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JCF makes speculative office work in the western suburbs

Posted By [Mark Thomton](#) On November 9, 2011 @ 8:16 pm | [No Comments](#)

Building a spec office building in a down real estate market may raise some eyebrows, but [JCF Real Estate](#) has not only succeeded in making it work at the Corporate Reserve development in St. Charles, the Schaumburg-based firm is pushing forward with its strategy as it plans another 32,000 square feet of speculative space in 2012.

The plan seemed reasonable, but due to the recent market environment, the potential execution became somewhat murky: building speculative office space in the suburbs was going to be a challenge. Many hardy and tested firms may have passed on the idea, but JCF went ahead with its vision after it purchased a 50-acre site in west suburban St. Charles in 2007. Grand plans had to be trimmed down for now, but thus far, Steve Chrastka, vice president of leasing for JCF, has 32,000 square feet of speculative space 93 percent leased.

The first phase of the Corporate Reserve came on-line in the fall of 2009. The original plan was to have a three-story 45,000-square-foot class A office building, but in order to make that happen, Chrastka needed to accomplish substantial pre-leasing. In late 2008 and 2009 the market was practically frozen and it simply wasn't possible.



"We were pre-leasing out of a trailer and looking at a muddy site," he says. "People wanted to actually see a building."

This caused JCF to switch strategy and rather than wait to come on-line with a 45,000-square-foot building, Chrastka was able to secure financing from Barrington Bank for a one-story, 16,000-square-foot facility. From there, he targeted local firms that were looking to upgrade their space at what were reasonable market rates.

The project landed its first lease, 2,000 square feet for an Oak Brook-based publishing company, in May of 2010. The following 18 months proved to be very fruitful, as Chrastka was able to secure seven more leases, break ground on another 16,000-square-foot facility, and lease up the majority of space.

Chrastka says that the average lease rate is five years and that most of the firms have come from the St. Charles area. They are established, well-known area firms that are taking advantage of the current market.

Ohio Farmers Insurance Company has leased approximately 11,000 square feet, St. Charles Consulting Group 3,000 square feet, Williams Design Build / Williams Construction Management 6,000, and AMI Communications leased 4,200 square feet.

With the project's first phase complete, JCF is now attempting to duplicate its success by breaking ground on two more 16,000-square-foot facilities. Once zoning issues are approved by the city of St. Charles, the firm hopes to break ground in a matter of weeks, with a planned delivery for the second quarter of 2012.

While the market has not picked up dramatically, it has improved much since the bottom of the downturn. The firm's previous experience and continued level of activity has Chrastka very optimistic that the new facilities will be a success as well.

"We are talking to 22,000 square feet of users right now," says Chrastka. "The timing couldn't be better for us."

If the leasing goes smoothly, the next phase of the development would be a three-story, 45,000-square-foot office building with road-side visibility. The first two facilities were tucked away on the 50 acre site, and not visible from Route 64. Chrastka believes that a roadside development will draw even more traffic to the site.



Although, one of the Corporate Reserve's main selling points is its seclusion. The property is bound on three sides by forest preserve and it is accessible by bike paths from nearby residential developments. A few tenants at the Reserve ride their bike to work on a regular basis.

Once the first three phases are complete, the total available space will be just shy of 110,000 square feet. Of course, with a 50-acre site, JCF will still be just scratching the surface of its potential. The grand plan calls for 575,000 square feet of office space and several retail pads for restaurants or convenience shops.

With the slow economy, the firm is not currently pursuing potential retail tenants. The plan is to complete the first three phases of office product and then consider the possibilities for the site's future growth. One potential development that Chrastka would covet is a medical office facility. He says that the firm was in active talks with a medical provider, but then things fell through as the economy worsened and new changes in healthcare laws made firms hold back.

The site is zoned with all of the proper medical entitlements and with nearby Delnor Hospital in St. Charles and Sherman Hospital in Elgin, Charstka believes the site would be ideal for an out-patient facility.

For now though, it is still one lease at a time. But with a string of successes already under his belt, Chrastka likes his chances.

"Everything in the original vision has so far come to pass," he says. "There are two million square feet of office users in the St. Charles market and all I am asking for is 10 percent of that."

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