

Retailers crowd out corn

Rush for desirable sites moves beyond Chicagoland's boundaries

By Mary Ellen Podmolik

Special to the Tribune

Published May 25, 2006

The nation's top retailers are stretching the boundaries of what is typically considered metropolitan Chicago as they rush to open stores on farmland up to 50 miles away from the city.

It used to be that retail followed rooftops, meaning that retail chains did not enter newly developing areas until they saw enough established population to warrant their investment. But in a race to beat competitors into the market and establish loyalty early, stores are now moving into fast-growing areas alongside or even before consumers.

That trend helps explain why retailers are looking for more than 78 million square feet of space for expansion, a nearly 17 percent increase from last year, according to a new study of retail demand by Mid-America Real Estate Corp.

"We are seeing year-over-year increases that continue to surprise," said Jeff Kuchman, a principal and director of tenant brokerage at Mid-America. "The greater Chicago area continues to be redefined. There's a new definition of the perimeter."

Increasingly, from a retailer's perspective, the boundaries extend to Kenosha on the north, south of Interstate 80 on the south, edging closer to Rockford on the northwest and along Route 47 on the southwest.

The amount of new retail construction predicted by Mid-America is significant. Typically 4.7 million square feet of retailing space is added to the market each year. But with 78 million square feet of new space projected, it would take 16 years at the current pace of construction to satisfy all that demand, the study concluded.

Shopping centers confab

The race for space was obvious in negotiations at the annual spring convention of the International Council of Shopping Centers, which concluded Wednesday in Las Vegas. One executive, Bob Gallivan of Kerasotes Theatres, likened the event, which brings together retailers and developers, to a speed-dating marathon.

Among the largest categories of merchants increasing their space demands from a year ago are grocery/discount combination stores like Wal-Mart Supercenter and Super Target, which seek more than 13.6 million square feet of space. That is the equivalent of 236 football fields, including the end zones, and a 123 percent increase in space demands over just one year ago.

Mid-America's survey of retailers also found that department stores like Kohl's and in particular J.C. Penney, which is intent on rolling out free-standing department stores, have increased their local space needs by 82 percent, to almost 4.7 million square feet.

Also on the hunt for room to expand are restaurants, warehouse clubs and entertainment venues like movie theaters. On the other hand, the largest decline among space needs was by traditionally sized discount stores like Wal-Mart, a change caused by the desire to combine grocery and discount stores under one larger roof.

The 11,204 residents of Yorkville are seeing the market's trends play out in their own backyard. Population in the city, which is the seat of Kendall County, is expected to grow to 40,000 by 2010,

and retailers know it, said Lynn Dubajic, director of the Yorkville Economic Development Corp.

First in the market

"Rooftops are imperative," said Dubajic, who attended the shopping center convention. "It's the No. 1 thing that retailers look at. But retailers have also begun to understand that areas such as Kendall County are experiencing such rapid growth and they'll capture areas west of us that are completely underserved.

"Retailers want to make sure they get the prime sites. They want to be first in the marketplace."

Already announced for Yorkville is an 850,000-square-foot shopping center project along Route 34, west of Route 47, that will bring big-box chains Super Target, Home Depot, department stores like Kohl's and possibly Penneys, junior anchors like an electronics store and a 14-screen movie theater. Most of the project will open in 2008.

In a separate project, construction of a Wal-Mart Supercenter along Route 34, east of Route 47, is expected to begin later this year.

North of Yorkville, and 40 miles west of Chicago in Montgomery, population 13,000, a similar scenario is playing out. Menards and Penneys will anchor a shopping center at Routes 34 and 30, said Steve Pagnotta, president of Bradford Real Estate Cos., the firm co-developing the project.

To the east in Oswego, grocery/discount retailer Meijer is building a store that will open in 2007. It also has selected sites for stores in Homer Township on Route 43 and in Aurora, south of Interstate 88, said spokeswoman Judith Clark.

Despite the interest in the outlying counties, national chains continue to look within the traditional Chicago area for space as well. Sunflower Market, a new natural foods store concept from Supervalu Inc., will open its first local store on Clybourn Avenue in late summer, a spokeswoman said. The company is scouting for additional city locations, say area real estate executives.

Kerasotes Theatres will open theaters with at least 12 screens this year in Naperville, Cicero and Niles. Other projects are planned for Central and Grand Avenues and in the South Loop.

Kerasotes also is eyeing properties far west of Chicago, but unlike retail stores Kerasotes isn't looking to beat residents to an area because of the development costs involved. "We still want rooftops," said Bob Gallivan, director of real estate. "You can't hope to have the people catch up to you."