Equities	Mondelez International Inc	90.80%
River West	318 N Carpenter St	A	108,054	Q2-2020	The Murphy Development Grp	N/A	1.62%
River West	1155 W Fulton St	A	100,008	Q4-2019	Domus Group	N/A	6.75%
River West	400 N Noble St	B	57,414	Q4-2019	Shapak Partners	N/A	0%
River West	1114 W Fulton St	B	30,000	Q3-2019	Domus Group	N/A	0%
River West	1040 W Fulton Market St	A	29,401	Q3-2019	Summit Design & Build LLC	Summit Design & Build LLC	43.04%
			<b>2019</b>	3,049,630			
			<b>2020</b>	4,043,095			
			<b>Total</b>	7,092,725			

## Q2 Deliveries

Market	Building	Class	RBA	Developer	Major Tenants	% Leased**
North Michigan Ave	303 E Superior St	A	700,000	Northwestern University	Northwestern Biomed Research	100%

## CBD | Notable Q2 Leases

Tenant	Address/Name	Submarket	Size (SF)	Type
Perkins Cole	110 N Wacker Dr	West Loop	101,840	New
WeWork	625 W Adams St	West Loop	91,559	New
Northern Trust	333 S Wabash Ave	East Loop	85,398	New
Home Chef	433 W Van Buren St	West Loop	75,000	New
WR Berkley	550 W Jackson Blvd	West Loop	70,633	New

## CBD | Notable Q2 Investment Sales

Address/Name	Size (SF)	Buyer	Seller	Sales Price	PSF
159 N Sangamon St	90,344	Asana Partners	Tucker Development Corp	\$41,600,000	\$460.46
233 E Erie St	82,185	Healthcare Trust of America	Streeterville Center	\$40,000,000	\$486.71
19 S LaSalle St	159,525	Ruben Espinoza	Columbus Properties	\$22,000,000	\$137.91

CBD | Large Contiguous Blocks [\[Class A with over 150,000 SF\]](#)

Submarket	Building Address	Class	Building RBA	Contiguous Space	Space Type
East Loop	200 E Randolph St	A	2,737,902	158,525	Existing
West Loop	433 W Van Buren St	A	2,500,000	1,454,302	Under Construction
West Loop	110 N Wacker Dr	A	1,546,909	327,964	Under Construction
Central Loop	175 W Jackson Blvd	A	1,452,390	191,799	Existing
River North	350 N Orleans St	A	1,308,156	209,803	Existing
West Loop	1 S Wacker Dr	A	1,195,170	170,170	Existing
West Loop	222 W Adams St	A	899,025	176,890	Existing
West Loop	120 S Riverside Plz	A	802,991	257,971	Existing
North Michigan Avenue	515 N State St	A	671,957	164,453	Existing
East Loop	24 E Washington St	A	652,452	652,452	Under Construction
Central Loop	203 N LaSalle St	A	625,221	198,038	Existing
River West	167 N Green St	A	600,000	466,247	Under Construction
West Loop	555 W Monroe St	A	419,186	172,393	Existing
River West	1375 W Fulton St	A	300,224	287,629	Under Construction
Central Loop	145 S Wells St	A	224,157	206,425	Under Construction





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