Retail leasing activity and rents on the rise

11.1%	$19.02	14.5%	9.3%	110.5
▼ Vacancy Rate	▲ NNN / Lease Rate	▼ Neighborhood Vacancy	▼ Power/Community Vacancy	▼ Consumer Confidence

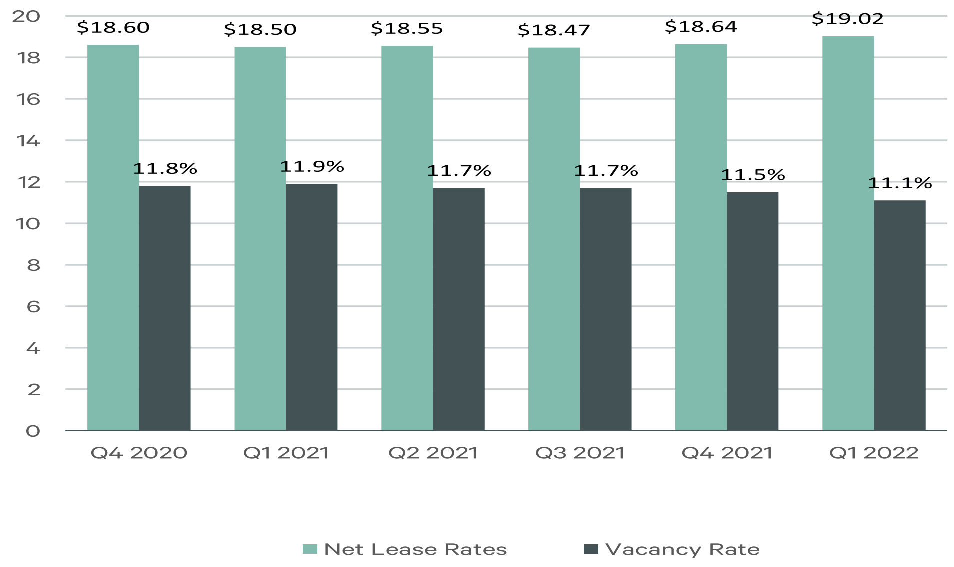
Note: Arrows indicate change from previous quarter.

QUICK NOTES

- In River North/Gold Coast, Whole Foods opened a 66,000-SF store inside the new One Chicago high-rise at 3 W. Chicago Avenue
- National Retail Federation anticipates strong job/wage growth and declining unemployment
- According to the U.S. Census Bureau, grocery store sales increased 9.4% from $694.3 billion in 2019 to $759.7 billion in 2020
- U.S. inflation reached a 40-year high, according to the Bureau of Labor Statistics
- U.S. total retail sales (excluding auto) increased 8.4% year-over-year in 2022 and 18% compared to pre-pandemic spending (2019) according to Mastercard SpendingPulse
- Key consumer spending trends in March included airline travel/growth up 44.8%, restaurants up 19.1% and lodging increasing 6.4%
- No new retail bankruptcy filings took place from mid-September 2021 through mid-February 2022; this momentum is expected to continue in the first half of 2022

Source: ICSC survey of U.S. consumers

FIGURE 1: Chicago Retail Vacancy and Lease Rates since Q4 2020



Source: CBRE Research, Q4 2021

Market Overview

Leasing in the Chicago retail market was on the rise. A strong indicator of this was the increase in absorption of small shop and big box space. This supported the vacancy rate's steady decline of 40 basis points (bps) quarter-over-quarter, now standing at 11.1%. Lack of new inventory and a decline in retailer bankruptcies are two contributing factors to the decrease in vacancy. Big box space saw the highest absorption in several years, as tenants including entertainment, discount retailers and home décor filled those vacancies. After the Illinois mask mandate was lifted in late February, signs of recovery grew as consumers began more in-store purchases and dining out at restaurants. Retailers across-the-board took themselves off pause and went forward with their pre-pandemic expansion plans.

Urban retail expansion was off to a great start. Chicago-based café and upscale convenience store Foxtrot Market announced three new store openings this spring in the Loop, Magnificent Mile and Wrigleyville. The Magnificent Mile location opened in late April at the Tribune Tower, 435 N. Michigan Avenue.

Another hopeful sign for retail was the sale of the 196,000 SF Neiman Marcus building at 737 N. Michigan Avenue. This sale is a great indicator of the confidence investors have in the long-term viability of Michigan Avenue. Investors are attuned to the fact that urban market rent growth generally outpaces suburban and tertiary markets and are willing to bet on the future.

US. retail sales increased moderately in February as costs of fuel and food began to soar. As for future retail sales growth, the National Retail Federation (NRF) forecasted retail sales to grow between 6 percent and 8 percent to more than $4.86 trillion in 2022.

FIGURE 2: : Q1 Top Retail Lease Transactions

TENANT	Address	Size (SF)
Wayfair	Edens Plaza, Wilmette	160,000
Forman Mills	North Riverside Park Mall, North Riverside	94,000
At Home	The Grove, Downers Grove	86,000
AMC Theatres	NewCity, Chicago	51,894
AMC Theatres	Church Street Plaza, Evanston	50,000
Sky Zone	Church Street Plaza, Evanston	32,000
Burlington	Stratford Crossing, Bloomingdale	27,726
Goodwill	Burbank Station, Burbank	25,337
Ross Dress For Less	Evanston Center, Evanston	23,500

Source: CBRE Research, Q1 2022

Leasing Activity

The top retail lease transactions executed in Q1 totaled 264,500 SF and were located within the North, Far West, West, Southwest and City North submarkets.

In the North suburbs, two entertainment leases were signed at Church Street Plaza, 1711 Maple Avenue in Evanston: AMC Theatres for 50,000 SF and Sky Zone for 32,000 SF. Wayfair signed a 160,000 SF lease for its first Midwest brick-and-mortar location at Edens Plaza in Wilmette. It will occupy the vacant two-story building formerly home to Carson's. Ross Dress for Less backfilled the former Office Max location in Evanston Center, 2255 W. Howard Street.

The Far West, West and Southwest suburbs witnessed growth in the home décor, off-price department store, discount retailer and nonprofit categories. Home décor concept At Home signed an 86,000 SF lease at the newly renovated Grove Shopping Center, 1212 W. 75th Street in Downers Grove. Off-price department store Burlington signed a lease for 27,726 SF at Stratford Crossing, 140 S. Gary Avenue in Bloomingdale. In the West suburbs, discount retailer Forman Mills will take the 94,000 SF second-floor former Sears anchor space at North Riverside Park Mall, 7501 Cermak Road in North Riverside. In the Southwest suburbs, Goodwill will backfill the former 25,337 SF HomeGoods store at Burbank Station, 7706-7750 S. Cicero in Burbank.

In addition to signing a lease in Evanston, AMC Theatres signed a new lease in Lincoln Park at the former Arclight Cinemas space in New City, 1457 N. Halsted Street.

Consumer Confidence

The Conference Board Consumer Confidence Index decreased in January and now stands at 110.5. According to Lynn Franco, Senior Director of Economic Indicators at the Conference Board, concerns about inflation rose again in February, after posting back-to-back declines. Despite this reversal, consumers remain confident about short-term growth prospects.

FIGURE 3: Q1 2022 Consumer Confidence; Index value (1985=100)

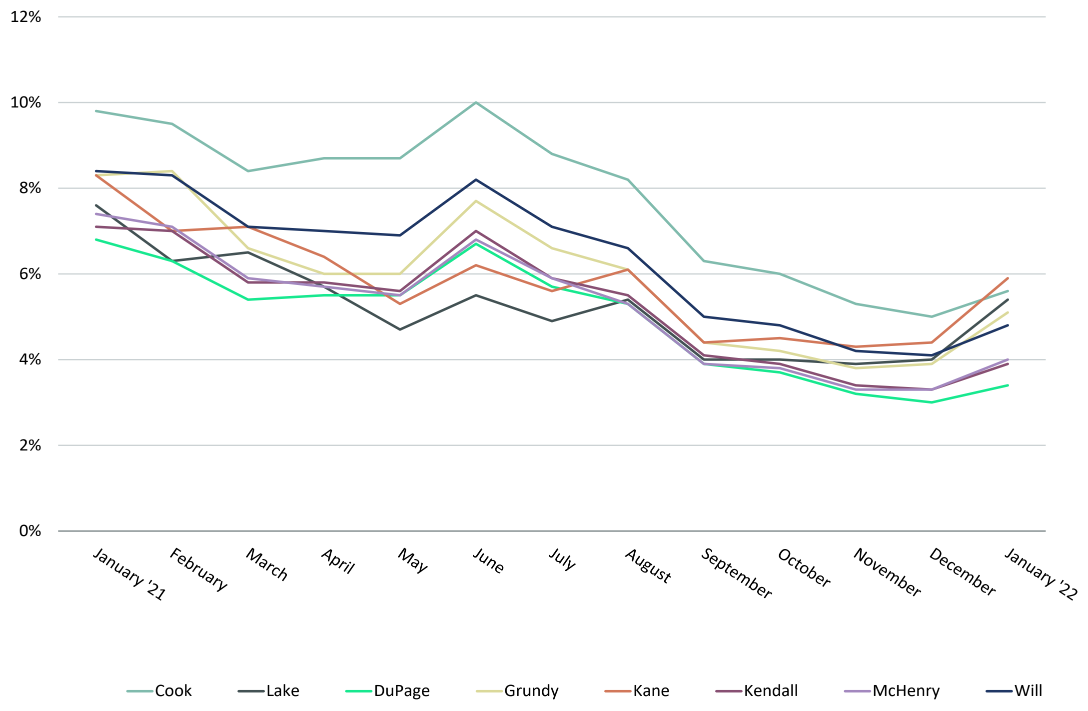
Source: Consumer Confidence Board, Q1 2022

Economic Overview

The exclusion of Russian oil and gas from global markets is pushing up gasoline prices for U.S. consumers already rattled by inflation. American consumers are more sensitive to energy prices shifts than those in other OECD countries. Energy prices will likely remain heightened throughout this year, which will increase our inflation forecast to over 6% for 2022.

The prospects of weaker global growth—especially in Germany and China—and rising interest rates are causing some alarm. Bond markets are pricing in rate hikes through 2023 with a terminal Fed Funds Rate of 3% to 3.5%. On the upside, consumer demand should remain heightened this year driven by excess savings, especially among more affluent households, and a very strong labor market. This should translate into another year of above-trend annual growth, at 2.4%. It is possible that these tailwinds will fade quicker than the downside risks and weaker economic growth should be expected next year. The beginnings of an inverted yield curve are hinting at a recession in 2023. This is not our base case, and there is plenty of momentum left in the U.S. economy, but medium-term risks are rising, with an increasingly hawkish Fed. being the main cause for concern.

FIGURE 4: Unemployment Rates by County, not seasonally adjusted (as of December 2021)



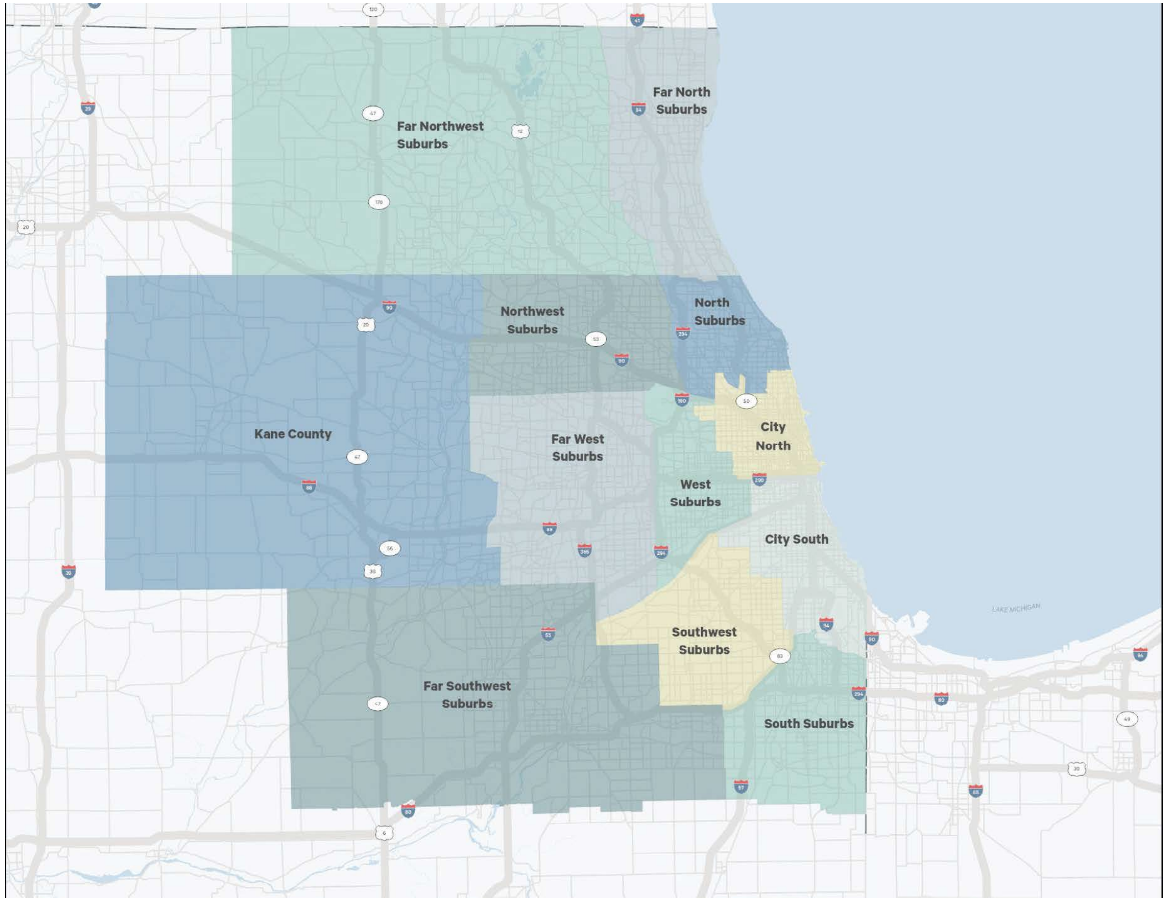
Source: CBRE Research, data.bls.gov

FIGURE 5: Retail Market Statistics

SUBMARKET	# of Properties	Gross Building (Sq. Ft.)	Vacant Area (Sq. Ft.)	Vacancy Rate (%)	Average Asking Lease Range ($/Sq.Ft.)	
					LOW	HIGH
Far NW Suburbs	86	13,729,884	1,120,463	8.2%	16.71	21.39
NW Suburbs	103	17,149,248	2,489,873	14.5%	17.10	21.78
Far North Suburbs	42	7,765,519	696,445	9.0%	13.84	16.95
North Suburbs	56	9,503,927	789,640	8.3%	17.60	23.06
Far West Suburbs	141	22,865,632	3,221,027	14.1%	15.02	17.54
West Suburbs	47	8,618,717	617,496	7.2%	16.54	20.23
City North	64	9,214,679	862,389	9.4%	20.04	25.24
City South	47	7,372,656	778,213	10.6%	19.31	23.73
Far SW Suburbs	71	13,413,212	946,402	7.1%	17.18	18.65
SW Suburbs	68	10,996,814	1,372,510	12.5%	14.97	16.13
South Suburbs	49	7,038,593	1,327,771	18.9%	14,54	18.86
Kane County	67	11,802,657	1,285,506	10.9%	13.91	16.85
TOTAL	**841**	**139,471,538**	**15,507,735**	**11.1%**	**17.16**	**20.87**

Source: CBRE Research, Q1 2022

Market Area Overview Map



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