



At over 5.5 million square feet, full-year new leasing activity in the suburbs increased 10.2 percent year-over-year compared to 2020.



Vacancy Rate
25.28%



Net Absorption
-304K SF



New Leasing
1.39M SF

Despite Omicron, New Leasing Activity Jumps Year-Over-Year

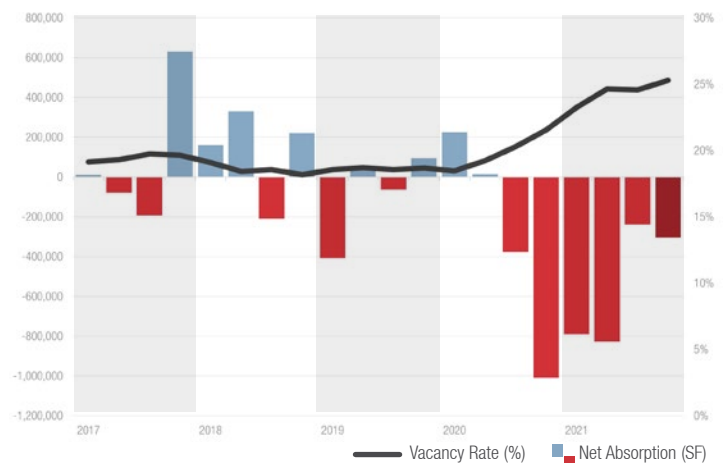
The suburban Chicago office market recorded 1,387,293 square feet of new leasing activity in the fourth quarter, a marked 41.2 percent increase year-over-year from the 982,446 square feet of new deals tallied in the fourth quarter of 2020. With that strong finish, full-year 2021 new leasing activity outpaced 2020 by 10.2 percent overall, moving from 4,992,616 square feet to 5,501,573 square feet. Full-year new leasing activity is now only 11.3 percent below the pre-pandemic pace of 2019.

The East-West Corridor led the way with 396,654 square feet of new deals, while the North Suburban submarket placed a strong second overall with 390,714 square feet - a 33.6 percent increase compared to the same period last year. The largest new lease on the quarter was AGI signing for 45,000 square feet at The Shuman in Naperville. In an interesting wrinkle demonstrating the persistent demand of high-end space, AGI actually leased 50.0 percent of the same space leased by Centene in the previous quarter, before a buyout ultimately terminated that transaction.

In addition to the aforementioned increases in new leasing activity, several large-scale renewals occurred in the fourth quarter: T-Mobile (72,000 square feet) at Executive Towers West in Downers Grove, XPO Logistics (50,663 square feet) at The Shuman, and Zenith Electronics (50,000 square feet) at the Millbrook Business Center in Lincolnshire.

Suburban Chicago office recorded a 25.28 percent total vacancy rate in the fourth quarter, driven in part by tenants moving out of their spaces, such as Intuit's exit of nearly 25,000 square feet at 95 W Algonquin Rd in Arlington Heights. The vacancy rate increased 72 basis points quarter-over-quarter from the 24.56 percent rate tallied in the third quarter. Year-over-year, the total vacancy rate increased 374 basis points from the 21.54 percent rate tallied at year-end 2020.

Two submarkets maintained sub-20.0 percent vacancy in the fourth quarter: I-55 Corridor (11.04 percent) and the O'Hare area (19.60 percent). Conversely, the Northwest Suburban submarket lagged its peers, posting a 30.81 percent vacancy rate.



The sublease vacancy rate was 1.48 percent at year-end 2021, decreasing 17 basis points quarter-over-quarter, and staying essentially unchanged year-over-year from the 1.47 percent rate recorded at year-end 2020. The I-55 Corridor (0.56 percent) and O'Hare (0.62 percent) submarkets led their suburban peers in this metric.

There was -304,212 square feet of net absorption in the suburban office market in the fourth quarter. The Northwest Suburban submarket's net absorption figure accounted for 62.4 percent of the quarterly total. The I-55 Corridor was the only suburban submarket to tally occupancy gains in the fourth quarter, a modest 7,350 square feet. At 53,910 square feet, the Class A portion of the North Suburban submarket led its suburban peers in net absorption on the quarter. Overall there was -2,159,775 square feet of net absorption for the full year.

While the Delta and Omicron variants of COVID-19 added uncertainty to the market and scrambled untold return-to-work plans across the second half of 2021, the heightened pace of new leasing activity throughout the year offers a silver lining and the potential for decreasing vacancy rates in 2022.

Q4

2021

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	25,986,391	6,688,709	23.73%	2.01%	25.74%	32.45%	-37,897	0	390,714	
Class A	16,396,376	4,461,173	24.92%	2.28%	27.21%	33.62%	53,910	0		\$27.33
Class B	8,282,256	1,994,534	22.30%	1.78%	24.08%	31.70%	-85,110	0		
Class C	1,307,759	233,002	17.82%	0.00%	17.82%	22.48%	-6,697	0		
Northwest Suburban	33,574,426	10,345,324	29.68%	1.13%	30.81%	35.49%	-189,902	0	319,491	
Class A	19,220,396	6,548,106	32.34%	1.73%	34.07%	40.12%	-110,709	0		\$24.08
Class B	12,718,261	3,568,706	27.81%	0.25%	28.06%	31.26%	-73,714	0		
Class C	1,635,769	228,512	12.94%	1.03%	13.97%	14.07%	-5,479	0		
O'Hare Area	14,034,561	2,751,010	18.98%	0.62%	19.60%	25.21%	-1,115	0	240,630	
Class A	7,807,763	1,616,418	20.09%	0.61%	20.70%	23.89%	-52,374	0		\$34.46
Class B	5,800,161	1,091,466	18.14%	0.68%	18.82%	27.92%	51,466	0		
Class C	426,637	43,126	10.11%	0.00%	10.11%	12.66%	-207	0		
East-West Corridor	39,974,583	9,405,914	21.72%	1.81%	23.53%	28.43%	-82,648	0	396,654	
Class A	22,276,349	5,933,808	24.35%	2.29%	26.64%	33.02%	-70,974	0		\$27.00
Class B	14,919,427	3,219,521	20.15%	1.43%	21.58%	24.94%	-10,399	0		
Class C	2,778,807	252,585	9.09%	0.00%	9.09%	10.44%	-1,275	0		
I-55 Corridor	3,336,188	368,239	10.47%	0.56%	11.04%	14.67%	7,350	0	39,804	
Class A	834,306	34,010	4.08%	0.00%	4.08%	13.80%	3,172	0		\$23.34
Class B	2,097,336	341,197	13.71%	0.78%	14.49%	16.27%	4,230	0		
Class C	404,546	30,286	6.89%	0.60%	7.49%	8.15%	-52	0		
Suburban Totals	116,906,149	29,559,196	23.80%	1.48%	25.28%	30.57%	-304,212	0	1,387,293	
Class A	66,535,190	18,593,515	26.05%	1.90%	27.95%	33.91%	-176,975	0		
Class B	43,817,441	10,178,170	22.21%	1.02%	23.23%	28.03%	-113,527	0		
Class C	6,553,518	787,511	11.72%	0.29%	12.02%	13.75%	-13,710	0		
Metro Chicago Totals	277,621,584	58,028,422	19.22%	1.69%	20.90%	26.85%	-329,815	3,671,036	3,237,058	
Class A	165,014,593	34,499,603	19.28%	1.63%	20.91%	27.52%	-51,882	3,583,164		
Class B	94,449,117	21,050,896	20.24%	2.04%	22.29%	27.51%	-249,628	87,872		
Class C	18,157,874	2,477,923	13.31%	0.33%	13.65%	17.24%	-28,305	0		