

Companies are still seeking to gain efficiencies in distribution, and there are still consolidations going on in the marketplace; however, "because of uncertainty in the economy, a lot of companies are tentative on making decisions," said Daniel Leahy, SIOR, executive vice president, NAI Hiffman.

He was one of 10 Chicago Industrial Properties Editorial Advisory Board members that met in early December to discuss the state of the local industrial market.

"While the market is still stable, a lot of companies are putting things on hold and want to see how their business grows," Leahy continued. "The residential shake up in the housing market has had a big affect on industrial. The lack of construction housing has effected the importing coming into the Midwest. Intermodal volumes are down this year compared to the last two years. A lot of that relates to the amount of Asian product that's utilized for the construction of housing. I've read statistics that 25-30 percent of all Asian-produced products are related to the housing and construction industry."

Susan Wehrenberg, vice president, Duke Realty, also noted many companies putting on the brakes in the last 60 to 90 days. "Projects that companies have been talk-

ing about for some time are now put on hold for six to 12 to 18 months," she said. "Several companies that have talked about expanding have decided to hunker down where they are and take the smallest amount of space they need at this point in time and stall some of those expansion plans going forward and just wait and see."

Cindy Bischof, SIOR, principal, Darwin Realty & Development Corp., concurred that leasing activity has been down, however, she noted that the velocity of showings has been good. "It's just the indecisiveness that's showing," she said. "Instead of somebody looking at relocating and making a big decision of moving into 200,000 sq. ft. or more, they're going for short-term overflow fix. They're taking the 40,000 to 50,000 sq. ft. of additional space instead of relocating to 150,000 sq. ft. or greater. I think it might be the year before the election and we're feeling it a little early. The election tends to make people very hesitant to go bullish on capital decisions."

Leahy said he's seen a tremendous amount of one- to two-year deals being done. "Landlords and institutions have been very aggressive on making deals on a larger space and betting the company is going to expand into the space. There are a lot of short-term deals done due

to uncertainty of what's going to happen in the next 12-18 months."

On the construction side, Michael Sullivan, Jr., president, Peak Construction Corp., noted that the length of time for a deal to be done today has grown dramatically from a year ago. "There's a lot more studying and analysis today than a year ago," he said. "We've got a really strong lead sheet, but some of those deals have been on there 12 months, and it's not like they're dormant. They're active doing analysis."

Timothy Walsh, senior director, industrial fund management, Wrightwood Capital, noted that for some it's wise to be on the cautious side. "On the one hand it'd be easy to point to the sub prime crisis and the volatility of the stock market as a reason for caution amongst these tenants, but I think it goes beyond that," he said. "It isn't just people who are otherwise healthy being worried about a downturn that's coming in their business. As we look at our portfolio of 40 buildings, the two or three tenants I was worried about in the beginning of the year are now vacating the building or bankrupt. The marginal players are affected. There is weakness in the economy at that level. It's smart of these tenants to be cautious because there is some softness out there."

On the bright side, John Picchiotti, first vice president, ProLogis, reminded, "One quarter does not a year

make. Looking back, 2007 was a great year. It's off of 2006, but if you talk to a lot of brokerage firms, they're having close to one of their best years as a company. We did about 5 million sq. ft. of leasing in this last year. Just in the last month, we did 700,000 sq. ft. of transactions."

"There are dips," he continued. "Sometimes people may stop and take a breather. About a month ago, it was really slow. Sometimes that's cyclical. Now we're seeing prospects line up for 2008, both big prospects and small prospects. There's activity out there. There's a lot of uncertainty, a lot of nervousness. Everybody's fretting. However, I'm certainly not seeing things drop off the table. I don't think it's as bad as it may seem. It just may be a temporary slow down."

Despite the recent dip in activity, Howard Green agreed that a 90-day window isn't an accurate barometer of the market. "If you look at vacancy rates they're a little lower than they were a year ago."

There's certainly a lot of opportunity for tenants to increase their efficiencies by either moving to a new facility or renovating an old one. "As big as our market is, we still have a tremendous number of inefficient facilities," Sullivan said. "The benefit for users [of doing a deal] is the efficiency they pick up. They need to be competitive at the next level because if they're not as efficient as they can be, a bigger player is going to blow them out of the water every day."