

August 29, 2018 10:54 AM

New York investor to buy Northbrook apartments

TGM Associates has agreed to acquire the 347 rental units in NorthShore 770, a mixed-use complex near the Edens Expressway that opened in 2016.

Alby Gallun

TGM Associates has agreed to acquire the 347 rental units in NorthShore 770, a mixed-use complex near the Edens Expressway that opened in 2016.

A New York investor is buying 347 apartments in a big mixed-use development in Northbrook, allowing the project's developers to cash out for a second time.

TGM Associates has agreed to buy the NorthShore 770 apartments, which opened in 2016 near the Edens Expressway, and expects to complete the acquisition in mid-September, confirmed TGM President and CEO John Gochberg. He declined to discuss the transaction further until it closes.

Multifamily investors like TGM have been paying up for suburban apartment properties over the past few years amid high occupancies and rising rents. The strong investment market, meanwhile, has fueled a suburban construction boom and allowed many multifamily developers to sell new projects for big gains.

TGM is acquiring the Northbrook apartments from a joint venture between Chicago-based Morningside Group and Crossroads Development Partners of Schaumburg that developed NorthShore 770, which includes a 102,000-square-foot Mariano's-anchored shopping center. The developers partially cashed out of the project in November 2016, when they sold the retail space for \$68.5 million.

They will exit the investment completely with the sale to New York-based TGM, which owns four other multifamily complexes in the Chicago suburbs. It's unclear how much TGM is paying for the Northbrook apartments; other newer suburban multifamily projects have sold for about \$280,000 to \$380,000 a unit over the past two years.

A Morningside executive didn't return a call, and an executive at CBRE, the brokerage selling NorthShore 770, declined to comment.

NorthShore 770, at 770 Skokie Blvd., will be one of several new north suburban apartment developments to sell in the past few years. The Oaks of Vernon Hills sold last December, and Tapestry Glenview and Reserve Glenview traded last August. All three properties opened in 2014 or 2015.

The Northbrook project charges some of the highest rents in the suburbs, but it has been slow to fill up. The building, which opened in third-quarter 2016, is 80.4 percent occupied, roughly where it was a year ago, according to real estate information provider CoStar Group. Its average effective rent, which includes concessions like free rent, is \$2.33 per square foot, down 6.8 percent from a year earlier, according to CoStar.

TGM's price could reflect the property's lackluster performance, limiting the profit Morningside and Crossroads will pocket in the deal. When they broke ground in 2014, the developers said the project would cost \$140 million.

They sold the retail space for nearly half that much, \$68.5 million. At \$280,000 a unit, the apartments would sell for about \$97 million. At \$380,000 a unit, they'd fetch about \$132 million.

More:

Wheaton apartment sale biggest in suburbs since 2014

New Northbrook apartment project hits the market

Glenview apartment complex sells for \$81 million

Inline Play

Source URL: <http://www.chicagobusiness.com/commercial-real-estate/new-york-investor-buy-northbrook-apartments>