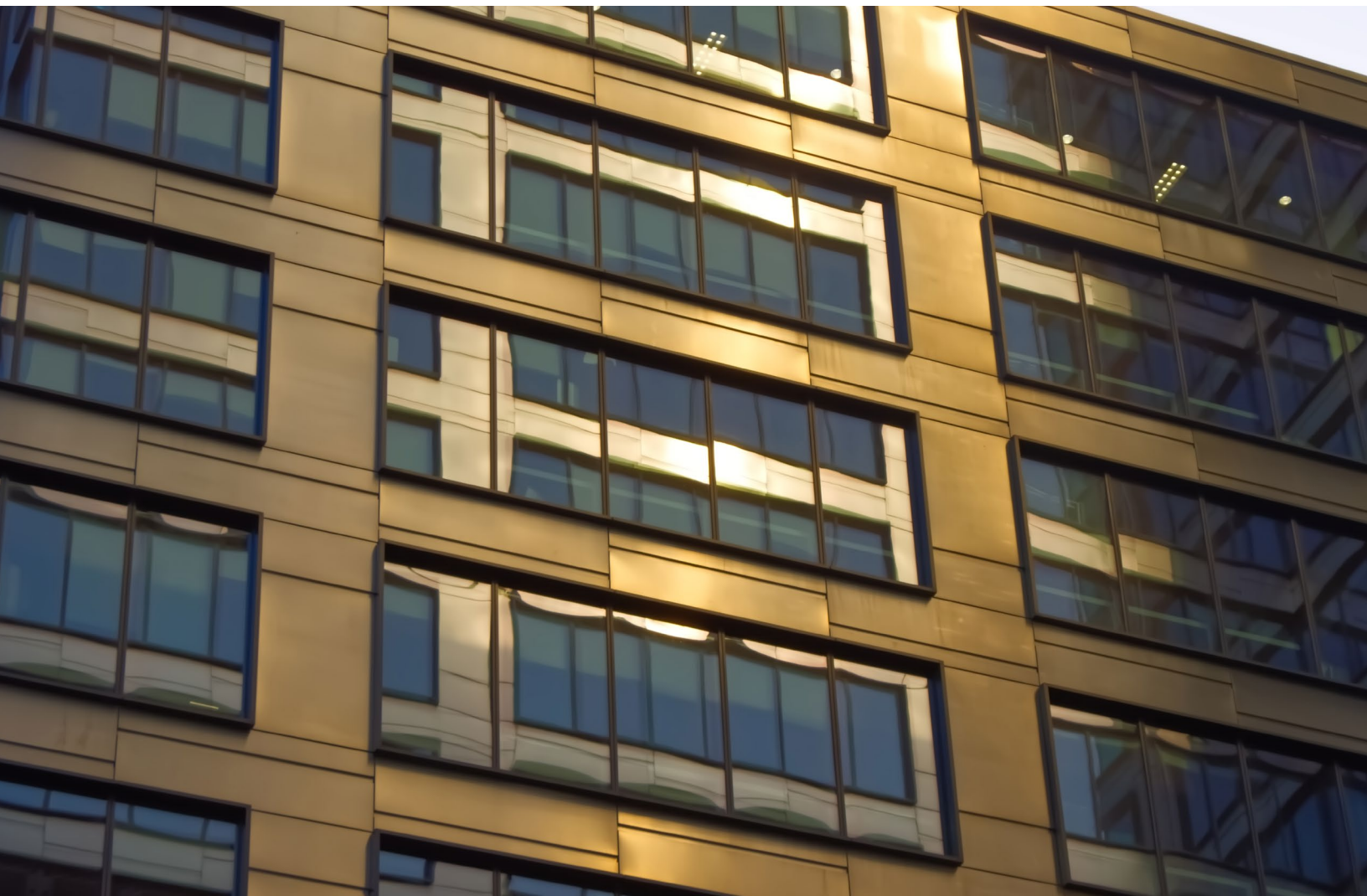


YEAR-END 2024 OFFICE MARKET REPORT

Suburban Chicago



CONTENTS

Market Overview	4
Comparisons, Indicators, & Trends	6
East-West Corridor	10
Northern Suburbs	12
Northwest Suburbs	14
O'Hare	16
Suburban Chicago Submarkets Map	18

POSITIVE MOMENTUM IN HIGH-QUALITY PRODUCT AMID MARKET-WIDE WEAKNESS

The suburban Chicago office market vacancy rate was effectively unchanged at 24.6% in the second half of the year, while average gross asking rates reached \$27.53 per square foot. Net absorption was similarly stable compared to the first half of the year, with a negative 578,000 square feet of net absorption in the second half of 2024. For the year, net absorption was approximately negative 1.4 million square feet, significantly worse than 2023's negative 80,000 square feet.

Despite weak overall demand, the market had positive momentum. Built-out vacant spaces, which commanded 38% of leasing activity, were particularly competitive. Sublet leasing had similarly positive momentum, with vacancy decreasing to a mere 0.7%.

Contrary to the dire headlines, most of the market's distress lies in older, poorly located properties, which account for only 2.7% of the market's overall inventory. Many of these property owners lack the capital necessary to effectively compete with newer, better-located properties. With \$2.55 billion of suburban office debt maturing before 2027, distress will continue to influence investment decisions. Discounted valuations would offer investors the opportunity to enter the market at a low basis, allowing the financial flexibility needed for renovations and effective leasing programs.

The trend of discounted deals continued, with properties trading hands for an average discount of 17% less than their previous purchase price.

Leasing Activity

Leasing activity was steady with 2.9 million square feet of deals in the second half of the year, bringing full-year leasing to 5.7 million square feet.

Spec suites and built-out spaces commanded the majority of leasing activity, reinforcing the importance of financially capable owners who are committing capital to leasing programs and physical improvements.

Time after time, prudent capital expenditure has helped owners combat vacancies. For instance, Sovereign Partners, a firm specializing in high-vacancy turnarounds, leased 300,000 square feet after investing \$29 million into Two Pierce Place. The property has [since been listed for sale](#), and though the asking price is not public, it is expected to be far above the \$24 million the firm paid in 2022.

The Chicago suburban office market notched several big wins in the second half of the year, with the largest lease belonging to [medical supply giant Medline](#), which leased 210,000 square feet in Northbrook. The deal brings the company's total Chicagoland footprint to 3.8 million square feet.

Co-working firms expanded in the suburbs, with [IWG adding eight locations](#) and Venture X looking to open an additional three to four. Though they only account for 8.3% of the market, the growing number of options caters to a greater variety of professionals and increases office use.

Investment Sales

By year-end, \$368 million had traded hands, exceeding 2023's \$270 million but trailing 2019's \$466 million. Interest rate cuts stimulated increased financing activity, allowing hungry investors to snag discounted deals. This includes the \$35 million purchase of the [Innovation Park of Lake County](#) by a venture of R2 and JDI Realty, far less than the seller spent on renovations. In line with market trends, the new owners plan to invest in move-in-ready spec suites.

What sets the property apart from the market is its unique user experience, which the buyers attribute to its capacity for mixed-use tenants.

The largest purchase in the latter half of the year was Patrick Halloran's \$62 million acquisition of President's Plaza, a [deal](#) that wiped out seller TPG Angelo Gordon and Glenstar's equity in the property. Despite pouring \$34 million into upgrades, the former owners left the building only 72.8% leased.

SUBURBAN CHICAGO

YEAR-END 2024 SNAPSHOT



(578,093) SF

Direct Net Absorption H2/24



24.6%

Direct Vacancy Rate



\$27.53/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 over the last four quarters.

FIGURE 01

Average Deal Size (SF)

Source: CoStar | Data as of January 10, 2025

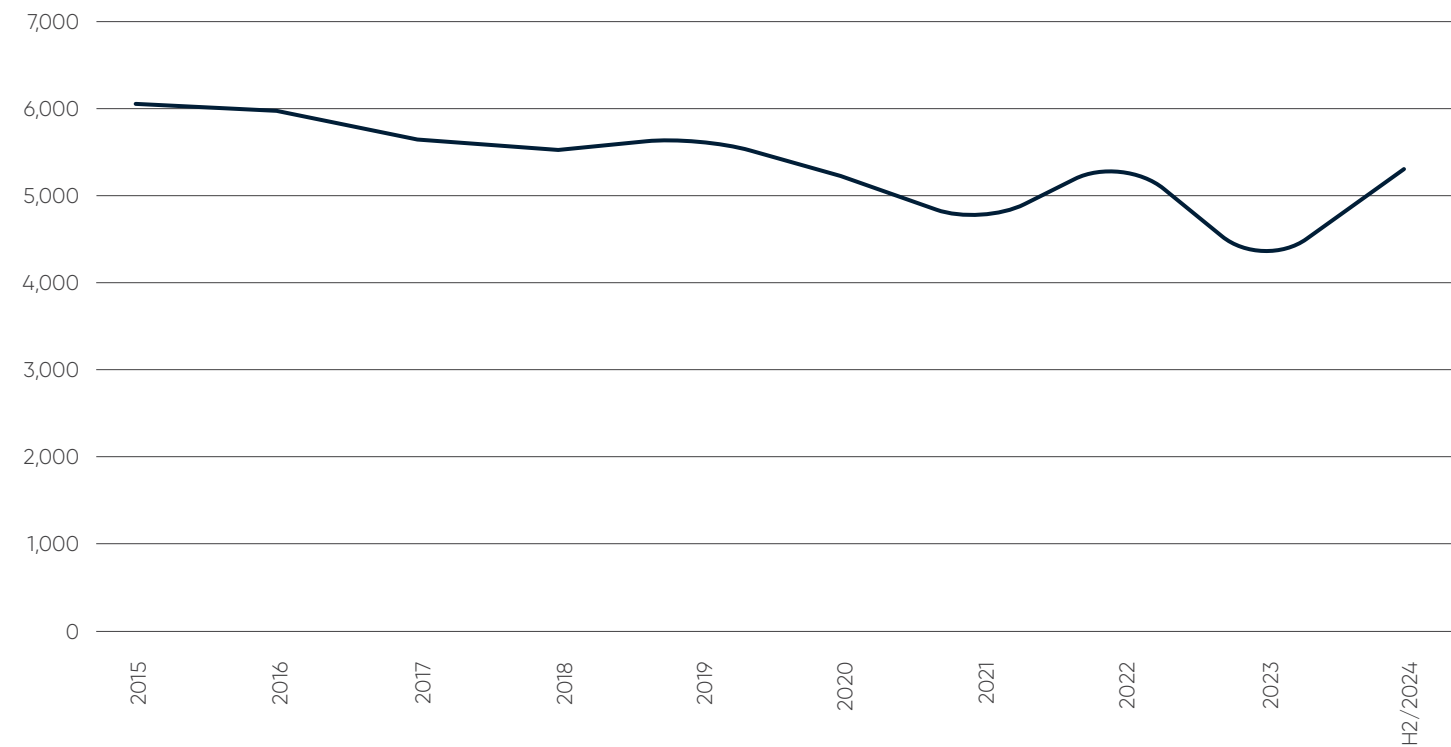
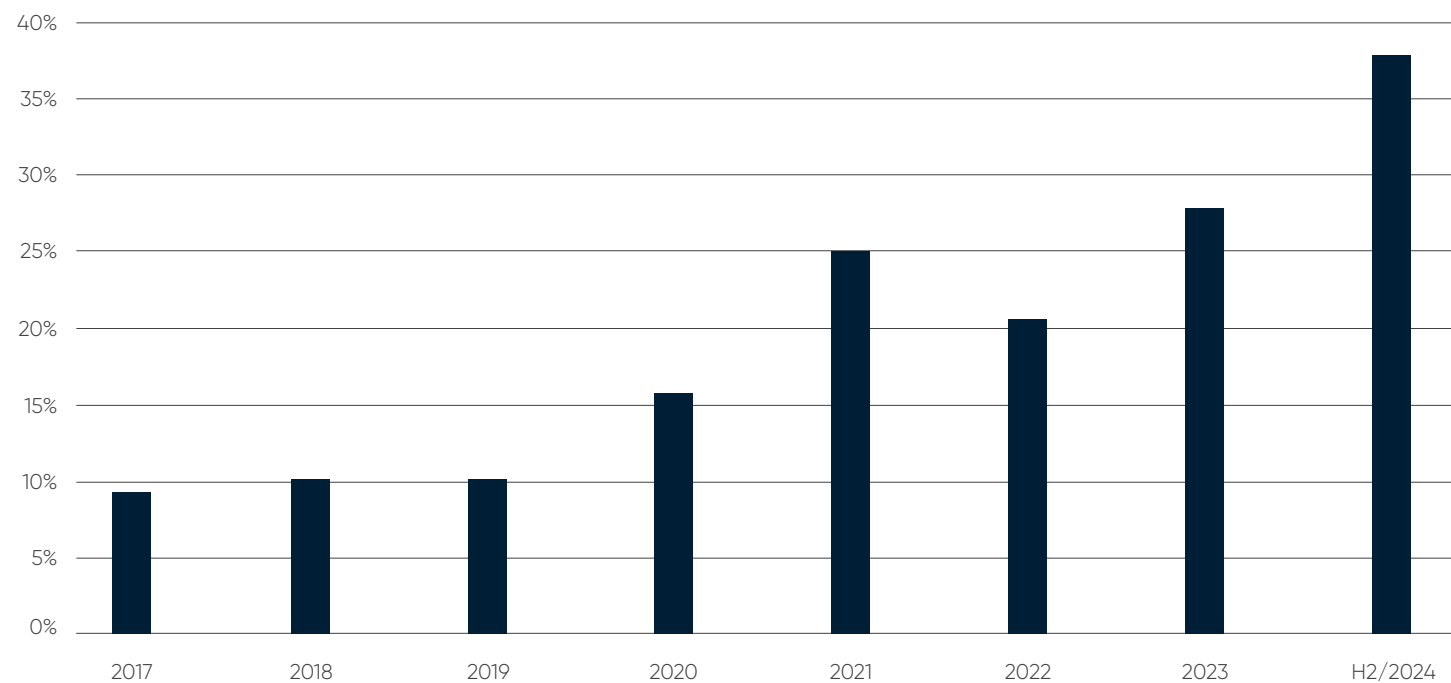


FIGURE 02

Move-In Ready Suites: Leasing Activity

Source: CoStar | Data as of January 10, 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 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	H2/24 Net Absorption
ALL SUBURBAN	95,189,540	102,465	24.5%	2.2%	24.6%	0.7%	\$27.53	(578,093)
CLASS A	41,748,101	214,093	28.6%	3.2%	25.8%	0.8%	\$32.26	11,593
CLASS B	53,441,439	72,809	21.3%	1.5%	23.6%	0.6%	\$22.57	(589,686)
E/W CORRIDOR	37,779,515	91,569	24.74%	1.90%	22.50%	0.47%	\$25.42	(501,526)
EAST	22,032,514	103,927	26.5%	2.0%	22.7%	0.5%	\$26.48	(244,430)
CLASS A	8,941,677	207,946	27.1%	1.5%	23.8%	0.3%	\$30.65	217,446
CLASS B	13,090,837	77,461	26.0%	2.4%	21.9%	0.6%	\$23.52	(461,876)
WEST	15,747,001	74,278	22.3%	1.7%	22.2%	0.5%	\$23.93	(257,096)
CLASS A	5,085,497	188,352	30.3%	1.4%	23.2%	0.0%	\$27.54	(74,949)
CLASS B	10,661,504	57,630	18.5%	1.8%	21.8%	0.7%	\$21.10	(182,147)
NORTHERN	22,778,717	96,545	20.80%	2.30%	24.22%	0.69%	\$28.03	49,443
NORTH	17,912,627	97,351	21.4%	2.9%	23.8%	0.9%	\$27.57	(89,851)
CLASS A	7,216,908	156,889	25.7%	5.8%	28.0%	1.0%	\$31.29	(191,962)
CLASS B	10,695,719	77,505	18.6%	0.9%	21.0%	0.8%	\$24.10	102,111
SOUTH	4,866,090	93,579	18.4%	0.1%	25.6%	0.0%	\$29.69	139,294
CLASS A	2,326,565	211,506	22.1%	0.2%	26.7%	0.1%	\$31.14	46,900
CLASS B	2,539,525	61,940	15.0%	0.0%	24.6%	0.0%	\$27.72	92,394
NORTHWEST	22,785,944	120,317	28.55%	2.25%	31.08%	0.50%	\$25.94	(71,804)
I-35	4,151,364	106,445	14.5%	2.9%	17.6%	0.6%	\$23.90	121,701
CLASS A	2,221,993	277,749	20.0%	3.7%	17.9%	1.0%	\$25.18	88,084
CLASS B	1,929,371	62,238	8.1%	1.9%	17.3%	0.3%	\$20.27	33,617
SCHAUMBURG	18,634,580	123,408	31.7%	2.1%	34.1%	0.5%	\$26.40	(193,505)
CLASS A	9,407,808	293,994	35.2%	3.2%	32.7%	0.7%	\$31.37	(22,994)
CLASS B	9,226,772	77,536	28.1%	1.0%	35.4%	0.2%	\$20.04	(170,511)
O'HARE	11,845,364	149,941	23.1%	3.0%	19.3%	1.6%	\$36.83	(54,206)
CLASS A	6,547,653	233,845	28.1%	4.6%	20.4%	1.9%	\$42.93	(50,932)
CLASS B	5,297,711	103,877	17.0%	1.0%	17.8%	1.3%	\$24.35	(3,274)

FIGURE 04

Absorption (SF)

Source: CoStar | Data as of January 9, 2025

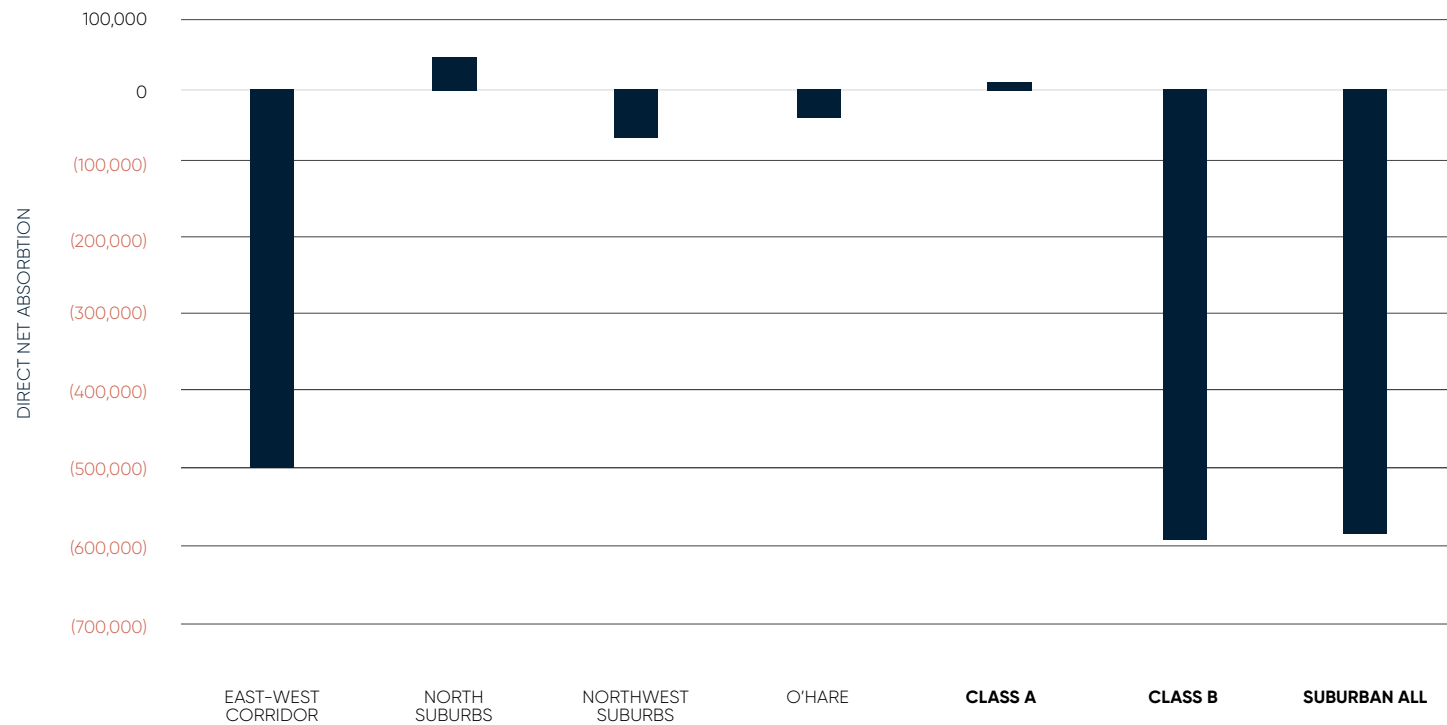


FIGURE 06

Sales Volume

Source: CoStar | Data as of January 9, 2025

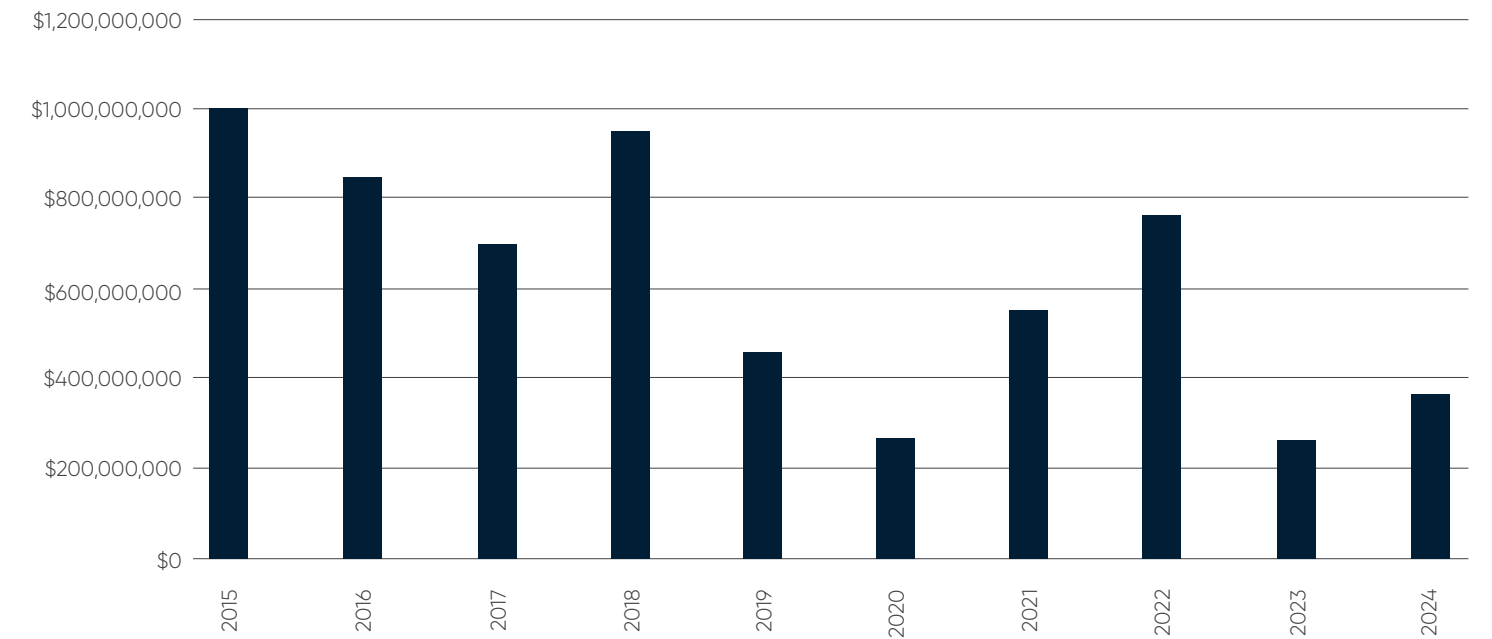


FIGURE 05

Product Pipeline

Source: CoStar | Data as of January 9, 2025

SUBMARKET	PROPERTY ADDRESS	RBA (SF)	BUILDING STATUS	DELIVERY YEAR
SCHAUMBURG AREA	1903 N. Roselle Road	34,821	Proposed	2026
EASTERN EAST/WEST CORR	1800 S. York Road	35,000	Proposed	2025
O'HARE	8601 W. Higgins Road	600,000	Proposed	2025
WESTERN EAST/WEST CORR	1200 N. Kirk Road	56,000	Under Construction	2025
WESTERN EAST/WEST CORR	315 S. Main Street	31,656	Proposed	2025
EASTERN EAST/WEST CORR	McDonald Drive	210,000	Proposed	2025
EASTERN EAST/WEST CORR	2149 McDonald Drive	351,000	Proposed	2026
WESTERN EAST/WEST CORR	NWC Warrenville Road & Ferry Road	85,000	Proposed	2025
NEAR NORTH	4999 Old Orchard Center	100,000	Proposed	2026
CENTRAL NORTH	8 Parkway Boulevard N.	250,000	Proposed	2027
WESTERN EAST/WEST CORR	3325 Warrenville Road	243,000	Proposed	2027
WESTERN EAST/WEST CORR	Waterford Drive & Montgomery Road	56,700	Proposed	2025
EASTERN EAST/WEST CORR	1999 York Road	202,965	Proposed	2025
CENTRAL NORTH	791 Elm Street	35,000	Proposed	2026

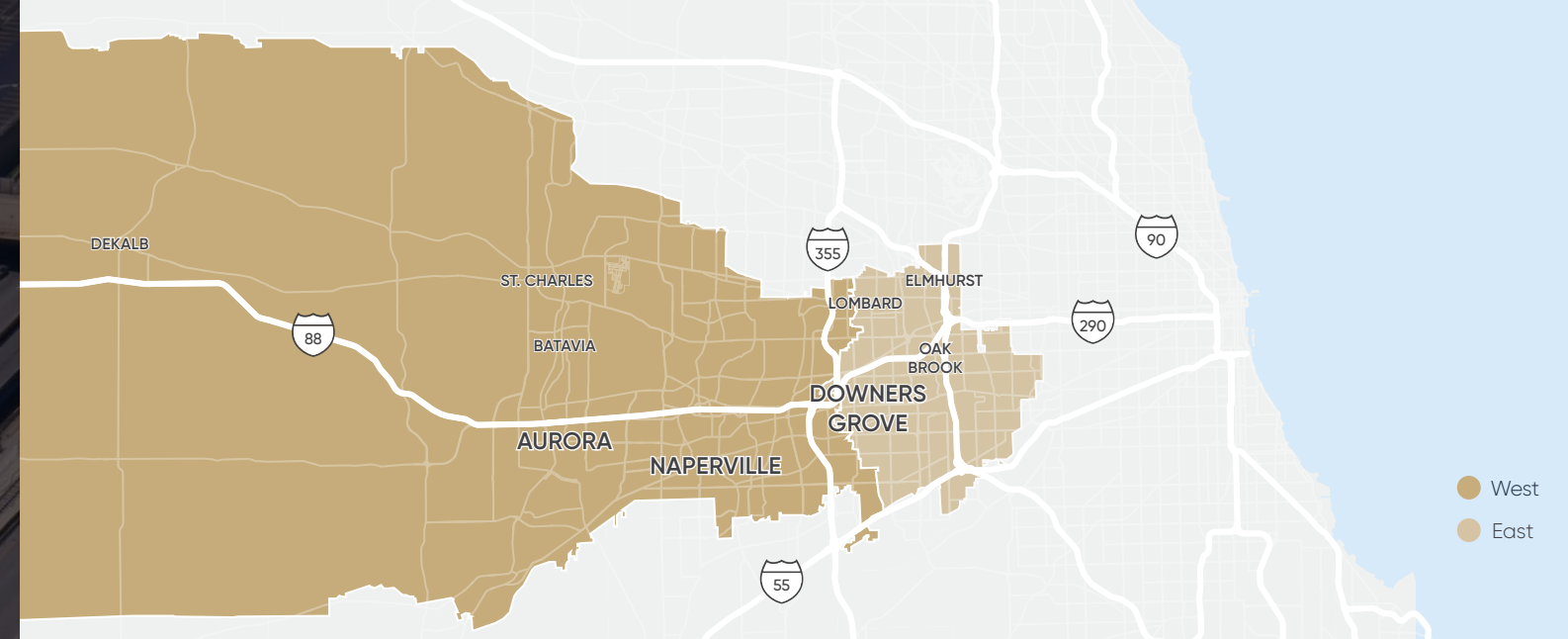


EAST/WEST CORRIDOR

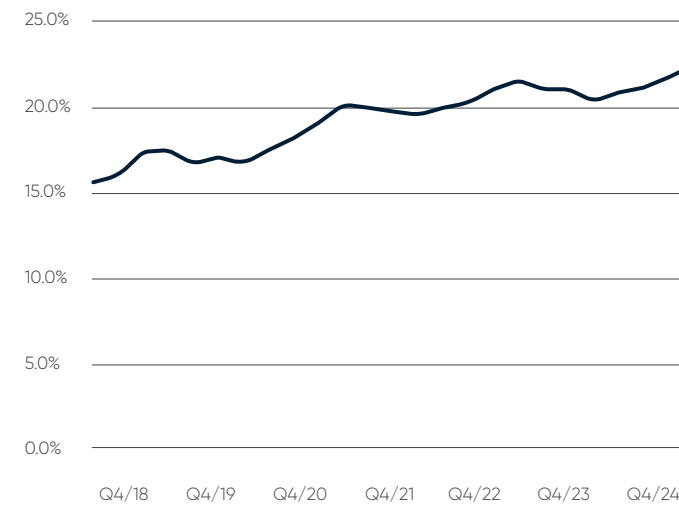
- Direct vacancy ticked up to 22.4%.
- Gross asking rates in the East-West Corridor averaged \$25.42 per square foot, below the market average of \$27.53 per square foot.
- The East-West Corridor had the worst absorption of any submarket in H2/24, reaching negative 501,500 square feet.
- Notably, food distributor KeHE Distributors renewed their 91,000-square-foot lease for the entire property at 1245 E. Diehl Road. Other deals included a 37,800-square-foot lease at 3075 Highland Parkway and a 35,000-square-foot renewal by Westside Mechanical for their space at 2007 Corporate Lane.

MARKET MOVEMENT

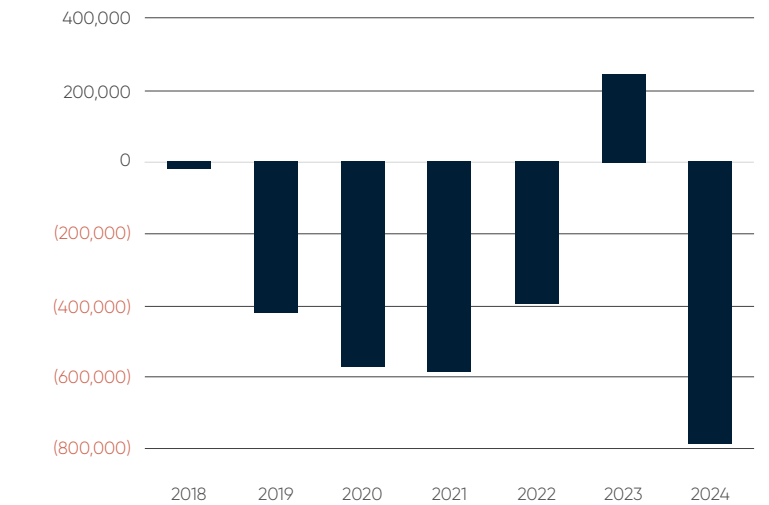
RENEWAL	INVESTMENT SALE	NEW LEASE	RENEWAL
WESTSIDE MECHANICAL 2007 Corporate Lane (35,502 SF)	BILL MCNAUGHTON 535 Plainfield Road, Buildings A (33,832 SF)	UNITE HERE HEALTH 2715 Jorie Boulevard (32,375 SF)	WESTSIDE MECHANICAL 321 N. Clark Street (13,937 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 2025

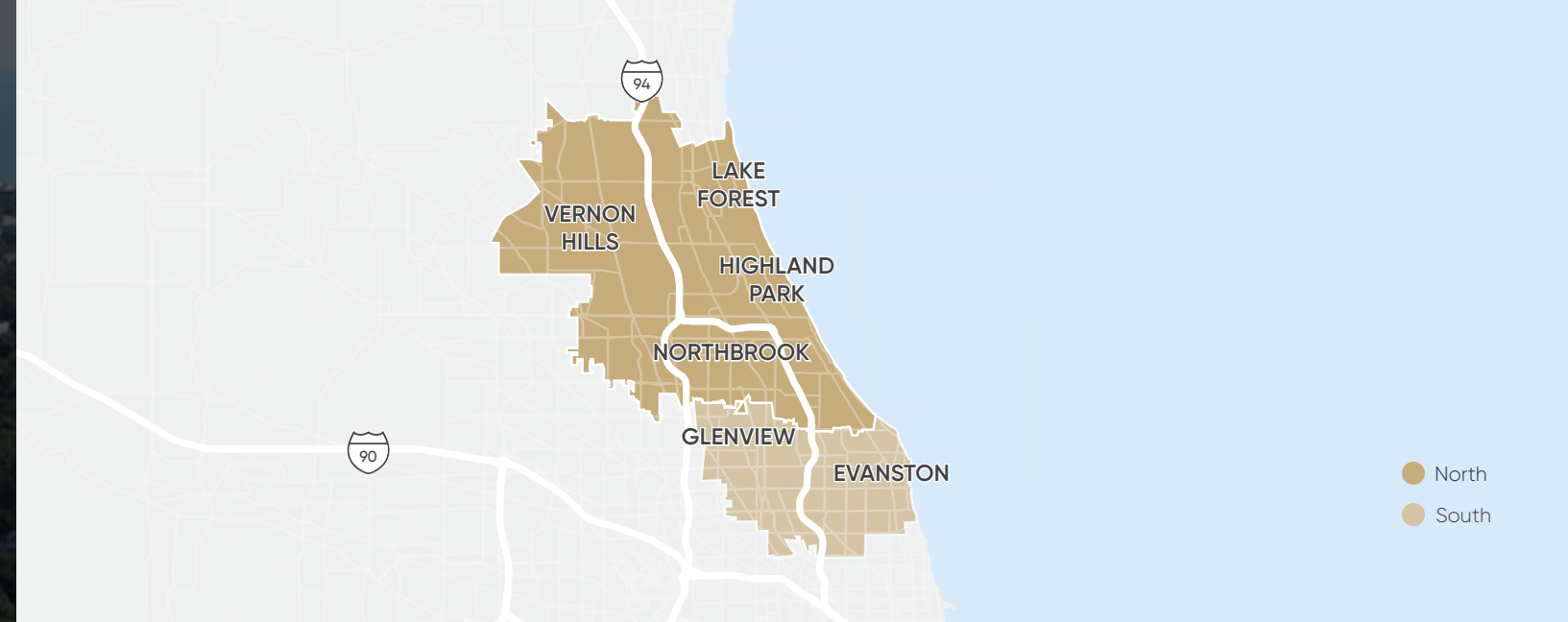
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	H2/24 NET ABSORPTION
E/W CORRIDOR	37,779,515	91,569	24.74%	1.90%	22.50%	0.47%	\$25.42	(501,526)
EAST	22,032,514	103,927	26.5%	2.0%	22.7%	0.5%	\$26.48	(244,430)
CLASS A	8,941,677	207,946	27.1%	1.5%	23.8%	0.3%	\$30.65	217,446
CLASS B	13,090,837	77,461	26.0%	2.4%	21.9%	0.6%	\$23.52	(461,876)
WEST	15,747,001	74,278	22.3%	1.7%	22.2%	0.5%	\$23.93	(257,096)
CLASS A	5,085,497	188,352	30.3%	1.4%	23.2%	0.0%	\$27.54	(74,949)
CLASS B	10,661,504	57,630	18.5%	1.8%	21.8%	0.7%	\$21.10	(182,147)

NORTHERN SUBURBS

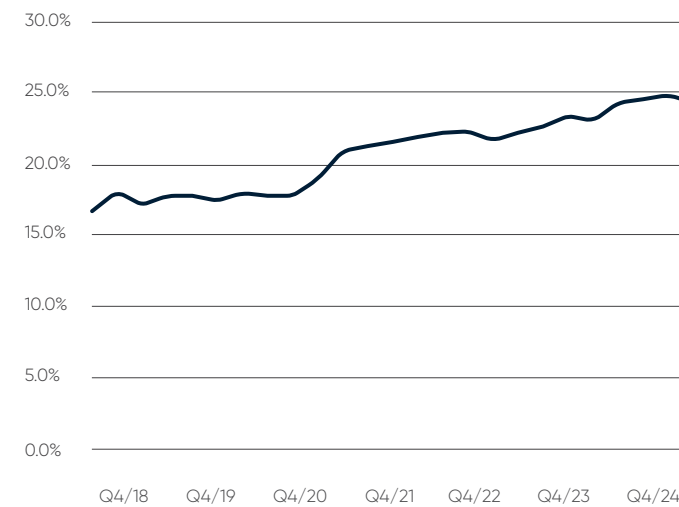
- At 23.3%, direct vacancy remained below the market average.
- The Northern suburbs were the only submarket to have positive direct net absorption in H2/24, with 49,400 square feet of positive direct net absorption.
- This submarket also had the second-highest gross asking rate, at \$28.03 per square foot.
- Medline continued their Chicagoland expansion in the Northern suburbs with a 214,500-square-foot deal at 2375 Waterview Drive.
- Aon shed 600,000 square feet of office space in their move to a new location.
- Significant investment sales included R2's purchase of Libertyville's Innovation Park campus for \$35 million, which was less than what the former owner spent on renovations.

MARKET MOVEMENT

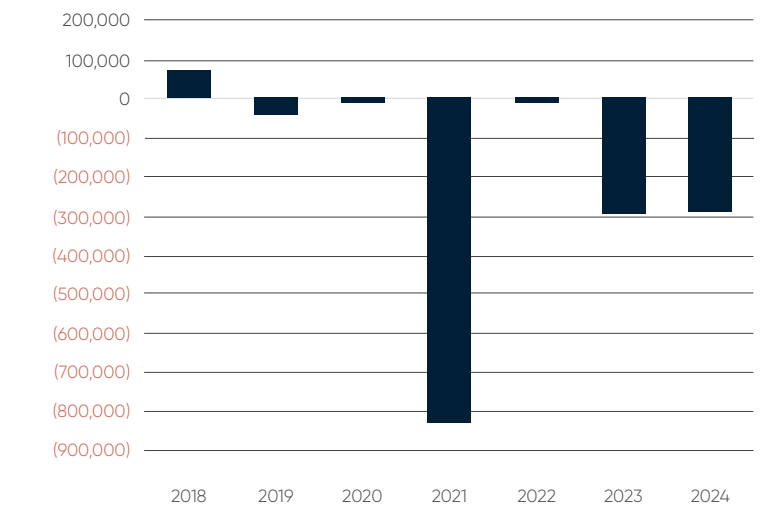
INVESTMENT SALE	NEW LEASE	NEW LEASE
R2 1910-1950 Innovation Way (690,095 SF)	MEDLINE 2375 Waterview Drive (214,560 SF)	AON 3000 Lakeside Drive (40,000 SF)



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	H2/24 NET ABSORPTION
NORTHERN	22,778,717	96,545	20.80%	2.30%	24.22%	0.69%	\$28.03	49,443
NORTH	17,912,627	97,351	21.4%	2.9%	23.8%	0.9%	\$27.57	(89,851)
CLASS A	7,216,908	156,889	25.7%	5.8%	28.0%	1.0%	\$31.29	(191,962)
CLASS B	10,695,719	77,505	18.6%	0.9%	21.0%	0.8%	\$24.10	102,111
SOUTH	4,866,090	93,579	18.4%	0.1%	25.6%	0.0%	\$29.69	139,294
CLASS A	2,326,565	211,506	22.1%	0.2%	26.7%	0.1%	\$31.14	46,900
CLASS B	2,539,525	61,940	15.0%	0.0%	24.6%	0.0%	\$27.72	92,394

NORTHWEST SUBURBS

- Vacancy was highest in this submarket at 31%, primarily due to inactivity in Schaumburg.
- Notably, Ragu sauce maker Mizkan America signed the submarket's largest lease with a 43,000-square-foot deal at 200 N. Martingale Road.
- Significant investment sales include Costco Wholesale's purchase of their office at 2250 W. Pinehurst Boulevard for \$6.35 million, Quadrangle Development's purchase of 900 N. Arlington Heights Road, and Vinakom's purchase of 1000 E. Woodfield Road.

MARKET MOVEMENT

INVESTMENT SALE

VINAKOM
1000 E. Woodfield Road
(204,345 SF)

INVESTMENT SALE

QUADRANGLE DEVELOPMENT
900 N. Arlington Heights Road
(105,318 SF)

INVESTMENT SALE

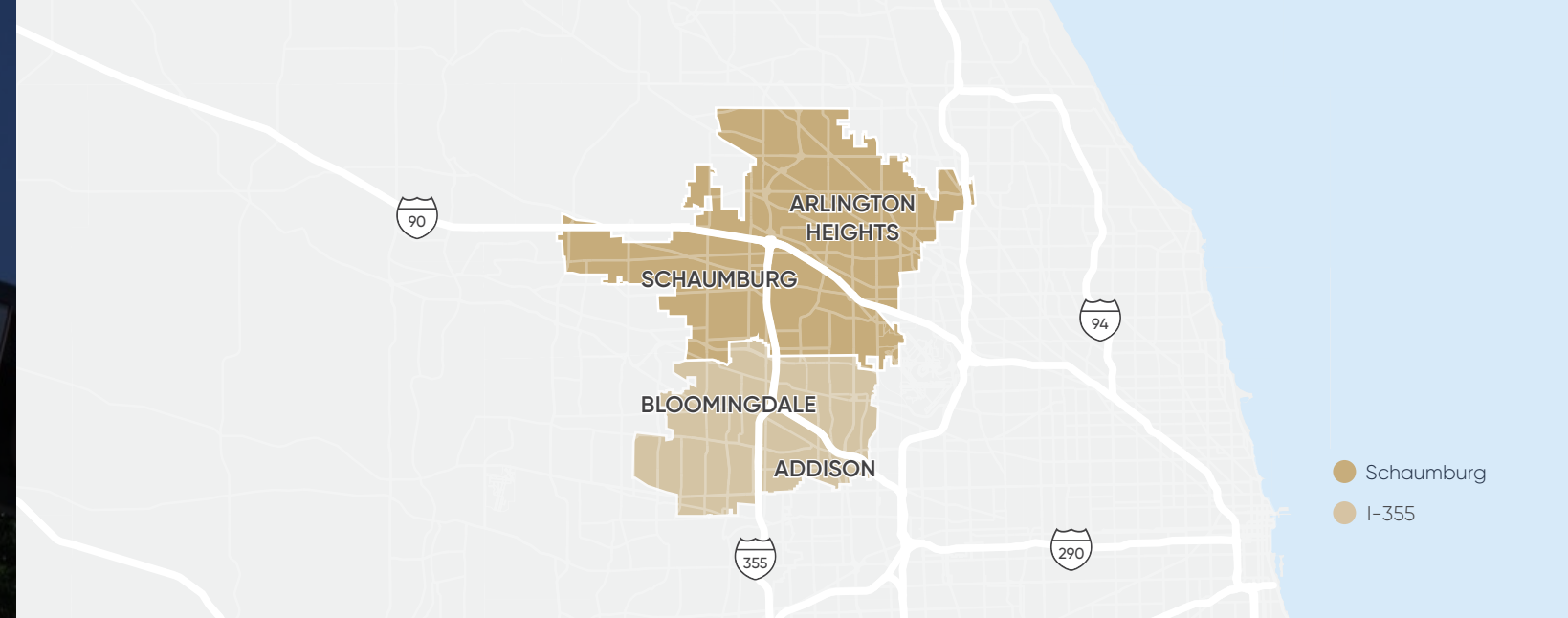
COSTCO
2250 W. Pinehurst Boulevard
(103,522 SF)

NEW LEASE

MIZKAN
200 N. Martingale Road
(43,091 SF)

NEW LEASE

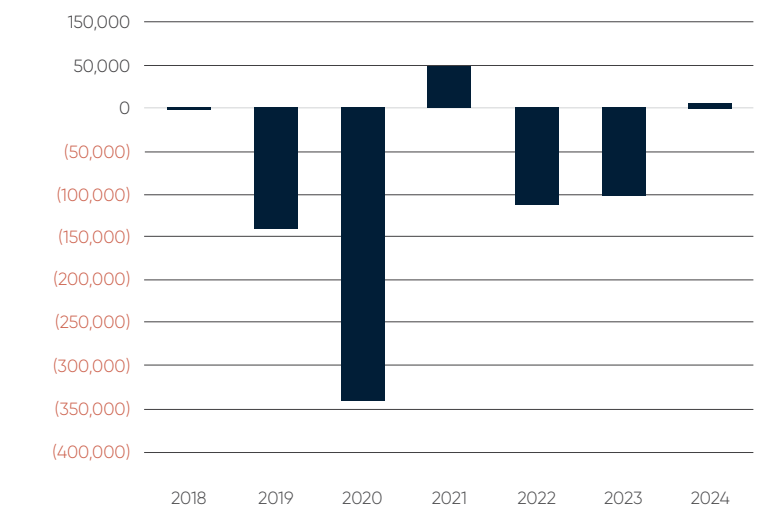
ACCERTIFY
2 Pierce Plaza
(39,996 SF)



DIRECT VACANCY RATE



DIRECT NET ABSORPTION (SF)



Source: CoStar | Data as of January 9, 2025

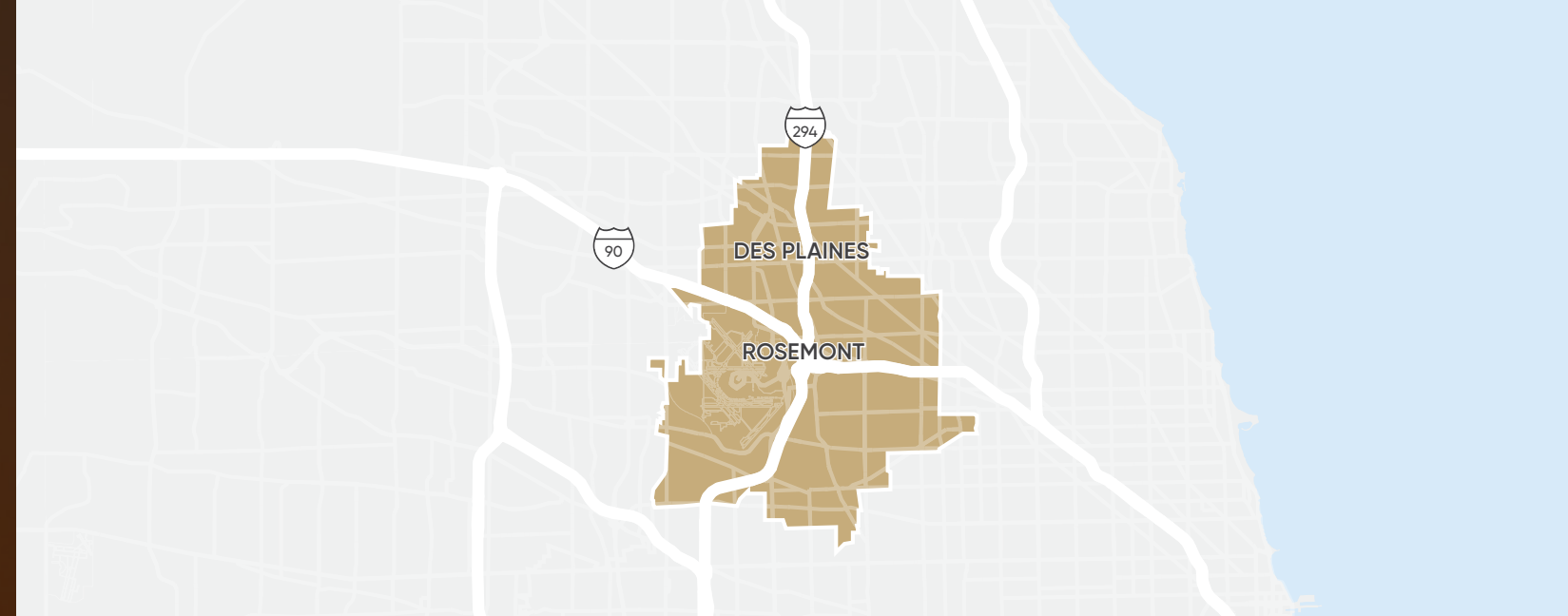
SUBMARKET & ASSET CLASS	TOTAL SQUARE FOOTAGE	AVERAGE BUILDING SIZE	DIRECT AVAILABILITY RATE	SUBLET AVAILABILITY RATE	DIRECT VACANCY RATE	SUBLET VACANCY RATE	AVERAGE GROSS ASKING RATE	H2/24 NET ABSORPTION
NORTHWEST	22,785,944	120,317	28.55%	2.25%	31.08%	0.50%	\$25.94	(71,804)
I-35	4,151,364	106,445	14.5%	2.9%	17.6%	0.6%	\$23.90	121,701
CLASS A	2,221,993	277,749	20.0%	3.7%	17.9%	1.0%	\$25.18	88,084
CLASS B	1,929,371	62,238	8.1%	1.9%	17.3%	0.3%	\$20.27	33,617
SCHAUMBURG	18,634,580	123,408	31.7%	2.1%	34.1%	0.5%	\$26.40	(193,505)
CLASS A	9,407,808	293,994	35.2%	3.2%	32.7%	0.7%	\$31.37	(22,994)
CLASS B	9,226,772	77,536	28.1%	1.0%	35.4%	0.2%	\$20.04	(170,511)

O'HARE

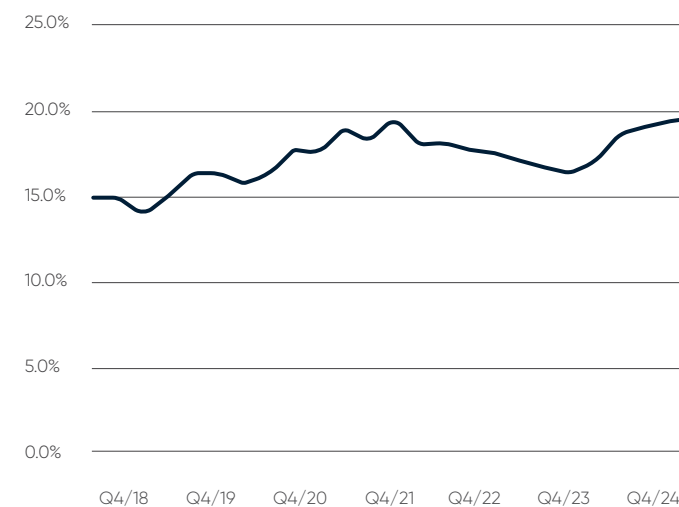
- O'Hare continued to outperform and had the lowest direct vacancy rate, at 19.3%.
- Gross asking rates were also the highest in this submarket, at \$36.83 per square foot, significantly above the market average of \$27.53 per square foot.
- The submarket's largest lease was signed by the Chicago Department of Aviation for 99,000 square feet at 8420 Bryn Mawr Avenue.
- Patrick Halloran's \$62 million purchase of President's Plaza was the largest investment sale of H2/24. Other notable activity included Onward Investors' purchase of 6250 N. River Road.

MARKET MOVEMENT

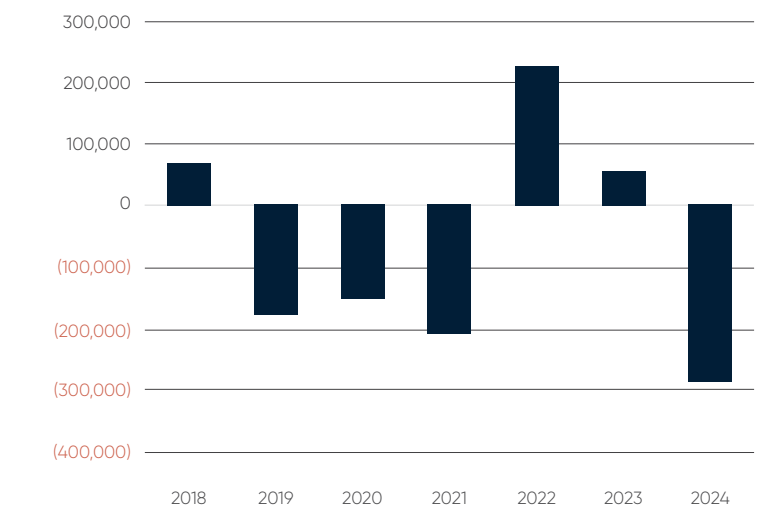
INVESTMENT SALE	INVESTMENT SALE	NEW LEASE	SUBLEASE
PATRICK HALLORAN 8600-8700 W. Bryn Mawr Avenue (808,600 SF)	ONWARD INVESTORS 6250 N. River Road (380,360 SF)	CHICAGO DEPARTMENT OF AVIATION 8420 W. Bryn Mawr Avenue (99,421 SF)	TYLER LANE CONSTRUCTION 6250 N. River Road (13,977 SF)



DIRECT VACANCY RATE



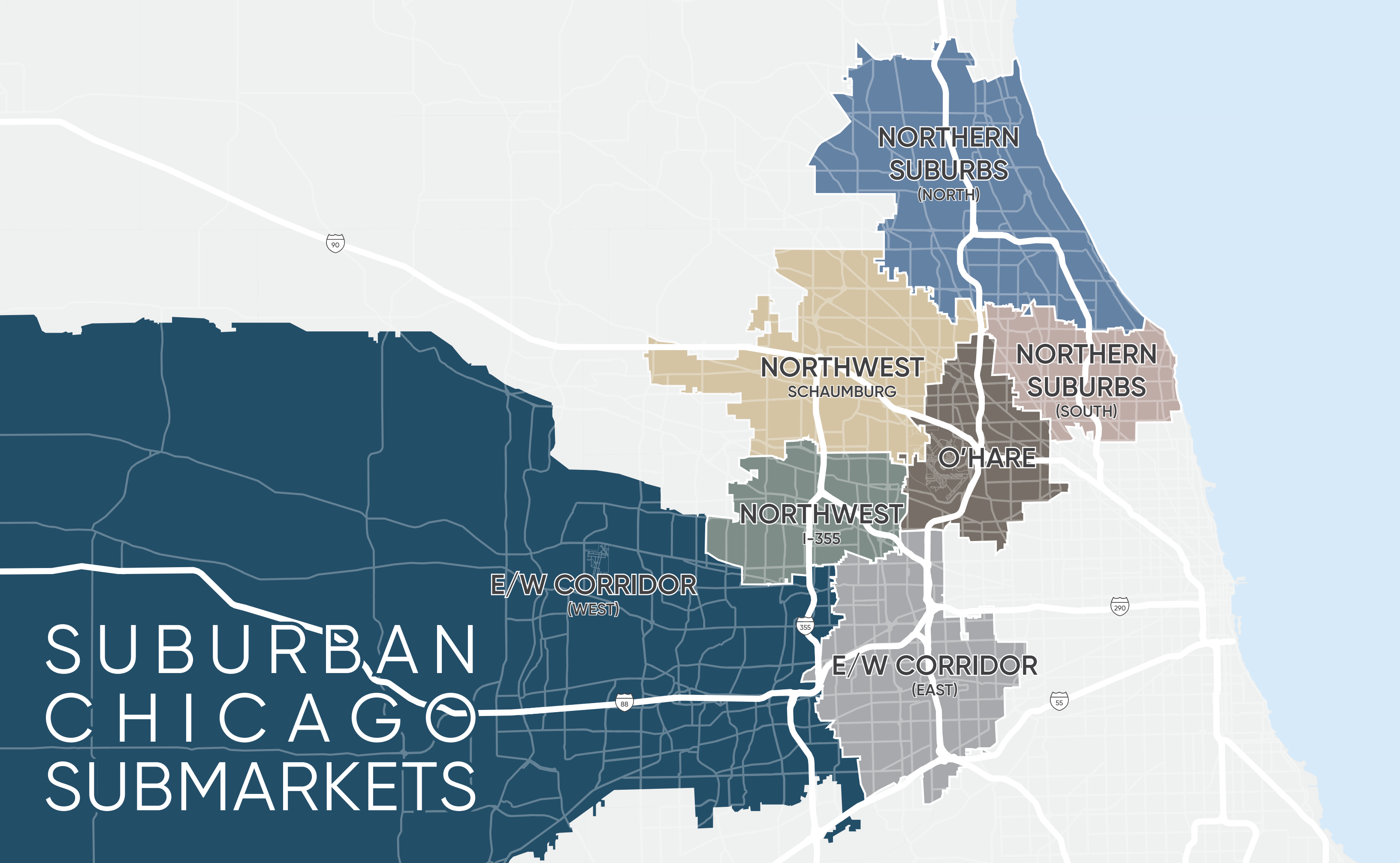
DIRECT NET ABSORPTION (SF)



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	H2/24 NET ABSORPTION
O'HARE	11,845,364	14,9941	23.1%	3.0%	19.3%	1.6%	\$36.83	(54,206)
CLASS A	6,547,653	233,845	28.1%	4.6%	20.4%	1.9%	\$42.93	(50,932)
CLASS B	5,297,711	103,877	17.0%	1.0%	17.8%	1.3%	\$24.35	(3,274)

SUBURBAN CHICAGO SUBMARKETS



FOR MORE INFORMATION, PLEASE CONTACT:

NEIL BOUHAN

Sr. Managing Director, Research & Communications

nbouhan@bradfordallen.com

+1 312 235 6830

GRACE LENAGHAN

Analyst, Research

glenaghan@bradfordallen.com

+1 312 994 5704

© 2025 Bradford Allen. All rights reserved.

The information contained herein was obtained from sources deemed reliable; however, it has not been independently verified, and no warranties, express or implied, are made as to the accuracy thereof. Any projections, opinions, assumptions, or estimates used are for sample analysis only and do not represent the future performance of the market.