

Chicago Real Estate Daily

CRAIN'S CHICAGO BUSINESS.

August 09, 2016

Retail space sells across from future McDonald's HQ

By Ryan Ori

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Crain's Chicago Business | 150 N. Michigan Ave., 16th Floor |
Chicago, IL 60601

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R2 and Marc Realty Capital bought the mostly vacant retail property in this condominium building at 1000 W. Washington Blvd.

Two Chicago real estate investment firms bought a mostly vacant Fulton Market retail property whose value was boosted when McDonald's confirmed plans to move its headquarters across the street.

A joint venture of Marc Realty Capital and R2 bought the retail space in the loft building at 1000 W. Washington Blvd. for \$7.25 million, confirmed Baum Realty Group broker Danny Spitz, who represented the seller.

"We put it under contract before the McDonald's deal was announced, so we got pretty lucky," said Marc Realty Capital Principal David Ruttenberg.

The property is just east of Oprah Winfrey's former Harpo

Studios campus, separated by Carpenter Street. Oak Brook-based **McDonald's plans to move its headquarters in 2018** to a new structure that Chicago developer Sterling Bay will build for the fast-food giant at 110 N. Carpenter St.

Even before the McDonald's deal property values were soaring in the area, which is rapidly transforming from a meatpacking and food distribution hub to a hot market for offices—including Google's Midwest headquarters—restaurants, hotels and retail.

The deal by R2 and Marc includes 22,819 square feet of rentable retail space on the ground floor of the 1000 West Washington Lofts condominium building, according to a Baum flier on the property. Spitz and Greg Dietz, managing directors at Chicago-based Baum, represented a group of investors managed by Jim Engel in the sale.

French restaurant La Sardine leases 3,454 square feet and sandwich chain Subway leases 1,300 square feet, according to the Baum flier. The rest of the space remains vacant, including a shuttered Flat Top Grill. There is a contiguous block of 14,565 square feet along Washington Boulevard and Morgan Street.

The property is just south of the Randolph Street building where a **high-end Starbucks store** promoting its Reserve brands and an **Anthropologie clothing store** are planned.

The new owners expect to be able to fill the vacancies with new tenants paying more than \$40 per square foot in net rent, said R2 Managing Principal Matt Garrison.

“We're going to be at a 25 to 35 percent discount to Randolph Street, but 150 feet away from it,” Garrison said.

Engel led a venture that converted the six-story vintage building, a former biscuit bakery, to 180 residential condos in the 1990s. The venture held on to the retail space, which it previously **listed for sale in 2013**.

“We had owned it for more than 20 years, and the investors wanted to reinvest their money in other places,” said Engel, president of Age Real Estate Management, a

real estate investment firm. “We're really pleased with the sale.”

R2 and Marc view the deal as a relative bargain in the area. It's part of their overall strategy to invest in retail condominiums, which offer higher returns because many investors are unwilling to buy them, thus driving down prices, according to Ruttenberg and Garrison.

Because they're within larger structures, others—such as condo boards—sometimes have a say in changes to a property. And unlike standalone structures, retail condos can't be torn down and replaced for new uses.

“They're hard to finance, because you've got unknown entities that you're dealing with in a building,” Ruttenberg said. “That takes a lot of buyers out of the market. With retail condos, we can get yields that we couldn't get if they were freestanding retail.”

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