

US Student Housing Market Topics & Trends – Q1 2021

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 and into 2021, 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 in 2021. The graphic on the right reflects the top ten buyers including their dollar amount invested for Q1 2021. All of the top ten buyers are private buyers. CapitaLand Ltd is the top buyer accounting for approximately \$93 million.

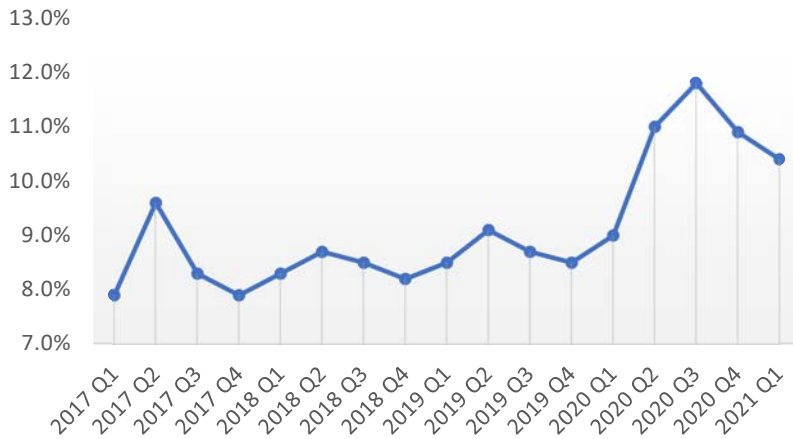


The figure on the right reflects the top ten sellers in the student housing market for Q1 2021. Investcorp Bank B.S.C. is the largest seller over the most recent quarter accounting for approximately \$157 million in sales volume. Following in second is Star Global Ventures which accounted for approximately \$54 million in sales volume. Eight of the ten top sellers are private sellers and two of the ten are institutional 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:

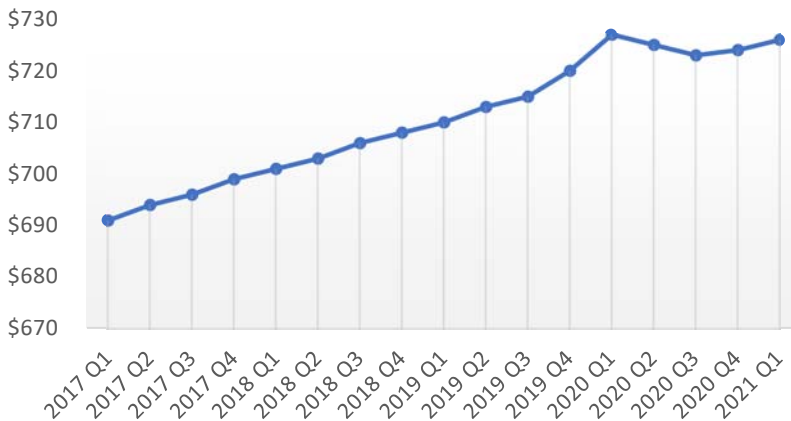
Vacancy Rates

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 10.4% in Q1 2021, with a spike in Q3 2020. This spike can be attributed to COVID-19, and the decrease in Q1 2021 shows that the student housing market is recovering. 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 \$691 per bed to \$726 per bed. Q1 2021 continued the slight increase starting in Q3 2020. Q1 2021 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.

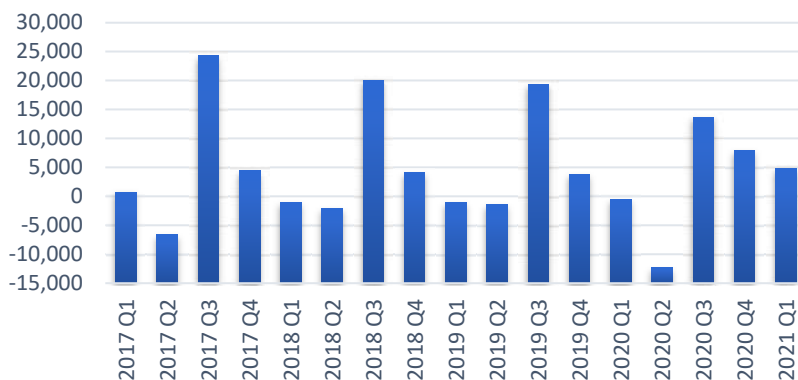
U.S. Student Housing Asking Rent



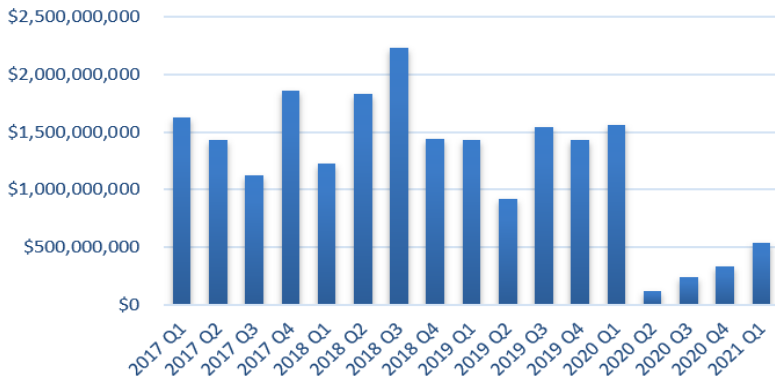
Net Absorption and Units Leased

Net absorption by units in Q1 2021 for the student housing market finished with 4,756 units, decreasing from 7,946 units in the previous quarter. This is a positive sign for the market because it follows the trend of previous years as less students move in during Q1. Since 2017, every Q1 has the second lowest 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 Q1 over the given period, with Q1 2017 at 756 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.

US Student Housing Net Absorption by Units



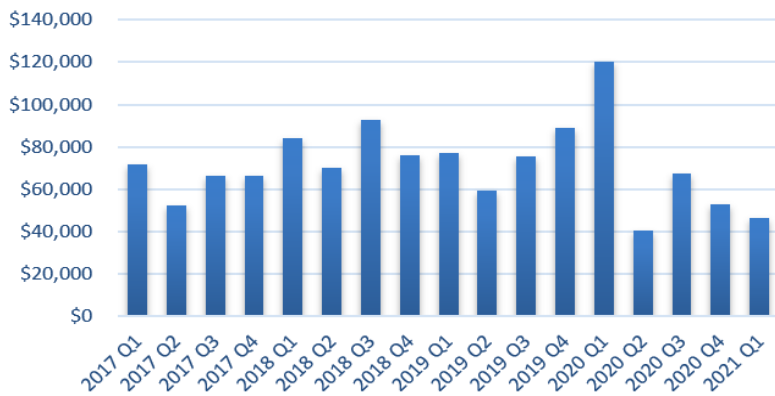
Sales Volume



Sales Volume

Total dollar volume for investment sales in 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 Q1 2021. 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.

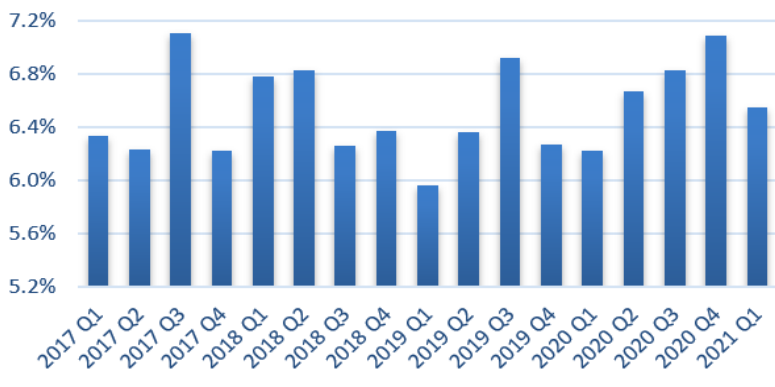
U.S. Student Housing \$/Bed



US Student Housing Sales Price Per Bed

The US student housing sales price per bed has slightly decreased from Q4 2020 to Q1 2021 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 Q1 2021 decline is a due to the quality of assets sold, and the inclusion of distressed transactions. The uncertainty of how Universities and Colleges will function going forward 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% to 7.1%. It is notable that since Q1 2020, cap rates have been on the rise through Q4 2020 and dropped in Q1 2021. It is expected to see cap rates fall in the 1st quarter of a given year. 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 as the pandemic continues.

SOURCE: CoStar and Marshall & Stevens



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