

Silent Partner

Peninsula Investments Group has quietly made a name for itself as an equity partner for big name developers in the student housing industry.

By Randall Shearin

Peninsula Investments Group is a Miami-based private equity firm with a large stake in residential real estate. Within its portfolio investments, the firm has been an investor in more than 10,000 beds of student housing developments over the past five years. The company started investing in real estate about 16 years ago, first in Latin America, where it developed for-sale housing for low- and middle-class families. Today, the company continues its investments there through the development of projects in Brazil, Mexico, Colombia, Panama, Uruguay, Paraguay and other countries. The company's investors for that venture are primarily U.S. institutions. Peninsula began investing in the U.S. about six years ago, focusing on student housing at first and then expanding into seniors housing and multifamily. From its first investment in student housing, Peninsula has created relationships with major U.S. sponsors and partnered to develop more than 20 projects.

Juan Fernando Valdivieso and Josef Preschel are the two Peninsula partners who concentrate on the company's investments the United States. They share degrees from the Massachusetts Institute of Technology in common, as did their late partner, Mauricio Levitin, who passed away unexpectedly last year.

Peninsula grew into its role as an investor in student housing in a roundabout way. It first identified a project near Florida International University that it wanted to co-develop, but didn't want to invest alone. It sought the interest of Chris Merrill, chairman and CEO at Harrison Street, who Valdivieso had been introduced to a decade earlier. Harrison Street declined because

Peninsula's development partner was not an experienced developer in the student housing sector. Peninsula realized that to be successful, it too would need to partner only with strong, well-known developers, so it decided to buy out the local developer's stake in the project and then asked Merrill for recommendations for a new partner. After being introduced to some of the best sponsors in the country, Peninsula was able to partner with a well-



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Peninsula is an equity partner in The Metropolitan at Gainesville with Landmark Properties. The 464-bed project is under construction near the University of Florida campus and will open in the fall of 2023. Rendering courtesy of Landmark Properties.

known student housing developer to invest in its first student housing project. That experience helped narrow the company's focus as to who it would partner with, as well as where it would develop.

Peninsula's primary role in student housing has evolved to be principally an investor in new developments. The company provides the necessary equity so that developers do not have to tie up large amounts of capital in development projects. When the projects are complete, they are generally recapitalized to the developer or sold, and Peninsula recoups its investment and a return.

"We partner with leading players like Landmark Properties and CA Ventures," says Valdivieso. "We like to be the general partner for equity. We have also served as the preferred equity partner or provided mezzanine debt. We will only partner with well-known, specialized developers with strong operational capabilities."

As part of that focus, Peninsula only takes on core Class A projects at top tier universities. The company has a list of about 70 universities it has identified where it will invest. To date, Peninsula

has invested in 12 projects with CA Ventures and six with Landmark Properties.

"We are focused on a micro market of universities, primarily flagship schools in faster growing southern states," says Valdivieso.

Peninsula entered the U.S. student housing industry because it was seeking to diversify its investments, which at that point had been focused on Latin America.

"We were seeking defensive investments," says Valdivieso. "We were in year seven of an upcycle. We did a lot of analysis of the last downturn of 2009. The best performing sectors during the Great Recession were student housing and seniors housing. The NOI of both sectors increased during those time periods."

Peninsula's assumptions were proven true during COVID; while student enrollment fell nationally, at Power Five universities, total enrollment rose as did occupancy at off-campus student housing properties.

"Right now, there is a flight to quality, where students are going to better universities," says Valdivieso. "We like that feature of student housing in strong markets."

COMPANY PROFILE

Peninsula is also comforted by the involvement of other institutional capital players in the student housing sector. Valdivieso says that when the firm first entered student housing six years ago, the sector was viewed as somewhat contrarian by other institutional investors.

“Now, we see the likes of Blackstone, Brookfield and Morgan Stanley directly investing into the sector,” he says. “You also see international investors entering the space.”

That continued interest and investment, he says, will help keep cap rates in the sector low for a longer period of time. As an investor in new developments, that is a promising outlook for Peninsula and its partners. Like much in real estate, dealing with Peninsula is a relationship-based business. The firm looks for programmatic joint venture partnerships with its developers. By partnering with top developers and co-investing alongside best-in-class institutional capital, the cost of debt for the projects is lower. Because of the relatively short time frame for new developments, Peninsula’s hold time for investments is also short. The firm has exited 10 deals over the past 12 months. Its average investment lasts about 28 months.

“Our investment allows our development partners the flexibility to do more deals and grow their businesses more quickly by not tying up their balance sheets,” says Valdivieso.

For the future, Peninsula plans on continuing its focus on new developments in the sector.

“Even though there is a lot of capital chasing the student housing sector, it is difficult to make the case for us to enter the acquisition market when we have institutional investors buying large portfolios in the space,” says Valdivieso. “Our analysis leads us to believe it is best to enter a project early on, by co-investing on the general partnership side.”

The company is open to new developer partnerships, though Valdivieso says Peninsula will be extremely selective in that process.



Peninsula provided equity for the development of HERE Atlanta, a 784-bed high-rise project near Georgia Tech in Atlanta for developer CA Ventures. The project opened for fall 2021. Photo courtesy of CA Ventures.

“There’s a true benefit to having deep relationships,” he says. “We are not looking to do one-off developments. We want investments where we can develop long-term relationships that we can scale as we go along together.”

Peninsula raises its capital through funds. It has also brought some of its larger investors into deals as direct co-investors. Seeing the investment volume it has lined up over the next few years, Peninsula is clearly bullish on the student housing sector. The company also has investments in student housing in Europe and in conventional multifamily and seniors housing in the United States, says Valdivieso. **SHB**

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