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Real Deals: North Hills apartment sale sets record

HIGHLIGHTS

Kane Realty has sold the Midtown Green apartments at North Hills for \$43.87 million, setting a new Triangle record for the most paid for an apartment complex on a per-unit basis. J.P. Morgan Investment Management paid \$43.87 million for the 214-unit complex, or \$205,000 per unit, according to Wake County property records.



The Midtown Green apartments in North Hills have sold for a record price on a per unit basis: \$205,000 per unit. Two more apartment complexes are planned for the development. | cseward@newsobserver.com

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Kane Realty has sold the Midtown Green apartments at North Hills for \$43.87 million, setting a new Triangle record for the most paid for an apartment complex on a per-unit basis.

J.P. Morgan Investment Management paid \$43.87 million for the 214-unit complex, or \$205,000 per unit, according to Wake County property records. The previous record was set last year, when Associates Estates Realty Corp. paid nearly \$204,000 a unit for St. Mary's Square, a 134-unit complex near Glenwood South in Raleigh.

The Midtown Green purchase price is even more impressive considering the property opened a few months ago and is only about 30 percent leased. J.P. Morgan put the complex under contract while it was under development, meaning all Kane Realty had to do was deliver a certificate of occupancy.

“We didn't have to take the leasing risk,” said John Kane, CEO of Kane Realty.

As with previous apartment sales in North Hills, Kane Realty will keep ownership of the retail space on the ground floor.

The Midtown Green sale is fresh evidence of just how attractive North Hills continues to be to investors. Apartments in North Hills command some of the highest rents in the Triangle, and investors are betting that they will only go higher.

Midtown Green is the second North Hills apartment project to fetch at least \$200,000 a unit. In 2012, Park & Market shattered the previous record when Crow Holdings paid \$200,489 per unit for that complex.

While there are concerns in certain parts of the Triangle about a flood of new apartments coming on the market, the communities in and around North Hills continue to lease up fairly quickly. Allister North Hills, a 434-unit complex just south of the Beltline on Ramblewood Drive, is now about 80 percent leased after opening in January, Kane said.

Kane Realty is planning two more apartment communities in the section of North Hills on the east side of Six Forks Road. A 175-unit complex is expected to break ground in the first quarter of next year.

“We're a little bit isolated, we think, in the North Hills submarket,” Kane said. “By the time we bring those units on line Midtown Green will be completely leased and Allister will be completely leased in probably another month.”

Midtown Green's new owner, J.P. Morgan Investment Management, is no stranger to the Raleigh apartment market. In 2010, the investor paid \$30 million for 712 Tucker, a 179-unit apartment building in Glenwood South. At the time, the purchase price per unit was the third-highest recorded in the Triangle at \$167,697.

J.P. Morgan also provided the financing for Devon Four25, a 261-unit apartment complex in Glenwood South that just recently opened.

With two weeks left before the end of the year, the Triangle has already set a record for the total dollar amount of apartment transactions completed in a single year.

Sixty-three apartment buildings have sold so far this year for a sum of \$1.68 billion, according to Jeff Glenn with real estate firm CBRE. That total beats the previous record of \$1.334 billion set in 2013.

This will be the third consecutive year that Triangle apartment sales have reached record levels.



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