

South Water Market terminal sold



PROPERTY SOLD FOR \$35 MIL.

By Brian T. Sutton

The Enterprise Cos. has closed on the acquisition of the 1.3 million square foot South Water Market produce terminal paying \$35 million for the historic property.

Newcastle Ltd. represented the 73 owners of the 78-year-old terminal operating under the name South Water Market Unit Sales LLC.

Enterprise plans to save, restore and renovate the 1920s terra cotta-clad, three-story warehouse buildings for a residential development dubbed University Commons. The five-city block property is between 14th and 15th places and between Morgan Street and South Racine Avenue, east of University Village. It is bounded by the Chicago ABLA residential communities on the north and west, a Burlington Northern Santa Fe Railroad embankment on the south and University Village and the University of Illinois Chicago's South Field Sports Complex on the east.

"Although the city's 'orange' designation allows us to demolish the existing structures on the property, we are saving these historical buildings without requesting official landmark status," said

Ron Shipka Jr., principal of The Enterprise Cos., in a release.

The market was launched in the 1880s on South Water Street at East Wacker Drive and State Street, which was closed and moved in 1925 to make way for Wacker Drive. That terminal was designed by Fugard & Knapp, also known for the Allerton Crowne Plaza, 701 North Michigan Avenue, Chicago. The terminal was divided into 16 units in six long buildings with 23 to 33 bays, raised loading platforms and broad canopies. In 1963 Arthur Rubloff offered to build a new market and buy the old site, but was rebuffed. There have been several other attempts since that one in the last 40 years.

Last year CenterPoint Properties Trust along with the city of Chicago developed the new 25.7-acre, \$58 million, 436,224 square foot Chicago International Pro-

duce Market south of the terminal site. The Chicago Industrial Produce Market is 100 percent sold.

Newcastle worked with the owners, the Chicago Department of Planning & Development, the Landmarks Preservation Council of Illinois and Alderman Daniel Solis (25th Ward) to prepare the property for sale. The terminal complex was No. 12 on the Preservation Council's Chicagland Watch List for 2002 and one of 9,600 buildings on the "orange" list of potentially significant buildings in the context of the surrounding community.

Retained in May 2002, Newcastle found the property 90 percent occupied. By November 2002 when the property was brought to market it was 50 percent occupied and at the close 15 merchants remain on leases, according to S.L. van der Zanden, managing director of Newcastle and project manager of this project.



South Water Market terminal sale fetched \$35 million. Newcastle represented the LLC owner, comprised of 73 separate owners. The Purchaser, The Enterprise Cos., plans redevelopment of the buildings into an 850-unit loft condo development called University Commons.



The Newcastle South Water Market team included (from left): Michael R. Haney, President; S.L. van der Zanden, Managing Director; and Peter S. Tortorello, Project Manager.

“Our company specializes in highly complex real estate transactions involving consensus-building, property-transformation solutions. Complexity issues associated with the South Water Market transaction were numerous, but topping the list has to be the number of owners,” said van der Zanden in a release.

In addition to numerous owners, during a review of the title, a 1925 deed provision stipulated that the use of the property was restricted to a produce market. Newcastle worked with the owners and Chicago Title Co. to allow for new uses, minimizing risk. Attorney Mark T. O’Toole of the law firm of Foran Nasharr & O’Toole LLC was legal counsel for South Water Market Unit Sales LLC.

Landmarks President David A. Bahlman stated in a release “We are absolutely ecstatic with the outcome of this disposition. It’s easy to save a highly visible, high-styled monument building, but to have such a complete preservation scheme worked out for a vernacular industrial complex like South Water Market is a tougher job for developers.”

Shipka says the result will be an 850-unit loft condo project valued at \$250 million. According to plans, one-bedroom, one-bath plans range from \$150,000 to \$200,000 and will comprise 30 percent of the units while two-bedroom, two-bath plans from \$240,000 to \$325,000 will make up 35 percent of the units with the balance filled by three-bedroom, two-bath plans from \$350,000 to \$450,000. Amenities

include rear yard space, covered decks or patios, balconies, penthouse rooftop decks and underground parking.

Shipka says that the units are based on affordable pricing. The market reflects development costs of \$275 to \$300 per square foot and up to \$600 per square foot for lakefront properties, but the University Commons project is based on \$250 per square foot.

The project is designed by Pappageorge/Haymes Ltd. and the first phase of 150 units will be offered for sale in January 2004. The remaining phases will be timed by market absorption.

Also under development for The Enterprise Cos. are Chicago projects such as the 26-story Museum Pointe, the 17-story Two River Place and The Lofts at Museum Park I and II.

In total, the firm has 1,500 units under construction. Recently completed projects include Museum Park Place, 1301 South Indiana Avenue, and the 15-story Huron Pointe, 421 West Huron Street.

Nearby the proposed University Commons is University Village, a \$75 million, 68-acre mixed-use development that will feature 930 units, 120,000 square feet of retail space, public parks and UIC dormitories and academic buildings. Also close to University Commons is University Marketplace, a 120,000 square foot retail development.

Neighborhoods in close proximity are Little Italy, Greektown, Pilsen and Chinatown.

