

Q3/24 OFFICE MARKET REPORT

Downtown Chicago



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A DRIFTING, NOT TRENDING, MARKET

Q3/24 was more of the same in Chicago's CBD office market as the vacancy rate increased slightly, net absorption was negative, and leasing velocity was reasonably strong but not growing. However, these headline statistics aren't deteriorating meaningfully, and with the Federal Reserve embarking on an easing cycle, the boost to economic activity may benefit commercial real estate. Given this environment, recent surveys indicate Chicago real estate professionals are [increasingly optimistic](#) about the near-term future of the market.

The Q3/24 CBD office vacancy rate was 22.5%, up from 22% in Q2/24 and 19.8% in Q3/23. Net absorption in Q3/24 was -600,000 square feet, bringing the year-to-date net absorption to -2.6 million square feet, compared to -933,000 s.f. of net absorption through Q3 last year.

According to mobile-phone location data tracked by [Placer.ai](#), Chicago's 2023 office attendance was 43% below 2019 levels. Still, from 2022 to 2023 (the latest data publicly available), Chicago's attendance grew 26%, better than the national average and among the top three major U.S. cities. In the race for occupancy, the most successful owners are offering highly amenitized properties and move-in ready spaces—essentials for securing and retaining tenants.

In Q3/24, leasing volumes did not grow quarter-over-quarter nor year-over-year, but activity was strong enough to suggest the market is more likely to improve than to worsen. Sales activity was also modest, with volumes improving slightly. Properties continued to sell at significant discounts to prior sales prices, representing good value to buyers and paving the way for property prices to recalibrate. With that in mind, the Federal Reserve's recent 50 basis point interest rate cut could be an important catalyst for the investment sales market.

Leasing Activity

Leasing volume in Q3/24 was 1.4 million square feet, lagging behind Q2/24's 1.5 million s.f. and Q3 2023's 1.8 million s.f. Still, there were several notable examples of companies expanding their footprints to accommodate a greater employee presence. [Medline](#) tripled its footprint at Merchandise Mart adding 110,000 s.f., Barnes & Thornburg signed a six-year extension and expansion on 96,000 s.f. at 1 N. Wacker, and Blue Owl Capital moved to 27,000 s.f. at 150 N. Riverside. Other significant leases included GCM Grosvenor, 900 N. Michigan's largest office tenant, signing an 11-year extension on 73,000 s.f., and the ADA's decision to move headquarters to 401 N. Michigan after selling their former headquarters to Lurie Children's Hospital.

Of course, Q3/24's negative net absorption indicates there were notable downsizes, as well. However, the silver lining is that these firms remained committed to the CBD. Law firm Smith Gambrell & Russell reduced its footprint by approximately 43%, relocating from 120,000 s.f. at 311 S. Wacker to 57,000 s.f. at 155 N. Wacker. Electronic trading firm Interactive Brokers downsized as it consolidated to a single 55,000-s.f. location at 300 S. Riverside. FTI Consulting is expected to downsize by approximately 15,000 s.f. in a move to 155 N. Wacker from 227 W. Monroe. Architecture and engineering firm CannonDesign is also reducing its footprint by roughly 20,000 s.f. but extended its lease by over a decade at 225 N. Michigan. Additionally, advertising firm Interpublic Group vacated 140,000 s.f. at 875 N. Michigan Avenue, significantly downsizing and moving its operations to a smaller space at Merchandise Mart.

Well-capitalized owners continued to withstand market fluctuations, attracting and retaining a strong tenant base. For instance, after paying off its \$150 million mortgage on 77 W. Wacker last year,

the State Teachers Retirement System of Ohio [secured major new leasing activity](#), including Capital One's 154,904-square-foot deal. Similarly, Irvine Co. recently paid off the \$475 million loan tied to 300 N. LaSalle as part of a large-scale investment in their portfolio and has [since leased over 234,000 s.f.](#)

Capital investments into properties continue to be integral to successful leasing programs. In Q3/24, 24.6% of leases were for move-in ready suites, as compared to 15% in 2019.

Investment Sales

Nine office properties changed hands in Q3 for a total of \$120 million in sales volume. Investors continued to find good values in Q3/24, notably the sale of 605 N. Michigan for \$47 million, a 66% discount from its 2016 purchase price.

Several recently purchased properties are slated for conversion: four office-to-apartment buildings—two of which are in River North—and one office-to-data center in the Loop. In addition to removing 902,000 square feet of office space (only about 0.3% of the market), the conversions should add approximately 400 new apartment units. While these would have relatively small consequences for the overall office inventory, the incremental removal of supply could help occupancy rates.

DOWNTOWN CHICAGO

Q3/24 SNAPSHOT



(616,228) SF

Direct Net Absorption Q3/24



22.5%

Direct Vacancy Rate



\$42.85/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

Listings by Time on the Market

Source: CoStar

● Less than 2 years ● 2-3 years ● 3+ years

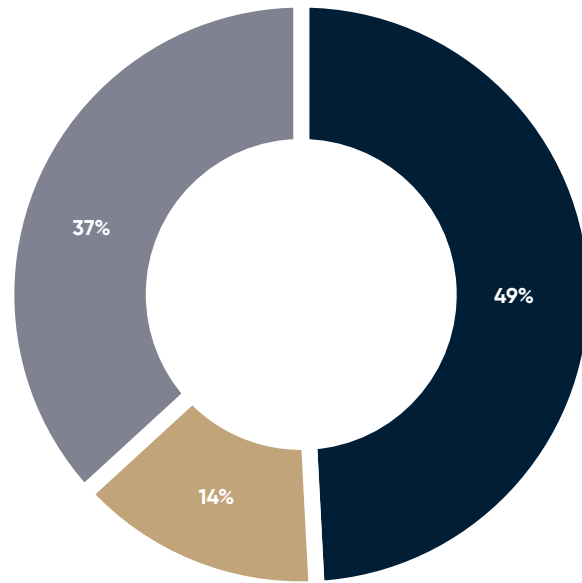
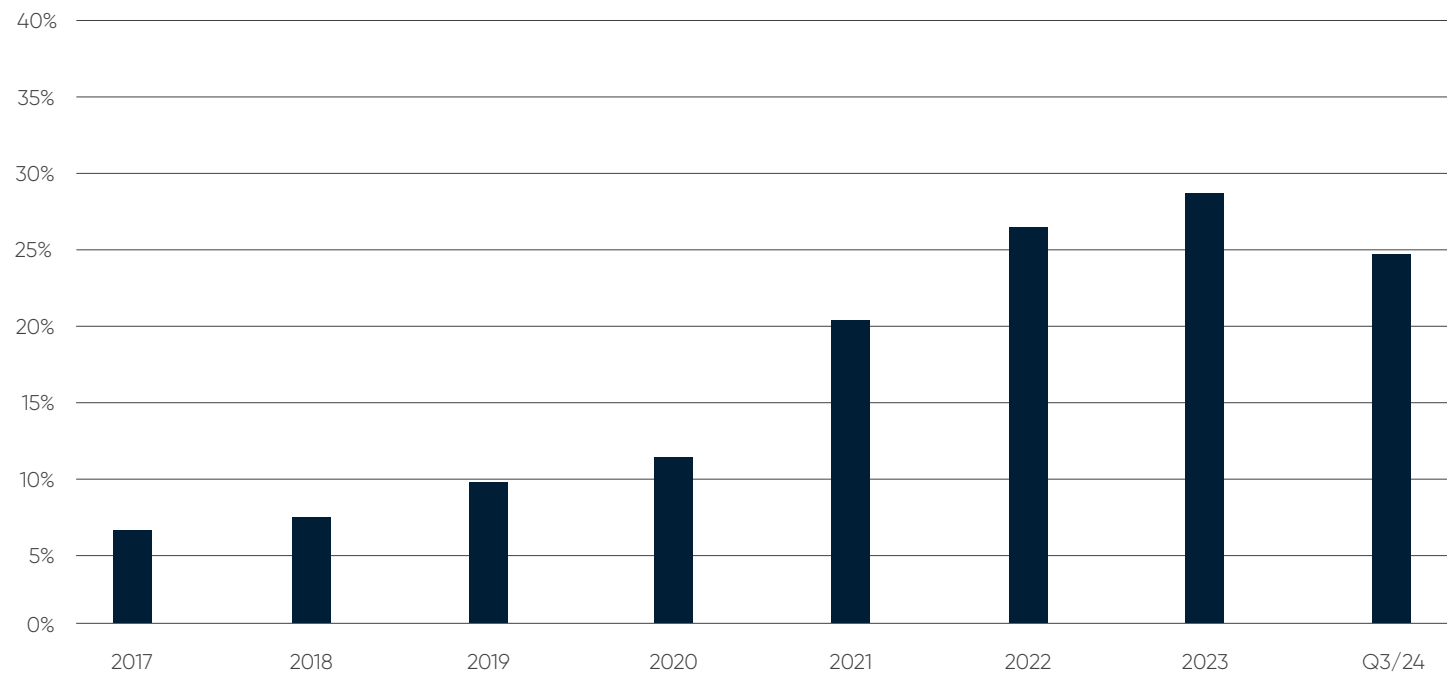


FIGURE 02

Move-In Ready Suites: Leasing Activity

Source: CoStar



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

Chicago CBD Submarket Comparison Summary

Source: CoStar

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	Q3/24 Net Absorption	Q2/24 Net Absorption
CHICAGO CBD	162,943,561	345,952	25.1%	4.0%	22.5%	1.5%	\$42.85	(2,619,870)	(616,228)
CLASS A	96,644,811	767,022	24.0%	4.8%	21.4%	1.9%	\$49.79	(1,760,388)	(346,247)
CLASS B	58,311,920	233,248	27.3%	3.0%	24.5%	1.1%	\$34.53	(861,067)	(95,074)
CLASS C	7,986,830	84,072	23.1%	1.0%	21.9%	0.2%	\$27.63	1,585	(74,907)
CENTRAL LOOP	38,618,678	543,925	27.7%	2.8%	25.0%	0.7%	\$37.22	(392,725)	8,603
CLASS A	11,508,320	822,023	25.5%	3.5%	22.6%	1.1%	\$47.55	(20,746)	(3,879)
CLASS B	26,414,598	528,292	28.7%	2.6%	26.0%	0.6%	\$33.48	(361,790)	(21,537)
CLASS C	695,760	99,394	26.1%	0.0%	24.7%	0.0%	\$26.43	(10,189)	(9,055)
EAST LOOP	24,993,943	480,653	31.3%	3.6%	27.7%	1.0%	\$40.80	(785,737)	(256,602)
CLASS A	14,958,583	997,239	33.3%	4.5%	28.7%	1.1%	\$44.48	(760,031)	(183,640)
CLASS B	6,854,808	380,823	31.8%	3.2%	28.9%	1.2%	\$36.37	36,998	6,342
CLASS C	3,180,552	167,397	21.1%	0.2%	20.4%	0.1%	\$27.90	(62,704)	(79,304)
FULTON MARKET	10,205,098	112,144	16.5%	5.3%	16.6%	2.2%	\$44.67	299,608	47,255
CLASS A	5,847,320	292,366	16.1%	7.9%	17.0%	3.7%	\$53.76	195,809	21,544
CLASS B	2,925,286	63,593	17.8%	1.0%	17.7%	0.0%	\$33.65	103,890	50,402
CLASS C	1,432,492	57,300	15.4%	3.1%	12.4%	0.5%	\$31.80	(91)	(24,691)
N. MICHIGAN AVE	13,563,560	330,819	20.4%	3.7%	18.2%	1.7%	\$46.16	(499,567)	(279,837)
CLASS A	6,389,118	491,471	24.4%	6.2%	23.6%	2.5%	\$55.83	(356,651)	(145,414)
CLASS B	6,972,903	278,916	16.6%	1.5%	13.3%	1.0%	\$33.89	(140,993)	(130,750)
CLASS C	201,539	67,180	22.8%	5.2%	19.6%	0.0%	\$26.83	(1,923)	(3,673)
RIVER NORTH	18,571,271	167,309	26.6%	3.1%	24.8%	1.3%	\$46.13	(538,553)	26,430
CLASS A	12,591,955	740,703	26.5%	3.8%	25.2%	1.5%	\$54.13	(383,929)	(4,468)
CLASS B	4,571,483	68,231	24.7%	1.9%	21.4%	1.2%	\$30.39	(193,770)	2,571
CLASS C	1,407,833	52,142	33.7%	0.5%	32.9%	0.0%	\$27.27	39,146	28,327
WEST LOOP	56,991,011	542,772	22.8%	5.1%	20.0%	2.2%	\$46.55	(702,896)	(162,077)
CLASS A	45,349,515	964,883	20.7%	5.0%	18.0%	2.2%	\$50.37	(434,840)	(30,390)
CLASS B	10,572,842	240,292	31.7%	6.2%	28.2%	2.5%	\$37.47	(305,402)	(145,176)
CLASS C	1,068,654	76,332	23.4%	0.8%	22.8%	0.7%	\$24.90	37,346	13,489

FIGURE 04

Absorption

Source: CoStar

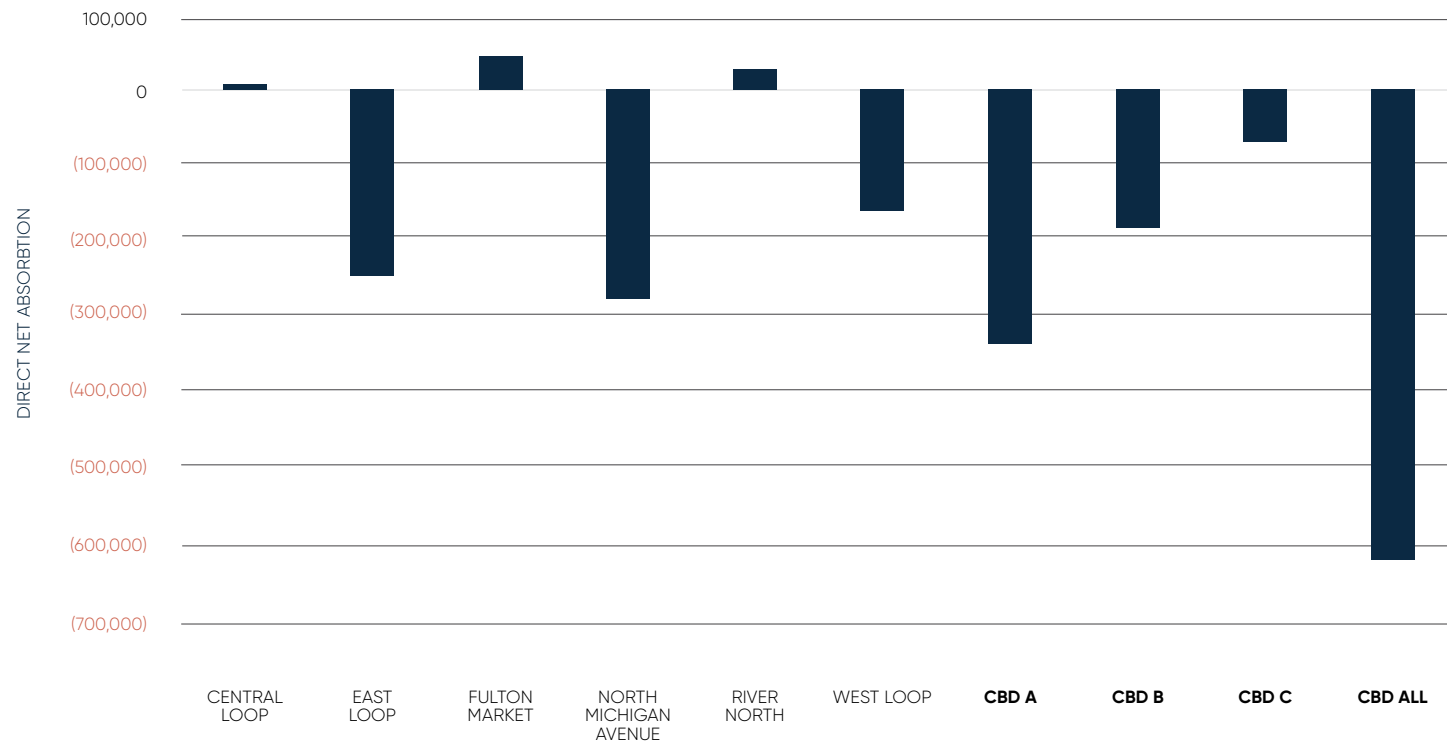


FIGURE 06

Sales Volume

Source: CoStar

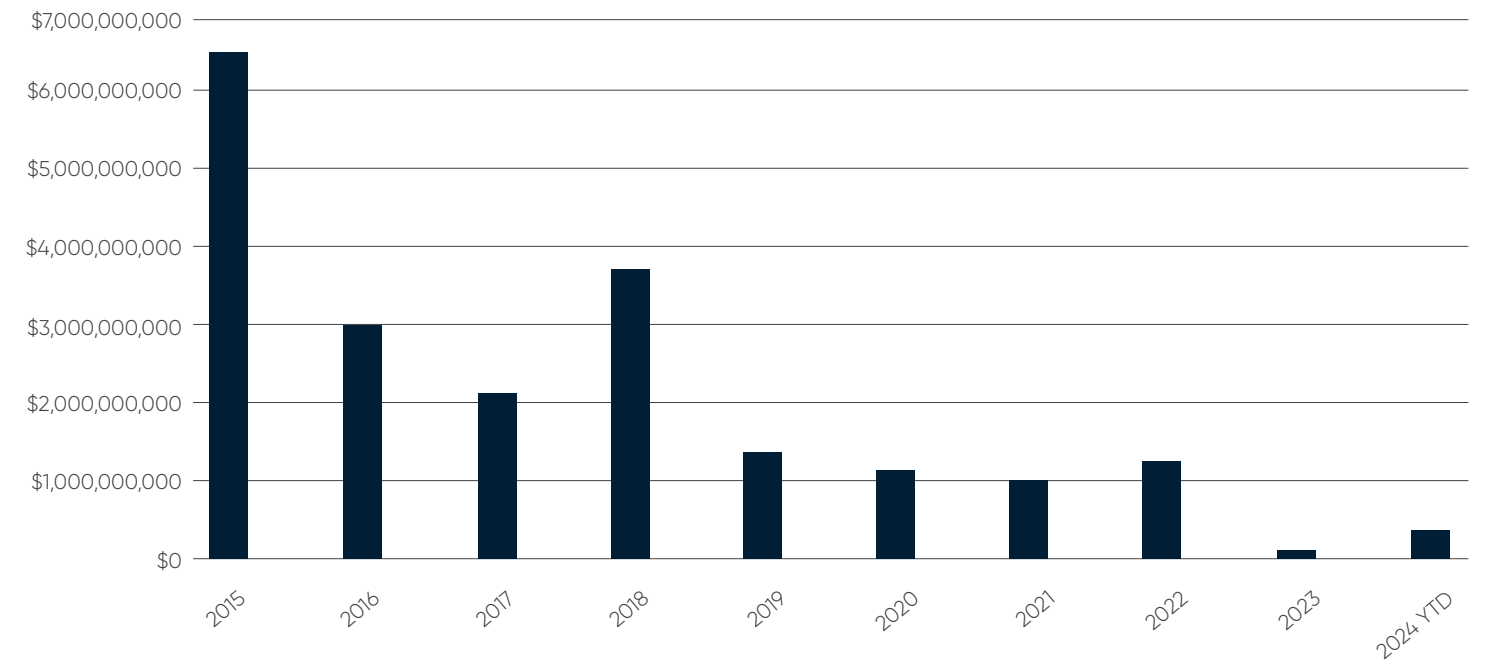


FIGURE 05

Product Pipeline

Source: CoStar

SUBMARKET	PROPERTY ADDRESS	RBA (SF)	BUILDING STATUS	DELIVERY YEAR
FULTON MARKET/NEAR WEST SIDE	1200 W. Carroll Avenue	494,775	Proposed	2026
FULTON MARKET/NEAR WEST SIDE	400 N. Elizabeth Street	503,000	Proposed	2026
FULTON MARKET/NEAR WEST SIDE	1325 Fulton Street	439,048	Proposed	2025
FULTON MARKET/NEAR WEST SIDE	919 W. Fulton Market	369,008	Under Construction	2025
FULTON MARKET/NEAR WEST SIDE	330 N. Green Street	712,000	Proposed	2026
FULTON MARKET/NEAR WEST SIDE	357 N. Green Street	675,000	Proposed	2026
WEST LOOP	655 W. Madison Street	850,000	Proposed	2028
FULTON MARKET/NEAR WEST SIDE	350 N. Morgan Street	592,900	Proposed	2026



CENTRAL LOOP

- Central Loop net absorption was 8,603 SF while the vacancy rate reached 25%, a slight decline from Q2.
- Central Loop commanded the lowest average gross asking rents of all the CBD submarkets at \$37.22/SF.
- Notable leases this quarter included Capital One's renewal for 155,000 SF of space at 77 W. Wacker and Witherite Law Group's new 24,000-SF lease at 200 N. LaSalle.

MARKET MOVEMENT

DISTRESSED BUILDINGS

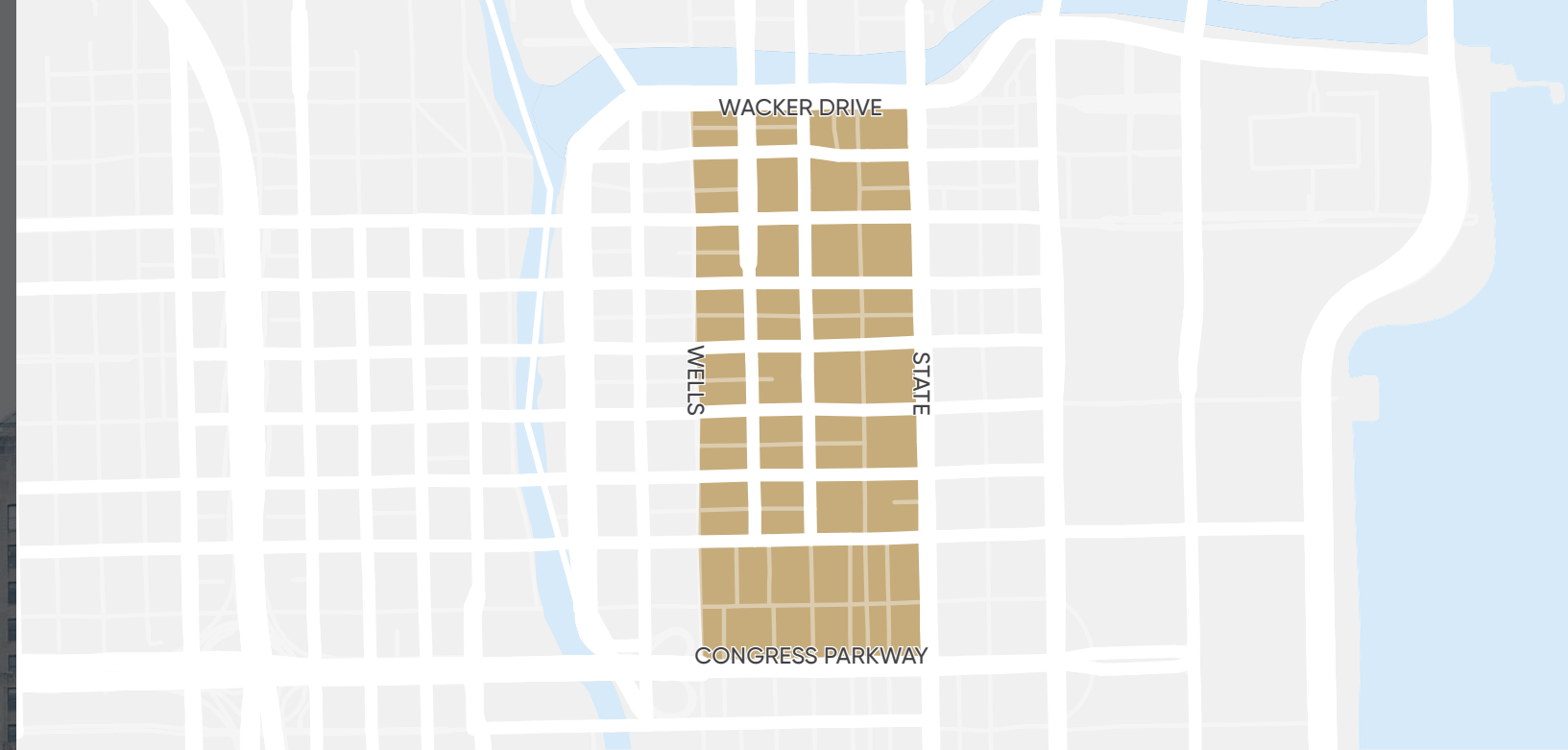
9 BUILDINGS
3.2M SF of available space

RENEWAL

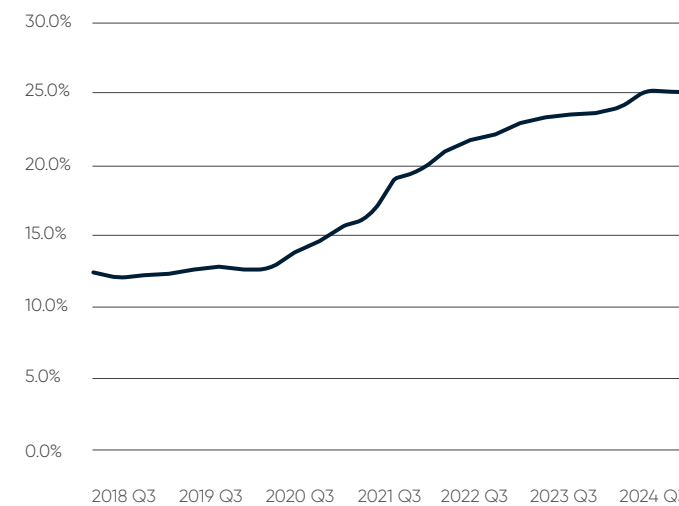
CAPITAL ONE
77 W. Wacker Drive
(154,904 SF)

NEW LEASE

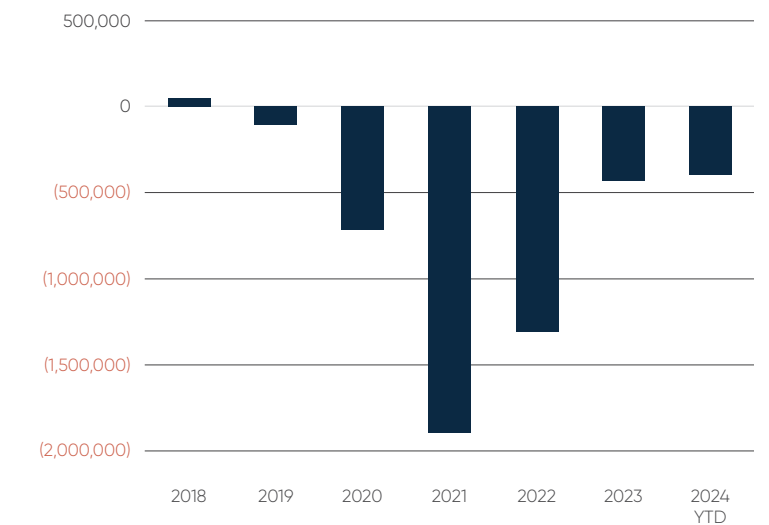
THE WITHERITE LAW GROUP
200 N. LaSalle Street
(24,032 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION



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	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
CENTRAL LOOP	38,618,678	543,925	27.7%	2.8%	25.0%	0.7%	\$37.22	(392,725)	8,603
CLASS A	11,508,320	822,023	25.5%	3.5%	22.6%	1.1%	\$47.55	(20,746)	(3,879)
CLASS B	26,414,598	528,292	28.7%	2.6%	26.0%	0.6%	\$33.48	(361,790)	21,537
CLASS C	695,760	99,394	26.1%	0.0%	24.7%	0.0%	\$26.43	(10,189)	(9,055)

EAST LOOP

- Net absorption was -212,035 SF. Year-to-date net absorption has now surpassed -700,000 SF.
- The vacancy rate increased for the fifth consecutive quarter, reaching 28.7%.
- Notable leases included AECOM's new deal for 23,000 SF at 130 E. Randolph and the American Planning Association (APA) signing for 21,000 SF at 200 E. Randolph.
- One major sale occurred in the East Loop: The Prime Group and CRG purchased 35 E. Wacker for \$35.5 million.

MARKET MOVEMENT

DISTRESSED BUILDINGS

5 BUILDINGS
2.3M SF of available space

NEW LEASE

AECOM
130 E. Randolph Street
(23,000 SF)

NEW LEASE

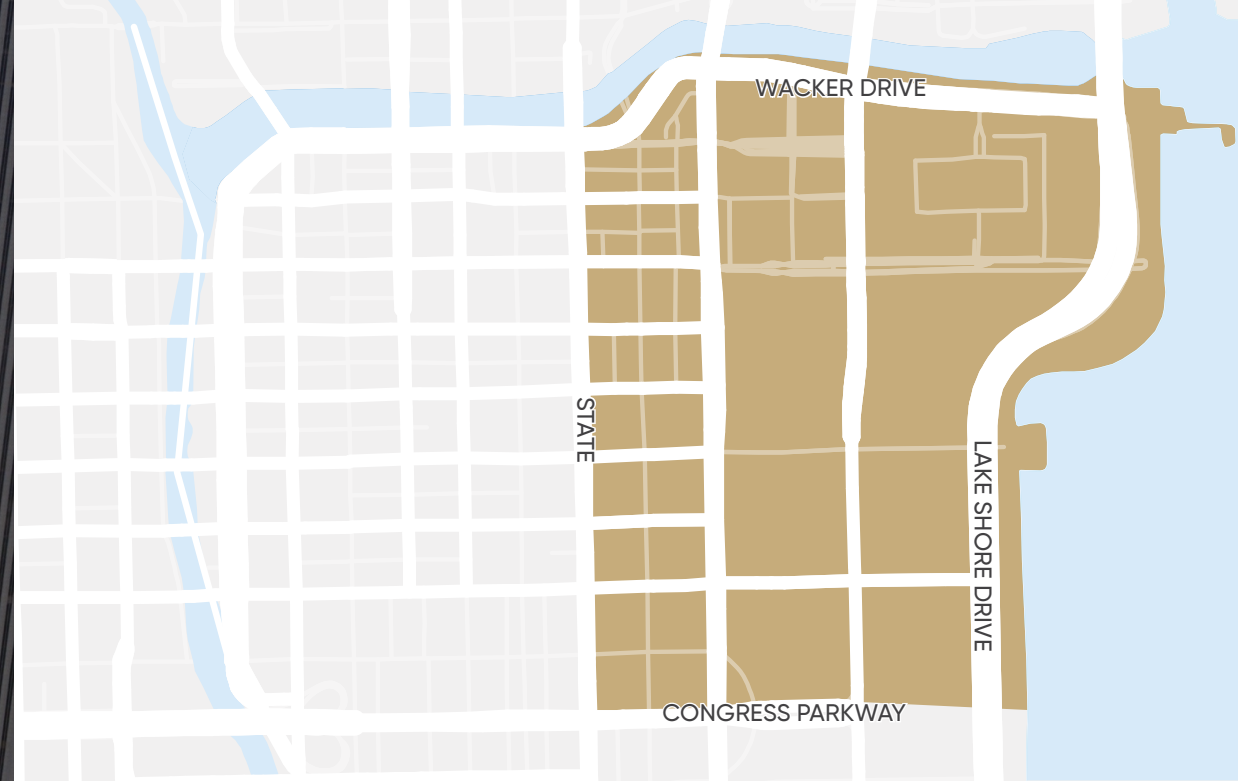
AMERICAN PLANNING ASSOCIATION (APA)
200 E. Randolph Street
(21,017 SF)

PURCHASE

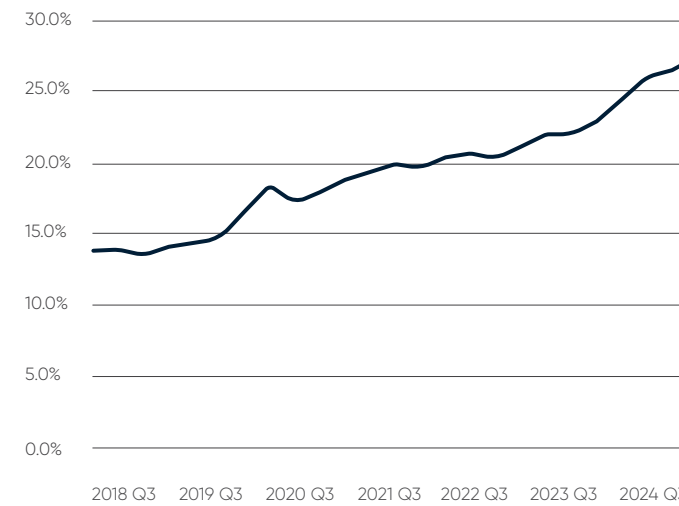
THE PRIME GROUP, CRG
35 E. Wacker Drive
(556,200 SF)

NEW LEASE

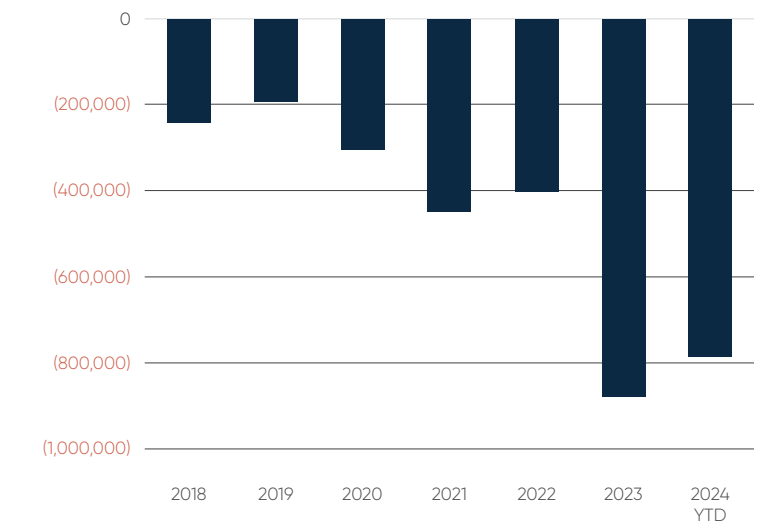
EXPANSIVE
180 N. Stetson Avenue
(16,829 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION



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	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
EAST LOOP	24,993,943	480,653	31.3%	3.6%	27.7%	1.0%	\$40.80	(785,737)	(256,602)
CLASS A	14,958,583	997,239	33.3%	4.5%	28.7%	1.1%	\$44.48	(760,031)	(183,640)
CLASS B	6,854,808	380,823	31.8%	3.2%	28.9%	1.2%	\$36.37	36,998	6,342
CLASS C	3,180,552	167,397	21.1%	0.2%	20.4%	0.1%	\$27.90	(62,704)	(79,304)

FULTON MARKET

- Net absorption was 47,225 SF, illustrating Fulton Market's continued strength as an office location.
- The vacancy rate was 16.6%, the lowest of all CBD submarkets.
- Sales activity was muted, with the purchase of 1400 W. Hubbard being the only office sale that occurred.

MARKET MOVEMENT

DISTRESSED BUILDINGS

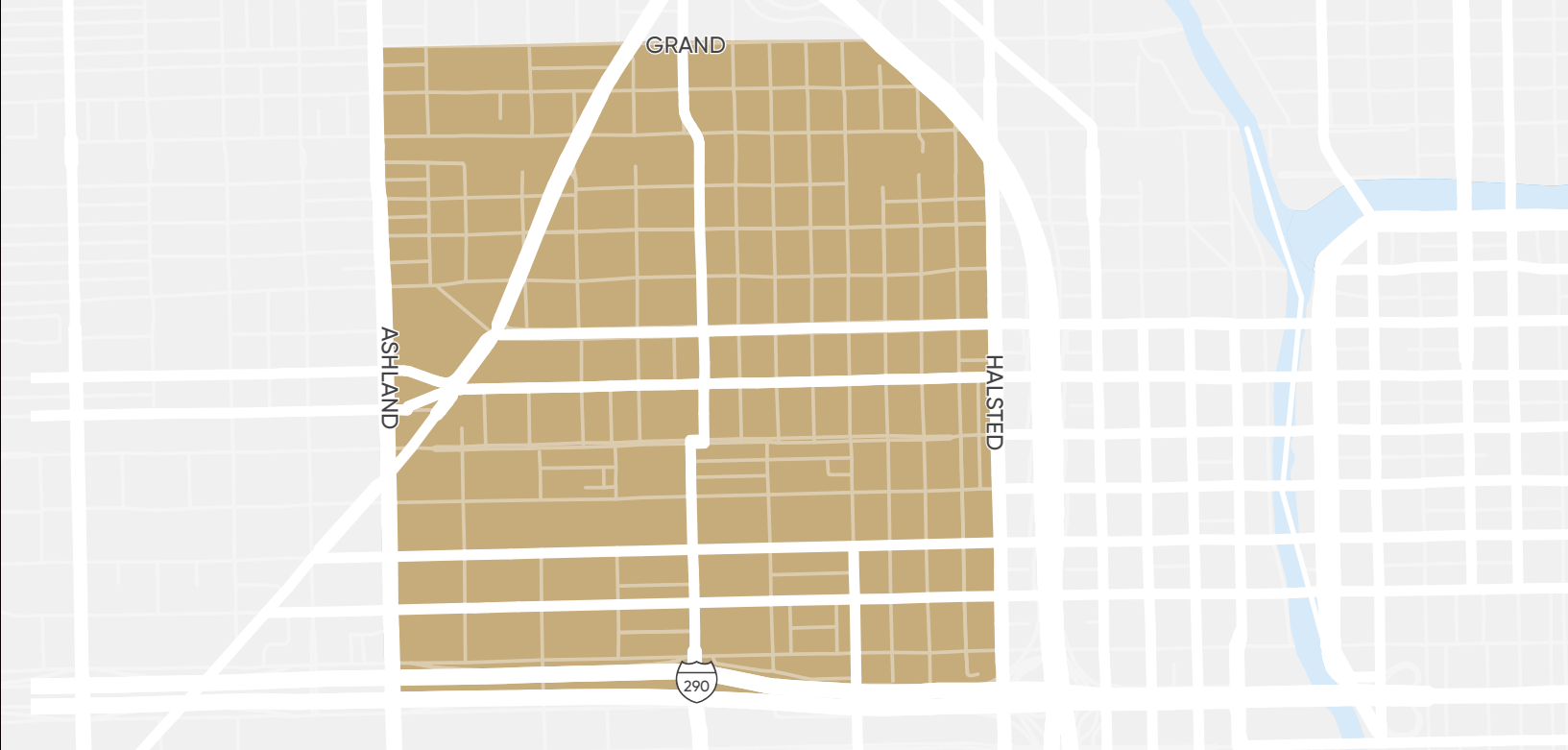
1 BUILDING
31,000 SF of available space

NEW LEASE

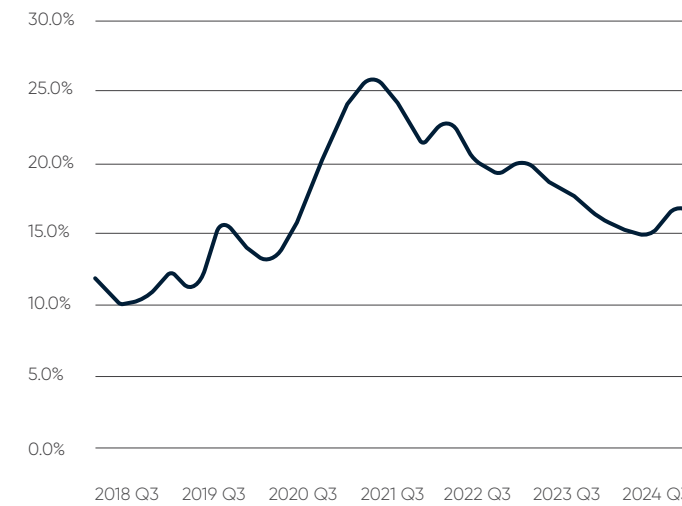
CONDUIT
800 W. Fulton Street
(11,945 SF)

PURCHASE

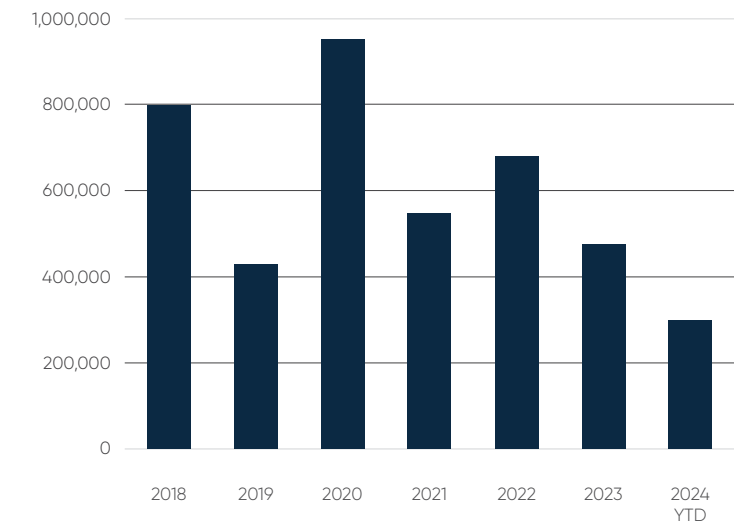
NIRVANA9 LLC
1400 W. Hubbard Street
(29,674 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION



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	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
FULTON MARKET	10,205,098	112,144	16.5%	5.3%	16.6%	2.2%	\$44.67	299,608	47,255
CLASS A	5,847,320	292,366	16.1%	79%	17.0%	3.7%	\$53.76	195,809	21,544
CLASS B	2,925,286	63,593	17.8%	1.0%	17.7%	0.0%	\$33.65	103,890	50,402
CLASS C	1,432,492	57,300	15.4%	3.1%	12.4%	0.5%	\$31.80	(91)	(24,691)

NORTH MICHIGAN AVENUE

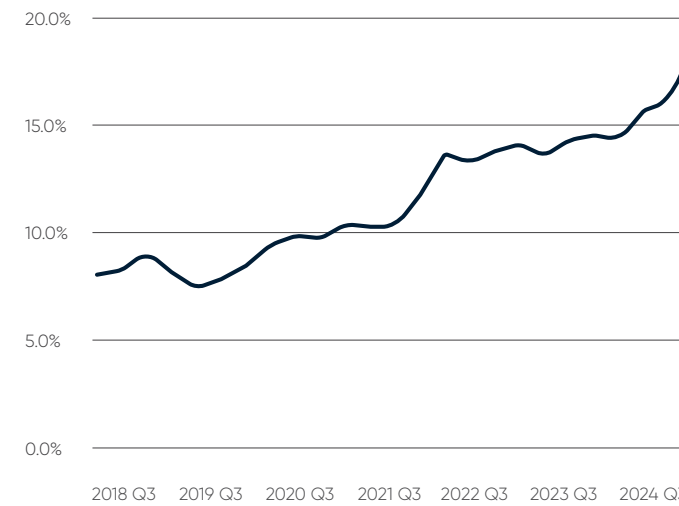
- Negative net absorption continued for the third consecutive quarter this year at -60,027 SF.
- Vacancy had a sizable increase this quarter, reaching 18.2%. Still, the submarket commanded the second-highest gross asking rates at \$46.16/SF.
- The submarket's largest sale this quarter was the purchase of 605 N. Michigan for \$47 million.
- Other pertinent activity included Sago's renewal for 13,300 SF at 625 N. Michigan.

MARKET MOVEMENT

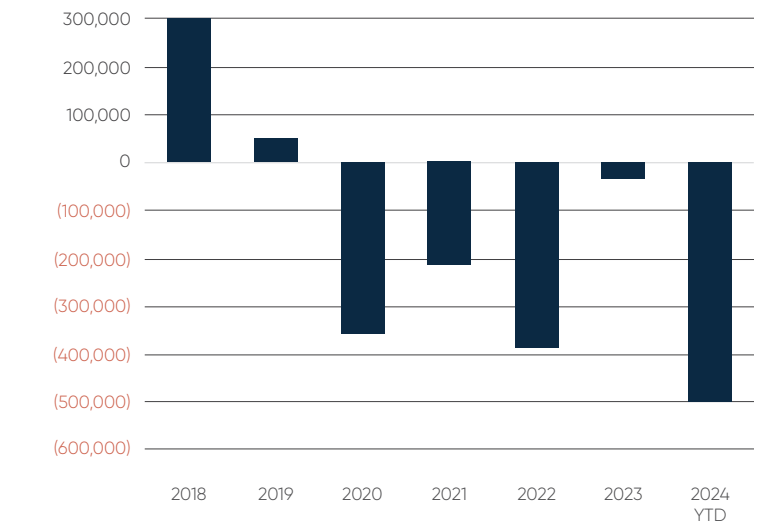
DISTRESSED BUILDINGS	PURCHASE	RENEWAL
1 BUILDING 266,000 SF of available space	NORTH AMERICAN REAL ESTATE 605 N. Michigan Avenue (85,000 SF)	SAGO 625 N. Michigan Avenue (13,300 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION



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	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
N. MICHIGAN AVENUE	13,563,560	330,819	20.40%	3.70%	18.20%	1.70%	\$46.16	(499,567)	(279,837)
CLASS A	6,389,118	491,471	24.40%	6.20%	23.60%	2.50%	\$55.83	(356,651)	(145,414)
CLASS B	6,972,903	278,916	16.60%	1.50%	13.30%	1.00%	\$33.89	(140,993)	(130,750)
CLASS C	201,539	67,180	22.80%	5.20%	19.60%	0.00%	\$26.83	(1,923)	(3,673)

RIVER NORTH

- Net absorption remained negative at -117,611 SF, a slight improvement over the previous quarter.
- The vacancy rate reached 24.8%.
- Average gross asking rents dropped slightly from Q2/24 to \$46.13/SF.
- Major acquisitions are mostly intended for apartment conversions—namely, 116-122 W. Illinois and 111 W. Illinois.

MARKET MOVEMENT

DISTRESSED BUILDINGS

6 BUILDINGS
873,000 SF of available space

RENEWAL/ EXPANSION

MEDLINE
222 Merchandise Mart Plaza
(161,000 SF)

SUBLEASE/ EXPANSION

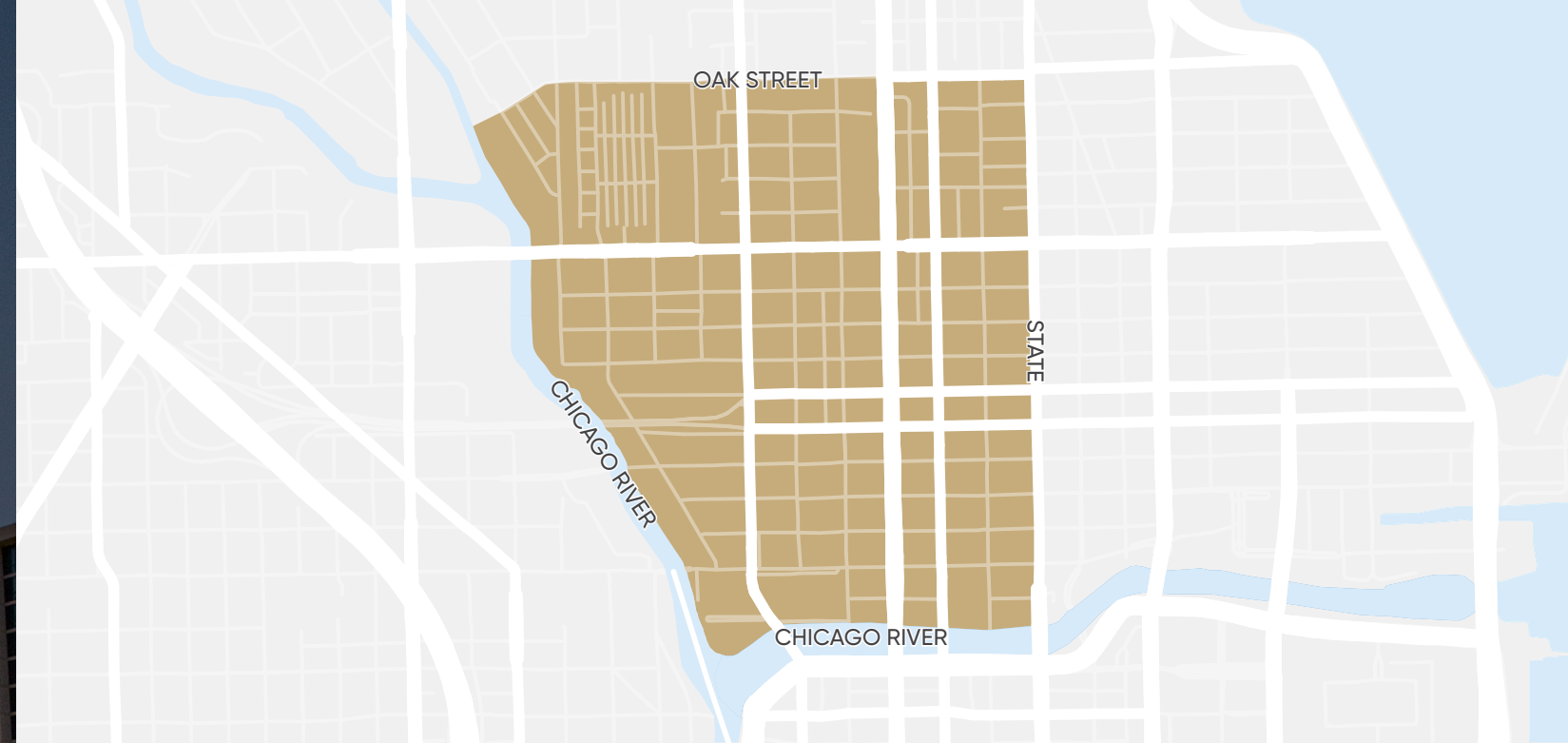
WILKIE FARR & GALLAGHER
222 Merchandise Mart Plaza
(105,000 SF)

RENEWAL/ EXPANSION

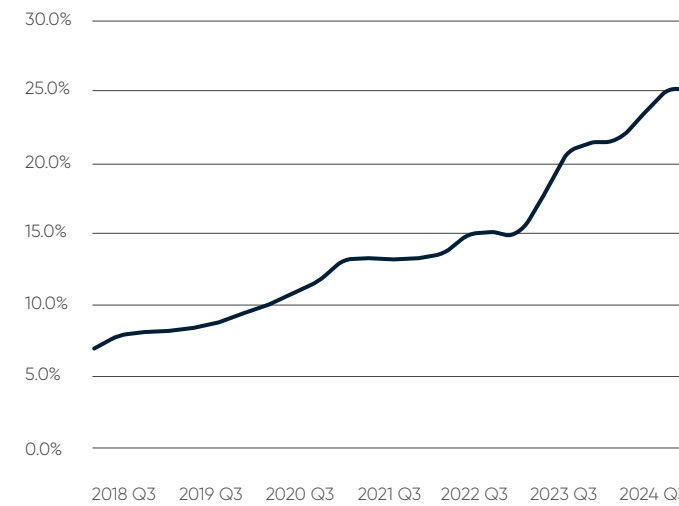
THE MOTION AGENCY
325 N. LaSalle Street
(19,000 SF)

PURCHASE

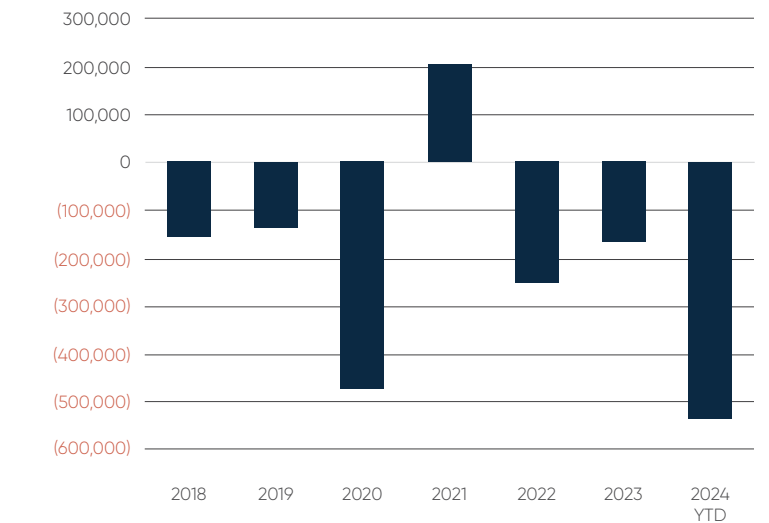
MO2
116-122 W. Illinois Street
(48,110 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION



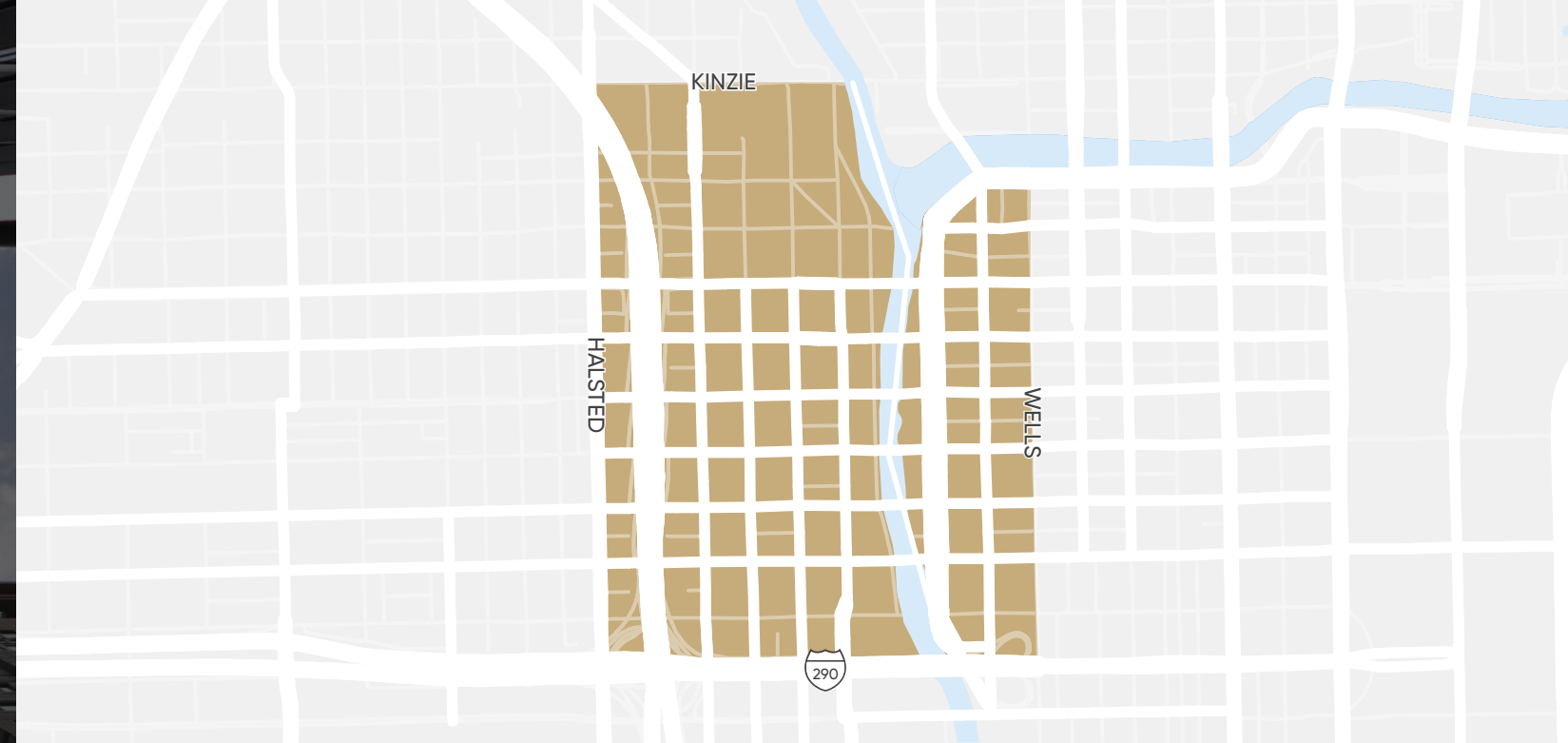
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
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CLASS B	4,571,483	68,231	24.7%	1.9%	21.4%	1.2%	\$30.39	(193,770)	2,571
CLASS C	1,407,833	52,142	33.7%	0.5%	32.9%	0.0%	\$27.27	39,146	28,327

WEST LOOP

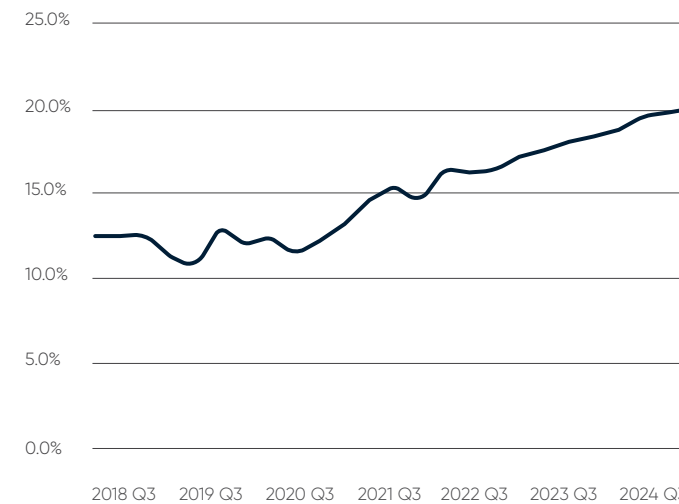
- Despite a positive Q2/24, absorption in the West Loop turned negative at -162,077 SF.
- The vacancy rate was 20.0%, up from last quarter.
- West Loop continued to generate the highest average gross asking rents of any submarket at \$46.55/SF.
- Significant leasing activity continued to occur in the West Loop, including a renewal and expansion to 226,000 SF by Invenergy, a 96,000-SF renewal by Barnes & Thornburg, LLP, and a new lease for 69,000 SF by Locke Lord.

MARKET MOVEMENT

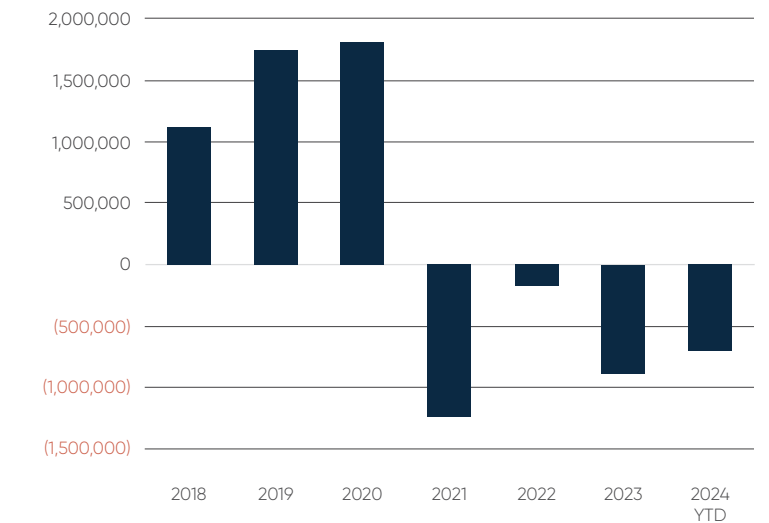
DISTRESSED BUILDINGS	PURCHASE	RENEWAL/ EXPANSION
8 BUILDINGS 1.8M SF of available space	SANJAY GANDHI 29 N. Wacker Drive (135,580 SF)	INVENERGY 1 S. Wacker Drive (226,000 SF)
RENEWAL	NEW LEASE	NEW LEASE
BARNES & THORNBURG, LLP 1 N. Wacker Drive (96,000 SF)	LOCKE LORD 225 W. Randolph Street (69,743 SF)	SMITH, GAMBRELL & RUSSELL, LLP 155 N. Wacker Drive (57,000 SF)



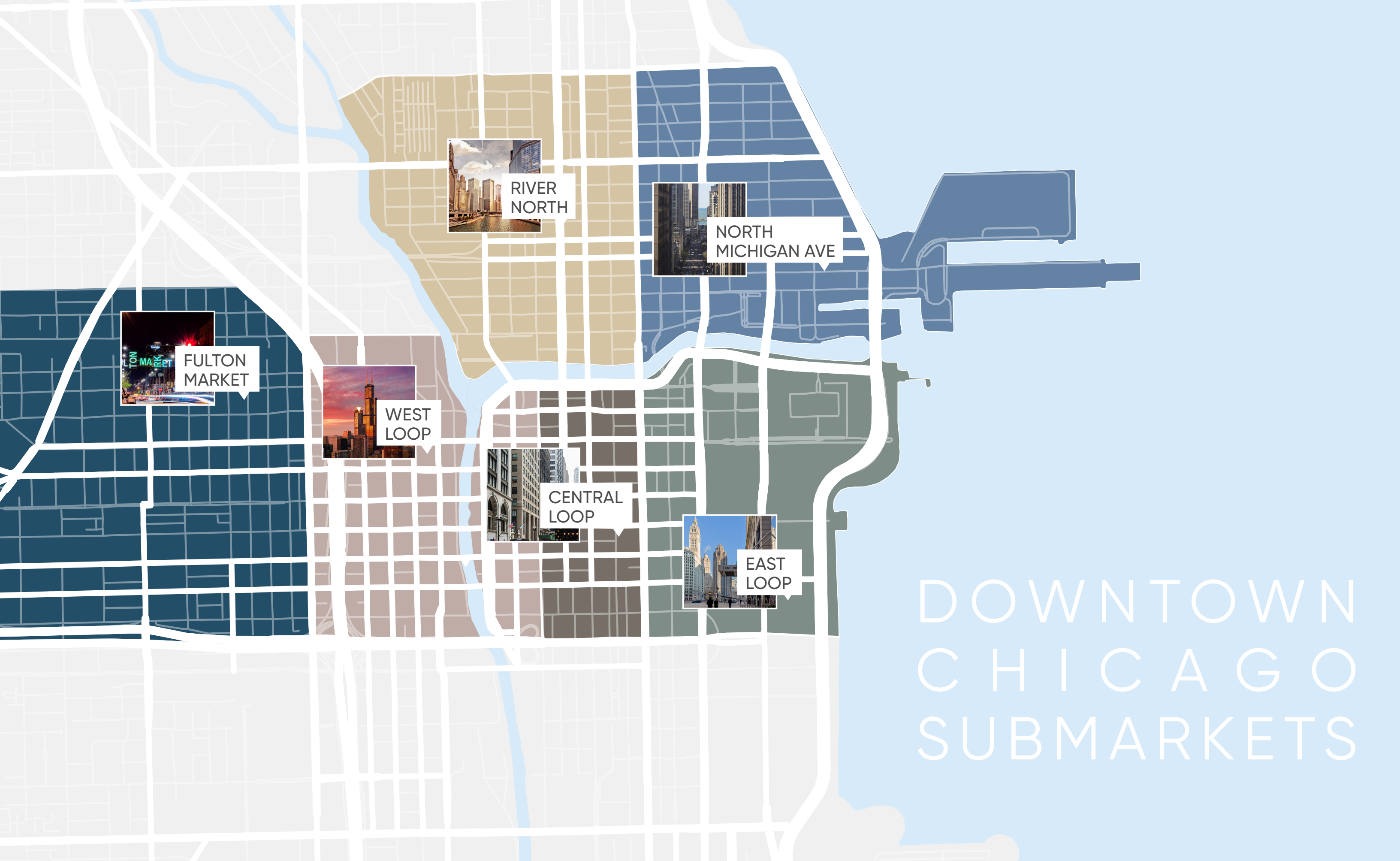
DIRECT VACANCY RATE



DIRECT NET ABSORPTION



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	Q3/24 NET ABSORPTION	Q2/24 NET ABSORPTION
WEST LOOP	56,991,011	542,772	22.8%	5.1%	20.0%	2.2%	\$46.55	(702,896)	(162,077)
CLASS A	45,349,515	964,883	20.7%	5.0%	18.0%	2.2%	\$50.37	(434,840)	(30,390)
CLASS B	10,572,842	240,292	31.7%	6.2%	28.2%	2.5%	\$37.47	(305,402)	(145,176)
CLASS C	1,068,654	76,332	23.4%	0.8%	22.8%	0.7%	\$24.90	37,346	13,489



RIVER
NORTH



NORTH
MICHIGAN AVE



FULTON
MARKET



WEST
LOOP



CENTRAL
LOOP



EAST
LOOP

DOWNTOWN CHICAGO SUBMARKETS

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