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The Benefits of Student Housing with Good Bones and Distressed Financial Situation

By Keith Loria, Contributing Editor

Lubbock, Texas—Vesper Holdings has acquired University Courtyard in Lubbock, an 864-bed student housing community located in close proximity to Texas Tech University, from a large group of Tenant in Common owners.

Completed in 2005, University Courtyard consists of 12 three-story residential buildings and a clubhouse spread across a 30-acre site. The property's unit mix consists of two-, three- and four-bedroom floor plans.

"It was a rare combination of factors that made the opportunity so compelling," Isaac Sitt, Vesper Holdings' co-founder and principal, told *MHN*. "It is located in an extremely strong student housing market, the property has excellent bones and it is only 10 years old and was in extremely distressed financial situation. It has occupancy of only 69 percent at acquisition and has tons of deferred maintenance issues. Therefore, we see enormous upside in the deal."

Vesper's student housing portfolio now totals 17 apartment communities and approximately 10,000 beds, with seven properties totaling 3,908 beds spread across four different university markets in Texas. According to Sitt, Vesper's strategy is to acquire both value-add and core stabilized student housing deals, and this deal fell into the former.

"Since we were able to acquire this asset in off-market transaction at a substantial discount due to the distressed situation, we are in a position to invest \$4.5 million to improve the property and still offer the students highly competitive rental rates going forward," Sitt said. "We have had enormous success with these types of acquisitions in the past."

The money will be allocated towards property improvements, including unit interiors and the property exterior, and will help execute a comprehensive rebranding and repositioning strategy. Interior improvements will feature new flooring, common area furniture and flat screen TVs. Exterior renovations will include enhancement of curb appeal and substantial upgrades to community amenities including the clubhouse, pool and fitness center.

"University Courtyard lags well behind all of the other properties as a result of the current owner's limited capital investment in the property," Sitt said. "By dramatically improving the property's interiors and exterior, and by retaining a leading student housing operator, Vesper expects to fully realize the property's upside potential."

All apartments are fully furnished and feature black appliance packages and large fully equipped kitchens. All units have private, full-sized washers and dryers, along with high-speed Internet connection in every bedroom. Monthly rent includes cable, water, and sewer.

University Courtyard offers students a full range of amenities including two swimming pools, a movie theater, fitness center, business center, game room, basketball court, free tanning salon and lighted jogging track. The property is located on the University shuttle route.

The property is located approximately 1.25 miles from Texas Tech's campus in a housing corridor that contains many other purpose-built properties that market to students. In addition, residents also benefit from the property's close proximity to Loop 289, a freeway that provides quick access to the area's big box retail including Target and Wal-Mart.

"As is the case for most purpose-built student housing communities in Lubbock, University Courtyard's residents typically drive to campus—approximately five minutes from the property to the on-campus parking lots," Sitt said. "Students can also ride to campus on the Texas Tech shuttle that stops directly in front of the property."

