

Market Focus Suburban Downtown Redevelopments



Evanston, Illinois recently added over 1,000 residential units along with new retail and is poised for additional growth.

Many of Chicago's suburban communities have made the commitment and effort to create their own urban downtown identities through new retail and residential development. Several developments have been focused around train stations and other transportation hubs, while others have taken advantage of amenities unique to their community. The following suburban communities are joining other successful downtown redevelopments in re-defining their town centers.

EVANSTON

The City of Evanston has partnered with Evmark, a public/private organization to help organize and create their vision for a new downtown. Two significant projects in Evanston's downtown help to anchor the redevelopment. Church Street Plaza, developed by Arthur Hill & Company is mixed-use development that includes 185,000 square feet of retail, restaurant and entertainment space anchored by a Century Theatre. The development also features a 178-room hotel, 205 unit condominium building and 1,400 car garage. The second major development named Sherman Plaza is a joint venture between Klutznick-Fisher Development Co. and Focus Development. The development is slated to bring 253 condominiums and 155,000 square feet of additional lifestyle retail. While Evanston has added over 1,000 residential units over the past 15 years, the city feels that the downtown offers many more areas of growth.

DES PLAINES

The City of Des Plaines has also been active in redeveloping their downtown. Metropolitan Square, a joint venture between Joseph Freed and Associates and Tucker Development consists of approximately 140 residential units, 96,000 square feet of retail and 22,000 square feet of office. Metropolitan Square is located within a few minutes walk to the community's Metra train station. In addition to Metropolitan Square, R. Franczak and Associates has a number of condominium developments scattered throughout downtown Des Plaines. The city recently hired Director of Economic and Community Development Tim Bleuher, formerly with the City of Chicago Planning Commission, to help facilitate the redevelopment of the downtown.

ELGIN

Elgin's Master Plan calls for the development of upscale residential projects in order to revitalize, energize and enhance the sales and property tax

revenues in the downtown area. RSC and Associates has planned The Fountain Square on the River. This development will bring 211 new condominiums to the downtown and 10,000 square feet of ground floor retail. Another development Park Place on the River has begun its second phase of construction. This will complete the remaining 58 luxury town homes overlooking the Fox River. The demolition of the Crocker Theatre in Elgin took place in June in preparation for the construction of an already sold out 66 unit condominium building.

MUNDELEIN

The Village of Mundelein recently approved a Transit Oriented Development (TOD) centered around the Metra station. Mixed-use projects clustered around rail stations make it easy and appealing for residents to use mass transit. The station is surrounded by large, primarily vacant properties previously occupied by light industrial and manufacturing uses. Teng & Associates purchased a 13 acre, six building office/industrial complex and has already announced plans for a 300 unit condominium and townhouse project to anchor the new downtown Mundelein. The Village recently purchased the former 150,000 square foot Anatol Automation building for municipal use within the TOD.

OAK PARK, BURR RIDGE AND ORLAND PARK

The 1120 Club, a 44 unit condominium project developed by RSC and Associates is proof that Oak Park intends to encourage growth, create a more integrated downtown and attract new interest to the community. Other communities including Burr Ridge, which for years has been closing the door on developers, has finally approved the mixed-use Opus North Town Center. The development in Burr Ridge will consist of a 216,000 square foot lifestyle center, 179 condominiums and 33,000 square feet of office space. Orland Park is also ready to redevelop a downtown area called Main Street Triangle centered around a new Metra train station. This \$100 million project will contain open space, office, retail, restaurants and residential in a 25 acre parcel adjacent to the town's original downtown.

Communities all throughout metropolitan Chicago are working to redevelop their downtown areas to better service existing residents, attract new people to the community and increase sales and property tax revenues. However the individual Master Plans have been developed, all of these communities are focused on creating a pedestrian friendly urban "main street" atmosphere.

Rate Check

Hurricane Katrina and the resulting surge in oil prices due to production concerns did little to dampen the surging U.S. economy. The economy grew at a 3.8% annual rate, the 10th consecutive quarter of 3% or above annual growth rate in the 3rd quarter, faster than predicted, evidence that the economy is able to withstand high energy costs. The Federal Reserve continues its vow to battle inflationary pressures by increasing its target rate for

overnight lending by a quarter percent to 4% — its 12th consecutive rate increase.

Economists are concerned that high productivity, low inventories and post-hurricane job growth may supercharge the economy and lift inflation. This sentiment may be offset by a decline in housing value growth due to increasing interest rates, continued high energy costs and slipping consumer confidence. The bond market reacted by steadily increasing 10-year

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Treasury note yields, a benchmark for commercial real estate mortgages, to 4.6% in November as compared to 4.3% in September of 2005.

The rise in Treasury yields has increased commercial mortgage rates. Spreads, the difference in rate between a given financial instrument and a given mortgage rate, are beginning to widen. Earlier this year the average rate for a 30-year fixed mortgage and the yield on 10-year Treasury notes was about 150 basis points. Today, the spreads have risen to 180 basis points as lenders are more apt to pass on increased credit costs to the borrower.

CMBS MARKET

While banks continue to underwrite about 43% of all commercial real estate loans, the commercial mortgage-backed securities (CMBS) market is poised to originate a record \$200 billion this year — almost 20% of all real estate loans. The razor thin margins in the debt industry have forced lenders to compete on scale, volume and velocity- all to the benefit of the borrower.

The key barometer to watch is inflation. Inflation concerns have crept into the pricing of debt in the past month. It may be time to evaluate the feasibility of converting floating-rate debt into fixed-rate debt by locking in to these historically low rates.

Notes

MJ PARTNERS SALES/FINANCINGS/LEASES

- ◆ **Lakeshore East, Chicago, Illinois.**
Non-recourse 26.5 acre land loan provided by Washington D.C.-based union pension fund.
Loan Amount: \$70,000,000
- ◆ **318 W. Adams Street, Chicago, Illinois.**
19-story office building across from Sears Tower. 146,335 sq. ft., 65% occupied.
Sale Price: \$7,600,000
- ◆ **The Extra Closet Self Storage, Warrenville and Plainfield, Illinois.**
Two-facilities, 99,170 sq. ft., 750 units.
Sale Price: \$6,800,000
- ◆ **Storage Options, Palatine, Illinois.**
67,250 sq. ft., 585 units.
Sale Price: \$5,810,000
- ◆ **165 N. Archer Avenue, Mundelein, Illinois.**
151,407 sq. ft., industrial building.
Sale Price: \$5,100,000
- ◆ **1152 W. Carroll Avenue, Chicago, Illinois.**
36,481 sq. ft., high-cube industrial building.
Sale Price: \$3,100,000
- ◆ **1132 S. Jefferson, Chicago, Illinois.**
51,770 sq. ft. industrial building in Roosevelt Road Retail corridor.
Sale Price: \$2,800,000

- ◆ **400 S. Chicago Street, Joliet, Illinois.**
9,135 sq. ft. retail center.
Sale Price: \$1,350,000
- ◆ **205 W. Wacker Drive, Chicago, Illinois.**
6,296 sq. ft. office/showroom lease for Interior Investments
- ◆ **2641 Waukegan Road, Highland Park, Illinois.** Financing for retail renovation of Mario The Baker. Loan Amount: \$1,100,000

MJ PARTNERS NEW LISTINGS

- ◆ **Chicago Net-Leased Retail Investments, Chicago, Illinois.** Seven-property portfolio of net-leased retail centers featuring national tenants like Starbucks, Blockbuster, Charter One Bank, Washington Mutual, Prairie Bank, Subway and Hair Cuttery.
List Price: \$22,400,000
- ◆ **Storage USA Self Storage & Net-Leased McDonald's, Los Angeles, California.**
54,107 sq. ft., 649 units self storage and McDonald's restaurant.
List Price: \$15,500,000
- ◆ **U-Stor-It Self Storage Portfolio, Buffalo Grove, Arlington Heights, Elgin, Illinois.**
173,745 sq. ft., 1,843 units, nearly stabilized new facilities.
List Price: \$15,250,000 – contract pending
- ◆ **Metro Self Storage, Lake Zurich, Illinois.**
49,425 sq. ft., 514 units, single story state-of-the-art facility.
List Price: \$8,900,000
- ◆ **9665 Golf Road, Des Plaines, Illinois.**
13.9 acre residential development site, zoned for 240 residential units.
List Price: \$8,400,000 – contract pending
- ◆ **U-Stor-It Self Storage Portfolio, Chicago, Illinois.** Three state-of-the-art facilities located near Midway Airport. 171, 414 sq. ft., 1,765 units.
List Price: \$15,900,000
- ◆ **645 Heathrow Drive, Lincolnshire, Illinois.**
Single-story 71,566 sq. ft. industrial building net-leased to Brook Electrical Distribution.
List Price: \$6,400,000
- ◆ **Shurgard Storage Center Michigan Portfolio, Jackson & Lansing, Michigan.**
Two facilities, stabilized occupancies, 86,470 sq. ft., 847 units.
List Price: \$3,850,000
- ◆ **Apple Self Storage, Wauconda, Illinois.**
36,650 sq. ft., 268 units, 144 RV spaces, expansion potential.
List Price: \$3,500,000



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