

Developers see life on rundown stretch of Michigan Avenue

By Alby Gallun and Ryan Ori July 06, 2013

Michigan Avenue's dead zone is coming to life.

Developers are descending on the dreary three-block stretch south of the Chicago River, still mainly just a place tourists pass through on their way to Millennium Park or office workers go to grab lunch. Four hotels, two apartment towers and new retail space are in the works, projects that will bring more out-of-towners, residents and stores and bridge the gap between the Magnificent Mile shopping district north of the river and the park and cultural attractions to the south.

"Instead of being an orphan, it's becoming an infill site," says Jon DeVries, director of the Marshall Bennett Institute of Real Estate at Roosevelt University.

The strip soon will get a **156-room Hotel Indigo** at 168 N. Michigan Ave., currently a vacant 12-story office building. An almost one-block stretch of retail space is being added to an apartment building across the street. Around the corner, a **332-unit apartment tower** is rising at 73 E. Lake St., while another hotel conversion is planned for a vintage office building at 360 N. Michigan.

"It's not just a flash in the pan," says Musa Tadros, president of Frankfort-based Crown Commercial Real Estate & Development Inc., the developer of the planned Indigo. "Millennium Park is becoming a conduit between the river and the blocks south of there. It's been getting better, but development takes a while, unfortunately."

PANEL CONVENED

Five years ago, the stretch was so drab that civic leaders enlisted the nonprofit Urban Land Institute to **convene a two-day panel** to suggest ways to liven it up. Among other things, the panel proposed a special taxing district to pay for \$165 million in improvements and the construction of a plaza modeled after the Spanish Steps in Rome, ideas that never came to fruition.

Chain restaurants, bank branches and low-end shops are found from Wacker Drive, above, to Randolph Street.
Photos by Stephen J. Serio

Now, a rebounding real estate market may help solve the problem. Rents at high-end downtown apartment buildings **are at all-time highs**, while hotel occupancies and room rates **are approaching pre-recession levels**, trends that have made it possible for developers to land financing for new high-rises.

Millennium Park, which opened in 2004, has been the catalyst, drawing 4.5 million tourists last year, making it the city's second-biggest tourist attraction after Navy Pier. The park's popularity has changed perceptions among hoteliers who previously never would have considered opening a hotel south of the river. Adding to the momentum is the residential renaissance underway in the Loop.

The Hard Rock Hotel, at 230 N. Michigan Ave., has acted as anchor for the strip since its opening in 2004. The area took a step forward on the restaurant front in 2009, when Sweetwater Tavern & Grille moved in across the street, replacing a Bennigan's.

Yet chain restaurants, bank branches and low-end shops still occupy much of the retail space from Wacker Drive to Randolph Street. And the strip feels like a canyon in places, surrounded by tall, dark buildings, creating a challenge for developers of new high-rises.

'MORE INVITING'

The area "calls for new buildings to be lighter and glassy so that whole stretch can be a more inviting pedestrian experience," says Thomas Kerwin, principal at BKL Architecture LLC, a Chicago-based firm that is designing an

apartment building at 200 N. Michigan Ave. for John Buck Co.

Chicago-based Buck, which is clearing tenants out of the six-story building to make way for the tower, hasn't received city approval or financing for its planned high-rise. Nor has Oxford Capital Group LLC, the Chicago-based developer that plans to convert the former Crain Communications building at 360 N. Michigan to a hotel. Executives at Buck did not respond to requests for comment; those at Oxford decline to comment.

See a map of planned projects along the Mag Mile-and-a-half

Chicago-based Sterling Bay Cos. is another developer contemplating a project in the area. It recently **took control of a low-rise building** at 300 N. Michigan, home to a Walgreens drugstore. The firm has talked with hotel groups and new retailers but is considering renewing leases with tenants, Managing Principal Andy Gloor says.

Retail rents along the stretch already have jumped to as high as \$120 a square foot, up from \$40 to \$60 before Millennium Park opened, estimates David Stone, principal of Chicago-based Stone Real Estate Corp. Landlords that aim to capitalize on the area's growing retail appeal include the Wirtz family, which has launched a major renovation of the office and store space in the art deco tower at 333 N. Michigan.

Yet Mr. Stone doubts the area will attract many apparel retailers like those that populate the Mag Mile or State Street, saying they prefer to cluster in proven locations.

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