

## Benuzzi's Industrial Guide

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### Building Chicago's Future - The GO TO 2040 Plan



Elise A. Couston

By: Elise A. Couston, SIOR Principal Paine/Wetzel • ONCOR International

or this month's column, we spoke to Randy Blankenhorn, Executive Director of the Chicago Metropolitan Agency for Planning (CMAP), who also recently spoke at a CREW (Commercial

Real Estate Executive Women of Chicago) luncheon. CMAP is charged with comprehensive planning across the seven-county metro-Chicago region.

ASK THE EXPERTS

Under his leadership, CMAP has taken an integrated approach to the region's challenges, with an emphasis on

changing how development and infrastructure investment decisions are made. CMAP addresses land use, transportation and other interrelated issues such as jobs, housing, and economic development. Randy and his staff are currently developing GO TO 2040 (www.goto2040.org), metropolitan Chicago's

first comprehensive regional plan, to be published later in 2010. Prior to joining CMAP in 2006, he was Bureau Chief of Urban Program Planning for the Illinois Department of Transportation (IDOT), coordinating activities of the 14 metropolitan planning organizations across Illinois.

#### How did the CMAP 2040 plan come about?

Randy: CMAP was created about five years ago to take an in-depth look at how we are making investment and development decisions. GO TO 2040 is the first real comprehensive plan for this region. There were other agencies doing some of the planning. The transportation agency would do transportation planning, and the land-use agencies would do land use plans. This is really the first time that this integrated plan was required.

We've really tried to look at GO TO 2040 in a broader way then we are required to. We're really looking at it from the point of view of what is it going to take to make this region great, in a number of different ways, as we look to the 21st century. What's it going to take for this region to be globally competitive in a new environment? What's it going to take to make our region work better and more efficiently? This applies to transportation and the way our communities function. We've really tried to look at the plan, and the whole process, much more com-

prehensively than it has ever been done here in the Chicago region, and really more comprehensively than has been done across the country.

Our board began to meet in the fall of 2005. I came on board in the spring of 2006. So, it has been just in the last four-year period since we really started to work.



Randy Blankenhorn

Does the plan anticipate population growth or decline in this region going forward?

Randy: We are definitely looking at a region that has a bigger population than it does today. Our recommendation and projections look at a population of 11 million people by 2040 - which is about 2.8 million more than we had in 2000. That also means an additional 1.5 million jobs, so we're definitely anticipating growth. Obviously, we are in a little slump right now, but again this is a long-range plan. You get into cycles, so as we look at the long-term we see

Ask the Experts... continued on page 5

# New Developments Adjusting to Market Reality



Brian Carroll

#### O'Hare New Spec Gained Respectable Absorption in 2009

By: Brian Carroll, CCIM Senior Vice President Grubb & Ellis Company Industrial Services Group

iscouraging statistics continue to provide the frame around the past 18 month "peak to trough" period for the

metro Chicago industrial market. As per Grubb and Ellis research and other studies, the vacancy/available end of 2009 grew to 12%, or about 150 million square feet versus end of 2008 pegged at 10.2%, a jump not seen since the early 1990 recession. New development has stopped cold from the hot growth exiting the early 2000 recession with many existing new to three year old projects struggling. The downward sale and lease value adjustments throughout 2009 though has helped to fill-up and move some dormant new development projects and of recently spurred new ones. The O'Hare market is a good gauge for today's recovering industrial development market.

In the early 2000's the emerging global air and ground transportation growth and the O'Hare runway expansion fueled the expectation that the O'Hare submarket industrial growth was something special to

be a part of, that the rents and values will continue to strengthen year by year. Founded a little on reality and a lot on the feeling of many developers not to be left in the wake of this major development wave, hundreds of millions of dollars poured in, \$6 to \$32 land value was the rise and about 5.3 million sf of space was added to the base in a six year period with 4.7 million as speculative product in 26 new projects that needed \$6.50 net to \$9.00 net rental to make projected returns.

When our local industrial economic malaise started say mid-2008, this 4.7 million sf of new O'Hare spec projects was about 60% vacant or 2.8 million, with the land value base in these empty developments averaging about \$18/sf. The harsh reality now per developer comments is O'Hare never had the tenant strength to get to the high net rents to make all this new spec work, and global transportation as a constant growth mechanism was over sold. Only a handful of closed leased deals prior to the economic downturn achieved the rentals needed to make new lease developments on \$18 average land value work, such as Bax Global (229,000 sf), Menzies Aviation (185,000 sf), DHL (87,500 sf), Airport Logistics Group (77,300 sf), Concordia (29,500 sf), WW Grainger (26,500 sf), and these companies already existed in the O'Hare market with their relocations due to the runway expansion or

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#### ASK THE EXPERTS

#### Ask the Experts

continued from page 1

significant growth in this region - both from the population standpoint and from a job standpoint.

What are the other major drivers that you believe will spur the growth in both population and jobs in this region?

Randy: When we look at the growth trends, as well as birth and immigration trends in this country, we see a significantly higher percentage of growth going into urban and metropolitan areas than there has been in the past. Part of it is because of jobs, and part of it is because we are just becoming a more urban country. Part of it is the diversity of the economy in the Chicago area; particularly as it relates to the Midwest. We look at the access that this region has - everything from the great parks and recreation, to the universities and research centers. We look at what brings people to this area. And then, as we look at this plan, it is all about how we build on those assets. How do we make people and businesses want to come here? How do we make our college students want to stay here? Those are the kinds of things we look at in the plan that don't necessarily drive the projections, but they drive the plan's recommendations.

Are there certain types of industries that you think will continue to grow here or will relocate here, because of the universities and other benefits of being in this region?

Randy: I think there are some natural advantages. We've got an industry clusters report, that you can get online at www.cmap.Illinois.gov, that talks about the specifics. When you look at the natural advantages of Metropolitan Chicago and Northeastern Illinois, we were built as a transportation hub, and that's going to continue. So, when we talk about transportation, when we talk about just-in-time delivery, when we talk about the kinds of things that are going on in intermodal and multimodal activity, those are the kinds of industries that I think are always going to be a part of the Chicago economy, and are likely to grow. We have a lot of other assets. I think this region continues to do well in pharmaceuticals and medical research, for example.

As we look at the economy and what's growing in the professional services sectors, we see real opportunities here. I think when we talk about the plan and GO TO 2040, we're not trying to say these are the types of industries and companies, per se, that we ought to be going after. It is really about what makes businesses thrive. What are the kinds of things that are

common to whatever kind of business that you are in? One of those things would be a quality work force. These are the types of communities that people want to live and work in. It's also about the kind of tax structure that supports businesses. That is really where we are focusing more of the plan's attention than specific industries. We have other reports that deal with the industry clusters, but I think the plan will be much more about how does business thrive, in general, in northeastern Illinois.

Are there some specific concepts that will be implemented for industrial users within the plan?

**Randy:**: Yes, certainly on a regional scale. If we're talking about specific improvements to a state highway, then probably not. That is not the level of detail this goes to. But, if we are talking about, for example, an expressway in the south suburbs, that certainly is the kind of issue that will be dealt with directly. If we're going to talk about improving freight, which I think we will talk a lot about in this plan, you're going to see some pretty specific recommendations. Again, we're not quite there yet. That is what will be coming out in October of this year. I think that we do need to have more than just

in the plan. We need to talk about how that happens. When we talk about, for example, moving goods and how much of it needs to be on a truck versus a train verses in the belly of a ship or an airplane. How does that systematically work - to not only move goods but to free up space? If it's rail space, than not only for moving more goods but also for moving people, so how does it free up our expressway system? If we can take it off the truck and put it onto a train, you are probably going to see some pretty specific activities. We've got conscious decisions to make about whether or not we want to be, and continue to be, the freight capital of North America. If we do, then we've got to make some investments in making it work better. The old story, which I'm sure you have heard, is that it takes goods two days to get from LA to Chicago, and then two days to get through Chicago, and another two days to get to the East Coast. That's just unacceptable. If we can't fix that problem then people are going to go around us. And, that will not only cost us direct jobs, but also opportunities for businesses who want to be close to that kind of access.

How would an updated and improved transportation infrastructure impact

Ask the Experts... continued on page 6



- permitted on 60.2 acres
- Kane county taxes
- Traffic signal at Route 20 and Kenyon Rd. (2010)

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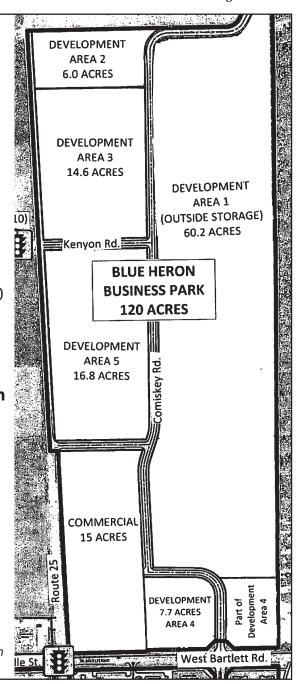
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#### ASK THE EXPERTS

#### Ask the Experts

continued from page 5

new industrial development?

Randy: We think that industrial development, for many but not all, industries is drawn to quality transportation infrastructure. When we look at where we build on the existing system, where we build the new interchanges drives where a lot of growth can happen. I don't like so much to see retail growth around those interchanges as I like to see a mixture of commercial and industrial developments. Let's utilize that expressway and the interstate system for moving goods. So, I think there will be more opportunities for that. I think that in order for us to really think about industrial development, and not just logistics development but overall industrial development, we've got to be better served by the transportation infrastructure that we have. We need to invest more money into it, to be perfectly frank. We exist as a region because of transportation, and if we don't continue to invest in that, and invest more than we do today, we are going to lose jobs and businesses to other places that do. So, I think you're going to see this plan talk very much about the importance of infrastructure transportation and infrastructure investment in not only bringing new business, but also the expansion of

existing businesses here in this region.

A lot of the companies that are moving freight right now want to be as close to the consumer as possible so that they can shorten their time to market

**Randy:** Absolutely. I think those are the kinds of things that, as we look at a plan for the 21st century, we've got to think about more than just where are we today, but, also, what is the future going to be? How do businesses cut costs and become more profitable, and how do they become more efficient? Transportation is a big part of those issues. So, we really need to take a look at that. On the flip-side of that, we also must look at how we get people to work more efficiently. How do we provide opportunities for them to live closer to where they work? How do we make transit connections work better, particularly in the suburbs? How do we make that whole passenger system much more efficient?

Will people have to travel farther to get to work in the future?

Randy: We hope not. The truth is, that to add 2.8 million people in this area, you're going to have some suburban expansion, and we think that's not necessarily a bad thing. We want to

make sure that the jobs go along with this. That we are not just building residential communities, but we are really trying to get jobs located where people already are. And, if we can't do that, then let's move people to where jobs are going to be. We would hope that there will be some infill and redevelopment of our existing communities, where infrastructure is already in place, and where many jobs already exist. But, truthfully, we've got many parts of this region that already exist and that don't have jobs. As an example, look at the south suburbs. They already have all kinds of housing there, and yet we need to bring jobs down there so that people don't have to travel from Joliet to O'Hare to get to work. So, it's really about the jobs/housing balance that we are taking a close look at. It's okay to grow outward if you're growing smartly outward, and if you are doing it in ways that make sense. We are really trying to focus on bringing jobs and residences together. The next piece of that is making the connections. Do you need to put everybody on a highway in their car, or can we make trains that work better so that people have other transportation options? The truth is that most people are always going to drive, and that's okay. But, can we make alternative transportation an option for

some part of the commute so that we can reduce the number of cars on the roadway?

So, one of the 2040 plan's goals is to reduce the number of cars on the highway?

Randy: It really is. Traffic congestion costs us a lot of money both in business time in deliveries, but it also impacts the cost of many of us having to sit in traffic all the time, and we really need to try to solve that problem in new ways. That does include some strategic highway improvements, but we also have to do the best we can to make alternative transit sources a real option for people.

Please check back in next month's column for more information on the CMAP 2040 Plan, and how it can provide additional information for us to pass along to our clients who are looking at long-term locational decisions.

A very BIG "thank you" to Randy for his time and valuable information for this column.



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March issue featuring BUSINESS PARKS

Contact Mary Anne Benuzzi at 312-330-8154 or mabBIGrealty@yahoo.com to reserve your space NOW!!!