

## Firm Buys \$500M in Properties for \$1.7B Fund

By *Gina Kenny*



**Bishops Square**

CHICAGO-Harrison Street Real Estate Capital, based here, has closed its second fund and has acquired approximately \$500 million in assets. The firm has raised \$430 million in equity for Harrison Street Real Estate Partners II LP, says Christopher Merrill, co-founder and managing principal.

The focus of the fund is on "segments of the market that tend to do well, regardless of the overall swing of the economy," such as student housing, senior housing, medical office and storage facilities such as self-storage properties, Merrill says. There were more than 40 investors for the fund, including pension funds, insurance companies, endowments and foundations. One of the largest investors is the Arizona Public Safety Pension Retirement Systems, Merrill tells GlobeSt.com, which has committed \$80 million, including an additional \$45 million for co-investments.

The firm has purchased more than \$500 million in properties, Merrill says. The majority of the acquisitions are properties with \$3 million to \$5 million in equity per transaction, he says. Recent acquisitions include the Warehouse student housing community near University of North Carolina at Chapel Hill, and self-storage facilities in Palm Beach, FL. The Warehouse is a 200-bed facility, which was constructed in 2000. The property is 100% leased for the upcoming school year, Merrill tells GlobeSt.com. Harrison Street acquired the student housing community from a local developer, he says. The firm particularly likes student housing because "no matter what is going on in the overall economy, kids need to go to school," he says. The self-storage facility in Palm Beach was purchased with an occupancy rate of between 50% and 60%, Merrill tells GlobeSt.com.

Other recent acquisitions include student housing development projects at Arizona State University, the University of Denver, the University of South Carolina and Bishops Square at Texas State University in San Marcos, TX; as well as senior housing properties in Phoenix, southeastern Michigan and Minnesota. The portfolio also includes storage facilities in Charlotte, suburban Chicago and Southern California, as well as medical office properties and developments in southern California, Virginia, Phoenix and Overland Park, KS.

The company has, to date, spent approximately 30% of the fund's equity. The firm has acquired the properties with financing more than 75% of the acquisition costs, he says. The value of the portfolio, when complete, is expected to be more than \$1.7 billion. The firm expects it will likely hold assets for three-to-six years, he says. "We are trying to stabilize our portfolios with an 8% to 9% range for a cap rate," he says. Merrill says he expects it to take two to three years to complete the fund.