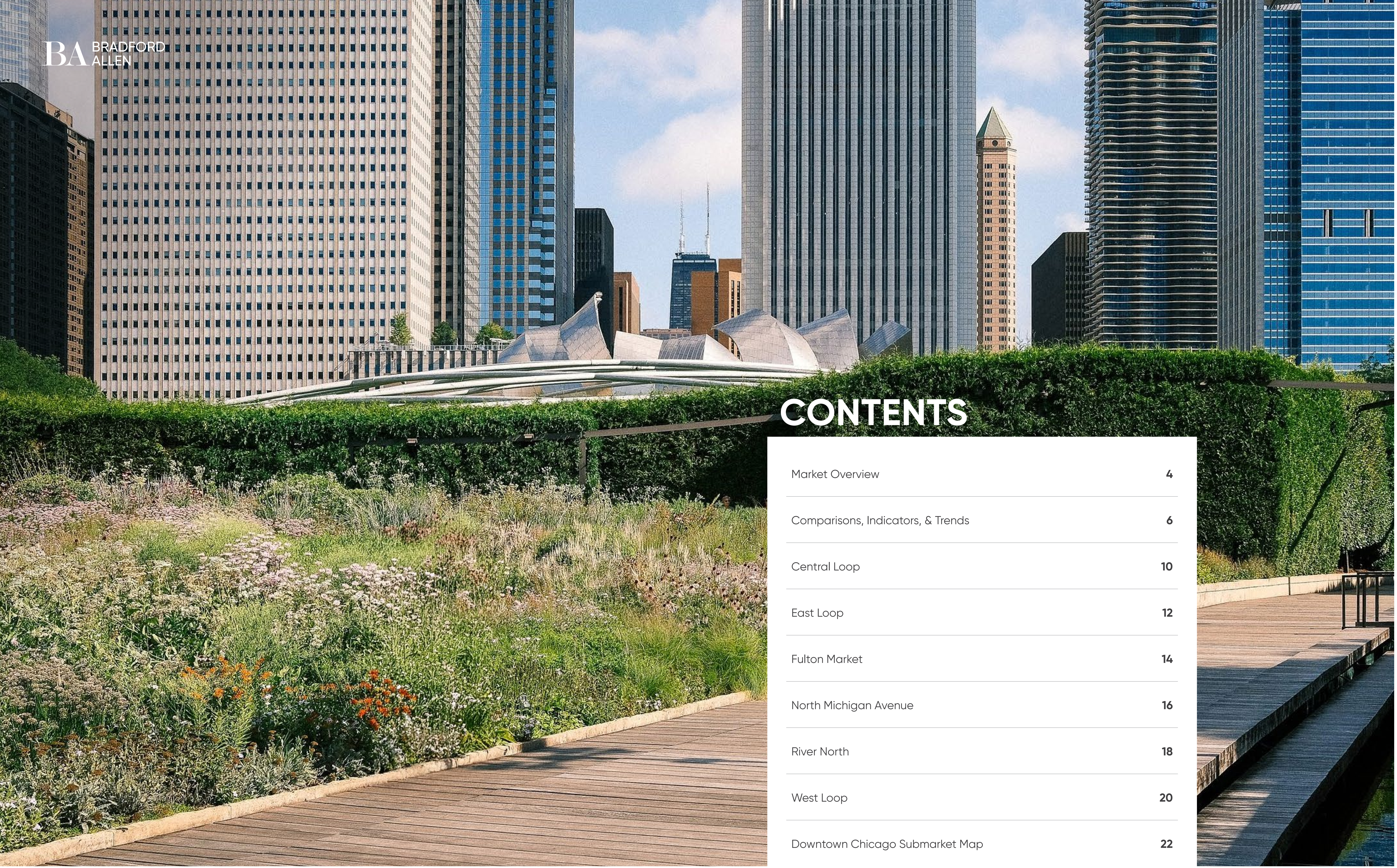
BRADFORD ALLEN

Q2/26
OFFICE MARKET REPORT

Downtown Chicago



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CHICAGO CBD OFFICE STABLE WITH RECOMMITMENTS, NEW TOWER

In the second quarter, the Chicago CBD office market's direct net absorption was positive for the first time in three years. It's certainly too early to call this a trend, but with approximately 585,000 square feet of direct net absorption this quarter, year to date, direct net absorption is positive at approximately 240,000 square feet. Continued momentum in the second half of the year could make annual net absorption positive for the first time since 2020.

The market may also be on track for its first office tower groundbreaking in several years after Sidley Austin signed a lease for more than half of a proposed 45-story, 968,000-square-foot tower at 725 W. Randolph St. in the West Loop. This potential new construction marks a significant shift in market sentiment.

While Class A direct vacancy remains near historic highs at about 22%, intense competition for prime space has left some tenants with limited options. Despite demand for new trophy product, developers have so far been hesitant to build. Sidley cited a lack of options as a major factor in signing at the new tower, where construction is expected to begin next year and occupancy is scheduled for 2030.

Quarterly sales volume reached its highest level in more than four years, with more than $365 million traded, as opportunistic investors remain eager to acquire heavily discounted office buildings in prime locations. The sale of Citadel's former headquarters at 131 S. Dearborn St. was the CBD's highest-priced office transaction in more than four years at $137 million.

Speed to occupancy remains a priority for many tenants, with move-in-ready suites accounting for 36.7% of all leasing activity year to date. This share of the market has steadily grown in recent years as tenants seek alternatives to costly and time-consuming buildouts, rising from just 20.6% of leasing activity in 2023 to nearly 40% in both 2025 and 2026.

Leasing demand remains steady, though lower, with approximately 1.2 million square feet of direct leasing activity completed in the second quarter compared with 1.9 million square feet in the first quarter. Renewals and expansions generally indicate stable tenant confidence in the CBD. One notable example is Huntington Bank's 10-year lease for 60,900 square feet at its longtime home at 222 N. LaSalle St., representing a nearly 40% expansion from its current footprint of 37,677 square feet.

Leasing Activity

Direct net absorption totaled 585,646 square feet in the second quarter, a strong improvement from net negative 345,914 square feet in Q1/26. Move-ins were spread throughout the CBD, with positive net absorption in five of the six submarkets. Fulton Market's net absorption, while technically negative, effectively broke even as just 2,985 more square feet were vacated than occupied during the quarter.

Sidley Austin's new lease is one of the largest completed in the CBD since 2022, when Aon signed its 576,214-square-foot lease at the newly renovated 200 E. Randolph St. Major leases completed in Q2/26 include Vedder Price's 163,000-square-foot renewal at its longtime home at 222 N. LaSalle St.; McKinsey & Company's new sublease for 72,113 square feet at Salesforce Tower, downsizing from roughly 106,000 square feet at 300 E. Randolph St.; and Huntington Bank's 60,900-square-foot renewal and expansion at 222 N. LaSalle St.

The five deals over 40,000 square feet detailed above accounted for more than 60% of the quarter's 1.4 million square feet of leasing activity. Deals between 20,000 and 40,000 square feet accounted for another 14%, led by Option Clearing Corp.'s new lease for 36,000 square feet at 222 W. Adams St., Hall Prangle's new 28,827-square-foot lease at 10 S. Riverside Plaza, and SAP's new lease for 28,336 square feet at 333 W. Wacker Drive. The remaining 26% of leasing activity was spread across transactions under 20,000 square feet, reflecting steady demand among smaller tenants throughout the CBD.

Investment Sales

Office sales remained strong, reaching the highest quarterly sales volume since 2022 with over $365 million in assets traded. Annual office sales volume is already outpacing 2025, with $698 million traded year to date compared to $575 million traded all last year.

The sale of Citadel's former headquarters was Chicago's highest-priced office transaction in more than four years, fetching $137 million—approximately $91 per square foot for the 37-story, 1.5 million-square-foot tower. The building was refinanced for $448 million in 2020, making the recent sale heavily discounted despite its headline purchase price.

Property data were compiled from CoStar with these parameters: existing and under-renovation office properties; within Central, East, and West Loops, N. Michigan Avenue, River North, and Fulton Market. Excluded properties include those with under 20,000 square feet of office space; non-conforming and owner-occupied properties, including those owned by coworking firms. Absorption numbers are calculated using currently reported square footage in CoStar, standardized over the last four quarters.

500 W. Monroe St. transferred to a joint venture of Glenstar and Patrick Halloran via deed-in-lieu. The 966,000-square-foot building was acquired for just under $100 million, or approximately $104 per square foot, a nearly 63% discount to the outstanding $270 million loan and a 76% discount to the $412 million Spear Street Capital paid for the tower in 2019. With generous discounts on CBD building sales, new owners can reinvest to secure new users with building upgrades and amenities as well as more generous tenant allowance packages.

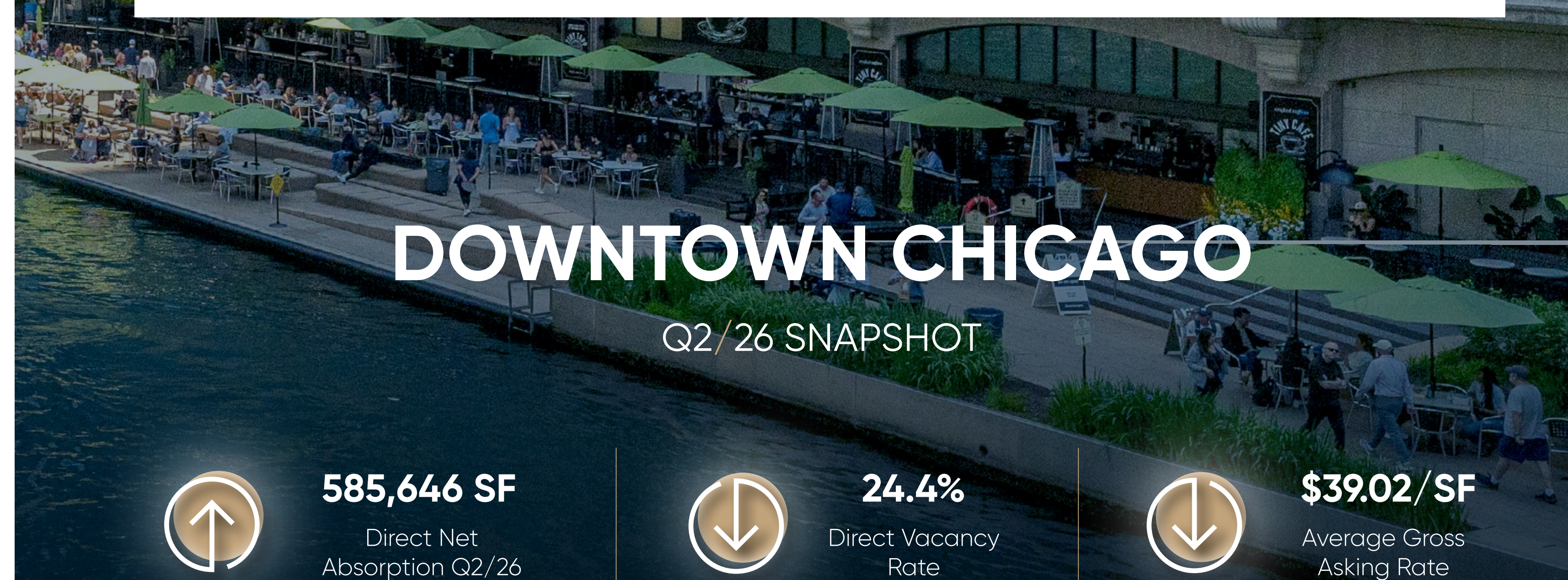
Portland-based Menashe Properties is another group taking advantage of current market economics, purchasing its third CBD office building in as many years. The 38-story office tower at 180 N. LaSalle St. reportedly sold for $56.5 million—approximately $71 per square foot for the 800,000-square-foot tower—a nearly 70% discount from the $198.5 million seller La Caisse paid for the property a decade ago. The property sits directly across from the Thompson Center, where many expect Google's presence will revive the surrounding property market, just as the tech giant's move to Fulton Market did to that submarket in 2015. Leasing activity in the Central Loop is up quarter over quarter, rising to 30% of all CBD activity in Q2/26 from 17% in Q1/26.

Conversion Update

Two deals this quarter suggest Loop housing demand may be strong enough to support office-to-residential conversions throughout the full development lifecycle. However, two data points are not enough to draw firm conclusions.

In early June, Mavrek Development and Acres Capital announced a joint venture to convert the 12-story building at 209 W. Jackson Blvd. into roughly 180 apartments, citing thin construction pipelines and rising rents. Completion is targeted for early 2029.

At the other end of that lifecycle, Barings, which foreclosed on developer DLC Residential over an unpaid $74 million construction loan, is marketing the 211-unit Millennium on LaSalle for sale. The building, converted from a vintage office tower and completed in 2021, is 95% leased, with additional upside as concessions burn off. The property came to market unpriced, providing an early test of how investors value completed office-to-residential conversions in the Loop.



DOWNTOWN CHICAGO

Q2/26 SNAPSHOT

585,646 SF	24.4%	$39.02/SF
Direct Net Absorption Q2/26	Direct Vacancy Rate	Average Gross Asking Rate

FIGURE 01

Leasing Activity by Submarket

Source: *CoStar* | Data as of June 30, 2026

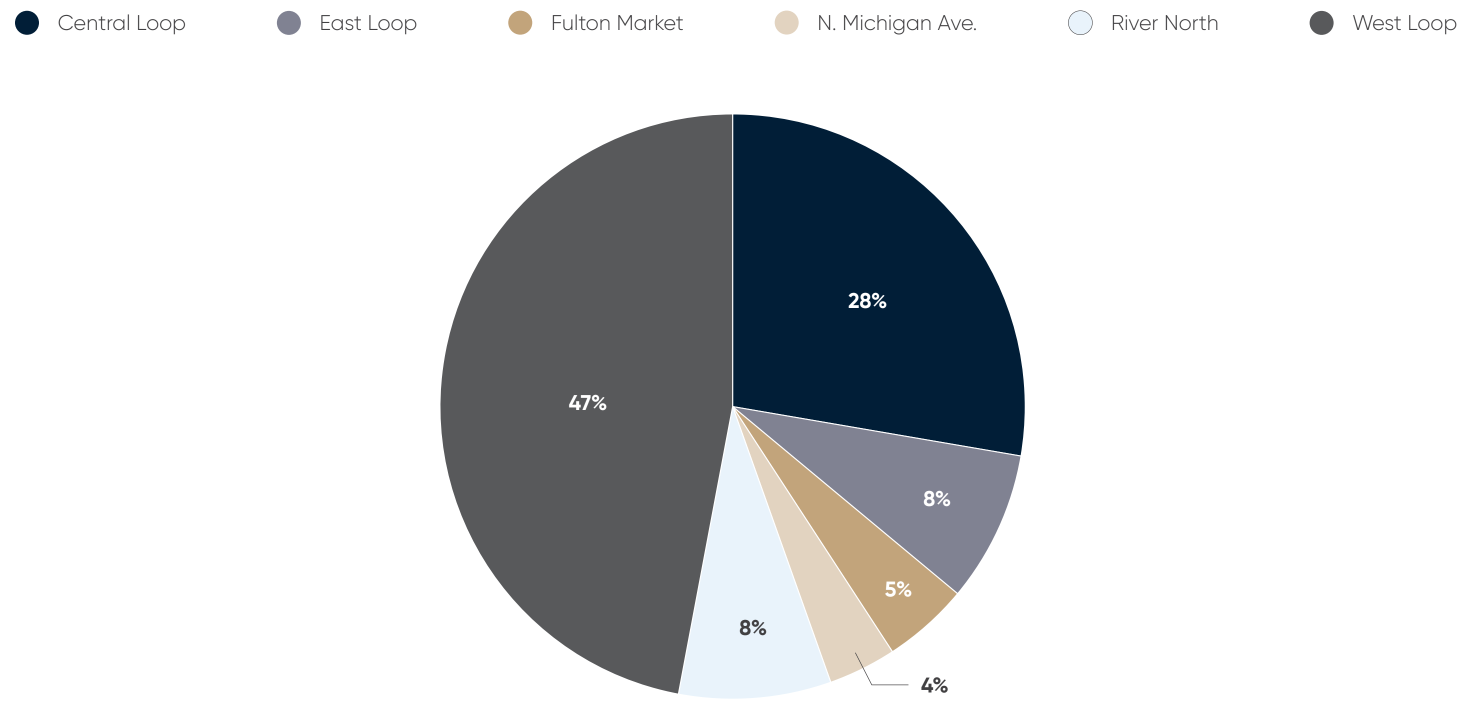
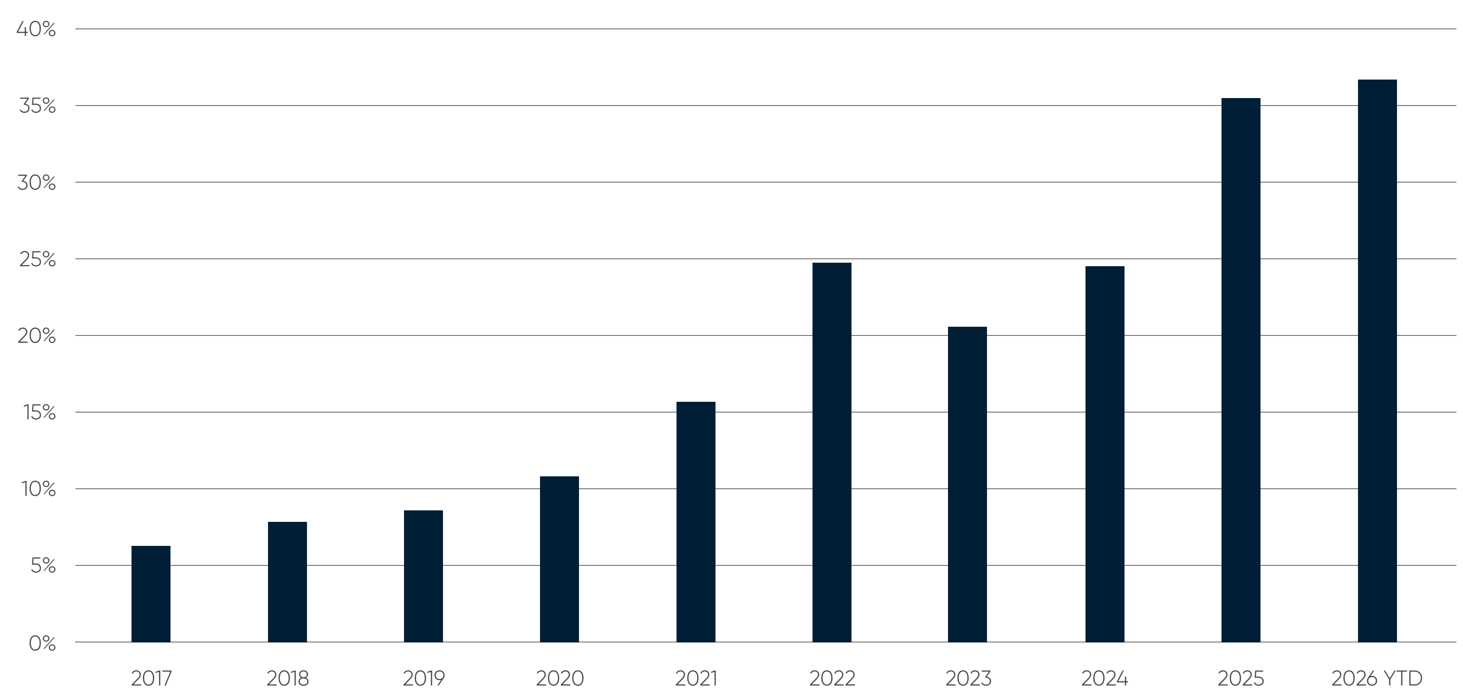


FIGURE 02

Move-In-Ready Suites: Leasing Activity

Source: *CoStar* | Data as of June 30, 2026



This chart shows the percentage of square footage leased for move-in-ready suites year over year, which are deals classified as fully built out or spec suites in CoStar.

FIGURE 03

Chicago CBD Submarket Comparison Summary

Source: *CoStar*
Data as of June 30, 2026

SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	Q2/26 NET ABSORPTION	2025 NET ABSORPTION
CBD	161,177,595	349,626	26.5%	2.8%	24.4%	1.3%	$39.02	585,646	(2,317,604)
CLASS A	99,871,000	818,615	24.7%	3.7%	21.8%	1.7%	$40.96	296,820	(1,562,257)
CLASS B	52,630,914	212,221	30.3%	1.3%	29.3%	0.7%	$36.96	215,996	(899,619)
CLASS C	8,675,681	95,337	24.2%	0.7%	23.6%	0.2%	$28.89	72,830	144,272
CENTRAL LOOP	37,663,311	545,845	28.9%	2.2%	29.7%	0.3%	$37.02	10,599	(1,301,082)
CLASS A	14,612,281	913,268	26.6%	4.5%	25.5%	0.4%	$37.10	(46,378)	(737,613)
CLASS B	22,489,959	478,510	30.9%	0.8%	32.9%	0.3%	$36.15	47,212	(634,975)
CLASS C	561,071	93,512	13.4%	0.0%	13.6%	0.0%	$36.28	9,765	71,506
EAST LOOP	25,301,089	506,022	33.1%	2.5%	30.2%	1.4%	$30.61	83,828	(423,879)
CLASS A	13,429,277	1,033,021	32.3%	3.2%	29.3%	1.3%	$30.49	(11,702)	(220,441)
CLASS B	8,099,409	426,285	37.9%	2.5%	33.9%	2.1%	$35.73	4,398	(202,098)
CLASS C	3,772,403	209,578	25.7%	0.0%	25.7%	0.0%	$30.42	91,132	(1,340)
FULTON MARKET	10,215,674	113,507	18.1%	5.6%	17.3%	2.5%	$39.09	(2,985)	210,730
CLASS A	6,084,218	289,725	13.0%	8.0%	13.0%	3.8%	$58.00	78,085	286,924
CLASS B	2,795,139	60,764	27.4%	1.4%	25.1%	0.8%	$35.68	(92,098)	(47,748)
CLASS C	1,336,317	58,101	21.9%	3.4%	20.2%	0.3%	$25.95	11,028	(28,446)
N. MICHIGAN AVENUE	11,603,189	313,600	27.5%	4.3%	22.9%	3.1%	$42.09	112,027	(63,617)
CLASS A	6,000,735	600,074	30.1%	6.5%	24.3%	5.2%	$49.94	(2,478)	(31,382)
CLASS B	5,498,454	211,479	24.4%	2.1%	20.9%	0.8%	$29.26	126,444	(32,235)
CLASS C	104,000	104,000	46.4%	0.0%	46.4%	0.0%	-	(11,939)	0
RIVER NORTH	18,740,766	167,328	25.9%	1.1%	23.5%	0.6%	$40.21	138,304	204,663
CLASS A	12,435,822	888,273	27.9%	1.2%	25.5%	0.6%	$40.47	109,014	(100,852)
CLASS B	4,709,430	67,278	20.7%	0.8%	18.5%	0.4%	$32.37	23,248	157,392
CLASS C	1,595,514	56,983	25.8%	0.6%	23.3%	0.6%	$34.62	6,042	148,123
WEST LOOP	57,653,566	559,743	23.4%	3.0%	20.1%	1.6%	$46.72	243,873	(944,419)
CLASS A	47,308,667	985,597	22.0%	3.3%	18.5%	1.8%	$48.99	170,279	(758,893)
CLASS B	9,038,523	225,963	31.4%	1.4%	28.2%	0.7%	$42.10	106,792	(139,955)
CLASS C	1,306,376	87,092	22.8%	0.5%	23.8%	0.3%	$26.90	(33,198)	(45,571)

FIGURE 04

Occupancy & Direct Rent

Source: *CoStar* | Data as of June 30, 2026

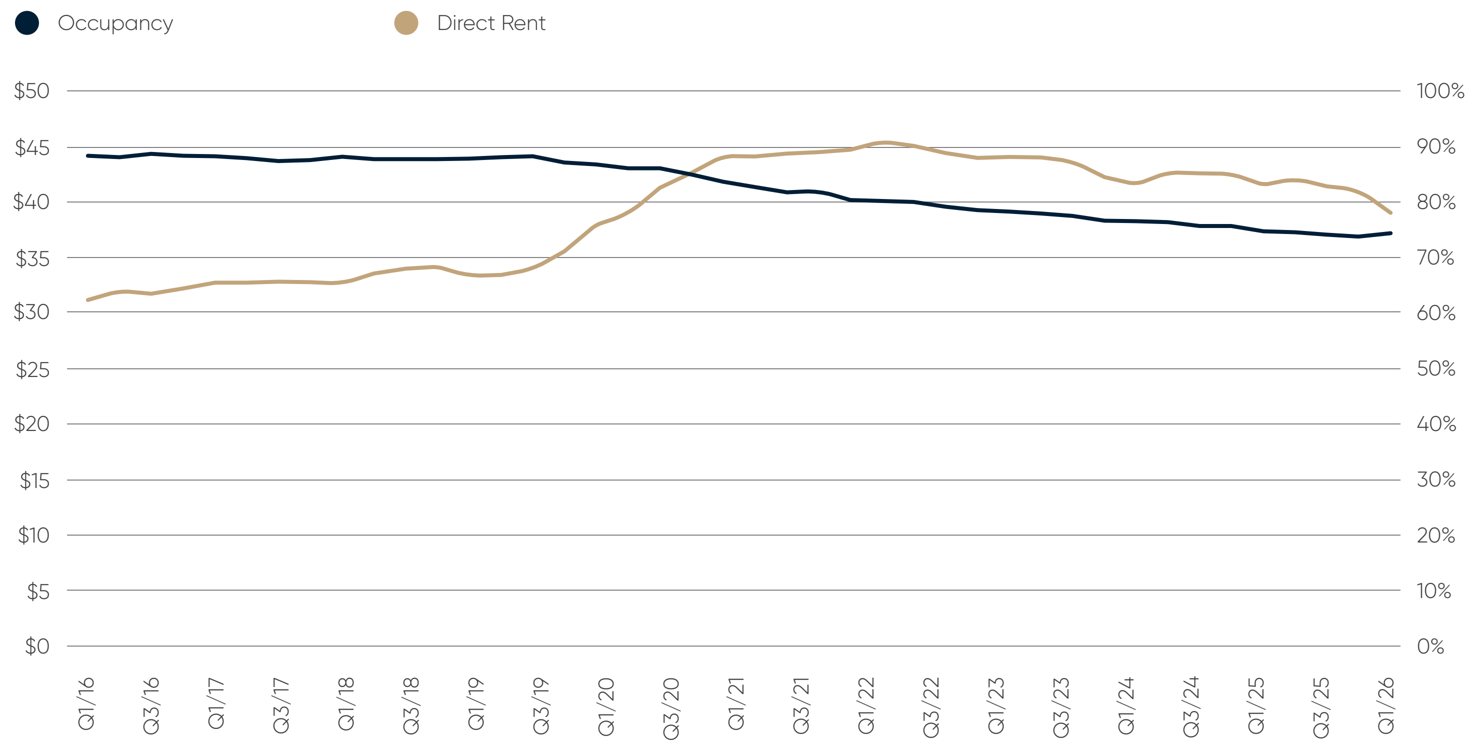
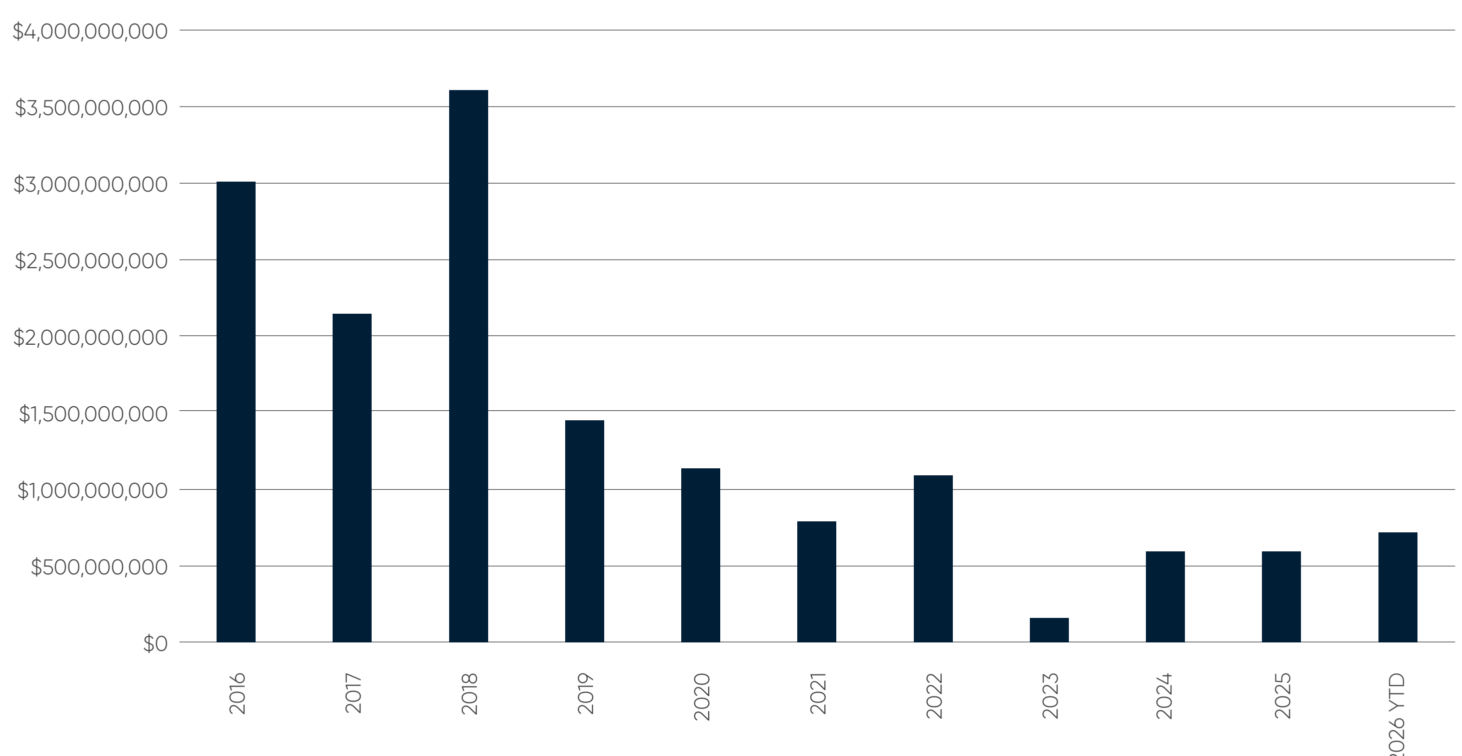


FIGURE 05

Sales Volume

Source: *CoStar* | Data as of June 30, 2026



CENTRAL LOOP

- The Central Loop direct vacancy rate was 29.7% in Q2/26, the second-highest in the CBD after the East Loop (30.2%).
- The submarket recorded a net positive absorption of 10,599 square feet after recording a net negative absorption of 254,272 square feet in Q1/26. This is the first time the submarket has seen positive net absorption since Q3/25.
- Gross asking rates remained stable at $37.02 per square foot, $2 below the CBD average of $39.02.
- Kohan Retail Investment Group purchased 131 S. Dearborn St. from TPG Angelo Gordon for $137 million ($88.58/SF) in the highest-priced office deal in more than four years.

MARKET MOVEMENT

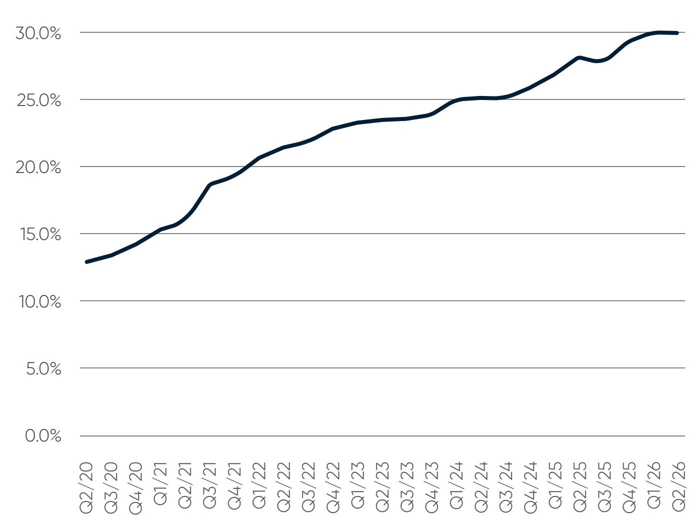
RENEWAL
VEDDER PRICE
222 N. LaSalle St.
(163,000 SF)

NEW LEASE
HUNTINGTON NATIONAL BANK
222 N. LaSalle St.
(60,900 SF)

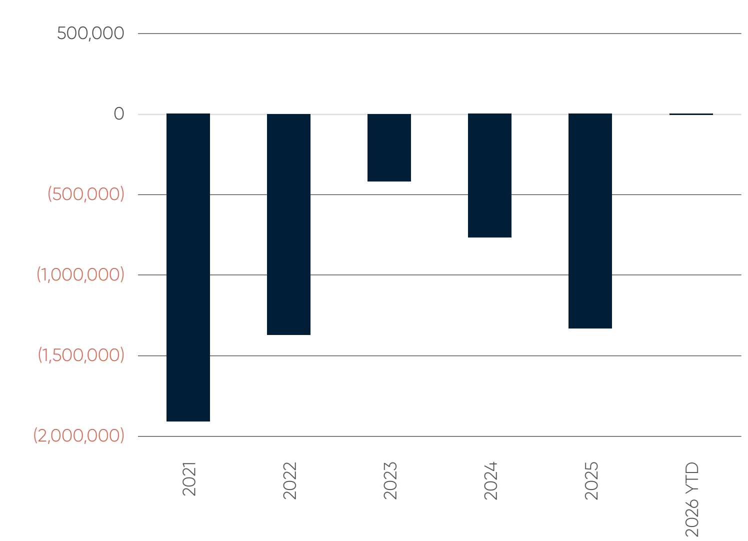
NEW LEASE
FOODA
125 S. Clark St.
(16,564 SF)

INVESTMENT SALE
KOHAN RETAIL INVESTMENT GROUP
131 S. Dearborn St.
(1,546,685 SF)

DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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CLASS A	14,612,281	913,268	26.6%	4.5%	25.5%	0.4%	$37.10	(46,378)	(737,613)
CLASS B	22,489,959	478,510	30.9%	0.8%	32.9%	0.3%	$36.15	47,212	(634,975)
CLASS C	561,071	93,512	13.4%	0.0%	13.6%	0.0%	$36.28	9,765	71,506

EAST LOOP

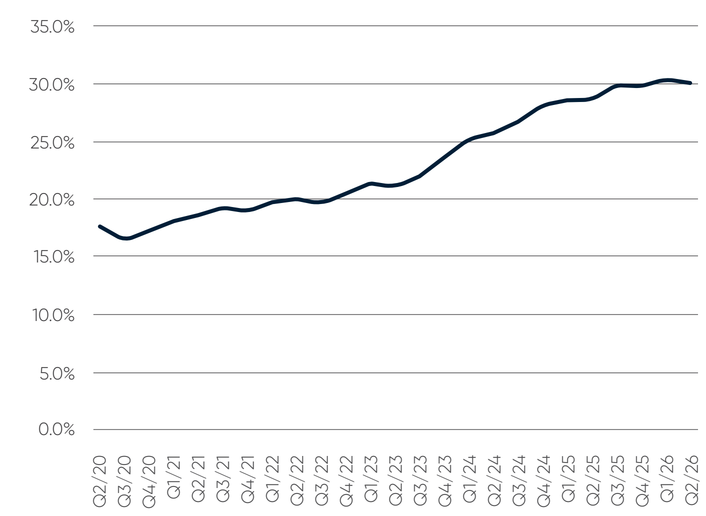
- Direct vacancy in the East Loop remains the highest in the CBD, despite dropping slightly to 30.2% in Q2/26, nearly six percentage points above the CBD average of 24.4%.
- The submarket recorded a net positive absorption of 83,828 square feet, with positive absorption primarily driven by Class C activity.
- Gross asking rates in the East Loop are the lowest in the CBD at $30.61 per square foot, nearly a $10 discount from the CBD average of $39.02.
- The Italian Consulate and Italian Cultural Center signed the submarket's largest lease of the quarter: 17,965 square feet at 150 N. Michigan Ave.

MARKET MOVEMENT

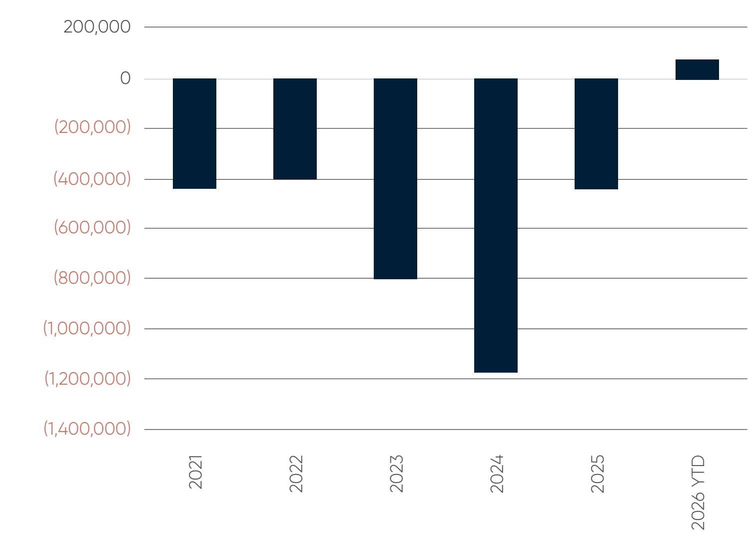
NEW LEASE
ITALIAN CONSULATE AND ITALIAN CULTURAL CENTER
150 N. Michigan Ave.
(17,965 SF)

EXPANSION
O'HAGAN MEYER
1 E. Wacker Drive
(16,989 SF)

DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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CLASS A	13,429,277	1,033,021	32.3%	3.2%	29.3%	1.3%	$30.49	(11,702)	(220,441)
CLASS B	8,099,409	426,285	37.9%	2.5%	33.9%	2.1%	$35.73	4,398	(202,098)
CLASS C	3,772,403	209,578	25.7%	0.0%	25.7%	0.0%	$30.42	91,132	(1,340)

FULTON MARKET

- Fulton Market continues to hold the lowest direct vacancy rate in the CBD at 17.3%, significantly outperforming the total CBD average of 24.4%.
- The submarket recorded the only net negative absorption in the CBD, at a nearly neutral 2,985 square feet. This is just the fourth time the submarket has recorded negative quarterly absorption since 2020.
- Gross asking rates in Fulton Market rose to $39.09 per square foot, up $0.45 quarter over quarter.
- Spear Street Capital purchased 1201 W. Lake St. for $40 million ($274/SF) in the submarket's only investment sale of the quarter.

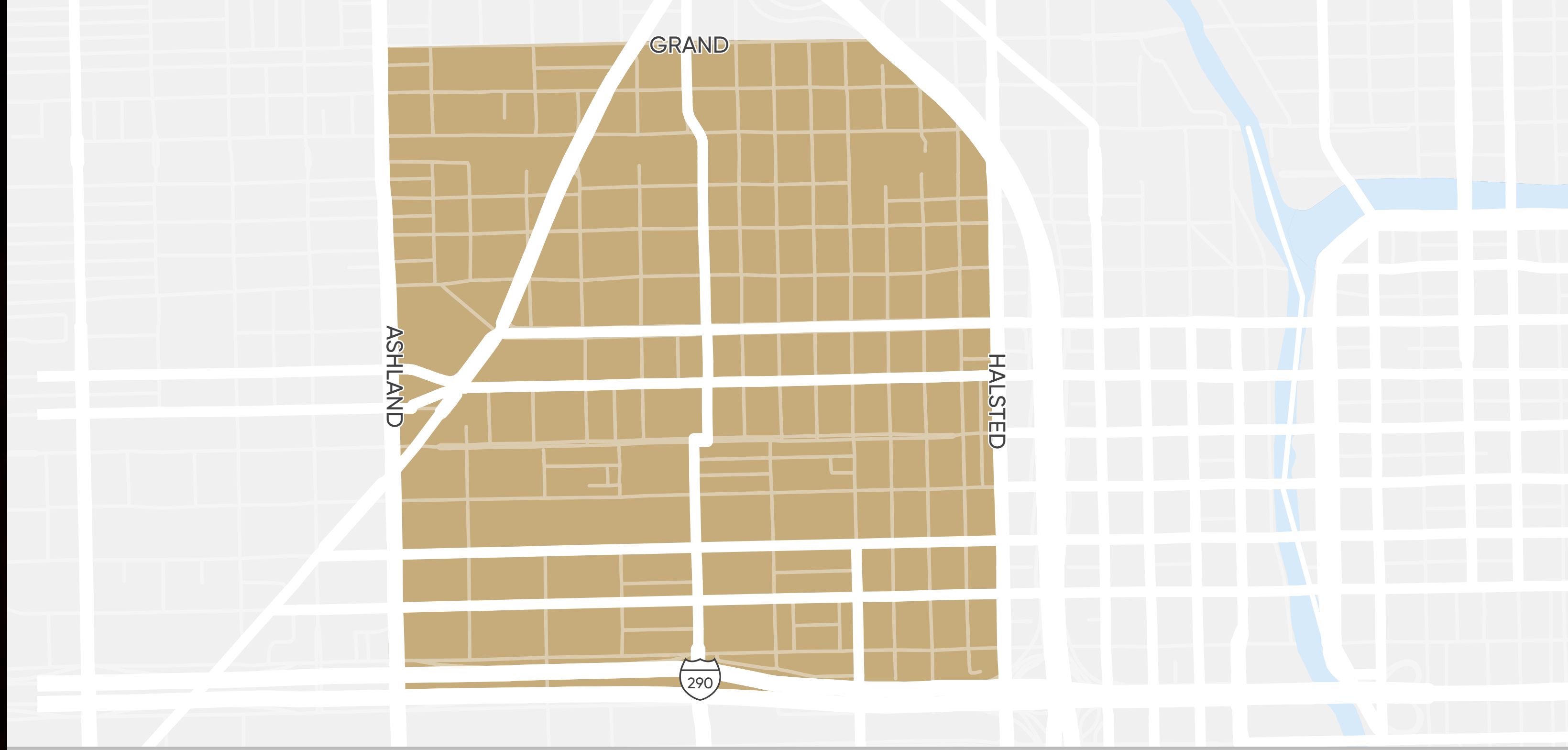
MARKET MOVEMENT

NEW SUBLEASE

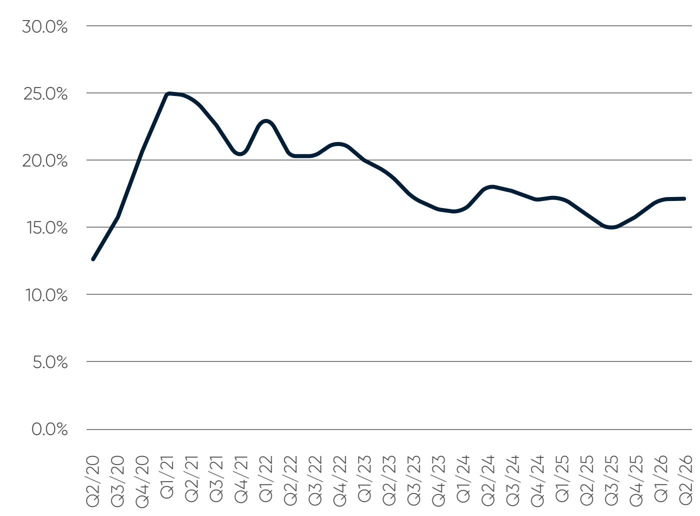
CONDUIT AG, INC.
800 W. Fulton St.
(11,945 SF)

INVESTMENT SALE

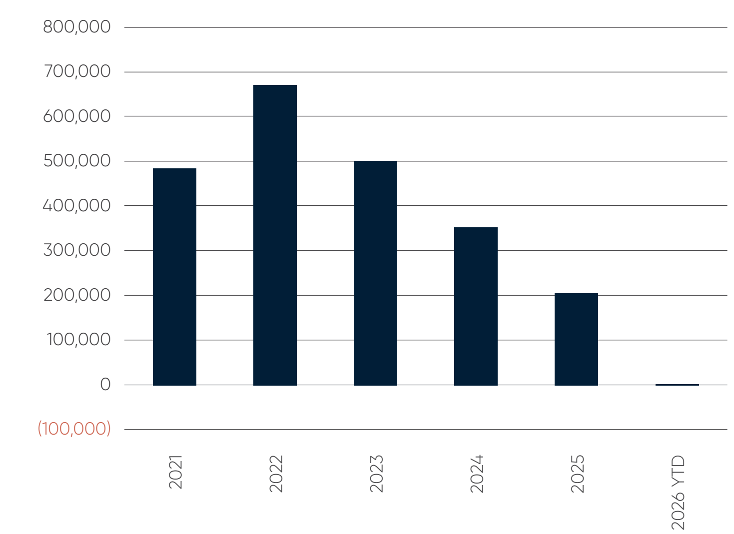
SPEAR STREET CAPITAL
1201 W. Lake St.
(145,816 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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FULTON MARKET	10,215,674	113,507	18.1%	5.6%	17.3%	2.5%	$39.09	(2,985)	210,730
CLASS A	6,084,218	289,725	13.0%	8.0%	13.0%	3.8%	$58.00	78,085	286,924
CLASS B	2,795,139	60,764	27.4%	1.4%	25.1%	0.8%	$35.68	(92,098)	(47,748)
CLASS C	1,336,317	58,101	21.9%	3.4%	20.2%	0.3%	$25.95	11,028	(28,446)

NORTH MICHIGAN AVENUE

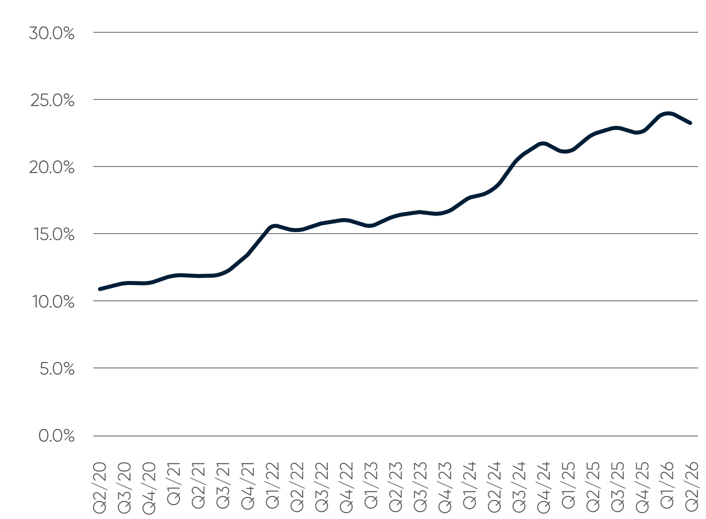
- North Michigan Avenue boasts the third-lowest direct vacancy rate at 22.9%, more than one full percentage point below the CBD vacancy rate of 24.4%.
- The submarket recorded a net positive absorption of 112,027 square feet in Q2/26 after recording net negative absorption of 205,000 square feet in the previous quarter.
- Due to its stalwart healthcare and media tenants, North Michigan Avenue remains competitive with the second-highest gross asking rates in the CBD at $42.09 per square foot.
- In the submarket's only investment sale of the quarter, 212 Ohio LLC purchased 212 E. Ohio St. from an individual, Lissa Sebatu, for $3 million ($103/SF).

MARKET MOVEMENT

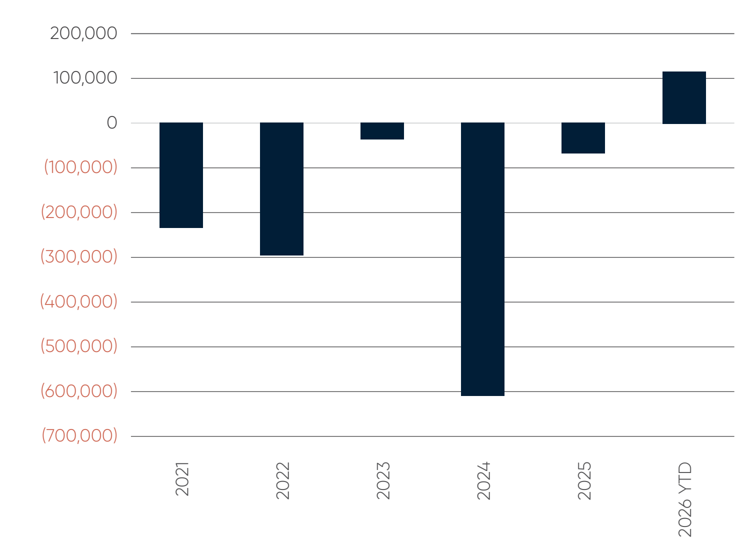
INVESTMENT SALE

212 OHIO LLC
212 E. Ohio St.
(28,900 SF)

DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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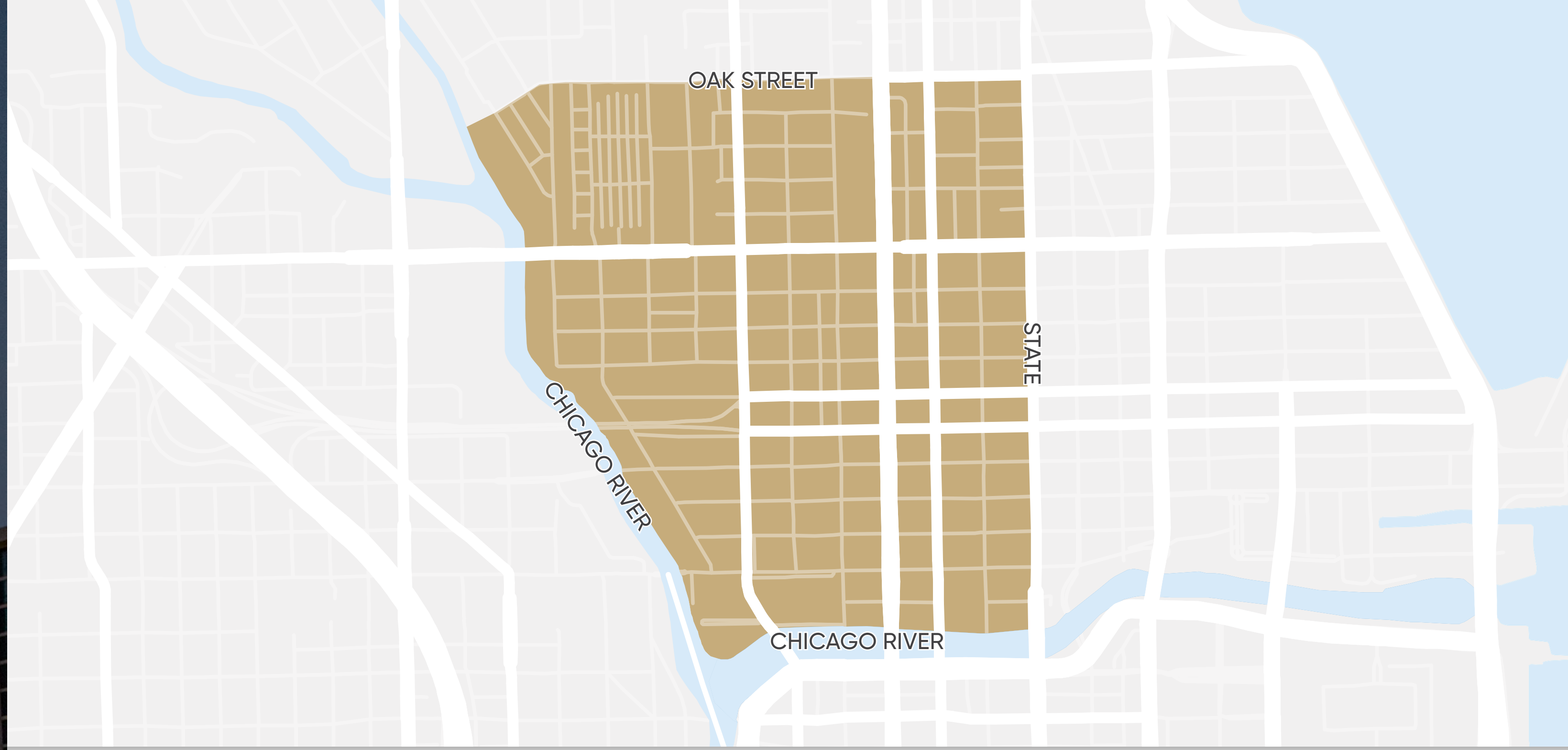
CLASS B	5,498,454	211,479	24.4%	2.1%	20.9%	0.8%	$29.26	126,444	(32,235)
CLASS C	104,000	104,000	46.4%	0.0%	46.4%	0.0%	-	(11,939)	0

RIVER NORTH

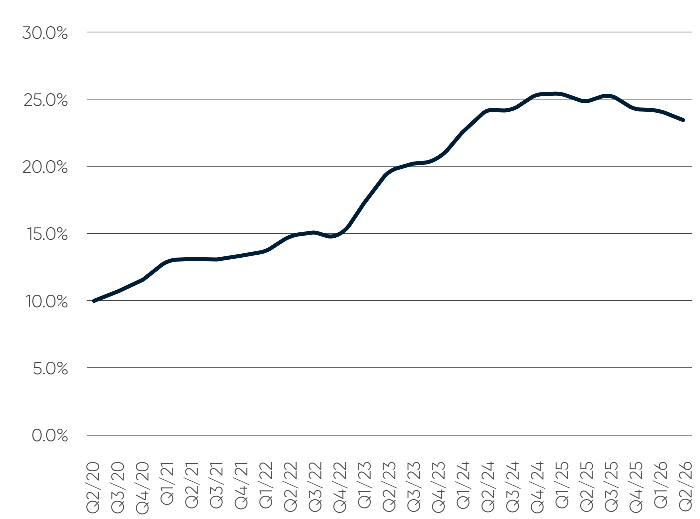
- Direct vacancy in River North dropped nearly a full percentage point in Q2/26, falling to 23.5%.
- The submarket recorded net positive absorption of 138,304 square feet in Q2/26 after a negligible positive 581 square feet in Q1/26.
- River North holds the third-highest gross asking rate at $40.21, a full dollar above the CBD gross asking rate of $39.02 per square foot.
- McKinsey & Company signed a new sublease for three floors at Salesforce Tower totaling 72,113 square feet, a significant reduction from the 106,000 square feet the firm currently occupies at Blue Cross Blue Shield Tower.

MARKET MOVEMENT

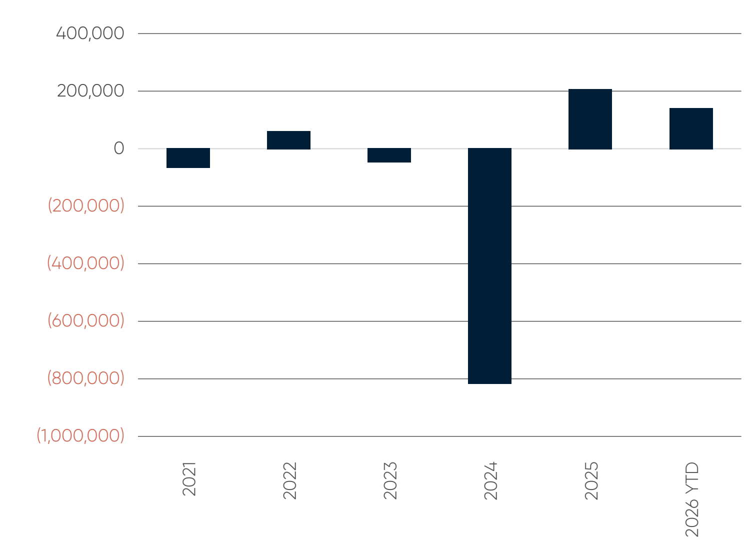
NEW SUBLEASE	NEW SUBLEASE	INVESTMENT SALE
MCKINSEY & COMPANY	BRICK	ALEX MILANOSKI
333 W. Wolf Point Plaza	314 W. Superior St.	200 W. Ohio St.
(72,113 SF)	(15,850 SF)	(30,900 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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CLASS A	12,435,822	888,273	27.9%	1.2%	25.5%	0.6%	$40.47	109,014	(100,852)
CLASS B	4,709,430	67,278	20.7%	0.8%	18.5%	0.4%	$32.37	23,248	157,392
CLASS C	1,595,514	56,983	25.8%	0.6%	23.3%	0.6%	$34.62	6,042	148,123

WEST LOOP

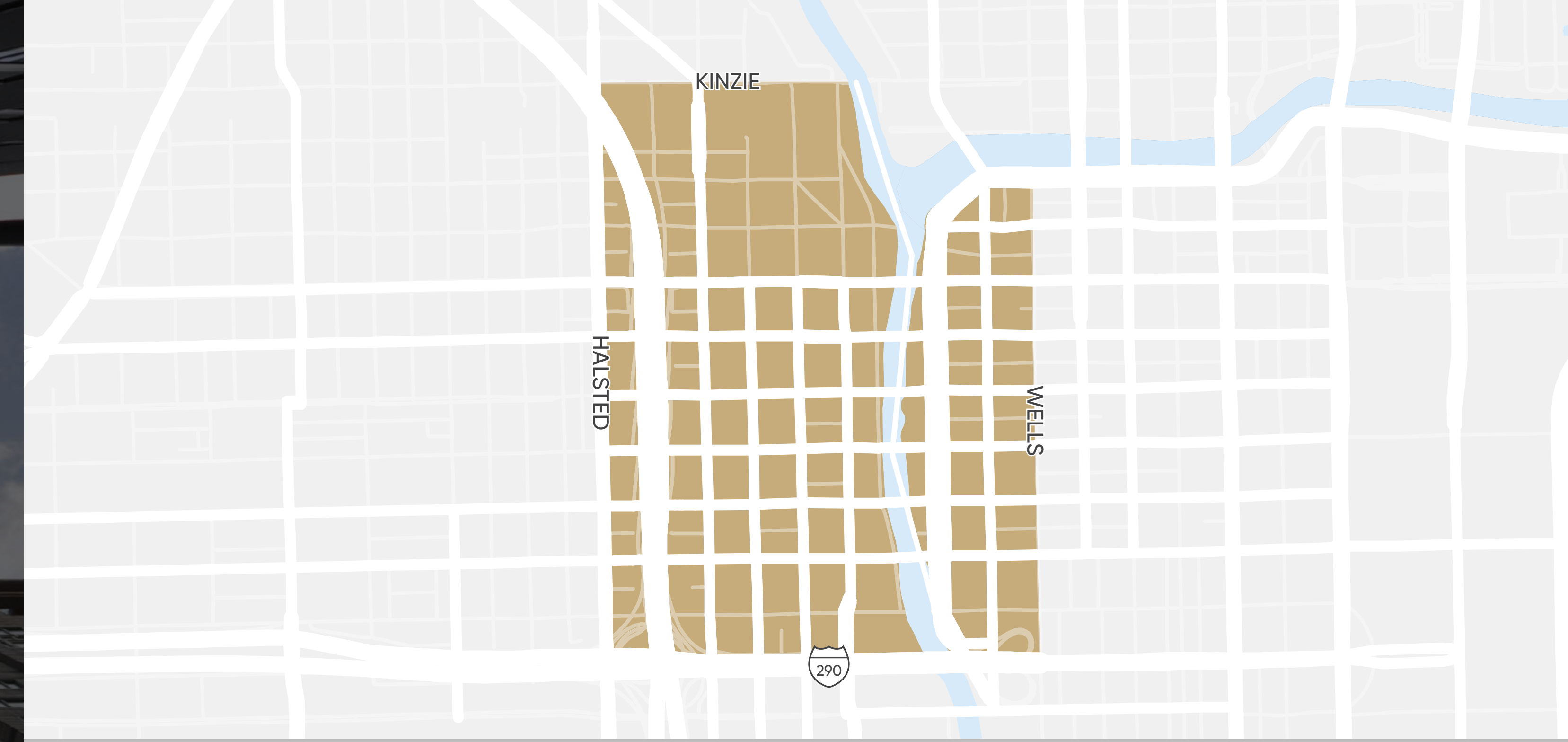
- Direct vacancy in the West Loop improved to 20.1% in Q2/26, more than four percentage points below the CBD average of 24.4%.
- The submarket recorded the highest net positive absorption in the CBD at 243,873 square feet, contributing significantly to the overall market's net positive absorption of 585,646 square feet.
- Gross asking rates in the West Loop rose to $46.72 per square foot in Q2/26, the highest in the CBD and well above the CBD average of $39.02 per square foot.
- Sidley Austin's new lease at 725 W. Randolph St. is one of the largest leases since Aon's 576,214-square-foot lease at 200 E. Randolph St. in 2022. The firm's decision to anchor the proposed 45-story, 968,000-square-foot building marks a significant shift in market sentiment as developers have been hesitant to build new office towers in recent years amid evolving office utilization.
- 500 W. Monroe St. transferred to a joint venture of Glenstar and Patrick Halloran via deed-in-lieu for $100 million ($103.42/SF), representing a nearly 76% discount to the outstanding $270 million loan.

MARKET MOVEMENT

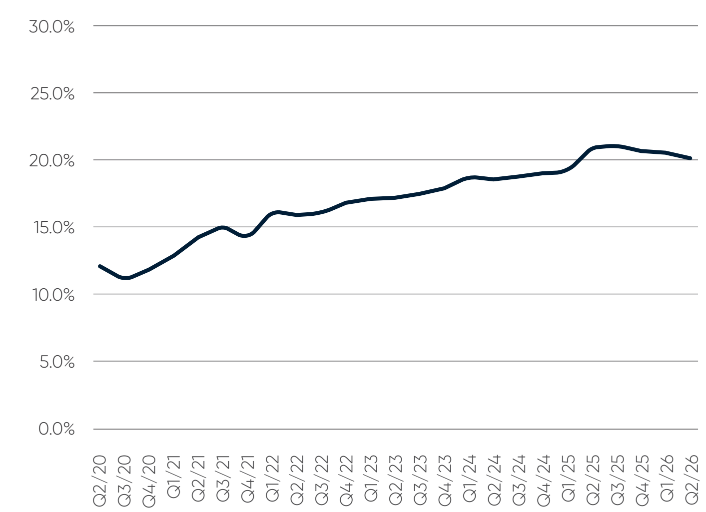
NEW LEASE
SIDLEY AUSTIN
725 W. Randolph St.
(500,000 SF)

NEW LEASE
OPTIONS CLEARING CORPORATION
222 W. Adams St.
(36,000 SF)

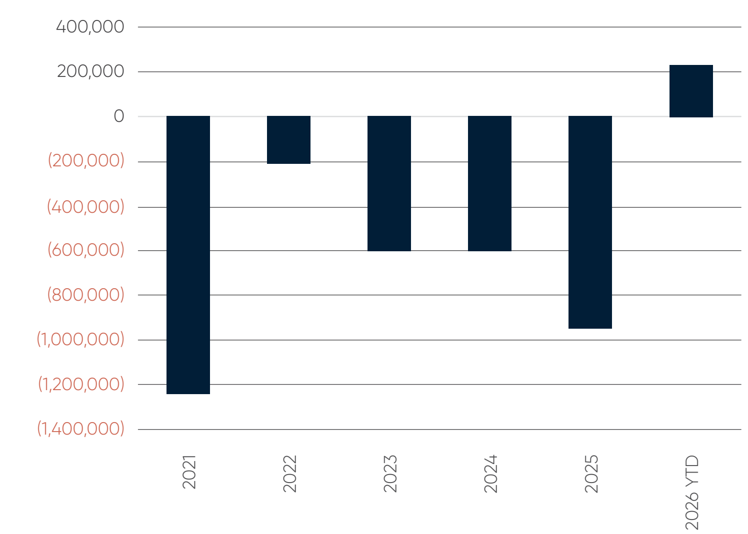
INVESTMENT SALE
SUNSHINE ENTERPRISE LLC
205 W. Randolph St.
(207,506 SF)



DIRECT VACANCY RATE



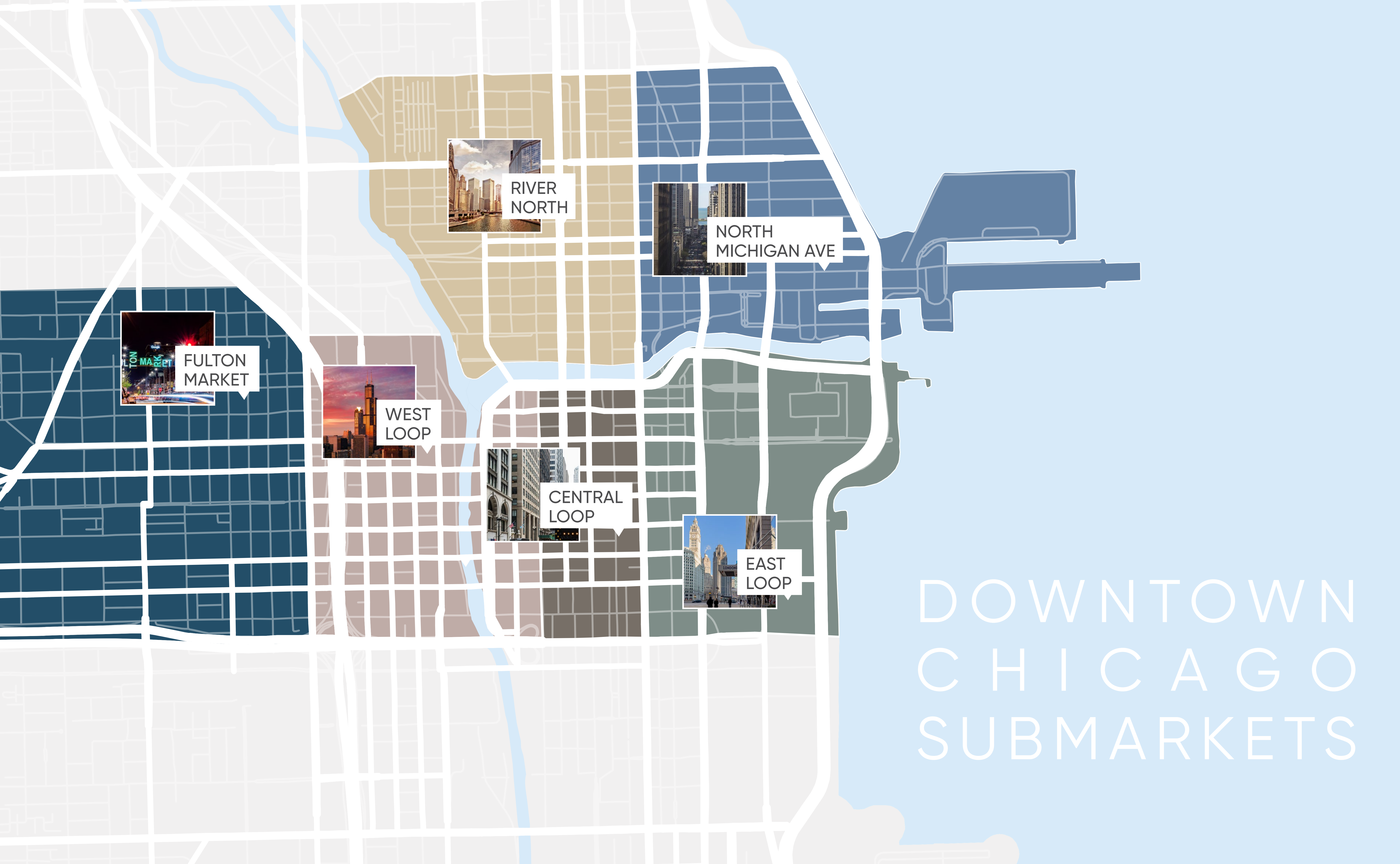
DIRECT NET ABSORPTION (SF)



Source: *CoStar* | Data as of June 30, 2026

SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	Q2/26 NET ABSORPTION	2025 NET ABSORPTION
WEST LOOP	57,653,566	559,743	23.4%	3.0%	20.1%	1.6%	$46.72	243,873	(944,419)
CLASS A	47,308,667	985,597	22.0%	3.3%	18.5%	1.8%	$48.99	170,279	(758,893)
CLASS B	9,038,523	225,963	31.4%	1.4%	28.2%	0.7%	$42.10	106,792	(139,955)
CLASS C	1,306,376	87,092	22.8%	0.5%	23.8%	0.3%	$26.90	(33,198)	(45,571)

DOWNTOWN CHICAGO SUBMARKETS



BRADFORD ALLEN

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