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State Street property poised for makeover after \$35 million sale

By Ryan Ori

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Tishman Realty paid \$35 million for a big block of empty space on State Street and plans to find a retailer to fill it up.

New York-based Tishman and AXA Real Estate Investment Managers, a unit of Paris-based financial services firm AXA Group, bought the Amalgamated Bank headquarters at 100 and 112 S. State St. from Amalgamated, which is vacating the buildings and moving to a Loop office tower, the buyer and seller confirmed.

Now, the Tishman venture is seeking a big store to fill what will become the largest block of retail space on the Loop shopping strip. The developer is seeking a single retailer to fill up to 50,000 square feet, said Tishman Realty President David Rothenberg.

“That's certainly a large retailer, so the prospects for that site would be fewer,” said John Vance, a vice president at Chicago-based Stone Real Estate, who is not involved in the deal. “But with the position State Street has as a high street, they could attract a tenant that wants to place its flagship on State Street instead of Michigan Avenue, or in addition to Michigan Avenue. It makes leasing harder, but there's a logic to deciding to go larger there.”

Because of its central location, longtime reputation as a shopping destination and proximity to North Michigan Avenue shops, State Street is a coveted area for retailers. The sale comes amid 10.8 percent Loop retail vacancy each of the past two years, according to a Stone Real Estate report. That's the lowest level since Stone began the report in 2002.

BANK MOVING TO LASALLE STREET

The bank, which has owned and occupied the adjacent buildings since the early 1970s, will move its 185 downtown employees to 30 N. LaSalle St.—including a bank branch on the ground floor—in early September, Chairman and CEO Rob Wrobel said.

The bank decided to move in order to configure more efficient, modern office space, he said. Amid strong retail demand on State Street, the bank was receiving unsolicited offers from potential buyers, development partners and retail tenants before hiring Cushman & Wakefield, Wrobel said.

“The timing was right because State Street is about as hot as it's been since we've been here,” Wrobel said.

A large single-tenant property is one of a few options for the site, Rothenberg said. A big tenant, or a few smaller retailers, could lease space in the existing buildings, which could be reconfigured, he said. Or the

adjacent four- and five-story buildings, built in the early 1900s and comprising about 80,600 square feet of retail and office space, could be razed for a build-to-suit structure, he said.

If the property were to be built anew, it could be constructed to accommodate 200,000 square feet of additional retail, hotel, office or residential space in a second phase down the road, Rothenberg said.

Tishman already has begun talks with tenant Men's Wearhouse, whose lease expires in 2017, to determine its future, Rothenberg said. Once the bank moves out, Men's Wearhouse's 4,600 square feet on the ground floor will be the only space in use in the buildings at State and Monroe streets.

Tishman has hired Paul Bryant, principal at Oakbrook Terrace-based Mid-America Real Estate, to lease up the retail space, Rothenberg said. Upper floors could be leased to office tenants, Rothenberg said.

'WE FEEL THE MARKET IS DEEP ENOUGH'

"If someone is looking for a flagship store on State Street with 50,000 square feet, there really aren't any other options in the market," Rothenberg said. "We're looking forward to getting into the market and seeing what kind of interest we get for the space.

"Whether we find one tenant for 50,000 square feet, or two or three smaller tenants, we feel the market is deep enough."

Although it will benefit from having the largest space available space, it will test the boundaries of State Street, Vance said.

"It's going to be considered a little south on the street, but part of that is because Amalgamated was not a great retail use for the street," he said. "A lot of (retailers) didn't want to be close to Amalgamated because it broke up the retail flow."

It's similar to the void on the street that was created about a block north when Carson Pirie Scott closed its store about eight years ago. But that obstacle disappeared when Target and DSW opened stores in the building that generate good food traffic, he said.

"With Target and DSW filling that hole, that created a bridge between the north and south sides of the street," Vance said.

Tishman is best known in Chicago for developing the Westin Chicago River North and and Sheraton Chicago Hotel & Towers. More recently, it paid more than \$8.9 million for a building at 200 E. Ohio St. late last year. Rothenberg describes that Streeterville deal as a long-term hold.