

# US Student Housing Market Topics & Trends – Q4 2020

The Student Housing market in the United States has seen steady growth due to continued expansion of higher education. Student housing consists of off-campus houses, apartments, and condominiums. However, COVID-19 has disrupted the market, and universities and colleges nationwide were forced to close and move online. As such, the consistent growth of the market has momentarily subsided. This report analyzes the trends in market fundamentals and investment sales in the nation's Student Housing market.

Throughout 2020, the student housing market has seen significantly lower transaction and dollar volume due to the economic uncertainty, however, there are some active players still contributing to the sector. The graphic on the right reflects the top ten buyers including their dollar amount invested for Q4 2020. Nine of the top ten buyers are private buyers and the remaining one is an institutional buyer. Kennedy Wilson Properties is the top buyer accounting for approximately \$70 million.

**Top Buyers**



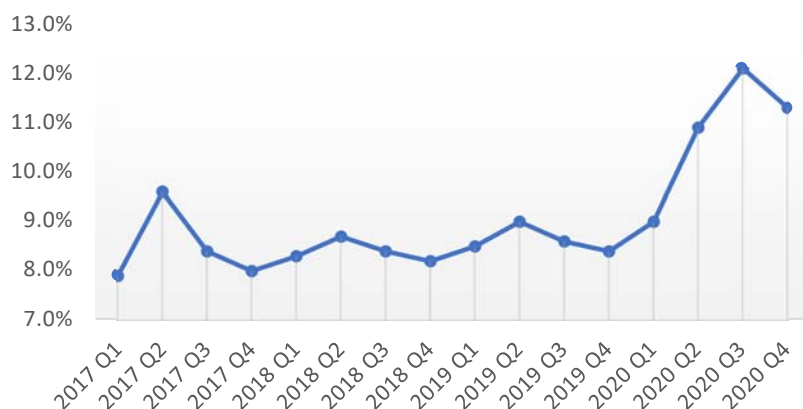
The figure on the right reflects the top ten sellers in the student housing market for Q4 2020. Green Leaf Partners Management is the largest seller over the most recent quarter accounting for approximately \$70 million in sales volume. Following in second is Edwards Companies which accounted for approximately \$48 million in sales volume. As seen with the top buyers, these are all private sellers.

**Top Sellers**



The student housing market is in a precarious situation over the long term because the market is dependent on the reopening strategies of various schools around the country.

### US Student Housing Vacancy Rates



### MARKET FUNDAMENTALS:

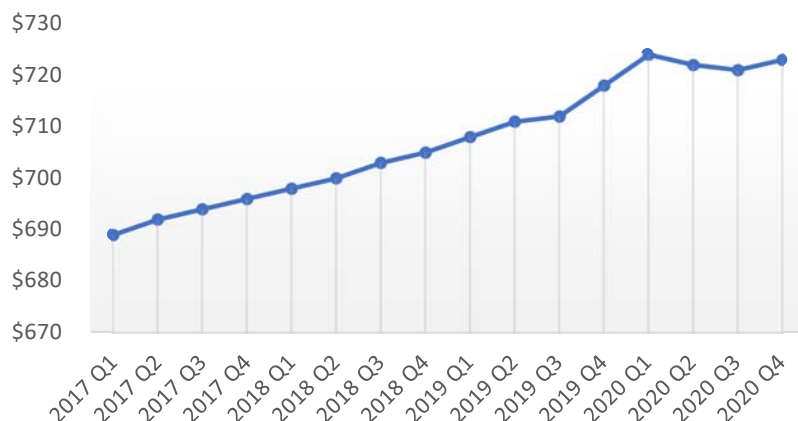
#### Vacancy Rates

COVID-19 has had a significant impact on the US student housing market, and it is reflected through increased vacancy rates. The vacancy rate increased from 8.9% in Q1 2020 to 11.3% in Q4 2020. This spike can be attributed to COVID-19, but Q4 2020 follows the trend in the given period where there is a decrease from Q3 to Q4. As schools continue to slowly reopen into the spring, the vacancy rate can be expected to begin decreasing to its previous levels.

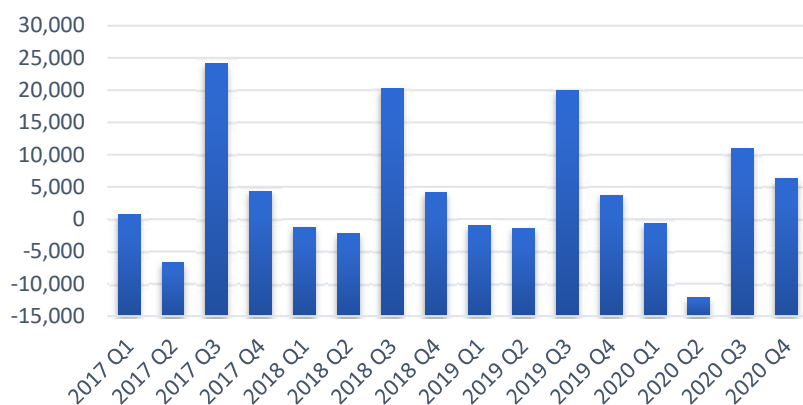
#### Asking Rental Rates

The market average price per bed in the US has seen a steady incline since 2017, increasing from \$689 per bed to \$724 per bed. However, Q4 ended the decline in asking rents that began after Q1 2020. In Q4 2020, the market average price per bed is \$723 per bed. Q4 2020 is a return to the pre-pandemic trend of asking rents steadily increasing, which gives a positive outlook for the immediate future of the market. The uncertainty of how universities and colleges will reopen will directly impact the price per bed, and whether pricing trends move up or down.

### U.S. Student Housing Asking Rent



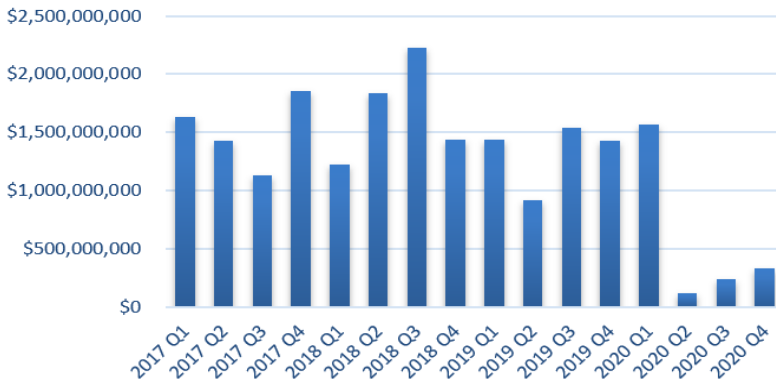
### US Student Housing Net Absorption by Units



#### Net Absorption and Units Leased

Net absorption by units in Q4 2020 for the student housing market finished with 6,306 units, decreasing from 10,964 units in the previous quarter. This is a positive sign for the market because it follows the trend of previous years as new students move in during Q4, but not as much as Q3. Since 2017, every Q4 has the second highest net absorption for the year followed by a steady decline. The increase in net absorption is a positive sign for the market because the absorption is still the highest level seen in Q4 over the given period, with Q4 2017 at 4,384 units reflecting the previous highest absorption. Net absorption and units leased is still directly impacted by the pandemic and resulting performance will be affected by the uncertainty of the market.

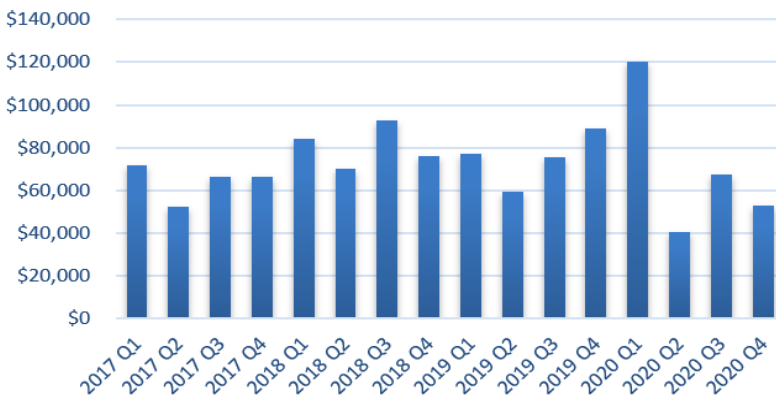
### Sales Volume



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Total dollar volume for investment sales of the U.S student housing market has fluctuated since 2017 prior to Q2 2020, ranging from \$907 million to \$2.3 billion. However, Q2 2020 saw a significant decline in sales volume from prior quarters and the slow upward trend has continued into Q4 2020. COVID-19 has negatively impacted investing in all markets across the US, and the student housing market has been particularly impacted by the pandemic in terms of sales volume.

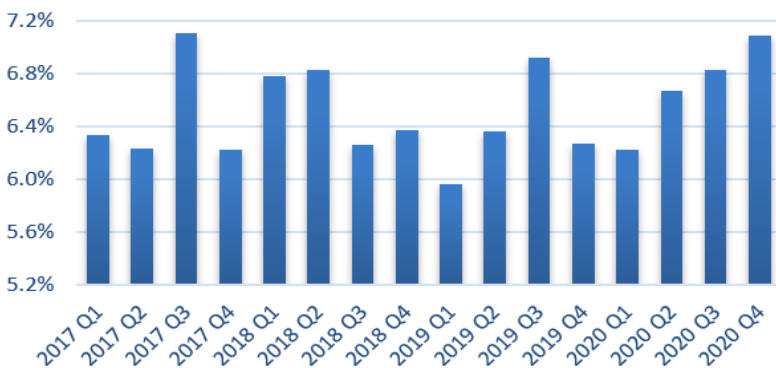
### U.S. Student Housing \$/Bed



### US Student Housing Sales Price Per Bed

The US student housing sales price per bed has slightly decreased from Q3 2020 to Q4 2020 and has yet to return to Q1 2020 levels. Since 2017, the sales price per bed had been on a slight upward trend with Q3 always increasing after the previous quarter. The Q4 2020 decline is due to both the low sales volume of units and low total dollar volume for investment sales. The uncertainty of how Universities and Colleges will reopen will directly impact the price per bed, and whether it trends up or down.

### US Student Housing Cap Rate



### US Student Housing Market Average Cap Rate

Over recent years, the average cap rate in the US student housing market has ranged from 5.9% and 7.1%. It is notable that since Q1 2020, cap rates have been on the rise through Q4 2020. It is unusual to see cap rates rise in the 4<sup>th</sup> quarter of a given year as this has only occurred in 2018. However, given the impact of COVID-19 and its resulting recession, there is concern amongst market participants regarding student housing asset performance unless some certainty unfurls on how colleges and universities choose to operate due to the pandemic.

SOURCE: CoStar and Marshall & Stevens



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