Office Market Characteristics

Overview

The national unemployment currently remains about 8%, and job growth continues at an anemic rate. Nationally, existing employers create most jobs, and those businesses are postponing hiring decisions, based upon multiple economic or individual business uncertainties. Recent reports indicate small increases in hiring by local, state, and federal governments, indicating some improvements in their fiscal situations. The numbers of part-time employees continue to grow. Employers in suburban Chicago locations are again considering and moving to available space in Chicago. Declining rents, access to transportation and an educated workforce, and greater amenities are driving these business location decisions, initiating a reversal of employment decentralization to the suburbs in the 1990s. Ultimately, the pace of job growth in Chicago and the suburbs will define the leasing and investment markets in the region’s office space.

Excess lease space has been a problem for the office market nationally since before the start of the recent economic downturn. The 2012 City of Chicago vacancy rate, at 14.5%, remains higher than in 2007-8, but is improving. In suburban Chicago, vacancies remain high, averaging nearly 19%, with minimal net absorption. Asking rents in both the City of Chicago and suburban office markets are expected to increase by just over 1% during 2012. In WPB, available lease space is listed as either office or retail, particularly in areas without significant concentrations of retailers or restaurants. Asking rents on a triple net basis are generally in $20-27 PSF range. (Sources: CBRE and Marcus & Millichap Office sector reports, 2012; listings in LoopNet and Costar.)

Local Market Conditions

WPB has just over 7,200 employees within .5 miles of the Milwaukee Avenue/Damen Avenue/North Avenue intersection. This employee number rapidly increases by market size, as show in Table 2 above. Information obtained during the project interviews indicates that some office leasing interest in WPB locations exists, primarily from firms employing tech-related employee contractors, or 1099 employees.
Strategic Implications for Wicker Park Bucktown

The WPB employment base has been relatively stable. Supporting the natural growth of the employment base, particularly for WPB’s major employers, is necessarily part of any Chamber mission. This will ensure that this ‘bonus market’ remains solid and another reason for businesses to consider a WPB location.