

Real Valuation Group, LLC

White Paper

Executive Office Condos

One emerging trend in the market is the increasing popularity of executive office condos. Targeted at the small business, these units are gaining market share nationwide and beginning to penetrate the Chicago area.

Owners of office condos typically pay a monthly assessment fee to cover maintenance of common areas, such as parking lots, signage, lighting, et al. Owners must also pay insurance, property taxes, utilities, and interior maintenance, as well as their mortgage. For many, these liabilities of ownership have traditionally outweighed the benefits.

But that is starting to change. Even with office lease rates in northern Illinois office declining, many small business owners increasingly find the office condo option attractive and cost-effective. For professional services firms that have specialized or high-end build-out needs, such as medical and dental practices, the prospect of having ownership equity in exchange for their investment is enticing. But non-medical professions are also entering the office condo market, drawn by historically low interest rates, readily available financing, tax benefits, predictable occupancy costs, and potential equity build-up. Law firms, advertising agencies, and other such small businesses with an affluent client-base are finding office condos an economic way to own their own business space, with attendant benefits to their ROI.

The Chicago area has been slow to catch on, but many new and existing office properties are now tapping this office condo niche. We think it's a trend whose time has come.