
In a switch, developer to convert vintage Loop building into student housing

By Micah Maidenberg  March 11, 2014

The historic Old Colony building in the Loop has a new investor and a new redevelopment plan.

Chicago-based real estate firm CA Ventures LLC is teaming up with local developers Keith Giles and Michael Moyer to convert the 17-story vintage office building at 407 S. Dearborn St. into a 490-bed student housing complex, Mr. Giles said. After bringing in CA as a partner, Messrs. Giles and Moyer dropped a [previous plan](#) to redevelop the building into 204 apartments.

A joint venture between the two firms recently paid \$13.3 million for the property and landed a \$44.7 million loan from BMO Harris Bank N.A. to finance the conversion, according to Cook County records.

A flood of new apartments hitting downtown this year and next has raised [fears of a glut](#) in the rental market, but Mr. Giles said the supply surge wasn't the reason for the switch. CA, which has its roots in student housing, thought that use made more sense than apartments.

Old Colony would have "worked great as an apartment building, but I think it works better as a student-housing building given the way it lays out, and in this location, we think there's sufficient demand," Mr. Giles said. "It's a great use."

Student rentals, as opposed to regular apartments, typically are furnished by the landlord and offer shorter leases that are tied to the school year. By creating student housing, the development venture also could try to strike a master lease for blocks of beds in Old Colony with a downtown college or university, though the venture hasn't struck one of those deals yet.

The student housing market will likely prove challenging in its own right, given the growing mixture of privately owned and university-owned residence halls clustered around the South Loop.

New student housing downtown includes Roosevelt University's dormitory in its multi-use building at 430 S. Wabash Ave., with room for more than 600 students. The school completed the property in 2012.

East-West University is [developing](#) a new dorm and student center at 825-31 S. Wabash Ave. while CA is [creating](#) another 398 beds for students at [20-28 E. Wabash Ave.](#)

Meanwhile, some downtown schools have seen their student population drop in recent years. Columbia College Chicago enrolled 9,312 full-time equivalent students for the current school year, according to a recent statement to its bondholders, a 16 percent drop from the 2009-2010 school year. For the 2012-2013 school, 9,896 full-time equivalent students were enrolled.

"If you're not on a specific campus, then it becomes a game of place and amenities and quality, and there's obviously a limited number of students all these buildings are trying to capture," said David Ruttenberg, principal at Chicago-based Marc Realty Residential LLC, which [bought](#) an 882-bed student housing tower in the South Loop last year.

Still, Mr. Ruttenberg believes demand is strong enough to support the new supply of student-housing beds, predicting rents will hold up, even if occupancies move lower. He noted that CA CEO Thomas Scott is an experienced student-housing developer.

A redeveloped Old Colony building, which will have 111 units, will be able to draw students from the competition, Mr. Giles said, citing its location, high ceilings and big windows. He added that students will have access to amenities like a roof-top deck and second-floor lounge. He declined to disclose rents.

For student renters, the building will be “an alternative to the more expensive multifamily market-rate apartment options nearby,” JJ Smith, a CA Principal, said in an email.

CA was once known as Campus Acquisitions LLC, which focused on student-housing deals in college towns. Now, the firm is pursuing a **broader range** of real estate deals and investments.

Designed by famed architecture firm Holabird & Roche and built in 1894, the Old Colony building is a landmarked structure, limiting how its new owner can remake the property. Old Colony, an office building for decades, lapsed into disrepair under a series of previous owners.

The CA joint venture acquired the building from a venture led by investor **Sidney Ferenc**. Mr. Ferenc, who founded an insurer that Warren Buffett's Omaha-based Berkshire Hathaway Inc. acquired in 2006, did not return a message. It's unclear how much his venture paid for the property, which it acquired in 2009.

Chicago-based Pappageorge Haymes Partners will serve as architect of record for the redevelopment, while James McHugh Construction Co., also based here, is the general contractor, according to CA. The project is expected to be complete in summer 2015, Mr. Giles said.

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