

# The Market

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Firm negotiating to buy 3 downtown buildings From the Crain's Chicago Business Newsroom  
By Thomas A. Corfman

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Apollo Real Estate Advisors L.P. is in negotiations to buy three downtown office buildings, including the Sears' State Street store, for more than \$200 million from New York real estate investor Joseph Chetrit, sources close to the discussions say. Included in the sale would be 1 N. LaSalle St.; 1 N. Dearborn St., where the Sears store has an address of 2 N. State St., and 360 N. Michigan Ave., where the largest tenant is Crain's parent Crain Communications Inc., those sources say. Should the talks between Apollo and Mr. Chetrit break down, the 1.6-million-square-foot portfolio is likely to be put in play.

Meyer Chetrit, Mr. Chetrit's brother who last year handled a 2006 refinancing of the properties, could not be reached for comment. Bill Stevenson, a vice-president with Apollo's Value Enhancement Fund who is in charge of Midwest acquisitions, also could not be reached. The current negotiations were triggered by an unsolicited bid for the properties, sources say. Such offers have long been an accepted real estate strategy, but they are becoming more common in the current highly competitive market for large downtown assets, observers say. "Investors are trying to pre-empt the process before a property goes to market, because when it goes to the market, the price gets driven up," says Donald Shapiro, CEO of Rosemont-based Foresite Realty Partners LLC, which isn't involved in the deal. "But if the right group puts an amount of money in front of him that turns his head, (Mr. Chetrit) may be convinced to sell." The exact price under negotiation could not be determined, but last year the properties together were appraised at \$216 million.

Related story: Owner refinances 3 downtown buildings with \$165-million loan Mr. Chetrit, of New York-based Chetrit Group LLC, paid a reported \$118 million when he bought them five years ago. Built between 1905 and 1929, but renovated seven years ago, the buildings were once controlled by another New York real estate mogul, Harry Helmsley. Although the properties have a solid core of tenants under long-term leases, the combined vacancy rate is 19.4%, according to real estate research firm CoStar Group Inc.