cresa

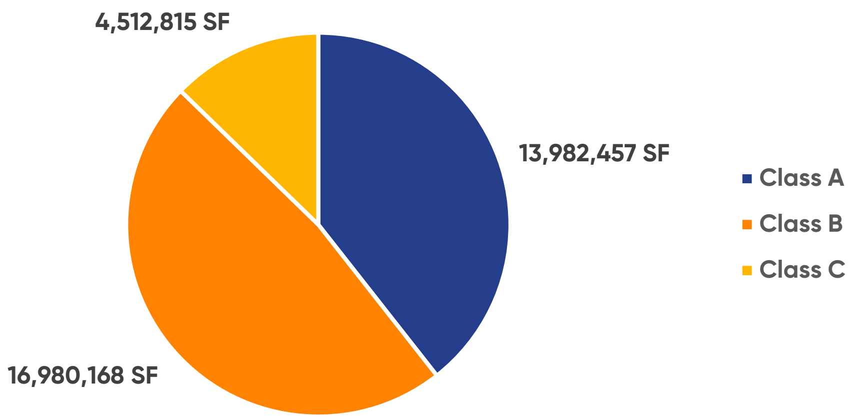
Q3 2024

Market Insight Report

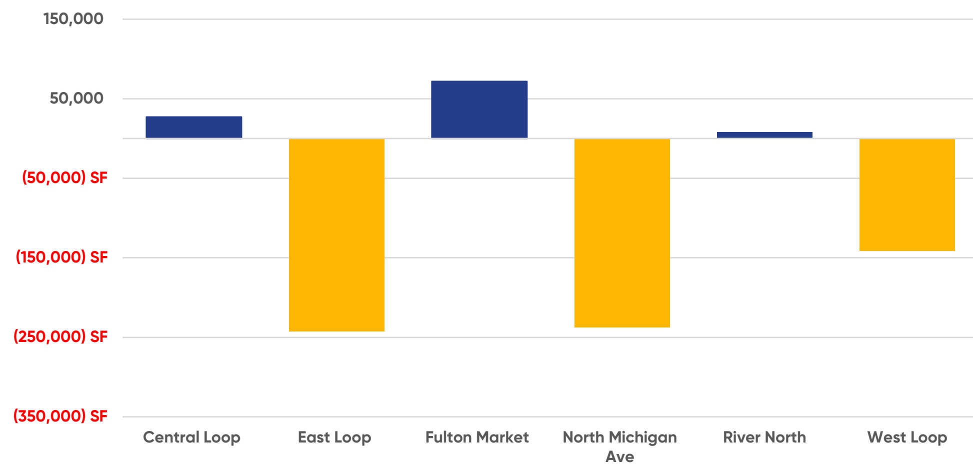
Exclusive Insights for Chicago Central Business District Occupiers

Q3 2024
Market Insight Report
Chicago Central Business District

Total Vacant Square Footage by Building Class



Q3 Direct Net Absorption by Submarket



Vacancy

Chicago's CBD experienced only a minimal increase in vacancy in the third quarter, with just a 10 basis point increase from the prior quarter, ticking up to 25.1%. Class A and C vacancy increased to 20.5% and 27.1% respectively while class B vacancy remained flat at 32.1%. Class A assets remain the favorite destination for tenants in the market despite the uptick in vacancy. With Direct vacancy resting at 15.4% for the quarter in that class, competition for vacant space, particularly in the high rise portion of these buildings, makes landlords less willing to bend to tenant demands.

Absorption & New Availability

Negative net absorption totaled 551,000 for the second quarter, a larger retreat from the market in the prior quarter. This increase had a muted impact on total vacancy as sublease space decreased by 20 basis point from the prior quarter. Class A assets were hit hardest with 383,000 square feet returning the market. Class B buildings were also hit with 189,000 square feet of space returning to the market. Only Class C buildings experienced muted positive absorption (59,000 square feet). Central Loop, Fulton Market, and River North experienced positive movement. East Loop, North Michigan Avenue, and West Loop were all negative for the quarter.

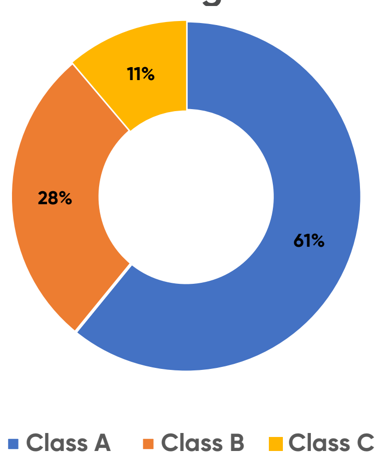
167 N. Green Street, Suite 1301
Chicago, IL 60607

Q3 2024
Market Insight Report
Chicago Central Business District

Q3 2024 Large Signed Leases

	Tenant	SF Leased	Address/Building Name	Deal Type
1	Sargent & Lundy	370,000	77 W Wacker	New Lease
2	Medline	161,000	222 Merchandise Mart	Expansion/Extension
3	Capital One	150,000	77 W Wacker	New Lease
4	Smith Gambrell & Russell	57,000	155 N Wacker	New Lease
5	Quarles & Brady	56,000	155 N Wacker	New Lease
6	Interactive Brokers Group	55,000	300 S Riverside	New Lease
7	FTI Coonsulting	55,000	155 N Wacker	New Lease
8	Willkie Farr & Gallager	50,000	300 N LaSalle	Sublease
9	Allianz	28,000	155 N Wacker	New Lease
10	Blue Owl	27,000	150 N Riverside	Sublease
11	AECOM	23,000	130 E Randolph	New Lease

Downtown Leasing Volume by Building Class



Market Rent & Lease Volume

Market rents declined marginally in the 3rd quarter with rates dropping just $0.03 from the prior quarter. Class A Rents again declined, down $0.17 from the prior quarter. This is most notable in the River North and Central Loop submarkets which fell $0.83 and $0.50. Elsewhere around the CBD Class A rents are up with Fulton Market and West Loop being the only submarkets where Class A rents move high, $0.26 and $0.15 respectively. Class C assets saw rates increase $0.29 while Class B rates when up $0.09.

167 N. Green Street, Suite 1301
Chicago, IL 60607

Q3 2024
Market Insight Report
Chicago Central Business District

Sublease Inventory

Key Performance Indicators

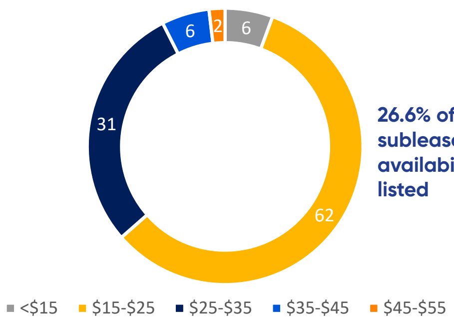
28.6 average months on market

388 total spaces on market

184,422 average quarterly SF additions

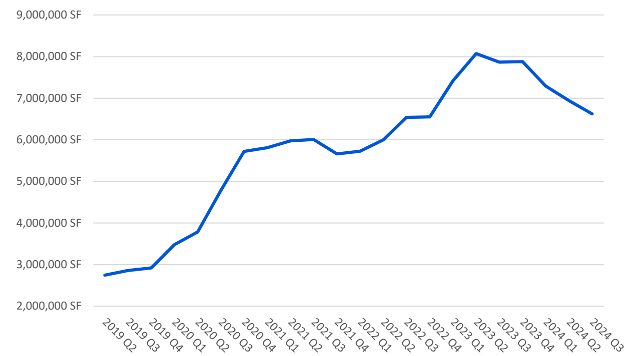
141% increase in sublease spaces since COVID

Pricing Blocks

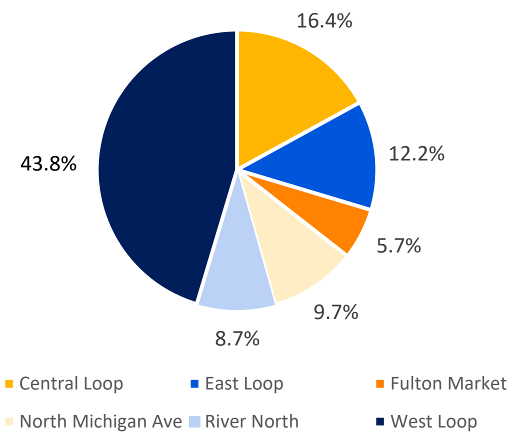


26.6% of all sublease availability listed

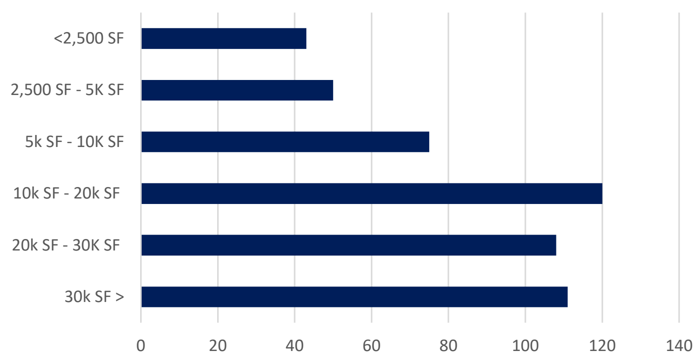
Total Availability



Inventory by Submarket



Distribution of Availability by Size



Spaces

Distribution of Availability by Size	Spaces
30k SF >	111
20k SF - 30K SF	108
10k SF - 20k SF	120
5k SF - 10K SF	75
2,500 SF - 5K SF	50
<2,500 SF	43

167 N. Green Street, Suite 1301
Chicago, IL 60607

Q3 2024

Market Insight Report

Chicago Central Business District

Large Available Subleases

Address	Size	Term	Tenant
35 W Wacker	350,000	Dec-24	Publicis Groupe
333 W Wolf Point Plz	119,950	May-40	Salesforce
101 N Wacker	100,000	Aug-24	TTX

Subleasing

Sublease space continues to be a thorn in the side of landlords, providing tenants with the opportunity to obtain discounted space in the market. Sublease space is now providing another difficulty for landlords: converting back to direct space. Although vacant sublease space is down to 1.6% because of this conversion, it is still stubbornly high. Available sublease space seems to have peaked in the first quarter as it is now down to 6.1M square feet (or 4.1%) of total inventory. Some sublease space represents true direct competition for downtown landlords because they are providing long term, high concession opportunities at below market rental rates. These aggressively priced options continue to create a compelling alternative for tenants in the market.

Capital Perspective

Given the challenging interest rate environment for lenders, the capital situation in downtown Chicago has become a front-and-center issue for most landlords, even with the recent drop-in rates. Values of buildings are dwindling as vacancies rise and demand falls. This has caused several buildings to become distressed. There are currently 33 buildings under the watch of a special servicer and an additional ten on the watchlist, resulting in 12.0% of the market in dire financial circumstances. It is likely that this will continue to increase, with a substantial number of CMBS loans coming due over the next three years. As values fall, buildings will begin to trade hands below their prior sale totals, allowing, in some cases, for a reset of the market in terms of rent.

There are currently 17 buildings downtown that are for sale, with an average vacancy of 27.9%. Some buildings are experiencing instability from another perspective. As even renewing tenants can be untenable, funding concessions (such as TI) has become difficult as construction costs remain stubbornly high. Many analysts predict that rates will be cut later this year, perhaps opening up landlords to new capital. Occupiers with lease expirations over the next several years would be well advised to examine their current building and market options with an advisor that is unencumbered by fiduciary obligations to building investors.

Q3 2024

Market Insight Report

Chicago Central Business District

Submarket/ Class	Total # of Buildings	Total RBA SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Q3 Net Absorption SF	Under Construction SF	Gross Rent PSF Per Year
Central Loop	**62**	**36,903,708**	**9,192,616**	**24.9%**	**0.8%**	**25.7%**	**27,167**	**0**	**$42.52**
Class A	13	13,976,798	2,236,502	16.0%	0.9%	16.9%	(6,835)	0	$48.92
Class B	30	19,467,106	6,136,648	31.5%	0.8%	32.3%	(4,194)	0	$39.40
Class C	19	3,459,804	819,466	23.7%	0.2%	23.9%	38,196	0	$34.19
East Loop	**56**	**27,761,215**	**7,708,265**	**27.8%**	**0.9%**	**28.7%**	**(242,377)**	**0**	**$40.81**
Class A	6	8,717,190	1,310,135	15.0%	1.2%	16.2%	(27,749)	0	$48.46
Class B	23	13,823,456	4,508,995	32.6%	1.0%	33.6%	(167,292)	0	$39.83
Class C	27	5,220,569	1,889,135	36.2%	0.1%	36.3%	(47,336)	0	$30.62
Fulton Market	**49**	**5,630,016**	**739,588**	**13.1%**	**2.1%**	**15.2%**	**71,728**	**0**	**$46.01**
Class A	11	2,432,619	135,012	5.6%	4.5%	10.1%	32,478	0	$58.00
Class B	13	1,052,315	149,829	14.2%	0.0%	14.2%	18,745	0	$41.10
Class C	25	2,145,082	454,747	21.2%	0.4%	21.6%	20,505	0	$34.82
North Michigan Ave	**32**	**10,770,357**	**2,253,374**	**20.9%**	**1.7%**	**22.6%**	**(237,558)**	**0**	**$42.82**
Class A	8	5,827,562	1,458,954	25.0%	2.5%	27.5%	(213,333)	0	$46.50
Class B	11	2,899,637	650,298	22.4%	1.3%	23.7%	(36,459)	0	$40.25
Class C	13	2,043,158	144,122	7.1%	0.0%	7.1%	12,234	0	$35.96
River North	**58**	**15,083,024**	**4,522,689**	**30.0%**	**1.7%**	**31.7%**	**8,213**	**0**	**$46.80**
Class A	9	10,560,926	3,386,227	32.1%	1.8%	33.9%	(10,130)	0	$50.64
Class B	25	2,450,300	519,372	21.2%	1.4%	22.6%	13,714	0	$40.25
Class C	24	2,071,798	617,090	29.8%	1.3%	31.1%	4,629	0	$35.00
West Loop	**85**	**51,964,802**	**11,058,908**	**21.3%**	**2.3%**	**23.6%**	**(141,261)**	**0**	**$49.31**
Class A	35	34,296,497	5,455,627	15.9%	2.5%	18.4%	(158,035)	0	$52.33
Class B	34	15,738,537	5,015,026	31.9%	2.1%	34.0%	(14,231)	0	$44.55
Class C	16	1,929,768	588,255	30.5%	0.8%	31.3%	31,005	0	$34.57
Total CBD	**358**	**157,894,527**	**37,074,965**	**23.5%**	**1.6%**	**25.1%**	**(551,279)**	**369,008**	**$45.29**
Class A	82	75,811,592	13,982,457	18.4%	2.0%	20.5%	(383,604)	369,008	$50.75
Class B	136	55,031,351	16,980,168	30.9%	1.3%	32.1%	(189,717)	0	$41.38
Class C	124	16,870,179	4,512,815	26.8%	0.4%	27.1%	59,233	0	$33.52
Trophy CBD	**16**	**10,181,405**	**1,599,525**	**15.7%**	**1.6%**	**17.3%**	**(37,191)**	**369,008**	**$70.15**

167 N. Green Street, Suite 1301
Chicago, IL 60607

Report Note:
Cresa's tenant-focused approach inspired the research team to re-evaluate the market for the modern office user. With tenants looking for quality space, Cresa weeded out several buildings that have no bearing on the modern market. In addition, several buildings have been reclassified to suit a modern perspective. The end result is a fresh, updated data set that more aptly supports the viewpoint of occupier evaluating the market.

Beyond space.

Contact

For more information,
please contact:

Cresa Chicago
167 N. Green St., Suite 1301
Chicago, IL 60607

cresa.com

+ Follow Us

Check out our social media channels to stay up on current market trends and availability.