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Business Day

The 30-Minute Interview: Albert Rabil III

Q. *Is there an Albert Rabil IV?*

A. I have two sons. There is not.

My parents weren't very creative; they named me after my father and my sister after my mother.

Q. *So why the focus on student housing?*

A. We saw a huge opportunity — it's a very niche space, not a lot of competition. One of the things Kayne looks for generally is specialized niche spaces where you could take knowledge and capital and create an arbitrage, and we have felt that that has existed in student housing for the last 10 years and continues to exist today.

Q. *Do you own any other property types?*

A. We have done multifamily in the downturn of '08 and '09 and we did some self-storage, but now we're just focused exclusively on student housing.

Q. *How large is your housing portfolio right now?*

A. We just sold 13,000 beds, so we own about 13,000 beds now.

We previously owned 45 properties, and now we own approximately 20. They're across the country, primarily near a variety of public universities.

Q. *What are you doing with the proceeds from that sale to American Campus Communities?*

A. We sent it back to our fund investors.

Q. *Where is your biggest presence?*

A. It's hard for me to figure out with what we just sold, but we typically won't own more than two to three properties in a market.

We're about to build a property at the University of Minnesota and at the Uni-



EARL WILSON/THE NEW YORK TIMES

Mr. Rabil, 49, is chief executive of Kayne Anderson Real Estate Advisors, a unit of Kayne Anderson that owns student housing properties. Last fall, Kayne Anderson sold 19 such properties to American Campus Communities in a deal valued at \$862.8 million.

*Interview conducted and condensed by
VIVIAN MARINO*

versity of Oregon, and we're just finishing building a property at the University of Indiana in Bloomington. We'll own anywhere between 1,000 and 2,000 beds at a specific university.

We have 40 target markets that we're focusing on; there are two of those markets in New York.

Q. *How do you choose your sites?*

A. One of the things we look for are universities that are just housing their freshmen and they only ever want to house their freshmen. With financial constraints, you don't have a lot of public universities that have the capacity or desire to house additional students. It's not a moneymaker for them.

Q. *Are there plans to move into New York City?*

A. We would love to have something in New York. We are definitely morphing toward the more urban markets, because we want "very high barrier to entry" markets, and New York is about as high as you get. The trick is being able to build, buy or rehab something that's affordable.

We're looking at a deal right now in New York City, on the Lower East Side. It's a building that's been vacant for 11 years — it was a former school building. We are now in negotiations.

This property is zoned such that you would have to master-lease the housing to two universities. You couldn't lease directly to students.

Q. *How many projects are you working on right now?*

A. We probably have 35 properties on our pipeline right now — in various stages of

probability. There are things that are under contract that we're developing, there are things that have a high probability of developing.

By the end of this year we expect to invest about \$300 million in equity, which translates to about \$1 billion in total acquisitions. So we'd be adding probably this year 12,000 more beds, which would be about doubling the size of our existing portfolio. We expect by the end of the year to be back exactly where we were presale in terms of beds.

Q. *What's your current occupancy portfolio-wide?*

A. About 97 percent.

Q. *And your rental rates?*

A. Our typical rental rates are \$650 to

\$800 per bed per month. But it has been as high as \$2,000 per bed per month, in California. We'll typically have one-, two- and four-bedroom units. And every bedroom will have its own bathroom.

It's all 12-month leases, all parentally guaranteed.

Q. *Those prices seem to suggest higher-end properties?*

A. We offer high-end amenities and very high security. One thing we can say for sure: students when they leave school, are going for housing downgrade if they lived in our units.

Q. *Is it expensive maintaining student housing?*

A. It's a very operationally intensive business.

People think you have a lot of capital expenditure and people think of "Animal House." We have very little in the way of deferred or recurring maintenance or expenses, because we do a lot of vetting of our tenants on the front end and we have very strong security measures in place.

You have the parents co-signing and you have kids living in a very high end. We make sure the kids are aware of what the rules are.

Q. *I heard you're a pretty good golfer.*

A. I enjoy playing golf, and I play in a lot of little tournaments. My handicap is zero. And 65 is the best I've ever shot.

From a country club perspective, I'm a very good golfer. On a more serious level, no.

Golf is a very humbling sport.