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PROPERTY REPORT

Chicago Property Market Heats Up as Food Companies Pile In

McDonald's is one of the latest to set up shop in the city after decades in the suburbs



Brandon Alba from Milwaukee orders food at a self-service kiosk at a McDonald's restaurant in Chicago. PHOTO: CHARLES REX ARBOGAST/ASSOCIATED PRESS

By Peter Grant

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In Chicago's trendy Fulton Market district, a once gritty area known only for Oprah Winfrey's Harpo Studios, construction crews have started facade work on a new headquarters for McDonald's Corp. [MCD 0.23% ▲](#), which is returning to the city after more than four decades in the suburbs.

McDonald's, now building at the former Harpo site, isn't alone in making that move. Conagra Brands [CAG 0.03% ▲](#) Inc., Hickory Farms Inc. and other traditional American heartland companies have shifted major operations to Chicago in recent years as well. Overall, businesses returning to the city or moving there for the first time have leased more than 7 million square feet of space since 2008, according to real-estate services firm JLL. That is enough to fill almost two Willis Towers, which tops Chicago's skyline and was the world's tallest building for a quarter-century.

Like many other major U.S. cities, Chicago is enjoying a boom as big employers opt for downtowns over suburban office parks that are being shunned by young workers. More than \$20 billion worth of residential, office, cultural and retail projects are in development or on the drawing board, according to the city Planning and Development Department.

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But Chicago's growth engine is different from those benefiting booming cities on this country's East and West Coasts. Unlike cities such as San Francisco and Boston, where the technology sector is fueling economic development, Chicago lately has been relying heavily on growth of food and consumer-products companies.

While most of these companies are decades old, they also are recognizing the need to attract a young and urban workforce as they add new products, technology and services in response to shifting consumer preferences. McDonald's executive workforce, for

example, has launched a mobile app, added self-order kiosks and added healthier items to its menu.

Hickory Farms, a food retailer founded in Toledo, Ohio, in the early 1950s, moved its headquarters to Chicago earlier this year to tap the city's talent pool in e-commerce and marketing. "We often refer to ourselves as a 66-year-old startup," said Chief Executive Diane Pearse.

Officials in the administration of Mayor Rahm Emanuel, who was first elected in 2011, say the longer the list of relocations, the more other companies are considering Chicago moves.

"It has become an easier sell," said David Reifman, commissioner of the Chicago Planning and Development Department.

At the same time, Chicago's growth pace also has been threatened by problems unique to many older Midwestern cities. Once dominated by manufacturing, the city still has hundreds of acres of underused industrial land, some of it prime riverfront real estate.

Also, many working-class and low-income neighborhoods in Chicago are losing population, partly due to the city's high rate of murders and other crime. Unlike cities such as New York and San Francisco, which are seeing record real-estate values practically across the board, values in some Chicago neighborhoods are still well below their precrash highs.

Mayor Emanuel bristles over critics who call him "Mayor 1%" for focusing much his economic development efforts on attracting major corporations and luxury housing developments to the downtown core. In an interview earlier this month, he ticked off a wide range of programs designed to add jobs in struggling neighborhoods and affordable housing throughout the city.

He pointed out that he has opened up hundreds of acres of land that had been set aside for industrial use, for commercial and residential development. Past efforts to preserve it for Chicago's historical heavy manufacturing were backward looking, he said.

"Denial is not a long-term strategy," Mr. Emanuel said.

Chicago's current boom stems back more than 15 years to when Boeing Co. relocated its headquarters there from Seattle after a highly publicized search, and UAL Corp., the parent of United Airlines, moved back to the city it had left in 1962. The boom was stoked by demand for luxury apartment buildings in top neighborhoods from young people and empty nesters preferring urban living.

Like in most parts of the country, Chicago development stalled after the 2008 crash. One of the symbols of the recession became a circular hole on a prime site in the city, the foundation for what was intended to be the tallest residential building in North America.

But both the residential and office markets picked up steam starting about five years ago as the latest wave of corporate relocations began. Developers began snapping up sites, including the hole at the prime site that was purchased by Related Cos. The New York-based company, which has built more than 2,000 units during the past five years, plans to reveal its plans for the hole later this year.

Meanwhile residents and tourists have been flocking to new shopping, entertainment and cultural events along the city's reinvigorated waterfront. Other megaprojects in the pipeline include a \$1 billion, 94-story condominium and hotel tower being planned by Magellan Development Group and Dalian Wanda Group of China, the redevelopment of Chicago's 92-year-old Union Station, and a new 51-story tower anchored by Bank of America scheduled to open in 2020.

Chicago's downtown renaissance has made it easier for corporations throughout the Midwest to move there. Many of these companies want to capture that energy as they try to reinvent their brands and products for the 21st century.

Take the case of Conagra, the formerly Omaha, Neb.-based food company known for brands including Slim Jim snacks, Chef Boyardee and Peter Pan peanut butter. Soon after becoming CEO in 2015, Sean Connolly decided to move Conagra's headquarters to Chicago to take advantage of its creative talent pool, according to a spokesman for the firm.

"We needed to make a drastic change to be truly competitive," the spokesman said. Chicago "provides the perfect setting for us to breathe new life into these brands."

Corrections & Amplifications

Conagra Brands Inc. [CAG 0.03% ▲](#) has shifted major operations to Chicago in recent years. An earlier version of this article misnamed the company. (Aug. 15, 2017)

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