

# Commercial real estate trending up, brokers looking for growth in third quarter of 2010

By **KERRY L. BEISER**

Although the commercial real estate market in Southwestern Illinois continues to reel from the prolonged recession, the degree of activity from potential buyers and tenants has picked up from one year ago.

Terry Johnson, president of Fairview Heights-based Johnson Properties Inc., says deals will be made in 2010 but they're going to be harder to seal because there is often still a sizable gap between asking prices and what buyers are willing to pay.

"Because the market continues to favor the buyer and tenant more than the seller and landlord, there are some incredibly good deals now," said Johnson. "But now, that may start to flip-flop towards the third quarter of this year. Right now there's still more supply than demand, but that will change."

Commercial appraisers' skittishness in putting a price on a building, he adds, is one thing that's really hampering deals lately. "They (appraisers) know that the market has changed, but there are only so many comparable sales they can find. Appraisers have to truly dig into it," Johnson said.

A recent deal Johnson put together had the seller taking back a note for 25 percent of the purchase price - something that is being considered more often during these sluggish times. "It's being discussed more and more," he said. "It just depends on how motivated the seller is...does he have the equity in the building to be able to offer that, or is his value closer to what he owes on the building?"

Wayne Barber Jr., co-principal of BARBERMurphy Group in Swansea, agrees that commercial activity in early

2010 has accelerated compared to the start of 2009.

"In comparison to a year ago, in the first two months of 2010 we've seen a considerable amount of interest and activity, whereas last year there was virtually no activity," Barber said. "In relationship to years past, it's certainly not good but it certainly is positive. We're optimistic that a number of deals will come to fruition, whereas last year at this time there wasn't even anything in the pipeline."

It is taking quite a bit of time to put any commercial deals together compared to healthy times, according to Barber. "From the initial contact with a buyer to the actual closing, it's requiring a lot more patience on everyone's part," he added.

On the leasing side, Barber says he thinks some owners have gotten more realistic as far as being attuned to the market. "They've reduced their offering price, particularly where office and retail space is concerned," he said. "For those who have properly adjusted their rates, they have made some progress in leasing."

While the other terms of the lease seem to be holding constant, it's the rate that's fluctuating.

The availability of financing has improved slightly, according to Barber. "There are more lenders out there that are willing to look at real estate deals and actually do them, as opposed to last year when it was just lip service," he said. "Lenders are more open now to doing the deals."

Reluctance of tenants to commit to long-term deals continues, Johnson says.

"A long-term lease in commercial real estate is five to 10 years," he said. "What's

really making the deal tough to put together is the build-out. In some cases, the build-out may equal the entire first year of the rental income. That's where our negotiations have hit big snags on quite a few deals," he added. "The owner wants the tenant to contribute to the build-out, and the tenant says 'Build it to suit me.'"

Owners are scrutinizing potential tenants more closely than ever before, Johnson says; some are even asking for personal guarantees. "When you look at what it's

going to take (cost) to get the tenant in the building," he said, "owners are being really, really careful on the front end."

More and more building owners in Southwestern Illinois are trying to renegotiate terms with their lenders to be able to stay afloat, according to Johnson. "We are seeing a good cooperation between owners and their lenders because the lenders don't want these buildings back," he said. "For new buyers, though, it's challenging...banks are looking for more equity now, 25 to 35 percent."

## IBJ Business News

### MMR&G's Grandy appointed chief judge

Belleville-based law firm Mathis, Marifian, Richter & Grandy Ltd. announces that one of its shareholders, Laura Grandy, has been appointed Chief Judge of the United States Bankruptcy Court, Southern District of Illinois. Grandy will fill the seat currently held by Judge Kenneth J. Meyers, who will be changing to senior status and overseeing only select cases. Grandy will be the only federal bankruptcy judge in the Southern Illinois District and the first female to be appointed a judgeship in the district.

### Reliance Bank appoints Sindelar to board

Jerry S. Von Rohr, chairman and chief executive officer of Reliance Bancshares Inc., announces the election of David M. Sindelar to the Reliance Bank board of directors.

### Holland Construction welcomes Zola

Holland Construction Services Inc. announces that Scott Zola has joined its team as a project manager. Scott will be responsible for the \$20 million medical office building at Memorial Hospital in Belleville.

### Barnard joins Contegra Construction

Brad Barnard has joined Contegra Construction Co. as a project executive.

### Schrage wins Gold Ava Award

Brian Schrage, director of video services at Lewis and Clark Community College, is a recipient of the 2009 International Ava (Audio/Visual Awards) Gold Award for his production, "Million Dollar Courthouse," a video he produced to illustrate the need for renovations at the Macoupin County Courthouse.

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# Tax credit incentive pushes SWIL home sales upward in fourth quarter of 2009

By KERRY L. BEISER

Home sales in Madison, St. Clair and Monroe counties rebounded in the final three months of last year, spurred by continued record-low interest rates and a tax credit incentive, area experts say.

In the fourth quarter of 2009, Madison County recorded a 37.4 percent increase in home sales over the same period a year earlier. St. Clair County also saw a healthy rebound in sales of 29.7 percent compared to the fourth quarter of 2008. Monroe County realized a 10.3 percent increase. Statewide the fourth quarter increase totaled 35.6 percent.

"In the final quarter of 2009, more than 70 percent of Illinois counties reporting showed positive year-over-year increases in home sales and 50 percent reported median price increases as consumers motivated by strong buyer market conditions and the tax credit took

opportune action in the Illinois housing market," said Mike Onorato, president of the Illinois Association of Realtors. "A year ago the economy was in severe turmoil. Going forward the focus must be on jobs and reducing the number of foreclosures, which continue to destabilize home prices."

In early November of last year and through the American Recovery and Reinvestment Act, Congress extended the first-time homebuyer tax credit of \$8,000 past its original deadline of Dec. 1 to April 30, 2010. At that time, Congress also initiated a \$6,500 tax credit - also through April 30 of this year - to current homeowners selling a home that has been their primary residence at least five consecutive years in the past eight years.

Al Suguitan, president and chief executive officer of the Greater Gateway

Association of Realtors - whose territory includes Madison and Monroe counties and beyond - says he thinks Southwestern Illinois reached the bottom of the housing market in June or July of 2009. "Unfortunately, we're bouncing along the bottom now, but we are starting to make some strong, consistent moves upward," he said. "But the slope is very, very gradual. It's not because money is not out there, and it's not because good listings aren't out there," he added.

Suguitan predicts that interest rates will continue at their 10-year historic low for some time yet. He points out what he says may be the obvious, but that is worth bearing in mind as the market recovers: the people who are buying houses are also selling them.

"The equity is not as strong for many," said Suguitan. "Some homeowners have

seen their equity drop 20 to 50 percent in the past year or so, and that affects the next house they're going to purchase. Once that starts to level off on its own - without government intervention - the housing market will come back."

What concerns Suguitan and many others is the amount of time it will take the new home construction industry to rebound. "Once things turn around, it's a given that the pre-owned homes will rebound first," he said.

Deb Campbell is president and interim executive officer of RASI, the Realtor Association of Southwestern Illinois. Campbell also works as a salesperson for Concept Real Estate Co. in Missouri and Prudential Select Properties in Illinois. She agrees that even lower interest rates, coupled with first-time and repeat homebuyer tax credits, is supporting the recent increase in sales.

"I do see sellers being realistic now in their pricing," said Campbell. "I still see a lot of buyers, however, thinking they can still get properties very cheaply...I do believe it's a buyer's market on both sides of the river," she added.

The average sales price of homes in RASI's jurisdiction - which includes St. Clair, Monroe and Randolph counties as well as most of Clinton County - was down six percent during January 2010, Campbell says, compared to a year earlier.

Another observation by Campbell is that private sellers are interviewing agents more diligently than in the past. "During these slow times, they're (sellers) being much more selective about who they choose to market their property," she said.

## IBJ Business News

### Greensfelder adds Baer, Krakus

Greensfelder, Hemker & Gale PC has expanded its franchise and distribution law capabilities with John R.F. Baer and Beata Krakus. Baer and Krakus join Greensfelder at its office in Chicago.

### LINC Inc. gets education grant

U.S. Rep. Jerry Costello (D-IL) announces that Belleville-based LINC Inc. - the Living Independently Now Center - has been awarded a \$181,921 Center for Independence Living Recovery Act Program grant from the U.S. Department of Education. The five-year grant will be used to expand

services to individuals with significant disabilities in order to maximize their independence.

### University Town Center taps Ward

University Town Center Development has retained Richard Ward, a consultant with Zimmer Real Estate Group, to conduct a new economic study of the proposed development.

### Holland Construction renovating future Rural King

Holland Construction Services Inc. is in the process of refurbishing an 84,000-

square-foot building in Swansea, set to open its doors as a new Rural King store in April. The new store will add 40 to 50 jobs to the area.

### Stonewater gets specialist designation

Todd Stonewater of Edward Jones in O'Fallon has achieved the professional designation of Accredited Asset Management Specialist.

### Anderson Hospital ICU opens

The Dr. Melbourne and Cleora Grimm Intensive Care Unit at Anderson Hospital opened its doors to patients Jan. 11.

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This ranking appears in the January 18, 2010, edition of Forbes magazine.

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# Petition afoot to put redistricting reform on November ballot, give voters greater say in process

By **KERRY L. BEISER**

Illinois is in the minority of states that has solved its redistricting stalemates by drawing names from a hat. Legislators on both sides of the aisle are seeking a referendum this November to change the status quo and to give voters a say in the process.

The League of Women Voters of Illinois recently launched a statewide campaign called the "Illinois Fair Map Amendment" that is seeking an amendment to the state constitution to reform a redistricting process that has been in place since 1968.

Under the status quo, when there's an Illinois House or Senate deadlock relative to votes needed to change the boundaries of a district - when the number of votes for the Republicans' map and the Democrats' map are equal - an individual essentially draws a name from a hat, and whichever politician's name appears on the slip of paper, that person is allowed to dictate the boundaries.

Mary Schaafsma, issues and advocacy coordinator for the League, says the current process is weighed heavily in favor of sitting legislators.

"It's a winner-take-all, no compromise system as it stands," Schaafsma said. "The tiebreakers inevitably wind up in the (Illinois) Supreme Court, and the court has always ruled in favor of the party drawing the map. The map drawing itself is done behind closed doors with no public hearings and no opportunity for public input, and then the citizens have to live with it for 10 years until the next census. It's just not right," she added.

Nine other states - Arkansas, Arizona, California, Idaho and Montana included

- use an independent commission to draw the maps for redistricting, according to the League. The League's campaign - seeks to enable Illinois to do the same.

Illinois State Sen. Dale Righter (R-Mattoon) is the Republican spokesman for the Senate Redistricting Committee. Righter says the redistricting issue is far from partisan.

"This is not a partisan issue," Righter said. "Republicans and Democrats alike are guilty of abusing the system. Of all the reforms we've worked on in Springfield through the years, this is the most far-reaching."

Doug Whitley is president and chief executive officer of the Illinois Chamber of Commerce. The Illinois Chamber is one of about a dozen organizations partnering with the League on the reform effort. Whitley says voters should be able to choose politicians, not the other way around.

"Every 10 years, congressional and legislative district maps are redrawn by the members of the Illinois General Assembly," said Whitley. "Obviously, the process has a guaranteed bias towards allowing incumbent legislators to draw maps that favor their own reelection. It is commonly acknowledged that this process conveniently lets politicians choose their voters instead of letting the voters choose their politicians."

In the past decade, there have been 547 elections that included an incumbent versus a challenger, Whitley adds. Under the current map, the incumbents won 536 times and the challengers 11.

"That is an astounding 98 percent success rate for incumbent legislators," he said. "In 275 of the elections, almost 45 percent, there was absolutely no

challenger at all. Just 27 elections were decided by 5 percentage points or less. That means only 4 percent of the total races in Illinois were actually competitive."

State Rep. Dan Beiser (D-Alton), who has not yet been part of a redistricting, says it makes sense to take advantage of technological advances that the U.S. Census Bureau is already employing and that could likely benefit the redistricting process as well.

"What we have to acknowledge in 2010 is that there are technologies - many of which may not have been available in previous decades - that could help us in redistricting, too," said Beiser. "For example, the census

information has been computerized and software exists that can tally the number of voters in each census tract. We could be embracing this technology to our advantage as it would apply to redistricting."

To put the question to voters on November's ballot requires nearly 300,000 valid signatures by the May 1 deadline. The League's partners in its campaign include several former members of the Illinois Reform Commission, the Better Government Association, the Illinois Campaign for Political Reform, Common Cause - Illinois, Americans for Prosperity, the Illinois Farm Bureau, Illinois Alliance for Growth and the Illinois Chamber.



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# COMMERCIAL REAL ESTATE ROUND-UP

Here are just some of the available properties across Southwestern Illinois

Community / Type	Size	For Sale / Lease	Price	Brokerage
<b>ALTON</b>				
land development	4.16 acres	Sale	\$680,000	RE/MAX River Bend
retail	6,518 sq. ft.	Sale	\$510,000	Kunkel Commercial Group
retail	10,400 sq. ft.	Sale	\$575,000	Johnson Properties
<b>BELLEVILLE</b>				
multi-purpose	48,500 sq. ft.	Sale	\$4.425 million	BARBERMurphy Group
office	5,000-64,000 sq. ft.	Sale or Lease	\$2.3 million \$7.50 / SF NNN	BARBERMurphy Group
office	5,500 sq. ft.	Lease	\$18 / SF	Johnson Properties
office / warehouse	6,488 sq. ft.	Sale	\$495,000	Kunkel Commercial Group
retail / office	3,100 sq. ft.	Sale or Lease	\$149,000 \$1,500/mo. modified gross	Kunkel Commercial Group
<b>CAHOKIA</b>				
church	28,050 sq. ft.	Sale	\$980,000	BARBERMurphy Group
<b>COLLINSVILLE</b>				
land	4.16 acres (Eastport)	Sale	\$762,300	CBRE
land	1-35 acres	Sale	\$2-\$4 / SF	Johnson Properties
office	34,000 sq. ft.	Sublease	\$19 / SF ft. full svc.	BARBERMurphy Group
office / warehouse	4,600 - 34,500 sq. ft.	Lease	\$8.50 / SF NNN	BARBERMurphy Group
<b>COLUMBIA</b>				
medical / office	4,473 sq. ft.	Sale	\$525,000	Grubb & Ellis Gundaker Comm
office	1,200 sq. ft.	Sale or Lease	\$1,400/mo. full svc.	Kunkel Commercial Group
warehouse	5,000 sq. ft. (will divide)	Sale or Lease	\$295,000 \$4 / SF full svc.	Kunkel Commercial Group
land / multi-family	25.9 acres	Sale	\$2.28 million	BARBERMurphy Group
<b>DUPO</b>				
land / industrial	20-47 acres	Sale	\$40,000 / acre	BARBERMurphy Group
<b>EDWARDSVILLE</b>				
land	9 - 13 acres	Sale	\$90,000 / acre	Johnson Properties
office	1 to 20-acre sites	Lease	\$100,000 to \$125,000 / acre	University Park / SIUE
office / warehouse	15,000 - 150,000 sq. ft.	Lease	\$5.50 - \$8 / SF NNN	BARBERMurphy Group
office	2,066 sq. ft.	Lease	\$15.90 / SF NNN	RE/MAX River Bend
office	900 - 4,750 sq. ft.	Lease	\$15.90 / SF NNN	RE/MAX River Bend
<b>FAIRVIEW HEIGHTS</b>				
retail	up to 2,552 sq. ft.	Sublease	\$15 - \$17 / SF	CBRE
retail	7,000 sq. ft.	Lease	\$14.25 / SF NNN	Grubb & Ellis Gundaker Comm.
retail	960-3,600 sq. ft.	Lease	\$14.50 / SF NNN \$10 / SF (1st yr, 5-yr. term)	Kunkel Commercial Group
retail	1,600 - 3,600 sq. ft.	Lease	\$18 / SF NNN	Johnson Properties
retail / office	3,900 sq. ft.	Lease	\$14.50 / SF NNN	BARBERMurphy Group
<b>GLEN CARBON</b>				
C-store / investment	3,000 sq. ft.	Sale	\$665,000	BARBERMurphy Group
retail / office	2,581 sq. ft.	Lease	\$13.90 / SF NNN	RE/MAX River Bend
retail / office	2,000 sq. ft.	Sale or Lease	\$375,000 \$14 / SF NNN	Kunkel Commercial Group
retail / office	1,300 sq. ft.	Lease	\$13.90 / SF NNN	RE/MAX River Bend
<b>GRANITE CITY</b>				
industrial / manuf.	36,250 sq. ft.	Lease	\$2 / SF gross	BARBERMurphy Group
land / industrial	5-300 acres	Sale	\$35,000 / acre	Raifort Properties
<b>HIGHLAND</b>				
strip center	23,960 sq. ft.	Sale	\$3.4 million	Kunkel Commercial Group
office / warehouse	18,900 sq. ft.	Sale or Lease	\$499,000 \$2.50 / SF gross	Kunkel Commercial Group
<b>MARYVILLE</b>				
land / retail	1.12 acres	Sale	\$750,000	BARBERMurphy Group
office	27,992 acres	Lease	\$18.50 / SF NNN	Johnson Properties
<b>MASCOUTAH</b>				
land	6-450 acres	Sale	\$25,000-\$75,000 / acre	Johnson Properties
<b>O'FALLON</b>				
office	4,926 sq. ft.	Sale	\$650,000	Grubb & Ellis Gundaker Comm.
office	2,000 - 4,000 sq. ft.	Lease	\$12 / SF NNN	Johnson Properties
land / commercial	22.5 acres	Sale	\$3 / SF	BARBERMurphy Group
land	1.2-6.7 acres	Sale	\$10-\$12 / SF	Johnson Properties
<b>ROXANA</b>				
land / comm / retail	1-150 acres	Sale	\$60,000 / acre	Raifort Properties
land / industrial	2-150 acres	Sale	\$30K-\$50K / acre	Raifort Properties
<b>SHILOH</b>				
land	54 acres	Sale	\$3.25 / SF	Johnson Properties
retail	9,569 sq. ft.	Lease	\$18 / SF NNN	Grubb & Ellis Gundaker Comm.
office	1,200 - 3,455 sq. ft.	Sale or Lease	\$425,000 \$13 / SF	Kunkel Commercial Group
<b>ST. JACOB</b>				
airport / land	186 acres	Sale	\$2.472 million	Grubb & Ellis Gundaker Comm.
<b>SWANSEA</b>				
land / retail	7 acres	Sale	\$85,000 / acre	BARBERMurphy Group
dist. warehouse	18,900 sq. ft.	Sale	\$1.695 million	CBRE
office	3,150 sq. ft.	Sale or Lease	\$345,000 (sale) \$11 / SF NNN (lease)	Johnson Properties
<b>TROY</b>				
land / commercial	10 acres	Sale	\$42,500 / acre	BARBERMurphy Group
<b>WATERLOO</b>				
land / commercial	2 - 9.6 acres	Sale	\$3.25 - \$4.50 / SF	BARBERMurphy Group
land	1.8 acres	Sale	\$695,000	Johnson Properties