



GET IN THE LOOP



Making Central Loop a Place Where
Companies Actually Want to Office

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"The Central Loop will have almost 1.8M square feet of new vacancy over the next 12-24 months."

The Central Loop, once the most vibrant business community in the city, is slowly seeing a decline. The neighborhood is losing the battle for sought-after tenants to the more popular Fulton Market, River North, and West Loop areas. Remember, not that long ago, the Central Loop, LaSalle Street in particular, was the go-to location for law firms, banks, and other financial services entities. There was an energy that was unmatched, a "you-must-be-here" neighborhood feel. Sadly, this is no longer the case as indicated by big tenants like Bank of America, BMO Harris, and Northern Trust recently deciding to relocate some or all of their operations. Not only can Central Loop buildings no longer rely on these institutions to fill their space, but with three major banks relocating in the next few years, the once flourishing area will have giant vacancies to contend with in a relatively short amount of time. More specifically, the Central Loop will have almost 1.8M square feet of new vacancy over the next 12-24 months. This not only a problem for building owners - it's also bad for the business community.



Fulton Market, River North, and the West Loop have grown exponentially in the last decade and are attracting tenants of all types who are looking to recruit a younger workforce with both building and neighborhood benefits that have become necessary in today's competitive environment. This is especially true for Fulton Market, which saw a sharp uptick in the number of tenants flocking to the area after Google opened its Midwest HQ at 1K Fulton in 2015. What's more, Fulton Market and the West Loop are where all the flashy new buildings are, such as McDonald's HQ, 150 N. Riverside, and 444 W. Lake. Since 2015, the submarket's office inventory has grown by 1.2M square feet and there are currently seven additional office developments under construction. This will add yet another million square feet to Fulton Market alone, and an additional 6.5 million square feet are proposed.

For tenants who are out-of-state, migrating from Chicago's suburbs, expanding their footprint, or in a more progressive industry like tech, the Central Loop is simply not a desirable location to open up shop. However, Fulton Market, River North and the West Loop's rental rates have increased in step with the number of tenants moving to those areas. These fast-growing neighborhoods have limited space, and new developments, with the higher rents they require, are the only way to keep up with demand.

Central Loop building owners need to leverage these barriers to entry within the trendier neighborhoods to attract tenants who recognize Central Loop's relative value. For the most part, building owners in the Central Loop have already upgraded their properties and added high-end amenities that big name tenants look for. But attracting brand giants like Google, Facebook, and Salesforce means more than just adding some nice amenities to your building – it means collaborating with other owners, local government, and members of the

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community to reposition the entire Central Loop as a lifestyle destination. It requires a creative approach to selling the benefits, because shared office providers are also limited in how much vacant space they can eat up.

Despite the trendier neighborhoods' popularity, the Central Loop carries its own advantages not to be overlooked by companies relocating to downtown Chicago. Accessibility to public transportation is an enormous benefit of Central Loop and a huge deficit for Fulton Market. Whether you live in other parts of the city or the suburbs, the Central Loop's close proximity to the CTA's 'L' and Metra systems is very convenient for commuters.

Although not yet in line with the retail, dining, and entertainment options of Fulton Market and River North, the Central Loop has gotten a number of cool new spots over the last several years. Prime & Provisions is one example that draws significant crowds and is open late and on weekends unlike your more typical Central Loop locations. Revival Food Hall also recently opened in the Central Loop to rave reviews, bringing not only the lunch-time crowd, but happy hour groups as well. Central Loop's current retail vacancy rate is 17.7%, so there is plenty of opportunity for trendy new retailers willing to bet on a Central Loop resurgence.





A 24-7 neighborhood isn't complete without hotels and residential, and Central Loop includes a lot of both. Hyatt Centric (which recently traded for the highest cost per key in the CBD), The Gray, JW Marriott, and the Cambria Hotel Chicago Loop are just a few of the new brands to open over the last few years, driving not only the business traveler market, but tourism as well. New, luxury residential developments like The Plymouth, Marquee at Block 37, and The Millennium on LaSalle have also gone up in the area, a significant benefit for companies trying to attract younger employees who want to live close to their office.

For employers, delivering work/life balance is crucial, and Central Loop's close proximity to some of Chicago's most popular attractions is a huge bonus for companies looking to offer perks outside of their four walls. The Central Loop is only steps away from some of the city's best (and largely free) features like the Chicago River and Riverwalk, Lake Michigan, Millennium Park, Maggie Daley Park, the Art Institute, and Chicago Cultural Center. Daley Plaza also hosts seasonal events, like the annual Farmer's Market and Christkindlmarket.

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For now, Central Loop has lost its place as the premier business location in Chicago, but commercial real estate investors and professionals with stake in the neighborhood aren't powerless to the changing market. Property owners, managers, and leasing agents need to think outside their box, i.e. their building, and *collaborate* with intention and intensity. That means it's not enough to renovate lobbies, restrooms, corridors, and construct first-class amenities – that's old-school. Building owners in the Central Loop need to work together to make the Central Loop, as a neighborhood, a vibrant and energetic destination for tenants of all types and sizes. In short, adapt or die. More to come on this.

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