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Last Updated: September 11, 2015

Atlas Says Student Housing Venture Worked

By [Brian J. Rogal](#) | Chicago

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777 South State Street

CHICAGO—New York-based **Atlas Real Estate Partners** and its partners **Marc Realty Residential** and **Angelo Gordon** recently finalized the sale of 777 South State, their 330-unit student-housing property in Chicago's South Loop, to **Bill O'Kane's Group Fox**. The partners got \$85 million for the 882-bed property, significantly more than the \$59 million they **paid just two years ago**. The big return has to be gratifying considering they endured some initial criticism.

A 2013 story in **Crain's** [quoted Robert Bronstein](#), president of the **Scion Group LLC**, a Chicago-based student housing investor, who said the partners' plan to market the tower as a summer housing option for interns or other employees showed they were underestimating "the marketing and turnover costs of what is essentially an extended-stay hotel."

"The results pretty much speak for themselves," **Arvind Chary**, managing principal at Atlas, now tells GlobeSt.com. "We were very confident at the outset that this would be a successful development. When we bought the property, it was only used for nine months each year, so the lack of a summer housing program meant it was not being operated as efficiently as it could."

The 28-story caters to students of nearby **Columbia College**, **Roosevelt University** and more than 20 other schools. The property also contains 20,000 square feet of ground-floor commercial space and 206 enclosed parking spaces.

In addition to adding a summer housing option, the partners modernized the space and boosted its cash flow. "We find undervalued, undermanaged properties and go in and execute a turnaround," Chary says, and this repositioning effort and subsequent sale happened on a timeline typical for the company. "This deal was an excellent transaction for Atlas as it allowed us to utilize both our student-housing and repositioning experience to add value to an iconic asset located in a supply constrained submarket."

A possible twist on the building's story is that Group Fox is known as an apartment owner, raising the possibility that it won't remain student housing for long. Chary says that there is a master lease for 70% of the space that runs to 2017, so it should remain student housing at least until then. A Group Fox official did not return a call seeking comment.

"I think the buyer will be successful keeping it as student housing or turning it back into apartments," Chary says.

The transaction was brokered by **John Jaeger** of **CBRE** and **Colin Hebson** of **Dream Town Realty**.

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About Our Columnist



Brian J. Rogal is a Chicago-based freelance writer with years of experience as an investigative reporter and editor, most notably at *The Chicago Reporter*, where he concentrated on housing issues. He also has written extensively on alternative energy and the payments card industry for national trade publications.

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