Green Street News
Real Estate Alert

Michelin buys distribution hub outside Chicago in one of market's largest warehouse trades

Only four local deals have ever exceeded the trade's $151 million price

Silver Creek Development has sold a large industrial facility outside Chicago to its tenant, Michelin North America, for $151 million.

The deal values the 2 million sq ft property at $74/sq ft. The off-market trade closed last week without a broker.

The four-building complex, at 29900 South Graaskamp Boulevard in Wilmington, Ill., is a superregional distribution hub that Michelin uses to house inventory serving automakers and dealers throughout the Midwest and Western U.S. Michelin North America, of Greenville, S.C., is a subsidiary of France-based tire manufacturer Michelin Group.

Transwestern Development built the property for Michelin in 2015 and 2016. The space has 32-foot clearance heights, 126 dock doors, four drive-in doors and a high-performance sprinkler system. There are 170 car parking spaces and more than 500 spaces for trailers.

The facility is on 91 acres. As part of the deal, Michelin also bought an adjacent parcel of nearly 28 acres.

Scottsdale-based Silver Creek bought the property from Transwestern in 2021 for $126 million. The latest sale price represents a roughly 20% premium to that value.

Last week's trade ranks as the fifth-largest single-property industrial sale in the Chicago market, according to Green Street's Sales Comps Database. Overall, the market has recorded more than $3 billion of deals this year, the most since 2022. And fourth-quarter sales are likely to propel the market to its most active year since it peaked in 2021 at $4.31 billion.


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THE GRAPEVINE

Industry veteran **David Krantz** started this month at **Thor Equities'** New York headquarters as an executive vice president. He moved over from **RockFarmer Properties**, which he joined in 2024 as a principal and head of capital markets, tasked with lining up deals, capital and debt. Before that, Krantz headed U.S. real estate at **Mirae Asset Securities**, a post he held until the firm's Seoul-based parent pared down its U.S. operations in late 2023. He also has worked at **Savills, CBRE, Praedium Group** and **Commerce Bancorp.** Thor, led by **Joe Sitt**, is active globally across property types.

Charles Russo this month jumped to **Blanca** as a managing director, leaving

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Massive Tempe Retail Center Tests Appetite

AEW Capital Management and **Vestar** are shopping a massive retail center in the Phoenix suburbs that could fetch $375 million, in one of the sector's largest listings of the year.

The offering is for 1.1 million sq ft at the 1.2 million sq ft Tempe Marketplace, Arizona's busiest shopping destination, which is adjacent to **Arizona State University's** main campus in Tempe. The property is 97% leased. A purchase at the estimated value would give a buyer an initial annual yield of 5.75%.

Eastdil Secured Savills has the listing for Boston-based AEW and Vestar, of Phoenix. The offering comes after a period in which strong demand for large retail offerings amid dwindling supply put upward pressure on pricing. But the runup in interest rates in recent weeks will put that trend – and the listing – to the test.

A sale of Tempe Marketplace at the estimated value would rank as the second-largest retail trade ever in Arizona, according to **Green Street's** Sales Comps

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Rate Chaos Clouds Once Strong Q4 Forecasts

Rapidly rising borrowing costs are threatening to undercut commercial-property sales growth in the fourth quarter, casting doubt on what looked like a sure thing just months ago.

The unexpected and relentless climb in 10-year Treasury yields that kicked off with the late-February start of the Iran war yet again has property owners and investors scrambling to recalculate values across asset classes. And as yields have shot up even faster in the wake of the **Federal Reserve's** Sept. 16 interest-rate hike, some owners have shelved or delayed listings.

Meanwhile, buyers increasingly are moving to renegotiate prices for pending sales or are reducing bids on listed properties.

The upshot is likely to be delays that reduce sales activity in the remaining three months of the year, a period that historically has been the most active annually

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Lenders Market Offices in DC at Big Discount

A lending syndicate that two years ago foreclosed on an office building in Washington's Golden Triangle district finally is bringing the property to market, with bids likely to be 60% below the property's 2017 trade price of $435.5 million.

The 584,000 sq ft building, at 1800 M Street NW, wrapped up a $13.9 million renovation this year, positioning a buyer at a reduced basis to lift its 79% occupancy rate while still collecting steady income.

Bids are anticipated to come in around $175 million, or $300/sq ft, which would produce an initial annual yield of 9%. **Eastdil Secured Savills** has the marketing assignment on behalf of the syndicate, which includes **Citibank, Deutsche Bank** and **Goldman Sachs.** It foreclosed on a $286.9 million senior loan backed by the property in December 2024.

The loan was underwritten in 2021 for then owners **Columbia Property Trust** of New York and **Allianz Real Estate** of Munich. The duo formed a joint venture in 2017 to buy Class-A office properties in gateway markets. Columbia, a REIT, was

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