

# Tailor Made

*Corporate capital and a multi-sector pedigree are opening doors for Pinecrest to develop student properties that meet market-specific demands.*

By Lynn Peisner

Since its inception in 2013, Pinecrest has been pursuing independent and joint venture ground-up developments in university markets with strong enrollment projections and favorable supply-demand ratios.

The company is both developer and an investment firm. It provides up to 100 percent of equity for new projects that are carefully selected via a supply-demand analysis. It also brings to the table years of experience developing multiple property types. Pinecrest is an affiliate of Perlmutter Investment Company, a multi-disciplined, privately owned real estate investment company based in Highland Park, Illinois, and established in 1998.

The various strategy-specific companies have focused on land development as well as development or repositioning of regional shopping centers, multifamily residential, office buildings and though its affiliate IAC Properties, warehouse distribution centers.

With its sights set on student housing, Pinecrest has completed development deals

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both as 100 percent owner and as a joint venture partner with experienced student housing developers, owners and managers. Currently, Pinecrest has three properties that are operating and one that is under development.

Pinecrest’s first student property was The Vista in Boise, Idaho, near Boise State University. The Vista is a two-building community with 539 beds that was built in a

joint venture with the Carter Company and opened in August 2015. The Vista is managed by Cardinal Group Management.

Pinecrest then joint ventured with The Bainbridge Companies on One Easton, a 440-bed community within walking distance to the University of Delaware in Newark that opened in 2016. The asset is managed by Campus Advantage.

And The Knox at the University of Tennessee in Knoxville also opened in 2016 with 382 beds. The property was financed with equity from Pinecrest and is managed by Campus Advantage.

Currently under construction is The Bridge on Forbes, a 489-bed community located in the Oakland neighborhood of Pittsburgh that will serve students attending the University of Pittsburgh and Carnegie Mellon University. The Bridge on Forbes will also be managed by Campus Advantage.

The site is adjacent to a main retail corridor for students attending both universities and is also located close to the University of Pittsburgh Medical Center and Magee Womens Hospital in downtown Pittsburgh.

## Student Market Turned Heads

Pinecrest was attracted to student housing because of the increasing amount of institutional capital coming into the sector. Drilling down further, President and CEO Stephen Perlmutter says the company noticed that most of that capital was flowing into acquisitions of completed portfolios, with much less institutional capital aimed at the development side.

With that, the company began evaluating university markets where it could develop



Pinecrest is developing The Bridge on Forbes, a 489-bed community near the University of Pittsburgh and Carnegie Mellon University. Campus Advantage will manage the asset.

## COMPANY PROFILE

pedestrian-to-campus, purpose-built student housing communities. These targeted markets are anchored by larger schools, where Pinecrest believes economic lulls would be less likely to affect enrollment growth.

"We saw an opportunity to draw on the talents and expertise of our people and our organization," says Stephen Perlmutter. "We decided that the best place for us in the industry was to create product through development."

A typical hold period for the company is approximately five years. Stephen Perlmutter notes that a community typically needs at least a year or two to reach stabilization.

"Since we've been in the business, there's been a transition from the 'build-it-and-they-will-come' mentality to a more realistic approach, which is that stabilization probably will not occur until the second year," adds Perlmutter, noting Pinecrest leverages good marketing and operations to drive rent growth and increase net operating income.

### Each Market's Different Needs

The company completes detailed market analyses before determining where to build. Sites that are close to campus are prized. "Over the past five years, one of the things we've learned is there is no substitute for what I'd call 'ocean-front' property," Perlmutter says, adding that the company is also careful about curating its amenities to fit the market.

At The Vista near Boise State for example, the company eschewed a pool in favor of hot tubs so students could enjoy this amenity



The Knox at the University of Tennessee in Knoxville opened in 2016 with 382 beds.

throughout the school year.

"When we were looking at the amenity package for a market like Boise State University, we felt that it made much more sense to put in hot tubs that could be operated throughout the school year," Stephen Perlmutter says. "There was more utility to our student tenants by doing that instead of having a pool that was closed most of the year just so you can say

on your marketing collateral that there was a pool."

At The Bridge on Forbes, after learning that study space and group collaboration was a priority for its student base, Pinecrest incorporated collaborative maker spaces into the design.

"It takes less of a cookie-cutter approach to building these communities and more of an in-depth analysis of the market," says Perlmutter.

In addition to its experience, Pinecrest's integration into student housing is also spurred along by youthful leadership. Stephen's son Tyler Perlmutter is director of investments and not far from the ages of college students and community assistants. "Being close in age, I've been able to talk to students about the type of amenities they want," says Tyler Perlmutter. "I've been able to connect with some of the community managers and students on a different level and really find out what's important to them."

Stephen Perlmutter adds that each project comes with a period of discovery, through interviews and informal focus groups, to determine where the university will be positioned in the future.

"We try to understand the university beyond their plans for renovating housing," he says. "Maybe they are proponents of innovation centers, for example. We try to understand where they're headed because after all we want to make sure there will be stability in the enrollment. We want to continue to build a portfolio that has outstanding projects at the right schools." **SHB**



The Knox was developed with equity from Pinecrest and is managed by Campus Advantage. Pinecrest is targeting strong-enrollment markets for its new-build products and harnessing relationships with experienced operators.