

# CHICAGO SUBURBS

## Office Market Report

▲ YTD Net Absorption  
(27,182) SF

▼ Availability  
22.3%

▲ Gross Average Asking Rate (Direct)  
\$22.58

### Suburban Office Market Continues to Strengthen; Vacancy and Availability Rates Decrease

The Suburban office market continued to improve going into the 3Q of 2015. The vacancy rate decreased from 18.9% to 17.8% and the availability rate decreased from 24.4% to 22.3% year over year, respectively. While YTD net absorption is essentially flat at negative 27,182 SF thru the mid-year, it is significantly better than the negative 518,096 thru mid-year 2014. Overall these statistics indicate that the suburban market is becoming healthier and more dynamic.

The improving market has allowed owners to invest capital back into their properties. As leasing activity has picked up and rental rates have started to increase Landlords are starting to renovate and upgrade their buildings on a larger scale. For example, buildings like 280 Shuman Boulevard in Naperville and 1700 Higgins Road in Des Plaines recently completed wholesale building modernizations to help spur leasing. This is a trend that has been happening in the Downtown Chicago market for several years, but it is just starting to occur in the suburban markets. Tenants looking for modern design, aesthetics and infrastructure now have some choices to consider.

Another trend indicative of a strengthening market is owners investing capital to relocate tenants or even de-tenant a building to assemble large (over 50,000 SF) blocks of available space. Through mid-year 2015, two new leases were signed in the North Suburbs for over 200,000 SF. Baxter Healthcare Corporation signed a 256,500 SF lease at 1200 Lakeside Drive in Bannockburn and CDW signed a 209,000 SF lease at 25 & 75 Tri State International in Lincolnshire. While both of these transactions were in the North Suburbs, Landlords in other submarkets are trying to reposition their properties to land similar type deals. The owner of 1200 Harger Road and 2000 Spring Road in Oak Brook (General Growth Properties) is renovating 1200 Harger and relocating tenants from 2000 Spring to 1200 Harger. This project is being done to make the entire building at 2000 Spring Road (75,000 RSF) available to an "anchor" tenant. There are currently no existing buildings or blocks of available space that size in the Oak Brook Area.

All of this activity has led to continued velocity in the investment sales market. Announced in April, GE Capital Real Estate has agreed to sell most of their real estate assets to Blackstone Group and Wells Fargo for \$23 billion. Multiple Chicagoland properties are involved in the deal, including Westbrook Corporate Center in Westchester, Commerce Plaza in Oak Brook, The Oakbrook Terrace Tower in Oakbrook Terrace and One Lincoln Center also in Oakbrook Terrace. A couple of portfolio sales that have closed through the mid-year include Cornerstone Real Estate Advisers acquiring Corporate 500 Centre (4 Properties) in Deerfield for \$153.8 Million (\$220.45/SF); and Griffin Capital Essential Asset REIT, Inc. acquiring a portfolio of properties for \$599.1 Million (\$224.90/SF), that included 2275 Cabot Drive in Lisle and 4 Parkway Boulevard N in Deerfield.

The North Suburbs has the lowest vacancy rate of the suburban submarkets at 16.5%. That being said, certain Micro-Markets are significantly tighter and are approaching or have reached equilibrium. These include the Western and Southern East West Corridor Micro-Markets (14.7% and 14.4% vacancy, respectively) as well as the Central and Southern North Micro-Markets (10.4% and 10.6% vacancy, respectively).

#### Developing Story – Industry Consolidation:

Cushman & Wakefield Acquires J.F. McKinney + Associates and Now Merging with DTZ



At the end of April, Cushman & Wakefield announced the acquisition of J.F. McKinney + Associates, a Landlord Representation firm in Chicagoland. Shortly after this, DTZ's parent company, TPG Capital, agreed to buy Cushman & Wakefield for approximately \$2 billion. The joint company will take on the Cushman & Wakefield name once the deal closes at the end of 2015 and employ over 43,000 people (around 300 in Chicagoland). With the acquisition and merger, Cushman & Wakefield will now compete size-wise with CBRE and JLL, the industry's two largest firms.

# MID-YEAR 2015

## Suburban Outlook

- Average asking rates will continue to rise as vacancy and availability rates continue to decline.
- The Capital Market will continue to be strong as investors continue to chase attractive cap rates.
- Owners will continue to re-invest capital into their properties as the market gets healthier.

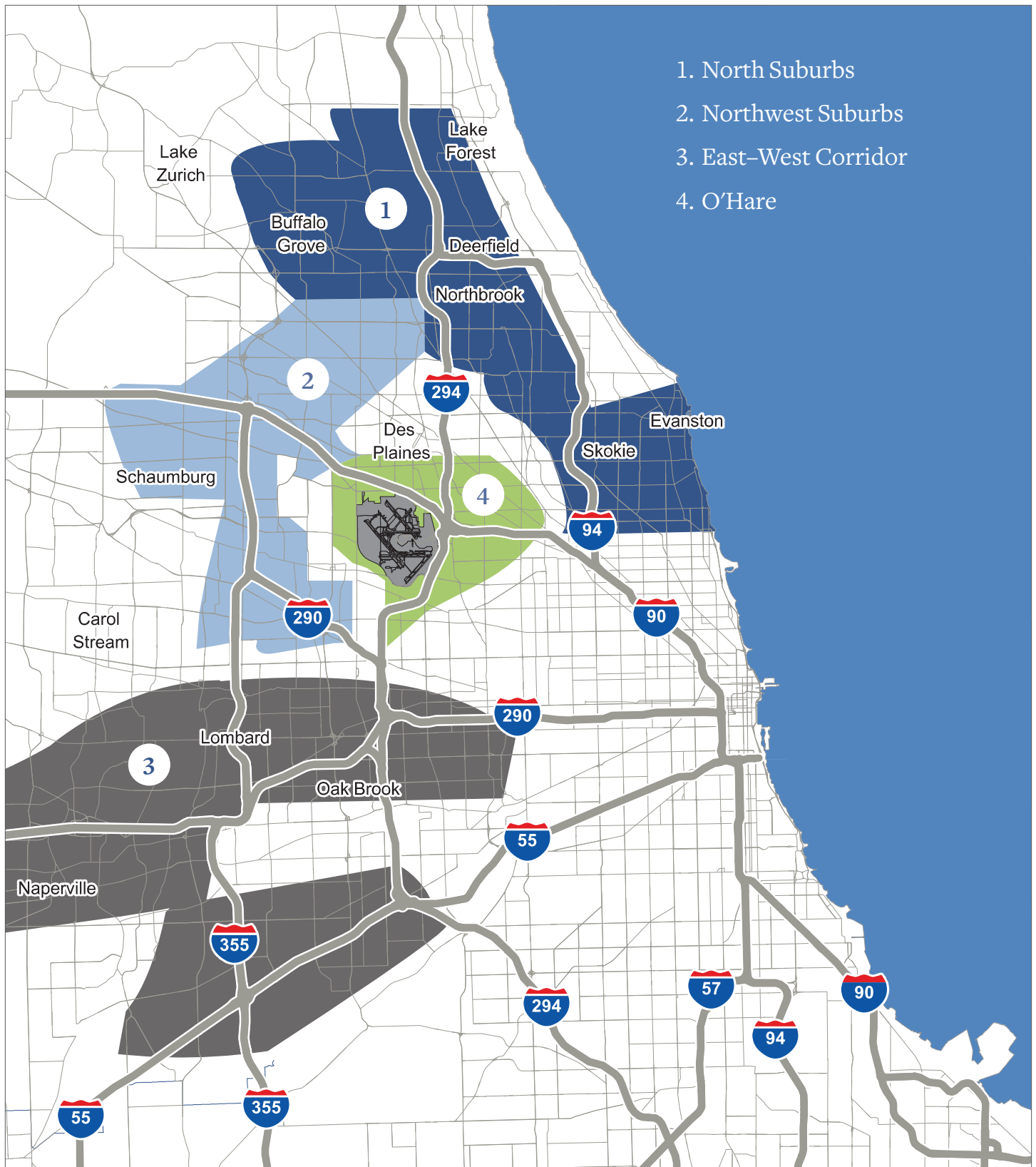
## Suburban Summary

		Mid 2014	Mid 2015
Total Inventory (SF)	◀▶	121,858,569	121,858,569
Overall Vacancy	▼	18.9%	17.8%
Direct Vacancy	▼	17.9%	16.7%
Sublease Vacancy	▲	1.0%	1.1%
Overall Available	▼	24.4%	22.3%
Direct Available	▼	21.8%	20.3%
Sublease Available	▼	2.6%	2.0%
Gross Average Asking Rate (Direct)	▲	\$22.00	\$22.58
Current Net Absorption (SF)	▼	493,984	190,643
YTD Net Absorption (SF)	▲	(518,096)	(27,182)

## Economic Indicators

	Mid 2014	Mid 2015
IL Unemployment	6.9%	6.0%
US Unemployment	6.1%	5.3%
US Consumer Confidence Index	85.2	101.4
West TX Intermediate Price Per Barrel	\$104.51	\$56.87

# MID-YEAR 2015



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## 1. North Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
<b>Central</b>								
Class A	26	4,374,756	10.0%	1,280,248	29.3%	16,479	\$28.75	(1,044)
Class B	52	5,112,050	10.1%	525,770	10.3%	(2,457)	\$23.45	(105,906)
Class C	12	522,671	16.5%	90,918	17.4%	16,314	\$18.16	21,080
<b>TOTALS</b>	<b>90</b>	<b>10,009,477</b>	<b>10.4%</b>	<b>1,896,936</b>	<b>19.0%</b>	<b>30,336</b>	<b>\$26.59</b>	<b>(85,870)</b>
<b>Southern</b>								
Class A	14	2,816,884	11.4%	385,954	13.7%	14,405	\$31.50	(5,091)
Class B	28	1,855,569	10.3%	312,436	16.8%	3,809	\$24.28	(8,040)
Class C	6	204,063	2.4%	4,808	2.4%	0	\$21.50	0
<b>TOTALS</b>	<b>48</b>	<b>4,876,516</b>	<b>10.6%</b>	<b>703,198</b>	<b>14.4%</b>	<b>18,214</b>	<b>\$27.97</b>	<b>(13,131)</b>
<b>Northern</b>								
Class A	66	11,500,289	27.0%	3,006,825	26.1%	220,648	\$25.26	471,002
Class B	76	5,321,783	11.0%	648,556	12.2%	(79,395)	\$19.73	(101,221)
Class C	8	286,711	10.7%	30,630	10.7%	(4,038)	\$17.54	(4,038)
<b>TOTALS</b>	<b>150</b>	<b>17,108,783</b>	<b>21.8%</b>	<b>3,686,011</b>	<b>21.5%</b>	<b>137,215</b>	<b>\$24.40</b>	<b>365,743</b>
<b>TOTALS</b>	<b>288</b>	<b>31,994,776</b>	<b>16.5%</b>	<b>6,286,145</b>	<b>19.6%</b>	<b>185,765</b>	<b>\$25.31</b>	<b>266,742</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Baxter Healthcare Corporation	1200 Lakeside Drive	256,500	New
CDW	25&75 Tri State International	209,000	New
American Imaging Management	Corporate 500 Center	93,500	Renewal
Personal Staffing Group	ArborLake Centre	21,000	New

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
600 N US Highway 45	Innovation Park Lake County	972,531	A	BECO Management, Inc
1000 Milwaukee Avenue	AON Office Building	405,039	A	American Realty Capital Properties, Inc.
300 Tower Parkway	Lincolnshire Corporate Center	175,545	A	Van Vlissingen & Company
200 N Field Drive	N/A	169,000	A	Duke Realty Corporation

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

# MID-YEAR 2015

## 2. Northwest Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
<b>I-355 Corridor</b>								
Class A	15	2,977,540	25.9%	742,152	24.9%	(104,400)	\$21.95	(130,504)
Class B	28	1,480,251	41.3%	627,050	42.4%	11,481	\$17.48	(30,211)
<b>TOTALS</b>	<b>43</b>	<b>4,457,791</b>	<b>31.0%</b>	<b>1,369,202</b>	<b>30.7%</b>	<b>(92,919)</b>	<b>\$19.79</b>	<b>(160,715)</b>
<b>Schaumburg Area</b>								
Class A	59	15,993,792	15.9%	3,698,196	23.1%	(27,927)	\$23.57	(162,751)
Class B	130	8,529,964	20.1%	2,152,139	25.2%	48,840	\$16.83	(24,453)
Class C	13	704,960	38.1%	295,167	41.9%	(499)	\$16.67	46,937
<b>TOTALS</b>	<b>202</b>	<b>25,228,716</b>	<b>17.9%</b>	<b>6,145,502</b>	<b>24.4%</b>	<b>20,414</b>	<b>\$20.50</b>	<b>(140,267)</b>
<b>TOTALS</b>	<b>245</b>	<b>29,686,507</b>	<b>19.9%</b>	<b>7,514,704</b>	<b>25.3%</b>	<b>(72,505)</b>	<b>\$20.33</b>	<b>(300,982)</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Panasonic	Continental Towers	55,000	New
Robertshaw	1222 Hamilton Parkway	54,150	New
Schneider Electric	200 N Martingale Road	43,093	New
Platinum Mortgage	2200-2240 Hicks Road	27,000	Renewal

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
1400 American Lane	Zurich Towers I	441,531	A	Retail Properties of America, Inc.
1450 American Lane	Zurich Towers II	440,538	A	Retail Properties of America, Inc.
1421 W Shure Drive	Northwest Crossings	218,662	A	Gc Net Lease Arlington Heights
2550 W Golf Road	East Tower	216,592	A	John Buck Company
700 N Wood Dale Road	Oakwood Commerce Centre III	125,323	B	UBS Realty Investors, LLC

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

# MID-YEAR 2015

## 3. East–West Corridor

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
<b>Eastern</b>								
Class A	64	13,471,456	19.3%	2,991,101	22.2%	43,154	\$26.03	16,037
Class B	156	10,059,865	18.8%	2,098,937	20.9%	103,328	\$18.31	98,638
Class C	19	902,624	21.9%	205,528	22.8%	(1,635)	\$14.43	(6,346)
<b>TOTALS</b>	<b>239</b>	<b>24,433,945</b>	<b>19.2%</b>	<b>5,295,566</b>	<b>21.7%</b>	<b>144,847</b>	<b>\$22.62</b>	<b>108,329</b>
<b>Western</b>								
Class A	52	10,669,831	14.6%	2,541,066	23.8%	(51,263)	\$24.37	(75,666)
Class B	120	8,227,090	14.6%	1,656,295	20.1%	22,913	\$18.73	59,823
Class C	9	285,838	17.6%	52,981	18.5%	4,837	\$13.49	6,310
<b>TOTALS</b>	<b>181</b>	<b>19,182,759</b>	<b>14.7%</b>	<b>4,250,342</b>	<b>22.2%</b>	<b>(23,513)</b>	<b>\$21.39</b>	<b>(9,533)</b>
<b>Southern</b>								
Class A	11	1,429,570	14.7%	296,473	20.7%	(72,683)	\$26.53	(72,683)
Class B	52	2,201,150	13.9%	410,335	18.6%	37,300	\$18.26	84,647
Class C	9	282,288	18.0%	59,195	21.0%	1,999	\$14.01	1,881
<b>TOTALS</b>	<b>72</b>	<b>3,913,008</b>	<b>14.4%</b>	<b>766,003</b>	<b>19.6%</b>	<b>(33,384)</b>	<b>\$20.91</b>	<b>13,845</b>
<b>TOTALS</b>	<b>492</b>	<b>47,529,712</b>	<b>17.0%</b>	<b>10,311,911</b>	<b>21.7%</b>	<b>87,950</b>	<b>\$22.07</b>	<b>112,641</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Hartford Fire Insurance Company	4245 Meridian Parkway	71,172	Renewal
Microsoft	Highland Landmark II	37,000	Renewal
Sedgwick Claims Management Services	4245 Meridian Parkway	24,818	New
Midwest Orthopaedics At Rush	Westbrook Corp Center	23,000	Renewal
True Consulting	Oak Brook Exec Plaza	18,000	Renewal/Expansion

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
263 Shuman Boulevard	263 Shuman Boulevard	354,000	A	Columbia Property Trust
700 Oakmont Lane	Oakmont Centre	256,767	A	Griffin Capital
4201 Winfield Road	International	249,996	A	Barrington Venture, LLC
2600 Lucent Lane	Lucent Technologies	225,000	A	Alcatel-Lucent
747 E 22nd Street	N/A	209,557	A	Vectren Corporation

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## 4. O'Hare

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
Class A	41	8,387,784	15.9%	1,786,667	21.3%	58,711	\$27.39	(35,289)
Class B	46	4,588,649	23.7%	1,233,903	26.9%	(69,278)	\$18.55	(70,294)
<b>TOTALS</b>	<b>87</b>	<b>12,976,433</b>	<b>18.7%</b>	<b>3,020,570</b>	<b>23.3%</b>	<b>(10,567)</b>	<b>\$23.41</b>	<b>(105,583)</b>

## Noteworthy Leases

Tenant	Property	SF	Type
PSAV	5100 River Road	75,000	New
Ex Libris	1350 E Touhy Avenue	18,222	Relocation
Association of Legal Administrators	8700 W Bryn Mawr Avenue	9,222	New

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
9600 Bryn Mawr Avenue	O'Hare Gateway Office Center	156,832	A	Higgins Development Partners
5450 N Cumberland Avenue	Cumberland Centre	143,525	A	President's Plaza c/o Glenstar Properties, LLC
1350 E Touhy Avenue	1350 Touhy Plaza	123,176	B	Steinco
8420 Bryn Mawr Avenue	US Cellular Plaza	119,228	A	Ohio Public Employees Retirement System
8750 Bryn Mawr Avenue	East Tower	92,166	A	Equity Commonwealth

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

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