Macroeconomic Backdrop

A healing economy + continued low-rate environment is the base case, which should provide support for real estate fundamentals and asset values.

Source: BLS, Oxford, and Green Street.
Outlook for Inflation

If inflation surprises to the upside, real estate will likely hold up better on a relative basis, but performance is not consistent across sectors.
Outlook For Fundamentals

No Covid-hangover on near-term cash flows for student housing at high-quality schools. Below-average growth expected over the long run.

Source: Green Street.

1 Lodging is not to scale due to higher rebound in '22. NOI growth over '22-'25 is estimated to be high-30%.

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No Covid-hangover on near-term cash flows for student housing at high-quality schools. Below-average growth expected over the long run.

Source: Green Street.
Student housing appears fairly valued relative to other property sectors.

![Expected Private Market Returns](image)

Source: Green Street.
Prospective Returns Relative to Bonds

Though relative to bonds, student housing is a bargain. For those looking to deploy capital in the space, ACC may be a cheaper way to play the sector.

Source: Green Street. As of September 2021

Student Housing Unlevered Expected Returns vs. Fixed Income Alternatives

- Private Market Expected Unlevered Returns: 6.0%
- Baa Yield: 3.3%
- High Yield: 4.1%

American Campus Communities (ACC) Valuation Metrics

- NAV Premium / (Discount): -13%
- 12 Month Forward Implied Cap Rate: 4.5%
- '22 AFFO Yield: 3.7%
Underwriting University-Specific Risk

Divergence between high and low-tier schools likely to continue for some time. Owners and lenders should keep obsolescence risk in mind at select schools.

University Health Grading Metrics

- Endowment Health
- Enrollment Growth
- In-state high-school population growth
- Retention of freshman
- Changes in acceptance rates
- Curriculum Base
- Barriers to Supply

Examples of “Watch-List” Schools

- University of Toledo
- University of Central Oklahoma
- Eastern Kentucky University
- Cleveland State
- University of Southern Mississippi
- Marshall University
Leasing for the Fall 2021 semester started slow, but picked up in the second half of the semester.

National: Month-over-Month Pre-Lease Activity

Source: RealPage (Market Analytics)
National occupancy rates have normalized after the Fall 2020 slump

National: Year-End Occupancy by Leasing Season*

*Fall 2021 Reflects Aug. Pre-Lease

Source: RealPage (Market Analytics)
Fall 2021 rent change rounded out the year with the second-best rate on record.
Many campuses that cut rents last year experienced solid growth this year.

Share of RealPage 175 Schools by Fall 2021 Annual Rent Change

- Less than -2%
- -2% to 0%
- 0% to 2%
- 2% to 4%
- Greater than 4%

Source: RealPage (Market Analytics)
Student Housing Performance Report Card for Fall 2021

Final Pre-Lease: 91.8%
Below early-cycle standards, but solid year-over-year improvement and closely matches “normal” levels from 2017 to 2019.

Final Rent Growth: 2.3%
The nation’s second-best recorded figure since Fall 2013 with most schools seeing tangible improvement from last year.

Final Supply: ~42,000 beds
Delays appeared modest at most, in turn leading to yet another year with roughly 42,000 new, purpose-built off campus beds delivering.
Fall 2022 supply should come in at its lowest point in over a decade

Source: RealPage (Market Analytics)
Enrollment growth is expected to range between 0.5% and 1% in the forecast.
Forecast Trends To Monitor: Future Enrollment Growth

• An emerging set of headwinds will present new challenges to future enrollment growth, although tailwinds still persist.

Potential Headwinds:
• Changes in 18-to-24-Year-Old Population
• Rising Attendance Costs
• Uncertainty with International Enrollment

Potential Tailwinds:
• Growth Among RealPage 175 Campuses
• Higher Share of HS Graduates Enrolling
• Continued U.S. Population Growth
Forecast Trends to Monitor: Other Trends & Influences

- Does investment capital flowing into the student housing space (especially cross-border) increase or decrease?

- What are some potential offsets if enrollment growth slows (e.g. increase in international enrollment; eased admission standards)?

- How do design trends and amenity preferences shift as Gen Z ages? Does that alter renovation strategies, and how can operators generate ancillary revenue from shared spaces?

- Does limited new construction site availability constrain new supply – and does that result in a larger share of renovations?
TRANSACTION VOLUME DIPPED OVER THE 2020 FISCAL YEAR, BUT BEGAN TO **STABILIZE** TOWARD THE START OF 2021 FISCAL YEAR

**STUDENT HOUSING SALES VOLUME**
Quarterly vs. Rolling 12 Month (based on assets priced $2.5mm+)

![Graph showing transaction volume trend over quarters](source: Real Capital Analytics, Newmark Student Housing)
FIRST QUARTER VOLUME ACTIVITY CONTINUES TO TREND DOWN AS RELIANCE ON LEASING VELOCITY GROWS

STUDENT HOUSING SALES VOLUME – Q1 5 YEAR COMPARISON

Price (in billions) vs. Properties (based on assets priced $2.5mm+)

Source: Real Capital Analytics, Newmark Student Housing
2020Q2 volume primarily consisted of core product pedestrian to Tier-I universities.

As liquidity and more abundant financing options returned to the student space, volume began to normalize to pre-pandemic levels.

2021Q2 saw the return of secondary and tertiary market transactions as preleasing metrics stabilized and in-person class schedules were announced.
2020 marked a $/bed record for the student space at an average of $102,976

$/Bed metrics decreased by 14% in the first half of 2021 over the 2020 annual average

$/Unit decreased by an average of 6% in 2021Q1 from 2019 & 2020 annual levels

$/Unit surpassed previous years’ averages in 2020Q2 at $201,457, a 4% increase over the 5 year average

Source: Real Capital Analytics, Newmark Student Housing
STUDENT HOUSING AND CONVENTIONAL CAP RATES CONTINUE TO COMPRESS, FOLLOWING THE TREND OF THE LAST 5 YEARS

STUDENT HOUSING VS U.S. CONVENTIONAL MULTIFAMILY CAP RATES – 5 YEARS

(based on assets priced $2.5mm+)

Source: Real Capital Analytics, Newmark Student Housing

SH Cap Rates

U.S. Cap Rates

Source: Real Capital Analytics, Newmark Student Housing

#NMHCstudent
@ApartmentWire
THE SPREAD BETWEEN STUDENT HOUSING & CONVENTIONAL CAP RATES BEGAN TO WIDEN THROUGH THE LAST FOUR QUARTERS

STUDENT HOUSING VS U.S. CONVENTIONAL MULTIFAMILY CAP RATES – 1 YEAR
(based on assets priced $2.5mm+)

Source: Real Capital Analytics, Newmark Student Housing
THE SPREAD BETWEEN STUDENT HOUSING & CONVENTIONAL CAP RATES IS ANTICIPATED TO CONTINUE TO INCREASE

CONVENTIONAL CAP RATES VS STUDENT HOUSING SPREAD

Source: Real Capital Analytics, Newmark Student Housing
CROSS-BORDER CAPITAL ACCOUNTED FOR THE LARGEST SHARE OF THE 2020 BUYER POOL, WHILE PRIVATE CAPITAL CAME BACK INTO THE FOLD IN THE FIRST HALF OF 2021

Source: Real Capital Analytics, Newmark Student Housing
INSTITUTIONAL FUNDS **DOMINATED** THE 2020 SELLER LANDSCAPE, WHILE PRIVATE CAPITAL RETURNED TO 2019 ACTIVITY.

Source: Real Capital Analytics, Newmark Student Housing
Transactional Trends to Monitor

With financing options becoming more fluid, do secondary and tertiary markets experience renewed interest and a decrease in cap rate spread between Tier-I markets?

Will continued cap rate compression in the conventional marketplace bring a flood of new entrants into the student housing space in the search for better yield?

Given international economic volatility and stagnant recovery, will a greater amount of foreign investment funds begin recycling capital into U.S. investments?