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Oprah cuts her last commercial ties to Chicago

By Ryan Ori March 17, 2014

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Oprah Winfrey, who put an obscure stretch of the Near West Side on the map when she moved her television show there in 1990, is set to sell Harpo Studios for around \$32 million to a Chicago developer making its own dramatic imprint on the neighborhood.

After a bidding war that enticed investors from as far away as China, Ms. Winfrey's Harpo Inc. has agreed to sell the four-building campus to Sterling Bay Cos.

For Ms. Winfrey, selling off the last of her commercial real estate represents a final step out of Chicago, which she left almost three years ago to form Oprah Winfrey Network in Los Angeles.

"We have entered into a purchasing agreement with Sterling Bay for the four-building Harpo Studios campus in Chicago's West Loop," a spokeswoman for Harpo, which has more than 200 employees in Chicago, confirms in a statement. "We expect the transaction to be closed in 30 days. The property will be leased back to Harpo for two years and the studio will continue to produce programming for OWN."

The leaseback term is shorter than the three-year deal Harpo initially sought last fall when it hired broker Stephen Livaditis, a senior managing director at New York-based Eastdil Secured LLC, to **explore options** for the campus, including a sale, say sources familiar with the deal. Sterling Bay Managing Principal Andy Gloor declines to comment.

While Ms. Winfrey cuts her last remaining business ties to Chicago, she still has a **9,625-square-foot condominium in Water Tower Place** listed for sale at \$7.75 million. Sterling Bay, on the other hand, is gobbling up real estate in the longtime meatpacking district, which in recent years has become a destination for foodies and is bracing for a wave of office, hotel, retail and apartment development.

See a map of Sterling Bay's projects in and around the Fulton Market area

Its most notable deal in the area has been a **commitment** from Mountain View, Calif.-based Google Inc. to lease more than a quarter-million square feet of office space in the 10-story former Fulton Market Cold Storage building on West Fulton Market, about two blocks north of the Harpo campus.

Other technology tenants that have signed leases with Sterling Bay include **Gogo Inc.**, **Twitter Inc.**, **Uber Technologies Inc.**, GoHealth LLC and Braintree Inc. The developer is fast becoming synonymous with the neighborhood, much like real estate investor Albert Friedman became known as the "mayor of River North." "They've both really dominated a particular part of town," says Chicago developer Daniel McCaffery, whose projects include the Children's Memorial Hospital redevelopment in Lincoln Park and the Roosevelt Collection in the South Loop.

But while Mr. Friedman acquired and developed in his pocket of the city for more than four

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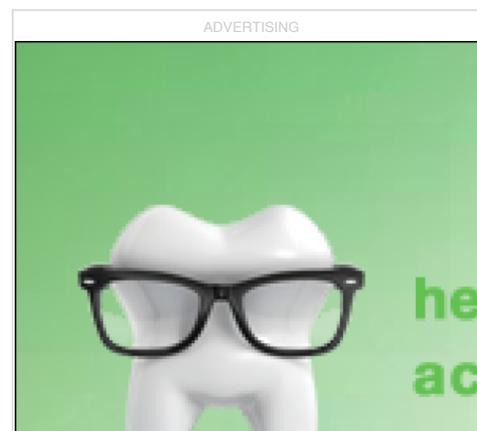
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MARCH 17, 2014

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decades, long before River North was a hot spot for dining, nightlife and technology startups, Sterling Bay **has bought up** much of the Fulton Market area in just over two years.

Heavy geographic specialization brings extra risk but creates the type of expertise that a far-flung portfolio lacks, Mr. McCaffery says.

“The two things that are dangerous in real estate are a heavy concentration or no concentration,” he says.

“I don't know where you exceed the balance, but these guys know the marketplace over there. They can smell how quickly they're getting the phone calls.”

The 3.5-acre Harpo campus includes more than 170,000 square feet of office and production space with addresses on Washington Boulevard and Carpenter, May and Aberdeen streets.

“If they're going to work their strategy to its obvious conclusion, which is really controlling that part of the West Loop, it required owning those pieces,” says Harry Huzenis, principal at Chicago-based JRG Capital Partners, which also bid on the property.

“When you control that much inventory, you're going to see every tenant that wants to be out there,” he says. “They're going to have a shot at every deal and have a size for every tenant.”

The eventual redevelopment could include some combination of office, restaurant, retail, apartment and hotel elements. It could be “a game-changer in what is already a really active market,” says apartment developer Steve Fifield, whose Chicago-based firm also bid on the campus.

Portions of the property could maintain their current use as TV studios and editing rooms. Besides Harpo, two digital sports networks backed by White Sox offshoot Silver Chalice Ventures—**120 Sports** and **Campus Insiders**—have office and studio space in the complex.

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