

# Chicago Retail MarketView

Q4 2013

CBRE Global Research and Consulting



GDP GROWTH



CONSUMER CONFIDENCE



S&P  
500

\*Arrows indicate change from previous quarter.

## DOMINICK'S EXITS AND MARIANO'S PICKS UP SOME OF THE PIECES

### Quick Stats

Q4 2013		QoQ	YoY
Direct Vacancy	9.0%	↑	↑
Lease Rates	\$16.73	↓	↑

\*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

### Hot Topics

- Target store opens in early October on the former site of the Cabrini-Green housing project
- Mariano's to take over 11 Dominick's stores

### Market Overview

According to the National Retail Federation, (NRF), the average shopper spent \$407.02 over Thanksgiving weekend, or 3.9 % less than the same weekend last year. These results motivated retailers to continue their discounted prices throughout the season. One hundred forty-one million people went shopping at least once during the holiday weekend, up from 139 million last year. Total spending was expected to reach \$57.4 billion for the four-day period (including Black Friday) which is down 2.8% from \$59.1 billion over the same weekend of 2012.

The Conference Board's Consumer Confidence Index decreased in November and then rebounded in December. The Index now stands at 78.1, up from 72.0 in November. A reading above 90 points indicates a stable economy, while a reading of 100 points or more indicates strong growth.

Because of its rebound, Consumer Confidence is now close to pre-government shut down levels. Consumers expressed a great degree of confidence looking ahead to future economic and job prospects; but were more pessimistic about their earning prospects. Despite the challenges of 2013, consumers are in better spirits today than when the year began.

During the fourth quarter of 2013, the Chicago retail market vacancy rate had a slight increase to 9.0% from

8.9% last quarter. Net asking lease rates dropped slightly this quarter to \$16.73. When compared to one year ago, the vacancy rate increased 30 basis points and the net asking lease rates decreased slightly.

Market additions and exits have taken place throughout the fourth quarter. One new addition was the Target store that has taken over the former Cabrini-Green site at North Larrabee and West Division. The 190,000-sq.ft., three-story store, extends the Clybourn Corridor retail district by more than half a mile and is built over a ground-level parking lot with 360 spaces. The second floor is a sales space and the third floor houses the stock area.

In October, Safeway Inc., the owners of Dominick's Finer Foods, announced it was leaving the Chicago market. This exit has unleashed the biggest flood of space into the local retail market in years. The question remains, who will buy the 72 stores? Will they all be grocers?

Mariano's Fresh Market announced in December that it will take over 11 local stores. Included in those 11 Dominick's locations, Mariano's will operate a total of 29 stores by the end of 2014, employing 10,000 people in the Chicago area. Mariano's has emerged as one of the most aggressive grocers within the Chicago market. Since 2010, it has grown to 13 stores. Five more stores are under construction and expected to open this year.

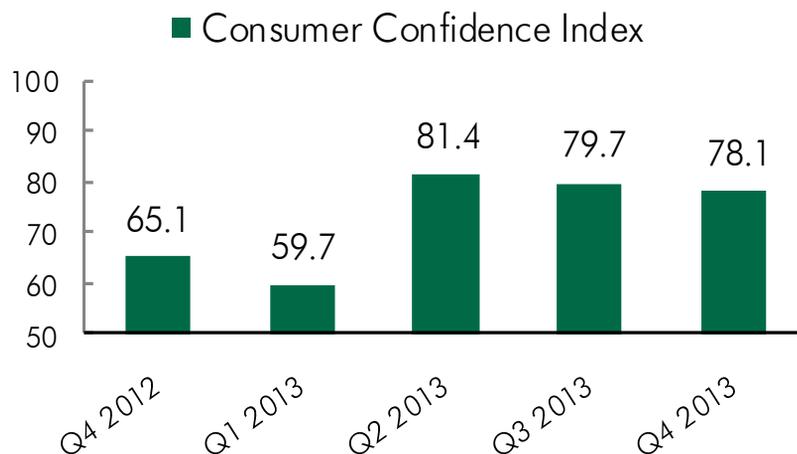
**Table #1: Chicago Retail Statistics**

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	78	13,177,796	1,091,141	8.3%	\$12.36	\$16.75
N.W. Suburbs	92	14,911,156	1,554,556	10.4%	\$15.32	\$21.74
Far North Suburbs	45	8,258,998	783,563	9.5%	\$13.62	\$16.76
North Suburbs	52	9,438,018	590,715	6.3%	\$16.44	\$21.82
Far West Suburbs	139	22,031,280	2,486,214	11.3%	\$15.65	\$19.92
West Suburbs	40	7,920,311	406,792	5.1%	\$15.19	\$19.70
City North	55	8,135,510	423,711	5.2%	\$18.79	\$20.83
City South	34	5,555,599	445,121	8.0%	\$18.51	\$22.60
Far S.W. Suburbs	51	9,809,672	619,688	6.3%	\$15.80	\$17.83
S.W. Suburbs	51	8,179,246	436,364	5.3%	\$14.13	\$16.86
South Suburbs	43	6,504,106	1,344,508	20.7%	\$10.66	\$15.66
Kane County	58	11,179,576	1,105,966	9.9%	\$11.43	\$17.51
<b>Total</b>	<b>738</b>	<b>125,101,268</b>	<b>11,288,339</b>	<b>9.0%</b>	<b>\$14.48</b>	<b>\$18.99</b>

Source: CBRE Research, Q4 2013.

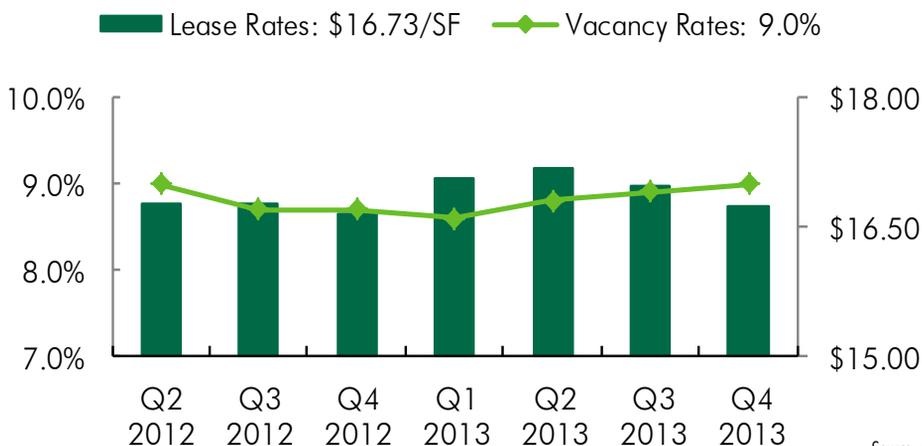
**Market Highlights**

- Heinen's Fine Foods plans to open a - 43,915- sq.-ft. supermarket this year in Glenview
- Butera Market is expected to open two grocery stores in Elgin
- Fresh Farms International Market plans to open a second grocery store in Niles during the Spring of 2014
- Art Van will open its third Chicago area store in Batavia

**Chart #1: Consumer Confidence**

Source: The Conference Board, Q4 2013.

**Chart #2: Direct Vacancy Rate and Lease Rate**



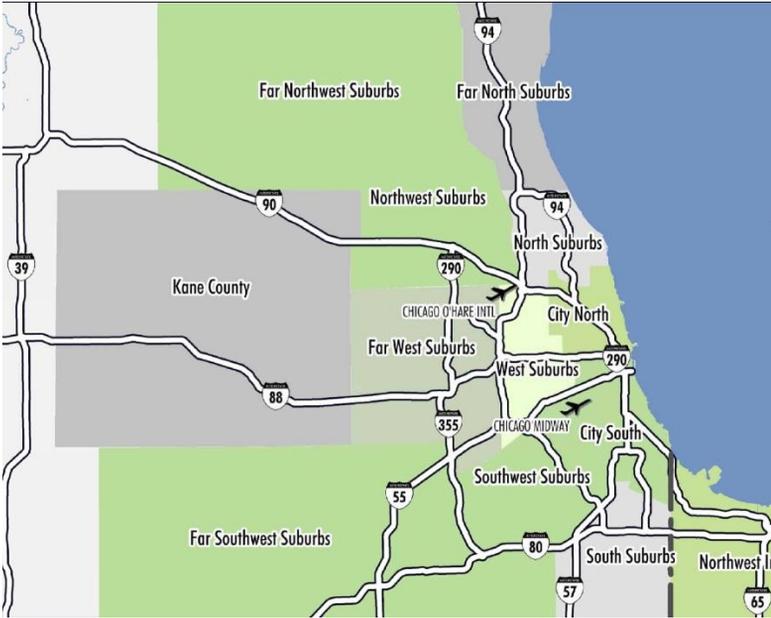
**Table #2: Top Lease Transactions**

Tenant	Size (Sq. Ft.)	Address
1. Hobby Lobby	42,012	Former Sports Authority, Bloomingdale
2. Forman Mills	36,478	Former K-Mart (portion), Franklin Park
3. American Sale	30,000	Former Monkey Joe's, Lake Zurich
4. DSW Shoes	22,000	New construction, Chicago

Source: CBRE Research, Q4 2013.

**Chart #3: Average Asking Lease Rates**





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