

1Q25

# Chicago CBD Office Market Report

NEWMARK

# Market Observations

## Economy

- Recently, the Chicago MSA's unemployment rate increased to 5.3%, contrasting with the U.S. rate of 4.1%, highlighting persistent regional labor market challenges.
- Office-occupying industries posted mostly negative results. Financial activities saw a slight increase, while the information sector saw a decline. The business & professional services sector faced the most significant drop contracting by -1.8%.

## Major Transactions

- The largest lease signed Downtown this quarter was by BP at the CME Center. They will be maintaining their current footprint of 240,000 square feet.
- 600 W Chicago achieved the highest sale price among office buildings traded Downtown this quarter. The 1.6M SF riverfront building sold for \$88.7 million.

## Leasing Market Fundamentals

- Following a strong fourth quarter, leasing volume remained solid in the first quarter of 2025. This marked the strongest first quarter of leasing for the CBD in three years. However, despite the increase in leasing activity, reduced lease sizes will keep overall activity below pre-pandemic levels. Leasing in the first quarter of 2019 was more than double that of 2025.
- Vacancy decreased 30 basis points this quarter as the CBD saw approximately 360,000 SF of positive absorption. Year-to-date, total vacancy has risen by 0.9%.
- Meanwhile, competition for Trophy Towers and premium view spaces on the top floors has tightened. Demand for top-tier space in the Central Business District is expected to absorb the limited supply, driving trophy rates higher.

## Outlook

- The Chicago CBD is likely to encounter continued challenges as property owners face persistent financing hurdles and tenants continue to reassess and downsize their space needs. Strategies to absorb or creatively repurpose existing inventory remain critical to maintaining competitiveness.
- Although leasing and investment activities persist, the office market's uncertainty contributes to a cautious transaction environment. The pace of deal closures is slower as both occupiers and investors exercise increased scrutiny in their decision-making processes.
- Chicago's office market resilience is tested as it navigates an environment lacking a surge in demand. Innovative approaches and adaptive reuse of office spaces will be essential to addressing ongoing lower demand and stabilizing the market.

1. Economy
2. Leasing Market Fundamentals



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# Economy

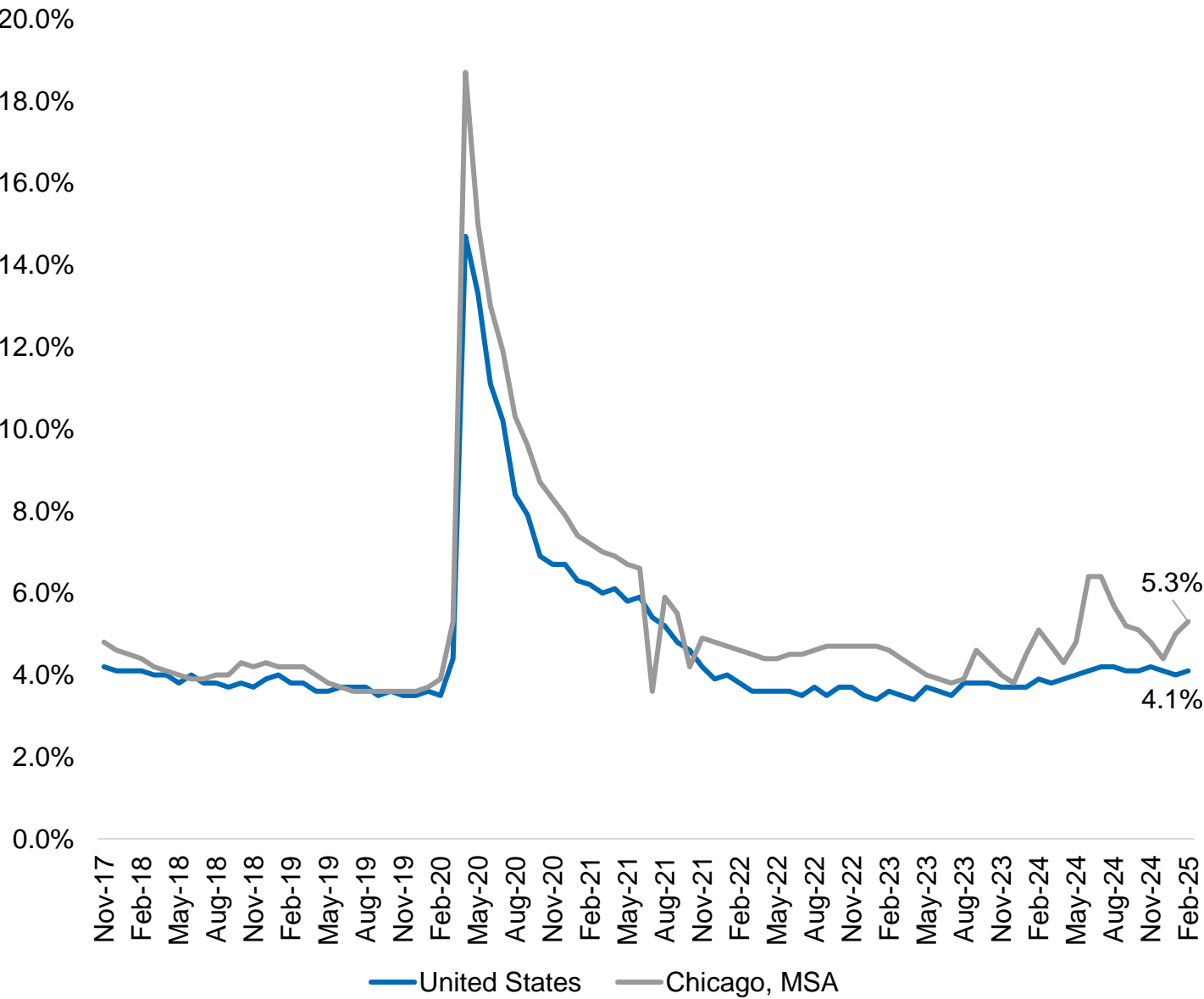




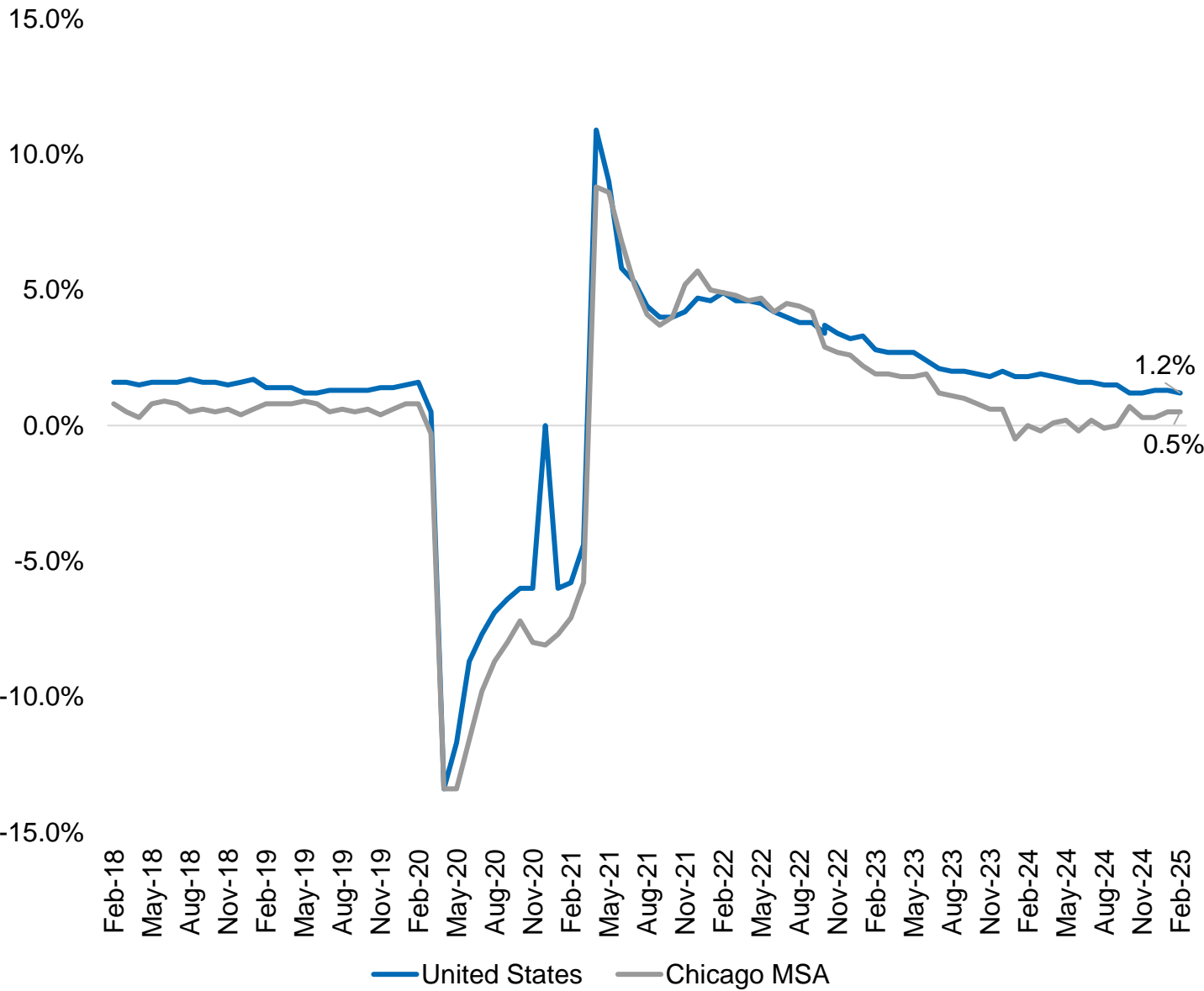
# Emerging Stability Amid Continued Labor Market Strain

Recently, the Chicago MSA's unemployment rate increased to 5.3% in February 2025, contrasting with the U.S. rate of 4.1%, highlighting persistent regional labor market challenges. Despite national nonfarm payroll employment stabilizing with a 1.2% year-over-year increase, Chicago shows marginal improvement at 0.5%, underscoring enduring employment growth hurdles. The area's gradual recovery reflects ongoing efforts to stabilize job markets amidst national progress.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

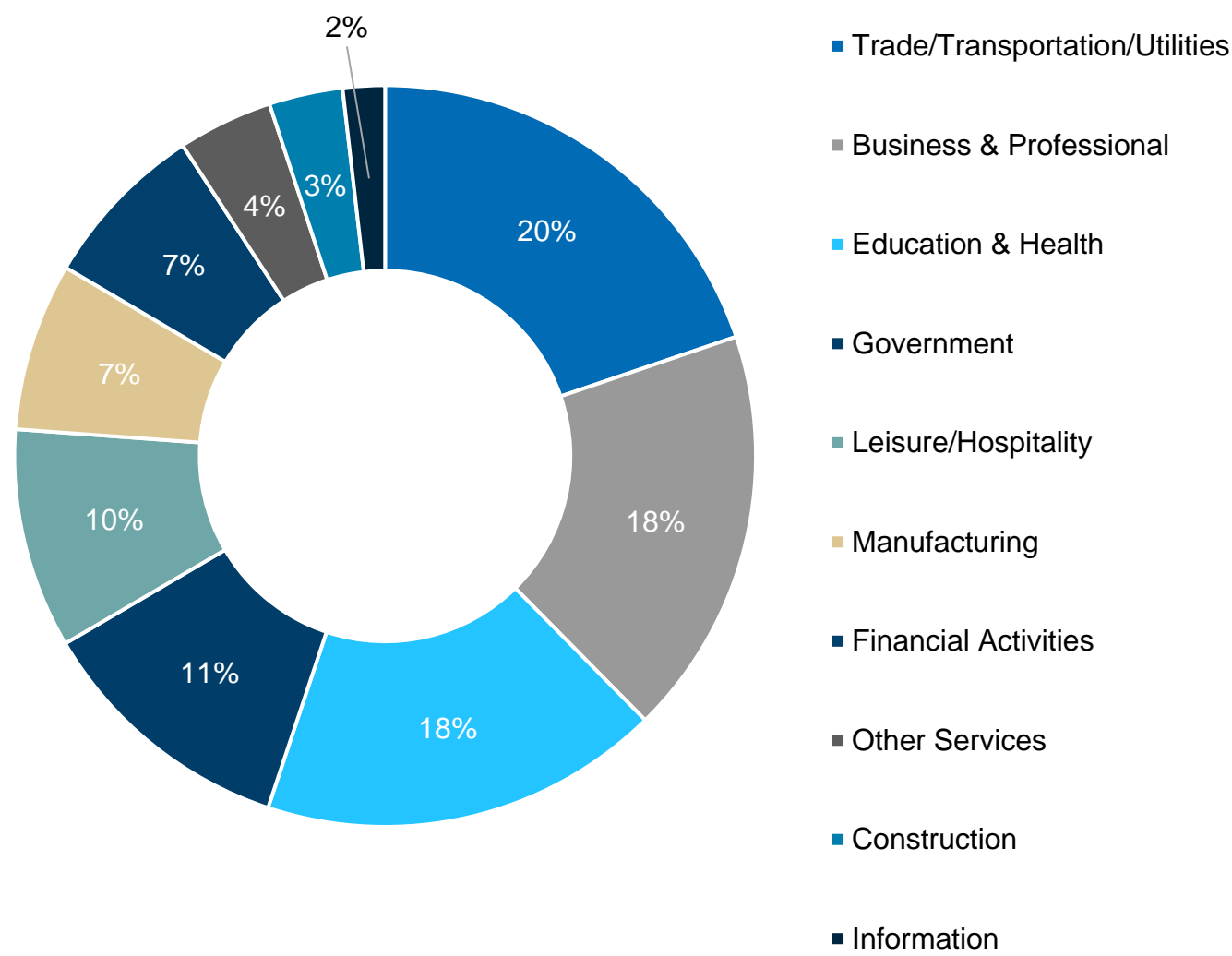


Source: U.S. Bureau of Labor Statistics, Chicago MSA

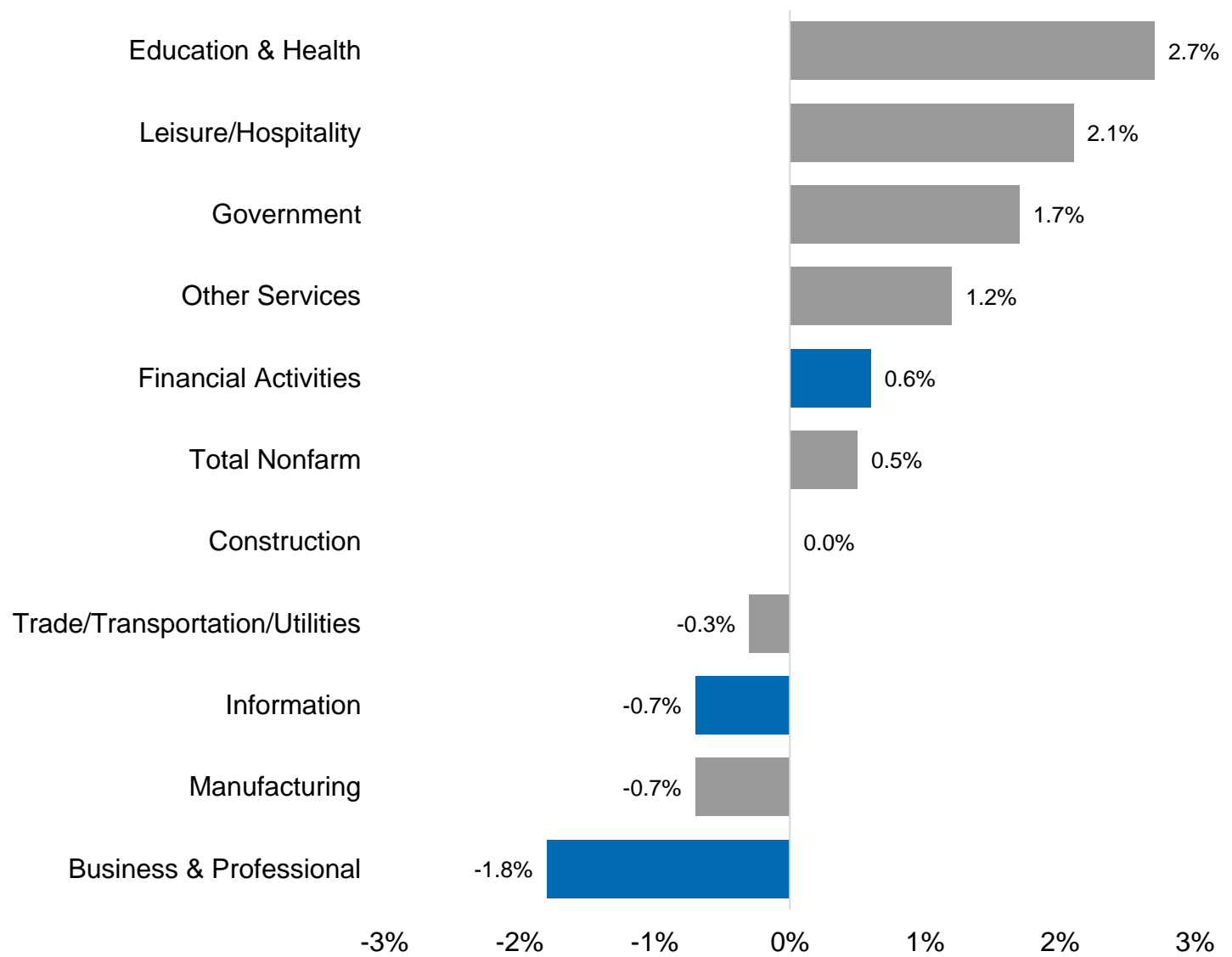
# Healthcare and Leisure Drive Employment Gains; Office-Related Sectors Under Pressure

The Education & Health sector led job growth with a 2.7% increase, reflecting strong demand and recovery in these areas. Leisure & Hospitality and Government sectors also posted significant gains, contributing positively to regional job numbers. In contrast, the Business & Professional Services sector saw a substantial decline of -1.8%, highlighting ongoing difficulties in office-occupying industries. The Information and Manufacturing sectors each experienced declines of -0.7%, underscoring persistent pressures in these fields.

Employment by Industry, February 2025



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

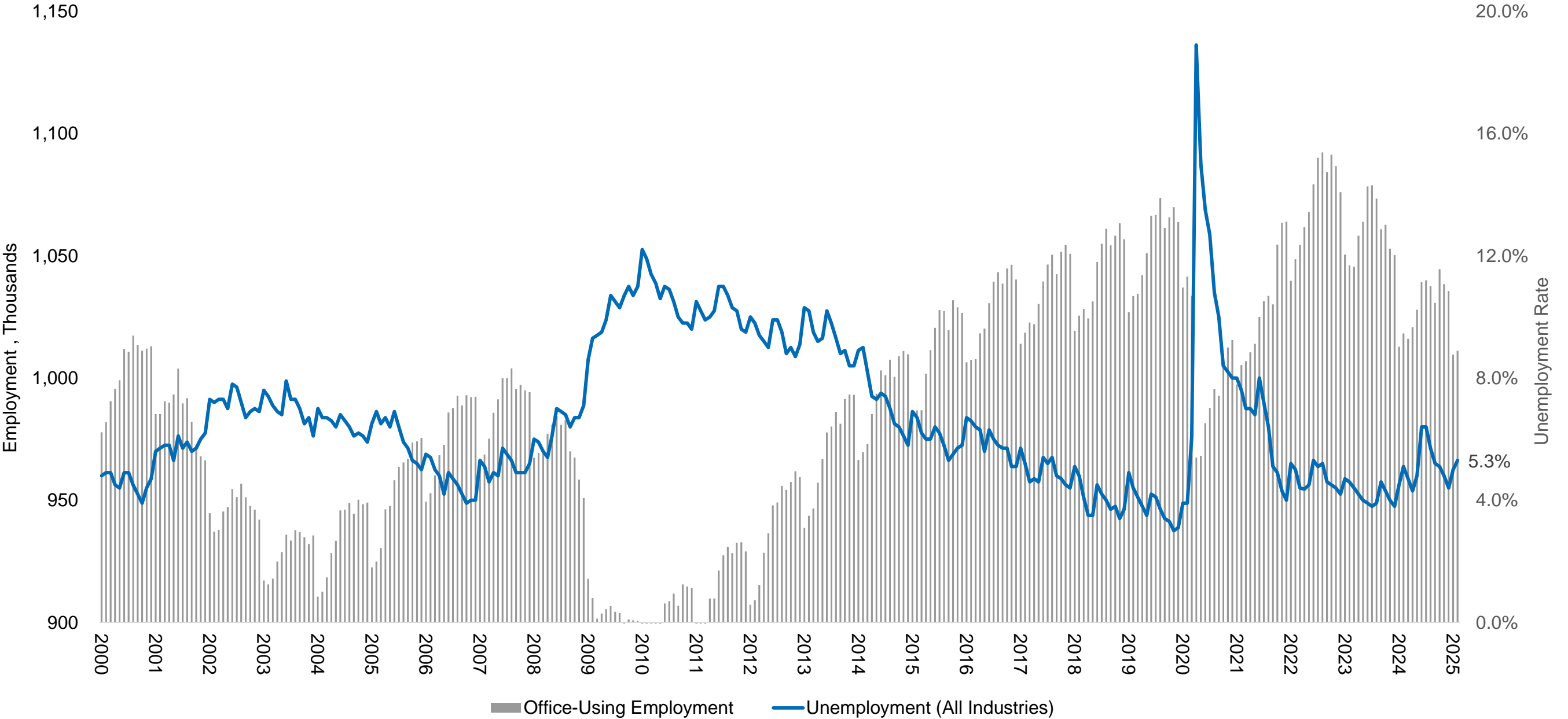


Source: U.S. Bureau of Labor Statistics, Chicago MSA

# Office-Using Employment Faces Headwinds Amid Rising Unemployment

Office-using employment continues to struggle, with levels declining from recent highs, exacerbating challenges in a sector critical to economic recovery. Unemployment across all industries has risen to 5.3% in early 2025 from levels seen in previous years, indicating broader economic pressures. Despite the sector’s potential for stability, persistent headwinds suggest a cautious outlook as the market seeks to regain momentum.

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

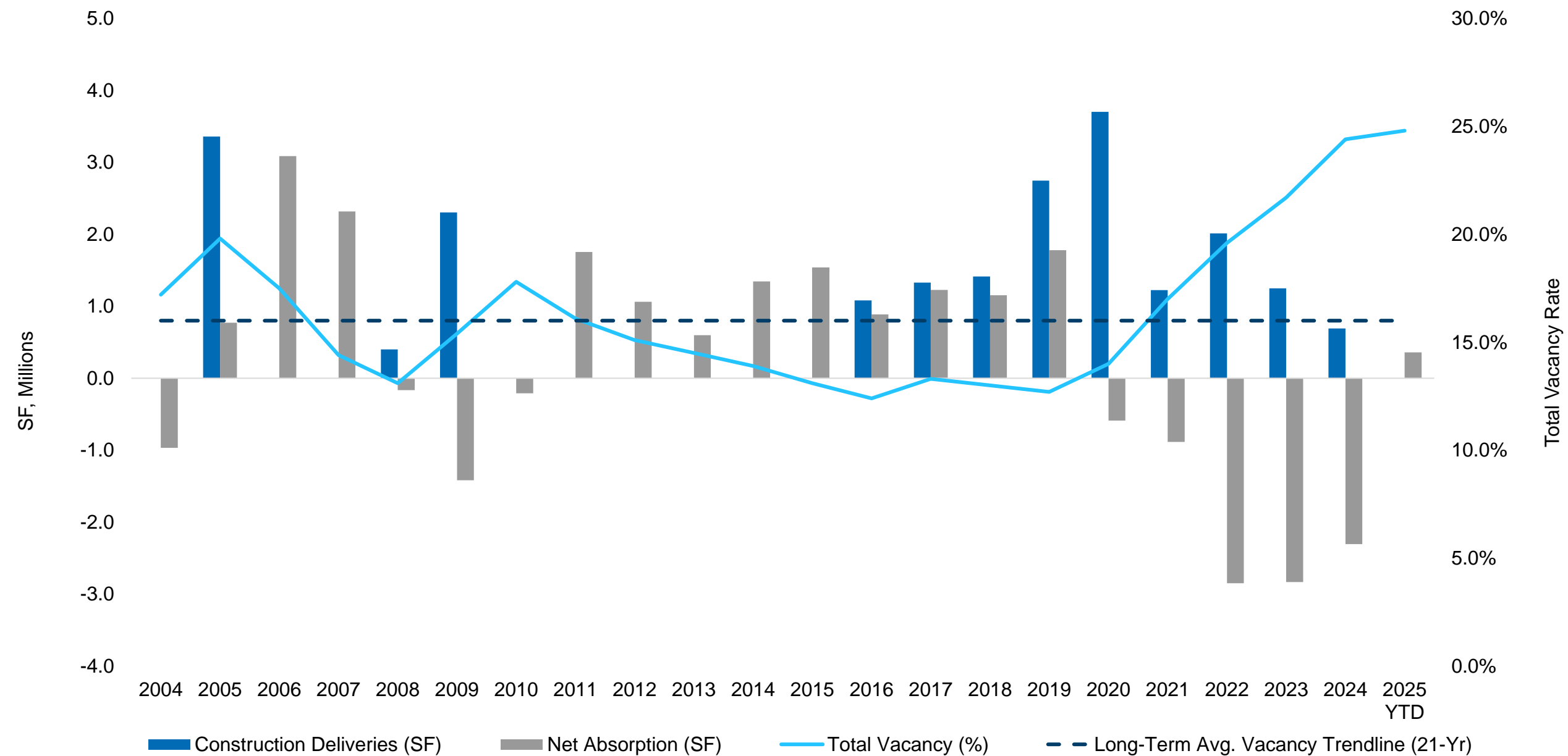




# Signs of Life to Start the Year

Vacancy decreased 30 basis points this quarter as the CBD saw approximately 360,000 SF of positive absorption. Year-over-year, total vacancy has risen by 0.9%.

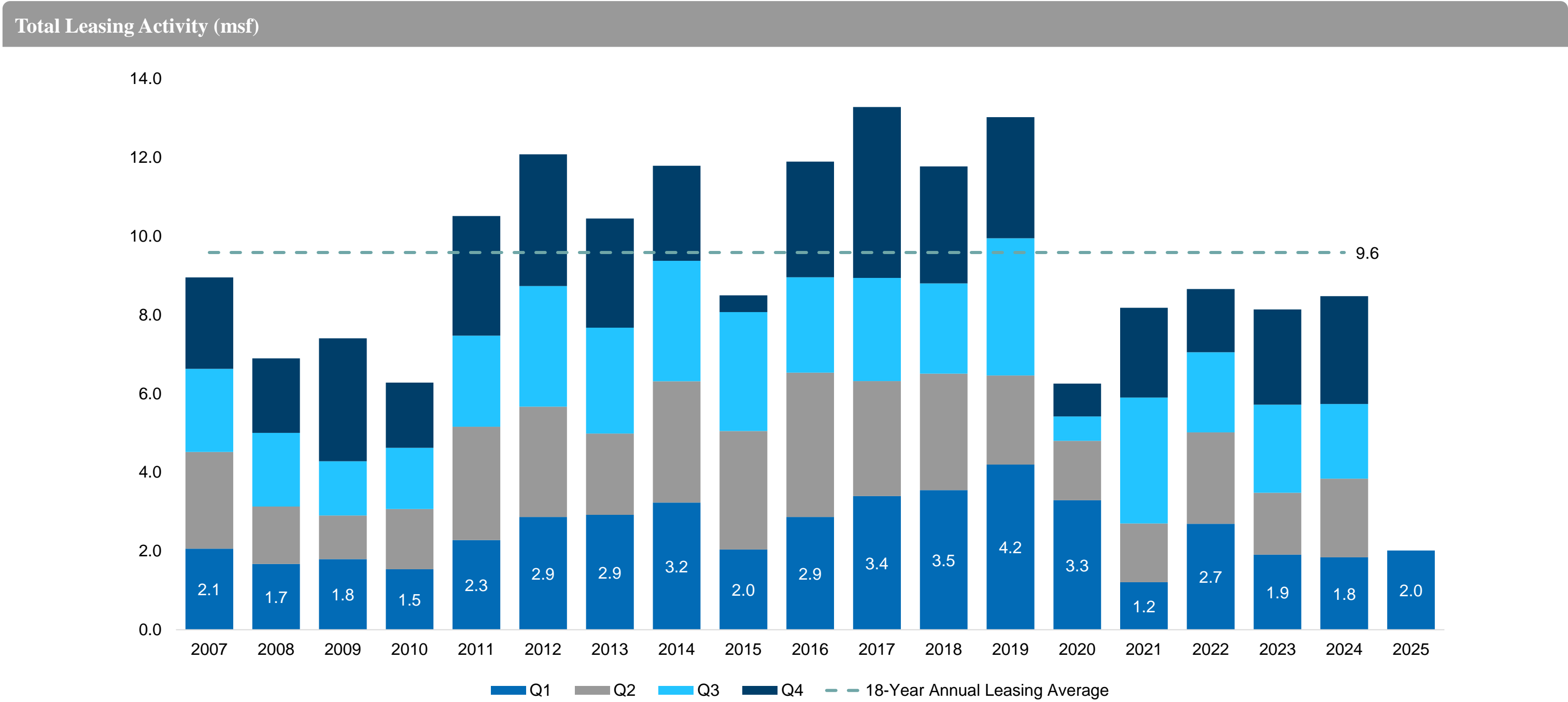
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

# Strong First Quarter of Leasing Activity

Following a strong fourth quarter, leasing volume remained solid in the first quarter of 2025. This marked the strongest first quarter of leasing for the CBD in three years. However, despite the increase in leasing activity, reduced lease sizes will keep overall activity below pre-pandemic levels. Leasing in the first quarter of 2019 was more than double that of 2025.



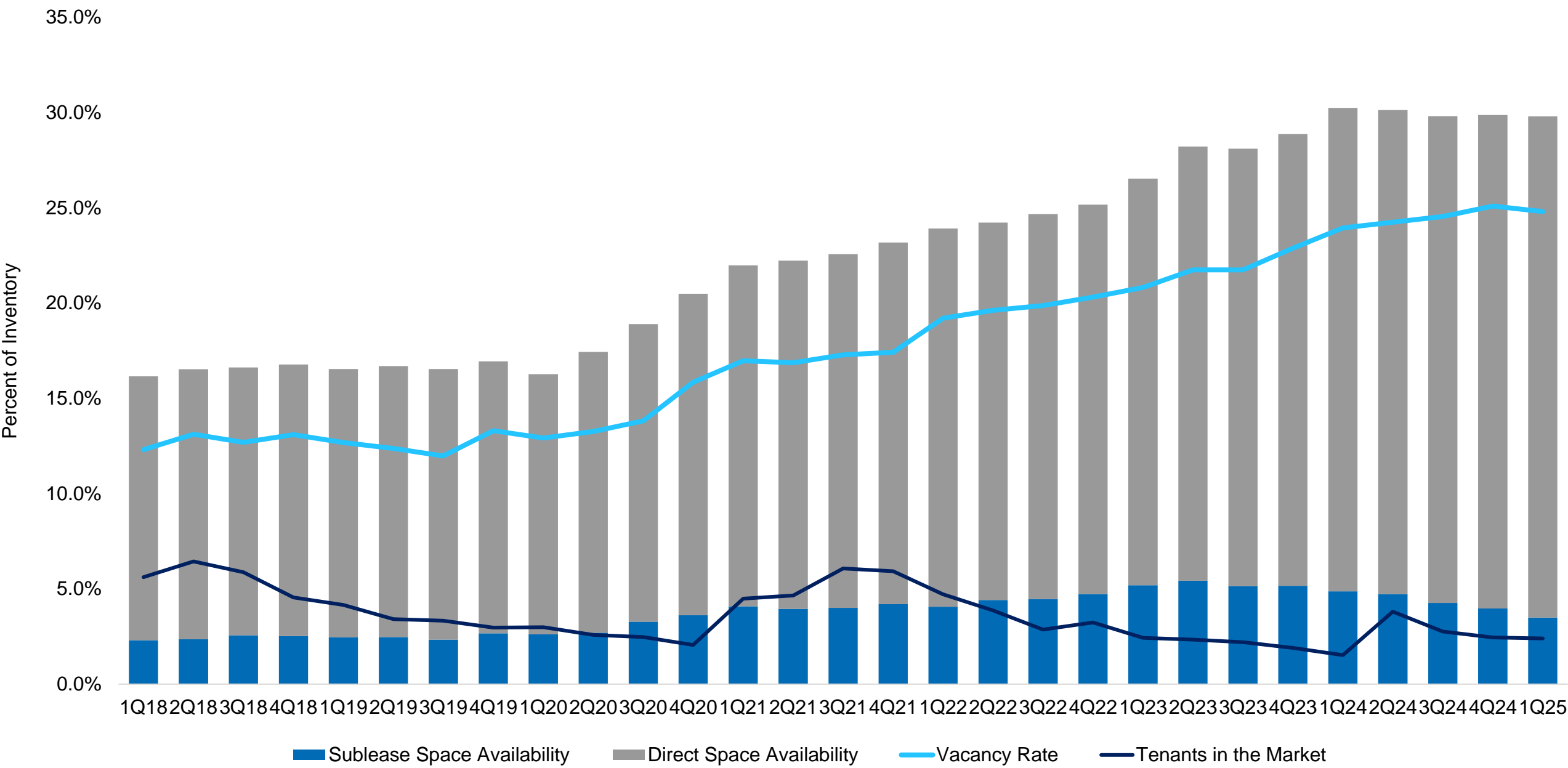
Source: Newmark Research, CoStar



# Sublease Availability Continues to Fall

Sublease availability decreased by 0.5% this quarter to 3.5%, marking its lowest level since the third quarter of 2020. Conversely, direct availability reached 26.3%, continuing its upward trend. As pre-pandemic leases expire and tenants "right-size," space previously listed for sublease is increasingly becoming direct availability.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

# Analyzing 1Q25 Leasing Trends: Shifts in Chicago's Office Market

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## Fulton Market Takes Lowest Vacancy Rate Crown



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## Chicago Occupancy Ranks Second Highest In U.S.



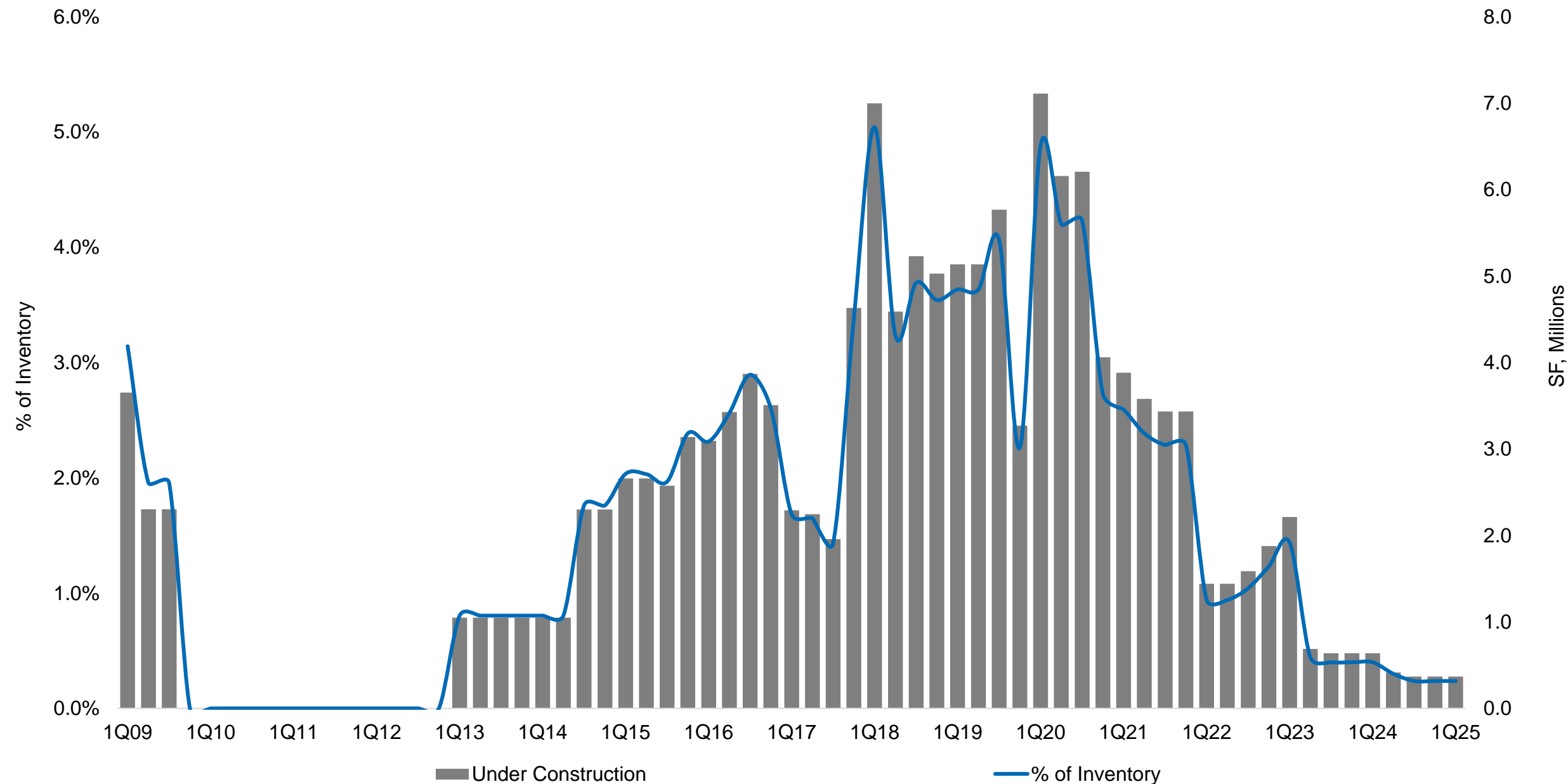
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# Inventory Under Construction Remains Low

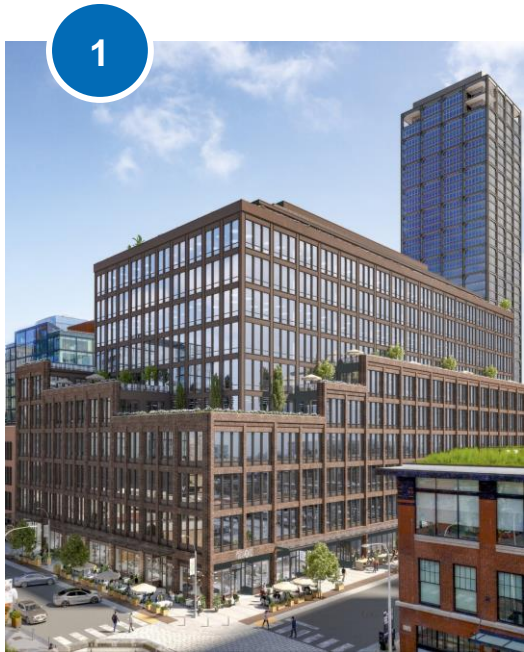
There were no office buildings delivered this quarter, and just one new office project is currently under construction. As the pipeline thins, the market will no longer face competition from new inventory for tenants. In recent quarters, tenants have favored new office space, with several of the largest leases signed in newly delivered buildings.

Office Under Construction and % of Inventory

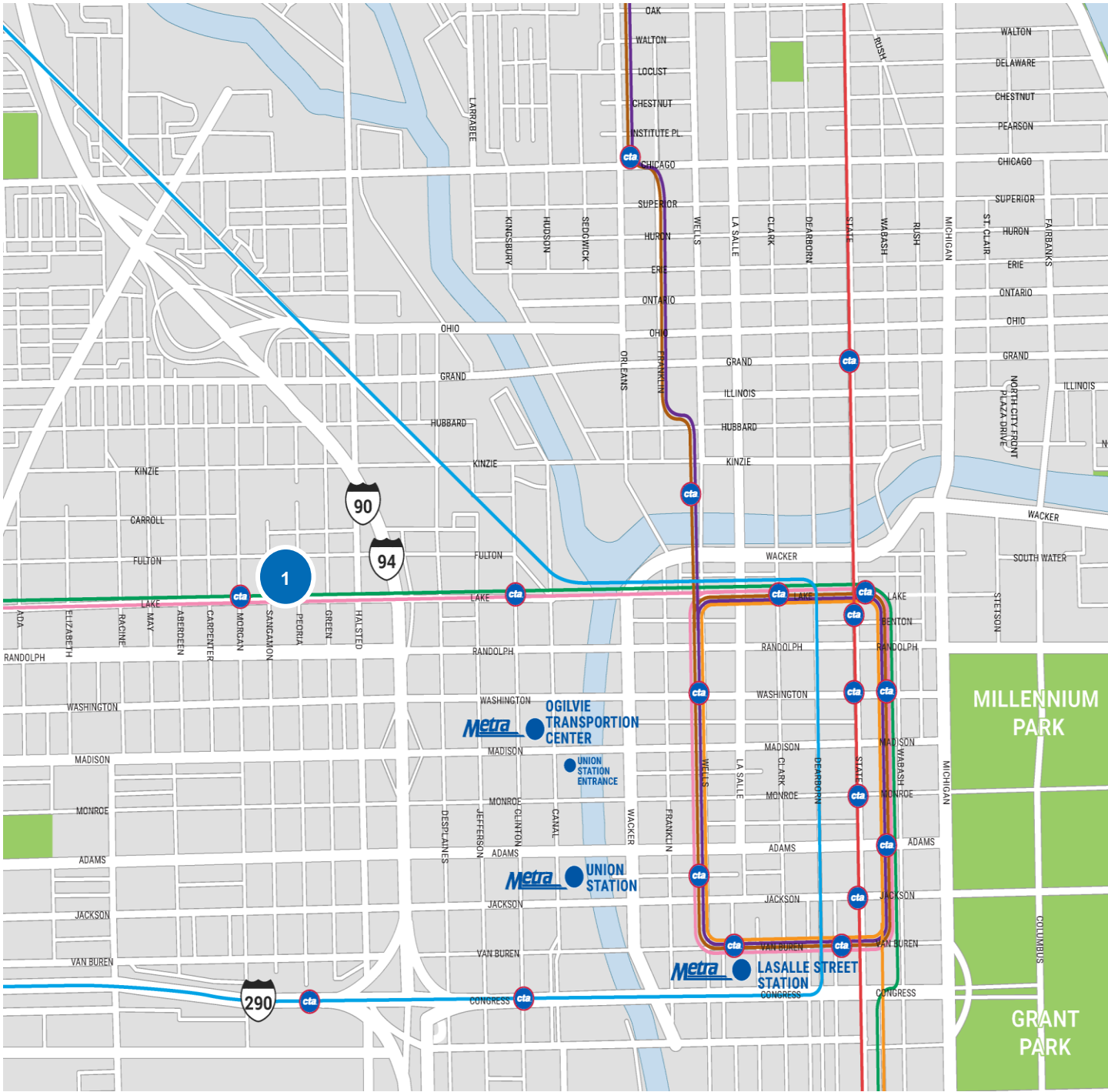


Source: Newmark Research, CoStar

# Office Supply Under Construction



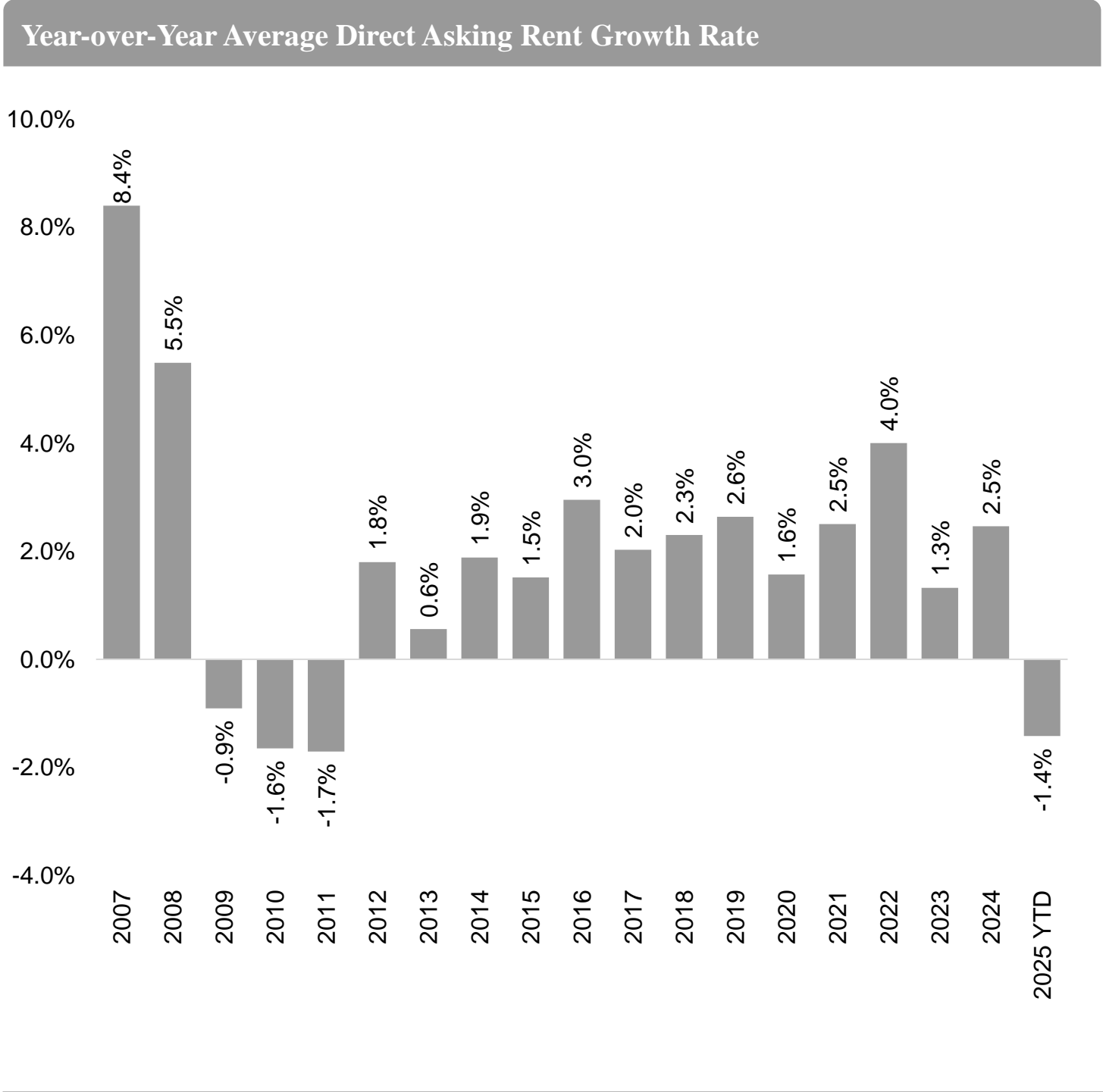
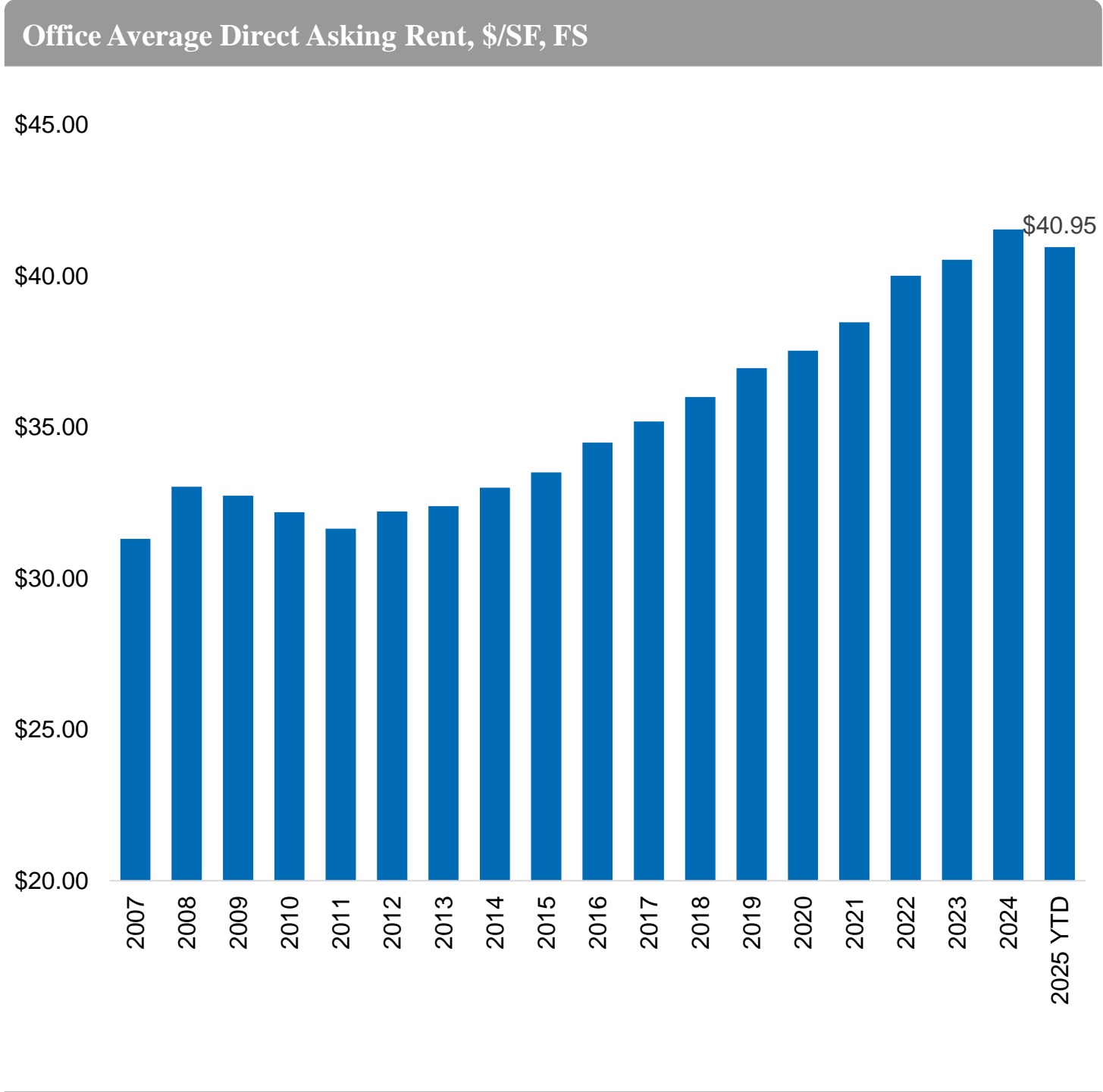
**919 W Fulton**  
Delivery: 06/01/2025  
Leased: 46.6%  
RBA: 369,000 SF  
Anchor: Harrison Street





# Rental Rates Decrease for the Second Straight Quarter

Direct asking rates fell to start the year, decreasing \$0.87/SF quarter over quarter, but are still \$0.34/SF higher than the first quarter of 2024.

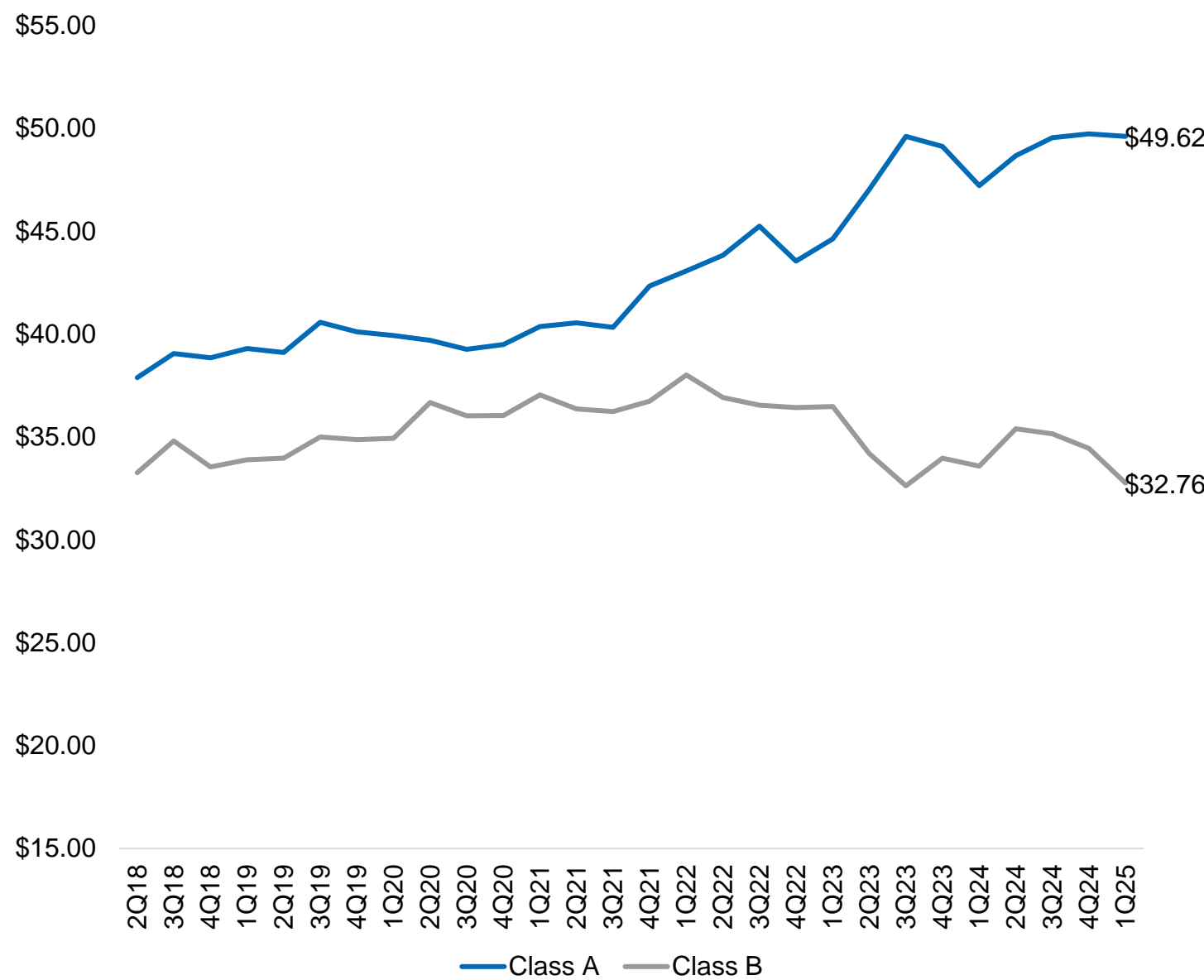


Source: Newmark Research, CoStar

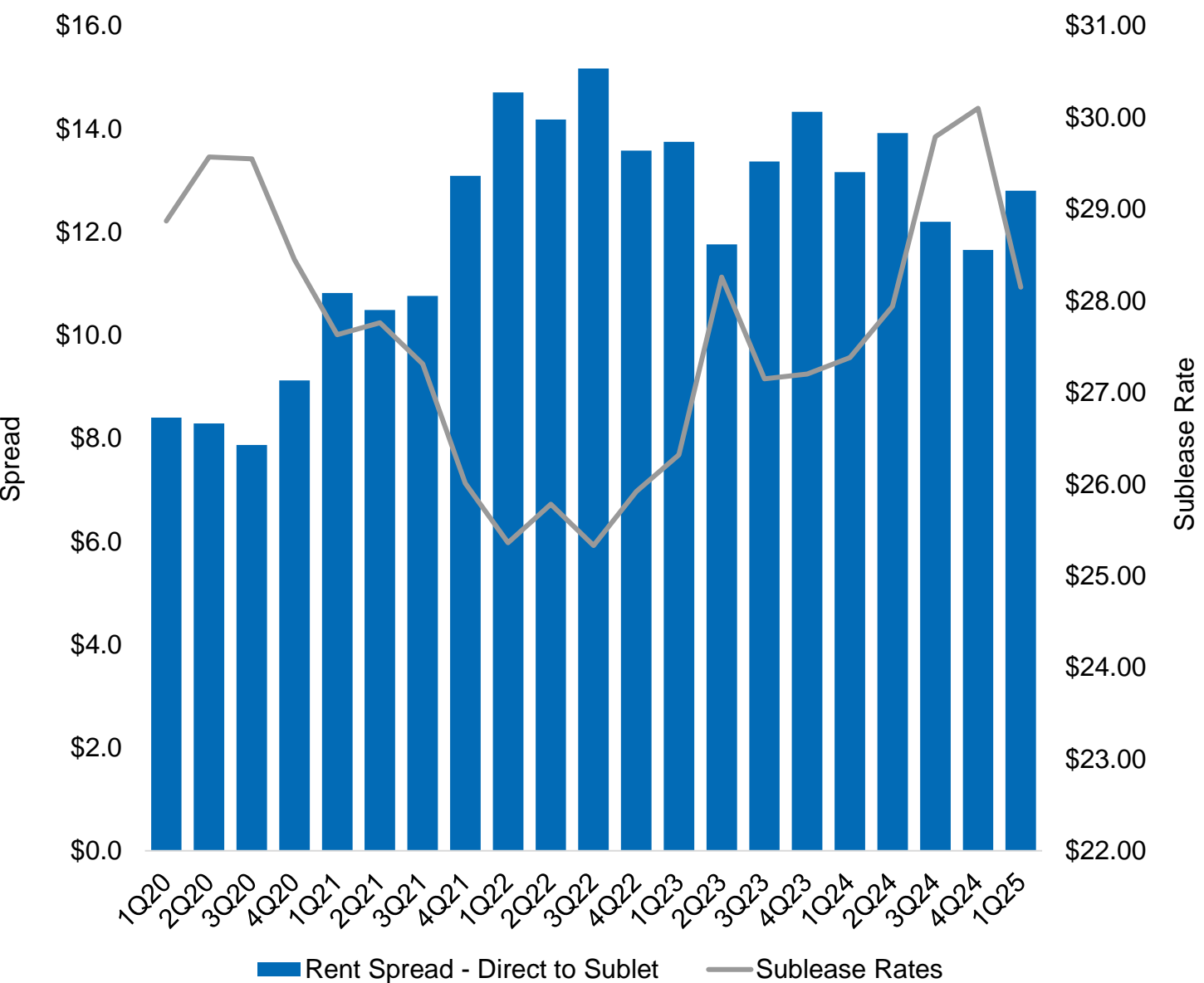
# Rent Spreads Expand Amidst Surging Demand For Class A

Rent spreads have widened between Class A and Class B asking rates as well as between direct and sublease rates. The gap between Class A and B asking rates now exceeds \$16.00. Top-tier Class A space is commanding record-high asking rates due to extremely limited availability in this segment of the market.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research

# Leasing Activity Increases Compared to Same Quarter Last Year

Leasing volume increased this quarter, marking its strongest first quarter downtown in three years. One lease over 200,000 SF was completed, compared to two last quarter.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
BP	30 S Wacker Dr	West Loop	Lease Renewal	240,000
The oil and gas company will be staying in their current 240,000 SF at the CME Center through at least 2032.				
NORC at the University of Chicago	300 E Randolph St	East Loop	New Lease	66,000
NORC will be downsizing from their current 118,000 SF space at 55 E. Monroe.				
Radix Trading	353 N Clark St	River North	Lease Expansion	55,000
Radix signed a new deal to increase their total footprint in the building to about 82,000 SF.				
Cars.com	300 S Riverside Plz	West Loop	Lease Renewal	53,000
The car re-sale platform will be downsizing from their current 160,000 SF space within the same building.				
ComPysch	130 E Randolph St	East Loop	New Lease	50,000
The health services provider will be contracting from their current space of 152,000 SF at 455 N. Cityfront.				

Source: Newmark Research



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## West Loop Submarket Overview



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# Fulton Market Submarket Overview

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## Central Loop Submarket Overview



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## East Loop 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, giving it a clean, architectural feel.

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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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Newmark business contact for this information

*For more information:*

**Amy Binstein**

*Midwest Research Director*

amy.binstein@nmrk.com

**Max Fisher**

*Research Analyst*

max.fisher@nmrk.com

**Chicago**

500 W Monroe Street

Chicago, IL 60661

t 312-224-3200

**New York Headquarters**

125 Park Ave.

New York, NY 10017

t 212-372-2000

**nmrk.com**

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