

CHICAGO OFFICE MARKET

Yardi® Matrix

Market Analysis

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Aggregated and anonymized
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Flight From the Suburbs



Chicago's office market is making steady gains, with growth heavily concentrated in the urban core. Despite declining demographics and the state's long-term financial woes, businesses are adding jobs at a moderate pace, with more than 9,000 new office-using positions added year-over-year through February. Suburban-based firms, such as Walgreens and Mondelez, continue to expand or move into central locations, signaling increased demand for amenitized space in the CBD and surrounding submarkets.

Developers are well positioned to capitalize on the metro's urban growth and consolidation. Nearly 7 million square feet of space was under construction at the end of March, with more than 90% of the developments located in the CBD or the centrally located West Loop submarket. Leasing activity continues to push vacancy rates downward, with the CBD falling to 10.2%. United Airlines signed the largest lease year-to-date, renewing its 850,000-square-foot commitment at Willis Tower. Coworking has been gaining popularity, prompting WeWork and Industrious to sign new leases and announce expansion plans.

More than half of last year's transaction volume of \$5.1 billion comprises deals closed in the urban core, which remains a magnet for investment opportunities. While much of the office stock in the suburban submarkets is showing signs of age, acquisition yield gains could make value-add opportunities increasingly attractive.