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EXCLUSIVE – Harrison Street holds first close for Canada Alternative Real Estate Fund

BY KALI PERSALL

Harrison Street has completed a first closing of its first dedicated fund in Canada, a year after the firm opened an office in the region.

The Harrison Street Canada Alternative Real Estate Fund was backed by a variety of institutional investors and prominent Canadian family offices, such as the Hennick family, as well as senior executives of the firm.

The fund will focus on demographics-driven real estate assets, such as senior living, student housing, medical office, life sciences, storage and digital assets throughout Canada. It follows a core-plus investment strategy that allows up to 35 percent to be invested in value-add strategies.

Harrison Street said the fundraise gives it the capability to invest in more than C\$550 million (\$435 million) of stabilized, income-producing assets.

Jonathan Turnbull, managing director and head of Canadian transactions for Harrison Street, told IREI in an exclusive interview that Canada possesses a variety of characteristics that make it an appealing market for investment.

"It's a logical place for investors to look, just broadly speaking, but as it relates to alternative real estate, we think Canada is unique from a standalone perspective and relative to other markets," said Turnbull. "It's got higher underlying demographics-driven demand growth than a lot of other markets, it's got lower current and anticipated supply of product for that demand, and it's got less competition for quality assets given the limited institutional capital that's invested to date in the country. We think there are very attractive valuations in the marketplace."

Harrison Street has a robust and actionable pipeline of off-market opportunities with multiple partners across its sectors of focus. The firm specifically recognized that demographics-driven sectors did well during the pandemic, compared to traditional real estate sectors. According to Turnbull, Harrison Street is planning to close on the acquisition of one or two seed assets for the fund early next week, with another transaction set for the middle of September, in the senior living and student housing sectors. The seed asset transactions are worth in excess of \$400 million. Harrison Street is working with three sets of operating partners in relation to these assets.

The firm has noticed capital launches with new alternative real estate strategies finding more success with investors than capital launches with traditional strategies. The success of the first close underscores that, said Turnbull.

"I personally think we picked the right time to come out with a Canadian strategy," said Turnbull. "Right out of the gate, not only have we had a first close, we've already drawn capital and are putting capital to work."

Through additional conversations, the firm has lined up another \$400 million to \$500 million of deals with various operating partners for 2022, with additional transactions to take place beyond that.