

CPPIB, GIC double down on student housing with \$1bn deal

The investors are buying a second portfolio from Chicago-based Harrison Street 10 months after inking their first purchase with the firm.

By **Meghan Morris** - 3 January 2018

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The **Canada Pension Plan Investment Board** and Singaporean sovereign wealth fund **GIC** are continuing to expand their US student housing platform with a \$1.1 billion portfolio acquisition, the firms said Wednesday.

In January 2016, CPPIB and GIC formed a joint venture, Scion Student Communities, with The Scion Group, a Chicago-based private owner and operator of student housing, to enter the US student housing market. The JV initially bought almost 13,000

beds across 18 properties for \$1.4 billion, then added another 29 properties in a \$1 billion deal in March with multiple sellers, *PERE* **previously reported**. As part of the latter deal, Chicago-based Harrison Street Real Estate Capital sold nine assets to SSC in March for \$465 million.

CPPIB and GIC each own a 45 percent stake in the joint venture, while The Scion Group owns the remaining 10 percent.

In the latest deal, Harrison Street sold 22 properties to SSC for \$1 billion, founder Christopher Merrill told *PERE*. The portfolio, which the firm amassed over the last seven years through five different funds, comprises 12,000 beds across 18 states.

In addition to its purchase from Harrison Street, SSC also recapitalized two legacy assets that had been owned by The Scion Group. Now, the JV's portfolio comprises 73 assets in 52 markets with 46,555 beds, according to Wednesday's statement.

Merrill said about 80 percent of the firm's acquisitions are through single-asset purchases or development, while portfolio sales comprise about 80 percent of its exits.

"People are very interested in the student housing space given the strong fundamentals but it's hard to access portfolios because of their segmented nature," he said. "There are very few groups aside from public real estate investment trusts that have amassed sizable portfolios, and that's a challenge not only with this sector, but with senior housing and medical office."

Regarding Harrison Street's second sale in less than a year to SSC, Merrill said that the firm has had repeat buyers across all of its property types, adding that most repeat buyers tend to be real estate investment trusts. "While we certainly talked to others, Scion's offer was appropriate and they're a very credible buyer. For us, price was very important but credibility to get a complex transaction done was also key."

Student housing acquisitions have jumped in recent years, from \$4 billion in 2012 to \$10 billion in 2016, according to data provider Real Capital Analytics. More recent data were not yet available. In 2018, Merrill said he expects student housing portfolio sales will be "few and far between" because of the time needed to assemble sizable, stabilized portfolios in a segmented market and high barriers to entry.

GIC manages \$100 billion in assets, while CPPIB oversaw C\$328.2 billion as of September 30, according to Wednesday's statement. Harrison Street has \$12.8 billion in assets under management.