

Q4 2022

Market Insight Report

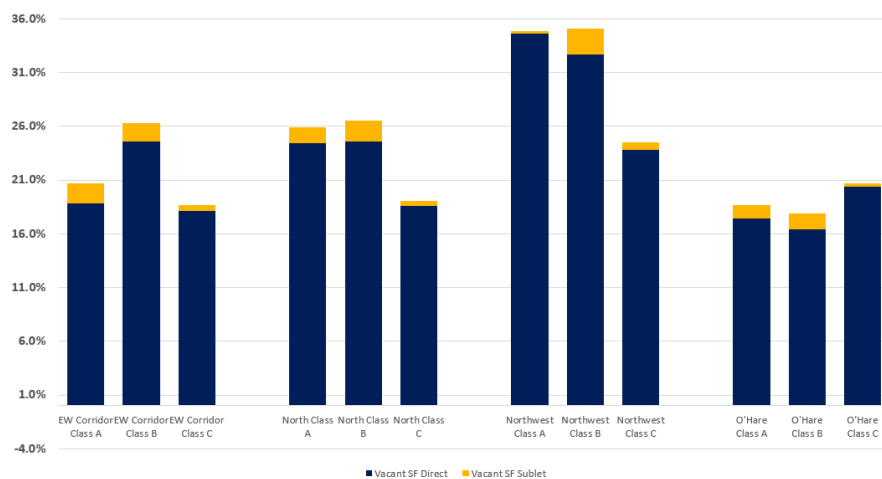
Exclusive Insights for Suburban Chicago Office Occupiers

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Market Insight Report

Suburban Chicago

Total Vacancy by Submarket



Gross Rent PSF Per Year



Vacancy

The end of 2022 marked another down year for landlords in suburban Chicago as vacancy rests at an all-time high of 25.6%. Although this is a high water mark for the Chicago suburbs, it remains unchanged from the third to fourth quarter. In fact, vacancy changed very little during the calendar year, fluctuating up and down just 10 basis points. Class A and B buildings

saw vacancies increase while class C saw vacancy decrease, offsetting losses by the other asset types. The highest portion of vacancy occurs in the largest two submarkets, Northwest and East West Corridors, accounting for two-thirds of the vacant space on the market.

Market Rent & Lease Volume

Rental rates across the suburbs increased slightly (\$0.05) as the final buildings in Cook County finished reporting their new, increased tax amounts for 2022 and class A and B buildings increased rates. Completed transaction volume for the suburbs held steady for the fourth quarter totaling 1.1 million square feet. Average direct gross asking rates for all building types ended at \$25.12 for the fourth quarter. Class A rents closed at \$31.78 per square foot, an increase that heavily influenced the overall rental rate average in addition

to the tax increases. Class B and C rents ended the quarter at \$24.41 and \$19.53, respectively. Even with limited market velocity, landlords have been reluctant to reduce asking rents, but are being creative in structuring leases and providing aggressive concessions to interested prospects. Even though Class B buildings have been hardest hit by vacancy spikes, they hold the majority of lease transactions for the quarter, 37.7% - eclipsing Class A transactions which accounted for 35.3%.

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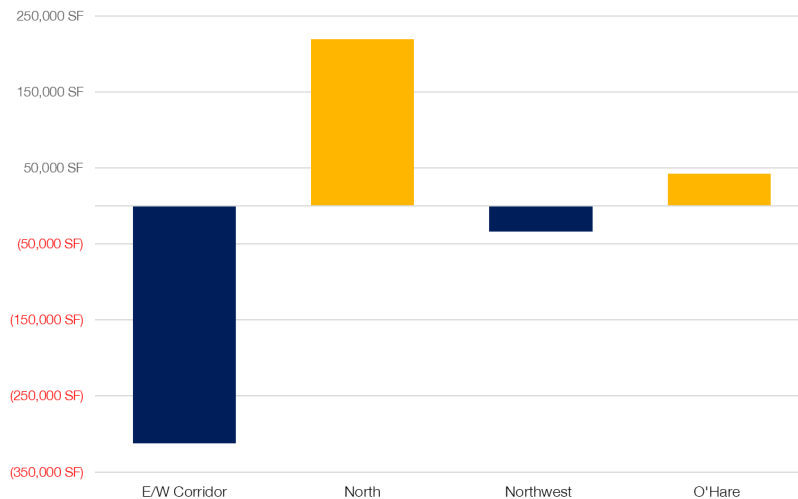
Suburban Chicago

Q4 2022 Large Transactions

Tenant	Size	Size	Deal Type
Staples/Quill*	300 Tri State International Pky	58,659	New/Relocation
Darul Qasim College*	5555 Trillium Blvd	54,150	New/Relocation
Presence Health	1000 Remington Blvd	53,500	Renewal
UL Research Institutes	1603 Orrington Ave	53,075	New/Relocation
Old Second Bank	3010 Highland Pky	31,700	New/Relocation
Illinois Department of Employment Security	747 E 22nd St	21,175	Renewal
Lanzatech	8045 Lamon Ave	20,083	Renewal

*Cresa Transactions

Q4 Direct Net Absorption by Submarket



Absorption

Net absorption was negative in the fourth quarter, with 83,132 square feet of space returning to the market. Class A and B buildings reversed their third quarter gains by turning negative while Class C buildings did the opposite, recovering losses experienced in the third quarter. The North and O'Hare markets both saw their absorption figures turn positive while the East West Corridor and Northwest markets were negative. Notable tenants taking possession of office space include BDO (39,518 sf) at 2715 Jorie, Pronto

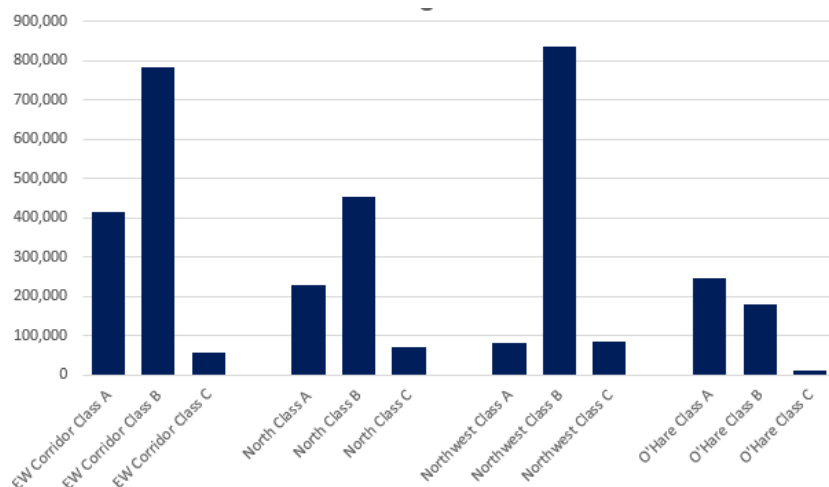
Finance (31,00 sf) at 1515 E Woodfield Rd, and Endotronix (81,916 sf) at 1415 Diehl Rd. Notable tenants vacating space include Pfizer (197,529 sf) at 275 N Field Dr and RSM (53,436 sf) at 20 N Martingale.

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Total Available Sublease SQF



Subleasing

While the downtown office market grapples with a glut of sublease space, the suburban office market has yet to experience the surge that downtown owners have had to compete with. In fact, vacant sublease space remains effectively unchanged from 2021 to 2022 at 1.4% after peaking at 1.7% in 2023. This relieved pressure on landlords to drop their rates to compete with sublease on the market. With that said, sublease space provides both flexibility and below market rates for the right user.

Buildings Recently Sold

Property Address	Property City	Building SF	Sale Price	Price PSF
909 Davis St	Evanston	195,098	\$27,750,000	\$142.24
3113 Woodcreek Dr	Downers Grove	132,882	\$3,228,750	\$24.30
9501 Technology Blvd	Rosemont	121,117	\$13,000,000	\$107.33

Sales

Sales volume fell for the fourth consecutive quarter, ending 2022 with \$152 million in completed transactions. However, 2022 saw the highest annual total sales mark since 2018 with \$845 million in transactions. Many investors see the suburbs as a value play, purchasing assets that are vacant or struggling to fill vacancy while others are purchasing fully leased properties. Average per square foot prices are just under \$90 per square foot with cap rates resting at 8.3%

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Submarket/ Class	Total # of Buildings	Total RBA SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Q4 Net Absorption SF	Under Construction SF	Gross Rent PSF Per Year
East West Corridor	236	32,573,352	7,239,798	22.2%	1.6%	23.8%	(312,020)	81,544	\$26.30
Class A	30	8,858,609	1,663,464	18.8%	1.9%	20.7%	(102,094)	81,544	\$32.39
Class B	125	18,606,400	4,652,839	25.0%	1.7%	26.7%	(137,903)	0	\$25.17
Class C	81	5,108,343	923,495	18.1%	0.6%	18.7%	(72,023)	0	\$19.86
North	236	23,508,849	5,371,067	22.8%	1.4%	24.3%	219,364	0	\$25.08
Class A	25	3,509,618	856,534	24.4%	1.5%	25.9%	75,367	0	\$29.74
Class B	80	13,337,264	3,275,964	24.6%	1.9%	26.5%	25,220	0	\$25.99
Class C	131	6,661,967	1,238,569	18.6%	0.5%	19.1%	118,777	0	\$20.80
Northwest	192	29,903,027	9,133,202	30.5%	1.3%	31.8%	(33,343)	0	\$21.97
Class A	19	8,345,155	2,886,305	34.6%	0.3%	34.9%	(17,142)	0	\$27.95
Class B	57	12,567,226	4,106,645	32.7%	2.4%	35.1%	(55,755)	0	\$20.70
Class C	116	8,990,646	2,140,252	23.8%	0.7%	24.5%	39,554	0	\$18.20
O'Hare	144	14,344,535	2,552,727	17.8%	1.1%	18.9%	42,867	0	\$29.08
Class A	21	5,118,651	891,112	17.4%	1.3%	18.7%	48	0	\$38.48
Class B	42	5,428,324	888,585	16.4%	1.5%	17.9%	9,113	0	\$26.54
Class C	81	3,797,560	773,030	20.4%	0.3%	20.7%	33,706	0	\$20.03
Total Suburban	808	100,329,763	24,296,794	24.2%	1.4%	25.6%	(83,132)	81,544	\$25.12
Class A	95	25,832,033	6,297,415	24.4%	1.2%	25.6%	(43,821)	81,544	\$31.80
Class B	304	49,939,214	12,924,033	25.9%	1.9%	27.8%	(159,325)	0	\$24.41
Class C	409	24,558,516	5,075,346	20.7%	0.6%	21.2%	120,014	0	\$19.53



Beyond space.

Contact

For more information,
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