

# INVESTMENT FORECAST

Office  
Chicago Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS





2025

## Minimal New Supply and Targeted Repositioning Signal a Turning Point for Chicago's Office Market

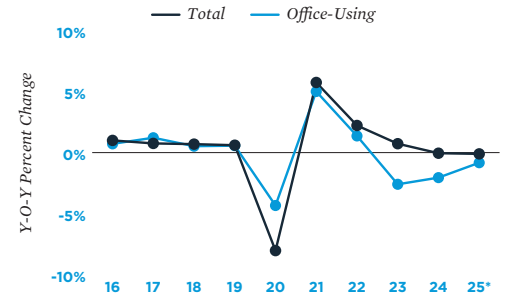
**Limited development spurs cautious optimism for Chicago offices.** Employers seeking proximity to affluent labor pools in the urban core and high-income suburbs continue to sustain demand, yet the market remains sharply bifurcated moving into 2025. Although total vacancy is still climbing, it is doing so at a slower pace, aided by declining sublease availability and the smallest pipeline of deliveries since 2014 — just 900,000 square feet — slated for completion this year. Modern Class A properties, notably in the Loop and River North, are seeing market-supported rent growth of around 3 percent, while also offering selective incentives to secure high-profile tenants. Older Class A and Class B buildings, however, remain at a competitive disadvantage. The city's focus on repurposing obsolete inventory into apartments or mixed-use spaces is providing a boost, though, by removing underperforming buildings from the tenant market. Against this backdrop, recent positive net absorption supports a cautiously optimistic outlook, suggesting that Chicago's office sector may be nearing a turning point.

**Sales activity dipped roughly 10 percent in 2024, but optimism rises for 2025.** Despite this slowdown, attractive pricing has drawn interest from private and mid-sized investors. With many institutional buyers sidelined by higher vacancies and financial market uncertainties, local buyers have capitalized on higher yields to hedge against future market shifts. Suburban assets, such as those in Hammond and South Chicago, continue to capture attention, thanks to stable tenant rosters and manageable operating costs. Owners with pre-rate-hike financing can better withstand near-term uncertainty, likely curbing deal flow in 2025. Improved leasing and minimal ground-breakings could draw investors with longer horizons.

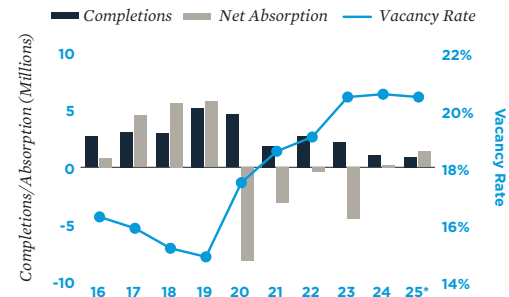
### 2025 MARKET FORECAST

- 0.1%**  **EMPLOYMENT:** Total employment in Chicago will contract by around 5,000 positions this year. Net losses will be felt more in traditionally office-using fields, which will see 10,000 fewer roles in 2025.
- 900,000 sq. ft.**  **CONSTRUCTION:** Marking its smallest increase in a over a decade, Chicago's office stock will inch up by 0.2 percent. South Chicago and the northwest edge of Indiana will see the most new supply.
- 10 bps**  **VACANCY:** With limited supply additions, vacancy will tick down to 20.5 percent this year due to lease expirations. Net absorption remains positive and will hit its highest level since 2019.
- +0.4%**  **RENT:** The average asking rent is expected to grow moderately, reaching \$23.30 per square foot this year, as a dip in vacancy allows for incremental increases.
- INVESTMENT:** *The growing presence of quantum computing locally, with the \$500 million Quantum and Microelectronics Park at the former U.S. Steel South Works site, could attract deal flow to the South side of Chicago.*

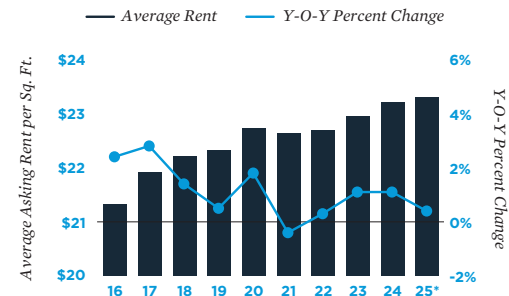
### Employment Trends



### Supply and Demand



### Rent Trends



\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

**Chicago Downtown Office:**  
**Joseph Powers** Vice President, Regional Manager  
Tel: (312) 327-5400 | joseph.powers@marcusmillichap.com  
**Chicago Oak Brook Office:**  
**Steven Weinstock** Senior Vice President, Regional Manager  
Tel: (630) 570-2200 | steven.weinstock@marcusmillichap.com

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.