

TAKE YOUR OFFICE SEARCH TO THE NEXT LEVEL

With the right guidance, growing, dynamic companies can find their niche in the competitive Chicago real estate market.

By: Sameena Mustafa Basit

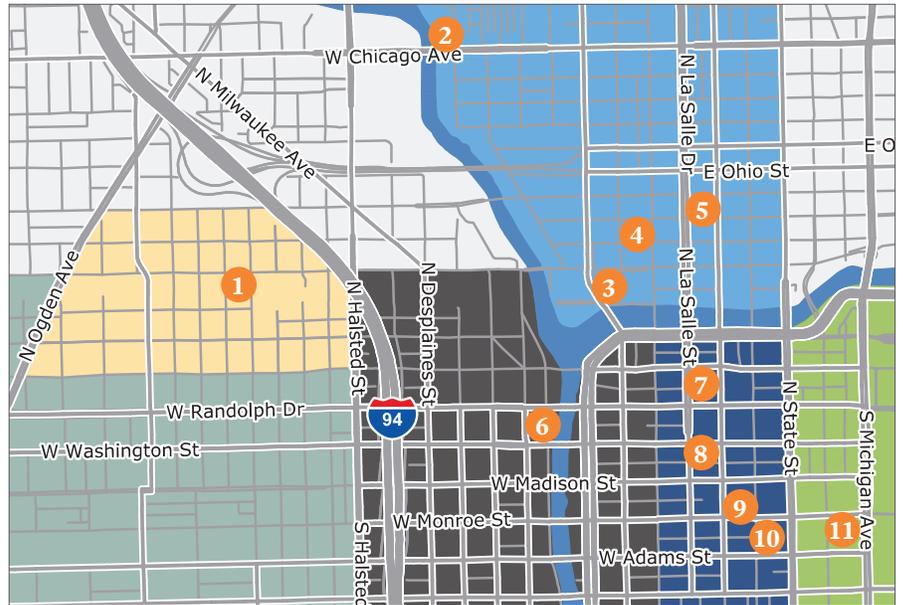
The technology scene is witnessing tremendous growth. According to Built in Chicago, funding to Chicago start-ups has increased 169% from 2012 to 2013. This additional funding has the best of the best go from fledging idea to growing company in no time. With the growth, operational challenges start to multiply as well. Perhaps the biggest of these challenges involves real estate, which is one of the largest line items on a company's balance sheet.

In a recovering economy where office space is getting tighter, the challenges are heightened. The right space at the right price can foster a culture to help you attract the talent necessary for success. The wrong location or a lease under dubious terms could undermine the very viability of a business.

Major company relocations from the suburbs to downtown by **Motorola Mobility** and **Gogo**, as well as expansions by **kCura**, **Fieldglass**, **Vivid Seats** and **Punchkick Interactive** illustrate that the pendulum is beginning to swing in favor of the landlords, especially in the **River North** submarket.

The competitive office conditions may be particularly acute for smaller, entrepreneurial companies that often focus narrowly on the brick and timber loft buildings common in **River North**. With a total inventory of just over 17 million square feet, the **River North** submarket continues to record positive net absorption, which helped keep the vacancy rate at only 9.4% at the end of the first quarter.

While landing the right space is tough, here are a few considerations that can help companies stay nimble and successfully navigate through the commercial office space market in downtown Chicago.



● Fulton Market
 ● River West
 ● West Loop
 ● River North
 ● Central Loop
 ● East Loop

- | | |
|---|--|
| <p>1 1000 W FULTON STREET
Google</p> <p>2 600 W CHICAGO AVENUE
Groupon, Lightbank, InnerWorkings</p> <p>3 222 MERCHANDISE MART PLAZA
Motorola Mobility, 1871, GoHealth</p> <p>4 222 W HUBBARD STREET
Centro</p> <p>5 111 W ILLINOIS STREET
Salesforce</p> <p>6 111 N CANAL STREET
Gogo, Fieldglass, Vivid Seats</p> | <p>7 231 S LASALLE STREET
kCura</p> <p>8 111 W WASHINGTON STREET
Grubhub</p> <p>9 55 W MONROE STREET
Fruition Partners</p> <p>10 131 S DEARBORN STREET
Sprout Social</p> <p>11 55 E MONROE STREET
Punchkick Interactive</p> |
|---|--|



Consider River West/Fulton Market This submarket west of Halsted Street has become a new start-up hub due to the gravitational pull around the **1K Fulton** development anchored by **Google**. Due to this, the availability within the submarket is 13.2% compared to 24.1% in the 1st quarter of 2011. Although this seems close to **River North** numbers, this area is still growing. Multiple developers and landlords are scooping up industrial buildings and land sites, causing everyone to watch and see how this submarket evolves.

Don't Discount Established Parts of the Loop Later-stage startups have begun to migrate to areas like the **Central** and **East Loop** to capitalize on the competitive rates and lease terms available. These companies understand that a creative interior build-out can foster the right culture and collaborative work environment—one that can help a dynamic young company attract and retain talent. The infrastructure of an older brick and timber building may not be up to par for the needs of today's tech-focused startup. Also, access to transit and proximity to clients and partners could be the elements that help drive growth at a new venture.

Investigate Sublease Space Expanding search parameters to include sublease space could also increase the chances of finding the right space for the right price. Yes, sublease transactions have their drawbacks, especially depending on the strength of the sublessor and the lack of funds offered to retrofit a space. However, a sublease could enable a company to ink a shorter-term deal in a potentially furnished and wired space that might not be otherwise possible. In turn, this could give the business a chance to mature, thus buying more time to better project long-term growth and space needs.

Expect Growth within the Office Find a space at a building that can give you room to grow. As mentioned earlier, markets with higher vacancy and availability rates can offer better expansion rights than others. Also, the perfect office space today may not meet your needs even a year from now. Having expansion rights helps you focus on growing your business instead of another move.

Know Your Landlord At times, buildings will offer tempting incentive packages. An owner with distressed properties, shaky financials and a bad track record may make many open-ended promises that lead you astray. Make sure you do some investigation. Due diligence on the owner's portfolio, financials and history can help you avoid problems down the road.

Although the real estate challenges for your company may sound daunting, remember that success is never out of reach. Partnering with an expert who has experience, deep knowledge of the market and the right relationships can help guide you through the process.