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Developer bails on Wicker Park retail project

By Thomas A. Corfman

(Crain's) — A developer has bailed out of a proposed retail development in Wicker Park, a once hot neighborhood that is cooling amid the slump in demand for space by trendy merchants.

A venture led by Evan Oliff has sold a site at 1372 N. Milwaukee Ave., for \$7.7 million, about 28% more than the loan on the property, according to documents filed with the Cook County Recorder's office. As a result, Mr. Oliff, president of Chicago-based Preferred Development Inc., has dropped a plan to build 30,000 square feet of street-level retail space with an 87-car parking deck on the second floor.

But the developer didn't have to go far to find a buyer. Drug store chain Walgreen Co., a tenant in the existing building, bought the property, records show.

The deal is not only a sign of how the Wicker Park retail real estate market is slowing down, but also how some well-financed tenants like Deerfield-based Walgreen are taking advantage of the slowdown by snapping up properties.

Some retailers are seizing opportunities to buy that they would have passed up a couple years ago because they didn't want to tie up the capital, says retail real estate broker John Vance of Chicago-based Stone Real Estate Corp., which wasn't involved in the sale.

"If they can buy something at a good price, and they have the cash to do it, now they'll do it because they think they are buying value," says Mr. Vance. "And in two or three years, it is going to be worth more than they are paying."

Nearly four years ago, Mr. Oliff paid \$4.4 million for the site, in a bet that demand for new retail space would stretch southward from the key intersection of Milwaukee, North and Damen avenues.

Now, Mr. Oliff says demand for retail space is "coming there, but in light of what's happening, it may be a few years off."

"I'd rather have a profit today," he adds.

Construction financing remains difficult to obtain, complicating any new project, Mr. Oliff notes. Preferred had a tentative agreement with Walgreen to lease about 9,500 square feet in the new project, he says, but the company had also expressed a desire to buy the property.

"Walgreen is trying to buy back as many inner-city sites as they can, to control their destiny," Mr. Oliff says. Preferred has a long-time relationship with Walgreen, having developed more than 50 stores for the chain.

The loan on the Milwaukee Avenue property, held by Chicago-based MB Financial Bank, in May had its maturity date extended until the sale's closing, which took place Aug. 17, records show.