



DIRECT AVAILABILITY RATE: **14.02%**



DIRECT VACANCY RATE: **9.3%**



DIRECT GROSS ASKING RENT: **\$42.37**

DIRECT ASKING RATES RISE AS AVAILABILITY & VACANCY DIP ACROSS THE LOOP'S OFFICE MARKET

During the third quarter, Chicago's Central Business District (CBD) office leasing velocity continued this year's steady pace. Gross average asking rates increased by \$0.58 p.s.f. to \$42.37 p.s.f. since last quarter, while direct availability and vacancy rates dropped marginally three and five basis points to 14.02% and 9.30%, respectively. Over the same time period, sublet availability ticked up by six basis points to 2.00% as sublet vacancy dropped by 14 basis points to 0.74%.¹

Three of five largest leases snub existing space for Old PO Redevelopment

Uber, Cboe, and Federal Home Loan Bank of Chicago all signed leases to occupy 463,000 s.f., 130,009 s.f., and 185,000 s.f., respectively, at the redeveloped Old Post Office (October 2019 delivery), while Jones Day inked a deal for 120,000 s.f. at the currently under-construction 110 N. Wacker. Within the existing office supply and earning both tenants naming rights, West Monroe Partners committed to relocate to 311 W. Monroe and double its footprint to 208,000 s.f., while Accenture tripled its existing office space to 226,000 s.f. at 500 W. Madison. In addition to heavy leasing activity throughout the market over the past three months, the CBD saw over 400,000 s.f. of positive absorption, bringing the year-to-date total to almost 1.26 million s.f.

Where does the CBD go from here?

According to DLA Piper's recent industry-wide survey, 20% stated Chicago was a top-five city for future investment.² This news is heartening considering the third quarter's sales transactions, a low not seen in over eight years. Most likely, the dip in local office building investment was more a product of uncertainty resulting from the upcoming changes in Cook County tax assessment procedures than the market's overall health. In one notable sale, Shapack Partners sold 811 W. Fulton for \$774.00 p.s.f. to Intercontinental

Real Estate, a market high for properties over 40,000 s.f. In both sales and leases, West Loop and Fulton Market assets handsomely outperformed their peer submarkets. In addition, Class B and C sublease availability rates rose above 2.00% — signaling trouble ahead for the less-modernized spaces. With the re-opening of the Old Post Office in October and 4.2 million s.f. scheduled to be delivered in 2020, the overall market should experience paradoxical bumps resulting in rising asking rents, availability, vacancy, and square footage absorbed.

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.

2. DLA Piper 15th Global Real Estate Summit Annual State of the Market Survey, September 24, 2019. Page 10.

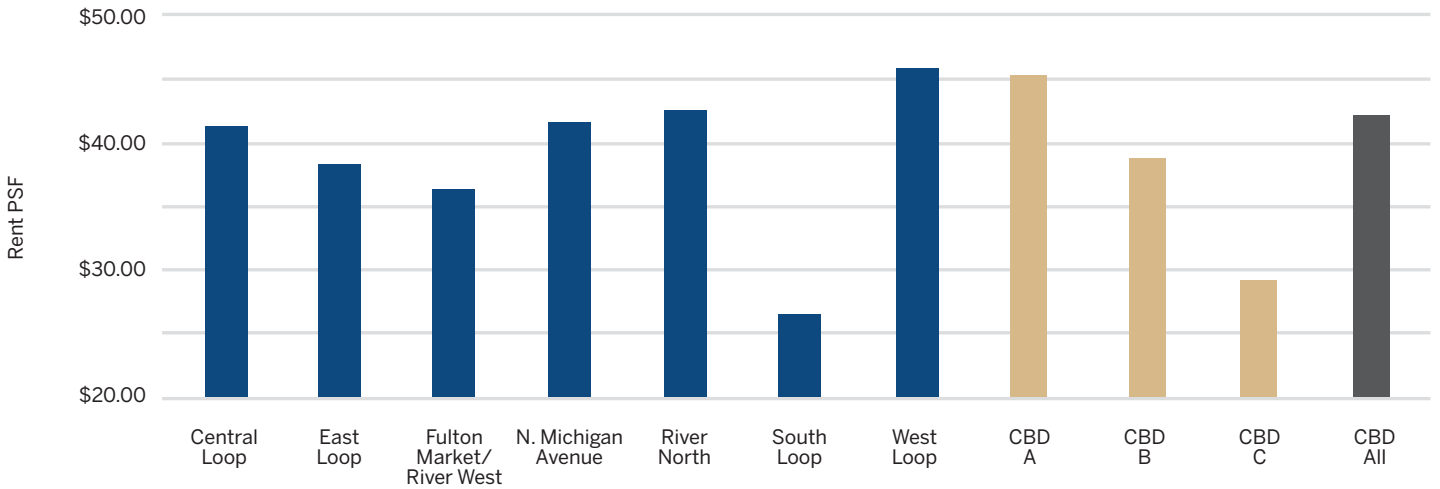
ECONOMIC INDICATORS			
	Q3/18		Q3/19
Consumer Confidence Index	138.4	>	125.1
U.S. Unemployment	3.90%	>	3.80%
Cook County Unemployment	4.10%	>	3.80%

BY THE NUMBERS			
	CHICAGO		NATIONAL
Market Sales Price	\$327.00	>	\$317.00
Cap Rate	6.10%	<	6.70%
Asking Rate	\$42.37	>	\$33.62
Gross Availability Rate	16.02%	>	13.20%

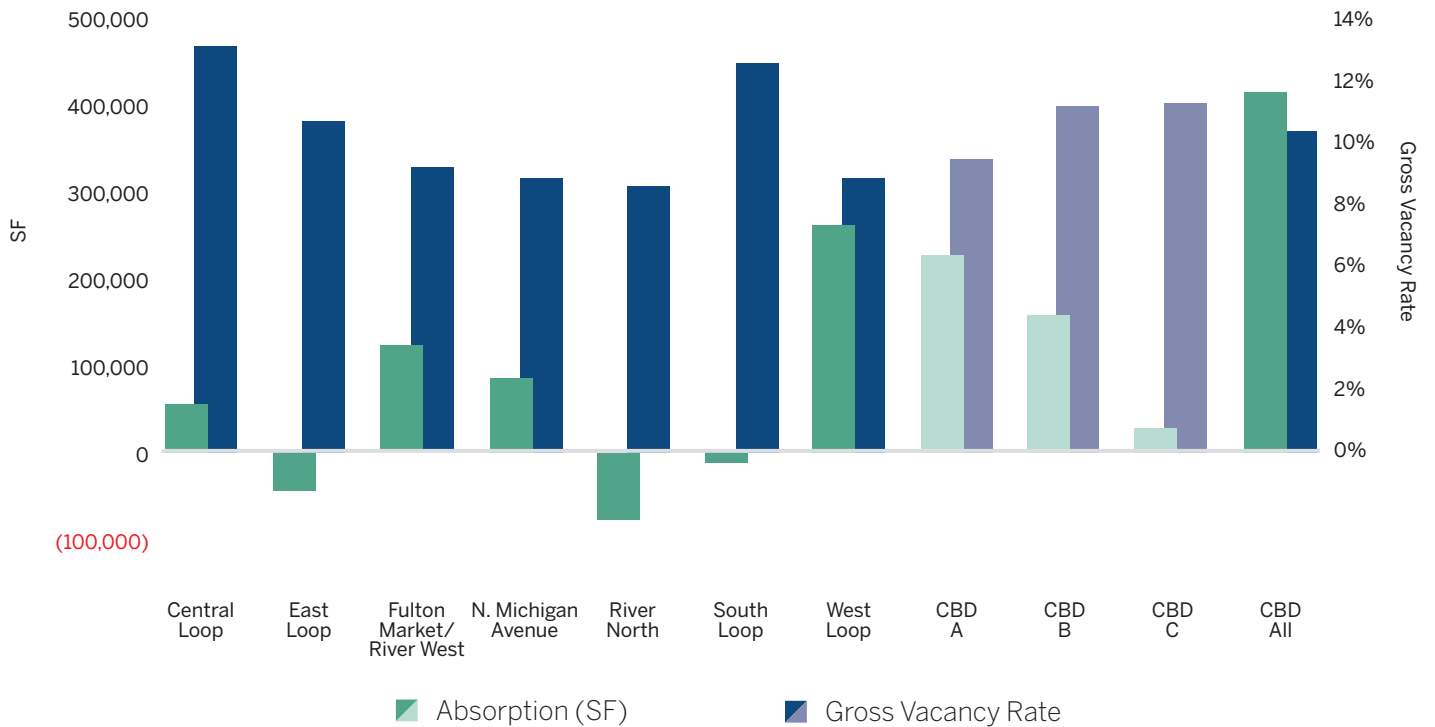
DOWNTOWN CHICAGO Q3 2019

	INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABLE RATE (%)	SUBLET AVAILABLE RATE (%)	DIRECT VACANCY RATE (%)	SUBLET VACANCY RATE (%)	MAX BUILDING CONTIGUOUS SPACE	GROSS WEIGHTED ASKING RENTS (DIRECT)	DIRECT NET ABSORPTION Q3/2019	DIRECT NET ABSORPTION YTD
CBD	147,887,851	356,141	14.02%	2.00%	9.30%	0.74%	422,000	\$42.37	402,062	1,257,481
CLASS A	89,700,466	758,935	14.49%	1.77%	8.78%	0.59%	422,000	\$45.28	243,732	1,057,556
CLASS B	51,286,429	249,071	13.47%	2.37%	10.06%	1.03%	270,123	\$38.46	142,578	249,845
CLASS C	6,900,956	121,042	13.41%	2.13%	10.56%	0.62%	34,243	\$29.18	15,752	(49,920)
CENTRAL LOOP	36,332,057	492,898	17.42%	1.54%	12.47%	0.54%	217,625	\$41.21	36,181	29,182
CLASS A	20,664,141	732,552	19.07%	1.17%	12.73%	0.47%	198,038	\$43.59	(112,687)	(235,745)
CLASS B	15,013,719	409,747	15.33%	2.08%	12.16%	0.62%	217,625	\$36.80	148,816	246,578
CLASS C	654,197	167,950	13.35%	0.69%	11.22%	0.84%	11,050	\$29.57	52	18,349
EAST LOOP	25,534,821	462,625	14.78%	1.65%	10.03%	0.98%	158,525	\$38.20	(35,194)	(7,667)
CLASS A	15,815,828	950,655	14.87%	1.54%	9.78%	0.91%	158,525	\$41.41	(93,108)	(53,718)
CLASS B	7,309,939	358,572	16.33%	2.25%	11.50%	1.40%	105,000	\$34.75	34,257	88,773
CLASS C	2,409,054	171,549	9.51%	0.57%	7.21%	0.10%	22,646	\$27.83	23,657	(42,722)
FULTON MARKET / RIVER WEST	4,677,583	189,554	11.46%	0.97%	8.75%	0.60%	37,436	\$36.78	116,801	214,587
CLASS A	1,783,506	368,339	7.15%	0.00%	5.14%	0.00%	37,436	\$55.00	135,121	257,371
CLASS B	2,026,769	151,623	14.18%	2.06%	10.08%	1.30%	24,614	\$33.85	(15,174)	(22,326)
CLASS C	867,308	172,592	13.98%	0.38%	13.06%	0.21%	19,451	\$32.38	(3,146)	(20,458)
N. MICHIGAN AVENUE	11,806,912	332,167	10.17%	1.17%	7.83%	0.77%	164,453	\$41.38	90,049	153,601
CLASS A	7,408,895	535,730	10.16%	1.09%	7.78%	0.73%	164,453	\$43.02	87,126	160,576
CLASS B	4,398,017	211,880	10.19%	1.29%	7.92%	0.83%	30,000	\$38.68	2,923	(6,975)
RIVER NORTH	16,699,984	197,764	11.12%	2.34%	7.01%	1.15%	255,667	\$42.39	(65,598)	(66,808)
CLASS A	5,320,571	900,898	12.37%	1.03%	5.86%	0.19%	255,667	\$53.32	(60,743)	17,929
CLASS B	9,727,089	170,369	9.55%	3.02%	6.45%	1.66%	112,552	\$37.92	(10,240)	(71,978)
CLASS C	1,652,324	86,661	16.35%	2.54%	14.07%	1.22%	27,798	\$28.27	5,385	(12,759)
SOUTH LOOP	1,312,050	150,133	12.87%	1.11%	11.42%	0.61%	26,404	\$26.26	(7,822)	(20,649)
CLASS B	1,087,151	199,432	13.29%	1.33%	12.16%	0.74%	26,404	\$26.40	(7,822)	(22,480)
CLASS C	224,899	51,537	10.85%	0.00%	7.87%	0.00%	8,216	\$25.69	0	1,831
WEST LOOP	51,524,444	482,873	13.52%	2.68%	7.79%	0.65%	422,000	\$45.68	267,645	955,235
CLASS A	38,707,525	823,820	13.34%	2.50%	7.02%	0.57%	422,000	\$46.77	288,023	911,143
CLASS B	11,723,745	277,066	13.70%	2.82%	10.06%	0.85%	270,123	\$43.70	(10,182)	38,253
CLASS C	1,093,174	68,033	17.64%	7.64%	10.84%	1.15%	34,243	\$30.73	(10,196)	5,839

WEIGHTED ASKING RENT (DIRECT)



SUBMARKET GROSS VACANCY RATE AND ABSORPTION

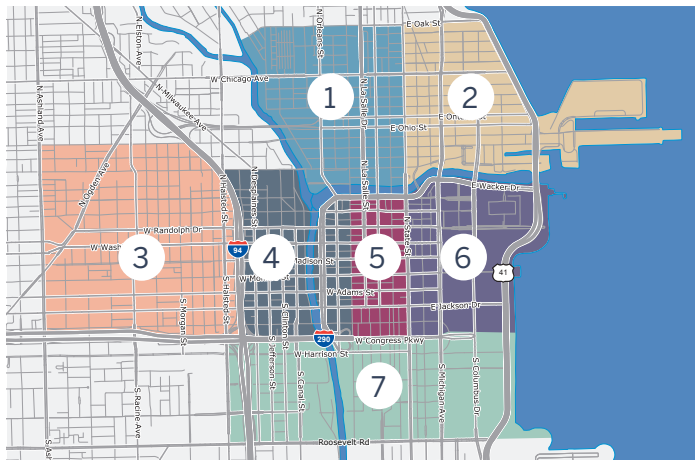


NOTEWORTHY LEASES				
TENANT	PROPERTY	SUBMARKET	SIZE (SF)	TYPE
Uber	Old Post Office*	West Loop	463,000	New
Accenture	Accenture Tower	West Loop	226,000	Expansion
West Monroe Partners	311 W. Monroe	West Loop	208,000	New
Cboe Global Markets	Old Post Office*	West Loop	185,000	New
Federal Home Loan Bank of Chicago	Old Post Office*	West Loop	130,000	New
Jones Day	110 W. Wacker*	West Loop	120,000	New

*Under construction

SELECT SALES TRANSACTIONS					
PROPERTY	SUBMARKET	SIZE (SF)	BUYER	SELLER	PRICE/UNIT
111 W. Washington	Central Loop	584,149	Golub	Alliance Partners	\$137 PSF*
55 E. Jackson	East Loop	450,105	Firenze Group	Marc Realty	\$141 PSF*
200 S. Michigan	East Loop	359,560	Stanton Road Capital & Third Lake Capital	Alliance Partners, Revidi ReDev Equities	\$187 PSF*
1330 W. Fulton	Fulton Market/River West	290,475	Commerz Real	JP Morgan Asset Management	\$578 PSF
641 W. Lake/ 901 W. Jackson/ 130 S. Jefferson**	Fulton Market/River West	244,659	Heitman	R2 Companies	\$273 PSF

*Leasehold **Portfolio sale



1. River North 2. N. Michigan Ave. 3. Fulton Market/River West
4. West Loop 5. Central Loop 6. East Loop 7. South Loop

HIGHEST AND LOWEST ASKING RENT		
HIGHEST		
PROPERTY	RENT	OCCUPANCY
300 N. LaSalle	\$73.39 PSF	97%
LOWEST (TWO-WAY TIE)		
PROPERTY	RENT	OCCUPANCY
200 E. Ohio	\$19.50 PSF	89%
560 – 566 W. Lake	\$19.50 PSF	99%