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By [Eddie Baeb](#)

Investors tackle failed Wilmette condos

(Crain's) — A former head of operations for Zeller Realty Group and a longtime finance executive with Sears Roebuck & Co. are cutting their teeth as vulture investors by taking over a failed senior condominium project in Wilmette.



[Reuben Warshawsky](#), left, and [David E. Rosen](#)

Unlike many others looking to capitalize on the real estate market's collapse, the two men, Reuben Warshawsky and David E. Rosen, managed to buy a property just months after teaming up. The two brought in an Oregon-based private-equity firm, Aspen Capital Funding, to buy the distressed loan on Mallinckrodt in the Park last fall in a blind, online auction.

Messrs. Warshawsky, 49, and Rosen, 45, have since righted the cash-strapped condo association and have been paying off back taxes and contractor liens against the property, a five-story, 1918 Italian Renaissance building at 1041 Ridge Road that was originally a convent and college.

The project was hit with a \$19-million foreclosure lawsuit in December 2008 by Milwaukee-based M&I Marshall & Ilsley Bank, as just more than half of the 81 units had been sold since the main construction loan was issued in August 2005.

With prices now slashed on average 35% from pre-bust levels, the two have already sold one of the 33 units they bought while another is under contract. Mr. Warshawsky, former chief operating officer with Zeller, a Chicago-based office building owner who before that was a lawyer with Neal Gerber & Eisenberg LLP, says the project is on track.

But even at discounted prices, local real estate agents say Mallinckrodt is likely to remain a tough sell because of the morose housing market and Mallinckrodt's isolated location compared with other condos targeting seniors that are in North Shore downtowns or along the lakefront.

"It's going to take some really well thought out marketing to get those units moved in a timely manner," says Peter Cummins, a North Shore agent with @Properties. "It's lost whatever cachet it might have had. And now, with the discounting, there's a perception they're cheapening it up."

Mr. Warshawsky acknowledges the location is a challenge, but is confident the building's park setting, unique layouts and upscale finishes — along with the discounts — will attract buyers.

"If you have to have a lake view, we can't give you that," Mr. Warshawsky says. "But we believe what we have is superior to any other product in the Wilmette-Winnetka area."

Messrs. Warshawsky and Rosen first toured the property in July after seeing that the loan was up for sale. The two men, who both had children at north suburban Solomon Schechter Day School, were introduced in May by a mutual friend. They hit it off and decided to tour the Mallinckrodt together.

The two pitched a deal to about 40 potential investors before striking a deal with Beaverton, Ore.-based Aspen, a firm they found through a local investor they wouldn't identify.

Aspen announced in October that it had acquired the loan, which had a balance of \$17 million, for an undisclosed price. Aspen executives couldn't be reached for comment.

After several visits to the property and more due diligence with Aspen, Mr. Warshawsky submitted the bid in September and was notified the next day that they were the winner.

Messrs. Warshawsky and Rosen took title to the property in October, forming a venture called Mallinckrodt Renaissance LLC that also includes Jeff Pickus, who was part of the former development group. Mr. Warshawsky says a Pickus family partnership has a minority stake. Mr. Pickus didn't return a call.

A native of Allentown, Pa., Mr. Warshawsky received both his undergraduate and law degrees from the University of Pennsylvania. He now resides in Deerfield with his wife and two teenage sons.

He left Zeller after almost six years in 2008, and then spent a year at a startup that specializes in land with environmental issues before founding his own firm, Chord Realty Group LLC, in August last year.

Mr. Rosen grew up outside Milwaukee and worked at Sears for about a dozen years after receiving his MBA at the University of Chicago in 1991. His last position at Sears was head of finance for the now-defunct Great Indoors stores, and he left in 2003 for a boutique investment banking firm, Jacksonville, Fla.-based Michael P. Kahn & Associates Inc., which works with homebuilders.

Mr. Rosen started his own firm, Long Grove Capital, in September 2007 doing similar work.

"I've been consulting homebuilders and helping them stave off financial distress — the best I can," says Mr. Rosen, who now lives in Long Grove with his wife and three daughters.

The two men say they haven't considered combining firms, but are actively pursuing more investments together.

They seem a good pair to directors of the Mallinckrodt Condominium Assn., says board President Carole Casey. The two made a good impression by showing up to their first board meeting with money — more than the board expected, Ms. Casey says — to help restore the association's depleted reserves.

"They came bearing gifts. They came with checks to give us," says Ms. Casey, who bought at the Mallinckrodt in 2007. "So how could you not love them?"