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Convergent Still Bullish on Chicago

By Brian J. Rogal

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Last June, **Convergent Capital Partners LLC**, a Tampa-based private equity firm, acquired a 203,000-square-foot office building in suburban Oak Brook for \$8 million. And Convergent officials have just announced the final close of **CCP Fund I LLC**, a commercial real estate fund with \$40 million in commitments. The Oak Brook property was the first investment, but with leverage, they add, the fund will be able to invest up to \$125 million in commercial real estate over the next 3 years.

“We are very bullish on the Chicago market, and were able to make a great long term investment significantly below replacement cost, in a very strong suburban office market,” says **Santosh Govindaraju**, managing director for Convergent. “We continue to look for opportunities to build our portfolio in the Chicago market.”

“With this fund, we will continue to have the flexibility to pursue both small, niche properties that are overlooked by institutional capital, yet still engage in larger acquisitions with joint venture partners, whom we already have investment experience with,” adds **Nik Sachdev**, managing director.

Targeted asset classes will include office, retail, hospitality, and multifamily properties in the Southeast and Midwest.

The original story appears below:

OAK BROOK, IL—The commercial real estate markets in coastal cities have soared, but the intense competition for deals in those cities has some investors casting glances at suburban Chicago. The leaders of Tampa-based Convergent Capital Partners, for example, tell GlobeSt.com that they did a bit of looking on the East Coast, but instead, opted to buy 203,000-square-feet of class B office space at 2000 York Rd. in Oak Brook for about \$8 million. The purchase closed late last week.

“This is our first big purchase in the Chicago market,” says Nik Sachdev, Convergent’s managing director. “We can’t compete with the capital that’s coming into the DC and New York markets.” However, “the [Oak Brook] submarket is very strong and we can get opportunities that we can’t find in other major cities.”

Duke Realty, the seller, he adds, had planned to demolish the single-story structure, first built in 1960, and replace it with a class A property. But the Floridians feel that with a little investment the property can

fill a niche in the area.

“It’s one of the only single-story [office] buildings in Oak Brook,” Sachdev points out, a big convenience for tenants, and sits between the I-88 and I-294 expressways. **McDonald’s** and other major corporations have their headquarters nearby, which means the submarket attracts “a lot of tenants who feed off these major drivers.”

The Convergent team also plans to spend about \$2 million on improvements to the property, last renovated in the late 1990’s. “Obviously the normal tenant improvements will be done, but we’re also going to concentrate on the exterior aesthetics to make it a more marketable building.” Currently, tenants occupy about 60% of the building.

“Down the road, it could be a redevelopment opportunity,” Sachdev says. Not, however, for Convergent. “We’re not developers.” For now, the firm remains committed to making the investment work. Furthermore, although they do the bulk of their transactions in Florida, they plan to keep looking in the Chicago area. “We’re planning on doing a lot more.”

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