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## Chicago's real estate picture not looking good

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Predictions for the future in any aspect of business tend to accent the positive. It makes things so much more comfortable for the forecaster. So it's noteworthy that the real estate firm Grubb & Ellis Co. is rather downbeat in its 2011 outlook for commercial real estate in Chicago.

While the company sees a slow recovery taking hold across the country in all types of leasing, it said Chicago will stay in limbo. Its analysts said the market here "hit bottom" in 2010, but won't get much better this year because job growth will be too weak to sustain a recovery. While there might be an increase in building sales, that has more to do with the capital markets than changes in underlying demand, said Shawn Mobley, president of brokerage services at Grubb.

Mobley said "well-capitalized landlords will be able to cherry-pick tenants while cash-strapped landlords have to sit on the sidelines, and although we expect the investment market to pick up, available capital will continue to seek out properties that offer minimal risk."

The firm predicts the Chicago area's office vacancy rates will remain flat at about 17 percent downtown and 25 percent in the suburbs. It doesn't expect rents to increase until 2015.

Grubb estimated that more than 400,000 jobs have to be created for the Chicago area to reach pre-recession occupancy rates. State data showed the addition of about 100,000 jobs in the Chicago area last year.

**INDUSTRIAL STRENGTH:** The sector with the most bullish prospects could be the industrial market. Chicago's industrial statistics are gradually improving, a good sign for business activity and job growth. When companies add to manufacturing and warehouse space, it means they believe prospects justify the expense.

Cushman & Wakefield Inc. said overall industrial vacancies declined to 11 percent from 11.3 percent at the end of the third quarter. All submarkets showed declines in the vacancy rate. The strongest market is the city and nearby towns of Cook County, where the vacancy rate is 8.7 percent, Cushman said. Things are loosest in the collar counties, where Cushman said the rate averages 13.6 percent.

Its report said leasing and user sales are perking up. Annual industrial leases for the year totaled 27.4 million square feet, the firm said, an increase of nearly 12 percent from last year.

**SMOKED OUT:** The Habitat Co. is converting its 420-unit apartment building at 520 N. Kingsbury into a smoke-free building by year-end. Residents won't be allowed to smoke at home. Managers said resident feedback led to the change and that a one-year phase-in will give those who don't want to comply a chance to move. Habitat cited health benefits while also noting it will save on the cleaning costs it incurs when it re-rents a smoker's apartment. Habitat VP Gary Lundemo said the penalty for

**the first violation will be \$250 but the second violation will bring eviction. "Time will tell how hard or how soft we'll have to be on the enforcement," he said.**

Last year, residents in a condo building at 1418 N. Lake Shore Dr. instituted a smoking ban throughout the property.