

Student Housing Market Economic Outlook



Moderator: Jamie Swick

Colliers International



Ben Harkrider

Newmark



John Pawlowski

Green Street
Advisors, Inc.



Carl Whitaker

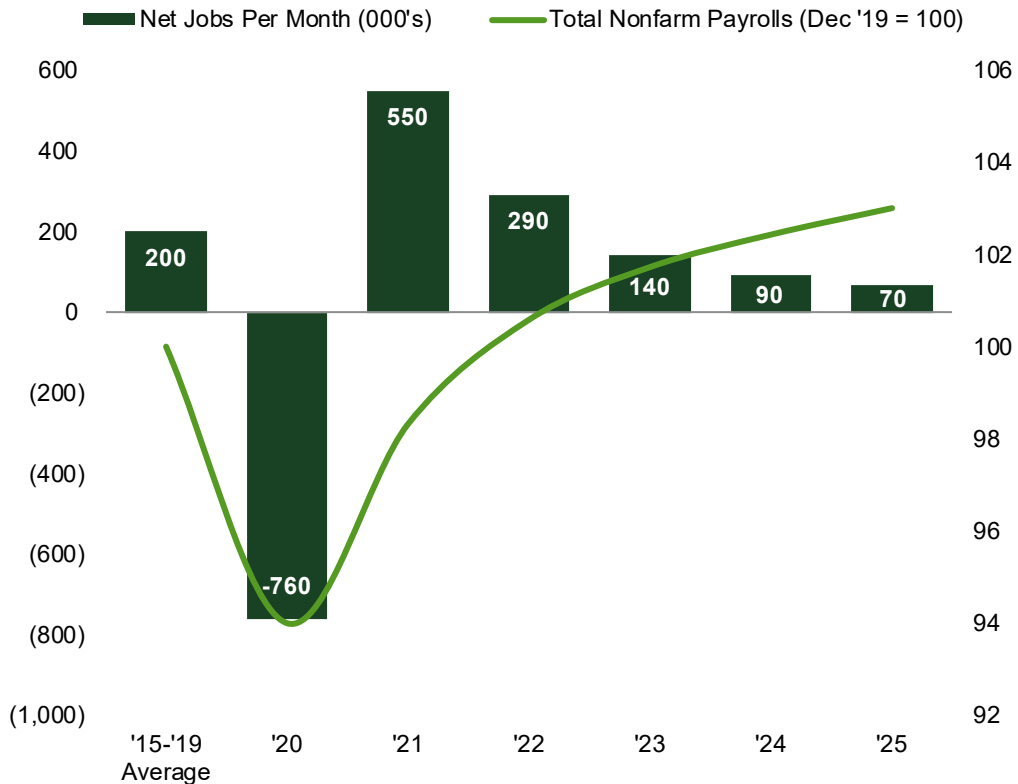
RealPage



Macroeconomic Backdrop

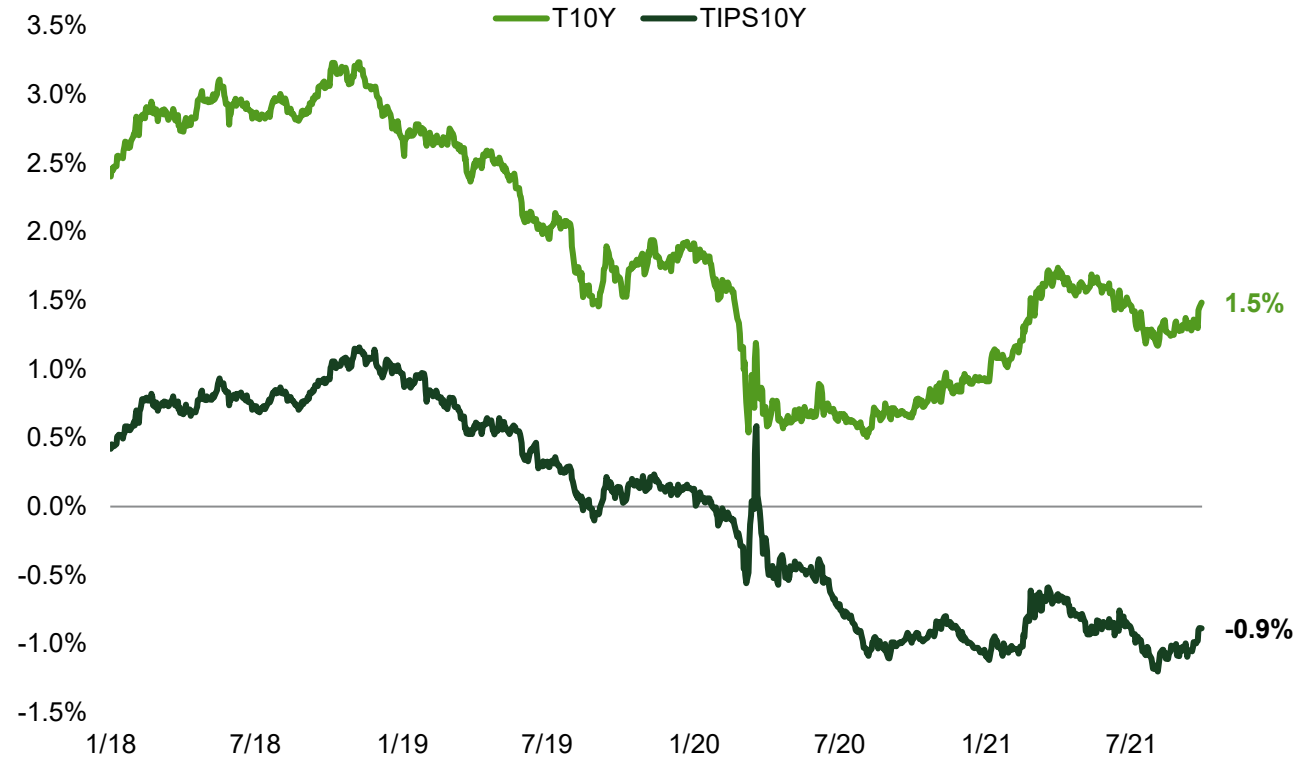
A healing economy + continued low-rate environment is the base case, which should provide support for real estate fundamentals and asset values

Nonfarm Job Growth



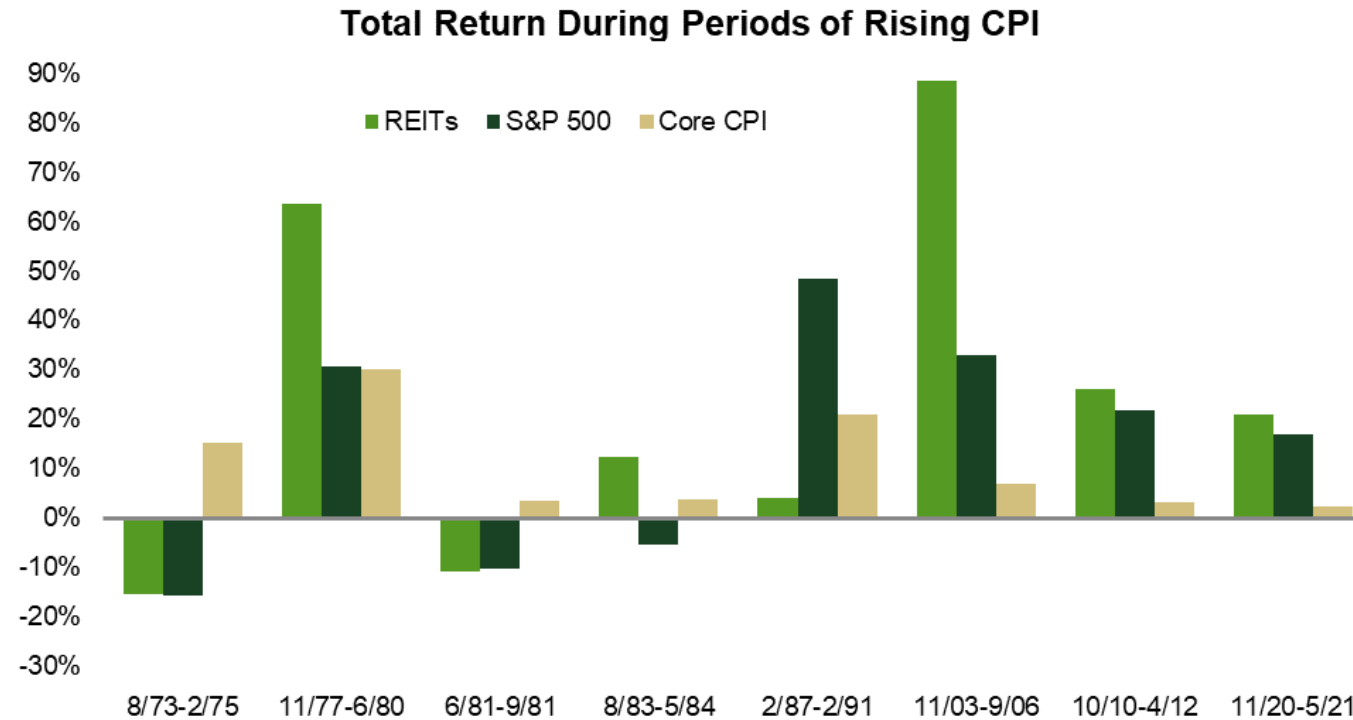
Source: BLS, Oxford, and Green Street.

10-Year Treasury Yield (Nominal and TIPS)



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



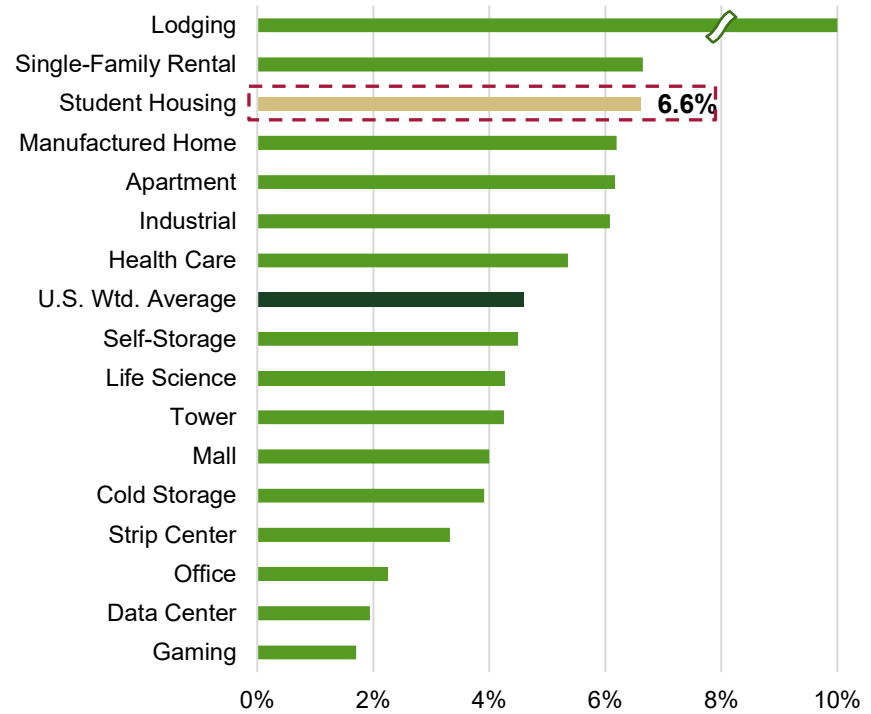
Source: Green Street.



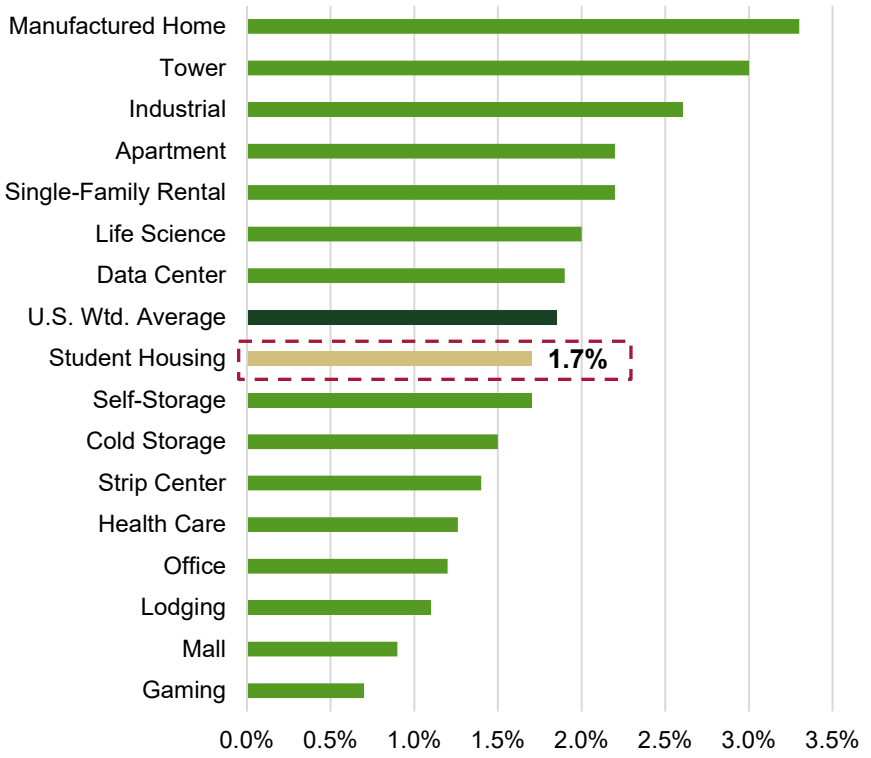
Outlook For Fundamentals

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

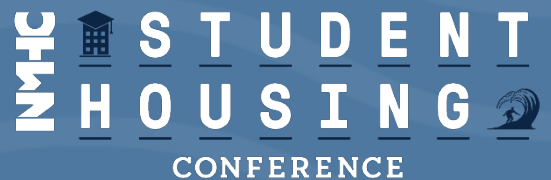
Same-Store NOI Growth '22-'25



Long Term Same-Store NOI Growth



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%.

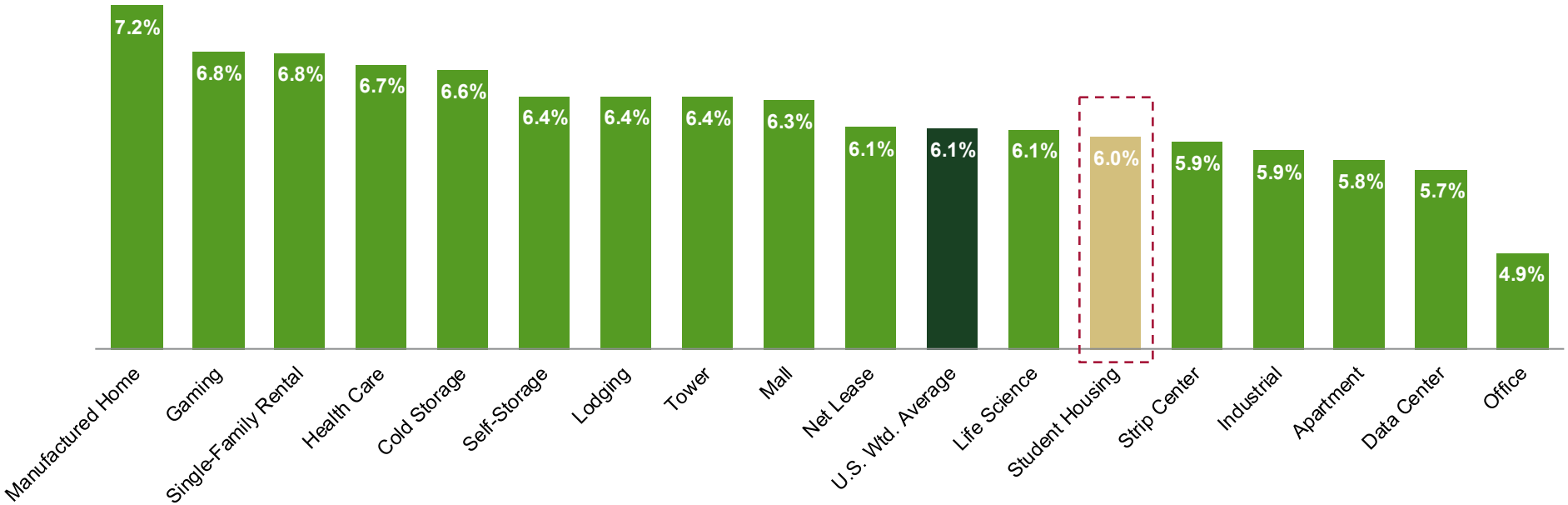


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Long-Term Unlevered IRR Expectations

Student housing appears fairly valued relative to other property sectors

Expected *Private* Market Returns



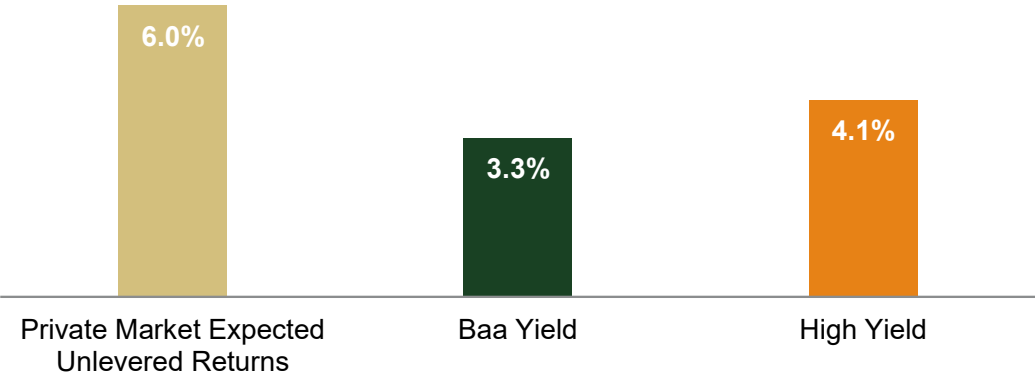
Source: Green Street.



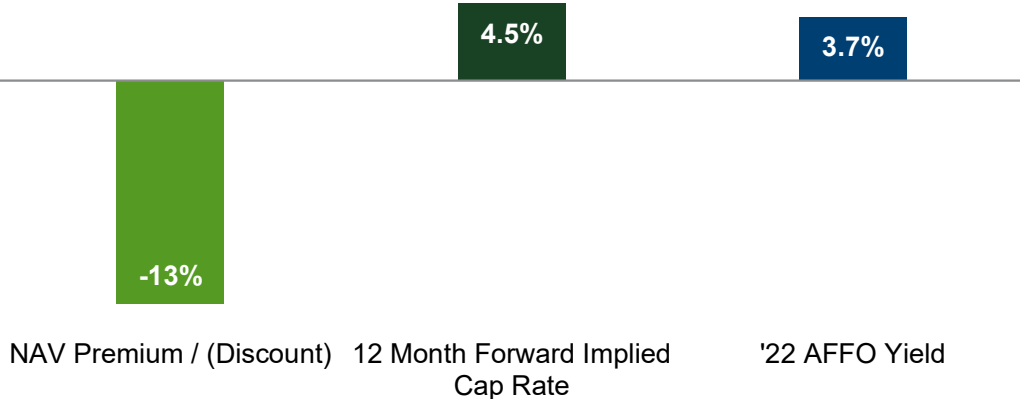
Prospective Returns Relative to Bonds

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

Student Housing Unlevered Expected Returns vs. Fixed Income Alternatives



American Campus Communities (ACC) Valuation Metrics



Source: Green Street. As of September 2021



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

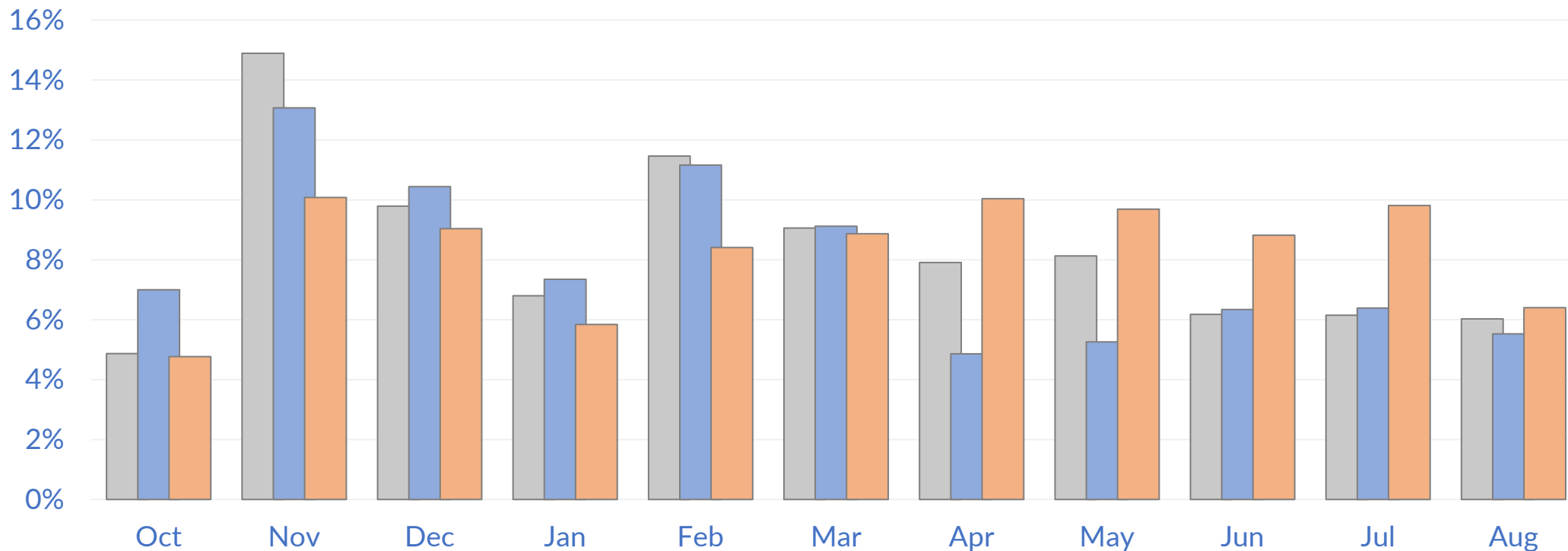
- ❑ University of Toledo
- ❑ University of Central Oklahoma
- ❑ Eastern Kentucky University
- ❑ Cleveland State
- ❑ University of Southern Mississippi
- ❑ Marshall University



Leasing for the Fall 2021 semester started slow, but picked up in the second half

National: Month-over-Month Pre-Lease Activity

■ Fall 2019 ■ Fall 2020 ■ Fall 2021



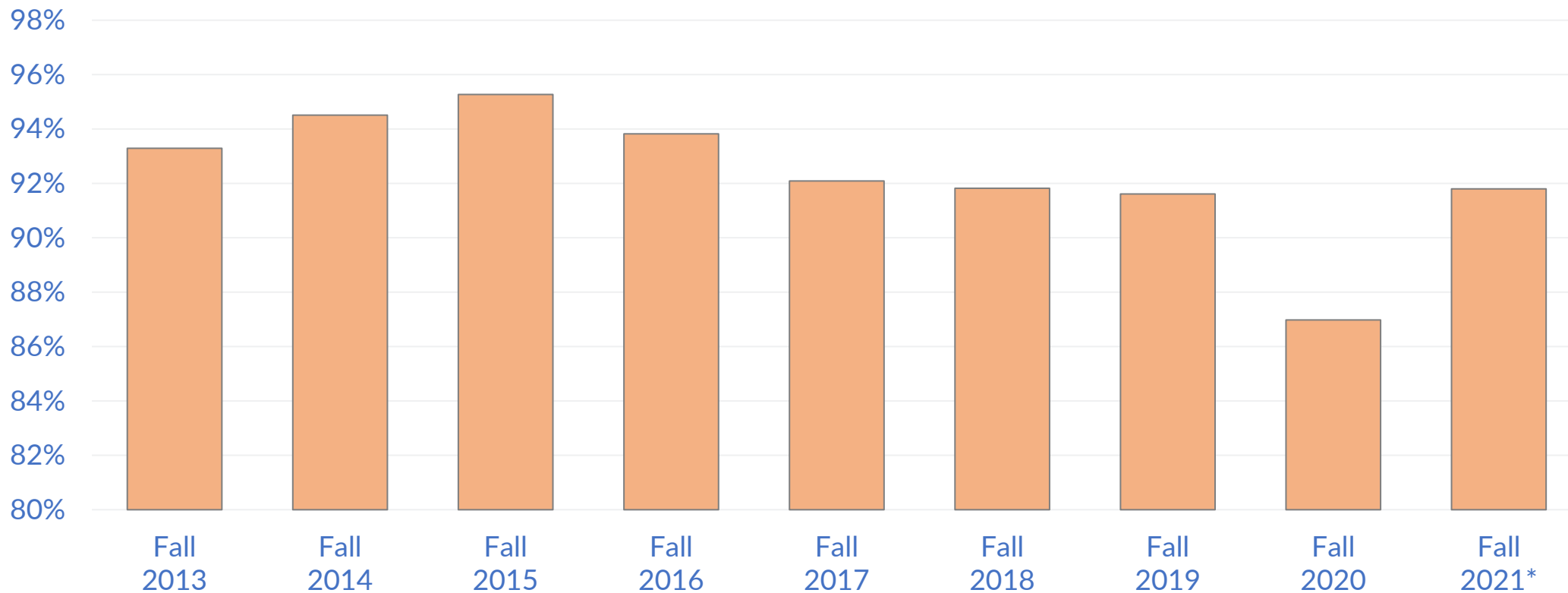
Source: RealPage (Market Analytics)



National occupancy rates have normalized after the Fall 2020 slump

National: Year-End Occupancy by Leasing Season*

*Fall 2021 Reflects Aug. Pre-Lease

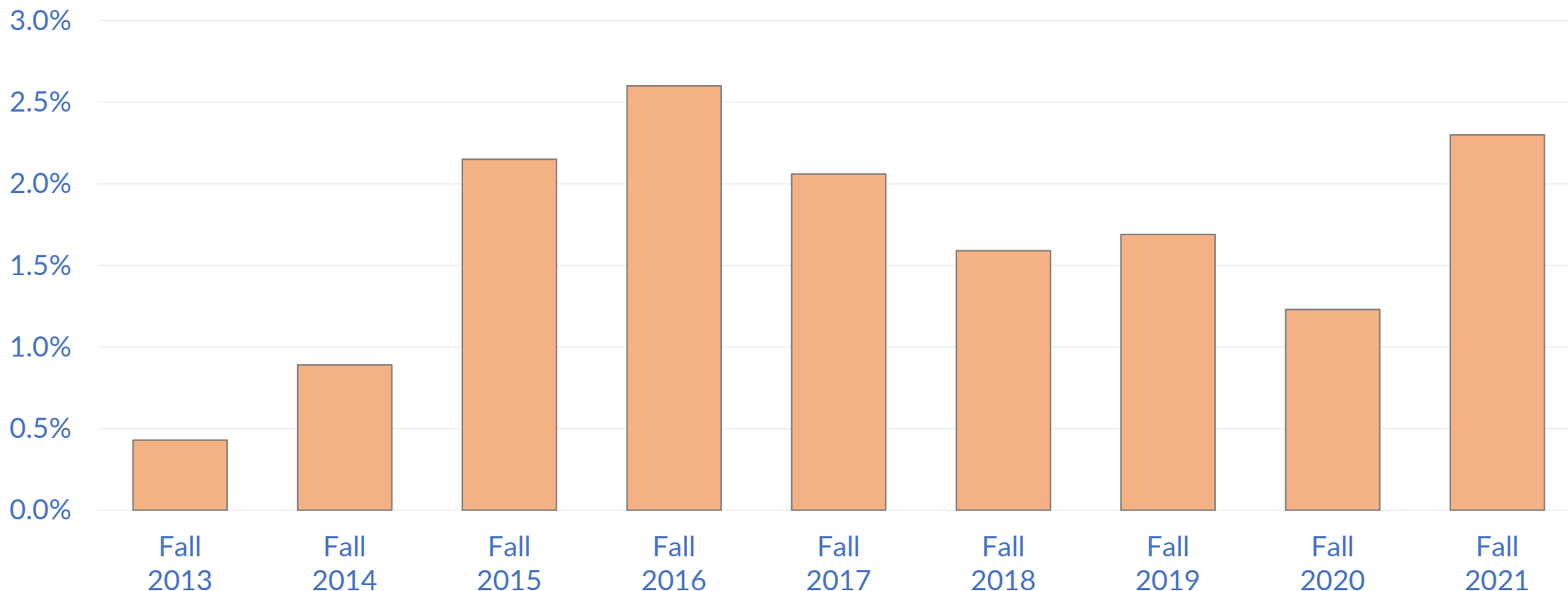


Source: RealPage (Market Analytics)



Fall 2021 rent change rounded out the year with the second-best rate on record

National: Annual Effective Asking Rent Change as of August (Same-Store)

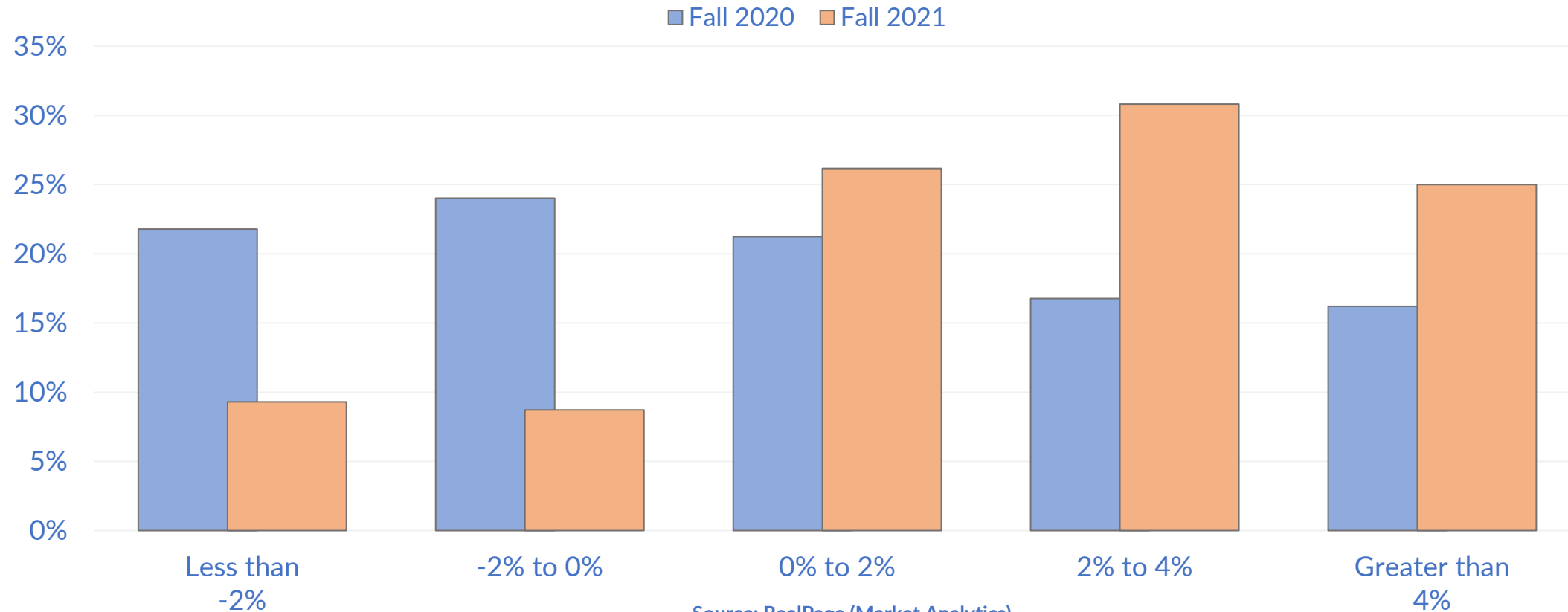


Source: RealPage (Market Analytics)



Many campuses that cut rents last year experienced solid growth this year

Share of RealPage 175 Schools by Fall 2021 Annual Rent Change



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

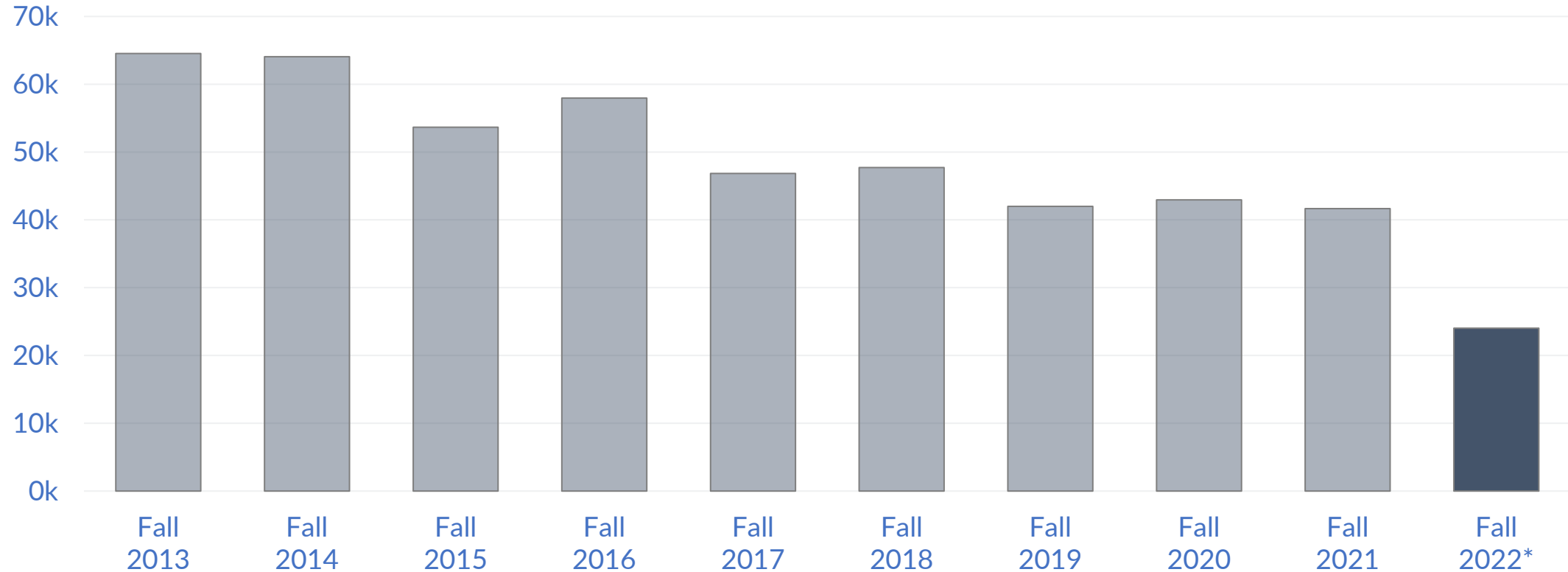


Delays appeared modest at most, in turn leading to yet another year with roughly 42,000 new, purpose-built off campus beds delivering.



Fall 2022 supply should come in at its lowest point in over a decade

National: New Beds Delivered (Off Campus, Purpose-Built)

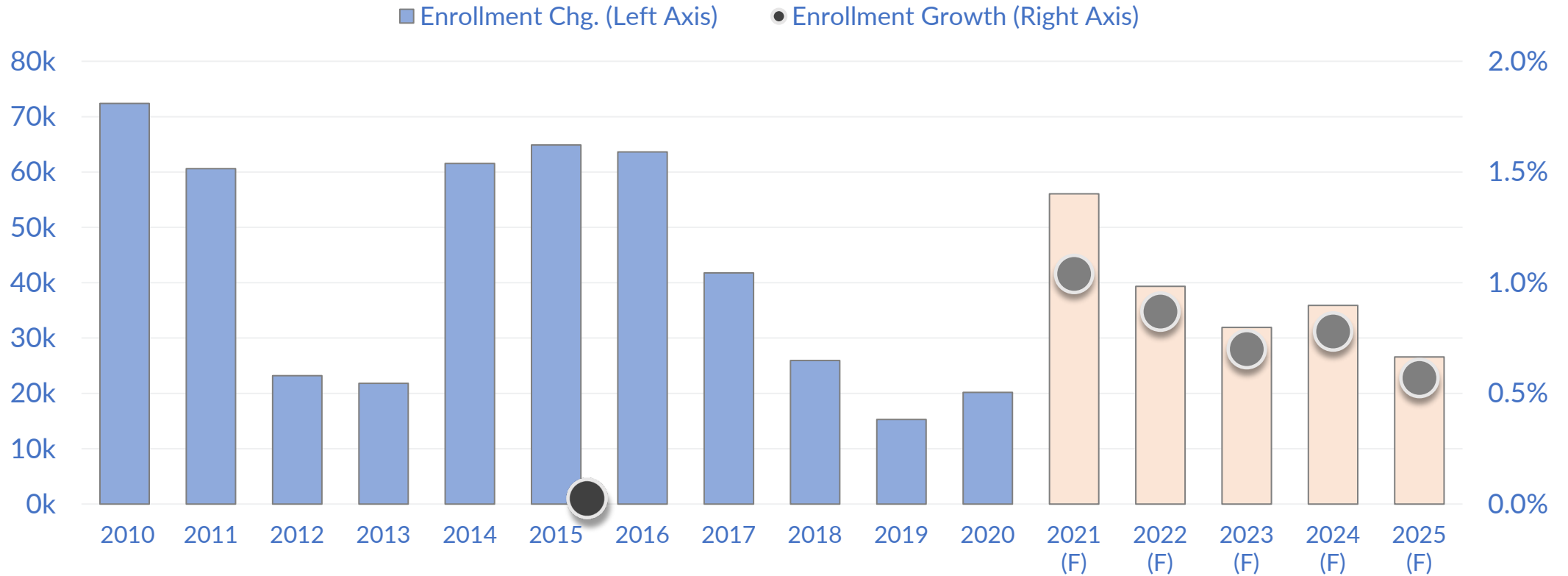


Source: RealPage (Market Analytics)



Enrollment growth is expected to range between 0.5% and 1% in the forecast

RealPage 175: Total Enrollment Growth & Enrollment Gain



Source: RealPage (Market Analytics)



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**?



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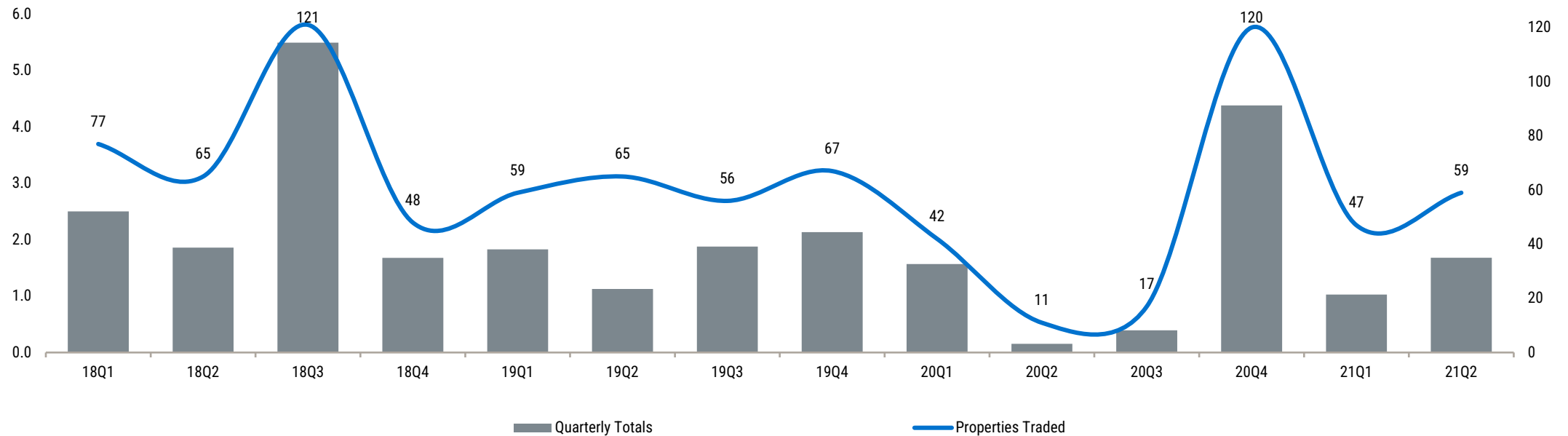


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TRANSACTION VOLUME DIPPED OVER THE 2020 FISCAL YEAR, BUT BEGAN TO **STABILIZE** TOWARD THE START OF 2021 FISCAL YEAR

STUDENT HOUSING SALES VOLUME

Quarterly vs. Rolling 12 Month (based on assets priced \$2.5mm+)



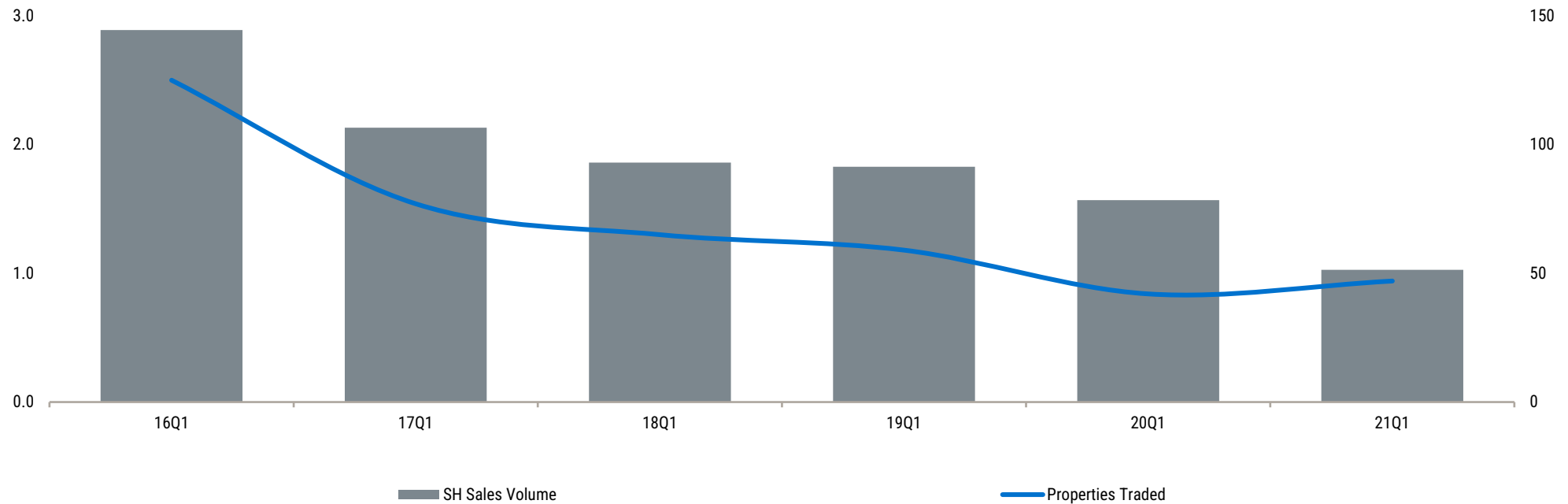
Source: Real Capital Analytics, Newmark Student Housing



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+)



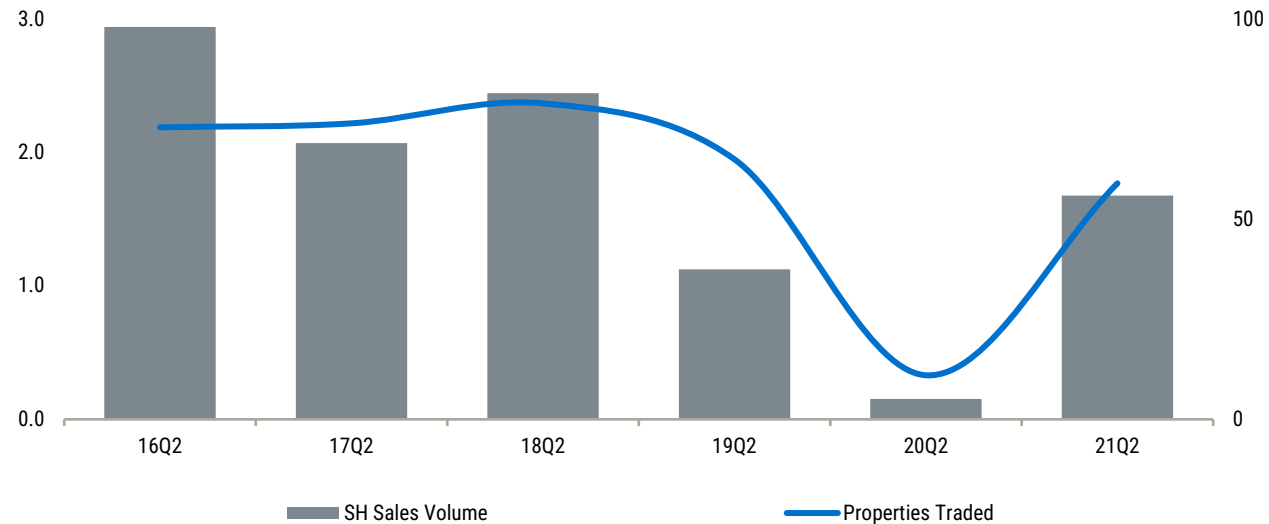
Source: Real Capital Analytics, Newmark Student Housing



VOLUME IS BEGINNING TO **REBOUND** AND **MATCH** PRE-PANDEMIC LEVEL

STUDENT HOUSING SALES VOLUME – Q2 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



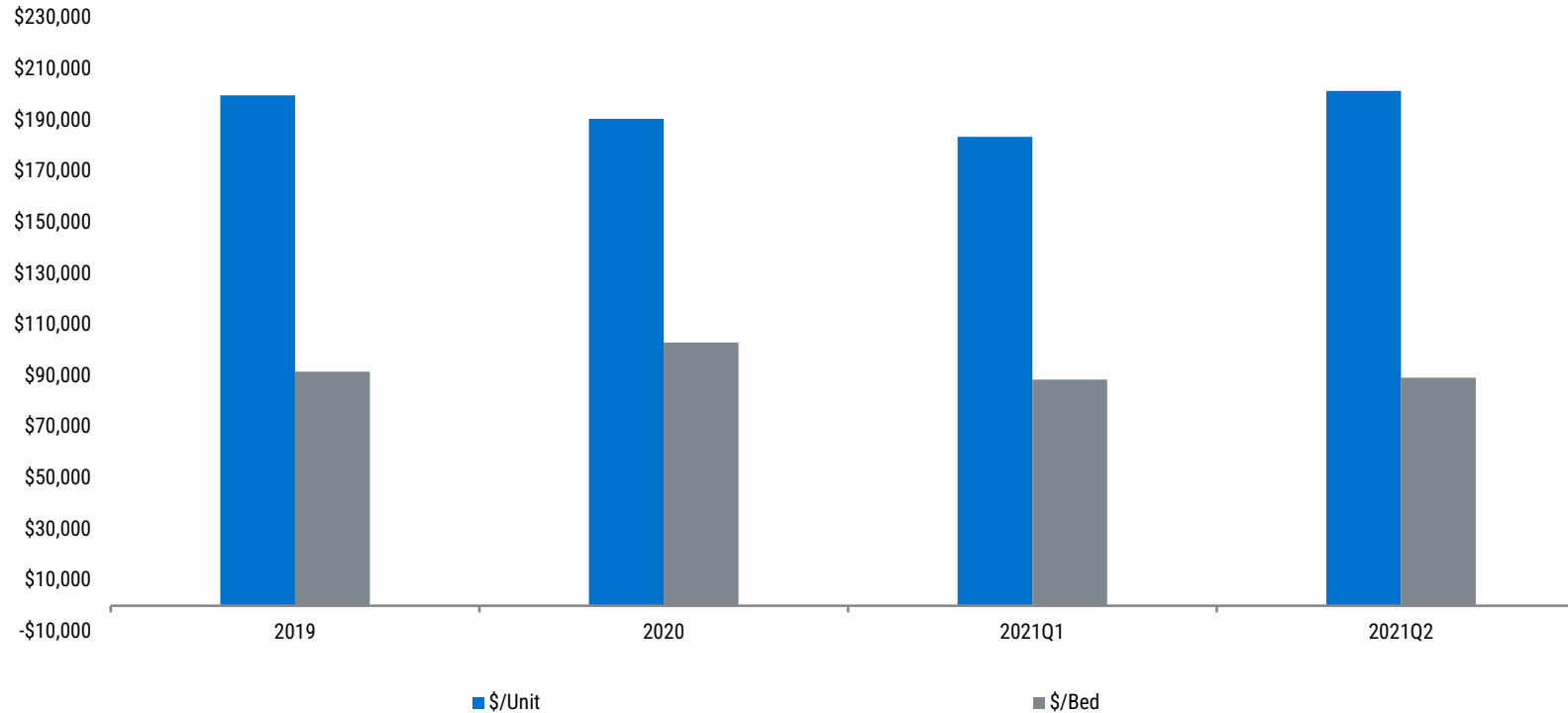
2021Q2 saw the return of secondary and tertiary market transactions as preleasing metrics stabilized and in-person class schedules were announced



FLIGHT TO QUALITY IMPACTED PRICING METRICS IN 2020

PRICING METRICS: UNIT VS BED

Yearly (based on assets priced \$2.5mm+)



Source: Real Capital Analytics, Newmark Student Housing



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



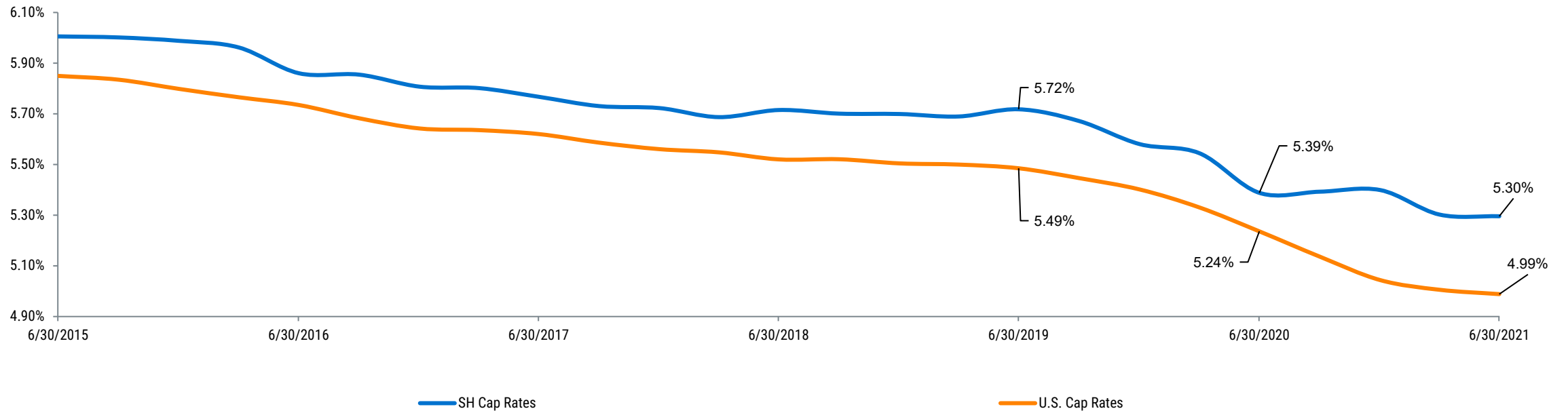
\$/Unit surpassed previous years' averages in 2020Q2 at \$201,457, a 4% increase over the 5 year average



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+)



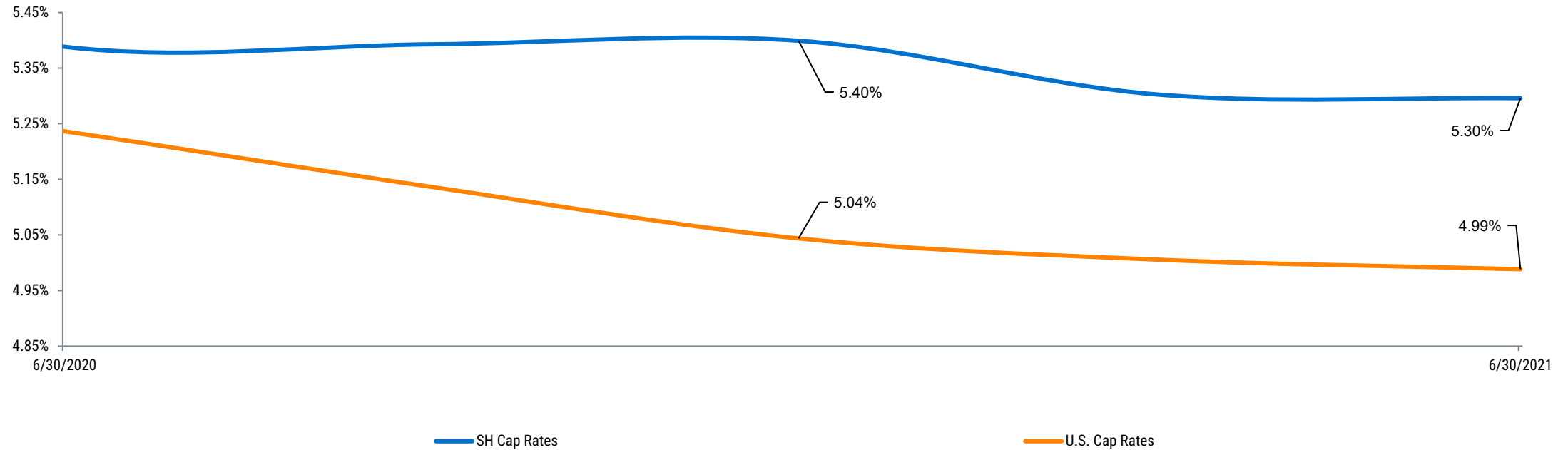
Source: Real Capital Analytics, Newmark Student Housing



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+)

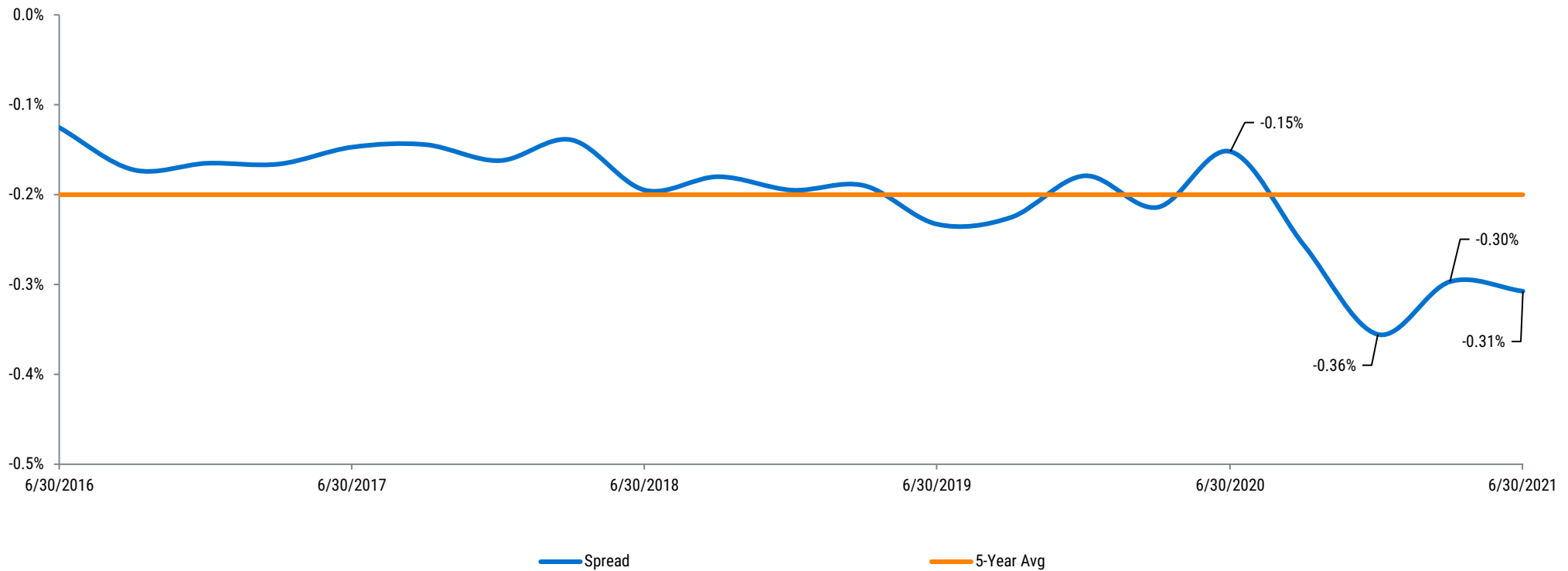


Source: Real Capital Analytics, Newmark Student Housing



THE SPREAD BETWEEN STUDENT HOUSING & CONVENTIONAL CAP RATES IS ANTICIPATED TO CONTINUE TO **INCREASE**

CONVENTIONAL CAP RATES VS STUDENT HOUSING SPREAD

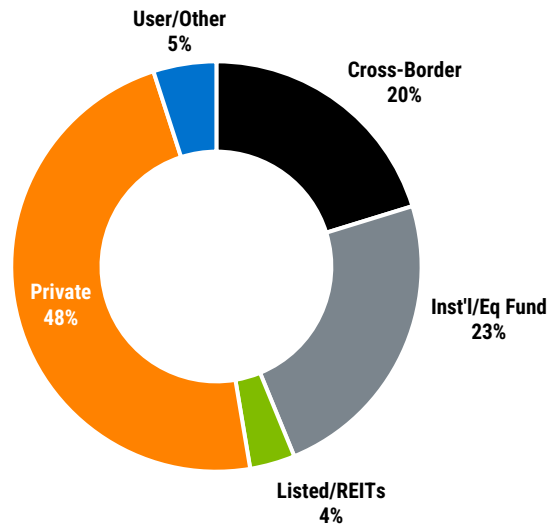


Source: Real Capital Analytics, Newmark Student Housing

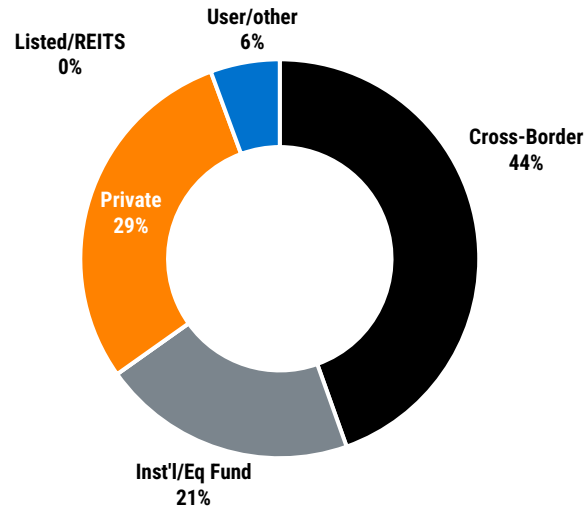


CROSS-BORDER CAPITAL ACCOUNTED FOR **THE LARGEST SHARE** OF THE 2020 BUYER POOL, WHILE PRIVATE CAPITAL CAME BACK INTO THE FOLD IN THE FIRST HALF OF 2021

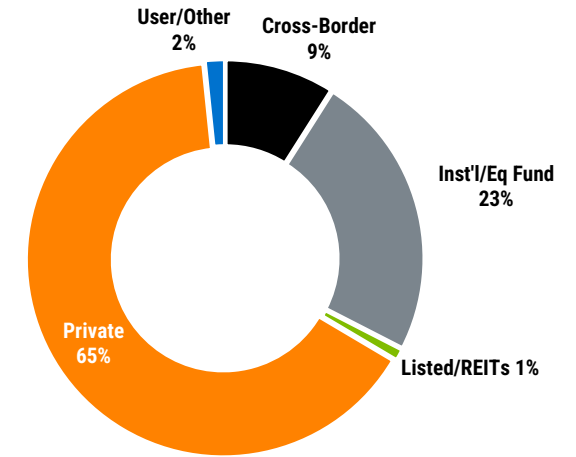
2019 BUYER PROFILE



2020 BUYER PROFILE



2021 YTD BUYER PROFILE

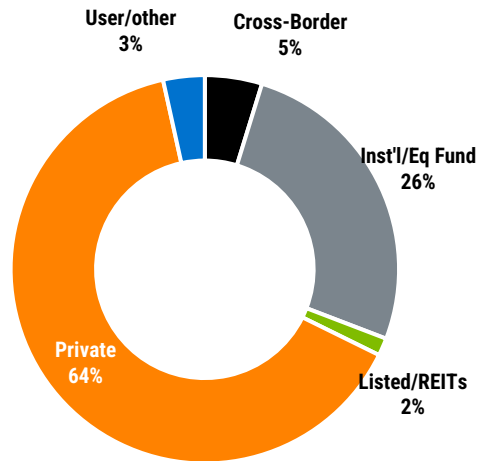


Source: Real Capital Analytics, Newmark Student Housing

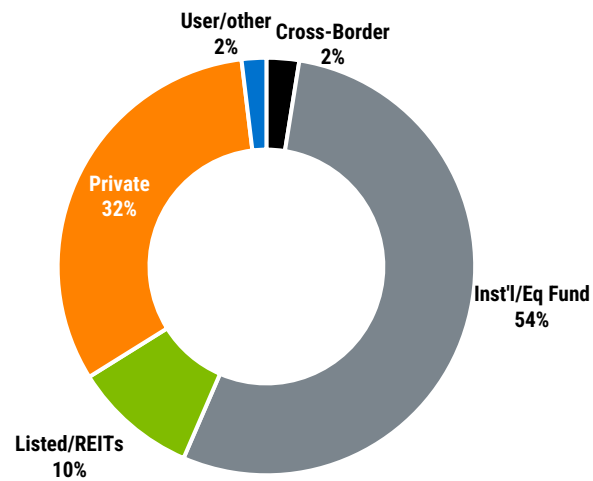


INSTITUTIONAL FUNDS **DOMINATED** THE 2020 SELLER LANDSCAPE, WHILE PRIVATE CAPITAL RETURNED TO 2019 ACTIVITY

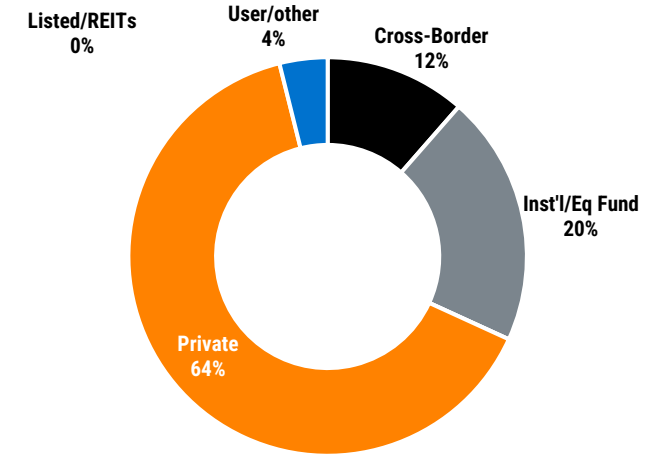
2019 SELLER PROFILE



2020 SELLER PROFILE



2021 YTD SELLER PROFILE



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-1 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?

