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# Early buyers in Trump's tower pocket profits while he presses for loan extension

By: [Alby Gallun](#) July 05, 2010

As Donald Trump negotiates to buy more time from lenders on his downtown high-rise, some early buyers in the high-end condominium-and-hotel tower have cashed out at a handsome profit.

Betting on The Donald paid off for most of the buyers who have resold their residential and hotel condos since the 92-story Trump International Hotel & Tower opened more than two years ago. Of the 31 units that have changed hands, 18 sold for a gain, and the average unit sold for 12% more than the original price paid to the developer, according to county property records.

The gamble hasn't worked out as well for Mr. Trump, who still hasn't sold enough condos to repay the lenders who financed the \$850-million project, the tallest skyscraper built in the United States in more than three decades. But lawyers for the New York developer and his lenders say they are nearing a deal to restructure more than \$200 million in overdue loan payments on the tower, an agreement that would give him more time to pay off his debts and end a legal dispute that began more than 18 months ago.

"We're in the last throes of negotiation," says Mr. Trump's attorney, Steven Schlesinger. He says an agreement "is probably two to three weeks away."

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## HALF FULL



54.7%  
of 486 residential  
condos sold



45.7%  
of 339 hotel  
condos sold

Sources: Cook County  
Recorder, Appraisal  
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After obtaining \$770 million in construction loans from lenders including Deutsche Bank Trust Cos. Americas and Fortress Credit Corp., Mr. Trump broke ground on the tower at 401 N. Wabash Ave. in 2005, just as the downtown condo market was peaking.

By early 2008, when he started handing over units to buyers, the market was awash in unsold units and demand for condos had plunged. Buyers have closed on just 266, or 55%, of the project's 486 residential condos and 155, or 46%, of its 339 hotel units, according to property records filed with Cook County.

The sales total just \$461.2 million, well short of what's needed to pay off his lenders, though Mr. Trump says he has sold slightly more than \$500 million, including units that are under contract but haven't closed. His fading hopes of turning a profit on the tower depend on selling the remaining 220 residential condos and most of the unsold hotel units, and leasing out its still-empty retail space.

The project "is a good deal for people living in the building and the city of Chicago, but this is not a good deal for Donald Trump. But that's OK," the developer says.

Among the five developers who announced plans for ultra-high-end condo-hotel towers in the neighborhood during the bubble era, Mr. Trump is the only one to succeed in building one. With less competition nearby, prices in the Trump Tower are likely to hold up better over time.

### WINNERS AND LOSERS

Meanwhile, dozens of buyers in the building have put their condos back on the market, many with hopes of flipping them for a quick profit. Some have been more successful than others.

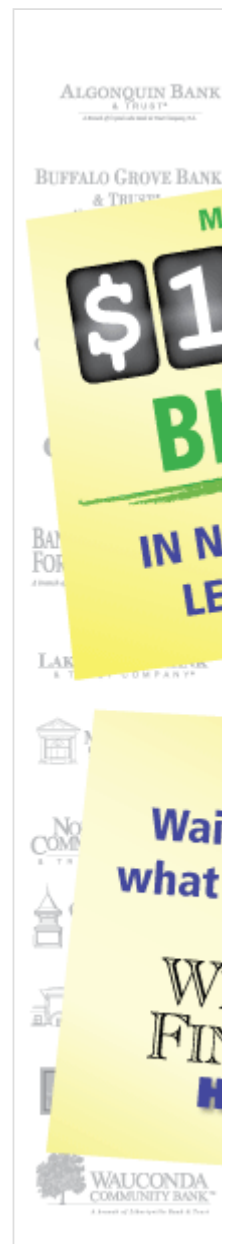
The winners include former *Chicago Sun-Times* Editor-in-Chief Michael Cooke, who paid \$543,000 for a one-bedroom condo on the 42nd floor in September 2008 and flipped it less than a month later for \$790,000, county property records show.

The losers include former Chicago Bears quarterback Rex Grossman, who paid \$2.68 million for a 36th-floor two-bedroom condo in September 2008 but sold it in January for just \$2 million, or 25% less.

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In addition to the 31 units already sold, another 54 in the building are offered for resale on the Multiple Listing Service. The average unit has been on the market for 326 days and is listed for 21% more than the seller paid the developer.

People who agreed to buy their units back in 2003 and 2004 generally reaped the biggest gains, because Mr. Trump offered low prices to buyers who signed purchase contracts before construction began. Buyers like Mr. Cooke, who bought their units at a discount through a special "friends and family" program, made out especially well.

"If they purchased later on in the program (after Mr. Trump hiked prices), that's where the pain is," says Gail Lissner, vice-president at Appraisal Research Counselors, a Chicago-based real estate consulting firm.

Adding to the challenge for many sellers, including Mr. Trump, is the reluctance of lenders to finance condo purchases in the building. Because it's a mixed-use building with a large hotel, Fannie Mae and Freddie Mac won't buy loans on condos in the project.

Some lenders worry that potential problems with the condo-hotel could ripple throughout the building and lead to soaring assessments, says Andrew Glatz, president of Chicago-based brokerage Crown Heights Realty, who has several listings in the Trump building.

Mr. Trump says the hotel is doing "very well," and banks "love the building." But of the 34 sales in the tower this year, just five buyers have financed their purchases with mortgages, property records show.

Several downtown developers in the past year announced big price cuts to clear out unsold condos. Though Mr. Trump hasn't gone that far, his sales staff has been "cutting crazy deals," Mr. Glatz says.

Says Mr. Trump: "We are trying to be as flexible as we can."

The big question is whether his lenders will be as accommodating in restructuring his construction loans.

The talks have been especially complicated because the loans were parceled out to more than 20 lenders. An agreement could include an additional equity investment by Mr. Trump and a due date on the loans pushed into 2015.

"There's no deal that's been signed up yet," says Malcolm Montgomery, an attorney for Deutsche Bank, "but the dialogue between the lenders and developer is very positive."



The project "is a good deal for people living in the building and the city of Chicago, but this is not a good deal for Donald Trump. But that's ok." — Donald Trump. AP photo

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