REVIEW

CHICAGO OFFICE MARKET

USA H1 2026

TRANSWESTERN

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Real Estate for a changing world

KEY FIGURES

155m sqft
INVENTORY

23.2%
VACANCY RATE

$72.8
PRIME AVERAGE ASKING RENT

$915m
TOTAL INVESTMENT

$718m
OFFICE INVESTMENT

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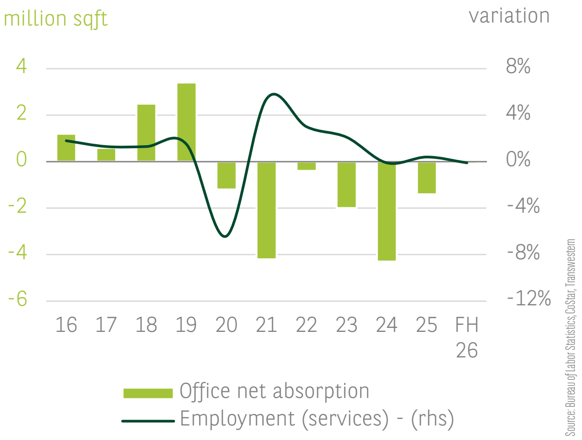
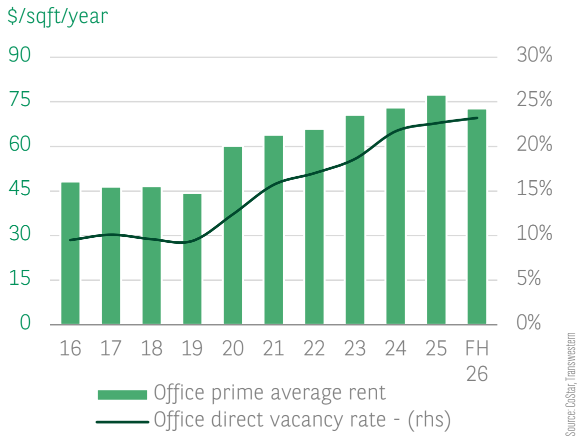
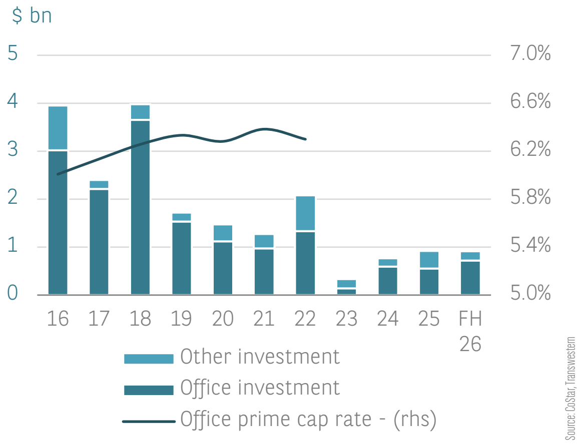
Net Absorption / Employment



Prime rent / Vacancy Rate



Investment / Capital Rate



Early Signs of Stabilization

The direct vacancy rate decreased 20 basis points to 23.2% in the second quarter of 2026, marking the first decline in 26 quarters. Net absorption was 250,127 SF, which was the first positive absorption in the market since the second quarter of 2023. Overall leasing activity continues to lag pre-pandemic norms. However, the market is beginning to see more tenants expanding than contracting, a trend that should support recovery in the coming years.

Possibility of New Construction on the Horizon

Though the Chicago office market remains in recovery, a growing mismatch has emerged between supply and demand for large blocks of high-quality space. At least 10 tenants are currently in the market for more than 100,000 SF. The continued flight to quality has left the best buildings with minimal available space, forcing many large tenants to renew in place. As tenants seeking trophy space, particularly high-rise trophy space, find limited options, demand may support an increase in new construction over the coming years. The net rents required to support new construction would represent a premium of $20 to $30 above the market's current highest rents, a threshold that, once reached, should bring considerable confidence back to the market.

Office Investment Market Nears Rock Bottom

Distressed sales continue to account for most of the investment activity in the Chicago CBD. The pace of these sales has increased, however, as pricing has adjusted to reflect significant losses in value. Lenders are increasingly motivated to remove distressed assets from their books, and low pricing has drawn a growing pool of investors into the market.

H1 2026

OFFICE MARKET USA

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent ($/sqft/year)		
	Q2 2026	H1 2026	2025	Q2 2026	2025	Q2 2026	Trend
Atlanta	176	800	22.4%	21.1%	33.9	33.4	-2%
Chicago	155	-100	22.6%	23.2%	77.4	72.8	-6%
Dallas/Fort Worth	306	1,800	18.4%	18.2%	74.3	75.3	1%
Denver	164	200	18.7%	21.2%	33.5	35.6	6%
Detroit	202	-129	10.4%	10.1%	21.3	21.6	2%
Houston	204	500	20.8%	21.4%	48.9	42.6	-13%
Los Angeles	371	500	15.4%	15.3%	44.7	45.0	1%
Miami	52	160	11.6%	11.4%	89.7	89.7	0%
Minneapolis	68	-600	21.0%	29.4%	30.5	31.1	2%
New York/Manhattan	452	3,900	13.5%	12.8%	77.4	78.1	1%
Phoenix	98	-200	17.0%	16.7%	32.1	31.8	-1%
San Diego	125	-100	12.7%	14.0%	38.3	41.2	8%
San Francisco	93	1,900	30.1%	26.7%	74.3	77.7	5%
Seattle	183	686	15.9%	15.5%	34.5	35.9	4%
Washington DC	143	-400	16.0%	16.7%	88.3	88.2	0%
Total 15 markets	**2,791**	**8,917**	**17.8%**	**18.2%**	**53.3**	**53.3**	**0.5%**

Investment Market	Total investment volume ($ million)		Office investment volume ($ million)		Cap rate (%)		
	2025	H1 2026	2025	H1 2026	2025	Q2 2026	bps
Atlanta	15,990	5,400	1,560	1,210	8.30%	8.82%	52
Chicago	920	920	550	720	NA	NA	NA
Dallas/Fort Worth	13,410	2,970	3,440	780	6.20%	6.30%	10
Denver	7,740	3,660	1,260	560	7.20%	8.40%	120
Detroit	1,550	880	300	290	8.60%	7.40%	-120
Houston	14,170	6,490	1,710	1,550	NA	11.25%	NA
Los Angeles	13,080	5,360	4,140	2,130	NA	6.80%	NA
Miami	4,830	5,670	1,290	1,300	6.90%	6.50%	-40
Minneapolis	5,470	2,150	670	210	7.70%	13.00%	530
New York/Manhattan	14,010	5,660	11,660	4,390	6.30%	6.10%	-20
Phoenix	9,870	8,220	1,170	970	7.20%	7.00%	-20
San Diego	4,970	3,440	1,600	650	6.20%	7.20%	100
San Francisco	2,700	1,760	1,790	1,120	4.40%	5.30%	90
Seattle	2,440	1,000	1,110	290	7.60%	8.80%	120
Washington DC	1,300	830	870	760	9.00%	9.00%	0
Total 15 markets	**112,450**	**54,410**	**33,120**	**16,930**	**7.13%**	**7.99%**	**69**

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