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## COMMERCIAL REAL ESTATE

### Apartment developer to buy River North warehouse out of foreclosure

By: Alby Gallun

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501 W. Huron St. Photo from CoStar Group Inc.

A group led by Chicago investor David Ruttenberg plans to buy a former River North warehouse and convert it into apartments, a deal that would get developers William Marovitz and Constantine "Bud" Cataldo out of a jam with a lender.

A source said the Ruttenberg venture has agreed to buy the five-story building at 501 W. Huron St. from a venture led by Messrs. Marovitz and Cataldo, who had planned to build a 26-story condo tower there but missed the market and got hit with two foreclosure suits on the property.

The deal is the latest in the continuing cleanup of the financial mess from the condo crash, a process that has allowed new investors to come in and recast failed projects, often as apartments. Mr. Ruttenberg, principal of Marc Realty Residential LLC, plans about 40 apartments in the existing building, one of several rental projects in the firm's pipeline.

The sale also would allow Messrs. Marovitz and Cataldo to pay off lender United Central Bank, which filed a \$10.6 million foreclosure suit against the building in

2012, the second foreclosure suit against the property since the bust. It's unclear whether the sale would generate enough proceeds to pay off the bank in full. A sale price could not be determined.

#### 'THERE WILL BE A SETTLEMENT'

Mr. Cataldo confirmed that United Central is reviewing the sale, declining to discuss the transaction. But he said "there will be a settlement" with the bank.

A United Central spokeswoman and attorney for the bank declined to comment. Mr. Ruttenberg declined to discuss the transaction.

Marc Realty Residential has been an aggressive acquirer of apartment buildings and failed residential developments over the past couple years, recently buying a distressed loft condo project near McCormick Place and a building in Printers Row that it plans to convert into as many as 90 apartments.

But finding distressed properties is becoming tougher for the firm, Mr. Ruttenberg said. Because so many investors are pursuing troubled properties and the number of distressed properties has shrunk, the firm now is looking more for development plays, he said. The River North property would fit into that category, requiring a major construction element.

Amid high occupancies and soaring rents, apartment developers have gobbled up most of the good residential development sites in the city over the past couple years. But many developers are keeping their options open amid the recovering condo market, which has made condos a more compelling alternative, said Matthew Katsaros, director of acquisitions at Pangea Properties, a Chicago-based apartment investor.

"People are underwriting deals both ways whereas 12 months ago they wouldn't have done that," he said.