



DIRECT AVAILABILITY RATE: **24.16%**



DIRECT VACANCY RATE: **19.55%**



DIRECT GROSS ASKING RATE: **\$24.73**

## ABSORPTION POSITIVE — RATES HOLD STEADY

The suburban office market saw its overall direct vacancy rate rise from the second quarter's 19.16% to the fourth quarter's 19.55%. The overall direct availability rate dropped from 25.11% to 24.16% over the same period. Large move-ins like Edward-Elmhurst Health occupying 188,000 s.f. in Warrenville (Old Navistar HQ) and Centene Corporation occupying 90,000 s.f. in Burr Ridge (old McGraw Hill HQ) contributed to the positive 331,551 s.f. absorbed during the fourth quarter. Unfortunately, the fourth quarter alone could not counteract the negative absorption of the first three quarters, causing the market to report a deficit of 516,840 s.f. for the year. Asking rates marginally declined by \$0.03 to \$24.73 during the second half of the year as well.<sup>1</sup>

Although the suburban office sales volume this past year was the lowest recorded in 10 years, especially within Cook County, the fourth quarter saw a noticeable uptick, particularly in the E/W Corridor. The principal divergence between the two counties appears to be tax uncertainty. When the Cook County Assessor's office is able to provide potential investors with a modicum amount of predictability, pent-up office product demand should eventually be realized.

1. 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.

### Tight and Stagnant

Even with the Eastern portion of the E/W Corridor and O'Hare submarkets posting availability rates of 19.1% and 18.62%, respectively, by the end of 2019 tenants requiring between 5,000 and 25,000 s.f. had limited options to motivate them to relocate their businesses. The Eastern E/W Corridor posted some of the healthiest direct vacancy rates in the area at 15.57%—despite the office inventory increasing by over 460,000 s.f. when McDonald's vacated Oakbrook for Fulton Market. New leases were inked at One Tower Lane in Oakbrook (Bosch; 110,000 s.f.) and 3333 Finley in Downers Grove (Grant Thornton; 29,000 s.f. and Ally Financial; 21,000 s.f.).

O'Hare was the strongest submarket, with historically high rental rates approaching \$45 p.s.f. and a 13.63% direct vacancy rate. Contributing to its success were the US Foods renewal for 275,000 s.f. at Riverway and TransNational's transition from its sublet to new lease for 73,000 s.f. at 9550 W. Higgins.

### Refurbished and Unfilled

Tenants considering a move to Schaumburg and the northern portion of the Northern suburban submarkets were commonly faced with an overabundance of renovated and value-priced office supply, leaving them with a plethora of choices. The largest lease in the northern suburbs signed during 2019's second half was at Six Parkway North in Deerfield when Lundbeck expanded by a third to occupy 73,000 s.f.

### Where does the Suburban Market go from here?

A new permutation on the satellite office trend (one office in the suburbs, one in downtown Chicago) is for tenants to keep their existing headquarters in the suburbs, while also maintaining secondary offices near suburban transportation hubs. This trend should increase the current desirability of the collar East E/W Corridor and O'Hare submarkets.

### ECONOMIC INDICATORS

	Q4/18		Q4/19
Consumer Confidence Index	138.4	>	126.5
U.S. Unemployment	3.70%	>	3.30%
Cook County Unemployment	3.80%	>	3.60%
DuPage County/Arlington Heights Unemployment	2.90%	>	2.70%
Lake County/Kenosha Unemployment	4.50%	=	4.50%
Prime Rate	5.50%	>	4.75%

### BY THE NUMBERS

	A AND B ONLY		CBD		SUBURBAN
Direct Availability	14.38%	<	24.16%		24.16%
Direct Availability < 50,000 SF	5.67%	<	13.79%		13.79%
Sublet Availability	1.91%	<	1.94%		1.94%
Direct Vacancy	9.43%	<	19.55%		19.55%
Direct Vacancy < 50,000 SF	4.21%	<	11.15%		11.15%
Low Asking Rent	\$19.50 PSF	>	\$9.38 PSF		\$9.38 PSF
High Asking Rent	\$68.96 PSF	>	\$44.00 PSF		\$44.00 PSF
QTD Absorption SF	1,124,066	>	(516,840)		(516,840)

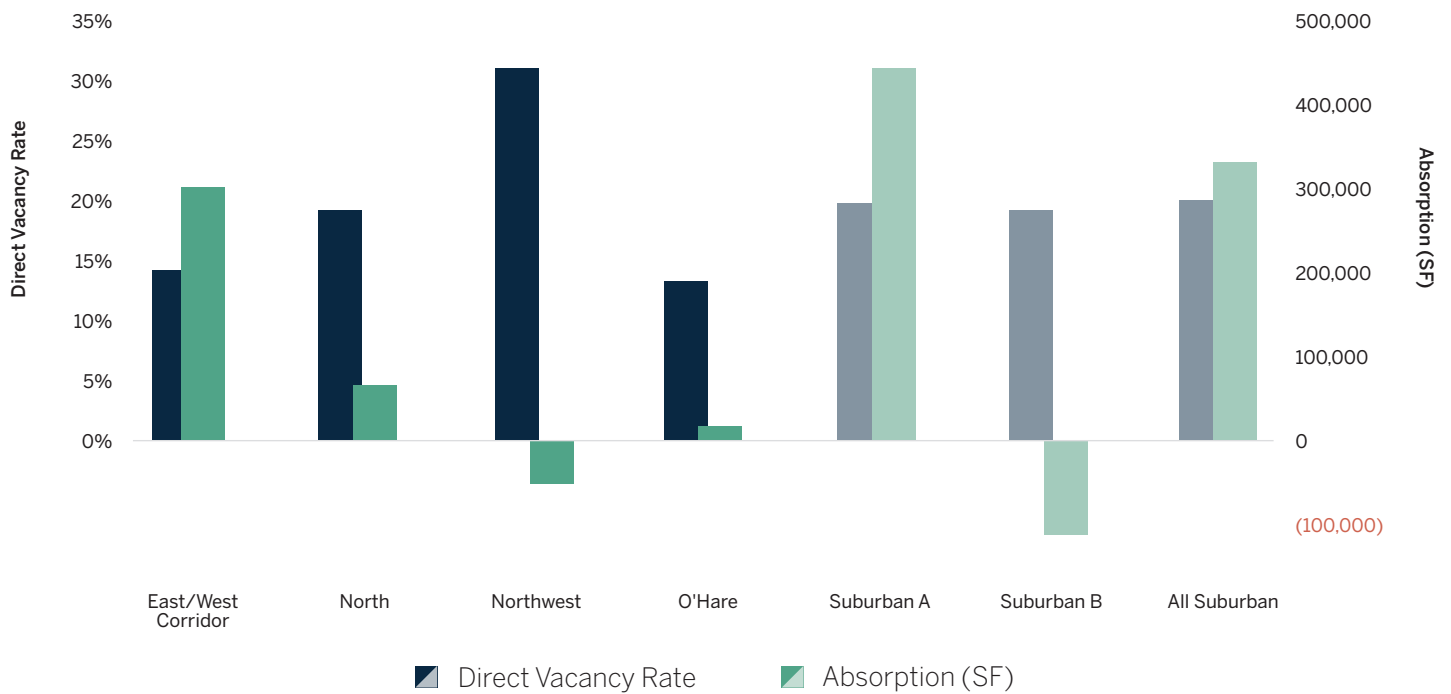
# CHICAGO SUBURBS YEAR-END 2019

	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)
<b>ALL SUBURBAN</b>	92,900,613	105,091	24.16%	1.94%	19.55%	0.86%	1,300,000	\$24.73	331,551	(516,840)
CLASS A	57,236,636	193,367	24.57%	2.80%	19.11%	1.23%	1,300,000	\$27.54	445,367	323,300
CLASS B	35,663,977	60,653	23.52%	0.55%	20.26%	0.27%	360,206	\$20.54	(113,815)	(837,468)
<b>E/W CORRIDOR</b>	35,400,997	95,420	19.88%	1.82%	14.82%	1.13%	331,626	\$24.82	304,964	(116,956)
<b>EAST</b>	21,253,929	106,270	19.16%	1.80%	15.53%	1.38%	331,626	\$25.44	52,721	(223,586)
CLASS A	12,444,263	204,004	18.46%	2.75%	14.92%	2.24%	331,626	\$29.50	55,971	55,758
CLASS B	8,809,666	63,379	20.16%	0.45%	16.39%	0.16%	130,484	\$19.81	(3,250)	(279,344)
<b>SOUTH</b>	1,579,724	60,759	9.25%	0.09%	6.76%	0.09%	44,321	\$21.47	107,381	44,695
CLASS A	694,478	115,746	5.57%	0.00%	5.57%	0.00%	14,533	\$25.78	105,758	73,650
CLASS B	885,246	44,262	12.14%	0.17%	7.69%	0.17%	44,321	\$19.03	1,623	(28,955)
<b>WEST</b>	12,567,344	86,671	22.43%	2.06%	14.64%	0.85%	299,572	\$24.11	144,862	61,935
CLASS A	7,053,375	176,334	25.07%	3.18%	15.22%	1.25%	299,572	\$26.00	187,673	106,631
CLASS B	5,513,969	52,514	19.04%	0.64%	13.90%	0.33%	136,000	\$20.94	(42,811)	(44,696)
<b>NORTH</b>	19,788,547	88,342	22.85%	2.50%	18.63%	1.08%	175,545	\$25.82	67,959	90,818
<b>CENTRAL</b>	4,227,839	78,293	20.66%	4.99%	18.14%	1.60%	168,167	\$27.30	(21,084)	48,421
CLASS A	2,195,895	121,994	26.27%	9.28%	22.59%	2.83%	168,167	\$30.66	(23,982)	50,618
CLASS B	2,031,944	56,443	14.59%	0.35%	13.32%	0.27%	28,550	\$22.47	2,898	(2,197)
<b>NORTH</b>	12,974,706	94,020	22.70%	1.91%	18.50%	0.83%	175,545	\$25.40	99,141	110,511
CLASS A	9,892,820	147,654	22.94%	2.03%	18.12%	0.87%	175,545	\$27.13	86,628	132,701
CLASS B	3,081,886	43,407	21.95%	1.49%	19.74%	0.72%	77,646	\$21.02	12,513	(22,190)
<b>SOUTH</b>	2,586,002	80,813	27.20%	1.45%	20.11%	1.45%	120,463	\$25.54	(10,098)	(68,114)
CLASS A	934,841	155,807	16.16%	4.02%	6.10%	4.02%	120,463	\$33.91	2,407	20,038
CLASS B	1,651,161	63,506	33.45%	0.00%	28.04%	0.00%	90,500	\$22.21	(12,505)	(88,152)
<b>NORTHWEST</b>	24,531,061	126,449	34.49%	2.08%	30.38%	0.47%	1,300,000	\$23.24	(57,038)	(448,189)
<b>I-355</b>	2,829,595	148,926	30.20%	3.21%	27.76%	0.16%	144,801	\$23.93	(27,473)	28,457
CLASS A	2,535,957	211,330	30.70%	3.58%	28.87%	0.18%	144,801	\$24.41	(7,106)	45,174
CLASS B	293,638	41,948	25.86%	0.00%	18.19%	0.00%	22,512	\$19.05	(20,367)	(16,717)
<b>SCHAUMBURG</b>	21,701,466	124,008	35.05%	1.93%	30.72%	0.51%	1,300,000	\$23.15	(29,565)	(476,646)
CLASS A	13,843,921	276,878	34.38%	2.61%	29.14%	0.56%	1,300,000	\$25.52	(3,091)	(225,619)
CLASS B	7,857,545	62,860	36.23%	0.75%	33.50%	0.43%	360,206	\$20.23	(26,474)	(251,027)
<b>O'HARE</b>	13,180,008	138,737	18.43%	1.15%	13.49%	0.52%	139,685	\$27.40	15,667	(39,841)
CLASS A	7,641,086	212,252	18.62%	1.88%	11.23%	0.89%	139,685	\$32.01	41,109	64,349
CLASS B	5,538,922	93,880	18.16%	0.15%	16.60%	0.01%	47,847	\$27.40	(25,442)	(104,190)

## RENT PSF, CLASS A & B OFFICE



## SUBMARKET VACANCY & ABSORPTION



## MAJOR LEASE TRANSACTIONS

TENANT	LOCATION	SUBMARKET	SIZE (SF)	TYPE
US Foods	Riverway, Rosemont	O'Hare	275,000	Renewal
Edward-Elmhurst Health	Old Navistar HQ, Warrenville	W-EW Corridor	188,000	Move-in
Bosch	One Tower Lane, Oakbrook Terrace	E-EW Corridor	110,000	New
Centene Corporation	1333 Burr Ridge Pkwy, Burr Ridge	S-EW Corridor	90,000	New/Move-in
Lundbeck	Parkway North Center, Deerfield	N-North	73,000	Expansion

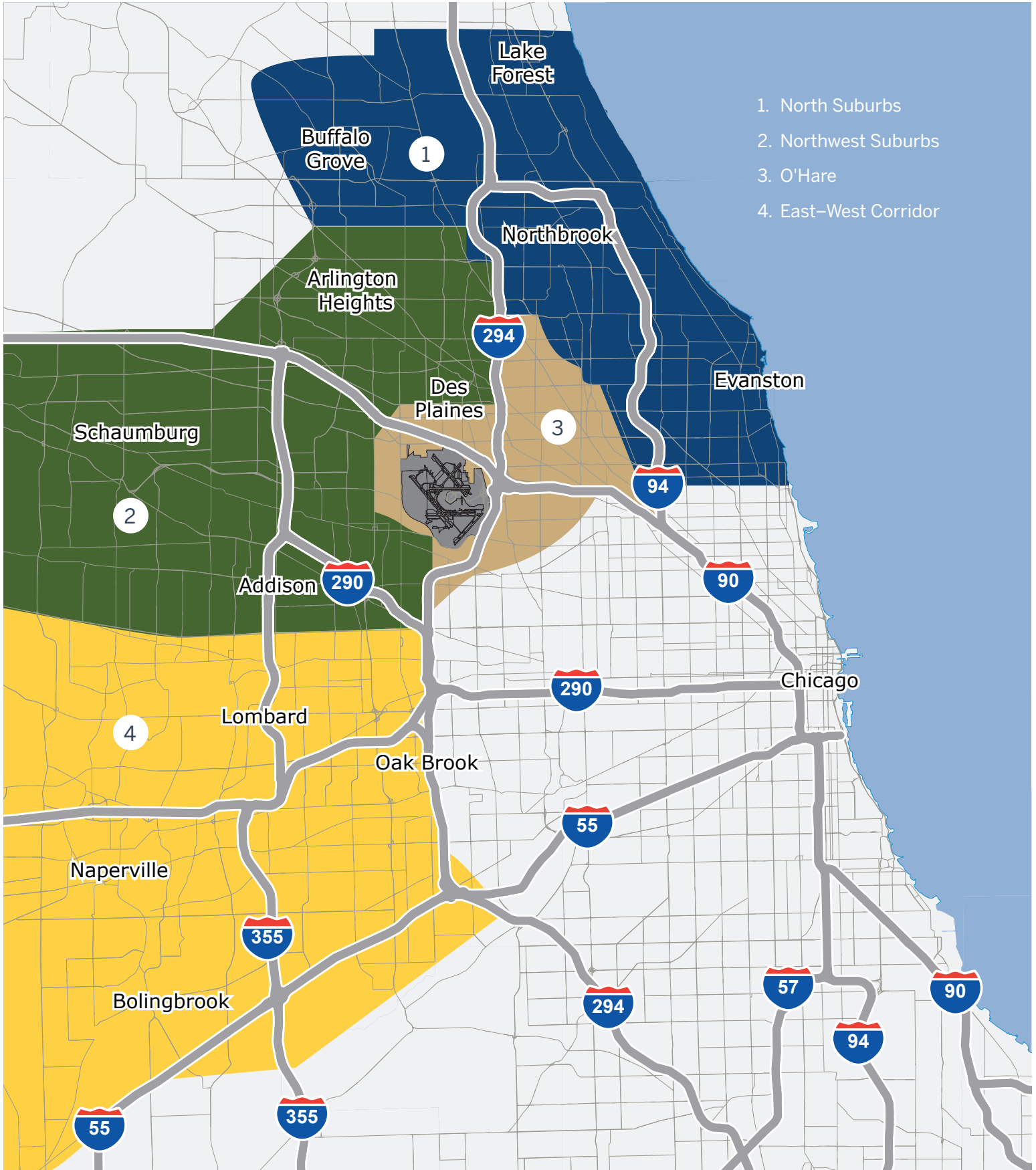
## SELECT SALES TRANSACTIONS

SUBMARKET	LOCATION	RENTABLE BUILDING AREA	BUYER	SELLER	SALES PRICE
E-EW Corridor	Esplanade II, Downers Grove	584,000 RSF	KORE Investments	BentallGreenOak	\$128.5M
O'Hare	5100 River, Schiller Park	331,630 RSF	Group RMC	Colony Capital/Colony Realty Partners	\$16.8M
E-EW Corridor	One Lincoln Centre, Oakbrook Terrace	318,000 RSF	Balfour	Blackstone Group	\$45M
N-North	1717 Deerfield, Deerfield	141,186 RSF	Progressif & Helios Property Mgmt	Brandywine Realty Trust/Equity Commonwealth/Lone Star Funds	\$6.1M
C-North	Prairie Glen Corp Campus, Glenview	115,824 RSF	Property Income Advisors Inc & Lincoln Property	EverWest RE Investors/Alliance Commercial/Lincoln Property	\$16.8M

## CHICAGO MSA JOB SECTORS GAINS AND LOSSES (THOUSANDS)

INDUSTRY	OCTOBER 2019	% CHANGE
Total Nonfarm	4,841.90	0.70%
Leisure and Hospitality	503.8	2.60%
Construction	189.4	-0.90%
Mining & Logging	1.7	6.30%
Information	74.4	-3.90%

Source: US BLS Current Employment Statistics



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