



Student Housing: Ann Arbor's 601 Forest student high-rise property sale finalized

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A major student housing development in Ann Arbor moved forward Friday when developers of 601 Forest high-rise finalized the purchase of multiple properties that will be combined to build the project at the corner of South University and South Forest.

The land deal – reportedly worth at least \$12 million, according to student housing industry experts – also signals that financing may be in place for the 14-story tower to be built on the edge of the University of Michigan's central campus.



Coming into the deal are Chicago-based student housing specialists Campus Acquisitions LLC, which owns multiple campus housing properties in 6 states and now moves into the U-M market with this deal.

“We are extremely excited to enter Ann Arbor and the UM market,” said JJ Smith, development manager for Campus Acquisitions in an email.

Also part of the transaction is Harrison Street Real Estate Capital LLC, a Chicago firm that provides equity capital for student housing developers, according to a report today on studenthousingnews.com.

Closing the transaction to take ownership of the property was one of the final steps in the deal before construction could take place.

The project will add up to 620 student beds in the luxury student-housing market. Based on estimated per-bed lease rates at \$1,000 per month, the project could generate \$7.4 million per year in rent while also changing the market for owners of smaller, older or more distant properties.

This project continues a recent trend of new construction with higher rental rates taking hold of the campus housing market.

“The U-M was very, very slow to get into the student housing market,” said Edward Surovell, owner of Edward Surovell Realtors in Ann Arbor. “That left the university with a deficit that created (opportunity) inside the city for private solutions for campus housing.

“... The private sector has jumped at a great opportunity.”

Meanwhile, city records show multiple permit requests were filed last week by general contractor Stevens Construction, based in Wisconsin.

They include:

- Barricade permit.
- Demolition permits for 607 609, 617 and 621 S. Forest.
- Grading and earthwork.

Permits filed in December include requests to halt water, sewer and natural gas service to the properties before demolition.

Meanwhile, a permit filed in July to build the foundation for the new building remains under review, according to the city.

Ron Hughes, principal of Hughes Acquisitions LLC, was part of the original development team for the project, which started in the planning process as University Village.

He continued the development after the project was downsized from its original 25 stories and the project was changed to 601 Forest LLC.

In October 2008, City Council approved the 14-story version of the project, which also is eligible for a brownfield reimbursement plan to cover costs of demolition and site preparation work through a tax recapture after the project is completed.

The estimated value of the project at the time was \$85 million.

In 2010, Hughes sought administrative changes to the site plan to add 10 bedrooms – bringing the total to a range of 570-620 – and add parking spaces to total 146. Those changes also added two retail store fronts to the ground floor.

Hughes did not return a call seeking comment on the transaction. Harrison Street also could not be reached Saturday afternoon.

On Thursday, Harrison Street announced the joint venture purchase of a 607-bed student housing project in San Diego for \$43.5 million.

In a report on that transaction, Harrison Street senior vice president Brian Thompson said, “We continue to be active in the student housing space on various fronts.”

Campus Acquisitions, on its website, says its model of pursuing student housing opportunities is based on projections that U.S. college enrollment will increase to 18.5 million by 2013.

U-M has driven multiple new projects in Ann Arbor in recent years. The most recent change in the market: The Dinerstein Group just acquired 4 Eleven Lofts from developer Joseph Freed & Associates.

Also new in the market: development of Zaragon Place 2 at William and Thompson Streets, a similar project to the original Zaragon Place on East University that opened in 2009.

On North Campus, The Courtyards also opened in 2009. That project was built by national student housing operator Kensington Realty Advisors. It’s now valued at \$47 million, according to city estimates.

In late 2010, the owners of Pizza House restaurant launched a marketing effort to find a developer to build student housing in an approved high-rise over the existing restaurant on Church Street.