

# Suburban Chicago

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## Renewal deals dwarf discretionary leasing as occupiers stay put in muted Suburban market

The trajectory of the Suburban Chicago office market tracked steadily at the start of 2024 as demand remained weakened while availability inched slightly higher. Many landlords remained out of position to execute deals due to inadequate capital. Several additional properties were surrendered to their lenders this period, including Oak Brook 22 in Oak Brook and Park Plaza in Naperville. From a leasing perspective the market exhibited positive signaling by the 1.6 million square feet (msf) transacted this quarter, its best quarterly performance in nearly two years. However, seven of the 10 largest deals this period were renewals as discretionary deals lagged and leasing remained chiefly expiration-driven. Overall availability across Suburban Chicago stood at 31.4%, increasing 50 basis points (bps) over the last year.

### Relocating tenants choose best in class options

While just a small number of occupiers executed deals to relocate this quarter, those tenants opted for higher quality and well-located buildings. Among them, Sasser Family Companies leased 65,000 square feet (sf) at the recently renovated Oak Brook Pointe in Oak Brook. Meanwhile, the City of Evanston leased 52,000 sf at 909 Davis Street in Downtown Evanston, where it will relocate its staff and government functions later this year from its longtime home that it owns at 2100 Ridge Avenue. While occupier flight to quality has been extensively discussed for many quarters, the phenomenon has yet to show signs of waning in the Suburban Chicago market.

### Effective rents trend down despite slight uptick in face rents

Asking rent growth slowed this period, and rates were up just 1.4% from a year ago, to \$27.07 per square foot (psf). While a handful of Class A owners have increased face rents in recent times, increased asking rents were more typically a result of mounting tax and operating expenses. Nevertheless, companies executing lease agreements in the Chicago Suburbs were observed to enjoy lower net effective rents resulting from negotiated rates and concessions packages.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	98.9 msf	97.8 msf	-1.1 msf
Availability Rate	30.9%	31.4%	+50 bps
Asking Rental Rate	\$26.69	\$27.07	+1.4%
Class A Asking Rental Rate	\$30.03	\$30.62	+2.0%
Quarterly Leasing Activity	1.5 msf	1.6 msf	+0.1 msf
Available Sublease Space	3.6 msf	3.7 msf	+0.1 msf

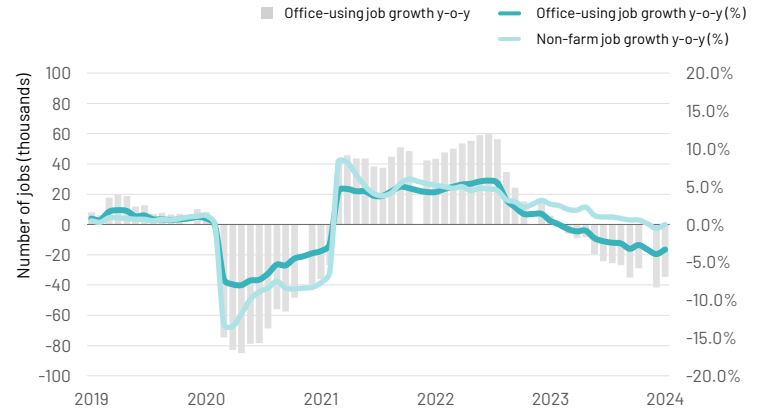
## Outlook

**01** Average effective rents and average lease terms have declined over the past year and both trends are expected to continue as landlords aggressively chase occupancy

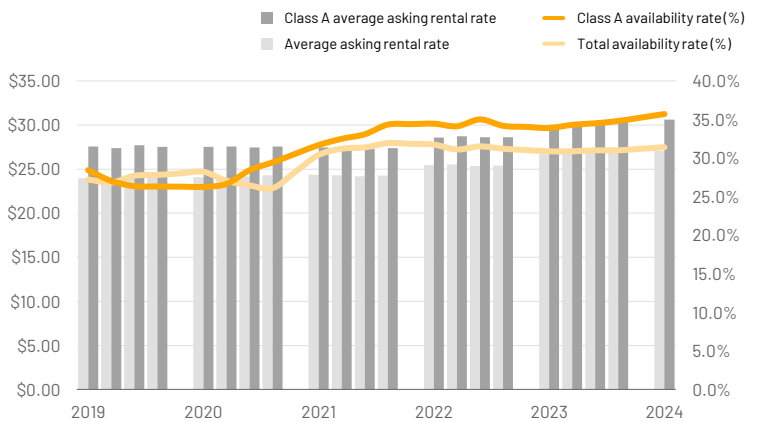
**02** Market availability, which has largely held steady over past three years, may finally begin to retreat as obsolete space is repurposed or otherwise removed from the market

**03** The Suburban Chicago office market supply contracted over the past 12 months, and the trend is likely to continue as more properties are eyed for conversion or redevelopment

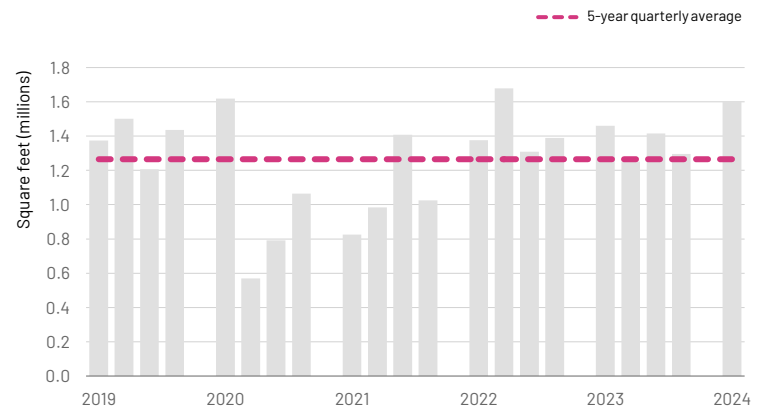
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

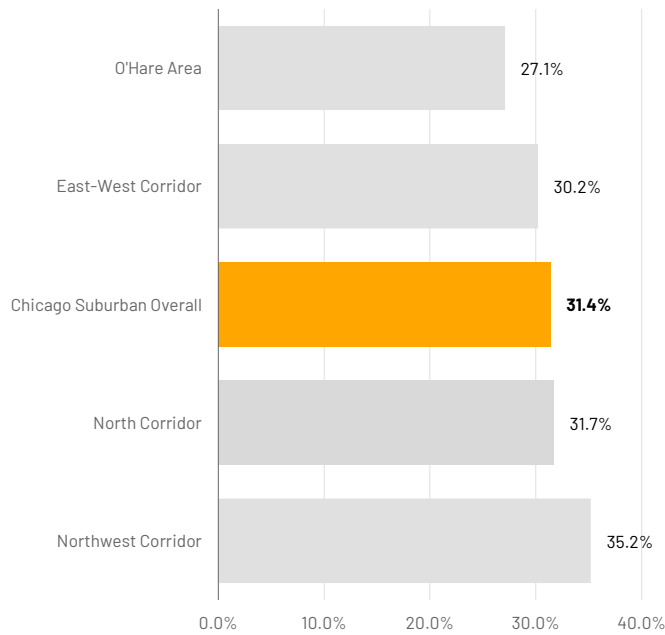
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Invenery	● Energy & Utilities	East-West Corridor	780-800 Remington Boulevard	134,000	New Location **
Sasser Family Companies	● Transportation	East-West Corridor	700 Commerce Drive	65,000	Relocation
ICU Medical	● Healthcare	North Corridor	600 N Field Drive	54,000	Renewal
City of Evanston	● Government	North Corridor	909 Davis Street	52,000	Relocation
Inspira Financial	● Financial Services and Insurance	East-West Corridor	2001 Spring Road	51,000	Renewal
Wilton Brands	● Retail	East-West Corridor	535 E Diehl Road	43,000	Renewal
American Academy of Dermatology	● Associations and Non-Profit Organizations	O'Hare	9500 W Bryn Mawr Avenue	38,000	Renewal
Winland Foods	● Retail	East-West Corridor	2015 Spring Road	36,000	Renewal
Transdev	● Transportation	East-West Corridor	720 E Butterfield Road	30,000	Renewal
Sedgwick	● Financial Services and Insurance	East-West Corridor	1833 Centre Point Circle	27,000	Renewal

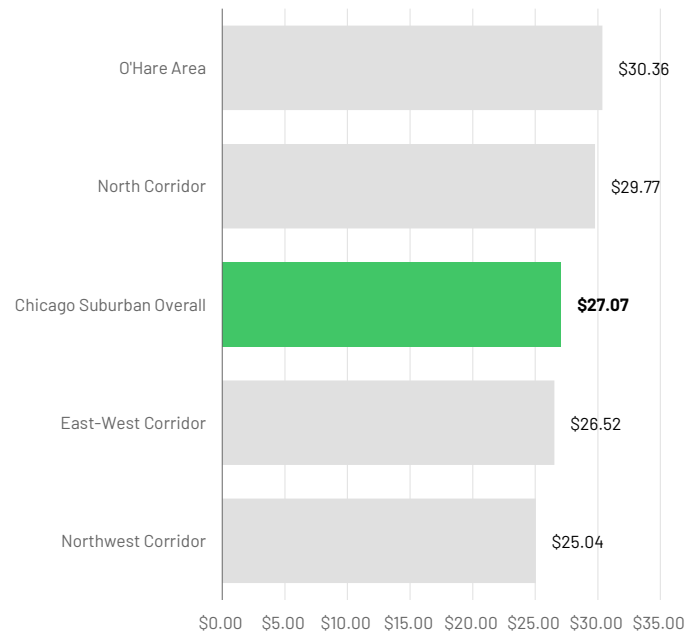
## Availability Rate Comparison (%)

SUBURBAN CHICAGO SUBMARKETS



## Rental Rate Comparison (\$/sf)

SUBURBAN CHICAGO SUBMARKETS



## Suburban Chicago Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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