



## Suburban Chicago market begins to stabilize as occupiers start to reengage

The Suburban Chicago office market has, on the whole, wobbled throughout the pandemic with accelerating availability and demand well below average. Signs of steadiness emerged in the third quarter, however, as availability began to stabilize, while leasing activity picked up. Companies seeking to capitalize on favorable market conditions and ample quality space options are finally showing readiness to reengage the market. With more than 1.4 million square feet (msf) leased in the third quarter, it was the strongest quarter by transaction volume since the start of the pandemic, even surpassing the five-year quarterly average of 1.2 msf transacted.

### Availability growth rate slows, but options remain at record-high levels

The Suburban Chicago market witnessed availability tick up just 20 basis points (bps) this quarter to 31.4%. Availability is up 280 basis points year over year, evidence of a market whose fundamentals have weakened considerably during the pandemic. Like the Downtown Chicago market, the suburbs continue to be mired by record-high levels of sublease availability. Approximately 4.6 msf of sublease space was marketed at the close of the third quarter, unchanged from the previous period but up more than 75% over pre-pandemic levels. A handful of larger subleases came to market this quarter, including more than 55,000 sf at Butterfield Centre in Lombard that Waste Management is seeking to offload. Overall asking rents declined 0.5% from the previous quarter, to \$24.18 per square foot (psf). Landlords have largely held firm on pricing throughout the pandemic while concessions have been more generous, driving net effective rents lower.

### Tenant favorable conditions persist despite uptick in transactions

With leasing activity up this quarter, there likewise were a surge in larger deals completed, with five transactions in Suburban Chicago exceeding 50,000 sf. Centene completed the largest lease this quarter, taking 90,000 sf at 263 Shuman Boulevard, Naperville. Larger users leasing space this quarter were attracted to quality options, with nine of the largest ten deals this quarter occurring in Class A buildings. While transaction activity picked up, tenant favorable conditions will pervade in the near and medium terms through much of the suburban geography as occupier demand remains unclear and space options continue to abound.

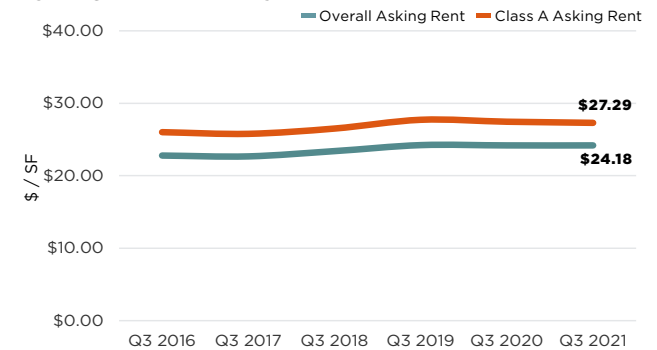
### Outlook

- While economic conditions have improved across the region and the country, the long-term impact of work-from-home policies is likely to hinder chances for a rapid recovery in the Suburban Chicago office market
- While availability may be finally approaching a plateau, occupiers will continue to hold the upper hand in negotiations and should expect flexible terms and generous concessions
- As some occupiers contemplate flexible work policies and hybrid models, suburban landlords will need to significantly invest in building amenities, including collaborative spaces and interior finishes, in order to retain tenants and make the office a purposeful destination once again

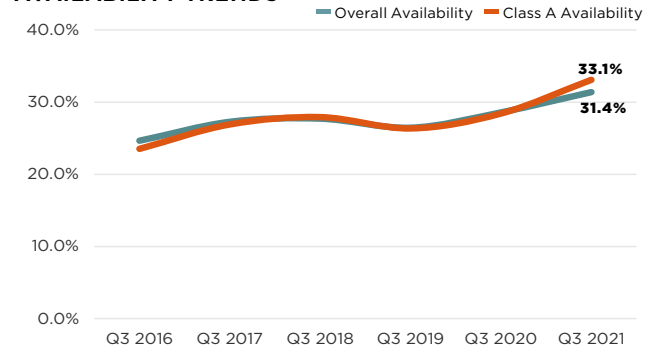
### KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	99.1 MSF	<b>99.0 MSF</b>	▼
Availability Rate	28.6%	<b>31.4%</b>	▲
Asking Rental Rate	\$24.18	<b>\$24.18</b>	◄►
Class A Asking Rental Rate	\$27.46	<b>\$27.29</b>	▼
Quarterly Leasing Activity	0.8 MSF	<b>1.4 MSF</b>	▲

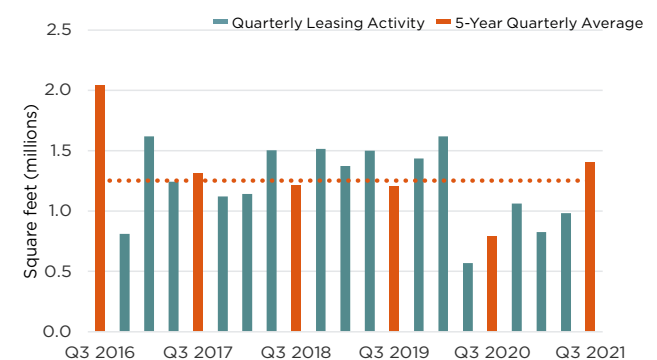
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**57.8%**

of major transactions were **relocations** by square footage

**31.0%**

of large transactions occurred in the **North Corridor** submarket by square footage

**35.8%**

**Financial services tenants** represented 35.8% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Centene	90,000	263 Shuman Boulevard	Relocation	East-West Corridor	Financial Services
Amcor	59,675	3 Parkway Boulevard N	New Location	North Corridor	Manufacturing
Ally Financial	55,042	1450 American Lane	Relocation	Northwest Corridor	Financial Services
Downers Grove School District	53,084	2300 Warrenville Road	New Location	East-West Corridor	Education
CVS	52,000	3100 Sanders Road	Relocation	North Corridor	Retail
Teradyne	42,696	21440 Lake Cook Road	Relocation	Northwest Corridor	Manufacturing
OpticsPlanet	36,358	2345 Waukegan Road	Relocation	North Corridor	Retail
Colliers International	34,012	6250 N River Road	Renewal	O'Hare Area	Real Estate
KSA Lighting	28,889	150 E Pierce Road	New Location	Northwest Corridor	Professional Services
TransNational Payments	26,239	9550 W Higgins Road	Renewal	O'Hare Area	Financial Services

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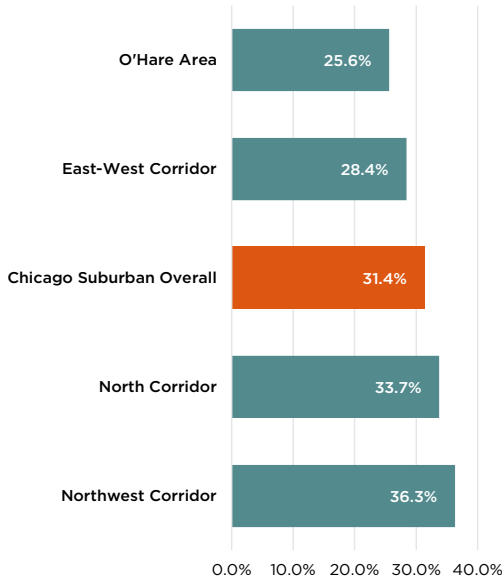
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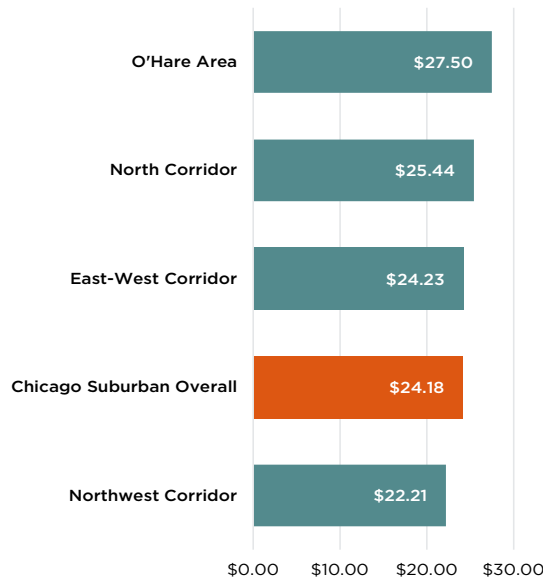
AVAILABILITY RATE COMPARISON

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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