

Harrison Street strikes record-breaking self-storage deal

The Chicago-based real estate investment firm has completed the sale of a 43-property self-storage portfolio for approximately \$315 million, making the transaction the largest of its kind to date.

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Harrison Street Real Estate Capital has completed the largest self-storage portfolio transaction to date, selling 43 properties for approximate \$315 million, according to market sources. The Chicago-based real estate investment firm sold the 22,500-unit portfolio to Public Storage, a publicly listed self-storage REIT based in Glendale, California.

Harrison Street owned a majority stake in the portfolio through a joint venture with self-storage operator Morningstar Properties. Comprised of assets in Texas, North Carolina, South Carolina, Virginia and Georgia, the portfolio was more than 82 percent occupied at the time of the disposition. The facilities, which were managed under the Morningstar Mini-Storage brand, will be rebranded by the new owner.

"We are extremely pleased with the outcome of this portfolio sale," said Christopher Merrill, co-founder, president and chief executive officer of Harrison Street. "The strategy of rolling up our sleeves and working to build a portfolio over time proved to be quite successful for our LPs."

Harrison Street acquired and developed the properties across three of its closed-ended opportunity funds, Harrison Street Real Estate Partners I, II and III. Merrill told PERE that the portfolio is comprised of approximately 70 percent acquisitions and 30 percent new developments, which the firm built from the ground up. Funds I, II and III – closed in 2006, 2008 and 2010, respectively – raised a total of more than \$1 billion in equity commitments. Repeat investors in the offerings included the Kansas Public Employees Retirement System and the Richard M. Fairbanks Foundation.

Last month, Harrison Street closed its fourth opportunistic vehicle, Harrison Street Real Estate Partners IV, on \$750 million in commitments, surpassing its original target of \$600 million. Commitments to that fund included \$50 million investments from both the San Francisco Employees Retirement System and the New Mexico State Investment Council.

With more than \$2 billion in new investments completed this year, Harrison Street currently is acquiring and developing in the student housing, senior housing, medical office and self-storage sectors. Including this portfolio transaction, the firm has sold more than \$1 billion in real estate in 2013. In the fourth quarter, Harrison Street plans to bring one of the largest student housing portfolios to market, which may attract bids in excess of \$650 million, according to Merrill.

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