



# CHICAGO INDUSTRIAL PROPERTIES®

www.rejournals.com

PRSR STD  
U.S. Postage  
**PAID**  
MINNEAPOLIS, MN  
PERMIT NO. 31515

Vol. 21 No. 5

The Leading News Source for Industrial Real Estate Professionals and Users.

May 2008



## Sustainability: here to stay

Some developers seek LEED on all new projects.



IDI completed the Chicago area's first speculative warehouse to receive LEED certification from the USGBC at 175 East Crossroads, Bolingbrook.

By Paula Widholm

Corporate America is embracing sustainability and so are many industrial developers. Eighteen months ago, seeking LEED certification on a speculative warehouse was unheard of locally. There have been a few LEED-certified industrial build-to-suits, but now it's showing up in the spec arena. And, by the end of this year, there should be several green spec facilities in the Chicago area.

IDI offered the first LEED-certified, spec warehouse in the Chicagoland market. The approximately 103,000-sq-ft Bolingbrook Corporate Center Building 4 at 175 E. Crossroads Parkway is about half leased to two tenants, Turbo Air and INO Therapeutics. Two other leases were about to be signed there in late April, leaving only 16,000 sq ft vacant.

Matt Kurucz, LEED AP, development manager, IDI, said he couldn't tie this leasing success to the green factor because the location alone attracts tenants. "The first tenant didn't seem all that interested in it being green," he said regarding the 103,000-sq-ft building. "But, for one unit that we've got a lease out for, the tenant is very interested in moving into the building because it is a green building."

In November, IDI also completed a 453,000-sq-ft green spec building at 1150 115th Street, Bolingbrook, and has submitted design credits to achieve a LEED Silver rating for its core and shell.

Many developers have made some green efforts in their design such as incorporating motion-sensor lighting, more roof insulation or skylights. However, now many of them are stepping up their green efforts by obtaining LEED certification, the industry standard for sustainability.

Building green does cost a bit more without much guarantee of getting a return for the premium, but "it's something we see coming, and we want to be on top of it," Kurucz said. "We're willing to take the monetary risk of upfront costs."

Also, IDI has become a long-term owner of its building. "It seems worth the investment on our end," he added. "It's a decision we made at the corporate level."

IDI plans to have 6 million sq ft, including 1.5 million locally, of LEED-certified spec industrial development by the end of 2009.

### A LEED business park

Liberty Property Trust has started on another "first"

**SUSTAINABILITY to page 28**

From our Editorial Board

## Green building mobilization

Industry races to meet demand for green industrial space.



By Karl Heitman  
Heitman Architects Inc.

Environmental impacts are real. The impacts are now more critical than ever due to massive globalization. Industries are changing very rapidly, and that is affecting real estate needs. Responsible corporations that realize their product streams have massive global impacts are reinventing themselves and are reshaping their supply chains. They are changing the way they make things and they are effecting change in their downstream supply and delivery networks. Our clients and customers are reevaluating their real estate property needs as an integral part of this new global supply chain.

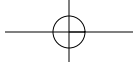
It's no longer a question of "Will industrial buildings go green?" or "When?" The question is, "How fast can the real estate industry respond to the demand for green industrial buildings today?"

To meet the upcoming market demand, swift and massive change will have to happen. Great economic opportunities are emerging to meet these demands of Corporate America. The real estate brokers, developers, builders and architects who are positioned to meet these demands centered on green buildings will benefit greatly. Some economists are predicting that this green building mobilization will be unparalleled in US history, even greater than the mobilization experienced during WWII.

### Identifying demand

So what is really driving this massive change? The new boardroom ethics are being defined as Corporate Social Responsibility. Pressure from the public consumer is driving corporate stakeholders to reverse their negative environmental impacts, leading them to become environmental stewards; contributing positively to society and the environment. Corporate Social Responsibility not only conserves natural resources and reduces the negative impacts of carbon emissions, but also results in broader environmental economic gains. These consist of economic gains in reduced operating costs, extending life cycle use, and increased employee productivity. This leads to overall improved employee health and

**ENVIRONMENT to page 30**



Top: Liberty Property Trust's 1 million-sq-ft spec distribution center, set to break ground in early June, will be the first of three buildings all seeking LEED certification at Liberty Business Center Minooka.

Left: ProLogis will seek LEED certification for its 260,000-sq-ft spec industrial facility, slated for construction at 1001 Busse Road, Elk Grove Village.

**SUSTAINABILITY from page 1**

for the area – a LEED-certified business park. Located in Minooka, it will include three LEED-certified buildings totaling 3.5 million sq ft. The REIT plans to construct all its future buildings to be LEED-certified.

The park's first 1 million-sq-ft building is slated to break ground in early June, according to Donald Schoenheider, vice president and city manager for Liberty's Chicago region.

Elise Couston, SIOR, principal of Paine Wetzel Oncor International, noted that many large corporations have mandated a green building program. She along with Edward Wabick, principal; Gregory Wright, senior vice president; and Adam Naparsteck, associate, are the exclusive marketing agents for Liberty Business Center Minooka. "They want employees and themselves as a company to have a higher environmental consciousness and awareness," she said.

Locally, Couston added that operational managers are often asking if a building has green features. "It's an added benefit to the user. They see real operational savings, and they're making a commitment to the environment."

Rental rates at Liberty's green business park will be about the same as everything comparable in the area. "The cost of doing a LEED core and shell is nominal," Schoenheider said. "We're long-term owners of real estate. We're different from merchant builders whose intent is to lease and recoup costs by selling to institutional owners."

However, even merchant builders could benefit from building green. "I've heard that institutional owners of industrial real estate are going to be looking at LEED-certified buildings as a different asset class and would be willing to pay

more than a traditional building without green features," Schoenheider said.

**ProLogis commits to green**

ProLogis certainly got in front of the green building trend by developing the area's first LEED-certified industrial facility for Anixter Inc. in Alsip. The DC for this distributor of communication products and electrical parts was also the largest distribution facility of its time to earn LEED recognition.

Like many of its counterparts in the industry, ProLogis has also implemented a green mandate. As of January 1, 2008, all build-to-suit and inventory development will be built to and registered for LEED certification.

Drew Torbin, manager of sustainability for ProLogis, estimated that as of the end of 2007, there were only 15 LEED-certified distribution centers in the world.

If ProLogis is on par with developments completed last year, the company alone will about triple that number in 2008 by adding about 40 DCs, with the potential for 15 in the Chicago area.

"We'll be significantly increasing the number of LEED-certified DCs and creating long-term value for our customers and stakeholders," Torbin said. "We may see higher rents and lower occupancy costs, but there haven't been studies to verify this because there hasn't been a large enough sample size of LEED-certified warehouses."

Customer demand for green industrial is here, but there just hasn't been available product on the shelf, according to Torbin. "The space did not exist in the inventory market and customers are more and more expecting if not green features, LEED-certified type facilities."

In the O'Hare market, ProLogis is in the planning stages for a new 260,000-

sq-ft inventory facility at 1001 Busse Road designed for LEED certification. "What's exciting about this is that it's an infill project," said Dave Riefe, senior vice president and market officer in Chicago. "We're reclaiming a site that has an obsolete building and using it again for a new facility that will meet demands for companies that want to be located near O'Hare airport."

While not designed to LEED specifications, ProLogis' recently completed 350,000-sq-ft building at ProLogis International Center in Woodridge has many green features, including T5 light fixtures with motion sensors and clerestory windows for more natural daylight. "We would not have seen that two years ago," Riefe said. "It can reduce energy costs by 30-70 percent."

One lease of 130,000 sq ft has been signed in this Woodridge building. "There's been very good reaction to the facility and its energy efficient components," Reife said.

ProLogis is also under construction on a 306,000-sq-ft build-to-suit DC in Minooka for BMW designed for LEED certification.

As part of ProLogis' LEED program, all 25 in-house project managers, including four in the Chicago area, are undergoing training in LEED certification.

**Green goals**

The U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) recognizes performance in sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

One goal is to not have more water leaving the site post development as pre-development. To do this, Kurucz said IDI's green developments include

rain gardens that both treat oils washed off from parking lots and retain water through the native prairie-style plants with deep root systems.

Satisfying LEED requirements can cost very little, such as designing parking spots for hybrid vehicles or bike stands and showers for employees, or landscaping that doesn't need constant irrigation. "All these contribute to the environment," Couston said.

Other green features Liberty incorporates in its green distribution centers include clerestory windows lining the dock wall to increase daylighting in the warehouse interior, and motion sensors connected to each isle in the warehouse so the isle's lights illuminate only when a forklift enters.

The 550,000-sq-ft warehouse Liberty Property Trust built for Johnson Diversey in Sturtevant, Wis., is expected to achieve LEED Gold certification on the base building.

"One of the big issues is recycling the material that comes out of construction. On the Johnson Diversey project, we recycled and pulled more material out of the landfill to develop it than we put in," Schoenheider said. "We took out fly ash for the foundations and footings, and for the parking lot."

Schoenheider said that 42% of the material in our landfill is construction debris. "We could make a big impact if we don't put anything into landfills, but we conceivably pull things out."

"Ultimately, LEED will become incorporated into best practice design," Torbin said.

"There's no doubt it's here to stay," added John Picchiotti, first vice president, ProLogis. "Investors want it and companies want it."

