MARKETBEAT
CHICAGO CBD
OFFICE Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
27.2% Vacancy Rate	▲	▲
-1.1M YTD Net Absorption, SF	▲	▲
$43.90 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.8M Chicago Employment	▲	▼
5.2% Chicago Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	—	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

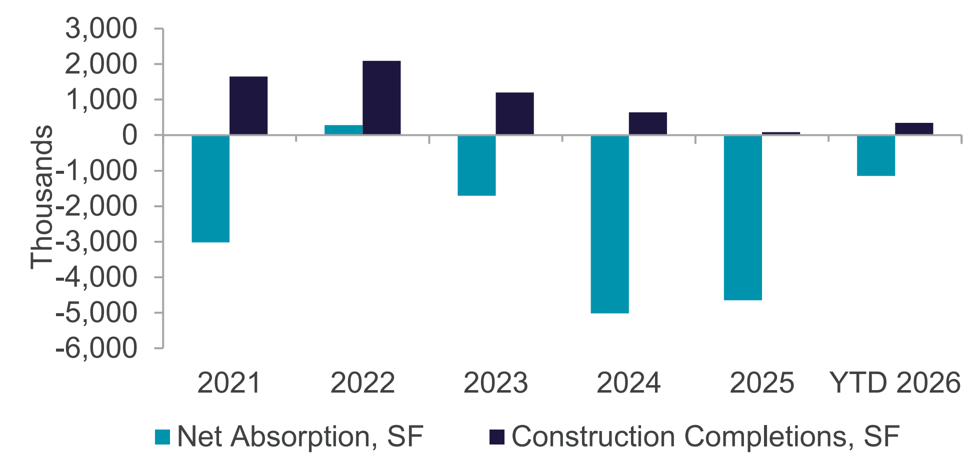
The Chicago Metropolitan Area remained relatively stable through mid-2026 despite a challenging economic environment, with the unemployment rate increasing 60 basis points (bps) year-over-year (YOY) to 5.2%. Chicago's labor pool remained steady YOY, with nonfarm employment at 3.8 million individuals. As of May 2026, most office-using employment sectors reported YOY declines in employment, with only the education and health services and government sectors posting employment gains of 3.0% and 1.2%, respectively.

SUPPLY & DEMAND: WEST LOOP DOMINATES NEW LEASING ACTIVITY

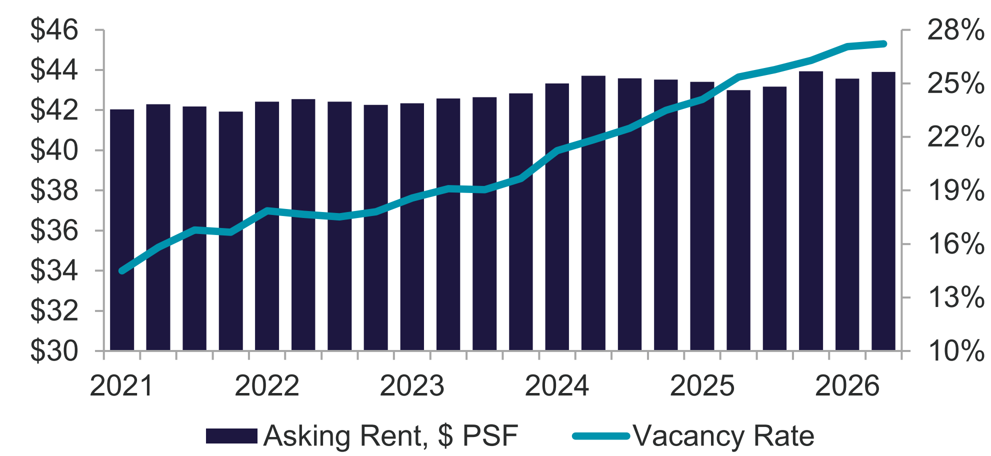
Chicago's Central Business District (CBD) recorded 3.2 million square feet (msf) of new leasing activity during the first half of 2026, an increase of 1.7% YOY. Class A leasing totaled 2.1 msf through Q2 2026, accounting for 65.1% of all new leasing activity. The average new lease size increased 38.6% quarter-over-quarter (QOQ) to 12,000 square feet (sf) in Q2 2026, while Class A leases averaged 22,100 sf for the period. New leasing activity in Q2 2026 was concentrated in the West Loop, which captured 70.4% of total volume and a 24.3% YOY increase, with over 1.2 msf leased. Notable lease transactions signed in Q2 2026 include McKinsey's 72,000-sf sublease from Salesforce in River North; Loeb & Loeb's 52,000-sf lease at 151 N. Franklin in the West Loop; and Sidley Austin's 520,000-sf lease at 725 W. Randolph in the West Loop. Sidley Austin's lease was the largest new lease signed since 2021 and will kick off development of the Class A building.

Overall net absorption remained negative for the eleventh consecutive quarter, totaling negative 215,000 sf in Q2 2026. However, Class A space posted 322,000 sf of positive absorption, supported by Sargent & Lundy's occupancy at 77 W. Wacker in the Central Loop. Through mid-2026, Fulton Market and River North remained the only submarkets to record positive absorption, totaling 259,000 sf and 23,000 sf, respectively. Continued negative absorption prompted the overall vacancy rate to increase 10 bps QOQ to 27.2%. However, Class A vacancy decreased 40 bps QOQ to 23.0%. Trophy assets continued to outperform the broader market, with vacancy decreasing 430 bps YOY and 30 bps QOQ to 13.4%, while high rise trophy vacancy remained exceptionally low at 7.3% in Q2 2026. Despite negative absorption and elevated vacancy, strong Class A leasing momentum continued to support demand for premier assets, reinforcing the flight-to-quality trend across Chicago's CBD.

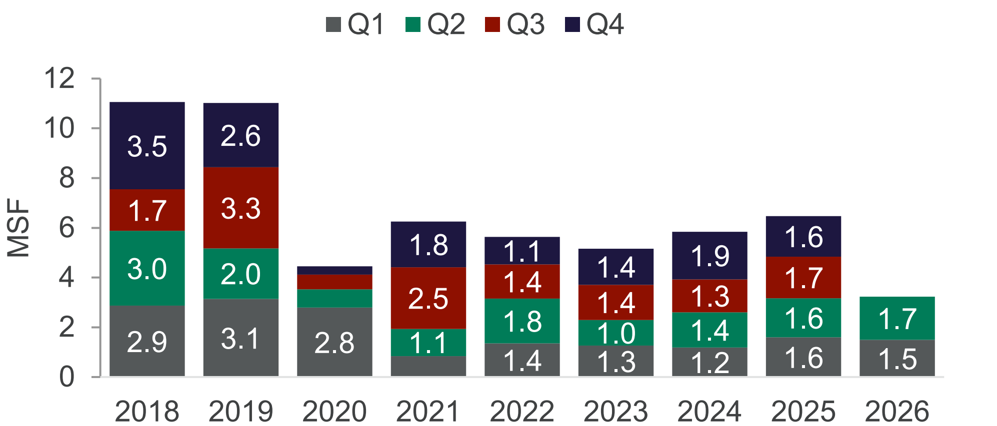
SPACE DEMAND / DELIVERIES



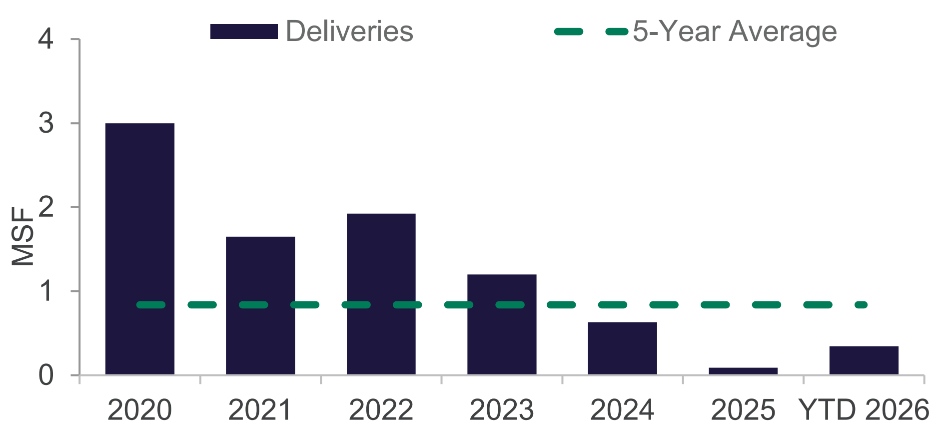
OVERALL VACANCY & ASKING RENT



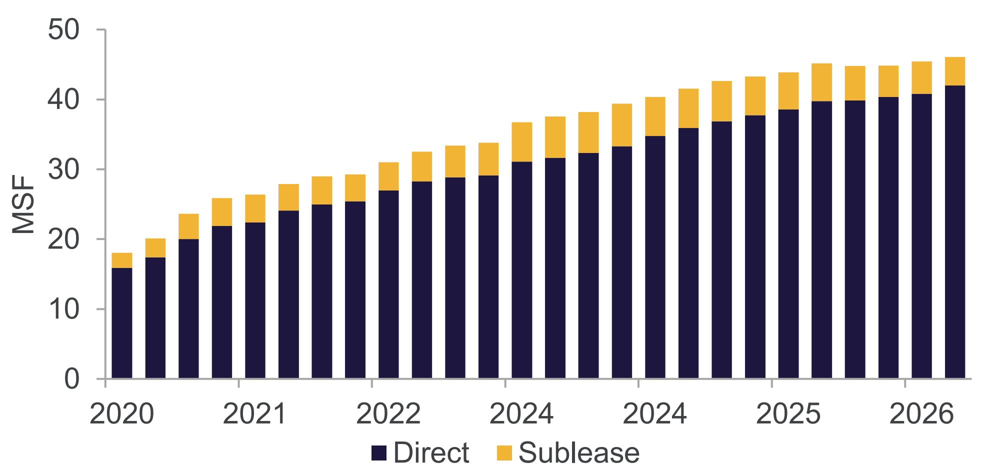
OVERALL NEW LEASING ACTIVITY



HISTORICAL NEW SUPPLY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



SUPPLY: CONSTRUCTION PIPELINE DRIVEN BY PRELEASING ACTIVITY

Following the execution of Sidley Austin's lease this quarter, 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. Since 2025, two office properties totaling 434,000 sf have been delivered within Chicago's CBD. 910 W. Lake totals 88,000 sf, while 919 W. Fulton totals 346,000 sf; both properties are located in the Fulton Market District.

SUPPLY PRESSURE: SUBLEASE AVAILABILITY CONTINUED TO DECREASE

Sublease availability continued to decline, decreasing 24.3% YOY to 4.0 msf. This represented 8.8% of the CBD's overall available inventory. More than 2.1 msf of sublease space was vacant, with an additional 1.9 msf scheduled to become vacant in the future. The West Loop and Central Loop accounted for the largest share of sublease availability, representing 56.2% of active subleases. The two largest subleases added to the market this quarter were Lessen's 77,000-sf space in the Central Loop and Basis Technologies' 70,000-sf space in the East Loop. As of Q2 2026, available sublease spaces of 25,000 sf or more totaled 2.7 msf, accounting for 66.5% of total sublease inventory. Sublease space in trophy buildings remained limited; of the 22 sublease availabilities over 50,000 sf, only three are in trophy assets. While sublease availability increased significantly following the start of the pandemic, the pace of new sublease additions has slowed in recent years, with overall availability now showing signs of decline.

PRICING: OVERALL ASKING RENTS RECORD MODERATE INCREASE

Overall gross asking rental rates remained stable across most asset classes in Q2 2026, with the overall market average increasing 0.8% QOQ to $43.90 per square foot (psf) from $43.57 psf. Class A asking rates recorded a QOQ increase of 1.8% to $54.06 psf. Class B asking rates increased 0.4% QOQ to $41.30 psf. Class C rates decreased by 0.1% to $30.32 psf. Trophy buildings continued to command premium asking rents in Q2 2026, despite rents declining 2.7% YOY to $57.45 psf. Overall, rent growth was driven by higher pricing in trophy and Class A assets, highlighting continued tenant preference for high-quality space even as market conditions remain uneven.

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.

CHICAGO CBD

OFFICE Q2 2026

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	31,610,679	9,648,281	143,236	31.0%	1,803	-575,555	427,917	0	$44.18	$54.25
East Loop	23,670,156	7,730,403	315,986	34.0%	-62,430	-344,156	237,324	0	$38.55	$46.88
Far West Loop	1,689,020	408,316	0	24.2%	-66,832	-64,821	12,288	0	$30.33	N/A
Fulton Market District	6,916,107	986,092	199,183	17.1%	98,531	258,698	250,596	0	$44.09	$50.03
North Michigan Avenue	6,583,818	1,600,125	250,980	28.1%	-25,221	-222,443	62,632	0	$40.27	$45.26
River North	17,202,677	4,772,907	317,218	29.6%	9,446	23,043	395,293	0	$45.82	$52.50
West Loop	54,198,137	11,352,277	888,201	22.6%	-170,205	-222,442	1,839,431	0	$48.43	$55.78
DOWNTOWN TOTALS	**141,870,594**	**36,498,401**	**2,114,804**	**27.2%**	**-214,908**	**-1,147,676**	**3,225,481**	**0**	**$43.90**	**$54.06**

**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	16,778,179	1,546,790	23.0%	322,413	-216,747	2,099,291	0	$54.55	$54.06
Class B	49,896,205	16,665,601	536,371	34.5%	-521,991	-842,528	869,049	0	$41.31	$41.30
Class C	12,316,409	3,054,621	31,643	25.1%	-15,330	-88,401	257,141	0	$30.32	$30.32
DOWNTOWN TOTALS	**141,870,594**	**36,498,401**	**2,114,804**	**27.2%**	**-214,908**	**-1,147,676**	**3,225,481**	**0**	**$43.90**	**$43.90**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2026

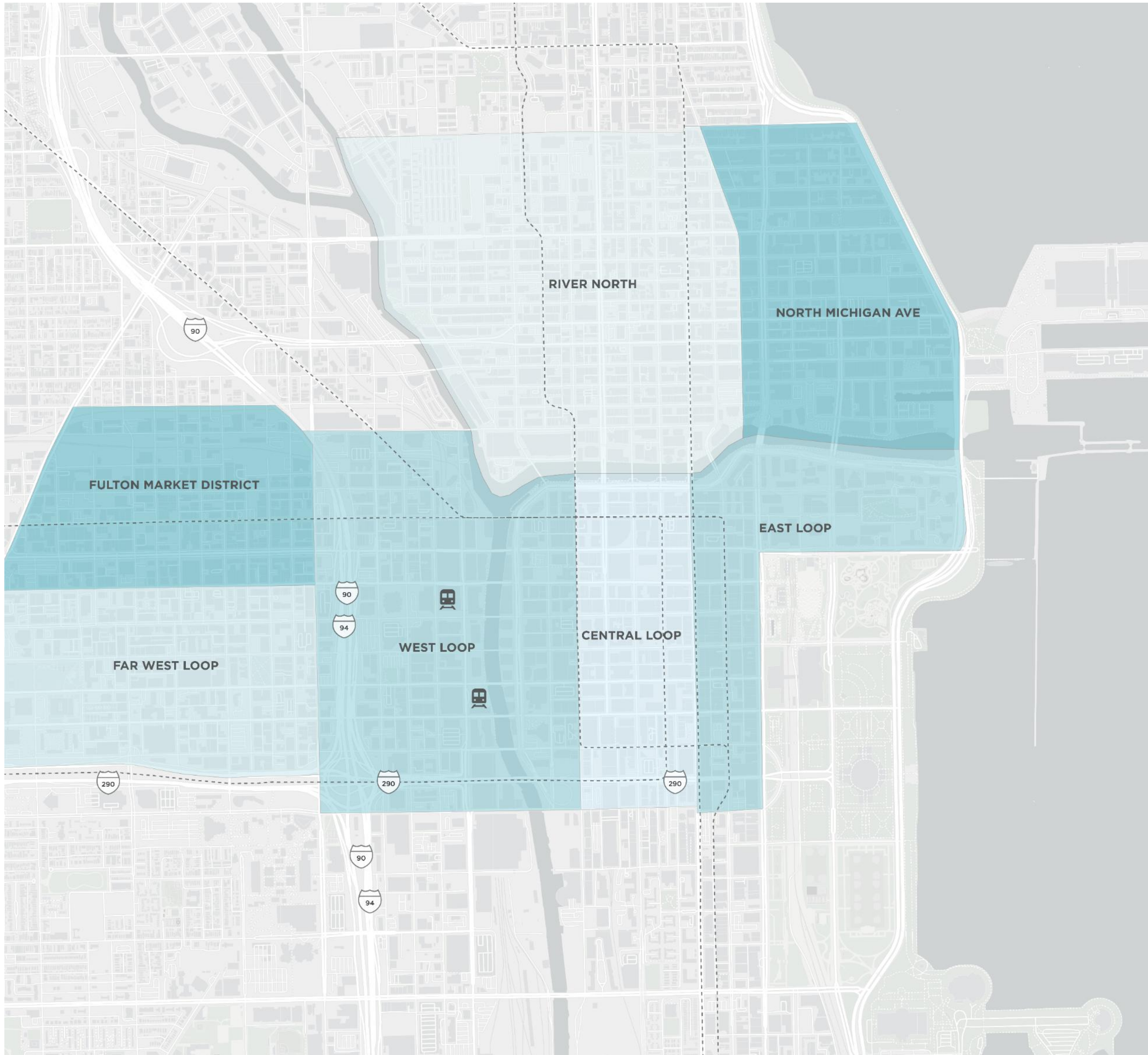
PROPERTY	SUBMARKET	TENANT	SF	TYPE
725 West Randolph Street	West Loop	Sidley Austin LLP	523,440	New
222 North LaSalle Street	Central Loop	Vedder Price PC	163,000	Renewal*
333 West Wolf Point Plaza	River North	McKinsey	72,113	New
222 North LaSalle Street	Central Loop	Huntington National Bank	60,900	Renewal*
222 South Riverside Plaza	West Loop	StoneX Group Inc.	60,231	Renewal*
151 North Franklin Street	West Loop	Loeb & Loeb	52,656	New
1 South Wacker Drive	West Loop	Rise Interactive Media & Analytics	40,428	Renewal*
222 West Adams Street	West Loop	Retail Finance International Holdings, Inc.	36,340	Renewal*

**Renewals not included in leasing statistics*

KEY SALE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER | BUYER	SF	PRICE | $ PSF
131 South Dearborn Street	Central Loop	TPG Angelo Gordon & Co., L.P. | Kohan Retail Investment Group	1,652,550	$137.0M | $83
500 West Monroe Street	West Loop	Spear Street Capital | GlenStar Properties LLC	966,645	$99.0M | $102
180 North LaSalle Street	Central Loop	La Caisse | Menashe Properties	861,476	$56.5M | $66
200 West Monroe Street	West Loop	JP Morgan Chase | Franklin Partners	531,348	$16.0M | $30
205 West Wacker Drive	West Loop	A10 Capital | Titan Power	271,068	$15.0M | $55
600 West Fulton Street	Fulton Market District	Parkside Realty & Lincoln Financial Group | R2 Companies	214,768	$17.6M | $82

OFFICE SUBMARKETS



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