

FALL 2021

U.S. STUDENT HOUSING MARKET TRENDS

Property: Union Tempe
University: Arizona State University
Photo: CoStar

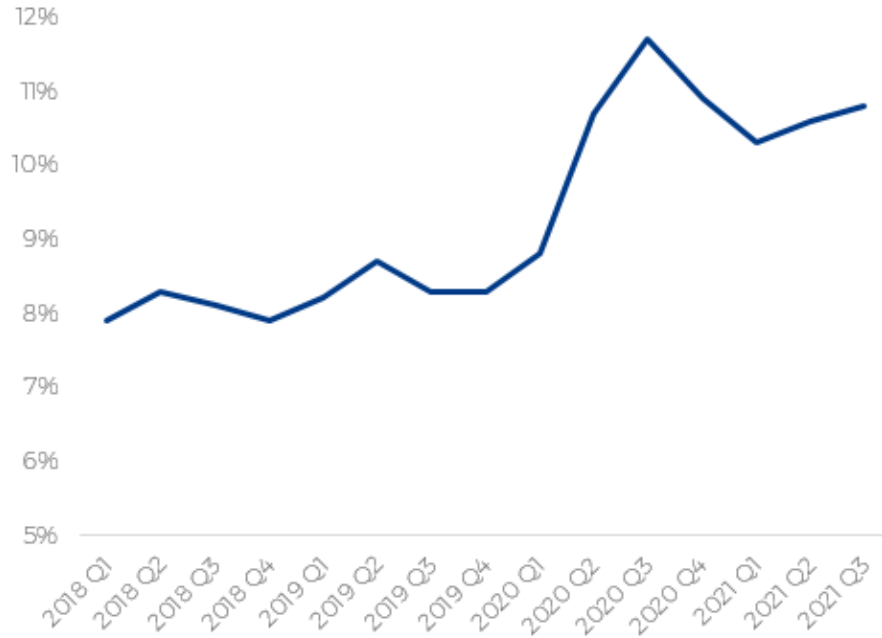
VACANCY & ABSORPTION

Over the years, the student housing market in the United States has presented steady growth; however, due to COVID-19 and, consequently, to universities closing their on-campus facilities during the pandemic, the market experienced a peak in vacancy rates during the second and third quarter of 2020. As of 3Q21, the vacancy rate has decreased from 3Q20, from 11.7% to 10.8%, respectively. This behavior signalizes a positive outlook for the student housing market. Now that the majority of universities have returned to in classroom learning, we have seen a decrease in vacancy rates throughout most markets and we strongly believe vacancy rates will continue to return to pre-pandemic levels. However, some markets are still experiencing higher vacancy directly related to market-specific issues outside of the pandemic, such as an oversupply of inventory and decreasing enrollment trends.

Historically, the third quarter of every year represents the highest net absorption levels as the majority of students move in prior to the fall semester. In contrast, the first, second, and fourth quarter of each year show the lowest numbers of units leased.

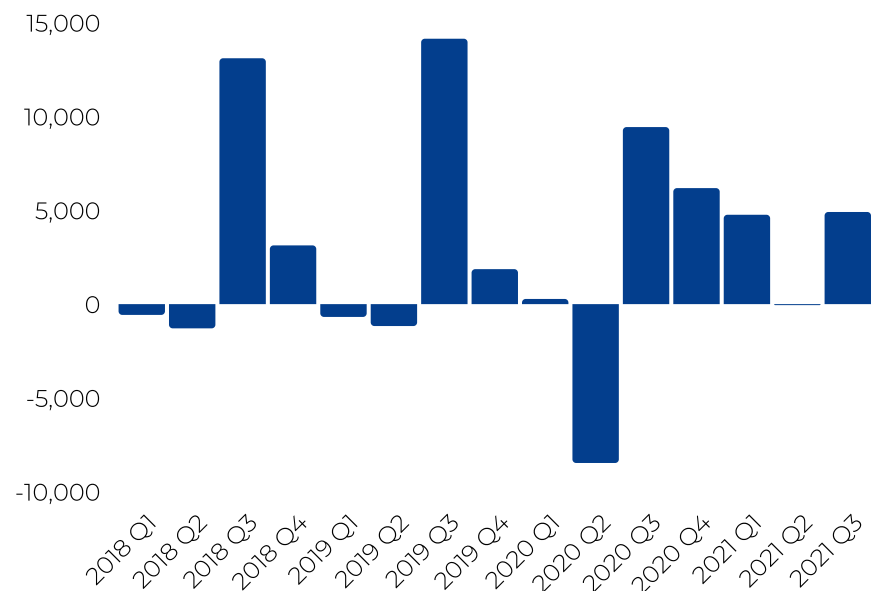
During Q1 2021, the student housing market had a slightly different behavior than previous years. The market absorbed 4,744 units during Q1 and 4,892 units during Q3. Although a hybrid learning model is still in place for some universities, most of them have returned to in-classroom learning and are implementing safety measures and strategies for students returning to campus.

Vacancy Rates



Source: CoStar

Absorption Units



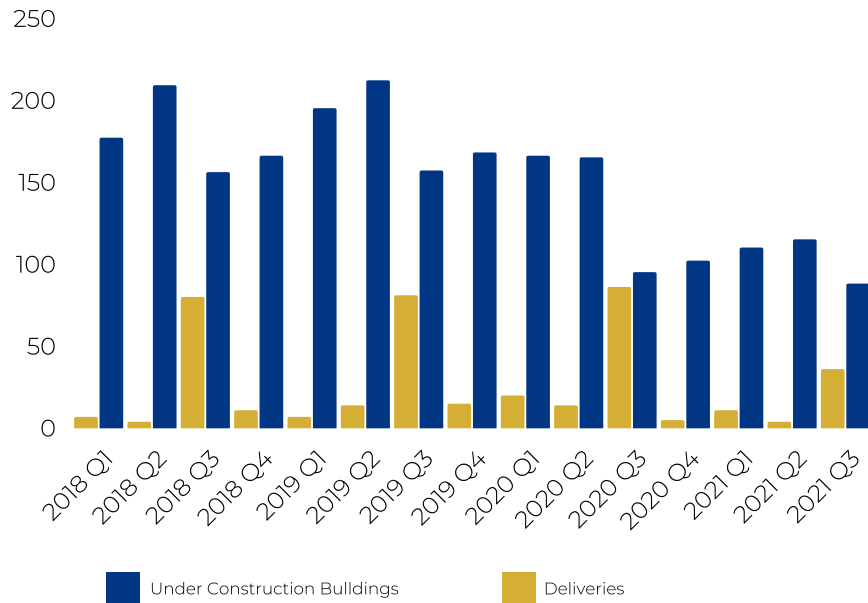
Source: CoStar

DEVELOPMENT PIPELINE

In terms of deliveries, the student housing market in the United States had 56 new developments year to date. Additionally, there are 90 student housing developments currently under construction. Approximately one-third of these developments will be delivered in the later part of 2021.

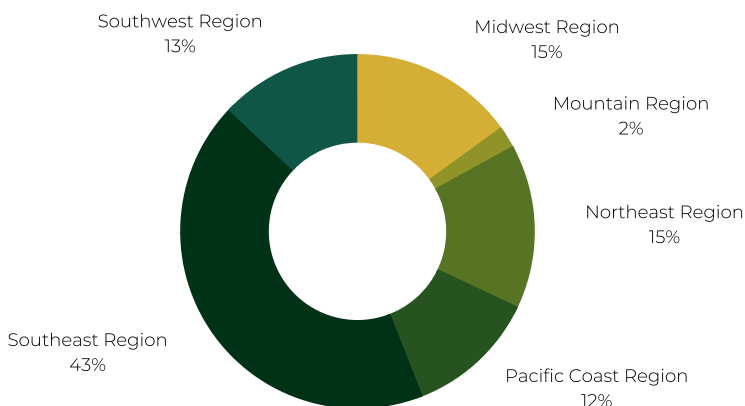
For the past eight months, the Southeast region of the United States has welcomed the majority of new student housing construction, nearly 45% of the total deliveries for the given period. The dominance of the Southeast region continues into 2021 as 33% of the new developments will be located in this region. According to a July report by the National Multifamily Housing Council, the student housing market is projected to grow to 9.2 million beds by 2031 from 8.5 million last year.

Deliveries & Development



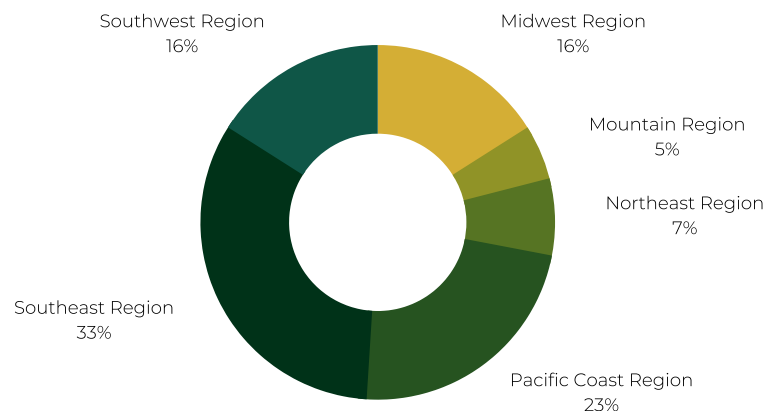
Source: CoStar

Deliveries | Per Region



Source: CoStar

Development Pipeline | Per Region



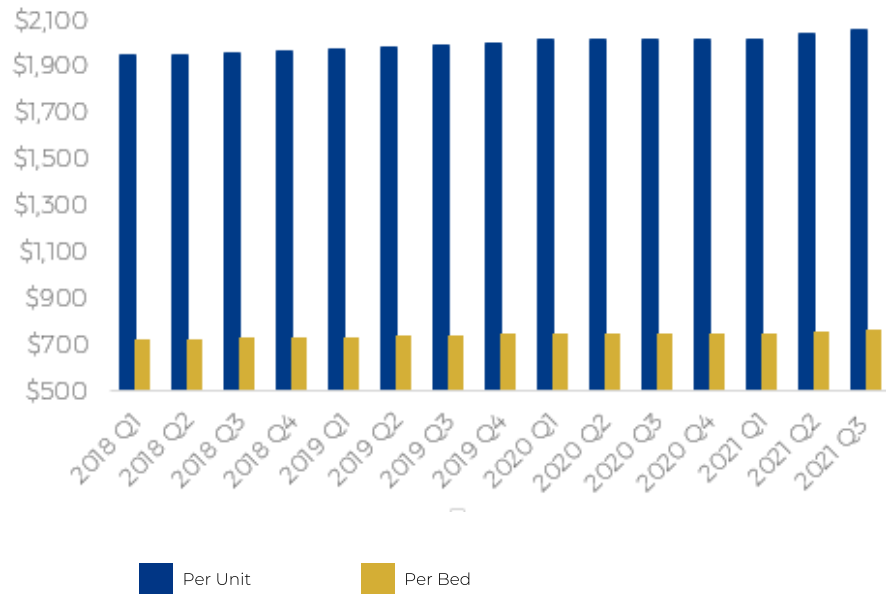
Source: CoStar

ASKING RENTS

The third quarter of 2021 showed signs of recovery of average market rental rates. Compared with 3Q20, 3Q21 presented a two-percentage point increase for average rental rates. Additionally, so far in 2021, the average rent per unit has slightly increased from Q1 to Q3, from \$2,109 to \$2,148 per unit. While the average asking rate per bed increased from \$788 to \$803 per unit, during the same period.

After a period of economic recession and uncertainty throughout most of 2020, this rent increase reflects the strength of this asset type and the positive outlook for the student housing market.

Asking Rents

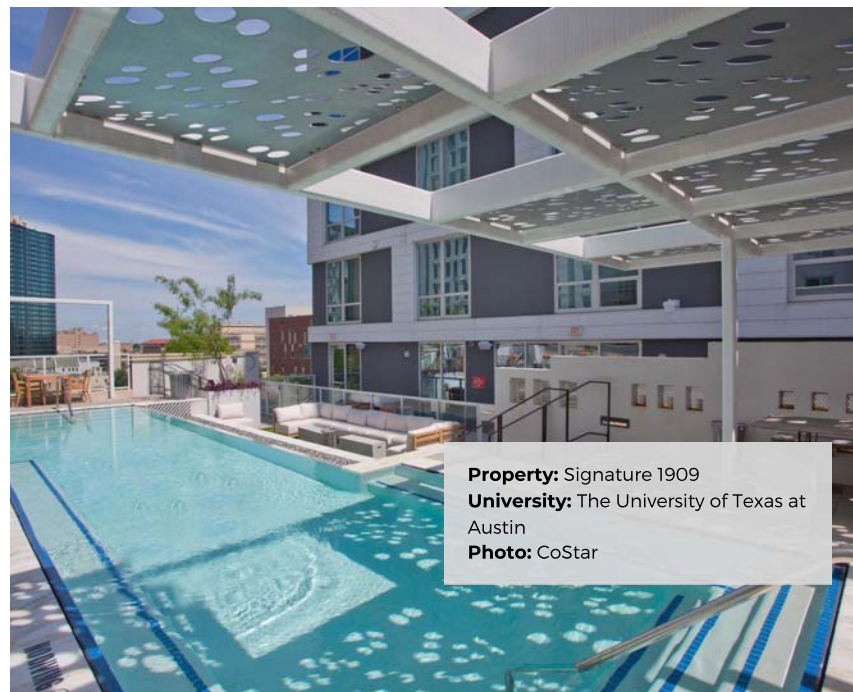


Source: CoStar

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"These rental rate increases are consistent with what we have been seeing year-over-year (20/21 to 21/22 academic year), roughly 2% to 4% increases, throughout most portfolios nationwide. Some properties indicated even higher rental rate growth, in excess of 5% increase, in markets with high barriers to entry and strong university enrollment figures. Most of these assets reported stabilized occupancies and/or fully leased by the summer months."

Scott Hopewell, MAI | Manager & Practice Leader



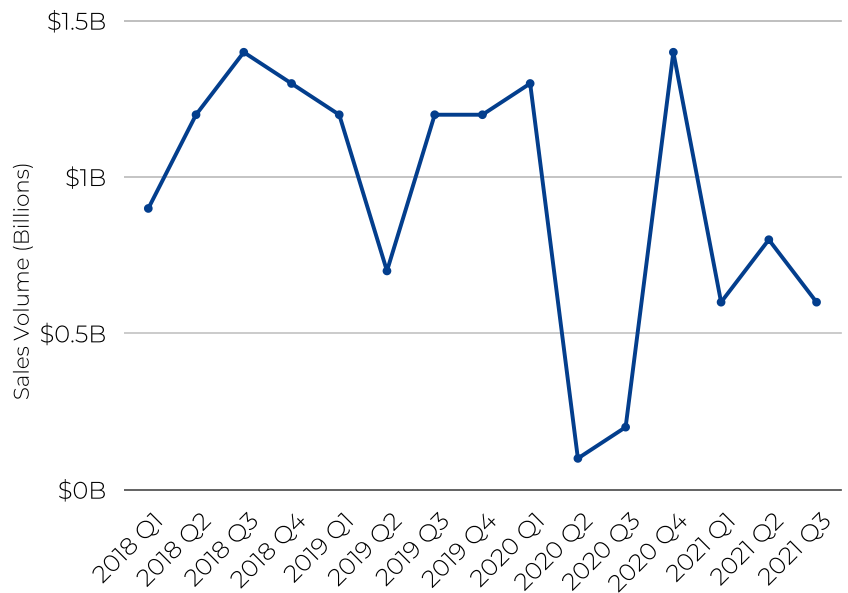
Property: Signature 1909
University: The University of Texas at Austin
Photo: CoStar

SALES VOLUME

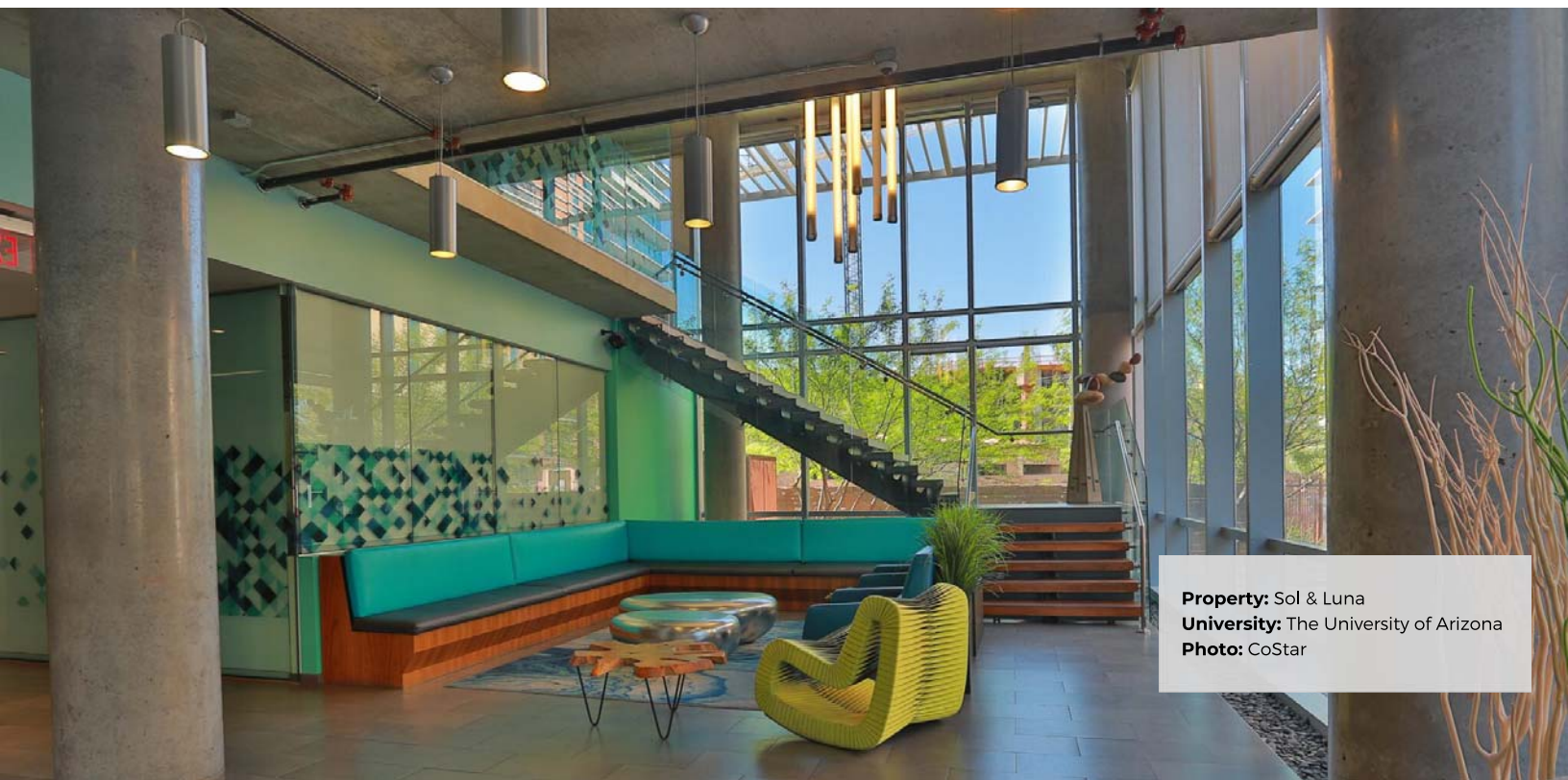
Sales volume for student housing significantly decreased during the COVID-19 pandemic, especially in Q2 and Q3 of 2020, primarily due to the disconnect between buyers and sellers. However, in Q4 the sector started showing signs of recovery as \$1.4 billion worth of assets were traded. This period began to show signs of investor confidence for student housing, as pre-leasing figures for the upcoming academic year were starting to take shape and universities began to announce campus re-openings.

Recently, many industry investors have been active in the market: Blackstone, an industry giant, formed a \$784 million joint venture with Landmark Properties, an Athens, Georgia-based student housing developer and owner-operator. The joint venture plans to acquire and recapitalize a Class A portfolio consisting of 5,416 beds within eight properties. In addition, Brookfield Asset Management Inc., is forming a joint venture with Scion Group LLC to acquire at least \$1 billion in student-housing properties.

Sales Volume



Source: CoStar



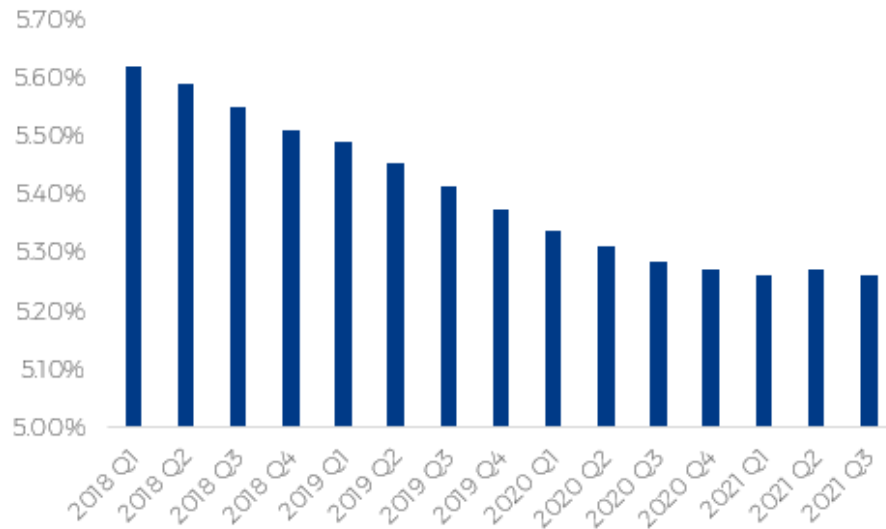
Property: Sol & Luna
University: The University of Arizona
Photo: CoStar

CAP RATES

Over recent years, the average cap rate for the student housing market has gradually declined. Due to the uncertainty from investors throughout the pandemic and lack of transactions in 2020, the average cap rate oscillated around 5.3%, and so far in 2021 it has decreased 10 basis points to 5.2%.

Despite last years economic turmoil, the student housing market has proven to be a sector of interest for local and foreign investors. As 2021 comes to an end and 2022 starts, we believe the student housing market will continue to perform as in-person learning resumes and financial changes fuel university enrollment.

Average Cap Rates

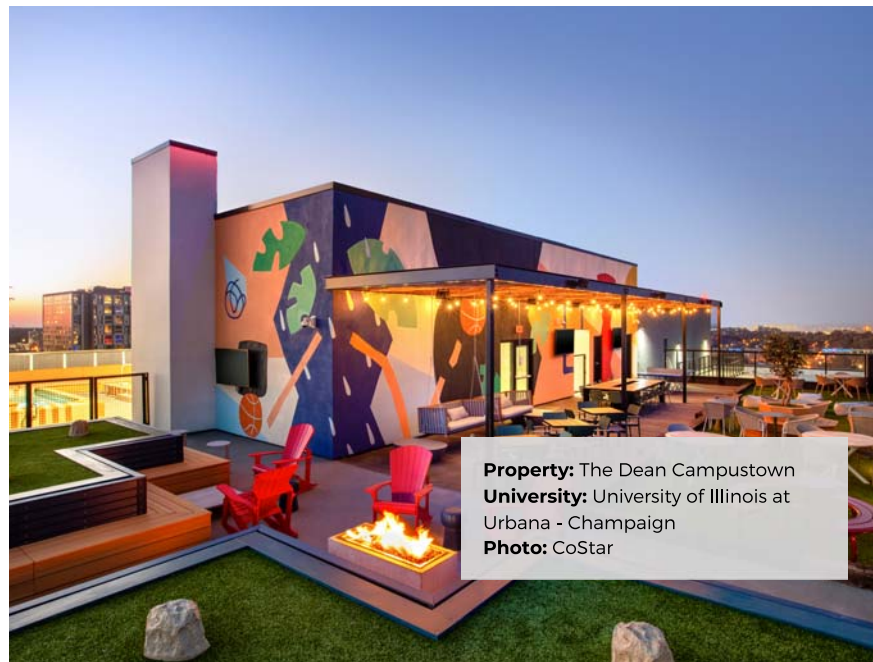


Source: CoStar

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"We have seen similar, or even stronger, cap rate compression for those Class A assets that are stabilized with locations across the street from campus. These assets typically indicate an increase in rental rates and are fully occupied year-over-year. The compression continues to support the historical resilience for this asset class by the strength of the cash flow, even through a global pandemic. The lack of inventory for university owned housing, coupled with the de-densification of campus housing due to the pandemic has created opportunities for privately-owned off-campus housing."

Scott Hopewell, MAI | Manager & Practice Leader



Property: The Dean Campustown
University: University of Illinois at Urbana - Champaign
Photo: CoStar



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