




NEWMARK

Chicago Suburban:
Office Market Report

1Q26



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Chicago Suburban Market Observations



Economy

- The Chicagoland labor market experienced a nuanced start to 2026, with the unemployment rate ticking up from 5.0% to 5.2% in January.
- Despite the rising unemployment rate, total nonfarm employment in the MSA grew by 14,100 jobs year-over-year, marking 58 consecutive months of overall job growth.
- Conversely, office-using employment contracted sharply, falling 1.0% year-over-year to 999.6K jobs due to heavy first-quarter losses in the Professional and Business Services sector.



Leasing Market Fundamentals

- First-quarter leasing volume of just over 1.1 million square feet indicates that suburban demand has definitively stabilized at a lower, post-pandemic baseline, with active tenant demand holding steady at 2.5% of the total market.
- The overall vacancy rate continued its upward trend to 27.3%, due in part to a steady influx of direct availability, which climbed to 29.3%, and is still outpacing tenant move-ins and occupancy gains.
- Average asking rents grew a robust 6.2% year-over-year to \$22.99 per square foot, driven by hyper-concentrated "flight-to-quality" leasing in the I-88 West and Northwest submarkets, while premium Class A assets in O'Hare are beginning to face occupancy headwinds despite commanding the market's highest rents.



Major Transactions

- The largest lease of 1Q26 was signed by Inland Real Estate Group of Companies Inc., who plans to relocate later this year from its Oak Brook HQ. to 140,000 SF at Highland Landmark IV.
- Sterling Properties acquired the 118,000 SF Northfield Plaza in the North submarket for \$7 million, a significant discount from the \$16.81 million Midwest Realty Advisors paid in 2006. The property sold 98% leased with multitenancy, and the new ownership is actively marketing the remaining vacant space.



Outlook

- With the suburban development pipeline sitting completely empty for the 19th consecutive quarter, the market is slowly forcing a structural correction; overall fundamentals will only sustainably improve as functionally obsolete buildings are permanently removed from the inventory.
- The ongoing expansion of direct availability, combined with a sharp 1.0% year-over-year contraction in local office-using employment, ensures that 2026 will remain a heavily tenant-favorable environment.
- In 2026, the performance gap between top-tier and commodity offices will widen; landlords who invest in amenity-rich repositioning will preserve their pricing power, while owners of struggling assets will increasingly pivot toward office-to-alternative-use conversions or infill redevelopment.

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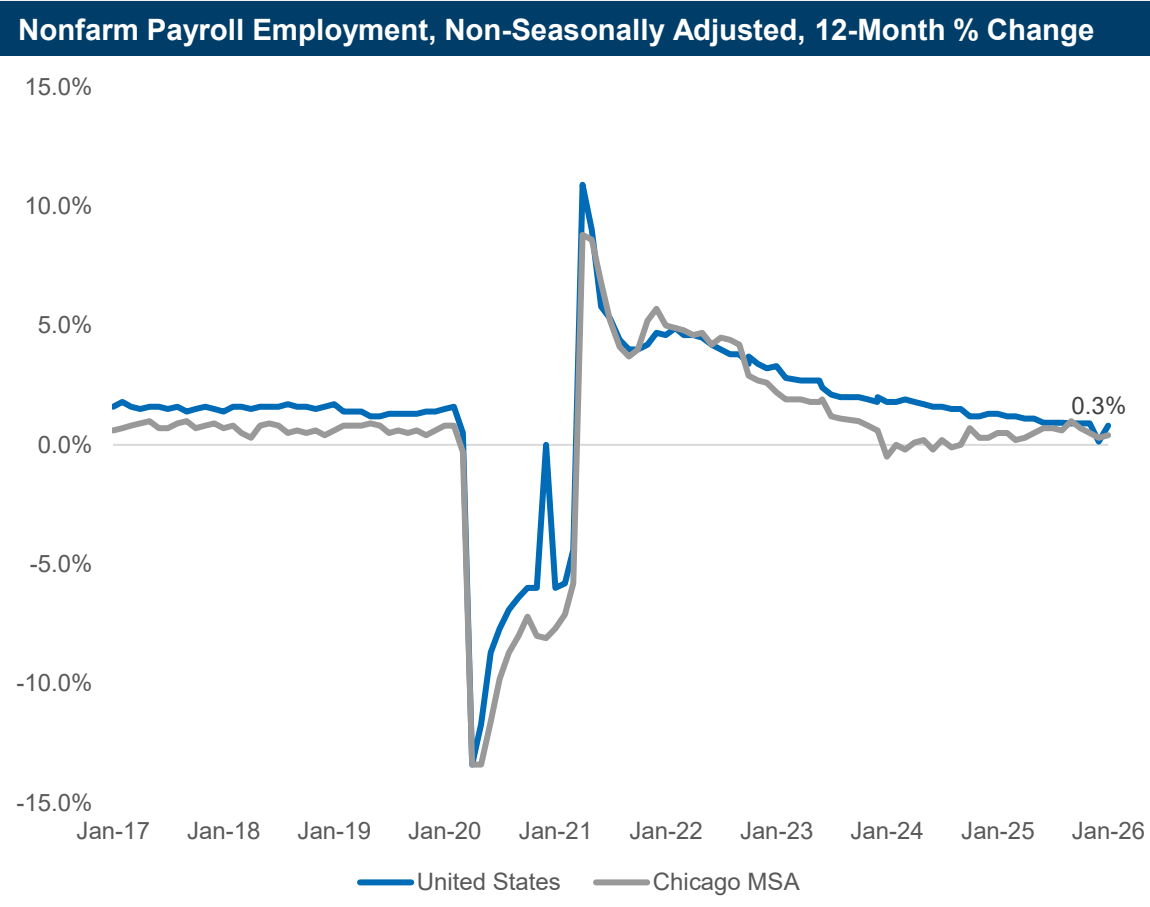
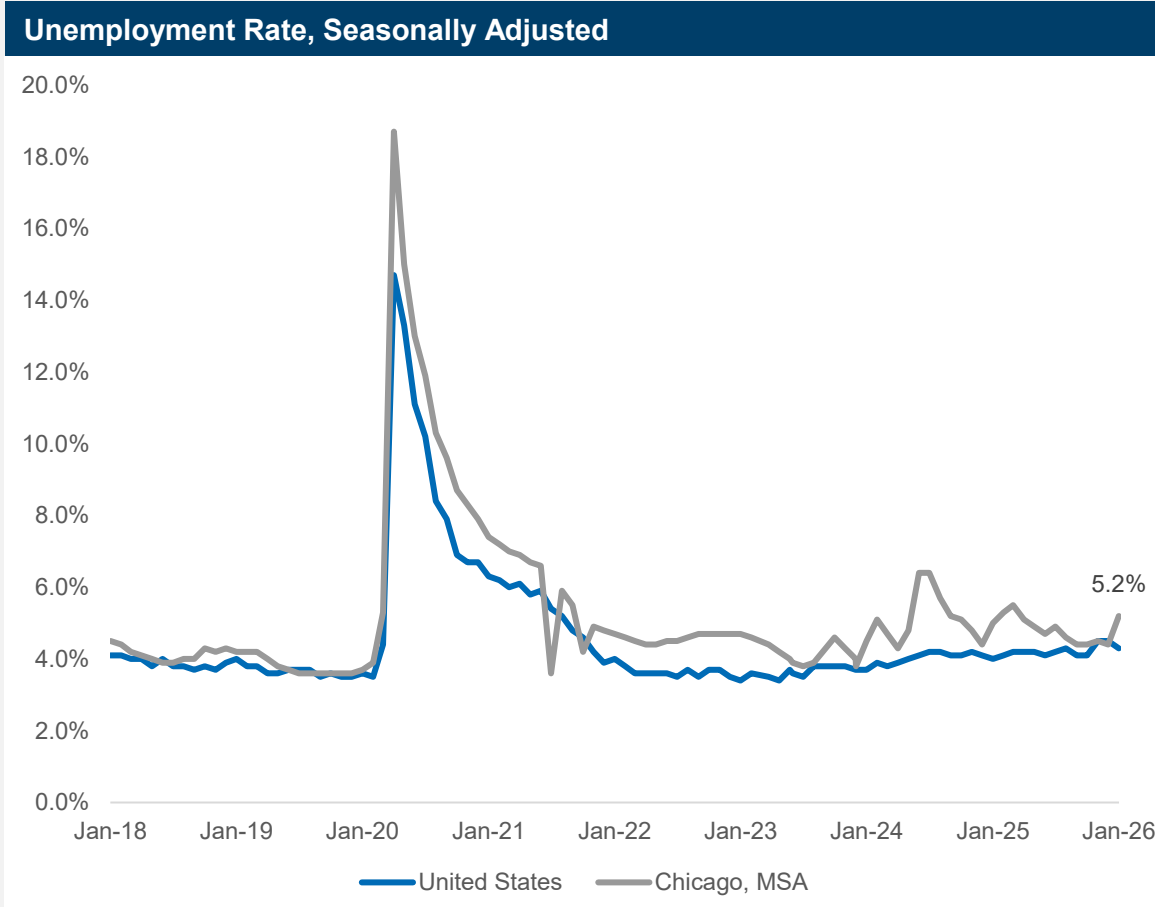
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Economy



Unemployment Declines Amid Modest Job Growth

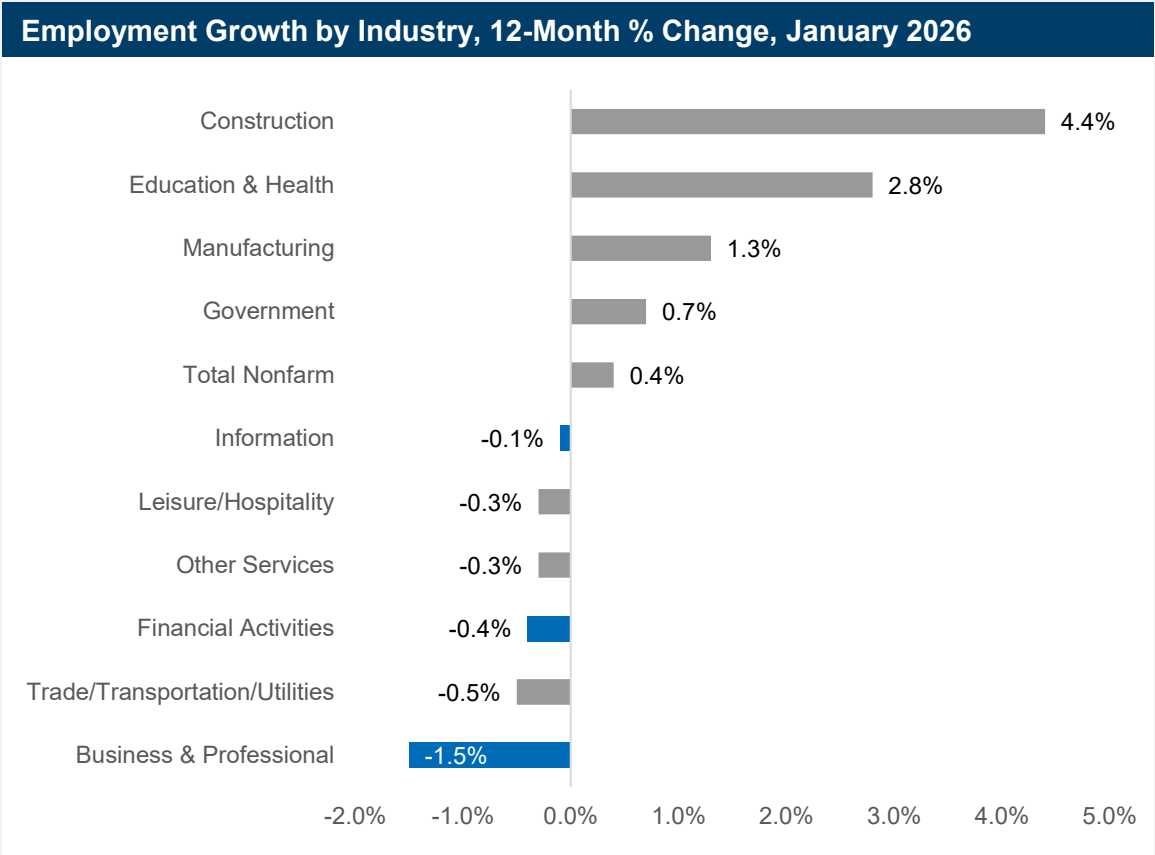
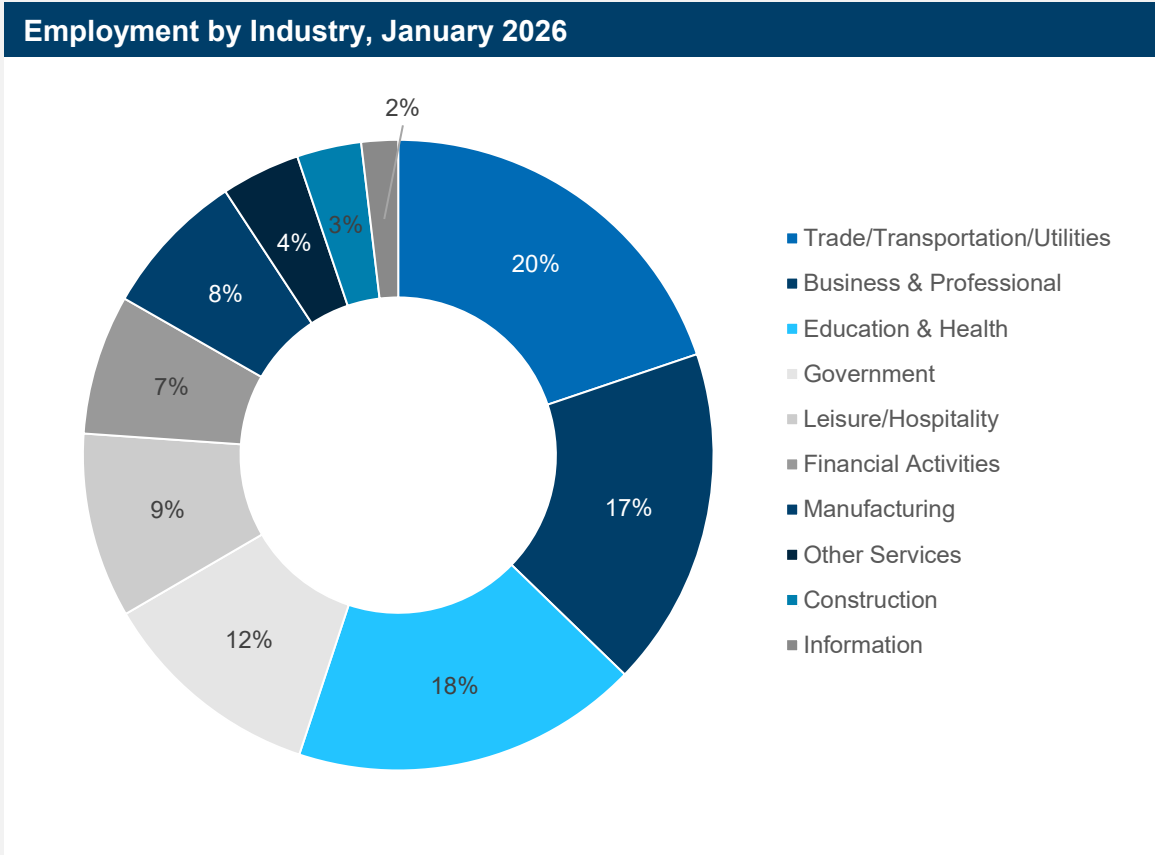
The Chicagoland area began 2026 with a nuanced labor market, experiencing its 58th consecutive month of year-over-year job growth. Total nonfarm employment in the MSA increased by 14,100 jobs compared to January 2025. However, the unemployment rate ticked up to 5.2% in January 2026 from 5.0% the previous year, reflecting a statewide trend of rising unemployment amidst broader economic shifts and a "low-hire, low-fire" dynamic.



Source: U.S. Bureau of Labor Statistics, Chicago MSA
 * Due to the federal government shutdown, some year-end 2025 employment data was unavailable.

Chicago MSA Employment: Modest Growth Amid Sector Divergence

In January 2026, the Chicago MSA continued to post modest employment growth, with total nonfarm employment up 0.4% year-over-year. Gains were concentrated in Construction (+4.4%), Education and Health Services (+2.8%), Manufacturing (+1.3%), and Government (+0.7%), underscoring a market reliant on a mix of institutional growth and selective industrial expansion. However, headwinds remain pronounced across several core sectors, as Professional and Business Services (-1.5%), Trade, Transportation, and Utilities (-0.5%), and Financial Activities (-0.4%) continued to contract, alongside declines in Other Services (-0.3%) and Leisure and Hospitality (-0.3%). Overall, employment growth remains positive but uneven, with ongoing softness in key office-using and traditional logistics sectors - consistent with national trends.

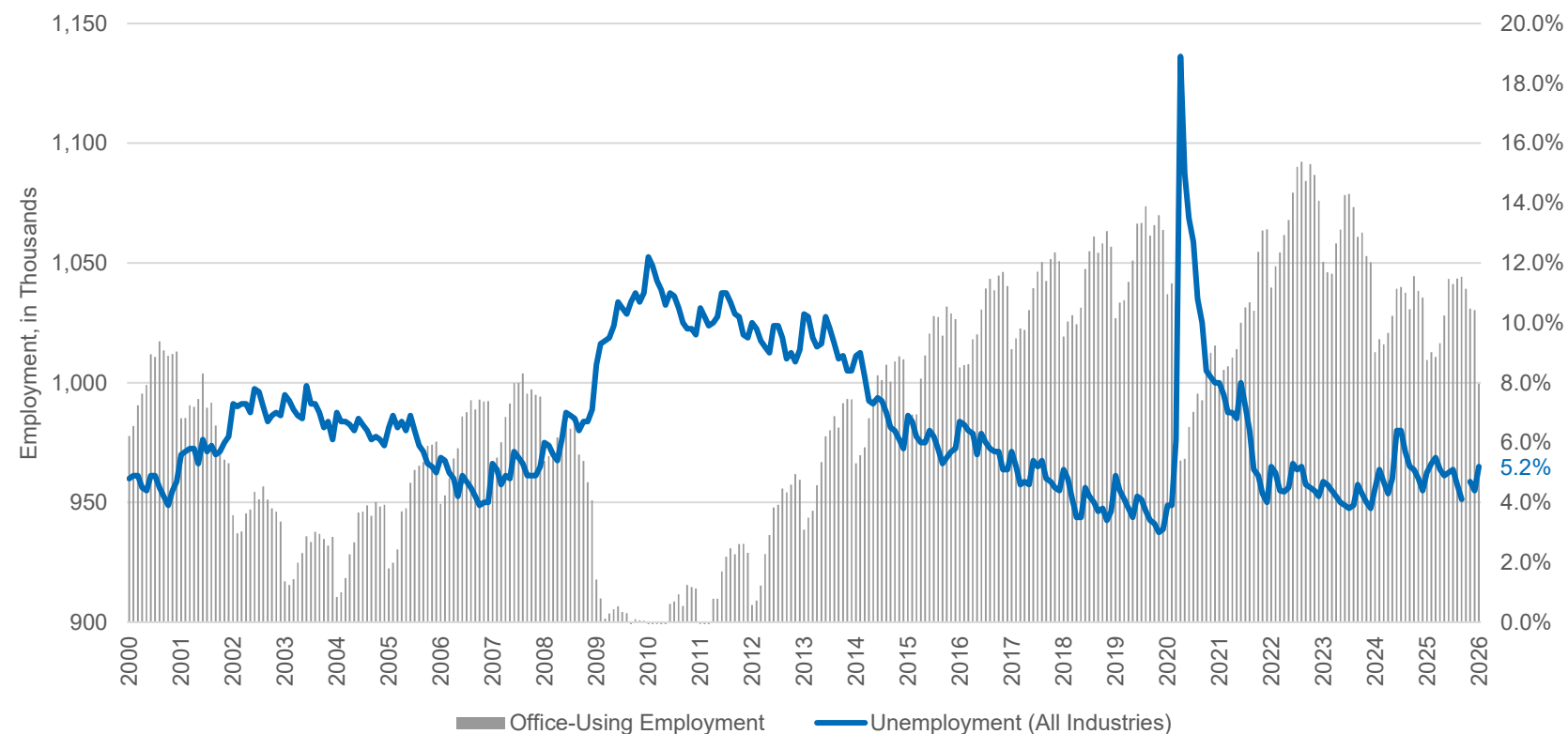


Source: U.S. Bureau of Labor Statistics, Chicago MSA

Sharp Contraction in Office-Using Employment Erases 2025 Gains

Chicago MSA office-using employment dropped sharply in early 2026, erasing 2025's growth to fall just under one million jobs. This 100-basis points decline marks a swift reversal from September's 1.04 million peak, driven by 4Q headwinds including the government shutdown. Losses were heavily concentrated in Professional and Business Services, which plunged 3.9% month-over-month in January. Financial Activities also fell from mid-year peaks, and a modest 3.1% year-over-year gain in the Information sector was not enough to offset the broader market contraction.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Chicago MSA
Note: *Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

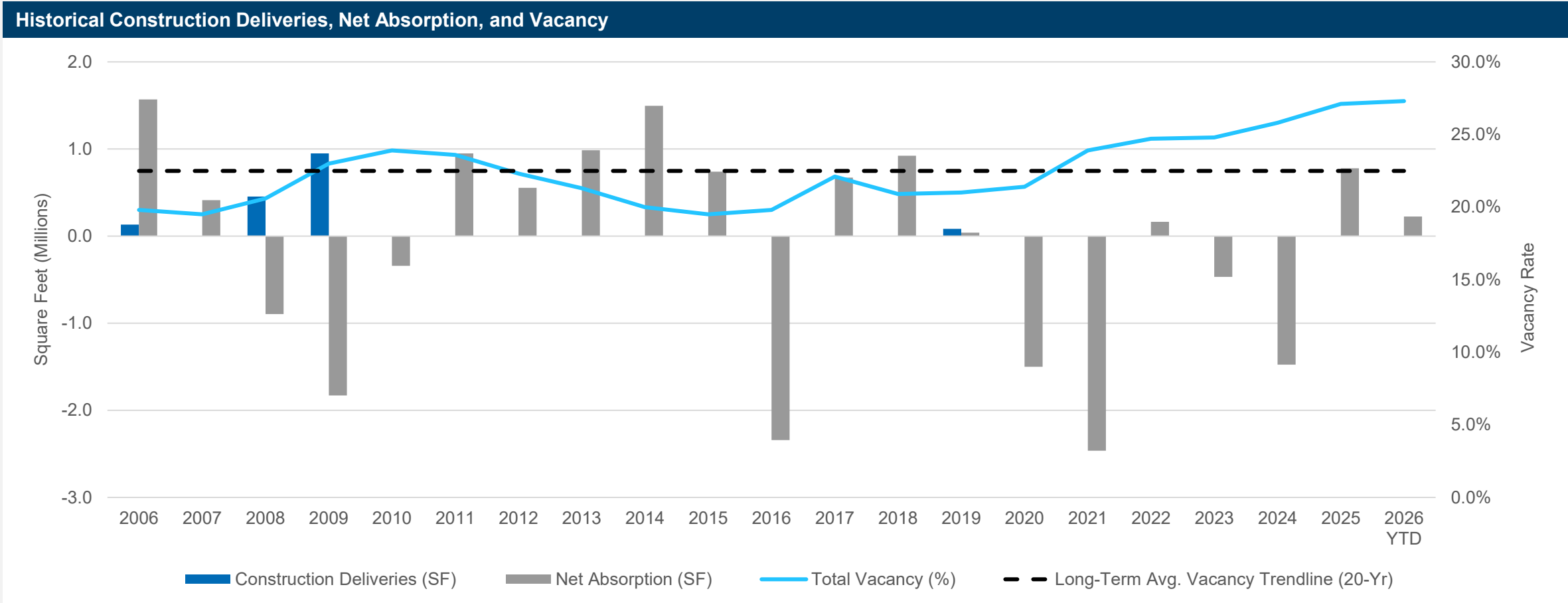
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Leasing Market Fundamentals



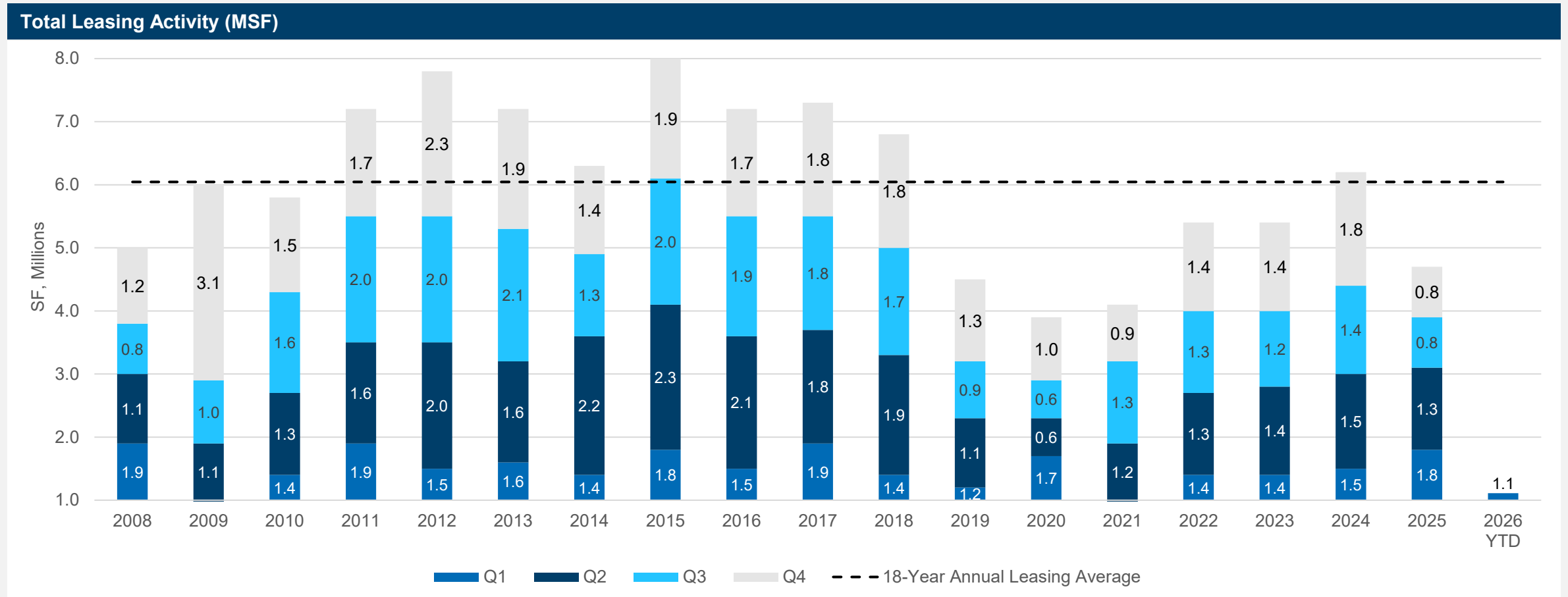
Positive Net Absorption Fails to Dent High Vacancy Rates

In 1Q26, the Chicago suburban office market recorded 225,073 square feet of positive net absorption amidst a complete halt in new deliveries, helping to stabilize inventory levels. Despite the positive absorption and lack of new construction, total vacancy remained elevated at 27.2%, reflecting ongoing challenges in fully occupying the existing 92 million square feet of space. Inventory declined in 2025, and as less attractive building options are removed from the market, leasing fundamentals should improve.

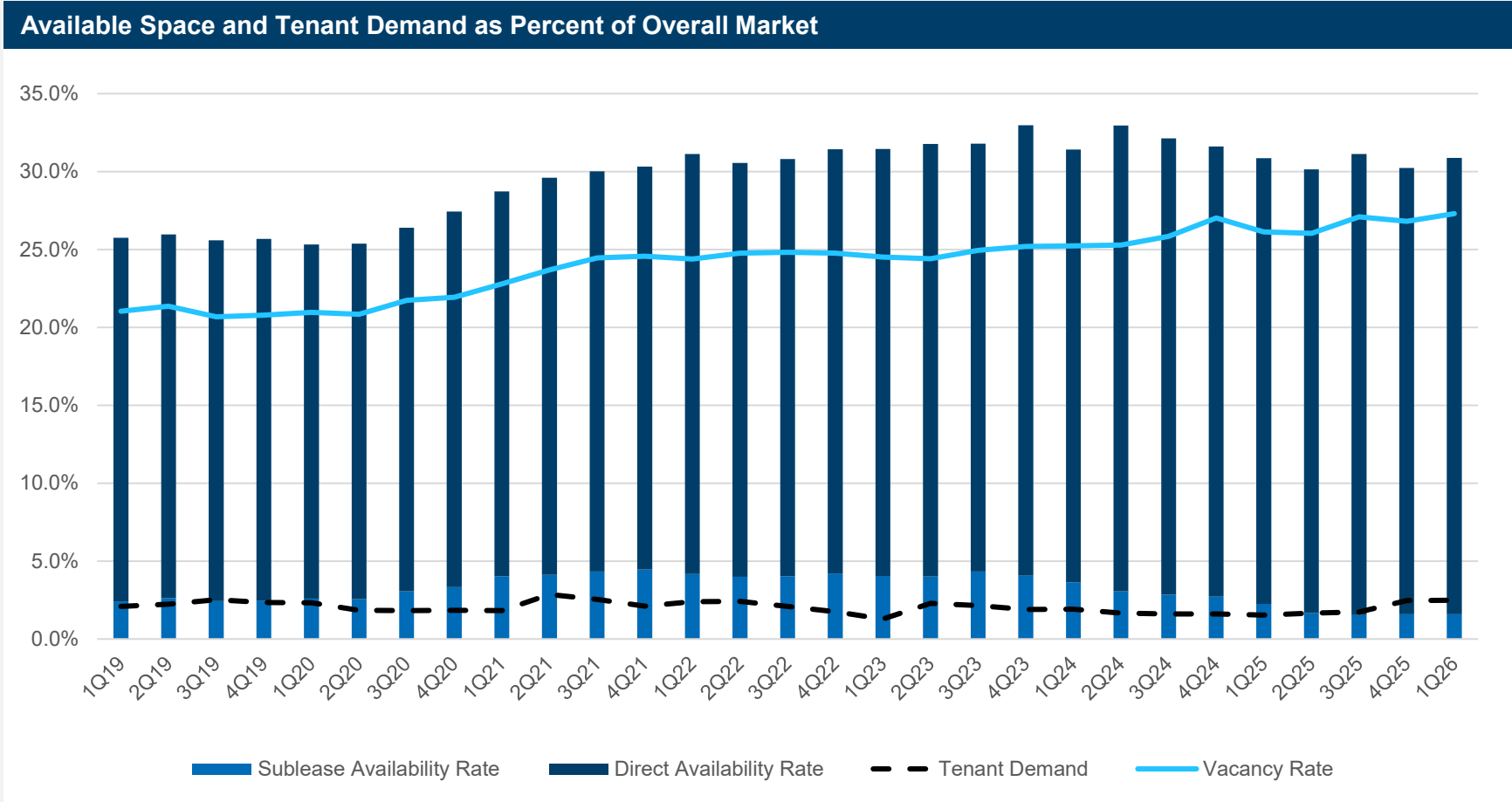


1Q Leasing Volume Reflects Moderated Suburban Demand

The first quarter of 2026 recorded just over 1.1 million square feet of leasing led by Inland Real Estate Group of Companies (140,000 SF) and Wolf Pack Marketing (78,656 SF). In 2025, suburban Chicago leasing totaled roughly 4.7 million square feet, with about 3.1 million in the first half. The sharp decline in leasing at year-end 2025 to begin 2026 underscores that suburban demand has stabilized at a lower, post-pandemic baseline.



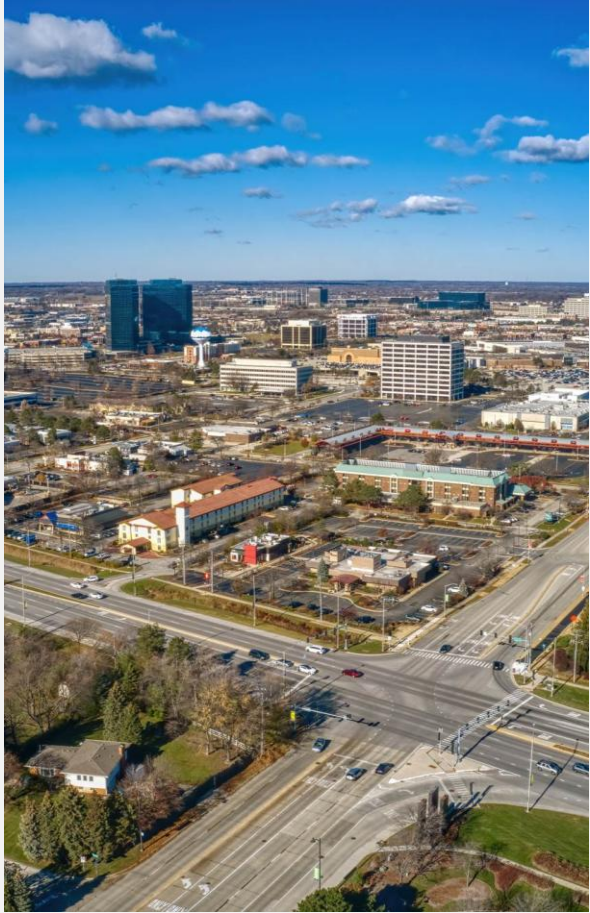
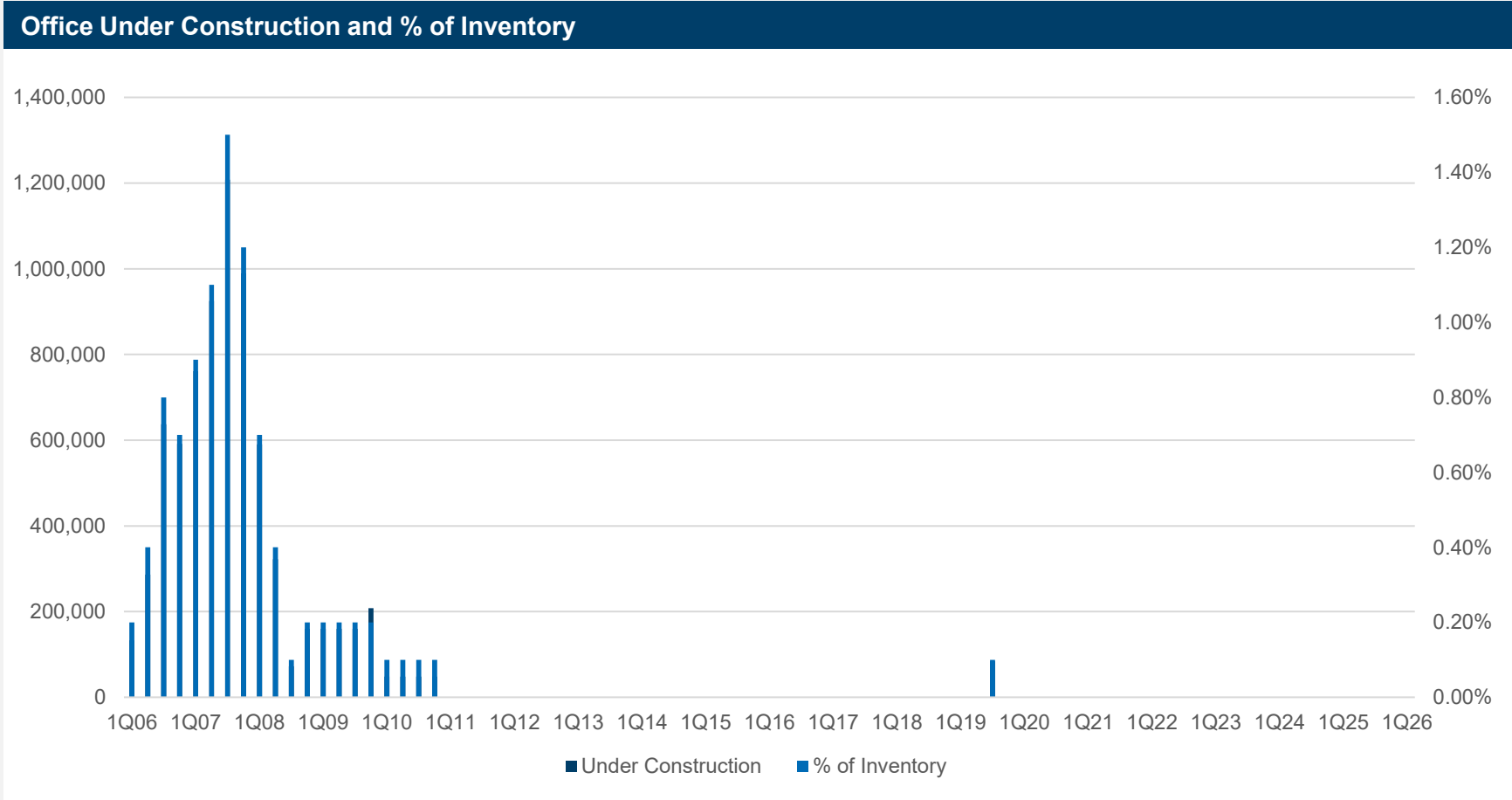
Expanding Direct Availability Meets Sustained Tenant Demand



- Available space expanded in the first quarter of 2026, pushing the overall vacancy rate up 50 basis points to 27.3%.
- This growth was driven primarily by direct space availability climbing to 29.3%, which reversed the temporary tightening seen at the end of last year, while sublease availability remained flat at 1.6%. Despite this steady influx of available space, tenant demand held firm at a strong 2.5% of the overall market to start the year.
- The ongoing combination of expanding direct availability and sustained active demand continues to provide a highly tenant-favorable environment for occupiers evaluating their real estate footprint.

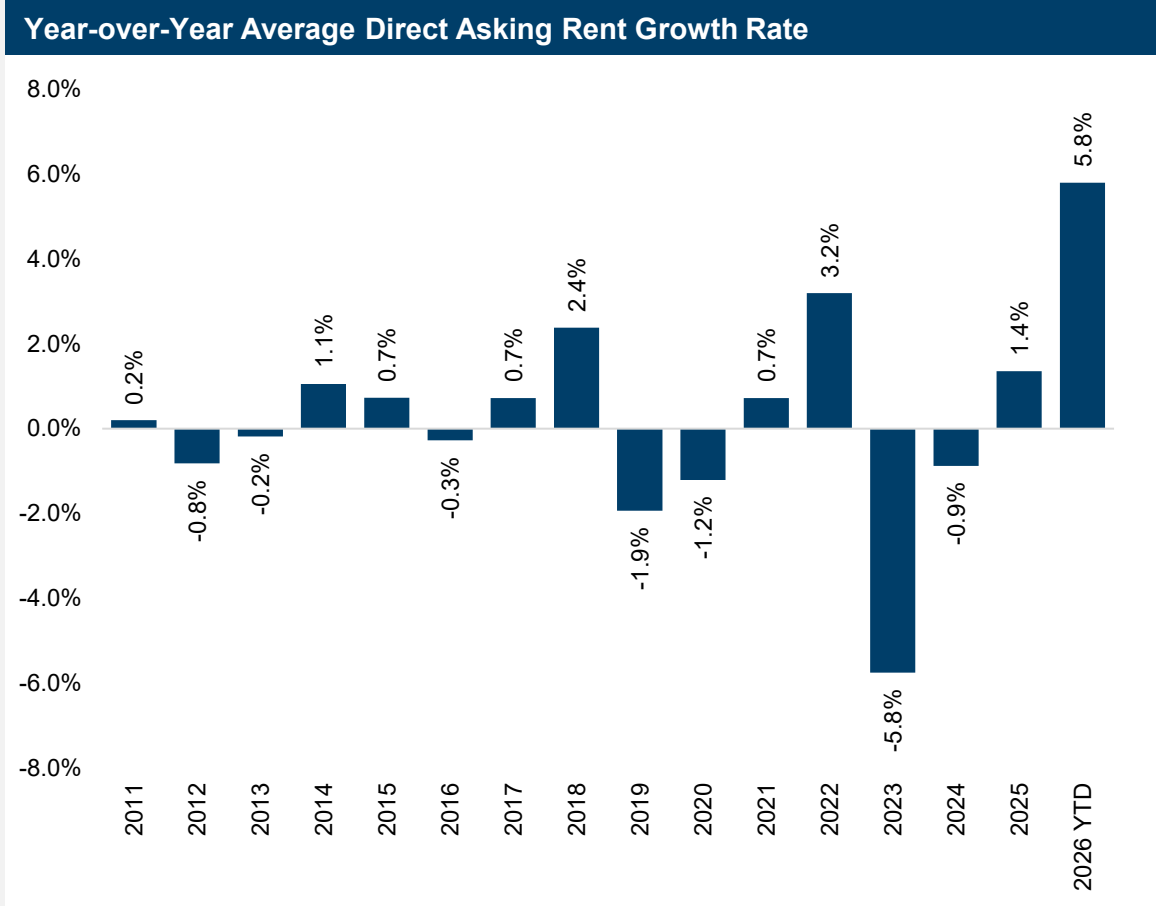
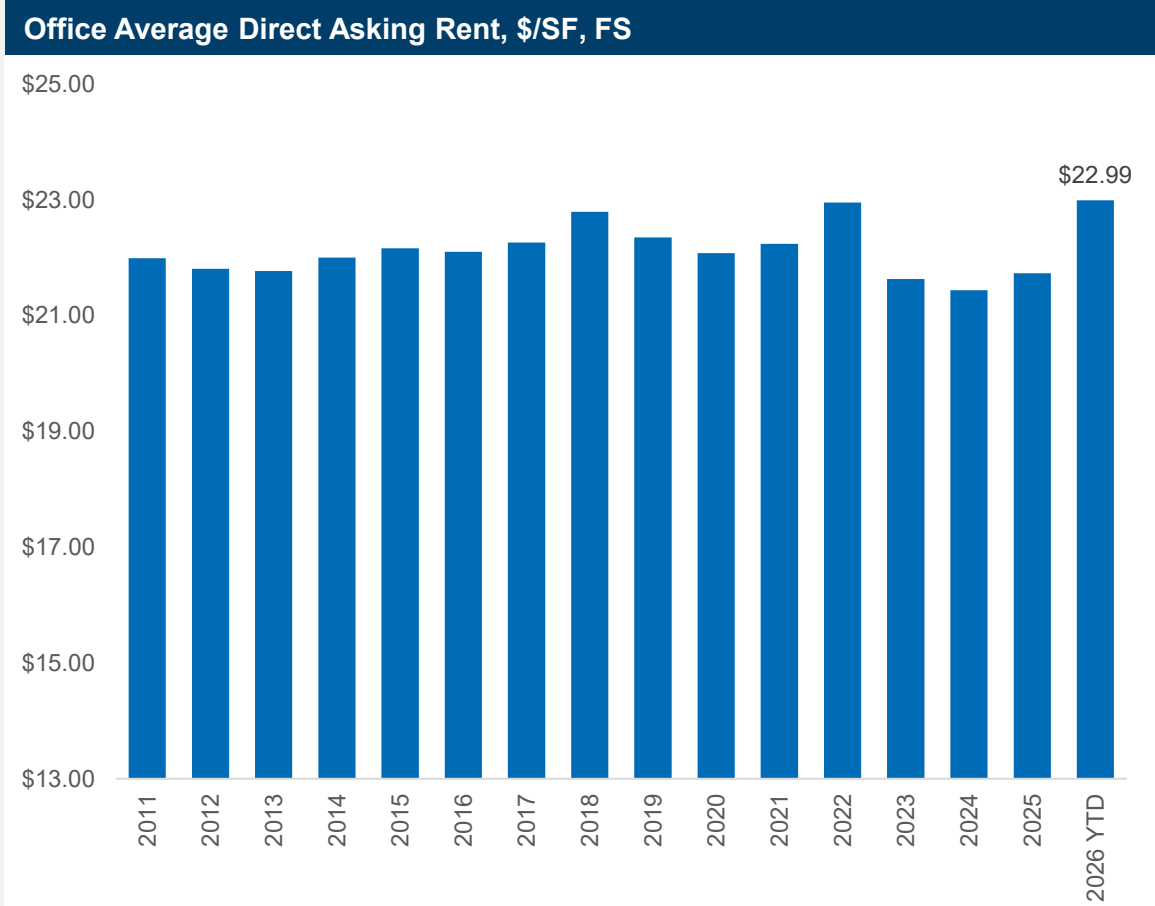
Construction Pipeline Empty, Boosting Existing Inventory

For the 19th consecutive quarter, Chicago’s suburban office development pipeline remained empty in the first quarter of 2026, with no projects under construction. Elevated vacancy rates and the ongoing need to absorb existing inventory continue to stifle new office construction, prolonging the multi-year hiatus in ground-up suburban development.



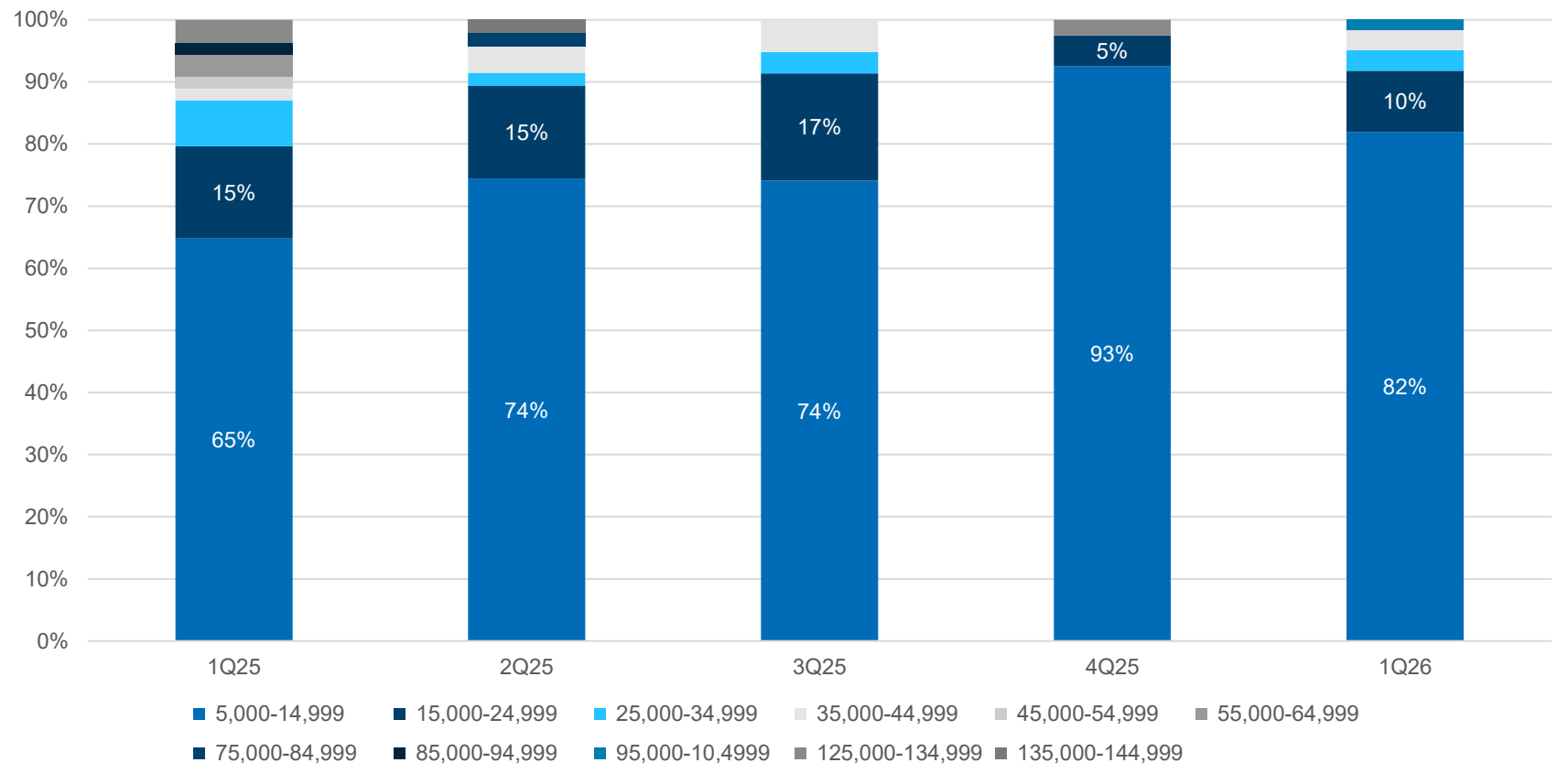
Flight to Quality: Where High Rents Meet Positive Absorption

Direct asking rents in the submarket maintained their upward trajectory through the first quarter of 2026, closing at \$22.99 per square foot. This figure represents a steady 1.9% increase quarter-over-quarter from \$22.56 per square foot at the end of 2025, alongside a solid 6.2% gain year-over-year compared to \$21.65 per square foot in 1Q25. Despite commanding the market's highest direct asking rate at \$34.45 per square foot, premium pricing in O'Hare Class A experienced slight occupancy headwinds and negative absorption. Comparatively, high rents in I-88 West Class A and Northwest Class A were validated and supported by strong positive absorption and tenant demand in 1Q26.



Smaller Deals Dominate Leasing Activity as Large-Block Demand Remains Absent

1Q25 - 1Q26 Leasing Activity Based on Size Tranches



- Small-tenant demand continues to anchor suburban leasing activity, with the 5,000–14,999 SF tranche accounting for 82% of all deal volume in 1Q26 — up from 65% in 1Q25 — reflecting a sustained preference among occupiers for flexible, right-sized space commitments over large-block footprints.
- Mid-size leasing (15,000–24,999 SF) remains a secondary but present demand layer, contributing 10% of 1Q26 suburban activity after compressing to just 5% in 4Q25; **combined with the smallest tranche, transactions under 25,000 SF comprised 92% of all suburban deals recorded in the first quarter.**
- Large-block suburban demand has effectively evaporated, with lease tranches above 25,000 SF representing a negligible share of activity through the past two quarters, signaling that tenants requiring significant footprints continue to defer decisions, consolidate operations, or direct requirements toward CBD or owner-user options rather than traditional suburban product.

Leasing Activity

Notable 1Q26 Transactions

Tenant	Building(s)	Submarket	Type	Transaction Size (SF)
Inland Real Estate Group of Companies, Inc.	Highland Landmark IV	I-88 East	New Direct	140,000
Wolf Pack Marketing	Braveheart III	Northwest	New Direct	78,656
Barilla America	885 Sunset Ridge Rd	North	Lease Renewal	75,260
Claire's Stores	Columba Centre III	Northwest	New Direct	43,214
Nutrien	Corporate 540	North	Relocation/Expansion	31,151

Access the Extended 1Q26 Chicago Office Market Conditions & Trends Report



To access, please reach out to Amy.binstein@nmrk.com or your local Newmark contact.

The expanded version of this report includes:

- **Deeper Tenant and Landlord Strategy Commentary:** Additional analysis on how hybrid work, flight-to-quality, and elevated vacancies are shaping decision-making for occupiers and owners across Chicago’s CBD and suburbs.
- **Capital Markets and Distress Insights:** Enhanced coverage of recent office trades, repricing, and emerging opportunities for value-add, conversion, and recapitalization strategies in challenged assets.
- **Granular Leasing and Pricing Detail:** Submarket-level breakdowns of lease structures, effective vs. face rents, concession trends, and projected rent trajectories by quality tier and location.
- **Scenario-Based Local Economic Outlooks:** Newmark’s forward-looking views on employment, office-using demand, and space needs under multiple macroeconomic paths specific to the Chicago region.

Extensive content across 20+ slides—a detailed presentation packed with useful office information and in-depth analysis.

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