

Suburban Chicago

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Status quo endures in Suburban Chicago as occupiers continue to retrench and rightsize

The market dynamics of the Suburban Chicago office market were largely unchanged in 2023 as the region remained stalled by entrenched elevated availability and generally weak occupier demand. Financial distress plaguing many landlords has limited the number of stabilized buildings with adequate capital required to execute deals. The 5.4 million square feet (msf) leased in 2023 was 6.0% below levels observed in 2022. Much of the leasing activity occurring in the fourth quarter remained driven by lease expirations, while discretionary leasing activity remained uncommon. Seven of the ten largest deals completed in the fourth quarter transpired in Class A properties, further evidence of occupiers seeking out the highest quality properties that appeal to employers and their workforce. Overall availability across Suburban Chicago edged slightly lower this year, falling 20 basis points (bps) over the last year to 31.0%.

O'Hare a bright spot as demand improves, deals executed

While most of Suburban Chicago endured continued weakened conditions in 2023, the O'Hare submarket was an outlier with considerably improved fundamentals. Overall availability across O'Hare declined by 290 basis points (bps) from last year to 27.1%. Among the largest O'Hare leases finalized this quarter included the Federal Aviation Administration relocating to 108,000 square feet (sf) at O'Hare Gateway Office Center while Culligan extended and expanded at Riverway West to 66,000 sf. Meanwhile, the North Corridor witnessed notable softening in occupier demand, with availability increasing 140 bps to 32.1%.

Face rents tick up, but net effective rents trend lower

Asking rents were up 6.3% from a year ago, to \$27.16 per square foot (psf). Mounting tax and operating expenses were significant components to this growth, although some landlords raised face rents in 2023. Nevertheless, companies leasing space in the Chicago Suburbs typically observed significantly lower net effective rents and generally enjoyed substantial concessions packages.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	98.5 msf	98.6 msf	+0.1 msf
Availability Rate	31.2%	31.0%	-20 bps
Asking Rental Rate	\$25.40	\$27.16	+6.9%
Class A Asking Rental Rate	\$28.64	\$30.65	+7.0%
Quarterly Leasing Activity	1.4 msf	1.3 msf	-0.1 msf
Available Sublease Space	3.8 msf	4.0 msf	+0.2 msf

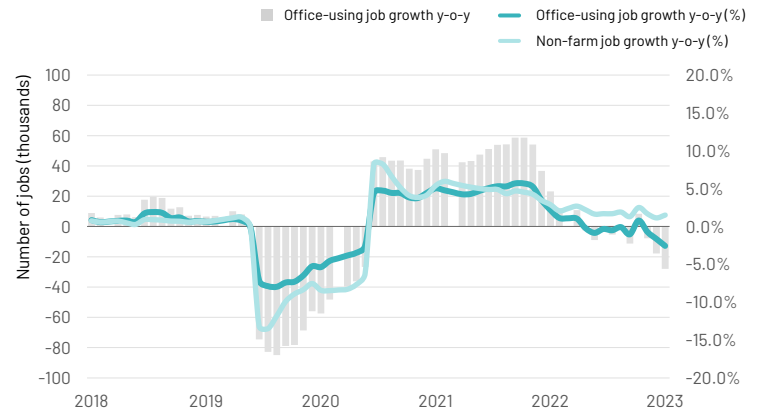
Outlook

01 More suburban owners will seek to hand over their properties to lenders rather than face a foreclosure process or risk reinvestment in properties where demand remains uncertain

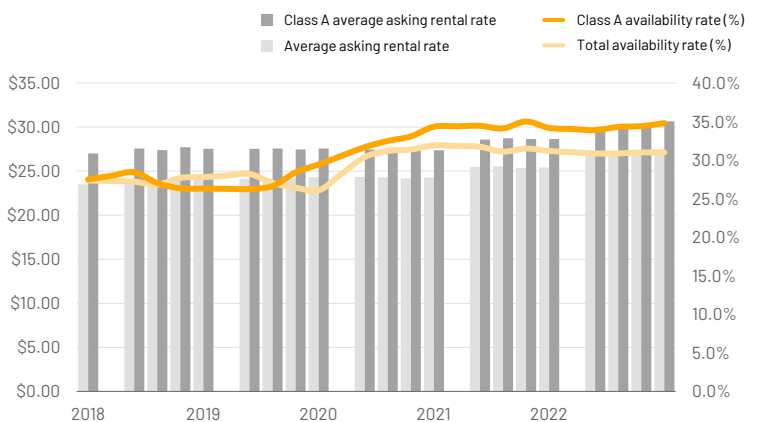
02 While 'have-not' properties will continue to suffer from absent demand, some quality Class A properties may see improvement as more companies mandate return to office

03 Suburban market office supply is all but assured to contract in the years to come as antiquated properties facing obsolescence are likely to be fated for conversion or redevelopment

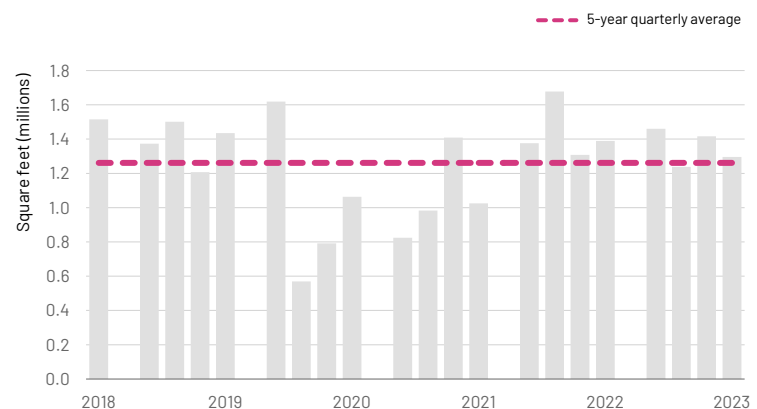
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

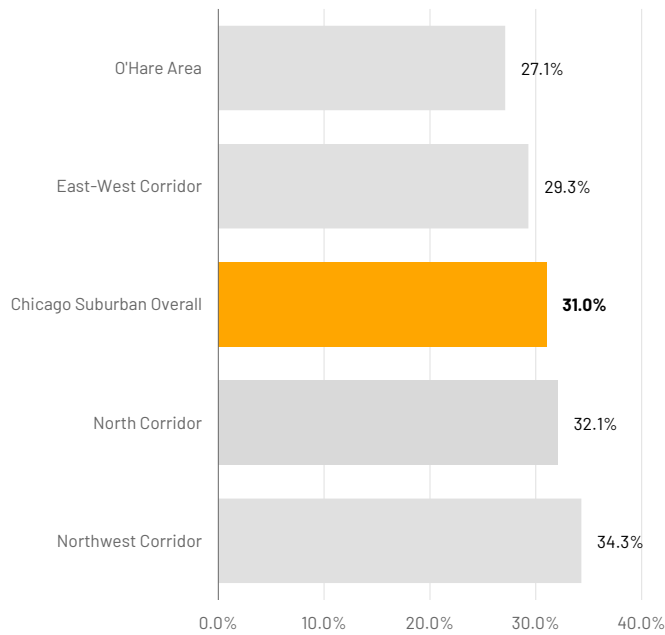
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Federal Aviation Administration	● Government	O'Hare Area	9600 W Bryn Mawr Avenue	108,000	Relocation
Culligan	● Manufacturing	O'Hare Area	9399 W Higgins Road	66,000	Expansion & Extension
Millennium Trust Company	● Financial Services & Insurance	East-West Corridor	2001 Spring Road	51,000	Renewal
True Group	● Professional & Business Services	East-West Corridor	1211 W 22 nd Street	34,000	Renewal
Sargent & Lundy	● Architecture, Engineering & Construction	East-West Corridor	4320 Winfield Road	30,000	Renewal
Envista Forensics	● Professional & Business Services	North Corridor	111 Deer Lake Road	27,000	Renewal
Mahoney Environmental Solutions	● Manufacturing	East-West Corridor	1200 Internationale Parkway	25,000	Relocation
KemperSports Management	● Professional & Business Services	North Corridor	500 Skokie Boulevard	22,000	Renewal
Legacy Professionals	● Professional & Business Services	East-West Corridor	4 Westbrook Corporate Center	21,000	Renewal
Truist Bank	● Financial Services & Insurance	North Corridor	150 N Field Drive	19,000	Renewal

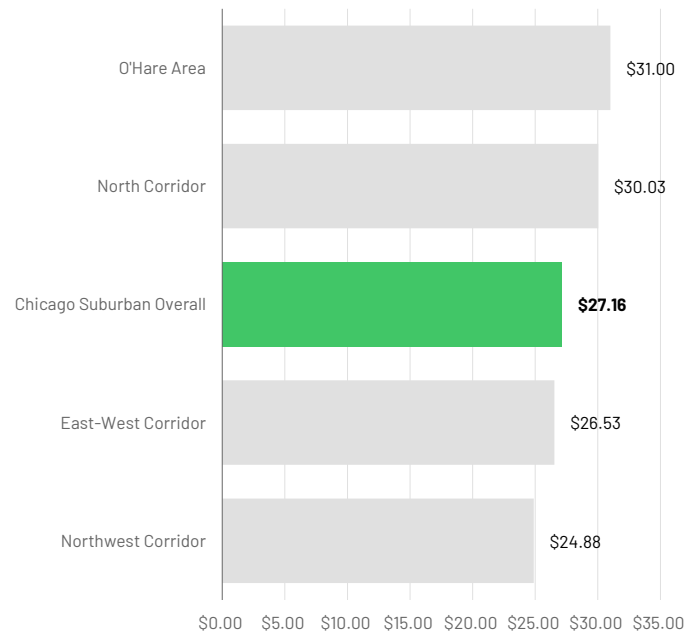
Availability Rate Comparison (%)

SUBURBAN CHICAGO SUBMARKETS



Rental Rate Comparison (\$/sf)

SUBURBAN CHICAGO SUBMARKETS



Suburban Chicago Q4 2023 - 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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