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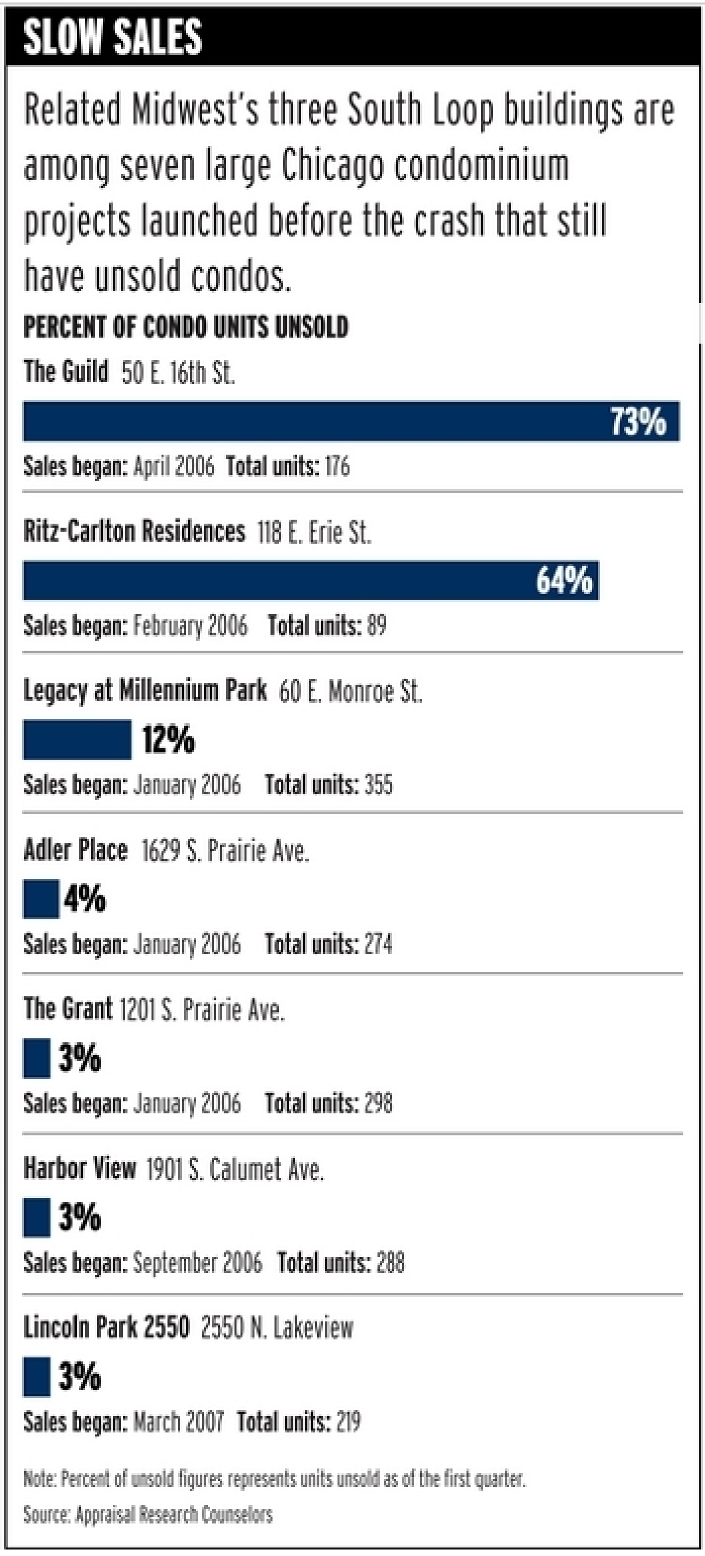
Three years after South Loop deal, 504 condos almost gone

By Dennis Rodkin



A big remnant of the South Loop condo bust is about to disappear.

Almost three years after taking over 504 condominiums in three failed towers, Related Midwest is poised to sell its last units in the buildings, a sign of the condo market's resurgence. The Chicago-based developer has sold all but 15 condos in the buildings and expects unload those within the next 30 days, said Related President Curt Bailey.

Built by Chicago developers Ronald Shipka Sr. and Gerald Fogelson, the three high-rises in the Museum Park neighborhood were among the **biggest casualties** of the condo crash in Chicago. Unable to pay off their construction loans amid stalled condo sales, the developers handed the unsold units over to a lending group led by Bank of America, which **brought in Related Midwest** in mid-2012 to reboot the sales effort.

“We knew we had the last big piece of new-construction inventory,” said Nick Anderson, Related Midwest's vice president of acquisitions and development. “Eventually people were going to want it” as the economy began to heal.

After renaming the buildings and spending $25 million on renovations, Related Midwest **relaunched sales** in February 2013, as the condo market started to come back.

“We gave ourselves three years,” to sell out, Anderson said. “But it happened in two.”

'THEIR STRATEGY PAID OFF'

A few years back, “a lot of us were surprised to see them pick up so many” condos in one gulp, said Alex Till, a Baird & Warner agent who specializes in the South Loop. “But you see now their strategy paid off. The South Loop is better off because of it.”

Awash in unsold condos after the crash, the South Loop is staging a comeback amid a rebounding residential market, as builders like Chicago-based CMK **scramble to buy up land** for the next wave of development. CMK is wrapping up construction of a **144-unit condo tower** at 1345 S. Wabash Ave., while the owner of 141 rented condos in a failed project at 50 E. 16th St. recently put the units **back up for sale.** There were too many new condos in the South Loop after the downturn, but now there may be too few.

Related Midwest “took over those 500 units in the spring of 2012, and then we started seeing recovery really start to happen in the third quarter of that year,” said Gail Lissner, vice president of Appraisal Research Counselors, a Chicago-based consulting firm. “Their timing worked out to be perfect.”

The three South Loop buildings are among a dwindling number of big Chicago condo projects that launched sales before the crash but have yet to sell out, a group that includes the **Legacy at Millennium Park** and the **Ritz-Carlton Residences** on North Michigan Avenue. Marketing began in 2006 for the three Related Midwest towers: Harbor View, at 1901 S. Calumet; Adler Place, at 1629 S. Prairie Ave.; and the Grant, at 1201 S. Prairie.

'SIGNIFICANT' RETURN

Yet sales stalled as the market plunged, creating an opportunity for Related Midwest. Bailey declined to disclose terms of its deal with the projects' lenders, but acknowledged the investment has generated a “significant” payoff, with condo sales totaling $300 million. When Related relaunched sales in 2013, news reports said the condos were priced at about 75 percent of their old pricing, although more recently, as the market has regained strength, they've been selling for as much as 3 percent above their old peak prices, according to figures Related provided.

The South Loop projects aren't the only failed Chicago developments that have captured Related Midwest's interest. The developer took over the stalled Waterview Tower project at 111 W. Wacker Drive and turned it into a 504-unit apartment high-rise that sold in January **for $328 million.** It **seized the site** of the unbuilt Chicago Spire last fall but hasn't unveiled its plans for the property at Lake Shore Drive and the Chicago River.

Related Midwest also plans a **67-story tower** with apartments and condos on a Streeterville parcel that wound up in foreclosure after the bust.

In the South Loop, meanwhile, the company has restored confidence among brokers and buyers that the neighborhood is back on track, said Colleen Harper, an @properties agent in the South Loop.

“They upped the profile here, they changed the dated looks of those three buildings to more luxurious finishes,” she said. “People stopped thinking of the South Loop as the place you go to get the lowest low prices from developers who were in trouble.”

The developer, she said, “made a huge difference in bringing buyers back to the South Loop.”