

Breaking Ground

COMMERCIAL REAL ESTATE TRENDS

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Commercial Market Insulated from Disorder

In spite of the national economists and commentator's prediction of darker times ahead for the real estate industry in general, the South Suburban Chicago commercial real estate market is enjoying continued expansion and overall great health. With several hundred thousand square feet of commercial, retail and office development currently underway and sales and leasing velocity at strong levels, the forecast remains optimistic for the future.

Unprecedented low interest rates are only part of the equation, according to Joe Perry of Perry Group, Ltd., a commercial real estate and development firm active in the market. According to Perry, the inability to attract capital and debt for responsible projects is simply "myth". Good projects in a strong market will still get financed and interest remains strong allowing development projections to be met.

Part of the dynamic effecting the market strength is the relatively onerous entitlement processes required before a project can start construction. Planning and zoning considerations will often take a year or more and cost several hundred thousand dollars before financing can even be perfected. This effectively weeds out the weaker projects and controls inventory to a great degree. Community banks continue to actively seek out projects and developer relationships and underwriting standards have not been greatly modified due to prevailing market conditions effecting other types of real estate, such as the production housing market.

Interestingly, the correction in the production housing arena has little effect on the velocity of the commercial developments in the South Suburban market. While new rooftops usually drive demographics and commercial interest, a strong demographic base already exists in many sub-markets and residential expansion remains modest if not progressive.

So whatever the national experts say, be assured that with sales and leasing velocity at extremely strong levels and no visible indications of an imminent negative shift to that pace, the Chicago South Suburban commercial real estate marketplace will enjoy good times in 2008 and beyond.

Below, Clockwise from top: Bronson Square, Frankfort Summer 2008; Cappel Commons, Frankfort 2007; Creekside Crossing, New Lenox Summer 2008; Heritage Pointe, Frankfort Summer 2008; Atrium Pointe, New Lenox 2006



815.933.2554 Suburbs

312.932.0022 Chicago

www.perrycommercial.com

For additional information, contact Joseph Perry @ 312-932-0022



PERRY
GROUP, LTD.
COMMERCIAL REAL ESTATE & DEVELOPMENT