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Germania Club building sold to Chicago investor

One of the city's most active real estate investors wants to spiff up the Old Town landmark with an eye on making it a premier event space on the Near North Side.

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“We think it’s a really interesting opportunity for someone to provide class A events without the hotel cost structure in a location that’s different but still really good.”

- Matt Garrison - Managing Principal of R2 Cos.

Other planned upgrades to the building could include work on its facade and new lighting and signage, though it will all have to fall in the parameters of the landmark ordinance that governs the property. The Germania Club building was designated as a Chicago landmark in 2011 and was listed on the National Register of Historic Places in 1976.

R2 is also intent on defying headwinds facing many retail landlords with the rise of online shopping, betting on the resilience of retail locations in urban hot spots.

The Old Town neighborhood and its surrounding ones tout the population density and well-off residents that retailers seek. And it’s about to get more of both, as Chicago developer Golub and Los Angeles-based CIM Group are building a 10-story luxury condo building immediately north of the Germania Club property.

The North Side of Chicago also had the lowest retail vacancy rate in the Chicago area in the second quarter at 5.6 percent, according to data from real estate brokerage CBRE. That far outperforms the 11.6 percent average for the entire metro area.

“We think it’s great retail and it has been well-occupied for a long time with a nice mix of tenants,” Garrison said. “We’re looking to keep a lot of those tenants and maybe, over time, slowly upgrade retail.”

R2 is also part of joint ventures that own small mixed-use and office properties in and near Old Town at 1252 N. Wells St. and 1165 N. Clark St.

The developer is best known for its slew of properties it owns and is redeveloping on Goose Island and its surrounding area. R2 is planning to overhaul 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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A venture led by Chicago developer R2 paid \$10 million this week for the historic Germania Club building on the southern edge of Lincoln Park, R2 Principal Matt Garrison confirmed.

The R2 venture bought the 129-year-old building, which originally served as a social club for German immigrants and today houses retailers and a ballroom, from a venture of Buffalo Grove-based Svigos Asset Management. Svigos bought the three-story building for \$7.9 million in 2014, according to Cook County property records.

R2’s purchase is partly designed to take advantage of a fully-leased ground floor retail portion with tenants including Starbucks, CorePower Yoga and a preschool, among others. But the potential upside for the three-story, 40,000 square foot building will come from repositioning its upstairs event space, Garrison said.

Chicago-based Kenmare Catering & Events is a tenant that operates the ballroom and hosts weddings and other events, but its lease expires at the end of October, according to Garrison. That’s when R2 will take over what he describes as a “hotel ballroom without a hotel” with a plan to expand its use.

“That’s the real impact we can have on the deal. It’s a chance to step back and reconsider that ballroom space and what to do with it and to upgrade it,” he said.