

## Suburban Chicago sees slow start to 2021 as market conditions become increasingly tenant-friendly

Many office markets across the country have finally begun to witness a thaw as companies begin to strategize on future occupancy needs and reengage the markets. However, following a relatively dynamic fourth quarter 2020, the Chicago Suburban market has thus far exhibited a sluggish start to 2021. Overall market fundamentals continued to soften, while transaction volumes declined 22.5% quarter over quarter by square feet transacted. While vaccines have finally become available to the entirety of the state's adult population, slow deal activity may continue to persist in the near term until businesses can resume normal operations and the outlook for the regional economy becomes more clear.

### Record availability across the region; effective rents trend down despite stable face rents

Availability across the suburban region increased again this period, rising 120 basis points to 30.4%. Class A options surged in number, growing by 230 basis points to 31.7% available. Many building owners have yet to reprice face rents, instead seeking to offer value via concessions packages, rent abatement, and flexibility. Overall gross asking rents increased a marginal 0.2% from Q4 2020 to \$24.36 per square foot (psf), marking a 1.1% since the first quarter of 2020. Sublease options continued to surge in number, increasing 54% from pre-pandemic levels to 4.3 million square feet (msf) available. Among the largest new listings this quarter, Amity Health sought to sublease its 223,000-square-foot (sf) headquarters in Lisle, while Follett Corporation marketed its 150,000-sf space for sublease at Westbrook Corporate Center in Westchester.

### Notable Q1 deals concentrated in O'Hare, East-West Corridor

While demand remained subdued in Q1, a few notable deals were completed. Among them, the Kellogg Company leased more than 42,000 sf at 263 Shuman Boulevard in Naperville, and Johnson Controls renewed for more than 40,000 sf at 2010 Swift Drive in Oak Brook. Eight of the ten largest transactions this period occurred in the O'Hare and East-West Corridor submarkets. Meanwhile, capital markets activity was at a near standstill this quarter. With an unprecedented number of available options and proliferating tenant-favorable conditions, the Suburban Chicago market remains a value opportunity for Chicagoland occupiers considering options in suburban locales.

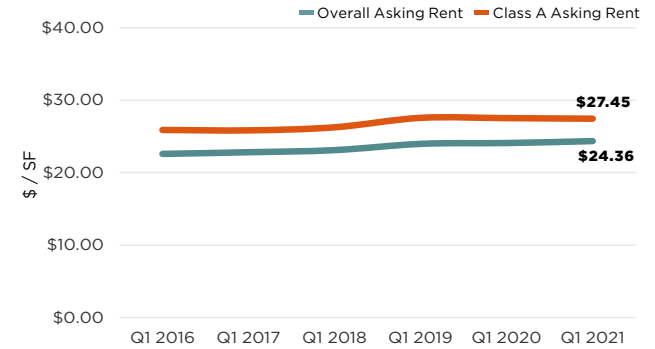
### Outlook

- While many owners have yet to reprice face rents, effective rents are in fact declining across most submarkets as tenants leverage market conditions to enhance, concessions, abatement, flexibility, and negotiated rents
- While vaccines have recently become available to the adult population, sluggish demand is expected to persist in the near and medium term until businesses begin to resume normal operations
- Opportunities exist for occupiers to renegotiate and increase efficiency within current premises as landlords seek to stabilize their portfolios

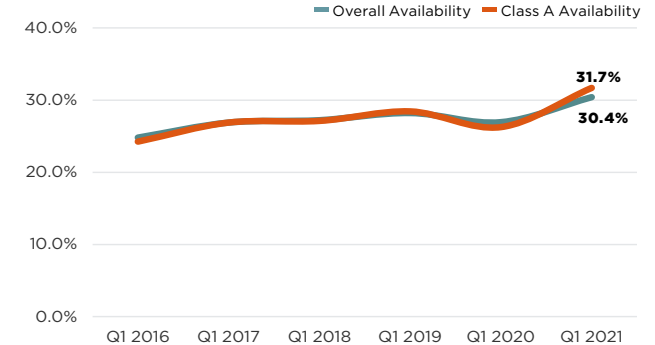
### KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	98.6 MSF	<b>99.3 MSF</b>	▲
Availability Rate	26.9%	<b>30.4%</b>	▲
Asking Rental Rate	\$24.09	<b>\$24.36</b>	▲
Class A Asking Rental Rate	\$27.54	<b>\$27.45</b>	▼
Quarterly Leasing Activity	1.6 MSF	<b>0.8 MSF</b>	▼

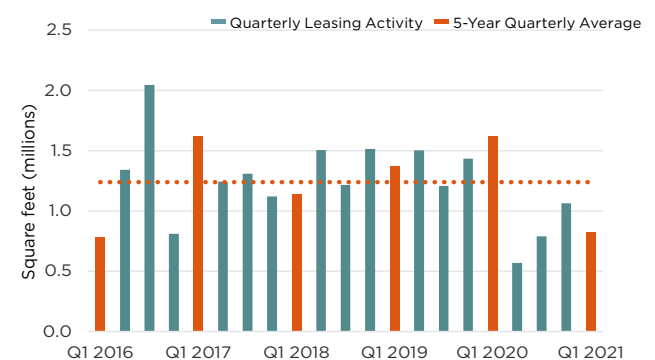
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

47.4%

of major transactions were new locations by square footage

53.3%

of large transactions occurred in the East-West Corridor submarket by square footage

49.5%

Manufacturing tenants represented 49.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
The Kellogg Company	42,463	263 Shuman Boulevard	New Location	East-West Corridor	Manufacturing
Johnson Controls	40,582	2010 Swift Drive	Renewal	East-West Corridor	Manufacturing
Appleton Electric	38,003	9377 W Higgins Road	Renewal	O'Hare Area	Manufacturing
Costco	30,000	10 N Martingale Road	New Location	Northwest Corridor	Retail
Interfirst Mortgage Co.	27,000	9525 W Bryn Mawr Avenue	Expansion	O'Hare Area	Financial Services
Schneider Electric	25,017	1111 Pasquinelli Drive	New Location	East-West Corridor	Professional Services
Aldi	24,500	1100 E Warrenville Road	Expansion	East-West Corridor	Retail
Stepan Company	24,250	1101 Skokie Boulevard	Expansion	North Corridor	Manufacturing
Venture X	23,704	1 Mid America Plaza	New Location	East-West Corridor	Coworking
Goosehead Insurance	17,750	6300 N River Road	New Location	O'Hare Area	Financial Services

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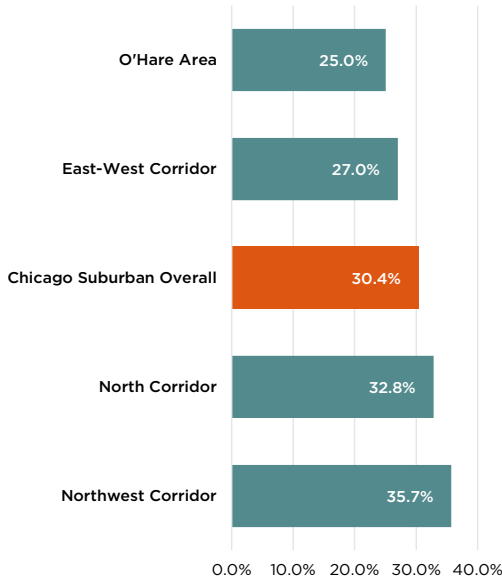
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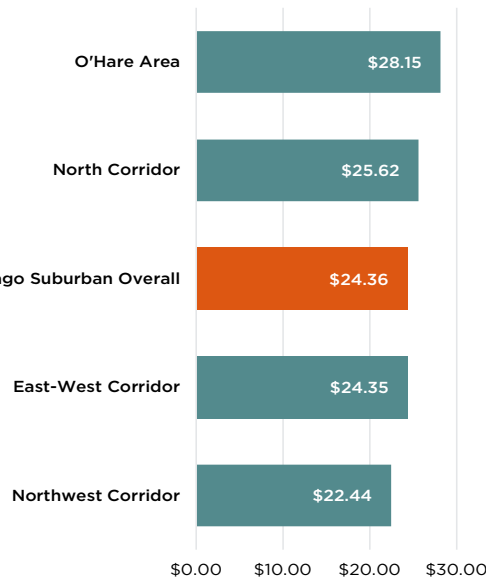
AVAILABILITY RATE COMPARISON

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.

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.

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