ILLINOIS ROUTE 53/120
CORRIDOR LAND USE PLAN

Land Use Committee

MEETING FIVE

FEBRUARY 5, 2015

Welcome

Agenda

- Meeting Minutes
- Public Input Sessions Recap
- Corridor Scenarios – *Goals and Process*
- Market Potential
- Open Space and Natural Resources
- Corridor Scenarios
- Next Steps
- Questions/Public Comment

Market Potential

OFFICE | INDUSTRIAL | RESIDENTIAL | RETAIL

2040 Development Forecasts

- Developed for office, industrial, residential, and retail uses through 2040
- Based on
  - CMAP 2040 forecasts of Lake County population and employment
  - Third-party forecasts adjusted to match CMAP totals
- Considers the boost in development generated by a new highway

CMAP 2040 Forecast	County		Corridor Est.*	
	2010	2040	2010	2040
Population	698,588	913,601	174,000	240,000
Employment	314,717	401,747	62,000	102,000

Source: CMAP, SB Friedman
*Population and employment allocated to Corridor based on percentage of CMAP subzone land area within Corridor.

How much more development will IL-53/120 attract?

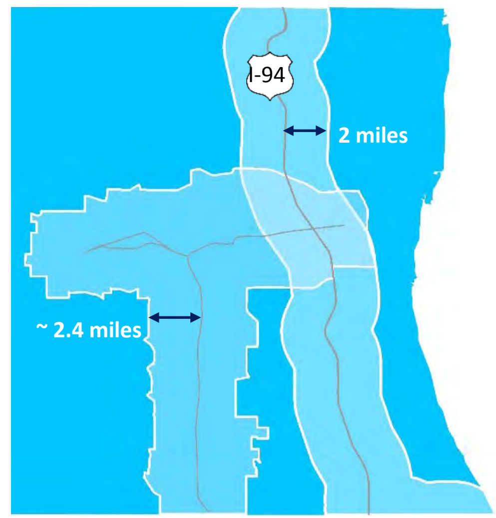
- Case studies show highways unlock development potential
  - Leads to higher “capture” of office and industrial development
  - Limited effect on residential or retail uses

Estimated Development Multipliers for Corridor Based on Case Studies

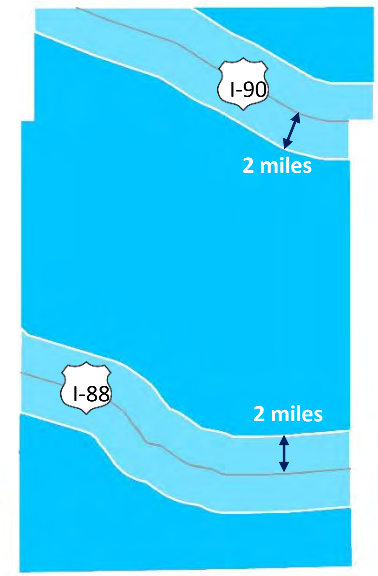
2.00 - 2.20x OFFICE

1.15 - 1.25x INDUSTRIAL

CORRIDOR & I-94 IN LAKE COUNTY



I-90 & I-88 IN KANE COUNTY



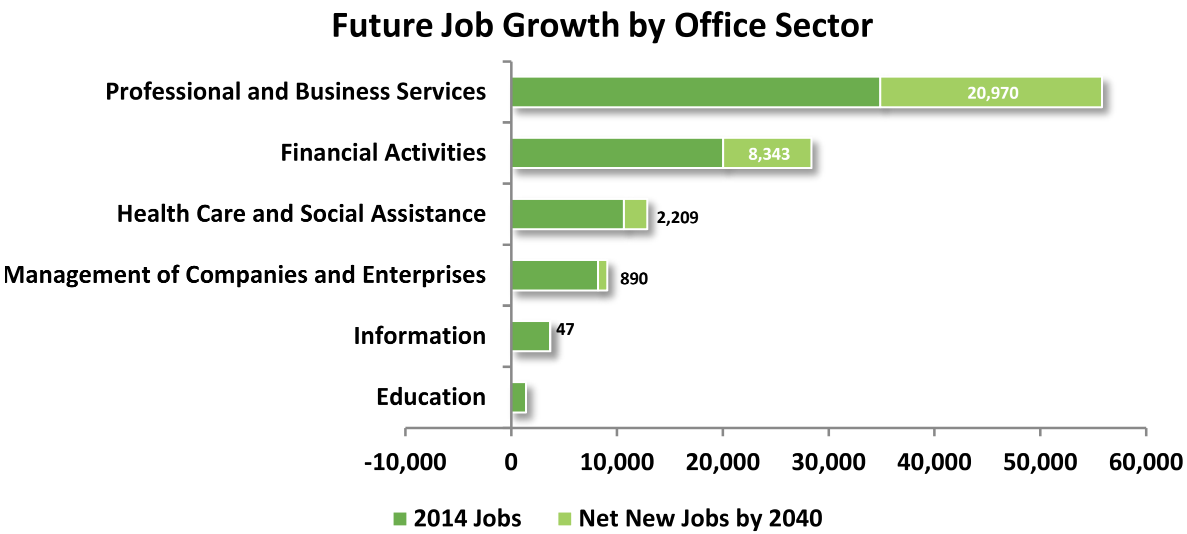
Office

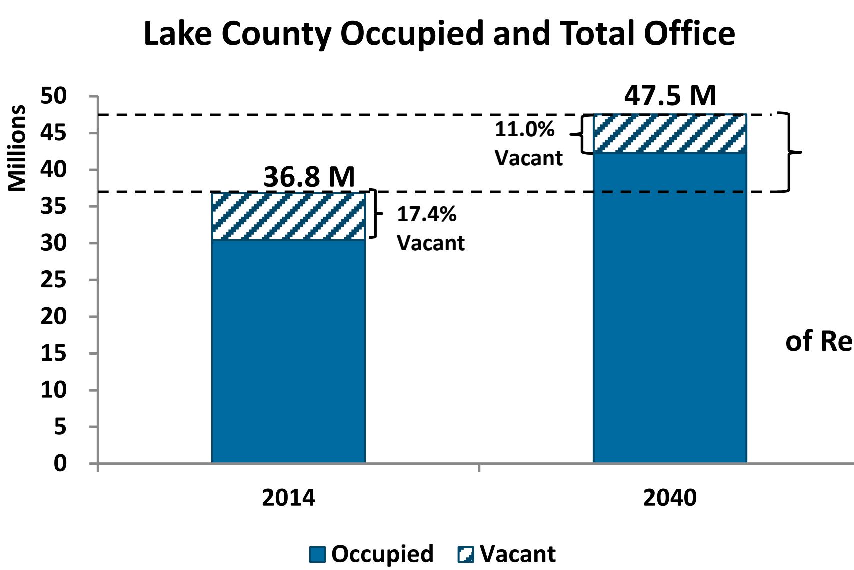
Future Growth | Total Forecasted Development | Corridor Capture

Lake County **Office** Market 2015 - 2040

Drivers/Assumptions of Projections:

- Moody's employment forecasts have been adjusted to match CMAP projections
- 32,500 new office employees at 1.3% CAGR drive space demand
- Vacancy declines from 17% to 11%
- Rehab/replacement of obsolete space
- Decline in office space per employee





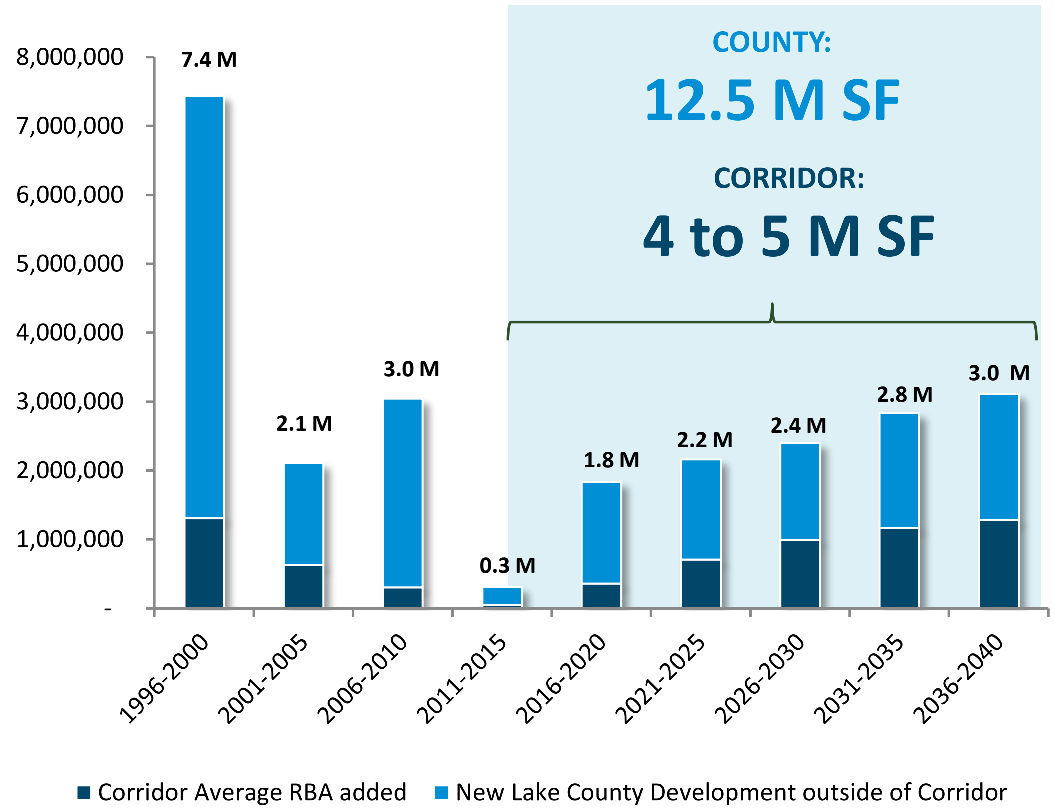
10.7 M SF
of Net New Office Development
+
1.8 M SF
of Replacement and/or rehab of obsolete space
=
12.5 M SF
of Total New Office Development in Lake County

Source: Moody's, CoStar, *SB Friedman*

Corridor **Office** Market Forecast 2015 - 2040

- Historical Development Capture
  - 1998 – 2007: **20%**
  - 1998 – 2013: **19%**
- Estimated Multiplier Due to New Highway: **2 – 2.2**
- Projected Development Capture:
  - 2015 – 2020: **19% to 20%**
  - 2020 – 2025: Linear transition to higher capture
  - 2025 – 2040: **37% to 45%**

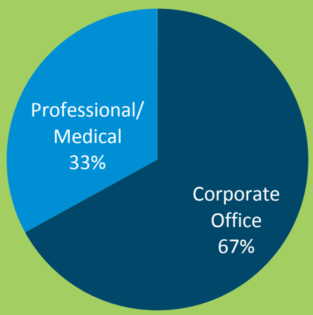
New Office Development: Corridor & County



Source: Moody's, CoStar, *SB Friedman*

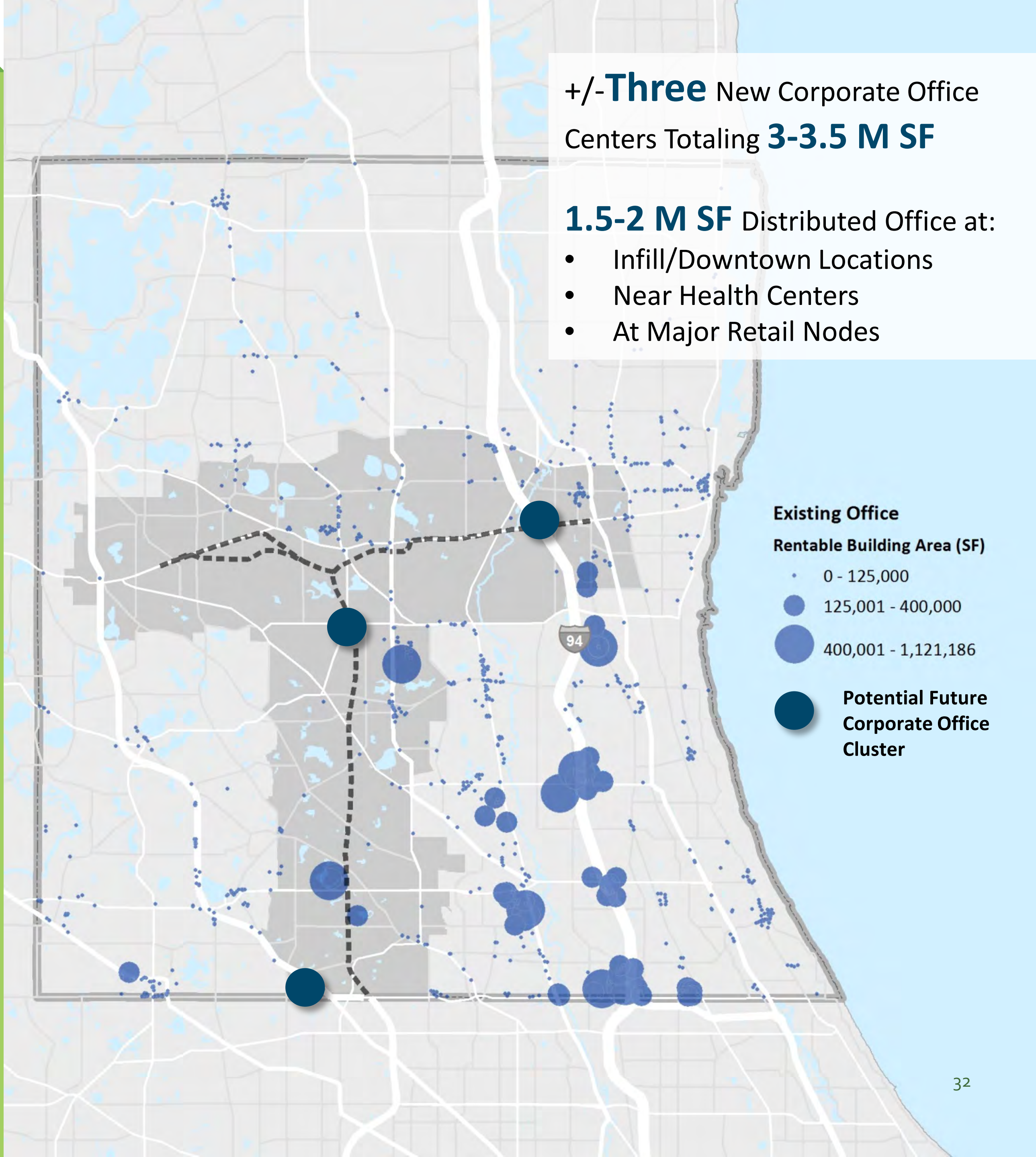
Potential Future Corporate **Office** Centers

Office Development Typology in Past 15 Years



- **Approximately 65 -70% of new development projected to be corporate office**
- **Typical size range of a corporate cluster: 700,000 to 2 M SF**
- **Limited prime locations for corporate clusters**
- **Many dispersed locations appropriate for professional and medical office**

Source: CoStar, *SB Friedman*



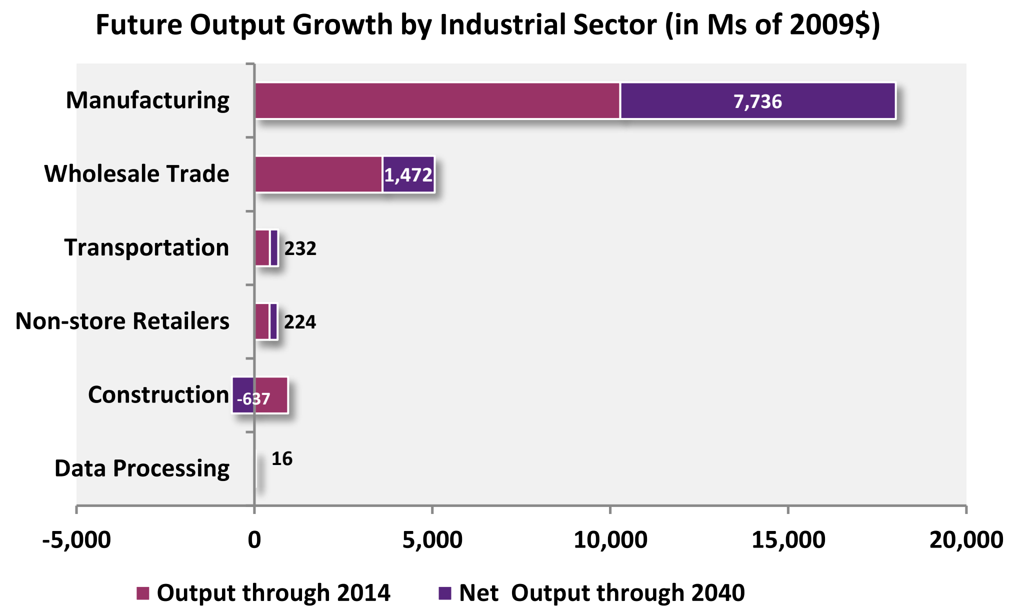
Industrial

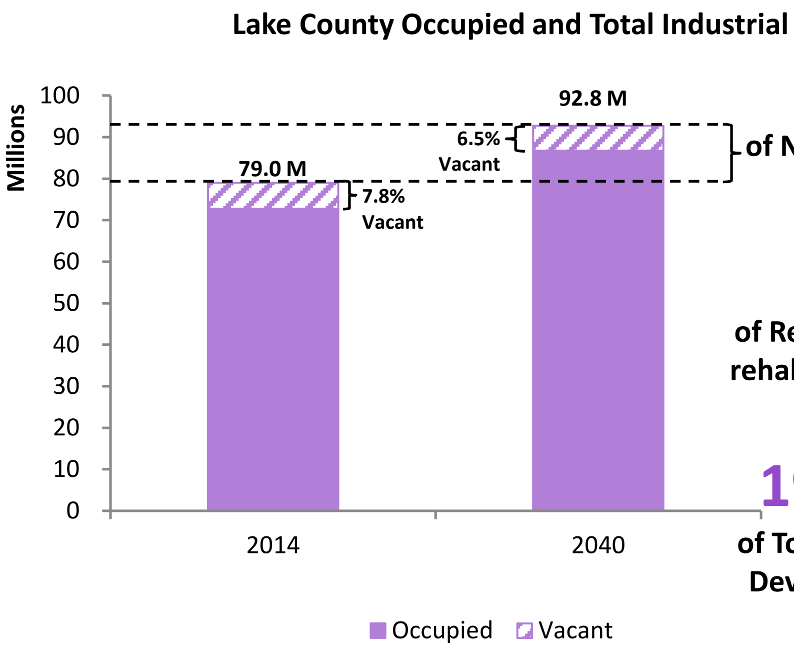
Future Growth | Total Forecasted Development | Corridor Capture

Lake County **Industrial** Market Forecast 2015-2040

Drivers/Assumptions of Projections:

- Moody's industrial output forecasts drive projections*
- $9 billion in new output at 1.8% CAGR
- Vacancy declines from 7.8% to 6.5%
- Rehab/replacement of obsolete space
- Increase in output per square foot of space





13.8 M SF of Net New Industrial Development

+

5.7 M SF of Replacement and/or rehab of obsolete space

=

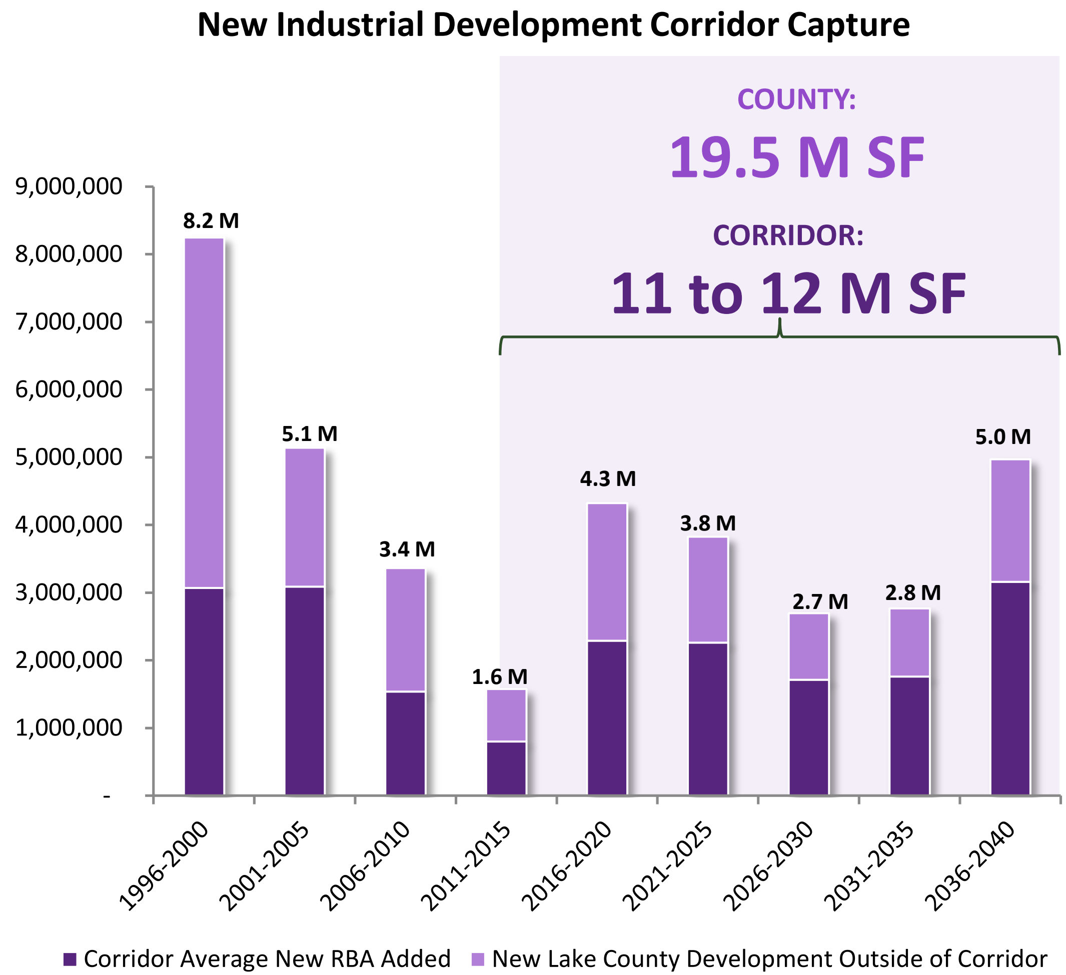
19.5 M SF of Total New Industrial Development in Lake County

* Output is the value of goods and services produced. Moody's industrial output forecasts for Lake County have been adjusted to ensure consistency with CMAP employment forecasts.

Source: Moody's, CoStar, *SB Friedman*

Corridor **Industrial** Market Forecast (2015 – 2040)

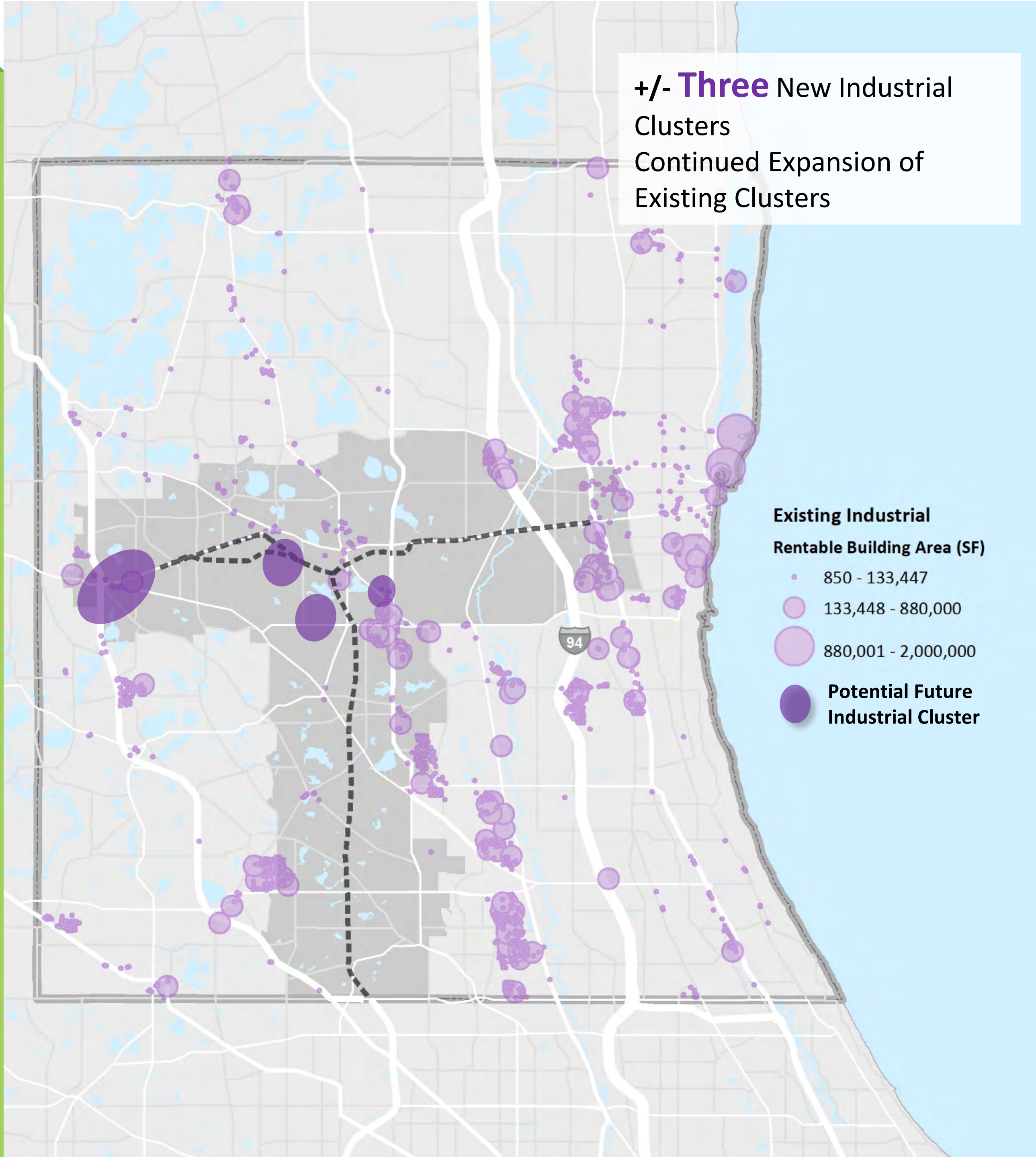
- Historical Development Capture
  1998 – 2013: **53%**
- Estimated Multiplier Due to New Highway: **1.15 – 1.25**
- Projected Development Capture:
  2015 – 2020: **53%**
  2020 – 2025: Linear transition to higher capture
  2025 – 2040: **61% to 66%**



Source: CoStar, *SB Friedman*

Potential Future New **Industrial** Clusters

- Most industrial development in a business/industrial park setting
- Range of clusters: 2 - 6 M SF of industrial space
- Location driven by land availability – 100+ acres



Residential

Future Growth | Housing Preferences | Corridor Capture

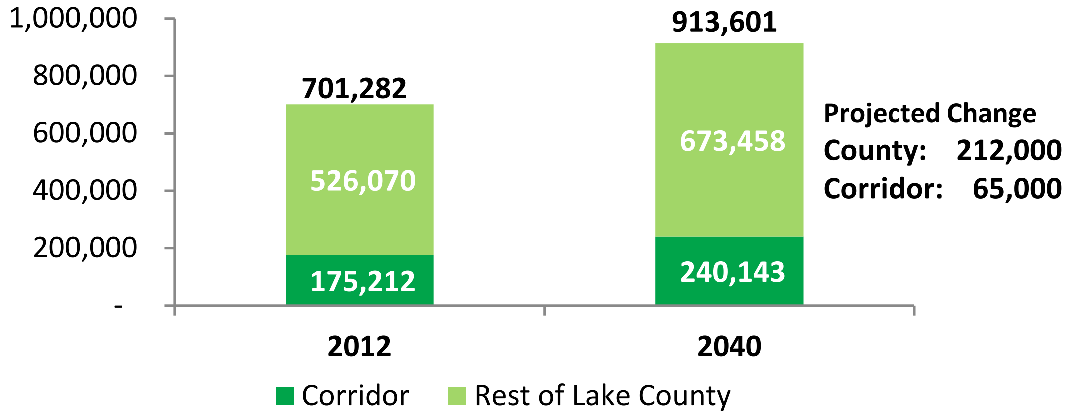
Lake County Residential Market

- Based on updated CMAP projections, Lake County is expected to add approximately 212,000 people between 2012 and 2040, growing at a CAGR* of 0.95%
- The Corridor is projected to grow at a slighter higher CAGR of 1.13% and add nearly 65,000 people
- Much of the growth is projected to occur in the northern and northwestern portion of the corridor

* CAGR: Compound Annual Growth Rate

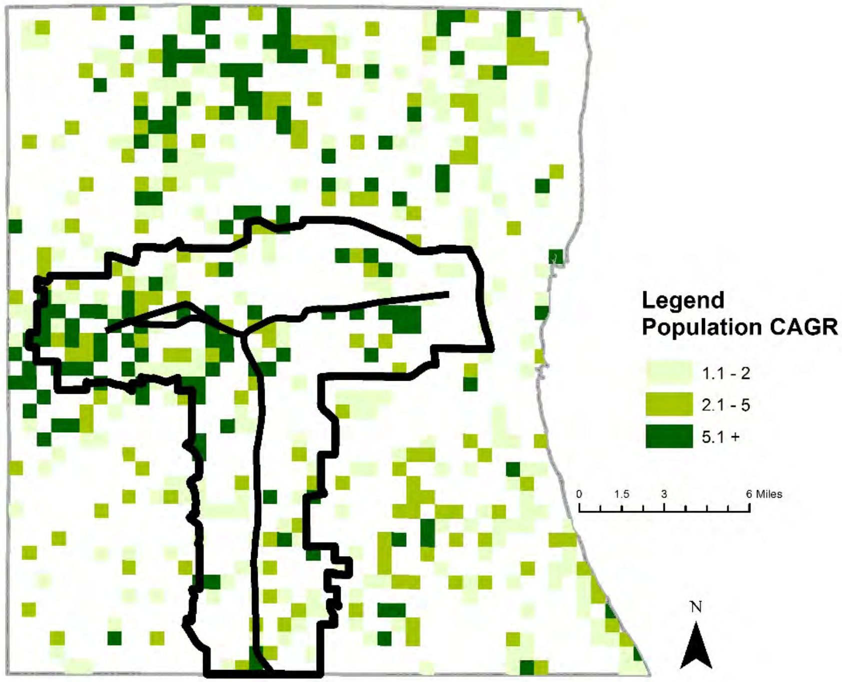
Source: CMAP, *SB Friedman*

CMAP Population Projections 2012 - 2040



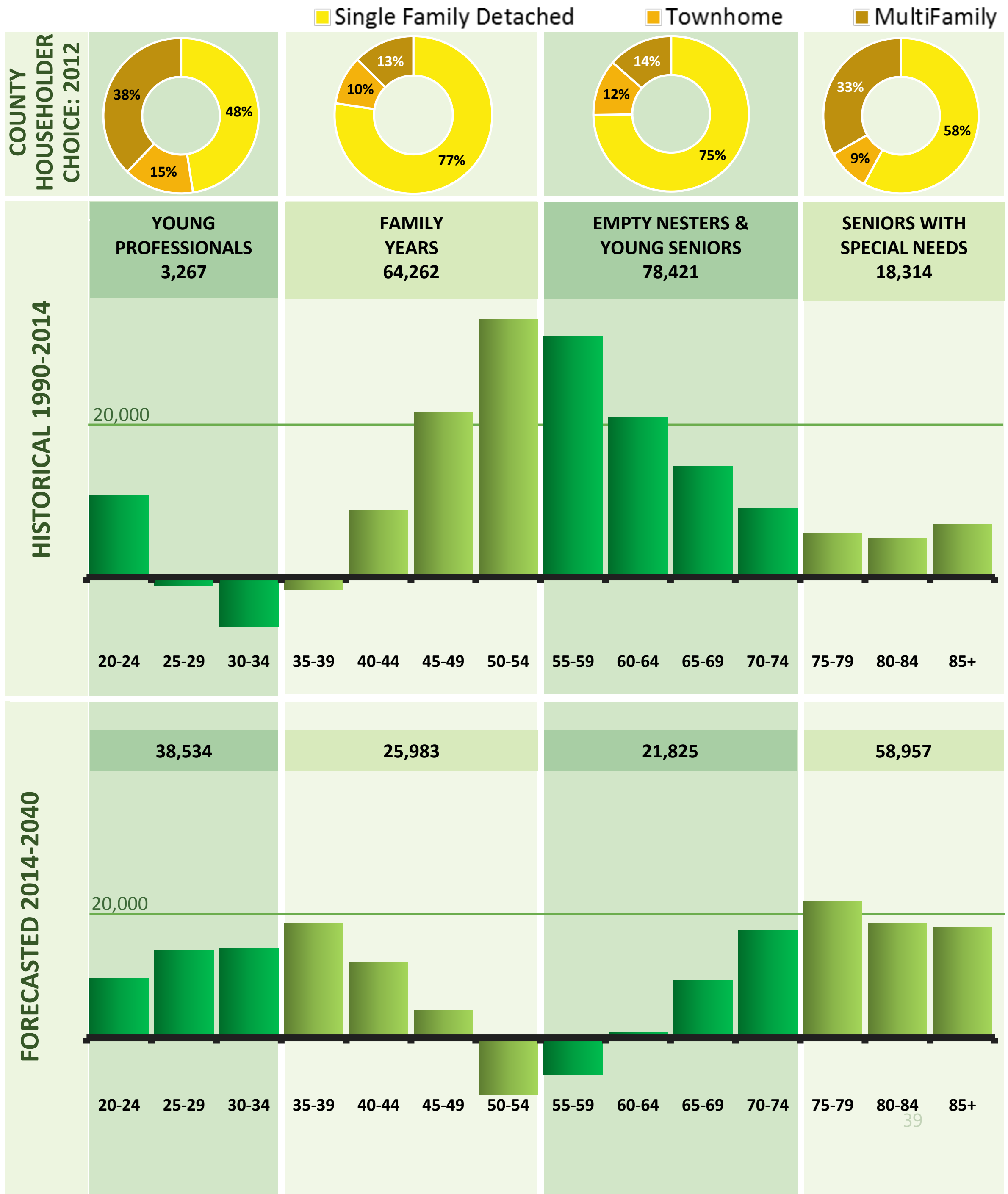
CMAP Projected Population Growth 2010 - 2040

(Compound Annual Growth Rate, by Subzone)



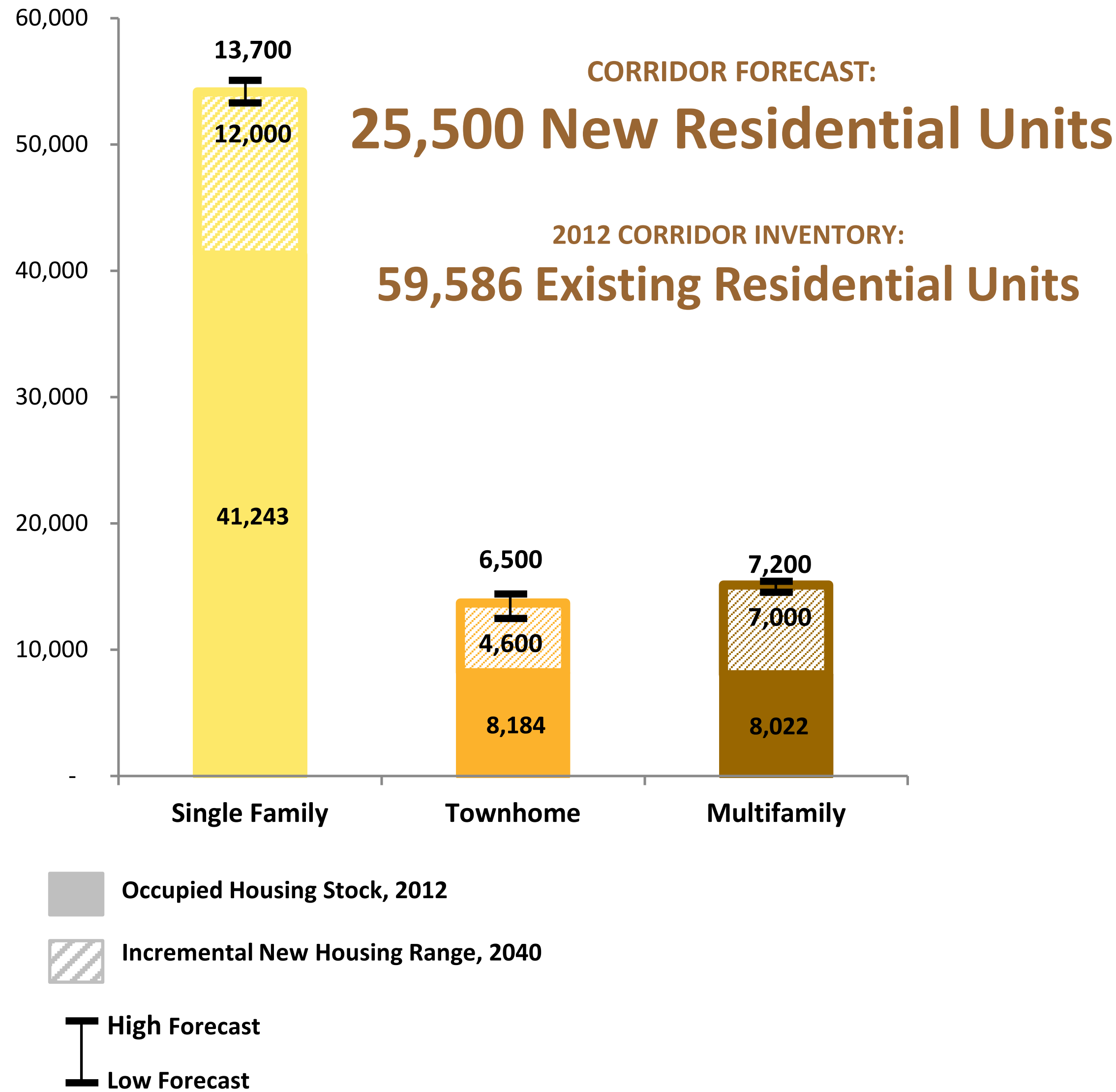
Lake County: Housing Preferences & Net Change in Adult Population by Age

- Demographic shifts and associated housing preferences indicate a demand for a greater diversity of housing products in Lake County over the next 25 years
- Most significant growth projected for Young Professionals and Seniors, with higher propensity to live in multifamily housing products



Source: Woods & Poole, CMAP, US Census Bureau Public Use Microdata Sample, *SB Friedman*

Corridor Residential Market Forecast 2012 – 2040



Forecasts Assumptions:

- 2012 – 2040 change in Corridor households based on Census 2012 estimate and CMAP subzone forecast
- Housing type forecast range based on:
  - CMAP Envision Tomorrow Balanced Housing Model
  - SB Friedman model based on Lake County householders' preferences for housing type by age and income

Retail/Commercial

Typology & Distribution | Total Forecasted Development | Supportable Corridor Development

Retail Typologies

Based on International Council of Shopping Centers retail classifications

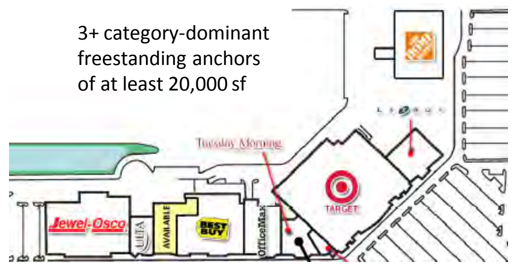
Mall & Lifestyle Centers

Mall: 400,000-1,000,000+ sf

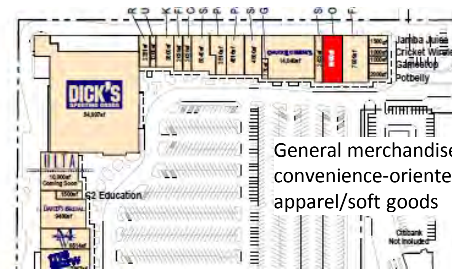
Lifestyle Center: 250,000-500,000 sf

Regional Retail Clusters: 1.0-2.5 M sf at key nodes

Power Center: 250,000-600,000 sf



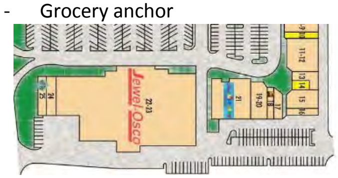
Community Center: 125,000-400,000 sf



Other Retail: Distributed along arterial roads

Downtown
<50,000 sf
- Individual store fronts

Neighborhood Center
30,000-125,000 sf
- Convenience-oriented
- Grocery anchor



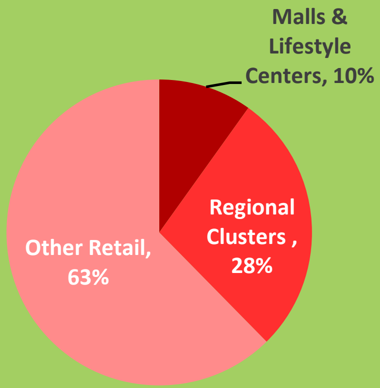
Strip Center
<30,000 sf
- Small convenience
- Limited trade area

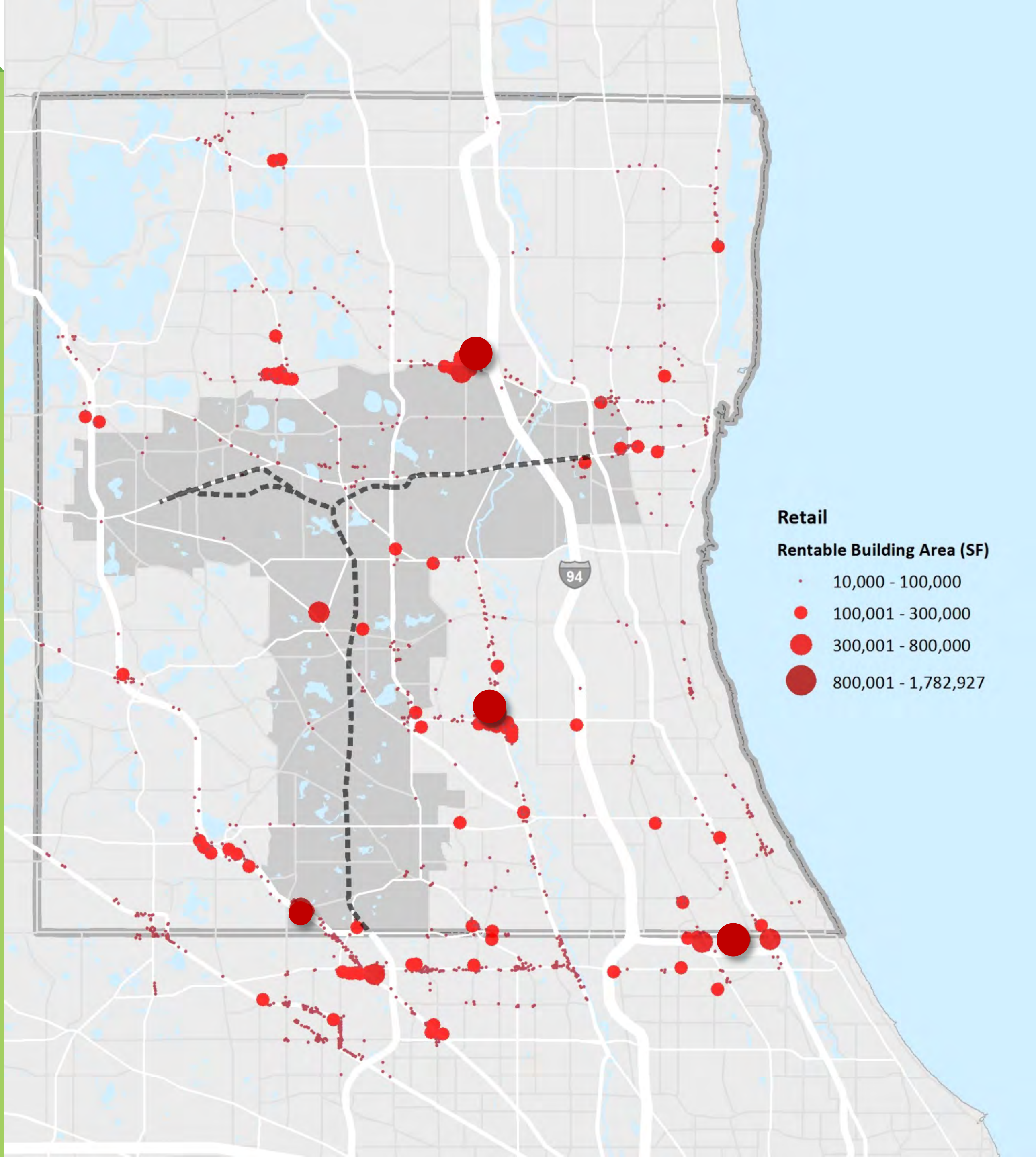
Freestanding
5,000-150,000+ sf
- Standalone stores
- Often owner-occupied

Source: International Council of Shopping Centers, CoStar, SB Friedman

Distribution of Retail

2014 Retail Inventory by Typology



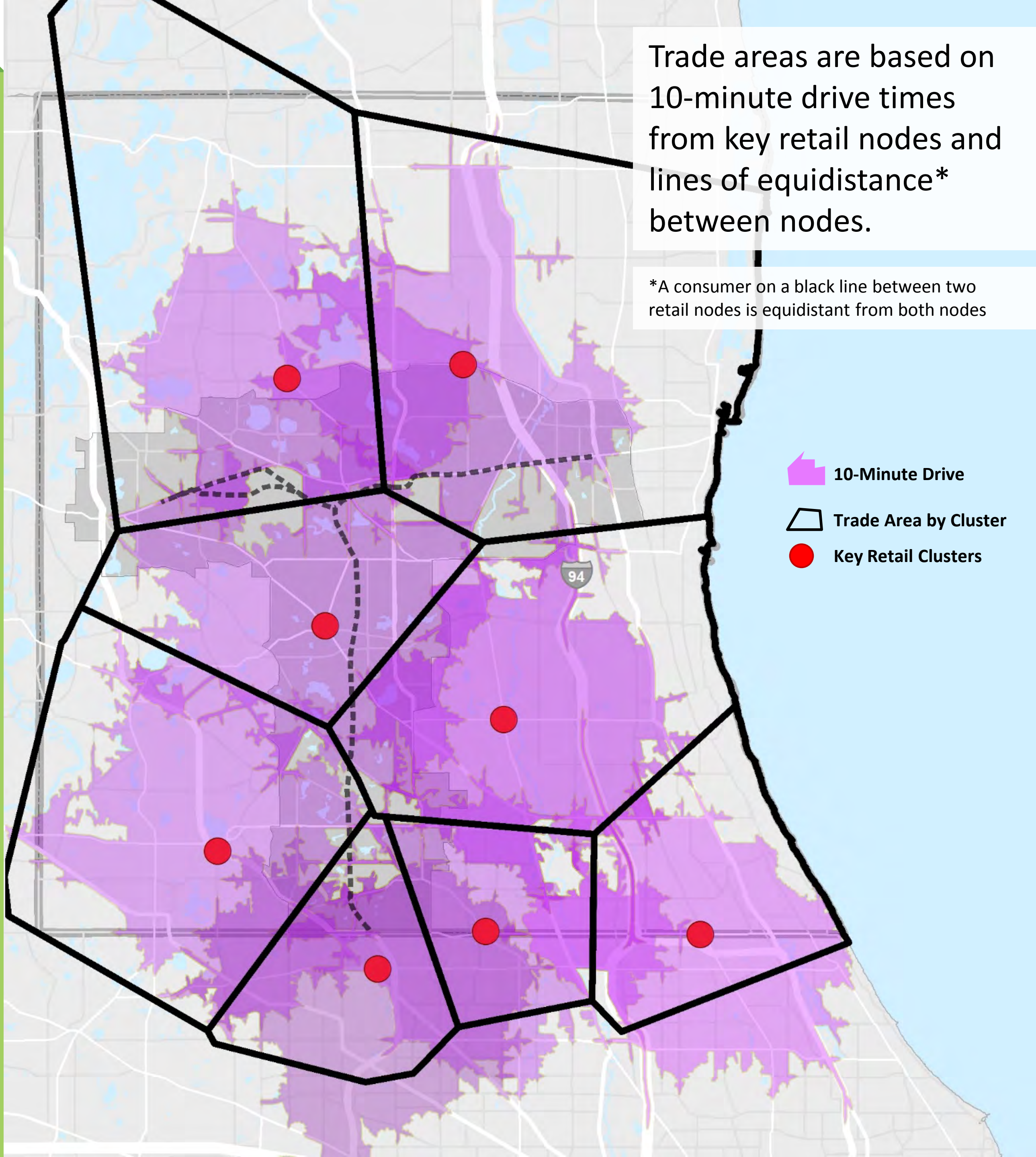


Malls, Lifestyle, Power and Community Centers clustered at key intersections/nodes

Other retail dispersed along arterial corridors

Regional **Retail** Cluster Trade Areas

The key clusters help define trade areas for power and community center retail clusters[1]



[1]Mall trade areas tend to be much larger. It is assumed that existing malls will continue to remain as major draws and no new regional mall will be developed in the County. Lifestyle center demand potential is tested in subsequent slides.

Retail Demand & Supply in Regional Cluster Trade Areas

Resident spending drives 85% of retail demand

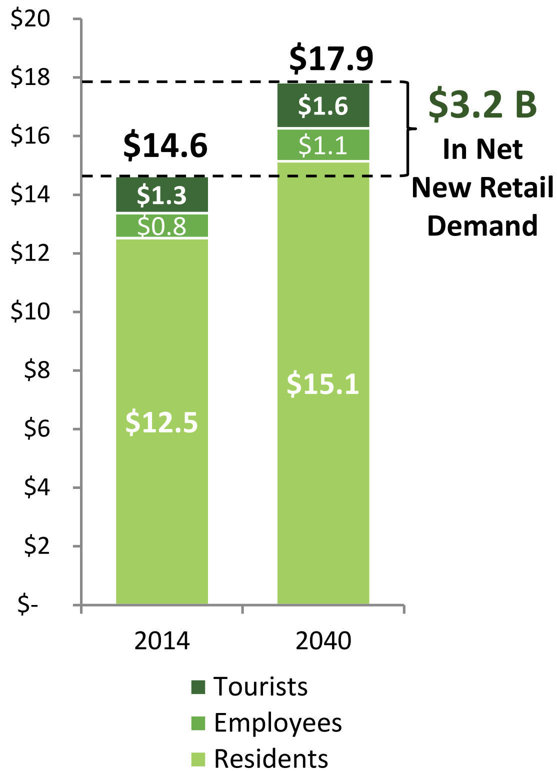
Demand forecast based on:

- CMAP population & employee growth, and SB Friedman forecast of tourist spending
- Growth in resident real per capita spending
- Adjustments for online sales (assumed at about 28% of total retail sales)

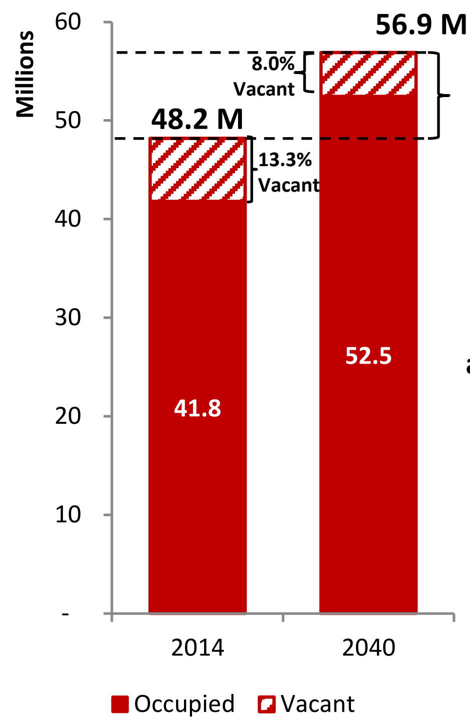
Supply forecast based on:

- Rehab/replacement of obsolete space
- Sales per square foot assumptions by retail typology
- Vacancy declines from 13% to 8%
- Increasing proportion of service and non-retail uses

Total Retail Demand Net of Non-Store Retailers (Billions of 2014 Dollars)[1]



Market Area Occupied & Vacant Retail (Millions of SF)

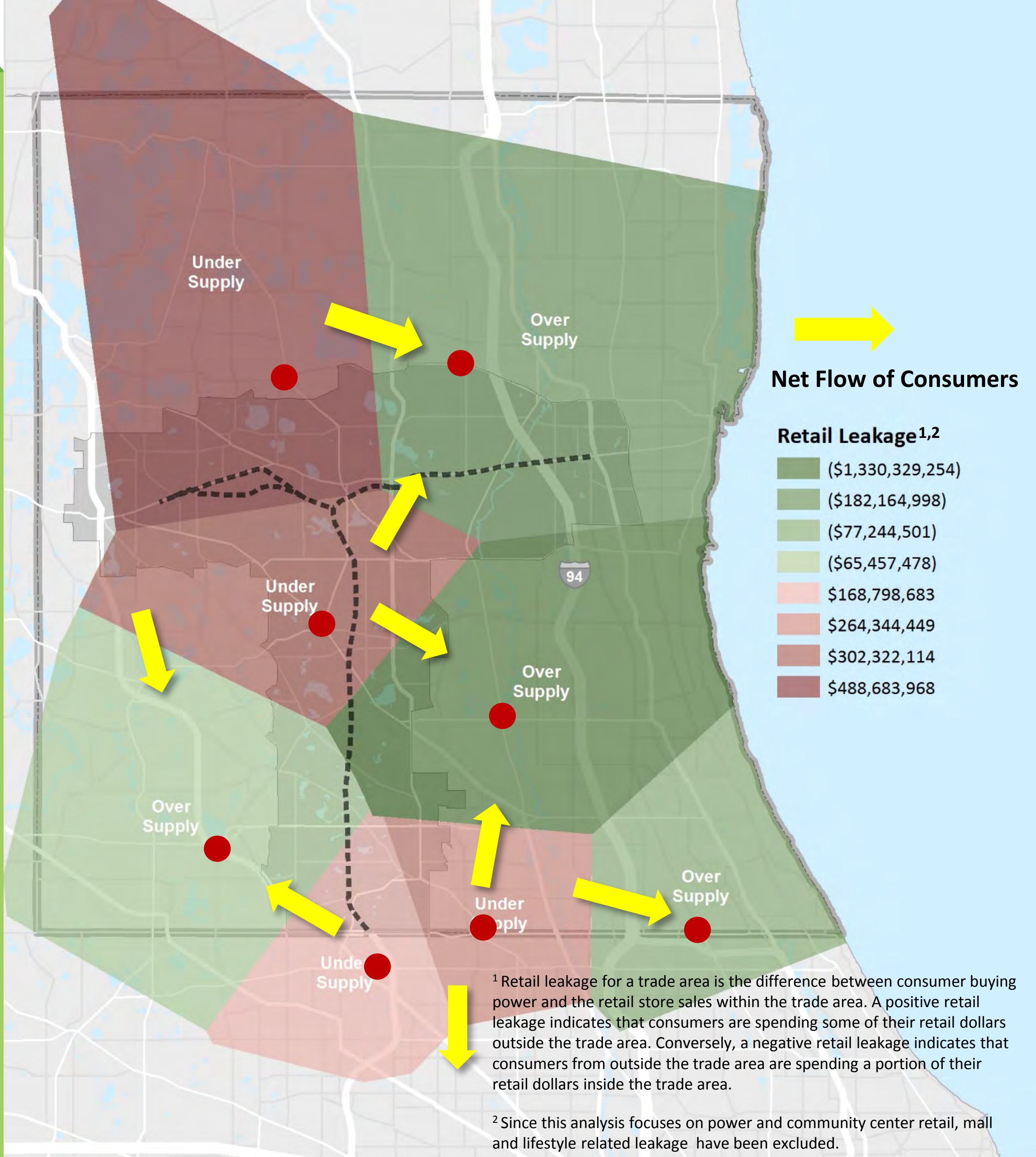


8.7 M SF of Net New Retail Development + **1.9 M SF** of Replacement and/or Rehab of Obsolete Space = **10.6 M SF** of Total New Retail Development in Regional Cluster Trade Areas

[1]Numbers may not sum to total due to rounding.

Over & Under Supplied Regional Retail Cluster Trade Areas

- N, NW & S Portions of Corridor currently have the least supply relative to demand potential
- Current residents from these areas travel to the Hawthorn, Gurnee, Northbrook and Rand Road Clusters

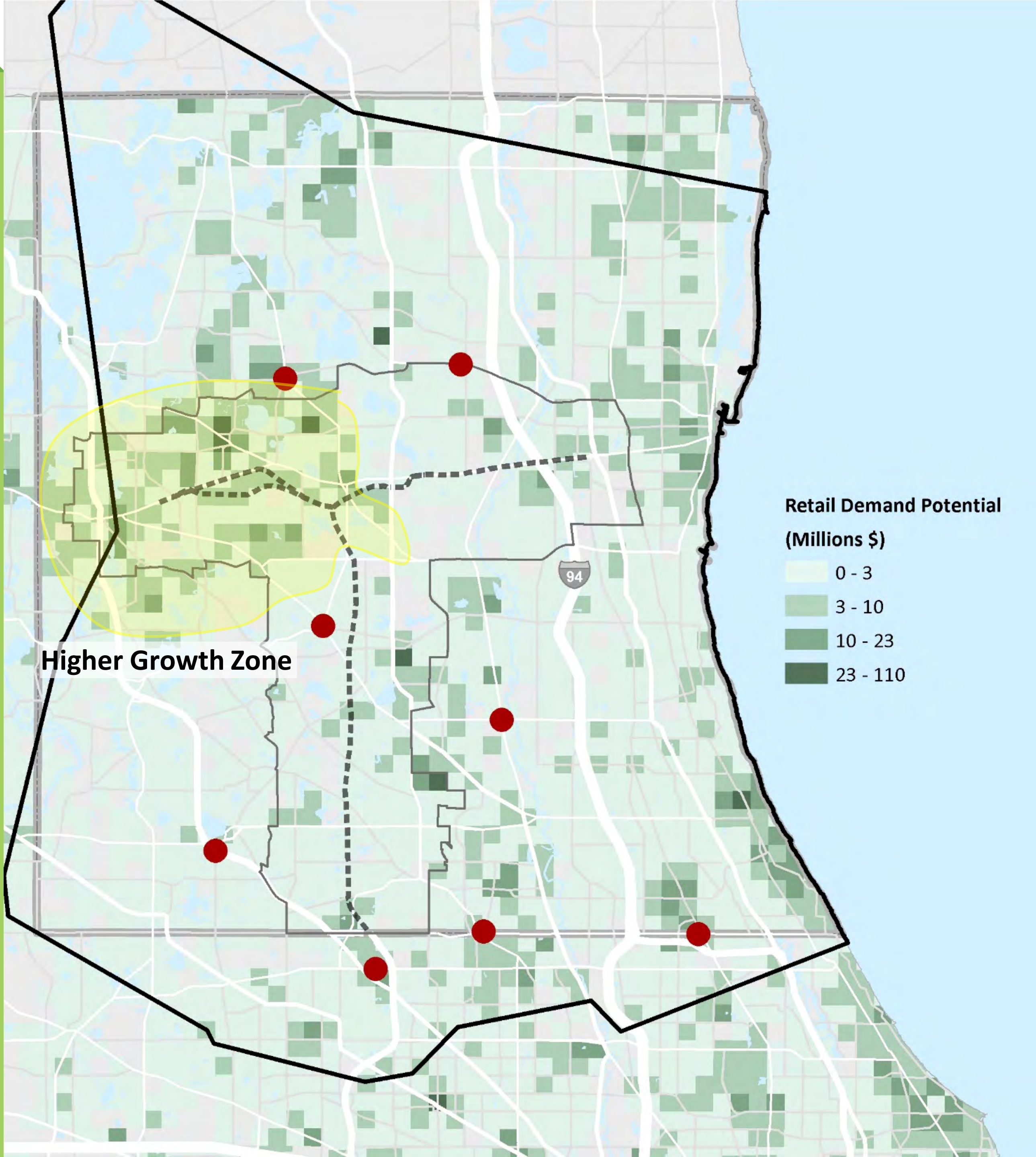


[1] Retail leakage for a trade area is the difference between consumer buying power and the retail store sales within the trade area. A positive retail leakage indicates that consumers are spending some of their retail dollars outside the trade area. Conversely, a negative retail leakage indicates that consumers from outside the trade area are spending a portion of their retail dollars inside the trade area.

[2] Since this analysis focuses on power and community center retail, mall and lifestyle related leakage have been excluded.

Growth in **Retail** Buying Power

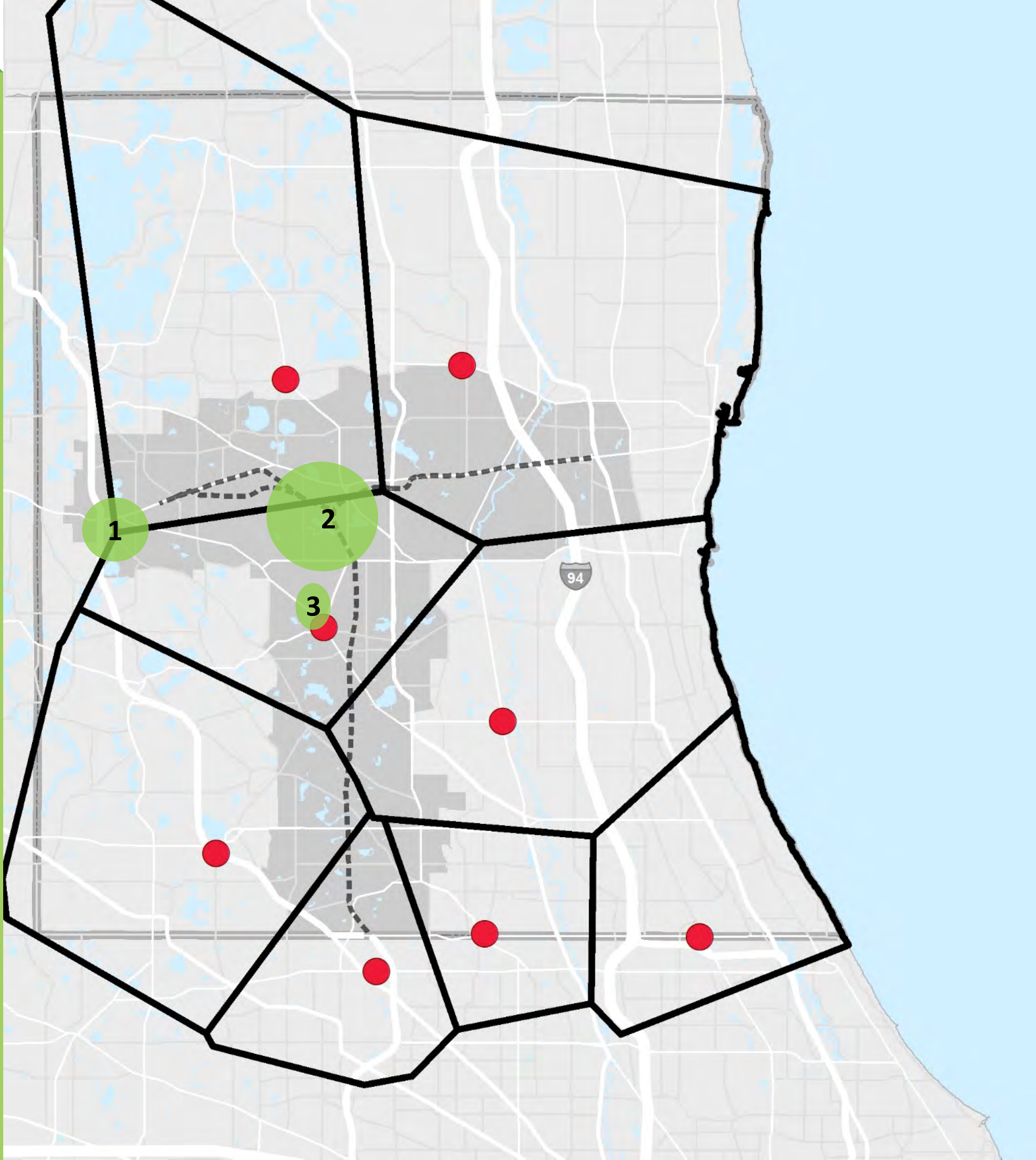
Most significant growth in Retail Buying Power predicted to be in N & NW portion of Corridor due to residential growth (since residents drive 85% of retail demand)



Testing Market Potential for New Regional **Retail** Clusters

Test locations based on:

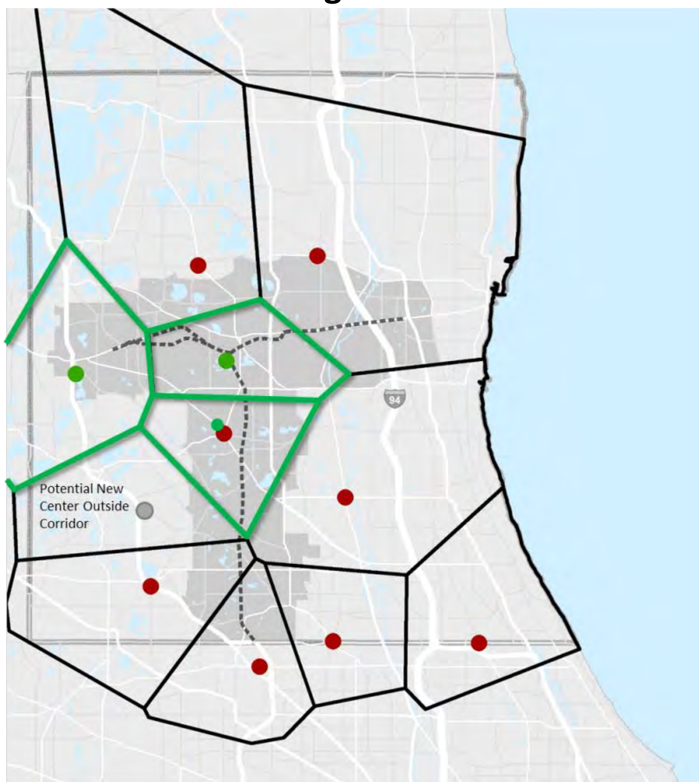
- Distribution and trade areas of existing regional retail clusters
- Existing retail leakage patterns
- Areas with highest future retail demand
- Availability of appropriate sites for larger-scale retail



Corridor Potential for Regional Clusters

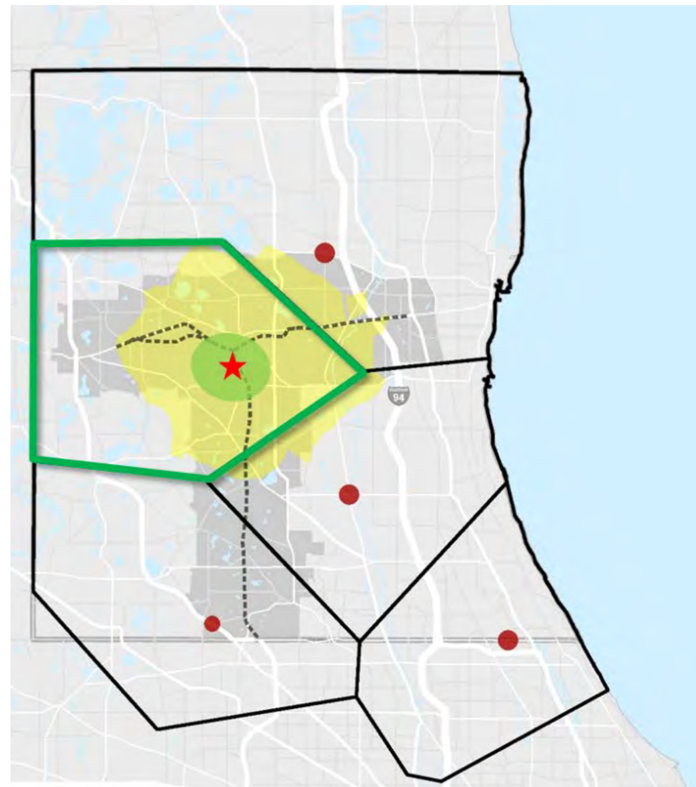
Growth in Population and Employment can Support:

2-2.5 M sf in **Regional Retail Clusters**



New retail clusters would reduce leakage and serve new population and employment

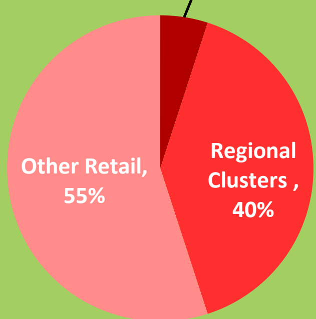
300,000 – 350,000 sf Lifestyle Center



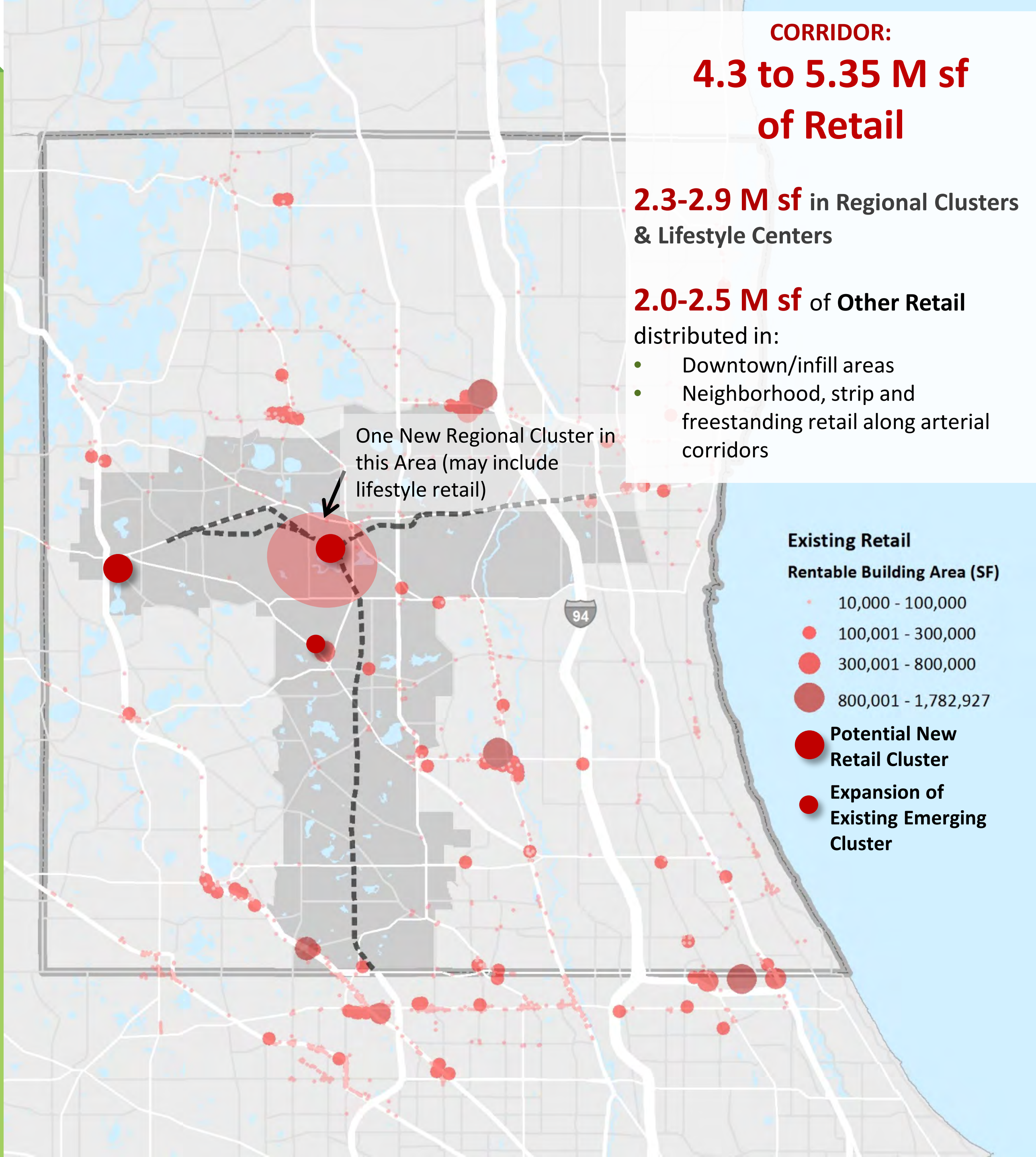
Market profile is already close to profile needed for a lifestyle center

Corridor **Retail** Forecast (2015-2040) & Potential Locations

Retail Development Typology in Past 15 Years



- New regional retail clusters projected in currently underserved areas north and northwest of the Corridor
- Approximately 50% of total supportable retail square feet will be distributed outside regional clusters



CORRIDOR:

4.3 to 5.35 M sf of Retail

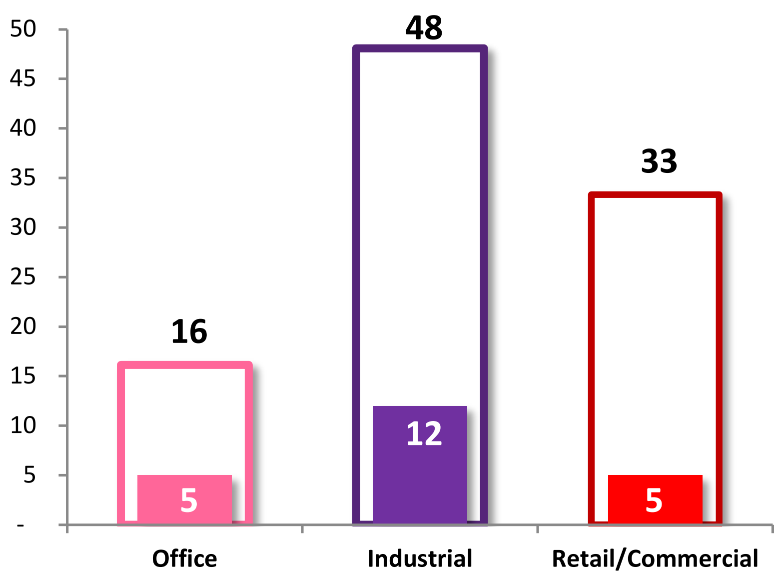
2.3-2.9 M sf in Regional Clusters & Lifestyle Centers

2.0-2.5 M sf of **Other Retail** distributed in:

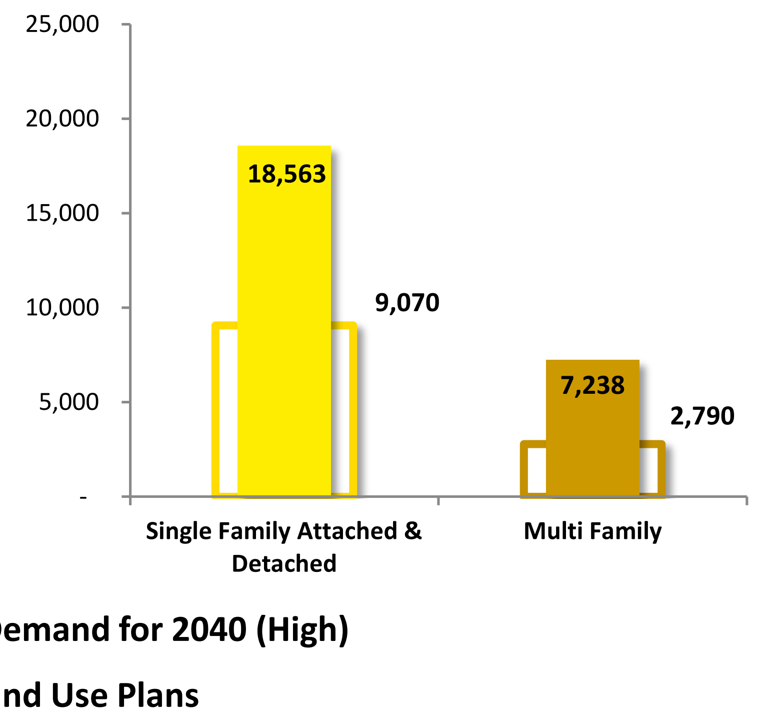
- Downtown/infill areas
- Neighborhood, strip and freestanding retail along arterial corridors

Current Market Demand vs. Capacity

NON-RESIDENTIAL (Millions of SF)



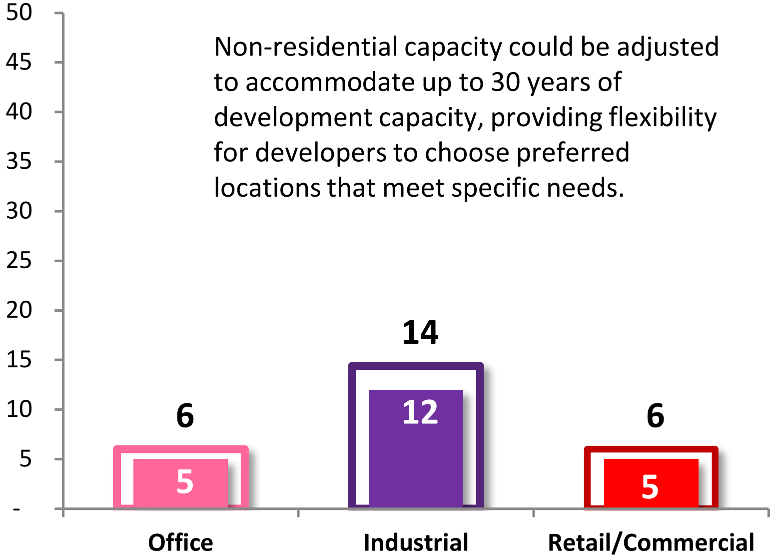
RESIDENTIAL (Units)



Potential Reallocation

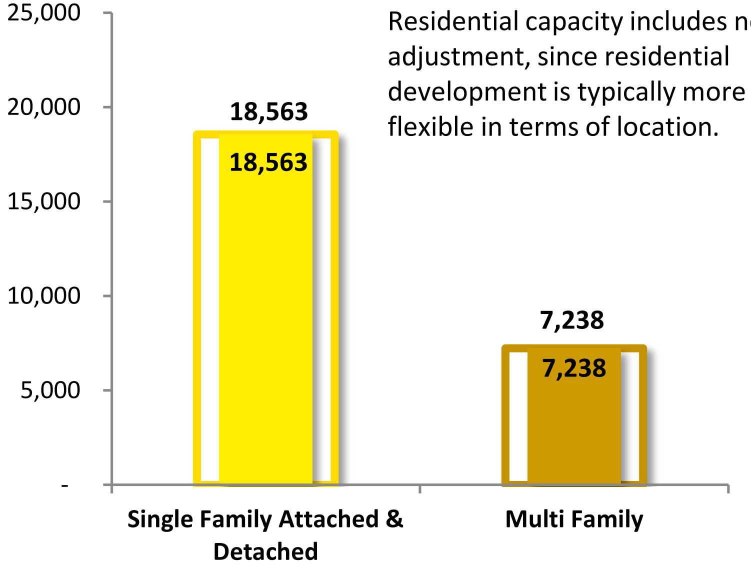
NON-RESIDENTIAL (Millions of SF)

Non-residential capacity could be adjusted to accommodate up to 30 years of development capacity, providing flexibility for developers to choose preferred locations that meet specific needs.



RESIDENTIAL (Units)

Residential capacity includes no adjustment, since residential development is typically more flexible in terms of location.



Market Demand for 2040 (High)

Market Capacity for 30 years