

3Q25

Chicago CBD Office Market Report

NEWMARK

Market Observations

Economy

- Despite lack of September employment data due to the government shutdown, Chicago Metro’s unemployment rate declined to 4.6% in September 2025, an improvement from a 5.5% high in the year.
- Office-occupying industries posted modest positive gains in building visitations but declines in employment count. Financial activities and the information sector saw an 1.6% and 3.2% annual incline, respectively. Yet, the business & professional services sector contracted year over year again, this quarter by -0.7%.

Major Transactions

- The largest lease signed Downtown this quarter was by Bain & Co. in the former Citadel Tower. The consulting firm took over the top floors from Citadel, expanding from 73,000 SF to 173,000 SF at 190 S LaSalle.
- Blue Star Properties, in partnership with Wolcott Group, acquired the 26-story West Loop office building at 2 N. Riverside Plaza for just over \$25 million. The building sold well below its 2016 value and the new ownership plans a \$50 million renovation to add hospitality features and modern amenities to attract new tenants.

Leasing Market Fundamentals

- Leasing volume in the Chicago CBD totaled 6.3 million square feet through the first three quarters of the year, continuing to best the previous two years YTD totals.
- Vacancy saw no substantial change this quarter, with the removal of pending office building conversions offsetting the nearly 400,000 SF of negative absorption.
- While demand for Trophy Towers and premium top-floor spaces has intensified, pushing rates for these high-end assets higher, this strength at the very top of the market has had minimal to offset the broader economic challenges affecting the majority of office space in the CBD.

Outlook

- Chicago’s CBD office market is at a crossroads. With financing hurdles persisting and tenants reassessing their space needs, property owners must think creatively to reposition and repurpose existing inventory to stay competitive, or even afloat.
- Although leasing and investment activities persist, the office market’s uncertainty contributes to a cautious transaction environment. Short term renewals are gaining popularity and the pace of deal closures is slower as both occupiers and investors exercise increased scrutiny in their decision-making processes.

1. Economy
2. Leasing Market Fundamentals

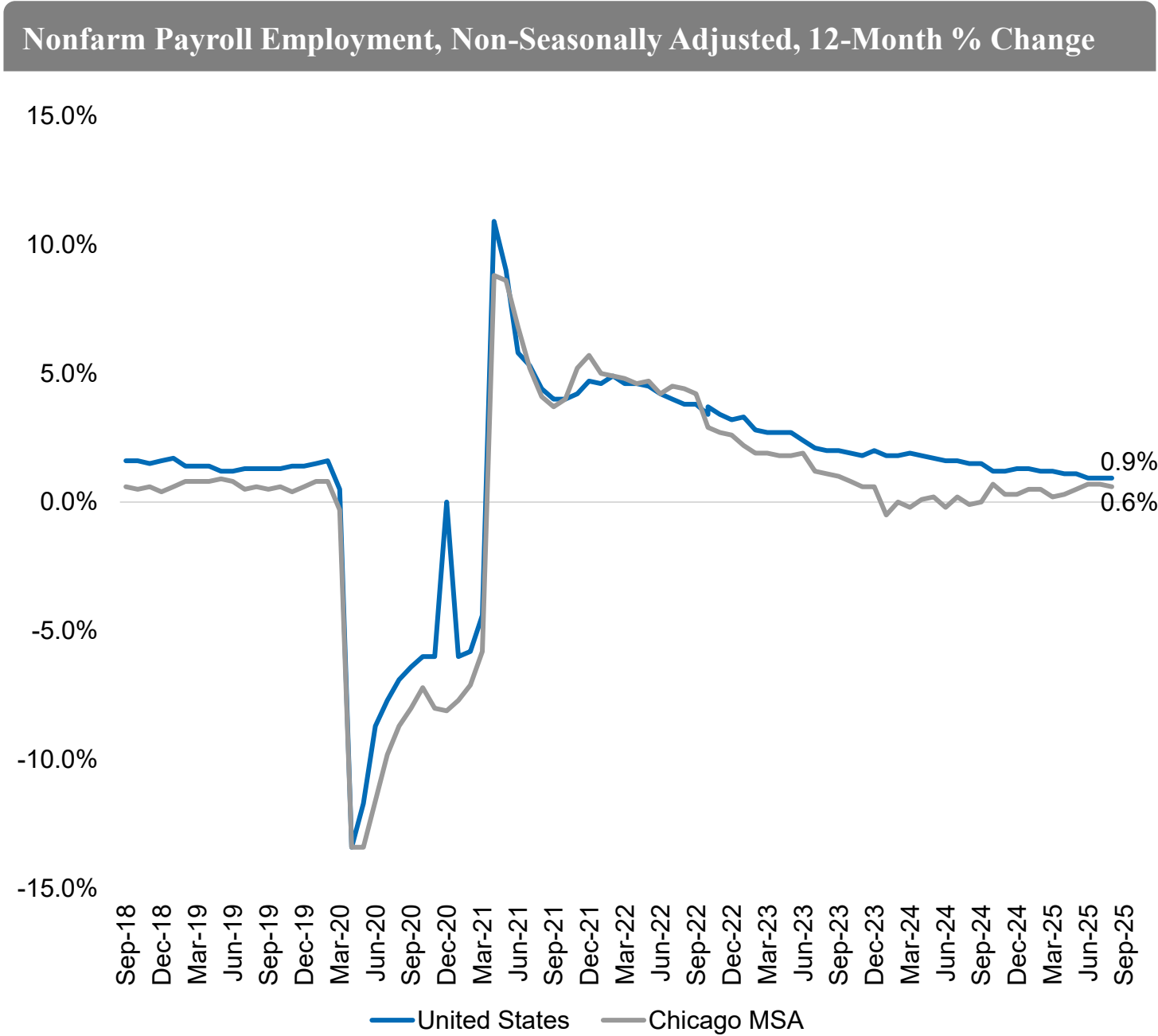
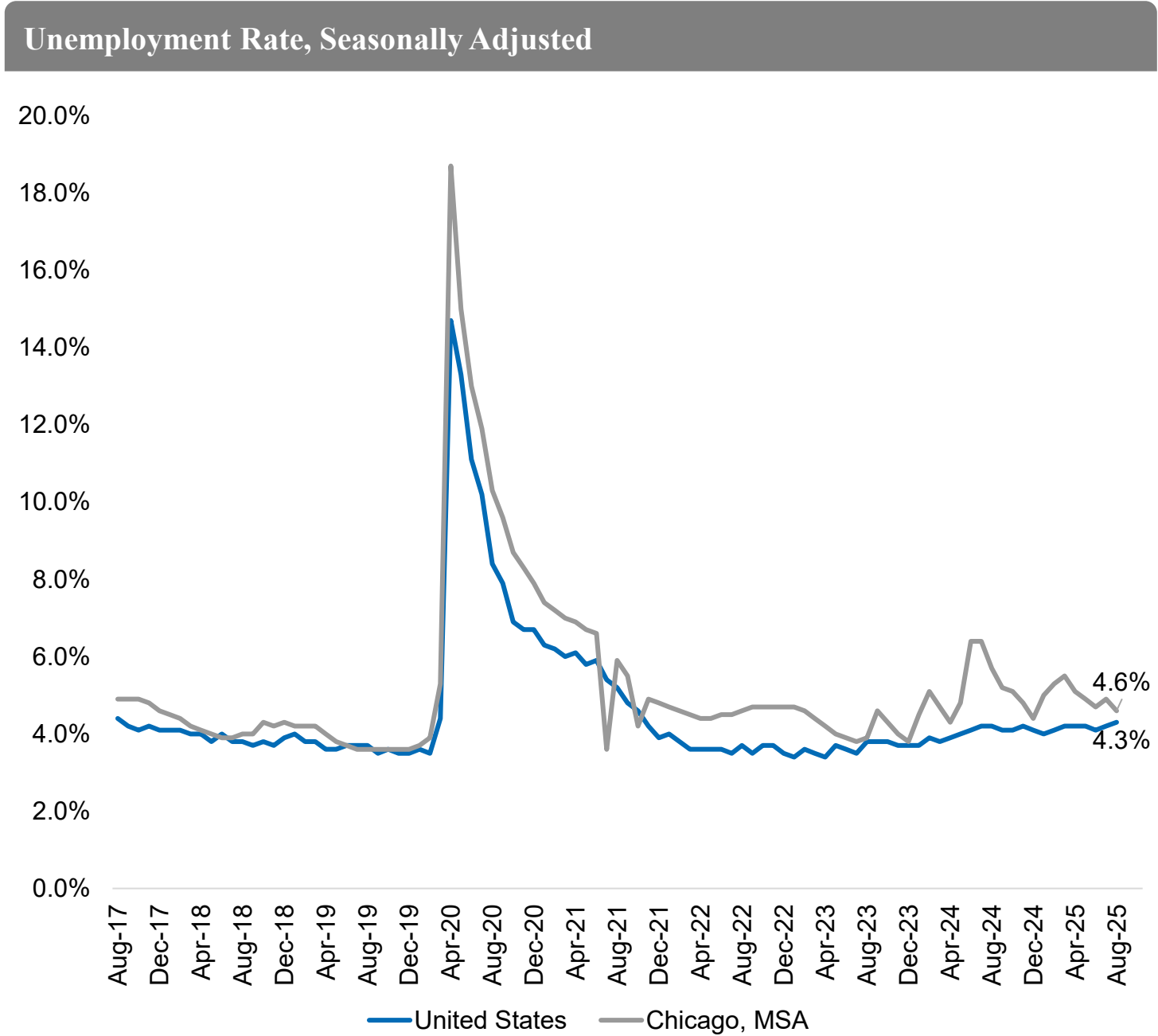
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Economy



Labor Market Continues Steady Recovery with Gradual Job Growth

The Chicago MSA’s unemployment rate continued to decline in the third quarter, falling to 4.6%—down nearly a full percentage point from this year’s high of 5.5%. Annual nonfarm payroll employment growth also strengthened throughout the summer months, reaching consistent and substantial highs not seen in the MSA since Q3 2023. Though, the labor market fairs worse than the national average, Chicago’s job creation continues to be a bright spot amid consistent dampening in the year-over-year growth of the national nonfarm payroll employment figures.

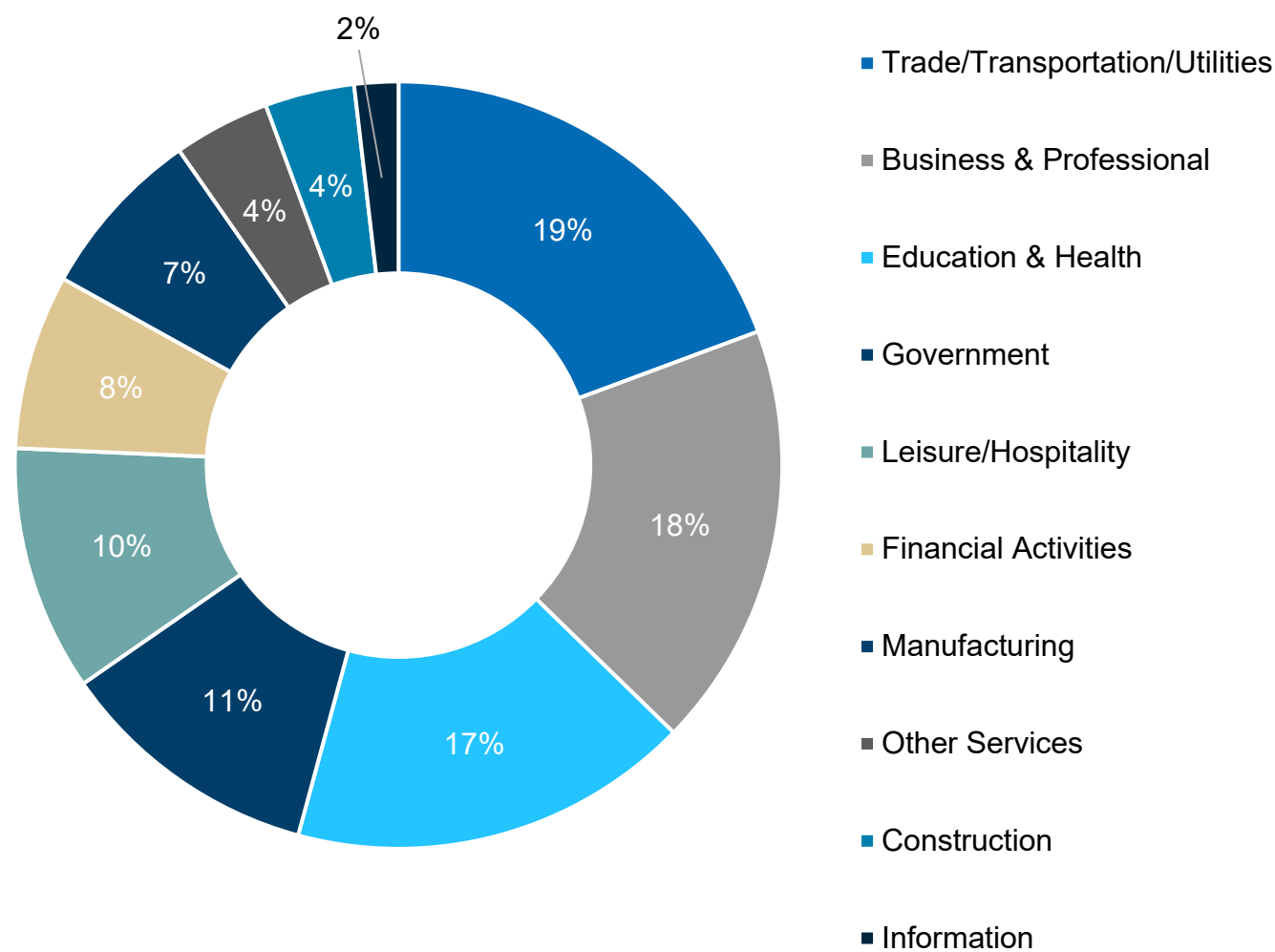


Source: U.S. Bureau of Labor Statistics, Chicago MSA

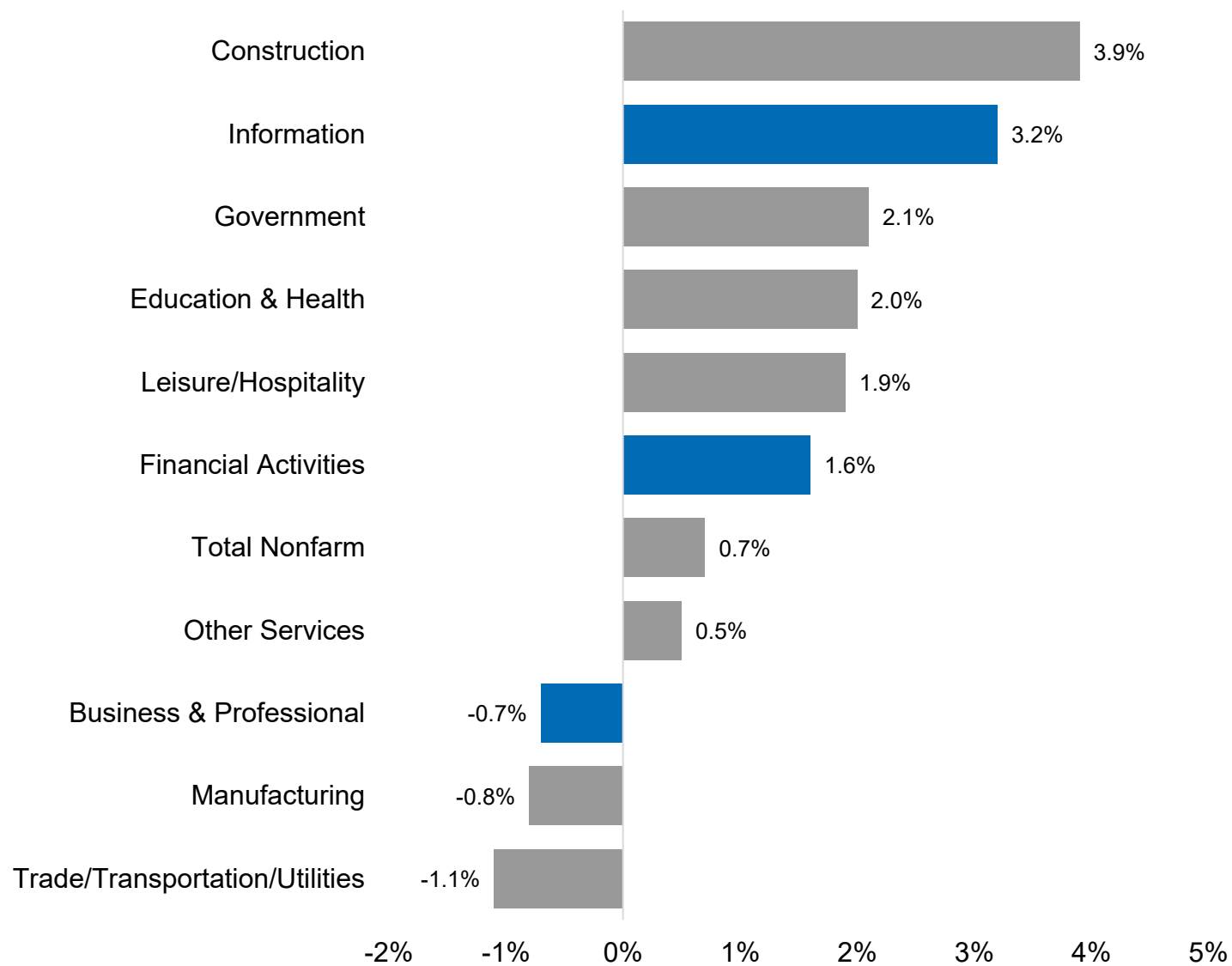
Substantial Growth Trumps Trade Related and Layoff Losses

In August 2025, the Chicago MSA maintained its year-to-date momentum, with total nonfarm employment up 0.7% from August 2024. Growth was led by Construction (+3.9%), Information (+3.2%), Government (+2.1%), Education and Health Services (+2.0%), Leisure and Hospitality (+1.9%), and Financial Activities (+1.6%). However, challenges persist in sectors that drive office and industrial demand, as Professional and Business Services, and Manufacturing and Trade, Transportation, and Utilities both declined during the third quarter.

Employment by Industry, August 2025



Employment Growth by Industry, 12-Month % Change, August 2025

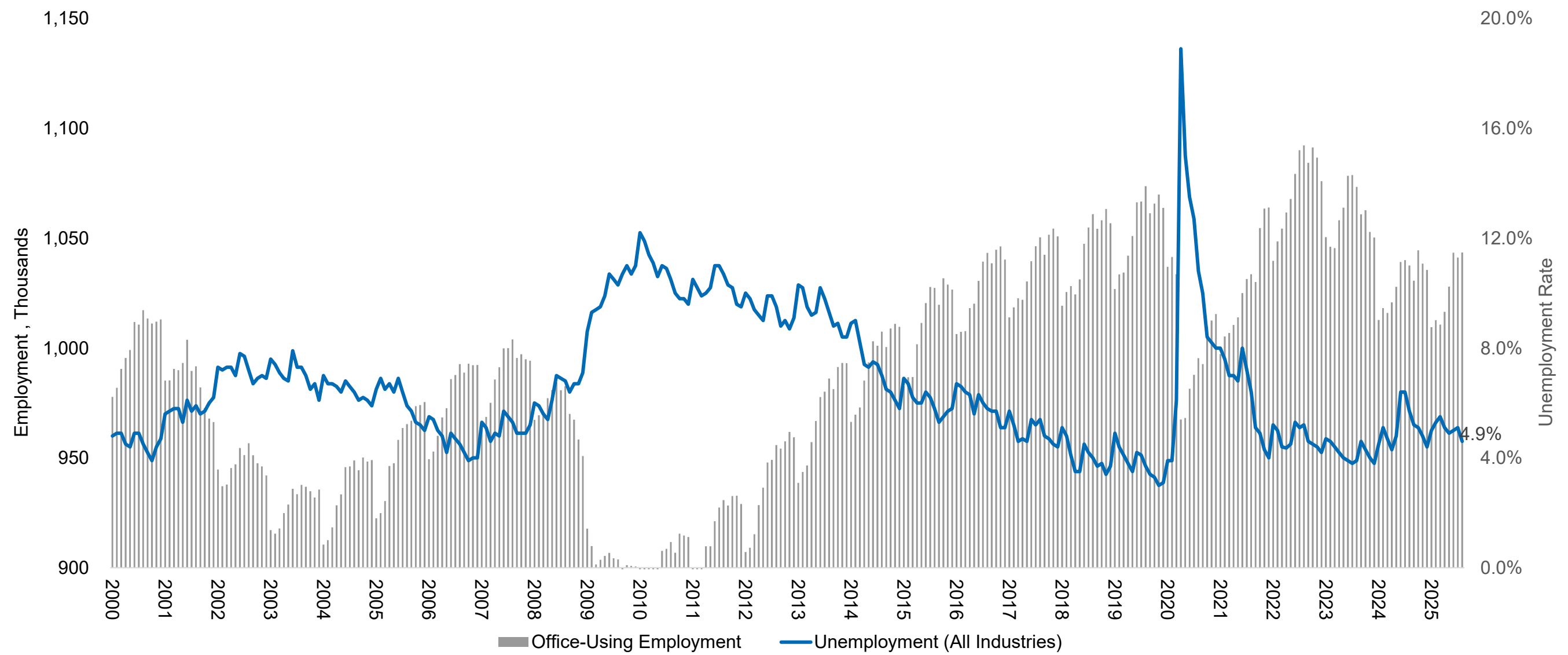


Source: U.S. Bureau of Labor Statistics, Chicago MSA

Office-Using Employment Stabilizes as Unemployment Rate Moderates

With data through August, office using employment in the Chicago MSA has steadied, averaging roughly 1 million positions YTD and remaining essentially flat compared with the same period in 2024, while the summer months showed a modest uptick. August employment reached 1.04 million, a 0.6% increase from August 2024, with Professional and Business Services edging higher by 0.3% YoY to about 690 thousand, Financial Activities rising 0.7% to 283.1 thousand, and Information rebounding more notably by 3.0% to 71.2 thousand. Momentum has improved since the spring, as the June through August average of about 1.04 million sits meaningfully above the March through May average of roughly 1.02 million. Overall, the office using employment base remains just above the one million mark, with modest sector tailwinds suggesting a cautious but firmer footing heading into 4Q2025.

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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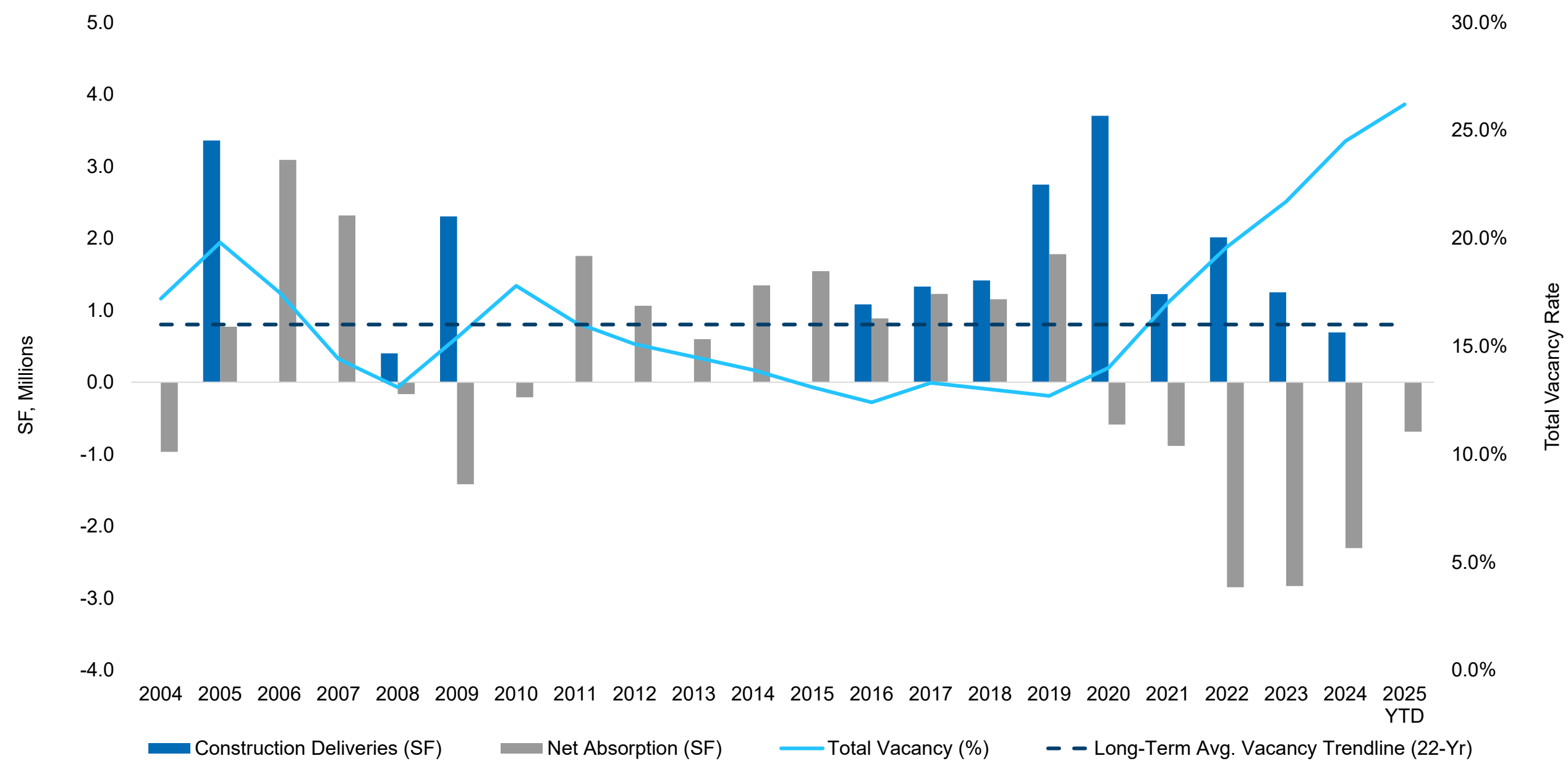
Leasing Market Fundamentals



Realignment Continues Amid Elevated Vacancy as Flight-to-Quality Deepens

The Chicago CBD office market remains in a period of realignment in 2025, with vacancy continuing to edge higher even as the pace of tenant contractions eases. At the same time, large tenant requirements are becoming more active, and as select buildings are converted or undergo substantial renovations, demand is concentrating in best-in-class assets. In short, while the market recalibrates, top-tier, highly amenitized properties are poised to capture the bulk of activity and outperform the broader set.

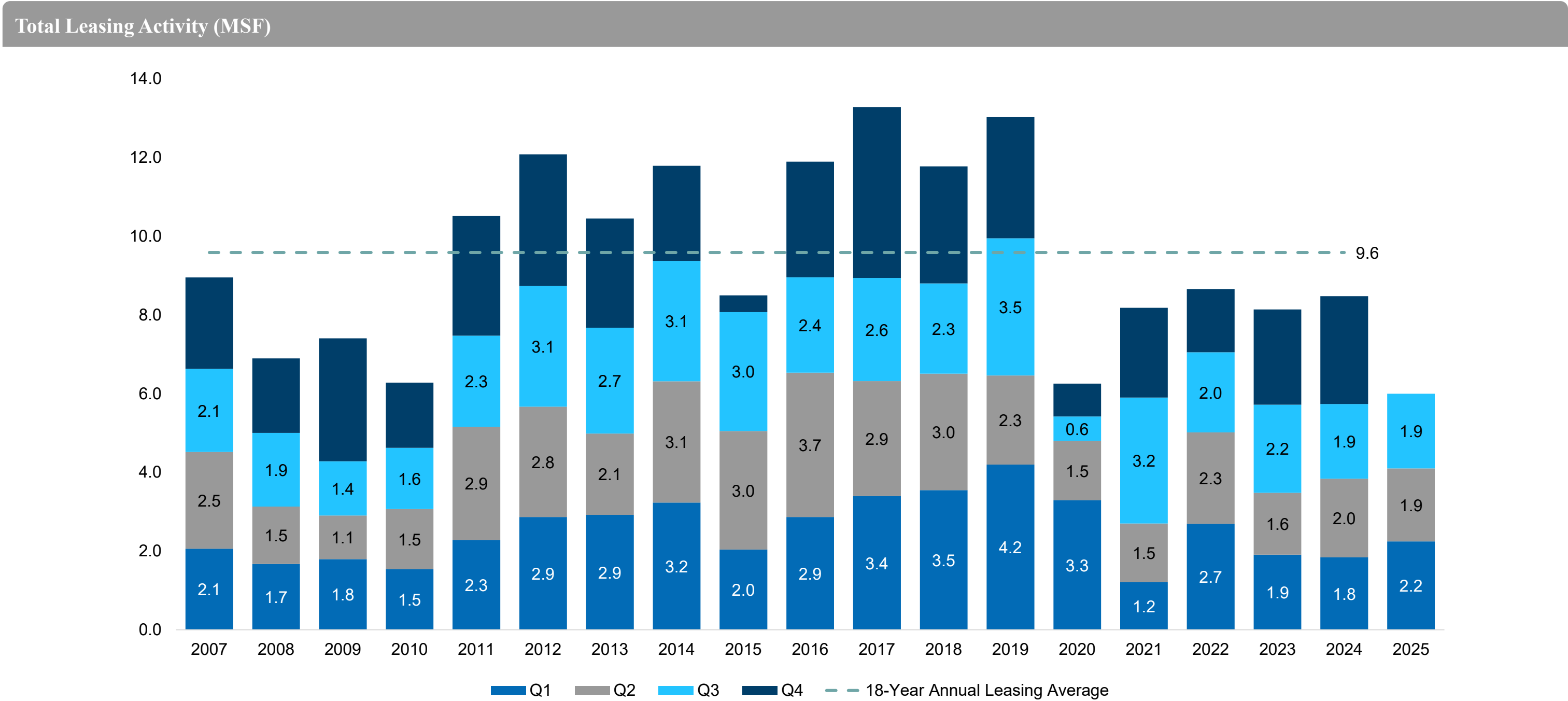
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Bests Previous Years YTD, Halfway Through 2025

Leasing volume in the Chicago CBD totaled 6.3 million square through the first three quarters of the year, continuing to best the previous two years totals YTD. Despite remaining below the pre pandemic annual leasing averages, the year over year growth in leasing activity signals positive tenant demand at the heart of Chicagoland. It is important to note, however, that this figure represents all leasing activity inclusive of renewals and space contractions, and therefore may not lead to a lower vacancy.

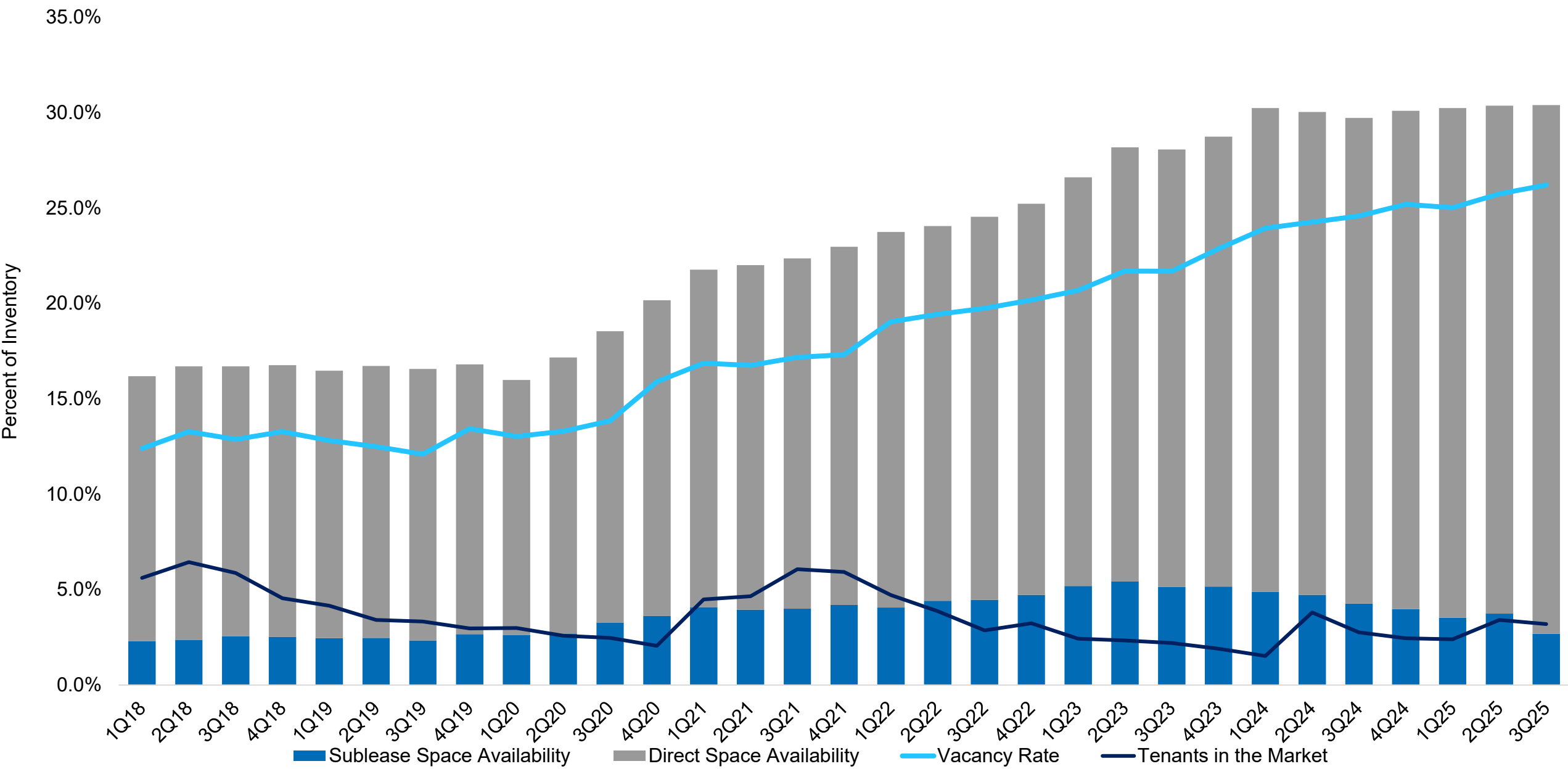


Source: Newmark Research, CoStar

Sublease Supply Recedes as Direct Availability Climbs and Active Tenants Rightsize

Sublease availability declined to just 2.7% returning to the downward trend, thwarted by a period of increased availability this past 2Q2025. Direct availability rose 100 bps to 27.7%, reflecting continued space adjustments among firms. Tenant demand remains elevated near 3.3% as the market continues to recalibrate. Renewed interest from active occupiers indicates that tenants are strategically leveraging favorable market conditions to secure rightsized and amenitized space aligned with their evolving operational needs.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

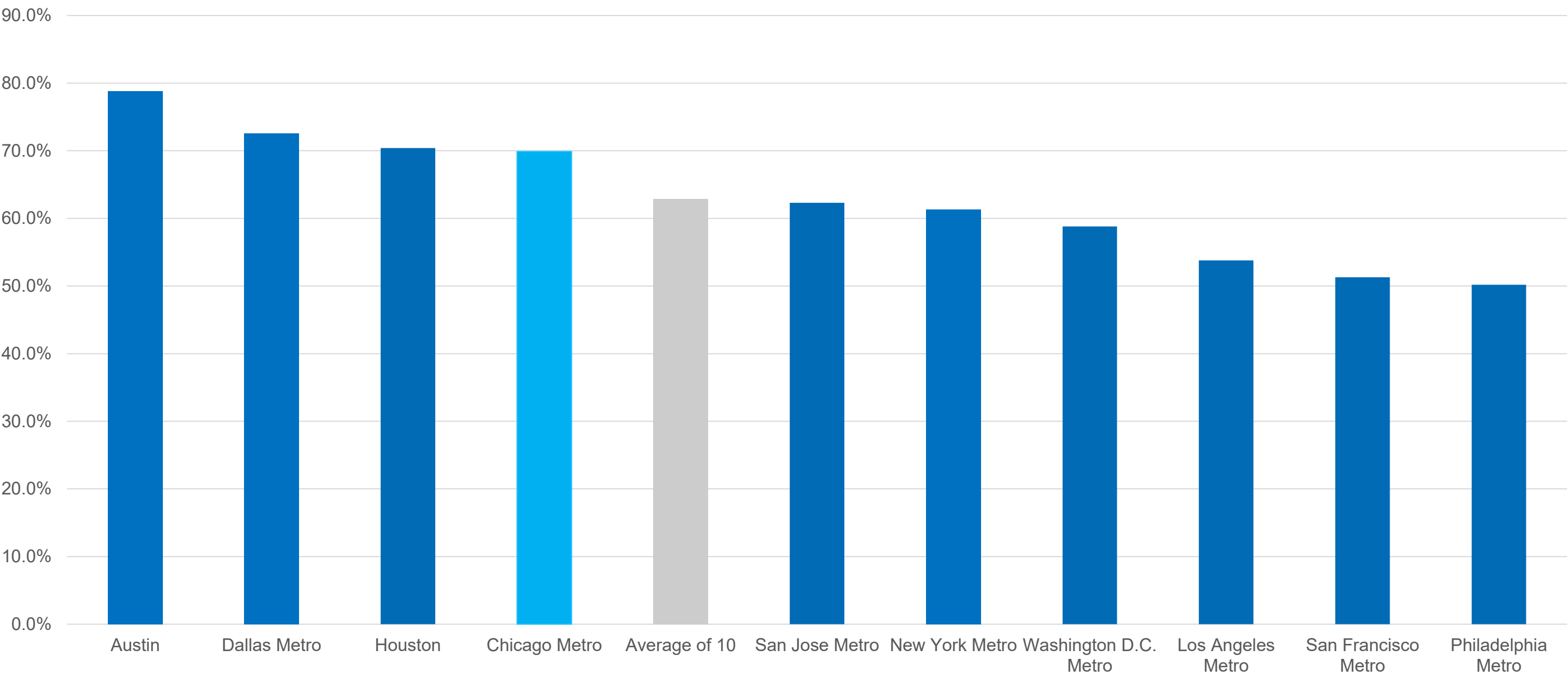
Analyzing YTD 2025 Leasing Trends: Shifts in Chicago's Office Market

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Chicago Loses Rank As Highest Occupancy In U.S.

According to Kastle data, hybrid work patterns reveal that office occupancy fluctuates throughout the week, typically peaking on Tuesdays. On the last Tuesday of Q3 2025, Chicago reported the fourth highest office occupancy in the country, at 69.9%. Average occupancy among the Barometer’s Class A+ buildings was 76.3% and Class A+ peak day occupancy reached 88.3% on Sept. 9th. Chicago and national average occupancy levels declined quarter-over-quarter, by 1.4% and 1.6% respectively.

City Occupancy Levels on Tuesday 9/23

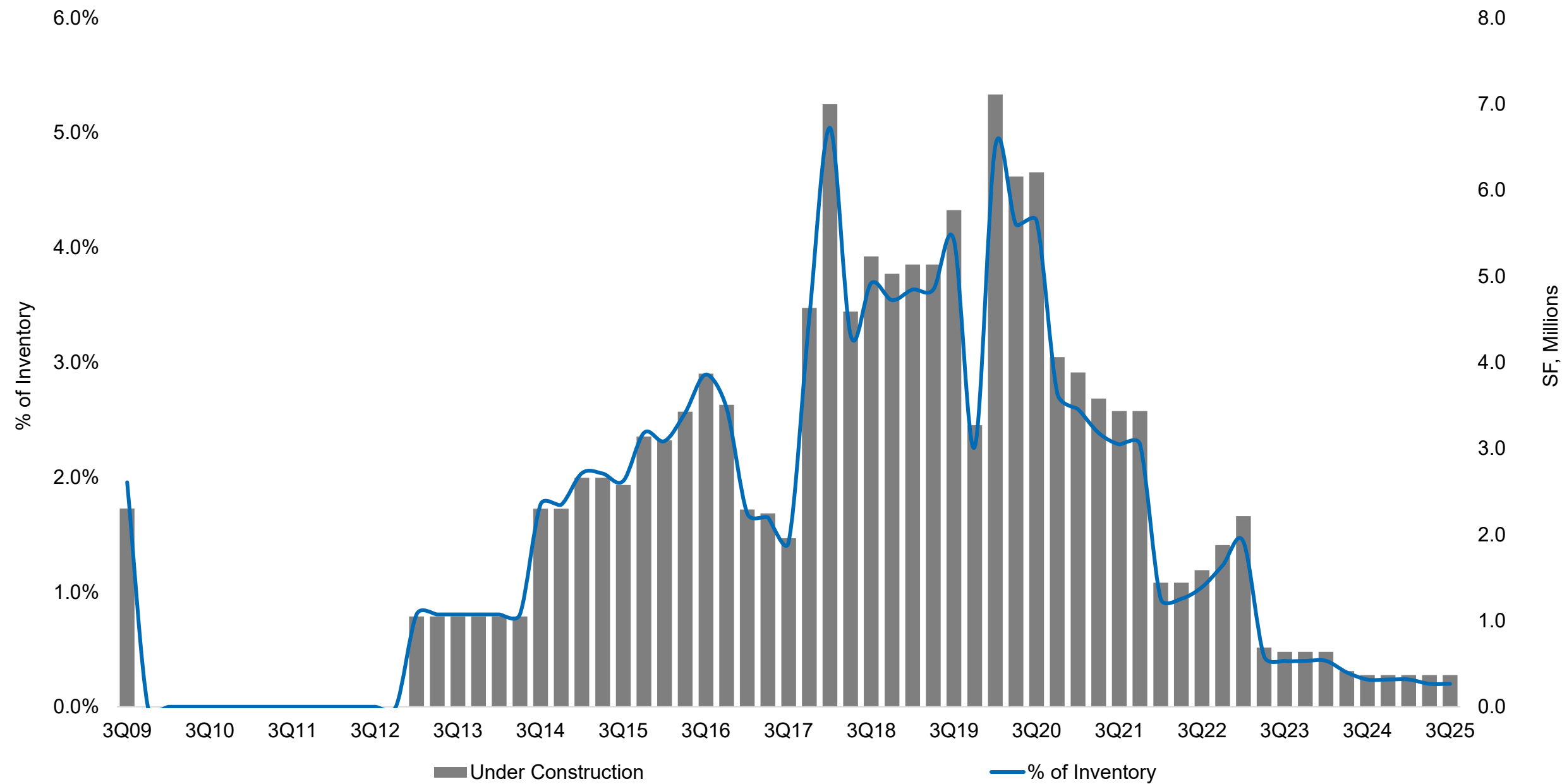


Source: Newmark Research, Kastle Systems

Construction Activity Remains Minimal, Supporting Existing Inventory

Nearing the end of 2025, new office construction in Chicago’s CBD remains near historic lows, with only 369,000 square feet underway—just 0.2% of total inventory. The sharp pullback in development is creating opportunity for well-amenitized and well-capitalized properties to capture tenant demand for premium space. At the same time, the limited pipeline and ongoing redevelopment of older buildings are expected to help balance overall vacancy levels, as repositioned assets rise to the forefront of tenant consideration.

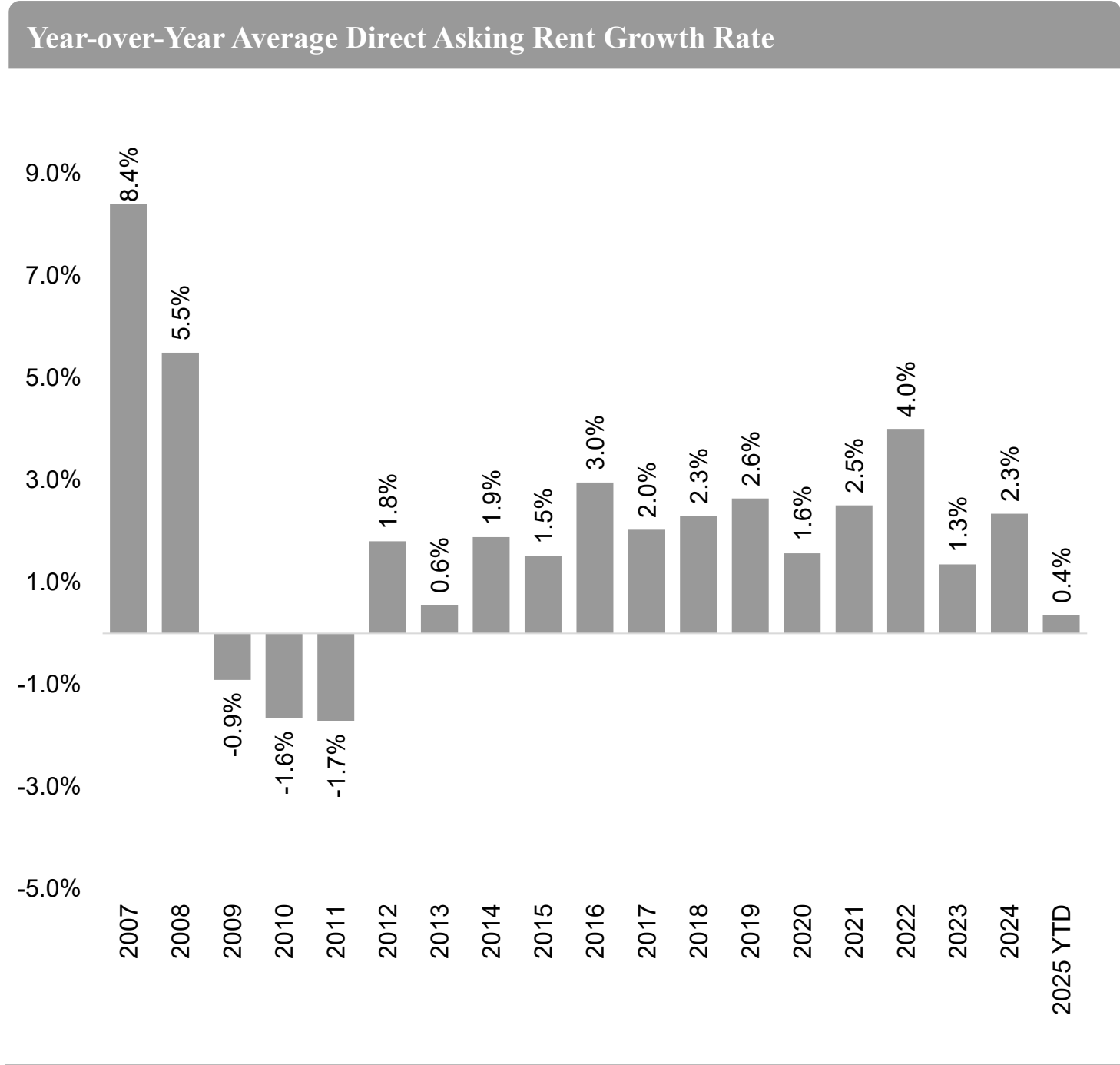
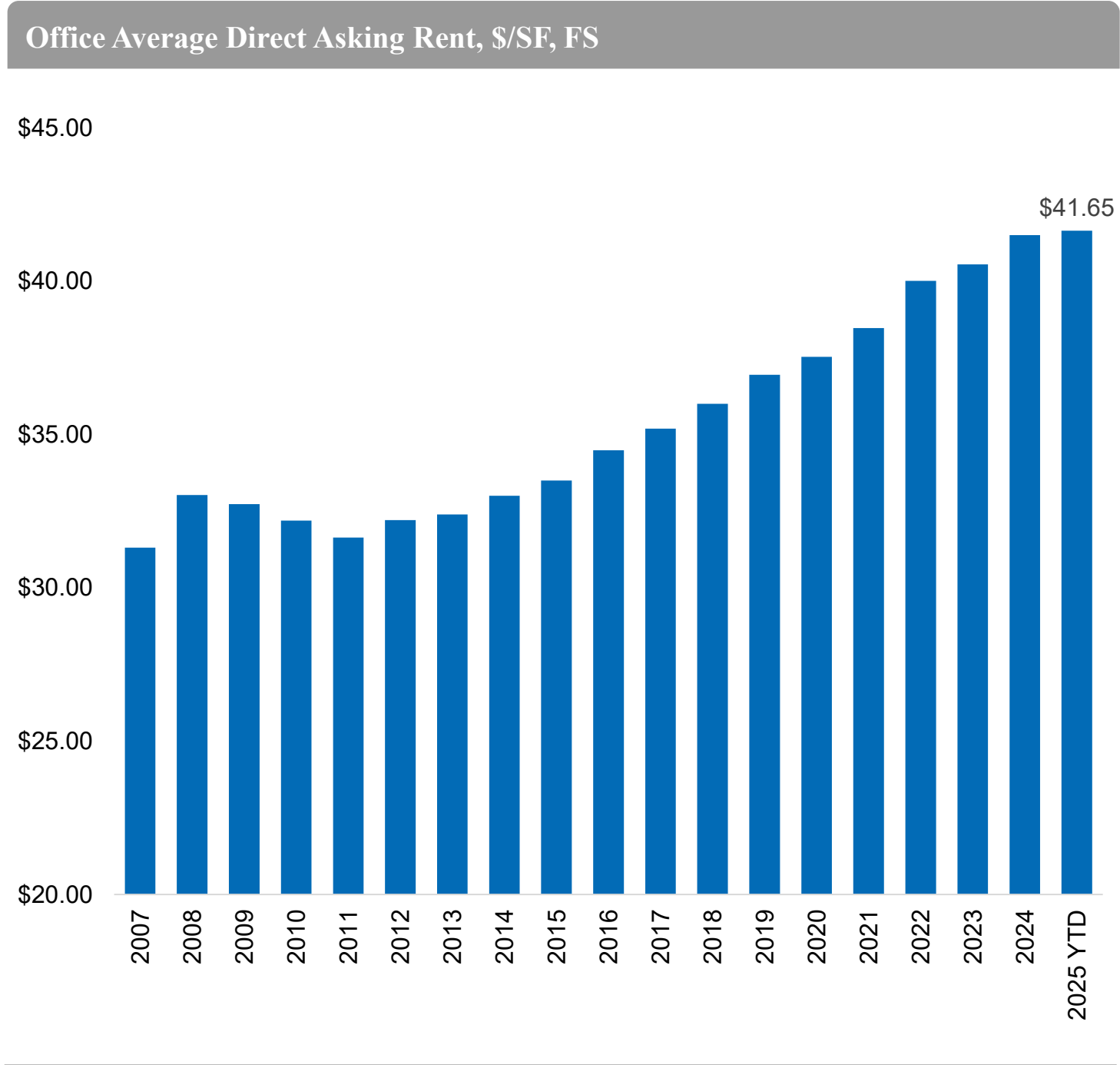
Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

Rental Rates Ease Following Sustained Growth

Average direct asking rents in the Chicago CBD continue to fall from their peak of \$41.50/SF in 2024. Year-over-year rent growth has turned negative for the first time since 2011, at -1.2%, after two consecutive years of modest increases. The metric shown is the direct rate across all properties; it does not highlight the disproportionate strength in Class A, where demand continues to lift rents amid heightened competition.

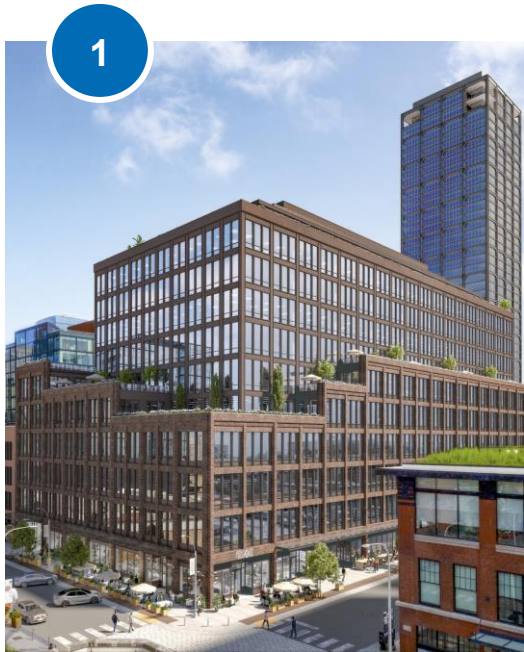


Source: Newmark Research, CoStar

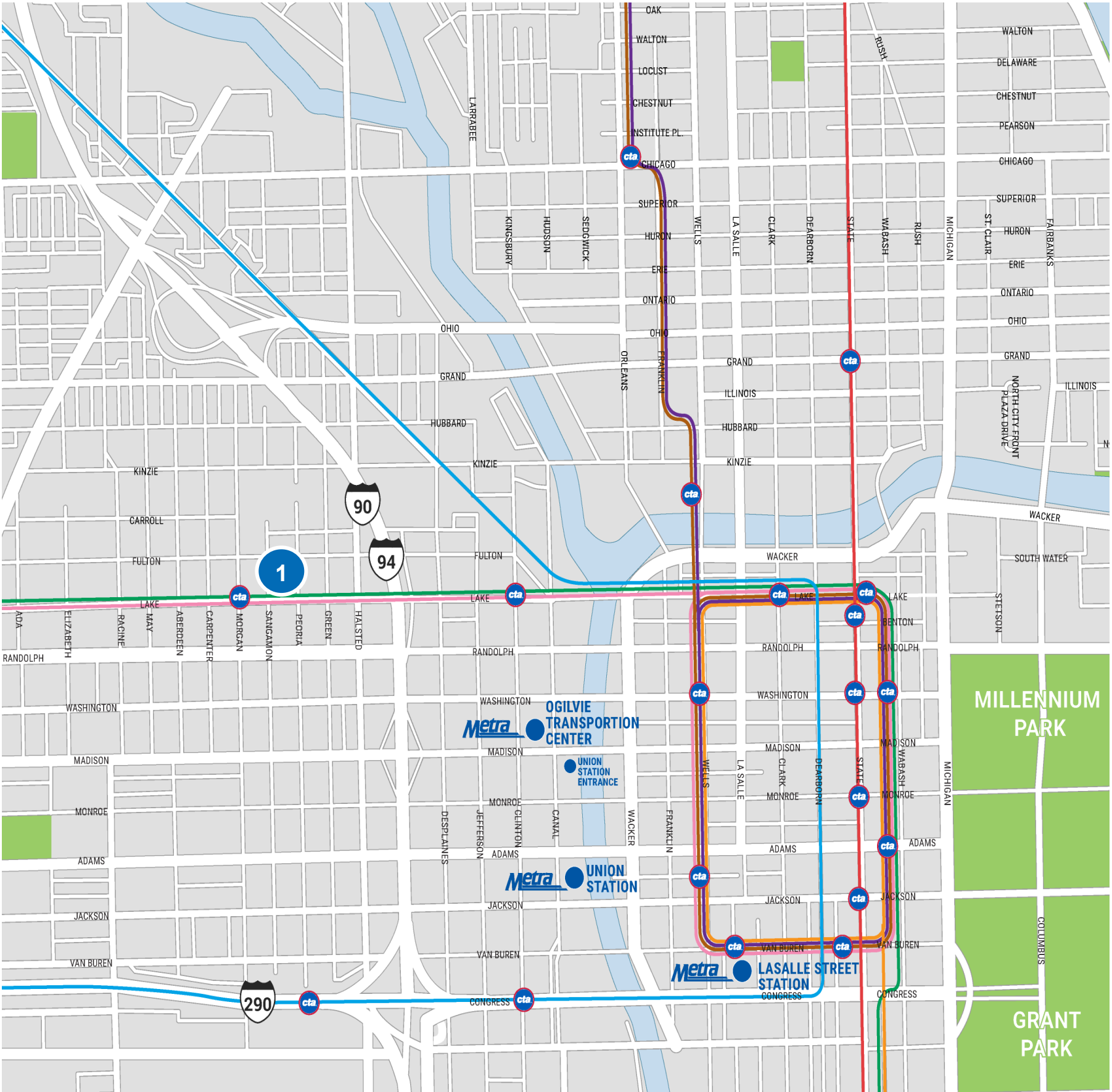
Renovations & Redevelopment Breathe Life Into The CBD

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Office Supply Under Construction



919 W Fulton
Delivery: 12/01/2025
Leased: 49.3%
RBA: 369,000 SF
Anchor: Harrison Street



Chicago CBD Sees Continued Leasing Strength Through 2025

Through the first three quarters of 2025, leasing activity in the Chicago CBD totaled more than 6.3 million square feet. Although overall demand remains below pre-pandemic benchmarks, the sustained increase in leasing momentum underscores improving tenant engagement and serves as a positive offset to elevated vacancy and continued negative absorption.

Notable 3Q25 Lease Transactions

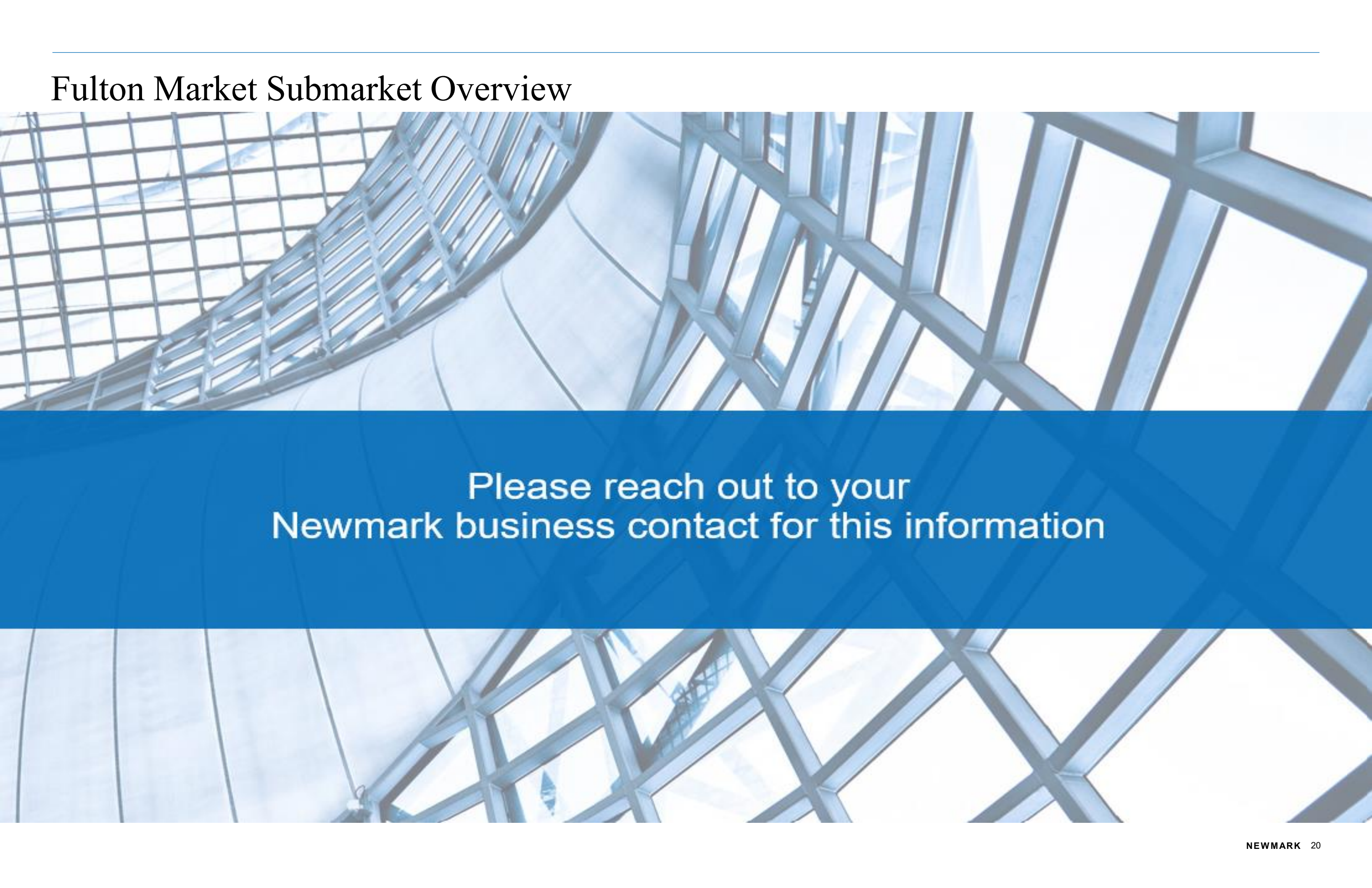
Tenant	Building(s)	Submarket	Type	Square Feet
Bain & Company	131 S Dearborn St	Central Loop	New Lease	173,186
The consulting firm took over the top floors from Citadel, expanding from their 73,000 SF at 190 S Lasalle.				
LinkedIn	525 W Monroe St	West Loop	Renewal	100,000
The social network committed to maintaining their footprint at 525 W Monroe.				
Wolverine Trading	433 W Van Buren St	West Loop	New Lease	83,000
The financial services firm will be downsizing by about 88,000 SF at 175 W Jackson.				
Citadel Securities	353 N Clark St	River North	New Lease	56,970
The financial services company relocated early from Citadel tower, sharply reducing its footprint from over 277,000 SF.				
CVS Health	525 W Monroe St	West Loop	New Lease	41,000
The healthcare company streamlined its downtown presence, consolidating 50,000 SF across several locations.				

Source: Newmark Research

West Loop Submarket Overview

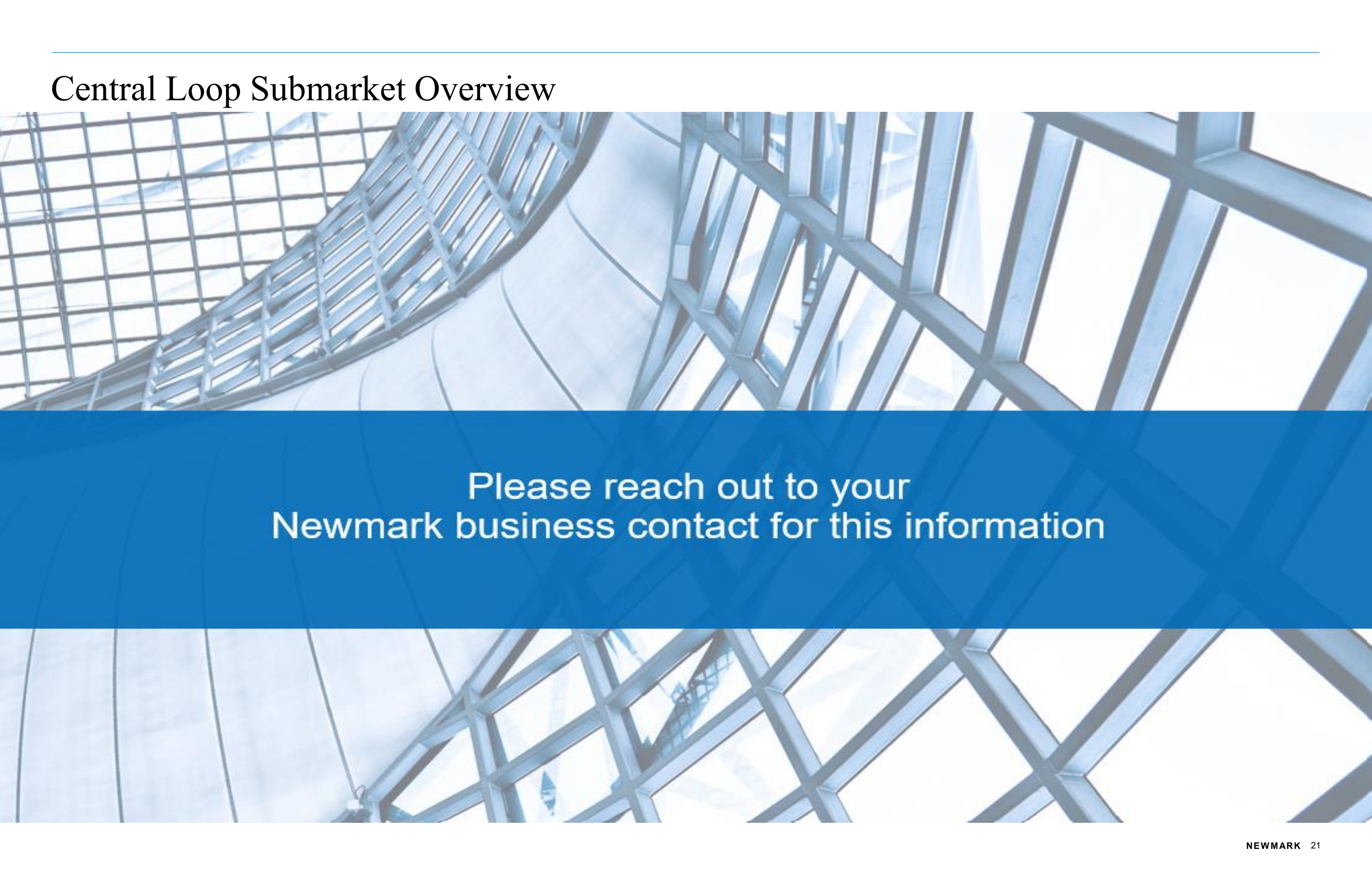
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Fulton Market Submarket Overview

A low-angle, upward-looking photograph of a modern building's interior or exterior structure. The image features a complex network of intersecting steel beams and glass panels, creating a geometric pattern. The perspective is from below, looking up towards the sky, which is visible through the glass. The overall color palette is dominated by light blues and greys, with a semi-transparent dark blue horizontal band across the middle containing white text.

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Central Loop Submarket Overview



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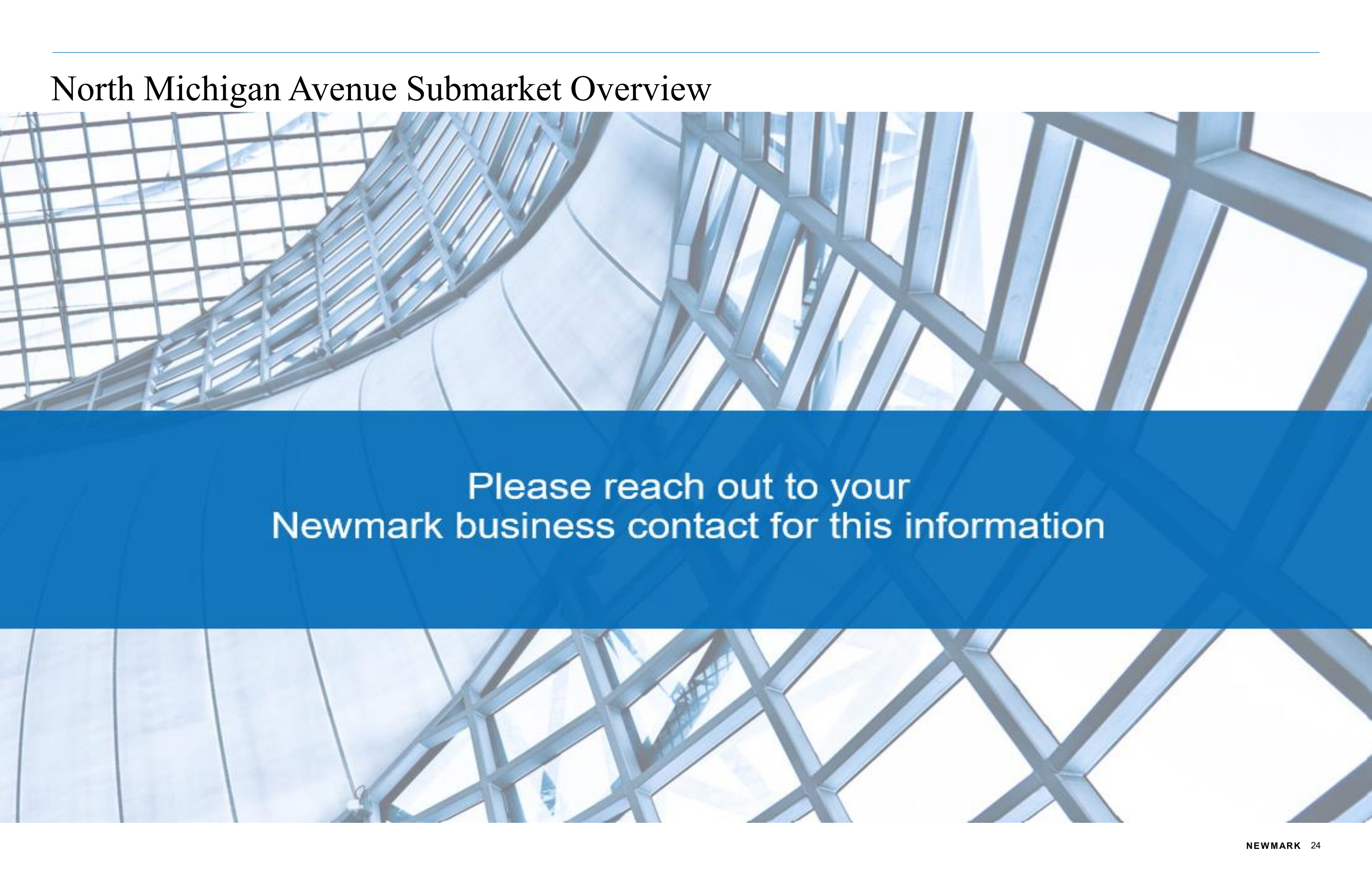
East Loop Submarket Overview

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River North Submarket Overview

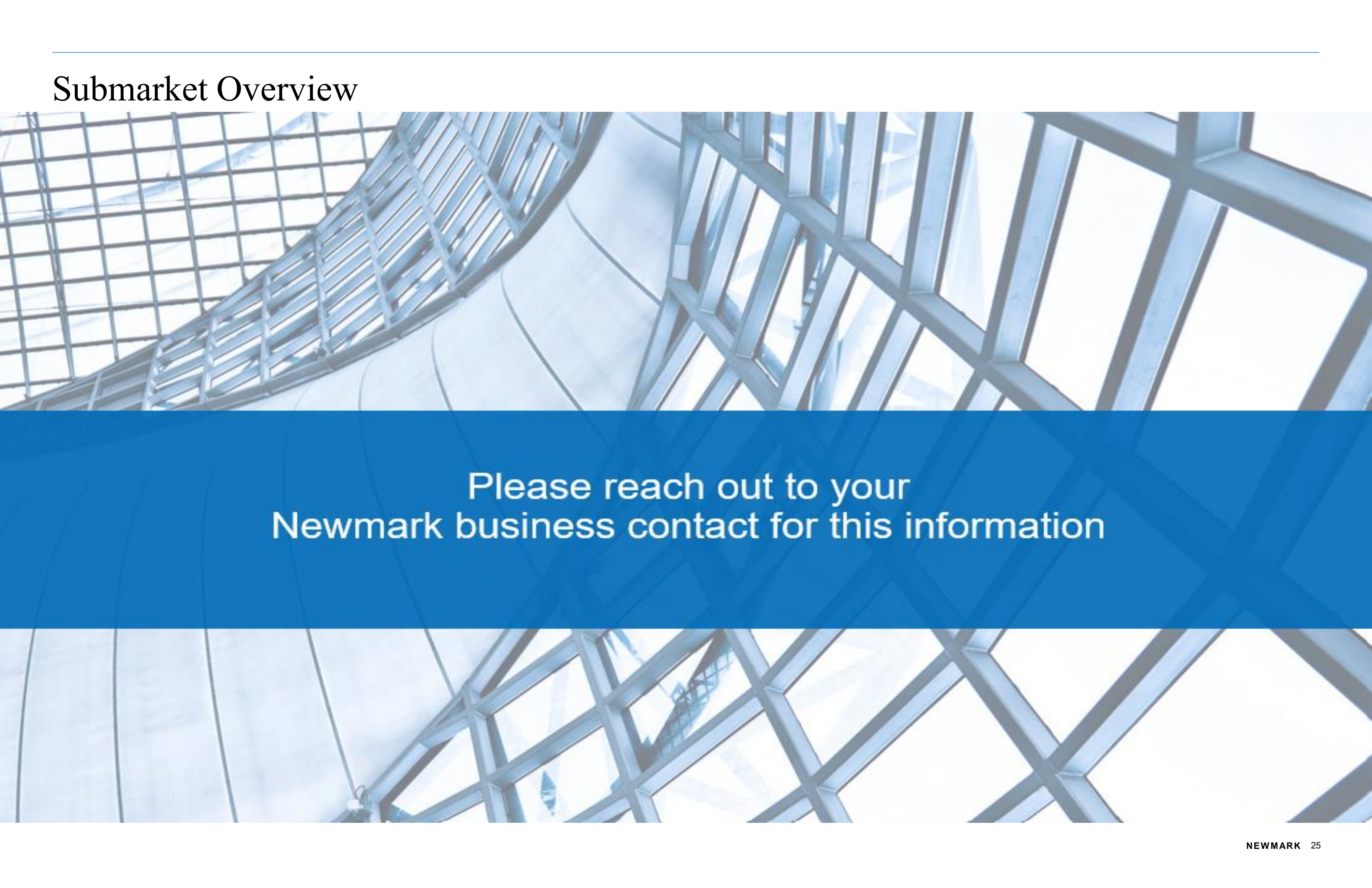
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North Michigan Avenue Submarket Overview



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Submarket Overview



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