

Investment Fund Targets Student Housing

FINANCE: Will Buy
Properties Near Colleges

■ By RAY HUARD

Fred Pierce, founder and president of **Pierce Education Properties**, has started an investment fund for high-net-worth individuals who want to get into the booming student housing market, but don't have the capital to buy, renovate and



Fred Pierce
Founder and
President
**Pierce Education
Properties**

Investment

➔ from page 36

manage student housing projects.

“Most of them, while high net worth, aren’t high enough net worth that they could buy some of these buildings on their own,” Pierce said. “They may not be willing to put \$15 million in equity to buy a \$40 million property, but they could invest \$100,000, \$500,000 and get a diversified portfolio – student housing through us,” Pierce said.

Pierce hopes to raise between \$75 million and \$100 million to buy property that sells for \$40 million or less, adding that the new fund will have “a very laser-focused target.”

“We’ll still be buying very nice properties in good locations with very nice amenities,” Pierce said. “We will have a fund that will create a diversified portfolio of properties, probably between eight and 10 properties.”

The minimum investment is \$100,000. “For high-net-worth investors, there’s a chance to own a nice property, and in this case, a nice portfolio of properties of intermediate size” Pierce said. “There hasn’t been much of an opportunity for high-net-worth individuals to have access into the space.”

In setting up the fund, Pierce said that he is working with **Silver Portal Capital**, based in Solana Beach as the fund’s investment banker.

The new fund will be an affiliate of Pierce Education Properties.

Leased by the Bed

Pierce Education Properties owns and operates student housing complexes in 18 states, including several projects that serve



A new investment fund affiliated with Pierce Education Properties plans to invest in mid-sized student housing complexes like this one formerly owned by Pierce Education Properties at Purdue University. Photo courtesy of Pierce Education Properties

San Diego State University and the University of California San Diego.

The company is finishing construction of one called Topaz to serve SDSU and is soon starting construction on another \$63-million complex to serve SDSU.

A seven-story building at 5824 Montezuma Way, the \$47-million Topaz has 169 beds in 53 apartments.

Student housing is typically leased by the bed rather than by the apartment so students or their families are responsible for paying rent only on the space they use as opposed to sharing the full cost of an apartment with roommates, according to Pierce.

Pierce Education Properties typically partners with large institutions, such as insurance companies, private equity firms and pension funds, in financing its projects.

“Our institutional joint ventures will buy property above \$40 million,” Pierce said,

adding that few institutional investors are interested in property valued at less than \$40 million.

The difference between what Pierce Education Properties does and the new fund is that “this is going to allow us to invest in more middle-market size properties,” Pierce said.

Recession Resistant

According to Pierce, student housing has an advantage over some other real estate investments because it’s less dependent on the performance of the overall economy.

“It does just fine during a growing economy but it’s very, very recession-resistant,” Pierce said, because people often go back to school during recessions.


In buying property, Pierce said that he targets public universities with a minimum of 20,000 undergraduate students

or 25,000 total students in metropolitan areas that have strong football programs.

He uses football as a measurement in part because strong football programs draw the students that are his tenants.

Pierce said that he targets property around 66 schools in the country that meet his criteria. ■

Pierce Education Properties



PIERCE EDUCATION PROPERTIES

FOUNDED: 1995
HEADQUARTERS: Mission Valley
PRESIDENT AND CEO: Fred Pierce
BUSINESS: Developer and owner of student housing projects
EMPLOYEES: 150
CONTACT: 619-297-0400
NOTABLE: Since 2007, Pierce Education Properties has acquired or built student housing projects serving 33 universities in 18 states.