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After Gold Coast high-rise sale, could a condo conversion be in the offing?

By: [Alby Gallun](#) February 05, 2014



Walton on the Park. Photo from Appraisal Research Counselors

A Miami developer is buying 160 rental condominiums in a Gold Coast high-rise that was caught in the crash, another potential sign of the condo market's comeback.

Crescent Heights Inc. is buying the condos in the Walton on the Park tower, at 2 W. Delaware St., and a development site next door, according to people familiar with the transaction. The developer is acquiring the properties from the Dart family of Michigan, **which swooped in on them in 2011**, just as their lenders were preparing to repossess them.

The condo market is in much better shape today, good enough that some developers are positioning themselves to start building again. Yet there's a less risky way to capitalize on the opportunity: by converting condo-turned-rental buildings back into condos and selling off the units individually.

That would make sense at Walton on the Park, but not immediately, said Ron DeVries, vice-president at Appraisal Research Counselors, a Chicago-based consulting firm.

"The rental market is great today; the condo market is coming back," he said. "I'm sure they can sit on it for a

while as a rental but ultimately it could be a condo play."

A Crescent Heights executive declined to comment, and a Dart representative did not respond to a request for comment.

It's unclear what Crescent Heights is paying for the units and the development site immediately to the north. A venture led by the Dart family — the owners of cupmaker Dart Container Corp. — paid \$79.8 million for the 160 units in the 201-unit building in March 2011, according to Cook County property records.

DEVELOPERS COULDN'T PAY OFF LOAN

The project's developers, Ronald Shipka and Richard Stein, sold the other condos but couldn't pay off the project's construction loan and were preparing to relinquish the building to its lender, an affiliate of Chicago-based ST Residential LLC, when the Dart family agreed to buy the condos and rent them out. The Darts also bought the development site from MB Financial Bank N.A.; a sale price could not be determined.

One person estimated the condos now could be worth as much as \$700,000 a unit, or about \$112 million, and that Crescent Heights could sell them for as much as \$1 million apiece. The parcel next door is zoned for 262 residential units, according to the person.

Condo rentals were a popular strategy after the crash for many investors that bought failed downtown residential projects from lenders. Capitalizing on the strong apartment market, the investors were able to collect rent while waiting for condo demand to turn around.

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With a turnaround under way, it may be only a matter of time before many of the rented condos go up for sale. Fourteen condo projects in the greater downtown had 1,044 units that were being rented out in the third quarter, according to Appraisal Research. If condo prices continue to rise, selling off the units could become a lucrative exit strategy for many investors that bought the unsold units at the bottom of the market.

Though it is known in Chicago for converting apartments into condos, Crescent Heights has played both sides of the downtown housing market. In the past few years, it has acquired **two downtown apartment towers** — a 344-unit building at 1212 S. Michigan Ave. and a 350-unit high-rise at 353 N. Des Plaines St. — and a **three-acre development site** in the South Loop. More recently, the company acquired the Lex, a 296-unit condo-turned-rental tower in the South Loop.

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