

LaSalle Street Corridor Business Support Study

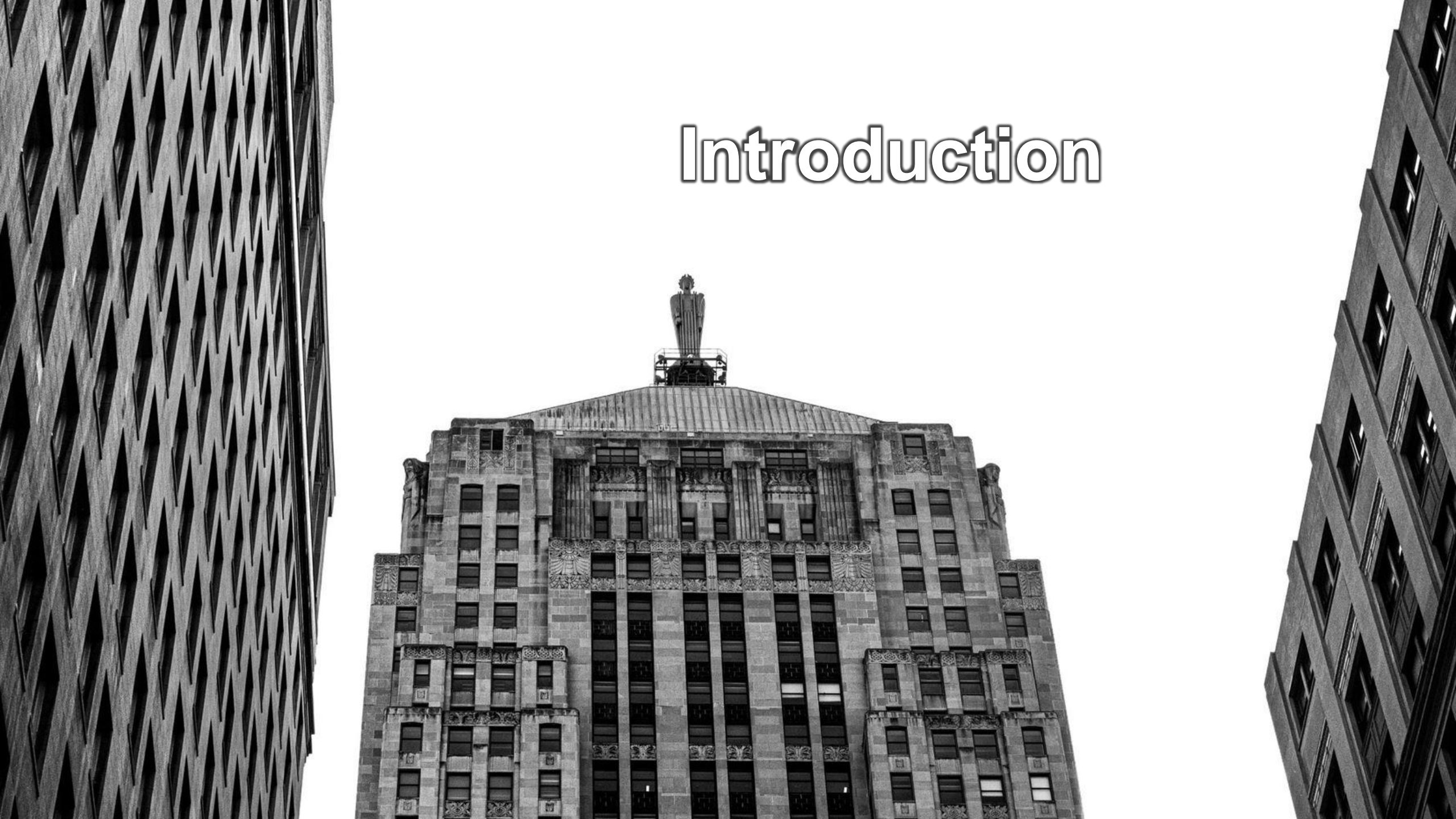
August 2022

Delivering a better world

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Introduction



Introduction

Prior to the COVID-19 pandemic, Chicago's city center was one of the largest and fastest growing central areas in the US, with nearly 70,000 new residents and 180,000 new jobs added since 2000. Within it, the LaSalle Street Corridor has historically anchored the Midwest's legal and financial industries. Now in 2022, both the LaSalle Street Corridor and Chicago's city center more broadly have found themselves in a difficult moment. The COVID-19 pandemic exacerbated the area's existing challenges, with increasing office building vacancies and struggling retail, restaurant, and hospitality sectors. For the LaSalle Street Corridor in particular, this is a key moment to act.

Today's present shift towards hybrid and remote work has proved especially problematic for the Corridor, causing real estate values to plummet, increasing retail vacancy, and diminishing the vibrancy of the area. Over 85% of built real estate in the LaSalle Street Corridor is office space, and 25% of this office inventory is currently vacant. Within this context, the City of Chicago Department of Planning and Development (DPD) sees a tremendous opportunity to leverage an iconic corridor with excellent multi-modal connectivity, laying vital groundwork for repositioning and revitalization.

AECOM was engaged by DPD to conduct a comprehensive business support study within the LaSalle Street Corridor that evaluates the feasibility of office-to-residential and other types of conversions for large office buildings with high vacancy. These types of conversion projects promise to help to diversify the mix of uses in the Corridor, remedy high vacancy levels in the office market, respond to high demand for affordable housing options in high opportunity areas, boost vibrancy and activity levels, improve ground floor retail viability, and boost real estate value in the area.

This study began in January of 2022 with a kickoff session and included 5 workshops throughout its 7-month duration, during which the consulting team presented its findings to the City. AECOM utilized various methodologies to evaluate the feasibility and potential economic impact of office-to-residential and other types of conversions for large office buildings with high vacancy for its relevance to the LaSalle Street Corridor. Components of AECOM's research include comprehensive real estate market analysis and a benchmarking study with similarly redeveloped districts and buildings.



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Existing Conditions

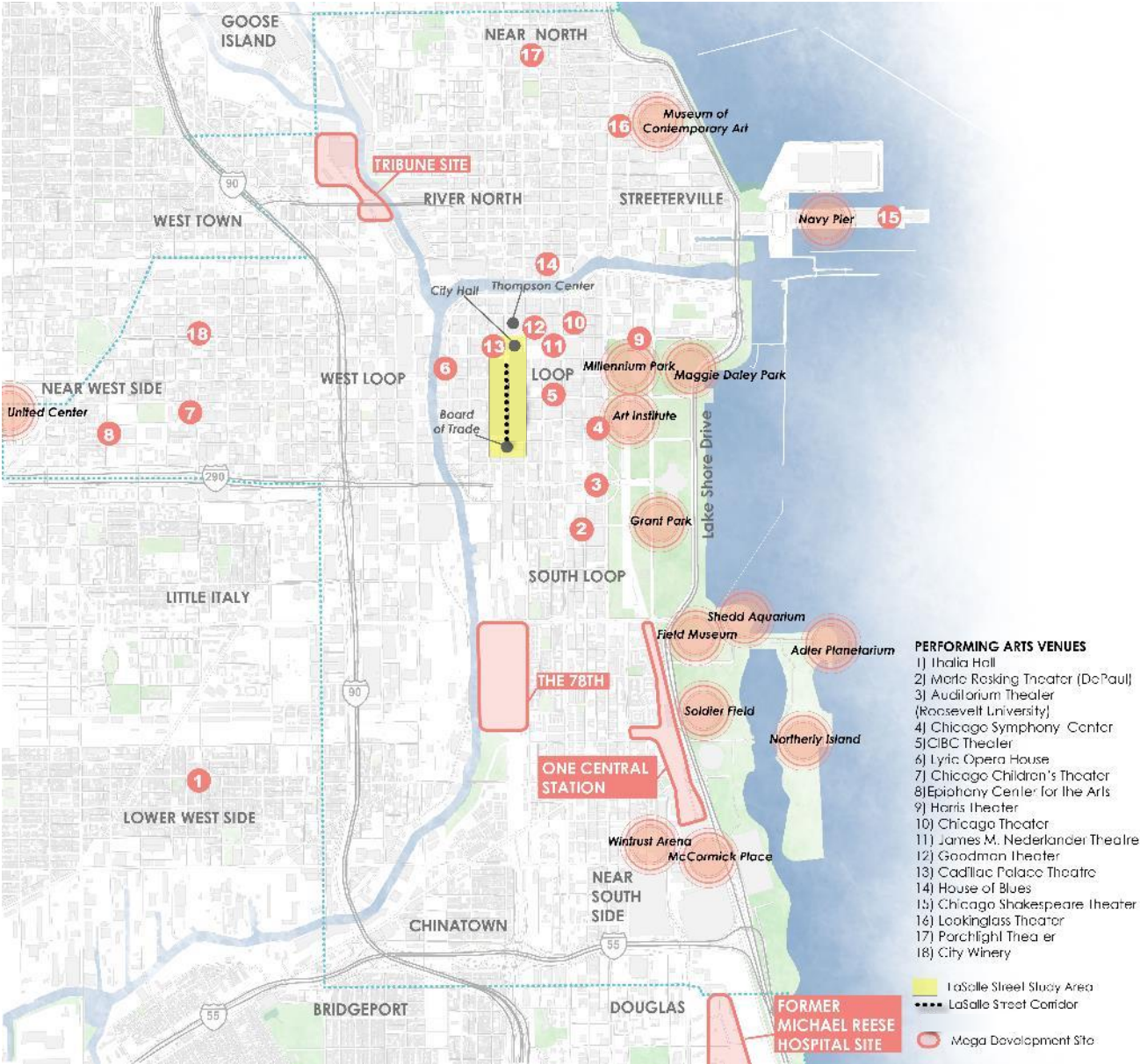
A black and white photograph of a city street. On the left, a building facade is visible with several American flags hanging vertically. In the center, a tall skyscraper with a statue on top is visible in the distance. On the right, another tall building is visible, and a street lamp is in the foreground. The text "Existing Conditions" is overlaid on the left side of the image.

Existing Conditions

LaSalle Street Study Area Context

The LaSalle Street Corridor Study area is located in the heart of Chicago’s Loop neighborhood. While the area has a high density of offices, it is also surrounded by landmark cultural institutions and performing arts venues.

The Study Area is surrounded by Clark, Wells, Randolph and Van Buren Streets with the Corridor bookended by City Hall and the Board of Trade.



Existing Conditions

LaSalle Street Corridor: Land Use

- There is approximately **22.7M** square feet of built real estate in the LaSalle Street Corridor Study area. Over 85% of this space is office space, and 26% of that office space is currently vacant.

Type of Space	Rentable Building Area	Rentable Units	Vacancy Rate
Office	19,518,869 SF	19,518,869 SF	26%
Hospitality	2,185,900 SF	3,088 rooms	-
Parking	560,810 SF	3,488 spaces	-
Multi-Family	197,408 SF	252 units	10%
Religious	54,139 SF	54,139 SF	-
Retail	198,968 SF	198,968 SF	36%

Data is by primary building use which may differ from an absolute inventory of all rentable building space within the LaSalle Street Corridor
Source: Costar, Stone Real Estate



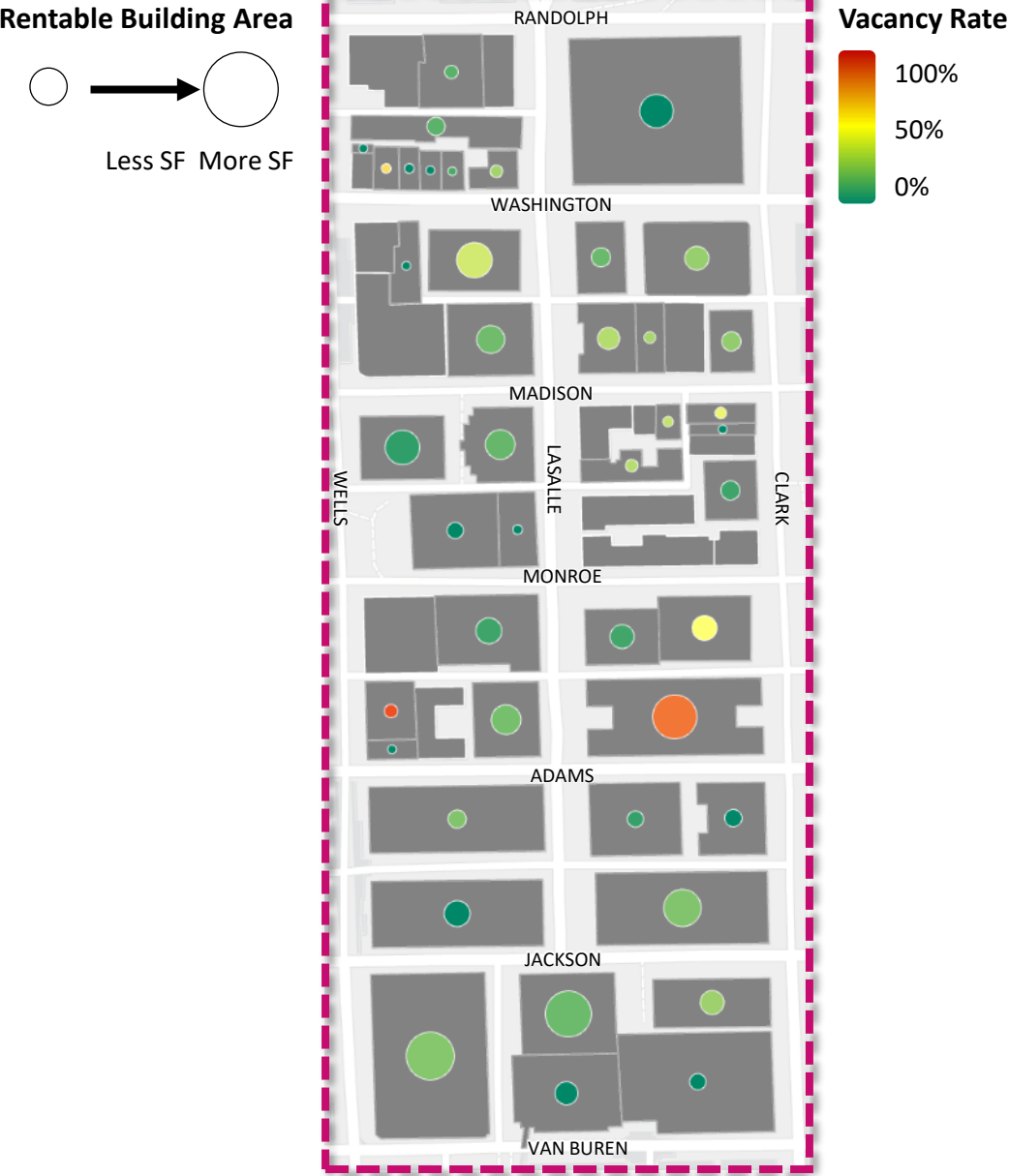
Existing Conditions

LaSalle Street Corridor: Office Inventory

- There are 43 office buildings comprising **19.5 million** square feet of office space in the corridor.
- As of Spring 2022, the corridor has approximately 4.8 million square feet of vacant office space (25% of total inventory).
- On a building-by-building basis, 31% of office buildings in the corridor have vacancy rates of more than 30%.
- Office buildings constructed prior to 1940 comprise the largest share of total inventory within the study area and have the highest vacancy rate when compared to newer buildings.

Year Built	Rentable Building Area	Share of Total	Vacant SF	Vacancy Rate
Pre-1940	11,557,732	59%	3,194,006	28%
1940-1980	3,612,936	19%	862,521	24%
1980-Present	4,344,701	22%	782,398	18%
Grand Total	19,515,369	100%	4,838,925	25%

Source: Costar, Spring 2022



Existing Conditions

LaSalle Street Corridor: Retail Inventory

- Data compiled by Stone Real Estate, a local brokerage that specializes in retail spaces within Chicago’s Loop, tabulates that there are a total of 31 ground-level storefronts that front LaSalle Street between Wacker Drive to the north and Jackson Boulevard to the south, approximately matching our “LaSalle Street Corridor” study area
- These 31 storefronts comprise a total of over 214,000 of space, primarily used as retail and community-facing office space
- Nearly 62,000 square feet of this space was vacant as of Spring of 2022, equating to a vacancy rate of nearly 29%
- This vacancy rate represents a slight increase over the 2021 level of 27%
- The vacancy situation is worst in the portion of LaSalle Street that lies south of Madison Street, which has a vacancy rate of 52%
- This data is summarized in the table below

West Side	Total Space	Vacancy Rate		Total Space	East Side
Wacker to Lake	21,140	23%	0%	10,600	Wacker to Lake
Lake to Randolph	13,050	20%	0%	17,205	Lake to Randolph
Randolph to Washington	20,098	22%	-	-	City Hall
Washington to Madison	12,336	27%	0%	19,584	Washington to Madison
Madison to Monroe	5,482	37%	80%	10,200	Madison to Monroe
Monroe to Adams	13,800	51%	22%	26,500	Monroe to Adams
Adams to Jackson	7,103	0%	79%	22,464	Adams to Jackson
Board of Trade	14,567	79%			

Source: Stone Real Estate, Spring 2022

Existing Conditions

LaSalle Street Corridor: Building Frameworks

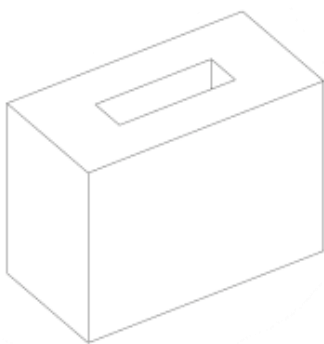
The office inventory in the LaSalle Street Corridor Study Area can be broadly defined in three categories:

- Block
- Courtyard
- Cutout / Setback

Block

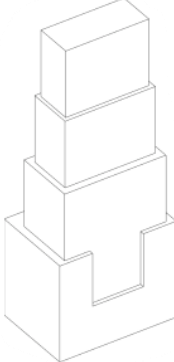


Courtyard



Source: ULI Chicago

Cutout / Setback



Existing Conditions

LaSalle Street Corridor: Initial Convertibility

Given the established three basic typologies, the inventory of existing office buildings in the LaSalle Street Corridor Study Area can be evaluated in terms of direct convertibility, or the degree to which their building type and floorplates are conducive for office-to-residential or other types of conversions *without selective demolition to help with light penetration*.

- **Good** – includes most courtyard and setback/cutout buildings, as well as block buildings with a minimum building dimension of less than 80 feet.
- **Fair** – includes smaller block buildings with a minimum building dimension of less than 80 feet that have shared walls with another building that obstructs light penetration.
- **Poor** – includes larger block buildings with a minimum building dimension of greater than 80 feet.

Note: These classifications are based solely on building typology and adjacency, and do not consider detailed floorplate specifications of each building or any other practical constraints.



Existing Conditions

LaSalle Street Corridor: Zoning

Within the LaSalle Street Corridor, there are two types of zoning districts present:

- Downtown Core (DC-16) – the highest density downtown zoning district in the City of Chicago that allows for a variety of uses including office, other commercial, and residential uses.
- Planned Developments – a project-by-project approach to zoning where each project is subject to its own public and administrative review process.

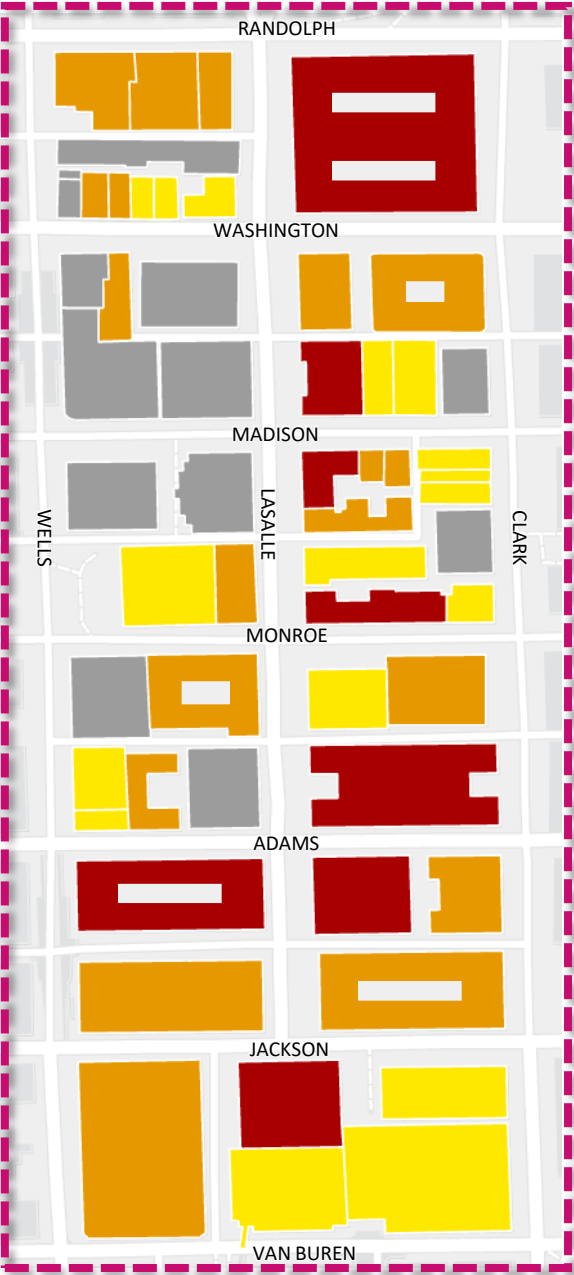
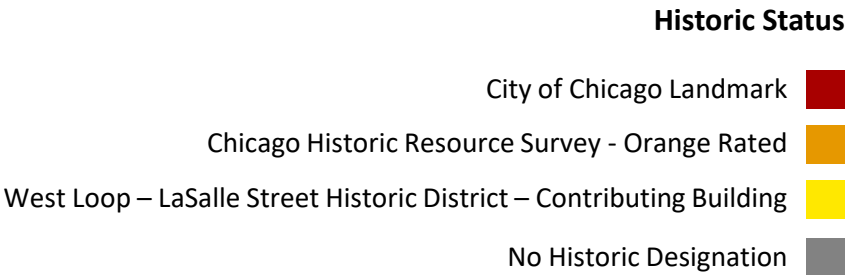
In addition to the base zoning districts, it is important to note that LaSalle Street is designated as a “pedestrian street” between Washington and Jackson (17-4-0503-D). Pedestrian streets have regulations that are intended to ensure pedestrian safety and comfort, promote economic vitality, and preserve the positive character of downtown’s most pedestrian-oriented streets.



Existing Conditions

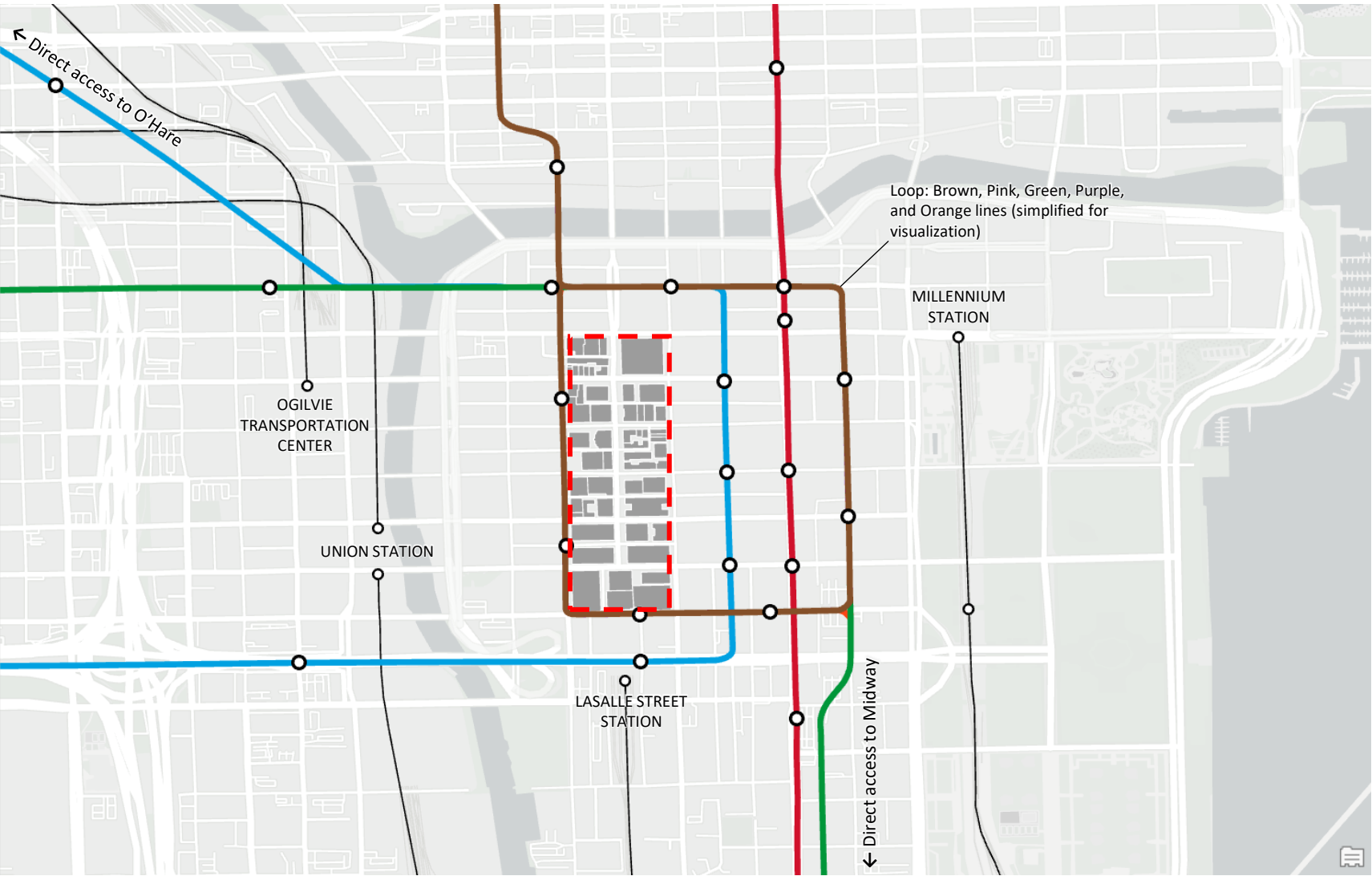
LaSalle Street Corridor: Historic Designations

- Several buildings throughout the Corridor are official City of Chicago Landmarks, have orange status according to the Chicago Historic Resource Survey, and/or are contributing buildings within the West Loop – LaSalle Street Historic District, making them eligible to receive Historic Tax Credits.



Existing Conditions

LaSalle Street Corridor: Public Transit Train Access



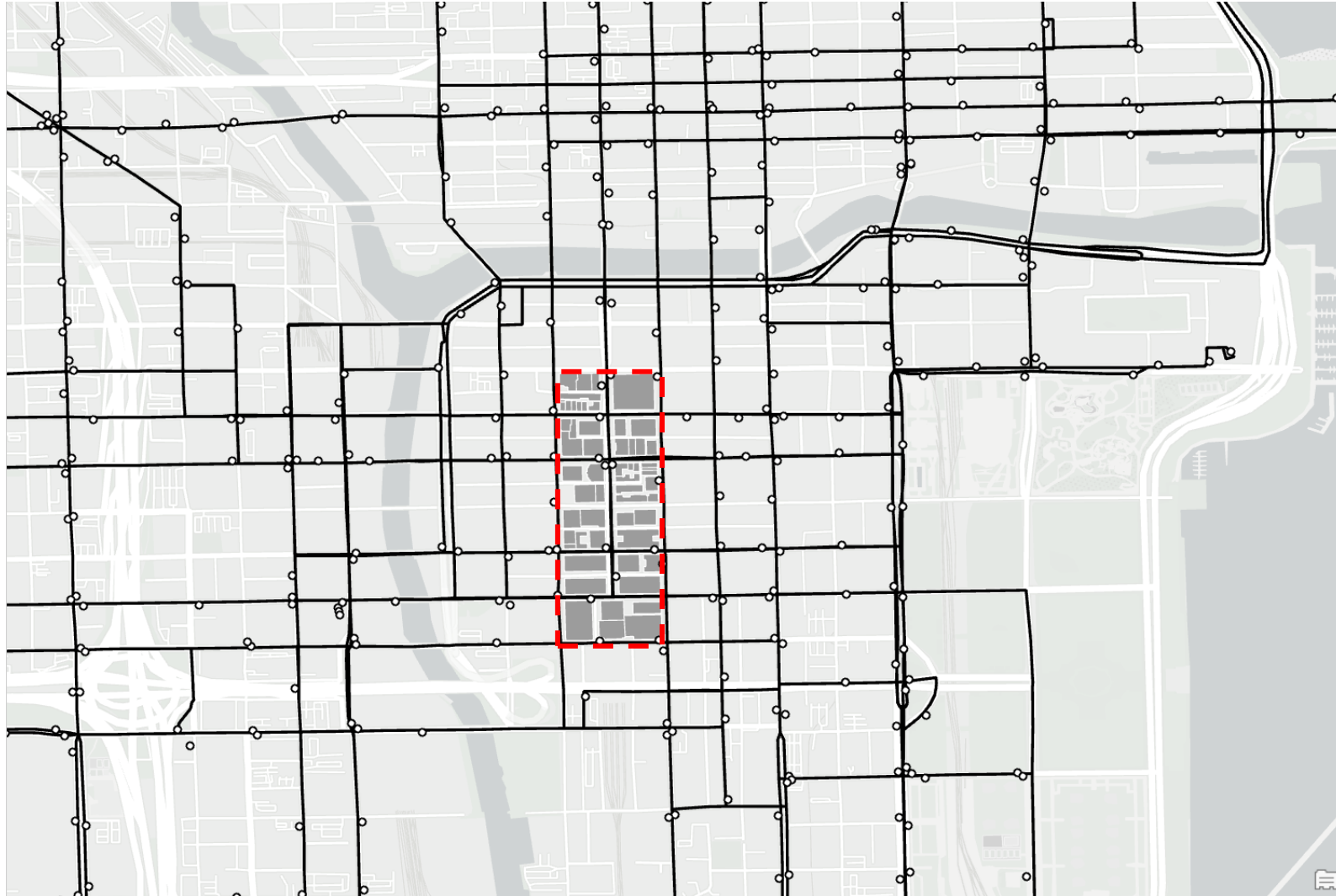
- The map on the left shows the LaSalle Street Corridor in relation to passenger rail transit networks, including the CTA and Metra systems.
- Its central Loop location makes it easily accessible from virtually every CTA and Metra line, connecting the Corridor to the rest of the city, out to the suburbs, and beyond via Amtrak.

Passenger Rail Access

- ▭ LaSalle Street Corridor
- CTA Rail Line
- CTA Rail Station
- Metra Rail Line
- Metra Rail Station




Existing Conditions

LaSalle Street Corridor: Public Transit Bus Access



- In addition to passenger rail transit, there is also an extensive bus network in the areas around the Corridor. As shown on the left, there are CTA bus routes on virtually every street in the Loop.
- These bus routes may be a better option than the train for people accessing the corridor from areas just beyond walking distance or areas that aren't near a train line.

Bus Access

-  LaSalle Street Corridor
-  CTA Bus Route
-  CTA Bus Stop

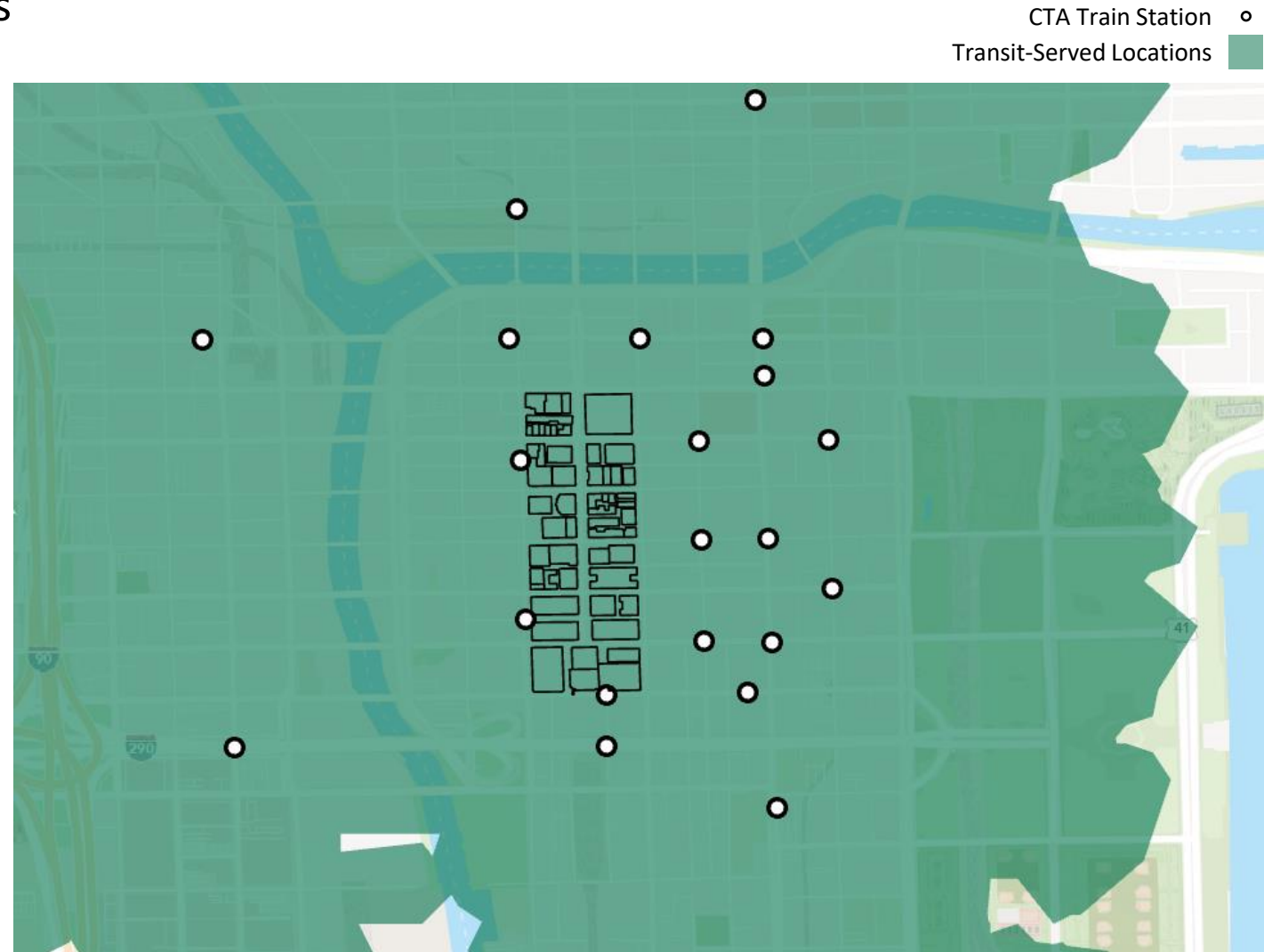
Existing Conditions

LaSalle Street Corridor: Transit-Served Locations

Chicago's Zoning and Land Use Ordinance Section 17-10-0102 (Off Street Parking Exemptions and Reductions) states:

- *"No additional off-street parking or loading spaces are required for rehabilitation or reuse of an Official Chicago Landmark building or a contributing building within an official Chicago Landmark district."*
- *"In RM5, RM5.5, RM6, RM6.5, B, C, D, M, or PMD subarea B districts, minimum off-street automobile parking ratios may be reduced by up to 100 percent from the otherwise applicable standards for new construction or rehabilitation of existing structures located within 2,640 feet of a CTA or METRA rail station entrance or exit."*

The map on the right depicts 2,640 feet walking distance radii around each of the CTA rail stations in the Loop in green, showing that the entirety of the LaSalle Street Corridor qualifies as a "Transit-Served Location" (TSL) under the zoning code. This, combined with the other bullet point regarding Landmark buildings, indicates that every building within the LaSalle Street Corridor should be eligible for parking reductions and/or exemptions.





Market Forces & Comparable Corridors

Market Forces & Comparable Corridors

Market Forces – Regional Context

- It's important to consider the broader economic and demographic contexts within which the LaSalle Street Corridor and downtown Chicago operate.
- The table on the right shows high-level population and gross domestic product (GDP) metrics for the top 20 metropolitan areas in the United States.
- As shown, the Chicago Metro Area ranks third behind only New York and Los Angeles in terms of the size of our population and overall economy.
- However, as is common among other Midwestern and Northeastern markets, the Chicago Metro Area ranks last and third to last, respectively, in terms of growth since 2010 for each of these metrics.
- Although Chicago will remain a top-tier market for the foreseeable future, it will need to make intentional, strategic investments in order to maximize competitiveness and support future prosperity.

Top 20 Metropolitan Areas in the U.S.											
Metro Area	Population					Economy (GDP)					
	2020		Rank	Growth 2010-2020	Rank	2019 (\$ millions)		Rank	Growth 2010-2019	Rank	
New York City, NY	20,140,470	<div></div>	1	7% <div></div>	14	\$1,582,863	<div></div>	1	18% <div></div>	16	
Los Angeles, CA	13,200,998	<div></div>	2	3% <div></div>	18	\$934,771	<div></div>	2	25% <div></div>	10	
Chicago, IL	9,618,502	<div></div>	3	2% <div></div>	20	\$628,061	<div></div>	3	15% <div></div>	18	
Dallas, TX	7,637,387	<div></div>	4	20% <div></div>	2	\$487,605	<div></div>	6	38% <div></div>	3	
Houston, TX	7,122,240	<div></div>	5	20% <div></div>	1	\$469,349	<div></div>	7	22% <div></div>	13	
Washington D.C.	6,385,162	<div></div>	6	13% <div></div>	8	\$499,243	<div></div>	5	14% <div></div>	19	
Philadelphia, PA	6,245,051	<div></div>	7	5% <div></div>	17	\$398,157	<div></div>	9	11% <div></div>	20	
Miami, FL	6,138,333	<div></div>	8	10% <div></div>	10	\$326,364	<div></div>	12	26% <div></div>	8	
Atlanta, GA	6,089,815	<div></div>	9	15% <div></div>	6	\$386,542	<div></div>	10	37% <div></div>	4	
Boston, MA	4,941,632	<div></div>	10	9% <div></div>	13	\$427,272	<div></div>	8	25% <div></div>	9	
Phoenix, AZ	4,845,832	<div></div>	11	16% <div></div>	5	\$241,912	<div></div>	14	31% <div></div>	6	
San Francisco, CA	4,749,008	<div></div>	12	10% <div></div>	11	\$535,917	<div></div>	4	60% <div></div>	1	
Riverside, CA	4,599,839	<div></div>	13	9% <div></div>	12	\$164,450	<div></div>	19	27% <div></div>	7	
Detroit, MI	4,392,041	<div></div>	14	2% <div></div>	19	\$234,406	<div></div>	15	18% <div></div>	15	
Seattle, WA	4,018,762	<div></div>	15	17% <div></div>	3	\$378,326	<div></div>	11	52% <div></div>	2	
Minneapolis, MN	3,690,261	<div></div>	16	11% <div></div>	9	\$245,923	<div></div>	13	22% <div></div>	14	
San Diego, CA	3,298,634	<div></div>	17	7% <div></div>	15	\$214,035	<div></div>	16	23% <div></div>	11	
Tampa, FL	3,175,275	<div></div>	18	14% <div></div>	7	\$147,718	<div></div>	20	23% <div></div>	12	
Denver, CO	2,963,821	<div></div>	19	17% <div></div>	4	\$202,452	<div></div>	17	37% <div></div>	5	
Baltimore, MD	2,844,510	<div></div>	20	5% <div></div>	16	\$186,402	<div></div>	18	17% <div></div>	17	

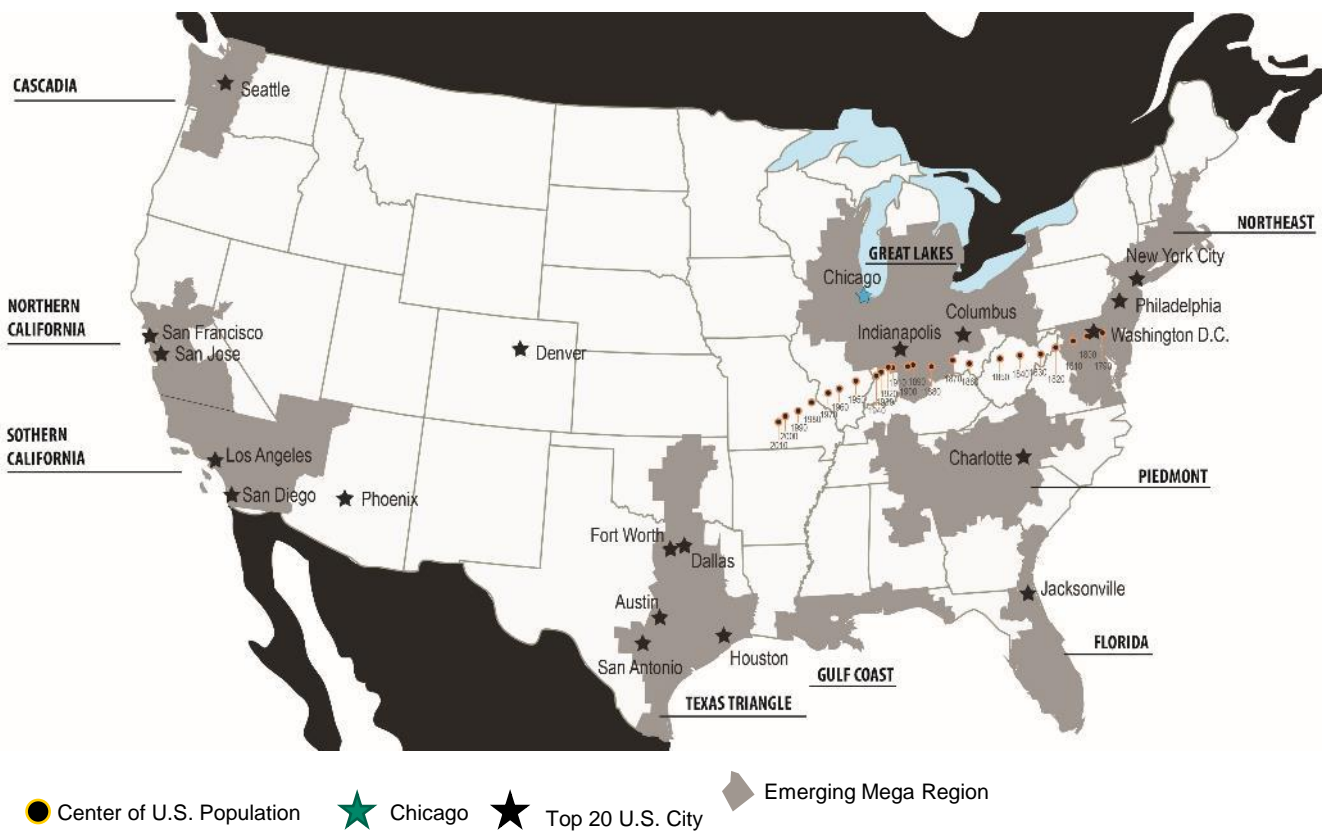
Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, AECOM

Market Forces & Comparable Corridors

Market Forces – Regional Context

Across the U.S. there are nine emerging “mega regions” which contain about 70 percent of the nation’s population. The Northeast and the Great Lakes regions previously included largest concentrations of the United States population, each accounting for just over 20 percent of the nation’s population. However, over the last 20 years, growth has concentrated in the South and West, particularly in Texas. Despite these trends, Chicago remains the country’s third-largest city and serves as the epicenter of the Great Lakes region.

U.S. Emerging Mega Regions & Top 20 Cities by Population



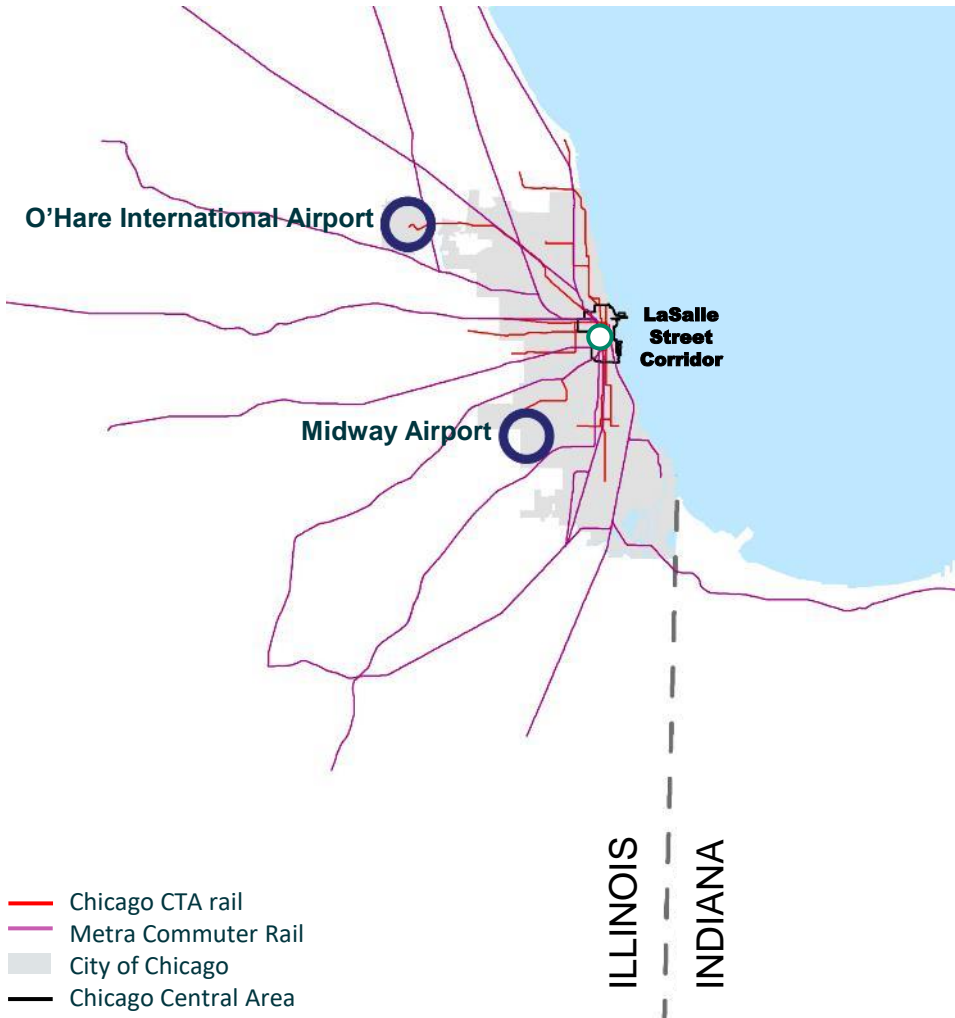
Source: U.S. Census Bureau, ACS 5-year estimates

Market Forces & Comparable Corridors

Market Forces – Regional Context

Chicago has an extensive highway and rail network connecting the city to its major airports, the Chicagoland region, and the Greater Midwest.

Chicago Rail + Airport Access



Chicago Highway + Airport Access

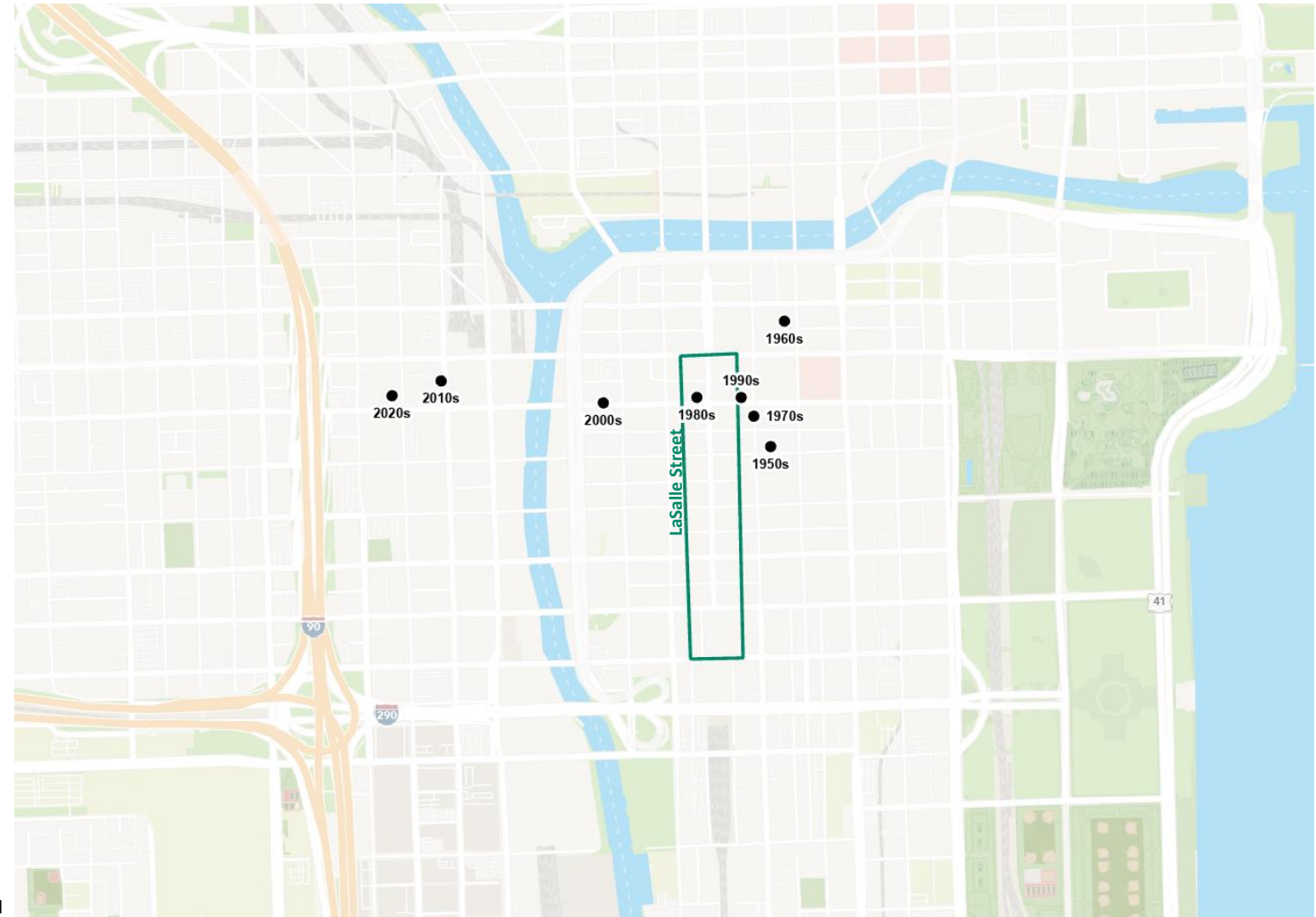


Market Forces & Comparable Corridors

Market Forces – Central Area Office Market

- In general, Chicago's office tenants are looking for amenity-dense space in newer buildings located in vibrant areas with retail shops, restaurants, nightlife, entertainment offerings, good transit accessibility, and ample green space.
- The LaSalle Street Corridor, and the Loop as a whole, have struggled to compete with other areas of the City due to their large existing inventory of old buildings, lack of available land for new development, and monoculture of office use.
- As a result, new office construction within Chicago's Central Area has gradually shifted westward in the last several decades, as depicted in the map on the right.
- The points for each decade represent the average (mean) location of office buildings constructed during that decade, weighted by building size.

Chicago Central Area Center of New Office Construction by Decade since 1950



Source: CoStar, AECOM

Market Forces & Comparable Corridors

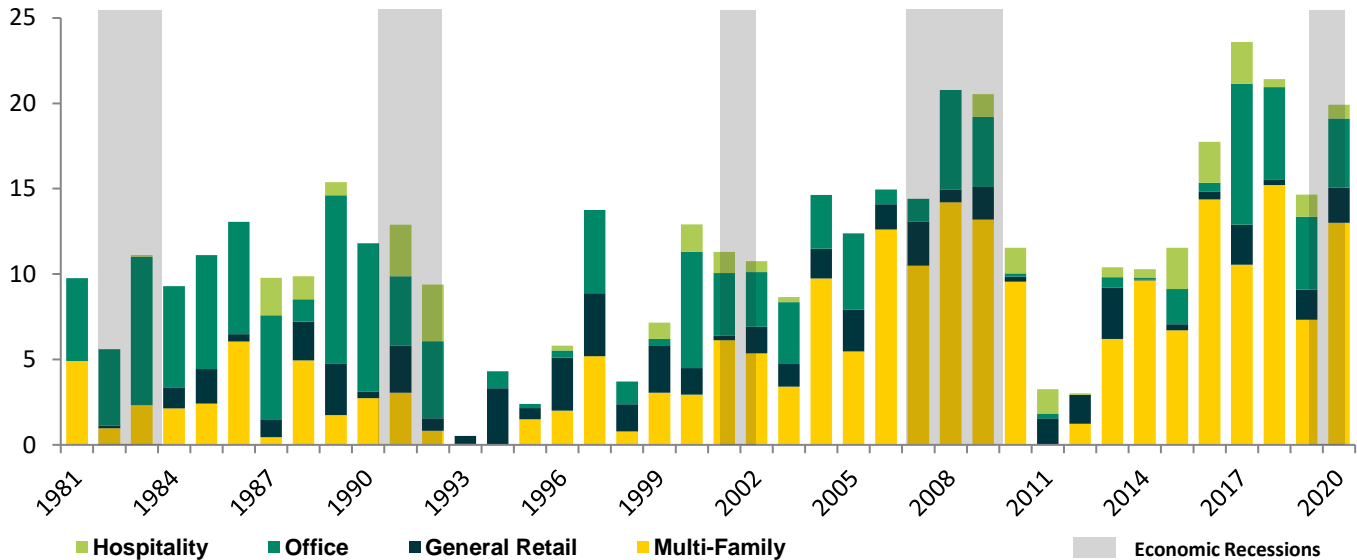
Sources: CoStar, AECOM

Market Forces – Central Area Context

Since 1981, Chicago’s Central Area has seen a significant acceleration in absorption of land for new vertical development, linked with growing population and employment, and despite multiple economic recessions. From 2000 to 2018, the Central Area has absorbed approximately 250 acres of land (about 13.7 acres per year) for new development, covering new construction on vacant sites as well as through demolition of existing improvements.

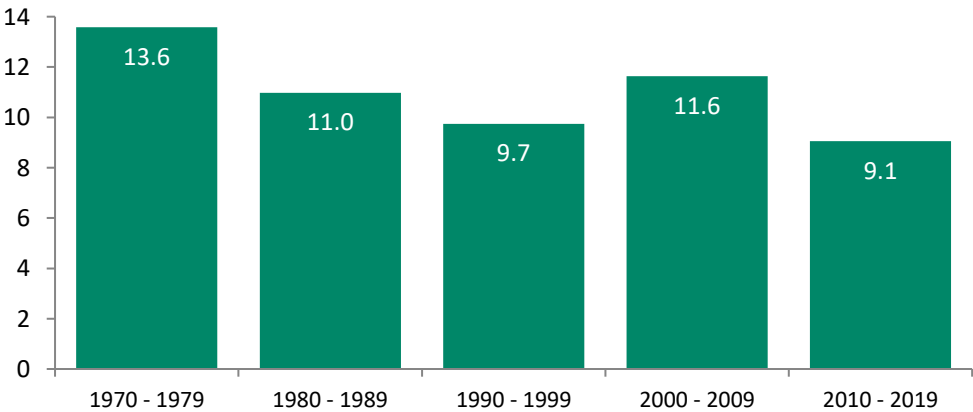
While new office development was significant from 2000 to 2009, downtown has also seen a growing amount of hotel and multifamily residential development since 2010. While development has accelerated, average development densities have tended to decrease. Potentially because the supply of vacant land is becoming constrained across the Central Area, development densities have reduced and are a concern for the next development cycle.

Central Area: Land Absorption by Use (acres)

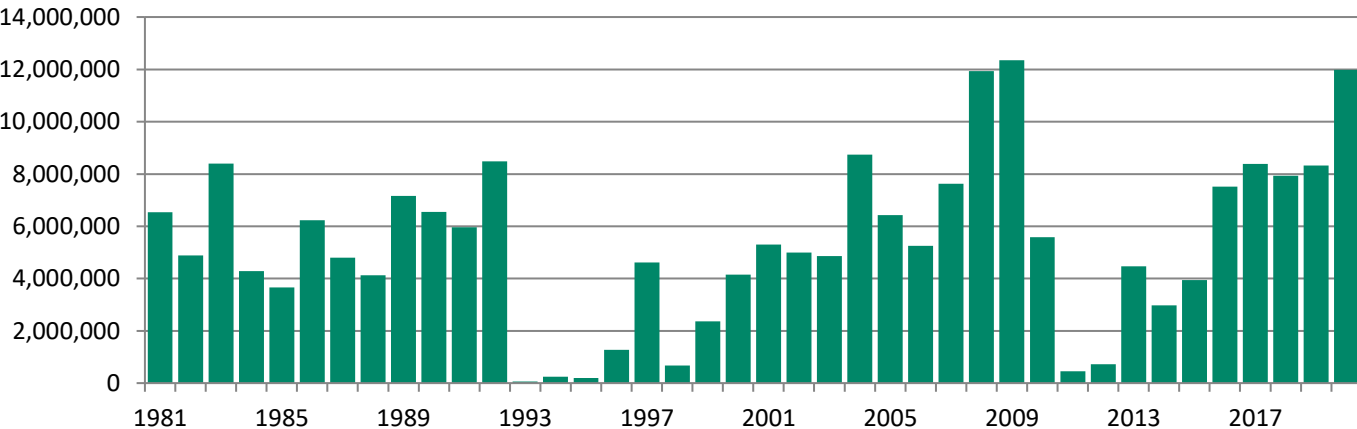


Analysis is present as of February, 2021 - any future absorption is a summation of projects that are under construction at time of this report

Average FAR by Decade



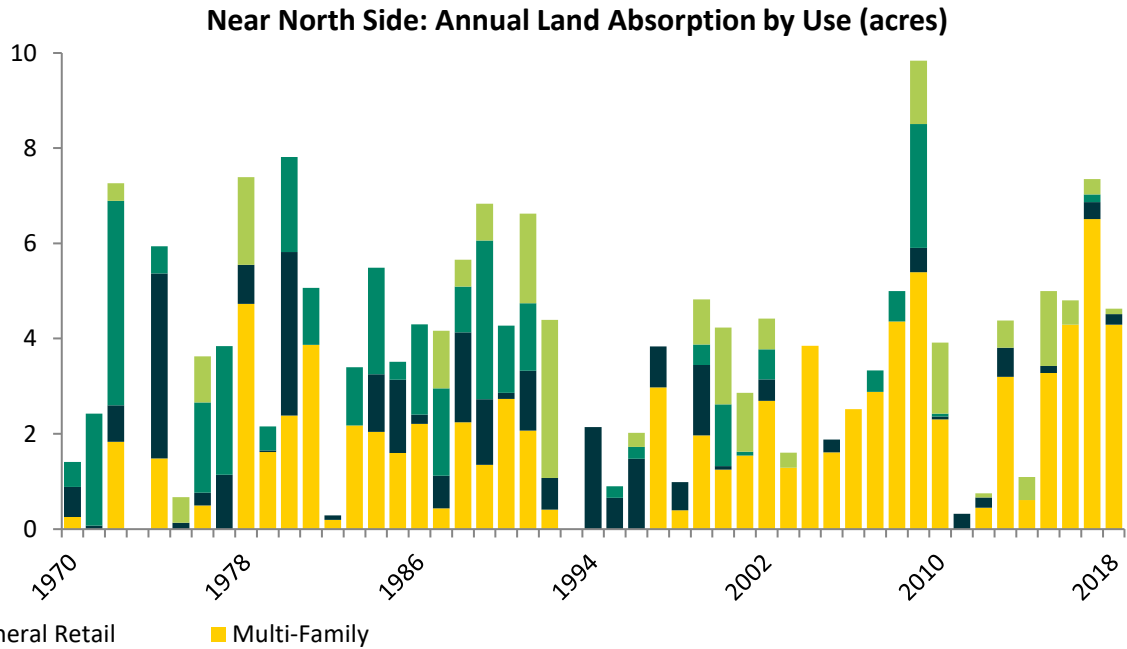
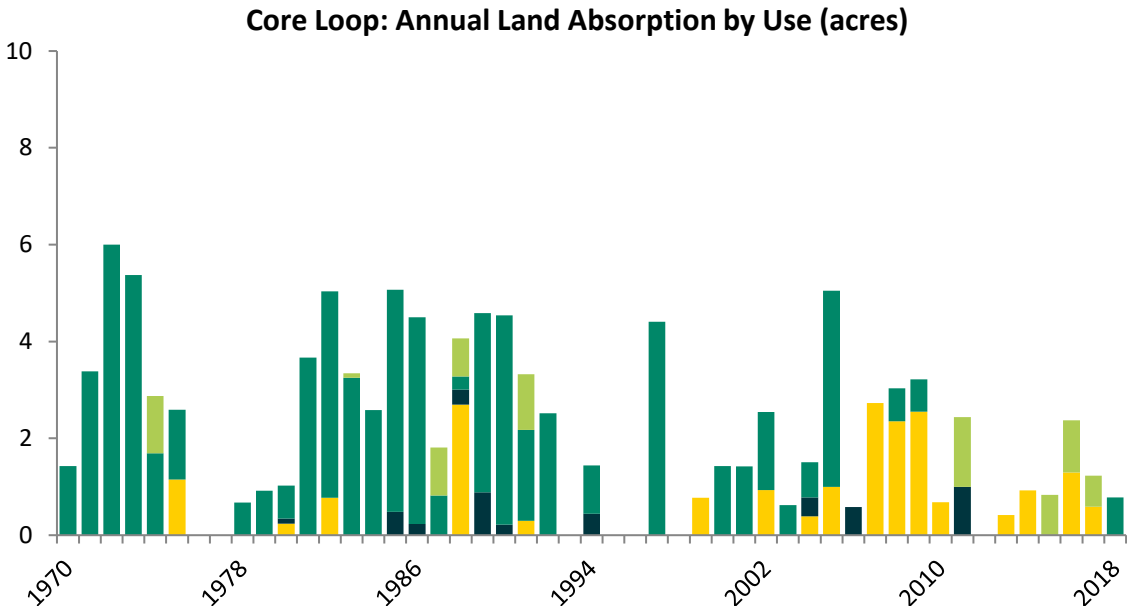
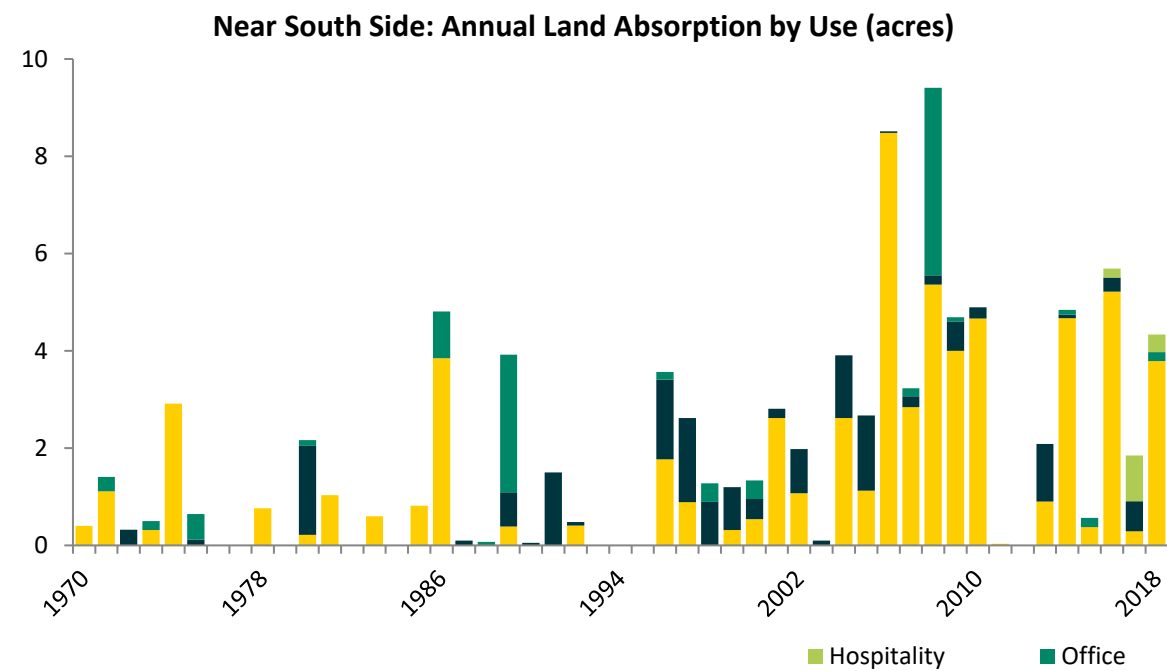
Central Area Building Rentable Inventory Growth, SF RBA



Market Forces & Comparable Corridors

Market Forces – Central Area Context

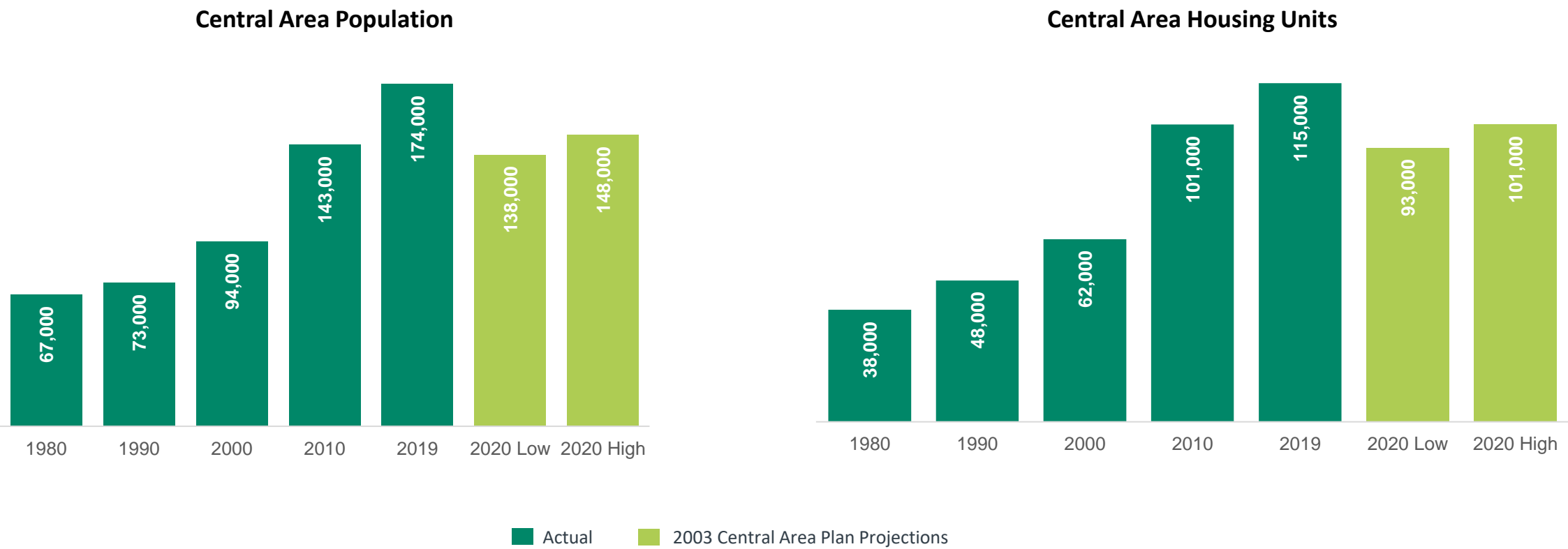
Throughout the Loop, land absorption was anchored by new office construction from 1970 to 1995. Since then, land absorption has been driven by multi-family development. In the next cycle, owners of older office buildings will need to confront a generally weaker market position, especially given the shift of new office development west of the Chicago River. While trends for the Near North Side point to a steady rate of hotel and multi-family development (particularly since 2002), this district also exhibits a concentration of older office buildings (pre-1994). Trends for the Near South Side speak to recent acceleration in land absorption for new development, with rapid growth in multi-family since 2002.



Market Forces & Comparable Corridors

Market Forces – Central Area Context

This strong multi-unit residential development in Chicago’s Central Area over the past few decades is further evidenced in Census Bureau data showing significant growth in both population and housing units within the area. As shown, population and housing growth has even outpaced projections made in the 2003 Central Area Plan.



Source: US Census Bureau

Market Forces & Comparable Corridors

Market Forces – Commuting Patterns

While downtown office markets are currently dealing with the pandemic-related shift toward remote and hybrid work, our analysis places this current trend in context with pre-COVID trends across top US metropolitan areas. The analysis shows that trends favoring work from home have been accelerating for more than 10 years, particularly in metro areas with limited legacy transit infrastructure (unlike Chicago). In these cities, extended commutes have encouraged a larger share of workers to work from home. Key insights include:

- Metros with larger legacy transit systems (Chicago, NYC, San Francisco, Philadelphia) had seen significantly slower growth in work-from-home policies pre-COVID.
- Dallas, Atlanta, and Charlotte possess limited transit infrastructure resulting in more trips by car and congestion, potentially contributing to higher rates of telecommuting.
- Chicago appears well positioned thanks to its legacy transit infrastructure and significantly lower costs of living compared to urban centers with similar transit assets (NYC, Boston, DC).

Relationship Between Transit Use and Cost of Living					
Metro Area	Transit Share 2016*	Change in telecommute share 2000-2016*	2016 drive share*	2020 Cost of Living**	Cost of Living Difference to Chicago**
NYC	79.7%	-1.0%	9.1%	284.4	116.4%
Chicago	55.9%	6.0%	33.4%	244.2	100.0%
Boston	53.5%	3.9%	35.6%	284.6	116.5%
San Francisco	52.2%	2.6%	32.2%	302.9	124.0%
D.C.	46.3%	6.6%	43.7%	268.7	110.0%
Philadelphia	45.5%	3.8%	40.2%	260.0	106.5%
Seattle	35.1%	5.4%	48.7%	283.4	116.0%
Minneapolis	24.8%	6.2%	64.8%	255.4	104.6%
Denver	22.4%	11.8%	66.3%	272.2	111.3%
Los Angeles	20.2%	6.4%	74.6%	279.6	114.5%
Houston	16.3%	10.2%	80.8%	230.4	94.3%
Atlanta	13.5%	11.3%	80.1%	249.1	102.0%
Cleveland	13.3%	14.3%	82.5%	224.4	91.9%
Miami	13.0%	12.4%	79.6%	273.8	112.1%
Phoenix	9.8%	4.0%	86.4%	145.7	59.6%
San Diego	9.6%	9.7%	80.1%	303.9	125.4%
St. Louis	8.1%	10.6%	87.8%	234.9	96.2%
Dallas	8.0%	11.4%	88.3%	239.5	98.1%
Detroit	4.9%	2.2%	90.7%	239.1	97.9%
Tampa	2.1%	11.5%	90.7%	233.8	97.0%

*2012-2016 American Community Survey, U.S. Census Bureau

**Bureau of Labor Statistics, 2020

Market Forces & Comparable Corridors

Market Forces – Office Proximity to Commuter Rail

Despite these trends toward remote and hybrid work, which have accelerated due to the pandemic, AECOM's analysis shows that there is still a premium on office space that is located in close proximity to commuter rail. The table on the right shows key office market metrics for the Loop overall compared to office buildings within walking distance of the three primary Metra stations. Key takeaways are summarized below:

- Office buildings near a Metra station tend to have lower-than-average vacancy rates, especially buildings within 0.25 miles.
- Office buildings near a Metra station tend to command higher rents per square foot, especially in the areas near Ogilvie and Union Stations.
- Office buildings near a Metra station tend to sell for a higher price per square foot, especially in areas near Ogilvie and Union Stations.

These trends bode well for the office inventory within the LaSalle Street Corridor, which is within walking distance of all three of these Metra Stations as well as all of the CTA rail lines that run through the Loop.

	Radius (miles)	# Office Buildings	Inventory SF	Vacancy Rate	Rent \$/SF	Sale \$/SF
Loop Total		199	96.7 Million	19.0%	\$40.78	\$311
Union Station	0.25	52	28.1 Million	17.3%	\$41.89	\$343
LaSalle Station	0.25	44	14.2 Million	17.6%	\$36.85	\$268
Ogilvie Station	0.25	50	25.4 Million	15.2%	\$45.58	\$380
Union Station	0.5	173	76.9 Million	19.9%	\$41.24	\$331
LaSalle Station	0.5	162	69.2 Million	20.5%	\$40.03	\$312
Ogilvie Station	0.5	209	84.7 Million	18.0%	\$41.94	\$340
Union Station	1	587	154.0 Million	17.7%	\$40.62	\$329
LaSalle Station	1	420	154.0 Million	18.0%	\$40.75	\$323
Ogilvie Station	1	738	171.0 Million	18.5%	\$40.36	\$326

Market Forces & Comparable Corridors

Market Forces – Pandemic Recovery

The previous Market Forces pages pertained to trends that began pre-pandemic. The following pages provide more specific insights into pandemic recovery trajectory on a month-by-month basis. Overarching trends include:

- The COVID-19 pandemic accelerated existing trends toward e-commerce and remote/hybrid work, two of the biggest threats to bricks-and-mortar office and retail markets nationwide.
- The COVID-19 pandemic also temporarily decimated the tourism industry and forced students towards online learning, both of which impacted a variety of establishments and real estate segments including hotels, retail stores, restaurants and bars, arts and cultural venues, tourist attractions, student and multifamily housing buildings, and others.
- Presently, establishments and real estate markets nationwide are now enjoying a remarkable rebound, as these types of spaces will remain a vital component of downtowns and business districts.
- In order to be successful in the years ahead, the LaSalle Street Corridor and Loop as a whole need to diversify their land use and activity mixes to include more permanent resident housing, transient tourist accommodations, and leisure/entertainment attractions.



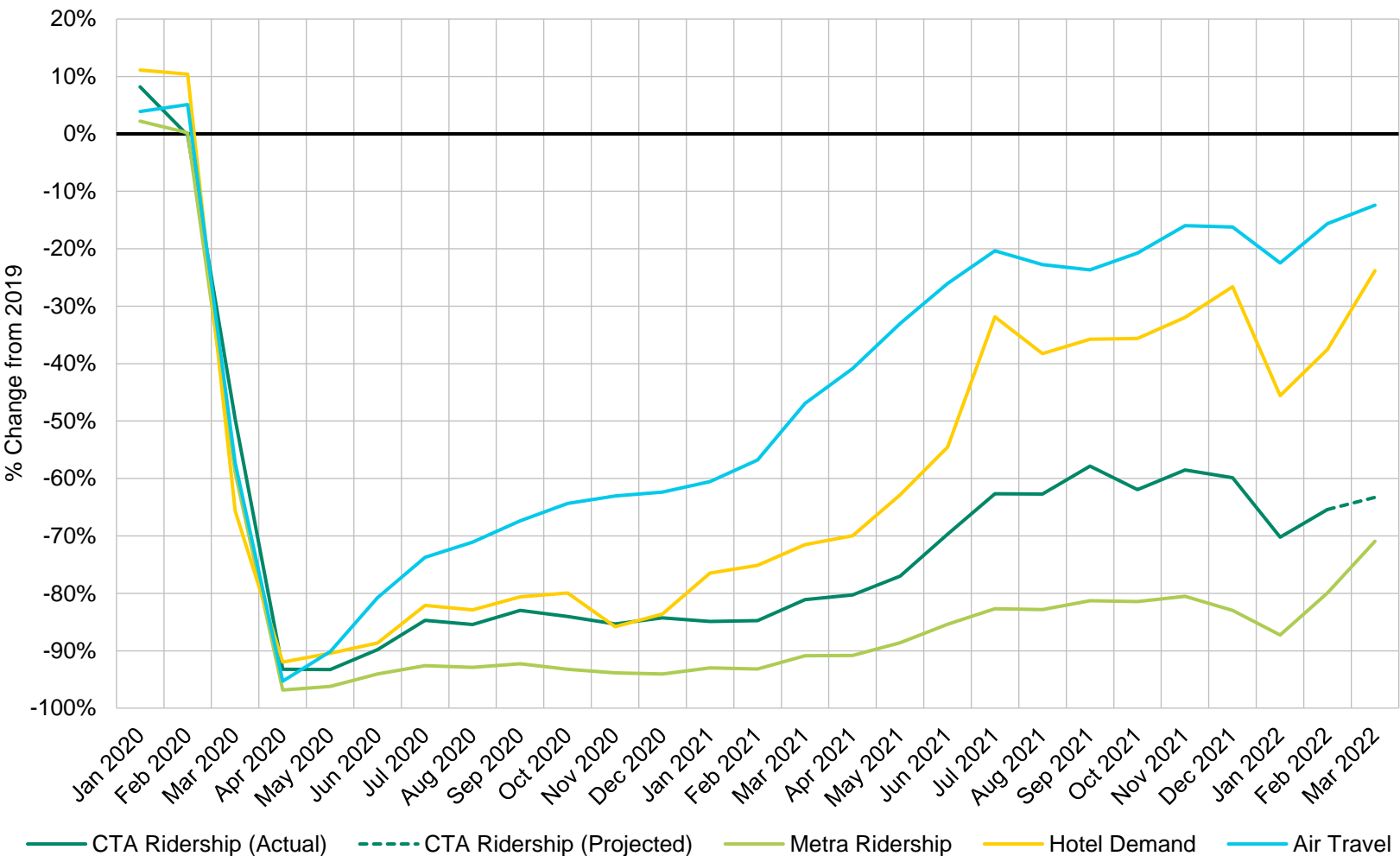
Market Forces & Comparable Corridors

Market Forces – Pandemic Recovery

This first dashboard provides a look at the pandemic recovery trajectory of several key indicators for the LaSalle Street Corridor by expressing them in terms of a percent change from their corresponding monthly levels in 2019.

- **CTA Ridership** represents the number of passenger boardings at all CTA train stations within the Loop – post-pandemic peak projected in September 2021 at **58% below 2019 levels**.
- **Metra Ridership** includes the number of passenger trips to and from the Loop – post-pandemic peak occurred in March 2022 at **71% below 2019 levels**.
- **Hotel Demand** includes the number of hotel rooms sold within Chicago’s Central Area – post-pandemic peak occurred in March 2022 at **24% below 2019 levels**.
- **Air Travel** represents the number of passengers on flights to and from O’Hare and Midway airports – post-pandemic peak occurred in March 2022 at **12% below 2019 levels**.

Pandemic Recovery Dashboard



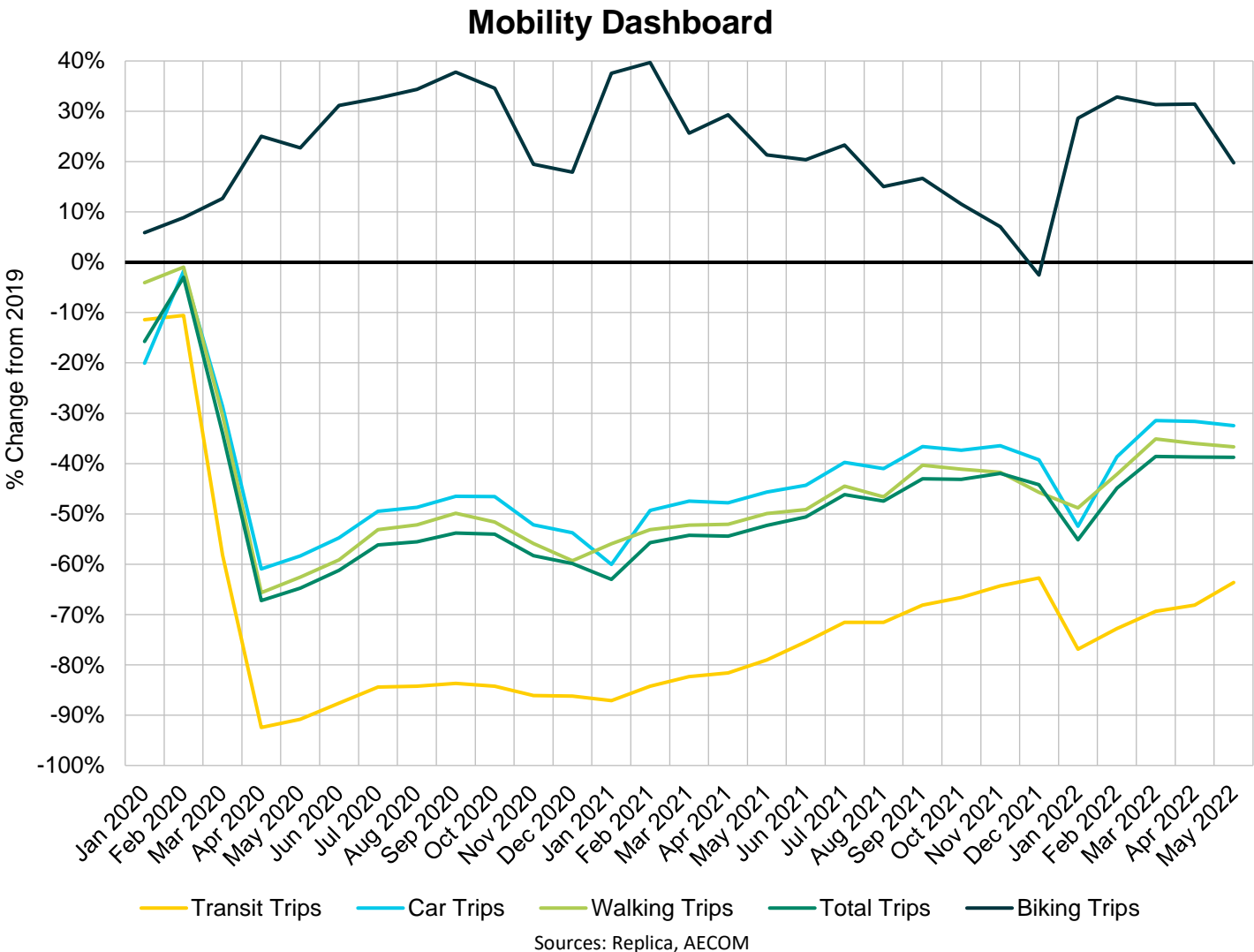
Sources: CTA, Metra, CoStar, Bureau of Transportation Statistics, Replica, AECOM

Market Forces & Comparable Corridors

Market Forces – Pandemic Recovery

This second dashboard provides a look at the pandemic recovery trajectory of several key mobility indicators by expressing them in terms of a percent change from their corresponding monthly levels in 2019. Each of these metrics represents the number of trips, by mode, originating within the census tract that contains the LaSalle Street Corridor. As shown, transit trips took the biggest hit as a result of the pandemic, while biking trips have actually increased.

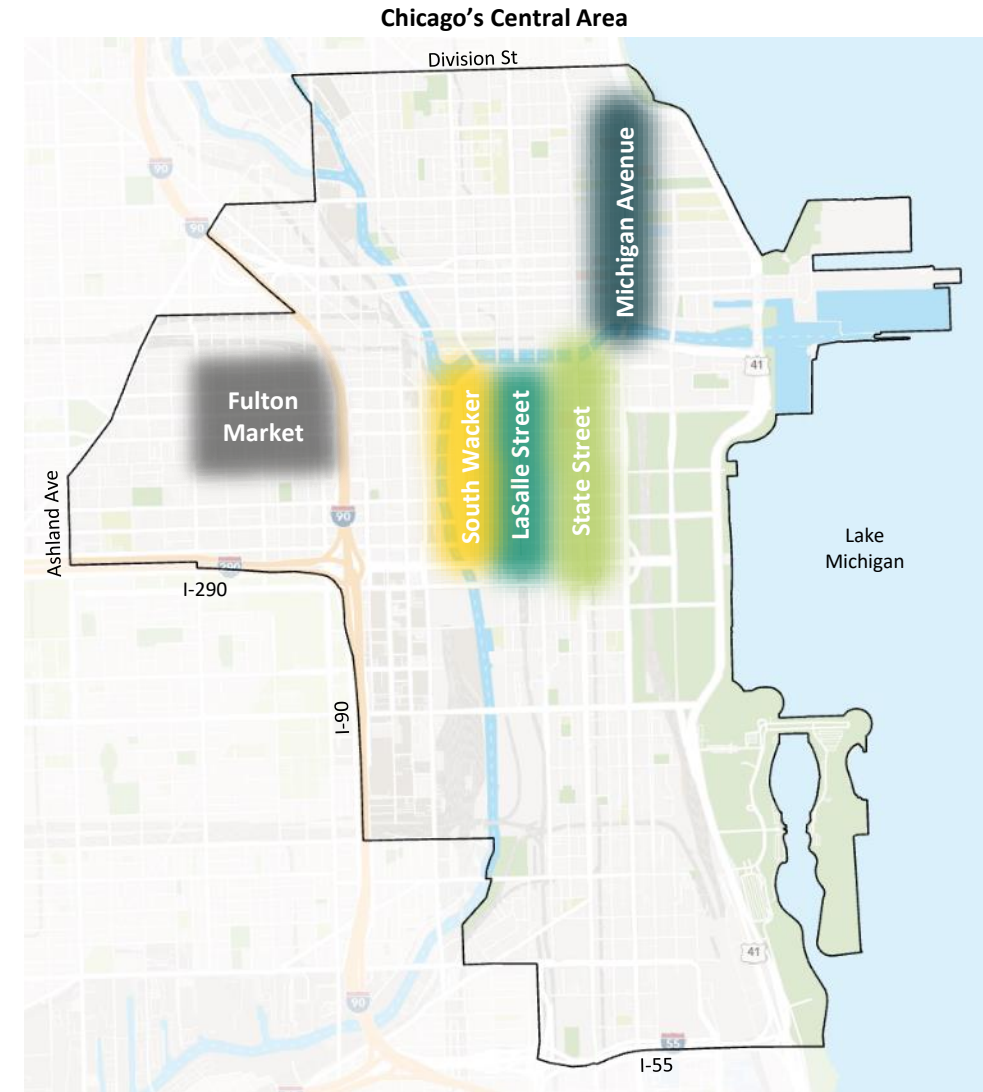
- **Transit Trips** – post-pandemic peaks occurred in December 2021 and May 2022 at 63% below 2019 levels.
- **Car Trips** – post-pandemic peak occurred in March 2022 at 32% below 2019 levels.
- **Walking Trips** – post-pandemic peak occurred in March 2022 at 35% below 2019 levels.
- **Biking Trips** – post-pandemic peak occurred in February 2021 at 40% above 2019 levels.
- **Total Trips** – post-pandemic peaks occurred in March, April, and May 2022 at 39% below 2019 levels.



Market Forces & Comparable Corridors

Comparable Corridors & Chicago's Central Area

- In order to explore more localized trends in the Chicago real estate market and better inform the forthcoming financial and economic feasibility analyses, AECOM conducted research on three comparable corridors in addition to LaSalle Street.
- The location of these four corridors is shown in the map on the right, in relation to Chicago's "Central Area".
- The "Central Area" has varying definitions throughout Chicago's planning, policy, and real estate communities, but it typically includes all or most of areas known colloquially as The Loop, West Loop/Fulton Market, River North/Magnificent Mile, and South Loop.
- For the purposes of this analysis, the City's zoning definition of the "Central Area" has been outlined in black on the right, roughly bounded by Division Street to the north, Ashland Avenue and I-90 to the west, I-290 and I-55 to the south, and Lake Michigan to the east.



Market Forces & Comparable Corridors

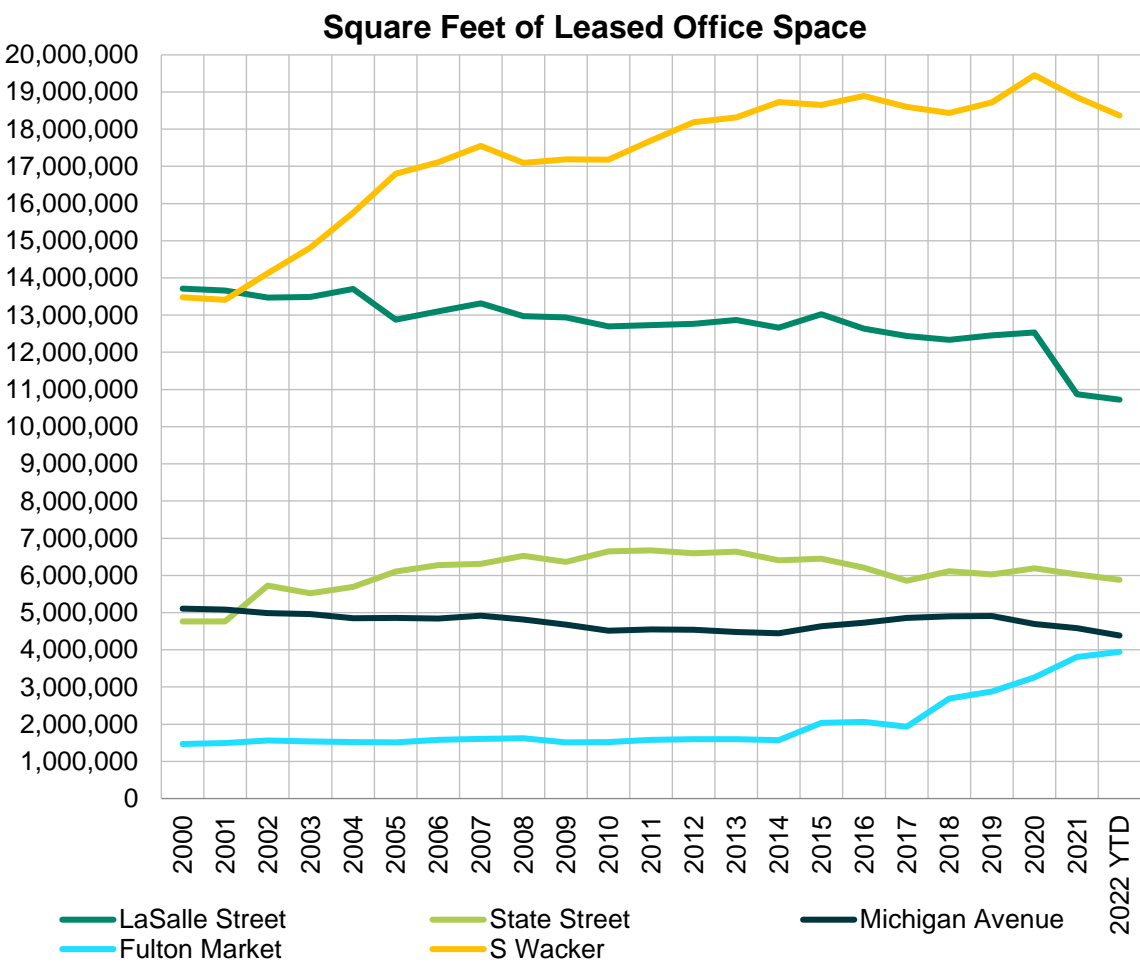
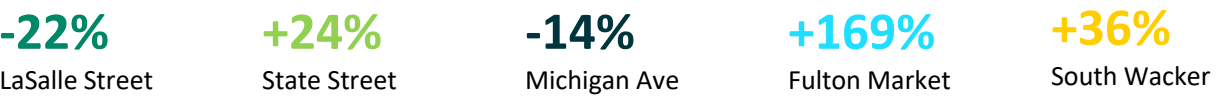
Comparable Corridors – Office Market

- The LaSalle Street Corridor currently has the highest office vacancy rate of the comparable corridor set.
- 26% of office space within the LaSalle Street Corridor is vacant (unleased) compared to 21% for State Street, 18% for South Wacker, 16% for Michigan Avenue, and 15% in Fulton Market.
- The chart on the right shows the total amount of leased office space in each of the comparable corridors since 2000.
- As shown, LaSalle Street contains the second largest inventory of office space.
- Since 2000, the amount of leased office space in the LaSalle Street Corridor has decreased by 22% - the worst performance of the comparable set.

Current Office Vacancy Rate



Square Feet of Leased Office Space 2000 – 2022



Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

Comparable Corridors – Office Market

- The LaSalle Street Corridor has the second highest office rent per square foot among the comparable set, at just over \$29 per square foot per year in 2021.
- The chart on the right depicts office rent per square foot for each of the comparable corridors since 2000.
- As shown, the LaSalle Street Corridor yielded the highest rents almost every year between 2000 and 2016, when the ascent of other office corridors caused rents to surpass LaSalle Street.
- Between 2000 and 2021, office rents within the LaSalle Street Corridor increased by 15% - on pace with Michigan Avenue’s 11% growth but less than the 28%, 35%, and 159% growth seen on State Street, South Wacker, and Fulton Market, respectively.

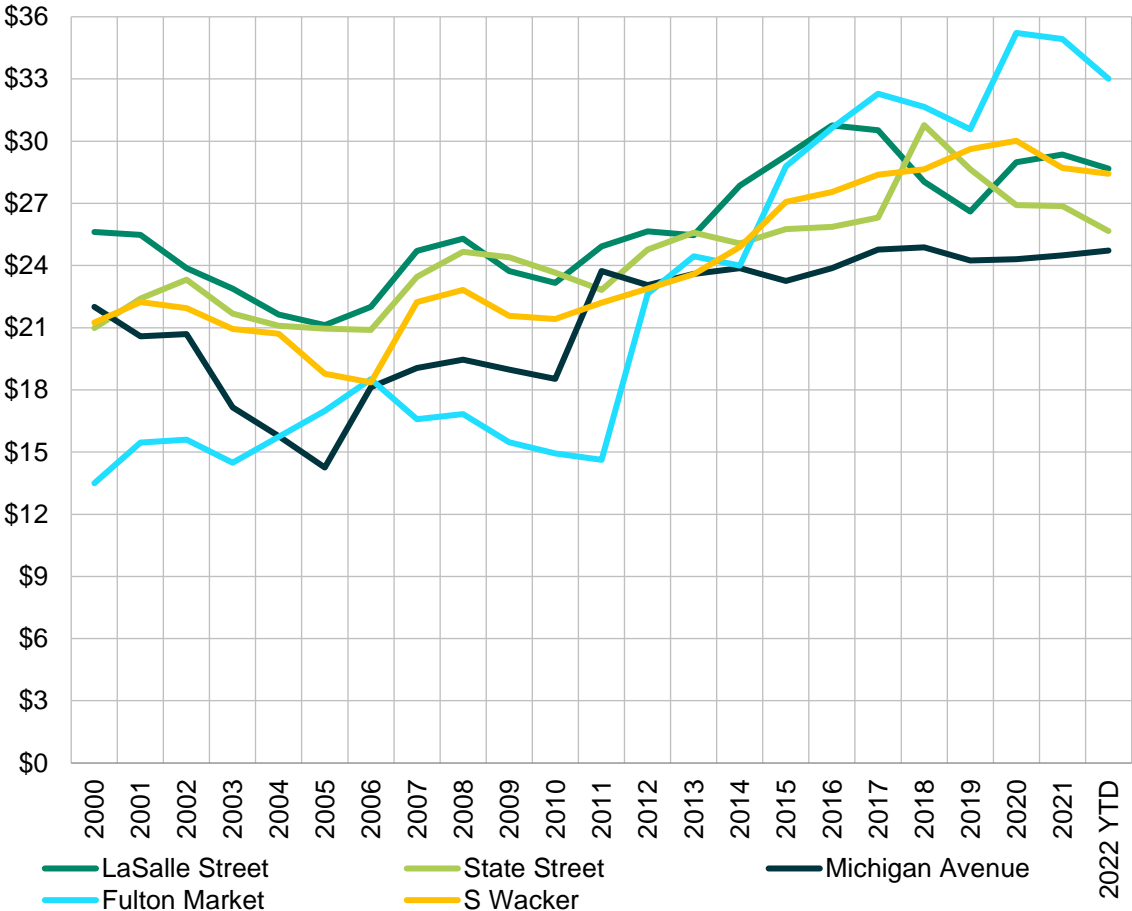
2021 Office Rent per Square Foot

\$29.36	\$26.87	\$24.72	\$33.02	\$28.42
LaSalle Street	State Street	Michigan Ave	Fulton Market	South Wacker

Office Rent per Square Foot 2000 – 2021

+15%	+28%	+11%	+159%	+35%
LaSalle Street	State Street	Michigan Ave	Fulton Market	South Wacker

Office Rent per Square Foot

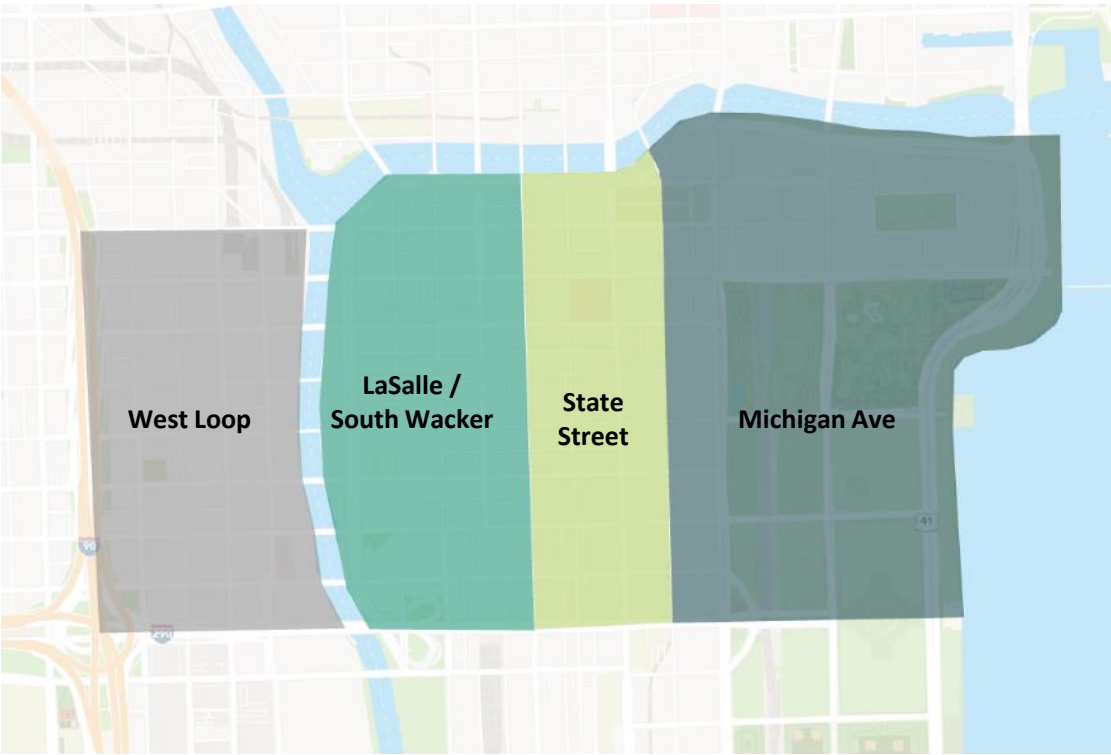


Source: CoStar, AECOM (March 2022)

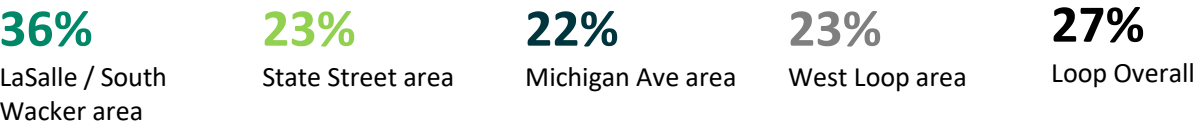
Market Forces & Comparable Corridors

Chicago Loop's Retail Market

- Stone Real Estate is a local real estate brokerage that conducts annual occupancy surveys for the retail space in the Loop – their geographic submarkets (shown in the map on the right) differ from the comparable corridors used in the rest of this analysis.
- As shown below, the LaSalle/South Wacker area had the highest retail vacancy rate of any of the other submarkets as of 2021, with a vacancy rate of 36% - significantly higher than that of the other submarkets which all came in around 22-23%.
- In total, there is about 152,000 square feet of retail space that fronts LaSalle Street within the LaSalle Street Corridor, of which 36% is vacant and an additional 31% is bank branch locations which are underutilized – the remainder is 51,000 square feet (about 1/3) of retail space in this area that is occupied and fully utilized.
- Stone Real Estate cites the LaSalle/South Wacker area's reliance on office worker density to support its retail operations, and due to the pandemic, these customers have not yet returned to their offices.



Current Retail Vacancy Rate



Source: Stone Real Estate, AECOM

Market Forces & Comparable Corridors

Chicago Central Area’s Retail Market

- Again, the comparable corridors are geographically too small to produce reliable retail rental rates per square foot from CoStar data.
- As shown, the Central Area has two main types of retail – Restaurants & Bars (including restaurants, fast food, and bars/clubs) and Traditional Retail (everything else).
- Restaurant & Bar retail has performed much better than Traditional Retail over the past couple of decades, with 126% growth in average rental rates compared to just 1% for Traditional Retail in Chicago’s Central Area.
- According to CoStar, since 2006, the amount of occupied Restaurant & Bar space in Chicago’s Central Area has increased by 9% compared to a decrease of 5% for occupied Traditional Retail space.

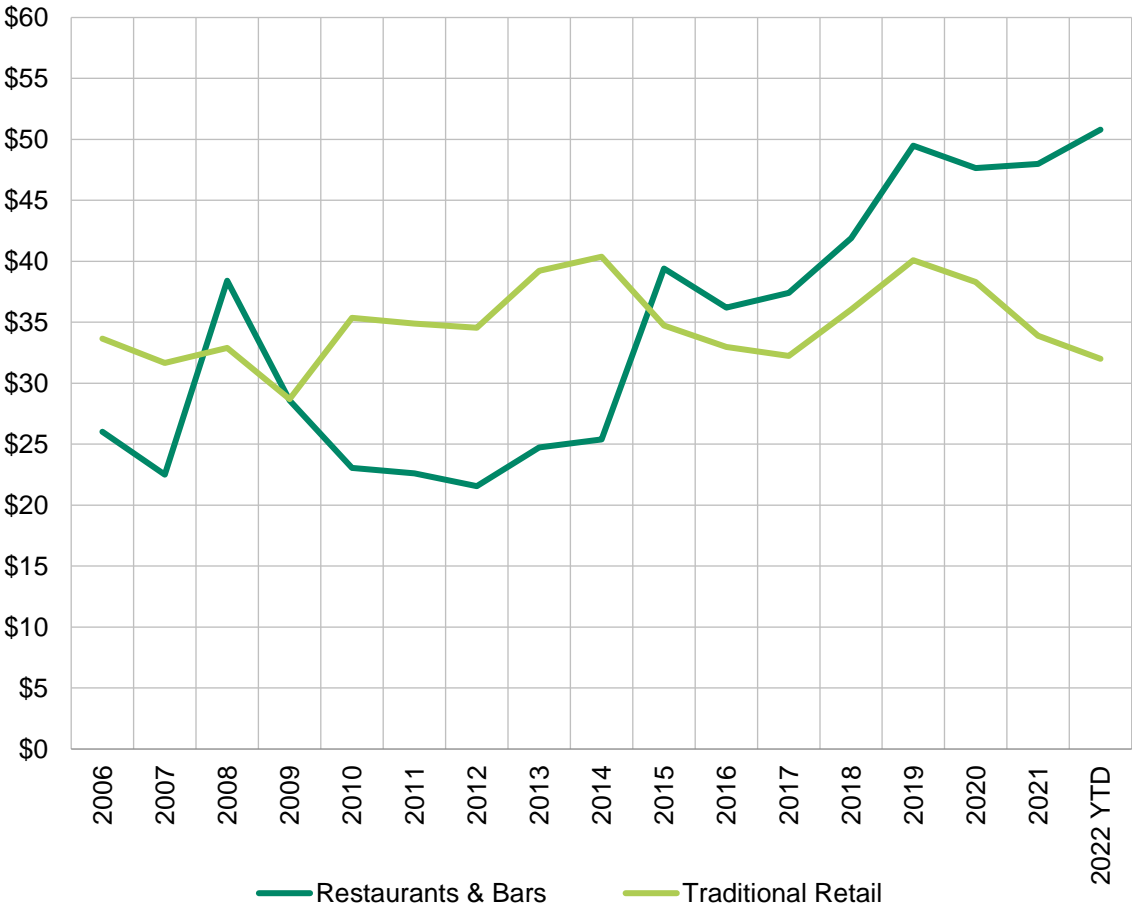
2021 Retail Rent per Square Foot

\$47.97	\$33.88
Restaurants & Bars	Traditional Retail

Retail Rent per Square Foot 2006 – 2021

+126%	+1%
Restaurants & Bars	Traditional Retail

Central Area Retail Rent per Square Foot by Type



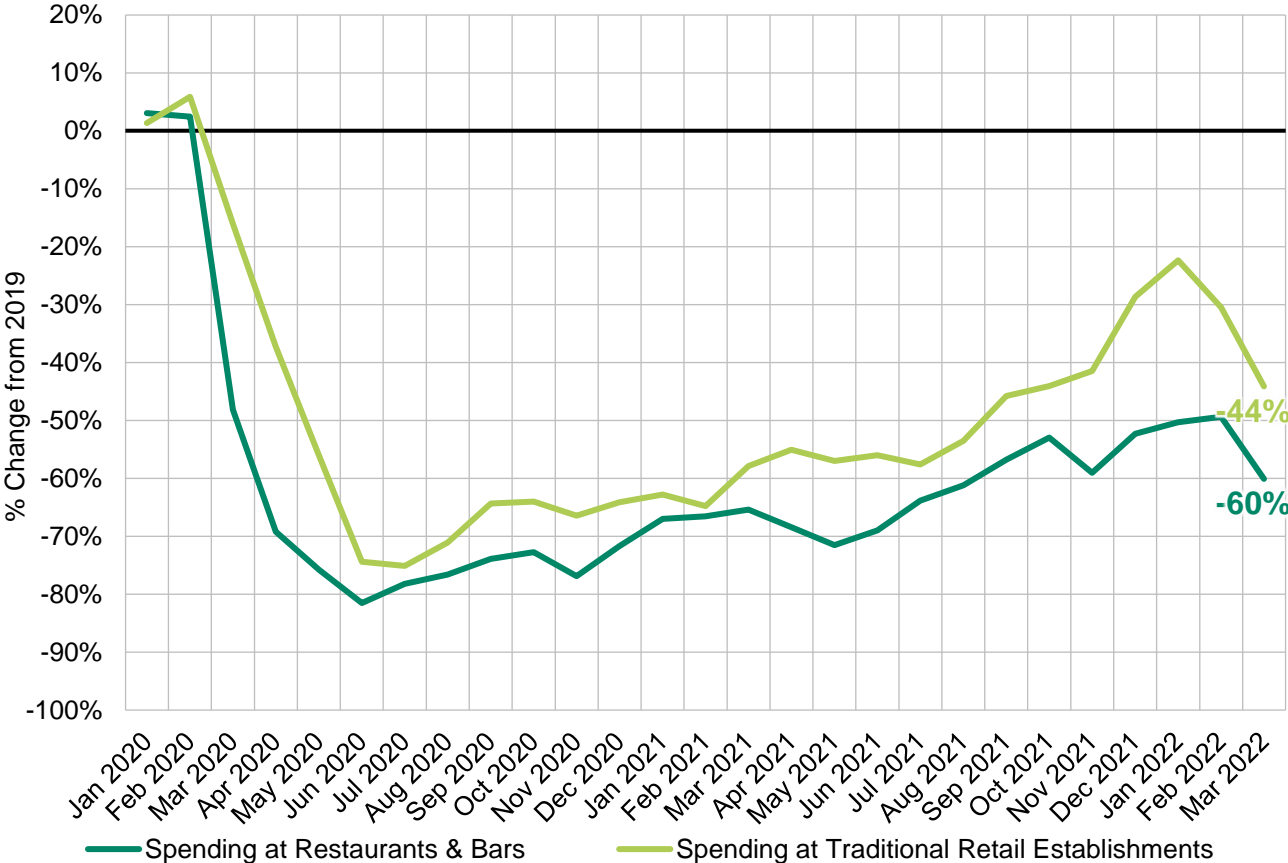
Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

Retail Market Pandemic Recovery

- The chart on the right shows spending metrics for the two main types of retail establishments within the census tract that contains the LaSalle Street Corridor from January 2020–March 2022.
- As shown, retail spending at establishments within and near the LaSalle Street Corridor was devastated during the pandemic, with many of the office workers that would typically spend money at these establishments working remotely instead of working from their offices.
- Traditional Retail establishments have fared slightly better than Restaurants & Bars, the latter are likely losing out on a great deal of spending on lunches and after-work happy hours from the workers who haven't been coming into the office as much as they did pre-pandemic.
- These metrics can be expected to continue to recover as workers continue to transition from being fully remote to hybrid working arrangements, but office worker density will never return to pre-pandemic levels.
- This further emphasizes the need for increased residential density and tourism activity to support retail establishments in the LaSalle Street Corridor.

Retail Spending Pandemic Recovery



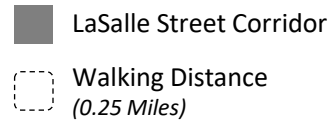
Data includes spending at retail establishments within the census tract that contains the LaSalle Street Corridor
Data is modeled based on mobile location data and financial transaction data

Source: Replica, AECOM

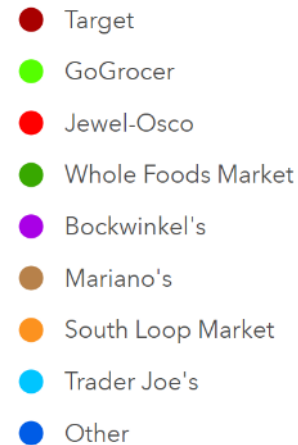
Market Forces & Comparable Corridors

Retail Market – Grocery Stores

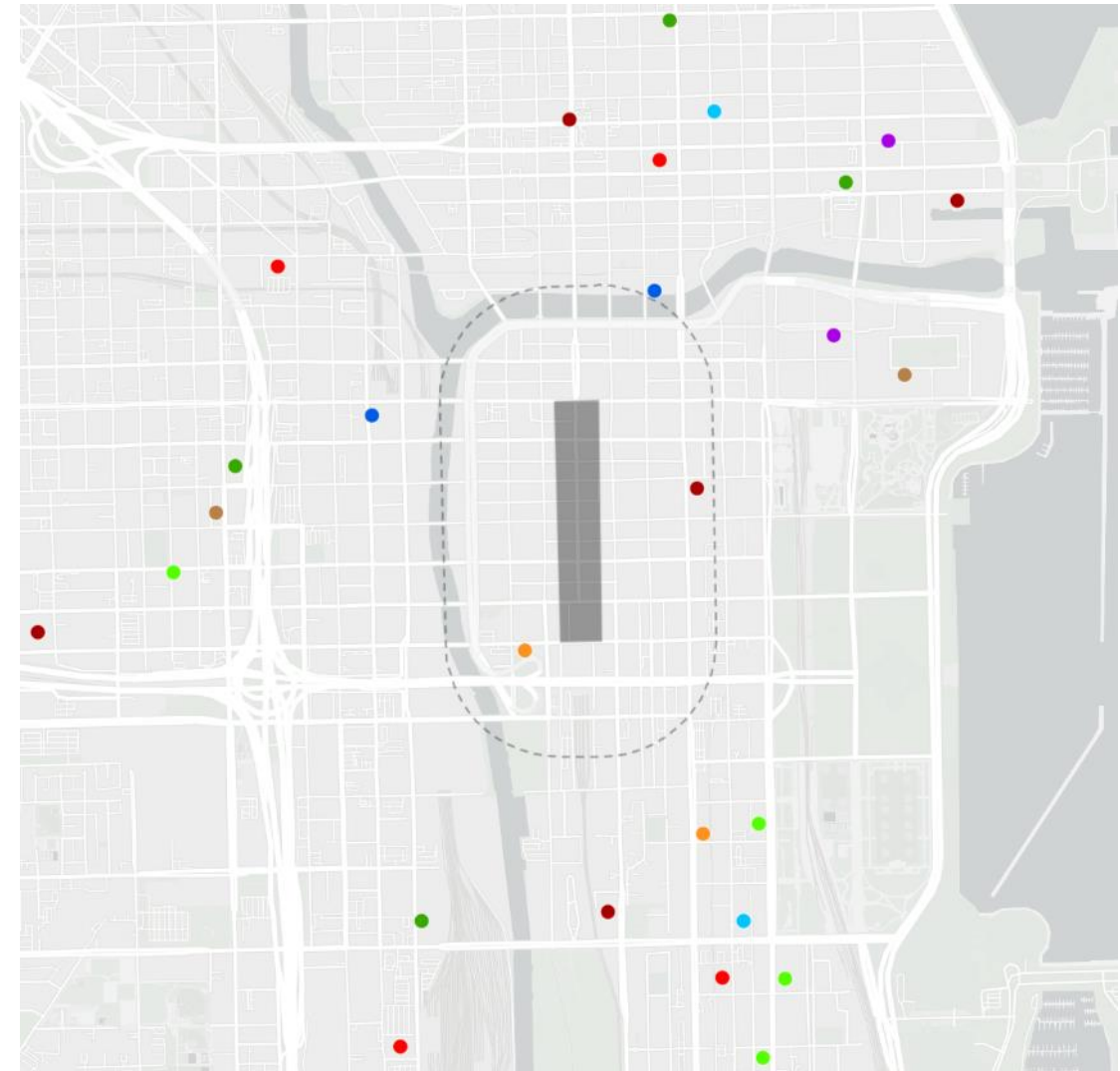
- The map on the right shows the location of grocery stores relative to the LaSalle Street Corridor.
- As shown, there are a variety of offerings throughout the Central Area, but just two within walking distance of the LaSalle Street Corridor – the Target on State Street and the South Loop Market on West Van Buren.
- The Target offers a full-service supermarket with groceries and many other household goods, while the South Loop Market is a smaller-format grocery store with essentials only.
- Grocery stores and residential development tend to be a “chicken and egg” situation – housing isn’t attractive without grocery stores access, but grocery stores won’t survive without sufficient residential density nearby.



Grocery Stores



Source: AECOM



Market Forces & Comparable Corridors

Comparable Corridors – Multi-Family Residential Market

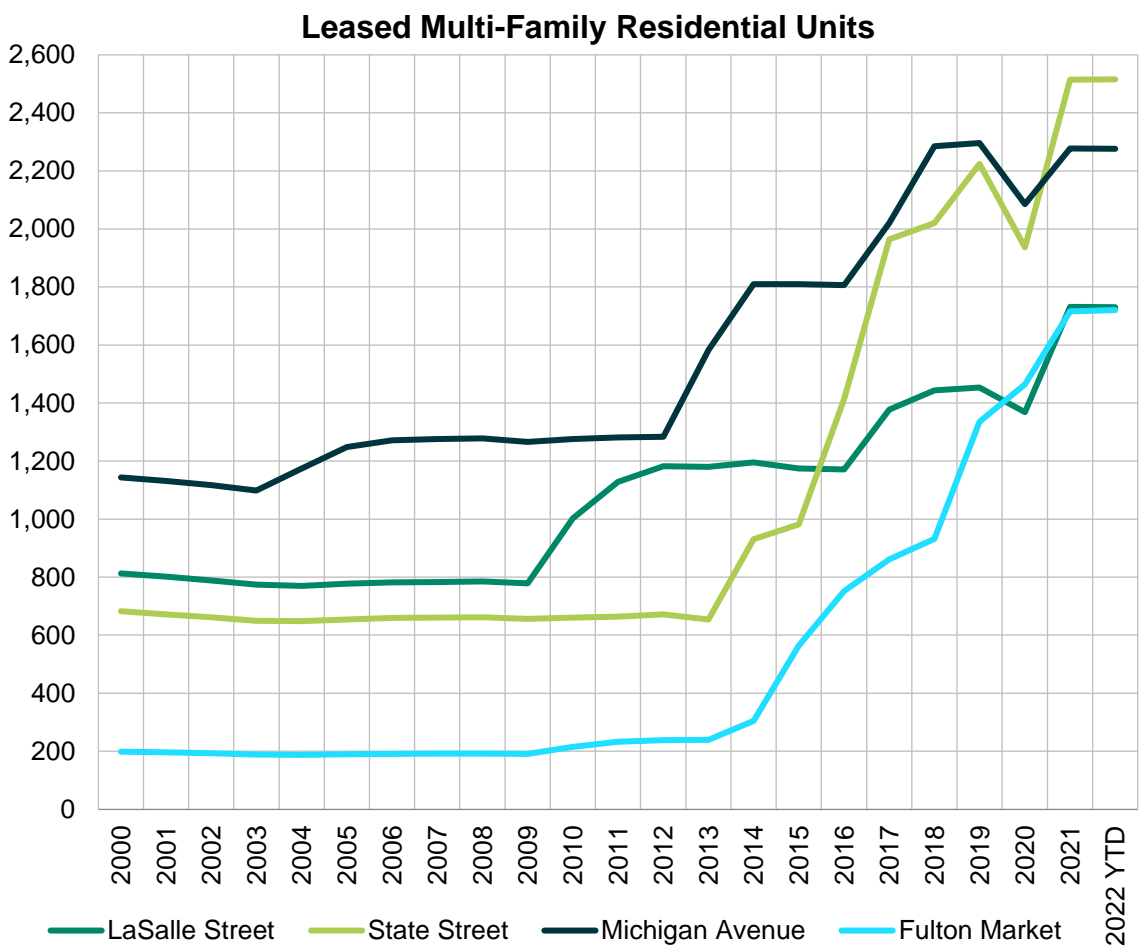
- The LaSalle Street Corridor has the highest multi-family residential vacancy of the comparable set at 7.3%, but by an insignificant margin. All comparable corridors are deemed to have a healthy vacancy rate.
- The explosion of multi-family residential development within the last decade in Chicago’s Central Area is shown in the chart on the right, with rapid growth occurring in all 4 comparable corridors.
- The volume of leased multi-family residential units has increased by 113% within the LaSalle Street Corridor since 2000, slightly stronger than the 99% growth near Michigan Avenue, but well short of the 268% increase near State Street and the 764% increase in Fulton Market.
- During this same timeframe, the Chicago Metro Area’s inventory increased by just 20%.

Current Multi-Family Residential Vacancy Rate

7.3%	5.8%	6.7%	6.4%	5.4%
LaSalle Street	State Street	Michigan Ave	Fulton Market	Chicago Metro

Leased Multi-Family Residential Units 2000 – 2022

+113%	+268%	+99%	+764%	+20%
LaSalle Street	State Street	Michigan Ave	Fulton Market	Chicago Metro



Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

Comparable Corridors – Multi-Family Residential Market

- At \$2.91 per square foot per month, the LaSalle Street Corridor’s multi-family residential rents per square foot were considerably lower than the other 3 comparable corridors - \$3.22 near State Street, \$3.46 near Michigan Avenue, and \$3.65 in Fulton Market.
- Since 2000, multi-family residential rents within the LaSalle Street Corridor have essentially kept pace with those of State Street, Michigan Ave, and the Chicago Metro Area overall (all between 53% and 55% growth), while Fulton Market experienced a greater increase of 74%.
- The multi-family rental rates within the 4 comparable corridors are about 50-100% higher than that of the Chicago Metro Area overall, signifying the strength of the downtown multi-family market and high demand for housing in the area.

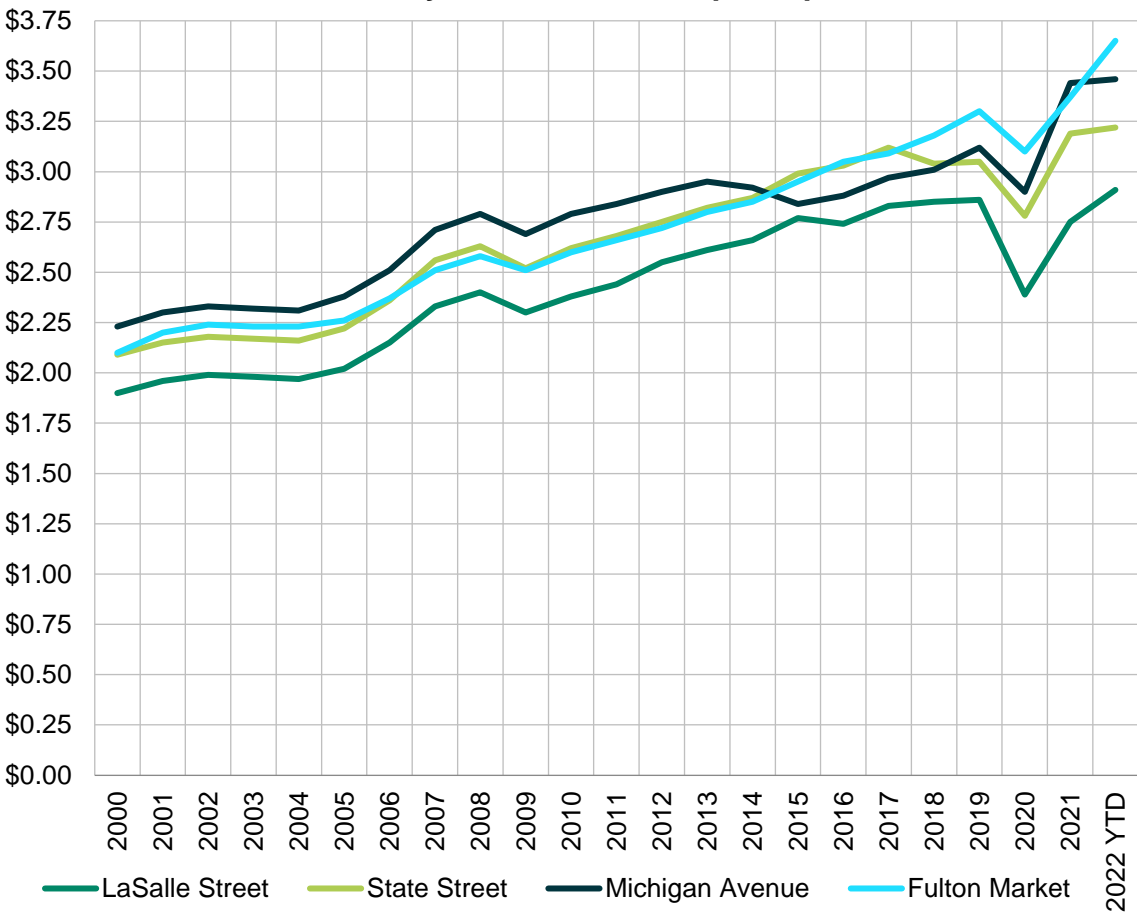
Current Multi-Family Residential Rent per Square Foot

\$2.91	\$3.22	\$3.46	\$3.65	\$1.88
LaSalle Street	State Street	Michigan Ave	Fulton Market	Chicago Metro

Multi-Family Residential Rent per Square Foot 2000 – 2022

+53%	+54%	+55%	+74%	+55%
LaSalle Street	State Street	Michigan Ave	Fulton Market	Chicago Metro

Multi-Family Residential Rent per Square Foot



Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

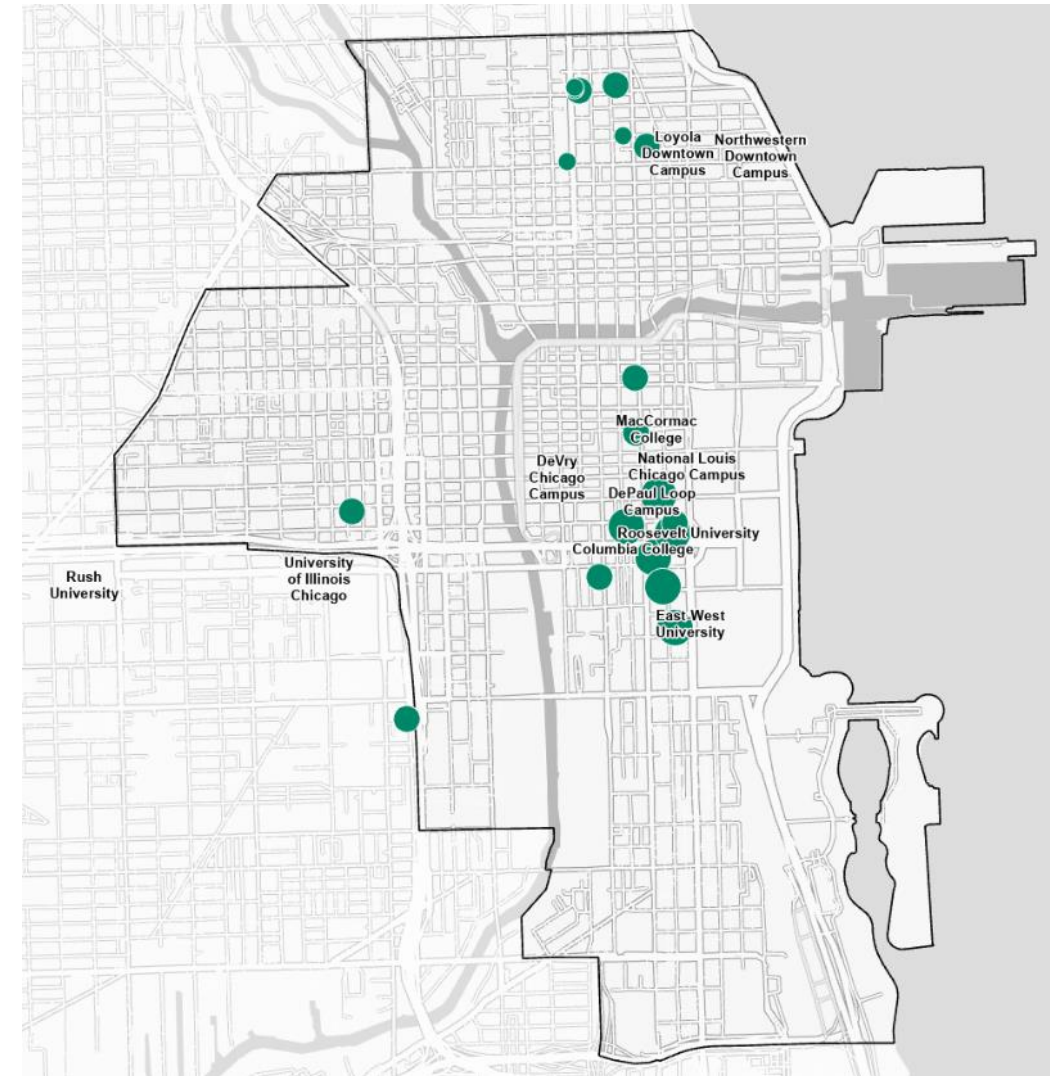
Student Housing & Higher Education

- The map on the right shows the inventory of student housing properties in Chicago's Central Area, in relation to the various higher education institutions that have primary or branch campuses in the area.
- Student housing includes housing that is owned by higher education institutions or housing that is privately owned, marketed toward students, and rented on a per bed (rather than a per unit) basis.
- As shown, student housing inventory is heavily concentrated around these higher education institutions – not surprising given that students who attend in-person classes multiple times per week would want to live very close to the location in which those classes occur.
- According to data from the 2019 American Community Survey, there are approximately 21,894 individuals that reside within Chicago's Central Area that report that they were currently enrolled in either undergraduate studies (10,065 individuals) or graduate/professional school (11,829 individuals).
- Subsequent slides will analyze the student housing market throughout Chicago's Central Area.

Student Housing

Student Housing Properties (sized by number of units) ●

Chicago's Central Area □

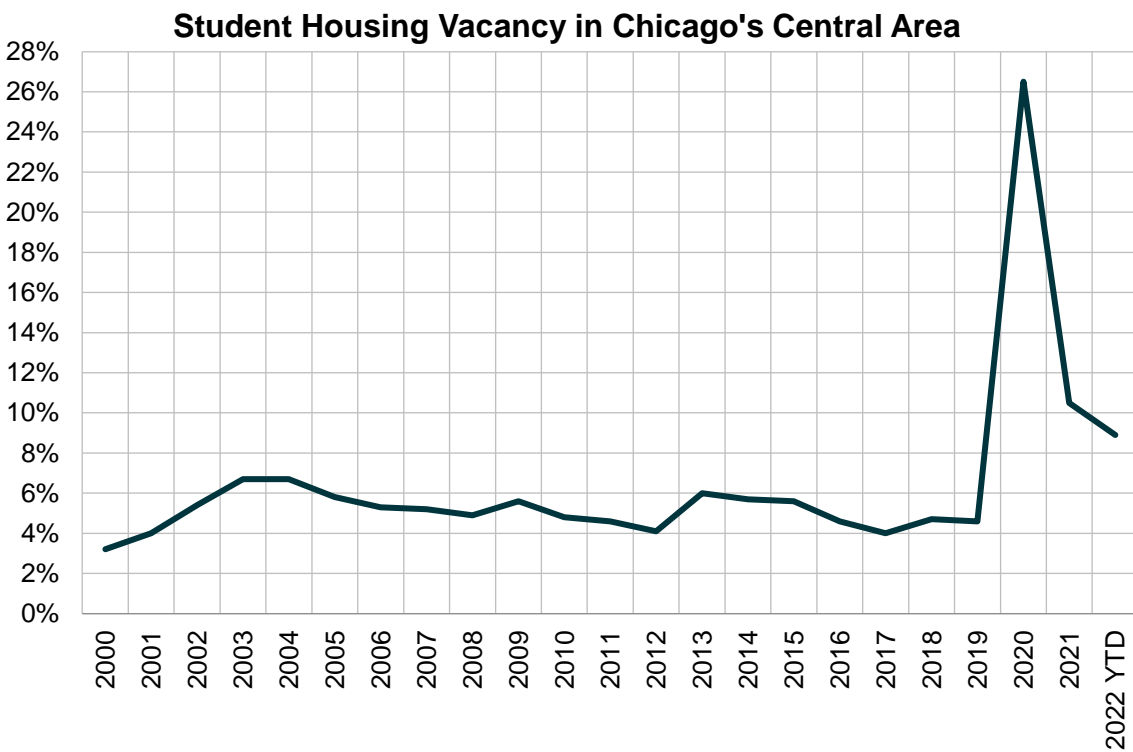
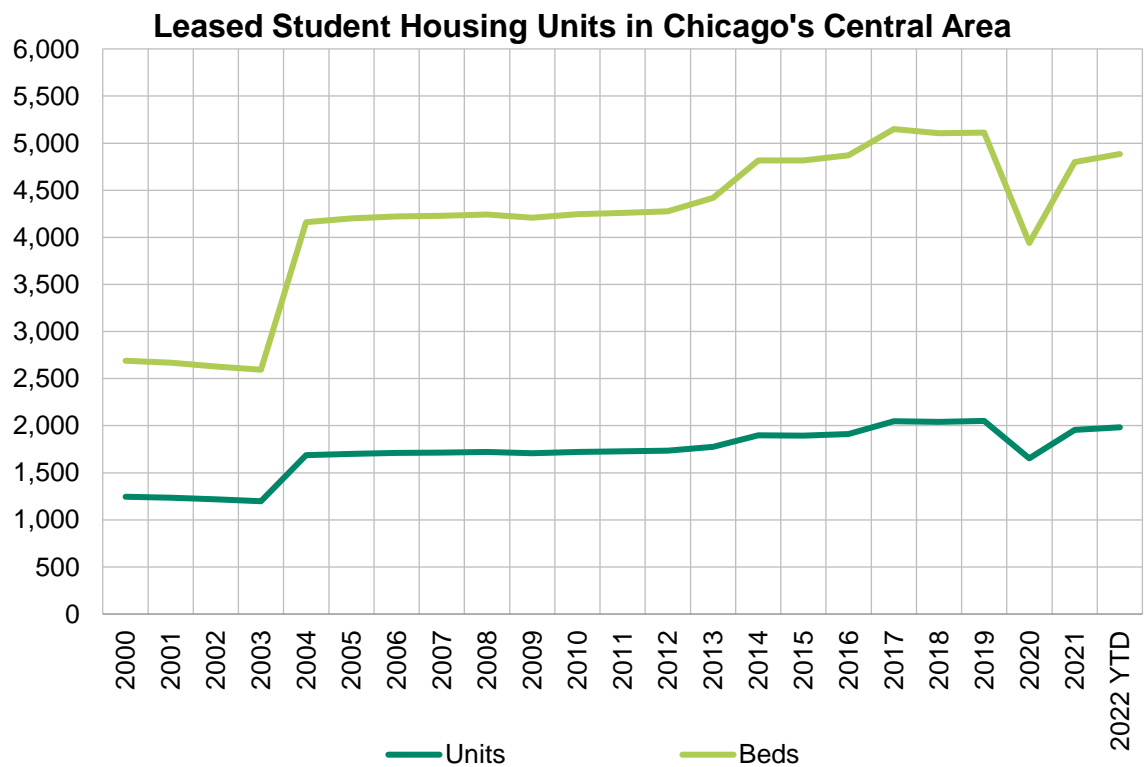


Market Forces & Comparable Corridors

Source: CoStar, AECOM

Student Housing Market

- As shown in the bottom left, the number of leased student housing units and beds has increased significantly since 2000 – a 59% increase in leased units and an 82% increase in leased beds.
- As shown in the bottom right, the COVID-19 pandemic caused a large spike in the student housing vacancy rate in the area, which peaked at 26.5% in 2020 but has since rebounded to 8.9% - still slightly above the 2019 vacancy of 4.6%.



Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

Student Housing Market

- The current student housing rental rates in Chicago’s Central Area are \$3.99 per square foot, \$3,754 per unit, and \$1,169 per bed, on average.
- It should be noted that the rental rates for student housing are significantly higher than regular multi-family housing on a per square foot basis, largely due to their smaller average unit size, making them an attractive option for developers looking to maximize revenue potential.
- These student housing rental rates have increased by 39% since 2000.
- In total, there are 5,376 beds and 2,167 units designated as student housing in Chicago’s Central Area- these numbers are far lower than the census-estimated 21,894 individuals residing within the Central Area that are enrolled in higher education programs, although it is unknown how many are online vs. in-person.

Current Student Housing Rent per Square Foot

\$3.99

Per Square Foot

\$3,754

Per Unit

\$1,169

Per Bed

+39%

Rent Growth Since 2000

Student Housing Market in Chicago’s Central Area

5,376

Total Beds

2,167

Total Units

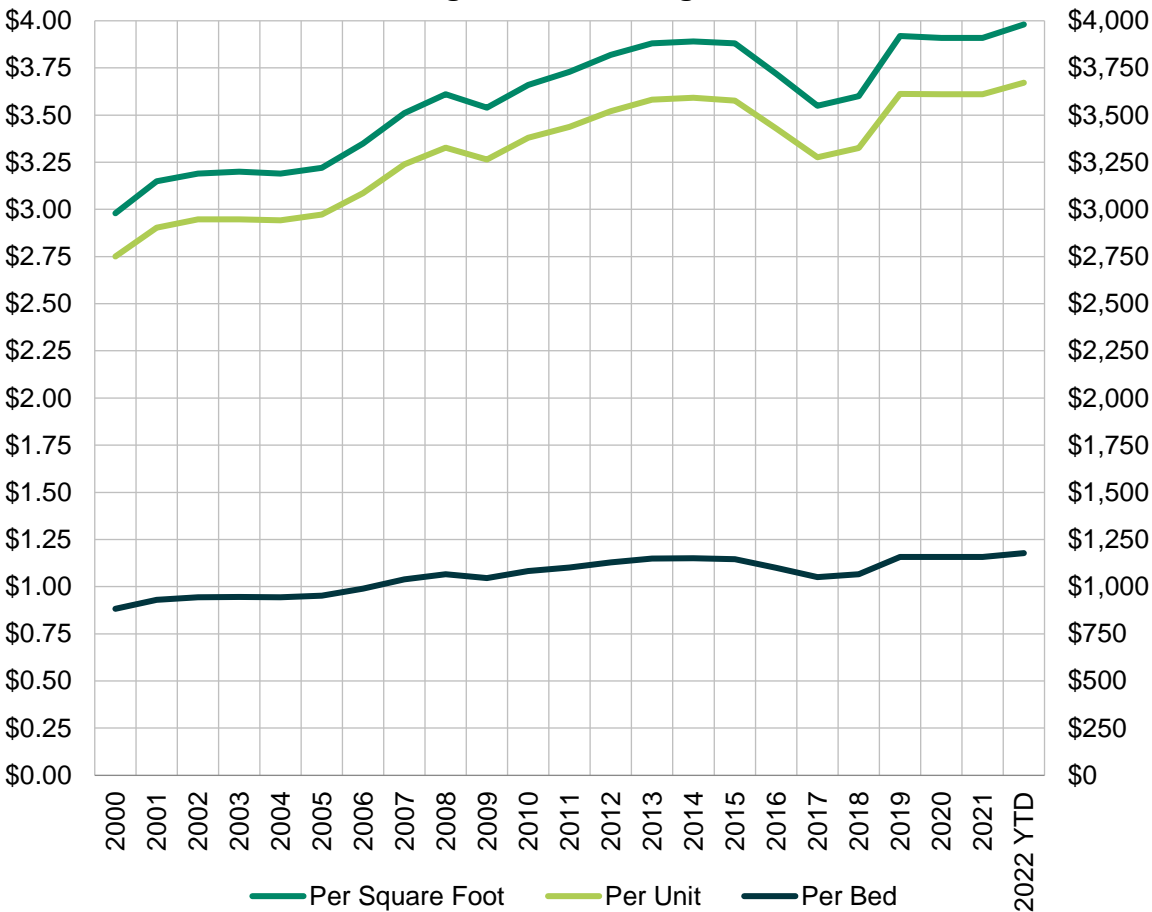
8.9%

Vacancy Rate

+94%

Inventory Growth Since 2000

Student Housing Rent in Chicago’s Central Area



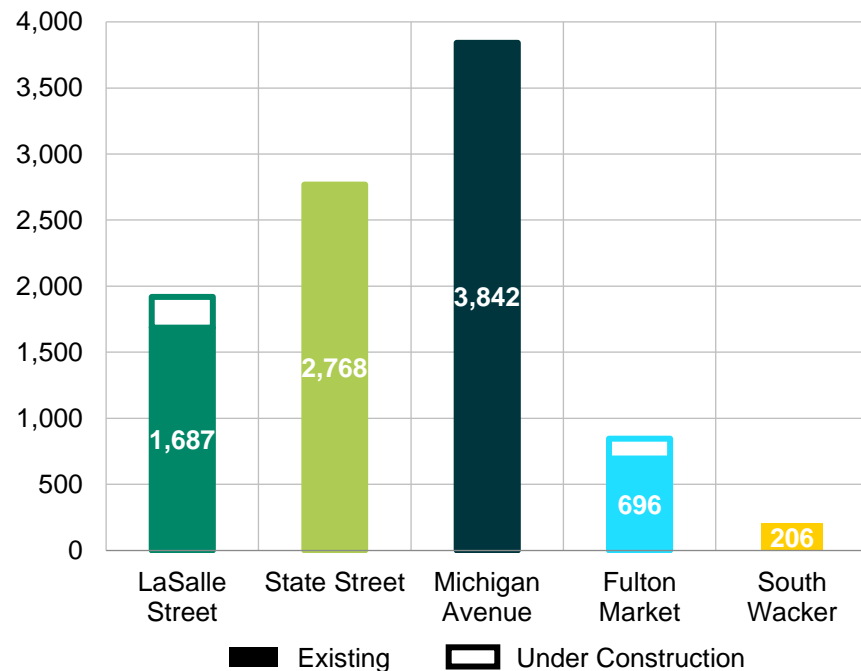
Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

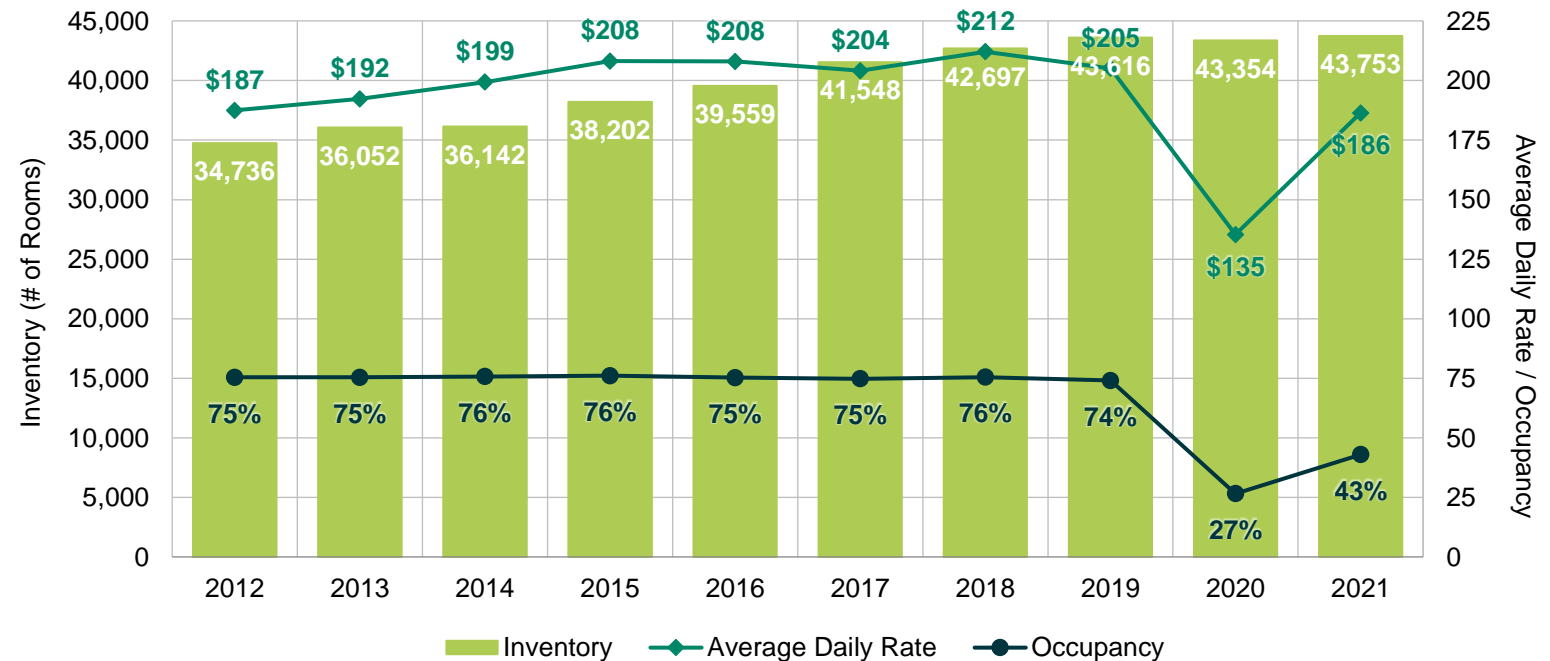
Hotel Market

- As shown on the bottom left, the LaSalle Street Corridor falls in the middle of the pack among the other comparable corridors in terms of hotel inventory, with 1,687 existing rooms and an additional 232 under construction
- The chart on the bottom right shows the performance of the hotel market throughout Chicago's Central Area over the past several years, showing very healthy occupancy rates and average daily rates up until the COVID-19 pandemic which resulted in occupancies of 27% and 43% in 2020 and 2021, respectively
- The total inventory of hotel rooms within the Central Area has grown by 26% since 2012, indicating a strong outlook pre-pandemic

Comparable Corridor Hotel Room Inventory



Chicago Central Area Hotel Market Statistics

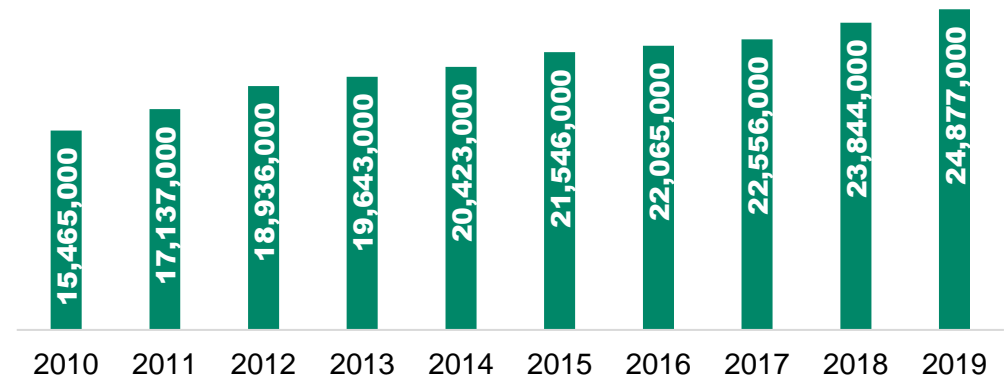


Source: CoStar, AECOM (March 2022)

Market Forces & Comparable Corridors

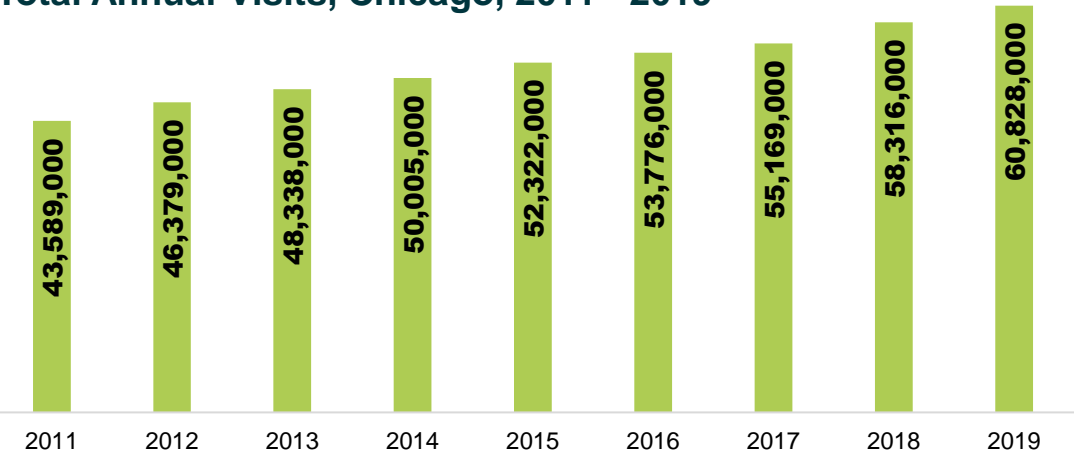
Hotel & Tourism Industry – Pre-Pandemic

Total Overnight Leisure Visitation



Source: Choose Chicago.

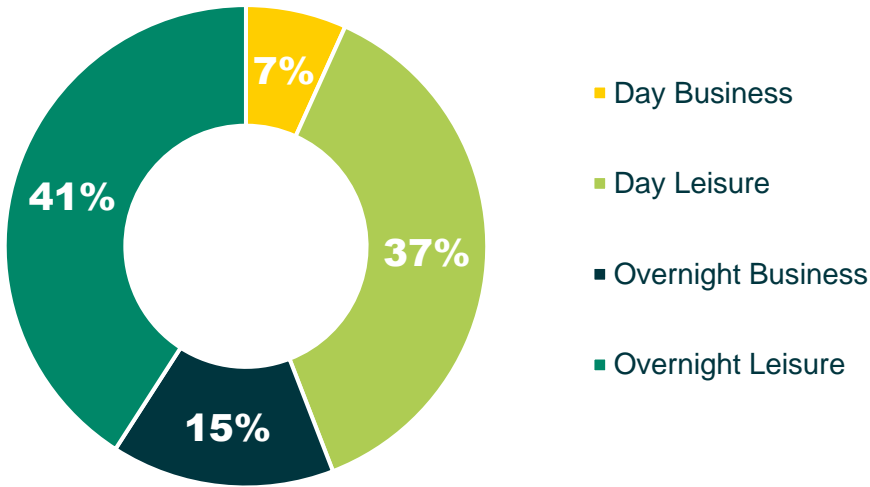
Total Annual Visits, Chicago, 2011 - 2019



Source: Choose Chicago.

- **98%** of Chicago’s tourism is comprised of domestic travel.
- **2%** of tourists are international visitors
- **56%** of the visitors stay overnight.
- **78%** of Chicago’s visitors are traveling for leisure and just under a quarter of all Chicago tourism is business related.

Visitor Break Down (2019)

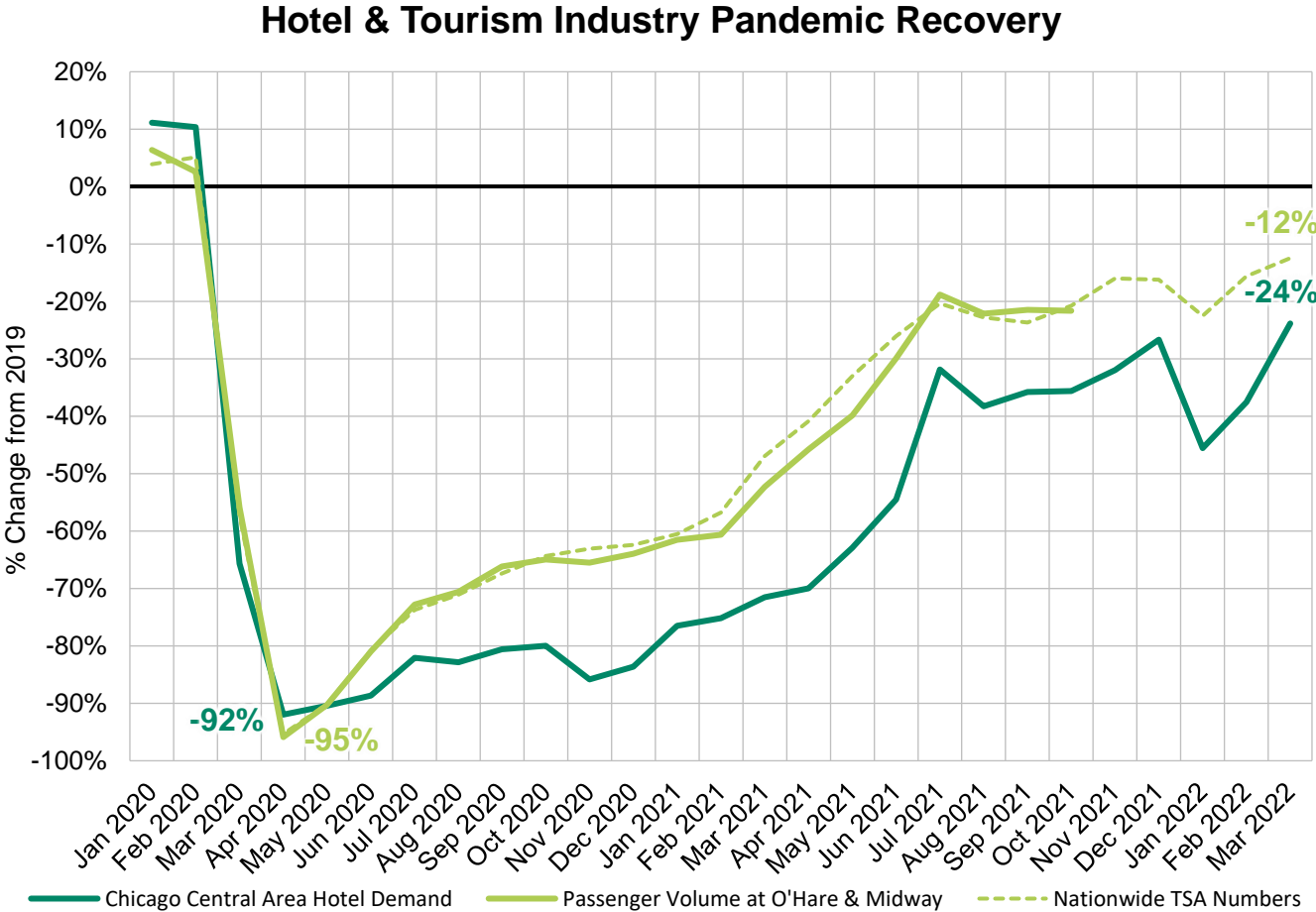


Source: CoStar, AECOM
Page 44

Market Forces & Comparable Corridors

Hotel & Tourism Industry – Pandemic Recovery

- The chart on the right takes a more detailed look at the pandemic recovery trajectory on a month-by-month basis
- As shown, hotel room demand in Chicago’s Central Area (number of rooms sold) plummeted to a trough of 92% below 2019 levels in April of 2020, before recovering to 24% below 2019 levels as of March 2022
- Another interesting metric is airport passenger volume, represented on the right in terms of passenger volumes at O’Hare and Midway (only available through August 2021) as well as nationwide TSA checkpoint volumes (available through March 2022) – this data suggests that air travel is closer to a full recovery, just 12% below 2019 levels as of March 2022
- Throughout the tourism industry, leisure travel has a very strong future outlook and has rebounded much faster than business travel – the business segment remains well below pre-pandemic levels, and many experts believe that it may much longer to fully recover
- Business travel concerns are particularly problematic for hotel submarkets like Chicago’s Central Area, which relies upon a significant volume of such business visitors to support its hotel properties
- Overall, this data suggests that tourist attraction demand (which rely more on leisure travelers) should be fully recovered by the end of the summer, with hotel properties in Chicago’s Central Area (which are more affected by business travel) will take a bit longer to recover

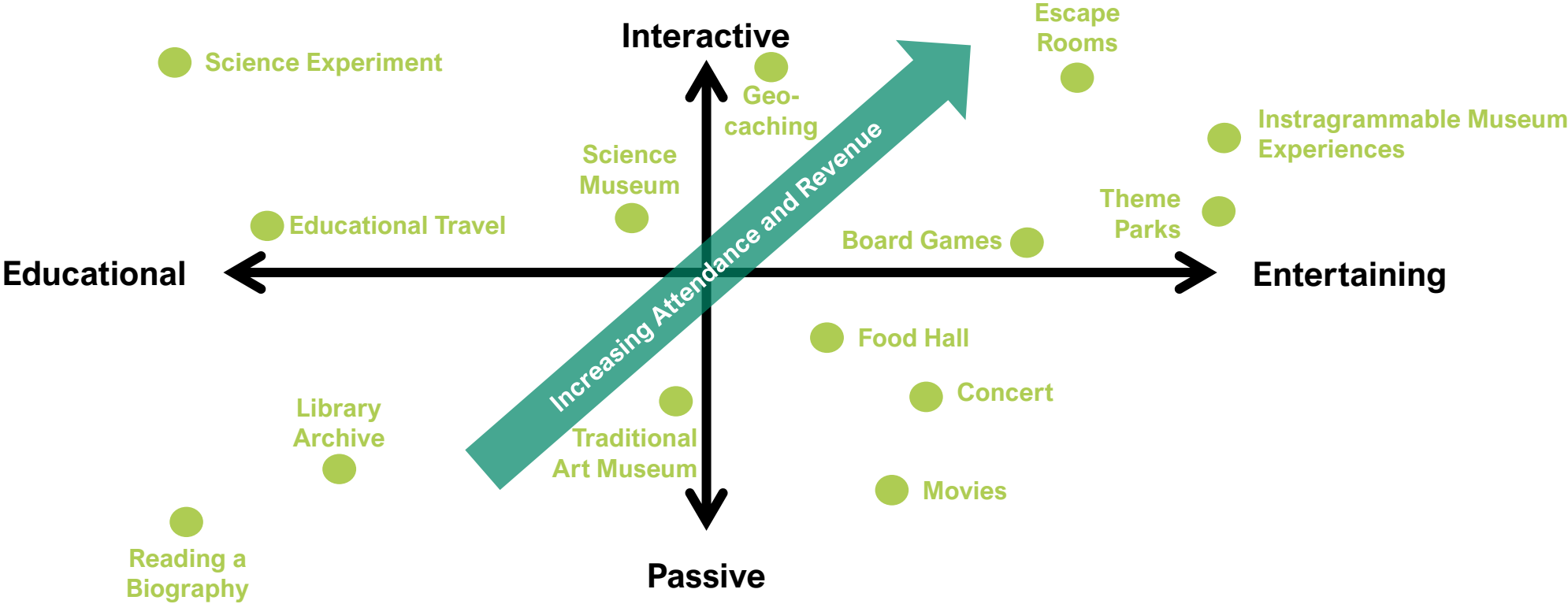


Sources: CoStar, Transportation Security Administration, AECOM

Market Forces & Comparable Corridors

Tourism & Cultural Attraction Trends

The core visitor experiences that drive attendance and revenue at attractions have changed dramatically in the past decade, with increasing demand for immersive experiences, storytelling, and entertainment required to engage visitors. In general, more immersive and entertainment experiences can capture a greater number of visitors per square foot of visitor experience area and have greater attendance and revenue potential.



Market Forces & Comparable Corridors

Tourism & Cultural Attractions

Based on AECOM's understanding of the vision for the LaSalle Street Corridor and overarching tourism industry trends across the globe, we reviewed benchmarking data in the following categories:



Pop Culture and
Immersive Entertainment
Cultural Attractions



Brand Experiences



Local Attractions

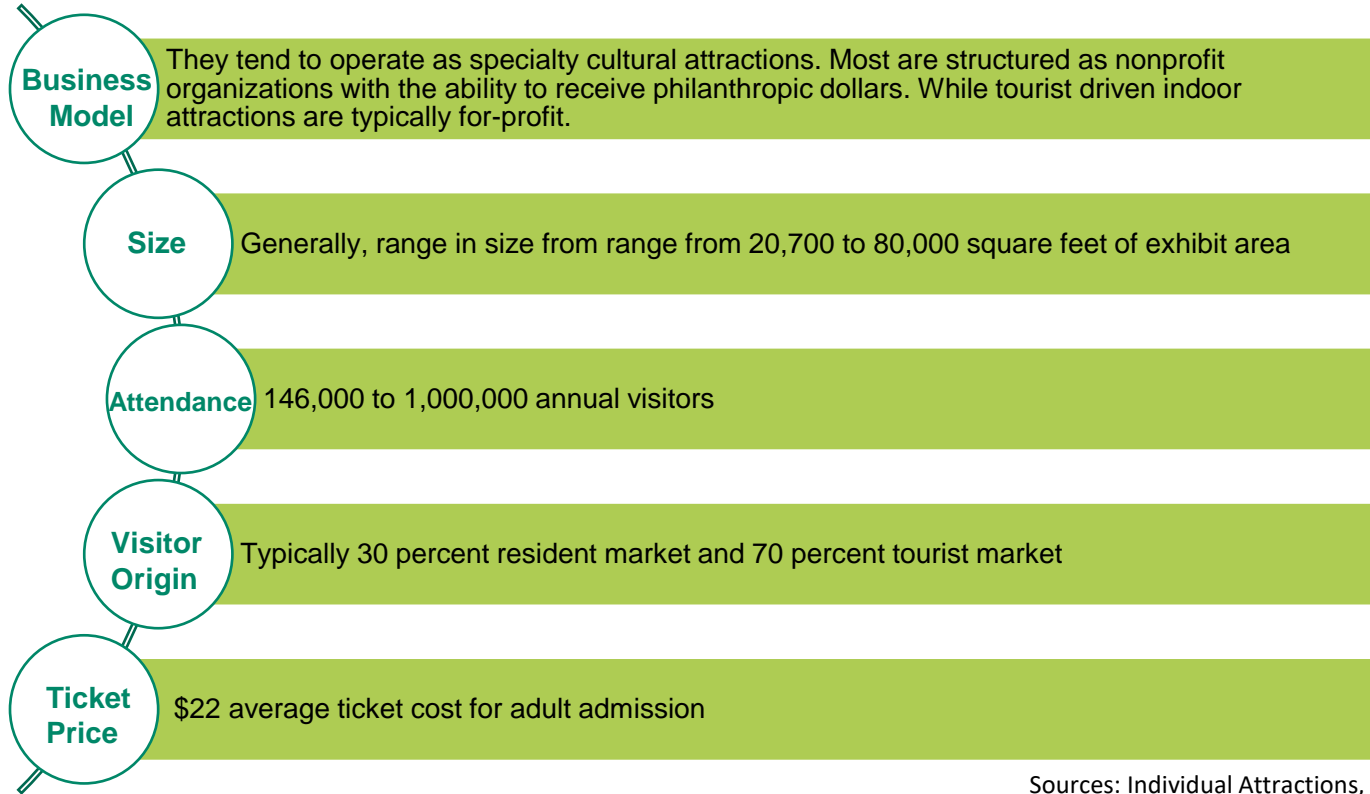
- For each category, we have researched key attendance and operating characteristics and analyzed relevant ratios and benchmarks, including penetration rates, admission pricing, and financial performance.
- The following pages present key metrics, followed by a summary of findings and implications.

Market Forces & Comparable Corridors

Tourism & Cultural Attractions – Pop Culture/High-Entertainment Cultural Attractions

Generally, Pop Culture/High-Entertainment Cultural Institutions and Attractions fall into a few categories, with some clear overlap. Categories include the following:

- High Entertainment Museums (Museums that integrate entertainment technology into exhibits)
- Immersive Exhibits
- Tourist driven indoor attractions
- Multi-media indoor attractions



High Entertainment Museum – Spy Museum, Washington D.C



Immersive: MeowWolf, Santa Fe, NM



Multi-media Indoor: FlyOver America, Minneapolis, MN



Tourist Driven: Ripley's Believe it or Not!, Multiple Locations

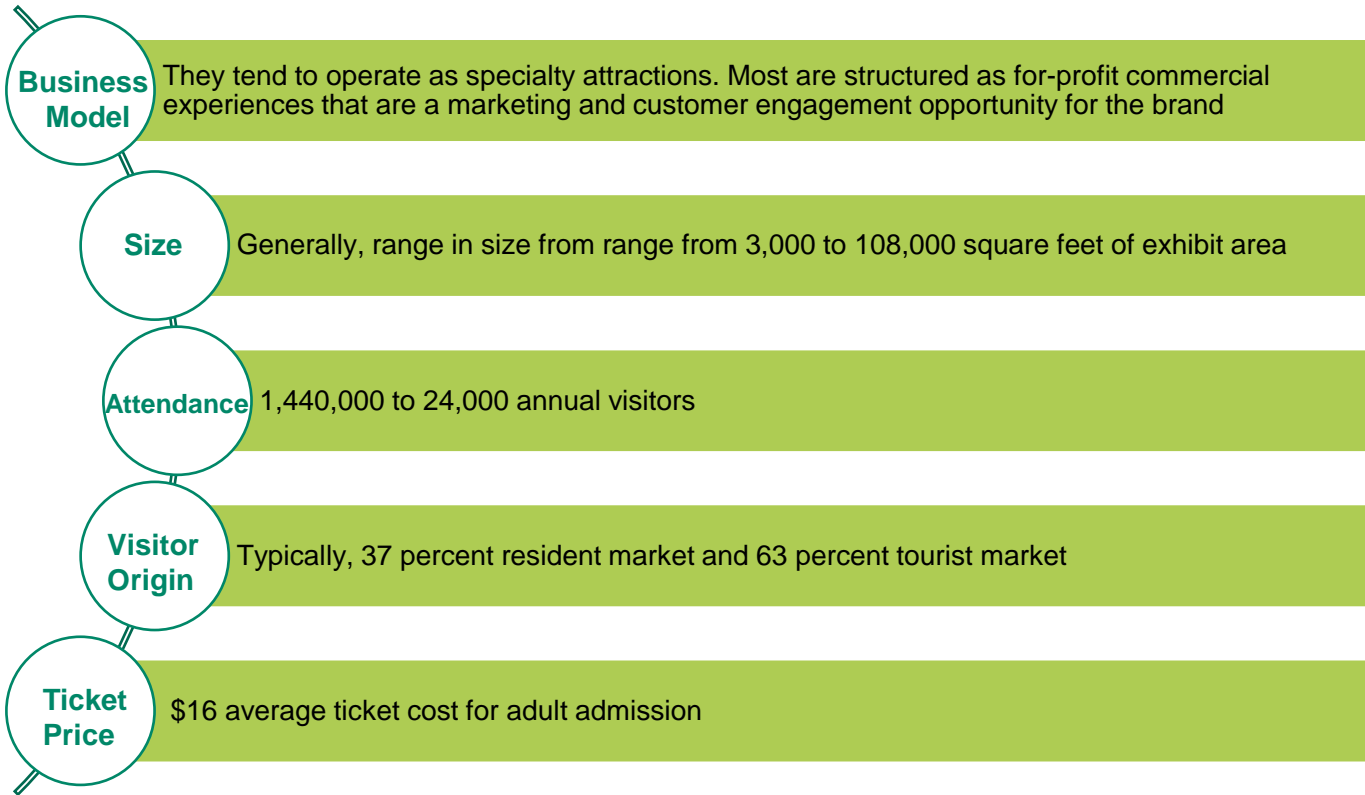
Sources: Individual Attractions, AECOM

Market Forces & Comparable Corridors

Tourism & Cultural Attractions – Brand Experiences

Brand Experience fall into two general categories, with some clear overlap. Categories include the following:

- “On-site” experiences (inside factories, breweries, etc.)
- Stand Alone Brand Museum

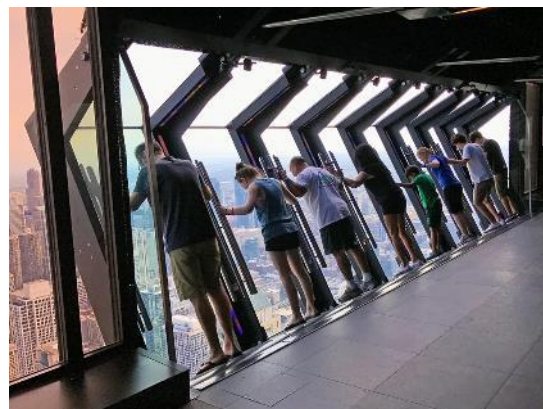


Sources: Individual Attractions, AECOM

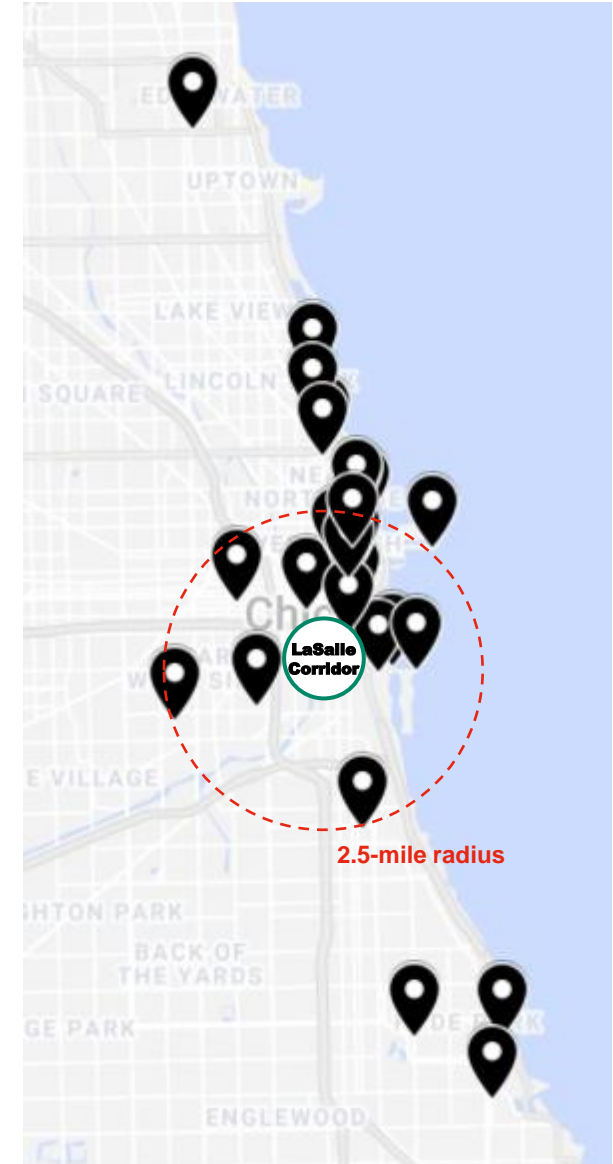
Market Forces & Comparable Corridors

Tourism & Cultural Attraction Trends – Existing Chicago Attractions

- Chicago is a very competitive market for cultural attractions with a vast array of entertainment offerings outside of major sporting events, concerts and theater. Chicago's cultural attraction landscape include museums, observation decks, Navy Pier, Millennium Park, as well as water and riverfront activities in warmer months.
- Attractions in Chicago can be categorized into four categories based upon scale and attendance: Top Tier (attendance over 1M), Mid-Tier (attendance between 1M and 500k), and Specialty Attractions (attendance under 500K). Chicago has also recently seen an increasing presence of Pop-up "immersive experiences" and art installations.
- Overall admission rates at Chicago cultural attractions are on average slightly lower than at attractions in comparable major U.S. metros.
- Chicago's extensive offering of attractions range from world renowned museums over 1,000,000 square feet to smaller specialty attractions around 10,000 square feet.
- Annual attendance to Chicago attractions reviewed in this report ranged from 35,000 to 3.6 million (Lincoln Park Zoo)
- The average visitor origin at Chicago attractions is 46 percent resident market and 54 percent tourist market.
- The average ticket price for adult admission is \$19.



Major Local Attractions Map



Market Forces & Comparable Corridors

Tourism Attraction Trends – Future Chicago Attractions

AECOM identified the following planned facilities in our research:

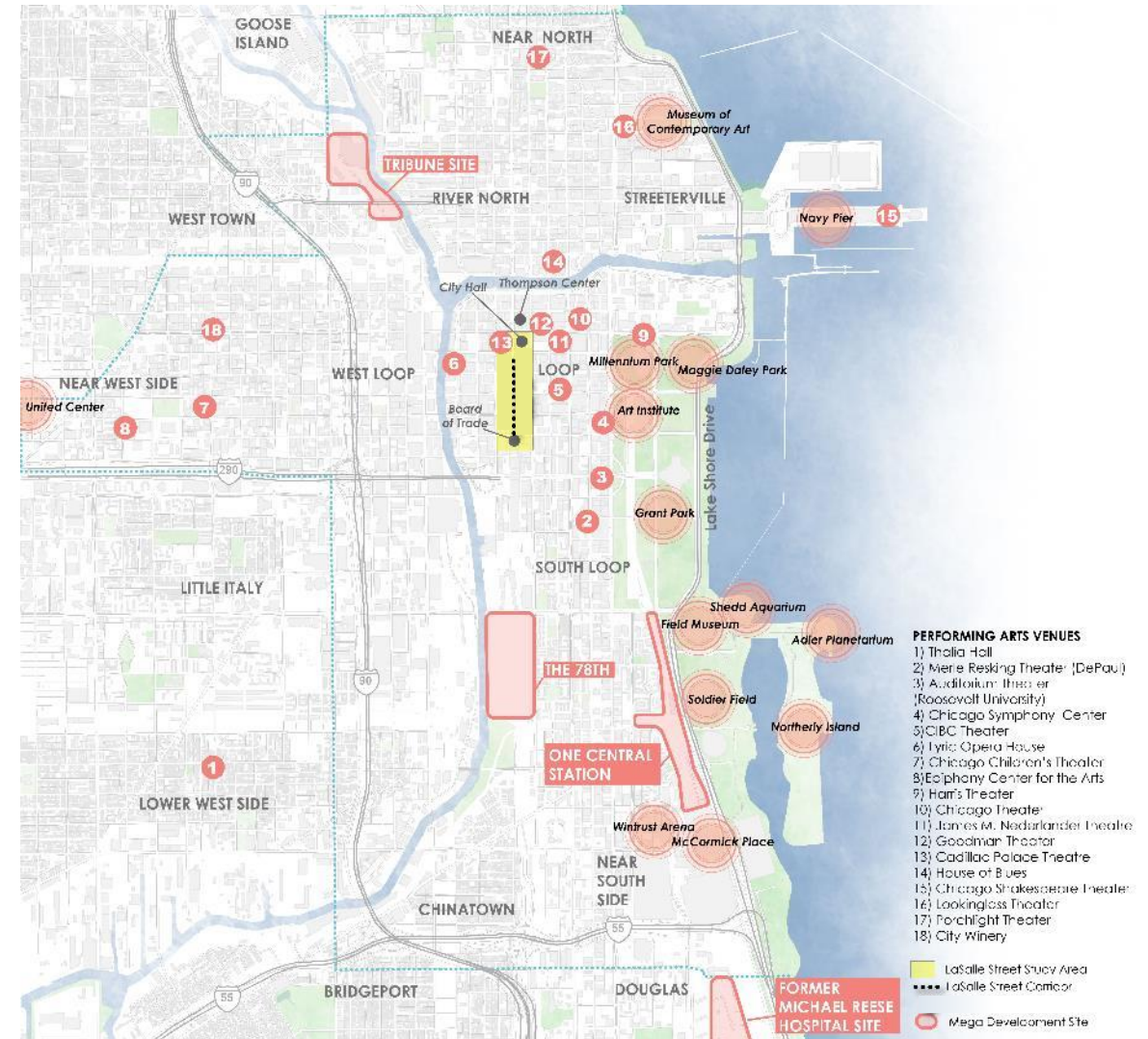
- **The Obama Presidential Center** is the planned presidential library celebrating our country’s first African American President and First Lady. The Center will also be a robust public gathering space including a new Chicago Public Library Branch and a community facility, “The Forum,” which will house an auditorium, broadcast and recording studios as well as flexible learning and meeting spaces. Constructed by the Obama Foundation, the Presidential Center will be in Jackson Park just west of the Museum of Science and Industry on Chicago’s South Side.
- **The Chicago Blues Experience** is poised to be a “world-class cultural attraction” dedicated to the art of blues music in the birthplace of the modern blues, Chicago. Crafted as an immersive experience, the museum will take visitors on a journey through the past, present, and future of blues music. The museum will also include a live music venue. The experience was originally slated to open in 2019 near Millennium Park. The project is on hold as the real estate deal fell through.
- **The National Museum of Gospel Music** will be a museum and educational experience at the former site of the Pilgrim Baptist Church in Chicago’s historic south side neighborhood, Bronzeville. The focus will be on multigenerational programming and educational exhibits. The 45,000 square foot facility will not only house the museum but also include a 350-seat auditorium in addition to a listening and research library. The \$50 million project is slated to open in 2022.
- **The Chicago Baseball Museum** will be dedicated to the history of baseball in the City of Chicago. The facility will also include the Jerome Holtzman Library and Research Center as well as serve as a venue for conferences and other special events. The museum is in the process of securing a site and does not have a formal open date at the time of this analysis.
- **Chicago Culinary Museum and Chefs Hall of Fame** will celebrate Chicago as a “Culinary Mecca.” The museum is in the early planning stages, but seeks to showcase culinary artifacts, include an interactive youth learning center, as well as serve as a “commonplace” for the hospitality industry.



Market Forces & Comparable Corridors

Tourism & Cultural Attraction Trends

- The map on the right shows the location of the LaSalle Street Corridor in relation to the major tourist attractions and arts and cultural venues throughout Chicago's Central Area.
- As shown, the LaSalle Street Corridor is close to several of these points of interest, which together attract a significant share of tourists to Chicago.
- As these tourists make lodging decisions, they are highly likely to prioritize hotels that are located close to the attractions they plan to visit, making the LaSalle Street Corridor a compelling locale.
- In tandem with the fast pandemic recovery trajectory of the leisure tourism segment, this bodes well for the market potential for the future development of additional hotels, tourist attractions, and arts and cultural venues.



Market Forces & Comparable Corridors

Summary & Key Takeaways

The table below summarizes the takeaways of this section of the analysis, including a high-level, preliminary assessment of market-driven feasibility for each of the redevelopment program uses within the LaSalle Street Corridor.

As shown, multi-unit residential (including market rate, affordable, artist, and other residential concepts), student housing, dining and entertainment, and tourism and cultural uses look very promising for the LaSalle Street Corridor from a market perspective.

There are a variety of other uses that could work if executed properly, but are deemed riskier from a market perspective.

Use Type	Key Takeaways for LaSalle Street Corridor	Market-Driven Feasibility
Multi-Unit Residential	Small but rapidly growing existing inventory near LaSalle, healthy rent and rental growth, needed to support “round the clock” vibrancy	Go
Student Housing	Small but growing existing inventory near LaSalle, mostly recovered from pandemic, close proximity to existing institutions	Go
Dining & Entertainment	Small existing inventory near LaSalle, better market dynamics than other retail, more residential density would be helpful	Go
Tourism & Cultural	Leisure tourism almost fully recovered, close proximity to other attractions and adequate hotel accommodations	Go
Higher Education	Lots of other institutions nearby, future of in-person vs online learning remains uncertain, big “what if” factor	Slow
Hotel	Strong pre-pandemic trends, not yet fully recovered from pandemic, healthy leisure segment despite business segment concerns	Slow
Traditional Retail	Small existing inventory near LaSalle, broader headwinds from trend toward e-commerce, more residential density needed to support	Slow
Office	Large and shrinking existing inventory on LaSalle, underperforming other corridors, broader headwinds from trend toward hybrid/remote	Slow