

# CHICAGO DOWNTOWN

## Office Market Report



YTD Net  
Absorption  
269,085 SF



Availability  
17.3%



Gross Average  
Asking Rent (High Rise)  
\$33.51

### Outside Corporations and Technology Tenants Continue to See Value in Chicago CBD

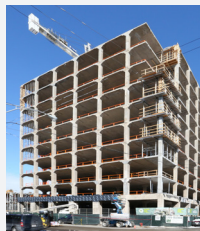
Overall conditions in the CBD office market tightened during the 1st quarter as certain economic indicators improved. Although GDP growth for the U.S. is slow, the country's unemployment rate has continued to drop. Chicago's fell to 9.9% in February - the lowest since February 2009. While this rate is relatively high compared to New York City and other metros; it's still a good sign for Chicago's economy. This translated into CBD vacancy and availability decreasing year over year from 13.9% to 13.5% and 18.1% to 17.3%, respectively.

The decrease in availability is attributable to new companies committing to the CBD. ADM signed a 46,000 SF deal for two high rise floors at 77 W Wacker. Ackerman LLP will open a Chicago office on the 46th floor of 71 S Wacker, occupying a 33,371 SF sublease. Also, Newark Corp. will be making the move to the CBD from Ravenswood, signing a lease for 65,000 SF at 300 S Riverside. Furthermore, a handful of expansion deals were announced. Rocket Fuel Inc. signed a lease at 350 N Orleans for nearly 45,000 SF relocating from 8,700 SF at 444 N Wabash. Context Media signed a lease for 32,650 SF at 330 N Wabash, relocating from 6,000 SF at 205 N Michigan.

The CBD absorbed 269,085 SF to start the year even though two big blocks of space were left vacant at 540 W Madison and 440 S LaSalle. Driving net absorption for the quarter were move in's by Motorola Mobility at the Merchandise Mart, DraftFCB into the Hancock Center and various smaller tenants moving into vacant West Loop space. Not surprisingly, River North and West Loop submarkets continued to be tighter than others with vacancy rates at 9.4% and 12.4%, respectively, while East and South Loops were the weakest in net absorption.

High rise asking rents were almost \$2.00 per SF higher than low rise this quarter, \$33.51 vs \$31.62, respectively. In the West Loop, Class A high rise space on average is \$40.46 per SF compared to \$36.73 per SF for low rise space. As expected, most rents tended to increase (for better views) in the top third of Class A buildings. In the 11.8% available Class C market, most space is on average around \$22.00 per SF.

The sales market started the year maintaining its 2013 pace that saw the most office building sales since 2007. Most notably, 311 S Wacker was bought for just over \$302 million by a Zeller Realty Group/China Cinda Asset Management partnership. Another notable sale was 200 S Michigan being bought by Alliance Partners (Bradford Allen was retained as the leasing agent). No new buildings were announced for construction this quarter. William Blair & Co. and Victory Park Capital Advisors did however pre-lease 300,000 SF and 25,000 SF, respectively at 150 N Riverside, the proposed building being developed by O'Donnell Investment Company.



#### Upcoming Trend – River West: The Next River North?

Ever since the technology giant Google confirmed a lease at 1K Fulton last summer, there has been nonstop talk about development in the old meatpacking district. The real estate development company, Sterling Bay, now has 11 developments in the area and many people are excited to see what will become of this area in the future.

# 1Q 2014

### CBD Outlook

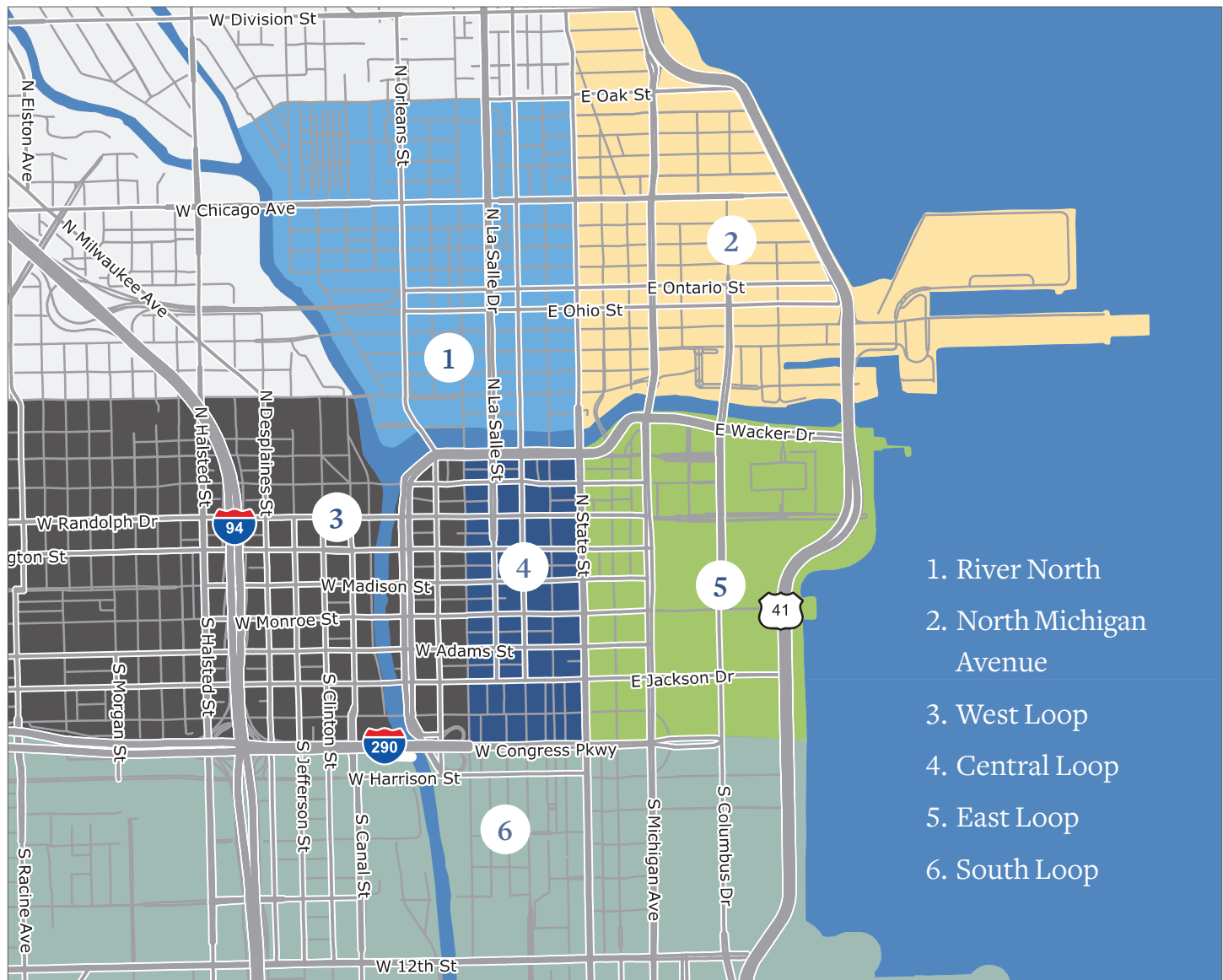
- Chicago's economy and office market will continue to improve.
- Corporations will continue to look into moving to the CBD.
- International buyers will continue to invest in properties in the very active office market.
- Construction will start on another premier office building this year.

### CBD Summary

		2014	2013
Total Inventory (SF)	◀▶	143,655,703	143,655,703
Overall Vacancy	▼	13.5%	13.9%
Direct Vacancy	▼	12.6%	13.0%
Sublease Vacancy	◀▶	0.9%	0.9%
Overall Available	▼	17.3%	18.1%
Direct Available	▼	15.3%	15.9%
Sublease Available	▼	2.0%	2.2%
Gross Average Asking Rate (CoStar)	▲	\$29.40	\$29.18
Current Net Absorption (SF)	▲	269,085	146,889
YTD Net Absorption (SF)	▲	269,085	146,889

### Economic Indicators

	1Q 2014	1Q 2013
IL Unemployment	8.7%	9.5%
US Unemployment	6.7%	7.7%
US Consumer Confidence Index	82.3%	59.7%
Western TX Intermediate Price Per Barrel	\$100.64	\$95.31



## GLOSSARY OF TERMS

**Inventory** Expressed in rentable square feet, this area includes the usable area and its associated share of the common areas.

**Available Space** The total amount of space that is currently available for lease this quarter. Regardless if the space is vacant, occupied, available for sublease, or available at a future date.

**Vacant Space** Vacant space refers to all space not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

**Net Absorption** For existing buildings, the measure of total rentable square feet occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a quarter or year to date.

**Gross Asking Rent (Low-Rise)** This represents the average dollar amount the lessor is asking for in order to lease space in the bottom third of their building.

**Gross Asking Rent (Mid-Rise)** This represents the average dollar amount the lessor is asking for in order to lease space in the middle third of their building.

**Gross Asking Rent (High-Rise)** This represents the average dollar amount the lessor is asking for in order to lease space in the top third of their building.

\*Source: CoStar Group

	Number of Buildings	Total Inventory (SF)	Total Available (SF)	Percent Available	Total Vacant (SF)	Vacancy Rate	Current Absorption (SF)	YTD Absorption (SF)	Gross Asking Rate (Low Rise)	Gross Asking Rate (Mid Rise)	Gross Asking Rate (High Rise)
Central Loop											
Class A	26	22,300,281	3,430,619	15.4%	2,952,157	13.2%	39,022	39,022	\$33.20	\$34.26	\$35.30
Class B	35	16,107,109	2,676,315	16.6%	2,266,558	14.1%	(17,272)	(17,272)	\$27.68	\$28.09	\$28.59
Class C	20	2,258,945	227,946	10.1%	219,578	9.7%	(8,104)	(8,104)	\$21.46	\$22.50	\$21.63
<b>TOTALS</b>	<b>81</b>	<b>40,666,335</b>	<b>6,334,880</b>	<b>15.6%</b>	<b>5,438,293</b>	<b>13.4%</b>	<b>13,646</b>	<b>13,646</b>	<b>\$30.45</b>	<b>\$31.23</b>	<b>\$31.97</b>
East Loop											
Class A	13	14,263,485	3,460,794	24.3%	2,777,059	19.5%	11,625	11,625	\$31.32	\$32.26	\$33.65
Class B	22	6,384,222	1,030,198	16.1%	915,613	14.3%	(75,936)	(75,936)	\$26.10	\$26.12	\$25.87
Class C	30	3,367,862	557,130	16.5%	409,207	12.2%	(626)	(626)	\$22.73	\$21.89	\$22.06
<b>TOTALS</b>	<b>65</b>	<b>24,015,569</b>	<b>5,048,122</b>	<b>21.0%</b>	<b>4,101,879</b>	<b>17.1%</b>	<b>(64,937)</b>	<b>(64,937)</b>	<b>\$29.30</b>	<b>\$29.86</b>	<b>\$30.78</b>
North Michigan Avenue											
Class A	11	6,518,915	1,351,248	20.7%	1,249,375	19.2%	37,593	37,593	\$34.07	\$36.21	\$36.86
Class B	30	7,111,582	1,417,812	19.9%	1,193,924	16.8%	41,362	41,362	\$28.99	\$29.23	\$28.48
Class C	12	1,508,882	70,194	4.7%	71,487	4.7%	4,942	4,942	\$20.75	\$23.50	\$24.83
<b>TOTALS</b>	<b>53</b>	<b>15,139,379</b>	<b>2,839,254</b>	<b>18.8%</b>	<b>2,514,786</b>	<b>16.6%</b>	<b>83,897</b>	<b>83,897</b>	<b>\$31.20</b>	<b>\$32.41</b>	<b>\$32.38</b>
River North											
Class A	7	4,295,394	505,336	11.8%	384,461	9.0%	51,635	51,635	\$46.41	\$37.62	\$45.83
Class B	54	10,474,861	1,231,147	11.8%	1,002,839	9.6%	25,333	25,333	\$25.75	\$25.07	\$27.61
Class C	56	2,869,336	335,658	11.7%	267,920	9.3%	2,163	2,163	\$23.67	\$22.78	\$22.99
<b>TOTALS</b>	<b>117</b>	<b>17,639,591</b>	<b>2,072,141</b>	<b>11.7%</b>	<b>1,655,220</b>	<b>9.4%</b>	<b>79,131</b>	<b>79,131</b>	<b>\$30.45</b>	<b>\$27.76</b>	<b>\$31.30</b>
South Loop											
Class B	7	1,156,360	167,289	14.5%	135,538	11.7%	6,985	6,985	\$22.50	\$20.75	\$24.00
Class C	11	997,823	74,113	7.4%	64,250	6.4%	(9,602)	(9,602)	\$20.50	\$20.01	\$20.45
<b>TOTALS</b>	<b>18</b>	<b>2,154,183</b>	<b>241,402</b>	<b>11.2%</b>	<b>199,788</b>	<b>9.3%</b>	<b>(2,617)</b>	<b>(2,617)</b>	<b>\$21.89</b>	<b>\$20.52</b>	<b>\$22.91</b>
West Loop											
Class A	36	33,777,171	6,314,327	18.7%	4,206,891	12.5%	45,960	45,960	\$36.73	\$38.83	\$40.46
Class B	40	7,776,439	1,704,214	21.9%	988,650	12.7%	86,764	86,764	\$29.16	\$30.77	\$29.85
Class C	31	2,487,036	320,842	12.9%	262,468	10.6%	27,241	27,241	\$22.40	\$20.90	\$21.64
<b>TOTALS</b>	<b>107</b>	<b>44,040,646</b>	<b>8,339,383</b>	<b>18.9%</b>	<b>5,458,009</b>	<b>12.4%</b>	<b>159,965</b>	<b>159,965</b>	<b>\$34.63</b>	<b>\$36.50</b>	<b>\$37.57</b>
CBD											
Class A	93	81,155,246	15,062,324	18.6%	11,569,943	14.3%	185,835	185,835	\$34.77	\$36.01	\$37.58
Class B	188	49,010,573	8,226,975	16.8%	6,503,122	13.3%	67,236	67,236	\$27.62	\$27.99	\$28.25
Class C	160	13,489,884	1,585,883	11.8%	1,294,910	9.6%	16,014	16,014	\$22.49	\$21.95	\$22.16
<b>TOTALS</b>	<b>441</b>	<b>143,655,703</b>	<b>24,875,182</b>	<b>17.3%</b>	<b>19,367,975</b>	<b>13.5%</b>	<b>269,085</b>	<b>269,085</b>	<b>\$31.62</b>	<b>\$32.46</b>	<b>\$33.51</b>

\*Survey method includes all office buildings with more than 20,000 SF in each submarket.

## Noteworthy Leases

Tenant	SF	Type	Submarket
William Blair & Co. 150 N Riverside Plaza	300,000	New	West Loop
CareerBuilder.com 200 N LaSalle Street	194,188	Expansion/ Extension	Central Loop
DLA Piper 444 W Lake Street	175,000	New	West Loop
Taft Stettinius & Hollister 111 E Wacker Drive	68,368	Renewal	East Loop
Newark Corp. 300 S Riverside Plaza	65,000	New	West Loop

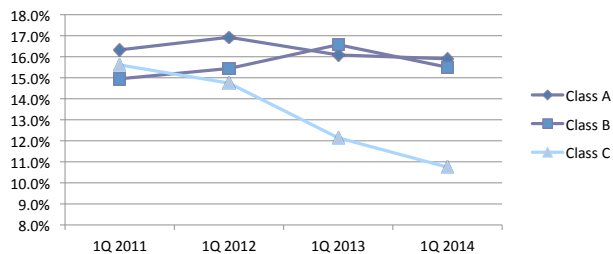
## Largest Available Spaces

Building Address	SF	Class	Landlord
515 N State Street	350,906	A	UBS Realty Investor
311 W Monroe Street	354,017	B	Golub & Company/ Archon Group, L.P.
200 E Randolph Street	339,761	A	Piedmont Office Realty Trust
500 W Monroe Street	311,049	A	Piedmont Office Realty Trust
227 W Monroe Street	272,101	A	Tishman Speyer

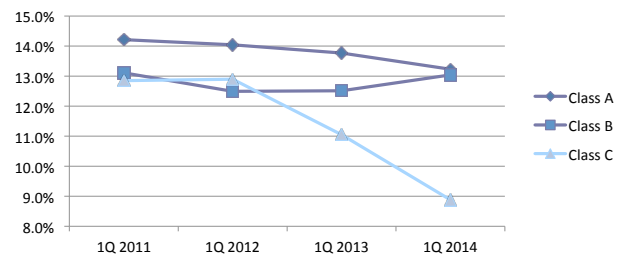
## Sales Transactions

Submarket	Building Address	SF	Buyer	Seller	Price
West Loop	311 S Wacker Drive	1,281,000	Zeller Realty Group/ China Cinda Asset Management	Shorestein Realty Services/The 601W Companies/Fremont Group	\$302,400,000
Central Loop	180 N LaSalle Street	770,191	Beacon Capital Partners	Berkley Properties	\$126,000,000
East Loop	200 S Michigan Avenue	357,777	Alliance Partners	Equus Capital Partners	\$69,000,000
Central Loop	39 S LaSalle Street	209,597	Kimpton Hotel & Restaurant Group	ROC Fund II/Hamilton Partners	\$22,000,000
Central Loop	407 S Dearborn Street	157,406	CA Ventures	407 Dearborn LLC	\$13,300,000

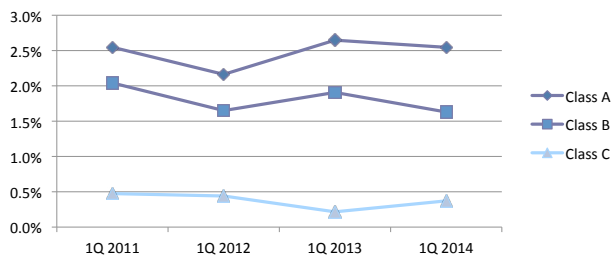
## DIRECT AVAILABILITY



## DIRECT VACANCY



## SUBLET AVAILABILITY



## SUBLET VACANCY

