

# YEAR-END 2023 OFFICE MARKET REPORT

Suburban Chicago





# CONTENTS

Market Overview	4
Comparisons, Indicators, & Trends	6
East-West Corridor	10
Northern Suburbs	12
Northwest Suburbs	14
O'Hare	16
Suburban Chicago Submarkets Map	18



# LEASING VELOCITY IMPROVED AMID RISING DEMAND FOR SMALLER SPACES

In the second half of 2023, leasing velocity increased as companies were more frequently calling their employees back to the office, some even [reversing seemingly permanent remote work policies](#) to promote company culture and increase productivity. A recent [workplace study](#) by accounting firm KPMG revealed that almost two-thirds of U.S. chief executives believe corporate employees whose roles were traditionally based in offices will be back onsite within the next three years. Nearly twice as many CEOs this year believe that companies will return to the office compared to the 2022 survey, when only one-third of CEOs saw employees returning in-person.

While companies are bringing employees back and signing new leases, they're typically reducing their overall footprint. The average lease signed in the suburbs this year was 3,641 square feet, 36% less than the average lease size of 5,676 square feet seen from 2015-2019. Lower demand for office space has led to a glut of inventory in the Chicagoland area. The oversupply issues have led owners to offer substantial concession packages. Unfortunately, not all landlords have the financial flexibility to compete for new tenants in today's increasingly competitive market, leading to higher levels of financial distress.

In total, Chicago's suburban office market vacancy rate increased to 28.3% while absorption worsened—there was negative 930,000 square feet of net absorption. Absorption through the year totaled negative 1.2 million square feet, which is nearly double the negative 620,000 square feet absorbed through 2022. Despite the occupancy struggles, rental rates remained steady at \$27 per square foot as leasing activity surpassed pre-pandemic levels.

## Leasing Activity

Leasing activity has stabilized in the Chicagoland suburbs as companies leased more than 5.2 million square feet of office space in 2023, above the 4.8 million square feet leased in 2019, prior to the pandemic. However, this represents a 13% decline compared to the 6 million square feet leased in 2022. The largest lease of 2023 was signed in October by the Federal Aviation Administration, for more than 108,000 square feet of space at 9600 W. Bryn Mawr in the O'Hare submarket. This lease represents a 42% reduction of the company's current footprint at 2300 E. Devon in Des Plaines.

Before signing their new lease at the O'Hare office building, the FAA agreed to occupy nearly 116,000 square feet at 3800 Golf Road in Rolling Meadows back in 2022, but the lender sought to foreclose following the lease signing. The FAA then terminated their lease, later deciding to sign at the O'Hare office building. This is a prime example of why it's become increasingly important for tenants in the market to understand a property's financial status prior to signing a new lease.

One big concern for landlords has been the increasing levels of sublease space on the market. Since the pandemic began, the amount of office space being marketed for sublease has doubled as companies continue to reduce their footprint. In 2019, the amount of available sublease space on the market peaked at 2 million square feet and has since grown to 4 million in Q4/23. Most notably, Zurich NA, the anchor tenant at 1299 Zurich Way in Schaumburg, recently decided to place their existing office space on the market for sublease, adding an extra 360,000 square feet to the suburban sublease market.

## Investment Sales

Investment sales volume declined in 2023 with just over \$520 million trading hands, well below the \$1.1 billion transacted in 2022. Rising interest rates coupled with oversupply concerns sidelined many investors, and lenders continue to be hesitant to provide financing due to questions surrounding their ability to value office product. However, developers seeking candidates for tear-downs and conversions have taken the opportunity to acquire obsolete office product at a discounted rate. In fact, more than half of office sales this year were for redevelopment projects—most commonly data centers.

The largest sale of the year was Compass Datacenter's purchase of the former Sears headquarters in Hoffman Estates for \$194 million (\$84/s.f.). Regardless of whether investors plan to redevelop vacant offices to data centers or another alternative use, the primary benefit for the market is that largely vacant office inventory will be taken offline. These zombie office properties significantly skew the headline statistics, so redevelopments will help improve occupancy levels and stabilize the market over the long term.

Given the unfavorable financing conditions, distressed properties and foreclosures are increasingly commonplace. Most recently, Millbrook Real Estate was forced to hand the keys of the Arboretum Lakes office complex in Lisle to its lender. The owner had marketed the office properties for sale since June of this year, but the lack of buyer interest led to a foreclosure.

# SUBURBAN CHICAGO

## YEAR-END 2023 SNAPSHOT



**(1,186,629)**  
Direct Net  
Absorption 2023



**28.3%**  
Direct Vacancy  
Rate



**\$26.91/PSF**  
Direct Gross  
Rental Rate

Property data were compiled from CoStar with these parameters: existing & under-renovation office property type; within the East-West Corridor, Central North, Near North, North DuPage, Schaumburg Area, and O'Hare submarkets; Excluded properties with under 20,000 s.f. of office space, owner-occupied properties, and those owned by coworking firms. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the last four quarters.



FIGURE 01

Sublease Trends: Available Sublease Space

Source: CoStar

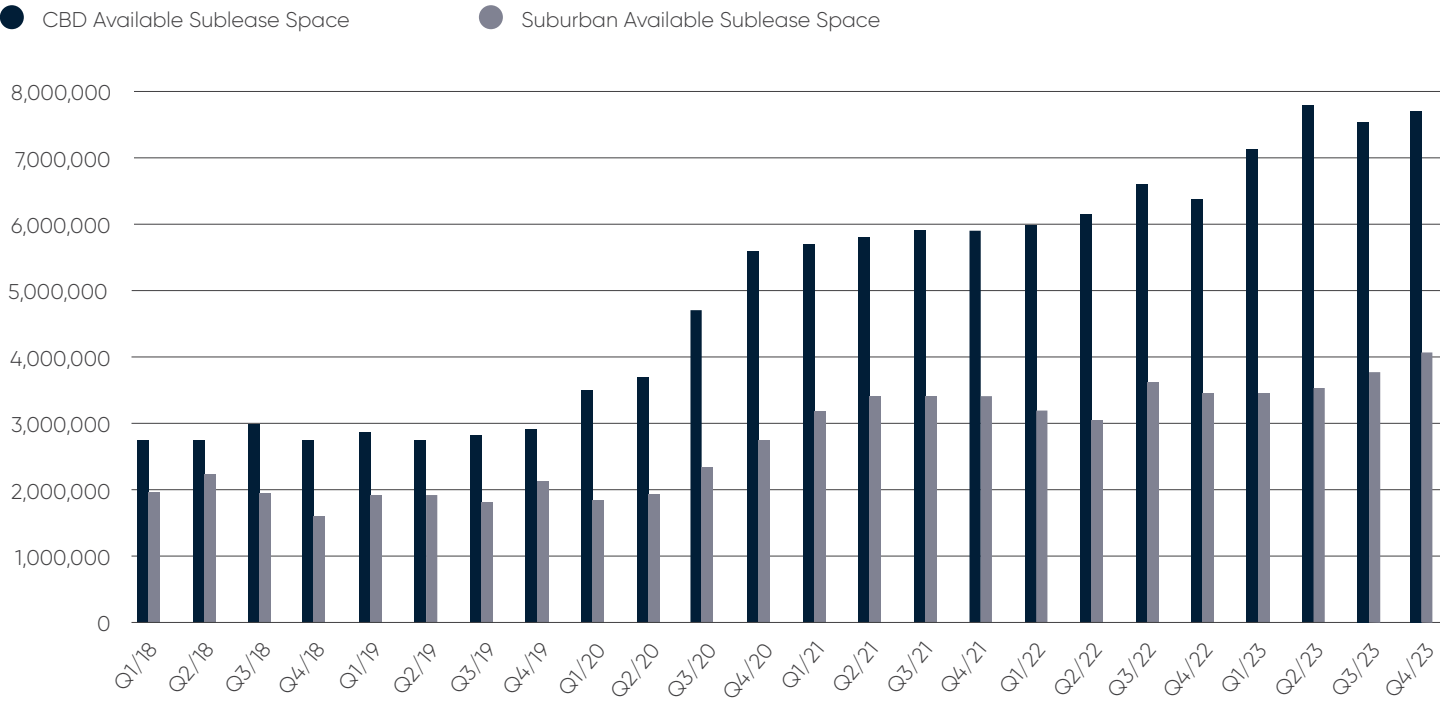


FIGURE 02

Investment Sales

Source: CoStar

PROPERTY ADDRESS	BUILDING SF	CLASS	SUBMARKET	SALE PRICE	PSF	SALE DATE	BUYER	SELLER
3333 BEVERLY ROAD	2,300,000	A	Schaumburg	\$194,000,000	\$84	9/15/23	Compass Datacenters	Transformco
1 TOWER LN (PART OF A TWO PROPERTY SALE)	740,508	A	Eastern E/W Corridor	\$60,000,000	\$81	11/7/23	Napleton Automotive Group	Blackstone Inc.
8550 W. BRYN MAWR AVE	302,088	B	O'Hare	\$29,000,000	\$96	9/8/23	Indiana Beach Holding LLC   Electrum Partners, LLC	Bridge Investment Group
1421 W. SHURE DR	205,639	A	Schaumburg	\$27,600,000	\$134	7/28/23	United Airlines Holdings, Inc.	Guardian Realty Management, Inc.
2800 GOLF ROAD	138,000	B	Schaumburg	\$15,300,000	\$111	7/6/23	Gallagher	LCN Capital Partners
450 E. 22ND ST	66,000	B	Eastern E/W Corridor	\$15,000,000	\$227	8/4/23	Civitas Capital	Credit Union 1
1200 N. ARLINGTON HEIGHTS ROAD	94,992	B	North DuPage	\$14,266,000	\$150	11/16/23	NTT Global Data Centers Americas	Hamilton Partners
1250 N. ARLINGTON HEIGHTS ROAD	130,257	B	North DuPage	\$13,234,500	\$102	11/16/23	NTT Global Data Centers Americas	Hamilton Partners

FIGURE 03

Suburban Chicago Submarket Comparison Summary

Source: CoStar

SUBMARKET / ASSET CLASS	TOTAL INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	GROSS ASKING RATE (PSF)	DIRECT NET ABSORPTION 2023 (SF)	DIRECT NET ABSORPTION 2022 (SF)
ALL SUBURBAN	88,544,156	102,958	33.2%	4.1%	28.3%	1.4%	\$26.91	(1,186,629)	(622,209)
CLASS A	53,885,898	183,911	34.1%	5.3%	27.1%	1.6%	\$30.72	(181,209)	(245,873)
CLASS B	34,658,258	61,126	31.8%	2.2%	30.2%	1.0%	\$20.55	(1,005,420)	(376,336)
E/W CORRIDOR	35,473,240	94,474	29.6%	3.6%	24.3%	1.6%	\$25.72	(328,508)	(600,770)
EAST	21,524,119	106,030	28.1%	3.9%	23.4%	1.7%	\$26.74	(326,030)	(510,178)
CLASS A	13,030,555	197,433	29.1%	5.2%	22.7%	1.9%	\$30.49	(149,042)	(156,848)
CLASS B	8,493,564	61,997	26.6%	2.0%	24.5%	1.3%	\$20.45	(176,988)	(353,330)
WEST	13,949,121	76,644	31.9%	3.2%	25.8%	1.4%	\$24.15	(2,478)	(90,592)
CLASS A	7,948,261	149,967	33.7%	3.3%	27.1%	2.1%	\$26.36	164,982	93,247
CLASS B	6,000,860	46,518	29.5%	3.0%	24.1%	0.4%	\$20.82	(167,460)	(183,839)
NORTHERN	19,991,708	89,101	33.6%	4.3%	30.2%	0.9%	\$28.89	(568,678)	(358,405)
NORTH	15,214,566	91,654	34.3%	4.2%	30.8%	0.9%	\$28.73	(348,192)	(482,828)
CLASS A	10,119,645	144,566	35.6%	5.8%	30.4%	0.9%	\$31.10	(223,813)	(260,223)
CLASS B	5,094,921	53,072	31.6%	0.9%	31.5%	0.8%	\$23.43	(124,379)	(222,605)
SOUTH	4,777,142	80,969	31.5%	4.8%	28.3%	1.0%	\$29.42	(220,486)	124,423
CLASS A	2,063,938	147,424	33.4%	7.2%	29.4%	0.9%	\$36.22	(75,453)	(33,210)
CLASS B	2,713,204	60,293	30.0%	3.0%	27.4%	1.2%	\$23.68	(145,033)	157,633
NORTHWEST	21,643,906	123,919	39.1%	4.2%	35.9%	1.5%	\$24.08	(199,929)	186,006
I-355	3,232,617	111,470	28.7%	2.6%	25.7%	0.5%	\$24.95	139,445	4,365
CLASS A	2,417,032	219,730	29.8%	2.1%	26.2%	0.6%	\$26.80	132,469	(18,401)
CLASS B	815,585	45,310	25.4%	4.2%	24.4%	0.1%	\$18.52	6,976	22,766
SCHAUMBURG	18,411,289	126,105	41.0%	4.4%	37.7%	1.7%	\$23.93	(339,374)	181,641
CLASS A	10,917,183	242,604	39.3%	6.1%	32.4%	2.2%	\$27.89	(857)	(8,887)
CLASS B	7,494,106	74,199	43.4%	1.9%	45.4%	1.0%	\$18.70	(338,517)	190,528
O'HARE	11,435,302	152,471	32.6%	5.2%	23.1%	1.3%	\$33.44	(89,514)	150,960
CLASS A	7,389,284	217,332	35.5%	6.5%	22.2%	1.3%	\$39.27	(29,495)	138,449
CLASS B	4,046,018	98,683	27.5%	2.7%	24.6%	1.3%	\$19.68	(60,019)	12,511

FIGURE 04

## Vacancy & Absorption

Source: CoStar

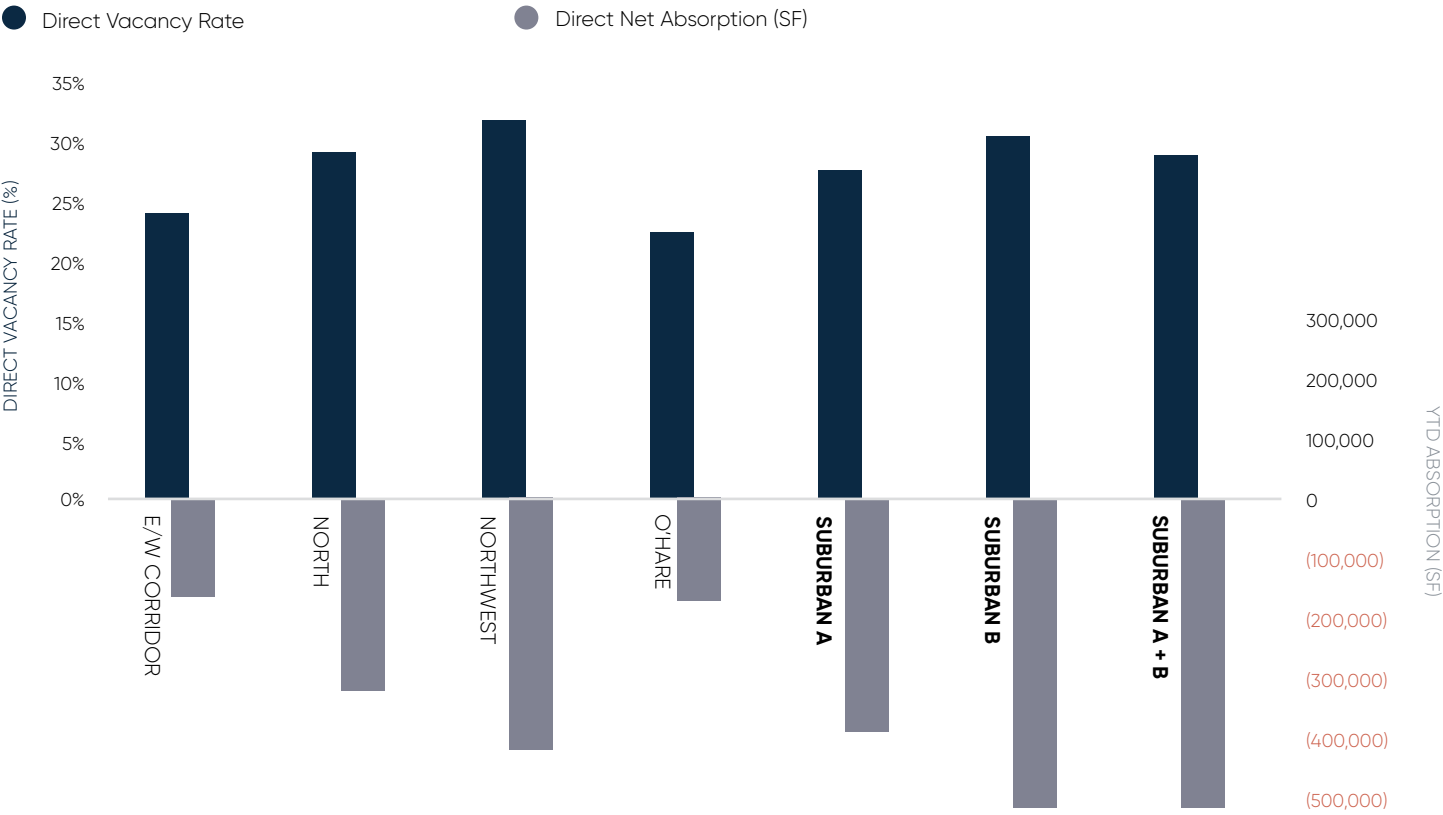


FIGURE 05

## Direct Vacancy Rate

Source: CoStar

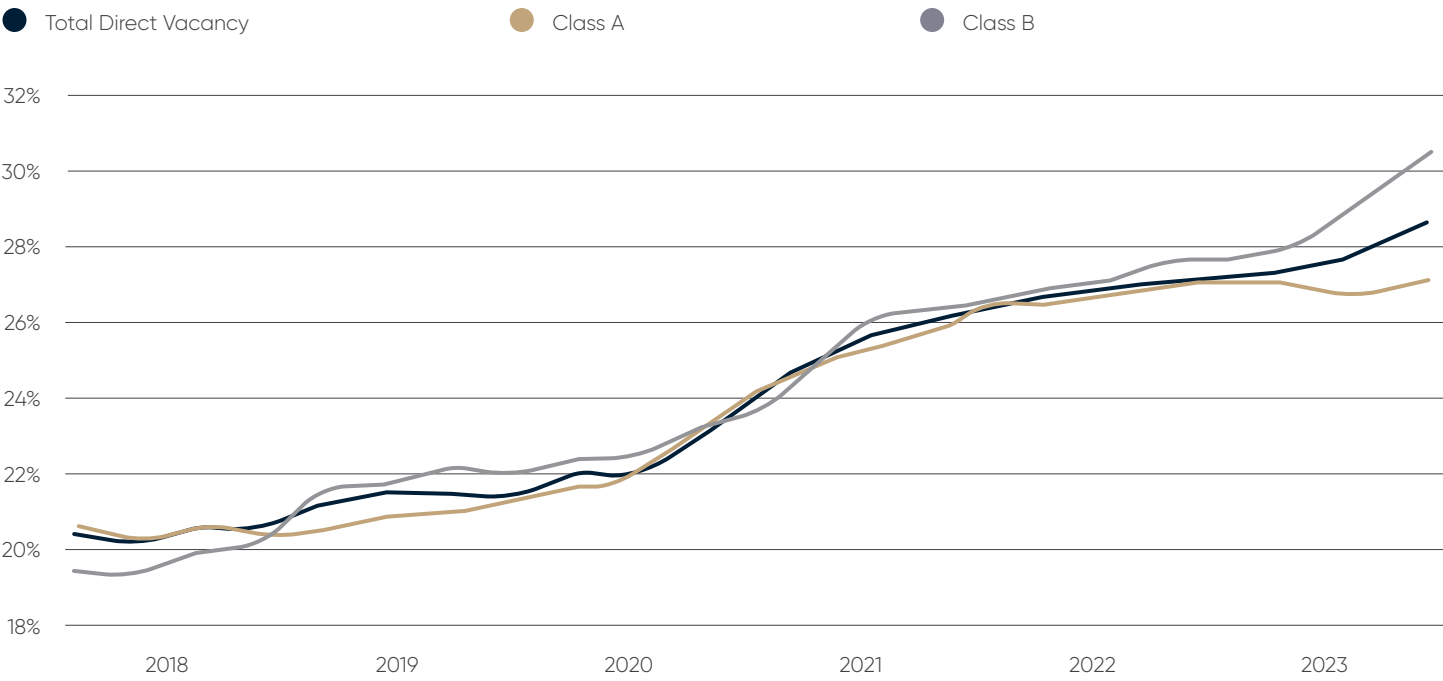
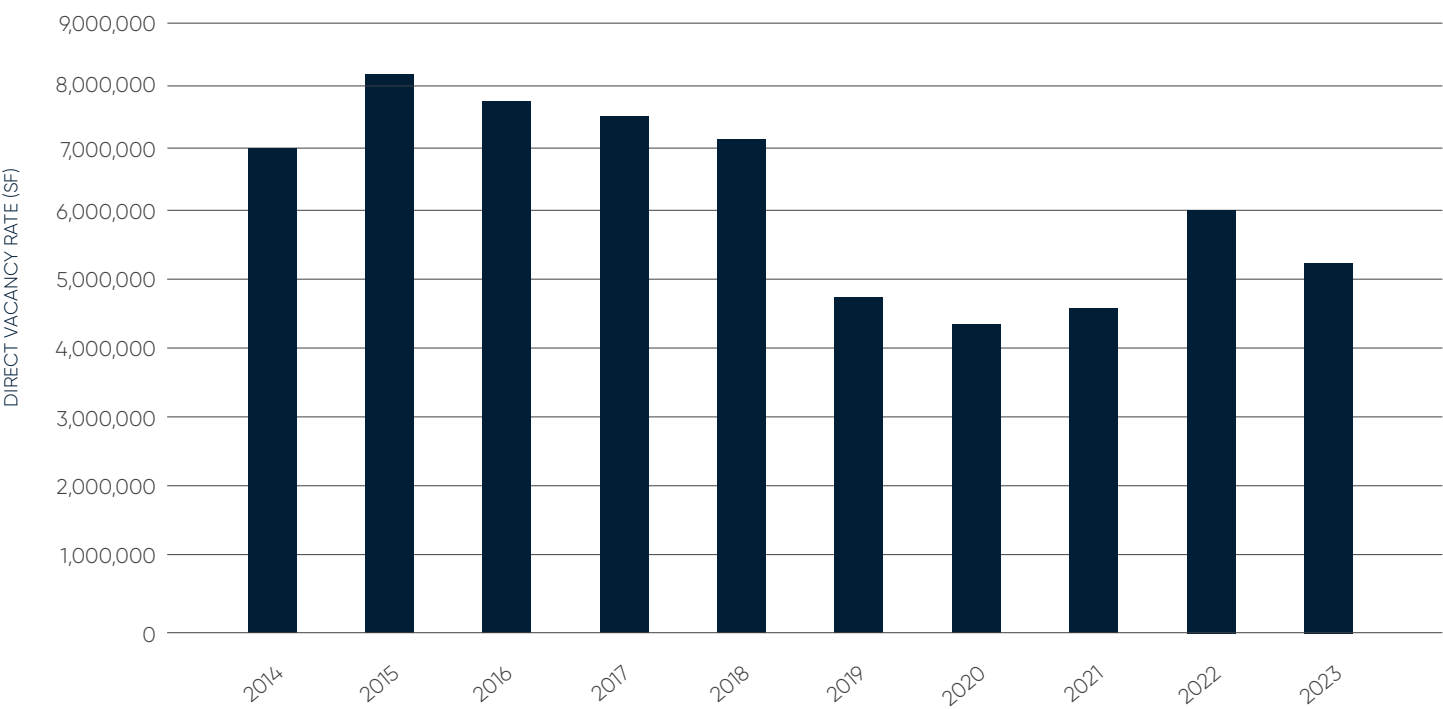


FIGURE 06

## Leasing Activity

Source: CoStar





# EAST/WEST CORRIDOR

- At year-end 2023, the direct vacancy rate slightly increased to 24.3% while sublease availability remained unchanged at 3.6%. The East-West Corridor has the lowest sublease availability rate in the suburban office market.
- Absorption levels declined in 2023, posting negative 329,000 square feet of net absorption through the year. However, this is an improvement compared to the negative 601,000 square feet of absorption in 2022.
- The largest transaction in the East-West Corridor was Napleton Automotive Group's decision to purchase 1 Tower Lane, a 740,000-square-foot office in Oakbrook Terrace for \$60 million.
- Notable lease deals include a 77,000-square-foot new lease signed by Travelers Insurance at 3010 Highland in Downers Grove.

## MARKET MOVEMENT

**NEW LEASE**

TRAVELERS INSURANCE  
(71,000 SF)  
3010 Highland Parkway

**SUBLEASE**

ASSOCIATED  
(18,000 SF)  
4101 Winfield Road

**NEW LEASE**

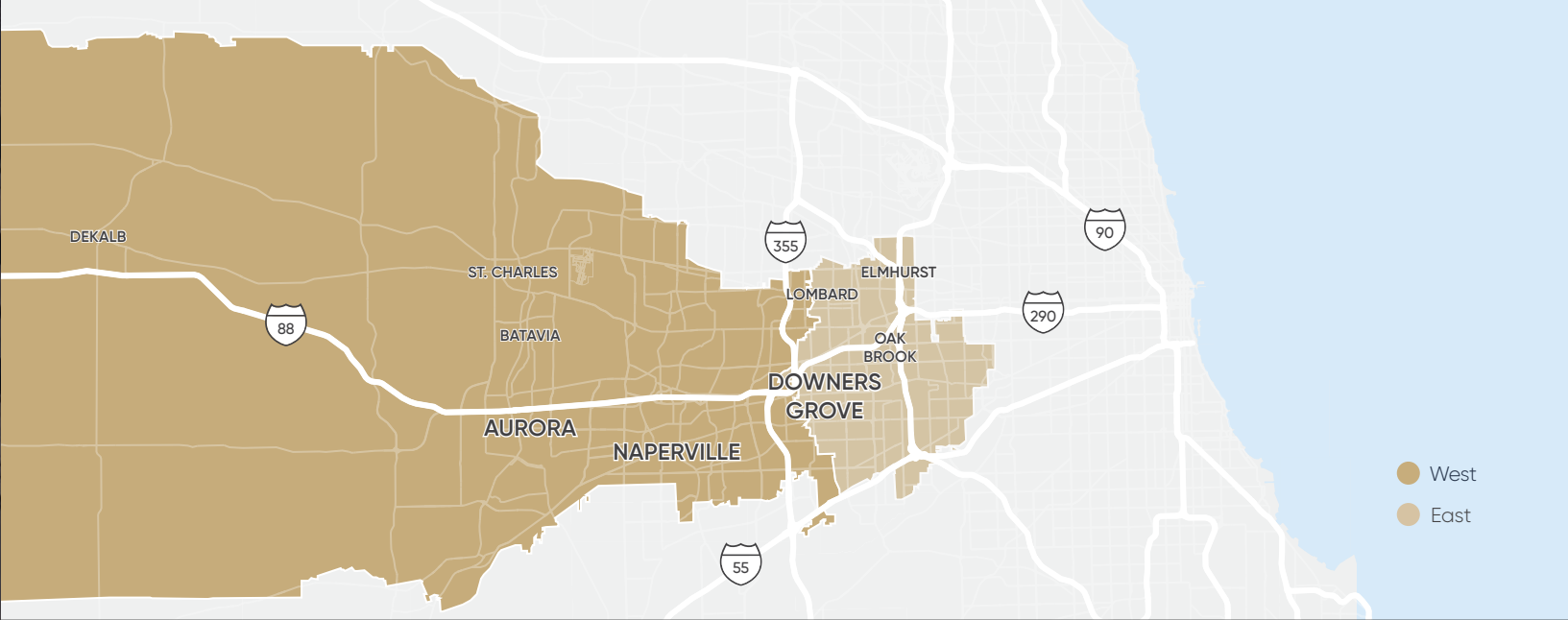
NATIONAL INSURANCE CRIME BUREAU  
(17,000 SF)  
1255 Bond Court

**INVESTMENT SALE**

CIVITAS CAPITAL  
(66,000 SF)  
450 E. 22nd Street

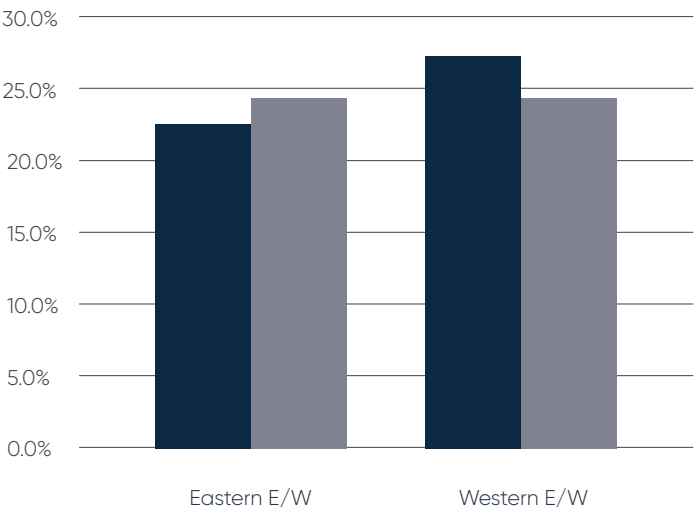
**INVESTMENT SALE**

NAPLETON AUTOMOTIVE GROUP  
(741,000 SF)  
1 Tower Lane  
(PART OF A 2 PROPERTY SALE)



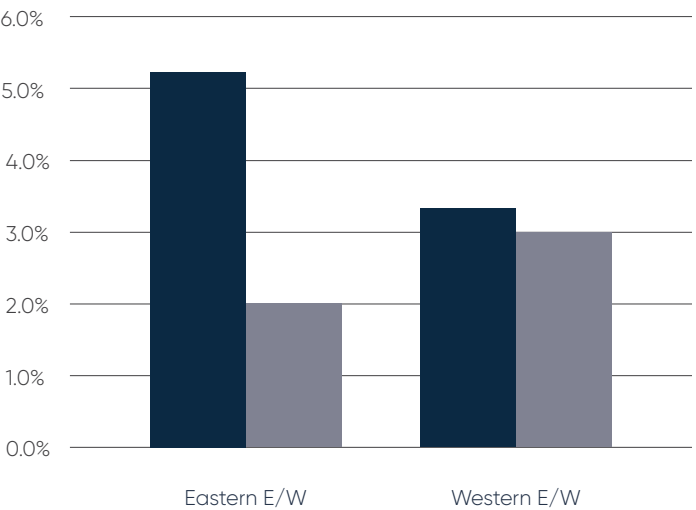
Direct Vacancy Rate

● Class A ● Class B



Sublet Availability Rate

● Class A ● Class B



SUBMARKET/ ASSET CLASS	TOTAL INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	GROSS ASKING RATE (PSF)	DIRECT NET ABSORPTION 2023 (SF)	DIRECT NET ABSORPTION 2022 (SF)
E/W CORRIDOR	35,473,240	94,474	29.6%	3.6%	24.3%	1.6%	\$25.72	(328,508)	(600,770)
EAST	21,524,119	106,030	28.1%	3.9%	23.4%	1.4%	\$26.74	(326,030)	(510,178)
CLASS A	13,030,555	197,433	29.1%	5.2%	22.7%	1.7%	\$30.49	(149,042)	(156,848)
CLASS B	8,493,564	61,997	26.6%	2.0%	24.5%	1.0%	\$20.45	(176,988)	(353,330)
WEST	13,949,121	76,644	31.9%	3.2%	25.8%	1.9%	\$24.15	(2,478)	(90,592)
CLASS A	7,948,261	149,967	33.7%	3.3%	27.1%	1.7%	\$26.36	164,982	93,247
CLASS B	6,000,860	46,518	29.5%	3.0%	24.1%	2.1%	\$20.82	(167,460)	(183,839)

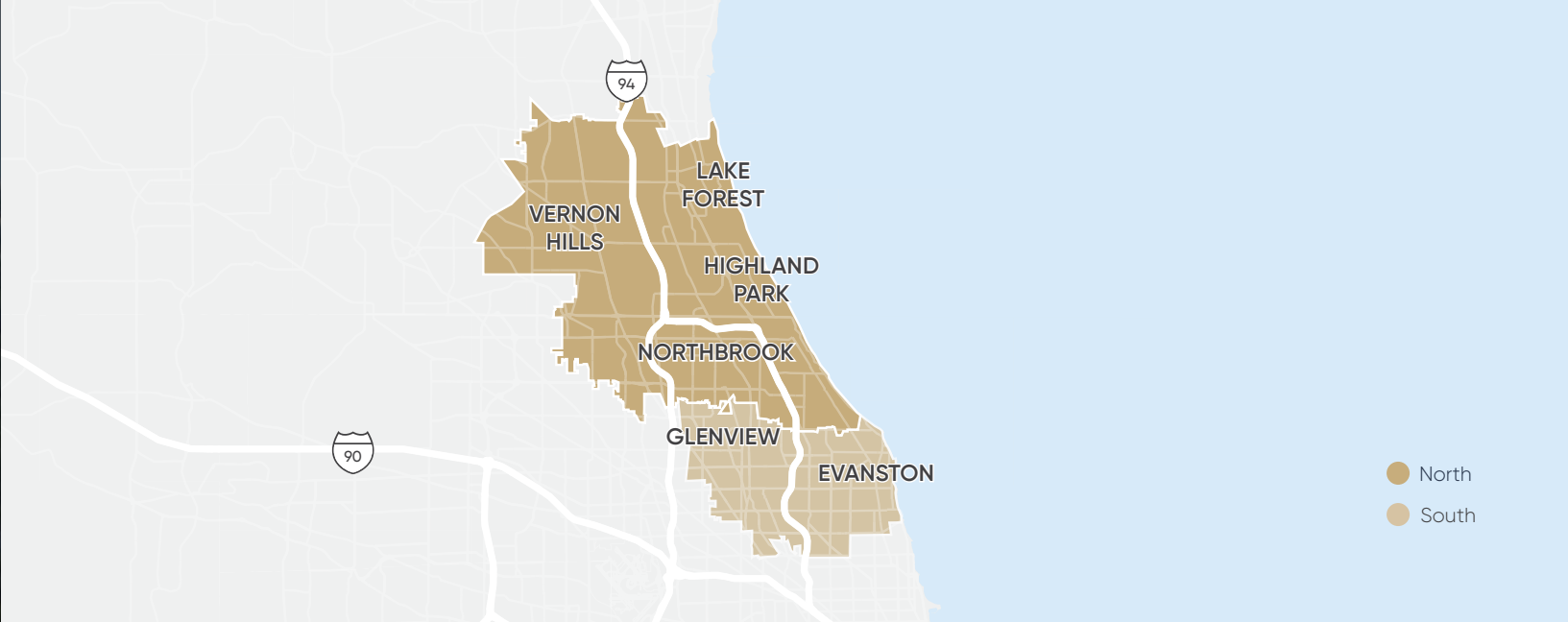


# NORTHERN SUBURBS

- At year-end 2023, the direct vacancy rate rose to 30.2%, which is a 0.9% increase compared to mid-year 2023. The sublease availability rate remained steady at 4.3%.
- Absorption continued trending downward, resulting in negative 569,000 square feet throughout 2023. These levels are significantly worse than the negative 358,000 square feet absorbed in the previous year.
- The largest lease signed in the Northern Suburbs through the back half of 2023 was the GSA's decision to occupy 38,000 square feet at 8125 River Road in Morton Grove.

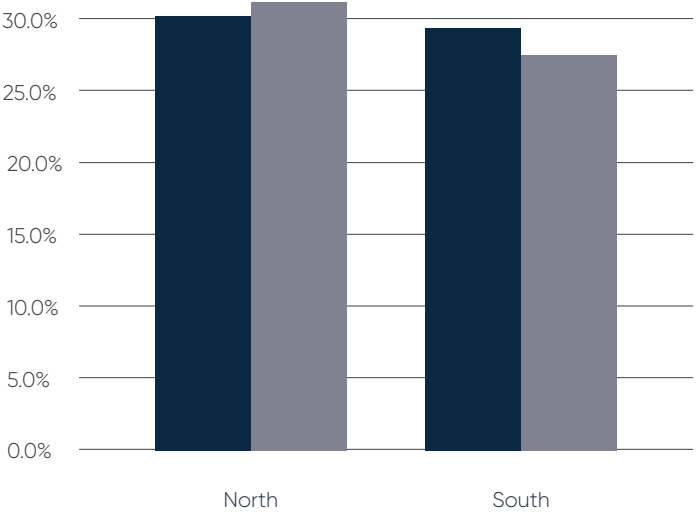
## MARKET MOVEMENT

NEW LEASE	NEW LEASE	NEW LEASE
GENERAL SERVICES ADMINISTRATION (38,000 SF) 8125-8145 River Drive	RXO (18,000 SF) 707 Skokie Road	NORTHWESTERN MUTUAL LIFE INSURANCE (17,000 SF) 3 Hawthorn Parkway



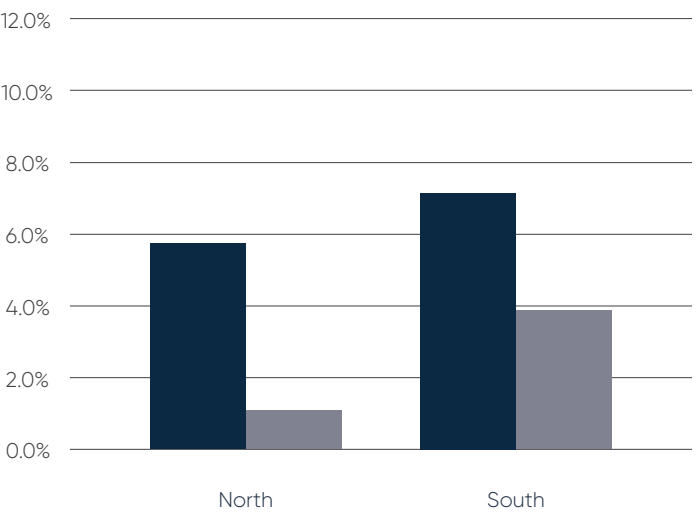
Direct Vacancy Rate

● Class A ● Class B



Sublet Availability Rate

● Class A ● Class B



SUBMARKET/ ASSET CLASS	TOTAL INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	GROSS ASKING RATE (PSF)	DIRECT NET ABSORPTION 2023 (SF)	DIRECT NET ABSORPTION 2022 (SF)
NORTHERN	19,991,708	89,101	33.6%	4.3%	30.2%	0.8%	\$28.89	(568,678)	(358,405)
NORTH	15,214,566	91,654	34.3%	4.2%	30.8%	1.0%	\$28.73	(348,192)	(482,828)
CLASS A	10,119,645	144,566	35.6%	5.8%	30.4%	1.4%	\$31.10	(223,813)	(260,223)
CLASS B	5,094,921	53,072	31.6%	0.9%	31.5%	0.2%	\$23.43	(124,379)	(222,605)
SOUTH	4,777,142	80,969	31.5%	4.8%	28.3%	0.3%	\$29.42	(220,486)	124,423
CLASS A	2,063,938	147,424	33.4%	7.2%	29.4%	0.3%	\$36.22	(75,453)	(33,210)
CLASS B	2,713,204	60,293	30.0%	3.0%	27.4%	0.3%	\$23.68	(145,033)	157,633



# NORTHWEST SUBURBS

- At year-end 2023, the direct vacancy rate remained the highest of any submarket in the suburbs, increasing to 35.9%. The sublease availability rate slightly increased to 4.2%.
- After positive absorption in 2022, net absorption levels declined in 2023 as negative 200,000 square feet was absorbed.
- The largest suburban office transaction of 2023 occurred in the Northwest Suburbs with the sale of 3333 Beverly Road in Hoffman Estates. Compass Datacenters purchased the 2.3 million-square-foot office for \$193 million with plans to redevelop the property into a data center.
- Notable lease deals include Citigroup's decision to occupy 49,000 square feet at 1515 E. Woodfield Road in Schaumburg.

## MARKET MOVEMENT

**NEW LEASE**

CITIGROUP INC  
(49,000 SF)  
1515 E. Woodfield Road

**NEW LEASE**

CAMBIUM NETWORKS  
(35,000 SF)  
2000 Center Drive

**NEW LEASE**

AVALON RISK MANAGEMENT  
(22,000 SF)  
200 N. Martingale Road

**INVESTMENT SALE**

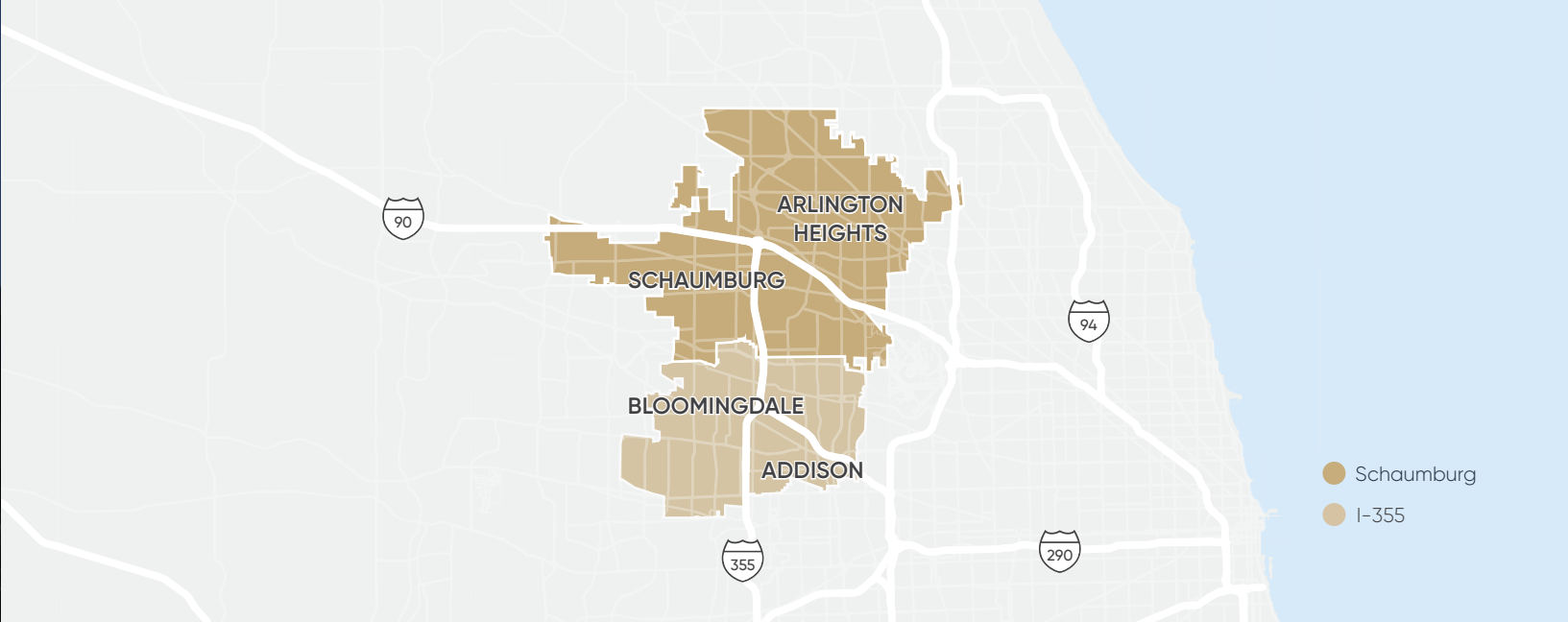
COMPASS DATACENTERS  
(2,300,000 SF)  
3333 Beverly Road

**INVESTMENT SALE**

UNITED AIRLINES HOLDINGS, INC.  
(206,000 SF)  
1421 W. Shure Drive

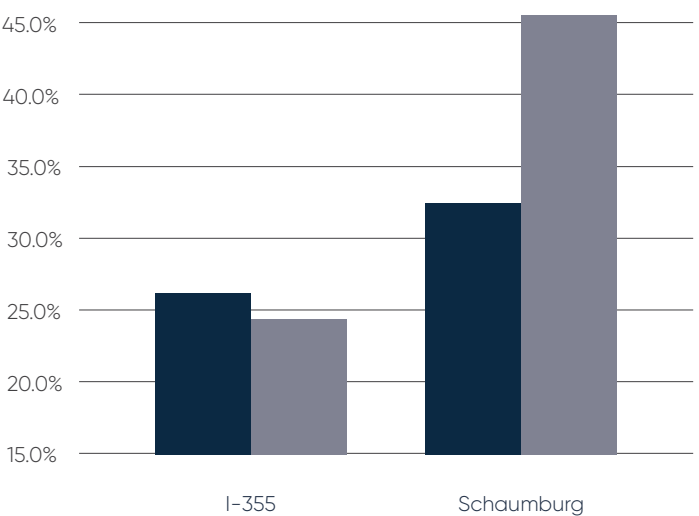
**INVESTMENT SALE**

GALLAGHER  
(138,000 SF)  
2800 Golf Road



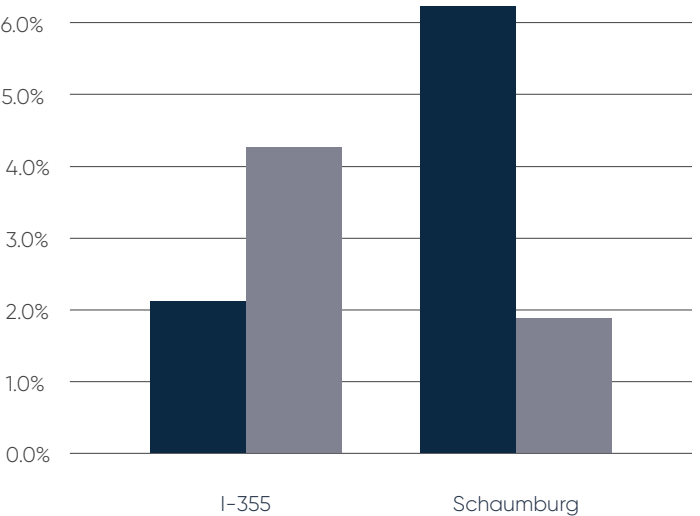
Direct Vacancy Rate

● Class A ● Class B



Sublet Availability Rate

● Class A ● Class B



SUBMARKET/ ASSET CLASS	TOTAL INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	GROSS ASKING RATE (PSF)	DIRECT NET ABSORPTION 2023 (SF)	DIRECT NET ABSORPTION 2022 (SF)
NORTHWEST	21,643,906	123,919	39.1%	4.2%	35.9%	2.0%	\$24.08	(199,929)	186,006
I-355	3,232,617	111,470	28.7%	2.6%	25.7%	0.2%	\$24.95	139,445	4,365
CLASS A	2,417,032	219,730	29.8%	2.1%	26.2%	0.2%	\$26.80	132,469	(18,401)
CLASS B	815,585	45,310	25.4%	4.2%	24.4%	0.1%	\$18.52	6,976	22,766
SCHAUMBURG	18,411,289	126,105	41.0%	4.4%	37.7%	2.3%	\$23.93	(339,374)	181,641
CLASS A	10,917,183	242,604	39.3%	6.1%	32.4%	3.3%	\$27.89	(857)	(8,887)
CLASS B	7,494,106	74,199	43.4%	1.9%	45.4%	0.7%	\$18.70	(338,517)	190,528

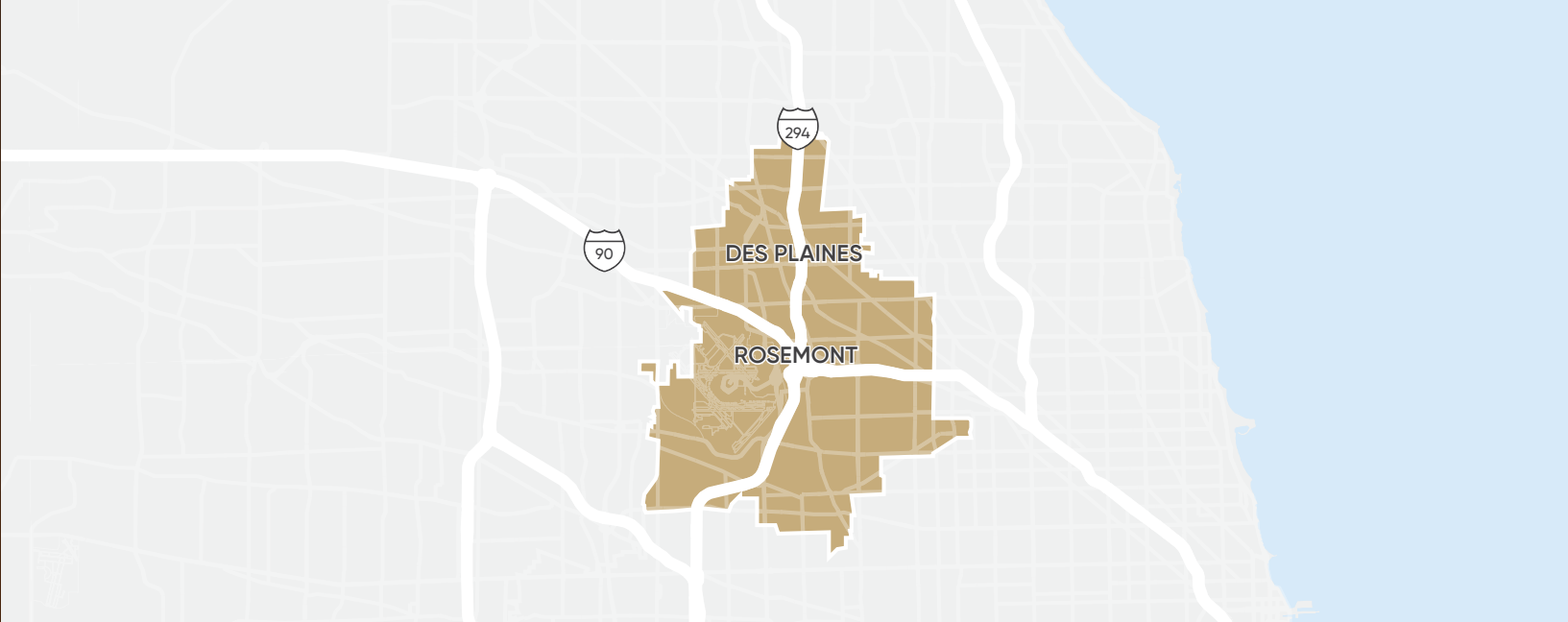


# O'HARE

- At year-end 2023, the direct vacancy rate increased to 23.5%, which is a 2% increase compared to mid-year 2023. The O'Hare submarket still has the lowest vacancy rate of any submarket in the suburbs.
- O'Hare's absorption levels declined in 2023, posting negative 90,000 square feet through the year. This is a sizable drop compared to the positive 151,000 square feet absorbed in 2022.
- A venture led by local investor Gene Staples purchased the distressed office at 8550 W. Bryn Mawr Road for \$29 million.
- The largest lease of the year was signed by the Federal Aviation Administration (FAA) at 9600 W. Bryn Mawr Road for 108,000 square feet.

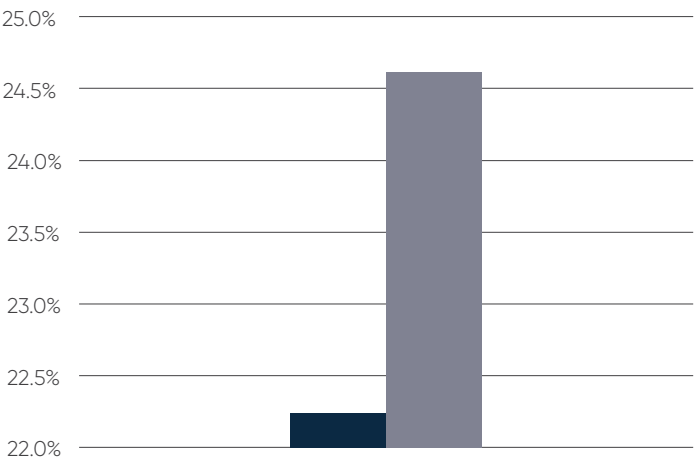
## MARKET MOVEMENT

NEW LEASE	NEW LEASE	INVESTMENT SALE
FEDERAL AVIATION ADMINISTRATION (108,000 SF) 9600 W. Bryn Mawr Road	COZZINI BROS (16,000 SF) 8430 W. Bryn Mawr Road	INDIANA BEACH HOLDING LLC (302,000 SF) 8550 W. Bryn Mawr Road



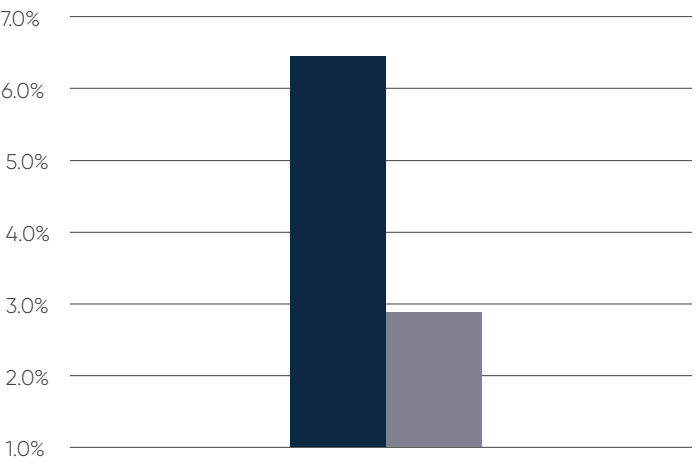
Direct Vacancy Rate

● Class A ● Class B



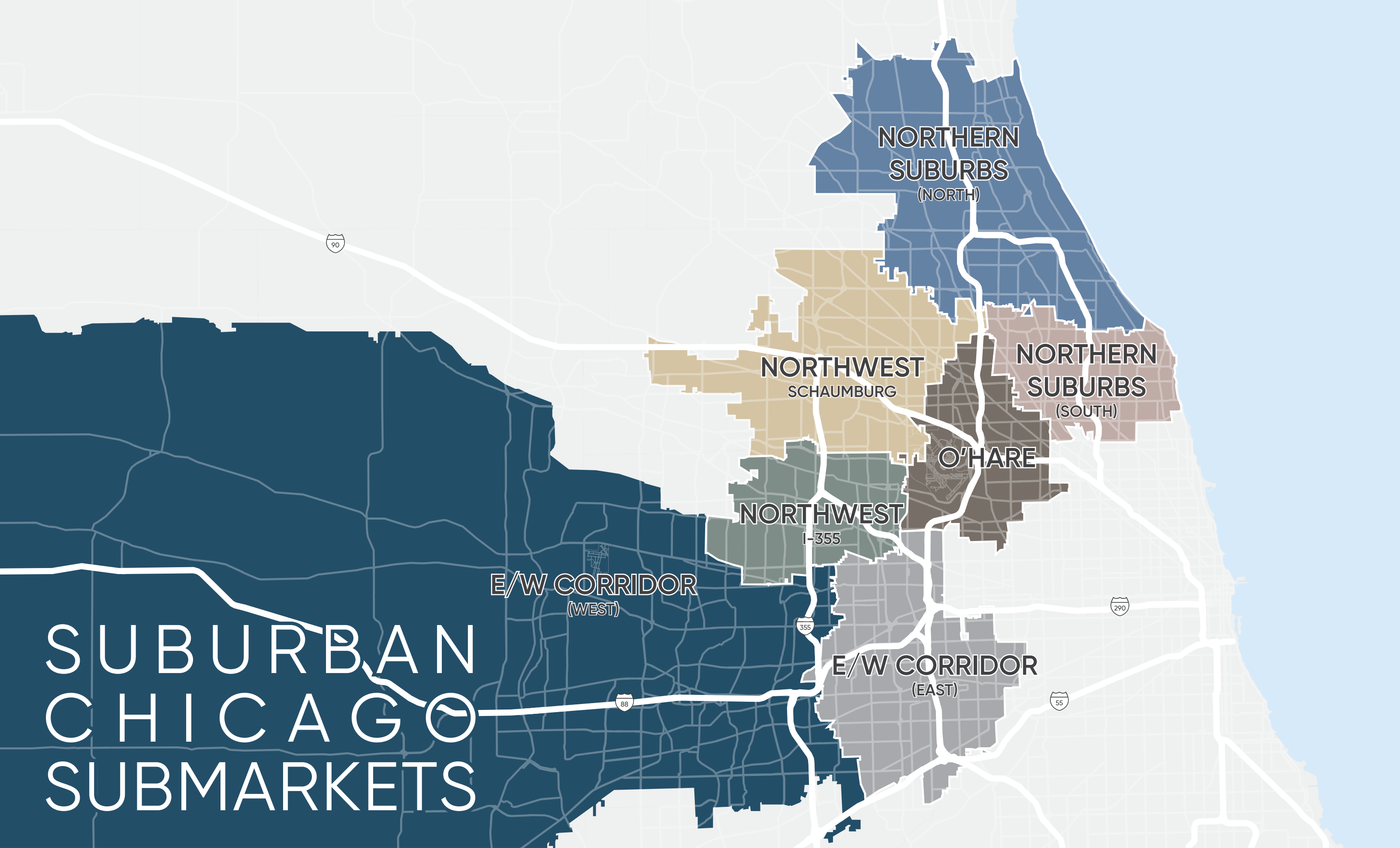
Sublet Availability Rate

● Class A ● Class B



SUBMARKET/ ASSET CLASS	TOTAL INVENTORY (SF)	AVERAGE BUILDING SIZE (SF)	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	GROSS ASKING RATE (PSF)	DIRECT NET ABSORPTION 2023 (SF)	DIRECT NET ABSORPTION 2022 (SF)
O'HARE	11,435,302	152,471	32.6%	5.2%	23.1%	1.7%	\$33.44	(89,514)	150,960
CLASS A	7,389,284	217,332	35.5%	6.5%	22.2%	1.7%	\$39.27	(29,495)	138,449
CLASS B	4,046,018	98,683	27.5%	2.7%	24.6%	1.9%	\$19.68	(60,019)	12,511





# SUBURBAN CHICAGO SUBMARKETS



**FOR MORE INFORMATION, PLEASE CONTACT:**

**NEIL BOUHAN**

*Sr. Managing Director, Research & Communications*

[nbouhan@bradfordallen.com](mailto:nbouhan@bradfordallen.com)

+1 312 235 6830

**CONNOR PHELAN**

*Director, Research*

[cphelan@bradfordallen.com](mailto:cphelan@bradfordallen.com)

+1 312 994 5787

**GRACE LENAGHAN**

*Analyst, Research*

[glenaghan@bradfordallen.com](mailto:glenaghan@bradfordallen.com)

+1 312 994 5704