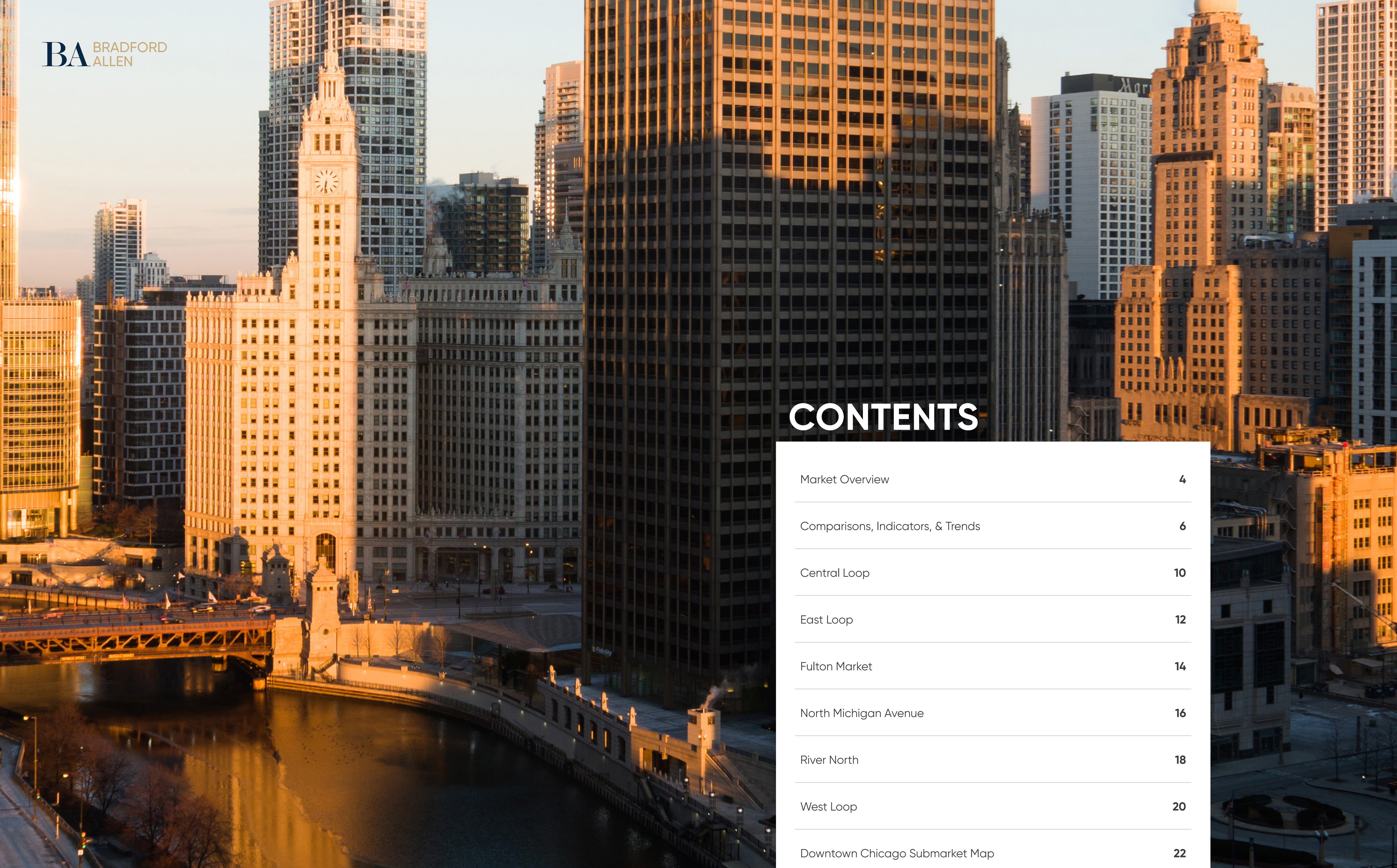
Q4/25
OFFICE MARKET REPORT

Downtown Chicago

BRADFORD ALLEN



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VACANCY HOLDS STEADY AS ABSORPTION TURNS POSITIVE IN Q4

Direct net absorption in the Chicago CBD turned positive in Q4/25, totaling approximately 163,433 square feet. This marked the first quarter of positive absorption following nine consecutive quarters of negative net absorption. The direct vacancy rate finished the quarter at 24.3%, while the average gross asking rate for direct space held around $41 per square foot. On a full-year basis, however, the CBD still recorded negative direct net absorption of about 2 million square feet, underscoring that the recovery remains uneven despite improved quarterly performance.

Availability and vacancy remained elevated but showed signs of incremental tightening. CBD-wide direct availability measured roughly 26%, with sublet availability around 3%. Direct vacancy was just below a quarter of inventory, and sublet vacancy stayed in the low single digits. Against this backdrop, activity continued to concentrate in newer, higher-quality assets, while older and more commodity space lagged despite the quarter's positive momentum. Tenants still want and need office space, but they are increasingly focused on renovated, well-located buildings that can support modern work patterns and allow for more efficient footprints.

Within that context, Q4/25 activity highlighted a clear preference for move-in-ready spec suites, first-class amenities, and cutting-edge office technology—especially in locations with strong transit access. Employers asking staff to commute know workers now expect upgraded shared spaces, wellness features, and solid digital infrastructure. Owners that can put capital into spec suites, common-area improvements, and targeted leasing programs are generally the ones winning deals, while buildings that defer investment face longer lease-up timelines.

On the investment side, discounted valuations have allowed well-capitalized buyers to acquire assets at low bases and compete more aggressively for tenants, reinforcing a market where demand for high-quality, well-located, highly amenitized assets remains comparatively resilient even as the broader CBD office market evolves.

Conversion Update

Office-to-residential conversion remained a practical response to persistent vacancy in Chicago's downtown office market. Along LaSalle Street, major projects at 115 S. LaSalle St. and 135 S. LaSalle St. continued to anchor the city's broader LaSalle Street Reimagined effort, where large, historically office-heavy towers are being repositioned into mixed-use projects with substantial residential components and upgraded retail and amenity space. Together, these buildings illustrate how older, functionally obsolete Class B and C inventory in the Central Loop is being reworked to align more closely with current demand for housing and ground-floor retail.

At the 41-story Art Deco tower at 105 W. Adams St., a venture led by Primera Group and investor Marc Calabria is pursuing a roughly $184 million plan to convert floors 11 through 40 into about 400 apartments, supported by nearly $68 million in public subsidies. The city's landmarks commission granted preliminary landmark approval for the building, advancing one of the largest ongoing Loop conversions, even as the project faces legal challenges from the Club Quarters hotel owner and its lender over easement and consent rights.

The conversions underscore both the scale of capital being directed toward repurposing obsolete office space and the legal, financial, and operational hurdles that can shape the pace at which downtown office inventory is removed from the competitive set and replaced with new residential density.

Leasing Activity

Direct net absorption in Q4/25 was positive in every CBD submarket. Amid positive momentum across all submarkets, the most amenitized, transit-served areas continued to outperform more commoditized portions of the CBD.

Several large leases were notable in Q4/25, the largest of which was drywall giant USG's 165,000-square-foot renewal (for less space) at 550 W. Adams St. in the West Loop. Aviation services firm AAR Corp. expanded to 90,000 square feet, relocating to The Mart in River North. In the West Loop, additional large deals included Arrive Logistics' 77,666-square-foot renewal and expansion at 30 S. Wacker Dr. and Boeing's 70,434-square-foot lease at 100 N. Riverside Plaza. Zurich North America also executed a 52,000-square-foot deal at 233 S. Wacker Dr. in the West Loop.

In the Central Loop, Sargent & Lundy expanded its footprint at 77 W. Wacker Dr. by roughly 66,000 square feet (three additional floors), bringing its total commitment in the tower to nearly 448,000 square feet. The expansion was tied to continued hiring plans, including roughly 200 additional local employees, following the firm's initial lease signed in late 2024. Notably, the move represents incremental demand tied to hiring rather than consolidation, underscoring that Chicago's Q4/25 absorption rebound was not driven solely by small-footprint new deals.

Beyond the largest transactions, mid-sized activity extended across submarkets, with leases such as L.E.K. Consulting at 444 W. Lake St. in the West Loop (36,160 square feet). Three-quarters of major leasing activity during Q4/25 was by tenants between 10,000 square feet and 40,000 square feet, highlighting the strength of the mid-size market.

Investment Sales

Q4/25 investment activity included deals across multiple CBD submarkets, with pricing that varied meaningfully by asset. In the West Loop, 550 W. Randolph St. traded for $14 million, or $83 per square foot, and One Congress Center (525 W. Van Buren St.) sold for $35 million, or $67 per square foot. Also in the West Loop, Northern Trust Center (125 S. Wacker Dr.) closed at $51.5 million, or $91 per square foot. In the Central Loop, 400 S. LaSalle St. sold for $40 million, or $114 per square foot, with plans for a data center conversion.

230 W. Monroe St. provided a useful data point on how some investors and lenders are beginning to underwrite downtown office risk when basis has already been reset. The 29-story Loop tower was acquired for $45 million, all cash, in 2023, ending a prolonged drought in major CBD office sales. In October 2025, the owner secured a new $45 million loan—the full amount of the original purchase price. That refinancing followed several new leases, renewals, and expansions that lifted occupancy from roughly 60% to about 85%, supported in part by a proactive spec suite strategy.

While 230 W. Monroe St. did not trade during Q4/25, its full-value financing following a heavily discounted purchase highlights how well-capitalized buyers with low bases and a clear leasing plan can serve as a template for reviving underutilized Loop office properties.

DOWNTOWN CHICAGO

Q4/25 SNAPSHOT

163,433 SF
Direct Net Absorption Q4/25

24.3%
Direct Vacancy Rate

$41.41/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 December 31, 2025

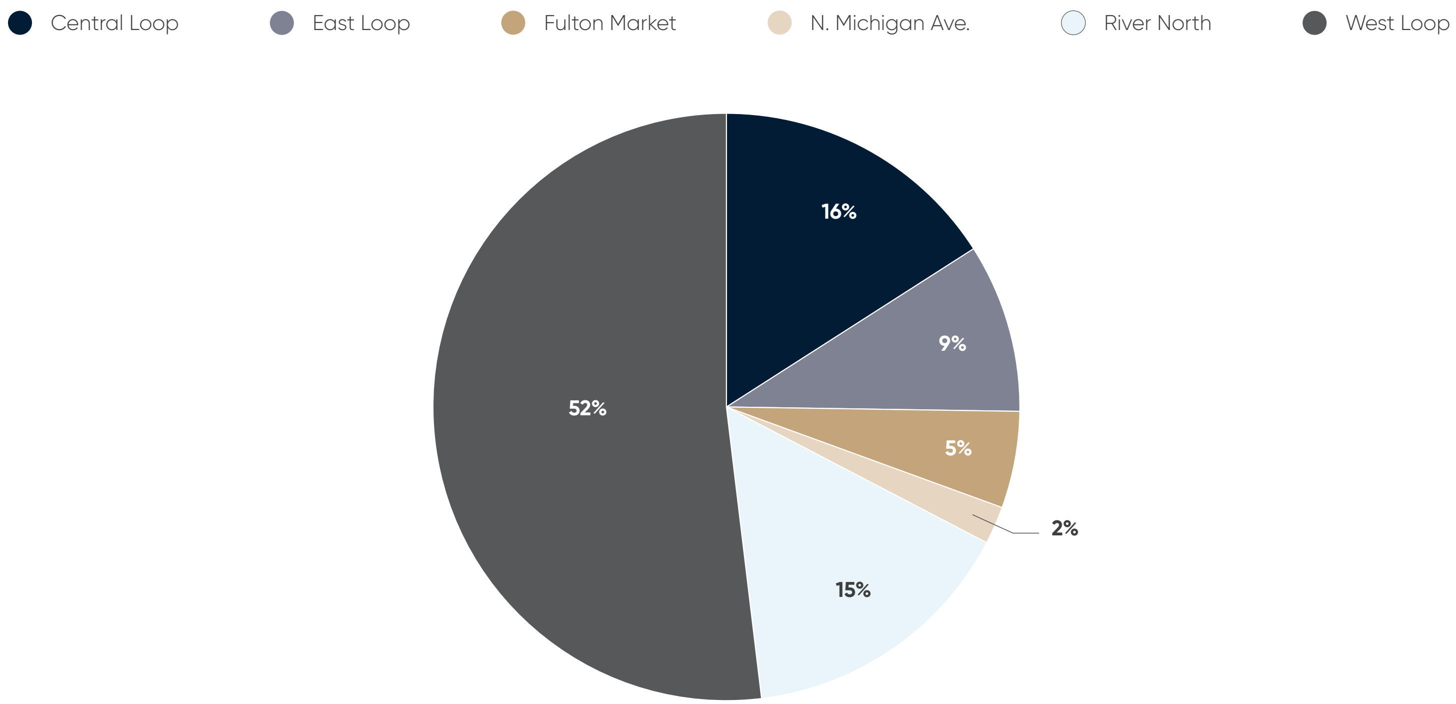
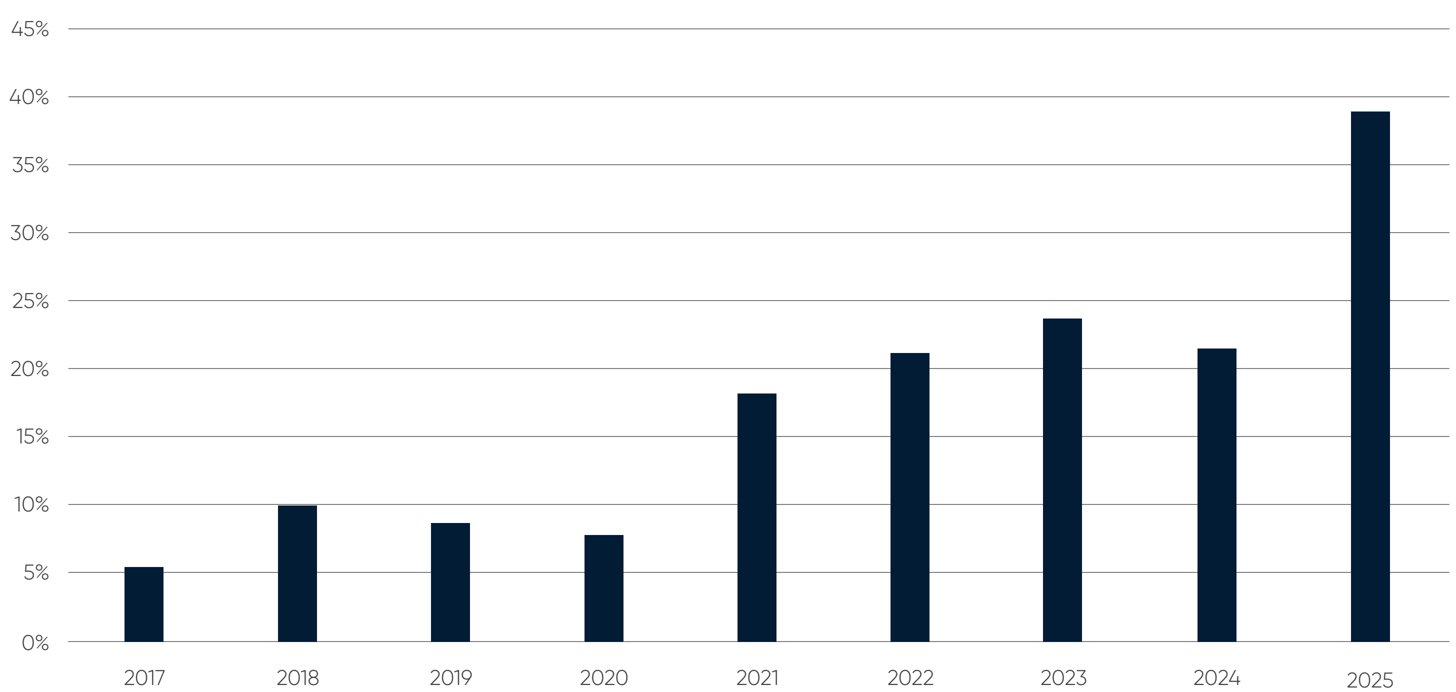


FIGURE 02

Move-In Ready Suites: Leasing Activity

Source: *CoStar* | Data as of December 31, 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 December 31, 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	Q4/25 NET ABSORPTION	2025 NET ABSORPTION
CBD	160,592,635	348,357	26.8%	3.4%	24.3%	1.6%	$41.41	163,433	(2,029,846)
CLASS A	97,149,153	809,576	24.6%	4.2%	21.3%	2.0%	$45.00	462	(1,181,566)
CLASS B	54,326,638	220,840	30.7%	2.2%	29.4%	1.0%	$37.33	113,994	(946,763)
CLASS C	9,116,844	95,967	28.0%	0.8%	25.7%	0.2%	$27.82	48,977	98,483
CENTRAL LOOP	37,758,848	547,230	28.5%	2.6%	28.1%	0.2%	$37.30	(266,973)	(966,829)
CLASS A	13,355,968	890,398	26.1%	4.4%	21.1%	0.1%	$48.57	(277,073)	(408,241)
CLASS B	23,841,809	496,704	30.2%	1.6%	32.3%	0.2%	$36.90	(6,558)	(630,094)
CLASS C	561,071	93,512	15.5%	0.0%	15.7%	0.0%	$16.76	16,658	71,506
EAST LOOP	25,598,356	511,967	34.0%	2.8%	29.8%	1.6%	$35.79	20,770	(446,288)
CLASS A	13,747,752	1,057,519	30.1%	3.6%	27.4%	1.5%	$36.26	(31,794)	(220,441)
CLASS B	8,093,135	425,954	41.3%	2.8%	34.0%	2.4%	$30.00	64,362	(210,177)
CLASS C	3,757,469	208,748	32.6%	0.1%	29.5%	0.0%	$30.45	(11,798)	(15,670)
FULTON MARKET	9,789,768	109,997	16.7%	5.8%	15.5%	2.7%	$38.33	(7,537)	220,130
CLASS A	5,650,834	282,542	11.8%	8.3%	11.5%	4.2%	$53.92	38,231	286,924
CLASS B	2,719,772	60,439	26.4%	2.0%	23.6%	1.0%	$38.91	(66,563)	(37,248)
CLASS C	1,419,162	59,132	17.6%	3.4%	16.2%	0.0%	$27.08	20,795	(29,546)
N. MICHIGAN AVENUE	10,865,018	285,922	28.6%	4.6%	23.8%	3.2%	$39.89	(14,938)	(85,017)
CLASS A	5,256,953	525,695	34.6%	7.3%	25.2%	5.9%	$49.94	(13,820)	(32,024)
CLASS B	5,422,126	208,543	23.1%	2.0%	22.5%	0.7%	$29.94	(1,118)	(56,243)
CLASS C	185,939	92,970	19.5%	2.7%	19.5%	2.7%	-	0	3,250
RIVER NORTH	18,695,049	169,955	25.4%	2.7%	24.4%	1.7%	$45.89	210,179	174,862
CLASS A	12,435,121	829,008	26.0%	3.5%	26.6%	2.1%	$46.61	85,888	(100,852)
CLASS B	4,518,876	69,521	22.4%	1.5%	18.3%	1.1%	$30.39	95,854	152,895
CLASS C	1,741,052	58,035	28.9%	0.1%	23.9%	0.1%	-	28,437	122,819
WEST LOOP	57,885,596	551,291	24.4%	3.7%	21.0%	1.9%	$46.12	221,932	(926,704)
CLASS A	46,702,525	993,671	22.5%	3.8%	18.9%	2.0%	$48.11	199,030	(706,932)
CLASS B	9,730,920	226,300	32.4%	3.8%	29.4%	1.9%	$41.28	28,017	(165,896)
CLASS C	1,452,151	96,810	31.0%	0.8%	31.6%	0.8%	$29.44	(5,115)	(53,876)

FIGURE 04

Occupancy & Direct Rent

Source: *CoStar* | Data as of December 31, 2025

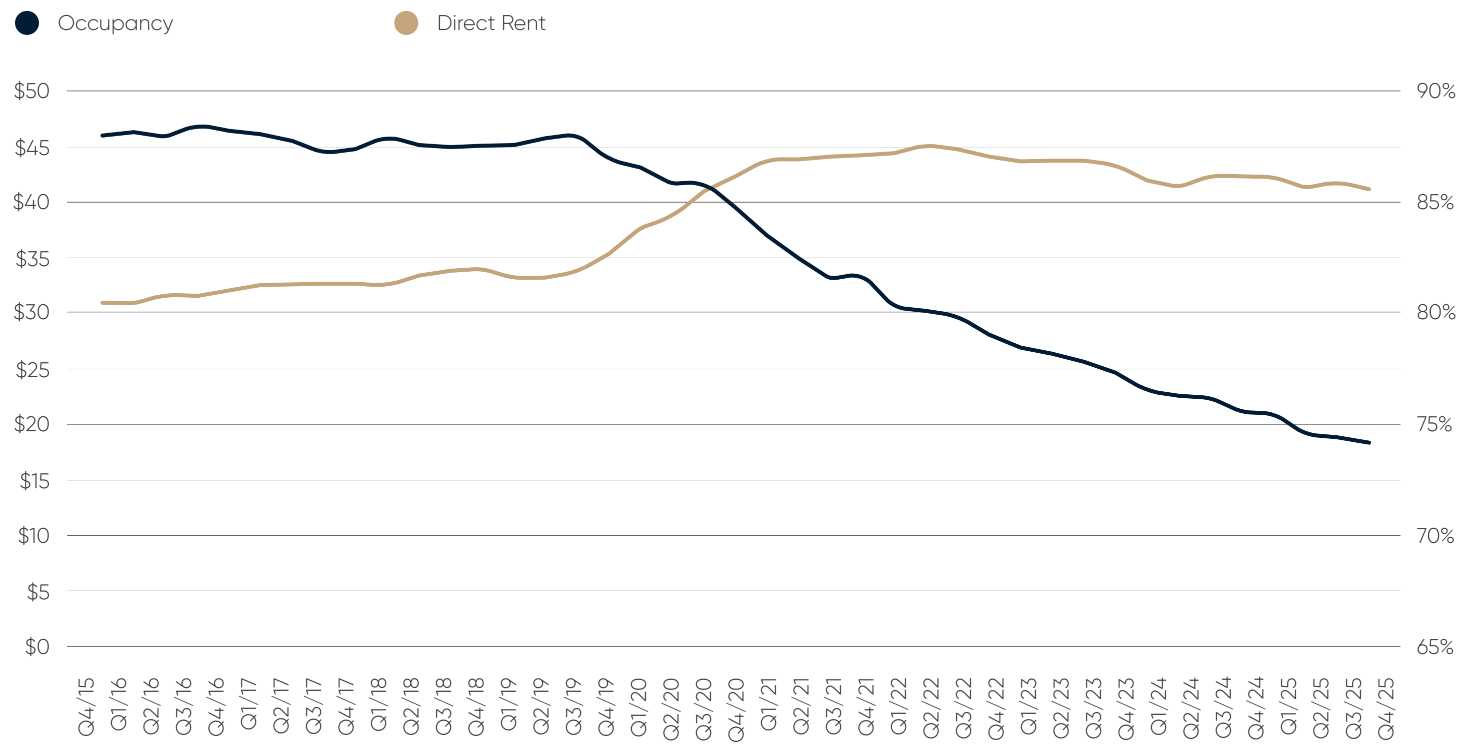
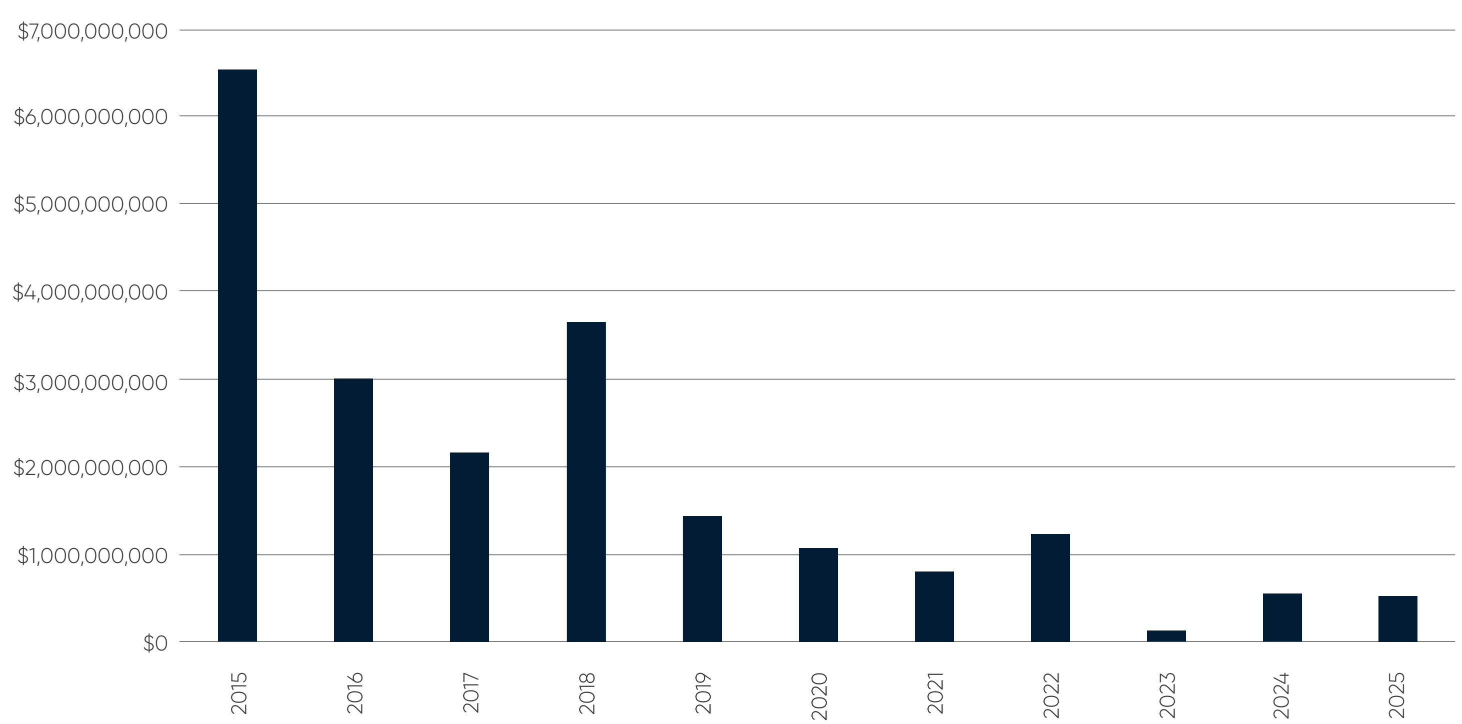


FIGURE 05

Sales Volume

Source: *CoStar* | Data as of December 31, 2025



CENTRAL LOOP

- The Central Loop direct vacancy rate was 28.1% in Q4/25, above the CBD average of 26.8%.
- The submarket recorded negative net absorption of 266,973 SF and was the worst-performing submarket in Q4/25 as the market continues to face direct vacancy headwinds.
- Gross asking rents for the submarket were $37.30 per square foot, nearly $4 below the CBD average of $41.41.
- Sargent & Lundy remained steadfastly committed to the Chicago market with an expansion of 66,000 SF at 77 W. Wacker Dr., tacking on more space after previously committing to 380,000 SF at the building in a relocation slated for next year.

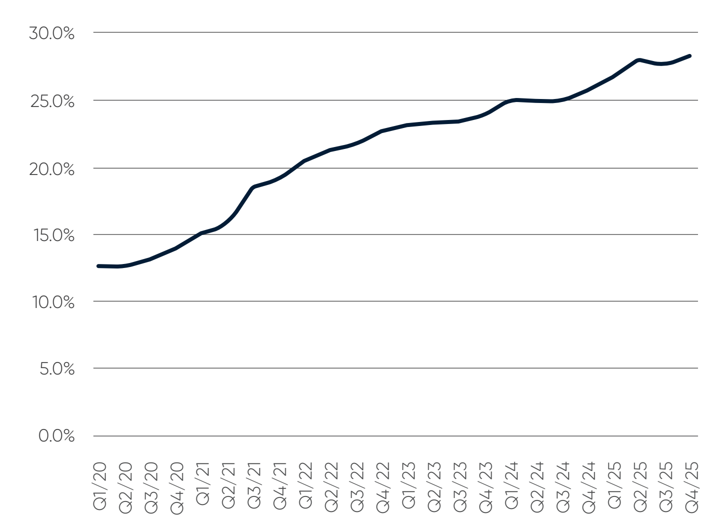
MARKET MOVEMENT

EXPANSION
SARGENT & LUNDY
77 W. Wacker Dr.
(66,000 SF)

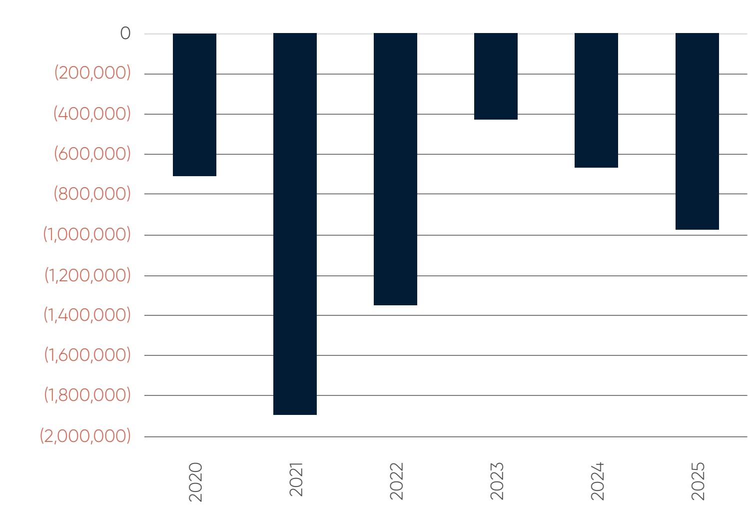
NEW LEASE
SINGH & ASSOCIATES
20 S. Clark St
(19,335 SF)

INVESTMENT SALE
NAMDAR REALTY GROUP
190 S. LaSalle St.
(798,782 SF)

DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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CENTRAL LOOP	37,758,848	547,230	28.5%	2.6%	28.1%	0.2%	$37.30	(266,973)	(966,829)
CLASS A	13,355,968	890,398	26.1%	4.4%	21.1%	0.1%	$48.57	(277,073)	(408,241)
CLASS B	23,841,809	496,704	30.2%	1.6%	32.3%	0.2%	$36.90	(6,558)	(630,094)
CLASS C	561,071	93,512	15.5%	0.0%	15.7%	0.0%	$16.76	16,658	71,506

EAST LOOP

- Direct vacancy in the East Loop remains a major driver of the CBD average, with Q4/25 recording a 29.8% vacancy rate in the submarket, well above the CBD average of 26.8%.
- The submarket recorded positive net absorption of 20,770 SF, marking the first quarter of positive net absorption in nine quarters.
- The East Loop had the lowest gross asking rate in the CBD at $35.79 per square foot.
- Hireology's new lease for 30,662 SF at 24 E. Washington Ave. provided positive momentum even as the submarket faces vacancy headwinds and limited leasing activity.

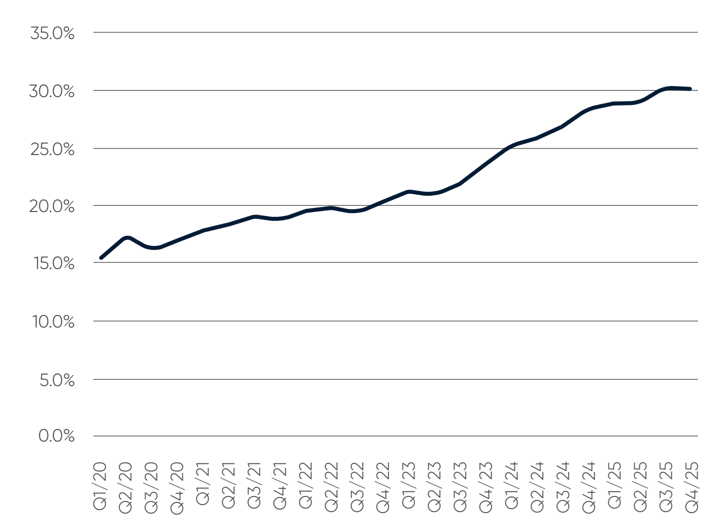
MARKET MOVEMENT

NEW LEASE
HIREOLOGY
24 E. Washington Ave.
(30,662 SF)

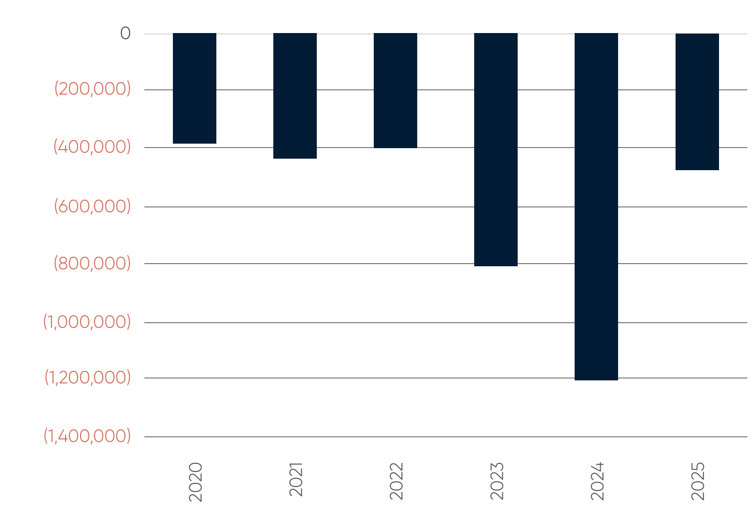
RENEWAL
RBN INSURANCE SERVICES
303 E. Wacker Dr.
(13,358 SF)

INVESTMENT SALE
MARC CALABRIA
401 S. State St.
(487,022 SF)

DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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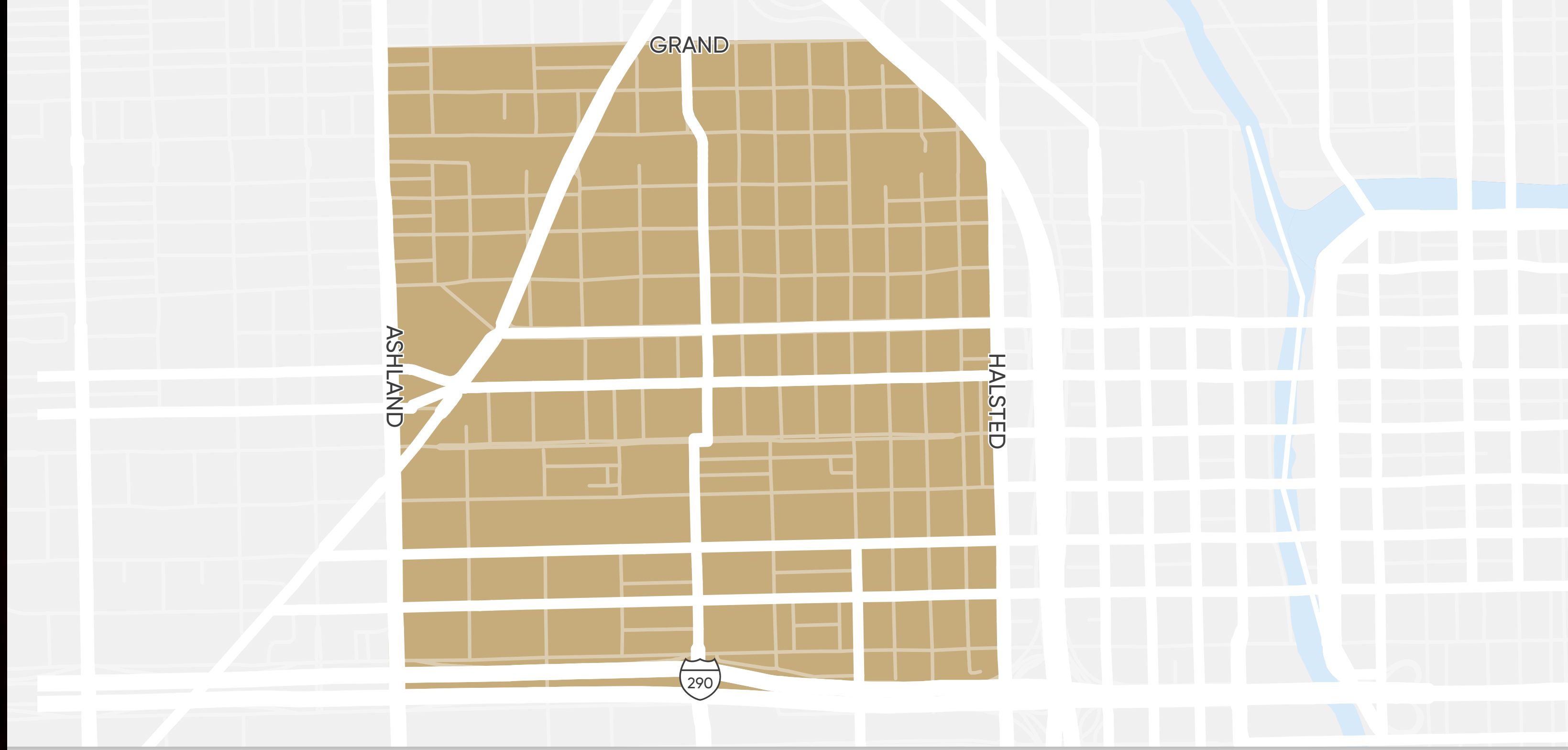
CLASS A	13,747,752	1,057,519	30.1%	3.6%	27.4%	1.5%	$36.26	(31,794)	(220,441)
CLASS B	8,093,135	425,954	41.3%	2.8%	34.0%	2.4%	$30.00	64,362	(210,177)
CLASS C	3,757,469	208,748	32.6%	0.1%	29.5%	0.0%	$30.45	(11,798)	(15,670)

FULTON MARKET

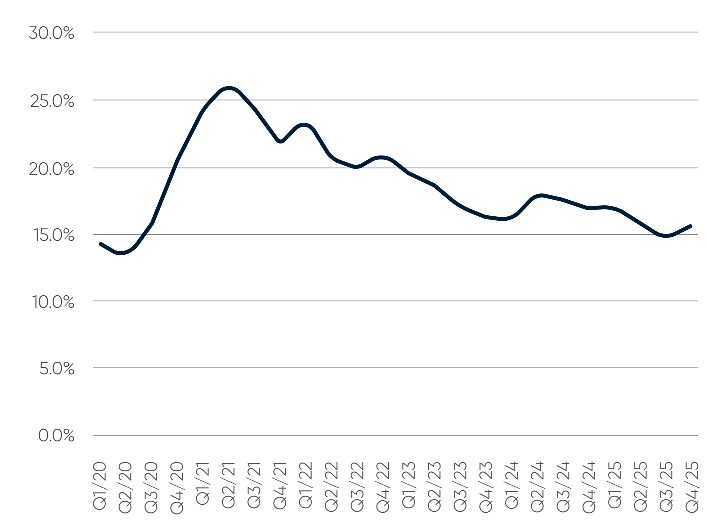
- Fulton Market's direct vacancy rate remained the lowest in the CBD at 15.5% in Q4/25, significantly outperforming the CBD average of 24.3%.
- The submarket recorded a slightly negative net absorption of 7,537 SF despite consistent tenant demand.
- Major commitments during the quarter included Norton Rose Fulbright's 31,953-SF renewal at 1045 W. Fulton St. and Alliant Insurance Services' 26,184-SF new lease at 360 N. Green St.
- 1020 W. Randolph St. traded hands as Zurich purchased the five-story, nearly 32,000-SF building for $18 million from L3 Capital. The property previously traded for $19.2 million in 2019 as part of a portfolio sale that included a nearby parking lot and 932 W. Randolph St.

MARKET MOVEMENT

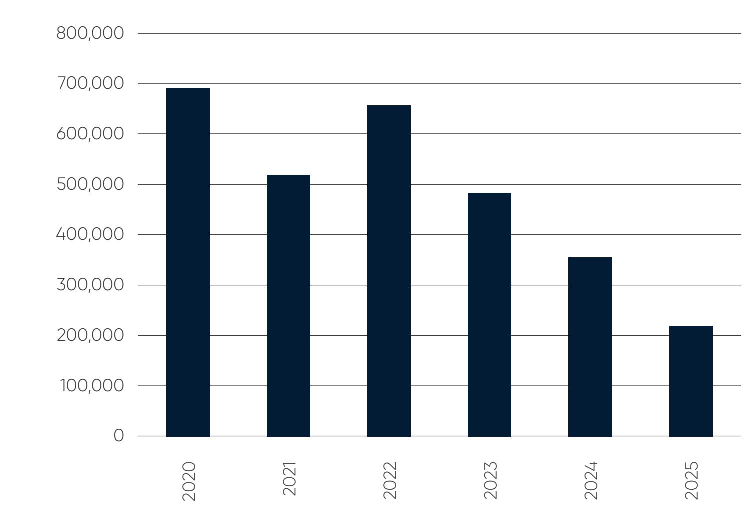
RENEWAL	NEW LEASE	INVESTMENT SALE
NORTON ROSE FULBRIGHT 1045 W. Fulton St. (31,953 SF)	ALLIANT INSURANCE SERVICES 360 N. Green St. (26,184 SF)	ZURICH 1020 W. Randolph St. (31,971 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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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	Q4/25 NET ABSORPTION	2025 NET ABSORPTION
FULTON MARKET	9,789,768	109,997	16.7%	5.8%	15.5%	2.7%	$38.33	(7,537)	220,130
CLASS A	5,650,834	282,542	11.8%	8.3%	11.5%	4.2%	$53.92	38,231	286,924
CLASS B	2,719,772	60,439	26.4%	2.0%	23.6%	1.0%	$38.91	(66,563)	(37,248)
CLASS C	1,419,162	59,132	17.6%	3.4%	16.2%	0.0%	$27.08	20,795	(29,546)

NORTH MICHIGAN AVENUE

- North Michigan Avenue direct vacancy continued to outperform the CBD average in Q4/25, ending the year at 23.8%, slightly below the CBD average of 24.3%.
- The submarket recorded negative net absorption of 14,938 SF in Q4/25, the second-worst performance among CBD submarkets.
- North Michigan Avenue remained competitive with the third-highest gross asking rate in the CBD at $39.89 per square foot, despite vacancy headwinds and limited transaction volume.
- Notable activity included PHMG's 15,432-SF renewal at 401 N. Michigan Ave. and National Cable Communications' 15,068-SF renewal at 444 N. Michigan Ave.

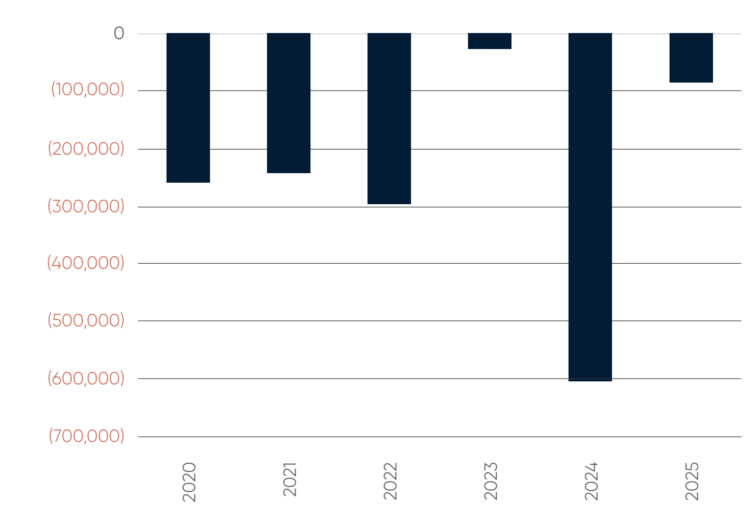
MARKET MOVEMENT

RENEWAL
PHMG
401 N. Michigan Ave.
(15,432 SF)

RENEWAL
NATIONAL CABLE COMMUNICATIONS
444 N. Michigan Ave.
(15,068 SF)

DIRECT VACANCY RATE

DIRECT NET ABSORPTION (SF)



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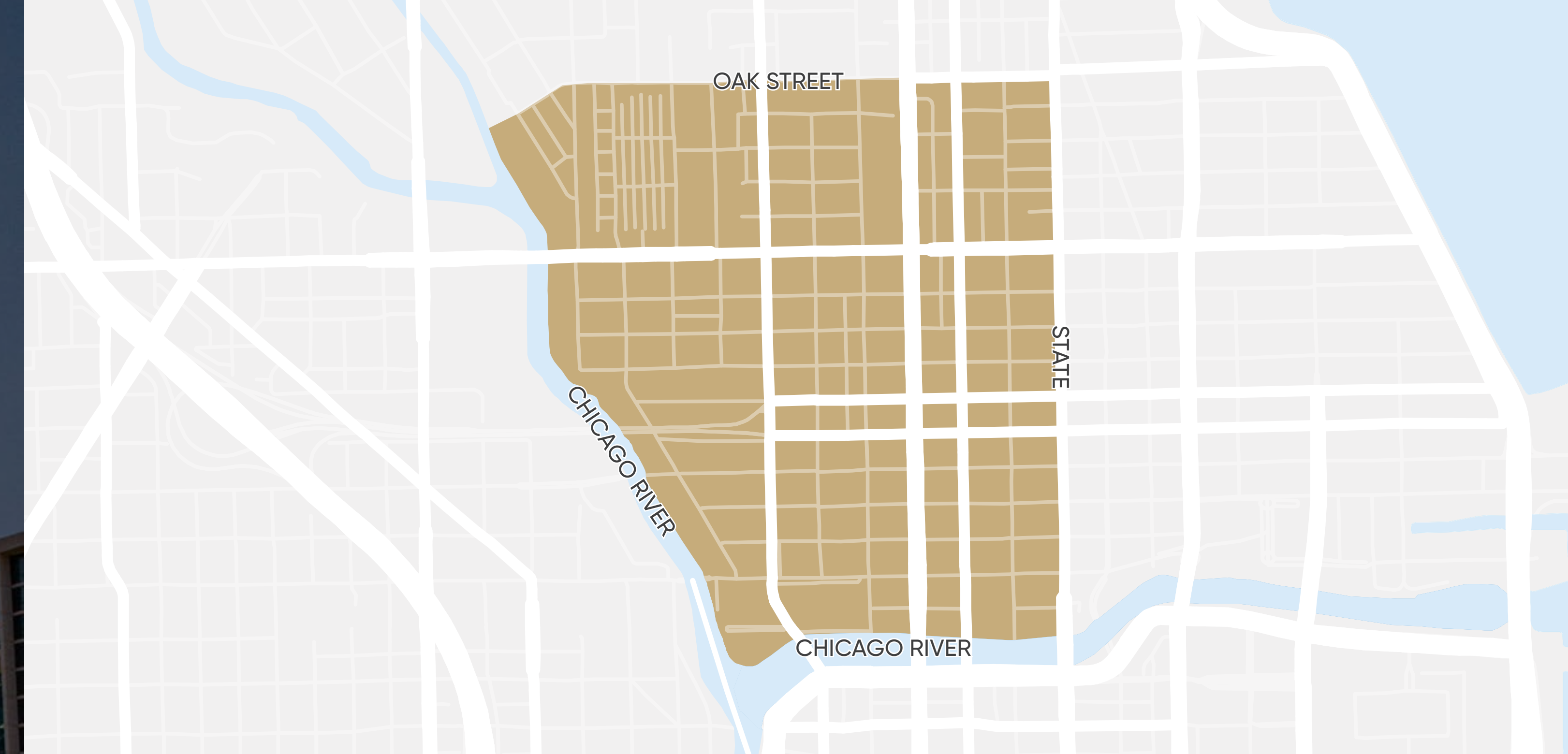
N. MICHIGAN AVENUE	10,865,018	285,922	28.6%	4.6%	23.8%	3.2%	$39.89	(14,938)	(85,017)
CLASS A	5,256,953	525,695	34.6%	7.3%	25.2%	5.9%	$49.94	(13,820)	(32,024)
CLASS B	5,422,126	208,543	23.1%	2.0%	22.5%	0.7%	$29.94	(1,118)	(56,243)
CLASS C	185,939	92,970	19.5%	2.7%	19.5%	2.7%	-	0	3,250

RIVER NORTH

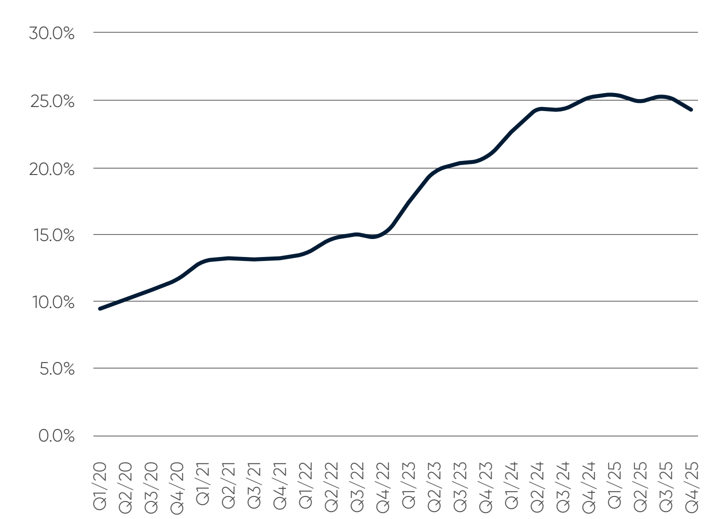
- River North recorded an improvement in direct vacancy from Q3/25, finishing the year at 24.4%, slightly above the CBD average of 24.3%.
- The submarket posted the second-highest net absorption, recording positive net absorption of 210,179 SF in Q4/25 after seeing negative absorption in the prior quarter.
- Gross asking rents in River North remained competitive at $45.89 per square foot, just $0.23 below the top submarket (West Loop) and comfortably above the CBD average of $41.41.
- Notable leasing activity included AAR Corp.'s new lease commitment of 90,000 SF at The Mart, the second-largest deal of the quarter. Big Ten Network also recommitted to 58,000 SF at 600 W. Chicago Ave.

MARKET MOVEMENT

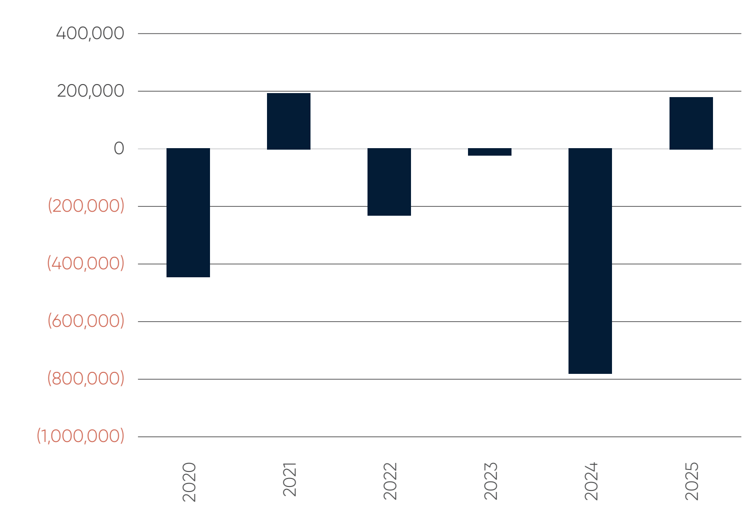
NEW LEASE	RENEWAL	INVESTMENT SALE
AAR CORP.	BIG TEN NETWORK	THE CONCORD CONSULTING GROUP
222 Merchandise Mart Plaza	600 W. Chicago Ave.	440 W. Ontario St.
(90,000 SF)	(58,000 SF)	(25,628 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



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RIVER NORTH	18,695,049	169,955	25.4%	2.7%	24.4%	1.7%	$45.89	210,179	174,862
CLASS A	12,435,121	829,008	26.0%	3.5%	26.6%	2.1%	$46.61	85,888	(100,852)
CLASS B	4,518,876	69,521	22.4%	1.5%	18.3%	1.1%	$30.39	95,854	152,895
CLASS C	1,741,052	58,035	28.9%	0.1%	23.9%	0.1%	-	28,437	122,819

WEST LOOP

- Direct vacancy in the West Loop improved to 21.0% in Q4/25 and continued to outperform the CBD average of 24.3% at year-end.
- The submarket recorded the highest positive net absorptionn at 221,932 SF, significantly contributing to positive overall CBD absorption in Q4/25.
- USG Corporation's 165,000-SF renewal at 550 W. Adams St. was the largest downtown deal of the quarter, followed by Wolverine Trading's 82,578-SF new lease at the Old Post Office.
- A joint venture between The Stahl Organization and Hines purchased the leasehold interest in the 777,358-SF Boeing Building for $22 million, three years after Boeing moved top executives to Washington, D.C. Stahl already owned the ground beneath the tower.

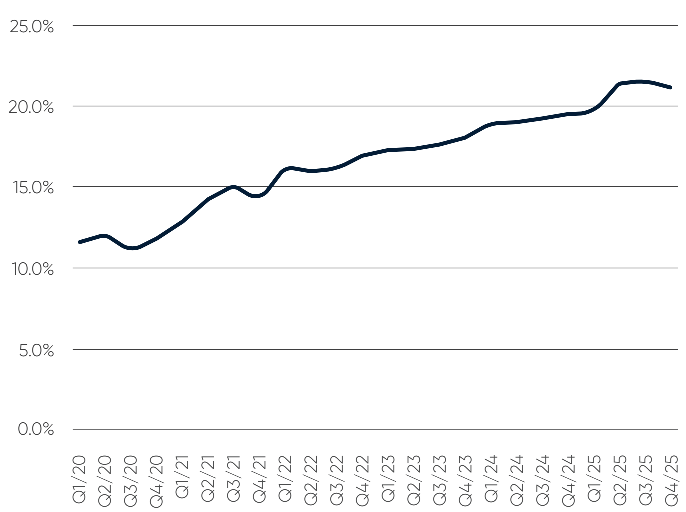
MARKET MOVEMENT

RENEWAL
USG CORPORATION
550 W. Adams St.
(165,000 SF)

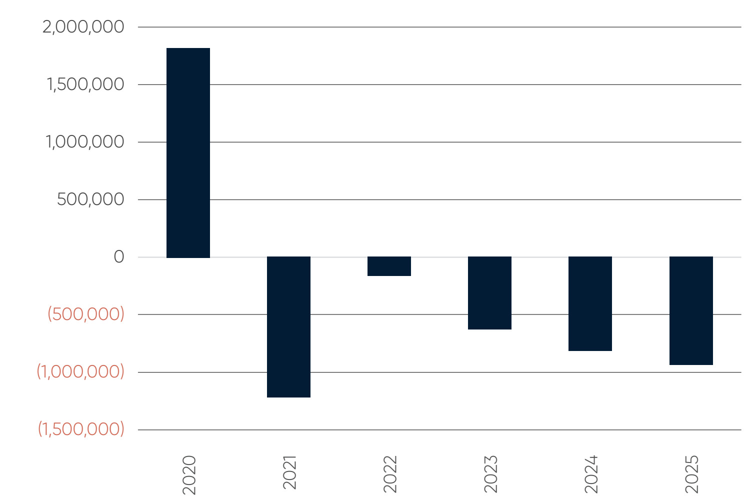
NEW LEASE
WOLVERINE TRADING
433 W. Van Buren St.
(82,578 SF)

INVESTMENT SALE
STAHL ORGANIZATION & HINES
Boeing Building
(777,358 SF)

DIRECT VACANCY RATE



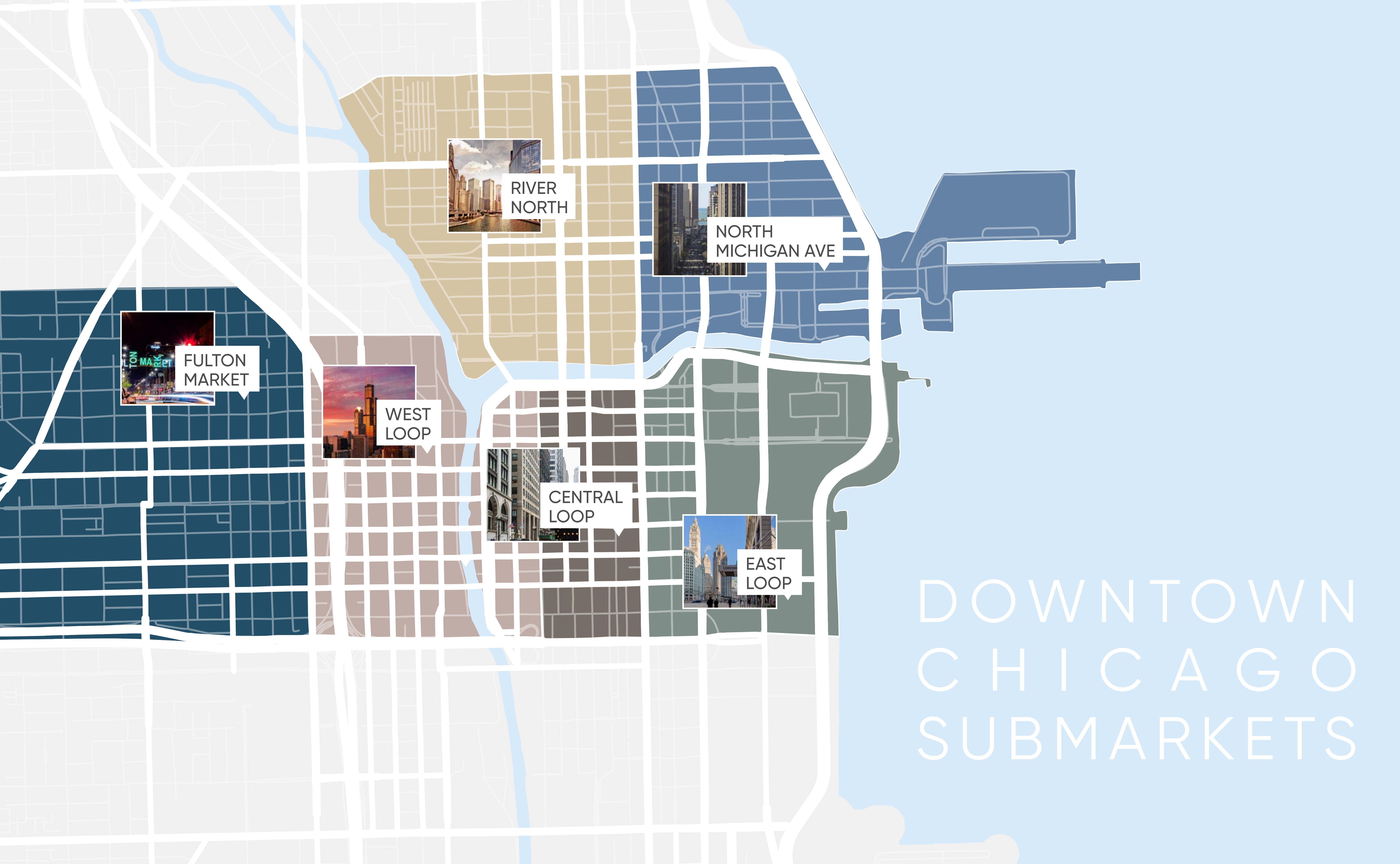
DIRECT NET ABSORPTION (SF)



Source: *CoStar* | Data as of December 31, 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	Q4/25 NET ABSORPTION	2025 NET ABSORPTION
WEST LOOP	57,885,596	551,291	24.4%	3.7%	21.0%	1.9%	$46.12	221,932	(926,704)
CLASS A	46,702,525	993,671	22.5%	3.8%	18.9%	2.0%	$48.11	199,030	(706,932)
CLASS B	9,730,920	226,300	32.4%	3.8%	29.4%	1.9%	$41.28	28,017	(165,896)
CLASS C	1,452,151	96,810	31.0%	0.8%	31.6%	0.8%	$29.44	(5,115)	(53,876)

DOWNTOWN CHICAGO SUBMARKETS



BRADFORD ALLEN

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