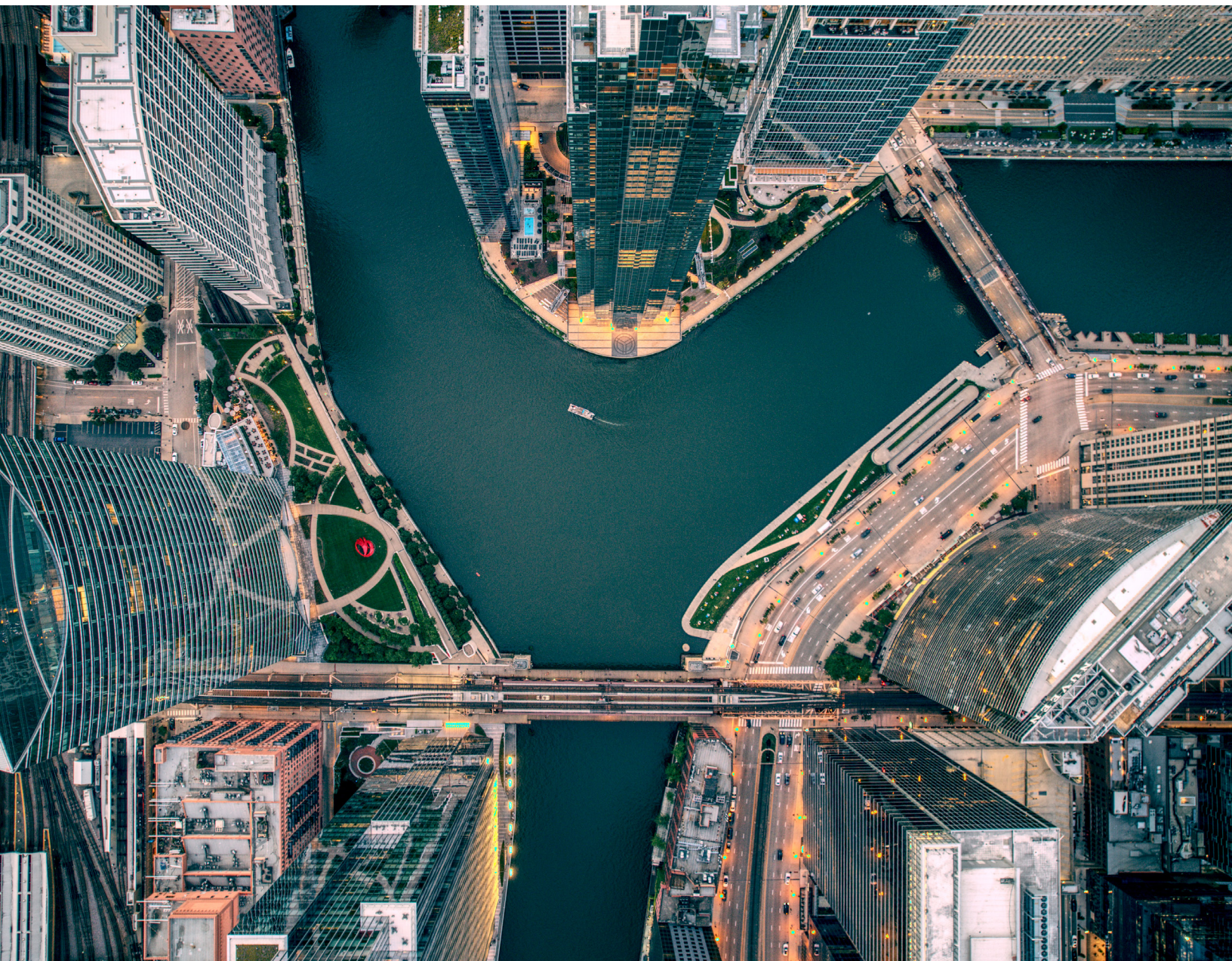


**Q2/25**

# **OFFICE MARKET REPORT**

Downtown Chicago



# CONTENTS

Market Overview	4
Comparisons, Indicators, & Trends	6
Central Loop	10
East Loop	12
Fulton Market	14
North Michigan Avenue	16
River North	18
West Loop	20
Downtown Chicago Submarket Map	22

# SUSTAINED LEASING MOMENTUM AMID STRATEGIC REPOSITIONING

Q2/25 CBD leasing volumes were in line with recent quarters, revealing a sustained momentum that was the basis for an active quarter. Approximately 1.9 million square feet was leased over the past three months despite the market still adjusting to evolving user demand.

The direct vacancy rate reached 24.7 percent, a record high and an increase of 1.3 percentage points from Q1's 23.4 percent. Direct net absorption was negative 1.5 million square feet, making Q2/25 among the weakest periods for overall demand since Q1/24. Average direct gross asking rates were \$41.54 per square foot, down \$1.02 from Q1's \$42.56 per square foot. And—accounting for nearly one-third of all square footage leased year-to-date—spec suites continue to be highly sought after by tenants.

While demand measures were weaker, the consistent leasing volumes supported a strategic repositioning in the market, with transformative redevelopments (Google at the Thompson Center), office-to-apartment conversions (South LaSalle Street), and discounted sales (311 S. Wacker Drive) proceeding with renewed intensity.

Ownership with the capital to compete for tenants—whether through active leasing programs, upgraded amenities, or built-out suites—are winning deals and raising occupancy rates. Meanwhile, struggling properties are increasingly finding new buyers at steep discounts.

311 S. Wacker Drive's sale at approximately \$34 per square foot is the perfect example. The building sold for \$230 per square foot in 2014. At just over 50 percent occupied, the new owners acquired the property at a low-enough basis to pursue a strategic repositioning, possibly converting some of the iconic office building to a hotel.

## Leasing Activity

Practically half of the CBD's total square footage was leased in the West Loop in Q2, highlighting tenant preferences for a quality product located near major transportation hubs like Amtrak, Metra, CTA, and highways. Leasing in the Central Loop accounted for 21.9 percent of the total volume, followed by River North (10.2 percent), Fulton Market (7.8 percent), East Loop (6.2 percent), and North Michigan Avenue (3.9 percent).

Overall, net absorption was notably negative across all submarkets over the quarter except River North. Year to date, Fulton Market and River North are still posting positive absorption.

The quarter's top lease was Golub Capital's new 205,450-square-foot commitment at 225 W. Randolph Street (West Loop). Other sizable new leases included flexible-office operator Workbox taking 68,000 square feet at 20 N. Wacker Drive and Citadel's fully built-out 56,970-square-foot deal at 353 N. Clark Street (River North). Legal Aid Chicago signed a new lease for a 42,254-square-foot full buildout at 200 N. LaSalle Street, while Berlin Packaging committed to 38,554 square feet of move-in-ready space at The Mart.

Renewals dominated the balance of activity. JPMorganChase re-upped for 126,341 square feet at 131 S. Dearborn Street, where they are actively renovating the property, and WEC Energy Group renewed 125,293 square feet at 200 E. Randolph Street for 13 years.

In the West Loop, Inessa renewed 119,000 square feet at 111 N. Canal Street, Allstate renewed 76,456 square feet at The Mart, Akuna Capital renewed 56,365 square feet at 333 S. Wabash Ave. (East Loop), and Clark Hill completed a 71,813-square-foot renewal at 130 E. Randolph Street. Together, these renewals underscore that large tenants are still willing to recommit to CBD locations.

Other notable transactions included Sunon Furniture's 13,310-square-foot lease at 800 W. Fulton Street, and Sinars Slowikowski Tomaska's 16,166-square-foot deal at 300 S. Wacker Drive.

## Investment Sales

Investment sales activity totaled approximately \$275 million year-to-date, with an increased emphasis on adaptive reuse of outdated office properties. The quarter's largest transaction was 311 S. Wacker Drive, which sold for \$45 million to Kohan Retail Investment Group—as noted above, the 1.3 million-square-foot property sold for around \$34 per square foot.

Conversion project announcements included The Primera Group securing \$67 million in TIF funding to convert 105 W. Adams Street into 400 residential units. The 24,511-square-foot 111 W. Illinois Street sold for \$17 million to Windwave Real Estate and Path Construction for conversion to 153 residential units.

223 W. Erie Street traded for \$6.85 million, or \$93.84 per square foot for the 73,000-square-foot building. The new owners are planning for 66 residential units.

Additional conversion projects announced were 1500 N. Halsted Street on Goose Island (31 residential units) and 309 W. Washington Street (84 residential units).

All told, these projects represent a combined total of 734 residential units planned for conversion from office space.

# DOWNTOWN CHICAGO

## Q2/25 SNAPSHOT



**(1,510,947) SF**

Direct Net Absorption Q2/25



**24.7%**

Direct Vacancy Rate



**\$41.54/SF**

Average Gross Asking Rate

Property data were compiled from CoStar with these parameters: existing and under-renovation office property type; 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.

FIGURE 01

## Leasing Activity by Submarket

Source: CoStar | Data as of June 30, 2025

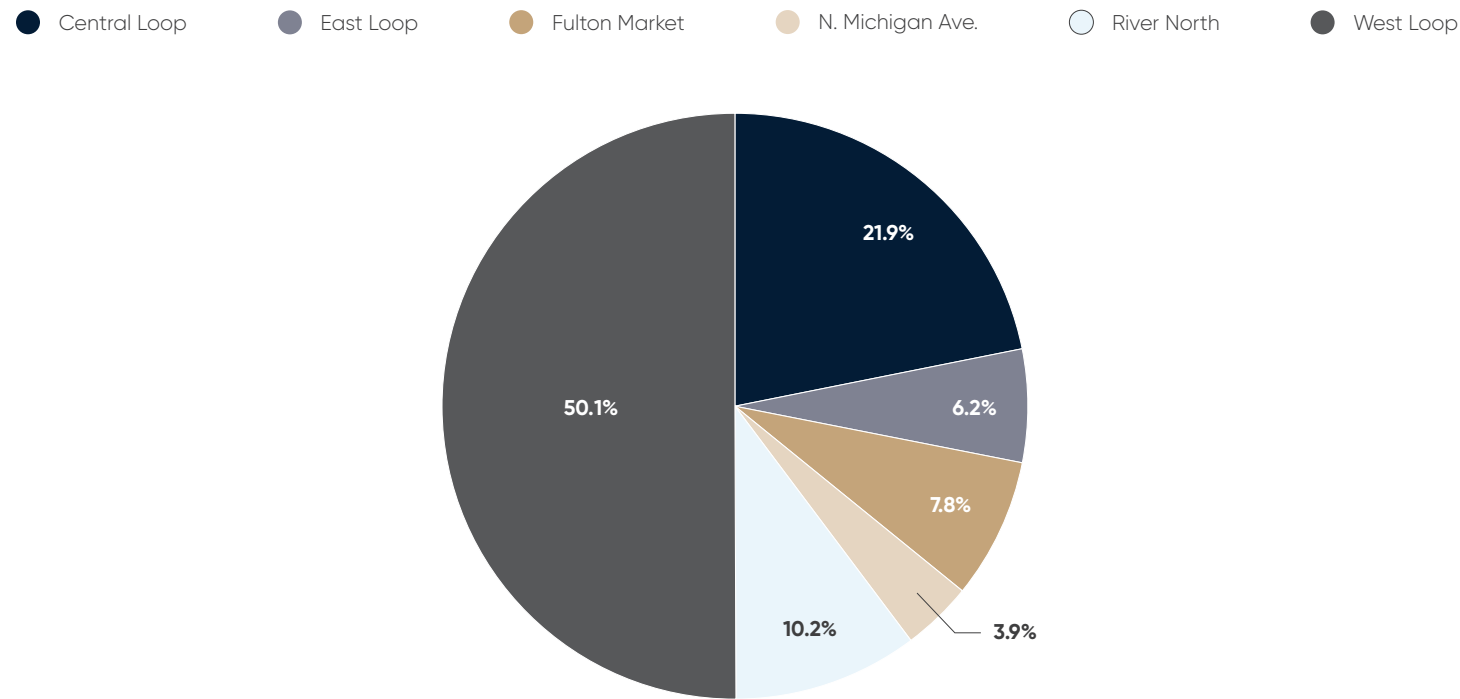
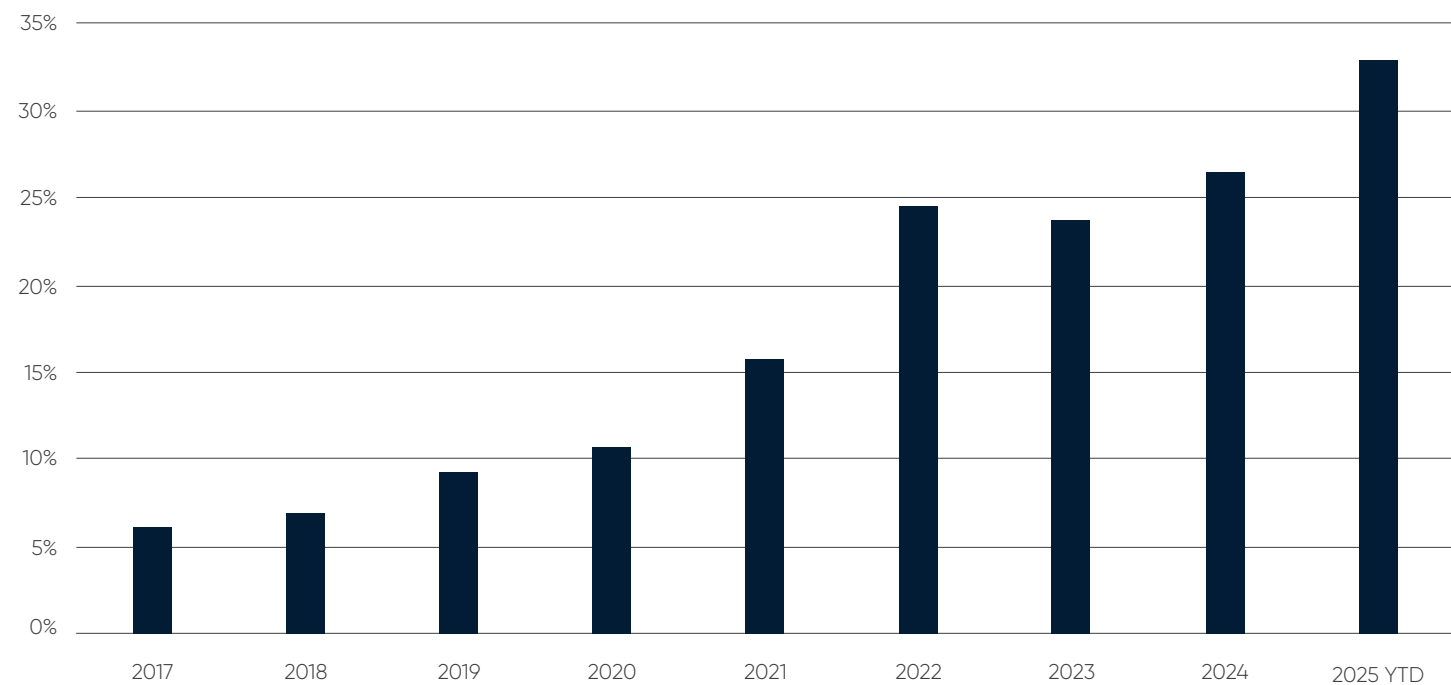


FIGURE 02

## 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 built out or spec suites in CoStar.

FIGURE 03

## Chicago CBD 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	Q2/25 NET ABSORPTION	2024 NET ABSORPTION
<b>CBD</b>	158,761,709	339,961	27.0%	3.2%	24.7%	1.3%	\$41.54	(1,510,947)	(3,704,294)
CLASS A	94,611,904	775,507	24.8%	4.0%	22.0%	1.7%	\$44.71	(871,956)	(2,167,155)
CLASS B	54,952,329	218,065	30.9%	2.3%	29.0%	0.8%	\$37.69	(580,473)	(1,589,539)
CLASS C	9,197,476	98,898	26.8%	0.8%	26.5%	0.1%	\$28.68	(58,518)	52,400
<b>CENTRAL LOOP</b>	38,652,695	544,404	27.8%	2.0%	27.1%	0.2%	\$37.31	(527,955)	(679,243)
CLASS A	13,730,292	858,143	24.9%	2.6%	21.7%	0.3%	\$45.07	(83,496)	(84,638)
CLASS B	24,187,891	503,914	29.9%	1.8%	30.5%	0.1%	\$36.45	(415,081)	(578,113)
CLASS C	734,512	104,930	16.7%	0.0%	18.0%	0.0%	\$13.41	(29,378)	(16,492)
<b>EAST LOOP</b>	25,422,072	488,886	34.9%	2.8%	29.9%	1.1%	\$36.69	(59,826)	(1,164,407)
CLASS A	13,330,472	1,025,421	32.8%	3.7%	27.5%	1.1%	\$36.08	48,942	(959,765)
CLASS B	7,533,276	470,830	41.3%	2.7%	33.0%	1.5%	\$42.79	(36,372)	(186,534)
CLASS C	4,558,324	198,188	30.8%	0.1%	31.7%	0.0%	\$28.15	(72,396)	(18,108)
<b>FULTON MARKET</b>	10,988,764	120,756	15.3%	4.8%	15.0%	2.4%	\$37.21	115,211	320,282
CLASS A	5,727,522	286,376	11.5%	8.2%	13.6%	3.4%	\$51.19	112,664	255,992
CLASS B	2,992,325	61,068	22.6%	0.8%	21.1%	0.2%	\$33.80	(6,649)	63,176
CLASS C	1,293,386	58,790	13.6%	4.3%	12.6%	0.0%	\$31.73	9,196	1,114
<b>N. MICHIGAN AVENUE</b>	11,543,952	268,464	27.8%	4.9%	22.0%	2.8%	\$38.95	(167,775)	(582,028)
CLASS A	5,900,918	491,743	34.7%	8.3%	25.4%	5.1%	\$46.27	(95,193)	(389,989)
CLASS B	5,297,795	196,215	21.2%	1.3%	19.1%	0.4%	\$30.66	(75,832)	(190,116)
CLASS C	345,239	86,310	12.2%	1.4%	10.5%	1.4%	-	3,250	(1,923)
<b>RIVER NORTH</b>	17,481,442	158,922	27.8%	3.2%	27.4%	1.6%	\$44.80	116,831	(783,409)
CLASS A	11,472,832	717,052	28.0%	4.2%	29.5%	2.0%	\$45.63	5,999	(544,025)
CLASS B	4,530,042	68,637	26.7%	1.5%	22.6%	1.1%	\$32.60	40,540	(294,045)
CLASS C	1,478,568	52,806	29.7%	0.5%	26.5%	0.0%	-	70,292	54,661
<b>WEST LOOP</b>	55,648,315	556,483	24.6%	3.6%	22.0%	1.7%	\$47.65	(987,433)	(815,489)
CLASS A	44,449,868	987,775	22.0%	3.4%	19.3%	1.7%	\$50.14	(860,872)	(444,730)
CLASS B	10,411,000	226,326	34.9%	4.5%	32.6%	2.0%	\$41.50	(87,079)	(403,907)
CLASS C	787,447	87,494	36.0%	0.0%	33.5%	0.0%	\$25.87	(39,482)	33,148

FIGURE 04

## Occupancy & Direct Rent

Source: CoStar | Data as of June 30, 2025

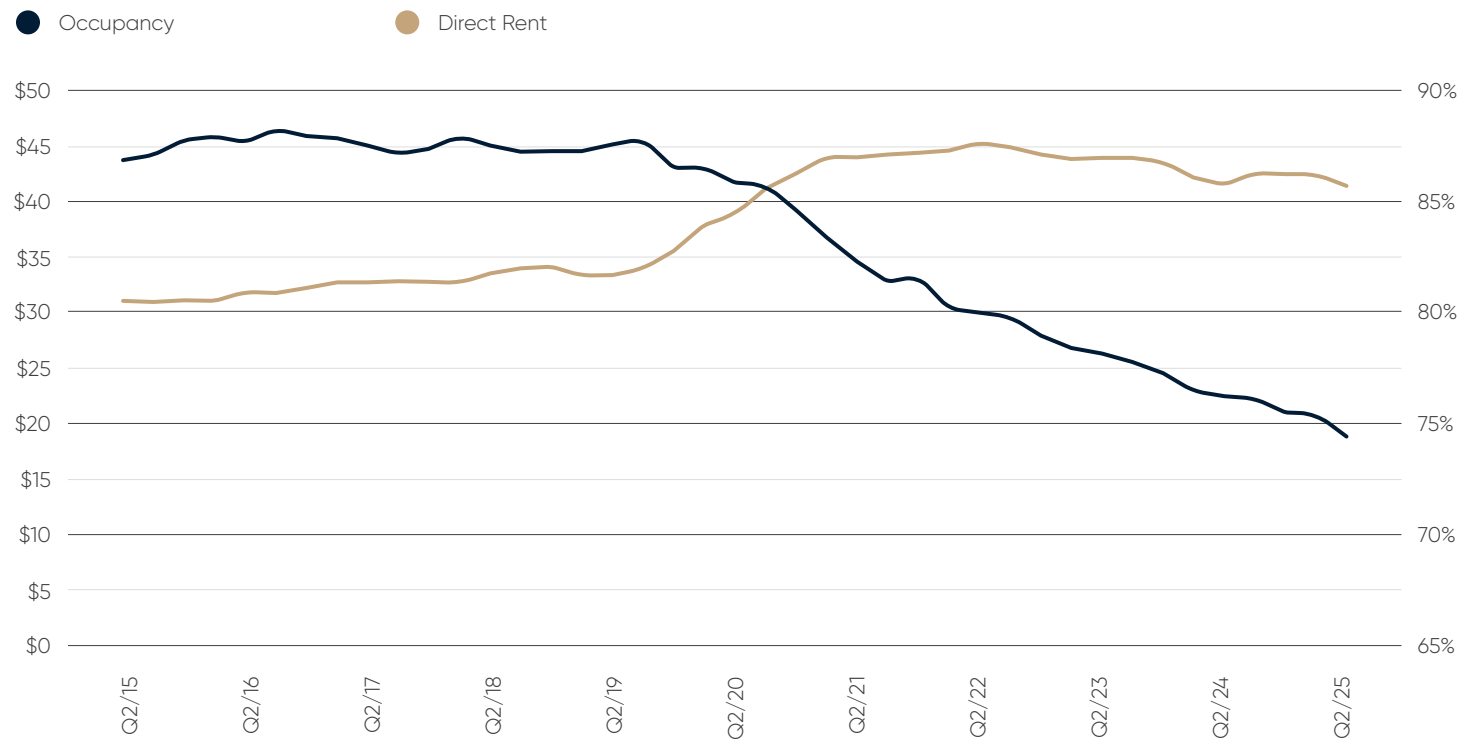
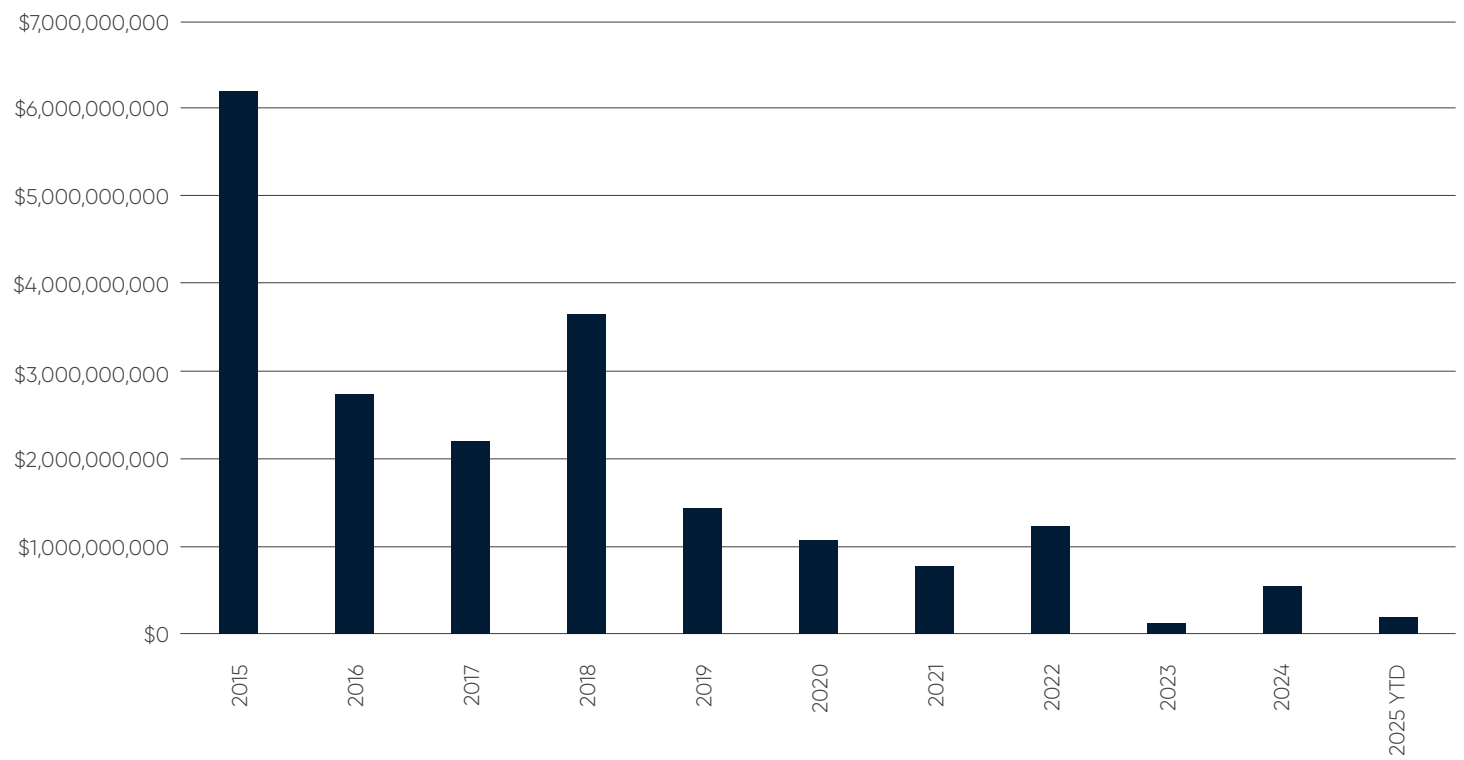


FIGURE 05

## Sales Volume

Source: CoStar | Data as of June 30, 2025



# CENTRAL LOOP

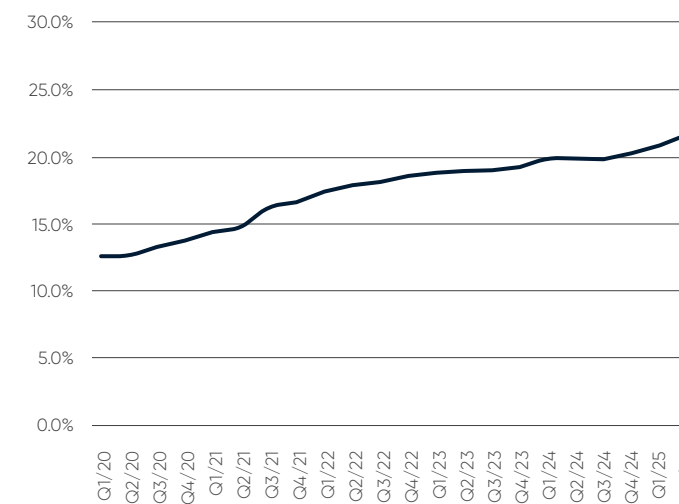
- Direct vacancy rate of 27.1%, above the market average of 24.6%.
- Recorded negative net absorption of 379,276 SF, ranking fifth among submarkets for absorption.
- Maintained steady leasing activity despite absorption headwinds, reflecting ongoing tenant interest in core locations.
- Notable deals included JPMorganChase (126,341 SF at 131 S. Dearborn Street) and Legal Aid Chicago's 42,254-SF lease at 200 N. LaSalle Street at \$22.50/SF.

## MARKET MOVEMENT

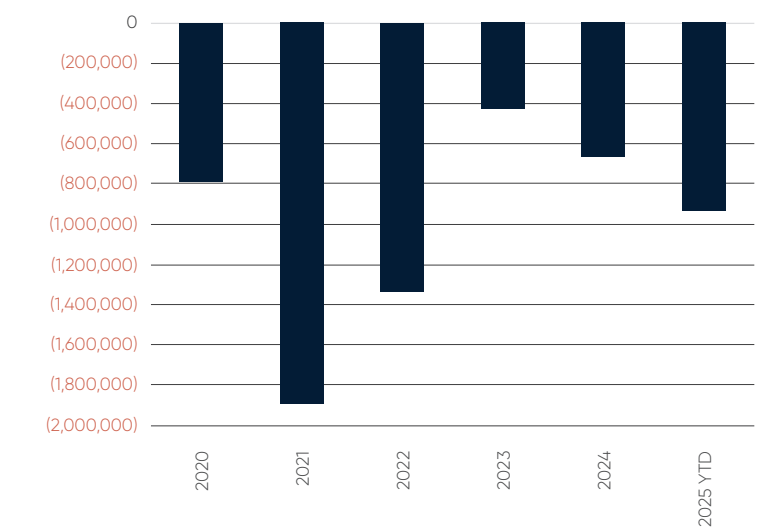
NEW LEASE	NEW LEASE
JPMORGAN CHASE 131 S. Dearborn St. (126,341 SF)	LEGAL AID CHICAGO 200 N. LaSalle St. (42,254 SF)



### 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	Q2/25 NET ABSORPTION
CENTRAL LOOP	38,652,695	544,404	27.8%	2.0%	27.1%	0.2%	\$37.20	(379,276)
CLASS A	13,730,292	858,143	24.9%	2.6%	21.7%	0.3%	\$46.03	(120,434)
CLASS B	24,187,891	503,914	29.9%	1.8%	30.5%	0.1%	\$36.29	(257,881)
CLASS C	734,512	104,930	16.7%	0.0%	18.0%	0.0%	\$18.26	(961)

# EAST LOOP

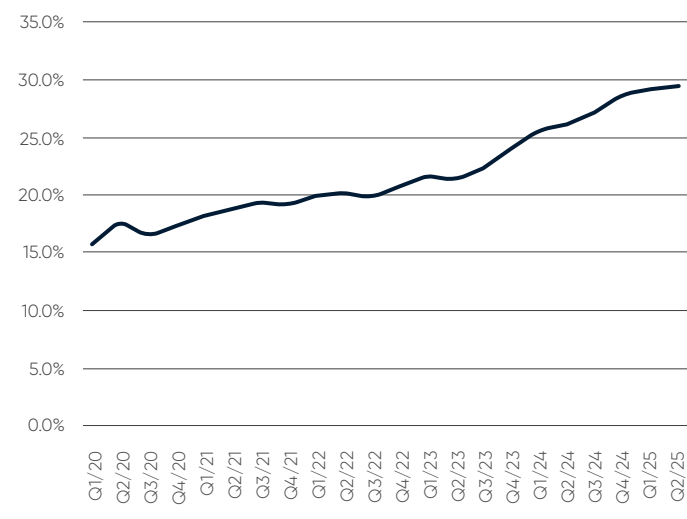


- Direct vacancy rate of 29.9%, the highest among all submarkets and well above the market average of 24.6%.
- Recorded negative net absorption of -59,826 SF, ranking third from bottom among submarkets.
- Continued to face headwinds with elevated vacancy and limited leasing momentum.
- WEC Energy Group signed a 125,000-SF renewal at 200 E. Randolph Street Clark Hill signed a renewal at 130 E. Randolph Street for 71,813 SF. Akuna Capital renewed for 56,365 SF at 333 S. Wabash Ave.

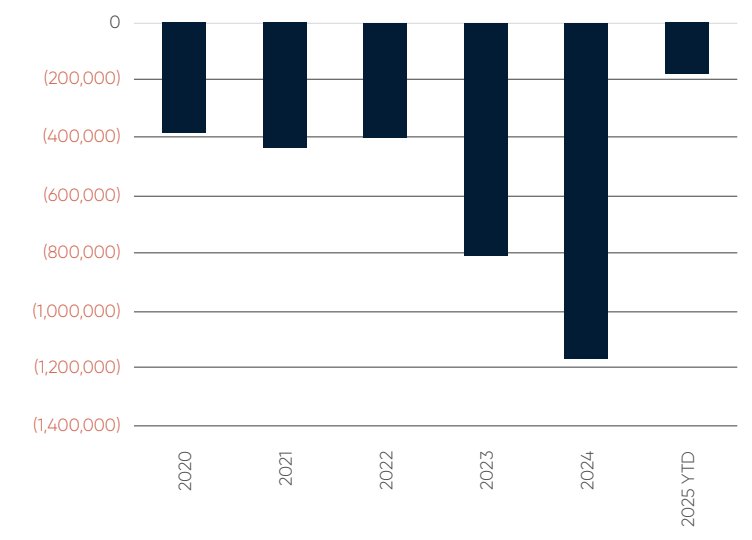
## MARKET MOVEMENT

RENEWAL	RENEWAL	RENEWAL
<b>WEC ENERGY GROUP</b> 200 E. Randolph St. (125,293 SF)	<b>CLARK HILL</b> 130 E. Randolph St. (71,813 SF)	<b>AKUNA CAPITAL</b> 333 S. Wabash Ave. (56,365 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	Q2/25 NET ABSORPTION
EAST LOOP	25,422,072	488,886	34.9%	2.8%	29.9%	1.1%	\$38.69	(59,826)
CLASS A	13,330,472	1,025,421	32.8%	3.7%	27.5%	1.1%	\$37.23	48,942
CLASS B	7,533,276	470,830	41.3%	2.7%	33.0%	1.5%	\$41.39	(36,372)
CLASS C	4,558,324	198,188	30.8%	0.1%	31.7%	0.0%	\$28.18	(72,396)

# FULTON MARKET

- Direct vacancy rate of 15.0%, significantly outperforming the market average of 24.6% and ranking best among all submarkets.
- Achieved positive net absorption of 115,211 SF, ranking second among submarkets and demonstrating strong tenant demand.
- Continued to benefit from its reputation as a premier creative and tech hub with superior fundamentals.
- Notable deals included Baker Tilly with 31,822 SF at 800 W. Fulton Street, followed by Grove Biopharma (17,000 SF at 400 N. Aberdeen Street), and Global Furniture Group's 13,730-SF deal at 1045 W. Fulton Market.

## MARKET MOVEMENT

### NEW LEASE

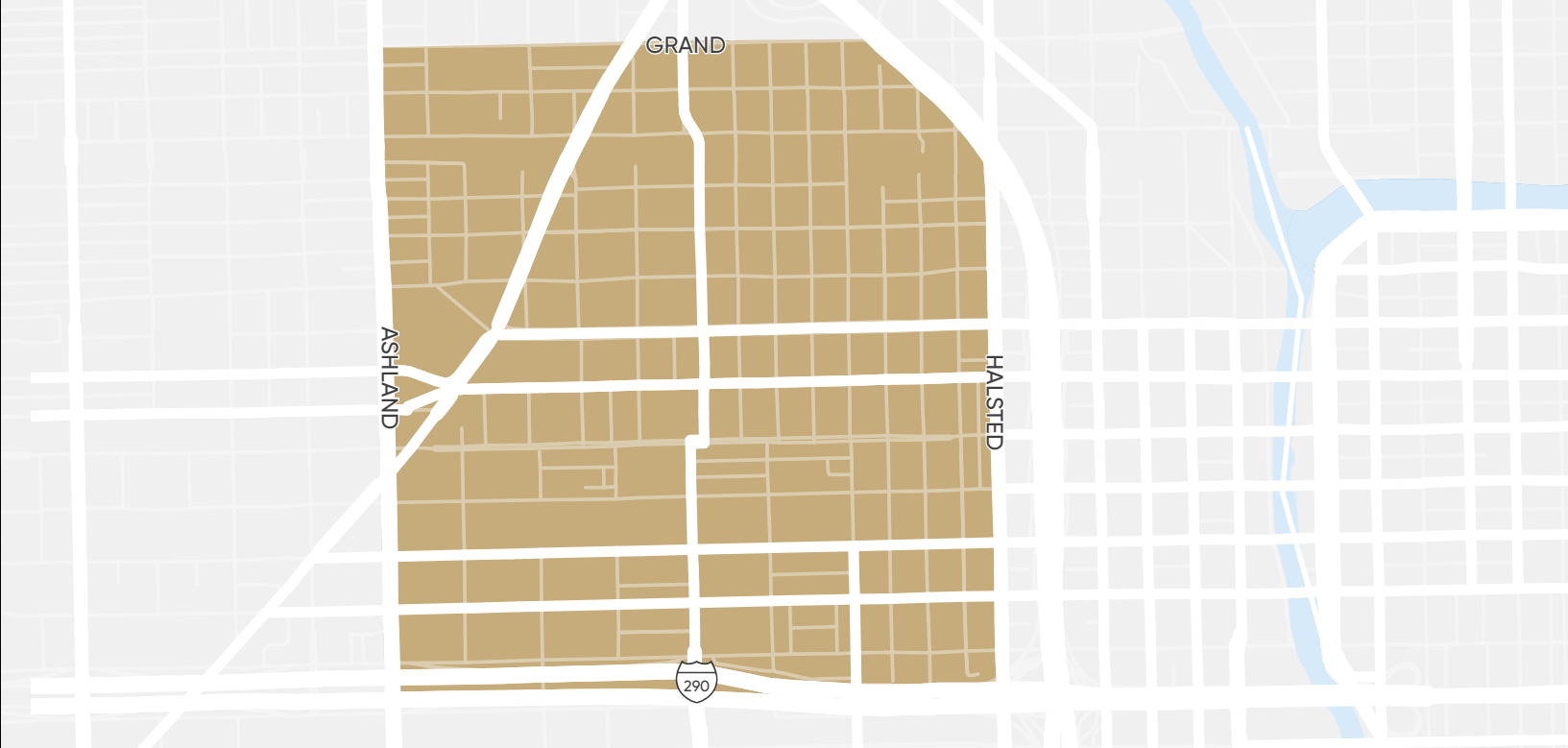
BAKER TILLY  
800 W. Fulton St.  
(31,822 SF)

### NEW LEASE

GROVE BIOPHARMA  
400 N. Aberdeen St.  
(17,000 SF)

### NEW LEASE

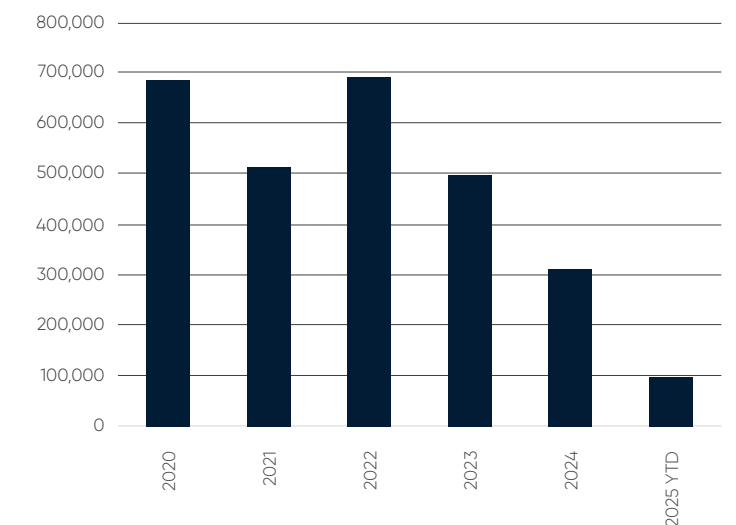
GLOBAL FURNITURE GROUP  
1045 W. Fulton Market  
(13,730 SF)



## 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	Q2/25 NET ABSORPTION
FULTON MARKET	10,988,764	120,756	15.3%	4.8%	15.0%	2.4%	\$38.30	115,211
CLASS A	5,727,522	286,376	11.5%	8.2%	13.6%	3.4%	\$51.00	112,664
CLASS B	2,992,325	61,068	22.6%	0.8%	21.1%	0.2%	\$34.62	(6,649)
CLASS C	1,293,386	58,790	13.6%	4.3%	12.6%	0.0%	\$32.17	9,196

# NORTH MICHIGAN AVENUE

- Direct vacancy rate of 22.0%, outperforming the market average of 24.6%.
- Recorded negative net absorption of -167,775 SF, reflecting ongoing challenges in the corridor for office product.
- Maintained competitive vacancy levels despite absorption headwinds and limited transaction volume.

## MARKET MOVEMENT

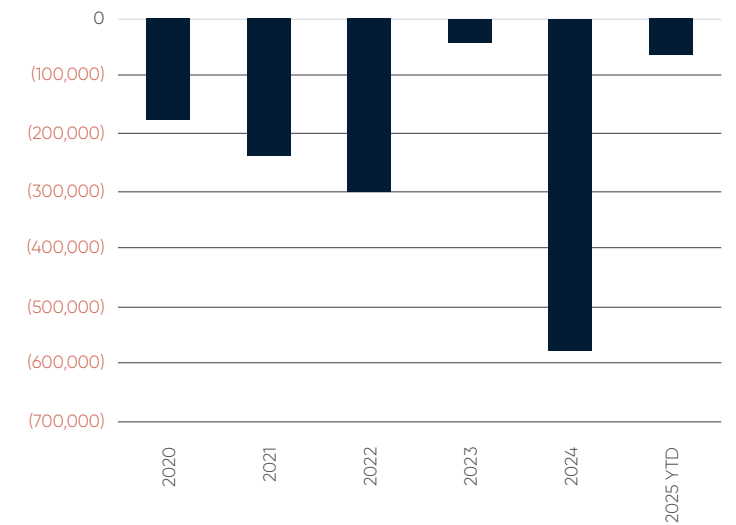
NEW LEASE	NEW LEASE
MERKLE 515 N. State St. (24,988 SF)	LO DESTRO CONSTRUCTION 142 E. Ontario St. (7,773 SF)



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	Q2/25 NET ABSORPTION
<b>NORTH MICHIGAN AVENUE</b>	11,543,952	268,464	27.8%	4.9%	22.0%	2.8%	-	(167,775)
CLASS A	5,900,918	491,743	34.7%	8.3%	25.4%	5.1%	-	(95,193)
CLASS B	5,297,795	196,215	21.2%	1.3%	19.1%	0.4%	\$38.52	(75,832)
CLASS C	345,239	86,310	12.2%	1.4%	10.5%	1.4%	-	3,250

# RIVER NORTH

- Direct vacancy rate of 27.4%, above the market average of 24.6%.
- Achieved positive net absorption of 116,831 SF, ranking first among all submarkets for absorption performance.
- Strong fundamentals despite elevated vacancy, demonstrating tenant demand and market confidence.
- Major deals included Allstate (76,456 SF at 222 Merchandise Mart Plaza) and Citadel (56,970 SF at 353 N. Clark Street).
- Investment sales totaled \$23.85M across two properties, including Windwave Real Estate's acquisition of 111 W. Illinois Street for \$17M and Concord Capital's purchase of 223 W. Erie Street for \$6.85M (\$93.84/SF).

## MARKET MOVEMENT

### NEW LEASE

ALLSTATE  
222 Merchandise  
Mart Plaza  
(76,456 SF)

### NEW LEASE

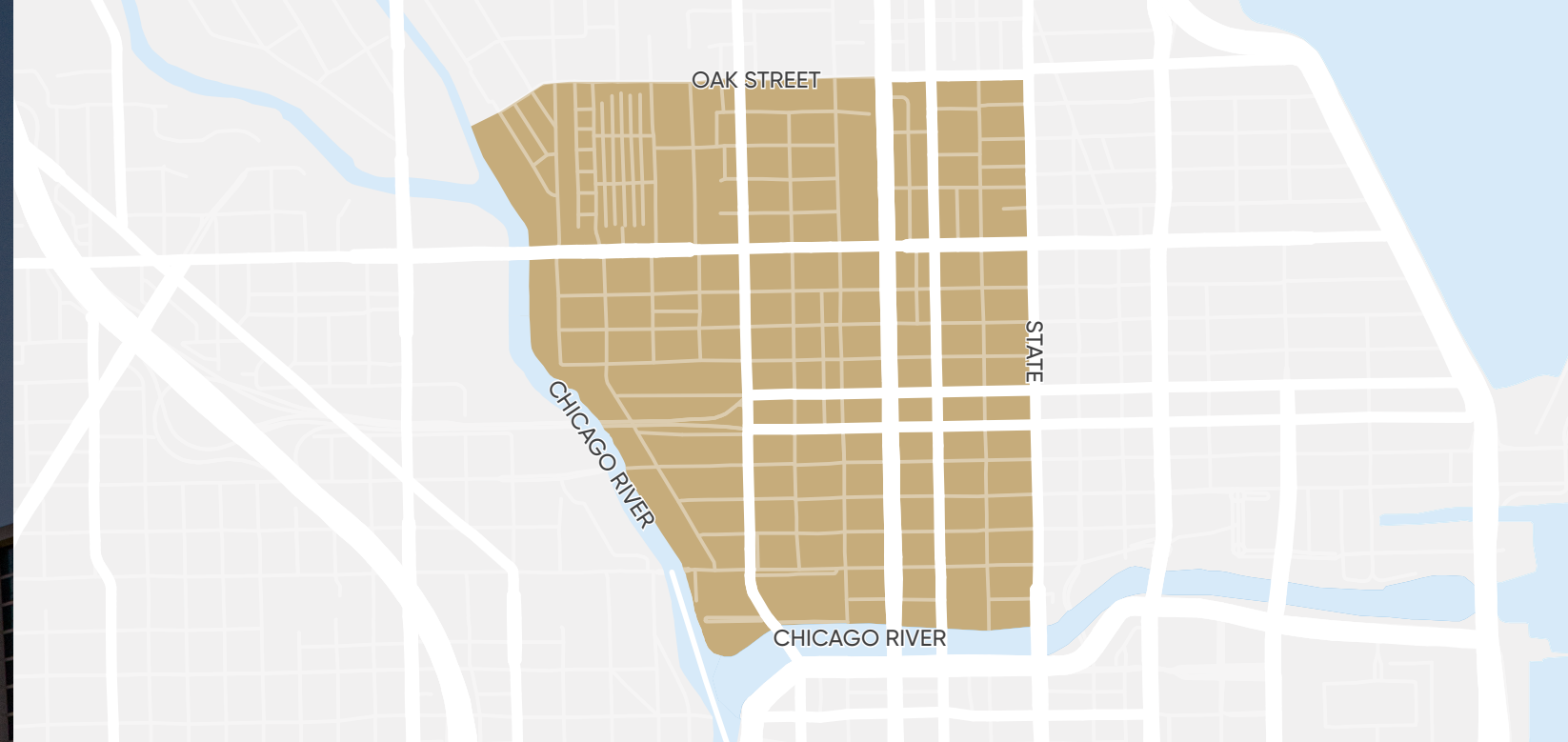
CITADEL  
353 N. Clark St.  
(56,970 SF)

### INVESTMENT SALE

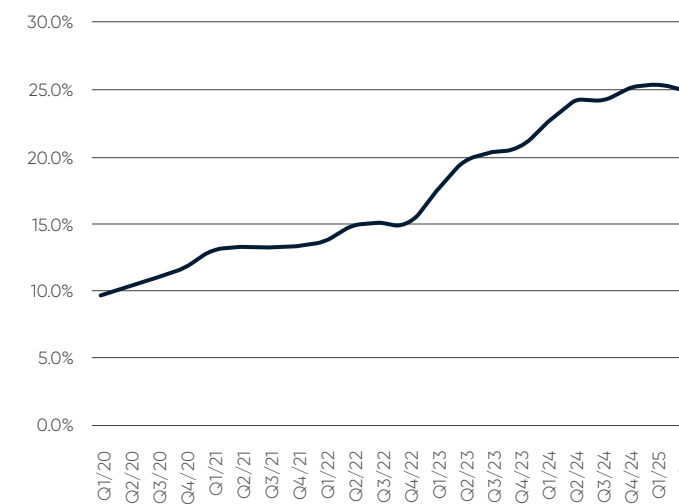
WINDWAVE  
REAL ESTATE  
111 W. Illinois St.  
(\$17M)

### INVESTMENT SALE

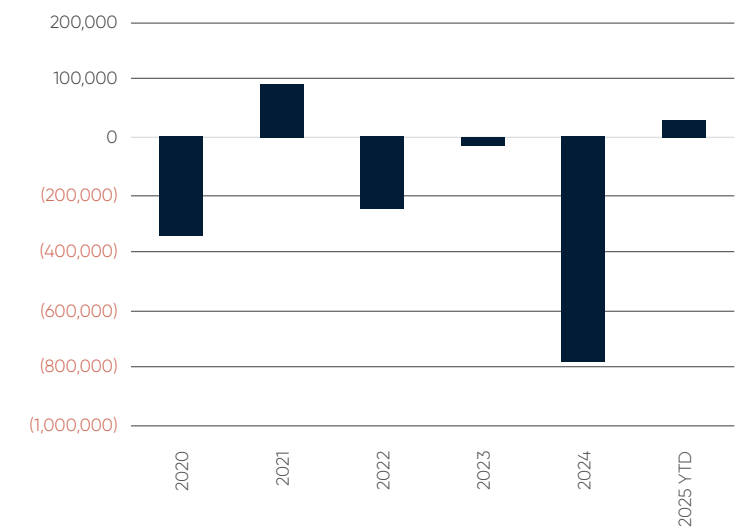
CONCORD  
CAPITAL  
223 W. Erie St.  
(\$6.85M)



### 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	Q2/25 NET ABSORPTION
RIVER NORTH	17,481,442	158,922	27.8%	3.2%	27.4%	1.6%	\$44.60	116,831
CLASS A	11,472,832	717,052	28.0%	4.2%	29.5%	2.0%	\$45.62	5,999
CLASS B	4,530,042	68,637	26.7%	1.5%	22.6%	1.1%	\$32.70	40,540
CLASS C	1,478,568	52,806	29.7%	0.5%	26.5%	0.0%	-	70,292

# WEST LOOP

- Direct vacancy rate of 22.0%, outperforming the market average of 24.6%.
- Recorded negative net absorption of -987,433 SF in Q2/25, the weakest absorption performance among all submarkets.
- Despite absorption challenges, maintained competitive vacancy levels and strong leasing momentum.
- Notable transactions included Golub Capital's 205,450-SF lease at 225 W. Randolph Street, Inessa (119,000 SF at 111 N. Canal Street) and Workbox (68,000 SF at 20 N. Wacker Drive).
- Investment sales featured the quarter's largest transaction with Kohan Retail Investment Group acquiring 311 S. Wacker Drive for \$45M (\$34/SF).

## MARKET MOVEMENT

### NEW LEASE

GOLUB CAPITAL  
225 W. Randolph St  
(205,450 SF)

### NEW LEASE

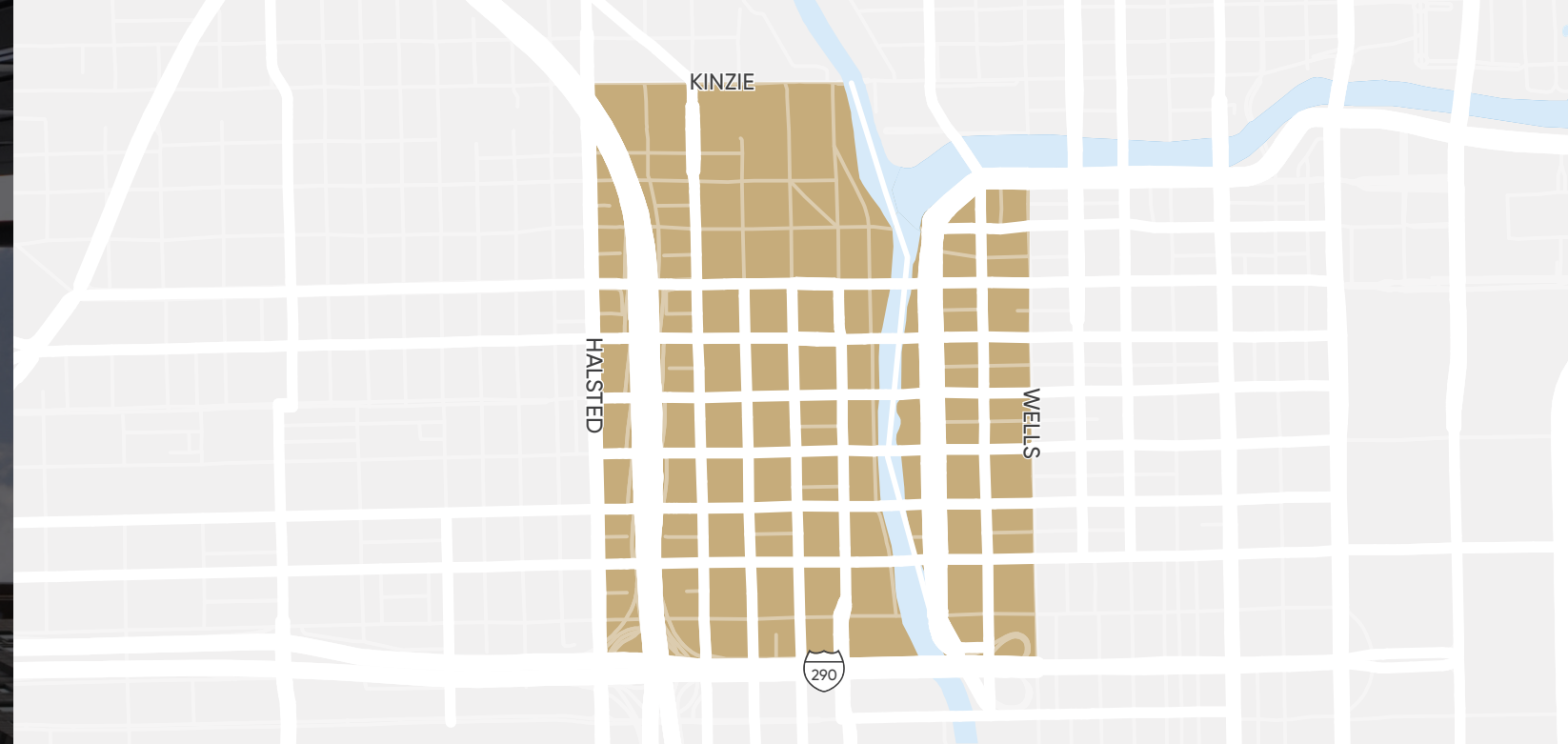
INESSA  
111 N. Canal St.  
(119,000 SF)

### NEW LEASE

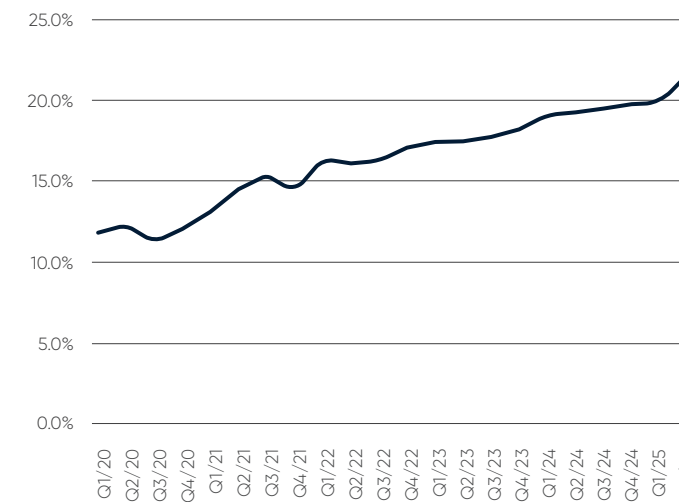
WORKBOX  
20 N. Wacker Drive  
(68,000 SF)

### INVESTMENT SALE

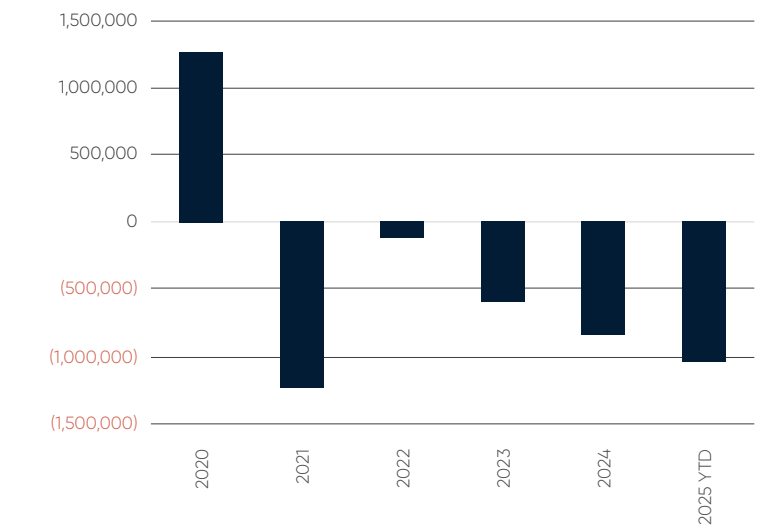
KOHAN RETAIL  
INVESTMENT  
GROUP  
311 S. Wacker Drive  
(\$45M)



### DIRECT VACANCY RATE

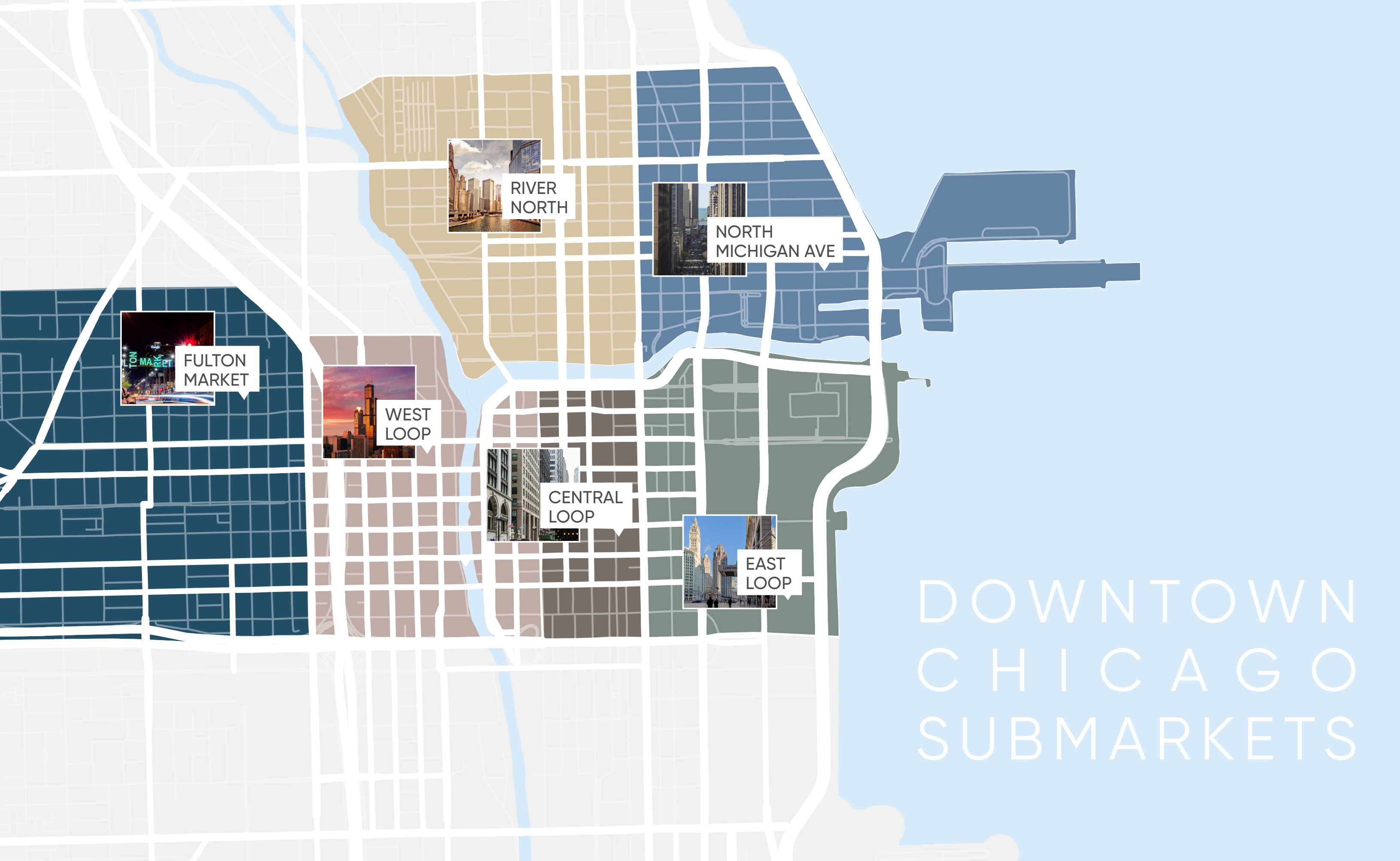


### DIRECT NET ABSORPTION (SF)



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	Q2/25 NET ABSORPTION
WEST LOOP	55,648,315	556,483	24.6%	3.6%	22.0%	1.7%	\$48.76	(987,433)
CLASS A	44,449,868	987,775	22.0%	3.4%	19.3%	1.7%	\$50.09	(860,872)
CLASS B	10,411,000	226,326	34.9%	4.5%	32.6%	2.0%	\$41.44	(87,079)
CLASS C	787,447	87,494	36.0%	0.0%	33.5%	0.0%	\$27.63	(39,482)



RIVER  
NORTH



NORTH  
MICHIGAN AVE



FULTON  
MARKET



WEST  
LOOP



CENTRAL  
LOOP



EAST  
LOOP

# DOWNTOWN CHICAGO SUBMARKETS

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