



DIRECT AVAILABILITY RATE: **17.90%**



DIRECT VACANCY RATE: **11.98%**



DIRECT GROSS ASKING RATE: **\$40.71**

MARKET RECOVERY CONTINGENT UPON VACCINE ROLLOUT, TRUST IN MASS TRANSIT SAFETY

For the fourth quarter in a row, Chicago's Central Business District (CBD) office market continued to suffer the lingering economic effects of the global pandemic. Quarter over quarter, the overall direct availability rate rose from 16.51% to 17.9%, while overall direct vacancy rose from 10.86% to 11.98% (highest in 10 years) and direct gross asking rates dropped from \$41.51 to \$40.71 p.s.f. The opening of the newly constructed Bank of America Tower contributed an additional 1.5 million s.f. to the CBD's inventory and another one million s.f. of positive absorption to the fourth quarter's ledgers. Similar to Bank of America (524,000 s.f.) moving into its namesake tower, new construction move-ins mostly generated from the previous deals led the CBD to post 537,207 s.f. of positive absorption overall for Q4/20. While the deal began prior to the pandemic, it is noteworthy that CCC Information Systems took occupancy of its 125,000 s.f. at 167 N. Green in November from the lease it inked in June 2020.

The rollercoaster ride of tenants touring spaces on and off again defined the downtown office leasing market during the fourth quarter. While large tenants (above 30,000 s.f.) generally took a wait-and-see approach, small to mid-size tenants (3,000 – 15,000 s.f.) sporadically started and stopped their office space searches as their confidence wavered through 2020's final quarter. Leasing volume posted a new record low; according to CoStar, the largest completed transaction was a management profit-sharing deal between Blackstone and Industrious for 52,000 s.f. at Willis Tower.

Predictably, the steady increase of subleases entering the market since the pandemic began put significant downward pressure on Q4/20 rental rates – a \$0.80 p.s.f. differential from Q3/20. The rise in available subleases continued into the fourth quarter, with the CBD posting an overall 3.83% sublet availability rate. Not only does this sublet availability rate represent a 100% increase year over year (1.90%), but it is also the highest one recorded since CoStar started tracking them in 2005. The West Loop was impacted the most with Facebook, TTX, and McGraw Hill Publishing all placing their offices at 191 N. Wacker (104,000 s.f.), 101 N. Wacker (103,000 s.f.), and 120 S. Riverside (59,000 s.f.), respectively, on the market for sublease.

Office Market Forecasts

The downtown office market re-emergence is dependent on the vaccine rollout and workers regaining their confidence in taking public transportation to the Loop again (see CTA Ridership). As more workers are inoculated, coupled with Metra and the CTA regaining the public's confidence in its safety, leasing activity should increase and the pent-up office demand will be satisfied. Rising confidence in the market, however, will still need to contend with the additional four million s.f. of new office development slated for 2021 delivery coupled with an all-time high of six million s.f. currently available for sublease.

Office sales. Over the past year, demand for office investments focused on stable, single-tenant properties; the fourth quarter continued that trend. McDonald's headquarters at 110 N. Carpenter sold for \$412.5 million, the highest price ever achieved for an office property in the CBD. McDonald's occupies 532,000 s.f. of the 575,000-s.f. property. As the broader economy starts to recover in 2021, we expect the future office investment market to display a dichotomy between distressed assets sold at value prices and highly occupied buildings traded at premium price points.

¹ Property data were compiled from CoStar with these parameters: existing and under-renovation office property type, excluding non-conforming and owner-occupied properties; and within Central, East, South and West Loop, N. Michigan Avenue, River North, and Fulton Market/River West. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the last four quarters.

CTA RIDERSHIP REPORT

System	AVERAGE WEEKDAY 2019	AVERAGE WEEKDAY 2020	% CHANGE
Bus Boardings	837,924	322,568	-67.50%
Rail Boardings	774,270	167,676	-78.30%
Citywide Boardings	1,612,194	490,244	-69.60%
Loop Total	79,851	12,783	-84%

Source: Ridership Report, September 2020, CTA, pages 6 & 28

ECONOMIC INDICATORS

	Q4/19	Q4/20
Consumer Confidence Index	126.5	88.6
US Initial Unemployment Claims (4-Week Moving Average, December)	219,750	837,500
Cook County Unemployment Rate	3.10%	7.9%
Prime Rate	4.75%	3.25%

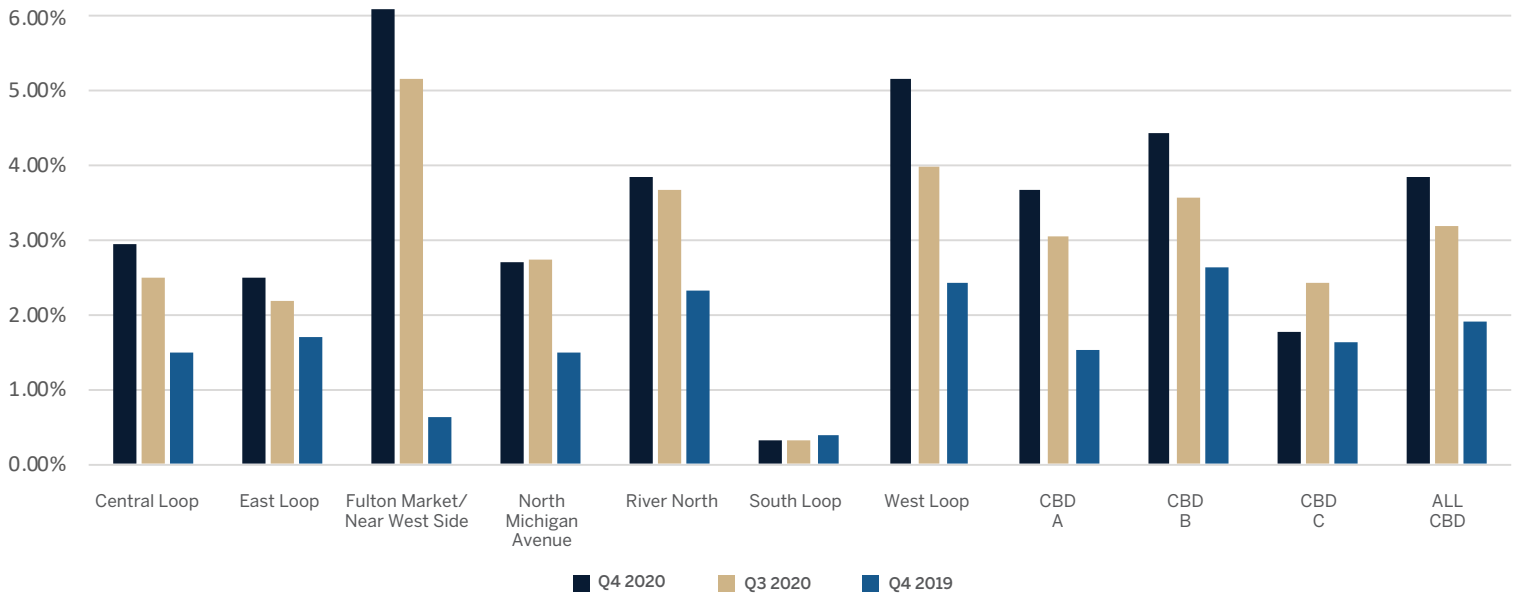
ILLINOIS JOB SECTORS WITH LEAST/MOST LOSSES (IN THOUSANDS)

	NOVEMBER 2020	% CHANGE, YOY
Total Nonfarm	4,461.60	-7.10%
Financial Activities	311.5	-2.80%
Manufacturing	178.4	-3.00%
Mining & Logging	1.6	-15.80%
Leisure & Hospitality	350.8	-27.10%

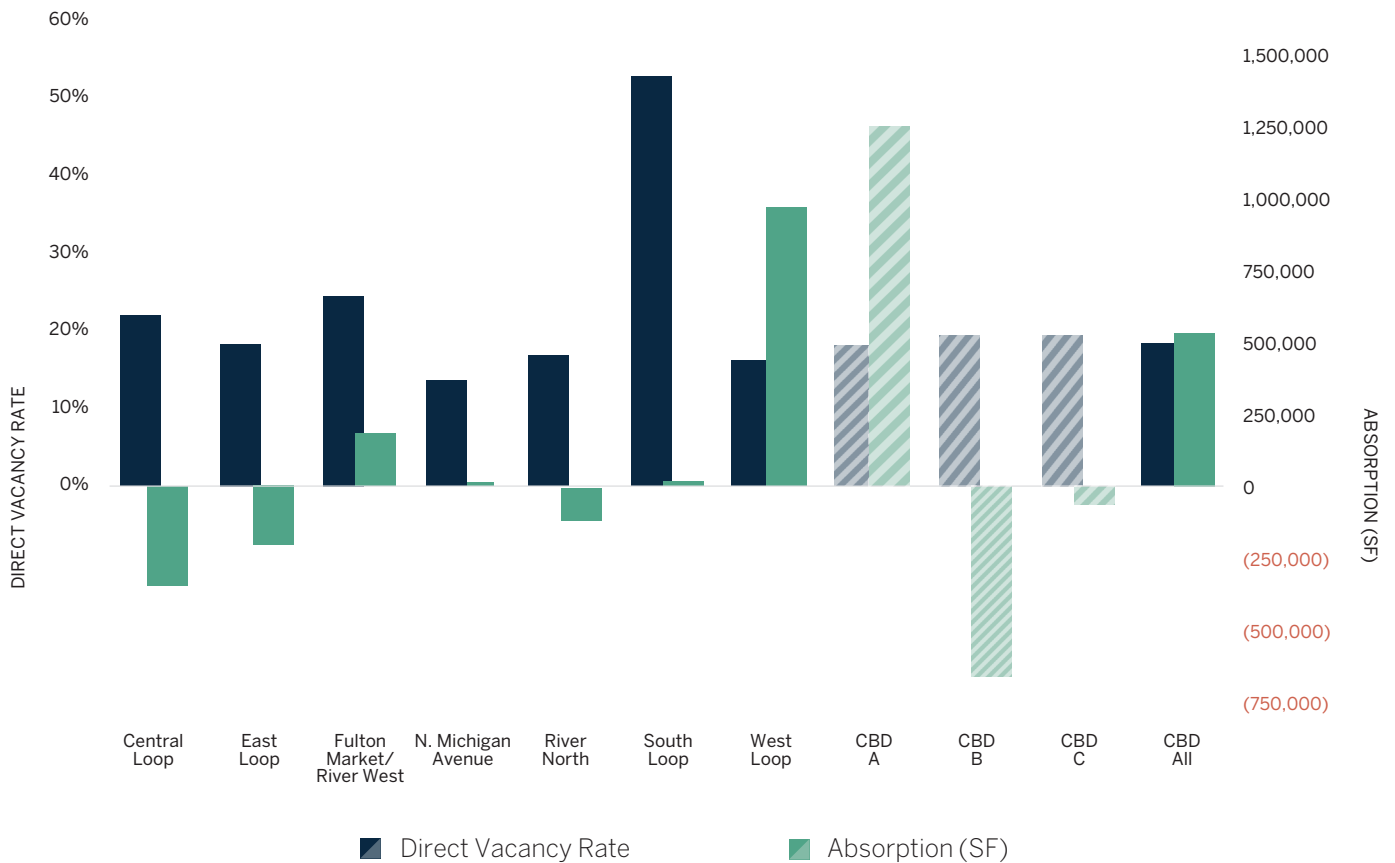
	INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	MAX BUILDING CONTIGUOUS VACANT SPACE (SF)	GROSS ASKING RATE (DIRECT)	DIRECT NET ABSORPTION Q4 2020 (SF)	2020 ABSORPTION (SF)
CBD	153,315,496	360,742	17.90%	3.83%	11.98%	1.75%	492,778	\$40.71	537,207	728,776
CLASS A	97,186,632	809,889	17.60%	3.68%	11.31%	1.68%	492,778	\$44.32	1,251,353	969,757
CLASS B	49,223,419	228,946	18.45%	4.43%	13.00%	2.04%	284,360	\$35.58	(647,242)	77,211
CLASS C	6,905,445	76,727	18.25%	1.75%	14.16%	0.70%	44,075	\$28.74	(66,904)	(318,192)
CENTRAL LOOP	36,164,565	547,948	21.73%	2.94%	13.86%	1.24%	157,830	\$40.46	(328,750)	1,184,099
CLASS A	21,475,321	859,013	22.97%	2.26%	13.38%	1.05%	157,830	\$43.08	(127,224)	1,073,838
CLASS B	13,896,747	434,273	20.03%	4.15%	14.42%	1.61%	139,669	\$36.50	(195,136)	86,090
CLASS C	792,497	88,055	17.95%	0.07%	16.93%	0.07%	11,050	\$27.25	(6,390)	24,171
EAST LOOP	26,473,314	490,247	18.23%	2.48%	13.99%	1.23%	492,778	\$37.90	(233,619)	(206,173)
CLASS A	17,709,779	1,041,752	18.86%	2.37%	13.71%	1.07%	492,778	\$40.31	(159,461)	(62,205)
CLASS B	6,354,481	334,446	17.29%	3.47%	15.64%	1.95%	95,825	\$34.14	(60,432)	(32,618)
CLASS C	2,409,054	133,836	16.08%	0.75%	11.73%	0.53%	22,646	\$27.78	(13,726)	(111,350)
FULTON MARKET/ RIVER WEST	6,575,419	104,372	23.11%	6.09%	20.12%	1.93%	203,214	\$34.87	225,052	(64,006)
CLASS A	3,502,671	250,191	25.21%	8.32%	25.21%	2.69%	203,214	\$37.80	286,845	(14,952)
CLASS B	2,154,851	65,299	20.76%	4.51%	13.48%	0.97%	35,646	\$31.07	(42,222)	34,111
CLASS C	917,897	57,369	20.63%	1.31%	16.25%	1.31%	44,075	\$30.13	(19,571)	(83,165)
N. MICHIGAN AVENUE	11,550,312	339,715	11.62%	2.71%	9.34%	1.46%	79,761	\$41.70	1,897	83,575
CLASS A	7,321,195	563,169	10.89%	3.10%	8.14%	1.89%	79,761	\$45.42	28,793	211,033
CLASS B	4,229,117	201,387	12.87%	2.05%	11.42%	0.72%	72,268	\$36.25	(26,896)	(127,458)
RIVER NORTH	16,535,384	170,468	15.65%	3.84%	10.35%	2.49%	284,360	\$39.77	(119,802)	526,587
CLASS A	5,319,001	759,857	12.42%	2.92%	10.04%	1.29%	164,136	\$45.54	(6,264)	9,936
CLASS B	9,763,647	157,478	17.21%	4.58%	10.15%	3.31%	284,360	\$39.02	(114,032)	583,052
CLASS C	1,452,736	51,883	17.02%	2.21%	12.86%	1.35%	21,503	\$29.44	494	(66,401)
SOUTH LOOP	1,620,211	135,018	52.28%	0.30%	17.93%	0.30%	110,000	\$25.18	1,706	(113,733)
CLASS B	1,395,312	174,414	59.47%	0.35%	19.71%	0.35%	110,000	\$25.24	(7,771)	(61,174)
CLASS C	224,899	56,225	7.73%	0.00%	6.89%	0.00%	8,216	\$22.36	9,477	(52,559)
WEST LOOP	54,396,291	549,457	15.56%	5.15%	9.65%	2.21%	398,368	\$45.28	990,723	(681,573)
CLASS A	41,858,665	951,333	15.50%	4.77%	8.78%	2.20%	398,368	\$47.96	1,228,664	(247,893)
CLASS B	11,429,264	285,732	14.88%	6.53%	11.94%	2.42%	58,725	\$37.61	(200,753)	(404,792)
CLASS C	1,108,362	73,891	24.93%	5.26%	18.89%	0.28%	39,324	\$29.67	(37,188)	(28,888)

SUBLET AVAILABILITY

Year over Year



SUBMARKET VACANCY & ABSORPTION



MAJOR SALES TRANSACTIONS

SUBMARKET	LOCATION	SIZE (SF)	BUYER	SELLER	PRICE
Fulton Market	110 N. Carpenter McDonald's HQ	575,018	Normandy Properties LLC	JP Morgan Asset Management, Sterling Bay Cos	\$717 PSF

MAJOR LEASE TRANSACTIONS

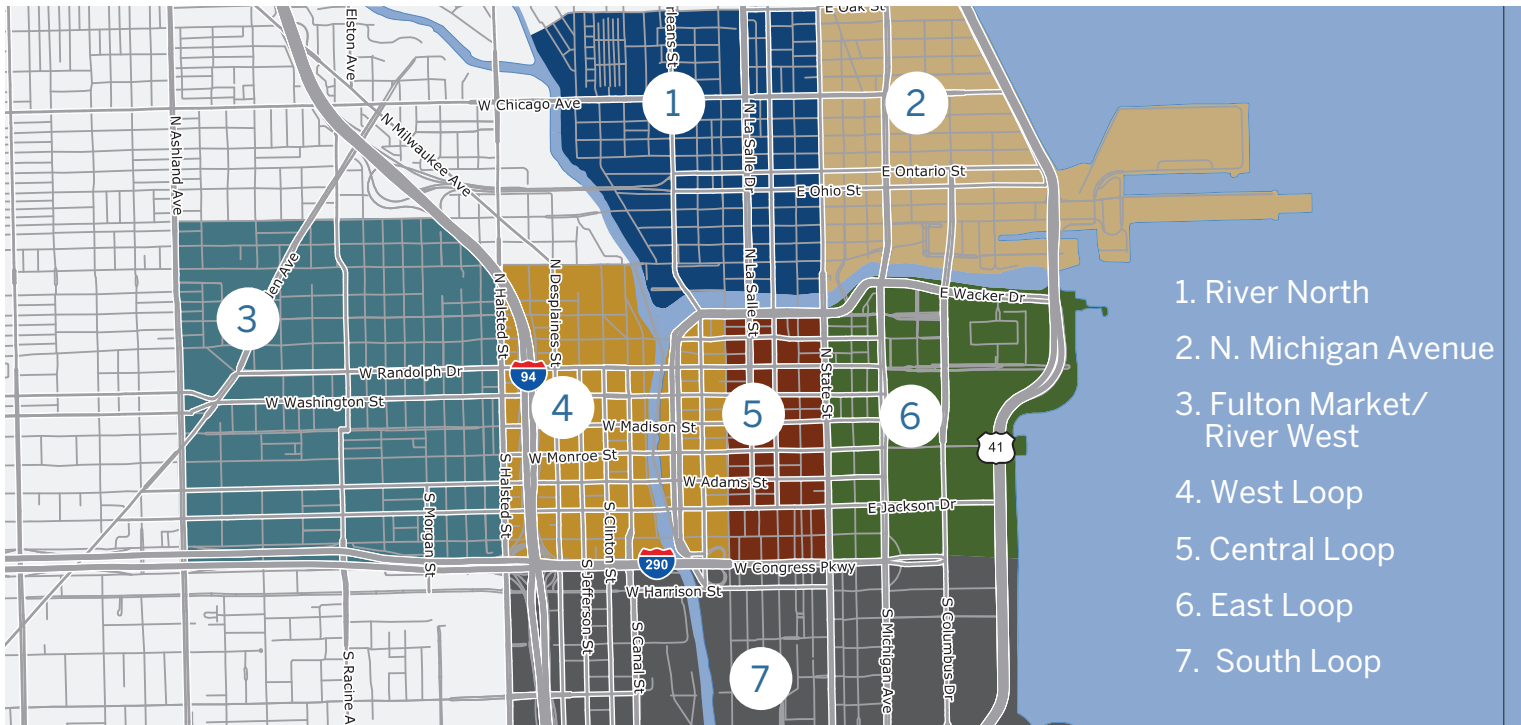
TENANT	LOCATION	SUBMARKET	BLDG CLASS	SIZE (SF)	TYPE
Industrious	Willis Tower	West Loop	B	52,000	New, Mgmt Deal
Simplex Investments	230 S. LaSalle	Central Loop	B	26,000	Expansion
Primera Engineers	550 W. Jackson	West Loop	A	25,569	New
Ninja Trading	222 N. LaSalle	Central Loop	A	19,581	Sublet
Covenant Trust	141 W. Jackson	Central Loop	B	19,226	Move in
Blackstone Group	332 S. Michigan	East Loop	B	15,837	Renewal

LARGE AVAILABLE SUBLEASES

SUBLESSOR	LOCATION	SUBMARKET	SIZE (SF)
Facebook	191 N. Wacker	West Loop	104,000
TTX	101 N. Wacker	West Loop	103,000
McGraw Hill Education	120 S. Riverside	West Loop	59,000
InnerWorkings	203 N. LaSalle	Central Loop	45,000
PayPal	theMart	River North	40,000

BY THE NUMBERS

	CHICAGO		NATIONAL
Market Sales Price	\$322 PSF	>	\$314 PSF
Cap Rate (%)	6.50%	<	7.20%
Asking Rate	\$40.71	>	\$34.34
Gross Availability Rate (%)	21.74%	>	15.30%



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