

## BMO Harris Bank buys Naperville building for tech hub

By [Ryan Ori](#) October 12, 2011

(Crain's) — BMO Harris Bank paid nearly \$31 million for an office building in Naperville that will become a technology and operations hub with 1,000 or more employees.

The Chicago bank, a subsidiary of Toronto-based BMO Financial Group, bought the building at 1200 Warrenville Road in the western suburb for just under \$31 million, or about \$94 per square foot, according to property records from the Sept. 29 sale.

The four-story, 329,770-square-foot structure sold for more than three times the \$9.24 million it fetched a year earlier. Last year, a venture that included Wanxiang America Real Estate Group LLC — a real estate firm backed by Chinese capital — and Chicago-area developers William Krug and Daniel Murphy bought the vacant building for about \$28 a square foot.

The venture undertook large-scale renovations, including a new roof, skylights, windows and updates to the common areas and corridors, says Lawrence Krueger, managing director of Wanxiang's U.S. real estate unit. Mr. Krueger declines to specify how much improvements cost but says the venture was pleased with its return on the investment.

"We're not complaining," Mr. Krueger says of the price. "I think it was a good deal for all parties. It was opportunistic for us to buy it when we did, and it was a good deal for them to buy a building rather than paying rent. We're investing in all product types in commercial real estate, hoping to create value over a fairly short term."

Jeffrey Liljeberg, a managing director at Chicago-based Jones Lang LaSalle Inc. who represented BMO Harris Bank, declined to comment.

The building will become a technology and operations hub for the bank, similar to the one it has in Wisconsin, a bank spokesman says. Employees will move to Naperville from other BMO Harris Bank offices throughout the Chicago area over a two-year period starting in mid-2012, he says.

The spokesman declined to say how many workers will be consolidated there, but a source says it's expected to be at least 1,000.

"The new facility offers an expansive space, at a lower cost, that will provide needed square footage to support our growing organization," the spokesman wrote in an email.

Overall office vacancy in the Chicago suburbs was 24.7% at the end of the third quarter, according to Jones Lang LaSalle statistics. Despite that amount of available space, some are finding it more cost-effective to buy a building while property values remain depressed, rather than seeking a large block of space or developing a building.

"I think the mindset is that their overall occupancy costs are cheaper by buying," says Paul Lundstedt, an executive vice-president in the Rosemont office of Grubb & Ellis Co.

Mr. Lundstedt was the listing agent when another local bank, Wintrust Financial Corp., paid \$22.5 million this summer for an 11-story, 275,000-square-foot office building in Rosemont. The price was about \$81 a square foot for the building at 9700 W. Higgins Road.

Related story: Wintrust Financial moving headquarters to Rosemont

"For vacant buildings to be bought for under \$100 per square foot, when you consider replacement costs are over \$200 (for a new building), that seems to be a pretty good real estate decision," Mr. Lundstedt says.

BMO Harris Bank's new building will be ready for business after a basic buildout, according to the sellers.

"I give these banks credit," Mr. Krueger says. "They're buying at pretty low prices in the market. I think it's a brilliant move for banks to be doing that."