

Diversely DeKalb by Jenn Danko

When Target Corp. targeted the city of DeKalb as the site of its 1.5 million square foot distribution center four years ago, broker Steve Milner was left asking a few questions.

As owner of the DeKalb-based brokerage company Milner & Associates, Milner had a heavy hand in acquisitioning land for its development in the burgeoning Park 88 business center at Interstate 88 and Peace Road.

"We met with the president of Target and asked him, 'How did we get this?'" says Milner, whose firm specializes in industrial and multifamily brokering and land acquisition. After striking out on securing several national tenants in the park-including dry cereal giant Kellogg's-Milner was curious why Target was the first to pull the trigger.

"Target said in its logistics study, (Park 88) was the only location that got 25 out of 25 points," Milner says.

But activity at the 465-acre business park has remained quieter as of late. A new, high image 161,542 square foot pre-cast building is available for lease and Milner is hoping activity in the park will pick up again once the market picks up steam.

"Companies don't make decisions to build new buildings during quarters they are not making profit," he says.

But once the economy finds its groove again, Paul Borek, executive director of the DeKalb County Economic Development Corp., says that the logistics of DeKalb that once attracted the national likes of Target will again flex their muscles.

Borek says the county is already doing well on its own. In addition to its proximity to metro Chicago, strong labor pool, central location along the Union Pacific Railroad and cargo capability of its airport, DeKalb has something few other collar counties boast-diversity.

"The economy overall is diversified and capable of withstanding downturn and recession maybe better than others because we don't have a concentration in one industry," Borek says. "We have a diversified group of manufacturing and industry, strong agricultural base and medical demand."

Logistically speaking

The 2007 arrival DeKalb's \$110 million Kishwaukee Community Hospital near Interstate 88 sparked the development of medical office buildings in the area, including the new \$17 million DeKalb Clinic. Adjacently located across from the hospital, the new facility is being relocated from the city's downtown to make way for redevelopment in the central business district.

"What we're seeing are a lot of specialty practices now putting offices in this area, whereas before, a lot were going to Rockford, Chicago and other suburban markets," says Milner, who



sees MOB space averaging between \$230 to \$240 per square foot.

Other developments, including industrial parks such as Sycamore Prairie Business Park and DeKalb Business Center, are poised to draw a strong labor pool of their own along the western edge of the I-88 corridor.

Len Caldeira, managing director with Jones Lang LaSalle, is taking a chance on marketing the 343-acre DeKalb Business Center as a shovel-ready site for developers who want to move quickly on their build-outs. In the firm's first industrial marketing venture, Caldeira says JLL is currently pursuing RFP's and tracking build-to-suit opportunities for the business center located at the southeast corner of I-88 and Route 23. He hopes such amenities as 5,200 feet of Interstate visibility and access to two, four-way interchanges will be a selling point for developers looking to build on a new site.

Like Target's decision to choose Park 88, Caldeira says logistics will play a big role in reeling in their first tenant. He's hoping market the kinds of logistics that Target already discovered several years back.

"There are a lot of markets that haven't taken off," he says. "DeKalb is a steady market, and has attracted big users in the past . . . the one thing the marketing efforts have not done in this corridor is prove logistical studies."

Hospitable trends

One of the most much-needed deals in DeKalb was announced earlier this year, when Geneva-based Sho-Deen Development unveiled plans to develop approximately 200,000 square feet of hotel and retail space on 60-acres of land at Peace Road and Route 38. Located across from Park 88, a new, 100-room Marriott Courtyard Hotel will break ground in spring 2009 and is slated to be completed over the course of 18 months.

Dave Patzelt, president of construction with Sho-Deen Development, says that site is approved for two hotels, but they are only moving forward with one to start and allowing absorption to dictate future plans.

On the retail end, Patzelt says his options remain open.

"We're hoping to get tenants from light commercial to big box users," he says.

Milner says that the new hotel will not only bring some needed commercial development to DeKalb's east gateway entrance, but it also marks the arrival of the first major hotel in the area. Patzelt agrees. "We're seeing a lack of availability for mid-scale hotel product," he says. "We believe that the demand is there, from business park users to airport traffic and the (Northern Illinois) University."

In addition to developing land on the outskirts of DeKalb, Sho-Deen is also redeveloping seven acres of land in the heart of DeKalb's downtown. With the DeKalb Clinic relocating near the interstate, Sho-Deen and the EDC see the open land as an opportunity to capitalize on the resurgence of the central business district. Milner & Associates has acquired about 20 properties and is working with Sho-Deen and the city of DeKalb to bring a mix of commercial and residential life to the streets. The project will stretch a couple of blocks long and is intended to revitalize the city in the same way the area's industrial character has found its own fire.

One of the main developments will feature a 6-story residential building anchored by retail on the first floor. National Bank and Trust of Sycamore has already signed on as the first tenant in the development.

"Downtowns want more of a mix of commercial and residential," Milner says. "This is what DeKalb sees as their statement of where they want to go."