



DIRECT AVAILABILITY RATE: **26.18%**



DIRECT VACANCY RATE: **21.95%**



GROSS ASKING RATE: **\$24.86**

LEAVING 2020 BEHIND, SUBURBAN MARKET POISED FOR STRONGER 2021

The anemic suburban office leasing activity of 2020's first half continued into the year's second half as the impact of the coronavirus was felt across the suburban market. From mid-year to year-end 2020, direct availability rose from 24.73% to 26.18%, direct vacancy increased from 20.56% to 21.95%, and direct gross asking rents declined from \$25.03 p.s.f. to \$24.86 p.s.f. Chicago's suburban office market posted over one million s.f. of negative net absorption in the third quarter with an additional half million s.f. of net negative absorption in the fourth quarter, resulting in 1.8 million s.f. of negative absorption for the year.

Leasing activity. Several significant deals were completed during the second half of 2020 in many of the northern and northwest submarkets. Stepan Chemical took over the PotashCorp sublease for 73,000 s.f. at Corporate Center I in Northbrook, while Logical Position moved into 42,000 s.f. at the Reserve at Deer Park. Other large transactions included Reyes Holdings' renewal for 141,000 s.f. at One O'Hare Centre, and Newly Weds Foods agreed to occupy 45,000 s.f. at 8550 W. Bryn Mawr during Q3/21.

Future Impacts within the Suburban Office Market

Flight to quality. The fourth quarter witnessed rising availability rates across the suburbs, especially within Class A buildings. In addition, the six largest subleases to come onto the market during the second half of 2020 all came from Class A assets and totaled over 600,000 s.f.. An increased supply of Class A space available on the market—and anticipating Class A rents to further compress—should trigger a flight to quality from all user groups across the market.

Pent-up demand. Most tenants with leases expiring in 2020 chose to execute short-term extensions rather than vacate or commit to long-term renewals. With the rollout of the Covid-19 vaccine and the anticipation of life returning to some form of normalcy, we predict leasing velocity to steadily increase over the course of 2021 to satisfy pent-up demand caused by the pandemic.

Investment sales. Investment sales during the second half of 2020 were completed at an unexpected clip with seven office properties over 100,000 s.f. trading. Transactions included: Pactiv Evergreen sale/leaseback of its building at 1900 Field in Lake Forest; while BAIA purchased 3333 Finley, Downers Grove (92% occupied), actualizing its continued confidence in the suburban office market. We predict office assets in highly coveted submarkets (East/West Corridor and

O'Hare) with low vacancy rates to continue to command interest from institutional and private investors for their reliable returns, while struggling assets should garner the attention of developers for their repurposing potential.

Live-Work-Play redefined. The largest hurdle for the Loop's office market to overcome is its loss of vitality due to the pandemic. Shuttered restaurants, canceled conventions, and a hesitation to take public transportation all cancel out the urban core's positive vibe. Conversely, the suburbs were never reliant on public transportation and foot traffic for their survival. Drive-thru restaurants, ample parking lots, and green spaces along with low-rise buildings are the amenities *du jour*. Craving space and open air, downtown dwellers are moving out of the city, to which the strong suburban residential market can attest. Employers gave their staffs flexibility by necessity in 2020. Going forward, we believe companies will build upon the hub-and-spoke model (downtown HQ, suburban satellite) to let their staffs select the best location for them to work as the economy reopens over the course of 2021.

¹ Current and historical property data were compiled from CoStar with these parameters: 20,000 square feet or more, representative cities within each submarket, Class A and B, existing and under renovation office property type, excluding non-conforming and owner-occupied properties. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the last four quarters

BY THE NUMBERS

	CBD - A&B ONLY		SUBURBAN - A&B ONLY
Direct Availability Rate	17.89%	<	26.18%
Sublet Availability Rate	3.93%	>	2.99%
Direct Vacancy Rate	11.88%	<	21.95%
Sublet Vacancy Rate	1.80%	>	1.55%
Published Asking Rent, Low	\$20.33, Class B, West Loop	>	\$9.38, Class B, Arlington Heights
Published Asking Rent, High	\$70.99, Class A, River North	>	\$41.70, Class A, Chicago/O'Hare
Q4/20 Direct Net Absorption	604,111 SF	>	-529,094 SF

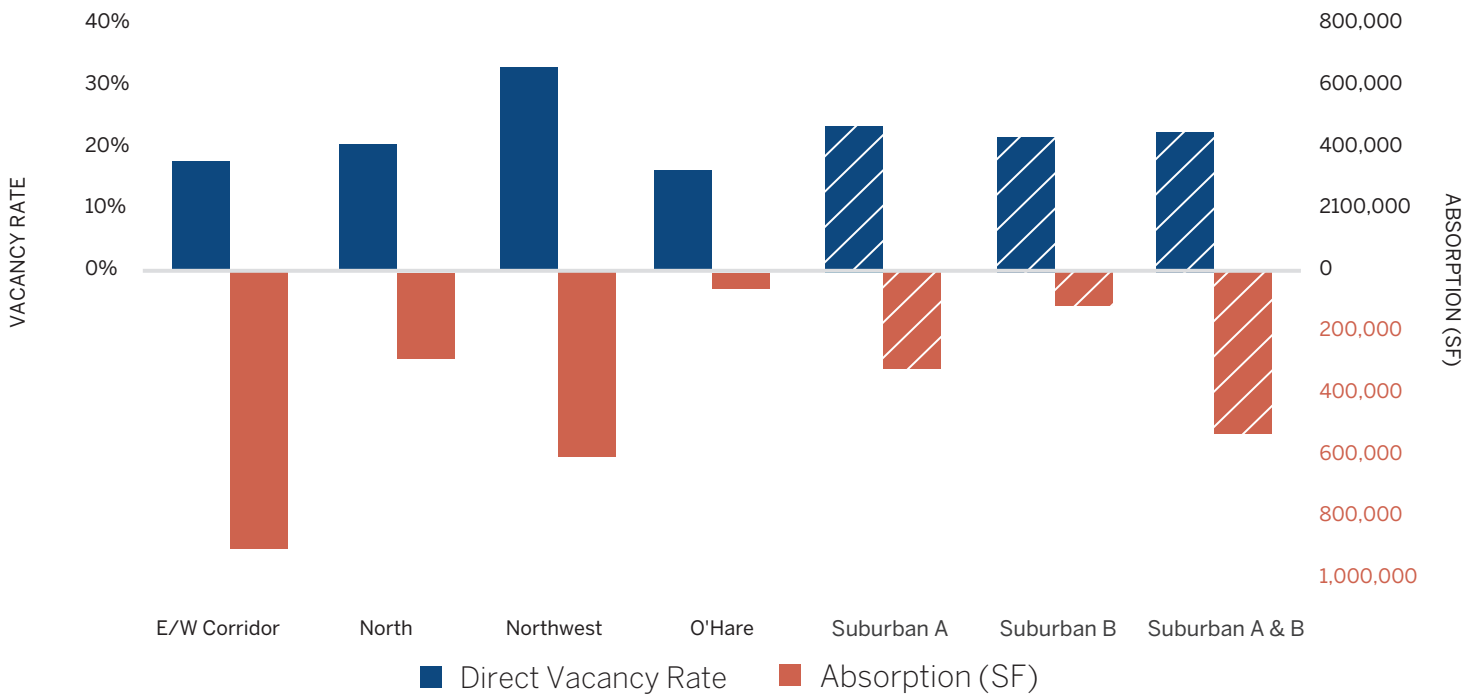
CHICAGO SUBURBS YEAR-END 2020

	INVENTORY (SF)	AVG BLDG SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	MAX CONTIGUOUS VACANT SPACE (SF)	GROSS ASKING RENT (DIRECT)	DIRECT NET ABSORPTION Q4 2020 (SF)	DIRECT NET ABSORPTION YTD (SF)
ALL SUBURBAN	93,425,906	104,503	26.18%	2.99%	21.95%	1.46%	1,300,000	\$24.86	(529,194)	(1,809,864)
CLASS A	57,405,086	193,283	27.72%	3.83%	22.55%	1.94%	1,300,000	\$27.46	(367,687)	(1,249,635)
CLASS B	36,020,820	60,336	23.71%	1.66%	21.00%	0.71%	360,206	\$20.00	(161,507)	(560,229)
EAST-WEST CORRIDOR	35,617,306	94,727	22.34%	2.83%	18.38%	1.55%	297,127	\$25.29	(341,460)	(837,270)
EAST	21,365,812	104,734	21.42%	3.12%	18.50%	2.03%	297,127	\$26.03	(275,114)	(477,258)
CLASS A	12,491,119	201,470	23.84%	4.57%	20.37%	2.85%	297,127	\$29.13	(253,164)	(489,381)
CLASS B	8,874,693	62,498	18.03%	1.08%	15.87%	0.87%	55,318	\$20.22	(21,950)	12,123
SOUTH	1,432,737	59,697	11.67%	0.10%	11.60%	0.10%	20,000	\$21.03	(21,545)	(50,813)
CLASS A	575,108	143,777	3.75%	0.00%	3.75%	0.00%	14,533	\$26.86	(3,858)	(5,634)
CLASS B	857,629	42,881	16.98%	0.17%	16.86%	0.17%	20,000	\$20.17	(17,687)	(45,179)
WEST	12,818,757	86,613	25.05%	2.66%	18.93%	0.92%	161,820	\$24.47	(44,801)	(309,199)
CLASS A	7,600,607	165,231	30.15%	2.94%	21.94%	1.23%	161,820	\$26.29	(14,031)	(158,473)
CLASS B	5,218,150	51,158	17.63%	2.24%	14.55%	0.48%	41,000	\$19.93	(30,770)	(150,726)
NORTHERN	19,756,393	87,418	24.30%	3.83%	19.84%	1.98%	175,545	\$25.95	(58,621)	(325,419)
CENTRAL	3,989,306	72,533	19.88%	2.22%	17.17%	1.88%	44,936	\$27.30	(12,703)	(107,657)
CLASS A	1,824,120	114,008	23.38%	2.79%	19.37%	2.40%	44,936	\$31.01	10,512	(46,086)
CLASS B	2,165,186	55,518	16.92%	1.75%	15.31%	1.43%	31,029	\$22.88	(23,215)	(61,571)
NORTH	13,031,560	94,432	25.58%	4.70%	21.64%	2.13%	175,545	\$25.29	(16,721)	(178,658)
CLASS A	9,769,059	150,293	26.21%	4.79%	22.86%	2.58%	175,545	\$25.99	11,551	(154,310)
CLASS B	3,262,501	44,692	23.70%	4.43%	17.99%	0.78%	51,237	\$22.96	(28,272)	(24,348)
SOUTH	2,735,527	82,895	24.60%	2.03%	15.17%	1.42%	42,872	\$27.66	(29,197)	(39,104)
CLASS A	1,093,725	156,246	24.31%	4.47%	6.04%	3.43%	42,872	\$35.04	(7,858)	(1,167)
CLASS B	1,641,802	63,146	24.78%	0.41%	21.25%	0.08%	24,620	\$22.84	(21,339)	(37,937)
NORTHWEST	24,947,174	125,996	36.26%	3.19%	32.37%	1.41%	1,300,000	\$22.73	(102,089)	(602,387)
I-355	2,967,003	148,350	29.66%	3.89%	27.77%	1.97%	319,129	\$24.54	(1,698)	1,211
CLASS A	2,565,158	213,763	31.98%	3.82%	29.93%	1.60%	319,129	\$25.01	(586)	(105)
CLASS B	401,845	50,231	14.89%	4.34%	13.98%	4.34%	34,416	\$17.98	(1,112)	1,316
SCHAUMBURG	21,980,171	123,484	37.15%	3.09%	32.99%	1.33%	1,300,000	\$22.53	(100,391)	(603,598)
CLASS A	13,919,176	284,065	35.44%	4.04%	30.14%	1.73%	1,300,000	\$25.32	(92,815)	(371,968)
CLASS B	8,060,995	62,488	40.10%	1.46%	37.93%	0.65%	360,206	\$18.28	(7,576)	(231,630)
O'HARE	13,105,033	139,415	20.25%	1.78%	15.01%	0.54%	112,105	\$28.82	(27,024)	(44,788)
CLASS A	7,567,014	210,195	21.39%	2.31%	14.48%	0.61%	112,105	\$33.87	(17,438)	(44,788)
CLASS B	5,538,019	95,483	18.69%	1.06%	15.72%	0.43%	39,485	\$20.93	(9,586)	(22,511)

RENT PSF, CLASS A & B OFFICE



SUBMARKET VACANCY & ABSORPTION



ECONOMIC INDICATORS

	Q4/2019	Q4/2020
Consumer Confidence Index (CCI)	126.5	88.6
US Unemployment	3.30%	6.40%
Cook County Unemployment Rate	3.10%	7.90%
DuPage County Unemployment Rate	2.30%	5.40%
Lake County Unemployment Rate	3.50%	5.70%

SALES TRANSACTIONS

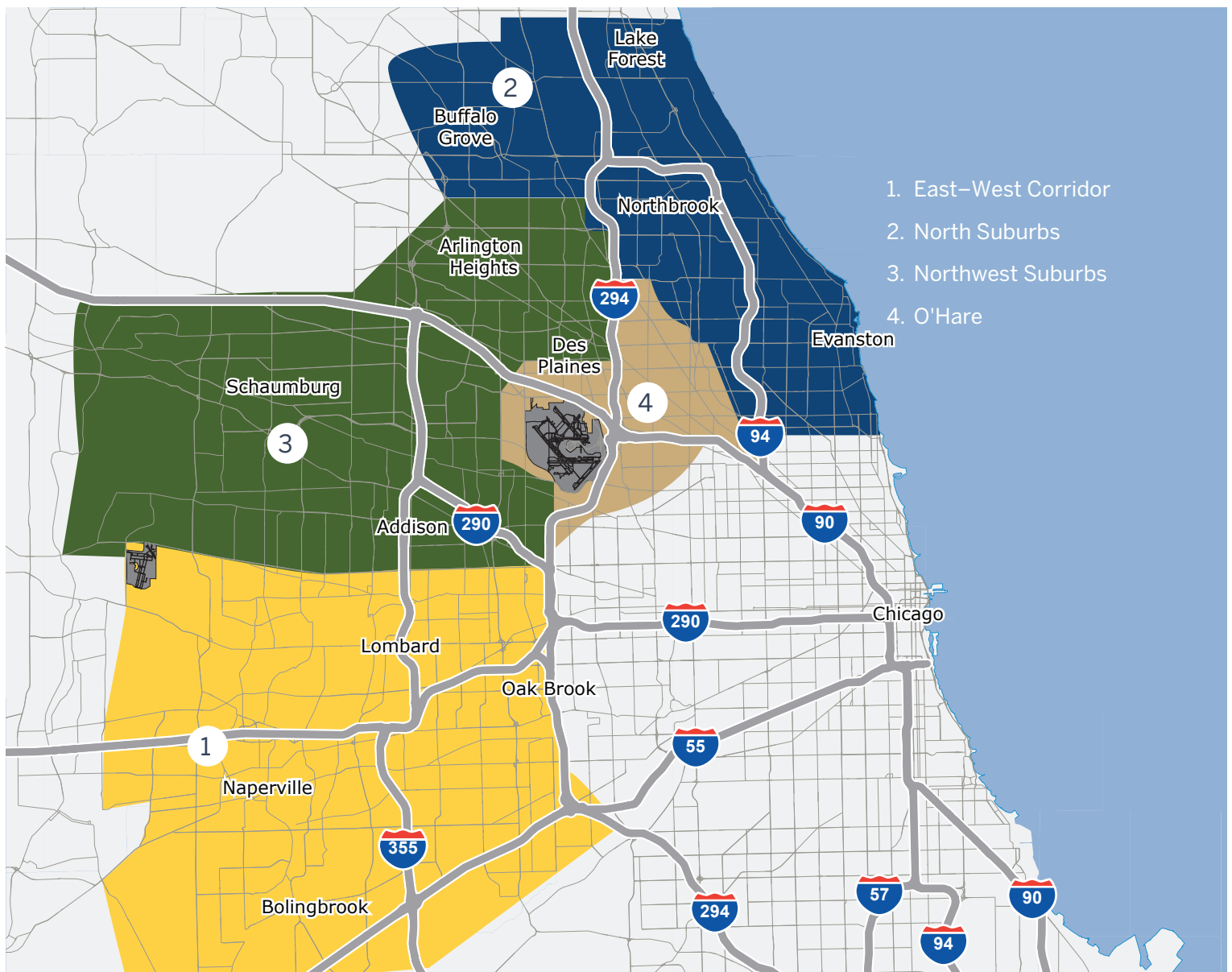
PROPERTY	SUBMARKET	SF	BUYER	SELLER	SALES PRICE
1900 Field Court, Lake Forest	N-North	268,000	CAI Investments	Pactiv Evergreen	\$43,000,000
Commerce Point I & II, Arlington Heights	Schaumburg	236,789	TA Realty	Midland Loan Services, Rialto Mtg Fin	\$6,978,000
3333 Finley, Downers Grove	E-EW Corridor	211,000	BAIA	Lone Star Funds	\$43,000,000
7770 N. Frontage, Skokie	S-North	160,000	Arie Crown Hebrew Day School	Forsythe Technology	\$9,000,000
Salt Creek Medical Campus, Hinsdale	E-EW Corridor	157,000	MBRE Healthcare & Kayne Anderson RE	MedProperties Group	\$51,000,000

MAJOR LEASE TRANSACTIONS

ADDRESS	CITY	SUBMARKET	TENANT	SIZE (SF)	DEAL TYPE
One O'Hare Centre	Rosemont	O'Hare	Reyes Holdings	141,000	Renewal
Corporate Center I	Northbrook	C-North	Stepan Chemical	72,750	Sublease
Deerpath Office Park	Vernon Hills	N-North	Canon Medical Systems USA	71,089	Renewal
Woodfield Preserve I	Schaumburg	Schaumburg	RSM	51,616	Renewal
8550 W. Bryn Mawr	Chicago	O'Hare	Newly Weds Foods	44,511	New
The Reserve at Deer Park	Deer Park	N-North	Logical Position	42,000	Move-in

LARGE AVAILABLE SUBLEASES

SUBLESSOR	PROPERTY	SUBMARKET	CLASS	SIZE (SF)
Capital One	Atrium	Schaumburg Area	A	164,709
DeVry University	Highland Landmark V	E-EW CORRIDOR	A	104,000
Houghton Mifflin Harcourt	One Pierce Place	I-355	A	93,893
Old World Industries	West Plaza	Schaumburg Area	A	81,991
HSBC	Northwest Crossings	Schaumburg Area	A	81,982
United Healthcare	Corridors Two	E-EW CORRIDOR	A	61,876
Middough	Oak Brook Pointe	E-EW CORRIDOR	A	47,000



1. East-West Corridor
2. North Suburbs
3. Northwest Suburbs
4. O'Hare