



DIRECT AVAILABILITY RATE: **15.71%**



DIRECT VACANCY RATE: **10.26%**



DIRECT GROSS ASKING RATE: **\$41.49**

LEASING VELOCITY LOWEST IN DECADES, AVAILABILITY AND VACANCY CLIMB IN CHICAGO'S CBD

During Q2/20, the economic fallout from the Illinois shelter-in-place order was felt throughout Chicago's CBD office market. In addition to this quarter recording the lowest leasing activity in over 24 years (with only 0.67% of inventory trading), direct availability and vacancy rates increased from 14.69% to 15.71% and from 9.11% to 10.26%, respectively, while overall direct asking rates declined from \$42.18 p.s.f. to \$41.49 p.s.f., quarter over quarter. The second quarter's negative 540,590 s.f. net absorption was tempered by the nearly 700,000 s.f. of positive net absorption in the first quarter, resulting in over 150,000 s.f. of positive net absorption at the halfway mark of 2020.¹

The second quarter saw a significant uptick in sublease availability from 1.90% to 2.46% — a 23% increase — since the end of 2019. In May, Groupon and CareerBuilder announced they were going to market their substantial blocks of space for sublease: 150,000 s.f. and 85,000 s.f., respectively. Narrative Science and Flexport both put their roughly 40,000-s.f. offices on the market for sublease as they explored the long-term viability of their employees working from home. Aspen Dental placed its current 50,000 s.f. at 1040 W. Randolph onto the sublease market as it moved forward with plans to occupy nearly 200,000 s.f. at 800 W. Fulton. Additionally, CCC Information Systems listed its 125,000 s.f. at River North's theMart for sublease ahead of its relocation to 167 N. Green in Fulton Market.

Office Market Forecasts Marked by Apprehension

Leasing activity and rates. Uncertainty remains the word of the quarter across all business sectors and asset classes. Continuing first-quarter trends, we expect to see more tenants place their spaces on the sublease market, causing a further increase in sublease availability. We believe tenants

with leases expiring in the near term will continue to be more focused on their core businesses, triggering a larger percentage to renew in place and postpone any relocation decisions. Uncertainty is causing tenants to delay any reconfiguration plans and expenses in the near term, hoping a vaccine and/or treatment for Covid-19 soon become a reality. Coupling these trends with the 3.4 million s.f. of office product expected to be delivered over the next 18 months will most likely result in lower rental rates and increased availability and vacancy rates across all asset classes in the CBD.

Investment sales. Overall sales volume was historically low during 2020's second quarter. However, two sizable sales were completed in the CBD, both in mid-May: 905 W. Fulton (100% leased to Mondelez) was acquired by Deka Immobilien at a downtown record price of \$872 p.s.f., and 225 W. Wacker (95.5% occupied) was sold to Spear Street Capital. For the foreseeable future, we expect sales volume to remain low until confidence in the office market improves and a sense of asset value realigns for both sellers and buyers.

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.

ECONOMIC INDICATORS		
	Q1/19	Q2/20
Consumer Confidence Index	124.1	> 98.1
U.S. Unemployment (4 Week Moving Average, June)	219,000	< 1,500,250
Pandemic Emergency Unemployment Compensation Claims (Last Week of June)	N/A	< 36,561
Cook County Unemployment (Last Week of June)	14,776	< 93,559
Prime Rate	5.50%	> 3.25%

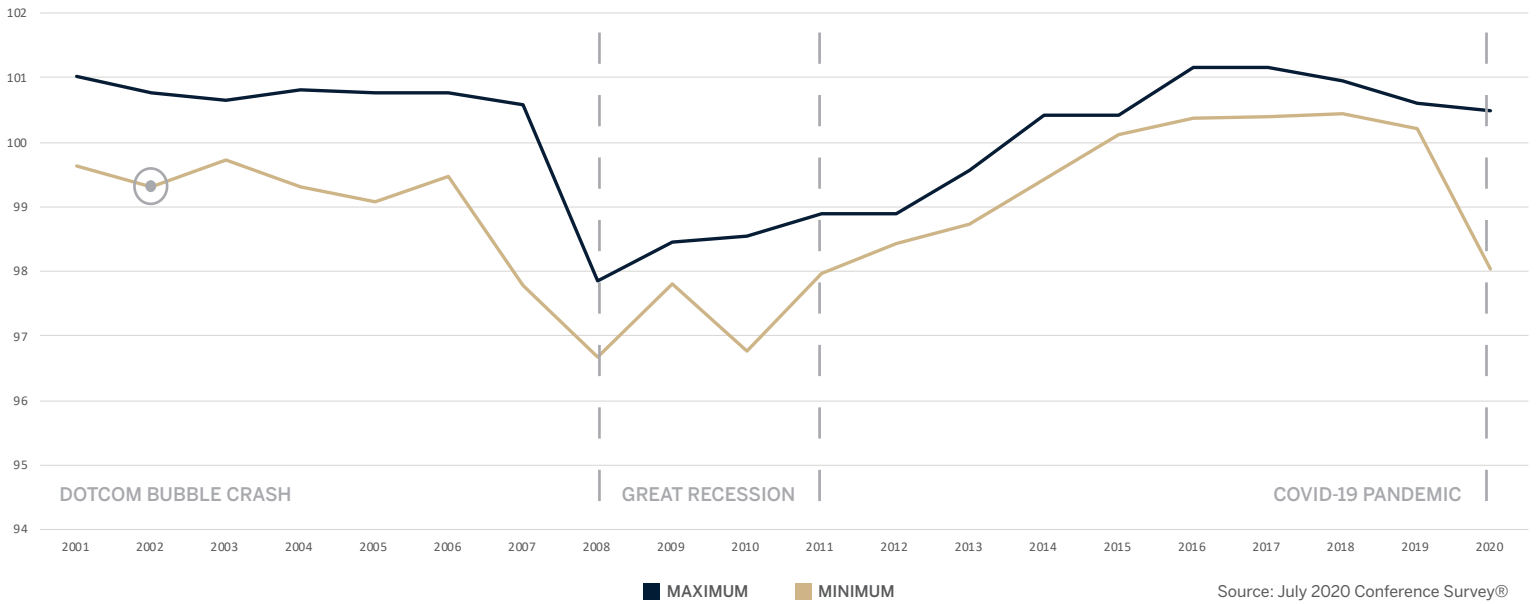
BY THE NUMBERS			
	CHICAGO		NATIONAL
Market Sales Price	\$324 PSF	>	\$322 PSF
Cap Rate	6.20%	<	6.90%
Asking Rate	\$41.49 PSF	>	\$34.45 PSF
Gross Availability Rate	18.17%	>	13.80%

ILLINOIS JOB SECTORS WITH LEAST/MOST LOSSES (IN THOUSANDS)		
	JUNE 20	% CHANGE, YOY
Total Nonfarm	5,524.70	-9.80%
Financial Activities	399.7	-2.70%
Manufacturing	555.6	-5.20%
Mining & logging	6.9	-15.90%
Leisure & Hospitality	400.3	-35.70%

	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 Q2/20 (SF)	YTD DIRECT NET ABSORPTION (SF)
CBD	150,805,994	359,062	15.71%	2.46%	10.26%	1.12%	601,561	\$41.49	(540,590)	153,141
CLASS A	94,087,159	818,149	15.67%	2.10%	9.80%	0.92%	601,561	\$45.09	(107,003)	797,438
CLASS B	49,826,351	231,750	15.74%	3.16%	10.88%	1.53%	232,136	\$36.51	(349,538)	(526,571)
CLASS C	6,892,484	76,583	16.06%	2.22%	12.08%	0.91%	34,243	\$28.88	(84,049)	(117,726)
CENTRAL LOOP	36,128,188	547,397	20.17%	1.94%	11.96%	0.89%	157,830	\$40.76	(67,800)	(108,516)
CLASS A	21,475,321	859,013	22.15%	1.47%	11.90%	0.73%	157,830	\$42.80	43,540	125,839
CLASS B	13,861,452	433,170	17.32%	2.69%	11.93%	1.18%	139,669	\$37.40	(92,714)	(203,415)
CLASS C	791,415	87,935	16.14%	1.44%	13.84%	0.07%	11,050	\$28.23	(18,626)	(30,940)
EAST LOOP	26,286,694	486,791	16.81%	1.85%	13.52%	1.15%	601,561	\$38.46	5,862	56,888
CLASS A	16,503,038	1,031,440	17.31%	1.60%	14.06%	1.01%	601,561	\$40.94	112,885	60,893
CLASS B	7,374,602	368,730	16.35%	2.67%	13.21%	1.63%	93,028	\$35.77	(45,258)	57,337
CLASS C	2,409,054	133,836	14.85%	1.05%	10.80%	0.64%	22,646	\$27.73	(61,765)	(61,342)
FULTON MARKET/ RIVER WEST	5,305,614	93,081	12.67%	3.10%	9.60%	1.91%	40,733	\$45.73	88,980	325,969
CLASS A	2,314,529	231,453	7.27%	5.55%	7.23%	3.30%	40,733	\$32.72	(13,634)	250,660
CLASS B	2,073,188	66,877	16.73%	1.49%	10.75%	1.03%	35,646	\$28.34	105,559	81,618
CLASS C	917,897	57,369	17.14%	0.55%	13.01%	0.38%	19,451	\$34.95	(2,945)	(6,309)
N. MICHIGAN AVENUE	11,562,679	340,079	10.91%	2.28%	8.85%	1.20%	82,646	\$42.37	(72,204)	(210,351)
CLASS A	7,305,152	561,935	9.96%	2.11%	7.79%	1.32%	79,761	\$44.96	(68,544)	(16,685)
CLASS B	4,257,527	202,739	12.54%	2.56%	10.68%	1.01%	82,646	\$38.84	(3,660)	(193,666)
RIVER NORTH	16,650,522	169,903	12.86%	2.54%	8.69%	1.89%	232,136	\$42.64	(124,761)	(250,584)
CLASS A	5,319,001	759,857	11.45%	1.41%	9.11%	0.64%	164,136	\$52.85	(8,253)	(153,972)
CLASS B	9,878,785	156,806	13.03%	3.20%	7.79%	2.83%	232,136	\$40.21	(124,229)	(84,690)
CLASS C	1,452,736	51,883	16.85%	2.15%	13.30%	0.07%	21,503	\$29.95	7,721	(11,922)
SOUTH LOOP	1,275,206	106,267	58.48%	0.38%	22.99%	0.38%	110,000	\$26.14	(124,179)	(124,563)
CLASS B	1,050,307	131,288	68.63%	0.46%	25.54%	0.46%	110,000	\$26.25	(121,408)	(121,792)
CLASS C	224,899	56,225	11.10%	0.00%	11.10%	0.00%	8,216	\$22.90	(2,771)	(2,771)
WEST LOOP	53,597,091	541,385	13.37%	3.11%	8.06%	0.93%	190,000	\$45.81	(246,488)	464,298
CLASS A	41,170,118	935,685	13.66%	2.53%	7.57%	0.80%	190,000	\$48.29	(172,997)	530,703
CLASS B	11,330,490	283,262	11.90%	4.81%	9.52%	1.13%	64,825	\$37.57	(67,828)	(61,963)
CLASS C	1,096,483	73,099	17.72%	7.29%	11.41%	3.84%	34,243	\$31.26	(5,663)	(4,442)

CONSUMER CONFIDENCE INDEX

Yearly Highs & Lows



SUBMARKET VACANCY & ABSORPTION



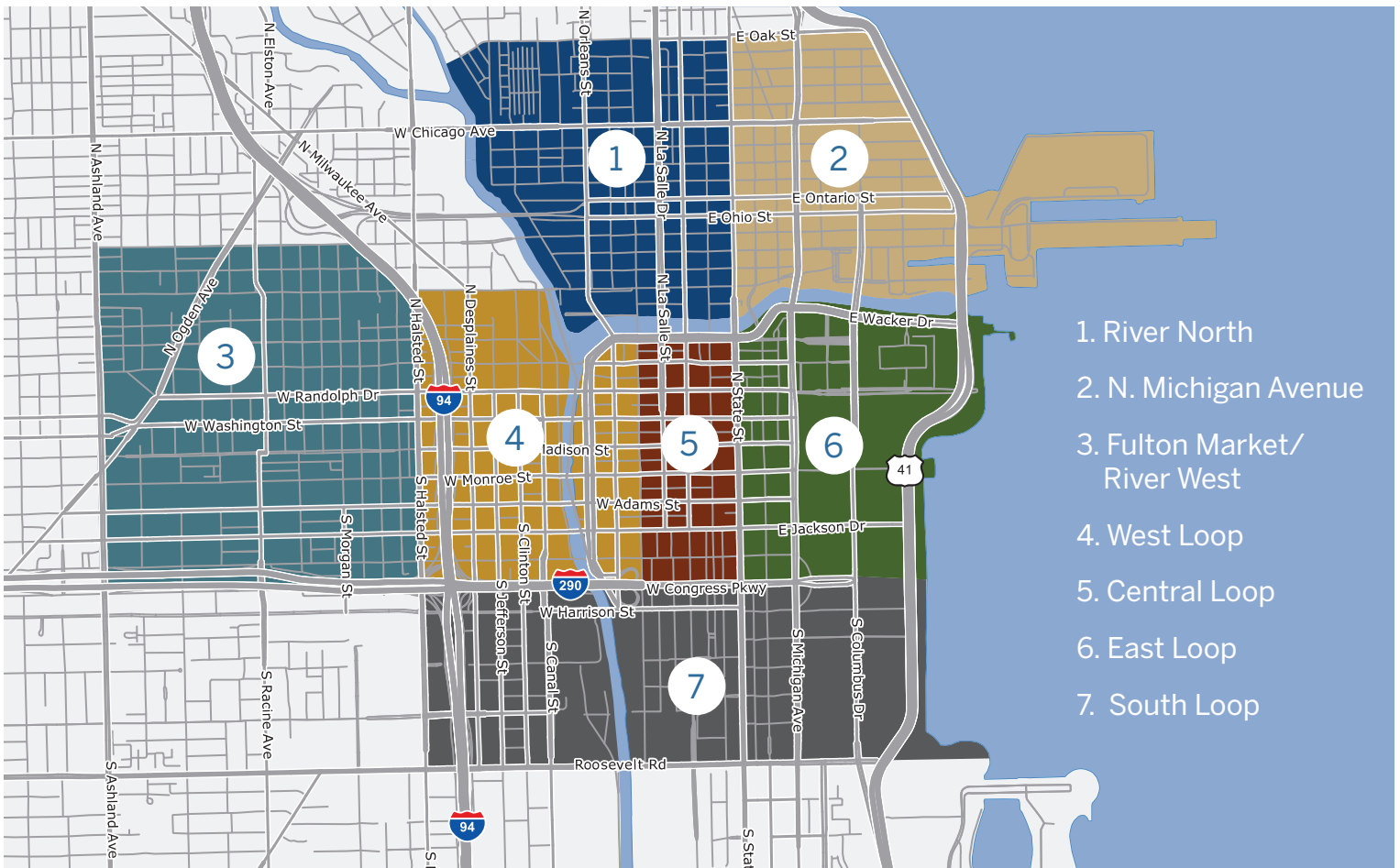
MAJOR SALES TRANSACTIONS

SUBMARKET	LOCATION	SIZE (SF)	BUYER	SELLER	PRICE PSF
Fulton Market	905 W. Fulton	98,454	Deka Immobilien	Thor Equities	\$872 PSF
West Loop	225 W. Wacker	650,812	Spear Street Capital	Mirae Asset	\$323 PSF

MAJOR LEASE TRANSACTIONS

TENANT	LOCATION	SUBMARKET	SIZE (SF)	TYPE
Tempus Labs	600 W. Chicago	River North	150,000	Renewal/Expansion
American Hospital Association	155 N. Wacker	West Loop	130,000	Renewal
CCC Information Services	167 N. Green*	Fulton Market	125,000	New
Lewis Brisbois	550 W. Adams	West Loop	55,000	Renewal
NXT Capital	191 N. Wacker	West Loop	42,469	Renewal

*Under construction



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