Renewal Commitments Drive Office Stability

▼ 28.2%
Direct Vacancy Rate

▲ 169,586
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▲ $26.04
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Leasing activity for deals over 10,000 sq. ft. totaled approximately 856,442 sq. ft. in Q2 2026, increasing 6.0% quarter-over-quarter (QoQ).

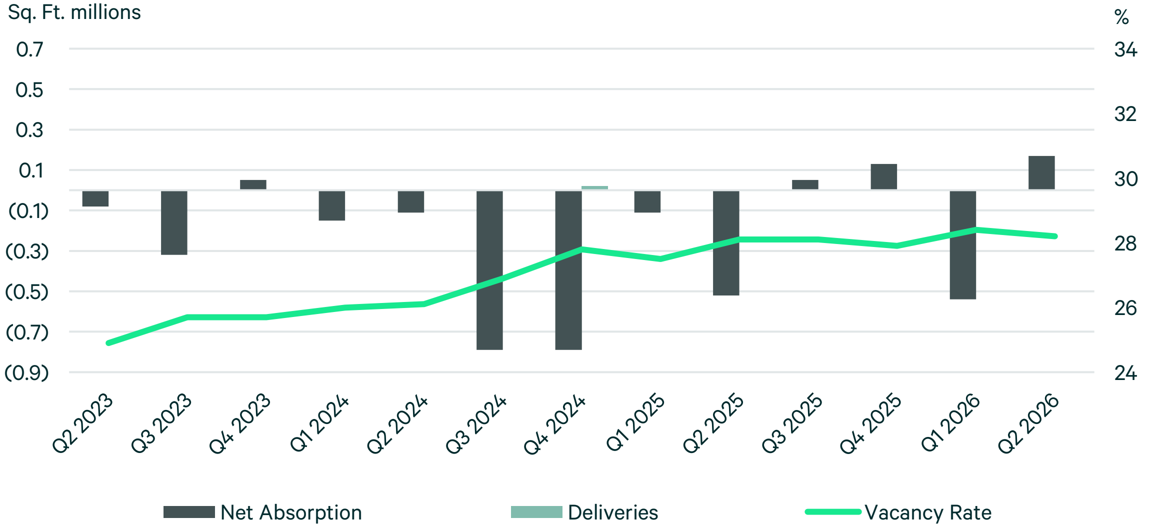
- Net absorption totaled 169,586 sq. ft. in Q2 2026, improving from negative 537,497 sq. ft. in Q1 2026 and negative 515,143 sq. ft. in Q2 2025. The quarter marked the highest net absorption since Q2 2023.

- Direct vacancy declined slightly quarter-over-quarter to 28.2%, down from 28.4% in Q1 2026, though remaining elevated, with a 10-basis points (bps) year-over-year (YoY) increase. Since 2023, the market has recorded approximately 1.8 million sq. ft. of cumulative negative net absorption.

- The construction pipeline remains inactive, with no space under construction and no deliveries recorded in Q2 2026.

- Eight office sales closed in the suburbs in Q2 2026, with the largest transaction being the sale of 450 E 22nd St for $19.4 million.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

Direct vacancy stood at 28.2% in Q2 2026, declining 20 bps QoQ from 28.4%, and increasing 10 bps YoY from 28.1% in Q2 2025.

In Q2 2026, vacancy varied by asset class, with Class A vacancy at 31.1%, compared with 28.7% in Class B and 21.0% in Class C. Since Q1 2026, vacancy declined 70 bps in Class A, remained unchanged in Class B, and increased 40 bps in Class C. Recent occupancy changes include FAA relocating from 205,298 sq. ft. of Class C space at 2300 E Devon Ave into 112,105 sq. ft. of Class A space at 9600 W Bryn Mawr Ave in the O'Hare submarket.

By submarket, the South Suburbs recorded the lowest vacancy at 18.4%, increasing 60 basis points from the prior quarter, while East-West Tollway declined to 26.3% from 26.6% in Q1 2026. The Northwest Suburbs posted a direct vacancy of 30.0%, while vacancy in the North Suburbs declined to 31.5% and O'Hare decreased to 26.8%. Notable moves included Claire's Essentials relocating from 71,977 sq. ft. at 2400 W Central Rd in the Northwest Suburbs to 43,214 sq. ft. at 9525 Bryn Mawr Ave in O'Hare.

Sublease availability totaled approximately 1.6% of suburban inventory in Q2 2026 and remains limited across the market.

Figure 2: Direct Vacancy Rates by Class

Source: CBRE Research, Q2 2026

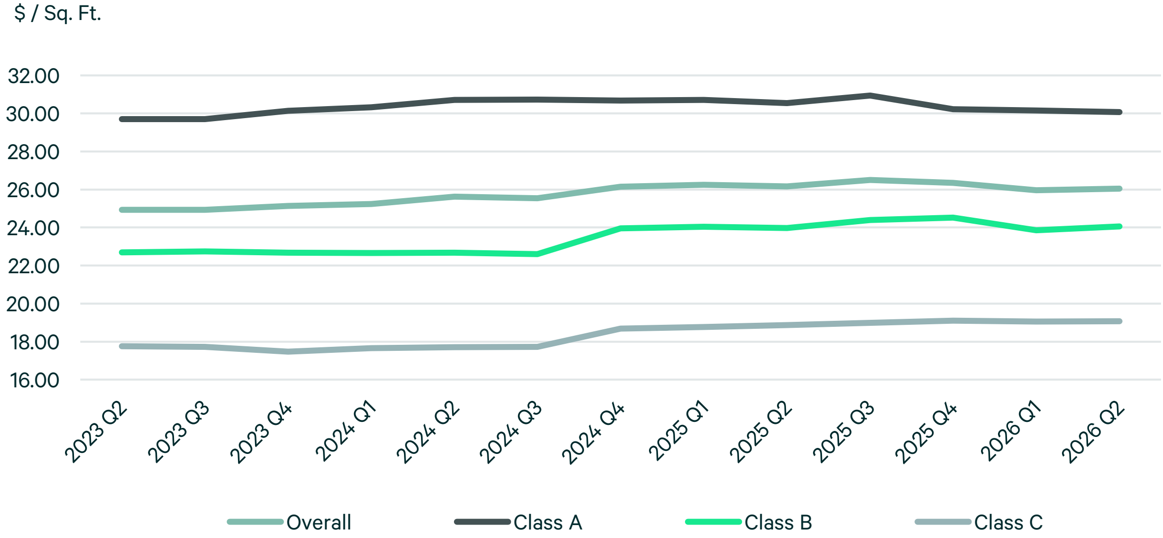
Asking Rent

Asking rents have remained relatively stable over recent quarters, reflecting limited volatility across suburban assets. Overall average asking rent in Q2 2026 was $26.04 per sq. ft., up 0.3% QoQ from $25.96 and down 0.5% YoY from $26.17.

Class A asking rents averaged $30.07 per sq. ft. in Q2 2026, compared with $24.06 per sq. ft. for Class B and $19.07 per sq. ft. for Class C, maintaining a clear pricing hierarchy among asset classes.

Across submarkets, asking rents varied, with O'Hare recording the highest average asking rent at $31.61 per sq. ft., followed by the North Suburbs at $26.68 per sq. ft., and the East-West Tollway at $26.36 per sq. ft. The South Suburbs averaged $20.08 per sq. ft., the lowest level in the suburban market.

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Q2 2026 was positive 169,586 sq. ft., improving from negative 537,497 sq. ft. in Q1 2026 and negative 515,143 sq. ft. in Q2 2025.

Class A recorded 299,714 sq. ft. of positive net absorption, while Class B posted negative 61,072 sq. ft. and Class C recorded negative 69,056 sq. ft. Relocations from Class B to Class A buildings helped drive this shift, including Pan American Life Insurance Company relocating from 16,000 sq. ft. at 1200 Jorie Blvd to 10,788 sq. ft. at 2015 Spring Rd, demonstrating the importance of high-quality space.

The East-West Tollway recorded the strongest positive net absorption at 81,750 sq. ft., supported by Inland Real Estate Group moving into 135,719 sq. ft. at 3050 Highland Pkwy from 100,278 sq. ft. at 2901 Butterfield Rd. The North Suburbs followed with 49,065 sq. ft. of positive net absorption, including occupancy of 20,105 sq. ft. at 111 Barclay Blvd. The Northwest Suburbs recorded 37,894 sq. ft. of positive net absorption, supported by AIT Worldwide Logistics adding 20,342 sq. ft. at 2 Pierce Pl. The South Suburbs reported negative 14,433 sq. ft., reflecting limited move-in activity during the quarter.

Figure 4: Net Absorption Trend

Source: CBRE Research, Q2 2026

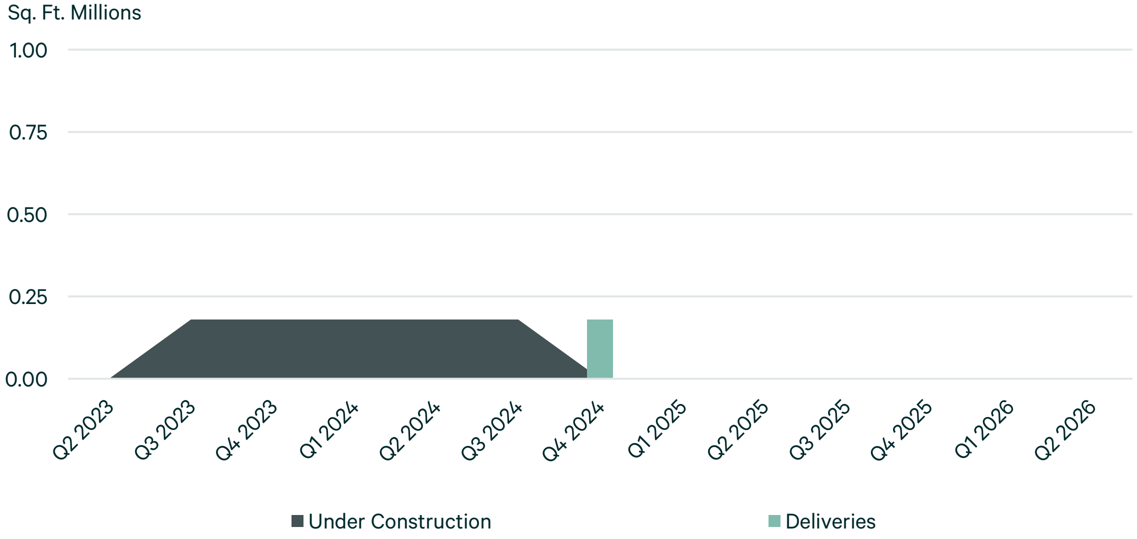
Capital Markets

There were eight suburban office sales in Q2 2026, led by the sale of 450 E 22nd St for $19.4 million.

Notable transactions included 55 Shuman Blvd in Naperville for $16.1 million and 915 Harger Rd, which were both purchased for renovation, as investors continued to pursue value-add opportunities. Additionally, 2349 W Lake St in Addison sold for $12.9 million and is slated for demolition and redevelopment into a 140,122 sq. ft. industrial building, highlighting ongoing redevelopment activity in the suburban market.

More broadly, pricing continued to reset across portions of the suburban office market, as evidenced by the sale of One Conway Park for $8.9 million, approximately 54% below its previous sale price of $19.4 million in 2016.

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

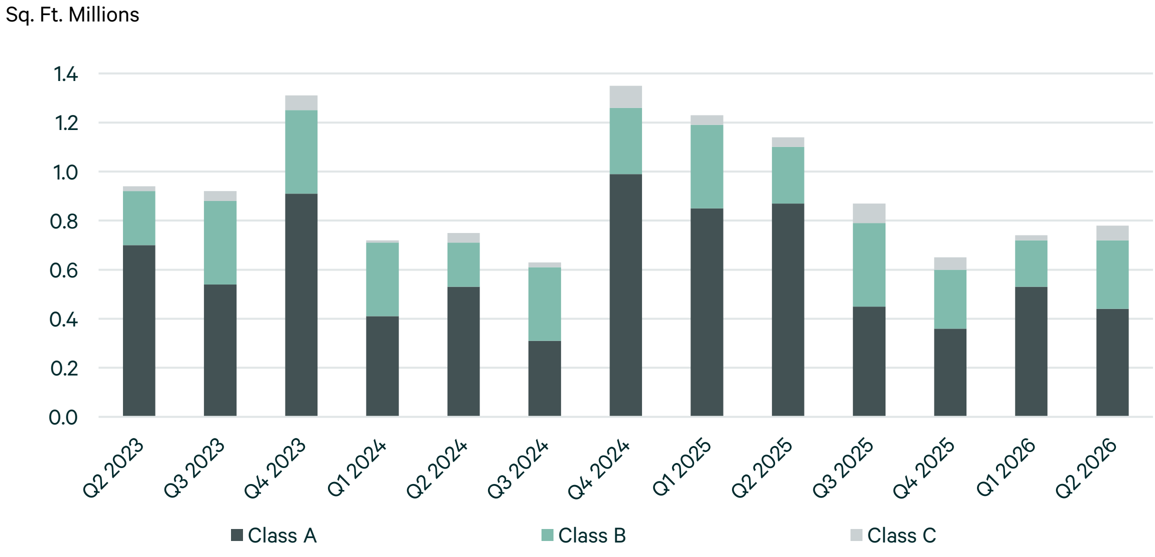
Leasing Activity

Leasing activity for deals over 10,000 sq. ft. totaled 856,442 sq. ft. across 34 leases in Q2 2026. On a QoQ basis, total leasing increased 6.0% from the 807,591 sq. ft. leased in Q1 2026.

At the submarket level, the North Suburbs recorded the highest leasing volume in Q2 2026, totaling 345,703 sq. ft., supported by Quill's renewal at 300 Tri State International for 61,518 sq. ft. The East-West Tollway submarket saw 244,025 sq. ft. of leasing activity, highlighted by Loyola University Medical Center's renewal at 2 Westbrook Corporate Center for 45,612 sq. ft. The Northwest Suburbs recorded 232,217 sq. ft. of leasing activity, including the largest lease signed during the quarter, while the South Suburbs accounted for 34,497 sq. ft. of leasing activity in Q2 2026.

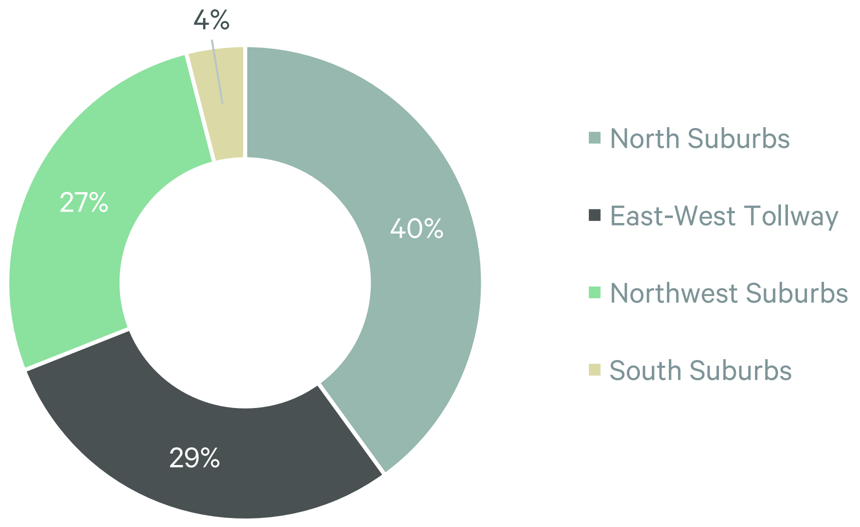
The largest lease signed in Q2 2026 was Tate & Lyle Americas' renewal at 5450 Prairie Stone Parkway for 114,213 sq. ft. Additionally, AbbVie's lease at 1615 S. Lakeside Drive for 98,319 sq. ft., along with Abbott Laboratories' renewal at 902 E. Park Avenue for 59,757 sq. ft., highlighted the strong leasing momentum among life sciences tenants in the suburbs. Life sciences occupiers accounted for 60.0% of the top five leases signed in Q2 2026.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Tate & Lyle Americas	114,213	Renewal	5450 Prairie Stone Pkwy	Northwest Suburbs
AbbVie	98,319	Renewal	1615 S Lakeside Dr	North Suburbs
Quill	61,518	Renewal	300 Tri State International	North Suburbs
Loyola University Medical Center	45,612	Renewal	2 Westbrook Corporate Ctr	East-West Tollway
Ravago Manufacturing	31,506	New Lease	540 Lake Cook Rd	North Suburbs
Lakes Venture	28,983	Renewal	2650 Warrenville Rd	East-West Tollway
Fujifilm North America	21,640	New Lease	150 N Martingale Rd	Northwest Suburbs
CACI, Inc.	19,266	Renewal	2100 Western Ct	East-West Tollway

Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 9: Suburban 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	31.1	33.6	31.5	2.1	30.07	299,714	(143,026)	-	-
Class B	41.04M	28.7	32.3	30.5	1.8	24.06	(61,072)	(30,754)	-	-
Class C	20.68M	21.0	21.4	21.2	0.3	19.07	(69,056)	(194,131)	-	-
Total	**104.75M**	**28.2**	**30.7**	**29.1**	**1.6**	**26.04**	**169,586**	**(367,911)**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 10: Suburban 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	40.69M	26.3	30.2	28.9	1.3	26.36	30.71	81,750	(13,586)	-	-
North Suburbs	23.4M	31.5	34.1	31.1	3.1	24.79	25.87	49,065	(97,935)	-	-
Northwest Suburbs	25.04M	29.9	30.7	29.9	0.8	24.42	28.93	37,894	(90,598)	-	-
O'Hare	12.92M	26.8	29.4	27.6	1.8	31.61	40.00	15,310	(152,150)	-	-
South Suburbs	2.66M	18.4	14.1	13.4	0.6	20.08	17.56	(14,433)	(13,642)	-	-
Total	**104.75M**	**28.2**	**30.7**	**29.1**	**1.6**	**26.04**	**30.07**	**169,586**	**(367,911)**	**-**	**-**

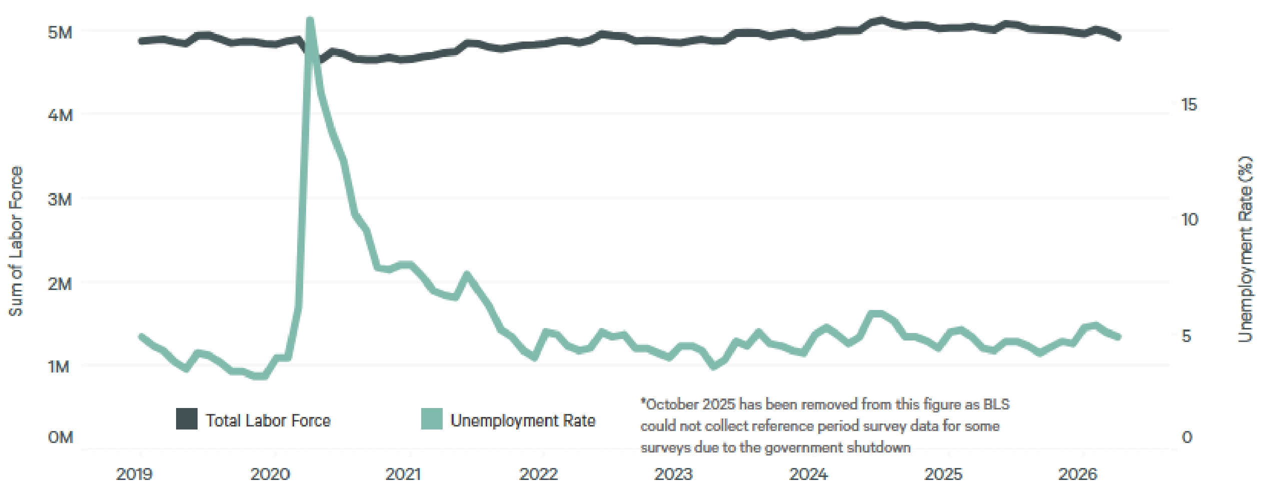
Source: CBRE Research, Q2 2026

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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