

INVESTMENT FORECAST

Office
Chicago Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Chicago Enters 2025 With a Resilient Outlook as Urban Core Draws More Interest

Another record set in 2025. Vacancy decreased to 4.8 percent in 2024, marking eight consecutive quarters of decline and undercutting the previous low set in 2018. This tightening market coincided with a nearly 80 percent drop in deliveries, as rising costs and tighter financing constrained development – trends that will continue, with only a modest rebound expected this year. Suburban submarkets are capturing more move-ins due to higher household incomes and streamlined leasing and permitting processes. Leases here favor fitness and lifestyle concepts in shopping centers of various scale. That said, retail in downtown submarkets is gaining momentum, fueled by rising transit ridership and increased foot traffic from residents returning. The completion of 1000M in 2025 will add high-income residents near Grant Park, boosting demand for retail and dining, while the Red and Purple Line modernization will enhance accessibility, supporting foot traffic. With a deep labor pool and limited new retail development, Chicago's is well positioned for sustained retail growth in 2025.

Chicago closes 2024 with strong retail investment momentum. Transactions remain among the highest in the U.S., registering a gentler dip from 2023 than peer markets. Single- and multi-tenant trades stayed balanced, with gyms, hardware stores and mid-size users in 25,000- to 40,000-square-foot spaces being the most active in trades in the north and northwest corridors. With supply constrained, repurposing older sites has become more common despite overall lower pricing levels. Chicago's average sale price reached its lowest level since 2019, as the fourth-highest average cap rate of major U.S. metros attracts institutional and value-add buyers. Overall, the metro's population, legacy appeal and tight pipeline suggest steady investor interest this year.

2025 MARKET FORECAST

-0.1%



EMPLOYMENT: Population attrition and corporate downsizing will translate into a second year of net decrease as Chicago loses roughly 5,000 positions in 2025.

500,000
sq. ft.



CONSTRUCTION: Annual completions fall below the 1 million-square-foot mark for the fourth year in a row. The majority of space slated for delivery this year will come online in St. Charles.

-30 bps



VACANCY: Tepid speculative development prompts tenants to seek out existing floor plans, driving vacancy down to 4.5 percent. This will be the lowest rate noted since at least 2007.

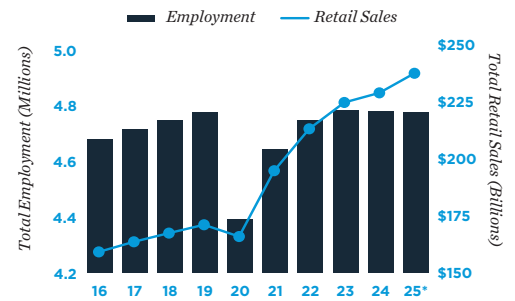
+1.5%



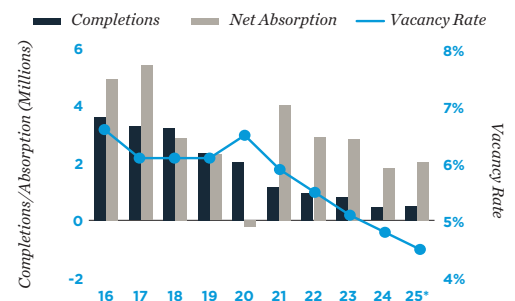
RENT: Historically low vacancy will keep rents climbing steadily upward, bringing the mean marketed rate to \$19.60 per square foot and marking the highest asking rent on record.

INVESTMENT: *Illinois' five-year economic growth plan, highlighted by the \$250 million Chan Zuckerberg Chicago Biohub in Fulton Market, is set to attract high-wage professionals, enhancing retail demand in the area.*

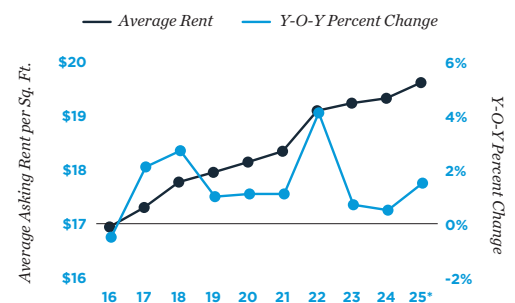
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.