

Breaking Ground



COMMERCIAL REAL ESTATE TRENDS

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Retail Conference Conclusion - Developments Thrive Despite Economy Financing Still Available, Good Deals Still Getting Done in Strong Markets



From Top, **Heritage Pointe**, a 72,000 square foot retail-office development in Frankfort; **Creskide Crossing**, a 67,000 square foot retail development in New Lenox; **Bronson Square**, a 24,000 square foot retail development in Frankfort; and **Sky Harbor**, a 343,000 square foot mixed-use development in New Lenox. Each of these developments has started or will start construction in 2008.

The slow U.S. economy is generating brisk business for some companies, executives reported at International Council of Shopping Centers "RECon" Conference held last week in Las Vegas. Well-capitalized companies are taking over the stalled projects of other firms and are also getting better terms on property acquisitions, these executives said. "There is a survival-of-the-fittest sentiment out there," said Joseph Coradino, president of Philadelphia-based **PREIT-Rubin**. What is more, because property development is a long-term business, work must continue on projects that will exist long after the current slowdown is a distant memory, the executives said. "We've always taken a long-term view," said Stephen Kieras, senior vice president of development at **Taubman Centers**, which has projects under way both in the U.S. and overseas. "There's no slowdown. In fact, we're seeing a lot of opportunities come to us."

Consequently, several senior executives, especially at larger companies, said they brought more employees with them to the show. "There's a real sense of opportunity," said Scott Schroeder, vice president of marketing at **Developers Diversified Realty Corp.** Besides its activities in the U.S., DDR is developing in Canada, Puerto Rico, Brazil and Russia. The firm lined up some 1,400 meetings — more than last year — and brought 95 people to the convention, 15 more than last year, Schroeder said. "We're excited."

Smaller companies, too, reported that they are busy. **Tri-Land Properties**, a Westchester, Ill., developer and manager of shopping centers, always looked to banks rather than Wall Street for its financing and is thus less susceptible to the ups and downs of the capital markets, said Richard Dube, Tri-Land's chairman. Furthermore, centers occupied by tenants offering essential goods such as groceries enjoy a degree of immunity to an economic downturn, he said. "The economy is down, but people still have to eat." An end to the slump is in sight, opined Greg Maloney, president and CEO of **Jones Lang LaSalle Retail**. "I think we're going to see during the second half of this year things will begin to speed up," he said. "The good news is that the retailers are still doing deals." RECon, the largest retail real estate convention in the world, took up the entire Las Vegas Convention Center this year. ICSC was still calculating the number of attendees at press time but predicted that attendance would be close to last year's record level, when 50,000 turned up.

Joe Perry, President of **Perry Group, Ltd.**, a South Suburban Chicago commercial real estate firm, summed up the thoughts and expectations of the industry. "Good deals are still getting done and financing is still available. Due diligence by the lenders is a lot more thorough and more equity is being required but the cost of capital is at historic lows and the correction in the residential markets is already being felt in many healthy markets", he said. "We met directly with well over 150 retailers at the conference and the interest in our market was very strong", Perry added.

Big box retail is considered slow nationally, but the Chicago South Suburban market is relatively strong with nearly 2 million square feet of national retailers committed to development in 2008. Infill developments are generally being developed "anchorless", with several smaller tenants replacing a larger anchor tenant.

Perry's firm has over 200,000 square feet in four new construction retail-office developments which will start construction by the fourth quarter of 2008. "Pre-leasing velocity is strong and the financing is in place for each of these developments," Perry added.