

North Side Shopping Center Fetches \$64 Million, Double 2012 Price



Home furnishings merchant Design Within Reach is a tenant at Lincoln Park Centre.

A shopping center in the heart of the Clybourn Corridor sold for double its 2012 price as investors continue charging after urban retail properties.

New York-based Georgetown Co. bought Lincoln Park Centre yesterday for \$64 million, or about \$1,050 per square foot, the real estate developer and investor confirmed. The seller, Acadia Realty Trust, acquired the 61,000-square-foot property at the intersection of Halsted Street and North and Clybourn avenues for \$31.5 million in April 2012.

"It's impressive that it doubled," said retail broker Jason Gustaveson, a vice president at Chicago-based Stone Real Estate, who was not involved in the deal. "When Acadia bought it, they bought it at the right time. A lot of people questioned what they paid for it, but they clearly added value with some new tenants."

It's the second recent large deal in Chicago by Georgetown, which paid \$215 million in November for the K2 apartment high-rise in the Fulton River District.

'LONG-TERM INVESTMENTS'

"These are long-term investments for us," said Georgetown CEO Adam Flatto. "The great part about Chicago is the burgeoning and escalating growth of the downtown core and the desire to live and be a

part of that urban fabric. It's a phenomenon we're seeing across a number of municipalities across the country, but it's really pronounced in Chicago. We're trying to identify locations that we think will have the greatest benefit from that growth.”

When Acadia bought Lincoln Park Centre less than three years ago, the previous owner, a venture led by Chicago-based Structured Development, faced a potential loan default amid a weak retail market. The property was reeling from tenant losses, including a Borders bookstore that filled the 25,000-square-foot anchor space.

Amid an improved economy and surging rents in top urban retail corridors such as Clybourn, deals with home furnishings merchant Design Within Reach and apparel store Eddie Bauer filled the property at 755 W. North St. Other tenants include Sur La Table, Mitchell Gold & Bob Williams and Carter's. The property also includes a four-story garage with 156 parking spaces.

Meanwhile, less than a block away a venture including Structured is working to complete the New City development, which will include 360,000 square feet of retail and 199 apartments.

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Although there are no upcoming lease expirations, Georgetown is confident it will achieve long-term rent growth because of close proximity to existing retail such as an Apple store across the street, as well as ongoing developments such as New City, Flatto said.

Georgetown will seek out more deals in Chicago while also continuing to plan a potential high-rise redevelopment of its State Street property currently occupied by a Gap store, Flatto said.

Acadia, which has an extensive retail portfolio in Chicago, hired CBRE late last year to sell Lincoln Park Centre. The property is owned by a fund designed to sell well-leased properties where the value has been boosted, said Chris Conlon, an executive vice president at White Plains, N.Y.-based Acadia. The real estate investment trust's turnaround included an extensive redesign of the exterior.

“When we bought it, it was kind of a dated, Borders-looking property,” Conlon said. “We were able to fill it at rents we were happy with, so there was really nothing more we could do with it.

SHOWS URBAN RETAIL STRENGTH

“We ended up putting substantially more money into that property than we initially anticipated, but I'm happy to say we achieved rents to support that increased investment.”

The sale “shows the strength of urban retail, and particularly the strength of North and Clybourn,” Gustaveson said.

Net rents around that intersection are typically above \$60 per square foot and are likely to continue climbing amid strong interest in the area from tenants and investors, he said.

“Even REITs that were very mall-focused are focused on urban areas like North and Clybourn,” Gustaveson said. “At the end of the day, that North and Clybourn intersection will probably always remain the center of that hub. Georgetown is banking on that.”