



BENUZZI'S INDUSTRIAL GUIDE

Your BIG Chicago Area Industrial Real Estate Resource Guide

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Build-to-Suits Proof of Increased Market Velocity

Conor Commercial Secures New 347,500 S.F.

Orbus Exhibit & Display Group BTS at Union Pointe in Woodridge, Illinois

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As the economy and commercial real estate market return to healthier levels, activity within the local industrial build-to-suit market also shows signs of recovery. Chicago's industrial market is enjoying more robust activity in both speculative development and lease transactions, as well as a resurgence of build-to-suit requirements across several submarkets.

On May 3, 2013, The New York Times reported that business investment (everything from buildings to computers) in the first quarter of this year was 21% higher than it had been in the quarter when the economy bottomed. After weathering a severe economic downturn, many companies

are finally exhibiting healthier financial positions with stronger balance sheets allowing for increased business investment, boding well for long-term growth. Companies looking to either expand their operations or gain operational efficiencies are hard pressed to find existing product that meets their needs. As they begin evaluating their options, companies find that there is a lack of quality Class A supply due to a strong rebound in leasing activity, particularly in select submarkets. According to Colliers International's 2Q2013 market overview, the I-55 and I-80/Joliet corridors achieved the highest vacancy supply declines of all submarkets absorbing 1.1 million square feet and 723,500 square feet, respectively. The I-55 and O'Hare markets secured the most leasing volume during second quarter this year posting 2 million and 1.2 million square feet, respectively.

The resulting supply constraints are driving companies to seek custom built facilities. Approximately 2.4 million square feet of new build-to-suit construction will be delivered in the I-80 submarket in the third quarter alone. There are close to a dozen build-to-suit requirements either currently under construction or searching for well-located

premier land sites. At least half of these build-to-suit opportunities are expected to break ground in the next 6-12 months.

Union Pointe Business Park = BTS

In 2011, Conor Commercial Real Estate, in a joint partnership with Gallagher and Henry, launched Union Pointe, an 80-acre business park in Woodridge located at the junction of I-55 and I-355. With the real estate market beginning to show signs of life, Conor Commercial sought after a well-positioned land parcel to accommodate users in the 100,000 square foot to 400,000 square foot size range. The park has enjoyed significant interest and activity fielding 20 build-to-suit proposals in just the last year. Union Pointe's initial build-to-suit development was for Edward Don & Company, a 362,500 square foot corporate headquarters and warehouse/distribution facility for the country's largest distributor of foodservice equipment and supplies. Even with vacancy rates high and several large blocks of space available, Edward Don determined that designing a custom facility rather than retrofitting existing space would allow them to incorporate new technology and equipment to generate a more efficient, and thus more competitive, op-



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eration with increased productivity. Edward Don transitioned into the larger and more modern location in mid-2012.

Over the past year, another large user was evaluating the market and potential sites for its upcoming corporate headquarter expansion and relocation. Orbus Exhibit & Display Group, a market-leading, privately owned group of companies that specialize in manufacturing trade-only supply of portable modular and custom modular exhibit and display products, graphics and solutions, was also seeking modern industrial space. Established in April 2001, the company has experienced rapid growth with a current employee base situated within the I-55 corridor. Looking to consolidate and streamline its Bolingbrook printing and distribution operation with its Niles location, Orbus began its extensive search for either an existing building or land site to accommodate its varied requirements in the I-55 submarket. The lack of available supply resulting in the need to design/build was realized early on in the process. Giles Douglas, CEO of Orbus stated, "It became clear very early in our search, that due to the unique nature of our business, with our combination of large distribution center and large manufacturing departments together with our large number of office staff, we were a square peg to a thousand round holes." Since their search began in 3Q2012 vacancy rates remained relatively stable declining slightly from 11.3% to 11.12% by 1Q2013. Due to swift user demand, vacancy rates fell an

astonishing 143 basis points to 9.69% by the second quarter. The I-55 corridor vacancy rate has shown significant improvement from its peak vacancy of 17.69% in 3Q2010 (Colliers International).

Orbus Build-to-Suit

Orbus desired a location and facility that offered a corporate headquarters appeal to maintain its high-profile image as it serves a diverse national and international client base. The primary challenge was to efficiently manage the building design for the company's high-profile image while providing cost-effective alternatives and a highly-efficient floor plan and site configuration. The resulting plan yielded a new build-to-suit headquarters facility of 347,400 square feet, a 30% increase from the 267,000 square feet Orbus currently leases, and supports future expansion of over 80,000 square feet. The facility will feature a two-story, 55,000 square foot office component, 20,000 square foot production area, 32' clear height warehouse, 20 docks, one drive-in door and abundant car parking for 350 vehicles. Orbus will initially bring over 325 jobs to Woodridge with plans to grow to 425 employees in the next five years triggering the need to exercise its future expansion.

Orbus' excellent credit coupled with a long-term lease made the transaction attractive to several financial institutions. Associated Bank, who previously financed the Edward Don & Company project making them familiar with the Union Pointe business park and the Conor/McShane team, will provide financing for the new build-to-suit.

With construction scheduled to commence during the first week of August by the design/build team of McShane Construction Company and Ware Malcomb, the new building is slated for completion in May 2014. Orbus will relocate its Bolingbrook operations into the facility in mid-June followed by the move of its Niles location in July 2014.

Looking Forward

Colliers International reported that new build-to-suit construction projects in the second quarter (2013) once again out-paced speculative deliveries. By the end of 2Q2013, 2.2 million square feet of new build-to-suit facilities were completed, accounting for 91.6% of the 2.4 million square feet of total construction completions. With vacancy rates low and a lack of product coming online rapidly enough to support several large requirements in the market, we will continue to see companies trending in the direction of building custom facilities. After a rough road the last few years, the real estate industry appears to be heading down the right path showing signs of improvement and noticeable growth with increased absorption rates and new constructions starts. It may not be happening overnight, but the industry is recovering.

Amy Rzepka serves as a Development Manager at Conor Commercial Real Estate and is a primary contributor on behalf of the firm's successful build-to-suit transactions for Edward Don & Company and Orbus Exhibit & Display Group at Union Pointe in Woodridge, Illinois.

