

## San Francisco investor pays \$60 million for Naperville apartments

By Alby Gallun August 31, 2016

A local landlord sold a Naperville apartment complex for \$60 million, nearly twice what it paid for the property when the real estate market was in the dumps.

Prime Property Investors sold the Arbors of Brookdale, a 281-unit property on the suburb's northwest side, to Friedkin Realty Group, a San Francisco-based investor that has been a busy buyer and seller of apartments in suburban Chicago, according to DuPage County property records.

The deal is the latest of many showing how investors that bought during the bust have been handsomely rewarded for taking the risk. Prime paid \$32 million for the Arbors in December 2009, as the market was bottoming out, and cashed out earlier this month for \$59.7 million, or \$212,000 a unit, county records show.

Prime rode the market higher, but it also spent \$2.1 million on new roofs, mechanical systems and other improvements, said Michael Zaransky, the company's co-founder and co-CEO. In addition, the firm also renovated about 40 apartments in the past couple years, allowing it to raise rents on some units by as much as \$200 a month, he said.

The property's appreciation "wasn't just a market timing thing," he said.

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The property's rental revenue rose 140 percent over the nearly seven years Prime owned it, Zaransky said. Friedkin Realty plans to continue the apartment renovation plan, said Morton Friedkin, the firm's founder and chairman, a move that could further boost the property's revenue.

"There's additional income to be realized," he said. "I think the property has lasting value. It's got great architecture and great location."

How much further Friedkin Realty will be able to raise rents will depend on the market, which has been on a roll for the past several years. The median suburban rent per square foot has risen nearly 32 percent—about 4 percent annually—since Northbrook-based Prime bought the Arbors in 2009, according to a report from Appraisal Research Counselors, a Chicago-based consulting firm.

Wagering that rents will keep rising, investors continue to bid up prices of apartment buildings, tempting many landlords to cash out. By mid-year, major suburban Chicago apartment sales totaled \$750 million and, taking into account what's currently on the market, they could top the full-year record of \$1.2 billion set in 2007, according to Appraisal Research.

The Arbors is considered a mid-tier, or Class B, multifamily property, with monthly rents ranging from \$1,225 for a one-bedroom unit to \$2,100 for a three-bedroom, the report shows. The property at 1373 Ivy Lane was 100 percent occupied at the time of the sale, Zaransky said.

With the Naperville sale, Prime no longer owns any apartment buildings in suburban Chicago, leaving it with properties in Texas and Denver. Yet that doesn't mean it's leaving the Chicago market, Zaransky said.

"We're still active in looking and would love to own other assets here," he said. "I still think the suburban Chicago apartment market is strong and vibrant."

Friedkin Realty, meanwhile, owns more than 2,700 apartments in the Chicago suburbs and is looking for more. It is in the final stages of buying another suburban apartment complex, Friedkin said, declining to provide more details because of a confidentiality agreement.

The Chicago office of CBRE sold the Arbors for Prime.

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