

The Weekly Take

River of Dreams: The story behind Chicago's real estate resilience

3.24.25

Spencer Levy

Chicago is a city in the middle. It's the unofficial capital of the American Midwest, nicknamed the Second City. Yet, undoubtedly world class in its own right. A central location to meet corporate needs for the entire U.S. and beyond, making lifestyle and cultural impact, too. And like many of the places we've explored during our Shaping Tomorrow's Cities tour, it is also one of my favorite places to visit. On this episode, we'll find out why, despite post-pandemic challenges, the Windy City is something of a bellwether.

Lisa Konieczka

What I would say is it's really a tale of two cities.

Spencer Levy

That's Lisa Konieczka, a CBRE Executive Vice President who advises occupiers on real estate strategies and transactions. A native of Illinois and CBRE-lifer Lisa just celebrated her 37th year at the company. In 2024, she was named a Notable Business Leader by Crain's Chicago Business.

Karen Case

If Chicago had better weather year round, we would be way too overpopulated.

Spencer Levy

And that's Karen Case, Vice-Chair of the Canadian Imperial Bank of Commerce, better known as CIBC, a Toronto based commercial bank with more than 48,000 employees across Canada, the U.S. and the world. The bank has a legacy of more than 150 years and total revenues of over \$25 billion. Coming up, a trip to CIBC's beautiful U.S. headquarters, a landmark building in the financial district of Chicago. My kind of town. I'm Spencer Levy, and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take, and this week we're going to talk about one of my truly favorite cities in America, Chicago, with two of the leaders of the Chicago real estate industry, and in banking. Starting with our guest, Karen Case, Vice Chair of CIBC U.S. Karen, thanks so much for having us out today.

Karen Case

Well, thanks for having me. I'm delighted to be here.

Spencer Levy

Great to have you. And my old friend, Lisa Konieczka, Executive Vice President, CBRE, based here in Chicago. Lisa, thanks for coming out.

Lisa Konieczka

Spencer, nice to see you again.

Spencer Levy

Karen, we're here to talk about real estate, specifically Chicago, but more broadly... We're here in your space right now, and I walked into your building today and I said, this is museum quality. I mean, literally museum quality, maybe the nicest first floor I've ever seen. You have lots of other space here in the city. Tell us about how you think about Chicago real estate.

Karen Case

Real estate as a banker has always been a primary or core business for CIBC. We represent more than 40% of the loan portfolio, the total loan portfolio, within the U.S. So it's important to us. We are in markets across the country. Chicago is our headquarters, and we are headquartered here since the acquisition of the former private bank by CIBC in 2017. So that's why Chicago is the most important in the U.S. alongside New York. We have a lot of people in New York and in other cities, but Chicago being the headquarters. As an occupier, we currently occupy about 400,000 square feet across three properties in the city, with about 2,000 employees. We have three leases. All three of the leases expire in five years from now. So we are thinking very long and hard about our occupancy strategy.

Spencer Levy

Well, I know you mentioned Chicago and New York, and the best compliment I can give Chicago, and I think I've said this to Lisa before. My dad grew up in the Bronx. He said

there are only two real cities in America: New York and Chicago. So from a New York guy, that's high praise.

Karen Case

I'm a New York gal, too, and most people in New York would say the most important two markets are New York and New York.

Lisa Konieczka

That's fair.

Spencer Levy

So, now that we're talking about Chicago and Chicago...

Lisa Konieczka

Right.

Spencer Levy

Lisa, how is Chicago real estate doing?

Lisa Konieczka

I'd say if you look at it strictly by the statistics, we're probably in a worse place than we've been in a long time, right? So our vacancy, which we're just starting to report for the end of last year, is in excess of 24%. We had 1.6 million square feet of negative net absorption last year. That's a big number, knowing that a city that was normally absorbing 2 million square feet a year to go backwards that way is challenging. Interestingly, people think, there's probably a lot of sublease space and that's a big part of this whole thing. We kind of topped out at about 8 million square feet of sublease space. Now we're down to 6.4 million square feet. So, to say all that, those statistics on a 150 million square foot market, that doesn't sound so great. But what I would say is it's really a tale of two cities. If you are a creditworthy occupier looking to occupy space in a very stable asset, it's not going to be easy to find space. It really isn't. One of the things that Chicago's always been good at is we do not have a lack of land and the ability to develop. So when we need more product for a specific sector, we just build it. But certainly with the most recent capital markets situations, building is tough, right? So there's only one building under construction right now. It's a relatively smaller building, but it's in one of our kind of live-work-play submarkets, the Fulton Market, which is probably one of the strongest markets in the city right now. But we're really not seeing the momentum to be able to kick off new buildings just because of cost and capital.

Spencer Levy

Now, the Fulton Market is one of the markets I often use as an example of these live-work-play markets. Fulton Market 20 years ago was nothing.

Karen Case

It was fish and meat row.

Spencer Levy

Yeah. And now, I may be going too far saying it may be the number one submarket in terms of activity in Chicago today because of these live-work-play... because, I guess, Microsoft is there. McDonald's went there.

Lisa Konieczka

Yeah. Google. McDonald's, WPP, BCG. There are a lot of big tenants that have made.... And it used to be that it was really just a tech submarket and it seemed like it was kind of edgy and that would be where folks would go. And in fact, Karen lives there. Now, I would say that we've seen enough movement where it's truly established as a very stable market. I would say it's the most active, but what I would caution with that, again, when you look at numbers, it's still not that big of a submarket, right? So from that perspective, you may say, okay, it's very active, but as a percentage of the overall market of 150 million square feet, it's still not that big of a submarket. But they do have the opportunity to develop. And one of the things that I think is unique about Fulton Market that will make it probably sustain a little bit better than some of the other areas of the city is in the event that development can happen, Fulton Market has the ability to develop at a smaller scale, right? So between land value and sort of the development criteria of the city, they could build a 500 or 600,000 square foot building as compared to a lot of the sites that you're looking at in the central business district that are available. For those buildings to go, they're talking a million, a million-two, a million-three. So the actual fundamentals to get those projects off the ground are maybe a little bit more challenging.

Spencer Levy

This is actually a trend we're seeing, I think, nationally. I was with the CEO of Boston Properties the other day, and he was saying that they're building a spec building on Madison Avenue there right now. They're building new buildings in North Dallas. They're building new buildings in Nashville. There is new building going on even in some of these markets that overall may be facing record vacancy, not dissimilar to Chicago.

Lisa Konieczka

Right. Well, and that's where it goes back to this tale of two cities. An asset that is financially stable, that has a landlord, that has the capital to actually execute on transactions and has the availability of space is going to win all day long, right? And

then you look at some of the other assets and they're distressed. And so either they are somewhat immobilized and they actually can't do transactions or there is just too much uncertainty, which becomes a bit of a concern for a tenant that's going to go into the space. They're just not going to, they're not going to jump into a space where they don't know exactly how that asset's going to run. How many owners are going to be in the building before, are going to own that building before their lease is up, right? So that becomes a little bit more challenging. And then you look at, particularly where we sit today, in Karen's office....

Spencer Levy

What submarket are we in?

Lisa Konieczka

So we're in the Central Loop, but this is also an area where there's a lot of expectation for potential conversion of some of the older assets on the street to multifamily, which would be a good thing for the city, and has been a plan for the city to try to bring more residents back into the central business district. It's this push and pull between kind of people making decisions, putting a stake in the ground about what they need, whether that is multifamily or office or whatever it is, and then where the capital markets are and when are those capital markets going to free up to actually implement on some of these ideas to try to kind of rebuild areas of the city?

Karen Case

Well, and it's hard to say whether the cost of those conversions can truly be underwritten, because these are older buildings that don't have the modern HVAC technology and so forth, and they're not necessarily configured for multifamily use. I think there's a lot of wood to chop here, and I think it's going to be difficult. The other piece of it is we don't have the retail to support the services, to support multifamily, in the Central Loop. And so as an occupier who has 400,000 square feet of space coming due in five years, we think about, do we stay on the South street or do we move elsewhere? And you don't want to jump ship and yet you want to be in the right place for all of our coworkers who come down to the office every day.

Spencer Levy

So there's a lot to unpack here, both from a submarket perspective and then from a nitty gritty, I'm looking at this one building, what are my considerations? But let's start from the submarket perspective. Chicago is 150 million square feet, big city. We're in the central business district.

Lisa Konieczka

Central Loop.

Spencer Levy

Central Loop. And then I was just in River North earlier today for one of my events. Then we've got the Fulton Market. So, Karen, how do you look at the different submarkets? Just big picture, you're in one, you're at 400,000 feet in different submarkets. How do you evaluate a submarket when you're looking at your space considerations?

Karen Case

Well, we're just starting our occupancy strategy work now, but it will really be based on our employees and where they come from, how many of them are actually coming into the office. You know, we haven't talked yet about who's onsite, who's hybrid, and who's remote, but that obviously will play a big part of our decisioning as we go forward. So I think transportation and safety are probably two of the greatest things for us to prioritize.

Spencer Levy

So Lisa, from the submarket perspective, before we go into individual asset considerations, how do you, when you're speaking with tenants, how do you say the pros and cons of the different submarkets?

Lisa Konieczka

There are a variety of different submarkets in the city. I'd say North Michigan Avenue has got retail and it's got kind of a specific sort of driver around health care and things like that. So I'll talk about River North... I'd say top three markets with strength in our city right now are River North, the West Loop and Fulton Market. The Central loop, I think there are core fundamentals to it, right? The Central Loop has got a lot of much older buildings. And so the challenge with older buildings is they aren't as efficient. So when they get into a toe to toe competition with a newer building that's on Wacker Drive in the West Loop, it's going to be awfully hard for them to compete because the floor plate just isn't as efficient, the systems aren't there. And then you have the East Loop, which, as Karen said, it's really about your employees. And so that becomes often a little bit more challenging from a transportation perspective. That's probably the big one of Chicago. Like when we talk later about the benefits of Chicago as a city, one of the things that is beyond a lot of other core fundamentals is our transportation networks. So our transportation networks, both public transportation, between the CTA and the metro, which get our suburban and city folks into the city, but also sort of the fact that Chicago sits in like a hub and spoke type of a fashion. You've got the lake on the east. Chicago sits in the center and you have all of the suburbs basically surrounding us with great transportation networks for people both to drive and to take public transportation into the

city. So that all drives towards where does that public transportation drop you? And so in most cases, it's dropping you from the suburbs in the West Loop. And then in the city, you can pretty much get to any submarket, but certainly, it's going to lean a little bit more towards the central and going to the west.

Spencer Levy

Is Chicago mostly a train town or is it a driving town? How do most people get into their offices from the suburbs?

Lisa Konieczka

I'd say from the suburbs, the majority of folks are probably taking the train. I was sort of thinking about Los Angeles and the fires, but we're not tolerant for that type of traffic as a city, as a population. And we've also got snow. So we've got weather that can make commuting by car very difficult. So I'd say most people look for the reliability and the consistency of being on the train.

Spencer Levy

Well, I will say that for a person who flies in and out of O'Hare quite a bit, 99% of the time I take the train back into the city or out to it because driving is just no bueno.

Lisa Konieczka

No bueno.

Karen Case

Well the expressway has also been under construction for what seems like a decade. I think it's really 2 or 3 years...

Lisa Konieczka

It's only 2 years, but feels like forever.

Karen Case

...but it's been a nightmare.

Lisa Konieczka

It has been a nightmare. And we still have another year. Oh my goodness.

Spencer Levy

So we have all these different submarkets and we have an older submarket where we're in today in terms of the amount of the stock, maybe not as close to public transportation. We have that newer stock close to public transportation. And then we have the hip, new,

I guess if you want to call it that, Fulton Market that has newer product but also may not be as close to some of the subway lines.

Lisa Konieczka

Yeah. But one thing that's interesting to note is Fulton Market is the highest rideshare user area of the city of Chicago. And so it's something that we have to add into our conversation when we're talking about transportation. We're talking about public transportation, but the reality is there are a lot of people that even if they have access to public transportation, at the right moments, when there isn't a surge, they're using a rideshare type of a solution. And that's a big part of Fulton Market. It's probably also one of Fulton Market's greatest challenges because it's not a very big submarket. And if you take... And you have a lot of residents because it's a live-work-play, right? So you have lots of residential and then you add on top of that a whole slew of Uber drivers or Lyft drivers flying in to drop employees off at work, it can get a little congested.

Spencer Levy

But when I go to cities, and I go everywhere, as Lisa knows, I walk every city I go to. It could be cold outside. I typically pick a restaurant a mile or two from my hotel and just walk it, because that's how you really learn cities. And by the way, I've considered Chicago a very walkable city. I do think the Fulton Market's a little bit too far to walk. I will say that.

Karen Case

It's a mile from where we're sitting. It's not very far.

Spencer Levy

Okay. Well, maybe it's closer than I thought. But nevertheless, I walk almost everywhere in this town, and I consider it to be very walkable, in part because it's a very flat town. There's no hills here.

Lisa Konieczka

No, no, definitely. Actually, we do a lot of computation analysis, and I agree with Karen. That idea that Fulton Market is a mile to the West is actually very true. It's a different walk. And that's the thing. So if you actually take and analyze from the suburban train stations to River North or to Fulton Market, and I've done this for many clients that have ended up moving from River North to Fulton Market, it's actually the same distance. It's just it's a different walk. You have to walk over a highway versus walking over a river.

Karen Case

That's the barrier.

Lisa Konieczka

And it's funny, isn't it?

Karen Case

Walking over the highway is for sure a barrier, and feels loud and uncomfortable.

Lisa Konieczka

Right. Right. So that would probably be a smart thing for the city to do, is improve what that walk looks like.

Spencer Levy

Well, even folks like me, my perception was altered not by its distance, but by the perception of the distance.

Lisa Konieczka

Right. Right. Exactly.

Spencer Levy

So Karen, let's go a little bit deeper now. As both a lender and as an occupier, we're dealing with, let's just call it what it is, one of the toughest capital markets environments we've ever dealt with, certainly in the office sector, and it's particularly acute in some markets here in Chicago. So as you're looking as an occupier and you're looking at a building, what are your considerations when you're thinking about not just the physical structure but the landlord?

Karen Case

Well, the credit quality of the landlord will certainly play into our decision as we move forward in figuring out what our strategy will be. Because as Lisa had mentioned earlier, if the landlord can't afford to do the TI, pay the leasing commissions to the tenant rep, maintain the building on an ongoing basis, then we don't want to be there. So understanding who the owner is, how long they intend to own the building, what their basis is, what their capital advantages are. We need to understand all of that in order to be able to make a sound decision for our employees.

Spencer Levy

And that's, I would say, more acute today than it's ever been before. I think that was always a consideration, but now it's a gating item. Is that a good way to put it?

Karen Case

Exactly.

Lisa Konieczka

Yeah, absolutely. Probably in the past it was more of an intuitive thing when you were looking at a certain level of buildings, whereas today that is absolutely a key criteria in order for a building to be even considered for a survey, right? It wouldn't even go on a survey if the landlord isn't financially stable or has the ability to become financially stable.

Spencer Levy

There are a lot of new landlords in the market. A lot of them are families, high-net-worth individuals. What can they do to credentialize themselves? I mentioned some landlords are escrowing TI dollars as an example. We have probably half and a half occupiers, half investors. Some of them want to buy, but why would they want to buy if we aren't going to bring them tenants? How do you make yourself attractive as a landlord?

Lisa Konieczka

For us, it's, first of all, probably a lot of transparency first and foremost, right? Obviously, there's a lot of information that is available in the public markets, but depending upon a lot of these properties that are selling at such record low prices that you have all cash buyers in those cases because lenders aren't necessarily ready to get into the game. And so you may not be able to get a lot of information from the debt market. But I think that having that transparency as to what the capital stack is in the asset, what of the funds are available, escrowing those funds, and then providing a lot more checks and balances within the lease that would give the tenant the ability for self-help in the event that there were to be a challenge. If it's a large tenant, then giving that tenant oversight and possibly who the service providers are that are maintaining the asset because it's not like it's a one time deal, where at the beginning of the transaction, you have to make sure that they can fund and do all of those pieces. It's also about the fact that this is a long term relationship between this tenant and this landlord, and you need to make sure that they're going to abide by their responsibilities throughout the entire lease, which could be 5, 10, 15 years long. So it's a multi-tiered place. And even for very strong landlords. We've seen very strong landlords. We've seen prominent property owners that own tens of millions of square feet around the country have challenges. So this isn't one of those where you have to say, well, it's X, Y, Z, they are the gold standard. That doesn't mean they're the gold standard with that asset. So everybody needs to be transparent.

Karen Case

I want to go back to something Lisa was just talking about in terms of the financeability and understanding. A number of years ago during one of the other downturns, this was

in the early 90s, there was nobody lending in the downtown market. Pencils down. And I got a call from somebody who said we just bought a building right on the South street, all cash. We want a loan to fund TILC. Nothing else. The building's in great condition. It was probably 60% occupied at the time. And I said let me understand this. You get a tenant, you need to build it out, and that's the money you're borrowing. Yes. Well, that made all the sense in the world, right? And so the all cash buyers should have the ability to borrow to build out space for tenants.

Lisa Konieczka

Right. Because it's a low risk deal.

Karen Case

Exactly. You need to look at each deal individually, and you can't just paint a whole market, or submarket, or asset class, with the same brush, because every deal is going to stand on its own and have its own underwriting criteria.

Spencer Levy

To use a general industry term, we used to call it a good news facility. Is that what they still call them?

Karen Case

There aren't that many of them anymore. But yeah, exactly.

Spencer Levy

So now, digging into the individual assets themselves. We have the physical asset, the entirety of the building. We walked in, I mean, an unbelievable space on the first floor here. I mean, it is museum quality. Beautiful. And that's part of it. Part of it is curb appeal. Let's not kid ourselves. Or you walk in there as a client of CIBC, you can say this is pretty cool. But there are other things that need to be taken into consideration. The amount of retail that's here, the sustainability, the greenness of this building. What are some of these other, would you say, big picture win factors or detractor factors you're thinking about?

Karen Case

Well, you think about the technology that a building can provide. I think as we were setting up here, you saw that our WiFi was not that easy to connect to. You look at other amenities and whether that be workout facilities, retail, as you mentioned, convenience. Whether you look at huddle space for employees to gather together. I mentioned safety earlier. I think safety in the neighborhood. Having our employees feel comfortable

walking back and forth to the trains is very important. Having places to go for lunch nearby. Those offerings have become far more limited than they ever were before because there are so many fewer people coming downtown. Those are some of the things. People want to come to a space that they're proud of, that they're comfortable in. They want to be able to show their friends and family, look at this great space that I work in. There's a pride factor there, too.

Spencer Levy

So, Lisa, and as Karen mentioned, we haven't even begin to scratch the surface on hybrid work, work from home. But given that that genie is not going back in the bottle...

Lisa Konieczka

No, it is not.

Spencer Levy

It changes the definition of what is the, what I call, win factors of a building, of a type of retail. Do you bring in lunch? You bring in entertainment. And does your technology have to get light years better to have hybrid zoom that is as good as being there in person? So you've been in the business for a while, starting at five years old, right?

Lisa Konieczka

Yes I did. Yes, exactly.

Spencer Levy

So how have these changed, certainly in the last five years, post-COVID, the types of amenities, technology, sustainability or otherwise, that you're recommending to your clients?

Lisa Konieczka

It's changed a lot because everybody's looking for what is... As we said, the genie is not going back in the bottle. So what is the secret sauce to encourage employees, to come back to work, regardless of whatever the policy is? Because I think there is an inherent belief that there's a lot of benefit that comes from collaboration in person and that that will continue to help companies progress forward. So I would say, as Karen was just mentioning, certainly the access to all those conveniences are important. Certainly transportation and commutation is important. But I think you have to make it worth it. It isn't just like I've got to come in the office and sort of hang out with the people. It's like, I've got to make a day of it, right? So that's I think one of the reasons that the live-work-play type of environments like a Fulton Market are actually doing well because there are so many other things you can do. You can say, I'm going to be in the office

Tuesday, Wednesday and Thursday, and I'm going to connect with friends or I'm going to connect with business colleagues or clients. And I have lots of options that are close to the office that I can do that. But there are also reasons to try to have teams gather together outside of the office to create, again, that connectivity, because that connectivity breeds connectivity. You're connected, you're collaborating, you're like, I want to do that again next week because you know what? I got ideas X, Y, and Z, and that helped me to move forward. I built a new relationship. That relationship is going to help me with my career. So I'll give an example. We just finished a project for BCG over in Fulton Market. Kind of a crazy amenity that they have that was driven by BCG in the tenant lounge space of the building: duckpin bowling.

Spencer Levy

Well I'm glad you mentioned duckpin bowling, Lisa, because we didn't mention this and that I should have, because the next time somebody says pickleball on this show....

Lisa Konieczka

They're off.

Spencer Levy

They're off the show. So duckpin bowling kind of makes it.

Lisa Konieczka

Yeah. There you go.

Spencer Levy

But pickleball might not have made the cut.

Lisa Konieczka

But you know what? I hate to say it, but I am going to say it, in that there is another building, which is a kind of a 60s vintage building. It was the original Illinois Bell building that's being renovated right now. And they took the top three floors of that building and created this amazing amenity space. And they're actually amenities that are almost club like, right? But when you look at a little bit more of a redevelopment or a less traditional type of a building, if you can provide that sort of exclusivity type of a feel to the amenities, that becomes something that's attractive to tenants.

Karen Case

There's a building down the street where they're going to do vertical farming. But I'm going to play devil's advocate just for a moment in the return to office formula. I think we've lost Fridays forever. But I do think people will feel the need to start coming back to

the office. Right? We all have the stories of, you know, one of my colleagues when he was 24, sitting at a desk, COO walks out at 1:00 and says, hey, you want to have lunch? Now, of course, this guy had just come back from lunch. But here was the opportunity to go spend an hour with the COO of the company because he was there. And so he said, of course I'm starving, you know. Thanks for asking.

Lisa Konieczka

There's also the cohort part. I can think back to the people that I worked with at the beginning of my career, whether it was working with them or, as you mentioned, Karen's very philanthropic and I like to do that too, is that you meet people on boards or whatever it may be. Those are your relationships. Those people have sustained the last 37 years of my career, and that cohort is a big part of how I do business today. And it's not just that they're clients. They're people that I, for a variety of different things, that you connect to. And I wonder if you can really build a cohort over Zoom or Teams.

Spencer Levy

So let's pull the lens out for just a moment, if I could. And Lisa, I know your practice is national, but you're based here in Chicago. And CIBC has got offices here and that other city in the east, New York, and Toronto.

Karen Case

And we're in about 20 markets across.

Spencer Levy

20 other markets. And so in our Shaping Tomorrow's Cities Report, we try to classify cities. And we classified Chicago as a "mixed-major," along with Seattle and Boston. There's a lot of ways to look at that. I might say that Boston is more like San Francisco and Seattle than Chicago. And I think that Chicago is more like L.A. than New York. What do you think, Karen?

Karen Case

Both as an occupier and putting my lender hat on, I think there are good deals in bad markets and bad deals in good markets, and you have to look at any and every asset differently. Even buildings right next door to each other or at the same intersection. And so you could look at San Francisco, Boston, Birmingham, L.A., New York, D.C., Baltimore, where you're from, right? Every city has its pros and cons, but every transaction, every asset within a city, is going to have its individual benefits or deficits. And so, like I said, good deals in bad markets. Bad deals in good markets.

Spencer Levy

So Lisa, and you have a national practice, as well. And you see Chicago both as an insider and then taking the lens back. Comparing, calling it a mixed-major, comparing it to Seattle and Boston, what do you think? Are there other cities you might compare it to?

Lisa Konieczka

Chicago does not have the scale of New York, so I think that's a little bit of a difference. But one of the things that has made Chicago, one of those cities that... I mean, we don't have the highs of the highs like a San Francisco or even New York has seen, but we don't have the lows of the lows. And the reason we don't have that is we have a very diversified economy. We are a hub city for lots of major universities. This is a city just like Atlanta, where students go after school. After school, this is a city that they want to live in. So we have great access to a good employee base. I think that when we think about mix-majors, we're saying, okay, has Chicago become a hub for tech workers, in addition to becoming a hub for this diversified economy of financial services and all the other things in manufacturing that Chicago has? So I think that we are to a certain extent but what makes us different than a San Francisco or a Seattle or a Boston is that I think we have got this diversified economy on the underpinning that creates a little bit of stability for us. Right now, Chicago, because of the capital markets, the real estate side of things, that we are probably in a little bit more distress than some of those other markets are, as far as our real estate asset base. Just even our statistics for the end of last year, our increase in tenants over 10,000 square feet that are looking for office space is dramatic in a market that just had a 1.6 million square foot negative net absorption. So there is activity and there is investment and there's more commitment to new space. And some of that is because there are growing industries in Chicago. But some of that is also just that we're stable, right? The diversity of our economy means that all of these companies, just like CIBC, is starting to figure it out or finally saying, you know what? It's been long enough. I'm going to put a stake in the ground. I'm going to figure out how I'm going to work, how I'm going to bring my employees back to the office. And they're starting to make those commitments. So because of our economy, I think that we will rise above.

Karen Case

And Chicago attracts over 110,000 college grads every spring. That has not changed. That was the number before Covid and since Covid. And that's an important factor.

Spencer Levy

So here comes the Chamber of Commerce moment. When we were on the San Francisco show, I kept going back to the fact that San Francisco was a really cool city. The architecture is cool, it's eclectic, but they have unbelievable restaurants there, and

they have all these bands that come from San Francisco, and they have all this tech that's in San Francisco. There's a culture thing that creates good restaurants. That creates good bands. That creates cool real estate. That creates cool companies. And I think Chicago has got a lot of it. This is a great food town. This is a great entertainment town. And there are some great bands from this town, as I'm now looking up. Not only is Chicago from Chicago, surprise. Smashing Pumpkins are from here. And then you have the whole blues scene and the Blues Brothers, one of my favorite movies as a kid. So what about this cool factor, Karen?

Karen Case

I think that if Chicago had better weather year round, we would be way too overpopulated.

Lisa Konieczka

I agree.

Karen Case

Between the lake, the cultural amenities we have, whether it be the opera, the symphony, the theater world here is unbelievable. There's so much to do. There's recreation. There are sports teams.

Lisa Konieczka

Let's not talk about our records right now.

Spencer Levy

This is where the episode's over.

Karen Case

And bringing in the diversified industries that we have brings in very interesting people, right? And so...

Lisa Konieczka

And our shopping, our retail. I mean, you walk down Michigan Avenue at any point when it's not winter, right? So April through November, and you will hear a million different languages being spoken by all of these tourists that are in our city. And I would say our food town, and I'm a bit of a foodie. Our food and our restaurants and the chefs that are here and how they're innovating is pretty spectacular. I would put us up against a lot of other places, and even when there are great chefs that are in other cities, Chicago's a place that they want to be as well. And I'll use Tre Dita, Evan Funke,

because I just watched his show on Netflix, is a great example of someone who said I've got to be in Chicago.

Karen Case

Well, and we've got so many top chefs here.

Lisa Konieczka

We do.

Karen Case

Joe Flamm and Stephanie Izard, who is dividing her time between here and L.A..

Spencer Levy

So what's your outlook for Chicago for the next five years, Lisa?

Lisa Konieczka

I think it's going to be a place of opportunity. I think that once we can get through this capital markets piece, I expect that we will see new development continue to happen in Chicago. I think that some of the reinvestment in the Central Loop and some of those areas could potentially bode well for the city. Even just in the last couple of days as I've been out on tours, I've been surprised that all the landlords are talking about they've already had record high attendance on the Tuesday and Wednesday after New Year's. So I think that employees are coming back. It's the first step. So when employees are back, there's demand for retail. Then the retail opens, and then there's demand for.... Then the tourists can come, and all of those pieces can happen. So I think in the next five years, we're going to see Chicago recover. It's not going to recover to where it was pre-pandemic because that takes time. But I think that we will see a real recovery.

Spencer Levy

Karen?

Karen Case

I think the capital markets is an important factor to consider here, as well. And this is not just for Chicago, but across the country. When you think about five years ago, six years ago, if you had a property with a \$1 million NOI, you could probably get a loan for call it \$12 million. That same million dollar NOI today, right, and take away asset class, it doesn't matter. You'd probably be somewhere about \$9 million. So when you think about capital markets and buying and financing or refinancing a property, it's really difficult, right? And so you need to find more equity to come into each deal. These buildings that we've talked about today are older, so they require a lot of CapEx. So I think the capital

markets is going to play a very important role, whether it be here in Chicago or across the country. But real estate is an asset that continues to be attractive. Chicago is a city that continues to be attractive. So I'm pretty optimistic about what things are going to look like over the next few years.

Spencer Levy

Okay. Well, I started with a quote from my dad that Chicago is the only other real city in America other than New York. I'll end with a quote from Frank Sinatra. "Chicago: My kind of Town." And talking about Chicago, I was delighted today to speak with Karen Case, Vice Chair of CIBC U.S. Karen, thank you so much for coming out.

Karen Case

Thanks for having me, Spencer.

Spencer Levy

And then my old friend, Lisa Konieczka, Executive Vice President of CBRE. Lisa, great job.

Lisa Konieczka

Thanks, Spencer. It was good to spend time.

Spencer Levy

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