



## PROFILE: Harrison Street Real Estate Capital LLC

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*By Keat Foong, Executive Editor*

Chicago—What sectors of the multifamily industry enjoy the most consumer demand and are the most resilient? Answer that question and you have named the strategy of Harrison Street Real Estate Capital LLC: Harrison Street believes that those two sectors are precisely student and seniors housing.

Of all types of U.S. real estate, the private equity firm has zeroed in exclusively on these two sectors, plus storage. “The reason we focus on those segments is because they are needs-based real estate segments. Demographic trends are causing the need for student housing, seniors housing and storage,” says Dean A. Egerter, Harrison Street principal.

Everyone knows the familiar statistics: College enrollment is projected to increase by 11 percent in the next decade as 80 million “echo boomers” graduate from high school, and an increasing percentage of high school graduates enroll in college. And the U.S. population continues to age: The seniors housing population of 70+ is expected to grow by 3.7 million by 2015.

With regards to student housing, Egerter adds that only a small proportion of students can be housed on-campus. And state schools in particular will have only have more difficulty in future in obtaining funds from cash-strapped state legislatures to build on-campus housing, he pointed out. As for the types of seniors housing that Harrison Street focuses on, Egerter points out that the decision to admit a parent or grandparent to assisted living or Alzheimers is often an immediate need and not something that can wait “until we sell the house.”

Founded in 2005, Harrison Street just closed its third fund, the \$595 million Harrison Real Estate Partners III. The fund is 50 percent invested, and 75 percent committed. Harrison Street, on behalf of Harrison Street Real Estate Partners I, II and III, currently owns about \$2.7 billion in real estate assets, says the firm.

Harrison Street owns well-amentized student housing properties which rent to students “by the bed” with 12 month leases and parental guarantees. The company currently owns or has under

development approximately 20,000 beds, says Egerter. As far as seniors housing, Harrison Street's focus is on needs-based private-pay properties that serve independent living, assisted living and Alzheimer's tenants with a current focus on Alzheimer's and assisted living. Harrison Street currently owns or has under development a portfolio of about 6,000 independent living, assisted living and Alzheimer's beds.

Harrison Street's strategy sounds great, but it also delivers. Egerter says that Harrison Street in fact aims to double the capital invested by investors over a four- to six-year time frame. The company typically develops. Or it stabilizes the yield for assets it buys before turning them into to "stable core assets." The holding period is four to six years. Once the asset is stabilized, the company sells the portfolio, or individual assets, to institutional investors.

"We think these are both sizable markets. The demographic trends supporting both student and seniors housing are ones that will continue to generate demand on a go forward basis," says Egerter.

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