

US Student Housing Market Topics & Trends - Q3 2020

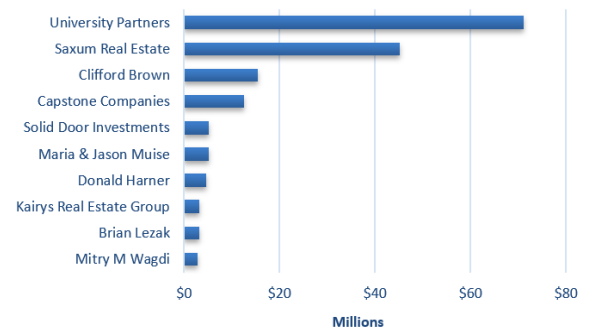
The Student Housing market in the United States has seen steady growth due to continued expansion of higher education. Student housing consists of off-campus houses, apartments, and condominiums. However, COVID-19 has disrupted the market, and universities and colleges nationwide were forced to close 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 Q3 2020. Eight of the top ten are private buyers and the remaining two are institutional buyers. University Partners is the top buyer accounting for approximately \$71 million.

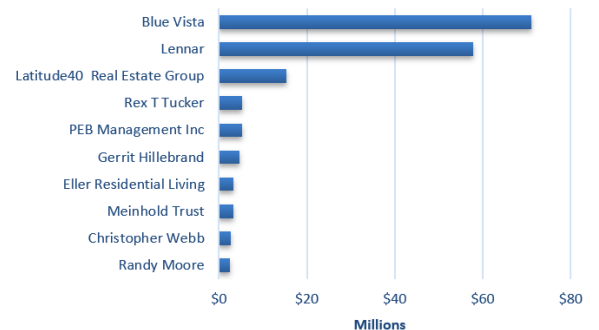
The figure on the right reflects the top ten sellers in the student housing market for Q3 2020. Blue Vista is the largest seller over the most recent quarter accounting for approximately \$71 million in sales volume. Following in second is Lennar which accounted for approximately \$57.7 million in sales volume. As seen with the top buyers, the majority are private 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.

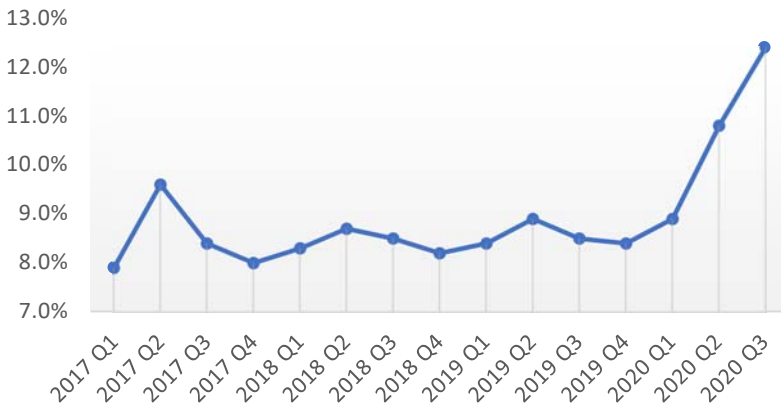
Top Buyers



Top Sellers



US Student Housing Vacancy Rates



MARKET FUNDAMENTALS:

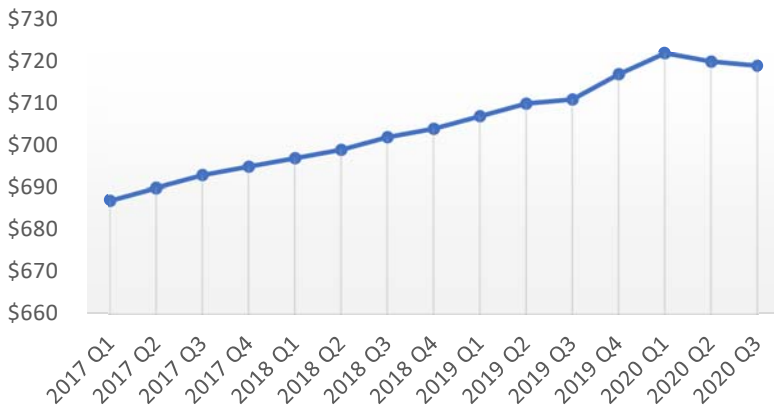
Vacancy Rates

COVID-19 has had a significant impact on the US student housing market, and it shows through increased vacancy rates. The vacancy rate increased from 8.9% in Q1 2020 to 12.4% in Q3 2020. This spike can be attributed to COVID-19 because after each previous increase in Q2, Q3 usually follows with a decrease except for Q3 2020. If schools continue to remain closed into the fall and winter, the vacancy rate can be expected to follow this upward trend.

Asking Rental Rates

The market average price per bed in the US has seen a steady incline since 2017, increasing from \$687 per bed to as high as \$722 per bed. However, as of Q1 2020 the incline has reversed course and Q3 2020 saw a continued decline. In Q3 2020, the market average price per bed is \$719. Even though the last two quarters have seen a downward trend, it is not a significant decline. The uncertainty of how universities and colleges will reopen will directly impact the price per bed, and whether pricing trends move up or down.

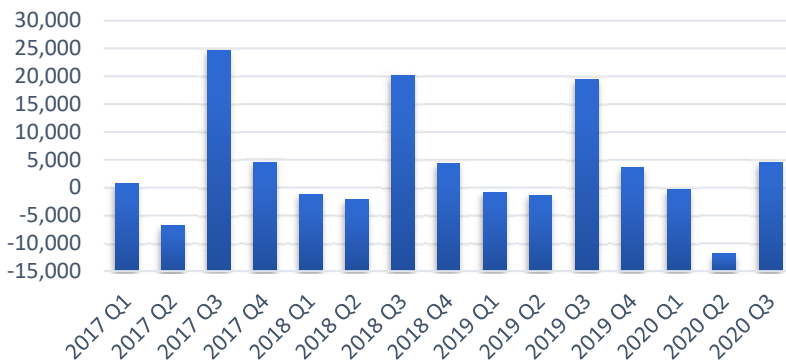
U.S. Student Housing Asking Rent



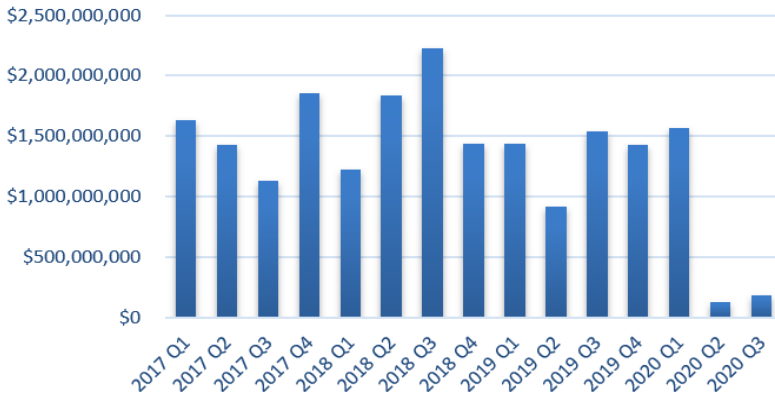
Net Absorption and Units Leased

Net absorption by units in Q3 2020 for the student housing market finished with 4,551 units, increasing from -11,843 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 for the new semester in Q3. Since 2017, every Q3 has the highest net absorption for the year followed by a steady decline. Even though the increase in net absorption is a positive sign for the market, the absorption is still the lowest level seen in Q3 over the given period and trails the previous Q3 by 14,920 units. 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



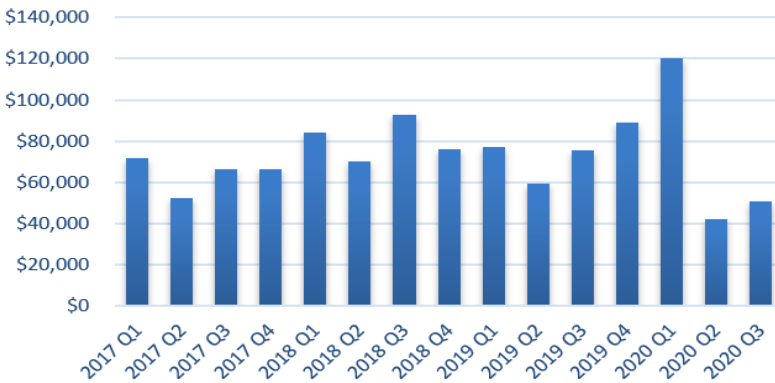
Sales Volume



Sales Volume

Total dollar volume for investment sales 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 this downward trend has continued into Q3. 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.

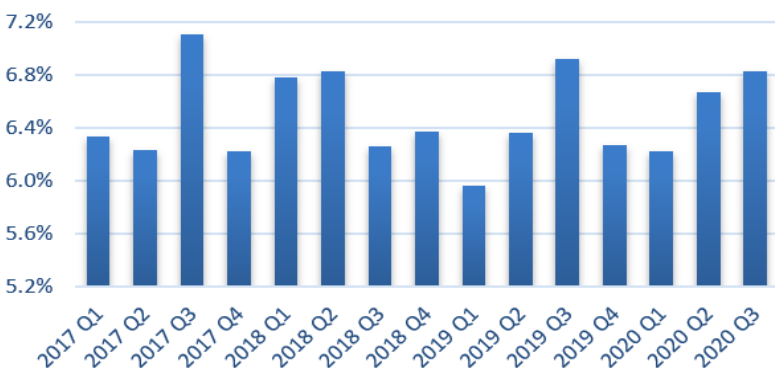
U.S. Student Housing \$/Bed



US Student Housing Sales Price Per Bed

The US student housing sales price per bed has recovered slightly from Q2 to Q3 2020 but 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 Q3 2020 drop 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 Q3 2020. It is not unusual to see cap rates rise in the 3rd quarter of a given year. In 2017 and 2019 this occurred. However, given the impact of COVID-19 and resulting recession, there is concern amongst market participants that the student housing market could be in for a difficult time unless some certainty unfolds on how colleges and universities choose to operate due to the pandemic.

SOURCE: CoStar and Marshall & Stevens



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