

FIGURES | CHICAGO OFFICE | Q1 2026

Tightening Supply Sets a Competitive Tone in the CBD

▲ 27.0%

Direct Vacancy Rate

▼ (515,176)

SF Net Absorption

▲ 369,008

SF Construction Delivered

▼ 0

SF Under Construction

▲ \$45.41

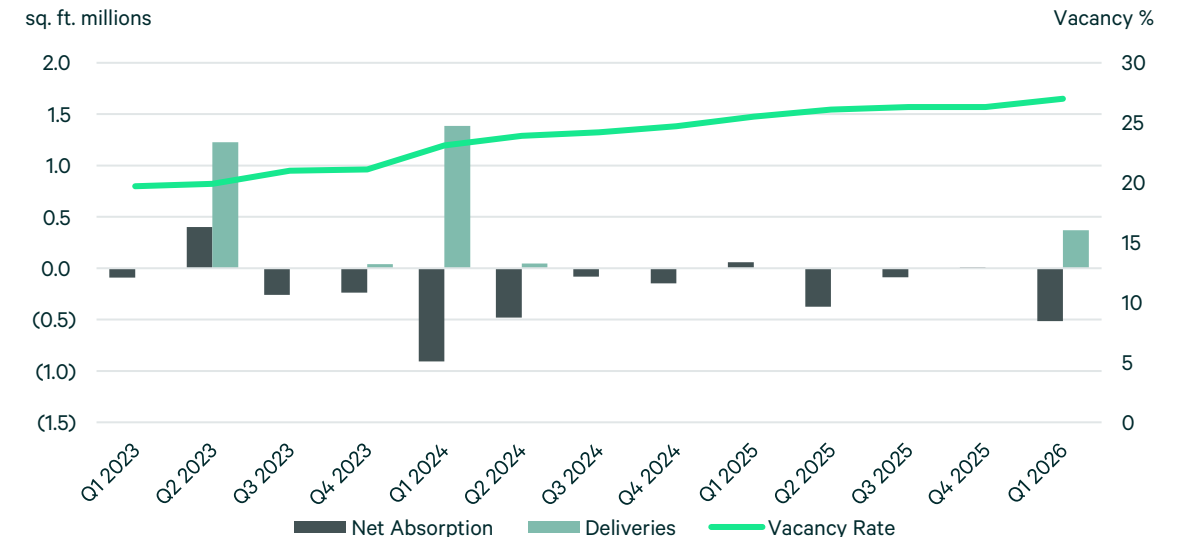
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Leasing activity for deals over 10,000 square feet (sq. ft.) totaled roughly 1.4 million sq. ft. in Q1 2026, compared to 1.7 million sq. ft. in Q1 2025.
- The Central Business District (CBD) recorded 515,176 sq. ft. of negative net absorption in the first quarter of 2026, reflecting the market's consistent optimization of occupier footprints. Large new vacancies driving this absorption include Citadel vacating 175,836 sq. ft. at 131 S Dearborn and The Boeing Company, which vacated 161,795 sq. ft. at 100 N Riverside Plaza.
- The delivery of 919 W Fulton added 369,008 sq. ft. of office space in Q1. There are no further new development projects slated for delivery in 2026.
- In Q1 2026 the direct office vacancy rate stood at 27.0%, a 40-basis point (bps) increase quarter-over-quarter and a 95 bps increase from the 2025 annual average.
- Average direct asking rents remained stable at \$45.41 per sq. ft. as landlords compete through concessions rather than rate reductions across the CBD.
- Six office sales closed in the CBD in Q1 2026, led by the \$132.5 million sale of 401 N Michigan Avenue, a 63.2% discount to its 2017 sale price of \$360 million.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Direct CBD office vacancy increased to 27.0% in Q1 2026, rising 40 bps quarter-over-quarter and 150 bps year-over-year as the market continues to overcome elevated availability.

Vacancy remains highly segmented by building class, with Trophy buildings posting a notably lower 13.9% direct vacancy rate, well below the broader Class A average of 23.0%, driven by unwavering occupier preference for the highest-quality, fully amenitized, and best-located space.

Notwithstanding new ground breakings, a now muted office development pipeline should allow existing vacancies to absorb without further supply-side pressure. As a result, future vacancy movement will be driven largely by leasing performance rather than new supply additions, positioning the market to become more competitive as tenants weigh options across a tightening pool of high-quality availabilities.

Asking Rent

Average direct asking rents in the CBD were \$45.41 per sq. ft. in Q1 2026, reflecting a 0.3% quarter-over-quarter increase despite broader market adjustments taking place across the downtown office landscape.

These adjustments include elevated vacancy levels and slower leasing velocity, which have created tenant leverage and increased competition among landlords, even as headline rents have largely held steady. Class A asking rents averaged \$53.52 per sq. ft., while Class B rents held at \$43.51 per sq. ft., as premiums by property class widened.

Significant repricing in office asset values has reset assumptions for some owners, providing flexibility to restructure lease economics and reinvest capital into building improvements and amenities. As supply-side pressure from the now-muted development pipeline subsides, persistent tenant demand concentrated in high-quality buildings is expected to continue supporting asking rents across the CBD.

FIGURE 2: Vacancy Rates by Class

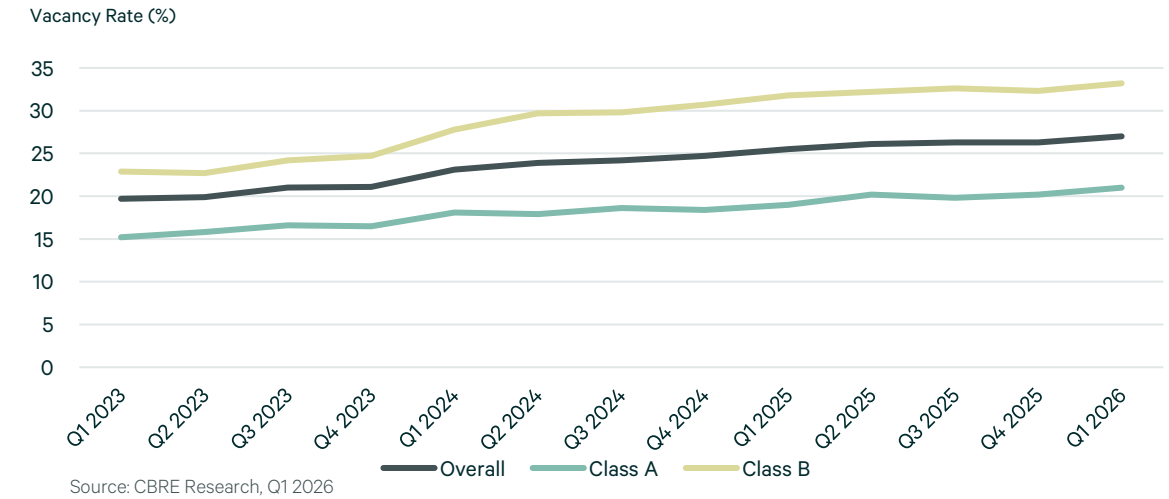
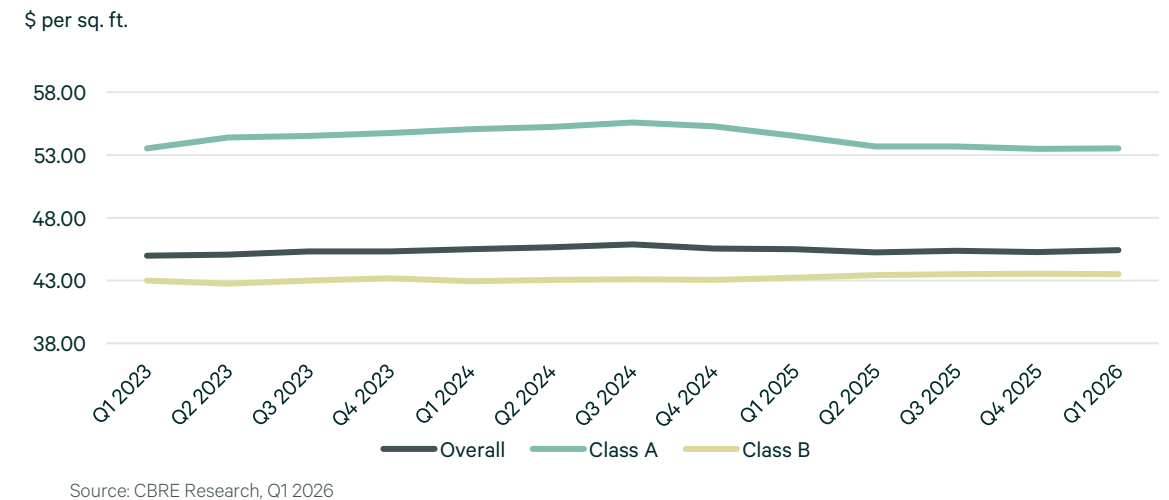


FIGURE 3: Avg. Direct Asking Rate (FSG/YR) by Class



Net Absorption

The CBD recorded 515,176 sq. ft. of negative absorption in Q1 2026, decreasing from the 10,000 sq. ft. of modest positive net absorption in Q4 2025. The market continues right-sizing as occupiers reassess space needs and prioritize building level amenities to leverage as an extension of their space.

Relocations and downsizing within the CBD largely drove negative absorption in Q1 2026, rather than market exits. Moves demonstrating this trend include Citadel, which vacated 175,836 sq. ft. at 131 S Dearborn and relocated into 56,970 sq. ft. at 353 N Clark, and FTI, which vacated 71,263 sq. ft. at 227 W Monroe to downsize into 56,000 sq. ft. at 155 N Wacker. Similarly, Crowell & Moring vacated 75,498 sq. ft. at 455 N Cityfront Plaza Drive, relocating into 48,966 sq. ft. at 300 N LaSalle.

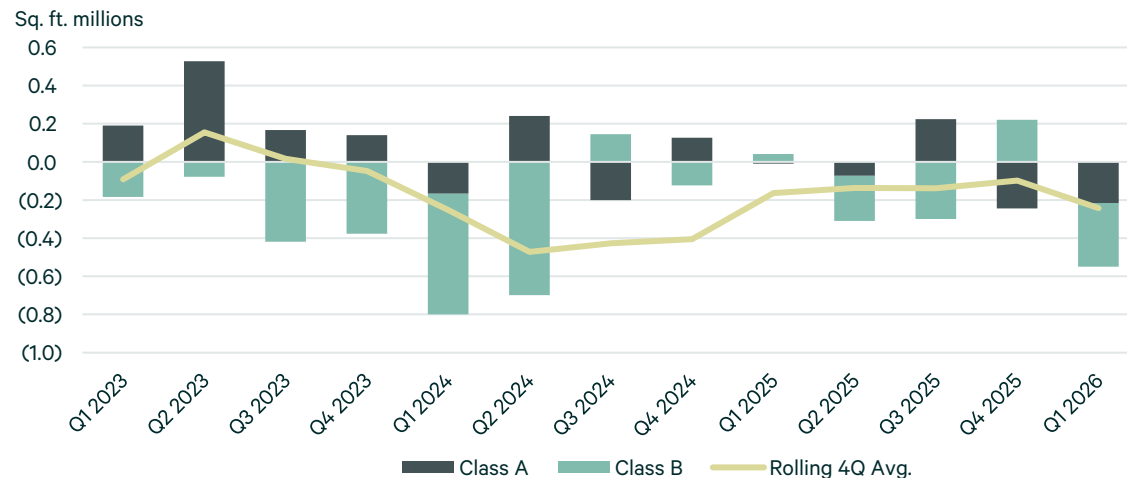
These moves reflect a consistent pattern of occupiers reducing footprints while recommitting to the CBD, relocating to comparable or newer-generation assets. While not reflective of the market’s broader trends, the quarter’s largest contributor to negative absorption was The Boeing Company, which vacated 161,795 sq. ft. at 100 N Riverside Plaza as part of an out-of-market relocation while still maintaining a footprint at the building.

Construction Activity

Following the delivery of 369,008 sq. ft. at 919 W Fulton in Q1 2026, there are no additional new office development projects currently under construction in the CBD. With no Trophy blocks exceeding 100,000 sq. ft., only one availability above 50,000 sq. ft., and no additional deliveries expected in 2026, the CBD has entered a period of limited new supply among Trophy and other high-quality assets, with any newly initiated projects unlikely to deliver until 2029.

Declining office valuations improved the feasibility of redevelopment and conversion strategies, opening repositioning opportunities as an acquisition option for investors. Projects such as Google’s Thompson Center redevelopment and Hines’ acquisition of the former Boeing headquarters are expected to support Central Loop leasing momentum as progress becomes more visible.

FIGURE 4: Direct Net Absorption Trend



Source: CBRE Research, Q1 2026

FIGURE 5: Construction Activity



Source: CBRE Research, Q1 2026

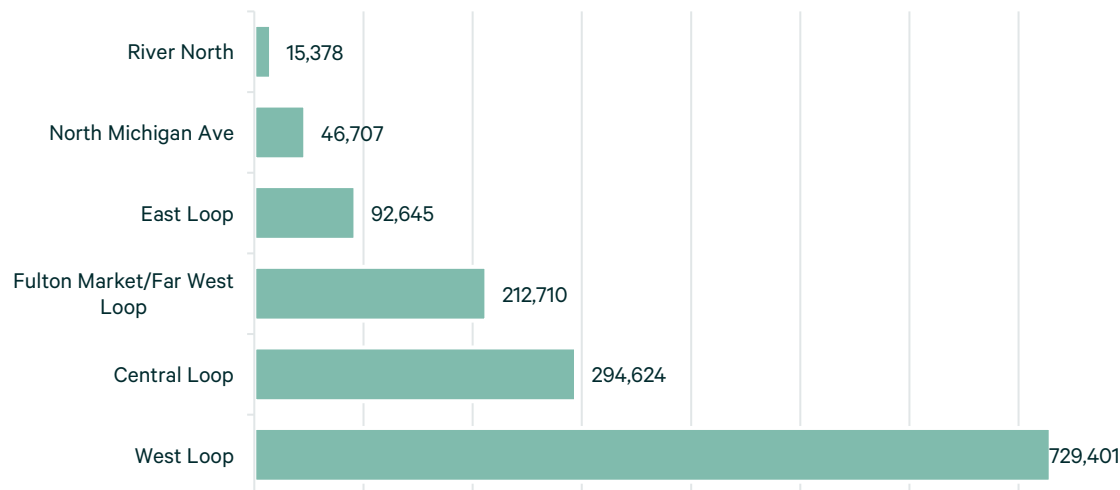
Leasing Activity

Leasing activity in the Chicago CBD totaled 1.4 million sq. ft. across 44 leases in Q1 2026. Leasing activity slowed quarter-over-quarter in Q1 2026, declining by 357,804 sq. ft. since Q4. Class A leasing activity came in 19.2% below year-over-year levels and Class B was 25.4% below year-over-year levels, reflecting a moderation from Q1 2025 activity.

Class A accounted for most of the activity, with 728,788 sq. ft. leased across 23 transactions, while Class B leasing totaled 641,395 sq. ft. across 19 transactions. Most of the activity this quarter underscores continued tenant demand for high-quality, well-located office space despite slower leasing velocity.

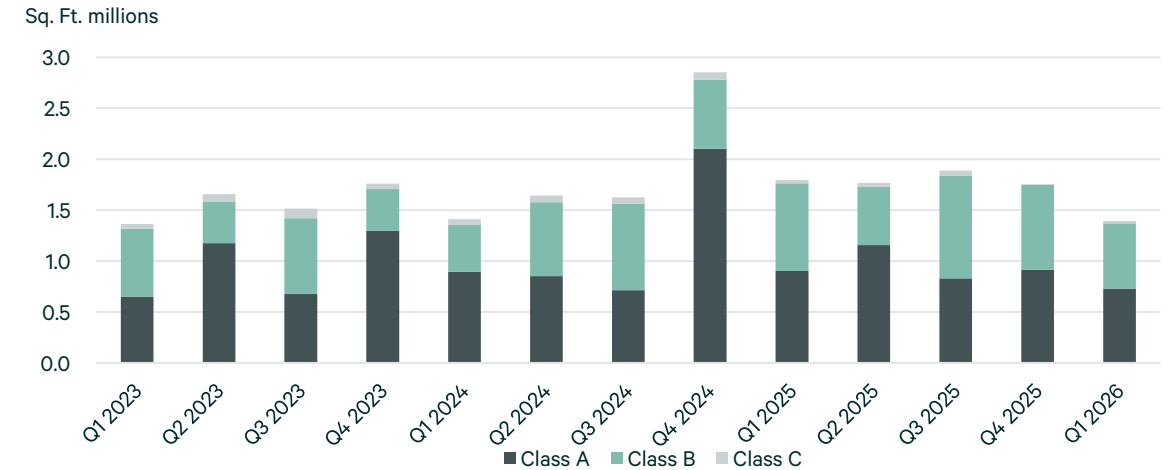
Top lease transactions signed in Q1 2026 include IMC’s 104,063 sq. ft. expansion at 233 S Wacker Drive, an 82,668 sq. ft. renewal by Huron Consulting Services at 550 W Van Buren, and a 72,645 sq. ft. new lease by the Illinois Housing & Development Authority at 225 N Michigan Avenue, relocating from 66,506 sq. ft. at 111 E Wacker.

FIGURE 6: Leasing by Submarket – 10,000 sq. ft. and up



Source: CBRE Research, Q1 2026

FIGURE 6: Leasing Activity Trend – 10,000 sq. ft. and up



Source: CBRE Research, Q1 2026

FIGURE 8: Key Lease Transactions

Tenant	Sq. ft. Leased	Transaction Type	Address	Submarket
IMC	104,063	Renewal/Expansion	233 S Wacker Dr	West Loop
Huron Consulting Services	82,668	Renewal/Contraction	550 W Van Buren	West Loop
Illinois Housing & Development Authority	72,645	New Lease	225 N Michigan Ave	Central Loop
AlphaSense	70,548	New Lease	200 N LaSalle St	Central Loop
Crowe	51,571	Renewal	200 N LaSalle St	Central Loop
Travelers Insurance Co.	47,252	Renewal	161 N Clark St	Central Loop
Quinn Emanuel Urquhart & Sullivan	41,603	Renewal/Expansion	191 N Wacker Dr	West Loop
Croke Fairchild Duarte & Beres	40,256	New Lease	222 N LaSalle St	West Loop
Amalgamated Bank of Chicago	40,000	New Lease	101 N Wacker Dr	Central Loop

Source: CBRE Research, Q1 2026

Market Statistics by Index

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
DOWNTOWN										
Class A	66,202,895	21.0	24.6	20.6	3.9	53.52	(215,382)	(215,382)	369,008	0
Class B	65,062,300	33.2	38.3	35.3	3.0	43.51	(333,321)	(333,321)	0	0
Class C	16,714,009	26.5	29.1	27.9	1.1	31.49	132,527	33,527	0	0
Total	147,979,205	27.0	31.1	27.9	3.2	45.41	(515,176)	(515,176)	369,008	0

Market Statistics by Submarket

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Central Loop	36,423,962	30.0	31.4	28.9	2.5	42.06	(686,019)	(686,019)	0	0
East Loop	24,215,601	31.8	36.9	34.5	2.5	41.29	(52,570)	(52,570)	0	0
Fulton Market/Far West Loop	8,360,403	17.8	24.5	17.2	7.3	53.96	221,384	221,384	369,008	0
North Michigan Ave	10,206,218	25.2	30.1	26.7	3.4	43.16	(45,905)	(45,905)	0	0
River North	13,265,876	34.4	35.9	32.9	3.1	51.18	96,093	96,093	0	0
West Loop	55,507,145	22.8	28.4	25.0	3.3	48.33	(48,009)	(48,009)	0	0
Total	147,979,205	27.0	31.1	27.9	3.2	45.41	(515,176)	(515,176)	369,008	0

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

FIGURE 5: Bureau of Labor and Statistics Data Chicago Metro

Job Growth - Year over Year Trend



Source: CBRE Research, Q1 2026

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.

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