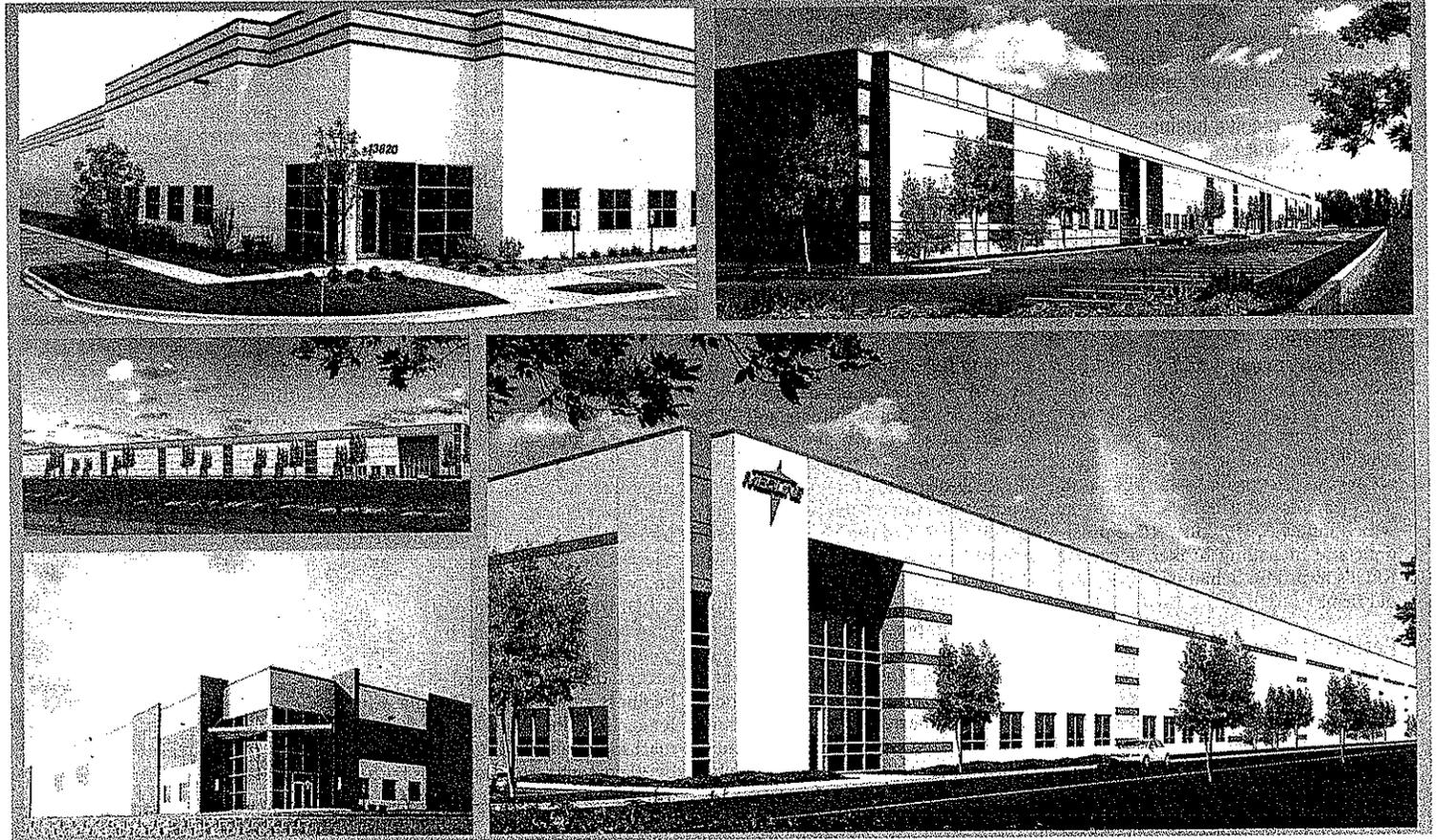


LAKE COUNTY



Industrial land remains at a premium in Lake County, but developers are finding ways to make it work.

The Lay of the Land

Industrial properties gain momentum in Lake County

By Jenn Danko

Luxury residential development may abound in Lake County, but when it comes to industrial development, it's the land itself that's the luxury.

"It's not that there is a lack of (industrial) land . . . it's hard to find land and municipalities that are willing to move forward and be cooperative," says Dan Fogarty, vice president with the McShane Corp. "It's also difficult to find sites that are set up well for development."

McShane Corp. is one of the select companies developing industrial sites on the prized grounds of Lake County, which boasts a range of amenities including accessibility to Interstate 294 and a diverse labor pool of blue and white collar workers. In late 2006, McShane hit paydirt when Medline Industries selected its Liberty Point Corporate Center to establish its new 596,712 square foot distribution facility. Situated on a 36-acre parcel of land, the build-to-suit set up shop at 1501 Harris Road in Libertyville.

Since then, McShane has enjoyed a

flurry of industrial activity within the site's proximity, including development of a 217,000 square foot building across from Medline and another 140,000 square foot industrial building. The larger property is currently occupied by water supplier Culligan, which takes up about 84,000 square feet of the facility; the excess 360,000 square feet in both buildings combined remain up for lease.

Fogarty says such space availability is prompting more prospective tenants to look toward Lake County when considering their next move.

"There is an overall lack of available industrial properties in Lake County, the competition is thin," he says. "After ours, there are really no new facilities; completion is second and third generation . . . overall we are starting to see a pick up in showings and RFPs."

Such signs of industrial demand are good news to McShane and Fogarty, who are in the entitlement process with the Libertyville Plan Commission to begin site work on Liberty Point North, a 45-acre parcel located directly to the north of the Medline facility.

Plans for the site include three speculative buildings built in two phases, with the first two buildings measuring 270,000 and 170,000 square feet each. Twelve to 24 months following completion, Fogarty says a third, 270,000 square foot building is slated for construction.

When combined, the proposed properties at Liberty Point North total 700,000 square feet of new industrial facilities for Lake County.

While Fogarty says that some municipalities, such as Lake Forest and Lincolnshire, shy away from large, industrial development in their communities, Libertyville embraces it.

"They get it as a community," he says in relation to the Liberty Point developments. "You have 100 employees who might come into the area and those folks are eating at their restaurants—it just picks up the economy overall. When these transactions take place, they are migrating from other areas and relocating."

Less is more

On a larger scale, Grubb & Ellis re-

ports that first quarter industrial vacancy rates in Lake County fared lower than last year's numbers, reporting about 7 percent vacancy rates. Compare that to industrial power-market I-55, which reported a 11.5 vacancy rate in the first quarter. But some developers say the low vacancy rates reflect the lack of developable land in Lake County, which has an industrial market size of approximately 79 million square feet, Lee & Associates of Illinois LLC reports.

With less land available, more is readily picked up.

"The availability of new product and shovel-ready land sites is very low in Lake County," says John Benson, vice president of leasing and development for IDI. His company is helping the development of the Antioch Corporate Center, a 200-acre parcel of former agricultural land near Routes 45 and 173. With the ability to accommodate as much as 2.5 million square feet of warehouse and office space, IDI will install the site's infrastructure this summer and start construction on the first speculative building in fall.

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Benson projects that Antioch Corporate Center I, the first building developed on the site, will be ready for occupancy in spring 2009.

One of the park's highlights includes 47 acres of open space, which will provide wildlife habitat and storm water management to the landscape. A naturalized storm water management system will create a natural buffer to the site while improving water quality.

Benson projects that the majority of the park will house distribution, light assembly and manufacturing tenants. He says that Antioch Corporate Center is one of the first new parks to be built in the last five years that includes entirely new construction and is still agriculturally friendly.

"We need more business parks that can accommodate growth in Lake County," Benson notes. While the buildings in current development stages are all speculative, he says that IDI is also ready to accommodate build-to-suits.

"We think there is a demand," he says. "We're taking a look at the long term view, the park is not going to fill up overnight, it will fill up over the next five to 10 years. The latest slowdown in the economy is well within the time frame of where we want to be."

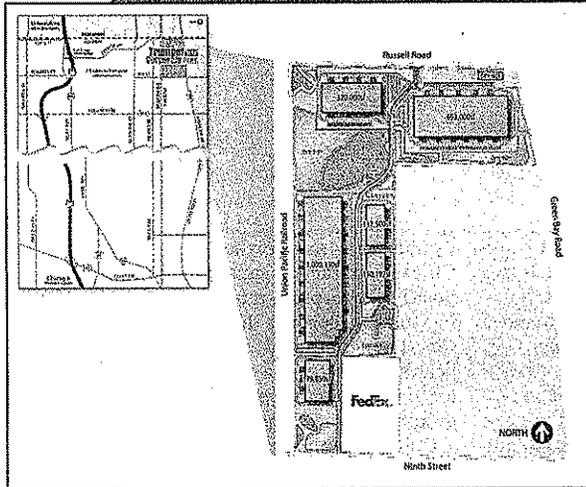
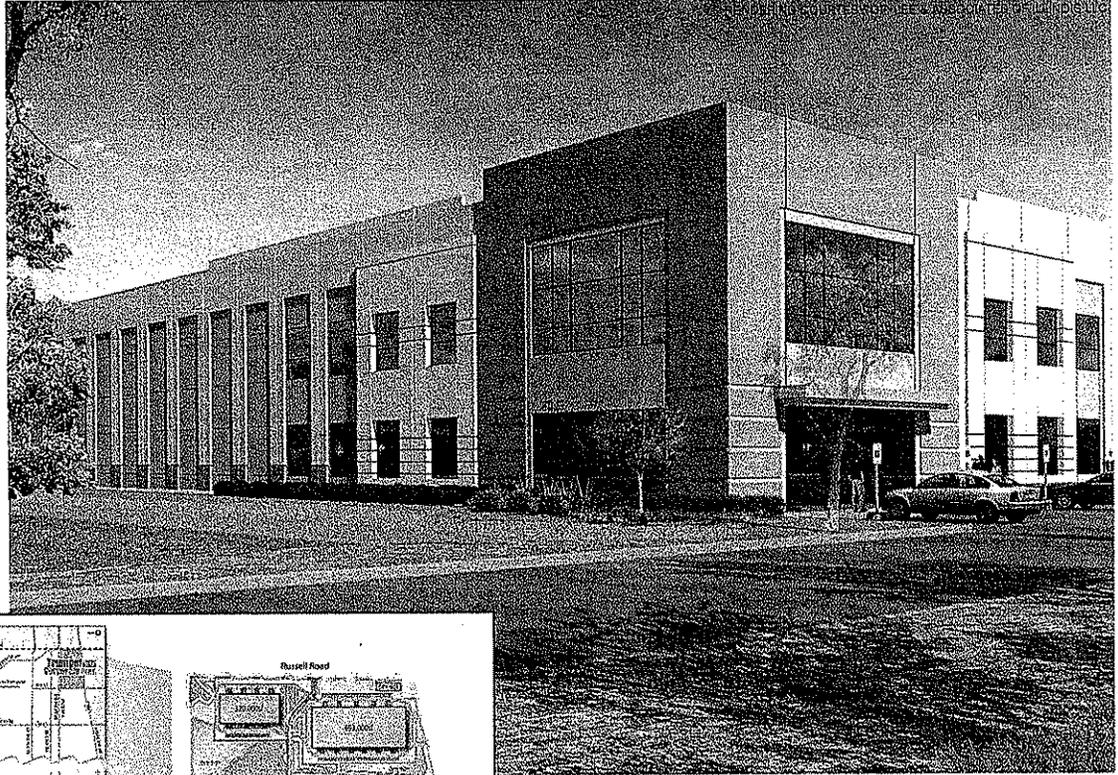
One perfect parcel

Doug Reed, senior vice president with HSA Commercial Real Estate, knew right where he wanted to be when he identified a 24-acre tract of vacant land in Lake County for development. Located at the corner of Blanchard and Delaney Roads, Reed pounced on a parcel that he says is a rare find on the area's industrial front.

"Vacant land sites that are ready-to-go in Lake County are difficult to find," says Reed, who secured the site in March 2008. "This was a site that was already zoned and close to transportation."

The park is located within a few miles of two full interchanges on I-94 and can be easily modified to provide rail access from the neighboring Union Pacific line. Currently, Reed says IDI is working with a couple of different build-to-suit tenants interested in the park. Under the proposed plan, the park would include a two-building complex: one constructed at 250,000 square feet, the other at 180,000. The larger facility will include rail access and a docking station. It will also be divisible in half or quarters.

"When you look at Lake County, there has been a lot of growth from within," Reed says on the demand for new industrial parks. "I think one of the things about Lake County is that residential expanded exponentially and



Trumpet Corporate Park stands as a midway, industrial hub between Chicago and Milwaukee. The site is currently home to a FedEx distribution center, which spans 65,000 square feet on a 20-acre parcel.

On the border

Rick Delisle, principal with Chicago-based Lee & Associates of Illinois LLC, says that much of Lake County's industrial desirability hinges on its proximity to the Illinois-

Wisconsin border.

Good thing his leasing venture, Trumpet Corporate Park, is a 2.5 mile drive from an Interstate exit.

"We are literally on the border between Wisconsin and Illinois," Delisle says of the Zion-based park, which is owned and developed by Panattoni Development Corp. "And it's one of the last opportunities for firms to capture land before going over the border to find it."

Bordered by Route 176 to the south, Green Bay Road to east, Russell Road to the north and the Union Pacific rail line to the west, the park is anchored by a FedEx distribution facility. It took delivery on its 65,000 square foot, build-to-suit facility on a 20-acre site at the beginning of 2007.

In May 2008, Panattoni broke ground on another 150,000 square foot speculative building in the park. The new construction is part of a 250-acre phase of development that will gain more momentum following a phase of road construction improvements in and around the site.

"Right now, Panattoni just broke ground on road improvements within

now that is slowing down, but there are a lot of new home sites and new people. Now maybe jobs will be coming in to help those people out."

In order for the new parks to provide the perks, Reed says infrastructure improvements must be put in place.

"One of the problems in Lake County has been the lack of road construction," he says. "As sites get picked up and are developed they are further away from transportation."

According to some developers, the most desirable tracks of industrial land are located within three to five miles of the main I-94 thoroughfare. With proper roads to route traffic to the more remote industrial sights, development may endure a few roadblocks.

"They need to do (more) east-west roadways to accommodate the growth," Reed says, who notes that the approved widening of Delaney Road will pave the way for industrial growth on the limited amount of land that is available.

"Vacancy rates are lower than in other areas even though rents are higher," he adds, touting the desirability of the county.

the park," says Delisle, citing construction of a new road that will link 9th Street to Russell Road. "They're spending \$2.5 million on off-site road improvements and another \$5 to \$7 million on internal roads."

The new roads will increase accessibility of the site, linking it up to the new development phase. Roadwork is projected to be completed by September, with the first speculative building ready for delivery in November.

Delisle says that office, medical and data center tenants are considering the park based on its location to both roads and rail.

"Very few sites can offer rail, and we offer it," Delisle says, touting the site's reliability. "We are also on the main Commonwealth Edison power grid, so there are not a lot of transmission lines between us and the main grid."

In addition to creating as many as 1,000 jobs, Trumpet Corporate Park is giving back to Lake County and Zion taxpayers. Originally developed on a parcel outside of the municipal tax base, each phase of development puts the land back on the books, generating more dollars for the surrounding communities.

"It should be good for economy," Delisle says of the park's development. "Lake County is a kind of bedroom community for Chicago. There is very little industrial land zoned, but overall, this development will be good." [E]