

US Student Housing Market Topics and Trends - Q2 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.

FEATURE: COVID-19 and its Impact on the Market

In Mid-March 2020, the Global COVID-19 Pandemic led to a global slowdown of commercial and academic activity, with municipalities across the US enforcing lockdowns and travel bans. These actions have negatively impacted student housing as schools were forced to move to online education for the rest of the spring semester, eliminating the need for proximity to campus.

Short Term Impact

In Q2 2020, student housing sales volume and sales price per bed saw a significant decline. Compared to Q1 2020, US student housing sales volume dropped by 91% and the sales price per bed dropped by 63%. The shift from in-person schooling to online schooling has caused a significant drop in new investments. In addition, vacancy rates have increased, rental rates

have decreased, and the average cap rates have decreased in Q2 2020. Net absorption of units has not shifted from its previous trend even though Q2 2020 is lower than the prior two years. The question of reopening schools in the fall has yet to be decided and will most likely be on a university by university basis.

Long Term Impact

The student housing market is in a precarious situation over the long term because the market is dependent on the reopening strategies of the schools around the country. The plans range from in-person, online, and hybrid classes for the semester, reducing the capacity of their on-campus housing which mainly includes residence halls and affiliated apartments, and reducing athletics to mitigate any health concerns over the pandemic. The California State University system, the largest university system in the US, has moved fully online for the semester. If schools reduce the number of admitted students, this will negatively impact the student housing market because there are less people to occupy the units. However, the student housing market can improve if the schools reduce on-campus housing due to health concerns but continue to offer in-person courses. Many schools around the country are reducing the amount of on-campus housing drastically, which will displace many students. As a result, they will move to off-campus student housing and it will help offset some of the negative impacts on the market in the short-term.