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River West sale generates big payday for Chicago investor

By ALBY GALLUN | 



A York executive did not return phone calls, but Garrison said the Halsted property is the firm's first in Chicago. R2 has retained a 10 percent stake in the complex.

“Even though it's had a very good run, we feel like it still has a lot of upside,” he said.

Yet the sale already has generated a big payday for R2. Garrison estimates the firm invested about \$3 million to \$4 million in the property on top of the \$10.9 million purchase price. But last year it split off a 23,000-square-foot building within the complex and sold it for \$3.8 million, he said. A York venture paid \$23.8 million on Sept. 22 for the rest of the property, meaning R2 grossed roughly \$27.6 million in the two sales.

Built in 1900, the loft complex also includes a one-acre parking lot that could be developed. When R2 bought the property in 2013, it was about 93 percent leased, but one tenant, the Girl Scouts of Greater Chicago and Northwest Indiana was on its way out, and another, the now-defunct Kaboom nightclub, was struggling to pay its rent and was later evicted, Garrison said.

The property is nearly 100 percent leased today, and R2 has landed a new tenant, Aire Spa from Spain, for the former Kaboom space, Garrison said.

A broad rise in real estate values also lifted the Halsted building, but the big price jump says more about the neighborhood's potential than anything. Though the city has long protected the land along the Chicago River's North Branch for industrial companies, developers have moved in as resistance to other uses, like office and residential, has softened.

R2, for instance, wants to redevelop some industrial properties it owns on Goose Island into high-tech office space, while Chicago developer Sterling Bay is plotting a major mixed-used project on the the former Finkl steel site further north.

A Chicago investor has scored big in River West, selling a loft office building there for nearly \$24 million, more than double what it paid for the property in 2013.

R2 sold the 143,000 square foot building at 770 N. Halsted St. to an affiliate of York Capital, a New York hedge-fund manager, said R2 Managing Principal Matt Garrison.

The big jump in value—R2 paid \$10.9 million for the complex in January 2013—reflects the growing belief that the longtime industrial neighborhood is ready to take off with a wave of office and residential development. Kiddie corner from the loft building at the intersection of Halsted and Chicago Avenue is a seven-acre property owned by Tribune Media where Riverside Investment & Development plans a major mixed-use project.

“I think it's all going to fill in. I don't know why it wouldn't,” Garrison said of the neighborhood. “It's six blocks from Fulton Market. It's four blocks from River North.”