



## Suburban Chicago activity ticks up some, still down by a third over the year

While still stymied by the COVID-19 pandemic, the Suburban Chicago office market saw some wind return to its sails in the third quarter. Transaction activity increased by 39.1% compared to the prior quarter, and deal volumes were similar to levels witnessed in Downtown Chicago. However, suburban market transactions were down by more than a third year-over-year, and few large tenants were known to be actively seeking space. Companies continued to grapple with future occupancy needs as optimism sprouted concerning the development an effective vaccine, while some tenants began to slowly return to the office.

### Rents inch upward despite surge in availability; sublease options suddenly abound

Availability across the suburban region increased significantly this quarter surging 130 basis points to 28.6% and surpassing its highest level in more than a decade. Despite the rapid rise in options, landlords were not yet persuaded to reprice base rents. Rental rates have held essentially flat since the third quarter of 2019 with overall gross asking rents now at \$24.18 per square foot (psf). As additional sublease space comes to market at lower pricing, rent decline is expected in the coming quarters. Among the largest new listings this quarter, DeVry University looked to sublease more than 150,000 square feet (sf) at 3005 Highland Parkway in Downers Grove, while Houghton Mifflin Harcourt is seeking a subtenant for almost 65,000 sf at 1 Pierce Place in Itasca.

### Value opportunities are plentiful in the suburbs, but prospective tenants largely not yet persuaded

While leasing activity in the suburban market remained comparatively dormant this period, a handful of larger deals were completed. Among them, the American Board of Radiologists leased more than 70,000 sf at 814 Commerce Drive, Oak Brook. In the O'Hare submarket, Newly Weds Foods took nearly 45,000 sf at 8550 West Bryn Mawr Avenue. While a predicted groundswell of movement from Downtown has yet to materialize, suburban submarkets nevertheless remain attractive to occupiers who are reassessing their future occupancy needs. Among these attributes, suburban buildings offer discounted rents, more flexible term, and the option of single-story premises that provide direct access to outdoor space.

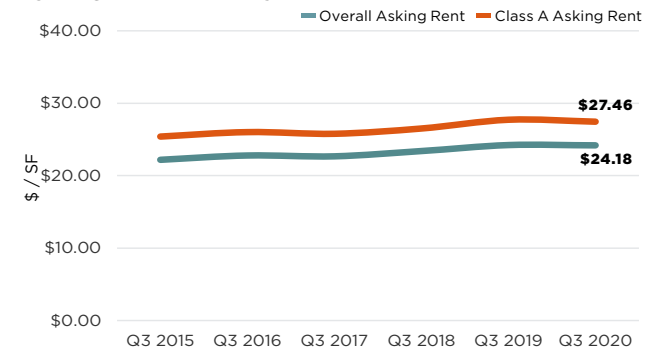
### Outlook

- The recent spike in sublease availability, along with prolonged market stagnation, is expected to pressure reluctant owners to rethink base rent pricing and further enhance concessions packages
- Weakened deal activity is expected to persist until a vaccine becomes available, economic malaise caused by COVID-19 improves, and businesses can resume normal operations
- Occupiers in a position to engage the market may be able to renegotiate and increase efficiencies within their current premises as landlords deal with continued uncertainty and stagnant market conditions

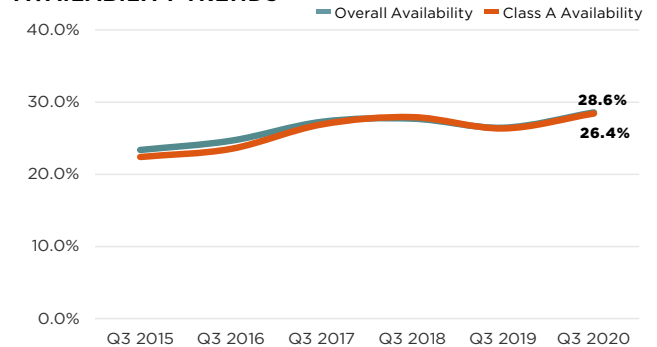
### KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	98.4 MSF	<b>98.7 MSF</b>	▲
Availability Rate	26.4%	<b>28.6%</b>	▲
Asking Rental Rate	\$24.23	<b>\$24.18</b>	▼
Class A Asking Rental Rate	\$27.72	<b>\$27.46</b>	▼
Quarterly Leasing Activity	1.2 MSF	<b>0.8 MSF</b>	▼

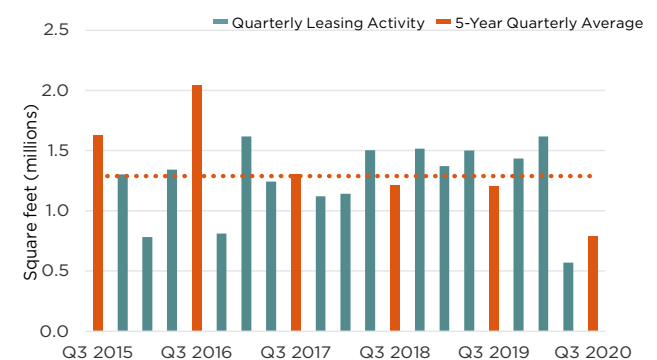
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

8 of 10

of major transactions were new locations

45.7%

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

36.0%

Manufacturing represented 36.0% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
American Board of Radiologists	71,183	814 Commerce Drive	New Location	East-West Corridor	Non-profit
Newly Weds Foods	44,551	8550 W Bryn Mawr Avenue	New Location	O'Hare Area	Manufacturing
Season's Hospice & Palliative Care	38,069	6400 Shafer Court	Renewal and Expansion	O'Hare Area	Healthcare
Water Quality Association	37,259	2375 Cabot Drive	New Location	East-West Corridor	Non-profit
Confidential	36,274	3025 Highland Parkway	New Location	East-West Corridor	Manufacturing
Discovery Health Partners	23,889	500 Park Boulevard	New Location	Northwest Corridor	Professional Services
Composites One	19,956	955 National Parkway	New Location	Northwest Corridor	Transportation
Sonoco Products Company	18,595	3930 N Ventura Drive	New Location	Northwest Corridor	Manufacturing
Ornuu Foods North America	14,402	1007 Church Street	Renewal	North Corridor	Manufacturing
Advantax	12,367	2500 Westfield Drive	New Location	Northwest Corridor	Professional Services

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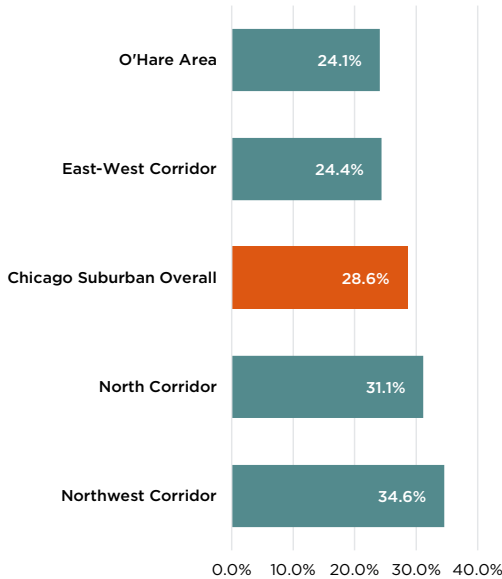
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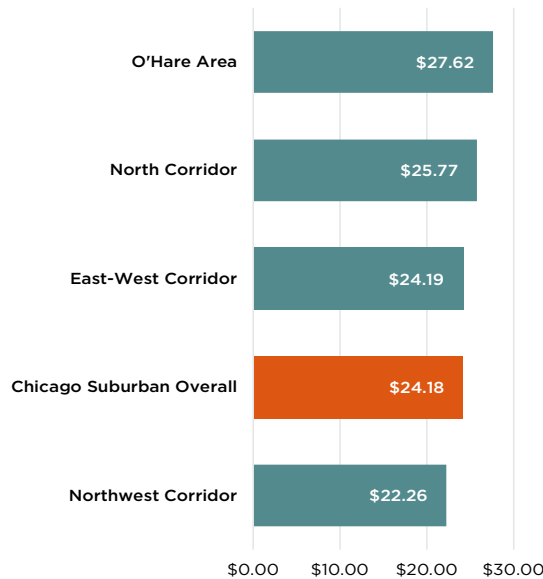
AVAILABILITY RATE COMPARISON

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.

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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