



"Folks on the coast are starting to take notice of Chicago. There's a sense of a tech community on the upswing that's hungry for more."

James Megquier | Google Chronicle

Quick Stats

2.5+ MSF Added

The Chicago CBD has added more than 2.5 million square feet of technology firm leased office space in the last 12 months.

Top Talent

US World News and Report lists 14 of the nation's top 100 universities within 250 miles of Chicago.

UBER

UBER inked a 10-year, 465,000-sf deal within the recently completed Old Post Office building, adding significantly to the transpo-tech innovator's overall Chicago footprint.

200,000+ Jobs

The Chicago MSA currently has more than 200,000 jobs within the technology sector.

As one of the largest metropolitan areas in the US and a natural landing zone for many Midwest college graduates, there is no surprise Chicago is building a national reputation as a tech hub. With over 200,000 tech workers in the Chicagoland area as well as a strong talent pool of highly educated personnel, Chicago has all of the qualities conducive to tech development.

Big-name tech firms such as Uber, Facebook, Google and Salesforce started with small investments in Chicago that now account for over 2 million square feet of occupied space. With fears of over saturation in locations such as San Francisco, Chicago has jumped at the opportunity to attract the technology sector. Even San Francisco-based Glassdoor recently announced another expansion after entering the market nearly 3 years ago.

As Chicago moves from a tech sales hub to a full-service technology market employing software engineers and data scientists, real estate developers are rushing to keep up with current and future demand. As accessibility from Israel is becoming seamless with direct flights between Tel Aviv and O'Hare International Airport (ranked the nation's busiest airport in 2018) the time is right for Israeli tech firms to take a look at the The Windy City.

A Chicago Coast Comparison



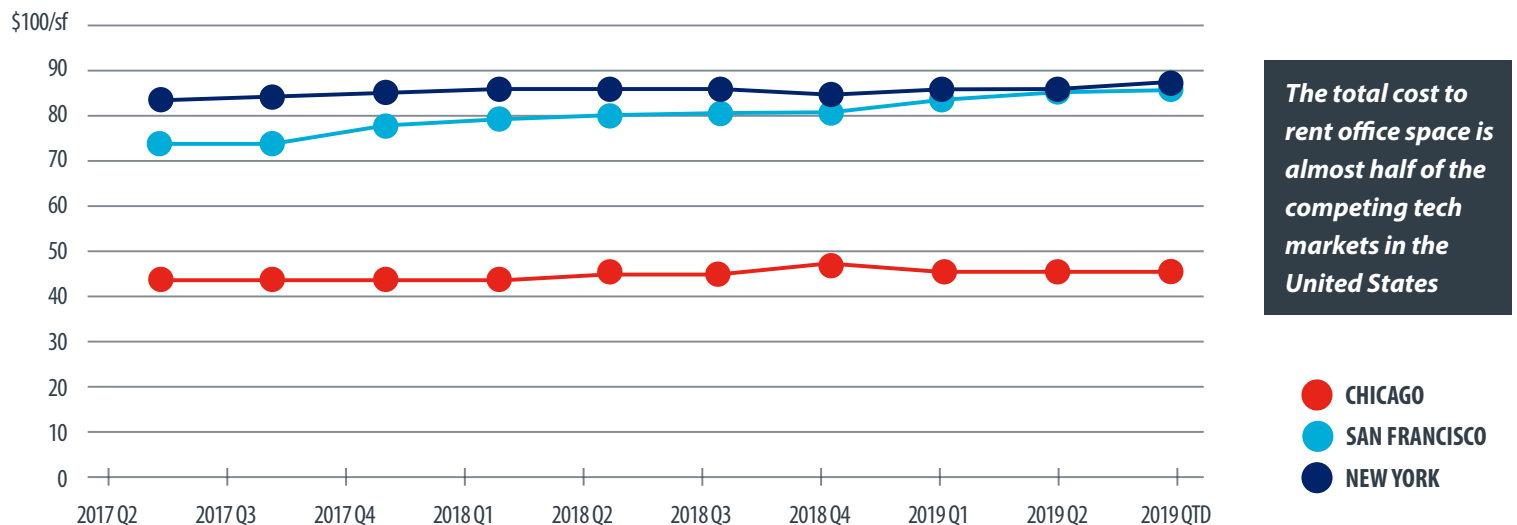
The tech sector has been booming in Chicago, contributing to overall growth within the office market. Chicago is first in the nation for corporate office relocation and expansion. The city is also home to a large pool of talented tech workers. This is in part due to the number of people with undergraduate computer science degrees, as Chicago ranks number two in the nation.

Big Tech has migrated east as California area companies such as Salesforce, Uber, Google, Apple, Hewlett Packard, IBM, LinkedIn, and Oracle, now all have Chicago area offices with 1,000 or more employees.

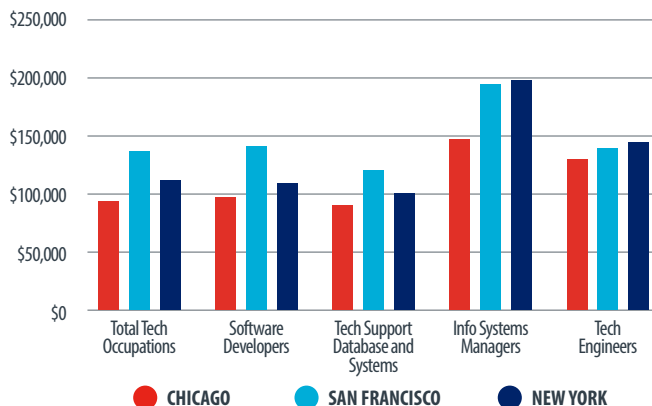
One of the key drivers of Tech growth in Chicago is Incentives. Chicago has developed multiple programs dedicated to incentivizing companies to relocate or add jobs. Opportunities such as Tax Relief are readily available to companies committed to building a footprint in Chicago. The guidelines to qualify for incentives are far more relaxed than other markets and are in part responsible for the overall sector growth.

As of May 20th, 2019 Lori Lightfoot took over as mayor of Chicago. Her commitment to stimulating job growth allows for the opportunity for tech and government to align. She hosts annual technology forums and preaches the importance of maintaining and growing the tech sector in Chicago.

Historical Average Rent [Gross]

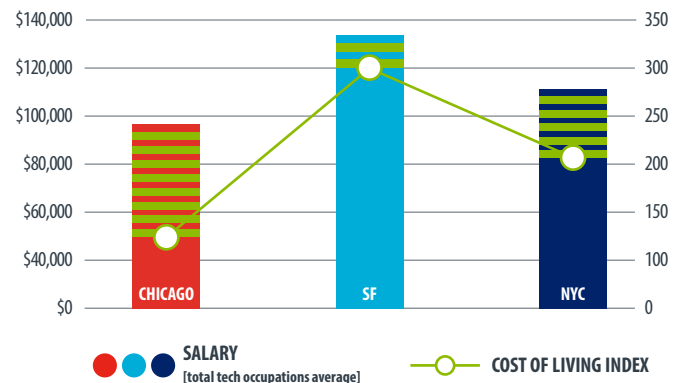


Cost of Talent



It is far cheaper to hire skill in Chicago

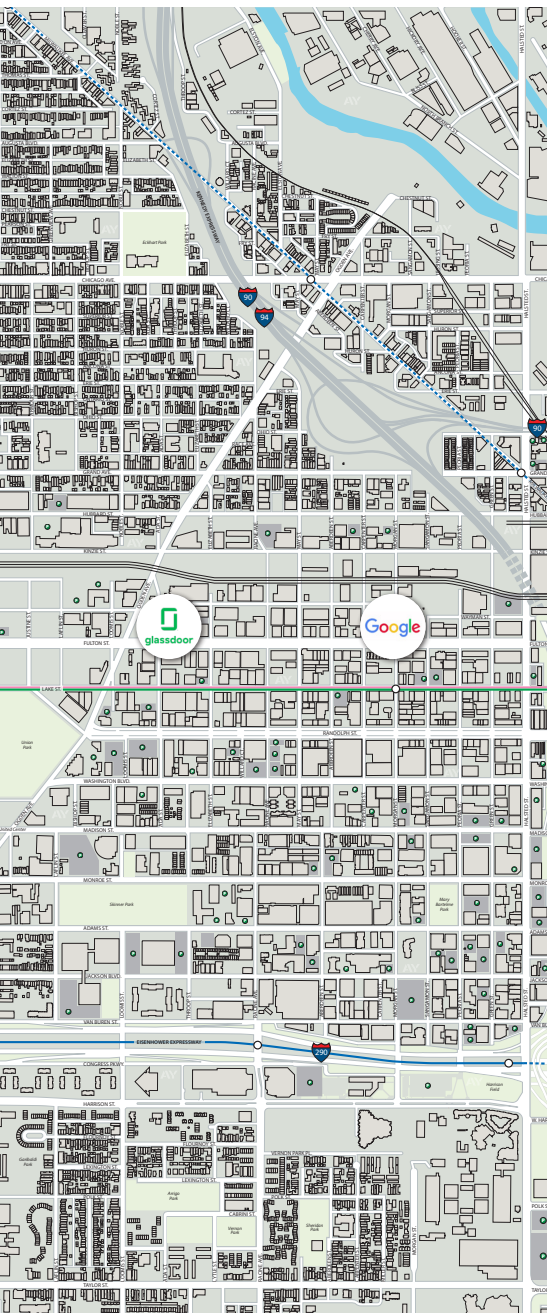
Salary vs. Cost of Living



The average tech worker in Chicago has significantly more disposable income

Key Players in the Chicago Tech Scene

Although most tech operators launched in Chicago with fairly modest investments, footprints are steadily growing and the lines between tech-specific submarkets are starting to blur.



SOURCE: Avison Young Research, CoStar

CBD DEVELOPMENT

Chicago's office development activity sits in the top five nationally, with 16 properties totaling nearly 7 million square feet currently under construction. These new developments are 47.8% preleased, with tech users representing a significant portion of the leasing activity.

"The continued commitment to Chicago, both financially and culturally, by the world's leading technology firms as well as institutional owners and operators is a testament to the city's viability as tech center and beyond."

Mark Robbins, Principal | Avison Young Tenant Representation



Salesforce Tower | 1.2 MSF



Committed to
500,000 SF



Old Post Office | 2.5 MSF

Uber

Committed to
465,000 SF



BMO Tower | 1.4 MSF



Committed to
530,000 SF



Bank of America Tower | 1.5 MSF

No 18

Committed
to 60,000 SF
Penthouse

A Landing Zone for Top Talent

As the largest and most diverse job market in the Midwest, Chicago draws a significant percentage of graduates from colleges and universities from across the central portion of the U.S. 14 of the nation's top 100 universities fall within a 250 mile radius of the city, two of which are within the immediate area, Northwestern University and University of Chicago. As a result, the city has one of the largest talent pools of workers nationally as almost 80% of residents in the Chicago Business District have at least a bachelor's degree.

When comparing the work force in Chicago to New York and San Francisco, direct competition from regional cities must be addressed. On the East Coast, potential employees can look at multiple *international* cities such as Boston, Philadelphia, Washington DC, and Miami as alternatives to New York City. On the West Coast, cities such as Seattle, Los Angeles, San Diego and Portland offer many benefits and can lure talent away from oversaturated markets such as San Francisco. Chicago does not have that issue as potential competitors such as Milwaukee or Detroit cannot compete with the big city allure or tech opportunities that Chicago offers.



14 of the
nation's top 100
universities fall
within a 250 mile
radius of Chicago

Nearly 80% of
residents in the
Chicago Business
District have at
least a bachelor's
degree

225,308 higher
education
students in the
city of Chicago

SELECT AREA UNIVERSITIES



I ILLINOIS



ILLINOIS INSTITUTE
OF TECHNOLOGY



LOYOLA
UNIVERSITY CHICAGO



MICHIGAN STATE
UNIVERSITY



THE UNIVERSITY OF
CHICAGO

MIAMI

Northwestern
University



SOURCE: Avison Young Research, US World News & Report, ESRI



When Traveling from Near or Far, Chicago is a Commuter's Paradise



O'Hare was the busiest airport in the country in 2018.

- **Newly announced direct flight from Tel Aviv**



The Chicago Transit Authority (CTA) operates the nation's second largest public transportation system.



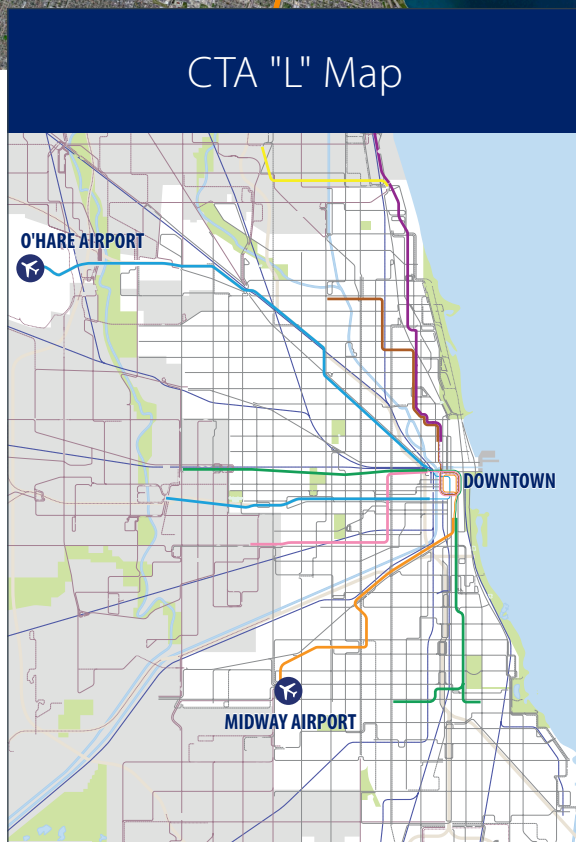
Metra operates more than 700 weekday trains, providing about 300,000 passenger trips each weekday (through 11 routes) servicing suburban Chicago.



The city of Chicago proper has seven major Interstate highways crossing through it.



Bicycle-sharing service Divvy had an annual ridership of 3,603,083 riders in 2018.



SOURCE: Avison Young Research, Metra, Divvy, CTA

Chicago Office Market Overview

Economic Overview

Chicago's diverse economy continued to grow moderately throughout the second quarter of 2019. As of May 2019, unemployment stood at 3.5%, up 10 basis points (bps) year-over-year. The metropolitan area added more than 65,000 jobs as of May 2019, an increase of 1.4% year-over-year.

Chicago officials and airline representatives broke ground during the first half of 2019 on an upgrade and expansion of O'Hare International Airport Terminal 5. City officials have stated that this project will increase the space by about 350,000 square feet (sf) and add 10 new gates to the airport's international terminal by 2021. The continuing upgrades to both passenger and cargo facilities should keep O'Hare competitive and help retain its position as the nation's busiest airport for years to come.

IN THE NEWS: The Old Post Office, a 2.8 million square foot building positioned on the southwest corner of the CBD, has sat vacant for decades. 601W is in the process of redeveloping the building which is set to open at the end of 2019. The building has already secured commitments from Walgreens, UBER, Ferrara Candy, and AbelsonTaylor, amongst others and is discussions with PepsiCo and WeWork to take space in the complex. With these additions, the building will be pre-leased to 80%.

CBD Submarket Breakdown

Submarket	Total RBA (SF)	Direct Available Space (SF)	Sublet Available Space (SF)	Total Available (SF)	Vacancy Rate			Leasing Activity (SF)	Net Absorption (SF)	Average Gross Asking Rent
					Overall Vacancy	Class A	Class B			
CBD	178,049,843	25,529,949	3,040,159	28,570,108	10.5%	10.0%	11.6%	2,200,098	581,695	\$45.03
West Loop	55,774,589	8,518,123	1,239,964	9,758,087	11.1%	11.8%	10.0%	1,129,796	560,655	\$46.12
Central Loop	47,577,650	6,325,019	637,661	6,962,680	10.6%	12.3%	9.2%	277,886	32,202	\$45.45
East Loop	27,488,207	4,636,218	420,580	5,056,798	13.2%	10.9%	21.0%	348,756	16,640	\$41.99
River North	18,683,600	2,043,727	404,241	2,447,968	8.6%	5.0%	12.3%	221,613	-29,559	\$49.27
North Michigan Ave	17,714,915	1,368,402	144,652	1,513,054	6.7%	8.5%	5.2%	134,233	768,301	\$43.68
River West	7,315,047	2,306,986	178,556	2,485,542	10.5%	11.7%	11.2%	84,733	11,357	\$49.69
South Loop	3,495,835	331,474	14,505	345,979	7.5%	N/A	12.2%	3,081	-9,600	\$42.13

SOURCE: Avison Young Research, CoStar, BLS, Curbed O'Hare

Quick Stats

3.5%

The Chicago metro unemployment rate dropped 80 basis points from the previous quarter to from 3.5%.

18,300 jobs

As of May 2019, the Professional and Business Service sector has added 18,300 jobs when compared year-over-year.

O'Hare Expansion

Chicago and airline officials broke ground during the first half of 2019 on an upgrade and expansion of O'Hare International Airport Terminal 5 (International Terminal).

7 Million Square Feet

There are currently 16 properties totaling 7 msf under construction within the CBD and 47.8% preleased.

Chicago Office Market Overview [CONTINUED]

HIGHLIGHTS

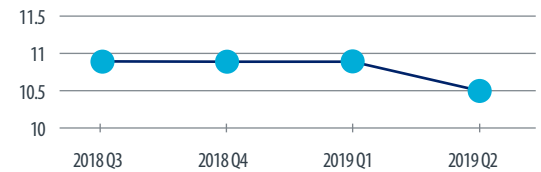
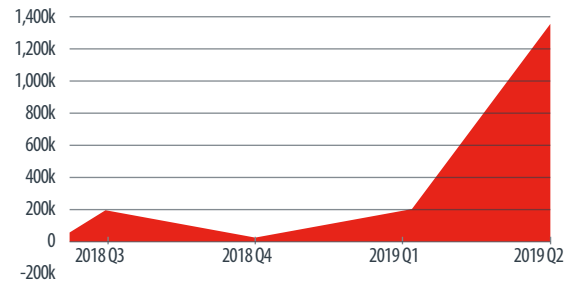
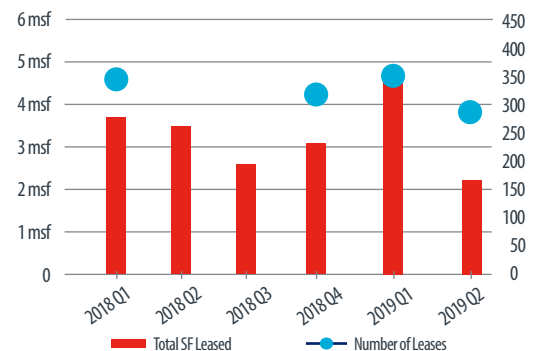
Overall vacancy within the CBD recorded a decrease of 40 (bps) to 10.5%. Class A product saw a significant decrease in vacancy of 170 bps down to 10% while Class B product increased 100 bps over the same timeframe. Leasing activity remained strong with 2.2 million square feet (msf) leased throughout the second quarter, bringing the total year-to-date sf leased to 7.3 msf. The West Loop and the East Loop accounted for 1.4 msf having been leased within the second quarter and 67% of all activity.

DEVELOPMENT

Developers have continued to focus primarily within the CBD with 16 properties totaling 7 msf under development. The two largest being The Old Post Office and 110 N Wacker Dr, accounting for 4.2 msf and 60% of construction inventory. The largest development within the CBD is The Old Post Office located at 433 W Van Buren within the West Loop which is 2.5 msf and undergoing an \$800 million-plus renovation. The property is currently 80% preleased and expected to be completed within the second half of 2019.

CAPITAL IMPROVEMENTS

Landlords across the market continued to pour capital into building improvements, including tenant amenities and outdoor space. A continued trend observed within the marketplace is flexible office space, meaning moving away from generic office space designs. Open floor plans with increased collision zones and collaborative space will continue to take hold. Several major office users have chosen to use the hoteling method within their new office space, prompting a reduction of space as well as cutting costs.

VACANCY RATE (%)**TOTAL NET ABSORPTION (SF)****LEASE ACTIVITY****COWORKING**

The coworking craze remains strong throughout the CBD with several new locations continuing to pop up throughout the market including WeWork, Convene and International Workplace Groups. WeWork recently announced the addition of the 12th Chicago location at 625 W Adams Street which brings their total footprint to over 1 msf.

wework

convene

IWG
 International Workplace Group

SOURCE: Avison Young Research, CoStar

Fulton Market Overview

Located just west of the Chicago Business District Fulton Market (River West) has become one of the most talked about commercial real estate topics in the United States. In 2010 there was very little commercial or residential development. Now, every week there is a news article regarding new office construction, restaurants, housing, or corporate relocations. Most notably national corporations such as McDonalds and Google have a large presence as well as world acclaimed restaurants such as Nobu and Girl & The Goat.

The River West submarket comprises 7.3 msf of office space and saw a slight 10 bps decrease in vacancy to 10.5%. Class A product recorded a dramatic downward shift in vacancy from 14.5% to 11.7%. Year-to-date, the River West submarket has leased 575,072 sf with an average deal size of 14,376 sf. Net absorption has begun to slow with a total of 136,975 sf having been absorbed year-to-date.

There was one notable investment sale transaction within the submarket. 159 N Sangamon Street, a 90,344-sf loft property, traded between Tucker Development and Asana Partners for \$41,594,500 or \$460 psf. The property is fully leased to coworking firm Spaces and private equity firm Parker Gale.

The largest building under construction in the River West submarket is 167 N Green Street. The 600,000-sf & 17-story tower is being developed by Shapack Partners and has already attracted coworking giant WeWork with a 133,749-sf lease.

By the Numbers



There are 167 Eating and Drinking Places inside of the submarket



There are a total of 1,877 Businesses



A residential population of 13,274, and a daytime population of 29,266



Average income is \$85,242



Median Age is 35.7



78.7% of the population in the submarket have a bachelor's degree or above

SOURCE: Avison Young Research, CoStar, Public Record

Fulton Market TIMELINE

2010

Less than **100,000 SF** of office (all of which was sub Class A)

2014

Soho House opens with 40 rooms and marks an aggressive hotel launch

2020

By 4th Quarter 2020 there will be **984 hotel keys** in Fulton Market

2022

10,610,705 SF of office space, much of which is Class A

Chicago Tech Firm Growth Case Studies



Founded in 2009 by Travis Kalanick and Garrett Camp in San Francisco, Uber opened a small office in Chicago in the middle of 2014. Located at 370 N. Carpenter Street in the Chicago's West Loop, the growing firm occupied roughly 12,000 sf. In early 2015, Uber decided to expand in Chicago and opened a second 60,000-sf office at 111 N. Canal Street. By the end of 2018, Uber occupied almost 185,000 sf between 225 W. Randolph Street and 111 N. Canal Street, both within the West Loop submarket. In August of 2019, Uber announced they had signed a lease for 463,000 sf in the 601WCompanies redevelopment located at the "Old Post Office". The Old Post Office is the largest development within the CBD located at 433 W Van Buren Street within the West Loop which is 2.5 msf and undergoing an \$800 million-plus renovation. In five years the company has increased their footprint in Chicago by almost 40x their original investment. When asked about the talent of the workforce in Chicago, Uber's spokeswoman Kelley Quinn said, *"The city continues to attract the top talent that Uber needs to continue to thrive, and we remain committed to working together to have a positive impact in the local community."*



GrubHub was founded by Matt Maloney and Michael Evans in 2004 to help make food delivery easier. From 2006-2012, the firm was located in Chicago's Bucktown neighborhood (just outside of the loop) in a small loft office building with a few employees. In 2012, GrubHub decided to move their HQ to the Central Business District and took almost 60,000 sf at 111 W. Washington Street within the Central Loop submarket. Since 2012, GrubHub has expanded into 170,000 sf in Chicago with speculation of foreseeable growth. When asked about their expansion in Chicago GrubHub's CEO Matt Maloney said *"Joining the growing group of technology companies in the Loop area is not only significant for GrubHub, but for the city of Chicago."* Last year GrubHub surpassed 1 billion in revenue (USD).



Software startup SproutSocial was founded in 2010 by Justyn Howard. In 2014, the firm moved into a 64,000-sf office located at 131 S. Dearborn Street, also known as the Citadel Building, within the Central Loop submarket. In 2018, SproutSocial doubled their space within the building to 128,000 sf. Their office space was constructed by Skender and is consistently ranked in Chicago as one of the "Top Places to Work" by the Chicago Tribune and Glassdoor. This is in part due to their unique office layout and collaborative environment. They were also listed by LinkedIn as one of the top startups in 2017. SproutSocial has additional offices in Seattle and Dublin.



One of the largest providers of air and freight logistics in the world, Traffic Tech was founded over 30 years ago by Brian Arnott. In 2015, the company opened an office in Chicago as the location offers direct access to major freight routes running throughout North America. Their initial footprint was roughly 10,000 sf within 180 N. Michigan Avenue. In August of 2019, Traffic Tech's Chicago footprint quadrupled in size when they signed for 36,000 sf at 111 E. Wacker Drive within the East Loop submarket. The firm also declared Chicago their North American Headquarters citing a "young educated workforce" as fuel for their growth. They now have over 30 offices across the world and continue to grow.

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Mark has been a veteran in office tenant representation with just over 38 years of experience. He has negotiated in excess of 1 billion dollars of commercial transactions and has represented more than three million square feet of Class A office property. Mark services a wide array of clients from Law Firms and Professional Services, to Tech and Logistics. Mark is a principal at Avison Young and consistently ranks among the company's top producers.

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Brandon serves as the office tenant representation tech development liaison to Chicago. In his tenure with Avison Young he has represented a wide variety of clients and has a primary focus on encouraging tech investment in Chicago. Most recently, Brandon assisted a leading logistics firm in their expansion, relocation, and procurement of incentives for over 200 new employees to downtown Chicago.

ABOUT AVISON YOUNG

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 120 offices in 20 countries. The firm's experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multifamily and hospitality sectors.

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