

## Skokie apartment buy: 'This location cannot be replaced'

By: Bob Craig **December 16, 2011**

(Crain's) — A Northbrook-based shopping-center investor has branched out into apartments, paying \$11.6 million for a 144-unit complex in Skokie from a developer that planned to convert it to condominiums.

Mosaic Properties & Development LLC acquired Old Orchard Apartments, a 50-year old complex at 10100-10116 Old Orchard Court, from a venture affiliated with Interforum Holdings Inc., a Northbrook-based developer that acquired the complex in 2005.

"Apartment vacancy rates are falling, demand is strong for units in good infill locations and this location cannot be replaced," says Mosaic Partner David Dresdner.

The Interforum venture paid \$22 million in 2006 for Old Orchard Apartments, a five-building, 216-unit complex just east of the Westfield Old Orchard shopping mall, according to a person familiar with the transaction. Yet the venture, led by Interforum executives Alex Zdanov and Itor Blumin, converted only two of the buildings, comprising 72 units, to condominiums, operating the other three as apartments.

Interforum executives declined to comment.

The Skokie property is the first multifamily acquisition for Mosaic, which owns three shopping centers in Deerfield, South Elgin and West Chicago. Over the summer, the firm sold a 50% stake in the South Elgin property after acquiring the shopping center from a bank in 2010.

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Mosaic plans to upgrade the kitchens and bathrooms at Old Orchard Apartments, which abuts the Westmoreland Country Club golf course. Monthly rents at the complex, built in 1961, range from \$879 for one-bedroom units to \$1,021 for two-bedroom units.

Sales of Chicago-area apartments have surged this year amid rising rents and occupancies.

"For the past couple of years this apartment market has been a lender-driven market where they have been taking back assets and then needing to get rid of them," says Matt Welke, principal and managing director with Chicago-based Essex Realty Group Inc., who brokered the sale. "Now that has started to turn the corner a bit and we're seeing some properties in better locations and good quality coming on the market."

Government-controlled lenders Freddie Mac and Fannie Mae have also boosted the investment market by providing low-interest financing for apartment acquisitions, says John Jaeger, a senior vice-president in CBRE Inc.'s downtown office.

"Most people in the market believe we're in for a really strong five-year run," he says. "It is tough to do construction in the suburbs, it's hard to get zoning and justify the costs involved."

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