

Student Housing in Europe 2021

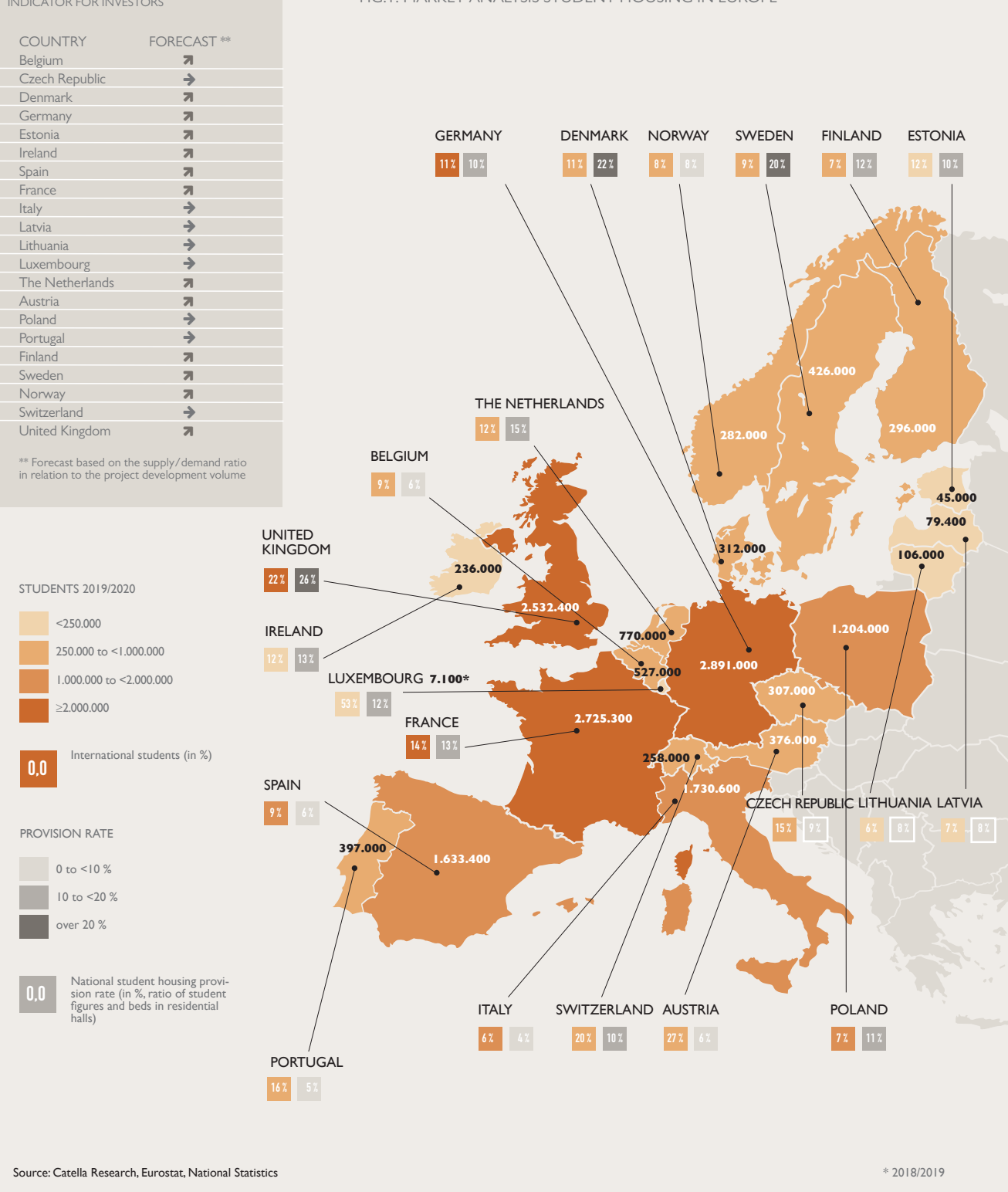
Due to steadily increasing student numbers and the widespread undersupply of affordable student accommodation, the European student housing asset class has been a growing investment market in the last few years. Despite the changes and adaptations in student life due to the COVID-19 pandemic - online courses, travel restrictions, postponement of semester dates and deadlines, etc. - the European student housing market has proved itself largely resilient in the crisis: the demand for student accommodation has not decreased significantly in 2020 and the willingness to invest has remained stable compared to the previous year.

COUNTRY-COMPARATIVE ATTRACTIVENESS
INDICATOR FOR INVESTORS

COUNTRY	FORECAST **
Belgium	↗
Czech Republic	→
Denmark	↗
Germany	↗
Estonia	↗
Ireland	↗
Spain	↗
France	↗
Italy	→
Latvia	→
Lithuania	→
Luxembourg	→
The Netherlands	↗
Austria	↗
Poland	→
Portugal	→
Finland	↗
Sweden	↗
Norway	↗
Switzerland	→
United Kingdom	↗

** Forecast based on the supply/demand ratio in relation to the project development volume

FIG. I: MARKET ANALYSIS STUDENT HOUSING IN EUROPE



STUDENT HOUSING BEFORE THE COVID-19 PANDEMIC

- Steady growth of the number of students worldwide in the last few years
- In particular, the share of international students has increased significantly in the last decade (highest increase of international students from China and India)
- Consequence of this increased international student mobility: higher demand for student accommodation and growing student housing market
- Worldwide the investment volume in student housing has increased by 135% between 2014 and 2019
- USA and UK are the most popular countries for international students due to the large number of internationally renowned universities

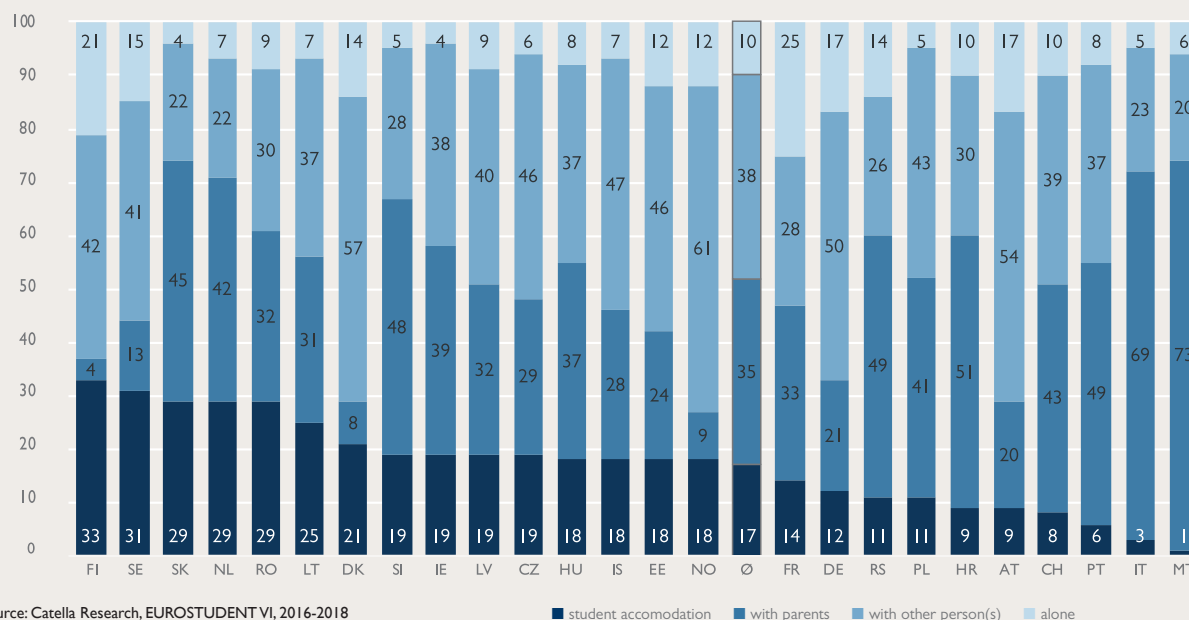
HOUSING SITUATION OF STUDENTS IN EUROPE

- Living with parents or with one or more person(s) are the most common living situations of students in Europe
- On average, 17% of all students in Europe live in student accommodation and around 10% live alone
- Especially in the Nordics (Finland, Sweden, Denmark, and Norway), the proportion of students living with their parents is very low. On the other hand, the proportion of students living in student accommodation is above the European average
- There are many reasons for the different housing situations of students: cultural, traditional, and institutional factors, housing availability and prices, differences in terms of income, employment, parental support, and the respective family situation

STUDENT HOUSING DURING THE COVID-19 PANDEMIC

- With the outbreak of the pandemic, higher education institutions had to close their campuses, resulting in a change to online education
- On the one hand, in some cases international students were unable to return to their home countries and stayed in their student accommodation; on the other hand, there were fewer international students coming to Europe for the academic year 2020/21
- Student mobility has decreased significantly, visas were temporarily not issued, the number of student visas has decreased significantly: countries which depend more on international students are more affected
- 2020/21: Due to travel restrictions and the increased risk of infection, some international students have postponed their start at university; however, especially in Europe, more high school graduates achieved a university entrance qualification last year than in previous years
- Student accommodation occupancy rates declined a little in 2020: Europe-wide room occupancy decline was around 10%. Due to travel restrictions, the occupancy in the UK has dropped sharply, while other countries, such as France and Spain, have experienced less of an impact. The Studierendenwerk in Germany reported in July 2020 an occupancy level between 90 and 95%
- Cities with an undersupply of student accommodation prove resilient during the crisis
- The impact of the pandemic on student numbers is not yet precisely measurable; however, unlike other forms of housing, the demand for student housing behaves counter-cyclically. In the past, it has been observed that in times of crisis, student numbers and thus the demand for student housing have risen: due to the uncertain labour market situation, students chose to study as an alternative or study longer in order to postpone their entry into the world of work

FIG. 2: STUDENTS' HOUSING SITUATION (SHARE OF STUDENTS, IN %, SELECTED EUROPEAN COUNTRIES)



Source: Catella Research, EUROSTUDENT VI, 2016-2018

■ student accommodation ■ with parents ■ with other person(s) ■ alone

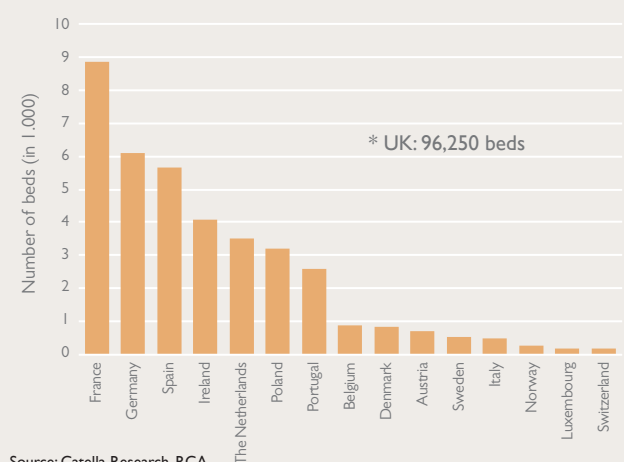
FIG. 3: LARGEST TRANSACTIONS IN EUROPE BETWEEN JAN'19 AND MAR'21, ALL DEAL TYPES

	RANKING	DATE	NAME	LOCATION	PRICE (€M)
PORTFOLIO DEALS	1	May'20	IQ Student Accomodation Portfolio	UK	5,540.0
	2	Nov'19	Liberty Living Portfolio	UK	2,205.6
	3	Aug'19	Vita UK Student Housing Portfolio	UK	658.7
	4	Dec'19	Student Castle Portfolio	UK	525.7
	5	Feb'20	Harrison IRE Student Housing Portfolio	Ireland	400.0
	6	Jan'21	Project Harmony (2 of 8 properties)	UK	362.8
	12*	Nov'20	Urbania ESP Student Housing Portfolio	Spain	145.0
	13*	Oct'19	Uhub POR Student Housing Portfolio	Portugal	130.0
SINGLE DEALS	1	Mar'19	Paul St East	London, UK	186.6
	2	Dec'19	Point Campus	Dublin, Ireland	171.0
	3	Nov'20	Cannon Park Student Housing	Coventry, UK	124.1
	4	May'19	Lancaster Circus	Birmingham, UK	116.3
	5	Jun'20	Aura Liverpool	Liverpool, UK	111.2
	7*	Sep'19	Leonardo Da Vinci Residence	Madrid, Spain	106.8
	8*	Jul'20	Bryggen Campus	Copenhagen, Denmark	99.3

Source: Catella Research, RCA

* the largest transactions outside of UK & Ireland

FIG. 4: TRANSACTIONS IN EUROPE 2019-2020, BY NUMBER OF BEDS



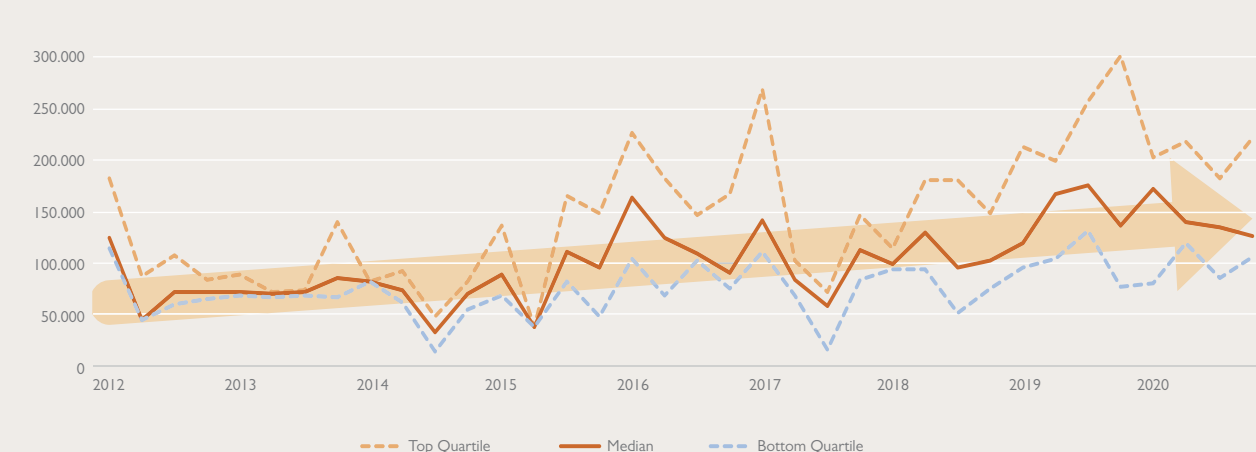
Source: Catella Research, RCA

TRANSACTIONS IN EUROPE

- Market leader transactions student housing in Europe - Volume and number of beds: UK (approx. 96,250 beds)
- Other dynamic European student housing markets in the last two years (transactions by number of beds): France (approx. 9,000 beds), Germany (approx. 6,100) and Spain (approx. 5,700)
- The student housing asset class has grown steadily over the last 10 years, the average price per unit (i.e. per room) increased since 2012
- Investment student housing 2020: high willingness vs. stagnation transactions



FIG. 5: TRANSACTIONS STUDENT HOUSING – PRICE PER UNIT, EUROZONE (2012-2020, IN EUR)



Source: Catella Research, RCA

REQUIREMENTS AND SUCCESS FACTORS STUDENT HOUSING PROJECT DEVELOPMENTS

- Macro location: large cities, university cities, cities with tertiary education institutions
- Micro location:
 - o Spatial proximity to educational/university institutions and/or to the city centre
 - o In the vicinity/neighbourhood: local shopping facilities (supermarket, bakery, kiosk, ...), gastronomic offers (cafés, bars, ...), local recreation areas, sports fields, etc.
 - o Public transport connections within walking distance
- Customise the concept and design of the building to the location and the target group: individual style, appealing design, sustainable and quality furnishings (low life cycle costs), creating a "living experience"
- Architecture and interior design have an impact on the well-being, health and performance of students: integration of sustainable and well-thought-out objects and room elements (e.g. natural light and ventilation)
- National characteristics concerning flat features: e.g. in Germany average area of single rooms between 20 and 24 sqm, in the UK there are still many cluster flats, in Spain double rooms are common
- Ensure re-use/conversion/third party use (applies to both space and furnishings)
- Communal areas: leisure and sports facilities in the surrounding area should be recorded and analysed in the planning process so that additional facilities in the student accommodation complement what is already available and are not planned past the need
- Consideration of the tension between demand and affordability

COVID-19 STUDENT HOUSING REQUIREMENTS AND MEASURES

- Fast and stable internet connection
- Ensure sufficient space in study and common rooms, as there are only limited options to study on campus
- Focus on single rooms: shared rooms are converted into single rooms
- Increased frequency of cleaning and disinfection measures of the rooms
- Introduction of general infection control and safety measures

ASSET CLASS STUDENT HOUSING

PROS

- Markets in Europe are largely undersupplied
- Trend towards sharing society and on-campus living (Anglo-Saxon student culture)
- High standardisation possible
- Anti-cyclical sector
- Predictable income stream due to semester or yearly lease terms
- Diversified revenue model (additional services)
- Europe-wide increase in the supply of ETP (English Taught Programmes)
- Steady growth of international students
- Increase of high school graduations and university entrance qualifications
- Expectation of increase in M&A due to growing competition

CONS

- High tenant turnover and, depending on the concept, vacancies during the semester break or the summer
- High management share
- Operator risk
- Increasing competition
- Inflation of construction and property costs
- Very heterogeneous investor spectrum: private equity vs. public sector

FORECASTS

- Cities where the student housing market is tight, and with an undersupply of student housing prove more resilient to the COVID-19-related crisis
 - Increase in domestic and international enrolments for the academic year 2021/22 can be expected (reasons: higher number of university entrance qualifications in 2020, postponement of studies)
 - As soon as travel restrictions are reduced, international student mobility will increase again
 - COVID-19 short-term "interruption" of long-term growth in student housing
- ➔ Student mobility and student housing demand will increase again by the next academic year 2021/22

About Catella

Catella is a leading specialist in property investments and fund management, with operations in 13 countries. The group has assets under management amounted to approximately EUR 13 billion at the end of the fourth quarter of 2020. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

Read more online at catella.com.

Contact:

Prof. Dr. Thomas Beyerle
thomas.beyerle@catella.de
+49 30 310 193-220

Marianne Kohl
marianne.kohl@catella.de
+49 30 310 193-275