

Appraisal Research Counselors

400 E Randolph Street, Suite 715  
Chicago, Illinois 60601-7388

T: 312-565-0977  
F: 312-565-3436

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## 3 deals invigorate suburban apartment market

By [Alby Gallun](#), June 02, 2010

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(Crain's) — Three suburban apartment complexes are changing hands, perking up a local multifamily investment market that's off to a slow start this year.

In the biggest deal, a venture led by Chicago-based real estate firm Golub & Co. has agreed to buy Clover Creek, a 504-unit property in west suburban Lombard, for more than \$45 million, according to people familiar with the transaction.

Golub and an unidentified partner are acquiring the complex at 830 Foxworth Blvd. from a venture including Boston-based Intercontinental Real Estate Corp., which paid \$48.2 million for the property in 2004. Clover Creek was listed for \$49.5 million.

About six miles south, local investment firm Trilogy Real Estate Group LLC has signed a contract to buy the Eagle Creek Apartments, a 346-unit property in Westmont that is listed for \$24.5 million, say people with knowledge of the deal.

In the third and smallest transaction, property records show that a group including local investors Jeffrey Annenberg and Greg Moyer has acquired the 239-unit Park Colony apartment complex in northwest suburban Des Plaines for \$10.6 million.

Amid improving prospects for the financial markets and the multifamily sector, investor demand for apartments has rebounded since last year, when the recession and credit crisis pushed many buyers to the sidelines.

The level of interest is "through the roof compared to what it was a year ago," says Ron DeVries, vice-president at Appraisal Research Counselors, a Chicago-based consulting firm. "Brokers are reporting 20 offers on their deals, whereas year ago you would have gotten a couple."

Expected yields are dropping as a result. First-year returns, or capitalization rates, on high-quality suburban apartments are in the 6% range, down from 6.5% in 2009, Mr. DeVries says.

But sales have been sluggish this year. Before the Park Colony sale closed last month, the only major suburban property to trade this year was the Avalon at Danada Farms, a 295-unit complex in Wheaton that sold for \$45.5 million in January. More than \$400 million in suburban apartment properties are currently on the market or under contract, according to Appraisal Research.

"If there is a need to sell an asset within the next 9-12 months, this is the time to offer the product for sale," Mr. DeVries writes in a recent report. "The expectation of rising interest rates could overtake the anticipated gains from improved property performance."

The performance of many properties is improving already. The median net suburban rent rose 2.8% on a year-over-year basis in the first quarter, while the occupancy rate increased to 92.7%, up from 91.3% a year earlier, according to Appraisal Research.

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Many investors are trying to get into the market while the recovery is still young.

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“As (the economy) starts adding jobs, I believe that will translate into increased income,” says Mr. Moyer, one of the investors in the Des Plaines property.

He and his partners plan to bring in a new manager for the Park Colony and spend a sum Mr. Moyer declines to disclose on a major renovation that will include new windows, doors and a fitness center. They acquired the complex at 9127 Potter Road from an affiliate of the Oak Brook-based Inland Group Inc.

Trilogy, a Chicago-based firm founded by condominium developer Neil Gehani, is buying Eagle Creek, a complex at 1128 S. Williams St. in Westmont, from Town Management LLC, a Northbrook-based apartment owner. Mr. Gehani did not return a phone call, and a Town Management executive declines to comment.

Representatives at Golub and Intercontinental, the parties in the Clover Creek sale, did not return phone calls. An executive at CB Richard Ellis Inc., the broker on the Clover Creek and Eagle Creek transactions, also did not respond to a phone message.

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