Harrison Street Forms Joint Venture

Fund operator **Harrison Street Real Estate Capital** has teamed up with a developer to form a joint venture that will acquire and build assisted-living facilities in the Pacific Northwest.

Harrison Street and its partner, senior-housing developer **Springs Living** of Portland, Ore., will seek a 15-19% return by acquiring senior-housing complexes that currently offer minimal care and repositioning them as assisted-living facilities. They will also develop assisted-living properties from scratch.

The lion's share of the equity will come from Harrison Street Real Estate Partners 3, a vehicle that invests in niche properties such as medical facilities and senior and student housing. Springs Living will kick in 10-20% of the joint venture's overall equity.

The Harrison Street fund has raised about $350 million toward its equity goal of $500 million to $600 million. Chicago-based Harrison Street plans to leverage the vehicle by borrowing up to $2.50 for every $1 of equity.

The partnership with Springs Living is the 10th joint venture Harrison Street has formed over the past two years to invest in senior housing. Harrison Street plans to allocate about a third of the equity from Real Estate Partners 3 to capitalize those joint ventures.

The latest joint venture has closed on two deals so far — in both cases recapitalizing senior-housing properties that Springs Living developed with other equity partners. The two properties are the 201-unit Springs at Clackamas Woods, in Milwaukie, Ore., and the 142-unit Springs at Missoula, in Missoula, Mont. The joint venture put up $14 million of total equity, assumed a **Fannie Mae** loan on one property and refinanced the other through Fannie.

Harrison Street and Springs Living now have their sights set on developing an assisted-living facility in Northern California, where Springs Living owns land zoned for that usage. Beyond that, Springs Living owns five other senior-housing complexes, in California, Montana and Oregon, that the joint venture may recapitalize.

The strategy is based on the assumption that as Baby Boomers age, demand will increase for higher levels of care and more amenities, including assisted-living facilities that cater to residents with Alzheimer's disease and other types of dementia or senility. ❖

Investors Shown Palm Beach Shops

A boutique retail property on the block in the commercial center of affluent Palm Beach, Fla., is expected to trade at a rock-bottom 4% capitalization rate.

The 19,000-square-foot property, which is 99% leased, will likely attract bids above $20 million. Known as Via Bice, the two-story complex is in a four-block area that is home to exclusive stores and restaurants. Asking rents in the area are upwards of $150/sf. **BlueGate Partners** of Palm Beach is marketing the property for a private owner.

The low anticipated capitalization rate reflects investors' willingness to pay a premium for properties in ultra-affluent shopping districts such as Madison Avenue in Manhattan, Rodeo Drive in Beverly Hills and Palm Beach. Nationally, the average cap rate for all retail properties was 7.7% at the end of last year, according to **Real Capital Analytics.**

Via Bice, at 313 1/2 Worth Avenue, is anchored by a high-end Italian eatery called Bice. The 200-seat restaurant rang up more than $4 million of sales last year, up 2.5% from 2009. Other tenants include such upscale businesses as Cashmere Beach, De Corato, David Chase, Domenico Vacca, French Sole and Taglialatella Galleries. Leases on 5,000 sf expire by yearend 2013.

The property, built in 1974, is on the north side of Worth Avenue, which extends to the Atlantic Ocean. The neighborhood, featuring Mediterranean-style architecture and pedestrian-friendly courtyards, counts some 250 shops, restaurants and art galleries. The town of Palm Beach recently completed a $15.8 million renovation of the area, planting 200 mature coconut palms and erecting antique-style light fixtures, a fountain and a 25-foot clock tower. ❖

Condo-Quality Rentals for Sale in Fla.

A **BlackRock Realty** fund is offering a South Florida apartment complex that is suitable for conversion to condominiums once that sector rebounds.

The 207-unit Mariner's Key in Lake Park, Fla., is expected to draw bids of about $45 million, or $217,000/unit. **Apartment Realty Advisors** has the listing.

BlackRock bought the site in 2005, at the height of the condo conversion boom. It paid $25.6 million for what was then a Class-C apartment complex, dating to 1965, and demolished it to build upscale for-sale units. But as work began, the housing market collapsed and the recession set in.

The New York fund shop decided to reposition the units as rentals, but with condo-quality finishes and luxury-community amenities. Leasing began in 2008, and the low-rise complex is now 93% occupied.

BlackRock spent about $44 million on the reconstruction and improvements, including a private 17-slip marina, a clubhouse and fitness center with saunas, and detached garages for the units. The apartments feature granite countertops, stainless steel appliances and patios or balconies.

The property, at 901 Lake Shore Drive, is about seven miles north of West Palm Beach, alongside the Intercoastal Waterway. BlackRock shopped it briefly last spring, but pulled it back to give the still-weak Florida rental market more time to recover. Now, with the bulk of the state's inventory of failed condo projects absorbed as rentals, occupancy rates and rents are rising and investors are kicking the tires on apartment investments.

A new owner of Mariner's Key would no doubt operate it as a rental property for the foreseeable future. But exiting the investment by selling the units as condos when the market revives would likely require few upgrades. ❖