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BUSINESS

Waterview Tower back in play as apartment complex under joint venture with NY firm, Clark Wacker LLC

By Alejandra Cancino, Tribune reporter

Building at 111 W. Wacker, stuck as a 25-story concrete skeleton for about 3 years, to become 65-story, 500-unit luxury rental development.



The sale of the unfinished Waterview Tower marks the end of an era for a building that had become an eyesore in the Chicago skyline after construction halted in 2008.

Related Cos., a privately held real estate firm based in New York, said Wednesday that it had entered into a joint venture agreement with Clark Wacker LLC to develop the site at 111 W. Wacker Drive, where Chicago-based Teng & Associates had planned to develop a 90-story building with 233 condominiums and penthouse residences and 200 hotel rooms.

At a planned 1,050 feet, the skyscraper would have become the fifth-tallest building in the city. Instead it rose 25 floors and sat untouched for nearly three years, turning the concrete skeleton into a constant reminder of the credit crisis. ~~have become the fifth-tallest building in the city. Instead it rose 25 floors and sat untouched for nearly three years, turning the concrete skeleton into a constant reminder of the credit crisis.~~

The new owner plans to use the existing structure and convert the building into a 65-story luxury rental building with 500 units. Construction is set to start in the first quarter of 2012 and be completed 18 to 24 months later. Related has yet to secure construction financing for the project.

Dave Hendrickson, a managing director in Jones Lang LaSalle's Capital Markets Group, said that the lending market is still conservative, but reputable developers with big pockets and projects at prime locations have secured financing.

The site at the corner of Clark Street and Wacker Drive overlooks the Chicago River, is a block from the closest CTA train stop, five blocks from Michigan Avenue and less than a mile from Millennium Park.

Given the prominence of the unfinished tower, the sale "is symbolic of a recovery in commercial real estate in general and the apartment market in particular," said Robert Bach, chief economist for Grubb & Ellis, a commercial real estate advisory firm.

Apartment buildings are leading the way in the recovery of the commercial real estate market due to a strong demand for units. Related's new project is the latest in a growing list of proposed apartment buildings in the city.

Related Midwest, a unit of Related Cos., plans to build a 45-story apartment tower with 500 units at 500 N. Lake Shore Drive.

"(Former) homeowners have to live somewhere, and a lot of them chose to live in apartments," Bach said.

Also fueling the demand for new apartments are the so-called echo-boomers, the children of baby boomers. Over the last decade, Bach said the number of people ages 20 to 34, which are the prime apartment-renting years, has increased by 4.7 million. Echo-boomers are expected to increase by 4.3 million this decade.

Still, Bach said demand could soften if the economy doesn't improve and recent graduates can't find high-paying jobs.

"People without a job or worried about their job would not lease premium (apartments)," Bach said.

Related's plans are also in sync with a national trend of turning condominiums into apartments. In downtown Chicago, of the nine apartment buildings delivered since 2010, four were originally constructed as condominiums, according to Appraisal Research Counselors.

"What we are seeing is increasing demand (for rental units) and excellent absorption of new buildings delivered last year," said Gail Lissner, vice president of Appraisal Research Counselors, a Chicago-based commercial appraisal firm.

Based on the location of the building, Lissner said units will probably rent without trouble if the owner offers a competitive amenity package. Amenities at other high-end apartment buildings downtown include a fitness center, a sun deck, a party room and even basketball courts.

Lissner said luxury apartments downtown rent for about \$2.50 to \$3 per square foot — roughly \$2,000 to \$2,500 per month for a one-bedroom apartment or \$3,000 to \$3,500 a month for a two-bedroom unit.

With the sale of the Waterview Tower, the Chicago Spire site would be the last reminder of a credit crisis that froze the Chicago skyline. Construction of the planned 2,000-foot skyscraper also halted in 2008, leaving a hole 76 feet deep and 110 feet across at 400 N. Lake Shore Drive.