



CBD OFFICE MARKET WATCH

The CBD's vacancy rate was 17.67 percent in the third quarter, inching higher from a sixth consecutive quarter of negative net absorption.

Vacancy Rate
17.67%

Net Absorption
-1.15M SF

New Leasing
2.53M SF

A once-in-a-decade deal spurs new leasing activity

Any potential momentum the CBD office market seemed to be gathering at mid-year was hampered by another wave of new COVID-19 cases in the third quarter. The total vacancy rate for the downtown office market in the third quarter was 17.67 percent; the rate increased 45 basis points quarter-over-quarter from the 17.22 percent rate recorded at mid-year 2021. Additionally, the rate increased 423 basis points year-over-year from the 13.44 percent rate tallied in the third quarter of 2020.

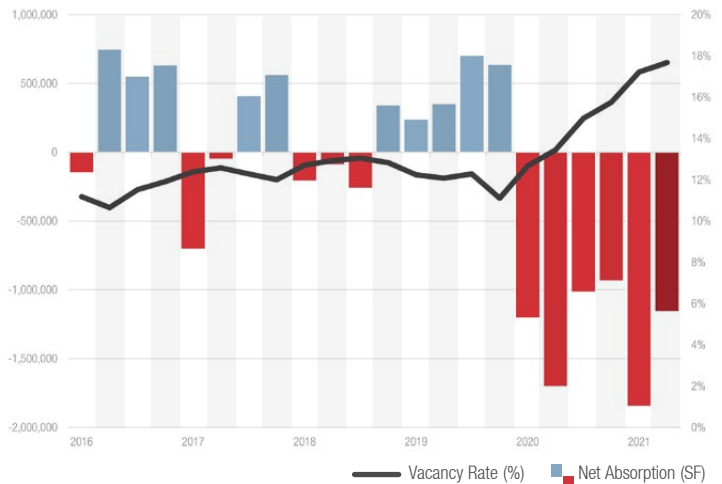
In the third quarter, the sublease vacancy rate was 1.69 percent in the CBD, a decrease of seven basis points from the 1.76 percent rate recorded at mid-year. There was roughly 2.7 million square feet of sublet vacant space downtown in the third quarter, a decrease of about 200,000 square feet from mid-year. Four subleases greater than 25,000 square feet were signed in the third quarter, led by Tegus' 47,000 square feet at 200 N LaSalle.

Despite several tenants moving into their recently delivered spaces in the Fulton Market submarket, there was -1,153,984 square feet of net absorption overall in the downtown office market in the third quarter. Bank of America vacating 135 S LaSalle St in the Central Loop submarket accounted for 61.3 percent of the third quarter's net absorption figure. The aforementioned Fulton Market was the only submarket downtown to see its occupancy increase in the third quarter.

This marks the sixth consecutive quarter that the CBD has recorded negative net absorption and the second consecutive quarter of negative net absorption in excess of -1.0 million square feet. Despite this, year-over-year net absorption increased 32.1 percent from the -1.7 million square feet of space that returned to the market in the third quarter of 2020.

There was 2,530,100 square feet of new leasing activity in the CBD office market in the third quarter, the first quarter where this metric topped 2.0 million square feet since the pandemic

began in the first quarter of 2020. Law firm Kirkland & Ellis signed the largest downtown office lease since the first quarter of 2009, taking 662,400 square feet of space at Salesforce Tower Chicago in River North. The 59-story, 1.2-million-square-foot skyscraper is slated to deliver in the first quarter of 2023.



Additionally, SMS Assist, a commercial and residential property software firm, leased over 114,000 square feet at One Two Pru in the East Loop submarket. This pair of six-figure leases helped downtown office new leasing activity break the suburban office market's four consecutive quarter streak over its counterpart.

While no developments were delivered in the third quarter, eight projects remain under construction, accounting for an additional 3.7 million square feet of space slated for the inventory.

Despite the downtown office market's vacancy rate creeping up further on the back of a sixth consecutive quarter of negative net absorption, the increased leasing velocity in both headline deals and overall leasing figures indicate that the uncertainty driven by pandemic conditions may be beginning to ebb.

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	56,348,023	9,257,455	14.73%	1.70%	16.43%	22.99%	-292,525	1,597,211	677,408	
Class A	43,807,341	7,049,554	14.56%	1.53%	16.09%	22.08%	-203,904	1,497,211		\$45.73
Class B	9,671,276	1,758,779	15.07%	2.70%	17.77%	26.74%	-86,175	100,000		
Class C	2,643,189	449,122	16.16%	0.84%	16.99%	24.02%	-2,446	0		
Central Loop	38,321,859	7,275,823	17.79%	1.20%	18.99%	26.09%	-789,866	0	322,577	
Class A	18,991,170	3,019,225	14.58%	1.31%	15.90%	23.01%	-71,673	0		\$45.46
Class B	17,892,985	4,076,428	21.61%	1.17%	22.78%	30.45%	-718,085	0		
Class C	1,437,704	180,170	12.53%	0.00%	12.53%	12.65%	-108	0		
East Loop	26,845,248	5,433,087	18.41%	1.83%	20.24%	25.61%	-96,743	0	263,977	
Class A	13,782,211	2,974,096	20.11%	1.47%	21.58%	26.14%	-10,601	0		\$39.76
Class B	9,716,364	1,964,937	17.26%	2.97%	20.22%	27.07%	-110,673	0		
Class C	3,346,673	494,054	14.76%	0.00%	14.76%	19.15%	24,531	0		
N. Michigan Avenue	13,326,379	1,426,602	9.45%	1.25%	10.71%	14.26%	-29,805	0	49,170	
Class A	7,470,375	760,456	8.71%	1.47%	10.18%	14.09%	-16,880	0		\$42.99
Class B	4,906,021	605,981	11.57%	0.79%	12.35%	15.24%	-15,469	0		
Class C	949,983	60,165	4.36%	1.97%	6.33%	10.58%	2,544	0		
River North	17,068,614	2,715,682	12.69%	3.22%	15.91%	24.11%	-161,004	1,200,202	875,921	
Class A	9,629,135	1,182,182	11.07%	1.21%	12.28%	24.09%	-134,917	1,200,202		\$47.39
Class B	4,449,145	979,621	12.68%	9.33%	22.02%	25.01%	-46,697	0		
Class C	2,990,334	553,879	17.94%	0.58%	18.52%	22.84%	20,610	0		
Fulton Market	9,435,851	2,409,149	24.51%	1.02%	25.53%	35.33%	215,959	885,751	340,039	
Class A	4,665,459	1,469,069	30.60%	0.89%	31.49%	48.87%	218,812	885,751		\$49.40
Class B	3,249,910	726,084	20.66%	1.68%	22.34%	26.33%	-4,859	0		
Class C	1,520,482	213,996	14.07%	0.00%	14.07%	13.00%	2,006	0		
Downtown Totals	161,389,723	28,517,798	15.98%	1.69%	17.67%	24.27%	-1,153,984	3,683,164	2,529,092	
Class A	98,345,691	16,454,582	15.32%	1.41%	16.73%	23.69%	-219,163	3,583,164		
Class B	49,885,701	10,111,830	17.62%	2.54%	20.16%	26.80%	-981,958	100,000		
Class C	12,888,365	1,951,386	14.69%	0.45%	15.14%	18.92%	47,137	0		
Metro Chicago Totals	280,033,919	57,652,539	18.92%	1.67%	20.59%	26.60%	-1,393,146	3,683,164	3,963,935	
Class A	166,482,792	34,632,631	19.18%	1.63%	20.80%	27.50%	-619,358	3,583,164		
Class B	92,144,445	19,847,497	19.45%	2.03%	21.48%	26.99%	-856,127	100,000		
Class C	21,136,716	3,172,411	14.56%	0.45%	15.01%	17.72%	82,339	0		