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Developer lands \$100 million for West Loop condos

By [Alby Gallun](#), Feb. 24, 2010

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(Crain's) — Developer Gary Rosenberg says he has lined up \$100 million in financing for a 220-unit condo tower in the West Loop, beating the odds in a market where lending for such projects has all but evaporated.

With lenders stuck in survival mode and the downtown market awash in unsold condos, many downtown condominium developers are just trying to hang on to what they have. But after a long search, Mr. Rosenberg says he has found a single capital source to provide \$100 million in debt and equity for the Catalyst, a 21-story tower at the northeast corner of Washington and Des Plaines.

Though it may sound to like a crazy idea to some, Mr. Rosenberg says "it's a good time" to start a new condo tower.

"Construction costs are well under control at this point, and by the time we finish the project I think we'll have a good market," he says.

Mr. Rosenberg declines to disclose the funding source but says he expects the financing to close in a couple weeks. He aims to break ground before summer and complete construction by late 2011.

Getting the project started in today's market would be a major feat for any developer and a welcome turnabout for Mr. Rosenberg, who himself was hit with an \$8.7-million foreclosure suit on the development site in late 2008. He says the lender, New Jersey-based Kennedy Funding Inc., would be paid in full from the construction financing proceeds. A Kennedy representative wasn't available late Tuesday.

Mr. Rosenberg pursued a wide range of funding sources, including banks, private-equity firms, even real estate investment trusts.

"I never thought it was hopeless, but frustrating would be a good word," he says. "None of them were in a good position to do a construction loan of that size, and most of them were not in a position to do any kind of construction loan."

Mr. Rosenberg, 69, a former securities and tax lawyer, spent most of his career developing properties in the Sun Belt as founder, chairman and CEO of UDC Homes Inc., an Arizona-based homebuilder that went bankrupt in the mid-1990s.

He was a partner in one recent downtown project, a 41-story Helmut Jahn-designed tower at 600 N. Fairbanks Court, but was bought out after settling a lawsuit with his partner, Schatz Development.

He signed up another well-known Chicago architect, Lucien Lagrange, to design Catalyst. Walgreen Co. has already signed a lease for a store in the building's ground floor, and buyers have signed contracts for about 75, or 34%, of the tower's units, Mr. Rosenberg says.



Rendering of planned Catalyst

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That's a low pre-construction sales percentage to obtain a loan even in good times, but it works "because of the way our financing has been structured," he says, without elaborating. Mr. Rosenberg doesn't rule out the possibility of switching from

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condos to apartments, saying his capital source "is providing us total flexibility" to respond to changes in market conditions.

"We're prepared to go rental if sales don't go as well," he says.

It's hard to believe the downtown condo market could get any worse. Downtown developers sold just 572 condos and townhomes in 2009, down from 592 in 2008, according to Appraisal Research Counselors, a Chicago-based real estate consulting firm. At the peak of the market, in 2005, downtown sales totaled 8,162 units.

The market has been especially tough in the West Loop, where a few major projects have slashed prices to generate sales. Mr. Rosenberg declines to discuss prices at Catalyst.

A glut of unsold units will weigh on the market for a while, especially if the economy is slow to recover. Developers still are sitting on about 3,000 unsold condos and townhomes that have been completed or are under construction, according to Appraisal Research.

But construction has ground to a halt, and a developer who can start a project today may be in a good position if the market rebounds. Little development today means little competition tomorrow.

"We're going to be at the tail end of working through the inventory we have," says Appraisal Research Vice-President Gail Lissner. "We've got to be in a better position two years from now."

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John J. wrote:

He's full of \$h&t,. There isn't a same person in this world who would provide financing for condos in this market, especially with 34% pre sales (which you know is also inflated)

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