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Chicago developer buying Bell Federal building

After flipping a pair of downtown loft office buildings for a profit last month, Chicago developer R2 is betting on another one in the Loop.

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The deal is another data point showing investor demand for loft office buildings in the city, which have become fashionable among tenants embracing nontraditional office space. Tenant interest in vintage properties has helped many investors cash out on brick-and-timber buildings downtown for high prices. That includes Farbman, who earlier this year sold a 12-story loft office building for \$23.4 million, seven years after it bought it for \$13.1 million.

Helping drive up the price at the Bell Federal building is that it's more full than when Farbman bought it. Almost a third of the building is empty today, according to a marketing flyer, but that's a better picture than the 72 percent vacancy Farbman faced when it bought the building.

R2 is wagering there is still far more value to unlock at the building, especially amid a healthy job market and with many companies clamoring for young talent in the city.

The developer, which last month cashed out on a pair of vintage office buildings at 542 S. Dearborn St. and 445 W. Erie St. for \$24 million, could modernize the Bell Federal building with new amenities in hopes of attracting tenants at higher rents. That would set up the potential to sell it for a much more than it is paying now.

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- R2 Principal & CIO Max Meyers

“We are incredibly excited by the opportunity to reintroduce 79 W. Monroe to the market as the premier boutique creative office building in the Loop,” R2 Principal and Chief Investment Officer Max Meyers said in a statement. “Leveraging our experience redeveloping over 3 million square feet of creative office across the Midwest, we know which buttons to push to differentiate this building versus other commodity competition.”

R2 has been one of the more active real estate investors in the city lately, particularly on Goose Island and along the North Branch of the Chicago River. It's one of several developers that have proposed ambitious projects in the North Branch Industrial Corridor after the city scaled back land-use rules for that area that prohibited a number of commercial uses.

One of its highest-profile plans is to redevelop the historic Morton Salt warehouse at 1329 N. Elston Ave. into an office, retail and entertainment venue complex called “The Salt District.”

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An R2-led venture is set to buy the 14-story Bell Federal Savings & Loan building for about \$25 million, sources familiar with the deal said.

R2 is buying the leasehold interest in the 183,000-square-foot building at 79 W. Monroe St., known for its Weather Bell sign hanging over the corner of Monroe and Clark streets that changes color as it predicts temperature changes.

The sale will net a strong gain for the seller, a venture of Southfield, Mich.-based Farbman Group, which paid \$7.25 million in 2011 for the leasehold interest in the property, according to Cook County property records. The land beneath the building is owned by a venture of investor David Friedman, president of Skokie-based real estate firm F&F Realty, who said he receives about \$65,000 per year in rent under a lease for the land.