

West Loop office building sells for less than its debt

By: Frank Kalman July 07, 2011

(Crain's) — A Michigan-based investment firm bought an 83-year-old West Loop office building for less than the debt on it, a sign of the times in a recovering but still weak office market.

An affiliate of Farbman Group paid \$13 million for the nearly 200,000-square-foot property at 205 W. Randolph St. last week, according to a person familiar with the transaction.

That's 21% less than the \$16.5 million the sellers, Chicago lawyers Joseph S. Messer and Thomas R. Stilp, borrowed against the 23-story building, county property records show. The price is also 37% less than the \$20.6 million the sellers paid for the property back in 2005.

The purchase marks the third Loop office acquisition for Farbman, which bought the former Bell Federal Savings & Loan building at 79 W. Monroe St. in December and also owns 216 W. Jackson Blvd.

"We really feel bullish on this specific location," says Andy Farbman, president and CEO of the Southfield, Mich.-based firm. Farbman is going to give the building "some tender loving care."

Mr. Farbman, whose firm manages 25 million square feet of real estate across the Midwest, declines to confirm the purchase price.

The low price reflects the continued split in the office market between blue-chip office towers, which have soared in value since the depths of the financial crisis, and Class C properties like 205 W. Randolph, many of which have yet to recover fully from the crash.

205 W. Randolph is 87% leased, according to real estate data provider CoStar Group Inc. Office tenants include test-prep firm Kaplan Inc., while retail tenants include Dunkin Donuts, Baskin Robbins and submarine sandwich shop Jersey Mike's.

The previous owners had started renovating the building, spending about \$3 million to modernize its elevators and repair its roof. But they were unable to refinance the property after the credit crisis, says Mr. Stilp, a founding partner in law firm Messer & Stilp Ltd. The \$16.5-million loan from PNC Bank N.A. matured in January, and Messrs. Stilp and Messer put the property up for sale.

"Everybody that we worked with was satisfied with the sale," Mr. Stilp says. "It's a great location. He (Mr. Farbman) hit a home run when he bought it."

A spokesman with Pittsburgh-based PNC did not return a message requesting comment

