

CHICAGO SUBURBAN



Suburban Chicago witnesses slight cooling of market; leasing activity steady for year

Despite a solid fourth quarter of leasing activity, the Chicago suburbs saw overall availability creep up this period. The suburban market stood at 26.7% available at the end of the third quarter, marking a 40-basis-point increase over the previous quarter. Tenant options are plentiful, and while the Suburban Class A rate increased by just 10 basis points to 26.2% quarter over quarter, availability rose by 130 basis points over one year prior. Benefitting from its urban-suburban location, the O'Hare submarket finished 2019 with the region's lowest Class A availability rate, at 18.3%. In total, 5.5 million square feet (msf) was leased in 2019 across Suburban Chicago, up slightly over the 5.4 msf transacted in 2018.

Asking rents are up over the year, despite a fourth quarter dip

Overall asking rents in Suburban Chicago averaged \$24.22 per square foot (psf), slipping 0.3% over last quarter but increasing 3.1% over one year prior. Class A rents ticked up 2.0% year over year, now at \$27.60 psf. While availability in the North Corridor remains above 30.0%, the submarket nevertheless witnessed marked rental rate growth, with asking rates increasing by 5.7% over last year, to \$25.52 psf. In contrast, asking rents the Northwest Corridor grew by 1.9%, to \$22.36 psf. Sustained demand for space in the O'Hare area led asking rents to increase to \$27.62 psf, a 2.6% annual increase.

Largest lease of year occurs in O'Hare; biggest sale closes in East-West Corridor

The year's largest lease was transacted just prior to the close of 2019. US Foods renewed its 275,000-sf lease at the Riverway complex in Rosemont. This deal alone accounted for 19.1% of fourth quarter lease transactions by square footage across the Chicago Suburban market. Meanwhile, KORE Investments acquired the 584,000-sf Esplanade II in Downers Grove for \$128.5 million, marking the largest suburban office sale of the year. Also, Canadian private equity firm Balfour Pacific paid \$45.0 million this quarter for the 317,000-sf One Lincoln Centre in Oakbrook Terrace.

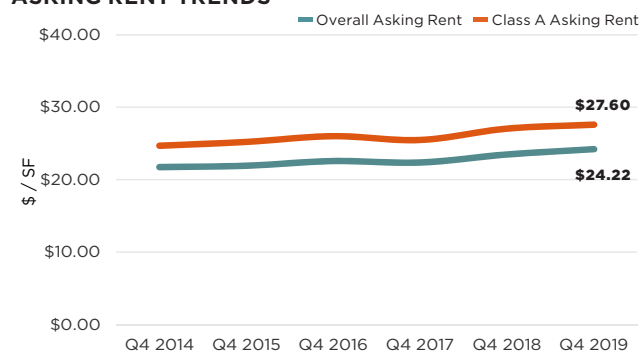
Outlook

- Tenant favorable conditions look to prevail in the short-to-medium term as available options remain ample, while rental rate growth flattens
- While overall demand for suburban office space remains comparatively weak, the most highly sought-after properties across the market largely offer updated tenant amenities and convenient access to transit
- A recent uptick in capital markets activity across the Suburban Chicago region suggests that some investors forecast an improving outlook for the market following years of companies migrating downtown and ballooning availability

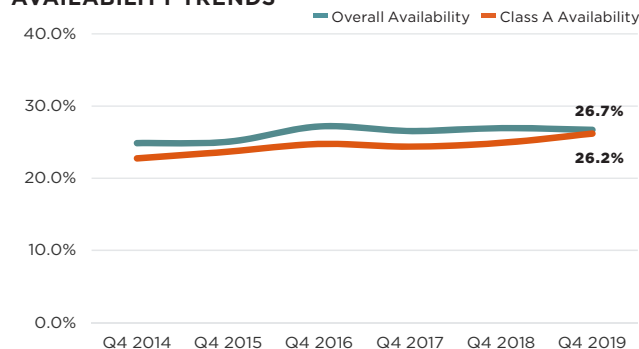
KEY STATISTICS

	Q4 2018	Q4 2019	y-o-y Change
Inventory	100.4 MSF	98.9 MSF	▼
Availability Rate	26.9%	26.7%	▼
Asking Rental Rate	\$23.49	\$24.22	▲
Class A Asking Rental Rate	\$27.06	\$27.60	▲
Quarterly Leasing Activity	1.5 MSF	1.4 MSF	▼

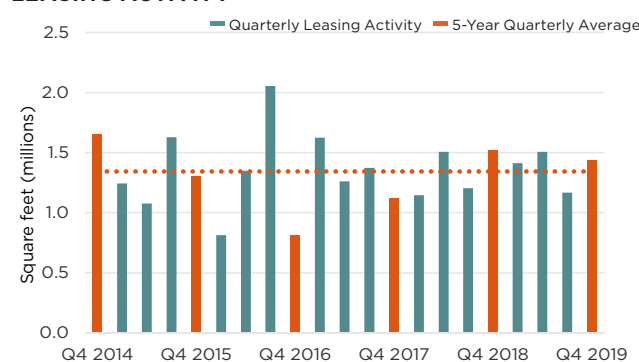
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

56.2%

of major transactions were
renewals

42.2%

of large transactions occurred in the
O'Hare Area submarket

49.5%

Manufacturing represented
49.5% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
US Foods	275,000	Riverway	Renewal	O'Hare Area	Manufacturing
Aim Specialty Health	91,221	5 Westbrook Corporate Center	Renewal	East-West Corridor	Healthcare
Lundbeck	72,978	6 Parkway Boulevard N	Renewal and Expansion	North Corridor	Healthcare
Crown Castle	48,000	3025 Highland Parkway	New Location	East-West Corridor	Manufacturing
Valent BioSciences	35,024	1910 Innovation Way	New Location	North Corridor	Professional Services
Kimley-Horn and Associates	31,600	4201 Winfield Road	New Location	East-West Corridor	Engineering
Great Lakes Dredge & Dock	30,448	1 Parkview Plaza	New Location	East-West Corridor	Construction
REX Electric	25,461	1333 Butterfield Road	New Location	East-West Corridor	Construction
Triumph Higher Education Group	21,640	150 N Martingale Road	Expansion	Northwest Corridor	Education
Ally Bank	20,787	3333 Finley Road	New Location	East-West Corridor	Financial Services

Source Savills Research

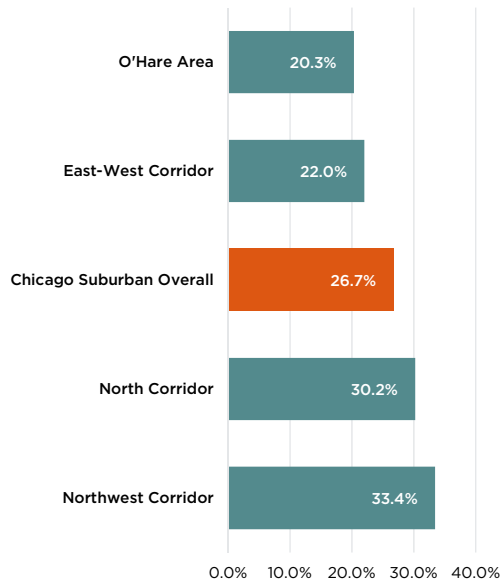
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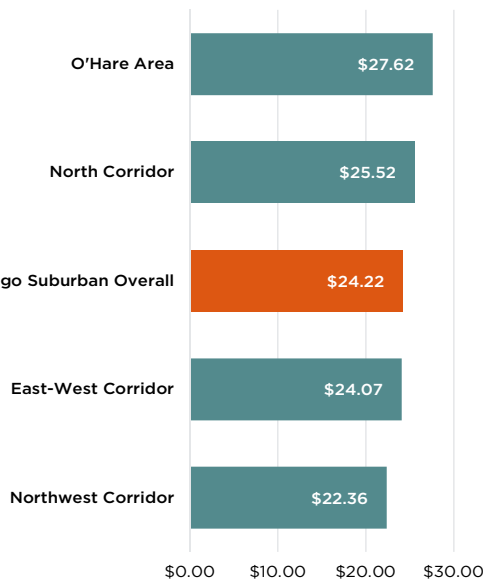
AVAILABILITY RATE COMPARISON

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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