Analysis of the Office Market in Uptown Normal, IL

Prepared for:

The Town of Normal, Illinois

February 26, 2015

Prepared by:

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Analyze. Advise. Act.

TABLE OF CONTENTS

LIST OF FIGURES

EXECUTIVE SUMMARY

This report, prepared on behalf of the Town of Normal by HR&A Advisors, Inc. (HR&A), analyzes the office market in Normal, IL and provides an assessment of the viability of new office development in Uptown Normal (Uptown). This analysis is intended to inform an update to the master plan for Uptown, which over the past decade has experienced significant development guided by the 2000 Uptown Normal Redevelopment Plan. The majority of this development has consisted of residential and retail space with only a modicum of new office space. The new plan will identify development opportunities for (1) currently vacant sites in Uptown and (2) the parcel south of the railroad tracks where the Town owns a 6-acre site. Office uses in Uptown would increase the area's daytime population, supporting retailers and restaurants, and would also advance economic development efforts to create jobs.

Uptown has several attributes potentially attractive to office uses. Uptown is differentiated as a walkable, mixed-use district in a region lacking many such places. Normal has a highly educated workforce and is the home of Illinois State University (ISU). The headquarters of State Farm provides a strong corporate presence. The centrally-located Amtrak station offers connections to Chicago and St. Louis that will improve with initiation of high speed rail service, and the Central Illinois Regional Airport provides commercial air service.

Despite these advantages, HR&A found that there is limited demand for office space in Normal, with potential for absorbing only approximately 5,000 to 8,000 square feet of total office space per year. This demand does not justify development of a new large, multi-tenant office building in Uptown. Moreover, the building would need to achieve a significant premium over current average office rents in Normal ($12) in order to justify the cost of new construction. These risks on both the demand- and supply-side make new speculative office development infeasible.

However, the Town could facilitate office development, if it deemed this a priority for Uptown's future:

- **Financial Incentives.** Offering tax increment financing (TIF) funds for infrastructure and site amenities would subsidize private development, increasing potential for financial feasibility.
- **Parking Allocation and/or Subsidy**. Office tenants require convenient parking for their employees. In a town center environment, office buildings may require structured parking as part of the building, or at minimum, guaranteed spaces immediately proximate to the property. The cost of structured or adjacent parking increases overall occupancy costs, posing a challenge to attracting tenants. In order to stimulate office development and attract office tenants, municipalities often construct parking decks and lease spaces to nearby office properties at a low cost, or subsidize the cost of parking in a new development.

- **Mixed-Use Zoning.** While an entire new office building may be unlikely or infeasible, a limited amount of office space could be included within a mixed-use building or site and successfully absorbed. Within a single building, 1-2 floors of office space could be vertically-integrated with retail and/or residential uses. Active office uses could function as a suitable ground-floor tenant in place of retail. Alternatively, a small freestanding office building could be included in a site design where uses are mixed horizontally. While HR&A believes these formats could be leased from a market demand perspective, it likely does not represent the highest value use. Zoning could be utilized to require delivery of office space as part of a primarily residential or retail project.
- **Designation of Public Sites.** Key publicly-owned sites may be reserved for sale to an office developer and offered at a discounted price, increasing potential for financial feasibility. The Town could work in conjunction with the Bloomington-Normal Economic Development Council to identify appropriate end users seeking build-to-suit opportunities for the sites.
- **Tenant Attraction.** An anchor tenant is often needed to attract investors to finance a new office building. ISU's campus is adjacent to Uptown and is a major component of the Normal economy. Aside from occupation of space in the mixed-use Uptown Crossing building, ISU primarily locates its office-based employees on campus. However, Uptown has become a major part of the ISU experience and ISU could potentially be engaged in conversations to move additional office operations or other functions into new Uptown space. Other anchor tenants, particularly professional services firms that place value on an in-town location, may be in the market, but attracting them to Uptown or even the region as a whole will likely require a sustained marketing effort and fiscal commitment. Non-anchor tenants that could help fill office space include small business and household services tenants (e.g. medical offices, law offices, real estate offices) and regional branch offices of professional service firms headquartered in Chicago or St. Louis.

I. CONTEXT

Plan Context

The Town of Normal approved the 2000 Uptown Renewal Plan to guide redevelopment in the newly-designated Uptown Normal district. The plan focused on redevelopment of the central portion of Uptown through investing in new infrastructure and catalytic mixed-use projects. The plan provided the blueprint for the transformation of Uptown into a more vibrant district through public and private investment including the following projects:

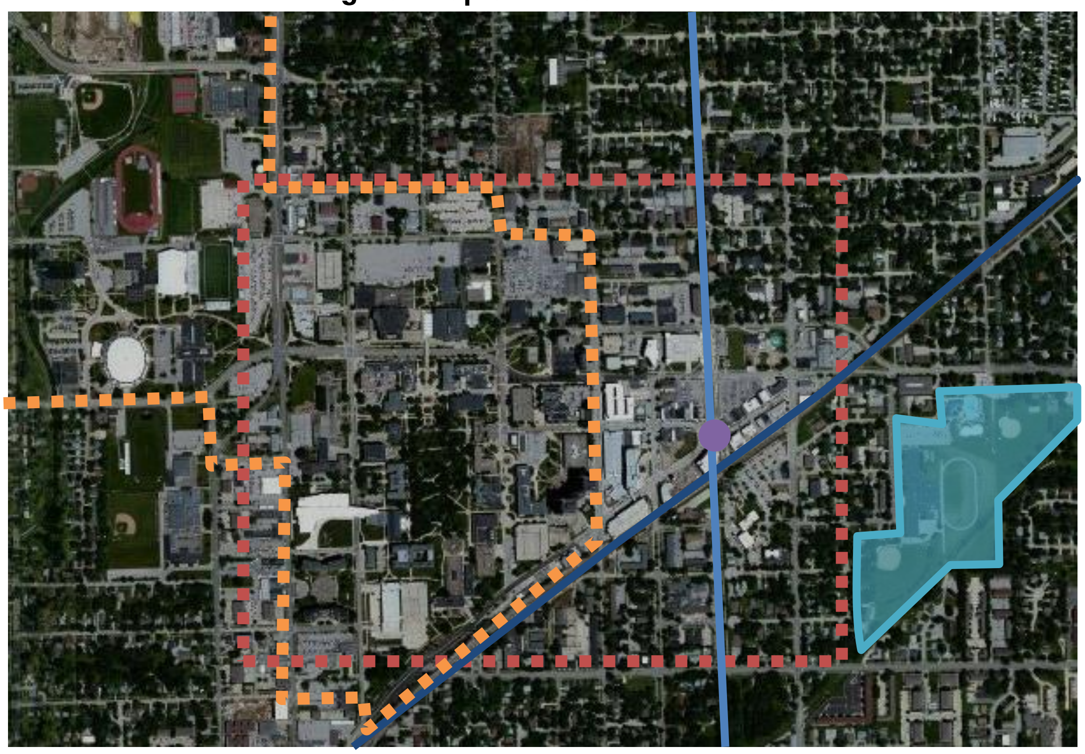
- Children's Discovery Museum
- Marriott Hotel, Conference Center, and parking deck
- Multi-Model Transportation Center: Amtrak and bus station, Town of Normal office space, ISU gallery, and parking deck
- Uptown Crossing: student housing, retail, and office space
- Uptown North apartments
- One Uptown development (under construction): Hyatt Place hotel, apartments, retail
- Uptown Circle public space and streetscaping
- College Avenue parking deck
- Façade upgrades for existing buildings

The Town has commissioned an update to the plan to guide future development in Uptown, including an area south of the railroad tracks that presently forms the southern boundary of Uptown. In this report, HR&A assesses the potential for new office development in Uptown to inform the plan.

Uptown Normal Study Area

Uptown Normal is located in the center of Normal, with the multi-modal transit station and Uptown Circle as principal focal points. Uptown is adjacent to ISU, home to 19,900 students and 3,600 employees. Recreational amenities include Constitution Trail, a popular 24-mile bike trail, which runs through the center of Uptown, and nearby Anderson Park. By automobile, Uptown is within 10 minutes of Downtown Bloomington and within 15 minutes of office complexes, located along Veterans Parkway. Regional transportation access is provided through the Central Illinois Regional Airport and Amtrak service at the multi-modal transit station. There are seven daily trains in each direction with service to Chicago in 2 hours and 45 minutes and service to St. Louis in 3 hours and 15 minutes. The implementation of high-speed rail will reduce the travel time to both destinations by over one hour. Figure 1 shows the plan area which is the focus of the update of the Uptown Plan.

Figure 1: Uptown Normal Plan Area



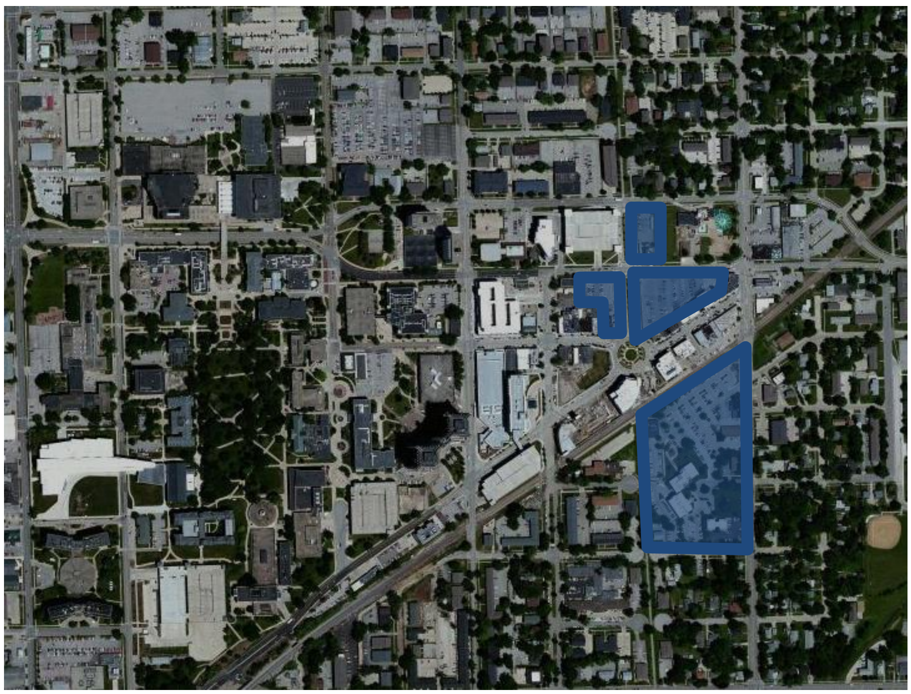
Source: Bing Maps; HR&A

Uptown Study Area Boundary
ISU Boundary
Constitution Trail
Railroad Tracks
Uptown Circle
Anderson Park

Development in recent years has primarily occurred nearby the new Uptown Circle and multi-modal transit station. There remain several vacant or underutilized, Town-owned sites highlighted in Figure 2, where future development could occur.

The potential for drawing development activity south of the tracks merits particular consideration. A 6-acre site south of the tracks has been identified as a strong potential redevelopment site due to its large size, ownership by the Town of Normal, and strategic location adjacent to Constitution Trail just south of where Uptown development has occurred to-date. The site currently has both vacant and occupied public buildings, including the Police Annex.

Figure 2: Underutilized Town-Owned Sites in Central



Source: Bing Maps; HR&A

Town-owned sites

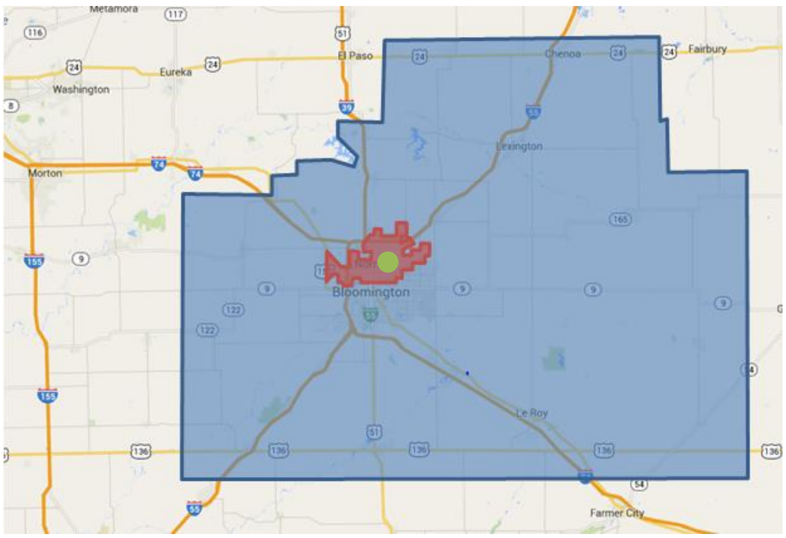
Uptown currently has a limited amount of office space. The area is primarily a place for shopping, entertainment, transportation connectivity, and living, particularly for students at ISU. The Town of Normal occupies office space in the multi-modal transit center and ISU occupies 38,000 square feet of office space in the mixed-use Uptown Crossing building. Additionally, 53,000 square feet of office space is included in the Bank of Illinois building and 6,000 square feet at 114 W North Street. The majority of the office stock in the region is located in suburban office complexes with convenient parking and automobile access via arterial roads, particularly on Veterans Parkway. New office space in Uptown would require convenient parking in order to compete with suburban office complexes and attract tenants.

II. LOCAL AND REGIONAL OFFICE MARKET OVERVIEW

STUDY AREAS

HR&A examines office market dynamics at both the regional (McLean County) and local (Town of Normal) scale. Due to the lack of existing office space, sufficient data does not exist to evaluate trends in Uptown as a stand-alone market.

Figure 3: Office Market Study Areas



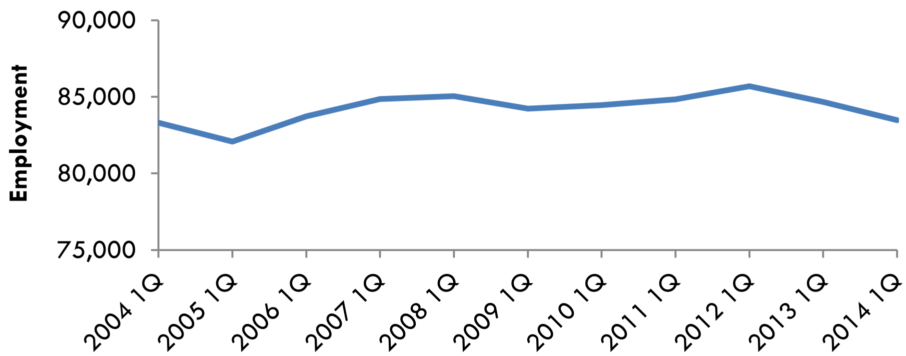
Source: Google Maps; HR&A

Uptown Normal
Town of Normal
McLean County

ECONOMIC CONDITIONS

McLean County is a relatively stable labor market with a well-educated population and a significant proportion of employment in professional services. As shown in Figure 4, McLean County experienced modest job growth leading up to the Great Recession in 2008. Testifying to the stability of the area, the County experienced relatively limited job losses during the Recession, recovering to full employment by 2012. However, the loss of over 2,000 jobs since 2012, a period when much of the country has experienced job growth, raises concerns about the area's economic competitiveness and potential for further growth that would drive office demand. In the first quarter of 2014, McLean County had approximately 83,500 jobs, only 200 more than it had 10 years prior in the first quarter of 2004. For the population 16 years and over, the unemployment rate in McLean County is 5.9%, in line with the national unemployment rate of 5.8% and below the statewide unemployment rate of 6.6%.[1]

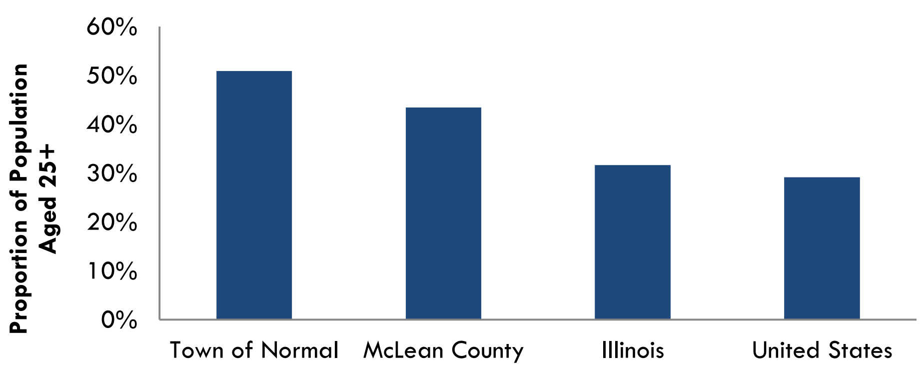
Figure 4: McLean County Employment, 2004-2014



Source: Illinois Department of Employment Security; HR&A

While 22% of total jobs in the State of Illinois are within financial activities and professional and business services, 33% of jobs in McLean County are within these high-paying industries. In total, 51,670 workers in McLean County are employed within traditionally office-using industries.[2] As a college town with a labor force concentrated in professional services, Normal has a high share of college-educated residents. As shown in Figure 5, 44% of Normal residents and 51% of McLean County residents hold a bachelor's degree or higher, compared to 32% statewide and 29% nationwide.[3] The area's significant concentration of highly-educated workers is an encouraging factor for its future competitiveness in today's knowledge-driven economy.

Figure 5: Population Aged 25+ with Bachelor's Degree or Higher, 2013



Source: American Community Survey, 2013; HR&A

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[1] Source: Illinois Department of Employment Security, 2014.

[2] Source: Illinois Department of Employment Security, 2014. HR&A considers office-using industries to be: Utilities, Wholesale Trade, Information, Finance, Insurance, Real Estate, Professional and Technical Services, Management of Companies and Enterprises, Administrative and Support Services, Healthcare and Social Assistance, and Government.

[3] Source: ACS Population Survey, 2013.

The largest private employers in the region include State Farm, employing 15,000 at its corporate headquarters, Country Financial, employing 2,000, and Mitsubishi Motors Manufacturing, employing 1,300. All three employers are located in Bloomington, but within 15 minutes driving distance of Uptown. Public sector employers also make up a significant share of regional employment, including Illinois State University, employing 3,300, and the Unit 5 School District, employing 1,700.[4] As the County's largest employer, State Farm employees represent 18% of total employment. Recently, State Farm has grown its operations in the Atlanta, Dallas, and Phoenix metropolitan areas rather than the Bloomington-Normal area.[5]

MARKET CONDITIONS: CLASS A AND CLASS B OFFICE

Regional Office Market Conditions

McLean County has an inventory of approximately 4.9 million square feet of office space, 40% of which is within State Farm's corporate campus. The majority of this office space is located in the vicinity of Veterans Parkway. As shown in Figure 6 and according to CoStar, a national commercial real estate data provider, only 30,300 square feet of office space has been delivered over the last six years. Recent deliveries have consisted of small Class B office spaces, including 1907 Jumer Drive (10,000 square feet) and 2411 E Washington Street (2,600 square feet) in 2013, 310 Susan Drive (4,900 square feet) in 2010, and 1701 Tullamore Avenue (11,800 square feet).[6] The recently-constructed Class B office buildings are generally small, single story buildings with conveniently-located surface parking. These buildings are new and well-equipped but lack the high end features and design of Class A buildings which would command higher rents. McLean County has only two Class A office properties, 200 W College Avenue, the Bank of Illinois building in Uptown, and 2702 Ireland Grove Road, a building on State Farm's corporate campus.

Full service rents in the County range from $8-$20 PSF with an average of $13 PSF. Vacancy rates in McLean County are very low, with a minor decline in the vacancy rate from a peak of 3.1% in 2010 to 2.5% in 2014. The low vacancy rate attests to a stable office market with occasional deliveries of small office spaces. Significant negative net absorption of 117,000 square feet in 2010 was driven by General Telephone and Electric vacating its headquarters in the Verizon building at 1312 E Empire Street in Bloomington, a single-tenant Class B office building, prior to demolition of the building.

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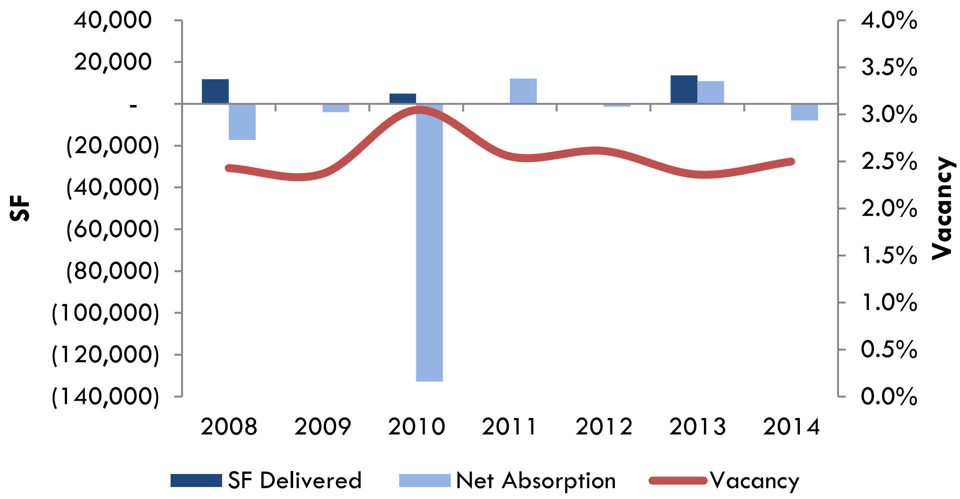
[4] "Top Twenty Employers in Bloomington Normal", Bloomington-Normal Area Convention & Visitors Bureau.

[5] "State Farm to Expand Hubs in Texas, Georgia", *Pantagraph*, 2013.

[6] The classifications of office buildings in this report are based on classifications in the CoStar real estate database. Class A buildings are the most prestigious buildings competing for premier office users with rents above average for the area. Class B buildings compete for a wide range of office users with rents in the average range for the area. Total square footages of office space included in this report are based on Costar data and site visits. These numbers are used to make analytical conclusions but may not be representative of all office spaces.

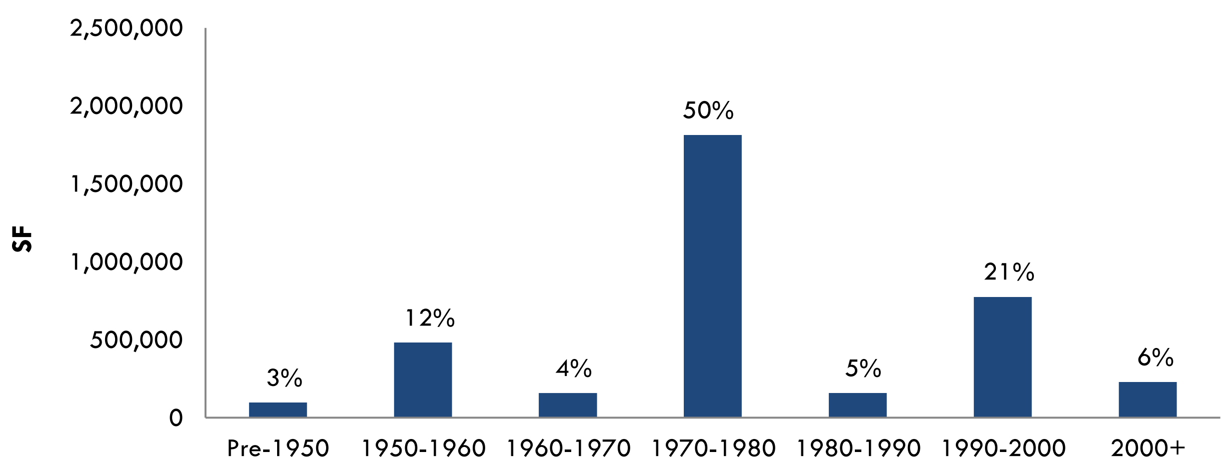
Figure 6: McLean County Deliveries, Absorption, & Vacancy, 2008-2014



Source: CoStar; HR&A

As shown in Figure 7, the majority of McLean County's office space was built in the 1970s, largely driven by the 1972 construction of State Farm's 2 million square foot corporate headquarters in Bloomington. The 500,000 square foot Illinois Agricultural Association building at 1701 Towanda Ave, where Country Financial is a tenant, was built in 1959.

Figure 7: McLean County Office Space Deliveries



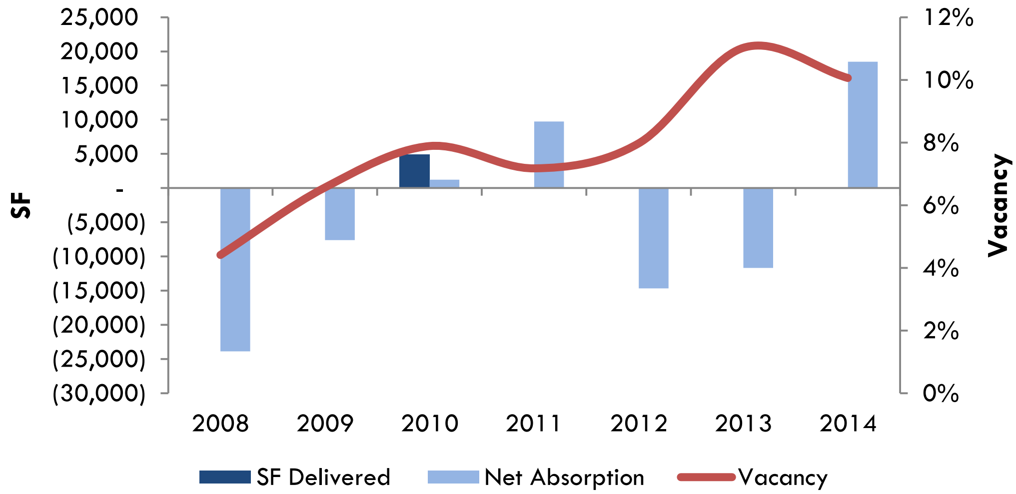
Source: CoStar, HR&A

Local Office Market Conditions

Normal has approximately 450,000 square feet of office space, equivalent to 9% of total office space in McLean County. As shown in Figure 8, Normal's vacancy rate is higher than that of

McLean County and has climbed from 2% in the beginning of 2008 to a current rate of 10.2%. Delivery of Class B office space at 310 Susan Drive (4,900 square feet) in 2010 represents the only delivery of office space in Normal since 2008.

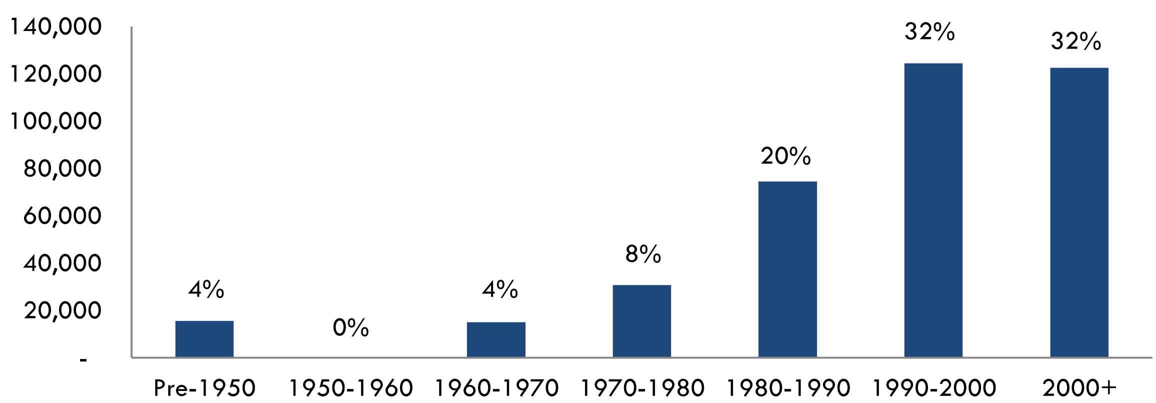
Figure 8: Normal Deliveries, Absorption, & Vacancy, 2008-2014



Source: CoStar; HR&A

As shown in Figure 9, the majority of Normal's office space was built after 1980, in contrast to the regional market.

Figure 9: Normal Office Space Deliveries



Source: CoStar; HR&A

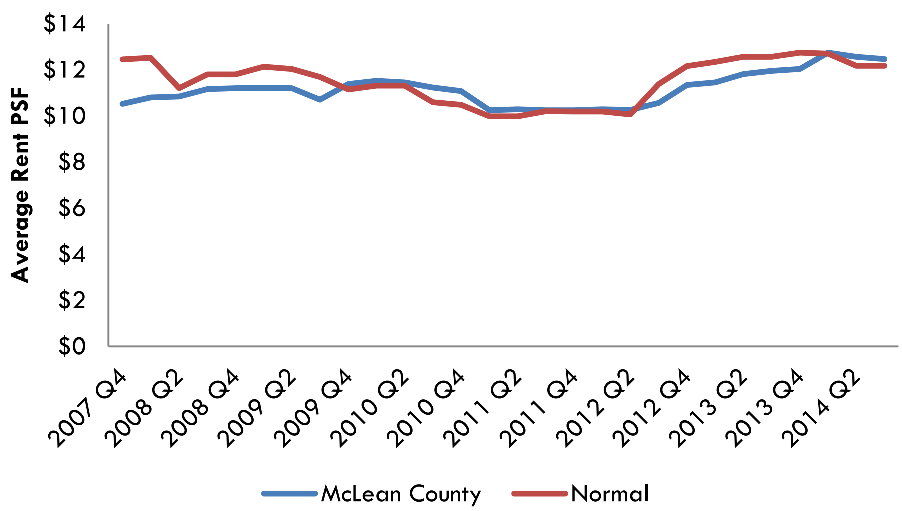
Uptown contains 19% of Normal's office space (90,600 square feet). The Uptown office market includes space in three mixed-use buildings: the Bank of Illinois building at 200 W College

Avenue (52,600 square feet), Uptown Crossing at 100 S. Fell Avenue (38,000 square feet), and 114 W North Street (6,400 square feet).[7]

Commercial brokers report that most tenants prefer the convenient vehicle access and proximity to shops and services offered by office properties on major arterials such as Veterans Parkway. While Uptown may appeal to tenants that are interested in walkability and a location in a town center environment, brokers perceive tenants would still require convenient parking.

Average full-service office rents in Normal ($12.20 per square foot) are slightly lower than average rents in McLean County ($12.50 per square foot), and can range up to $20 per square foot depending on the quality and location of space. Figure 10 indicates that while rents in McLean County recovered to surpass their pre-Recession highs by the end of 2013, rents in Normal are slightly below the high they achieved in early 2008. These rents pose a challenge to the development of new office product, as developers will only undertake new development if they believe it will meet their return expectations. At approximately $12 per square foot, rent levels are currently too low to justify development of new office space. A significant premium on these market rents or a reduction in costs would be necessary in order to make new construction financially feasible.

Figure 10: Average Normal and McLean Office Rent, 2007-2014



Source: CoStar; HR&A

[7] Total square footages of office space included in this report are based on Costar data and site visits. These numbers are used to make analytical conclusions but may not be representative of all office spaces.

III. FEASIBILITY OF NEW OFFICE PRODUCT

To evaluate the feasibility of new office development in Uptown, HR&A employed two tests designed to measure market strength:

- **Net absorption**: The potential of Uptown to capture demand for space in the regional market attributable to growth in employment, given that employment growth in office-using industries drives demand for office space;
- **Leasing activity:** Absent sufficient net absorption due to employment growth, the potential of Uptown to capture existing leasing velocity in the market.

FEASIBILITY TEST 1: EMPLOYMENT-BASED

To estimate potential demand for new office development in Uptown from 2014 through 2025, HR&A considers regional employment growth in office-using sectors. The analysis does not specifically consider demand from special build-to-suit tenants.

HR&A relied on 2010-2020 employment projections for Workforce Investment Area 16 (WIA 16)[8] and applied the annual employment growth rate over that period to the most recent period of employment data available, Q1 2014, in order to project employment growth in McLean County through 2025.[9] As shown in Figure 11, assuming McLean County employment grows at the same rate as WIA 16 as a whole, office-using industries are projected to add 4,970 new employees to McLean County by 2025, equivalent to an annual growth rate of 0.97%.

Figure 11: McLean County Employment by Industry

Sector	2010-2020 Projected Annual Growth Rate[10]	2014 Q1 Employment[11]	2025 Projected Employment	Projected Net Change
Utilities	-2.25%	230	180	-50
Wholesale trade	0.24%	2,160	2,220	60
Information	-3.45%	720	500	-220
Finance and insurance	0.48%	10,850	11,440	590
Real estate and rental and leasing	1.25%	780	900	120
Professional and business services	1.1%	10,570	11,930	1,360
Administrative and support services	2.01%	5,430	6,790	1,360
Health care and social assistance	1.14%	8,870	10,060	1,190
Public Administration	0.41%	12,010	12,570	560
Total	**0.97%**	**51,670**	**56,590**	**4,970**

[8] Workforce Investment Areas are groups of counties in Illinois through which investments in workforce development are organized.

[9] Source: Illinois Department of Employment Security, 2014

[10] Illinois Department of Employment Security, Employment Growth 2010-2020 Projection: WIA 16

[11] Illinois Department of Employment Security, Employment by County Q1 2014

Overall, 4,970 net new employees will require approximately 1,118,000 square feet of office space in McLean County by 2025, based on an industry standard of 225 square feet of space per office employee.[12] Assuming that Normal's relative position will remain the same within the McLean County office market, based on Normal's current 9 percent share of the regional office inventory (500,000 out of 4.9 million square feet), new employment will require approximately 100,000 square feet of office space in Normal by 2025. Although only 19% of Normal's current office space is located in Uptown, HR&A assumes that due to Uptown's existing and developing amenities and the increasing appeal of walkable urban areas, Uptown may be able to capture up to 50% of projected office demand in Normal. Based on this capture rate, Uptown would be projected to capture 50,000 square feet of total office space, or 4,500 square feet per year through 2025.

Figure 12: Feasibility Test 1 (Employment Based) Results

2014-2025 Projected Office-Using Employment Growth in McLean County	4,970
Square Feet Per Employee	225
2014-2025 Net New Supportable Supply in McLean County (SF)	1,118,000
2014-2025 Net New Supportable Supply in Uptown Normal (SF)	50,000
Annual Absorption of Space in Uptown Normal (SF)	4,500

Source: HR&A

Demand for 4,500 square feet of space annually is not enough demand to justify construction of a new office building. An office building of 40,000 square feet would require 20,000 square feet of annual demand to absorb over a two year period. Demand for 4,500 square feet of office space could be satisfied through inclusion of a small amount of office space in a mixed-use building. Should there continue to be limited or no office construction in the region, and as existing properties age, pent up demand for new space in the region may accrue over time. As such, a developer may be able to deliver and absorb a larger building with several tenants pre-leased. While new development in the region has primarily been built as Class B space, a developer may consider Class A quality construction depending on tenant needs.

[12] "Changes in Average Square Feet per Worker", NAIOP, Commercial Real Estate Development Association. September, 2012.

FEASIBILITY TEST 2: MARKET VELOCITY

HR&A also conducted a "fair share" analysis, looking at historic office leasing trends in Normal and the percentage of the overall office market that Uptown could reasonably capture. Even if the overall market is not growing, new office product may be justified if it is able to absorb a large enough share of existing velocity in an active market.

HR&A considered the average amount of total office space (Class A and B) leased annually (i.e. gross absorption) in Normal. Between 2008 and 2014, office leasing activity in the Normal office market averaged 15,400 square feet per year with a range between 4,500 square feet in 2008 to 28,300 square feet in 2011. Although only 19% of Normal's current office space is located in Uptown, HR&A assumes that due to Uptown's existing amenity base and increasing desirability as a walkable place, as well as the appeal of new construction, Uptown may be able to capture up to 50% of office leasing in Normal should attractive space exist.

Assuming the volume of leasing activity in Normal is similar to historical trends and that Uptown could capture a sizable share of the market's leasing activity, Uptown would absorb approximately 7,700 square feet of space per year.

Figure 13: Feasibility Test 2 (Market Velocity) Results

2008-2014 Average Annual Leasing Activity in Normal	15,400
Site Fair Share of Space in Normal	50%
Annual Site Capture of Leasing Activity Assuming Fair Share Capture	7,700

Source: CoStar, HR&A

This test confirms the results of the employment-based test, as annual demand for 7,700 square feet of space is insufficient to justify construction of a new standalone office building, but could justify a small amount of office space within a mixed-use building. Even if sufficient market demand did exist to fill an office building, low rents limit the financial feasibility of new office development on the supply-side.

CONCLUSIONS

UPTOWN'S VALUE PROPOSITION FOR OFFICE DEVELOPMENT

As an area transformed since the approval of the Uptown Renewal plan in 2000, Uptown Normal has an appealing set of amenities:

- It is a walkable place in an un-walkable region, with restaurants, entertainment, shopping, and residential units in close proximity;
- The daytime population of ISU students, faculty, and staff generates vibrancy; and
- The central location of the Amtrak station provides a one-seat ride to Chicago and St. Louis, with future high-speed rail service planned.

UPTOWN'S CHALLENGES

However, the lack of prior office development in Uptown can be attributed to drawbacks of the area from the perspective of office end users that have exhibited a preference for the convenience of a Veterans Parkway location and the proximity of services and other businesses there. While Uptown is an attractive place for local residents to shop, dine, and enjoy entertainment, it is currently unproven as an office district. In order to compete with the convenience of suburban office facilities, urban-format office development in Uptown would require provision of conveniently-located parking either through agreements for use of existing structures or construction of new structured parking.

DEMAND FOR OFFICE SPACE

Strong market demand does not currently exist for new speculative office space in the small Normal office market. Based on HR&A's analysis, new office space in Uptown could absorb between 5,000 and 8,000 square feet of total office space per year, with the majority of this demand likely to be for Class B space. This low-level of demand does not justify construction of a significant new amount of speculative office space. If no new office space is built in the near future, increasing pent up demand may justify construction of more than this amount of office space assuming the developer can pre-lease a requisite amount of the building. Attraction of a significant new anchor tenant could justify construction of a greater amount of office space than indicated by current market dynamics.

Moreover, prevailing average market rents of only $12 per square foot limit feasibility from the supply-side, and suggest that speculative new office development will need to be incentivized in order to be feasible. Provision of office space at Class B standards rather than competitive Class A standards is likely to better fit market needs.

STRATEGIES FOR ENCOURAGING OFFICE DEVELOPMENT

Despite the challenges outlined above, new office development in Uptown would represent a new phase of the district's evolution as a vibrant, mixed-use place. If development of office space is determined to be an important aspect of achieving the goals of the Uptown Renewal Plan, several strategies for encouraging office development could be explored. Most of these strategies involve a *quid pro quo*, whereby in order to attract desired office development, the public sector provides incentives to entice the private sector to participate in a deal it otherwise would not pursue.

- **Employ incentives.** The Town of Normal could employ financial tools to draw interest from developers and tenants. Offering tax increment financing (TIF) funds for infrastructure and site amenities would subsidize private development, increasing its financial feasibility. Sale of public land to office developers at a value below market could heighten market interest in strategically-located public sites.
- **Parking Allocation and/or Subsidy**. Constructing new parking decks and leasing spaces to nearby office properties, or subsidizing the construction cost of developer-provided parking, are particular forms of public subsidy. The public sector effectively enhances the feasibility of new office construction by eliminating a major cost from the developer's pro forma. If the development partner does not have to carry the cost of parking, it becomes easier to meet return expectations for participating in the development, all else equal.
- **Inclusion in horizontal or vertical mixed-use development.** Zoning could require a limited amount of office space to be included as part of a mixed-use building or site. Inclusion of office space in a vertically-integrated mixed-use format would be similar to that of Uptown Crossing, a building which includes one floor of office space in addition to retail and residential uses. Alternatively, a small freestanding office building could be included in a horizontally mixed-use site design. However, requiring office space through zoning could reduce the market value of a mixed-use residential and retail development due to the market risk of investing in the upfront cost of new office space without an end user secured.
- **Reserve a site.** A second potential configuration is the designation of a pad site for a future anchor tenant. Designation of such a site would allow for future development of a build-to-suit office space, working in conjunction with the Bloomington-Normal Economic Development Council to identify an appropriate end user. If publically-owned, such a site could be discounted to incentivize office development.

POTENTIAL TENANTS

- **Small business and household services tenants.** Potential tenants for office spaces within a mixed-use development would likely include small tenants oriented towards households or small business services such as medical practices, law firms, real estate offices, financial services, or student-oriented businesses. These types of tenants could also positively contribute to street activation owing to the frequent comings and goings of clients and/or patients. Small tenants could be well-served by Class B office space as demonstrated by recent office development activity in McLean County.

- **Regional office tenant.** The proximity to the Amtrak Station could also prove attractive to regional offices of professional firms headquartered in Chicago or St. Louis. Normal could provide an attractive and affordable location for a Central Illinois satellite office. Normal's status as a community supportive of interesting and vibrant urban-style development, combined with the train station, make it competitive with other similarly-scaled communities in the region. Such corporate tenants are more likely to seek Class A office space that is lacking in the market.

- **Illinois State University.** ISU would also be an attractive tenant, either for a small office space, or as a larger anchor tenant. ISU has office space in Uptown Crossing and could move additional office operations to an Uptown location. The ISU art gallery in the ground floor of the Amtrak Station proves that Uptown is already a draw for ISU faculty, staff, and students and their families. A site close to the Amtrak Station and heart of Uptown could be attractive for visitor-oriented uses such as a visitor's or alumni center.

APPENDIX

HR&A calculated demand for total office space (Class A and Class B) in Normal. Although strict universal guidelines do not exist for classification of office spaces as Class A or Class B, the following provides broadly-accepted definitions for office building classification.[13]

Class A

These buildings are considered to be the most prestigious buildings and command above average rents for the local market. Class A buildings have top quality finishes, attractive amenities, modern building systems, and a strong market presence. These buildings often have sustainable features which enhance building performance and competitiveness. Large corporate tenants often seek Class A office buildings.

Class B

These buildings have rents which are average for the local market. Building finishes are considered fair to good for the area with adequate building systems. Older buildings are often designated Class B due to older finishes and systems which are not competitive with newer Class A product. However, new construction buildings are also built to Class B standards dependent on market demand. A wide range of tenants seek Class B office space.

[13] Building class definitions are those used by the Building Owners and Managers Association (BOMA).