

# Bouncing Back

Chicago's rental market is on the upswing

A developer of high-end rental apartment buildings, M&R Development was founded in 1996. Since that time, the company has earned a reputation for developing a wide range of buildings, from garden to mid-rise and even urban high-rise—totaling more than 3,400 units, each with M&R's distinctive eye for quality.

The largest developer of suburban rental properties in greater Chicago, M&R brought innovation to Midwest apartment living. It was among the first to adopt expansive fitness areas, business centers, movie rooms, cyber cafés and on-site full-service spas. M&R has become synonymous with luxury apartment living.

M&R is one of several affiliated companies owned by Tom Moran and Tony Rossi, which includes RMK Restoration, RMK Management, and Moran and Company—each focusing on different aspects of apartment rental communities.

M&R's job is development and seeks to restore the past, manage the present and develop the future.

"In Moran and Company Tom does the brokerage and all its attendant offices, and I'm responsible for the management, development and renovation companies," says Rossi. "We know our field very well, in the suburbs and in Chicago itself, including projects in the River North neighborhood."

M&R's approach is a cautious one. "We don't just go out and buy land. We don't take possession of land until we have a project that is fully entitled in its respective jurisdiction," says Rossi. "We're not going to set records in terms of volume. It's difficult to build in this area with the entitlement process taking so long. That said, we'll only get involved in one or two projects at the same time because it gives us an ability to keep better control and keeps us from tying up land all over the place."

It's a serious approach to business development; once involved, M&R will stick with a project's development for years. This is partly due to the fact that M&R puts up its own capital so there are no third parties to answer to. "When we're ready to build, we'll seek the partners we need at that stage," says Rossi. "We don't have anybody pushing us to do more deals each year or even a minimum number. We do what we think is necessary economically."

**M&R Development**  
Tony Rossi | President

Location: Itasca, Illinois



Parc Huron



“The mix of businesses has helped us balance our way through changes in the economy. We’ve probably missed some opportunities—like during the condo boom—but the reality is that we’ve missed some of the downturns, too, by not being spread too thin.”



It’s a set-up that has served M&R and its affiliated companies well. Indeed, the companies themselves feed off each other, and one will pick up when the other is down. If development is stagnant then the focus turns more intensely to the management and rehabilitation businesses.

“The mix of businesses has helped us balance our way through changes in the economy. We’ve probably missed some opportunities—like during the condo boom—but the reality is that we’ve missed some of the downturns, too, by not being spread too thin,” says Rossi. “When you’re tying up your own money in development you tend to be more cautious than if you’re playing with somebody else’s money.”

While many see this as a particularly challenging time in real estate development, M&R is taking a pragmatic approach. The challenge is the same as it has always been—making the numbers work.

“We’ve been doing this since the early 1970s and it seems the numbers have never worked,” says Rossi. “There was never a golden era where you could get a site, add up all your construction and development costs, and then say, ‘Wow, I can rent this building for more than it cost me to build it and so it makes perfect sense.’ It’s always been a struggle but the issue today is that financing is a terrible problem. It’s proving to be the most difficult part of the business.”

Ultimately, banks are not interested in taking on deals of more than \$20 million as the sole lender. Developers must put together a syndicate and negotiate to the most conservative lender in the group.

### PARC HURON

Despite the challenges, M&R has just finished Parc Huron in River North in Chicago's Near North Side. It's a 21-story high-rise apartment in the midst of a residential area.

The building features condominium-quality one-, two- and three-bedroom units with parking. Its ideal location means that it's close to everything—shopping, dining, nightlife and all that being in the heart of the city offers.

Parc Huron has 221 units, with four floors of parking at its base. It has a 14,000-square-foot park and a fifth-floor landscaped green roof that provides spectacular city views.

Building amenities are plentiful and include a cyber café and lounge, an outdoor terrace with a barbecue park for resident use, and a theater room. It also features an upscale fitness center, a wine room and Parc Huron's own spa with steam room, sauna and pool.

Interiors are top notch and boast 9.5- and 10.5-foot ceilings, private balconies, hardwood floors, and granite baths and kitchens.

"We have been notified that we have enough points to reach LEED Gold certification," says Rossi. "As far as I know, this is Chicago's first Gold-certified rental building."

M&R believe that the initial investment to achieve LEED certification pays off in the long run—both with a savings in the HVAC system and in being a better-quality building.

"We had our eye on this site for some time. It was going to be a condominium when the property was owned by Lennar. We approached them when we saw the condo market slowing down, but at the time they were not interested," says Rossi. "But as condo market conditions began to deteriorate we were able to strike a deal that made this a great choice for us as a rental building."

Despite the great market indicators it was a difficult project to finance. "We were able to put two lenders together to finance it and we also have an equity partner—JPMorgan Pension Fund Advisors," says Rossi. "We started construction in January 2009 and I think it's the last Chicago high-rise that started construction." The previous owner had not begun construction—they had a plan that M&R purchased along with the property, but adjustments had to be made given that it was being built for renters, not owners.

Happily, the rental market is bouncing back at a surprisingly good rate. "We're ahead of our rental projects," says Rossi. "When I look at the residents signing leases there I think most of these people would have bought a condo two to three years ago. Five years ago they would have purchased with the intention of flipping out of it but now they know it's not that easy to do. You could lose money. So when you have people who are in need of some level of flexibility, renting makes a lot of sense."

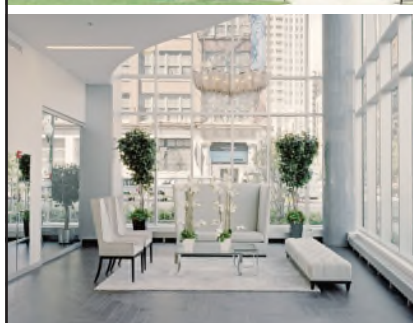
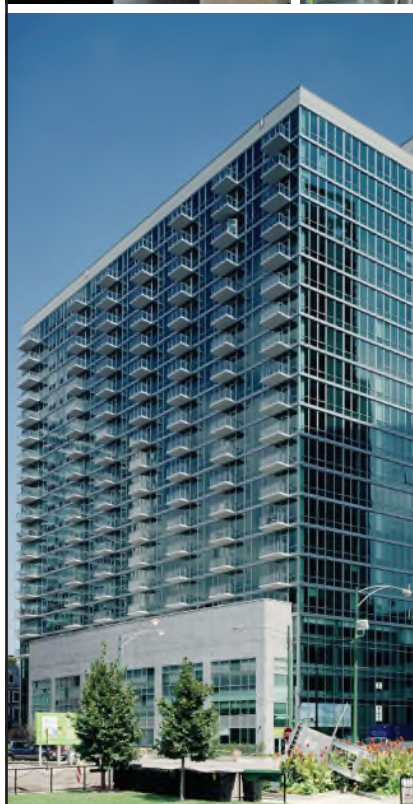
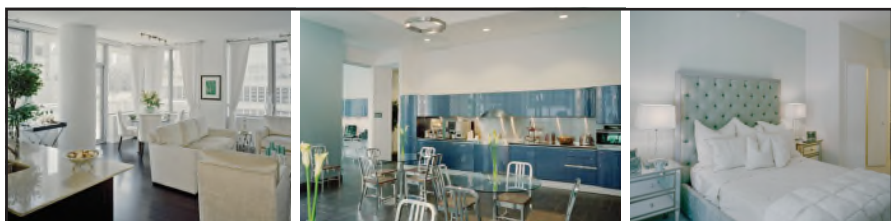
M&R has been fortunate. Prices were coming down despite lending drying up. Costs were lower than initially projected. The most experienced

people were on the job—there was no slowing down to train trades as they went along. The only real challenge was that supplies were kept at lower levels so just-in-time delivery was a little tricky.

Parc Huron continues M&R's long history of providing the best communities to renters—and always striving to deliver well beyond the resident's expectations. With a green project that is well ahead of expectations, M&R is leading the real estate recovery. **DDC**

### WALSH CONSTRUCTION

Congratulations to M&R Development on the successful completion of the Parc Huron project. Walsh Construction is proud to be the builder of the LEED Gold-certified Parc Huron and proud to be part of the M&R Development team. It truly has been our pleasure to work closely with a dedicated and talented team of individuals for the past nearly two years. Through teamwork and collaboration, we successfully completed this project that will not only have a lasting impact on the neighborhood, but also the Chicago skyline. We look forward to the next project we can collaborate on with the M&R Development team. Walsh Construction is a family-owned and operated company that has been in Chicago for over 100 years.



## Walsh Construction

A DIVISION OF The Walsh Group

GENERAL CONTRACTING  
CONSTRUCTION MANAGEMENT  
DESIGN BUILD

*Congratulations to  
M&R Development  
on the successful completion  
of the Parc Huron project!*



929 West Adams Street  
Chicago, Illinois 60607  
312.563.5400  
www.walshgroup.com