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South Loop apartment tower goes up for sale

By: [Alby Gallun](#) February 11, 2014



Behringer Harvard Multifamily REIT I hired CBRE Inc. to sell Burnham Pointe, 730 S. Clark St., which is expected to fetch more than \$400,000 a unit, or \$119 million. Photo from CoStar Group Inc.

About four years after buying a 29-story apartment tower in the South Loop, a Texas investment firm is ready to cash out.

Behringer Harvard Multifamily REIT I Inc. hired CBRE Inc. to sell Burnham Pointe, a 298-unit building at 730 S. Clark St. completed in 2008, according to CBRE marketing materials.

The sale will test investor demand for downtown apartment buildings amid a construction boom that has fueled worries about a potential glut. Yet it is likely to generate a big gain for Behringer Harvard, a Dallas-based real estate investment trust that acquired the tower in mid-2010, when the real estate market was in the early stages of recovering from the crash of 2008-2009.

Based on recent downtown apartment sales, Burnham Pointe is likely to fetch more than \$400,000 a unit, or \$119 million, said one apartment expert. That's 35 percent more than the \$88 million Behringer Harvard paid for the property, a gain that stems from increased investor demand for apartments and higher income at the building due to rent and occupancy increases.

Behringer Harvard representatives did not respond to requests for comment. CBRE executives declined to comment.

BUILT AS CONDOS

Burnham Pointe was built as a condominium tower, but its developer,

Chicago-based Terrapin Properties, switched over to rentals when the condo market crashed. Behringer Harvard acquired the building from an affiliate of Stark Investments, a Milwaukee-based hedge fund manager that provided a mezzanine loan to finance the project and later seized it from Terrapin.

Burnham Pointe was 94.3 percent occupied in the third quarter, vs. 94.6 percent a year earlier, according to a report from Appraisal Research Counselors, a Chicago-based consulting firm. Rents range from \$1,770 a month for a one-bedroom unit to \$5,993 for the most expensive two-bedroom.

Including concessions, the average net rent in the building was \$2.37 per square foot in the third quarter, down 2 percent from \$2.42 a year earlier, the report said. But that's still 9.2 percent higher than the average net rent of \$2.17 per square foot in mid-2010, when Behringer Harvard bought Burnham Pointe.

Though demand for downtown apartment buildings has been especially strong the past few years, [slowing rent growth and a bulging construction pipeline](#) increase the risk for investors interested in buying here. Net rents at Class A downtown apartment buildings fell 1.9 percent in the third quarter from the year earlier, and developers are forecast to complete 2,271 apartments downtown this year and more than 4,000 in 2015, according to Appraisal Research.

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