

# Solid Foundations

## Merchandise Mart: Generating Commerce for Chicago Since 1930 by Alfred Branch, Jr.

**F**rom across the Chicago River, the Merchandise Mart is breathtaking by its sheer size. It was built during a time when size and scale mattered, and for 10 years following its completion in 1930, the building contained the largest indoor floor area in the world, according to historical documents.

That title was eventually usurped by the Pentagon, but “the Mart,” as it’s commonly known, remains the largest commercial building in the world, encompassing 4.2 million square feet—covering two city blocks and with a height of 25 stories. In a town known for some of the nation’s greatest architecture, the Merchandise Mart stands out. In fact, the mammoth building has its own

zip code, 60654, according to the Mart’s management firm Merchandise Mart Properties, Inc. (MMPI).

“The Mart is a living, breathing structure in Chicago,” said Christopher G. Kennedy, president of Merchandise Mart Properties Inc., a subsidiary of **Vornado Realty Trust** (NYSE: VNO), which owns the historic building.

Today, the Merchandise Mart is one of the nation’s premier design centers, where numerous home and office furnishing, furniture and design company showrooms are located, allowing buyers the opportunity to see many wholesalers in one place. The Mart is also home to several major trade shows and more than 300 conferences, seminars and special events, including NeoCon, the largest office design convention, which is attended by more than 65,000 people each year.

According to MMPI, the Mart employs approximately 500 people full-time to maintain, operate and oversee the conventions and events it hosts. For example, at NeoCon, Kennedy says there were more than 500 temporary exhibitor booths that needed to be set up, taken down and loaded onto 2,000 trucks, all within a few days.

### PROPERTY STATS: MERCHANDISE MART

**ADDRESS:** 222 Merchandise Plaza, Chicago, IL 60654

**PHONE:** (800) 677-6278

**WEB SITE:**

[www.merchandisemart.com](http://www.merchandisemart.com)

**BUILT:** 1930

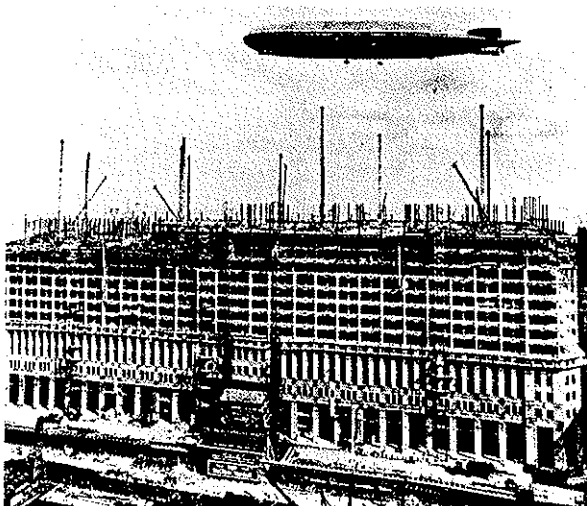
### Origins

In the late 1920s, Marshall Field and Company President James Simpson conceived the idea for the building as a single structure to consolidate the company’s 13 Chicago warehouses under one roof. The company hired Graham, Anderson, Probst & White to design the structure and chose an art deco style that was popular at the time. Ground was broken Aug. 16, 1928, according to Kennedy.

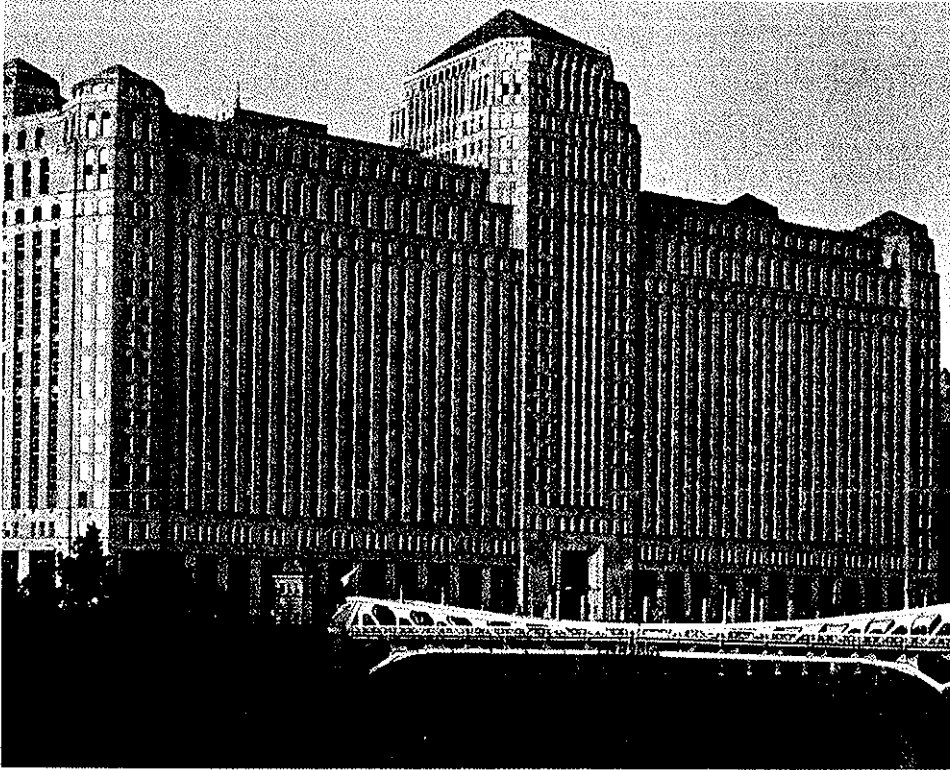
The massive structure was designed as a city-within-a-city, a popular concept that was copied by San Francisco’s 3.5 million-square-foot Embarcadero Center. (See *Real Estate Portfolio*, May/June 2007.) Kennedy says the architects also used a similar plan when it designed the Chicago United States Post Office.

Though the Mart held immense promise, it cost an estimated \$30 million to build and was completed during one of the country’s darkest economic periods, the Great Depression. In 1945, with the Mart finally filled with tenants and generating total

Construction for the Merchandise Mart began in the midst of the roaring 1920s, but the building did not open until the start of the Great Depression.



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help strengthen the building's operation.

### The Modern Era

Over the years, the Mart has remained a mercantile hub and currently houses several of Chicago's best interior design businesses. It also holds offices for the *Chicago Sun-Times*, radio station WKQX and RCN Cable. Overall, there are more than 700 tenants in the Mart, Kennedy says.

The Mart hosts or produces 31 design trade shows annually, and holds more than 300 conferences, seminars and special events each year. In addition to the showrooms, the Mart also contains several retail shops, services and restaurants, but roughly 60 percent of the building's commercial space is devoted to wholesale showrooms in home, kitchen, bath and commercial design and gift industries, according to MMPI.

In an effort to stay up-to-date, the Mart is seeking certification under the U.S. Green Building Council's Leadership in Energy and Environment Design (LEED) program. The certification process requires implementing a comprehensive energy plan, switching to environmentally safe cleaning products, keeping the inside air quality clean and continued aggressive recycling, according to MMPI.

"Every square foot has been renovated over the past 20 years," Kennedy says. "It is the bragging rights of being located in the building that gives it a competitive advantage. Our tenants take great pride in being in the Mart." ♦

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*Alfred Branch, Jr. is a freelance writer based in Norwalk, CT.*



(Above): The Merchandise Mart, the world's largest commercial building and a historic architectural landmark in Chicago, towers above the Chicago River. (Right): Crowds gather in the Merchandise Mart in 2003 during the grand opening of LuxeHome, a collection of high end kitchen and bath boutiques.

annual rents of \$4 million, it was sold to President John F. Kennedy's father, Joseph P. Kennedy, Sr., the former Ambassador to Great Britain and chairman of the Securities and Exchange Commission, for \$17 million.

Kennedy spearheaded the building's renaissance by introducing more mercantile businesses and allowing greater public access, such as guided tours that began in 1948. "He believed the country would continue to grow out of the Depression and this building

would help the city generate commerce," Christopher Kennedy says, who is also Joseph P. Kennedy's grandson.

The building remained under Kennedy ownership for more than 50 years until it was sold to Vornado on Jan. 26, 1998. The Mart was part of a portfolio of office, retail and trade showroom space totaling approximately 5.3 million square feet. The transaction was approximately \$630 million, which consisted of \$303 million in cash and stock and \$327 million in debt.

Kennedy says the family decided to sell the building in part because Vornado's billion-dollar line of credit would