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Wheaton apartment complex sold to New York firm

By Thomas A. Corfman , Jan. 20, 2010

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(Crain's) — A little-known New York real estate investment firm is entering the Chicago market with the \$45-million purchase of a Wheaton apartment complex, another sign of a pickup in investment activity for residential rental properties.

Edge Principal Advisors LLC last week bought the 295-unit Avalon at Danada Farms complex from AvalonBay Communities Inc., an apartment real estate investment trust that has been paring back its holdings here.

Apartment lender Freddie Mac, which is backed by the federal government, provided a 10-year, nearly \$33.2-million loan, or more than 73% of the \$45.45-million purchase price, property documents show.

Edge was formed in 2008 with the financial backing of an investor group that includes the principals in New York-based LS Power, a privately held power generation and transmission company, says Jeffrey Walker, a principal with Edge.

LS Power has often teamed up with New York hedge fund Luminus Capital Management on deals, including an unsuccessful \$7-billion bid in 2008 to buy Calgary, Canada-based TransAlta Corp., that country's largest independent utility. Luminus isn't involved in Edge, Mr. Walker says.

The real estate firm is scouting for additional investments in the Chicago area, particularly apartment properties, Mr. Walker says. The Danada Farms property, 22 Vivaldi Court, was attractive because of its location in an affluent suburb and the lack of any new apartment properties nearby, he says.

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Real estate firm Holliday Fenoglio Fowler L.P. brokered the sale and also arranged financing. Matthew Lawton, senior managing director in Holliday's Chicago office, did not return a call requesting comment.

Located on 19.2 acres, the complex was developed by AvalonBay in 1997. Despite the recent slowdown in the economy, the project has performed relatively well, with an occupancy rate of 96.3% in the third quarter, according to Chicago-based residential consulting firm Appraisal Research Counselors.

A representative of Alexandria, Va.-based AvalonBay did not return a call requesting comment, but the REIT has been steadily trimming its holdings in the Chicago area, which is already one of the company's smallest markets. As a result of the Danada Farms sale, AvalonBay has about 601 units in the Chicago area, less than half the total of 1,296 units in the fourth quarter of 2003.

Nationwide, the REIT had 28,851 units in the third quarter of 2009, primarily in New York and New Jersey; Washington, D.C.,



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