

NEWMARK

# *Chicago Suburban:* Office Market Report

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4Q25

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# Chicagoland Suburban Market Observations



## Economy

- Despite the delay in end of year employment data due to the government shutdown, Chicago Metro's unemployment rate declined again, down to 4.5%, an improvement from a 5.5% high in the year.
- In the fourth quarter, office-occupying industries declined in building visitations and employment headcount across the region. From 4Q24, office-using employment fell by approximately 0.7%. However, the Information sector continued to be a growth spot this quarter, gaining 1.0% QoQ and 2.14% YoY, while the business & professional services and financials sectors contracted again, this quarter by -1.0% and -0.8% respectively.



## Leasing Market Fundamentals

- Leasing volume in the Chicago suburban office market totaled less than 5 million in 2025, a sharp decline from 2024 and the first time since 2022 than leasing activity has not reached that mark.
- Suburban Chicago vacancy ended 4Q25 at 26.8%, down slightly from 27.1% last quarter but still modestly above the 26.1% rate recorded a year earlier.
- Suburban Chicago average asking rents closed 4Q25 at \$22.55 per square foot, up modestly from \$22.02 in the third quarter but reflecting 2025 annual growth of 1.4%, with the strongest gains concentrated in Class A assets that benefited from flight-to-quality demand and amenity premiums.



## Major Transactions

- The largest suburban lease of the fourth quarter was by Verizon, who signed a renewal to stay in place in 129,000 SF of Continental Towers II in the Northwest submarket.
- Tryperion Holdings, a Beverly Hills based private equity firm, acquired the two building 413,000-SF Mid America Plaza office complex in Oakbrook Terrace for \$59 million, significantly below the \$78 million that Equus Capital Partners paid in 2016, with the purchase supported by a \$36.6 million loan from Continental Casualty Company.



## Outlook

- Tenant demand in the suburban Chicago office market is expected to remain measured in 2026, so landlords will need to lean more heavily on amenity-rich repositionings, aggressive concession packages, and thoughtful service offerings to draw interest to large blocks of space and preserve pricing power.
- Leasing and investment activity should continue, but elevated uncertainty will likely keep transaction velocity subdued as both occupiers and capital remain selective and extend underwriting timelines.
- In the future, repositioning options such as office-to-alternative-use conversions and infill development within established suburban office parks are poised to gain further traction, offering a path to reduce obsolete inventory and reintroduce these locations as more dynamic, mixed-use environments.

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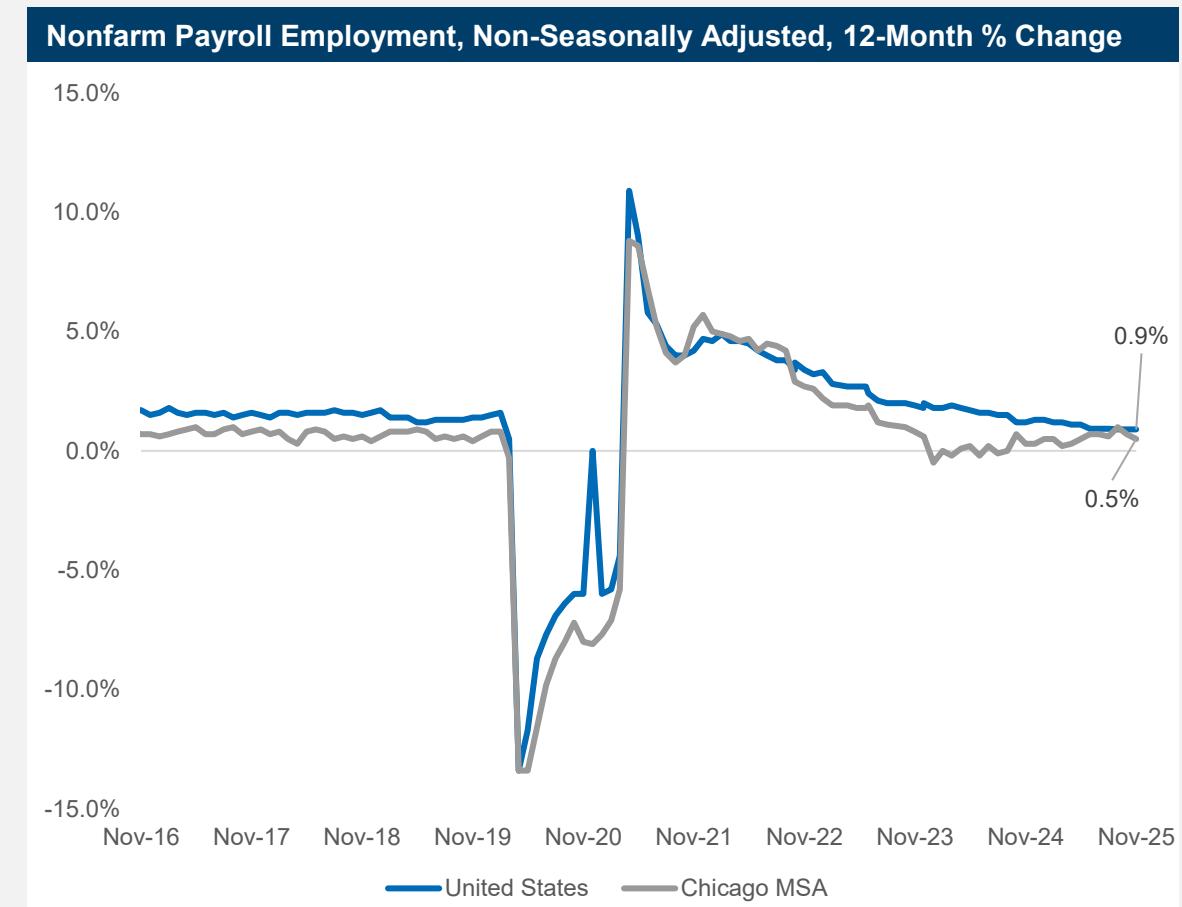
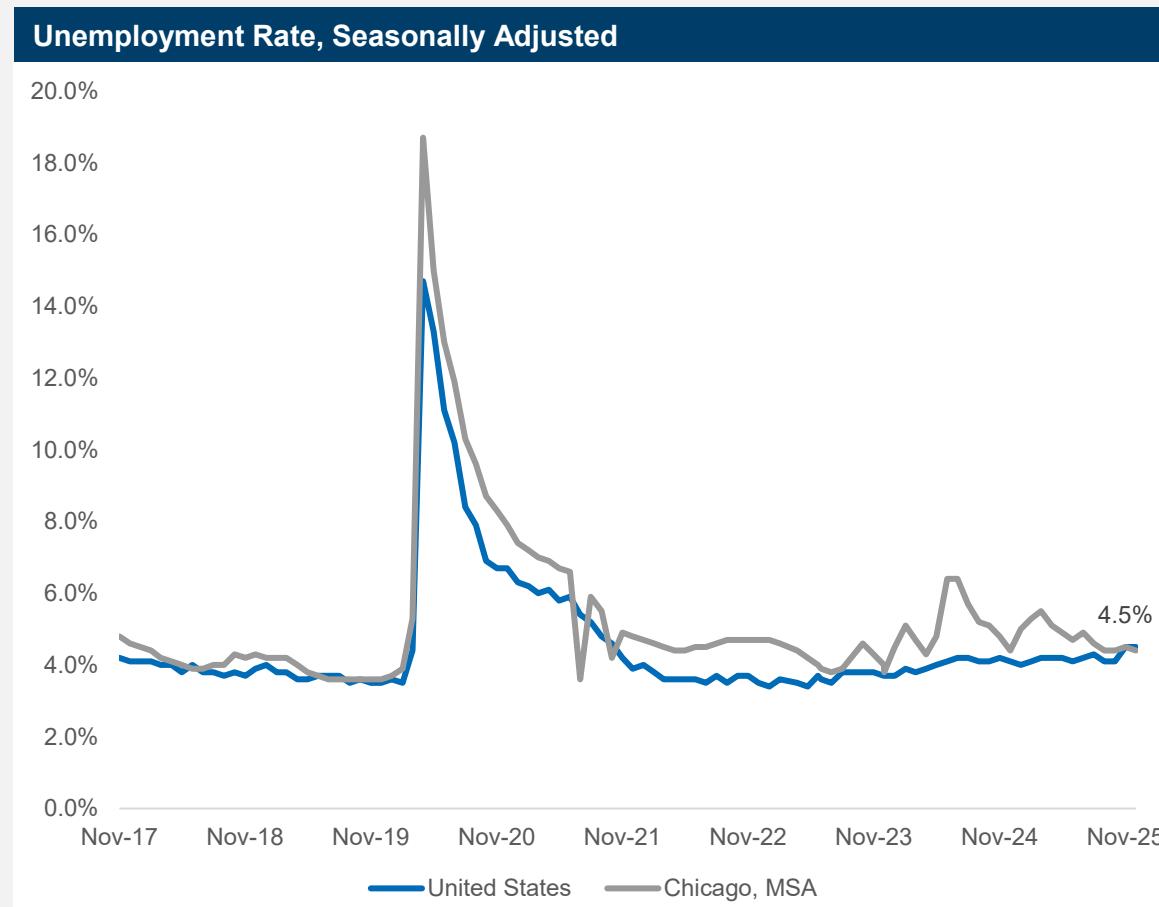
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## Economy



# Unemployment Declines Amid Modest Job Growth

The Chicago MSA labor market posted strong year-over-year gains across all major employment indicators. Although the unemployment rate ticked up to 4.5% this quarter, it remains nearly a full percentage point below the 2025 peak of 5.5% and 50 basis points lower than 1Q25. Total employment grew 0.22% during the year, signaling steady progress despite a labor force that continues to contract. While Chicago's unemployment rate compares unfavorably to the national average, its downward trend remains a positive sign for the market.



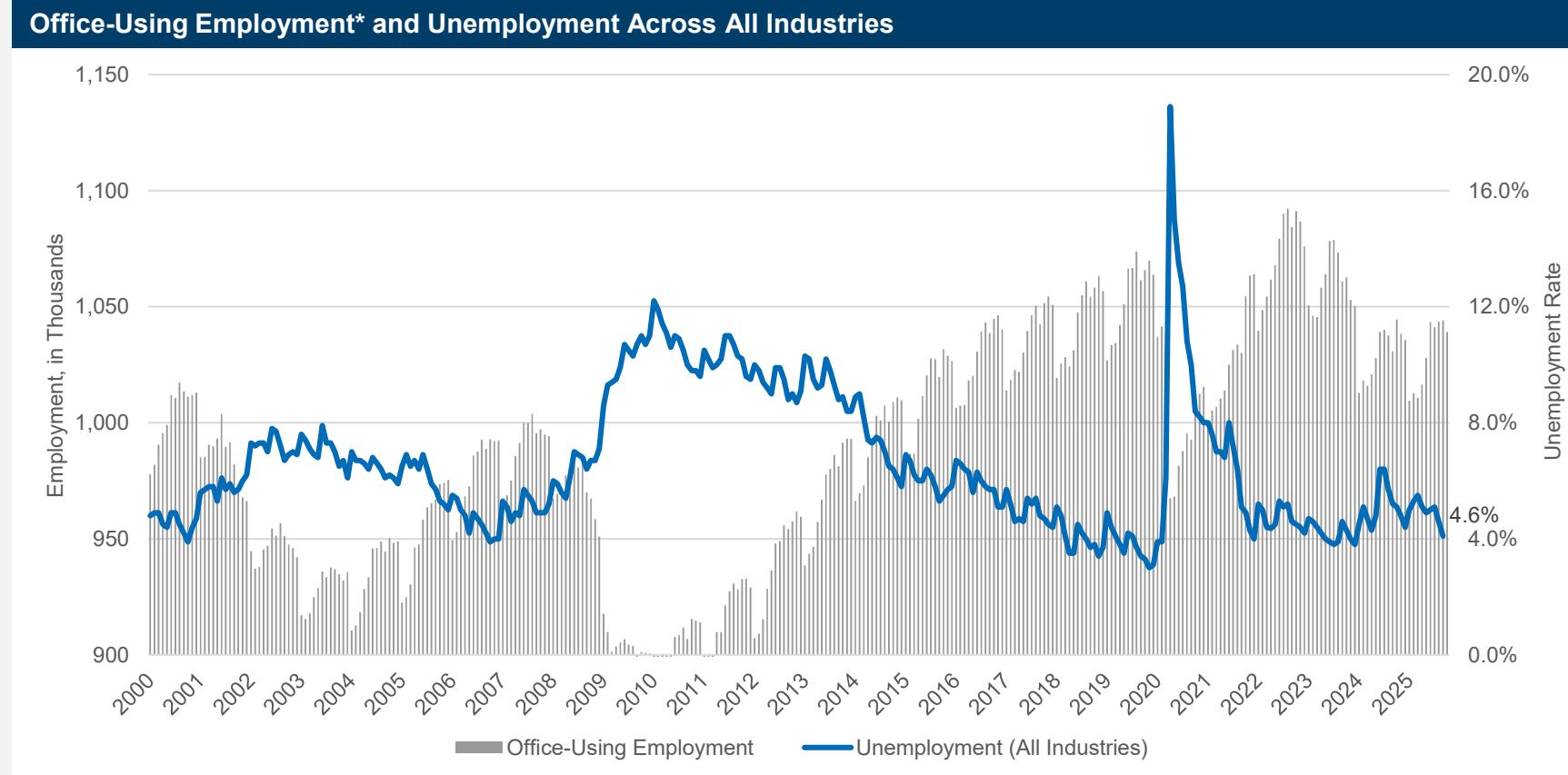
# Labor Market Continues Steady Recovery with Gradual Job Growth

In November 2025, the Chicago MSA continued to post modest employment growth, with total nonfarm employment up 0.5% year-over-year. Gains were concentrated in Government (+4.3%), Construction (+2.9%), Information (+2.7%), Education and Health Services (+2.7%), and Financial Activities (+0.7%), underscoring the market's reliance on public-sector and service-oriented expansion. However, headwinds remain pronounced across sectors most closely tied to office and industrial demand, as Business and Professional Services (-1.6%), Manufacturing (-1.7%), and Trade, Transportation, and Utilities (-0.9%) continued to contract, alongside declines in Other Services (-1.3%) and Leisure and Hospitality (-0.4%). Overall, employment growth remains positive but uneven, with strength concentrated outside the primary space-absorbing industries.



# Office-Using Employment Softening Despite Mid-Year Stabilization

Office-using employment in the Chicago MSA continued to soften into late 2025, reflecting both quarter-over-quarter and year-over-year contraction. As of November 2025, total office-using employment stood at approximately 1.03 million jobs, down from a Q3 2025 average of roughly 1.04 million, representing a ~1.1% decline QoQ as momentum weakened following a modest mid-year rebound. On a YoY basis, office-using employment fell by approximately 0.7%, declining from about 1.04 million in November 2024 to current levels. Losses were driven primarily by Professional and Business Services, which continued a steady downward trend throughout 2024 and 2025, while Financial Activities remained relatively stable and Information employment posted modest gains, partially offsetting broader weakness.



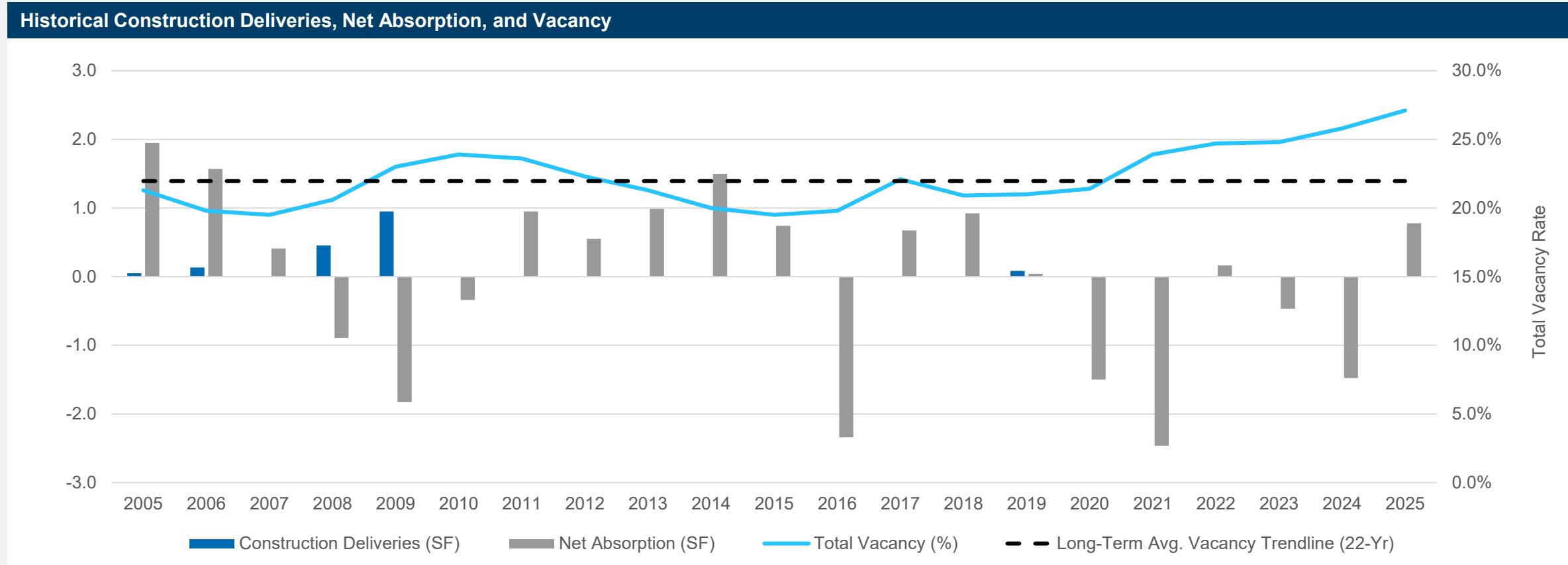
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## Leasing Market Fundamentals



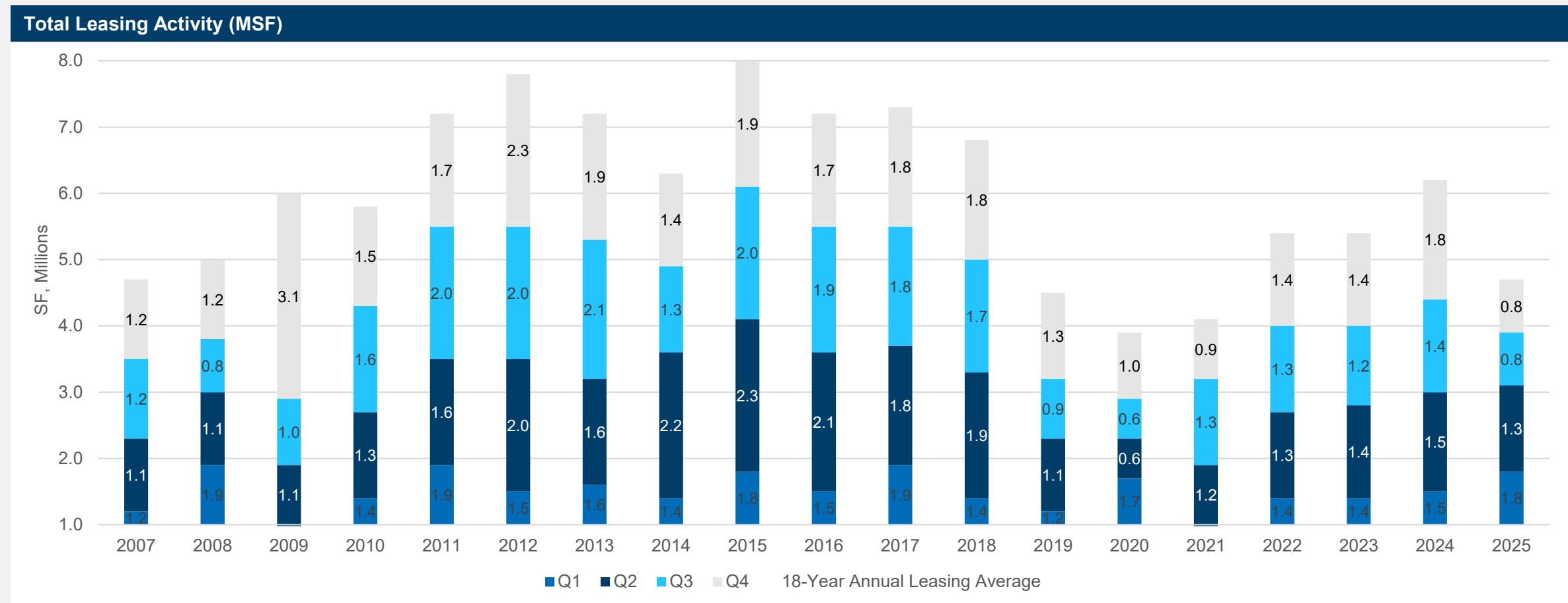
# Suburban Chicago Ends 2025 With Renewed Absorption Amid Elevated Availability

In the fourth quarter of 2025, the suburban Chicago office market recorded just under 294,000 square feet of positive net absorption, extending the midyear improvement but not enough to materially shift the overall demand narrative. Market wide vacancy edged up to roughly 26.8%, while total availability held near 30.1%, indicating that despite recent leasing gains, a large volume of space, particularly second-generation and sublease inventory, remains in circulation. With no new construction deliveries and nearly 94.6 million square feet of existing stock, the modest absorption suggests that current stability is fragile; absent stronger, broad-based tenant expansion, vacancy is likely to remain elevated and submarkets with older product will continue to struggle to regain momentum.



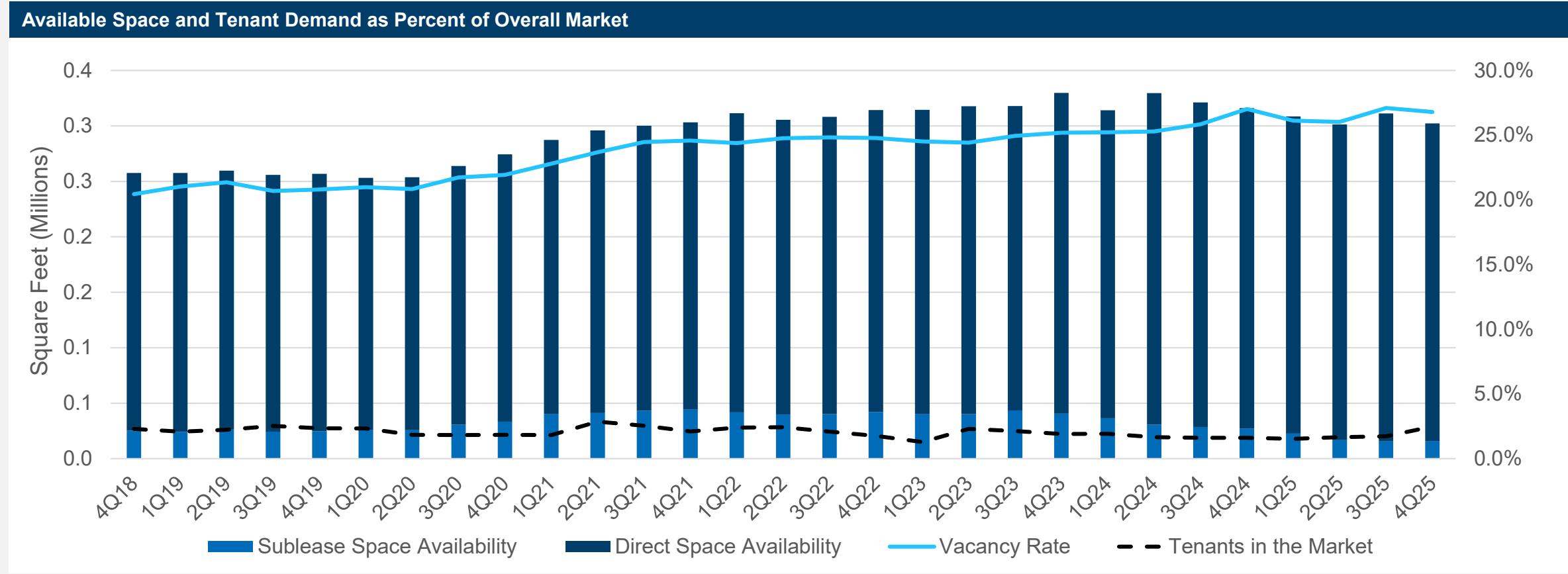
# Leasing Activity Bests Previous Years YTD, Halfway Through 2025

In 2025, suburban Chicago leasing totaled roughly 4.7 million square feet, with about 3.1 million in the first half, 0.8 million in the third quarter, and approximately 0.8 million in the fourth quarter, leaving the year drastically below the long-term pre-pandemic average and a sharp decline from 2024. Fourth-quarter volume was the strongest of the year, but even that late-year push was not enough to return suburban activity to the 6.0–7.0 million square foot levels routinely achieved in the mid-2010s, underscoring that demand has stabilized at a lower, post-pandemic baseline.



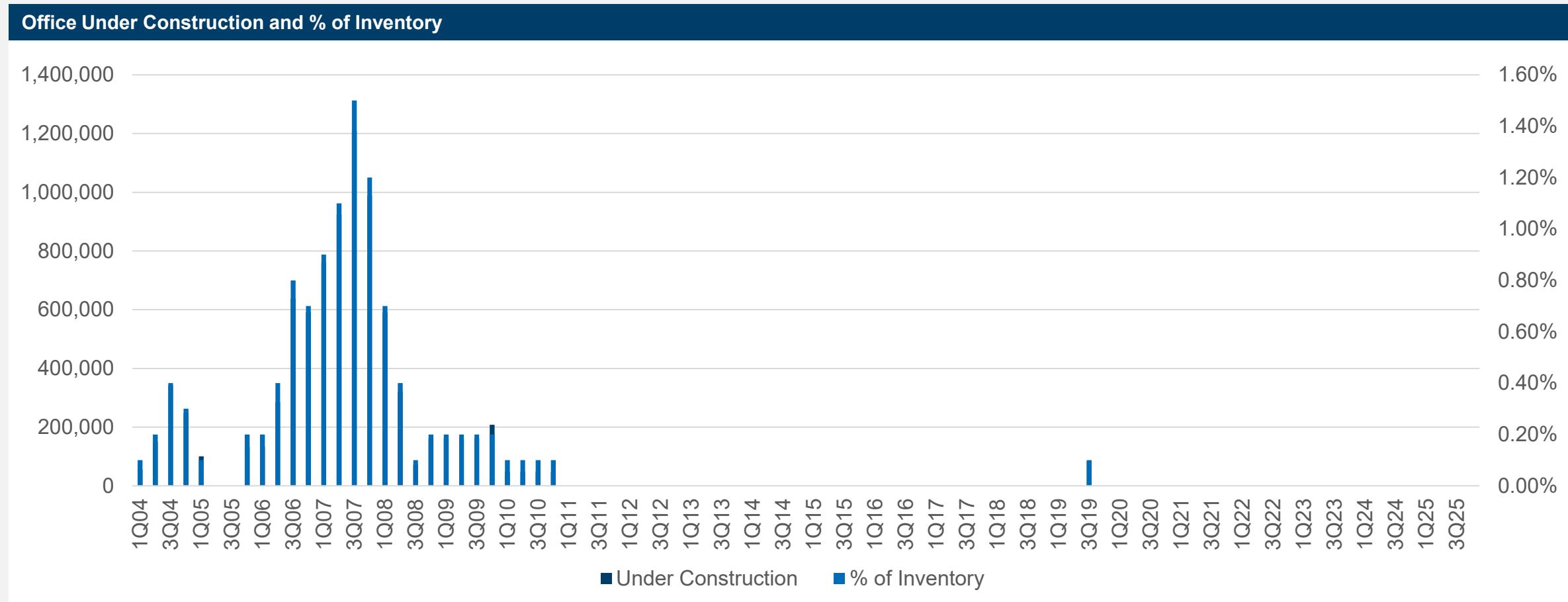
# Demand Dynamics: Modest Supply Pullback Meets Heightened Occupier Positioning

Sublease availability ticked up marginally to 1.6% in the fourth quarter, reversing the downward trend from mid-year and reflecting a modest uptick in second-generation space recycled by exiting tenants. Direct availability retreated slightly to 28.6%, a 100 basis point pullback from the elevated levels reached in the third quarter, suggesting some lease-up momentum as occupiers capitalized on landlord concessions and favorable lease terms. Tenant demand rose to 2.5% year-end, with some companies strategically entering the market well in advance of their lease expirations to lock in favorable rental rates and lease structures before conditions potentially tighten heading into 2026. This early-mover positioning underscores the tenant-favorable environment that has persisted through 2025 and the incentive for users to act decisively to secure optimized space before market dynamics shift.



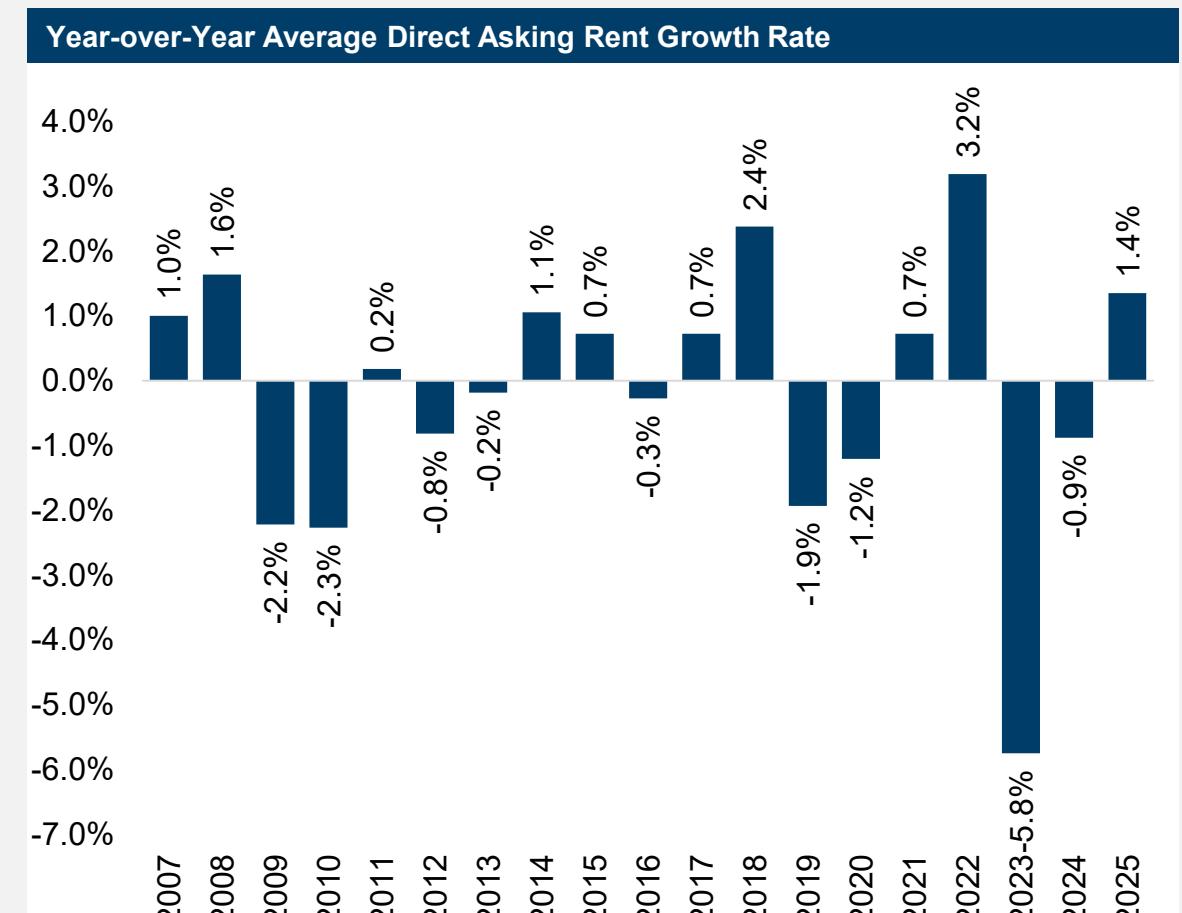
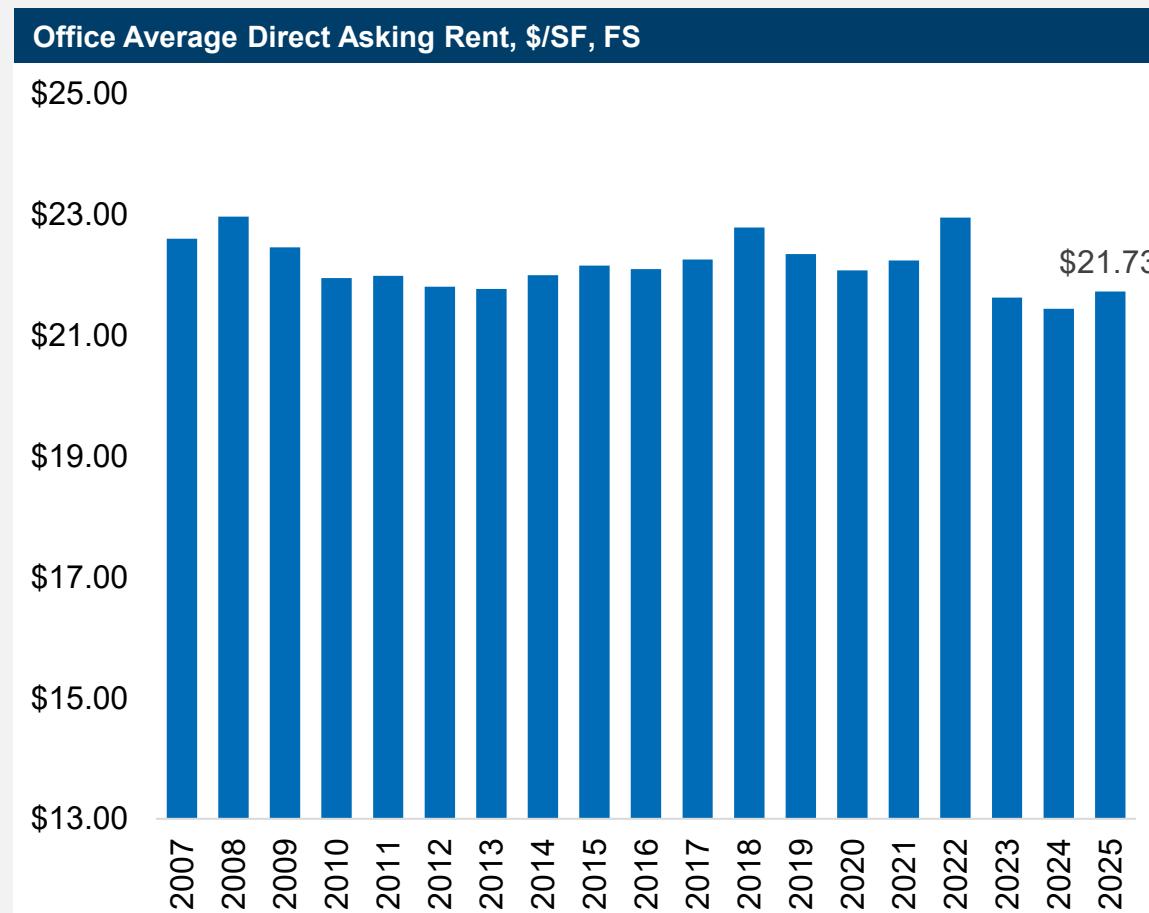
# Construction Pipeline Empty, Boosting Existing Inventory

For the 18th consecutive quarter, Chicago's suburban office development pipeline remained empty in the third quarter of 2025, with no projects under construction. Market dynamics of, elevated vacancy and continued absorption of existing inventory, are keeping the freeze on new office projects in place and prolonging the multi-year hiatus in ground-up suburban development.



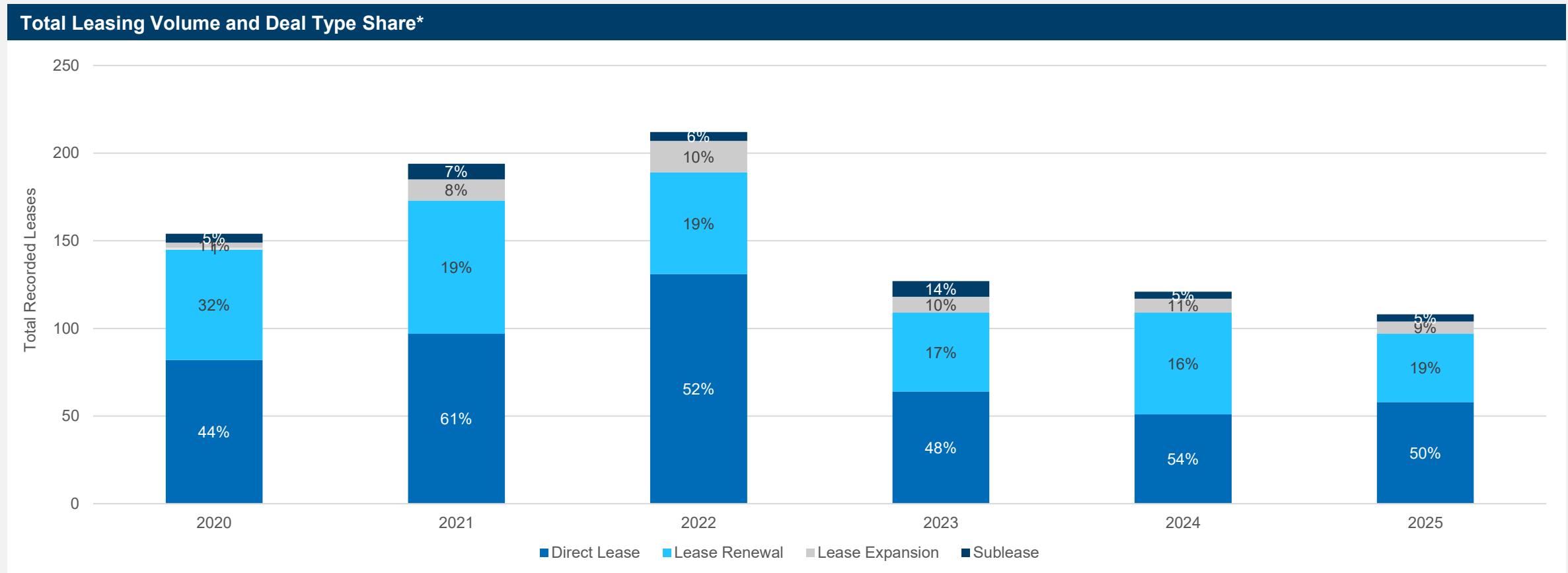
# Rental Rates Ease Following Sustained Growth

Suburban Chicago asking rents stabilized in 2025, with the market posting 1.4% annual growth and ending the year at an average of about \$21.73 per square foot. This modest increase followed two consecutive years of rent declines and suggests that, while pricing power remains limited, landlords have largely found a floor and are beginning to reintroduce slight face-rate growth, often supported by concessions rather than aggressive nominal cuts. It also signals the strength among higher quality options as rent continues to push in premium spaces among the O'Hare and North submarkets.



# The New Normal: Renewals and Extensions Drive Half of Suburban Leasing Activity

In 2025, deal activity stalled in suburban Chicago, with direct leases accounting for 50% of activity, renewals 19%, expansions 9%, and subleases the remaining 5%. Compared with the early 2020s, the 2025 deal mix highlights that while new direct commitments still represent the majority of deals, renewals and extensions combined now make up roughly half of all transactions, signaling a market where tenants are prioritizing refinement of existing footprints over large-scale expansion or relocation. Looking back to 2020–2024, the share of direct leases peaked at 61% in 2021 and has trended lower since, while renewal and extension shares have climbed, reinforcing the view that post-pandemic suburban demand is increasingly about preserving flexibility and managing costs rather than generating meaningful net new occupancy growth.



# Market Snapshot: Leasing Activity

Notable 4Q25 Transactions				
Tenant	Building(s)	Submarket	Type	Transaction Size (SF)
Verizon	Continental Towers II	Northwest	Renewal	129,000
Barilla America	885 Sunset Ridge	North	Renewal	75,260
Fay Servicing LLC	Columbia Centre I	O'Hare	New Lease	22,546
DLA Architects LTD	Two Pierce PI	Northwest	Expansion	20,623
AIT Worldwide Logistics Inc.	Two Pierce PI	Northwest	Expansion	20,324

# Access the Extended 4Q25 Chicago Office Market Conditions & Trends Report



## Chicago Suburban: Office Market Report



To access, please reach out  
to [Amy.binstein@nmrk.com](mailto: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 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.*

**Amy Binstein**  
*Regional Research Director*  
*Midwest Research*  
*Amy.Binstein@nmrk.com*

**Raymir Johnson**  
*Research Analyst*  
*Chicago Research*  
*Raymir.Johnson@nmrk.com*

**Chicago**  
500 W Monroe St  
Chicago, IL 60661  
t 312-224-3200

**New York Headquarters**  
125 Park Ave.  
New York, NY 10017  
t 212-372-2000

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