

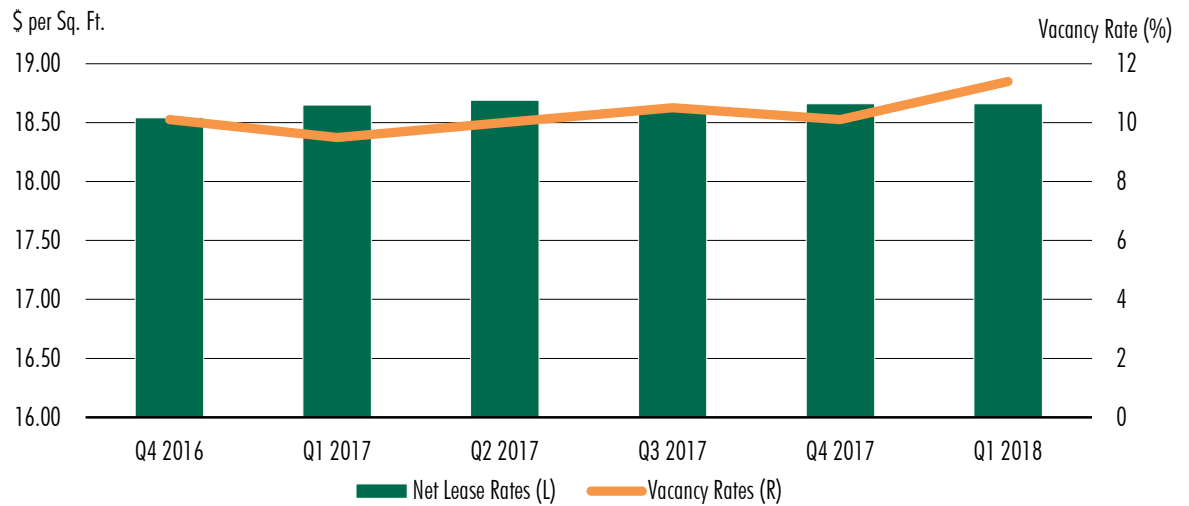
Chicago Retail, Q1 2018

# Store closures kick off the start of 2018

▲ Vacancy Rate **11.4%**
▶ Lease Rate **\$18.66 PSF**
▲ Neighborhood Vacancy **16.3%**
▲ Power/Community Vacancy **8.8%**

\*Arrows indicate change from previous quarter.

Figure 1: Direct Vacancy Rate and Lease Rate



Source: CBRE Research, Q1 2018.

MARKET OVERVIEW

- Sam’s Club and Target begin closures.
- Crystal Lake is active with leasing and construction.
- Select online retailers are setting up showroom type brick-and-mortar locations.
- Rock & Brews will open its first restaurant this year.

The retail news at the end of 2017 didn’t provide much positivity going into the new year. Lists of big box closures began to surface, such as Sam’s Club, Target, and Sears. Once 2018 began, Toys R Us made its announcement that it would close 380 stores nationwide. Landlords must continue to be creative when attempting to fill these spaces. To do so, they have turned to the “Five F’s:” fitness, food, fashion, fun and furniture. Also, the popularity of online shopping continued. Select online retailers such as Warby Parker are setting up showroom type brick-and-mortar locations.

MARKET OVERVIEW CONT'D

Since the beginning of Q1 2018, the Chicago retail vacancy rate increased 130 basis points (bps) to 11.4%, and the average asking net rent has remained the same at \$18.66 per sq.-ft. Small shop space continues to thrive due to the abundance of prospective tenants available within this size requirement. Junior box and big box space continue their vacancy struggle because of the ongoing store closures and the lack of active tenants within that size range that may fill these larger spaces.

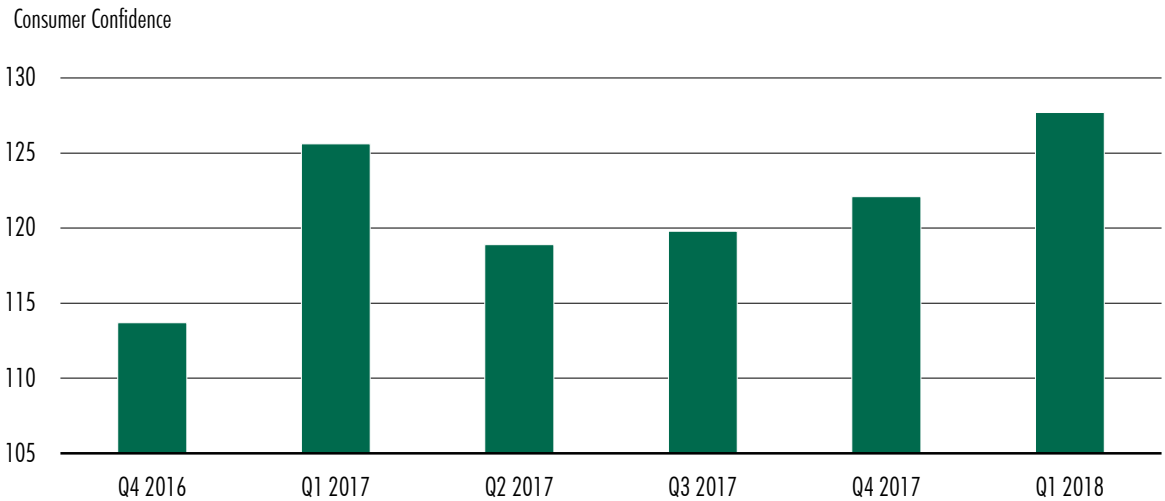
Although, there has been absorption of retail space, it has occurred slowly and it has not been able to keep up with the increasing junior and big box store closures.

Crystal Lake, located in the far northwest submarket, has been active with new leasing and construction activity. This fall, the former 107,747-sq.-ft. Kmart located at 5846 Northwest

Highway, will be leased by Steinhafels. Ulta and T.J. Maxx will both become the new occupants of the former Sports Authority at 6000 Northwest Highway. T.J. Maxx will relocate from Country Corners Shopping Center. New and planned construction is on the upswing. Mariano's is slated to open its 74,800-sq.-ft. store in early May, and will be located in the former Sears site at 105 Northwest Highway. Future construction will include new national tenants such as Pet Supplies Plus, which will be located at Main Street and Northwest Highway, and Popeye's Louisiana Kitchen which will be located at Route 14 and McHenry Avenue.

Grocery continues thrive despite the instability of the Chicago retail market. Pete's Fresh Market will open in the former Dominick's space in Matteson at Matteson Plaza, at the southwest corner of U.S. 30 and Governor's Highway. Tony's Fresh Market, has signed a lease at former Meijer space at 7111 Cermak Road in Berwyn.

Figure 2: Consumer Confidence Index; Index value (1985=100)



Source: Consumer Confidence Board, Q1 2018.

**NEW CASUAL DINING CHAIN TO OPEN**

A new casual dining chain, Rock & Brews, will open its first restaurant this year in southwest suburban Orland Park. Two of the restaurant founders are Gene Simmons and Paul Stanley from the 1970’s rock band Kiss.

The 6,000 sq.-ft. rock-themed casual dining restaurant will feature locally brewed craft beer on tap. Several other locations are planned as well as a corporate office over the next five-to-seven years around the Chicagoland area.

On a national level, the Consumer Confidence Index has decreased slightly since last quarter standing at 127.7. A reading above 90 points indicates a stable economy, while a reading of 100 points or more indicates strong growth.

**NEW TO THE NEIGHBORHOOD**

- Culver’s, 3355 South Martin Luther King Drive, Chicago
- Beatrix Market, 23 East Jackson Boulevard, Chicago
- Knead Pizza Co., 2101 West North Avenue, Chicago
- Da Lobsta, 814 West Belmont, Chicago

**NOTEWORTHY NEW CONSTRUCTION**

- Aldi, 2708 Showplace Drive, Naperville
- Panera-Route 59 and 75<sup>th</sup> Street
- Barry’s Bootcamp, urban locations
- Pete’s Fresh Market Center, Route 83 and Plainfield Road, Willowbrook

Figure 3: Top Lease Transactions

Tenant	Size (Sq. Ft.)	Address
The Dump	135,855	Former Wonder, Deerfield
Mall of India	115,751	Former Walmart, Naperville
Steinhafels	107,747	Former Kmart, Crystal Lake
At Home	104,782	Former Gander Mountain, Batavia
Tony’s Fresh Market	71,000	Former Meijer, Berwyn
Advocate Medical	50,403	Former Sports Authority, Chicago
Park to Shop	50,000	Former Burlington, Aurora

Source: CBRE Research, Q1 2018.

Figure 4: Chicago Retail Statistics

Submarket	# of Properties	Gross Building (Sq. Ft.)	Vacant Area (Sq. Ft.)	Vacancy Rate (%)	Average Asking Lease Range (\$/Sq.Ft./Yr)	
					LOW	HIGH
Far N.W. Suburbs	90	14,635,515	1,469,624	10.0	16.08	20.86
N.W. Suburbs	100	16,987,908	2,237,568	13.2	17.37	20.06
Far North Suburbs	39	6,909,408	613,470	8.9	13.61	17.62
North Suburbs	58	10,166,707	868,198	8.5	17.76	22.16
Far West Suburbs	143	23,079,050	3,464,546	15.0	15.27	17.60
West Suburbs	44	8,364,000	617,747	7.4	15.89	23.67
City North	68	9,489,798	586,713	6.2	19.27	22.98
City South	36	5,997,621	742,644	12.4	20.63	21.96
Far S.W. Suburbs	64	11,702,932	1,151,858	9.8	18.42	21.35
S.W. Suburbs	64	10,200,012	1,294,490	12.7	15.42	16.16
South Suburbs	50	7,168,121	1,429,174	19.9	15.59	20.19
Kane County	65	11,455,515	1,082,969	9.5	12.96	17.19
<b>Total</b>	<b>821</b>	<b>136,156,587</b>	<b>15,559,001</b>	<b>11.4</b>	<b>16.96</b>	<b>20.37</b>

Source: CBRE Research, Q1 2018.



**CONTACT**

Nicole Fenzel  
*Research Coordinator*  
 +1 630-368-8614  
[Nicole.fenzel@cbre.com](mailto:Nicole.fenzel@cbre.com)

**CBRE OFFICES**

Downtown Office  
 321 North Clark Street, Suite 3400  
 Chicago, IL 60654

Oak Brook  
 700 Commerce Drive, Suite 450  
 Oak Brook, IL 60523

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