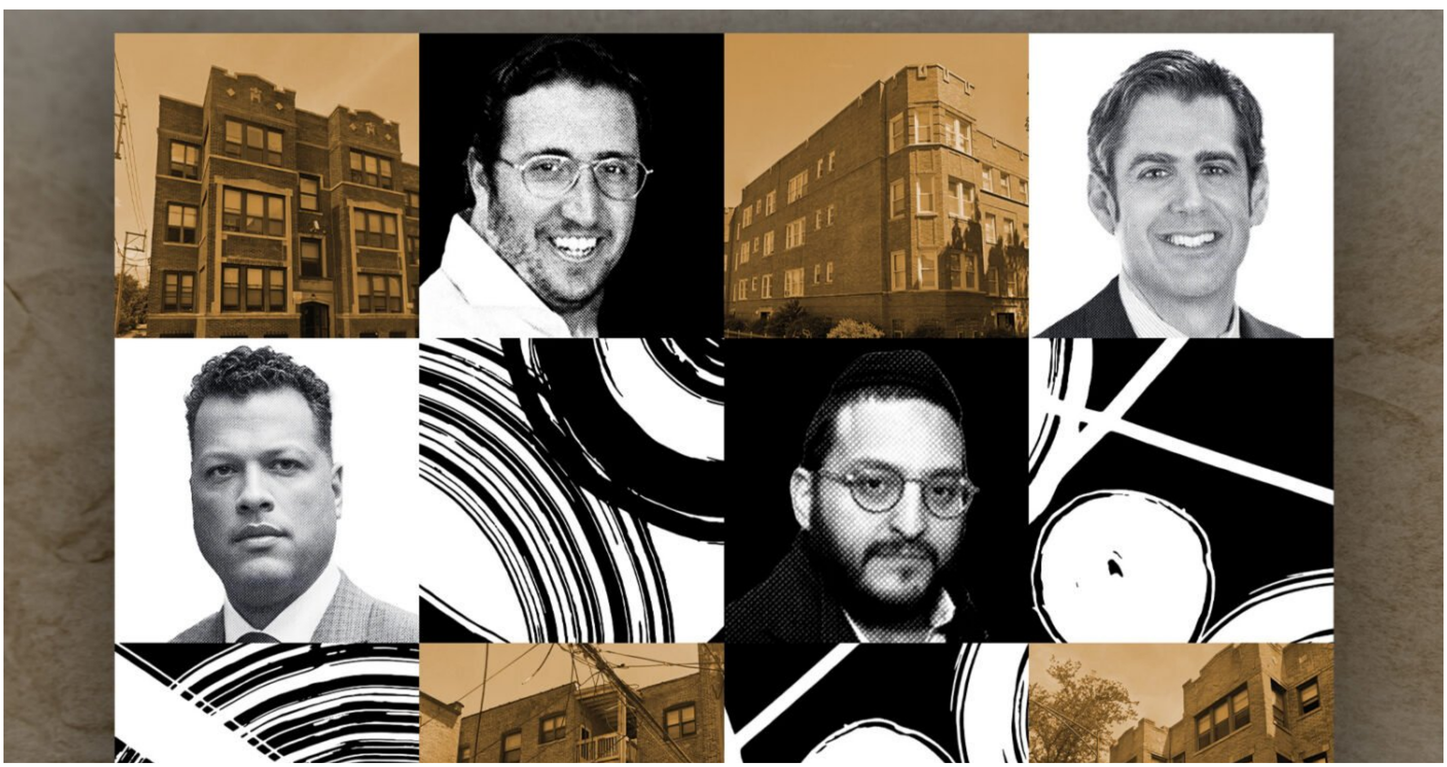
CHICAGO

How out-of-state investors drove up distress in Chicago's hottest multifamily market

What happened after a flurry of unusual deals in South Shore



From left: Corey Oliver of Strength in Management, Mark Nussbaum, Mendel Steiner and Scott Shefman of Friedman Properties (Photo-illustration by Kevin Rebong/The Real Deal; Community Venture Investment Corporation, Friedman Real Estate, Getty Images)

By Sam Lounsberry

FEB 2, 2026, 6:00 AM CST

Listen to this article

00:00 1x

For 13 years in a row, South Shore's multifamily market had an argument for being crowned the hottest in Chicago.

From 2011 through 2023, the predominantly Black lakefront community just south of Jackson Park, where the new Obama Presidential Center is opening this summer, notched the most sales of any Chicago neighborhood for buildings with five units or more, according to the Institute for Housing Studies at DePaul University.

In some years during that stretch, South Shore, where working-class families have traditionally settled and moved up the economic rungs, saw more than twice as many such sales as runner-up neighborhoods. The area had more than 100 sales in two separate years, 2018 and 2022. No other Chicago community area tallied more than 80 sales in a single year during the entire 13-year period.

But in 2024, the activity fell off. South Shore — which is much more densely filled with larger buildings than most other South Side neighborhoods — came in fourth in Chicago, with only 34 sales of buildings with at least five units, the fewest since 2010.

Of course, interest rate hikes in recent years slowed deal velocity, but that impacted everywhere. Landlords in South Shore have historically been more prone to financial trouble. According to DePaul data, the area notched the most foreclosure filings out of all city neighborhoods for buildings with at least five units most years since 2010.

Behind the slower deal flow is a wave of distress now cresting in South Shore and placing it in riskier territory than other Chicago neighborhoods, especially as fragile financials turn into real-life problems: heat that goes out in winter, code violations and revenue that can't cover rising property taxes. The trouble may be more than just the result of miscalculations by buyers. Much of the underwater real estate in the area was drowned by out-of-state investors whose strategies have drawn scrutiny as federal regulators and lenders look for causes of rampant mortgage distress in the multifamily industry.

"We have certainly seen out-of-state buyers that have invested in the South Side of Chicago," Matthew Tarshis of Chicago-based Frontline Real Estate Partners said. Frontline frequently serves as a court-appointed receiver for distressed Chicago property. "Some may have been well-intentioned, others may have committed fraud and others may not have known what they were doing. The overarching theme is that a lot of their assumptions were not true to market."

Corey Oliver's Chicago-based property management firm Strength in Management helped stabilize South Side properties caught up in the Better Housing Foundation scam last decade, but he contends that the recent spate of problems across the area's real estate market has had a worse impact.

"Because you have artificially inflated the values of properties in this area to an unsustainable level," Oliver explained.

Oliver was working for landlord Trinity Flood when United States Immigration and Customs Enforcement along with other federal agencies raided her South Shore building last fall, drawing attention to its foreclosure fight. He wouldn't discuss that property, at 7500 South South Shore Drive, but he and others have grown concerned with dubious dealmaking and lending that have left dozens of other nearby buildings in disrepair or uninhabitable due to mismanagement.

"There were a lot of guys who came in with less-than-admirable intentions, and built the system," he said. "What they did was create comps that unsuspecting people were using to determine the value of their acquisitions. You also have a lot of people who saw buildings sell for $100,000 to $115,000 a door and they saw something at $90,000 a door thinking they were getting a good deal, only to realize it wasn't."

Lenders filed 20 foreclosure lawsuits for South Shore buildings with at least five units in 2024, the most in a decade and by far the most out of any Chicago neighborhood that year, the DePaul data shows. The next closest neighborhood was 11 in Chatham, just to the west, where some of South Shore's same landlords are also grappling with distress, records show.

Furthermore, out of the 25 Chicago multifamily loans sold into pools of debt on the commercial mortgage-backed securities market and now marked as delinquent for payment, six of them, or nearly a quarter, are backed by property in South Shore. Within the entire Chicago metro area, there are 31 such CMBS loans, meaning nearly 20 percent trace back to South Shore.

The rise

Speculation within South Shore ramped up in 2017, around the same time affiliates of a firm called Rhodium Capital began buying big chunks of multifamily on Chicago's South and West sides. Several of them were in South Shore. The firm obtained at least $46 million in Fannie Mae-backed debt from the likes of Arbor Realty Trust and Keybank to assemble a portfolio of more than 540 apartments throughout the city, records show. The investors behind Rhodium, Moshe Silber and Frederick Schulman, were sentenced last year to prison for their involvement in a mortgage fraud scandal in Ohio. Their Chicago real estate activity wasn't a factor in the criminal case.

Word seemed to catch on that South Shore was a money maker. Prices for lower-cost multifamily properties in Chicago — which characterizes South Shore's stock — rose to nearly $73,000 per unit in 2024, up from less than $60,000 in 2019, according to the DePaul data that adjusted for inflation and showed the prices for each year in 2024 dollars. That marked a significantly higher relative rise compared to moderately priced apartment buildings while the prices of high-cost units fell over that period. And some of the New York-based buyers were paying well more than average, even though rents and renter incomes didn't change much over the last few years in the South Side as a whole, DePaul data shows.

"When you have these inflated transactions not driven by market realities, you're seeing everyday renters feel an affordability impact," Geoff Smith, executive director and principal investigator of the Institute for Housing Studies at DePaul, said.

Chicago-based multifamily operators who buy aged buildings and invest into upgrades were boxed out of the market by offers they could never match. Locals were baffled by how buyers like Brooklyn-based Yissocher "Izzy" Rotenberg and Boruch Gottesman were paying so much for properties that, in the estimation of Chicagoans, required extensive repairs.

The fall

But some of the speculative landlords declined to invest in needed upgrades, and their buildings fell into disrepair. Tenants left for better conditions, and problems spiraled.

Rotenberg had become a prominent landlord in South Shore, owning five buildings there with nearly 100 combined units, plus over a dozen others totaling more than 500 apartments throughout Chicago, mostly in nearby Chatham, Greater Grand Crossing and Auburn Gresham.

He eventually landed in the most trouble.

Records show that a Rotenberg portfolio purchased for $48 million with $40 million in loans fell into foreclosure, and lenders have seized many of his apartment buildings. He has also drawn lawsuits from multiple people who said they were investors in his Chicago real estate ventures but got cut out of the deals. According to one lawsuit brought by Shulim Kiwak and Yitschok Piller, Rotenberg allegedly kept $1.3 million in insurance proceeds paid out from a fire that destroyed a South Shore property at 7756 South Phillips Avenue and declined to pay his partners $900,000 they said they were owed. The other suit was brought by an investor named Shlomo Horowitz, who claimed Rotenberg never distributed proceeds from a sale of a South Shore property made to Eli Tauber.

> **"Investors come to Chicago because they see good cap rates on paper. What they don't know is the level of capabilities you need, the level of field team operations, the level of people being there every single**

day."

SHAYA WURZBERGER, LEVAV PROPERTIES

Judgments against Rotenberg have been issued in both. But he hasn't appeared in any of the court cases, not since selling property to Tauber, another player facing significant Chicago property distress after partnering with Mark Nussbaum — the New York real estate attorney indicted for allegedly stealing $15 million from client escrow funds. Tauber and Nussbaum, who pleaded not guilty in the criminal case, bought batches of Chicago properties at surging prices despite the presence of building code violations and, in the case of property previously owned by Rotenberg, even existing foreclosure suits.

Now, Nussbaum and Tauber are facing 29 foreclosure lawsuits totaling at least $24 million in mortgage debt.

"Investors come to Chicago because they see good cap rates on paper. What they don't know is the level of capabilities you need, the level of field team operations, the level of people being there every single day," Shaya Wurzberger, an investor from New York, said. Wurzberger is the CEO of Levav Properties, which has been a big buyer of Chicago multifamily in recent years.

Levav is dealing with its own $12 million foreclosure lawsuit for a portion of its South Side portfolio, though Wurzberger insisted his firm overall isn't in distress. He claimed Levav bought $100 million of real estate consisting of more than 1,000 apartments in Chicago since 2021. (Property records confirm Levav bought at least 500 units, including some in South Shore, for $50 million between 2022 and early 2025.)

"At that time when everybody was buying, prices were going up, I got a little bit involved in that and paid a little too much for this [portion of Levav's] portfolio," Wurzberger said.

Wurzberger tried to get the foreclosure lawsuit filed by his lender, New York-based Roc Capital, thrown out of court, but his motion was recently denied by a judge and the case is advancing. But at least he showed up in court.

By contrast, other area landlords seem to have turned into shadows, untrackable to their lenders or investors.

The mess

To be sure, some Chicago-based operators have also played a hand in racking up South Shore's rate of multifamily distress. A firm called Catalyst Realty run by Stephen Lee and Tyler DeRoo has been facing legal issues, including foreclosures, of properties in the area. (DeRoo was previously involved in the infamous EquityBuild real estate scam in Chicago in the 2010s.)

Chikoo Patel's Chicago-based firm CKO Real Estate also melted down as tenants in its portfolio of South Side properties, including in South Shore, allegedly went without heat in the winter and the landlord racked up debts he couldn't repay, including with a credit card company. Patel's financial backer, Shai Wolkowicki, is suing him; Wolkowicki alleges Patel siphoned $10 million in multifamily investments for personal use.

But local groups in distress so far are facing fewer large foreclosure cases than East Coast investors. One difference is that the out-of-state investors entered the South Side multifamily market, and its centerpiece South Shore, late in the game, so they couldn't get out when interest rate hikes began crushing margins and closing offramps.

While some investors have started to buy up properties from investors like Gottesman and Rotenberg and turn them around with repairs and new leasing strategies, there's still plenty more financial distress to clean up.

And details about recent deals continue to come out, helping explain what happened.

"I would guess many of these don't start out as fraud and maybe they eventually, you know, evolve into that," said one experienced South Side landlord who bought a portfolio previously controlled by an investor who Fannie Mae blacklisted.

The clean-up

Either way, players grew desperate and began to look for exits. One of them was Mendel Steiner, who died by suicide last year, facing daunting mortgage debt.

Steiner accumulated a large real estate portfolio nationally; his total Chicago holdings aren't known. Now, at least seven properties he owned on the South

Side, including several in South Shore, are in the midst of foreclosure lawsuits, with lenders alleging that over $11 million in Chicago loans are in default. Steiner's representatives and estate have been notably absent from court events tied to his property since it started running into trouble; this was true of Steiner before his death.

A total of nearly $142 million in CMBS loans to Steiner-controlled real estate companies are in default, with the underlying property consisting of apartments in Chicago, Indianapolis and Cincinnati, according to loan servicer notes. There are nearly $61 million in loans for buildings in Steiner's portfolio that are still making regular payments, the data shows.

Scott Shefman, a court-appointed receiver to Steiner's distressed Chicago properties, alleged that Leib Steiner, who's representing Steiner's estate, isn't cooperating, even continuing to collect rent from Chicago properties that Steiner owned instead of turning over revenue to the receivership as the court has ordered. The receiver is trying to get the court to compel the estate's compliance.

Shefman declined to comment and attempts to reach the Steiner estate weren't successful. Neither Rotenberg nor a member of the Tauber family who has partnered on Chicago transactions with Nussbaum returned requests for comment.

A lawsuit filed in December seeks to recover approximately $330 million from two entities tied to Steiner, alleging the late investor ran a Ponzi scheme that lured clients and prospective clients of Nussbaum's law firm, Nussbaum Lowinger, into two investment ploys through which escrow funds were supposedly used to "show capital" for real estate deals, and another involving fabricated joint ventures tied to property acquisitions.

Plenty of Chicago property has already turned over to new ownership after foreclosures or other legal problems, as local players get back into buying with plans to spruce up properties using additional capital. Chicago-based Sleeping Bear Capital late last year paid about $2.7 million to buy one of Rotenberg's former properties from lender Roc Capital, well less than the $3.7 million mortgage Rotenberg borrowed against the property before defaulting, records show. Sleeping Bear obtained a construction mortgage from Providence Bank for over $3.6 million, with plans for updates.

"The market now is in a much better place. The people buying now are actual operators," Wurzberger said.

But there's still plenty of distress working its way through the system tied to out-of-state landlords, regardless of whether mortgage missteps were behind the demise of the deals. In December, Fannie Mae initiated an $18 million foreclosure lawsuit against an entity controlled by Lakewood, New Jersey-based investor Israel Bialostozky, who records show bought the 291-unit South Side portfolio in 2023 from Chaim Joseph Bialostozky; both the buyer and seller have shared the same residential address, according to public records databases. The current owner didn't return a request for comment.

"We've had multiple properties trading at prices that don't make sense," Oliver said. "The only people who really suffer in the end are the community members. Because you end up with a 20-unit building boarded up, that's no longer part of the tax base, which means your portion of property taxes for your area goes up. Plus you have this blight on your street, which, depending on how it's maintained by the bank, becomes a haven for crime or becomes a dilapidated building."

COMPANIES AND PEOPLE

Arbor Realty Trust | Catalyst Realty | Fannie Mae | Frontline Real Estate Partners | KeyBank | Levav Properties | Nussbaum Lowinger | Boruch Gottesman | Corey Oliver | Geoff Smith | Mark Nussbaum | Matthew Tarshis

TAGS

Affordability | CMBS Loans | Code Violations | Distress | Distressed Property | Foreclosure | Mismanagement | Mortgage Fraud | Ponzi Scheme | Property Taxes | receivership