

CITY OF DES PLAINES: BRIEF ECONOMIC FACTS 4TH QUARTER 2015 UPDATE



INTRODUCTION

Des Plaines, ideally located northwest of the City of Chicago in Northeastern Illinois, boasts a well-diversified commercial property market that generally performs consistent with area market trends as a result of a demographic profile that is also sufficiently diverse to support a wide range of commercial property interests. In contrast with the surrounding area, unemployment rates are lower than the surrounding region and multiple Fortune 500 Companies run facilities in Des Plaines. The City's strategic advantage in the form of a robust road and railway network provides traffic exposure for many business types, while on a municipal level the City is making concerted efforts to boost the visual appeal of these busy thoroughfares. The City's Department of Community and Economic Development can also provide prospective Des Plaines investors with assistance via various grant programs, support of Cook County 6b, 7a and 7b property tax incentives, as well as its access to the CoStar Property database. The Department maintains an online available building and property database at www.desplaines.org that provides an additional marketing tool for commercial real estate brokers free of charge.

This report provides a snapshot of commercial real estate conditions within the City of Des Plaines for the fourth quarter of 2015. An annual market analysis was released in October 2015. Please do not hesitate to contact the Coordinator of Economic Development Lauren Pruss at (847) 391-5384 to obtain a full copy of the 2015 Market Analysis.

SUMMARY

The year-end brings continued improvement in the City's real estate market. Vacancy rates continue to decline, with a 4th quarter retail vacancy rate of 7.0%, down from last quarter's 7.6%, and beating 2008's average vacancy rate of 7.3%. Further, this current vacancy rate is lower than that of Arlington Heights, Elk Grove Village, Mount Prospect, and Park Ridge. The City's industrial market remains extremely strong, with a stable vacancy rate of 6.6%, which is lower than that of Schiller Park, Elk Grove Village, Mount Prospect and Arlington Heights.



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Analysis Prepared by Department of Community and Economic Development
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Data Sources:
Traffic Counts - Connect to Cook County
Demographic Data - 2013 American Community Survey
Property Data - CoStar Commercial Real Estate

DES PLAINES AND THE REGION: CURRENT MARKET CHARACTERISTICS

Commercial Property Inventories & Property Market Comparables

Based upon regional proximity to Des Plaines, or otherwise competitive placement in the market, six nearby communities were evaluated for comparables to the City of Des Plaines; Schiller Park, Elk Grove Village, Mount Prospect, Rosemont, Arlington Heights and Park Ridge. The following commercial property market comparables are current as of the final quarter of 2015.

Office Comparables

The average lease rate for office space within the Des Plaines market was \$17.81 during the fourth quarter, higher than most of Des Plaines' neighbors, and the vacancy rate of 21.7% is in the mid-range of nearby markets. The Des Plaines' office market includes 124 properties containing over 4.3 million square feet, a greater tally than most of Des Plaines' comparable markets.

Retail Comparables

With the exception of Schiller Park and Rosemont, the City of Des Plaines' retail market boasts the lowest vacancy rate of all the municipalities surveyed. The City's retail vacancy rate currently stands at 7%, down from last quarter's rate of 7.6%, and lower than the 7.3% vacancy rate of 4th quarter of 2008. The City's retail market offers 277 buildings featuring 3.1 million square feet of space at an average lease rate of \$14.79 per square foot, in the mid-range of nearby markets.

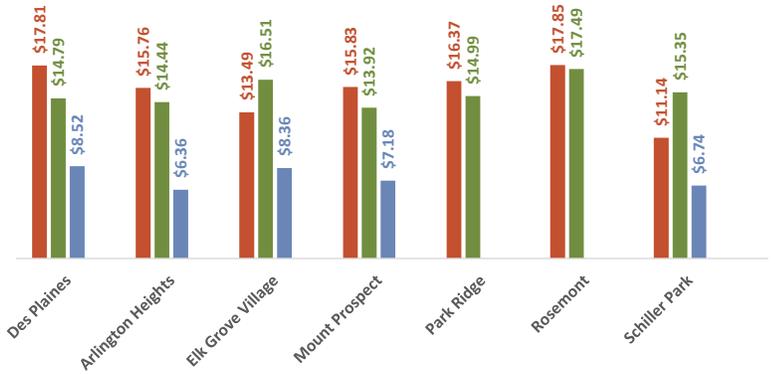
Industrial Comparables

The City's industrial market remains extremely strong, with a vacancy rate of 6.6%, a rate lower than that of Schiller Park, Elk Grove Village, Mount Prospect and Arlington Heights. This rate remains stable even as new building inventory is added with 350 Howard Street coming to market. The City's industrial market, with 218 buildings, is second in size only to Elk Grove Village, with an average lease rate of \$6.38 per square foot.

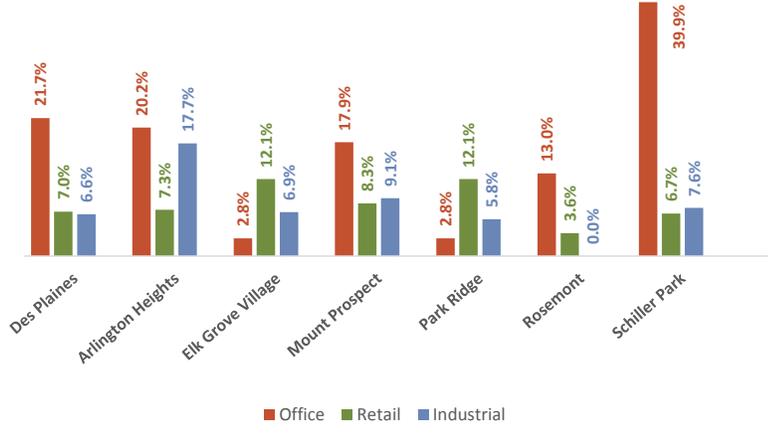
Multi-Family Comparables

Finally, Des Plaines features 3,405 multi-family residential units with an average unit size of 842 square feet. The average lease rate for a multi-family unit is \$1.61 per square foot, in the mid-range of nearby markets. 4% of these units are currently vacant. The majority of these units, 2,442, are located in Downtown Des Plaines. Lease rates for these downtown properties are higher at \$1.79, although average unit size is slightly larger (970 square feet). The vacancy rate of Downtown Des Plaines multi-family units currently stands slightly higher than the rest of the City, at 5.4%.

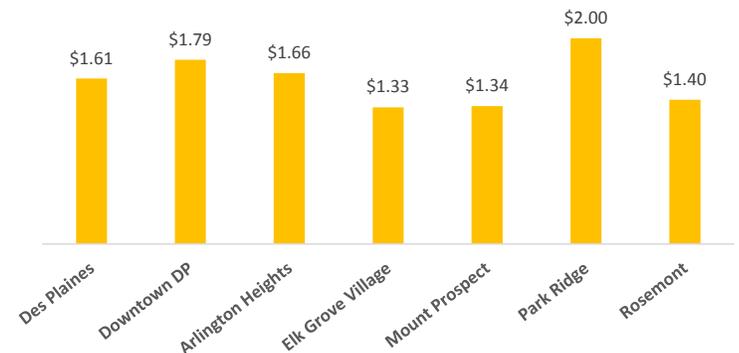
4Q 2015 Average Commercial Lease Rates Per Square Foot



4Q 2015 Average Commercial Vacancy Rates



4Q 2015 Average Multifamily Lease Rates Per Square Foot

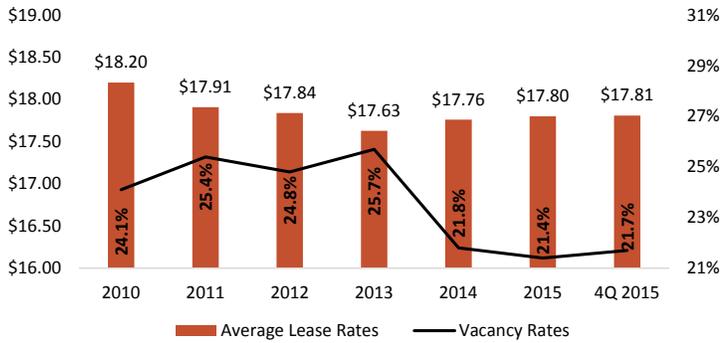


4Q 2015 Average Multifamily Vacancy Rates



DES PLAINES CITYWIDE COMMERCIAL LEASING TRENDS AND PROPERTY SALES

Citywide Average Office Lease and Vacancy Rates



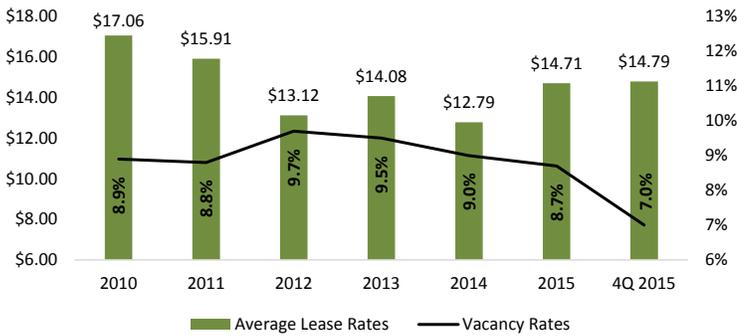
Citywide Office Space

Des Plaines' office lease rates are returning to the 2010 average rate per square foot, with the current 4th quarter average reaching \$17.81 per square foot, from a low of \$17.63 in 2013. The vacancy rate has also improved, declining from a high of 25.7% in 2013, and currently stands at 21.7%.

Citywide Retail Space

Des Plaines retail lease rates have improved over the past five years, with a current rate of \$14.79 per square foot. Vacancy rates continue to decline, with a 4th quarter rate of 7.0% down from last quarter's 7.6%, and beating 2008's vacancy rate of 7.3%. This current vacancy rate is lower than that of Arlington Heights, Elk Grove Village, Mount Prospect, and Park Ridge. A total of 30,488 square feet of retail space was leased or removed from the market during the fourth quarter of 2015.

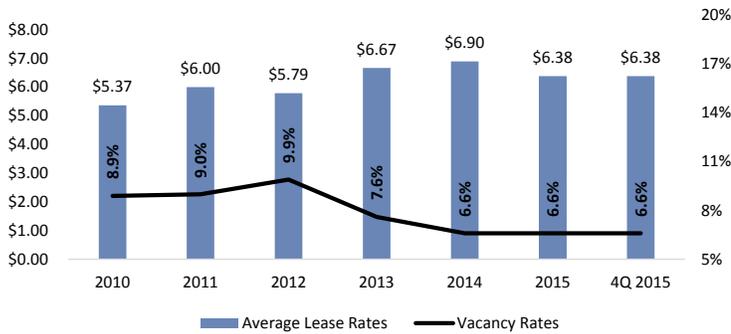
Citywide Average Retail Lease and Vacancy Rates



Citywide Industrial Space

Des Plaines is situated within the highly desirable O'Hare industrial submarket. As expected within this market, leasing activity has remained both consistent and strong from 2014 to 2015 with a total of 37 leases signed in 2015, up just one deal from 2014's 36 leases. Vacancy rates also remained stable in 2015 at 6.6%, the lowest rate of all surveyed municipalities except Rosemont and Park Ridge, with an average lease rate of \$6.38 per square foot. A total of 349,808 square feet of industrial space was either leased or removed from the market during the fourth quarter of 2015.

Citywide Average Industrial Lease and Vacancy Rates



Commercial Sales

Within the last year, seven office properties worth \$3,385,000 have sold, with the \$2,100,000 sale of the office complex at 2434 East Dempster Road being the most significant sale. A total of 37 commercial sales transactions occurred in 2015, up just one sale from 2014's 36 sales. The past year has seen eleven sales within the retail sector worth \$11,502,000, with the recent \$4,490,500 (\$134.97 per square foot) sale of an 8 acre parcel at 77 Rand Road being the most significant chunk of those sales. Twelve industrial sales took place with a total valuation of \$19,770,000; the \$4.3 million sale of the United Feather and Down facility at 414 East Golf Road (\$37.86 square foot) being the largest.

Previous Year Total Property Sales by Category



2015 BUSINESS INCENTIVE & DEVELOPMENT ACTIVITY

2015 Cook County Property Tax Incentive Applications

The City of Des Plaines supports the Cook County Property Tax Incentive program which is intended to encourage commercial and industrial rehabilitation and redevelopment, attract new industry, stimulate expansion and retention of existing industry, and increase employment opportunities. In 2015, the City completed review and provided support for five property tax incentives, spurring \$26,212,580 in capital building improvements, and bringing a total of 383 new jobs to Des Plaines.

Company / Tenant	Type	Address	Building Improvements	Carry Over Jobs	New Jobs
VIP Tech Electric/Multiple Tenants	6b	45 E. Bradrock Dr.	\$ 300,000	15	10
Mariano's/NEW Building	7b	10 E. Golf Rd.	\$ 24,125,731	0	300
Clingan Steel	6b	520 Santa Rosa Dr.	\$ 585,500	2	4
Cozzini Bros.	6b	350 Howard St.	\$ 501,349	0	12
Ampol Group	6b	521 Santa Rosa Dr.	\$ 700,000	15	25
		Total	\$ 26,212,580	32	351

Business Assistance Program

The City of Des Plaines provides a Business Assistance Program encompassing five grants designed to attract new business to the City and improve storefronts city-wide. In 2015, the City awarded \$140,831 in reimbursements to 12 businesses, supporting \$338,745 in capital building improvements. The five grant programs include:



Forever Yogurt Grand Opening, Metropolitan Square

- **Awning Program**
75% of eligible costs up to \$5,000
- **Facade Rehabilitation Program**
50% of eligible costs up to \$20,000
- **Multi-Unit Retail Grant Program**
50% of eligible costs up to \$50,000 per site
- **Outdoor dining program**
50% of eligible costs up to \$10,000
- **Interior build-Out Program**
50% of eligible costs up to \$15,000 for businesses locating to vacant storefronts

2015 Des Plaines Development Pipeline

Development Pipeline	Project Address	Details	Status
Lee St. Assisted Living	959-971 Lee St.	68 room assisted living project	Entitlements complete.
Buckingham Place	800 Northwest Hwy.	270 Apartments, 129 Townhomes	Entitlements complete.
Mariano's	10 E. Golf Rd.	New 73,317 square foot store	Under demolition. 2016 construction start.
Sky Chef's International	200 E. Touhy Ave.	131,000 square foot headquarters	Occupied.
Over the Rainbow	751 Graceland Ave.	33 independent living apartments for physically disabled	Approved. Awaiting permits.
Lexington Townhomes	783-841 Lee St.	58 townhome units downtown	Entitlements complete.
O'Hare Lake Office Park	2200-2250, 2300, 2350-60, 2400 Devon	47.9 Acre rezoning to C-7 zoning	Rezoning approved. Future development requires PUD approval.
Speedway	885-911 E. Touhy Ave.	3,936 square foot gas station with 10 gas/ 4 diesel pumps	Approved. Under construction.
Ellinwood East	1585-1575 Ellinwood St.	103 luxury apartments downtown	Awaiting application.
Asbury Assisted Living	1750 S. Elmhurst Rd.	67 room addition to assisted living facility	Under construction.
Colfax Crossing	300 Western Ave.	7.7 Ac. Site, 101 townhomes	Site development has begun.
Mannheim/Higgins RFP	2985-3003 Mannheim Rd.	City owned site	RFP proposal for gas station, restaurants, hotel.



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