

CASE STUDY



CLIENT CONTACT

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LOCATION

Bolingbrook, IL

SIZE

591,748 square feet

SERVICES

Transaction Advisory

THE SCOTTS COMPANY

Challenge

The Scotts Company (Scotts) is the world's largest marketer of branded consumer lawn and garden products worldwide, with a full range of products for professional horticulture and commercial and residential applications. Scotts has helped grow the more than \$8 billion global consumer lawn and garden market by staying connected with the consumer.

Scotts was considering a new regional distribution and warehouse lease in the Chicago area. A new lease was needed to provide substantial savings for Scotts or the company would continue to utilize a separate contract with their existing 3-PL provider to address this space requirement in the Chicago area.

Site requirements included:

- Approximately 600,000 SF of distribution/warehouse space.
- Location in the Southwest Suburban/1-55 Corridor of Chicago with easy accessibility to the interstate system with close proximity to major highways (1-55, 1-57, 1-65, 1-88, 1-90 and 1-194).
- Lease commencement date of October 1, 2011.

Solutions

Mike Cook and his team addressed Scotts' requirement in 2010, by performing an intensive market study of 20 million-plus SF of properties to determine the market's lowest cost alternatives for approximately 600,000 SF of distribution/warehouse space:

- Mike's team established the baseline asset requirements related to geographic, operational, and building parameters and metrics.
- The parameters were taken to the market in order to determine the feasibility of existing market alternatives. Mike went through an extensive negotiation process with five different landlord/locations creating a competitive environment with "apples-to-apples" comparisons.
- The recommended lowest cost and most operationally-efficient options were determined (the advantages and disadvantages of all options were first considered).

Results

- The team secured full base rent abatement for year-one of the 10-year lease term (achieved a savings of \$1,420,195).
- Mike's and his team secured a below market starting lease rate of \$2.45/SF NNN for year-two and an average (straight line) lease rate of \$2.57/SF NNN over the entire term.
- On a straight line basis, the team secured a lease agreement in which Scotts' base rental obligation is \$550,326 less per year and \$5,503,260 less over a 10-year term than the previous tenant's lease agreement for the

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premises (Scotts' average base rental obligation per annum is \$1,520,792 compared to the previous tenant's average base rental obligation per annum of \$2,071,118).

- Landlord-funded \$887,622 in turn-key non-amortized tenant-specific improvements.
- Termination and contraction options were secured by the team at the end of the seventh year.
- No security deposit was required from Scotts.
- The team provided a detailed Facility Condition Assessment (FCA) of the existing building to determine landlord repairs required prior to lease commencement.

