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MARKETS | PROPERTY REPORT

Now for Sale in Chicago: Prime Catholic Church Real Estate

Experts estimate site near Windy City's Holy Name Cathedral could be worth \$100 million



Priests arrive at the Holy Name Cathedral for mass. PHOTO: KAMIL KRZACZYNSKI/EUROPEAN PRESSPHOTO AGENCY

By **PETER GRANT**

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The Catholic Archdiocese of Chicago has tapped an adviser to sell the sprawling lot across the street from its 140-year-old Holy Name Cathedral, in the latest sign of a religious institution selling prime real estate in response to hot property markets.

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Archdiocese has hired Eastdil Secured LLC to market the site, which takes up most of a block, according to Betsy Bohlen, the former McKinsey & Co. partner who became the Archdiocese's chief operating officer last year. She declined to put a value on the property, but experts say it is worth as much as \$100 million.

Ms. Bohlen said Eastdil would be exploring options including an outright sale of the property and a long-term lease. "There's been an interest in this property for decades," she said in an interview. "Given the strength of the market and increased development in downtown Chicago, we decided to take a hard look at developing the property now."

Chicago's real-estate market has enjoyed a flurry of development thanks in part to an increase in demand for apartments in the city. According to the city Building Department, there are currently 23 tower cranes operating on construction sites, four more than last year and 13 more than in 2011.

Last week, Mayor Rahm Emanuel announced that developer 601W Cos. has closed its purchase of Chicago's old Post Office building, part of a \$500 million redevelopment

The

plan for that long-vacant structure in the West Loop.

At the same time, the move by the Archdiocese to sell the 90,000-square-foot site near the city's Gold Coast historic district comes as many religious organizations are taking fresh, and more businesslike, approaches to their real estate.

"As chief operating officer of the Archdiocese with a business background, there's no doubt my job is to focus on how we make sure we're the best steward of our assets," Ms. Bohlen said.

Religious groups are re-examining their uses of real estate in part because attendance at houses of worship has been shrinking in some areas. In 2014, about 54 million Americans older than 14 years old—or 21% of that population—attended church on an average Sunday, according to the U.S. Labor Department's American Time Use Survey. That's down from 24% of the population—or about 57 million people—in 2003.

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—Betsy Bohlen

The trend has been particularly dramatic in many Northeast and Midwest cities that have lost population or where demographic shifts have resulted in smaller congregations for some denominations.

For example, many of the parishioners who used to support New York's Episcopal and Presbyterian churches moved to other parts of the country over the decades, according to Barry Kosmin, professor at the Institute for the study of Secularism in Society and Culture at Trinity College.

Meanwhile, "in parts of the South they're still building churches," Mr. Kosmin pointed out.

In cities where congregations are shrinking, religious organizations are closing, selling and redeveloping churches and other houses of worship as well as educational buildings and other properties they have acquired over the years, often through donations.

Some churches have extensive holdings. For example, Trinity Church was given a huge swath of Manhattan in 1705 by Queen Anne to serve as "a lasting foundation for its support." Trinity is still a major owner of office buildings in New York.

As the U.S. real-estate markets have recovered, the sale of religious property has turned into a brisk business. Last year, there were 1,506 sales of religious facilities, compared with 1,366 in 2013 and 874 sales in 2010, according to CoStar Group Inc. More than 80% of such sales tracked by real-estate services firm CBRE Group Inc. were in or near cities.

But the decline in traditional demand for many houses of worship also has alarmed preservationists. In some cases, properties have been lost during bad real-estate markets or periods of migration out of urban areas. Since 1970, Manhattan has lost 45 architecturally or historically significant religious sites, according to Ann-Isabel Friedman, director of the Sacred Sites program of the New York Landmarks Conservancy.

For example, this year a developer completed demolition of Brooklyn's Church of the Redeemer, a Gothic-style Episcopal Church that was built just after the Civil War. The developer, who purchased the property in the hot Barclays Center area, hasn't yet announced plans for the site.

The Catholic Archdiocese of several cities have been selling property. In New York, the Archdiocese has been reducing its number of parishes to 296 from 368. As part of this

effort, St. Augustine church in the Bronx was sold to build affordable housing and Holy Trinity parish in Yonkers was sold to an Eastern Rite Catholic community known as the Malankara Catholics.

“There may be, and probably will be, more sales in the future,” said a spokesman for the New York Archdiocese in an email. “But since the newly merged parishes now own the property of both previous parishes, it will take some time for the new parish to determine what they wish to do with any now-unused property.”

In Chicago, the Archdiocese will continue to eye its real estate as a funding source and to repay debt, Ms. Bohlen said. “As a very large institution with very old infrastructure and very illiquid assets, we’re constantly looking for how to make sure we have the liquidity to fund our church.”

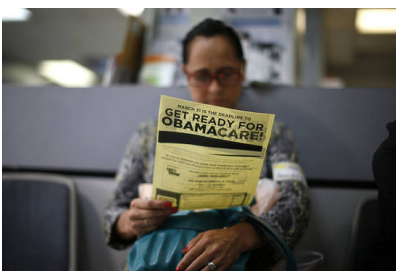
Real-estate experts say the best use of the site across the street from Holy Name Cathedral would be a mix of residential, hotel and retail. Stephen J. Livaditis, a senior managing director at Eastdil, is spearheading the sales effort, according to an Archdiocese spokeswoman.

Write to Peter Grant at peter.grant@wsj.com

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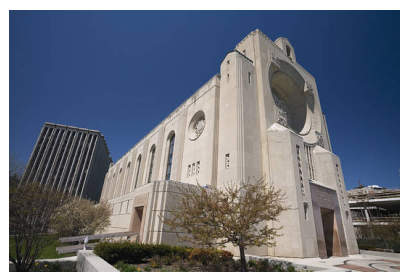
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