

Oxford, Sterling Bay eye opposite approaches on Michigan Avenue

By Micah Maidenberg  April 11, 2014

Chicago developers Oxford Capital Group LLC and Sterling Bay Cos. are taking opposite approaches to rising retail rents and property values on a rapidly evolving stretch of North Michigan Avenue.

At 360 N. Michigan Ave., Oxford is likely to keep the retail portion of the building, a part it once considered selling. In contrast, a block south Sterling Bay is mulling a sale of 300 N. Michigan Ave., which it has eyed for a retail-anchored redevelopment.

The three-block strip between the Chicago River on the north and Randolph Street on the south is **among the busiest** parts of the Loop, attracting a range of developers and tenants. Retail rents in the area **have nearly tripled** to as much as \$175 per square foot since 2007, and may go even higher for the best spaces.

Oxford and Sterling Bay's responses to market conditions in the area illustrate the challenge landlords face in trying to determine whether values and rents have peaked or whether there's still room to grow.

"For me, it all depends on if I have another use for the money. If I have another use, where I could utilize the money, utilize the funds, you could make more money if you sell," said Musa Tadros, president of Frankfort-based Crown Commercial Real Estate Inc. Mr. Tadros is redeveloping 168 N. Michigan Ave. into a **Hotel Indigo**.

Oxford received such strong offers from a "deep pool of local, national and international investors" interested in buying the 28,000-square-foot, two-story shop spaces in 360 N. Michigan and tenants looking to lease there that the hotel development firm will likely keep it for now, said John Rutledge, president and CEO.

The offers approached what Oxford paid for the entire building, which the firm is **converting** into a hotel, and a parcel next door that's part of the lodging project, Mr. Rutledge said.

An Oxford venture **paid \$53 million** for the property. The firm later hired New York-based Eastdil Secured LLC to try to sell the retail space, now empty except for a Corner Bakery Cafe.

"We could sell it right now for a very compelling number, for a great number. But we're quite confident we can lease it ourselves and eventually extract more value," Mr. Rutledge said.

A block south, Sterling Bay may sell 300 N. Michigan, a four-story office building a venture of the firm **acquired** last year. The developer hired the Chicago office of Cushman & Wakefield Inc. to find flagship-style tenants for as much as 43,000 square feet of retail shops at the property, according to a flier from the brokerage.

Sterling Bay Managing Principal Andy Gloor confirmed Eastdil has a listing to sell the building but declined to comment further. An Eastdil executive did not return a call.

Luke Molloy, a Cushman & Wakefield senior director who's part of the team looking for tenants at 300 N. Michigan, said the brokerage continues discussing options for the property with prospective tenants.

"There has been incredible demand for the opportunity there," he said.

The building, part of a stretch the firm is calling the "Millennium Mile," is even attracting inquiries from fashion retailers that historically haven't gone south of the river, Mr. Molloy said. The pull stems from its growing mixture

of **residents**, tourists and office workers, plus its location between the Magnificent Mile and State Street shopping areas, he said.

What do you think?

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