

MID-YEAR 2025 OFFICE MARKET REPORT

Suburban Chicago



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RESILIENT DEMAND FOR WELL-LOCATED, QUALITY OFFICES AMID RISING VACANCY AND DISCOUNTED VALUATIONS

In the first half of 2025, leasing activity in Chicago's suburban office market outpaced the same period last year, at approximately 2.9 million square feet vs. 2.6 million square feet in 2024. Positive momentum is often overshadowed by headline statistics showing market-wide vacancy rates hitting record highs. As we track it, the market vacancy rate reached a record 25.1 percent in the first half of the year. However, as we've reported in the past, this market-wide rate is influenced by a swath of poorly located, outdated zombie office buildings which are effectively unleaseable and could reasonably be excluded from the data altogether.

In our account of 967 office buildings, 59 have occupancy levels at or below 20 percent. That's only six percent of the total building count. Forty-five of those buildings have zero occupancy—at levels that low, the property isn't a viable option for tenants. If we remove the zombies from our data set, the market vacancy rate falls to 20 percent. So, the suburban office market is more resilient than meets the eye. It's not just a matter of zombie inventory or statistical gymnastics, either. Suburban offices provide additional advantages that employees demand, particularly when it comes to location and ease of commute.

People don't hate the office; they hate the commute. While the return-to-office trend is leading to incrementally more downtown trips, the increased traffic is making drive times worse. Chicago is among the top three most-congested cities in the world. According to traffic researchers at INRIX, the typical U.S. driver lost 43 hours commuting in 2024. For Chicagoans, it was 102 hours—up from 96 hours in 2023.

Suburban office demand was muted in the first half, but that's an improvement over last year. Net absorption was effectively zero, at around net negative 5,000 square feet, much less negative than the net negative 770,000 square feet of absorption in the first half of last year. Although there are signs of stabilization in some of these statistics, gross asking rates adjusted to around \$24 per square foot, \$1 lower than at the end of 2024.

While there were large, notable corporate commitments to suburban offices, tenants are tending to downsize more often than they expand, as the average deal size declined slightly. Spec suites continue to be increasingly favored, accounting for over one-third of total square footage leased in the first half. Amid broader market challenges, well-located, quality assets continued to attract tenant demand and investment capital.

Investment activity reflected growing confidence in select suburban assets, with \$121 million worth of transactions over the period. Discounted valuations provided well-capitalized investors the opportunity to acquire quality assets at an attractive basis, freeing up the capital necessary for property repositioning and tenant attraction strategies that drive long-term value.

Leasing Activity

Corporate confidence in collaborative workspace is driving leasing activity across suburban Chicago's premium product. Fortune Brands Innovations' headquarters relocation to Deerfield's former Horizon Therapeutics campus at 1 Horizon Way—where the home and security products giant has leased two of three connected buildings capable of housing over 1,000 employees—is emblematic of the trends. As part of a national consolidation, the deal was backed by Illinois EDGE tax credits in exchange for creating 400 new jobs by late 2027, highlighting corporate commitment to physical workspace despite remote work trends.

Vantive, the kidney care spinoff from Baxter International, chose 510 Lake Cook Road in Deerfield, bringing 200 employees and 50 new jobs to the former Caterpillar site. Together, these major leasing decisions demonstrate the resilient demand for high-quality, well-located properties, notably in the Northern Suburbs submarket.

Overall, tenants increasingly recognized the operational advantages and cost efficiencies of well-located suburban assets, driving leasing velocity in quality properties.

Investment Sales

Investors are finding deep value in discounted suburban office assets with the median price per square foot at \$54. So far this year, \$121 million worth of assets have traded, trailing the \$209 million that traded over the first half of 2024. At this pace, full-year 2025 investment sales would total \$242 million, below the \$375 million totaled at year-end 2024.

Discounted valuations provide the financial flexibility necessary for new ownership to reinvigorate underperforming assets. Highland Park-based GTZ Properties exemplified this with its acquisition of the 327,000-square-foot Oak Brook Office Center on Butterfield Road for just under \$9 million—a stunning discount from the 2013 purchase price of \$33 million. This deal demonstrates

the art of distressed asset transformation, with GTZ planning to maintain 100,000 square feet of upgraded office space while exploring retail and entertainment conversions for the remainder.

The investment landscape favored well-capitalized ownership groups with the expertise and resources to execute turnaround strategies. Market conditions created opportunities for patient capital to acquire quality assets in prime suburban locations, positioning investors to benefit from eventual market recovery and satisfy tenant demand for modern, well-located offices.

SUBURBAN CHICAGO

MID-YEAR 2025 SNAPSHOT



(5,635 SF) SF

Direct Net
Absorption H1/25



25.1%

Direct Vacancy
Rate



\$24.08/SF

Average Gross
Asking Rate

Property data were compiled from CoStar with these parameters: existing and under-renovation office property type; within the East-West Corridor, Central North, Near North, North DuPage, Schaumburg Area, and O'Hare submarkets; 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.

FIGURE 01

Average Deal Size (SF)

Source: CoStar | Data as of June 30, 2025

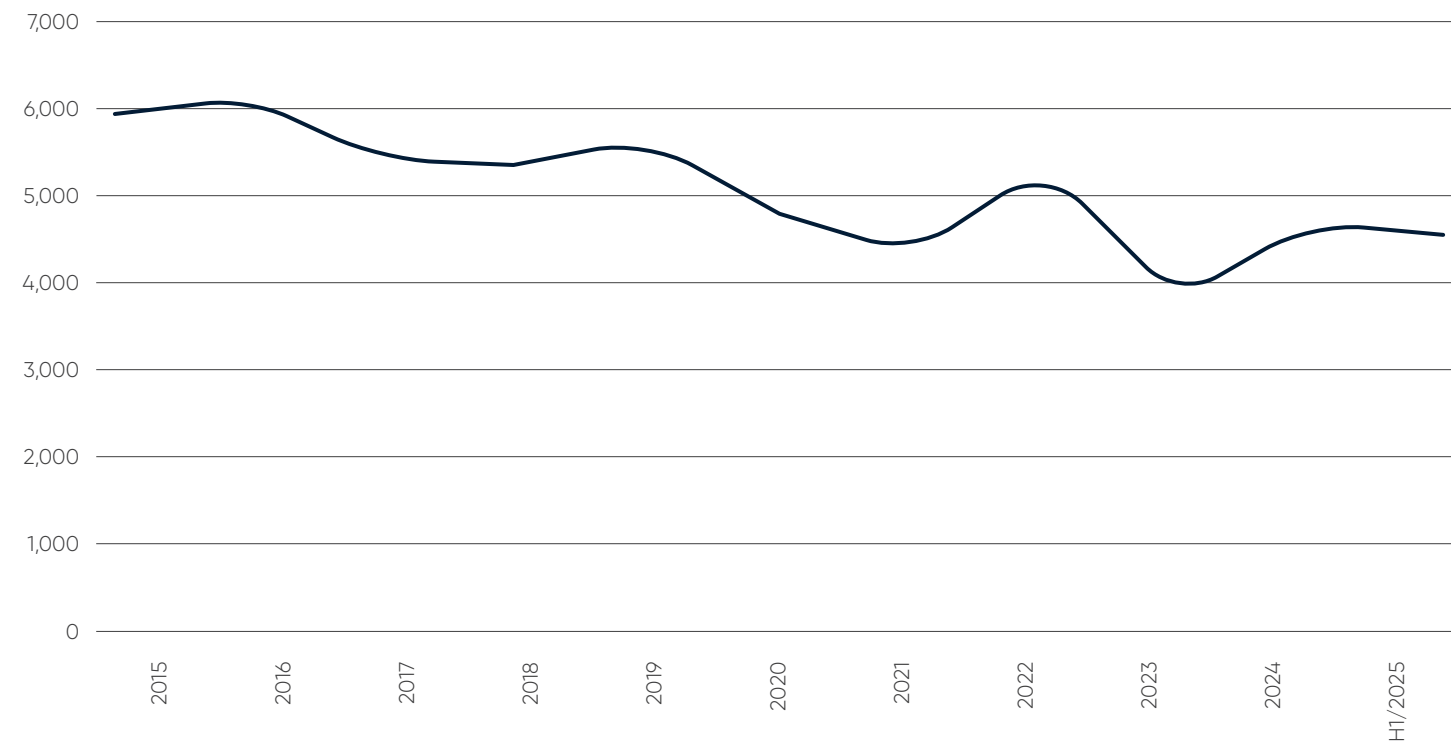
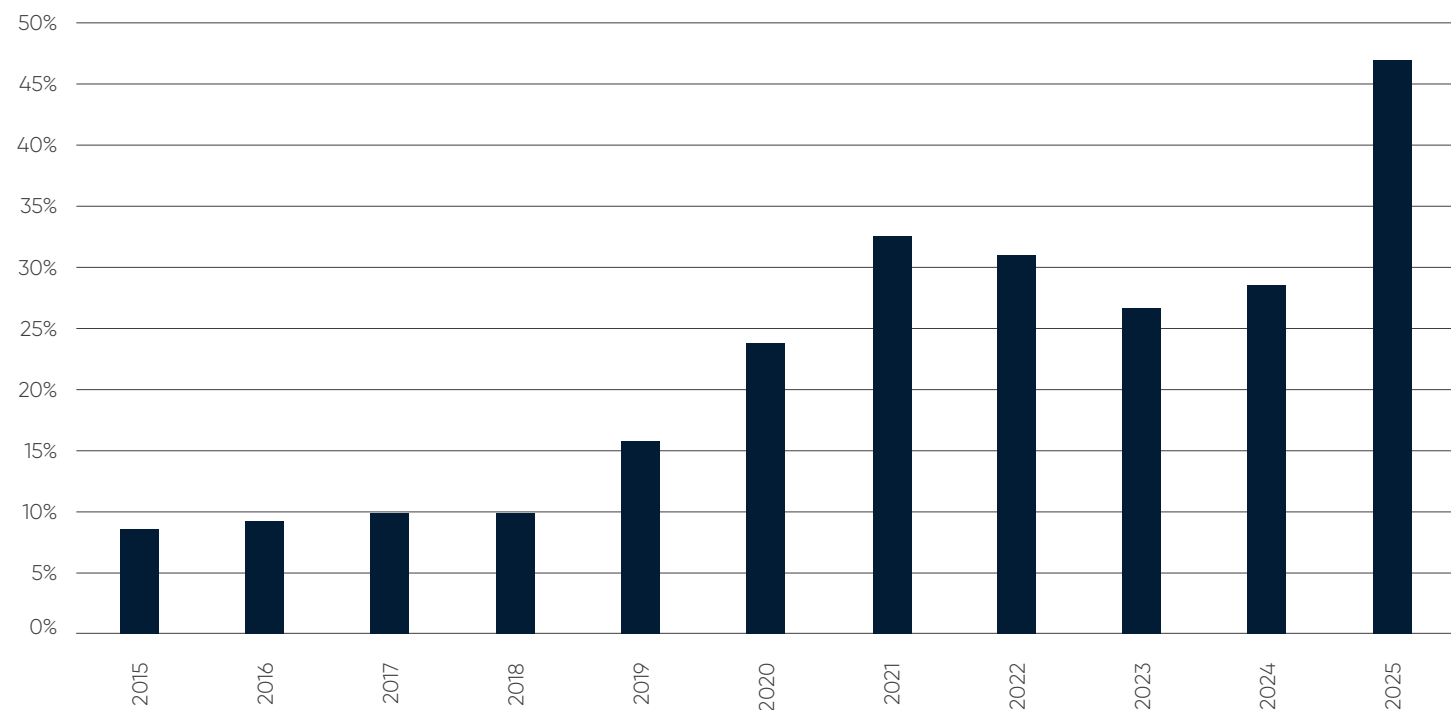


FIGURE 02

Move-In Ready Suites: Leasing Activity

Source: CoStar | Data as of June 30, 2025



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

FIGURE 03

Suburban Chicago Submarket Comparison Summary

Source: CoStar
Data as of June 30, 2025

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	H1/25 Net Absorption
ALL SUBURBAN	98,684,408	102,052	37.5%	1.5%	25.1%	0.7%	\$24.08	(5,639)
CLASS A	43,146,853	210,472	33.7%	2.0%	26.2%	0.9%	\$30.77	41,570
CLASS B	55,537,555	72,884	40.4%	1.1%	24.2%	0.6%	\$22.28	(47,209)
E/W CORRIDOR	38,595,043	86,926	37.0%	1.3%	23.5%	0.5%	\$22.43	(247,980)
EAST	22,032,514	103,927	26.5%	2.0%	22.7%	0.5%	\$26.48	(204,517)
CLASS A	5,355,942	178,531	35.9%	0.8%	25.7%	0.3%	\$27.18	(96,834)
CLASS B	10,749,714	55,411	45.9%	1.8%	21.0%	0.5%	\$20.64	(107,683)
WEST	16,105,656	71,900	42.6%	1.5%	22.6%	0.5%	\$21.52	(43,463)
CLASS A	5,355,942	178,531	35.9%	0.8%	25.7%	0.3%	\$27.18	(33,119)
CLASS B	10,749,714	55,411	45.9%	1.8%	21.0%	0.5%	\$20.64	(10,344)
NORTHERN	24,227,900	99,295	32.98%	2.05%	22.39%	0.69%	\$27.23	253,644
NORTH	18,916,862	101,160	34.4%	2.1%	22.0%	0.4%	\$26.80	176,324
CLASS A	2,052,074	205,207	25.9%	1.6%	26.4%	0.9%	\$30.86	247,028
CLASS B	3,258,964	69,340	29.4%	2.1%	22.0%	2.1%	\$28.18	(70,704)
SOUTH	5,311,038	93,176	28.0%	1.9%	23.7%	1.6%	\$28.65	77,320
CLASS A	2,326,565	211,506	22.1%	0.2%	26.7%	0.1%	\$31.14	43,356
CLASS B	2,539,525	61,940	15.0%	0.0%	24.6%	0.0%	\$27.72	33,964
NORTHWEST	22,785,944	120,317	28.55%	2.25%	31.08%	0.50%	\$25.94	246,281
I-35	4,151,364	106,445	14.5%	2.9%	17.6%	0.6%	\$23.90	(63,679)
CLASS A	2,221,993	277,749	20.0%	3.7%	17.9%	1.0%	\$25.18	18,471
CLASS B	1,929,371	62,238	8.1%	1.9%	17.3%	0.3%	\$20.27	(82,150)
SCHAUMBURG	19,277,067	127,663	45.5%	1.0%	33.8%	1.1%	\$20.82	309,960
CLASS A	9,749,776	295,448	42.5%	1.5%	32.9%	2.0%	\$27.69	129,766
CLASS B	9,527,291	80,740	48.6%	0.6%	34.8%	0.2%	\$18.89	180,194
O'HARE	12,311,548	144,842	36.1%	1.7%	23.3%	0.6%	\$29.86	(257,584)
CLASS A	6,230,131	230,746	36.5%	2.1%	25.0%	0.3%	\$41.56	(267,098)
CLASS B	6,081,417	104,852	35.8%	1.3%	21.7%	0.9%	\$24.41	9,514

FIGURE 04

Absorption (SF)

Source: CoStar | Data as of June 30, 2025

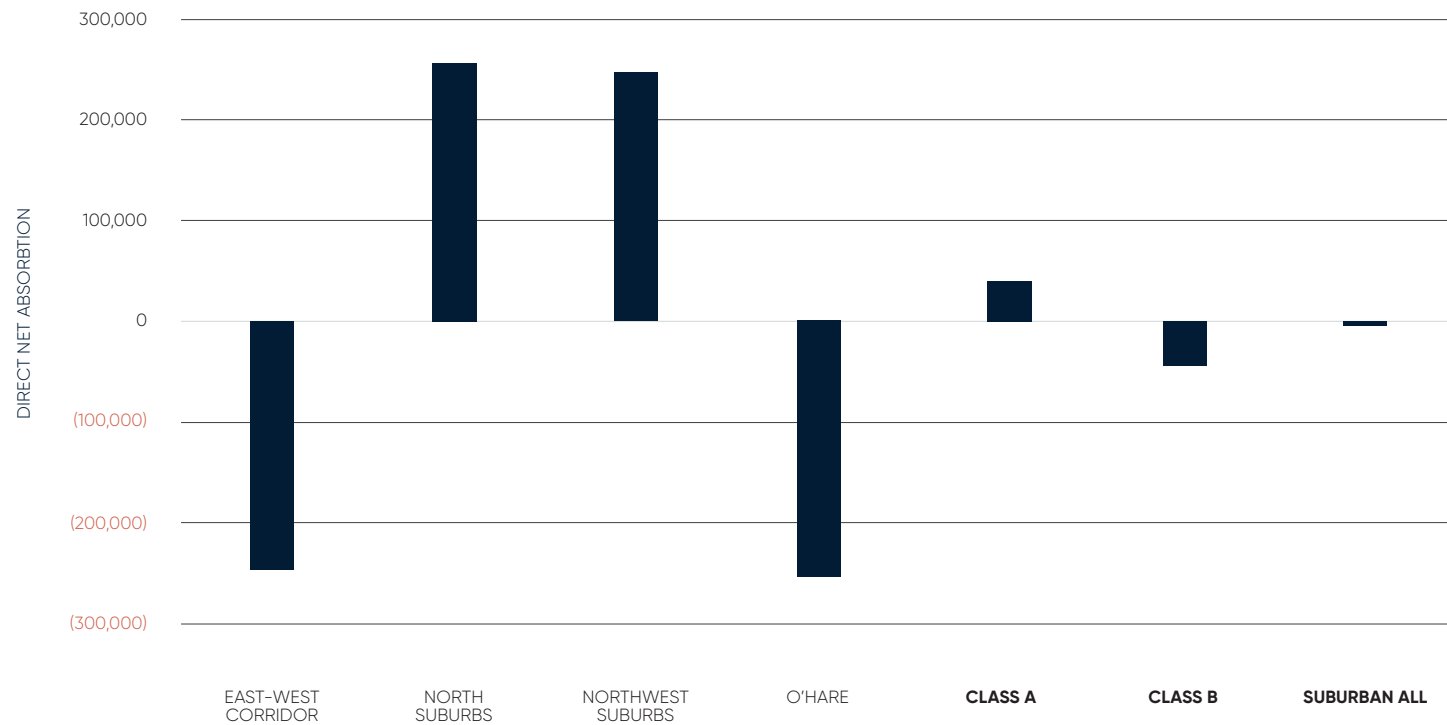


FIGURE 06

Sales Volume

Source: CoStar | Data as of June 30, 2025

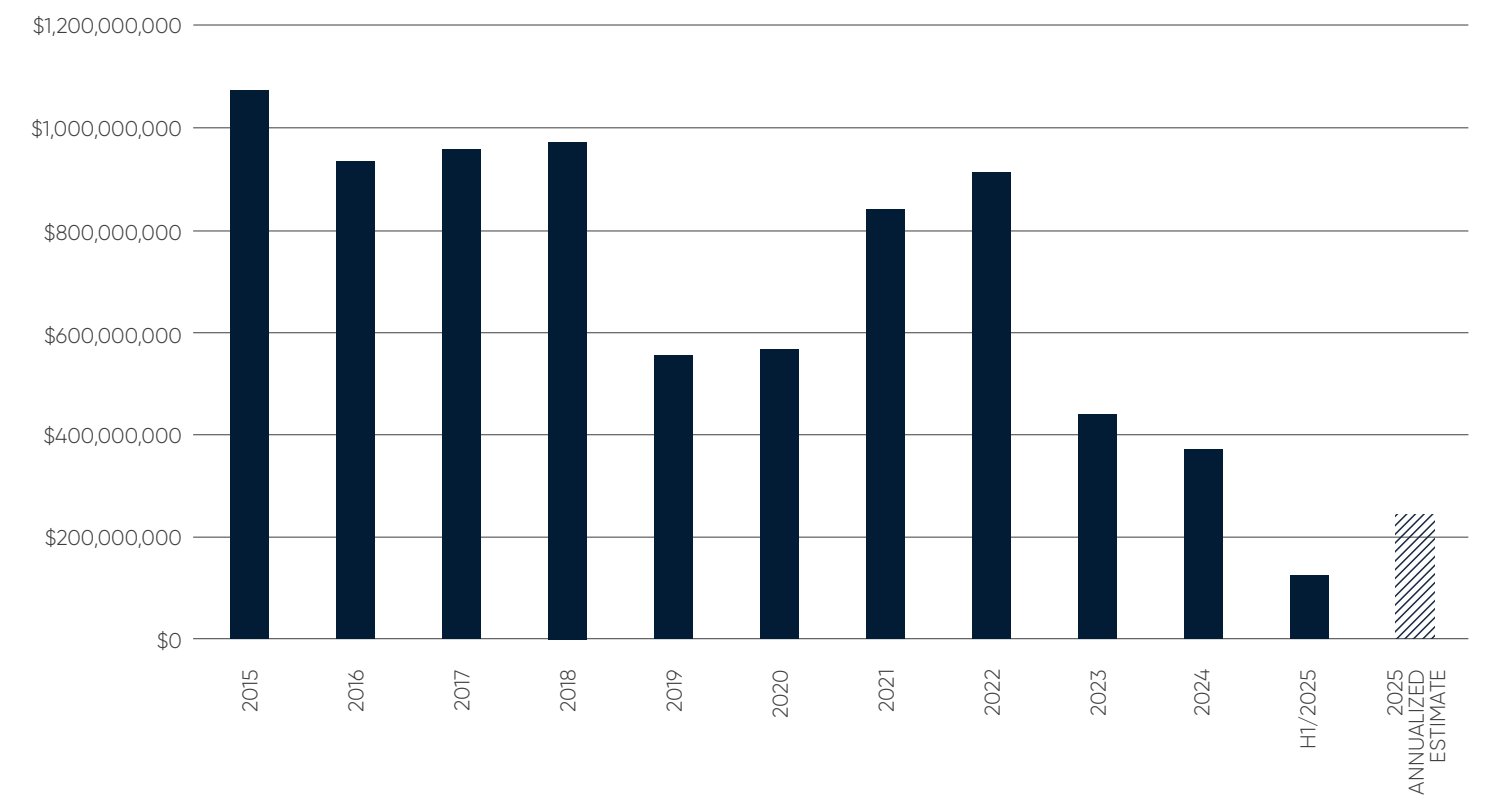


FIGURE 05

Product Pipeline

Source: CoStar | Data as of June 30, 2025

SUBMARKET	PROPERTY ADDRESS	RBA (SF)	BUILDING STATUS	DELIVERY YEAR
WESTERN EAST/WEST CORR	1200 N. Kirk Road	56,000	Under Construction	2025
SCHAUMBURG AREA	1325 N. Meacham Road	100,000	Under Construction	2025
WESTERN EAST/WEST CORR	Waterford Drive & Montgomery Road	56,700	Proposed	2025
EASTERN EAST/WEST CORR	1800 S. York Road	35,000	Proposed	2026
WESTERN EAST/WEST CORR	315 S. Main St.	31,656	Proposed	2026
EASTERN EAST/WEST CORR	2149 McDonald Drive	351,000	Proposed	2026
EASTERN EAST/WEST CORR	9930 W. 55th St.	23,320	Proposed	2026
CENTRAL NORTH	791 Elm St.	35,000	Under Construction	2026
SCHAUMBURG AREA	1903 N. Roselle Road	34,821	Proposed	2027
O'HARE	8601 W. Higgins Road	600,000	Proposed	2027
WESTERN EAST/WEST CORR	NWC Warrenville Road & Ferry Road	85,000	Proposed	2027
NEAR NORTH	4999 Old Orchard Center	100,000	Proposed	2027
WESTERN EAST/WEST CORR	3325 Warrenville Road	243,000	Proposed	2027
EASTERN EAST/WEST CORR	1999 York Road	202,965	Proposed	2027
EASTERN EAST/WEST CORR	McDonald Drive	210,000	Proposed	2028

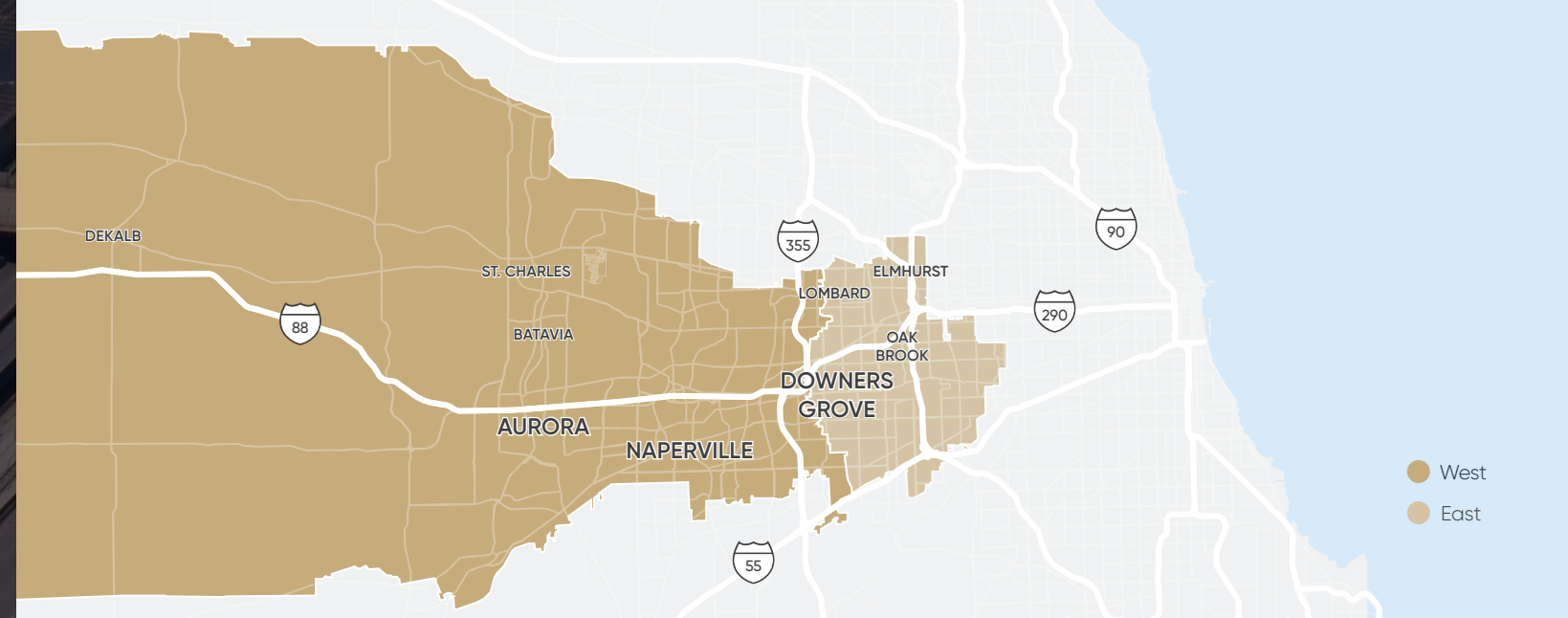


EAST/WEST CORRIDOR

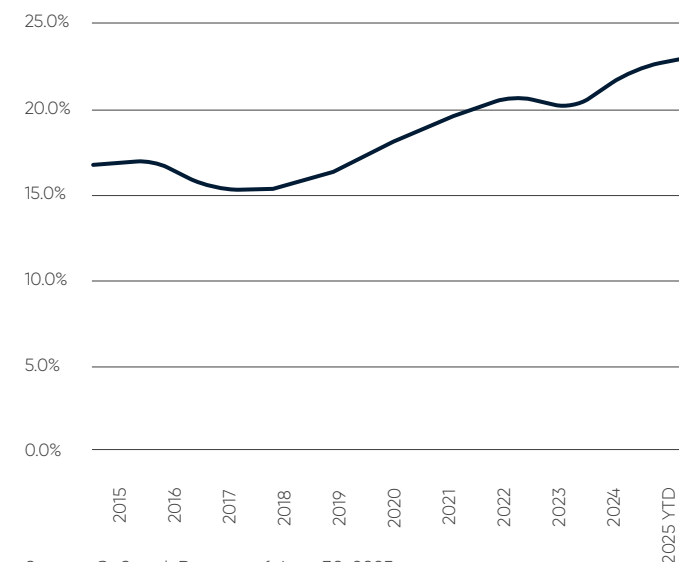
- At 23.5%, direct vacancy remained below the market average.
- The East/West Corridor recorded negative net absorption of 247,980 square feet in H1/25, reflecting continued market adjustment.
- This submarket had the lowest gross asking rate at \$22.43 per square foot.
- Major leases included US Cellular's 120,000-SF renewal at 8410 W. Bryan Court, Ace Hardware's 118,000-SF renewal at 2200 Kensington Court, and Ryerson's new 46,000-SF lease at 2655 Warrenville Road.
- GTZ Properties purchased the four-building, 300,000-plus-square-foot Oak Brook Office Center on Butterfield Road for just under \$9 million, a massive discount to the \$33 million paid in 2013.

MARKET MOVEMENT

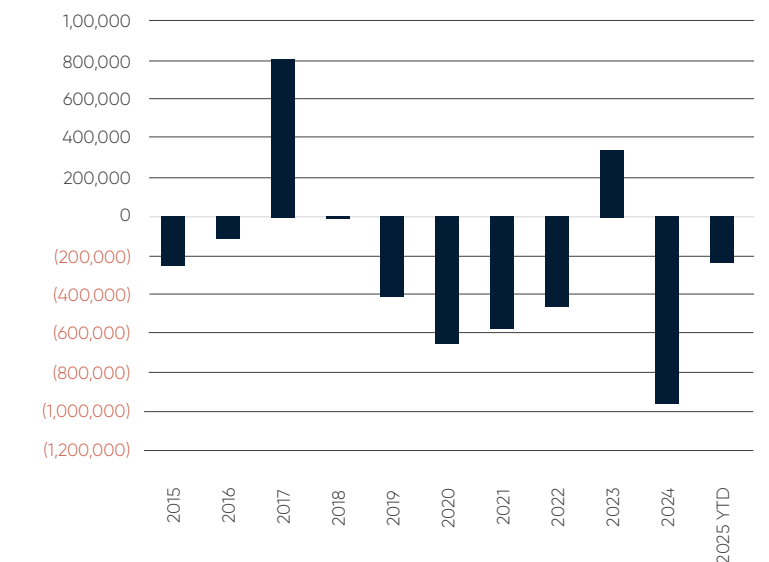
RENEWAL	RENEWAL	INVESTMENT SALE
US CELLULAR 8410 W. Bryan Court (120,000 SF)	ACE HARDWARE 2200 Kensington Court (118,000 SF)	GTZ PROPERTIES Oak Brook Office Center (300,000+ SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of June 30, 2025

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	H1/25 NET ABSORPTION
E/W CORRIDOR	38,595,043	86,926	37.0%	1.3%	23.5%	0.5%	\$22.43	(247,980)
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CLASS B	10,749,714	55,411	45.9%	1.8%	21.0%	0.5%	\$20.64	(10,344)

NORTHERN SUBURBS

- At 22.4%, direct vacancy was the lowest among all submarkets.
- The Northern Suburbs was the only submarket to record positive direct net absorption in H1/25, with 253,644 square feet.
- This submarket commanded the second-highest gross asking rate at \$27.23 per square foot.
- Vantive, formerly Baxter Kidney Care, led major leasing activity with a transformational 670,000-square-foot commitment to 510 Lake Cook Road.
- Fortune Brands Innovations consolidated their headquarters with a 390,000-square-foot lease at 1 Horizon Way.

MARKET MOVEMENT

NEW LEASE

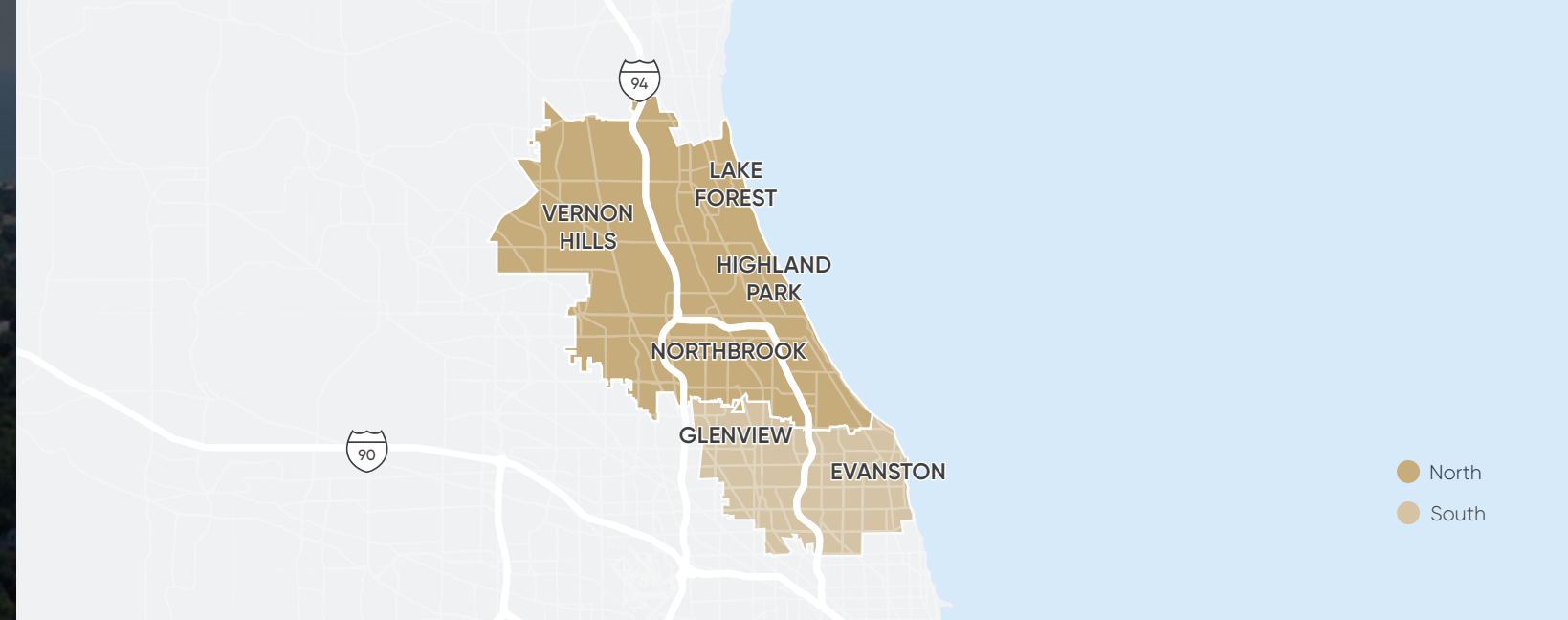
VANTIVE
510 Lake Cook
Road
(670,000 SF)

NEW LEASE

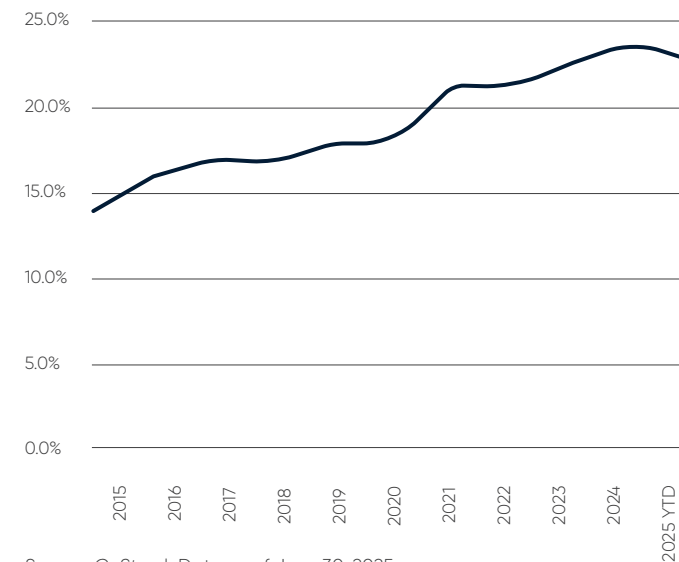
FORTUNE
BRANDS
INNOVATIONS
1 Horizon Way
(390,000 SF)

INVESTMENT SALE

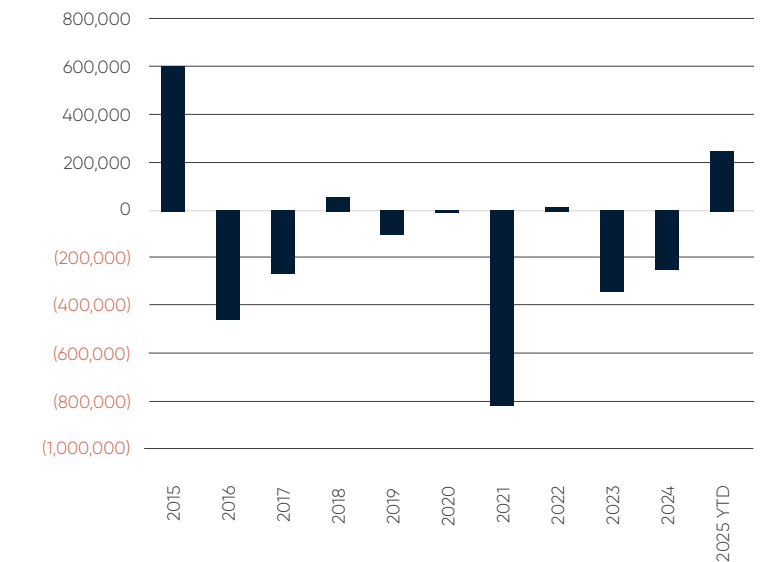
JTX NORTHFIELD
191 Waukegan Road
(61,000 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of June 30, 2025

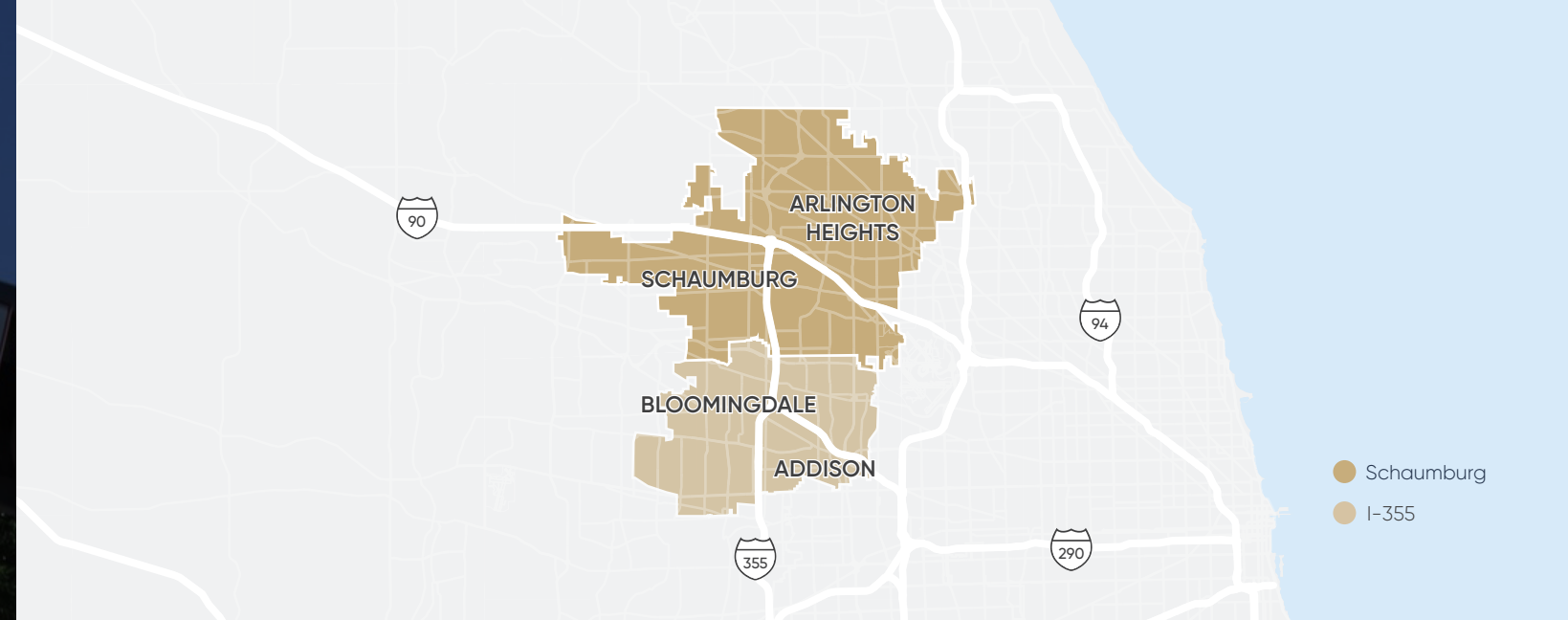
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	H1/25 NET ABSORPTION
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CLASS B	3,258,964	69,340	29.4%	2.1%	22.0%	2.1%	\$28.18	(70,704)
SOUTH	5,311,038	93,176	28.0%	1.9%	23.7%	1.6%	\$28.65	77,320
CLASS A	2,326,565	211,506	22.1%	0.2%	26.7%	0.1%	\$31.14	43,356
CLASS B	2,539,525	61,940	15.0%	0.0%	24.6%	0.0%	\$27.72	33,964

NORTHWEST SUBURBS

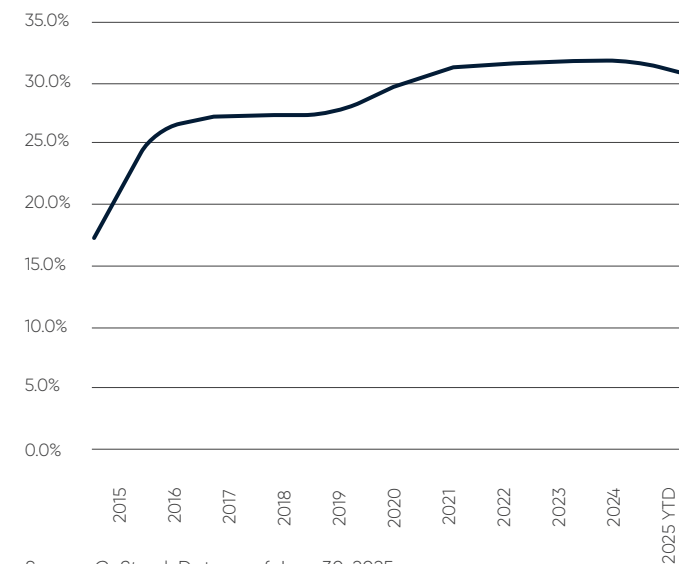
- At 31.1%, direct vacancy was the highest among all submarkets.
- The Northwest Suburbs recorded positive direct net absorption of 246,281 square feet in H1/25, yet continues to face headwinds from elevated vacancy levels.
- Gross asking rates were competitive at \$25.94 per square foot.
- Major leases included the Great American Insurance Company taking 36,000 square feet at 1501 E. Woodfield Road and INX International Ink Co. taking 21,000 square feet at 150 N. Martingale Road.
- Homebuilder PulteGroup purchased 1950 Hassell Road in Hoffman Estate with plans to demolish the 155,000-square-foot office and build 69 townhouses.

MARKET MOVEMENT

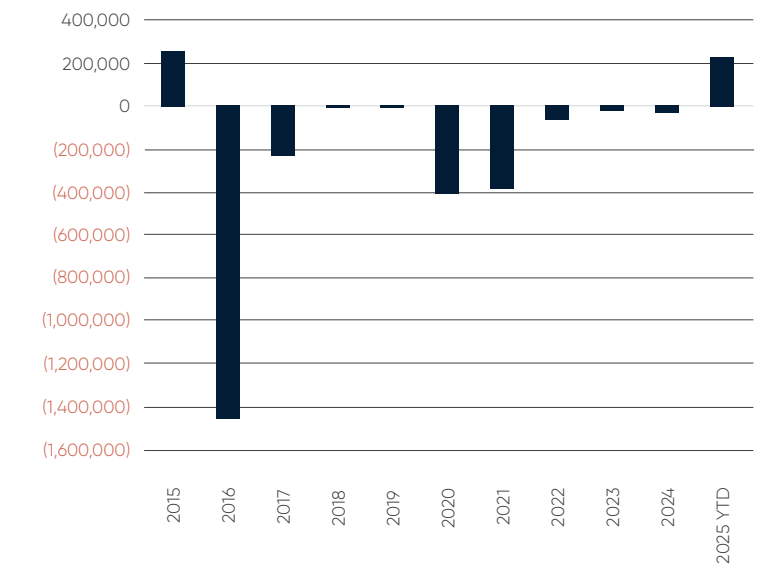
NEW LEASE	NEW LEASE	INVESTMENT SALE
GREAT AMERICAN INSURANCE CO. 1501 E. Woodfield Road (36,000 SF)	INX INTL. INK CO. 150 N. Martingale Road (21,000 SF)	PULTEGROUP 1950 Hassell Road (155,000 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of June 30, 2025

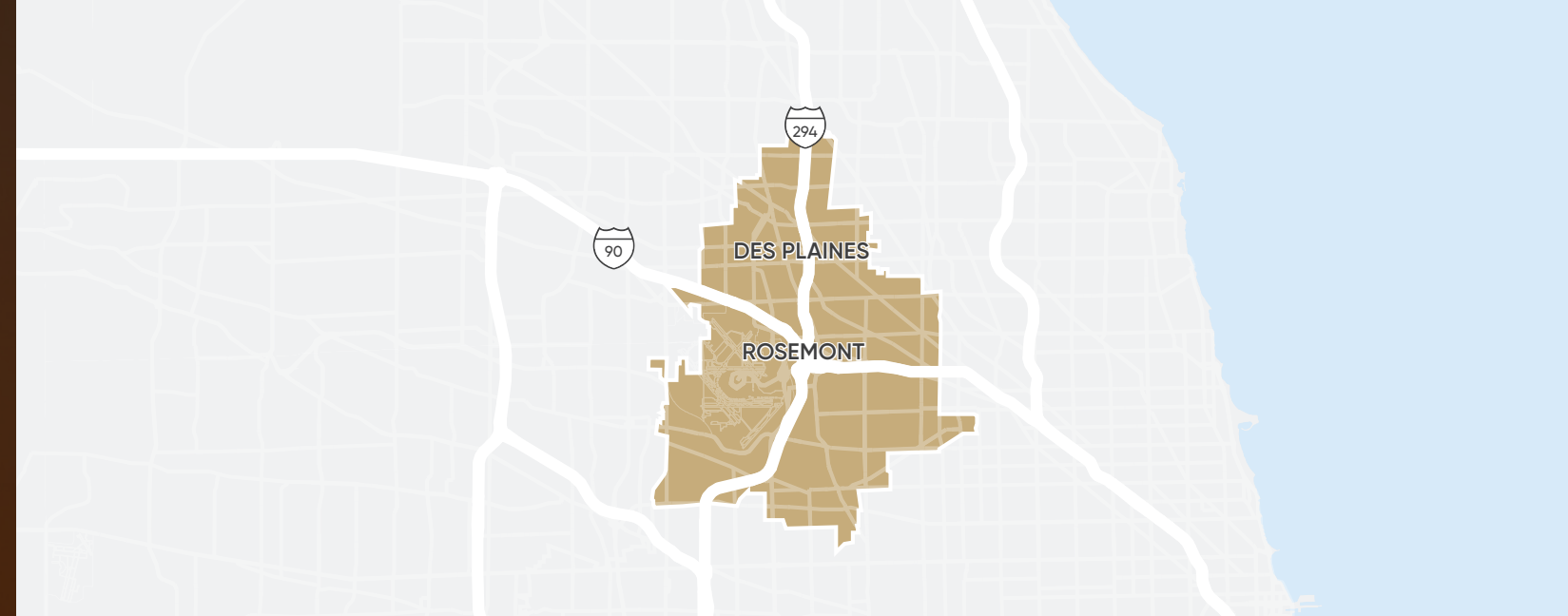
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	H1/25 NET ABSORPTION
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I-35	4,151,364	106,445	14.5%	2.9%	17.6%	0.6%	\$23.90	(63,679)
CLASS A	2,221,993	277,749	20.0%	3.7%	17.9%	1.0%	\$25.18	18,471
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O'HARE

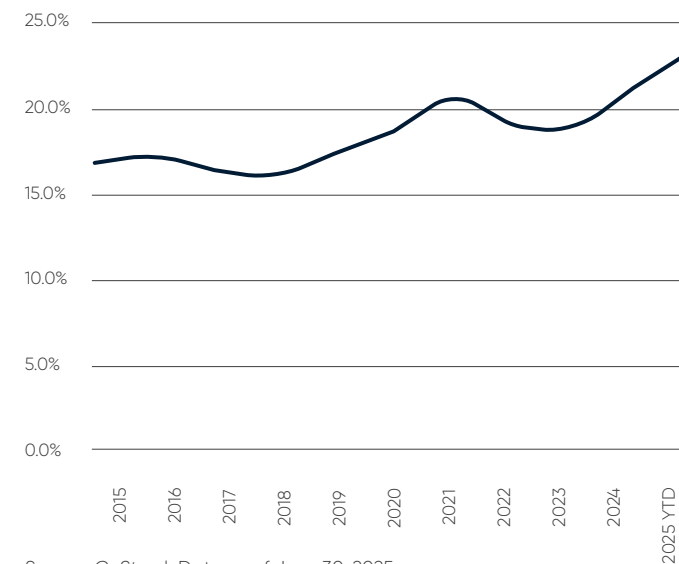
- At 23.3%, direct vacancy remained below the market average.
- The O'Hare submarket recorded negative net absorption of 257,584 square feet in H1/25.
- This submarket commanded the highest gross asking rate at \$29.86 per square foot.
- Paylocity's 95,000-square-foot renewal at 2400 American Lane was the largest deal of the quarter. Aon's new lease at Two Pierce Place totaled 84,000 square feet. Option Care Health leased 79,000 square feet at 8600 Bryn Mawr Ave.

MARKET MOVEMENT

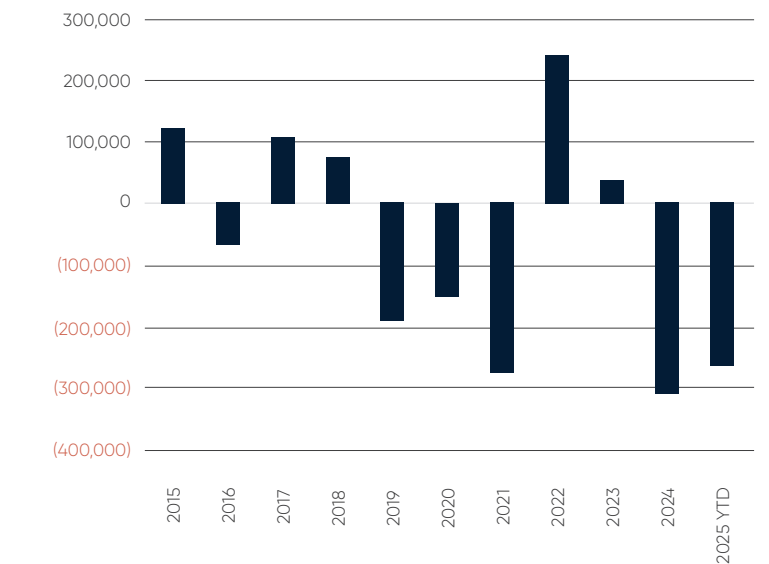
RENEWAL	NEW LEASE	NEW LEASE
PAYLOCITY 1400 American Lane (95,000 SF)	AON Two Pierce Place (84,000 SF)	OPTION HEALTH CARE 8600 Bryn Mawr Avenue (79,000 SF)



DIRECT VACANCY RATE



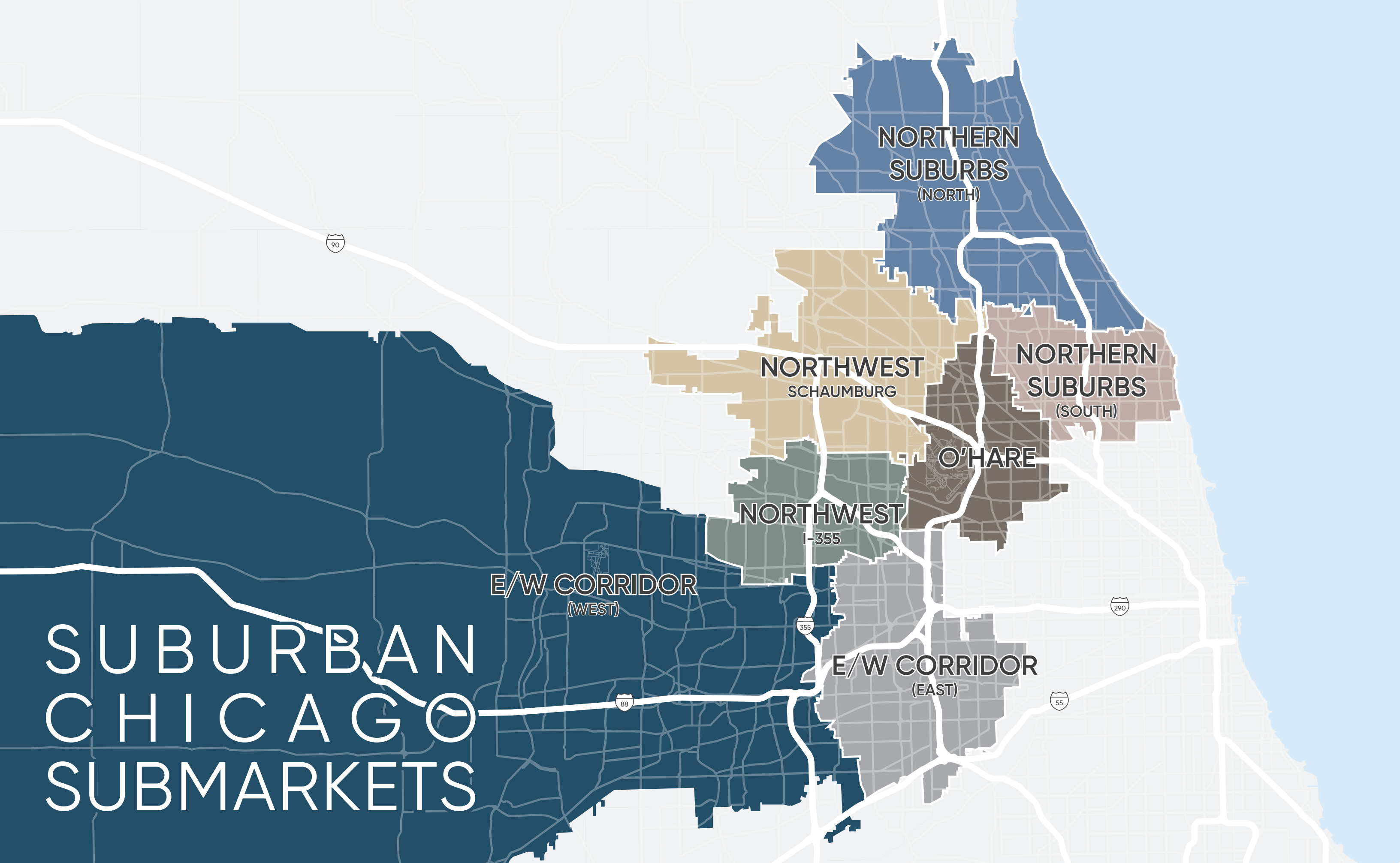
DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of June 30, 2025

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	H1/25 NET ABSORPTION
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CLASS B	6,081,417	104,852	35.8%	1.3%	21.7%	0.9%	\$24.41	9,514

SUBURBAN CHICAGO SUBMARKETS



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