



CBD OFFICE MARKET WATCH

The CBD's vacancy rate was 17.22 percent at mid-year, as every submarket downtown recorded negative cumulative net absorption.

 Vacancy Rate
17.22%

 Net Absorption
-1.84M SF

 New Leasing
1.13M SF

Supply Pressures Dampen Downtown's Recovery, For Now

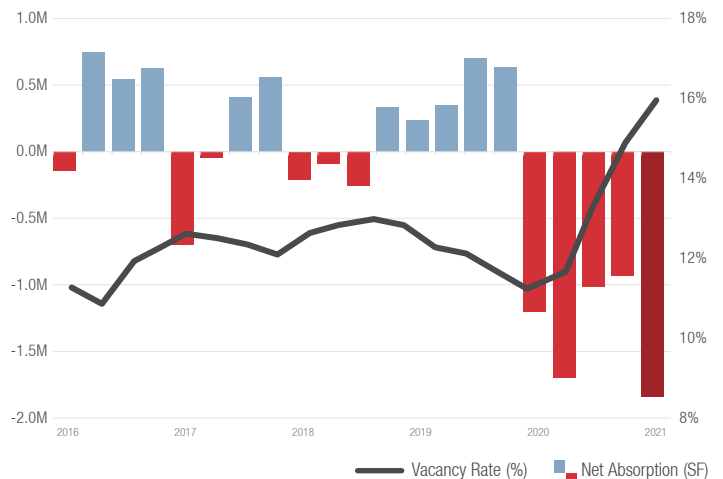
Despite Chicago moving to Phase 5 of its pandemic response in the first half of June, allowing businesses to operate at full capacity for the first time since the onset of COVID-19, the CBD office market has yet to find its pre-pandemic footing. The downtown vacancy rate at mid-year was recorded at 17.22 percent. This rate increased 147 basis points quarter-over-quarter from the first quarter vacancy rate of 15.75 percent. More notably, the vacancy rate has increased 456 basis points year-over-year compared to the mid-year 2020 vacancy rate of 12.66 percent.

Sublease vacancy downtown was 1.76 percent at mid-year, effectively mirroring the 1.75 percent sublease vacancy rate recorded at year-end 2020. There was nearly 2.9 million square feet of sublet vacant space on the market downtown at mid-year, as nearly 320,000 square feet of space was added on the quarter. Beyond this, additional available spaces with future occupancy were recently added that have the potential to push this rate higher, including Velocity EHS's 89,492-square-foot space at theMART in the River North submarket.

There were another -1,843,567 square feet of net absorption in the second quarter downtown. Four of the last five quarters have had net absorption greater than -1,000,000 square feet. While Fulton Market recorded over -800,000 square feet of net absorption on the quarter due in large part to new deliveries, the West Loop's -524,270 square feet of net absorption was driven by seven different buildings returning 25,000 square feet or more to the market. 1 S Wacker Dr led its peers on this front, as over 92,000 square feet returned to the market at this 40-story Class A tower. On a comparatively brighter note, the Central Loop gave back only -67,816 square feet to the market in the second quarter, a notable improvement compared to the nearly -350,000 square feet the submarket during the first quarter of the year.

There was 1,125,130 square feet of new leasing activity in the second quarter. The West Loop led the way with 363,025 square feet, highlighted by Ipsos's nearly 59,000-square-foot direct lease at The Franklin. While this deal buoyed the submarket's figure on

the surface, the firm downsized over 18,000 square feet from its previous space at the Fifth Third Center. This deal will ultimately count as negative absorption for the submarket. Kimberly-Clark signed the largest new deal on the quarter, taking nearly 93,000 square feet at 1155 W Fulton St in Fulton Market.



Two projects in the development pipeline delivered in the second quarter, adding another 740,000 square feet of inventory. Both projects delivered in Fulton Market. Notably, 800 W Fulton's 480,490 square feet was 46.2 percent pre-leased at delivery, (although occupancies will begin to occur in the third quarter), while 320 N Sangamon St delivered vacant with no pre-leasing. There is an additional 3.7 million square feet of space under construction downtown spread across nine projects in the West Loop, River North, and Fulton Market/Near West Side.

Despite a 5.0 percent increase in new leasing activity year-over-year, the downtown office market remains far afield from the hearty fundamentals shown at the start of 2020. As news reports trickle out regarding the return-to-office plans of corporate America, increased leasing velocity is unlikely to return before Labor Day

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)	New Leasing Activity (SF)	Market Rent Per SF
West Loop	57,054,414	8,803,879	13.70%	1.74%	15.43%	22.96%	-524,270	1,597,211	363,025	
Class A	44,542,600	6,722,424	13.45%	1.65%	15.09%	22.35%	-429,385	1,497,211		\$45.89
Class B	9,894,525	1,637,358	14.17%	2.38%	16.55%	25.99%	-103,076	100,000		
Class C	2,617,289	444,097	16.12%	0.84%	16.97%	21.97%	8,191	0		
Central Loop	38,309,919	7,011,835	17.04%	1.27%	18.30%	24.81%	-67,816	0	233,360	
Class A	18,991,170	2,967,252	14.42%	1.21%	15.62%	23.63%	-24,275	0		\$45.19
Class B	17,881,045	3,871,942	20.22%	1.43%	21.65%	27.04%	-13,104	0		
Class C	1,437,704	172,641	12.01%	0.00%	12.01%	12.61%	-30,437	0		
East Loop	26,937,435	5,224,513	17.51%	1.88%	19.39%	22.96%	-136,628	0	168,589	
Class A	13,782,211	2,813,943	19.08%	1.34%	20.42%	25.35%	-243	0		\$39.77
Class B	9,718,551	1,890,036	16.24%	3.21%	19.45%	21.09%	-172,274	0		
Class C	3,436,673	520,534	14.83%	0.31%	15.15%	18.67%	35,889	0		
N. Michigan Avenue	12,893,782	1,453,831	9.65%	1.62%	11.28%	15.02%	-47,743	0	65,510	
Class A	7,047,407	747,381	8.61%	1.99%	10.61%	15.35%	-41,145	0		\$43.04
Class B	4,896,392	645,491	12.17%	1.02%	13.18%	15.85%	-8,209	0		
Class C	949,983	60,959	4.44%	1.97%	6.42%	8.27%	1,611	0		
River North	17,080,837	2,651,630	12.57%	2.95%	15.52%	27.25%	-265,912	1,200,202	124,089	
Class A	9,629,135	1,136,585	10.58%	1.23%	11.80%	28.93%	-18,600	1,200,202		\$47.58
Class B	4,449,145	936,073	13.01%	8.03%	21.04%	25.19%	-194,470	0		
Class C	3,002,557	578,972	18.34%	0.95%	19.28%	24.94%	-52,842	0		
Fulton Market	9,445,722	2,706,698	26.99%	1.67%	28.66%	39.08%	-801,198	923,251	170,557	
Class A	4,661,275	1,739,593	35.90%	1.42%	37.32%	53.55%	-753,720	885,751		\$48.41
Class B	3,263,965	744,486	20.09%	2.72%	22.81%	28.81%	-54,140	37,500		
Class C	1,520,482	222,619	14.48%	0.16%	14.64%	16.79%	6,662	0		
Downtown Totals	161,722,109	27,852,386	15.46%	1.76%	17.22%	24.16%	-1,843,567	3,720,664	1,125,130	
Class A	98,653,798	16,127,178	14.85%	1.49%	16.35%	24.63%	-1,267,368	3,583,164		
Class B	50,103,623	9,725,386	16.82%	2.59%	19.41%	24.54%	-545,273	137,500		
Class C	12,964,688	1,999,822	14.79%	0.64%	15.43%	19.13%	-30,926	0		
Metro Chicago Totals	279,081,310	56,754,134	18.65%	1.68%	20.34%	26.45%	-2,670,479	3,720,664	2,559,973	
Class A	166,457,380	34,030,120	18.81%	1.63%	20.44%	27.66%	-1,909,880	3,583,164		
Class B	91,728,033	19,409,887	19.12%	2.04%	21.16%	26.03%	-718,127	137,500		
Class C	20,895,897	3,314,127	15.36%	0.50%	15.86%	18.69%	-42,472	0		