

Downtown Chicago

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Shrinking pool of viable space options across Downtown Chicago despite rising market availability

Bifurcated conditions persisted across the Downtown Chicago office market in the second quarter. Newer construction, amenitized, and well-located properties generally thrived as occupiers sought out the best quality options. Meanwhile, much of the Class B market struggled to retain and attract tenants, and in some instances, landlords lacked the necessary capital to execute lease transactions. While overall market conditions remained tenant-favorable and effective rents trended lower, tenants in the market often encountered a diminished assortment of options that sufficiently suited their firm’s requirements.

Direct space mounts while sublease availability recedes

Overall market availability rose to 29.3% at the midpoint of 2024, up 200 basis points (bps) from a year ago to yet another record-high. A chasm in availability persisted between Class A (24.4%) and Class B (34.4%) properties. Sublease availability continued its downward trend, as some occupiers opted to take sublease space at a significant discount, while an increasing number of sublease offerings saw their terms run out. As such, direct availability was most culpable for the growth in availability this quarter. Among the largest new blocks to hit the market this period, a 230,000-square-foot offering became available at 300 East Randolph Street, where building owner HCSC sought new occupants for eight unused floors.

Leasing volumes stunted by tenants reducing footprints

Quarterly leasing activity eclipsed 2.1 million square feet (msf) in the second quarter, just surpassing the market’s five-year quarterly average. However, transaction volumes remained well below typical pre-pandemic levels as many occupiers slashed their occupancy requirements. GrubHub inked the quarter’s largest deal, subleasing 90,000 square feet at THE MART from sublessor PayPal. The firm’s relocation from Burnham Center represented a 45% decline in occupancy for GrubHub, as well as a significant reduction in its real estate spend. Despite dampened leasing volumes, space touring activity was reportedly robust in the late-spring as tenants in the market were active in exploring best-in-class space options.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	148.7 msf	148.7 msf	0.0 msf
Availability Rate	27.2%	29.3%	+210 bps
Asking Rental Rate	\$43.37	\$44.16	+1.8%
Class A Asking Rental Rate	\$50.05	\$51.44	+2.9%
Quarterly Leasing Activity	1.9 msf	2.1 msf	+0.2 msf
Available Sublease Space	7.6 msf	6.8 msf	-0.8 msf

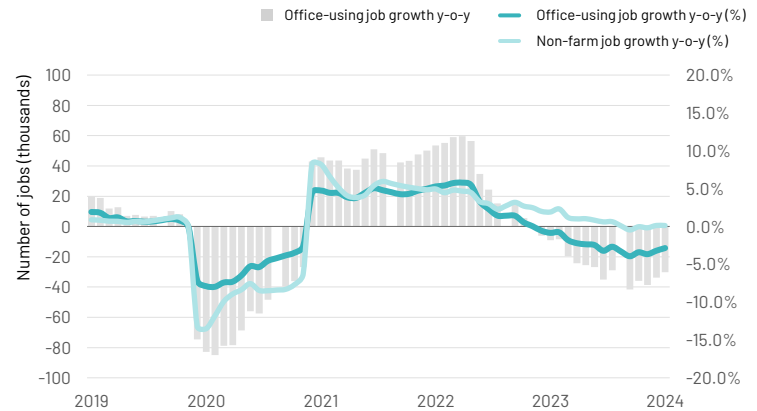
Outlook

01 Tenants should continue to examine the financial situation of property owners to be assured that they can fund operations and meet their financial obligations

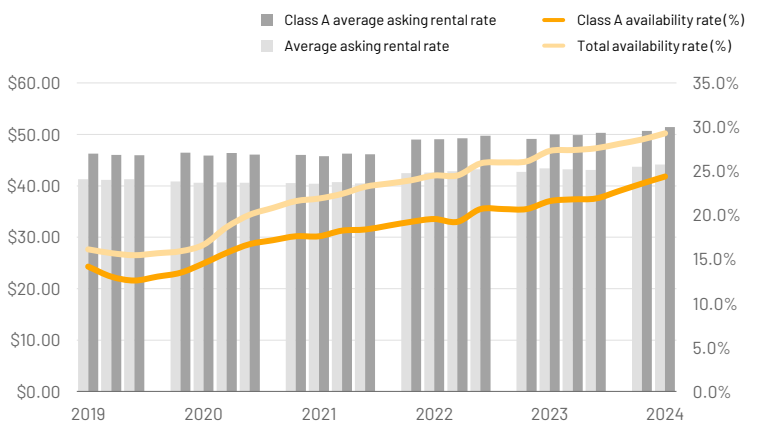
02 Leasing activity in the second half of 2024 will largely remain expiration-driven as many companies continue to shun discretionary leasing at this time

03 Office-to-residential conversions of four Central Loop properties are finally expected to move forward after tax-increment financing was recently approved by the city government

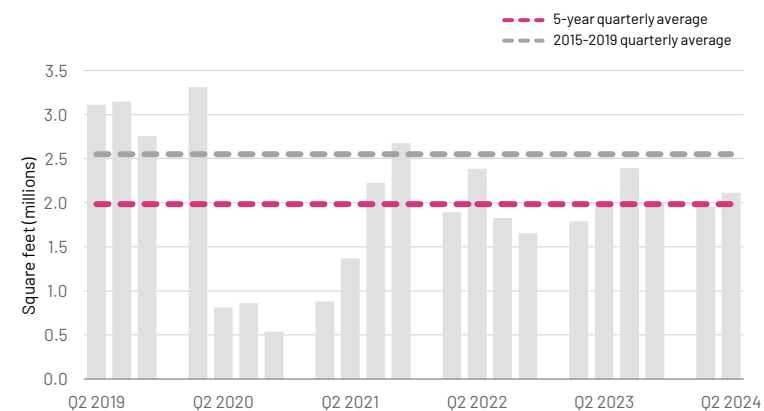
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

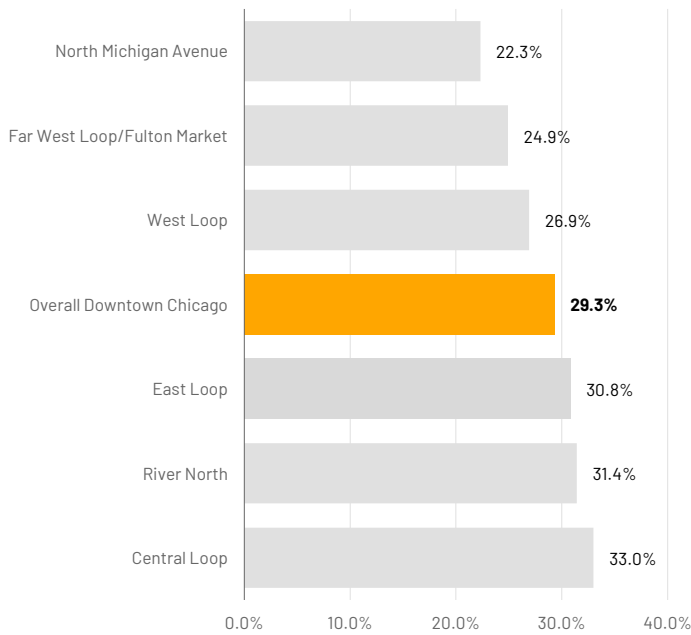
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
GrubHub	TAMI	River North	222 Merchandise Mart Plaza	90,000	Relocation **
Lessen	TAMI	Central Loop	203 N LaSalle Street	77,000	Relocation
FDIC	Government	West Loop	300 S Riverside Plaza	75,000	Renewal and Expansion
GCM Grosvenor	Financial Services and Insurance	North Michigan Avenue	900 N Michigan Avenue	73,000	Renewal and Contraction
American Dental Association	Associations and Non-Profit Organizations	North Michigan Avenue	401 N Michigan Avenue	70,000	Relocation
NBC	TAMI	North Michigan Avenue	455 N Cityfront Plaza Drive	68,000	Renewal and Contraction
Workbox	Coworking and Executive Suite Companies	Far West Loop/Fulton Market	220 N Green Street	65,000	New Location
City of Chicago Office of Inspector General	Government	Central Loop	231 S LaSalle Street	50,000	Relocation
Citi	Financial Services and Insurance	West Loop	227 W Monroe Street	35,000	Renewal
Addison Group	Business, Professional and Consulting Services	West Loop	225 W Randolph Street	35,000	Relocation

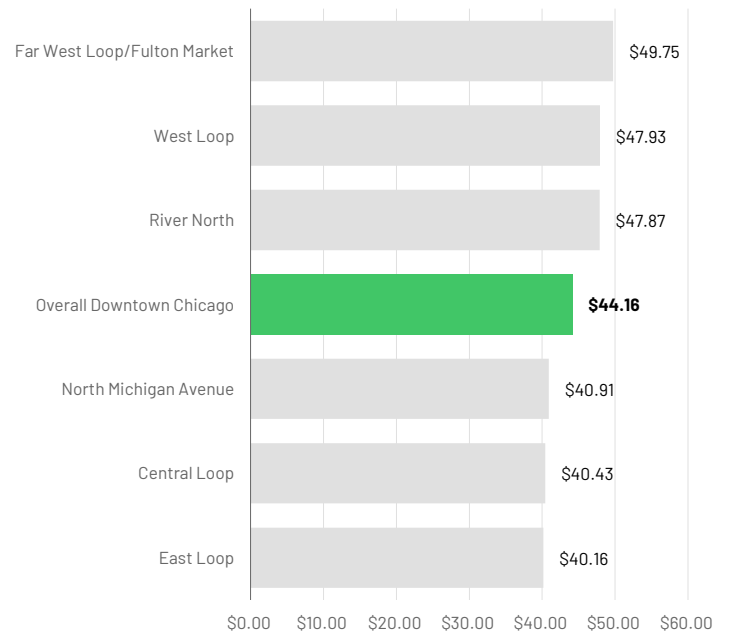
Availability Rate Comparison (%)

DOWNTOWN CHICAGO SUBMARKETS



Rental Rate Comparison (\$/sf)

DOWNTOWN CHICAGO SUBMARKETS



Downtown Chicago Q2 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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