



**DIRECT AVAILABILITY RATE: 25.11%**



**DIRECT VACANCY RATE: 19.16%**



**DIRECT GROSS ASKING RENT: \$24.76**

## Suburban office market sends mixed messages

### Building class, location disparities persist

#### Vacancy and availability continued to rise

By mid-year 2019, Chicagoland’s suburban sublease office availability rate — an indicator of upcoming leasing trends — stood at a healthy 1.83% rate. Yet across the board, modest increases persisted in the direct availability and vacancy rates as they climbed to 25.11% from 25.07% and 19.16% from 18.01%,<sup>1</sup> respectively, and absorption dropped to negative 613,681 s.f. from the positive 570,746 s.f. posted at 2018’s year-end — an almost 1.2 million-s.f. swing.<sup>2</sup> Average asking rates increased marginally over the same period to \$24.76 p.s.f. from \$24.11 p.s.f. Highlighting the growing gap between Class A and B product, this quarter’s overall direct asking rate for Class A office space stood at \$27.45 p.s.f. — an over \$7 p.s.f. differential from Class B’s direct asking rate of \$20.16 p.s.f. (see “Rent PSF, Class A & B Office”).

#### The Leaders

During the first half of 2019, the southern portion of the North Suburban market, along with O’Hare and the east portion of the East/West Corridor, saw the lowest vacancy numbers in the suburbs at 7.43%, 10.37%, and 12.82%, respectively. The two largest leases this year were both in the Eastern portion of the East/West Corridor with Edward-Elmhurst Health committing to 188,000 s.f. at 4201 Winfield in Warrenville and JLL’s new 67,000-s.f. suburban home at Oakmont Point in Westmont. The suburban landlords that embarked upon large-scale capital investments in common areas and amenity packages saw their investments reap the benefits with well-leased projects. Prime examples included President’s Plaza and Triangle Plaza (O’Hare); One National Plaza at Woodfield (Northwest); Bannockburn Lakes I (North); and 840 S. Frontage, Executive Towers West, 1900 Spring, and 1111 W. 22nd (East/West Corridor).

#### The Laggards

The continued struggle of both the Northwest and the northern portion of the North Suburban markets — with direct vacancy rates of 28.14% and 21.17%, respectively — negatively impacted the overall health of the suburban market. While it appears that the former AT&T Campus (1.3 million s.f.) will be removed from

the market and redeveloped, it is anticipated the 800,000 s.f. of Takeda’s former home in Deerfield may be added to the market during the second half of 2019.

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

The suburban office market is defined not only by occupancy levels and absorption, but also by the nuances of location, traffic patterns and capital improvements. Investment sales overall are down significantly following an active 2018, and the inevitable real estate tax increases within Cook County will leave a significant delta between the buyers’ and sellers’ opinions of value. On a positive note, the lack of new construction coupled with continued job growth should be strong indicators that vacancy and availability rates will decrease, and absorption will turn positive in the near term with average asking rates remaining relatively flat.

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

2. Current and historical property data were compiled from CoStar with these parameters: 20,000 square feet or more; representative cities within each submarket; and 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.

### COMPARE & CONTRAST

	CBD A&B ONLY		SUBURBAN A&B ONLY
Direct Availability % < 50K SF	9.98%	<	16.99%
Sublet Availability	1.95%	>	1.83%
Lowest Asking Rent	\$19.50, N. Michigan Avenue	>	\$9.38, Arlington Heights
Highest Asking Rent	\$70.79, River North	>	\$41.84, Northbrook
YTD Absorption (SF)	1,039,908	>	(565,221)

# CHICAGO SUBURBS Q2 2019

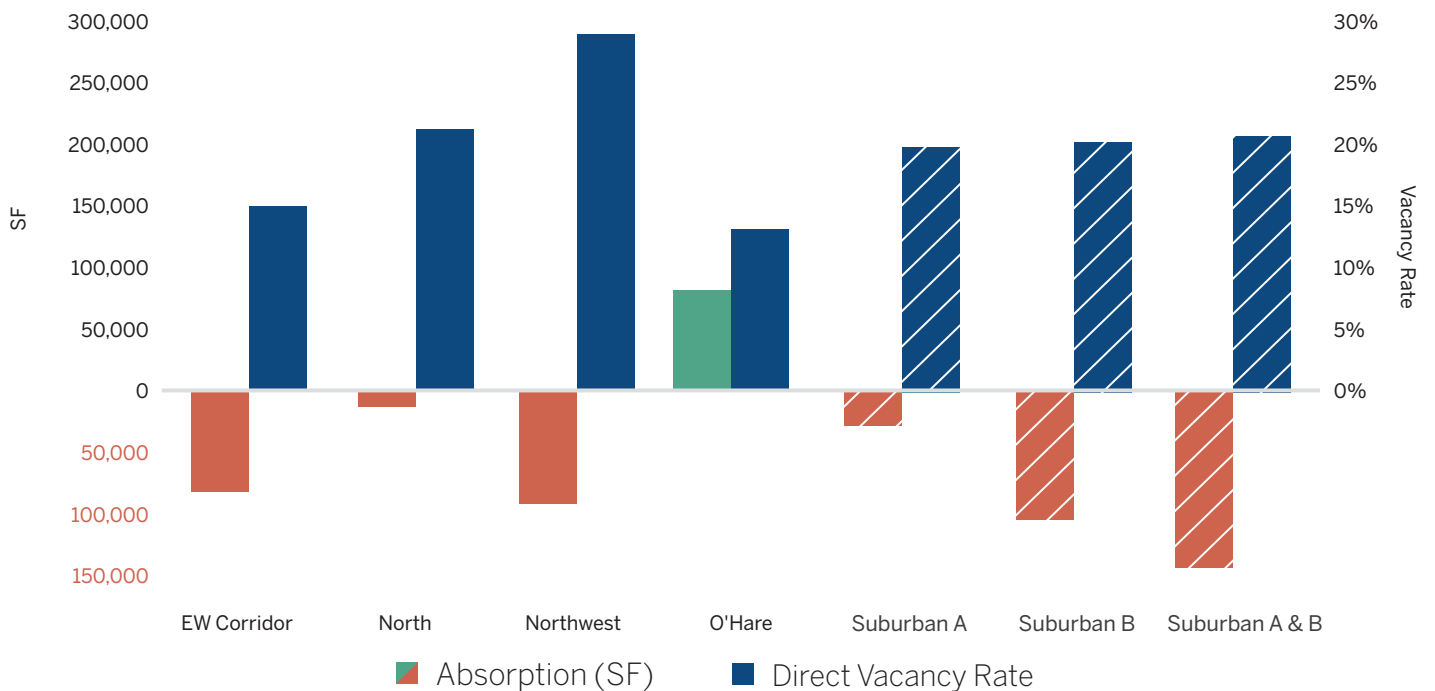
	WEIGHTED AVERAGE ASKING RENT (DIRECT)	INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABLE RATE (%)	SUBLET AVAILABLE RATE (%)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	MAX BUILDING CONTIGUOUS SPACE	DIRECT NET ABSORPTION Q2/19	DIRECT NET ABSORPTION YTD
<b>ALL SUBURBAN</b>	<b>\$24.76</b>	<b>94,398,776</b>	<b>105,356</b>	<b>25.11%</b>	<b>1.83%</b>	<b>19.16%</b>	<b>0.87%</b>	<b>1,622,213</b>	<b>(147,587)</b>	<b>(613,681)</b>
CLASS A	\$27.45	59,342,114	197,150	25.55%	2.52%	18.97%	1.11%	1,622,213	(33,594)	(95,792)
CLASS B	\$20.16	35,056,662	58,919	24.39%	0.66%	19.49%	0.46%	1,622,213	(113,993)	(517,889)
<b>EAST-WEST CORRIDOR</b>	<b>\$24.70</b>	<b>35,747,287</b>	<b>95,581</b>	<b>20.58%</b>	<b>1.60%</b>	<b>14.26%</b>	<b>0.89%</b>	<b>299,572</b>	<b>(122,553)</b>	<b>(355,161)</b>
<b>EAST</b>	<b>\$25.26</b>	<b>20,678,613</b>	<b>102,879</b>	<b>19.77%</b>	<b>1.67%</b>	<b>14.70%</b>	<b>1.08%</b>	<b>184,524</b>	<b>(129,542)</b>	<b>(272,366)</b>
CLASS A	\$29.36	12,397,033	210,119	18.21%	2.38%	12.82%	1.50%	184,524	18,886	(61,066)
CLASS B	\$19.59	8,281,580	58,321	22.12%	0.61%	17.52%	0.45%	127,446	(148,428)	(211,300)
<b>SOUTH</b>	<b>\$20.97</b>	<b>1,125,440</b>	<b>70,340</b>	<b>20.29%</b>	<b>0.00%</b>	<b>15.25%</b>	<b>0.00%</b>	<b>90,000</b>	<b>(9,319)</b>	<b>(21,489)</b>
CLASS A	\$21.34	694,478	115,746	19.08%	0.00%	19.08%	0.00%	90,000	(16,013)	(20,168)
CLASS B	\$20.44	430,962	43,096	22.24%	0.00%	9.09%	0.00%	44,321	6,694	(1,321)
<b>WEST</b>	<b>\$24.07</b>	<b>13,549,646</b>	<b>90,937</b>	<b>22.24%</b>	<b>1.65%</b>	<b>13.71%</b>	<b>0.69%</b>	<b>299,572</b>	<b>20,209</b>	<b>(54,151)</b>
CLASS A	\$26.06	7,950,204	180,686	23.22%	2.13%	14.08%	0.72%	299,572	15,903	(13,400)
CLASS B	\$20.62	5,599,442	53,328	20.84%	0.98%	13.20%	0.66%	136,000	4,306	(40,751)
<b>NORTHERN</b>	<b>\$25.87</b>	<b>20,798,399</b>	<b>92,028</b>	<b>27.46%</b>	<b>2.77%</b>	<b>21.17%</b>	<b>1.14%</b>	<b>266,886</b>	<b>(11,697)</b>	<b>(129,890)</b>
<b>CENTRAL</b>	<b>\$26.30</b>	<b>4,385,531</b>	<b>79,737</b>	<b>25.36%</b>	<b>3.02%</b>	<b>18.81%</b>	<b>1.90%</b>	<b>205,724</b>	<b>7,403</b>	<b>29,081</b>
CLASS A	\$28.82	2,184,895	121,383	27.73%	5.57%	22.81%	3.41%	168,167	2,454	26,029
CLASS B	\$22.30	2,200,636	59,477	23.01%	0.48%	14.84%	0.41%	205,724	4,949	3,052
<b>NORTH</b>	<b>\$25.66</b>	<b>13,826,866</b>	<b>99,474</b>	<b>27.92%</b>	<b>2.94%</b>	<b>22.07%</b>	<b>0.83%</b>	<b>266,886</b>	<b>5,046</b>	<b>(107,813)</b>
CLASS A	\$27.82	10,761,604	160,621	29.27%	3.44%	23.47%	0.81%	266,886	8,166	(60,783)
CLASS B	\$20.27	3,065,262	42,573	23.18%	1.20%	17.14%	0.92%	98,105	(3,120)	(47,030)
<b>SOUTH</b>	<b>\$26.31</b>	<b>2,586,002</b>	<b>80,813</b>	<b>28.55%</b>	<b>1.45%</b>	<b>20.38%</b>	<b>1.45%</b>	<b>120,463</b>	<b>(24,146)</b>	<b>(51,158)</b>
CLASS A	\$34.86	934,841	155,807	17.63%	4.02%	7.43%	4.02%	120,463	(4,007)	15,459
CLASS B	\$22.67	1,651,161	63,506	34.74%	0.00%	27.71%	0.00%	90,500	(20,139)	(66,617)
<b>NORTHWEST</b>	<b>\$23.43</b>	<b>24,870,246</b>	<b>122,514</b>	<b>33.41%</b>	<b>1.54%</b>	<b>28.14%</b>	<b>0.76%</b>	<b>1,622,213</b>	<b>(101,022)</b>	<b>(194,868)</b>
<b>I-355</b>	<b>\$24.76</b>	<b>3,863,868</b>	<b>137,995</b>	<b>26.57%</b>	<b>1.71%</b>	<b>24.51%</b>	<b>0.12%</b>	<b>289,554</b>	<b>42,022</b>	<b>58,562</b>
CLASS A	\$25.43	3,255,797	191,517	28.49%	2.03%	26.30%	0.14%	289,554	33,395	33,513
CLASS B	\$24.63	608,071	55,279	16.28%	0.00%	14.89%	0.00%	16,697	8,627	25,049
<b>SCHAUMBURG</b>	<b>\$23.24</b>	<b>21,006,378</b>	<b>120,036</b>	<b>34.67%</b>	<b>1.51%</b>	<b>28.81%</b>	<b>0.88%</b>	<b>1,622,213</b>	<b>(143,044)</b>	<b>(253,430)</b>
CLASS A	\$25.29	13,228,150	281,450	35.03%	1.84%	27.54%	1.05%	1,622,213	(139,488)	(91,465)
CLASS B	\$19.86	7,778,228	60,767	34.06%	0.96%	30.97%	0.60%	1,622,213	(3,556)	(161,965)
<b>O'HARE</b>	<b>\$28.10</b>	<b>12,982,844</b>	<b>139,600</b>	<b>17.95%</b>	<b>1.52%</b>	<b>12.26%</b>	<b>0.57%</b>	<b>139,685</b>	<b>87,685</b>	<b>66,238</b>
CLASS A	\$32.99	7,935,112	214,462	18.17%	2.43%	10.37%	0.89%	139,685	47,110	76,089
CLASS B	\$19.98	5,047,732	90,138	17.61%	0.09%	15.23%	0.06%	47,847	40,575	(9,851)

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## RENT PSF, CLASS A & B OFFICE



## SUBMARKET VACANCY & ABSORPTION



# CHICAGO SUBURBS Q2 2019

## ECONOMIC INDICATORS

	Q2/18		Q2/19
Consumer Confidence Index	126.4	>	121.5
<b>U.S. Unemployment</b>	3.80%	>	3.60%
- Cook County	3.40%	<	3.60%
- DuPage County / Arlington Heights	2.60%	<	2.80%
- Lake County	3.80%	>	3.40%

## NOTEWORTHY LEASES

TENANT	PROPERTY	SUBMARKET	SIZE (SF)	TYPE
ACCO Brands	4 Kemper, Long Grove Kemper Lakes Business Center	N-Northern	189,092	Renewal
Edward-Elmhurst Health	4201 Winfield, Warrenville Former Navistar HQ	W-EW Corridor	188,000	New
JLL	700 Oakmont, Westmont Oakmont Point	E-EW Corridor	67,000	New
National Louis University	850 – 950 Warrenville, Lisle Corporetum Office Campus	W-EW Corridor	57,350	Renewal
Culligan	9399 W. Higgins, Rosemont Riverway West	O'Hare	53,133	Renewal

## SALES TRANSACTIONS

PROPERTY	SUBMARKET	SIZE (SF)	BUYER	SELLER	SALES PRICE
Lakewood Center, former AT&T HQ	Schaumburg	1,690,214	Triangle Capital Group, Somerset Development	C-III Capital Partners	\$20.3 M
Former McDonald's HQ	E-EW Corridor	331,630	John Paul Deloria	McDonald's	\$21.6 M
Westwood of Lisle	W-EW Corridor	296,486	Briar Meads Capital	Griffin Capital	\$26.1 M
2400 Cabot, former CA Technologies	W-EW Corridor	202,500	2400 Cabot Lisle LLC	GlenStar Properties, Walton Street Capital	\$2.6 M
Washington Pointe	W-EW Corridor	163,623	Valley Equity Group	The Davis Cos	\$23.7 M

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