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Failed West Loop condo project to generate big profit for seller

By: [Alby Gallun](#) January 29, 2014



A joint venture including Naperville-based Marquette Cos. is selling Trio in the West Loop. Photo from CoStar Group Inc.

An investor group that bought a failed West Loop condominium tower in 2010 is cashing out for a big gain, the latest in a series of lucrative sales involving distressed downtown condo developments.

A joint venture of Naperville-based Marquette Cos. and Boston-based AEW Capital Management L.P. is selling Trio, a 22-story tower at 670 W. Wayman St., to Abacus Capital Group LLC, a New York-based apartment investor, according to people familiar with the transaction. A sale price could not be determined but was estimated at about \$40 million.

Marquette and AEW took over the 100-unit condo tower and 21 units in an adjoining building in 2010 from its developer, Robert Mosky. The venture sold some of the 21 condos and rented out the tower, capitalizing on the strong apartment market. The apartments are 91 percent occupied, according to Appraisal Research Counselors, a Chicago-based real estate consulting firm.

Buying failed condo projects, converting them to rentals and then selling them has turned out to be a winning strategy for a growing number of investors. A Sam Zell-backed investor group sold Mod, a 58-

unit condo-turned-apartment building in the West Loop, for about \$20 million in December 2012 about two years after buying it for \$13.3 million. In October, Waterton Associates LLC sold Mondial River West, about a mile north of Trio, for about \$57.5 million less than three years after buying it for about \$37 million.

The condo-to-apartment strategy represented a new variation on the "buy low, sell high" approach that has made millions for many real estate investors since the crash.

In Waterton's case, the company knew the investment made sense because it bought Mondial at a price below what it would cost to replace the building, said Mark Stern, senior vice president at the Chicago-based apartment owner. The boom in apartment prices over the past two years was a bonus.

"We knew it was a good price," he said. "We didn't know it was going to be the home run it turned out to be."

COMPLEX DEAL

Marquette and AEW acquired the Trio through a complex transaction involving condos in another project in the Gold Coast. But one person familiar with Trio said the cost for the 121 Trio condos totaled about \$27 million. Marquette and AEW had to spend more money to finish some of the condos in the tower but also received cash from selling some of the 21 condos in the other part of the project separately, the person said.

A Marquette executive declined to comment. An AEW executive did not return a call, nor did an executive at HFF Inc., the brokerage hired to sell the Trio tower.

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Abacus owns apartments across the country, with properties in states including California, Kansas and New York. The firm entered the Chicago market last year, when an Abacus joint venture paid \$60.5 million for a 464-unit apartment complex in west suburban Aurora.

An Abacus executive did not return calls.

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