



## \$200M Joint Venture Recaps Six-Property Seniors Portfolio

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Harrison Street Real Estate Capital has joined forces with Morningside House Senior Living on a \$200 million joint venture. The partners' first move will involve the recapitalization of six stabilized, Class A Morningside assisted-living and memory-care properties in affluent areas in the Baltimore and Washington, D.C., region. And the acquisition of properties with the aforementioned characteristics in the Mid-Atlantic area will be the next step.

The six assets the joint venture will recapitalize are occupied predominantly by prosperous residents and encompass 480 private-pay rental units. The bulk of the portfolio is located in Maryland cities near Baltimore and includes Morningside House of Friendship in Hanover (pictured); Morningside of Ellicott City in Ellicott City; Morningside House of Laurel in Laurel; Morningside House of Satyr Hill in Parkville; and Morningside House of St. Charles in Waldorf. Rounding out the group is Morningside House of Leesburg in Leesburg, Va. "We see tremendous value in contributing our existing assets into this venture, from which we can continue to grow our presence, portfolio and company platform," Kelly Mason, Morningside president and CEO, notes in a prepared statement. "We are very selective about new communities and target only locations with strong age and income qualifications, as exists within the Mid-Atlantic markets."

Harrison Street is providing financing via its Harrison Street Real Estate Partners III L.P. fund, which launched this summer for the purpose of investing in healthcare assets, in addition to education and storage properties. The investment in the joint venture marks the achievement of one of Harrison Street's long-held goals. "We spent years trying to penetrate the Washington/Baltimore market, but it wasn't until we came across Kelly Mason and Morningside that we felt comfortable making a large investment in the region," Michael Gordon, vice president with Harrison Street, tells *MHN*. "Success is heavily tied to the strength of the operator. Morningside creates a bond with the residents and a great environment for employees. Our job is to foster growth and expand the brand. At the end of the day, we're getting involved with a great operator."

Over the next three years, Harrison Street and Morningside plan to direct approximately \$100 million toward purchases of communities meeting their stated criteria. "We want to get great exposure in markets with high barriers to entry and low supply-demand ratios," Gordon says.

Presently, Morningside's portfolio of operated seniors housing properties accounts for 750 units, and Harrison Street's multifaceted real estate holdings include 4,100 units. The partnership will allow both teams to enhance their footprint in the solid assisted-living and memory-care sub-sectors.

The assisted living market, although it took a few hits during the economic downturn, is on the upswing. The average occupancy level increased 40 basis points in the third quarter to 88.7 percent, according to a report by the National Investment Center for the Seniors Housing & Care Industry. The aging baby-boomer population and improved healthcare will only cause an increasing need for assisted living communities, and the growing prevalence of Alzheimer's disease will continue to spur demand for memory-care properties. In the U.S., one in eight people aged 65 and older, or 13 percent of the population, presently suffer from Alzheimer's, according to the Alzheimer's Association's 2010 Alzheimer's Disease Facts and Figures report. Someone develops the disease every 70 seconds, and by mid-century the occurrence will grow to every 33 seconds. "There is an incredible lack of housing for those in need of dementia care," Gordon adds.

While the acquisition of assisted living and memory care communities is certainly on the agenda for Harrison Street and Morningside House, the partners will also pursue the repositioning and redevelopment of these seniors housing property types. Morningside Management L.L.C. will serve as the operator of all portfolio additions.

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