

# SUN-TIMES MONEY

CONTACT DEPUTY METRO EDITOR/MONEY: POLLY SMITH | 312-321-2522

MARKET  
CLOSE

2.65

0.10

6.56



**DOW INDUSTRIALS**  
down 0.02% to 12,291.35

**S&P 500**  
up 0.01% to 1,265.43

**NASDAQ COMPOSITE**  
up 0.3% to 2,625.20

## Office market struggling at year end

**Downtown vacancy rates rose slightly, as did rental rates**



BY DAVID ROEDER

droeder@suntimes.com

In the market for office space in the Chicago area, 2011 is drawing to a somewhat wobbly close that's fitting for a year of reduced expectations.

Developers, landlords and investors started the year hopeful that the worst economic trouble was past and that companies would ramp up hiring and, hence, require office space. But evidence of job growth has been scant this year.

Office space usage is among the most lagging of all economic indicators. When it flashes green, it's a final confirmation of an economy speeding ahead. But the latest downtown Chicago statistics still call for caution.

Vacancy rates downtown rose this year, according to fourth-quarter data from tenant adviser Studley Inc. The

overall downtown vacancy rate is 18.1 percent, Studley said. The figure compares with 17.8 percent in the third quarter and 17.4 percent a year ago.

The market is not so weak, however, as to take a toll on rents. Studley reported average asking rents rose 2.4 percent this year to \$32.69 a square foot. And it said some large year-end deals caused a jump in leasing activity, a good sign for the future.

In the chronically weak suburbs, demand is just starting to sop up unused office space. Studley said the fourth-quarter vacancy rate is 25.8 percent, vs. 26.4 percent the prior quarter but up from 24 percent a year ago. Rents were down just slightly to an average asking rate of \$20.26 per square foot. Studley noted that the pace of suburban leasing dropped off after a promising start earlier in the year.

Here's hoping 2012 brings clarity and a heap of job growth.

**DISCOUNTS R US:** One way to look at the weak economy is that it's helping some parts of the retail trade. In the view of Tom Williams, managing partner of Oak Brook-based Paragon Real Estate, the auto parts chains will expand in the Chicago area in 2012 as consumers make their old cars last

longer.

Williams — whose firm deals in development, acquisition and management — also said Dollar Tree, Family Dollar, Aldi and Save-A-Lot will be building stores this year and that low-cost health clubs such as Planet Fitness, Blast Fitness, Zip Fitness and Zio will take vacant spots in malls.

William Di Santo, president of Englewood Construction in Lemont, said off-price stores that occupy 20,000 square feet to 25,000 square feet are the new "sweet spot" in retail. "Watch brands like Ross Dress for Less and Savers to continue to gain momentum," he said.

Di Santo said outlet malls also are getting more attention, with New Lenox and Rosemont slated to get such projects.

**SALVAGE DEAL:** The four-story warehouse at 2100 S. Indiana was where a guy named Andrius Augunas, who fled the country when he ended up owing money all over town, aspired to put up a condo tower. Alas, the 64,000-square-foot building will survive under new owners, who have gotten it out of foreclosure.

Chicago-based Houlihan Capital (a very Chicago-based name there) arranged an equity partnership with South Loop investor Jerry Karlik

and an unnamed New Yorker to purchase the building and an adjacent vacant lot for \$3.6 million.

Houlihan plans to reconfigure the old warehouse, onetime home to the Vesta Battery Corp., into 50 rental apartments and 13,000 square feet of retail. The adjacent lot will serve as parking, but the zoning for the old Augunas plan remains in place and the lot could later host a residential high-rise or a hotel, depending on the market.

The purchase price was a major discount from the \$12.5 million owed on the property.

**DOING THE DEALS:**

CBRE Group Inc. arranged the reported \$64 million sale of the 246-room Sutton Place hotel at 21 E. Bellevue Pl. to Neil Bluhm's Walton Street Capital LLC and JK Equities. The seller was Chicago Grande Inc. . . . Brown Commercial Group arranged a financing package that allowed Micromatic Spring & Stamping to acquire a 72,000-square-foot building at 45 N. Church St., Addison. The seller agreed to hold the note for five years on favorable financing after Micromatic agreed to put down a large down payment. . . . MB Financial Bank has opened

### ROEDER REPORTS

David Roeder reports on real estate at 6:22 p.m. Thursdays on Newsradio 780 and 105.9 FM WBBM. The reports are repeated at 10:22 p.m. Thursday and 7:22 a.m. Sunday.

at 1625 W. 18th St. in Pilsen, across the street from a former branch. . . . GIS Rolling LLC bought a 67,000-square-foot building at 1001 Davis Road, Elgin, with Darwin Realty & Development Corp. and Sperry Van Ness the brokers. . . . Batory Foods, represented by Darwin Realty & Development Corp., leased 150,000 square feet at 1701 Hawthorne Lane, West Chicago.