



TRANSWESTERN

CHICAGO CBD OFFICE MARKET

Q2 2024



TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.8	3.9	↑	5.8	↑
YTD NET ABSORPTION (Thousands SF)	-1,964	-876	↓	-1,201	↓
DIRECT VACANCY RATE	21.9%	19.6%	↑	16.6%	↑
DIRECT VACANT SF (MSF)	34.7	30.9	↑	25.8	↑
AVAILABLE SUBLET SF (MSF)	7.0	8.1	↓	5.9	↔
UNDER CONSTRUCTION (MSF)	0.4	0.7	↓	3.0	↓
MARKET RENT, FULL SERVICE (PSF)	\$41.70	\$41.31	↑	\$41.38	↔
YTD SALES VOLUME (Millions)	\$152	\$34	↑	\$277	↑

Source: Transwestern , Bureau of Labor Statistics, CoStar, Real Capital Analytics

In the second quarter of 2024, the office market in Chicago’s Central Business District (CBD) edged closer to rock bottom. Five office properties were acquired, each reflecting a significant depreciation in value due to financial distress. The vacancy rates persistently hit new record highs, and the leasing activity was insufficient for a rebound.

However, leasing agents at buildings with the necessary financial resources to attract tenants have been witnessing an increase in tenant inquiries and conducting more tours. It appears that many tenants, who had been delaying decisions while reassessing their space needs, are now prepared to proceed with their new office strategies. Although many of these tenants are expected to reduce their space usage, transitioning beyond this extended period of uncertainty would be a welcome change.

As more buildings plunge into deeper financial distress, it becomes increasingly crucial for prospective tenants to comprehend the financial standing and intentions of the building owners they are considering. Tenants will continue to gravitate towards high-quality properties that demonstrate financial stability, avoiding owners in unstable positions. Given the current state of the market, tenants may be disappointed to find that their feasible options are restricted, and their negotiating power is not as potent as anticipated.

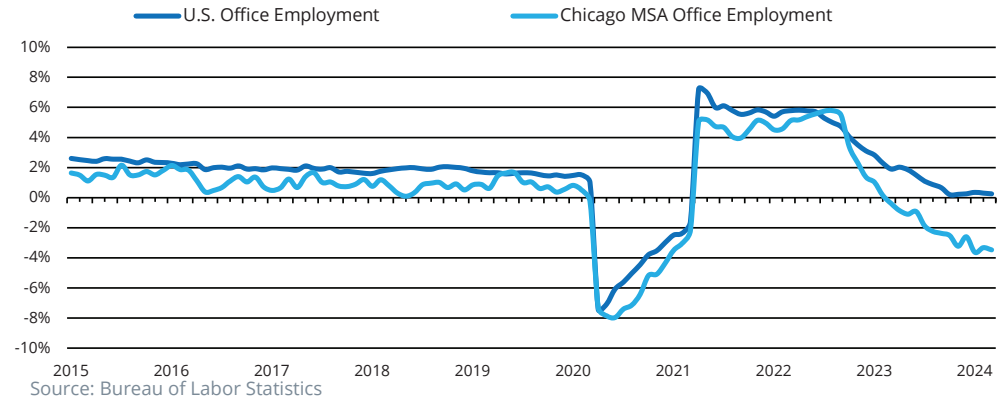


ECONOMY

Interest Rates Stay High

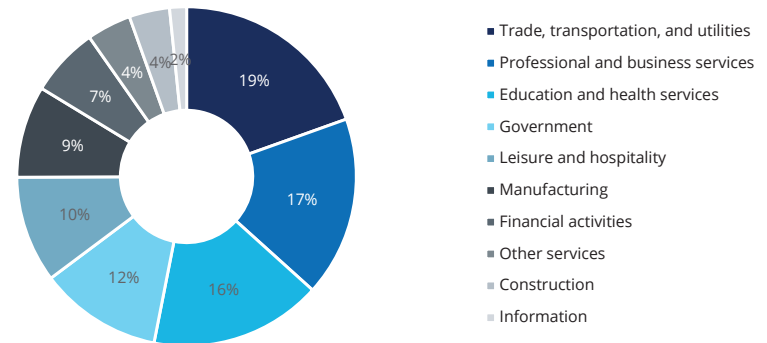
- In June, the Federal Reserve (Fed) maintained the range of the federal funds rate at 5.25% to 5.50% after inflation reports came in higher than expected. However, it is widely expected that rates will be lowered in September now that labor markets have cooled and more reassuring inflation data has been reported.
- The U.S. economy sustained robust job growth, adding an estimated 206,000 jobs in June, bringing the quarterly total to 532,000. Weekly initial unemployment claims remained below historical averages, and the national unemployment rate increased slightly from 3.8% in March to 4.1% in June.
- Locally, the unemployment rate increased 40 basis points in May to 4.8%. Approximately 12,700 jobs were added to the local economy over the past year, with Education and Health Services jobs in the lead, followed by Government jobs.
- The number of office-using jobs in the U.S. decreased by 0.2% year over year in May; locally, office-using jobs decreased by 2.9% during the same period. The Professional and Business Services industry lost 30,400 jobs in the Chicago area year over year, the Financial Activities industry lost 3,100 jobs, and the Information industry lost 2,500 jobs.

Y-O-Y CHANGE IN OFFICE JOBS



SHARE OF EMPLOYEES BY INDUSTRY

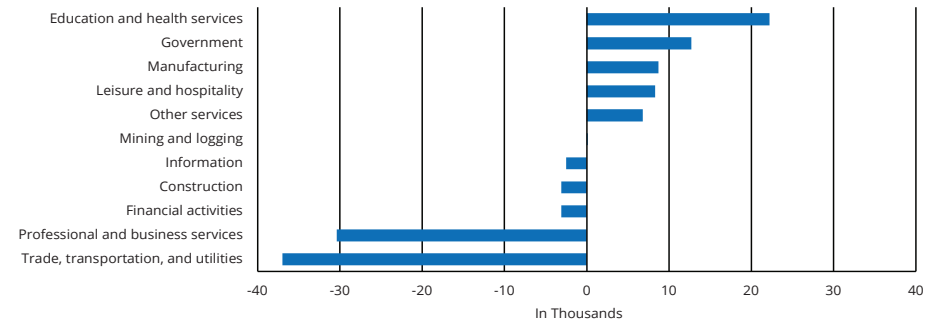
Chicago MSA | May 2024



Source: Bureau of Labor Statistics

Y-O-Y JOB GROWTH BY INDUSTRY

Chicago MSA | May 2024





NET ABSORPTION

More Negative Absorption

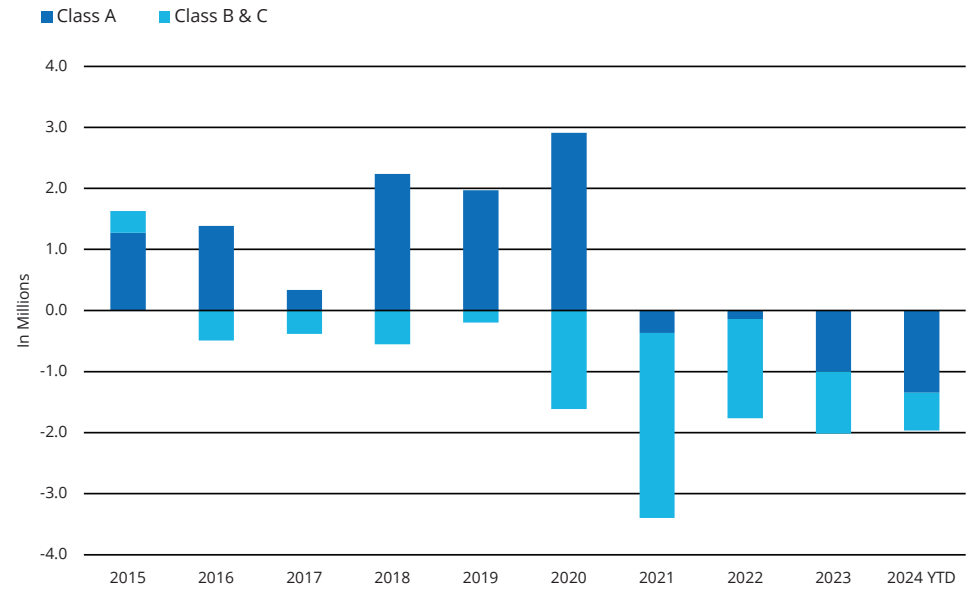
- Net absorption totaled negative 199,260 square feet during the second quarter of 2024, bringing the year-to-date total down to nearly negative two million square feet.
- There was negative 104,636 square feet of absorption in the Class A sector and negative 94,624 square feet in the Class B and C sectors.
- One of the largest contributors to the negative absorption was Molson Coors' departure from 250 S. Wacker Drive. The beverage company moved out of approximately 160,000 square feet and relocated to 84,000 square feet at the newly built trophy tower at 320 S. Canal St.

LEASING ACTIVITY

Largest Deal is a Sublease

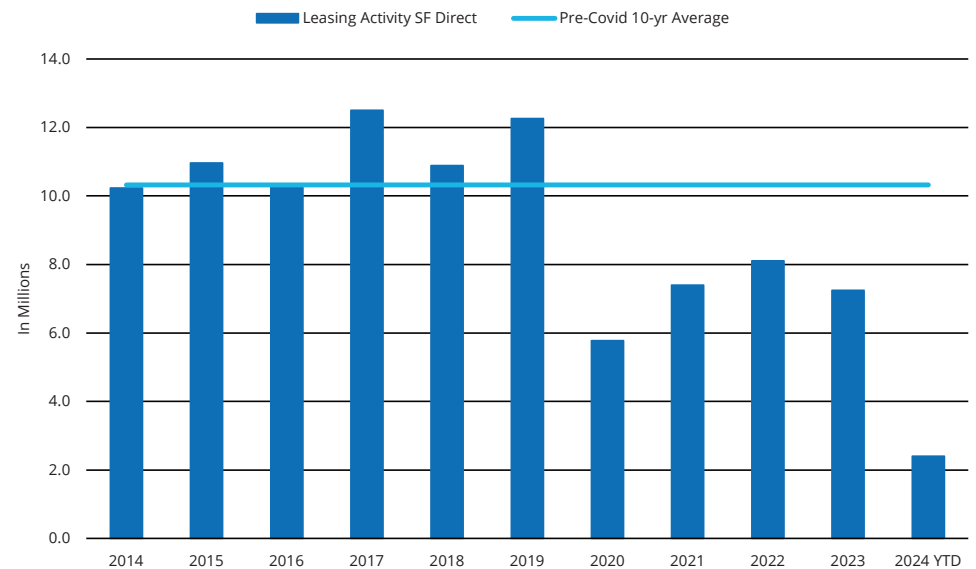
- The largest deal signed in the second quarter was Grubhub's sublease of 89,000 square feet from PayPal at 222 W. Merchandise Mart Plaza in the River North submarket. Grubhub will be leaving behind 128,000 square feet at 111 W. Washington St. in the Central Loop.
- The largest direct new deal was Lessen's lease of 77,000 square feet at 203 N. LaSalle St. in the Central Loop across the street from where Google's new office will be. Lessen recently acquired SMS Assist, which had approximately 114,000 square feet at 130 E. Randolph St. in the East Loop.
- Two expansions to recently signed leases were added in the second quarter. Invenergy, which signed a 94,000-square-foot renewal and 84,000-square-foot expansion at 1 S. Wacker Drive in 2023, added another 47,000 square feet. Norton Rose Fulbright, which was the first law firm to move to Fulton Market when it leased 19,000 square feet at 1045 W. Fulton Market in 2022, added another 15,000 square feet to its office.

NET ABSORPTION BY CLASS



Source: Transwestern, CoStar

LEASING ACTIVITY



Source: Transwestern, CoStar



DIRECT VACANCY

Vacancy Rate Continues to Rise

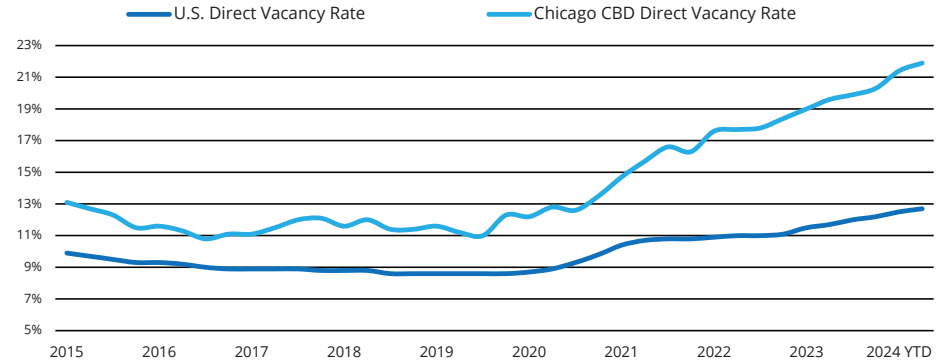
- The direct vacancy rate in Chicago’s CBD increased by 50 basis points during the second quarter to 21.9%, up 230 basis points year over year.
- Chicago’s Class A direct vacancy rate increased by 70 basis points during the second quarter to 19.6%, while the combined Class B and C rate increased by 10 basis points to 25.9%.
- Chicago’s vacancy rates continue to climb faster than in other U.S. cities as Chicago’s office market grapples with challenges that existed before COVID-19 took a toll on the office sector. Large amounts of new inventory came online just when leasing activity came to a standstill, leaving many large blocks of vacancy difficult to fill. Chicago’s vacancy rate can be expected to climb even further as sublease spaces roll to direct availability and tenant contractions come to fruition.

SUBLEASE AVAILABILITY

Sublet Availability Falls Further

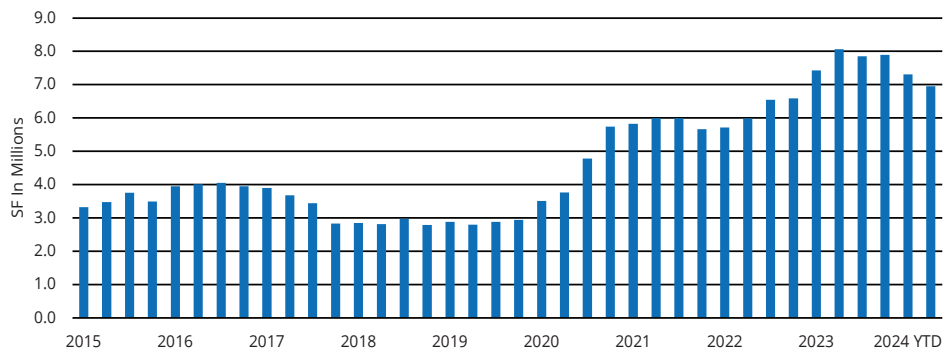
- The amount of available sublease space fell to just under 7 million square feet in the second quarter of 2024 from a historic high of 8.1 million square feet in the second quarter of 2023. The current sublease inventory represents 4.4% of total inventory.
- The decrease in available sublease space in the first quarter was primarily due to space reverting to direct availability. In the second quarter, the decrease in available sublease space was primarily due to sublease activity. Five known subleases larger than 20,000 square feet were signed with a combined total of 241,729 square feet.
- Two new blocks of sublease space larger than 50,000 square feet were added to the market in the second quarter: 79,632 square feet of WPP’s space at 333 N. Green St. and Harrison Street’s 50,877-square-foot space at 444 W. Lake St.

DIRECT VACANCY RATE



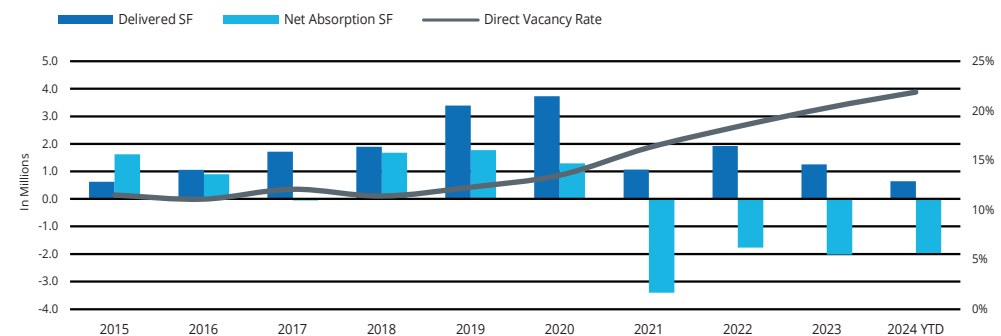
Source: Transwestern, CoStar

AVAILABLE SUBLEASE SPACE



Source: Transwestern, CoStar

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern, CoStar

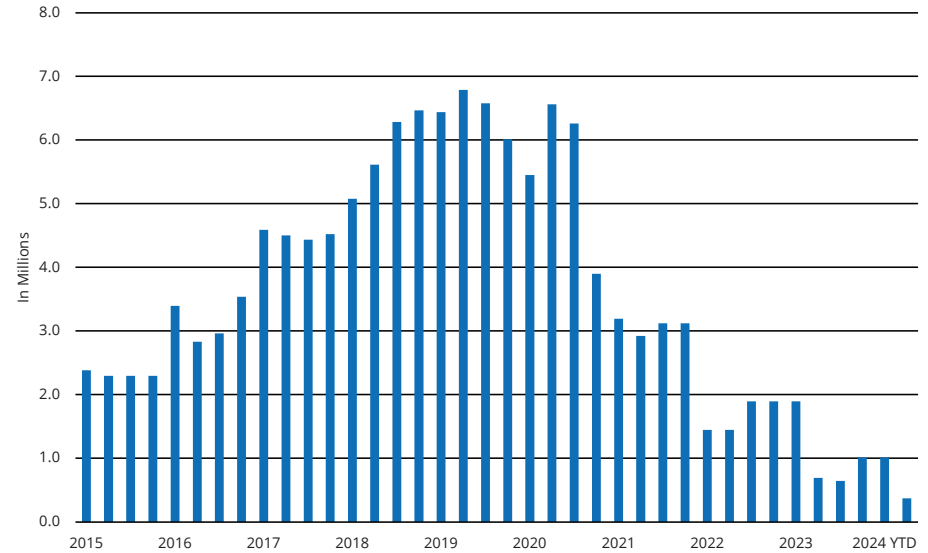


UNDER CONSTRUCTION

Two New Developments Delivered

- Chicago’s development pipeline had only 369,008 square feet under construction at the end of the second quarter, down significantly from the high of 6.8 million square feet under construction in 2019.
- Two office developments were delivered in the second quarter. The first development was a 493,683-square-foot office property at 360 N. Green St. in Fulton Market. It is 68.2% preleased by three tenants: Boston Consulting Group, Greenberg Traurig, and Readystate Asset Management. The second property completed was 311 W. Huron St. in River North, which is 153,611 square feet and 31.6% preleased.
- The only office development that remains under construction is 919 W. Fulton Market. The 369,008-square-foot office building is expected to be delivered in May of 2025. Harrison Street Capital signed a 112,004-square-foot lease at the development in September.
- Office construction in Chicago’s CBD is expected to remain constrained in the coming years as high interest rates and an uncertain future for office demand keep developers and investors on the sidelines. However, continued enthusiasm for the Fulton Market area and tenant demand for the highest quality space may tempt some bullish developers to move forward with their plans.

UNDER CONSTRUCTION



Source: Transwestern, CoStar

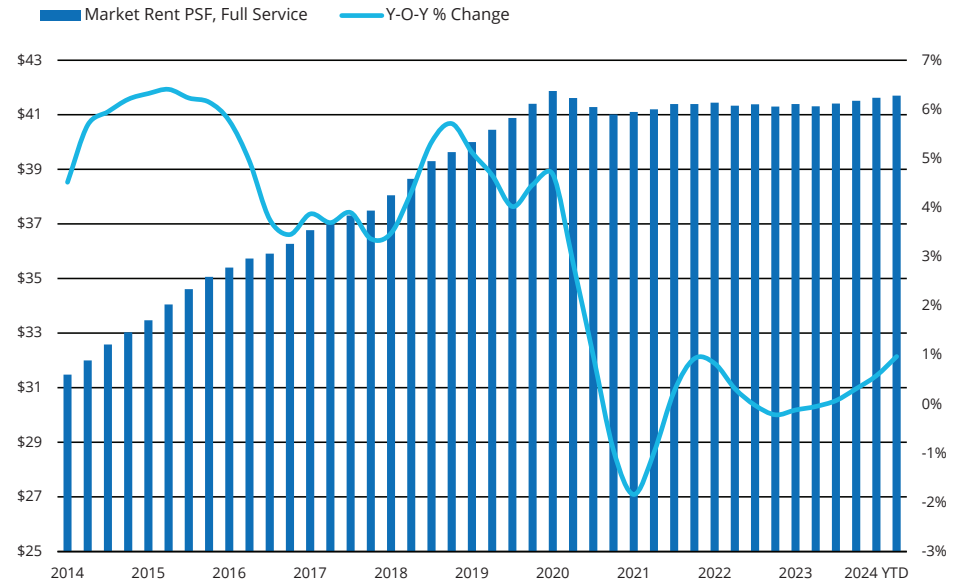


RENTAL RATES

Market Rents Hold Steady

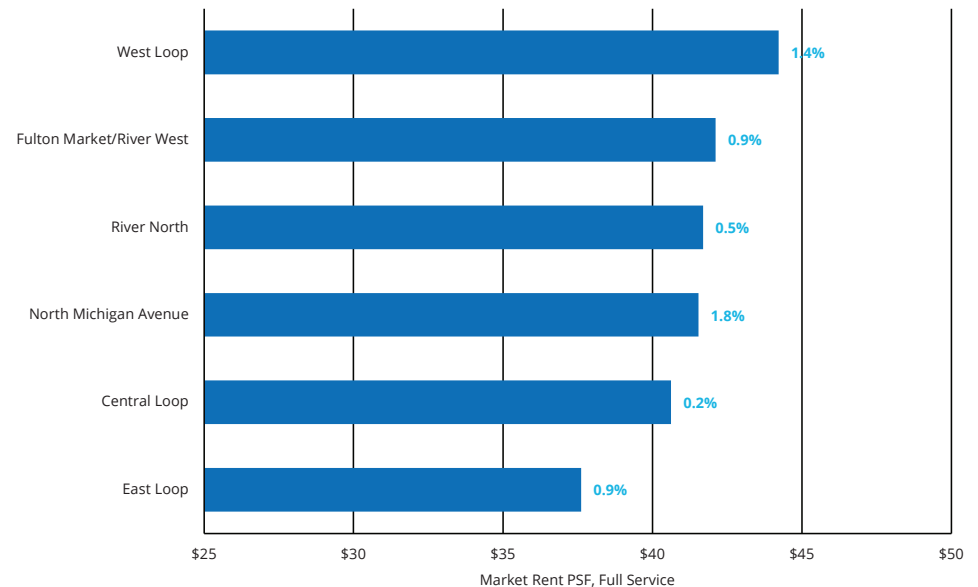
- Market rents continue to hold firm despite elevated vacancy, up 0.9% year over year to \$41.70 per square foot in the second quarter.
- Class A market rents rose 1.3% year over year to \$45.00 per square foot in the second quarter. The Class A market may see rents continue to increase over the next 12 months as flight to quality drives competition for the highest quality space.
- Class B and C market rents, which were \$35.88 per square foot in the second quarter, have generally held steady after declining in 2020 and are not expected to increase.
- Landlords have widely elected to offer more robust concession packages while maintaining face rents. Rent abatement has increased slightly, and tenant improvement allowances have increased significantly due to higher construction costs. Landlords with available capital have been investing in more spec suites, which tend to lease faster as tenants are less interested in spaces that will require lengthy build outs.
- Class A rents in the Fulton Market/River West submarket, which are nearly \$50 per square foot, continue to rise above all the other submarkets.

MARKET RENT



Source: Transwestern, CoStar

MARKET RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: Transwestern, CoStar

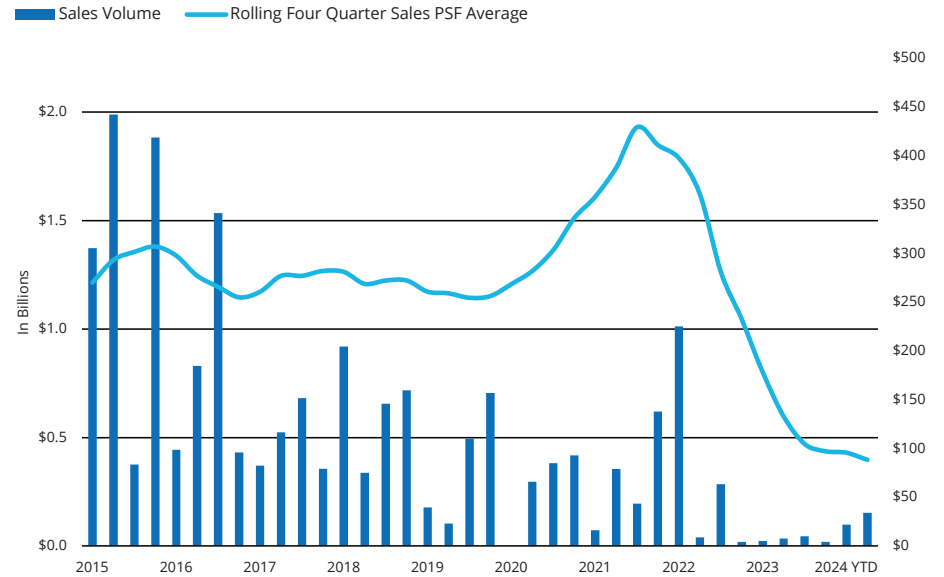


SALES

Office Values Plummet

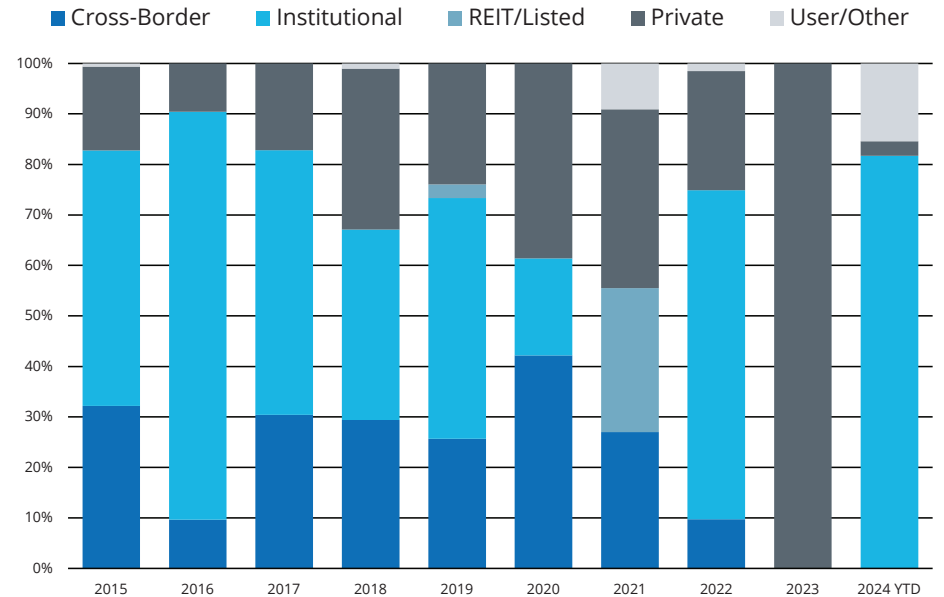
- There were five office sale transactions completed in Chicago’s CBD in the second quarter, all of which represent significant loss of value.
- Beacon Capital Partners acquired 333 W. Wacker Drive for \$125 million, or \$141 per square foot. Though this was the largest price paid for an office building in Chicago in over two years, it is 61% less than the \$320.5 million the previous owner paid for it and 20% less than the \$156 million loan from Allianz Life Insurance that was used to finance the acquisition in 2015. Beacon was provided with seller financing from Allianz for 90% of the purchase price.
- A joint venture including Prime Group and Clayco purchased 35 E. Wacker Drive, a historic property known as the Jewelers Building, for \$25 million, or \$45 per square foot. This sale price is less than half of the \$51 million mortgage on the property that was due last summer.
- Namdar Realty Group bought the loan note tied to 1 N. LaSalle St., which had a remaining balance of \$74 million, for \$17.5 million, or \$36 per square foot. Bridge Investment Group had purchased the property for \$113 million in 2018 and was unable to refinance the debt when the loan matured in October of 2022.
- Bixby Bridge Capital and Franklin Partners purchased the 258,658-square-foot office portion of 20 W. Kinzie St. for \$20 million. The buyers are the existing owners of the 123,673-square-foot hotel portion of the building and paid cash for the office acquisition. Alter Group, the building’s owner and developer, had taken out a \$60 million loan on the property in 2019.
- Brog Properties purchased 216 W. Jackson Blvd. at auction for \$2.575 million, or \$14 per square foot. The property was last sold in 2013 for \$22.3 million.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



Q2 2024 NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
GrubHub	222 W Merchandise Mart	River North	Sublease	89,010
Lessen	203 N LaSalle	Central Loop	New	76,932
Chicago Title Insurance Company	35 W Wacker	Central Loop	Sublease	75,225
Grosvenor Capital Management	900 N Michigan	North Michigan Ave	Ren/Con	72,738
American Dental Association	401 N Michigan	North Michigan Ave	New	69,574
Office of Inspector General	231 S LaSalle	Central Loop	New	49,863
Invenergy	1 S Wacker	West Loop	Exp	47,000
CannonDesign	225 N Michigan	East Loop	Ren/Con	39,252
Addison Group	225 W Randolph	West Loop	New	35,269
Northwestern Mutual	225 W Randolph	West Loop	New	32,835
Quinn Emanuel Urquhart & Sullivan	191 N Wacker	West Loop	Ren/Exp	30,673
Spaulding Ridge	203 N LaSalle	Central Loop	Sublease	29,626
Center for Research in Security Prices	500 W Madison	West Loop	New	28,925
BDO	225 W Randolph	West Loop	New	28,680
Blue Owl Capital	150 N Riverside	West Loop	Sublease	27,868
Prudential	150 N Riverside	West Loop	New	27,580
Salvi, Schostok & Pritchard	161 N Clark	Central Loop	Ren/Exp	26,184
HOK	130 E Randolph	East Loop	New	25,450
AECOM	130 E Randolph	East Loop	New	23,000
Glanbia	227 W Monroe	West Loop	Ren	22,452
General Reinsurance Corporation	1 N Wacker	West Loop	Ren/Exp	22,227
Jupiter Power	200 W Madison	West Loop	New	21,660
Segal	101 N Wacker	West Loop	Ren/Con	20,757
Briar Hall	333 W Wacker	West Loop	New	20,000
Kin Insurance	222 W Merchandise Mart	River North	Sublease	20,000
Piper Jaffray	444 W Lake	West Loop	Ren/Con	20,000
CCRM Fertility	225 W Wacker	West Loop	New	19,477
Wiedner & McAuliffe	1 N Franklin	West Loop	Ren	18,807
Cameo	320 N Elizabeth	Fulton Market/River West	New	17,302
Disbelief	125 S Clark	Central Loop	New	16,357
R. M. Chin & Associates	801 S Canal	West Loop	New	15,473
Norton Rose Fulbright	1045 W Fulton	Fulton Market/River West	Exp	15,000

= Transwestern deal

Source: Transwestern, CoStar



2024 NOTABLE SALES

ADDRESS	STATUS	DATE	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	SELLER	BUYER
161 N CLARK	On the Market	Q2 2024	Central Loop	\$110,000,000	1,068,877	\$103	CBREIM/ Societe Generale (Lender)	TBD
550 W WASHINGTON	On the Market	Q2 2024	West Loop	\$37,259,600	372,596	\$100	Metlife	TBD
30 W MONROE	On the Market	Q2 2024	Central Loop	\$26,180,110	238,011	\$110	Capital Properties	TBD
111 W ILLINOIS	On the Market	Q2 2024	River North	\$15,526,300	155,263	\$100	GLL RE Partners	TBD
211 E CHICAGO	Under Contract	Q1 2024	North Michigan Ave	TBD	394,230	TBD	American Dental Association	Ann & Robert H. Lurie Children's Hospital
500 N MICHIGAN	Under Contract	Q1 2024	North Michigan Ave	\$65,000,000	322,443	\$202	Schapira/ Truist (Lender)	Inspired
333 W WACKER	Sold	Q2 2024	West Loop	\$125,000,000	887,940	\$141	AFL-CIO Building Investment Trust/Allianz (Lender)	Beacon Capital Partners
35 E WACKER	Sold	Q2 2024	East Loop	\$25,000,000	558,013	\$45	Dorchester/ Manulife (Lender)	Prime Group/CRG/Clayco
1 N LASALLE	Sold	Q2 2024	Central Loop	\$17,500,000	489,923	\$36	Bridge Investment Group	Namdar
20 W KINZIE	Sold	Q2 2024	River North	\$20,000,000	258,658	\$77	Alter Group / Bank of America (Lender)	Bixby/Franklin Partners
216 W JACKSON	Sold	Q2 2024	West Loop	\$2,575,000	185,479	\$14	Starwood Capital Group	Brog Properties

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS TABLE

All Classes of Space | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE*	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	36,308,025	9,144,673	25.2%	26.5%	0	34,067	-397,540	\$40.62
EAST LOOP	26,973,421	6,688,404	24.8%	25.9%	0	-126,006	-520,787	\$37.61
FULTON MARKET/RIVER WEST	8,777,020	1,303,910	14.9%	17.3%	369,008	194,357	152,742	\$42.11
NORTH MICHIGAN AVE	10,054,116	1,882,530	18.7%	21.5%	0	-56,702	-192,016	\$41.54
RIVER NORTH	17,792,405	4,427,111	24.9%	26.0%	0	-169,543	-471,901	\$41.69
WEST LOOP	58,803,072	11,267,979	19.2%	21.6%	0	-75,433	-534,766	\$44.22
TOTAL	158,708,059	34,714,607	21.9%	23.7%	369,008	-199,260	-1,964,268	\$41.70

Source: Transwestern, CoStar

Class A | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE*	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	11,005,808	2,296,340	20.9%	23.8%	0	56,383	-16,867	\$44.63
EAST LOOP	17,977,101	4,297,705	23.9%	25.0%	0	-182,196	-546,716	\$40.07
FULTON MARKET/RIVER WEST	5,386,613	710,297	13.2%	16.9%	369,008	195,604	139,970	\$49.97
NORTH MICHIGAN AVE	8,686,281	1,507,394	17.4%	20.5%	0	-63,762	-202,353	\$42.16
RIVER NORTH	12,578,921	3,157,391	25.1%	26.1%	0	-180,869	-386,661	\$45.79
WEST LOOP	45,623,590	7,845,373	17.2%	19.7%	0	70,204	-332,619	\$46.73
TOTAL	101,258,314	19,814,500	19.6%	21.8%	369,008	-104,636	-1,345,246	\$45.00

Source: Transwestern, CoStar

Class B & C | Q2 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE*	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	MARKET RENT PSF, FULL SERVICE
CENTRAL LOOP	25,302,217	6,848,333	27.1%	27.7%	0	-22,316	-380,673	\$38.87
EAST LOOP	8,996,320	2,390,699	26.6%	27.7%	0	56,190	25,929	\$32.70
FULTON MARKET/RIVER WEST	3,390,407	593,613	17.5%	18.0%	0	-1,247	12,772	\$28.76
NORTH MICHIGAN AVE	1,367,835	375,136	27.4%	27.8%	0	7,060	10,337	\$37.62
RIVER NORTH	5,213,484	1,269,720	24.4%	25.6%	0	11,326	-85,240	\$31.79
WEST LOOP	13,179,482	3,422,606	26.0%	28.3%	0	-145,637	-202,147	\$35.56
TOTAL	57,449,745	14,900,107	25.9%	27.1%	0	-94,624	-619,022	\$35.88

Source: Transwestern, CoStar

*Direct plus sublease vacancy



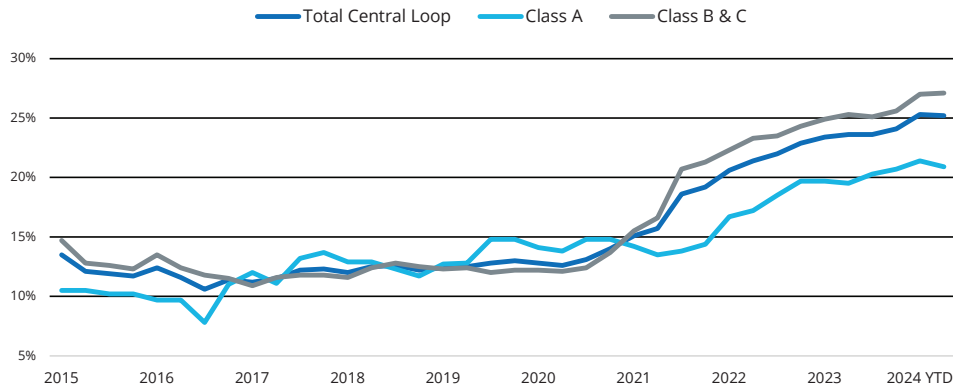
CENTRAL LOOP

Central Loop Gets Largest Direct New Deal

- The Central Loop submarket had 34,067 square feet of positive absorption in the second quarter, and the direct vacancy rate decreased by 10 basis points to 25.2%.
- The largest direct new CBD deal of the second quarter took place in the Central Loop. Lessen leased 77,000 square feet at 203 N. LaSalle St., across the street from where Google’s new office will be.
- There were six leases larger than 15,000 square feet signed in the Central Loop in the second quarter, two of which were subleases.
- There was one sale transaction in the Central Loop in the second quarter. Namdar acquired 1 N. LaSalle St. for \$17.5 million, or \$36 per square foot, by buying the loan note tied to the property.

The Central Loop’s boundaries are the Chicago River (north), Wells Street (west), State Street (east), and Harrison Street (south). The Central Loop includes the Financial District, as well as many government offices, law firms, and professional services.

DIRECT VACANCY



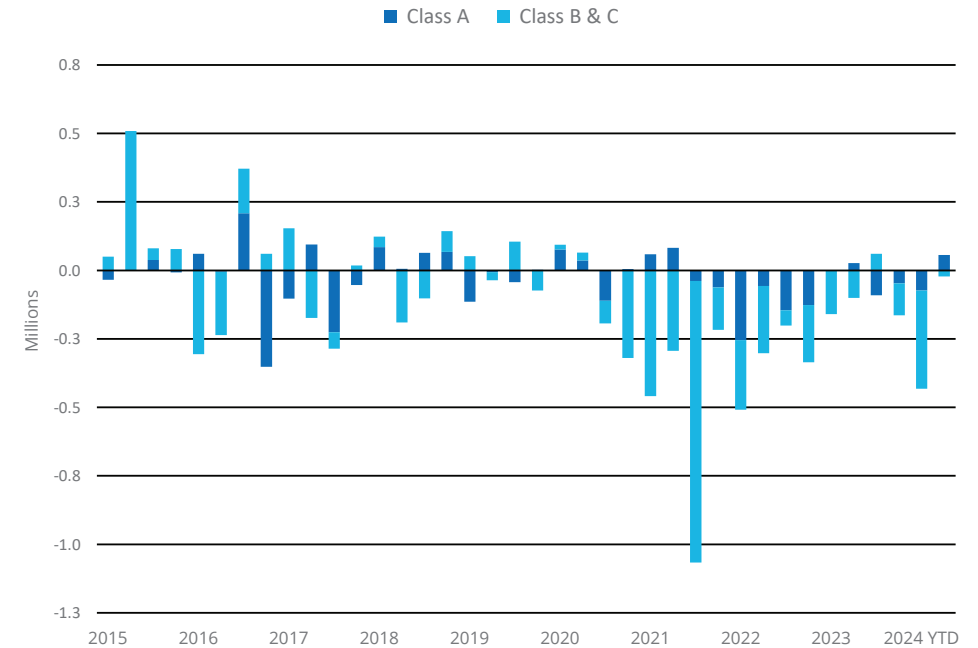
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2024	Q2 2023	TREND
INVENTORY	36,308,025	36,308,025	↔
DIRECT VACANCY RATE	25.2%	23.6%	↑
OVERALL VACANCY RATE	26.5%	25.5%	↑
YTD NET ABSORPTION (SF)	(397,540)	(232,829)	↓
YTD DIRECT LEASING ACTIVITY (SF)	478,438	726,290	↓
AVAILABLE SUBLEASE (SF)	1,468,607	1,721,377	↓
CLASS A MARKET RENT	\$44.63	\$44.51	↑
CLASS B & C MARKET RENT	\$38.87	\$38.92	↓

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



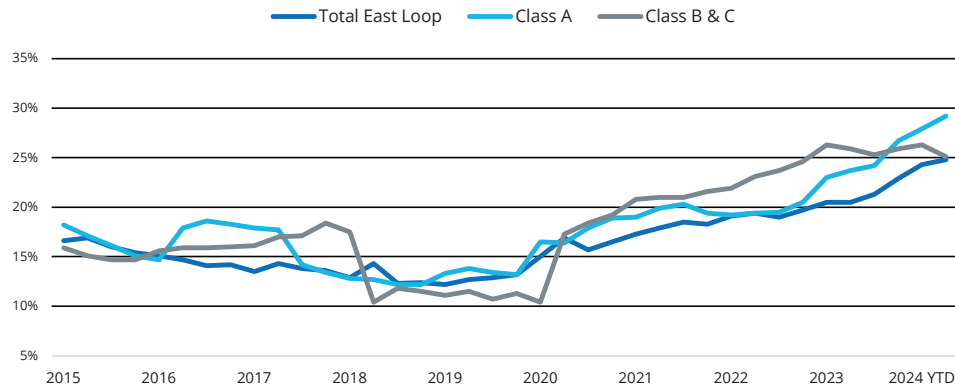
EAST LOOP

Historic Building Sold

- The East Loop had 126,006 square feet of negative absorption in the second quarter, and the direct vacancy rate increased by 50 basis points to 24.8%.
- Two large new leases were signed at 130 E. Randolph St., part of Prudential Plaza, in the second quarter. HOK leased 25,450 square feet and AECOM leased 23,000 square feet.
- A joint venture including Prime Group and Clayco purchased 35 E. Wacker Drive, a historic property known as the Jewelers Building, for \$25 million, or \$45 per square foot.

The East Loop is bordered by the Chicago River (north), State Street (west), Lake Michigan (east), and Harrison Street (south). It is inhabited by a variety of corporate tenants with a heavy lean toward advertising and media firms.

DIRECT VACANCY



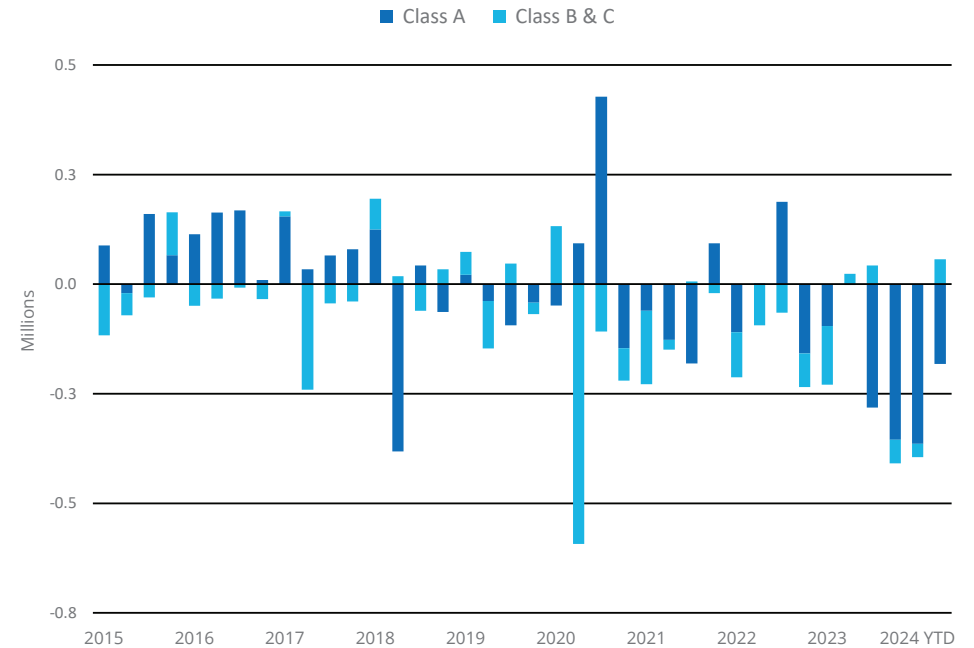
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2024	Q2 2023	TREND
INVENTORY	26,973,421	26,973,421	↔
DIRECT VACANCY RATE	24.8%	20.5%	↑
OVERALL VACANCY RATE	25.9%	21.7%	↑
YTD NET ABSORPTION (SF)	(520,787)	(207,917)	↓
YTD TOTAL LEASING ACTIVITY (SF)	243,784	351,828	↓
AVAILABLE SUBLEASE (SF)	986,767	1,037,149	↓
CLASS A MARKET RENT	\$40.07	\$40.15	↓
CLASS B & C MARKET RENT	\$32.70	\$32.69	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



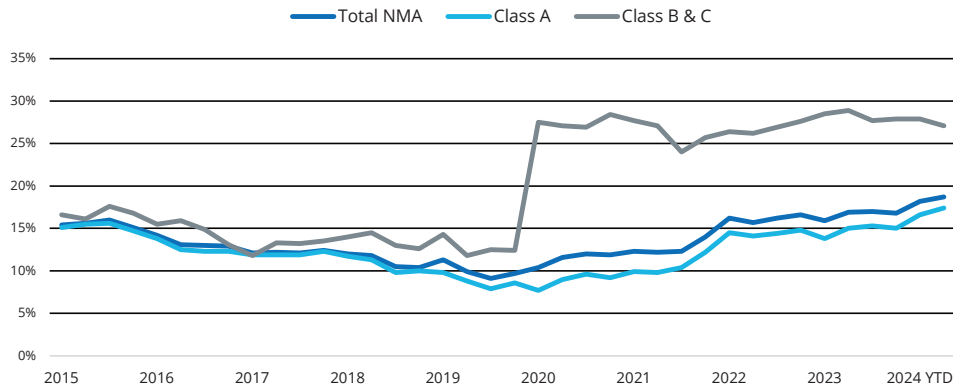
NORTH MICHIGAN AVENUE

Two Buildings Under Contract

- The North Michigan Avenue submarket had 56,702 square feet of negative absorption in the second quarter, and the direct vacancy rate increased by 50 basis points to 18.7%.
- Two office buildings in the North Michigan Avenue submarket remain under contract to be purchased. The American Dental Association is negotiating the sale of 211 E. Chicago Ave. to Ann & Robert H. Lurie Children’s Hospital for an undisclosed amount. The office building at 500 N. Michigan Ave. is also reported to be under contract for an estimated \$65 million.
- **LARGEST NEW DEAL:** American Dental Association - 69,574 square feet - 401 N. Michigan Ave.
- **LARGEST RENEWAL:** Grosvenor Capital Management - 72,738 square feet (also a contraction of 40,000 square feet)

The North Michigan Avenue submarket borders include Division Street (north), State Street (west), Lake Michigan (east), and the Chicago River (south). It is home to retailers, hotels, restaurants, entertainment venues, advertising and marketing agencies, and the Northwestern Memorial Hospital campus.

DIRECT VACANCY



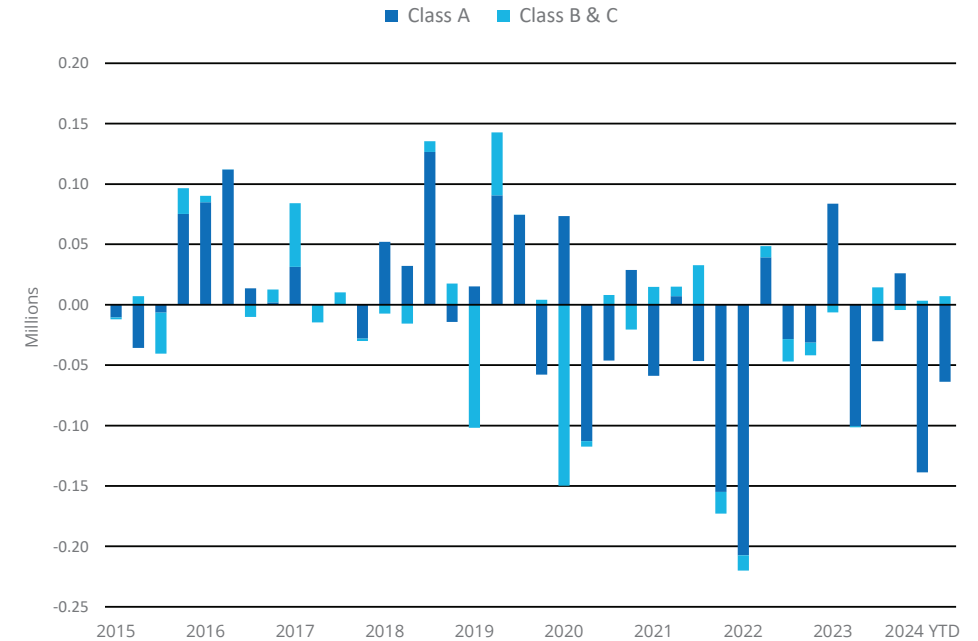
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2024	Q2 2023	TREND
INVENTORY	10,054,116	10,054,116	↔
DIRECT VACANCY RATE	18.7%	16.9%	↑
OVERALL VACANCY RATE	21.5%	19.2%	↑
YTD NET ABSORPTION (SF)	(192,016)	(24,357)	↓
YTD TOTAL LEASING ACTIVITY (SF)	198,269	132,752	↑
AVAILABLE SUBLEASE (SF)	494,016	484,672	↑
CLASS A MARKET RENT	\$42.16	\$41.34	↑
CLASS B & C MARKET RENT	\$38.62	\$37.03	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



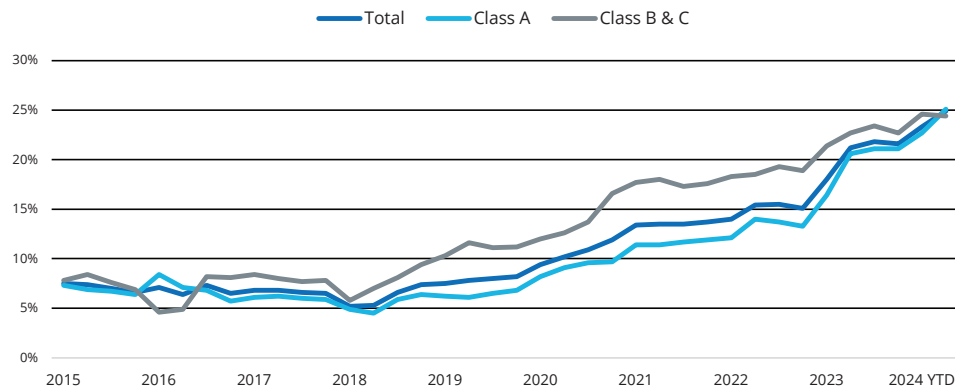
RIVER NORTH

Grubhub Signs Sublease

- The River North submarket had 169,543 square feet of negative absorption in the second quarter, and the direct vacancy rate increased by 160 basis points to 24.9%.
- A 153,611-square-foot office development at 311 W. Huron St. was completed in the second quarter. The new building is 31.6% preleased.
- Two large subleases were signed at 222 W. Merchandise Mart Plaza in the second quarter. Grubhub subleased 89,000 square feet from PayPal, and Kin Insurance subleased 20,000 square feet from Avant. There were no other reported deals over 15,000 square feet signed in River North in the second quarter.
- Bixby Bridge Capital and Franklin Partners purchased the 258,658-square-foot office portion of 20 W. Kinzie St. for \$20 million. The buyers are the existing owners of the 123,673-square-foot hotel portion of the building.

The borders of the River North submarket are defined as Division Street (north), State Street (east), and the Chicago River (west & south). Historically, it has been home to small, older buildings that cater to furniture galleries and small businesses, but has more recently become a hub for technology, startups, and trading firms.

DIRECT VACANCY



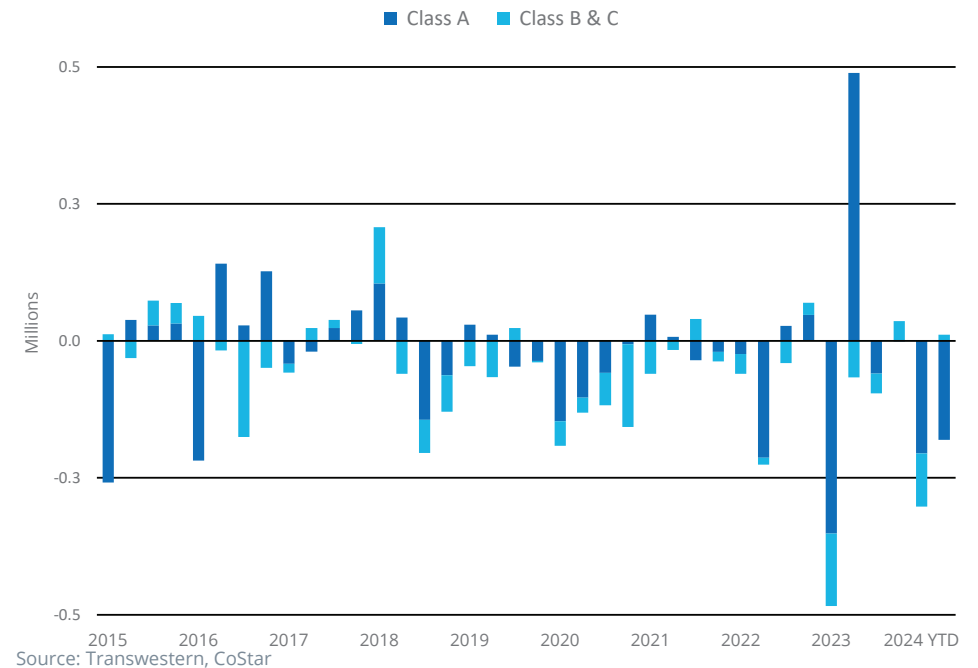
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2024	Q2 2023	TREND
INVENTORY	17,792,405	17,638,794	↑
DIRECT VACANCY RATE	24.9%	21.2%	↑
OVERALL VACANCY RATE	26.0%	25.2%	↑
YTD NET ABSORPTION (SF)	(471,901)	(61,830)	↓
TOTAL LEASING ACTIVITY (SF)	343,133	358,384	↓
AVAILABLE SUBLEASE (SF)	558,430	1,162,459	↓
CLASS A MARKET RENT	\$45.79	\$45.39	↑
CLASS B & C MARKET RENT	\$31.79	\$32.03	↓

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



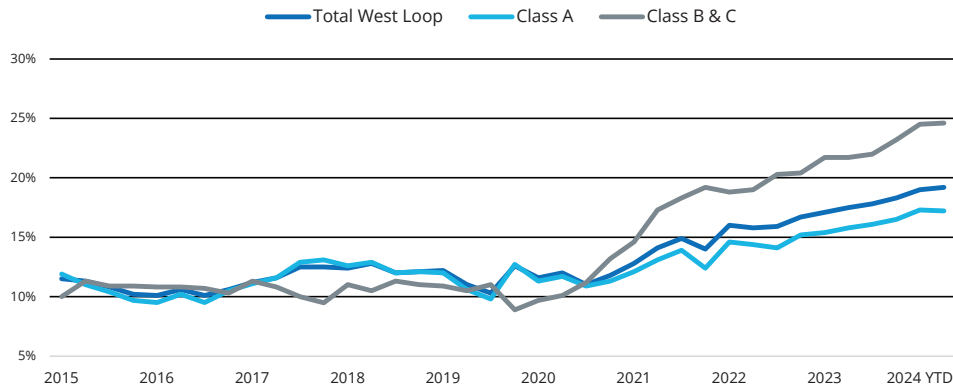
WEST LOOP

Three Tenants Sign On at The Bell

- The West Loop submarket had 75,433 square feet of negative absorption in the second quarter, and the direct vacancy rate increased by 80 basis points to 19.2%.
- Three large leases were signed at 225 W. Randolph St., the building being redeveloped known as The Bell. Addison Group leased 35,269 square feet, Northwestern Mutual leased 32,835 square feet, and BDO leased 28,680 square feet.
- Invenergy signed a 47,000-square-foot expansion at 1 S. Wacker Drive. This expansion is in addition to the 94,000-square-foot renewal and 84,000-square-foot expansion it signed at the building last year.
- Two West Loop office buildings changed ownership in the second quarter. Beacon Capital Partners acquired 333 W. Wacker Drive for \$125 million, or \$141 per square foot. Brog Properties purchased 216 W. Jackson Blvd. at auction for \$2.575 million, or \$14 per square foot.

The West Loop's borders are defined as the Chicago River and Kinzie Drive (north), Halsted Street (west), Wells Street (east), and Harrison Street (south). The West Loop is the largest submarket and is home to law firms, financial services firms, insurance companies, and multiple corporate headquarters.

DIRECT VACANCY



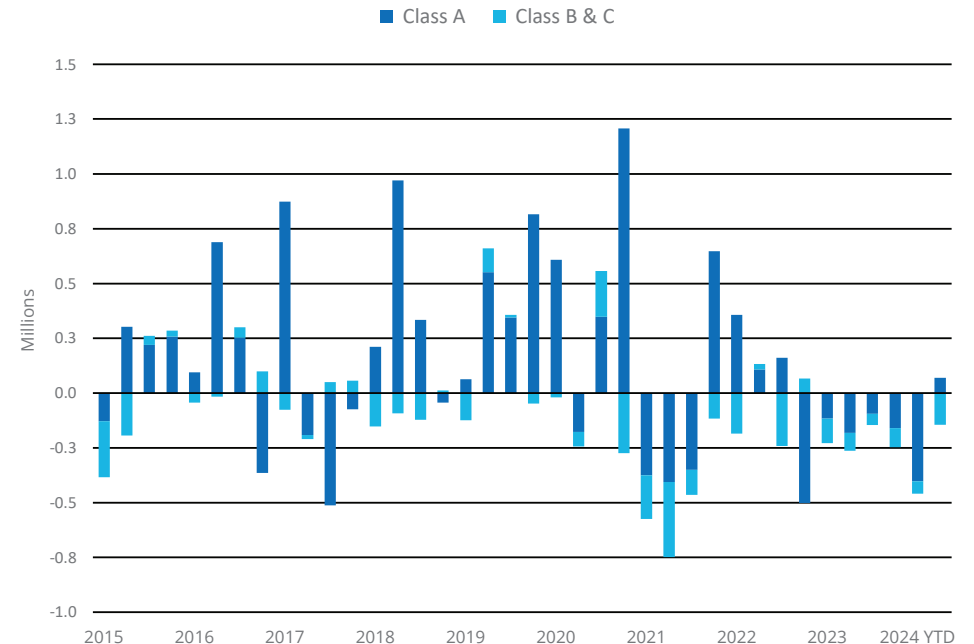
Source: Transwestern, CoStar

Y-O-Y COMPARISON

	Q2 2024	Q2 2023	TREND
INVENTORY	58,803,072	58,755,499	↑
DIRECT VACANCY RATE	19.2%	17.5%	↑
OVERALL VACANCY RATE	21.6%	19.9%	↑
YTD NET ABSORPTION (SF)	(534,766)	(492,169)	↓
YTD TOTAL LEASING ACTIVITY (SF)	939,921	1,819,676	↓
AVAILABLE SUBLEASE (SF)	2,905,050	3,202,312	↓
CLASS A MARKET RENT	\$45.98	\$45.77	↑
CLASS B & C MARKET RENT	\$35.56	\$35.40	↑

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



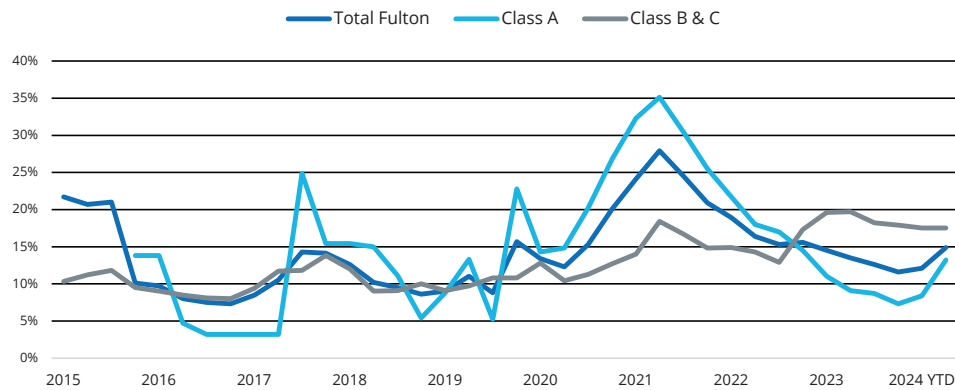
FULTON MARKET/RIVER WEST

New Building Delivered

- New office buildings in Fulton Market have defied the market conditions seen in the rest of the city. Class A buildings in the submarket command the highest rents, and the Class A direct vacancy rate is 13.2%.
- A 493,683-square-foot office property at 360 N. Green St. was delivered in the second quarter. It is 68.2% preleased by three tenants: Boston Consulting Group, Greenberg Traurig, and Readystate Asset Management.
- WPP put 79,632 square feet of sublease space on the market at 333 N. Green St. in the second quarter.
- LARGEST DIRECT NEW DEAL: Cameo - 17,302 square feet - 320 N. Elizabeth St.
- LARGEST EXPANSION: Norton Rose Fulbright - 15,000 square feet - 1045 W. Fulton St.

Fulton Market/River West's borders are defined as Hubbard Street (north), Ashland Avenue (west), Halsted Street (east), and I-290 Eisenhower Expressway (south). River West is a rapidly growing submarket, particularly the Fulton Market area, which has been attracting prominent tenants and many investors eager to capitalize on its redevelopment potential. The submarket's growth since 2015 has been exponential.

DIRECT VACANCY



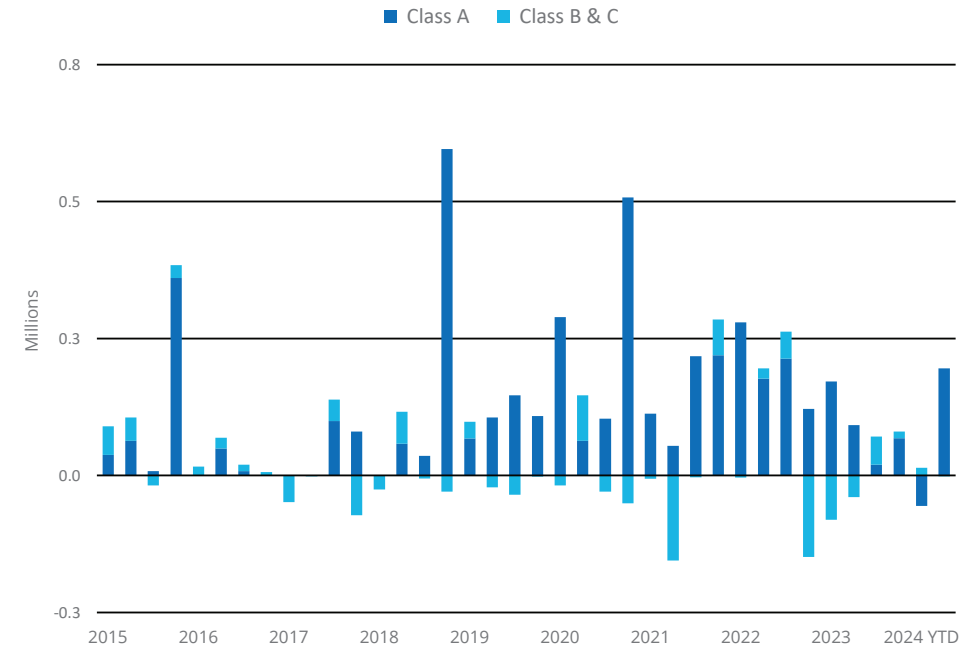
Source: Transwestern, CoStar

Y-O-Y COMPARISON

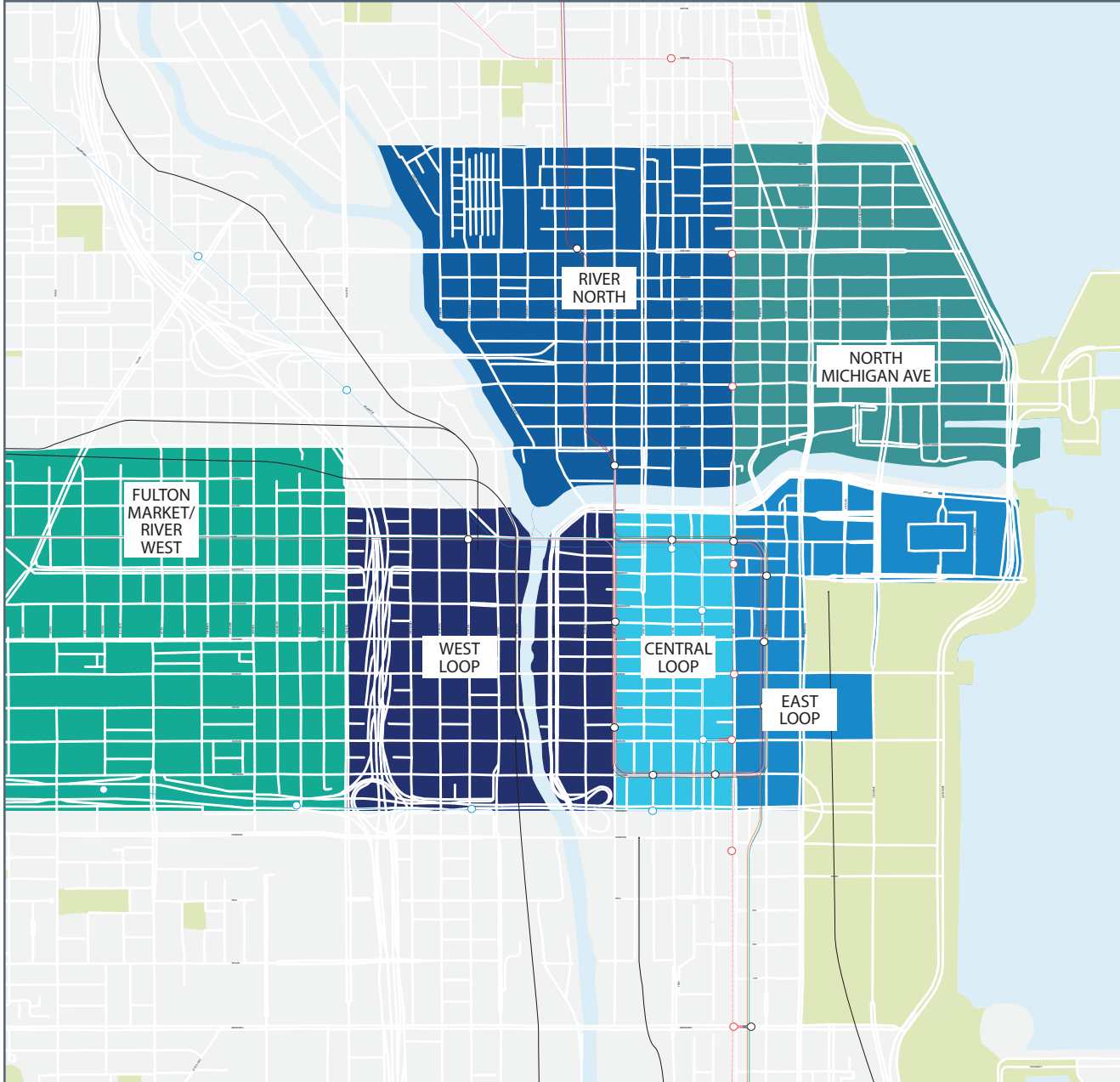
	Q2 2024	Q2 2023	TREND
INVENTORY	8,777,020	8,284,488	↑
DIRECT VACANCY RATE	14.9%	13.5%	↑
OVERALL VACANCY RATE	17.3%	15.7%	↑
YTD NET ABSORPTION (SF)	152,742	142,651	↑
TOTAL LEASING ACTIVITY (SF)	81,144	123,714	↓
AVAILABLE SUBLEASE (SF)	554,212	393,160	↑
CLASS A MARKET RENT	\$49.97	\$49.45	↑
CLASS B & C MARKET RENT	\$28.76	\$28.94	↓

Source: Transwestern, CoStar

NET ABSORPTION



Source: Transwestern, CoStar



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Chicago metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties 40,000 square feet and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

FOR MORE INFORMATION

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