

The Connected City

From digital startups to behemoths of industry, Chicago fosters corporate facility growth better than any other metro area in the U.S.

Legendary Chicago Cubs shortstop Ernie Banks earned much admiration by saying, “It’s a great day for a ball game. Let’s play two!”

Banks’ pure love of the game manifested itself in everything he did. He didn’t consider baseball to be work. He considered it life.

The same could be said for Chicago. The metropolitan area of 9.56 million people may go by a lot of nicknames — Chicagoland, the Windy City, Second City, Chi-Town, City of the Big Shoulders — but one thing virtually everyone agrees upon is that Chicago is a city that’s alive.



The Chicago metropolitan area registered 373 corporate facility investment deals in 2013, more than any other metro area in the U.S.

From diehard Cubs fans who have waited 106 years since the team last celebrated a World Series championship, to a thriving business community that produces a high-tech startup every 24 hours, Chicago breathes with an energy that is unique to the Midwest capital on the banks of Lake Michigan.

Whether it’s Mike Ditka staring down opponents with his resolute scowl on the sidelines of Bears’ games in the 1980s, or Gogo setting up its in-flight Internet service headquarters in new digs downtown, Chicago is always on the move and being talked about.

Add Site Selection to the growing list of media talking about Chicago. By securing more corporate facility investment projects than any other metro area in the U.S. last year, Chicago took home the trophy as the Top Metro in America.

With 373 facility deals, Illinois' largest city easily outdistanced its closest competition — second-place Houston with 255 projects and third-place Dallas-Fort Worth with 178. Atlanta (164) and Detroit (129) rounded out the top five.

Jeff Malehorn, president and CEO of World Business Chicago, says it is easy to see why the Second City perennially finishes first in Site Selection's facilities race. Chicago connects people, he says.

"Four primary factors explain Chicago's success, and they all deal with connectivity," Malehorn says. "We have a highly engaged business community, a very pro-business mayor, unmatched access to domestic and global markets, and an incredible talent pool."

Malehorn notes that "there is an expectation that when you are a leader in Chicago, you will select a community cause and back it. This is a purpose-driven business community. Secondly, we have a very pro-business mayor in Rahm Emanuel. He makes sure that Chicago is a welcoming city. He calls CEOs regularly and invites them to come here. He has been instrumental in helping us with our sales and opening the doors of CEOs. He is well connected globally. He recently signed a gateway agreement with eight Chinese cities."

Dual Hubs Give Global Access

Thirdly, says Malehorn, "O'Hare is now the most connected airport in the country. Our continued investment in O'Hare — over \$6 billion in improvements — makes Chicago one of the most connected cities on the planet. Our dual airport system really helps too, with both O'Hare and Midway airports. We benefit from being the dual hubs of United and American. Additional routes open up here constantly."

The fourth and perhaps greatest edge Chicago has, adds Malehorn, is its talent. "We continue to have 140,000-plus new college graduates each year. It is an incredible talent pool. We have the University of Chicago, Northwestern, University of Illinois-Chicago, DePaul, Loyola and our community college system. Corporations around Chicago are adopting our community college system, which is training workers in a wide variety of disciplines. And then there is our continued investment in K-12 education. We now have dedicated STEM [science, technology, engineering and math] high schools in Chicago."

Combined, these factors make a compelling case for Greater Chicago as a business location, Malehorn says. "We are also the most diverse U.S. city by industry. No one industry takes up more than 13 percent of our workforce. We benefit from that diversity."

A case in point is Chicago's emergence as a data center hub for the Midwest. Last year, the Chicago area won significant data center facility investments from Equinix, Latisys and others, as well as significant IT infrastructure investments from Google, Gogo, Groupon, Paylocity and Huron Consulting. And in February, Hyatt Hotels moved 60 IT jobs downtown from the suburbs.

"We have basically two major locations in Chicago — one downtown and another one in Elk Grove Village near O'Hare," says Howard Horowitz, senior vice president of global real estate for Equinix, the world's largest data center colocation facility provider. "We have done several phases of buildout of 275,000 sq. ft. [25,547 sq. m.] over time. To date, we have invested over \$200 million in the Elk Grove Village project. We have incrementally increased our presence in downtown Chicago, and we are currently involved in a project for a new build in the McCormick Place area."

Equinix opened its first Chicago data center in 2000. “Chicago is certainly one of our major markets in the US, especially with the focus on the financial customers that we have,” Horowitz says. “Corporate headquarters are there for many firms. Geographic reach is there. If you want a Midwest location, Chicago is the first place you look.”

Physical telecommunications infrastructure gives Chicago a leg up on its competition, notes Horowitz. “Latency in the Chicago area is a factor. It is critical for some companies like those in the financial industry,” he adds. “Oftentimes, it is the most important issue for them. Latency is incredibly important for trading companies. Speed of execution of trades is crucial for them.”

Pete Stevenson, CEO of Latisys, says that “we have been investing in Chicago since late 2008. We just announced a 3.5-megawatt, 25,000-sq.-ft. [2,322-sq.-m.] data center expansion in Chicago.”

The buildout of the existing 148,000-sq.-ft. (13,750-sq.-m.) facility adds 3.5 megawatts of retail colocation space, says Stevenson, noting that “our cloud platforms are in that site too.”

Latisys is located in the Oak Brook market in suburban Chicago. “That, for us, is a really strong market,” Stevenson says. “We see customers growing in that market. Some customers are moving out of the downtown as it just gets too expensive for them to be there. The entire Chicagoland market is very strong right now.”

2013 Top Metros Projects by Regions

NORTHEAST



Metro	State	Count
1 Philadelphia-Camden-Wilmington	Pa.-N.J.-Del.-Md.	97
2 New York-Newark-Jersey City	N.Y.-N.J.-Pa.	91
3 Pittsburgh	Pa.	65
T4 Allentown-Bethlehem-Easton	Pa.-N.J.	46
T4 Boston-Cambridge-Newton	Mass.-N.H.	46

EAST NORTH CENTRAL



1 Chicago-Naperville-Elgin	Ill.-Ind.-Wis.	373
2 Detroit-Warren-Dearborn	Mich.	129
3 Cincinnati	Ohio-Ky.-Ind.	124
4 Columbus	Ohio	102
5 Cleveland-Elyria	Ohio	40

WEST NORTH CENTRAL



1 Kansas City	Mo.-Kan.	111
2 St. Louis	Mo.-Ill.	51
3 Omaha-Council Bluffs	Neb.-Iowa	50
4 Minneapolis-St. Paul-Bloomington	Minn.-Wis.	39
5 Des Moines-West Des Moines	Iowa	31

SOUTH ATLANTIC



1 Atlanta-Sandy Springs-Roswell	Ga.	164
2 Washington-Arlington-Alexandria	D.C.-Va.-Md.-W.V.	83
3 Charlotte-Concord-Gastonia	N.C.-S.C.	45
4 Baltimore-Columbia-Towson	Md.	43
5 Miami-Fort Lauderdale-West Palm Beach	Fla.	40

SOUTH CENTRAL



1 Houston-The Woodlands-Sugar Land	Texas	255
2 Dallas-Fort Worth-Arlington	Texas	178
3 Nashville-Davidson-Murfreesboro-Franklin	Tenn.	62
4 Louisville/Jefferson County	Ky.-Ind.	47
5 Baton Rouge	La.	46

MOUNTAIN



1 Phoenix-Mesa-Scottsdale	Ariz.	54
2 Las Vegas-Henderson-Paradise	Nev.	34
3 Salt Lake City	Utah	28
4 Denver-Aurora-Lakewood	Colo.	27
5 Reno	Nev.	19

PACIFIC



1 San Francisco-Oakland-Hayward	Calif.	27
2 San Jose-Sunnyvale-Santa Clara	Calif.	21
3 Seattle-Tacoma-Bellevue	Wash.	18
4 Riverside-San Bernardino-Ontario	Calif.	14
5 Portland-Vancouver-Hillsboro	Ore.-Wash.	12

Source: Conway Data, Inc.'s New Plant Database

He notes that Latisys has “a very strong value proposition that mid-sized customers find really appealing. Customers want private managed clouds now. Customers are deploying into the Chicago market and they are coming to us.”

Stevenson says Latisys is constructing the new space in Oak Brook now. “It will be ready by the beginning of the fourth quarter or the end of the third quarter this year,” he adds. “We are bringing in more power from the power company. Because it is a deregulated utility market, we can buy it on a fixed rate. We buy it on an exchange or with a broker. That gives us some of the best electric utility rates in the country. It is currently in the nickel to nickel-plus range in Greater Chicago.”

Consultants Bullish on Chicago

Site selection consultants say that this is a very bullish time for businesses in Chicago. “The overall vibe is that there is still a lot of confidence in the Chicago economy,” says Tracey Hyatt Bosman of BLS & Co. “There is new deployment of all kinds of industry in the market. This is the third largest city in the U.S. and by far the largest city in the Midwest. This is one of the places you just have to be.”

Bosman notes that while the fundamentals have remained strong for the metro Chicago area, “there has been an expansion over the last 10 years or so in the city’s entrepreneurial startup and tech activity. The 1871 incubator is such a cool place. It is a very funky space; it is highly creative.”

The 50,000-sq.-ft. (4,645-sq.-m.) incubator for digital startups, located in Chicago’s famed Merchandise Mart, is

2013 Top Metros by Number of Projects

METROS WITH POPULATION OVER 1 MILLION

	Metro	State	Count
1	Chicago-Naperville-Elgin	Ill.-Ind.-Wis.	373
2	Houston-The Woodlands-Sugar Land	Texas	255
3	Dallas-Fort Worth-Arlington	Texas	178
4	Atlanta-Sandy Springs-Roswell	Ga.	164
5	Detroit-Warren-Dearborn	Mich.	129
6	Cincinnati	Ohio-Ky.-Ind.	122
7	Kansas City	Mo.-Kan.	111
8	Columbus	Ohio	102
9	Philadelphia-Camden-Wilmington	Pa.-N.J.-Del.-Md.	97
10	New York-Newark-Jersey City	N.Y.-N.J.-Pa.	91

METROS WITH POPULATION 200,000 TO 1 MILLION

	Metro	State	Count
1	Omaha-Council Bluffs	Neb.-Iowa	48
T2	Allentown-Bethlehem-Easton	Pa.-N.J.	46
T2	Baton Rouge	La.	46
4	Greensboro-High Point	N.C.	35
5	Tulsa	Okla.	33
6	Des Moines-West Des Moines	Iowa	31
7	Dayton	Ohio	28
T8	Youngstown-Warren-Boardman	Ohio-Pa.	22
T8	Lexington-Fayette	Ky.	22
T8	Madison	Wis.	22

METROS WITH POPULATION LESS THAN 200,000

	Metro	State	Count
T1	Sioux City	Iowa-Neb.-S.D.	14
T1	Altoona	Pa.	14
T1	Dubuque	Iowa	14
4	Odessa	Texas	12
5	Gainesville	Ga.	11
T6	Decatur	Ala.	9
T6	Bowling Green	Ky.	9
T6	Battle Creek	Mich.	9
T9	Sheboygan	Wis.	8
T9	Auburn-Opelika	Ala.	8

Source: Conway Data, Inc.’s New Plant Database

churning out new digital firms at a startling rate. Malehorn says Chicago produces one new digital startup every single day.

“All kinds of people are mixed in there,” says Bosman. “It is kind of loud, actually, for typical office space, but that is considered part of the ambiance of the facility. They bring in various resources to help businesses connect and grow. It is a different atmosphere from your typical class A office building. It is a leading indicator of a new way to work and a new way for businesses to grow.”

Malehorn says that Chicago’s best days are still ahead of it. “The Economist Intelligence Unit Forecast looked at which cities will be the most economically powerful in the world by 2025,” he says. “Chicago moved up from number 12 to number nine on that list. Only two other North American cities were in the top 10 — New York and Toronto. We look to be the most globally competitive U.S. city. There is a renewed spirit of investment and vitality here. People prefer to be back in the city now. It is compelling.”

Chicago, in short, has found its happy place, bringing to mind another classic quote of Ernie Banks: “You must try to generate happiness within yourself,” he said. “If you aren’t happy in one place, chances are you won’t be happy anyplace.” Banks never left Chicago during his 19-year career in Major League Baseball.

Judging from the comments of those doing business in Chicago these days, he’s going to have plenty of company.

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