

# Q4/24 OFFICE MARKET REPORT

Downtown Chicago



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# RETURNING TO THE OFFICE IN 2025: CONTINUED WEAKNESS OR AN OPPORTUNITY FOR GROWTH?

Chicago's CBD office market closed the year with total net absorption of negative 3.6 million square feet, almost double last year's negative 1.9 million square feet. The direct vacancy rate rose alongside the weakening demand, reaching 23.2% in Q4/24, a record high. Despite the weak demand and record-high vacancy rate, Q4/24 leasing activity was slightly higher than the prior quarter, with 2.4 million square feet leased, bringing year-end totals to 8.2 million square feet, just below 2023's 8.3 million square feet. Market-wide average gross asking rents were unchanged from Q3, at \$42.85 per square foot.

With record-high vacancy and weak absorption, the Chicago CBD is lagging other major metros in the return to office. Placer.ai's [cellular phone tracking data](#) puts Chicago's office utilization at just over 50% of November 2019 levels, compared to New York City and Miami, which are both above 80%.

To what might we attribute flagging demand in the CBD relative to other metros? The answer lies as much in perceptions as in realities.

In a battle between facts and perception, perception has an initial advantage. It can take time for facts to change people's minds. In the case of Chicago's CBD, perhaps the relatively low office utilization rates themselves create a perception that the CBD has more problems than it actually does.

If that's the case, the recent slew of [return-to-office mandates](#) might bring people back to the CBD and start changing minds, reminding them how vibrant the city truly is. With the likes of AT&T, Alphabet, JP Morgan, and the [federal government](#) putting employees back in the office, Chicago's CBD [might benefit from a virtuous cycle](#) of new commuters. There are approximately [50,000 federal employees](#) in greater Chicagoland and millions of square feet of federal office space downtown. Altogether, hundreds, or even thousands, of workers returning to the CBD daily would present opportunities for a resurgent Loop.

*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.*

## Leasing Activity

Direct leasing activity this quarter was approximately 2.3 million square feet, an improvement over the 2.0 million square feet leased in the final quarter of 2023. Sublet leasing also improved, with [sublet vacancy declining](#) for the fifth consecutive quarter. Spec suites and full buildouts continued to outperform the market, accounting for an increasing share of leasing activity—28.6% in 2024 up from 9% in 2019—illustrating how financially committed ownership can drive successful leasing programs.

While the average deal size has been relatively steady in Chicago on an annual basis, ranging from 8,000 to 10,000 square feet in recent years, a massive lease pushed this quarter's average up over 12,000 square feet.

Expansions accounted for four of Q4/24's ten largest leases—including [the largest lease in more than three years](#), a 384,000-square-foot deal at 77 W. Wacker. The tenant, engineering design firm Sargent & Lundy, needed extra space for headcount growth. The deal represented yet another win for the owner, State Teachers Retirement System of Ohio, whose tower is now 99.8% leased.

Similarly, healthcare management consulting firm Vizient added 50,000 square feet to its footprint at 433 W. Van Buren, its second expansion in the past two years.

## Investment Sales

With the Federal Reserve lowering interest rates, the investment sales market continued to thaw. But while many distressed deals were at varying stages in the negotiation process, less than \$14 million worth of CBD office product officially traded hands, down significantly from \$115 million last quarter.

All the quarter's investment sales came at notable discounts to valuations from the previous transactions, with properties averaging a 73% discount. Approximately \$405 million traded hands in 2024, up from \$140 million in 2023 but far below \$1.4 billion in 2019.

The financing conditions alone might not be enough to fully defrost the investment sales market. Investors' perceptions of the city may need to evolve, as well.

Quality-of-life issues continue to weigh on perceptions of the Loop. This was acutely felt by the market when Bally's, the city's casino operator, [cited "heightened criminality" and "events of civil unrest"](#) as material risks to investors in Chicago. In truth, major crimes are on the decline, while burglary and theft [are on the rise](#). The newly elected Cook County State's Attorney is planning a [crackdown on retail thefts](#), a welcomed policy that should change reality and perception.

The conversion trend continued as three office-to-residential projects entered the pipeline: the Clark Adams building and 19 S. LaSalle in the Central Loop, and 811 W. Evergreen/1415 N. Dayton on the North Side. Cumulatively, these projects will aid market correction by removing 600,000 square feet of office space.

Notable foreclosures this quarter included AmTrust's default on a \$260 million loan tied to the Illinois Center, despite claims that they would continue capital investment in the property. Other foreclosures included a four-office portfolio in River North, and a [\\$370 million default in North Michigan Avenue](#). With \$5.4 billion in loans set to expire within the next two years, the market may yet have more stress to digest.

Even so, fresh capital remained available for well-performing properties. For instance, Vista Property Group secured a \$32 million mortgage for 609 W. Randolph. The property, which is 93% leased, boasts high-quality facilities and proximity to public transit, proving that investment opportunities exist for prime properties.

# DOWNTOWN CHICAGO

## Q4/24 SNAPSHOT



**(1,056,800) SF**  
Direct Net  
Absorption Q4/24



**23.2%**  
Direct Vacancy  
Rate



**\$42.85/SF**  
Average Gross  
Asking Rate

FIGURE 01

## Average Deal Size (SF)

Source: CoStar | Data as of January 21, 2025

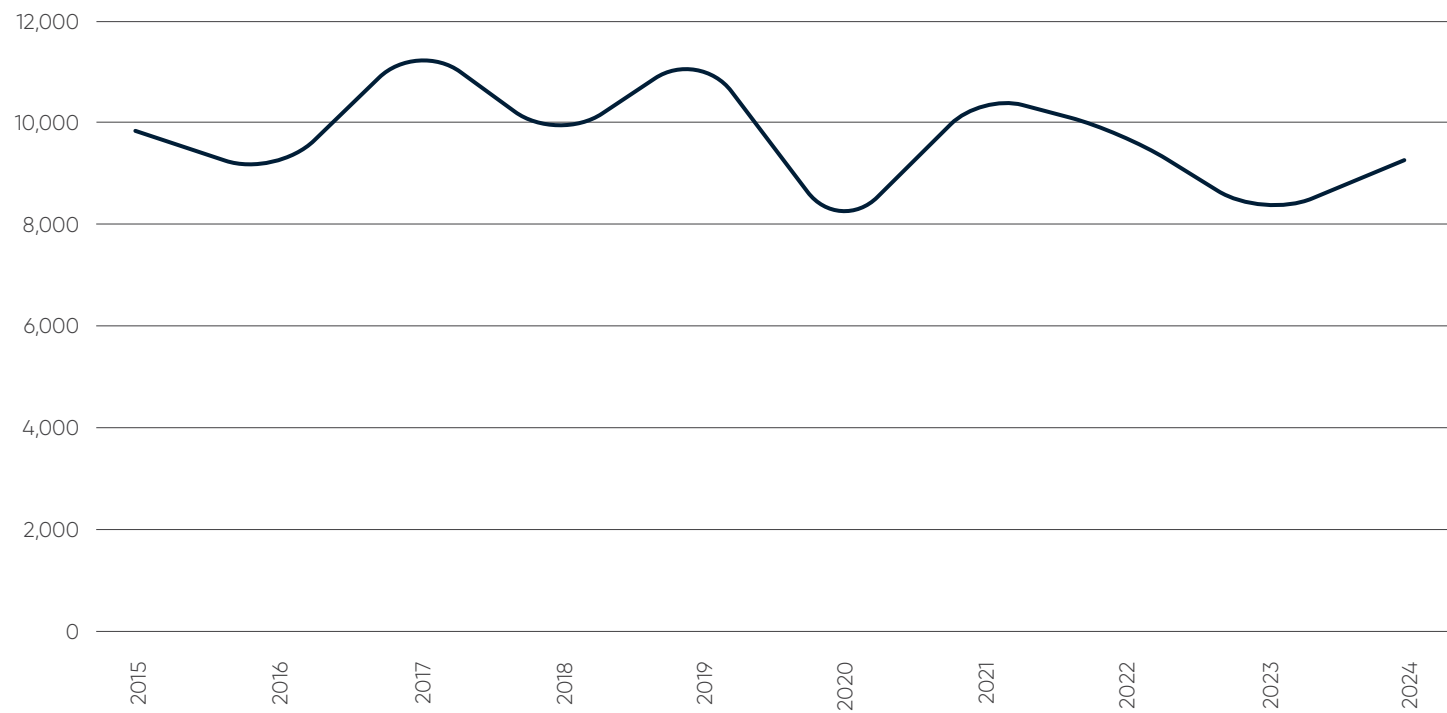
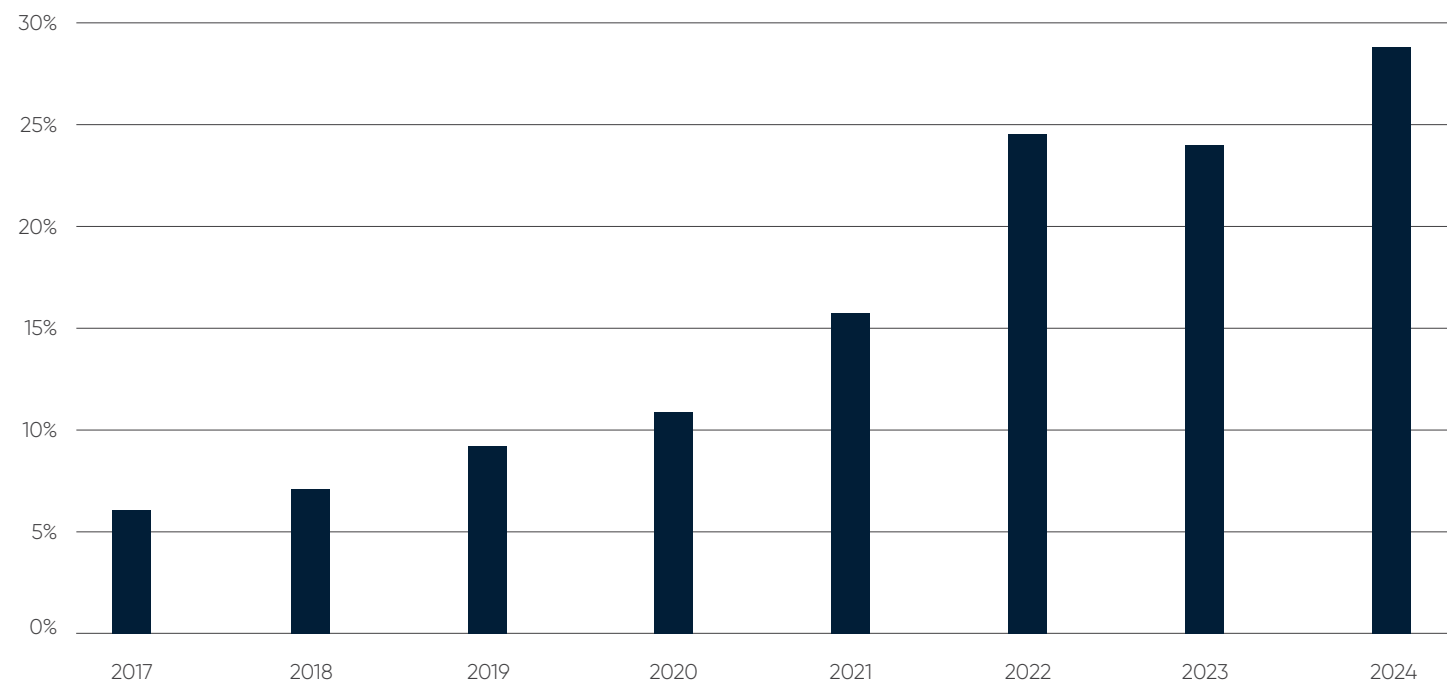


FIGURE 02

## Move-In Ready Suites: Leasing Activity

Source: CoStar | Data as of January 21, 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 January 9, 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	Q4/24 Net Absorption
<b>CBD</b>	163,032,861	347,618	24.3%	3.5%	23.2%	1.5%	\$42.85	(1,056,800)
CLASS A	96,680,949	767,309	22.0%	4.2%	21.1%	1.9%	\$50.77	(548,435)
CLASS B	58,388,349	234,491	28.3%	2.6%	26.8%	1.1%	\$34.39	(524,252)
CLASS C	7,963,563	84,719	22.5%	1.2%	21.7%	0.3%	\$26.57	15,887
<b>CENTRAL LOOP</b>	38,651,407	544,386	27.0%	2.1%	25.7%	0.7%	\$37.08	(291,155)
CLASS A	12,462,355	830,824	22.6%	2.1%	22.3%	1.0%	\$48.40	(52,093)
CLASS B	25,493,292	520,271	29.2%	2.3%	27.4%	0.6%	\$33.09	(236,280)
CLASS C	695,760	99,394	26.2%	0.0%	25.1%	0.0%	\$25.56	(2,782)
<b>EAST LOOP</b>	24,893,161	488,101	32.8%	2.8%	29.3%	0.8%	\$42.06	(378,670)
CLASS A	13,320,829	1,024,679	31.5%	3.9%	26.6%	0.7%	\$47.70	(339,426)
CLASS B	8,400,070	442,109	39.6%	2.0%	37.1%	1.3%	\$37.88	(41,492)
CLASS C	3,172,262	166,961	20.3%	0.2%	20.4%	0.1%	\$26.87	2,248
<b>FULTON MARKET</b>	10,152,000	112,800	12.4%	5.0%	16.4%	2.4%	\$39.17	58,495
CLASS A	5,887,320	280,349	8.6%	7.2%	16.4%	3.9%	\$50.87	53,296
CLASS B	2,836,619	64,469	18.3%	0.8%	18.5%	0.0%	\$32.59	(305)
CLASS C	1,428,061	57,122	16.6%	4.1%	12.0%	0.5%	\$28.60	5,504
<b>NORTH MICHIGAN AVENUE</b>	13,542,216	330,298	20.2%	3.9%	19.0%	1.6%	\$46.73	(105,964)
CLASS A	6,325,340	486,565	26.4%	6.9%	24.3%	2.5%	\$54.60	(27,124)
CLASS B	6,970,437	278,817	14.7%	1.2%	14.4%	0.8%	\$34.57	(78,840)
CLASS C	246,439	82,146	14.6%	4.2%	16.0%	2.0%	\$26.66	0
<b>RIVER NORTH</b>	18,792,472	170,841	22.9%	2.4%	25.5%	1.2%	\$46.84	(188,856)
CLASS A	12,852,828	756,049	21.7%	3.0%	25.9%	1.3%	\$56.29	(160,096)
CLASS B	4,530,878	68,650	23.6%	1.4%	22.5%	1.1%	\$30.46	(43,875)
CLASS C	1,408,766	52,177	31.8%	0.5%	31.8%	0.0%	\$27.23	15,115
<b>WEST LOOP</b>	57,001,605	537,751	22.3%	4.7%	20.2%	2.4%	\$46.27	(150,650)
CLASS A	45,832,277	975,155	20.4%	4.5%	18.0%	2.4%	\$50.52	(22,992)
CLASS B	10,157,053	220,806	30.8%	6.0%	29.4%	2.6%	\$35.37	(123,460)
CLASS C	1,012,275	77,867	24.2%	1.0%	24.1%	0.7%	\$23.32	(4,198)

FIGURE 04

## Absorption (SF)

Source: CoStar | Data as of January 9, 2025

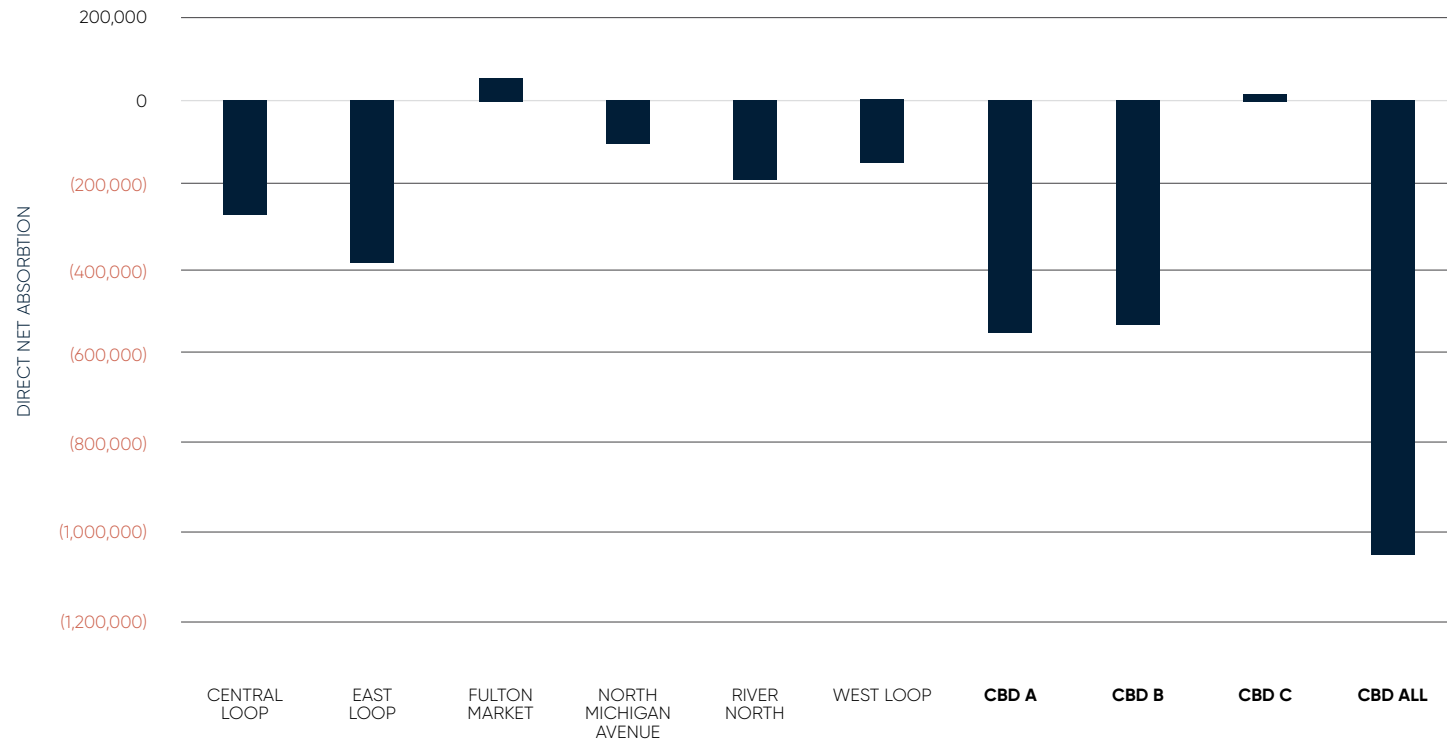


FIGURE 06

## Sales Volume

Source: CoStar | Data as of January 9, 2025

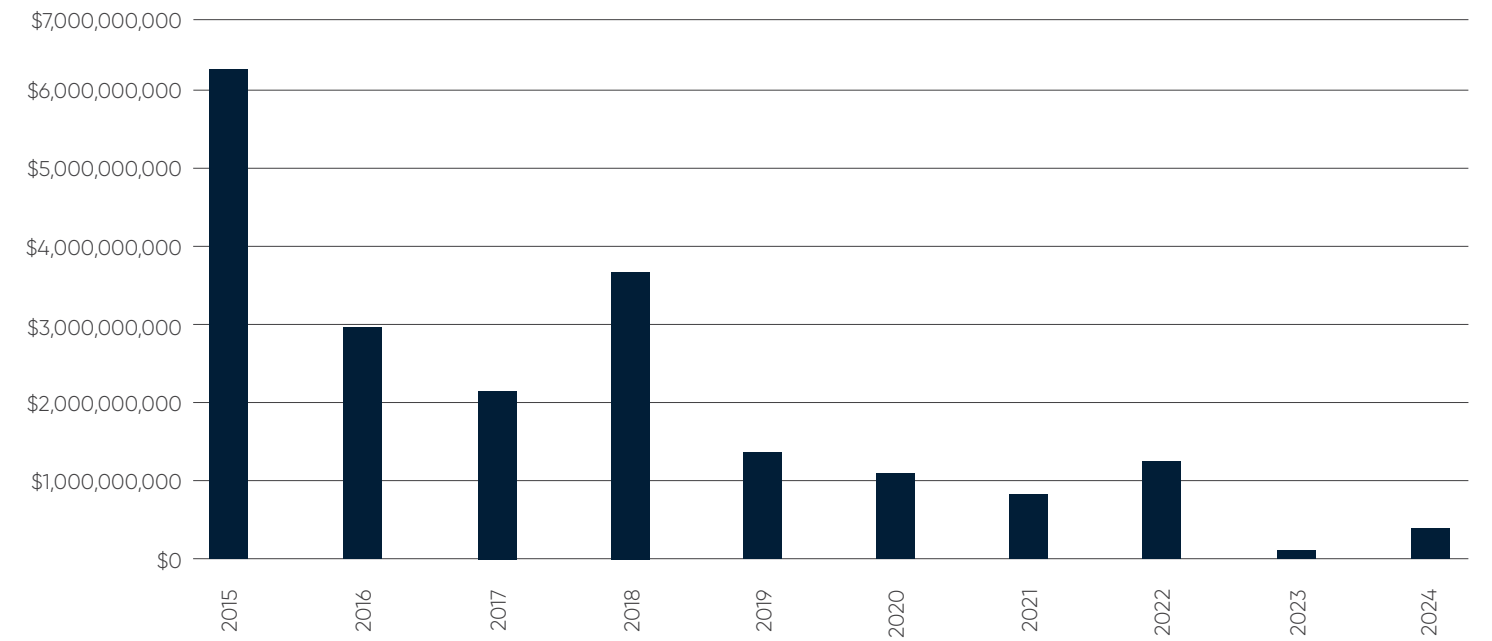


FIGURE 05

## Product Pipeline

Source: CoStar | Data as of January 9, 2025

SUBMARKET	PROPERTY ADDRESS	RBA (SF)	BUILDING STATUS	DELIVERY YEAR
FULTON MARKET/NEAR WEST SIDE	1200 W. Carroll Avenue	494,775	Proposed	2026
WEST LOOP	130 N. Franklin Street	1,190,629	Proposed	2027
FULTON MARKET/NEAR WEST SIDE	1105 W. Carroll Avenue	680,049	Proposed	2027
FULTON MARKET/NEAR WEST SIDE	1300 W. Carroll Avenue	204,780	Proposed	2027
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	170 N. Green Street	609,050	Proposed	2027
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
FULTON MARKET/NEAR WEST SIDE	212 N. Peoria Street	101,982	Proposed	2027
WEST LOOP	725 W. Randolph Street	1,000,000	Proposed	2027



# CENTRAL LOOP

- Direct vacancy continued to increase, reaching 25.7%.
- The Central Loop had negative 291,000 square feet of direct net absorption, bringing year-end values to negative 679,000 square feet. This is above the negative 429,000 square feet of direct net absorption in 2023 but significantly below the negative 1.3 million square feet of 2022.
- Sargent & Lundy signed the largest lease in three years, a 380,000-square-foot expansion at 77 W. Wacker. The STRS-owned tower also notched a win earlier this year with the 110,000-square-foot expansion of Capital One.

## MARKET MOVEMENT

### DISTRESSED BUILDINGS

7 BUILDINGS  
5.2M SF of available space

### RELOCATION/EXPANSION

SARGENT & LUNDY  
77 W. Wacker Drive  
(380,000 SF)

### INVESTMENT SALE

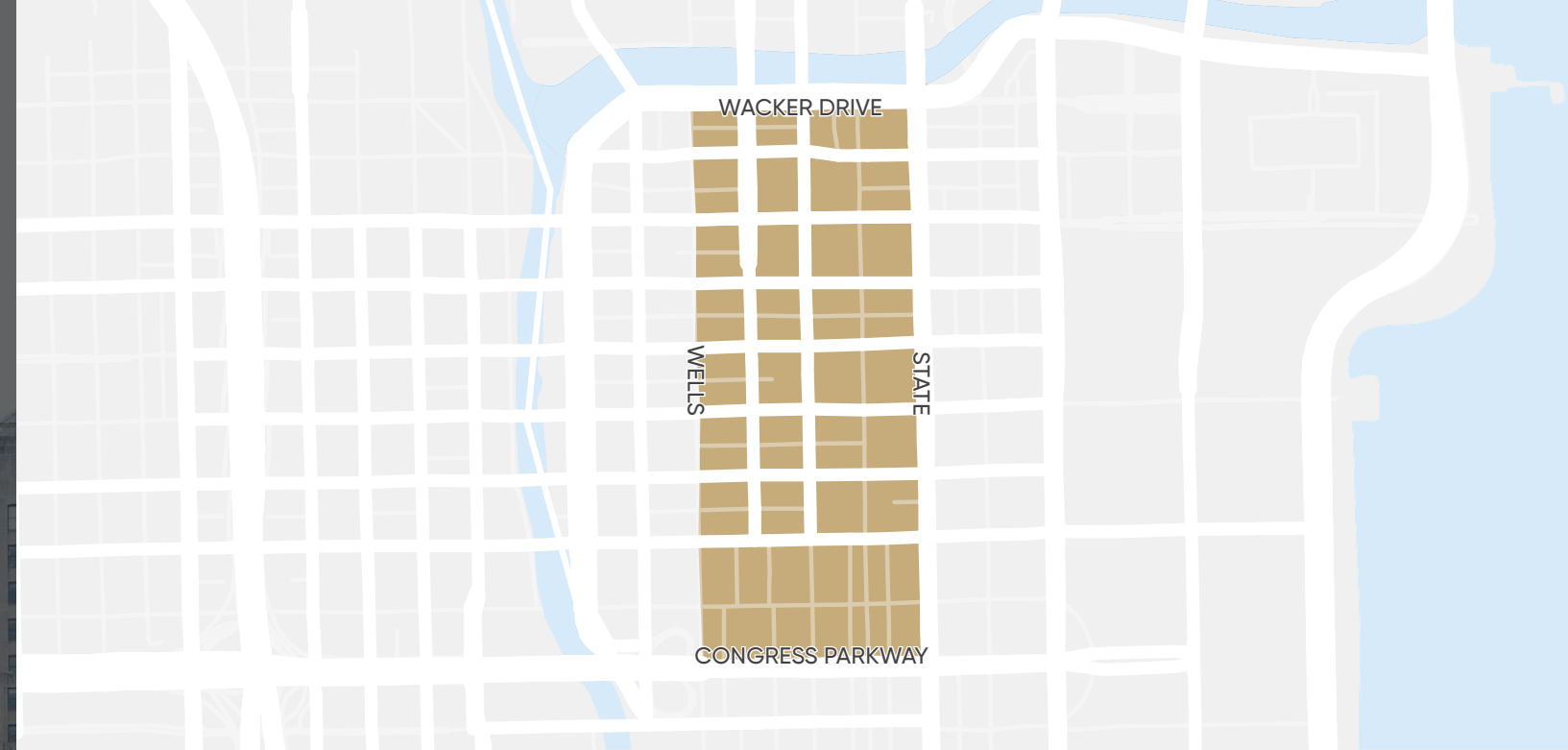
USI  
55 W. Wacker Drive  
(332,173 SF)

### RENEWAL

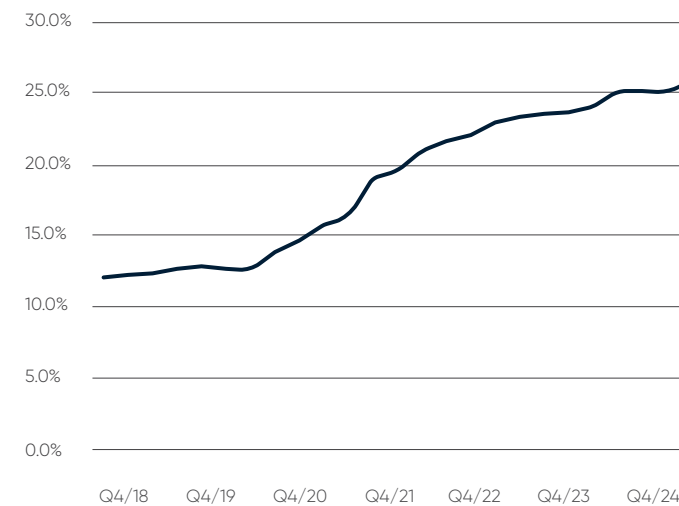
MASUDA FUNAI  
203 N. LaSalle Street  
(16,293 SF)

### NEW LEASE

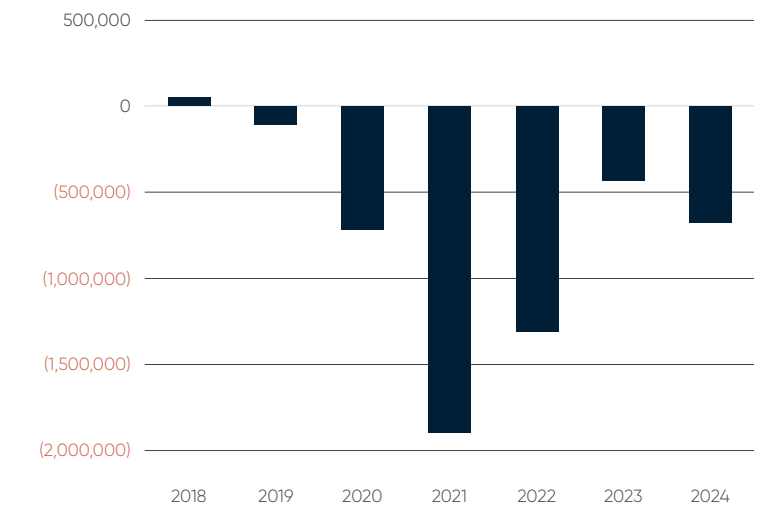
ENFUSION LTD. LLC  
125 S. Clark Street  
(15,507 SF)



### DIRECT VACANCY RATE



### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 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	Q4/24 NET ABSORPTION
CENTRAL LOOP	38,651,407	544,386	27.0%	2.1%	25.7%	0.7%	\$37.08	(291,155)
CLASS A	12,462,355	830,824	22.6%	2.1%	22.3%	1.0%	\$48.40	(52,093)
CLASS B	25,493,292	520,271	29.2%	2.3%	27.4%	0.6%	\$33.09	(236,280)
CLASS C	695,760	99,394	26.2%	0.0%	25.1%	0.0%	\$25.56	(2,782)

# EAST LOOP

- Direct net absorption worsened this quarter at negative 409,000 square feet, bringing year-end absorption to negative 1.1 million square feet.
- Vacancy similarly worsened, reaching 29.3%, a 19% increase YOY.
- The East Loop had the highest direct vacancy rate out of all CBD submarkets at 29.3%.
- Privcap's purchase of 1 N. State for \$13 million was the submarket's largest investment sale this quarter. The purchase price represents an 83% discount from the property's 2016 purchase price.

## MARKET MOVEMENT

### DISTRESSED BUILDINGS

4 BUILDINGS  
2.5M SF of available space

### INVESTMENT SALE

PRIVCAP  
1 N. State Street  
(732,144 SF)

### NEW LEASE

MINSKY MCCORMICK & HALLAGAN  
104 S. Michigan Avenue  
(8,050 SF)

### NEW LEASE

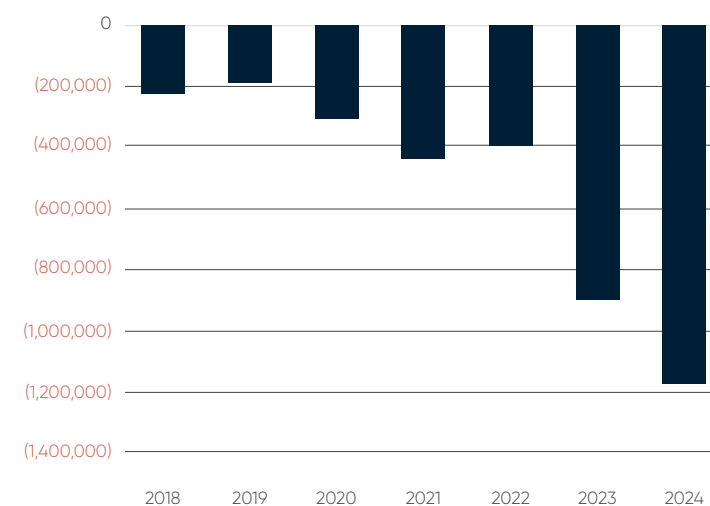
BARNEY & KARAMANIS, LLP  
180 N. Stetson Avenue  
(5,327 SF)



### DIRECT VACANCY RATE



### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 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	Q4/24 NET ABSORPTION
EAST LOOP	24,893,161	488,101	32.8%	2.8%	29.3%	0.8%	\$42.06	(378,670)
CLASS A	13,320,829	1,024,679	31.5%	3.9%	26.6%	0.7%	\$47.70	(339,426)
CLASS B	8,400,070	442,109	39.6%	2.0%	37.1%	1.3%	\$37.88	(41,492)
CLASS C	3,172,262	166,961	20.3%	0.2%	20.4%	0.1%	\$26.87	2,248

# FULTON MARKET

- Fulton Market continued to outperform, boasting the lowest vacancy rate in the CBD at 16.4%.
- Fulton Market was the only submarket to have positive direct net absorption in Q4/24, at 58,500 positive square feet.
- Most product in the pipeline is set for Fulton Market, with 10 projects planned over the next two years and one currently under construction.

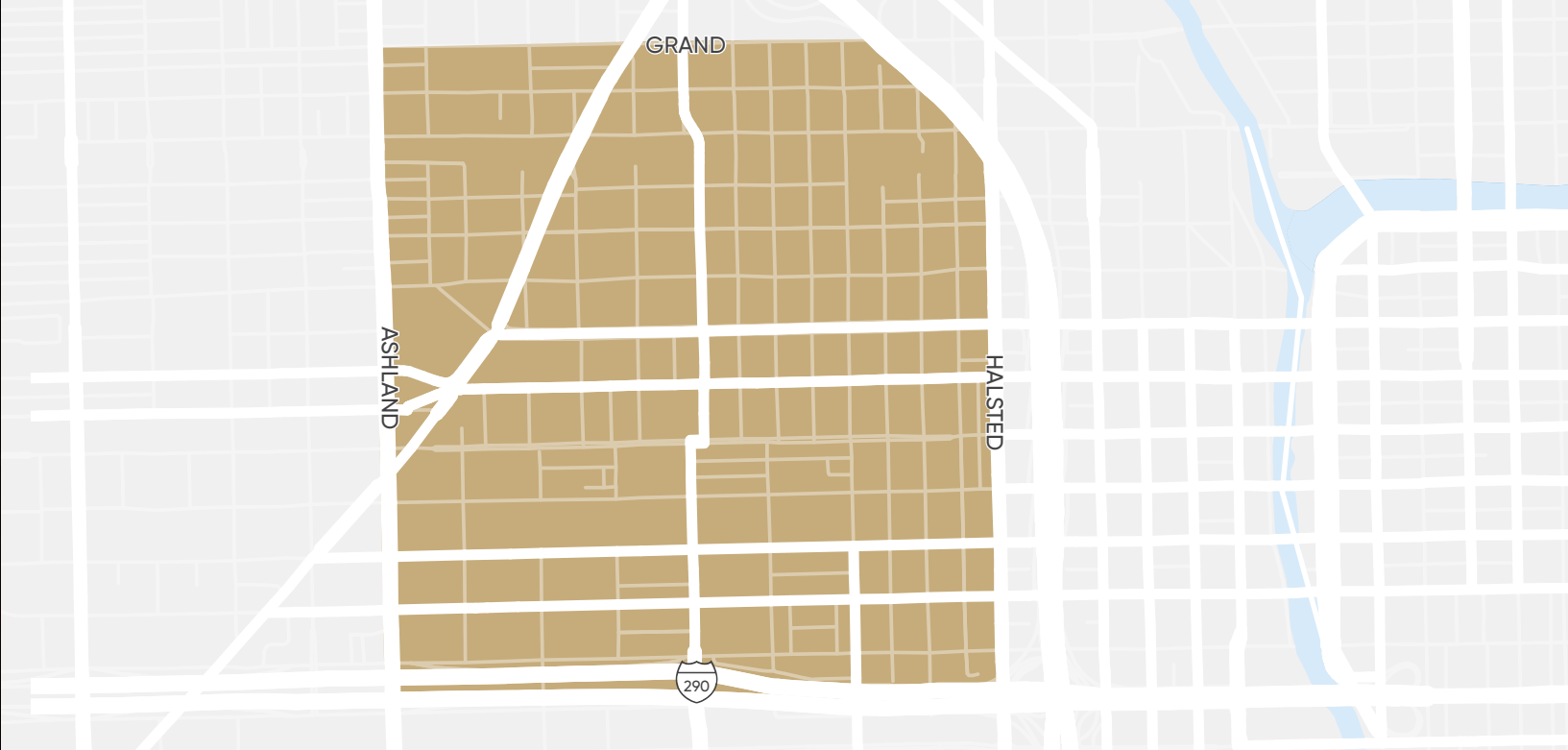
## MARKET MOVEMENT

### DISTRESSED BUILDINGS

1 BUILDING  
62,400 SF of available space

### NEW LEASE/EXPANSION

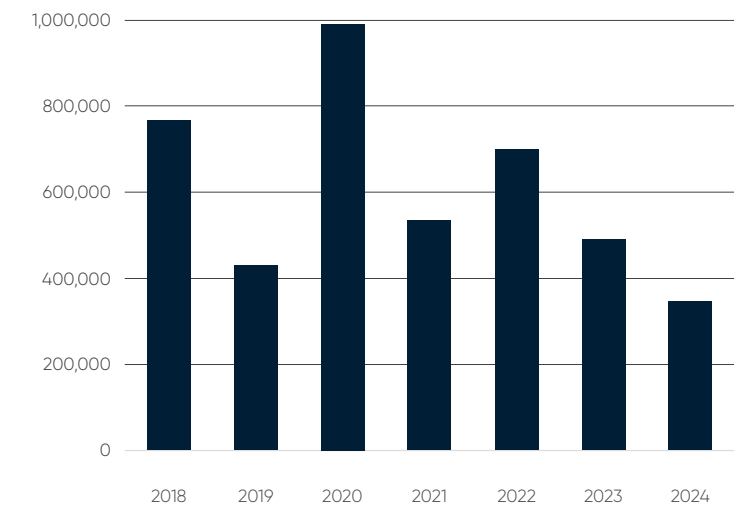
AYDEN  
333 N. Green Street  
(96,715 SF)



### DIRECT VACANCY RATE



### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 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	Q4/24 NET ABSORPTION
FULTON MARKET	10,152,000	112,800	12.4%	5.0%	16.4%	2.4%	\$39.17	58,495
CLASS A	5,887,320	280,349	8.6%	7.2%	16.4%	3.9%	\$50.87	53,296
CLASS B	2,836,619	64,469	18.3%	0.8%	18.5%	0.0%	\$32.59	(305)
CLASS C	1,428,061	57,122	16.6%	4.1%	12.0%	0.5%	\$28.60	5,504

# NORTH MICHIGAN AVENUE

- Negative direct net absorption persisted through the year, with negative 106,000 square feet this quarter, bringing cumulative 2024 values to negative 605,000 square feet.
- Even so, gross asking rates were elevated at \$46.73, the second-highest in the CBD.
- Although the direct vacancy rate increased to 19%, the submarket still outperformed the overall downtown market, which had a 23.3% direct vacancy rate.

## MARKET MOVEMENT

### DISTRESSED BUILDINGS

2 BUILDINGS  
1.7M SF of  
available space

### NEW LEASE

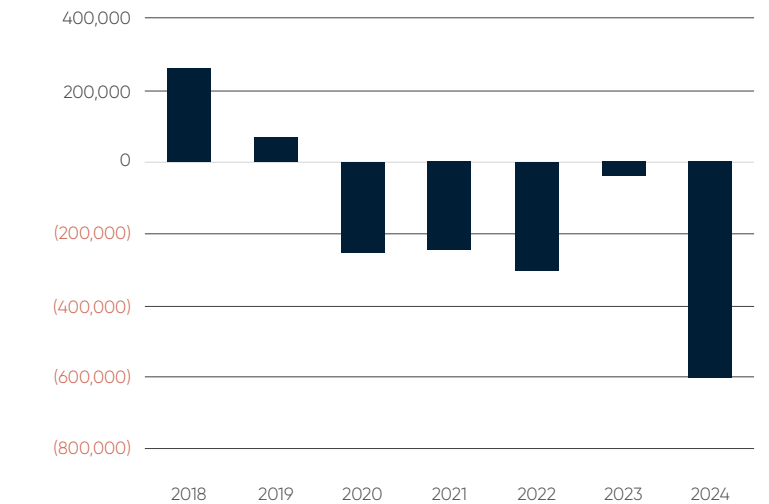
KCIC  
410 N. Michigan  
Avenue  
(3,032 SF)



### DIRECT VACANCY RATE



### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 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	Q4/24 NET ABSORPTION
<b>NORTH MICHIGAN AVENUE</b>	13,542,216	330,298	20.2%	3.9%	19.0%	1.6%	\$46.73	(105,964)
CLASS A	6,325,340	486,565	26.4%	6.9%	24.3%	2.5%	\$54.60	(27,124)
CLASS B	6,970,437	278,817	14.7%	1.2%	14.4%	0.8%	\$34.57	(78,840)
CLASS C	246,439	82,146	14.6%	4.2%	16.0%	2.0%	\$26.66	0

# RIVER NORTH

- Gross asking rates were the highest in River North, with office space leasing for an average gross rate of \$46.84 per square foot.
- Despite positive direct net absorption in Q3/24, absorption turned negative this quarter, reaching negative 189,000 square feet.
- Direct vacancy continued to worsen at 25.5%, above the overall market's vacancy of 23.3%.
- Notably, SuperFile signed a new 28,600-square-foot deal at 212 W. Superior.

## MARKET MOVEMENT

### DISTRESSED BUILDINGS

7 BUILDINGS  
1.8M SF of available space

### NEW LEASE

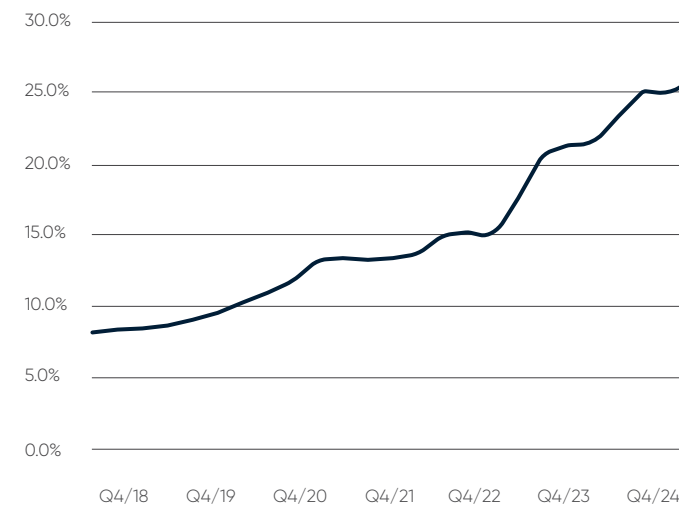
SUPERFILE  
212 W. Superior Street  
(28,624 SF)

### NEW LEASE

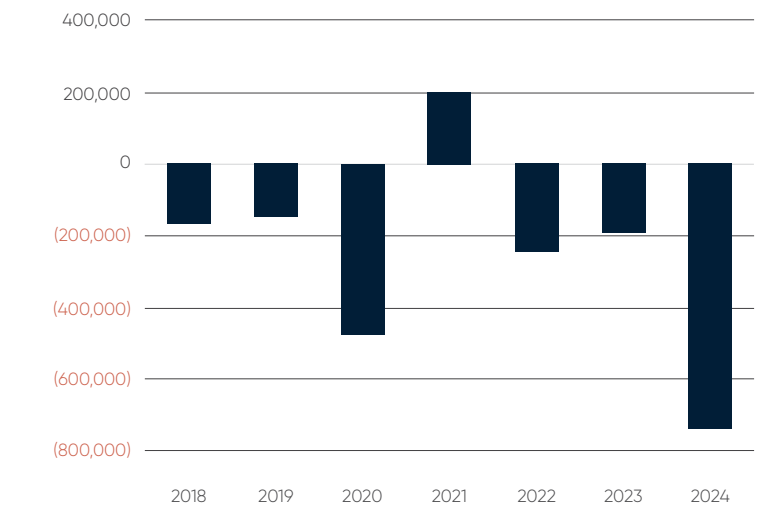
BATCH FREIGHT  
214 W. Huron Street  
(20,000 SF)



### DIRECT VACANCY RATE



### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 2025

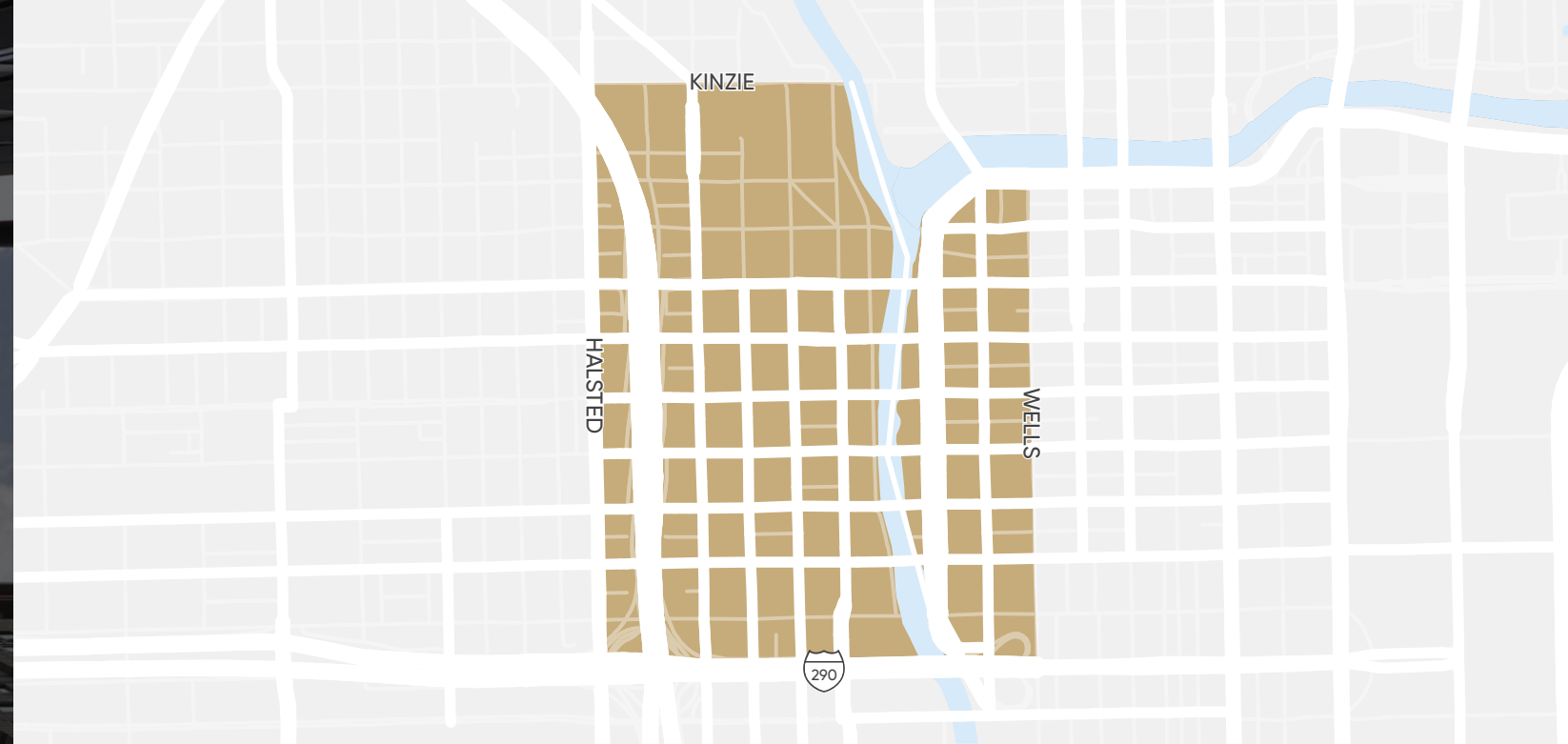
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	Q4/24 NET ABSORPTION
RIVER NORTH	18,792,472	170,841	22.9%	2.4%	25.5%	1.2%	\$46.84	(188,856)
CLASS A	12,852,828	756,049	21.7%	3.0%	25.9%	1.3%	\$56.29	(160,096)
CLASS B	4,530,878	68,650	23.6%	1.4%	22.5%	1.1%	\$30.46	(43,875)
CLASS C	1,408,766	52,177	31.8%	0.5%	31.8%	0.0%	\$27.23	15,115

# WEST LOOP

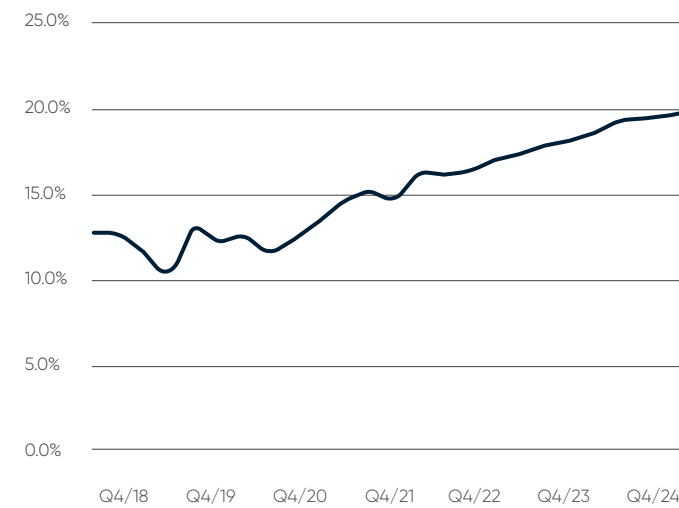
- The West Loop racked up several leasing wins this quarter, including PwC's 282,600-square-foot renewal at 1 N. Wacker, AdTalem Global Education's new 82,800-square-foot deal at 233 S. Wacker, and TeamWorking's new 65,900-square-foot deal at 20 N. Wacker.
- Direct vacancy was effectively unchanged at 20.2%.
- 2024 ended with a cumulative negative 821,500 square feet in direct net absorption, an 8% decrease from 2023 levels.
- Gross asking rates were \$46.27 per square foot, above the market average of \$42.85 per square foot.

## MARKET MOVEMENT

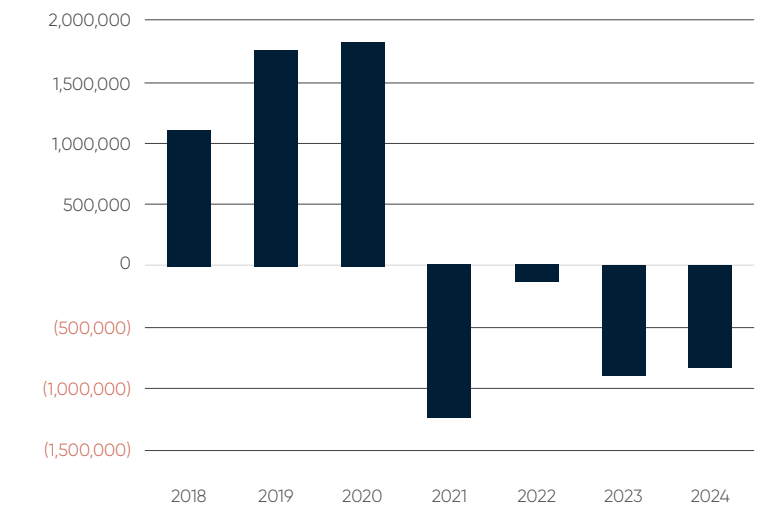
<b>DISTRESSED BUILDINGS</b> 7 BUILDINGS 3.4M SF of available space	<b>RENEWAL</b> PWC 1 N. Wacker Drive (282,577 SF)	<b>NEW LEASE</b> ADTALEM GLOBAL EDUCATION 233 S. Wacker Drive (82,838 SF)
<b>NEW LEASE</b> TEAMWORKING 20 N. Wacker Drive (65,896 SF)	<b>RELOCATION</b> NEUBERGER BERMAN 191 N. Wacker Drive (52,000 SF)	<b>SUBLEASE</b> VIZIENT 433 W. Van Buren Street (50,313 SF)



### DIRECT VACANCY RATE

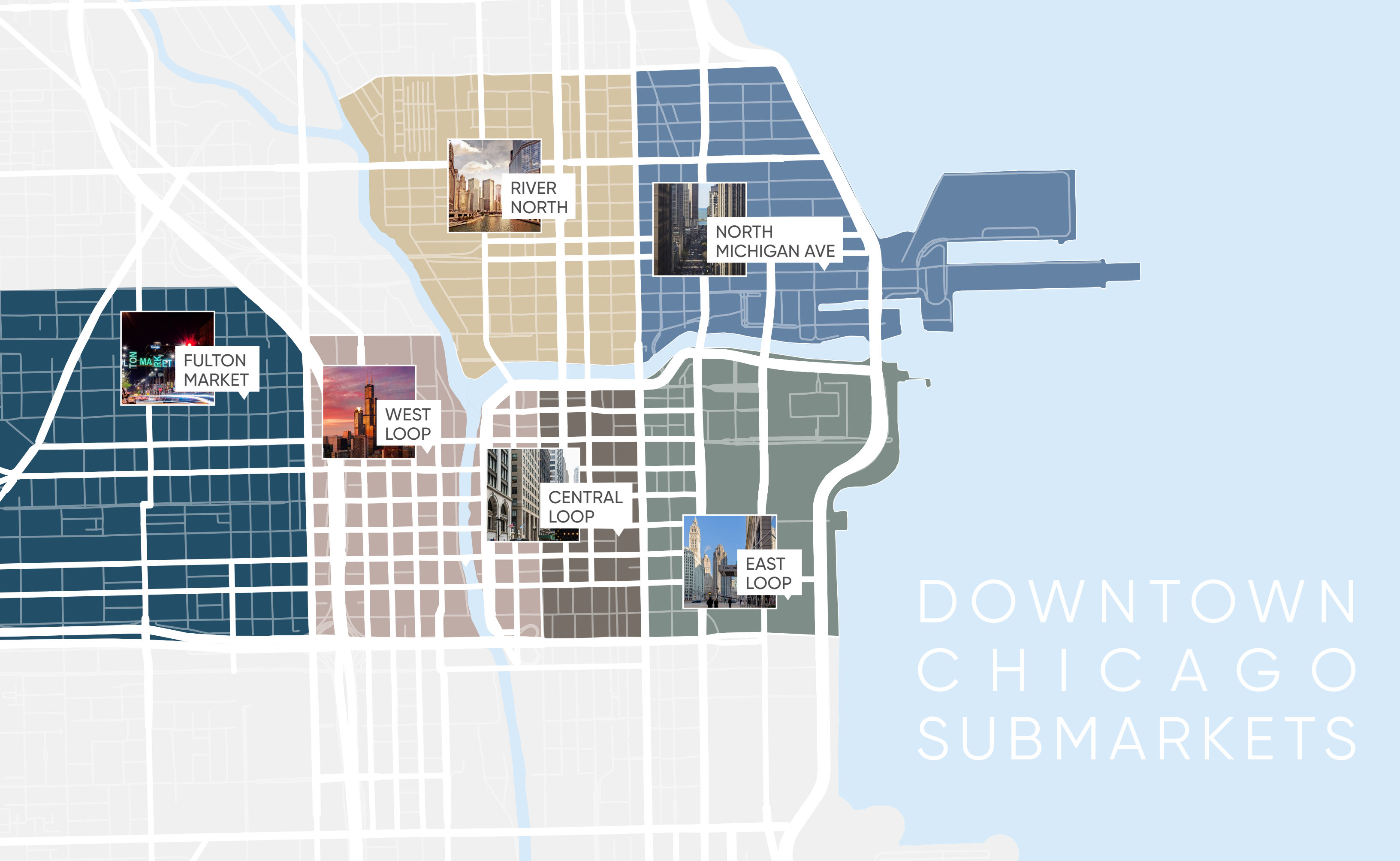


### DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 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	Q4/24 NET ABSORPTION
WEST LOOP	57,001,605	537,751	22.3%	4.7%	20.2%	2.4%	\$46.27	(150,650)
CLASS A	45,832,277	975,155	20.4%	4.5%	18.0%	2.4%	\$50.52	(22,992)
CLASS B	10,157,053	220,806	30.8%	6.0%	29.4%	2.6%	\$35.37	(123,460)
CLASS C	1,012,275	77,867	24.2%	1.0%	24.1%	0.7%	\$23.32	(4,198)



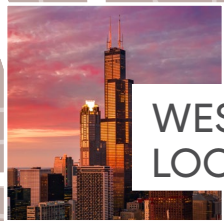
RIVER  
NORTH



NORTH  
MICHIGAN AVE



FULTON  
MARKET



WEST  
LOOP



CENTRAL  
LOOP



EAST  
LOOP

# DOWNTOWN CHICAGO SUBMARKETS

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