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K2 apartment tower developers mull sale

By Micah Maidenberg



Fifield Cos. hired Moran & Co. to help it decide what to do with the K2 apartment tower. Photo from CoStar Group Inc.

The development group that built the K2 apartment tower hired a brokerage as it mulls a potential sale of the 34-story building.

A group led by Fifield Cos. hired Chicago-based Moran & Co. to help it decide what to do with the 496-unit tower at 365 N. Halsted St., according to a person familiar with the building.

The potential sale of K2 would test investor appetite for new rental buildings going up as part of a **wave of development** across downtown. Builders are expected to deliver more than 6,000 new units downtown this year and next, generating worries in some quarters about a glut.

Yet recent new-construction rental building sales have priced out well. Last summer, an affiliate of Chicago real estate investment firm Heitman LLC paid **\$156.9 million** for the 250-unit building at 1225 N. Wells St. in Old Town, or nearly \$628,000 a unit. That sale also included about 33,000 square feet of retail space, inflating the per-unit value.

Last summer, when it was just half occupied, K2 was appraised at about **\$200 million**, or \$403,000 a unit.

Now, tenants have leased 70 percent of the building, according to a recent report from Chicago consultancy Appraisal Research Counselors. Effective rents at K2 were \$2.91 per square foot, according to the report, the ninth-highest rate downtown.

A spokesman for Chicago-based Fifield did not immediately respond to a request for comment.

In addition to building K2, Fifield has proposed putting up a **333-unit tower** at Chestnut and Orleans streets and constructing a **46-unit addition** to the existing 59-unit building at 1222 W. Madison St. in the West Loop, according to a zoning change application a Fifield entity recently submitted to the city.

Fifield Cos. also is seeking support for a **413-unit rental tower** anchored by a Jewel-Osco at Clark and Division streets in the Gold Coast.

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