

Commercial R.E. & Cawley E-News

3Q 2010

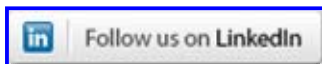
In This Issue

MARKET FOCUS: O'Hare Industrial
Property Management

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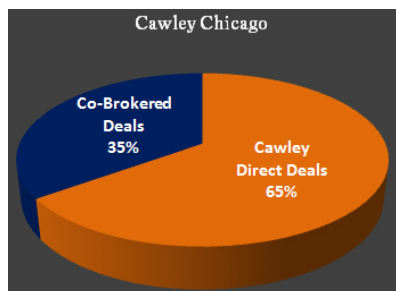
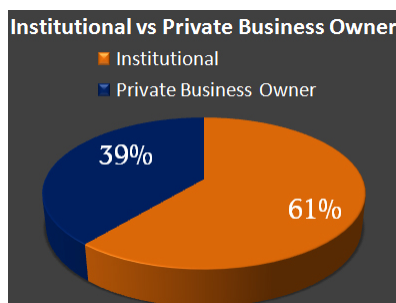
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Cawley Press & Stats

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- [REJournals.com](#)

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Dear Caroline,

MARKET FOCUS: O'Hare Industrial By: Tom Gath

Activity has seen an upward spike in the first 6 months this year. First quarter of 2010 was up 25% over same quarter 2009 (O'Hare 5-20,000 S/F market) and the deals closed more rapidly. No judgment yet on whether the confidence will turn into more assimilation of deals and give a boost to the confidence of the tenant.

Unemployment is still high and that has caused an unsettling mood in the market. Rental rates have gone down further as some owners are doing deals just to cover operating costs.

Owners prefer deals with little or no tenant improvement dollars and shorter lease (36 months) terms hoping to catch the market uptick we expect in 24-36 months. New construction remains for all practical purposes non-existent which will help absorb the current vacancies quickly once the market does come back. Sale prices have also dropped as a result of the "value" panic in the financial/banking industry but this will also correct itself with values returning in the next 36 months. However property sales remain slow because of the financing perceptions. If you have the cash, buy something!

Every tenant whose business is successful has many choices and a solid negotiating position in the market as they have time to choose their deal. They can locate the best fit property, and at affordable interest rates. Leasing may still be the lower cost alternative with rental abatements and additional incentives. There are a few new deal points that must be considered and the most important of those is ownership and their financial stability.

Deals in the 3,000- 20,000 square foot range have been active. For example in Elk Grove 10,000 S.F. leased for \$5.20 S.F. gross for 38 months with 2 month's rent abatement, 2.5% yearly escalations, including carpet and paint. Two years ago, that deal would have been \$2.00 square foot higher. Additionally, a 6,000 square foot property was leased in Rosemont for \$8.75 with a sixty-five month term, 5 month's abatement, 2.5% escalation and was rent ready with no tenant improvements. Two years ago \$30,000 tenant improvement would have been included.

Is the recession at bottom? Most industry professionals believe so, and the return seems very slow, as most fear inflation would rise if the recovery were quicker. Some manufacturing, machining and assembly companies have 3 and 5 year contracts that this gives optimism and

Website

opportunity. So, stay patient, hire skilled advocates and leverage relationships which will optimize your position in the market keep the recovery train moving.

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For more information on the O'Hare Industrial market, please contact [Tom Gath](#).

[View all Tom Gath's Listings, click here.](#)

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