



REAL ESTATE BISNOW



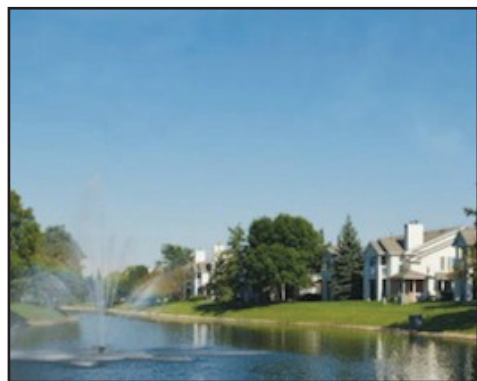
THE NORTH AMERICAN LEADER IN COMMERCIAL REAL ESTATE NEWS AND EVENTS.

Our Story: Prime Property Investors

We thought owning **student housing** meant cleaning up after hundreds of John Belushi wearing togas, but the founders of **Prime Property Investors** tell us today's student housing properties are no longer *Animal House*.



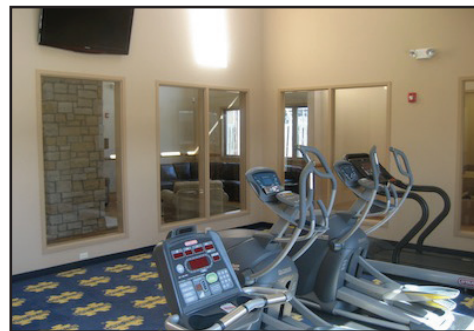
Co-CEOs **Michael Zaransky** and **Barb Gaffen** were introduced by Michael's wife Barb, who knew both as lawyers with a **common interest in CRE**. (Yes, they laugh, double Barbs can get confusing.) They cut their teeth investing in **NNN-leased properties** (bank leases, post offices) **20 years ago** this October, then began **acquiring apartments** on the North Side and converting those to condos when the practice was in vogue. The deals grew to their current **\$20M to \$40M** sweet spot, now with a focus on **suburban, garden-style apartments** (high demand and barriers to entry, low supply) like 281-unit The Arbors of Brookdale in Naperville (below) and 224-unit Deer Valley Luxury Apartment Homes in Lake Bluff, which they just **sold for \$28.6M** after buying it in June 2011 for \$21.9M.



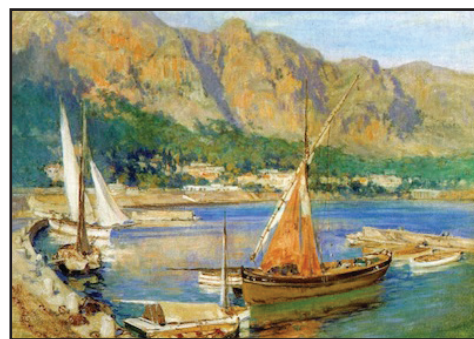
PPI began building its **thriving student housing portfolio** about 10 years ago with a property in Champaign-Urbana. The company quickly carved out a niche, with holdings on seven college campuses around the country (they are one of the **largest off-campus landlords** at Purdue and Notre Dame). **Favorite deal:** their second student housing property ever, at Purdue. PPI bought the 34-unit property for around \$4M, slightly **distressed with low rents** and vacancy, upped rents and reached 100% occupancy in a few years, and **sold for a substantial profit**. A classic perfect deal, they say, taking advantage of **cap rate compression** and falling interest rates.



Sam Zell, who started as a student owning student housing at Michigan, said turning over apartments is really being in the **paint and carpet business**, and Michael and Barb (snapped in 2001 in front of a Lincoln Square condo conversion) agree. With students, **units also all turn over at once** and lease-up in August is critical. Which makes renewals and **strong property management** key, they say. PPI mostly **manages its own properties**, an important lesson learned along the way. While landlords were nowhere to be seen when Michael was at U of I and Barb was at IU, today's students expect **timely maintenance** and their own bathrooms. (Should we tell them that's a hard ask even as a city-living twenty-something?)



The PPI duo faces **intense competition** in today's multifamily boom, relying on their reputation as closers with honesty and integrity to win deals. They **cherry pick a couple deals a year** and look for cash flow from day one, quality location and assets (pictured: the fitness center at one Notre Dame property), and the potential for high occupancy and rent appreciation. And they're very bullish on **diversifying their portfolio with acquisitions in Texas**, with its high population and employment growth. PPI is working on a contract to buy a **250-unit community** and potentially be an equity partner in a **new development** in Houston.



In their downtime, these CRE movers and shakers enjoy travel including visiting the **South of France** for Cannes and the Grand Prix, and trips to Hawaii and Mexico. (We'll let you guess who does what.) And they share their success in spades: PPI supports many charitable and civic organizations. Michael is chairman of the **Jewish United Fund's** 2013 campaign and Barb serves on the board of **Jewish Child and Family Services**. If we had a college do-over, we'd definitely prefer PPI to our landlord, who ignored **multiple squirrels** invading our apartment's crawl space.