

Leasing volume accelerates in Downtown Chicago as organizations make tentative reopening plans

The overall health of the Downtown Chicago office market exhibited incremental improvement in the fourth quarter, as leasing activity totaled 2.7 million square feet (msf), the highest tally in seven quarters. Companies showed an increasing willingness to transact space, with many seeking out the highest quality available options and capitalizing on favorable market conditions. The fourth quarter deal count was bolstered by US Bank, which extended its 121,000-sf lease at 190 South LaSalle Street in the Central Loop. In addition, Vizient and Milwaukee Tool signed new deals at the Old Post Office totaling nearly 180,000 sf. While the sudden emergence of the omicron variant virus was too recent to have any impact on fourth quarter market activity, it reportedly prompted several firms to delay office reopening plans beyond January.

Rents lower, overall availability ticks up, but market dynamics vary by submarket and building class

While fourth quarter activity offered positive signaling, the Downtown Chicago office market remained bruised by the ongoing effects of the pandemic and work-from-home. Overall gross asking rents slumped by 0.6% this period to \$40.47 per square foot (psf). Downtown availability increased by 80 basis points (bps) over the third quarter, to 23.2%. Yet, most downtown submarkets this quarter exhibited stable, or even slightly improved, conditions. Central Loop availability, however, surged 250 basis points from last quarter, to 27.9% available, due in part to massive blocks coming available at 231 South LaSalle Street and 401 South State Street. Additionally, Downtown market conditions were increasingly bifurcated between Class A properties, which stood at 18.4% available, versus Class B properties where availability surged to 27.5% at year end.

Extent of ongoing office market recovery in 2022 remains murky

The Chicago MSA observed a trend of declining unemployment throughout the year, settling at 4.8% in November, besting the Illinois rate of 5.7% but lagging the national rate of 4.2%. While leasing activity has improved, it remains below historical averages. Meanwhile, office utilization remained weak, with Kastle Systems measuring greater Chicago's office occupancy below 35% near the end of December. In sum, the office market recovery in 2022 will be uneven at best, particularly within older, less amenitized office buildings. As a result, tenant-favorable conditions should persist in Chicago for the time being.

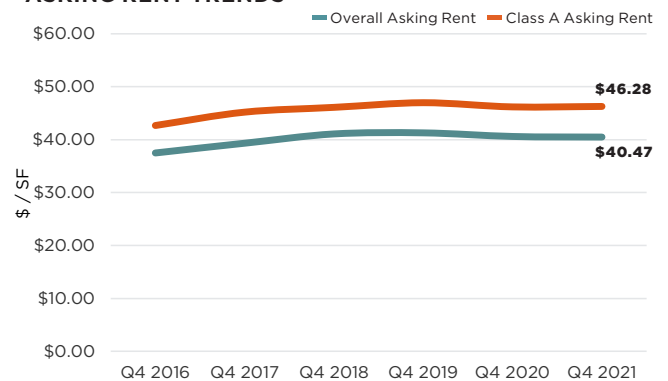
Outlook

- Sublease supply, while slowly declining, remains elevated and it will continue to exert downward pressure on asking rents
- Rental abatement and tenant improvement allowances remain at all-time highs as landlords are forced to aggressively compete for occupancy
- Fulton Market witnessed its best-ever quarter for leasing, as new development and A+ buildings across Downtown remain largely unaffected by the pandemic, enjoying high occupancy rates and commanding record-high rents

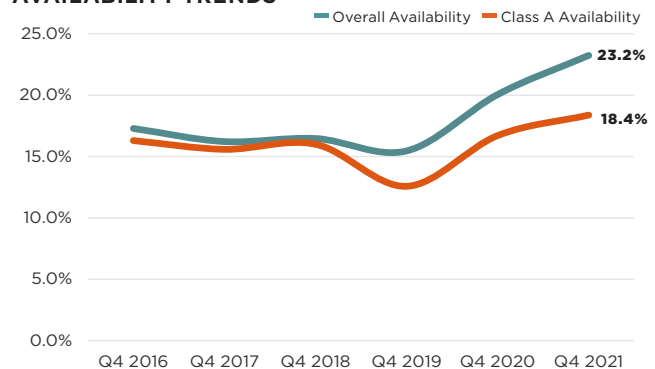
KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	145.8 MSF	146.7 MSF	▲
Availability Rate	20.1%	23.2%	▲
Asking Rental Rate	\$40.60	\$40.47	▼
Class A Asking Rental Rate	\$46.17	\$46.28	▲
Quarterly Leasing Activity	0.5 MSF	2.7 MSF	▲

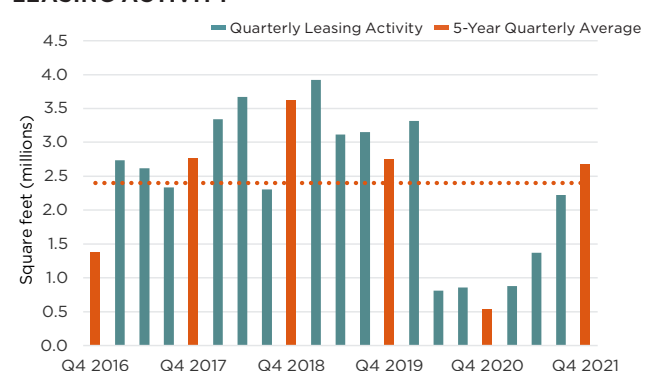
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

54.2%

of major transactions were relocations by square footage

35.9%

top transactions occurred in the West Loop submarket by square footage

5.6M

Sublease availability totaled 5.6M SF, a 1.8% decrease from the previous quarter

Tenant	Square feet	Address	Transaction type	Submarket	Industry
US Bank	121,000	190 S LaSalle Street	Extension	Central Loop	Financial Services
SMS Assist	114,383	130 E Randolph Street	Relocation	East Loop	TAMI
Vizient	107,796	433 W Van Buren Street	Relocation	West Loop	Professional Services
Taft Stettinius & Hollister	105,837	111 E Wacker Drive	Renewal and Expansion	East Loop	Legal Services
Havi Group	96,072	345 N Morgan Street	Relocation	Far West Loop/Fulton Market	Professional Services
MoLo Solutions	93,710	167 N Green Street	Relocation	Far West Loop/Fulton Market	Transportation
RT Specialty	83,228	540 W Madison Street	Relocation	West Loop	Financial Services
Milwaukee Tool	70,000	433 W Van Buren Street	New	West Loop	Manufacturing
Amazon	67,000	222 W Adams Street	Expansion	West Loop	TAMI
Traffic Tech, Inc	54,779	111 E Wacker Drive	Renewal and Expansion	East Loop	Transportation

Source Savills Research

For more information, please contact us:

Savills

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

Joe Learner

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

Robert Sevim

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

Eric Feinberg

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

Anders Klein

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

About Savills Inc.

Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

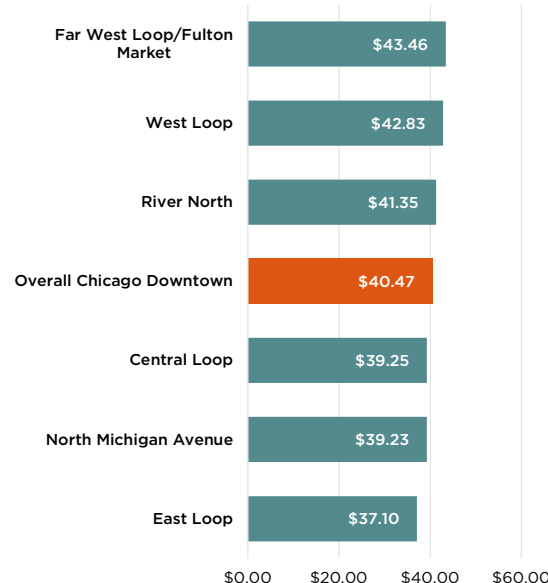
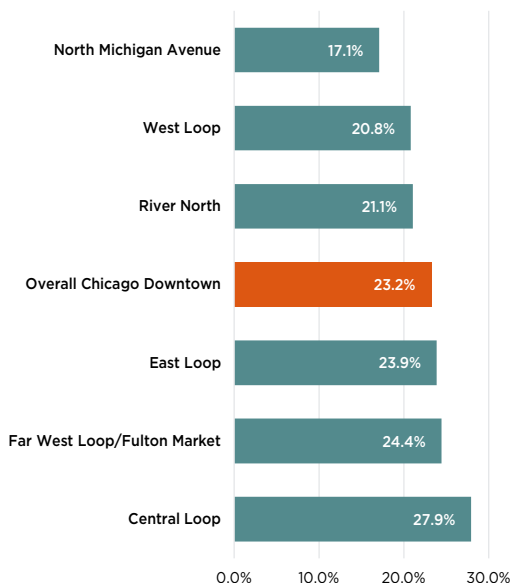
For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

AVAILABILITY RATE COMPARISON

Chicago Downtown Submarkets

RENTAL RATE COMPARISON (\$/SF)

Chicago Downtown 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.

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 © 2022 Savills

