



**DIRECT AVAILABILITY RATE: 14.05%**



**DIRECT VACANCY RATE: 9.35%**



**DIRECT GROSS ASKING RENT: \$41.79**

## Office demand remains strong in Chicago's CBD

### Almost one million square feet absorbed in 2019

#### Asking rates rise while vacancy drops

On a local level, and reflecting the nation's positive momentum of record-breaking economic growth, the gross average asking rates in the Chicago Central Business District (CBD) increased \$2.06 p.s.f. year over year to finish the second quarter of 2019 at \$41.79 p.s.f. Over the same period, direct vacancy dropped 1.1% to 9.4 %<sup>1</sup> and direct availability fell 0.6% to 14.1%.<sup>2</sup>

#### Tenant demand remains steady

After recording 161,561 s.f. of solid positive absorption during the first quarter of 2019, the CBD absorbed an additional 796,185 s.f. in the second quarter. Notable leases in the second quarter included the KPMG expansion at Aon Center for 280,000 s.f., the City of Chicago's new lease at 2 N. LaSalle for 222,000 s.f., and WeWork's three new leases at 167 N. Green, 625 W. Adams, and 1 S. Dearborn, totaling almost 300,000 s.f. With the recent announcement of Uber's plan to call the Old Post Office home (450,000 s.f.), it is anticipated the third quarter will continue this upward absorption trend.

#### Where does the CBD market go from here?

According to a report published in June by the Brookings Institute, 90% of the nation's job growth over the past ten years occurred in only four urban cores — of which Chicago was second — and predicting this positive employment trend to continue. It is clear that local developers agree, as three million s.f. of new office product is scheduled to be delivered by year-end, with an additional six million s.f. stated to come online by the end of 2023. As the inventory grows and more trophy space becomes available in the coming years, the overall market should experience a rise in vacancy and availability rates, causing the average asking rates and the net absorption to flatten.

1. Going forward, vacancy rates are expressed as vacant and available only vs. vacant, leased, and unleased.

2. 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 River West. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the past four quarters.

### COMPARE & CONTRAST

	CHICAGO		NATIONAL
Market Sales Price	\$323.00	>	\$313.00
Cap Rate	6.00%	<	6.60%
Asking Rate	\$41.79	>	\$33.15
Gross Availability Rate	15.99%	>	13.20%
Population Growth	4.70%	>	0.70%

### ECONOMIC INDICATORS

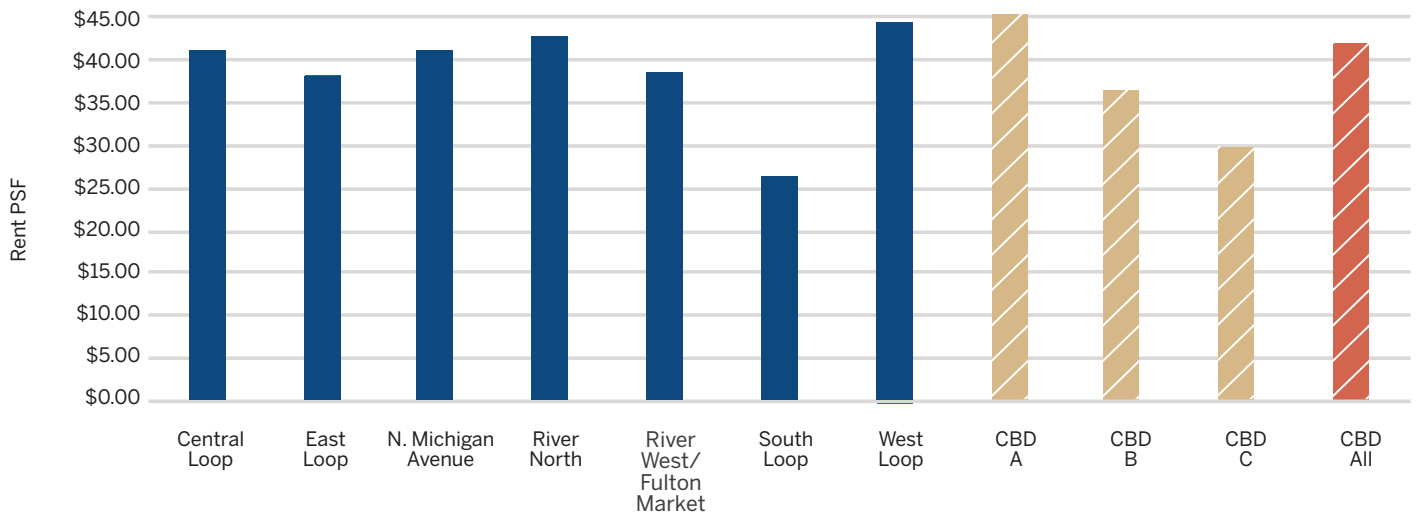
	Q2/18		Q2/19
Consumer Confidence Index	126.4	>	121.5
U.S. Unemployment	3.80%	>	3.60%
Cook County Unemployment	3.40%	<	3.60%

# DOWNTOWN CHICAGO Q2 2019

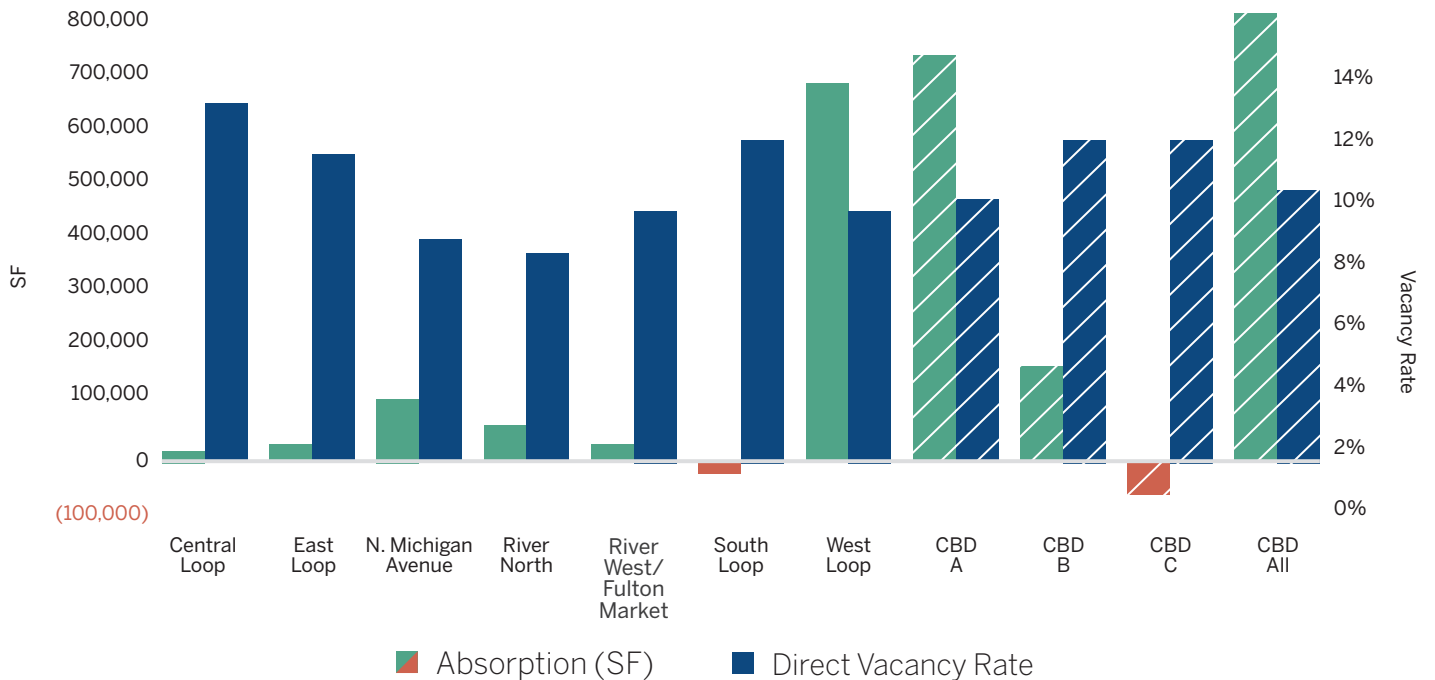
	INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABLE RATE (%)	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	MAX BUILDING CONTIGUOUS SPACE (SF)	GROSS WEIGHTED ASKING RENT (DIRECT)	DIRECT NET ABSORPTION Q2/19 (SF)	DIRECT NET ABSORPTION YTD (SF)
<b>CBD</b>	<b>147,799,495</b>	<b>356,143</b>	<b>14.05%</b>	<b>1.94%</b>	<b>9.35%</b>	<b>0.88%</b>	<b>298,929</b>	<b>\$41.79</b>	<b>796,185</b>	<b>957,746</b>
CLASS A	90,569,338	90,569,338	14.13%	1.43%	9.03%	0.59%	257,971	\$45.26	715,198	812,799
CLASS B	50,114,719	50,114,719	14.07%	2.90%	9.76%	1.43%	298,929	\$36.50	134,540	227,109
CLASS C	7,115,438	7,115,438	12.98%	1.74%	10.49%	0.81%	41,000	\$29.46	(53,553)	(82,162)
<b>CENTRAL LOOP</b>	<b>36,332,057</b>	<b>36,332,057</b>	<b>16.50%</b>	<b>1.76%</b>	<b>11.82%</b>	<b>1.08%</b>	<b>217,625</b>	<b>\$40.94</b>	<b>(1,065)</b>	<b>19,504</b>
CLASS A	21,616,700	21,616,700	16.67%	1.16%	11.64%	0.77%	198,038	\$43.31	(20,922)	(52,600)
CLASS B	13,861,336	13,861,336	16.37%	2.74%	12.04%	1.58%	217,625	\$40.94	9,980	77,593
CLASS C	854,021	854,021	14.38%	0.72%	12.78%	0.65%	11,351	\$30.91	9,877	(5,489)
<b>EAST LOOP</b>	<b>25,496,528</b>	<b>25,496,528</b>	<b>15.53%</b>	<b>1.64%</b>	<b>10.11%</b>	<b>1.04%</b>	<b>158,525</b>	<b>\$37.92</b>	<b>12,357</b>	<b>24,694</b>
CLASS A	15,815,828	15,815,828	15.23%	1.40%	9.39%	0.81%	158,525	\$41.82	74,654	59,026
CLASS B	7,292,839	7,292,839	17.68%	2.45%	12.26%	1.86%	105,000	\$34.44	(27,820)	32,047
CLASS C	2,387,861	2,387,861	10.92%	0.78%	8.24%	0.05%	22,646	\$41.16	(34,477)	(66,379)
<b>N. MICHIGAN AVENUE</b>	<b>11,814,361</b>	<b>11,814,361</b>	<b>10.34%</b>	<b>1.21%</b>	<b>7.97%</b>	<b>0.42%</b>	<b>164,453</b>	<b>\$41.16</b>	<b>68,733</b>	<b>63,552</b>
CLASS A	7,097,518	7,097,518	10.26%	0.46%	7.98%	0.22%	164,453	\$42.84	58,559	82,911
CLASS B	4,716,843	4,716,843	10.46%	2.34%	7.94%	0.73%	30,000	\$38.84	10,174	(19,359)
<b>RIVER NORTH</b>	<b>16,690,688</b>	<b>16,690,688</b>	<b>11.16%</b>	<b>2.40%</b>	<b>6.70%</b>	<b>1.30%</b>	<b>209,803</b>	<b>\$42.55</b>	<b>47,222</b>	<b>(1,720)</b>
CLASS A	5,320,571	5,320,571	12.42%	1.11%	5.15%	0.19%	209,803	\$53.18	53,666	62,043
CLASS B	9,717,793	9,717,793	9.52%	3.07%	6.41%	1.85%	112,241	\$38.13	(3,193)	(52,255)
CLASS C	1,652,324	1,652,324	16.77%	2.61%	13.35%	1.65%	24,810	\$27.81	(3,251)	(11,508)
<b>RIVER WEST/ FULTON MARKET</b>	<b>4,624,672</b>	<b>4,624,672</b>	<b>11.96%</b>	<b>0.74%</b>	<b>8.61%</b>	<b>0.54%</b>	<b>37,436</b>	<b>\$38.44</b>	<b>6,692</b>	<b>99,626</b>
CLASS A	1,783,506	1,783,506	8.43%	0.00%	6.11%	0.00%	37,436	\$52.73	62,521	122,250
CLASS B	2,022,769	2,022,769	14.61%	1.61%	9.62%	1.13%	24,628	\$34.04	(27,512)	(7,152)
CLASS C	818,397	818,397	13.08%	0.24%	11.58%	0.24%	19,451	\$36.94	(28,317)	(15,472)
<b>SOUTH LOOP</b>	<b>1,312,778</b>	<b>1,312,778</b>	<b>12.08%</b>	<b>1.10%</b>	<b>10.82%</b>	<b>0.61%</b>	<b>26,404</b>	<b>\$26.33</b>	<b>(7,667)</b>	<b>(12,827)</b>
CLASS B	1,087,879	1,087,879	12.95%	1.33%	11.43%	0.74%	26,404	\$26.91	(9,498)	(14,658)
CLASS C	224,899	224,899	7.87%	0.00%	7.87%	0.00%	8,216	\$23.13	1,831	1,831
<b>WEST LOOP</b>	<b>51,528,411</b>	<b>51,528,411</b>	<b>13.62%</b>	<b>2.36%</b>	<b>8.43%</b>	<b>0.68%</b>	<b>298,929</b>	<b>\$44.31</b>	<b>669,913</b>	<b>764,917</b>
CLASS A	38,935,215	38,935,215	13.47%	1.87%	8.29%	0.54%	257,971	\$46.64	486,720	539,169
CLASS B	11,415,260	11,415,260	14.35%	3.83%	8.85%	1.02%	298,929	\$37.30	182,409	210,893
CLASS C	1,177,936	1,177,936	11.74%	4.55%	9.10%	1.83%	41,000	\$30.48	784	14,855

# DOWNTOWN CHICAGO Q2 2019

### WEIGHTED ASKING RENT (DIRECT)



### SUBMARKET VACANCY & ABSORPTION



# DOWNTOWN CHICAGO Q2 2019

## NOTEWORTHY LEASES

TENANT	PROPERTY	SUBMARKET	SIZE (SF)	TYPE
City of Chicago	2 N. LaSalle	Central Loop	222,000	New
WeWork	167 N. Green*	River West/Fulton Market	140,000	New
Federal Home Loan Bank of Chicago	Old Post Office*	West Loop	125,000	New
Perkins Coie	110 W. Wacker*	West Loop	100,000	New
WeWork	625 W. Adams	West Loop	90,000	New

\*Under construction

## SALES TRANSACTIONS

PROPERTY	SUBMARKET	SIZE (SF)	BUYER	SELLER	PRICE/UNIT
19 S. LaSalle	Central Loop	156,718	Ruben Espinoza	Columbus Properties	\$140.00 PSF
900 W. Randolph	River West/ Fulton Market	90,344	Asana Partners	Acadia Realty Trust	\$460.00 PSF
233 W. Erie	N. Michigan Avenue	71,336	Healthcare Trust of America	Streeterville Center, LLC	\$487.00 PSF
1400 W. Fulton	River West/ Fulton Market	33,000	NARE & Belgravia Group	Aries Capital & Campbell Street Asset Management	\$318.00 PSF

