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Marc Realty Residential scores big in South Loop apartment sale

By Micah Maidenberg



Marc Realty Residential has sold the Shelby, a 94-unit apartment building near McCormick Place at 2300 S. Michigan Ave.

Marc Realty Residential LLC has sold a failed South Loop condo project it finished as apartments for a big gain, another sign the sizzling market for rental properties has expanded beyond core downtown areas.

Less than two years after **paying \$12.7 million** for the foreclosed property at 2300 S. Michigan Ave. and investing \$4 million to revamp the structure, an MRR venture recently sold the 94-unit building, now called the Shelby, to Chicago real estate firm Royal Imperial Group Inc. for \$25.2 million, MRR

principal David Ruttenberg said.

"In a 15-month period, we were more than able to double our equity. We thought it was a very attractive equity multiple," Mr. Ruttenberg said. While MRR typically holds property for the long term, "we do want to sell a few things from time to time and take some profit off the table."

The price — about \$268,000 a unit — for the seven-story building, which includes 99 parking spaces and about 6,100 square feet of empty ground-level retail space, is a strong one, given the property's southern location. It highlights the appetite among investors for stabilized apartment properties, even ones in areas that are still up and coming.

"This is a project that's not in what I'd consider an A location, and it's trading for a number that's, per unit, very high," said Jonathan Saliterman, principal at Randolph Street Realty Capital LLC, a Chicago-based investment firm that bought the distressed former Mod condo development in the West Loop and **sold it as apartments**. "I think the reason why we're seeing so many cranes in the sky right now is because the investment-sales environment is so hot."

David Tessler, CEO at Royal Imperial, said the firm bought the Shelby because of its proximity to McCormick Place — a key economic driver for the city that drew more than **2.3 million visitors last year** — and a host of developments connected to the convention center.

'THE CITY'S NEXT HOT AREA'

"Typically, we try to find a neighborhood that is unseen by other people," Mr. Tessler said. "We think this is next hot, hot area of the city."

He cited the **forthcoming DePaul University arena**, proposed **hotel projects** in the area and the planned development of Motor Row into an **entertainment district**.

Some of those projects may take years to complete, and the entertainment district is **off to a sluggish start**. But Mr. Tessler, whose firm developed the Sterling Tower in River North, an apartment tower **later converted** into condominiums, said Royal Imperial is willing to wait.

"We think it'll take three or four years, but we think it gets there," he said of the neighborhood. "We think we'll be positioned well to take advantage of those opportunities. Motor Row is probably one of the top three areas the city has designated to put in infrastructure and increase the opportunities there."

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He added the firm is talking to retail tenants about the empty shop spaces in the building, and could rent out parking at the Shelby during events at the DePaul arena. The building's apartments are 85 percent leased, Mr. Tessler said.

Jim Darrow, principal at Chicago-based Essex Realty Group Inc., and Jordan Gottlieb, a director at the firm, sold the property for MRR.

The deal also provides another example of how failed condo development became ripe pickings for investors after the crash.

Lithuanian developer Andrius Augunas once planned to build loft condos at 2300 S. Michigan Ave., but fled the country amid debt problems. Eventually, Greenwich, Conn.-based Starwood Capital Group bought the debt on the property, seized it through foreclosure and then sold it off to MRR in October 2012.

In addition to Randolph Street's sale of Mod, other failed condo developments that were repositioned as rental buildings and sold for big profits include the [Trio building in the West Loop](#).

MRR, meanwhile, is pursuing a range of new developments in the city, including [converting the former Chicago Public Schools headquarters](#) in the Loop into apartments.

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