



# CHICAGOLAND 2023 MARKET REVIEW AND FORECAST WEBINAR

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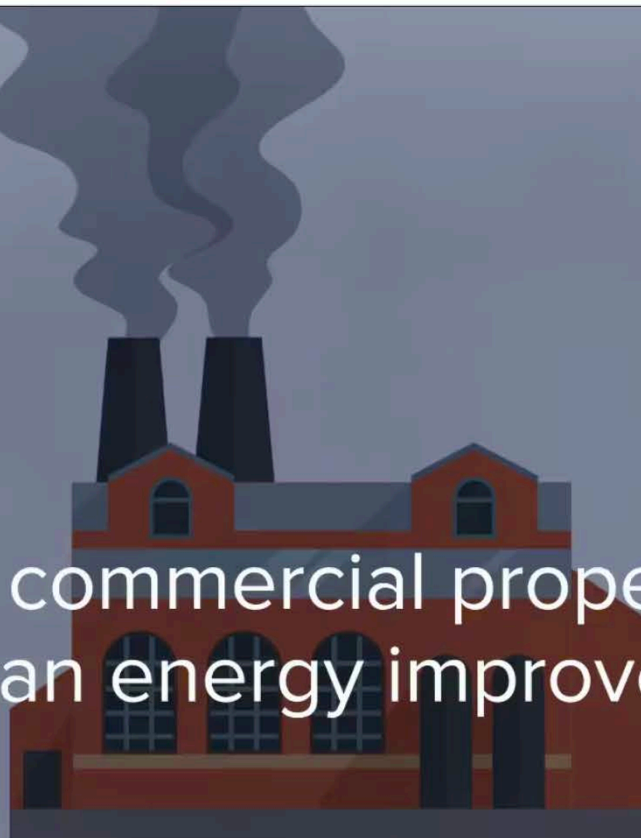


Inland Green Capital C-PACE

The Inland Real Estate Group



How can a commercial property owner  
make clean energy improvements...



<https://vimeo.com/799127371/434ab064fc>

00:45



CONTACT PAUL MONTES FOR MORE INFORMATION | [Montes@inlandgroup.com](mailto:Montes@inlandgroup.com) or 630.954.4446



# Chicago CRE State of the Market

## 2023 Q2

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312.283.0196

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# Inland

Real Estate Commercial Brokerage, Inc.

# Chicago's Supply Issues

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Labor Shortages

+

Union Issues, Municipality Red Tape

+

~~Distribution Bottlenecks, Material Costs~~

+

~~Recession/Consumer Spending Uncertainty~~

+

Interest Rates↑ and Capital Lending↓

= Cancelled, Delayed Projects.....blah, blah, blah. It's all about Capital.

# Key Points

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- 1 – Regardless of asset type, the Chicago Market strives for **equilibrium between Supply and Demand**.
- 2 – **The Great Pivot:** Redevelop, repurpose our CRE for its highest and best use.
- 3 – **Though market is still bifurcated between have/have nots, momentum (leasing, building, sales) is down across the board.**
- 4 – Sales volume plummets even farther into 2023. **The Great Basis Reset is underway.**

As such, ↑ Cap Rates may = repurposing, repositioning, and remodeling.

Conclusion: **There is still uncertainty** (CRE's biggest dread) in consumer spending and a pending recession.





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# Economic & Demographic Drivers

# Strengths & Weaknesses

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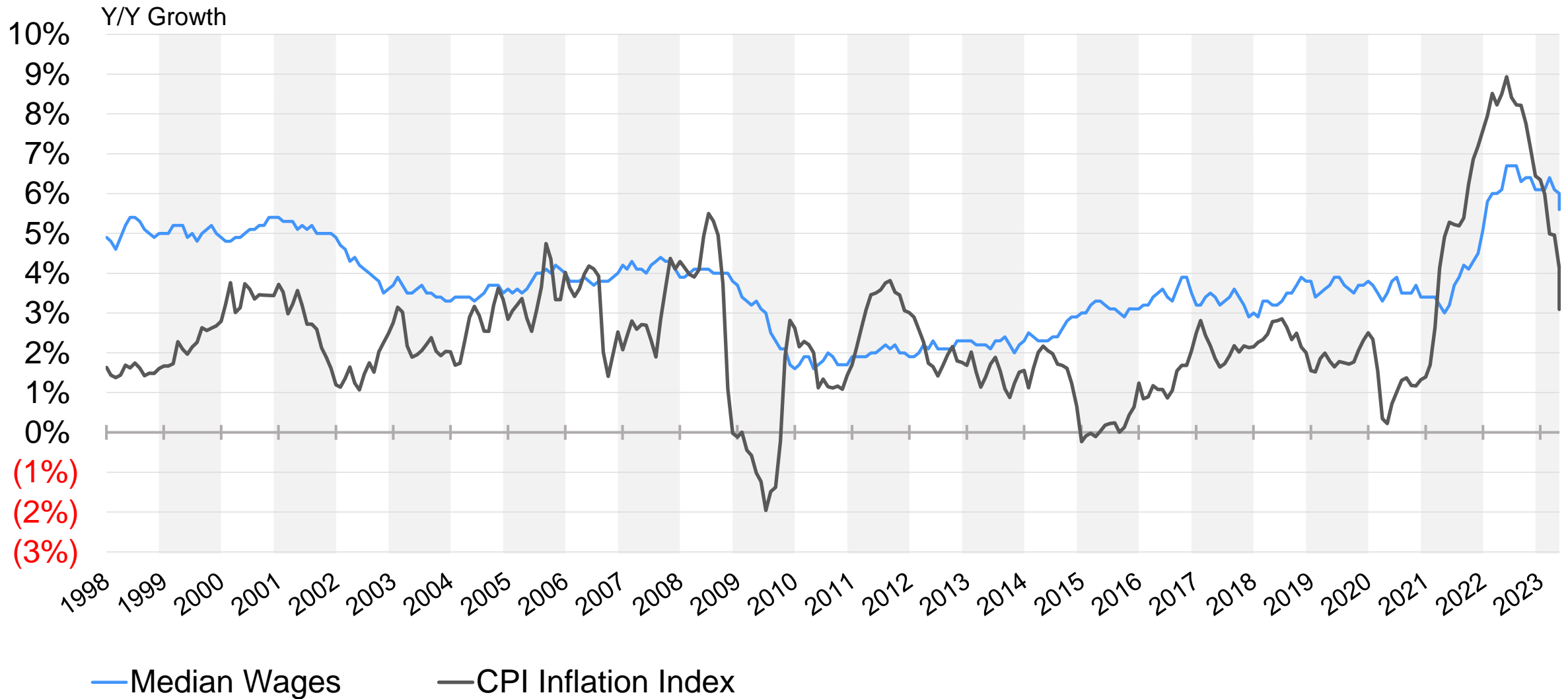
## Infrastructure, Capital & Talent Pool

- Passenger and transmodal nodes in place:
  - “L” & Metra, waterways, two international airports and freight hub.
  - Centralized location and unparalleled rail and highway connectivity as the only U.S. city to contain six Class 1 railroads
- State is Best in Class (2<sup>nd</sup> behind only GA) Infrastructure, by CNBC – power grid, utilities and broadband. Rebuild Illinois (2019) \$45B State Funds + Infrastructure Investment & Job Act (2021) \$18B Federal Funds.
- Site Selection Magazine rated Chicago once again (10th-year running) as top metro for business investment. In all, the Chicago area had almost 500 overall qualifying relocations and expansions.
- Diverse economy – largest economic sector is financial with a 19% share. Access to capital is a main driver.
- Midwest draw for recent college graduates. Hundreds of area colleges and universities.
- Little to no natural disasters! Fresh Water!

## Crime, Taxes and Outmigration – Uncertainty Looms

- The freefall of Chicago’s economy heavily dependent on office space demand. The choice? To pivot, redevelop away from this or lie fallow in indecision.
- Cook County Assessor Kaegi’s CRE tax assessment system still not ironed out, which can result in a tax increase between 0-300% tax
- Major corporations leaving Chicagoland for no income tax states, lower crime.

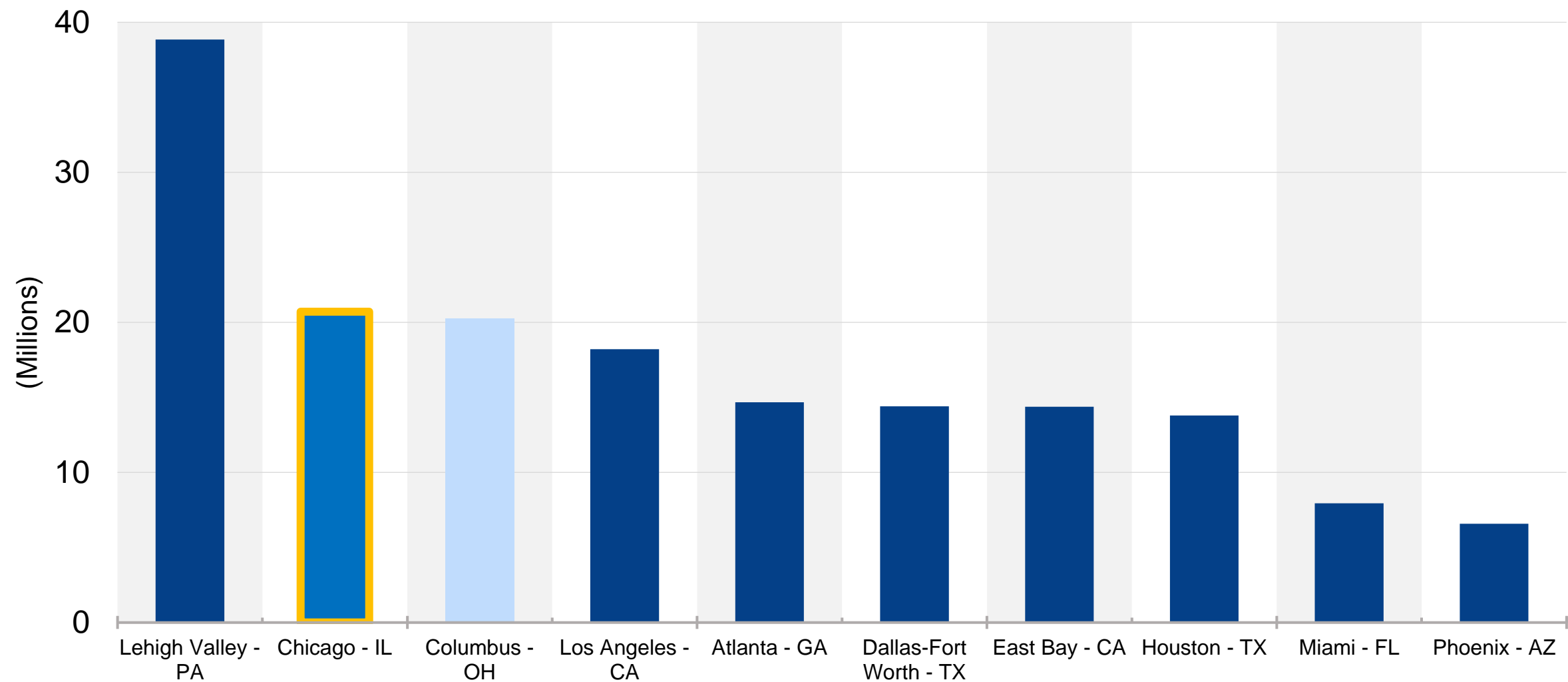
# Wage Gains Are Outpacing Inflation Again



Source: U.S. Census Bureau, Bureau of Labor Statistics, Federal Reserve

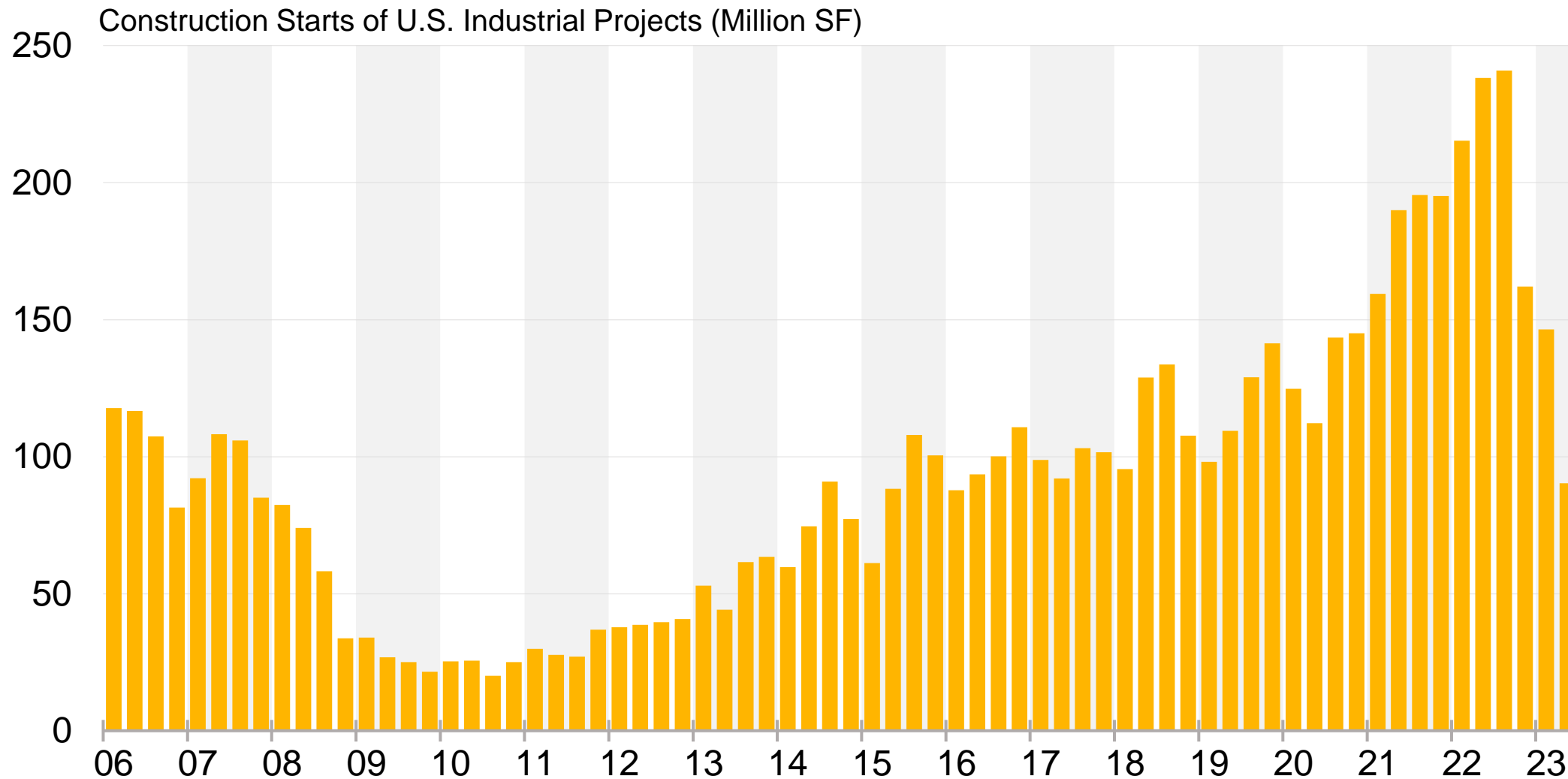


# U.S. Residents Within 4-Hour Truck Drive



Source: US Census

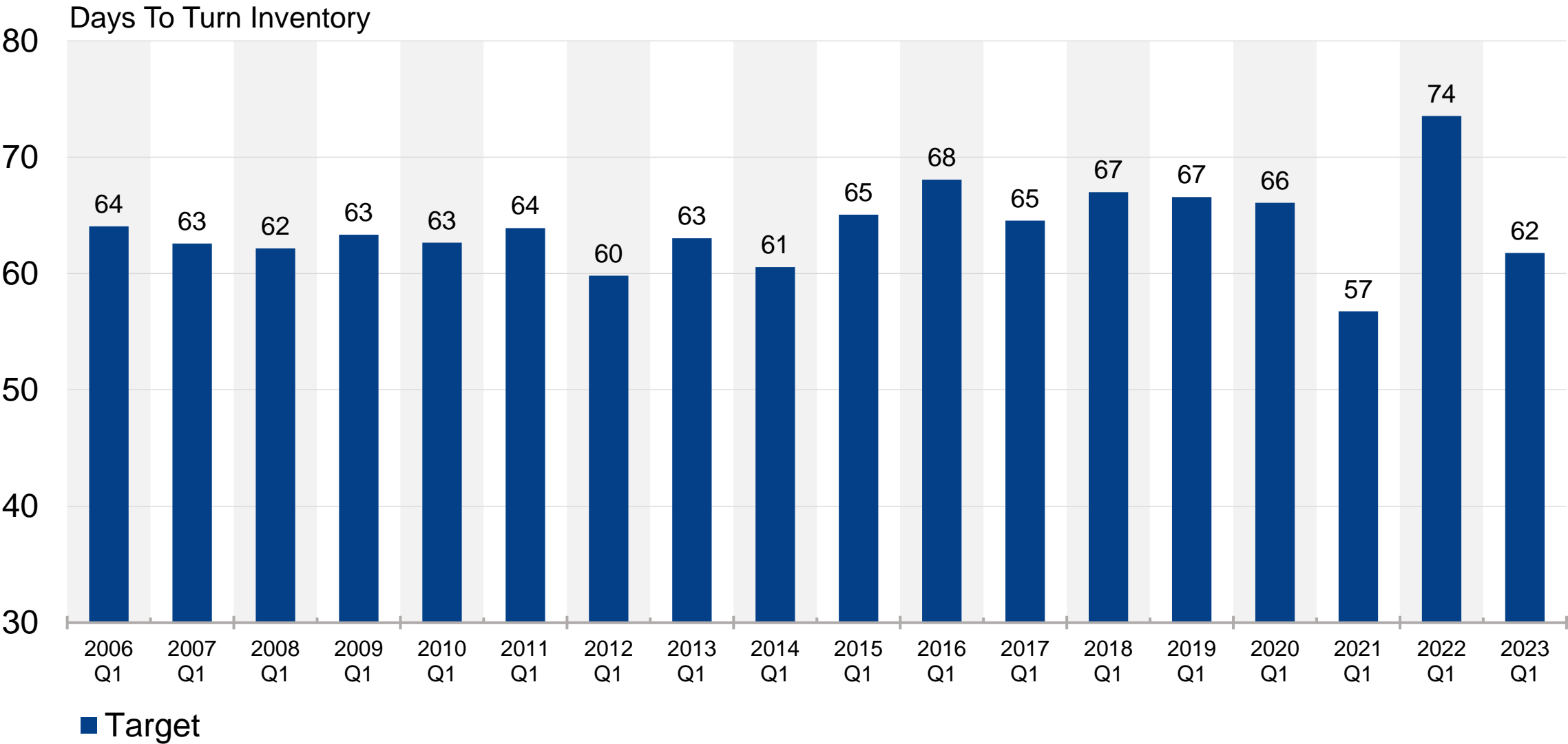
# Rising Interest Rates Beginning To Dent Construction Starts



Source: CoStar

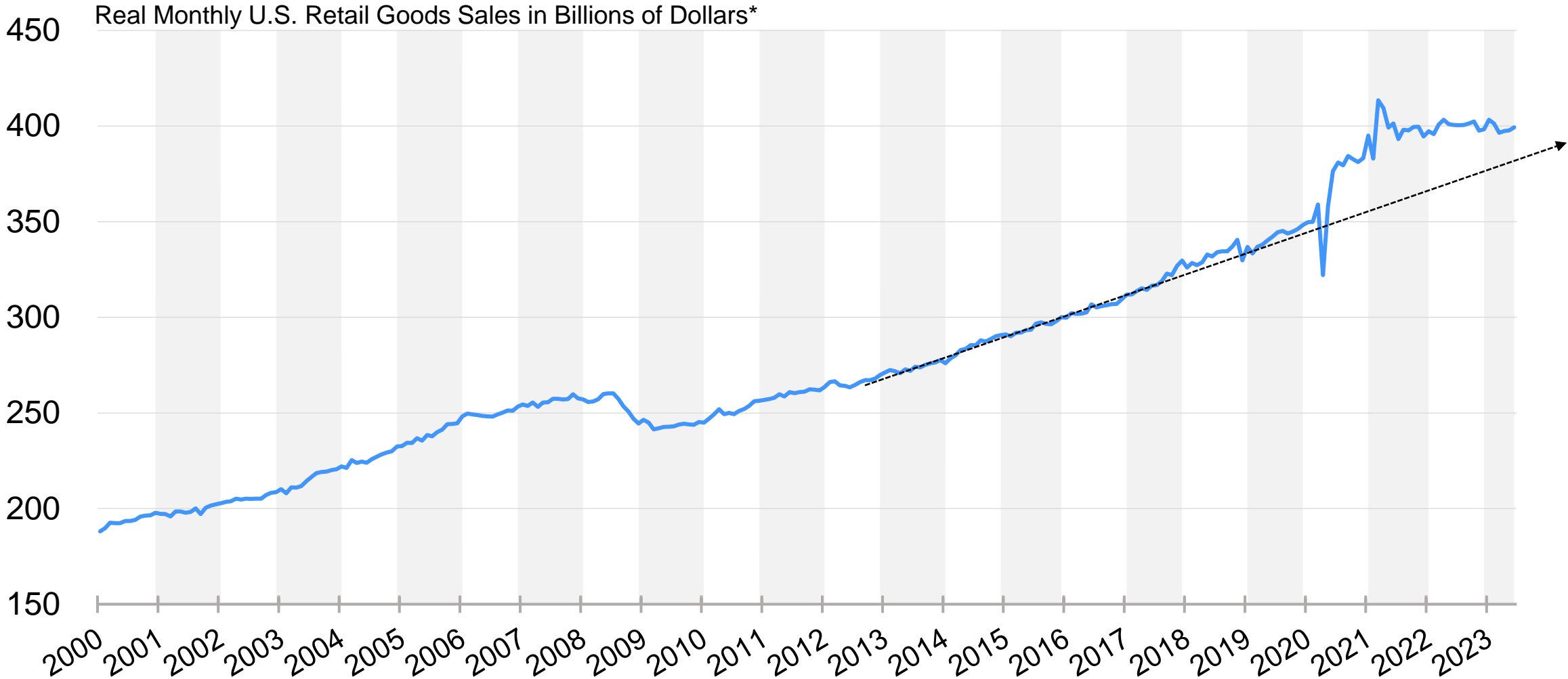


# Retailers Clearing Inventory Much Faster Than In 2022



Source: SEC Filings

# Retail Good Sales Still Healthy (Even When Adjusted For Inflation)

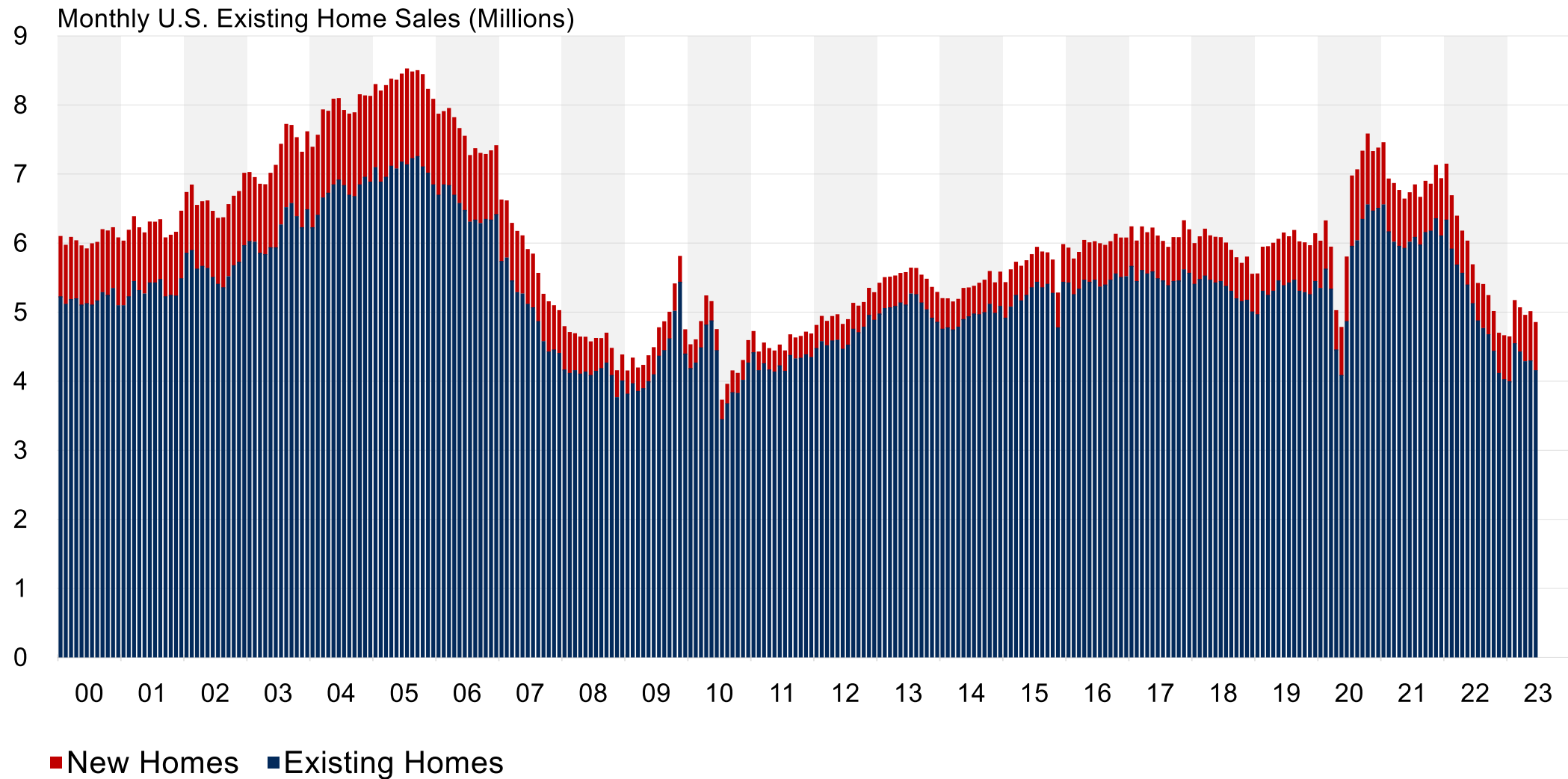


\*Excludes sales at gas stations, auto dealers, and food service/drinking places. Each category within retail sales is adjusted for inflation within the CPI's most comparable category and expressed in 2022 dollars.

Source: U.S. Census Bureau



# Home Sales In The Doldrums



Source: National Association of Realtors (NAR), U.S. Census Bureau



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# Multifamily



# Market Report Analytic Filters & Chicago Metropolitan Statistical Area (MSA)

## Apply Multi-Family Analytic Filters

Apply the filters below to create a search with the same results as the CoStar Market and Submarket Reports.

### Filters

Secondary Type: Apartment

# of Units: 5+

Market Segment: Exclude Senior, Student, Military, Corporate, Vacation

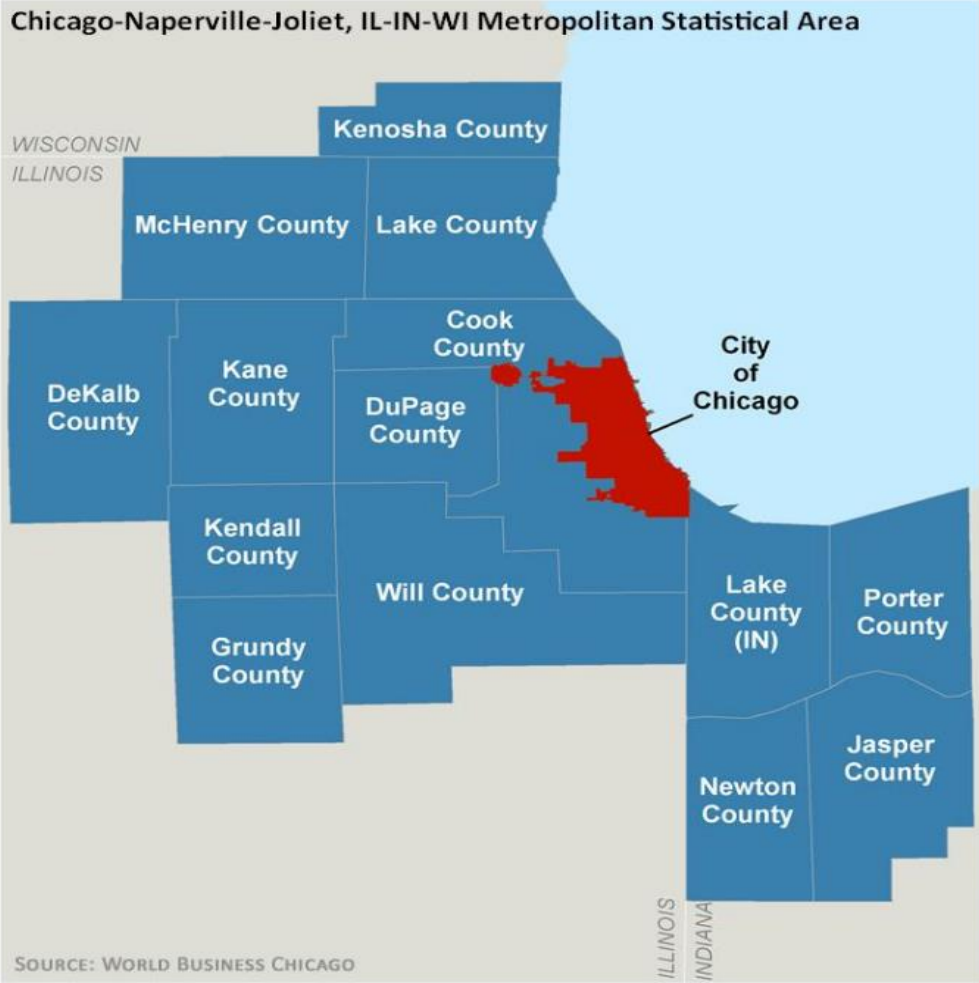
Rent Type: Market, Market/Affordable

Exclude: Residential Condos

Exclude: Co-Ops

Cancel

Apply Filters





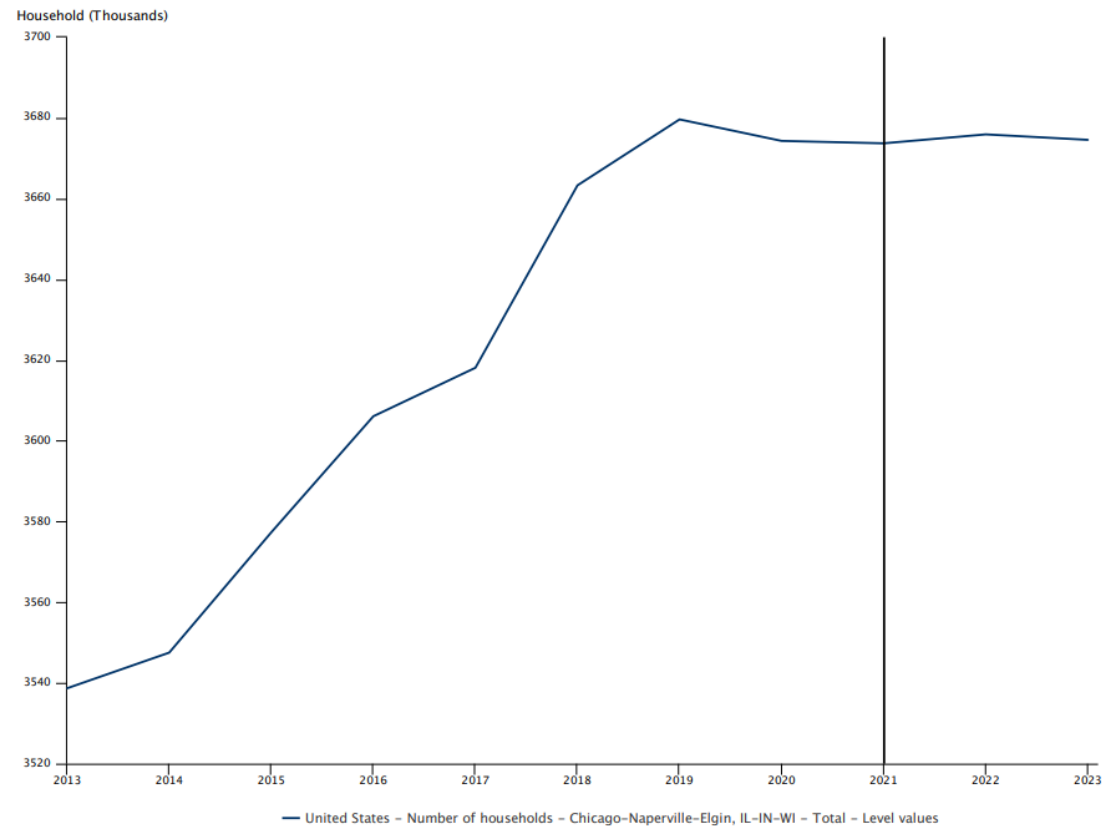
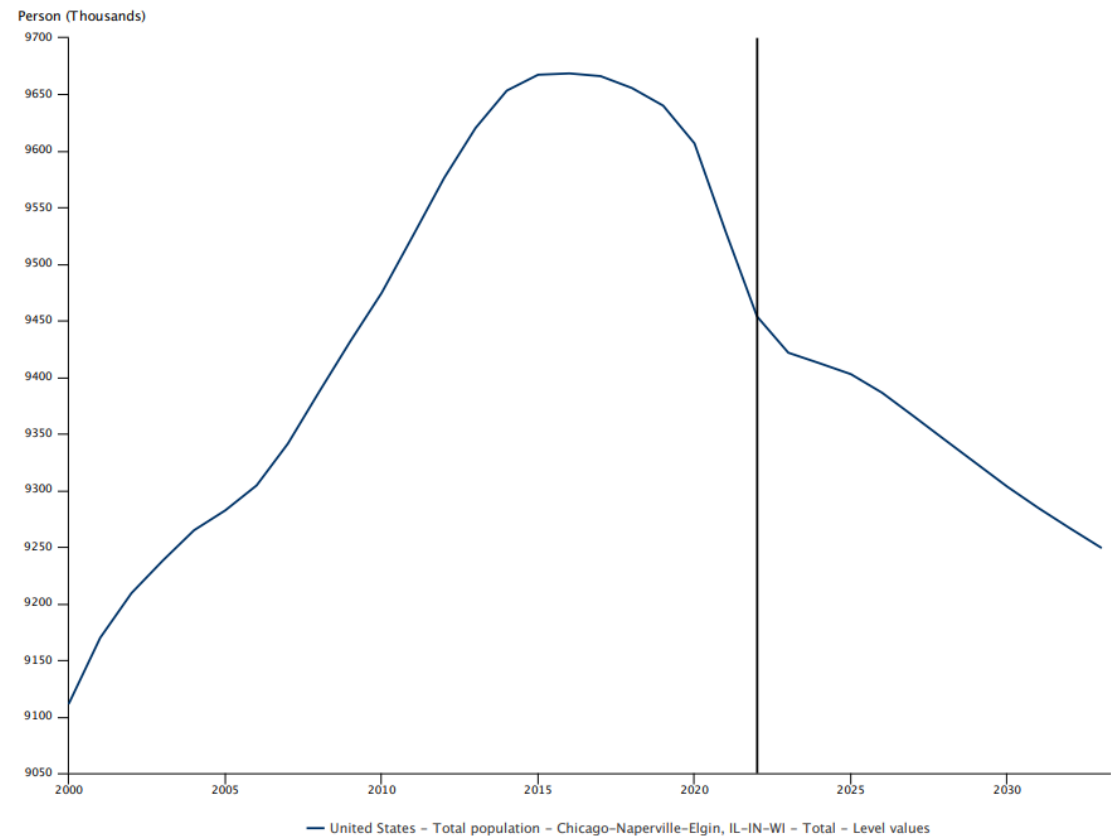
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# Multifamily

## Housing Market Underpinnings

### “No Boom, No Bust”

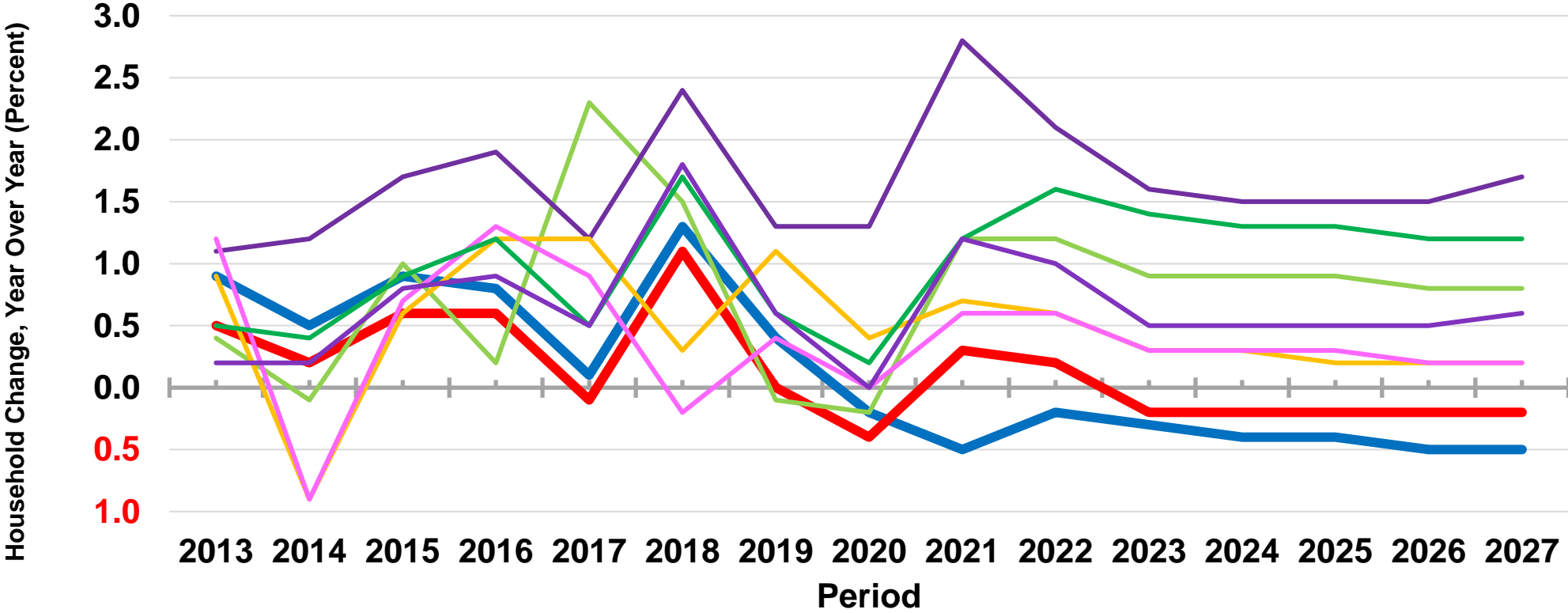
# Chicago Population Vs. Household Growth



Source: Oxford Economics, August 2023  
Note: Vertical lines represent data pull. Population Count: 2022; Household Count: 2021.



# Only Two Chicago Counties Are Expecting Household Numbers to Dip in Coming Years



Cook County, IL      DuPage County, IL      Kane County, IL      Kendall County, IL  
Kenosha County, WI      Lake County, IL      Will County, IL      McHenry County, IL

Source: Derived from the U.S. Census Bureau, Oxford Economics' forecasts are consistent with its national outlook published March 2023.

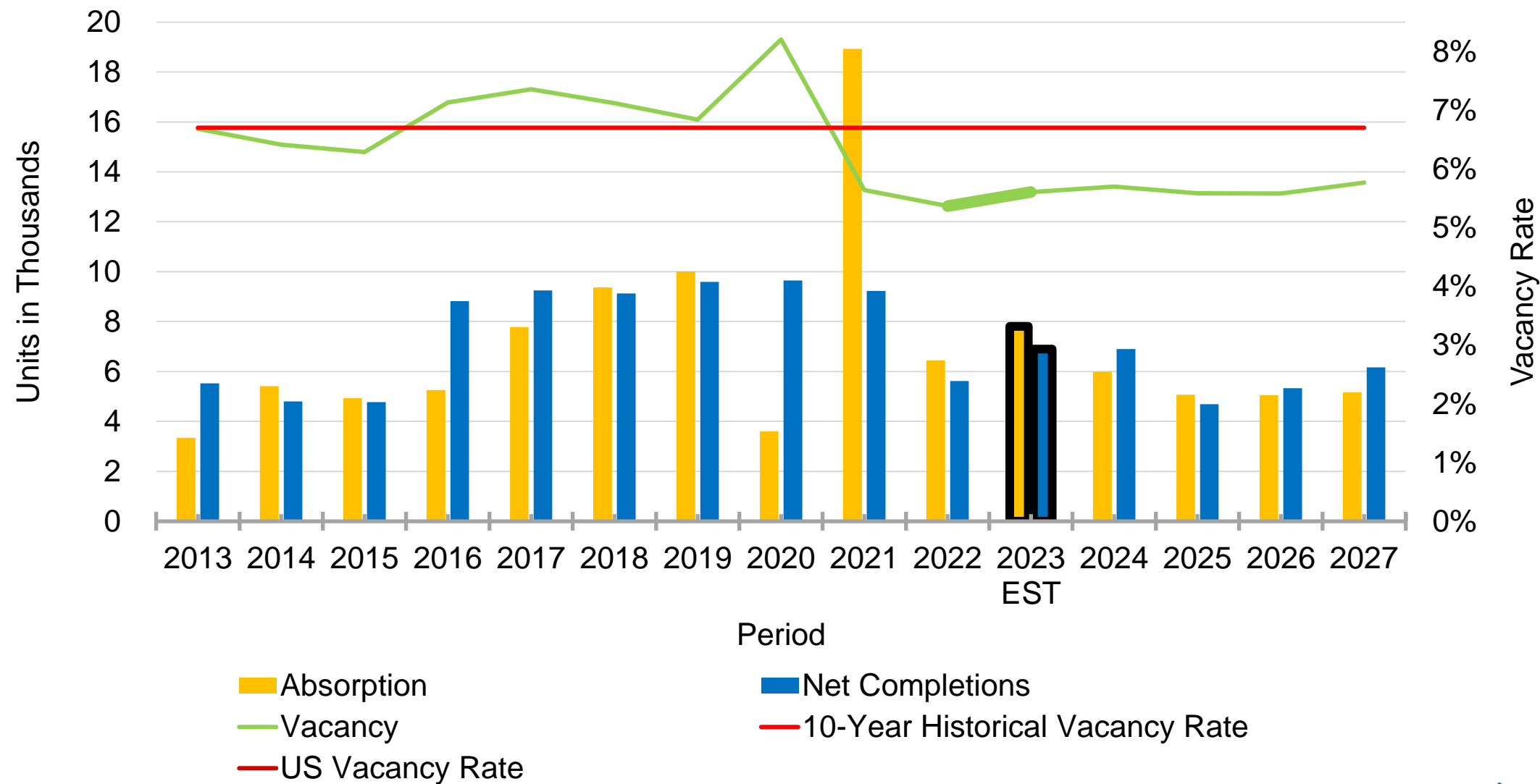


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# Multifamily

## Demand Markers, Slow and Steady

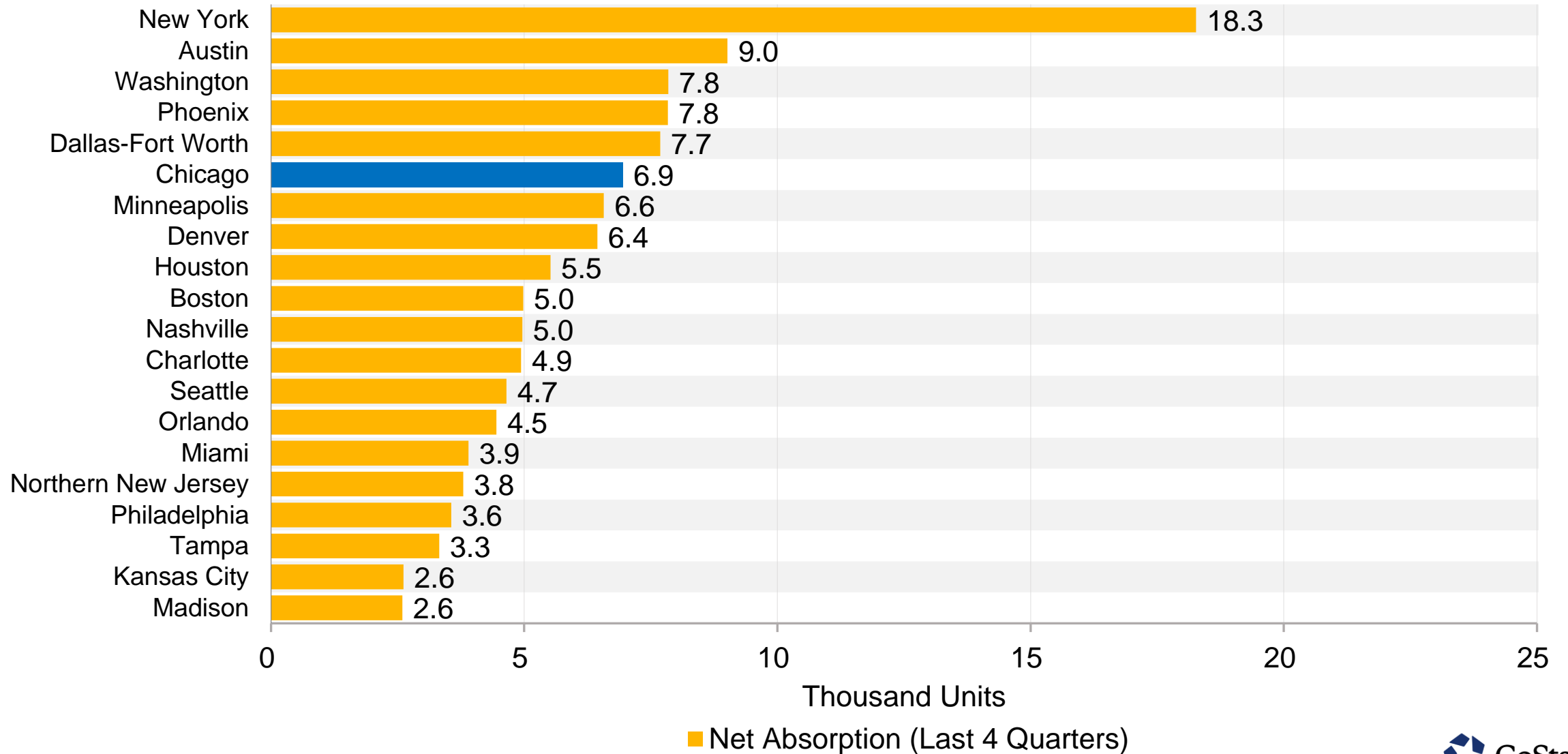
# Chicago's Multifamily Market Scales Back Development



Source: CoStar, August 2023



# Top Net Absorption



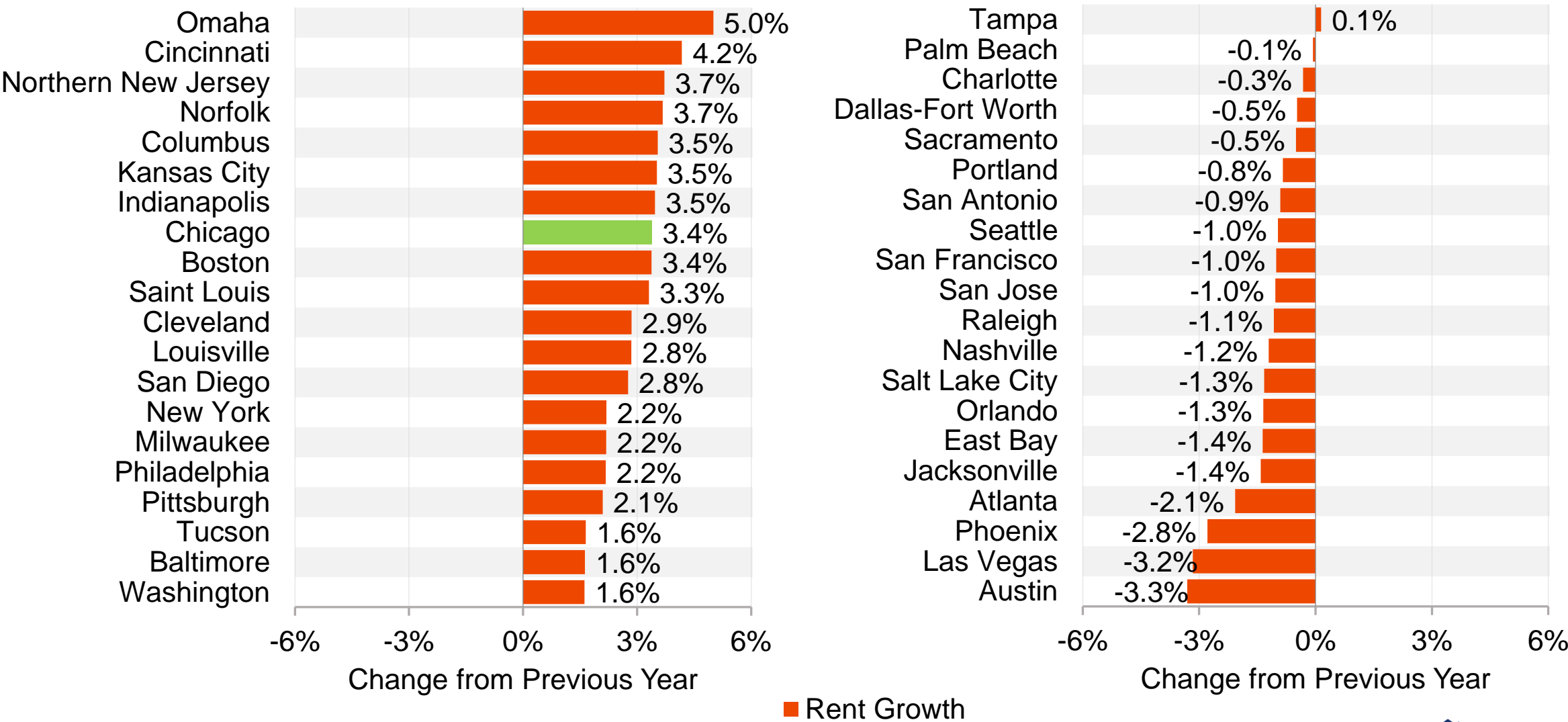


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# Multifamily

## Rent

# Chicago's Rent Growth Dropped From 22Q4 4.2% Rate, Yet Climbed National Average

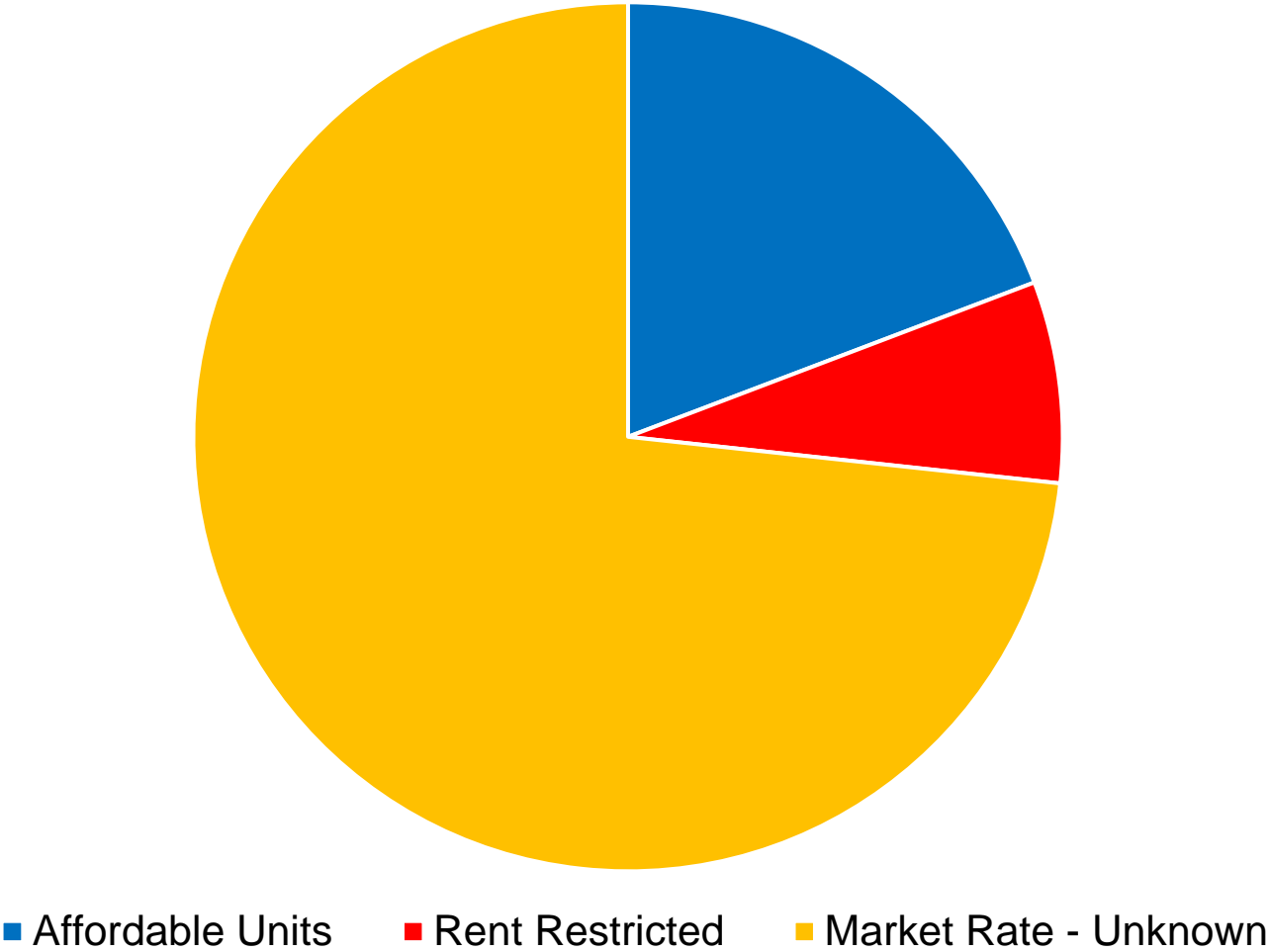


Note: Includes markets with 75,000+ units inventory.



# Under Construction Multifamily in Cook County by Rent Type

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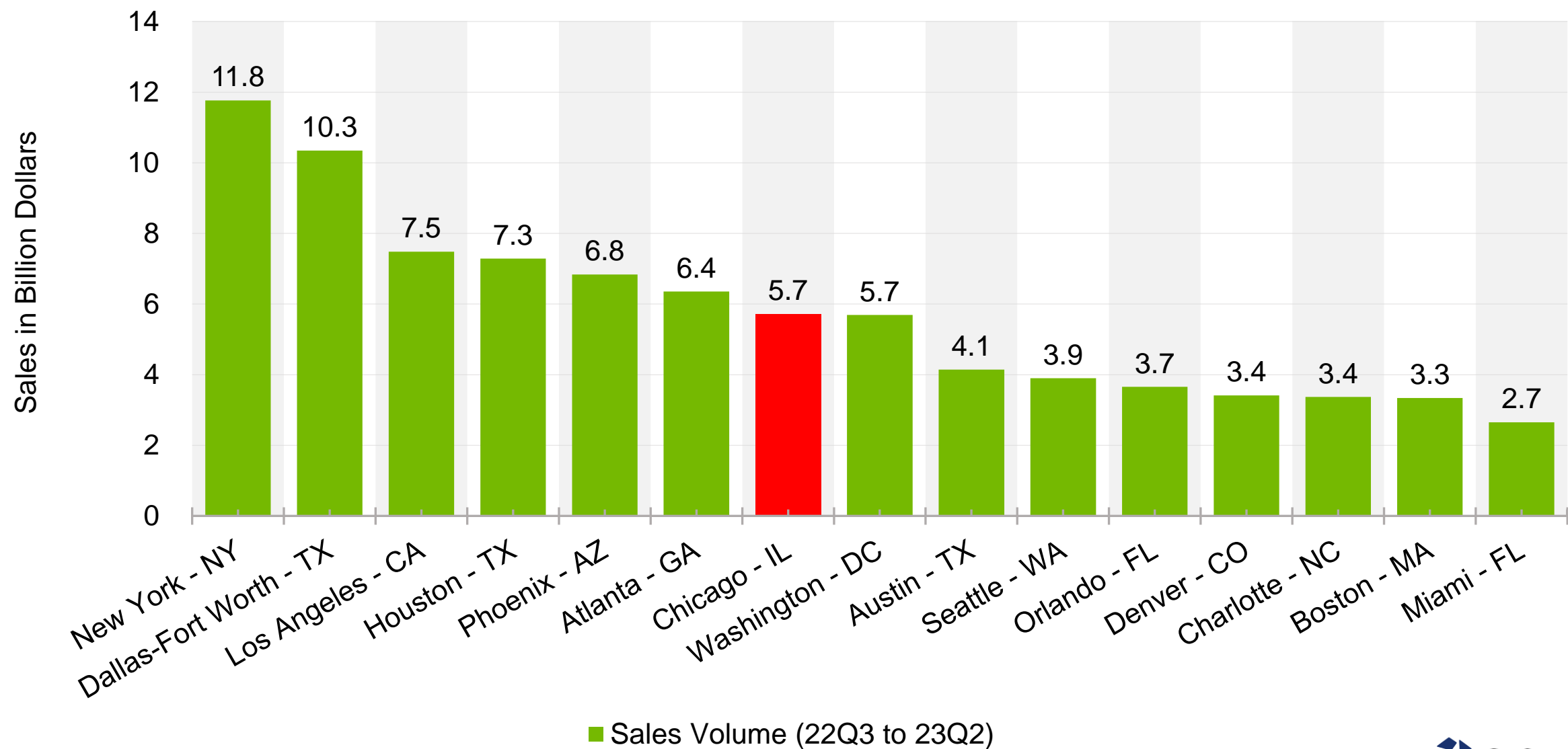




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# Multifamily Sales

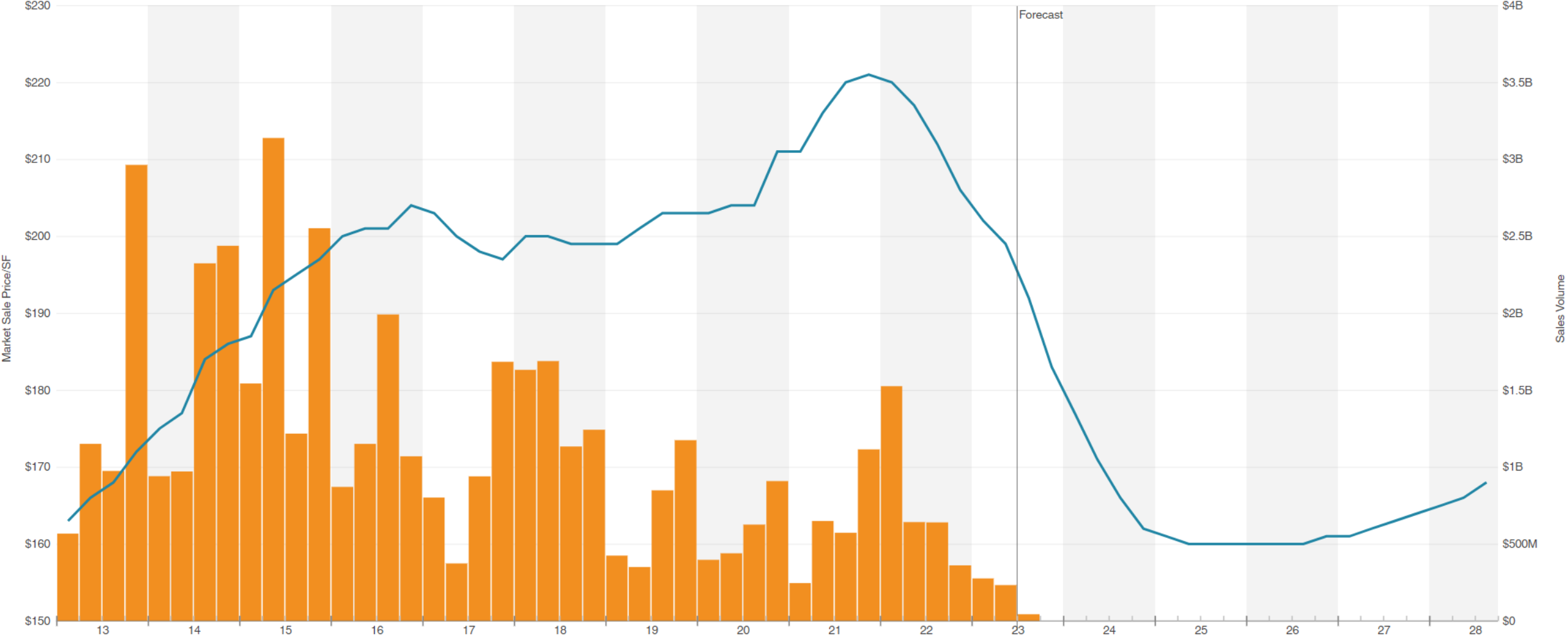
# Multifamily Sales Volume, by Market



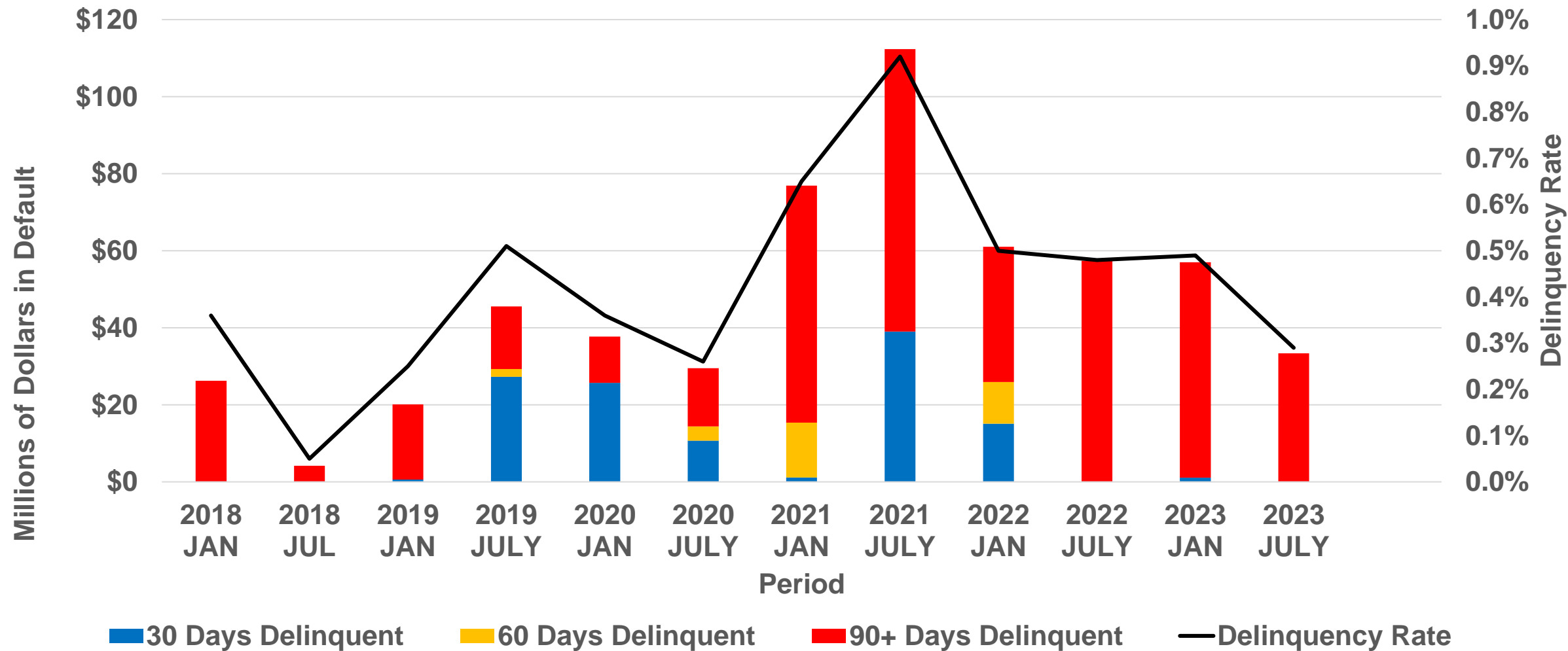


# Chicago Multifamily Sales Volume

Sales Volume & Market Sale Price Per SF



# Chicago MF CMBS Delinquency Rate 37% Below Its Five-Year Average



# Large Multifamily Chicago Sales Transactions, 23Q2

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North Water Apartments

Buyer: Crescent Heights (Private)

Seller: Invesco (National, Investment Manager)

Address: 340 E North Water  
Streeterville, 398 Units

Sale Price: \$173,000,000 or Approximately  
\$435,000/Unit. Occupied at 95% at time of sale

Date: June 2023

Note: Though the highest price for a single-resi building in nearly two years, Crescent bought it for more than \$240 million in 2016.





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## Lake Meadows Apartments

Buyer: Antheus Capital (Private Developer)

Seller: Draper Kramer (Private, Local)

Address:

3233 S King, Bronzeville

1,869 Units

Sale Price: \$161,000,000 or Approximately  
\$86,000/Unit

Date: May 2023

Note: Antheus' owns roughly 5,000 units on the  
South Side since its first purchase here in 2007.



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## Woodview Apartments

Buyer: Eagle Management (Local, Private)

Seller: LaSalle Investment Management (Local, Institutional)

### Address:

15 Parkway North, Deerfield

Southeast Lake County, 248 Units

Sale Price: \$65.3 million or Approximately \$263,000/Unit

Date: April 20123

98% occupied at time of sale

Notes: LaSalle, investment arm of JLL, bought the property for \$82 million shortly after it was built in 2015.







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# Retail



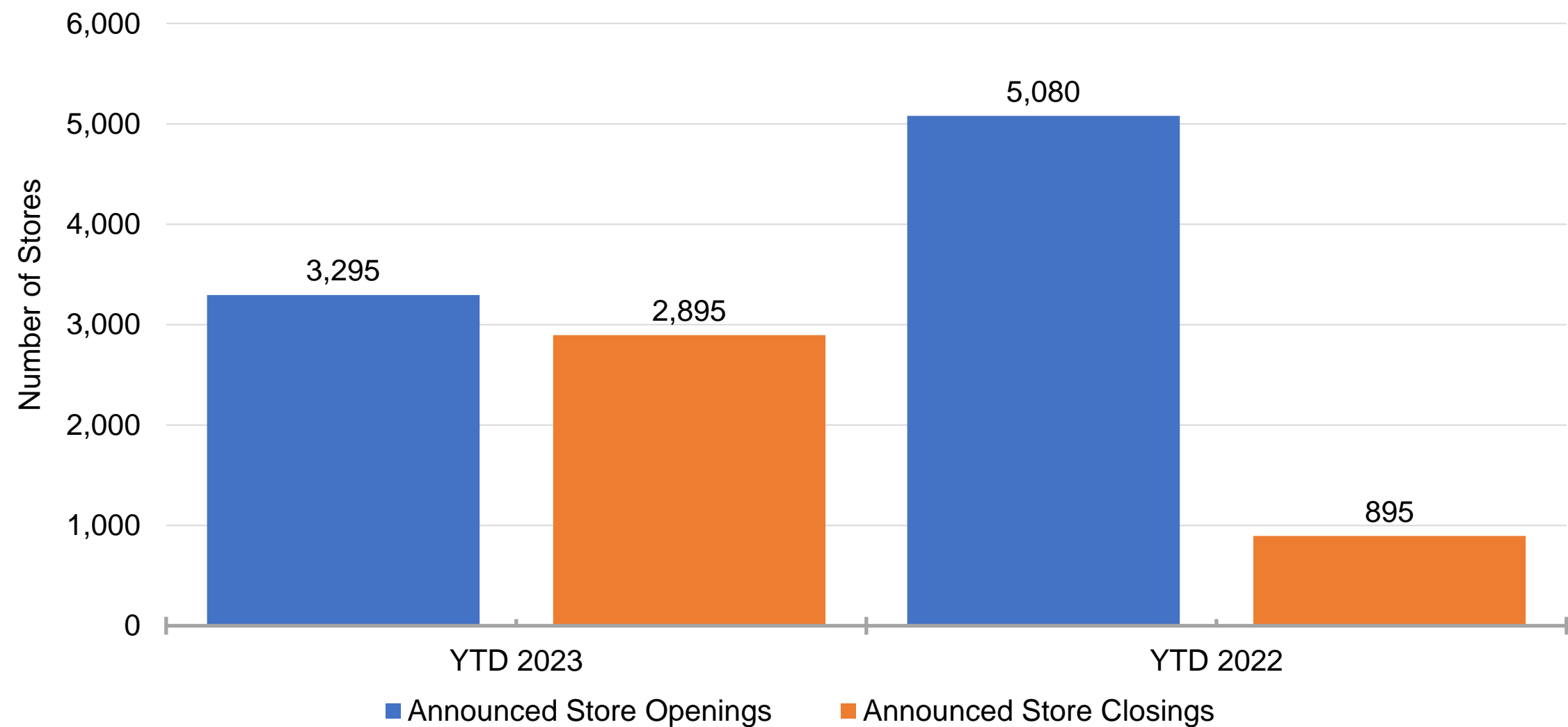


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# Retail

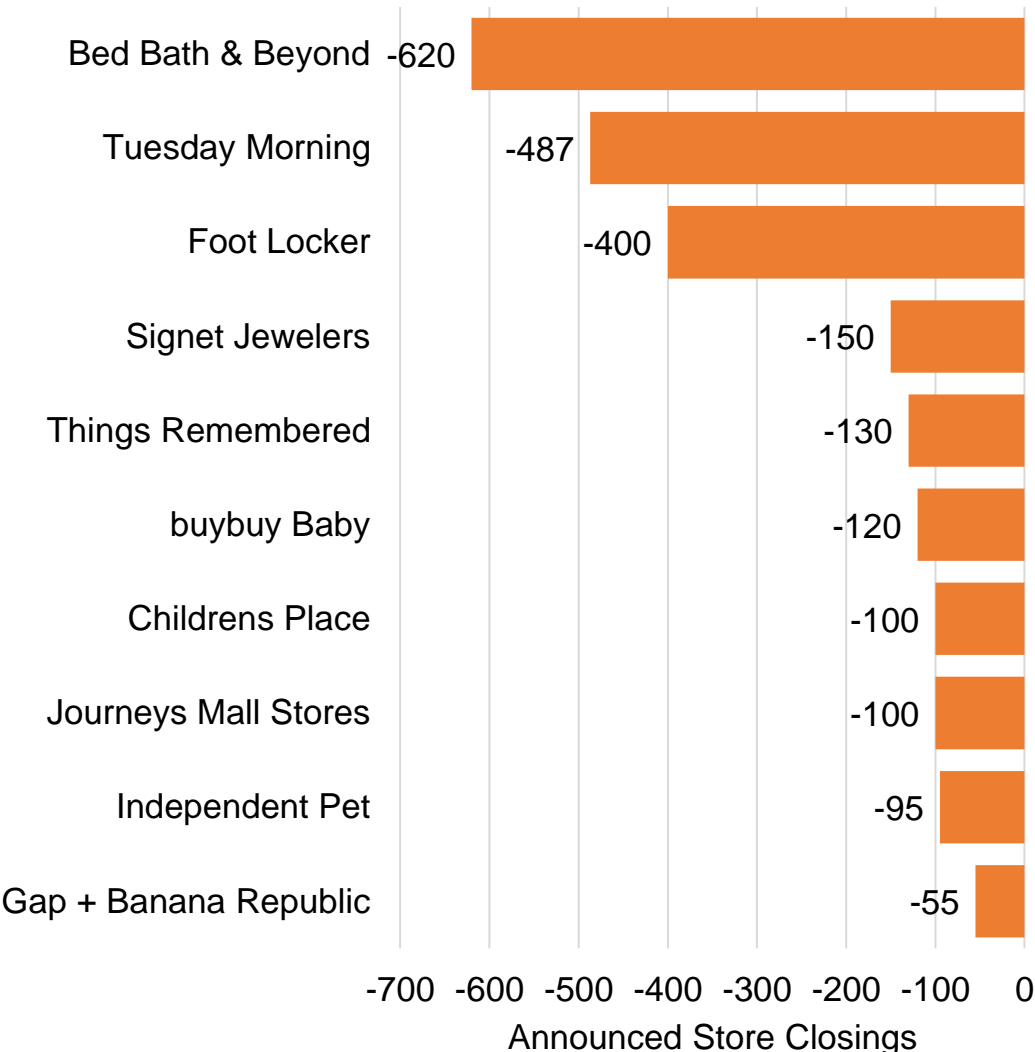
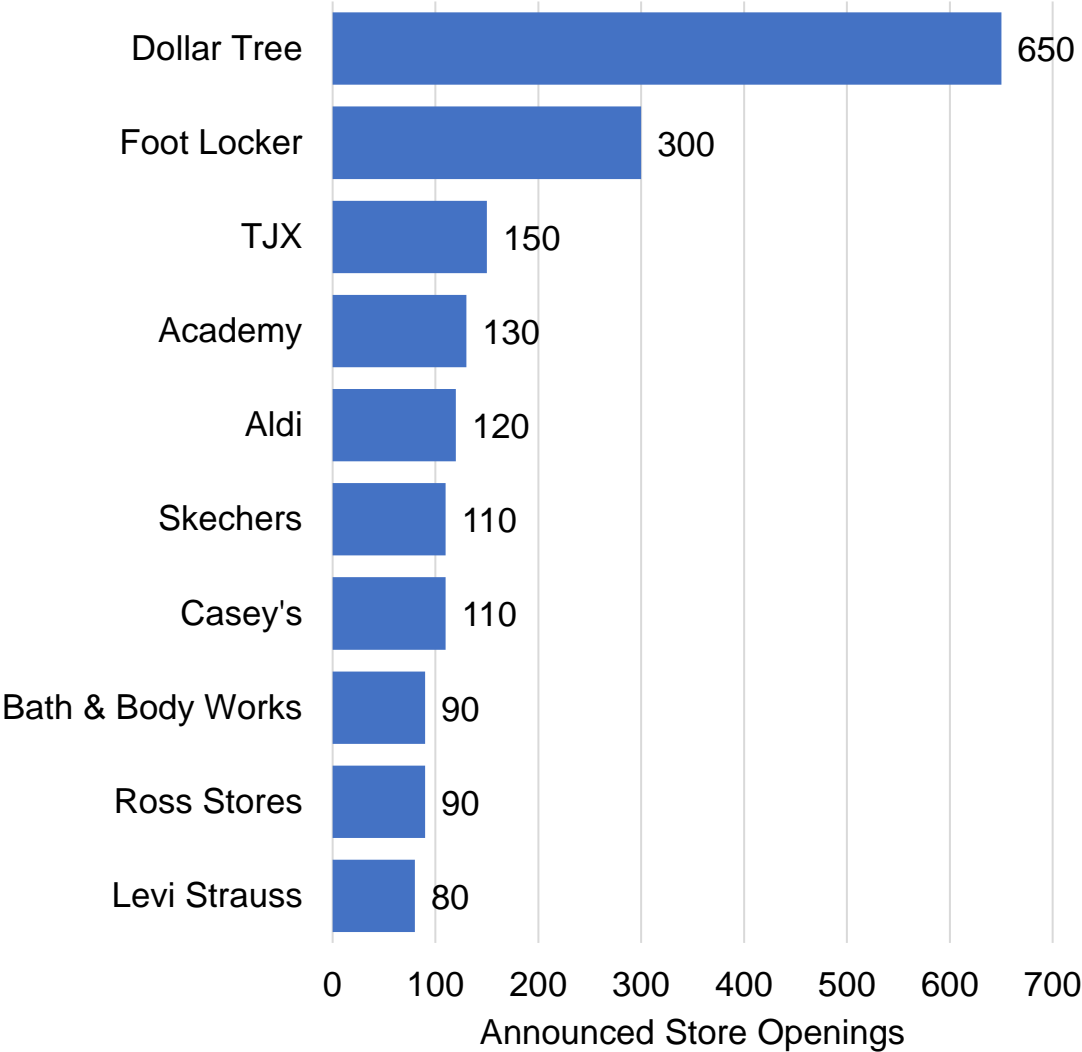
## Consumer Spending Trends

# Announced Store Openings Exceeding Announced Closures



Source: Daily on Retail, June 2023

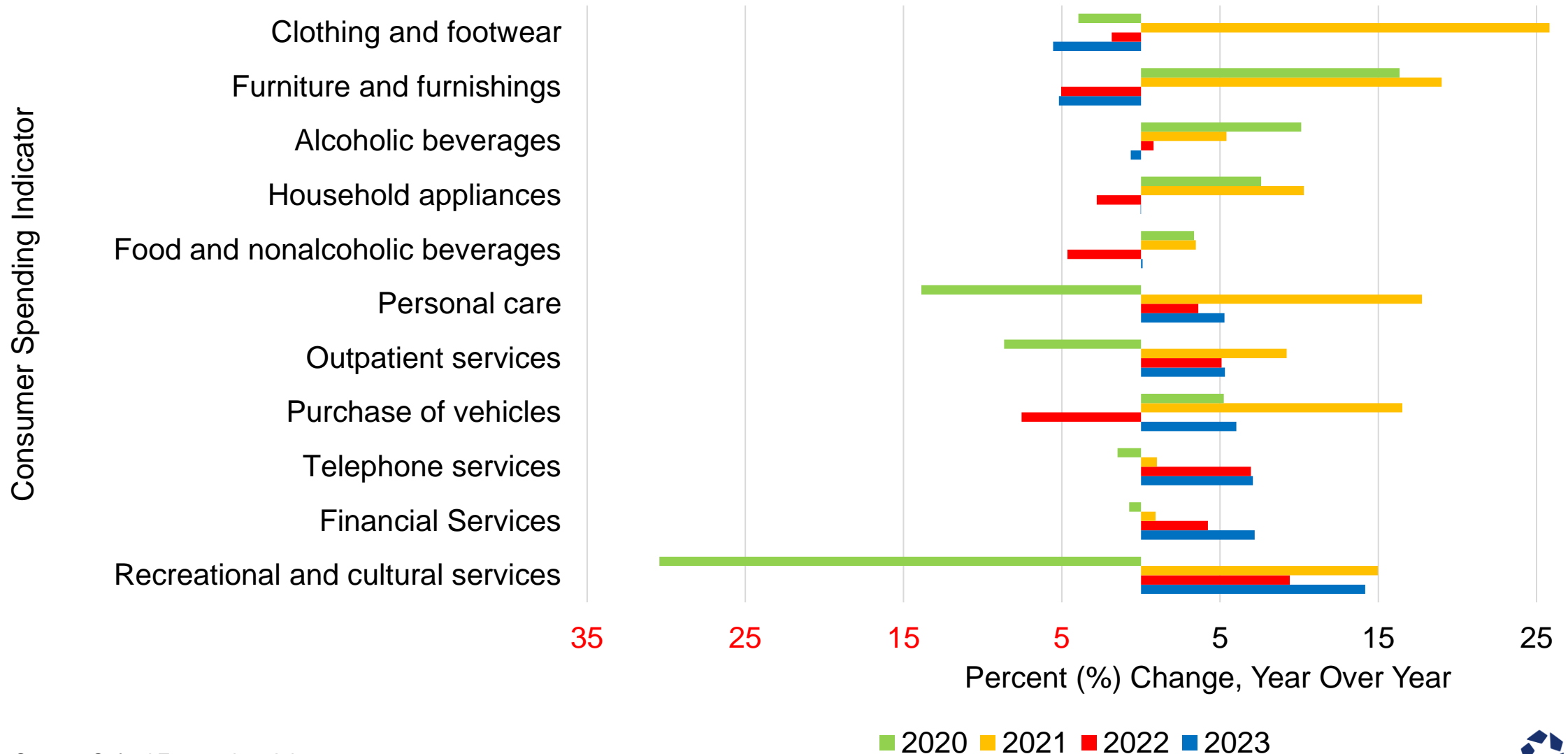
# Store Opening and Closing Announcements Thus Far in 2023



Source: Daily on Retail, June 2023



# Chicago Retail Spending, YOY. Recreational > Clothing, Furniture

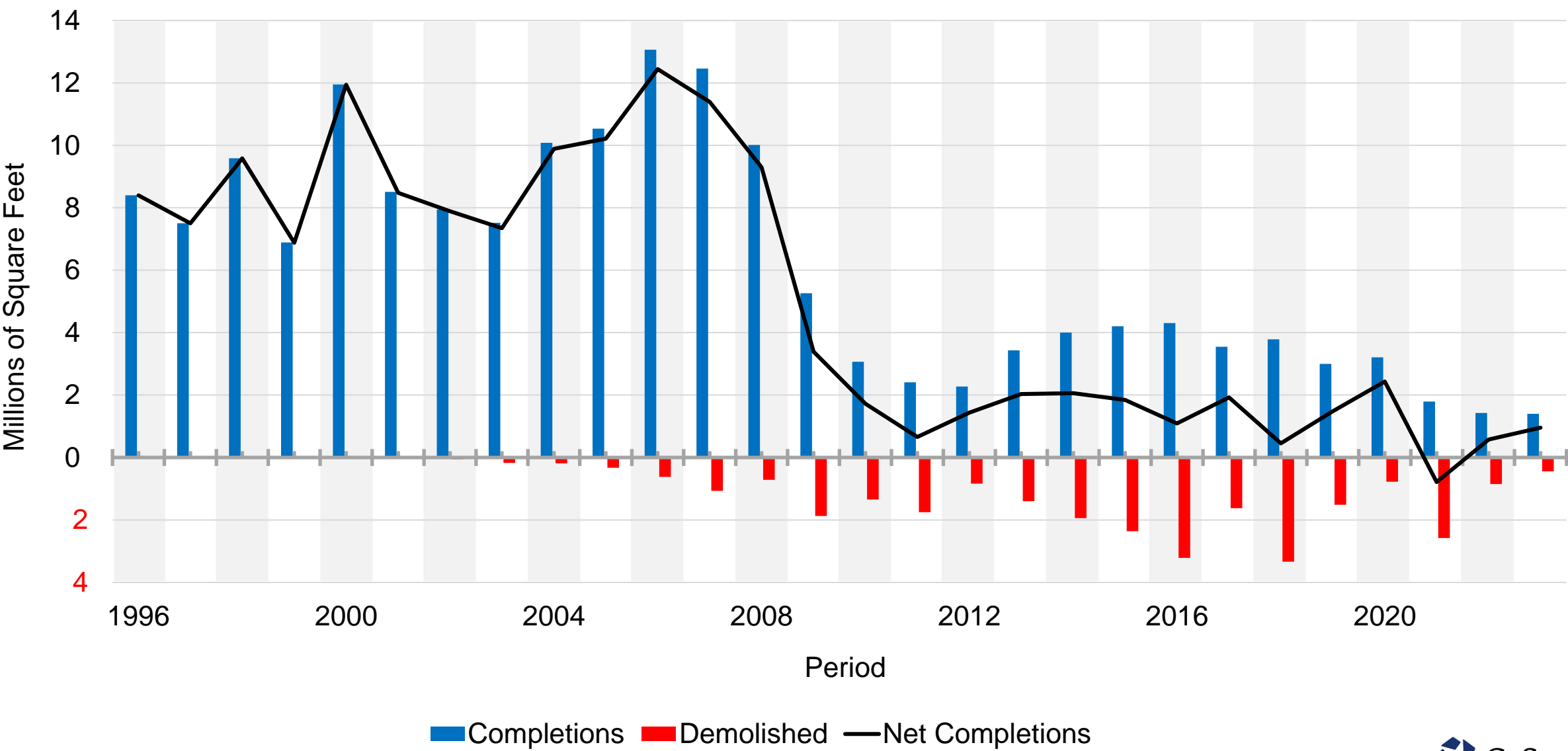




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# Retail Supply

# Chicago Retail Supply Kept Relatively in Check





# Rock Run Crossings in Joliet. 1.6 M SF, 240,000 SF Retail. Delivers 23Q3. Includes 570 Apartments, 70K SF Regal Cinemas.

## SITE PLAN

[VIEW PROGRESSION OF CONSTRUCTION HERE](#)





# Vienna Beef Plaza, 100,000 SF, Bucktown. Manufacturing, Restaurant and Experience, \$20 Million Renovation







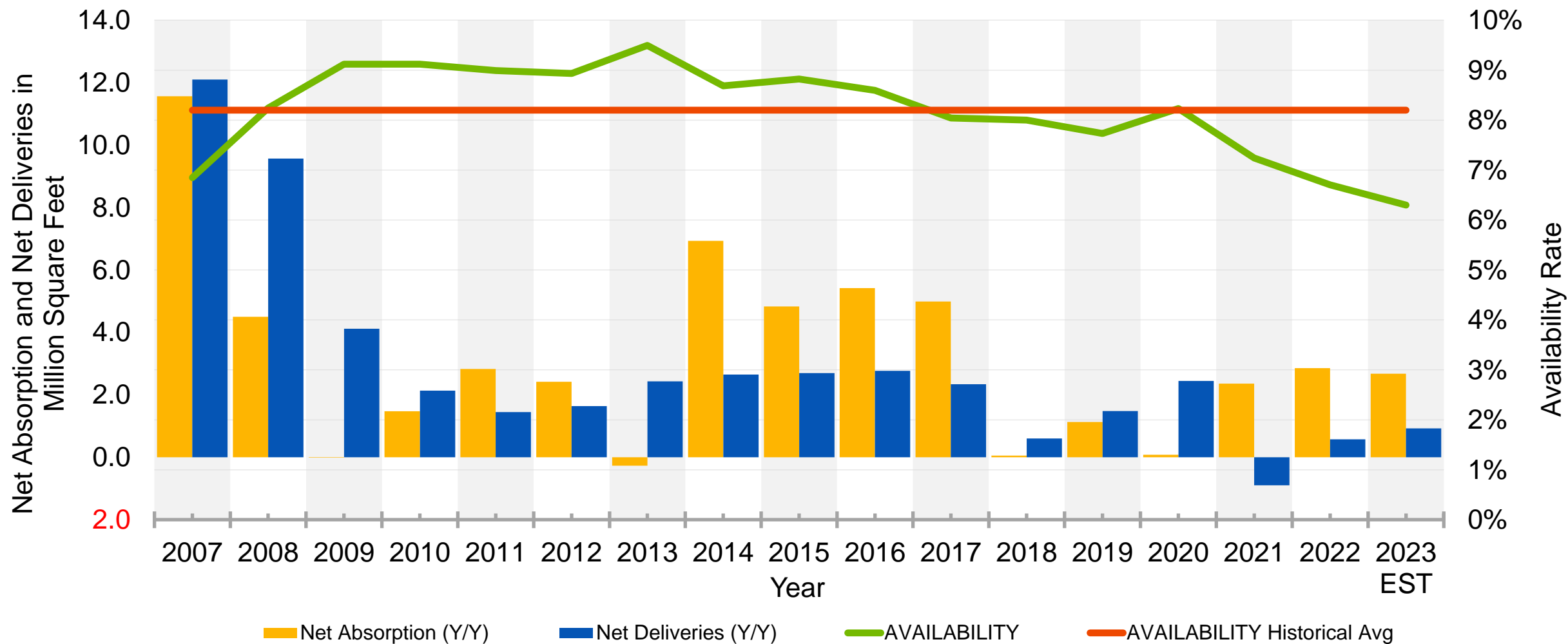
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# Retail

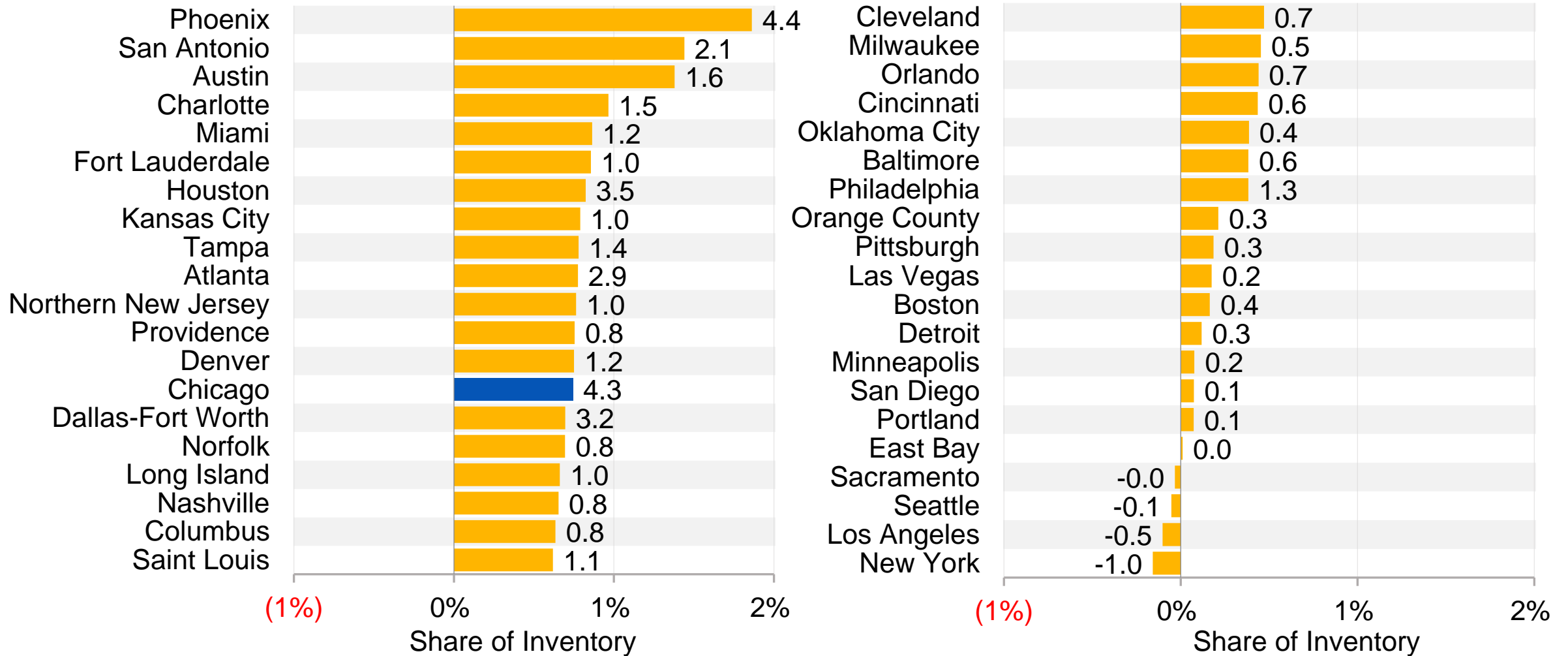
## Demand Fundamentals



# Baseline Forecast: Supply, Demand and AVAILABILITY

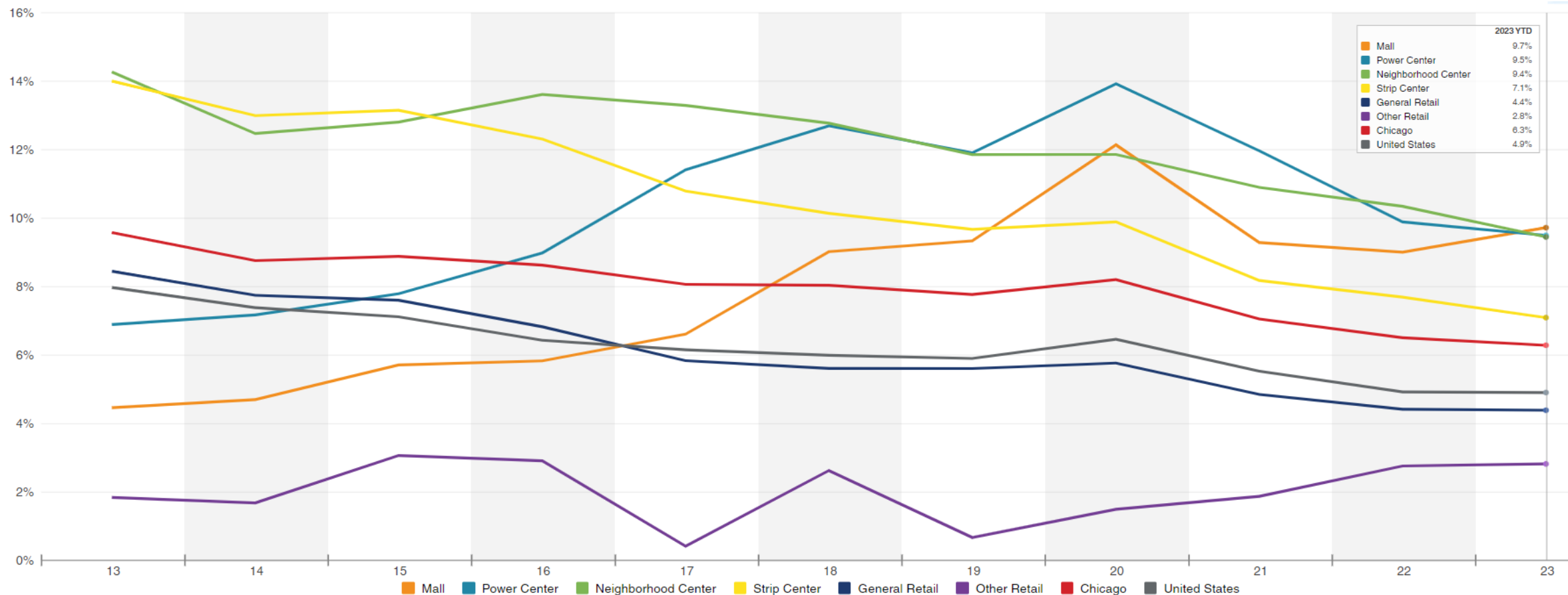


# Net Absorption As Share of Inventory



Note: Includes markets with 100 Million+ Square Feet inventory. Labels show Net Absorption in Million Square Feet.

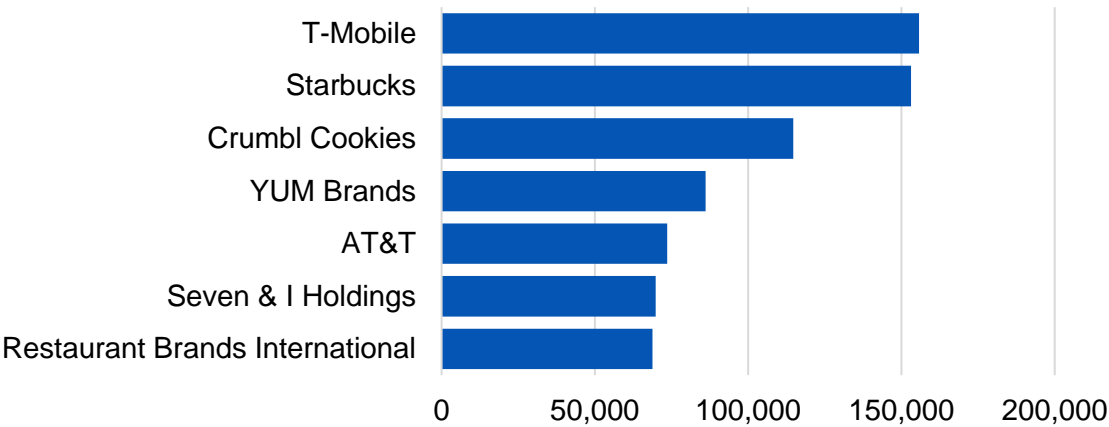
# Strip, Neighborhood and Power Centers Availability Compress the Most Since 2020; Malls Sputter.



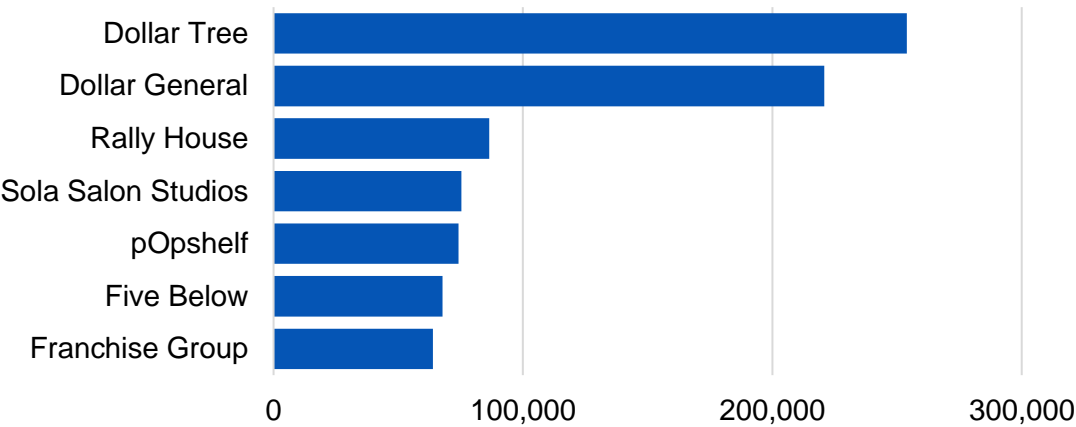


# Tenants Driving National Leasing Activity in 2023

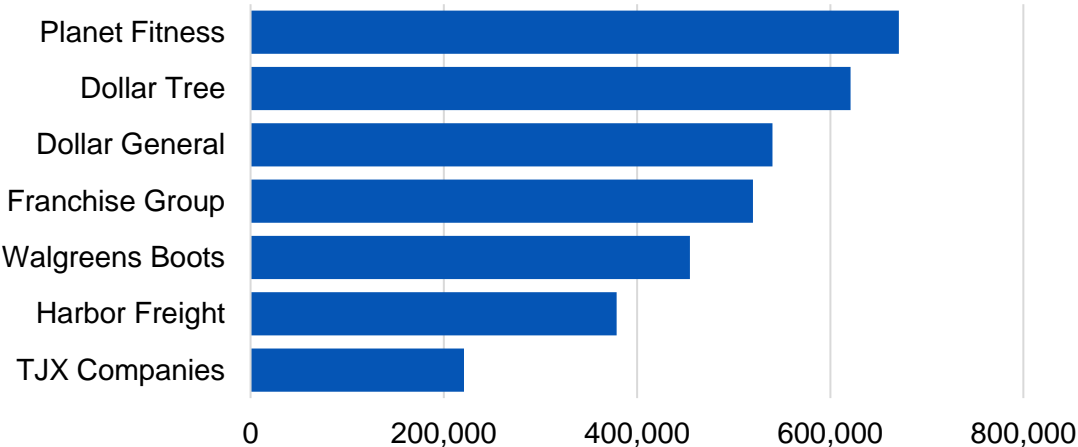
Under 5,000 SF



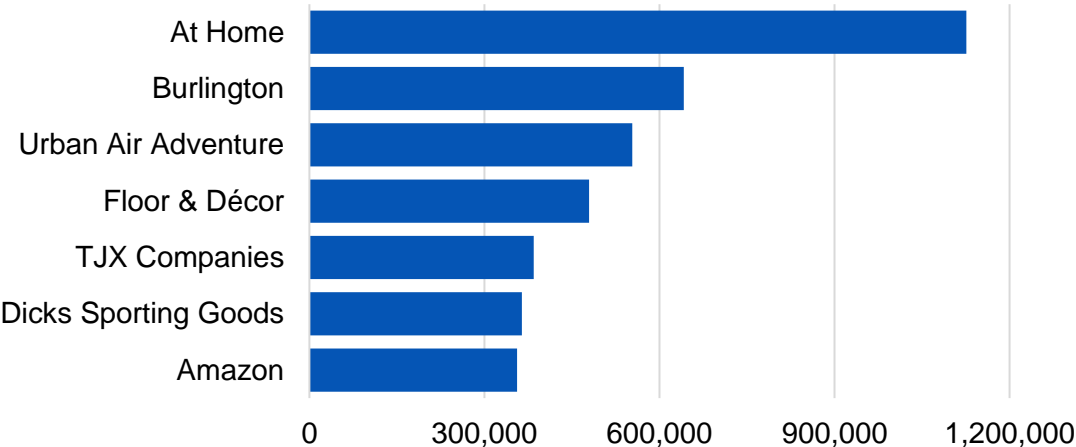
5,001 - 10,000 SF



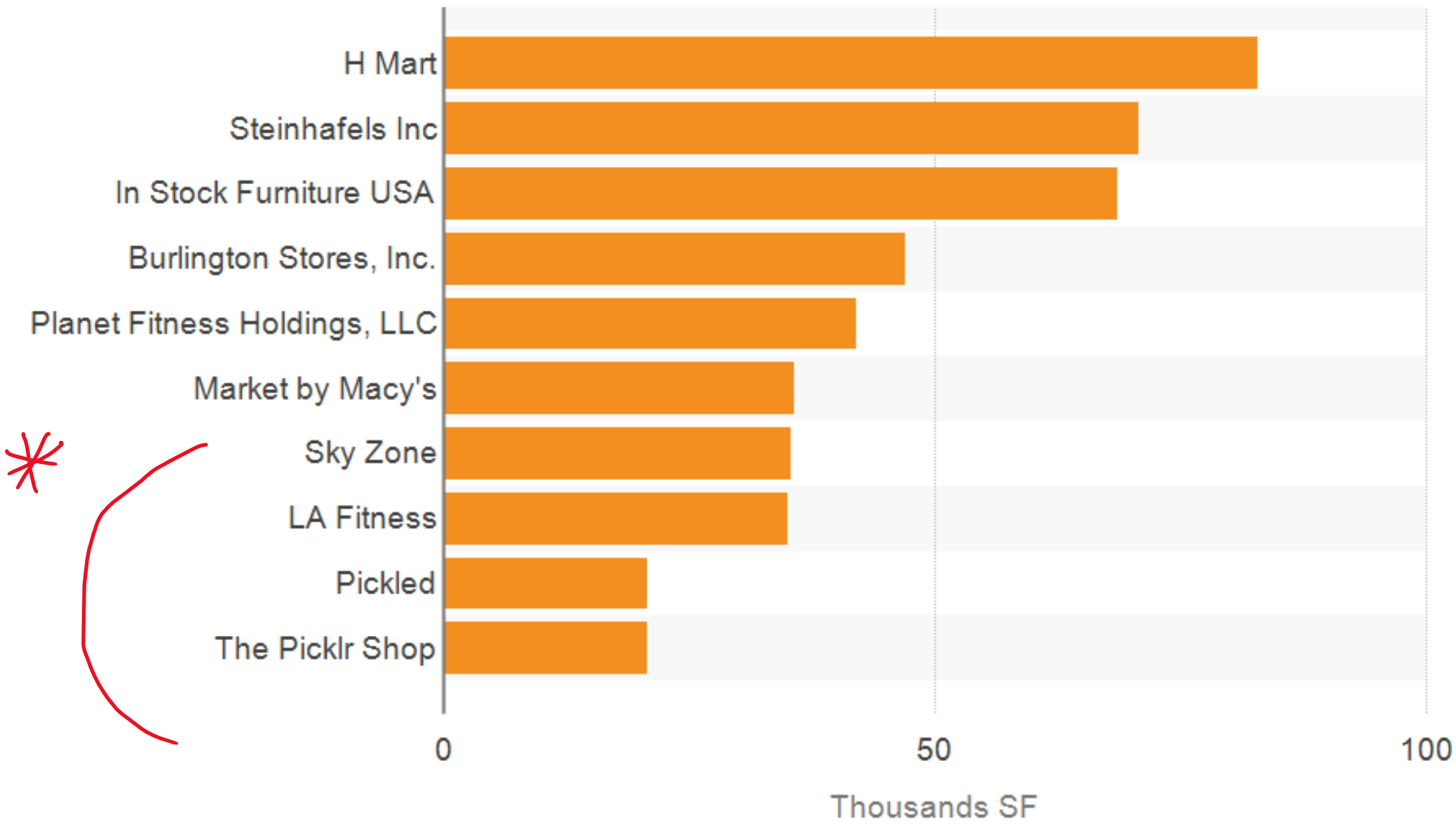
10,001 - 25,000 SF



25,001+ SF



# Chicago's Largest Lease Signings, April - August



# Large Retail Lease

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Space Leased: 83,000 SF  
Tenant: H Mart

Woodfield Plaza, Schaumburg Area

Signed 23Q2 for 23Q4 Occupancy

Note: Backfilling Kohl's





# Large Retail Lease

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Space Leased: 71,000 SF  
Tenant: Steinhafel's

Former Bed Bath & Beyond Plaza,  
Schaumburg Area

Signed 23Q2 for 23Q3 Occupancy

Notes: Backfilling BBB.  
Third in Illinois





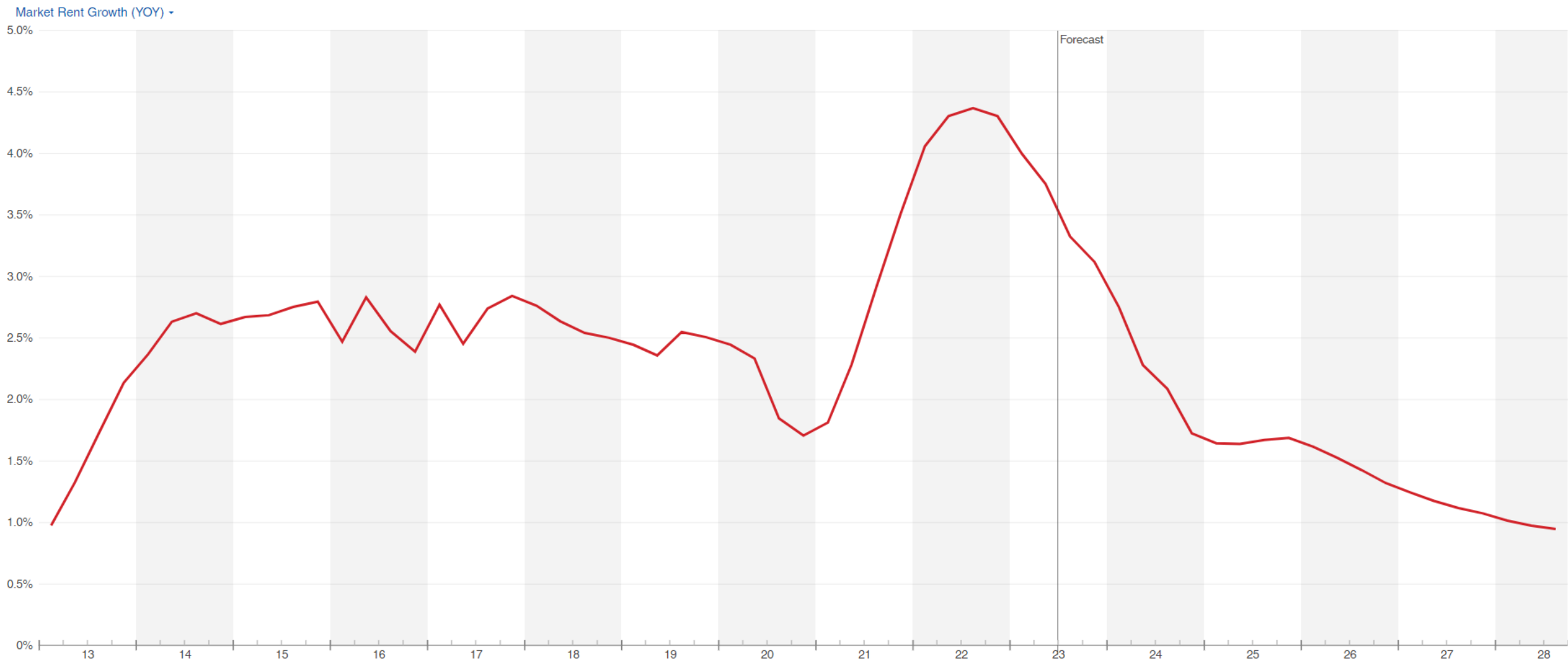
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# Retail

## Rent



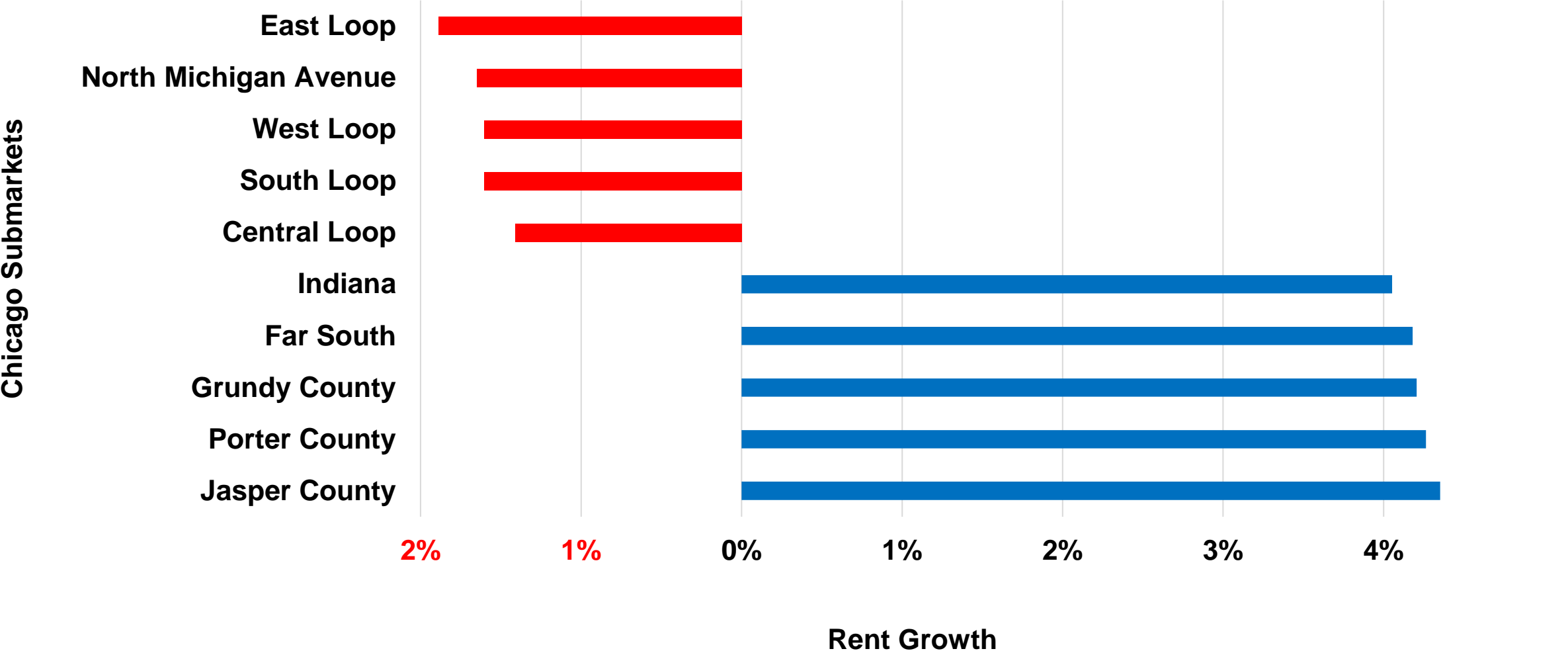
# National Retail Rent Growth Forecast



Source: CoStar, August 2023



# Chicago Retail Submarkets With The Highest Rent Growth

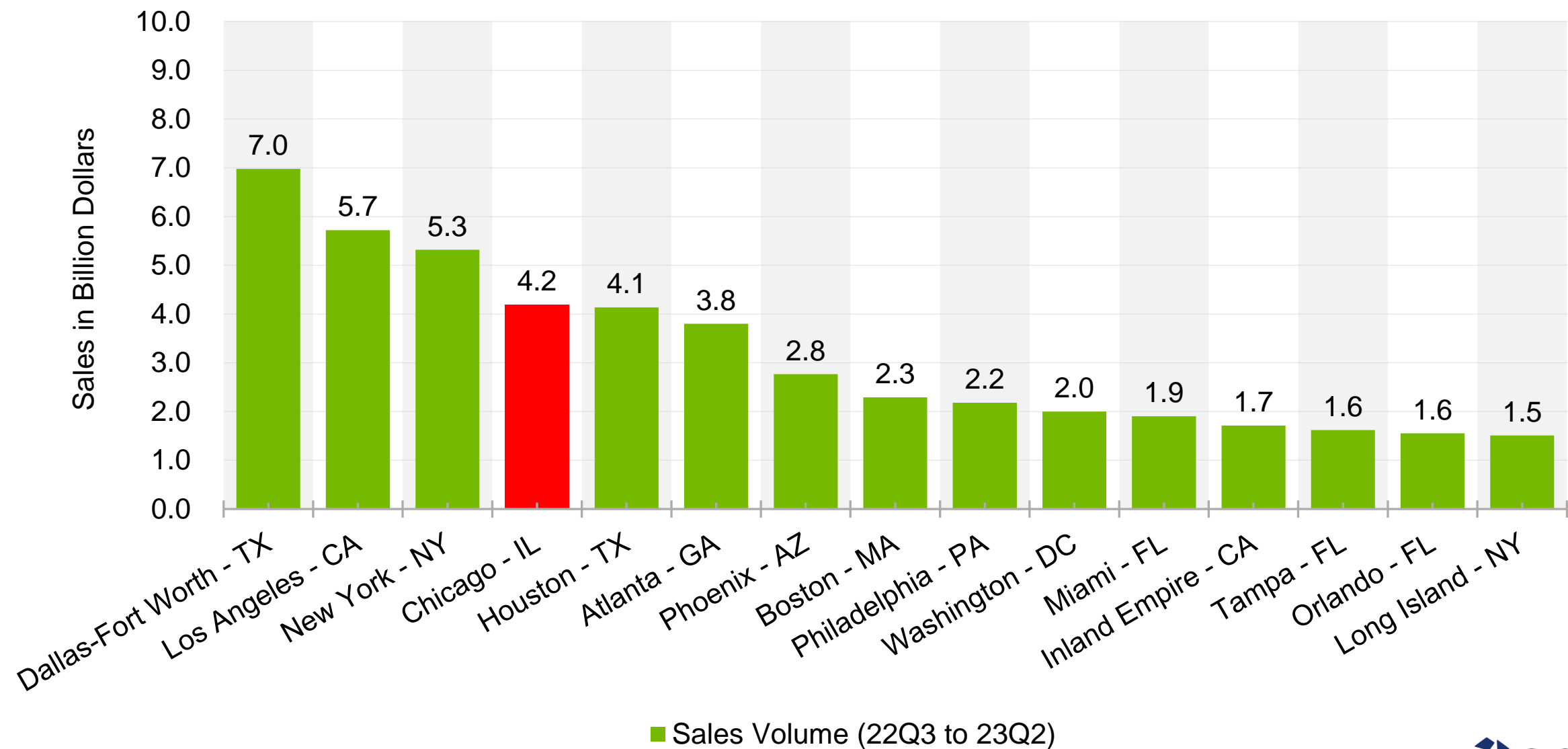




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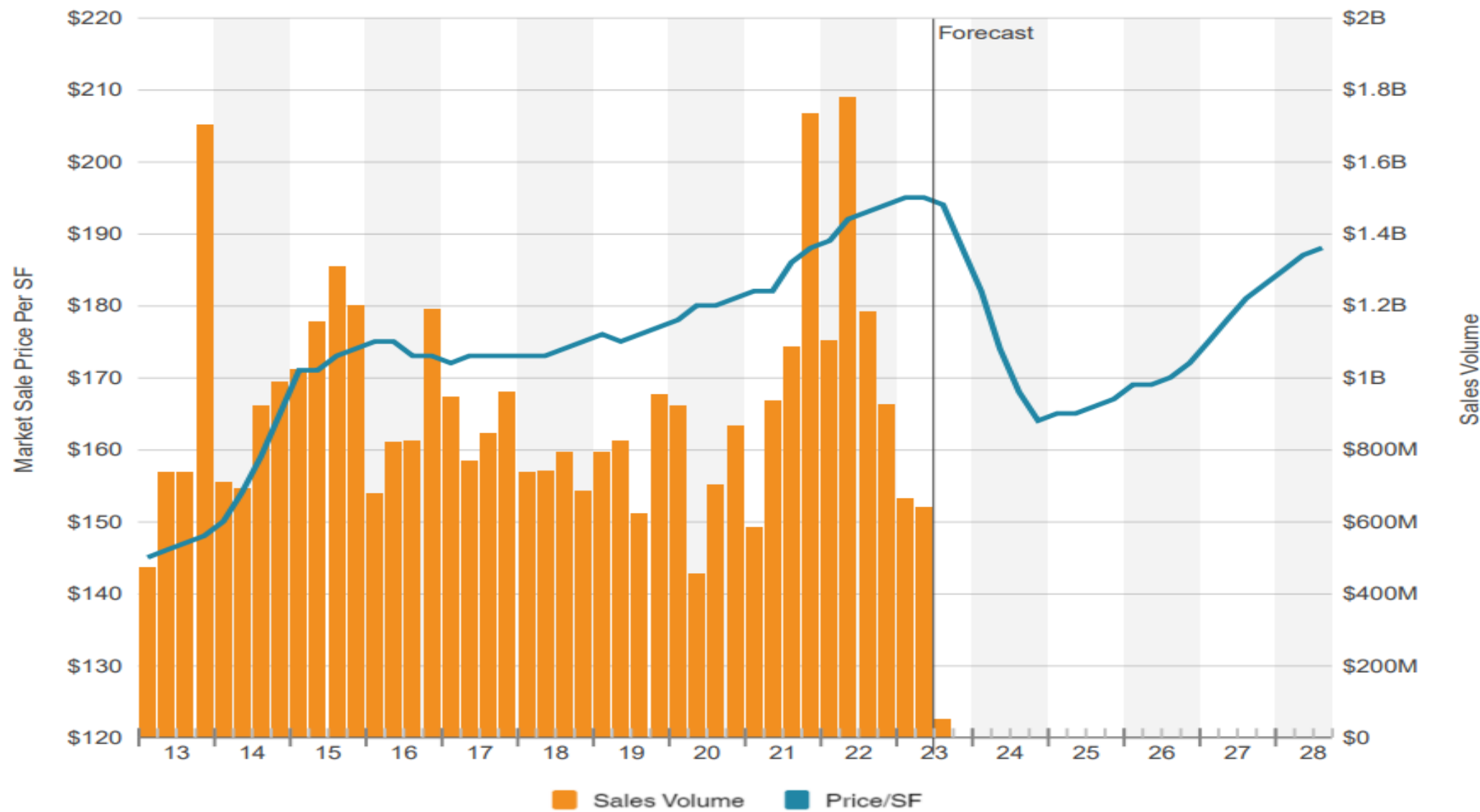
# Retail Sales

# Retail Sales Volume, by Market

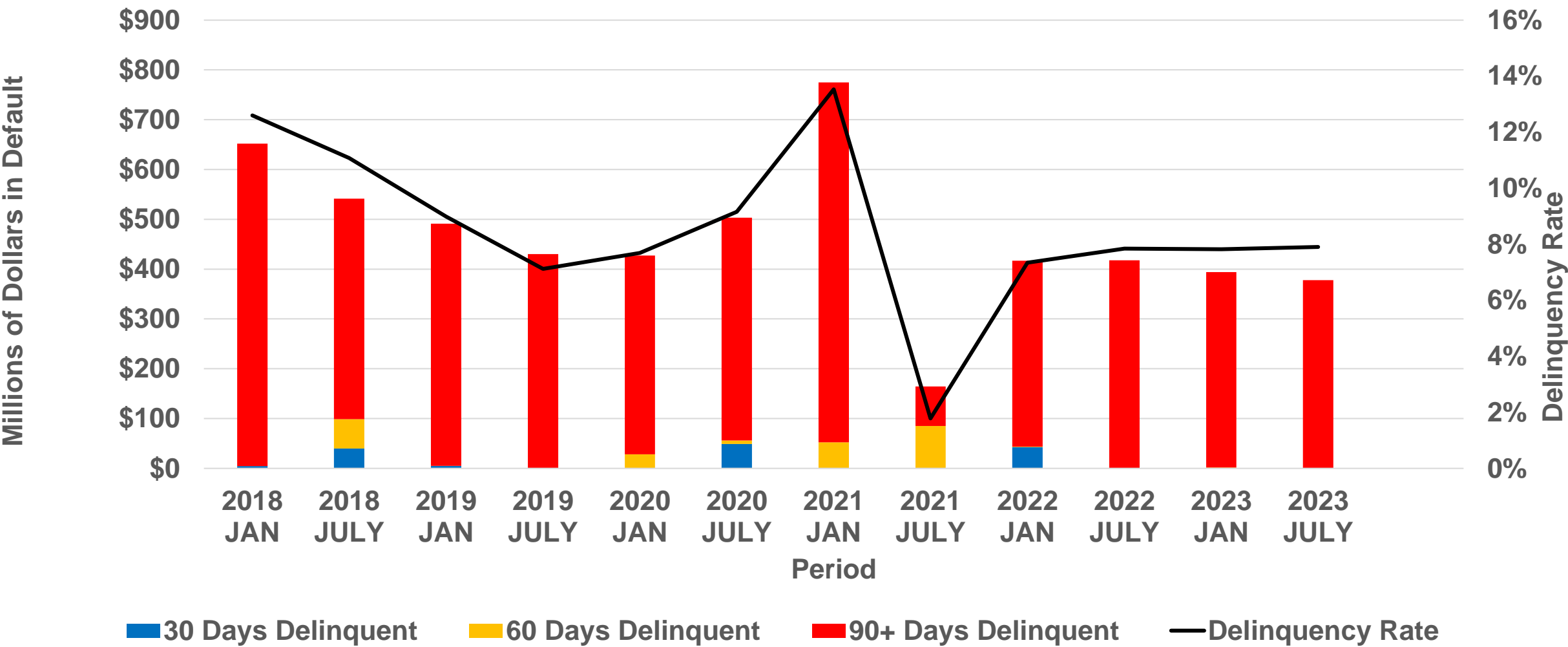




# Quarterly Sales Volume



# Chicago's Retail CMBS Delinquency Rate at Five-Year Average



# Large Retail Sales Transaction

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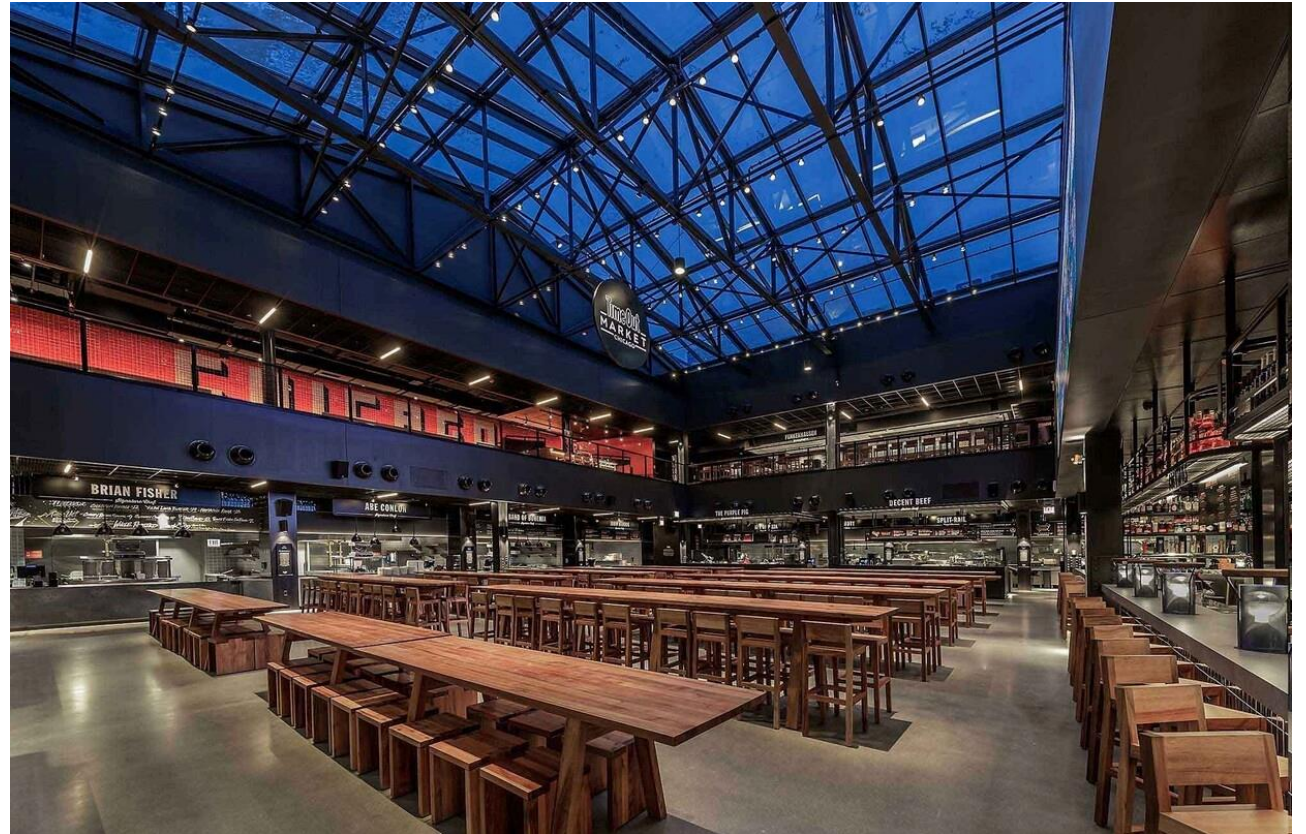
Buyer: Tri Star Equities (off-shore HNW)  
Seller: L3 Capital (local, private)

Time Out Chicago Food Hall  
Fulton Market  
49,000 SF

Sale Price \$36 Million or \$728/SF

Sale Date: April 2023

Actual Cap Rate 4.5%





# Large Retail Sales Transaction

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Buyer: Vault Equity Partners (Institutional)  
Seller: Kensington Development Partners

Sawmill Station's LA Fitness  
Morton Grove, Near North  
37,000 SF

Sale Price \$13.5 Million or \$364/SF

Sale Date: May 2023

Actual Cap Rate 6.15%



*Representative Photo*





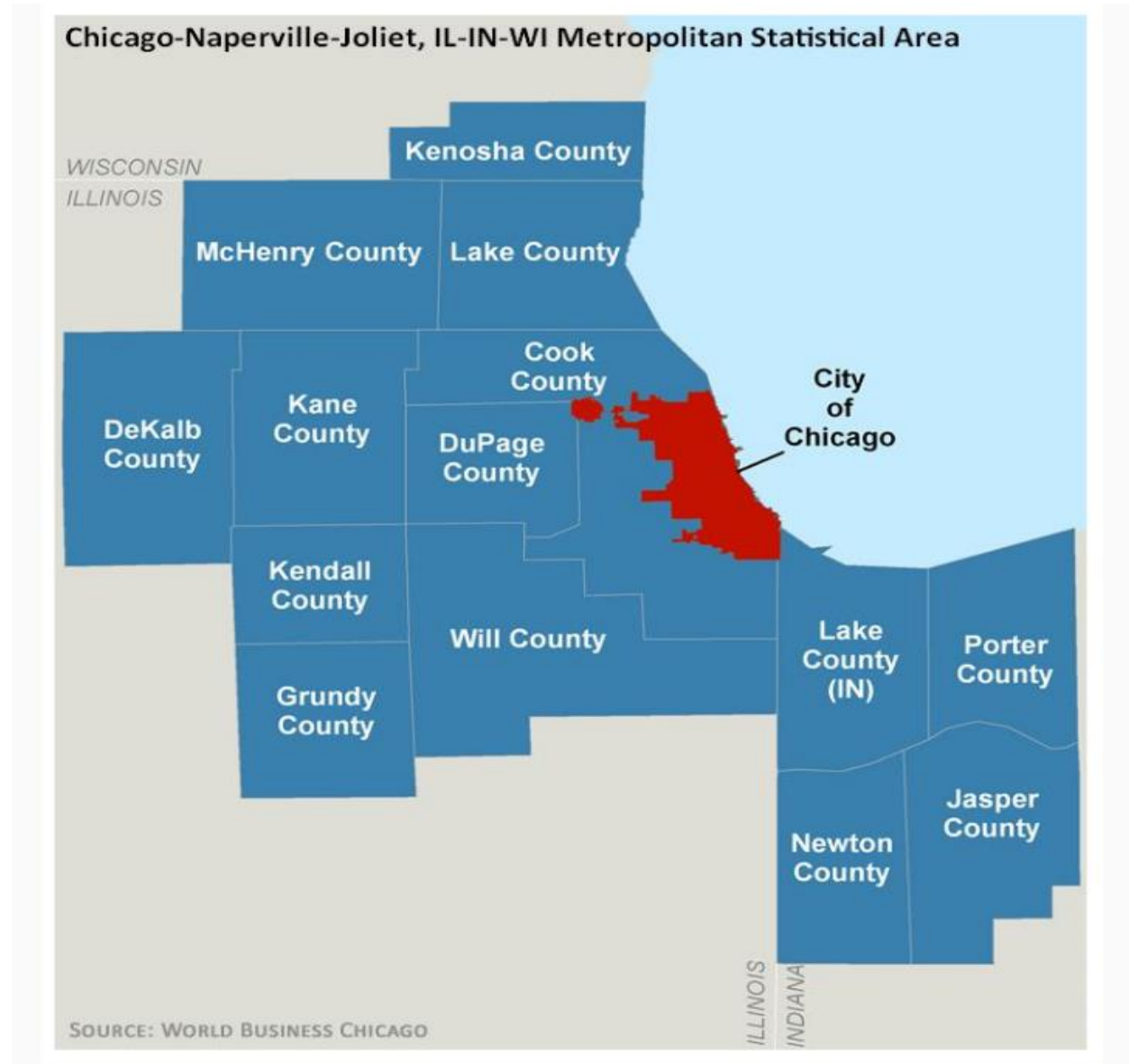
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# Industrial

# Market Report Analytic Filters & Chicago Metropolitan Statistical Area (MSA)

Included:

- All Sizes
- Owner & Non-Owner Occupied
- Industrial Property Type
  - Warehouse & Distribution = Logistics
  - Specialized = Cold Storage, Data Centers, Manufacturing Sites
- Existing / Under Renovation
- Proposed
- Under Construction





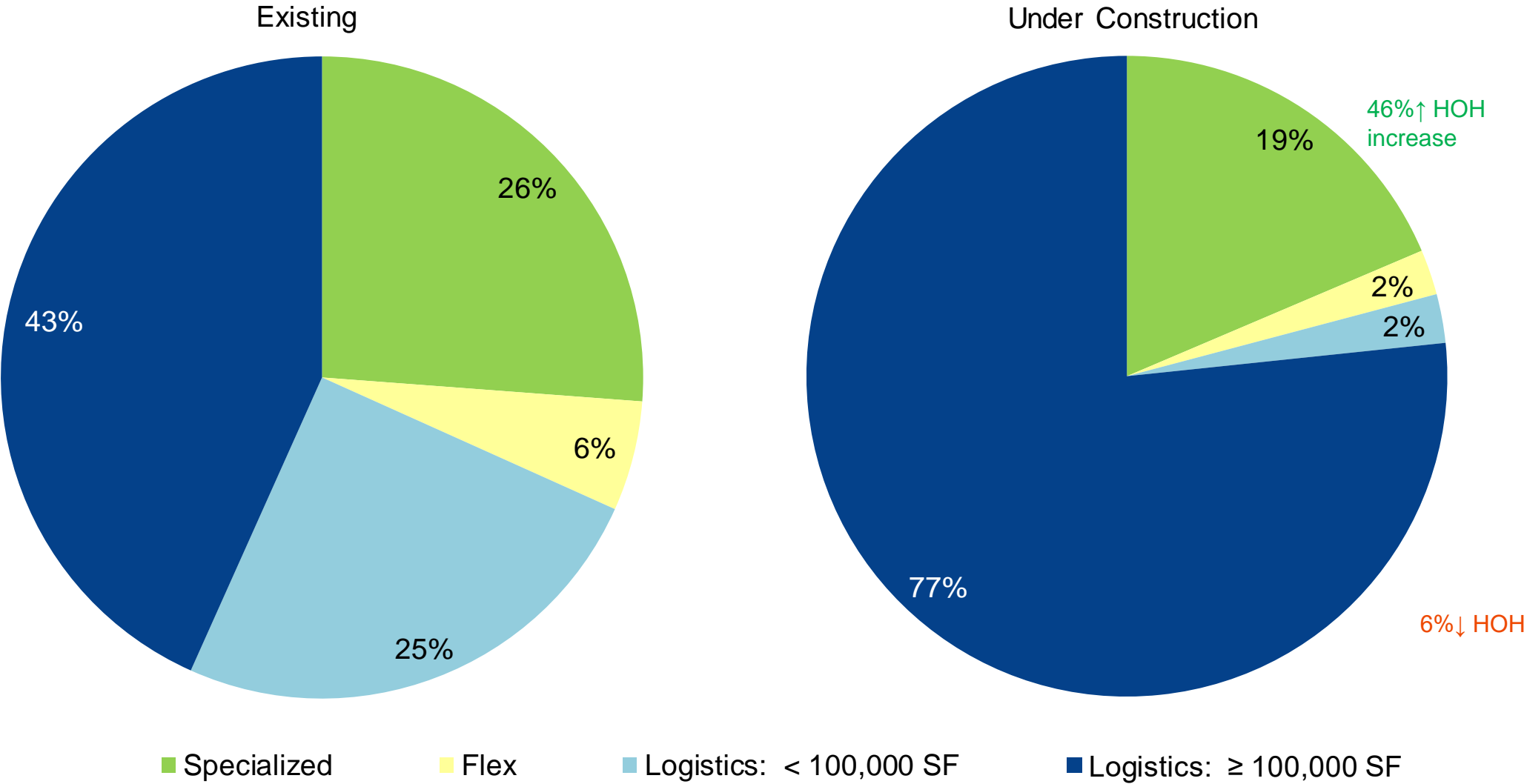


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# Industrial Supply

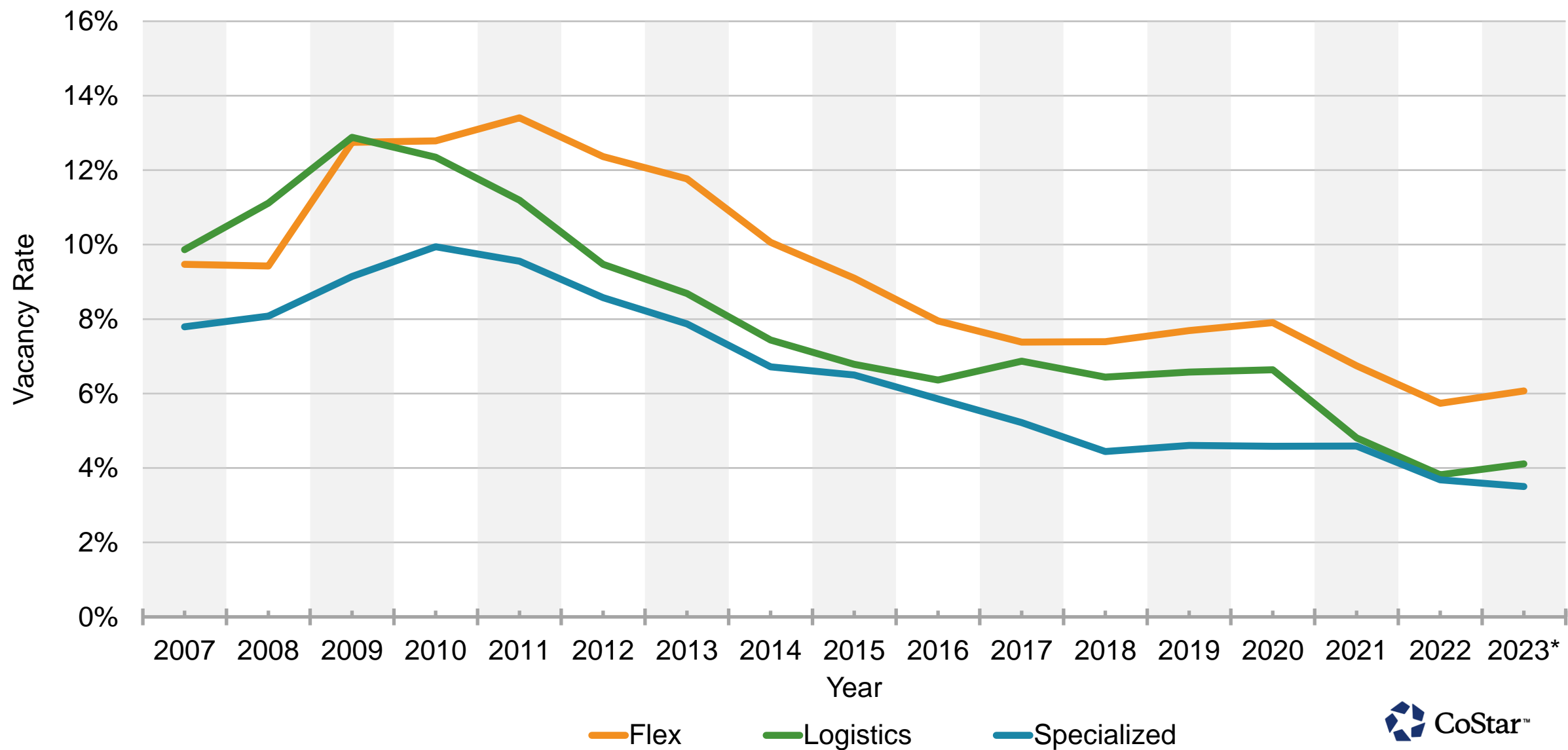


# Inventory Composition: Existing vs. Under Construction



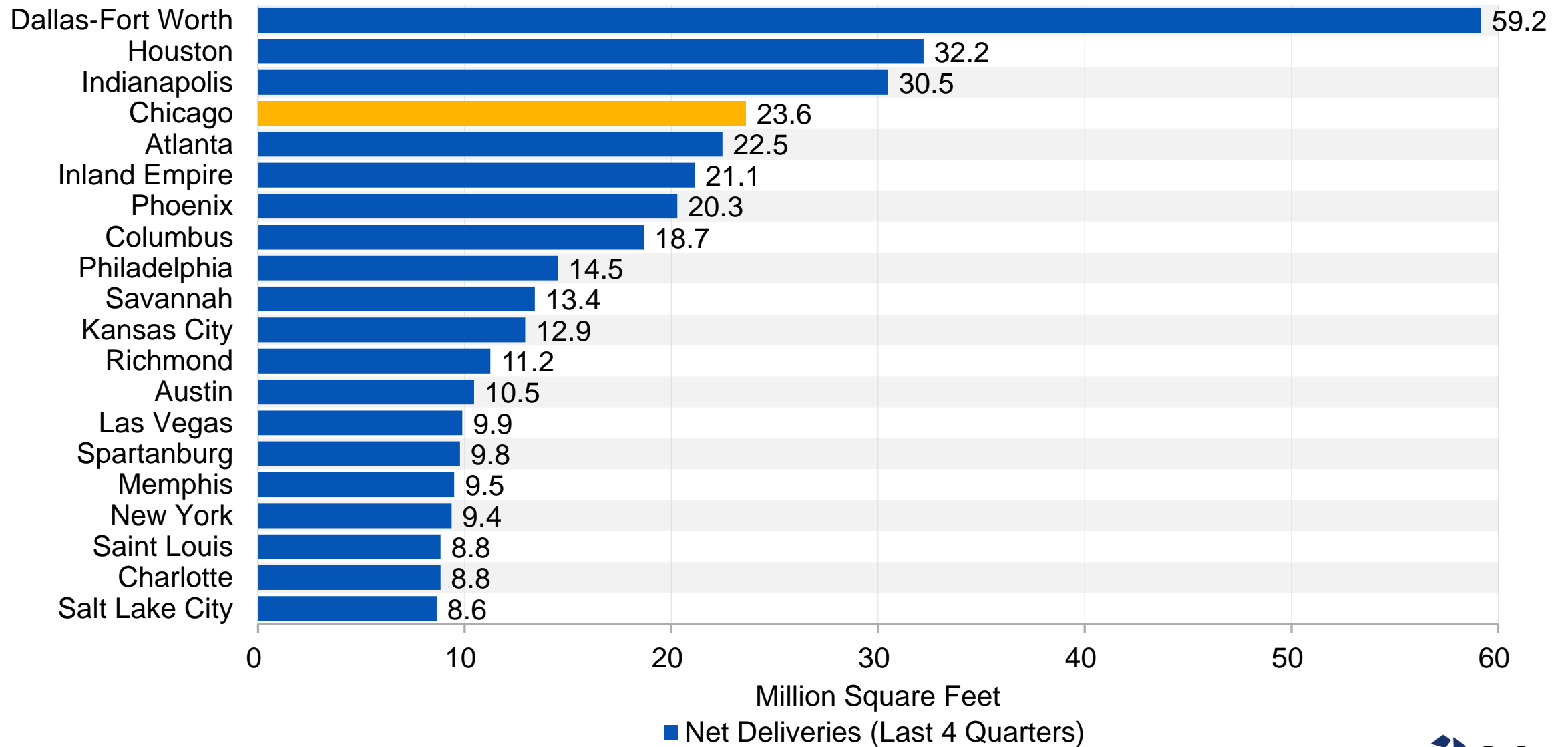
Source: CoStar

# Chicago Industrial and the Great Pivot: Specialized Vs. Logistics

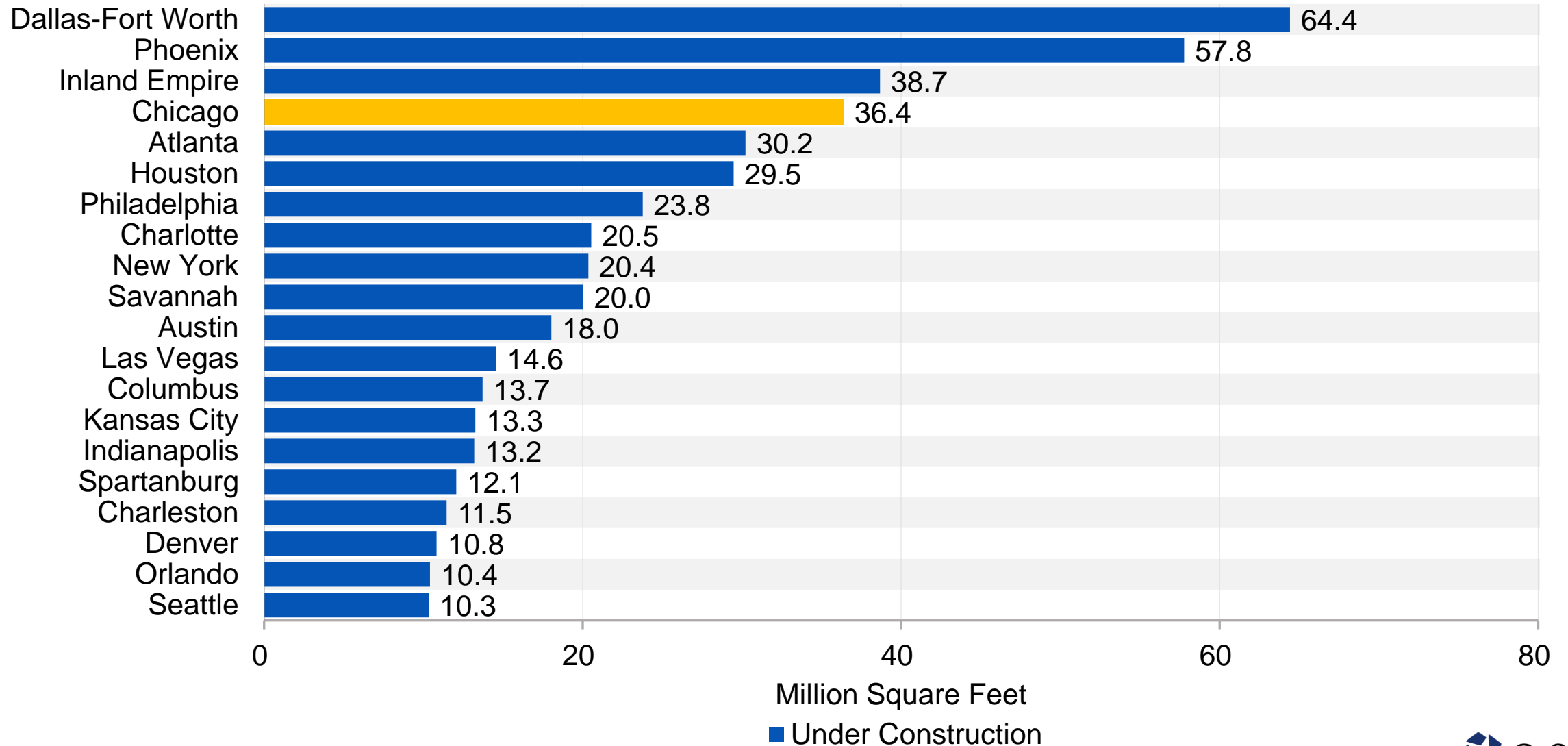




# Top Net Deliveries



# Most Space Under Construction

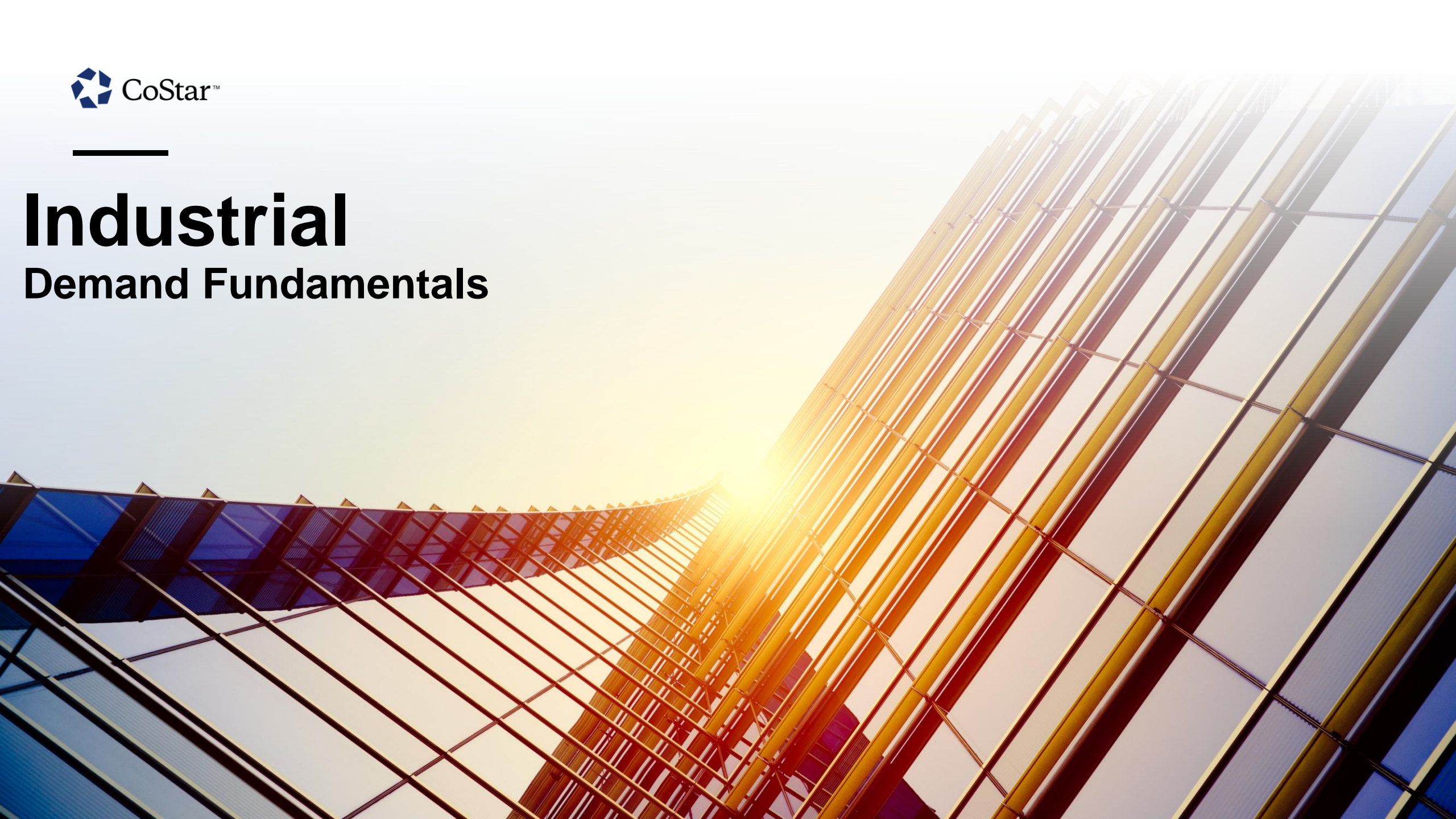




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# Industrial

## Demand Fundamentals





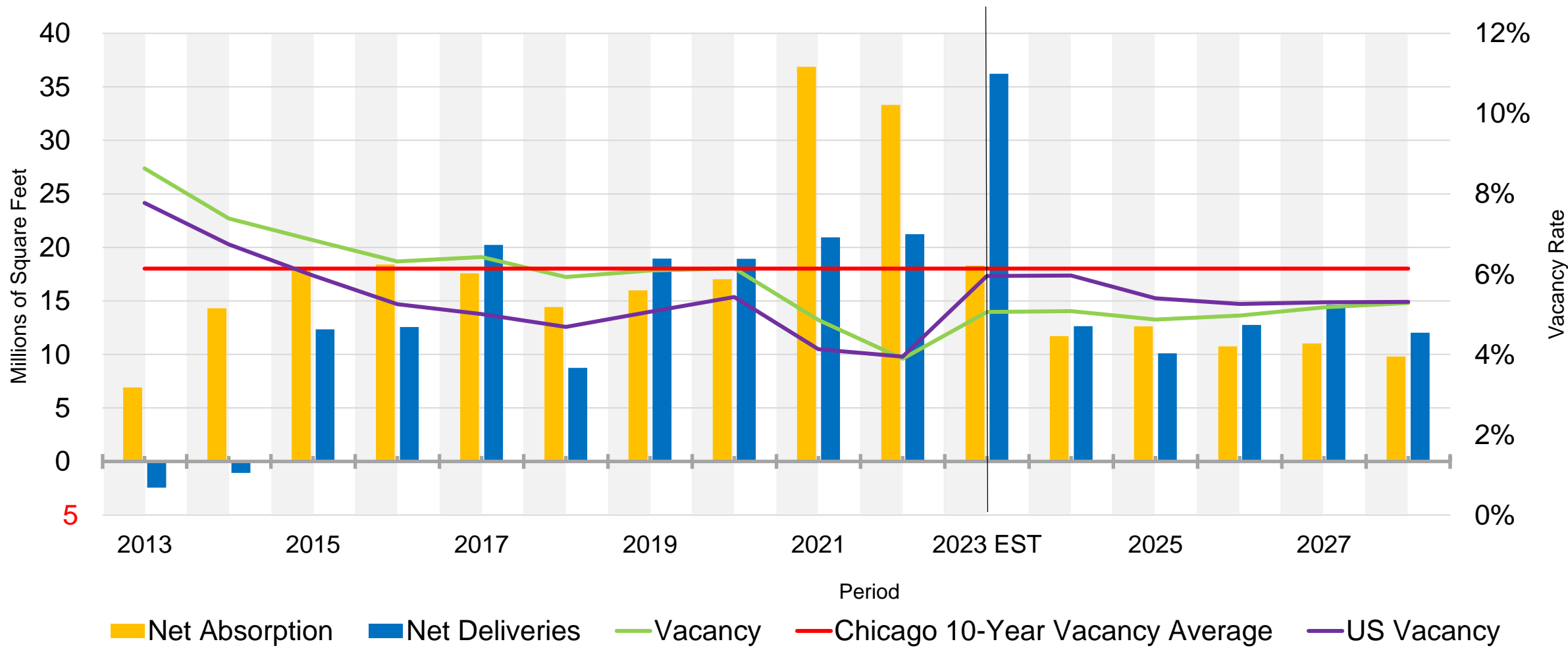
The larger  
the space in  
Chicago,  
the greater  
the  
availability  
rate

Availability Rates By Property Sizes in Square Feet (Includes Existing and Under Construction Properties)						
Market	All	Under 50k	50k-99k	100k-249k	250k-499k	500k+
Norfolk - VA	3.2%	2.2%	2.8%	3.4%	5.4%	3.0%
Detroit - MI	3.4%	2.4%	3.8%	5.3%	8.5%	0.9%
Orange County - CA	4.3%	2.2%	4.1%	8.4%	7.9%	4.3%
East Bay - CA	5.0%	3.2%	6.4%	7.8%	3.9%	3.1%
Tampa - FL	5.0%	1.7%	5.6%	9.5%	9.8%	4.4%
Los Angeles - CA	5.1%	3.4%	5.0%	6.9%	8.2%	6.6%
Milwaukee - WI	5.2%	1.7%	3.6%	6.3%	8.3%	9.3%
Minneapolis - MN	5.3%	1.5%	3.6%	8.3%	8.0%	7.1%
Nashville - TN	5.4%	2.2%	3.2%	8.8%	7.9%	3.9%
Jacksonville - FL	5.4%	2.3%	3.7%	8.2%	12.3%	1.5%
Northern New Jersey - NJ	5.4%	3.1%	4.2%	6.1%	10.4%	6.6%
Richmond - VA	5.7%	1.9%	3.6%	7.9%	9.6%	5.3%
Kansas City - MO	5.7%	2.2%	4.6%	5.1%	8.4%	7.7%
South Florida - FL	6.1%	2.4%	6.5%	10.8%	6.6%	12.2%
Boston - MA	6.2%	2.9%	6.8%	10.5%	5.7%	7.7%
San Diego - CA	6.3%	3.6%	7.9%	12.5%	8.6%	0.0%
U.S.	6.5%	2.8%	4.9%	7.9%	9.2%	9.4%
Raleigh - NC	6.7%	3.9%	3.3%	10.1%	11.5%	4.8%
Washington - DC	6.7%	3.0%	6.2%	9.6%	4.4%	17.8%
Chicago - IL	7.1%	3.0%	5.2%	7.5%	8.5%	10.7%
I-81/I-78 Corridor - PA	7.2%	2.3%	2.8%	6.8%	6.3%	10.1%
New York - NY	7.4%	4.1%	6.9%	7.9%	10.9%	10.4%
Atlanta - GA	7.8%	3.4%	5.0%	9.7%	11.3%	8.5%
Columbus - OH	7.9%	2.2%	3.4%	6.9%	10.6%	10.4%
Philadelphia - PA	8.1%	3.3%	4.5%	7.0%	10.8%	16.4%
Orlando - FL	8.2%	3.0%	4.5%	9.5%	8.2%	29.0%
Seattle - WA	8.4%	3.2%	6.5%	11.3%	14.0%	9.7%
Inland Empire - CA	8.7%	4.3%	9.3%	13.8%	11.0%	7.2%
Las Vegas - NV	9.1%	2.8%	5.7%	10.1%	17.4%	11.8%
Houston - TX	9.2%	5.1%	6.7%	10.7%	10.4%	17.0%
Indianapolis - IN	9.7%	1.7%	2.8%	8.0%	11.4%	15.1%
Memphis - TN	11.1%	2.3%	7.0%	8.0%	12.2%	15.5%
Austin/San Antonio - TX	11.2%	5.5%	10.8%	17.9%	17.7%	5.7%
Dallas-Fort Worth - TX	11.7%	4.2%	7.1%	11.6%	15.0%	16.2%
Phoenix - AZ	12.0%	2.8%	11.1%	16.7%	17.5%	16.3%
Savannah - GA	14.4%	3.6%	9.3%	11.1%	11.3%	19.5%

\*Excludes flex properties

Source: CoStar

# Industrial Base Case Forecast: Supply, Demand and Vacancy



# Chicago Employment Pie

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■ Professional & Business Services

■ Education and Health Services

■ Trade and Utilities

■ Government

■ Leisure and Hospitality

□ Financial Activities

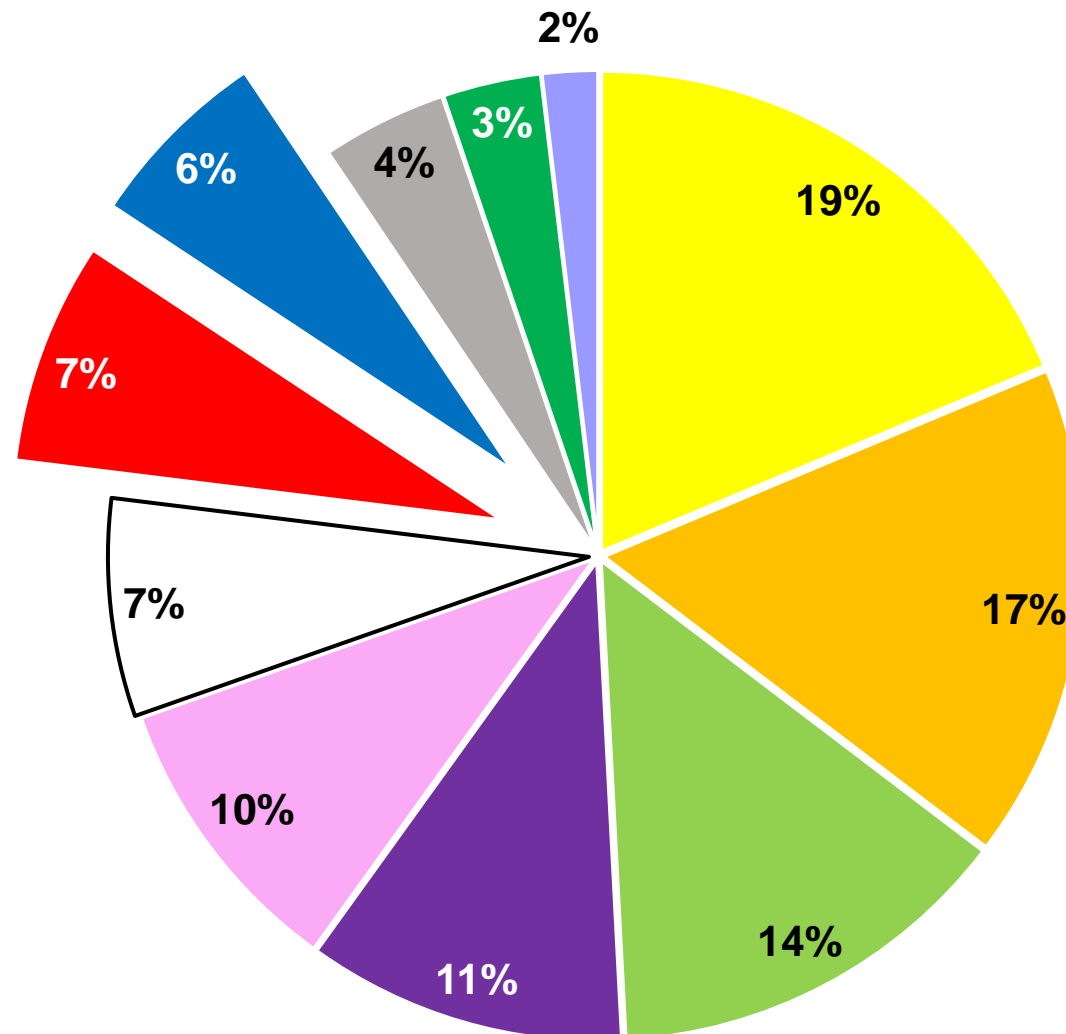
■ Manufacturing

■ Transportation & Warehousing

■ Other Services

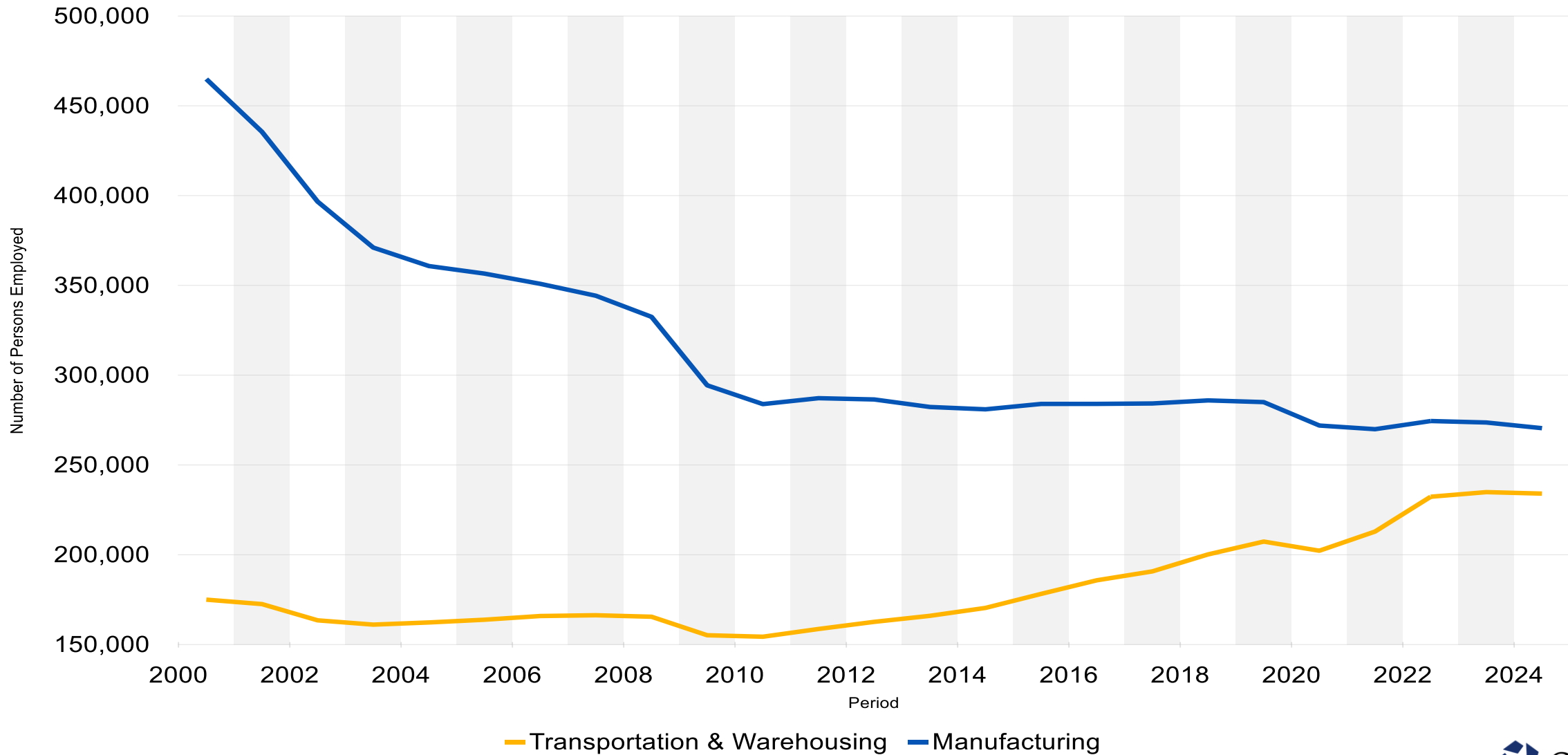
■ Construction

■ Information



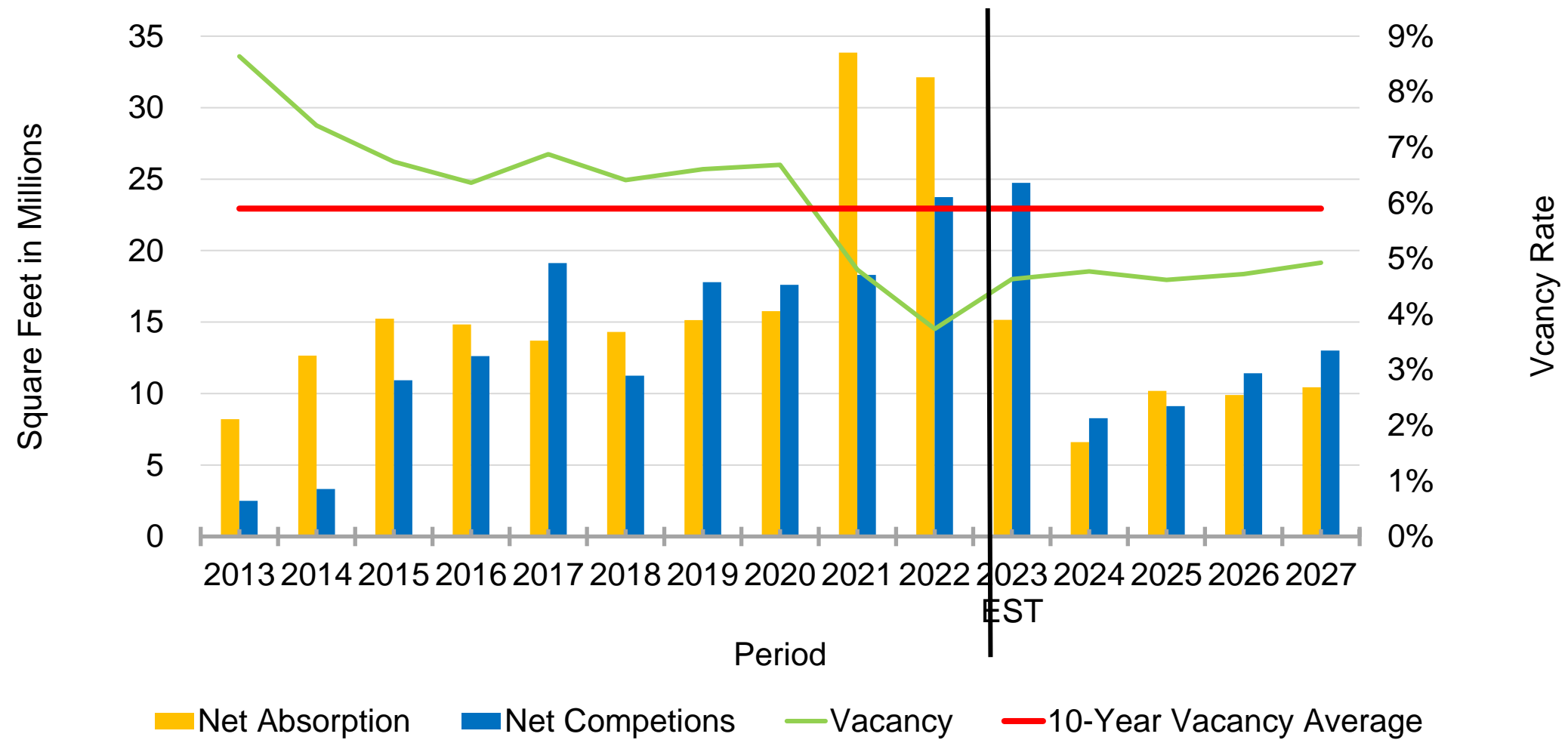


# Chicago's Transportation & Warehousing Employment Sector Gains on Manufacturing



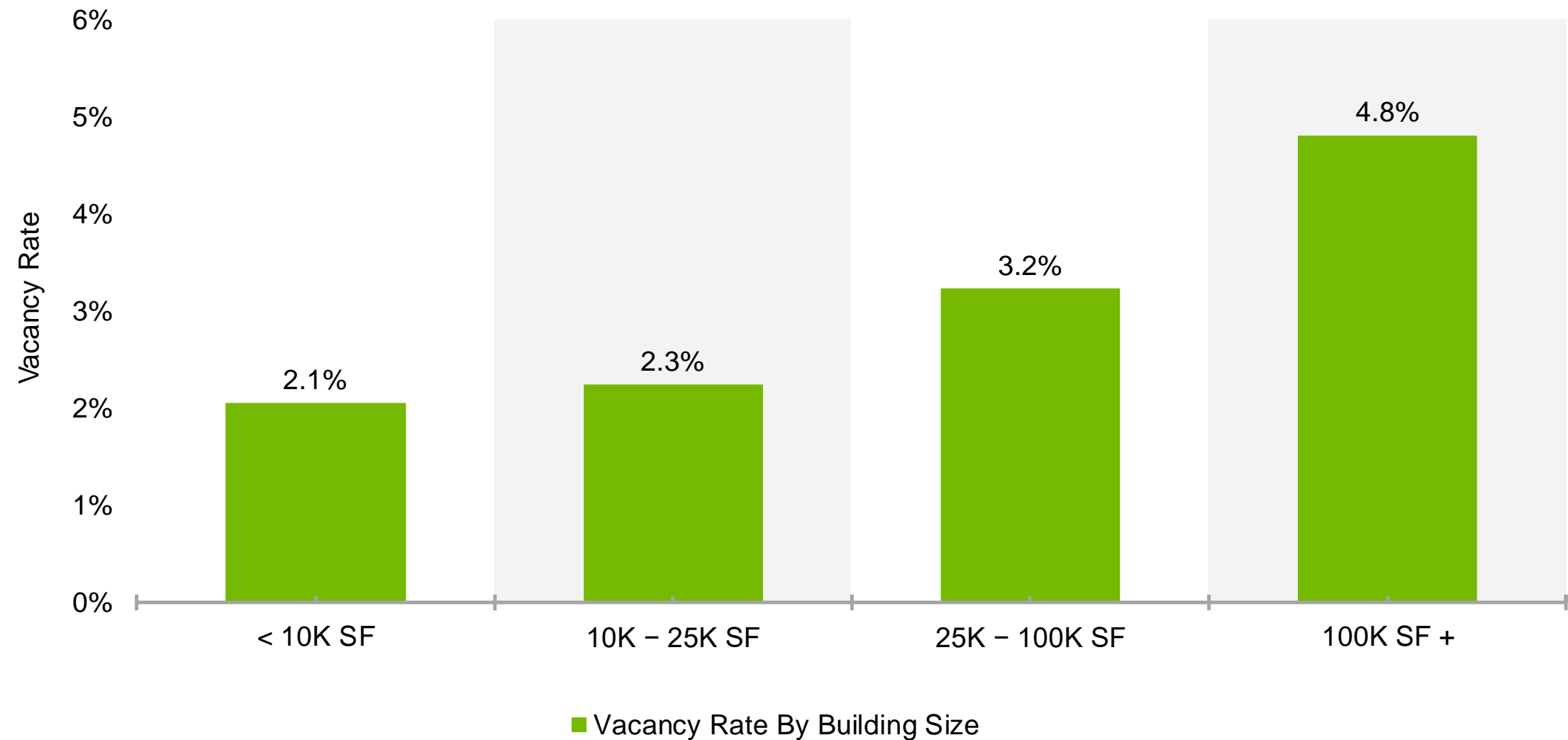
Source: Macrobond and Oxford Economics, May 2023

# Chicago's Logistics Space Carries the Market's Industrial Sector



Source: CoStar, August 2023

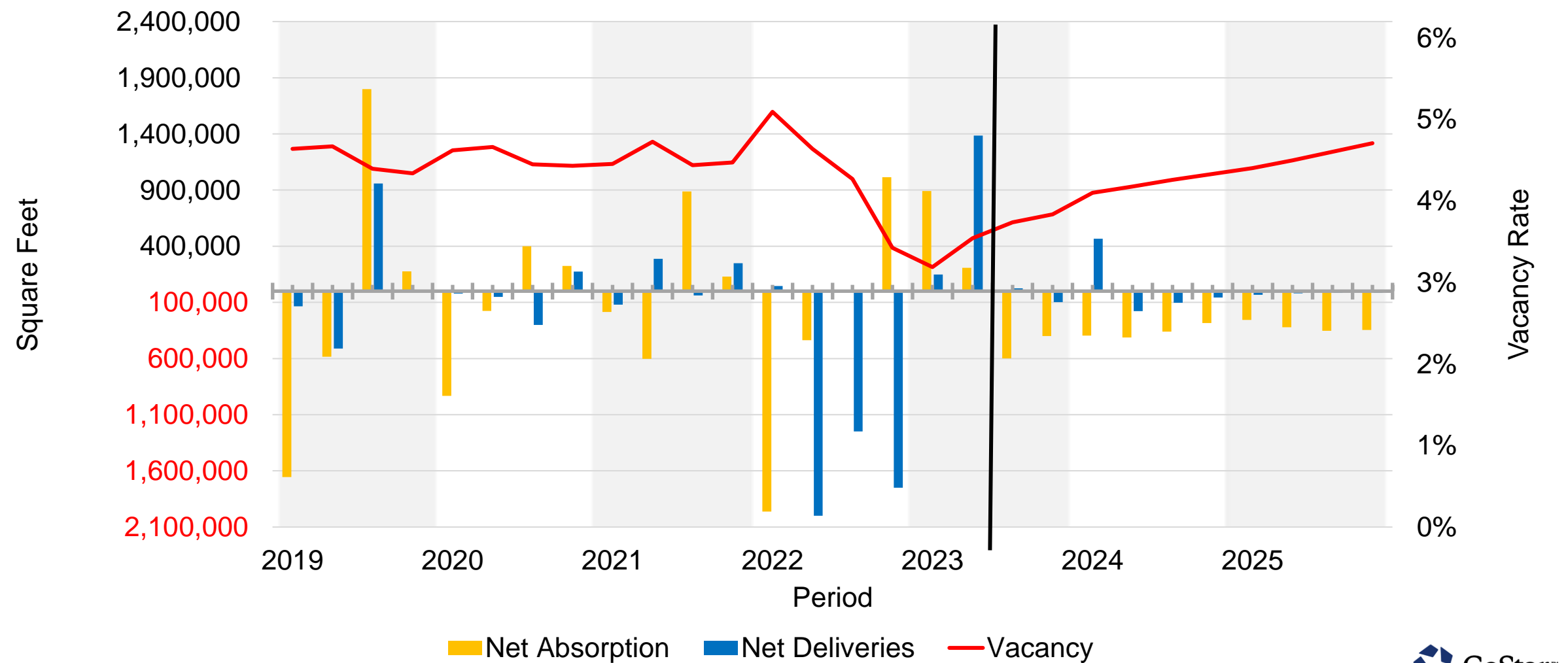
# Logistics Fundamentals: Vacancy by Building Size



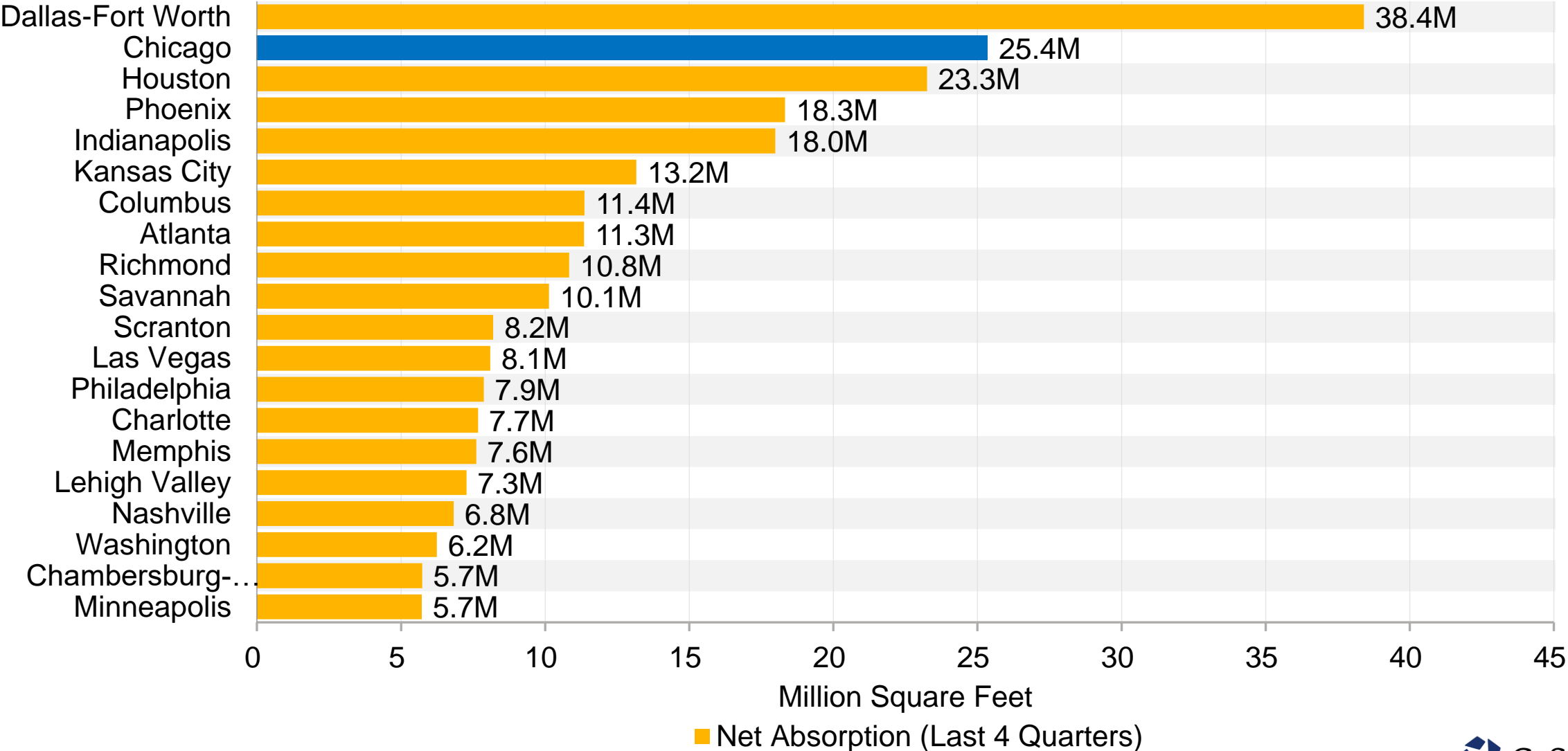
Source: CoStar



# Chicago's Manufacturing Demand Dwindles After Strong 23H1



# Net Absorption





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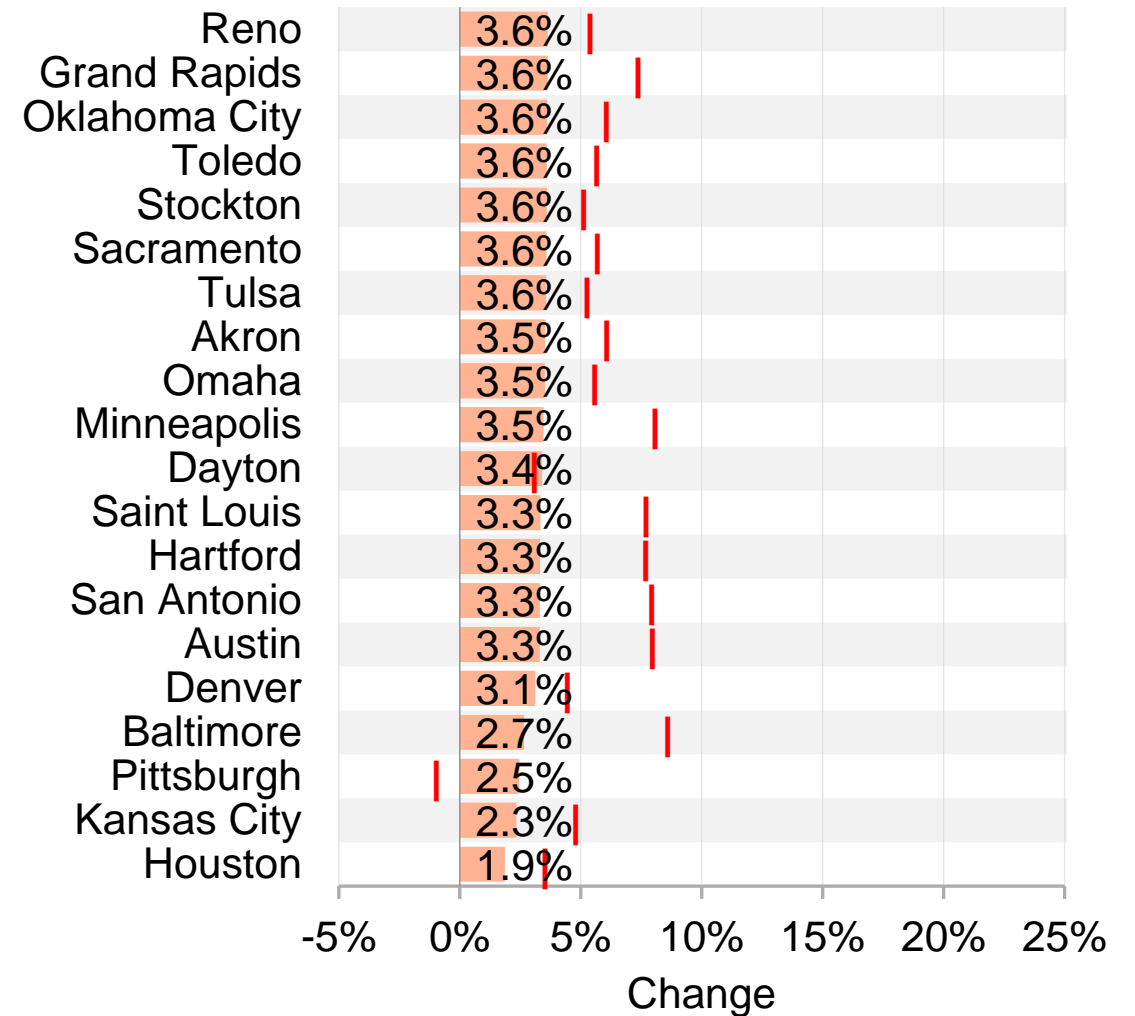
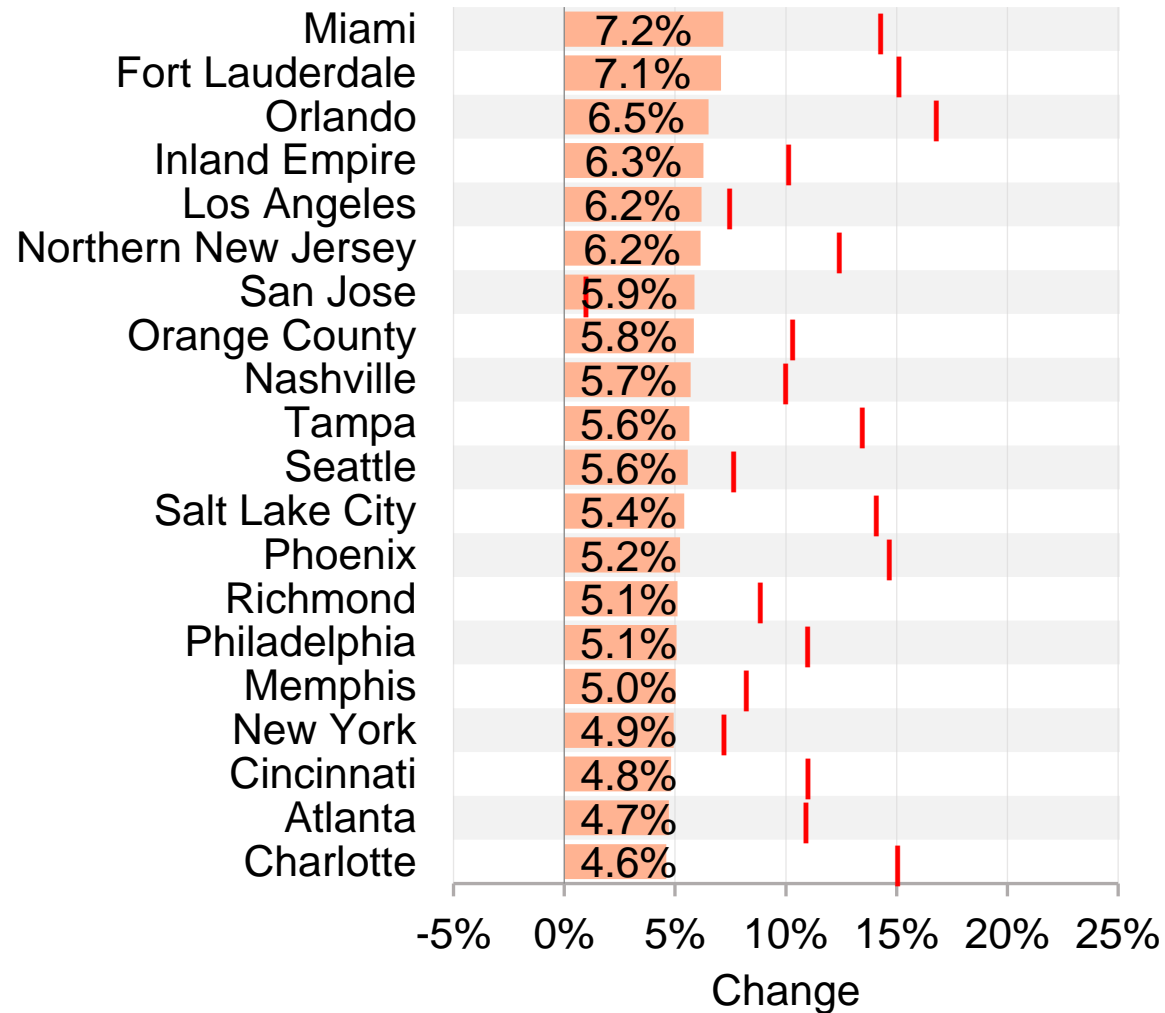
# Industrial

## Rent Growth





# Base Case Rent Growth Forecast, by Market

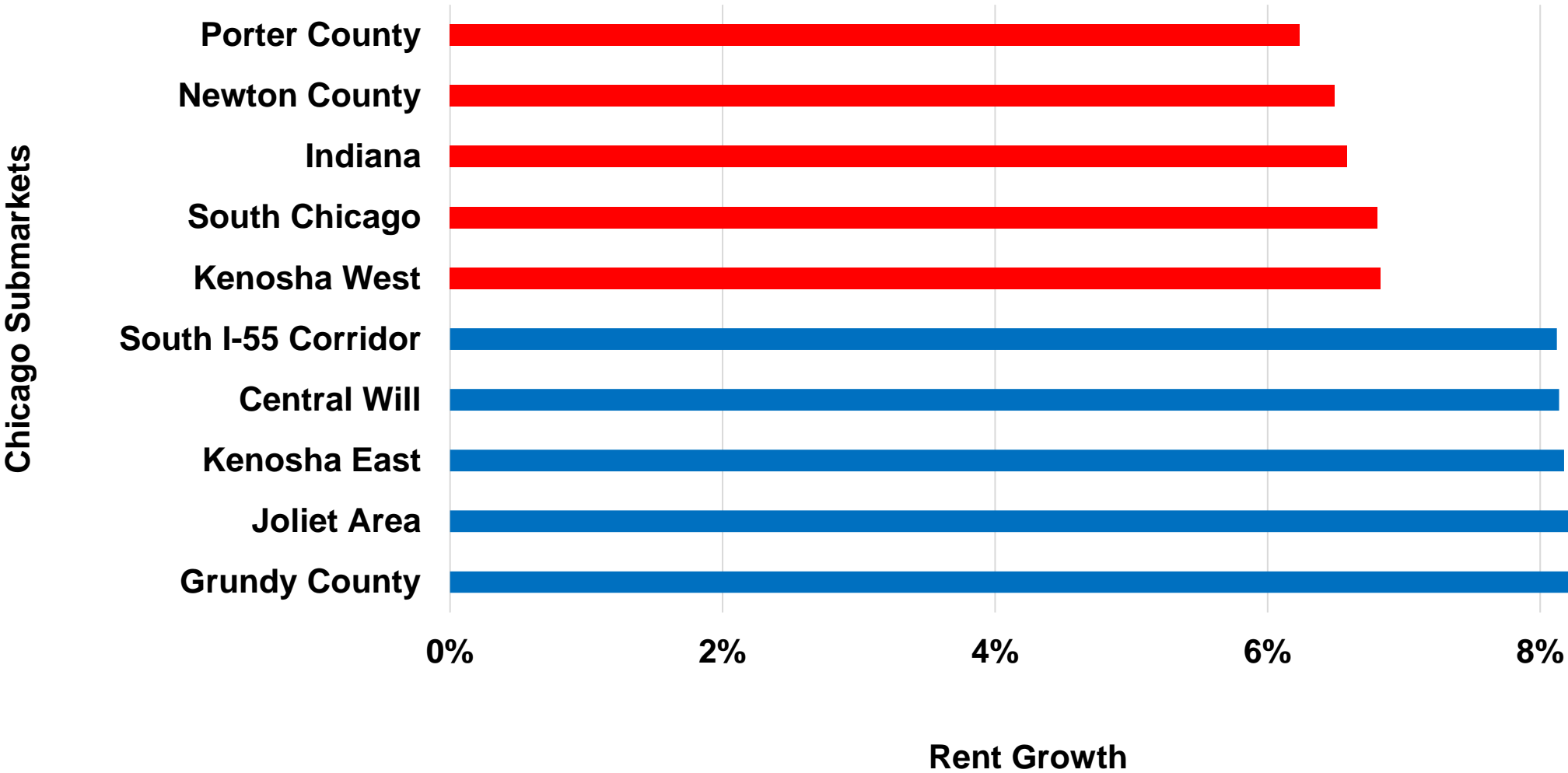


■ Baseline Forecast (Four-Year Average)

■ Rent Growth

Note: Includes markets with 100 Million+ Square Feet inventory.

# Chicago Industrial Submarkets With the Lowest/Highest Rent Growth





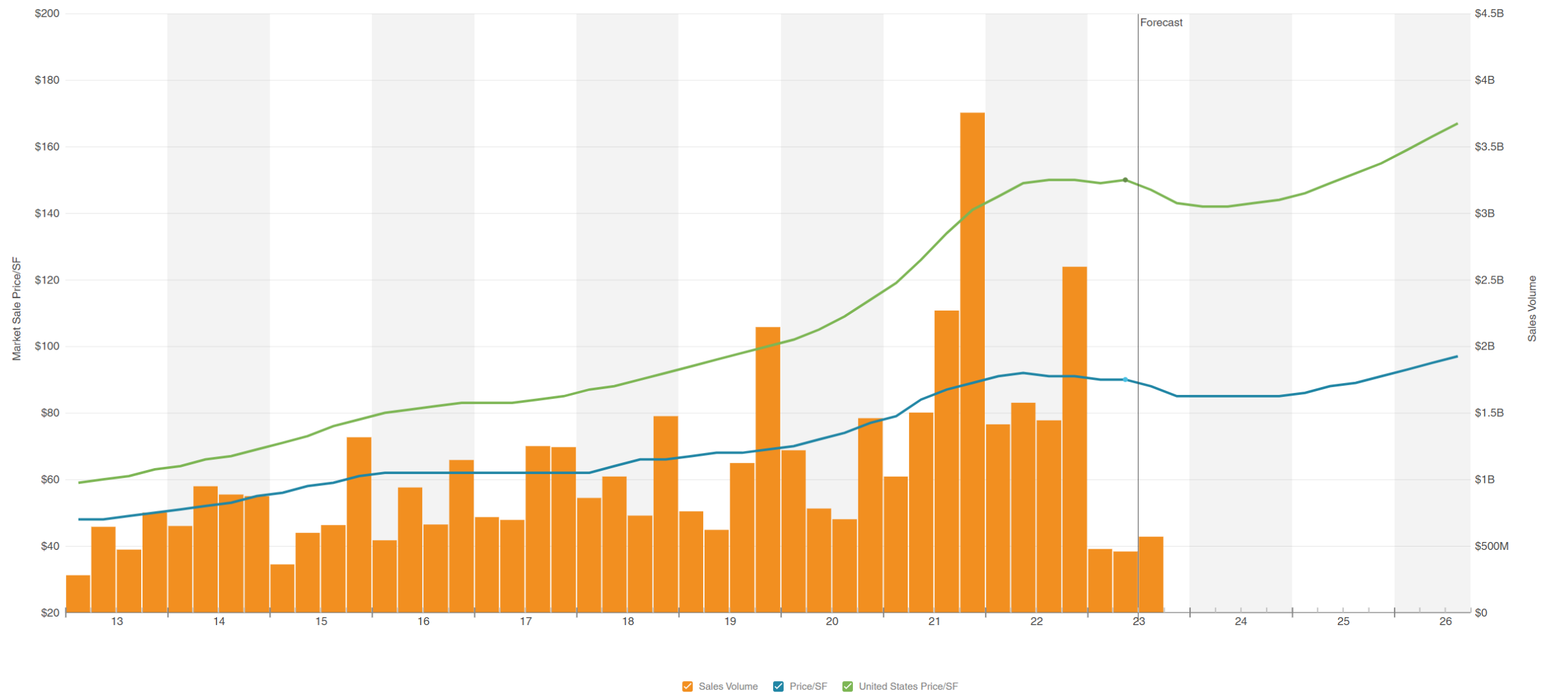
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# Industrial Sales

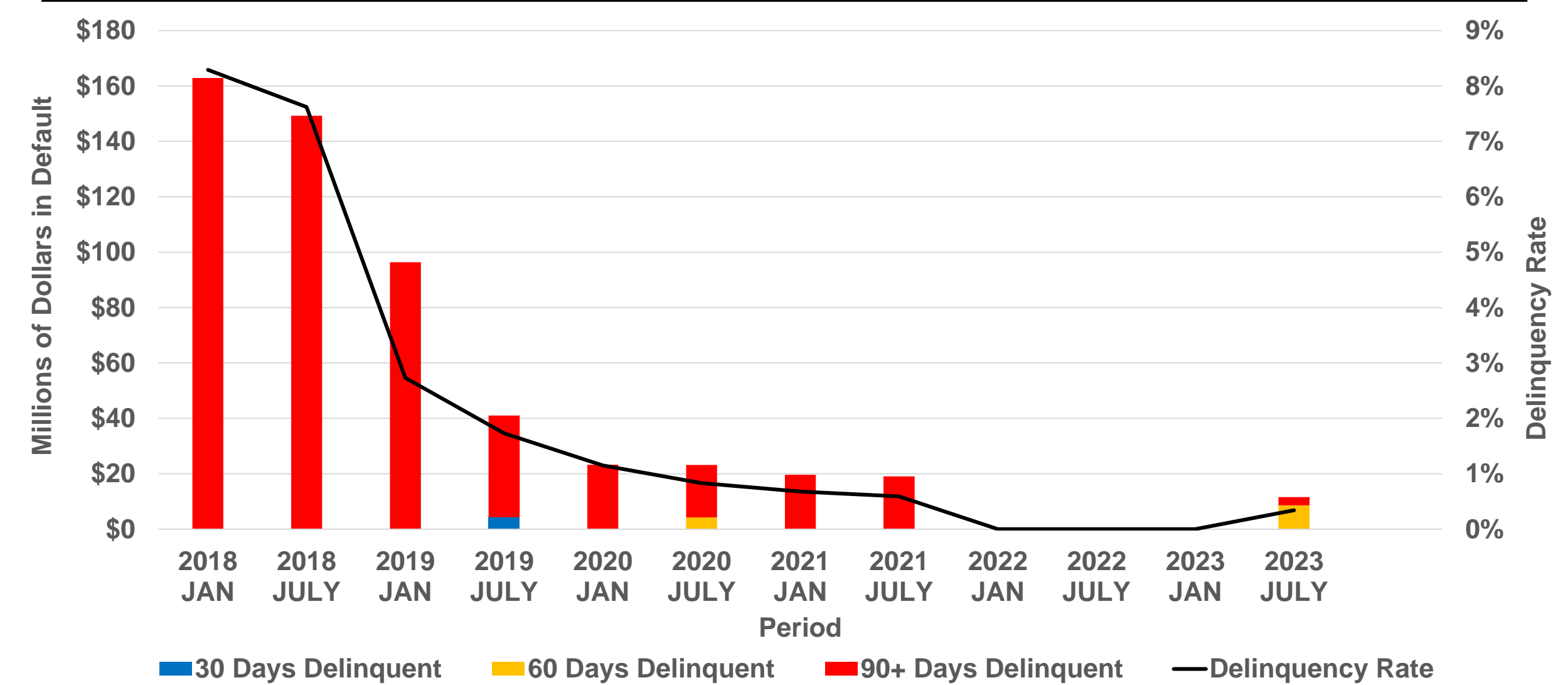




# Chicago Industrial Sales Volume, Chicago Vs. U.S. Per SF



# Industrial CMBS Distressed Loan Default Status, Two Properties in Metro



# Top Chicago Industrial Sales

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Buyer: Bank of America  
Seller: American Realty Advisors

Addresses: I-88 Gateway Logistics Center  
Aurora, DuPage County

605,000 SF

Sale Price: \$55.5 Million or \$92/SF

Note: Built in 2014 on speculation. Ryder Logistics signed a deal to fully occupy the building earlier this year. Eight years ago, ARA bought it for \$76/SF.







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# Office





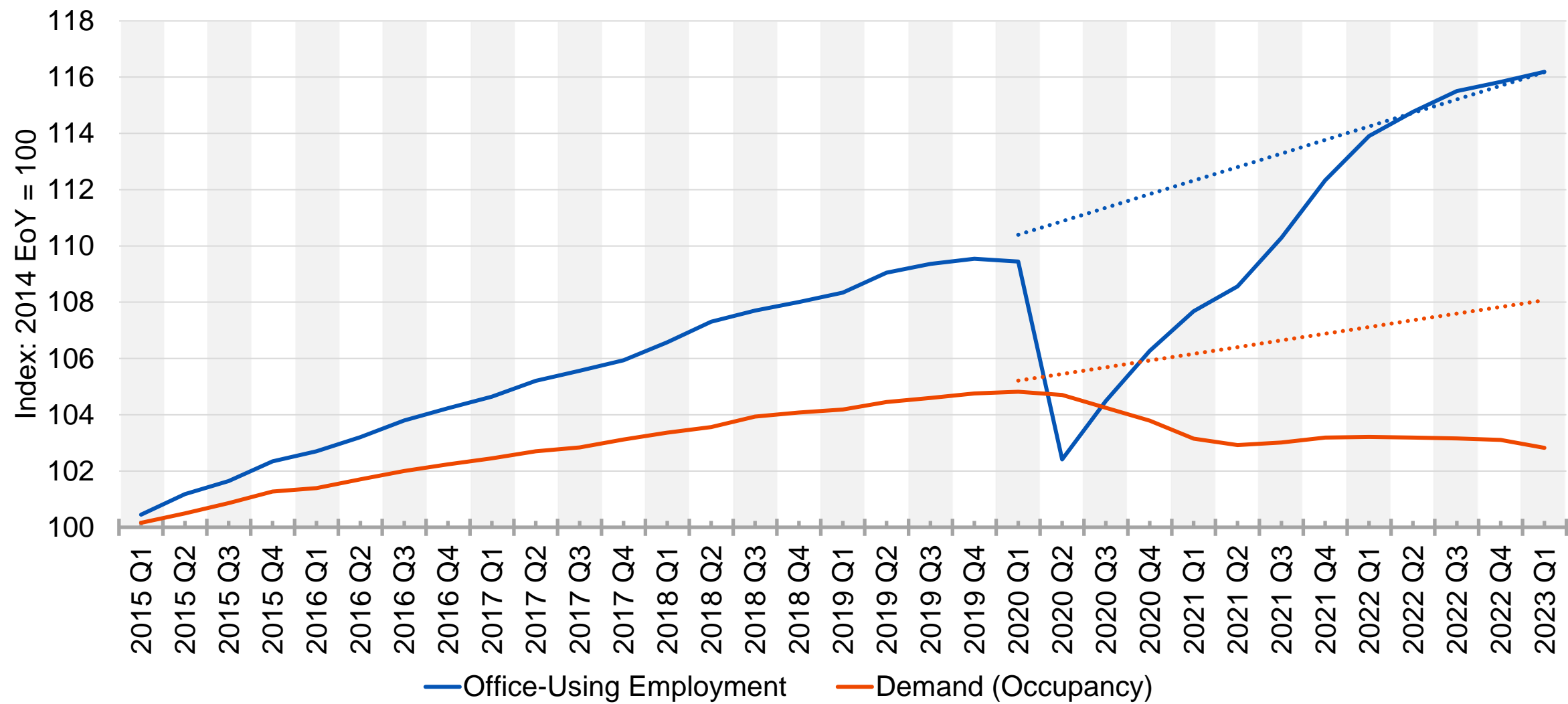
---

# Office

## Underpinnings



# Employment and Occupancy Remain Disconnected



Sources: CoStar, U.S. Bureau of Labor Statistics, April 2023  
Note: Seasonally Adjusted employment figures for Information, Financial Activities, and Professional and Business Services macrosectors



# Common Sense, Bottom Lines, and Empirical Evidence May Bring Workers to the Office

## IBM Chief’s Message to Remote Workers: ‘Your Career Does Suffer’

Working from home is suitable for some roles, Arvind Krishna said, but those who aspire to move up the ranks need to be in an office.

Arvind Krishna, IBM chairman and chief executive officer, during an interview in New York. *Photographer: Christopher Goodney/Bloomberg*

By [Matthew Boyle](#)  
May 3, 2023, 2:56 PM UTC

The New York Times

OPINION  
GUEST ESSAY

## Is Working From Home Really Working?

March 22, 2023


CRAIN’S CHICAGO BUSINESS

NEWS & DATA   POLITICS & OPINION   LIFESTYLE & DINING   REAL ESTATE   SPECIAL REPORT

Home > Workplace

May 04, 2023 10:37 AM

## The number of Chicagoans returning to offices ticks up again

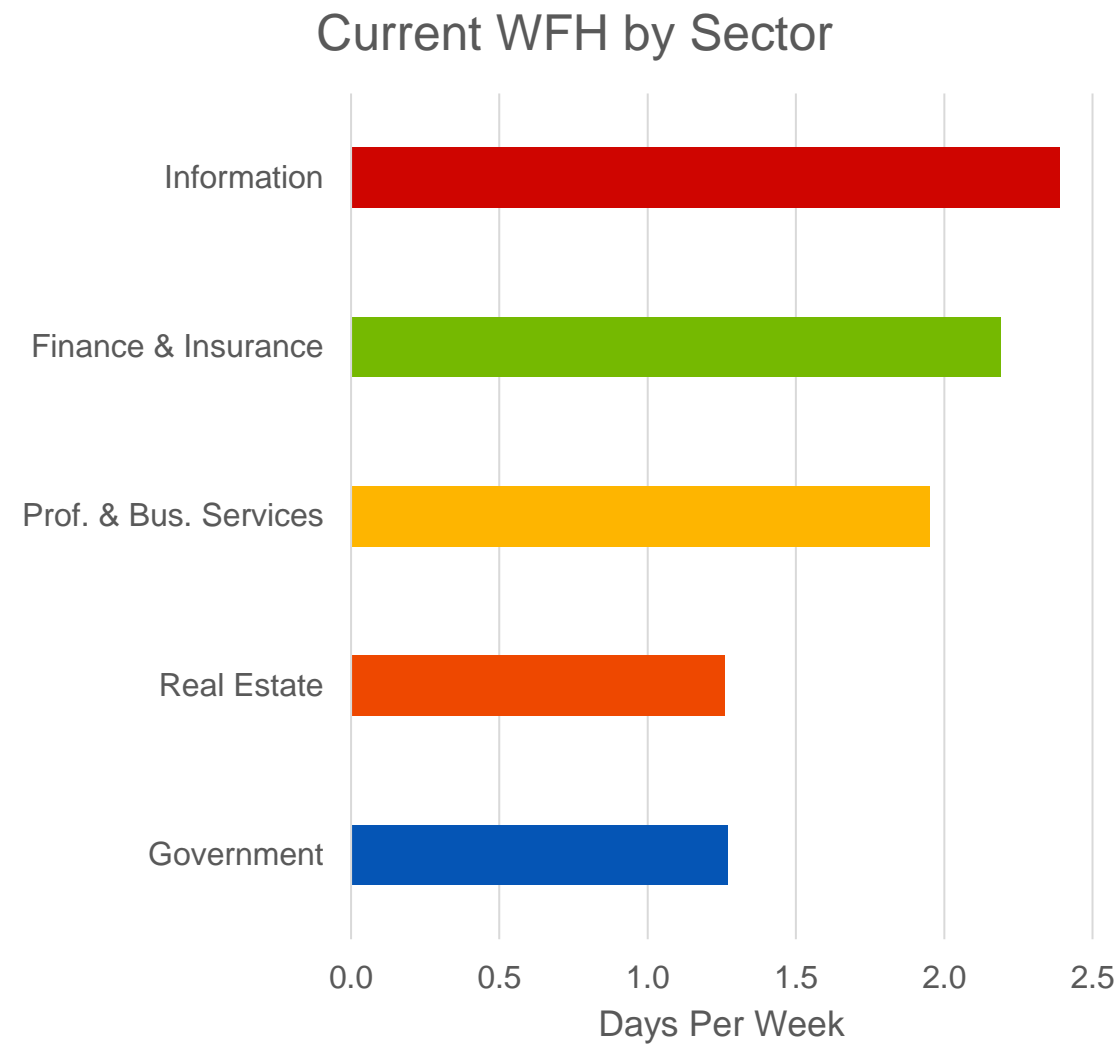
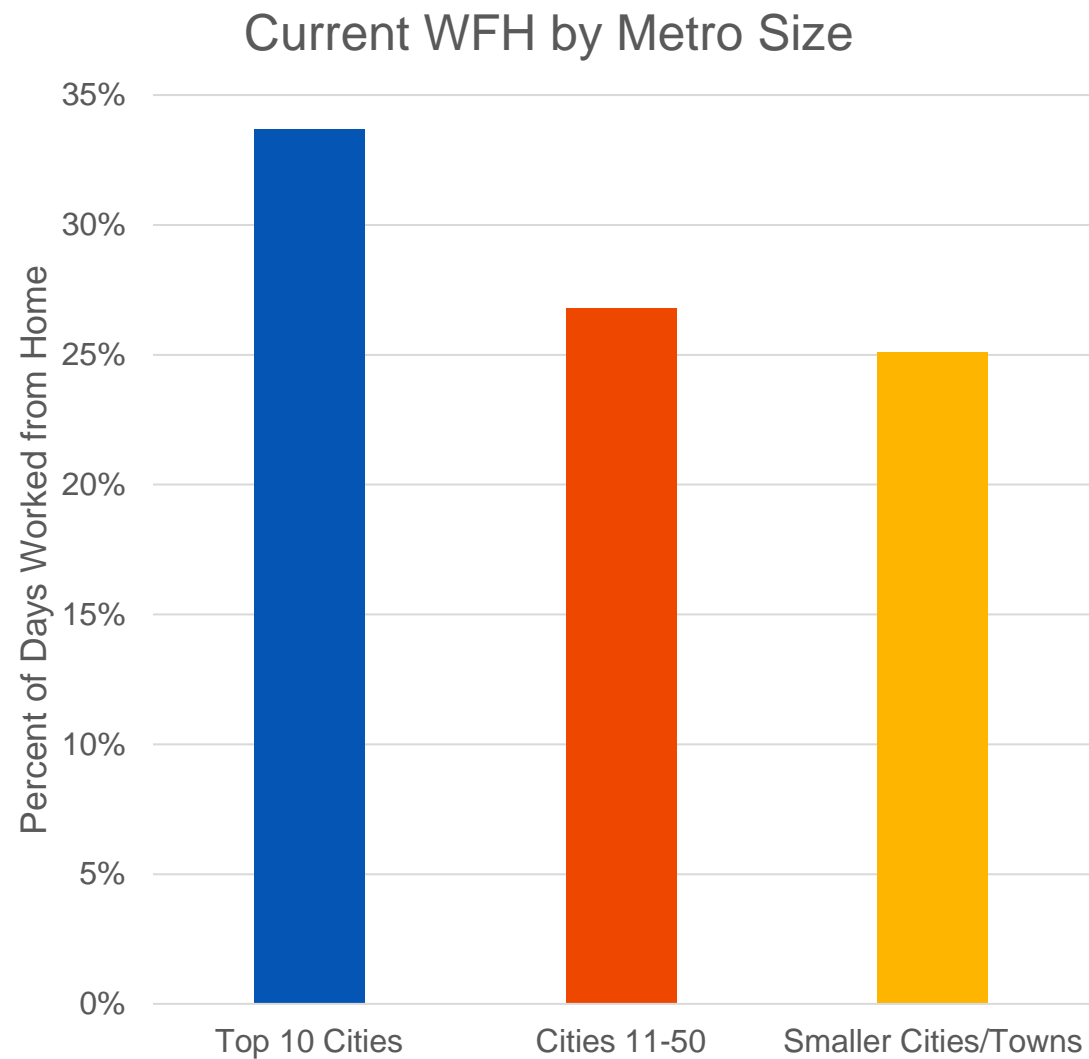
SOPHIE RODGERS   

## List of Major Companies Requiring Employees to Come Back to the Office

Amazon	Meta/Facebook
Apple	Salesforce
Citigroup	Snap
Disney	Starbucks
Goldman Sachs	Twitter
Google	Uber
JPMorgan	

Sources: [Crain’s](#), [Bloomberg](#), [New York Times](#). “Here’s a list of major companies requiring employees to return to the office,” [Business Insider](#), April 23, 2023.

# Remote Work Frequency Varies by Metro and Industry



Source: Survey of Working Arrangements and Attitudes (SWAA), July 2023

# Kastle System's Data



## BAROMETER THIS WEEK



## Chicago metro

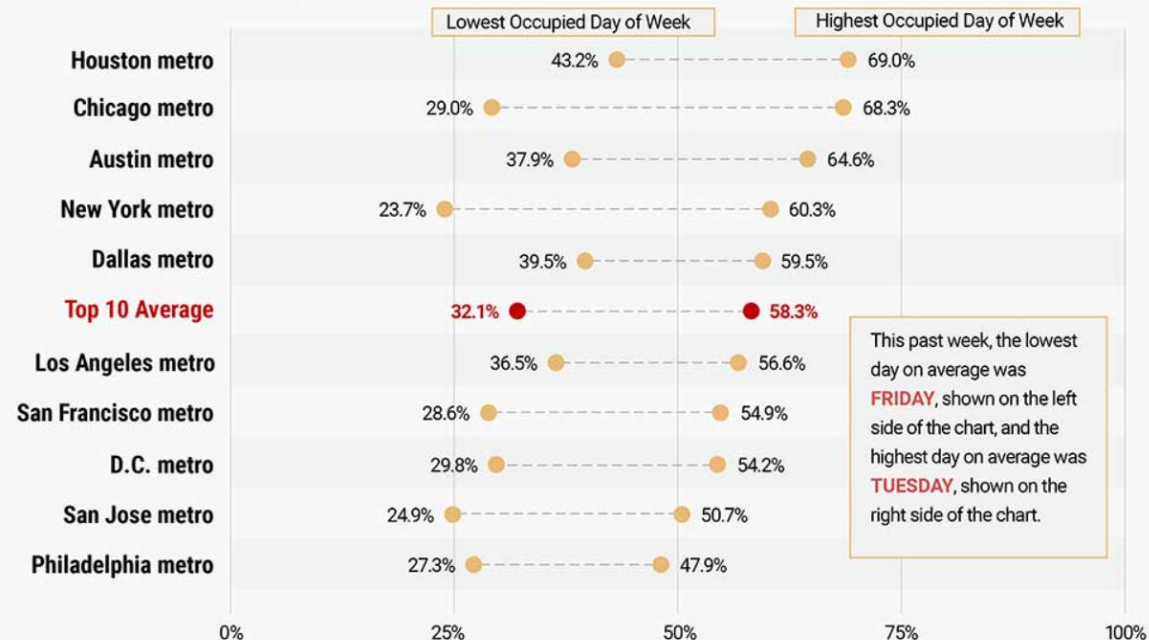


	Wed 7/19	Wed 7/26	% Change
Austin metro	57.9%	54.8%	3.1% ▼
Chicago metro	55.2%	54.0%	1.3% ▼
San Francisco metro	45.5%	44.3%	1.3% ▼
<b>Average of 10</b>	<b>50.2%</b>	<b>49.2%</b>	<b>1.1% ▼</b>
Los Angeles metro	50.7%	49.7%	1.0% ▼
Washington D.C. metro	46.9%	45.9%	1.0% ▼
New York metro	48.9%	48.1%	0.8% ▼
Dallas metro	53.9%	53.3%	0.7% ▼
Houston metro	61.2%	60.6%	0.6% ▼
San Jose metro	40.7%	40.1%	0.6% ▼
Philadelphia metro	41.4%	40.8%	0.5% ▼

lects swipes of Kastle access controls from the top 10 cities, averaged partners, not a national statistical sample.  
floor occupancy. We have also recalculated data back to the start of the time series for consistency.

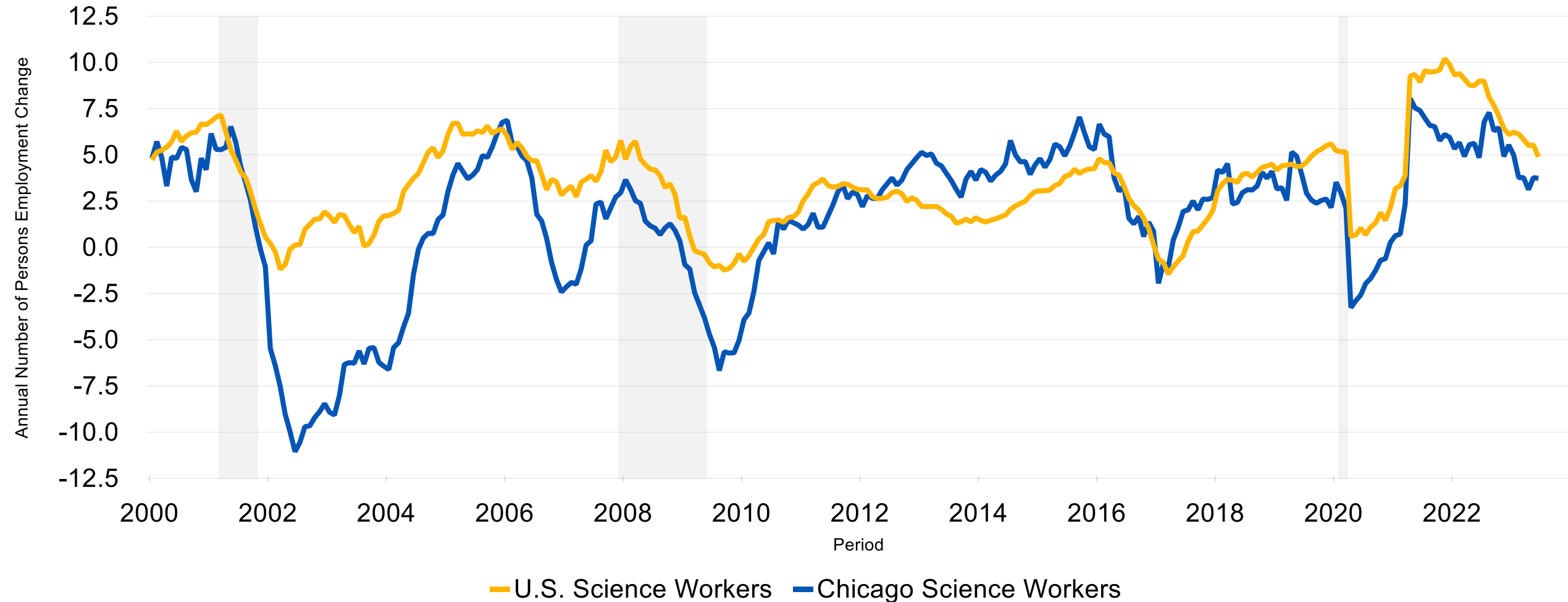


## July 20, 2023 – July 26, 2023





# Chicago Gets a Recent Uptick in Science Workers; US Slides



Source: CoStar, U.S. Bureau of Labor Statistics, August 2023.

Note: Gray bars signify U.S. recessions.

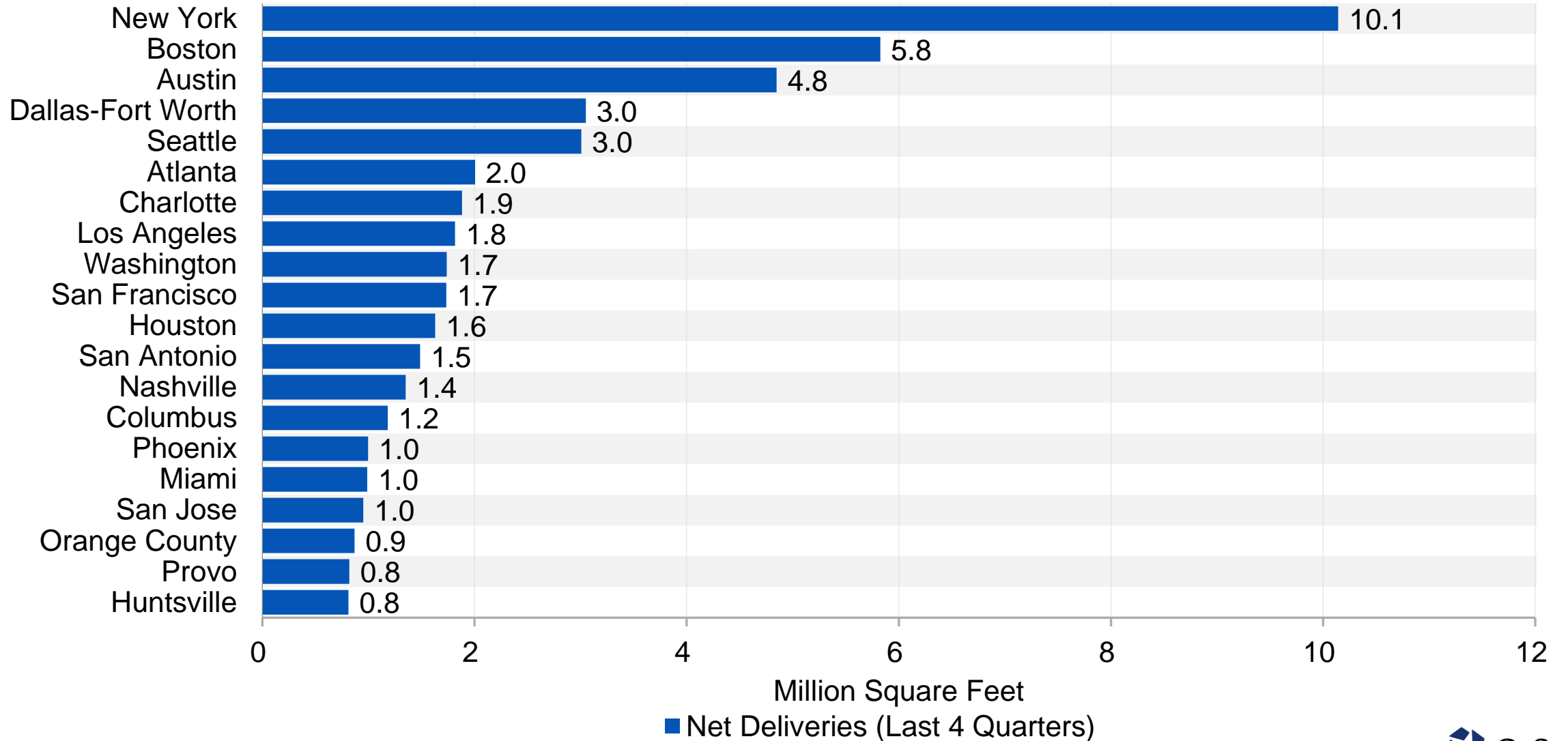


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# Office

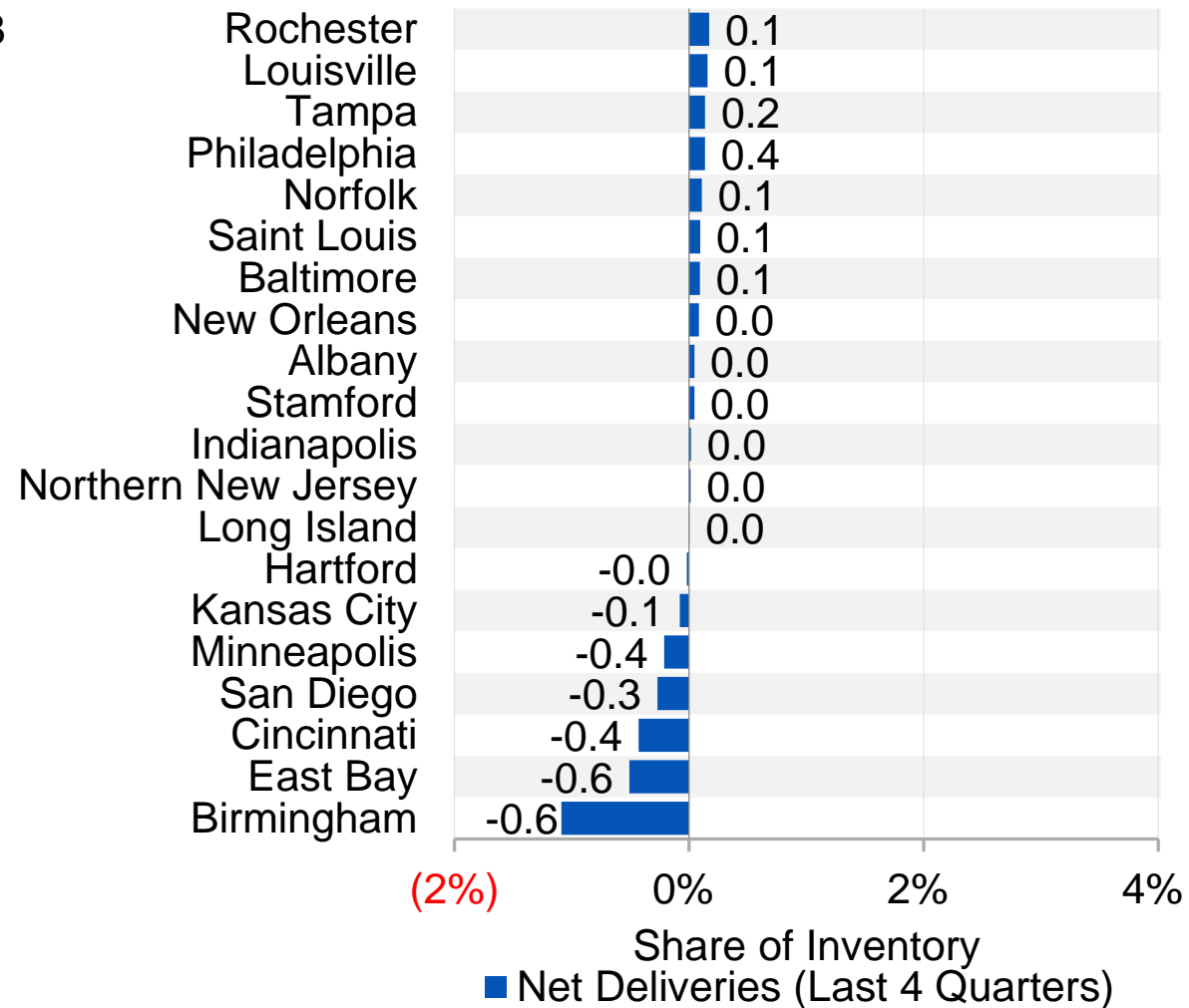
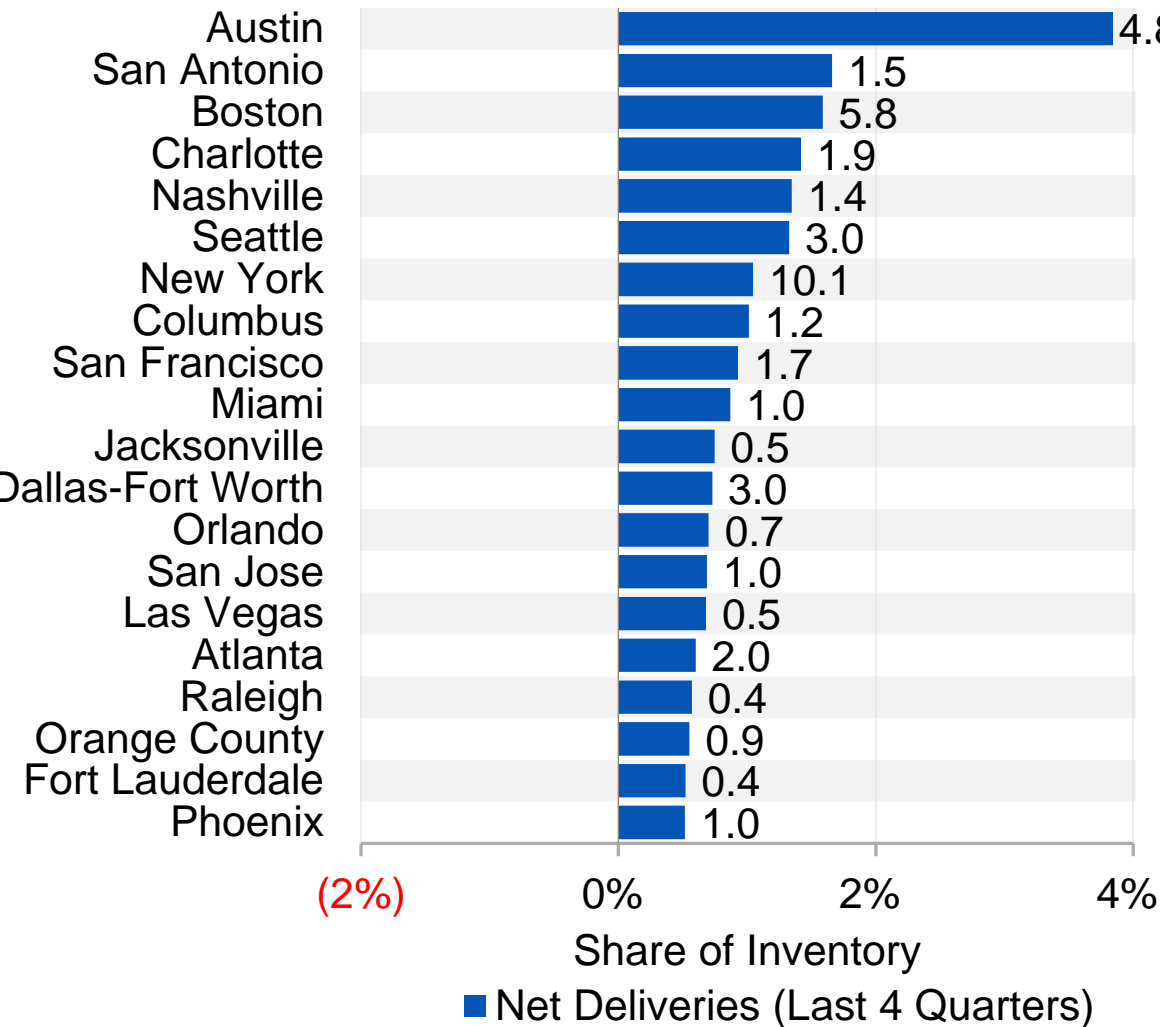
## New Deliveries & Under Construction

# Top NET Deliveries – Chicago is Not on the Top 15 List





# Net Deliveries As Share of Inventory



Note: Includes markets with 50 Million+ Square Feet inventory.  
Labels show Net Deliveries in Million Square Feet.

# Office-to-Multifamily Conversion Opportunity Summary

Assumption	More Aggressive Scenario	More Conservative Scenario
Submarket Location	CBD/Urban	
Year of Construction	Before 2015	Before 2000
Current Vacancy	At least 25%	At least 50%
Typical Floor Plate	30,000 square foot maximum	20,000 square foot maximum

## Estimated Impact:

<i>Properties</i>	6,878	2,689
<i>Office Square Feet Subtracted</i>	-517 million, or 6.2% of inventory	-79.5 million, or 0.9% of inventory
<i>Multifamily Units Added</i>	+465,300, or 2.5% of inventory	+71,550, or 0.4% of inventory

# Over \$1.2 B Proposals for Office → Resi Conversions Within the LaSalle Street Corridor

- Five, obsolete office buildings stand to gain financing from Chicago through TIFs, grants and historic tax credits.
- In total, 1,600 apartments with about 500 earmarked as Affordable Units (AR). Including:

**111 W Monroe (former BMO office tower), 349 Apts / 105 affordable (AR) (Prime Group) Construction starts 24Q2, Delivers 26Q2**

208 S LaSalle: 208 / 84 AR (Prime Group) Clark Adams Building, Construction starts 23Q3, Delivers 24Q3

135 S LaSalle, 430 / 129 AR (Riverside Investment & Development & AmTrust Realty) Construction starts 24Q1, Delivers 25Q1

Added to the mix in May:

105 W Adams: 247 / 185 AR (Celadon Partners and Blackwood Group)

30 N LaSalle: 349 / 105 AR (Golub and General Life Insurance)





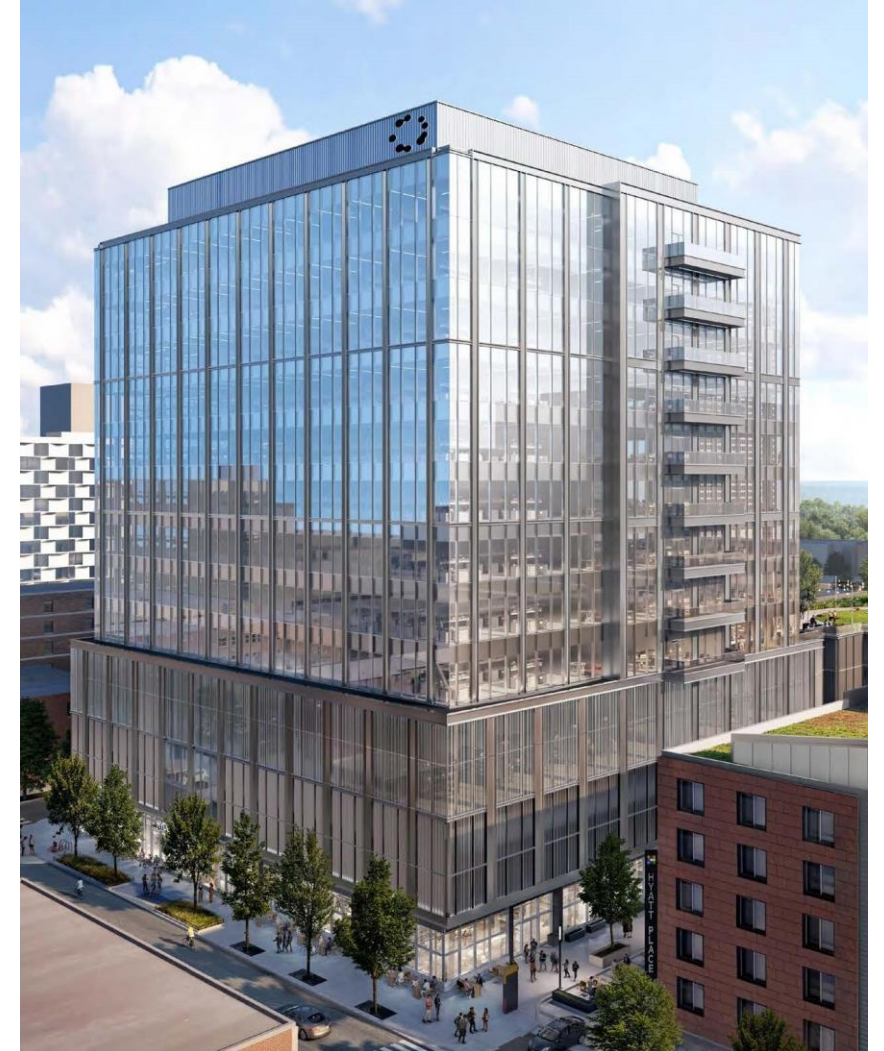
# Hyde Park Labs, South Chicago Broke Ground 23Q1, Delivers 24Q2

---

Owner/Developer: University of Chicago

Size: 302,000 SF, 20% occupied by UofC

Use: Science, Engineering and Quantum Research





# Evanston Labs, Near North Broke Ground 23Q1, Delivers 24Q2

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Owner/Developer: Trammel Crow Company

Size: 207,000 SF, 40% leased

Use: Lab Space, near Northwestern's Campus



Source: CoStar, March 2023





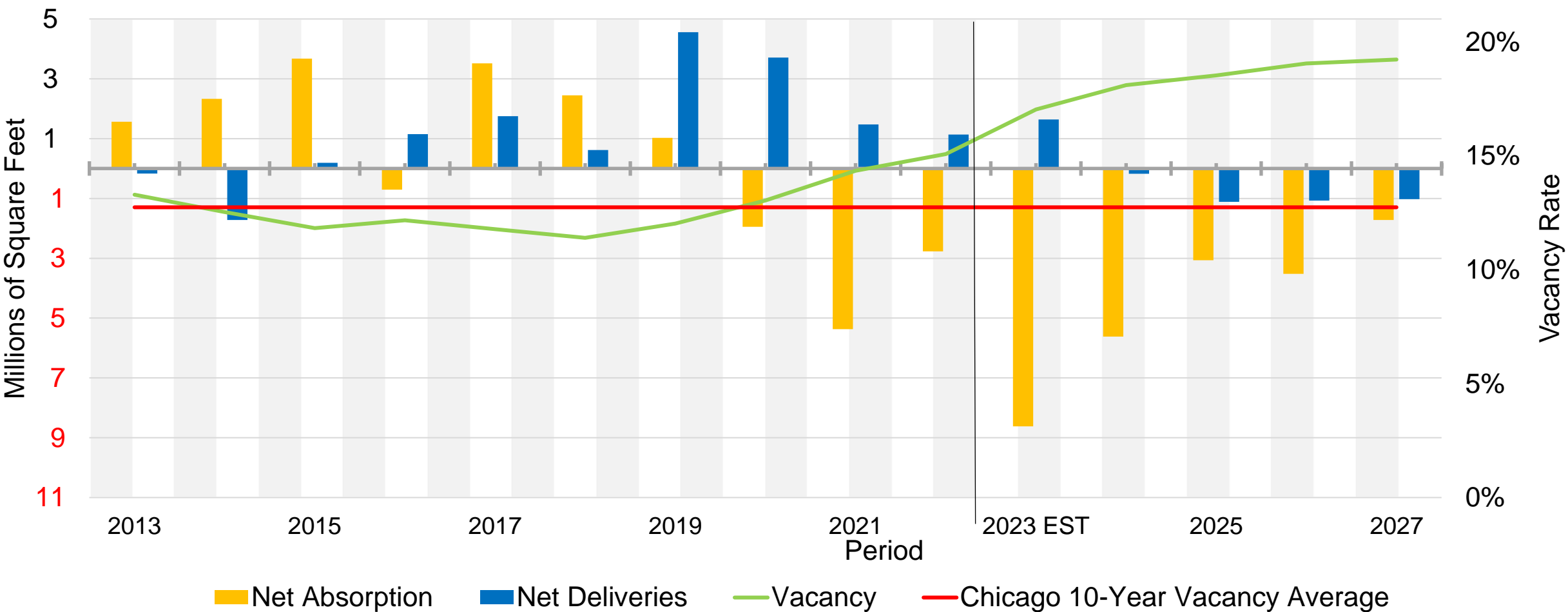
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# Office Fundamentals:

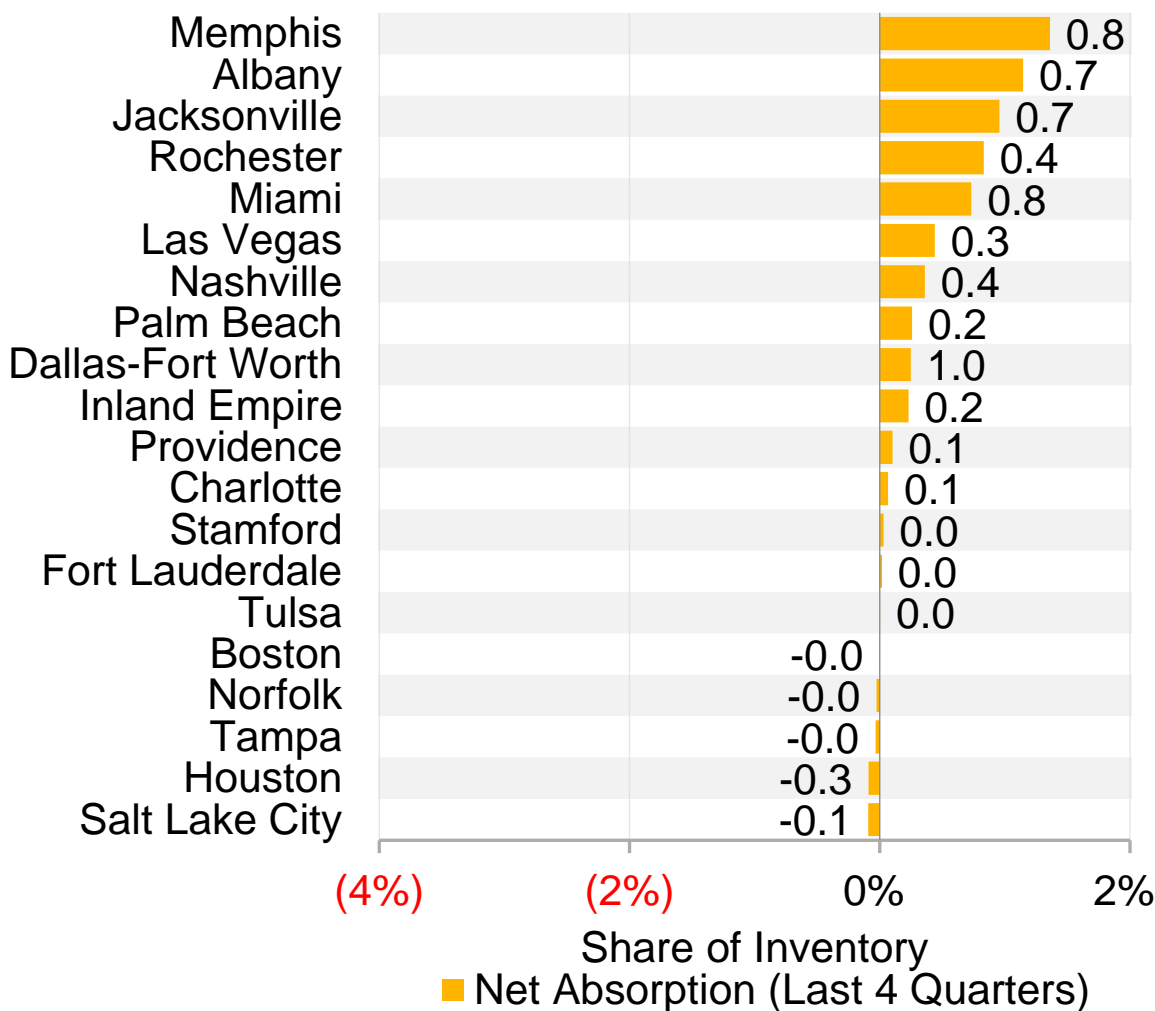
## Absorption, Vacancy & Availability



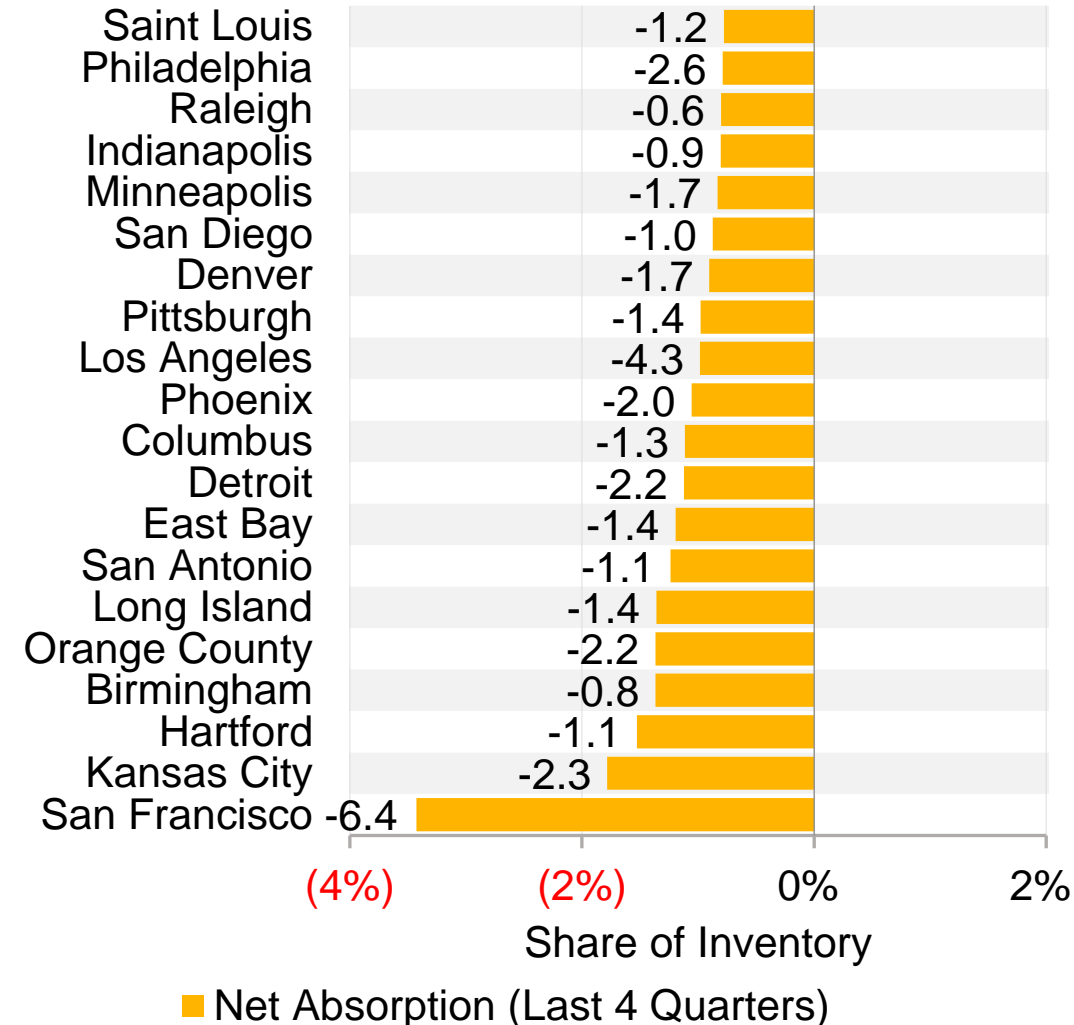
# Base Case Forecast: Supply, Demand and Vacancy



# Net Absorption As Share of Inventory

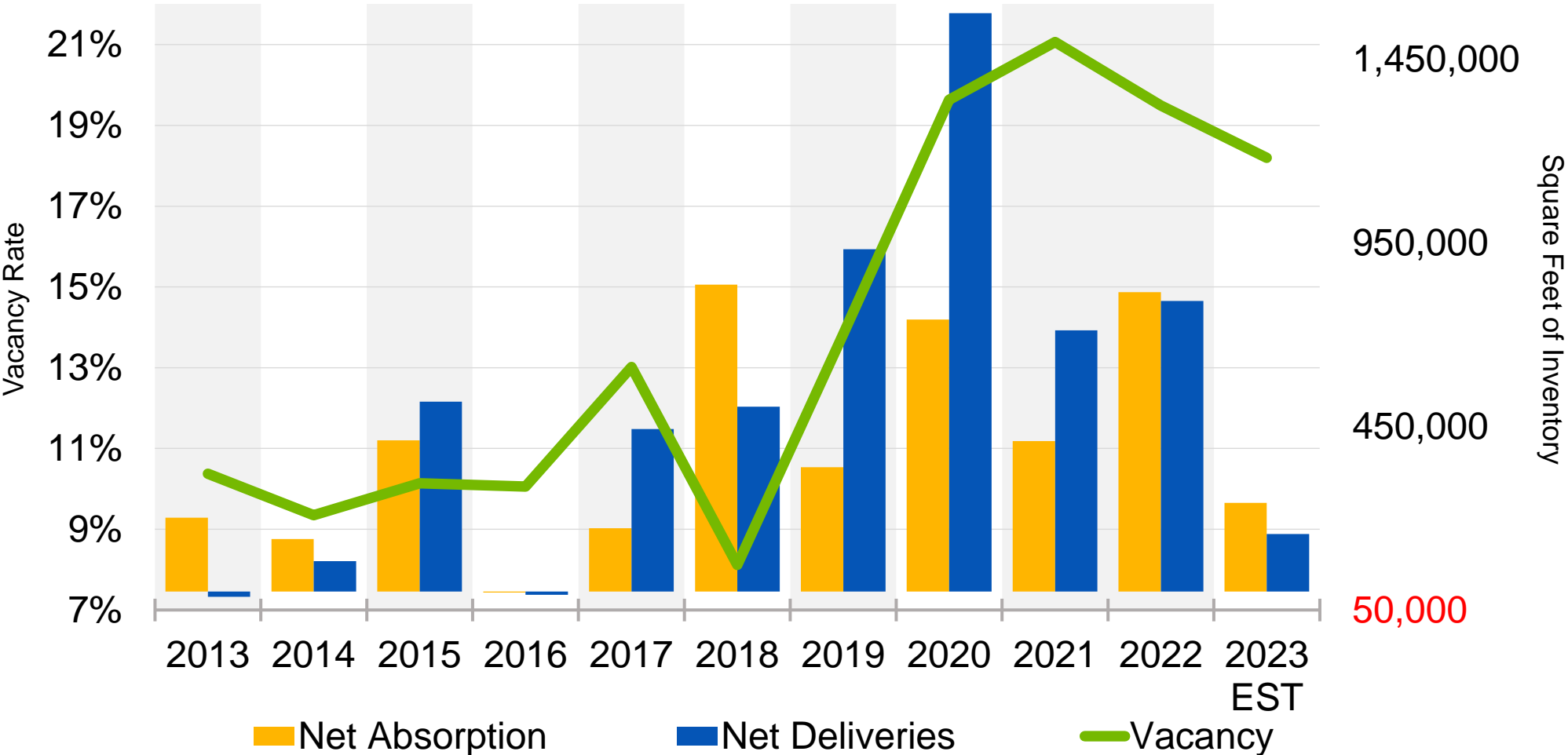


Note: Includes markets with 50 Million+ Square Feet inventory.  
Labels show Net Absorption in Million Square Feet.



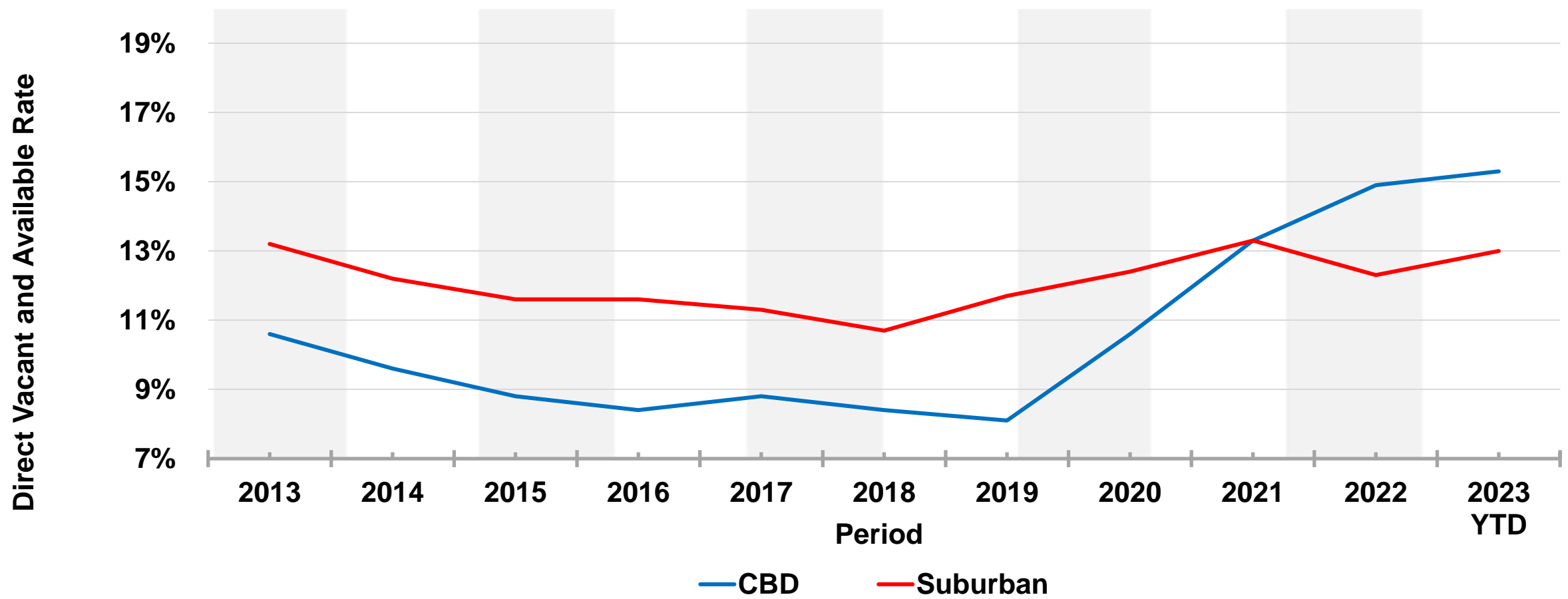
Note: Includes markets with 50 Million+ Square Feet inventory.  
Labels show Net Absorption in Million Square Feet.

# Vacancy Rate Begins Its Decent in Fulton Market, As Development Finally Wanes

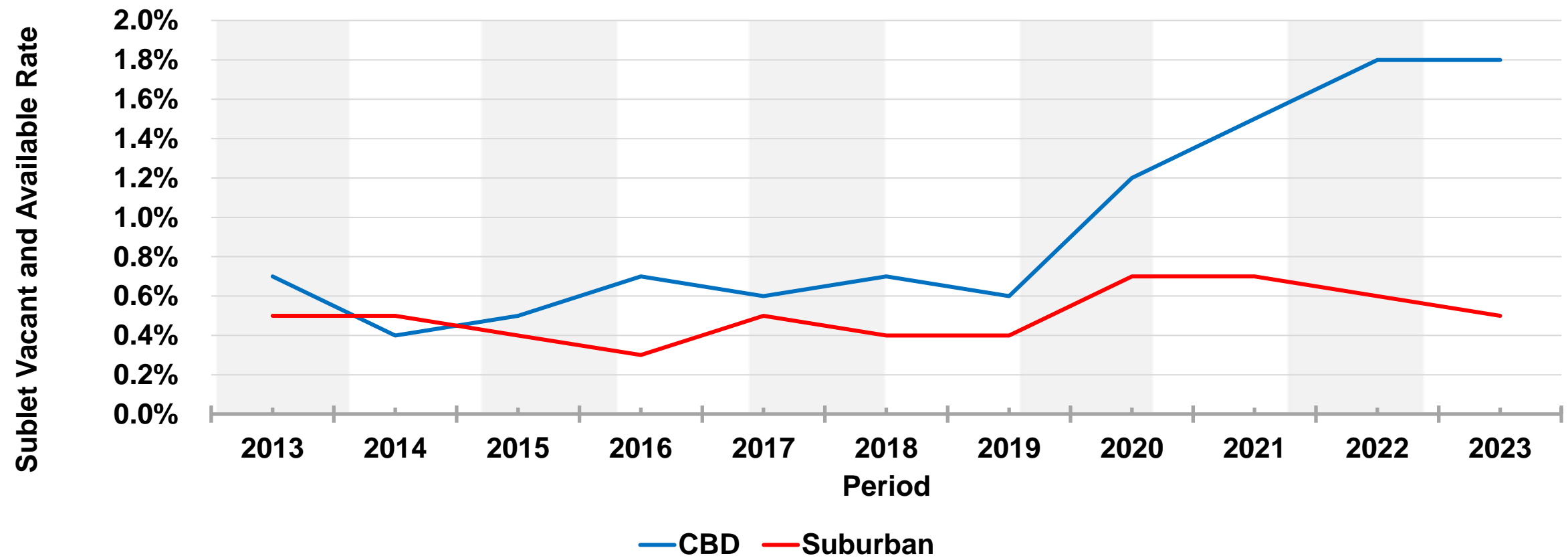




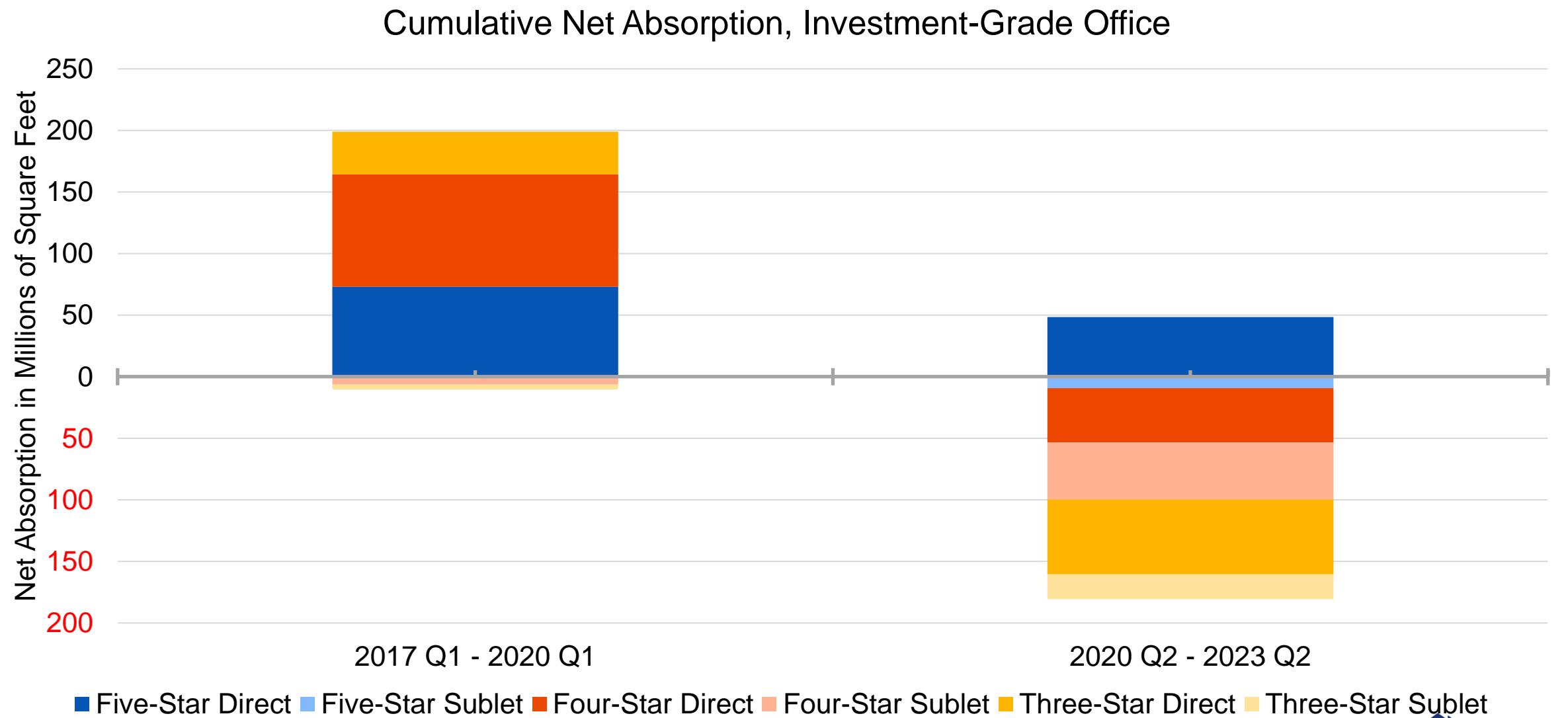
# By 23Q2, Suburban Direct Vacant & Available Slope Greater Than Downtown's.



# Downtown Chicago Office Sublease Vacancy Rate Flatlines; Suburban Level Drops



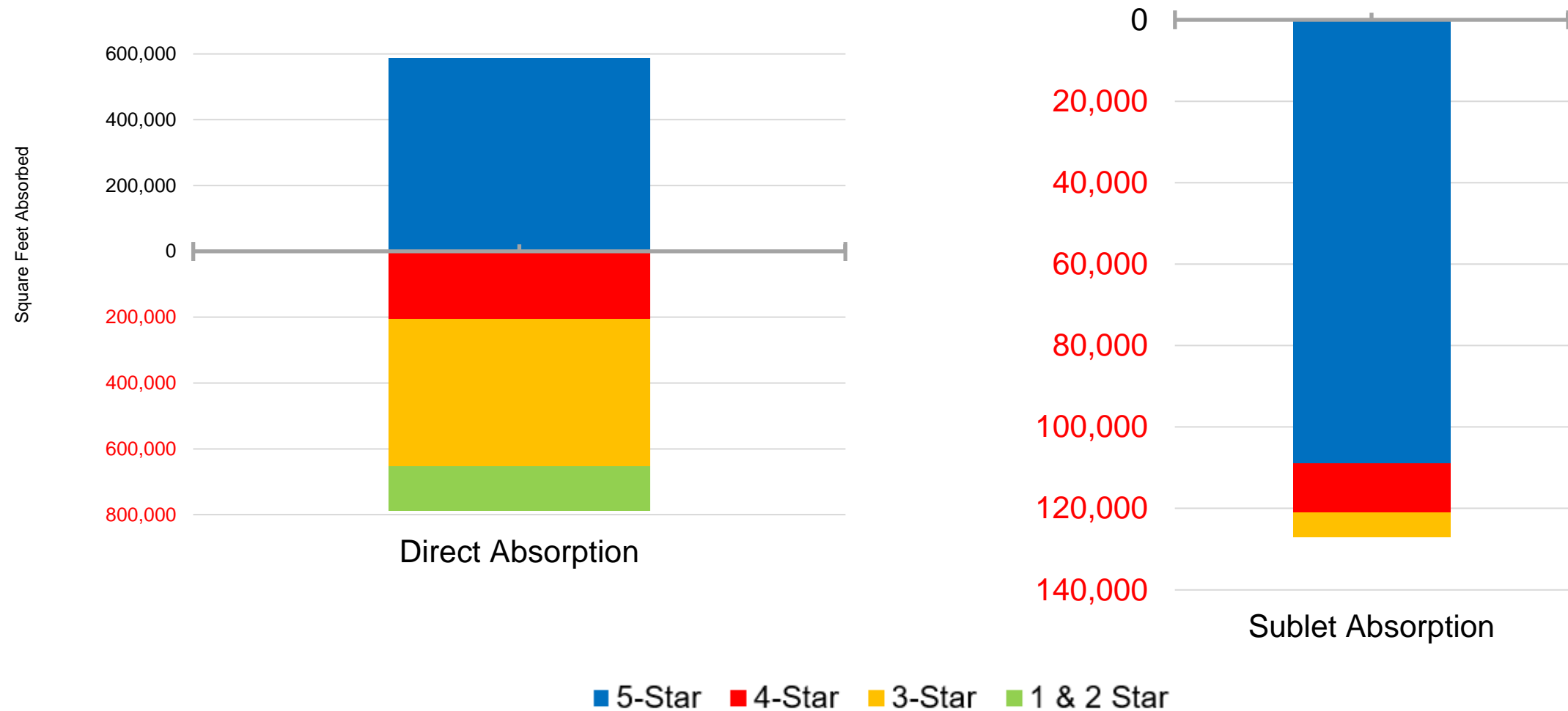
# Nationally, Tenants Preferred Direct Five-Star Space Since Pandemic's Onset



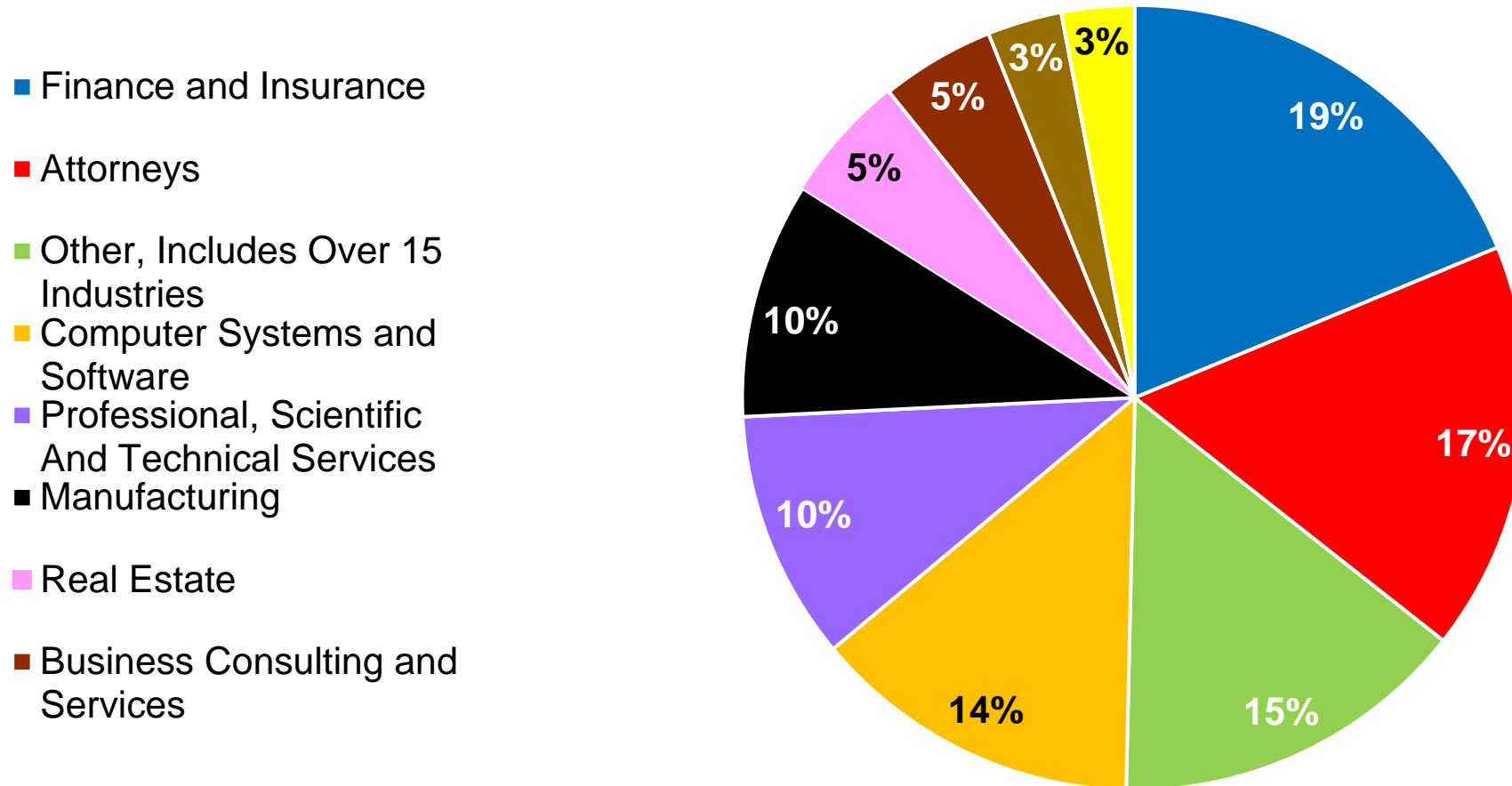
Source: CoStar, August 2023



# Wow, is That True in Chicago



# Financial, Legal and Tech Firms Occupy Majority of Office Space in Downtown Chicago



Source: CoStar, October 2022

Note: Includes expansions and contractions in new leases signed in past 22 months for 2022 and beyond occupancy.



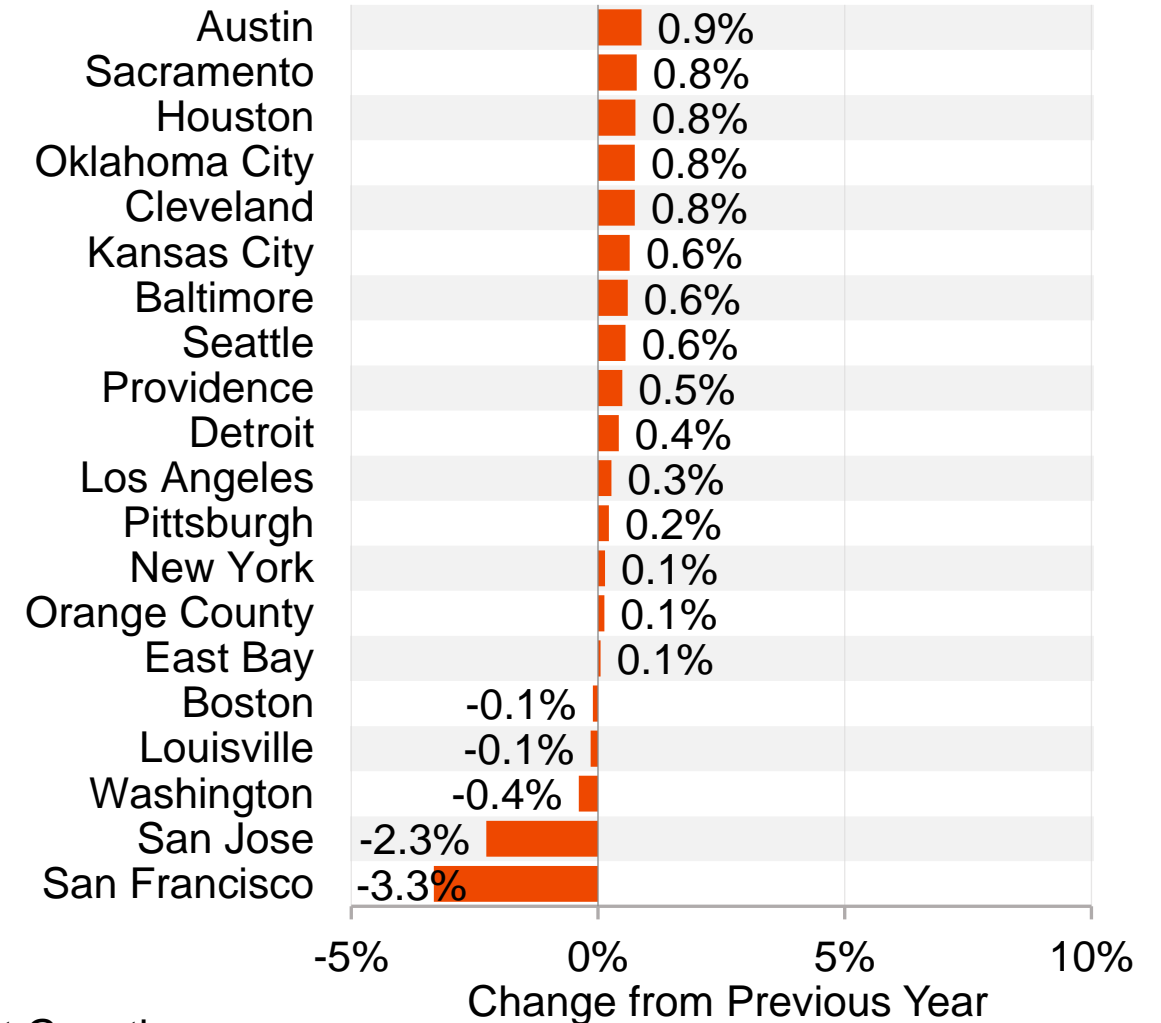
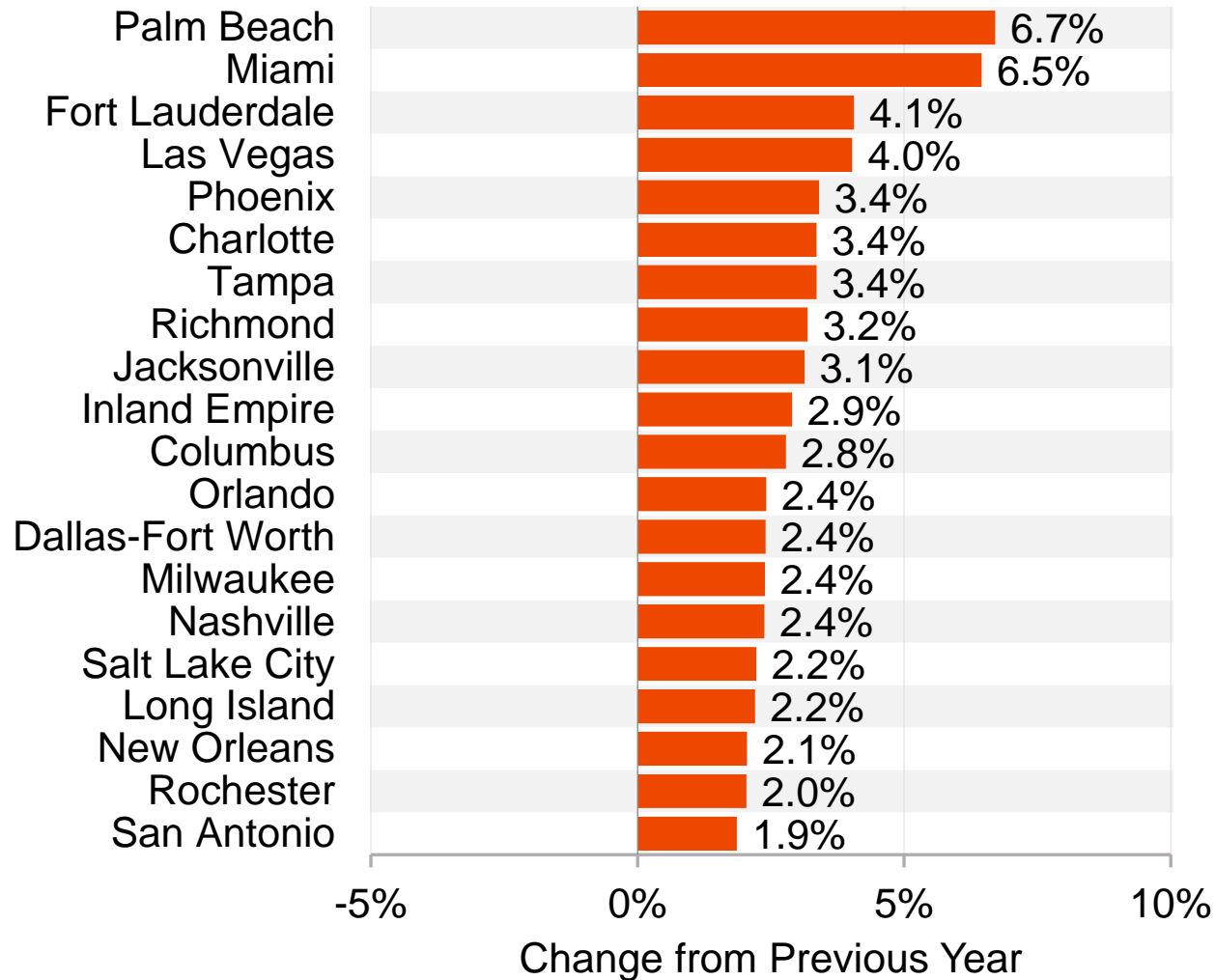
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# Office Rent





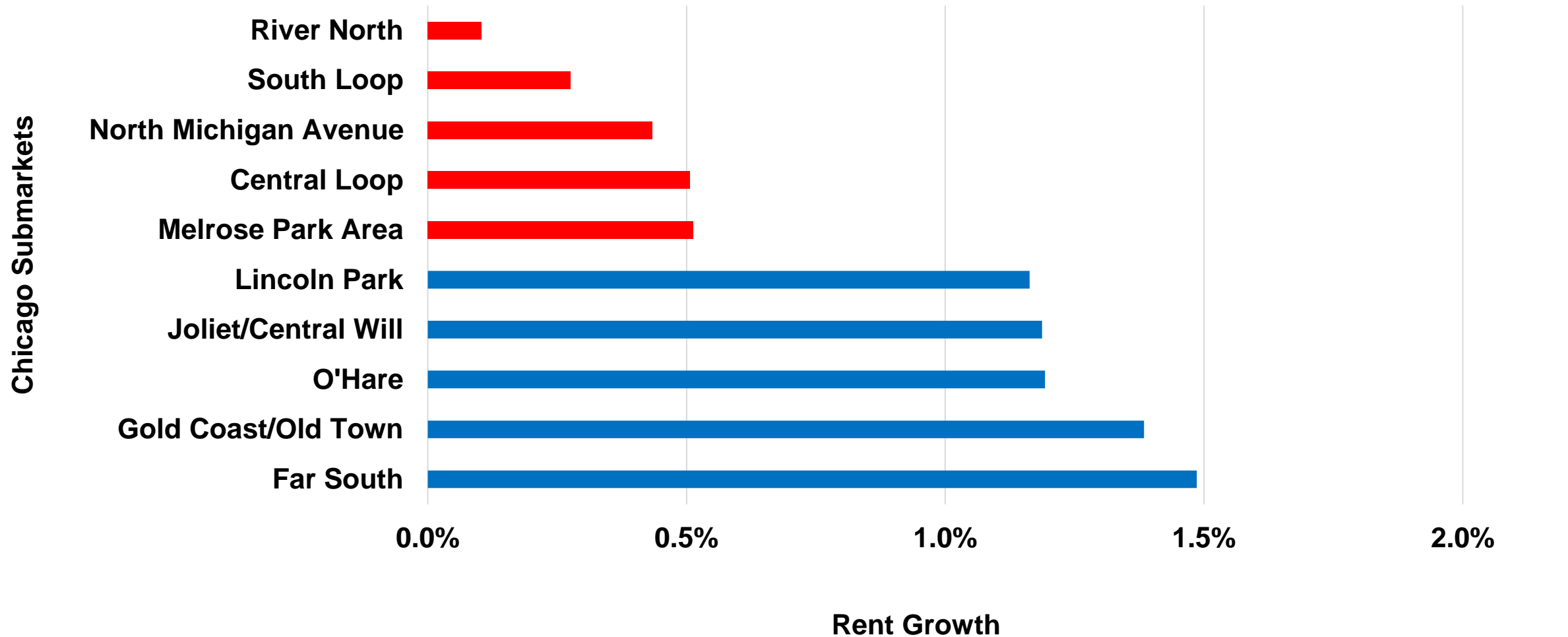
# Top Rent Growth Markets, Chicago 0.7%



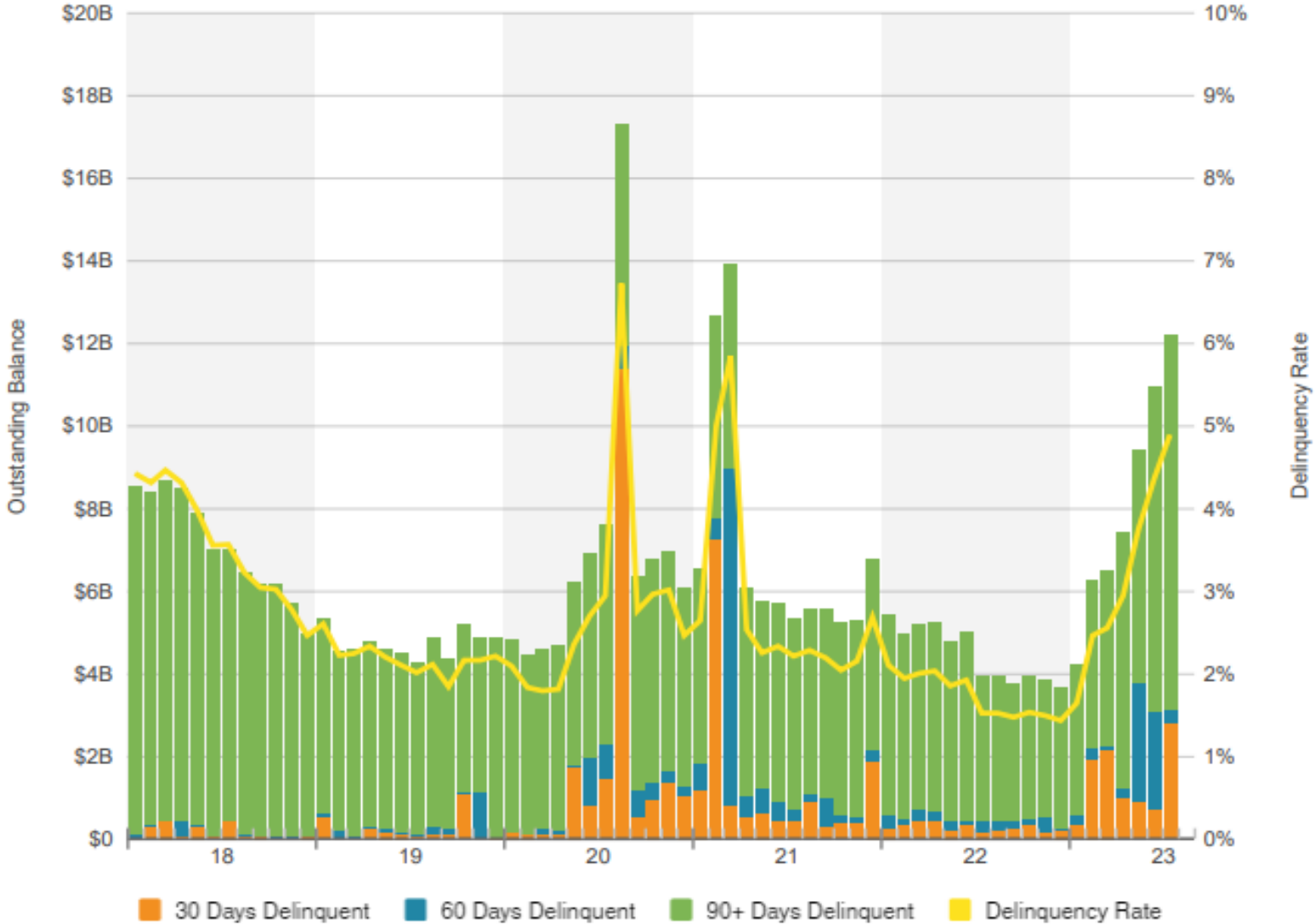
■ Rent Growth

Note: Includes markets with 50 Million+ Square Feet inventory.

# Top and Bottom Office Rents in Chicago



# Outstanding National Delinquent Office Loan Balance by Pay Status



Source: CoStar, August 2023





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# Capital

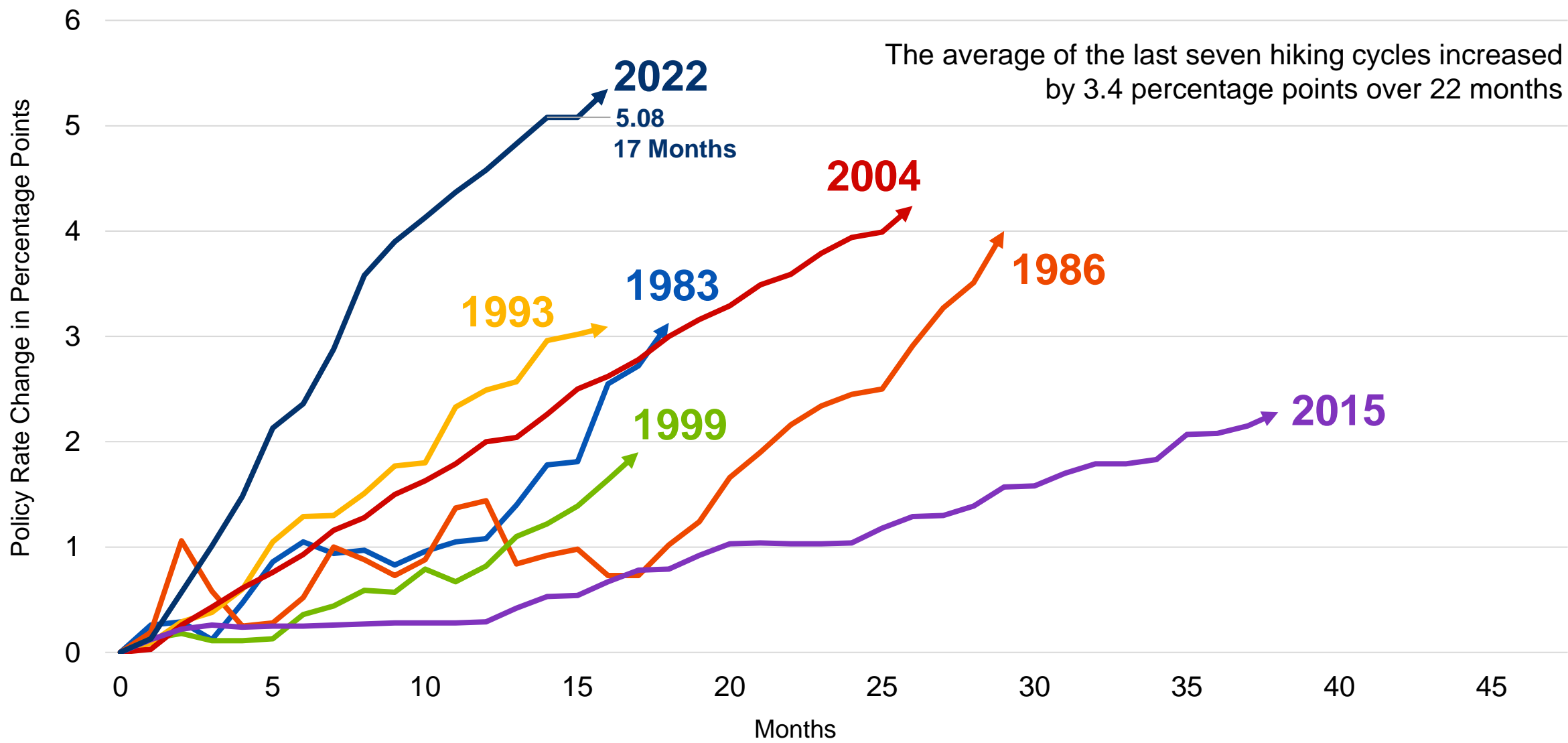


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## **What are buyers looking for?**

- Sale Leasebacks to raise capital.
- Credit tenants with long-term leases with little to no termination rights.
- Small, tiny deals.
- Creative financing.
- At the right price, at the right location, redevelopment opportunities for highest and best use.

# Fastest Hiking Cycle in Recent History

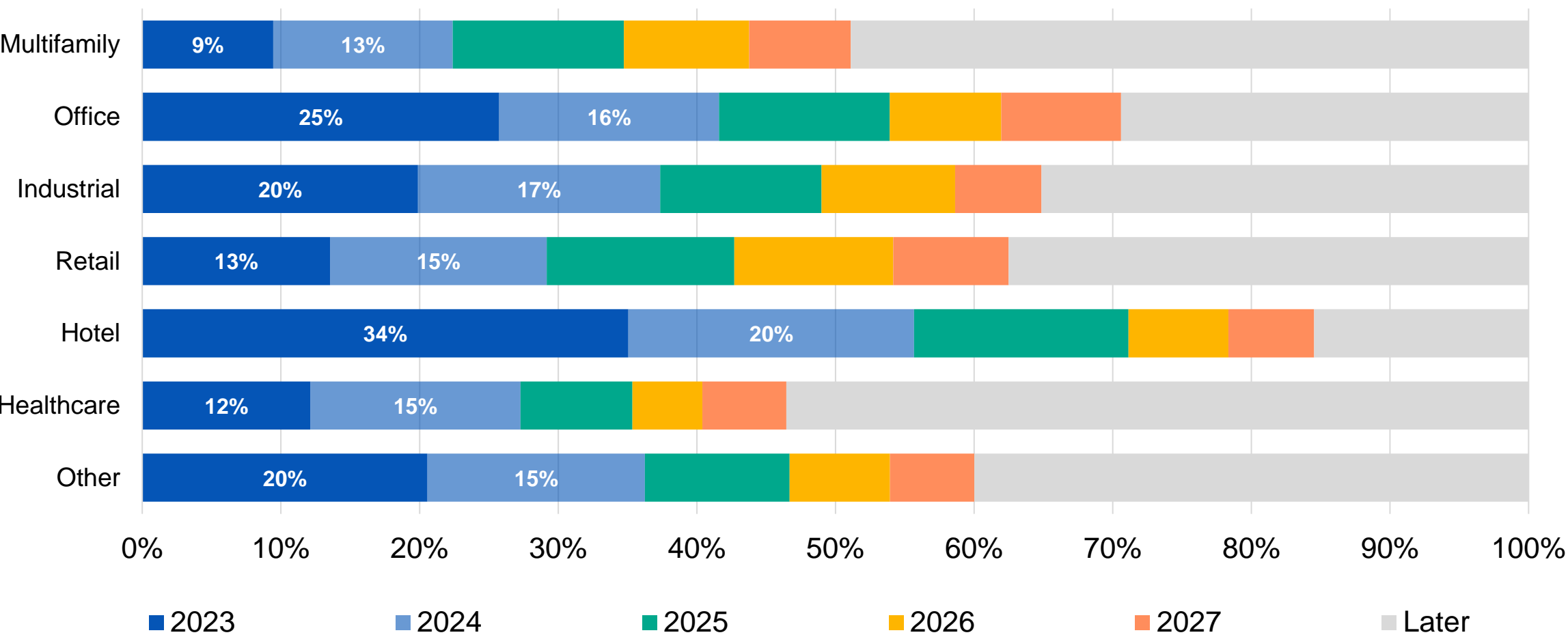


Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate



# \$4.5T of Maturities By Property and Lender

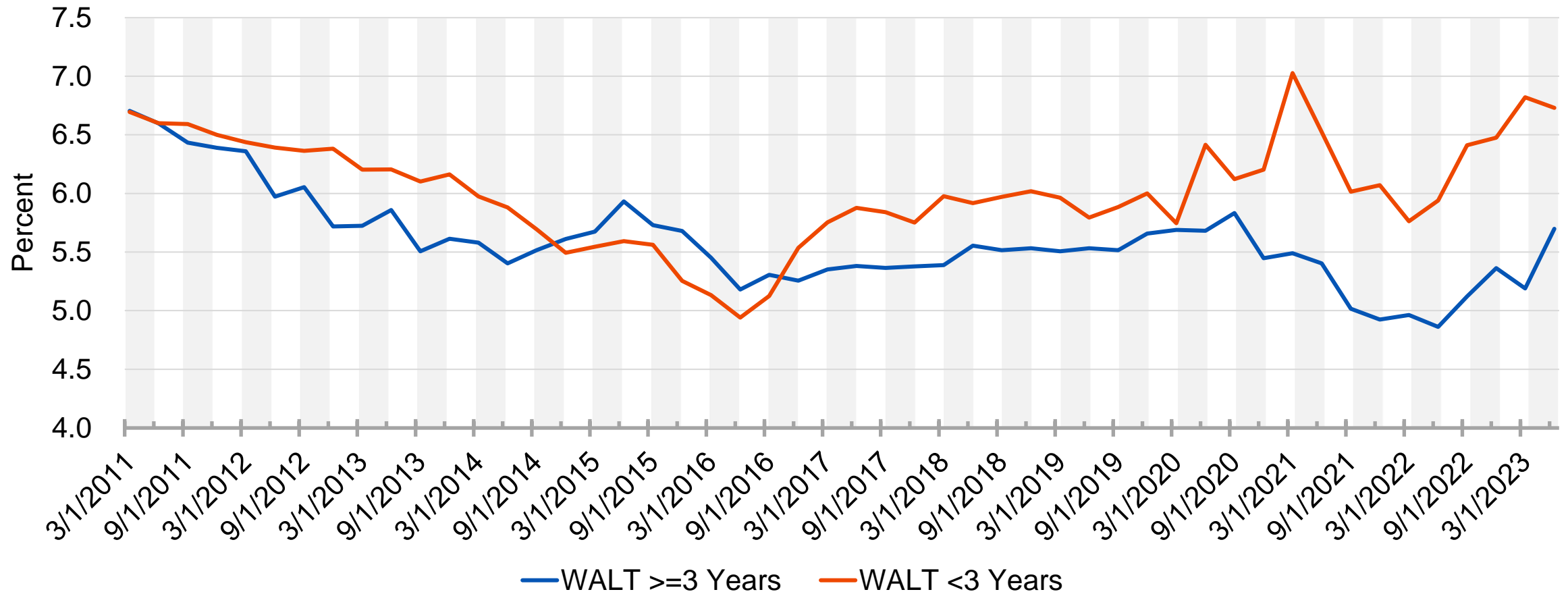
Percent of Total By Property Type



Source: MBA

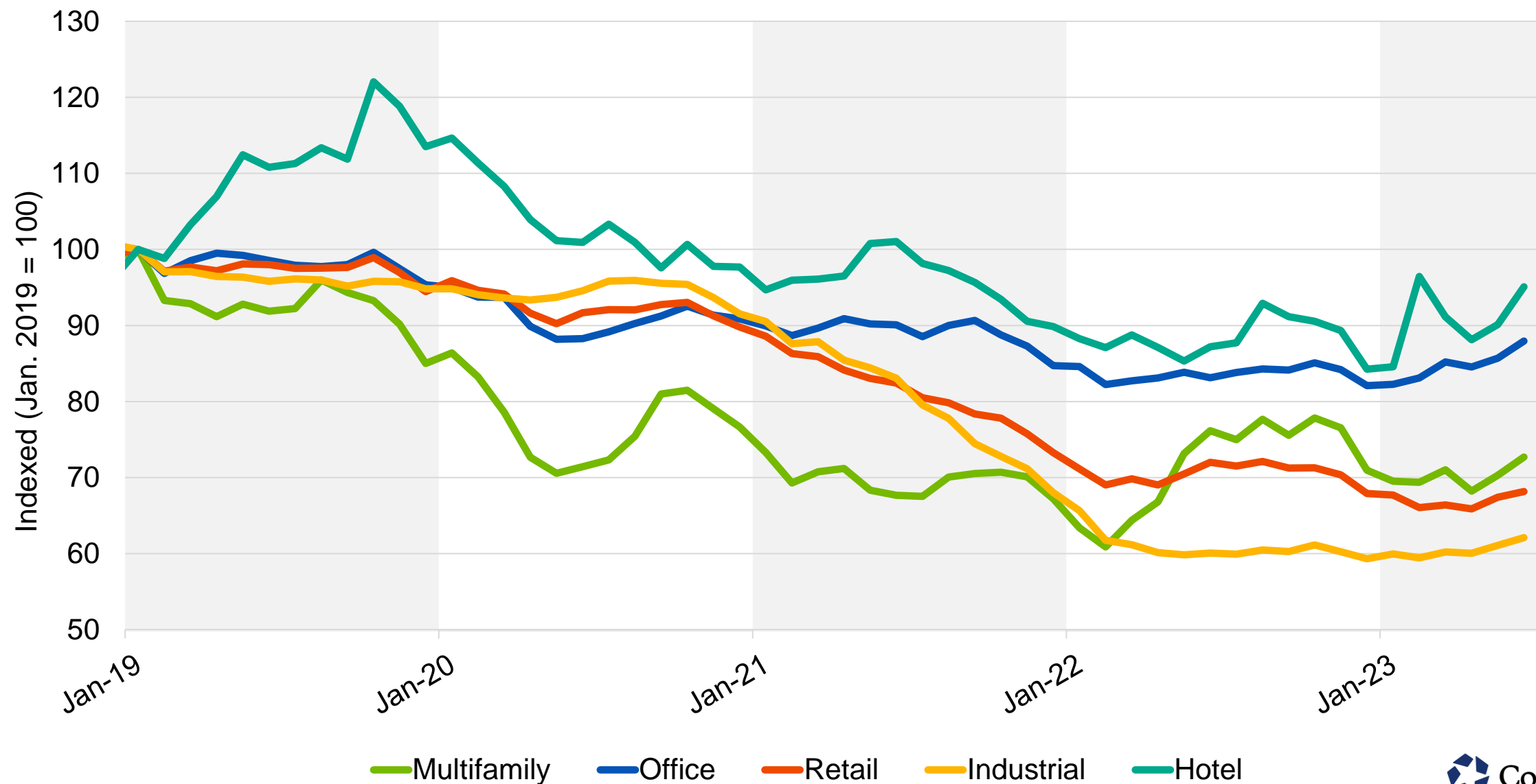
# Investors See Lease Exposure as Increasingly Risky

12-Month Rolling Average Transaction Cap Rate



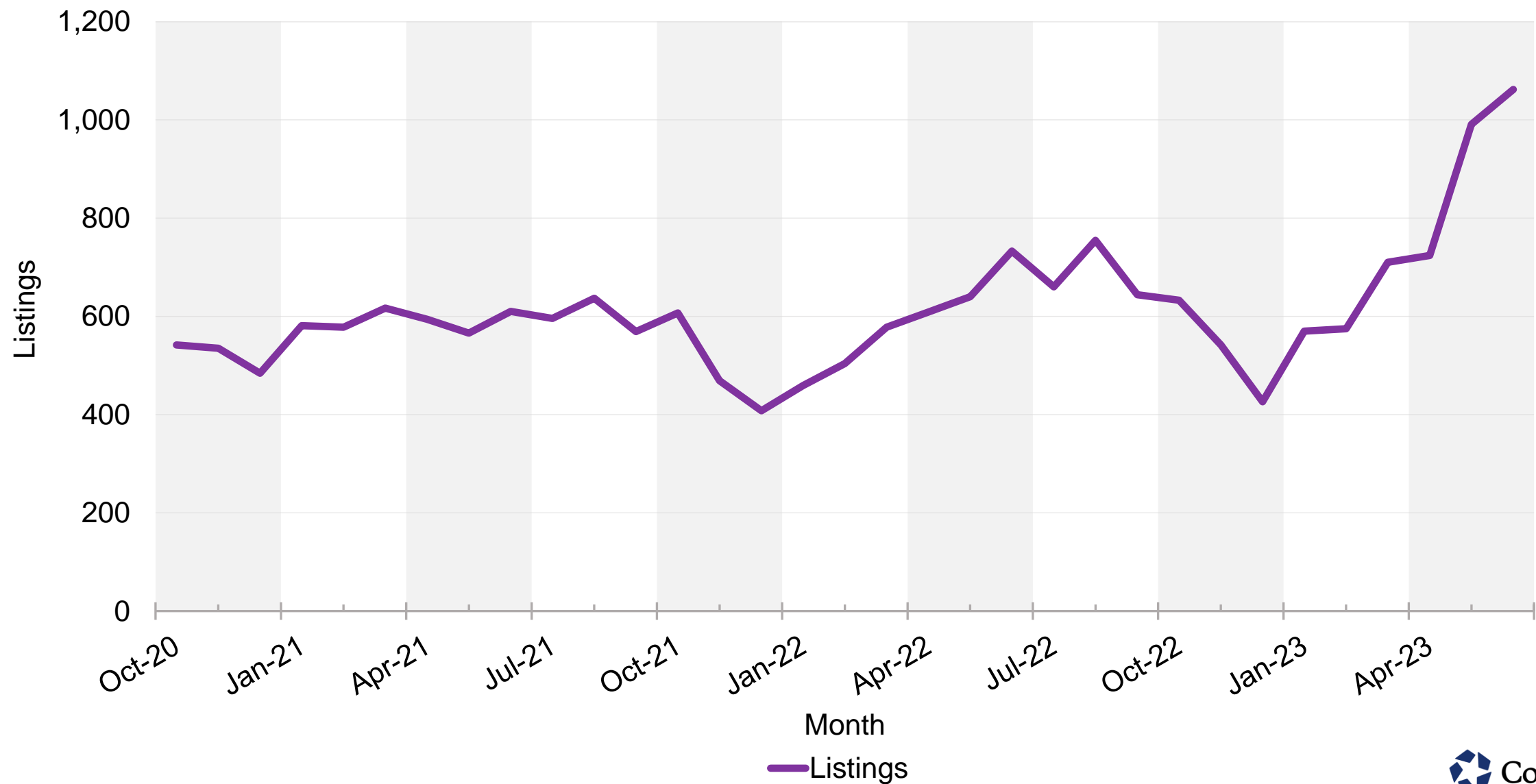
\*For Office properties >50k sf, Major 54 markets, only properties where at least 50% of occupied space has lease expiration. Vacancies count as lease term of 0

# Change in U.S. For Sale Inventory Since 2019

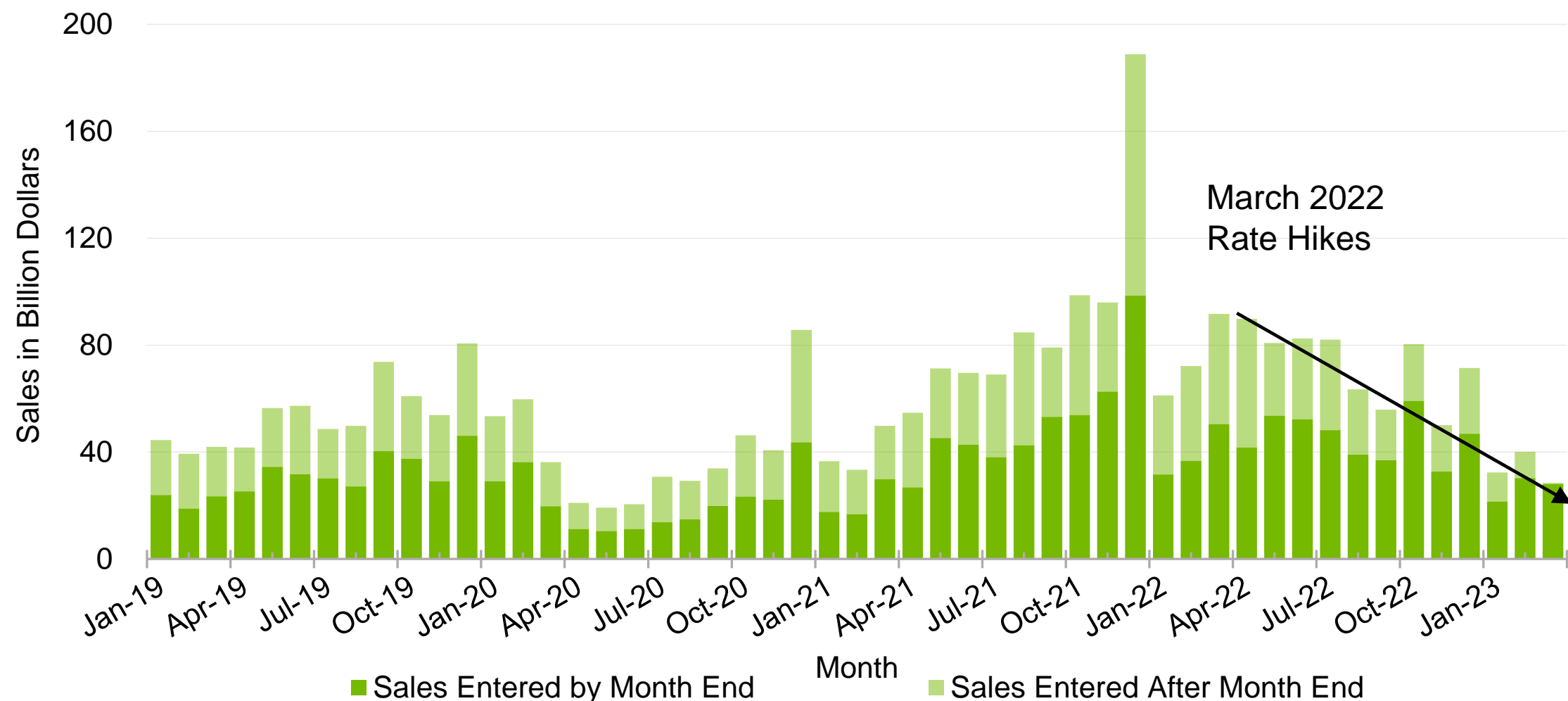




# Listings Re-Added Within 90 Days



# National Monthly Commercial Real Estate Sales Volume



\*Month-to-date as of 4/3/2023. Includes Multifamily, Office, Retail, Industrial, and Hotel

# Large Office Chicago Sales Transactions

---

**300 S. Wacker, West Loop**  
**535,000 SF, 75% leased at time of sale**

Buyer: Agave Holdings (Jose Cuervo parent company, Coconut Grove, FL, private)

Seller: Alcion Ventures (Boston, private equity) and Golub & Co (Chicago, private)

**Date: April 2023**

Sale Price: \$96.5 Million or Approx \$180/SF

Notes: The JV bought the property in 2017 for \$155 million plus \$10 million in renovations and upgrades.

Purchased with “stapled financing” from Deutsche Bank. In this case, Deutsche Bank commits to providing a new loan to the buyer and stands to get most of its loan paid back.





# Large Office Chicago Sales Transactions

---

- Baxter Healthcare Corporate
- 821,000 SF, 101 Acres
- Buyer: Bridge Industrial
- Seller: Baxter
- Date: *Under Contract*
- Sale Price: \$90 – 100 Million

*Note: Over 3,000 vocal neighbors are against turning this project into industrial space, reported [Chicago Tribune](#).*



# CoStar and Supplemental Bibliography

---

Catalog of Chicago's Top Leases and Sales by Quarter, All Asset Types Search: Top News> Market = Chicago, Topic = Power Brokers

## Office

[Chicago's Office Historical Vacancy Average Climbs to New Heights](#)

[Top Office Leases Recognized for Chicago](#)

## Office Occupancy Trends

[Chicago's Employment and GDP Rise Despite Dive in Office Use](#)

Chicago's return-to-office numbers hold steady ([Crain's Chicago](#))

IBM Chief's Message to Remote Workers: 'Your Career Does Suffer' ([Bloomberg](#))

Is Working From Home Really Working? ([New York Times](#))

Placer.ai Office Index: February 2023 Recap ([Placer.ai](#))

Here's a list of major companies requiring employees to return to the office ([Business Insider](#))

Flex Index ([flex.scoopforwork.com](https://flex.scoopforwork.com))

## The Google Effect

- [Chicago's Central Loop, Detroit's Corktown Hope Google Helps Them Attain Fulton Market's Office Vibe](#)
- [Google Makes \\$156 Million Loan on Chicago's Thompson Center, Which It Plans To Buy After Redevelopment](#)

## Opportunities

- [As More Employees Return to the Office, Companies Increase Lease Size Across Chicago](#)
- Half of Chicago small businesses expect to move offices in the next 5 years, survey finds ([Crain's Chicago](#))
- [Chicago Not Seeing a Ripple Effect From West Coast Tech Layoffs](#)
- [Diverse New Tenant Mix in Chicago Bolsters a Market in Recovery](#)
- [Tides Still Turning in Favor of Chicago's Suburban Office Markets](#)
- [Lack of Industry Diversity in Chicago's Central Loop Both Blessing and Curse for Office Market](#)
- [Redevelopment a Cure for the Chicago Office Market's COVID, Supply-Demand Woes](#)

## Retail

[Chicago Retail Hooks Its Wagon to Controlled Development and Residential Financing](#)

Get Ready for More Retail Closures: UBS ([Wall Street Journal](#))

Retail apocalypse! The full list of brick-and-mortar store closures across America ([Daily Mail](#)) updated periodically

[While Downtown Chicago Retail Sputters, Urban and Suburban Markets Are on the Right Track](#)

## Industrial

[Distribution, Not Manufacturing, Is Driving Industrial Demand in Chicago](#)

[Chicago's Manufacturing Sector Faces Shrinking Demand, Job Cuts](#)

[Sale-Leasebacks Make Up Larger Percentage of Chicago Industrial Deals As Sales Plummet](#)

[Anemic Leasing and Capital Markets Slow Chicago's Industrial Market, but Shouldn't Break It](#)

[Chicago Industrial Market's Prowess Hinges on Its Legacies, Not Retail Demand](#)

Backlog Blues: Longer Construction Timelines are Impacting the Development Pipeline ([Newmark](#))

## Multifamily

[Multifamily Demand in Chicago Holds Despite Dipping Household Numbers, Swelling Construction](#)

[Chicago's Apartment Rent Growth Surpasses National Average for the First Time in Over a Decade](#)

[Over \\$1.2 Billion in Office-to-Residential Conversions Proposed for Chicago's LaSalle Street Corridor](#)

[At \\$600 Million, Apartment Portfolio Sale Is One of Chicago's Biggest in Years](#)

[Large Chicago-Area Mall Hops on National Trend, Replaces Bloomingdale's With Apartments](#)

[Multifamily Conversions Could Be a Lifeline for Chicago's Ailing Hotels](#)

[Chicago's Apartment Demand Fundamentals Offer Upside, Stability to Investors](#)

[Despite Population Loss in Illinois, Demand for Chicago's Apartments Remains High](#)

[Against the Odds, Studio Apartments Survive COVID](#)

## Why Chicago?

LaSalle Street Reimagined ([City of Chicago](#))

Crain's Forum on Climate Migrants or "Climigrants." ([Crain's Chicago Business series](#))

[World Business Chicago](#), the City's public private economic development agency

Local Economic Snapshot: Chicago-Naperville-Elgin MSA ([Federal Reserve Bank of Chicago](#))

CHICAGO LOOP RESIDENTIAL STUDY REVEALS GROWTH THROUGHOUT PANDEMIC ([Chicago Loop Alliance](#))

Chicago won [Site Selection Magazine's](#) highest ranking (10<sup>th</sup> time in a row)

[Condé Nast Traveler](#) ranks Chicago #1 Best City in the US for sixth straight year

Chicago ranks as the ninth greenest city in the US, according to insurance company [Battleface](#)

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# Thank You!

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