



Chicago CRE State of the Market

2022 Q2, *Chicago Chapter of ICAP*

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**The most comprehensive
commercial real estate data.**

**The most influential network of
CRE professionals.**

\$3B

invested in research
and technology

35

years of
experience

4,900

employees

170K

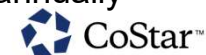
CoStar users

25

brands

1.3B

visitors to our
websites annually



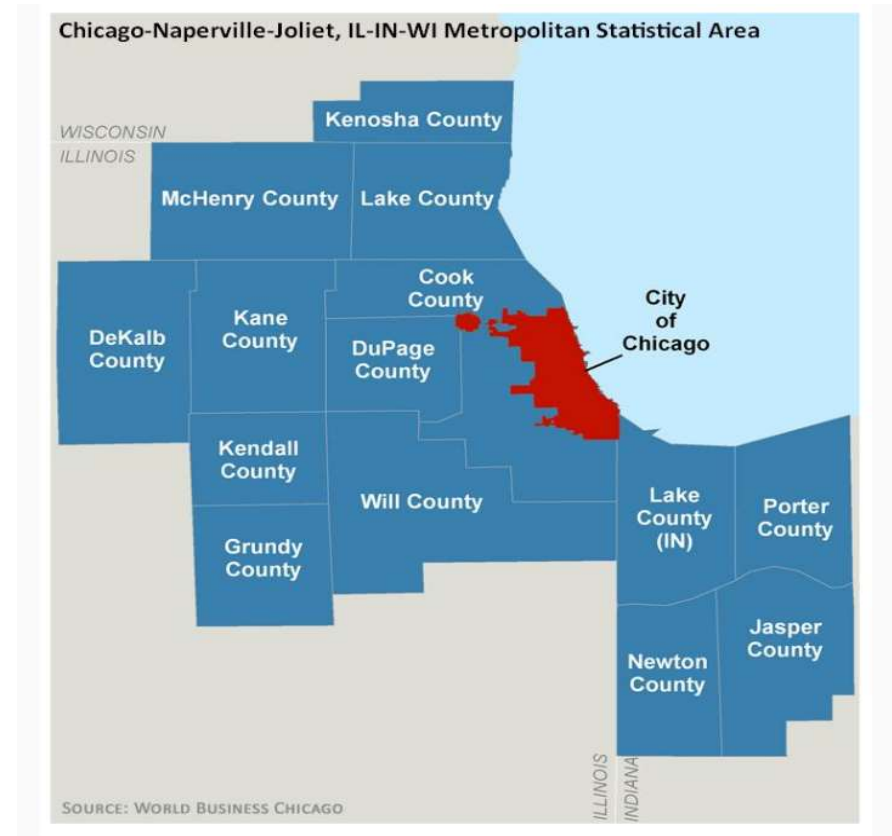


Economic & Demographic Drivers

Market Report Analytic Filters & Chicago Metropolitan Statistical Area (MSA)

Included:

- All Sizes
- Owner & Non-Owner Occupied
- All Property Types
- Existing / Under Renovation
- Proposed
- Under Construction

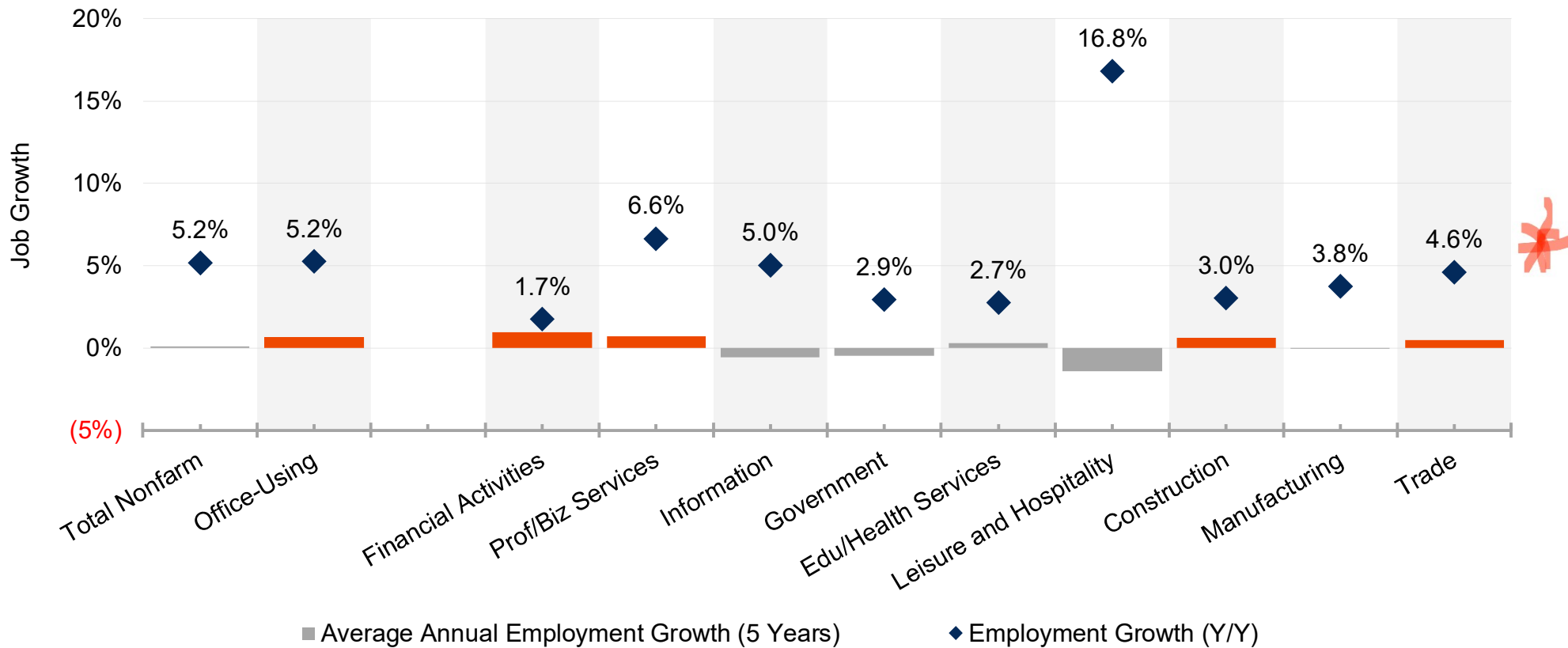


U.S.B.L.S. & Placer.ai – Tell Seemingly Dissimilar Stories. They Are Not.

Conclusions:

- Illinois' population undercounted by the US Census Bureau (1.97%).
 - Illinois' population grew by 1.02% or 250,000 residents from 2010 to 2020.
 - Illinois restored as fifth largest state.
 - Countywide data not available until later 2022.
-
- Chicago lost around 2.3% of its population from 2018 thru January 2022.

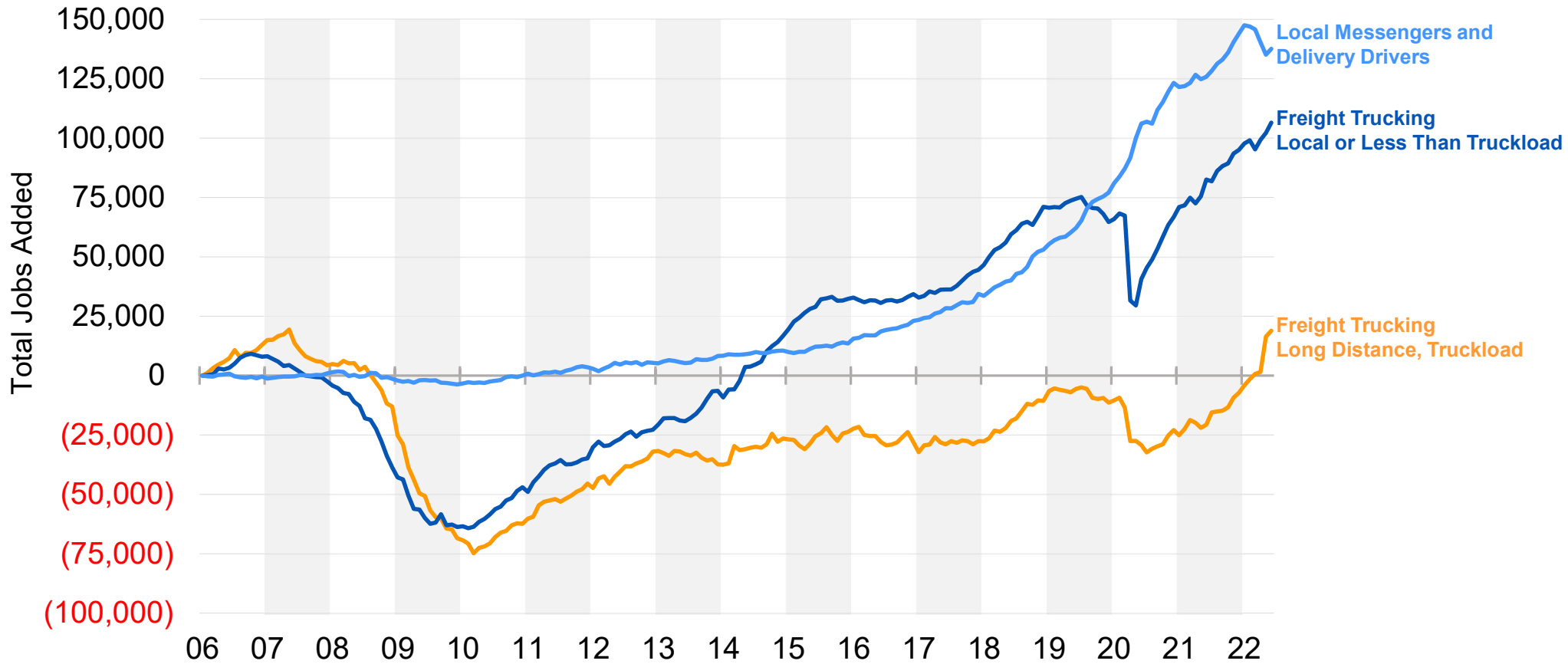
Chicago: Job Growth By Employment Sector



Source: Oxford Economics

End of 22Q2

U.S. Jobs Added Since 2006



Source: BLS

Strengths & Weaknesses

Infrastructure, Capital & Talent Pool

- **Passenger and transmodal nodes in place:**
 - “EI” & Metra, waterways, two international airports and freight hub.
 - Centralized location and unparalleled rail and highway connectivity as the only U.S. city to contain six Class 1 railroads
- **Best in Class Infrastructure – power grid, utilities and broadband.**
- **Access to Capital.**
- **Diverse economy – largest economic sector is financial with a 6% share.**
- **Midwest draw for recent college graduates. Hundreds of area colleges and universities.**

Crime, Taxes and Outmigration – Uncertainty Looms

- **Those who can WFA (Work From Anywhere), may.**
- **Lightfoot tying tax increases to CPI (capped at 5%)**
- **Kaegi’s CRE tax assessment system still not ironed out.**
- **Major corporations leaving Chicagoland for no income tax states, lower crime.**



Multifamily



Market Report Analytic Filters & Chicago Metropolitan Statistical Area (MSA)

Apply Multi-Family Analytic Filters

Apply the filters below to create a search with the same results as the CoStar Market and Submarket Reports.

Filters

Secondary Type: Apartment

of Units: 5+

Market Segment: Exclude Senior, Student, Military, Corporate, Vacation

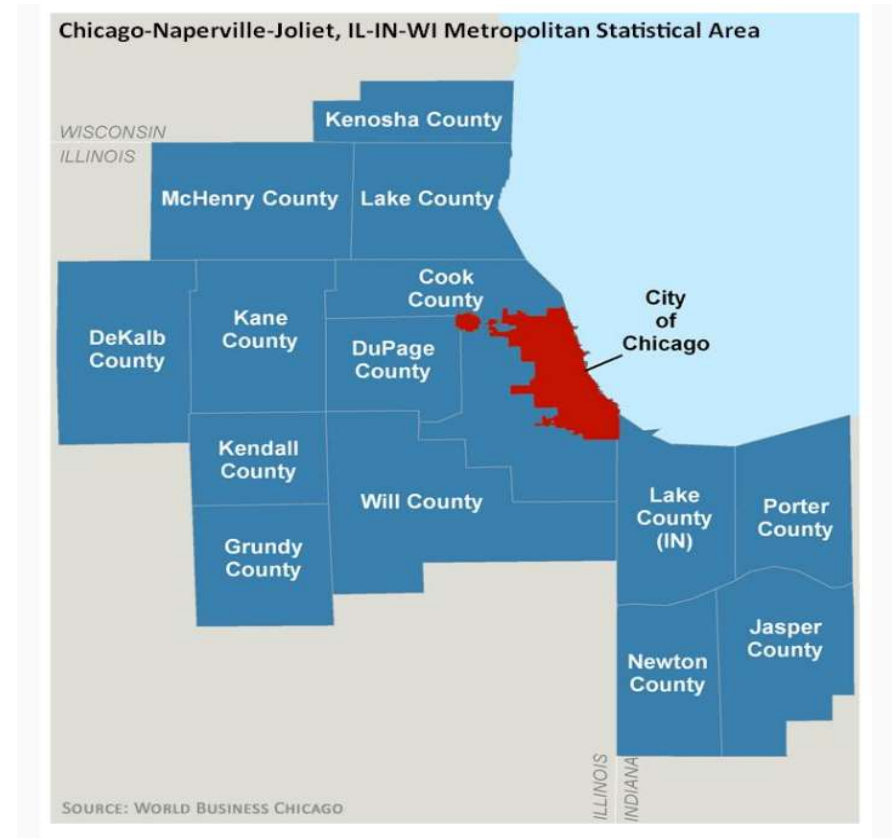
Rent Type: Market, Market/Affordable

Exclude: Residential Condos

Exclude: Co-Ops

Cancel

Apply Filters



Sources: CoStar and World Business Chicago

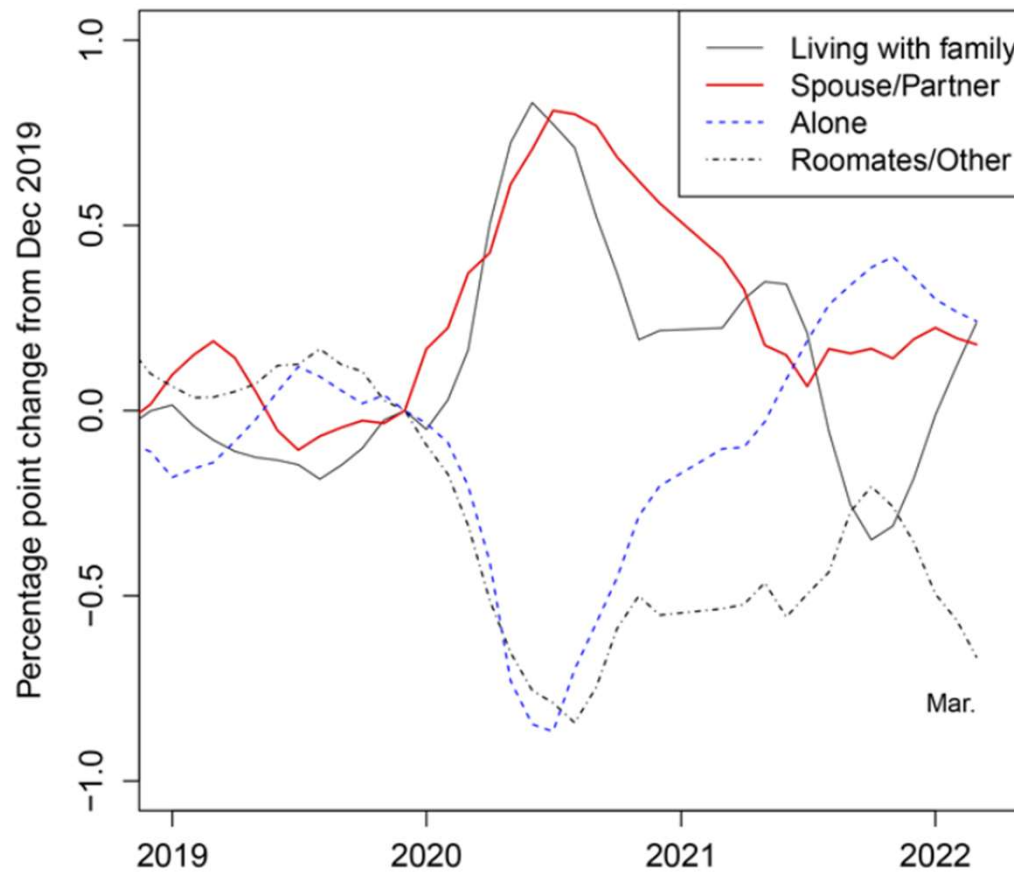


Multifamily

Housing Market Underpinnings



U.S. Changes in Household Composition/Living Arrangements



Source: Board of Governors of the Federal Reserve System, May 6, 2022

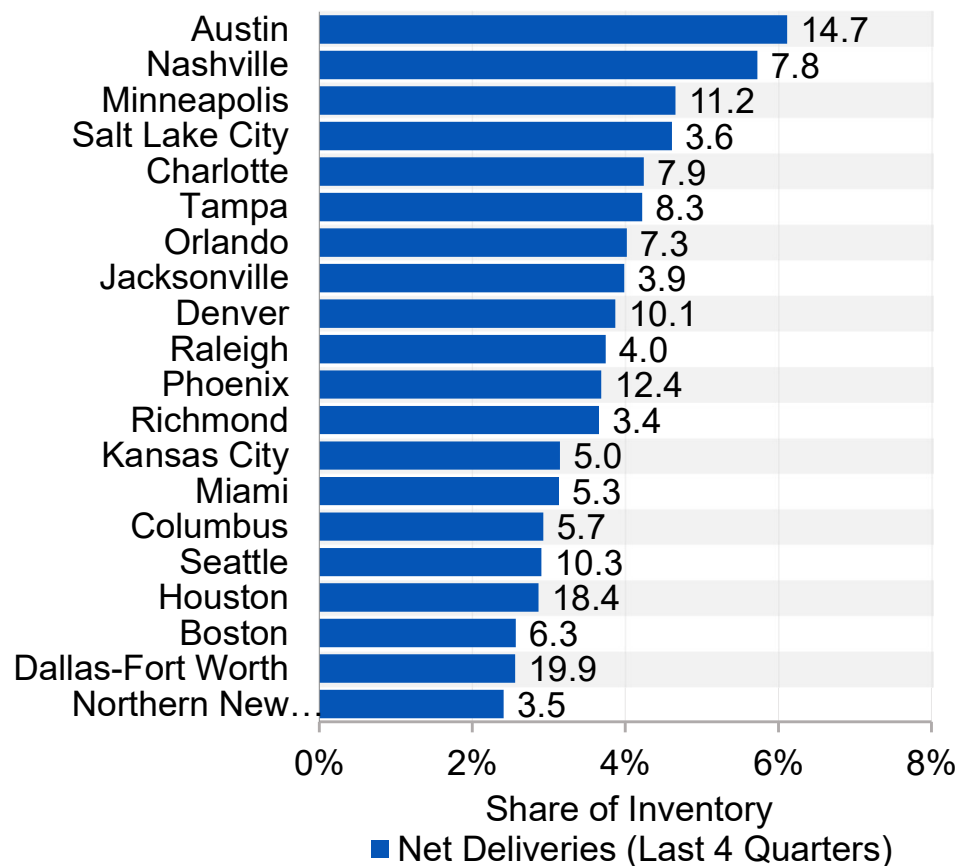


Multifamily

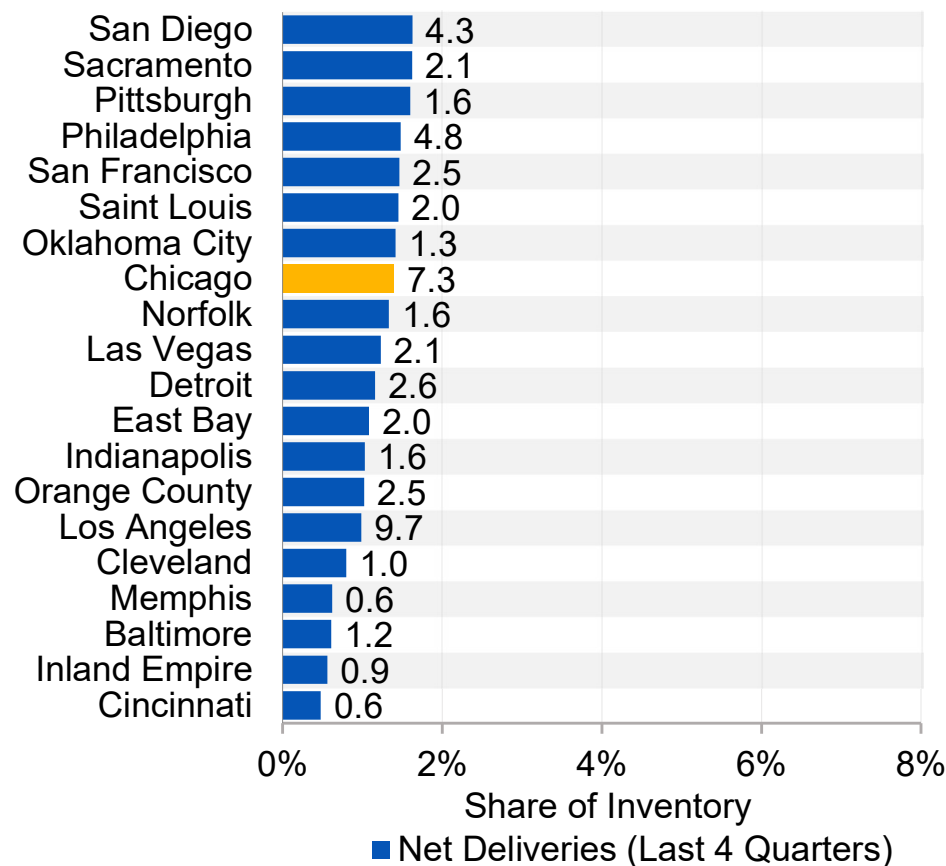
New Deliveries & Under Construction



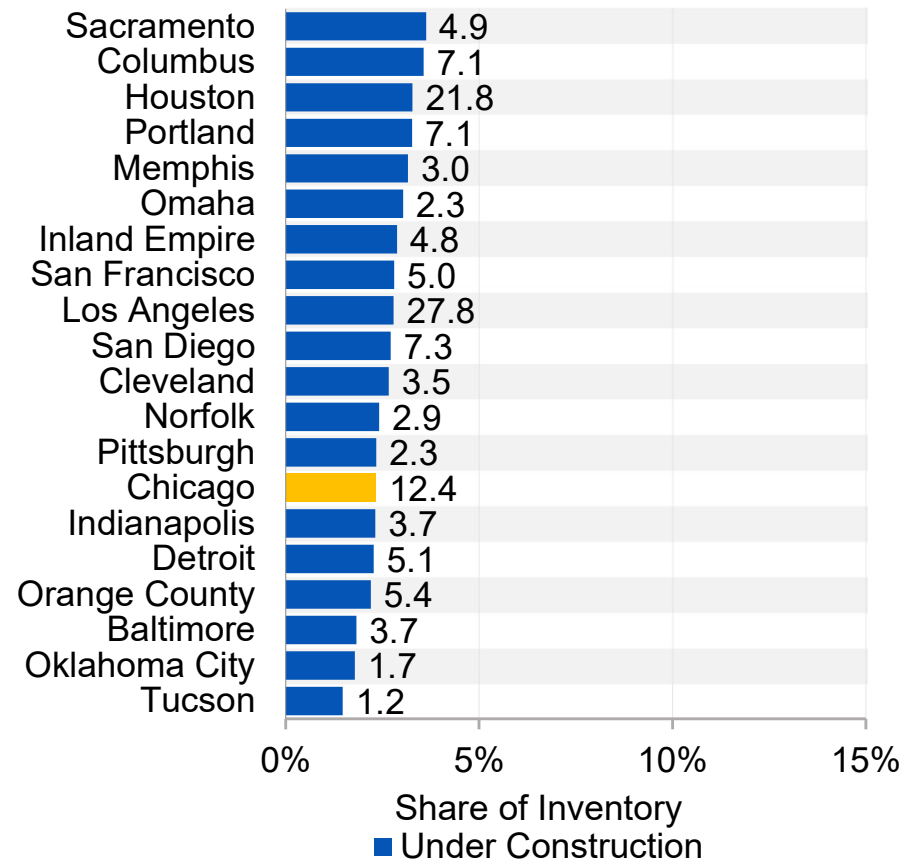
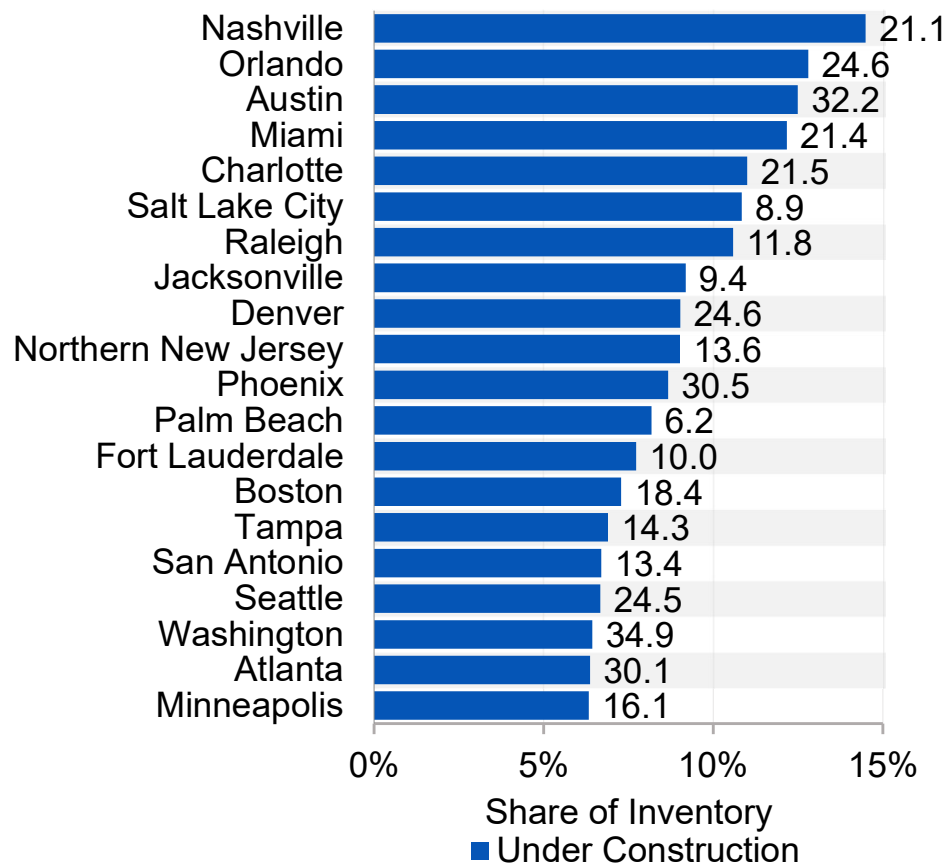
Net Deliveries As Share of Inventory, Chicago 1.4%



Note: Includes markets with 75,000+ units inventory. Labels show Net Deliveries in Thousand Units.

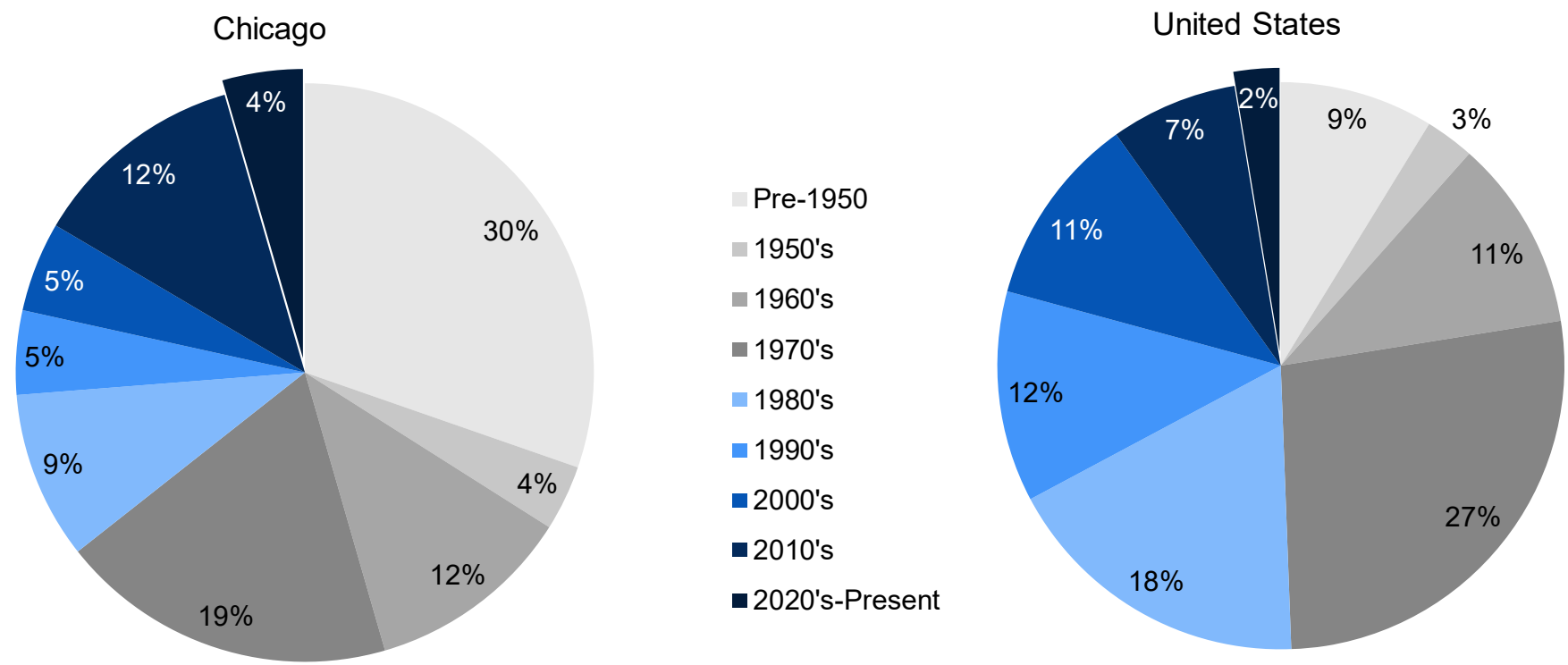


Units Under Construction As Share of Inventory, Chicago 2.3%



Note: Includes markets with 75,000+ units inventory. Labels show Under Construction in Thousand Units.

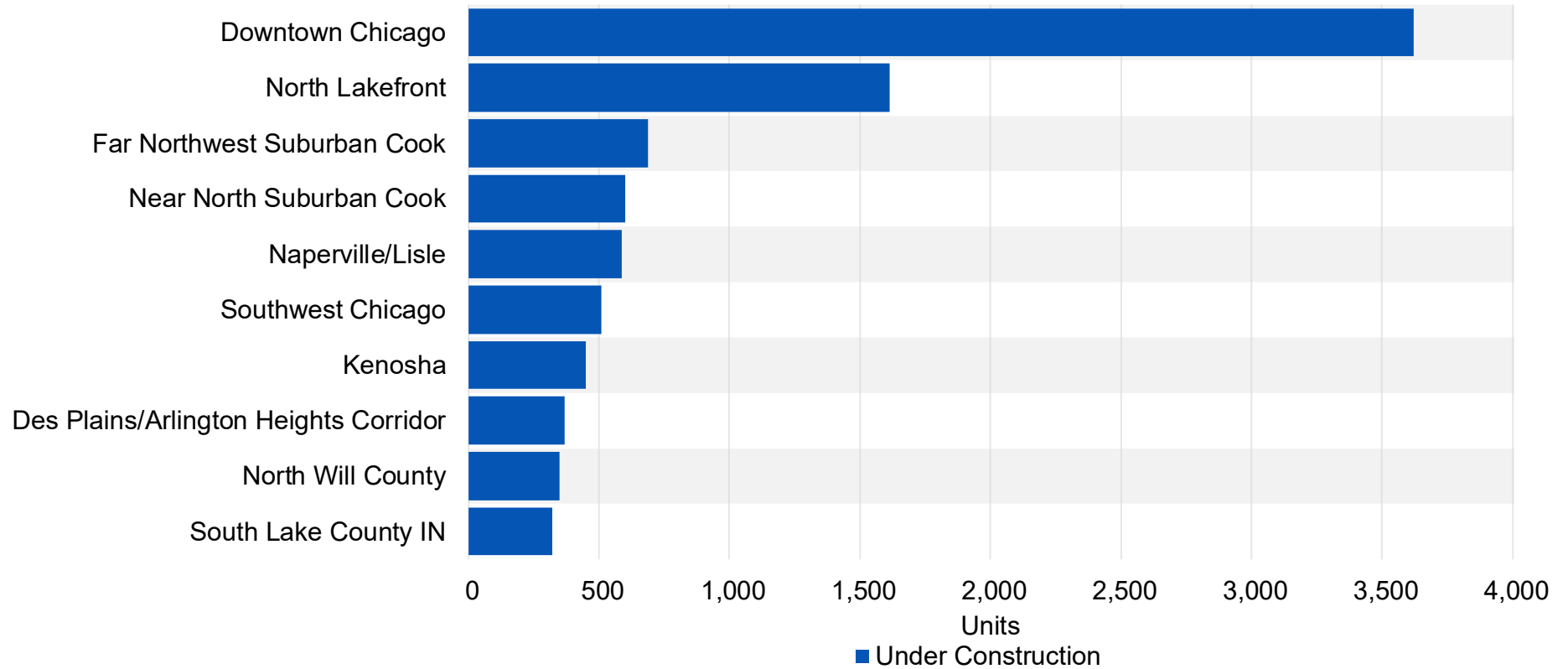
Apartment Inventory: Units Built by Decade



Source: CoStar

End of 22Q2

Chicago Submarkets With The Most Construction



Source: CoStar

As of July 2022

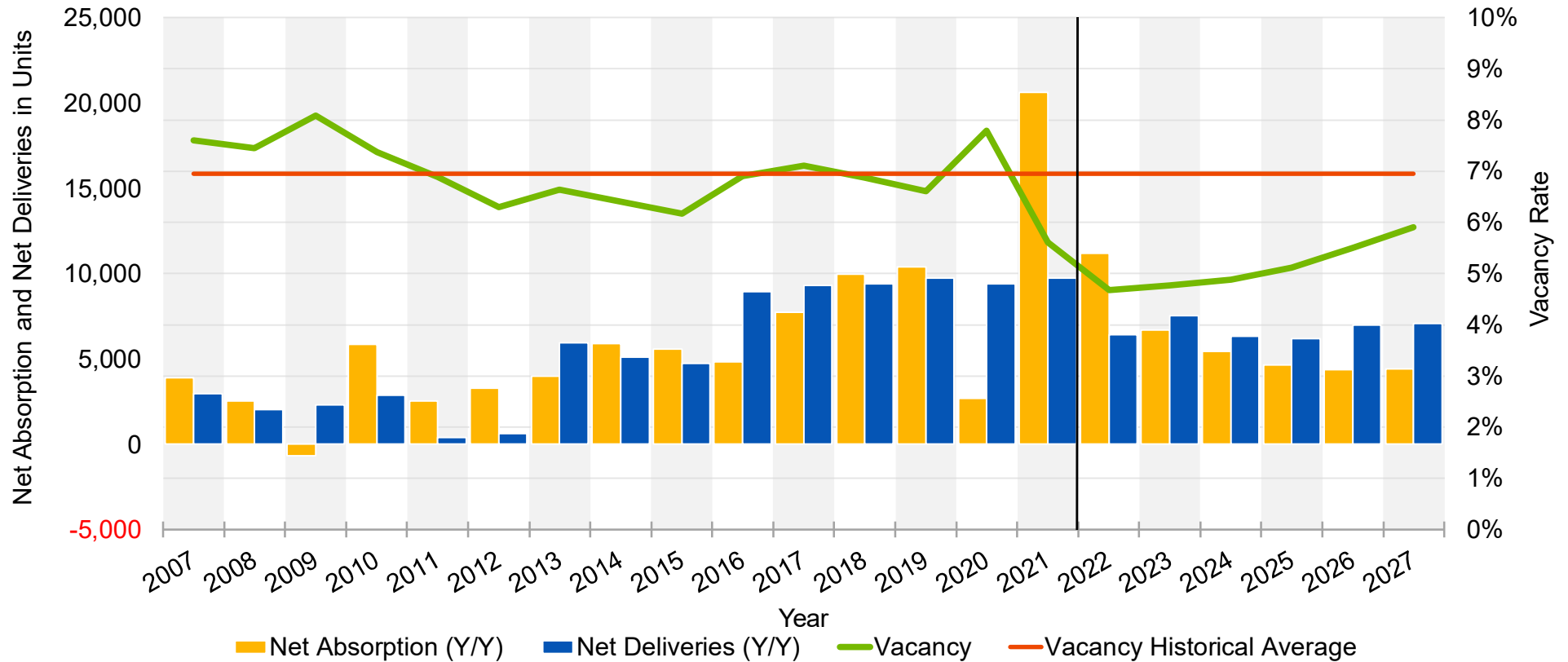


Multifamily

Demand Markers, Slow and Steady



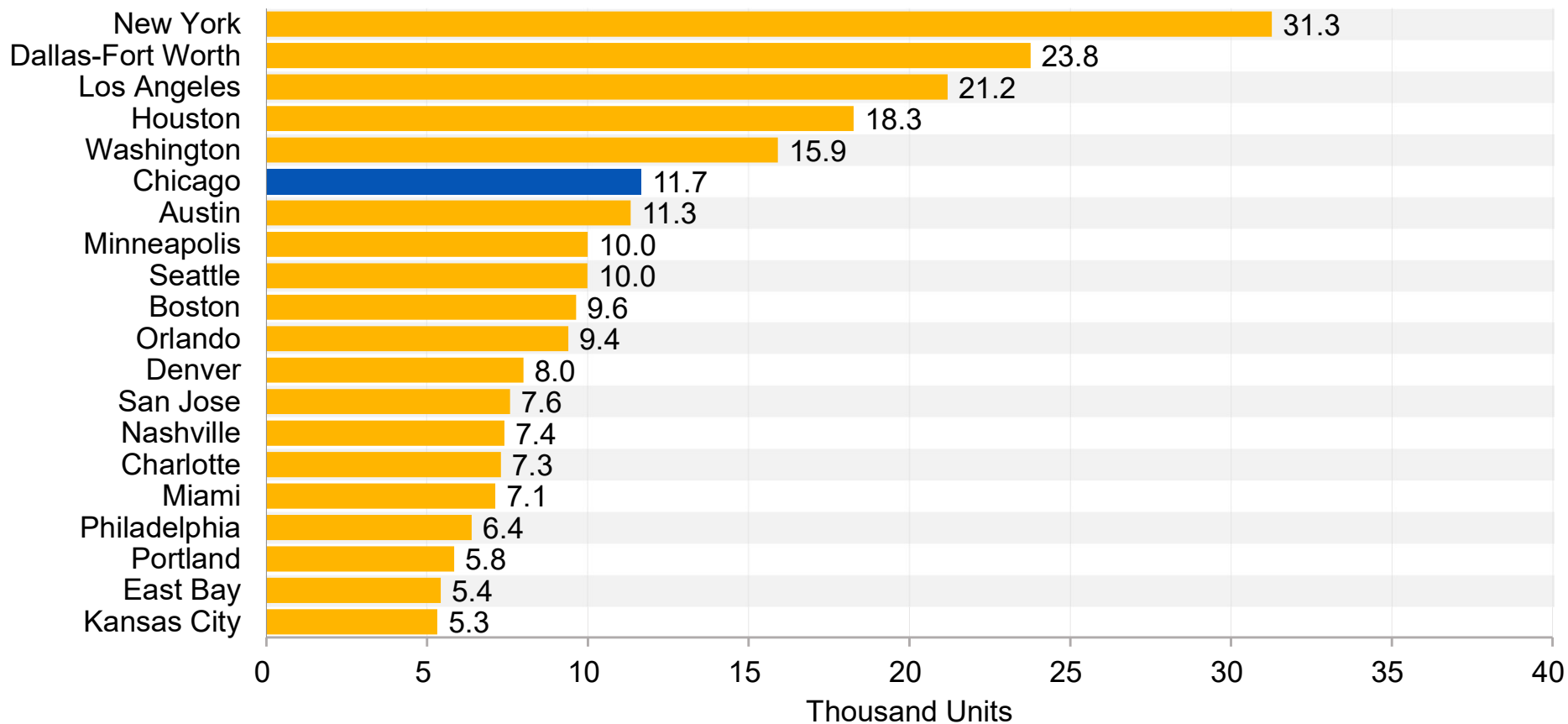
Chicago MF Baseline: Supply, Demand and Vacancy



Source: CoStar

End of 22Q2

Top Net Absorption



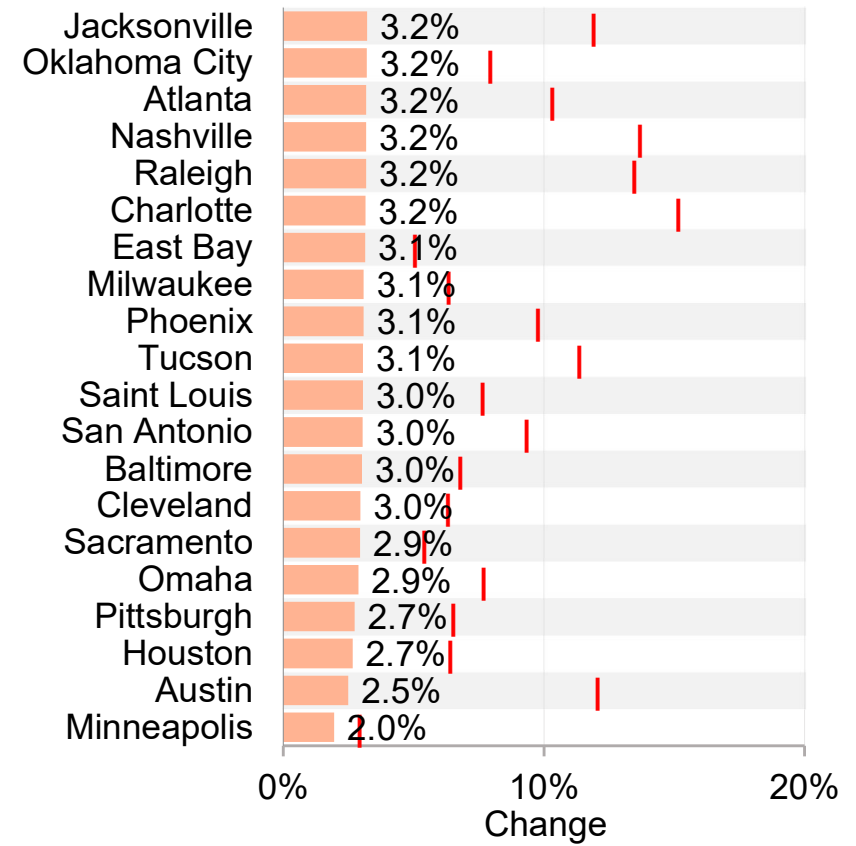
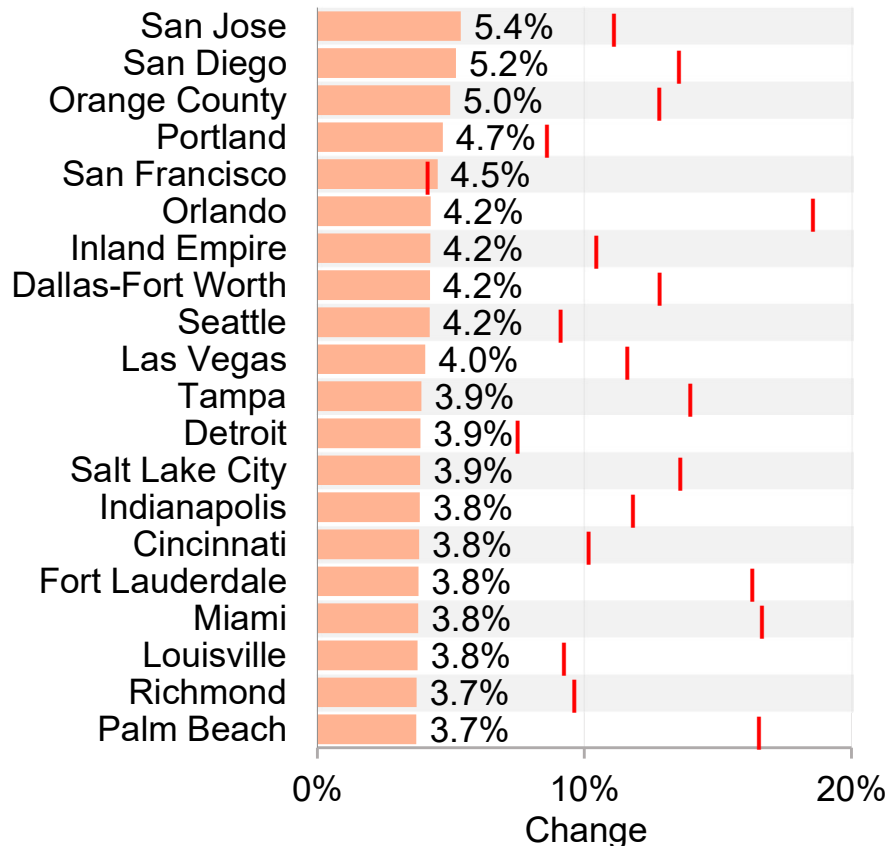
■ Net Absorption (Last 4 Quarters)



Multifamily Rent



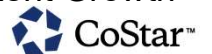
Base Case Rent Growth Forecast, by Market, Chicago 3.6% v. 7.0%



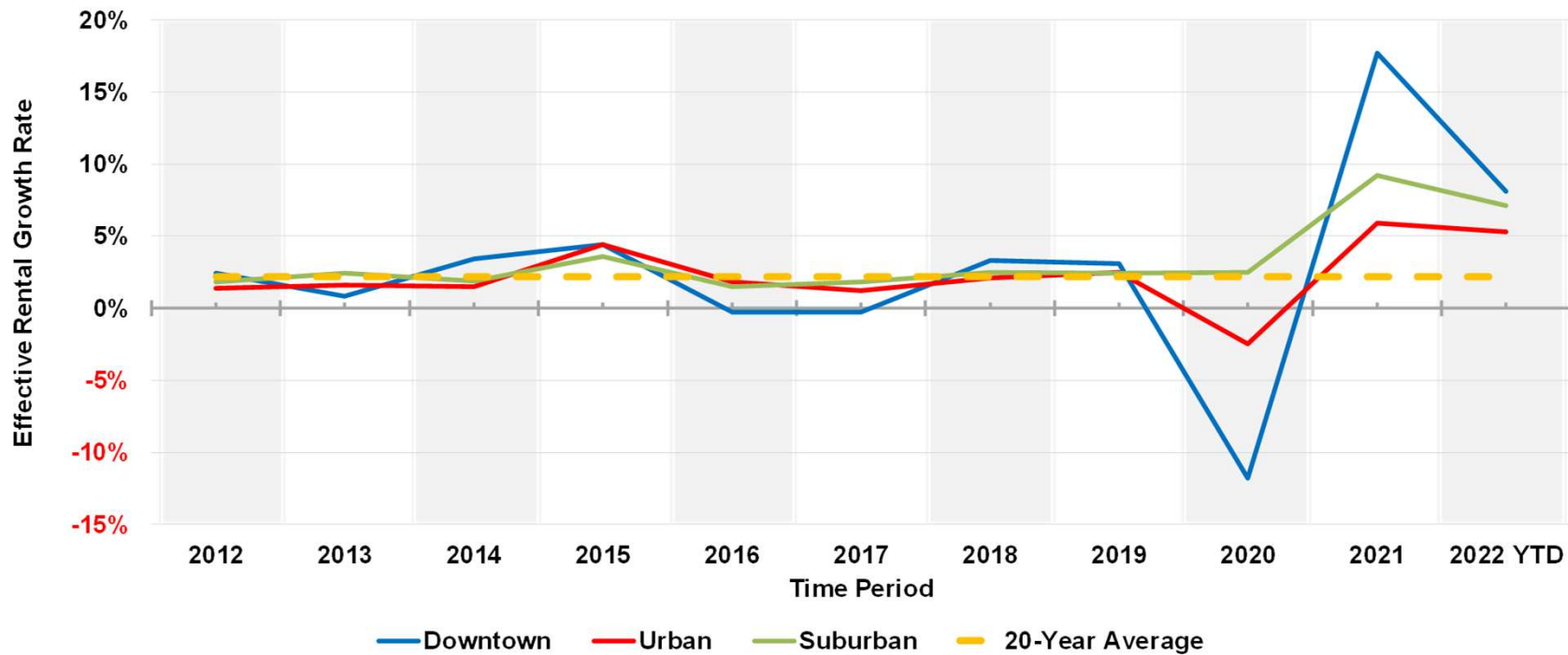
■ Baseline Forecast (Four-Year Average) ■ Rent Growth

Note: Includes markets with 75,000+ units inventory.

■ Baseline Forecast (Four-Year Average) ■ Rent Growth

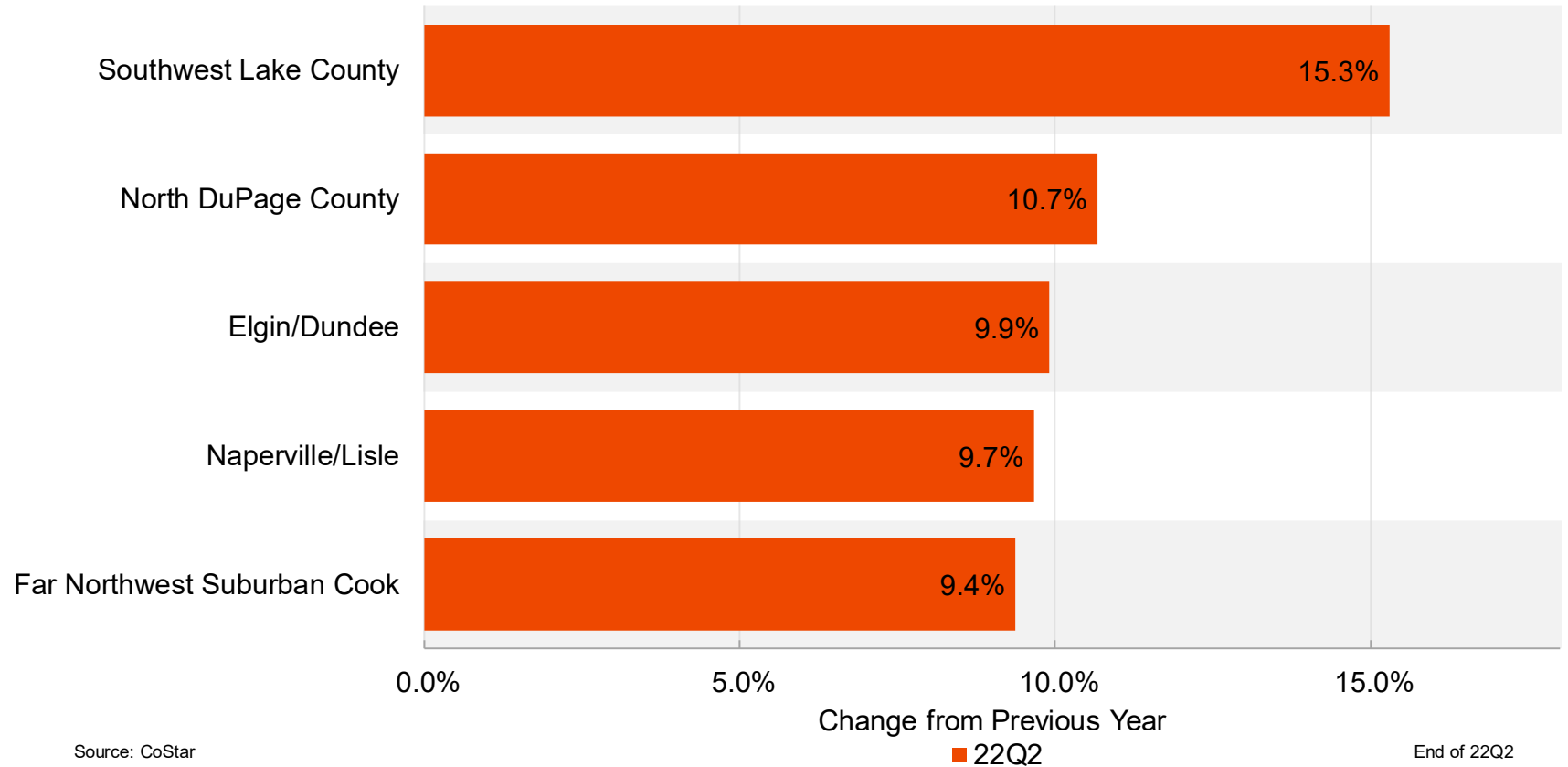


Chicago Multifamily Rents Above Historic Norms



Source: CoStar, August 2022

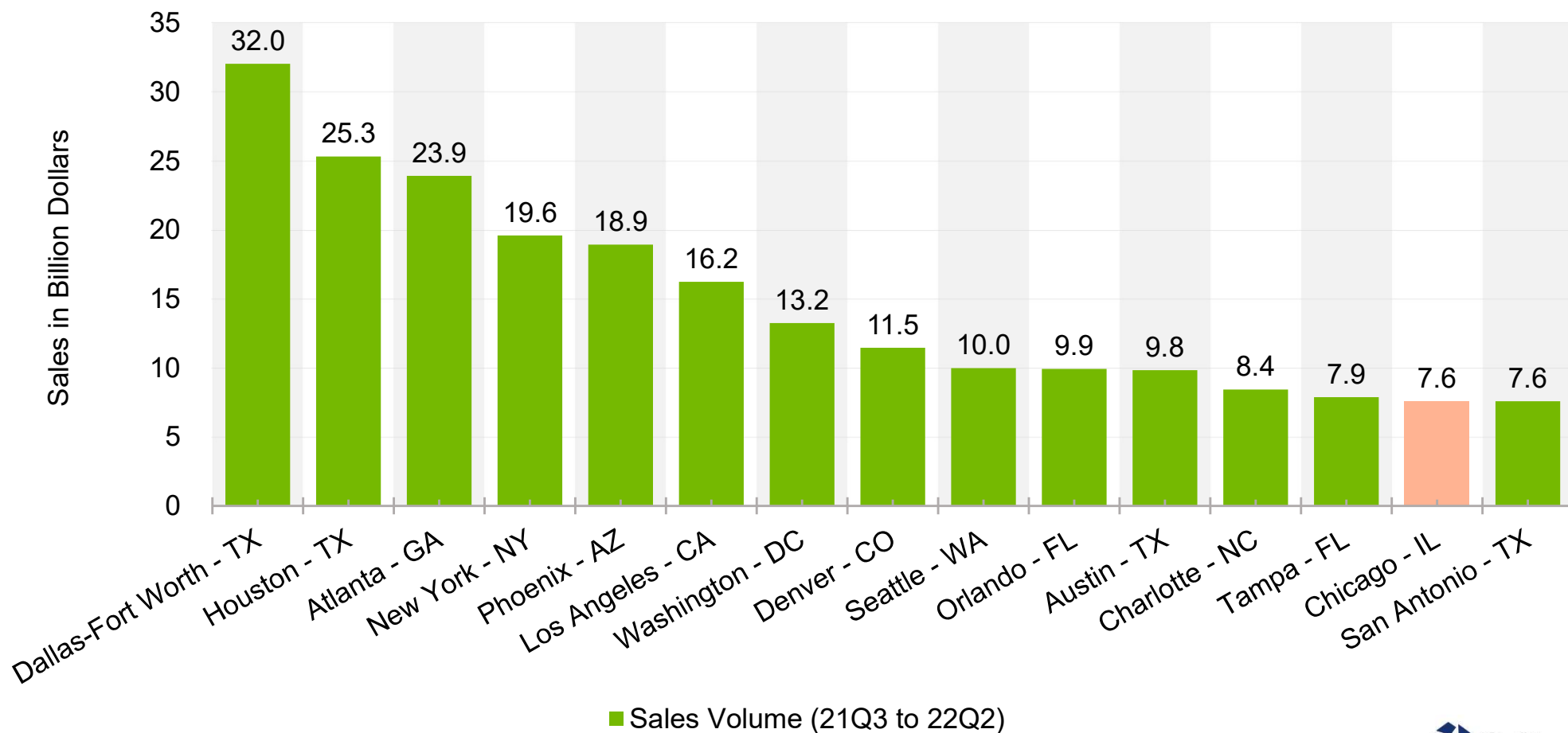
Submarkets With The Highest Rent Growth



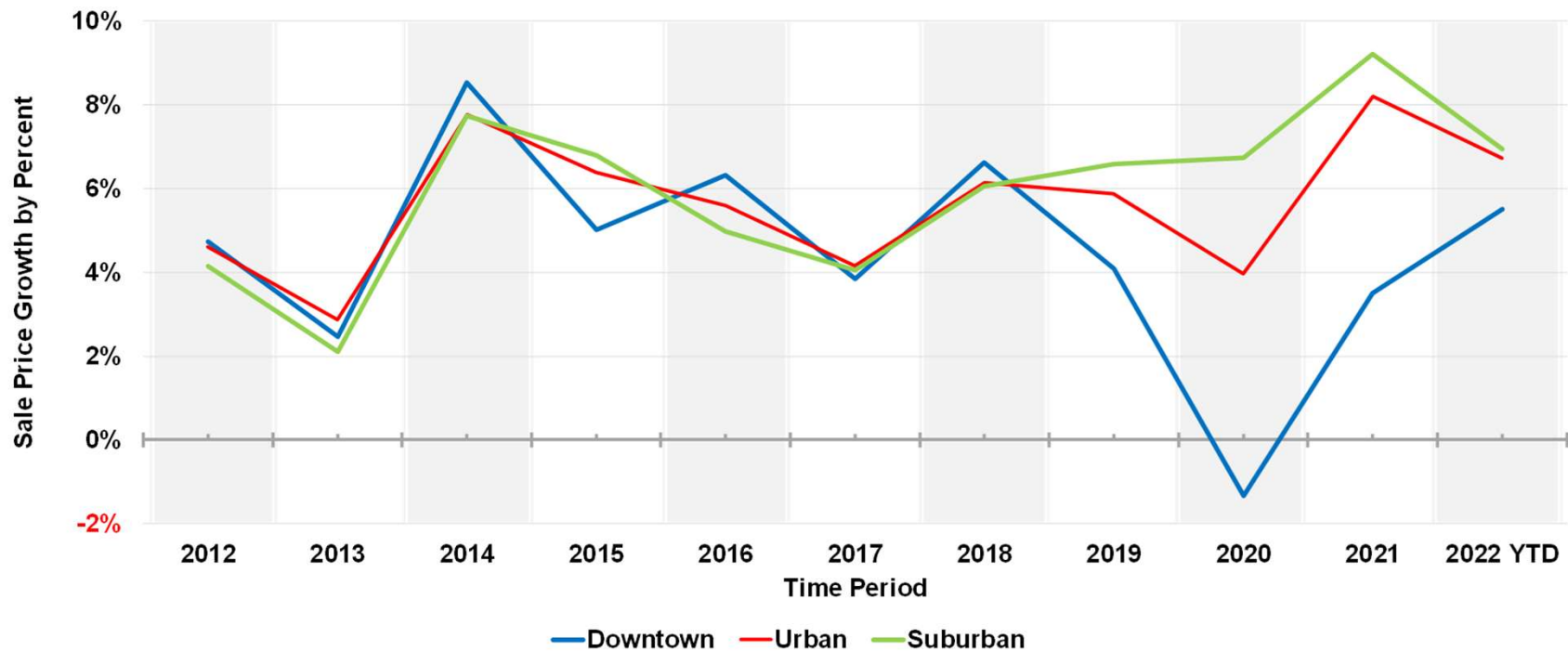


Multifamily Sales

Multifamily Sales Volume, by Market



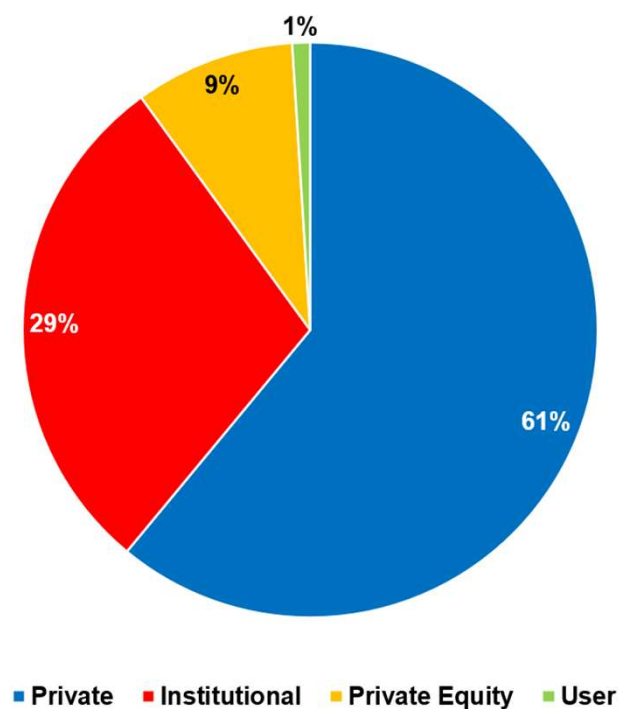
Since 2019, Suburban Apartments Offer More Stable Gains Than Downtown, Urban Markets



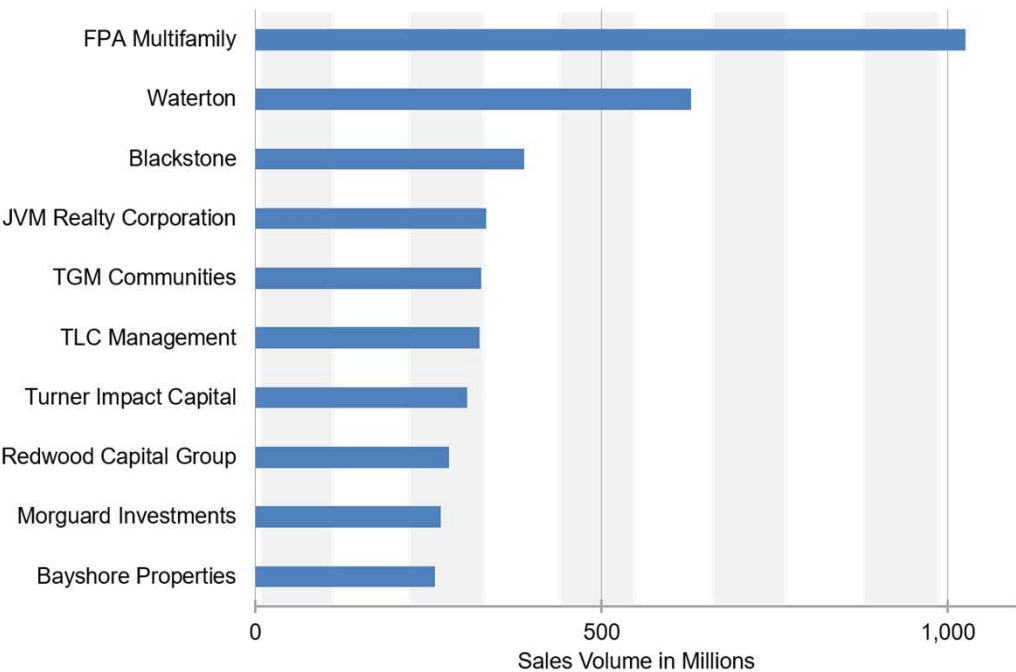
Source: CoStar, August 2022

Private Buyers Still Rule Multifamily Investment in Chicago

12-Month Sales Volume By Buyer Type

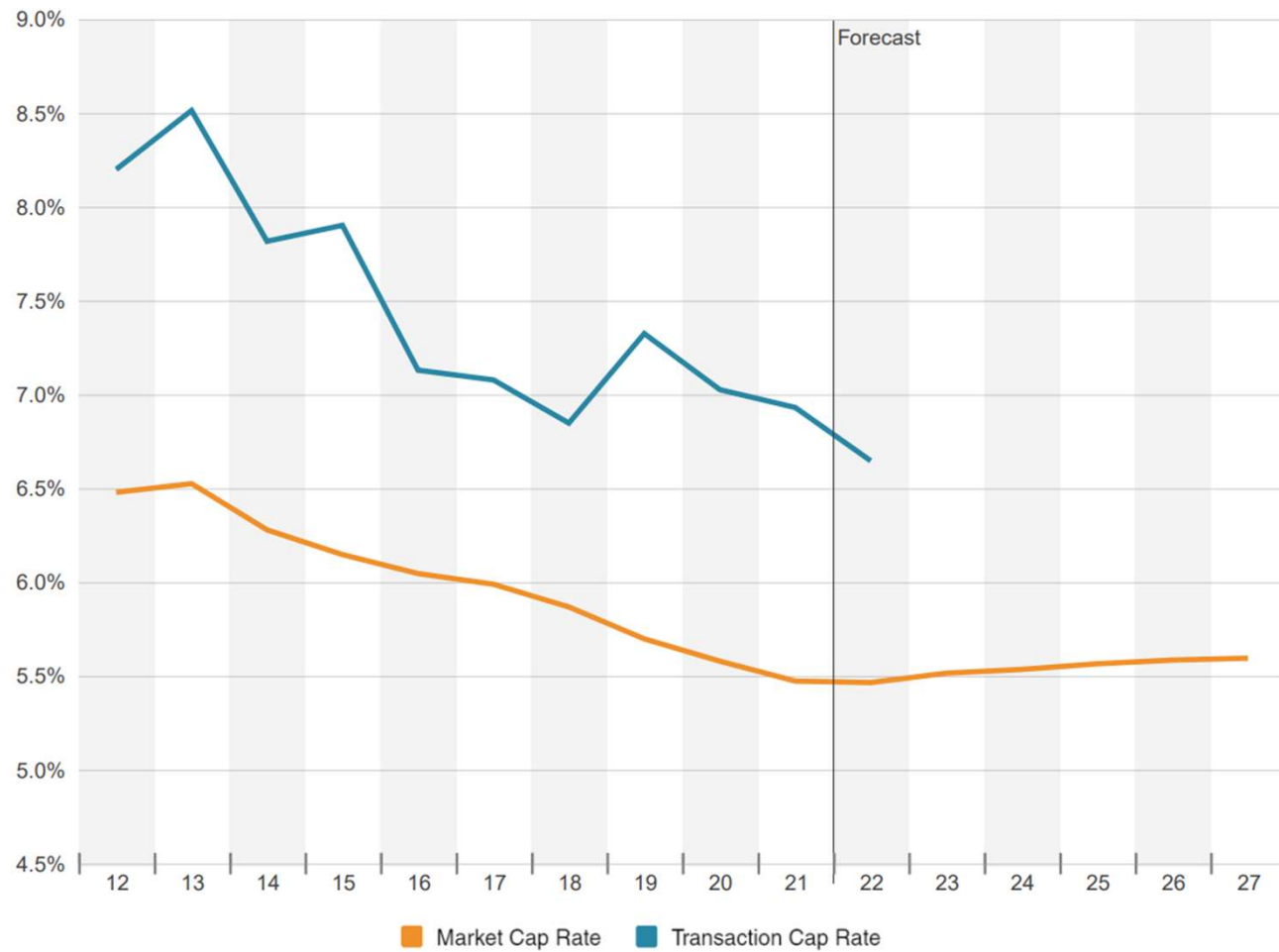


12-Month Top Multifamily Buyers in Chicago



Source: CoStar, August 2022

Chicago Multifamily Market and Transaction Cap Rates



Large Multifamily Chicago Sales Transactions

Buyer: Albion Residential (Private)
Seller: Broadshore Capital Partners (Institutional)

Bourbon Square
500 E Constitution, Palatine

Sale Price: \$139.3 Million or Approximately
\$228,000/Unit

Actual Cap Rate: 4.1%

Date: July 2022



Large Multifamily Chicago Sales Transactions

Buyer: Blackstone REIT (Private)

Seller: Resource REIT (Public)

Addresses:

Green Trail Apartments (440 Units), Lisle

Grand Reserve (319 Units), Naperville

Windbrooke Crossing (236 Units), Buffalo Grove

Martin's Point (256 Units), Lombard

Sale Price: \$389,000,000 or Approximately
\$311,000/Unit

Date: May 2022

(Part of a 42-Property Portfolio Bulk Portfolio
Sale)

- Debt Assumption, Blackstone bought
Resource shares for \$14.75 per share,
according to press release issued by BREIT



Markets Most At Risk for 4&5 Star Over Supply – Chicago not on the list

2022 Supply vs. 3 Year Average

New York
Austin
Phoenix
Nashville
Tampa
Raleigh
Denver
Seattle
Minneapolis
Saint Louis

Vacancy Rate Increase 4Q 21 vs 2Q 22

Orange County
Tucson
Tampa
Raleigh
Phoenix
Las Vegas
Atlanta
Fort Lauderdale
Jacksonville
Norfolk

Decline in 4&5 Star Rent Growth

Palm Beach
Phoenix
Tucson
Tampa
Las Vegas
Jacksonville
Atlanta
San Francisco
Austin
Sacramento

Red

Austin
Phoenix
Tampa

Yellow

Raleigh
Las Vegas

2Q 2022 Multifamily Key Points

- Uncertainty Holding Back Demand in Over Developed South and Western Regions.
- **Former High Flying Rent Growth Markets Are At High Risk of Dramatic Reversal**

Chicago Outlook: Slow and Steady Wins the Race

- Modest rent growth, no submarket with outsized supply....Yet.
- Investors in Chicago sought a stable market with healthy, not greedy, returns.
- State with most funds dedicated to infrastructure/mass transit improvements through Rebuild Illinois (\$45B) and Infrastructure Investment & Job Act (\$18B).



Retail

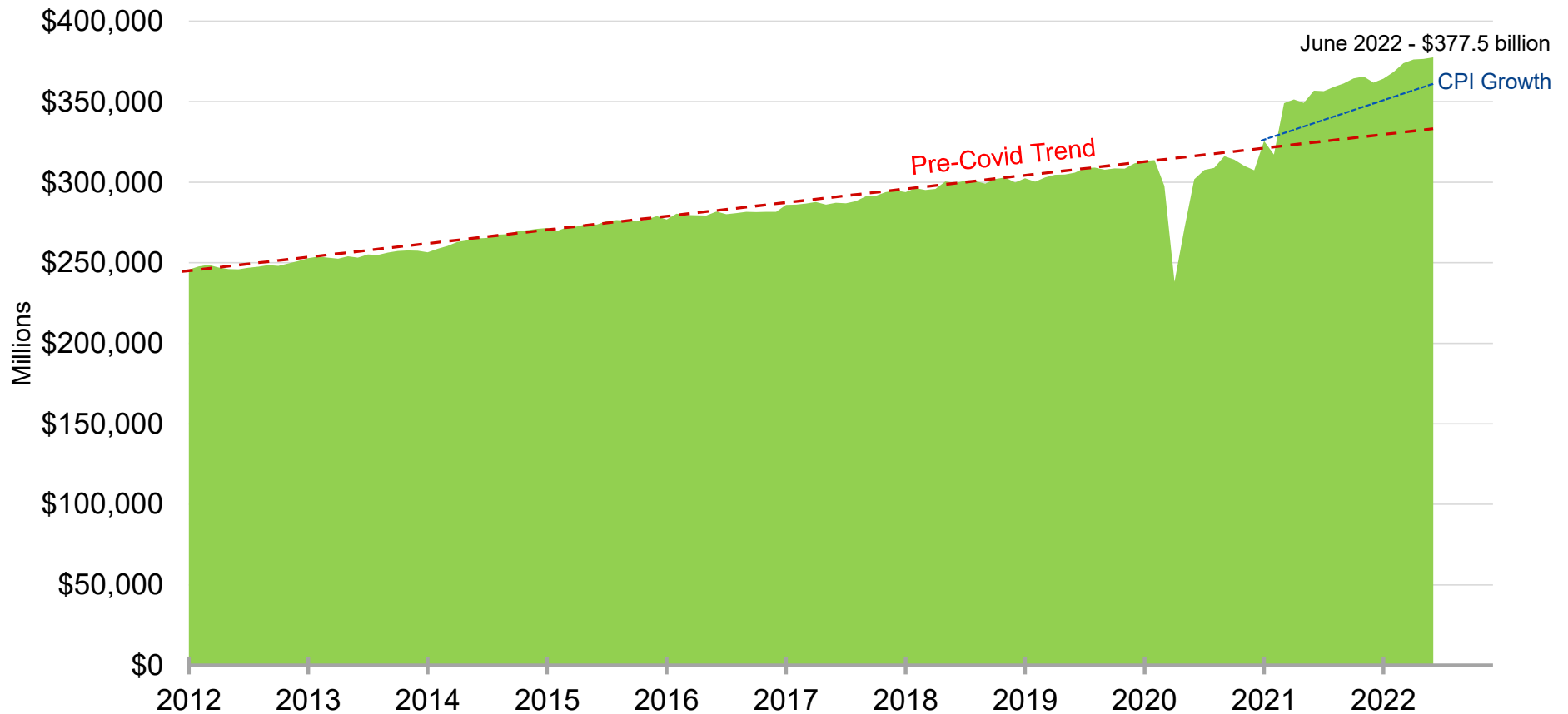


Retail

Consumer Spending Trends

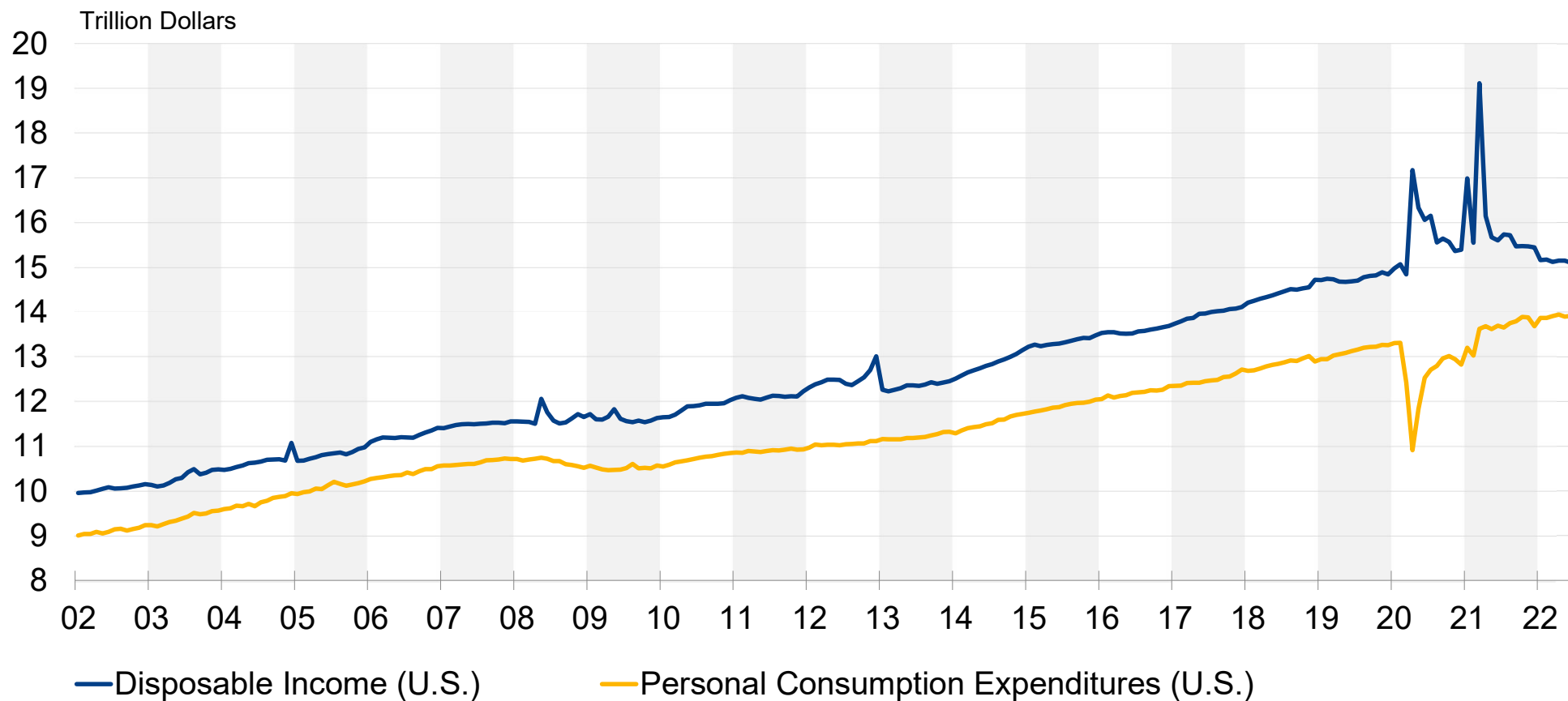


Retail Sales Excluding Autos, Gasoline, and E-commerce



Source: US Census Bureau

The Great Financial Cushion

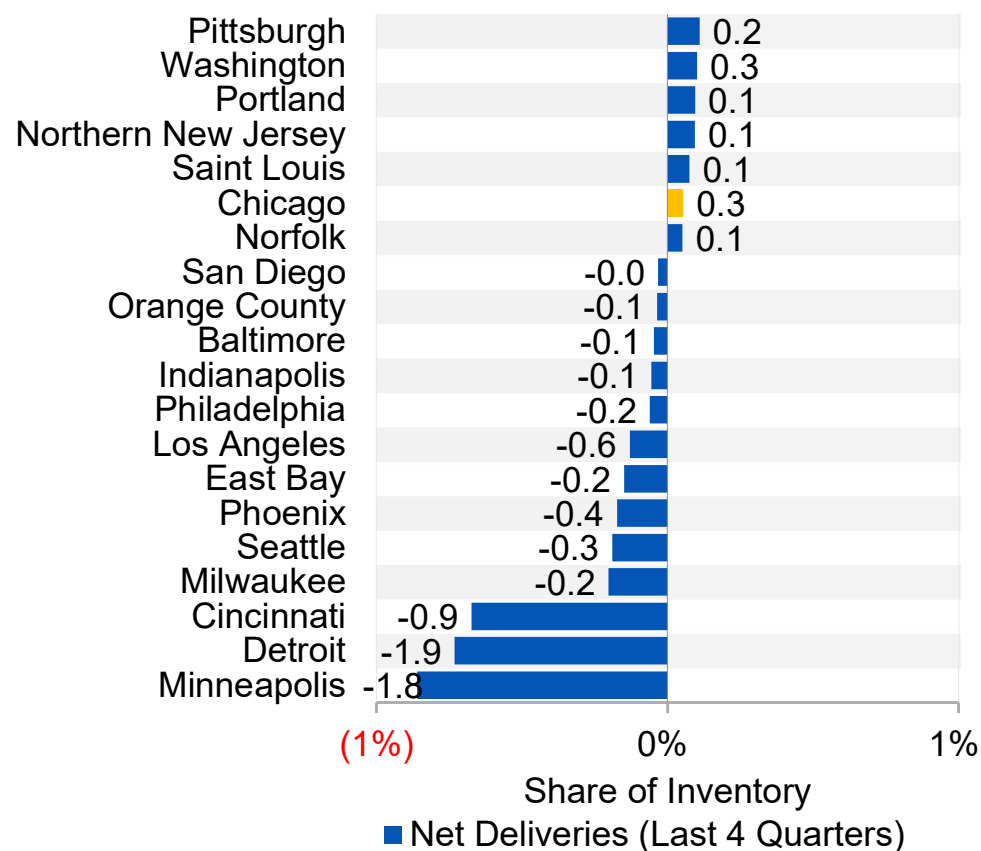
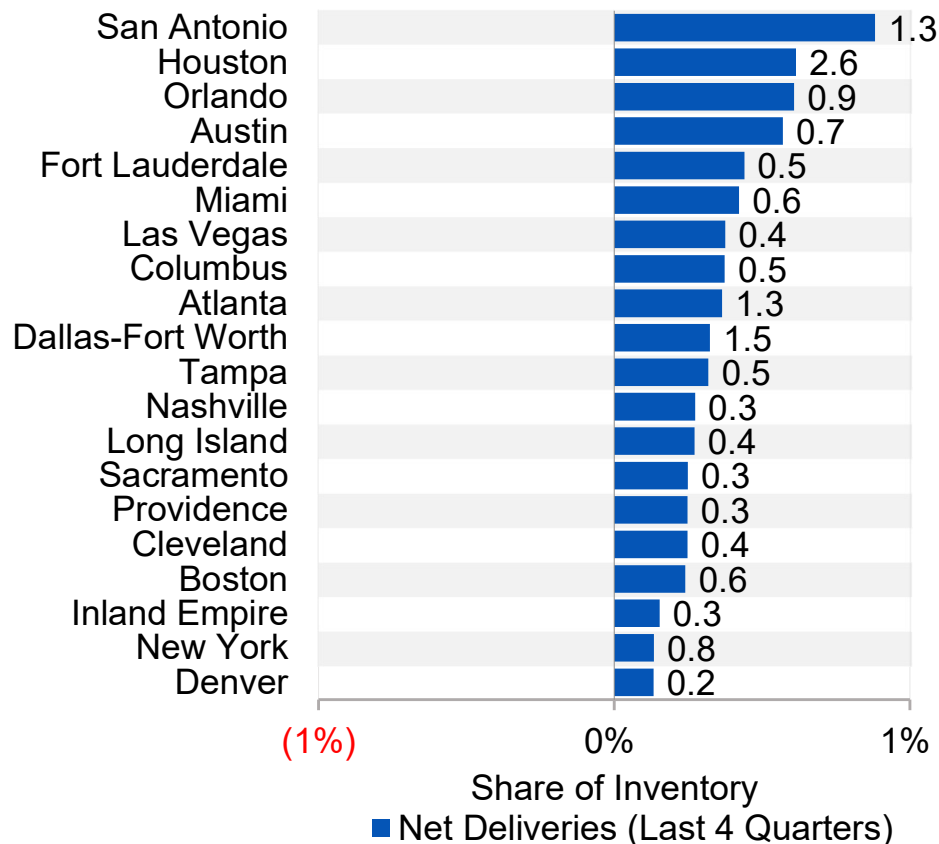


Figures are in inflation-adjusted, 2012 dollars, seasonally adjusted annual rate
Source: U.S. Bureau of Economic Analysis



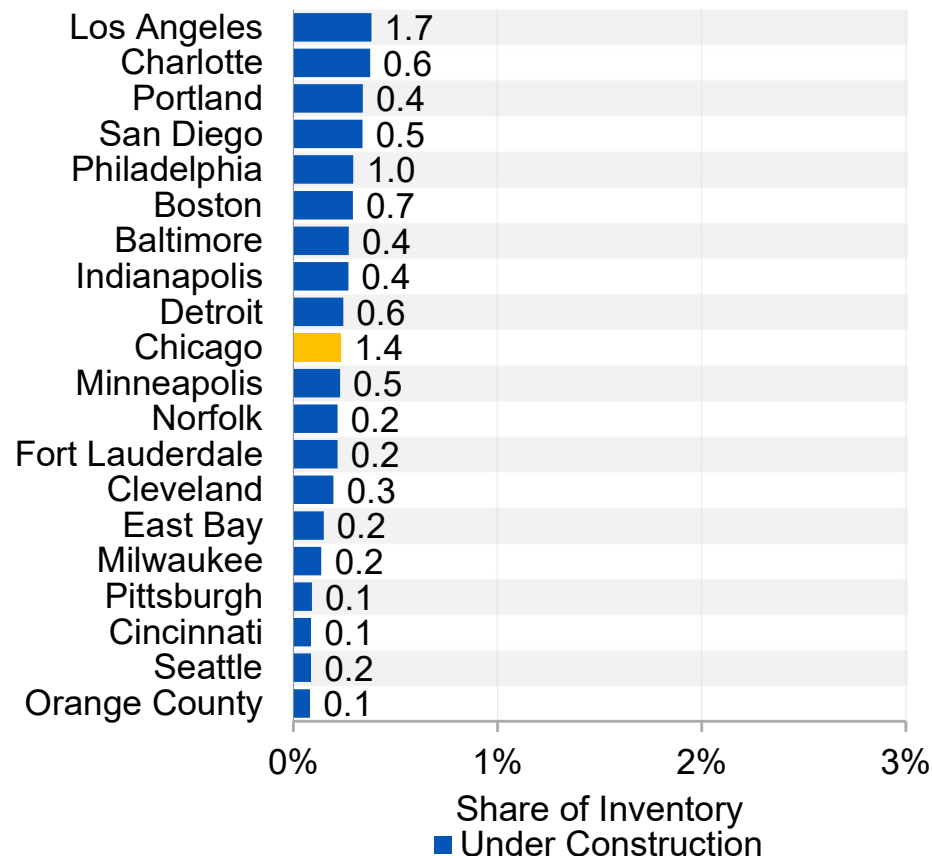
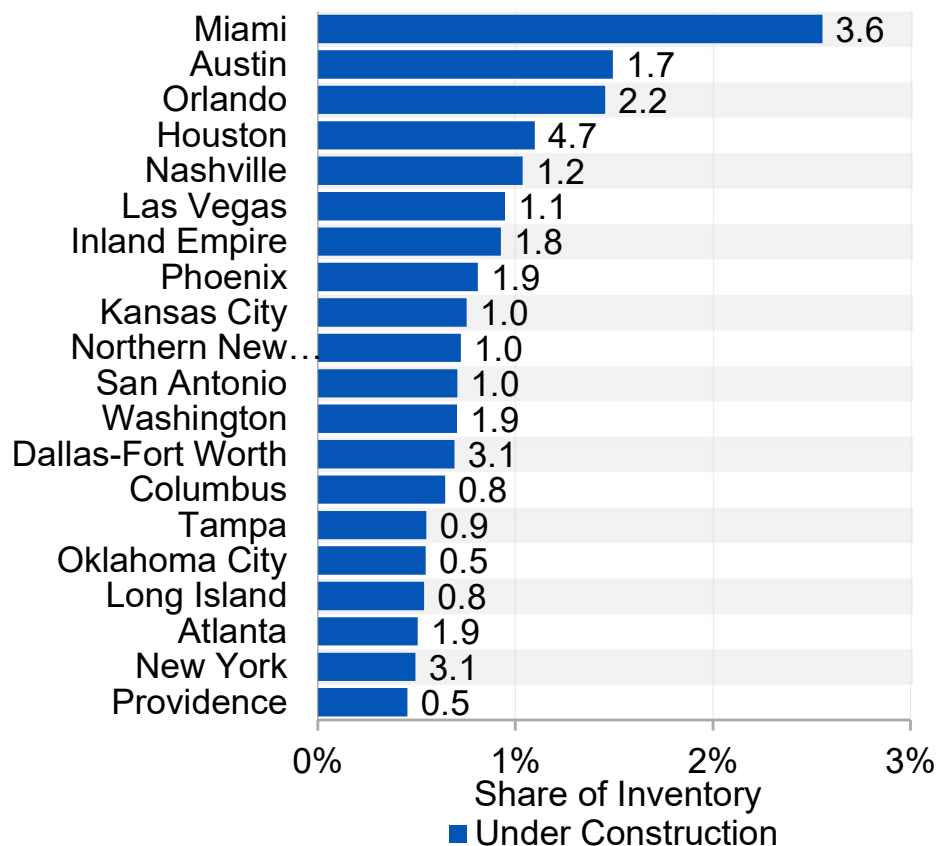
Retail Supply

Net Deliveries As Share of Inventory, Chicago 1.3M SF



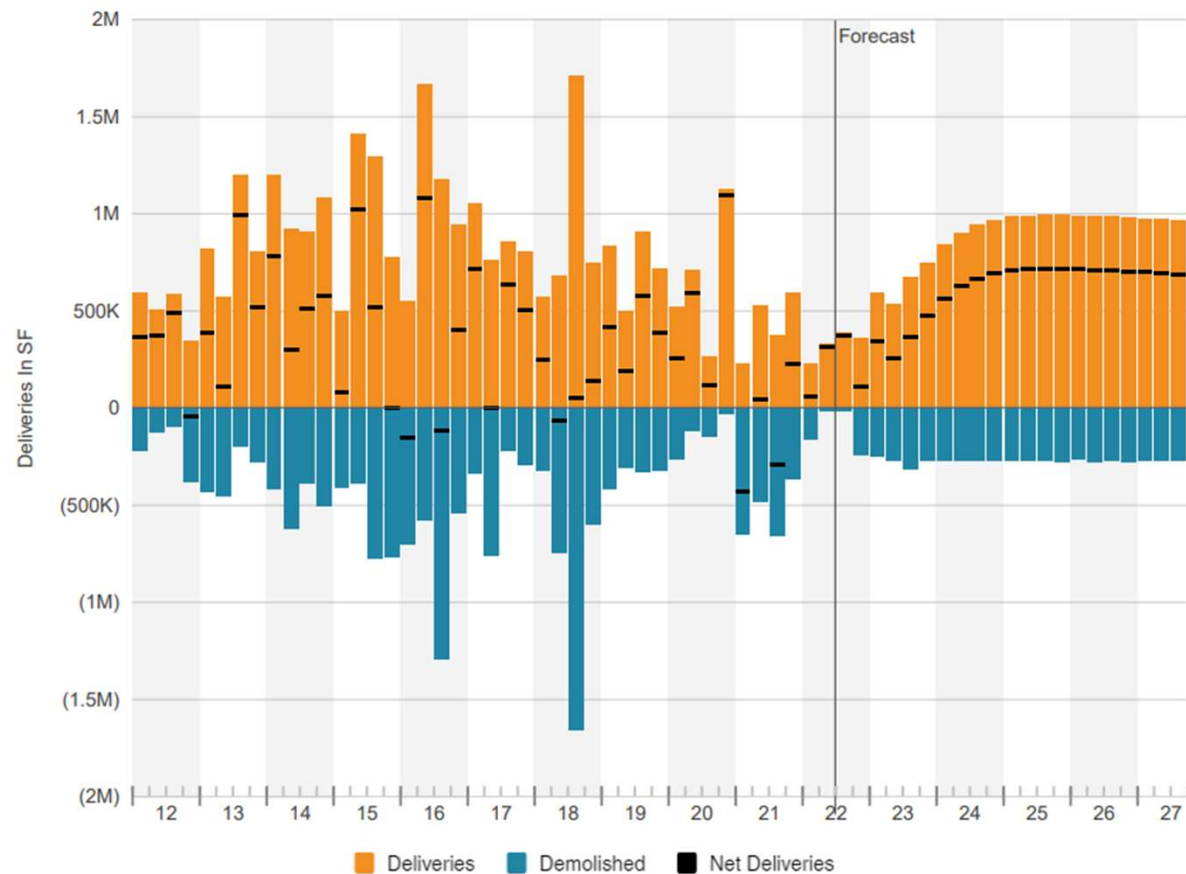
Note: Includes markets with 100 Million+ Square Feet inventory.
Labels show Net Deliveries in Million Square Feet.

Space Under Construction As Share of Inventory, Chicago 0.2%



Note: Includes markets with 100 Million+ Square Feet inventory.
Labels show Under Construction in Million Square Feet.

Chicago Retail Demolitions Keep Supply in Check, Net Deliveries at Multi-Decade Low

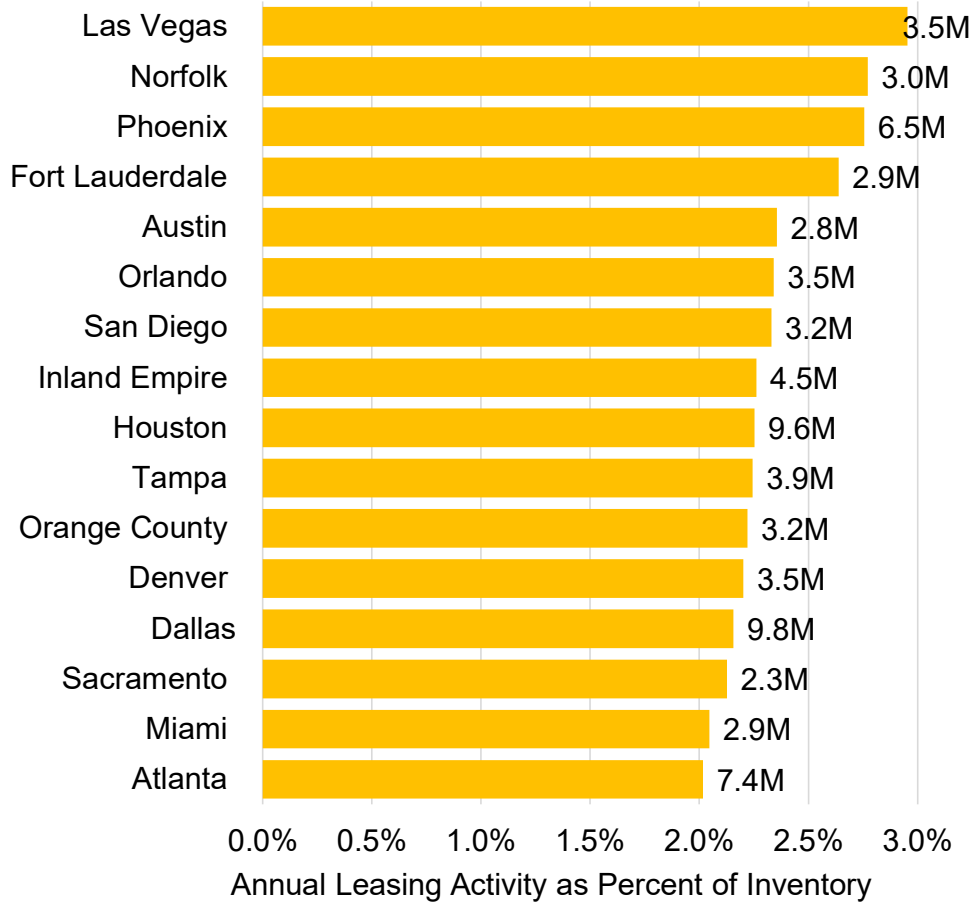




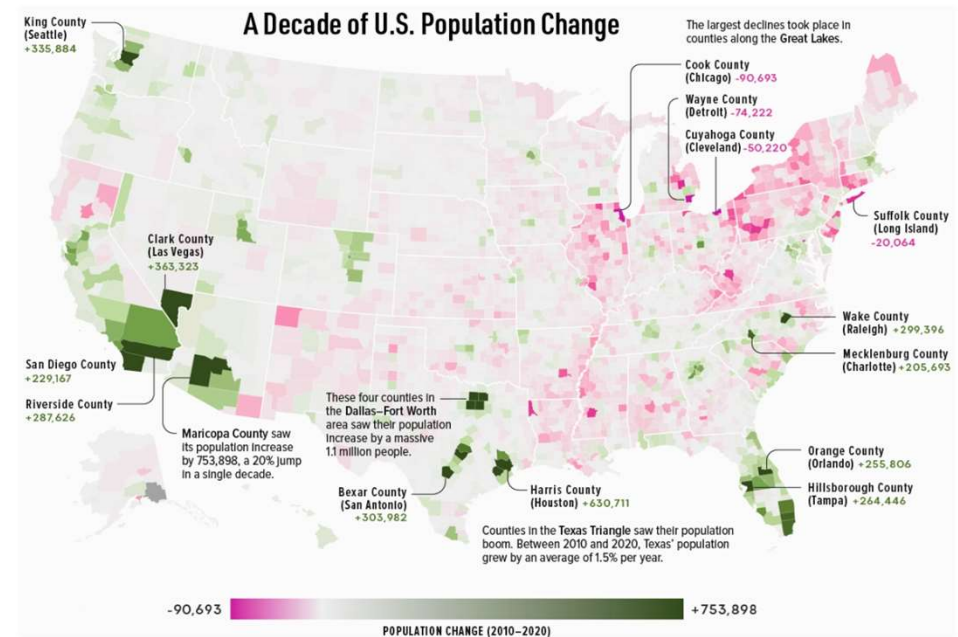
Retail

Demand Fundamentals

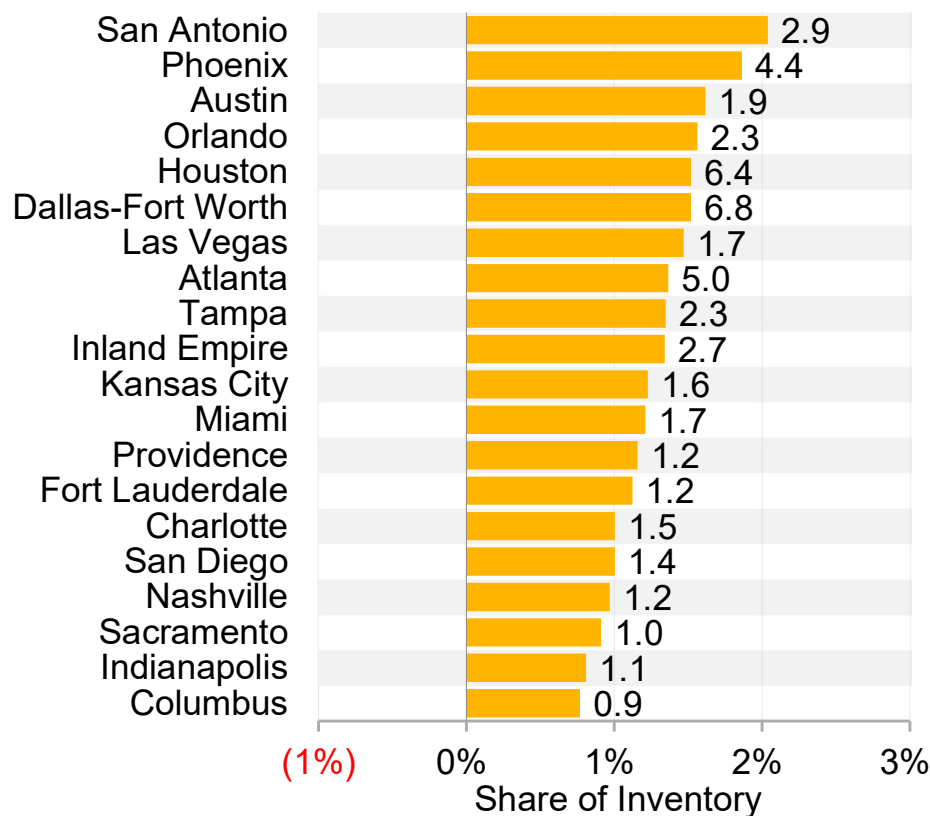
Retail Leasing Following Rooftop Growth



Note: Labels display total retail leasing activity from Q3 2021 – Q2 2022

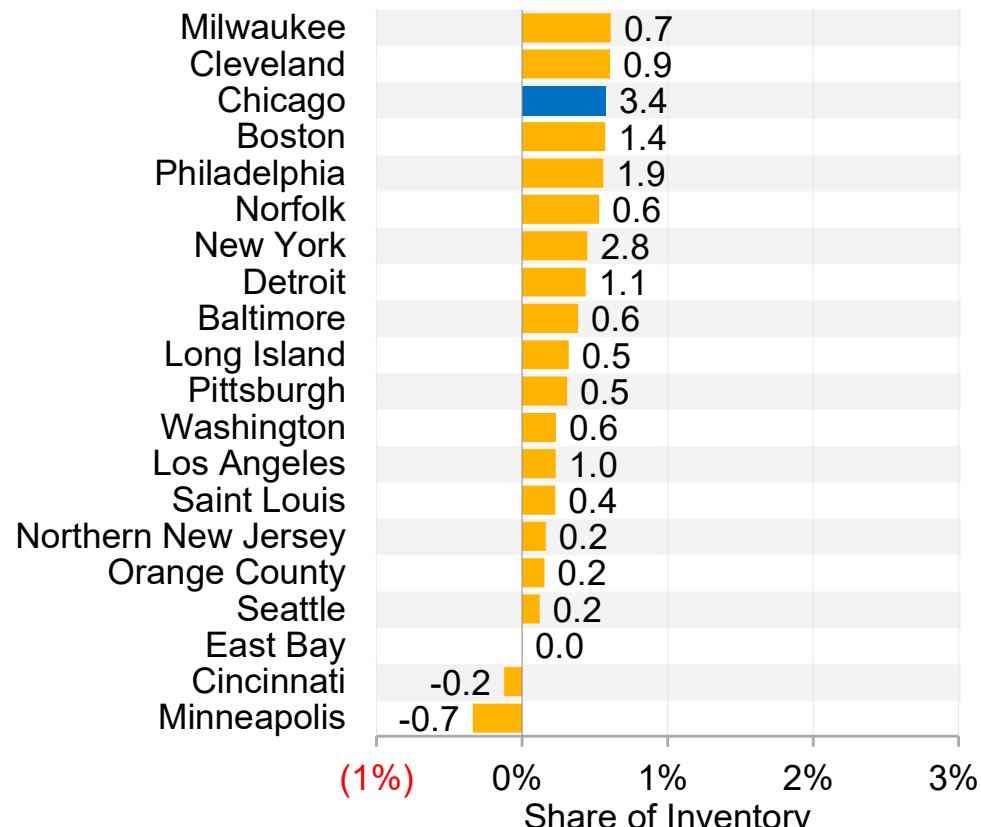


Net Absorption As Share of Inventory, Chicago 0.6%



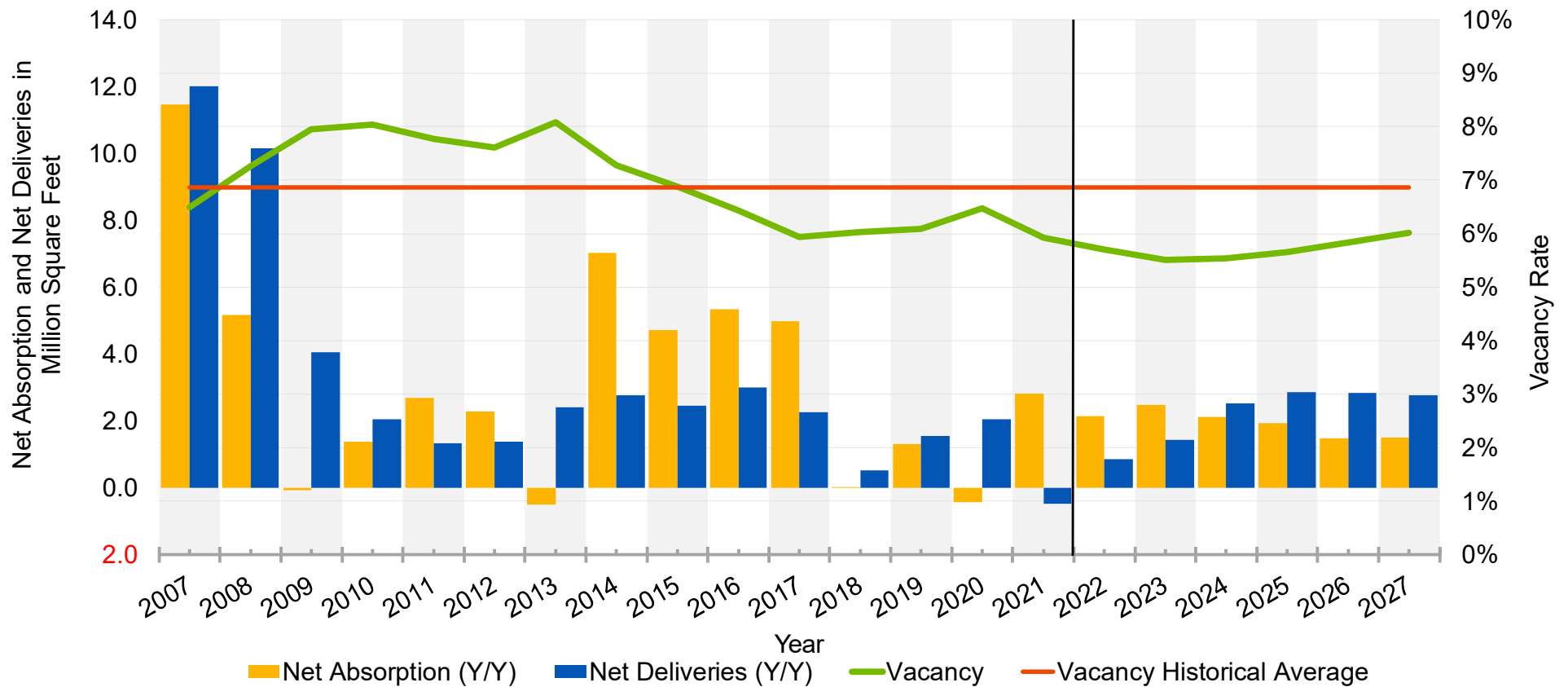
■ Net Absorption (Last 4 Quarters)

Note: Includes markets with 100 Million+ Square Feet inventory.
Labels show Net Absorption in Million Square Feet.



■ Net Absorption (Last 4 Quarters)

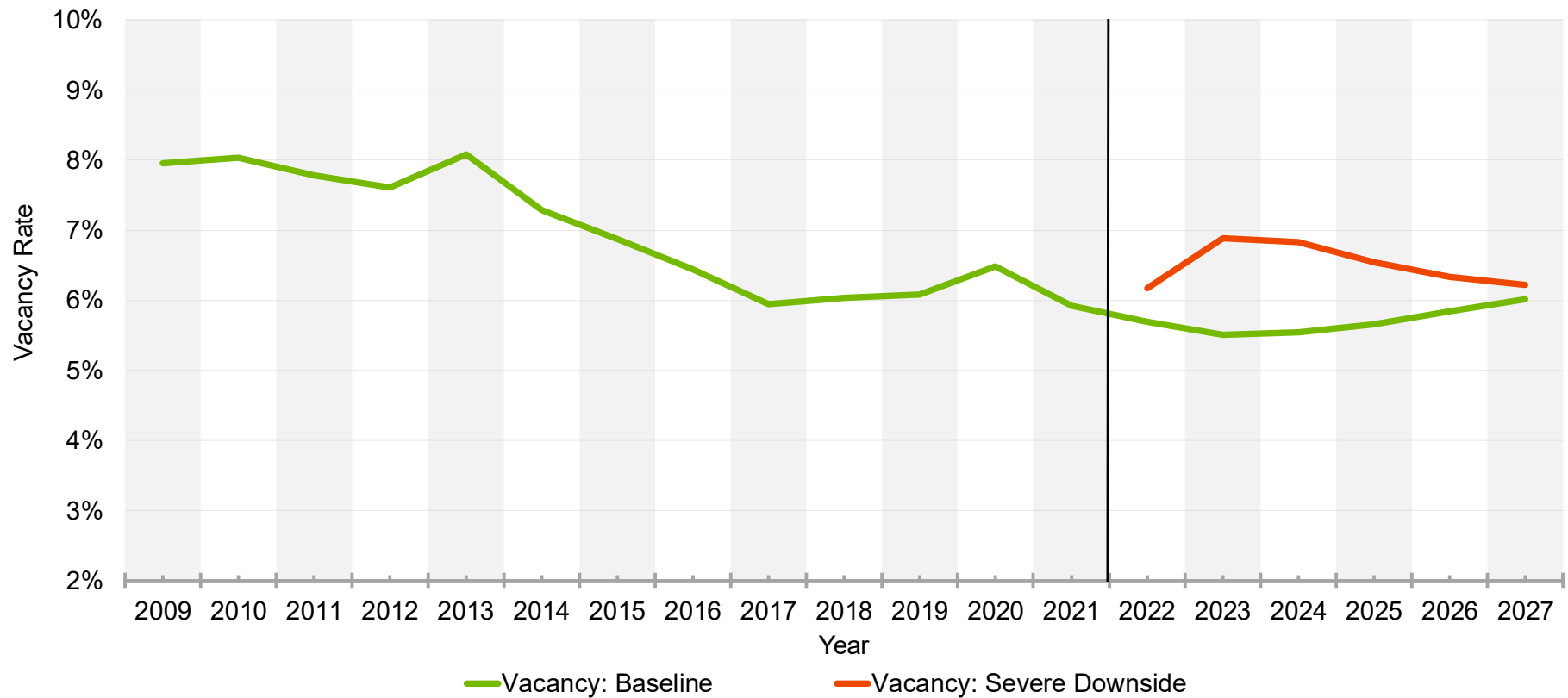
Baseline Forecast: Supply, Demand and Vacancy



Source: CoStar

End of 22Q2

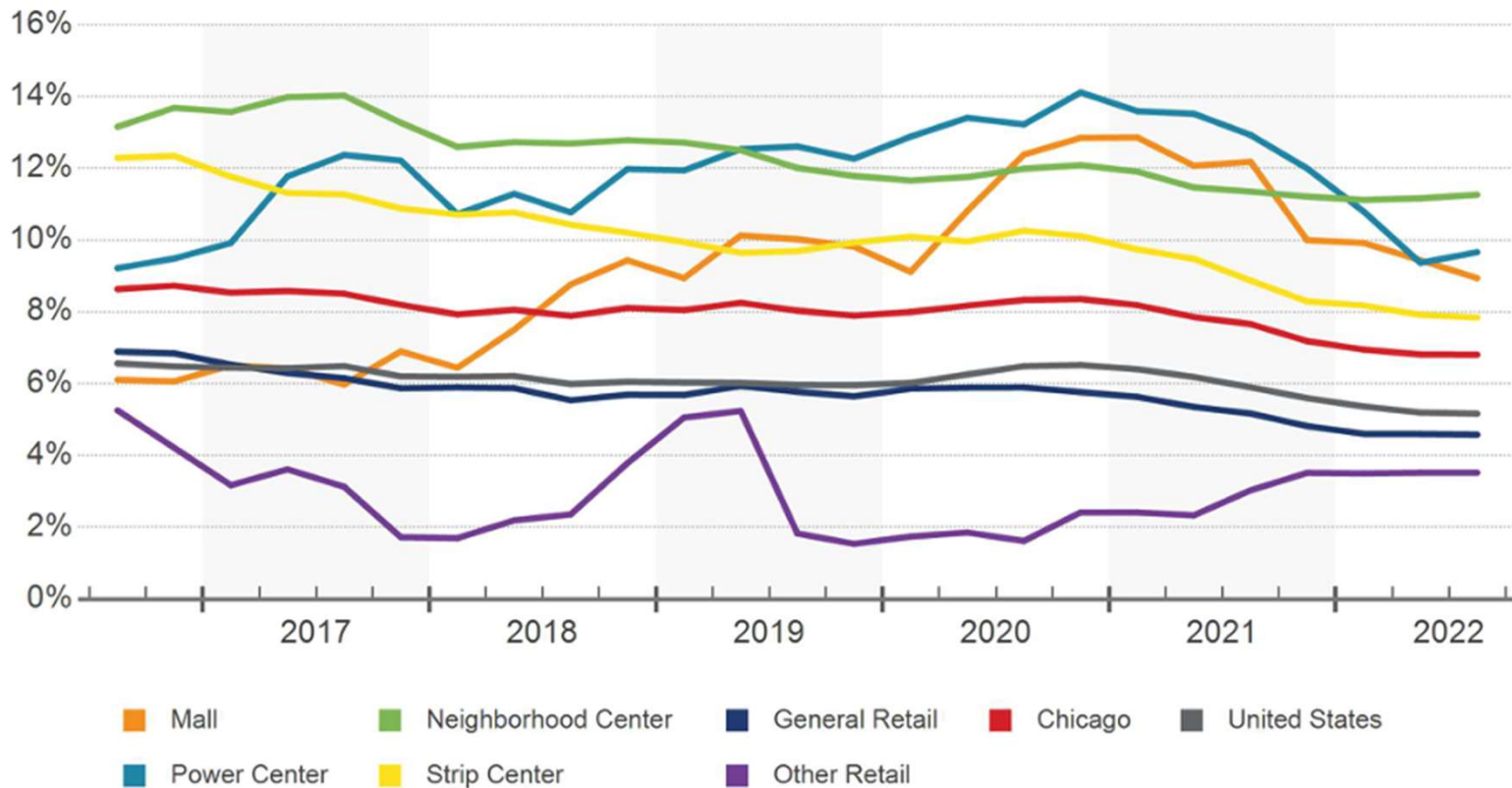
Even Oxford Economics Severe Downside Forecast Below Chicago's 7% Historical Average



Sources: CoStar

End of 22Q2

General & Other Retail Availability Outperform Others in Market; Yet Malls & Power Centers Successfully Start to Pivot



Large Retail Leases

TOP LEASE: 9700 S. Western Ave., Evergreen Park, IL



9700 S. Western Ave., Evergreen Park, IL (CoStar)

Space Leased: 120,000 SF

Deal Type: New Lease

Size: 120,000 SF

Tenant: Macy's

Brokers Involved: Sean McCourt and Joseph Parrott of CBRE represented the landlord.
Luke Molloy of CBRE represented the tenant.

Deal Commentary: In one of Chicago's largest retail deals of the second quarter, Macy's leased 120,000 square feet at the former Carson's in the Evergreen Plaza where it will open its first dual Market by Macy's and Macy's Backstage. Market by Macy's is a smaller store that offers a curated assortment of the latest fashion trends, while Macy's Backstage serves as an off-price retail outlet. Customers will be able to shop at both stores under one roof, with Market by Macy's occupying the first floor, and Backstage located on the second.

TOP LEASE: 3210-3348 W. 87th St., Chicago, IL



3210-3348 W. 87th St., Chicago, IL (CoStar)

Space Leased: 87,455 SF

Deal Type: New Lease

Size: 177,555 SF

Tenant: Pete's Market

Brokers Involved: Joseph Parrott and Sean McCourt of CBRE represented the landlord.

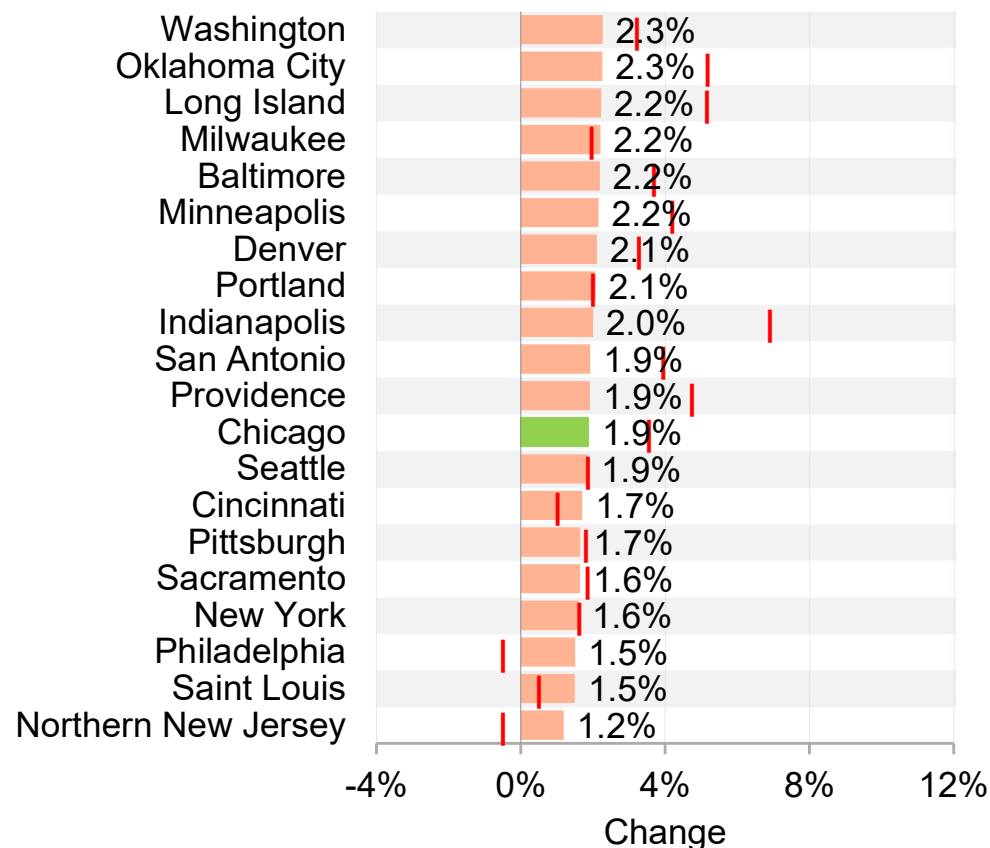
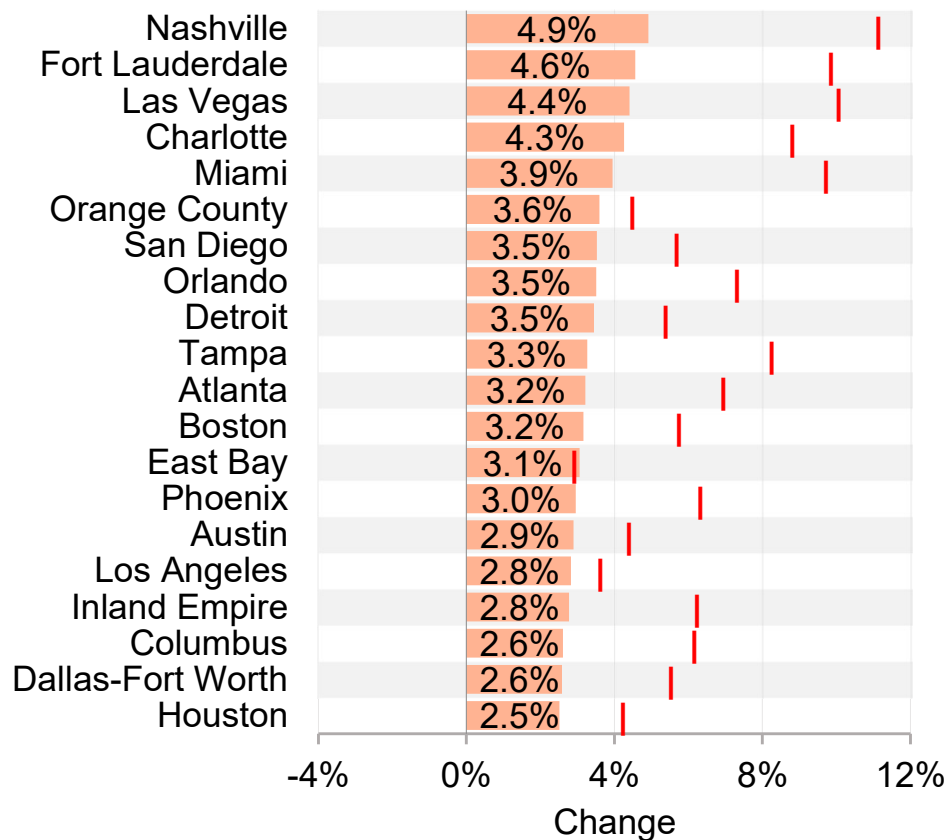
Deal Commentary: Pete's Market, a Chicago-based grocer, is expanding its brand with a new 87,455-square-foot store at the Westport Commons Shopping Center. The retailer provides fresh and high quality groceries to its customers, and will be opening four additional locations.



Retail

Rent

Base Case Rent Growth Forecast, by Market, Chicago 1.9% v 3.9%



■ Baseline Forecast (Four-Year Average)
 ■ Rent Growth

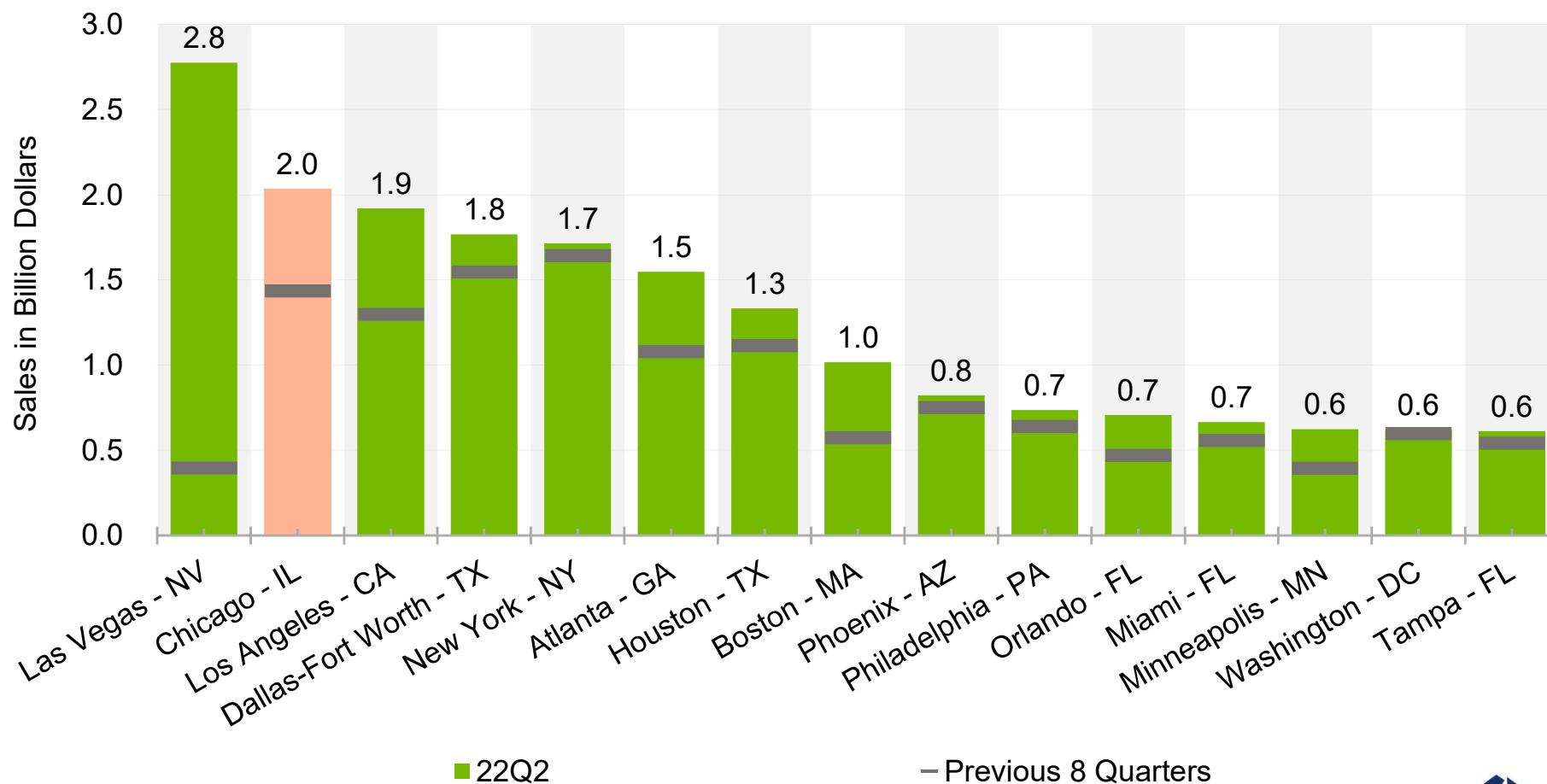
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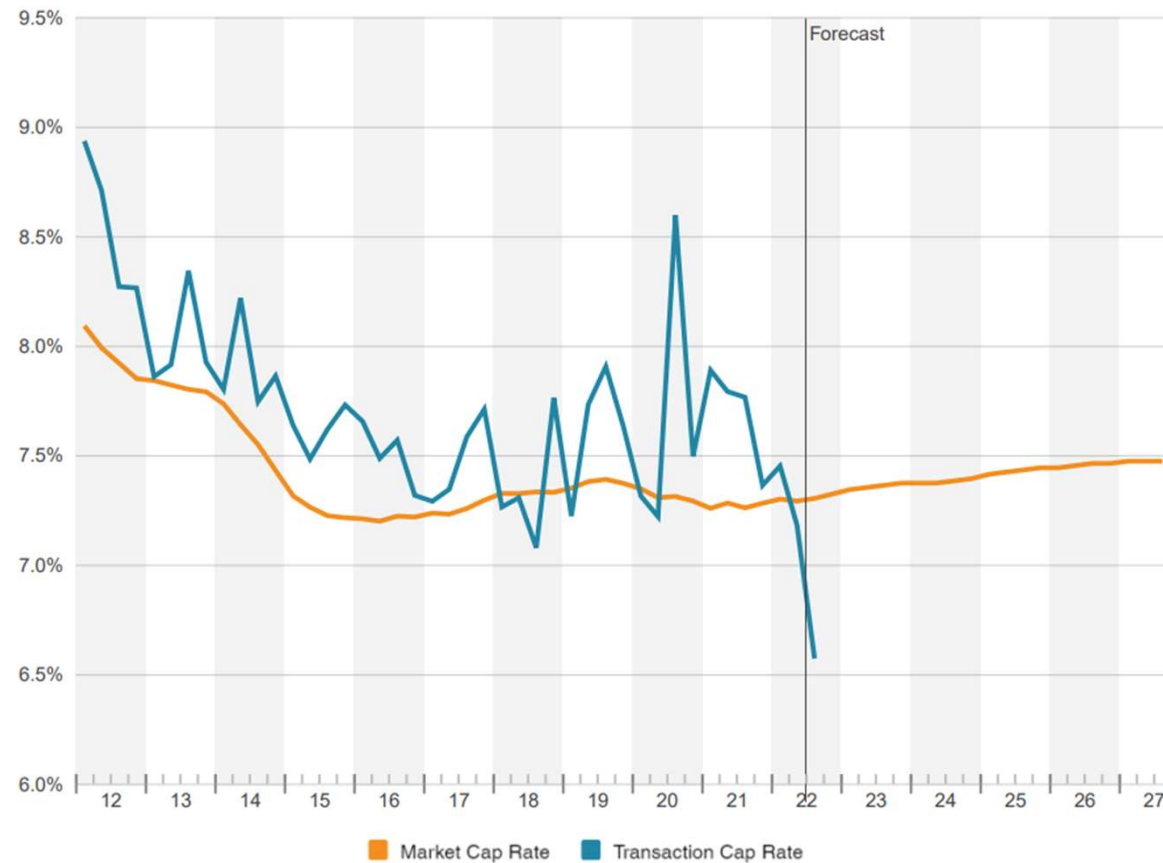
Retail

Sales

Retail Property Sales Volume, by Market



Chicago Retail Market and Transaction Cap Rates



TOP SALE: Edens Plaza, Wilmette, IL



3200 Lake Ave., Wilmette, IL (CoStar)

Chicago, IL

Sale Price: \$110,000,000

Sale Date: April 5, 2022

Size: 332,203 SF

Buyer: W/S Development, Chestnut Hill, MA,
and CrossHarbor Capital Partners, Boston,
MA

Seller: Newport Investment Management,

Brokers Involved: Joe Girardi of Mid-America Real Estate represented the seller.

Deal Commentary: A suburban Chicago shopping center sold for \$110 million in April after getting a boost in value from an unexpected source: e-commerce behemoth Wayfair. Edens Plaza in Wilmette, Illinois, sold to WS Development, which plans to bring the first Wayfair-branded big-box store to the north suburban shopping center. The sale wraps up Chicago-based Newport's largest-ever deal at a big profit, despite much of the firm's ownership period coming during the COVID-19 pandemic, which has caused many retail properties to struggle. Newport bought most of the property for \$71.9 million in December 2018, then later paid \$14 million for a former Carson Pirie Scott building in March 2019 after the department store closed.

Buyer: Festival Properties (Private)
Seller: UBS Asset Management
(Institutional)

737 N Michigan, 1st Floor, Chicago
195,000 SF
Sale Price \$94 M or \$481/SF

Sale Date: April 2022

Fully leased to Neiman Marcus since 1984



TOP SALE: 1615 S. Clark St., Chicago, IL



1615 S. Clark St., Chicago, IL (CoStar)

Sale Price: \$52,400,000

Sale Date: June 1, 2022

Size: 65,568 SF

Buyer: Realty Income Corporation, San Diego, CA

Seller: Melohn Properties Inc., New York, NY

Brokers Involved: Matt Berres, Samer Khalil

and Karick Brown of Newmark represented the seller.

Deal Commentary: The Mariano's Fresh Market at 1615 S. Clark St. in Chicago sold in June for \$52.4 million, or \$799 per foot. Mariano's is signed to a triple-net lease that runs into 2033. The lease began in October 2013, which matches the building's completion date.

Actual Cap Rate: 4.52%

Key Takeaways

- ❖ Inflationary pressures ever present.
- ❖ Construction activity remains minimal throughout the country and in Chicago, further limiting available space. Availabilities declined in each retail segment in Q2 with neighborhood and power centers seeing the greatest contraction. Demolitions are a big factor.
- ❖ **Healthy absorption due to build-to-suit occupancy and demolitions.**
- ❖ Limited available space and higher nominal retail sales are giving landlords some pricing power. While most U.S markets have seen rent growth accelerate, we are also seeing retailers' profits dwindle as inflation rises and distribution bottlenecks continue to hamper the pace of commerce.
- ❖ **Retail sales volume bifurcated between the opportunistic and the sure-thing.**



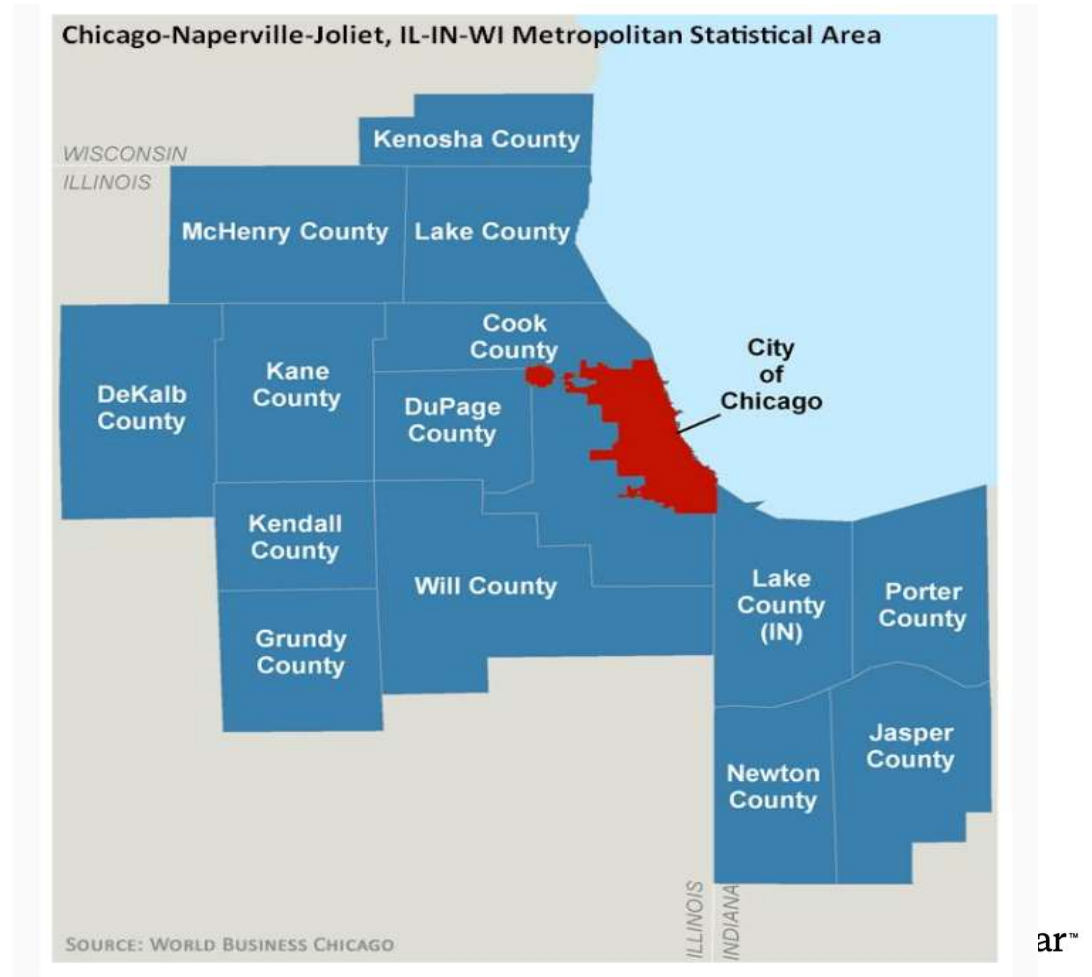
Industrial



Market Report Analytic Filters & Chicago Metropolitan Statistical Area (MSA)

Included:

- All Sizes
- Owner & Non-Owner Occupied
- Industrial Property Type
 - Warehouse & Distribution = Logistics
 - Specialized = Cold Storage, Data Centers, Manufacturing Sites
- Existing / Under Renovation
- Proposed
- Under Construction

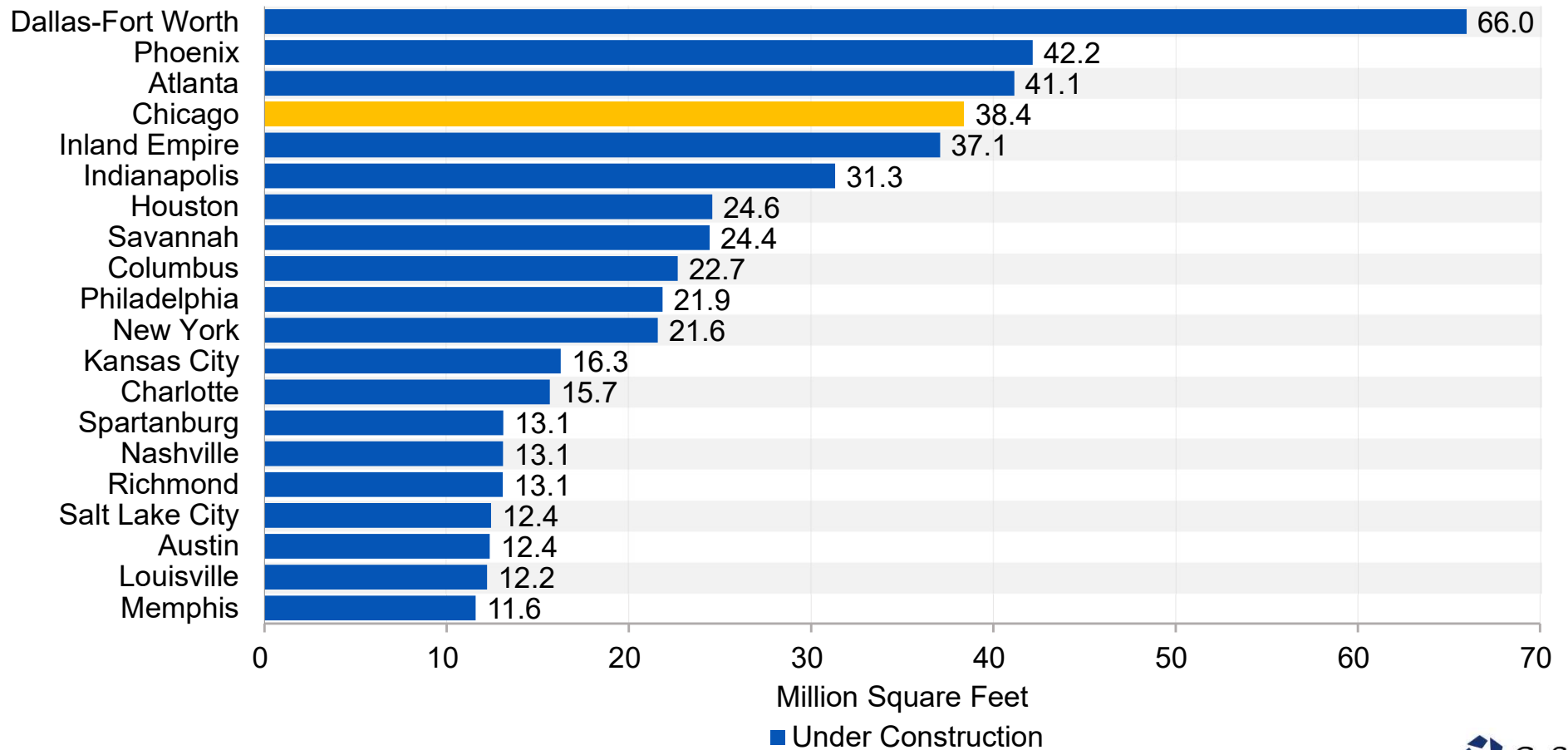




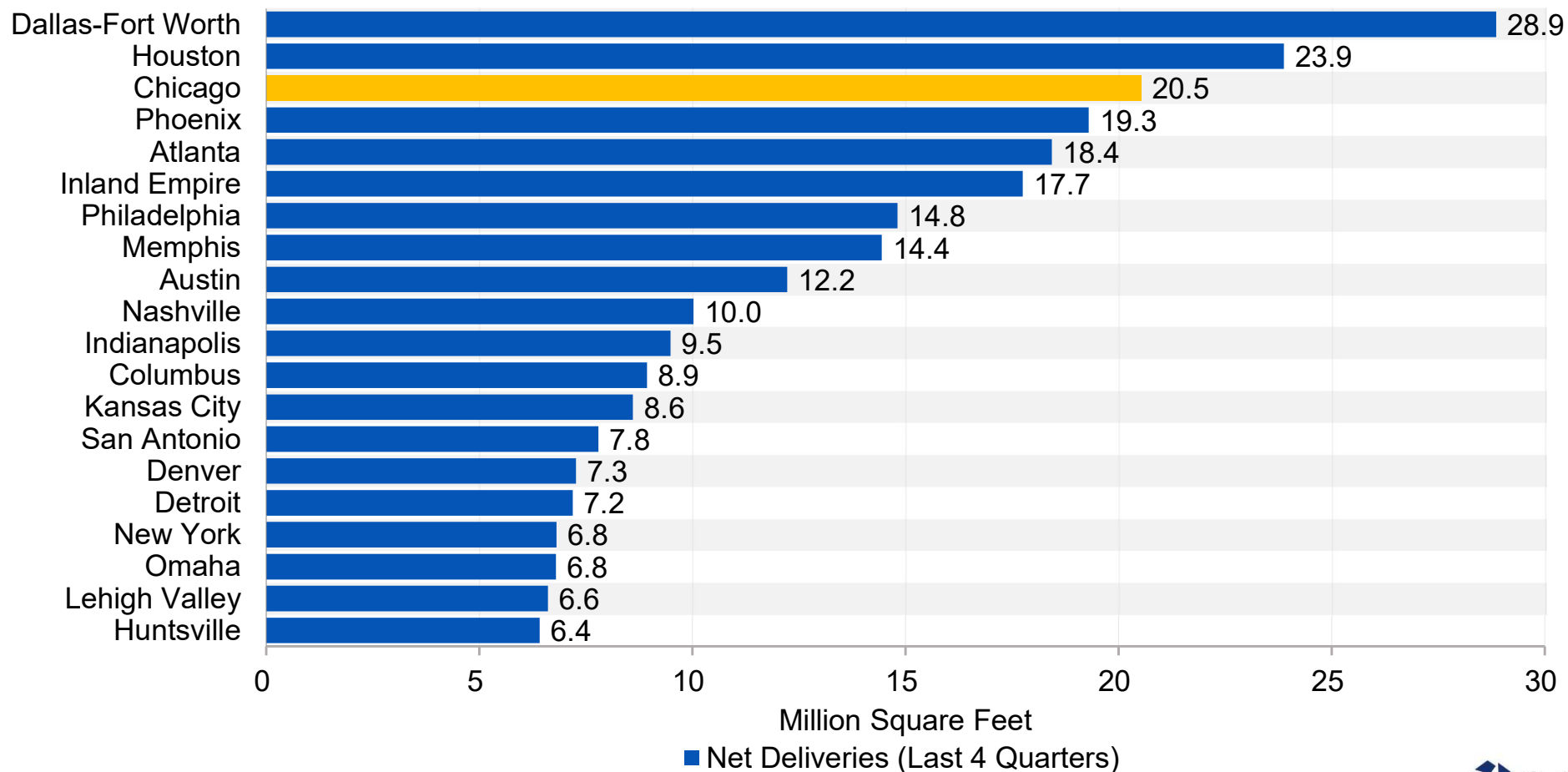
Industrial Supply



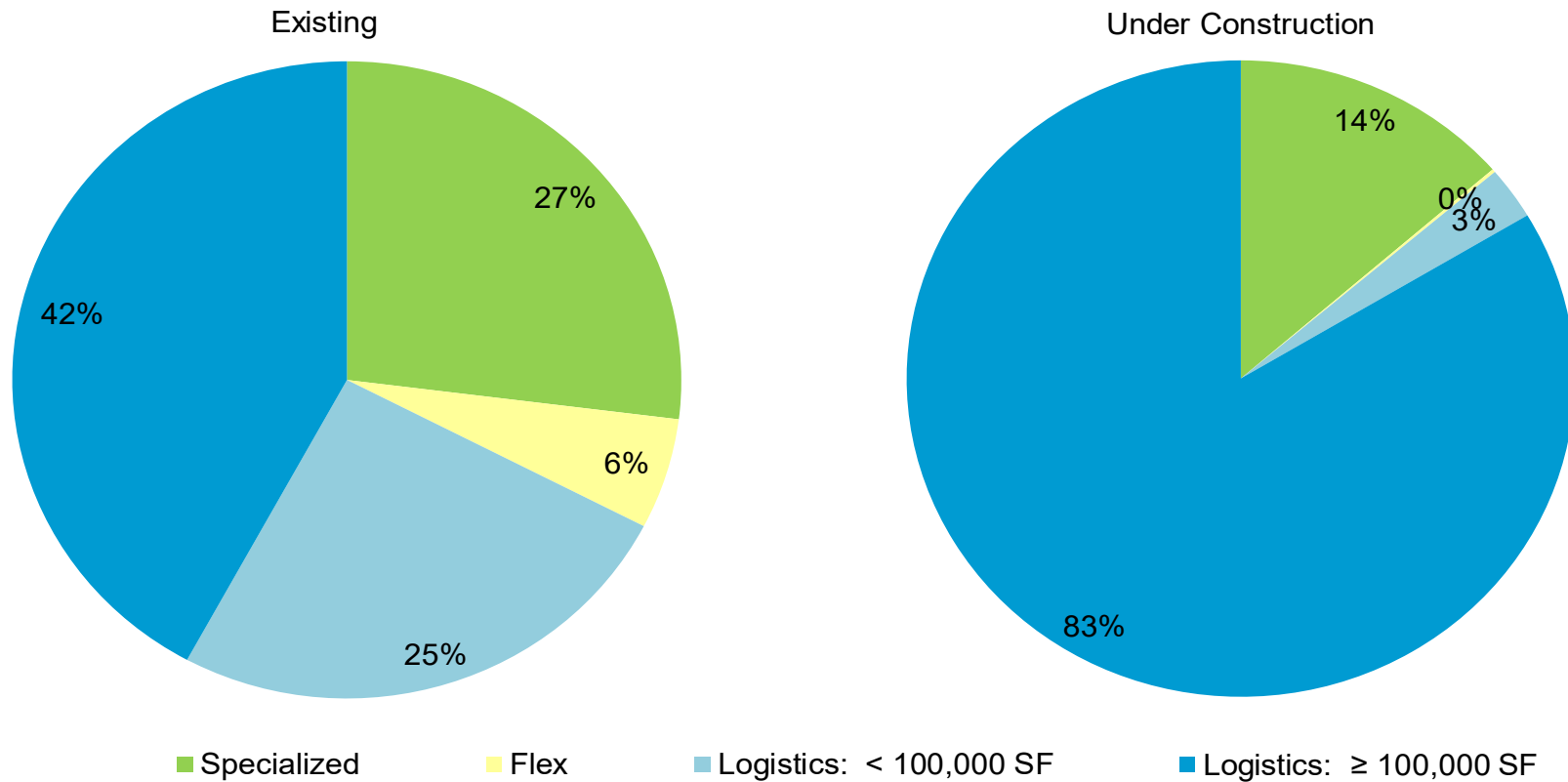
Most Space Under Construction



Top Net Deliveries



Chicago Inventory Existing vs. Under Construction. Larger & Logistical – Striving to Meet Market Demand



Source: CoStar

22Q2

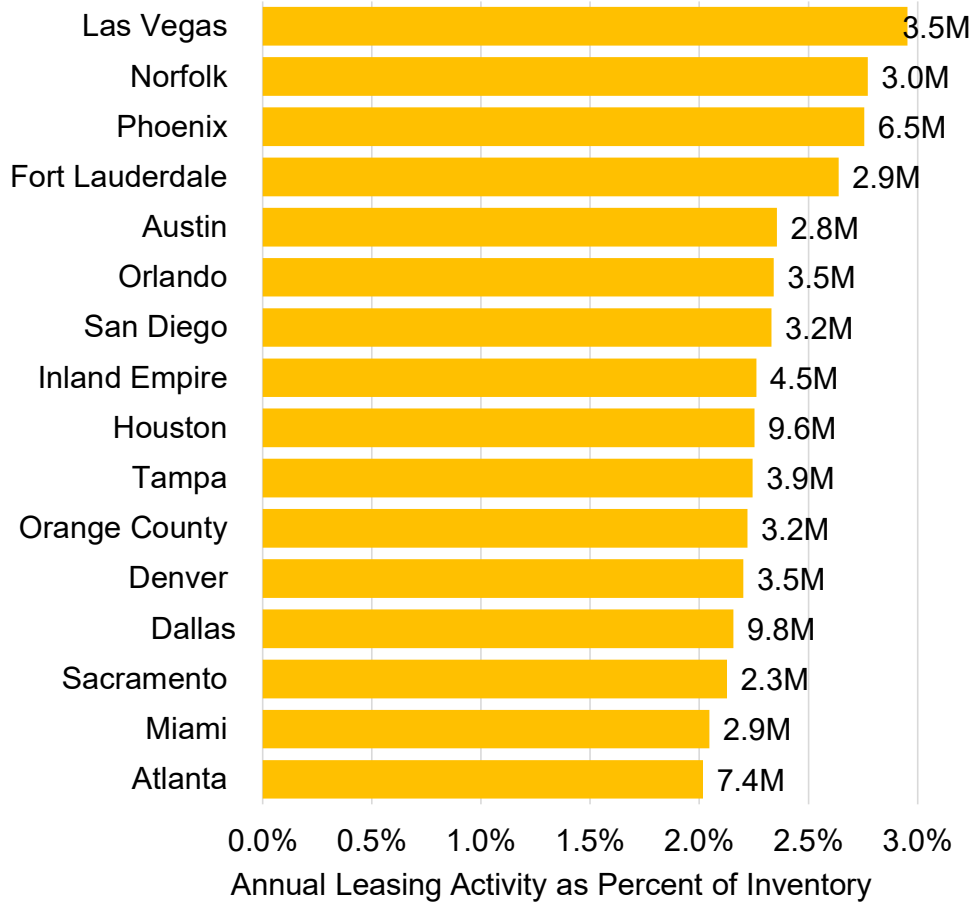


Industrial

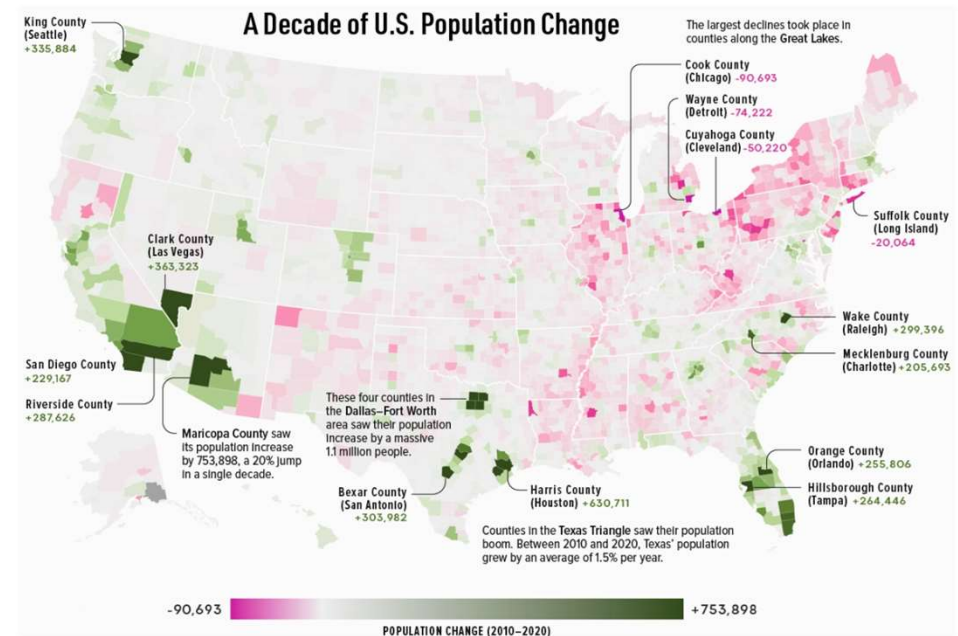
Can Chicago Support This Much Growth?



Retail Leasing Following Rooftop Growth



Note: Labels display total retail leasing activity from Q3 2021 – Q2 2022



Chicago Posts Longest Industrial Construction Timeline. Why? Employment Deficit Amidst 3rd Largest Supply Growth.



DEVELOPMENT AND LABOR METRICS, SELECT MARKETS

	Average Entitlements Period (Months)		Active Construction Timeline (Months)		Total Timeline, % Change (2019-2022)	Industrial Space Under Construction (MSF)		Construction Employment Concentration (Location Quotient, 1.0=National Average)
	2019	2022	2019	2022		2019	2022	
Boston	7.5	13	11	15	51.4%	2.6	6.1	0.81
Chicago	6	9	9	18	80.0%	10.1	25.5	0.87
Columbus	7	8.5	11	13	19.4%	11.7	15.2	0.79
Dallas	9	9	8.5	9.5	5.7%	30.5	74.4	0.96
Denver	6	9	9	11	33.0%	6.6	13.0	1.04
Houston	7.5	7.5	8.5	9.5	6.3%	25.1	18.4	1.42
I-78/81 Corridor	11.25	14.5	11.5	14.5	27.5%	17.0	23.7	0.67
Inland Empire	12	18	12	15	37.5%	20.3	33.2	0.98
Kansas City	6	8	12	12	11.1%	5.8	12.8	0.87
Los Angeles	13.5	19	12	15	33.3%	4.9	4.3	0.89
Miami	7	9	8	8	13.3%	2.7	6.1	1.18
Milwaukee	6	6	9	12	20.0%	5.0	2.4	0.71
North Jersey	12	12	10.5	13.5	13.3%	11.8	14.2	0.93
Salt Lake City	2.3	4.2	10.2	12.5	33.6%	7.1	16.3	1.02
Seattle	8	12	12	13	25.0%	5.9	8.7	1.21

Source: ARCO Design/Build, Big-D Construction, Clarion Partners, Dermody Properties, Hyde Development, Link Logistics, Transwestern, Newmark Research, JobsEQ.

NOTE: Entitlements vary widely within a given market. Entitlements and active construction schedule data reflect averages of given ranges. Assumptions for construction timelines include:

- Site having zoning by right.
- Project is a ~400,000 SF Class A speculative dry warehouse.
- Some markets may experience longer construction schedules due to seasonal weather conditions.

Chicago's Supply Issues

- Labor Shortages

+

- Union Issues

+

- Distribution Bottlenecks

= Increased Delivery Lag Times

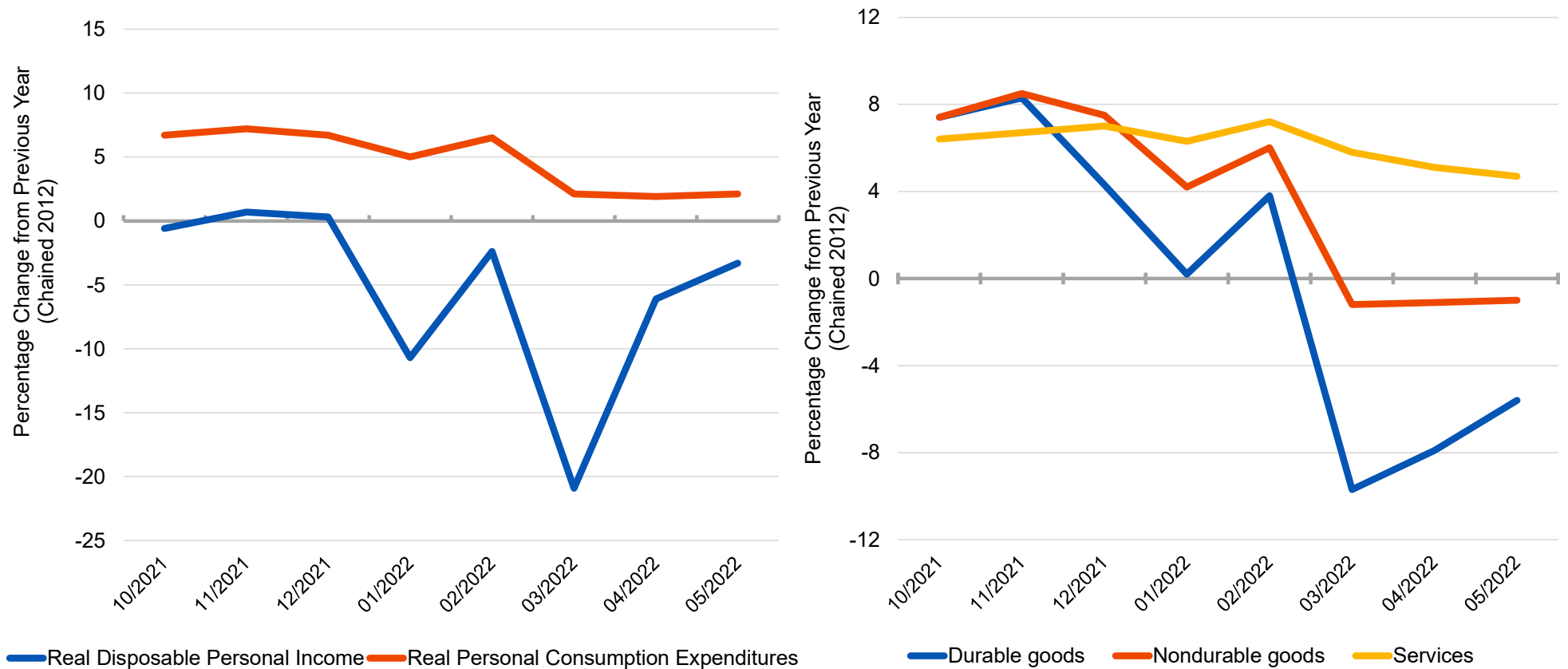


Industrial

Where is Amazon?



Inflation and Rotation to Services Impacting Goods Spending



Signs of Weakness Beginning To Surface Nationally, Not Locally



[Amazon Closes, Abandons Plans for Dozens of US Warehouses](#)

September 2, 2022 Bloomberg

MWPVL International Inc., which tracks Amazon's real-estate footprint, estimates the company has either shuttered or killed plans to open 42 facilities totaling almost 25 million square feet of usable space.

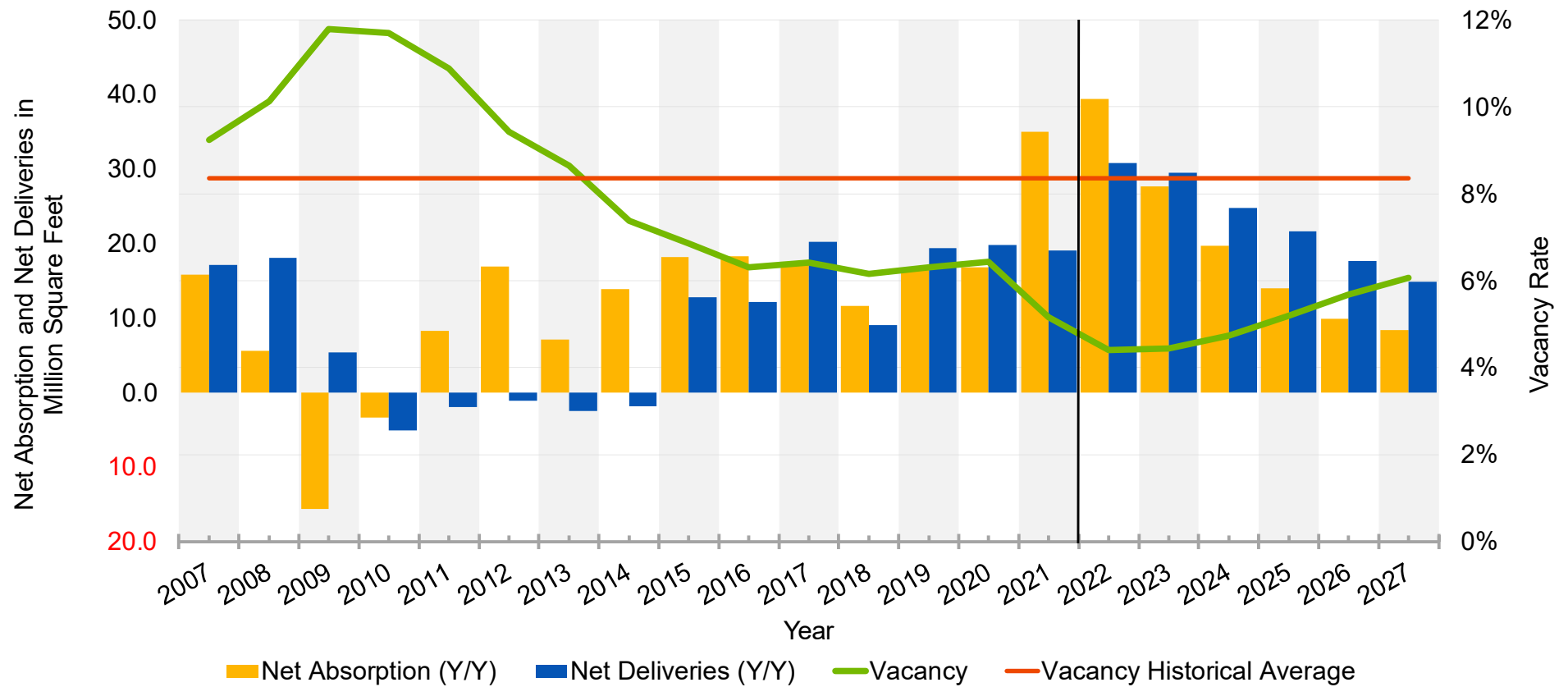
***Over past 12 months, Amazon agreed to occupy another 3 million SF in the Chicago Metro.
— Committed to leasing 34 million SF here.***



Industrial

Demand Fundamentals – Tied to Legacy Networks, Not Prey to Demographic Trends

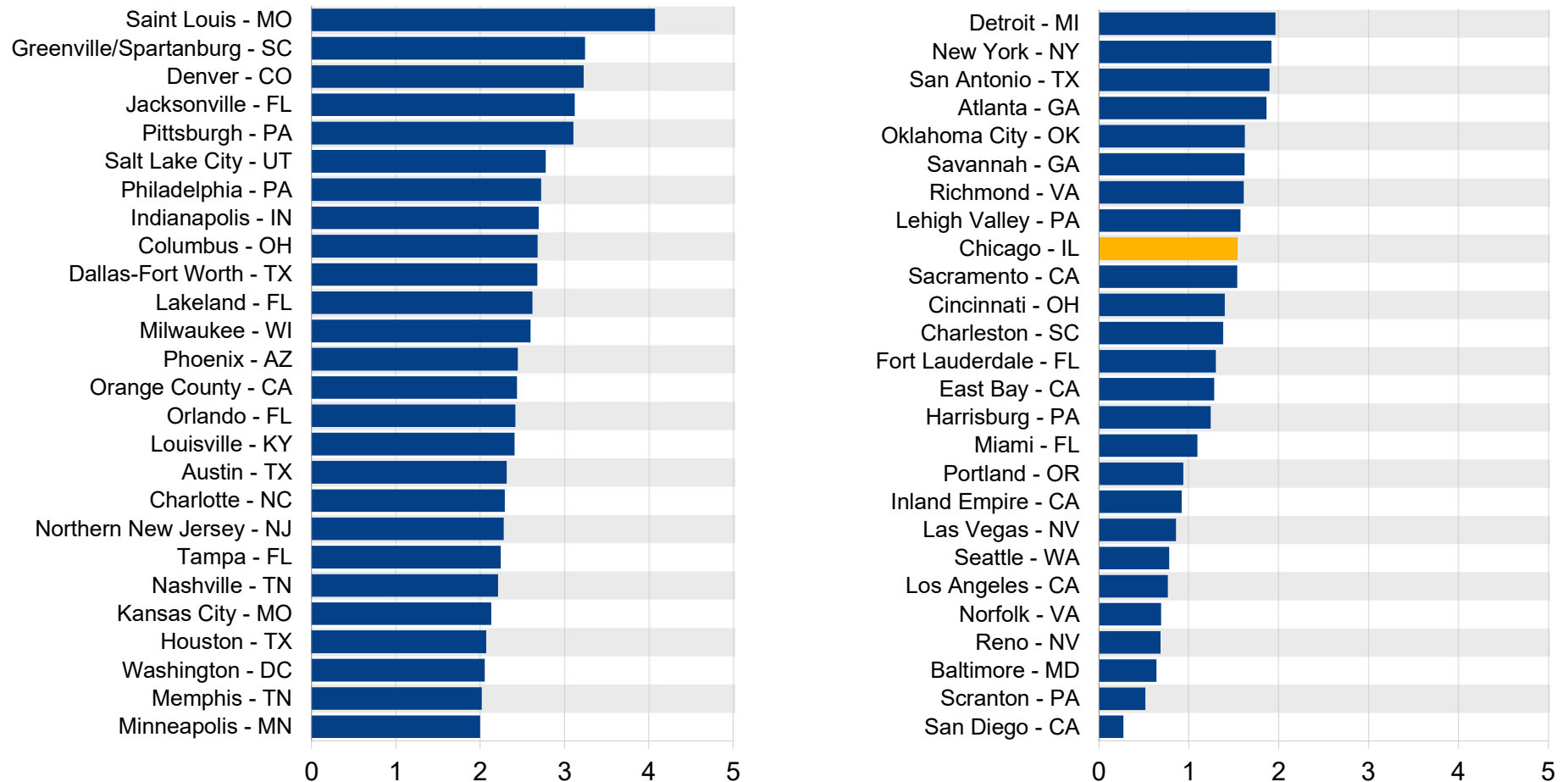
Base Case Forecast: Supply, Demand and Vacancy



Source: CoStar

End of 22Q2

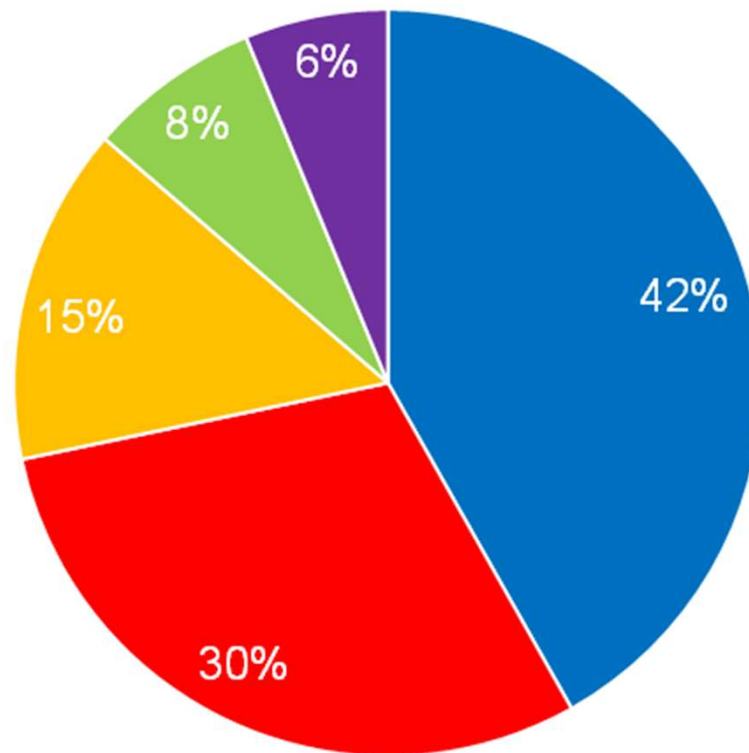
Years Supply of Modern Industrial Space Available For Lease



*Years of supply is calculated by dividing available space within existing properties built within the past 15 years or under construction properties, by average annual leasing within these same properties, plus proposed properties over the previous three years.

Industry Share as a Percentage of Occupied Square Feet in Chicago's Industrial Assets

- Manufacturing
- Logistics
- Retailer
- 20+ Other Industries
- Professional, Scientific, and Technical Services

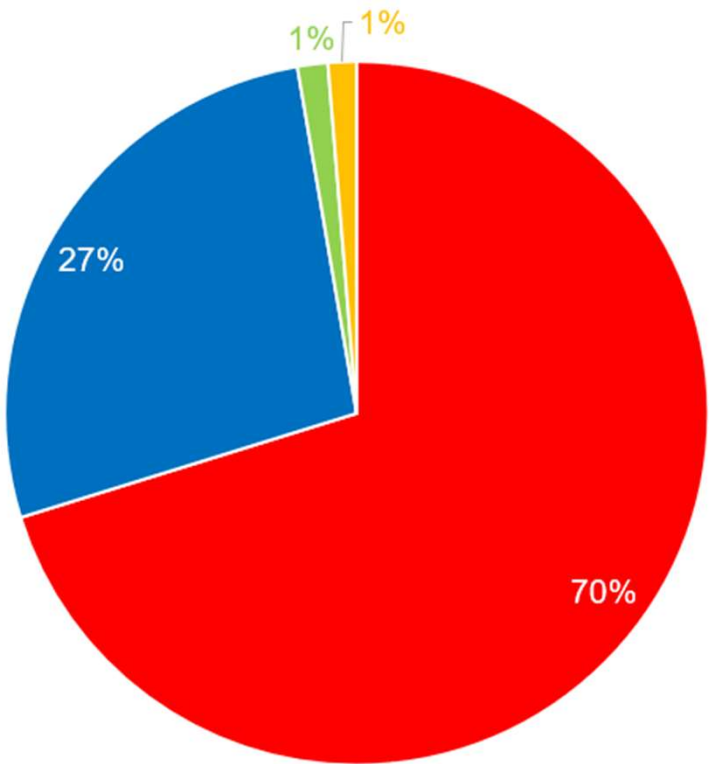


Source: CoStar, July 2022

Chicago's Industrial Prowess Hinges on Its Legacies, Not Retail Demand

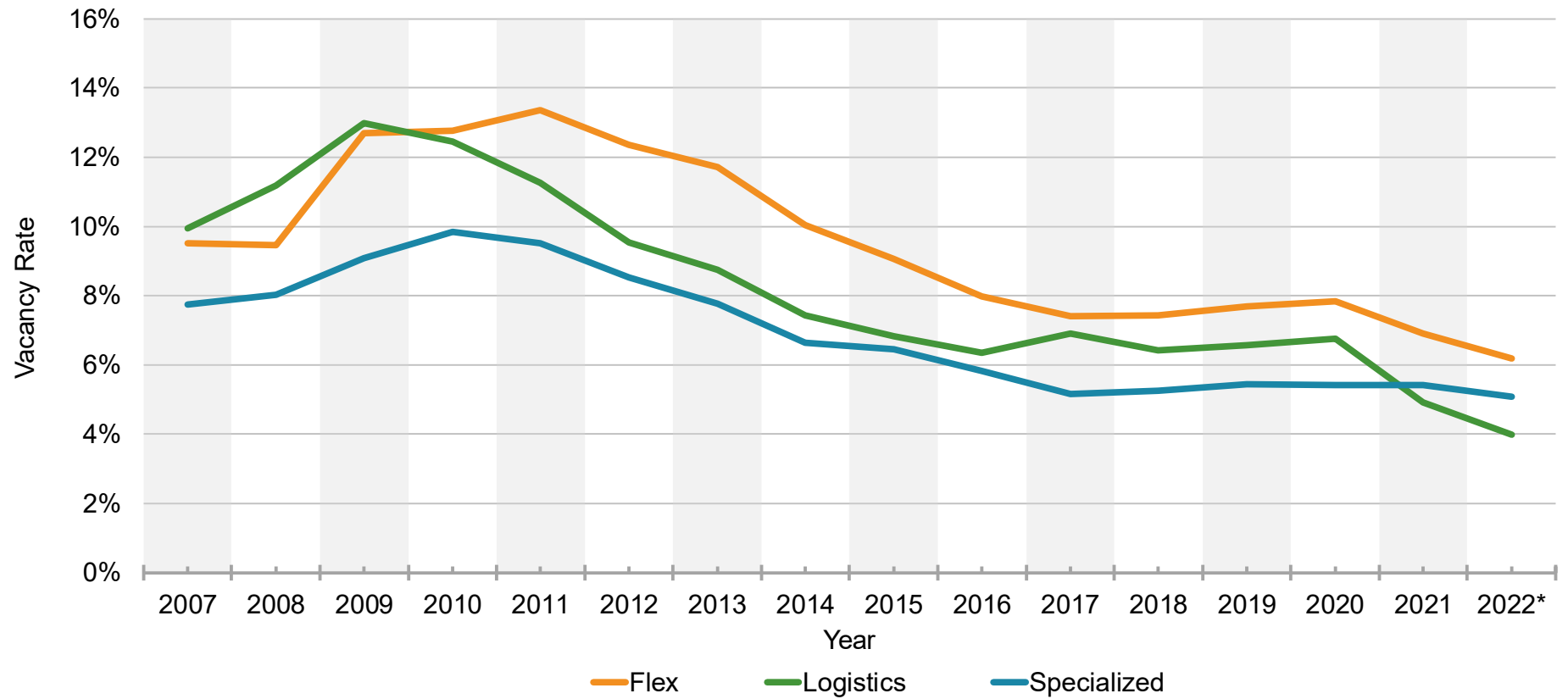
Chicago's Secondary Industrial Space Use as a Percentage of Occupied Square Feet

- Logistics
- Manufacturing
- Refrigeration/Cold Storage
- Other Services



Source: CoStar, July 2022

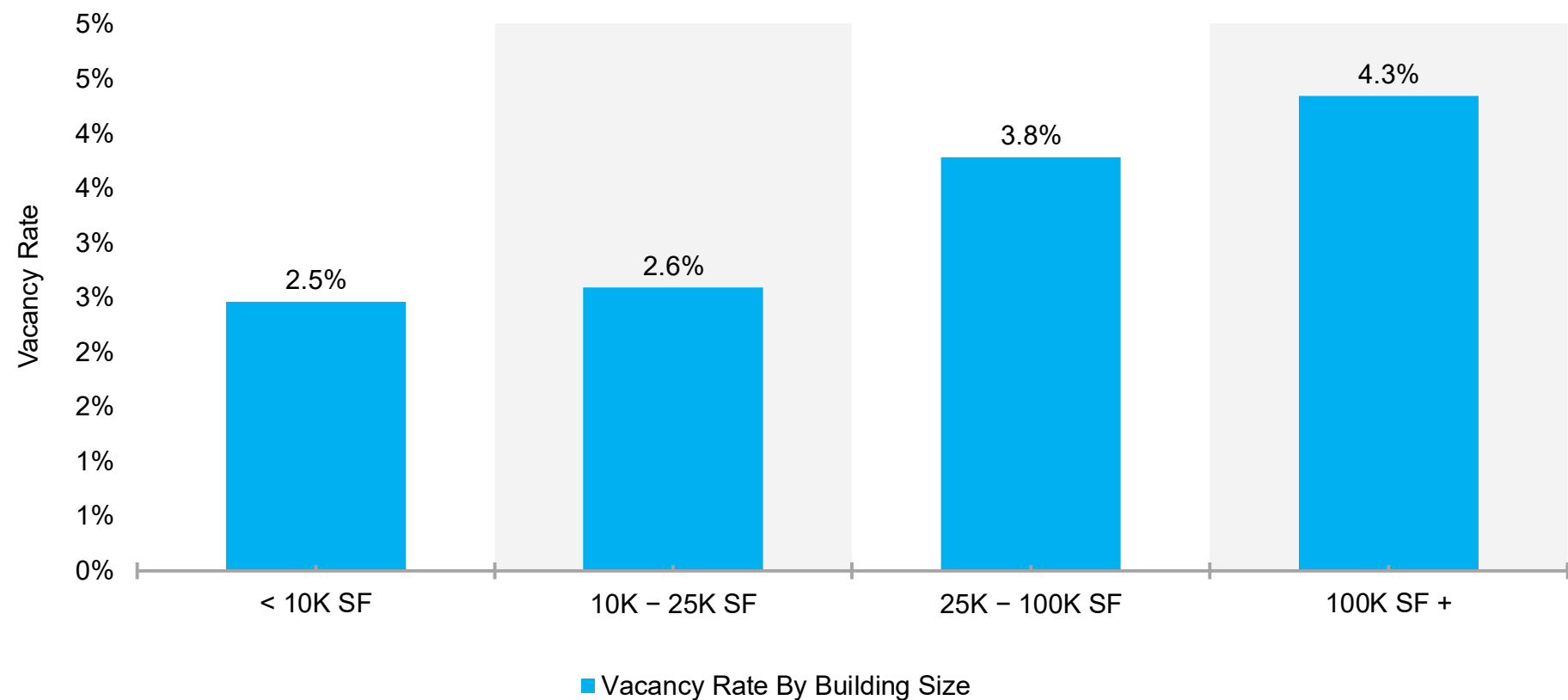
Industrial Vacancy By Slice Type



Source: CoStar
* Year-to-Date

End of 22Q2

Logistics Fundamentals: Vacancy by Building Size



Source: CoStar

End of 22Q2



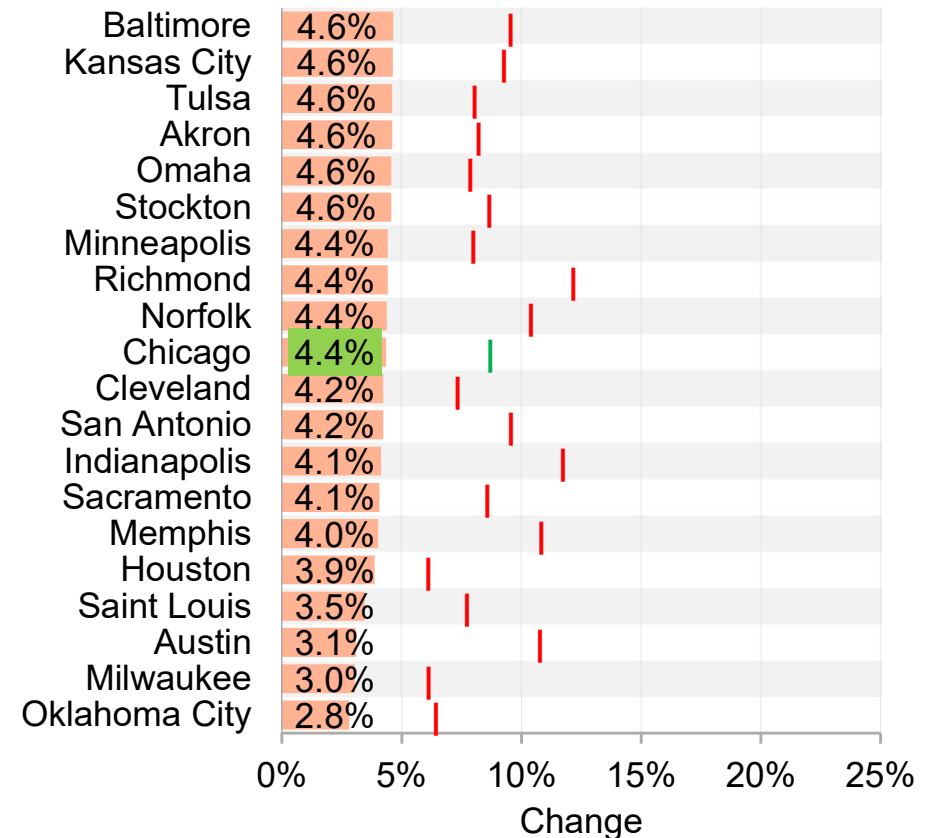
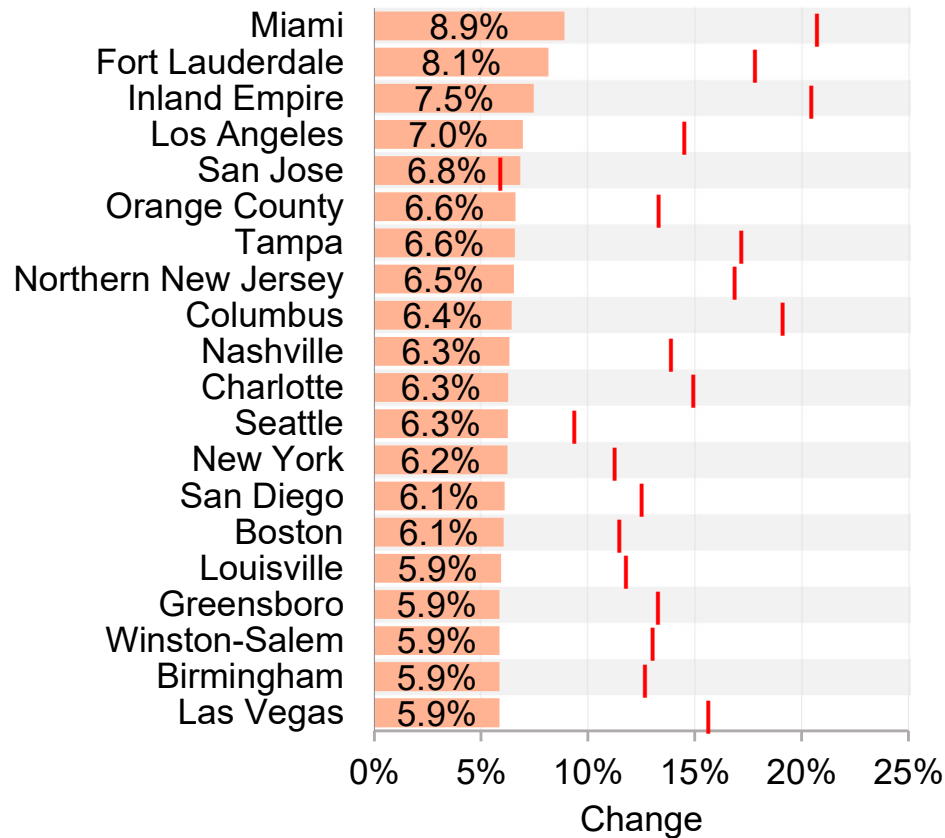


Industrial

Rent Growth Muted Despite Demand



Base Case Rent Growth Forecast, by Market, Chicago 9.1% v 4.4%



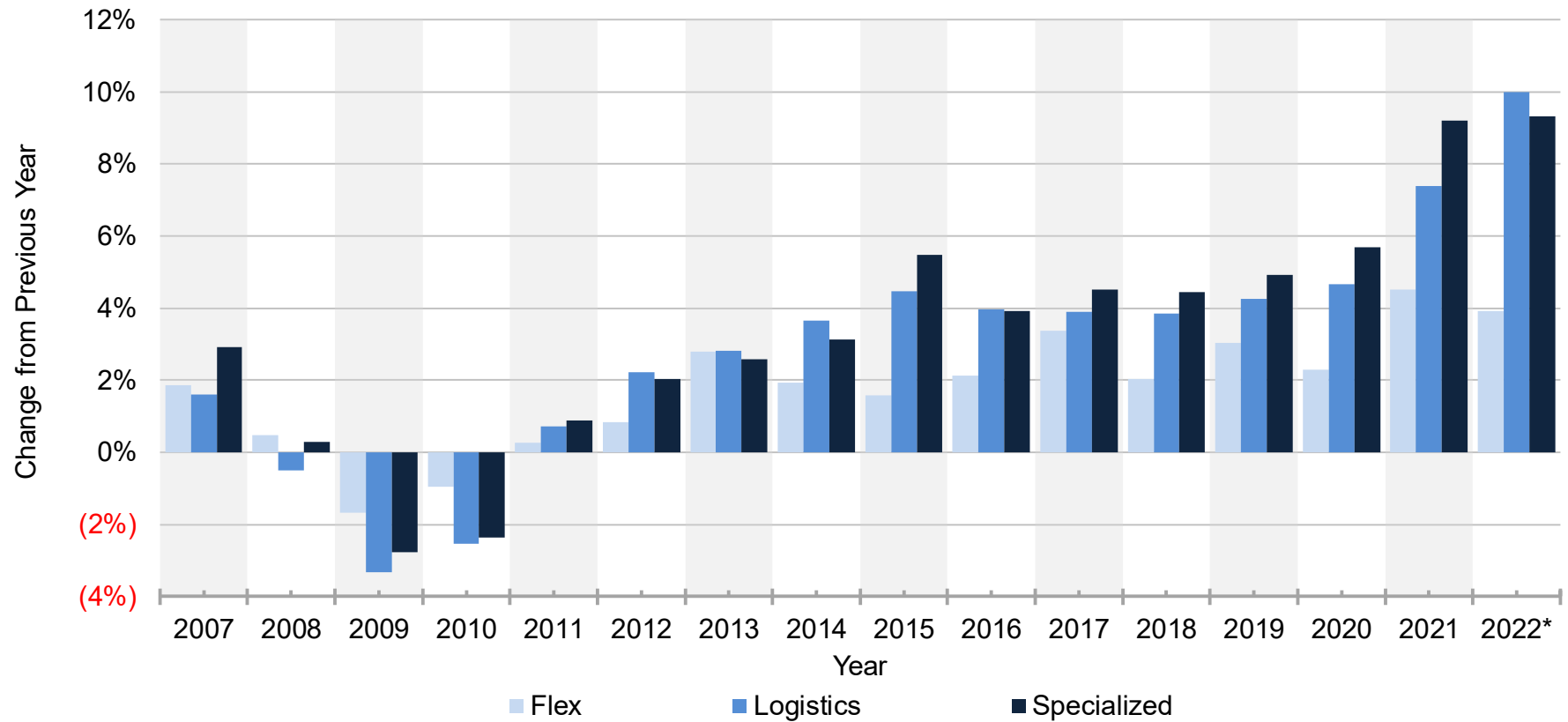
■ Baseline Forecast (Four-Year Average) ■ Rent Growth

Note: Includes markets with 100 Million+ Square Feet inventory.

■ Baseline Forecast (Four-Year Average) ■ Rent Growth



Rent Growth By Industrial Subtype



Source: CoStar
* Y/Y as of 22Q2

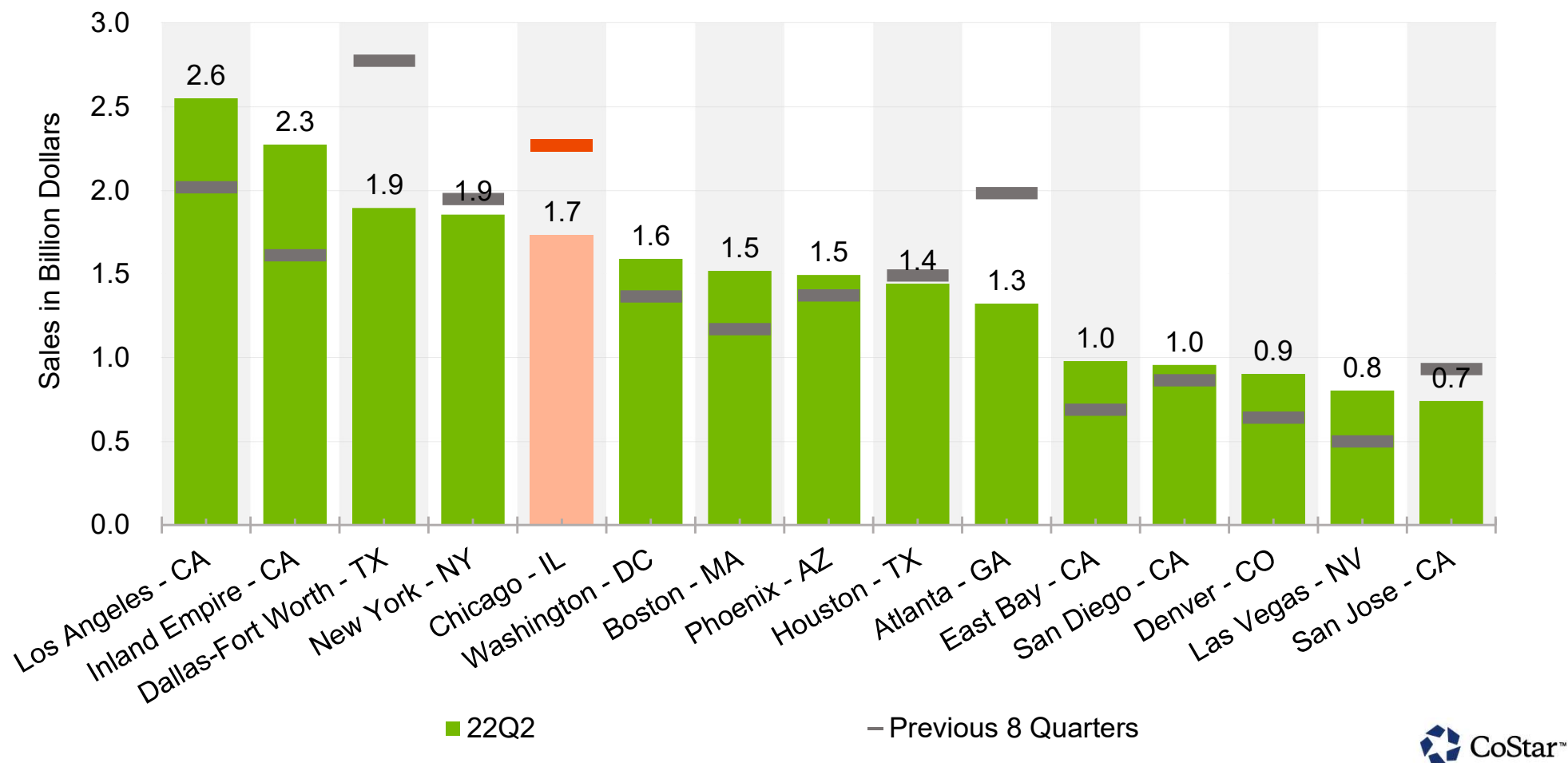
End of 22Q2



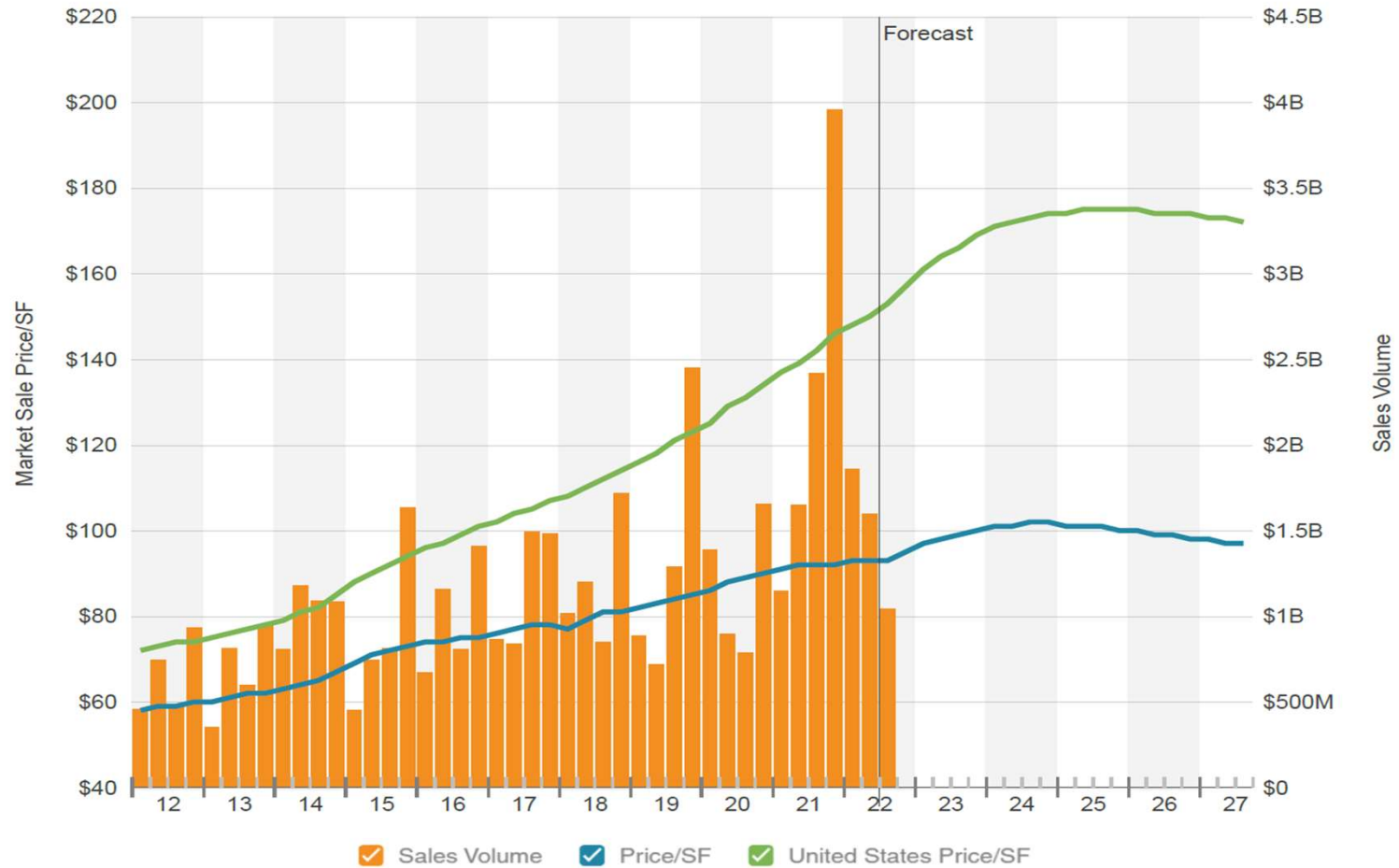
Industrial Sales



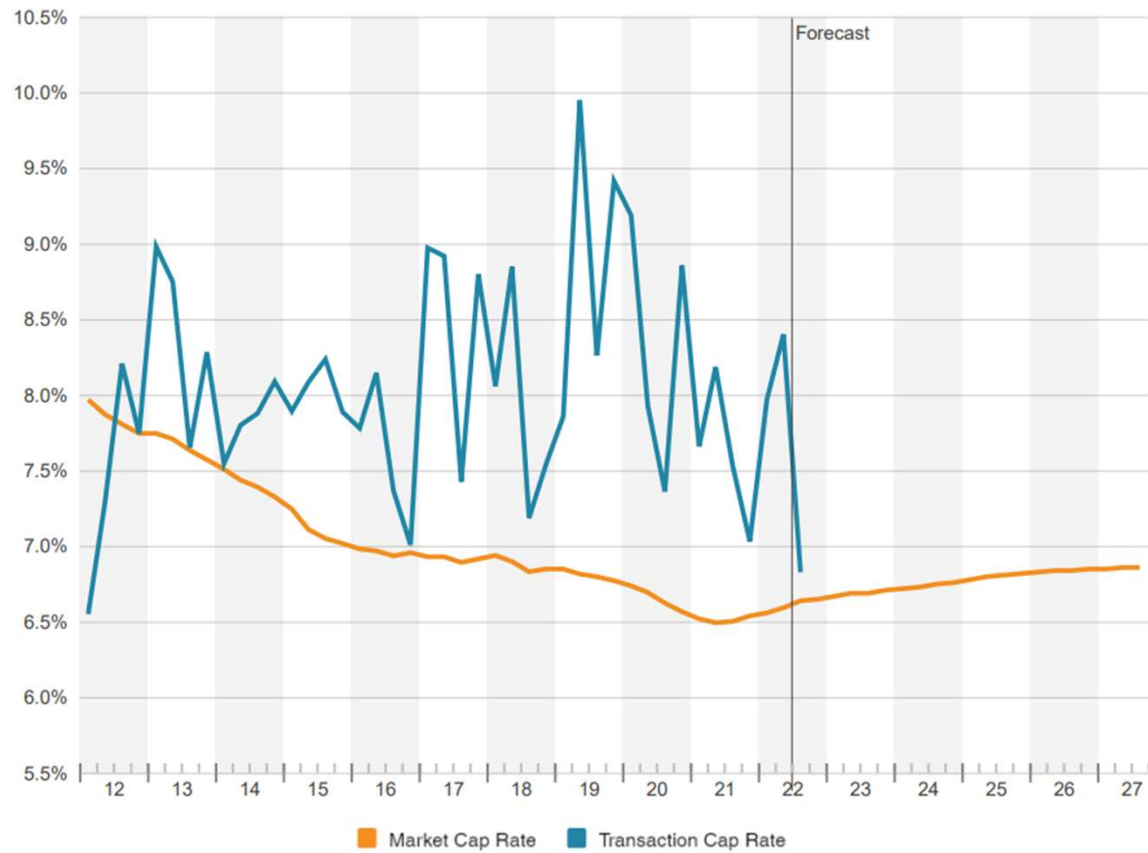
Industrial Sales Volume, Top 15



Chicago Industrial Sales Volume, Chicago Vs. U.S. Per SF



Chicago Industrial Market and Transaction Cap Rates



Largest Industrial Chicago Sales Transactions

Buyer: Ares Industrial REIT (Public REIT)
Seller: Kohlberg Kravis Roberts (Private Equity)

Channahon Corporate Center
753,000 SF
Sale Price: \$103 Million or Approximately \$136/SF

Date: July 2022
Actual Cap Rate: 3.5%

100% occupied by Amazon.
Lease runs from March 2020 through March 2033



Largest Industrial Chicago Sales Transactions

Buyer: Ares Industrial REIT (Private REIT)
Seller: IDI Logistics (Private)

Four property portfolio:
LogistiCenters I, II & III (788,000 SF),
Carol Stream & Libertyville

Bolingbrook Point Corporate Center III
(186,000 SF)

Sale Price: \$140,000,000 or Approximately
\$150/SF

Date: April 2022



Largest Single Industrial Chicago Sales Transaction

Buyer: Bank of America

Seller: Nuveen

Clarius Park Joliet at 3851 Youngs

1 Million SF

Sale Price: \$104.4 million or \$104/SF

Actual Cap Rate: 3.7%

Date: August 2022

Fully Leased to Whirlpool Corporation,
took occupancy in July 2015



U.S. Industrial Key Themes

- Headwinds Building for U.S. Consumers and Industrial Leasing Prospects
 - Amazon backing out of early stage, proposed development projects, listing smaller spaces for sublease. [However, not in Chicago. Here, demand is tied to manufacturing and distribution networks.](#)
- **Leasing is Plateauing at Extremely High Levels.**
 - \$5 trillion savings stockpile accumulated during pandemic helping to shore up consumer goods spending and industrial leasing
 - Quarterly industrial leasing has held between 300-350 million SF since mid-2021, up 50-60% from pre-pandemic levels
 - Industrial vacancy rate fell to all-time low of 3.9% in 22Q2
- Development Activity Elevated
 - **Annual leasing averaged 400 million SF over past 3 years PRIMARILY for NEW CONSTRUCTION.**
 - 614 million SF of unleased, proposed projects added space listing to CoStar YTD 2022, up 49% from same period in 2021
 - Development Activity Elevated
- Outlook
 - **New developments can carry the electric loads and contains modernized features current tenants need.**
 - **Demolitions in store to meet highest and best use.**
 - **If Amazon's strategy is correct, to be by distribution networks and manufacturing sourcing, Chicago should be fine.**



Office

Office Key Themes

- Office-using employment recovered to pre-pandemic levels, but job growth no longer guarantees office space demand.
- While lagging a bit relative to pre-crisis norms, leasing activity still doesn't reflect growing economic headwinds.
- Competition is particularly fierce in the CBD, where sun-drenched trophy assets in the West Loop and Fulton Market cannibalize tenants from the monoculture, stalwart Central Loop's "LaSalle Street Canyon."
- Sublease availability elevated.
- New forecasting metrics incorporated 22Q3 - expanded the differential lag time between office availability and vacancy, and the time it takes to remove and repurpose obsolete office. The most important change, however, is substantially increasing the square foot-to-worker ratio than we previously employed. Local economies heavily dependent on office use, like Chicago's, are projected to take longer to recover their office markets' general health than those not so dependent upon this white-collar worker cohort. Orange County, Chicago, Dallas, LA, New York, San Francisco, and San Jose, are all projected to experience vacancy gains ranging from 0.7% to 2% over the next few years.

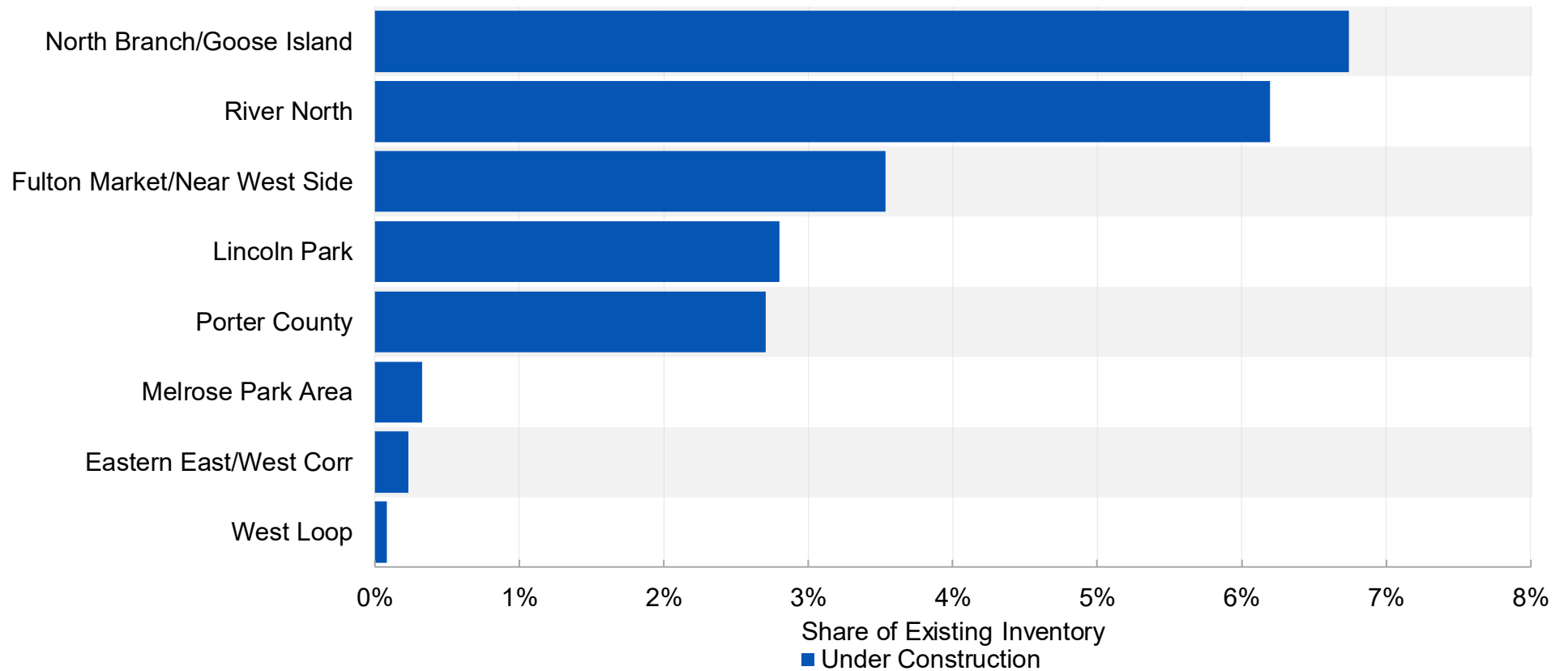


Office

New Deliveries & Under Construction

The Perfect Storm Still Present, However Subduing

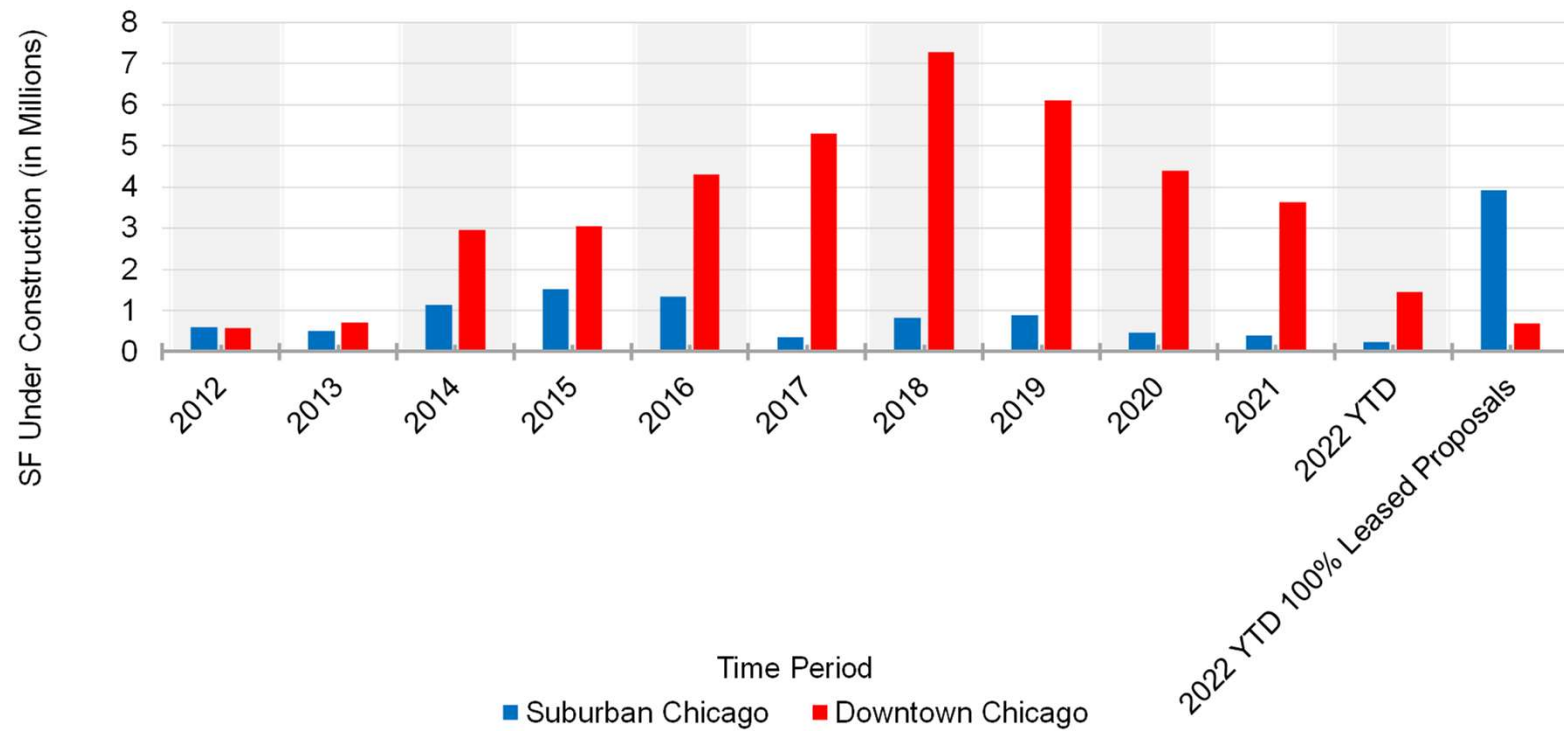
Submarkets With The Most Construction, In Percentage Terms



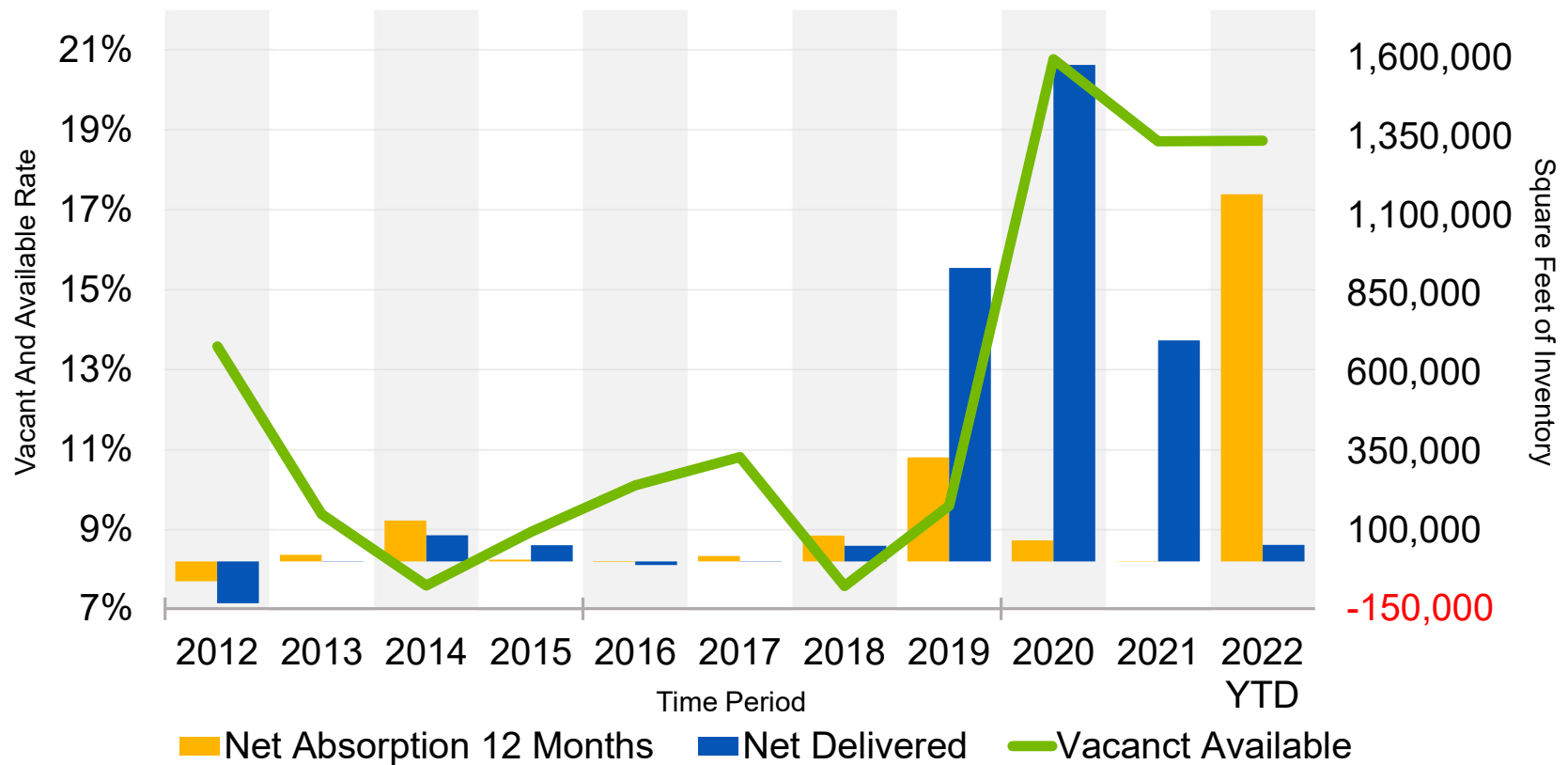
Source: CoStar

End of 22Q2

Suburban vs. Downtown Chicago Office Under Construction



Despite Elevated Vacancy, Fulton Market's Office Shows Strength



Source: CoStar, August 2022

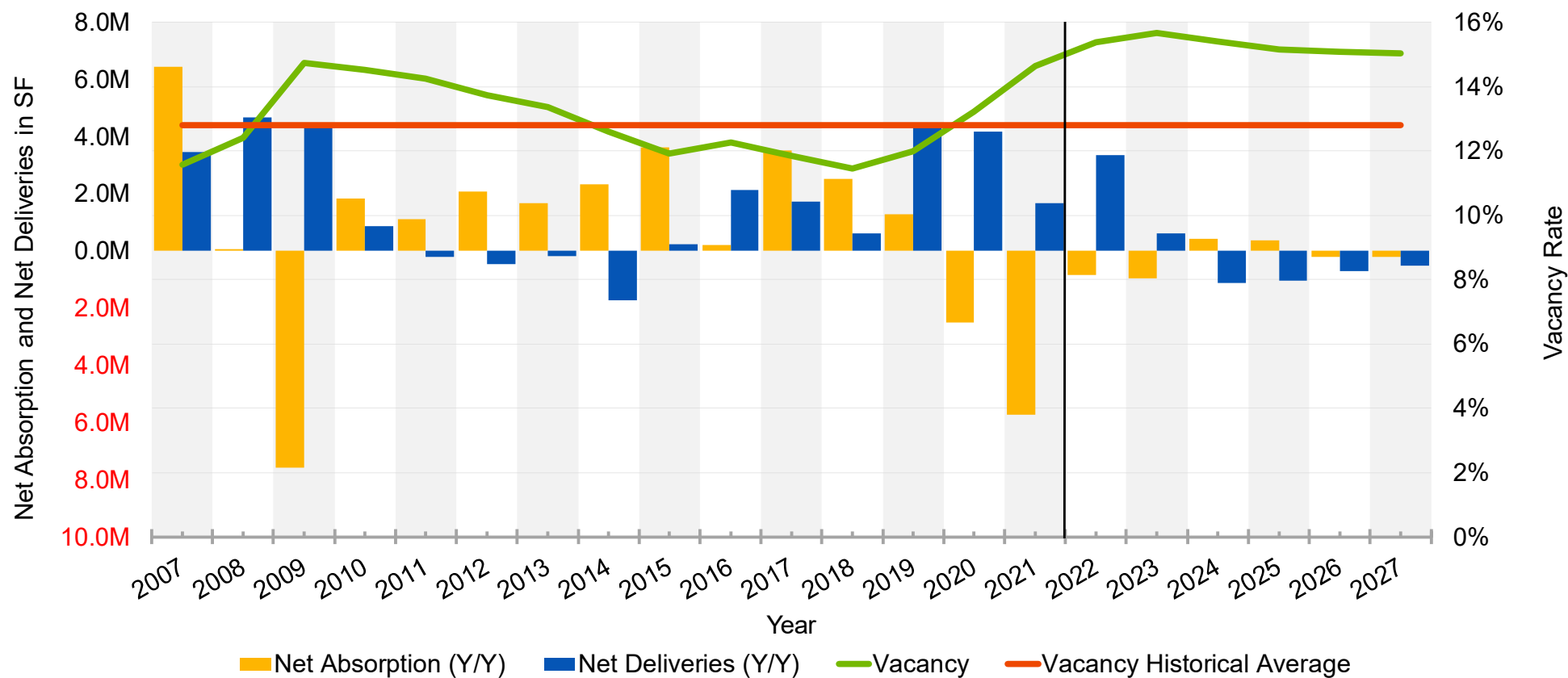


Office Fundamentals:

Absorption, Vacancy & Availability



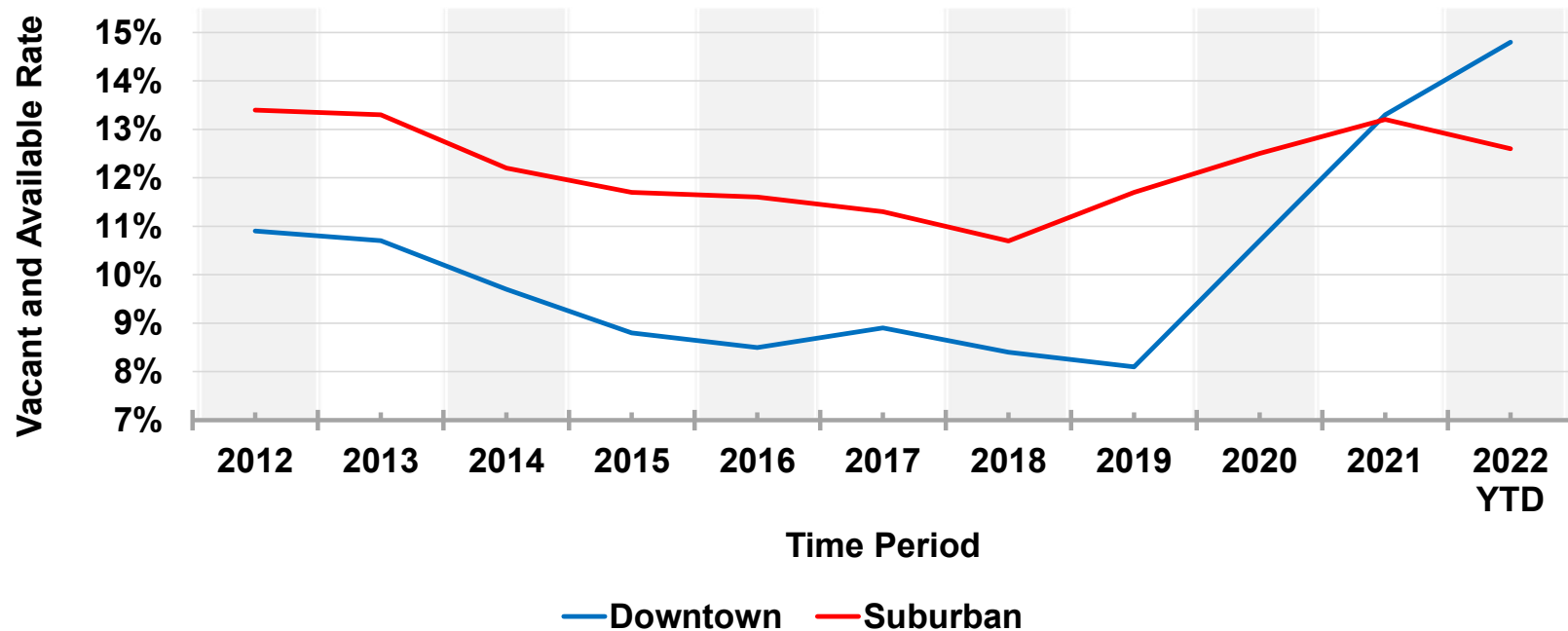
Base Case Forecast: Supply, Demand and Vacancy



Source: CoStar

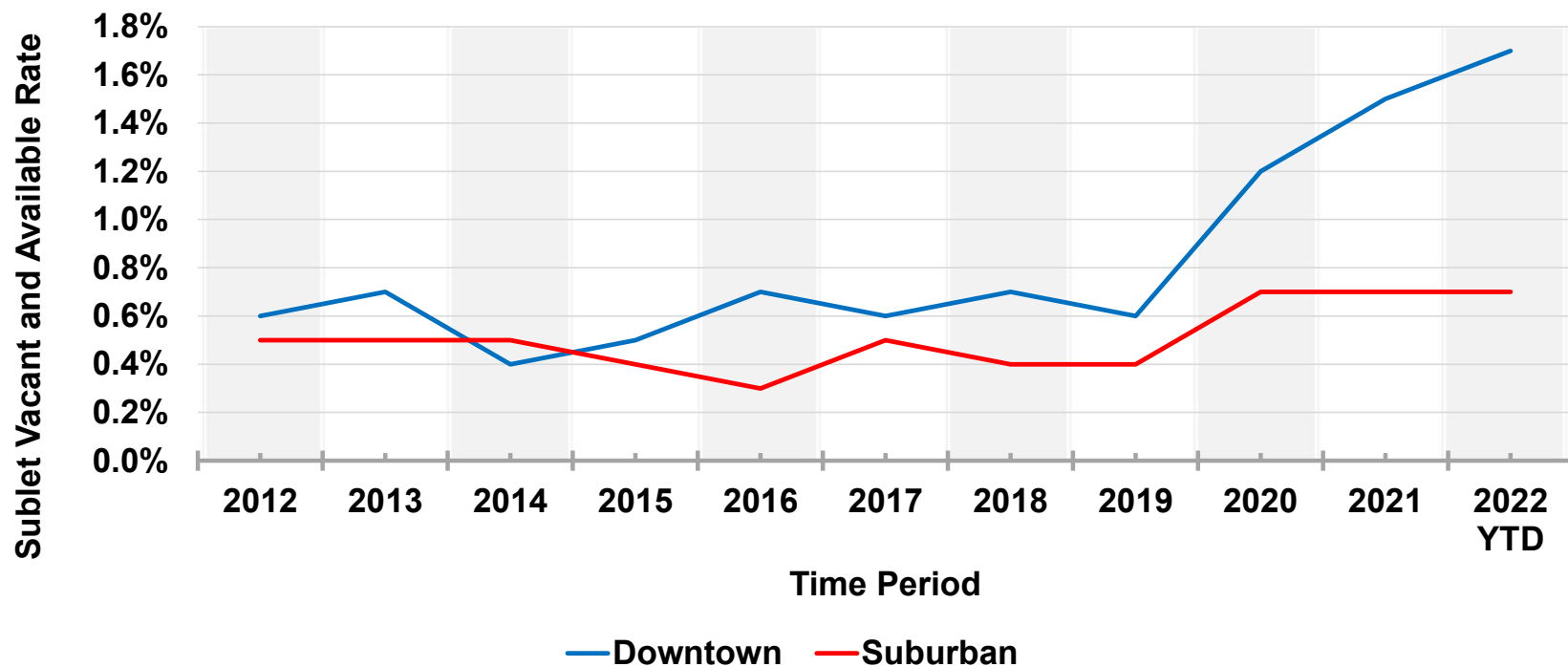
End of 22Q2

Downtown Chicago Office Direct Vacancy Rate Continues to Rise; Suburban Level Drops



Source: CoStar, August 2022

Downtown Chicago Office Sublease Vacancy Rate Rises Exponentially; Suburban Level Plateaus

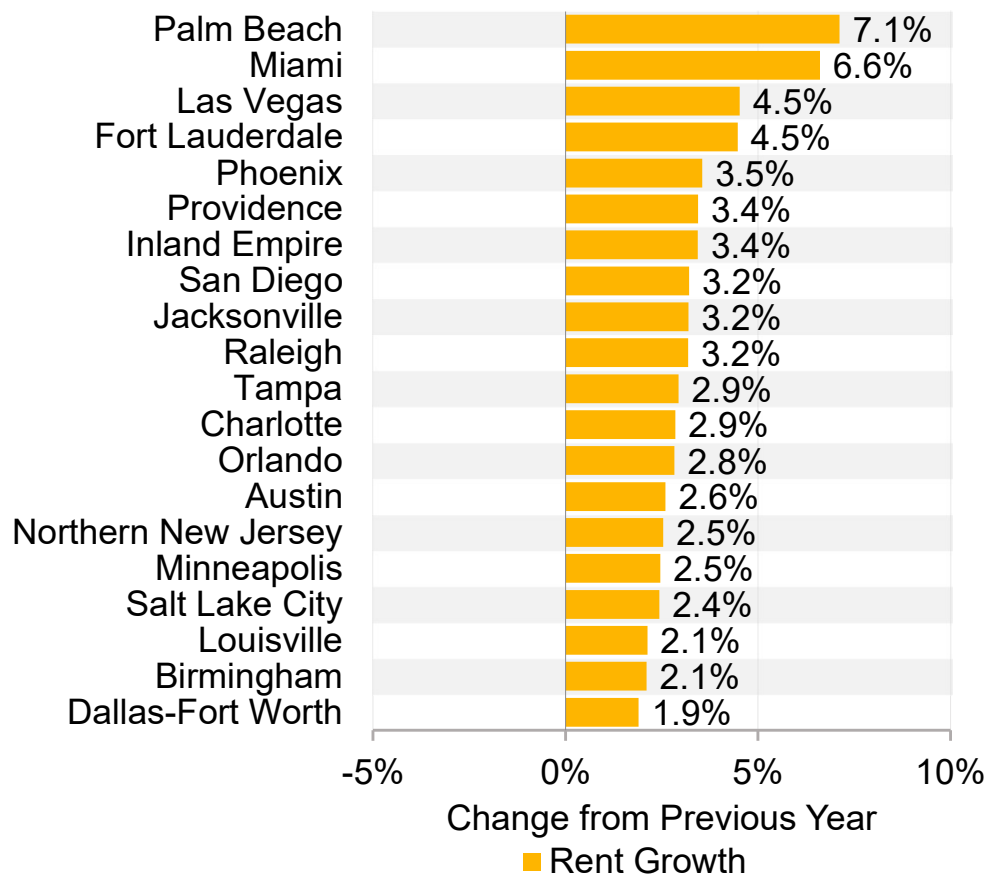


Source: CoStar, August 2022

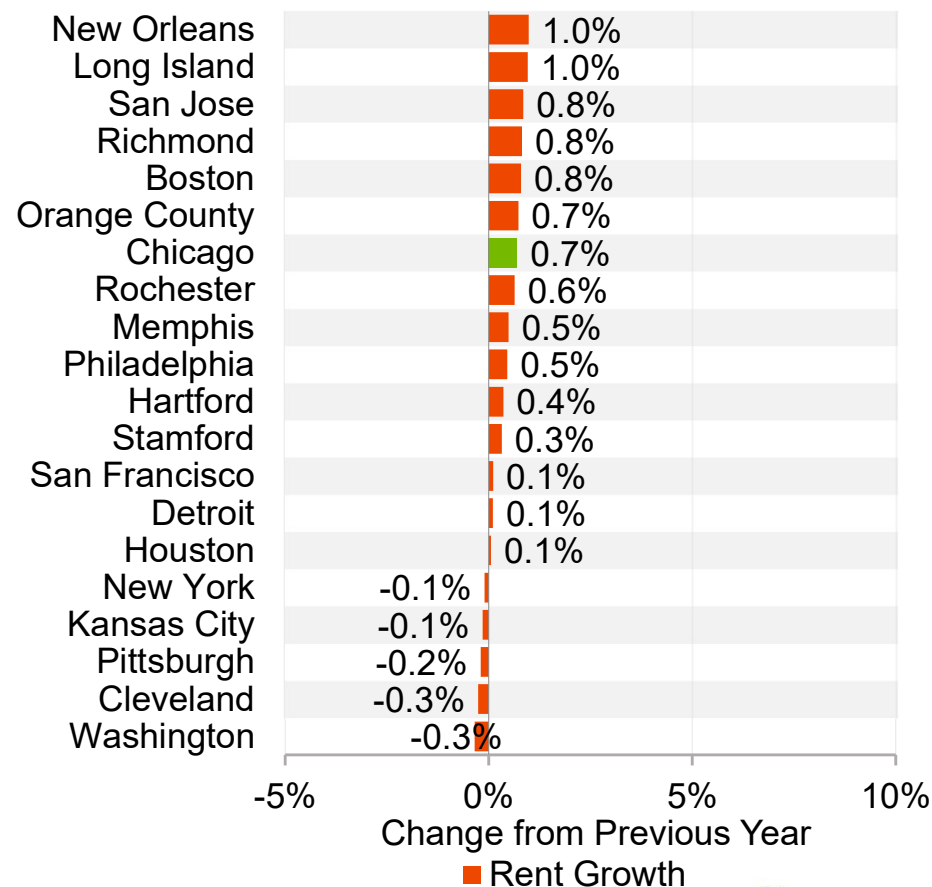


Office Rent

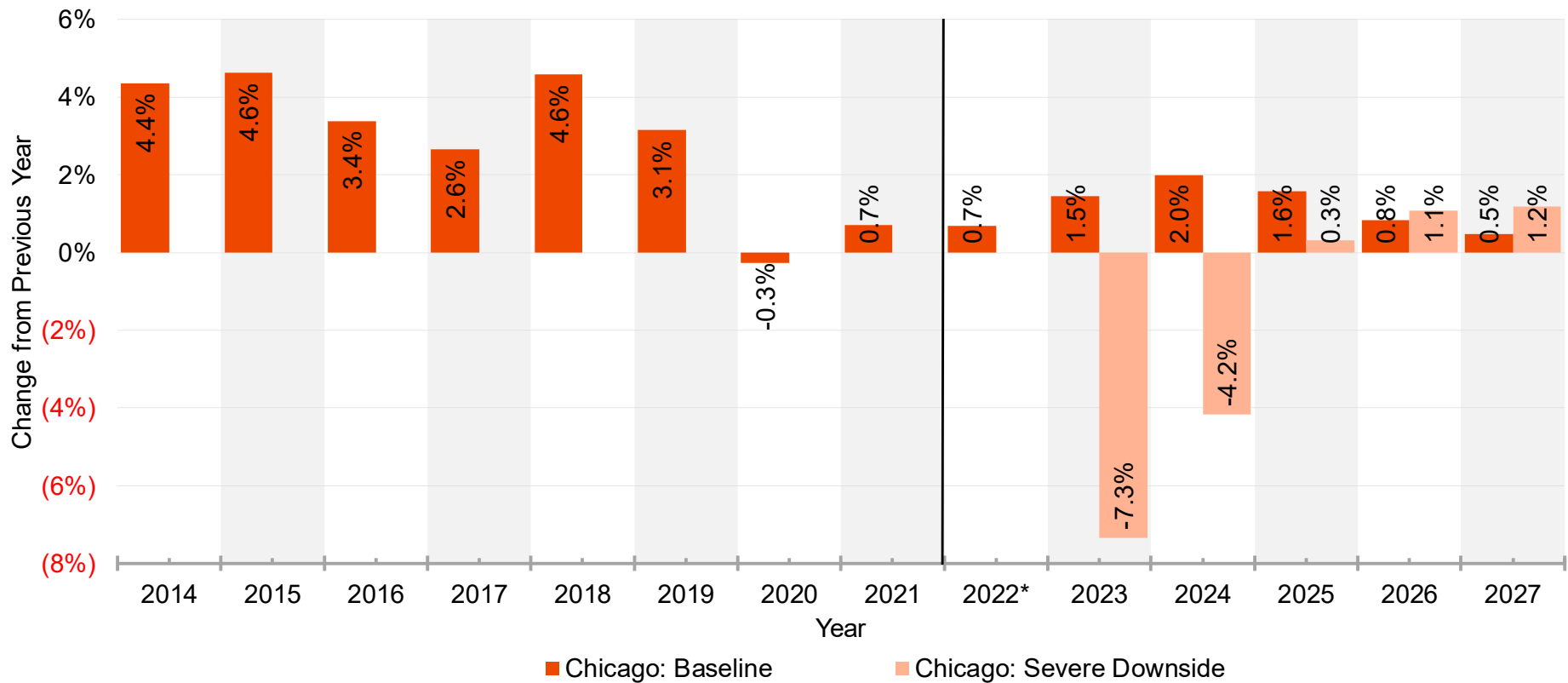
Top Rent Growth Markets



Note: Includes markets with 50 Million+ Square Feet inventory.



Chicago Office Rent Growth Forecast: Baseline Vs. Severe Downside Forecast (1930 Scenario)

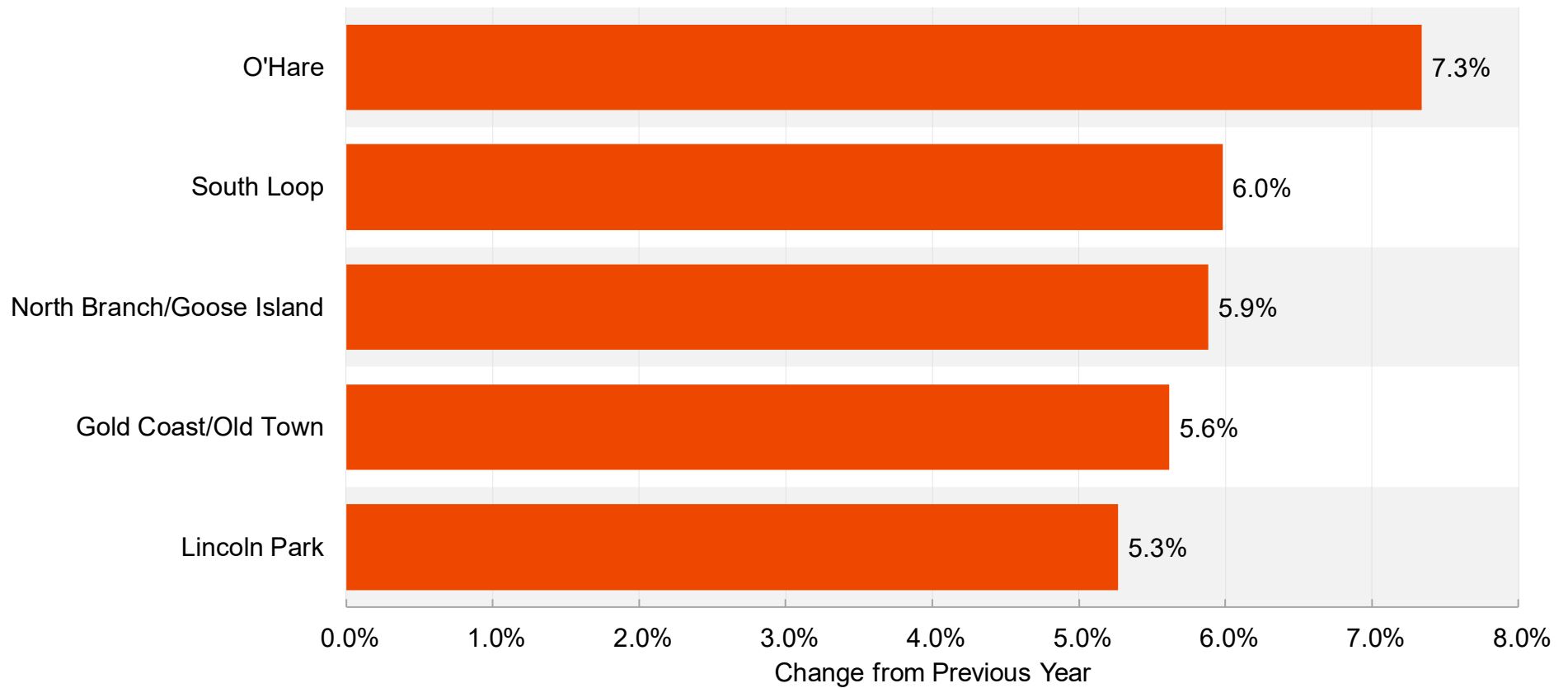


Source: CoStar
* Forecast

End of 22Q2



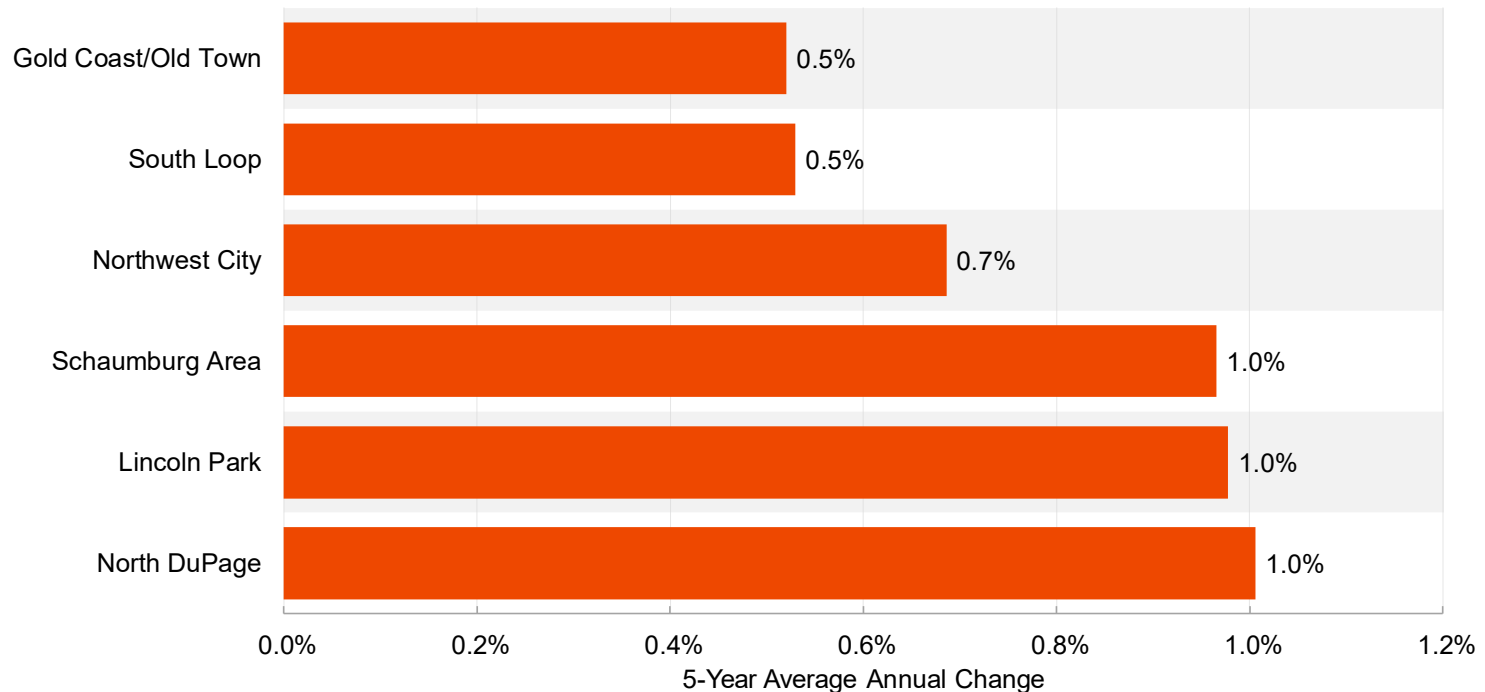
Chicago Office Submarkets With The Highest Rent Growth



Source: CoStar

End of 22Q2

Submarkets With The Lowest Rent Growth Over The Past Five Years, All Primarily Residential Areas



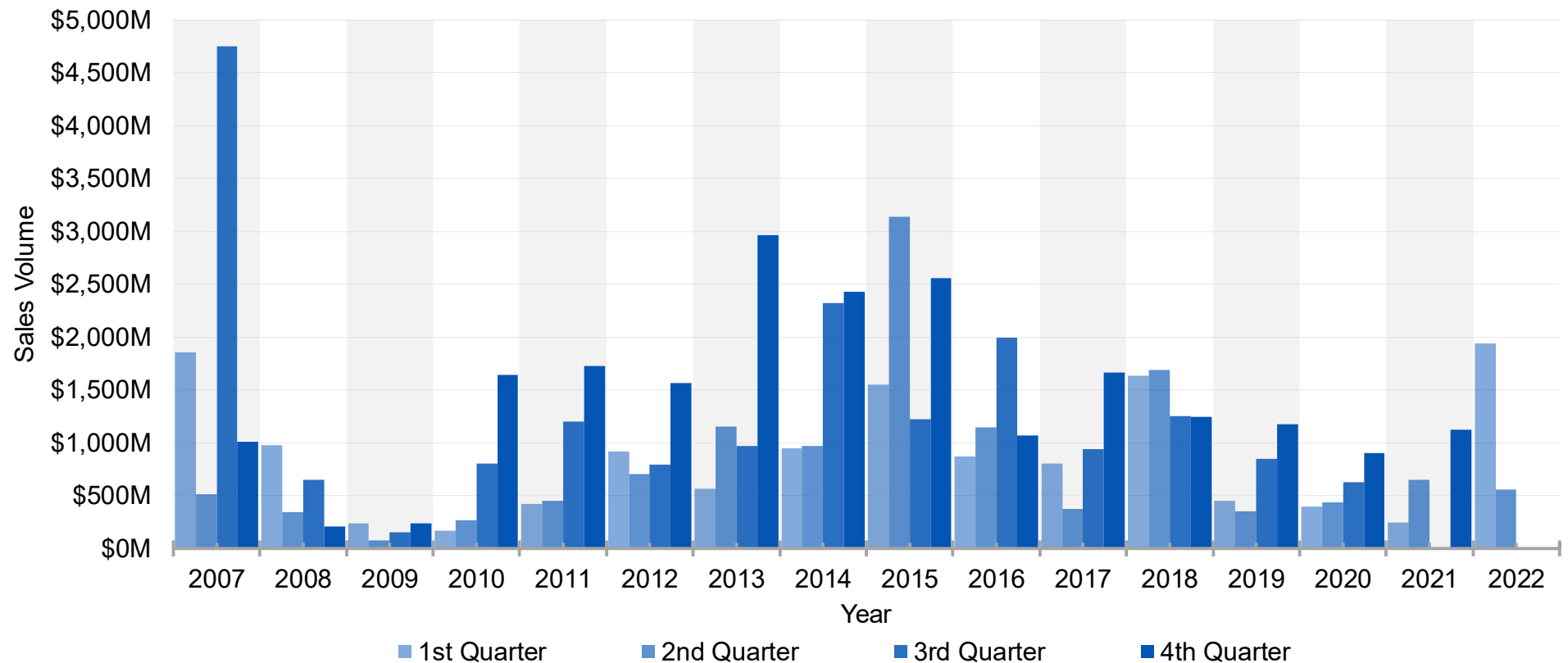
Source: CoStar

End of 22Q2



Office Sales

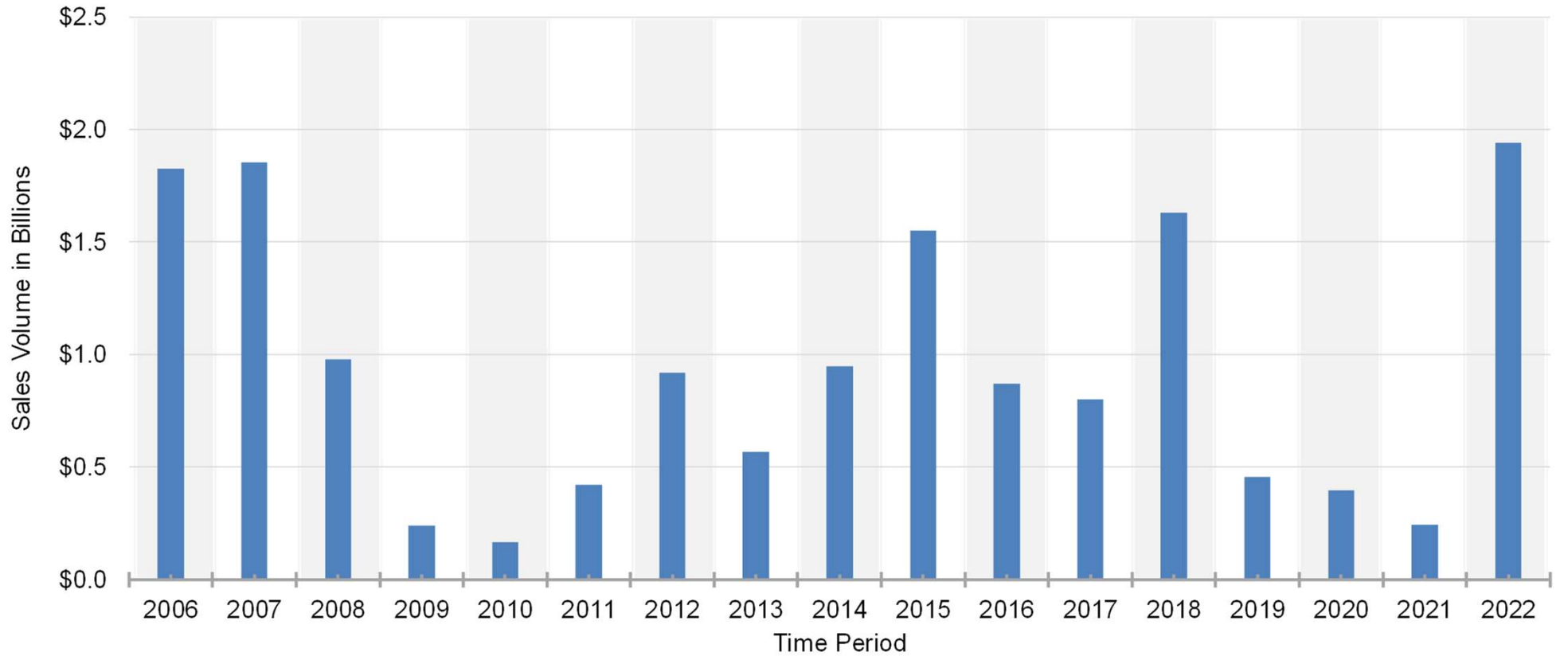
Chicago's CRE Quarterly Sales Volume, Q2 Lackluster



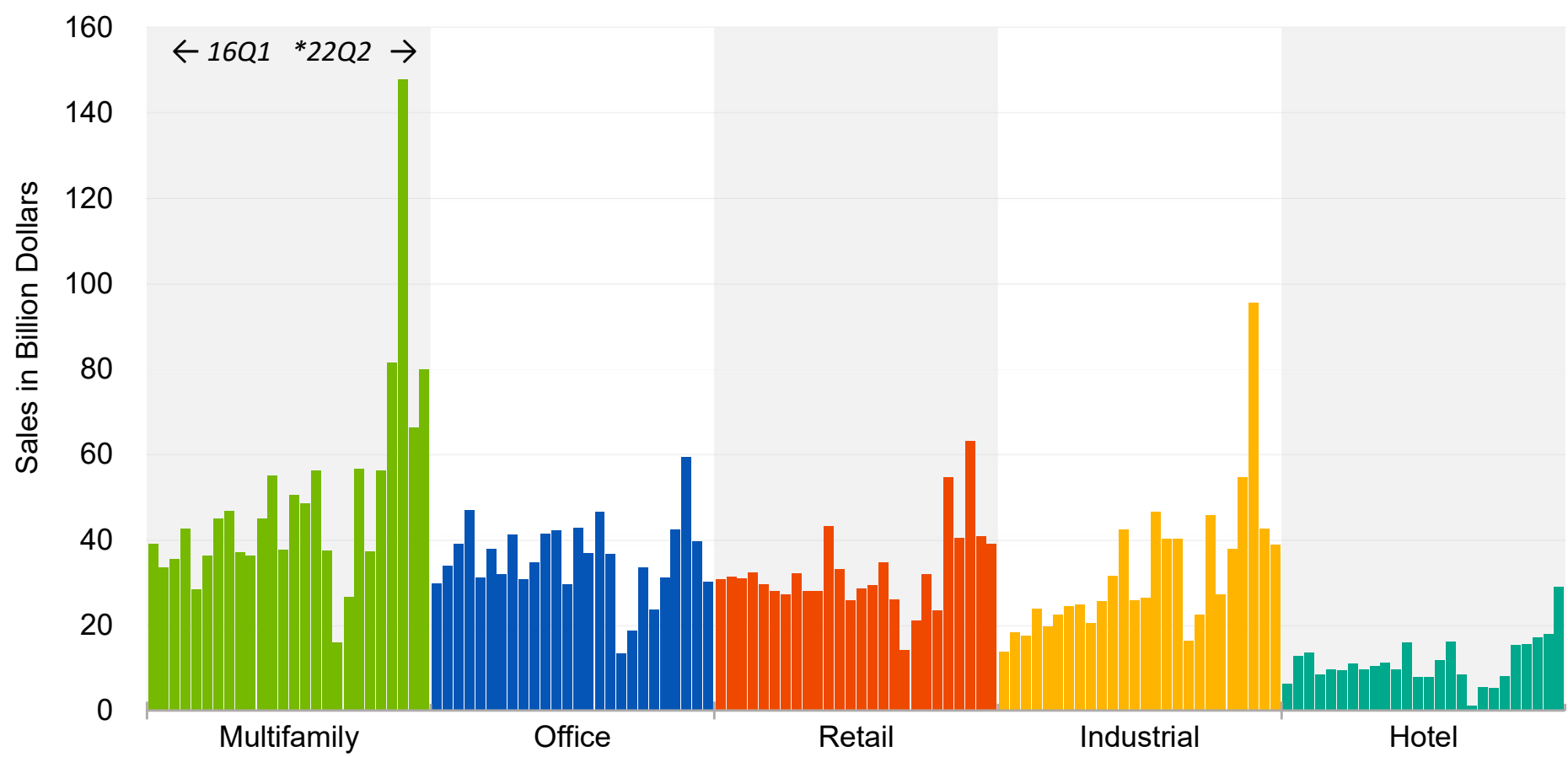
Source: CoStar
* Year-to-Date as of July 2022

End of 22Q2

Chicago's First Quarter Office Sales, Highest Volume Recorded

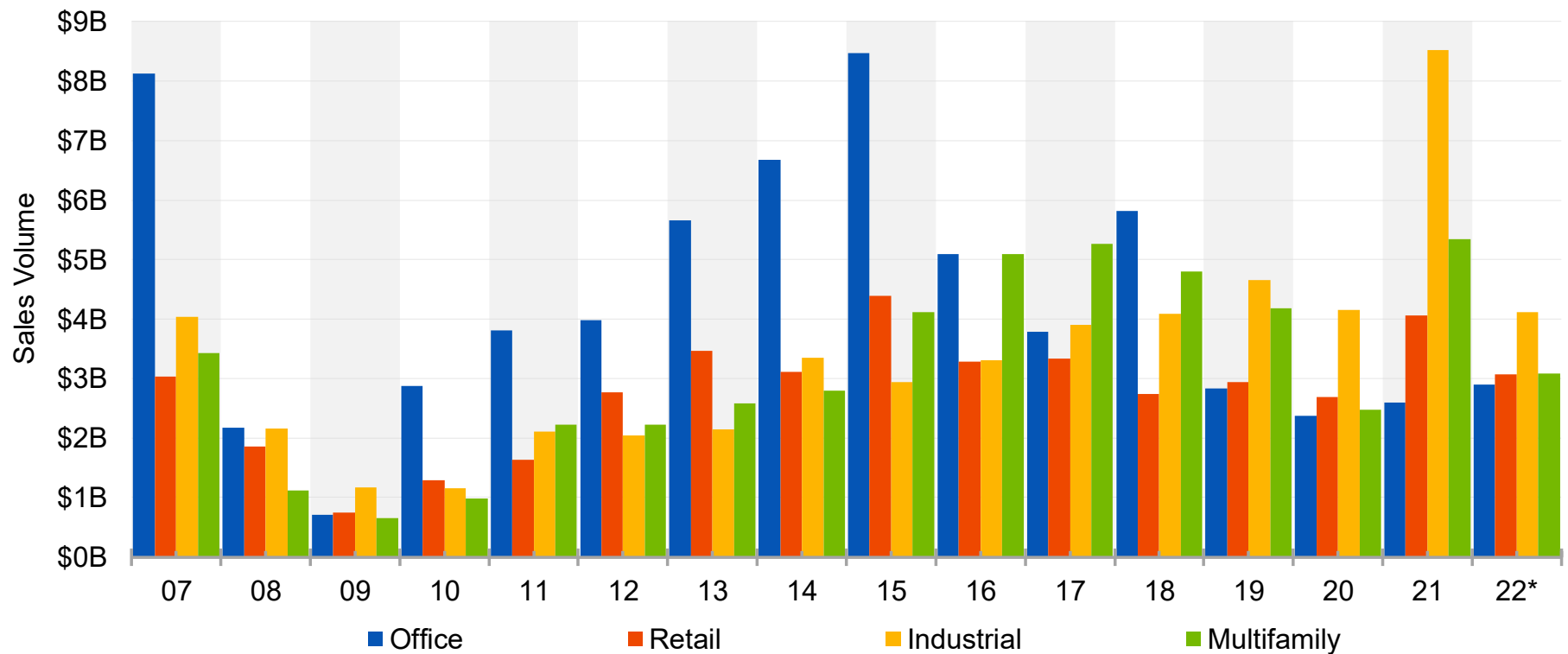


Nationally, Multifamily Assets Remain Favored...



*Quarter-to-date as of 7/1/2022.

...In Chicago, Industrial & Multifamily Sales Volume Pass Former Favorite, Office



Source: CoStar

* Year-to-Date as of September 2022

Large Office Chicago Sales Transactions

Kemper Lakes Business Center, Long Grove
(Four Properties)
1 Million SF

Buyer: Eastern Union Commercial Real Estate
(Private)
Seller: Apollo Global Real Estate Management
(Institutional)

Date: May 2022
Sale Price: \$190 Million or Approx \$185/SF
94% leased at time of sale

Apollo bought it in 2014 for \$127 Million

Three long-term leases to:

- Fesenius Kabi USA (343,000 SF)
- Dovenmuehle Mortgage (270,000 SF)
- ACCO Brands (173,000 SF)



Large Office Chicago Sales Transactions

25-Property Medical Office Portfolio,

Six in Chicago MSA:

- Rush University Medical Center (118,000 SF)
- 300-324 S Paulina, Chicago (97,000 SF)
- Fox Valley Centre for Health (45,000 SF)
- Advocate Medical Group, Batavia (22,000 SF)
- Batavia Medical Campus II (17,000 SF)
- Salt Creek Surgery Center, Westmont (11,000 SF)

Buyer: Northwest Healthcare Properties (Public REIT)

Seller: Harrison Street/Apollo Global Real Estate Management (Private Equity)

Date: April 2022

Sale Price: \$600 Million 25-Property MOB Portfolio or Approx \$400/SF locally



-
- James R Thompson Center
 - 945,000 SF
 - Buyer: The Prime Group
 - Seller: State of Illinois
 - \$105 M or \$111/SF
 - Date: July 2022
 - Sale Price: \$105 Million or \$111/SF

BTW, also bought BMO Harris Bank Bldg (1.2 M SF) in short sale from Samsung.



CoStar and Supplemental Bibliography

Office

The Google Effect

- [Chicago's Central Loop, Detroit's Corktown Hope Google Helps Them Attain Fulton Market's Office Vibe](#)
- [Google Makes \\$156 Million Loan on Chicago's Thompson Center, Which It Plans To Buy After Redevelopment](#)
- [Chicago Office Tower Going Up for Sale After Google's Deal To Buy Nearby Thompson Center](#)
- [Chicago Office Towers Sell for \\$118 Million, Big Discount to Previous Owner's Debt](#)

Central Loop Threats

- [Dallas-Based Developer Pays More Than \\$100 Million for Land in Chicago's Fulton Market](#)
- [Boston Firm Expanding Chicago Office in Fast-Growing Fulton Market](#)
- [Top Office Leases Recognized for Chicago](#)

Opportunities

- [Tides Still Turning in Favor of Chicago's Suburban Office Markets](#)
- (Transit oriented developments) Silicon Valley Bets on New Transport to Counter the Rise of Remote Work ([Wall Street Journal](#))
- [Lack of Industry Diversity in Chicago's Central Loop Both Blessing and Curse for Office Market](#)
- [Redevelopment a Cure for the Chicago Office Market's COVID, Supply-Demand Woes](#)

Multifamily

[Multifamily Conversions Could Be a Lifeline for Chicago's Ailing Hotels](#)

[Chicago's Apartment Demand Fundamentals Offer Upside, Stability to Investors](#)

[Despite Population Loss in Illinois, Demand for Chicago's Apartments Remains High](#)

[Against the Odds, Studio Apartments Survive COVID](#)

Domestic Migration Trends - June 2022 ([Placer.ai](#))

Industrial

[Chicago Industrial Market's Prowess Hinges on Its Legacies, Not Retail Demand](#)

Backlog Blues: Longer Construction Timelines are Impacting the Development Pipeline ([Newmark](#))

CRE Lending

Real-Estate Deal Making Slows as Bank Lending Tumbles ([Wall Street Journal](#))

Deal for Office Space Near Big U.S. Cities Bets on Suburban Lifestyle, Remote Work ([Wall Street Journal](#))

America's Office Glut Started Decades Before Pandemic ([Wall Street Journal](#))

Pension Funds Are Selling Their Office Buildings ([Wall Street Journal](#))

Why Chicago?

Crain's Forum on Climate Migrants or "Climigrants." ([Crain's Chicago Business series](#))

[World Business Chicago](#), the City's public private economic development agency

Local Economic Snapshot: Chicago-Naperville-Elgin MSA ([Federal Reserve Bank of Chicago](#))



Thank You!

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