



# Chicago CBD office market report

Q1 2024

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**AVISON  
YOUNG**

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# Chicago CBD office market trends

14.5%

## market-wide vacancy in Trophy buildings

Even with the addition of 3.9 million square feet of new space, the pandemic-driven demand for quality space has led to a relatively limited change in Trophy-class vacancy since the beginning of 2021.

Fulton Market stands out as the only submarket where Class A vacancy dropped as finance, consulting, and law firms are now entering a tenant pool historically dominated by tech, media, and advertising companies.

Class B/C vacancy rates in the Central Loop submarket are the highest among any segment of the downtown market.

33%

## Leasing activity in Q1 2024 conducted in 90s-00s era buildings

As construction of office buildings has taken a dramatic pause in Chicago, supply for new space is becoming increasingly more competitive.

In a continuation of the “flight to quality” trend persistent in today’s market, tenants in need are space have begun to look at the next-newest buildings of the 90s/00s era as new construction vacancies dwindle. The portion of total leasing activity conducted in this construction era has grown from 12% to 33% while post-2010 construction leasing has fallen from 25% to 9%.

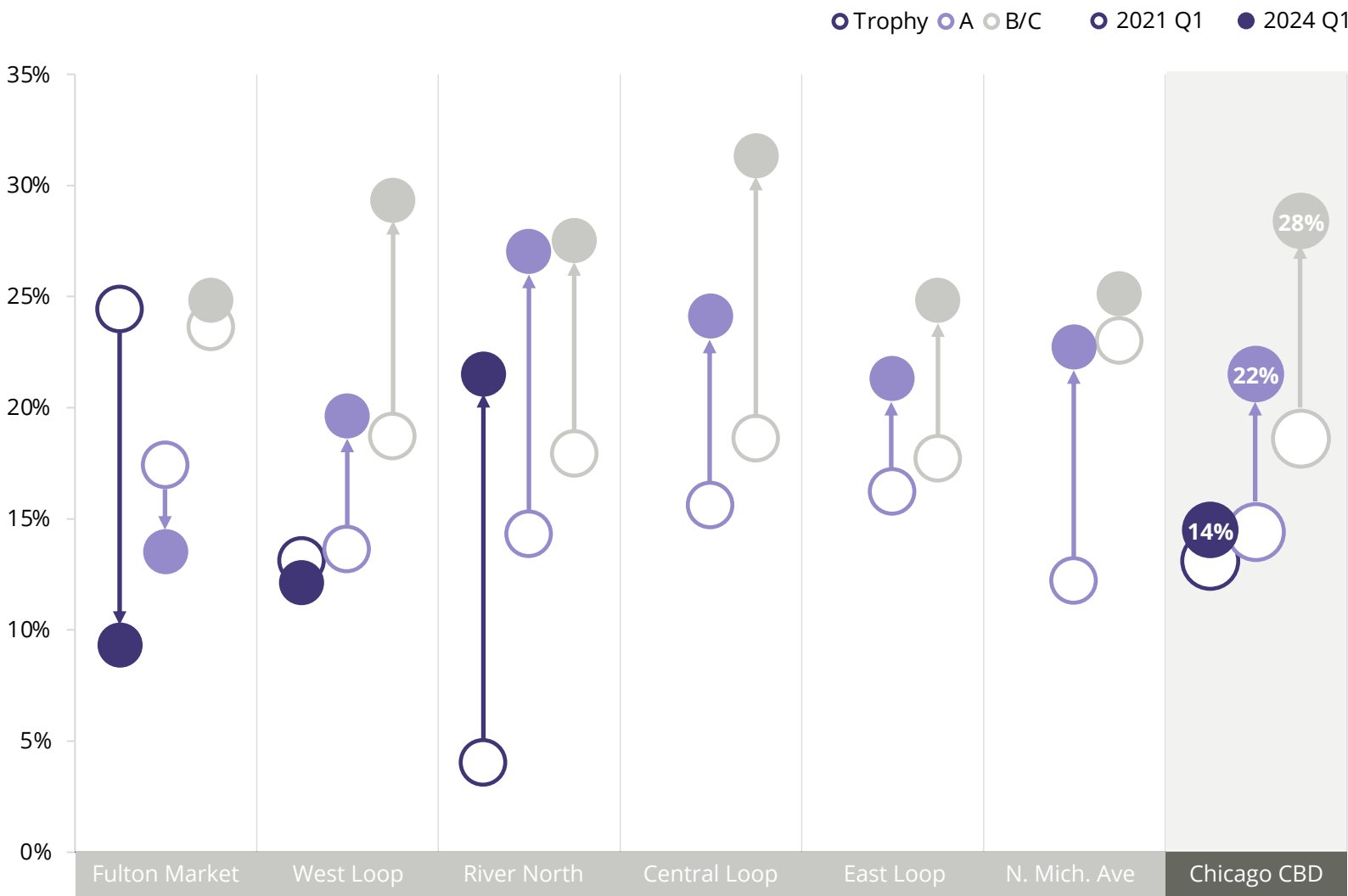
9.1%

## March 2024 office-using job postings that are fully remote

Total office-using job postings across the Chicagoland area have grown in every month of 2024. Over this same time frame, the share of postings that were for fully remote roles fell from 11.4% to 9.1%, a 230 bps decline.

In the next three years, 62% of U.S. CEOs expect corporate employees, who traditionally worked in-office, to return to the physical workplace\*. This is up significantly from the 34% reported in 2022.

# Total Vacancy Rates by submarket and class

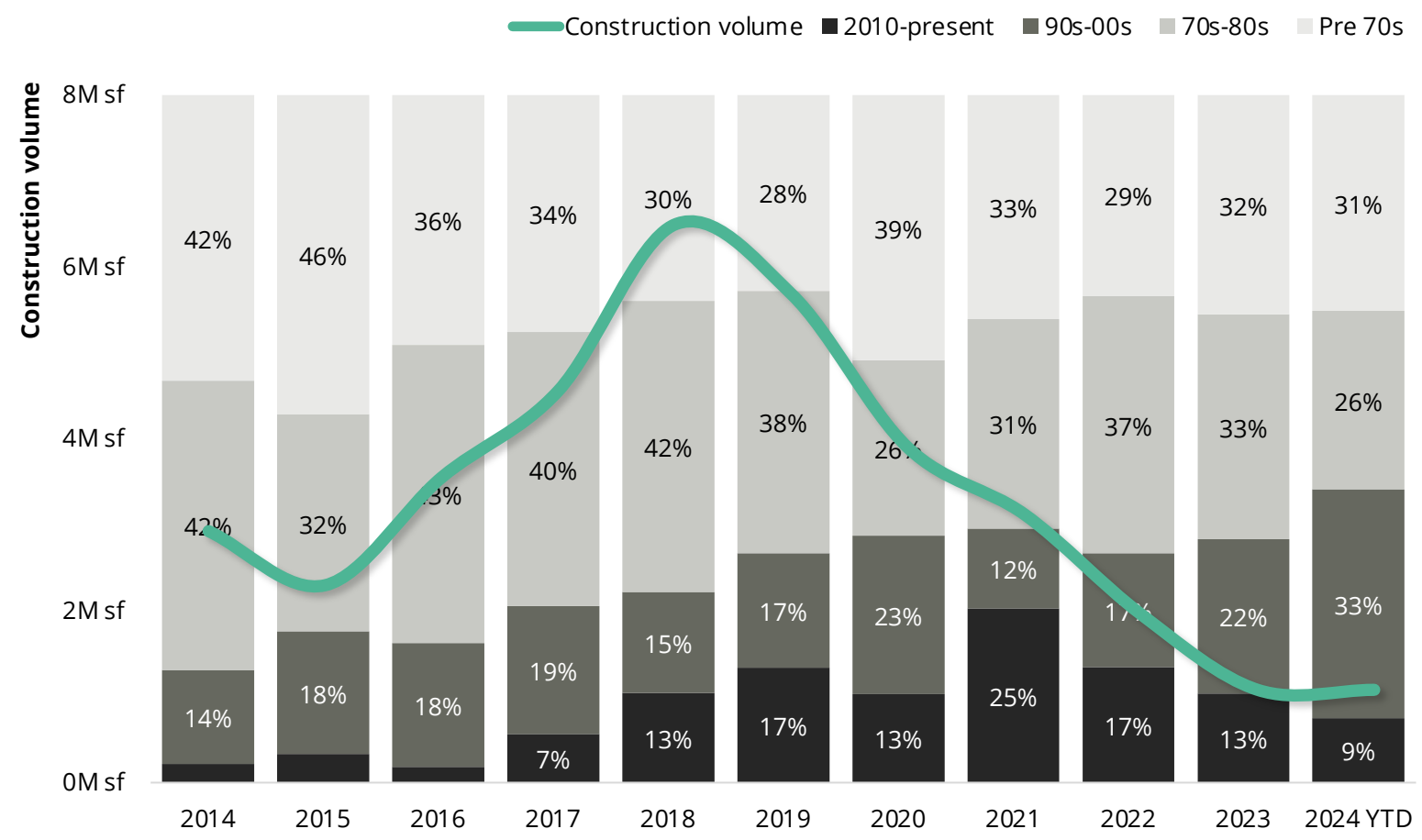


Strong demand for top-quality space during the pandemic has led to Trophy to hold vacancy rates relatively consistent with four years ago despite nearly 4M sf of new space being delivered in that same time.

Kirkland & Ellis’ recent move from 300 N LaSalle has driven River North’s Trophy vacancy rate up considerably but will come down as tenants have already begun backfilling the space, many coming from lower class buildings.

Outside of trophy, all other segments of the market have risen apart from Trophy and Class A space in Fulton Market.

# Leasing activity by property build date

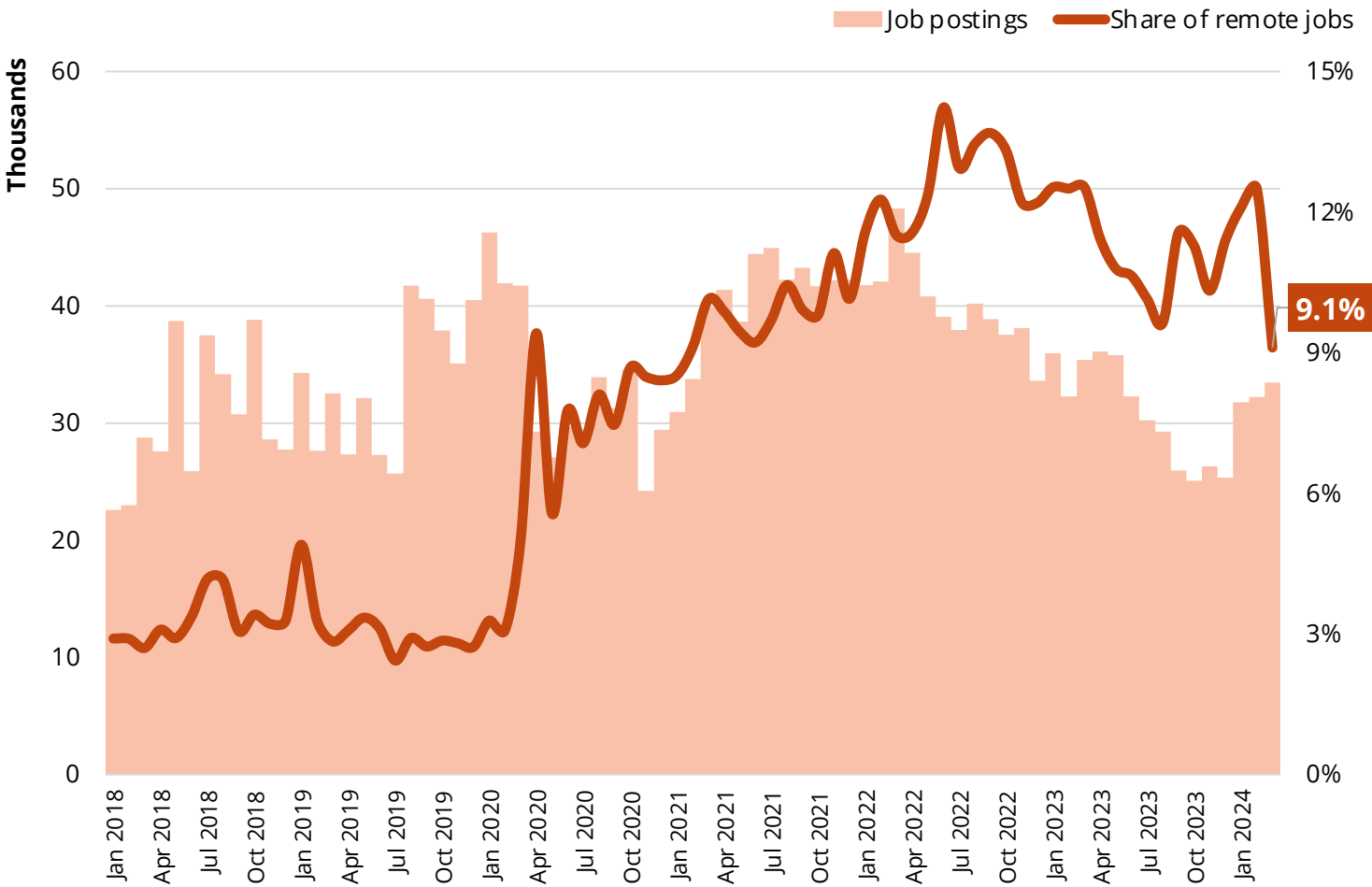


As construction of new office space has halted, and most of new deliveries are near full occupancy, tenants in need of space have looked to the next newest alternatives that may offer tout renovations or large concessions.

This trend is likely to continue until new construction returns to the market.



# Office-based\* job postings



Total office-using job postings across the Chicagoland area has grown consecutively for the past three months. At the same time, the share of fully remote roles dropped by from 11.4% in December 2023 to 9.1% in March of this year.

Legal services job postings in Q1 2024 have grown 13% since Q1 of 2023.

Source: AVANT by Avison Young, Lightcast

\*Office-based jobs refer to jobs in aerospace & defense, banking finance insurance and real estate, consulting research accounting and recruiting, engineering architecture construction and building materials, legal services, media pr telecom and entertainment, tech

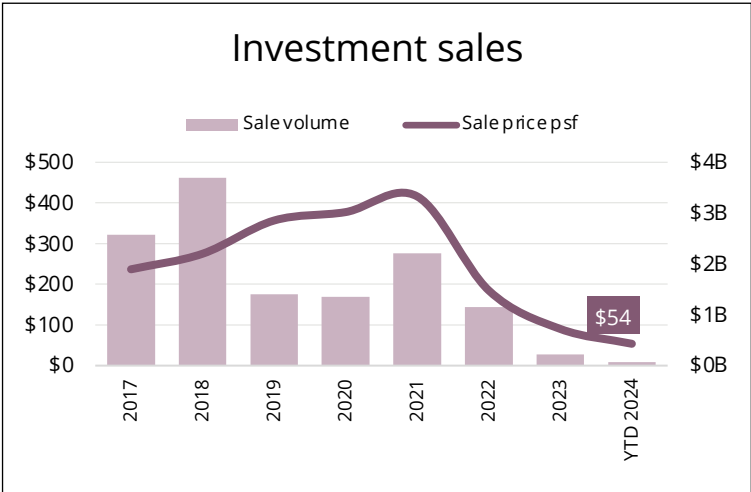
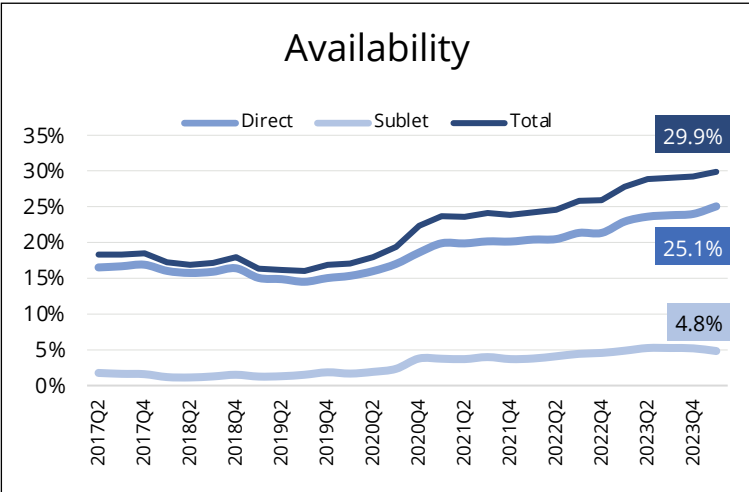
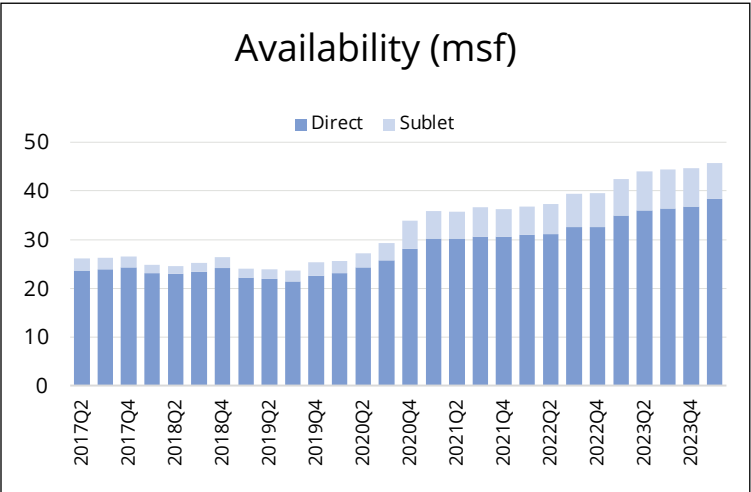
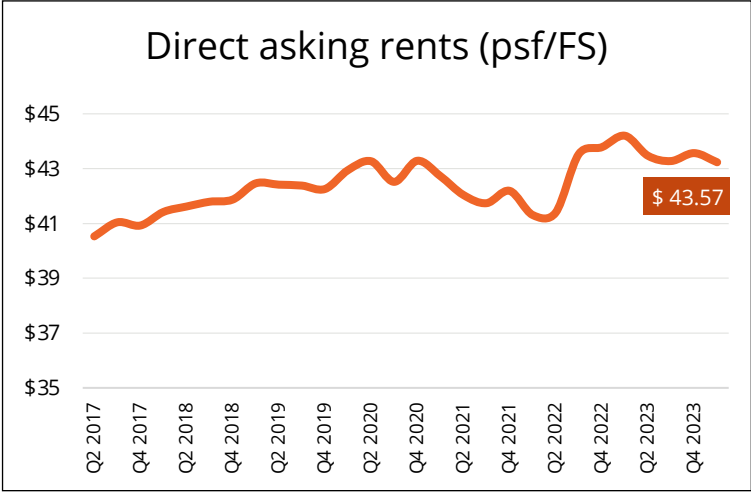
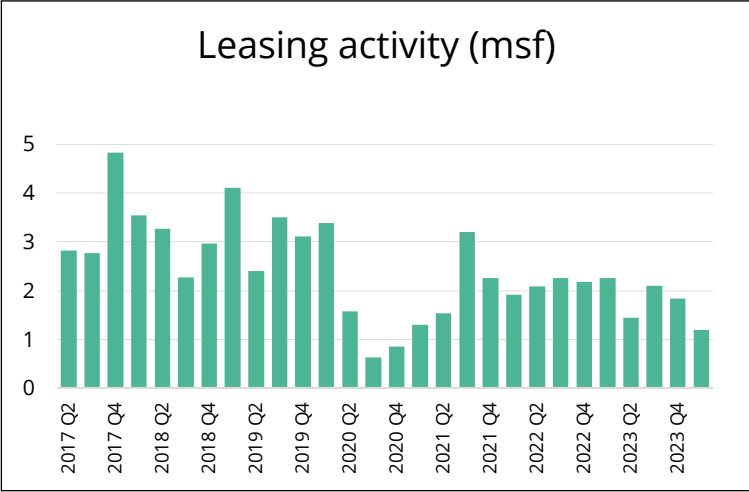
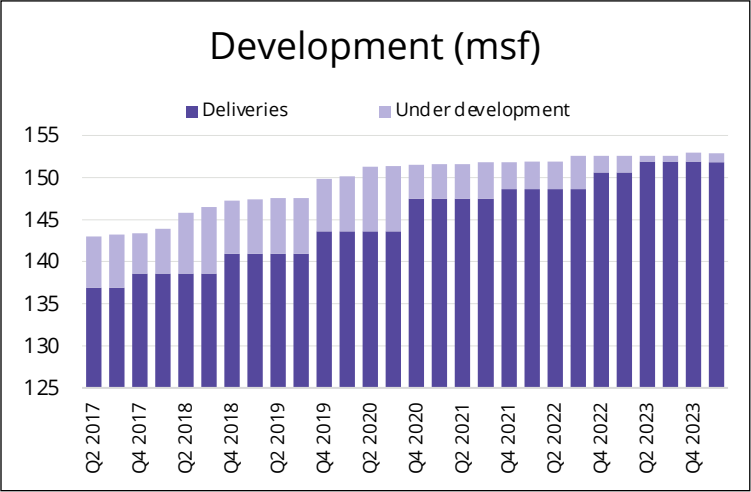


# Appendix





# Chicago CBD office market indicators



# Chicago CBD office market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Mesirow Financial	353 N Clark St	River North	Jan 2024	110,028	Renewal	Direct
PNC Bank	1 N Franklin St	West Loop	Feb 2024	95,000	Renewal	Direct
Harris & Harris	111 W Jackson Blvd	Central Loop	Jan 2024	50,000	Renewal	Direct

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
R2 Companies	150 N Michigan Ave	Jan 2024	654,508	\$ 60,000,000	\$ 91.67	CBRE Global Investors
Igor Gabal	300 W Adams St (Leasehold interest)	Jan 2024	254,418	\$ 4,000,000	\$ 15.72	Wells Fargo

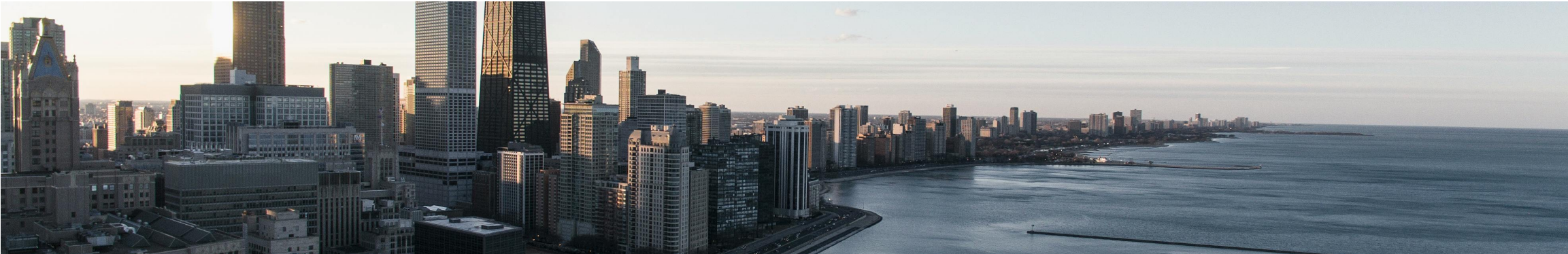
## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
225 W Randolph St (renovation)	West Loop	Oct 2024	900,000	10%	Onni Group
360 N Green St	Fulton Market	June 2024	493,680	68%	Sterling Bay
919 West Fulton Street	Fulton Market	Jan 2025	369,008	31%	Fulton Street Companies



# Chicago CBD office market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
West Loop	56,107,433			22.2%	5.4%	27.6%	-182,787	-0.3%	\$ 46.99
Central Loop	35,006,012			29.0%	4.5%	33.5%	-547,606	-1.6%	\$ 38.84
East Loop	26,873,490			26.5%	3.6%	30.1%	-366,858	-1.4%	\$ 40.99
River North	20,623,868		217,000	25.9%	4.8%	30.6%	378,434	1.8%	\$ 42.65
Fulton Market	6,715,053		862,688	18.1%	6.7%	24.8%	-27,169	-0.4%	\$ 51.88
North Michigan Ave	6,504,019			28.2%	4.7%	32.9%	-63,491	-1.0%	\$ 39.26
Market total	151,829,875		1,079,688	25.1%	4.8%	29.9%	-809,477	-0.5%	\$ 43.57



# Chicago CBD office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	11,683,688		862,688	15.1%	3.8%	18.9%	742,330	6.4%	\$ 65.23
Class A	84,777,267		217,000	23.7%	6.0%	29.7%	-752,826	-0.9%	\$ 50.48
Class B	44,913,514			30.3%	3.8%	34.1%	-695,339	-1.5%	\$ 37.43
Class C	10,455,406			25.7%	0.8%	26.5%	-103,642	-1.0%	\$ 28.59
<b>Market total</b>	<b>151,829,875</b>		<b>1,079,688</b>	<b>25.1%</b>	<b>4.8%</b>	<b>29.9%</b>	<b>-809,477</b>	<b>-0.5%</b>	<b>\$ 43.57</b>





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# 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



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