

CBD Experiences a Fight for Quality

▲ 26.8%

Direct Vacancy Rate

▲ (97,904)

SF Net Absorption

▼ 0

SF Construction Delivered

▶ 0

SF Under Construction

▼ \$45.27

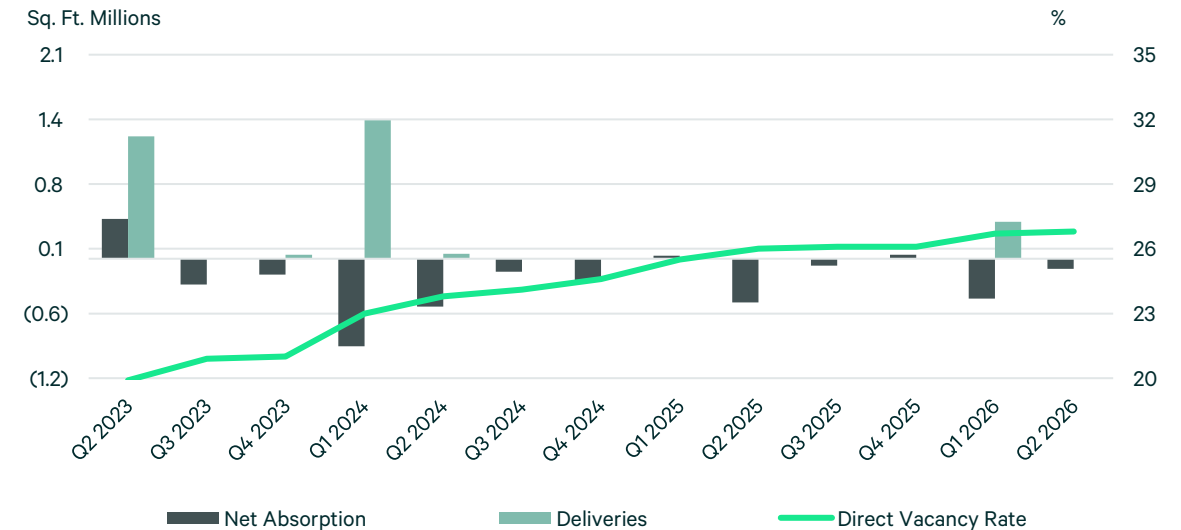
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Leasing activity for deals over 10,000 sq. ft. totaled 1.5 million sq. ft. in Q2 2026, up from 1.4 million sq. ft. in Q1 2026.
- Net absorption remained negative at 97,904 sq. ft., improving from negative 402,566 sq. ft. in Q1 2026 and negative 437,058 sq. ft. in Q2 2025. Year-to-date net absorption stood at negative 500,470 sq. ft.
- Direct vacancy increased slightly from 26.7% to 26.8% and remained above the 26.0% recorded one year earlier. Since 2023, the market has recorded approximately 2.2 million sq. ft. of cumulative negative net absorption.
- The construction pipeline has cleared; there were no buildings under construction in Q2 2026, which continues to keep the supply at the top of the market tight.
- Six office sales closed in the CBD in Q2 2026, highlighted by the sale of 500 W Monroe at an estimated 76% discount to its prior sale price, as office values continue to reset.

Figure 1: Historical Net Absorption, Deliveries, and Direct Vacancy



Source: CBRE Research, Q2 2026

Vacancy

In Q2 2026, direct vacancy increased 5 bps to 26.8% and was up 80 basis points YoY, though the pace of increase slowed considerably compared with the sharper vacancy gains recorded in prior quarters.

Vacancy remained lowest among higher-quality assets, with Class A vacancy at 20.0%, compared with 33.7% in Class B. Class A vacancy increased 10 bps YoY, while Class B vacancy increased 150 bps.

By submarket, Fulton Market/Far West Loop had the lowest vacancy at 17.4%, followed by West Loop at 22.3%. At 14.2%, West Loop Class A vacancy reached its lowest level since Q1 2025, as tenants continued to favor buildings offering both transit access and high-quality space. River North had the highest vacancy at 33.6%, while East Loop and Central Loop reported vacancy rates of 31.5% and 30.4%, respectively. North Michigan Avenue reported a vacancy rate of 25.4%.

Across the downtown submarkets, sublease availability totaled 4.3 million sq. ft. in Q2 2026.

Vacancy reflects ongoing footprint optimization, with larger occupiers downsizing into higher-quality assets, demonstrated by Baker Tilly’s move from 51,585 sq. ft. at 205 N Michigan Ave to 31,822 sq. ft. at 800 W Fulton St and IES Abroad from 27,816 sq. ft. at 33 W Monroe to 10,745 sq. ft. at 225 W Randolph.

Asking Rent

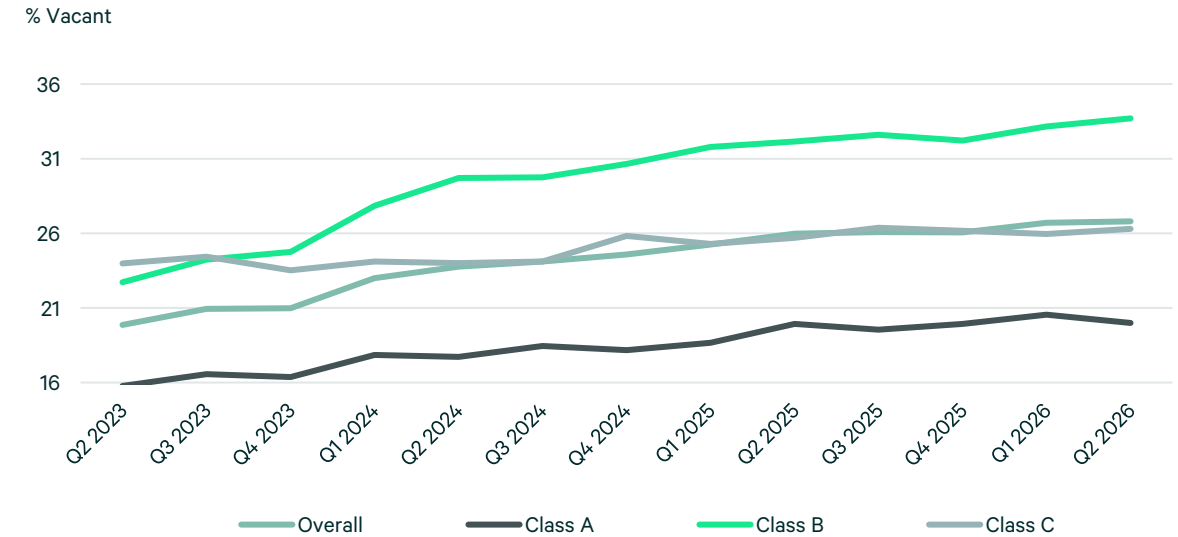
Asking rents declined 30 bps quarter-over-quarter (QoQ) but remained essentially flat YoY.

By asset class, Class A rents maintained a meaningful premium at \$53.28 per sq. ft., compared to \$43.54 per sq. ft. for Class B, reflecting continued tenant preference for higher-quality space. Despite elevated vacancy, asking rents have remained stable, with pricing pressure shifting to tenant improvement allowance rather than headline rate declines.

Six office sales closed in the CBD in Q2 2026, marking a steady recovery in office sales. Notable transactions included 180 N La Salle St, which sold for \$56.5 million at more than a 70% discount to its 2016 sale price, and the Citadel Center at 131 S Dearborn St, which traded for \$137 million at a 76% discount to its 2006 sale price. Additional sales included 1201 W Lake St for \$40.0 million, 250 S Wacker Dr for \$23.8 million and 205 W Wacker Dr for \$15.0 million. Additionally, 500 W Monroe St traded in Q2, with reports indicating a 76% discount to its 2019 sale price.

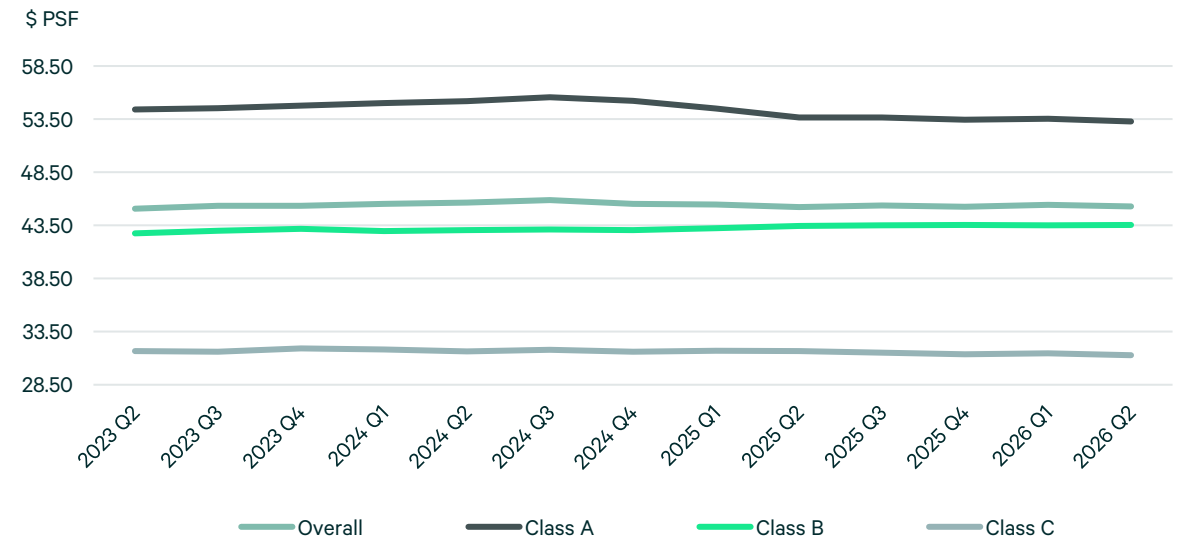
The repricing trend reflects the emergence of new and foreign investors as buyers across the CBD office market.

Figure 2: Direct Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

The CBD recorded 97,904 sq. ft. of negative direct net absorption in Q2 2026, improving from negative 402,566 sq. ft. in Q1 2026 and negative 437,058 sq. ft. in Q2 2025.

Class A space posted 343,180 sq. ft. of positive direct net absorption, offset by 343,615 sq. ft. of negative absorption in Class B and negative 97,469 sq. ft. of absorption in Class C. The split reinforces concentrated demand for higher-quality assets, even as overall market occupancy remains under pressure.

At the submarket level, positive absorption was led by the West Loop at 93,775 sq. ft., the highest reported positive net absorption since Q2 2022, supported by large relocations into Class A assets such as Loeb & Loeb’s move to 151 N Franklin St and SAP’s relocation to 333 W Wacker Dr. River North followed with 68,042 sq. ft. of positive absorption, while Fulton Market recorded 30,435 sq. ft.

Central Loop recorded negative 282,009 sq. ft., driven in part by contractions including Enova International’s downsizing at 175 W Jackson Blvd and Strata Marketing’s move-out at 33 W Monroe St, while North Michigan Avenue posted negative 24,830 sq. ft. net absorption and East Loop recorded modest positive absorption of 16,683 sq. ft.

Construction Activity

Following the Q1 2026 delivery of 919 W Fulton, a 369,000-sq.-ft. trophy office project that remains approximately half leased, there are currently no office projects under construction in the CBD.

The lack of active development reflects a constrained supply pipeline for high-quality trophy assets, as demand continues to concentrate in newer, best-in-class space.

Law firm Sidley Austin announced plans to relocate to 725 W Randolph St, a proposed Related Midwest development in Fulton Market that would add approximately 1.0 million sq. ft. of new office space, with Sidley expected to occupy more than half of the building as the anchor tenant. The project is expected to break ground in 2027 with delivery targeted for late 2030.

The announcement demonstrates continued demand for best-in-class space and suggests growing confidence in the CBD, though additional ground-up developments remain minimal in the near term.

Figure 4: Net Absorption Trend

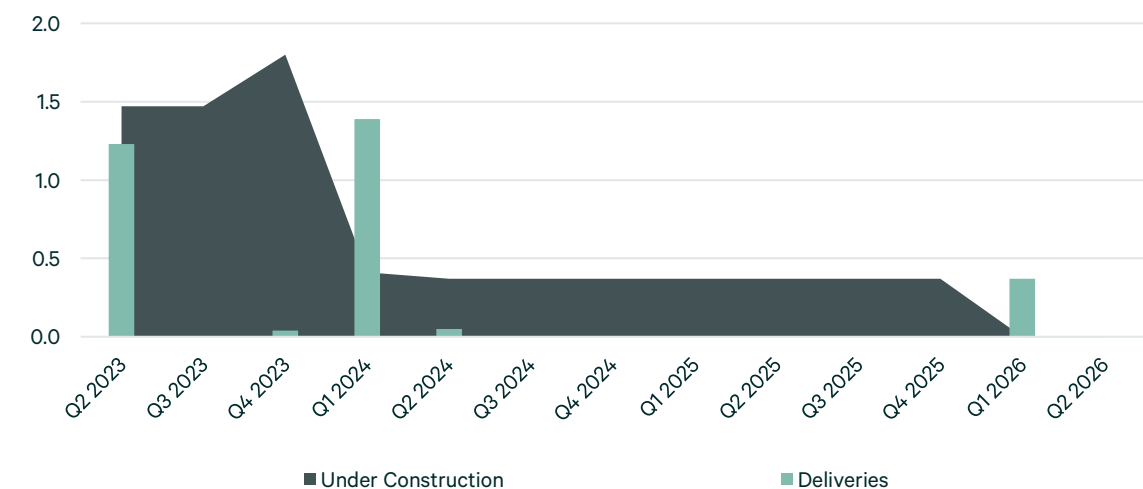
Sq. Ft. Millions



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity

Sq. Ft. Millions



Source: CBRE Research, Q2 2026

Leasing Activity

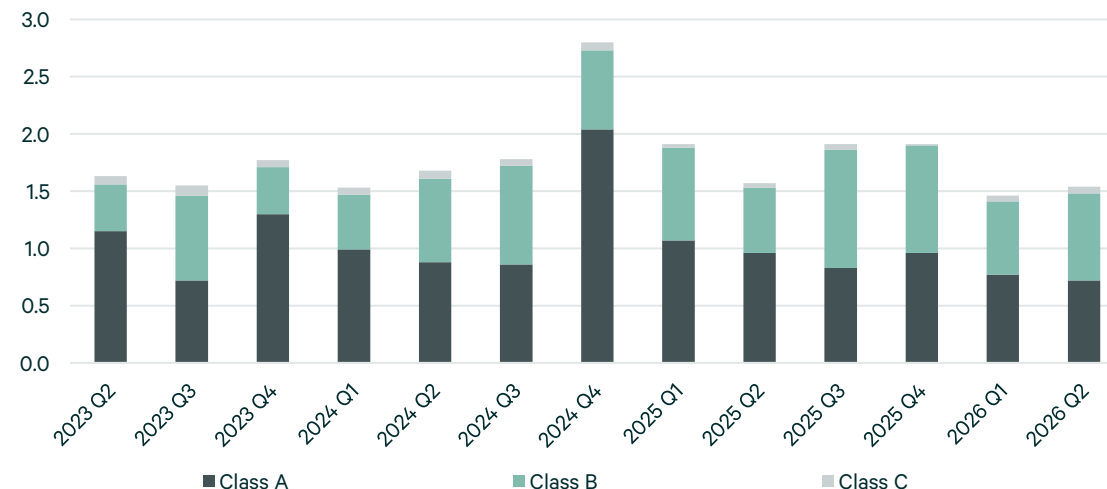
Leasing activity totaled 1.5 million sq. ft. across 51 leases in Q2 2026. Leasing volume rose 7.1% both QoQ and YoY, signaling continued improvement in leasing momentum.

Class A assets accounted for most leasing activity, driven by several large transactions including Golub Capital's 205,450 sq. ft. new lease at 225 W Randolph St. Law firms were among the most active tenants in Q2 2026, including Vedder Price's 163,000 sq. ft. renewal at 222 N La Salle St, Swanson, Marin & Bell's 56,760 sq. ft. lease at 33 N Wabash and Loeb & Loeb's 53,134 sq. ft. lease at 151 N Franklin. The U.S. Railroad Retirement Board signed a 115,436 sq. ft. lease at 231 N La Salle St, relocating from a significantly larger 281,892 sq. ft. footprint at 844 N Rush St, demonstrating the market trend of tenant downsizing to prioritize high-quality spaces.

At the submarket level, the West Loop recorded the highest leasing volume in Q2 2026 at 753,270 sq. ft., followed by the Central Loop with 451,902 sq. ft. Leasing activity in River North totaled 141,962 sq. ft., while North Michigan Avenue recorded 56,760 sq. ft. and East Loop recorded 55,633 sq. ft., with limited activity in Fulton Market totaling 25,302 sq. ft.

Figure 6: Leasing Activity Trend

Sq. Ft. Millions



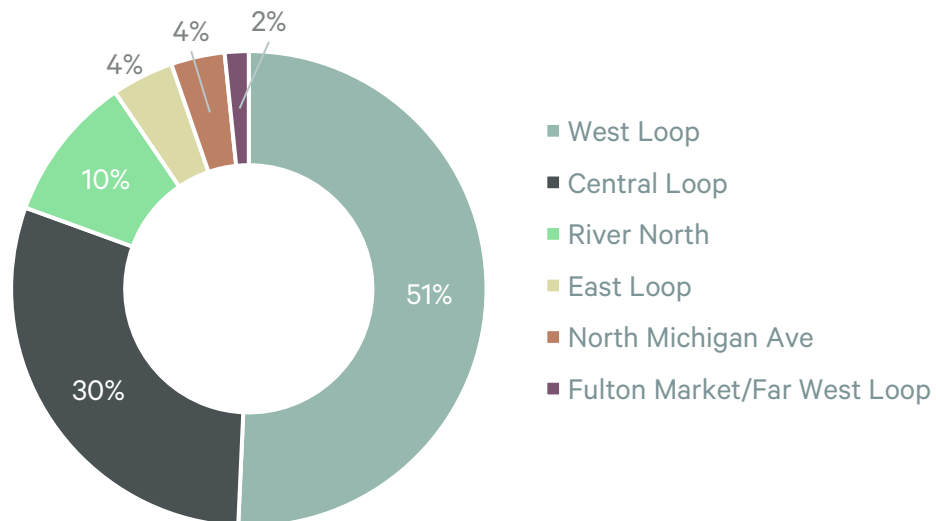
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	SF Leased	Transaction Type	Address	Submarket
Golub Capital	205,450	New Lease	225 W Randolph St	West Loop
Vedder Price	163,000	Renewal	222 N La Salle St	Central Loop
U.S. Railroad Retirement Board	115,436	New Lease	231 S La Salle St	Central Loop
US Securities and Exchange Commission	71,527	Renewal	175 W Jackson Blvd	Central Loop
Swanson, Martin & Bell	56,760	Renewal	330 N Wabash Ave	North Michigan Ave
Loeb & Loeb	53,134	New Lease	151 N Franklin St	West Loop
Confidential Tenant	52,967	New Lease	222 Merchandise Mart Plz	River North
Rise Interactive	40,428	Renewal	1 S Wacker Dr	West Loop

Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9: CBD Market Statistics by Class

Property Class	Net Rentable Area (SF)	Direct Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Direct Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	66.00M	20.0	23.3	19.9	3.3	53.28	343,180	237,809	-	-
Class B	65.06M	33.7	38.7	35.7	3.0	43.54	(343,615)	(679,005)	-	-
Class C	16.64M	26.3	28.6	27.8	0.8	31.28	(97,469)	(59,334)	-	-
Total	147.70M	26.8	30.7	27.8	2.9	45.27	(97,904)	(500,470)	-	-

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 10: CBD Market Statistics by Submarket

Submarket	Net Rentable Area (SF)	Direct Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Central Loop	36.35M	30.4	31.9	29.7	2.3	42.15	50.35	(282,009)	(937,000)	-	-
East Loop	24.22M	31.5	35.9	33.4	2.5	41.44	44.47	16,683	(32,753)	-	-
Fulton Market/Far West Loop	8.36M	17.4	22.2	14.8	6.9	51.29	73.76	30,435	256,427	-	-
North Michigan Ave	10.21M	25.4	30.3	27.1	3.2	43.04	44.90	(24,830)	(70,735)	-	-
River North	13.27M	33.6	36.1	34.0	2.1	50.95	67.25	68,042	164,135	-	-
West Loop	55.30M	22.3	27.6	24.6	3.0	48.06	55.13	93,775	119,585	-	-
Total	147.70M	26.8	30.7	27.8	2.9	45.27	53.28	(97,904)	(500,470)	-	-

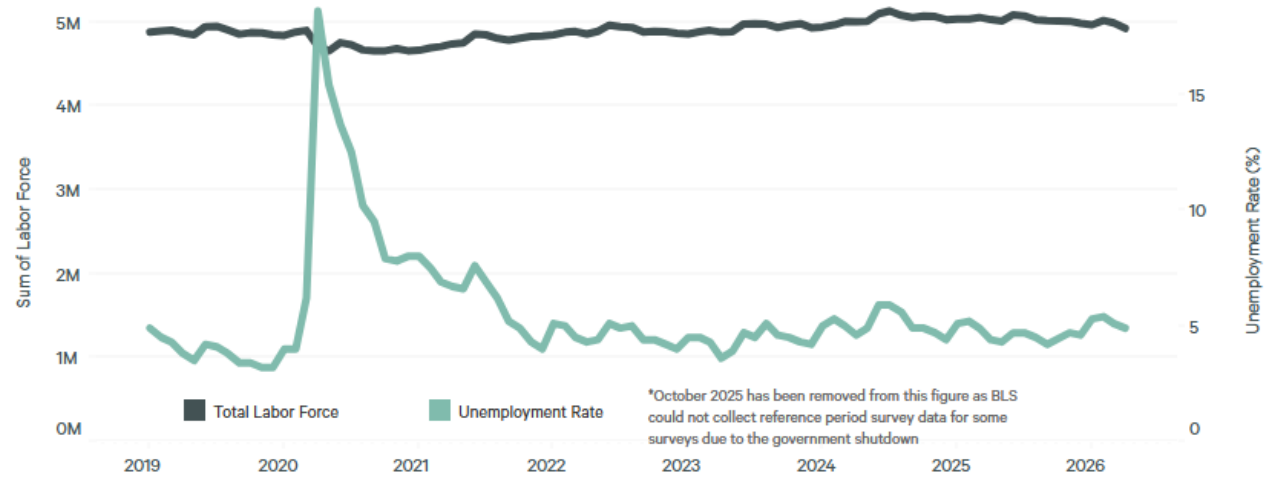
Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Unemployment Rate and Labor Force Trends



Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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