



METROPOLITAN CHICAGO

Office Market Review

MID-YEAR 2020

To our valued customers, partners and future clients...

There's a moment in the middle of JRR Tolkien's "The Hobbit" when the protagonist Bilbo and his traveling companions become frustrated while hiking through the seemingly endless Mirkwood Forest. The group nominates Bilbo to climb a tall tree to have a look around. Poking his head above the treetops, he sees nothing but green trees in every direction. Despondent, he climbs back down to tell everyone the unfortunate news. "Actually," Tolkien writes, "they were not far off from the edge of the forest...the tree he had climbed, though it was tall in itself, was standing near the bottom of a wide valley, so that from its top the trees seemed to swell up all round like the edges of a great bowl, and he could not expect to see how far the forest lasted."

It's always hard to have a clear perspective from the middle of a situation, or draw conclusions with incomplete data. That may be a strange message coming from a Market Report intended to provide that bigger picture – but it's also hopefully a reminder that we can't ever possibly know everything, and only with the benefit of hindsight will we fully understand the twists, turns and challenges of 2020.

Businesses and building owners are implementing best practices to operate safely and efficiently, strategizing the most effective way for employees to safely inhabit their workplaces. A similar situation is apparent as school districts across the country contemplate their back-to-school plans. Some are beginning with remote learning, others with full in-person instruction – sometimes with these extremes occurring within the same community. Key stakeholders – administration, teachers, students and parents – are struggling to reach consensus. While no one is certain of the correct solution, they are operating with what is believed to be the best information at hand, combined with their own personal experiences, biases and risk assessments.

There continue to be positive indicators that despite current challenges, companies, workers, communities and owners are maintaining their productivity and looking forward to better days. Leasing activity remains strong across both office and industrial markets. We know that fundamentals are strong, communities are resilient, and the Chicago market remains a vibrant and essential cornerstone of the global economy.

Bilbo's friends reacted with despair when he related his disheartening news: "The forest goes on for ever and ever and ever in all directions!" The uncertainty resulting from the ongoing pandemic is surrounding us at the moment. All any of us can do is make our best decisions based on the information we are given, learn what we can, and look forward to the brighter days ahead.

Michael Flynn
COO

MID-YEAR 2020

Key Takeaways



Net absorption in suburban Chicago was positive during the second quarter, totaling 14,372 square feet. The O'Hare submarket led its peer submarkets on the quarter with 93,444 square feet of absorption.



At 4.5 million square feet, downtown construction activity at mid-year declined 21.4% from one year prior. Three high-rises are currently under construction in the West Loop submarket, comprising 94.1% of the current construction pipeline.



Suburban new leasing activity totaled more than 940,000 square feet in the second quarter, down 37.2% from one year prior. Leasing activity in the CBD totaled over 1.06 million square feet, bringing the year-to-date total to over 3.8 million square feet.

NAI Hiffman Metropolitan Chicago
Office Market Review
Mid-Year 2020

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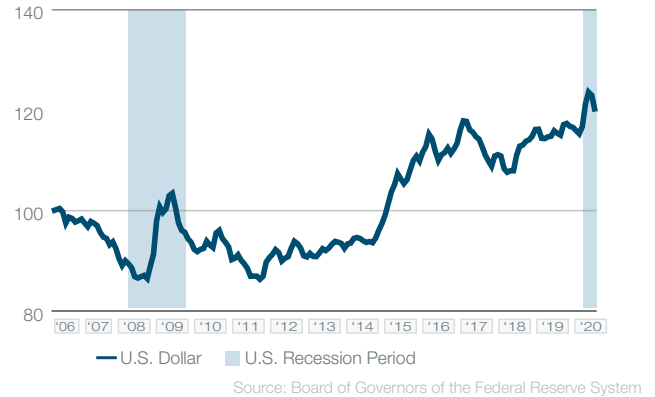
Economic Overview



Global Economy

- According to the latest World Economic Outlook by the International Monetary Fund (IMF), global economic growth is forecast at -4.9 percent for 2020, a 1.9 percentage drop from the April 2020 forecast. Among advanced economies, growth in 2021 is forecast to be weaker in Japan, United States, Canada and other advanced economies.
- A recent outlook by PricewaterhouseCoopers (PwC) analysts suggest that as the global health crisis continues, leaders are looking ahead to jump into operations to grow stronger after the pandemic, however the COVID-19 numbers may be on its second wave in areas of the world. Though things may have seemed to settle a bit at the start of the second quarter, restrictions are being placed again in certain economies.

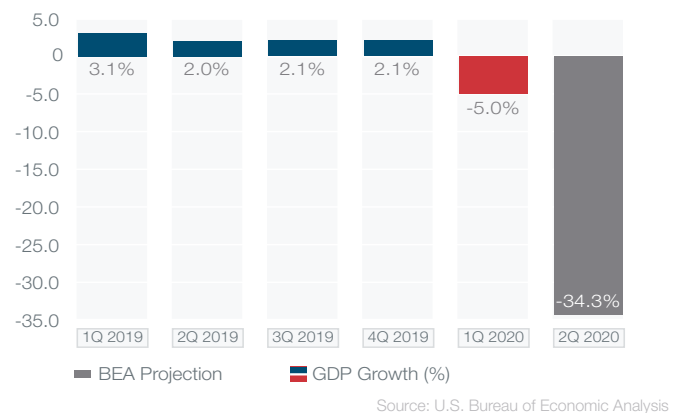
U.S. Dollar Index



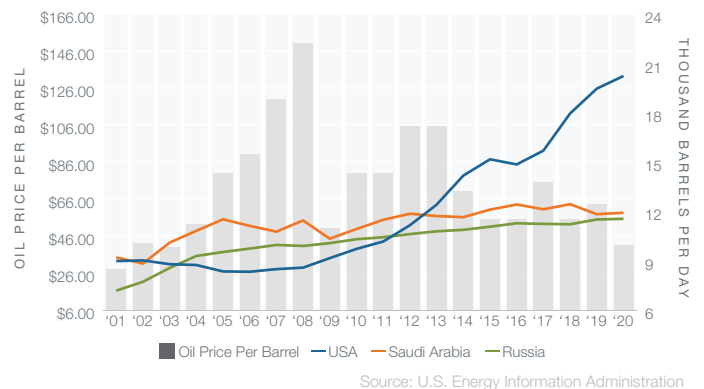
U.S. Economy

- According to the "advance" estimate released by the Bureau of Economic Analysis, U.S. Gross Domestic Product (GDP) decreased 32.9% during the second quarter, the worst on record. In the second quarter, the economy shrank \$1.8 trillion according to the New York Times. The numbers reflected the response to COVID-19, and "stay-at-home" orders that were put into place back in March, but were partially lifted in the second quarter during May and June.
- According to Deloitte Insights, consumer spending and GDP have declined in the last few months, as other aspects down the line are expected to drop as well, such as investment spending, residential construction, and exports if economic activity abroad slows down. The economy may bounce back in the third or fourth quarters from loosening restrictions but that is if the pandemic effects can be somewhat controlled, but unfortunately, the future lacks certainty.
- Total non-farm payroll employment increased by 4,800 in June, but unemployment jumps from 4.4% to 11.1% over the course of the quarter, as the U.S. Bureau of Labor Statistics reported preliminary numbers. The increase in payrolls bounces back from the end of the first quarter, recording a preliminary number of 29.37, up from the 28.69 recorded back in March.

U.S. GDP Change by Quarter



Largest Oil Producers & Oil Price



16.4%

CHICAGO METRO
UNEMPLOYMENT

14.6%

ILLINOIS
UNEMPLOYMENT

11.1%

UNITED STATES
UNEMPLOYMENT

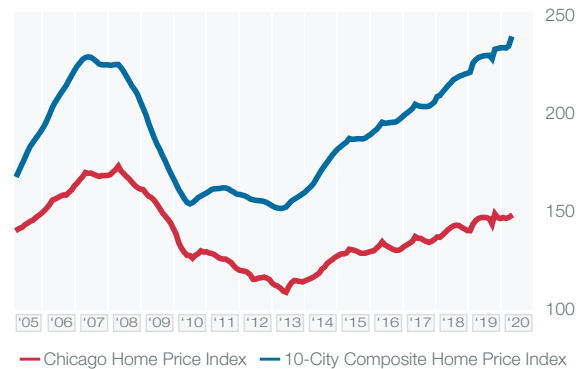
As of June 2020 | Source: US Bureau of Labor Statistics



Local Economy

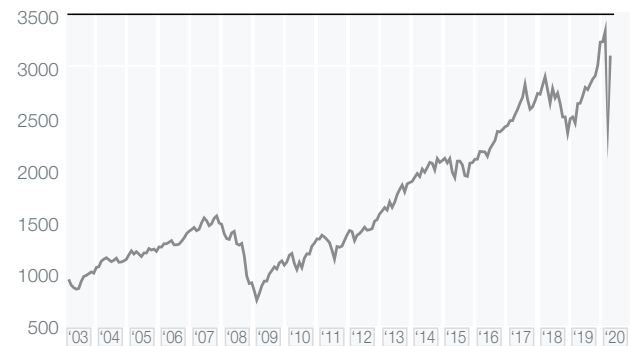
- By the end of the second quarter, the COVID-19 measures were even more apparent, with Illinois' employment rate increasing to 14.6% from the 4.6 rate reported just at the end of the first quarter. As with most economic forecasts, the line on unemployment projections seems uncertain as a second outbreak of the virus is very possible. States are strategizing individual plans to potentially close up their economies once again, and move back to earlier Recovery Phases as needed.
- According to a recent report by Illinois REALTORS, Illinois homes sales fell 11.8 percent year-over-year in June. Median prices held steady in June and decreased nominally year-over-year. Statewide home sales, including single-family homes and condominiums, in June totaled 14,921 properties sold, down from 16,925 in June 2019. The statewide median price in June was \$222,000, down 1.3 percent from June 2019, when the median price was at \$225,000.
- The Midwest Economy Index (MEI) decreased to -9.91 in May, a notable dip compared to the -0.28 rate recorded during the same time period last year. The MEI measures growth in non-farm business activity (in comparison to the growth of the national economy) from four broad sectors of the Midwest economy; manufacturing, construction and mining, services, and consumer spending.
- The Consumer Price Index for All Urban Consumers (CPI-U) in the Chicago-Naperville-Elgin area increased 0.3 percent in June, the U.S. Bureau of Labor Statistics reported. The food index and the all items less food and energy index rose 0.4 percent and 1.8 percent, respectively, over the year. Energy prices dropped 12.2 percent during the same period.

S&P CoreLogic Case-Shiller Home Price Index



Source: S&P Dow Jones Indices

S&P 500 Index



Source: S&P Dow Jones Indices



POPULATION (2019 CENSUS EST.)

12,671,821

IL GROSS DOMESTIC PRODUCT (2019)

\$897.1 B

POPULATION CHANGE (2018-2019)

-0.54%

EMPLOYMENT - NONFARM (6/2020)

5.54 M ▼

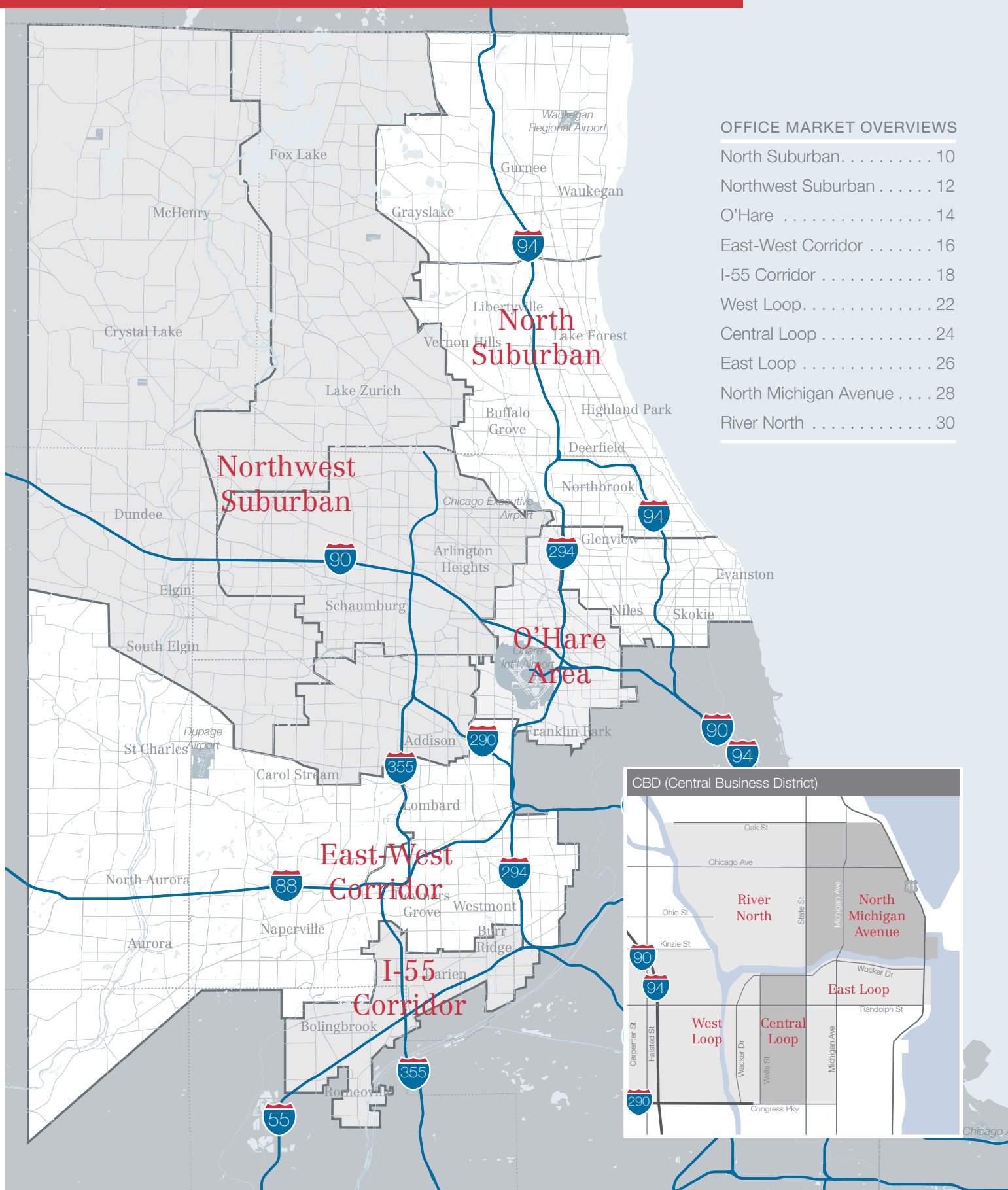
MEDIAN HOUSEHOLD INCOME (2018)

\$63,575

JOBS GAINED (2Q 2019-2Q 2020)

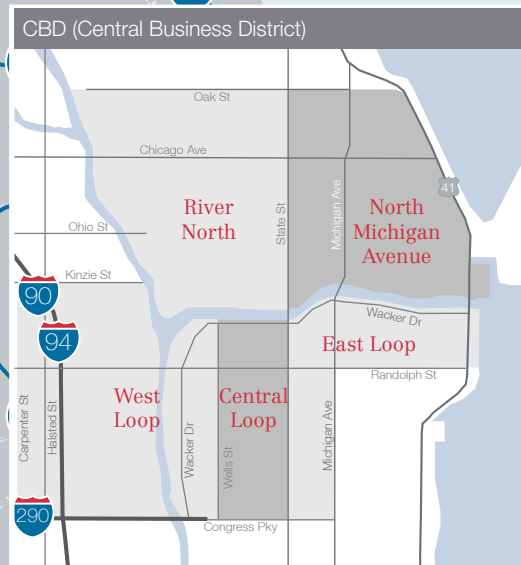
- 598,300 ▼

Chicago Office Markets



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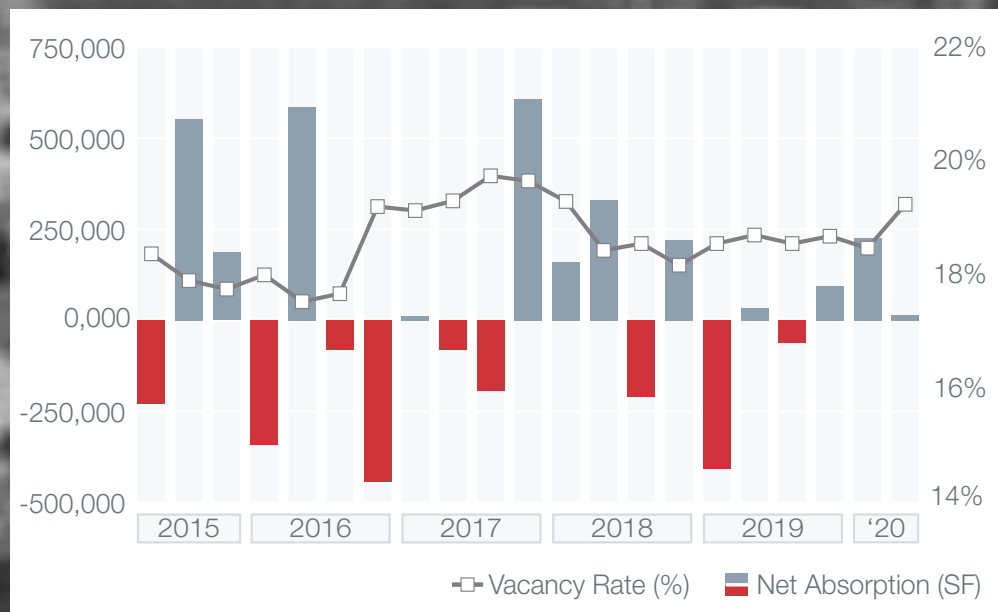
Office Market Statistics

Mid-Year 2020

Market/ Submarket	Total RBA (SF)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Available	Net Absorption (SF)	YTD 2020 Net Absorption (SF)	Under Constr. (SF)	New Leasing Activity (SF)
North Suburban	28,059,962	17.63% ▲	0.96% ▲	18.59% ▲	23.31% ▲	-18,540	-2,167	0	248,736
Class A	16,348,130	18.98% ▲	1.40% ▲	20.39% ▲	26.50% ▲	18,645	9,100	0	
Class B	8,961,251	16.30% ▲	0.41% ▼	16.71% ▲	19.91% ▲	-35,882	-49,106	0	
Class C	2,750,581	13.90% ▲	0.16% ▲	14.06% ▲	15.41% ▲	-1,303	37,839	0	
Northwest Suburban	32,847,891	26.20% ▲	0.36% ◀▶	26.56% ▲	30.88% ▲	6,444	47,444	0	180,880
Class A	18,848,493	29.92% ▲	0.59% ◀▶	30.50% ▲	35.48% ▲	35,771	-12,543	0	
Class B	11,545,305	23.43% ▲	0.05% ◀▶	23.49% ▲	26.92% ▲	-15,568	67,020	0	
Class C	2,454,093	10.68% ▼	0.00% ◀▶	10.68% ▼	14.08% ▼	-13,759	-7,033	0	
O'Hare	14,396,820	13.45% ▼	0.23% ▼	13.68% ▼	19.56% ▲	93,444	161,715	0	137,335
Class A	8,128,885	10.62% ▼	0.41% ▼	11.03% ▼	18.66% ◀▶	-8,230	54,424	0	
Class B	5,384,473	18.44% ▼	0.00% ◀▶	18.44% ▼	22.60% ▲	85,827	109,603	0	
Class C	883,462	9.00% ▼	0.00% ◀▶	9.00% ▼	9.30% ▲	15,847	-2,312	0	
East-West Corridor	42,288,308	15.65% ▲	0.92% ◀▶	16.57% ▲	18.88% ▲	-47,239	6,736	0	358,310
Class A	21,879,040	17.62% ▲	1.22% ▲	18.83% ▲	22.01% ▲	-44,109	-102,876	0	
Class B	16,167,553	14.07% ▼	0.76% ◀▶	14.83% ▼	16.78% ▲	-11,020	56,258	0	
Class C	4,241,715	11.48% ▲	0.04% ◀▶	11.52% ▲	10.79% ▲	7,890	53,354	0	
I-55 Corridor	3,736,014	11.25% ▲	0.23% ▲	11.48% ▲	13.98% ▲	-19,737	25,936	0	15,612
Class A	996,000	3.70% ▲	0.00% ◀▶	3.70% ▲	12.19% ▲	-1,107	91,868	0	
Class B	2,386,063	15.23% ▼	0.30% ▲	15.53% ▲	15.40% ▲	-11,340	-68,661	0	
Class C	353,951	5.66% ▲	0.42% ◀▶	6.07% ▲	9.40% ▲	-7,290	2,729	0	
Suburban Totals	121,328,995	18.57% ▲	0.68% ◀▶	19.24% ▲	23.08% ▲	14,372	239,664	0	940,873
Class A	66,200,548	20.39% ▲	0.97% ◀▶	21.35% ▲	26.40% ▲	970	39,973	0	
Class B	44,444,645	17.55% ▼	0.39% ◀▶	17.94% ▼	20.68% ▲	12,017	115,114	0	
Class C	10,683,802	11.52% ▲	0.07% ◀▶	11.59% ▲	12.56% ▲	1,385	84,577	0	
West Loop	60,837,057	9.97% ▲	0.92% ▲	10.89% ▲	15.06% ▲	118,472	1,182,440	4,275,399	597,128
Class A	43,573,248	10.66% ▲	1.05% ▲	11.71% ▲	16.20% ▲	105,291	1,105,081	4,275,399	
Class B	14,341,277	8.27% ▲	0.40% ▼	8.67% ▲	9.97% ▲	29,507	67,754	0	
Class C	2,922,532	8.11% ▼	1.49% ▼	9.60% ▼	22.96% ▲	-16,326	9,605	0	
Central Loop	39,290,103	12.71% ▲	0.93% ▲	13.64% ▲	21.46% ▲	-257,884	-734,599	0	158,119
Class A	21,438,368	13.57% ▼	0.75% ▲	14.33% ▼	21.82% ▲	34,198	-220,395	0	
Class B	15,682,353	12.53% ▲	1.30% ▲	13.83% ▲	23.06% ▲	-282,741	-517,034	0	
Class C	2,169,382	5.37% ▲	0.03% ▲	5.40% ▲	6.37% ▲	-9,341	2,830	0	
East Loop	26,593,010	16.88% ▲	1.05% ▼	17.93% ▲	18.43% ◀▶	-1,064,630	-1,109,305	0	83,926
Class A	13,009,985	17.61% ▲	1.07% ▼	18.68% ▲	22.21% ▼	-582,265	-653,400	0	
Class B	9,641,892	18.53% ▲	1.16% ▼	19.69% ▲	15.60% ▲	-415,080	-416,570	0	
Class C	3,941,133	10.43% ▲	0.71% ◀▶	11.14% ▲	12.90% ▲	-67,285	-39,335	0	
North Michigan Ave	13,689,651	8.59% ▲	1.10% ▲	9.69% ▲	12.27% ▲	-62,327	9,934	0	37,701
Class A	7,113,181	7.69% ▲	1.15% ▲	8.84% ▲	12.22% ▲	-37,417	15,629	0	
Class B	5,938,318	9.61% ▲	0.86% ▲	10.47% ▲	12.18% ▼	-19,790	13,410	0	
Class C	591,544	6.61% ▲	2.92% ◀▶	9.53% ▲	11.53% ▲	-5,120	-15,105	0	
River North	17,157,740	8.97% ▲	1.91% ▲	10.88% ▲	15.47% ▲	65,571	83,861	268,134	192,163
Class A	9,465,007	7.76% ▲	0.82% ▼	8.58% ▲	14.86% ▲	53,767	39,629	268,134	
Class B	4,522,812	8.73% ▼	4.97% ▲	13.71% ▲	14.29% ▲	-4,902	37,042	0	
Class C	3,169,921	12.92% ▼	0.80% ▼	13.72% ▼	18.94% ▲	16,706	7,190	0	
Downtown Totals	157,567,561	11.59% ▲	1.07% ▲	12.66% ▲	17.03% ▲	-1,200,798	-567,669	4,543,533	1,069,037
Class A	94,599,789	11.74% ▲	0.97% ▲	12.73% ▲	17.87% ▲	-426,426	286,544	4,543,533	
Class B	50,126,652	11.78% ▲	1.29% ▲	13.07% ▲	15.80% ▲	-693,006	-815,398	0	
Class C	12,794,512	9.48% ▼	0.90% ▼	10.38% ▼	15.52% ▲	-81,366	-34,815	0	
Metro Chicago Totals	278,896,556	14.63% ▲	0.90% ▲	15.52% ▲	19.66% ▲	-1,186,426	-328,005	4,543,533	2,009,910
Class A	160,800,337	15.31% ▲	0.97% ▲	16.28% ▲	21.38% ▲	-425,456	326,517	4,543,533	
Class B	94,571,297	14.49% ▲	0.87% ◀▶	15.36% ▲	18.09% ▲	-680,989	-700,284	0	
Class C	23,478,314	10.41% ▼	0.52% ◀▶	10.93% ▼	14.18% ▲	-79,981	49,762	0	

Suburban Office Market

Despite a 54 basis point increase in vacancy year-over-year, suburban Chicago office adapted in a quarter of unprecedented circumstances and continuing uncertainty.



19.24%

VACANCY RATE

14,372

SF NET ABSORPTION

940,873

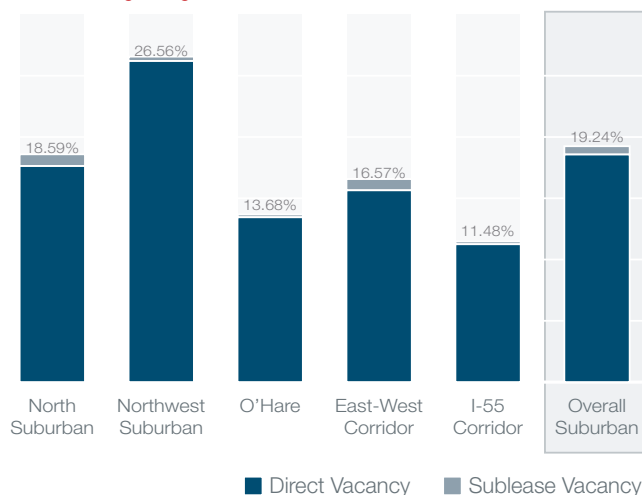
SF NEW LEASING ACTIVITY

- The suburban Chicago office market saw its vacancy rise to 19.24% in the second quarter of 2020, a 54-basis point year-over-year increase. While some adversity was to be expected in an environment where pandemic-driven shelter-in-place orders forcibly kept large portions of office-using employees from actually going to the office, this reality was not reflected by subleases in the second quarter. The sublease vacancy rate was 0.68% on the quarter (820,039 SF), a year-over-year decline compared to Q2 2019's 0.73% sublease vacancy rate (955,036 SF).
- Absorption in the second quarter declined from the start of the year, yet remained positive at 14,372 SF. The O'Hare submarket was the leader among its peers, seeing 93,444 SF of move-ins on the quarter. Comparatively, the East-West Corridor was the laggard at -47,239 SF. Despite this hiccup for the East-West Corridor, absorption remained positive, if modest on the year 6,736 SF. The Northwest Suburban submarket also saw a modest 6,444 SF of positive absorption on the quarter - a minor salve for a market in transition over the past year.

Arrows indicate change from previous year.

MARKET SIZE	121,328,995 SF	2Q 2020 NET ABSORPTION	14,372 SF
TOTAL VACANCY	23,346,448 SF (19.24%)	YTD NET ABSORPTION	239,664 SF
DIRECT VACANCY	22,526,409 SF (18.57%)	2Q 2020 NEW LEASING ACTIVITY	940,873 SF
SUBLEASE VACANCY	820,039 SF (0.68%)	YTD NEW LEASING ACTIVITY	3,154,207 SF
AVAILABLE SPACE	28,005,775 SF (23.08%)	UNDER CONSTRUCTION	0 SF
		2Q 2020 NEW SUPPLY	0 SF

Vacancy by Submarket



Largest Blocks of Available Space

Building Address	Block Size (SF)
Bell Works Chicago, Hoffman Estates	1,300,000
3333 Beverly Rd, Hoffman Estates	477,700
2001 N Division St, Harvard	407,347
1301 E Algonquin Rd, Schaumburg	360,206
2 Overlook Pt, Lincolnshire	302,678
2 Pierce Pl, Itasca	298,883
2915 Jorie Blvd, Oak Brook	297,127
2001 Lakewood Blvd, Hoffman Estates	281,382
Golf Tower, 2550 Golf Rd, Rolling Meadows	267,516
BP at Cantera II, 28301 Ferry Rd, Warrenville	264,000
540 W Northwest Hwy, Barrington	253,000

- Overall leasing activity persevered in the suburbs despite the difficult environment, as over 940,000 SF of activity occurred in the second quarter. The East-West Corridor is poised to outperform its peers in absorption in the second half of 2020, as several notable leases signed in the submarket, headed by American Board of Radiology's 71,183 SF at 814 Commerce Drive in Oak Brook, as well as several new leases at The Shuman in Naperville.
- As the downtown office market reels from the continued repercussions of the COVID-19 outbreak, it remains to be seen whether companies will turn to the suburbs for solutions to accommodate a suburban workforce concerned with downtown density, back-to-school and childcare uncertainty, and the social-distancing challenges of mass transit.

Significant Buildings on the Market

Submarket	Building Address	Size (SF)	Target Price PSF	Seller	Status
Northwest Suburban	540 W Northwest Hwy, Barrington	253,000	Undisclosed	Bourns, Inc.	Active
North Suburban	7770 Frontage Rd, Skokie	161,060	\$12,500,000 \$78	Forsythe Solutions Group Inc.	Active
Northwest Suburban	1000 Plaza Dr, Schaumburg	141,104	Undisclosed	RMS Properties	Active

Significant Sale Transactions

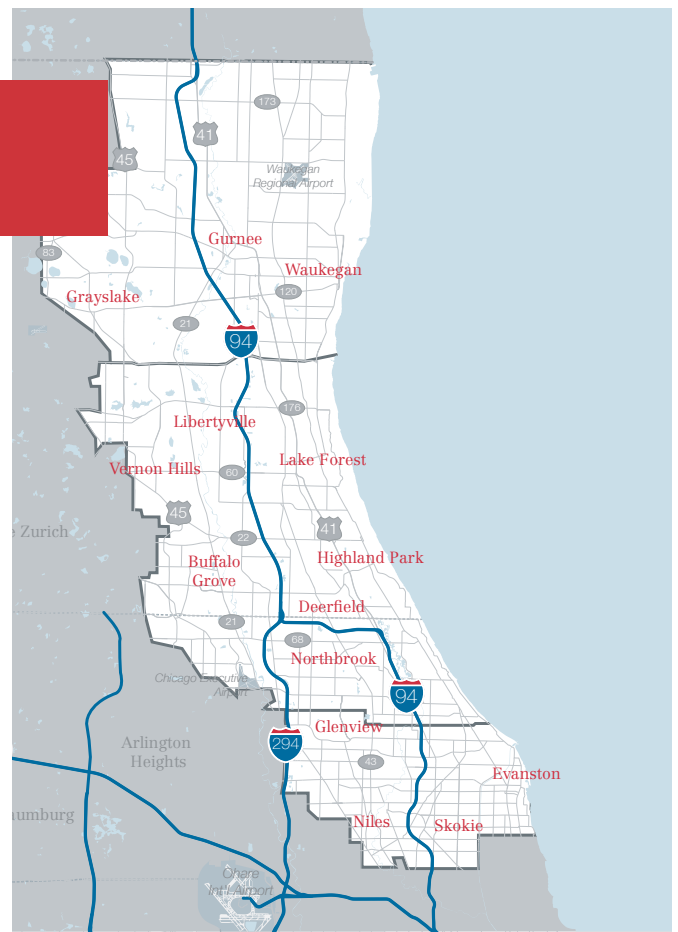
Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
425 Meridian Pky, Aurora	44,315	\$3,000,000 \$68	4255 Meridian Parkway LLC	Feld Motor Sports, Inc.
NAI Hiffman transaction				

Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
9022 Heritage Pky, Woodridge	94,233	Allstate Insurance Company	Renewal
814 Commerce Dr, Oak Brook	71,183	American Board of Radiology	New lease
8755 W Higgins Rd, Chicago	54,838	Littelfuse, Inc.	Renewal
NAI Hiffman transaction			

North Suburban

Year	Vacancy Rate (%)	Net Absorption (\$F)
2015	15.5	250,000
2016	14.5	50,000
2017	16.5	10,000
2018	17.5	10,000
2019	18.5	70,000
2020	17.5	10,000

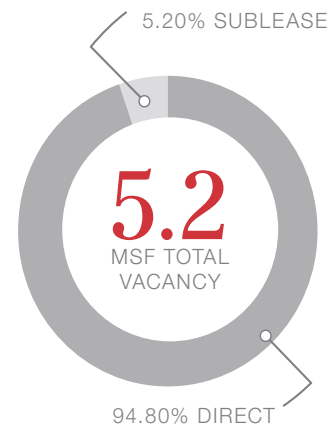


VACANCY RATE

SF NET ABSORPTION

SF NEW LEASING ACTIVITY

- Arrows indicate change from previous quarter.





14,402

SF EXPANSION

1007 Church St | Evanston, Illinois

Ornua Foods North America signed an expansion of 14,402 SF at 1007 Church St during the second quarter. The company currently occupies 10,184 SF at this location and plans to move into its new space in September.



22,000

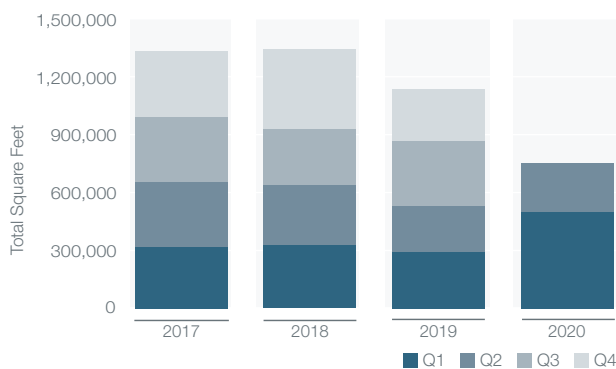
SF SALE

100 Lexington Dr | Buffalo Grove, Illinois

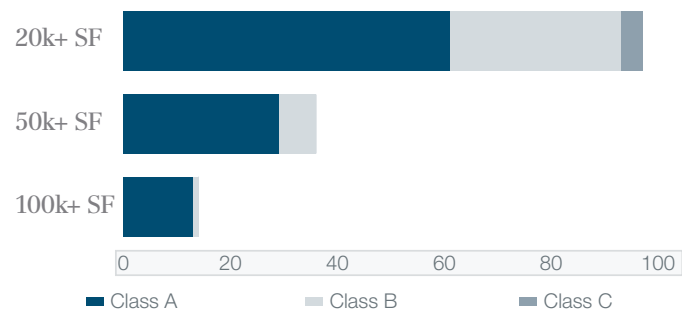
At the start of the second quarter, the 22,000 square-foot office building in the North Suburban submarket sold for \$2.2 million, or \$102.27 per square foot to 100 Lexington Properties LLC.

- The submarket recorded 18,540 square feet of negative absorption in the second quarter, dragging down year-to-date net absorption to -2,167 square feet. Notable occupancy changes on the quarter included: Mondelez International moved out of its 53,000 square feet office space at Three Parkway North in Deerfield for its new home in the Fulton Market neighborhood of downtown Chicago; Stericycle moved into its space at Bannockburn Lake Office Plaza, occupying 36,000 square feet.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
100 Lexington Dr, Buffalo Grove	22,855	\$2,250,000 \$102	100 Lexington Properties LLC	100 Lexington Drive LLC

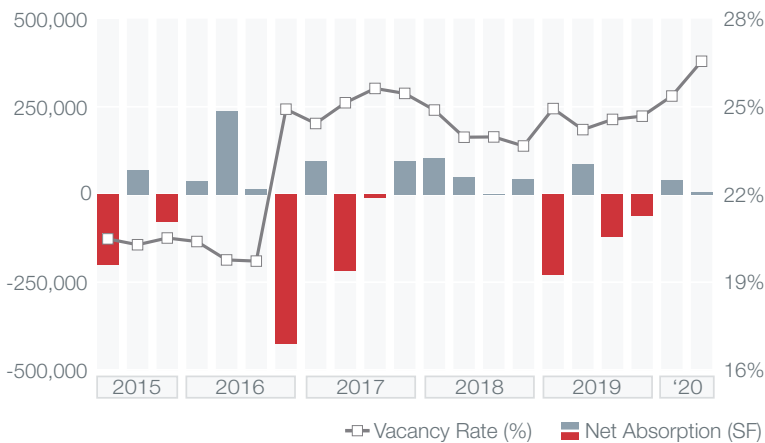
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
1007 Church St, Evanston	14,402	Ornua Foods North America	Expansion

Mid-Year 2020

Northwest Suburban

Vacancy rates in the Northwest Suburban submarket climbed for a fourth consecutive quarter, yet net absorption stayed flat.



26.56%

VACANCY RATE

6,444

SF NET ABSORPTION

180,880

SF NEW LEASING ACTIVITY

- Net absorption stayed positive for second straight quarter, albeit slightly. The submarket's total vacancy rate checked in at 26.56% in Q2 2020, lagging all of its peer submarkets. This vacancy rate represents a marked increase from the 24.22% vacancy rate recorded one year prior. One minor bright spot for the submarket: the overall sublease vacancy inched up only two basis points from the first quarter, to 0.36%.
- 6,444 square feet of net absorption was recorded on the quarter, driven by Misumi USA's move-in of 45,000 square feet at Schaumburg Corporate Center. Conversely, Interactive Health vacated over 21,000 square feet at Two Century Centre in Schaumburg after declaring bankruptcy in June.

Arrows indicate change from previous quarter.

MARKET SIZE	32,847,891 SF
TOTAL VACANCY	8,723,245 SF / (26.55%)
DIRECT VACANCY	8,606,312 SF / (26.20%)
SUBLEASE VACANCY	116,933 SF / (0.36%)
AVAILABLE SPACE	10,141,859 SF / (30.88%)
2Q 2020 NET ABSORPTION	6,444 SF
YTD NET ABSORPTION	47,444 SF
2Q 2020 NEW LEASING ACTIVITY	180,880 SF
YTD NEW LEASING ACTIVITY	593,885 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF





1.3 M

SF AVAILABILITY

2000 W AT&T Center Dr | Hoffman Estates, Illinois

The largest Class A contiguous availability is a 1.3 million SF campus in the Chicago suburbs located at 2000 W AT&T Center Dr in Hoffman Estates. It has been repositioned as a 'metroburbs' development named Bell Works Chicago.



31,320

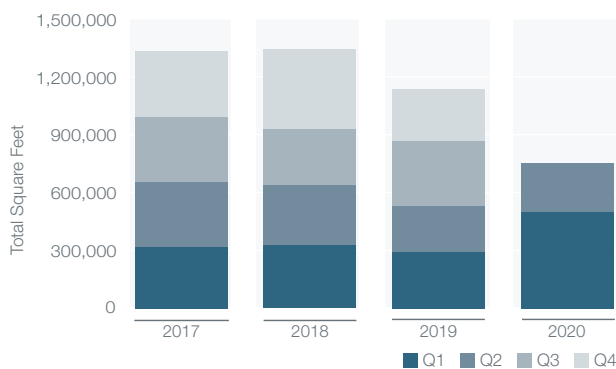
SF SALE

385 Airport Rd | Elgin, Illinois

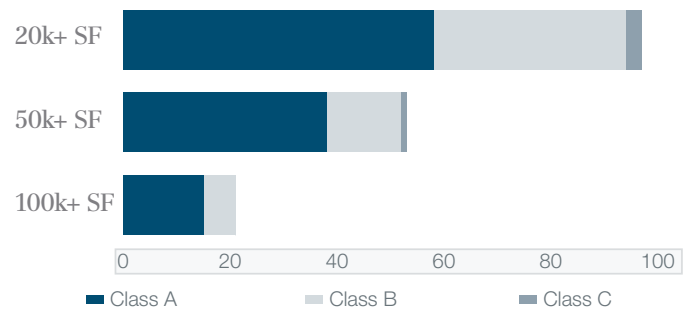
At \$34 per square foot, the Elgin location sold for \$1.05 million in April 2020. IHC Construction Companies LLC acquired the building from Exeter Property Group LLC after being on the market for 16 months.

- The Northwest Suburban submarket recorded 180,880 square feet of new leasing activity on quarter, declining 50.8% year-over-year compared to Q2 2019. Notably, FirstService Residential expanded by 18,000 square feet at 25 NW Point Blvd in Elk Grove Village. Additionally, Colgate Palmolive renewed 15,500 square feet at Two Century Centre. While Northwest Suburban has sought a firmer footing in the Chicago office landscape as of late, the ongoing effects of the COVID-19 pandemic appear to present an opportunity for select companies who may wish to set up satellite offices near their respective personnel.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
385 Airport Rd, Elgin	31,320	\$1,050,000 \$34	IHC Construction Companies LLC	Exeter Property Group LLC

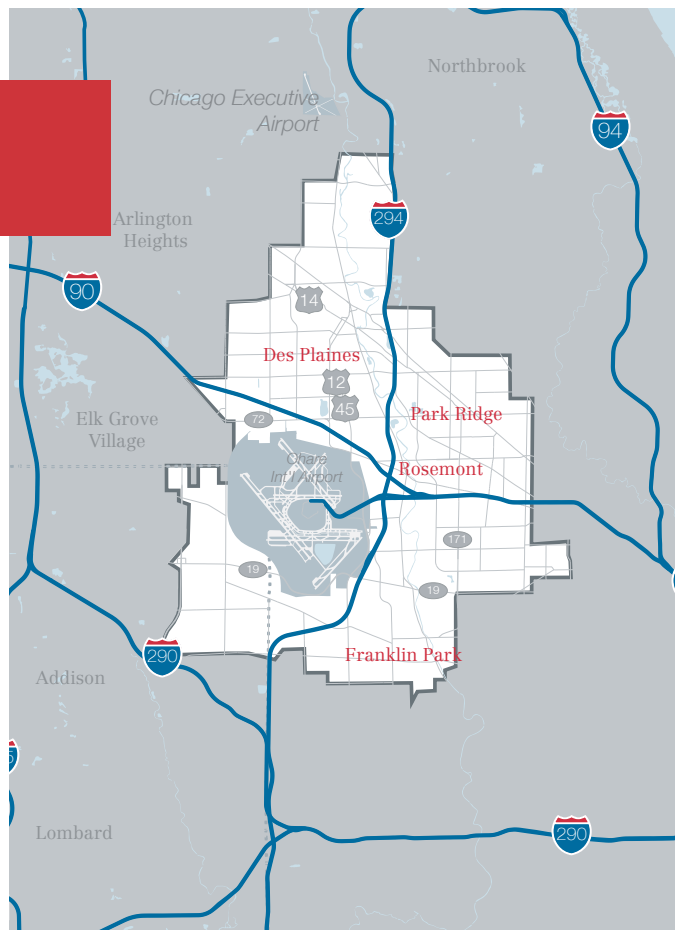
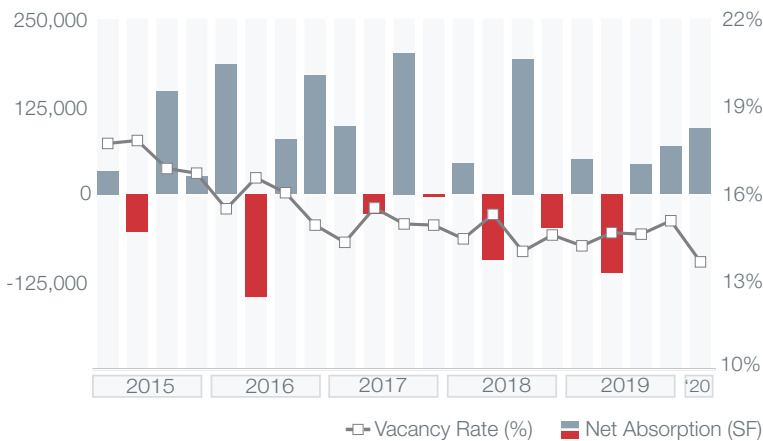
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
7717 S Route 31, Crystal Lake	12,636	Northwest Herald	New lease

Mid-Year 2020

O'Hare

While leading its peers in net absorption in the suburbs on the quarter, total vacancy in the O'Hare office submarket tightened 55 basis points year-over-year to 13.68%.



13.68%

VACANCY RATE

93,444

SF NET ABSORPTION

137,335

SF NEW LEASING ACTIVITY

- Total vacancy in the O'Hare office submarket tightened 55 basis points year-over-year, moving from 14.23% in the second quarter of 2019 to 13.68% in the second quarter of 2020. Sublease vacancy declined 18 basis points to 0.23% since the first quarter.
- The O'Hare office submarket gained occupancy due to several move-ins, as it lead all peer markets in the suburbs on the quarter with 93,444 square feet of positive absorption. Notably, American Property Casualty Insurance Association began occupying the top floor of Presidents Plaza II at 8700 West Bryn Mawr Avenue.

Arrows indicate change from previous quarter.

MARKET SIZE	14,396,820 SF
TOTAL VACANCY	1,968,932 SF / (13.68%)
DIRECT VACANCY	1,935,804 SF / (13.45%)
SUBLEASE VACANCY	33,128 SF / (0.23%)
AVAILABLE SPACE	2,816,150 SF / (19.56%)
2Q 2020 NET ABSORPTION	93,444 SF
YTD NET ABSORPTION	161,715 SF
2Q 2020 NEW LEASING ACTIVITY	137,335 SF
YTD NEW LEASING ACTIVITY	609,575 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF





54,838

SF RENEWAL

8755 W Higgins Rd | Chicago, Illinois

Littelfuse signed a five-year renewal of 54,838 SF at its headquarters facility at O'Hare Plaza II. The firm, which specializes in circuitry protection products, currently occupies floors 3-5.



226,665

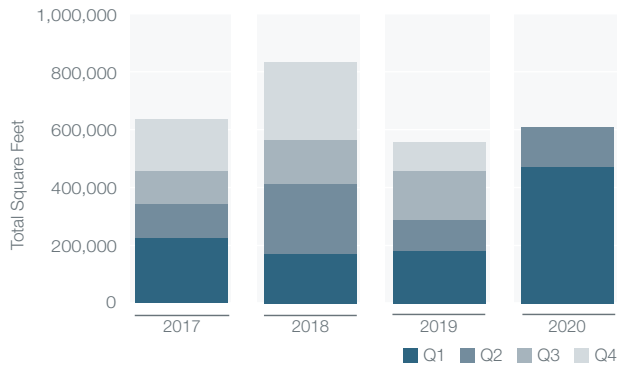
SF AVAILABILITY

6133 N River Rd | Rosemont, Illinois

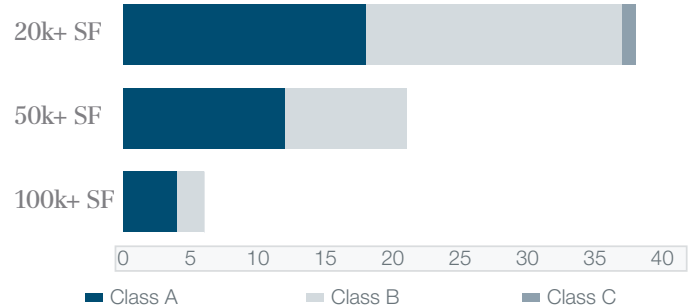
While only 14,127 SF of space is currently available at Riverway East, there is 226,665 SF currently coming to market April 2021. The Riverway complex has an 11.8% total vacancy rate, while the availability rate remains at 28.5%.

- The O'Hare office submarket recorded 137,335 square feet of new leasing activity on the quarter - a 28.8 percent increase year-over-year compared to 2Q 2019's 106,660 square feet. In addition, Littelfuse renewed nearly 55,000 square feet at O'Hare Plaza II.
- O'Hare has only six large blocks (100k+ square feet) of space available at mid-year. The two largest blocks available include 122,653 square feet at 5450 N Cumberland Avenue and 112,105 square feet at 9600 West Bryn Mawr Avenue in Rosemont.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
None to report				

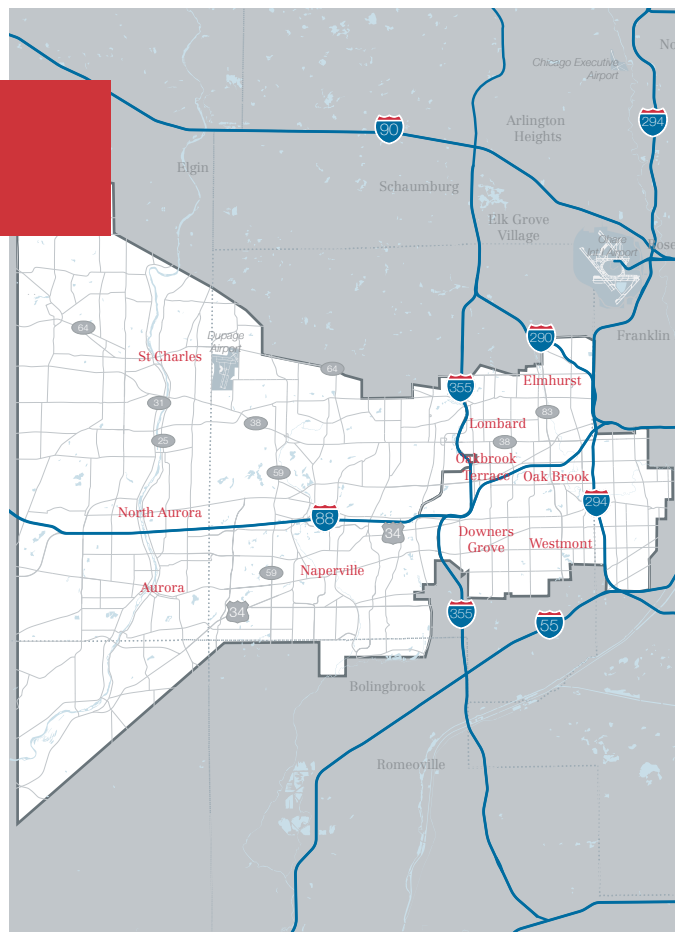
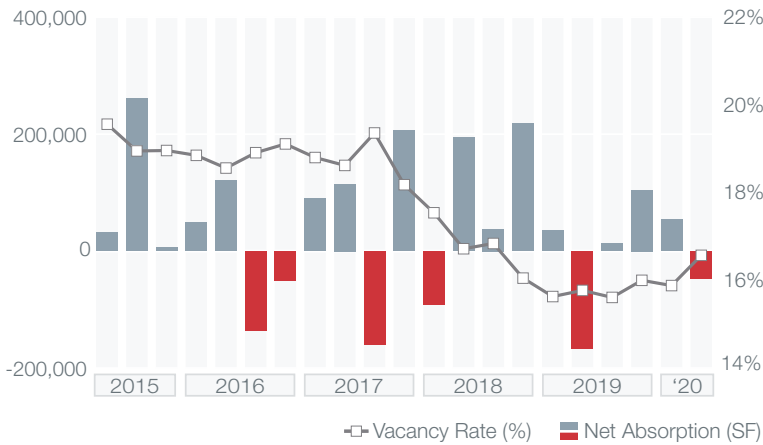
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
8755 W Higgins Rd, Chicago	54,838	Littelfuse	Renewal

Mid-Year 2020

East-West Corridor

Despite experiencing an uptick in vacancy at mid-year, the East-West Corridor outpaced its suburban peer submarkets in new leasing activity in the second quarter.



16.57%

VACANCY RATE

-47,239

SF NET ABSORPTION

358,310

SF NEW LEASING ACTIVITY

- The total vacancy rate in the East-West Corridor submarket softened 80 basis points year-over-year, from 15.77 percent in the second quarter of 2019 to the current rate of 16.57%. Sublease vacancy accounted for 10 basis points of softening in that time, as well as an 18 basis point increase of Class A product.
- The East-West Corridor recorded -47,239 square feet of absorption in the second quarter, breaking a three quarter streak of positive absorption. Notable movement in the submarket included: Grant Thornton shrinking its footprint over 38,000 square feet moving from Oakbrook Terrace Corporate Center I to 3333 Finley Road in Downers Grove, while Kimley-Horn and Associates moved in to 31,600 square feet at 4201 Winfield Road in Warrenville.

Arrows indicate change from previous quarter.

MARKET SIZE	42,282,325 SF
TOTAL VACANCY	7,008,015 SF / (16.57%)
DIRECT VACANCY	6,616,945 SF / (15.65%)
SUBLEASE VACANCY	391,070 SF / (0.92%)
AVAILABLE SPACE	7,985,779 SF / (18.89%)
2Q 2020 NET ABSORPTION	-47,239 SF
YTD NET ABSORPTION	6,736 SF
2Q 2020 NEW LEASING ACTIVITY	358,310 SF
YTD NEW LEASING ACTIVITY	1,131,876 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF





71,183

SF NEW LEASE

814 Commerce Dr | Oak Brook, Illinois

American Board of Radiology inked a new 71,183 SF lease at Commerce Office Building in Oak Brook during Q2. The company plans to move in January 2021.



297,127

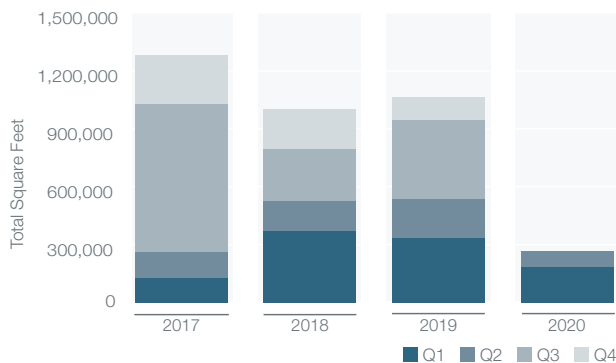
SF AVAILABILITY

2915 Jorie Blvd | Oak Brook, Illinois

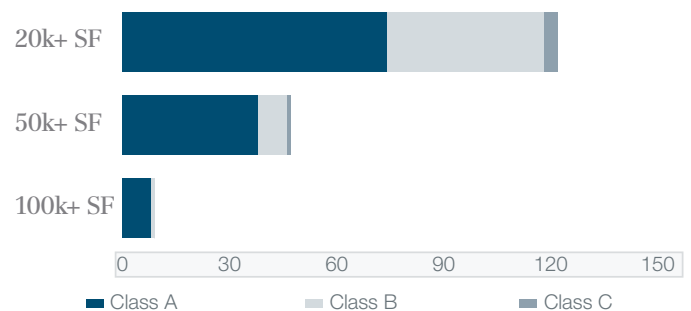
There is up to 297,127 SF of office space available at 2815 Jorie Blvd in Oak Brook. The property sold in a three-property portfolio in May 2019 for \$40.0 million.

- While the East-West Corridor hiccuped with respect to absorption in the second quarter, the submarket outpaced all of its suburban peers with 358,310 square feet of new leasing activity. There were seven deals signed ranging from over 70,000 square feet to 10,000 square feet.
- American Board of Radiology signed the largest new lease on the quarter, leasing 71,183 square feet at 814 Commerce Drive in Oak Brook, while The Shuman's recent renovations in Naperville attracted three significant transaction, led by XPO Logistics signing for nearly 51,000 square feet.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
4255 Meridian Pky, Aurora	44,315	\$3,000,000 \$68	4255 Meridian Parkway LLC	Feld Motor Sports, Inc.
NAI Hiffman transaction				

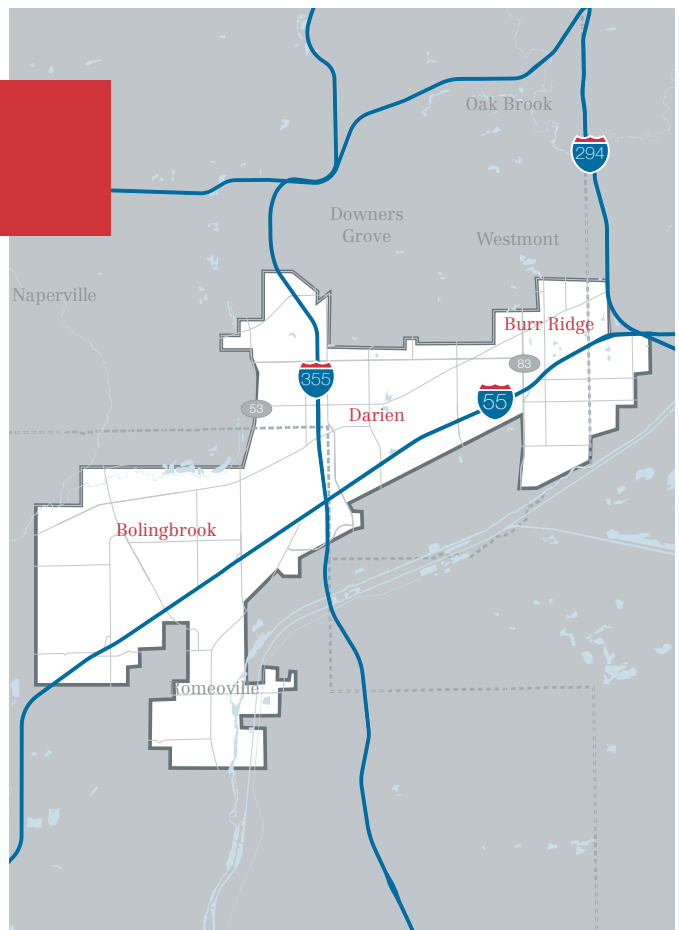
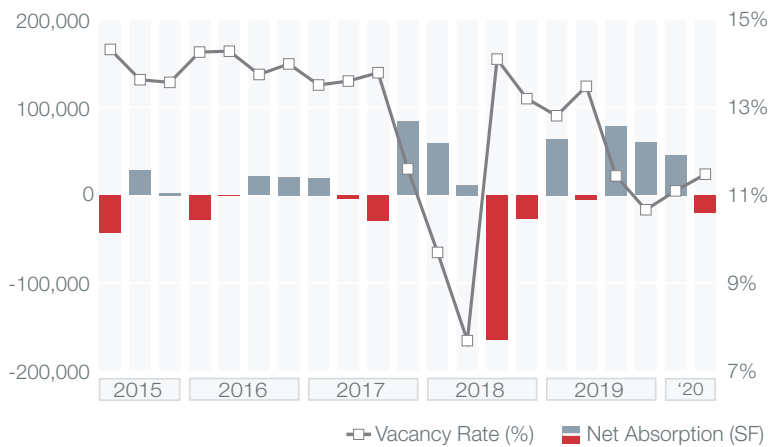
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
814 Commerce Dr, Oak Brook	71,183	American Board of Radiology	New lease
263 Shuman Blvd, Naperville	50,663	XPO Logistics	New lease
NAI Hiffman transaction			

Mid-Year 2020

I-55 Corridor

The I-55 Corridor maintained the tightest vacancy rate amongst its suburban peer submarkets in the second quarter of 2020.



11.48%

VACANCY RATE

-19,737

SF NET ABSORPTION

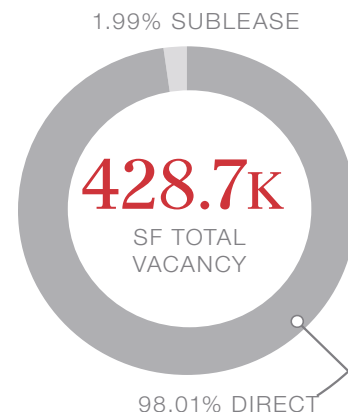
15,612

SF NEW LEASING ACTIVITY

- Total vacancy increased in the I-55 corridor submarket for the second straight quarter. Despite this, the rate tightened 200 basis points year-over-year from Q2 2019's 13.48% to the current rate of 11.48%. Sublease vacancy also increased compared to the previous quarter, nudging up from 1,480 square feet in the first quarter (0.04%) to 8,534 square feet (0.23%).
- New leasing activity was scarce on the quarter, as only 15,612 square feet was recorded. Despite the paucity of new activity, the largest deal on the quarter overall occurred in Woodridge - Allstate Insurance Company's 94,233 square-foot renewal at 9022 Heritage Parkway.

Arrows indicate change from previous quarter.

MARKET SIZE	3,736,014 SF
TOTAL VACANCY	428,747 SF / (11.48%)
DIRECT VACANCY	420,213 SF / (11.25%)
SUBLEASE VACANCY	8,534 SF / (0.23%)
AVAILABLE SPACE	522,135 SF / (13.98%)
2Q 2020 NET ABSORPTION	-19,737 SF
YTD NET ABSORPTION	25,936 SF
2Q 2020 NEW LEASING ACTIVITY	15,612 SF
YTD NEW LEASING ACTIVITY	70,665 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF





94,233

SF RENEWAL

9022 Heritage Pky | Woodridge, Illinois

Allstate Insurance Company signed a renewal in April at 9022 Heritage Pky in Woodridge for 94,233 SF. The insurance company has occupied the Class B office building since 2018.



33,426

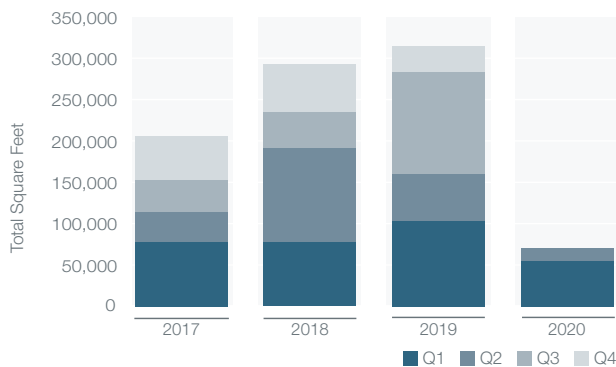
SF SALE

1023 W 55th St | Countryside, Illinois

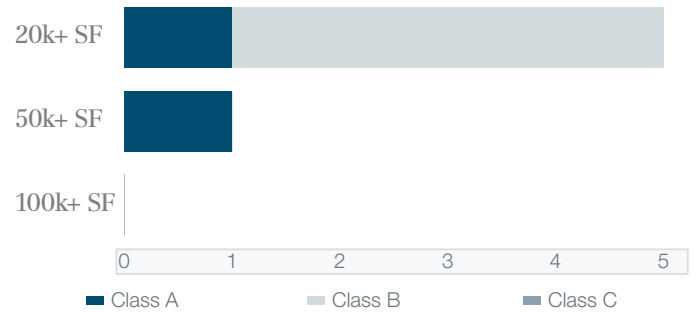
R. Bradford Wilson acquired the 33,426 SF building in Countryside for \$925,000, or \$27.67 per square foot. The building, which was constructed in 1996, was on market for 14 months.

- Net absorption in the I-55 Corridor was recorded at -19,737 square feet in the second quarter. Despite this decline, the submarket has recorded 25,936 square feet of positive absorption year-to-date. Absorption in the Class A portion of the submarket has recorded even stronger performance as 91,868 square feet of move-ins have occurred on the year, withstanding the -68,661 square feet of move-outs in Class B space on the year.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

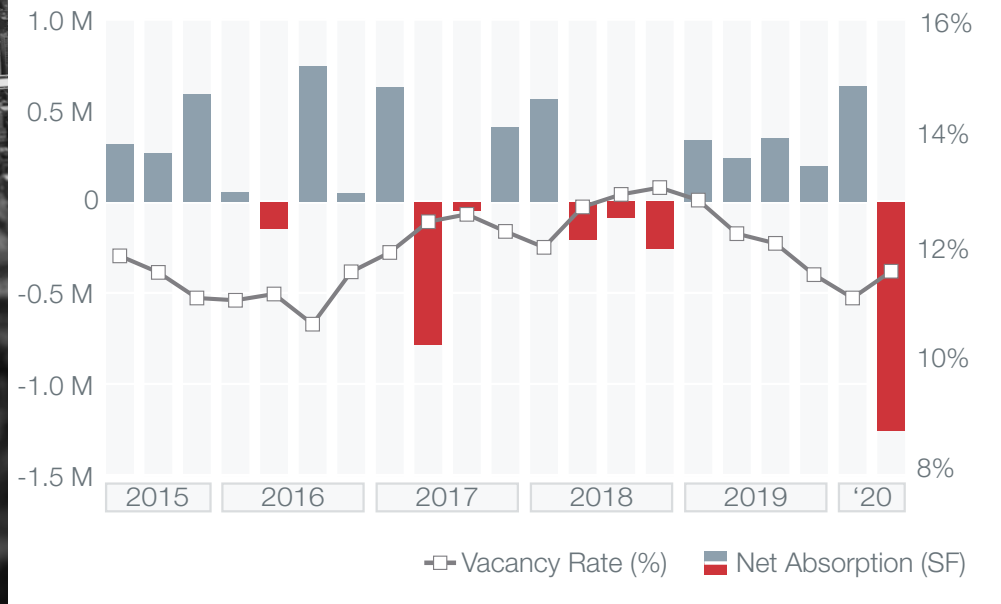
Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
1023 W 55th St, Countryside	33,426	\$925,000 \$28	R. Bradford Wilson	Ahmad Zahdan

Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
9022 Heritage Pky, Woodridge	94,233	Allstate Insurance Company	Renewal
NAI Hiffman transaction			

Downtown Office Market

Dragged down by two major events in the East Loop submarket, the downtown market saw the worst absorption figures recorded - a cycle-ending exclamation point.



12.66%

VACANCY RATE

-1.2 M

SF NET ABSORPTION

1,069,037

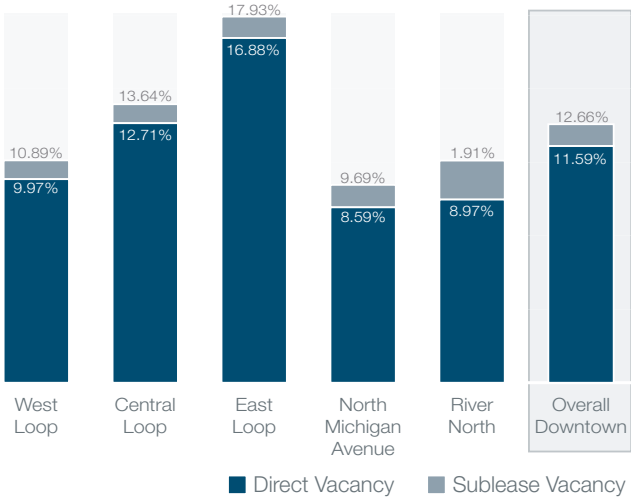
SF NEW LEASING ACTIVITY

- Unsurprisingly, the Downtown Chicago office market momentum stalled in the second quarter due to the COVID-19 pandemic. Total vacancy increased 41 basis points year-over-year to a still respectable 12.65%. The North Michigan Avenue submarket led its peers with a 9.69% vacancy rate, while the East Loop experienced a notable, if unique, jump to 17.93%.
- The East Loop's absorption was significantly and adversely affected on the quarter in both Class A space (The Marshall Fields office redevelopment at 24 East Washington Street delivered) and Class B (Robert Morris University moved out of 355,000 SF at 401 South State Street). The two events resulted in the submarket recording over 1.1 M SF of negative absorption on the quarter, ultimately contributing to the 1.3 M SF of overall negative absorption in the downtown market for the second quarter.

Arrows indicate change from previous quarter.

MARKET SIZE	157,567,561 SF	2Q 2020 NET ABSORPTION	-1,200,798 SF
TOTAL VACANCY	19,946,718 SF / (12.66%)	YTD NET ABSORPTION	-567,669 SF
DIRECT VACANCY	18,262,740 SF / (11.59%)	2Q 2020 NEW LEASING ACTIVITY	1,069,037 SF
SUBLEASE VACANCY	1,683,978 SF / (1.07%)	UNDER CONSTRUCTION	4,543,533 SF
AVAILABLE SPACE	26,829,171 SF / (17.03%)	2Q 2020 NEW SUPPLY	1,070,814 SF

Vacancy by Submarket



Largest Blocks of Available Space

Submarket	Building Address	Block Size (SF)
Central Loop	135 S LaSalle St	763,997
River North	theMart, 222 Merchandise Mart Plz	666,960
East Loop	24 E Washington St	601,561
West Loop	The Old Post Office, 433 W Van Buren St	576,033
Central Loop	Three First National Plaza, 70 W Madison St	565,226
West Loop	OSW, 1 S Wacker Dr	535,929
Central Loop	175 W Jackson Blvd	535,453
East Loop	AON Center, 200 E Randolph St	495,618
East Loop	Two Illinois Center, 233 N Michigan Ave	445,983
West Loop	555 W Monroe St	422,000
Central Loop	77 W Wacker Dr	381,178

- The commercial real estate environment wasn't completely negative, as the CBD recorded nearly 1.1 M SF of new leasing activity on the quarter. Notable new leasing activity was spread throughout the downtown market, including: CCC Information Systems signed 133,749 SF at 167 N Green St in the Fulton Market neighborhood of the West Loop submarket, Old Mission Capital signing for 38,000 SF on a sublease at 1 North Dearborn Street in the Central Loop, and PHD Media leasing 33,000 SF at the Aon Center in the East Loop.
- Overall, the downtown office markets are experiencing a distinct and abrupt change from its recent history of strength. A lack of certainty driven by the continued threat of COVID-19 shows no sign of abatement in the second half of 2020. Downtown Chicago Office will not effectively rebound without a resolution to the pandemic.

Significant Buildings on the Market

Submarket	Building Address	Size (SF)	Seller	Status
Central Loop	105 W Madison St	134,220	Windy City RE	Active
Central Loop	123 W Madison St	80,877	GK Real Estate	Active

Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
225 W Wacker Dr	650,812	\$210,000,000 \$323	Spear Street Capital	Mirae Asset Global Investments

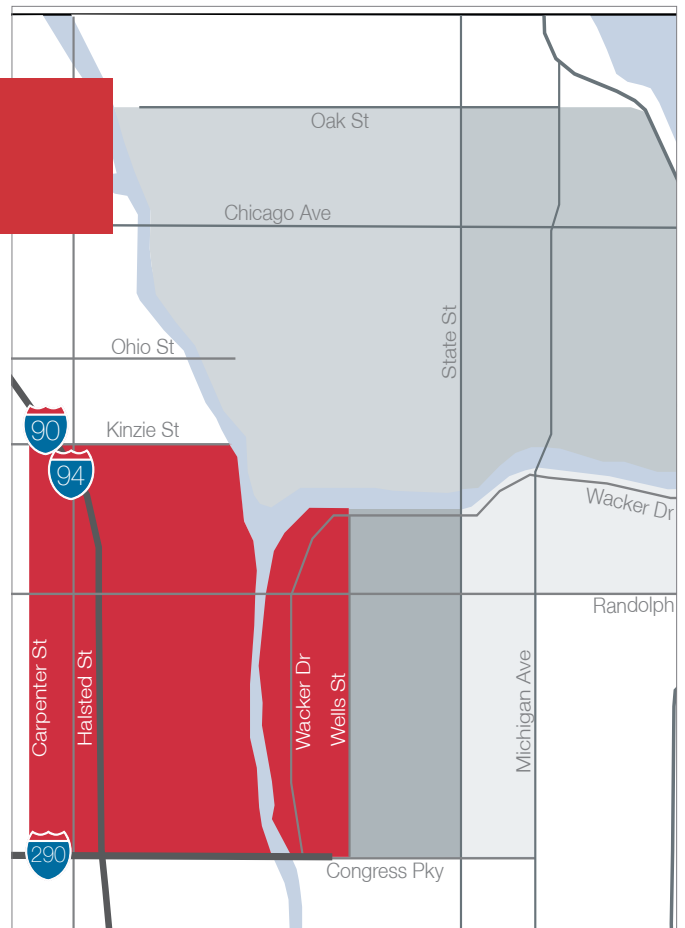
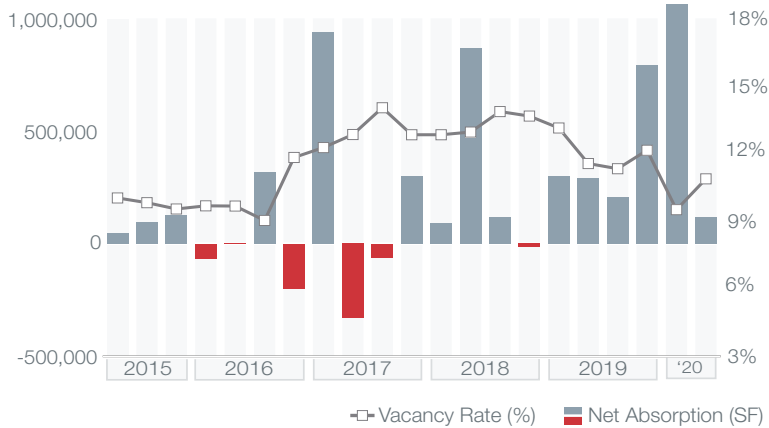
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
167 N Green St	133,749	CCC Information Systems	New Lease
600 W Chicago Ave	121,562	Tempus Labs	Renewal
200 E Randolph St	96,115	FederalHomeLoanBankofChicago	Renewal

Mid-Year 2020

West Loop

Driven by a sixth consecutive quarter of positive absorption, vacancy in the West Loop submarket decreasing 68 basis points year-over-year.



10.89%

VACANCY RATE

118,472

SF NET ABSORPTION

597,128

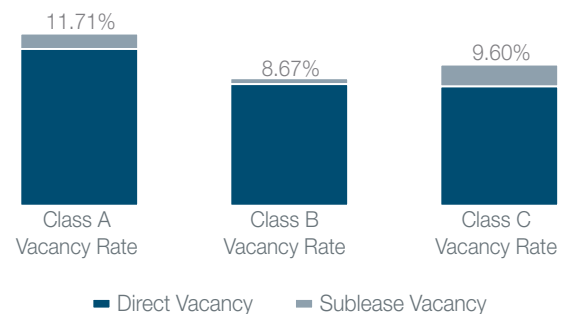
SF NEW LEASING ACTIVITY

- Total vacancy in the West Loop decreased to 10.89 percent in the second quarter, a 68 basis point decline from Q2 2019's 11.57 percent figure. Comparatively, the vacancy rate increased 131 basis points from the first quarter's 9.52 percent rate
- There was 118,472 square feet of net absorption on the quarter, decreasing 59.1 percent year-over-year. The West Loop led all of its downtown peer submarkets in absorption on the quarter. Total net absorption in the submarket at mid-year stands at 1,182,440 square feet.

Arrows indicate change from previous quarter.

MARKET SIZE	60,837,057 SF
TOTAL VACANCY	6,627,222 SF / (10.89%)
DIRECT VACANCY	6,067,757 SF / (9.97%)
SUBLEASE VACANCY	559,465 SF / (0.92%)
AVAILABLE SPACE	9,160,237 SF / (15.06%)
2Q 2020 NET ABSORPTION	118,472 SF
YTD NET ABSORPTION	1,182,440 SF
2Q 2020 NEW LEASING ACTIVITY	597,128 SF
YTD NEW LEASING ACTIVITY	1,398,607 SF
UNDER CONSTRUCTION	4,275,399 SF
2Q 2020 NEW SUPPLY	398,224 SF

Vacancy by Building Class





37,414

SF NEW LEASE
500 W Madison St

NFP Insurance Solutions, Inc. leased 37,414 SF on the building's 32nd floor and plan to occupy March 2021.

650,812

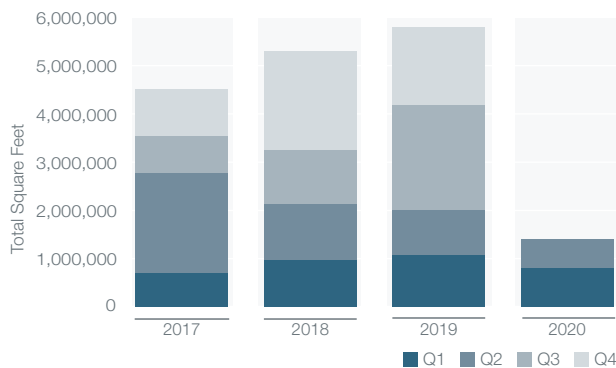
SF SALE
225 W Wacker Dr

Spear Street Capital acquired the 650,82 SF office building in the submarket's northeast corner for \$210 million, or \$322.67 per square foot.

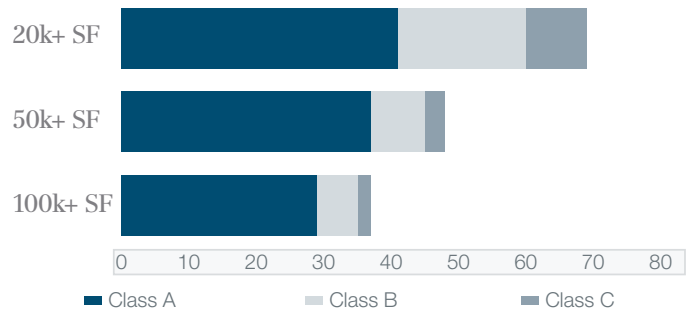


- New leasing activity exceeded all other submarkets in the CBD throughout the second quarter, totaling 597,128 square feet, bringing the year-to-date leasing activity to 1,398,607 square feet at mid-year.
- With three high-rises currently underway in the West Loop (Bank of America Tower, BMO Tower, and Salesforce Tower Chicago), accounting for approximately 94.1 percent of the Central Business District's (CBD) total pipeline - over 4.2 million square feet - strength in pre-leasing figures will determine the submarket's performance between now and 2023.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
225 W Wacker Dr	650,812	\$210,000,000 \$323	Spear Street Capital	Mirae Asset Global Investments

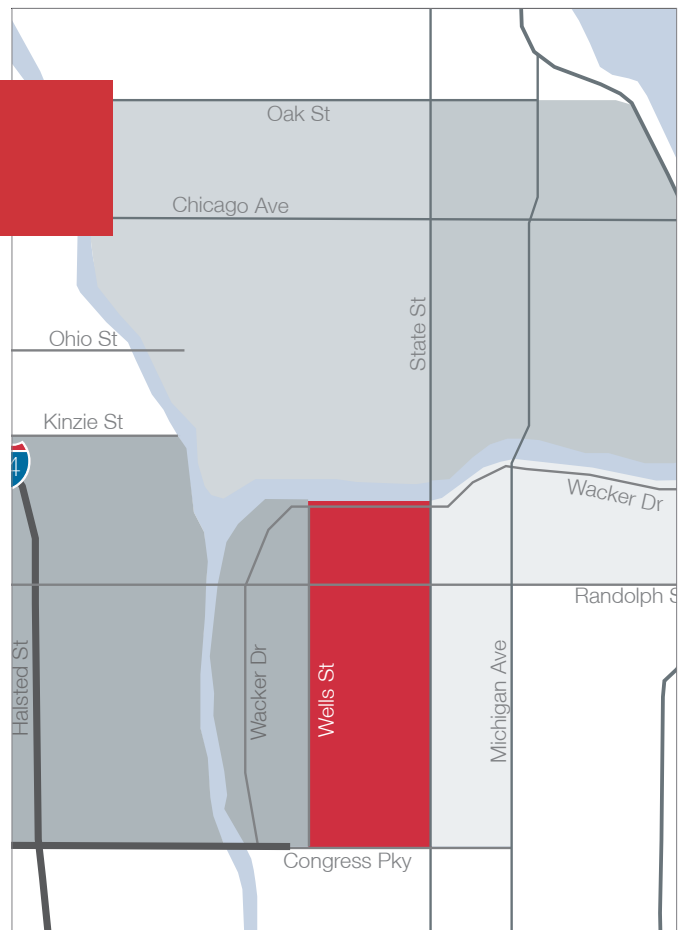
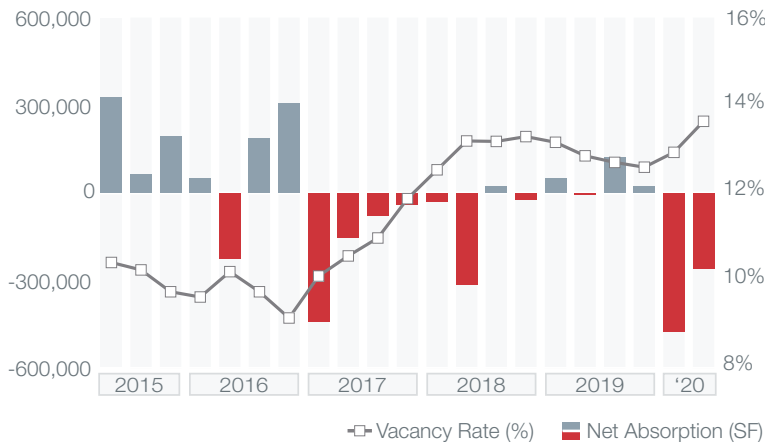
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
500 W Madison St	37,414	NFP Insurance Solutions, Inc.	New lease
111 N Canal St	32,668	Gogo, Inc.	New Lease

Mid-Year 2020

Central Loop

Leasing activity slowed in the Central Loop in the second quarter as vacancy increased 79 points year-over-year and net absorption remained negative.



13.64%

VACANCY RATE

-257,884

SF NET ABSORPTION

158,119

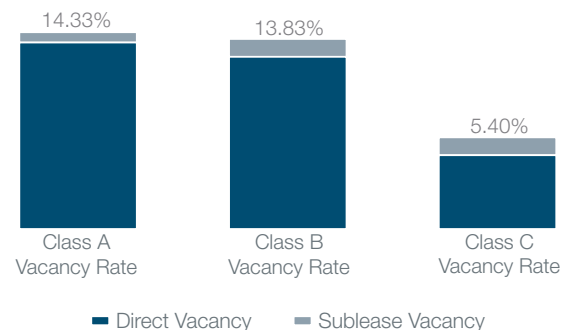
SF NEW LEASING ACTIVITY

- The total vacancy in the Central Loop submarket rate increased 79 basis points year-over-year, rising to 13.64 percent from Q2 2019's 12.85 percent. The submarket's vacancy rate has increased for consecutive quarters.
- After a significant number of move-outs during the first quarter, the Central Loop's net absorption did not fair as poorly in the second quarter but still recorded -257,884 square feet of absorption. The submarket has -734,599 square feet of absorption at mid-year. There doesn't appear to be any respite in the cards either, as Bank of America is poised to move out of 830,000 square feet at 135 South LaSalle for its namesake tower at 110 North Wacker Drive in the West Loop in the second half of 2020.

Arrows indicate change from previous quarter.

MARKET SIZE	39,290,103 SF
TOTAL VACANCY	5,357,993 SF / (13.64%)
DIRECT VACANCY	4,991,969 SF / (12.71%)
SUBLEASE VACANCY	366,024 SF / (0.93%)
AVAILABLE SPACE	8,433,131 SF / (21.46%)
2Q 2020 NET ABSORPTION	-257,884 SF
YTD NET ABSORPTION	-734,599 SF
2Q 2020 NEW LEASING ACTIVITY	158,119 SF
YTD NEW LEASING ACTIVITY	1,353,608 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF

Vacancy by Building Class





◀ **38,000**
SF SUBLEASE
1 N Dearborn St

In the second quarter, Old Mission Capital inked a new sublease of 38,000 SF at 1 N Dearborn St. The tenant plans to occupy during the fourth quarter.

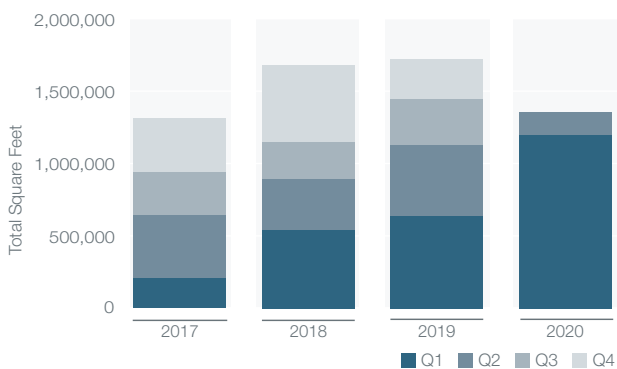
565,226
SF AVAILABILITY
70 W Madison St ▶

Three First National Plaza has up to 565,226 SF available in the Central Loop. The Class A office building is currently 68.9 percent leased.

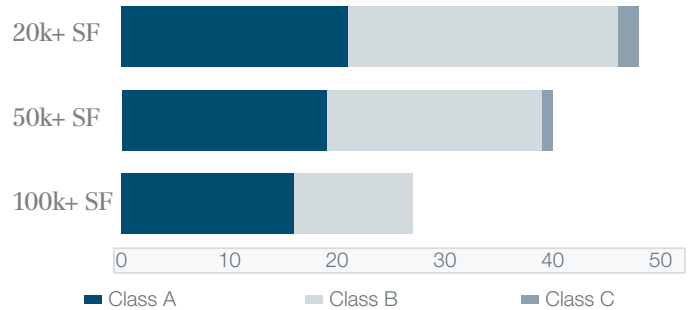


- After recording the most new leasing activity in the CBD during the first quarter, the Central Loop submarket fell flat this time around, only recording 158,119 square feet of new activity. However, at mid-year, the Central Loop still measures up as the second best performing downtown submarket year-to-date, only trailing the West Loop. The Central Loop has recorded 1,353,608 square feet of new leasing activity on the year.
- Availability in the Central Loop submarket increased in the second quarter to measure 21.46 percent, up from the 20.29 percent recorded at the start of the year. 27 buildings currently have more than 100,000 square feet available.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
None to report				

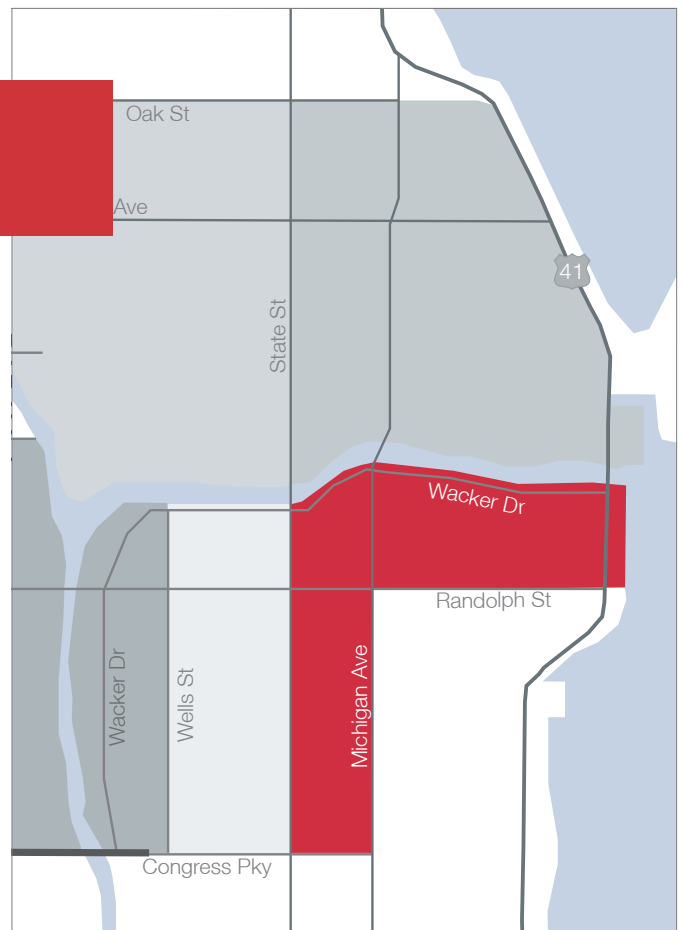
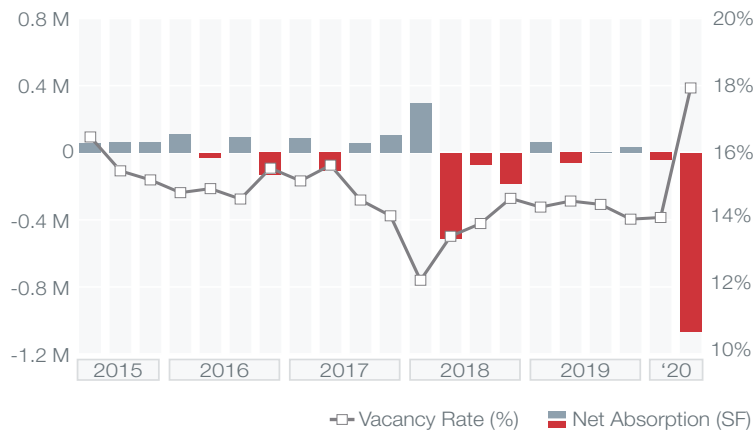
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
1 N Dearborn St	38,000	Old Mission Capital	New sublease
200 N LaSalle St	18,330	Bryce Downey & Lenkov LLC	Renewal

Mid-Year 2020

East Loop

The delivery of 650,000 square feet at The Marshall Fields Building redevelopment in the midst of pandemic dragged down absorption to unprecedented levels.



17.93%

VACANCY RATE

-1.1 M

SF NET ABSORPTION

266,300

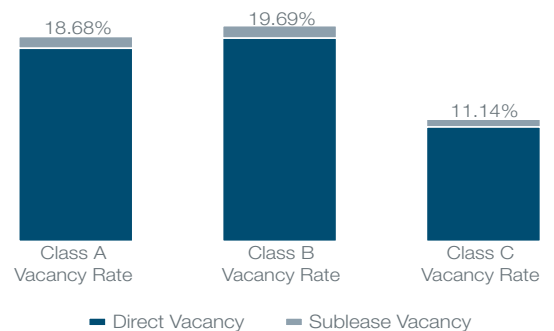
SF NEW LEASING ACTIVITY

- Total vacancy in the East Loop in the second quarter of 2020 jumped 337 basis points year-over-year, from 14.56 percent to 17.93 percent. The East Loop trails all of its downtown peer submarkets at mid-year.
- Two significant absorption events on the quarter were the prime culprits for unprecedented levels of negative absorption: the delivery of 650,000 square feet redevelopment of the top seven floors of The Marshall Fields building at 24 East Washington Street, and Robert Morris University vacating 355,000 square feet at 401 South State Street.

Arrows indicate change from previous quarter.

MARKET SIZE	26,593,010 SF
TOTAL VACANCY	4,767,495 SF / (17.93%)
DIRECT VACANCY	4,488,200 SF / (16.88%)
SUBLEASE VACANCY	279,295 SF / (1.05%)
AVAILABLE SPACE	4,901,922 SF / (18.43%)
2Q 2020 NET ABSORPTION	-1,064,630 SF
YTD NET ABSORPTION	-1,109,305 SF
2Q 2020 NEW LEASING ACTIVITY	83,926 SF
YTD NEW LEASING ACTIVITY	266,300 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	672,590 SF

Vacancy by Building Class





96,115

SF RENEWAL
200 E Randolph St

Federal Home Loan Bank of Chicago signed a renewal of its 96,115 SF for six months at AON Center located at 200 E Randolph St.

601,561

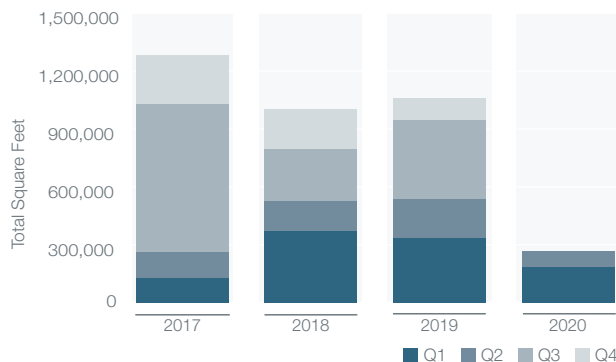
SF AVAILABILITY
24 E Washington St

Up to 601,561 SF is available at the brand new Class A office building at 24 E Washington St. The East Loop office building is 8.92 percent leased, with Numerator as the only current tenant.

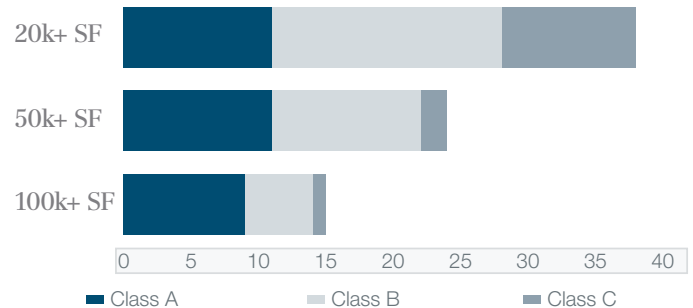


- There was 83,926 square feet of new leasing activity in the East Loop in the second quarter. This represented a 54.0% decline from the first quarter of 2020 and a 58.1% decline year-over-year. The largest new lease recorded was PHD Media's 33,000 square-foot lease at the AON Center.
- While new leasing activity declined, there were several notable renewals. Federal Home Loan Bank of Chicago did a short-term renewal of 96,115 square feet at the AON Center before they move to the Old Post Office, Pritzker Military Museum & Library renewed 40,500 square feet at 104 S Michigan Ave and AMC Networks renewed nearly 12,000 square feet at Two Prudential Center.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
None to Report				

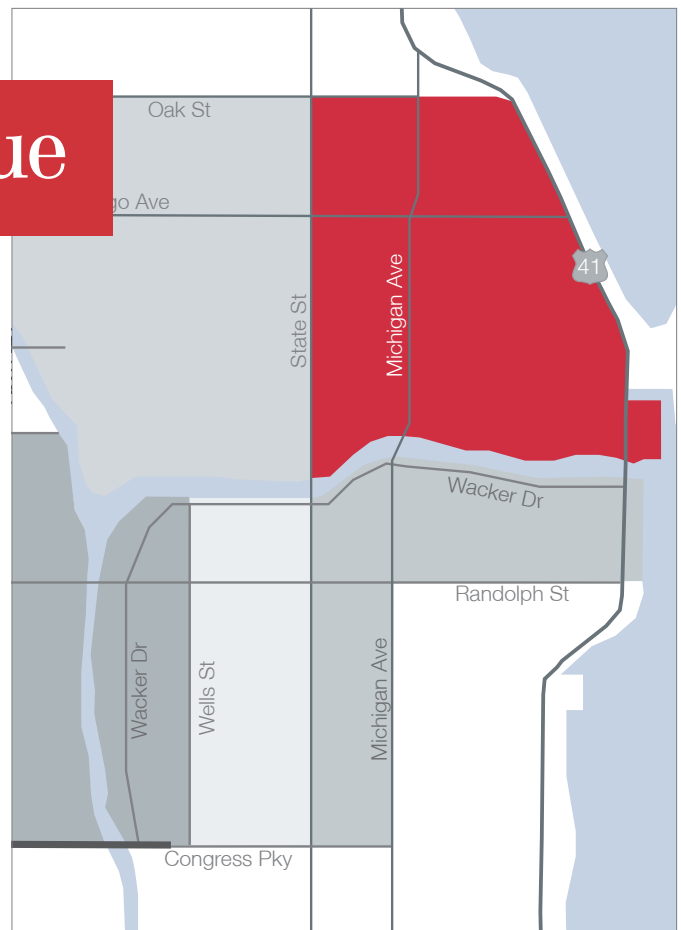
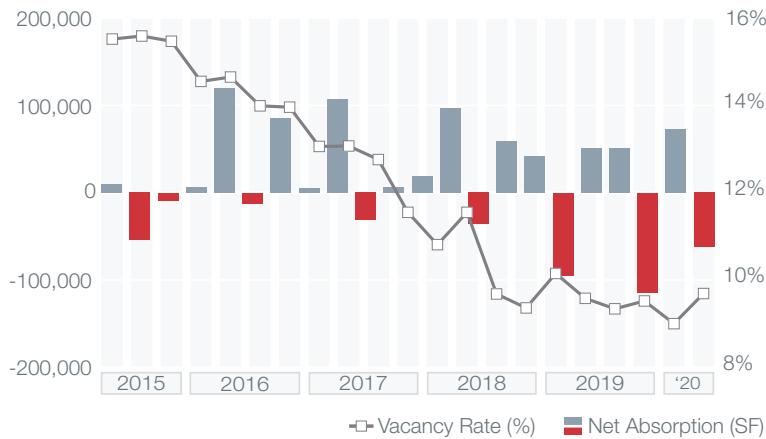
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
AON Center, 200 E Randolph St	96,115	Federal Home Loan Bank of Chicago	Renewal
AON Center, 200 E Randolph St	33,000	PHD Media	New lease

Mid-Year 2020

North Michigan Avenue

Overall vacancy increased 11 basis points year-over-year to 9.69 percent while more than 62,000 square feet returned to market.



9.69%

VACANCY RATE

-62,327

SF NET ABSORPTION

37,701

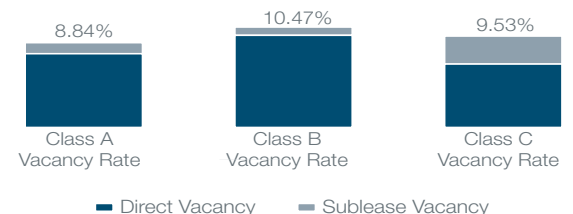
SF NEW LEASING ACTIVITY

- The overall vacancy rate for the North Michigan Avenue submarket increased 69 basis points to measure 9.69 percent in the second quarter, up from 9.00 percent at the start of the year. Additionally, the submarket's vacancy rate only softened 11 basis points year-over-year from Q2 2019's 9.58 percent. The submarket recorded the lowest vacancy rate of all downtown submarkets at mid-year.
- Following a quarter of positive absorption, the submarket numbers decreased in the second quarter to measure net absorption of -62,327 square feet. The submarket has recorded a modest 9,934 of positive absorption year-to-date.

Arrows indicate change from previous quarter.

MARKET SIZE	13,689,651 SF
TOTAL VACANCY	1,326,989 SF / (9.69%)
DIRECT VACANCY	1,176,231 SF / (8.59%)
SUBLEASE VACANCY	150,758 SF / (1.10%)
AVAILABLE SPACE	1,680,296 SF / (12.27%)
2Q 2020 NET ABSORPTION	-62,327 SF
YTD NET ABSORPTION	9,934 SF
2Q 2020 NEW LEASING ACTIVITY	37,701 SF
YTD NEW LEASING ACTIVITY	119,591 SF
UNDER CONSTRUCTION	0 SF
2Q 2020 NEW SUPPLY	0 SF

Vacancy by Building Class



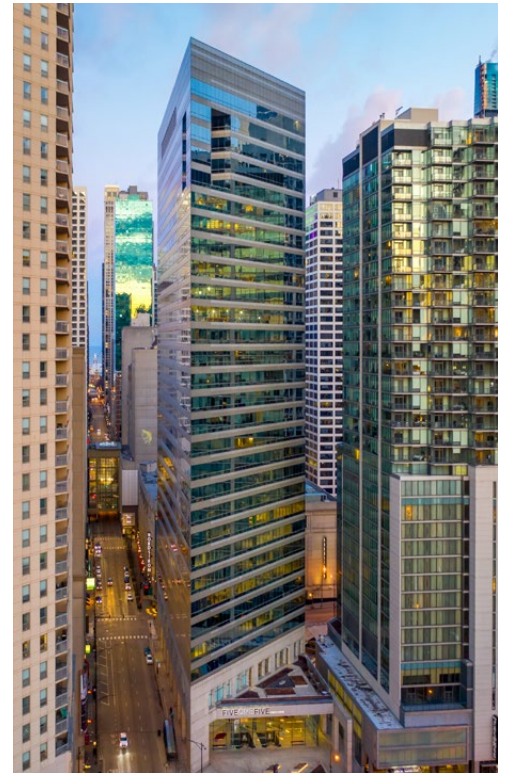


◀ **29,461**
SF NEW LEASE
401 N Michigan Ave

BioMerieux Nutrisciences leased 29,461 SF in the second quarter at the Class A asset located at 401 N Michigan Ave.

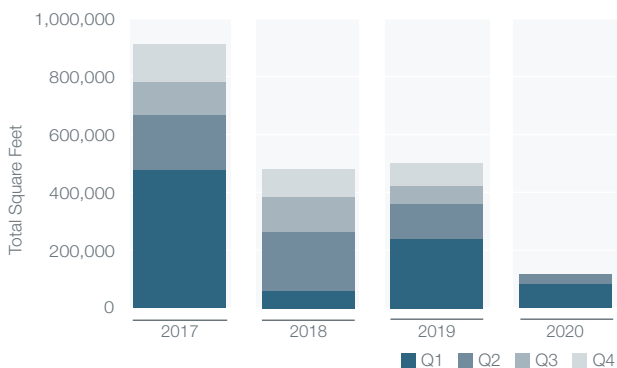
279,649 ▶
SF AVAILABILITY
515 N State St

At 515 N State St, there is up to 279,649 SF available. The Class A office building located in the North Michigan Avenue submarket has 30 stories.

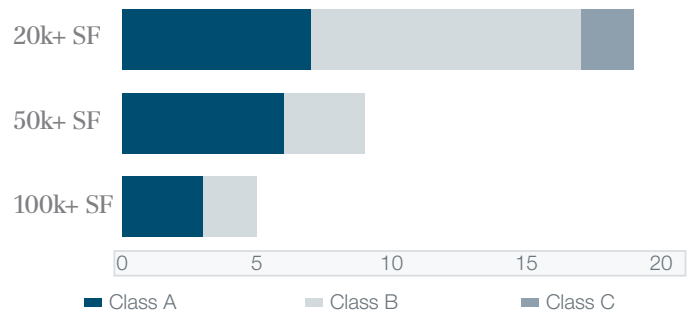


- New leasing activity declined in the North Michigan Avenue submarket from first quarter to 37,701 square feet, bringing the year-to-date leasing activity total to 119,591 square feet. BioMerieux Nutrisciences (29,461 square feet) was the only new lease signed for more than 10,000 square feet on the quarter. New leasing activity year-to-date is down 66.7 percent from this time last year, when the submarket's leasing numbers recorded 359,648 square feet.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
None to report				

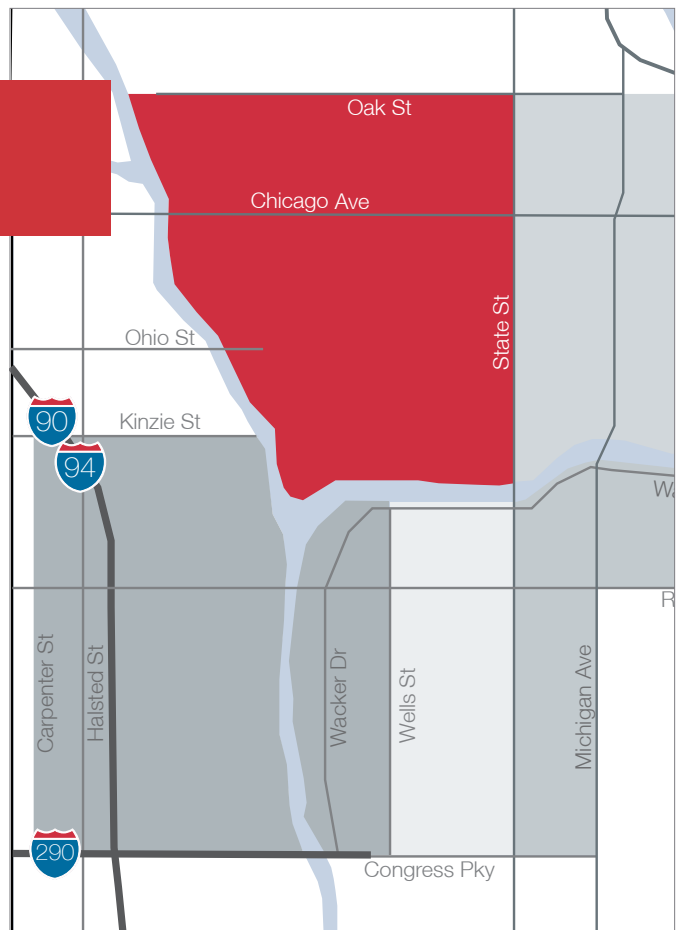
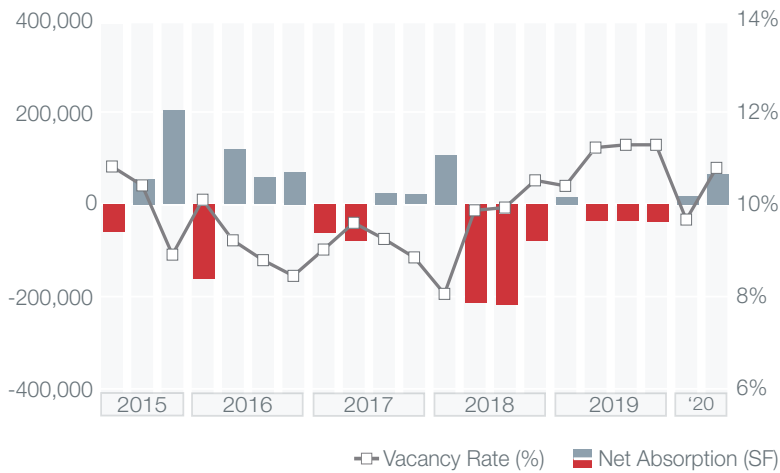
Significant Lease Transactions

Building Address	Leased (SF)	Tenant	Lease Type
401 N Michigan Ave	29,461	BioMerieux Nutrisciences	New lease

Mid-Year 2020

River North

Total vacancy in the River North submarket tightened 44 basis points year-over-year to 10.88 percent.



10.88%

VACANCY RATE

65,571

SF NET ABSORPTION

192,163

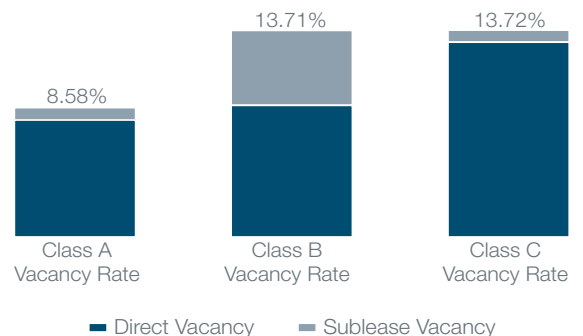
SF NEW LEASING ACTIVITY

- The total vacancy rate tightened 44 basis points year-over-year to 10.88 percent, up from the 11.32 percent recorded in the second quarter of 2019. Class A vacancy was recorded at 8.58% - the tightest downtown Class A vacancy compared to its peer submarkets.
- Net absorption improved in the second quarter as the submarket recorded 65,571 square feet of move ins, an increase from the 18,290 square feet recorded in the previous quarter. At mid-year, the year-to-date net absorption measured 83,861 square feet, the second highest among the downtown submarkets.

Arrows indicate change from previous quarter.

MARKET SIZE	17,157,740 SF
TOTAL VACANCY	1,867,019 SF / (10.88%)
DIRECT VACANCY	1,538,583 SF / (8.97%)
SUBLEASE VACANCY	328,436 SF / (1.91%)
AVAILABLE SPACE	2,653,585 SF / (15.47%)
2Q 2020 NET ABSORPTION	65,571 SF
YTD NET ABSORPTION	83,861 SF
2Q 2020 NEW LEASING ACTIVITY	192,163 SF
YTD NEW LEASING ACTIVITY	662,397 SF
UNDER CONSTRUCTION	268,134 SF
2Q 2020 NEW SUPPLY	0 SF

Vacancy by Building Class





◀ **121,562**
SF RENEWAL
600 W Chicago Ave

In the second quarter, Tempus Labs Inc. signed a renewal of 121,562 SF at 600 W Chicago Ave. The property is 91.6 percent leased.

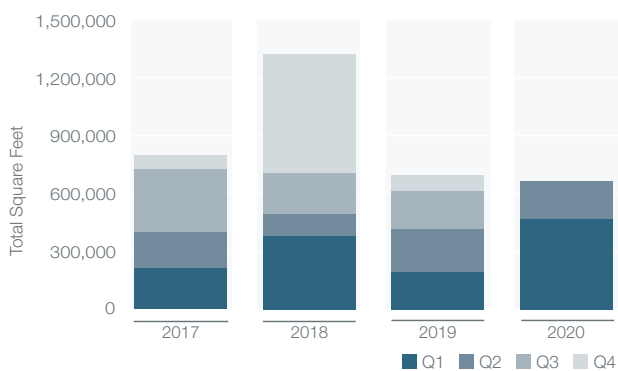
666,960 ▶
SF AVAILABILITY
222 Merchandise Mart Plz

theMart has up to 666,960 SF available in River North, the most available space throughout the CBD. Nearly half of this availability is a contiguous future availability slated to become vacant in 2023.

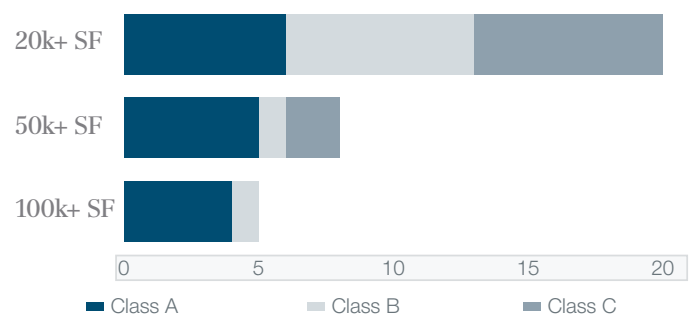


- Two buildings totaling 268,134 square feet remained under construction in the River North submarket. New leasing activity was slower in the second quarter than at the start of the year, however still recorded 192,163 square feet, to bring the year-to-date total to 662,397 square feet.
- Availability increased from the first quarter and rose 196 basis points to measure 15.47 percent, up from the 13.51 percent recorded at the start of 2020. There are currently five buildings in the River North submarket with more than 100,000 square feet available.

New Leasing Activity



Blocks of Available Space



Significant Sale Transactions

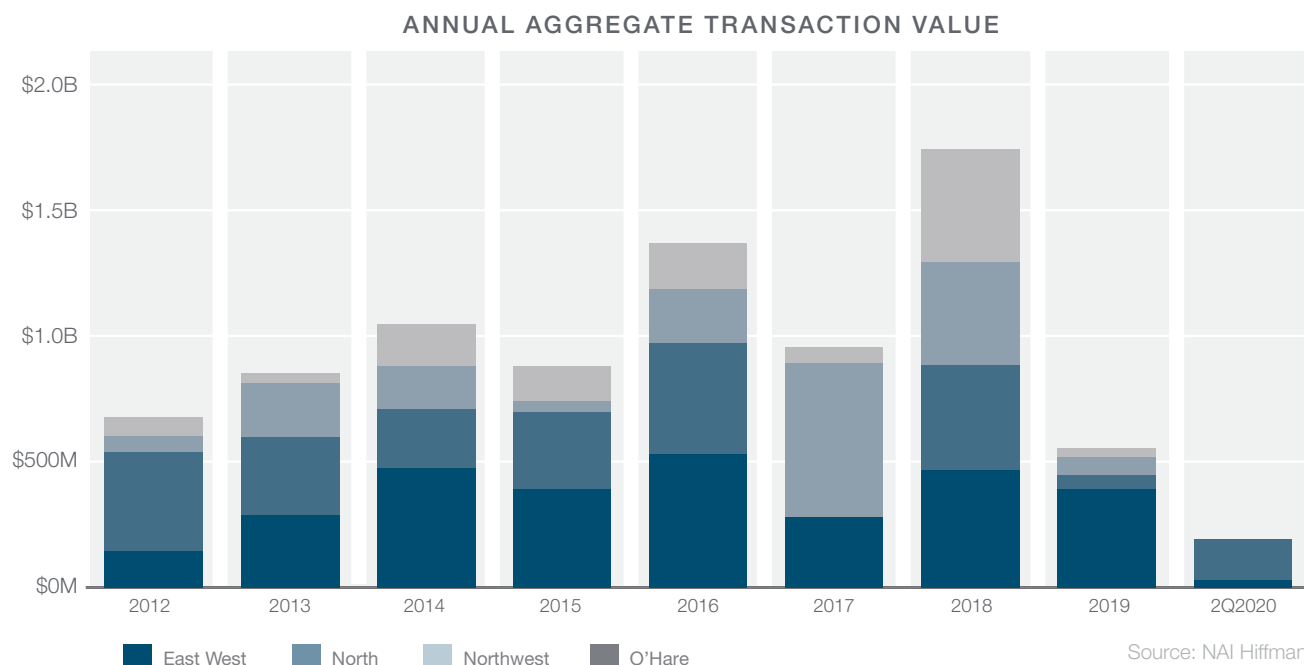
Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
None to report				

Significant Lease Transaction

Building Address	Leased (SF)	Tenant	Lease Type
600 W Chicago Ave	121,562	Tempus Labs, Inc.	Renewal

Office Capital Markets Overview

Suburban Chicago Multi-Story Office Sales



The 2Q2020 results reflected the full impact of the Coronavirus Pandemic on the Suburban Chicago Office Capital Markets activity. The transaction market essentially shut down as there were no Class A or B sales above 75,000 square feet for the entire second quarter. Four buildings were refinanced representing \$55.1M in debt. Due to uncertainty in both the economy and workplace environment, investors have stepped back to re-assess the market as they find themselves in unfamiliar territory.

Work From Home: The pandemic dramatically shifted the way office space was utilized due to the shelter in place guidelines put in place in March. This shift has led to significant questions regarding the future and timing of returning to the workplace. These questions include: Short-term or long-term impact on occupancy? Suburbs vs. CBD vs. hub and spoke offices? Use of mass transit? Does a vaccine bring us back to where we were pre-virus?

QUARTERLY STATS FROM SECOND QUARTER 2019 TO SECOND QUARTER 2020

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
TOTAL SALES VOLUME	\$95.8M	\$86.1M	\$231.7M	\$189.7M	0
TOTAL SF SOLD	1.3M SF	.92M SF	1.89M SF	1.08M SF	0
# BUILDINGS SOLD	7	8	8	5	0
# OF TRANSACTIONS	6	8	8	5	0
PORTFOLIO TRANSACTIONS	0	0	0	0	0

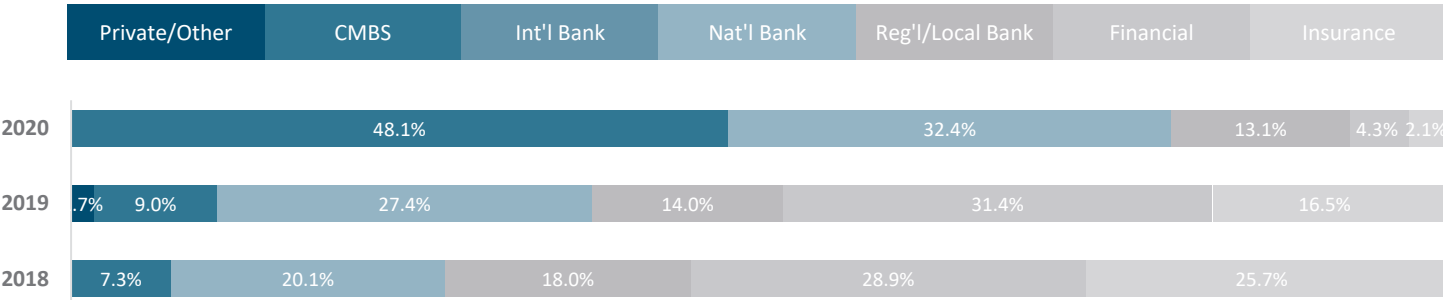
Pricing Discovery: The lack of transactions complicates any analysis of current pricing. There is a current mismatch in the transaction time pressure between buyer and seller providing buyers with leverage and no sense of urgency. Nevertheless, there is significant equity on the sidelines, far more than was the case in the great recession of 2008. This should provide critical pricing support as some degree of certainty returns to the marketplace.

Tenant Credit: Investors and lenders in all product types are increasing scrutiny of tenant credit. Questions around rent collection and tenant survival are critical components of any deal.

Debt Markets: Liquidity is slowly returning to the debt markets. Spread volatility dramatically increased the risk in pricing loans. Due to the underlying REMIC legislation, CMBS servicers have few options to restructure loans as compared to banks and insurance companies. Trepp estimates Chicago area CMBS non-performing loans as follows: hotels: 50%, retail: 30%, apartments: 5%, office: 3% and industrial: 2%.

Looking Forward: Investor sentiment indicates there will be a significant increase in activity beginning 4Q2020 in terms of closings and for sale listings provided there is a stabilization of infection rates. Certainty of execution will be key from the seller’s perspective while capital stacks should be in place.

Conventional Refinancing



The table above shows Suburban Chicago Office refinancing activity, 2018 through Jun 2020. We believe one’s focus should be years 2018 and 2019, when the markets were liquid, as 2020 reflects only four transactions in an illiquid debt market. CMBS debt has played a minor role in refinancing activity in contrast to a more substantial role in acquisition financing activity. The national, regional/local banks, financial lenders (debt funds), and insurance companies have been consistent lenders representing approximately 90% of refinancing volume.

Buyer Pool Composition

Private Investor

\$28.5M

15%

User

\$115M

61%

Fund

\$46M

24%

\$189.7

MILLION

YTD 2020

INVESTMENT

SALES VOLUME

Transactions by Sale Type

Value-Add

1 Transaction

20%

User

1 Transaction

20%

Stabilized

3 Transactions

60%

5

YTD 2020

TRANSACTIONS

Private Investor

\$28.5M

15%

User

\$115M

61%

Fund

\$46M

24%

\$189.7

MILLION

YTD 2020

INVESTMENT

SALES VOLUME

NAI Global is strategic & innovative

Corporate Services

Acquisition / Disposition
Leasing Agency / Landlord
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Investment Services

Portfolio Review
Market Analysis

Advisory & Consulting Services

Property Management
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Capital Markets
Build-to-Suit
Project Management
Feasibility Analysis
Lease Administration
Lease Audit
Tax Appeal
Title / Escrow / Survey
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Asset Services

Asset Management
Corporate Facilities Management
Property Management
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Management
Green / LEED™ Consultation

We are an international real estate services organization with the institutional strength of one of the world's leading property investment companies.

Our experts are strategic and innovative, working collaboratively to realize maximum potential and generate creative solutions for our clients worldwide.

Our collaborative services platform provides an expansive, yet nimble and responsive structure enabling us to efficiently deliver superior results.



Locations by Country

North America

Canada
Mexico
United States

Latin America & The Caribbean

Argentina
Bahamas
Brazil
Chile
Costa Rica
Jamaica
Panama
Peru
Venezuela

Asia Pacific

Australia
China
India
Indonesia
Japan
South Korea
Malaysia
New Zealand
Philippines
Singapore
Taiwan

Europe, Africa & The Middle East

Austria
Belgium
Bulgaria
Czech Republic
Denmark
Finland
France
Germany
Greece
Iceland
Israel
Kazakhstan
Kuwait
Latvia
Norway
Qatar
Republic of Serbia
Romania
Russian Federation
South Africa
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

Methodology

The information included in this review is the result of a compilation and analysis of data from various sources on class A, class B, and class C properties located in the metropolitan Chicago area, defined by the submarket map on page six of this report. NAI Hiffman obtained the information contained herein from property representatives, the CoStar Group, RealCapital Analytics, industry periodicals and magazines, our in-house property database, and other sources. NAI Hiffman greatly appreciates the participation of each of these individuals, companies and resources, without whose help this report would not have been possible.

All of the information detailed throughout this report is saved and organized in our own in-house database and is regularly updated. Utilizing this database, we can analyze, calculate and report demographic information, inventory, vacancy, availability, net absorption, and transactional information.

Definitions

The NAI Hiffman Market Review tracks several measures of market conditions. This information is collected for individual properties then consolidated, organized and analyzed for submarket and market totals. These terms, used throughout the reports, are defined below according to NAIOP Terms & Definitions.

Total Inventory (Market Size) The total square footage of gross rentable area in a specific market. It includes the gross rentable area in buildings that have received a certificate of occupancy. Total inventory increases when a new building is delivered and decreases when an existing building is destroyed, demolished or its use changes.

Vacancy Rate A measurement expressed as a percentage of the total amount of vacant space divided by the total amount of inventory. Vacant space is inventory that is not currently occupied.

Net Absorption The net change in occupied space in a given market between the current measurement period and the last measurement period. Net absorption can be either positive or negative and must include decreases as well as increases in inventory levels. For the purpose of this report, sublease space is included in the calculation of net absorption.

New Supply The total inventory delivered to the market since the last measurement period. Delivered is defined as total square footage and/or number of buildings that has completed construction and received a certificate of occupancy during a stated period.

Under Construction Buildings where either: a) actual ground breaking has occurred (site excavation or foundation work) and construction is ongoing (not abandoned or discontinued) but for which a certificate of occupancy has not yet been issued; or b) properties undergoing conversion from another use or c) properties undergoing a major renovation where 75 percent or more of the building is not available for lease and building generally requires a certificate of occupancy to be made available for lease.

Available Space The total amount of space that is currently being marketed as available for lease in a given time period. It includes space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Leasing Activity The total square footage of new leases signed within a quarter, excluding lease renewals.

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Mid-Year 2020

Notes

Handwriting practice lines consisting of 20 horizontal dotted lines.



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