



## Flight to quality drives rental rate growth; market remains bifurcated as tenants demand downtown-like amenities

The Chicago suburbs continue to witness elevated availability, ending the first quarter at 28.4% - a 40-basis-point increase quarter-over-quarter. Availability rates sharply deviate between regions. O'Hare remains among the most desirable locations for tenants, partly due to its proximity to transit and Downtown Chicago. O'Hare claims the region's lowest overall availability rate at 20.4% (17.8% for class A). In contrast, opportunities abound in the Northwest Corridor, which stands at 35.6% available (35.6% for class A). Overall asking rents in Suburban Chicago averaged \$24.02 per square foot (psf), a 3.1% increase year-over-year. O'Hare's class A asking rents surged 10.3% in the past year and stand at \$33.84 psf, marking an all-time high.

### Desirable micromarkets within East-West Corridor contribute to rising rents, tightening availability

Demand for quality space in eastern portions of the East-West Corridor rivals that of O'Hare. Class A rents have risen 3.3% year-over-year to \$27.87 psf, while availability has fallen by 100 basis points during the same period. Some of the quarter's largest transactions occurred in the East-West Corridor, including Travelers Insurance's 108,000-square-foot (sf) renewal at 215 Shuman Boulevard in Naperville and ULTA Beauty's 71,000-sf expansion in Bolingbrook at 1000 Remington Boulevard. In total, 28 existing properties throughout the East-West Corridor offer 50,000 sf blocks of available space, with options evenly divided between the eastern and western halves of the submarket.

### Trading activity moribund; conversions and redevelopments of obsolete space remain popular

There were virtually no significant office transactions occurring in the first quarter as investment activity was unusually quiet. Hines remained under contract to acquire the McDonald's Plaza site in Oak Brook, with plans to demolish a vacant 350,000-sf office building and to construct a mixed-use development consisting of condominium and apartment properties, a hotel, and a new office development. Meanwhile, Somerset Development obtained approval to move ahead with its redevelopment of the former 1.7 msf AT&T campus in Hoffman Estates. To be named "Bell Works," the project is reported to include a mix of offices, retail, restaurants, conference facilities, multifamily and a hotel.

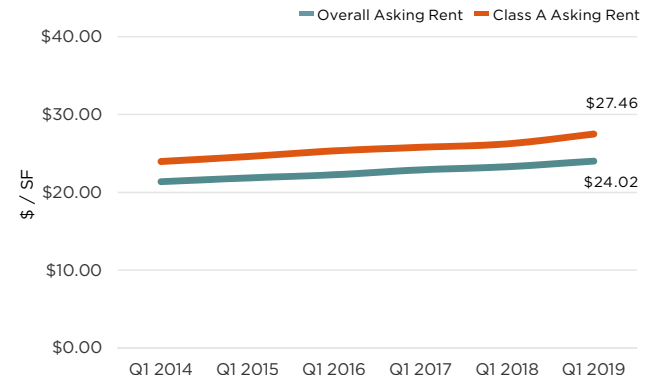
### Outlook

- Given the comparatively high availability and large number of sizable contiguous blocks available, the supply-demand imbalance will keep conditions in the tenant's favor for the foreseeable future
- As capital markets activity wanes, suburban landlords of class A stock will continue to invest in the tenant experience to retain their most coveted tenants
- With Downtown Chicago rents continuing to eclipse all-time highs, the emerging mixed-use community concepts being developed in the suburbs will increasingly become attractive to cost-conscious firms

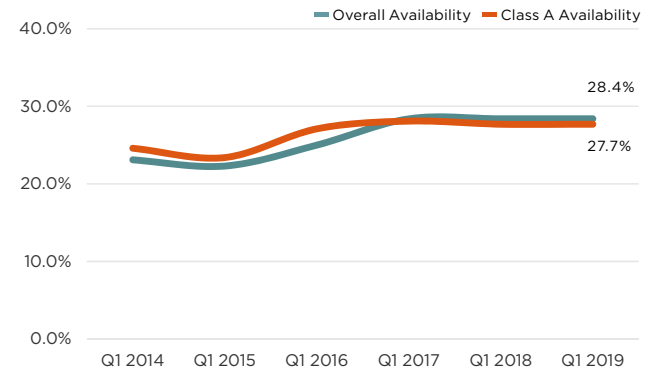
### KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	102.4 MSF	<b>101.7 MSF</b>	▼
Availability Rate	28.4%	<b>28.4%</b>	◀▶
Asking Rental Rate	\$23.30	<b>\$24.02</b>	▲
Class A Asking Rental Rate	\$26.24	<b>\$27.46</b>	▲
Quarterly Leasing Activity	3.3 MSF	<b>3.9 MSF</b>	▲

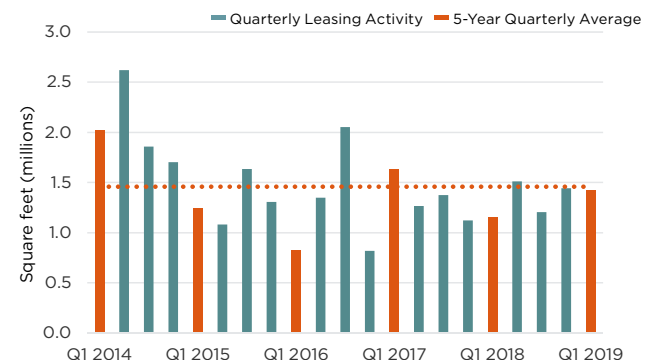
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

61.9%

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

46.4%

of large transactions occurred in the **East-West Corridor** submarket

35.3%

**Financial Services** represented 35.3% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Travelers Insurance	108,000	215 Shuman Boulevard	Renewal	East-West Corridor	Financial Services
Baxter Credit Union	75,000	300 N Milwaukee Avenue	New Location	North Corridor	Financial Services
ULTA Beauty	71,000	1000 Remington Boulevard	Expansion	East-West Corridor	Retail
Northwestern Medicine	62,000	4525 Weaver Parkway	New Location	East-West Corridor	Healthcare
Fortune Brands	53,713	520 Lake Cook Road	Renewal	North Corridor	Retail
AveXis	38,700	600 N US Highway 45	Expansion	North Corridor	Biotechnology
Regus	36,215	10 N Martingale Road	Renewal	Northwest Corridor	Coworking
Telecom Brokerage Inc.	27,484	8550 W Bryn Mawr Avenue	New Location	O'Hare Area	TAMI
Chicago Daily Herald	25,763	95 W Algonquin Road	New Location	Northwest Corridor	TAMI
Rockwell Automation	21,133	4343 Commerce Court	New Location	East-West Corridor	TAMI

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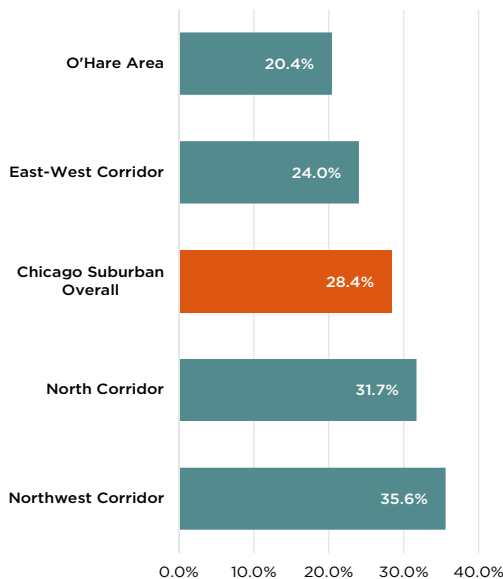
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AVAILABILITY RATE COMPARISON

Chicago Suburban Submarkets



RENTAL RATE COMPARISON (\$/SF)

Chicago Suburban Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. 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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