

Top deals land in fourth quarter

Biggest Deals of 2006
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Sears Logistics Services' lease for this entire 814,848 square foot spec building at Windham Lakes Southwest, Romeoville, became the largest lease deal of the year.



Medline Industries' purchase of this nearly 600,000 square foot build-to-suit in Liberty Point Corporate Center, Libertyville, marks the year's largest user sale.

By Paula Widholm

Based on square footage, the largest lease deal and the largest user sale of the year were both completed in the fourth quarter.

The lease was signed in November by Sears Logistics Services for 814,848 square foot in Panattoni's Windham Lakes Southwest, Romeoville.

The 596,712 square feet building sale closed this fall. McShane Corp. sold the build-to-suit in Libertyville to Mundelein-based Medline Industries Inc.

Sears Logistics deal slides into first

Sears Logistics Services Inc. signed for the entire 814,848 square foot spec building under construction at Windham Lakes Southwest, Romeoville. The Hoffman Estates-based company, which is the single point of contact for all logistical activity at Sears, Roebuck and Co., is relocating distribution activities from an existing 500,000 square foot facility on Crossroads Boulevard in Romeoville to this new facility. Walls are up, interior improvements are underway, and completion is slated for early next year, according to John Pagliari, partner, Panattoni Development Co.

John Suerth and Larry Johnson, CB Richard Ellis, represented Panattoni. Walt Zegers and Cathy Howland, Col-

liers Bennett & Kahnweiler, represented Sears Logistics.

One of the key attractions was the expansion land on both sides of the building. "It allowed us to put an additional eight acres of trailer parking," said Pagliari. "It will have 450 trailer parking stalls, which is a huge number to accommodate their somewhat unique requirements."

The building saw good leasing activity. "We had one other full building user looking at it and another partial building user looking at it," said Suerth. "The developer, Panattoni, is a big believer in trailer parking and providing all the amenities users are looking for. Trailer parking and truck docks are what users are demanding nowadays."

This deal is one of a slew of rapid lease-ups for Panattoni at Windham Lakes and Windham Lakes Southwest, which total 3.5 million square feet straddling I-55 at the Weber Road interchange. The 500-acre Windham Lakes, lining the north side of the interstate, is 100 percent built out, and the 120-acre Windham Lakes Southwest soon will be as well. Pagliari said he's planning to break ground on a 260,000 square foot spec building on the remaining 30 acres there next spring.

The entire development is quite a success story. "We bought the land in 2001, built huge deals on spec and leased them by the time we completed construction," Pagliari said. "In a five-year period we built 3.5 million

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FROM OUR EDITORIAL BOARD

The rest of the story



By Tim Hennelly
Ryan Cos. US Inc.

Lease signings for more than 1 million square feet and portfolio sales reaching over \$60 per square foot certainly grab headlines. But deals such as these have more ramifications for our industry than a great news story.

Retailers take the lead

Last summer, Wal-Mart began operating from its 3.4 million square foot distribution center at CenterPoint Intermodal Center, Elwood. The retailer signed leases for the two-building complex in the third quarter of 2005, setting a new record for square footage in the Chicago area.

The significance of this deal, however, runs deeper than just another big distribution center, from two different perspectives. These buildings underscore the considerable shift that has taken place over the last several years in the source of leasing activity.

Three to five years ago 3PLs were the dominant lessees in the marketplace, routinely accounting for the top transactions in any given reporting period.

While 3PLs remain a very viable and sought-after leasing sector, today we are seeing more and more of the big national retailers – Wal-Mart, Target and Dollar Tree, among others – leading the market.

The other aspect of the bigger picture is that the transactions mentioned above, along with other retailers such as Sears and Michaels, is that many retailers are making these moves to consolidate a number of distribution centers into one location. In doing so they are achieving certain economies of scale in their operations in every category from facility to personnel costs. Whereas a few years ago it seemed to make sense for retailers to outsource their distribution needs to 3PLs in several different locations, their current distribution model is to bring distribution back in-house and locate it under one very large roof.

Going farther out

The completions of the Target distribution center in Dekalb, the Wal-Mart deals in

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Top 10 Construction Deliveries

Project	SF	Developer	General Contractor	Architect
1. Wal-Mart Distribution Center #1 at CenterPoint Intermodal Center, Elwood	1,767,168	CenterPoint Properties	FCL Builders	Cornerstone Architects
2. Wal-Mart Distribution Center #2 at CenterPoint Intermodal Center, Elwood	1,597,280	CenterPoint Properties	FCL Builders	Cornerstone Architects
3. Minooka Ridge Building I Minooka	861,438	Opus North	Opus North	Opus Architects & Engineers
4. Clorox Sales at Internationale Centre Minooka	849,691	ProLogis	Clayco	Clayco
5. ProLogis Park 80 Morris	806,400	ProLogis	FCL Builders	Heitman Architects
6. 1 Crossroads Court at Park 55 Romeoville	805,912	Duke Realty	Duke Realty	NA
7. Windham Lakes Southwest I Romeoville	716,318	Panattoni	Panattoni	NA
8. Cherry Hill Business Park #6 New Lenox	522,520	Northern Builders	Northern Builders	Harris Architects
9. Bluff Point Business Park II Bolingbrook	491,000	Land and Lakes	Novak Construction	Harris Architects
10. Joliet Distribution Center (Caterpillar)	476,988	First Industrial	Keeley Construction	Harris Architects

Source: CB Richard Ellis, Colliers Bennett & Kahnweiler, Cushman & Wakefield

Top 10 New Leases

Transaction	SF	Landlord	Landlord Broker	Tenant Broker
1. Sears Logistic Services at Windham Lakes Southwest, Romeoville	814,848	Panattoni Development	John Suerth, Larry Johnson CB Richard Ellis	Walt Zegers, Cathy Howland Colliers BK
2. Kimberly-Clark Corp. at Park 55, Romeoville	805,912	Duke Realty	Charles Canale, David Kahnweiler Colliers BK	Keith Stauber, Matthew Stauber Colliers BK
3. Uline Inc. at LakeView Corporate Park, Pleasant Prairie	603,300	WISPART, CenterPoint Properties, CalEast Industrial Investors	John Sharpe, Rick Delisle, Lee & Associates	John Sharpe, Rick Delisle Lee & Associates
4. Levy Home Entertainment Inc. at Windgate Distribution Center, Romeoville	426,979	Orix Real Estate Equities, RREF	Daniel Leahy, Adam Roth NAI Hiffman	Justin Fierz, Brian Vanosky Lee & Associates
5. Broder Bros. Co. at Crossroads Lakes Business Park, Bolingbrook	425,448	Corum Real Estate Group	David Bercu, Carter Andrus Colliers BK	Aileen Sandstedt GVA Williams
6. Madison Warehouse Corp. at Rock Run Business Park, Joliet	393,095	IDI	Mike Fonda, Brendan Kelly, Hugh Williams Cushman & Wakefield	Jack Cozzie Grubb & Ellis
7. Del Monte Corp. at LogistiCenter at Rochelle	364,755	DP Partners	James Planey, Jeff Janda Lee & Associates	self-represented
8. Sony Music Corp. at Corporate Crossing Business Park, Bolingbrook	361,883	TA Associates	David Bercu, Charles Canale Colliers BK	Aileen Sandstedt GVA Williams
9. Best Buy Co. at Internationale Centre, Woodridge	356,621	Invesco Realty Advisors	David Prioletti CB Richard Ellis	David Prioletti CB Richard Ellis
10. HUDD at 4000 Rock Run Business Park, Joliet	352,000	IDI	Mike Fonda, Brendan Kelly, Hugh Williams Cushman & Wakefield	Leonard Calderia The Staubach Co.

Source: CB Richard Ellis, Colliers Bennett & Kahnweiler, Cushman & Wakefield

nies don't plan far enough in advance." Now, with many buildings in the I-55 corridor controlled by institutions rather than developers, there's upward pressure on lease rates there, according to Cassidy.

"All in all, we'll see a tightening of vacancy rates," Galante said.

Lease rates tick up

"We saw the bottom for lease rates in

the first part of this year," Galante said. "In the last quarter, we've seen increases in a lot of the lease rates for big box industrial buildings."

The O'Hare submarket, where developers often buy property, knock down the old buildings and put up new ones, is the first to see lease rates go up. To make these redevelopment deals work, developers need to achieve higher rents and now they're able to do so. It's possible because O'Hare's expansion is decreasing the supply of industrial space while at the same time increasing the amount of freight in and out of the area, according to Cassidy.

"There's an inordinate demand for functional, 24-foot clear or higher real estate from those relocated and from newcomers to the O'Hare submarket as a result of the expansion," Cassidy said. "So, we're seeing a significant increase in rental rates there."

John Suerth, vice president, CB Richard Ellis, saw leasing activity pick up in the second quarter and remain busy the rest of the year. "A tremendous amount of volume occurred in the I-55 Corridor, and we also saw I-88 activity pick up."

Suerth also is seeing lease rates firming up. "We're still seeing demand for newer, modern, more efficient cross-dock facilities," he said. "The most popular amenity is trailer parking."

Many companies are making real estate moves to speed up delivery of products to



Del Monte Corp. signed for 364,755 square feet this year at LogistiCenter at Rochelle, a DP Partners development.

consumers. "Companies are trying to fine tune their cost of doing business by better deployment of real estate," said David Liebman, senior associate, Colliers Bennett & Kahnweiler. "There's still a lot of uncertainty. There's a wait and see what the new Congress will do for companies and for the credit markets."

To counteract this uncertainty, Liebman said he tries to get companies to



Opus North Corp. completed Minooka Ridge I, an 861,438 square foot speculative building in the Minooka Ridge Business Park.

renew or extend their lease early to lock in a lower rate. "People anticipate rent increases next year. The economy is doing better. Companies are starting to expand. There's less supply."

Top Deals

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square feet and basically leased it all."

Major tenants include The Home Depot, 725,000 square feet and 300 trailer spots; RR Donnelly, 660,000 square feet and 250 trailer stalls; Gart Sports, 450,000 square feet; and Dann Dee Display Fixtures, 340,500 square feet.

Flexibility has also helped secure tenants. For example, Panattoni had to reach outside of Romeoville to get the extra trailer parking The Home Depot needed. "Some of their trailer parking is in Bolingbrook," Pagliari said. "It was a difficult approval process to build some in Romeoville and some in Bolingbrook, but both cities signed off on the fact that additional trailer parking was needed."

Other perks include four-way access at the Weber Road interchange, highway visibility, aggressive lease rates and the ability to provide adequate trailer parking.

Medline buys year's biggest BTS

Mundelein-based Medline Industries Inc., the nation's largest privately held manufacturer and distributor of medical supplies, purchased a nearly 600,000 square foot build-to-suit distribution

center from McShane Corp.

It will be built within the developer's new Liberty Point Corporate Center on the north side of Libertyville at Peterson and Midlothian roads. David Kahnweiler and Steve Disse of Colliers Bennett & Kahnweiler represented Medline. Concurrently under construction in this industrial park are two speculative buildings of 217,620 square feet and 142,290 square feet under development by the McShane/MetLife industrial development alliance. Stephen Trapp, John Hauser and Lori Catritzna of Cushman & Wakefield of Illinois Inc. are representing the alliance in the leasing of these new speculative facilities and in the build-to-suit project with Medline.

Lake County lacks large parcels of developable land for industrial. At the same time, several user-owners are seeking light assembly and distribution space there, according to Tony Pricco, vice president of McShane.

The county also has high barriers to entry. For instance, the developer's 60-acre Libertyville site has encountered challenges including being on a flood plain and getting infrastructure and utilities. "The hanging fruit [in Lake County] is all gone," Pricco said.

Super-sized DCs

Wal-Mart opened 4.3 million square feet of distribution space in Illinois in 2006.

The Wal-Mart distribution centers in Elwood took first and second place on this year's list of top construction deliveries in the Chicago region. Operations began there last sum-

mer. And, Wal-Mart's distribution stake in Illinois didn't stop with this 3.4 million square foot, two-building complex.

Just a little over a two-hour drive west of these newly delivered buildings, Wal-Mart also completed a 900,000 square foot distribution center near Sterling, Illinois. This \$62 million facility that will employ more than 700 full-time employees began operations in April 2006.

