



# COMMON GROUND

CONOR COMMERCIAL REAL ESTATE



Brewster Creek Commerce Center  
Bartlett, IL



**Sven Tustin**  
Chief Growth Officer &  
SW Market Officer

## Thoughts on Mark-to-Market Opportunities

During this unique time in the market, it is important to be opportunistic as a company. While real estate market fundamentals remain strong, capital markets are experiencing quite a bit of volatility. More so than ever, it is necessary to find opportunities in the real estate market with appropriate risk-adjusted returns for our investment partners. Fortunately, Conor is in a position where we can leverage our strong local relationships to identify opportunities as they come up in real time.

In addition to our core business of speculative industrial development, Conor is focused on a new line of business that we find very attractive: mark-to-market acquisition opportunities.

We have seen significant rent growth over the last two years in many of our markets. Because of this, buildings that were leased five years ago are now significantly under leased from a rental rate standpoint. The mark-to-market investment involves purchasing existing properties that have lease terms of less than three years, holding on to them until the leases expire, and then benefiting from those leases expiring in a higher rental rate environment.

Identifying compelling opportunities for our investors remains at the forefront for Conor, and we welcome the chance to stretch our creativity as we adapt to changing market conditions.

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SUMMER 2023

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## A Lesson in Patience



**David Friedman**  
*President*

Each quarter for more than a year, I have surveyed every Conor leader in search of their “one word” that captures the state of the real estate environment. This unscientific survey process fits my lifelong affinity to the famous philosopher, Pascal’s,

apologetic quote, “I’m sorry I wrote such a long letter, I didn’t have enough time to write a short one.”

Recently, I stepped back to consider the array of words gathered over the past year. If the “man in the moon” came to Earth to synthesize the words, the only conclusion he could reach is that “Time Stood Still.” Words in the genre of Illiquid, Unsure, Unknown, Transitory, and Delayed together, quarter-after-quarter, support that observation.

My take is that the team’s perspective is consistent with, broadly, how market participants outside of Conor view the environment.

As I’ve met with many, many market participants over the last year, the most common question asked is a version of “what the future portends for improvement in the commercial real estate space and timing.” Well,

real estate market participants got used to cheap debt (two-and-a-half to four percent) and abundant capital, both debt and equity, throughout Covid. Cap rates dipped to three to five percent. Everyone did well, office market participants aside. Equity made returns well beyond expectations. It was a good “vintage.”

Then the consequential issues stuck their heads out: supply chain, work from home, inflation, and increased consumer spending. The Fed fought inflation by raising rates, drove bank borrowing rates to eight to nine percent, and cap rates moved up. Simultaneously, economic growth slowed. Banks stopped lending attributable to the lack of portfolio runoff and increases in portfolio loan-to-value ratios, alongside declines in DSC – significant.

So, will Fed actions produce a soft landing, bumpy landing, hard landing? Will more jobs be lost, and consumer demand be squashed – allowing prices to come down and inflation to be beaten? Predicting the future is a hard job, but in today’s world, Patience is Key. Remember what the famous philosopher, Rousseau, once said, “Patience is bitter, but its fruit is sweet.” He will likely be right.



**Jason Young**

Jason joined Conor Commercial Real Estate in 2020 as Vice President – Multi-Family and Dallas Market Officer. With 20 years of industry experience, Jason offers expertise in the development of mixed-use and urban infill multi-family projects. In his role, he is responsible for expanding and overseeing Conor’s multi-family development efforts in Texas.

Jason graduated from Southern Methodist University with a Bachelor of Business Administration in Real Estate Finance.

## PROPERTY SUCCESS STORY



### Southeast Gateway in Savannah, GA

Southeast Gateway is a two-building, 1.2 million-square-foot industrial development in Savannah, Georgia. Both buildings were leased to full-building users prior to completion of construction, and the property was recently sold to EQT Exeter.

## PEOPLE ON THE MOVE

### Matt Zilis Promoted

After serving as Senior Development Analyst since joining Conor in 2021, Matt Zilis was promoted to Manager – National Underwriting & Analytics. In his new role, Matt underwrites Conor's projects nationwide and provides financial and real estate tax analysis, preparation of deal proformas, and development project reporting. Additionally, he generates materials for Conor's Investment Committee requests and for the team's pursuit of outside joint venture partners.



## TRANSACTION HIGHLIGHT

### Executive Commerce Center Sold in Prospect Heights, Illinois

Conor sold the 151,677-square-foot Executive Commerce Center. The building was developed in 2020 and is fully leased to two tenants, Syncreon, a third-party logistics provider for Samsung, and Plitek, a precision die-cut components and converted materials manufacturer.

The project was purchased by a prominent pension advisor on behalf of a corporate pension plan. The company is in the S&P 500 and Dow Jones Industrial Average. The sale process was led by Ed Halaburt and John Huguenard of JLL. Mike Sedjo, Jack Brennan, and Ben Dickey of CBRE served as Conor's leasing brokers.



## QUICK SHOTS

**Sven Tustin Promoted to Chief Growth Officer**

**David Friedman Judged NU's Kellogg School of Mgmt. Real Estate Venture Competition**

**John Dobrott, Sven Tustin, and Kris Miller Attended Cushman & Wakefield Conference**

FEATURED DEVELOPMENTS



**Brewster Creek Commerce Center**  
Bartlett, IL

This 436,500-square-foot speculative cross-dock industrial facility is fully leased to Colony Display. The tenant is using the facility for light manufacturing and warehouse/distribution space.



centralindustrialcenter.com

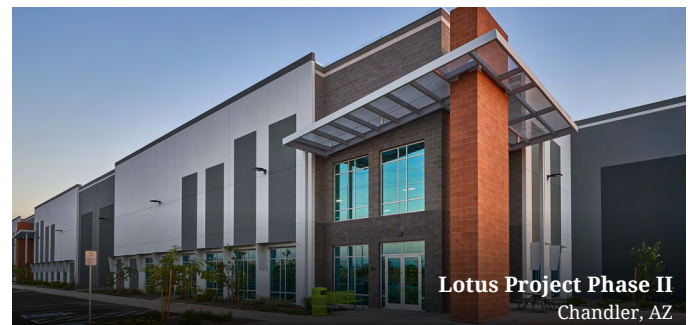
**Central Industrial Center**  
Stockton, CA

This new speculative industrial development is available for lease and will include three buildings totaling 1,090,160 square feet with proximity to Interstate 5, Highway 99, and Stockton Metropolitan Airport.



**Executive Commerce Center**  
Prospect Heights, IL

This 151,000-square-foot facility is fully leased by Syncreon, a third-party logistics provider for Samsung, and Plitek, a manufacturer of precision die cut components, and was recently sold.



**Lotus Project Phase II**  
Chandler, AZ

This three-building speculative development near Phoenix incorporating a total of 292,098 square feet was fully leased and then sold to a Chicago-based institutional investor.



**Northwest Pointe III**  
Elgin, IL

Northwest Pointe III, a two-building, 349,080-square-foot speculative development in the sold-out Northwest Corporate Park, was leased to three tenants and subsequently sold.



**Southeast Gateway**  
Savannah, GA

This fully leased and recently sold two-building development offers 1.2 million square feet and proximity to I-95, I-16, Savannah/Hilton Head Airport, and the Port of Savannah.



Available

**TO LEARN MORE ABOUT AVAILABLE PROPERTIES, VISIT OUR WEBSITE**