



## Giant Student-Housing Portfolio Hits Market

10/02/2013

In one of the largest student-housing offerings ever, fund shop Harrison Street Real Estate Capital is marketing 16 properties valued at about \$650 million.

The buildings, in 14 states, were either recently completed or are scheduled to open by next year. Chicago-based Harrison Street, which acquired the properties via multiple funds in recent years, prefers to sell the portfolio intact. Its broker, CBRE, launched a marketing campaign late last week.

The portfolio, which encompasses 2,670 units and 7,684 beds, is projected to produce \$39 million of net operating income upon stabilization, based on a 92% average occupancy rate. That would result in a 6% capitalization rate at the estimated value of \$243,000/unit and \$85,000/bed — in line with sales of comparable properties.

Harrison Street would consider staggering the closings to let a buyer take possession of the eight partially built complexes upon their completion. That would spread the equity investment over two years.

The portfolio boasts many of the characteristics preferred by institutional investors: recent construction, flashy features and close proximity to large state universities. Big investors have stepped up their interest in such housing over the past decade as student demand for amenity-rich apartments has risen and public universities have largely exited the dormitory-building business.

The offered properties are in California, Idaho, Arizona, Indiana, Nevada, Kentucky, Washington, Oregon, Texas, Minnesota, Wisconsin, Florida, Tennessee and Alabama. The average distance from campuses is 0.4 mile.

The largest property is the Domain at Tempe in Tempe, Ariz. The complex, with 299 units and 949 beds, is about a mile from Arizona State University's main campus. Other properties serve Texas State University in San Marcos, University of California-Riverside and the University of South Florida in Tampa.

Many units have flat-screen televisions, washer/dryers and balconies or patios. The amenities include swimming pools, fitness centers, computer labs, student lounges, tanning salons, and on-site stores and restaurants.

Harrison Street owns the properties with seven different operating partners, whose stakes are included in the offering. The portfolio represents about 30% of the shop's student-housing holdings.

The offering is one of the largest ever for the niche property type. In October 2012, American Campus Communities of Austin acquired 19 properties, with 4,151 units, from Kayne Anderson Capital of New York for \$862.8 million, or \$208,000/unit. That was the most ever paid for a student-housing portfolio.