

Renovation Brings New Vigor to Chicago's LaSalle Street

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By Robert Sharoff



For most of the last century, a seven-block stretch of LaSalle Street, in the central business district known as the Loop, has served as the heart of this city's financial community.

The north end of the street is dominated by City Hall and the flying-saucer-like James R. Thompson Center; the south features the headquarters of the Federal Reserve Bank of Chicago and the Chicago Board of Trade.

"LaSalle is Chicago's Wall Street," said Tim Samuelson, the city's cultural historian. "It's the one street downtown where tall, imposingly designed buildings create the kind of canyon effect you find in New York and other cities."

This summer, the street has a prominent role in "The Dark Knight," the latest installment of the Batman movie franchise. Much of the film, including a fateful early encounter between the main character and his nemesis, the Joker, was filmed in and around a cluster of massive neo-Classical office buildings, from the 1920s and earlier, at the south end of the street.

Over the last two decades, however, LaSalle has lost ground to Wacker Drive, a broad boulevard that intersects LaSalle at the north end and then — following a bend in the Chicago River — curves around and eventually runs parallel to LaSalle to the west.

Since 2001, three new stainless steel office towers have gone up on Wacker and a fourth is under way. By contrast, there has been almost no new construction on LaSalle in well over a decade.

But several new projects suggest that LaSalle is ripe for redevelopment. They also reflect the reality that LaSalle's future lies more in renovation and readaptation than in new construction.

"There's a lot of large landmark buildings on LaSalle," said John O'Donnell, president and chief operating officer of the John Buck Company, a large developer with interests on both LaSalle and Wacker Drive. "A number of them were built around light courts, which was common in the days before air-conditioning but which is generally regarded as an inefficient floorplate today. You can't knock these buildings down, but figuring out how to use them can be tough."

The developments consist of two conversions of older office properties to new uses, as well as the renovation of a historic trading floor at the Chicago Board of Trade.

The largest project is the conversion of a 975,000-square-foot former bank building at the corner of LaSalle and Adams Streets into a mixed-use complex with office and retail space as well as a 610-room J. W. Marriott Hotel. The developer is Michael Reschke of Prime Group and the architect is Lucien Lagrange Architects, both of Chicago.

The project, which is expected to cost \$396 million, broke ground this spring and is scheduled to open in 2010.

Mr. Reschke acquired the building, which was completed in 1914 for the Continental and Commercial National Bank, in 2005. At the time, it was considered a Class B office property with falling occupancy levels.

Mr. Reschke initially planned to renovate all of the office space to up-to-date Class A condition but then rethought the plan after noting the success of a W Hotel just off LaSalle Street in 2000. "We realized the building would make a great hotel," he said. "The large floorplates — 68,000 square feet on the lower levels — as well as the column-free banking hall at the center of

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the building give us a lot of flexibility in terms of creating rooms and public spaces.”

In the future, the hotel will occupy the first 12 floors of the 21-story building while the upper floors will remain office space. The first floor will also have 18,000 square feet of retail space.

The hotel will include two large ballrooms carved out of what was formerly a three-story barrel-vaulted banking hall in the center of the building as well as meeting space and a luxury spa.

In addition, a new main entrance with a striking three-story lobby will be created around the corner on Adams Street.

J. W. is Marriott's top-tier luxury brand and is aimed at elite business and convention travelers. “This is a pure business play for us,” said Don Semmler, executive vice president of full service brand management and operations at Marriott. “The Federal Reserve is next door and the Chicago Board of Trade is a block away. We think a high-end luxury business hotel is perfect for this neighborhood.”

A second conversion project is under way at the corner of LaSalle and Wacker Drive where Cape Horn Development, a Miami-based firm, is converting a vintage 420,000-square-foot office building into office condominiums, in which spaces are owned outright rather than leased.

“We want to bring small to medium-size companies downtown,” said Eduardo Romero, a principal with Cape Horn.

In preparation for the conversion, Cape Horn has invested about \$5 million in improving the facade and interior public spaces.

The building, which is known as the LaSalle

Wacker Building, was built in 1929. When Cape Horn acquired it in 2006, it was 92 percent leased to a variety of tenants. Mr. Romero expects 30 to 40 percent of the current tenants to purchase their spaces, which range in size from 500 square feet to 20,000 square feet. Prices go from \$220 a square foot to \$330 a square foot.

Office condominiums have had a mixed reception in downtown Chicago in recent years. Mr. Romero, however, thinks the building's location will be a key selling point.

“In Chicago, everyone wants to be either on LaSalle or Wacker Drive and everyone wants a view of the river,” he said. “With this building, you can have all of that and also own your own space.”

The Chicago Board Trade, at the corner of LaSalle and Jackson Boulevard, has dominated the street and the neighborhood for well over a century and is generally considered LaSalle's economic keystone.

For years, C.B.O.T.'s chief rival was the Chicago Mercantile Exchange, which occupied a leased complex on Wacker Drive. Last summer, however, the two exchanges merged and agreed to consolidate all open trading operations on LaSalle Street.

This involved closing the mercantile exchange's 70,000-square-foot trading floor on Wacker Drive and renovating one of the C.B.O.T.'s two trading floors to accommodate the influx of new traders and products. (The combined company — known as CME Group — continues to lease significant amounts of office space on both Wacker Drive and in a third building in the West Loop neighborhood.)

The project, which was completed at the end

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of May, added several new trading pits and upgraded the trading floor's computer and electronic infrastructure. The 60,000-square-foot floor now accommodates about 3,000 traders and support personnel, who generate up to two million contracts a day for various financial and livestock futures. Terrence A. Duffy, executive chairman of CME Group, declined to reveal the cost of the renovation.

At 1.5 million square feet, the C.B.O.T. building is one of the largest on the street. CME Group occupies about 385,000 square feet of that total. The rest is rented out to various tenants. In the last year, overall occupancy in the building has jumped from 84 percent to 96 percent.

The fact that rents on LaSalle tend to be less than on Wacker is a plus. "LaSalle is one of the most densely built streets in Chicago, but the newest building of any size has floorplates that are 25 to 30 percent smaller than what most people consider desirable today," said John Goodman, executive vice president and regional manager of Studley, a national tenant representative firm with offices here. "Still, downtown Chicago is not so massive geographically that firms won't go where the bargains are."