



## Quick Stats

**3.7%**

As of August 2019, Chicago metro unemployment stood at 3.7%, down 30 basis points (bps) year-over-year.

## River West

There are currently 11 properties under construction in the rapidly changing River West submarket, totaling 2.1 msf.

**20,700 Jobs**

As of August, 2019 the Education and Health services sector has added 20,700 jobs, a 2.9% increase when compared year-over-year.

## Interest Rates

The Federal reserve has decreased interest rates twice within the third quarter 2019 to a range of 1.75%-2%.

## Economic Overview

The Chicago economic landscape continued to improve throughout the third quarter of 2019. As of August, the unemployment rate dropped 30 basis points (bps) year-over-year to 3.7% and the metropolitan area added more than 48,000 jobs, an increase of 1% year-over-year. Education and Health Services in particular have seen significant growth, adding 20,700 jobs, up 2.9% year-over-year. In the last five years, overall job growth in the Chicago metro area has increased by a staggering 30.5%, bringing the total number of jobs to 4.8 million in August 2019.

As the largest city in the Midwest, Chicago is the natural landing point for young educated employees. Fourteen top 100 universities fall within a 250-mile radius of the city, including two of the top ten universities in the country, Northwestern and the University of Chicago, which are within 15 miles.

The Federal Reserve cut interest rates twice within the third quarter of 2019 to a range of 1.75% to 2%, which is a drastic change when compared to 2018, when the Federal Reserve raised interest rates four times within the calendar year. With the decrease in interest rates, an increase in borrowing of funds could be observed in the months to come, impacting investment within the real estate industry.

### Chicago CBD Submarket Snapshot | Q3

A look at basic metrics in each downtown submarket

Submarket	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Total Available (SF)	Vacancy Rate		Leasing Activity (SF)	Net Absorption (SF)	Average Asking Rent
					Overall Vacancy	Class A			
CBD	178,487,350	26,626,507	3,103,663	28,730,170	10.4%	10.8%	3,430,339	576,705	\$28.83
West Loop	55,770,622	8,633,488	1,322,118	9,955,606	10.8%	10.9%	2,204,367	258,728	\$29.01
Central Loop	47,797,130	6,657,269	558,860	7,216,129	10.8%	13.6%	329,661	196,491	\$28.84
East Loop	27,553,950	4,453,549	424,239	4,877,788	13.3%	11.7%	389,483	-11,664	\$25.31
River North	18,658,896	2,089,932	401,304	2,491,236	8.7%	5.5%	197,092	-42,353	\$32.81
North Michigan Ave	17,711,206	1,316,329	135,251	1,451,580	6.5%	7.9%	63,280	67,802	\$26.75
River West	7,500,511	2,118,389	247,386	2,365,775	8.9%	8.5%	245,056	107,922	\$33.06
South Loop	3,495,035	357,551	14,505	372,056	7.5%	N/A	1,400	-221	\$24.83



### Chicago CBD Office Market Overview

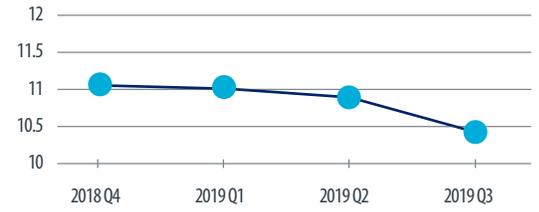
Containing more than 178.4 million square feet (msf) of product, the Chicago CBD continues to be one of the largest office markets in the country.

The Chicago office market has also become a growing tech hub, with companies such as Facebook, Google, Glassdoor and Microsoft expanding in the area. In the third quarter of 2019, Uber committed to 400,000 sf of office space in the West Loop submarket. The ongoing transformation of Fulton Market, from meat packing facilities to residential and now office and retail uses has generated considerable leasing, development and investment activity, including 1 msf of new office space since 2018.

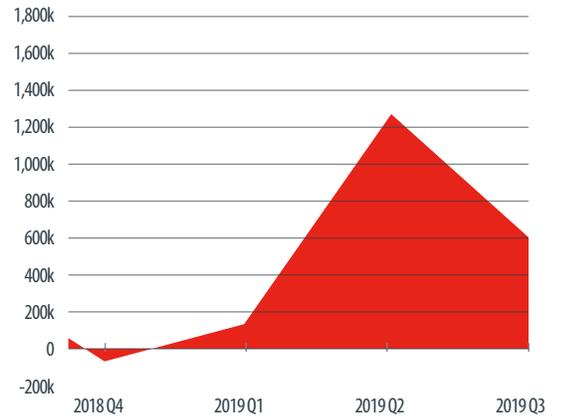
There are many signs that the market is embracing change and positioning itself for the future. Changes within the Chicago metro since 2018 include: 7.8 msf of downtown office development; 31.2 msf of industrial development; 19,069 units of multi-family development; ongoing redevelopment of historic Chicago neighborhoods; and expansion of business supply chain footprints. All these factors contribute to the long-term economic health of the market.



#### Vacancy Rate (%)



#### Total Net Absorption (SF)



#### Lease Activity



#### Office Base Rent



## Vacancy & Availability

Vacancy in the Chicago market decreased by 10 bps to 10.4% in the third quarter of 2019. This is the lowest recorded vacancy rate since 2017. The CBD submarkets with the lowest class A vacancy percentages were River North, North Michigan Avenue, and River West, with recorded vacancies of 5.5%, 7.9% and 8.5% respectively.

The markets with the highest vacancy percentages were Central Loop, East Loop, and West Loop, recording vacancies of 13.6%, 11.7%, and 10.9% respectively. There are currently 16 buildings in the CBD with a minimum of 150,000 sf available contiguously.

## Absorption & Demand

The Chicago office market witnessed 3.4 msf of leasing activity in the third quarter of 2019, an increase of 56% when compared to the previous quarter. Leading the leasing velocity was the West Loop submarket, accounting for 2.2 msf of leasing or 64% of total volume. Net absorption was recorded at 576,705 sf, staying relatively flat when compared to the previous quarter. West loop was also the leading submarket for net absorption, contributing 258,728 sf. The West Loop was followed by Central Loop and River West, contributing 196,491 sf and 107,922 sf respectively.

The biggest move-in of the quarter was Facebook, occupying their new 263,000-sf space located at 151 N Franklin Street. Facebook's space takes up about a third of the new building, which finished construction in 2018. The largest lease signed in the third quarter was Uber, locking up 466,000 sf at 433 W Van Buren Street (Old Post Office). The company has said that the new space will be home to their Uber Freight division, as well as other operations.



*The biggest move-in of the quarter was Facebook occupying their new 263,000 sf space located at 151 N Franklin Street.*

## Construction

There is currently 7 msf of office product under construction in the Chicago CBD. Most of this product is located in the popular West Loop and River West submarkets. These two markets have hosted most of the construction activity over the last several years given their locations and potential for expansion. The largest project currently underway is 433 W Van Buren Street, known in the market as the Old Post Office, or the *OPO*. The complete overhaul of this 2.7 msf building is expected to be completed by the end of October 2019. The property captured a large amount of attention in the third quarter by signing three leases over 100,000 sf.

Another notable project underway is the new construction at 110 N Wacker Drive, which will be called Bank of America Tower. Also located in West Loop, the 1.5 msf tower is slotted to be completed in the fourth quarter of 2020. The building has been pre-leased by Bank of America; Lincoln International; luxury coworking provider No18; and has become home to a handful of law firms. The riverfront building is currently 68.1% leased.

There was one delivery in the CBD office market this quarter. 145 S Wells Street was delivered as a speculative 225,000-sf office building. The property was developed by Mocerri & Roszak and is currently 0% leased.

## Investment

The Chicago Office market saw significant investment increase from the previous two quarters. Sales volume reached over \$640 million in the third quarter, more than the first and second quarters combined.

There were two notable transactions in the third quarter. First, the 290,000-sf property located at 1330 W Fulton Street was sold by Sterling Bay to Commerz Real AG for \$167.5 million, or \$578/sf. The high sales price is attributed to the property being 98% occupied by tenants such as Glassdoor and Dyson. The weighted average lease term remaining in the building is more than 10 years.

The second notable transaction was for 811 W Fulton Market, also sitting within the hot River West submarket. The sale of the building from Shapack Partners to Intercontinental Real Estate set a Chicago real estate record, the 65,000-sf property sold for \$50.3 million. The \$774/sf price broke the previous record for the highest sale price per square foot of \$734 earlier this year. The property was 100% leased at the time of the sale.

**CBD**

# Construction & Deliveries

## Q3 Under Construction [\[20,000+ SF Projects\]](#)

Market	Building	Class	NRA	Delivery Date	Developer	Major Tenants	% Leased**
West Loop	433 W Van Buren St	A	2,660,000	Q4-2019	The 601W Companies	Uber, Walgreens, CBOE	60%
West Loop	110 N Wacker Dr	A	1,546,909	Q4-2020	Riverside Investment	Bank of America, Jones Day	68%
East Loop	24 E Washington St	A	652,452	Q1-2020	Brookfield Asset Management	N/A	0%
River West	167 N Green St	A	600,000	Q4-2020	Shapack Partners	WeWork	22%
River West	333 N Green St	A	553,412	Q1-2020	Sterling Bay	WPP US, Convence, Ernst & Young	72%
River West	1375 W Fulton St	A	300,224	Q2-2020	Trammell Crow Company	Glassdoor	17%
River West	1220 W Van Buren Ave	A	129,732	Q4-2020	The Missner Group	N/A	0%
River West	215 N Peoria St	A	115,200	Q1-2020	Shapack Partners	N/A	21%
River West	905 W Fulton Market	A	108,650	Q4-2019	Thor Equities	Mondelez International Inc	90%
River West	318 N Carpenter St	A	108,054	Q2-2020	The Murphy Development Grp	N/A	1%
River West	1133 W Fulton St	A	100,008	Q4-2019	Domus Group/Barnett Capital	WeWork	32%
River West	400 N Noble St	B	58,765	Q4-2019	Shapak Partners	N/A	2%
River West	1114 W Fulton St	B	30,000	Q4-2019	Domus Group/Barnett Capital	N/A	0%
River West	1040 W Fulton Market St	A	29,401	Q4-2019	Summit Design & Build LLC	N/A	43%

<b>2019</b>	2,986,824
<b>2020</b>	4,005,983
<b>Total</b>	<b>6,992,807</b>

## Q3 Deliveries

Market	Building	Class	RBA	Developer	Major Tenants	% Leased**
Central Loop	145 S Wells St	A	224,157	Mocerri & Roszak	N/A	0%

## CBD | Notable Q3 Leases

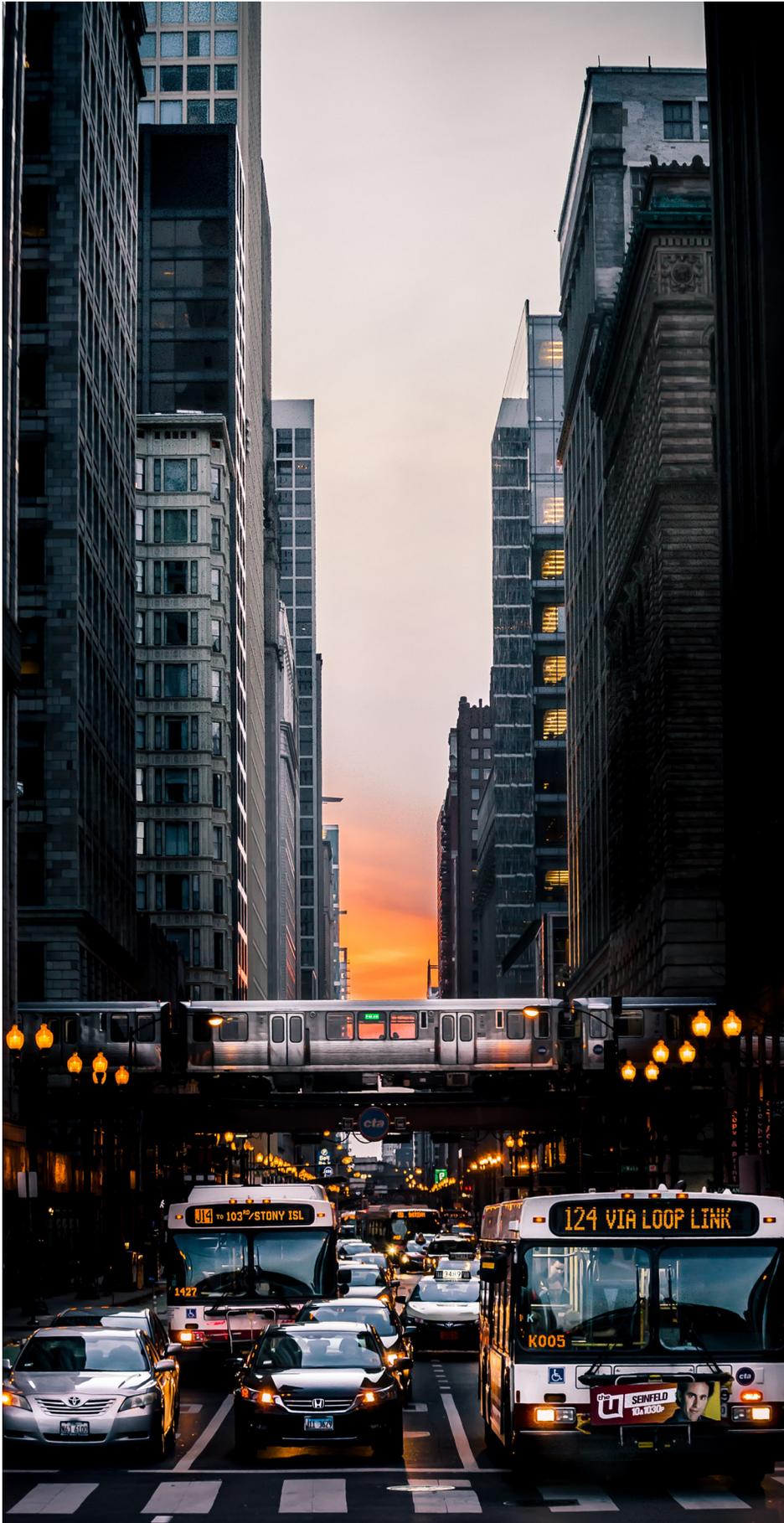
Tenant	Address/Name	Submarket	Size (SF)	Type
Uber	433 W Van Buren St	West Loop	466,000	New
CBOE Global Markets	433 W Van Buren St	West Loop	185,000	New
Federal Home Loan Bank of Chicago	433 W Van Buren St	West Loop	130,000	New
Locke Lord LLP	111 S Wacker Dr	West Loop	86,970	Renewal
Accenture	500 W Madison St	West Loop	84,336	New
WeWork	1155 W Fulton St	River West	69,688	New

## CBD | Notable Q3 Investment Sales

Address/Name	Size (SF)	Buyer	Seller	Sales Price	PSF
111 W Washington St	584,149	Golub & Company	Alliance Partners HSP LLC	\$80,250,000	\$137.00
55 E Jackson Blvd	457,000	Debartolo-Mainstreet Capital Partners LLC	Marc Realty	\$63,500,000	\$138.95
811 W Fulton Market	70,000	Intercontinental Real Estate Corp	Magnetar Capital & Shapack Partners	\$50,300,000	\$718.57
549 W Randolph St	123,835	Origin Investments, MB Real Estate, & Hilco Redevelopment Partners	Alcion Ventures LP	\$34,950,000	\$282.23

## CBD | Large Contiguous Blocks [Class A with over 150,000 SF]

Submarket	Building Address	Class	Building RBA	Contiguous Space	Space Type
Central Loop	145 S Wells St	A	224,157	206,425	Existing
Central Loop	203 N LaSalle St	A	625,221	198,038	Existing
Central Loop	175 W Jackson Blvd	A	1,452,390	191,799	Existing
Central Loop	77 W Wacker Dr	A	959,258	156,763	Existing
East Loop	24 E Washington	A	652,452	652,452	Under Construction
East Loop	200 E Randolph St	A	2,737,902	158,525	Existing
East Loop	1 S State St	A	942,330	152,990	Existing
River West	167 N Green St	A	600,000	466,247	Under Construction
River West	1375 W Fulton St	A	300,224	236,205	Under Construction
North Michigan Avenue	515 N State St	A	671,957	164,453	Existing
River North	350 N Orleans St	A	1,308,156	255,667	Existing
West Loop	433 W Van Buren	A	2,660,000	1,054,302	Existing
West Loop	555 W Monroe St	A	445,000	422,000	Existing
West Loop	110 N Wacker Dr	A	1,546,909	327,964	Under Construction
West Loop	120 S Riverside Plz	A	802,991	257,971	Existing
West Loop	1 S Wacker Dr	A	1,195,170	170,170	Existing



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