



BOMA/Chicago Economic Impact Study 2012

Executive Summary

Presented by the Building Owners and Managers Association of Chicago

Data reflecting BOMA/Chicago membership as of May 2012
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Overview: Economic Impact of BOMA/Chicago

The Building Owners and Managers Association of Chicago (BOMA/Chicago) is the premier trade association representing Chicago's office building industry. Founded in 1902, the mission of the organization is to enhance the value and impact of the commercial real estate industry and its professionals through thought leadership, advocacy, professional development, research and civic engagement.

As of May 2012, BOMA/Chicago membership included 252 commercial office, institutional and public buildings, constituting over 141 million square feet of rentable office space or 76.8% of all the commercial square footage available for rent in downtown Chicago, as well as 150 allied suppliers and professionals that provide goods and services to those buildings. BOMA/Chicago's membership includes 93.7% of the square footage in Chicago's Class A office buildings, 73.3% of the Class B space, and 30 governmental, educational and institutional facilities. Members include such iconic buildings as Willis Tower, John Hancock Center, Aon Building, Merchandise Mart and many more.

Since its establishment in 1902, BOMA/Chicago member buildings have played a pivotal role in the growth of Chicago as a world-class metropolis. Today, BOMA/Chicago buildings support 72,208 direct and indirect jobs in addition to tenant employees and house 10,186 companies, including 7,259 local businesses, 1,520 national companies and 1,265 international corporations.

As evidenced by this report, BOMA/Chicago's member buildings are a barometer of the city's economic health and a major contributor to the economic lifeblood of the entire region – from employment to tax generation to direct spending and beyond.

To further analyze and quantify BOMA/Chicago's economic impact on Chicago, this study measured variables in five key economic areas:

1. Economic and commercial real estate market share;
2. Building rents and operating expenses;
3. Employment and labor agreements;
4. Sustainability; and
5. Real estate property taxes.

Where possible, comparisons were drawn to findings of BOMA/Chicago's last economic impact study, which was released in 2006 (2006 EIS).

Key findings of this study include the following.

A. Economic and commercial real estate market share

- Employees of the tenants in BOMA/Chicago buildings are responsible for nearly 80% of total consumer spending in the Loop.
- BOMA/Chicago building members represent over 141 million square feet of rentable office space or 76.8% of all the commercial square footage available for rent in downtown Chicago. That total represents an increase of 9.6% from the total square footage shown in the 2006 study.
- Membership includes 93.7% of all the square footage in Chicago's Class A office buildings and 73.3% of the Class B space.
- 10,186 businesses/tenants are housed in BOMA/Chicago buildings, a 30% increase from 2006.

- The vast majority (71.2%) of BOMA/Chicago building tenants are local companies, followed by 14.9% national, 12.4% international and 1.4% regional companies. The comparison of the 2006 EIS with the current data indicates a significant increase (91.4%) in the number of international companies/tenants.
- All six of the Fortune 500 companies with headquarters in the City of Chicago are located in BOMA/Chicago buildings.
- 74.2% of the largest publicly traded companies and 42.4% of the privately held companies with Chicago headquarters are located in BOMA/Chicago buildings.
- BOMA/Chicago buildings [and their tenants' employees] contribute \$3.5 billion to the Illinois economy and add \$1.04 billion in new taxable personal earnings annually.

B. Building rents and operating expenses

The overall downtown Chicago office market trends including BOMA/Chicago member buildings suggest that:

- Average asking rents (\$30.90/sq.ft.) are below the national average (\$36.20/sq.ft.), ranking Chicago sixth out of the nine comparable cities studied.
- Average vacancy (15.7%) is also above the national average (14.1%).
- Average operating expenses (\$8.43/sq.ft.) were the median for the nine comparable cities studied.

C. Employment and labor agreements

- Chicago's economy continues to face challenges with job growth at 0.6% through May of 2012, which was much lower than the national average of 1.4%, and an unemployment rate of 9.2% compared to a national average of 8.2% (May 2012).
- BOMA/Chicago member buildings support more than 72,000 direct and indirect jobs in addition to tenant employees housed in the buildings.
- Assuming zero vacancy, BOMA/Chicago buildings had the capacity to house 428,633 office workers. The actual numbers of tenant employees in BOMA/Chicago buildings in three key market areas is estimated at:
 - Loop: 289,709 employees with \$7.5 billion spending power or 79.5% of the total area spending power;
 - North of Chicago River (River North, North Michigan Avenue area): 54,583 employees with \$1.8 billion spending power or 45.1% of the total area spending power and;
 - O'Hare: 9,221 employees with \$150 million spending power or 68.4% of the total area spending power.
- The largest number of employees in BOMA/Chicago buildings work in financial/investment companies (14.9%), followed by business services companies (13.7%) and law firms (12.4%). This is a change from the 2006 study finding that far more of the office tenants were law firms.
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- 201 (79.7%) BOMA/Chicago buildings are signatories to at least one of the three labor agreements – janitorial, engineering and security – negotiated by BOMA/Chicago on behalf of its members.
 - 76.6% of the BOMA/Chicago properties benefit from the BOMA/Chicago negotiated janitorial agreement, 61.5% from the engineering agreement and 57.1% from the security agreement.
 - The total number of janitorial, engineering and security personnel covered by the BOMA/Chicago labor agreements was 6,335, which represented a decrease of 12.8% (or 934 individuals) compared to 2006.

D. Sustainability

The city of Chicago ranks:

- First in square footage of LEED-EB (Existing Building) and NC (New Construction) office buildings and in the overall square footage of all relevant ratings for office buildings across all US cities.
- Second in the total number of LEED-EB and NC certified buildings and third in the overall number of buildings across all LEED ratings in all US cities.
- Second in square footage of office buildings with Energy Star ratings and fifth based on recertification times and average points received compared to all other US cities with more than 50 Energy Star properties.
- 91.1% of LEED certified buildings and 89.7% of Energy Star office buildings in Chicago are BOMA/Chicago member buildings based on their square footage.

E. Property tax trends

- Real estate property taxes for downtown Chicago commercial office buildings averaged \$5.58/sq.ft. for 2011, which was the third highest in a comparison of nine comparable US cities.
- Commercial real estate property taxes in Chicago accounted for nearly 76% of a large building's total operating expenses for 2011, the highest percentage in the nine-city comparison group.
- For 2011, BOMA/Chicago building members paid nearly \$680 million in property taxes, which represented 46% of all the property taxes paid in the City of Chicago by commercial property exclusive of hotels.
- The submarkets with the highest average property taxes among BOMA/Chicago member buildings were: North Michigan Avenue (\$7.57/sq.ft.), West Loop (\$6.11/sq.ft.) and Central Loop (\$5.30/sq.ft.).