Deciphering Data: Tips to Estimate Student Demand

Moderator: Scott Duckett, Campus Advantage

Panelists: Jay Denton, Axiometrics
Dave Bragg, Green Street Advisors
Madison Meier, Campus Advantage
Jason Taylor, The Scion Group
Deciphering Data

Jay Denton
Senior Vice President
Axiometrics
Existing Off-Campus Stock by Year
Grouped by Fall 2014 enrollment level

Based on universities where Axiometrics tracks property performance and/or enrollment trends. Data as of September 2015.
Sources: Axiometrics Inc., University Factbook, IPEDs.
Property Performance for Fall 2015

Occupancy Rate

Annual Effective Rent Growth

Source: Axiometrics Inc.
Note – Each dot represents an individual asset.
Axio160: Annual Enrollment Gain

[Bar chart showing the annual enrollment gain for universities with <30,000 and universities with 30,000+ students.]

Source: Axiometrics Inc., University Factbook, IPEDs
Axio160: Total Enrollment

Source: Axiometrics Inc., University Factbook, IPEDs
Axio160: Universities with the Highest Projected Cumulative Enrollment Growth Through 2020

Source: Axiometrics Inc.
Deciphering Data

Dave Bragg
Managing Director
Green Street Advisors
Cap Rates are Impacted By Many Variables

- **Distance to Campus**: In most cases, the closer the better.
- **Region of the Country**: The value of the underlying dirt matters.
- **Age**: Older assets risk functional obsolescence and have higher cap-ex.
- **Occupancy**: Adjustments needed for under-leased properties.
- **Enrollments**: Generally, the bigger the better.
- **Acceptance Rates**: Lower is better — buffers a decline in applicants.
- **School Type**: Higher-ranked schools should possess more resilient demand.
- **Div I Football**: Having division I athletics is a valued trait in the private market.
- **Ground Leases**: Ground leases could impact cap rate.

Enrollments

- Generally, the bigger the better.

Acceptance Rates

- Lower is better — buffers a decline in applicants.

School Type

- Higher-ranked schools should possess more resilient demand.

Div I Football

- Having division I athletics is a valued trait in the private market.

Ground Leases

- Ground leases could impact cap rate.

**Cap Rate**

- **Region of the Country**: The value of the underlying dirt matters.
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- **Ground Leases**: Ground leases could impact cap rate.

#NMHCStudent @apartmentwire
NOI Growth and Unlevered Returns

Historic & Forecast NOI Growth

- Student Housing: 3.6% (2004-2014), 2.8% (2015-2019), 0.7% (Long-Term)
- Apartment: 3.4% (2004-2014), 4.6% (2015-2019), 1.7% (Long-Term)
- Major Sector Avg: 2.3% (2004-2014), 3.9% (2015-2019), 1.1% (Long-Term)

Risk-Adjusted Returns

- Student Housing: 6.3%
- Apartment: 6.6%
- Major Sector Avg: 6.1%
## REIT Portfolio Characteristics

<table>
<thead>
<tr>
<th></th>
<th>ACC</th>
<th>EDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance to Campus</td>
<td>0.5 miles</td>
<td>0.6 miles</td>
</tr>
<tr>
<td>Asset Age</td>
<td>12 years</td>
<td>9 years</td>
</tr>
<tr>
<td>Enrollment</td>
<td>35,700</td>
<td>32,900</td>
</tr>
<tr>
<td>Acceptance Rate</td>
<td>65%</td>
<td>62%</td>
</tr>
<tr>
<td>National Top 150 Schools</td>
<td>55%</td>
<td>76%</td>
</tr>
<tr>
<td>Division I Football</td>
<td>78%</td>
<td>76%</td>
</tr>
<tr>
<td>Rent Per Bed</td>
<td>$625</td>
<td>$675</td>
</tr>
<tr>
<td>Green Street Cap Rate</td>
<td>5.9%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
Deciphering Data: Tips to Estimate Student Demand

Madison Meier
Director of BD & Consulting
Campus Advantage
Site Specific Market Assessment

- Identify student zones
- Walkability to campus
- In-person interviews
- Student surveys
- Focus groups
- Shop off-campus competitors
- Tour on-campus housing
- Secondary schools
- Media search

Campus Housing: If there was one thing I could say that I value the most in this college, it would be my dorm experience. I have made the best of friends within a short amount of time, and everyone is positive and accepting. It is a wonderful community atmosphere, and a wonderful experience.
Determining Demand

• Absorption Analysis
  – Identify full-time traditional students
    • Commuter vs. residential
    • Remove part-time students
    • Remove grad students and non-traditional students
  – Subtract on-campus housing
  – Calculate total beds for capture in off-campus market
  – Calculate capture %
    [proposed beds/total beds for capture]
• Recommended under 10%, ideally under 5%

9,574 - 3,066 = 6,508
456/6,508 = 7%
Capture Rate
Additional Factors in Determining Demand

- Enrollment trends
- Barriers to entry analysis
- Location and comp locations
- Floor plans/ unit mix
- Purpose built vs. conventional
- On-campus master plans
- Off-campus pipeline
- Product differentiation
- Rates
- Amenities
### Market Softening

+- 65%

### Comparable University Housing Breakdown

<table>
<thead>
<tr>
<th>University</th>
<th>City, St</th>
<th>Total Enrollment</th>
<th>Total Undergrad. Enrollment</th>
<th>Total On-Campus Beds</th>
<th>On-Campus Housing Overall</th>
<th>On-Campus Housing UG</th>
<th>Total Purpose-Built Beds</th>
<th>Combined On-Campus + PB Beds</th>
<th>Percentage of Total Enrollment</th>
<th>Percentage of Undergrad. Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia Southern University</td>
<td>Statesboro, GA</td>
<td>20,517</td>
<td>18,004</td>
<td>4,947</td>
<td>24%</td>
<td>27%</td>
<td>10,963</td>
<td>15,910</td>
<td>77.5%</td>
<td>88.4%</td>
</tr>
<tr>
<td>Florida State University</td>
<td>Tallahassee, FL</td>
<td>41,773</td>
<td>32,621</td>
<td>6,583</td>
<td>16%</td>
<td>20%</td>
<td>21,084</td>
<td>27,667</td>
<td>66.2%</td>
<td>84.8%</td>
</tr>
<tr>
<td>James Madison</td>
<td>Harrisonburg, VA</td>
<td>20,655</td>
<td>19,138</td>
<td>6,193</td>
<td>30%</td>
<td>32%</td>
<td>9,136</td>
<td>15,329</td>
<td>73.5%</td>
<td>80.1%</td>
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<tr>
<td>University of Florida</td>
<td>Gainesville, FL</td>
<td>49,878</td>
<td>33,168</td>
<td>7,475</td>
<td>15%</td>
<td>23%</td>
<td>18,624</td>
<td>26,099</td>
<td>52.3%</td>
<td>78.7%</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td>Raleigh, NC</td>
<td>33,989</td>
<td>24,473</td>
<td>7,883</td>
<td>23%</td>
<td>32%</td>
<td>9,822</td>
<td>17,685</td>
<td>52.0%</td>
<td>72.3%</td>
</tr>
<tr>
<td>Texas A&amp;M</td>
<td>College Station, TX</td>
<td>55,869</td>
<td>44,861</td>
<td>10,460</td>
<td>19%</td>
<td>23%</td>
<td>20,543</td>
<td>31,003</td>
<td>55.6%</td>
<td>69.1%</td>
</tr>
</tbody>
</table>
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Jason Taylor
Vice President, Advisory Services
The Scion Group
Challenging Markets

Characteristics

• Tertiary institutions
• Urban
• Community colleges
• No on- or off-campus SH
• POSH > 50% of commuters

University Place
University of Toronto
Challenging Markets

*Institutional considerations*

- Enrollment trends
  - International/out-of-area students
  - Age
  - Preparedness
- Public vs. private
- Graduation rates
- Loan default rate
- Academic programs
Challenging Markets

Property Considerations

• Location
  – Distance / method of transportation
  – Student perception
  – Commercial / retail opportunities

• Barriers to entry

• Institutional affiliation

2040 Wisconsin
Marquette University
Challenging Markets

*Case Study: Regional Public University Campus*

- **Challenges**
  - No on- or off-campus SH
  - Low barriers to entry
  - Low market rents

- **Considerations**
  - High university interest
  - Outstanding location
  - Lower-division engineering program

The Edge
SIU Edwardsville
Challenging Markets
Case Study: Regional Public University Campus

Outcomes
• Financing achieved
• University referral
• Community support
• 192 beds in two phases
• 95% occupied

Annex of Marion
OSU Marion