

Unfinished Yorkville subdivision snapped up

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An out-of-town joint venture is preparing for a recovery in the local homebuilding market, paying \$10.8 million for an unfinished subdivision in southwest suburban Yorkville slated for more than 2,000 homes.

Winter Park, Fla.-based land investor Avanti Properties Group and Alexandria, Va.-based developer OA Management LLC bought the Grand Reserve development last week from Bank of America, confident that the Yorkville residential market can bounce back from a six-year slump. "We think (Yorkville is) a good medium-term growth area of Chicago and a community well-established with high-quality amenities and infrastructure we could leverage off of in the coming years," says Avanti Principal Marvin Shapiro. "Here's an opportunity to pick up reasonably good, high-quality infrastructure and amenities rather than create new."

The 1,127-acre site is the largest subdivision in Yorkville, a city of about 16,800 people some 50 miles southwest of Chicago, says community development director Krysti Barksdale-Noble. About 440 homes, mostly single-family with some duplexes, have been built since the project was first approved in 2003, she says. The development also features an aquatics center and park paid for by homeowners association dues.

A joint venture led by Naperville-based Moser Enterprises Inc. and Burr Ridge-based Pasquinelli Homebuilding LLC started the development but ran into trouble after the residential market crashed. Charlotte, N.C.-based Bank of America filed a \$52 million foreclosure suit against Grand Reserve in 2008 and seized the property through a so-called credit bid of \$18.5 million a year later, a bank spokeswoman says.

John Zediker, former president and CEO of Moser, declines to comment. A lawyer representing Pasquinelli in its bankruptcy proceedings did not return a message seeking comment. Pasquinelli last year filed to liquidate under Chapter 7 of the U.S. bankruptcy code.

It's Avanti's first investment in the Chicago area. OA, better known as Ocean Atlantic, has built several large subdivisions in the Chicago suburbs, including Westbury, a 4,000-unit development under way in Yorkville, and Southbury, a 1,030-unit unfinished project in Oswego.

"Grande Reserve was a competitor of ours; it just fell on hard times in a tough economy and we've always liked the project," says OA CEO Michael Ferraguto. "When the market comes back, and the market is strong in the next year or two, I think Grande Reserve will be very sought after."

Homebuilders have been waiting a long time for the market to come back. Sales of new homes in the Chicago suburbs fell 6.5 percent in 2011, to 2,346 units, the sixth straight down year, according to Tracy Cross & Associates Inc., a Schaumburg-based housing consultant.

The depressed market has created opportunities for developers and investors to buy land set aside for residential development at distressed prices, allowing them to position themselves for an eventual recovery.

The Avanti-OA joint venture, which plans to sell off parcels to homebuilders, paid less than \$5,000 per lot. Not all the lots are ready for homes, so venture will have to invest more money to finish them, Mr. Shapiro says. He says he plans to sell finished lots to local homebuilders "in the second half of the year."

"There was a point in time, during the peak of the market, lots were selling for over \$75,000," says Tracy Cross, president of Tracy Cross & Associates. "They're still significantly below, maybe 50 cents on the dollar, where lots were moving at the time at the market's peak."

The prior developers tried to cater to homebuyers of all incomes, with a mix of single-family homes as well as duplexes, townhomes, and apartments totaling 2,630 units. But most of the homes were listed for more than \$350,000, setting up the development for failure once the market melted down, Mr. Cross says. "That went down faster than any other development in the region with the exception of the far southern suburbs," he says.

Homes in Grand Reserve will have to be priced appropriately to compete with those in projects in nearby Plainfield, Mr. Cross says. About \$180,000 for a 2,500-square-foot house seems reasonable to him. "If they try to produce it at \$275,000," he says, "it won't go."