



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



Vacancy Rate
24.63%



Net Absorption
-827K SF



New Leasing
1.43M SF

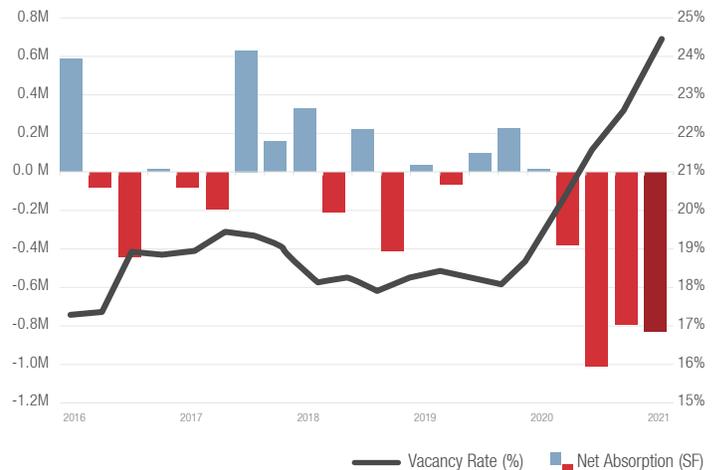
New Leasing Activity Velocity Gains Momentum

Suburban Chicago office recorded 1,434,843 square feet of new leasing activity in the second quarter - the strongest amount since the nearly 2.2 million square feet recorded in the first quarter of 2020. The East-West Corridor submarket led the way amongst its peer suburban submarkets with 515,607 square feet of activity; the North Suburban submarket placed a comparatively strong second place with 361,173 square feet.

The largest deal recorded on the quarter was AbbVie's renewal of nearly 198,000 square feet at Lakeside Point I & II in Waukegan in the North Suburban submarket. Lakeshore Recycling Systems signed the largest new deal on the quarter, leasing over 47,000 square feet at Balmoral Business Campus in Rosemont. Continuing a recent trend, the single-story portion of the suburban Chicago office market also played a role, as Assured Partners signed the largest sublease in the suburbs for nearly 40,000 square feet at 4350 Weaver Parkway in Warrenville in the East-West Corridor.

The suburban Chicago office market recorded a 24.63 percent vacancy rate at mid-year. This rate increased 539 basis points year-over-year from the 19.24 percent vacancy rate recorded at mid-year of 2020. This rate also reflected an increase of 138 basis points from the first quarter 2021 vacancy figure of 23.25 percent. The I-55 Corridor led its submarket peers with a 12.02 percent vacancy rate, while the next lowest submarket rate was O'Hare which recorded a 19.98 percent vacancy rate.

The sublease vacancy rate was 1.57 percent at mid-year. The rate has steadily increased since the onset of the Covid-19 pandemic, inching up another 10 basis points from the first quarter of 2021. The O'Hare submarket recorded the lowest rate of sublease vacancy at mid-year - 0.60 percent. While the pace of additions to the secondary market has slowed in recent quarters, notable spaces still were added, including Fresenius Medical Care's 44,021 square feet at 3500 Lacey Rd in Downers Grove in the East-West Corridor. Additionally, sublease vacancy decreased in two suburban submarkets from the previous quarter: O'Hare (19 basis points) and North Suburban (8 basis points).



There was -826,912 square feet of net absorption recorded in the suburban office market in the second quarter. For the fifth consecutive time since Q2 2020, the suburbs performed better in this category than the downtown office market. Comparatively, the CBD office market, due in large part to new deliveries in Fulton Market with limited pre-leasing, saw -1,843,567 square feet of space added to the market in the second quarter. At 29,282 square feet, the I-55 Corridor was the only office submarket throughout the Chicago metropolitan area to record positive net absorption on the quarter. Notably, despite adding back -81,789 square feet of vacancy in the quarter, the Northwest Suburban submarket saw a 61.3 percent increase in net absorption quarter-over-quarter.

Green shoots in the suburban office market are starting to appear in a period of continued transition. New leasing activity topped one million square feet for only the second time in five quarters. With the National Bureau of Economic Research declaring the COVID-19 recession to be the shortest, yet steepest on record, there is continued hope that pent up consumer demand and the general population's access to vaccines will speed up the economic recovery in the second half of 2021.

Suburban Office Market Statistics

Submarket	Total RBA (SF)	Total Vacant (SF)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Availability Rate	2Net Absorption (SF)	Under Construction (SF)	Leasing Activity (SF)	Market Rent Per SF
North Suburban	26,342,673	6,530,194	22.60%	2.19%	24.79%	31.99%	-192,697	0	361,173	
Class A	17,139,426	4,426,194	23.50%	2.33%	25.82%	32.28%	-107,951	0		\$27.01
Class B	7,657,877	1,829,002	21.60%	2.29%	23.88%	33.10%	-86,745	0		
Class C	1,545,370	274,998	17.67%	0.13%	17.79%	23.27%	1,999	0		
Northwest Suburban	33,209,355	9,943,100	28.81%	1.13%	29.94%	34.52%	-81,789	0	326,725	
Class A	19,434,814	6,441,379	31.39%	1.76%	33.14%	39.00%	-130,011	0		\$23.81
Class B	11,746,292	3,217,014	27.23%	0.16%	27.39%	30.65%	44,529	0		
Class C	2,028,249	284,707	13.21%	0.83%	14.04%	14.07%	3,693	0		
O'Hare Area	14,168,927	2,830,391	19.37%	0.60%	19.98%	23.63%	-318,788	0	184,779	
Class A	8,262,938	1,694,115	19.94%	0.56%	20.50%	22.66%	-179,504	0		\$34.28
Class B	5,330,956	1,058,992	19.13%	0.74%	19.86%	26.22%	-142,196	0		
Class C	575,033	77,284	13.44%	0.00%	13.44%	13.41%	2,912	0		
East-West Corridor	40,317,806	9,198,995	20.89%	1.92%	22.82%	27.30%	-262,920	0	515,607	
Class A	22,012,728	5,279,954	21.92%	2.07%	23.99%	30.07%	-229,570	0		\$26.88
Class B	14,929,373	3,283,767	19.87%	2.12%	22.00%	24.94%	-10,163	0		
Class C	3,375,705	635,274	18.74%	0.07%	18.82%	19.74%	-23,187	0		
I-55 Corridor	3,320,440	399,068	11.26%	0.76%	12.02%	15.17%	29,282	0	46,559	
Class A	953,676	61,300	6.18%	0.25%	6.43%	14.84%	4,524	0		\$23.34
Class B	1,959,912	295,726	13.93%	1.16%	15.09%	16.57%	21,721	0		
Class C	406,852	42,042	10.33%	0.00%	10.33%	9.22%	3,037	0		
Suburban Totals	117,359,201	28,901,748	23.06%	1.57%	24.63%	29.61%	-826,912	0	1,434,843	
Class A Totals	67,803,582	17,902,942	24.57%	1.84%	26.40%	32.07%	-642,512	0		
Class B Totals	41,624,410	9,684,501	21.89%	1.37%	23.27%	27.82%	-172,854	0		
Class C Totals	7,931,209	1,314,305	16.30%	0.27%	16.57%	17.98%	-11,546	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		