



Chicago office market report

Q4 2022

**AVISON
YOUNG**

Chicago office market indicators

38.2%

Office visitor volumes the week of December 5, 2022, relative to the week before the lockdown (March 15, 2020) .

20.2%

Vacancy rate in Chicago office buildings.
This is up 2.5% from year-end 2021.

2.4 msf

Amount of office space under construction in Chicago. This will add to the 5.9 msf delivered over the past two years.

5.9 msf

Total size of the sublease market in Chicago. This number has remained relatively constant since 2020.

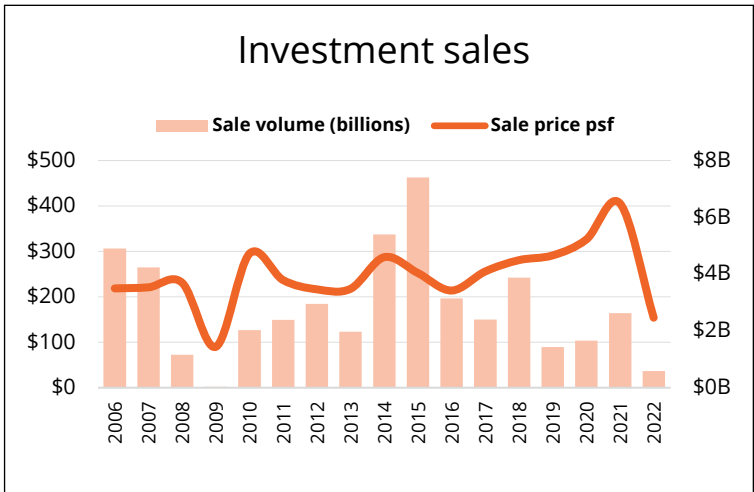
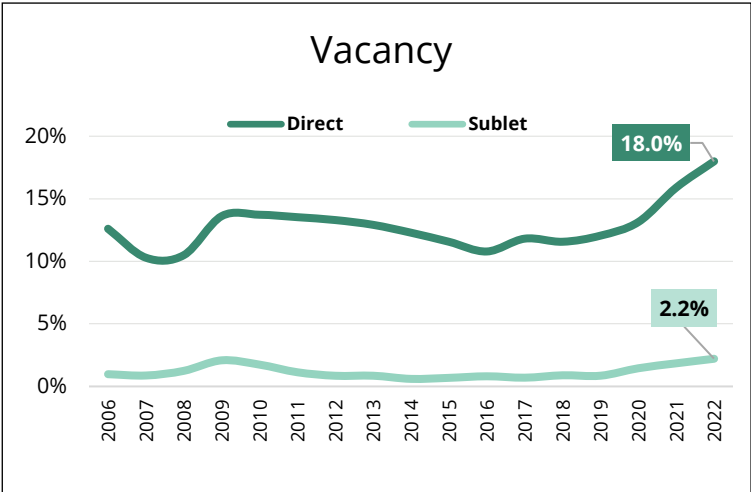
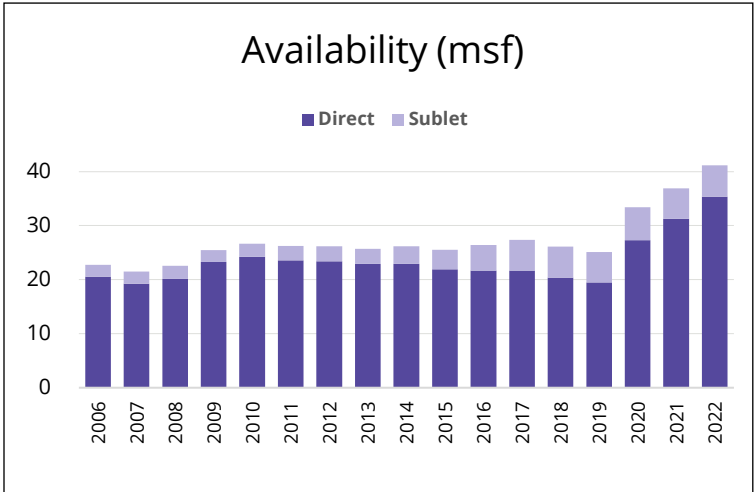
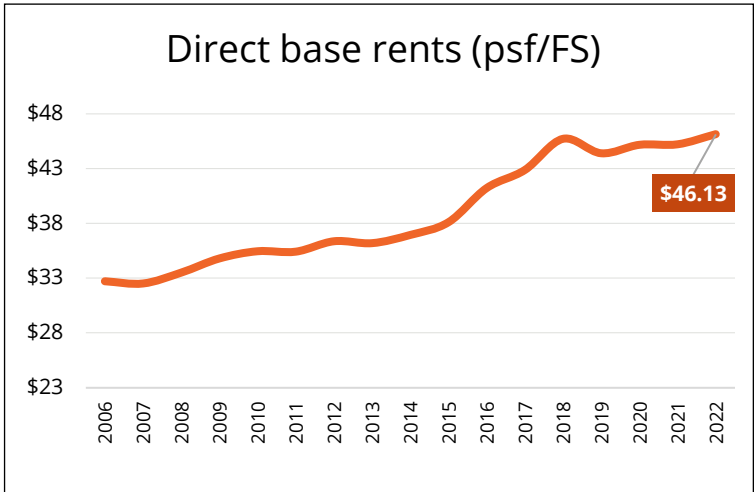
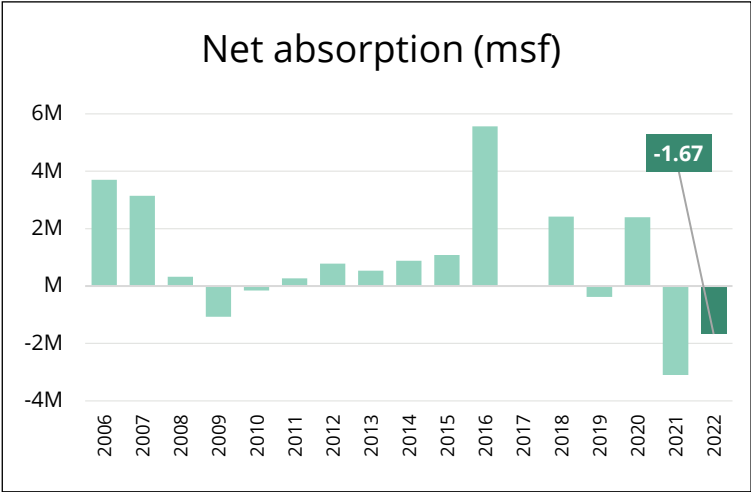
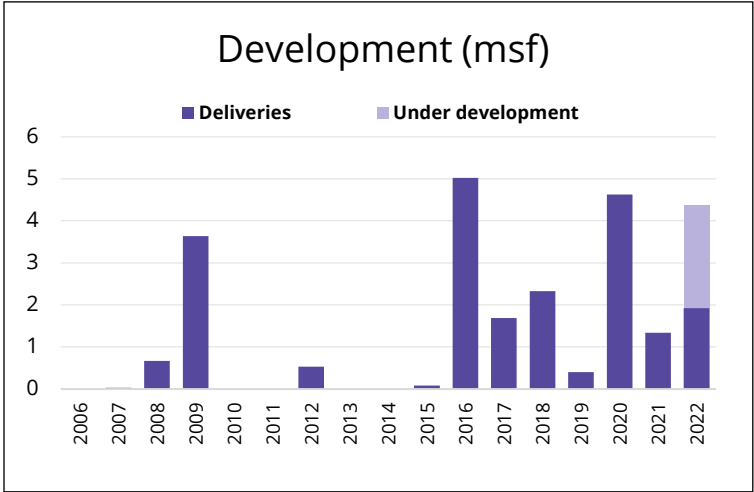
25.1%

Availability rate in Chicago office buildings. This is up 2.1% from year-end 2021.

\$584M

Total office sales in 2022. This is down significantly from the \$2.6B traded last year.

Chicago CBD Office market indicators

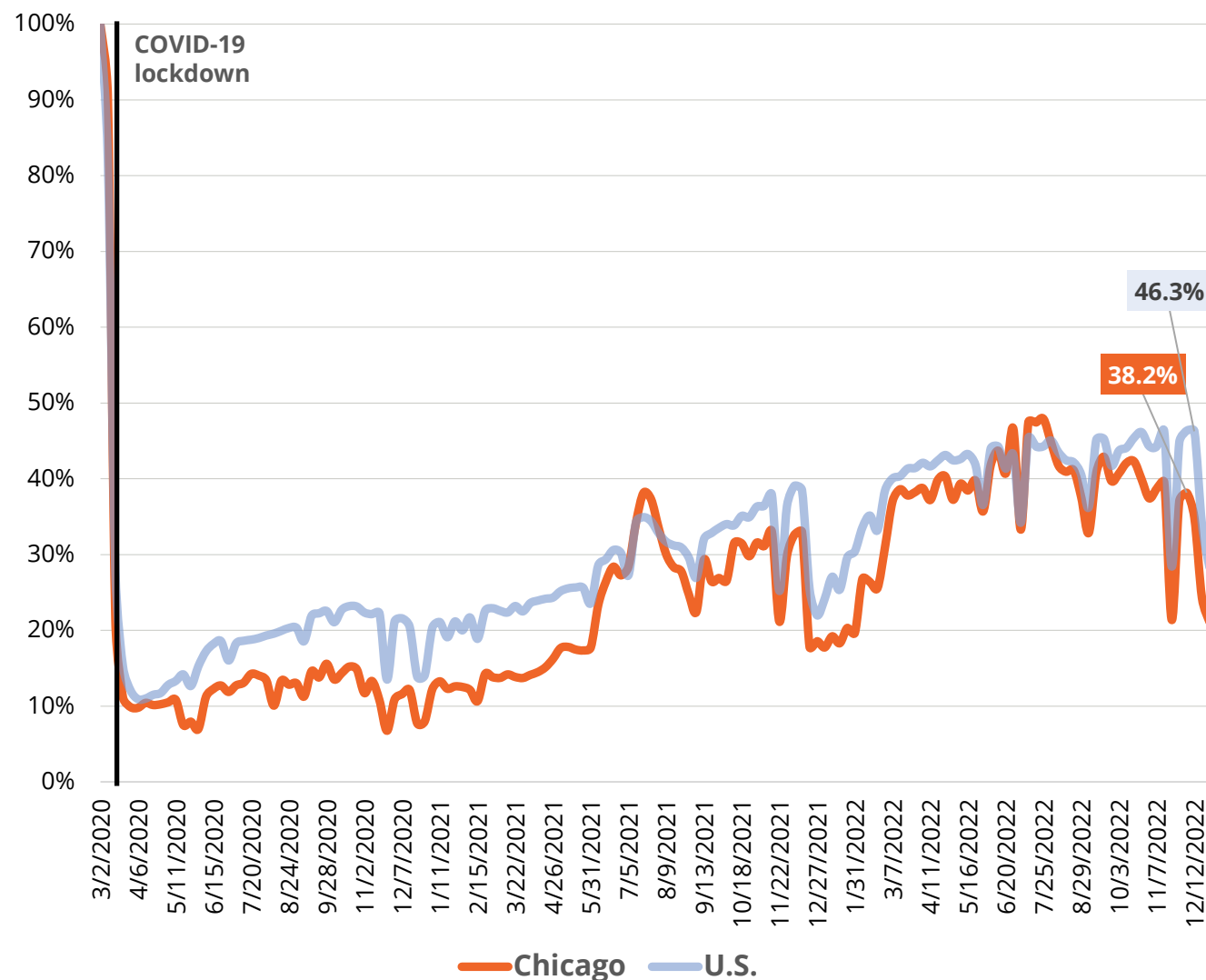


Office Visitor Volumes

38.2%

Office visitor volumes the week of December 5, 2022, relative to the week before the lockdown (March 15, 2020) .

Chicago return-to-office counts have generally trailed the national average since the pandemic began, eclipsing it momentarily during the summer months of both 2021 and 2022.



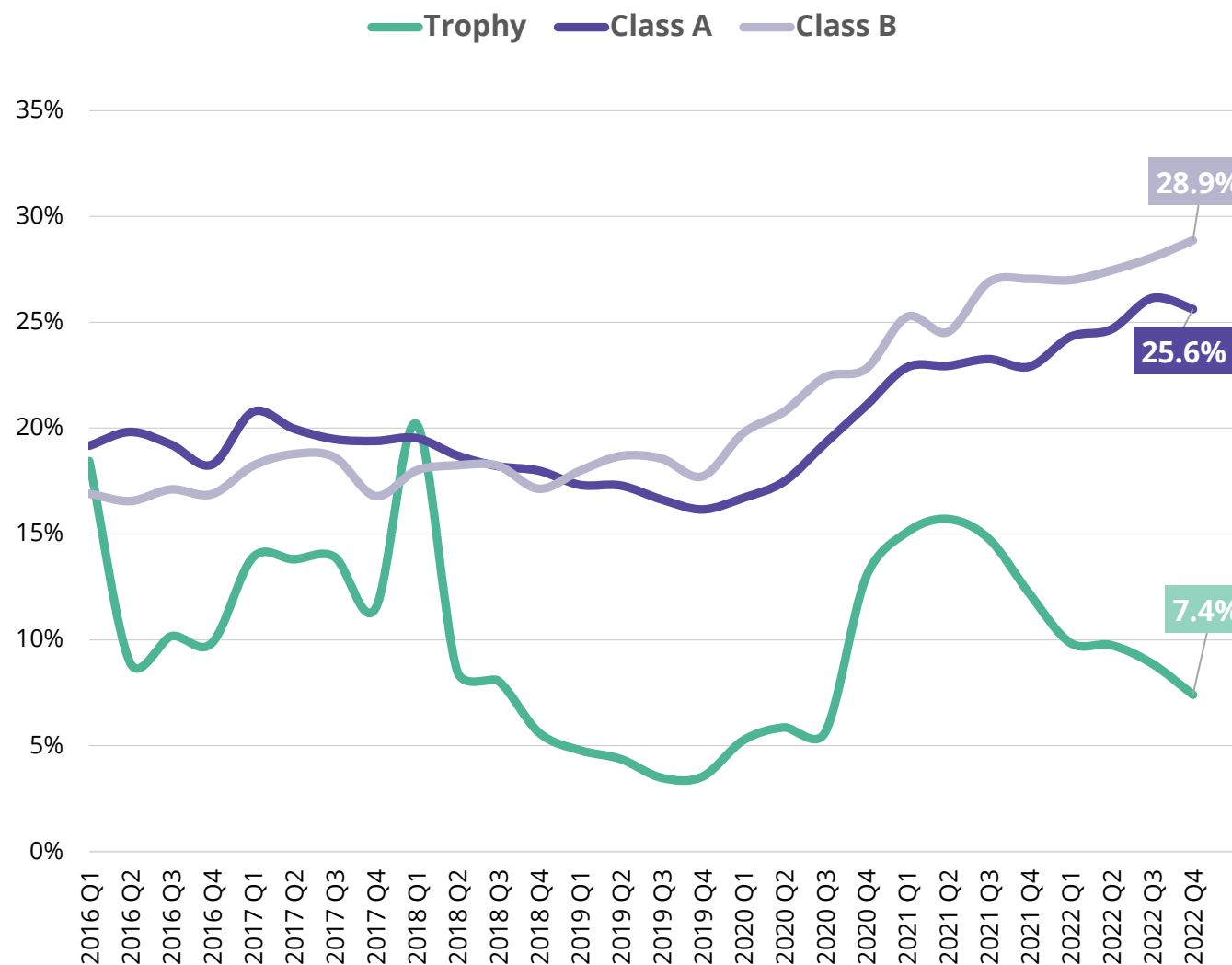
Note: Representative office locations. Weekdays only.
Source: AVANT by Avison Young, Orbital Insight

Chicago availability rates

41 msf

Total available space in Chicago CBD as of Q4 2022.

Class A and B availability rates have consistently trekked upward since the onset of the pandemic. Trophy quality properties, however, added over 2.0 msf of inventory to the market that became almost fully committed within one year. The spread between market-level Trophy and Class A/B availability rates are at its largest point since 2016 as many tenants traded up from Class A/B to Trophy alternatives.

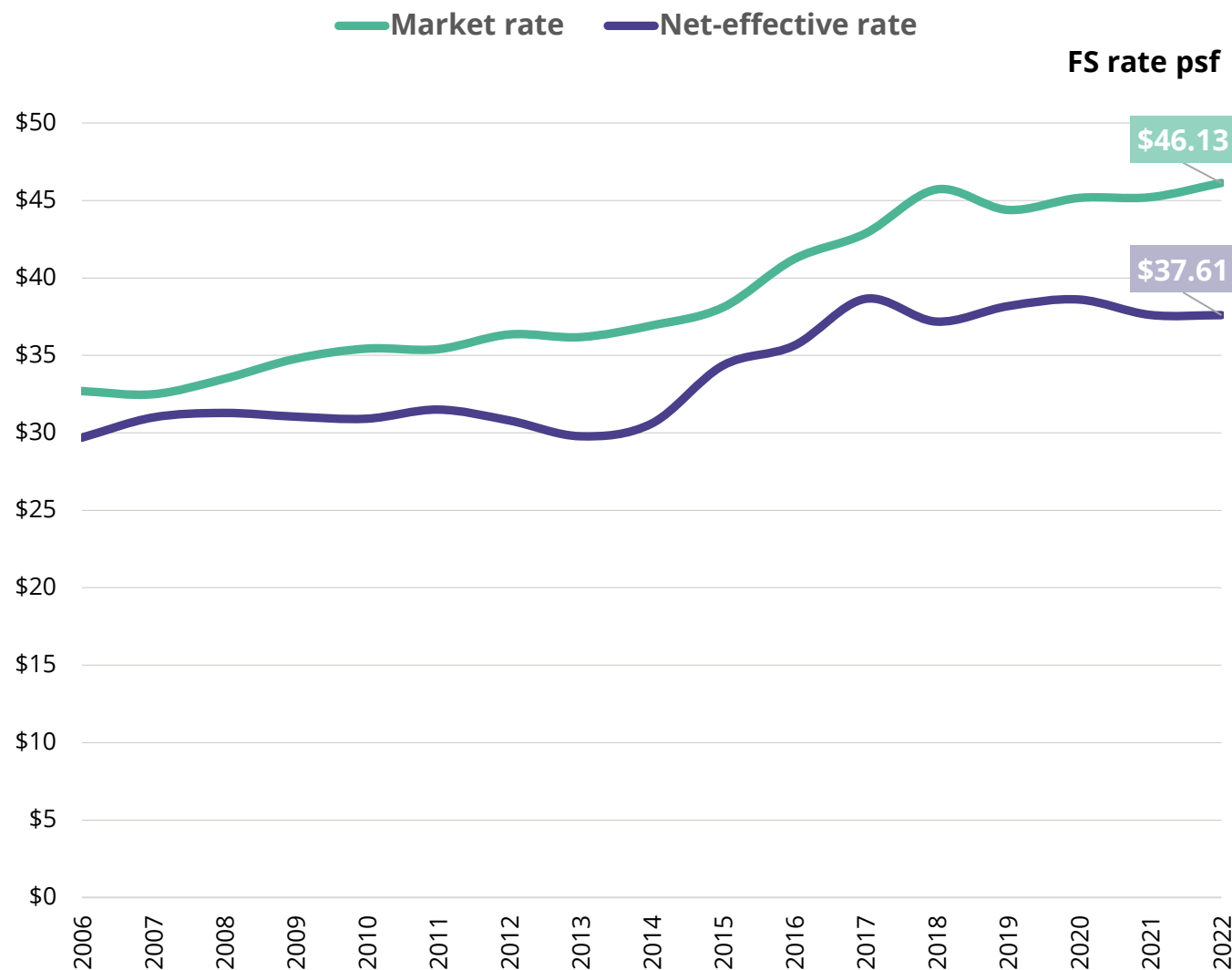


Chicago base rents

\$46.13

Average weighted full-service rent
in Chicago office buildings

Average rates across the entire market have gently risen over the past few years despite a notable drop in overall office space demand. Part of the reason for this is because many landlords have begun offering larger concession packages (usually in the form of free rent periods and tenant-improvement allowances) to entice tenants. These keep market rates the same but lower net-effective rates for occupiers.



Chicago development activity

2.4 msf

Amount of office space under construction in Chicago.

Total inventory in Chicago is set to continue growing similarly to how it has since 2017. Led by the expansion of Fulton Market and Trophy-class projects along the Chicago River, these well-located buildings will add to the already extremely competitive landscape trying to attract demand.



Source: AVANT by Avison Young, CoStar

Office development pipeline

8 properties

proposed, under construction

2.4 msf

Under construction, renovation

1.5%

share of office inventory

1942

average delivery date of Chicago offices



Salesforce Tower in River North. Set to open in 2023.

Chicago office market activity

Recent leasing activity

Tenant name	Address	Sign date	Size (sf)	Transaction type	Lease type	Submarket
Chicago Trading Company	425 S Financial Pl	Dec 2022	46,343	Renewal	Direct	Central Loop
Zoro Tools	500 W Madison St	Dec 2022	41,875	New	Direct	West Loop
Hennessy & Roach	70 W Madison St	Dec 2022	29,127	New	Direct	Central Loop
Quinn Emanuel	191 N Wacker Dr	Nov 2022	26,300	Ren/Exp	Direct	West Loop
Fetch Rewards	609 W Randolph St	Dec 2022	21,000	New	Direct	West Loop
Coro	550 W Van Buren St	Nov 2022	20,667	Ren/Exp	Direct	West Loop

Recent sales activity

Buyer	Address	Sale date	Building Size (sf)	Sale price	Sale price psf	Seller
Farbman Group	600 W Jackson Blvd	Oct 2022	107,200	\$10,925,000	\$102	Stockbridge
Heitman	549 W Madison St	Dec 2022	128,325	-	-	Remedy Medical Properties

Top projects under development

Property	Address	Delivery Date	Building Size (sf)	% Preleased	Developer	Submarket
Salesforce Tower	333 W Wolf Point Plz	Mar 2023	1,200,000	96%	Hines	River North
360 N Green St	360 N Green St	Feb 2024	493,000	60%	Sterling Bay	Fulton Market
919 W Fulton St	919 W Fulton St	Mar 2025	446,000	33%	Fulton St Companies	Fulton Market

Chicago office market stats

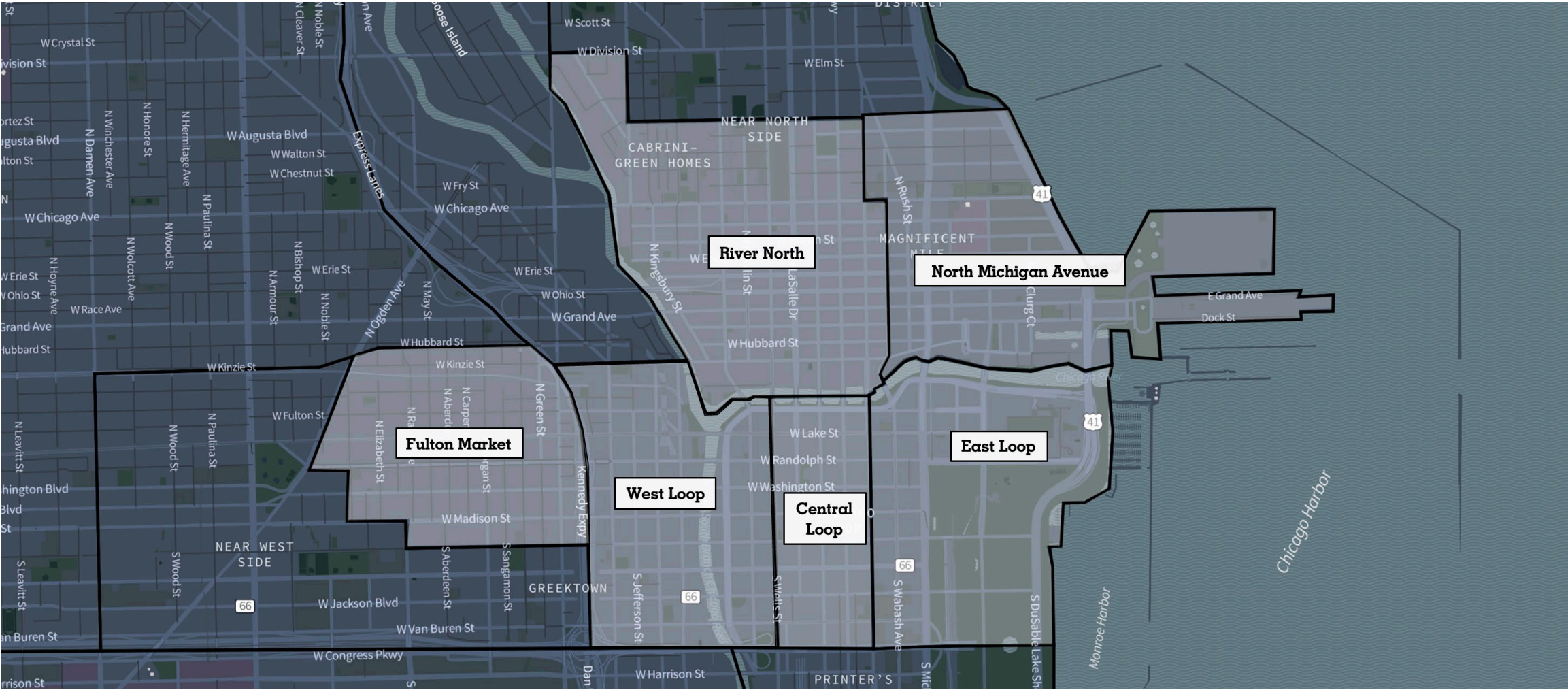
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q4 2022)	Net absorption sf (YTD)
Central Loop	36,762,061	-	-	22.9%	1.7%	24.7%	178,167	(1,234,156)
East Loop	27,486,980	-	-	18.6%	1.7%	20.3%	(227,655)	(548,937)
Fulton Market	6,550,169	360,000	1,023,069	14.1%	1.4%	15.5%	(118,664)	791,079
North Michigan Avenue	9,648,540	-		13.6%	2.0%	15.6%	(34,739)	(270,662)
River North	19,969,294	-	1,417,202	14.6%	3.8%	18.4%	40,163	(413,691)
West Loop	56,470,982	1,563,000		16.9%	2.4%	19.2%	(101,358)	(1,723)
Market Total	156,888,026	1,923,000	2,440,271	18.0%	2.2%	20.2%	(264,086)	(1,678,090)

Chicago office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q1 2022)	Net absorption sf (YTD)	Direct asking rent FS
Trophy	8,784,647	200,000	2,139,820	8.2%	1.3%	9.5%	(100,626)	332,587	\$62.12
Class A	90,312,454	1,723,000	252,451	17.5%	2.3%	19.7%	(96,322)	(423,884)	\$48.70
Class B	46,705,805	-	48,000	21.4%	2.5%	24.0%	(78,512)	(1,192,276)	\$39.03
Class C	11,085,120	-	-	15.5%	1.0%	16.5%	(145,650)	(394,517)	\$32.51
Market total	156,888,026	1,923,000	2,440,271	18.0%	2.2%	20.2%	(264,086)	(1,678,090)	\$46.13



Chicago submarket map



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across markets and property types

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Putting people and the planet first

There is a vital role for our sector to create healthy, productive workplaces for employees, cities that are centers of prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

Global ESG Report



Tracking U.S. employment trends

Rising layoffs and declining job postings are also indicating that the economy is becoming distressed. Employment data and industries are analyzed across cycles for a real-time and historical look at economic conditions.

U.S. Employment Overview

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Sean Boyd

Senior Analyst

Insights

+1 847 602 1128

sean.boyd@avisonyoung.com

Peter Kroner

Central Region Manager

Insights

+1 312 273 1494

peter.kroner@avisonyoung.com