

# CHICAGO SUBURBS

## Office Market Report



YTD Net  
Absorption  
1,422,579



Q2-Q4  
Availability  
23.8%



Q2-Q4  
Asking Rate (Direct)  
\$23.60

### Office Space Pipeline Accelerates in Suburbs with Almost Three Million SF Proposed

**MARKET CONDITIONS:** Chicago's suburban office market suffered its fair share of hits over the past few years but seems to be on an upward trend. After struggling early in the year, the market ends 2017 with a positive net absorption of over 1.4 million sf, in which 1.65 million sf was added during the fourth quarter alone. Direct vacancy and availability rates compressed from mid-year's 19.7% and 22.6% to the year end's postings of 18% and 21.5%, respectively. In addition, rental rates increased noticeably YOY with the 2017 year end's average asking rate of \$23.60psf – a 10% increase from year end 2016's rate. Direct leasing transactions were slow this quarter with just under 900,000 sf completed – a level not seen since 2008. Yet large move-ins and expansions quietly raised the occupancy rates in the suburbs. In the second half of 2017, the O'Hare submarket saw US Cellular increase its footprint by 56% when it moved into an additional 119,369 sf within the three-building complex at 8420 W. Bryn Mawr, and Aim Specialty Health more than doubled its presence with over 78,000 sf at Presidents Plaza.

Vacant, inclusive, corporate campuses continued to plague the suburban market, especially in the East-West Corridor. Added to its casualty list is the Westwood of Lisle, a 296,500 sf office complex at 2441 and 2443 Warrenville Road in pre-foreclosure after its inability to re-lease Catamaran's space, vacant since 2013. The EW Corridor and O'Hare continue to be a draw for tenants for their relative proximities to the airport and the CBD. Amita Health took a sizable chunk of space within the Warrenville-based Navistar complex, committing to 225,000 sf in the Eastern portion of the EW Corridor. Other large leases inked in the second half of 2017 include: United Healthcare's commitment to over 92,000 sf at 2655 Warrenville Rd in Downers Grove; NEC Display Solutions' 47,000 sf at the Esplanade, also in Downers Grove; McCain Foods' 67,472 sf at One Tower Lane in Oakbrook Terrace; and S&S Activewear's 29,000 sf at 220 Remington in Bolingbrook.

Class A, multi-tenant properties posted almost one million sf of positive net absorption in the fourth quarter of 2017 with the strongest numbers recorded in the EW Corridor and in the Central North submarkets. By year end, correspondingly, these two regions encouraged developers to submit 1.3 million and 800,000 sf of office space proposals, followed by Schaumburg (400,000 sf) and O'Hare (300,000 sf) behind them. Repurposing 18 acres in the tight Eastern-EW Corridor, Ryan Companies is offering a new vision to the campus at 700 Oakmont Lane in Westmont. While retaining the site's pond and patio vistas, the developer is marketing its properties to the firm requiring 25,000 – 170,000 sf buildouts with leading-edge infrastructure. The plans also include ample surface parking and 200 indoor parking slots.

**OUTLOOK:** The fundamentals of Chicago's suburbs are strong overall: diverse industries, educated population base, and compared with the city of Chicago, affordable housing costs to income ratios. With this information, institutional investors and tenants should feel comfortable to take the plunge and advance their investment plans, whether to garner returns on their capital or to expand their presence in the market. The success of repurposing zombie, single tenant campuses (like the old Sears' HQ in Hoffman Estates) into thriving, multi-tenant complexes could foretell a successful future for the suburban office market. In addition, occupancy rates for Class B properties will likely rise as the market for Class A product tightens throughout the region. Rental rates may flatten and as interest rates rise, prices per square foot could drop to accommodate the investors' desire for higher cap rates. With these adjustments, vacancy and availability rates could compress into 2018.

#### Economic Snapshot – Jobs Up, Unemployment Down

According to the US Bureau of Labor and Statistics, the Chicago MSA grew by 4,731,800 workers or 0.5% YOY. The financial services and IT sectors grew the most percentage-wise, adding over 393,000 jobs, with 4.1% and 2.4% growth, respectively.

# YEAR-END 2017

## Suburban Outlook

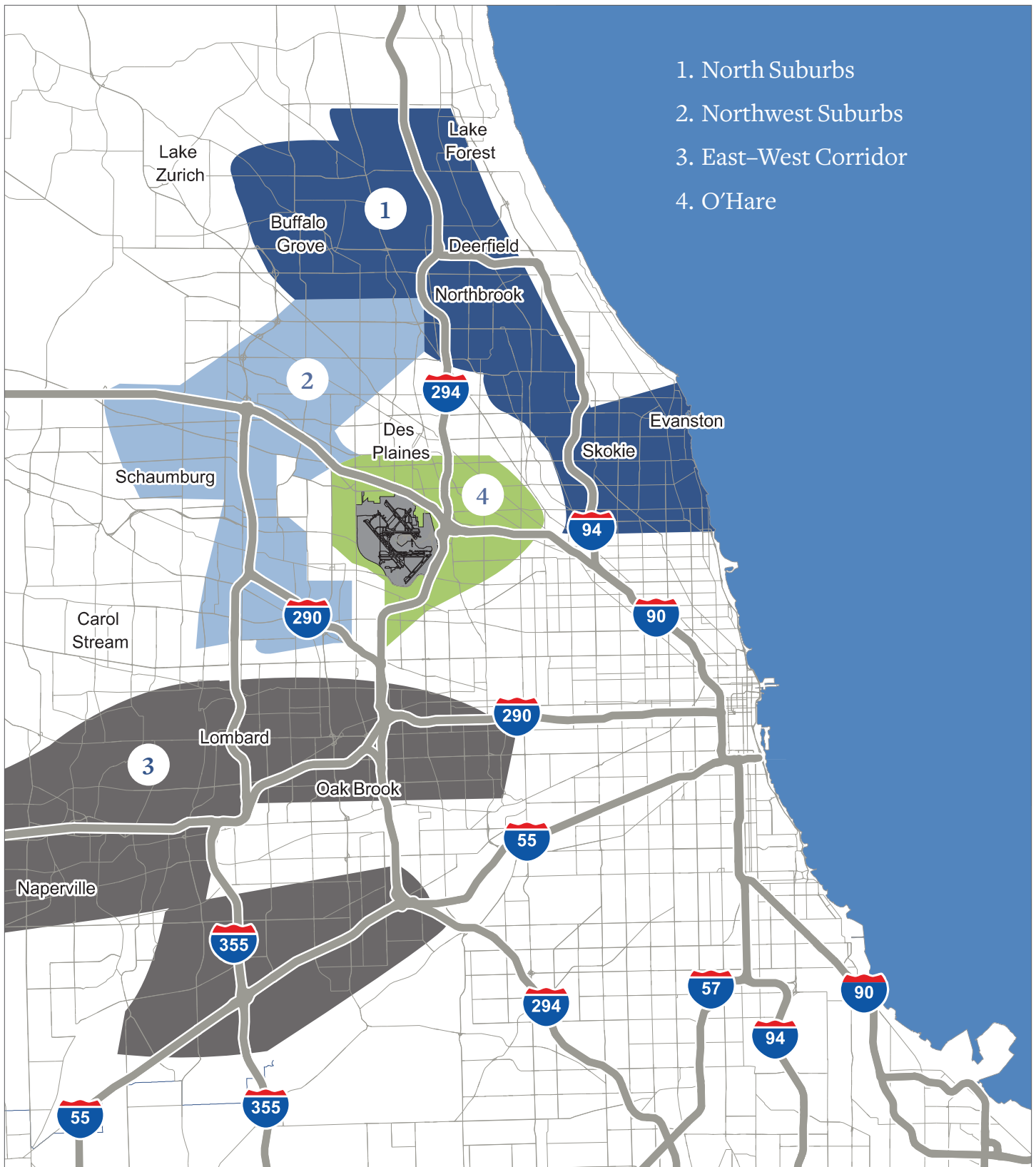
- Occupancy rates near suburban centers and within Transit Oriented Developments (TODs) shall continue to outperform their car-dependent peers.
- Affordability of the suburbs will drive its pending resurgence.

## Suburban Summary

		Year-End 2016	Year-End 2017
Total Inventory (SF)	▼	124,556,411	123,992,504
Overall Vacancy	▼	19.2%	19.1%
Direct Vacancy	▼	18.8%	18.0%
Sublease Vacancy	▲	1.0%	1.1%
Overall Available	▼	24.1%	23.8%
Direct Available	▼	22.6%	21.5%
Sublease Available	▼	2.4%	2.3%
Asking Rate (Direct)	▲	\$20.43	\$23.60
Current Net Absorption (SF)	▲	(449,081)	633,196
YTD Net Absorption (SF)	▲	(1,919,191)	1,422,579

## Economic Indicators

	Year-End 2016	Year-End 2017
Lake Cty Unemployment	4.6%	3.9%
DuPage Cty Unemployment	5.2%	4.7%
IL Unemployment	5.8%	4.9%
US Unemployment	4.6%	4.1%
US CCI	100.27	122.10
Chicago Case Shiller Index	134.86	140.45
National Case Shiller Index	184.26	195.63



## 1. North Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (Direct)
Central								
Class A	24	3,879,559	26.3%	1,100,617	28.4%	(186,243)	10,603	\$28.53
Class B	50	4,714,238	12.2%	600,249	12.7%	37,474	11,125	\$22.97
Class C	11	431,254	11.0%	134,728	31.2%	0	0	\$17.63
<b>TOTALS</b>	<b>85</b>	<b>9,025,051</b>	<b>18.2%</b>	<b>1,835,594</b>	<b>20.3%</b>	<b>(148,769)</b>	<b>21,728</b>	<b>\$26.31</b>
Southern								
Class A	14	2,379,622	8.6%	237,051	10.0%	26,022	(10,911)	\$34.22
Class B	28	1,938,228	14.9%	453,828	23.4%	0	18,971	\$23.74
Class C	7	222,710	18.0%	75,337	33.8%	0	0	\$19.71
<b>TOTALS</b>	<b>49</b>	<b>4,540,560</b>	<b>11.7%</b>	<b>766,216</b>	<b>16.9%</b>	<b>26,022</b>	<b>8,060</b>	<b>\$27.16</b>
Northern								
Class A	66	10,872,049	31.4%	4,189,225	38.5%	(381,750)	(23,492)	\$25.14
Class B	78	5,293,019	11.4%	960,264	18.1%	14,741	142,059	\$20.90
Class C	10	344,095	15.4%	62,888	18.3%	0	6,143	\$19.46
<b>TOTALS</b>	<b>154</b>	<b>16,509,163</b>	<b>24.7%</b>	<b>5,212,377</b>	<b>31.6%</b>	<b>(367,009)</b>	<b>124,710</b>	<b>\$24.42</b>
<b>TOTALS</b>	<b>288</b>	<b>30,074,774</b>	<b>20.8%</b>	<b>7,814,187</b>	<b>26.0%</b>	<b>(489,756)</b>	<b>154,498</b>	<b>\$25.18</b>

## Noteworthy Leases

Tenant	Property	City	SF	Type
Brightstar	Innovation Park	Libertyville	64,000	New
Abbott	Landmark of Lake Forest	Lake Forest	43,000	New
Northwestern University	Evanston MetroCenter	Evanston	41,000	Expansion
Wonderlic	544 Lakeview Parkway	Vernon Hills	22,092	New
Pregis Holdings II Corp	Hyatt Deerfield	Deerfield	9,658	Expansion

## Largest Available Spaces

Property	City	SF	Class	Landlord
600 N. US Highway, Innovation Park Lake County	Libertyville	966,091	A	BECO Management
1000 Milwaukee Avenue, AON Office Building	Glenview	405,039	A	Rdp Milwaukee Ave Holdings
2 Overlook Point, Two Overlook Point	Lincolnshire	302,678	A	Northwestern Mutual Life Insurance
3100 Sanders Road, West Plaza	Northbrook	207,411	A	Allstate Corporation
4000 Commercial Avenue, Centerpoint Northbrook Bus Ctr	Northbrook	195,833	B	Walgreens Boots Alliance

\*The custom 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)	YTD Absorption (SF)	Average Asking Rent (Direct)
I-355 Corridor								
Class A	16	3,111,423	27.3%	931,738	29.9%	(21,997)	222,979	\$25.57
Class B	27	1,458,441	28.8%	527,578	36.2%	0	0	\$16.69
Class C	2	88,301	40.5%	65,901	74.6%	0	32,571	\$16.00
<b>TOTALS</b>	<b>45</b>	<b>4,658,165</b>	<b>28.0%</b>	<b>1,525,217</b>	<b>32.7%</b>	<b>(21,997)</b>	<b>255,550</b>	<b>\$22.05</b>
Schaumburg Area								
Class A	61	16,902,740	23.4%	4,684,241	27.7%	719,138	269,218	\$25.02
Class B	135	9,191,253	27.9%	2,880,834	31.3%	10,159	(1,691)	\$17.81
Class C	11	741,871	11.3%	120,865	16.3%	0	0	\$16.62
<b>TOTALS</b>	<b>207</b>	<b>26,835,864</b>	<b>24.6%</b>	<b>7,685,940</b>	<b>28.6%</b>	<b>729,297</b>	<b>267,527</b>	<b>\$21.85</b>
<b>TOTALS</b>	<b>252</b>	<b>31,494,029</b>	<b>25.1%</b>	<b>9,211,157</b>	<b>29.2%</b>	<b>707,300</b>	<b>523,077</b>	<b>\$21.89</b>

## Noteworthy Leases

Tenant	Property	City	SF	Type
Jewel Osco	150 E. Pierce Road, Hamilton Lakes	Itasca	69,000	Renewal
HC Group Holdings III	2349 W. Lake	Addison	54,959	New
Cook County Health	3250 N. Arlington Heights Road, Arlington Corporate Center	Arlington Heights	38,479	New
Hitaachi High Technologies America	10 N. Martingale Road	Schaumburg	26,595	Renewal/Expansion
Plante Moran	200 N. Martingale Road, Woodfield Corporate Center	Schaumburg	21,592	New

## Largest Available Spaces

Property	City	SF	Class	Landlord
200 W. AT&T Center, Lakewood Center	Hoffman Estates	1,300,000	A	C-III Capital Partners
1450 American Lane, Schaumburg Towers II	Schaumburg	340,620	A	Retail Properties of America
2 Pierce Place, Two Pierce Place	Itasca	291,645	A	Piedmont Office Realty Trust
2550 W. Golf Road, Golf Tower	Rolling Meadows	268,495	A	DeerPark Investors
150 Martingale Road	Schaumburg	240,653	A	Sperry Commercial

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

## 3. East-West Corridor

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (Direct)
Eastern								
Class A	72	14,354,934	15.5%	2,485,320	17.3%	589,357	206,686	\$27.53
Class B	185	11,217,089	15.0%	2,122,859	18.9%	148,482	306,400	\$19.55
Class C	29	1,389,038	11.6%	162,597	11.7%	5,368	0	\$15.37
<b>TOTALS</b>	<b>286</b>	<b>26,961,061</b>	<b>15.1%</b>	<b>4,770,776</b>	<b>17.7%</b>	<b>153,850</b>	<b>513,086</b>	<b>\$23.89</b>
Western								
Class A	59	12,224,991	18.3%	2,955,222	24.2%	89,016	37,071	\$25.67
Class B	140	8,231,369	13.5%	1,644,060	20.0%	232,940	86,252	\$19.12
Class C	8	265,838	7.2%	21,035	7.9%	2,323	0	\$17.01
<b>TOTALS</b>	<b>207</b>	<b>20,722,198</b>	<b>16.3%</b>	<b>4,620,317</b>	<b>22.3%</b>	<b>324,279</b>	<b>123,323</b>	<b>\$23.15</b>
Southern								
Class A	5	884,063	5.7%	269,240	30.5%	26,768	1,768	\$26.77
Class B	14	615,083	15.5%	109,020	17.7%	0	0	\$18.75
Class C	3	85,620	9.1%	7,800	9.1%	0	0	\$17.89
<b>TOTALS</b>	<b>22</b>	<b>1,584,766</b>	<b>9.6%</b>	<b>386,060</b>	<b>24.4%</b>	<b>26,768</b>	<b>1,768</b>	<b>\$19.17</b>
<b>TOTALS</b>	<b>515</b>	<b>49,268,025</b>	<b>15.4%</b>	<b>9,777,153</b>	<b>19.8%</b>	<b>504,897</b>	<b>638,177</b>	<b>\$23.37</b>

## Noteworthy Leases

Tenant	Property	City	SF	Type
Amita Health	2601 Navistar Drive	Lisle	225,000	New
United Healthcare	2655 Warrenville Road, Corridors Two	Downers Grove	92,727	New
McCain Foods	1 Tower Lane, Oakbrook Terrace Tower	Oakbrook Terrace	67,422	New
MiraMed Revenue Group	360 E. 22nd Street	Oak Brook	49,617	Renewal
NEC Display Solutions	3250 Lacey Road, Esplanade V	Downers Grove	47,000	New

## Largest Available Spaces

Property	City	SF	Class	Landlord
263 Shuman Boulevard, Shuman Blvd 263	Naperville	354,000	A	Columbia Property Trust
700 Oakmont Lane, Oakmont Point	Westmont	275,000	A	Ryan Companies
4201 Winfield Road, International	Warrenville	250,000	A	Barrington Ventures
2400 Cabot Drive	Lisle	205,633	A	GlenStar Properties
215 W. Diehl Road	Naperville	189,165	A	LoneStar Funds

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## 4. O'Hare

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (Direct)
Class A	41	8,557,329	10.7%	1,469,847	17.2%	109,363	60,931	\$30.04
Class B	46	4,447,523	22.1%	1,201,698	27.0%	222,842	45,896	\$20.81
Class C	5	150,824	7.5%	14,257	9.5%	0	0	\$15.74
<b>TOTALS</b>	<b>92</b>	<b>13,155,676</b>	<b>14.5%</b>	<b>2,685,802</b>	<b>20.4%</b>	<b>332,205</b>	<b>106,827</b>	<b>\$25.31</b>

## Noteworthy Leases

Tenant	Property	City	SF	Type
Aim Specialty Health	8600 W. Bryn Mawr Avenue, Presidents Plaza	Chicago	78,000	Expansion
American Acad of Dermatology	9500 W. Bryn Mawr Avenue, O'Hare Gateway Center	Rosemont	38,000	New
Founders Insurance	1350 Touhy Avenue	Des Plaines	22,000	Move-In
Americaneagle.com	2700 S. River Road	Des Plaines	15,000	New
Meridian Design Build	9550 W. Higgins Road, Pointe O'Hare	Rosemont	11,511	New

## Largest Available Spaces

Property	City	SF	Class	Landlord
999 & 1011 E. Touhy Avenue, O'Hare Offices	Des Plaines	178,294	B	Siete 7, LLC
9600 W. Bryn Mawr Avenue, O'Hare Gateway Office Center	Rosemont	161,676	A	Higgins Development Partners
5450 N. Cumberland Avenue	Chicago	143,525	A	GlenStar Properties
5500 Pearl Street, Balmoral Business Campus	Rosemont	133,235	A	Balmoral Business Campus Assn
1101-1171 Tower Lane, US Cellular Info. Systems Center	Bensenville	86,087	B	Tower Lane, 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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