

Suburban Chicago



Suburban Chicago market fundamentals show tepid improvement in the face of uncertain demand

While market conditions continued to exhibit softness that has pervaded for several years, Suburban Chicago's fundamentals showed modest improvement at the start of 2022. Leasing volumes were up by 67.0% over the same period in 2021, and at 1.4 million square feet (msf) leased, this quarter marked the second-best period for transaction activity since the start of the pandemic. While touring remained slow, several large users were reportedly pursuing large blocks in the market, seeking to capitalize on Suburban Chicago's favorable market conditions and ample quality space options.

Overall availability rate steady but remains historically elevated

The Suburban Chicago market witnessed availability retreat by 20 basis points (bps) this quarter to 31.7%. The North Corridor observed the largest quarterly decline in availability, falling 230 basis points to 31.9% available. The submarket's fundamentals were boosted by Abbott's sublease of more than 160,000 sf at 150 South Saunders Road in Lake Forest. Meanwhile, East-West Corridor availability declined by 60 basis points to 27.8% available, its lowest level in a year. Conditions weakened in O'Hare in early 2022 with availability surging 250 basis points to 29.7% as several large blocks becoming became available on both the direct and sublease markets. Among them, Dairy Management sought a subtenant for more than 58,000 sf at 10255 West Higgins Road in Rosemont. Landlords continued to hold firm on pricing, with the overall asking rents standing at \$25.48 per square foot (psf). However, negotiated rents and concessions have been generous among deals being completed, pushing average effective rents lower.

Largest transactions include tenants that are reducing their occupancies

In addition to Abbott, a handful of other sizeable deals occurred in the first quarter. Among them, Health Care Services Corporation announced intentions to relocate within Downers Grove to 3500 Lacey Road, leasing more than 133,000 square feet. Also, the Federal Aviation Administration committed to almost 116,000 sf at 3800 Golf Road in Rolling Meadows, while Millenium Trust renewed for nearly 50,956 sf at 2001 Spring Road in Oak Brook. While these three transactions were notable for their sizes, they represented significant contractions from the organizations' previous occupancies. Companies located in Suburban Chicago are no different than other regions in reevaluating their workplace requirements as a paradigm shift occurs in how people work. As for the Suburban Chicago office market prospects, tenant favorable conditions will remain as occupier demand remains unclear.

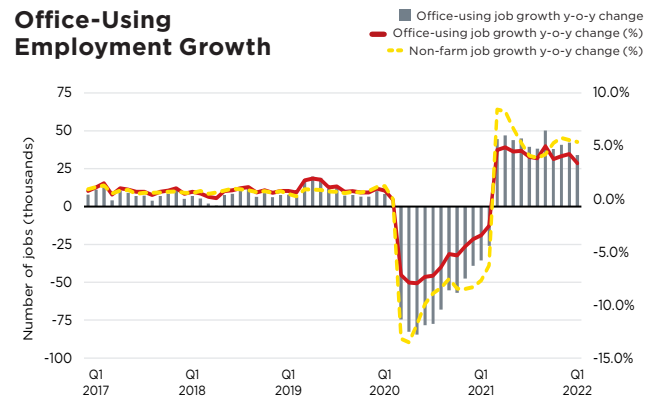
Outlook

- Concessions including rent abatement and improvement allowances will continue to remain elevated as suburban landlords are forced to aggressively compete for occupancy and to retain existing tenants
- While a handful of Downtown Chicago companies have recently opened smaller satellite offices to accommodate employees wishing to work closer to home, there is unlikely to be a groundswell change of companies relocating to the Suburban market
- Much like the Downtown market, a widespread flight to quality is likely to occur across the Suburban market, and suburban landlords will be forced to invest in the tenant experience to both attract and retain occupants

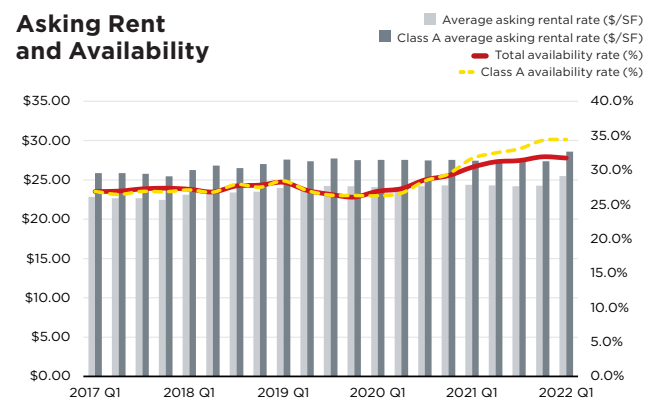
Key Statistics

	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	99.2 MSF	99.0 MSF	▼
Availability Rate	30.4%	31.7%	▲
Asking Rental Rate	\$24.36	\$25.48	▲
Class A Asking Rental Rate	\$27.45	\$28.59	▲
Quarterly Leasing Activity	0.8 MSF	1.4 MSF	▲
Available Sublease Space	4.2 MSF	4.2 MSF	◄►

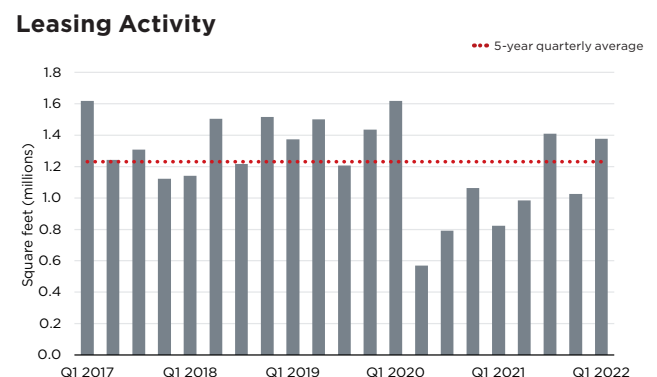
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

5.1%

Chicago-Naperville-Arlington Heights, IL MSA unemployment rate (as of Jan. 2022)

4.2%

Office-using employment growth year-over-year (as of Jan. 2022)

33.5%

Share of Q1 2022 Suburban Chicago lease deals occurring in the East-West Corridor

Top Transactions

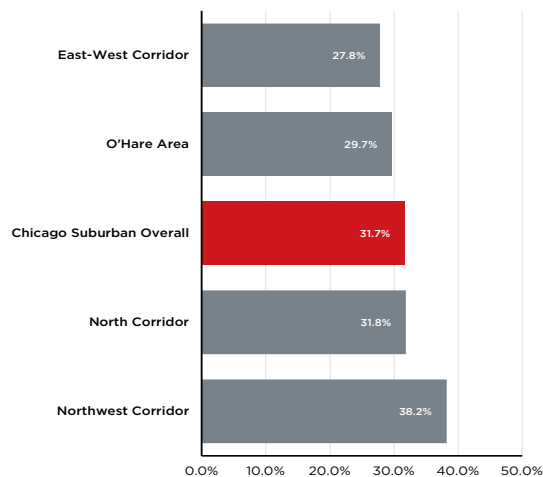
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Abbott*	160,085	150 S Saunders Road	New Location	North Corridor	Pharmaceuticals
Health Care Service Corporation	133,077	3500 Lacey Road	Relocation	East-West Corridor	Insurance
Federal Aviation Administration	115,937	3800 Golf Road	Relocation	Northwest Corridor	Government
Millennium Trust	50,956	2001 Spring Road	Renewal	East-West Corridor	Financial Services
Pronto Finance	24,700	1515 E Woodfield Road	New Location	Northwest Corridor	Financial Services
Thales Defense & Security, Inc.	24,673	750 N Commons Drive	Relocation	East-West Corridor	Engineering
25N	23,682	1701 Golf Road	New Location	Northwest Corridor	Coworking
Siemens	23,682	1701 Golf Road	Relocation	Northwest Corridor	Healthcare
RSM	22,256	1450 American Lane	Relocation	Northwest Corridor	Financial Services
Landtrust Title Services	21,167	425 N Martingale Road	Relocation	Northwest Corridor	Real Estate

*Sublease

Source: Savills Research

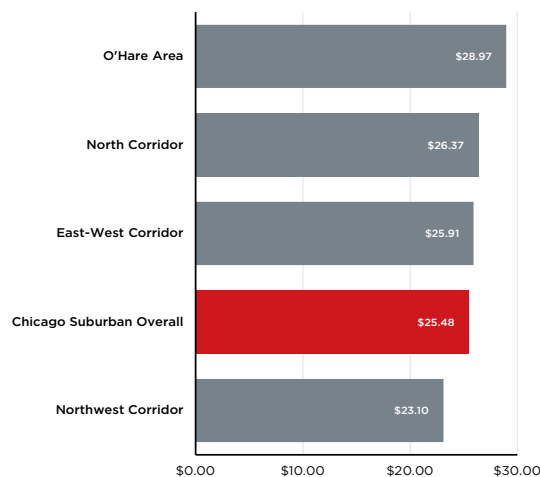
Availability Rate Comparison (%)

Suburban Chicago Submarkets



Rental Rate Comparison (\$/SF)

Suburban Chicago 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.

Copyright © 2022 Savills

savills.us

For more information, please contact us:

Savills
150 North Riverside Plaza
Suite 1900
Chicago, IL 60606
+1 312 595 2900

Joe Learner
Vice Chair, Director,
Midwest Region Lead
jlearner@savills.us

Robert Sevim
Vice Chair, Director,
Co-Head Chicago Region
rsevim@savills.us

Eric Feinberg
Vice Chair,
Co-Head Chicago Region
efeinberg@savills.us

Anders Klein
Regional Research
Director,
Midwest and Central
aklein@savills.us

About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

