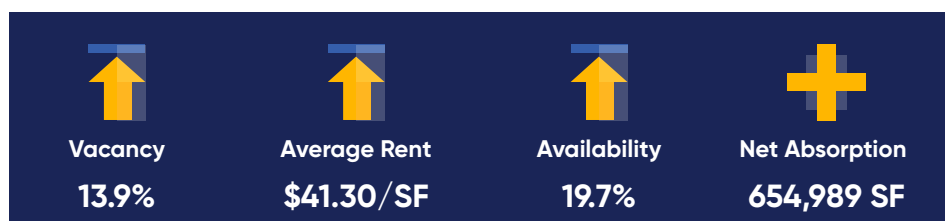


Chicago CBD Occupier's Guide

At first glance, the preliminary data for downtown commercial office space in Chicago continued to show strong numbers in both net absorption and new development/construction. Rent was also the highest it has been on record, with average gross rates coming in at \$41.30. Direct vacancy remained flat at 12.9% quarter-over-quarter, while sublease vacancy increased to 1.0%, bringing total vacancy to 13.9% at the end of the first quarter. Total net absorption for the quarter was 654,989 square feet which was offset by the delivery of 791,856 square feet to the market. Construction was still booming in the first quarter with 12 buildings under construction for a total of 5,362,860 square feet. There were 2 confirmed transactions in the first quarter with 801 S Canal being purchased by 601W Companies and 210 S Canal being purchased by Cleveland Avenue. Cap rates for all transactions in the CBD increased to 5.8%, up from 5.6% from the prior quarter.



Rental and Vacancy Rates

Gross Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$44.27	Loop Class A 14.2%	▲ 1.4%
\$36.06	Loop Class B 15.7%	▼ 0.1%
\$44.13	Fulton Market Class A 19.3%	▲ 8.1%
\$29.92	Fulton Market Class B 20.4%	▲ 8.2%
\$47.79	River North Class A 3.6%	▲ 0.1%
\$34.87	River North Class B 5.5%	▲ 0.2%

Recent Transactions

Tenant	Size	Address	Submarket	Deal Type
1 Aspen Dental	205,000	800 W Fulton St	Fulton market	New Lease
2 Help At Home	76,313	1-35 S State St	East Loop	New Lease
3 CA Ventures, LLC	74,076	448 N LaSalle St	River North	New Lease
4 Feeding America	61,324	161 N Clark St	Central Loop	New Lease
5 Affirm	57,000	350 N Orleans St	River North	New Lease
6 Barry Callebaut USA LLC	56,000	600 W Chicago Ave	River North	Renewal
7 Chicago Fire	53,742	1 N Dearborn St	Central Loop	New Lease
8 DocuSign	41,896	180 N LaSalle St	Central Loop	New Lease

Occupier's Perspective

- ✓ The office market will no doubt see a pullback in leasing volume as companies wait to see how landlords deal with several issues including requests for rent abatement/deferral, force majeure, and construction delays.
- ✓ Workplace strategy will come to the forefront of almost all space planning sessions. With benching and open plans having become the new norm, there will likely be a push to create a situation that is both efficient and hygienic.

Market Trends



Technology will be a huge driver the newly made mobile workforce. As the work from home reality sets in, many companies will see their need for office space become less and less of a necessity. However, the past cycle saw companies strive to create a culture with their office space. Can the same corporate objectives be met with a long-term work from home plan? Additionally, will the work from home strategy essentially end the experiment of flexible workspace environments such as WeWork, Regus, & Convene?

Cresa's Investment Banking team anticipates continued turbulence in the debt markets. As record market volatility continues traditional lenders for real estate have changed the way they are quoting debt placements. Typical quotes would include a spread tied to an index or base rate. Because of the increased volatility lenders are now quoting a target rate without implying spread or base rate. Most borrowers can anticipate a 80-150bps increase in rates.