

## Overall fundamentals shift in favor of tenants; rent growth flattens over the quarter while availability creeps up

The dynamics of the downtown Chicago office market exhibited favorable tendencies for tenants in the second quarter, with rental rates flattening and available options increasing. The overall availability rate in Chicago finished the second quarter at 16.3%, increasing by 60 basis points year over year. However, high quality space continues to be in high demand. Class A availability declined by 40 basis points year over year, falling to 14.5%. The West Loop again captured a majority of leasing activity, with seven of the 10 largest transactions this quarter occurring within the city's largest submarket. These included Ernst & Young's restack at 155 N. Wacker Drive totaling 191,525 square feet (sf), and Perkins Coie LLP taking 101,840 sf across four floors at 110 N. Wacker Drive. Overall downtown asking rents averaged \$40.96 per square foot (psf), increasing 3.3% year over year. However, rents slid by 0.1% from the first quarter. Class A asking rents inched up 0.2% quarter over quarter to \$46.61 psf.

### Preleasing at new developments remains strong as tenants pursue quality and efficiency

Shared space providers and rightsizing tenants continued flocking to downtown Chicago's newest developments. Six of the 14 largest transactions completed in the second quarter occurred in new construction. In announcing its second Fulton Market location, WeWork signed for 140,000 sf on three floors at 167 N. Green Street. Additionally, WeWork leased three floors at 625 W. Adams Street, totaling approximately 90,000 sf. At the Old Post Office, Home Chef and 84.51° committed to 74,245 sf and 56,698 sf, respectively.

### Opportunities suddenly abound in the East Loop

Once among the tightest submarkets in terms of availability, the East Loop recently has shown some softening of its overall fundamentals. The overall availability rate in the East Loop rose to 18.4%, up 310 basis points year over year. New space opportunities have been created by tenants giving back space or relocating from the submarket, including Walgreen's forthcoming departure at Sullivan Center and Sargent & Lundy's shedding of space at 55 E. Monroe Street. Meanwhile, the upper half of the Macy's building on State Street is undergoing a conversion to office, creating a new 650,000-sf opportunity in the historic landmark.

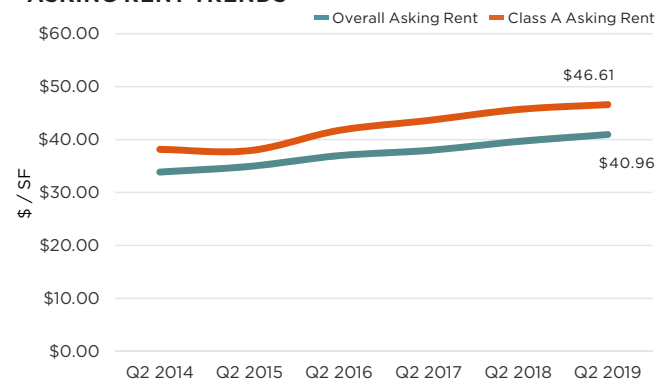
### Outlook

- More than 20 million square feet (msf) of downtown office stock is currently marketed for sale
- Large tenants may witness an increased number of options across downtown, but opportunities in new developments are drying up, forcing tenants to consider older-stock buildings
- Coworking growth - and appetite - will continue to proliferate in response to market demand. At 3.3 msf the combined coworking sector currently comprises 2.3% of the downtown office inventory

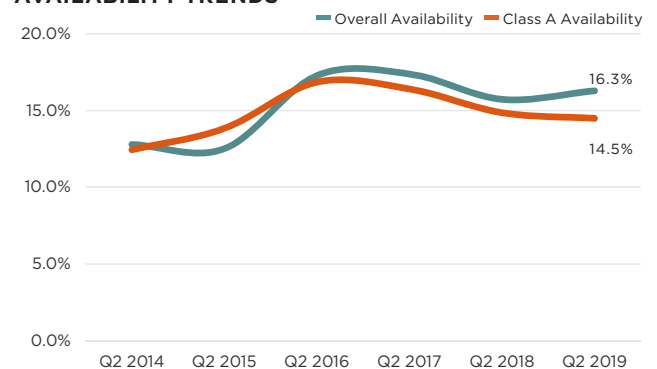
### KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	137.8 MSF	<b>142.2 MSF</b>	▲
Availability Rate	15.7%	<b>16.3%</b>	▲
Asking Rental Rate	\$39.65	<b>\$40.96</b>	▲
Class A Asking Rental Rate	\$45.69	<b>\$46.61</b>	▲
Quarterly Leasing Activity	3.7 MSF	<b>2.9 MSF</b>	▼

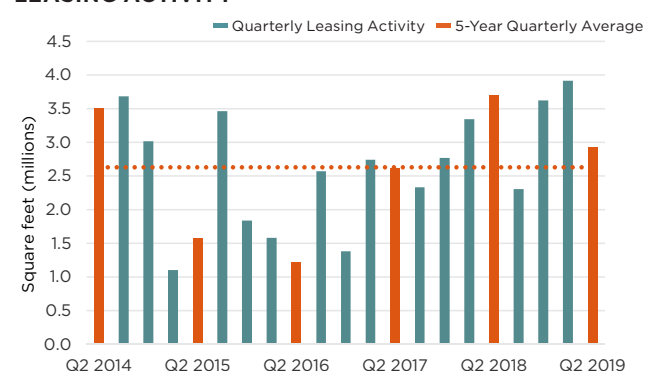
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

84.9%

of major transactions were **new market entrants or relocations**

59.4%

of large transactions occurred in the **West Loop** submarket

20.6%

**Coworking** represented 20.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
City of Chicago	222,825	2 N LaSalle Street	Relocation	Central Loop	Government
Ernst & Young	191,525	155 N Wacker Drive	Renewal	West Loop	Professional Services
WeWork	140,000	167 N Green Street	New Location	Far West Loop/Fulton Market	Coworking
Perkins Coie LLP	101,840	110 N Wacker Drive	Relocation	West Loop	Legal Services
Goldman Sachs	94,615	71 S Wacker Drive	Restructure	West Loop	Financial Services
WeWork	90,000	625 W Adams Street	New Location	Far West Loop/Fulton Market	Coworking
Home Chef	74,245	433 W Van Buren Street	Relocation	West Loop	Retail
Marshall, Gerstein & Borun LLP	74,176	233 S Wacker Drive	Renewal	West Loop	Legal Services
W.R. Berkley	70,633	550 W Jackson Boulevard	Relocation	West Loop	Financial Services
84.51*	56,698	433 W Van Buren Street	Relocation	West Loop	TAMI

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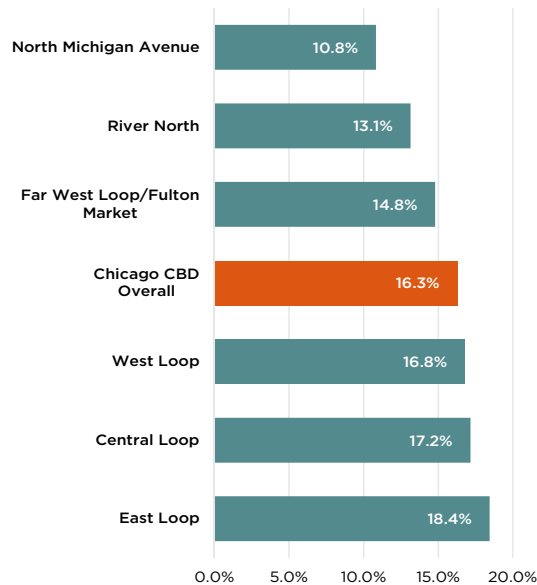
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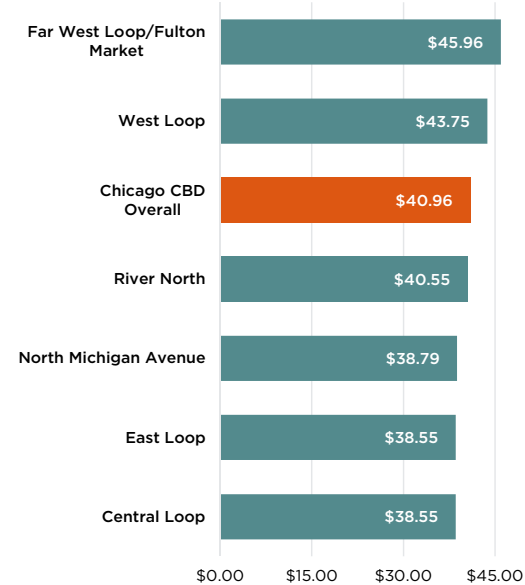
AVAILABILITY RATE COMPARISON

Chicago CBD Submarkets



RENTAL RATE COMPARISON (\$/SF)

Chicago CBD Submarkets



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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