
PUBLICATIONS

INVESTORS - JANUARY 14, 2022

American Campus Communities forms JV with Harrison Street's social-infrastructure platform

BY ANDREA ZANDER

American Campus Communities has formed a joint venture for the ownership of its existing eight-property Arizona State University student-housing portfolio.

Harrison Street, as part of its social infrastructure platform, acquired a 45-percent interest in the joint venture, with the company owning the majority 55-percent interest. The transaction is structured with a two-stage closing. The first stage closed on Dec. 31, 2021 and involved the contribution of three properties to the joint venture and provided the company with proceeds of \$271.7 million. The second stage is expected to close in late 2022 or early 2023 and will involve the contribution of the remaining five properties for expected proceeds of \$279.6 million, subject to customary closing conditions, including no material adverse changes to these properties. The transaction satisfies the company's previously communicated capital-sourcing transactions of \$200 million to \$400 million in 2022 and provides for additional capital proceeds moving into 2023.

In connection with the transaction, and in alignment with ACC's core value of giving back, the company is contributing \$5 million to ASU for scholarships, programs that support student success and sustainability.

The 8,187-bed ASU portfolio includes seven on-campus American Campus Equity (ACE™) developed communities subject to leasehold interests with ASU and one previously acquired off-campus property located next to the ASU campus. This transaction demonstrates that on-campus assets developed via properly structured public-private partnerships (P3) can be valued on par with private off campus assets that reflect comparable market and product attributes. The portfolio exemplifies the highest standards of the company's longstanding investment criteria, which focuses on developing or acquiring differentiated on-campus or pedestrian-to-campus communities at Carnegie R1 research institutions and/or universities in Power 5 athletic conferences. The communities provide a broad range of products, including first-year residence halls, honors college housing, Greek housing, and upper-division apartment-style housing – providing affordable housing options for a diverse audience of ASU students. For each of the past seven years, ASU has been ranked America's Most Innovative University by U.S. News & World Report. In addition, ASU is located in the heart of the Phoenix MSA, which is attracting significant global institutional capital.

"We are pleased to have executed this two-stage joint venture, as the structure fully satisfies the capital needs of our under-construction developments, while maintaining the opportunity to achieve our stated goal of providing FFOM per share growth in the range of 12 percent - 15 percent in 2022," said Bill Bayless, American Campus Communities CEO. "We are also excited to partner with Harrison Street, a highly respected institutional real estate investor that has been one of the most active student housing investors of the last decade with a social infrastructure platform that is fully aligned with the social and purpose-driven mission that has always been the foundation of our partnership with ASU and other university partners. This transaction also demonstrates that we can diversify market concentration in a manner that preserves the spirit and mission of our university partnerships, while also demonstrating to our public shareholders the significant value inherent in our current and shadow pipelines of potential on-campus transactions. As the only public company in the student housing sector, ACC is well positioned to execute on this expansive opportunity for growth and value creation in the years and decades to come."

After conducting a competitive process among institutional investors, Harrison Street, with its social infrastructure platform, was a natural partner given the alignment with ACC's industry-leading ESG position and the four LEED developed communities in the JV portfolio. Harrison Street's social-infrastructure platform, which it has pursued since 2018, enables the firm to pursue a unique strategy of partnering with universities, health systems and government users to provide clean energy and sustainable buildings, as well as critical service.

"Our partnership with American Campus, which began in 2006, pioneered the P3 equity financing model for on-campus student housing. This has enabled Arizona State University to preserve our capital for research and academic investments while also providing affordable, sustainable, best-in-class living learning communities that reflect the university's high-quality and innovative nature," said Morgan R. Olsen, ASU executive vice president, Treasurer and CFO. "We are also appreciative of ACC's meaningful gift and continued support in promoting the success and well-being of our students."

Christopher Merrill, Harrison Street's co-founder, chairman and CEO, stated, "Arizona State University is a nationally recognized institution, serving nearly 75,000 students and continues to see consistent enrollment and application growth. Harrison Street is thrilled to launch our P3 joint venture with ACC, a world-class student housing owner and developer with exceptional management practices, to support learning environments that facilitate students' academic and social lives, as well as their overall health and well-being. Harrison Street is committed to delivering strategic capital and helping to ensure students have access to top-tier living options where they study, and we look forward to building on our P3 expertise to continue to offer exceptional and diverse spaces that attract and retain a broad range of students."

Portfolio summary:

- Initial Stage:
 - Barrett Honors College - The 1,721-bed residential complex serves first- and second-year students within the distinguished Barrett Honors College. The community includes 12 classrooms, advisement center, administrative offices and dining facility. Developed by ACC in 2009, LEED Gold.
 - Tooker House - The 1,594-bed residential college was designed specifically for undergraduate students in ASU's IRA A. Fulton Schools of Engineering. The community features digital classrooms, spaces 3D printers, laser cutters and soldering tools for engineering curriculum. Developed by ACC in 2017, LEED Gold.
 - Greek Leadership Village - This 957-bed residential complex serving the ASU Panhellenic community consists of 27 individual customized chapter houses for fraternities, sororities and community groups. Developed by ACC in 2018, LEED Certified.
- Second Stage:
 - Vista del Sol (VDS) and Villas at Vista del Sol - Originally developed for the upper-division student population, the success of Barrett Honors College led to VDS and Villas' conversion to house 2,266 upper-division honors students. It features a 12,000-square-foot academic-support-services center. Developed by ACC in 2008 and 2012.
 - 922 Place - Originally acquired by the company as a 468-bed off-campus apartment community steps from campus, ASU master leases the community to provide an apartment experience with an array of amenities for upper-class students. Developed in 2009, acquired by ACC in 2012.
 - Casa de Oro - One of only two residential communities on the campus of ASU West, the 365-bed Casa de Oro serves first-year students and is in the center of campus, adjacent to the main dining facility and steps from classrooms. Developed by ACC in 2012.
 - Manzanita Hall - The iconic first-year student-residence hall was originally developed in 1967 in the center of campus and was redeveloped by ACC in 2013 to accommodate 816 students within the College of Liberal Arts and Sciences. LEED Silver.

SHARE THIS ARTICLE

