

# CHICAGO SUBURBS

## Office Market Report



YTD Net  
Absorption  
(123,983)



Q1-Q2  
Availability  
24.4%



Q1-Q2  
Asking Rate (Direct)  
\$20.30

### Vacancy and Availability Rates Mislead True Market Conditions

**MARKET CONDITIONS:** At its core, Chicagoland's suburban office market underpinnings are strong. Excellent access to Chicago, O'Hare, Midway, cutting-edge research in diverse industries, prized public school systems, and investment capital shall remain a draw for companies to ply their trades and families to call home. Yet high profile vacancies/availabilities blemish the landscape of a relatively healthy market. The suburban market has a 20.7% overall vacancy rate. When buildings with over 90% vacancy are subtracted from the market, however, the overall vacancy rate drops to 14.5%. Direct availability and gross direct asking rents for the area dropped marginally from 23% to 22.6% and \$20.81 to \$20.30, respectively, from the first quarter to the second quarter of 2017. Leasing activity this quarter was weak, with only 1.14 million square feet of completed transactions within the 110.1 million square foot inventory, a low level not seen since the second quarter of 2009. The absorption rate dropped to negative 785,365 sf this quarter after a positive, two-quarter run with 661,382 sf absorbed in 2017's first quarter and 494,691 sf absorbed in the last quarter of 2016.

**THE SUBURBAN CHALLENGE:** Generally in the suburban market, Class A properties are performing well. One anomaly is in the Northern Suburbs where Class A properties exhibit a vacancy rate of 30.1% coupled with a negative 470,943 sf of absorption for the mid-year 2017 due to a weak first quarter. Second quarter 2017 eked out a positive absorption of 48,163 sf. This was partly due to Deerfield securing two, large leases with Peoria-based Caterpillar committing to occupy 116,071 sf at 510 Lake Cook Rd in April of 2018; and Pharmaceutical Research Associates leasing 51,607 sf at 3 Parkway North for a September 2017 occupancy. In June, Brunswick Corp continued this market's trend of trimming its operations' space requirements by reducing its 130,041 sf footprint in Lake Forest to 55,552 sf at 26125 N. Riverwoods Blvd, Mettawa, IL.

The East-West Corridor finished the second half of 2017 with a 16.1% vacancy and positive YTD net absorption of 371,682 sf. In a sample of only five properties, over 1.2 million square feet is available. Yet established tenants quietly renewed their leases and increased their footprint, posting another 1.1 million square feet in transactions secured to the submarket's ledger. Renewals here include Great Lakes Dredge & Dock Corp, leasing 65,004 sf at 2122 York Rd, Oak Brook; and Glanbia PLC, expanding its presence at 3500 Lacey Rd, Downers Grove, by 35,703 sf to 103,448 sf in total.

**O'HARE MAINTAINS ALTITUDE:** O'Hare is flying solo as the submarket with positive absorption numbers, regardless of building class. EnsembleIQ signed a long-term deal to renew and expand its headquarters from 12,000 to 19,800 sf at the International Tower, 8550 W. Bryn Mawr Ave; and the Local 881 Union, chartered by UFCW International, also signed a new, long-term lease to expand its presence by 25% for 18,890 sf at 1350 E. Touhy Ave, in Des Plaines.

**LOOKING AHEAD:** Landlords and tenants may create new life within a single-tenant to multi-tenant building redevelopment. Outside of a few, single-occupancy, custom-built office buildings, there seems to be few new developments in the metro as a whole. This trend, at least, is offering the suburban market a respite not available to Chicago's Loop. Class A+ and C office buildings display the most demand as a whole. Sale prices increased steadily from last year's averages to the five-year averages as follows: East/West Corridor (\$130/sf/yr 2016-17 to \$123/sf/yr/5 yr average); Northwest (\$67/sf/yr 2016-17 to \$61/sf/yr/5 yr avg); O'Hare (\$154/sf/yr 2016-17 to \$127/sf/yr/5 yr avg); and Northern (150/sf/yr 2016-17 to \$123/sf/yr 5 yr avg).

### Economic Snapshot – Unemployment Numbers Drop; Jobs are Added

According to the Bureau of Labor Statistics' May 2016 to May 2017 Employment Report, the Chicago MSA job growth was up 0.7% or 4,698,700 workers. The financial and IT sectors added over 12,000 jobs, with 3% and 3.5% growth, respectively. Unemployment numbers dropped from 5.6% to 4.3% in Cook County; 4.4 to 4.0 in Lake County; and 4.4% to 3.3% in DuPage County.

# MID-YEAR 2017

## Suburban Outlook

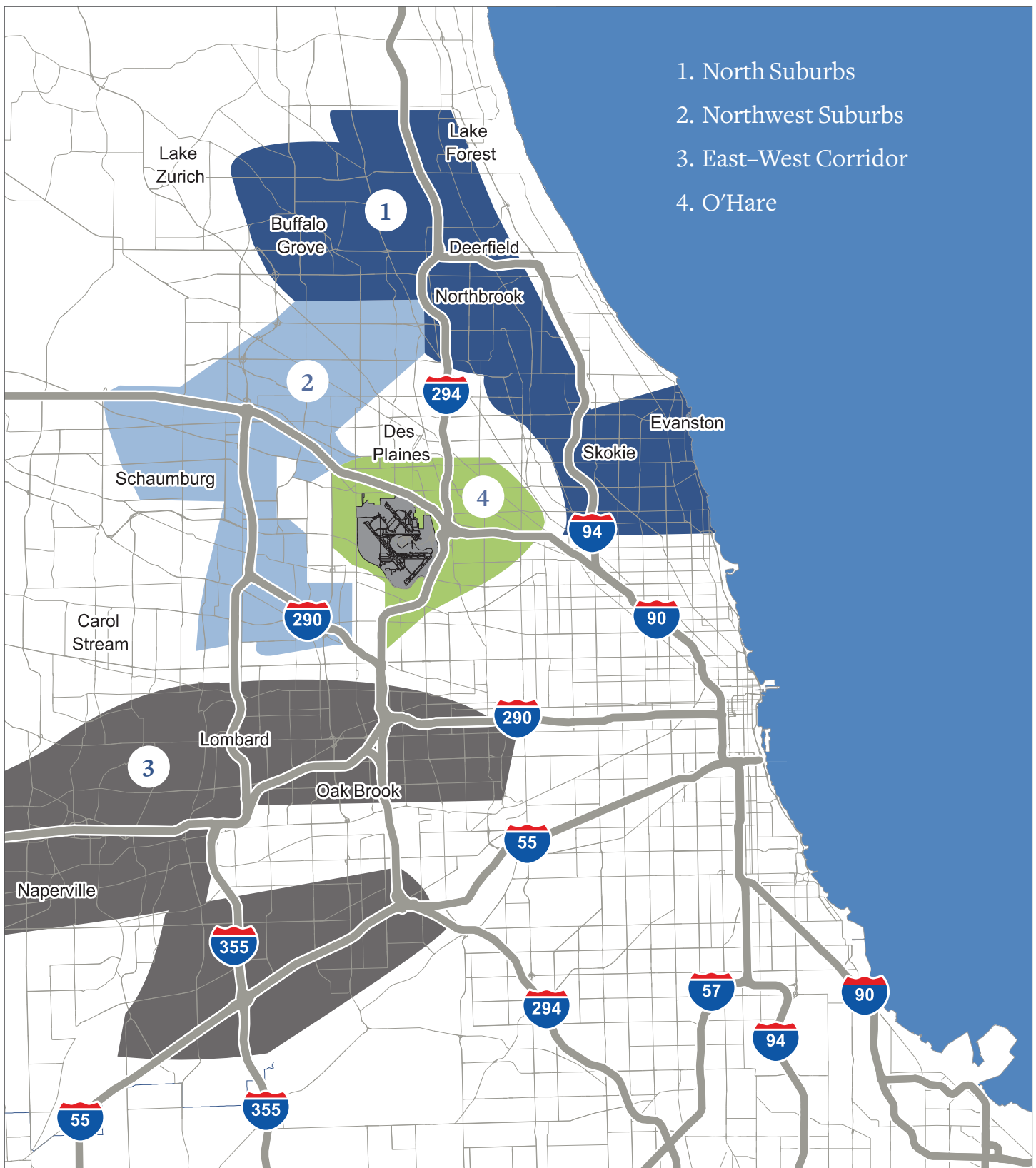
- Demand for medical office space increases as baby boomers age and their health declines.
- Class A, multi-tenant properties continue to outperform their older peers.
- Vacancy and absorption rates find balance as Class B/C buildings are repositioned through renovation and/or price adjustments.

## Suburban Summary

		Mid-Year 2016	Mid-Year 2017
Total Inventory (SF)	▲	108,996,767	110,057,711
Overall Vacancy	▲	18.6%	20.7%
Direct Vacancy	▲	17.7%	19.7%
Sublease Vacancy	▲	0.9%	1.0%
Overall Available	▲	24.0%	24.4%
Direct Available	▲	22.4%	22.6%
Sublease Available	▲	1.9%	2.1%
Asking Rate (Direct)	▲	\$19.94	\$20.30
Current Net Absorption (SF)	▲	(853,295)	(785,365)
YTD Net Absorption (SF)	▲	(1,043,004)	(123,983)

## Economic Indicators

	Mid-Year 2016	Mid-Year 2017
Lake Cty Unemployment	4.4%	4.0%
DuPage Cty Unemployment	4.4%	3.3%
Cook Cty Unemployment	5.6%	4.3%
US Unemployment	4.5%	4.1%
US CCI	101.4	118.9
Case Shiller Index	132.97	136.97



## 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)
Central								
Class A	24	3,879,559	25.4%	1,005,062	25.9%	(394,301)	\$18.67	(226,386)
Class B	50	4,800,577	7.7%	374,155	7.8%	(36,919)	\$21.67	317,440
Class C	12	477,638	8.7%	129,640	27.1%	6,012	\$18.21	2,395
<b>TOTALS</b>	<b>86</b>	<b>9,157,774</b>	<b>15.3%</b>	<b>1,508,857</b>	<b>16.5%</b>	<b>(425,208)</b>	<b>\$19.49</b>	<b>93,650</b>
Southern								
Class A	14	2,403,136	7.0%	178,377	7.4%	(12,339)	\$22.83	14,359
Class B	28	1,980,677	15.0%	443,810	22.4%	24,287	\$22.86	4,641
Class C	6	202,699	23.0%	87,881	43.4%	0	\$14.84	(40,000)
<b>TOTALS</b>	<b>48</b>	<b>4,586,512</b>	<b>11.1%</b>	<b>710,068</b>	<b>15.5%</b>	<b>11,948</b>	<b>\$22.00</b>	<b>(21,000)</b>
Northern								
Class A	65	11,019,202	30.1%	3,406,128	30.9	48,163	\$20.46	(470,943)
Class B	76	5,254,824	8.2%	654,734	12.5	(10,734)	\$19.51	(15,084)
Class C	12	429,321	12.6%	65,062	15.2	6,638	\$17.19	(17,474)
<b>TOTALS</b>	<b>153</b>	<b>16,703,347</b>	<b>22.8%</b>	<b>4,125,924</b>	<b>24.7%</b>	<b>44,067</b>	<b>\$20.31</b>	<b>(503,501)</b>
<b>TOTALS</b>	<b>287</b>	<b>30,447,633</b>	<b>18.8%</b>	<b>6,344,849</b>	<b>20.8%</b>	<b>(369,193)</b>	<b>\$20.28</b>	<b>(430,851)</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Caterpillar	510 Lake Cook Road	116,071	New
Valent BioSciences Corp	600 N US Highway 45	58,000	New
Brunswick	26125 N. Riverwoods Boulevard	55,552	New
Pharmaceutical Research Associates	3 Parkway North Boulevard	51,607	New
Abbvie, Inc.	75 N. Fairway Drive	49,052	Renewal

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
1000 Milwaukee Avenue	AON Office Building	405,039	A	The John Buck Company
2 Overlook Point	Two Overlook Point	302,678	A	Van Vlissingen & Company
3100 Sanders Road	West Plaza	207,411	A	Colliers International
300 Tower Parkway	Lincolnshire Corporate Center	175,545	A	Van Vlissingen & Company

\*Property data and analytics were compiled by CoStar with these parameters: office type, existing and under renovation, and 20,000 square feet or more.

## 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)
I-355 Corridor								
Class A	19	3,774,406	24.3%	1,127,022	24.7%	(292,281)	\$21.66	(288,778)
Class B	31	1,666,386	31.5%	594,215	35.7%	22,642	\$17.53	33,409
<b>TOTALS</b>	<b>50</b>	<b>5,440,792</b>	<b>26.5%</b>	<b>1,721,237</b>	<b>28.0%</b>	<b>(269,639)</b>	<b>\$20.26</b>	<b>(255,369)</b>
Schaumburg Area								
Class A	61	16,816,400	24.3%	4,267,797	24.3%	38,351	\$22.63	454,205
Class B	132	9,036,934	28.6%	2,943,749	32.2%	(320,427)	\$17.20	(294,798)
Class C	12	773,840	11.1%	87,663	11.3%	6,306	\$17.37	10,002
<b>TOTALS</b>	<b>205</b>	<b>26,627,174</b>	<b>25.3%</b>	<b>7,299,209</b>	<b>26.6%</b>	<b>(275,770)</b>	<b>\$20.24</b>	<b>169,409</b>
<b>TOTALS</b>	<b>249</b>	<b>31,113,725</b>	<b>26.1%</b>	<b>8,884,858</b>	<b>27.2%</b>	<b>(545,409)</b>	<b>\$20.19</b>	<b>(85,960)</b>

## Noteworthy Leases

Tenant	Property	SF	Type
ISACA	1700 E. Golf Road	45,245	New
Icon Identity Solutions	1701 Golf Road	23,608	New
Keypath Education	1933 N. Meacham Road	20,573	New
Oerlikon Balzers Coating	1700 E. Golf Road	9,870	New
CSMI	1750 E. Golf Road	5,453	Renewal

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
1450 American Lane	Schaumburg Towers II	362,889	A	Retail Properties of America, Inc
1301 E. Algonquin Road	Old Motorola Solutions	360,206	B	Colliers International
2001 Lakewood Boulevard	N/A	287,000	B	NAI Hiffman
2550 W. Golf Road	Golf Tower	268,512	A	Marc Realty Services

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## 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)
Eastern								
Class A	66	13,895,228	17.0%	2,678,576	17.6%	29,038	\$22.43	304,180
Class B	156	10,020,421	13.3%	2,022,689	16.3%	56,039	\$18.47	62,830
Class C	19	1,026,981	8.2%	89,372	8.4%	(3,153)	\$13.50	676
<b>TOTALS</b>	<b>242</b>	<b>24,978,630</b>	<b>15.2%</b>	<b>4,792,246</b>	<b>16.7%</b>	<b>38,649</b>	<b>\$20.57</b>	<b>367,686</b>
Western								
Class A	58	11,666,969	20.1%	3,476,850	28.1%	70,264	\$20.81	5,004
Class B	120	7,352,521	16.2%	1,701,839	22.3%	3,634	\$19.30	(99,240)
Class C	10	308,338	14.8%	51,847	16.8%	(178)	\$17.10	6,492
<b>TOTALS</b>	<b>188</b>	<b>19,327,828</b>	<b>18.5%</b>	<b>5,230,536</b>	<b>25.7%</b>	<b>73,720</b>	<b>\$20.19</b>	<b>(87,744)</b>
Southern								
Class A	11	1,414,059	4.7%	429,233	28.5%	2,792	\$25.65	42,592
Class B	53	2,261,075	12.5%	521,308	18.5%	21,904	\$19.14	54,589
Class C	11	372,245	15.3%	60,683	16.3%	(1,729)	\$16.09	(5,441)
<b>TOTALS</b>	<b>75</b>	<b>4,047,379</b>	<b>10.0%</b>	<b>1,008,543</b>	<b>21.7%</b>	<b>25,648</b>	<b>\$21.08</b>	<b>91,740</b>
<b>TOTALS</b>	<b>507</b>	<b>48,289,684</b>	<b>16.1%</b>	<b>11,035,892</b>	<b>20.7%</b>	<b>138,017</b>	<b>\$20.41</b>	<b>371,682</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Glanbia PLC	3500 Lacey Road	103,448	Renewal & Expansion
United Healthcare	2655 Warrenville Road	92,446	New
Great Lakes Dredge & Dock Corp	2122 York Road	65,004	Renewal
UBS	One Tower Lane	37,396	Renewal & Expansion
Allant Group	2655 Warrenville Road	26,069	New

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
263 Shuman Boulevard	Shuman Boulevard 263	354,000	A	Piedmont Office Realty Trust
700 Oakmont Lane	Oakmont Point	256,767	A	Ryan Companies US, Inc.
4201 Winfield Road	International	250,000	A	Navistar
2400 Cabot Drive	N/A	205,633	A	JLL
2441 Warrenville Road	Westwood of Lisle 2	148,423	A	Hines

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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	8,512,742	11.4%	1,371,679	16.1%	14,190	\$22.48	53,776
Class B	45	4,383,298	23.2%	1,133,010	25.8%	138,908	\$19.50	168,426
Class C	3	108,600	5.9%	9,360	8.6%	0	\$15.13	340
<b>TOTALS</b>	<b>89</b>	<b>13,004,640</b>	<b>15.3%</b>	<b>2,514,049</b>	<b>19.3%</b>	<b>153,098</b>	<b>\$21.28</b>	<b>222,542</b>

## Noteworthy Leases

Tenant	Property	SF	Type
Utica Mutual Insurance	1350 E. Touhy Avenue	21,111	New
EnsembleIQ	8550 W. Bryn Mawr Avenue	19,800	Renewal & Expansion
Sumitomo	9500 W. Bryn Mawr Avenue	19,203	New
Local 881	1350 E. Touhy Avenue	18,890	New
NCISC	2340 S. River Road	13,253	New

## Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
9600 W. Bryn Mawr Avenue	O'Hare Gateway Office Center	161,676	A	Higgins Development Partners
5450 N. Cumberland Avenue	Cumberland Centre	143,525	A	PRII Presidents Plaza c/o GlenStar Properties JV L
5500 Pearl Street	Balmoral Business Campus	133,235	A	Colliers International
2400 E Devon Avenue	O'Hare Lake Office Park	72,975	B	O'Hare Lake Office Park, LLC

## 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.

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