



Chicago Suburban activity mostly dormant as leasing slows to a crawl

While the state government began reopening the Illinois economy in late June as COVID-19 spread appeared relatively well contained, the Chicago Suburban office market remained mired in near stasis. Transaction activity in the second quarter fell by 62.1% compared to a year ago, falling to its lowest quarterly level in more than a decade. Few large tenants were reported to be actively touring in the market during the quarter. This inactivity was largely expected in the wake of insecurity and lack of clarity associated with COVID-19 both regionally and nationally.

Little change in market fundamentals as occupiers, landlords consider pandemic fallout

Overall gross asking rents were nearly unchanged from the previous quarter, falling less than 0.1% to \$24.08 per square foot (psf) as landlords were not yet persuaded to reprice base rents. Asking rates have increased 1.6% since the second quarter of 2019. Availability across the suburbs increased by 40 basis points (bps) to 27.3%, creeping up to its highest rate in more than a year. While most major U.S. markets (including Downtown Chicago) witnessed a significant influx of sublease availability this quarter as companies offloaded space during the pandemic, the Chicago Suburban market observed only a negligible increase in sublease availability.

Suburban Chicago could be poised for longer-term opportunity as "hub-and-spoke" models gain traction

In the wake of the COVID-19 pandemic many experts have predicted a revival for the country's suburban economies as people, particularly families with children, gravitate away from densely populated urban areas. Related, observers have speculated that occupiers will increasingly adopt "hub-and-spoke" models with a main downtown office supplemented by suburban satellite locations. While no Chicago companies have recently announced plans to implement this model, a protracted economic downturn or a failure to stem the pandemic would increase the likelihood of Chicago companies committing to a greater presence outside of the downtown core.

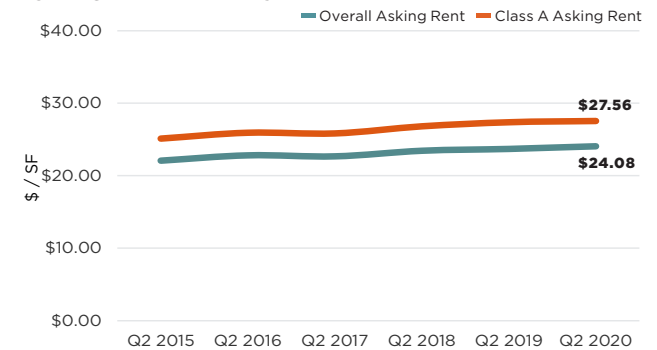
Outlook

- Opportunistic tenants may be able to take advantage of stagnant market conditions to renegotiate and increase efficiencies within their current premises
- Below normal deal activity is likely to persist in the near term as real estate decisions are put off until the economic uncertainty caused by COVID-19 clears and businesses can resume normal operations
- A new 200,000 square foot office tower has been approved in Evanston, the city's first in more than 20 years, which should relieve some of the pressure in one of the tightest suburban micro-markets

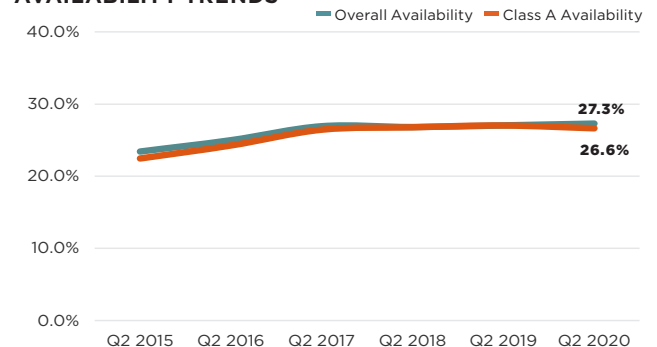
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	98.2 MSF	98.8 MSF	▲
Availability Rate	27.0%	27.3%	▲
Asking Rental Rate	\$23.71	\$24.08	▲
Class A Asking Rental Rate	\$27.39	\$27.56	▲
Quarterly Leasing Activity	1.5 MSF	0.6 MSF	▼

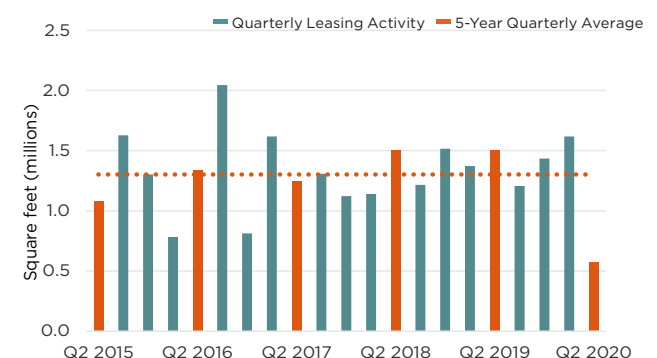
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

4 of 5

of major transactions were new locations

92.2%

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

32.9%

Transportation represented 32.9% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
XPO Logistics	50,663	263 Shuman Boulevard	New Location	East-West Corridor	Transportation
Life Time Work	40,091	263 Shuman Boulevard	New Location	East-West Corridor	Coworking
Lewis University	28,363	1111 W 22nd Street	Restructure	East-West Corridor	Education
Philadelphia Insurance Companies	22,852	263 Shuman Boulevard	New Location	East-West Corridor	Financial Services
Link Industrial Properties	12,006	9550 W Higgins Road	New Location	O'Hare Area	Real Estate

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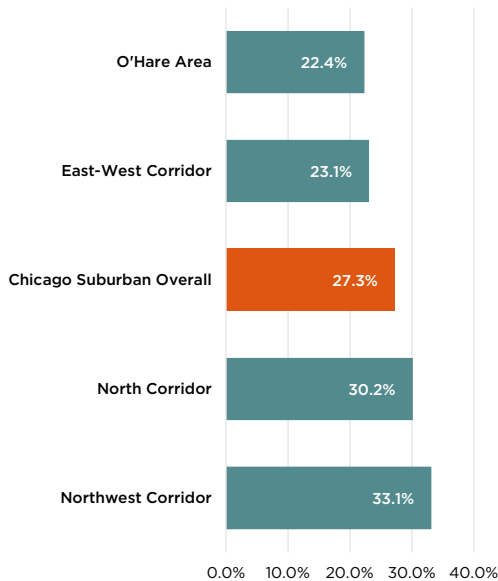
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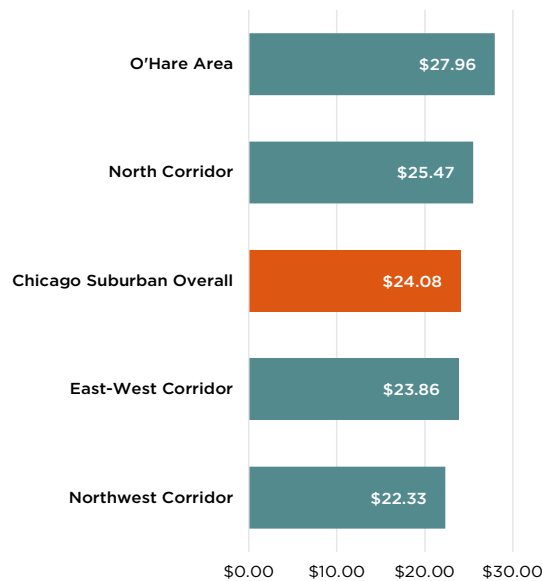
AVAILABILITY RATE COMPARISON

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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