

Well-connected firm pursues student housing

Vesper Holdings, founded by Isaac Sitt and Elliot Tamir, seeks to raise \$100 million less than a year after raising its first such fund; popular target for investors.

By [Marine Cole](#) **Published:** April 8, 2011 - 1:23 pm

Vesper Holdings, a Manhattan-based real estate investment firm founded by Isaac Sitt and Elliot Tamir, is looking to raise \$100 million from institutional investors for Vesper Holdings Fund II. The move comes less than a year after the firm began investing out of its first fund, which is focused on student housing.

Its first fund, Vesper Holdings Fund I, has already invested nearly \$20 million in equity in student housing and still has \$50 million to put in over the next 12 months. Most of the money has come from high-net-worth individuals, many of whom invested with Thor Equities, a development firm that focused on retail and residential properties, where Mr. Sitt worked previously. There, he worked with his brother Joseph Sitt, Thor's founder.

Vesper has plenty of competition in its new line. In September, for example, Manhattan-based hedge fund Treesdale Partners formed a real estate arm to invest in student housing nationwide, focusing mostly on distressed properties. In addition, the main student-housing real estate investment trusts are currently active at acquiring existing housing, as well as developing new properties, according to Alexander Goldfarb, a managing director and senior REIT analyst at Sandler O'Neill + Partners. "In general, student housing is doing well," he said, but he noted there are some challenges.

"One of the things that came out of the downturn has been the importance for institutional investors to partner with operators," he said. Student housing differs from multi-family housing in many aspects, one of them being the timing for leasing space. Although multi-family housing can be leased throughout the year, there's a very short window between school years to lease student housing.

Vesper itself began two-and-a-half years ago by acquiring multifamily properties in the city, especially in Brooklyn, but quickly discovered a market for student housing.

"After Lehman Brothers collapsed, rents fell down, and it was more difficult to fill Brooklyn housing with yuppies, so we filled the properties with students," Mr. Sitt said. "There's a good business out there to develop student housing around the country."

In July 2010, Vesper acquired a 208-unit property in Ann Arbor, Mich., across the street from University of Michigan's stadium, for nearly \$13 million. It also invested \$1 million for improvements in that property. It later acquired two buildings near Texas A&M University and three buildings near University of Kansas, both for undisclosed amounts.

Mr. Sitt noted that his firm typically looks for universities where a high percentage of students live off campus, focusing primarily on properties located close to campuses but that may be a little older and in need of upgrades. Some of the improvements so far have included faster Internet connections, flat screen TVs, game centers and gyms.

In each of the three deals, Vesper has used only between 20% and 25% equity, while the remainder of the funds came in the form of debt from government-controlled lenders. "Fannie Mae and Freddie Mac are lending aggressively in the space," Mr. Sitt said, adding that Vesper has obtained a fixed-rate, 10-year loan below 6% for one of its purchases.

"We're definitely long-term holders by nature," he noted. Ultimately, Vesper's options to exit investments could include selling to real estate investment trusts specialized in student housing like American Campus Communities, he said.

"It's not such an easy fit," Mr. Goldfarb said about investing in student housing in general, adding that investors in student housing should also target universities that always have strong demand from students and where there's not too much new development.