



At just over 2.0 million square feet, new leasing activity in the suburbs increased 17.83 percent quarter-over-quarter compared with the first quarter of 2022.



Vacancy Rate
25.45%



Net Absorption
-121K SF



New Leasing
2.07M SF

New Leasing Activity Continues to Surge Despite Economic Woes

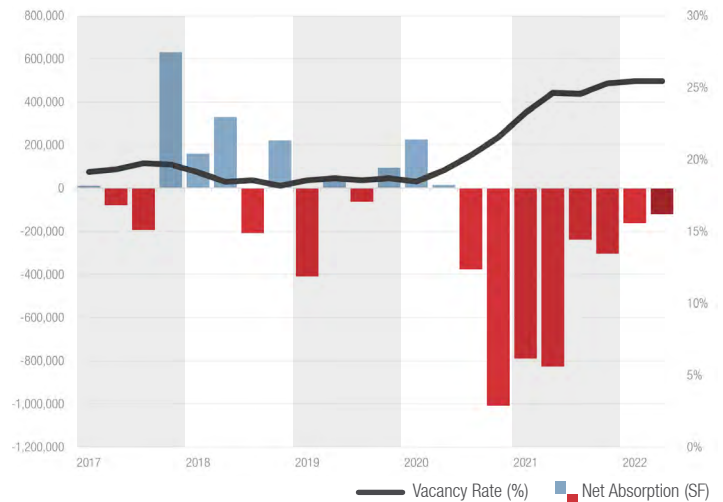
The suburban office market recorded 2,074,888 square feet of new leasing activity during the second quarter of 2022, a 17.83 percent increase from the 1,760,881 square feet tallied during the first quarter of 2022. Compared to the first quarter of 2020 - the last quarter unaffected by the COVID pandemic - second quarter 2022 leasing activity came within 3.5 percent of matching pre-pandemic activity. New leasing activity increased 40.21 percent year-over-year from the 1,479,891 square feet recorded during the second quarter of 2021.

It's no surprise that the East-West Corridor led its submarket peers with respect to new leasing activity, nearly doubling the figure recorded during the first quarter of 2022 by tallying 1,103,399 square feet during the second quarter. Four out of the five suburban submarkets recorded more than 200,000 square feet of new leasing activity during the second quarter: North Suburban, Northwest Suburban, East-West Corridor, and O'Hare.

The largest deal by far occurred in the East-West Corridor, where Ace Hardware signed a 297,127 square foot lease for the former McDonalds Campus at 2915 Jorie Blvd in Oak Brook. Ace Hardware is planning to relocate its headquarters in the latter half of 2023, a move from 2200-2222 Kensington Court, the company's home for more than a decade.

As in the previous quarter, the increase in new leasing activity has not yet been reflected in the suburban vacancy rate. The second quarter recorded rate was 25.45 percent, mirroring the first quarter of 2022. The sublease vacancy rate increased by 16 basis points, and the direct vacancy rate decreased by 16 basis points during the second quarter as companies try to find a balance between their remote and in-office work policies. I-55 continued recording a sub-20 percent vacancy rate during the second quarter at 12.22 percent.

There was -120,976 square feet of net absorption during the second quarter. Both quarter-over-quarter and year-over-year figures show favorable trends regarding net absorption. Quarter-over-quarter shows an improvement of over 25 percent from the -162,609 square feet recorded last quarter. Year-over-year shows further improvement of 85 percent from the -826,912 square



feet recorded just one year ago. The East-West Corridor led all submarkets with respect to net absorption for the second quarter in a row, boasting a figure of 60,349 square feet. The Northwest Suburban submarket recorded a positive net absorption figure for the first time in seven quarters, tallying 31,572 square feet.

This quarter adds economic-related uncertainty to existing pandemic-related concerns. New leasing figures show that companies still have a motive to sign office deals and get workers back into the new office life despite record high inflation and Federal Reserve efforts to cool rising costs. What will the relationship between tenant and landlord look like as costs rise? Will we see less activity as rents increase or more short-term activity? Will we see more activity in the short term as companies look to lock in current rates? Only time will tell, but for now the suburban office market continues to see favorable trends despite the economic uncertainty.

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	25,913,489	7,030,263	25.20%	1.93%	26.54%	32.89%	-172,151	0	260,494	
Class A	16,422,654	4,729,425	26.59%	2.21%	28.64%	33.34%	-13,644	0		\$27.93
Class B	8,221,726	2,035,654	23.13%	1.63%	23.26%	33.29%	-153,998	0		
Class C	1,269,109	265,184	20.66%	0.24%	20.59%	24.50%	-4,509	0		
Northwest Suburban	33,484,477	10,146,580	29.05%	1.26%	30.30%	41.18%	31,572	0	436,681	
Class A	19,118,681	5,965,963	29.51%	1.70%	31.20%	49.50%	25,262	0		\$24.43
Class B	12,785,080	3,983,171	30.53%	0.62%	31.15%	32.13%	12,440	0		
Class C	1,580,716	197,446	11.43%	1.06%	12.49%	13.73%	-6,130	0		
O'Hare Area	14,024,938	2,816,039	19.12%	0.95%	20.08%	28.50%	-31,347	0	218,175	
Class A	7,795,850	1,575,775	19.27%	0.95%	20.21%	28.70%	-42,050	0		\$34.93
Class B	5,801,309	1,167,502	19.09%	1.04%	20.12%	29.48%	6,213	0		
Class C	427,779	72,762	17.01%	0.00%	17.01%	11.56%	4,490	0		
East-West Corridor	39,871,381	9,282,549	21.44%	1.84%	23.28%	27.83%	60,349	0	1,103,399	
Class A	20,854,539	5,692,396	24.50%	2.80%	27.30%	33.20%	6,997	0		\$27.27
Class B	16,289,764	3,446,575	20.24%	0.92%	21.16%	24.20%	43,110	0		
Class C	2,727,078	143,578	5.26%	0.00%	5.26%	8.40%	10,242	0		
I-55 Corridor	3,339,006	408,080	11.37%	0.85%	12.22%	15.62%	-9,399	0	56,139	
Class A	834,306	36,824	4.41%	0.00%	4.41%	13.21%	0	0		\$24.35
Class B	2,098,943	343,977	15.15%	1.24%	16.39%	18.33%	-12,154	0		
Class C	405,757	27,279	6.13%	0.60%	6.72%	6.53%	2,755	0		
Suburban Totals	116,633,291	29,683,511	23.89%	1.56%	25.45%	32.52%	-120,976	0	2,074,888	
Class A	65,026,030	18,000,383	25.61%	2.07%	27.68%	37.23%	-23,435	0		
Class B	45,196,822	10,976,879	23.29%	0.99%	24.29%	28.50%	-104,389	0		
Class C	6,410,439	706,249	10.67%	0.35%	11.02%	12.99%	6,848	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