

MARKET FUNDAMENTALS

	YOY Chg	Outlook
27.2% Vacancy Rate	▲	▲
-1.4M YTD Net Absorption, SF	▲	▲
\$46.15 Asking Rent, PSF (Overall, All Property Classes)	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.8M Chicago Employment	▲	▬
5.1% Chicago Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate Source: BLS, Moody's Analytics	▼	▲

ECONOMIC OVERVIEW

The Chicago metro area remained relatively stable through Q3 2026 despite a challenging economic environment, with unemployment up 90 basis points (bps) year-over-year (YOY) to 5.1%. Nonfarm employment held steady at 3.8 million jobs, up 7,600 YOY. As of August 2026, employment trends across office-using sectors were mixed, with government (+3.7%), education and health services (+1.0%), and professional and business services (+0.6%) posting YOY gains, while information (-3.6%) and financial activities (-5.0%) declined.

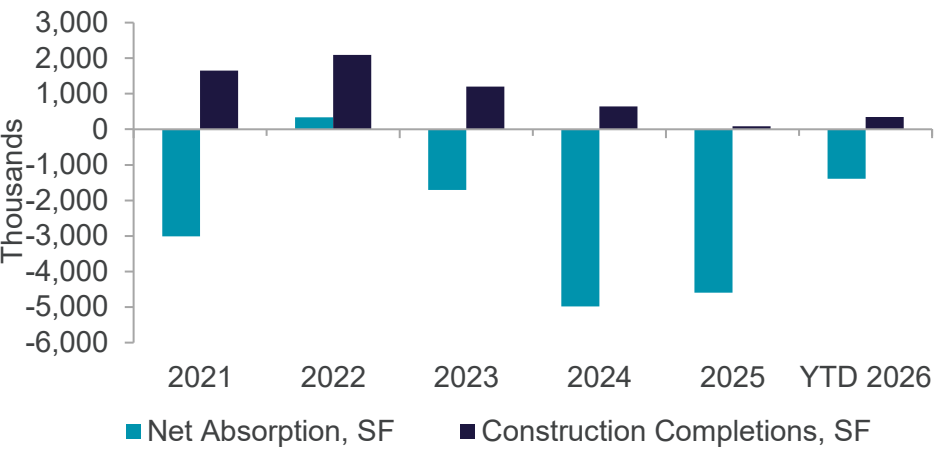
SUPPLY & DEMAND: CLASS A SPACE DRIVES CBD DEMAND

Demand across Chicago's Central Business District (CBD) remained steady, with year-to-date (YTD) new leasing through Q3 2026 totaling 4.7 million square feet (msf), down 1.6% YOY. Class A space accounted for 62.0% (2.9 msf) of leasing activity, underscoring tenants' continued preference for high-quality office space. The average new lease size increased 5.2% YOY to 9,900 square feet (sf) through Q3 2026, with Class A leases averaging 14,700 sf for the period. New leasing has been concentrated in the West Loop and Central Loop submarkets, which totaled 2.4 msf and 849,000 sf, respectively, through Q3 2026. Notable new lease transactions signed in Q3 2026 include Morningstar's 275,000-sf lease at the Thompson Center, which is currently under renovation, in the Central Loop; Ripple's 50,000-sf lease at 300 N LaSalle in River North; and Horizon3's 40,000-sf lease at 333 N Green in Fulton Market.

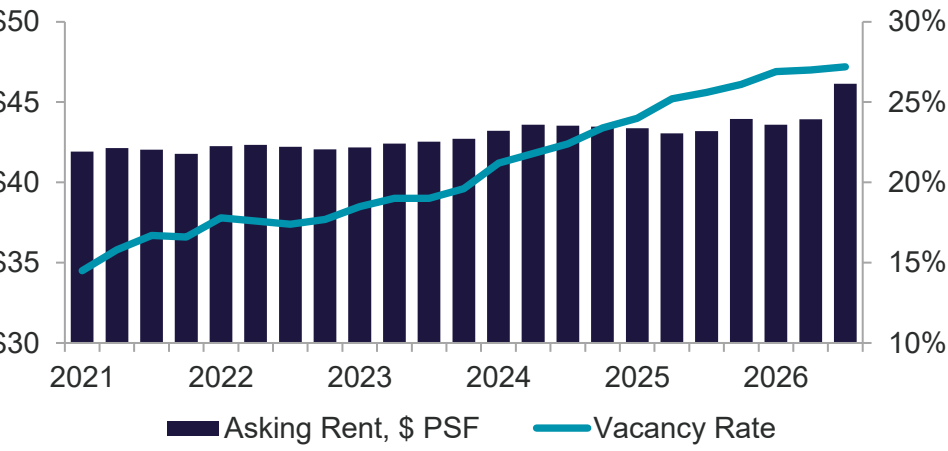
Overall net absorption remained negative for the 12th consecutive quarter, totaling negative 397,000 sf in Q3 2026 and bringing YTD 2026 absorption to negative 1.4 msf. Despite overall net absorption remaining negative, Fulton Market and River North outperformed other CBD submarkets, recording positive absorption of 367,450 sf and 64,559 sf, respectively, through Q3 2026. Trophy buildings have been the only asset class to record consistent positive absorption over the last several quarters, totaling 610,000 sf YTD.

Chicago's CBD office vacancy rate remained elevated at 27.2% as of Q3 2026, up 20 bps quarter-over-quarter (QOQ) and 160 bps YOY. Class A vacancy increased 150 bps YOY and 50 bps QOQ, ending the quarter at 23.3%, though it remains well below the overall CBD rate and that of other property classes. Top-tier space continues to tighten, further reinforcing the flight to quality, as trophy office vacancy fell 420 bps YOY to 12.1%.

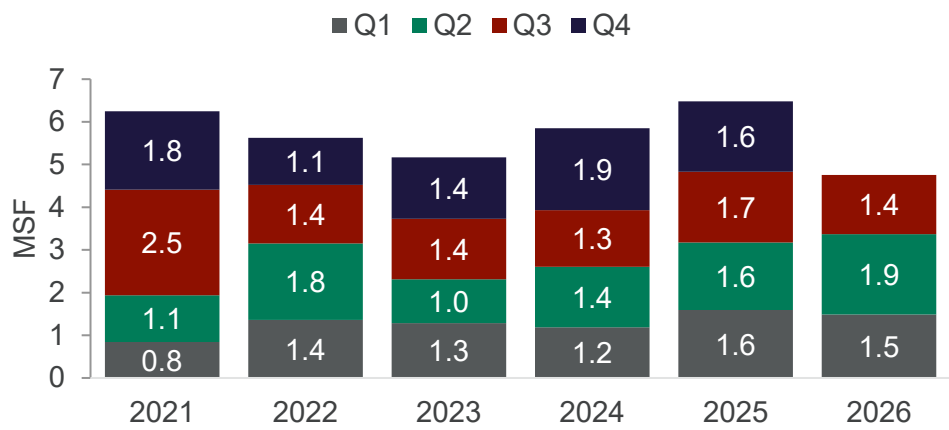
SPACE DEMAND / DELIVERIES



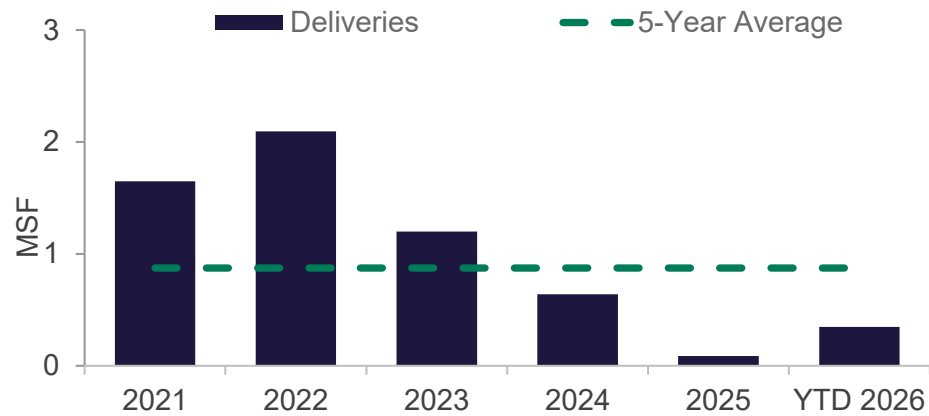
OVERALL VACANCY & ASKING RENT



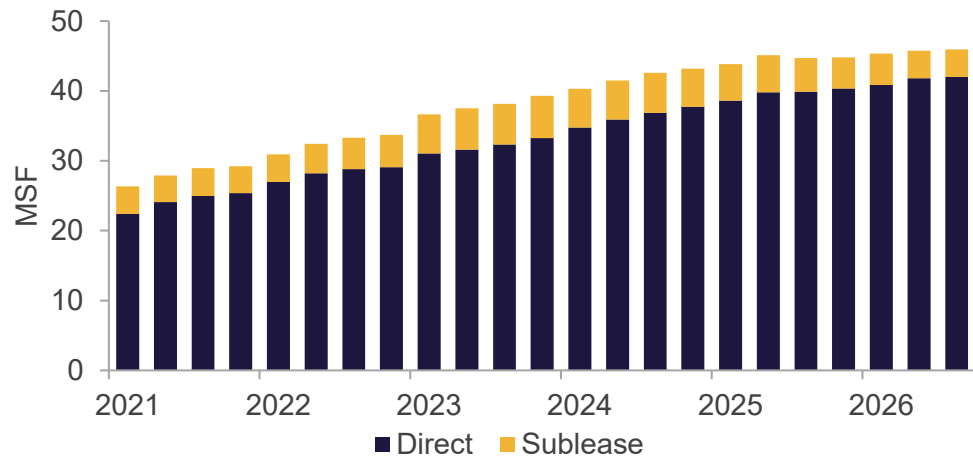
OVERALL NEW LEASING ACTIVITY



HISTORICAL NEW SUPPLY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



SUPPLY: REDEVELOPMENT FUELS CBD PIPELINE

Following the execution of Sidley Austin's lease in Q2 2026, construction at 725 W. Randolph is expected to begin in Q1 2027, signaling renewed confidence in demand for premier office space. At 550 W. Randolph in the West Loop, bicycle parts manufacturer SRAM acquired the 197,000-sf building in late 2025 and is currently renovating the property with plans to relocate its headquarters from 1000 W. Fulton. SRAM plans to occupy approximately half of the building and lease out the remaining space. The Thompson Center is undergoing a \$280 million redevelopment for Google, which will occupy approximately 554,000 sf of the 945,000-sf building. Morningstar recently signed a 275,000-sf lease, and the project is set for completion in early 2028.

SUPPLY PRESSURE: SUBLEASE AVAILABILITY CONTINUED TO DECREASE

Sublease availability continued to decline, down 18.3% YOY from 4.8 msf to 4.0 msf. This figure represents 8.6% of the CBD's overall available inventory with just over 2.0 msf of sublease space vacant and an additional 1.9 msf scheduled to become vacant in the future. The West Loop and East Loop accounted for the largest share of sublease availability, representing 58.0% of active subleases. The two largest subleases added to the market this quarter were the American Bar Association's 27,000-sf space in River North and Valtech's 27,000-sf space in the West Loop. As of Q3 2026, available sublease spaces of 25,000 sf and greater totaled 2.4 msf, accounting for 61.6% of the total sublease inventory. Trophy sublease supply remained limited, with only 18 availabilities totaling 417,000 sf. Sublease availability surged after the start of the pandemic, but the pace of new sublease listings has slowed in recent years, and overall availability is now beginning to decline.

PRICING: TROPHY AND CLASS A ASKING RATES LEAD GROWTH

Overall gross asking rental rates remained stable across most asset classes in Q3 2026, with the overall market average increasing 5.1% QOQ to \$46.15 per square foot (psf). Class A asking rates recorded a QOQ increase of 5.5% to \$57.11 psf. Class B and C product reported more moderate QOQ growth rates of 0.5% to \$41.56 psf and 0.8% to \$30.52 psf, respectively. Trophy buildings continued to command premium asking rents, which rose 24.3% YOY and 9.9% QOQ to \$73.05 psf in Q3 2026.

OUTLOOK

- Sublease availability is expected to continue trending downward as tenants refine and right-size their office footprints.
- Transit-oriented trophy and top-tier assets, particularly in the West Loop, are expected to outperform as employers prioritize talent attraction and retention and availability in premier high-rise buildings remains constrained.
- Although the construction pipeline remains limited, the recent preleasing success at 725 W. Randolph underscores sustained demand for modern, high-quality office space and reinforces that new development remains viable when backed by strong tenant commitments.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Loop	31,449,079	9,689,612	83,470	31.1%	-119,022	-629,182	849,926	0	\$44.90	\$55.14
East Loop	23,670,156	7,848,432	347,321	34.6%	-170,204	-510,666	391,115	0	\$39.94	\$47.18
Far West Loop	1,689,020	385,152	0	22.8%	-14,271	-62,723	39,468	0	\$30.71	N/A
Fulton Market District	6,894,857	850,785	209,788	15.4%	108,752	367,450	302,472	0	\$55.29	\$60.52
North Michigan Avenue	6,259,817	1,478,959	209,363	27.0%	-51,052	-278,483	126,603	0	\$46.56	\$50.17
River North	17,162,677	4,680,842	290,199	29.0%	-20,772	64,559	594,728	0	\$51.32	\$59.53
West Loop	54,266,137	11,444,933	910,933	22.8%	-130,893	-345,568	2,452,888	0	\$50.33	\$58.56
DOWNTOWN TOTALS	141,391,743	36,378,715	2,051,074	27.2%	-397,462	-1,394,613	4,757,200	0	\$46.15	\$57.11

*Rental rates reflect full service asking

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT	OVERALL AVG ASKING RENT
Class A	79,657,980	17,016,389	1,539,653	23.3%	-365,491	-532,380	2,948,430	0	\$57.96	\$57.11
Class B	49,572,204	16,438,845	491,490	34.2%	-76,176	-826,728	1,435,384	0	\$41.57	\$41.56
Class C	12,161,559	2,923,481	19,931	24.2%	44,205	-35,505	373,386	0	\$30.52	\$30.52
DOWNTOWN TOTALS	141,391,743	36,378,715	2,051,074	27.2%	-397,462	-1,394,613	4,757,200	0	\$46.28	\$46.15

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2026

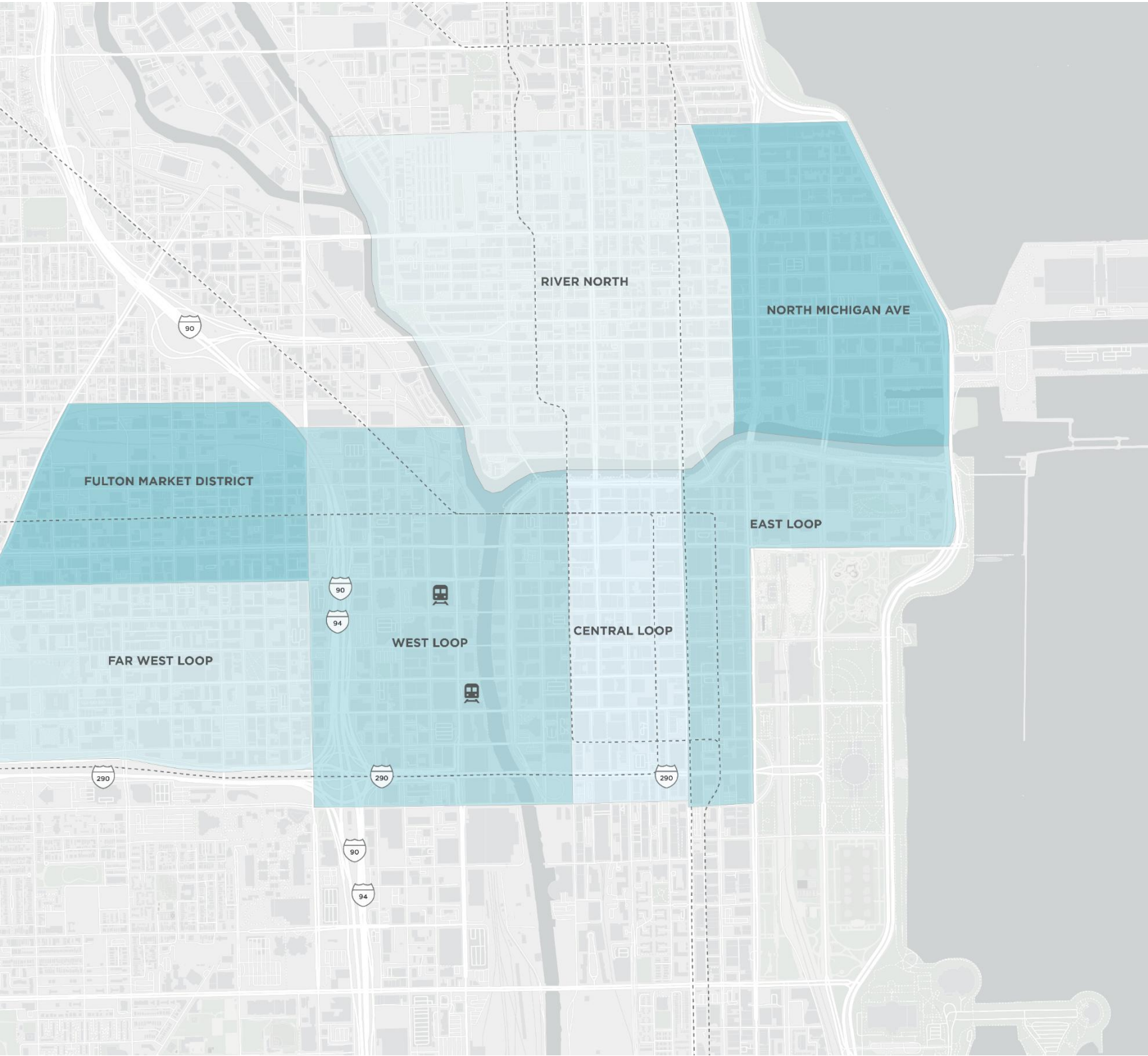
PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 West Randolph Street	Central Loop	Morningstar	275,000	New
350 North Orleans Street	River North	Stripe	220,941	Renewal/Expansion*
181 West Madison Street	West Loop	Northern Trust	148,214	Renewal*
300 North LaSalle Street	River North	Ripple	50,430	New
333 West Wacker Drive	West Loop	Capgemini	44,625	Renewal*
333 North Green Street	Fulton Market District	Horizon3	40,426	New
203 North LaSalle Street	Central Loop	Midwestern Career College	34,257	Renewal*
222 West Adams Street	West Loop	Databricks Inc.	34,046	New

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
55 West Monroe Street	Central Loop	John Hancock Life Insurance Company The Prime Group, Inc.	803,046	\$24.0M \$30
300 West Adams Street	West Loop	Adams RE Management SVPGlobal	254,154	\$12.5M \$49
70 East Lake Street	East Loop	Ansonia Properties Honore Properties	141,593	\$9.2M \$65
315 North Racine Avenue	Fulton Market District	Aberdeen Development Alpharus Health	94,038	\$27.5M \$292
226 West Ontario Street	River North	HBOFC LLC Concord Capital	48,000	\$4.1M \$85
222 South Morgan Street	Far West Loop	Ann Anovitz Associates MO2 Properties	36,280	\$3.8M \$105

OFFICE SUBMARKETS



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