

A long-exposure photograph of a busy Chicago street, likely in the Central Business District. The image shows tall buildings on the left, a streetcar crossing overhead, and a mix of cars and pedestrians in motion. The sky is a soft orange, suggesting dusk or dawn. The overall scene is vibrant and captures the energy of the city.

AVISON
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Chicago CBD Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have allowed the Chicagoland unemployment rate to rebound from a high of 16.5 percent to **7.5 percent**.
- Office-using job losses have totaled **4.1 percent** compared with 11.0 percent for other industries' job losses, underscoring the disproportionate impact the pandemic had on the discretionary segments of the local economy.



Recovery rate

- The overall post-COVID rate of recovery based on extrapolated cell phone data is **35.7 percent**.
- Chicago office occupiers have navigated their return-to-work strategies differently, with banking and media firms returning more quickly than tech and law firms. The overall rate of recovery is a comparatively low **19.7 percent**, though bellwether companies are beginning to mandate that their employees return to the office.



Office demand

- Leasing activity has paused, decreasing by **59.5 percent** compared with long-term historical averages.
- However, Memorial Day was a key turning point in assessed tenant demand as COVID-era renewals are set to expire.
- The Class A segment accounts for a **60 percent** share of post-COVID sublease supply.

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The deeper dive

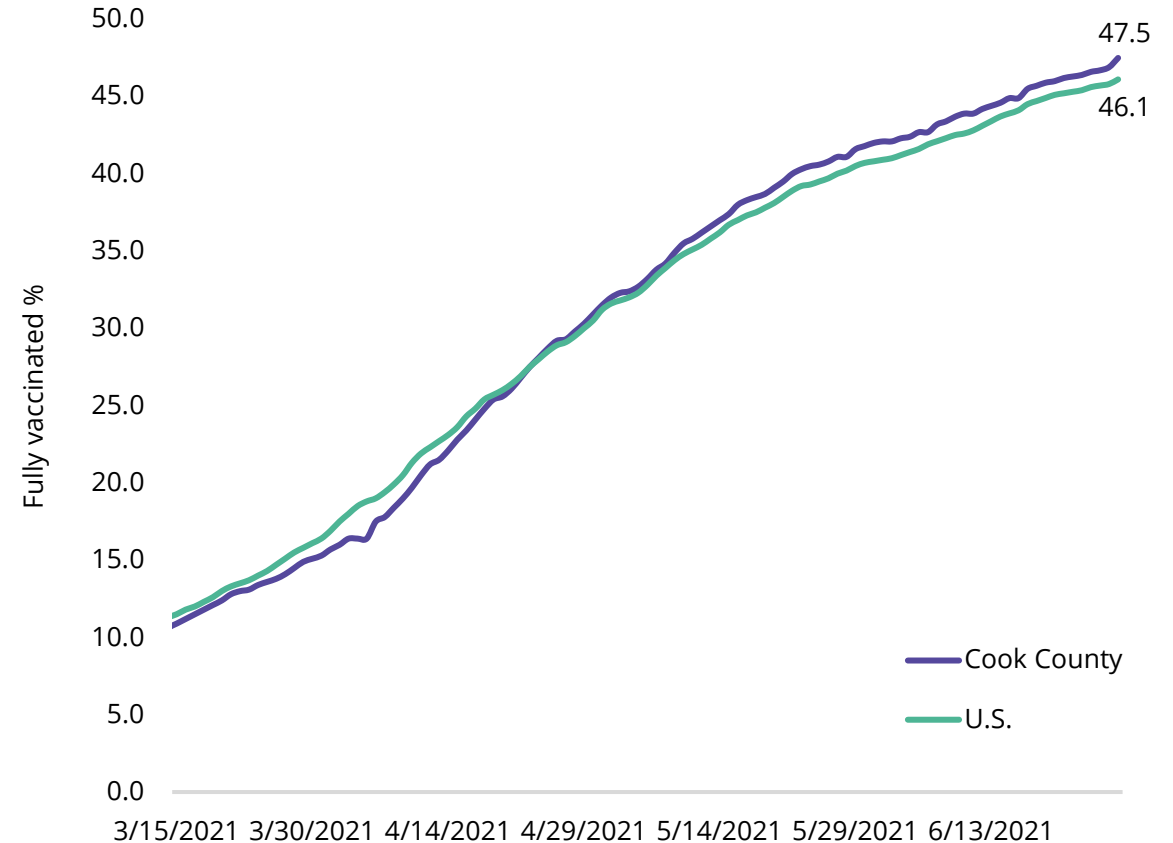
Here we take a look at key return-to-work metrics, including vaccination rates, office occupation recovery rates in Chicago and key markets, as well as general market KPIs such as large activity and sublease supply pipelines.

Vaccination rates

47.5%

Share of total Cook County population that is fully vaccinated

Chicago-area proportionate vaccination rates have remained in line with U.S. averages, an important metric that allowed the city to expedite reopening plans and loosen restrictions.



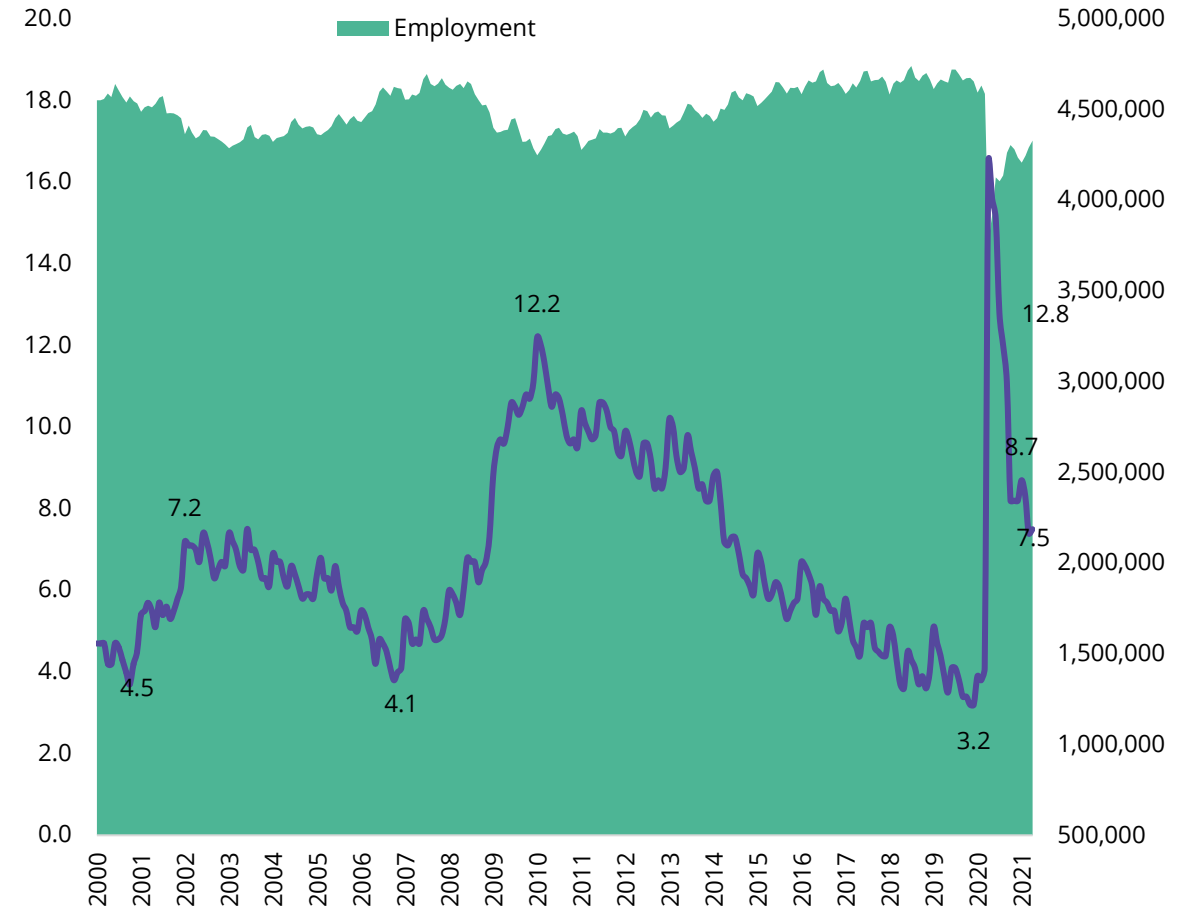
Source: CDC, Includes Cook County only

Employment and unemployment rate

7.5%

Chicago MSA unemployment rate as of April 2021, dipping below the height of the financial crisis

Historically tightened labor market conditions were halted by the pandemic with nearly 860 thousand job losses from February into May 2020. Preparation for reopening efforts allowed the economy to add 14.7% jobs since May 2020.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

-4.1%

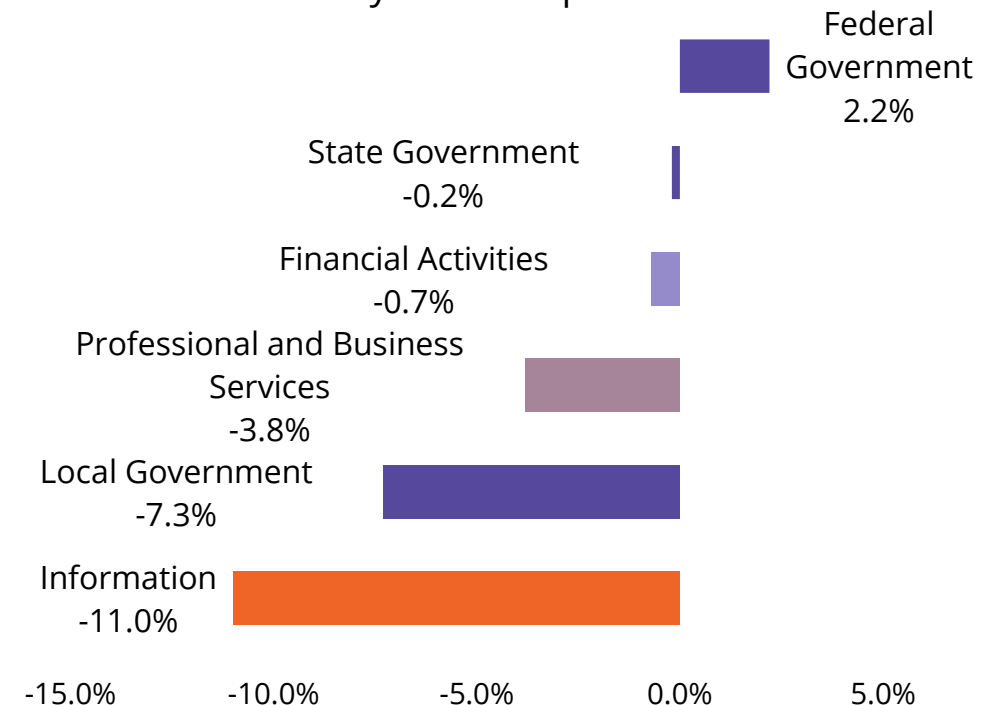
Change in office-using employment during the pandemic

Chicago MSA job losses have declined by 6.5% since the start of the pandemic, though office-using jobs contracted by just 4.1%. This recession's impact on the office-using labor market has been less severe than the global financial crisis, when Professional and Business Services job losses totaled 12%.

[VIEW DASHBOARD](#)

Total change in Chicago MSA* job gains/(losses)

February 2020 to April 2021



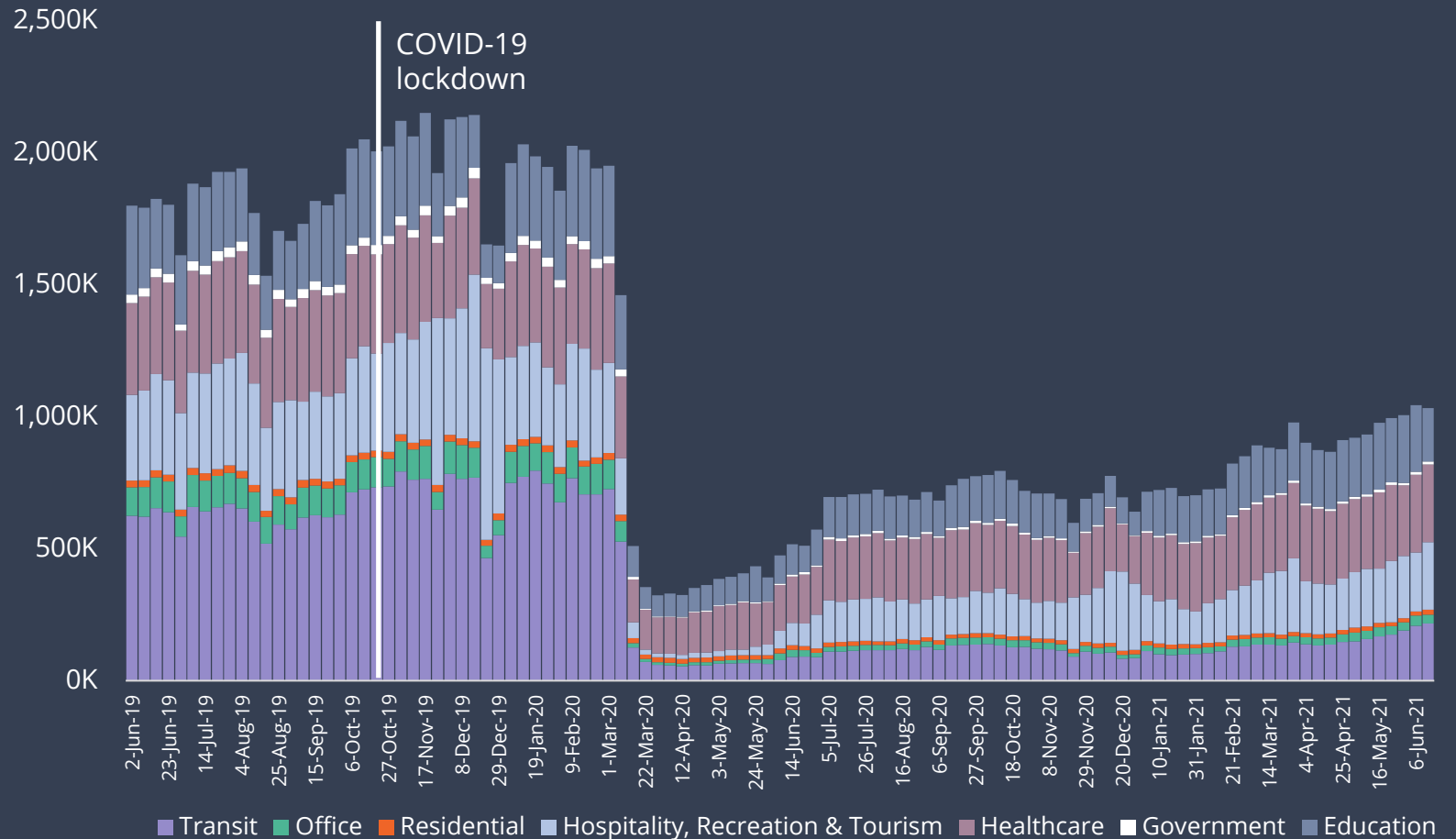
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Chicago recovery index

35.7%

Post-COVID rate of recovery based on representative locations through 6/13/2021

The rate of recovery is most significant in healthcare, currently 63.1% of pre-COVID visitor volume, as elective procedure regulations ease and vaccination rates increase.



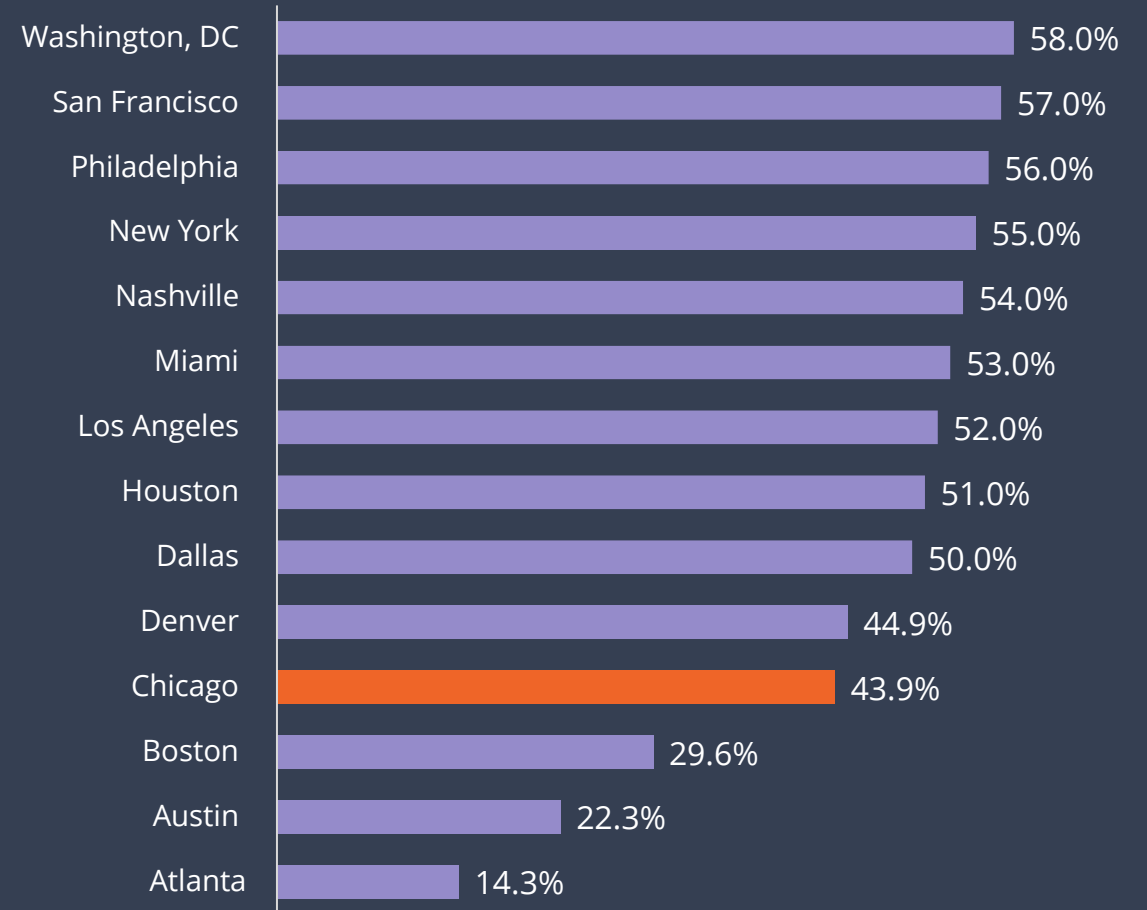
Note: Representative areas of interest. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Office recoveries in gateway U.S. cities

43.9%

Post-COVID rate of recovery for representative Chicago office occupiers through 5/30/2021

Chicago office employers are still solving return-to-work strategies as the city's reopening plan continues. Transit services have yet to see ridership recovery from office commuters.



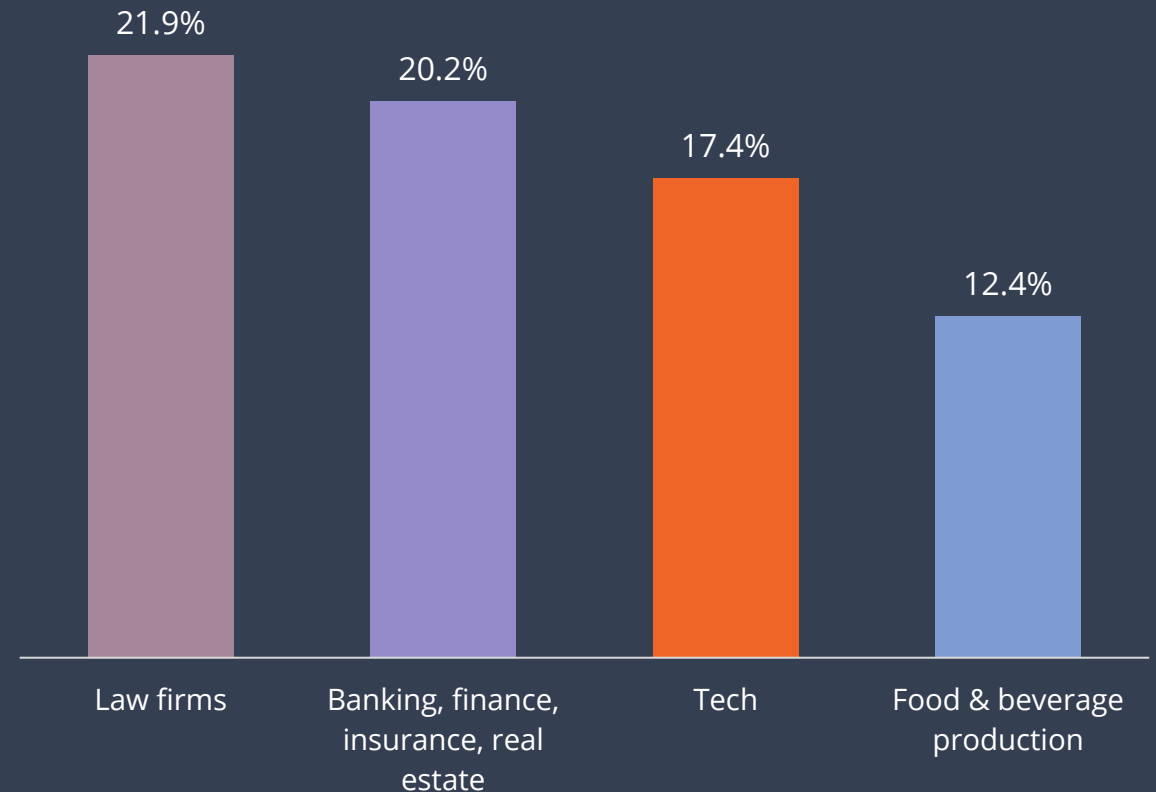
Note: Select, representative occupiers only. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Chicago recovery index for select office occupiers

19.7%

Post-COVID rate of recovery for representative Chicago office occupiers through 6/13/2021

Office employers have taken unique approaches in their return-to-work efforts. While tech firms have adopted remote working solutions, legal and financial services have returned to work most regularly.



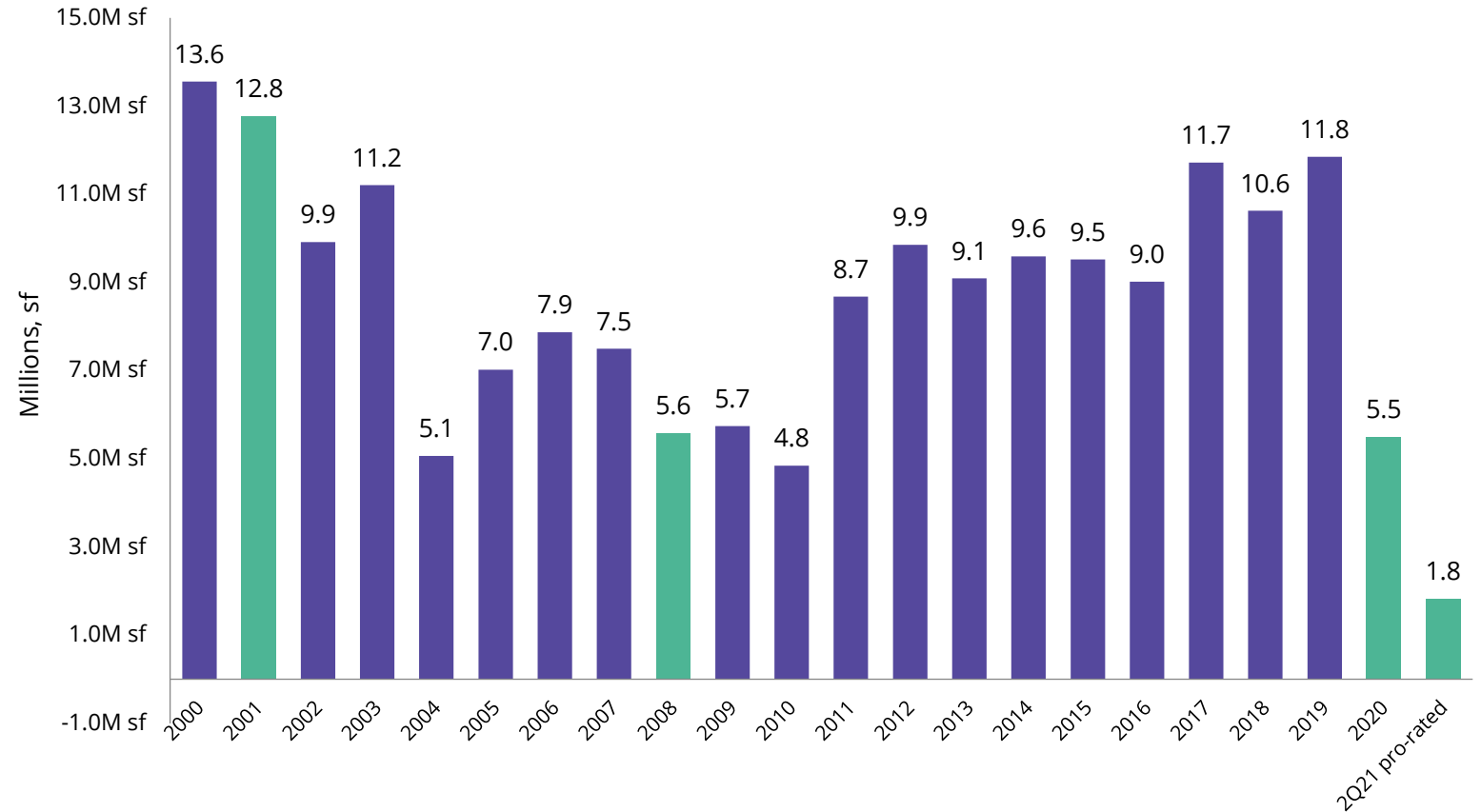
Note: Select, major occupiers only. Weekdays only.
Pre-COVID period measured as 12/1/2019 to 3/8/2020.
Source: Orbital Insights, AVANT by Avison Young

Office leasing activity

-59.5%

**2020-pro-rated 2021 vs.
prior 20-year annual
average leasing activity**

There is no modern precedent for the post-COVID slowdown in leasing activity—not 2001 nor 2008—due to the sudden change in office occupiers' future workplace strategies and the 2020 recession.



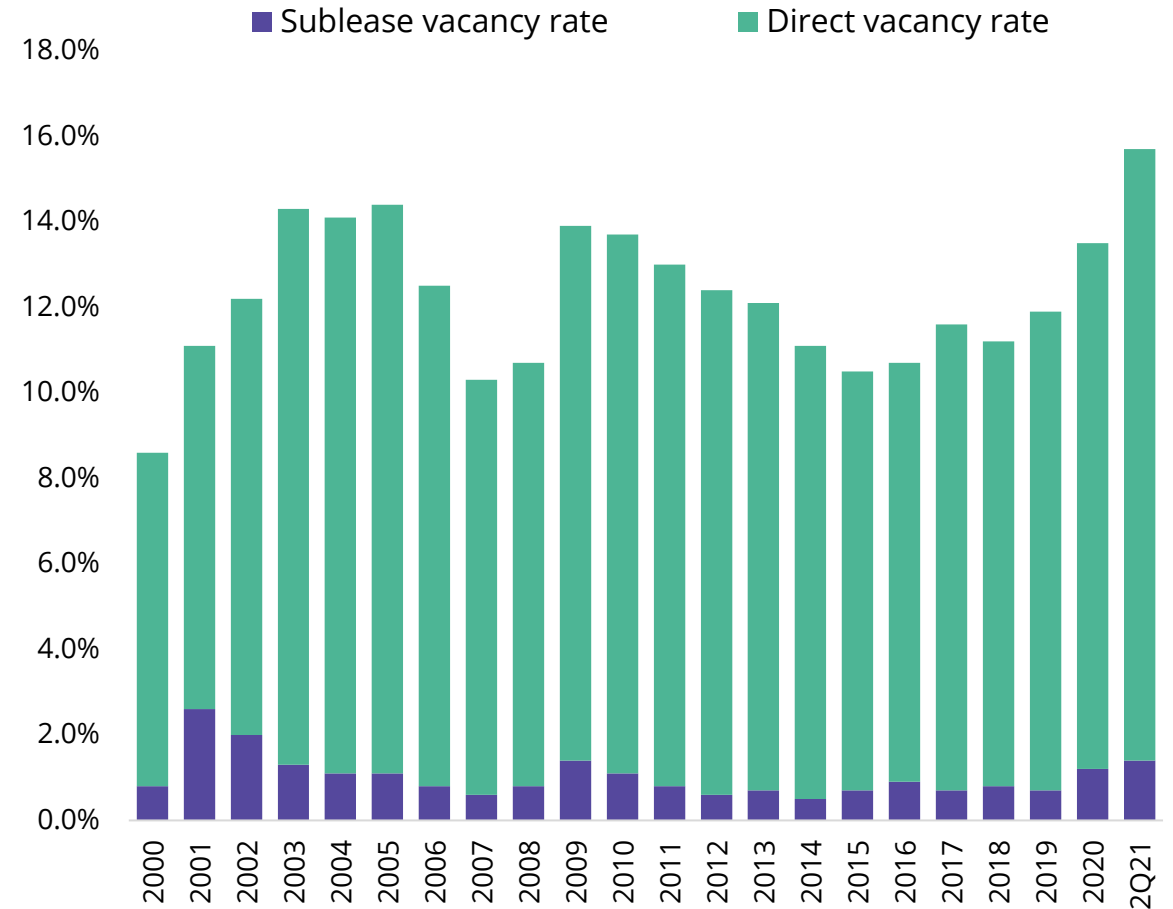
Source: AVANT by Avison Young

Vacancy rate

14.3%

Record high Chicago CBD vacancy as of Q1 2021

The Q1 2021 vacancy rate was recorded at 14.3%- up 170 basis points (bps) from pre-pandemic level of 11.2%. This current spike in vacancy is higher than the all time high of 12.6% in 2010.



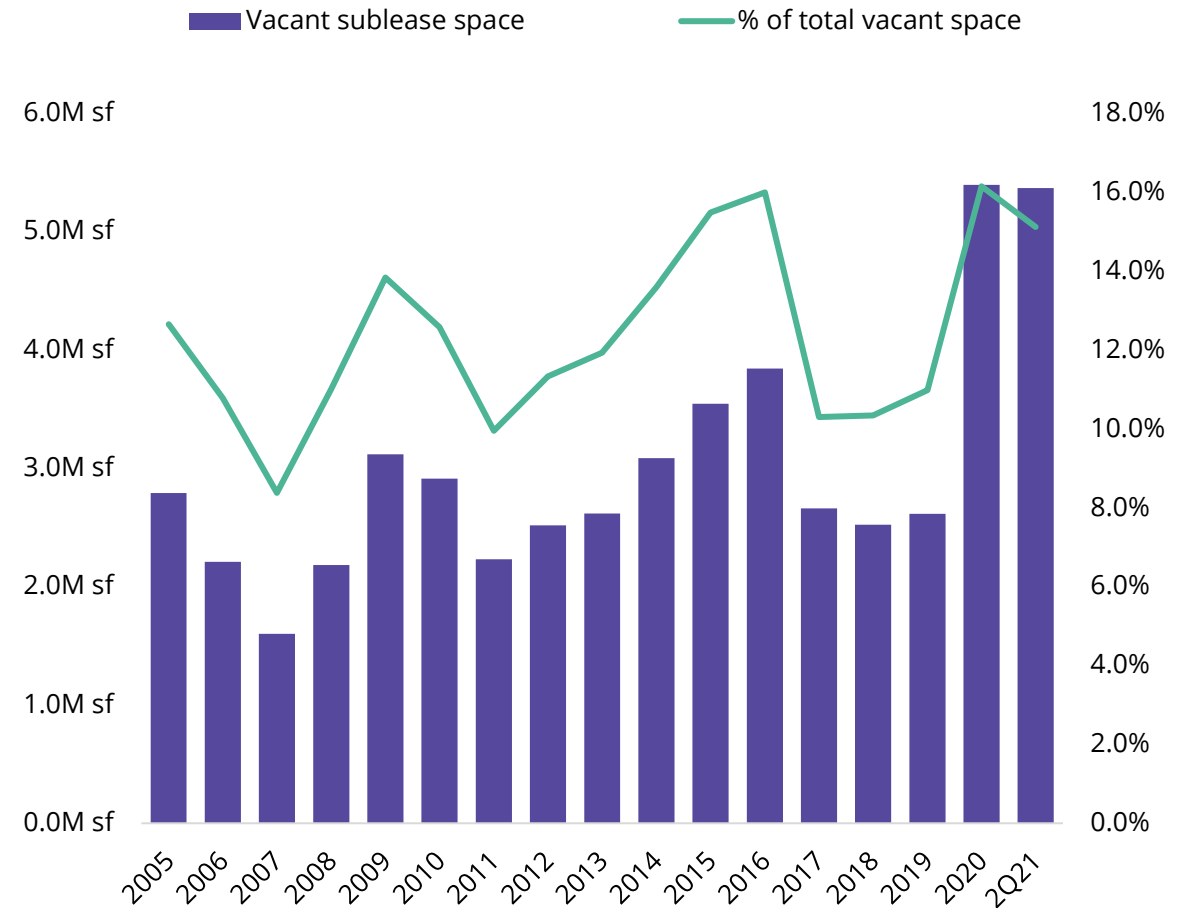
Source: AVANT by Avison Young

Vacant sublease space

5.4 msf

Record levels of sublease vacant space

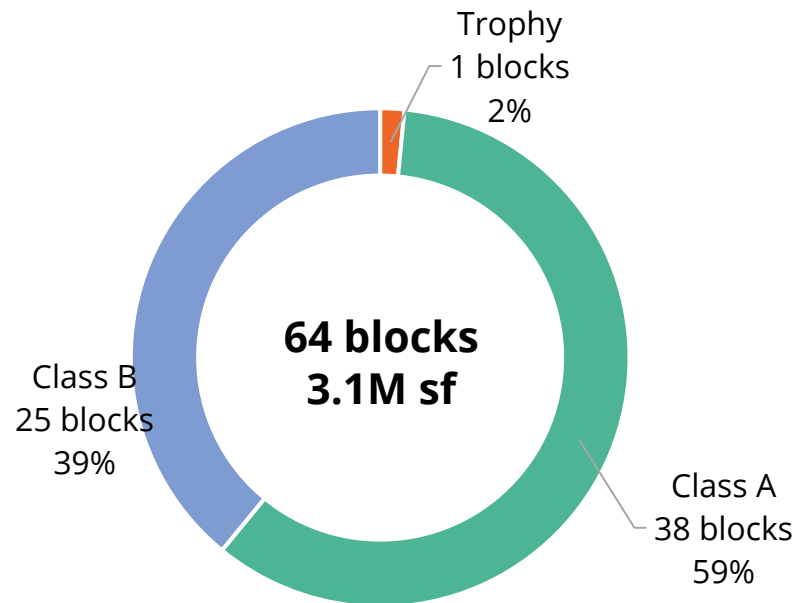
The share of sublease-to-total vacant space stands at 15.1% as subleases continue to drive supply across Chicago CBD.



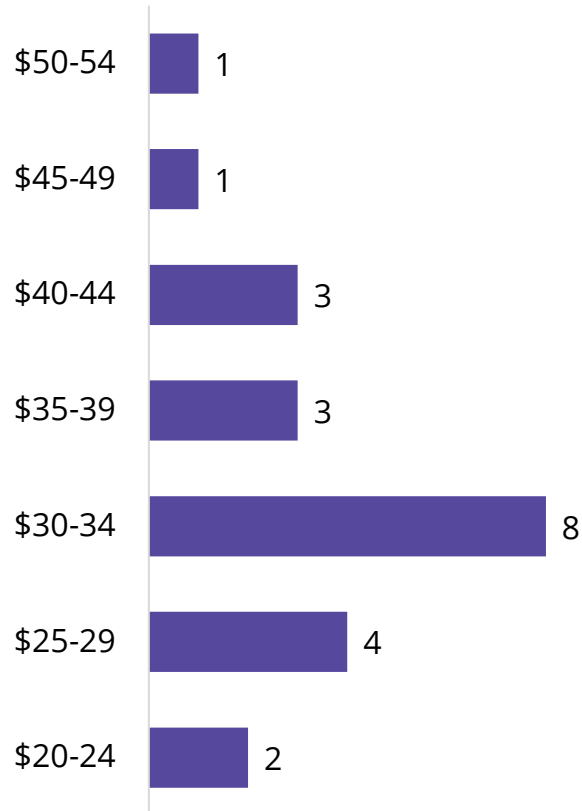
Source: AVANT by Avison Young

Sublease supply pipeline

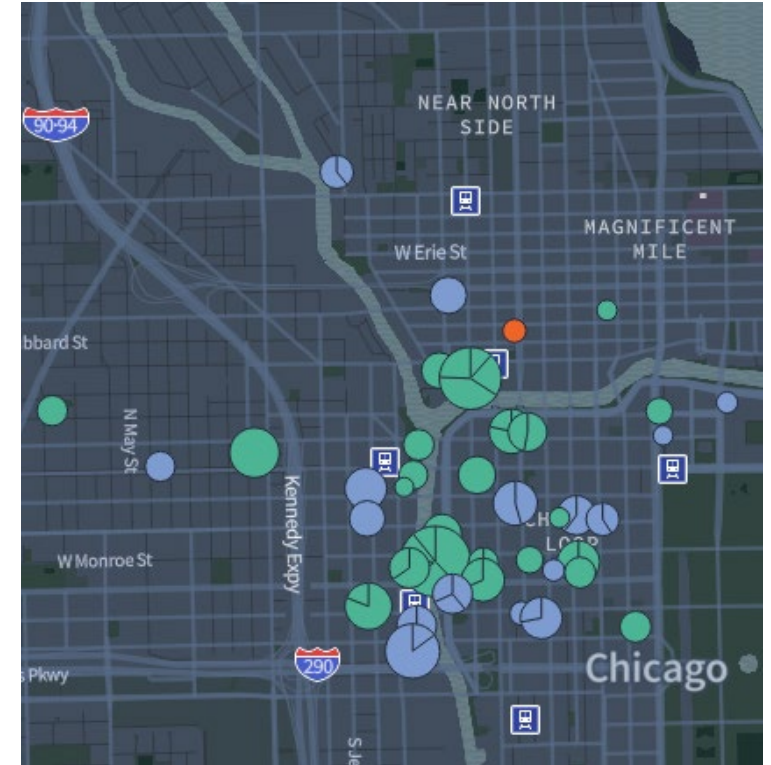
Building classification



Asking rent per square foot



Source: AVANT by Avison Young



Chicago's aging inventory

35 properties

proposed or under construction

12.9 msf

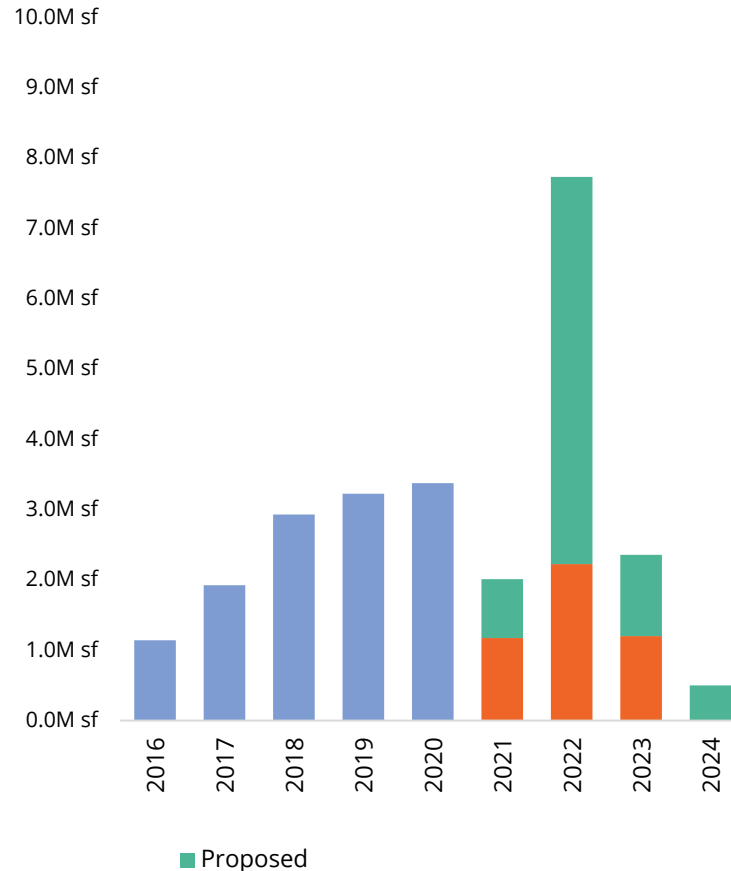
proposed or under construction

7.7%

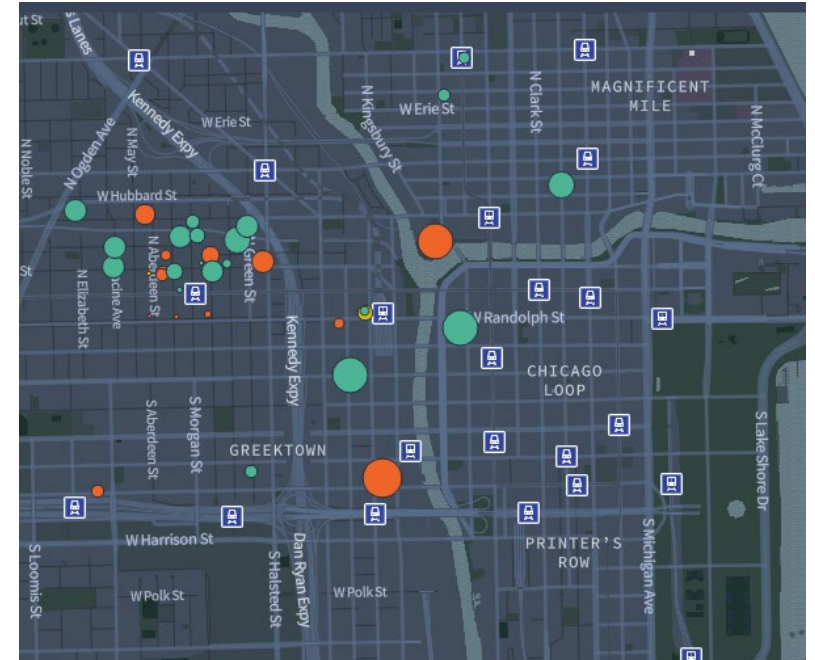
share of office inventory

1945

average delivery date of existing Chicago CBD offices



Source: AVANT by Avison Young

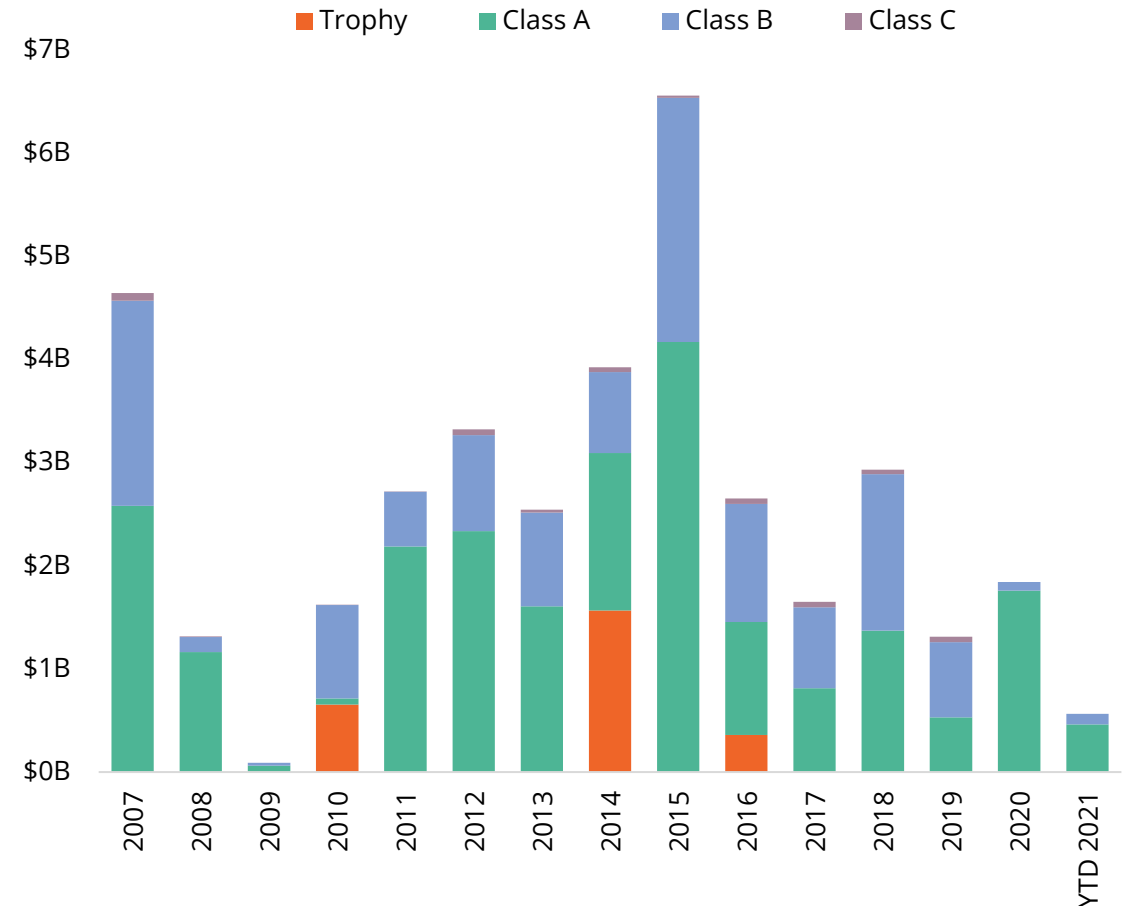


Office investment dollar volume

\$2.4B

Chicago CBD office dollar volume 2020 to present

Office sales activity has temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 46.9% compared with the prior five-year average dollar volume.



Source: AVANT by Avison Young, RCA

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Contact us today

With around-the-corner knowledge, multi-national expert insights and data-driven intelligence, our team is ready to help you unlock economic, social, and environmental value.

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Let's talk

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