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Developer to sell Wheaton apartments for \$95 million

By Alby Gallun



Wheaton 121 opened in July 2013. At the end of the first quarter it was 85 percent occupied, according to a report from Appraisal Research Counselors.

The strong suburban apartment market is rewarding Chicago-based developer Morningside Group, which is cashing out of a new 306-unit project in west suburban Wheaton for a big gain.

Morningside has agreed to sell Wheaton 121 for about \$310,000 a unit, or \$95 million, to Atlanta-based pension fund adviser Invesco, according to people familiar with the transaction. That's about 50 percent more than the \$63 million Morningside spent developing the property at 121 N. Cross St.

Morningside President and Managing Principal David Strosberg declined to comment, saying he can't discuss transactions until after they close. Invesco declined to comment.

The high price is good news for suburban developers, a data point that could encourage some to push ahead with new projects. [High occupancies and record rents](#) are already working in their favor by making it easier to justify new developments—and secure construction financing. Already, nearly 2,200 apartments are under construction in the suburbs, a number likely to grow as rents and property values keep rising.

At about \$95 million, the Wheaton sale is the biggest apartment deal in the Chicago suburbs this year. And it's the second in Wheaton in less than a year for Invesco, which [paid \\$92.6 million](#) in August for the 600-unit Amli at Danada Farms.

Investors continue to pay up for apartments as the hot market shows few signs of cooling off. Last year, suburban Chicago apartment sales hit a record \$1.2 billion, according to a report from Appraisal Research Counselors, a Chicago-based consulting firm. But sales have slowed this year, largely because so few properties are on the market.

“The amount of product brought to market thus far in 2015 has been well below expectations by the investment community and thus we expect to see very strong demand for the limited number of assets available,” the report says.

The Chicago office of brokerage HFF is representing Morningside in the sale of the Wheaton property. Financed with \$1.3 million in tax-increment financing from the city of Wheaton, Wheaton 121 opened in July 2013. At the end of the first quarter, the property was 85 percent occupied, according to the Appraisal Research report.

With a net rent of \$1.98 per square foot, the complex is one of the most expensive in the area, according to the report. Rents range from \$1,164 a month for a studio apartment to \$3,414 for a three-bedroom unit, the report says.

Morningside's other projects include a [347-unit development in Northbrook](#) and a 192-unit development in Elmhurst.