

SUBMARKET MAP



CHICAGO CBD OFFICE INVESTMENT PROPERTIES GROUP

As an “urban property specialist” focusing on the Downtown office market John Slivka assist investors with the disposition and acquisition of investment properties in the City of Chicago. John is a member of the CBRE, Inc. Investment Properties group, a nationwide affiliation of CBRE professionals who concentrate on servicing middle and private client investors. Mr. Slivka has provided brokerage services, valuations, financial analyses, and other real estate consulting services for various types of investment grade commercial properties located across the United States. John has completed projects on behalf of institutional investors and lenders, commercial banks, law firms, individual investors, multi-national corporations, and various other clients. In June 2000, Mr. Slivka received the MAI designation from the Appraisal Institute.



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The Investment Properties Group exists to help middle and private capital market investors achieve maximum value in the acquisition and sale of their assets.

Let us know your specific acquisition criteria so that we may designate your requirement in our database.



RESPECT/INTEGRITY/SERVICE/EXCELLENCE

RESPECT

Treat everyone with dignity, value their contributions, and help one another to succeed.

INTEGRITY

Uphold the highest ethical standards in our business practices.

SERVICE

Dedicate ourselves to making a meaningful impact with our clients and in our communities.

EXCELLENCE

Aspire to be the best in everything we do and drive for continuous improvement.



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HOT TOPICS

- Class A direct vacancy decreased by 220 bps year-over-year, ending Q4 2016 at 8.9%.
- All six submarkets finished 2016 with positive year-to-date absorption. East Loop had the largest positive absorption of 439,051 sq. ft.
- In 2016, Class A rents have increased by \$1.14, ending the year at \$44.18.

 **Direct Vacancy**
10.2%

 **Gross Asking Rate**
\$37.68

 **Net Absorption**
80,495 SF

 **Under Construction**
3,958,618 SF

*Arrows indicate change from previous quarter.

MARKET OVERVIEW

2016 ended on a positive note in the Central Business District (CBD) with 80,495 sq. ft. in positive absorption, which caused the direct vacancy to drop another 10 basis points (bps) from the previous quarter to 10.2%. Total net absorption for the year reached pre-recession levels at 1,429,347 sq. ft., while direct vacancy declined by 120 bps year-over-year. Major market drivers were the growth of the tech, financial services and legal services sectors.

Q4 2016 was very active in terms of tenant movement. For example, Echo Global Logistics, a technology driven logistics and supply chain company, occupied 134,640 sq. ft. in an expansion that more than doubled its footprint at 600 W Chicago Avenue. ACE USA, an insurance company, occupied 48,422 sq. ft. in an expansion at 525 W Monroe Street. Finally, Edwards Wildman vacated 73,011 sq. ft. at 225 W Wacker Drive, due to its merger with Locke Lord LLP.

The direct vacancy rate in the CBD has been declining steadily since the beginning of the year, dropping 80 bps from Q1 2016. The sublease vacancy rate has increased 30 bps since the end of 2015.

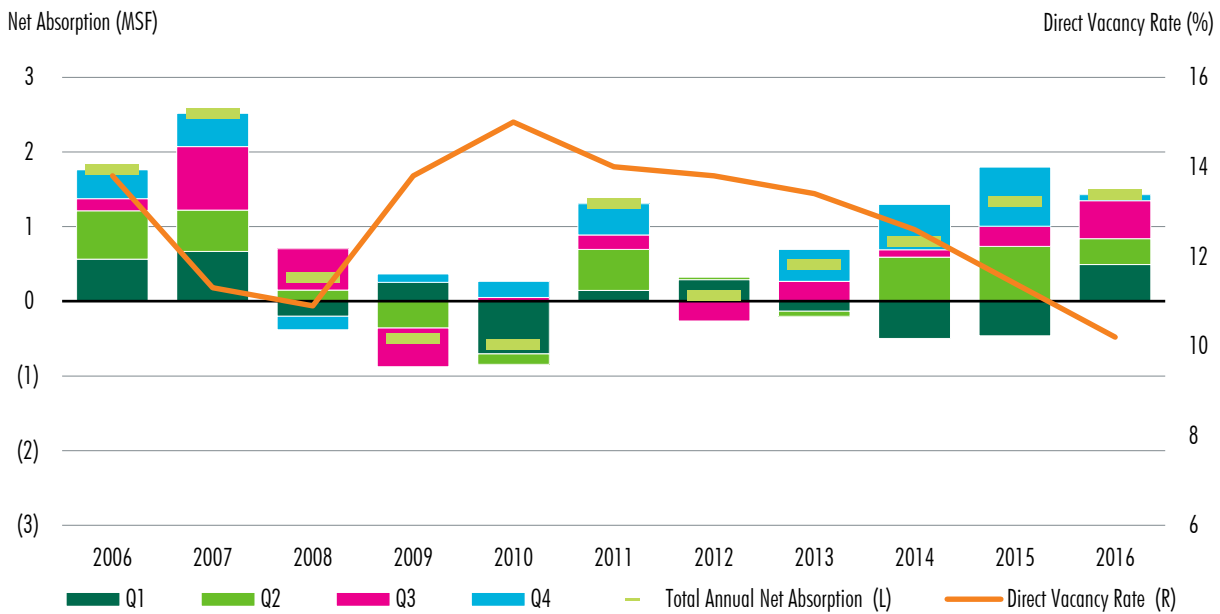
The leasing volume remained strong in Q4 2016. Sidley Austin LLP, the second largest law firm by square footage in Chicago, renewed and restructured its footprint at 1 S Dearborn Street to 536,195 sq. ft. Also, Options Clearing Corporation signed a new lease for 105,000 sq. ft. at 227 W. Monroe Street; and Capital One Financial renewed its lease and expanded this quarter to 176,000 sq. ft. at 77 W Wacker Drive.

Average asking gross rents continue to climb in Q4 2016 and increased by 2.4% year-over-year, ending the quarter at \$37.68 per sq. ft.

Eight office sales totaling over \$1 billion closed during Q4 2016 as the CBD market completed another year with robust investment activity. The fourth quarter's most notable sale was that of the AMA Plaza, at 330 N Wabash which traded for \$418 per sq. ft., representing the office portion of the property that contains the Langham Hotel. For the 2016 calendar year, the CBD market tallied 24 office transactions for a total consideration of approximately \$3.7 billion. Although this year's total volume is not as large as the previous couple of years, the total number of sales is equal to the average annual figure from the past five years. At year-end, there is good momentum going into the new year with four properties either under contract or with a letter of intent, totaling \$470 million.

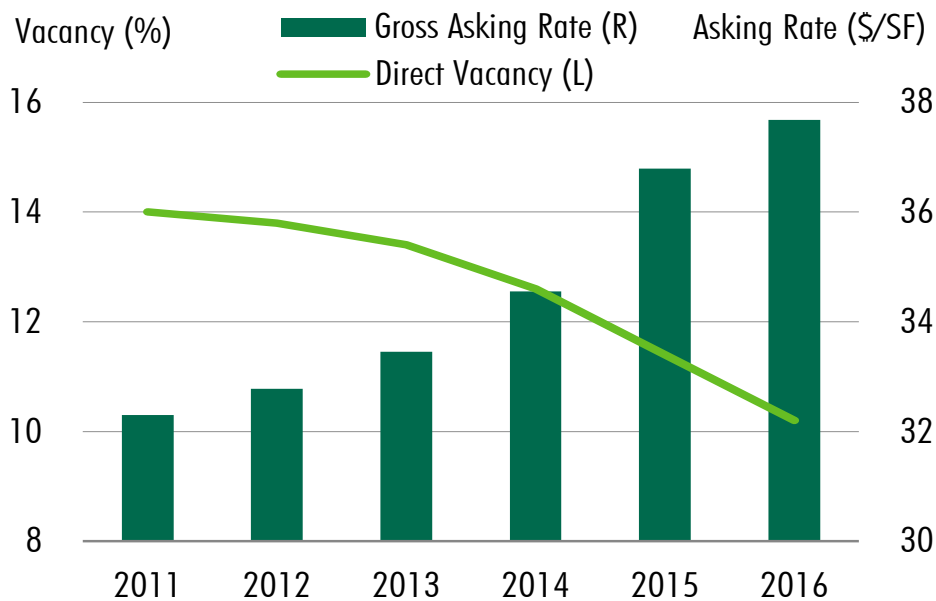
There are currently 19 blocks of available space over 100,000 sq. ft. in the CBD, based on existing inventory, down from 33 blocks year-over-year. The number of available blocks between 50,000 sq. ft. and 99,999 sq. ft. has decreased by six spaces quarter-over-quarter to 50 blocks, with the total square footage of blocks over 50,000 sq. ft. equal to just under nine million sq. ft.

HISTORICAL NET ABSORPTION VS. DIRECT VACANCY RATE



Source: CBRE Research, Q4 2016.

DIRECT VACANCY/GROSS WEIGHTED ASKING RATE



Source: CBRE Research, Q4 2016.

4Q 2016 KEY MARKET STATISTICS

Submarket	Rentable Building Area Sq. Ft.	Direct Vacant Sq. Ft.	Direct Vacancy Rate (%)	Sublease Vacancy Rate (%)	Total Vacancy Rate (%)*	Q4 2016 Net Absorption Sq. Ft.	2016 Net Absorption Sq. Ft.	Under Construction Sq. Ft.****	Gross Asking Lease Rates (\$/Sq. Ft./Yr)
Central Loop	35,818,728	3,152,767	8.8	1.0	9.8	50,486	404,894	-	34.27
Class A	10,024,936	845,960	8.7	1.7	10.2	23,944	55,387	-	42.34
Class B	19,075,138	1,487,432	7.8	0.9	8.7	837	331,310	-	32.66
Class C	6,718,654	819,375	12.2	0.4	12.6	25,705	18,197	-	29.20
East Loop	22,885,618	2,794,711	12.2	0.6	12.8	57,169	439,051	-	35.49
Class A	5,368,236	356,550	6.6	0.4	7.1	2,966	220,635	-	41.05
Class B	11,422,225	1,694,671	14.8	0.7	16.1	75,676	254,084	-	36.16
Class C	6,095,157	743,490	12.2	0.7	12.9	(21,473)	(35,668)	-	29.52
Fulton/West**	2,261,594	171,918	7.6	0.8	8.4	8,607	93,949	311,726	39.50
Class A	535,510	0	0.0	0.0	0.0	0	35,025	311,726	39.50
Class B	173,003	5,000	2.9	0.0	2.9	0	9,947	-	N/A
Class C	1,553,081	166,918	10.7	1.2	11.9	8,607	48,977	-	36.00
NMA***	11,219,679	1,450,030	12.9	1.0	13.9	(11,785)	182,838	-	37.43
Class A	4,248,228	790,525	18.6	1.1	19.7	(19,835)	56,664	-	40.64
Class B	6,376,872	583,915	9.2	1.0	10.2	17,825	116,449	-	33.91
Class C	594,579	75,590	12.7	0.0	12.7	(9,775)	9,725	-	33.85
River North	11,302,728	821,536	7.3	0.4	7.6	26,901	112,334	38,749	39.34
Class A	2,476,544	84,730	3.4	0.1	3.5	(12,078)	6,586	38,749	56.51
Class B	6,576,977	553,435	8.4	0.0	8.4	45,167	109,234	-	40.63
Class C	2,249,207	183,371	8.2	1.7	9.9	(6,188)	(3,486)	-	28.18
West Loop	44,173,677	4,692,810	10.6	1.2	11.8	(50,883)	196,281	3,608,143	41.49
Class A	21,728,976	1,874,963	8.6	1.1	9.7	(61,583)	440,000	3,608,143	45.95
Class B	19,662,596	2,685,721	13.7	1.4	15.1	8,437	(243,661)	-	37.44
Class C	2,782,105	132,126	4.7	0.1	4.8	2,263	(58)	-	28.34
Total CBD	127,662,024	13,083,772	10.2	0.9	11.2	80,495	1,429,347	3,958,618	37.68
Class A	44,382,430	3,952,728	8.9	1.1	10.0	(66,586)	814,297	3,958,618	44.18
Class B	63,286,811	7,010,174	11.1	0.9	12.0	147,942	577,363	-	35.86
Class C	19,992,783	2,120,870	10.6	0.6	11.2	(861)	37,687	-	29.31

TOP LEASE TRANSACTIONS

Size (SF)	Tenant	Address
536,195	Sidley Austin LLP	1 S Dearborn St.
176,000	Capital One Financial Corp.	77 W Wacker Dr.
105,000	Options Clearing Corporation	227 W Monroe St.
95,475	Barnes & Thornburg	1 N Wacker Dr.
85,000	US Securities and Exchange Commission	175 W Jackson Blvd.

OUTLOOK

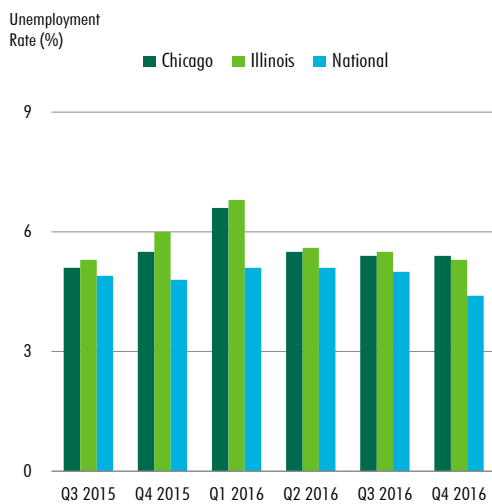
Both 625 W. Adams St. and 412 N. Wells St. broke ground at the end of 2016, increasing the total CBD square footage under construction to 3.9 million sq. ft. Also, the Old Post Office has started the redevelopment process and could have two spec suites coming to market by the end of 2017. With 2.5 million sq. ft. of space that is currently under construction and set to deliver in Q1 2017, some speculate this will lead to an increase in vacancy, putting downward pressure on rents with the potential to hinder absorption. However, if large out-of-market tenants continue to move to the CBD, there could be more positive growth in 2017.

UNEMPLOYMENT

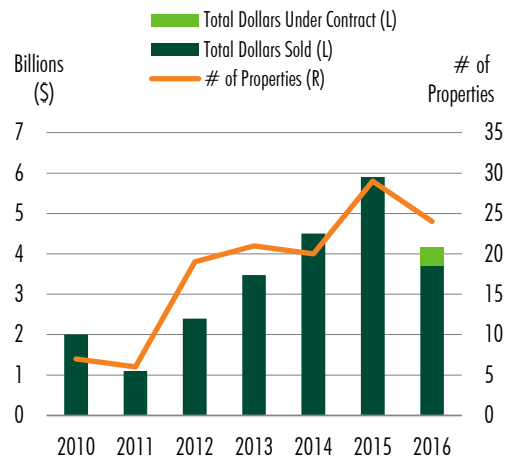
According to the U.S. Department of Labor's Not Seasonally Adjusted statistics, the November 2016 National unemployment rate was 4.4 % in November a 60 bps decrease and 178,000 jobs were added to the economy. Additionally, Illinois unemployment rate decreased by 20 bps from August to 5.3% (preliminary). Employment in education and health services, leisure and hospitality sectors experienced large gains during Q4 2016 throughout the State of Illinois.

Furthermore, the Chicago metropolitan area unemployment statistics remained unchanged from August, ending November with a preliminary unemployment rate of 5.4%. The number of employed Chicago (city) residents increased by 9,456 year-over-year. Major sectors that grew were professional and business services, retail trade, leisure and hospitality industries.

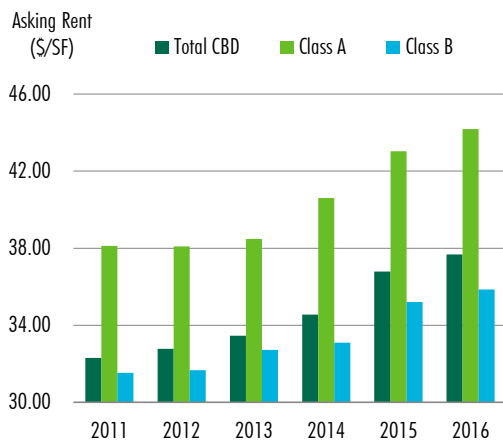
Unemployment



CBD Historical Office Sales Volume



Gross Weighted Asking Rates



Chicago Total Available Big Blocks

