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▶ MARKET HIGHLIGHT: CHICAGO

THE SHIFT IN OFFICE LEASING DEMAND REQUIRES FURTHER EVOLUTION, INNOVATION



Adam Showalter
Managing Director,
Stream Realty Partners

The culmination of events that took place during and leading up to 2020 triggered the biggest shift in office leasing in U.S. history. The implications have led owners to re-evaluate their assets and occupiers to re-evaluate their office needs, with both looking for opportunities to bring innovation and flexibility into their space. This trend has been taking place across the country and changing the landscape for many markets, including Chicago.

During 2020, the direct vacancy rate (not including sublease vacancy) for office space in downtown Chicago increased approximately 200 basis points. Adding further to the rapidly changing landscape downtown, the amount of sublease space in the available inventory was the highest it had been in the past 15 years, greatly influenced by pandemic conditions.

Meteoric growth also played a significant role in the market shift and

subsequent shakeout of coworking, which accounts for 3.2 million square feet in Chicago. In 2019, the explosion of coworking accounted for significant levels of absorption nationally. Experts cautioned that the sector had never fared well during previous downturns. However, countless opportunistic landlords took on the future risk by signing long-term leases and management agreements with groups like WeWork, Industrious, Regus and others.

Flexible options

The pandemic — and year-long shutdown — has led many landlords and occupiers to look at the traditional work environment in a new light. Flexible workspace options — and operations — didn't fail or shortchange the marketplace; the pandemic did. According to industry studies, while there is a wide disparity in precisely what employee work arrangements will look like, company executives virtually all agree that a more flexible workplace and work environment is a necessity, for today and for in the future.

Tenants are demanding flexible office space options to combat the uncertainty that exists in today's market, while also leveraging the innovations

that are constantly evolving the workplace environment. From sole proprietorships to large businesses, several common trends are emerging in tenant demands, such as:

- Fully furnished, move-in ready space
- Short-form leases signed electronically
- Low or no out-of-pocket relocation costs
- Credit card rent and security deposit payment

Quick response

In response to these needs, Stream Realty Partners developed Rapid Offices, a quick, turn-key solutions platform to be a conduit for tenants looking to complete lease transactions in finished space, whether they be former coworking or smaller spec suites, to address various lease sizes.

For building owners, Rapid drives revenue and occupancy for these finished spaces without the long process of locating a replacement tenant for large spaces or custom-building spaces.

Most recently, Next Realty LLC awarded Stream leasing of 620 N. La Salle Drive, an iconic, 80,000-square-foot office building in Chicago's River North Market. The building became

available when coworking provider Spaces went out of business approximately one year after it established a coworking operations in the newly renovated building.

Next Realty learned of the opportunity to integrate the traditional leasing model with the activation of Rapid and immediately began implementation of a layered leasing program. A portion of the space at 620 N. LaSalle provides move-in ready, fully furnished and wired spaces with DocuSign leases and credit card payment options. As a result, Chicago start-ups and companies looking for short-term flexibility have the ability to secure space within 24-hours — and all online — to facilitate speed to lease execution that Chicago businesses are looking for today.

More than ever, commercial real estate owners and occupiers are demanding innovation and flexibility, to solve issues they are experiencing today and may encounter in the future. Rather than being on opposite ends of an issue, where outcomes are advantageous for one and perhaps only acceptable for the others, programs like Rapid strike an appropriate balance benefitting each at a time where businesses and the industry both need innovative results.