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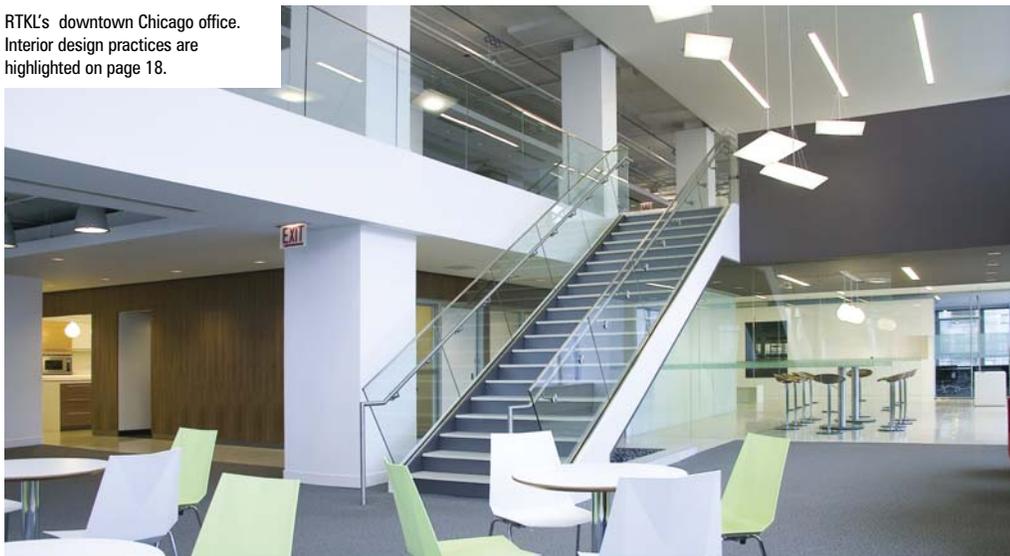
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RTKL's downtown Chicago office. Interior design practices are highlighted on page 18.



Interior Design Showcase



Legal professionals shift gears

By Mark Thomton

The economic downturn has hit law firms hard in the past few months as many branches of practice have dried

up from lack of activity, however, the real estate division at Levenfeld Pearlstein LLC has managed to roll with the punches and rely on its diverse expertise to shift its business to growing

Profile: Levenfeld Pearlstein

(From left-to-right) Brian K. Kozminski, Steven F. Ginsberg, Michael Kelly, and Thomas Jaros of Levenfeld Pearlstein LLC.

areas.

It may not be the kind of business that people want to do—as in the go-go times when deals are plentiful and investors positive—but it is important services that professionals have to do to work the economy through its current funk. Construction litigation, loan workouts, foreclosures, and defeasance transactions are all areas that are seeing increased activity in the current economic climate.

“I got into real estate law because I thought that generally, everyone leaves

LP continued on Page 23

Wide open west: I-88 corridor has new and old spaces available

By Maureen Wilkey

With some brokers pegging vacancy rates in the East-West Corridor's office market at more than 20 percent, the aging inventory in the market is going to need repositioning. But even with several buildings still vacant, new properties are starting to sprout in regions just off the corridor and also toward its western end.

The market is typically considered the largest suburban office corridor, and as prices decrease on older buildings and new buildings come onto the market, the corridor could see more business, says Roger Hopkins, president and CEO of Choose DuPage, an economic development group that focuses on the western end of the corridor.

“We have had quite a bit of vacancy and we will probably get some new vacancies coming up soon,” Hopkins says. “But we've had some companies like BP who have come in and taken some of the larger spaces.”

The Corridor's occupancy rates vary from the east end to the west end, because of the proximity to the city as well as other surroundings.

“The eastern half of the market, from Wolf Road to I-355, has traditionally been a high occupancy market because of Oakbrook Mall and the McDonald's headquarters,” says Andrea VanGelder, executive vice president with Jones Lang LaSalle. “The western part of the corridor, from I-355 to Route 59, has been hit hard by a couple of big vacancies like Tellabs and Lucent (Technologies).”

Historically, the corridor was known for its connectivity, which lent itself to high-tech and research and development office space. But with those few large single tenant buildings now empty, brokers along the corridor have their work cut out for them. It's time to reposition, subdivide and offer incentives if you're a landlord, as well as to try to renegotiate, if you are a tenant, brokers say.

“High tech and R&D type uses typically do command higher rents due to the higher and more specialized I.T. required,” says Mark Moran, executive vice president with NAI Hiff-

I-88 continued on Page 20

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I-88 continued from Page 1

man. "Having said that, with the amount of vacant space on the market, landlords are offering very attractive deals in order to lure new tenants, whether they are high tech or not."

VanGelder says she has been to a few very high-class open house-type office showings as companies try to lure new tenants to their spaces. But the advantage the spaces still have is that many top decision-makers—who either already own or are now starting small businesses—live in the western suburbs and want to work closer to home, says **Kevin O'Donnell, president with O'Donnell Commercial Real Estate.**

"They don't feel like they have to go downtown because there's enough of a labor pool here," O'Donnell says. "But at the same time, a lot of those buildings weren't designed for companies to take half-floors or less so that requires some build-out."

But some of renovating older spaces, Steve Chrastka with JCF Realty is working on a new build-to-suit project that will bring more than 200,000 square feet of new office space to the market in the next two years. The Corporate Reserve at St. Charles is about 15 minutes from I-88, but draws from the high-income executive demographic of the area, Chrastka says.

"This is some of the first real Class-



Amata Smarter Office Solutions offers Class-A space for smaller users at the Calamos City Gate Centre in Naperville.

A office space in the area," Chrastka says. "There's a big market for office space for doctors and lawyers in this area."

The 50-acre campus has had all of the pre-construction work completed and is set to break ground for a

one-story building and a three-story office tower in the spring. A few letters of intent are in the works for the properties, and more buildings could be built out in the future as interest warrants. The campus is planned for at least seven office buildings, one structure that could be an office or a hotel, and two restaurant or retail outlets. The buildings will contain several green elements, but will not be LEED-certified Chrastka says.

"We've had a lot of interest on the site so far because there hasn't been much of this product on the market," Chrastka says. "Some companies would love to have an office built out for them in Class-A space. We can do spaces as small as 1,000 square feet or as large as 200,000 square feet."

A similar project offering smaller, newer office space is Amata Smarter Office Solutions, which offers spaces as tiny as a single office or large enough to accommodate 10 to 12 employees in their corporate office suites. Amata is located on one floor at the Calamos City Gate Centre in Naperville and has leased a few spaces so far. The offices include furniture and access to common area amenities like printing services, conference rooms that include flatscreen TVs, a cafeteria with vending machines, coffee dispensers, a TV and a pool table and a cognac room.

"Recessions come in cycles and the best way to do things is to position yourself to come out ahead at the end of the recession," says Ron Bockstahler, chief marketing officer and CEO with Amata. "This has been a tougher year, especially in the suburbs, but we can get some new clients as new businesses start up when the recession comes to a close."

Peter Beatrice, senior vice president with Colliers Bennett and Kahnweiler, represented Amata in its lease, which is its first in the suburbs. In addition to

the five office spaces it owns downtown, the company was experiencing demand from the suburban market. He says the company did a study on where the highest demand would be, and the results indicated that the Naperville-Aurora-St. Charles area would be the top candidate, followed by the northern suburbs, where Amata is looking to build soon.

"They determined that this would be the best suburb and this is really the best building this far west, maybe the only building close to Aurora," Beatrice said of the Calamos site, which was built less than a year and a half ago. "They also had large spaces that hadn't been built out yet."

Amata resides on the third floor of the six-story building, which also includes tenants PM Financial and Smith Barney. The building shares a parking lot with the Calamos Investments building and the luxury Hotel Arista, with several more sites set to be built out. Amata's space is LEED-certified, featuring automated lights that turn off when no one is in a room and floor-based heating and cooling.

And while the promise of new buildings throughout the western end of the corridor seems to indicate that better time are ahead, Alex Smith, a broker with Cushman and Wakefield, warns not to get too optimistic about the corridor just yet.

"There's almost no motion there now except for Calamos and the few buildings in Opus's Landmark campus," he says. "Most of the space is 10 to 15 years old and even though it might have been high tech when it was built, now it is kind of dated."

Smith anticipates that there is about a 10 year supply of unused office space in the East-West Corridor, and that's with average amounts of new leases being signed and no new buildings being built.

"I think we're going to see a lot of buildings where the owner is going to have to decide whether to reinvest money or take lower rents on the property," Smith says. "It's a tough environment for landlords. We might see some distressed or defaulting property soon."

He predicts that a turn around could be coming in the next 12 to 30 months.

While the immediate future for the corridor may seem bleak, expanding westward in the future is probably still in the cards.

"As the population continues to sprawl west I think inevitably development will move in the same direction," Moran says. "Given the current recession though I would suggest that this is still several years away."

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