



Is it time for employee shuttles?

The trend of corporate relocations from suburban Chicago to downtown offices is neither new nor slowing.

There is no question that Chicago is in the midst of a significant demographic shift that is driving many companies to relocate downtown. A few of these relocations include Kraft Heinz, ConAgra, Motorola, GoGo Wireless, Mead Johnson and Beam Suntory. Most recently, Walgreens announced it was adding about 300 employees to its downtown office and contracting its space in Deerfield. In total, JLL has tracked more than 50 similar suburb-to-city relocations over the past four years. Despite these notable relocations, the suburbs have retained other well-established companies such as U.S. Cellular, Verizon, Arthur J. Gallagher and Paylocity.

While this shifting landscape can be a challenge for suburban Chicago owners and investors, other markets provide guidance on potential opportunities for combating this trend. Rather than simply hoping for a demographic reversal, or implementing cosmetic property changes that don't address the underlying issues, **is it time for proactive suburban landlords to join forces and consider free bus systems that transport talent from the cities to their properties?**

Silicon Valley, arguably the most thriving suburban office real estate market in the U.S., has an established system of private buses that drive urban talent from San Francisco to the sprawling campuses of Mountain View and Cupertino. Most famously, Google operates more than 100 buses daily that shuttle more than 4,500 workers from San Francisco to Silicon Valley. These suburban employers and owners have clearly analyzed the benefits of the dedicated shuttles and their impact on attracting and retaining the talent that they need.

In Chicago, a commanding majority of young employees indicate that they prefer to live in the city over the suburbs. Those that live in the city but accept suburban jobs also accept an average reverse commute of 34 minutes each way. While direct city-to-office buses are relatively untested in the Chicago suburban market, a quick analysis of rental rates and transportation costs shows that the idea should potentially be considered by companies with a need for urban Chicago talent, but also a need for large floor plates and affordable rents.

Cost Comparison Analysis

Assumed Conditions

- 100,000 SF office, serving 400 employees
- 250 SF per person
- Gross Rent in CBD = \$36 per SF
- Gross Rent in Suburb = \$23 per SF
- Annual Cost of Transportation = \$8 per person per day, assuming ¼ of employees use the shuttle services, used 20 days per month

Total Annual Rent Cost in City

100,000 SF x \$36 per SF = \$3.6 million

Total Annual Rent + Paid Transportation Cost in Suburbs

- 100,000 SF x \$23 per SF = \$2.3 million
- 100 employees, at \$8 per employee per work day = \$192,000
- Total Annual Cost = \$2.3 million + 192,000 = \$2.5 million

Conclusion

The differential in rent costs between the CBD and suburbs is sufficiently large that subsidized transportation can be one financially viable option for attracting and retaining urban talent.

Case Study: Bishop Ranch Office Park

Roughly 35 miles across the bay from San Francisco and approximately 40 miles outside of Silicon Valley sits Bishop Ranch Office Park, the dynamic home to 550 tenants occupying more than 9 million square feet of prime office space. Sunset Development Company constructed each of the 26 office buildings that comprise Bishop Ranch's 575 acre campus; however, their most impressive feat may relate to the decisions they have made to attract tenants to the property.

As of October 2017, vacancy rates at Bishop Ranch were remarkably low considering the development's distance from major urban living centers. With further investigation, however, it is evident that landlord-paid transportation benefits for tenants at Bishop Ranch heavily influence its unusually high occupancy rates.

Sunset Development subsidizes a bus program that transports its tenants to and from their homes in San Francisco and Silicon Valley. Though the Bishop Ranch transportation system is among the first landlord-structured transportation systems in the suburbs of Northern California, its implications are clear. Sustained, high occupancy at the Bishop Ranch Offices is a key indicator that the provision of reverse transit from large urban areas could be a critical piece to solving the suburban office exodus that has been confounding landlords for years.