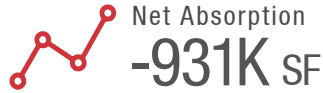




CBD OFFICE MARKET WATCH

There is 4.4 million square feet of development underway downtown spread across 11 projects; only 39.1 percent of this pending inventory is pre-leased.



The Pandemic Isn't In Chicago's Review Mirror Just Yet

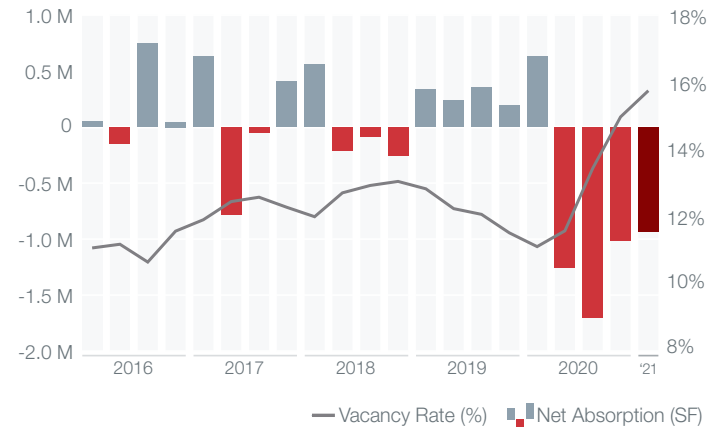
In the fourth full quarter of pandemic conditions, the downtown Chicago office market struggled to put 2020 in its collective rearview mirror. The downtown vacancy rate at the end of the first quarter was recorded at 15.75 percent. This rate increased 78 basis points quarter-over-quarter from the year-end 2020 vacancy rate of 14.97 percent. More notably, the vacancy rate has increased 464 basis points year-over-year compared to the first quarter 2020 vacancy rate of 11.11 percent.

Sublease vacancy in the downtown office market was 1.56 percent in the first quarter. This rate declined 19 basis points from the year-end 2020 mark of 1.75 percent. Despite this decline, there were multiple notable additions to the downtown sublease market:

- Groupon added over 143,000 square feet to their original 150,000-square-foot availability – their entire 294,000-square-foot headquarters is currently available at 600 West Chicago in the River North submarket.
- Hyatt put its 53,058-square-foot space on the secondary market at 150 North Riverside Plaza in the West Loop submarket.

There were another -931,663 square feet of net absorption in the first quarter downtown, a marginal improvement after three consecutive quarters of greater than -1.0 million square feet of net absorption. At 156,903 square feet, the Fulton Market/Near West Side submarket was the only downtown submarket to record positive absorption on the quarter. This figure was driven by tenants moving into their spaces in recently delivered properties, such as Talis Biomedical moving into its 26,000 square feet of space at 1375 W Fulton St, a new property which delivered during the early stages of the pandemic. Conversely, the East Loop submarket saw nearly 351,000 square feet return to the market in the first quarter, more than doubling the -120,690 square feet of net absorption the submarket recorded at year-end 2020.

There was 1,136,567 square feet of leasing activity downtown to start the year. Unsurprisingly, the West Loop submarket led the way with 308,139 square feet of leasing activity, highlighted by Ice Miller's 36,000-square-foot direct lease at 200 W Madison St. The largest leases on the quarter though were Nixon Peabody's 72,000-square-foot direct lease at Three First National Plaza in the Central Loop, and James Hardie's nearly 68,000-square-foot direct lease at 303 E Wacker in the East Loop.



Three projects in the downtown development pipeline delivered in the first quarter of 2021, adding another 313,000 square feet of inventory. Two of the three projects were delivered in River North, led by 448 N LaSalle's nearly 175,000 square feet. There is an additional 4.4 million square feet of space under construction downtown spread across 11 projects in the West Loop, River North, and Fulton Market/Near West Side submarkets. Only 39.1 percent of this pending inventory is pre-leased.

While some faint silver linings can be found in the current downtown office landscape, the market performance peaks found at year-end 2019 are a distant memory. Tenants looking for new spaces as they develop their respective return-to-office plans have a plethora of options at their disposal.

CBD Office Market Statistics

Submarket	Total RBA (SF)	Total Vacant (SF)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Availability Rate	Net Absorption (SF)	Under Construction (SF)	Leasing Activity (SF)	Market Rent Per SF
West Loop	57,296,818	8,308,103	12.82%	1.68%	14.50%	22.26%	-172,677	1,572,211	308,139	
Class A	44,785,004	6,186,974	12.42%	1.40%	13.81%	21.60%	17,395	1,572,211		\$46.01
Class B	9,894,525	1,636,606	13.48%	3.06%	16.54%	24.82%	-180,553	0		
Class C	2,617,289	484,523	17.24%	1.27%	18.51%	23.89%	-9,219	0		
Central Loop	38,307,673	6,210,817	15.05%	1.17%	16.21%	24.54%	-243,739	0	233,604	
Class A	21,212,938	3,425,930	15.20%	0.95%	16.15%	24.26%	-75,019	0		\$45.08
Class B	15,657,031	2,660,973	15.43%	1.57%	17.00%	26.06%	-157,842	0		
Class C	1,437,704	123,914	8.62%	0.00%	8.62%	12.14%	-10,878	0		
East Loop	26,912,269	4,949,093	16.94%	1.45%	18.39%	21.89%	-350,888	0	267,605	
Class A	13,782,211	2,742,622	18.73%	1.17%	19.90%	24.50%	-160,859	0		\$39.65
Class B	9,718,551	1,692,615	15.24%	2.17%	17.42%	19.06%	-140,577	0		
Class C	3,411,507	513,856	14.56%	0.50%	15.06%	19.38%	-49,452	0		
N. Michigan A.	12,893,782	1,478,396	9.85%	1.62%	11.47%	15.38%	-102,825	0	32,427	
Class A	7,047,407	757,238	8.72%	2.03%	10.74%	16.02%	-60,654	0		\$43.10
Class B	4,896,392	649,918	12.32%	0.95%	13.27%	15.67%	-34,716	0		
Class C	949,983	71,240	5.53%	1.97%	7.50%	9.13%	-7,455	0		
River North	17,091,428	2,573,695	12.90%	2.16%	15.06%	27.31%	-218,437	1,346,889	154,149	
Class A	9,629,135	1,185,072	11.07%	1.23%	12.31%	28.92%	-93,618	1,346,889		\$47.51
Class B	4,439,483	765,415	12.68%	4.56%	17.24%	25.26%	-87,949	0		
Class C	3,022,810	623,208	19.05%	1.57%	20.62%	25.19%	-36,870	0		
Fulton Market	9,900,351	2,051,948	19.13%	1.60%	20.73%	37.21%	156,903	1,473,847	140,643	
Class A	4,071,610	1,133,121	26.35%	1.48%	27.83%	59.89%	248,096	1,473,847		\$48.19
Class B	3,949,566	686,749	15.14%	2.25%	17.39%	23.49%	-59,015	0		
Class C	1,879,175	232,078	11.87%	0.48%	12.35%	16.91%	-32,178	0		
Downtown Totals	162,402,321	25,572,052	14.19%	1.56%	15.75%	23.63%	-931,663	4,392,947	1,136,567	
Class A Totals	100,528,305	15,430,957	14.05%	1.30%	15.35%	24.42%	-124,659	4,392,947		
Class B Totals	48,555,548	8,092,276	14.41%	2.26%	16.67%	23.08%	-660,652	0		
Class C Totals	13,318,468	2,048,819	14.44%	0.94%	15.38%	19.72%	-146,052	0		
Metro Chicago Totals	280,855,552	53,113,611	17.39%	1.52%	18.91%	25.73%	-1,721,152	4,392,947	2,009,113	
Class A Totals	168,025,128	32,482,364	17.84%	1.49%	19.33%	27.24%	-457,928	4,280,447		
Class B Totals	91,443,045	17,341,224	17.19%	1.77%	18.96%	24.67%	-1,060,684	112,500		
Class C Totals	21,337,000	3,290,023	14.74%	0.68%	15.42%	18.39%	-202,150	0		

* Metro Chicago Totals incorporates CBD and Suburbs