

Greater Chicago Market Insights

Suburban Office

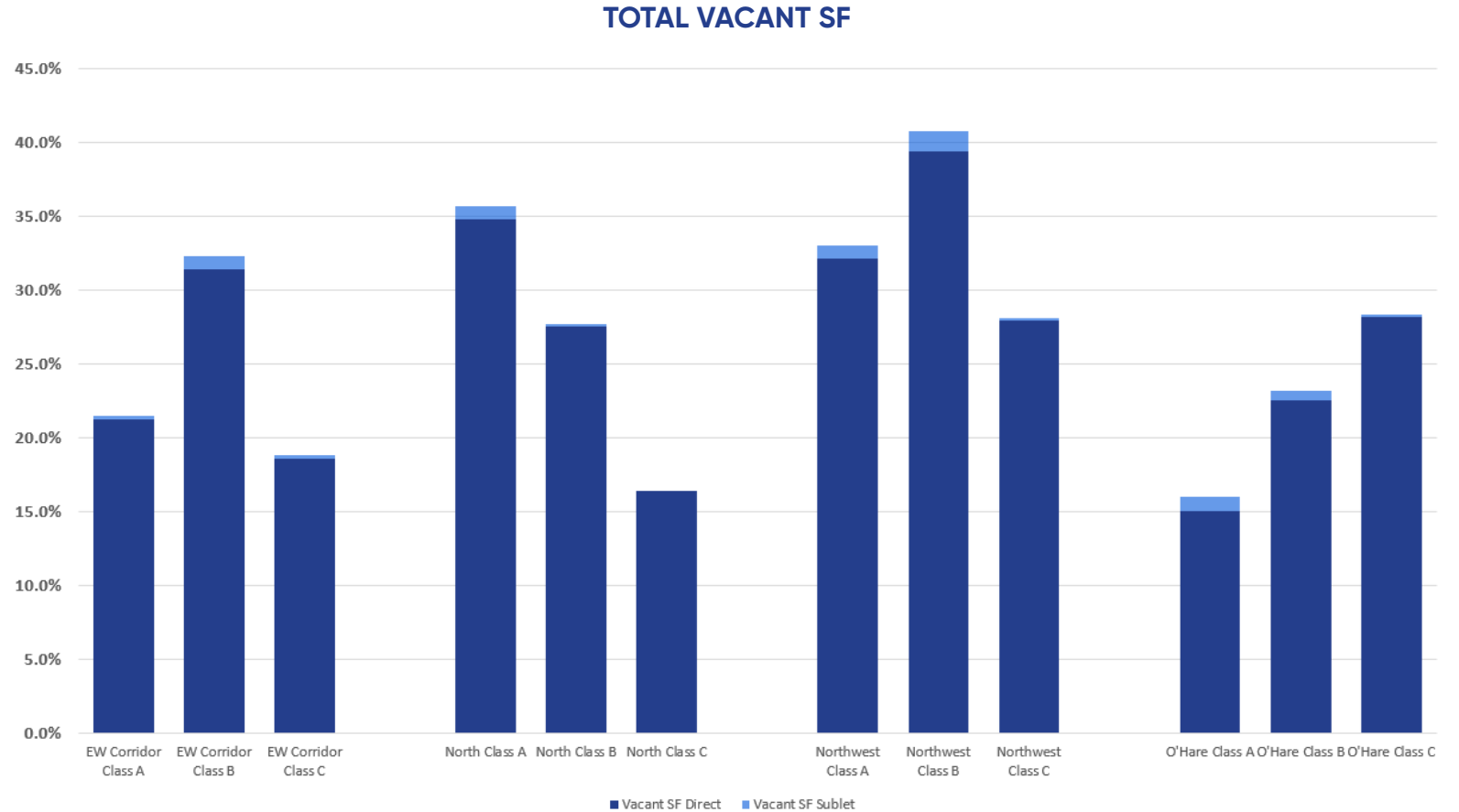
Q1 2025

Chicago suburban landlords continue to face mounting pressure amid persistent market declines. Vacancy rates are rising as companies reduce their office footprints by up to 30%, aiming for greater efficiency. With continued financial stress expected over the next three years, landlords who once tried to maintain pre-pandemic rental rates are now turning to lower rents as a strategy to attract and retain tenants. Adapting to these shifting conditions will be essential for staying competitive in the evolving market.



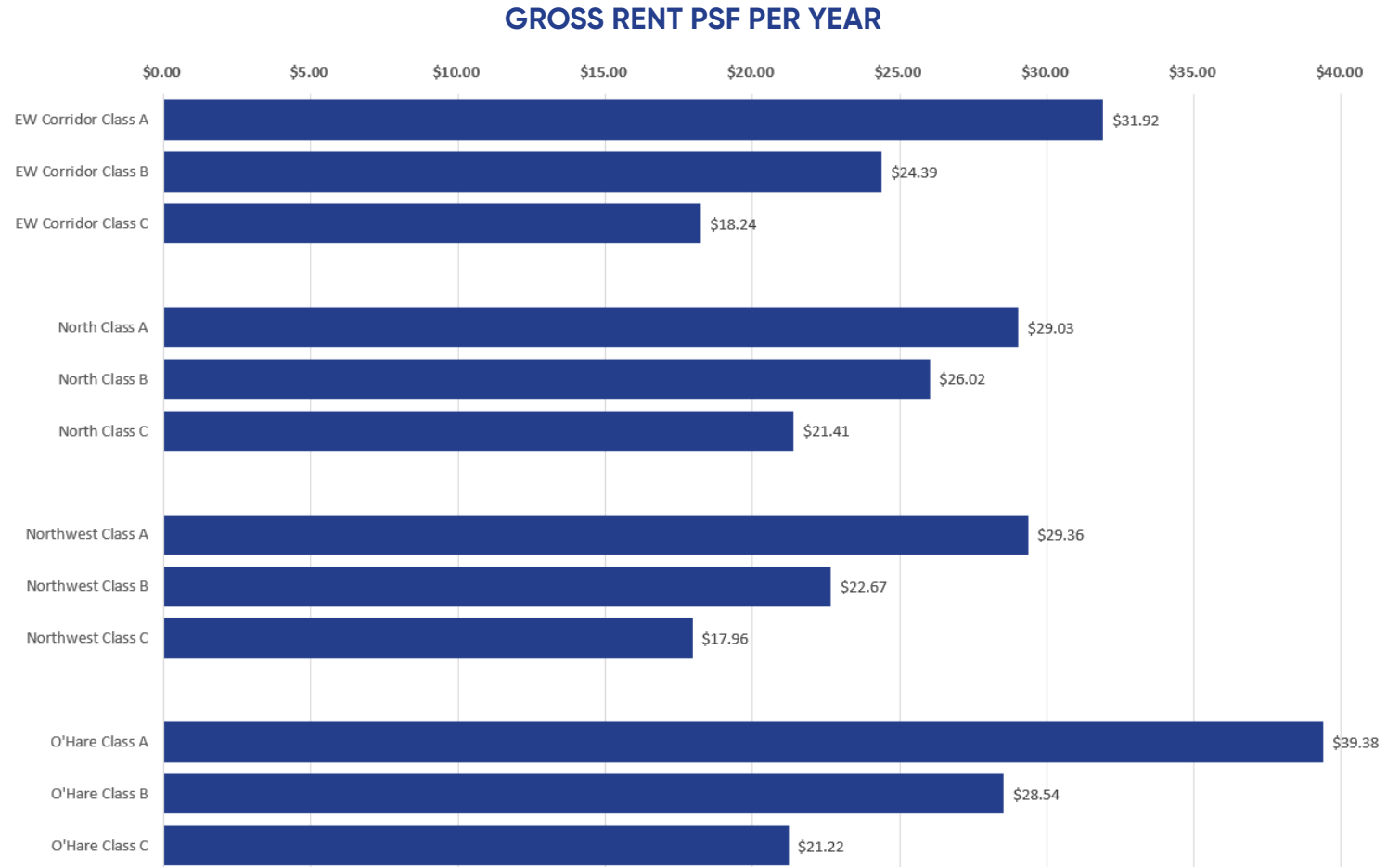
Vacancy

The Chicago suburbs began 2025 with a modest improvement in vacancy rates, which dipped to 28.8% from 29.0% in the previous quarter. This slight decline was partly due to several buildings being removed from office inventory as they began marketing for alternative uses. Among the various submarkets, the East West Corridor was the only area to see a rise in vacancy, climbing to 27.1%. In contrast, all other suburban markets experienced a decrease in vacancy, offering landlords a brief respite after several years of consistent increases.



Market Rent & Lease Volume

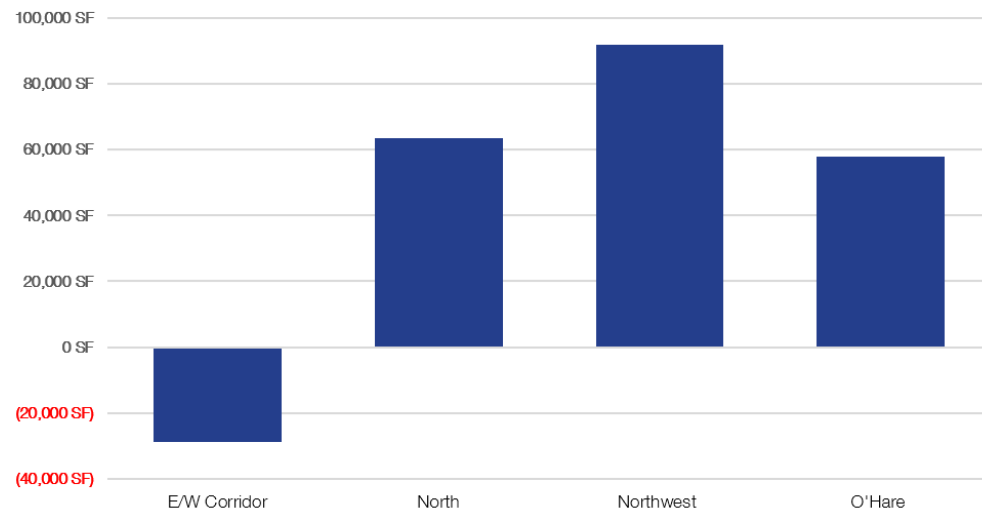
Rental rates in the suburbs decreased marginally to start the year, with gross asking rates ticking down to \$26.66. Class A rents closed at \$31.79, down \$0.31. Class B and C rental rates ended the fourth quarter at \$24.76 and \$19.55 with Class B rents decreasing \$0.05 and Class C rents increasing \$0.37. Rates continue to bob up and down marginally as landlords drop their base rents but increase expenses (for inflation) or taxes (for higher assessments). Completed transaction volume declined from the prior quarter with just over 942,000 square feet of transactions completed.



Absorption

Net absorption was positive to start the year with 184,000 square feet of positive movement. This is the first positive figure since the second quarter of 2023. Both Class A and C buildings had positive absorption while Class B was negative. Except for the East West Corridor, all submarkets experienced positive movement.

DIRECT NET ABSORPTION

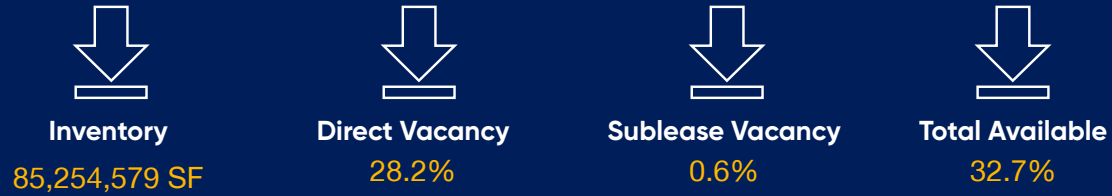


LARGE TRANSACTIONS

Tenant	Address	Size (SF)	Deal Type
Fortune Brands	1 Horizon Way	189,000	New Lease
Adtalem	2601 Navistar Dr	89,910	New Lease
Comcast	1475 W Woodfield Rd	61,295	New Lease
Ryerson	2655 Warrenville Rd	46,187	New Lease
Arjo	2000 Center Dr	35,000	New Lease
INX International	150 N Martingale Rd	21,599	New Lease
USLI	1900 Spring Rd	21,592	Renewal
Matson Logistics	1901 Butterfield Rd	20,971	New Lease
Cyclopure	710 Clark St	17,527	New Lease
Dealer-E	701 Warrenville Rd	13,866	New Lease
Meltzer, Purtill & Stelle	1400 American Ln	12,800	New Lease
True Health Medical	111 Pfungsten Rd	11,829	New Lease

Suburban Office Q1 2025

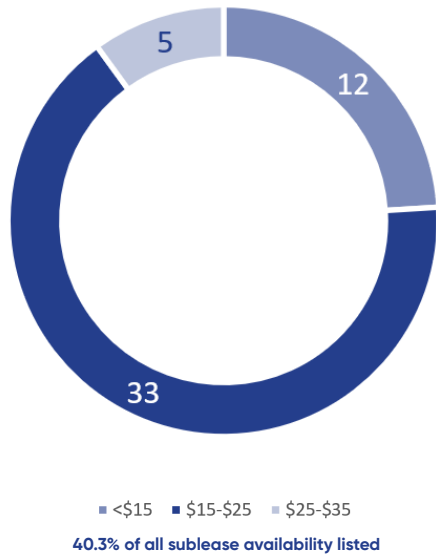
METRICS OVERVIEW



KEY PERFORMANCE INDICATORS



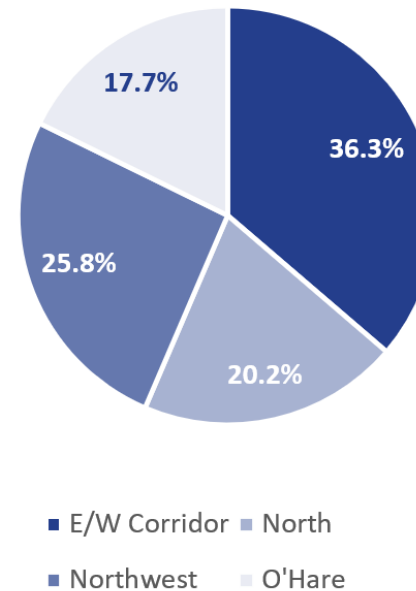
PRICING BLOCKS



TOTAL AVAILABILITY



INVENTORY



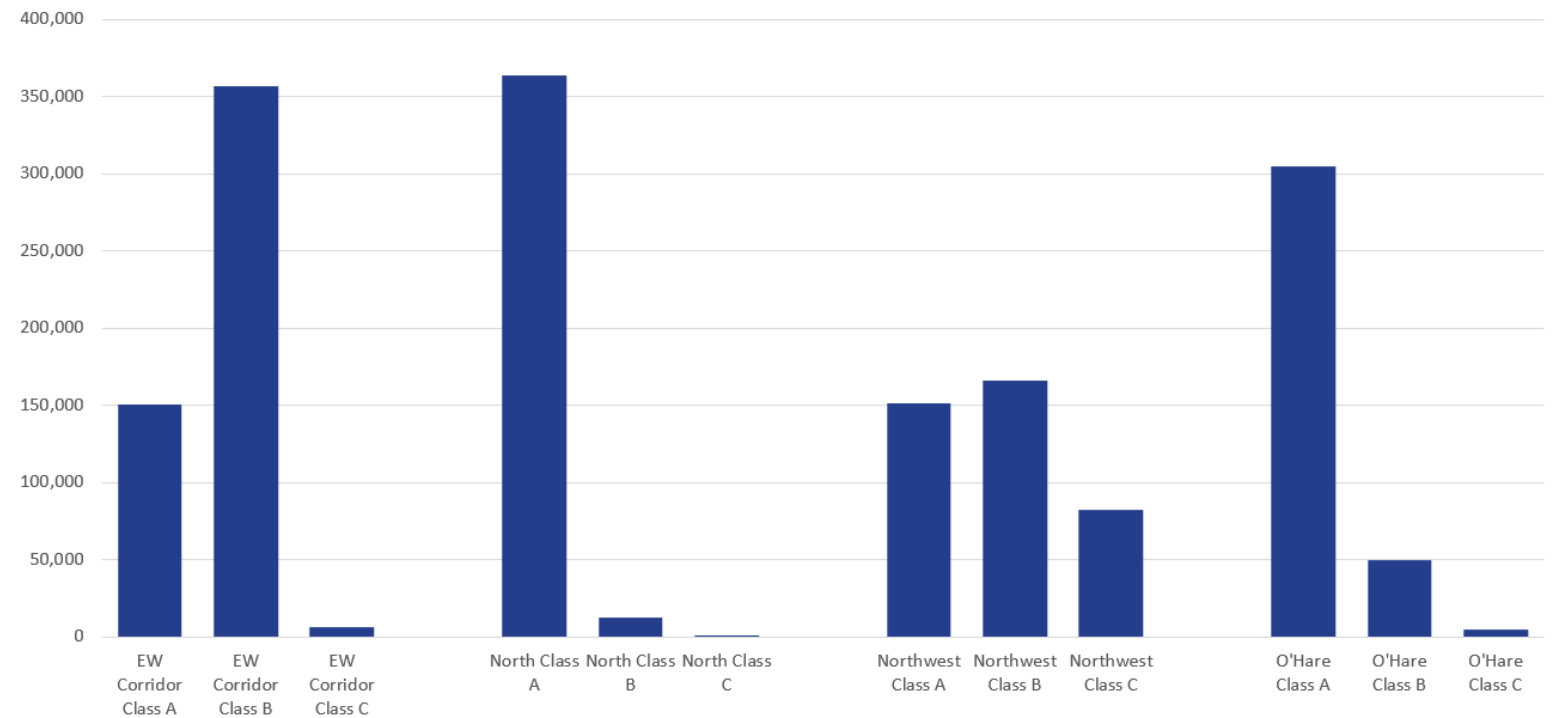
DISTRIBUTION OF AVAILABILITY BY SIZE



Subleasing

While the downtown office market grapples with a glut of sublease space, the suburban office market has yet to experience the surge that downtown owners have had to compete with. In fact, vacant sublease space has hovered around 1.1% over the past four years. The first quarter saw sublease space decline to 0.6%. Available sublease space has started to decline as more natural lease expirations take effect. This has started to show in direct vacancy as landlords start to take the burden of releasing the space.

TOTAL AVAILABLE SUBLEASE SF



Capital Perspective

Given the challenging interest rate environment for lenders, the capital situation in the Chicago suburbs has become a central concern for many landlords, despite the recent drop in rates. Building values are declining as vacancies rise and demand continues to soften, leading to distress in a number of properties. Currently, there are 95 distressed assets across the suburbs, accounting for 14.8% of the market and presenting significant opportunities for rent resets. Several buildings have sold for well below their most recent sale prices, resulting in an average value loss of 77% and creating the conditions for landlords to adjust rents accordingly.

BUILDINGS RECENTLY SOLD

Property	City	Building SF	Sale Price	Sale Price per SF
9022 Heritage Pky	Woodridge	94,233	\$5,000,000	\$53.06
2323 Naperville Rd	Naperville	50,000	\$217,500	\$4.35
1950 Hassell Rd	Hoffman Estates	155,030	\$2,000,000	\$12.90

Suburban Office Q1 2025

Submarket/ Class	Total # of Buildings	Total RBA (SF)	Direct Vacant (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Q1 Net Absorption (SF)	Under Construction (SF)	Gross Rent PSF Per Year
East West Corridor	187	28,547,363	7,583,632	26.6%	0.6%	27.1%	(28,743)	0	\$26.94
Class A	45	12,298,096	2,689,592	21.9%	0.3%	22.2%	100,061	0	\$31.92
Class B	92	13,012,762	4,236,532	32.6%	0.9%	33.5%	(88,456)	0	\$24.39
Class C	50	3,236,505	657,508	20.3%	0.2%	20.5%	(40,348)	0	\$18.24
North	209	21,581,445	5,962,893	27.6%	0.5%	28.1%	63,423	0	\$26.07
Class A	52	9,529,327	3,312,719	34.8%	0.9%	35.7%	15,929	0	\$29.03
Class B	41	6,077,346	1,671,715	27.5%	0.2%	27.7%	62,887	0	\$26.02
Class C	116	5,974,772	978,459	16.4%	0.0%	16.4%	(15,393)	0	\$21.41
Northwest	137	23,201,129	8,079,747	34.8%	0.8%	35.6%	91,792	0	\$23.86
Class A	23	9,193,402	3,070,060	33.4%	0.9%	34.3%	22,588	0	\$29.36
Class B	32	6,796,178	2,995,170	44.1%	1.3%	45.4%	(3,416)	0	\$22.67
Class C	82	7,211,549	2,014,517	27.9%	0.2%	28.1%	72,620	0	\$17.96
O'Hare	87	11,924,642	2,374,242	19.9%	0.7%	20.6%	57,712	0	\$32.50
Class A	26	6,206,136	930,326	15.0%	1.0%	16.0%	93,898	0	\$39.38
Class B	18	2,983,280	672,543	22.5%	0.7%	23.2%	(47,677)	0	\$28.54
Class C	43	2,735,226	771,373	28.2%	0.1%	28.3%	11,491	0	\$21.22
Total Suburban	620	85,254,579	24,000,514	28.2%	0.6%	28.8%	184,184	0	\$26.66
Class A	146	37,226,961	10,002,697	26.9%	0.7%	27.6%	232,476	0	\$31.79
Class B	183	28,869,566	9,575,960	33.2%	0.8%	34.0%	(76,662)	0	\$24.76
Class C	291	19,158,052	4,421,857	23.1%	0.1%	23.2%	28,370	0	\$19.55



About Cresa Chicago

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

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