Taking Stock of Where We Are and Where We’re Headed

Peter Katz
Executive Director
NMHC Student Housing 2015

Moderator:
Peter Katz, Executive Director, Institutional Property Advisors

Panel Members:
Randy Churchey, President & CEO, EdR
Bill Bayless, President & CEO, American Campus Communities
Al Rabil, CEO and Managing Partner, Kayne Anderson
Rob Bronstein, President, The Scion Group
David Adelman, President & CEO, Campus Apartments
Donna Preiss, Founder & CEO, The Preiss Companies
Brian Dinerstein, President, Sterling University Housing
Industry Acceptance

The Student Housing sector has become more of an accepted product niche within the multifamily industry. We have experienced very sound operating fundamentals, with solid pre-leasing numbers in recent years, coupled with increased capital allocations from institutional equity seeking a risk-adjusted return in off-campus, student housing.

Can you provide your insights as to what factors have contributed to a greater interest and willingness to invest in the student housing industry?
<table>
<thead>
<tr>
<th>Name:</th>
<th>The Commons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built:</td>
<td>1998</td>
</tr>
<tr>
<td>No. of Units:</td>
<td>252</td>
</tr>
<tr>
<td>No. of Beds:</td>
<td>732</td>
</tr>
<tr>
<td>University:</td>
<td>Florida State University</td>
</tr>
</tbody>
</table>
Industry Trends

Student Housing has experienced a huge transformation from 1995 to 2015. How would you categorize where the sector’s growth and maturation has taken us up to today?

What positive trends or major concerns do you have as you look into the next 5 years?
<table>
<thead>
<tr>
<th>Name:</th>
<th>Sterling 411 Lofts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built:</td>
<td>2009</td>
</tr>
<tr>
<td>No. of Units:</td>
<td>96</td>
</tr>
<tr>
<td>No. of Beds:</td>
<td>342</td>
</tr>
<tr>
<td>University:</td>
<td>University of Michigan</td>
</tr>
</tbody>
</table>
New Capital

New institutional capital continues to enter the space, typically with a qualified sponsor, what impact does this have on the sector?

And does this new equity create greater competition for assets that contribute to greater CAP rate and yield compression?
<table>
<thead>
<tr>
<th>Name</th>
<th>West 27th Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built</td>
<td>2011</td>
</tr>
<tr>
<td>No. of Units</td>
<td>161</td>
</tr>
<tr>
<td>No. of Beds</td>
<td>436</td>
</tr>
<tr>
<td>University</td>
<td>University of Southern California</td>
</tr>
</tbody>
</table>
Can you describe the differences in raising equity in the sector today versus 5 years ago?
<table>
<thead>
<tr>
<th>Name:</th>
<th>Orion on Orpington</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion:</td>
<td>2007</td>
</tr>
<tr>
<td>No. of Units:</td>
<td>156</td>
</tr>
<tr>
<td>No. of Beds:</td>
<td>624</td>
</tr>
<tr>
<td>University:</td>
<td>University of Central Florida</td>
</tr>
</tbody>
</table>
Portfolios

With excessive capital having been and still being raised by existing players alongside fresh equity, it has become apparent that Portfolios are back in favor within the sector.

What has been your experience with portfolio sales or acquisitions and the probability of this continuing into 2016?
Name: Landmark
Year Built: 2012
No. of Units: 173
No. of Beds: 620
University: University of Michigan
Development Trends

One of the continuing trends within the industry is the concentrated development of core, in-fill urban product at specific Tier I universities, all seeking to attract the top 5 - 7.5% affluent residents.

What effect has this concentrated development had on certain markets, and is there truly a “trickle down” effect to the balance of the submarket’s beds on rental growth in the short and long term?
<table>
<thead>
<tr>
<th>Name:</th>
<th>Commons on Kinnear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built:</td>
<td>2001</td>
</tr>
<tr>
<td>No. of Units:</td>
<td>166</td>
</tr>
<tr>
<td>No. of Beds:</td>
<td>502</td>
</tr>
<tr>
<td>University:</td>
<td>Ohio State University</td>
</tr>
</tbody>
</table>
Development Trends

With the "choice" sites becoming more and more difficult to secure, and the increasing competitive nature of the development community, where do you see development trending in years to come?
Name: Varsity Ann Arbor
Year Built: 2013
No. of Units: 181
No. of Beds: 415
University: University of Michigan
Supply/Demand

Despite proximity to campus, what impact has newer supply or renovated assets within a submarket had on your existing inventory?

And as a follow-up, what do you implement to remain competitive?
**Name:** Polo Club

**Year Built:** 1999

**No. of Units:** 99

**No. of Beds:** 351

**University:** Florida State University
Branding

What importance do you place on “branding” of your product, and is that via the internet to the students, only at the property level, and/or within the Investment Community and why?
Name: Campus Lodge
Year Built: 2000
No. of Units: 360
No. of Beds: 1,115
University: University of Florida
Value-Add

There appears to be growing interest and funds being created for “Value-Add” opportunities. For older properties in your portfolios, what renovations and/or technology upgrades have you found to yield the highest return on cost?
Name: Heights of Knoxville
Year Built: 1998
No. of Units: 205
No. of Beds: 636
University: University of Tennessee
Pre-Leasing

As we just completed the 2015-2016 pre-leasing season, can you describe your portfolio’s YTD pre-leasing status and what rent growth you are experiencing for the 2015 - 2016 school year?

Can you also compare and contrast this pre-leasing cycle to YOY from the 2014-2015 pre-leasing year?
Name: Campus Crossings
Year Built: 2002
No. of Units: 320
No. of Beds: 634
University: University of Arizona
Transportation

What impact does transportation either supplied by the school, local municipality or yourselves via shuttle service have on the operations and cost of running a property?

Can this issue be a “game changer” for pre-leasing demand?
<table>
<thead>
<tr>
<th>Name:</th>
<th>Pointe at South Florida</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built:</td>
<td>2002</td>
</tr>
<tr>
<td>No. of Units:</td>
<td>336</td>
</tr>
<tr>
<td>No. of Beds:</td>
<td>1002</td>
</tr>
<tr>
<td>University:</td>
<td>University of South Florida</td>
</tr>
</tbody>
</table>
Amenities

As developers continue to develop more elaborate properties, with “over-the-top” amenities such as roof-top pools and built-in spas, have you questioned or surveyed your residents to find out what amenities really matter to them and drive their rental decision?
<table>
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<tr>
<th>Name</th>
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<tr>
<td>No. of Units</td>
<td>156</td>
</tr>
<tr>
<td>No. of Beds</td>
<td>512</td>
</tr>
<tr>
<td>University</td>
<td>University of Oklahoma</td>
</tr>
</tbody>
</table>
Development Costs

What shifts if any, have you recently experienced in the cost of construction and do you see these or other trends impacting your returns on cost?

What changes or trends can you share with us regarding shifts from construction lenders throughout the industry over the past 12 months?
Name: Sterling Highlander
Year Built: 2012
No. of Units: 217
No. of Beds: 673
University: University of California, Riverside
SH Data

Other real estate sectors readily share data, and there are multiple subscription-based services that supply critical data to owners, operators and the banking world. What do you feel are the main holdbacks from amassing student housing related data?

Why is it important for management companies to share data?
Name: The Varsity at Berkeley
Year Built: 2015
No. of Units: 79
No. of Beds: 203
University: University of California, Berkeley
International Students

Given that there are now 40 percent more international students than just a decade ago, how are you effectively capturing this increasing rental pool, especially since most of these students rely on “word of mouth?”
Rapid Fire Round

- Interest Rates in 2016 – Up, Down, No Change?
- Development Activity— Up, down or no Change over 2015?
- Portfolio Acquisitions— Up, Down, No Change?
- Cost of Construction – Up, Sizably Up in 2016?
- Rent Growth in 2016/17 – 1.5%, 2.5%, 3% or...
- Donald, Hillary or Other?
Questions for the Panel?
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