



GOODMAN WILLIAMS GROUP
— REAL ESTATE RESEARCH —

Downtown Des Plaines

Market Assessment | CMAP

March 29, 2018

VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

Outline

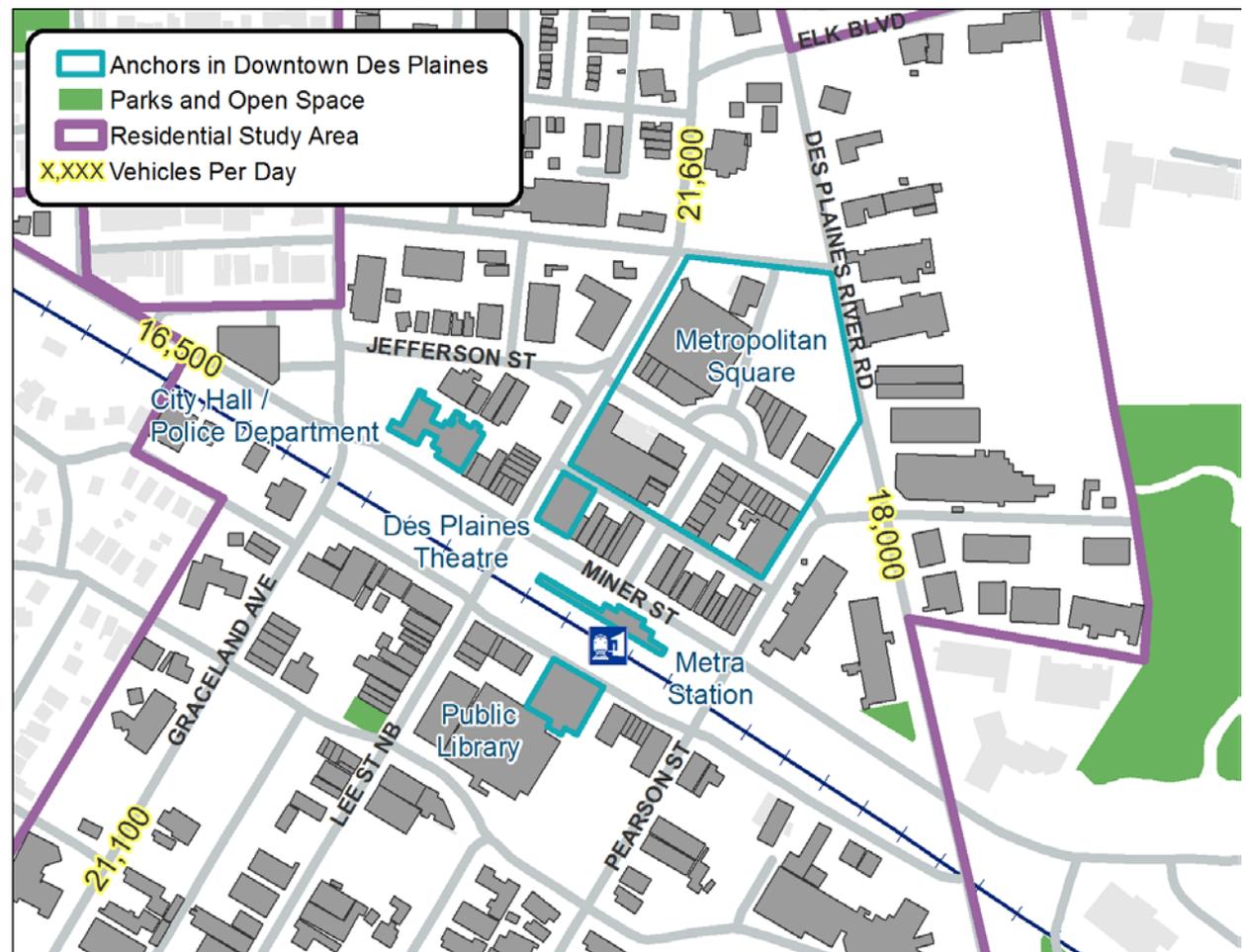
- 01 Overview
- 02 Demographics
- 03 Residential Market
- 04 Retail/Restaurant Market

OVERVIEW

Existing Downtown Assets

- According to RTAM, the Des Plaines Metra station had a daily average of 1,142 boardings and 1,201 alightings in 2016
- Metropolitan Square shopping center anchored by Shop & Save Market
- New four-story Public Library opened in 2000
- City Hall / Police Department
- Des Plaines Theatre is currently vacant, but the City plans to acquire it to rehab and reprogram
- Heavily travelled arterials
 - River Road
 - Mannheim/Lee Street
 - Graceland Avenue
 - Miner Street

These assets and nearly 500,000 SF of office space located in the Study Area ensure a high daytime population



DEMOGRAPHICS

DRAFT



DEMOGRAPHICS

Population and Household Trends

Population & Household Trends

	Study Area			City			CMAP Region		
	<u>2010</u>	<u>2017</u>	<u>Change</u> <u>2010-2017</u>	<u>2010</u>	<u>2017</u>	<u>Change</u> <u>2010-2017</u>	<u>2010</u>	<u>2017</u>	<u>Change</u> <u>2010-2017</u>
Population	4,019	4,259	6.0%	58,364	59,445	1.9%	8,431,386	8,637,274	2.4%
Households	2,465	2,611	5.9%	22,700	23,160	2.0%	3,088,156	3,167,002	2.6%
Families	1,025	1,080	5.4%	14,824	14,958	0.9%	2,043,602	2,071,088	1.3%
Avg. Household Size	1.62	1.62	0.0%	2.53	2.54	0.4%	2.68	2.68	0.0%

Source: U.S. Census Bureau and Esri, Inc. (2017 estimate)

- The Study Area is home to 7.2% of the population of Des Plaines
- Since 2010, the population of the Study Area has increased by 6.0% – a rate higher than that of the City of Des Plaines and the CMAP region as a whole
- The average household size within the Study Area is just 1.62 people, compared to 2.54 for the City and 2.68 for the CMAP region
- More than 50% of households within the Study Area are comprised of just one person

The small average household size in the study area is due to the predominance of multifamily housing, which tends to draw smaller households in general, as well as the relatively large number of senior households (see next slide), which are likely comprised of one or two people.

DEMOGRAPHICS

Population by Age

Population by Age												
Age	Study Area				City				CMAP Region			
	2010		2017		2010		2017		2010		2017	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
0-19	567	14.1	609	14.3	13,074	22.4	12,359	20.8	2,346,937	27.8	2,241,117	25.9
20 - 24	132	3.3	131	3.1	3,213	5.5	3,076	5.2	556,065	6.6	576,057	6.7
25 - 34	715	17.8	602	14.1	7,565	13.0	7,836	13.2	1,233,984	14.6	1,279,542	14.8
35 - 64	1,536	38.2	1,640	38.5	24,519	42.0	24,264	40.8	3,342,374	39.6	3,350,979	38.8
65+	1,069	23.6	1,277	30.0	9,993	18.1	11,912	20.0	952,026	13.5	1,189,579	13.8
Total	4,019	100.0	4,259	100.0	58,364	100.0	59,447	100.0	8,431,386	100.0	8,637,274	100.0
Median	46.7		49.7		42.2		43.5		35.7		36.9	

Source: U.S. Census Bureau and Esri, Inc. (2017 estimate)

- The median age of Study Area residents is 49.7 years – significantly higher than both the City and CMAP region as a whole
- 30% of Study Area residents are 65 or older, compared to 20% for the City and 13.8% for the CMAP region
 - Demand for housing for older residents will continue to grow
- Conversely, the number of Study Area resident ages 25-34 is lower than the CMAP region as a whole
 - Additional housing options for this age group would add diversity to Downtown
- There are also relatively few children living in the Study Area.

Demographic analysis suggests two primary areas of residential opportunity in the Study Area: 1) a continued need for housing for an aging population, and 2) the need to bring a more age-diverse population to the Downtown – specifically young adults age 25-34. Bringing young professionals and families to the area will help to create a more balanced population base that will support new commercial and recreational amenities.

DEMOGRAPHICS

Households by Income

- The median household income within the Study Area is \$57,803 – likely reflective of the large number of seniors and single person households
- However, 1,543 households (59.1%) within the Study Area have incomes of \$50,000 and above – a level that is supportive of new rental apartments, townhomes, and commercial development
- Most of these higher income households are in the 45 – 54 age cohort

Households by Income						
Household Income	Study Area		City		CMAP Region	
	No.	%	No.	%	No.	%
<\$15,000	269	10.3	1,438	6.2	311,446	9.8
\$15,000 - \$24,999	276	10.6	1,896	8.2	271,164	8.6
\$25,000 - \$34,999	243	9.3	2,065	8.9	252,037	8.0
\$35,000 - \$49,999	281	10.8	2,781	12.0	367,771	11.6
\$50,000 - \$74,999	575	22.0	4,173	18.0	527,139	16.6
\$75,000 - \$99,999	378	14.5	3,570	15.4	404,953	12.8
\$150,000 - \$199,999	145	5.6	1,706	7.4	242,270	7.6
\$200,000+	93	3.6	1,393	6.0	274,989	8.7
Total	2,612	100.0	23,159	100.0	3,166,994	100.0
Median	\$57,803		\$68,830		\$66,148	
Average	\$74,513		\$87,840		\$94,380	

Source: Esri, Inc. (2017 estimate)

Households by Age of Householder & Income						
Des Plaines Study Area						
Households	<25	25-34	35-44	45-54	55-64	65<
<\$24,999	18.8%	14.4%	14.1%	12.6%	17.7%	29.4%
\$25,000 - \$49,999	18.8%	18.9%	15.5%	14.3%	16.1%	25.6%
\$50,000 - \$74,999	34.4%	25.9%	22.9%	23.6%	21.9%	19.6%
\$75,000 - \$99,999	12.5%	17.8%	17.7%	16.0%	15.6%	11.4%
\$100,000 - \$149,999	12.5%	15.2%	18.3%	17.7%	16.8%	8.6%
\$150,000+	6.2%	6.0%	11.5%	16.1%	13.9%	5.6%

Source: U.S. Census Bureau and Esri, Inc. (2017 estimate)

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Existing Housing Profile

Housing Occupancy, Vacancy, and Tenure Trend

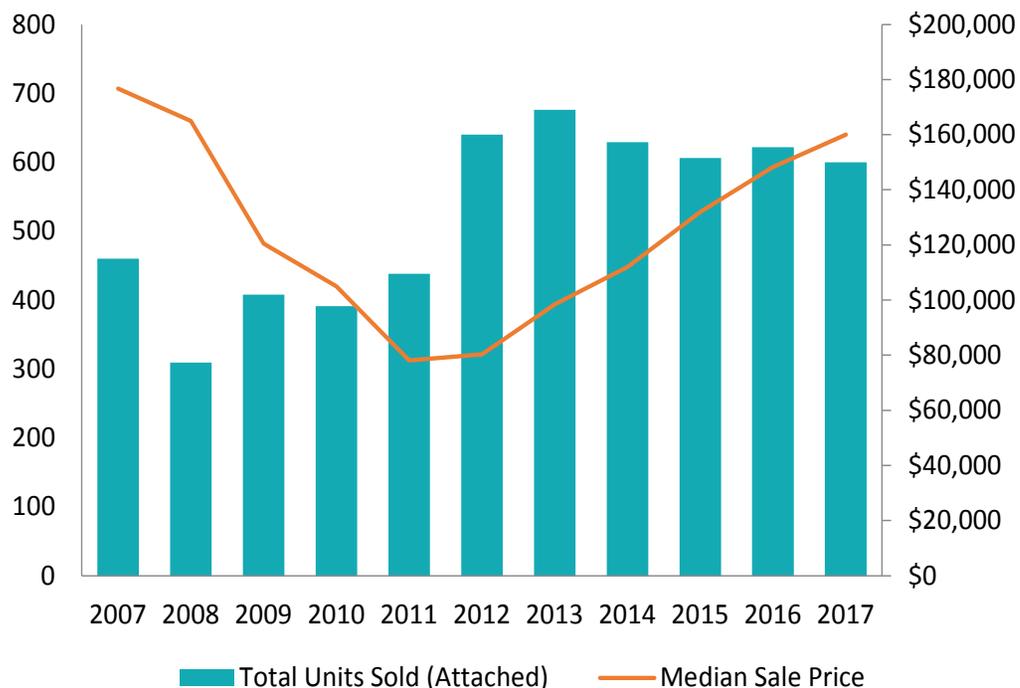
<u>Attribute</u>	<u>Study Area</u>	<u>City</u>	<u>Study Area Percent of City</u>
Housing units	2,917	24,486	11.9%
Owner-occupied	1,837	17,868	10.3%
Percent	70.3%	77.1%	N/A
Renter-occupied	775	5,293	14.6%
Percent	29.7%	22.9%	N/A
Vacant housing units	306	1,326	23.1%
Percent	N/A	5.4%	N/A

Source: Esri, Inc. (2017 estimate)

- The Study Area comprises nearly 3,000 housing units – roughly 12% of the total in Des Plaines
- The percent renter-occupied housing units, at nearly 30%, is significantly higher in the Study Area than in the City as a whole, suggesting market support for rental housing within the Study Area
- Esri’s estimate of vacancy in the City shows a relatively tight market with a vacancy rate of just 5.4%

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For-Sale Market Trends



Source: Midwest Real Estate Data Multiple Listing Service

- Sales of MLS-listed homes in the City of Des Plaines are strong
 - Surpassed 2007 levels for the last six years
- Median sale prices, while strengthening, remain well below 2007 levels for both attached and detached housing units

While the quantity of townhome and condominium sales has increased since the recession, median home prices have not strengthened as quickly – though few markets in the Chicago area have seen prices revert to pre-recession highs. A positive trend seen in Chicago suburban communities is a strengthening of the townhome market, which is driven primarily by aging Millennials, oftentimes first-time buyers looking to start families. There are a number of townhome projects in and around Downtown Des Plaines that should help draw these demographics to the community. Meanwhile, in the Chicago region, very few markets outside of the City of Chicago are strong enough to support new condominium construction due to relatively lower pricing and challenges in obtaining development financing, including Des Plaines. Instead, suburban multifamily development post-recession has focused almost exclusively on the rental sector.

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Rental Apartment Market Trends

Apartment Market Trends
City of Des Plaines & Greater Des Plaines
Submarket



Source: Midwest Real Estate Data Multiple Listing Service

- In Des Plaines, market rate rental apartments are almost entirely older Class B and C developments
- Few new apartments have been added to the City since 2011
- From 2011 to 2017, average asking rents City-wide grew an average of 2.4% per year
 - This is slower than the 2.8% growth seen across the wider submarket that includes Elk Grove, Mount Prospect, Prospect Heights, Arlington Heights, and Wheeling
- Some of the other communities in the submarket have experienced a greater amount of new multifamily development, which increases overall average rents. However, these other communities also have large inventories of older apartment buildings whose units command lower rents.

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Rental Apartment Market Trends

Market Rate Rental Apartment Market Trends
City of Des Plaines

Year	Total Units	Avg. Size (Sq. Ft.)	Avg. Asking Rent		Occupancy (Percent)
			\$	\$/SF	
2000	3,089	822	\$846	\$1.03	98.6
2001	3,089	822	\$874	\$1.06	97.5
2002	3,089	822	\$875	\$1.06	96.0
2003	3,089	822	\$868	\$1.06	94.3
2004	3,089	822	\$865	\$1.05	93.6
2005	3,089	822	\$878	\$1.07	94.1
2006	3,089	822	\$931	\$1.13	94.9
2007	3,089	822	\$984	\$1.20	94.7
2008	3,089	822	\$1,007	\$1.23	94.9
2009	3,089	822	\$1,003	\$1.22	94.3
2010	3,149	836	\$1,047	\$1.25	95.5
2011	3,293	856	\$1,057	\$1.23	93.3
2012	3,293	856	\$1,073	\$1.25	95.8
2013	3,293	856	\$1,090	\$1.27	96.4
2014	3,299	856	\$1,141	\$1.33	96.7
2015	3,299	856	\$1,187	\$1.39	96.7
2016	3,299	856	\$1,249	\$1.46	96.2
2017	3,332	854	\$1,238	\$1.45	94.7

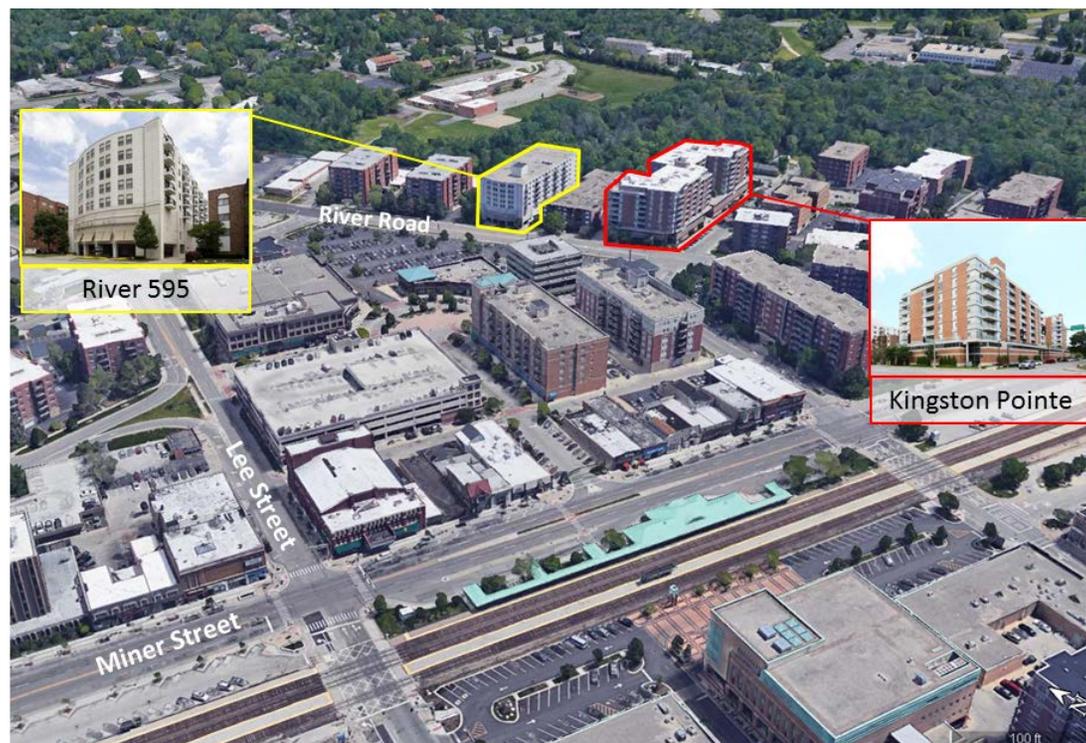
Source: CoStar

- The average asking rent City-wide stands at \$1.45 per square foot, compared to \$1.38 for the larger submarket area (includes Elk Grove, Mount Prospect, Prospect Heights, Arlington Heights, and Wheeling). The rent typically required to support the cost of new construction is \$2.25 to \$2.50
- City-wide occupancy rate, at 94.7%, is considered balanced and compares to 94.3% for the wider submarket
 - Occupancies within the City have fallen over the last two years
- The 150 basis point decrease in City-wide occupancy experienced in 2017 is followed a sudden 5.2 percent jump in rents (on a whole dollar basis) in 2016

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Existing Competitive Apartment Supply

- Des Plaines only has two Class A rental developments, both of which are downtown
 - Originally developed as condominium buildings
 - Current rents are \$1.68 per square foot
 - The low \$/SF is due in part to the large average unit sizes
 - These developments represent the highest rents in Des Plaines
- Current occupancy levels at both developments are approximately 90%
- Historic occupancy levels rise to the mid-90%'s during spring and summer



Newer (Class A) Rental Apartment Developments Des Plaines, IL

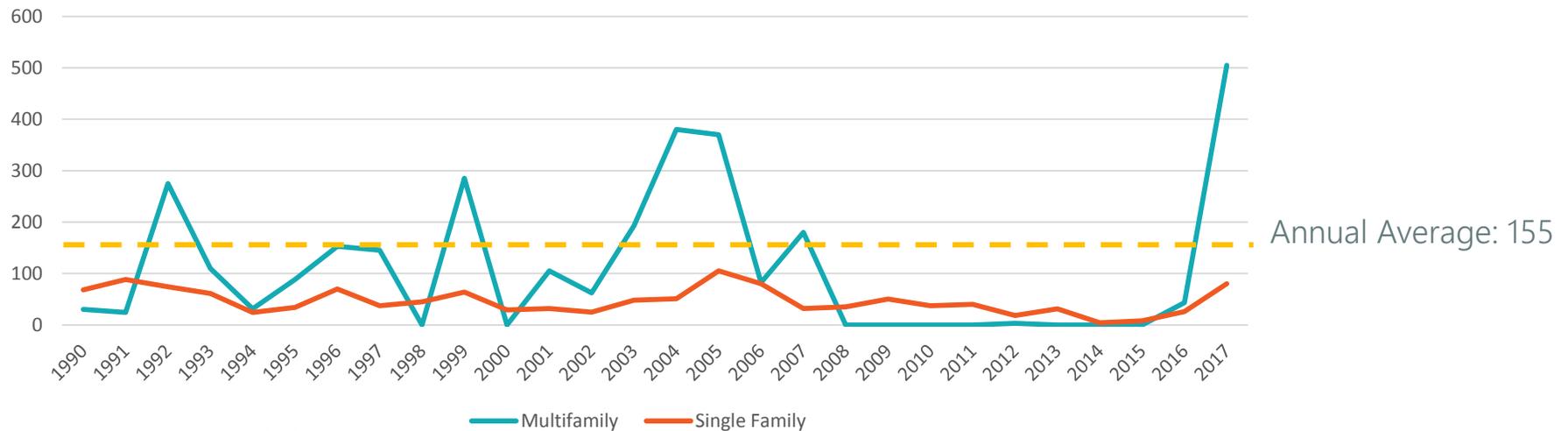
Name	Address	Stories	Units	Parking		Year Built	Avg. Unit Size (SF)	Avg. Asking Rent	Current Occupancy
				Spaces	Ratio				
Kingston Pointe	1646 River St.	9	144	175	1.2	2011	1,212	\$2,056	87.0%
River 595	595 S. River Rd.	7	60	98	1.6	2010	1,397	\$2,307	90.0%
Total/Average	--	--	204	137	1.4	--	1,266	\$2,130	88.0%

Source: CoStar and Goodman Williams Group

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Residential Construction Trends in Des Plaines

**Residential Building Permits Issued
Des Plaines, IL**



- The City has issued an average of 155 residential permits each year since 1990
 - 109 multifamily
 - 46 single family (detached and attached)
- In 2017 the City issued 505 multifamily and 80 single family permits
- The sharp rise in residential permits issued in 2017 can mostly be attributed to five developments (noted on the next slide).
- A change to the City's building code in 2015 allowed stick-built development, lowering multifamily development costs and resulting in a new wave of multifamily development.
- It is believed that historic trends will continue over the next ten years City-wide. Given land availability, much of this development is expected to be concentrated Downtown.

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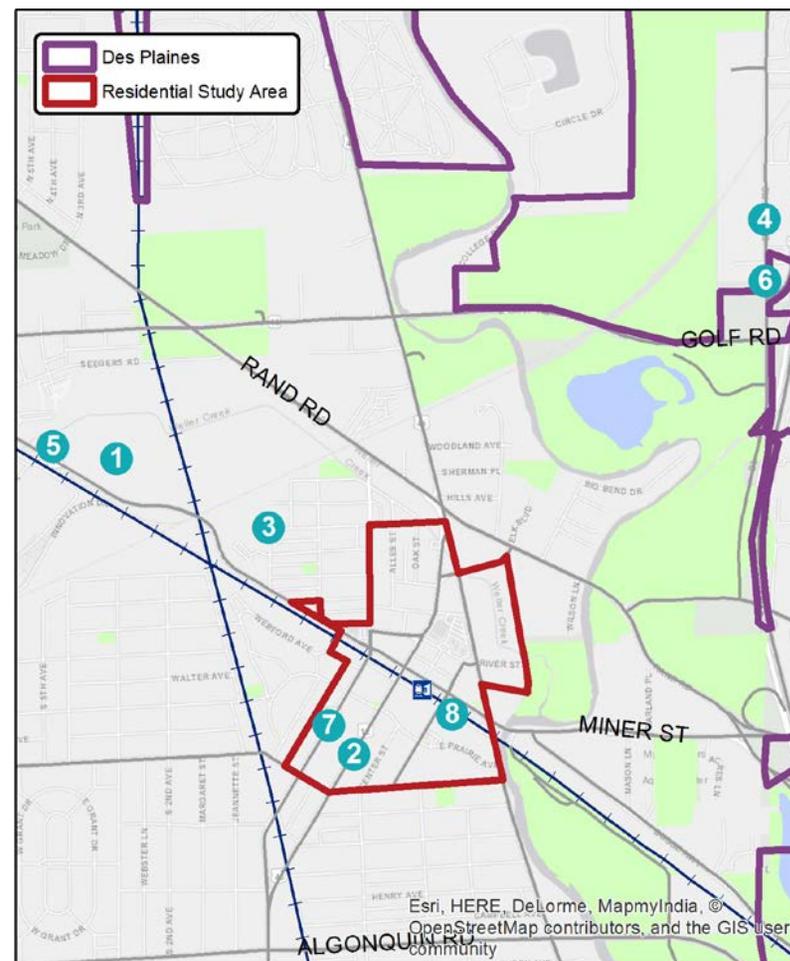
New Construction and Proposed Apartments and Townhomes in Des Plaines

Planned, Under Construction, and Recently Completed Residential Developments in Des Plaines, IL

Map ID	Development	Land Area (Acres)	Units	Type	Status
1	Buckingham Place - THs	21.0	130	Courtyard Townhomes	Under Const.
2	Lexington Pointe	3.3	58	Courtyard Townhomes	Under Const.
3	Colfax Crossing	5.5	101	Courtyard Townhomes	Under Const.
4	Dubin Single Family Dev.	6.5	38	Detached Single Family	Planned
5	Buckingham Place - Apts	21.0	297	Mid-rise Apartments	Under Const.
6	Covington Lexington Woods	7.5	236	Mid-rise Apartments	Under Const.
7	Midtown Crossing	0.3	33	Mid-rise Apartments	Complete (2017)
8	Opus Mixed-Use Dev.	0.8	113	Mid-rise Mixed Use	Planned
Total		65.8	1,006		
Rental Apartments		29.3	646		
Townhomes		29.8	289		
Sp. Needs Apartments		0.3	33		
Detached Single Family		6.5	58		

Source: City of Des Plaines, CoStar, and Goodman Williams Group

- More than 1,000 residential units are planned, under construction, or recently completed
- Lexington Pointe, Midtown Crossing, and the proposed Opus Mixed-Use Dev. – will bring over 200 units Downtown
 - 58 townhomes
 - 113 market rate rental apartments
 - 33 affordable special needs apartments
- New development in Des Plaines is primarily infill rental apartments and for-sale townhomes
- The parking code at 2 spaces per unit for multifamily has been a challenge for apartment developers. This high parking ratio is more appropriate for condominium developments, which tend to have a higher percentage of 2 and 3 bedrooms units than rental apartments. Further changes, such as a decrease in parking minimums, would encourage more multifamily development in the Downtown.

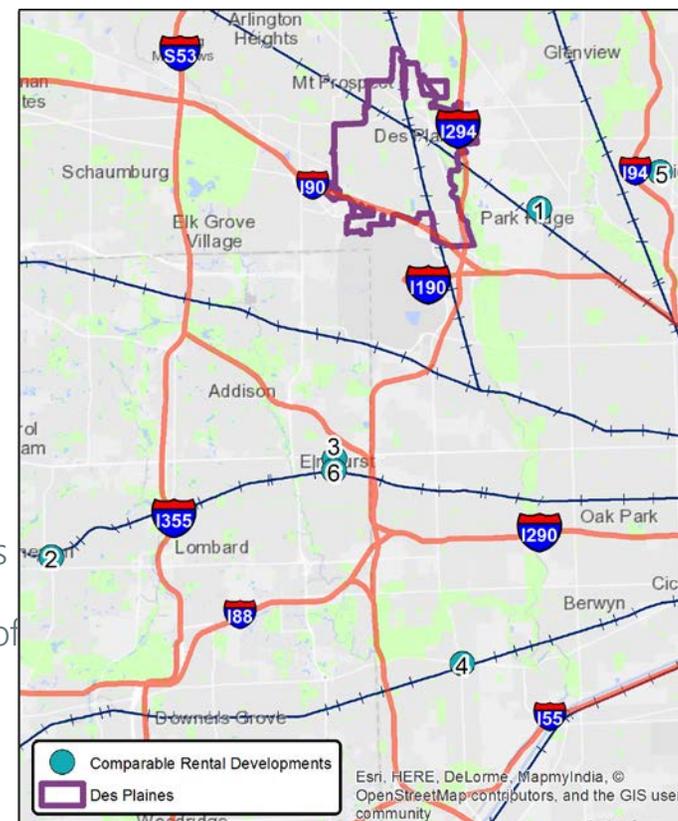


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Comparable Regional Apartments Developments

- Suburban Chicago apartment development has reached a level not seen since 1990s
 - Driven by demographic shifts, changing housing needs and desires, and strengthening regional employment
 - Many senior and empty-nester households are now opting for rental housing

- A number of rental apartment developments are proposed, under construction, or recently completed throughout the region in Metra-served downtown locations similar to Downtown Des Plaines
 - Average size of these developments is 171 units
 - Parking ratios range from 1.2 to 1.9 spaces per unit, average 1.5 spaces per unit, – a noticeable construction cost savings for developers
 - With average rents of \$2.34/SF, these developments represent some of the highest rents found in the west and northwest suburbs
 - These new units represent a much smaller average unit size as well as a much higher rent/sf ratio – important measurables for new construction.



Comparable Rental Developments in Downtown Suburban Locations

Map ID	Name	Location	Stories	Units	Retail (Sq. Ft.)	Parking		Avg. Unit Size (SF)	Avg. Asking Rent		Status
						Spaces	Ratio		\$	\$/SF	
1	Park 205 Apts.	Park Ridge	3	113	--	214	1.9	981	\$2,338	\$2.38	Complete (2015)
2	Courthouse Square	Wheaton	6	149	--	194	1.3	989	\$2,181	\$2.21	Complete (2016)
3	Elmhurst 255	Elmhurst	5	192	12,000	330	1.7	965	\$2,390	\$2.48	Complete (2016)
4	Uptown La Grange Apts.	La Grange	5	254	--	373	1.5	962	\$2,215	\$2.30	Complete (2017)
5	8000 Lincoln Ave.	Skokie	12	153	13,700	262	1.7	N/A	N/A	N/A	Proposed
6	Opus Mixed-Use Dev.	Elmhurst	6	164	7,600	199	1.2	N/A	N/A	N/A	Under Const.
Total/Average		--	6	171	11,100	262	1.5	974	\$2,281	\$2.34	--

Source: CoStar and Goodman Williams Group

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Existing Competitive Senior Supply

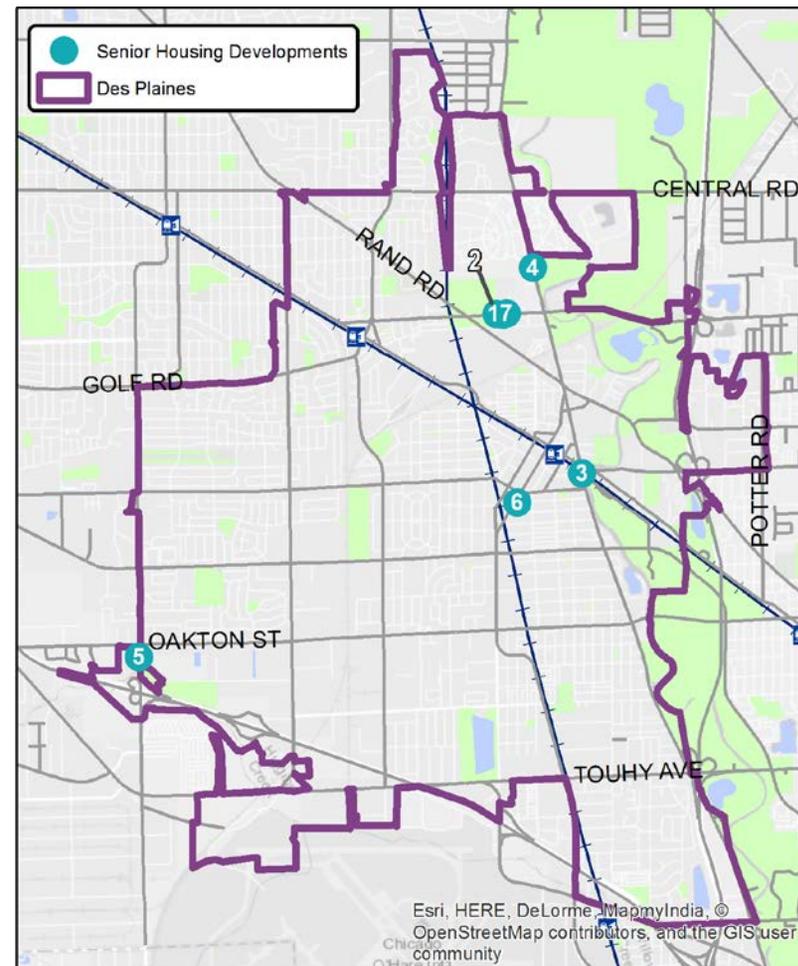
Senior Housing Developments Des Plaines, IL

Map ID	Development	Levels of Care	Units*	Affordability Level
1	Alden Des Plaines - Courts	Mem. Care	50	Market
2	Alden Des Plaines - Gardens	Asst. Living	75	Market
3	Brookdale - Heritage	Ind. & Asst. Living	180	Market
4	Presence Nazarethville - Des Plaines	Skilled Nursing	75	Market
5	Asbury Court	CCRC	150	Market
6	Henrich House	Senior	129	Affordable/Public
7	Frances Manor	Senior	75	Affordable

*Estimated Total 734

Source: CoStar and Goodman Williams Group

- Seven senior housing developments are located within Des Plaines
 - Only Brookdale – Heritage is located in the Study Area
- These developments offer a variety of care levels
 - Five are market rate
 - Two offer affordable units
- Despite an aging population, no new senior housing developments are planned in Des Plaines



Senior housing is defined as housing restricted to seniors age 55+ that offer some level of service for the older residents, however, residents of senior housing facilities are typically 75 or older. Levels of care can range from independent living – with very few additional services offered – to skilled nursing and/or memory care. In addition, many seniors who do not need additional services choose to live independently in their homes, “aging in place,” or move to new housing that offers amenities such as low maintenance living and single level and/or barrier free living.

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New Home Demand

Within a ten-year development horizon, demand for new residential units within the Study Area will be shaped primarily by the following:

- The largest drivers of growth is the changing housing needs and desires of the large Baby Boom and Millennial generations
 - Aging Baby Boomers will need additional housing options appropriate for seniors including:
 - Single level and/or barrier free living
 - Low maintenance units
 - Other options to age in place
 - Millennials desire walkable, urban environments with a high degree of social connectivity
- Demand will also be driven by the continued employment growth along the I-90 corridor and within Chicago's Central Area, including the office market and the recently announced expansion of Chicago O'Hare airport, projected to bring in thousands of new jobs.
 - Growth has been seen in these areas historically, and is expected to continue
 - Employment growth is a primary driver of demand for housing
- Existing assets within the Study Area include transit and freeway connectivity, walkability, access to commercial and recreational amenities, among others
- New Downtown commercial and recreational amenities will make the Study Area more desirable, and the expansion of Downtown housing options will draw new residents.
 - Increased Downtown vitality, including new restaurant, entertainment, cultural, and recreational amenities

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Likely Development Sites Over Next 10 Years

- The map shows 15.8 acres of developable land in the Study Area for residential development over the next ten years
- Additional development sites could be identified over the longer term as market conditions continue to strengthen.
- The three largest sites are located at the intersection of Lee Street and Prairie Avenue
 - Demolition has occurred on a portion of the largest of these sites
- Residential development on these sites would drive commercial demand and support existing and future businesses



Note: The potential development sites marked on the map were selected based on the following: likely to develop in the next ten years, suggested by the City, and greater than one acre in size

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Conclusions and Strategies

Conclusions :

Roughly 475-625 units could be developed within the Study Area over the next ten years, if the five identified development sites are developed at expected densities of 30-40 units per acre.

- Residential development is critical to add vibrancy to downtown and support for more restaurants and retail
- Near to mid-term demand for rental apartments, townhomes and senior housing
- No near-term demand for condominiums
- Denser condominium or rental apartments should be encouraged closer to the train station, with townhomes being encouraged slightly further from the Metra station on larger sites.
- Little existing competitive supply of rental apartments within the Study Area
- Demographic projections and past trends suggest that City-wide, an average of 150-160 units could be supported on an annual basis over the next 10 years
 - This is similar to the rate seen during the 1990s and 2000s
- During the next 10 years, five sites totaling 15.8 acres in the Study Area could support roughly 475 - 625 units of additional residential development
 - These new units would be in addition to the 171 units currently proposed or under construction

Strategies :

- Prioritize non-age restricted multifamily housing at higher densities to maximize residential potentials and attract a diversity of households to the Downtown
- Allow for lower parking ratios (1.5 is common in newer projects) to facilitate development feasibility
- Attract more retail and restaurants to serve existing residents and attract new households
- Redevelop and reprogram the Des Plaines Theatre

RETAIL



RETAIL

Ground Floor Commercial Inventory in TIF boundary

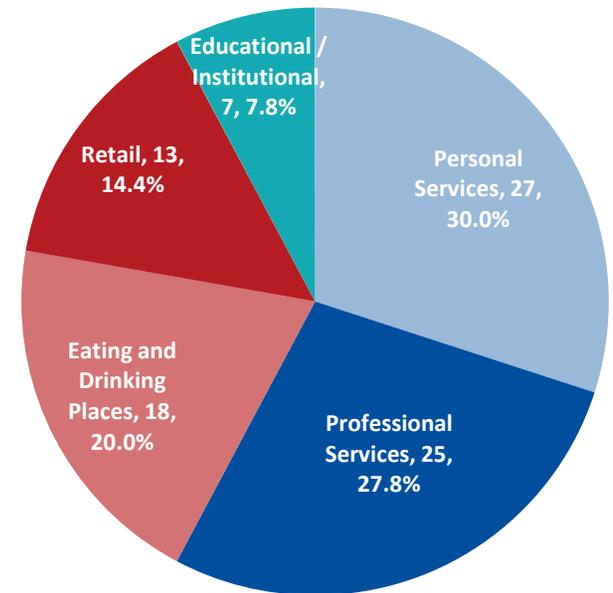


**Non-Commercial Use refers only to the first floor only – some of these buildings have commercial uses on the upper floors*

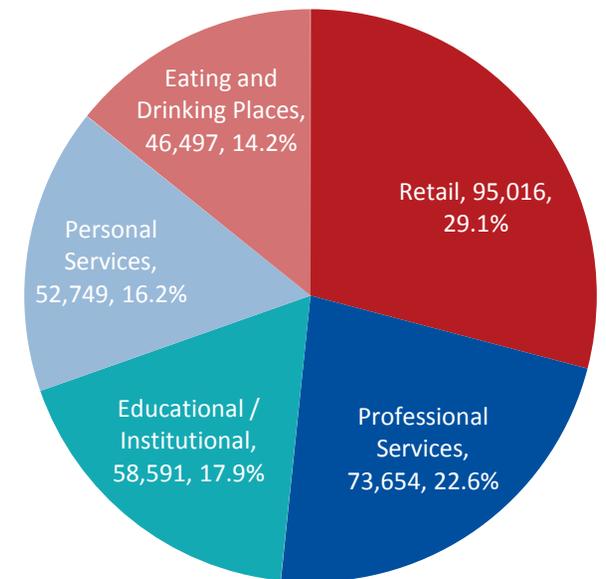
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Ground Floor Commercial Inventory in TIF boundary[1]

- Only 13 retail stores are in Downtown Des Plaines
 - Excluding the Shop & Save, the retail square footage in the Downtown TIF boundary totals approximately 51,416 square feet
 - Shop & Save comprises 46% of total retail square footage
- Personal services has the highest number of storefronts (27), but the second smallest footprint. Uses include:
 - Eleven salons
 - Six fitness uses
 - Four cleaners
- Professional services is the second largest category by storefronts (25) and square footage (73,654) and includes:
 - Ten medical offices
 - Ten financial service uses
 - Three law offices
 - Two real estate offices
- There are 18 eating and drinking places
 - Includes only one bar
- Educational and institutional uses comprise the smallest number of storefronts, but have the third largest footprint (includes the public library). These uses help boost the daytime population



Ground Floor Uses by Storefront



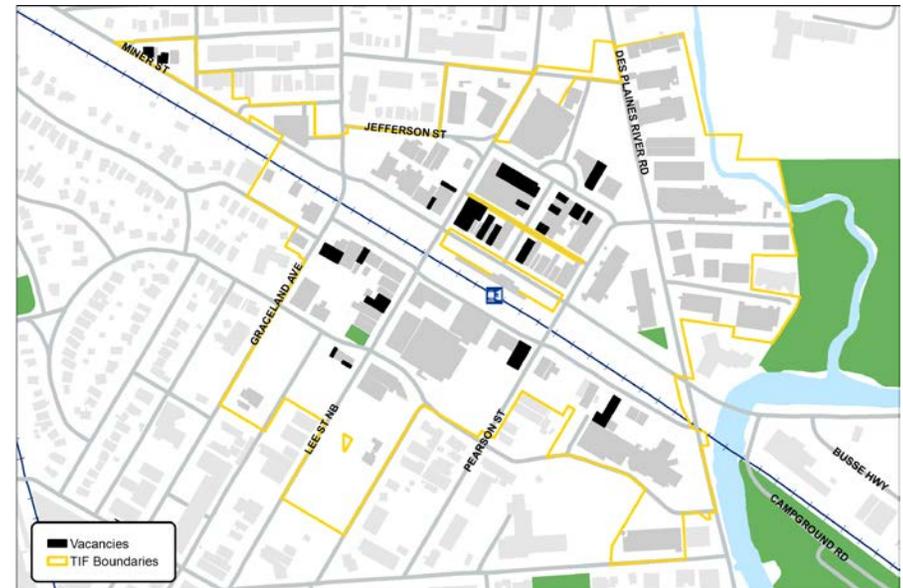
Ground Floor Uses by Square Footage

[1] Only the ground floor uses were inventoried, as these are the storefronts that attract the most patrons. Most of the space on floors 2 and higher are occupied by residential or office uses.

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Opportunities in Downtown TIF District

- Limited retail in Downtown and an abundance of service businesses
- 26 vacancies out of 116 total ground-floor storefronts in Downtown TIF District (22.4% of storefronts), based on field work conducted by the consultants in April 2018. The majority of vacancies inventoried are north of the Metra tracks: nine in Metropolitan Square alone, five along Miner Street (including the Des Plaines Theatre)
- Key vacant sites include [1]:
 - Former site of Leona's and other storefronts on Miner St. across from Metra station
 - 9 vacancies in Metropolitan Square
 - Adjacent buildings at 690-692 Lee St
 - Former site of Olivetti's
- Multiple buildings for sale along Miner and Lee Streets
 - 690 Lee St
 - 712-716 Lee St
 - 1280 Miner St
- Approximately 80,000 square feet (approx. 20%) of ground floor commercial space is currently vacant
- Leasing many of these vacant spaces is impeded by one of two issues: either restrictive covenants (in Metropolitan Square) or older building stock in need of upgrading



[1] At least two of the vacant spaces have the appropriate ventilation system needed by restaurants – the old Leona's site at 1504 Miner Street and the former site of Olivetti's at 1675 Ellinwood Avenue.

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Metropolitan Square Opportunities

- Metropolitan Square has 100,818 sq ft of ground floor commercial space, only 75% of which is occupied
- There is a good base of national tenants in Metropolitan Square currently, as well as tenants. Major tenants include:
 - Shop & Save (40,000 sf)
 - Potbelly Sandwich Works
 - Panera Bread
 - Tap House Grill
- Restrictive covenants are a large issue impacting the leasing of Metropolitan Square's multiple vacant spaces. These covenants prevent certain types of tenants from moving into vacant spaces. Included are casual dining chains, brew pubs, sports bars, and certain types of medical offices and personal service businesses
- Tabani Group purchased Metropolitan Square in late 2017 for \$13 million
- Current circulation patterns present challenges to access and visibility



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Metropolitan Square Opportunities

- The Lakota Group completed Concept Plans for the City that recommend new streetscaping, wayfinding, and placemaking improvements for the public spaces in Metropolitan Square
- The plaza area could be repositioned to allow for more public-facing commercial space and city-organized programming to attract more patrons
- It is critical for the City to work with the new owners to enhance pedestrian and automobile circulation, wayfinding to parking garage, and marketing activities to attract new patrons
- The Lakota Group's concept plans included a lower-cost plan that maintains the current traffic patterns (see top drawings above). Ideally, the City would implement the more robust plan (lower drawings) that would allow for more public open space and increase pedestrian interaction with surrounding commercial uses.



RETAIL

Des Plaines Theatre Opportunities

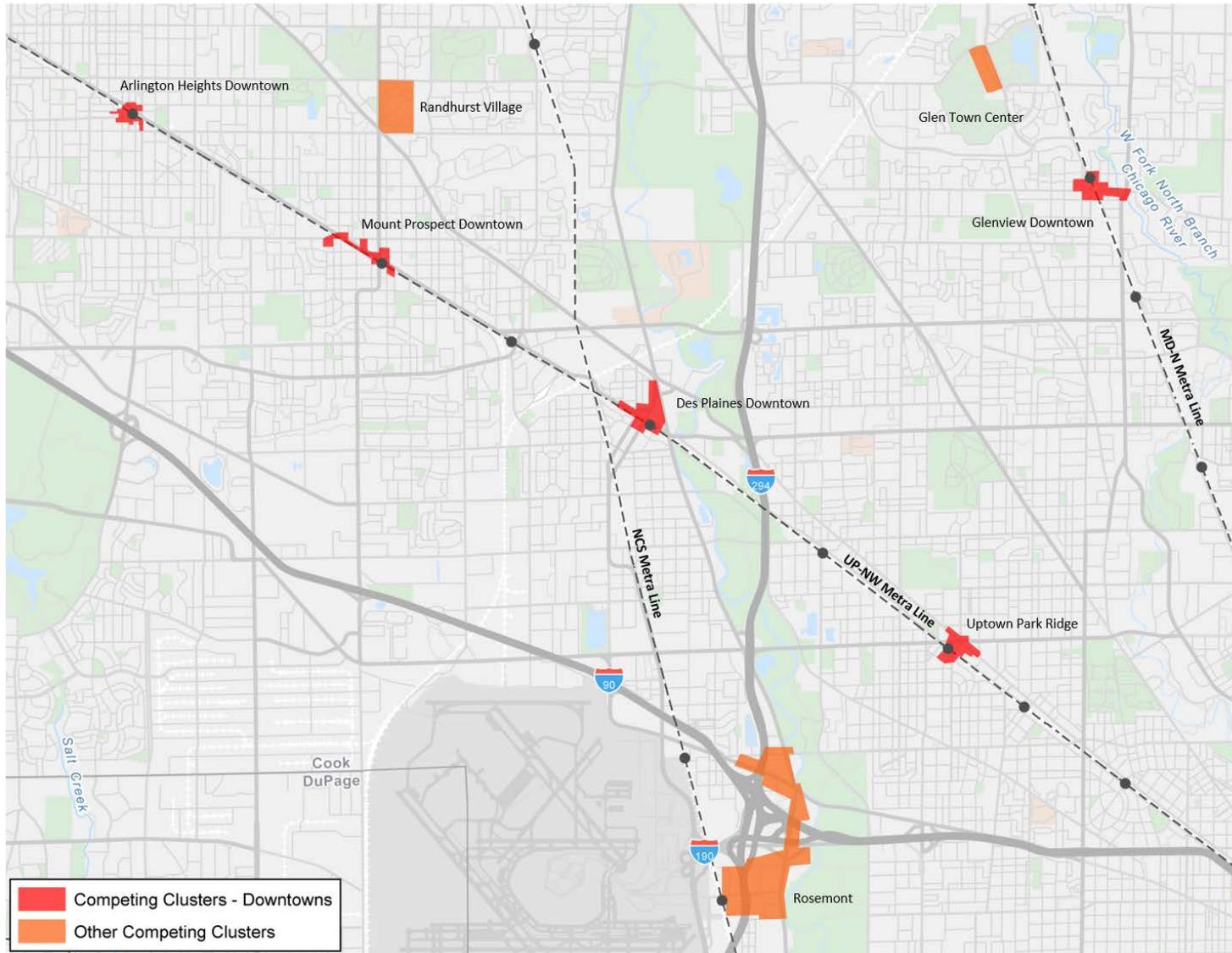
The redevelopment and repositioning of the Des Plaines Theatre is one of the most important aspects to the future of the commercial market in Downtown Des Plaines.

- The City has a contract to purchase the vacant Theatre for \$1.3 million
- Plans are progressing to redevelop it and reposition it as a live entertainment venue
- New programming could make this a sub-regional destination, driving support for more dining and entertainment uses, particularly along Miner Street



RETAIL

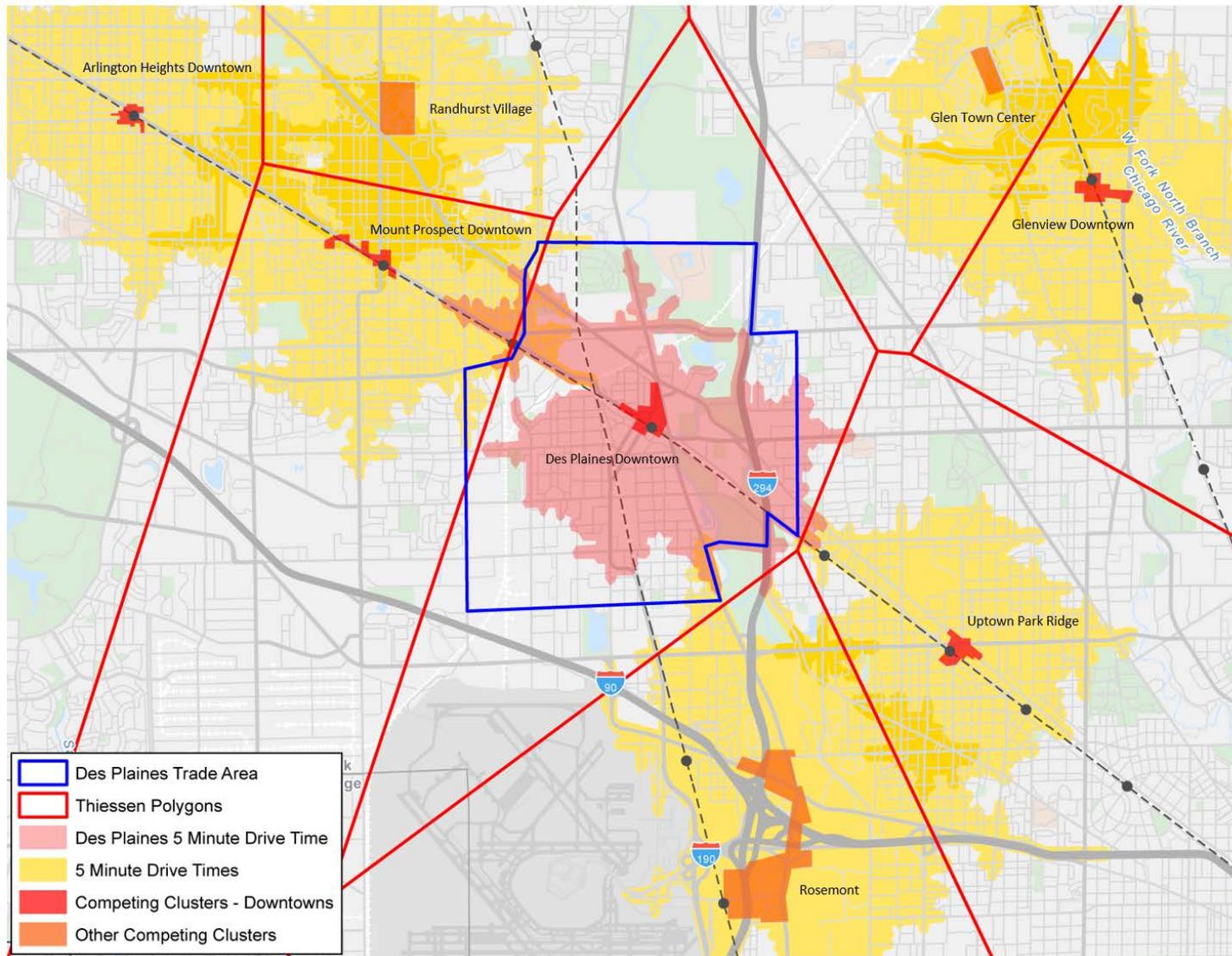
Competitive Restaurant Clusters



- Restaurants in Downtown Des Plaines compete with similar dining clusters in nearby downtowns, located along the UP-NW Metra Line, and in surrounding communities
- Competing clusters were identified as being compact, walkable areas with a high density of restaurants

RETAIL

Trade Area



- A retail Trade Area is a geographic area from which a shopping cluster gets the majority of its customer patronage.
- The Trade Area was based on:
 - Competitive supply and the key existing downtown restaurant clusters;
 - Transportation network and typical 5-minute drive times; and
 - Lines of equidistance between the centroid of clusters (“thiessen polygons”)[1].
- This approach accounts for the typical travel-time along the existing road network for downtown restaurant clusters and the spatial distribution of competitive retail supply available to consumers.

[1] A consumer on a blue line between two retail clusters is equidistant from both nodes. 30

RETAIL

Trends in Trade Area

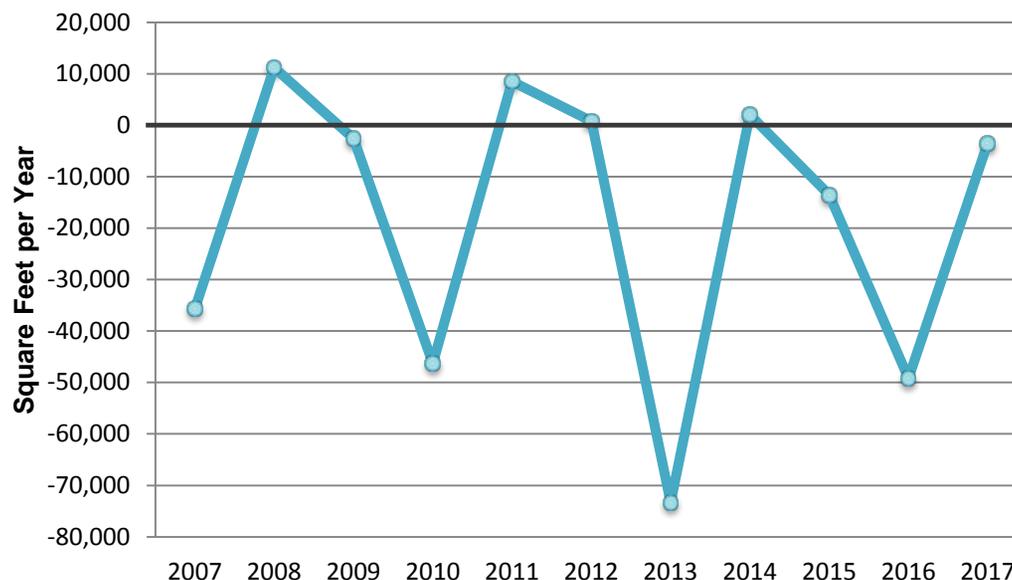
- Retail market indicators for the Trade Area are not strong
- Over last 10 years:
 - Total retail square footage has declined approximately 18,835 SF
 - Vacancy rate rose to 9.2%
 - Average asking Triple Net rents have fallen \$4.32, from \$20.98/SF to \$16.66/SF
 - The low and falling net rent are reflective of an older commercial building stock.
 - Absorption, the change in occupied SF, has been positive in only 4 years since 2007
 - Absorption is a figure that measures the change in occupied square footage in a market over a period of time. The loss of 18,835 square feet of retail space over the last ten years as well as the lack of consistent, positive absorption, indicates a retail market that hasn't experienced much growth in recent years. The low and falling net rent are reflective of an older commercial building stock.

Des Plaines Downtown Trade Area Retail Trends

	2008	2018 YTD	Change 2008-2018
Total Retail SF	2,010,613	1,991,778	-18,835
Vacant Retail SF	167,567	202,628	35,061
Vacancy Rate	8.3%	9.2%	0.9%
Average NNN Rent	\$20.98	\$16.66	-\$4.32

Source: CoStar. March 2018

Des Plaines Downtown Trade Area Absorption Trends



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Restaurant Demand

- \$15.5 million in food and drink expenditure potential is spent in restaurants not located in Trade Area
 - If new restaurants in Downtown capture 25% of potential demand, it would represent 9,721 square feet of additional space, or 3 - 4 additional restaurants

- New downtown households will also help support additional restaurants
 - Existing households spend roughly \$4,000 annually on food & drink
 - 1,500 – 1,600 new households in Des Plaines would add to this food and beverage expenditure
 - This additional expenditure potential would add \$6.2 million annually

- Another demand driver is Oakton Community College
 - Oakton is located approximately 2 miles from the Metra station
 - In 2016, Oakton Community College had enrollment of nearly 10,000 full- and part-time students

Leakage Analysis for Des Plaines Trade Area			
2017 Population			39,189
2017 Households			15,911
2017 Median Disposable Income			\$52,176
	Expenditure Potential	Sales in Trade Area	Retail Gap
Total current HH food & drink	\$64,028,704	\$48,475,769	\$15,552,935
Total future HH food & drink	\$6,237,477	\$4,722,358	\$1,515,118
Total current + future HH f & d	\$70,266,181	\$53,198,127	\$17,068,053
Restaurant Demand Metrics			
Total Food & Drink Retail Gap		\$17,068,053	
Annual restaurant sales per square foot		\$400	
Supportable restaurant SF		42,670	
Downtown capture rate		25%	
Supportable Downtown restaurant SF		10,668	
Average restaurant SF		2,000-3,000 SF	
Supportable Downtown restaurants:		3-5 new restaurants	

Source: Esri Business Analyst & Goodman Williams Group

RETAIL

Comparative Restaurant Supply

- To gain a better understanding of how Downtown Des Plaines competes with nearby downtown restaurant clusters, we conducted a comparison of restaurants in each cluster by typology. Comparable retail districts included in this analysis are downtown restaurant clusters located along the UP-NW Metra Line
- Relative to other restaurant clusters analyzed in this report, the number of restaurants in downtown Des Plaines (18) is significantly less than average (29)
 - Within Downtown Des Plaines, approximately 61% of restaurants are local, 11% are regional, and 28% are national

RESTAURANT COUNT BY DOWNTOWN CLUSTER

		Arlington Heights Downtown		Mount Prospect Downtown		Uptown Park Ridge		Average		Des Plaines Downtown	
DEMOGRAPHICS OF 5-MINUTE DRIVE TIME AREA	5 Minute Drive Time Area										
	Households	12,084		13,586		13,115		12,928		12,376	
	Daytime Population	29,528		30,694		31,482		30,568		26,152	
	Median HH Income	\$86,167		\$80,757		\$96,842		\$87,922		\$69,219	
	Restaurants per 10,000 Daytime Population	12.9		5.9		9.8		9.5		6.9	
RESTAURANTS WITHIN RETAIL DISTRICT	Type	Count	%	Count	%	Count	%	Count	%	Count	%
	Bar/Pub	2	5%	3	17%	2	6%	2	6%	1	6%
	Café	2	5%	3	17%	2	6%	2	6%	1	6%
	Fast Casual	9	24%	6	33%	13	42%	9	33%	6	33%
	Fast Food	0	0%	0	0%	1	3%	0	2%	0	0%
	Full Service	22	58%	6	33%	13	42%	14	50%	10	56%
	Fine Dining	3	8%	0	0%	0	0%	1	4%	0	0%
	Restaurant - Total	38	100%	18	100%	31	100%	29	100%	18	100%

RETAIL

Comparative Restaurant Supply: Full Service/Fine Dining

- Relative to other restaurant clusters analyzed in this report, Des Plaines has significantly less full-service/fine dining restaurants with only 10 restaurants, compared to an average of 15 restaurants in the other clusters.
- There are no fine dining restaurants in downtown Des Plaines and limited fine dining restaurants in competing clusters. All fine dining restaurants within competing clusters are located in Arlington Heights downtown, including two Italian restaurants and 1 Tapas/Spanish restaurant.

FULL SERVICE AND FINE DINING

	Arlington Heights Downtown	Mount Prospect Downtown	Uptown Park Ridge	Average	Des Plaines Downtown
Type					
American	3	1	3	2	2
Breakfast & Brunch	3	2	2	2	2
Chinese	0	0	1	0	0
Creperie	0	0	1	0	0
* Italian	5	2	2	3	1
Korean	1	0	0	0	0
Mexican	3	1	1	2	1
Pizza	1	0	0	0	1
Seafood	0	0	0	0	0
Sushi	3	0	3	2	1
** Tapas/Spanish	1	0	0	0	0
Thai	3	0	0	1	1
Vietnamese	1	0	0	0	1
Irish	1	0	0	0	0
Restaurant - Total	25	6	13	15	10

* 2 of the Italian restaurants are fine dining restaurants; both are located in Arlington Heights Downtown

** 1 Tapas/Spanish restaurant is fine dining restaurant; located in Arlington Heights Downtown

RETAIL

Comparative Restaurant Supply: Fast Casual/Fast Food

FAST CASUAL AND FAST FOOD

	Arlington Heights Downtown	Mount Prospect Downtown	Uptown Park Ridge	Average	Des Plaines Downtown
Type					
* American	1	0	1	1	1
Bakery	1	1	1	1	1
Barbeque	1	0	0	0	0
Breakfast & Brunch	0	0	1	0	0
Coffee & Tea	0	0	0	0	0
Creperie	0	0	1	0	0
Greek	0	1	0	0	0
Ice Cream & Frozen Yogurt	2	1	1	1	1
Indian	0	0	1	0	0
Italian	1	0	0	0	0
Juice Bars & Smoothies	1	0	0	0	0
Korean	0	0	1	0	0
Mexican	0	0	1	0	1
Pizza	1	0	0	0	0
Sandwiches	1	3	5	3	2
Sushi	0	0	1	0	0
Restaurant - Total	9	6	14	10	6

* 1 American restaurant is fast food restaurant; located in Uptown Park Ridge

BAR/PUB AND CAFÉ

	Arlington Heights Downtown	Mount Prospect Downtown	Uptown Park Ridge	Average	Des Plaines Downtown
Bar/Pub	2	3	2	2	1
Coffee & Tea	2	3	2	2	1
Restaurant - Total	4	6	4	5	2

RETAIL

Restaurant Opportunities/Missing Typologies

Fine Dining

- There are no fine dining establishments in downtown Des Plaines

Fast Casual/Fast Food

- Fast Food is a typology not found in many of the downtowns analyzed. Fast Food restaurants are typically located in free-standing buildings with drive-through facilities. This format is typically not appropriate for enhancing the vibrancy and walkability of downtown.
- There is potential for more fast casual in downtown Des Plaines. Fast casual restaurants are growing throughout the nation. The fastest growing fast casual restaurants nationally present an opportunity, including the following typologies:
 - Burgers (MBurger), Pizza (Blaze Pizza), Middle Eastern (Halal Guys, Naf Naf Grill), Mediterranean, Healthy (Freshii), Mexican
- There is only 1 Mexican fast casual restaurant in downtown Des Plaines. This typology has a limited presence in competing clusters. However, approximately 19% of people in PMA are of Hispanic origin, indicating that there may be additional support for this typology.

Bar & Pub/Café

- Bars/pubs and cafés are underrepresented in Downtown Des Plaines
- The brewery/craft beer industry has been growing in the Chicago region. There is likely support for a brewery in Downtown Des Plaines. However, site requirements such as ceiling heights, floor plate, and loading may limit the number of locations suitable for this use.
- There may be support for an additional coffeeshop in Downtown Des Plaines. All other comparable districts have a Starbucks, a tenant missing from Des Plaines.

RETAIL

Conclusions and Strategies

Conclusions :

- Conservatively, there is demand for 3-5 new restaurants in the Downtown over the next 10 years based on current expenditure trends
 - This number could increase depending on the density of future residential development in Downtown Des Plaines as well as the redevelopment and reprogramming of the Des Plaines Theatre

Strategies :

- Renovate and program the Des Plaines Theatre to ensure the successful rebranding of Downtown as an entertainment and dining destination
- Create a restaurant cluster on Miner Street next to the Theatre to stimulate further economic growth in the downtown. This should be a priority for the Downtown Restaurant District Program, which provides up to \$100,000 in incentives for new restaurants
 - Potentially, the City could expand the Program to include upgrades of existing restaurants
- To further enhance the area as a sub-regional draw, the City should focus on funding streetscaping, wayfinding, and placemaking improvements in and around Metropolitan Square to create an enhanced downtown experience
- Work with the new Metropolitan Square owners to help fill vacant spaces and enhance commercial activity
 - Some seasonal or specialty retail uses could be part of the mix
- Design better signage and pedestrian access to better support Downtown businesses
 - For example, better wayfinding to and from the ample amount of parking (including a 388-stall parking garage) in the area
- Lastly, the City should examine existing policies and codes such as parking minimums and expanding the Downtown Restaurant District Program to ensure that requisite residential densities and unit type demand can be met, which will further bolster demand for restaurants as well as limited retail and service use businesses in the Downtown.