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July 03, 2014

What Millennium Park did for condo developers

By Dennis Rodkin



The Park Monroe, center, and the Legacy at Millennium Park, taller to the right, offer views of the park. Photo by Shane Collins

In the early 2000s, when the city was building Millennium Park, condominium developer Jim Hanson underestimated its impact on the 57-story tower his firm was building a block away.

Views of the park would be nice, “but we thought it wouldn’t be that much different from looking west, at one of the most beautiful skylines in the world, and the sunset,” said Mr. Hanson, principal of Chicago-based Mesa Development LLC.

As it turned out, buyers were willing to pay up for park views in the 356-unit building, called the Heritage at Millennium Park. By the time the building sold out in 2005, condos with park views were selling for 25 to 30 percent more than those looking west.

“I had no idea that the Millennium Park effect was going to be so dramatic,” Mr. Hanson said.

Millennium Park, which turns 10 years old this month, replaced a sunken gash of railroad tracks with sculptures, gardens and an outdoor concert venue that have become some of Chicago’s most-visited spots. For residential developers with sites on the park’s immediate north and west edges, it’s been more like Millennium Perk, adding sizzle to a location that a decade ago was second-rate.

‘THE CITY GOT IT RIGHT’

Though the park cost \$475 million — three times its original budget — with \$270 million coming out of city coffers, it was money well spent, Mr. Hanson said.

“The city got it right,” he said. Construction of Cloud Gate, aka “the Bean,” the Crown Fountain, the Lurie Garden and other features “was a public investment that led to a boom in private investment,” he said. “That’s the way to spend public money, to spur economic activity around it.”

The most visible economic activity may be the condo projects nearby. Since 2005, 1,391 new condos have been created — built new or converted from other uses — adjacent to the park on Randolph Street or Michigan Avenue, according to Gail Lissner, vice president of Appraisal Research Counselors Inc. But she notes that several buildings a few blocks farther out benefit from the park as well.

“Aqua and the other buildings at Lakeshore East have absolutely been enhanced” by their nearness to and views over the park, she said.

One 1970s office building might now have a block of 10 empty floors if Millennium Park hadn’t come along. When a joint venture between GlenStar Properties LLC and Walton Street Capital LLC bought the 50-story tower at 55 E. Monroe in 2005, “there was a lot of office space to absorb” in the East Loop, said GlenStar Partner Lawrence Debb.

The venture's plan to convert the building's top 10 floors to condos "was because you had the park there," he said.

ANOTHER UNDERESTIMATION

But Mr. Debb said he, too, underestimated the park's impact. The developers priced one-bedroom units on the west side of the building at about \$350 per square foot, versus \$455 for expensive larger units on the east. Though he expected the less expensive west-facing units to sell faster, the opposite turned out to be true, he said.

The first block of 168 condos, which went on the market during the depths of the downturn in 2009, sold slowly, but the second batch of 58 were gone in four months, Mr. Debb said.

Millennium Park was a big factor in Mesa's planning for its second condo tower overlooking the park, a 73-story building at 60 E. Monroe St. called the Legacy at Millennium Park that was completed in 2008. The firm challenged its architects at Solomon Cordwell Buenz & Associates Inc. to devise a layout that would give even units on the west side views east to the park.

The result: a tower with an "eared" shape, slender on the east and wider on the west. At least 80 percent of the Legacy's 355 condos have views east.

The shape doesn't entirely wipe out the price differential between east and west units, but it narrows the spread. Mr. Hanson estimated that condos on the west that have park views capture a premium of 10 to 15 percent over comparable condos that have no sightline into the park.

'WHY WOULD WE LOOK ANYWHERE ELSE?'

When Edwin Goldberg and his wife were moving to Chicago from Miami a year ago, he thought they would end up in Lincoln Park. But then Ms. Goldberg took him to see a three-bedroom unit in the Legacy, with a view out over the park from 32 stories up.

"I got there, walked in and said, 'why would we look anywhere else?'" he said.

They bought the condo, and now Mr. Goldberg walks the couple's two small dogs outside the park — dogs are not allowed in — drinks in the colorful view from the Nichols Bridgeway that connects the park to the Art Institute and occasionally happens across a daytime symphony rehearsal in the Pritzker Pavilion.

"It's nothing like Miami," Mr. Goldberg said.

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Tax P. 33 days ago

So, the City spent \$270 million on the park and that increased the value of the development around the park. How is the City getting a share of the developers' profits to pay back this cost?

Also, a more thorough article would have investigated whether the effect on value is mainly due to development of the park, or to increasing desire among the affluent for views of Lake Michigan.

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Anonymous 20 days ago

- (1) Increased real estate tax revenues
- (2) Increased revenues from tourism (hotel rooms, restaurants, shopping)
- (3) Increased attractiveness (along with many other reasons) that attract HQs to move to Chicago with well paid employees who buy property, spend money, etc.

Estimating return on investment of public works is based on many assumptions and if you're predetermined to disagree with any public works project, there's no spreadsheet big enough to convince you of the rational of the investment. Also, many public works have cumulative effects that can only be measured along with other investments and over a longer time period.

That said, I don't disagree with the underlying suggestion that governments (whether it's local, state, or federal) should do more to