

## JP Morgan to Fund Developments in Chicago

A Chicago developer planning a series of redevelopment projects in the city's Near West Side has lined up **J.P. Morgan Asset Management** as its investment partner.

**Sterling Bay** has invested about \$100 million over the last year buying 25 properties in the up-and-coming Fulton Market neighborhood, just outside the West Loop. It plans to spend some \$750 million to redevelop the properties, creating office space for high-tech tenants, shops, restaurants and a hotel.

J.P. Morgan, acting via its Special Situation Property Fund, will supply a majority of the equity for the projects, which represent Sterling Bay's entire portfolio. The two companies plan to co-invest in additional projects going forward.

"Partnering with an investor of J.P. Morgan's caliber provides Sterling Bay with increased credibility and capacity in the marketplace as we continue to build the company," said **John Gavin**, a principal at the Chicago shop.

One of the Fulton Market projects is already under way. Sterling Bay is converting the former Fulton Market Cold Storage building at 1000 West Fulton Street into 535,000 square feet of loft-style office and retail space. **Google** already has signed on as a tenant.

The developer also recently purchased **Oprah Winfrey's Harpo Productions** campus, paying \$30.5 million for 170,000 sf of studio and office space in four buildings at North Carpenter Street and West Washington Boulevard. Harpo is leasing back some of the space for two years. Sterling Bay plans to eventually redevelop the largest parcel into a 600,000-sf complex of mostly office space.

The two-decade-old company is led by founding principal **Scott Goodman** and **Andy Gloor**, a managing principal. Until recently, it focused on deals of less than \$25 million. Gavin, a veteran Chicago broker, was brought on in 2011 with the aim of teaming up with institutional investors to pursue larger deals.

The agreement with J.P. Morgan is the company's first such initiative. In the meantime, it has been making acquisitions via a \$100 million vehicle called SBC Capital Partners, with equity raised from wealthy investors and family offices. Sterling Bay, which can reinvest harvested capital, will continue to operate



that fully discretionary fund as it co-invests with J.P. Morgan.

The firm has had success with its strategy of buying up older Chicago properties, renovating them and leasing them up. Along with Google, its projects have attracted other tech companies such as **GoGo**, **Twitter** and **Uber**.

In one turnaround project, the shop purchased a mostly vacant, 230,000-sf building at 400 South Jefferson Street in the West Loop in 2012 for \$10 million. After preleasing most of the space to **Hillshire Farms**, it conducted a gut renovation of the 60-year old structure. It sold the property in May 2013 for \$98 million to **Cole Real Estate** of Phoenix. ❖