

Supermarket Wars Feeding Retail Growth

Supermarket expansion continues to play an increasingly important role in retail development throughout the Chicago area. Of the 34 new shopping centers over 50,000 square feet, 20 are anchored by grocery stores.

A total of 5.6 million square feet of retail space was added in 1998, a 54 percent increase over the previous year.

CHICAGO MARKET LEADERS

The two largest grocery chains in the \$10 billion Chicago area market are Jewel Food Stores with a 35 percent market share and 189 stores, and Dominick's Supermarkets, Inc. with a 27 percent share and 114 stores. Together these two chains opened over two dozen stores in 1998.

Cub Foods, the discount grocery chain division of the SuperValu Inc. of Minneapolis, also has expansion plans. Cub already operates 16 Chicago stores averaging 75,000 square feet each. Cub is looking at several locations in the City and surrounding suburbs, with eyes already on Wheaton and Mundelein.

CITY FOCUS

Dominick's remains the fastest growing chain with plans to open 14 new stores this year. Dominick's is placing emphasis on new openings in some of Chicago's most lucrative markets — high traffic gentrifying city neighborhoods. Dominick's will close three suburban supermarkets that were all recently converted Omni Superstores. This Chicago focus is consistent with retail trends showing 20 percent of all new development in the City, compared with the early 1990s when Chicago accounted for less than 5 percent of new developments.

Some of Dominick's new high profile city locations include Chicago's first two-story grocery store at 959 W. Fullerton Avenue in Lincoln Park. This 26,000 square foot store is less than half the size of an average Dominick's, but returns are expected to be double the average store. New Chicago stores are scheduled to open at Roosevelt and Kedzie, One North Halsted Street, and a two-story store in the River East neighborhood.



Chicago's first two-story grocery store located at 959 West Fullerton Avenue.

Market Focus The West Loop Gate District

Michael Jordan's sudden retirement from the Chicago Bulls has left a huge void for one major West Side tenant. While the Bulls contemplate life without Michael Jordan the balance of the Near West Side continues its robust real estate growth that coincided with the arrival of Jordan in the mid-1980's. The area's close proximity to the Loop, the University of Illinois-Chicago, and the Rush medical complex has transformed this once urban wasteland into one of the hottest areas to watch.

RESIDENTIAL GROWTH

The neighborhood recently named the West Loop Gate District is bounded by Hubbard Street to the north, the Eisenhower Expressway to the south, the Chicago River to the east and Ashland Avenue to the west. Historically the area has been a location for commercial and industrial businesses requiring a convenient location to their Loop customers. Today, the Near West Side is one of the most fashionable new communities boast-

ing not only Fortune 100 companies, but trendy restaurants, art galleries and an influx of young professional residents.

One market niche that remains primed for expansion is the grocery supercenter, and Grand Rapids, Michigan-based Meijer, Inc. is about to change that throughout suburban Chicago. New 240,000 square foot retail supercenters with substantial grocery components are opening in Merrillville and Highland, Indiana, along with a 210,000 square foot store in Bolingbrook. A dozen new stores are planned by Meijer to open within three years, and contracts are signed for sites in Lisle, Aurora, St. Charles, Elgin and Bartlett.

WAL-MART THREAT FUELS MERGERS

The highly fragmented grocery industry with \$430 billion in sales has been in the midst of a merger boom, fueled by the hopes of achieving economies of scale. Wal-Mart is viewed as a major threat to the grocery business, already the third-biggest seller with annual sales of about \$25 billion.

California's Safeway, Inc. with \$22.5 billion in sales recently agreed to purchase Dominick's for \$1.85 billion.

Dominick's sale was anticipated after rival Jewel Food Stores and parent American Stores Co. announced a merger with Boise, Idaho-based Albertson's, Inc. for \$11.7 billion — making it the second largest chain with \$36 billion in annual sales.

Kroger Company of Cincinnati also announced last year that it will merge with Portland, Oregon-based Fred Meyer, Inc. in a \$13 billion deal that would create the largest supermarket chain in the country with \$43 billion in sales.

Kmart Corp. sells groceries in its 100 Super Kmart stores (as compared with Wal-Mart's 500 Supercenters) and is currently pursuing a merging partner in the supermarket sector.

Supermarket expansion combined with pending mergers will continue to drive new retail developments. Thomas D'Arcy, CEO of Bradley Real Estate, Inc. believes that, "On a risk-adjusted basis grocery anchored community centers are the best property type out there." Many retail investors believe this product type is less affected by market changes than regional malls and power centers, and will continue to flock toward new supermarket developments.

The original attraction to developers was the district's low land costs compared to River North and the South Loop, yet comparable location. Over 50 new residential developments comprising of over 4,000 housing units are already planned or under construction in 1999. The surge in development is estimated to double the current population of approximately 8,000 within two years.

The following are among the new major projects planned in the West Loop Gate and surrounding neighborhood:

NEW DEVELOPMENTS

Old Main Post Office — \$200 million redevelopment of the 2.5 million square foot former Post Office above the Congress Expressway into 600 condominium-

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"The Near West Side continues its robust real estate growth that began in the mid-1980s," states Michael Weber, Senior Associate at MJ Partners.



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ums, 400,000 square feet of office and 200,000 square feet of retail space by MCZ Development Inc. and Walton Street Capital.

Clinton Complex — 300 loft condominiums at Harrison Street and the Congress Expressway by MCZ Development Inc.

Kinzie Park — 300 newly constructed condominiums and townhomes at Kinzie Street and the Chicago River by Habitat Co. and Enterprise development.

Gotham Lofts — 188 loft condominiums at Clinton Street and the Congress Expressway by the Fifield Company.

River Bend — 150 newly constructed condominiums at Canal Street and Lake Street by Bejco Development.

Block X and Block Y — 300 newly constructed loft-style condominiums at 1301 West Washington Street by Thrush Development.

Vanguard Lofts — 100 condominiums overlooking the Eisenhower Expressway at 1250 West Van Buren Street by Rezmar Development.

Olympia Lofts — 66 loft condominiums at 843 West Adams Street.

Carmichael Place — 39 newly constructed townhomes at 1015 West Monroe Street by Carmichael Properties.

The strengthening demographics has alerted retailers to the purchasing potential of the area. The Greek Town and Randolph Street restaurant corridors have expanded the fine dining alternatives. Dominick's Supermarkets will occupy 60,000 square feet of the planned 37-story, 280-unit condominium high-rise at Halsted Street and Madison Street developed by Moran Associates and Dearborn Development.

While the Chicago Bulls might struggle with the likes of Brent Barry and Dickey Simpkins defending their crown, the Near West Side real estate market continue its championship streak of new development.

Notes

RECENT MJ PARTNERS SALES

- ◆ 350-358 West Ontario Street, Chicago, Illinois. 100,000 square foot multi-tenant River North office building. List price: \$8,400,000.
- ◆ 7315 Dempster Street, Niles, Illinois. 15,558 square retail building formerly occupied by Fitness Warehouse. List price: \$895,000.
- ◆ 2200 South Elmhurst Road, Mt. Prospect, Illinois. 6,824 square foot building formerly occupied by Zanie's Comedy Club. List price: \$875,000.
- ◆ 201 West Lake Street, Chicago, Illinois. Two-story commercial building at Wells Street and Lake Street. List price: \$495,000.

MJ PARTNERS — NEW LISTINGS

- ◆ One Naperville Plaza, Naperville, Illinois. Four-story 55,662 square foot office building overlooking I-88. List price: \$7,500,000.

- ◆ Laredo Plaza Shopping Center, 1150-1220 East Dundee Road, Palatine, Illinois. 52,000 square foot shopping center located between Rand Road and Route 53. List price: \$5,600,000.
- ◆ O'Hare Atrium Office Plaza, Des Plaines, Illinois. Four-story 58,702 square foot office building overlooking I-294. List price: \$5,250,000.
- ◆ Branding Business Center, Downers Grove, Illinois. Single-story 47,890 square foot office building. List price: \$5,000,000.
- ◆ 1901 Naper Boulevard, Naperville, Illinois. Three-story 26,253 square foot office building. List price: \$3,700,000.
- ◆ 465 North Des Plaines Street, Chicago, Illinois. 36,000 square foot industrial building or development site. List price: \$2,700,000.
- ◆ 233-235 West Lake Street, Chicago, Illinois. 22,800 square foot commercial building. List price: \$1,000,000.



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Today's Marketplace*

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