

FIGURES | CHICAGO OFFICE | Q1 2026

Q1 Leasing Moderates While Demand for Class A Space Remains Strong

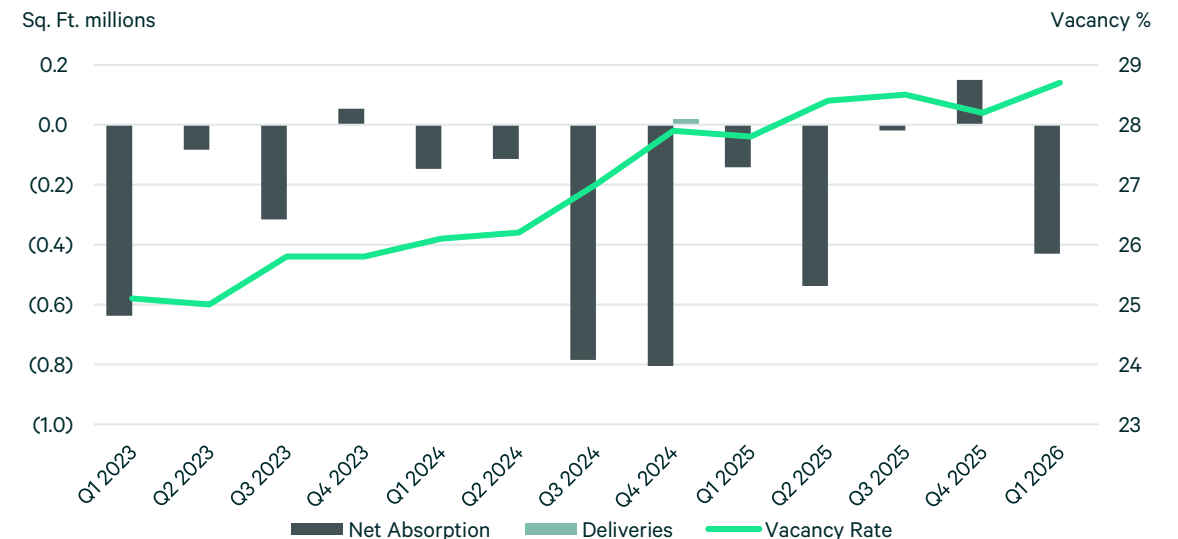


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The Chicago suburbs closed Q1 2026 with negative 430,887 square feet (sq. ft.) of net absorption, down an additional 237,605 sq. ft. from last quarter. Significant Q1 tenant move ins included IMRF occupying 70,000 sq. ft. at 800 Commerce Dr and Sasser occupying 64,883 sq. ft. at 700 Commerce Drive. Notable move-outs included Essendant vacating 271,178 sq. ft. at 1 Parkway North Blvd and Dairy Management vacating 89,023 sq. ft. at 10255 W Higgins Rd.
- In Q1 2026, total leasing volume was 636,392 sq. ft., with the average deal size of 25,456 sq. ft. in line with the rolling four-quarter average of 25,336 sq. ft. The largest deal of the quarter was a new leased signed by Inland Real Estate Group for 140,000 sq. ft. at 3050 Highland Pkwy.
- In Q1 2026, direct vacancy increased by 80 basis points (bps) quarter-over-quarter from 27.8% to 28.7%, driven primarily by newly vacant availabilities coming to the market faster than tenant demand.
- Asking rates slightly decreased by 1.1% from \$26.22 per sq. ft. to \$25.92 per sq. ft.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

The direct vacancy rate increased to 28.7% in Q1 2026, representing a 90 bps increase from 27.8% in Q1 2025, as large block vacant availabilities continued to outpace positive absorption. The increase was driven largely by a notable rise in Class A vacancy, which climbed to 32.2% amid ongoing corporate consolidations and sizable space givebacks across the suburban market.

Suburban occupiers vacated four significant blocks larger than 50,000 sq. ft. this quarter. The largest was Essendant’s 271,178 sq. ft. move-out in the North Suburbs, followed by IMRF’s 62,498 sq. ft. departure from 2211 2215 York Rd, Option Care’s 61,591 sq. ft. office closure at 2349 W Lake St and Mizkan America’s 54,035 sq. ft. departure from 1661 Feehanville Dr. Additionally, Inland Real Estate Group vacated 104,224 sq. ft. at 2901 Butterfield Road and will occupy 140,000 sq. ft. at 3050 Highland Parkway in Q2 2026.

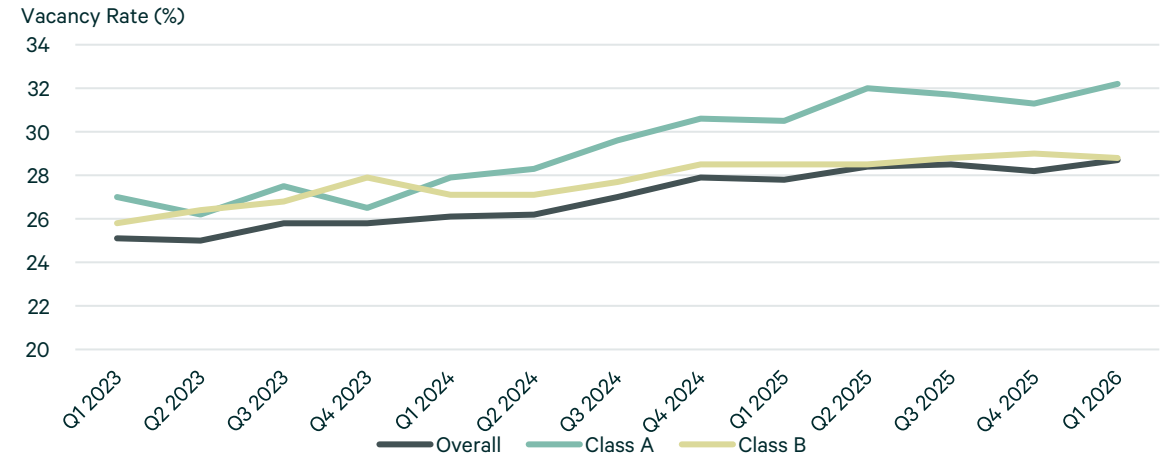
Upcoming redevelopments also shifted vacancy, including the seven-building 225,000 sq. ft. Class B office portfolio at 2805-2907 Butterfield Rd which be re-purposed to retail use. The buildings currently account for 217,540 sq. ft. of direct vacancy and their removal would effectively reduce the East/West Tollway submarket’s direct vacancy rate by 30 bps. As a result, near-term leasing activity is expected to increase as tenants relocate from these properties.

Asking Rent / Capital Markets

Average suburban asking rent was \$25.92 per sq.ft. in Q1 2026, a slight decrease from \$26.30 per sq. ft in Q4 2025. Class A asking rates averaged \$30.13 per sq. ft., representing a 26.5% premium over Class B product at \$23.82 per sq. ft. and a 58.5% premium over Class C space at \$19.01 per sq. ft.

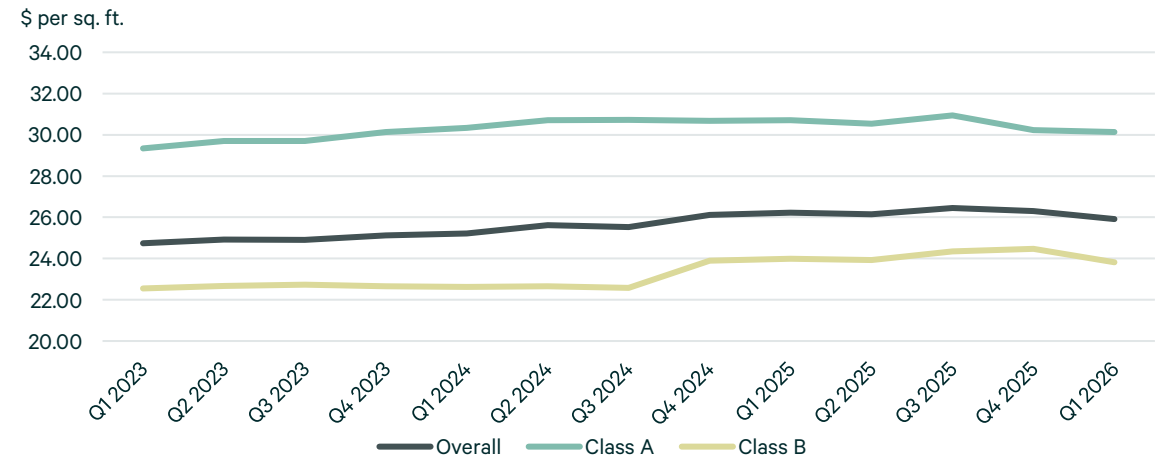
Suburban office sales activity increased in Q1, with nine transactions closing compared to six in Q4. Despite higher volume, pressure remained, as multiple assets traded at significant discounts to prior sales, including the former Scott, Foresman & Co. building in Glenview, which sold for \$14.0 million—roughly 70.0% below its previous purchase price. Newer, stabilized assets achieved higher premiums, highlighted by the \$15.0 million sale of Barilla’s North American headquarters in Northbrook. The sale price exceeded the building’s 2020 sale of \$13.75 million by 9.1%.

FIGURE 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

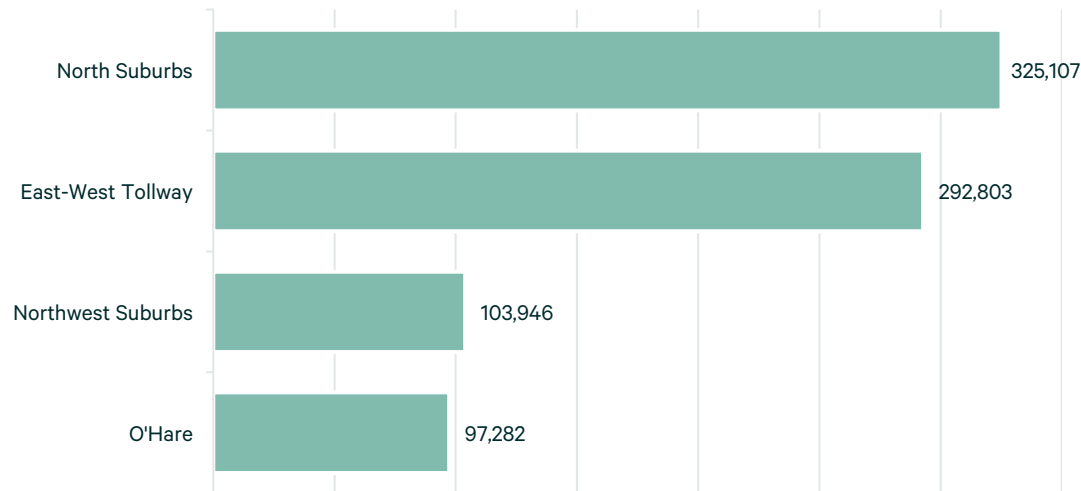
Leasing Activity

Leasing volume totaled 819,138 sq. ft. in Q1 transactions (leases larger than 10,000 sq. ft.) across 33 transactions, an 18.3% decrease from 1.2 million sq. ft. leased in Q1 2025. Class A was in highest demand this quarter, accounting for 74.3% of leasing volume, compared to 23.0% of leasing activity occurring within Class B properties, making it clear tenants continue to prioritize high quality and amenitized space.

By comparison, Q1 2025 leasing volume was skewed by several unusually large transactions exceeding 150,000 sq. ft. combined, which elevated the prior year’s average deal size well above the 3-year historical average of 84,508 sq. ft. As a result, the average transaction size declined meaningfully year-over-year, falling from approximately 54,000 sq. ft. in Q1 2025 to roughly 24,822 sq. ft. in Q1 2026, as activity shifted toward mid-sized deals in the 10,000–40,000 sq. ft. range.

New leases and expansions led Q1 2026 leasing activity and supported continued momentum in the suburban Chicago office market, despite ongoing macroeconomic pressures.

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
Inland Real Estate Group of Companies	140,000	New Lease	3050 Highland Pkwy	East-West Tollway
Takeda	79,521	Expansion	1930 Innovation Way	North Suburbs
Quill	58,659	New Lease	300 Tri State International	North Suburbs
Claire's Essentials	43,214	New Lease	9525 W Bryn Mawr Ave	O'Hare
PCS Administration	31,151	Expansion	540 Lake Cook Rd	North Suburbs
OptumRx	28,297	Renewal	1600 Mcconnor Pkwy	Northwest Suburbs
Cardiovascular Institute	26,147	New Lease	333 Chestnut St	East-West Tollway
Enesco	23,689	Renewal	500 Park Blvd	Northwest Suburbs
The Boyd Group	23,687	New Lease	8750 W Bryn Mawr Ave	O'Hare
True Health	22,700	New Lease	1450 Busch Pkwy	North Suburbs

Source: CBRE Research, Q1 2026

Net Absorption

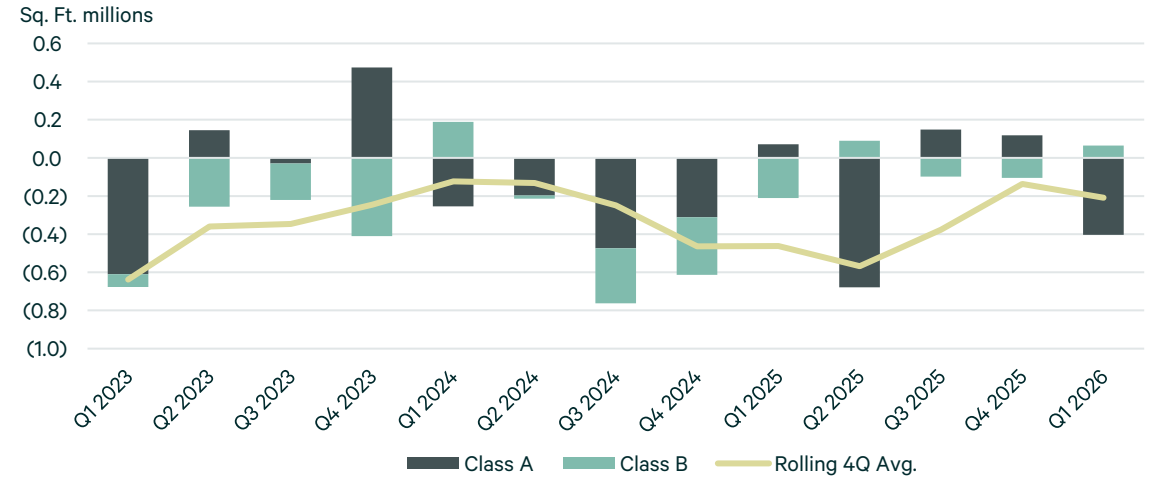
The Chicago suburbs recorded 430,887 sq. ft. of negative net absorption in Q1 2026, following negative net absorption of 668,492 sq. ft. at the end of 2025. The downturn in Q1 was driven overwhelmingly by major Class A move-outs, as several corporate consolidations added substantial blocks of vacant space back to the market. The North Suburbs and Lake County experienced the steepest declines, led by Essendant’s 271,178 sq. ft. move-out, the largest single vacancy of the quarter. Additional impacts came from Dairy Management, which vacated 89,023 sq. ft. at 10255 W Higgins Rd and IMRF, which vacated 62,498 sq. ft. at 2211–2215 York Rd.

Despite the new vacancies, several mid-sized moves helped stabilize suburban demand throughout the quarter. IMRF occupied 70,000 sq. ft. at 800 Commerce Dr, Sasser moved into 64,883 sq. ft. at 700 Commerce Dr, and Essendant took 39,802 sq. ft. at 200 Tri State International.

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.

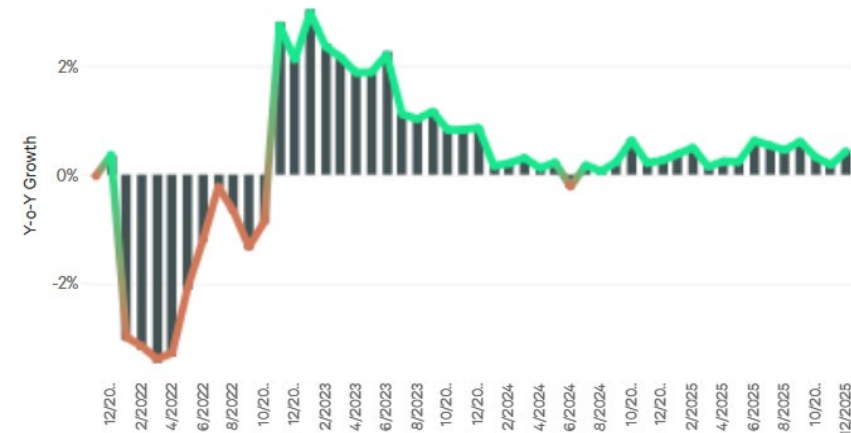
FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

FIGURE 5: Bureau of Labor and Statistics Data Chicago Metro

Job Growth - Year over Year Trend



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
SUBURBAN										
Class A	43,024,567	32.2	33.7	31.8	1.9	30.13	(404,007)	(404,007)	0	0
Class B	40,937,934	28.8	32.2	30.5	1.8	23.82	65,332	65,332	0	0
Class C	20,679,436	20.9	21.5	21.2	0.3	19.01	(92,212)	(92,212)	0	0
Total	104,641,937	28.7	30.7	29.1	1.5	25.92	(430,887)	(430,887)	0	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
East-West Tollway	40,581,339	26.7	29.7	28.6	1.1	26.19	(52,090)	(52,090)	0	0
North Suburbs	23,441,993	31.7	34.4	31.4	2.9	24.79	(120,650)	(120,650)	0	0
Northwest Suburbs	25,037,158	31.0	31.8	30.8	1.0	24.26	(123,275)	(123,275)	0	0
O'Hare	12,921,607	26.8	28.3	26.7	1.6	31.60	(135,663)	(135,663)	0	0
South Suburbs	2,659,840	18.9	15.4	14.8	0.6	19.90	791	791	0	0
Total	104,641,937	28.7	30.7	29.2	1.5	25.92	(430,887)	(430,887)	0	0

