



# Chicago CBD office market report

Q1 2025

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**AVISON  
YOUNG**

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# Chicago CBD office market trends

## 2.0 msf

### Total leasing activity in Q1 2025

Chicago CBD office leasing activity reached a Q1 total of 2 msf for the first time since 2022 and is up 7.8% YoY from Q1 2024. While activity is positively trending, trailing four-quarter leasing activity remained well below pre-pandemic averages, down 34.3% to 8.5 msf.

Additionally, Q1 saw notable leasing activity in recovering submarkets. Stripe signed on for an expansion totaling 89k sf at 350 N Orleans in River North, while East Loop added NORC at the University of Chicago in 65k sf at 300 E Randolph.

## 6.6 msf

### Positive Trophy/A+ absorption since the pandemic

Trophy/A+ properties in the Chicago CBD have demonstrated impressive resilience, with 6.6 msf of positive absorption since 2020. Furthermore, the class has boasted nine consecutive years of positive absorption with a strong start to 2025. However, the amount of positive absorption has contracted by an average of 11.6% during the last three years due to a shrinking availability.

This limited availability, coupled with a dwindled construction pipeline, has encouraged leasing activity in the next-best option, Class A, which experienced positive absorption of 160k sf in Q1.

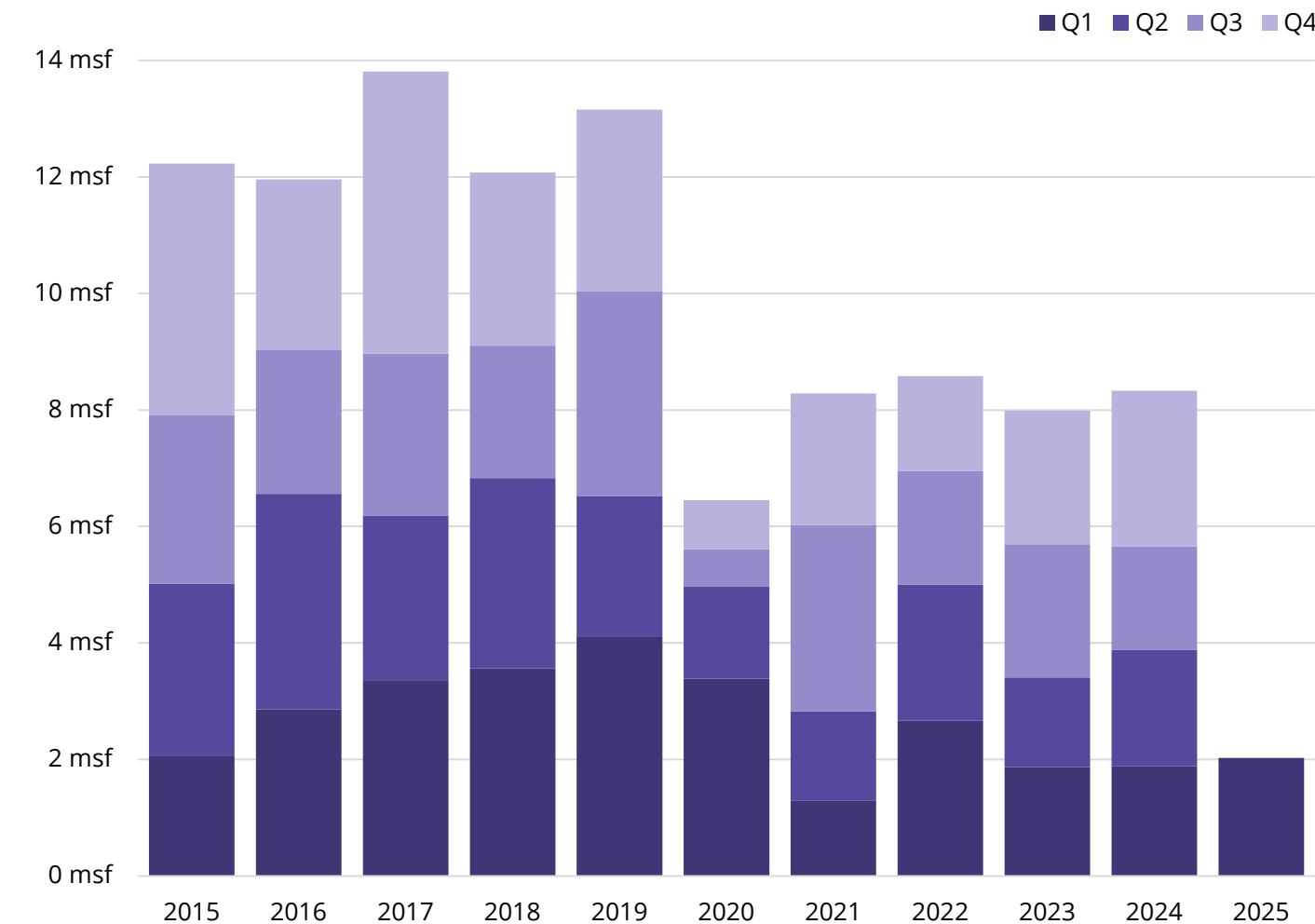
## 78.2%

### Private capital share of sale volume since Q1 2023

Q1 2025 sales volume saw a 50% increase compared to Q1 2024 levels, and a remarkable 154% growth in the last four quarters (Q2 2024 - present) compared to the previous four (Q3 2024 - Q1 2024). This sustained growth points to a positive outlook for office investment activity in Chicago.

This growth in investment activity has been driven almost entirely from private buyers, as opposed to institutional, cross-border and REIT investors. On average, private buyers have made up 78.2% of the market's investment volume since Q1 2023.

# Leasing activity

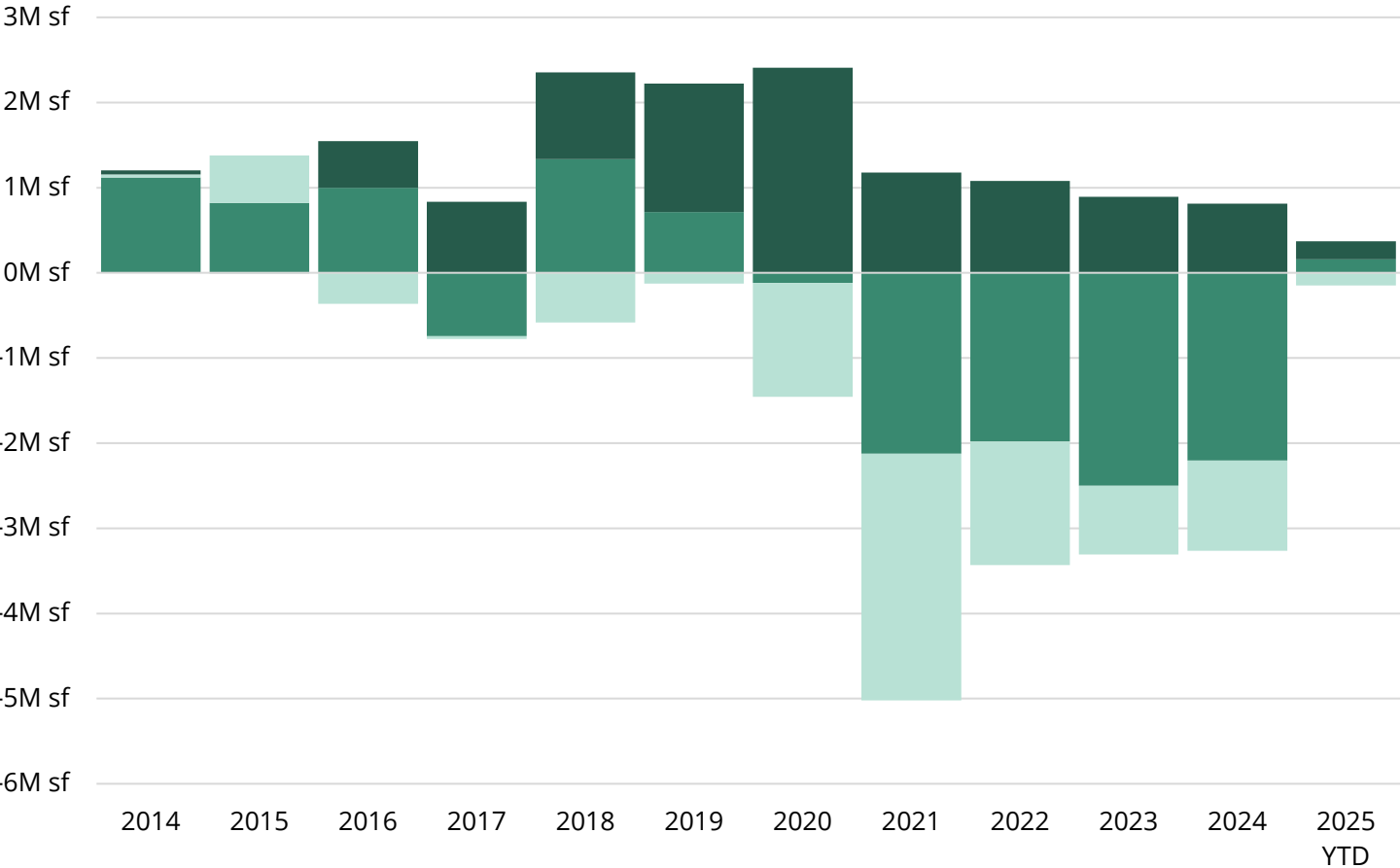


Leasing activity in Q1 has eclipsed the 2 msf mark for the first time since 2022 but remains 36% below the pre-pandemic (2015-2019) Q1 average of 3.2 msf.

At 8.5 msf, Q1 2025 rolling four-quarter volume is up 5.9% from Q1 2024, and up 9.0% from the Q1 2023 total.

# Net absorption by asset class

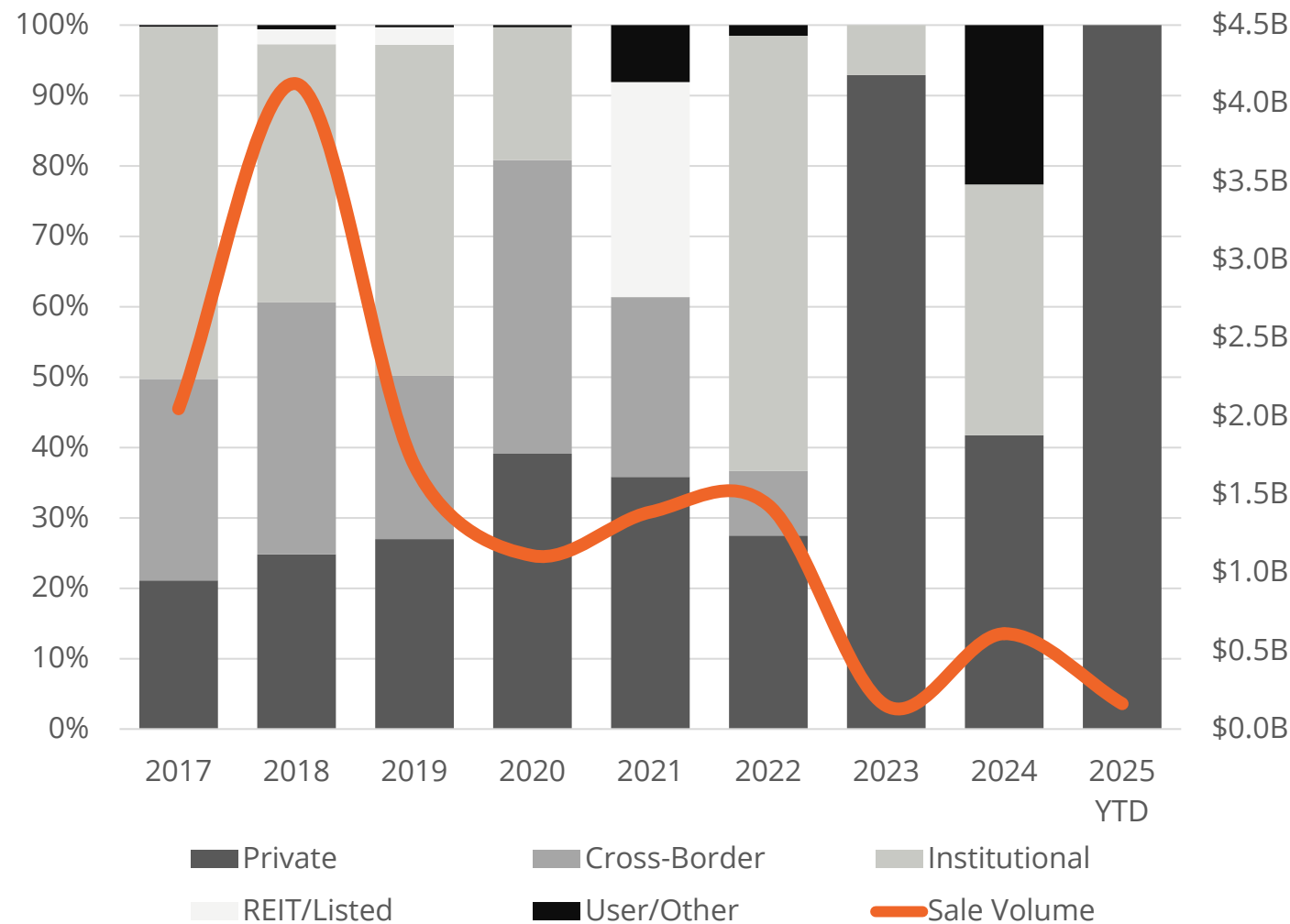
A B/C Trophy/A+



Through Q1, Chicago CBD is experiencing net positive absorption. This is driven heavily by +517k sf of positive absorption in the West Loop.

While Trophy/A+ properties in Chicago CBD have experienced consistently positive absorption, the amount of absorption is contracting by an average of 11.6% between 2022-2024. This is caused by a lack of new construction and availability for the most desired asset class.

# Buyer Composition



While sale volume for the past four quarters has declined by almost 65% from pre-pandemic levels, Chicago CBD has experienced six straight quarters with positive YoY growth in volume.

This growth is driven largely by private investors, who have emerged as the majority buyer for the last two years and are seemingly primed to continue the trend into 2025.

# Appendix



# Chicago CBD office market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Stripe	350 N Orleans St	CBD River North	Mar 2025	89,000	Expansion	Direct
NORC at the University of Chicago	300 E Randolph St	CBD East Loop	Feb 2025	65,606	New	Direct
Impact for Equity	141 W Jackson Blvd	CBD Central Loop	Feb 2025	50,900	New	Direct

## Recent sales activity

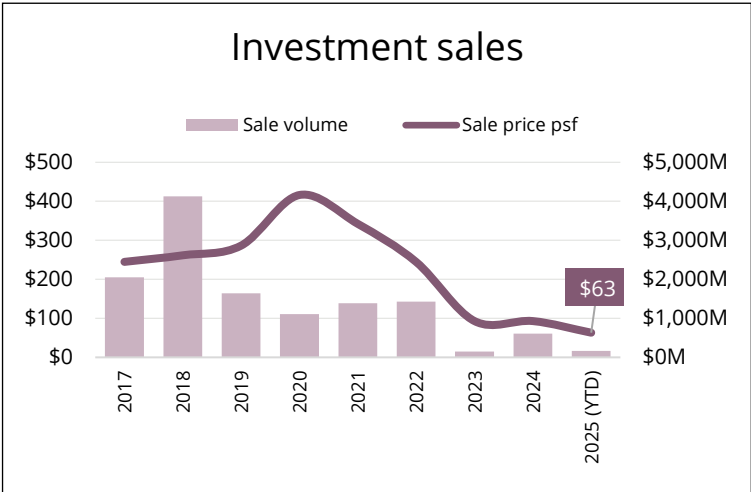
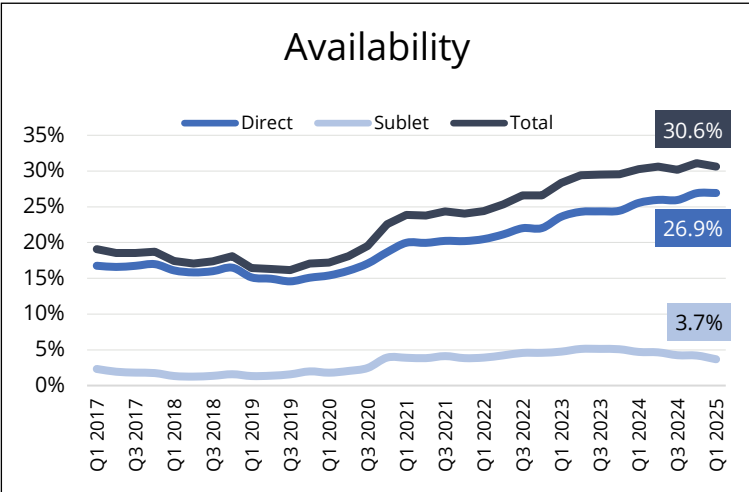
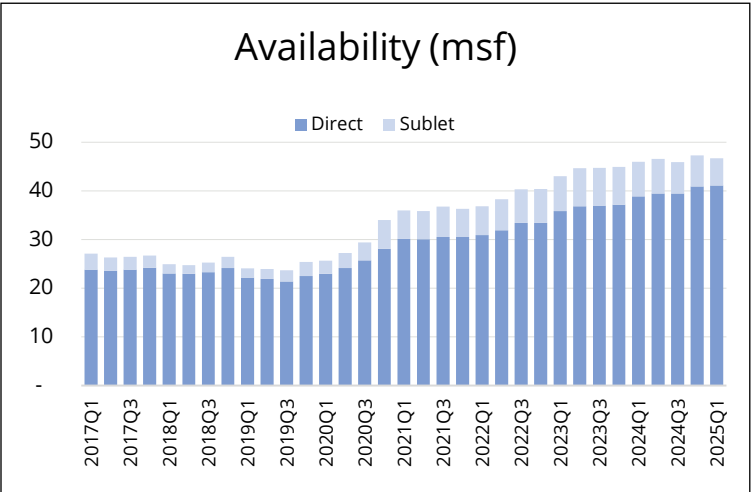
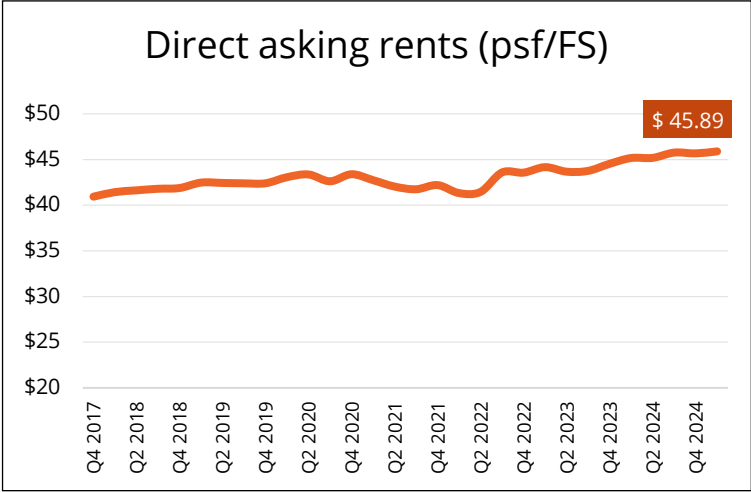
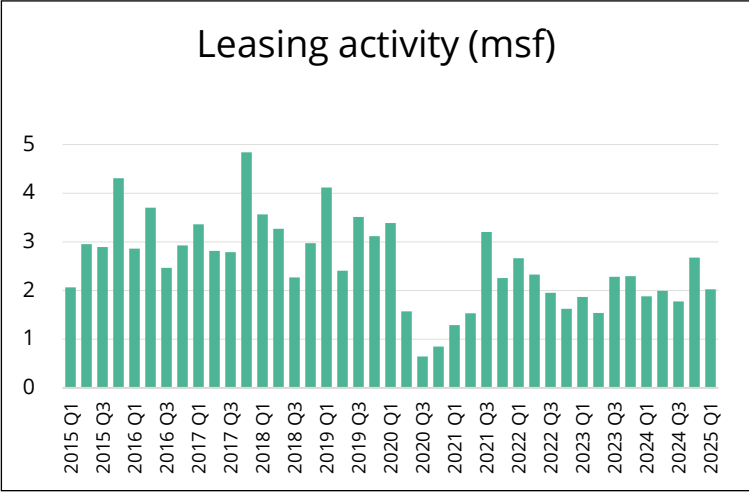
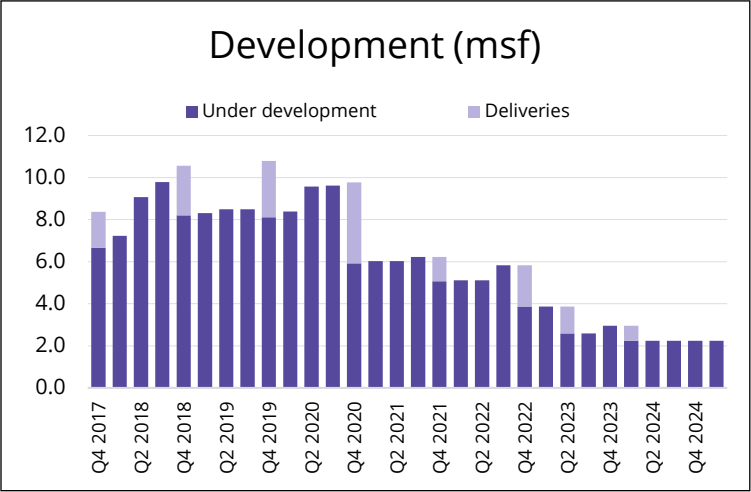
Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
3Edgewood	600 W Chicago Ave	Jan 2025	1,631,139	\$88,700,000	\$54.38	Sterling Bay, JP Morgan
GlenStar, Patrick Halloran	200 S Wacker Dr	Jan 2025	758,961	\$68,000,000	\$89.60	John Hancock, Manulife

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
100 W Randolph St (Thompson Center)*	CBD Central Loop	Nov 2025	945,120	N/A	Prime Group
225 W Randolph St*	CBD West Loop	Apr 2025	900,000	60%	Angelo Gordon
919 West Fulton Street	CBD Fulton Market	Jun 2025	369,008	46%	Fulton Street Companies
310 N Peoria St*	CBD Fulton Market	Sep 2025	26,412	0%	Stan Properties

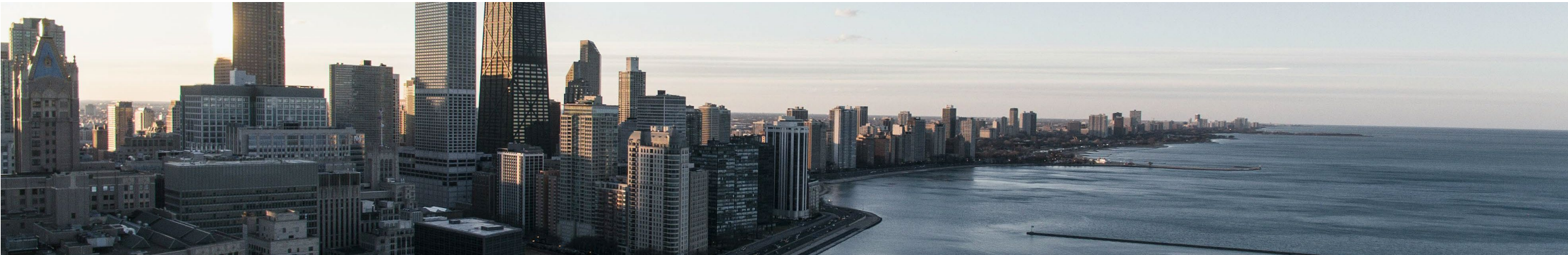
\* Full Building Renovation

# Chicago CBD office market indicators



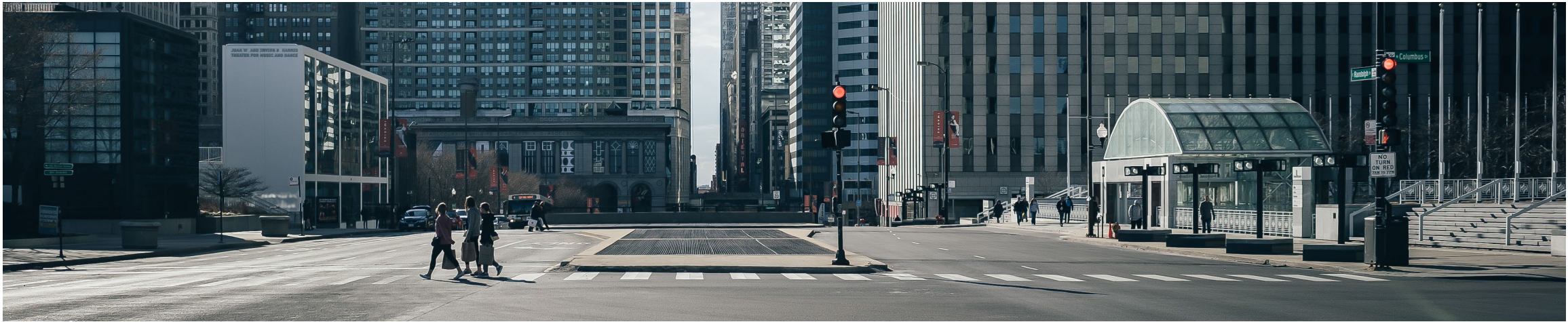
# Chicago CBD office market stats

	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	55,880,717	-	900,000	23.8%	4.4%	28.2%	-6,196	0.0%	\$ 48.95
Central Loop	34,147,721	-	945,120	31.1%	2.6%	33.6%	-310,033	-0.9%	\$ 44.10
East Loop	26,434,966	-	-	30.1%	2.6%	32.7%	-8,172	0.0%	\$ 43.41
River North	20,770,263	-	-	26.3%	3.5%	29.9%	42,769	0.2%	\$ 47.21
Fulton Market	7,244,184	-	395,420	15.8%	5.9%	21.8%	32,056	0.4%	\$ 60.15
North Michigan Ave	6,114,895	-	-	31.2%	4.8%	36.0%	88,296	1.4%	\$ 42.62
Market total	151,371,320	-	2,240,540	26.8%	3.7%	30.4%	-161,280	-0.1%	\$ 45.89



# 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	13,240,456	-	369,008	13.9%	3.4%	17.3%	-49,702	0.1%	\$ 71.79
Class A	86,533,312	-	900,000	26.6%	4.5%	31.1%	-50,281	-0.1%	\$ 50.52
Class B	41,573,875	-	945,120	31.6%	2.8%	34.3%	-113,403	-0.3%	\$ 39.34
Class C	10,023,677	-	26,412	25.4%	0.6%	26.0%	52,106	0.5%	\$ 28.01
Market total	151,371,320	-	2,240,540	26.8%	3.7%	30.4%	-161,280	-0.1%	\$ 45.89



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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

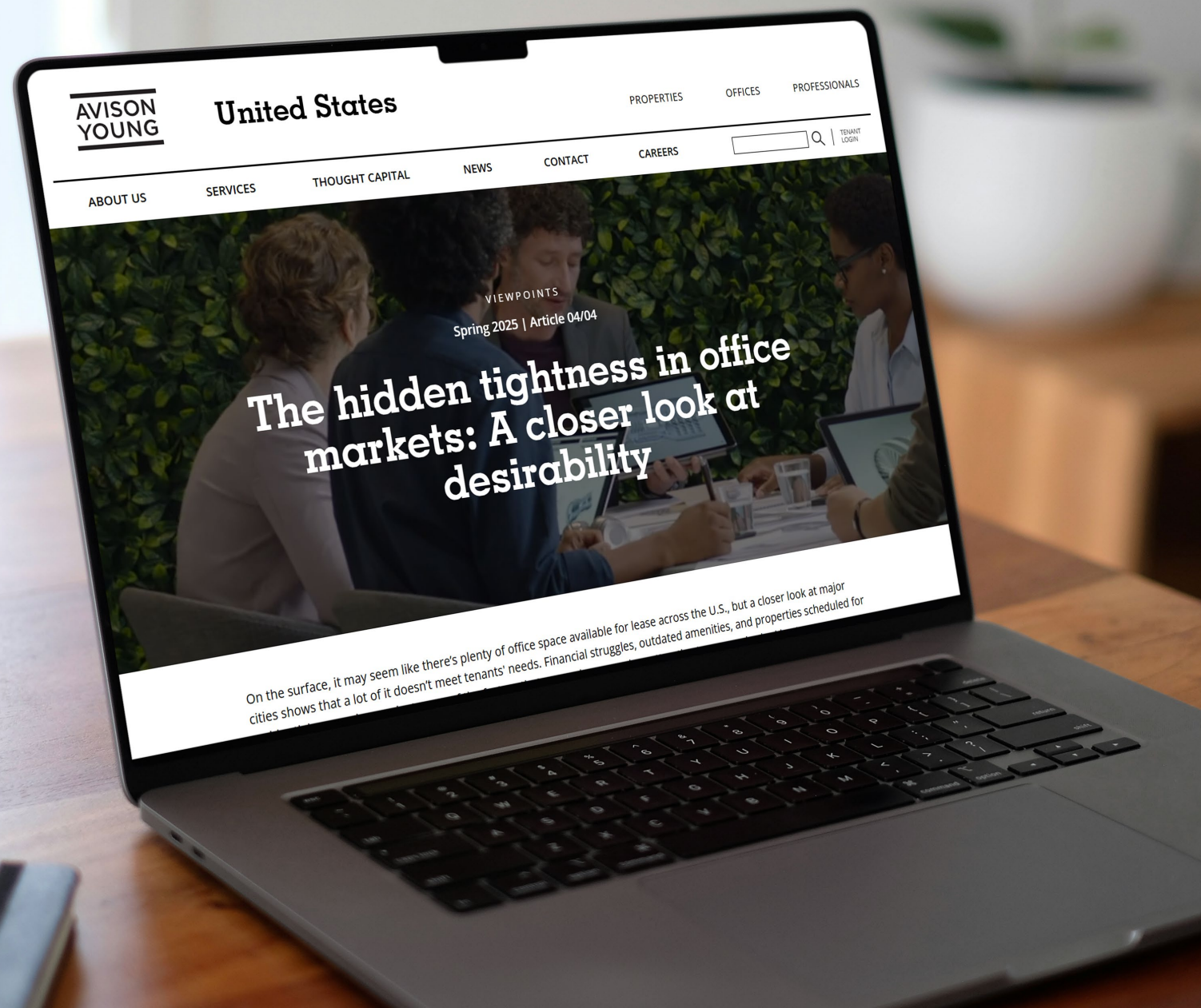
- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed 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

# The hidden tightness in office markets: a closer look at desirability

The office space market in major cities is more competitive than it appears, with high-quality spaces being in limited supply and requiring strategic leasing decisions.

Learn more from our experts in Avison Young's Spring 2025 edition of **Viewpoints**.

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