

Suburban Chicago



Suburban Chicago office market fundamentals hold steady, but remain weakened by soft occupier demand

The overall dynamics of Suburban Chicago's office market were largely unchanged in the third quarter, with conditions soft and demand comparatively anemic. Some market metrics were observed to be improved over last year, including 2022 year-to-date leasing volume increasing by 34.8%. However, availability across Suburban Chicago remains stubbornly elevated at 31.5%, while Class A availability reached 35.0%, an all-time high. Further clouding the market's outlook, another area firm disclosed plans to exit the market. Tyson Foods announced it was relocating corporate employees and closing Chicagoland offices, including its Downers Grove Innovation Center.

Flight to quality on display as deals completed at newer and well-situated properties

While all suburban submarkets have seen rising availability since the start of the pandemic, the East-West Corridor (27.5%) and O'Hare Area (29.6%) are decidedly healthier than the Northwest and North Corridor submarkets. Several large vacant corporate campuses are located within the latter two and have propped up availability for several years or more. While not unique to the Suburban Chicago market, employers looking to bring workers back to the office are exhibiting a clear preference for new and upgraded properties, as well as those that are well-located and have adapted to live-work-play lifestyles. A couple of firms executed relocation deals this quarter, including Interfirst Mortgage, which took 55,000 square feet (sf) of former Corelle Brands space at 5600 N River Road in Rosemont. Also, Club Colors leased 52,000 sf at Bell Works Chicagoland, the former AT&T campus in Hoffman Estates that is undergoing conversion to a mixed-use environment.

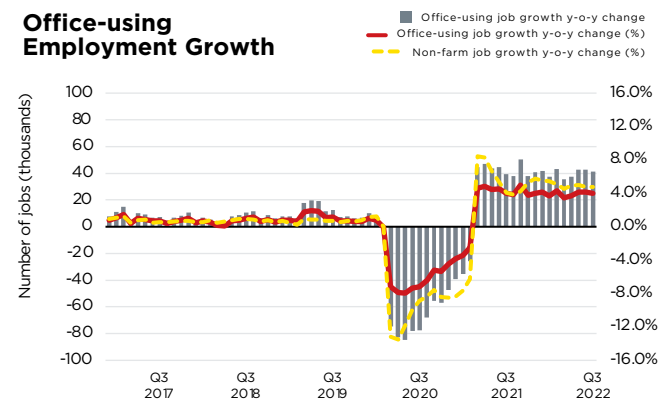
Asking rents on the increase, but tenant effective rents fall

While availability rates have risen across the suburban market, asking rents have flaunted conventional wisdom, rising 4.9% from a year ago. Much of this increase has been a result of rising tax and operating expenses. Despite the illusion, tenants in a position to execute deals have received hefty concessions packages, including significant flexibility, abatement, and work allowances. These concessions have had the effect of lowering tenant effective rates. As the Suburban Chicago office market is not expected to rebound and demand remains blunted, tenant favorable conditions will persist.

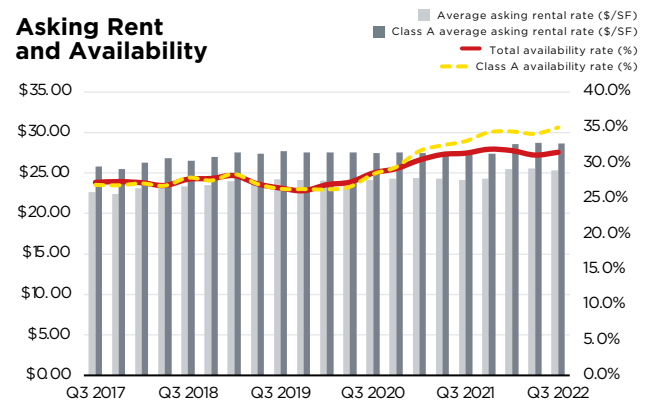
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	99.0 MSF	98.3 MSF	▼
Availability Rate	31.4%	31.5%	▲
Asking Rental Rate	\$24.18	\$25.37	▲
Class A Asking Rental Rate	\$27.29	\$28.63	▲
Quarterly Leasing Activity	1.4 MSF	1.3 MSF	▼
Available Sublease Space	4.3 MSF	4.2 MSF	▼

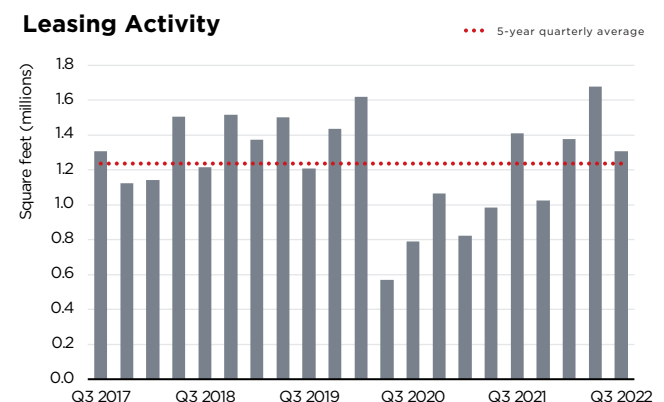
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

- Availability is expected to remain elevated as occupier demand remains comparatively weak, and as many companies transacting space are rightsizing and reducing their overall occupancy
- Updated, well-located properties will enjoy higher demand in the current environment, at the expense of older and less centrally-located buildings
- As high availability and weakened demand is expected to persist, companies leasing space should expect flexible terms and generous concessions in negotiations

By the Numbers

5.0%

Chicago-Naperville-Arlington Heights, IL MSA unemployment rate (as of August 2022)

6.4%

Office-using employment growth year over year (as of August 2022)

34.2%

Share of Q3 2022 Suburban Chicago lease deals occurring in the East-West Corridor

Top Transactions

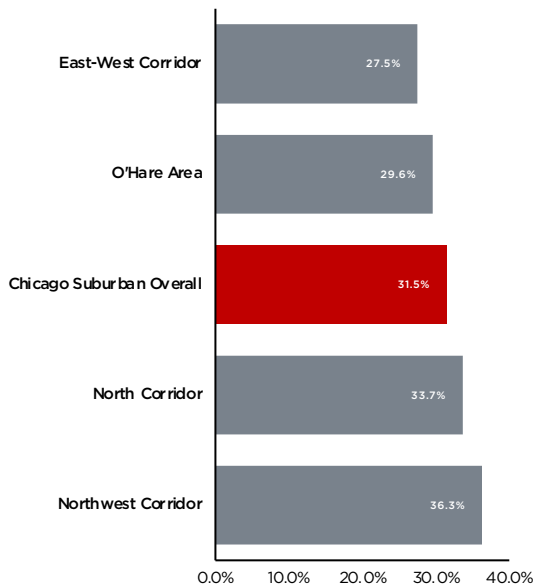
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Lawson Products	71,000	8770 W Bryn Mawr Avenue	Renewal	O'Hare Area	Business Services
Life Fitness	57,000	9525 W Bryn Mawr Avenue	Renewal	O'Hare Area	Manufacturing
Interfirst Mortgage	56,000	5600 N River Road	Relocation	O'Hare Area	Financial Services
Club Colors	52,000	2000 Center Drive	Relocation	Northwest	Business Services
Albertsons *	32,392	1 Pierce Place	New Location	East-West Corridor	Retail
State of Illinois	28,800	1701 S First Avenue	New Location	East-West Corridor	Government
BCS Financial Corporation	26,233	2 Mid America Plaza	Renewal	East-West Corridor	Financial Services
Grumman/Butkus Associates	26,000	820 Davis Street	Renewal	North Corridor	Business Services
T-Mobile	20,755	1901 N Roselle Road	Renewal	Northwest	Telecom
International Contractors	18,000	1 Mid America Plaza	Relocation	East-West Corridor	Construction

*Sublease

Source: Savills Research

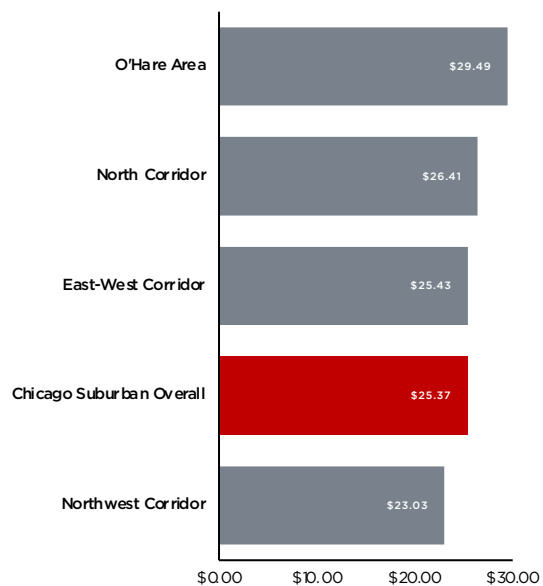
Availability Rate Comparison (%)

Suburban Chicago Submarkets



Rental Rate Comparison (\$/SF)

Suburban Chicago Submarkets



For more information, please contact us:

Savills

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

Joe Learner

Vice Chair, Director,
Midwest Region Lead
jlearner@savills.us

Robert Sevim

Vice Chair, Director,
Co-Head Chicago Region
rsevim@savills.us

Eric Feinberg

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

Anders Klein

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

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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.

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.