

Suburban Chicago

Powered by Savills Research & Data Services

Suburban Chicago office market remains stymied by record-high availability, slackened demand

The Suburban Chicago office market remained in a prolonged state of imbalance at the midpoint of 2024 as availability tracked higher, while many owners who lack the necessary capital were handcuffed to execute new deals. Overall availability across Suburban Chicago stood at 32.3%, increasing 150 basis points (bps) over the last year. At 36.6%, Class A availability grew at an even faster pace, increasing 230 bps from a year ago. Lenders continued to take back building keys as income streams dried up. Among the most recent seizure, Net Lease Office Properties in May surrendered Constellation Energy's regional headquarters 4300 Winfield Road in Warrenville to its lender American National Insurance.

Deal activity robust as occupiers gravitate to best space options

While direct available space has begun to mount throughout the suburbs, some occupiers have nonetheless stepped up their leasing activity. For the fourth straight quarter, deal volumes surpassed the five-year average. Second quarter leasing volume increased by 28.2% from a year ago, to 1.6 million square feet (msf). In the largest Suburban Chicago deal to date in 2024, fleet management company Wheels subleased 214,000 square feet (sf) at 1299 Zurich Way in Schaumburg, consolidating its operations into space marketed by sublessor Zurich North America. Indicative of occupiers' hunger for the best quality space options, nine of the ten largest leases this quarter were transacted in Class A properties.

Tenant favorable conditions persist despite increase in face rents

Asking rents ticked up 2.0% from a year ago to \$27.36 per square foot (psf). Increases in tax and operating expenses were chiefly responsible for the increase in rates, as only a handful of Class A landlords have actually raised base rents. Nevertheless, tenants executing deals in 2024 to date have typically observed lower net effective rents born from a combination of negotiated rates and landlord concessions packages that continue to offer favorable tenant improvement allowances and rental abatement.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	98.9 msf	96.9 msf	-2.0 msf
Availability Rate	30.8%	32.3%	+150 bps
Asking Rental Rate	\$26.82	\$27.36	+2.0%
Class A Asking Rental Rate	\$30.19	\$30.96	+2.6%
Quarterly Leasing Activity	1.3 msf	1.6 msf	+0.3 msf
Available Sublease Space	3.6 msf	3.2 msf	-0.4 msf

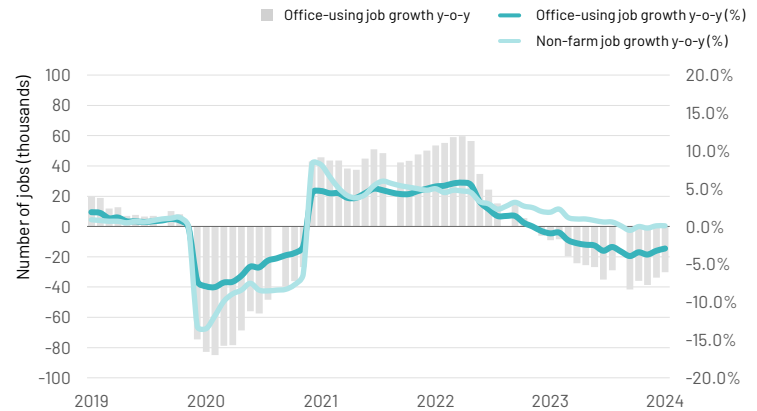
Outlook

01 Tenants active in the market must be assured that a prospective landlord can fund operations and meet their financial obligations amidst widespread office loan distress

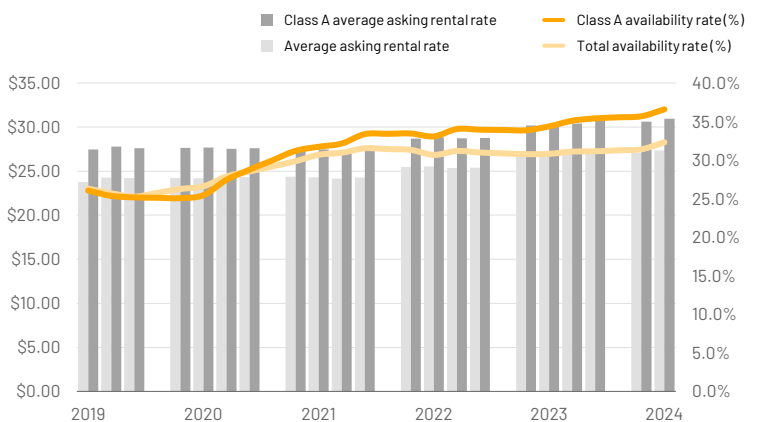
02 Suburban Chicago office market supply contracted by 2.0% over the past year, and is likely to further shrink as more properties are slated for conversion or redevelopment

03 Available space on the sublease market has diminished in volume, while retrenching occupiers continue to add to the market's mounting direct available space

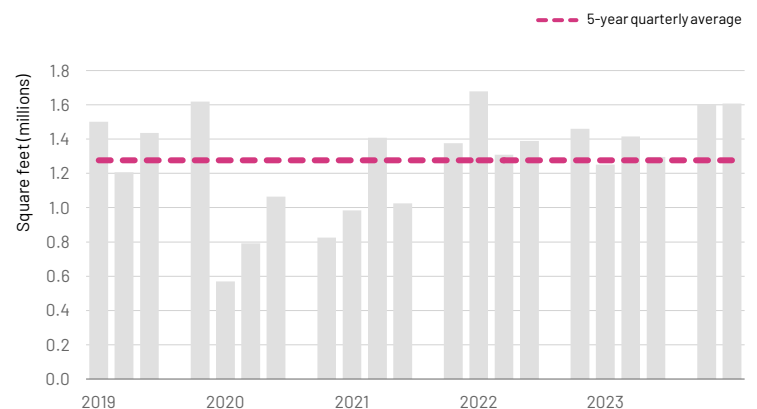
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

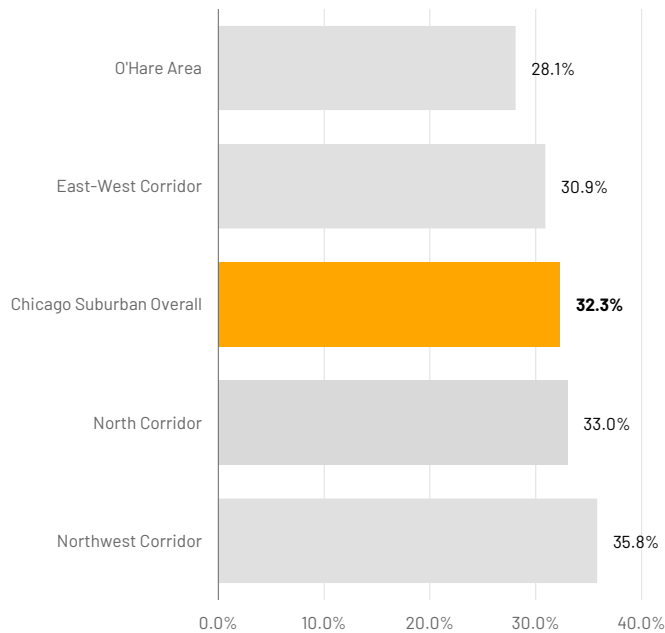
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Wheels	● Transportation	Northwest Corridor	1299 Zurich Way	214,000	Relocation **
Honeywell	● Manufacturing	O'Hare	6111 N River Road	105,000	Relocation
Dover Corporation	● Manufacturing	East-West Corridor	3005 Highland Parkway	80,000	Renewal
Fifth Third Bank	● Financial Services and Insurance	O'Hare	6111 N River Road	55,000	Renewal
Littelfuse	● Manufacturing	O'Hare	6133 N River Road	53,000	Relocation
Convergint	● Business, Professional and Consulting Services	Northwest Corridor	2000 Center Drive	50,000	Relocation
American Honda Motor Co.	● Manufacturing	Northwest	5120 Prairie Stone Parkway	45,000	Renewal
A.M. Castle & Co.	● Business, Professional and Consulting Services	East-West Corridor	1520 Kensington Road	39,000	Renewal
Instant Brands	● Manufacturing	East-West Corridor	3025 Highland Parkway	37,000	Renewal
Transdev	● Transportation	East-West Corridor	720 E Butterfield Road	30,000	Expansion

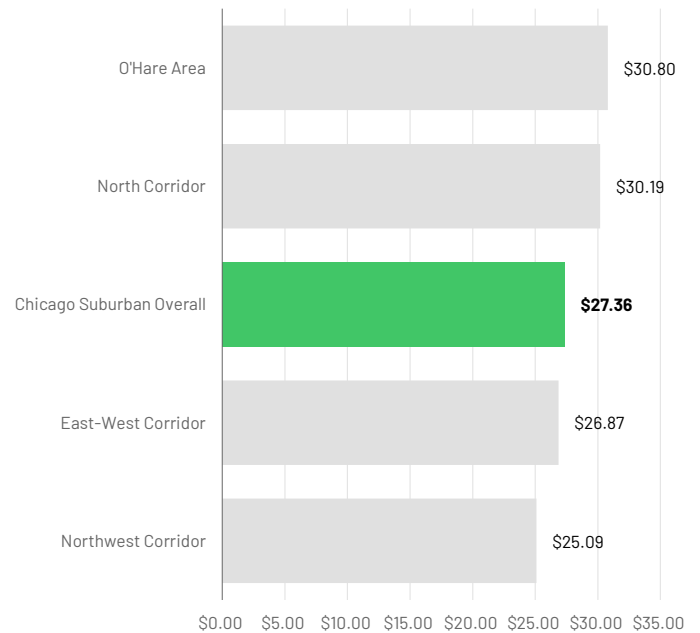
Availability Rate Comparison (%)

SUBURBAN CHICAGO SUBMARKETS



Rental Rate Comparison (\$/sf)

SUBURBAN CHICAGO SUBMARKETS



Suburban Chicago Q2 2024 - Office

For more information, please contact us:

savills.us

Savills Suburban Chicago
150 North Riverside Plaza
Suite 1900
Chicago, IL 60606
+1 312 595 2900

Joe Learner
Chairman,
North American Brokerage
jlearner@savills.us

Eric Feinberg
Vice Chair,
Co-Head Chicago Region
efeinberg@savills.us

Robert Sevim
President,
Chicago Region
rsevim@savills.us

Anders Klein
Regional Research
Director, Midwest
and Central US
aklein@savills.us

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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

Copyright © 2024 Savills

