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Chicago's Lake Shore Drive to Sprout 500-Unit Luxury Apartment Tower

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Chicago—A new residential high-rise will soon grace the skyline of Chicago, now that Related Midwest has kicked off construction of a 45-story luxury apartment building on a one-acre, block-long site at 500 Lake Shore Drive. Related Midwest is developing the 500-residence property in a joint venture with the AFL-CIO Building Investment Trust at a

total investment of approximately \$160 million.

Related Midwest and partner will be filling a gap, and not just on Lake Shore Dr. "You have zero growth in the number of apartments in downtown Chicago between 1990 and 2010 and that was really a function of apartment conversions," Curt Bailey, president of Related Midwest, tells *MHN*. "The lack of apartment development was driven by desires among Chicagoans to own real estate. It's been a really buyer-centric market, so there's very, very limited product out there."

The company has owned the land at 500 Lake Shore for quite a few years. "It's an irreplaceable location," Bailey notes. "There's really only one more developable lot on Lake Shore Drive, which is like Chicago's Central Park. It's second to none."

The architectural firm of Solomon Cordwell Buenz is behind the design of the property, which, in addition to high-end units, will offer retail space, a parking facility, a landscaped exterior roof terrace and a 30,000 square-foot residential amenity package that will include such extras as a catering kitchen. The tower's height will be just one distinguishing feature of 500 Lake Shore; the east façade of the building will feature a

vertical green wall. Additionally, the property is being designed to meet the requirements for the U.S. Green Building Council's LEED Silver certification.

The national apartment market has sprinted out of the downturn, leading the recovery of the commercial real estate market; however, it's not every day that ground breaks on a project that will deliver 500 apartments. It's not 2007 again, but the call for more upscale rental accommodations is just growing louder and louder in the Windy City. So what's driving demand? "What isn't driving demand?" Aaron Galvin, managing broker and owner of apartment marketing firm Luxury Living Chicago, poses, speaking to *MHN*.

"What's driving demand is a perfect storm of a lack of availability and an uncertainty in the sale market, where people can afford to buy, would like to buy, but just won't pull the trigger right now because they're too uncertain of what's going to happen. So, couple that with the fact that there are very few new luxury rental properties available and you're going to have a shortage of supply for quite a while."

As is the case with any endeavor, timing is everything, and according to Galvin, commencing construction of high-end apartment developments right now makes a lot of sense. "From a developer's perspective, right now is a great time to build—as long as you get in right now," he notes. "Eventually, there is going to be a surplus of apartments because all these developers are trying to build very similar types of buildings at the same time and at some point there's just going to be a break. The condo market is going to come back and there are just going to be too many developers building too much at the exact same time."

Keeping the concept of longevity in mind, he adds, is of paramount importance. "Being able to build the right kind of building is important for the long term, not just for this initial rental market. Right now, they're going to rent, no problem—it's what's going to happen with that building in the long term once it's rented and the condo market does come back around. So you have to create the right kind of floor plans, the right kind of amenities and the things that renters are looking for, but are also ultimately what someone who is looking to buy a condo would be looking for as well."

Related Midwest anticipates completing development of 500 Lake Shore in May 2013. "That is ideal," Galvin says. "The sooner they can get it out, the better, but that time will be great. I wish it would come sooner. We need more apartments for rent."

Clearly, Related Midwest feels the same way. The apartment destination at 500 Lake Shore, which will mark the developer's entrée into Chicago's multifamily rental market, will be followed by a 500-unit luxury apartment complex at 111 Wacker Dr. that will be developed in a joint venture with Clark Wacker L.L.C. Related Midwest plans to begin construction of the riverfront project during the first quarter of 2012.