

Relic of an Era, Revitalized



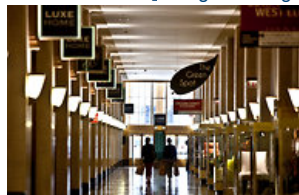
Nathan Weber for The New York Times

The Merchandise Mart opened in 1930 in Chicago.

By ERIN CHAN DING
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CHICAGO — Once a dormant area of empty warehouses, the River North section of Chicago has evolved into a nexus of dining, night life and, most recently, an aspiring rival to Silicon Valley.

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With 4.2 million square feet, the mart is among the largest commercial buildings in the world.

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Offices for Razorfish, the digital marketing company, mix with furniture showrooms.

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Now River North's digital transformation is extending to one of the neighborhood's most storied — and decidedly low-tech — commercial addresses. The Merchandise Mart, a Depression-era behemoth of limestone, concrete and steel that has long been synonymous with fabric bolts and furniture, is becoming a destination for the city's digital set.

"River North as an area has become very tech-savvy and very tech-cool," said Todd O'Hara, founder and chief executive of Toodalu, an app-building start-up that moved into the building this year.

The biggest newcomer, Motorola Mobility, plans to relocate its headquarters from the suburb of Libertyville to four floors of the mart next year, as well as take up a big chunk of the building's roof space for entertaining and group

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Nathan Weber for The New York Times
Mark Falanga, the president of Merchandise Mart Properties. The tech industry "is our next wave of business," he said.

events.

It is the third major technology company to sign a lease with the mart since December, and 175 or so small tech businesses like Toodalu sublet space.

With the Motorola Mobility lease — 632,000 square feet in all — the tech sector will occupy about half of the building's office space, said Mark Falanga, the president of Merchandise Mart Properties, which owns and manages the building and is a division of [Vornado Realty Trust](#) of

New York.

Before Motorola Mobility announced its move, about 65 percent of the 25-story building was devoted to wholesale showrooms and office space for the furnishings industry — or was vacant. Like similar locations across the country, the Merchandise Mart has lost some of its traditional tenants to the recession and sluggish recovery, as well as to the Web.

When Motorola Mobility moves in, the building will be 95 percent occupied, up from 85 percent, the lowest occupancy rate in a decade. About 55 percent of the building will still be dedicated to showrooms.

"This is an opportunity for refreshing," said [Holly Hunt](#), who has operated a furniture showroom in the mart for nearly three decades and welcomes the building's tech renaissance. "I'm hoping it's making us feel alive again."

Though office space has always coexisted with the mart's showrooms, the contraction in the gift and residential design industries during the recession left the building with a patchwork of empty spaces, Mr. Falanga said. The lease with Motorola Mobility allows the mart to shrink the showroom space by moving the 142 businesses now on the Motorola floors. About 100 of the businesses will be moved within the mart, said Mr. Falanga, and the others will either leave the building or close.

The tech industry "is our next wave of business," he said. "It's where a lot of creative energy is being channeled and it's the new, exciting frontier, and it's also a frontier where there's a lot of growth opportunities, so we wanted to be a part of all that."

Though Vornado has sold the mart's neighboring [350 West Mart Center](#), which once showcased apparel, Mr. Falanga said that expanding the mart's technology presence "wasn't a play to better the building for a sale or anything. This was a way to make a good building better." The Merchandise Mart business segment earned \$72.8 million last year in revenue, according to Vornado's 2011 annual report.

The mart's showroom-based floor plan is a draw for tech companies that want to encourage collaboration on one, or a few, large floors. Most floors stretch 200,000 square feet and contain a quarter-mile-long wraparound corridor.

The new tenants also cite the proximity of commuter rail lines, the abundance of parking, bike locker storage — and the energy around the [River North](#) neighborhood. According to [BuiltInChicago.org](#), a Web site dedicated to the tech sector, the area had nearly 7,500 tech jobs as of last month.

"This is, like, the hottest place in the city right now," said Kevin Willer, the chief executive of the [Chicagoland Entrepreneurial Center](#), which manages [1871](#), a nonprofit digital hub that provides space to start-ups in the mart.

That hub has helped convert the 12th floor into a lively area of curving sofas and people on Razor scooters, but even the mart's new fans say the aging giant remains a place largely associated with "a lot of dark, dreary rooms," as Mr. O'Hara, the Toodalu founder, said.

Opened in 1930 by Marshall Field & Company, now defunct, the mart had been owned by the Kennedy family under Joseph P. Kennedy Enterprises for more than a half century before being sold to Vornado in 1998. With 4.2 million gross square feet, it is among the largest commercial buildings in the world.



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The recent influx of tech tenants has brought stark change. The designers of the tech offices have been allowed to gut and renovate spaces. (In the process, some historical gems, like a metal and brick fire door found at 1871, were left to meld with the newly designed areas.) The mart is installing a distributed-antenna system, to be finished by year-end, which will improve cellphone reception and wireless connectivity throughout the building.

Some of the tech companies are configuring their new spaces with a hopeful eye to the future.

[Razorfish](#), the digital marketing and advertising company owned by Publicis, consolidated its disparate Chicago offices into the mart's 12th floor nearly a year ago, installing conference tables of reclaimed wood and a keg refrigerator with two rotating beers on draft.

Razorfish hired about 100 more people since opening its Chicago office, which was built for a capacity of 400, according to Lori Schram, the company's facilities manager, and plans to expand its space within the mart.

And 1871, whose name alludes to the year of the great Chicago fire and the innovation that happened during the rebuilding of the city, has so far accepted 175 companies out of 600 applications for space, Mr. Willer said. Tenants of 1871 pay monthly rent for either shared or reserved space and qualify for seminars, tech events and access to venture capital firms and angel investors in the hub.

To accommodate the coming move by Motorola Mobility, Ms. Hunt, the furniture showroom owner, is among those relocating within the building. She opened her design business in 1983 with an 8,000-square-foot showroom for residential and commercial furniture. It has grown to 40,000 square feet on two floors, in addition to expanding to five other cities nationwide.

Ms. Hunt said the mart was covering the full cost of her move to a new 30,000-square-foot showroom (she says she's taking the opportunity to shift to a more suitable size). The mart, she said, is much too spacious to make her feel that her industry was being crowded out by new tenants.

Besides, she said, the change was overdue.

"When the energy starts to die in a building, people don't even feel good coming in," she said. "And I know it had begun to happen in the Merchandise Mart."

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