

REAL ESTATE WEEKLY

Student housing a hit for Sitt and Tamir

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Isaac Sitt

By Roland Li

In the wake of the recession, Isaac Sitt and Elliot Tamir began noticing a pattern in their Vesper Holdings portfolio. As retail and residential dropped off, one class of property remained strong.

“The student housing assets held up much better than any other assets,” said Sitt.

Although it didn’t have the breathtaking returns of Manhattan residential during boom times, student housing also avoided plunging prices during the downturn. Student enrollment continues to swell – no doubt aided in part by those looking for shelter from the job market – and continued to give consistent returns.

Sitt and Tamir’s Vesper Holdings launched a fund in 2010 to focus on student housing and has invested \$25 million for 2,500 beds. Its acquisitions have included two buildings near Texas A&M, totaling 415,000 s/f and 867 beds, and three buildings in Kansas. A few weeks ago, Vesper closed on another housing complex in Ann Arbor, Mich. It also owns multifamily properties in New York, but student housing is roughly 90% of its portfolio.

Vesper started a second fund in April and is looking to deploy \$75 million in equity over

the next 18 months, to boost its portfolio to 10,000 beds. It is also open to bringing on partners.

The partners' approach to housing can be long-term investment or a quicker flip, depending on the market. Vesper will invest \$1.2 million in its newest Ann Arbor property for capital improvements – in the past, these have included both upgrades to the apartment units and build-out of amenities, such as retail, in the same building.

“You buy where the dynamics are positive – there's growth, there's not a lot of development,” said Sitt. “We feel we're in a sweet spot. We think student housing is actually safer than multifamily.”

At the University of Michigan, only 22% of the 40,000 students live on campus, and the school is not adding beds, said Sitt. Texas A&M has over 47,000 students, and less than a quarter live on campus.

The partners hope to expand their student housing holdings to include New York, but Sitt said that numerous factors make the city a tougher prospect. Zoning restrictions and rent stabilization make properties more difficult. Often, landlords will rent directly with the schools, rather than students, but schools such as New York University and Columbia are in the process of large expansions that focus on owning buildings, rather than leasing.

Vesper is in talks with schools about acquiring and leasing a 1,200-bed, 10-floor portion of a building in midtown Manhattan, but discussions are still preliminary. The property also has a separate hotel portion.

Vesper's financing comes from both individual investors, as well as funding from sources like Fannie Mae and Freddie Mac.

For the firm's recent Ann Arbor acquisition, it had to use a commercial mortgage backed security (CMBS). The deal closed just prior to the downgrade in U.S. credit, which has virtually frozen the CMBS market. That move has made the government-sponsored lenders more crucial.

“I think as long as Fannie and Freddie continue lending, the market will remain liquid,” said Sitt.

Although he's now investing nationally, Sitt remains a Brooklyn boy at heart. He grew up near Coney Island and continues to live in his childhood home with his wife, two sons and two daughters. Sitt began his career in the family business of importing baby clothing, learning everything about business from his father. He would move on to join his brother, Joseph Sitt of Thor Equities, in the real estate retail sector. Joseph is also an investor in Vesper Holdings and remains a role model for Isaac.

“Joe taught me everything I know about real estate. He has tremendous foresight,” he said.



Elliot Tamir

He partnered with childhood friend Elliot Tamir in launching Vesper Holdings, first focusing on multifamily property. Sitt handles acquisitions for the firm, while Tamir oversees capital improvements and building management. Tamir is a veteran developer, building 17 parking garages and Manhattan and ground-up development in Brooklyn, “drawing yuppies to Williamsburg,” as Sitt describes it.

“He increases the value, which is really the secret of the business,” said Sitt. The two continue to own a variety of real estate, including retail, parking lots and multifamily, outside of Vesper. Sitt is open to the idea of ground-up development, but believes that current market conditions favor acquisitions and rehabilitations. For now, that means expansion of its national student housing portfolio.

“As long as I can find deals that make sense to me without building, I would like to be doing that. As soon as it makes more sense to build new, I will do that,” said Sitt.