



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



Vacancy Rate
24.56%



Net Absorption
-239K SF



New Leasing
1.73M SF

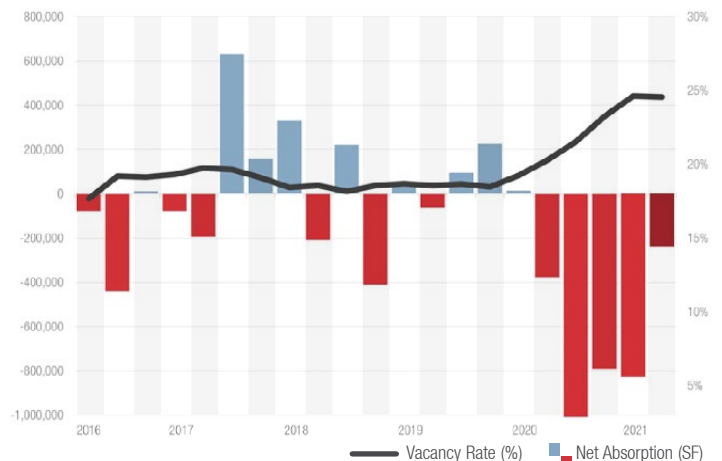
The first decrease in vacancy since the start of 2020

Suburban Chicago office recorded 1,731,187 square feet of new leasing activity in the third quarter of 2021. This represented a 62.3 percent increase year-over-year from the nearly 1.1 million square feet of new leasing activity tallied in the third quarter of 2020. The East-West Corridor submarket led the way amongst its peer suburban submarkets with 602,657 square feet of activity; the Northwest Suburban submarket placed a comparatively strong second place with 520,452 square feet.

The largest deal recorded on the quarter was Centene's lease of 90,000 square feet at The Shuman in Naperville in the East-West Corridor submarket. PNC Bank signed the largest renewal on the quarter, maintaining a 56,000-square-foot presence at Corridors Three in Downers Grove. OpticPlanet signed the largest suburban office sublease on the quarter, making a deal for 36,250 square feet at 2345 Waukegan Rd in Bannockburn.

Suburban Chicago recorded a 24.56 percent vacancy rate in the third quarter. This rate decreased seven basis points quarter-over-quarter from the 24.63 percent rate recorded at mid-year. This was the first vacancy decrease in the suburbs since the 21-basis point decline from the 18.68 percent rate recorded at year-end 2019 to the 18.47 percent rate tallied for the first quarter of 2020. Additionally, the third quarter rate increased 427 basis points year-over-year from the 20.29 percent vacancy rate recorded in the third quarter of 2020.

The sublease vacancy rate was 1.65 percent in the third quarter, increasing another eight basis points from the 1.57 percent rate recorded at mid-year 2021. Despite this rate steadily rising since the onset of the Covid-19 pandemic, nearly 37.0 percent of the 1,958,006 square feet of sublet vacant space tallied in the third quarter was spread across five buildings, led by the nearly 168,000 square feet formerly occupied by Adtalem Global Education (formerly DeVry) at Highland Landmark V in Downers Grove in the East-West Corridor. The O'Hare submarket was the tightest amongst



its suburban peers in sublease vacancy in the third quarter, tightening 10 basis points from mid-year to 0.5 percent.

There was -239,162 square feet of net absorption in the suburban office market in the third quarter, carrying the streak of consecutive quarters where suburban net absorption fared better than its CBD counterpart to six. Both the East-West Corridor (56,437 square feet) and O'Hare (40,536 square feet) saw modest improvements in their respective occupancies in the third quarter; the Northwest Suburban submarket lagged its suburban peers as -232,954 square feet returned to the market. Notably, both the Class B (125,831 square feet) and Class C (35,202 square feet) portions of the market saw positive occupancy in the third quarter, suggesting smaller entrepreneurial firms are taking a more proactive approach to their return-to-office plans.

Despite the delta variant supplying yet another headwind for the suburban Chicago office market, the first vacancy decrease during the pandemic and the second consecutive quarter of new leasing activity in excess of 1.4 million square feet provide distinct glimmers of hope of a market finally regaining its footing in a changed landscape.

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	26,562,145	6,684,024	23.11%	2.05%	25.16%	33.58%	-100,106	0	361,173	
Class A	17,443,925	4,582,645	24.01%	2.26%	26.27%	34.48%	-196,882	0		\$27.28
Class B	7,565,763	1,802,973	21.85%	1.98%	23.83%	33.13%	109,291	0		
Class C	1,552,457	298,406	19.21%	0.01%	19.22%	24.50%	-12,515	0		
Northwest Suburban	33,386,403	9,993,745	28.76%	1.17%	29.93%	34.09%	-232,954	0	326,725	
Class A	19,535,696	6,450,296	31.14%	1.88%	33.02%	38.21%	-189,106	0		\$23.59
Class B	11,990,397	3,284,682	27.33%	0.06%	27.39%	30.36%	-44,528	0		
Class C	1,860,310	258,767	13.01%	0.90%	13.91%	14.84%	680	0		
O'Hare Area	14,169,085	2,724,095	18.72%	0.50%	19.23%	24.05%	40,536	0	184,779	
Class A	8,264,004	1,603,575	19.02%	0.39%	19.40%	22.95%	56,479	0		\$34.43
Class B	5,350,048	1,054,580	18.97%	0.74%	19.71%	26.83%	-17,987	0		
Class C	555,033	65,940	11.88%	0.00%	11.88%	13.64%	2,044	0		
East-West Corridor	41,102,742	9,327,821	20.46%	2.23%	22.69%	26.97%	56,437	0	515,607	
Class A	21,939,800	5,486,154	22.62%	2.39%	25.01%	31.76%	-76,607	0		\$26.95
Class B	15,295,706	3,279,019	18.97%	2.47%	21.44%	23.41%	93,349	0		
Class C	3,867,236	562,648	14.18%	0.37%	14.55%	13.83%	39,695	0		
I-55 Corridor	3,423,821	405,056	10.82%	1.01%	11.83%	15.18%	-3,075	0	46,559	
Class A	953,676	55,379	5.56%	0.25%	5.81%	14.49%	5,921	0		\$23.08
Class B	2,056,830	314,413	14.02%	1.26%	15.29%	16.60%	-14,294	0		
Class C	413,315	35,264	7.03%	1.50%	8.53%	9.73%	5,298	0		
Suburban Totals	118,644,196	29,134,741	22.91%	1.65%	24.56%	29.76%	-239,162	0	1,434,843	
Class A Totals	68,137,101	18,178,049	24.74%	1.94%	26.68%	33.00%	-400,195	0		
Class B Totals	42,258,744	9,735,667	21.62%	1.42%	23.04%	27.22%	125,831	0		
Class C Totals	8,248,351	1,221,025	14.35%	0.46%	14.80%	15.85%	35,202	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		