



CBD OFFICE MARKET WATCH

The CBD's vacancy rate was 19.43 percent in the second quarter, setting a new high as downtown records the ninth consecutive quarter of negative net absorption.



Vacancy Rate
19.43%



Net Absorption
-706K SF



New Leasing
1.86M SF

Downtown Demand Remains Steady

The total recorded vacancy rate for downtown Chicago was 19.43 percent during the second quarter, marking a second straight quarter for record high CBD office market vacancy rates. Quarter-over-quarter, vacancy shows a nominal 8-basis point increase from the 19.35 recorded during the first quarter of 2022. Year-over-year indicates a 221-basis point increase from the 17.22 percent recorded in the second quarter of 2021.

At 14.28 percent, North Michigan Avenue's second-quarter vacancy rate was lowest in the market. Central Loop represented the slacker downtown with a 21.94 percent vacancy rate, while the East Loop at 21.71 percent and Fulton Market at 21.03 percent were not far behind.

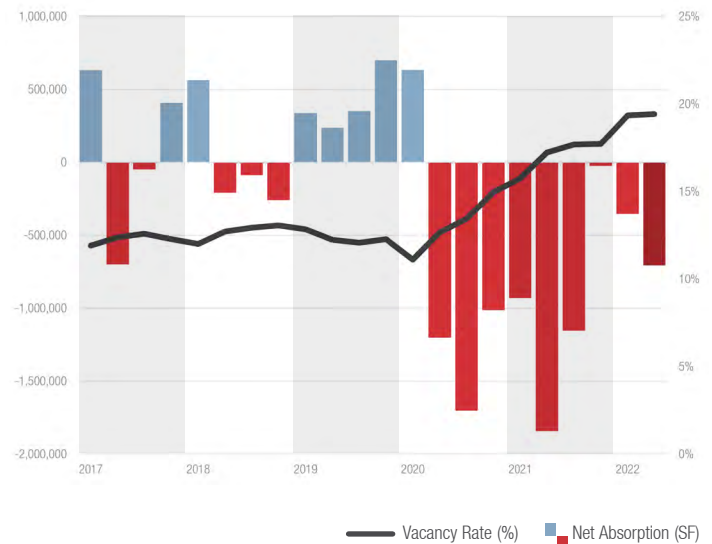
The recorded sublease vacancy for downtown was 2.06 percent in second quarter. Quarter-over-quarter figures demonstrate an uptick from the 1.88 percent recorded during the first quarter. Downtown had just over 3.3 million square feet of vacant sublet space during the quarter, with 600 W Chicago Ave being the largest marketed at 354,519 square feet.

The downtown office market recorded -705,630 square feet of net absorption, marking the ninth consecutive quarter of negative net absorption. Two downtown market bright spots were Fulton Market at 77,792 square feet of net absorption and North Michigan Avenue at 15,591 square feet of net absorption, reflecting the first positive figure in eight quarters.

New leasing activity downtown came in at 1,861,980 square feet during the second quarter. The biggest new deal occurred in Fulton Market where The Boston Consulting Group (BCG) became anchor tenant at 360 N Green St by leasing roughly 223,000 square feet in a building set to break ground during the third quarter of 2022.

West Loop once again led all downtown submarkets in new leasing activity, recording 769,960 square feet during the second quarter. Fulton Market continues a steady stream of leasing activity. The largest deal signed in the area was the previously mentioned BCG lease for 223,000 square feet at 360 N Green St. Five of the six submarkets recorded more than 150,000 square feet of new leasing activity during the quarter. The outlier was North Michigan Ave, recording just over 90,000 square feet.

No product was added downtown during the quarter, but roughly 1.5 million square feet remains under construction. Salesforce Tower is the largest pipeline project, slated to add 1.2 million square feet in River North upon delivery during the first quarter of 2023. Fulton Market will continue to expand with two buildings at 1020 W Randolph St and 345 N Morgan St, totaling 240,000 still under construction.



Although the pace of leasing activity downtown has stayed steady despite uncertain economic conditions, there are no signs that downtown office employees, nor the employers, are rushing back to the office as vacancy rates have increased the last ten quarters.

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	57,720,661	10,564,259	16.19%	2.11%	18.30%	23.60%	-98,159	48,000	769,960	
Class A	45,257,271	7,864,030	15.33%	2.04%	17.38%	20.78%	74,065	0		\$46.00
Class B	10,326,418	2,328,645	20.12%	2.43%	22.55%	36.19%	-141,182	48,000		
Class C	2,136,972	371,584	15.45%	1.93%	17.39%	22.30%	-31,042	0		
Central Loop	38,277,309	8,396,639	20.50%	1.44%	21.94%	28.34%	-315,486	0	231,095	
Class A	18,921,035	3,362,028	16.67%	1.10%	17.77%	25.97%	-161,753	0		\$46.59
Class B	17,918,570	4,844,862	25.12%	1.91%	27.04%	32.02%	-153,643	0		
Class C	1,437,704	189,749	13.20%	0.00%	13.20%	13.70%	-90	0		
East Loop	27,498,003	5,970,617	18.93%	2.78%	21.71%	25.53%	-357,415	0	168,960	
Class A	14,281,165	3,191,069	19.55%	2.80%	22.34%	25.62%	-160,381	0		\$40.71
Class B	9,762,507	2,195,965	18.99%	3.51%	22.49%	27.16%	-153,399	0		
Class C	3,454,331	583,583	16.21%	0.68%	16.89%	20.58%	-43,635	0		
NMA	12,654,444	1,807,613	12.90%	1.39%	14.28%	18.51%	15,591	0	90,808	
Class A	7,864,944	1,251,315	13.81%	2.10%	15.91%	20.84%	-1,836	0		\$43.37
Class B	4,379,789	505,155	11.29%	0.24%	11.53%	14.03%	17,427	0		
Class C	409,711	51,143	12.48%	0.00%	12.48%	21.71%	0	0		
River North	17,031,084	2,868,969	13.67%	3.18%	16.85%	23.92%	-27,953	1,200,202	242,577	
Class A	11,246,597	1,856,466	12.25%	4.26%	16.51%	25.03%	-23,328	1,200,202		\$45.35
Class B	3,564,343	547,900	14.10%	1.27%	15.37%	17.78%	-14,632	0		
Class C	2,220,144	464,603	20.16%	0.77%	20.93%	28.15%	10,007	0		
Fulton Market	9,980,294	2,098,851	19.89%	1.14%	21.03%	25.72%	77,792	240,000	358,580	
Class A	5,283,648	1,303,435	24.22%	0.44%	24.67%	29.90%	122,059	240,000		\$51.62
Class B	3,302,686	600,011	16.78%	1.38%	18.17%	22.10%	8,240	0		
Class C	1,393,960	195,405	10.85%	3.17%	14.02%	18.46%	-52,507	0		
Downtown Totals	163,161,795	31,706,948	17.37%	2.06%	19.43%	24.81%	-705,630	1,488,202	1,861,980	
Class A	102,854,660	18,828,343	16.17%	2.14%	18.31%	23.35%	-151,174	1,440,202		
Class B	49,254,313	11,022,538	20.27%	2.11%	22.38%	28.64%	-437,189	48,000		
Class C	11,052,822	1,856,067	15.65%	1.14%	16.79%	21.31%	-117,267	0		
Metro Chicago Totals	279,795,086	61,390,459	20.09%	1.85%	21.94%	28.02%	-826,606	1,488,202	3,936,868	
Class A	167,880,690	51,370,806	19.83%	2.11%	21.94%	28.72%	-174,609	1,440,202		
Class B	94,451,135	27,604,287	21.72%	1.57%	23.29%	28.57%	-541,578	48,000		
Class C	17,463,261	3,336,713	13.82%	0.85%	14.67%	18.26%	-110,419	0		

* Metro Chicago Totals incorporate CBD and Suburbs