Vacancy Decreases as Suburbs See Second Quarter of Positive Direct Net Absorption

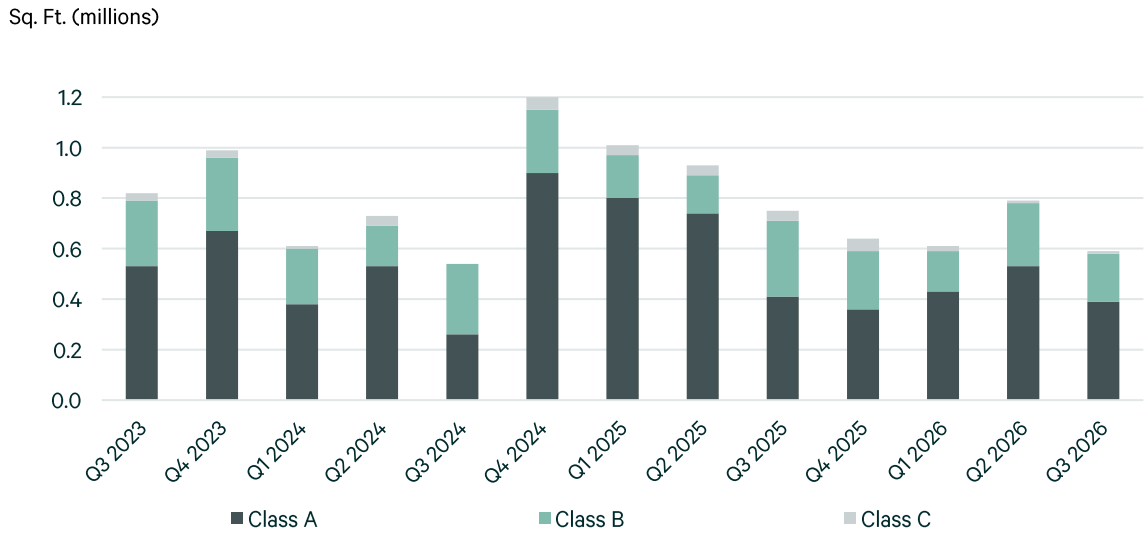
▲29.4%	▼27.9%	▼165,253	▶0	▼$25.97
Direct Availability Rate	Direct Vacancy Rate	SF Direct Net Absorption	SF Under Construction	Direct Avg. Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Three deals over 50,000 sq. ft. were signed in Q3 2026, two in the O'Hare submarket. Leasing activity for deals over 10,000 sq. ft. totaled approximately 744,000 sq. ft. in Q3 2026, down 20.2% quarter-over-quarter (QoQ) from 931,417 sq. ft. in Q2 2026.
- Net absorption totaled 165,253 sq. ft. in Q3 2026, down slightly from 188,634 sq. ft. in Q2 2026 but up from 71,922 sq. ft. recorded in Q3 2025. This is the second quarter of positive net absorption in the suburbs, driven by both Class A and Class B absorption across four submarkets.
- Direct vacancy declined to 27.9% in Q3 2026, down 20 basis points from 28.1% in Q2 2026 and 10-basis points (bps) below the 28.0% rate recorded in Q3 2025. The improvement was supported by positive direct net absorption during the quarter, marking the second consecutive quarter of occupancy gains.
- There are no buildings under construction and no deliveries in Q3 2026.
- Five office sales closed in the suburbs during Q3 2026, with the largest transaction being the $151 million sale-leaseback of 1 Horizon Way from Amgen to Mesirow Financial.

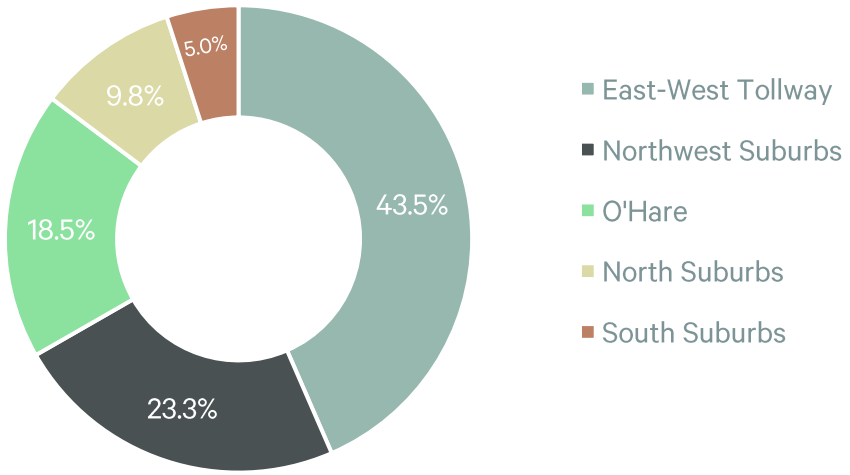
Figure 1: Leasing Activity Trend



Source: CBRE Research, Q3 2026

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Figure 2: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q3 2026

Leasing Activity

Leasing activity eased in Q3 2026 but remained active over the past year. Total leasing volume reached 743,685 sq. ft. during the quarter, while leasing activity over the trailing four quarters totaled 3.2 million sq. ft. Activity declined 20.2% from the 931,417 sq. ft. leased in Q2 2026 and fell 29.5% year-over-year from 1.1 million sq. ft. recorded in Q3 2025.

The East-West Tollway led suburban leasing activity in Q3 2026 with 323,287 sq. ft. leased, accounting for 43.5% of the market's quarterly total. The submarket also recorded the largest new lease of the quarter, with Sentinel Technologies signing for 63,409 sq. ft. at 410 Warrenville Rd. The Northwest Suburbs followed with 172,919 sq. ft. leased while O'Hare recorded 137,883 sq. ft., highlighted by Combined Insurance Company's 69,068-sq.-ft. renewal at 8750 W. Bryn Mawr Ave., the largest renewal completed during the quarter. The North Suburbs posted 72,593 sq. ft. of leasing activity, while the South Suburbs contributed 37,003 sq. ft., consisting entirely of two healthcare-related renewals.

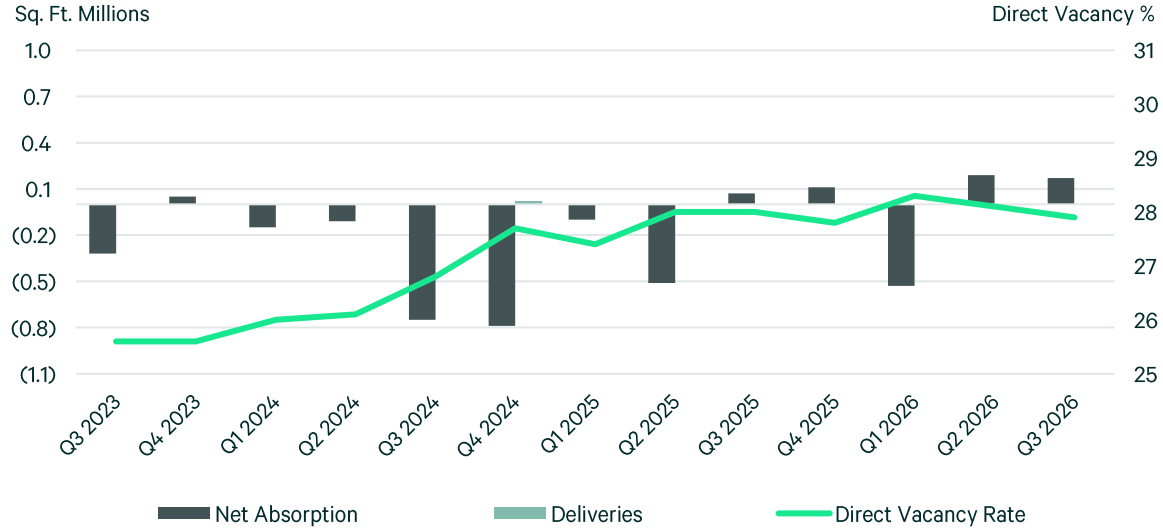
Class A properties accounted for 54.5% of quarterly leasing activity at 404,969 sq. ft, followed by Class B assets with 217,568 sq. ft. and Class C properties with 13,663 sq. ft. New leases totaled 399,947 sq. ft., representing 53.8% of quarterly activity, while renewals accounted for 42.8% with 307,409 sq. ft, and other transaction types accounting for the remaining leased space.

Figure 3: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Combined Insurance Company of America	69,068	Renewal	8750 W Bryn Mawr Ave	O'Hare
Sentinel Technologies	63,409	New Lease	410 Warrenville Rd	East-West Tollway
Power Construction	57,617	New Lease	8735 W Higgins Rd	O'Hare
General Services Administrator (GSA)	29,039	New Lease	485 E Half Day Rd	North Suburbs
Schneider Electric Usa	26,807	Renewal	1111 Pasquinelli Dr	East-West Tollway
Portillo's	25,522	Renewal	2001 Spring Rd	East-West Tollway
Associated Agencies	23,682	New Lease	1701 Golf Rd	Northwest Suburbs
Illinois Bone and Joint Institute	23,000	Renewal	1919 Skokie Valley Rd	North Suburbs

Source: CBRE Research, Q3 2026

Figure 4: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q3 2026

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Vacancy

Direct vacancy across suburban office property classes remained relatively stable, dropping 20 bps to 27.9% in Q3 2026. Class A direct vacancy declined 20 bps QoQ to 30.7% and Class B vacancy fell 30 bps to 28.5%, while Class C vacancy increased 30 bps to 21.0%.

Heightened vacancy has led to redevelopment activity in the suburbs, with 90,000 sq. ft. building 1600 Bishop Ct in the O'Hare submarket slated for demolition and replacement with an industrial facility.

Vacancy trends varied across submarkets during the quarter. The South Suburbs maintained the lowest direct vacancy rate at 17.8%, followed by the East-West Tollway at 26.1%. The East-West Tollway also recorded the largest move-out of the quarter, with Gallagher vacating 30,298 sq. ft. at 1311 Opus Pl. O'Hare posted a 26.3% direct vacancy rate and was impacted by Brickton Montessori School's relocation from 8601-8623 Bryn Mawr Ave to 1695 S River Rd, resulting in 13,140 sq. ft. of newly vacant space. Meanwhile, the Northwest Suburbs registered a 29.4% direct vacancy rate, while the North Suburbs continued to post the market's highest vacancy rate at 31.7%.

Investment Sale Activity

Suburban office sales reflected a mix of value-add assets, redevelopment plays, and high-quality net leased corporate properties. At the highest reported suburban office sale price since 2023, 1 Horizon Way in Deerfield traded for $151.0 million, with Mesirow acquiring the three-building campus through a sale-leaseback with Amgen.

Redevelopment activity continues to shrink suburban office supply amid heightened vacancy. Digital Realty acquired The Atrium at 3800 Golf Road in Rolling Meadows for $81.5 million. Previously considered for demolition, the vacant office campus is now being evaluated for redevelopment as a data center, reflecting continued investor interest in Chicago's data center market. The sale represented a substantial increase from Brennan Investment Group's approximately $27 million acquisition of the property in 2023.

In Northbrook, local firm Middleton Partners acquired the Crate & Barrel headquarters at 1250 Techny Road for $28.1 million, structured as a long-term leasehold interest. A joint venture between TPG Angelo Gordon and Altera Development acquired Madison Medical Plaza at 301 N Madison Street in Joliet as part of a 16-property portfolio transaction.

Capital is available and active buyers remain in the market despite rate uncertainty prompting some investors to step back and reassess their positions.

Figure 5: Direct Vacancy Rates by Class



Source: CBRE Research, Q3 2026

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

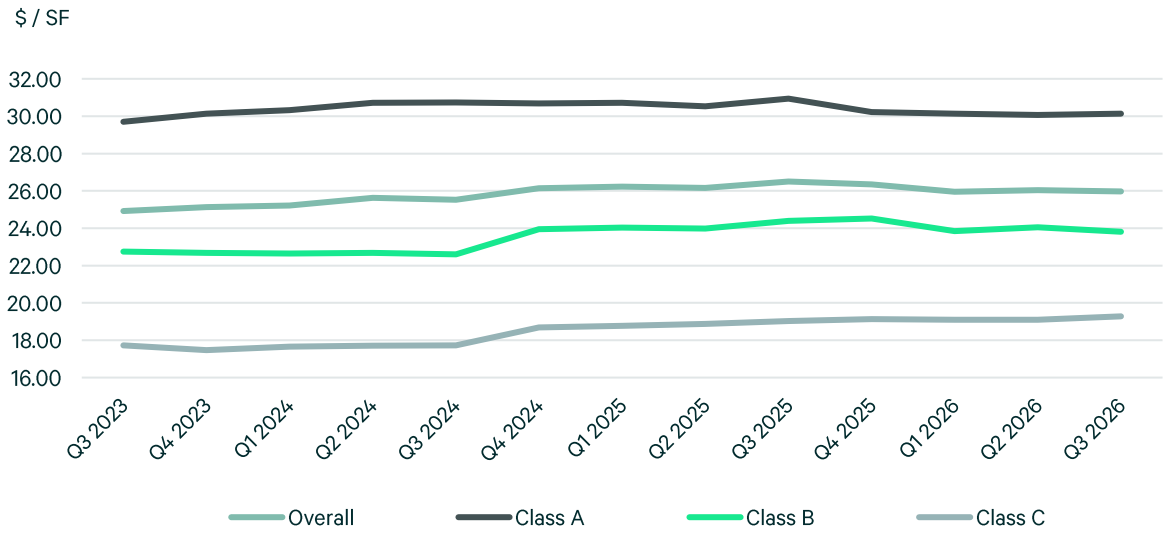
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Asking Rent

As leasing activity and occupancy stabilized, asking rents remained largely flat in Q3 2026. The overall average asking rent declined slightly to $25.97 per sq. ft., down from $26.03 per sq. ft. in Q2 2026 and $26.50 per sq. ft. one year ago. Class A asking rents increased modestly quarter-over-quarter to $30.13 per sq. ft. but remained below the $30.94 per sq. ft. recorded in Q3 2025. Despite recent moderation, asking rents remain above 2023 levels, with the overall average up $1.05 per sq. ft. and Class A rents up $0.43 per sq. ft. since Q3 2023.

Rental rates continued to vary significantly by location and asset quality. O'Hare remained the most expensive submarket for Class A space at $40.46 per sq. ft., while the South Suburbs recorded the lowest Class A rate at $18.09 per sq. ft. Class A rents averaged $30.66 per sq. ft. in the East-West Tollway, $28.97 per sq. ft. in the Northwest Suburbs, and $25.96 per sq. ft. in the North Suburbs. Class B asking rents ranged from $20.4 per sq. ft. in the South Suburbs to $25.63 per sq. ft. in O'Hare, while Class C rents ranged from $17.07 per sq. ft. in the Northwest Suburbs to $21.23 per sq. ft. in the East-West Tollway, reflecting the continued influence of location and building quality on pricing.

Figure 6: Average Direct Asking Rate by Class



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Net Absorption

In Q3 2026, the market recorded another quarter of positive net absorption, though momentum eased from earlier in the year. Total net absorption reached 165,253 sq. ft., down from 188,634 sq. ft. in Q2 2026, representing a QoQ decline of 23,381 sq. ft. Compared with Q3 2025, when net absorption totaled 71,922 sq. ft., the market recorded 93,331 sq. ft. more positive absorption, signaling modest year-over-year occupancy growth.

Class A accounted for 107,925 sq. ft. positive direct net absorption, Class B accounted for 122,218 sq. ft. positive net absorption, and Class C accounted for 64,889 sq. ft. negative net absorption.

Among submarkets, the Northwest Suburbs and East-West Tollway posted the strongest positive net absorption in Q3 2026, recording 66,607 sq. ft. and 49,498 sq. ft., respectively. O'Hare and the South Suburbs also recorded positive net absorption of 45,517 sq. ft. and 40,148 sq. ft., respectively. The North Suburbs was the only submarket to post negative net absorption, at 36,517 sq. ft., although Ravago Manufacturing occupied 31,506 sq. ft. at 540 Lake Cook Road in a new-to-market move. The East-West Tollway also benefited from leasing activity during the quarter, including Lee & Associates' occupancy of 10,424 sq. ft. at 18 Butterfield Road.

Figure 7: Net Absorption Trend



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Chicago Suburban Office Statistics by Class

Figure 11: 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 Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	43.02M	30.7	33.6	31.6	2.0	30.13	107,924	(35,000)	-	-
Class B	40.96M	28.5	32.7	31.1	1.7	23.81	122,218	95,000	-	-
Class C	20.68M	21.0	21.6	21.4	0.3	19.28	(64,889)	(241,000)	-	-
Total	**104.66M**	**27.9**	**30.9**	**29.4**	**1.5**	**25.97**	**165,253**	**(180,000)**	**-**	**-**

Source: CBRE Research, Q3 2026

Chicago Suburban Office Statistics by Submarket

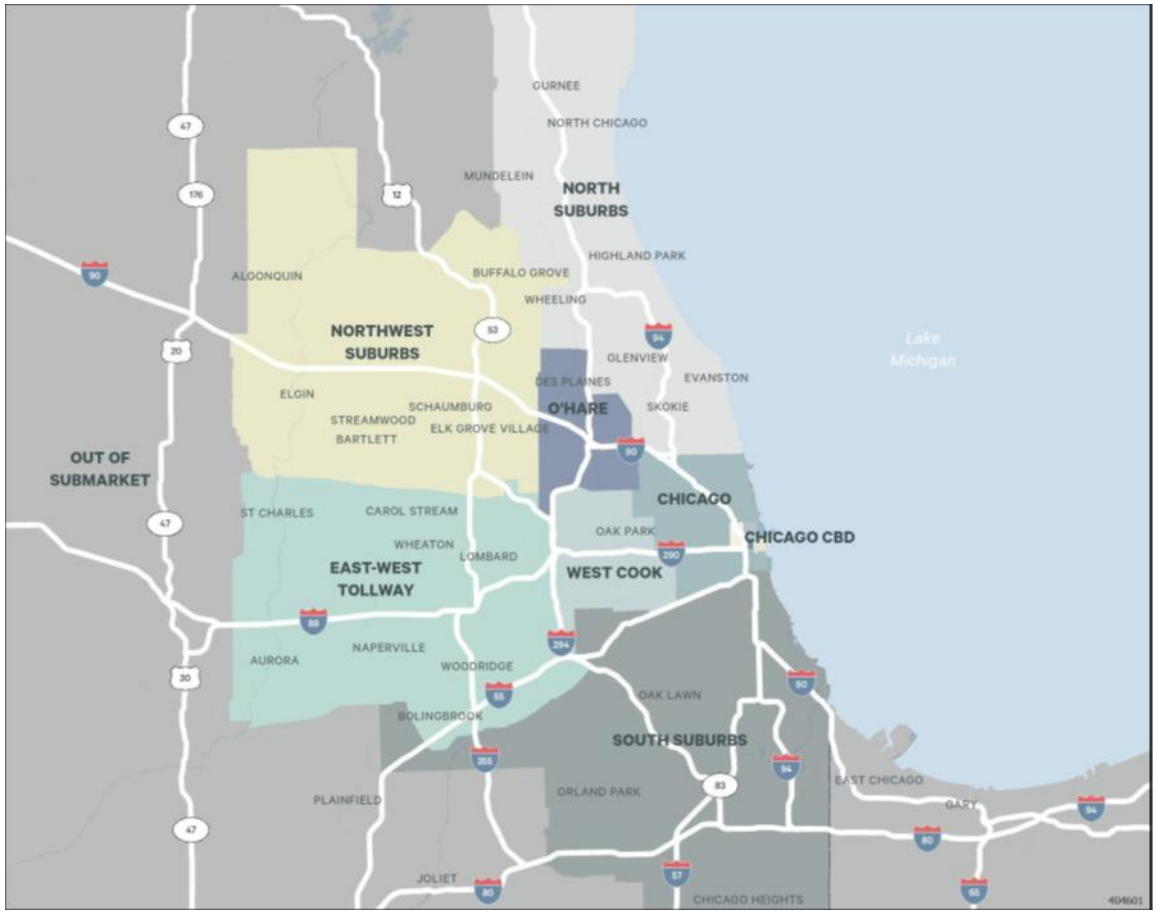
Figure 12: Market Statistics by Submarket

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)
East-West Tollway	40.63M	26.1	30.3	29.1	1.2	26.19	30.66	49,498	36,000	-	-
North Suburbs	23.45M	31.7	34.9	31.9	3.0	24.75	25.96	(36,517)	(130,000)	-	-
Northwest Suburbs	24.95M	29.4	31.0	30.3	0.7	24.51	28.97	66,607	(21,000)	-	-
O'Hare	12.83M	26.3	28.8	27.0	1.8	31.92	40.46	45,517	(92,000)	-	-
South Suburbs	2.81M	17.8	15.0	14.6	0.4	19.29	18.09	40,148	27,000	-	-
Total	**104.66M**	**27.9**	**30.9**	**29.4**	**1.5**	**25.97**	**30.13**	**165,253**	**(180,000)**	**-**	**-**

Source: CBRE Research, Q3 2026

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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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