

Outlook further clouded for Chicago Suburban office market in wake of COVID-19 disruption

The rapid arrival of COVID-19 in March has injected additional uncertainty into an already-soft Chicago Suburban office market. With Illinois Governor Pritzker extending the state's stay-at-home order through the end of April, requiring non-essential businesses to remain closed, many landlords and tenants have found themselves in uncharted territory. As economists increasingly predict a recession in the U.S., a downward re-pricing is expected to occur in the Suburban market. The magnitude of the shock remains uncertain, given relatively weak demand across the market and elevated availability in many submarkets.

Overall market fundamentals soften; further slowdown expected in the coming year

Prior to the COVID-19 outbreak, Suburban Chicago showed some signs of weakening, with overall asking rents this quarter falling to \$24.09 per square foot (psf) – a 0.3% decrease quarter over quarter. However, asking rents rose 0.2% from the same period last year. The Northwest Corridor was the only submarket to witness rental rate growth over the last quarter, increasing 0.7% to \$22.58 psf. Class A asking rents remained essentially flat across the market throughout the past year. Overall availability in the suburbs remained elevated, at 26.9%, up from 26.1% one quarter prior. The O'Hare Area submarket bucked the overall trend, with availability falling 70 basis points this period, to 20.1%.

Quarterly leasing activity solid prior to mid-March falloff

Transaction volume was relatively strong in the first quarter. More than 1.6 million square feet (msf) were leased, exceeding the three-year average of 1.4 msf. Medline Industries leased 140,000 square feet (sf) at Innovation Park in Libertyville, launching a new national sales support center and consolidating operations from its Northfield and Mundelein locations. Innovation Park also attracted new tenants in EVBox and Intermatic, who leased more than 100,000 sf combined. In the East-West Corridor, Sonova committed to 64,000 sf at 750 North Commons Drive, in Aurora.

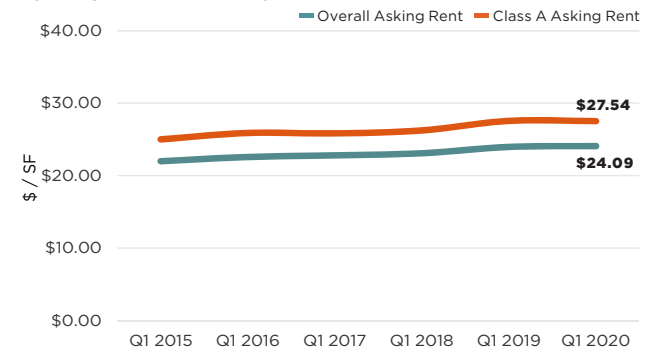
Outlook

- Transaction activity is likely to significantly decline in Q2 and beyond as businesses evaluate the impacts of COVID-19 on operations
- With the strong likelihood that more space will come to market in coming quarters, along with a surplus of sublease options, occupiers can expect increased flexibility in term and concessions
- Market fundamentals in Suburban Chicago may benefit from its lack of a significant coworking presence, an industry that could largely go dark across Downtown Chicago and other major urban areas in the next 12-18 months

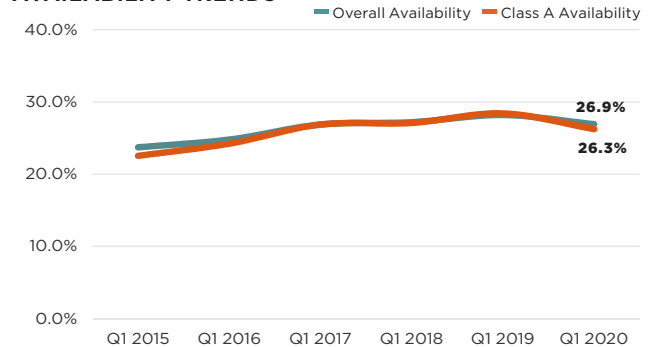
KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	99.5 MSF	98.8 MSF	▼
Availability Rate	28.2%	26.9%	▼
Asking Rental Rate	\$23.98	\$24.09	▲
Class A Asking Rental Rate	\$27.57	\$27.54	▼
Quarterly Leasing Activity	1.4 MSF	1.6 MSF	▲

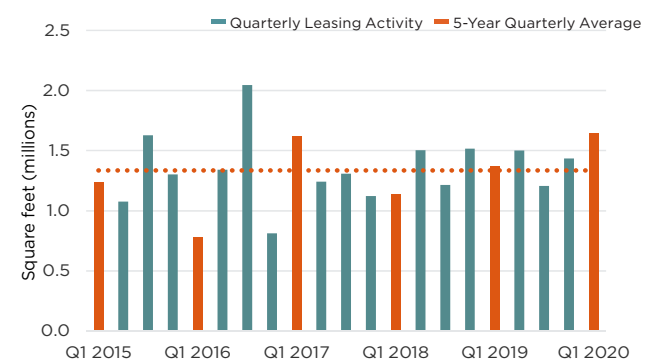
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

8 of 10

of major transactions were new locations

56.5%

of large transactions occurred in the North Corridor submarket

40.2%

Healthcare represented 40.2% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Medline	140,000	1910 Innovation Way	New Location	North Corridor	Healthcare
Sonova USA	64,000	750 N Commons Drive	New Location	East-West Corridor	Healthcare
EVBox	57,546	1920 Innovation Way	New Location	North Corridor	Manufacturing
Intermatic	50,000	Innovation Park	New Location	North Corridor	Manufacturing
MISUMI USA	45,156	1475 E Woodfield Road	New Location	Northwest Corridor	Manufacturing
Logical Position	42,696	21440 Lake Cook Road	New Location	Northwest Corridor	Professional Services
IDEX Corporation	39,252	3100 Sanders Road	New Location	North Corridor	Manufacturing
RedMane Technology	27,139	Concourse Chicago	Renewal and Expansion	O'Hare Area	TAMI
Parkside Lending	24,132	1801 S Meyers Road	Renewal	East-West Corridor	Financial Services
Kutchins Robbins and Diamond, Ltd.	17,881	1051 Perimeter Drive	New Location	Northwest Corridor	Professional Services

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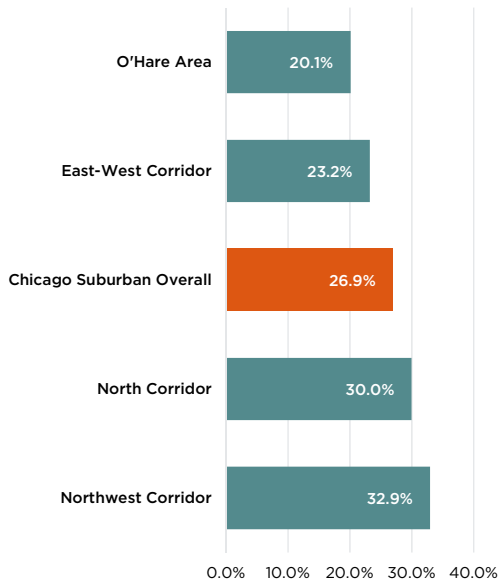
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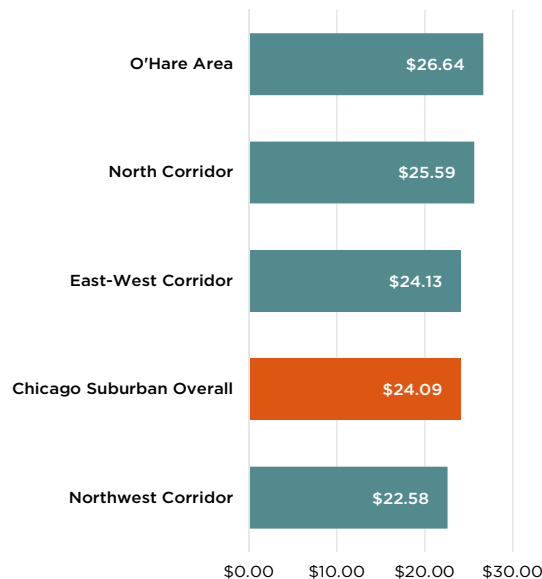
AVAILABILITY RATE COMPARISON

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 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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