



Introducing Weekend Life

Your guide to home decor, renovation, entertaining, dining, art, travel and health. **INSIDE**

- A green garden: People making switch to organic pesticides, fertilizers. **Page 35**
- Ask Martha: Dusting off the ol' ivories and pruning of the shrubs. **Page 33**
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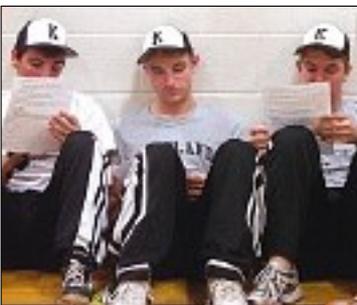
CHECK OUT WHAT HAPPENED AT THE GENEVA CANDIDATE FORUM SUNDAY AT KCCHRONICLE.COM

Signs of trouble

COMMERCIAL REAL ESTATE STUCK IN A SLUMP. PAGE 4



INSIDE:



Sports

Jeff Malewig, who died along with a classmate in a car crash Dec. 11, has been an inspiration to his Kaneland Knight teammates. **PAGE 20.**

Note to readers

Welcome to the first Weekend edition of The Chronicle. This issue covers Saturday and Sunday, and there no longer will be a separate Sunday edition of The Chronicle. In addition to the new Weekend Life section, another new feature, Sports Neighbors, appears in this edition.

Spectacular Sapphires



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OFFICE SPACE

Vacancy rates up, sales down

Commercial real estate slumping

By JONATHAN BILYK
jbilyk@kcchronicle.com

As a veteran of the real estate business, **Kevin O'Donnell** will tell you that, depending on your point of view, any market holds both good and bad news.

But right now, if you are in the market to find a new office, retail storefront or any other kind of commercial space, the news coming out of the market could not be much better.

And, conversely, if you are a commercial landlord or seller trying to find someone to lease or buy your property, the news has rarely been less encouraging.

"We are seeing things all over the board right now," said O'Donnell, president of O'Donnell Commercial Real Estate of St. Charles, said. **"But right now, from the perspective of tenants or buyers, this is a very, very good time to be looking."**

Across the Fox Valley and the country, sagging economic conditions have begun to exact a toll from the commercial real estate market.

Vacancies have risen to levels not seen in years across the region, local real estate agents said.

In the western portion of the East-West Corridor – a region that roughly includes the western suburbs from Naperville to the Fox Valley – the vacancy rate averaged around 27 percent for commercial properties, according to data provided by real estate management firm Jones Lang LaSalle.

Local numbers were similar, as St. Charles and Geneva, which together boast about 3 million square feet of office space, have vacancy rates of 22 percent and 32 percent, respectively, according to data obtained from commercial real estate information service CoStar.

In recent years, vacancy rates for western suburban areas have usually ranged from 12 to 20 percent.

Likewise, the number of commercial real estate sales have declined dramatically.



H. Rick Bamman-hbamman@kcchronicle.com

Real estate broker Kevin O'Donnell checks on the Wind Hill Office Center, in the 2300 block of Dean Street, for a client.

Neil Johnson, managing director of the Geneva office of commercial real estate brokerage Sperry Van Ness, said data he obtained from Real Capital Analytics shows that Chicago area commercial real estate sales of property valued at \$5 million or more declined by 53 to 65 percent, depending on the property type, in the fourth quarter of 2008.

These trends have led landlords to slash rents by 10 to 20 percent or more, say local real estate agents, or offer various incentives to entice tenants and buyers off the sidelines.

O'Donnell noted, for instance, that at least one of his clients is offering a special rent of 99 cents per square foot for one year, in exchange for at least a six-

year commitment.

Brad Schreiner, an agent with Hardison and Associates of St. Charles, said many landlords and sellers, however, are struggling to strike the right balance between obtaining a price that will not hurt them in the long run and making sure that their products are priced right for the market.

"A lot of people are looking at the inventory right now, but they're not willing to pull the trigger unless they get a tremendous deal," Schreiner said. **"And some of the sellers out there are hesitant about going too far."**

However, should the market remain soft, landlords may not have the luxury to remain hesitant.

Foreclosures have not yet become a problem in the local commercial market. But nationally, commercial real estate loan delinquency rates edged up in the past three months of 2008, according to the Mortgage Bankers Association.

And agents said it may just be a matter of time before the number climbs higher.

"Those problems right now are much more in the residential end out here," **O'Donnell** said. **"But over the next year or two, it wouldn't surprise me to see more of that on the commercial side."**

Johnson agreed. **"As vacancies rise, it is logical that some landlords will have a more difficult time,"** Johnson said.