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Savills World Research
Student Housing

Spotlight World Student Housing

2016/17

CLASS OF ITS OWN

The student housing market has seen rapid expansion but investment opportunities are still prevalent



FOREWORD

WORLD STUDENT HOUSING

Student housing has grown from a niche investment opportunity into a global asset class

Over the last three years that we have been preparing this annual report we have seen the flowering of student housing as a fully-established global real estate asset class.

Student housing is a pioneer sector, showing us all how a niche specialist and opportunistic property investment can become part of the mainstream. It is particularly instructive to observe its transformation as it is probably the first of many higher yielding alternative sectors to benefit from a worldwide hunt for income. This shows little sign of abating as central banks continue QE and a regime of low interest rates.

Understanding, managing and monetising income streams can be a lucrative business. In the UK market, early adopters of student housing have sold at a substantial profit to the institutional investors who have dominated the market over the last 18 months. Other residentially related asset classes may yet follow the trail that student housing has forged. ■

▼ Student housing in Lille, France

**This publication**

This document was published in October 2016. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

SUMMARY POINTS

Demand is diversifying, with opportunities for expansion

INVESTMENT

- 2015 was a record year for investment in student housing with \$15bn invested globally in the sector. The first half of 2016 saw lower total volumes but mainland Europe continued to rise off a low base.
- US and UK student housing REITs outperformed their all REIT indices by 19 and 16 percentage points respectively.
- Global cross-border investment in the sector accounted for 40% of all deals in the last three years as international investors sought to diversify portfolios.

DEMAND

- Trends in student enrolment are diverging, with strong growth recorded in Australia, Germany and France.
- China remains the largest outbound market, almost four times the size of India, the next largest. Demographic forecasts suggest Nigeria and Saudi Arabia will grow in importance in the next decade.
- US cities are by far the most expensive in which to study and live, followed by the UK and Australia. The cost advantage of mainland Europe is clear for students. German cities offer exceptional value for both domestic and international students.
- English taught programmes are being used as a tool to attract more international students to European markets. The Netherlands leads the way in this.

SUPPLY

- Supply, even in mature markets, remains low. Provision rates range from 24% in the UK to 6% in Australia and Spain.
- High land prices in top tier cities are a major barrier to new development, as is the competing demand for land from a range of other asset classes, particularly residential.
- Opportunities for expansion into new markets have never been greater, but understanding and adapting to local markets is essential.
- In mainland Europe, new development will lead sector expansion given the limited amount of standing stock.
- To date, most private operators have successfully targeted the premium market. There is huge untapped demand at the lower price points, but high development costs impede this in many cities.

INVESTMENT

A RAPIDLY EXPANDING SECTOR

Record investment levels in the UK and the US have been accompanied by significant growth in key European markets

Investment into the global, purpose-built student accommodation market has seen rapid expansion over the past 24 months led by record investment levels in the UK and US. Some key European markets have also seen significant growth, including the Netherlands and Germany, while cross border investment volumes in 2015 reached new highs.

With low correlation to the traditional real estate asset classes, student housing has proved effective in diversifying property portfolios. Low void rates, a robust demand base and attractive yields have helped to cement its appeal. Yield compression in the sector is now being observed, and maturing of the sector has brought a shift in investor type. Private investors, who historically have been the most active, are giving way to established institutional players.

Investment volumes
After a record breaking 2015 when \$14.9bn was globally invested,

volumes eased slightly in the first part of 2016. The UK was the stand out market last year, the recipient of some \$7bn investment as several large portfolios came to market.

UK volumes up to August 2016 (including funding, development and investment) stand at £1.9bn (\$2.5bn). The UK market remains fragmented so further opportunities for consolidation exist. We anticipate that further consolidation via mergers and acquisitions will be one of the defining features of coming years.

Meanwhile the US saw a pick-up in activity in the late 2015/early 2016, reflecting growing US real estate investment volumes across all sectors. Some \$5.4bn was invested in the US student housing sector in H1 2016 (\$8.1bn in the year to Q2 2016). The US student housing market is by far the most mature globally, supported by a student population in excess of 20 million. An increasing international student population and limited supply in core city markets should sustain demand for student housing investments in the medium term.

Student REITs outperform

Dedicated student real estate investment trusts (REITs) have grown rapidly over the last five years. Their higher liquidity profile have made them attractive to those seeking shorter term exposure to the PBSH market.

The US currently has two student housing REITs – American Campus Communities and Education Realty Trust. Over the past 24 months they have outperformed all-property REITs by 19 percentage points. A third US student housing REIT, Campus Crest Communities, was delisted when acquired by Harrison Street in early 2016 for a record \$1.9bn.

The UK also has two student housing REITs: Empiric Student Property and GCP Student Living. These have outperformed the UK REITs index by 16 percentage points over the past 24 months.

Alongside the listed UK student housing REITs, Unite Group plc operates an open-ended non-listed Unite UK Student Accommodation Fund (USAF), as well as a joint venture with GIC Private Limited called London Student Accommodation Joint Venture (LSAV). Combined, the fund and equal partnership comprise 31,449 student beds across 24 university towns and cities UK wide. The group intends to convert to a REIT status by early 2017.

The growth in importance of REITs and investment funds reflects the maturity of the sector in both the US and UK and its ability to attract money from the realm of indirect investment.

European investment

US and UK student housing markets have dominated global investment in the last three years. But with the maturing of these markets, investors are looking to new markets for higher returns and mainland Europe is at the forefront.

Germany: In the first seven months of 2016 some €350m was invested in German student property, more than double the total invested in 2015 and nearly the same volume as the previous two years combined.

In the first quarter of 2016, DREF acquired a student accommodation portfolio worth €85m located in a mixture of German cities including Berlin, Stuttgart and Bremen. The Luxembourg-based fund invested a further €60m in an acquisition of Olympia Karree; a former residential complex in Munich.

International investors have been active too. The UK's Global Student Accommodation Group (GSA) acquired a 1,000 unit portfolio and has plans to expand in the country further.

The most active players on the buying side have been investment funds and asset managers.

Netherlands: International investors, operating in the UK, Germany, France and Belgium, are realising potential in the Netherlands and have started to build a presence in the country. Two thirds of investment in the sector has come from abroad since 2014. Total investment volumes reached close to €350 million in 2015, almost double that of 2014 and over four times 2013 volumes.

In the 12 months to Q2 2016 the largest transactions have been made by Greystar, purchasing the 939 unit Campus Diemen Zuid, IC Campus purchasing the 869 unit Little Manhattan project in Amsterdam, and Xior's purchase of the 143 room Carré project in Maastricht.

Yields have contracted over the past 18 months, but for the remainder of

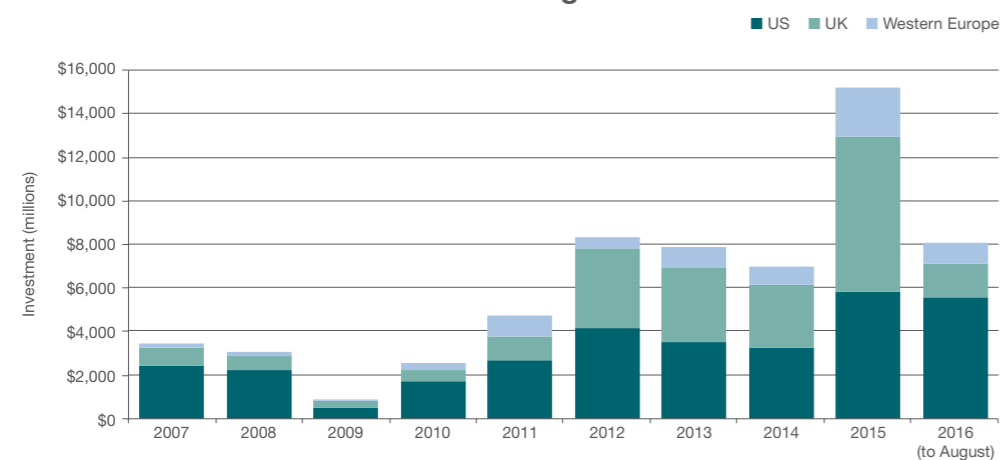
2016 and 2017 we forecast they will remain fairly stable.

France: Some €345m was invested in the French student housing market in 2016 (calendar year to August), according to Savills estimates. This is already 91% of the total volume invested in 2015, itself a record high (€375m). The majority of this investment was into new PBSH development schemes.

French investors remain dominant, led by Swiss Life and Gecina. Real estate investment manager Swiss Life acquired a number of development assets across the country, totalling €137m at a net yield of 4.5%. La Française made its first entry in the student housing market when it acquired the Zodiac property in Paris at the beginning of the year. →

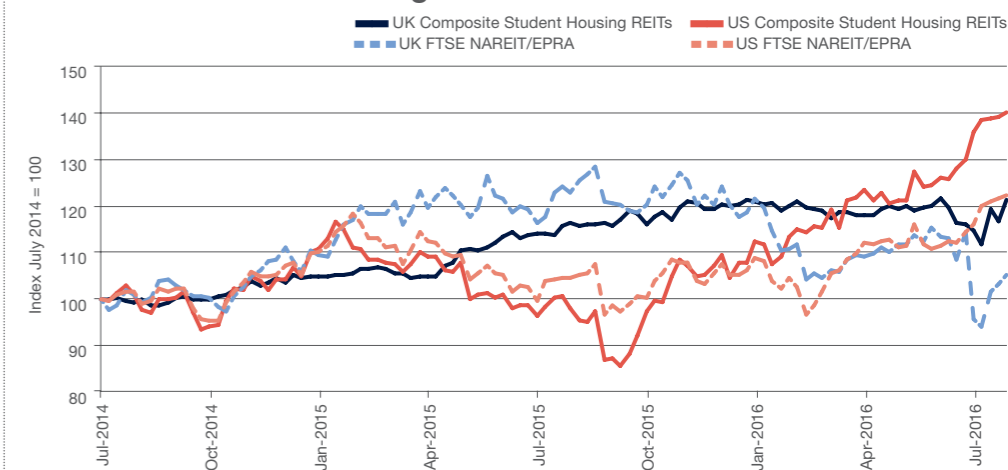
“We anticipate consolidation via mergers and acquisitions will be one of the defining features of coming years”
Savills World Research

FIGURE 1 Global investment into student housing Annual total



Source: RCA (trades above \$7.5 million)

FIGURE 2 US and UK Student Housing REITs vs All REITs indices



Source: FTSE Russell
Components: US REITs - American Campus Communities (NYSE: ACC), Education Realty Trust (NYSE: EDR); UK REITs - Empiric Student Property (LON: ESP), GCP Student Living (LON: DIGS)

FIGURE 3 Student housing (SH) yields and sector comparison

	SH Prime (Net Initial) yield	10y Govt Bonds	SH Prime (Net Initial) yield net of bonds	Residential (PRS)	Office Grade A
UK	4.6%	0.58%	4.0%	3.3%	4.1%
GERMANY	3.8%	-0.04%	3.8%	3.5%	4.0%
SPAIN	6.3%	0.99%	5.3%	4.0%	4.0%
NETHERLANDS	5.0%	0.06%	4.9%	3.8%	4.2%
FRANCE*	4.5%	0.18%	4.3%	3.3%	3.3%
USA	6.1%	1.57%	4.5%	4.8%	5.4%
AUSTRALIA	7.0%	1.90%	5.1%	3.3%	5.3%

Source: Savills World Research, bond yields as at 17/08/16

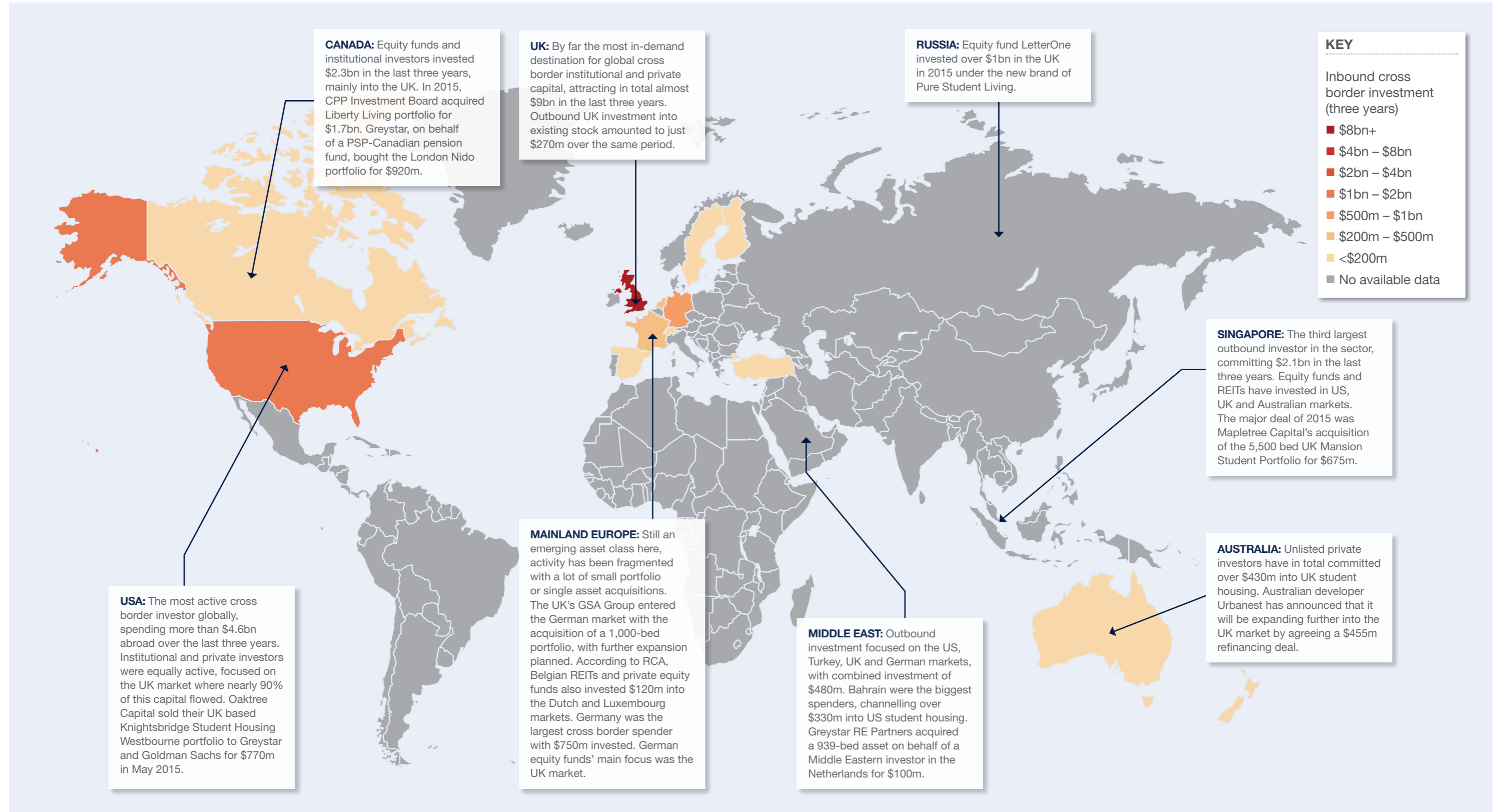
*Paris

→ FIGURE 4

Global cross border investment into student housing (existing stock)

Inbound and outbound cross border investment in the last three years (Q3 2013 – Q2 2016)

Cross border investment in this fast maturing global asset class accounted for 40% of all global investment activity in the last three years. This map highlights the major spenders, and recipients, as well as some of the largest cross border deals.



Source: Savills World Research, RCA

DEMAND

TRENDS IN HIGHER EDUCATION ENROLMENT

A growing internationally mobile student population fuels the demand for accommodation

Growth in higher education enrolment globally has underpinned demand for student accommodation. In many cases it has significantly outpaced supply. Such is the imbalance that even in markets where student numbers are stagnant, opportunities do exist.

The higher education sector saw a boost to student numbers during the global economic downturn as a weaker world job market pushed more people into higher education.

Between the 2006/07 and 2010/11 academic years, student enrolment increased by an average 12% across the top seven internationally significant student markets. Since then, uneven economic recovery has brought divergent performance. Some markets have sustained enrolment growth, while others have seen numbers plateau or decline.

In response to rising tuition fees and demographic change, the large US and UK student markets have seen a fall in numbers from a 2010/11 peak (in the UK, driven by a decline in part-time students), as have Spain, Portugal and Italy.

Conversely, some smaller markets such as Austria and Ireland have enjoyed a very strong run of growth throughout the period, up 44% and 42% in the last seven years respectively. Austria has been buoyed by low tuition fees and European appeal, while Ireland has benefited from favourable demographics.

In the southern hemisphere, Australia has seen student numbers surge, benefiting from strong inbound Asian demand and fast-growing domestic population. A comparatively large market of 1.4 million students, total

student numbers are up 37% in the last eight years.

International student trends

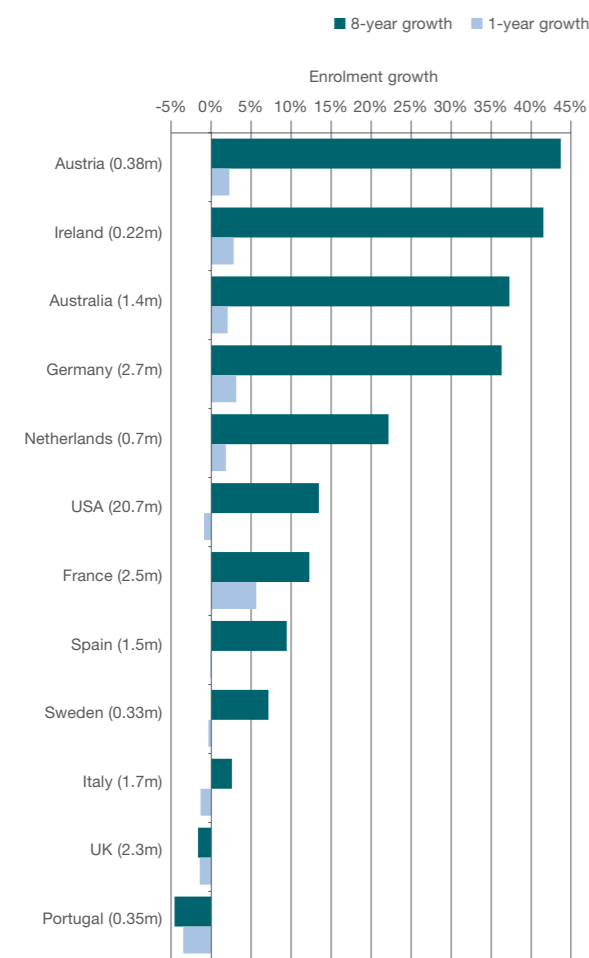
A growing, internationally-mobile student population has fuelled demand for purpose-built student accommodation in the markets that have been the biggest recipients of these students to date. Private student housing operators provide a one-stop-shop for secure, quality accommodation so have found themselves with a commercial edge in this sub-sector. Many of them have actively tailored their offer to appeal to this market. Understanding trends among this group is therefore important to the sector.

China is by far the world's largest outbound student market, for which the US, followed by Australia, Japan and the UK are the biggest recipients. There were 712,000 students from China studying abroad in 2013, according to the latest available data from UNESCO. China's outbound student population grew by 479% between 1999 and 2003 as its middle class expanded and the country opened up to the world. India and Germany follow some way behind, with 181,900 and 119,100.

South Korea, which was the second largest outbound market in 1999, now stands fourth with 116,900 internationally mobile students. Further decline in outbound student numbers may follow, with South Korea's population aged 15-24 set to fall by 30% in the next decade (the US, Japan and Australia are currently its top destinations).

Investors may do well to watch for countries and cities that benefit from a diverse international demand base, or particular fast-growing outbound markets. Of the largest student-

FIGURE 5 Higher education enrolment growth*



*All higher education students, total numbers in brackets (full time, part time, domestic and international). Period to the 2014/15 academic year.

Source: Savills World Research

FIGURE 6 Top outbound markets and forecast demographic change

Country	Outbound internationally mobile students	Demographic change (forecast growth in 15-24 year olds 2016-2026)	Top three destinations
1 CHINA	712,200	-12%	US, Australia, Japan
2 INDIA	181,900	2%	US, Australia, UK
3 GERMANY	119,100	-9%	Austria, Netherlands, UK
4 SOUTH KOREA	116,900	-30%	US, Japan, Australia
5 FRANCE	84,000	4%	Belgium, UK, Canada
6 SAUDI ARABIA	73,600	20%	US, UK, Canada
7 USA	60,300	-1%	UK, Canada, Germany
8 MALAYSIA	56,300	-12%	UK, Australia, US
9 VIETNAM	53,500	-9%	US, Australia, France
10 NIGERIA	52,100	35%	UK, Ghana, US

Source: UNESCO, Oxford Economics

exporting countries, Nigeria (top destination: UK) and Saudi Arabia (top destination: US) are set to see the strongest growth in higher education aged populations in the next decade, at 35% and 20% respectively.

Attracting international students

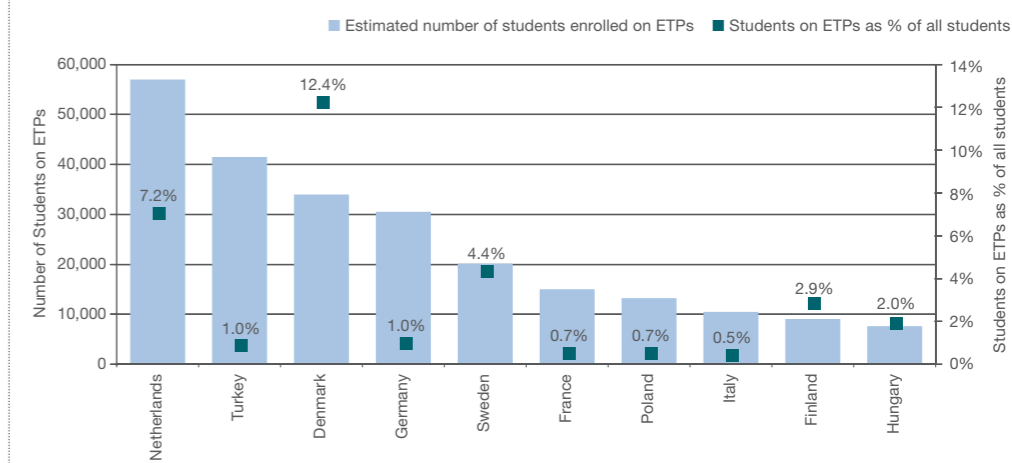
International students contribute to a local economy as well as the bottom line and diversity of a university. International students often pay higher fees, spend more on both accommodation and living, and bring new insights and cultural perspectives to a country.

This is particularly the case if they stay on to work in the country after graduation and take their newly acquired, but overseas paid-for, skills into local businesses and the economy. More institutions, and countries, are recognising this value and are targeting overseas students, especially those that face a shrinking domestic university-age demographic.

Currently, the US and UK attract the lion's share of international students, accounting for 19% and 10% of all globally mobile students respectively. Australia, France and Germany round off the top five, together hosting a further 17%.

In a bid to tap into lucrative international markets, European

FIGURE 7 Top European countries by number of students enrolled in English Taught Programmes (ETPs)



Source: Wächter and Maiworm

institutions are actively increasing their international appeal. Alignment to the bachelor system, greater commercialisation, and more courses taught in English are all helping to raise profiles. The international language of business English is of importance to prospective employers the world over, so tuition in English carries significant weight with prospective students.

The Netherlands was the first European country to move towards English language tuition at scale, and now boasts the largest number of enrolled students on English taught programmes (ETPs) (Figure 7), accounting for 57,000, or 7.2% of the

total student body. UK students can apply via UCAS, making it especially accessible to the British. In Denmark, ETP students account for 12.4% of the student body.

Germany, with 30,500 students studying on ETPs stands fourth, accounting for just 1% of its total student population. Such a low proportion suggests there is significant room for growth in the expansion of such programmes here. France and Italy are two other large student countries that may offer potential for growth in the number of ETPs and in turn further their attractiveness to international students. ➔

BREXIT AND THE EUROPEAN STUDENT MARKET

Opportunities for European competitors, but UK sector fundamentals remain robust

The UK's vote to leave the EU has brought with it challenges and opportunities in the European student sector.

In the near term, a weak pound makes study in the UK cheaper for most overseas students, while British students studying abroad will face a greater cost burden.

Longer term, uncertainty remains over treatment of EU students around immigration and fees. Should tuition fees rise to current non-EU levels, the cost-benefit of studying in the UK to these students could become less appealing.

In future, any decline in EU student numbers may be offset by demand from non-EU students. Given the large number of established, high ranking universities in the UK, a degree from a British university will remain a major draw.

EU students studying in the UK accounted for 5% of all students in 2014/15, down 4% from a 2012/13 peak. Non EU international students made up 14% of the total student body, growing by 5% over the same period.

While it is unlikely that the UK's university sector will lose its strong global standing on the result of the referendum, it does offer some opportunity for competing countries to gain ground in specific areas, research being one.

The UK's strong professional services sector is a major draw for skilled employees from around the globe, and a strong university sector plays a key role in this. Any stricter caps on student numbers could have a detrimental impact to both higher education and the wider economy.

One upside may come in the investment sector. As a stable income-producing asset with counter-cyclical characteristics, student housing is well placed to benefit from increased investor appetite in times of market and economic uncertainty – both in the UK and the rest of Europe.

▼ Harvard University, Boston



Boston is the most expensive city for students

→ Demand drivers: the cost of living and study

The amount that students pay for accommodation away from home can vary widely across the world, as does tuition and general cost of living.

We have combined the costs of living, accommodation and tuition across key student cities to assess how they compare.

US cities, led by Boston, are the most expensive. Students in high ranking US institutions can expect to pay between \$3,000 and \$4,000 per month in tuition, and a further \$1,000 to \$1,600 for private, purpose-built accommodation, on top of monthly living costs.

London, Sydney and Melbourne follow, given high fees for international students (\$2,000 to \$2,400 per month) and comparatively high accommodation costs.

Based on purpose-built student accommodation alone, London is the most expensive city (\$1,600 per month), just ahead of New York (\$1,580 per month). It is no coincidence that these are two of the most expensive cities in the world in which to rent open market property too.

By contrast, mainland European cities stand apart for their affordability. Living and studying in Berlin and Munich is of comparable cost to studying in Beijing and Shanghai – but with even lower tuition fees. Both domestic and international students pay a nominal \$20 and \$30 a month in 'semester contributions', cost of living is low, and private PBSH usually costs less than \$650 per month. The opportunity to further attract international students here is significant.

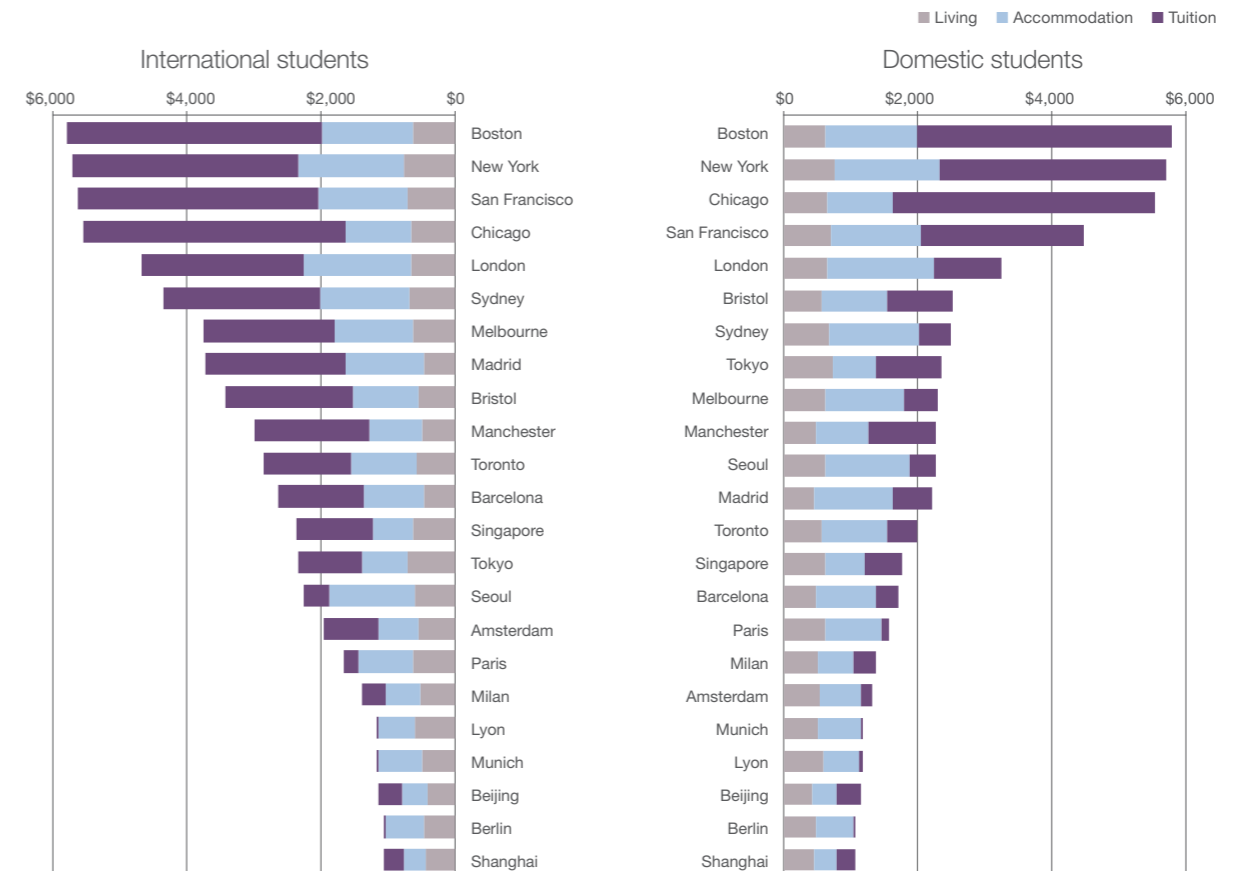
While tuition is the largest single cost for international students in over two thirds of the cities analysed, for domestic students (outside the US),

accommodation costs are the greater component. Madrid, for example, drops from 8th to 12th position when domestic rather than international (non-EU) tuition fees are included in the calculation. With accommodation looming large as the biggest cost, domestic students are more cost-sensitive than their international counterparts.

Certain cities have a clear affordability advantage, but the reputation of an institution, the appeal of a city, the job prospects after graduation and the language in which a course is taught will often play a greater part in a student's university-choosing process.

For this reason we continue to see large proportions of students choosing to study in more traditional, albeit expensive, locations. However, the more affordable markets offer huge potential when it comes to attracting mobile students seeking lower cost education. →

FIGURE 8 Monthly cost of international and domestic student living and study*

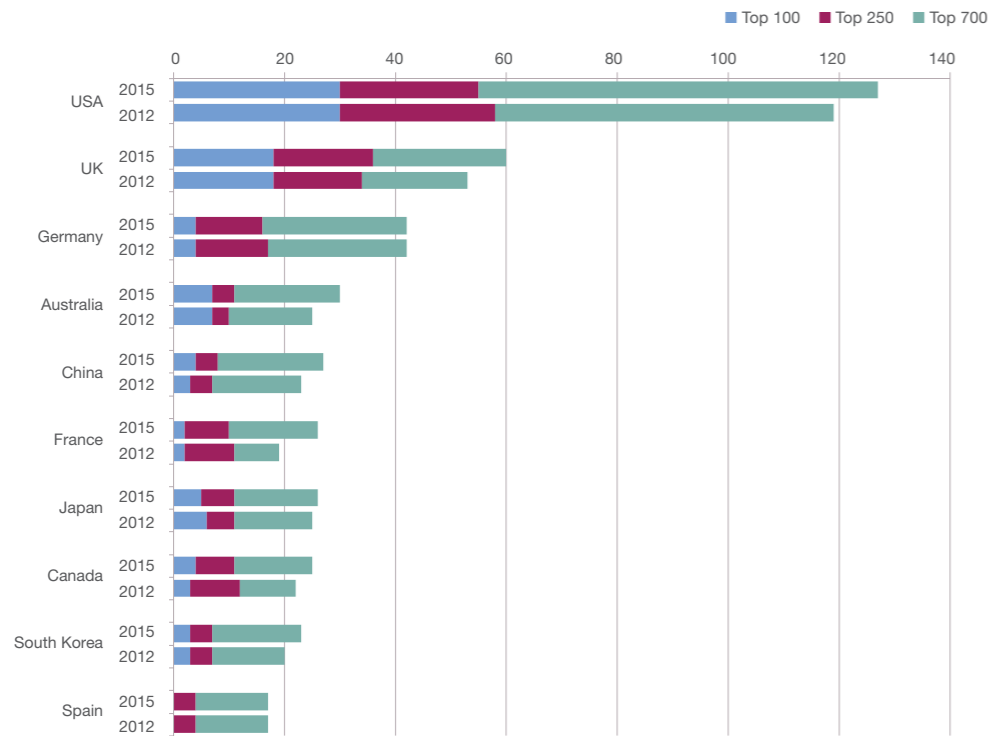


Source: Savills World Research

*Non EU international student/domestic student on non-specialist STEM undergraduate degree (e.g. mathematics) course at a top institution, residing in purpose built student accommodation.

Leipzig University, Germany ▶

→ FIGURE 9
Number of ranked institutions
 QS World University Rankings, Top 10 countries, 2015 vs 2012



Source: QS, Savills World Research

Demand drivers: university rankings

University rankings are an important starting point for prospective students choosing a place to study. This is particularly the case for those looking to study abroad, who may be less familiar with the local university system. Ranked institutions enjoy a higher profile and may expect more applications, sustained student numbers and, in turn, a robust demand base for student housing providers.

The US and UK have historically dominated these rankings, but other countries are now making an impact. With greater commercial focus, more courses taught in English and alignment to the bachelor system, European countries are on the rise. France, for example, has seen the number of institutions in the QS Top 700 increase from 19 to 26 since 2012 (Figure 9). Germany has the third most ranked institutions globally. Spain rounds off the global top ten.

Outside Europe, China has overtaken Japan to take 5th position for the number of ranked institutions. Australia remains dominant with 30 in the top 700, up from 25 in 2012. ■

BRANCH CAMPUSES

Building new higher education hubs

Branch campuses of established institutions in overseas locations enable students to study in a different place, but to a home academic system and standards. They have been effective in raising the quality of the higher education offer in markets such as Dubai, helping establishing them as important regional education hubs.

In future we may expect to see universities from countries such as China setting up branches in established student cities such as London, Paris and New York. By offering students this opportunity to undertake part of their study overseas, without leaving their home institution, they will be more likely to attract affluent students who might otherwise study abroad.

Already, the Aga Khan University (International) is nearing completion at Kings Cross in London and will house its students in Victoria Hall-operated accommodation. We expect other similar centres to follow.

Top branch campus hosts	Number of branches	Top branch campus origin	Number of branches
UNITED ARAB EMIRATES	42	UNITED STATES	104
CHINA	37	UNITED KINGDOM	45
MALAYSIA	14	AUSTRALIA	19



Ranked institutions can expect a robust demand base for student housing providers



Mainland European countries are rising up the rankings to compete with the US and the UK



Outside the US and Europe, Australia takes the lead with 30 institutions in the top 700



No. 3
 Germany has the third most QS-ranked institutions globally

SUPPLY

MEETING THE NEED FOR QUALITY ACCOMMODATION

One size does not necessarily fit all: adapting models for new markets

Set against growing demand for higher education, the provision of purpose-built student housing, even in mature markets, remains comparatively low. While open market housing has filled the gap in many locations, students are coming to expect ever higher standards of accommodation.

For a globally mobile student population, secure, well managed, quality accommodation from a trusted provider has strong appeal to those unfamiliar with local housing markets. The PBSH sector has begun to make inroads into meeting that demand, focusing on the premium market.

The optimum ratio for accommodation varies not only by country, but also by town or city. It depends on the characteristics of the local market including the demographic profile of the students, the provision of university residences, and the size and strength of supply and wider demand in the private rented sector.

In the UK, the sector now houses 32% of full-time students (or 24% of all students) in over 550,000 purpose built beds, but supply in many cities is still failing to meet demand, so further opportunities exist. In fast-growing student markets such as Australia, the imbalance is acute, with only 7% of students accommodated in purpose-built student housing.

Pipeline

Due to the relative infancy of the sector in Western Europe, pipeline across some markets lacks transparency. In Germany, the private pipeline across the top 30 cities is currently estimated to be in the region of 25,500.

In Spain approximately 3,200 units are projected to be developed in the next five years, with 70% of the future pipeline located in Madrid or Barcelona. France has a pipeline of 9,300 private units forecast between 2015 to 2020. In 2014 the government set a delivery target of 40,000 units of public student housing by the end of 2017.

In the undersupplied Australian market almost 28,000 units are planned to be delivered across eight main Australian student housing markets over the next four years. Melbourne and Brisbane are the largest recipients of this supply, with 11,453 and 11,216 units respectively.

Development challenges

In some markets, high land values are a barrier to entry, a problem particularly acute in first-tier, world cities. London, Sydney, Paris and New York are all characterised by high land values and strong demand for the development of other asset classes.

It is no coincidence that most PBSH to date has focused on the premium market. There is huge untapped demand at the lower price points but in many cases more affordable product does not stack up from a development perspective.


Other markets come with particular cultural challenges. In southern Europe, domestic students tend to live and study in their home town or region. The majority live at home with parents, (as many as 75% in Italy for example). This trend is much less pronounced in northern European countries; only 6% of Danish students live with their parents, for example.

While tendencies for many European students to live with parents reduces the requirement for dedicated student accommodation, the presence of international students may be expected to offset this. ■


GLOBAL TRENDS IN ACCOMMODATION TYPES

Study space, affordability and technology are key


While investors and developers have seen success in expanding existing PBSH models into new markets, an understanding of local market conditions and occupier trends is essential. Some examples are outlined below:




With rising tuition fees students are seeking value for money from their university years. This has led to greater demand for study space in accommodation. Unite Students are already turning common rooms into additional study space to meet demand.




In the Netherlands hybrid products have helped to spread risk. The Student Hotel offers accommodation on a short-term basis, aimed at students but open to everyone, providing flexibility of income in a market where student rents are capped. International Campus is developing Little Manhattan, located at Lelylaan, Amsterdam, which offers a third of its 869 studios to young professionals.



Most PBSH has catered to the premium end of the market, but there exists huge untapped demand for more affordable product. High development costs often necessitate high rents, but upgrading older or university owned assets may offer potential to young professionals.



A Deutsches Studentenwerk survey showed that 57% of German students would prefer to live in their own apartment. Private providers in Germany target the premium end of the market; some 69% of German purpose built accommodation are apartments with their own kitchenette and bathroom.



Providers must keep up with technological innovations. High-speed fibre internet infrastructure is essential as bandwidth demands increase. Leasing and management services are also being delivered on online platforms, thus improving management efficiency, extending reach to international students and improving customer service.

FIGURE 10 Supply overview

Supply	USA	Australia	UK	Germany	France	Spain	Netherlands
Purpose built student housing beds	2,400,000	90,000	550,000	290,000	375,000	90,000	113,000
National provision rate (beds/enrolled students)	12%	6%	24%	11%	15%	6%	16%
Typical monthly rates (room)	\$570	AU\$1,200	£450	€250 (public) €500 (private)	€370	€650 (public) €800 (private)	€350
Typical monthly rates (studio/apartment)	\$1,000	AU\$1,600	£700	€500	€460	€420	€600
Key operators (university or public/semi-public)	Universities	Universities	Universities	Studentenwerk	CROUS	Universities	Housing associations such as Duwo
Key operators (private)	American Campus Communities, Campus Crest Communities, Education Realty Trust	UniLodge, CLV, Urbanest	Unite Students, UPP, Vero	Youniq, Twenty First Student Living, The Fizz	Suitétudes, Campuséa, Dometude	RESA, The Student Housing Company, The Student Hotel	The Student Hotel (hotel consent), Camelot

Source: Savills World Research

2.7m

Number of higher education students in Germany

MARKETS IN DETAIL

COUNTRY COMPARISON

Australia, the Netherlands and Germany are among the fastest growing student housing markets

Opportunities for pioneers in the student housing sector have never been greater, and significant potential exists in markets that are further behind on the development curve or in less well-developed markets.

On the following pages, we profile three of the fastest growing student housing markets: Australia, the Netherlands and Germany. We have also summarised the current state of six other major European markets, and compared key attributes of major student housing markets across the globe. →

FIGURE 11 Major student housing markets at a glance

Country	No. of enrolled higher education students (2014/15)	Annual growth (to 2014/15)	25-34 year olds with tertiary education	International students	Top countries of origin	Top student cities
UK	2.3m	-1.4%	49%	18%	China, India, Nigeria	London, Manchester, Edinburgh
GERMANY	2.7m	3.1%	28%	12%	China, Russia, Austria	Berlin, Munich, Hamburg
FRANCE	2.5m	5.7%	44%	12%	China, Morocco, Algeria	Paris, Lyon, Lille
SPAIN	1.5m	-0.1%	42%	4%	Colombia, Italy, Peru	Barcelona, Madrid, Valencia
NETHERLANDS	0.7m	1.8%	44%	11%	Germany, China, Belgium	Amsterdam, Utrecht, Groningen
ITALY	1.7m	-1.4%	24%	4%	Albania, China, Romania	Rome, Milan, Bologna
PORTUGAL	0.35m	-3.5%	31%	4%	Brazil, Angola, Cabo Verde	Porto, Lisbon, Coimbra
IRELAND	0.22m	2.8%	51%	6%	UK, China, Malaysia	Dublin, Cork, Galway
SWEDEN	0.33m	-0.3%	46%	6%	China, Germany, Finland	Stockholm, Gothenburg, Lund
AUSTRIA	0.38m	2.2%	38%	15%	Germany, Italy, Turkey	Vienna, Graz, Innsbruck
USA	20.7m	-0.9%	46%	4%	China, India, Korea	Boston, San Francisco (Bay Area), New York
AUSTRALIA	1.4m	2.7%	48%	26%	China, India, Malaysia	Melbourne, Sydney, Canberra

Source: Savills World Research, national education statistics services, IMD, UNESCO

AUSTRALIA

A fast-growing student market with a rapidly expanding PBSH sector

Australia is a popular destination for international students, particularly from Asia. China and India together supply nearly 40% of international students, an increase of more than 13% and 15% respectively in 2015. Total higher education enrolments grew by 2.7% over the same period.

Growing demand is set against a general shortage of supply. The provision rate stands at 6%, which is low compared to mature markets such as the UK at 24%. In response, a number of universities have commenced on-campus procurement projects and private operators are rapidly expanding their pipeline.

More than AU\$2 billion of capital has been earmarked for development projects in student accommodation since the start of 2015. The top ten providers currently own a total of 20,136 beds and have a combined development pipeline of 15,469, representing an increase of approximately 75% on their existing stock.

Scaling up on new delivery presents challenges. Competing land uses, particularly from a strong residential sector, have pushed up land values and made development for PBSH unviable in some markets, most notably Sydney.

Federal and state governments have recognised the shortage as a limiting factor in the future development the country's higher education sector (already Australia's third biggest export, after iron ore and coal), and a number of strategies to enable new development are in the pipeline.

As an emerging market for student accommodation, transactional activity is limited as completed assets are generally tightly held. Savills research indicates there were just two transactions of operational residences totalling approximately AU\$90 million in 2015. In 2016, Infratil (HRL Morrison) secured a 30 year concession of ANV's portfolio of 3,760 beds and UniLodge @ UNSW was transacted at a net initial yield of circa 5.6%.

NETHERLANDS

A new student loan system has had limited impact on enrolment growth

The Dutch PBSH sector has grown rapidly since 2012 when regulations surrounding student housing development were eased. Development, first focused in Amsterdam (accounting for 40% of new beds in 2015 alone) has now spread nationwide, with particular concentrations in Groningen and Utrecht.

Total investment volumes reached close to €350 million in 2015; almost double 2014 volumes and over four times those of 2013.

Last academic year saw the replacement of grants with a loan system, comprising of three components: a loan, a student travel product and a supplementary grant (depending on parental income).

The new system has had a short-term impact on enrolment numbers, with a small dip in the 2015/16 academic year. This fall followed a surge in student numbers in the two years preceding the introduction of student loans as applicants took advantage of the last of the old regime. Encouragingly, provisional data suggests a recovery in numbers in the 2016/17 period, up by around 10% at research universities and 5% at universities of applied sciences.

While it looks unlikely that there will be any significant impact on student numbers in the long term, a higher cost burden may affect student spending. In a compact country such as the Netherlands, this could result in more students opting to live at home for study.

The Netherlands has become established as a destination for international students and numbers have almost doubled in the last decade. Growth in the international student population, now standing at 77,900, is well placed to offset any domestic decline in demand for student accommodation. The Netherlands already hosts the highest number of English-taught courses of any non-English speaking country, while tuition fees remain competitive by global standards.

GERMANY

Private providers are making inroads into this large market

Germany is host to 2.7 million higher education students. Unlike its European neighbours, no one city dominates. There are eight cities with more than 50,000 students, and a further 23 with between 25,000 and 50,000 students.

Germany is a highly affordable country in which to live and study, a factor that has sustained enrolment growth. Domestic student numbers have grown 39% in the last decade (but are set to stagnate

due to demographic change), while international students now account for 12.3% of all enrolments.

In a bid to further boost German universities' global profile, a federal initiative was introduced in 2005 to promote outstanding research by providing additional funding to selected elite institutions.

The semi-public body Studentenwerk dominates provision in Germany. In 2015, there were around 238,000 publicly subsidised beds, an increase of 15,000 additional on 2005 levels. Over the same time period the number of students grew by around

770,000, squeezing the supply imbalance further.

Set against this backdrop, private providers are making inroads. Private operators now account for around 22% of stock in the 30 largest university cities, a figure forecast to reach 29% by 2021.

Supply has been focused on cities where open market housing is most constrained. Munich is home to the largest amount of private purpose-built accommodation, but is set to be overtaken by Berlin, where 8,800 beds will add to the existing private stock of 1,600.

Private providers target the premium end of the market, with rents exceeding €500pm, double that of Studentenwerk. The price premium reflects superior quality and amenities and the fact 69% of private operator stock are individual apartments. The majority of Studentenwerk stock, by comparison, are rooms in shared apartments.

The German market has attracted the attention of international investors. The UK's GSA group acquired a 1,000 unit portfolio focused on Frankfurt, Münster, Darmstadt and Dresden and further expansion is planned. Cresco Capital has announced plans to invest €300m in the sector. ■



MARKETS IN DETAIL

MAPPING EUROPE'S NEW FRONTIERS



International student demand in Spain has doubled in 10 years

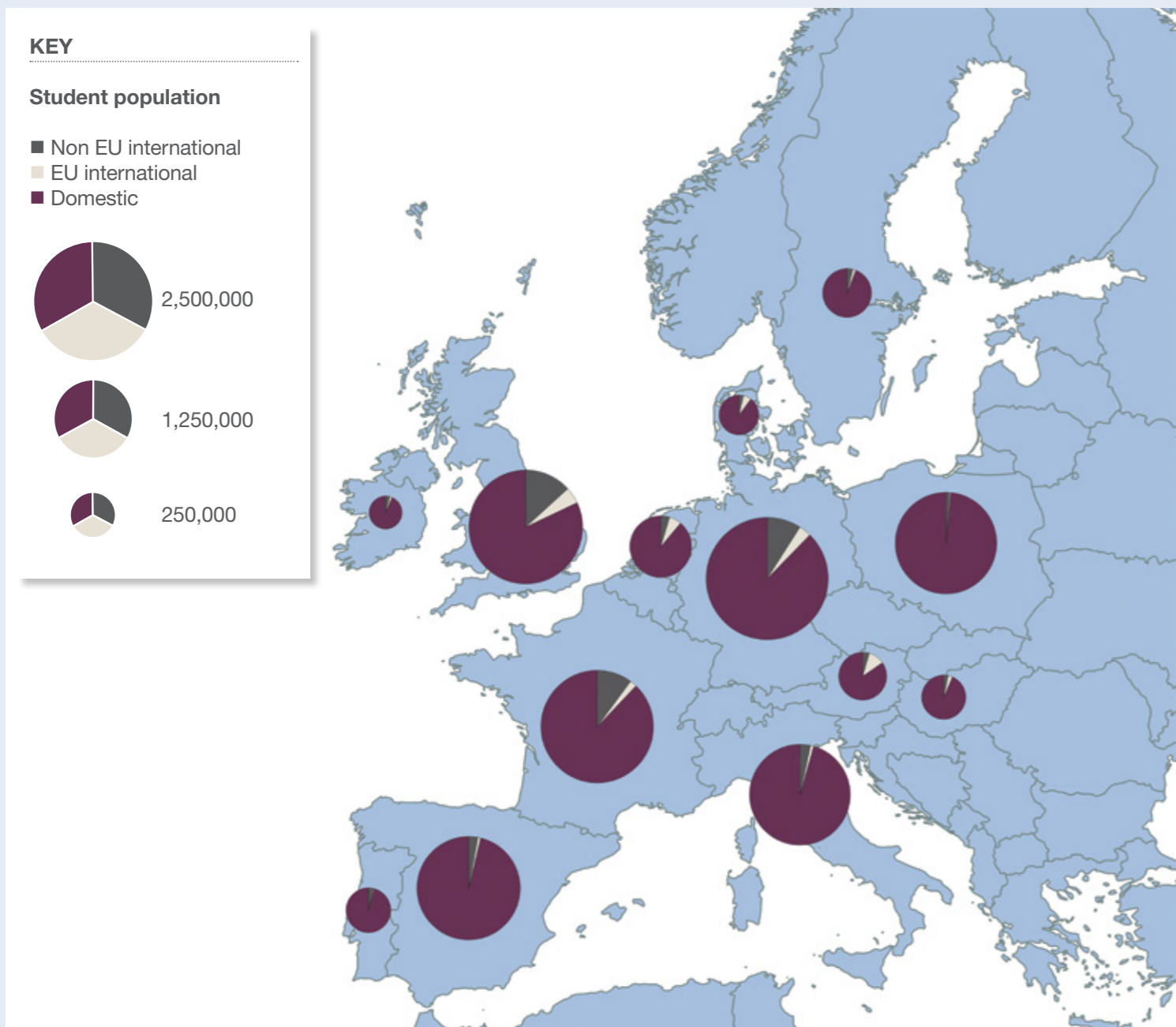
29%

Forecast growth of 15-29 year olds in Ireland by 2026



France has the second largest higher ed sector in Europe

FIGURE 12 Student populations in Europe and markets in brief



With a combined student population of 20 million, growing international enrolment and very low provision of purpose built accommodation, Europe offers investment potential. With the US and UK markets now mature, investors are seeking opportunities across the region.

IRELAND The number of higher education students in Ireland has grown rapidly in the last decade and underlying demographic trends are positive: the number of 15-29 year olds are forecast to grow by 29% in the next ten years. Student accommodation is provided mainly by universities and provision rates are low. This, together with the presence of quality institutions has attracted private operators to Ireland, first to Dublin. Ziggurat Student Living and The Student Housing Company are international operators with a presence in the Irish capital.

SPAIN Overall enrolments are falling, but international student demand has doubled in Spain in the last decade in a country particularly attractive to foreign Spanish-speaking students. Student housing stock is provided mainly by universities along with providers RESA, Residencia Campus and Campus Patrimonial. British company Knightsbridge has expanded in Spain with projects in Madrid and Barcelona. Spain is benefiting from increased international investment across all real estate sectors as its economy sees recovery.

PORTUGAL Portugal is attractive to international students from Portuguese speaking nations: students from Brazil are the largest foreign group. The country's student housing sector is relatively undeveloped. Major universities provide a small amount of their own accommodation via their social services providers, while a domestic private provider offers properties in Lisbon and Porto. Competition comes from affordable open market rentals.

AUSTRIA Austria has a student population of 376,000, having grown by 54% between 2005/06 and 2014/15, among the highest rates in Europe. Although 15% of the student population are international, many of them are from bordering countries. Student accommodation is rarely provided by the universities directly; students have the choice of finding accommodation through student housing companies or in the private rental market. Milestone Student Living is an early private entrant, successfully targeting the premium segment in Vienna and Graz.

FRANCE France has the second largest higher education sector in Europe, while Paris is ranked the number one student city in the world by QS. Some 58% of accommodation is provided by the public student body CROUS. The market is undersupplied but provision is growing, fuelled by domestic operators and further supply pipeline from CROUS. The market offers potential but investment activity has been driven by domestic investors to date. Between 60% and 70% of stock is sold to private investors in strata title.

ITALY Purpose-built student accommodation in Italy is typically provided by the university, although some 75% of students live at home during study. Supply is lowest in Rome, while the highest rents can be found in Milan. Italy has yet to experience any significant institutional investment in its student housing market. One fund, Fondo Aristotele, focuses on investments including social housing, university development, senior housing, as well as student accommodation, with properties across the country.

NETHERLANDS AND GERMANY: see p18/19

Source: UNESCO, Savills World Research

OUTLOOK

What are the global prospects for student housing?

■ **Threats:** Political risks to the sector are common in many markets. Open and flexible immigration policies for higher education are important to attract both international students and the best university staff. In the UK, for example, uncertainty after the EU referendum on the future treatment of EU students, and employees, in UK higher education adds to medium-term risk. Policy makers need to acknowledge the important role higher education plays in both local and national economies.

■ **Investment:** Global investment has been steadily diversifying outside of the core US and UK markets over the past 12 months. Levels of funding into Western European countries has

grown significantly over this period. We expect to see further expansion as the sector develops in mainland Europe and Australia as new stock developed now paves the way for institutional investment in the future.

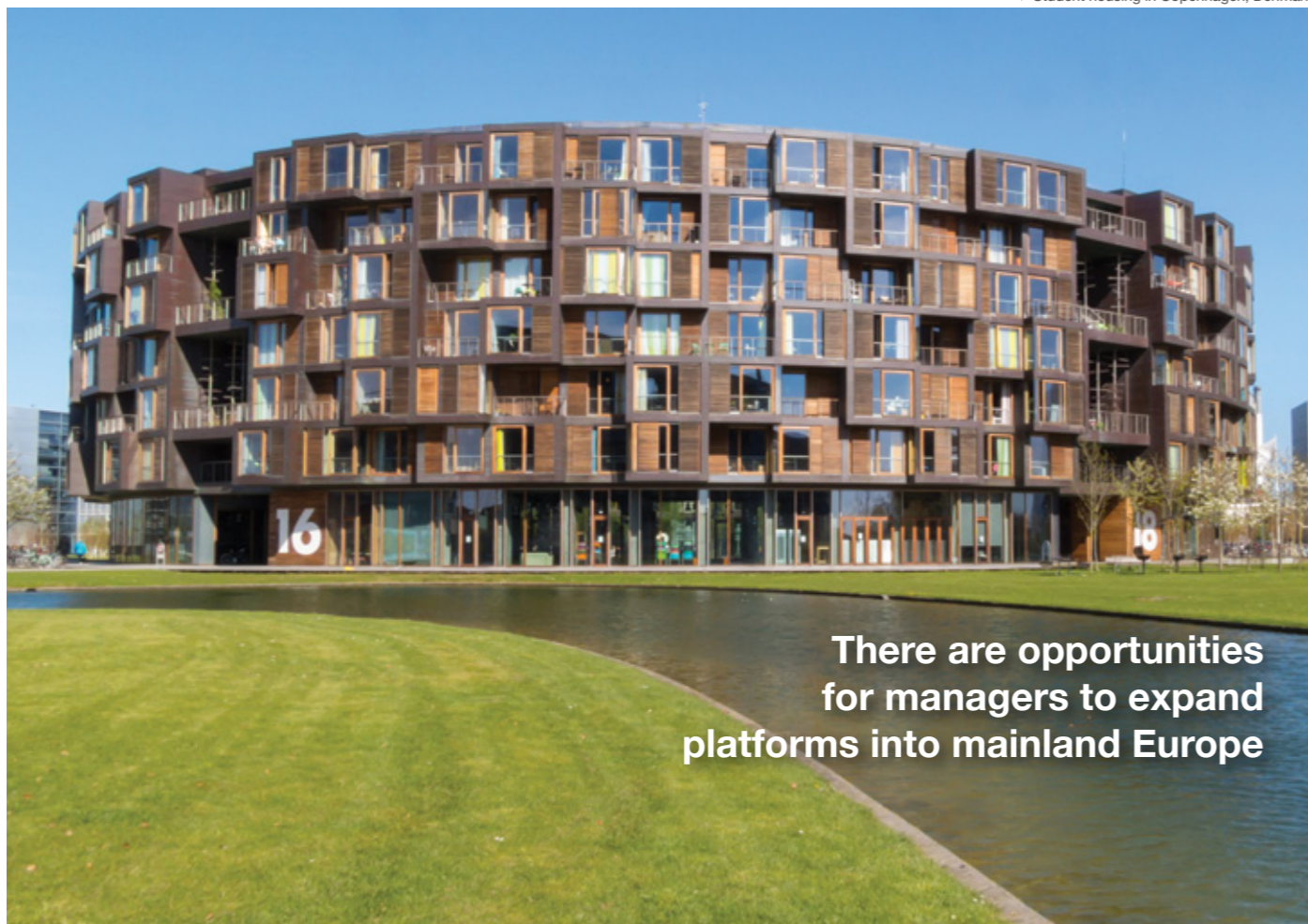
■ **Management:** As the sector grows in mainland Europe, a lack of specialist student housing managers is holding back increased institutional investor appetite. There is an opportunity for existing operators to expand their management platforms to fill the void.

■ **Demand:** Growing international student numbers secure the market for premium PBSH product, but there remains a huge untapped market for more affordable

private accommodation. High land values, development costs will impede this in many markets, but upgrading of existing university stock or establishment of new models may be a route in. The delivery of PBSH offsets pressure on the local, often low-cost, housing sector, improving capacity in both.

■ **Technology:** In a connected world, PBSH providers are better able to market themselves on a global stage. The development student housing portals and community platforms will help to raise awareness across global markets. Branding is increasingly important in establishing operator profiles, providing a point of differentiation and building a following that crosses borders.

▼ Student housing in Copenhagen, Denmark



There are opportunities for managers to expand platforms into mainland Europe



Spotlight: UK Student Housing
The student housing market sector continues to be attractive to investors and has witnessed a surge of activity over the past two years.
www.savills.co.uk/research

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