

The Colliers logo is located in the top right corner. It consists of the word "Colliers" in a white serif font, set against a dark blue rectangular background. Below the text is a horizontal bar with three distinct color segments: yellow on the left, red in the middle, and blue on the right. The background of the entire slide is a low-angle photograph of several modern skyscrapers with glass facades, reaching towards a bright blue sky with scattered white clouds. The sun is visible in the upper right, creating a lens flare effect.

Colliers

Downtown Chicago Market Overview

Presented by: Colliers

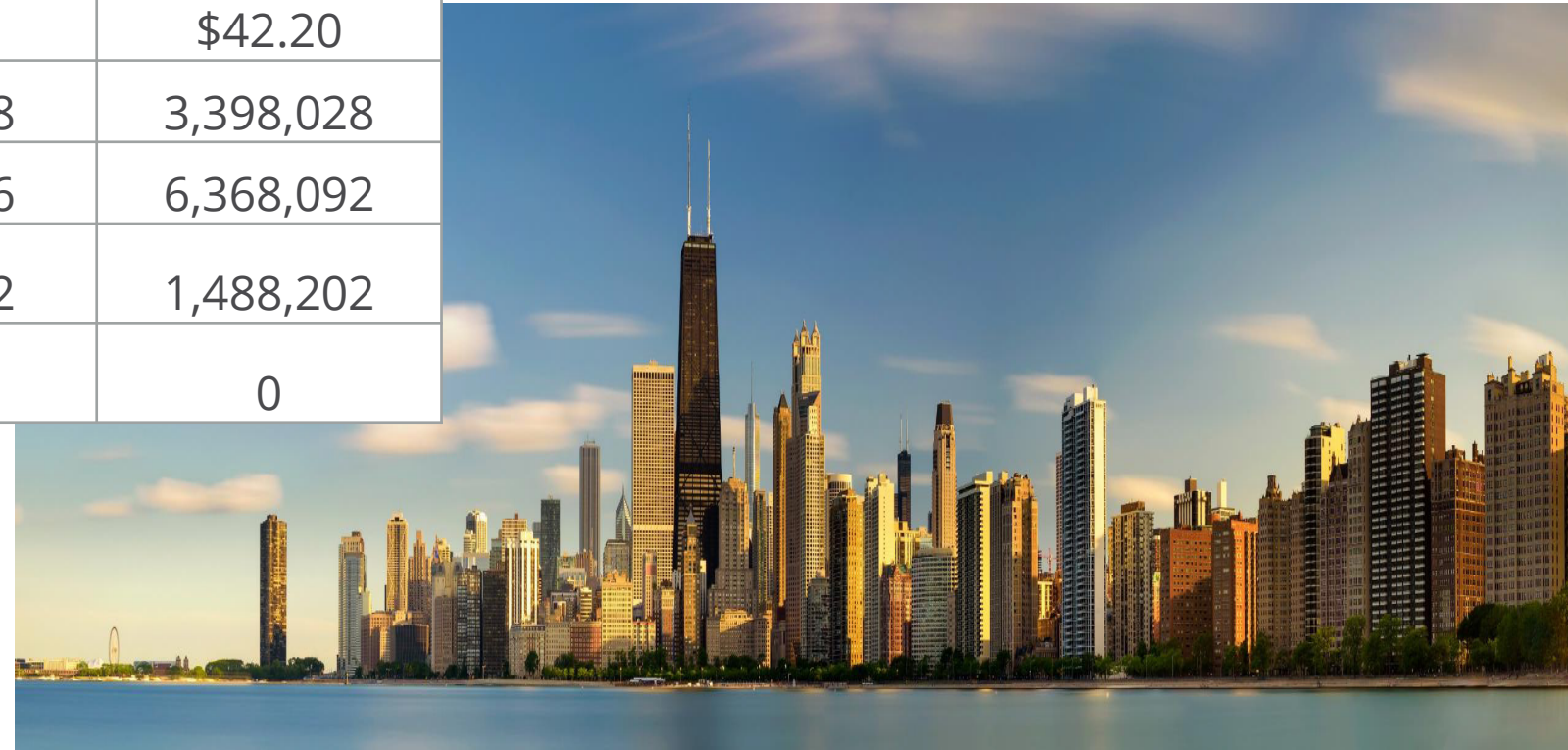
Accelerating success.

Overall CBD Overview

Quarter-to-Quarter Comparison

At 22.0% in 2Q23, Chicago CBD has a 10 basis points reduction this quarter-the first time in 10 quarters.

Entire CBD	Q2 2023	Q1 2023	Q2 2022
TOTAL VACANCY RATE	22.0%	22.1%	20.0%
DIRECT VACANCY RATE	19.7%	19.7%	17.9%
SUBLEASE VACANCY RATE	2.3%	2.4%	2.2%
TOTAL AVAILABILITY RATE	28.0%	27.6%	24.8%
DIRECT AVAILABILITY RATE	23.0%	22.9%	20.8%
SUBLEASE AVAILABILITY RATE	5.0%	4.7%	4.0%
QUARTERLY NET ABSORPTION (SF)	96,344	(2,261,246)	(588,921)
YTD NET ABSORPTION (SF)	(2,164,902)	(2,261,246)	(1,705,750)
RENTAL RATES (PSF)	\$42.67	\$42.51	\$42.20
SUBLEASE VACANCY (SF)	3,679,360	3,846,298	3,398,028
SUBLEASE AVAILABLE (SF)	8,006,434	7,469,376	6,368,092
UNDER CONSTRUCTION (SF)	779,180	1,979,382	1,488,202
NEW SUPPLY (SF)	1,200,202	40,000	0



CBD Market Indicators

Q2 2023



Entire CBD			
Market Indicators	Class A Inventory	Class B Inventory	Class C Inventory
Vacancy	17.7%	27.0%	23.6%
QTR Absorption SF	535,277	(366,352)	(72,581)
YTD Absorption SF	(481,219)	(1,575,646)	(108,037)
Rental Rate	\$49.57	\$41.03	\$27.47





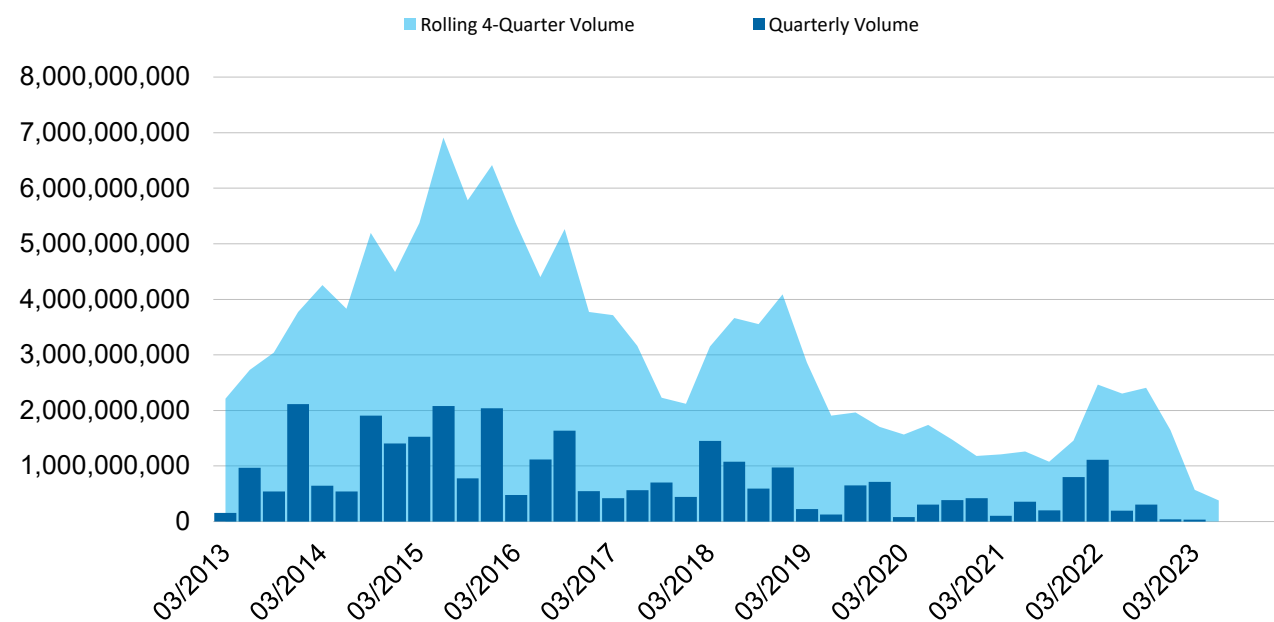
Leasing & Sales

2023 Sales Transactions

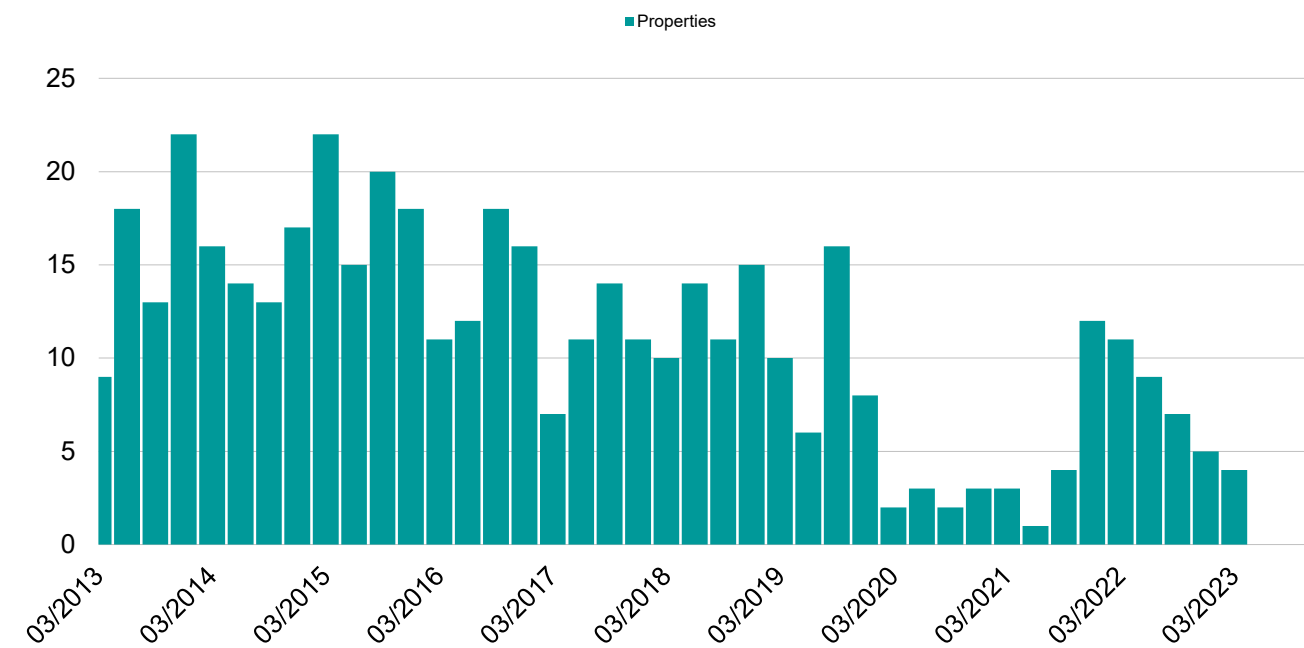
Breakdown by Volume-CBD

Sales Volume has significantly decreased since the Great Pandemic Pause. Investors that are well capitalized are holding onto their buildings.

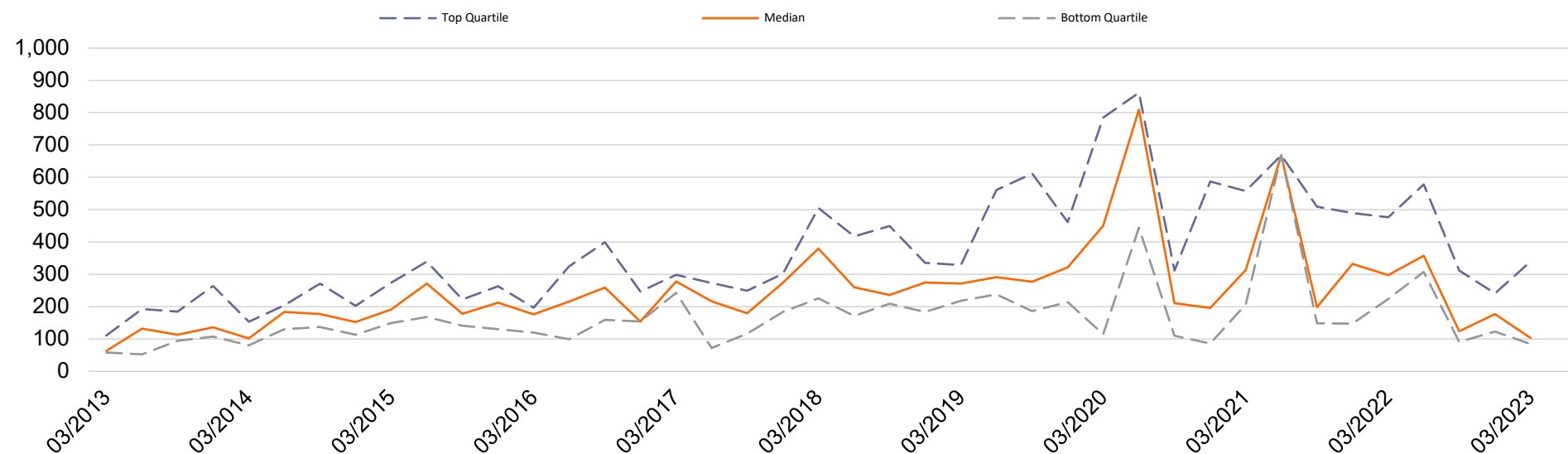
Sales Volume \$



Properties (#)



Price PSF \$

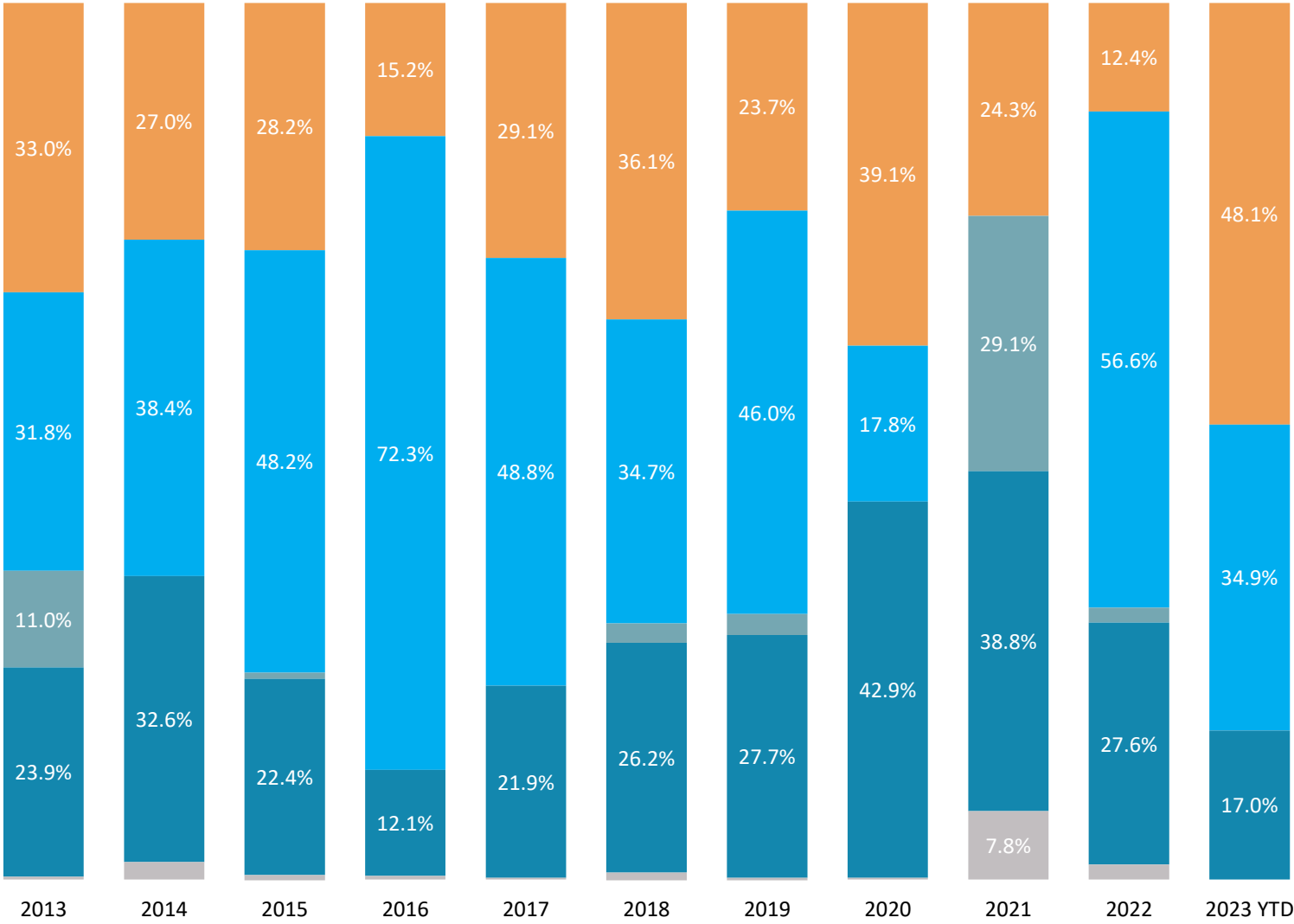


2023 Sales Transactions

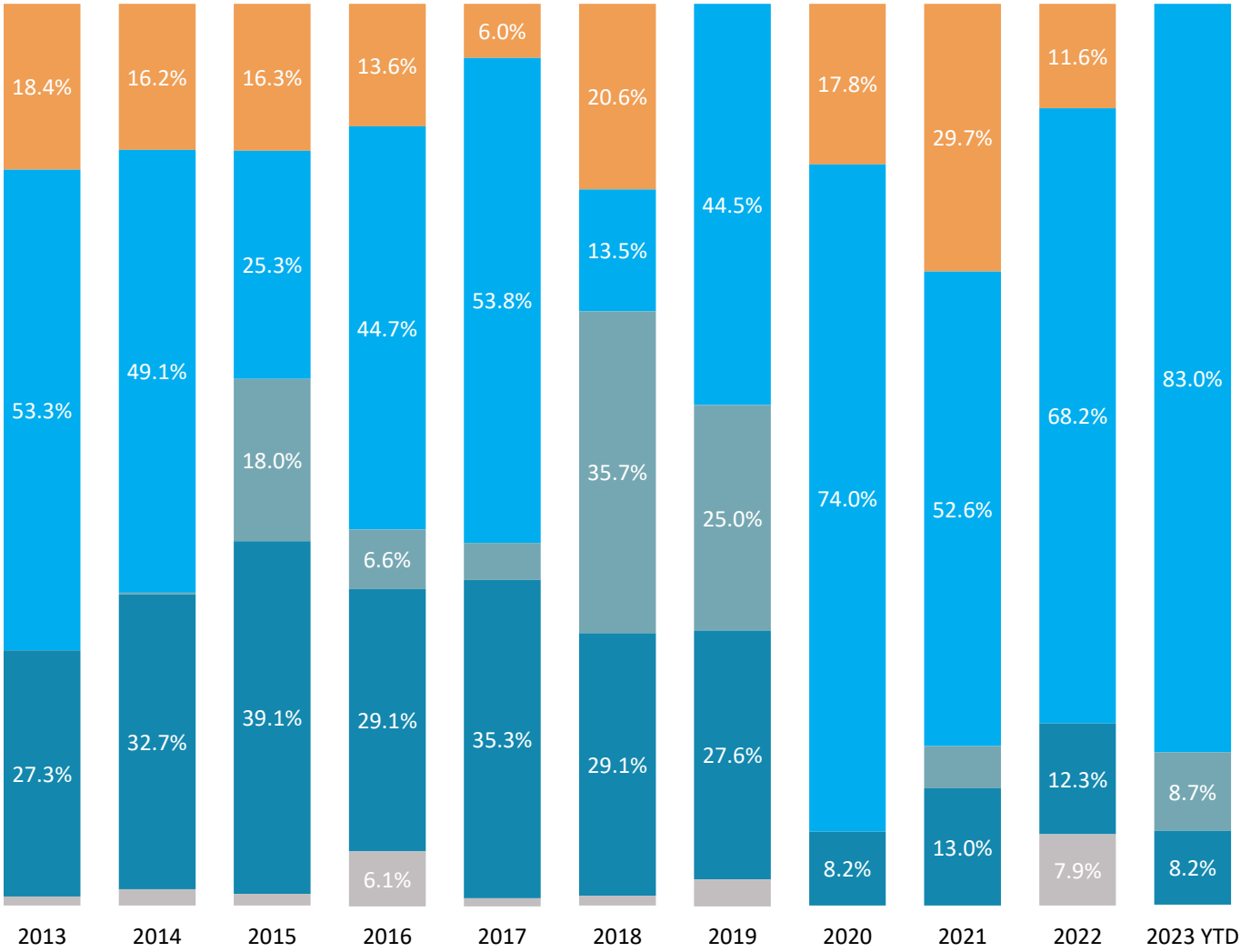
Breakdown by Volume-CBD

There have been few major buildings sold in Chicago in 2023. Of the CBD Office Properties purchased in 2023, they have been primarily private investors. The sellers have been primarily REITs and Private Investors/Owners.

Buyer Composition



Seller Composition




■ Cross-Border
 ■ Institutional
 ■ REIT/Listed
 ■ Private
 ■ User/Other

■ Cross-Border
 ■ Institutional
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 ■ Private
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Asking Lease Rates

Overall Chicago CBD - Direct & Sublease

- CBD overall gross sublease asking rents are **\$25.83 PSF** gross; \$16.84 per square foot less than overall direct rates which average **\$42.67 PSF** gross in 2Q2023.
- Overall CBD weighted average direct gross asking rents increased from \$42.51 to \$42.67 quarter over quarter.
- Overall direct rates increased 1.12% year over year. Sublease rates have decreased 7.66% year over year to \$25.83.



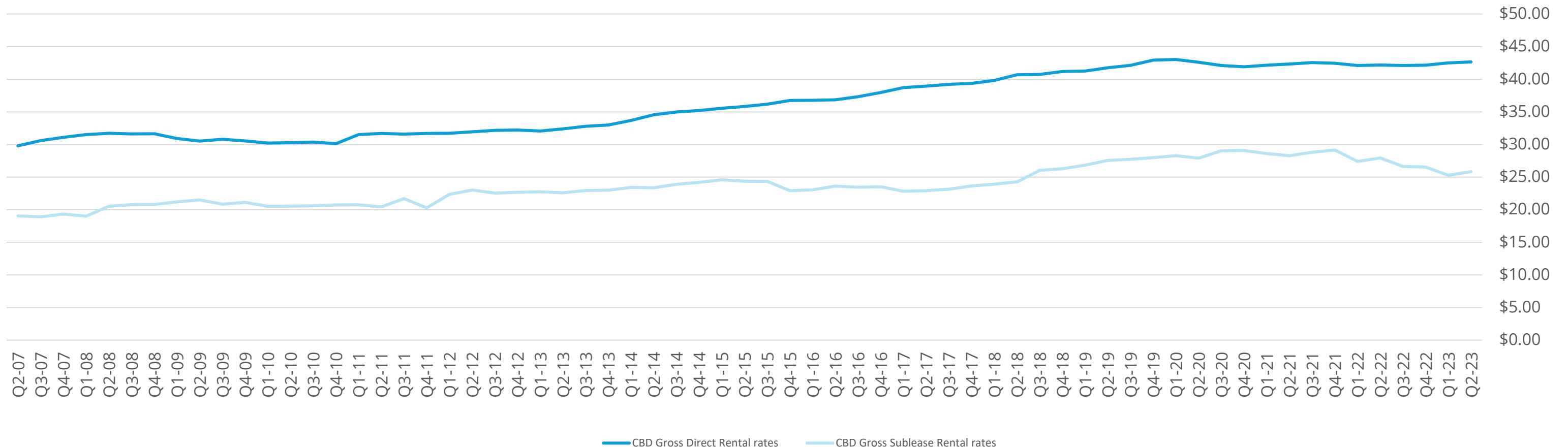
\$42.67
Direct Overall
+1.12% YOY

\$25.83
Sublease Overall
-7.66% YOY

PSF Gross Average, 2Q2023

\$16.84 Difference
Direct & Sublease Pricing

CBD Direct & Sublease Rental Rates



CBD Office Sublease Impact

Sublease Availability Rising

- 2023 began with **over 7.4 million SF of available sublease space. By mid 2023, available sublease space has increased to a new record of over 8 million SF - of which 3.67 million SF is currently vacant.**
- Drivers of High Sublease Availability:



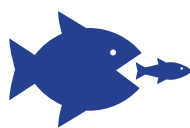
Tech Consolidations – TAMI (Tech, Advertising, Marketing, Information) is leading the market as the largest industry type to have sublease space available on the market with over 3.4 million square feet as of June 2023.



Hybrid & Remote Work - Some companies are testing out permanent hybrid solutions and subleasing whole floors of unused office space/floors.



Bottom Line Thoughtfulness - As costs/interest rates increase in the downturn of the market, tenants are looking anywhere within their companies to save on cost, subleasing and consolidating their space is a solution to save on the bottom line.



Direct Space Competitiveness - Though face rates are reporting on average \$15 PSF difference between direct and sublease space, Landlords have become very aggressive and creative in offering deal sweeteners to offset the face rate cost – in some cases being more advantageous to the tenant to take direct space over sublease space.



Large Tenants Moving to New Builds – There has been a significant amount of large existing tenants moving to new developments within CBD and leaving behind large amount of sublease space with significant time left on the lease. In addition, there has been no dramatic new tenant movement from outside the CBD to take up these large floors of sublease space.



Changes in the Market

Adaptive Re-use

LaSalle Street Reimagined

The City of Chicago's LaSalle Reimagined is revitalizing the LaSalle Street corridor in the Loop with mixed-income residential uses and other neighborhood-oriented amenities. On March 28, 2023, three initial adaptive re-use proposals consisting of more than 1,000 units of mixed-income housing were selected to receive City financial assistance.

Collectively representing more than \$550 million in total investments, the projects will repurpose more than 1.6 million square feet of vacant space, including the creation of nearly 320 homes that will be affordable to residents earning an average 60% of the area median income.

111 W. Monroe St.



SELECTED FINALIST

Developer:
111 W. Monroe LLC, an affiliate of Prime/Capri Interests LLC

Scope:
349 studio, one- and two-bedroom with 30% affordability. Additional improvements would include a new hotel on lower floors with a spa and fitness center, underground parking and a new rooftop pool and restaurant.

Affordable units:
105

Square footage:
610,000

Property:
Orange-rated high-rise constructed in 1910; National Register District contributor

Total project costs:
\$180 million

[March 2 community meeting presentation](#)

208 S. LaSalle St.



SELECTED FINALIST

Developer:
UST Prime III Office Owner LLC, an affiliate of The Prime Group Inc.

Scope:
280 studio, one- and two-bedroom units with 30% affordability. Additional proposed improvements include a private dog run, fitness center, tenant lounge and access to the amenities of the two existing hotels within the building.

Affordable units:
84

Square footage:
222,500

Property:
Landmark high-rise constructed in 1914; National Register District contributor

Total project costs:
\$130 million

[March 2 community meeting presentation](#)

135 S. LaSalle St.



SELECTED FINALIST

Developer:
Riverside Investment & Development/AmTrust

Scope:
430 studio, one- and two-bedroom units with 30% affordability. Additional improvements would include up to 80,000 square feet of new lobbies, retail, food and beverage, event and cultural space and a potential fresh-market grocer.

Affordable units:
129

Square footage:
750,000

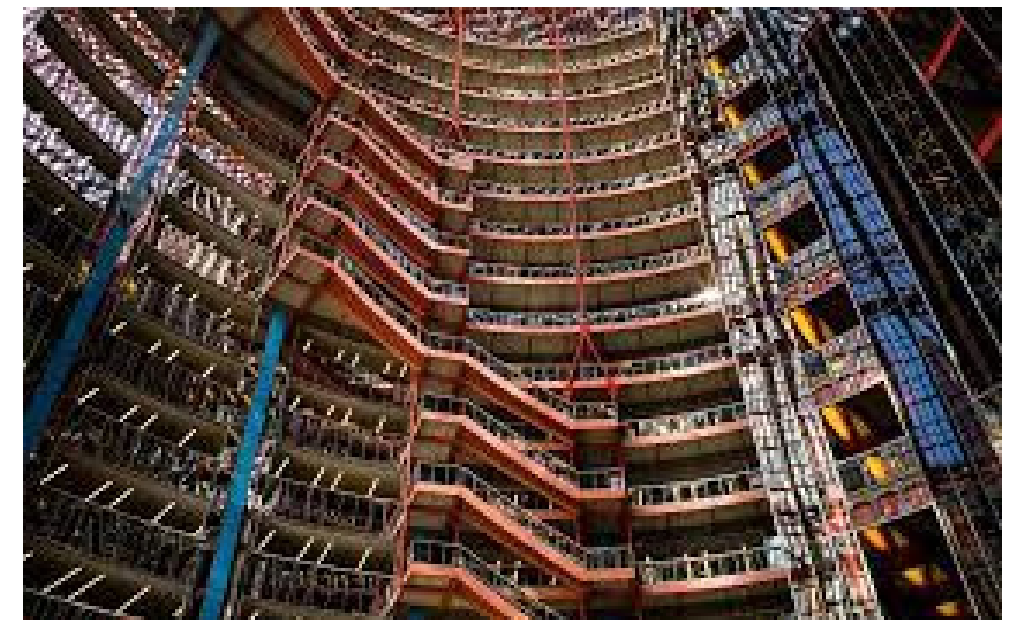
Property:
Landmark high-rise constructed in 1934; National Register District contributor

Total project costs:
\$258 million

[March 2 community meeting presentation](#)

Bright Spot – James R. Thompson Center

- Chicago is banking on the “Google effect”. James R. Thompson Center, Helmut Jahn’s postmodernist government building in downtown Chicago was purchased by Google in 2022.
- The 1.2 Million SF structure will be redeveloped as a Google 2.0 Headquarters
- Purchased for \$105 Million (\$111.10)
- This move which is not expected to have effect until 2025/2026 and is expected to attract other tech companies to the Central Loop.



A panoramic view of a city skyline, likely Chicago, featuring several prominent skyscrapers and two large yellow construction cranes in the foreground. The sky is a clear, bright blue. The text 'Construction and Development' is overlaid on a white semi-transparent banner in the lower-left quadrant.

Construction and Development

Office Development



Planned/Proposed Projects –Over 12.0 MSF+




 <p>1 655 W Madison St GB: 2024 Owner: John Buck RA: 1,250,000 SF</p>	 <p>10 1200 W Carroll Ave GB: 2024 O: Sterling Bay RA: 494,775 SF</p>
 <p>2 301 & 321 S Wacker Dr O: Insite / Trammel Crow RA: 1,400,000 SF</p>	 <p>11 917 W Fulton St GB: 2024 Owner: Fulton St Co RA: 449,600 SF</p>
 <p>3 590 W Madison St GB: 2024 O: 3rd Millennium Grp RA: 1,200,000 SF</p>	 <p>12 1325 W Fulton St O: Sterling Bay RA: 439,048 SF</p>
 <p>4 130 N Franklin St GB: 2026 O: Tishman RA: 1,190,629 SF</p>	 <p>13 170 N Green St O: Shapack Ptnrs RA: 350,000</p>
 <p>5 450 N Dearborn St GB: 2024 O: Friedman Props RA: 674,256 SF</p>	 <p>14 1017 W Division St GB: 2024 O: Big Bay Realty RA: 275,000 SF</p>
 <p>6 330 N Green St GB: 2024 O: Sterling Bay RA: 675,000 SF</p>	 <p>15 909 W Bliss St GB: 2023 O: R2 Companies RA: 260,922 SF</p>
 <p>7 315 N May St GB: 2024 O: Climatemp RA: 660,000 SF</p>	 <p>16 1300 W Carroll Ave GB: 2024 O: Sterling Bay RA: 204,780 SF</p>
 <p>8 350 N Morgan St (1000 W Carroll Ave) GB: 2024 O: Sterling Bay RA: 527,912 SF</p>	 <p>17 424-434 S Wabash St GB: 2024 O: Ponte Health RA: 200,000</p>
 <p>9 400 N Elizabeth St GB: 2024 O: Goodman & Assoc RA: 492,000 SF</p>	 <p>18 310 S Green St GB: 2023 O: V Collective RA: 190,810 SF</p>



 <p>19 375 N Morgan St GB: 2023 O: Latsko Development RA: 185,000 SF</p>	 <p>22 1400 W North Ave GB: 2023 O: Sterling Bay RA: 100,000 SF</p>	 <p>25 2001 N. Southport O: Sterling Bay RA: 70 AC for office redev Potential RBA 19M SF office</p>
 <p>20 320 W Erie St GB: 2022 O: Hei Kwok RA: 150,000 SF</p>	 <p>23 900 W Fulton Mkt GB: 2023 O: UNK RA: 62,302 SF</p>	
 <p>21 777 Franklin Ave O: Centrum Realty RA: 127,000 SF</p>	 <p>24 1514 W Carroll Ave GB: 2023 O: Dayton St Ptnrs RA: 31,500 SF</p>	

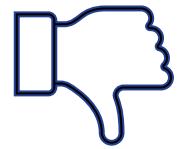
Legend

GB: Groundbreaking
D: Developer
O: Owner
C: Completed
ED: Expected Delivery

-  Planned/Proposed Projects
-  Completed Projects
-  Under Construction Projects

Market Takeaways

CBD Office Trends



This current market downturn has not followed the expected rise and fall trends of previous economic market disruptors where recovery happened within 4 quarters of its initial downturn. After 13 quarters following the Covid impact, an upward course for the Chicago office market will be highly dependent on local government and its involvement in attracting new businesses to Chicago with more incentives.



An office market looking toward growth is beginning to show signs with new deals and expansion signings. Those deals will start reversing downward trending by possibly the end of 2023.



Despite the uncertainties, the “great give back’ of space is expected to slow by end of 2023.



Direct net rents are staying steady but sublease rents are at least a **\$14 PSF lower than direct rates**. Tenants in the market will need to act fast as sublease space is trending with more interest. There has been no better time in Chicago office history than this moment to complete a tenant deal with highly amenable landlords. Creative terms, pricing, and amenities are all on the table and highly negotiable.



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Suburban Chicago Market Overview

Presented by: Colliers

Accelerating success.

Key Takeaways

- An increase in distressed office assets continues throughout the suburbs as loans mature.
- Smaller tenants continue to focus on Class A, ready to go, and spec spaces.
- Tenant leasing velocity will be focused on assets that have capital.
- Flight to quality continues for suburban office.



Chicago Suburban Office 23Q3



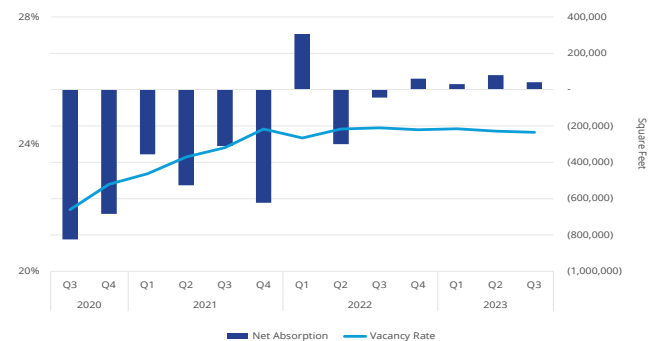
Well Capitalized Assets Outperform

The tightening of the capital markets has had a direct impact on the Chicago suburban office market. The debt markets are generally avoiding office product, creating challenges for existing office building owners and potential purchasers. Increasing interest rates, tougher recourse requirements, and lower loan-to-value terms are contributing to the challenge, with some exceptions being made for borrowers that have existing relationships with certain lenders. Debt for suburban office remains less accessible and at more expensive terms, requiring additional equity from borrowers to retain or obtain financing. Third party equity, when available, requires more control and higher returns from borrowers. Some borrowers have chosen to hand keys back or attempt a workout with their lender. Office building owners that remain well capitalized with longer term debt remain in the best position in the market, so long as they can continue to fund leasing costs. In addition, office buyers entering the market with cash or low leverage will be able to acquire assets at a significant discount, and creating an opportunity to outperform the market with a low basis.

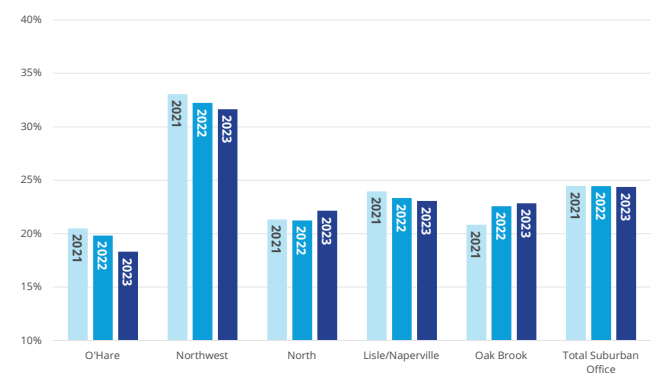


	Current 23Q3	1-year 22Q3	3-year 20Q3	5-year 18Q3
Vacancy Rate	24.4%	24.5%	21.9%	20.2%
Availability Rate	30.6%	29.7%	25.7%	24.7%
Quarterly Net Absorption (SF)	40,849	-43,724	-824,573	-73,113
YTD Net Absorption (SF)	152,283	--37,686	-755,364	-128,393
Asking Rental Rate (PSF Gross)	\$22.02	\$21.94	\$21.81	\$21.23
Sublease Vacancy (SF)	1,177,301	1,259,224	1,178,980	934,773
Sublease Available (SF)	3,912,633	3,435,068	2,632,297	1,959,102
Under Construction	0	81,544	230,220	0
Inventory (SF)	106.3M	110.4	110.2M	110.2M

Absorption, Supply & Vacancy



Submarket Vacancy Rates



Top Recent New Transactions



New Lease
Two Pierce Place
Itasca | 70K SF



New Lease
Highland Landmark III
Oak Brook | 60K SF



New Lease
Schaumburg Corp Center
Schaumburg | 49.5K SF



Renewal/Downsize
1415 W Diehl Road
Naperville | 39.5k SF



Renewal
1211 W 22nd Street
Oak Brook | 33.5K SF



Renewal
111 Deer Lake Road
Deerfield | 26.8k SF

Vacancy & Absorption

- The O'Hare market continues to hold the lowest vacancy in the suburbs at 18.0 percent, while the Northwest market offers the most options, ending the third quarter of 2023 with 31.6 percent vacancy.
- Sublease vacancy in the suburbs rose slightly in the third quarter to 3.7 percent, up from 3.2 percent in the previous quarter.
- Albeit modest, net absorption remained positive for the fourth quarter in a row, ending the third quarter with 40,849 square feet.

Transaction Activity

- Five new lease transactions over 15,000 square feet were signed throughout the suburbs in the third quarter of 2023, including Topco's 70,000 square foot new lease at Two Pierce Place in Itasca, Travelers Insurance's 60,000 square foot new lease at Highland Landmark III in Oak Brook and Citigroup's 49,500 square foot new lease at Schaumburg Corporate Center.
- Five office properties, totaling 2.9 million square feet, were sold in the third quarter, including Sears Holdings' 2.3 million square foot property which was sold for redevelopment. In addition, there are currently five properties, totaling another 1.7 million square feet, under contract.

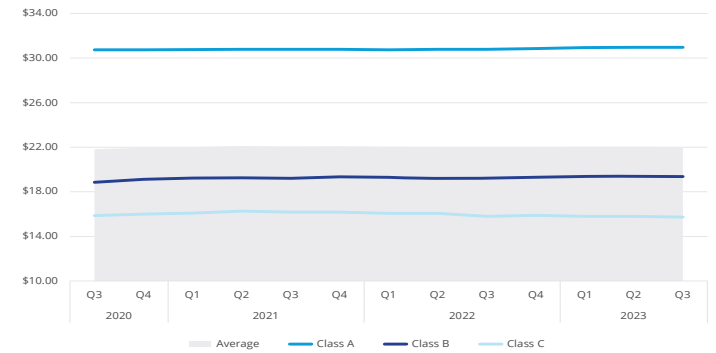
Forecast

- Increased financial strain will continue across the suburbs, as lenders closely monitor debt maturing in the next 24 months.
- The suburban Cook County tax burden will bring added pressure to the lack of demand as it will have a direct effect on net rent.
- Demand for ready to go spec space and well maintained, second-generation space is on the rise due to increased construction costs.
- Increasing interest rates, falling demand and over supply will add inflationary pressure.
- Concessions will begin to come down heading into the end of the year, as landlords offset it with increased rental abatement.

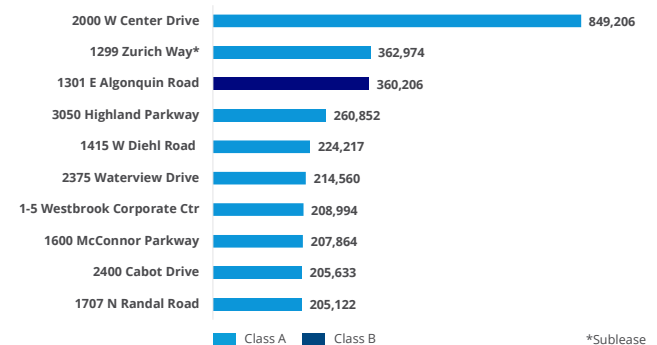
Class A Large Blocks of Space

Submarket	20,000+	50,000+	100,000+	200,000+	300,000+
O'Hare	14	7	4	0	0
Northwest	37	19	9	4	2
North	42	20	8	1	0
Lisle/Naperville	24	9	6	2	0
Oak Brook	40	15	4	3	0
Total	157	70	31	10	2

Asking Gross Rental Rates



Top Large Blocks of Available Space



At Colliers, we are enterprising



66
countries on 6 continents



\$4.5B
in annual revenue



\$99B
assets under management



51,000
sale and lease transactions



2B
square feet under managements



18,000
professionals and staff

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