

Yardi® Matrix

OFFICE MARKET REPORT

Chicago Keeps Building

Winter 2020

**Competitive Rents
Lure Tech Firms**

**Deliveries Reach
Record High**

**Office Investment
Hits 10-Year Low**

CHICAGO OFFICE MARKET

Yardi® Matrix

Development Follows Tech Demand

Chicago's office market fundamentals are strong, buoyed by growth largely concentrated in the metro's urban core. Expansion maintained a record pace, with 4.5 million square feet delivered in 2019. Construction is expected to continue unabated, with another 4.2 million square feet expected this year. Of the 4.8 million square feet under construction in December, more than 95% of the pipeline was located in either the CBD or West Loop submarket.

While development activity surged, investors were hesitant to deploy capital in existing assets. Total transaction volume amounted to \$2.2 billion in 2019, nearly 60% below 2018's volume and well below 2015's cycle high of \$7.8 billion. Reluctance partially stemmed from concerns over proposals to significantly increase property taxes to reduce the state's \$838 million budget deficit.

Even as some of Chicago's more established employers announced layoffs, the metro's combination of low rents and a highly educated workforce continued to draw the attention of tech firms. Office space was listed at \$27.97 per square foot in December, roughly 25% below the national average and significantly less than other gateway markets. Several major tech companies—including Google, Salesforce and Uber Freight—have announced expansion plans in the metro. Additional growth within the tech sector is expected from both well-established and startup firms, particularly in the West Loop's Fulton Market innovation district.

Market Analysis

Winter 2020

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