



[Top industrial real estate pros gather for CIP Industrial Summit](#)

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Many of the Chicago area's top industrial real estate professionals gathered at the 9th Annual CIP Industrial Summit at the Oak Brook Marriott on June 8 to hear expert views on the state of the market as well as trends affecting the marketplace. The event was hosted by Chicago Industrial Properties and Real Estate Publishing Group.

The event opened with a keynote interview featuring Jeremy Giles, president of Prologis' Central Region, being questioned by Keith Stauber, executive managing director at Jones Lang LaSalle.

Giles, who noted that June 6 was the anniversary of Prologis' merger with AMB, outlined some of the new company's strategic goals.

"Aligning the strategy has been the easy part," he said. "Executing it has been more difficult."

Giles said the company is focusing on strengthening its balance sheet and asset utilization.

"We want to be primed to be the strongest and healthiest balance sheet out there," he said.

Giles added that Prologis streamlined the company's capital structure and is now taking a long-term policy toward its portfolio.

"We're finding that both we and our customers are focused on making longer-term plans," he said.

Giles also noted that in the past, Prologis' primary measuring stick was size, adding that now "size in and of itself doesn't get you there. We want to have the best portfolio."

Chicago, Giles went on to say, is currently a fascinating investment market and Prologis plans to remain an active developer in the Chicago market.

“Vacancy is attractive to us right now in the right real estate,” he said. “We’re going to try to be more creative.”

According to Giles, Los Angeles was the first major industrial market to recover from the Great Recession. Dallas was two to three quarters ahead of Chicago, while Atlanta and New Jersey were more in line with Chicago.

Meanwhile, Giles said that globally, space utilization is high; asset utilization is starting to force developers to build; and construction has not kept pace with population or economic growth.

“Corporations feel like they should be doing something, but they don’t want to be blindsided,” he said. “They want a little more certainty.”

The next panel discussed the “State of the Market.” It was moderated by John Coleman of Newmark Grubb Knight Frank. Panelists included Tim Hennelly, Ryan Companies US, Inc.; Paul Fisher, CenterPoint Properties; Dan Leahy, NAI Hiffman; David Harker, First Industrial; and David Bercu, Colliers International.

The panel pointed out that smaller companies of 100,000 square feet or less survived the Great Recession by expanding or relocating while some of their larger competitors are out of business.

“You are seeing the smaller business professional moving forward with real estate plans,” Bercu said.

Meanwhile, firms are really focused on logistics, with an emphasis on companies and warehouse/distribution facilities having access to rail and intermodal transportation.

Highway capacity and higher wages for drivers also are leading to a conversion from truck to rail transport. In addition, major rail carriers are reinvesting in existing infrastructure.

The panel also noted that automotive supply-chain businesses have made a comeback, but housing remains very weak.

“That’s a huge driver in our market,” Bercu said. “Until housing comes back, we’ve got a long way to go.”

The panel added that unemployment rates, not labor costs, are affecting the decision for a company to purchase a facility or expand/relocate.

“On the macro side of things, we need unemployment to go down,” Leahy said.

The next panel during the summit focused on “Building a Better Big Box.” It was led by Chuck Canale, Colliers International. The panelists included **Howard Green, Meridian Design Build**; Michael Sullivan, Peak Construction; Karl Heitman, Heitman Architects; and Tony Oss, Larson Danielson.

The panel focused on the options for owners, buyers and users to make existing buildings more compatible for the needs of today's tenants.

The group also looked at some of the solutions for enhancing productivity and efficiency of operations.

"Today, buildings have to perform," Heitman said. "Buildings have to be more flexible in order to extend the life of the building."

The final panel, "The Smart Money Says ... " addressed investment in industrial properties. The panel included Adam Tarantur, Podolsky Northstar CORFAC International; Peter Harwood, Jones Lang LaSalle; Erik Foster, Avison Young; Ken Szady, Newmark Grubb Knight Frank; Mark Goode, VentureOne; and Ryan Stoller, KTR.

The panel noted that Investment volume is up 25 percent nationally from 2011 but flat in the Chicago market.

"Chicago is lagging somewhat due to the dearth of supply," Szady said. "2012 will be categorized as an institutional year."

The panel also stated that demand for Class B properties will return, adding that there's 1.2 billion to 1.3 billion square feet of industrial space in the Chicago market.

"There's no shortage of Class B buyers," Szady said.

The panel also noted that debt markets and financial uncertainty drag Class B cap rates, so that they do not approach Class A cap rates.