

# Chicago CBD



## Quick Stats

4.3%

The unemployment rate remains strong in the Chicago Metro at **4.3%**, a slight increase of 30 basis points from Q4 2018.

## Job Growth

The number of jobs within the Education & Health Services and the Financial Services sectors recorded strong increases since February 2018, up 18,700 and 5,200 respectively.

2.4 MSF

The West Loop continued to see the most leasing velocity with **2.4 msf**, accounting for 58% of all leasing activity throughout the first quarter of 2019.

ORD

O'Hare International was named the **busiest airport in the United States** in 2018.

## New Mayor

The City of Chicago made history on April 2, 2019, electing **Lori Lightfoot** as the first African-American female mayor. The changing political landscape has created a sense of uncertainty that should unfold in the second half of 2019.

## Economic Overview

The Chicago economic landscape continued to improve throughout the first quarter of 2019. As of February, the unemployment rate dropped 90 basis points (bps) year-over-year to 4.3%. This is slightly elevated when compared to the national average of 4.1%. DuPage County recorded the most significant decrease in unemployment, dropping 100 bps to 3.2%. Jobs within the Education & Health Services and the Financial Services sectors recorded increases since February 2018, up 18,700 and 5,200 jobs respectively.

Chicago O'Hare International Airport was recently recognized as the nation's busiest in terms of total flights for the first time since 2014. O'Hare transported more than 83.4 million passengers in 2018, representing a 4.5% increase year-over-year as announced by the Chicago Department of Aviation (CDA).

The City of Chicago made history on April 2, 2019 electing Lori Lightfoot as the first African-American female mayor. The changing political landscape has created a sense of uncertainty that should unfold in the second half of 2019.



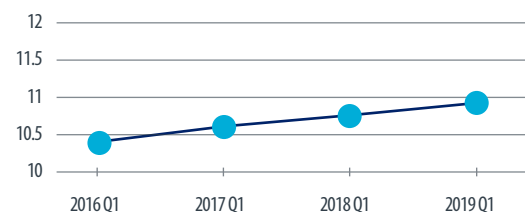
## CBD Market Overview

Chicago's central business district (CBD) continued to see strong activity in terms of leasing velocity as well as construction. Overall vacancy within the CBD recorded a decrease of 30 basis points (bps) to 10.9%. Leasing activity saw a 55% increase when compared to the previous quarter with 4.1 million square feet (msf) leased. The West Loop continued to see the most leasing velocity again this quarter with 2.4 msf leased. The submarket accounted for 58% of all leasing activity throughout the first quarter of 2019. The only property delivered in 2019 is located at 1201 W Lake Street in the River West Submarket. Two large CBD tenants decided to renew their leases and opted not to relocate which accounted for a little over 1 msf. United Airlines and USG, both located within the West Loop, signed long-term lease renewals during the first quarter of 2019.

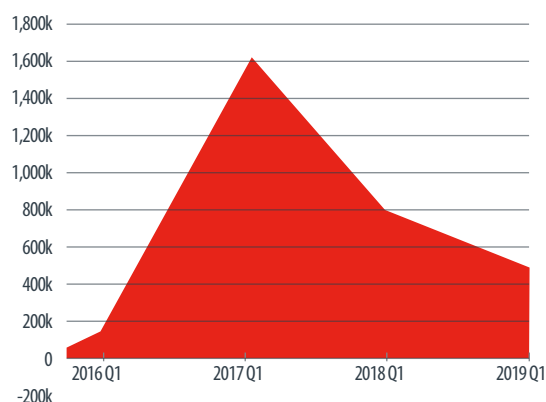
The coworking craze remains strong throughout the CBD with several new locations continuing to pop up throughout the market including WeWork, Convene and International Workplace Group. WeWork recently announced the opening of its 10th and 11th locations in the Chicago market, bringing their total footprint to approximately 930,000 sf.



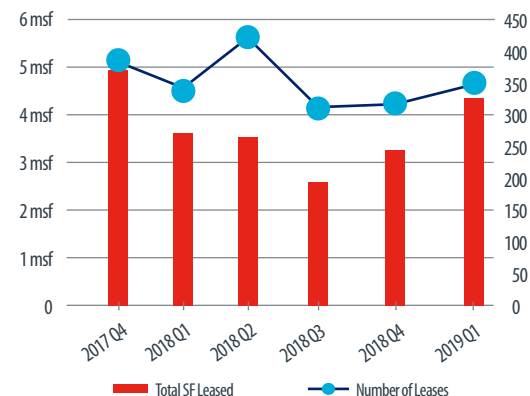
## Vacancy Rate (%)



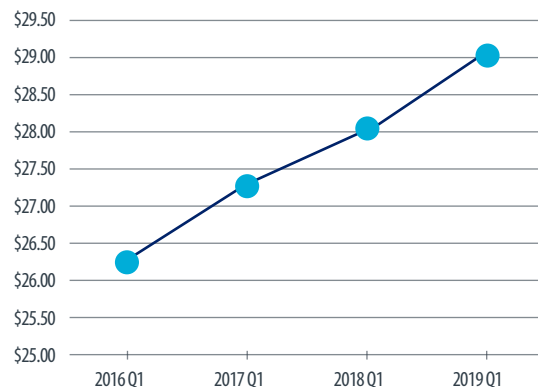
## Total Net Absorption (SF)



## Lease Activity



## Office Base Rent

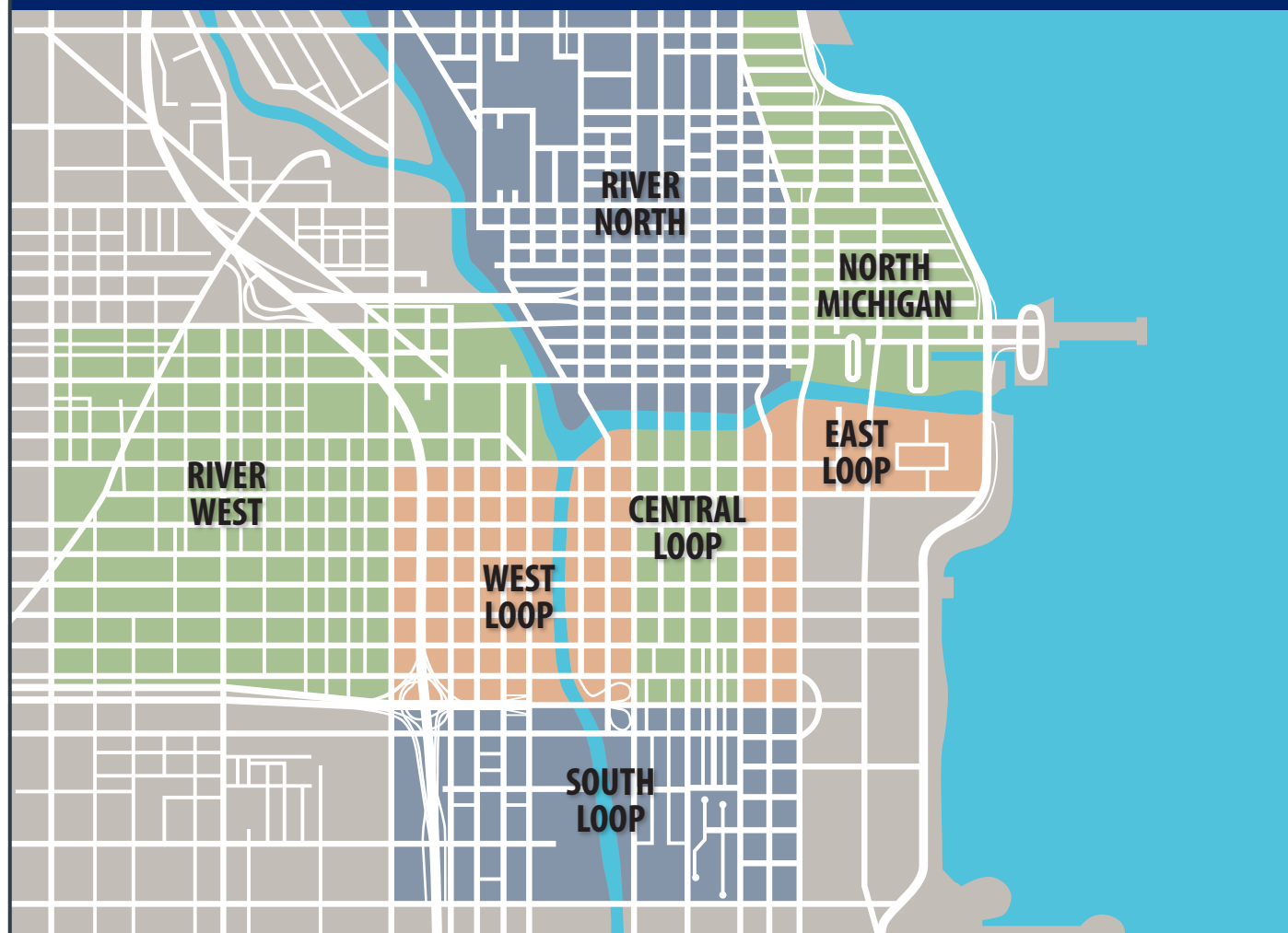


## Chicago CBD Submarket Snapshot | Q1

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			
CBD	177,331,557	25,016,225	3,168,131	28,184,356	10.9%	11.7%	10.6%	4,300,500	440,654	\$27.30
West Loop	56,012,481	9,384,172	972,028	10,356,200	12.0%	13.0%	10.1%	2,587,327	214,221	\$29.56
Central Loop	47,525,675	6,099,807	1,017,894	7,117,701	10.8%	12.6%	8.9%	699,915	21,246	\$24.66
East Loop	27,480,707	3,858,298	628,919	4,487,217	13.1%	11.0%	21.1%	336,097	172,987	\$23.18
River North	18,650,369	2,082,146	357,972	2,440,118	8.2%	5.6%	10.4%	211,657	-70,311	\$31.99
North Michigan Ave	16,971,658	1,413,890	114,165	1,528,055	7.5%	9.7%	5.4%	245,812	36,442	\$24.79
River West	7,222,166	1,867,749	67,468	1,935,217	10.6%	14.5%	9.7%	214,593	75,429	\$31.98
South Loop	3,468,501	310,163	9,685	319,848	8.6%	N/A	12.5%	5,099	-9,360	\$18.70

CBD Submarket Map





# 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 60 bps to 12% from the previous quarter. There were approximately 116 lease transactions signed in the first quarter of 2019 totaling more than 2.5 msf, with the average deal size being 22,303 sf.

There were two notable leases renewed this quarter, the first being United, located within the Willis Tower, where they occupy 816,301 sf. The second being USG Corporation, located at 550 W Adams Street and occupying 220,800 sf.

The largest investment sale transaction within the first quarter of 2019 was 550 W Van Buren Street, also known as Union Tower. The 332,608-sf property was 91.1% leased at the time of sale and traded for \$78,000,000 or \$234.51 psf. This property was built in 2001 and is home to Huron Consulting group who occupies 134,000 sf with a lease running through 2024. The Omni Group purchased this property from Principal Financial Group.

The West Loop continues to record the most construction activity inside the CBD. There are currently two buildings under construction totaling more than 4 msf. Over 50% of the activity can be attributed to the Old Post Office project, a staggering 2.5-msf redevelopment with expected completion in the third quarter of 2019. The Post Office is 39.6% pre-leased. The second notable building under construction is located at 110 North Wacker, which represents 1.5 msf of new inventory with anticipated completion in the third quarter of 2020, the project is currently 47% pre-leased.

Total RBA  
**56,012,481 SF**

Direct Available Space  
**9,384,172 SF**

Sublet Available Space  
**972,028 SF**

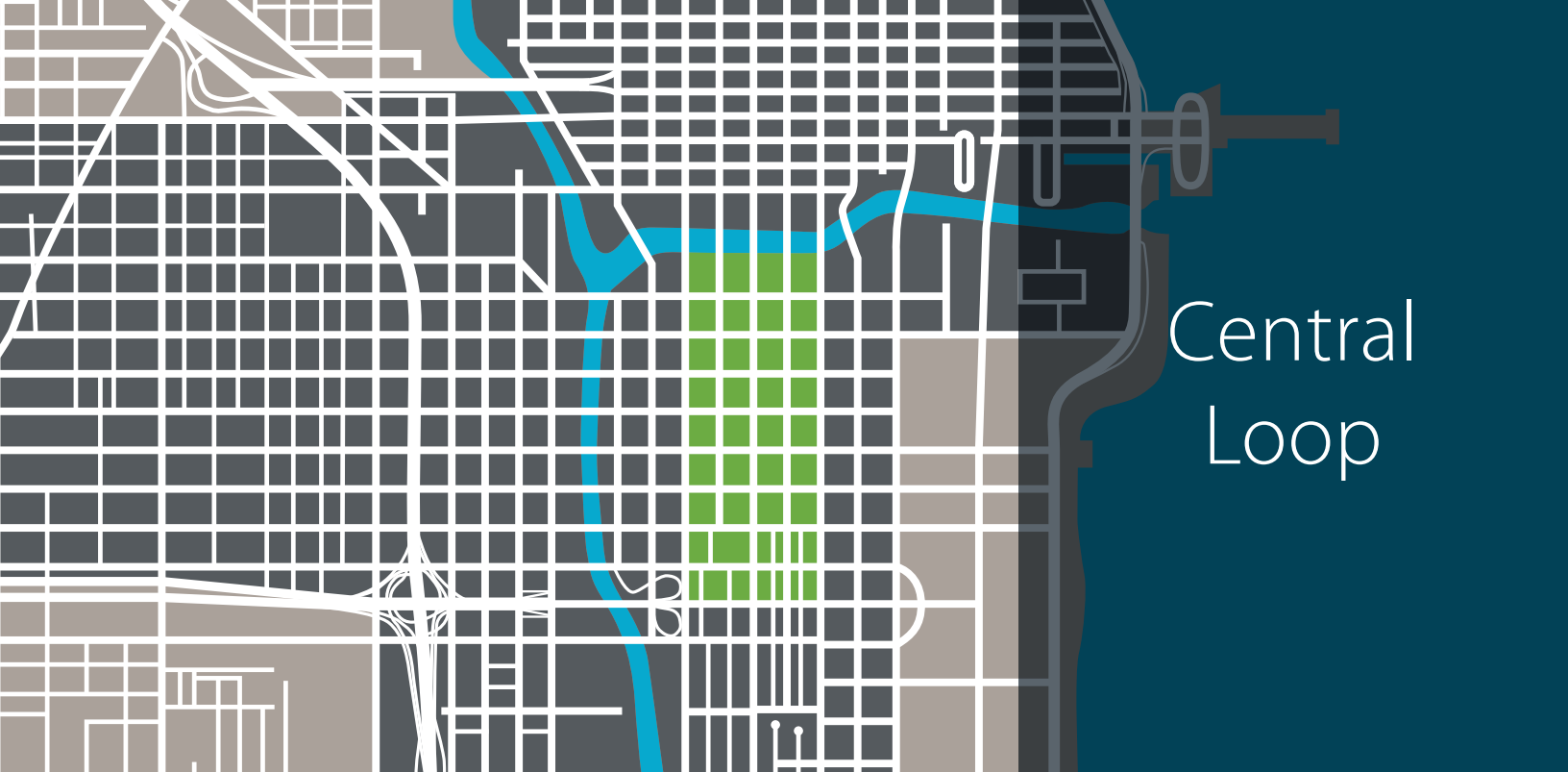
Total Available  
**10,356,200 SF**

Overall Vacancy  
**12.0%**

Leasing Activity  
**2,587,327 SF**

Net Absorption  
**214,221 SF**

Average Asking Rent  
**\$29.56**



# Central Loop

## Central Loop

The Central Loop submarket contains 47 msf of office space and is located between the West and East Loop submarkets. The Central Loop is well-known as Chicago's financial and legal hub. Overall vacancy saw a decrease of 20 bps to 10.8%. Leasing activity remained strong with 104 lease transactions, totaling 699,915 sf and the second highest leasing volume of all the submarkets. The average deal size was 6,729 sf. Notable lease transactions included Industrious, a co-working firm which took 52,000 sf at 231 S LaSalle Street.

Construction has begun at 145 South Wells Street, a 244,157-sf development. The property is being developed by Mocerri & Roszak, and will provide tenants with high-end amenities featuring a golf simulator, green garden space, yoga/spin room, martini bar and a sundeck. Construction is estimated to be completed within the second quarter of 2019 and is currently 0% pre-leased.



Construction started at 145 South Wells Street, a 244,157-sf development.

Total RBA  
**47,525,675 SF**

Direct Available Space  
**6,099,807 SF**

Sublet Available Space  
**1,017,894 SF**

Total Available  
**7,117,701 SF**

Overall Vacancy  
**10.8%**

Leasing Activity  
**699,915 SF**

Net Absorption  
**21,246 SF**

Average Asking Rent  
**\$24.66**



# East Loop

## East Loop

The East Loop submarket contains 27 msf of office space located near Chicago's lakefront. Vacancy was recorded at 13.1% during the first quarter of 2019, a 60-bps decline from the previous quarter. There were 45 lease transactions signed throughout the first quarter of 2019 for a total of 336,097 sf, with an average deal size of 7,468 sf.

Notable lease transactions included Akuna Capital, a financial trading firm that took 28,466 sf at the CNA Center. Secondly, ThoughtWorks, a software company, renewed on a 12-year lease for its headquarters space of 32,000 sf at the Aon Center located at 200 East Randolph Street. There has been no new construction in recent years and none coming within the foreseeable future, which greatly benefits the existing inventory's ability to hold and attract tenants.



Akuna Capital, a financial trading firm, signed a lease at the CNA Center for 28,466 sf.

Total RBA  
**27,480,707 SF**

Direct Available Space  
**3,858,298 SF**

Sublet Available Space  
**628,919 SF**

Total Available  
**4,487,217 SF**

Overall Vacancy  
**13.1%**

Leasing Activity  
**336,097 SF**

Net Absorption  
**172,987 SF**

Average Asking Rent  
**\$23.18**



# River North

## River North

The River North submarket, which contains 18 msf, remained relatively unchanged from Q4 2018, with vacancy sitting at 8.2%. Leasing activity was similar to the previous quarter with 45 leases signed totaling 220,757 sf. The average lease size was 4,905 sf.

Notable lease transactions included Fiserv, a financial services firm, who signed a new lease for 44,936 sf at 350 N Orleans St. The second noteworthy lease from the first quarter was an unknown tenant inking a deal for 30,959 sf at the Merchandise Mart in March.

There is currently no new construction and there were no deliveries in the first quarter of 2019.

**220,757sf**

There were 45 leases signed throughout the first quarter of 2019, totaling 220,757 sf.

Total RBA  
**18,650,369 SF**

Direct Available Space  
**2,082,146 SF**

Sublet Available Space  
**357,972 SF**

Total Available  
**2,440,118 SF**

Overall Vacancy  
**8.2%**

Leasing Activity  
**211,657 SF**

Net Absorption  
**-70,311 SF**

Average Asking Rent  
**\$31.99**





# North Michigan Avenue

## North Michigan Avenue

The North Michigan Ave submarket contains 17 msf of lakeshore property located north of the East Loop. Vacancy dropped 20 bps quarter-over-quarter recorded at 7.5% at quarter end. This is the submarket's lowest vacancy rate in the last ten years of recorded data. There was almost double the amount of square footage leased in Q1 2019 when compared to the previous quarter. More than 245,000 sf was leased in 19 deals, with an average deal size of 12,937 sf.

Leading the increase in activity was media company Dentsu Aegis Network, signing 126,000 sf at 515 N State Street where Abundant Venture Partners also leased 24,203 sf. These two leases – in the same building – account for 61% of the total leasing the North Michigan Avenue submarket.

There were no deliveries this quarter and there are currently no office buildings under construction.

7.5%

Vacancy dropped 20 bps quarter-over-quarter recording 7.5% at quarter end. This is the submarket's lowest vacancy rate in the last ten years of recorded data.

Total RBA  
**16,971,658 SF**

Direct Available Space  
**1,413,890 SF**

Sublet Available Space  
**114,165 SF**

Total Available  
**1,528,055 SF**

Overall Vacancy  
**7.5%**

Leasing Activity  
**245,812 SF**

Net Absorption  
**36,442 SF**

Average Asking Rent  
**\$24.79**





# River West

## River West

Comprising roughly 7.2 msf, River West is the second smallest submarket in the CBD. Vacancy is currently 10.6%, improving a substantial 280 bps when compared to Q1 2018. However, the submarket only demonstrated consistent leasing activity when compared to quarters passed, leasing 214,593 sf in 19 deals, with an average of 11,294 sf per deal.

The largest lease signed was co-working giant WeWork, who signed 133,749 sf in the under-construction property located at 167 N Green Street. This is the first lease in the largest property under construction in River West. Another notable lease was Mondelez International's 83,249 sf at 905 W Fulton Market. 905 W Fulton Market is expected to deliver in Q2 2019 and is currently 91% pre-leased.

Construction is exploding in River West. The submarket is currently second only to the West Loop in total sf under construction. When comparing under construction as a percentage of current inventory River West is second to none. There are currently 7 buildings under construction totaling 1,653,576 sf. This represents 23% construction to current inventory, while the West Loop has a 7.2% construction to inventory ratio. The largest building under construction is 167 N Green Street, a 17-story, 600,000-sf tower scheduled to be completed in Q4 2020. The building will boast a top floor "Amenity Penthouse" with a full-size basketball court, yoga/mediation studios, and a rooftop garden.

Total RBA  
**7,222,166 SF**

Direct Available Space  
**1,867,749 SF**

Sublet Available Space  
**67,468 SF**

Total Available  
**1,935,217 SF**

Overall Vacancy  
**10.6%**

Leasing Activity  
**214,593 SF**

Net Absorption  
**75,429 SF**

Average Asking Rent  
**\$31.98**



# South Loop

## South Loop

South Loop is the CBD's smallest submarket comprising 3.47 msf. Vacancy increased 30-bps from the prior quarter, up to 8.6%. It is also the submarket with the lowest leasing activity, recording five leases for a total of 5,100 sf. There were no deliveries in the first quarter and there are no office properties under construction.

There is one interesting development occurring in South Loop. Expected to become operational in 2020, FBRK (pronounced "fabric") is "more than a coworking space," according to the motto of ex-Bear-player venture founders Israel Idonije and Julius Peppers. The pair bought the property located at 2222 S. Michigan Avenue in January of 2018 and quickly shared the plans for the space. There will be 40,000 sf of office space for members leaving the remainder of the 115,000-sf property for amenities such as a gym, barbershop, restaurants and a pool. The combination of office and amenities is meant to allow members to, "live together and work together and socialize and get their work done in one space," Idonije said. In such an inactive submarket, creative solutions such as FBRK may tap into a unique tenant niche.

South Loop has found itself a new role in the city of Chicago. The submarket has almost doubled the amount of multi-family units in the last five years, adding nine buildings and 3,242 units. The South Loop was second only to the River North submarket in number of units added in the last five years and currently has another two buildings and 500 units under construction.

Total RBA  
**3,468,501 SF**

Direct Available Space  
**310,163 SF**

Sublet Available Space  
**9,685 SF**

Total Available  
**319,848 SF**

Overall Vacancy  
**8.6%**

Leasing Activity  
**5,099 SF**

Net Absorption  
**-9,360 SF**

Average Asking Rent  
**\$18.70**

**CBD**

# Construction & Deliveries



## Q1 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	39.60%
West Loop	110 N Wacker Dr	A	1,546,909	Q4-2020	Riverside Investment	Bank of America, Morgan Lewis	53%
River West	167 N Green St	A	600,000	Q3-2020	Walton Street Capital, LLC	N/A	0%
River West	333 N Green St	A	590,525	Q1-2020	Sterling Bay	WPP US, Convene	67.7%
Central Loop	145 S Wells St	A	224,157	Q3-2019	Mocerri & Roszak	N/A	0%
River West	375 N Morgan St	B	185,000	Q2-2020	Latsko Interests	N/A	6%
River West	1220 W Van Buren Ave	A	110,000	Q2-2020	The Missner Group	N/A	0%
River West	905 W Fulton Market	A	108,650	Q2-2019	Thor Equities	Mondelez	100%
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	N/A	0%

<b>2019</b>	2,892,208
<b>2020</b>	3,032,464
<b>Total</b>	<b>5,924,642</b>

## Q4 Deliveries

Market	Building	Class	RBA	Developer	Major Tenants	% Leased**
River West	1201 W Lake St	A	145,816	McCaffery Interests Inc	Service Now, Coca-Cola	56%

## CBD | Notable Q1 Leases

Tenant	Address/Name	Submarket	Size (SF)	Type
United Continental Holdings	233 S Wacker Dr	West Loop	816,301	Renewal
USG Corporation	550 W Adams St	West Loop	220,800	Renewal
RSM McGladery Inc	30 S Wacker Dr	West Loop	150,000	New
WeWork	167 N Green St	River West	133,749	New
Dentsu Aegis Network	515 N State St	North Michigan Avenue	126,000	New
Convene	311 W Monroe St	West Loop	90,000	New
Morgan Lewis & Bockius	110 N Wacker Dr	West Loop	86,970	New

## CBD | Notable Q1 Investment Sales

Address/Name	Size (SF)	Buyer	Seller	Sales Price	PSF
550 W Van Buren	332,608	Onni Group	Principal Financial Group	\$78,000,000	\$234.51
412 N Wells St	42,000	Mercury Capital	Centrum Realty & Development LLC	\$31,100,000	\$740.48

CBD | Large Contiguous Blocks [Class A with over 100,000 SF]

Submarket	Building Address	Class	Building RBA	Contiguous Space	Space Type
West Loop	433 W Van Buren St	A	2,500,000	1,511,000	Under Construction
West Loop	110 N Wacker	A	1,546,909	593,742	Under Construction
River West	167 N Green St	A	600,000	466,247	Under Construction
West Loop	120 S Riverside Plz	A	802,991	257,971	Existing
River North	350 N Orleans St	A	1,308,156	209,803	Existing
Central Loop	145 S Wells St	A	224,157	206,425	Under Construction
West Loop	222 W Adams St	A	899,025	198,470	Existing
West Loop	555 W Monroe St	A	419,186	172,393	Existing
Central Loop	175 W Jackson Blvd	A	1,452,390	172,254	Existing
Central Loop	203 N LaSalle St	A	625,221	170,114	Existing
North Michigan Avenue	515 N State St	A	671,957	169,453	Existing
West Loop	1 S Wacker Dr	A	1,195,170	168,874	Existing
River West	333 N Green St	A	590,525	161,856	Under Construction
West Loop	550 W Jackson Blvd	A	406,041	151,273	Existing
West Loop	625 W Adams St	A	438,184	150,323	Existing
East Loop	233 N Michigan Ave	A	1,174,371	136,096	Existing
West Loop	71 S Wacker Dr	A	1,490,825	126,099	Existing
East Loop	1-35 S State St	A	942,330	124,490	Existing
Central Loop	131 S Dearborn St	A	1,504,364	119,826	Existing
West Loop	123 N Wacker Dr	A	540,621	116,100	Existing
West Loop	111 S Wacker Dr	A	1,213,322	112,380	Existing
River North	222 Merchandise Mart Plz	A	4,000,000	122,241	Existing
River West	1220 W Van Buren Ave	A	110,000	110,000	Under Construction
Central Loop	1 S Dearborn St	A	828,538	106,624	Existing
West Loop	222 S Riverside Plz	A	1,299,500	106,263	Existing
Central Loop	200 N LaSalle St	A	674,881	105,618	Existing
Central Loop	222 N LaSalle St	A	1,034,532	104,048	Existing
Central Loop	425 S Financial Pl	A	1,057,880	102,753	Existing





## Chicago Contact Information

Kathleen Cavanaugh  
Research Manager  
312.940.6266  
[kathleen.cavanaugh@avisonyoung.com](mailto:kathleen.cavanaugh@avisonyoung.com)

George Susral III  
Research Analyst  
312.796.0379  
[george.susral@avisonyoung.com](mailto:george.susral@avisonyoung.com)

Contact one of our local offices:

Chicago  
One South Wacker Drive, Ste. 3000  
Chicago, IL 60606  
312.957.7600

Rosemont  
9550 W. Higgins Road, Ste. 900  
Rosemont, IL 60018  
847.849.1900.

**AVISON  
YOUNG**



Platinum member

[avisonyoung.com](http://avisonyoung.com)



Properties



© 2019 Avison Young - Chicago, LLC

All rights reserved. E. & O.E. The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.