



Suburban Chicago market conditions remain soft despite some signs of occupier reengagement

Suburban Chicago office market conditions were both soft and stagnant throughout 2021, although some flickers of improvement were evident by the close of the year. After a relatively strong third quarter, leasing activity faltered this period, with deal volumes falling 3.6% below the fourth quarter of 2020. For 2021 as a whole leasing activity improved by 4.9% over the prior year. However, 2021 leasing was down 23.0% compared to 2019. Nevertheless, many companies remain active in the market, seeking to capitalize on favorable market conditions and ample quality space options.

Availability rate continues to climb in nearly all suburban submarkets

The Suburban Chicago market witnessed availability rise by 50 basis points (bps) this quarter to 31.9%. O'Hare observed the largest quarterly jump in availability, increasing 180 bps to 27.2%. Meanwhile, East-West Corridor availability held level at 28.4% available. Availability has soared 500 basis points since the start of the pandemic, an indication that market fundamentals have been fundamentally altered over the past seven quarters. The supply of available sublease space in the suburban market was relatively flat throughout 2021 but remained more than 75% over pre-pandemic levels. Overall asking rents rose 0.4% from the previous quarter, to \$24.27 per square foot (psf). While landlords in Suburban Chicago have largely held firm on pricing throughout the pandemic, negotiated rents and concessions have been more generous, steadily driving net effective rents lower.

Tenant have the upper hand as favorable conditions show no sign of waning

While transaction tallies dipped this quarter, the fourth quarter was still the year's second-best from a deal volume perspective. Leica executed one of the largest deals of the period, leasing nearly 43,000 sf at 21440 Lake Cook Road in Deer Park. Meanwhile, the village of Arlington Heights was the subject of much attention this quarter, with United Airlines transferring 900 employees from Willis Tower to an owned facility there, as well as the Chicago Bears exploring a new stadium at the current site of the Arlington Park racetrack. Looking into 2022 for the Suburban Chicago office market, tenant favorable conditions show no end in sight as space options continue to flourish and occupier demand remains uncertain.

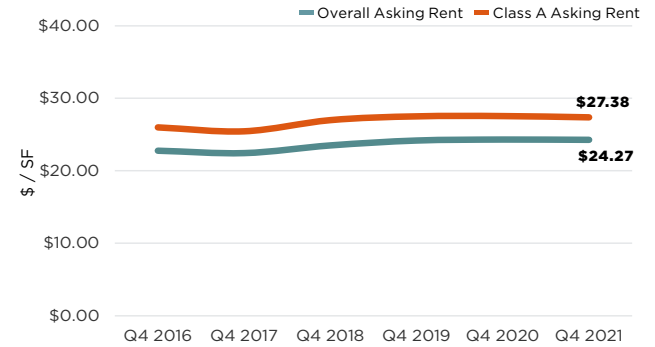
Outlook

- Compounding the problems, suburban landlords are now challenged to lure tenants back to the workplace as many adopt a hybrid workplace strategies
- Rental abatement and tenant improvement allowances remain elevated as suburban landlords are forced to aggressively compete for occupancy
- While the Omicron variant of the coronavirus altered many companies' return-to-work timelines, the late-2021 spike in infections did not seem to significantly alter the long-term real estate strategies of many occupiers

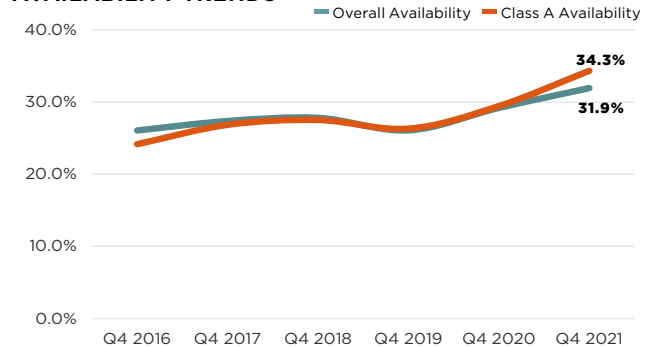
KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	99.3 MSF	99.0 MSF	▼
Availability Rate	29.2%	31.9%	▲
Asking Rental Rate	\$24.31	\$24.27	▼
Class A Asking Rental Rate	\$27.56	\$27.38	▼
Quarterly Leasing Activity	1.1 MSF	1.0 MSF	▼

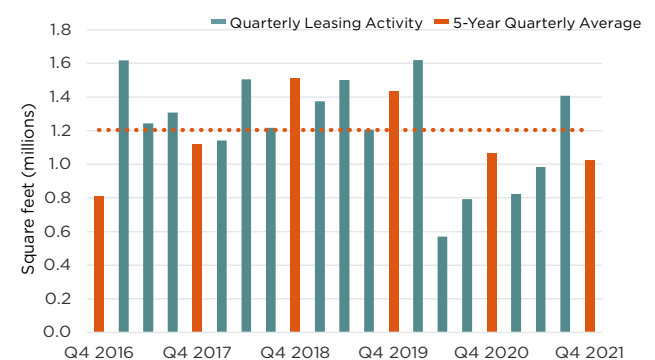
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

39.9%

of major transactions were **new locations** by square footage

37.0%

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

24.5%

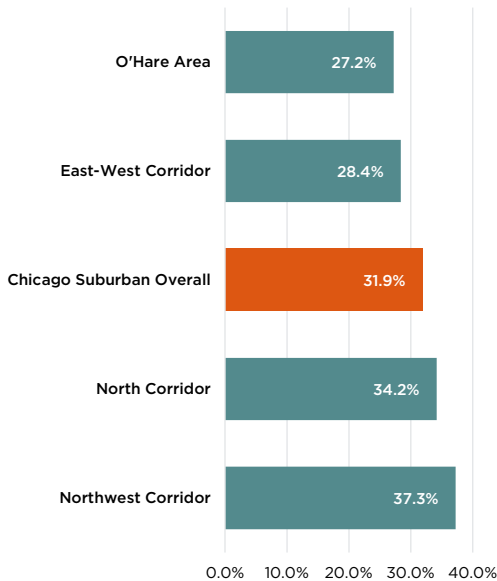
Healthcare tenants represented 24.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Leica	42,696	21440 Lake Cook Road	New Location	Northwest Corridor	Healthcare
Perdoceo Education Corporation	40,804	1750 E Golf Road	Expansion	Northwest Corridor	Education
BDO Digital	28,000	2715 Jorie Boulevard	Relocation	East-West Corridor	Professional Services
Aldridge Electric	26,503	1111 E Touhy Avenue	New Location	O'Hare Area	Construction
Rand McNally	26,022	8725 W Higgins Road	Relocation	O'Hare Area	TAMI
Cour Pharmaceuticals	25,000	8025 Lamon Avenue	Renewal and Expansion	North Corridor	Pharmaceuticals
Residential Home Health	22,453	2441 Warrenville Road	Relocation	East-West Corridor	Healthcare
John Burns Construction	22,003	999 Oakmont Plaza Drive	New Location	East-West Corridor	Construction
T-Mobile	17,751	1400 Opus Place	Expansion	East-West Corridor	Energy & Utilities
SEKO Logistics	15,169	1501 E Woodfield Road	New Location	Northwest Corridor	Transportation

Source Savills Research

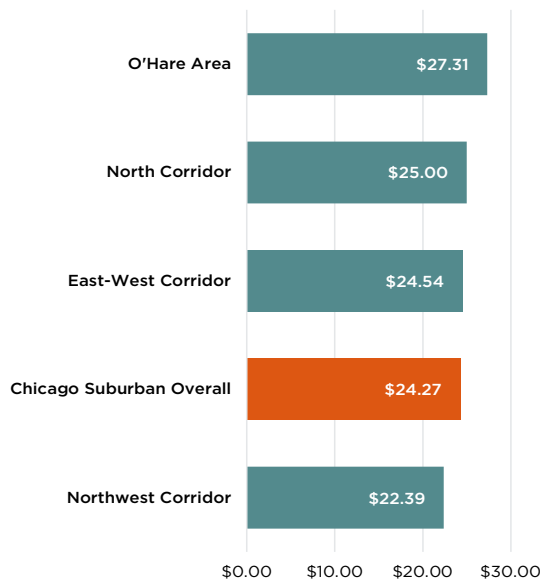
AVAILABILITY RATE COMPARISON

Chicago Suburban Submarkets



RENTAL RATE COMPARISON (\$/SF)

Chicago Suburban Submarkets



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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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