



DIRECT AVAILABILITY RATE: **14.35%**



DIRECT VACANCY RATE: **9.49%**



DIRECT GROSS ASKING RATE: **\$41.25**

CBD OFFICE MARKET ABSORBS OVER 2M SF IN 2019

Predictably, vacancy and availability rates rose across virtually all submarkets as almost 3 million s.f. of Class A office space was delivered during the past three months of 2019 to Chicago's Central Business District (CBD). From the third to the fourth quarters, availability rates rose from 14.02% to 14.35% and direct vacancy rates rose from 9.3% to 9.49%. The newly delivered properties contributed over 1 million s.f. of positive absorption for the quarter—almost 50% of the year's 2.32 million s.f. of absorption. The Old Post Office absorbed just under 350,000 s.f. when Walgreens, Ferrara Candy, and 84.51 Degrees occupied their respective spaces in October. While asking rents contracted in the fourth quarter, year-over-year rates rose from \$40.51 to \$41.25 p.s.f.¹

Tenants drawn to newly constructed and redeveloped properties

As seen in the third quarter, the redeveloped buildings and newly constructed office product dominated the largest lease transactions over the past three months. Pepsico (192,000 s.f.), Cisco Systems (143,000 s.f.), and TrueBlue (83,000 s.f.) committed to occupying the Old Post Office, while Numerator (60,000 s.f.) inked a deal for the upper floors of the historic Marshall Field's building, and Cutler & Chapman (100,000 s.f.) agreed to occupy the under-construction BMO Tower in 2022. These landlords were able to pass through tax breaks on new construction to tenants in order to offset their occupancy costs. As most of the new construction projects are in the West Loop, it was not surprising that most leasing transactions and move-ins occurred there as well.

Where does the CBD go from here?

Although the fourth quarter's 2.6% sublet availability rate for Class B assets was not the year's highest (Q2 posted 2.9%), rates above 2% may continue to be the norm in the CBD. To this point, Uber Freight has listed its 178,000 s.f. of space at 225 W. Randolph for sublease as it prepares to move into 463,000 s.f. at the Old Post Office.

In 2019, Cook County Assessor Fritz Kaegi was elected to correct the apparent arbitrariness which ruled its office for decades. Ironically, it was the unknown bottom-line effects of these changes which most likely caused a near standstill in office building sales during the fourth quarter and for 2019 overall.

New office space construction and redevelopment projects will most likely continue to push availability and vacancy rates upward as 3 million s.f. (West Loop) and 2.4 million s.f. (Fulton Market) are expected to come online within the next two years. Hopefully, space demand will increase as office tenants potentially relocate from either coast to Chicago's more affordable and central location.

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/Near West. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the last four quarters.

ECONOMIC INDICATORS

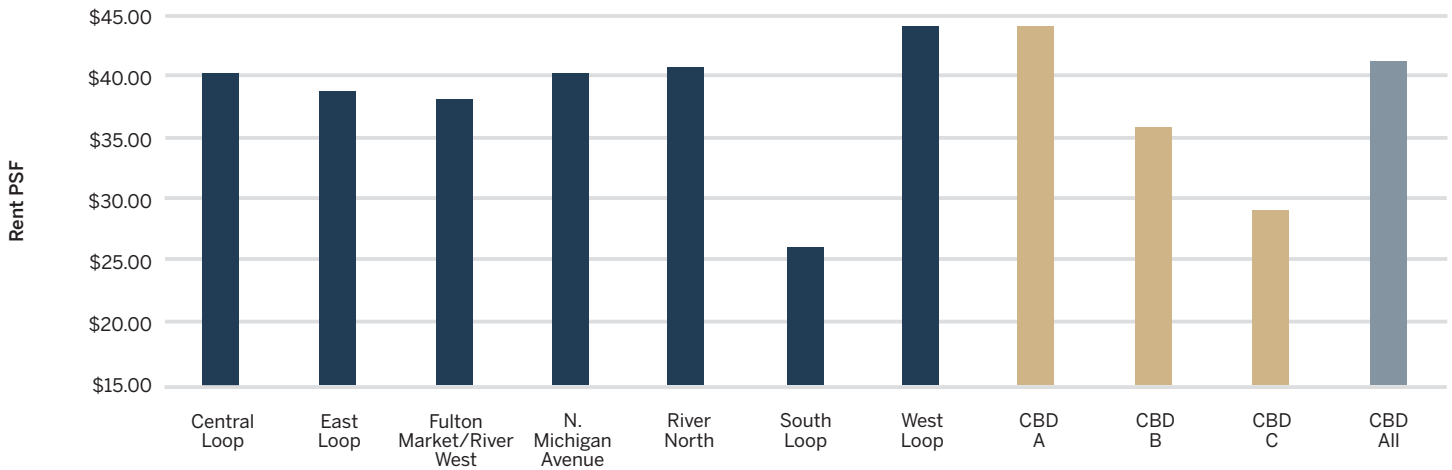
	Q4/18		Q4/19
Consumer Confidence Index	138.4	>	126.5
U.S. Unemployment	3.50%	>	3.30%
Cook County Unemployment	3.80%	>	3.60%
Prime Rate	5.50%	>	4.75%

BY THE NUMBERS

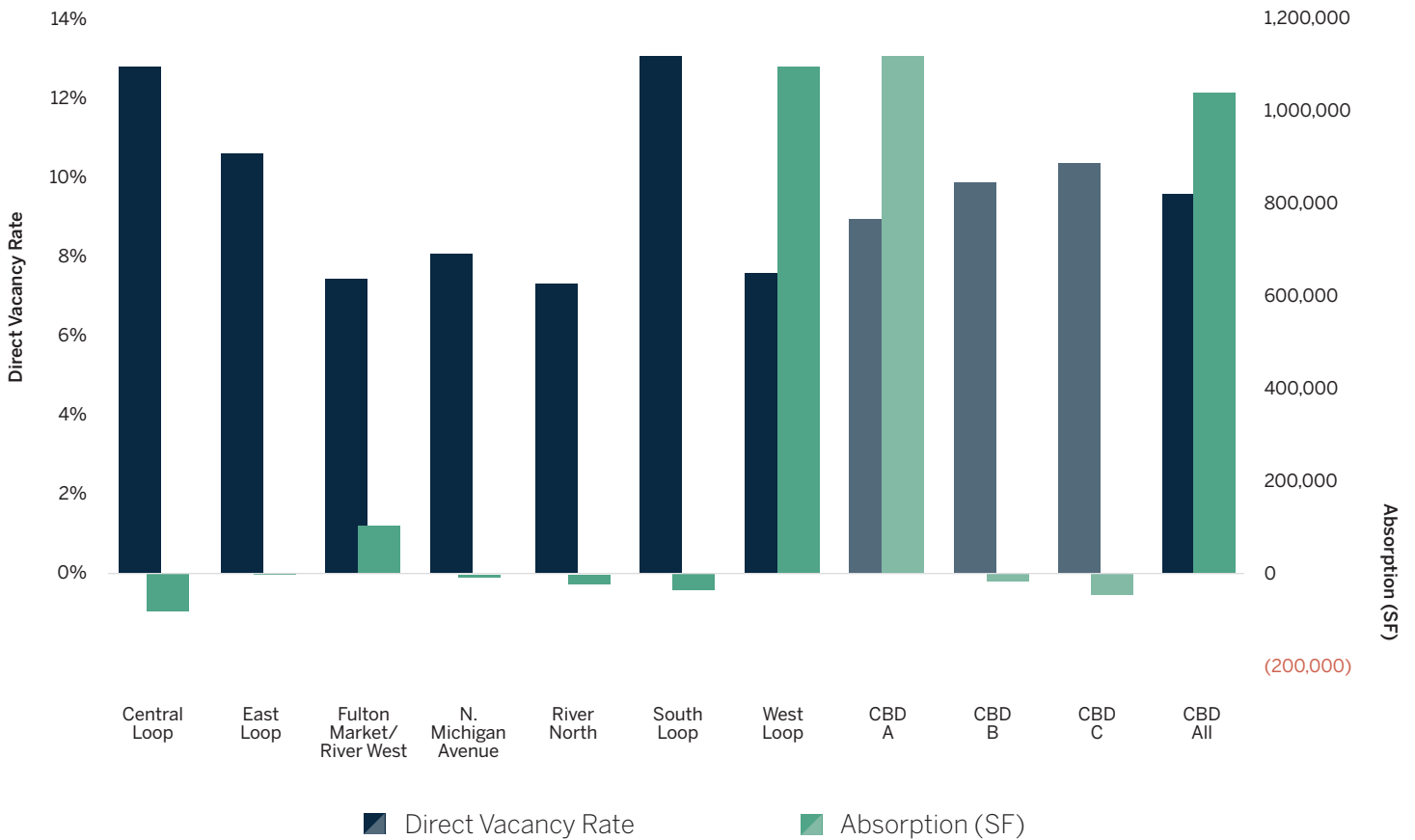
	CHICAGO		NATIONAL
Market sales price	\$328	>	\$318
Cap rate	6.10%	<	6.80%
Asking Rate	\$41.25	>	\$33.88
Gross Availability Rate	16.25%	>	13.10%

	INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABLE RATE (%)	SUBLET AVAILABLE RATE (%)	DIRECT VACANCY RATE (%)	SUBLET VACANCY RATE (%)	MAX BUILDING CONTIGUOUS SPACE (SF)	GROSS ASKING RATE (DIRECT)	DIRECT NET ABSORPTION Q4/19 (SF)	DIRECT NET ABSORPTION 2019 (SF)
CBD	151,159,877	360,907	14.35%	1.90%	9.49%	0.78%	422,000	\$41.25	1,124,066	2,315,271
CLASS A	92,688,898	827,579	14.63%	1.51%	9.02%	0.66%	422,000	\$44.74	1,167,182	2,099,599
CLASS B	51,471,022	239,400	13.92%	2.64%	10.17%	0.99%	217,625	\$36.27	(3,020)	289,721
CLASS C	6,999,957	76,739	13.73%	1.63%	10.72%	0.76%	34,243	\$28.21	(40,096)	(74,049)
CENTRAL LOOP	36,505,027	544,851	18.31%	1.48%	12.74%	0.54%	217,625	\$40.33	(82,040)	(27,125)
CLASS A	20,731,771	863,824	20.15%	1.09%	13.28%	0.56%	194,880	\$42.65	(146,403)	(317,217)
CLASS B	14,912,754	451,902	16.01%	2.00%	12.04%	0.52%	217,625	\$36.92	65,550	293,638
CLASS C	860,502	86,050	13.76%	1.78%	11.86%	0.64%	11,050	\$27.40	(1,187)	(3,546)
EAST LOOP	25,542,321	481,931	15.24%	1.69%	10.55%	0.97%	158,525	\$37.98	(2,776)	(21,296)
CLASS A	15,815,828	1,054,389	14.64%	1.46%	9.97%	0.78%	158,525	\$40.86	33,585	(44,311)
CLASS B	7,317,439	365,872	18.18%	2.32%	12.63%	1.48%	105,000	\$35.04	(18,608)	70,165
CLASS C	2,409,054	133,836	10.21%	1.31%	8.06%	0.62%	22,646	\$25.76	(17,753)	(47,150)
FULTON MARKET/ RIVER WEST	5,441,227	98,931	12.58%	0.61%	7.56%	0.51%	80,928	\$37.02	94,694	309,281
CLASS A	2,464,187	273,799	9.35%	0.00%	3.67%	0.00%	80,928	\$42.72	108,686	366,057
CLASS B	2,054,732	68,491	16.09%	1.28%	10.54%	1.28%	33,764	\$34.92	(12,397)	(34,723)
CLASS C	922,308	57,644	13.40%	0.77%	11.29%	0.20%	19,451	\$32.23	(1,595)	(22,053)
N. MICHIGAN AVENUE	11,862,985	338,942	10.83%	1.50%	8.11%	0.62%	108,532	\$40.38	(2,695)	82,553
CLASS A	7,097,518	545,963	9.47%	0.89%	6.41%	0.70%	108,532	\$41.56	1,704	163,059
CLASS B	4,765,467	216,612	12.86%	2.42%	10.65%	0.49%	82,657	\$39.09	(4,399)	(80,506)
RIVER NORTH	16,719,231	172,363	11.59%	2.32%	7.41%	1.22%	255,667	\$40.88	(12,985)	(49,758)
CLASS A	5,320,571	760,082	12.61%	1.28%	6.18%	0.46%	255,667	\$56.12	(7,215)	(38,057)
CLASS B	9,859,306	161,628	10.11%	2.76%	7.10%	1.61%	112,552	\$34.02	(16,102)	(29,745)
CLASS C	1,539,354	53,081	17.45%	3.07%	13.60%	1.34%	27,798	\$27.81	10,332	18,044
SOUTH LOOP	1,312,050	109,338	13.94%	0.37%	13.20%	0.37%	26,404	\$26.26	(18,859)	(39,508)
CLASS B	1,087,151	135,894	14.78%	0.44%	13.89%	0.44%	26,404	\$26.70	(14,359)	(36,839)
CLASS C	224,899	56,225	9.87%	0.00%	9.87%	0.00%	8,216	\$24.11	(4,500)	(2,669)
WEST LOOP	53,777,036	538,370	13.05%	2.41%	7.83%	0.78%	422,000	\$44.88	1,148,727	2,061,124
CLASS A	41,259,023	937,705	13.31%	1.97%	7.64%	0.72%	422,000	\$47.05	1,176,825	1,970,068
CLASS B	11,474,173	279,858	11.73%	4.10%	8.20%	0.96%	79,588	\$37.83	(2,705)	107,731
CLASS C	1,043,840	73,589	17.49%	1.21%	11.33%	1.00%	34,243	\$30.31	(25,393)	(16,675)

WEIGHTED ASKING RENT (DIRECT)



SUBMARKET VACANCY & ABSORPTION



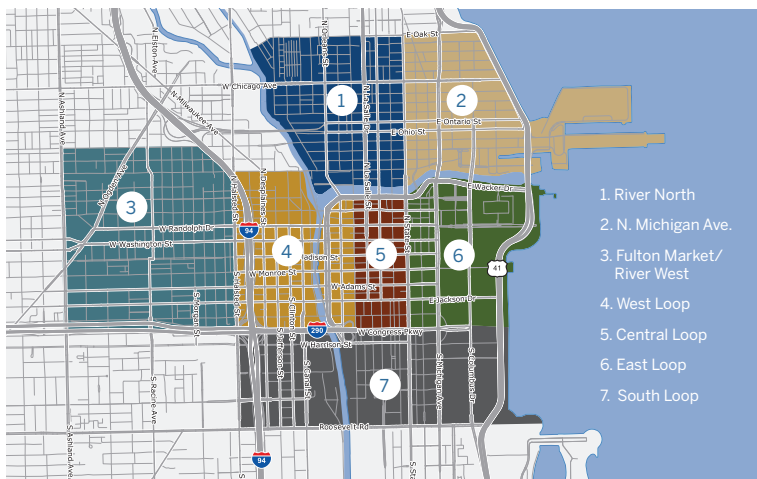
MAJOR LEASE TRANSACTIONS

TENANT	LOCATION	SUBMARKET	SIZE (SF)	TYPE
Pepsico/The Purchase	Old Post Office	West Loop	192,000	New
Cisco	Old Post Office	West Loop	143,302	New
Huron	Union Tower	West Loop	134,000	Renewal
Cutler and Chapman	BMO Tower	West Loop	100,000	New
Invenergy	1 S. Wacker	West Loop	100,000	Expansion
TrueBlue	Old Post Office	West Loop	83,000	New
iManage	71 S. Wacker	West Loop	80,000	New
Numerator	Top Floors, Marshall Field Building*	East Loop	60,000	New
Toast	515 N. State	NMA	50,000	New
FBRK	200 W. Madison	West Loop	45,000	New

* Under construction

SELECT SALES TRANSACTIONS

SUBMARKET	LOCATION	RENTABLE BUILDING AREA	BUYER	SELLER	PRICE PSF
West Loop	500 W. Monroe	973,100 RSF	Spear Street Capital	Piedmont Office Realty Trust	\$423 PSF
Central Loop	190 S. LaSalle	799,000 RSF	Beacon Capital Partners	Tishman Speyer	\$288 PSF
River North	435 N. LaSalle	50,000 RSF	435 N. LaSalle LLC	MC Management & Elmdale Partners	\$340 PSF



HIGHEST AND LOWEST ASKING RENT

HIGHEST RENT		
PROPERTY	RENT	OCCUPANCY
300 N. LaSalle	\$68.96 PSF	97%
LOWEST ASKING RENT		
PROPERTY	RENT	OCCUPANCY
560-566 W. Lake	\$19.50	99%

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