Chicago Condo Project Shopped

An abandoned condo project on Chicago's Lake Shore Drive is being pitched to investors willing to kick in rescue equity or buy the property outright.

The 94-unit luxury high-rise, called Motor Way Condominiums, went into receivership over the summer after the senior lender, **IndyMac Bank,** began foreclosure proceedings. A judge appointed San Diego-based **Trigild** as receiver for the property. IndyMac itself went bust in July and is under **FDIC** conservatorship.

Trigild is looking for a buyer or for additional equity to fund the remaining work. The 10-story tower, at 2301 South Michigan Avenue, is awaiting some exterior work, as well as most of the interior construction.

IndyMac holds a $15 million senior loan on the project, which was started in 2007 by Chicago-based **Rokas International.** The developer, which had built several luxury condos in Chicago, soon ran into trouble as the condo market stalled and credit markets froze. Rokas has been sued by several contractors and has abandoned Motor Way Condominiums and at least one other project, according to local reports.

Although IndyMac could ultimately take possession of the property through foreclosure, market players expect the project will ultimately be sold at a discount to the loan amount.

Trigild, which manages distressed assets in receivership, is currently shopping more than 400 properties for 40 lenders that have begun foreclosure proceedings against property owners and developers.

For more information on the Chicago project, call **Jason Hull** of Trigild at 858-720-6701. ❖

Square Mile to Surpass Equity Goal

Square Mile Capital is poised to exceed the $850 million equity goal for its third high-yield-debt fund.

The New York shop is already approaching that target, and more institutional backers are expected to come on board in the next few weeks, investors said. The marketing campaign is slated to last until March 31, although the fund could close earlier if it hits the $1.2 billion equity ceiling. The fund operator declined to comment.

The vehicle, Square Mile Partners 3, has attracted investors partly because it won't use leverage. As a result, the fund would carry less risk and wouldn't be subject to margin calls.

Raising equity has become more difficult in general since stock prices started tumbling in September. As their portfolios lose value, investors are reluctant to move money into real estate opportunities or lack the resources to do so. Nearly 50 funds have been canceled, delayed or downsized this year, mostly over the last three months. Of those, 14 were high-yield-debt vehicles.

Square Mile's fund seeks a 15%-plus return. When marketing began early this year, the firm suggested that two-thirds of the vehicle's equity would be earmarked for debt plays and the rest would be invested in stabilized or transitional properties. Investors said only a nominal amount of the fund has been invested so far.

In light of eroding property values and continuing distress in the financial markets, Square Mile has shifted its vehicle's primary focus to preferred-equity investments, the acquisition of distressed debt, and the acquisition or origination of bridge and mezzanine loans. A small portion of the fund will be used to provide "rescue equity" for distressed property owners seeking to recapitalize assets.

Square Mile was launched in 2006 by **Jeffrey Citrin,** who co-founded **Blackacre Capital's** real estate group. He heads the company with **Craig Solomon,** a former partner at New York law firm **Solomon & Weinberg.**

Their initial vehicle, Square Mile Partners 1, raised $125 million of equity from friends and family. It's considered to be "evergreen," meaning that Square Mile can reinvest proceeds from property sales indefinitely. Square Mile Partners 2 closed last November with $561 million of equity from institutional investors. It was soon fully invested, enabling its operator to proceed quickly in setting up its third fund. ❖

Student-Housing Venture Formed

Fund operator **Harrison Street Real Estate Capital** is teaming up with a developer to build off-campus housing.

The joint venture with **Campus Crest Communities** of Charlotte will have $220 million of investment power. The vehicle's equity capitalization is unclear, but it would be between $44 million and $66 million if, as expected, leverage of 70-80% is employed. Harrison Street's $430 million Real Estate Partners Fund 2 is putting up most of the equity.

The dorms, to be built near 10 universities in seven states, will have an average of 500 beds. Construction has begun on three properties, and work on the others will begin in phases by the fall of 2010. Campus Crest will manage the properties.

Chicago-based Harrison Street plans to sell its stakes in three to five years, but could wait if market conditions are unfavorable. Real Estate Partners Fund 2, a niche vehicle that closed in July, seeks a return of about 18%.

The joint venture is targeting 10 universities that are projected to grow: **Austin Peay State University** in Clarksville, Tenn.; the **University of Central Arkansas** in Conway, Ark.; **Georgia Southern University** in Statesboro, Ga.; **Sam Houston State University** in Huntsville, Texas; **Texas State University** in San Marcos, Texas; **Angelo State University** in San Angelo, Texas; **University of Kansas** in Lawrence, Kan.; **University of Idaho** in Moscow, Idaho; **University of Nevada-Reno** in Reno, Nev.; and **California State University-Stanislaus** in Turlock, Calif.

Harrison Street's fund targets niche properties, including student housing, medical offices and storage facilities. Founder **Christopher Merrill** expects those markets to remain relatively steady during the economic downturn.

With leverage, the fund has $1.6 billion of buying power. It recently paid more than $100 million for 19 storage facilities in Illinois, Nevada, Ohio, Florida and Rhode Island. ❖