

Will your doctor move? Most likely not right now

By JONATHAN BILYK

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In a way, Mardi Anne Tingzon feels as if she got in just as the door slammed behind her.

In the fall of 2008, Tingzon, a dentist of Geneva, relocated her practice, Geneva Dental Ltd., from its office near the intersection of Williamsburg Avenue and Route 38 to a spot about a half mile up Route 38 in the new Geneva Professional Center, just off Bricher Road.

The process leading up to the move was long and arduous. Tingzon reviewed her business plan, laid out projections for coming years, secured the financing to purchase the office condo and then had to wait for the office building to be finished.

In all, it took about two years from the time Tingzon first contacted the broker, Preferred Realty of Geneva, to the day she saw her first patient in her elegant new office space.

But Tingzon said she remains glad that she acted when she did.

"It was definitely the best possible time for me to find the space and finance it in a way that gave me what I needed to do it the way I wanted it done," Tingzon said. "If I had waited, I know I wouldn't have been able to do it now, given the current economic environment."

Since the beginning of the economic slowdown that spawned the recession that now grips the country, the owners of commercial real estate and the brokers they hire to sell or lease their empty storefronts and offices have looked to the medical community as a silver lining amid the darkness of the storm.

While businesses in other industries might wait until the clouds break to relocate or expand, the health care industry is generally regarded by real estate professionals as somewhat recession-proof.

However, in the last few



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Physical therapist Vince Ceralde works with Caroline Mast of Batavia at AccuCare Rehabilitation Associates, located in the Geneva Professional Building. It has become more difficult for owners of medical office space to find tenants to fill vacancies.

months, even that market has begun to dry up, local brokers say.

Vacancy rates for office space in central Kane County and much of the suburbs remains at or near their highest marks in years.

According to a report supplied by O'Donnell Commercial Real Estate, of St. Charles, using data obtained from commercial real estate information service, the CoStar Group, the amount of office space now available remains at or near the highest levels seen in central and southern Kane County in years.

In the Tri-Cities and several nearby smaller communities in central Kane County, 23 percent of all real estate in the region was vacant at the close of 2009, down slightly from the spring of 2009 when the vacancy rate topped 25 percent.

In Aurora, about 18 percent of offices were vacant. And in Elgin, office vacancy rates had risen to 28 percent.

In a separate report, commercial real estate firm Transwestern estimated office vacancy rates of about 17 percent in its so-called East-West corridor, a region that hugs Interstate 88 and roughly includes an area stretching from the Tri-Cities to Oak Brook.

"In general, we're seeing more activity right now in terms of people 'kicking tires' and looking at medical office space," said Kevin O'Donnell, president of the O'Donnell firm. "But there is a lot of space still out there."

As a result, "amazing deals" abound, said Marina Fink, of Preferred Realty.

Fink said a great number of doctors and medical professionals continue to contemplate going into practice on their own, seeing the opportunities on the market now.

"They realize they have to help themselves and not wait for the government to get them out of this situation, and they are

willing to go out on their own," Fink said.

But doctors have been slow to jump at the opportunities, brokers say.

First, tighter lending regulations have made loans much harder to come by for doctors and medical professionals – just like all other businesses.

That has led many doctors – and particularly those that wish to own, rather than lease, their office space – to wait for credit markets to thaw, said Steve Chrastka, vice president for leasing at JCF Real Estate.

Since mid-2009, Chrastka has led the effort to market office space at the Corporate Reserve of St. Charles, a large commercial project under development on Route 64 west of Peck Road.

Medical professionals have been a key demographic targeted by his firm.

"It's hard enough for these doctors to get the capital to in-

Office vacancy rates in the Tri-Cities

4th Quarter 2009: 23 percent

2nd Quarter 2009: 26 percent

1st Quarter 2008: 19 percent

Source: CoStar Group data supplied by O'Donnell Commercial Real Estate

vest," Chrastka said. "But with the uncertainty that we're seeing now, it's made it even more difficult for them to invest."

And key to the uncertainty now gripping the medical community, Chrastka said, is the health insurance reform legislation pending in Washington, D.C.

"The proposed health care legislation has some private entities on hold," Chrastka said. "They want a little more certainty as to where they are going."

O'Donnell said he has heard similar reports from those in the medical profession.

"They have long-term concerns," O'Donnell said. "Doctors are typically very cautious and they don't know what the structure is going to be."

Some doctors, such as Steven Lekah, a neurologist who leased space in the Geneva Professional Center in the spring of 2008, discount the impact of the legislation.

He said he is more concerned with the number of patients now losing health insurance because of unemployment.

"That's the biggest issue right now," Lekah said. "No matter what comes out of Washington, I don't think it will change much."

Other doctors, such as Tingzon, however, are much less certain. She said she is becoming involved in a political action committee to make sure her concerns are addressed.

"There are definitely a lot of concerns," she said. "And I think it will trickle down to dentistry, eventually. There is much that is still uncertain."