NMHC Student Housing 2014

Moderator:

Peter Katz, Executive Director, Institutional Property Advisors

Panel Members:

Randy Churchey, President & CEO, EdR

William Talbot, CIO, American Campus Communities

Brian Thompson, Senior Vice President, Harrison Street RE

Rob Bronstein, President, The Scion Group

David Adelman, President & CEO, Campus Apartments

Al Rabil, CEO and Managing Partner, Kayne Anderson
In addition to improving fundamentals nationally, a major contributor to commercial real estate’s recovery and climbing values has been the availability of extremely favorable terms for both construction and permanent financing.

But the era of extremely low interest rates cannot last forever, what impact will interest rates rising have on both development and acquisitions in the sector?
Negative media coverage that has recently portrayed the Student Housing sector as entirely “Oversupplied” has contributed to Institutional Investors’ concern. Is the media’s perspective an accurate depiction of the sector and if not, can you articulate why not?

What impact does Oversupply have on lesser quality assets within a submarket?
How have your investors/equity reacted to both the REIT pullback as well as your more recent improving leasing and same store FFO results over the past 6 – 12 months?

How have you responded to them?
What process does your firm utilize to analyze future real estate taxes in both acquisitions and development deals?

Have you seen this issue impact investment sales or acquisitions of assets?
The sector has experienced significant changes in the recent past, how has Student Housing changed over the past 5 years?

What trends or major concerns do you have as you look into the next 5 years?
As we have just completed this year's leasing season, for the 2014-2015 school year, can you describe your portfolio’s leasing success, rent growth you experienced and compare it to recent years?
What importance do you place on “branding” of your product and is it targeted to the Students and/or to the Investment Community as well?
What technological changes or shifts in Students’ needs have you found impacting your thought process in developing new properties or upgrading existing ones, inclusive of the internet, security, or other areas of the asset?
Shifting to Investment Sales, can you share your insight into the national platform for the second half of 2014 relevant to CAP rates, inventory on market, and what type of assets will clear the market by year-end?
With "choice" in-fill sites becoming more and more expensive, coupled with construction costs climbing dramatically, what impact will this scenario have on growth within the industry?

How will the lower Return on Costs impact these potential development deals in the near term?
How do you see pedestrian, “Core” assets with affluent students performing over the long term?

Have you experienced CAP rates and unleveraged yields compressing again as a result of the REITs returning to the acquisition playing field?
Numerous existing players within the sector have all raised new “Core” and “Value Add” funds, and we are seeing more institutional equity enter the sector, albeit through qualified sponsors.

How has this impacted yield hurdles in competing for class “A” and “Value-Add” offerings within the space?
While Core, in-fill urban and Core cottage assets with significant amenity packages continue to be delivered nationally, what impact has new supply had on your existing inventory and what have you implemented to remain competitive?
Do you still see that the sector’s fundamentals representing a risk adjusted return over market rate product and has this yield advantage been contributory to bringing new equity into the space?
In Mixed-Use developments, do you separate the retail from the apartments in your underwriting...essentially what threshold of the income stream do you bifurcate the CAP Rates of the two product types?

What type of retailer contributes to rental demand as an amenity to the property?

The sector is experiencing greater degrees of “micro units”...eco-friendly “green” communities, mixed gender inhabited units, and specially designed websites for international resident focused assets? What impact will these new trends have on your development or investment focus, where appropriate?
When acquiring “Value-Add” assets, what spread differential do you require, post renovation, to achieve your projected yields but retain a competitive edge against newer core assets in the submarket?

How does the socio-economic profile of the existing residents impact your a successful “Value-Add” acquisition? Or is recasting a high percentage of the resident profile preferable?
“Core Cottage” offerings continue to grow in popularity and viability within the sector. What value do you place on having a differentiated product in your portfolio?

And are there any yield or underwriting differences in how you approach this asset class vs urban in-fill or garden-style assets?
Rapid Fire Round

- Interest Rates in 2015 – Up, Down, No Change?
- 2014 Investment Sales activity – Up, down or no Change over 2013?
- Development Activity in 2015 – Up, Down, No Change?
- CAP Rates in 2015 – Up, Down, No Change?
- REIT Disposition Closings in 2014 – Up, Down, No Change over 2013?
Blast From the Past!!!
Name: Sterling Collwood
Year Built: 2011
No. of Units: 264
No. of Beds: 606
University: San Diego State University
Price: NA

Name: The Durant
Year Built: 2011
No. of Units: 79
No. of Beds: 208
University: University of California, Berkeley
Name: Sterling Collwood
Year Built: 2011
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Questions for the Panel?
The Current Outlook for Student Housing

NMHC 2014

Moderated by:
Peter Katz
Executive Director