



For the fourth consecutive time since Q2 2020, the suburbs outpaced the downtown office market in net absorption.



Vacancy Rate
23.25%



Net Absorption
-789K SF



New Leasing
873K SF

Suburban Subleases Hold Steady in the First Quarter

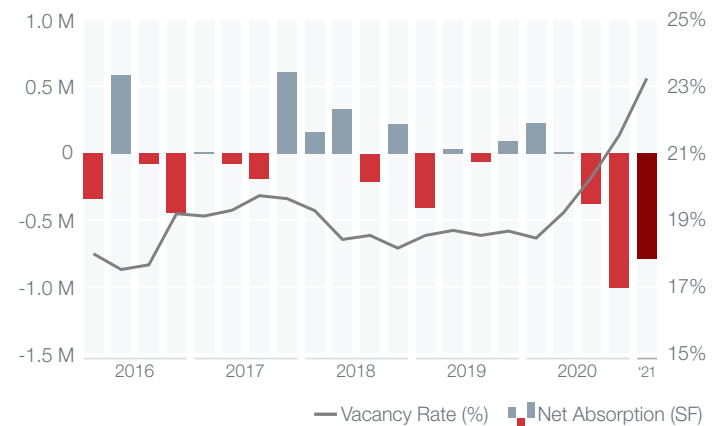
The suburban Chicago office market ended the first quarter of 2021 with a 23.25 percent vacancy rate. This rate increased 478 basis points year-over-year from the 18.47 percent vacancy rate recorded in the first quarter of 2020. This vacancy rate also reflected an increase of 171 basis points from the year-end 2020 vacancy rate of 21.54 percent. The I-55 Corridor led its submarket peers with a 13.11 percent vacancy rate, while the next lowest submarket rate was O'Hare which recorded a 17.79 percent vacancy rate.

The sublease vacancy rate, which had been steadily increasing since the onset of the Covid-19 pandemic, remained unchanged at 1.47 percent compared to the year-end 2020 rate. On a positive note, the sublease vacancy rate in suburban Class A space decreased by 10 basis points in the first three months of 2021. This positive development occurred despite another batch of notable spaces being brought to the sublease market in the first quarter, including:

- Amita's 222,733 square feet at 2601 Navistar Dr in Lisle in the East-West Corridor
- Experian's 177,557 square feet at 955 American Ln in Schaumburg in the Northwest Suburban submarket
- Follett's 150,423 square feet at the Westbrook Corporate Center in Westchester in the East-West Corridor

There was -789,489 square feet of net absorption recorded in the first quarter. For the fourth consecutive time since Q2 2020, the suburbs outpaced the downtown office market, which saw -931,663 square feet of space return to the market in the first quarter. Every suburban submarket gave back space for the second consecutive quarter. Notably, the pace of the declines in the first quarter in the Class A portion of the North Suburban (-62,926 square feet), Northwest Suburban (-67,161 square feet), and the East-West Corridor (-23,784 square feet) submarkets compared favorably to their respective 2020 fourth-quarter net absorption performances which all came in at greater than -165,000 square feet.

The suburban Chicago office market recorded 872,546 square feet of leasing activity in the first quarter, including renewals. The East-West Corridor lead the way amongst its peer suburban submarkets with 314,630 square feet of activity; the Northwest Suburban submarket placed a comparatively strong second place with 226,836 square feet.



The largest deal recorded on the quarter was Appleton Electric's renewal of 38,000 square feet at Riverway Central in Rosemont in the O'Hare submarket. Dovenmuehle Mortgage signed the largest new deal on the quarter, leasing over 35,000 square feet at Kemper Lakes Business Center in Long Grove. Continuing a recent trend, the single-story portion of the suburban Chicago office market also played a factor, as Schneider Electric signed a new lease for over 25,000 square feet at Executive Place II in Westmont in the East-West Corridor.

As companies continue to assess their space needs and develop their return-to-office plans for a post-pandemic world, the suburban office market remains in a state of flux. Redevelopments such as Ryan Companies' Oakmont Point in Westmont in the East-West Corridor are banking on demographic shifts and a hot housing market stirring demand. Inner-ring suburbs and municipalities that are well-connected to highways such as I-94, I-90, and I-88 are well-positioned to take advantage of this changing landscape as companies continue to advance their 2021 workplace strategies.

Suburban 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
North Suburban	26,987,632	6,211,302	20.75%	2.27%	23.02%	29.87%	-104,837	0	135,173	
Class A	16,739,623	4,169,369	22.29%	2.62%	24.91%	31.11%	-62,926	0		\$27.28
Class B	8,809,972	1,780,025	18.23%	1.98%	20.20%	28.83%	-53,064	0		
Class C	1,438,037	261,908	18.21%	0.00%	18.21%	21.85%	11,153	0		
Northwest Suburban	33,244,788	9,876,366	28.72%	0.99%	29.71%	34.88%	-211,206	0	226,836	
Class A	19,742,135	6,413,009	31.04%	1.44%	32.48%	39.05%	-67,161	0		\$23.91
Class B	11,503,096	3,183,053	27.43%	0.24%	27.67%	31.57%	-98,817	0		
Class C	1,999,557	280,304	13.18%	0.84%	14.02%	12.83%	-45,228	0		
O'Hare Area	14,168,073	2,520,529	17.00%	0.79%	17.79%	23.67%	-181,419	0	146,028	
Class A	8,262,084	1,547,097	17.87%	0.86%	18.73%	23.98%	-172,468	0		\$34.50
Class B	5,330,956	893,236	16.00%	0.76%	16.76%	24.23%	-8,349	0		
Class C	575,033	80,196	13.95%	0.00%	13.95%	14.06%	-602	0		
East-West Corridor	40,704,247	8,494,278	19.19%	1.67%	20.87%	25.59%	-287,835	0	314,630	
Class A	21,799,305	4,861,799	20.44%	1.86%	22.30%	28.41%	-23,784	0		\$27.02
Class B	15,255,510	3,058,640	18.26%	1.79%	20.05%	23.69%	-242,717	0		
Class C	3,599,053	573,839	15.87%	0.07%	15.94%	16.94%	-21,334	0		
I-55 Corridor	3,348,491	439,084	12.90%	0.21%	13.11%	13.61%	-4,192	0	49,879	
Class A	953,676	60,133	6.31%	0.00%	6.31%	14.45%	-6,930	0		\$23.28
Class B	1,987,963	333,994	16.45%	0.35%	16.80%	14.13%	2,915	0		
Class C	406,852	44,957	11.05%	0.00%	11.05%	9.06%	-177	0		
Suburban Totals	118,453,231	27,541,559	21.78%	1.47%	23.25%	28.61%	-789,489	0	872,546	
Class A Totals	67,496,823	17,051,407	23.49%	1.78%	25.26%	31.45%	-333,269	0		
Class B Totals	42,887,497	9,248,948	20.35%	1.22%	21.57%	26.48%	-400,032	0		
Class C Totals	8,018,532	1,241,204	15.24%	0.24%	15.48%	16.19%	-56,188	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		