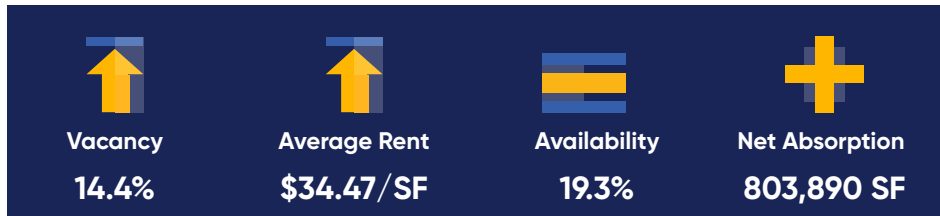


Chicago CBD Occupier's Guide

The Chicago CBD had 803,890 square feet of positive net absorption during the fourth quarter, accounting for nearly half of the 2019 total. Despite this positive volume, vacancy jumped to 14.4% as 2.8M square feet of new product was delivered downtown. This is the highest vacancy rate that downtown has experienced since the beginning of 2013, potentially indicating a slowdown across the office market. Further sign of a slowdown is the fact that total deals completed for the year were the lowest since 2010, totaling in 1,212 for 2019. However, the total volume of these deals was the second highest over the past ten years, with 12.8M square feet of deals completed. Rental rates rebounded from last quarter, increasing to \$34.47 across all classes. Development has continued to be strong over the past year, with 5.8M square feet of new construction spread over 13 buildings, with the majority expected to deliver by the end of 2020. Building transactions increased from \$643M to \$673M from the third to fourth quarter. CBD cap rates increased slightly from 5.5% to 5.6% over the same period.




Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$37.89	Loop Class A 13.4%	0.0%
\$33.09	Loop Class B 11.7%	0.4%
\$93.55	Fulton Market Class A 24.6%	0.1%
\$34.24	Fulton Market Class B 11.1%	0.4%
\$43.26	River North Class A 5.3%	0.1%
\$34.84	River North Class B 12.7%	0.2%

Recent Transactions

Tenant	Size	Address	Submarket	Deal Type
1 West Monroe Partners, LLC	270,123	311 W Monroe St	West Loop	New Lease
2 Invenergy LLC	68,251	1 S Wacker Dr	West Loop	Renewal
3 Undisclosed	48,257	71 S Wacker Dr	West Loop	New Lease
4 Undisclosed	48,257	71 S Wacker Dr	West Loop	New Lease
5 Undisclosed	41,810	540 W Madison St	West Loop	New Lease
6 Flexport Inc.	39,203	333 N Green St	Fulton Market/ Near West Side	New Lease
7 Undisclosed	39,073	225 N Michigan Ave	East Loop	New Lease
8 Undisclosed	32,727	125 S Clark St	Central Loop	New Lease

Occupier's Perspective

-  After review of the first round of assessments from the new assessor's office, property assessments and real estate taxes are going to increase dramatically. Both Occupiers and Landlords need to be aware of this moving forward.
-  Concession packages have been on the rise as owners look to attract tenants as the market shifts to being occupier favorable.
-  Two million square feet of new product is expected to deliver with the majority preleased. Given the shadow space this creates, expect vacancy to tick up as the CBD reshuffles.

Market Trends



After review of the first round of assessments from the new assessor's office, property assessments and real estate taxes are going to increase dramatically. Both Occupiers and Landlords need to be aware of this moving forward.

Technology areas such as 5G, Blockchain, and Artificial Intelligence have started making an impact as occupiers and landlords streamline their operations, reducing footprints and creating more transparency.

There are several mega-developments across the Chicago CBD that are simmering: Lincoln Yards, The 78, & Central One. With peak development already taking place, especially in the West Loop & Fulton Market, how will these developments fare in attracting tenants?