

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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## Naperville apartment complex to fetch over \$41 million

By [Alby Gallun](#), June 23, 2010[ShareThis](#) | [Print](#) | [Reprints](#) | [Related Stories](#) | [Comment](#)

(Crain's) — A Northbrook-based investment firm has agreed to pay more than \$41 million for a 400-unit apartment complex in west suburban Naperville that was hit with a foreclosure suit last year.

Banner Realty LLC is buying McDowell Place from a fund managed by New York-based investment manager BlackRock Inc., according to people familiar with the transaction. It is the first local acquisition in six years for Banner, which owns more than 5,100 apartments in the Midwest, and further evidence that investor demand for multifamily properties has bounced back from the credit crisis.

McDowell Place looked like a victim of the crisis in May 2009, when lender Metropolitan Life Insurance Co. filed to foreclose on the property at 1647 Westminster Drive. MetLife alleged that BlackRock failed to pay back a \$33-million loan when it came due.

Though the outcome of the foreclosure case is unclear, BlackRock will clear enough from the sale to pay off the MetLife loan. But the transaction still will result in a loss for BlackRock, which paid \$47.5 million for McDowell Place in 2006.

A BlackRock spokeswoman declines to comment, as does an executive at CB Richard Ellis Inc., the broker hired to sell the property. A MetLife spokesman and Banner executives did not return phone calls.

Rising investor confidence and an improving job market have revived the suburban multifamily investment market, and valuations are rebounding. Sources say Banner's price equates to a first-year return, or capitalization rate, of about 6%. Capitalization rates on suburban apartment sales rose as high as 7.38% last year, according to Appraisal Research Counselors, a Chicago-based consulting firm.

Banner's yield may be low because the property isn't generating as much income as it could be. BlackRock emptied much of the complex for a major renovation in 2006 and 2007 and had to offer generous concessions to re-lease the apartment: because the market was so weak, says Appraisal Research Vice-President Ron DeVries.

But Banner will be able to boost the property's income by hiking rents when those leases come up for renewal.

"That's an asset that's got some upside," Mr. DeVries says.

Including concessions, apartment rents in the Naperville/Aurora market rose 2.8% in the first quarter from the year-earlier period, according to Appraisal Research. McDowell Place was 97% occupied in the quarter, up from 75% at the end of 2008, while its net rents were \$1.03 a square foot, up 7.3% from year-end 2008.

Banner owns more than 1,000 apartments in the Chicago area, with properties in Carol Stream, Round Lake, Vernon Hills and St. Charles, according to its Web site.

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