

Student Housing in Europe: The Maturing of an Asset Class

While the interest of investors expanded towards so-called niche products in the past years, some residential asset classes were able to stand out in particular. Tense residential markets across Europe resulted in students being driven away from the classic residential market. The supply of university-managed Student Housing is scarce: due to increasing student numbers a number of accommodation alternatives were offered by investors. The pioneer for so-called Student Housing is the United Kingdom, where it is already considered an established asset class. Development in other European countries is similar: Student Housing is being established in the Netherlands, Germany and France. In countries such as Spain and Italy, Student Housing is still a niche product but with huge growth potential.

Based on the structural introduction to this topic from 2017, Catella Research chose a different focus in 2018. The aim of the Market Tracker "Student Housing: The Maturing of an Asset Class" is to characterize the dynamic development of the asset class on European level. We take a closer look at the establishment of the asset class among related forms of use and identify the relevant parties. Finally, the market development on European level is examined.

Target group: students

The residential market has become more diverse in the past years. Nowadays, many different apartment types for various target groups, ranging from students to senior citizens are available. Next to Student Apartments, which are exclusively occupied by students, the supply of Business Apartments has increased because of many suppliers such as "iLive Holding GmbH" or "SMARTments". A further commercial supply next to the aforementioned living concepts is the segment of Serviced Apartments, which have some similarities to a hotel. Senior Housing was also grasped by the trend of Micro-Living (increasingly also known as Co-Living). Next to traditional Senior Housing, apartments targeted towards senior citizens are also offered. The concept of Micro-Living can be applied to different personal situations and adapted to each stage of life. The original thought, to offer students a new living space in a small square footage with a high degree of services has been successfully implemented and further developed. The market is continuously growing and represents a promising field in the real estate industry.

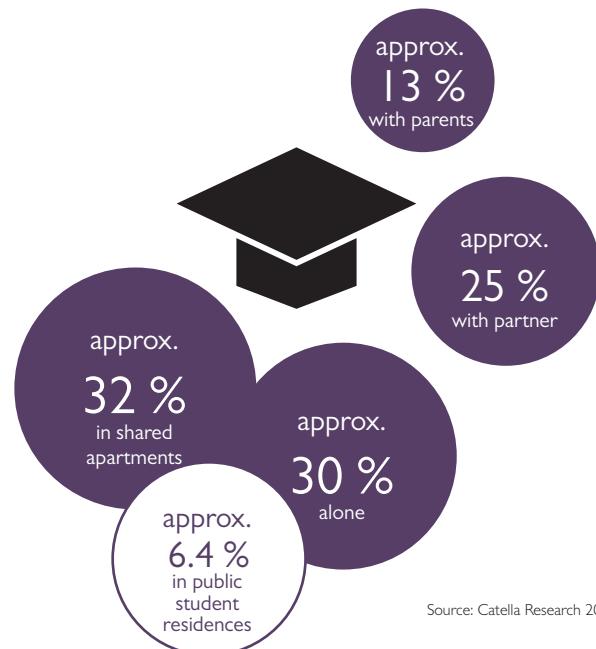
The focus is currently put on purpose-built student-accommodation (especially built for only this purpose), whose meaning will immensely increase in the coming years. In the current situation with the highest student numbers ever measured, the target group is an interesting and strongly growing market. The demand for small, student-appropriate living space is high. This is also due to the fact that the majority of students prefer to live alone and the number of rooms in government supported residential halls is limited.

FIG. I: LIVING CONCEPTS FOR EACH PHASE OF LIFE

STUDENTS	<ul style="list-style-type: none"> – Student Apartments – Exclusively for students
YOUNG PROFESSIONALS	<ul style="list-style-type: none"> – Business Apartments – Flexible
COMMUTERS	<ul style="list-style-type: none"> – Business Apartments – Secondary residence
TOURISTS	<ul style="list-style-type: none"> – Serviced Apartments – Commercial concepts
SENIOR CITIZENS	<ul style="list-style-type: none"> – Accessible – Care services

Source: Catella Research 2018

FIG. 2: HOW DO STUDENTS LIVE IN GERMANY?



Source: Catella Research 2018

International students

A further relevant target group in the market for Student Housing are the international students (see map on page 4). These can be divided into student interns from abroad and students doing a semester abroad and the accommodation situation is very diverse in each country and university. At some universities, the admission to a semester abroad includes a space in the residential hall of the university. In other countries, international students are forced to search for accommodation on the public residential market.

Transactions demonstrate the market dynamic

Next to global market leaders such as USA and Canada, the UK has the most active Student Housing market from 2016 until Q3 2018 (see Fig.3) with a total of 70,000 transactioned beds. Further European frontrunners, clearly behind the UK, are Germany (16,000 beds), Spain (10,000), the Netherlands (9,800), France (5,900) and Austria (4,300). An especially positive development can be found in Austria, where the turnover figures doubled in 2017. But also in Ireland and Spain, the establishment of Student Housing led to an increased transaction volume.

FIG.3: TRANSACTIONS IN EUROPE 2016 – 2018

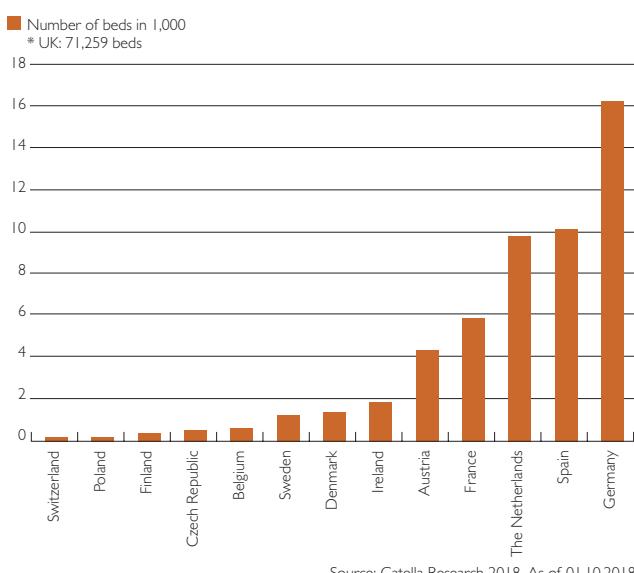


FIG.4: LARGEST SINGLE TRANSACTIONS IN EUROPE 2016-2018

	DATE	NAME	LOCATION	PRICE
1	Jun'18	Greystar/PSPIB London Chapter Portfolio	UK	€ 993.3 m
2	Dec'17	Regent Portfolio	UK	€ 983.6 m
3	Feb'18	Enigma Portfolio	UK	€ 594.2 m
4	Jan'16	Ardent Portfolio	UK	€ 566.8 m
5	Mar'16	Rose Portfolio	UK	€ 550.5 m
6	Apr'17	Union State Portfolio	UK, Germany	€ 541.6 m
7	Sep'17	Base Portfolio	UK	€ 520.1 m
8	Sep'16	Oaktree UK Student Accommodation	UK	€ 506.7 m
9	Jun'17	Unite UK Student Housing Portfolio	UK	€ 337.8 m
10	Feb'17	Aston Student Villages	UK	€ 264.5 m
12*	Sep'17	Colony Norstar Swiss Portfolio	Switzerland	€ 226.6 m
13*	Dec'16	Threesixty IE Student Housing Portfolio	Ireland	€ 225.0 m
16*	Nov'16	Carlyle NL Student Housing	NL	€ 200.0 m
23*	Oct'17	MPC Capital Portfolio	Germany	€ 110.8 m
26*	May'16	Headquarter Portfolio	Germany	€ 107.0 m

*the largest transactions outside of UK
Source: Catella Research 2018, As of 01.10.2018

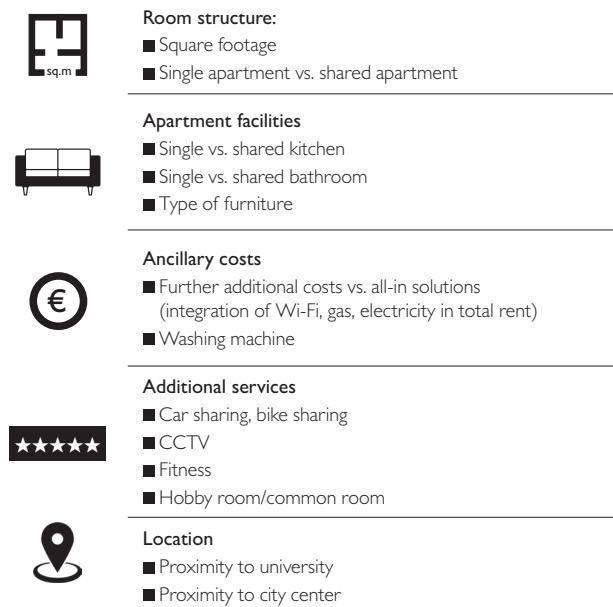
Brand scene Student Housing

In Student Housing properties, the owner and the operator of a property differ. Sometimes these areas of responsibility can overlap, a division, however, is also possible in which e.g. the operator is responsible for asset and facility management and the owner is an investor or developer.

Many investors, developers and operators create their own brands for the marketing their Student Housing properties. MPC Capital, for instance, markets their six properties in Germany under the brand name Staytoo, while the brand Youniq is a creation of Upartments GmbH with 16 properties in Germany and Spain. On European level, the GSA Group owns three brands (Uninest, The Student Housing Company, Nexo Residencias) in four countries with over 10,000 beds in 32 properties. For marketing purposes, the brand name is used in the property name, but most do not have an exact brand position so far.

The organization of Student Housing properties with a brand is also due to them being aimed towards younger generations. Also, a brand is associated with a standard concept which is represented in all properties of the company.

FIG.5: FACTORS INFLUENCING RENTS IN A STUDENT HOUSING PROPERTY*



*exemplary furnishing

Source: Catella Research 2018

Suppliers continue to expand across Europe

Aside from many projects in Germany, many companies are planning further locations in other European countries. The focus is on Spain and Italy in particular. In Germany, most projects are being planned in university cities and larger cities, such as Berlin and Munich. The extreme growth of the industry can be seen in the large number of planned properties. But the positive development is not only limited to Germany. In the past years, many properties were built in the Netherlands and Austria, especially the cities Vienna (approx. 200,000 students) and Graz (60,000), both with a large number of students. This choice is not only due to being known as a "student city", but also their international reputation. Many other Student Housing properties can be found. The operator "The Student Hotel" is planning further properties in Berlin, Rome and Florence as well as Paris, Barcelona and Madrid.

Catella is a leading specialist in property investments, fund management and banking, with operations in 14 countries. The group manages assets of approximately SEK 200 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment. Read more at catella.com.

catella.com

Operator concepts

Next to the establishment of the asset class Student Housing, the operator structure is becoming more synchronized:

- Different concepts
- Student hotel
(diverse use as accommodation for students and hotel guests)
- Focus on digitalization: apps for many aspects of living
- Importance of community/lifestyle
- Common rooms
- Cooperation with universities (tutors/study groups)

The gross rent depends on many factors and is different with each operator. From the macro-locational perspective, it is influenced by the rent of the residential market of a city, but many other features of a property can also cause an increase or decrease of the rent (Fig. 5). Based on the local rent levels, students in Munich (20 €), Frankfurt (14 €), Stuttgart (13 €) and Hamburg (12 €) need to expect the highest rents per square meter. Many operators also offer a diverse spectrum of apartment types. The range varies with each operator, but also shows some parallels. The price model can also differ in a property, as some additional services can be added. While some companies offer one or two-room apartments and flat sharing in two to three-room apartments, other operators only offer single apartments.

A comparison of other European countries shows that certain differences can be found. In the Netherlands, renting a furnished apartment for only a short amount of time is possible, while apartments for a longer amount of time are usually unfurnished. Three different categories can be chosen, which each differ in size and price. The additional costs are usually calculated separately and cause the monthly rents to increase to 400 – 600 € (Netherlands).

RESEARCH CONTACTS:

Dr. Thomas Beyerle
thomas.beyerle@catella.de
+49 (0)69 31 01 930 220

Julia Laufer
julia.laufer@catella.de
+49 (0)69 31 01 930 274

Sean Nolan
sean.nolan@catella.de
+49 (0)69 31 01 930 275

Market Analysis Student Housing in Europe 2018



Development of student figures 2003 to 2018

Increase of 0 – 10%
 Increase of 11 – 25%
 Increase of more than 25%

Saturation in % (ratio of student figures and beds in residential halls)
 International students in %

GERMANY
Student union is the largest supplier (low-price segment, limited capacity)
Scarcity of supply in the middle-priced segment, strongly increasing number of private investors

10.68 12.8

DENMARK
Especially around larger cities a very large demand
Geographically restricted market

11.16 10.13

NORWAY
Little competition
Exchange students receive a place in (public) student accommodation

9.16 3.62

SWEDEN
Scarce supply of student accommodation and low general supply
Subsidization of small residential apartments including student accommodation by Swedish government until 2019

17.38 5.83

FINLAND
Large demand for residential space in general
Small number of central student accommodation
Geographically restricted market

26.21 7.07

ESTONIA
Some universities offer accommodation (inexpensive, close to university)
Public residential market satisfies the supply
Geographically restricted market

17.59 2.89

UK
Sustained high demand for high-quality, modern and affordable accommodation
Some markets already achieve a balance between supply and demand, while others have large potential

18.35 17.46

BELGIUM
Market has a reputation of being fragmentized, decentralized and non-transparent
Supply gap in Brussels and Ghent

11.03 9.98

NETHERLANDS
Large number of completions in 2015 and 2016
Demand is continuously high because of large increase of international students

17.63 7.25

IRELAND
High demand for public student accommodation
Shortage of student apartments (especially Dublin, Cork and Galway)

16.79 5.76

FRANCE
Large demand
Increasing share of PBSA* which doesn't satisfy the demand by far
Pipeline is concentrated around Paris

11.76 10.24

SPAIN
Large gap between demand and current supply
Estimated number of unsatisfied demand for Student Housing at approx. 400,000 students

4.56 2.86

PORUGAL
Geographically restricted market
University accommodation only plays a small role, many students rent on the public market
PBSA* investments increasing

3.77 3.92

* purposed-built-student-accommodation

ITALY
Supply of accommodation is very low
Student accommodation is usually only offered by universities

1.81 4.04

SWITZERLAND
Only 2% live in student accommodation
No direct student halls from universities, market is defined by semi-public operators

11.01 16.86

AUSTRIA
Traditionally a large number of non-profit operators
PBSA* investment increasing, especially in Vienna
Geographically restricted market
Semi-public operators

14.38 16.76

LITHUANIA
Student accommodation of universities is often offered
Residential market satisfies the demand
Geographically restricted market

29.05 2.45

LATVIA
Three times as many international students as five years ago
Subsequently larger demand
Residential market satisfies the demand
Geographically restricted market

23.81 3.71