

Chicago

Office | Q1 2024 Market Report

Quarterly Snapshot

↓ Average Rent
\$45.25/SF

↑ Vacancy
22.6%

↑ Net Absorption
-1,282,582SF

Occupier's Perspective

Negative net absorption dropped from the prior quarter down to 1.2 million square feet, making for three consecutive quarters of over 500,000 square feet returning to the market. Perhaps unsurprising, trophy class space was the only asset type to see positive absorption figures, with 837,000 square feet of positive movement.

Market rents started 2024 dropping \$0.34 across the CBD, with Class A buildings being hit the hardest, dropping \$1.03 from the end of 2023 to \$51.06. This follows the negative absorption trend, as many landlords with Class A buildings are competing for quality, long-term tenants. Class B rents increased to \$41.02 while Class C rents decreased to \$33.19.

Sublease space continues to be a thorn in the side of landlords, providing tenants the opportunity to obtain discounted space in the market. Sublease space is now providing another difficulty for landlords: converting back to direct space.

Chicago's downtown office market continues to shed space as vacancy pushes further upwards, landing at 24.7 percent to end the first quarter of 2024. Substantial chunks of sublease space have started to convert to direct space as natural lease expirations begin to roll into direct space, compounding pressure on landlords. The trophy class continues to charge forward with ever-increasing demand for premier space.

All submarkets and other asset types continue to suffer adverse impacts with no submarket or class shielded from negative movement. Landlords throughout the city are challenged to find creative transaction structures to renew or land new tenants. With return-to-work occupancy levels remaining relatively flat, coupled with a significant deacceleration of knowledge worker employment, demand will likely remain muted for the near to mid-term.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
One Digital	103,000 SF	West Loop	Sublease	Office
Neil, Gerber, Eisenberg	90,000 SF	West Loop	New Lease	Office
IIT	34,295 SF	Fulton Market	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
25.4%	▲	\$41.01	East Loop
25.6%	▼	\$42.32	Central Loop
17.3%	▼	\$42.89	North Michigan Ave
22.6%	▼	\$45.25	CBD
14.5%	▼	\$45.98	Fulton Market
26.5%	▼	\$47.31	River North
21.1%	▼	\$49.06	West Loop