STUDIVEST

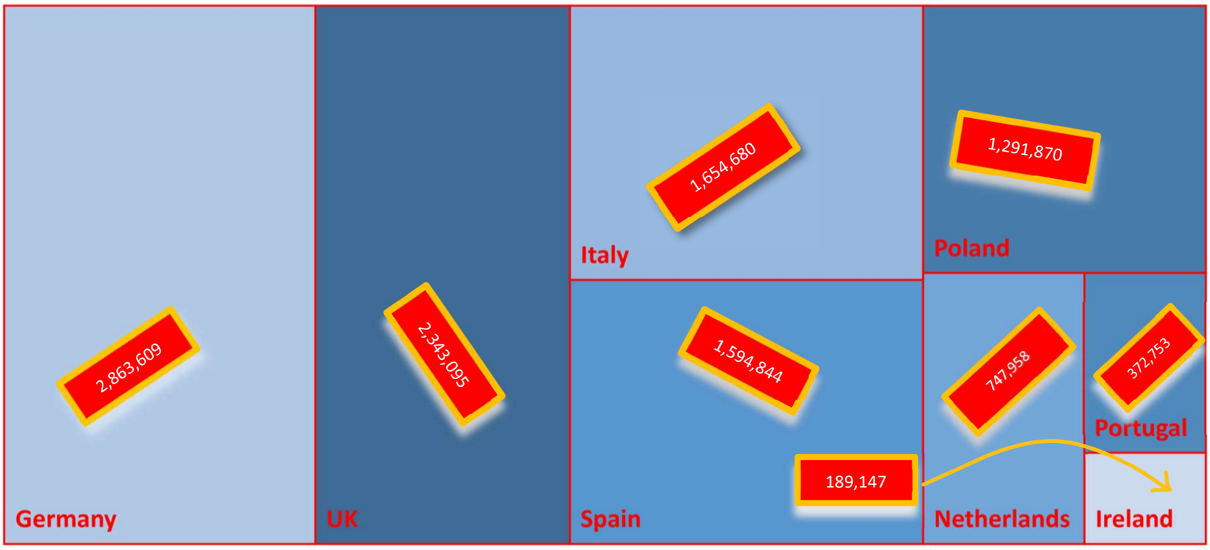
STUDENT HOUSING AND CO-LIVING

YEAR END ROUND UP 2019 AND OUTLOOK 2020 – UK AND EUROPE

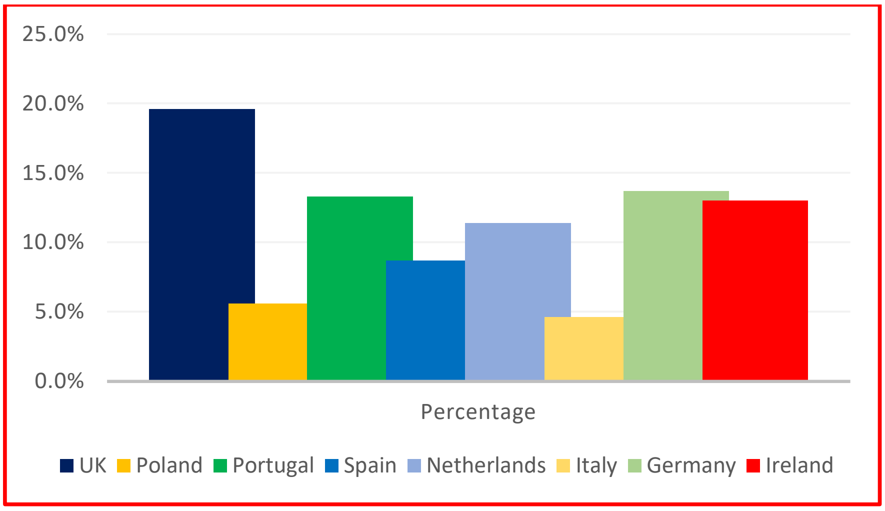
We look back at the year 2019 and see what 2020 and beyond holds in store.

COMPARISON OF STUDENT POPULATIONS ACROSS EUROPE

OVERALL STUDENT POPULATION



INTERNATIONAL STUDENTS AS A PERCENTAGE OF OVERALL STUDENT POOL



INDIVIDUAL COUNTRY MARKETS

UNITED KINGDOM - Across several markets, 2019 saw continuing activity in Purpose-built Student Housing (PBSH) with the UK continuing to attract investors happy to sacrifice yield for their perception of quality.

Who said the UK was over-saturated and holding little interest for investors? Unite's acquisition of Liberty Living for £1.1billion is a good indication that's not.

Generally speaking, the UK continues to be a popular destination for international students, especially from China with some reports that between 45% and 60% of foreign students are Chinese. This over reliance on these students, though, is a cause for concern and efforts are under way to increase diversification.

COUNTRY NUMBERS UNITED KINGDOM	
Top Countries of Origin	China, India and USA
Student Population	2,343,095
International	458,490 (19.6%)
Average Monthly Rent (PBSH)	£200 - £2,000
National PBSH Provision rate	30%

Meanwhile, the growing middle classes and rising incomes in China allows them to comfortably afford the high-quality accommodation that is increasingly provided in Britain. Although there is increased competition from other English-speaking countries such as Australia and Canada plus the on-going uncertainty surrounding Brexit, the UK's appeal is still strong. Its prestige universities, stable political system and weak currency, all contribute to keeping it firmly in favour.

More on this from Studivest can be found here.

GERMANY – In recent years, Germany has become one of the World's most popular study destinations. With popularity comes the obvious issue of rising costs as increasing demand pushes up the price per square metre of living space. West Germany is more expensive than the East, apart from Berlin. Konstanz, in the South West, is reported as the most expensive at an average of €20.12 per sq metre, Munich is second at €20.05, Hamburg €19.27 with the capital at €16.53.

Availability is a constant problem in the country, just as it is with other markets. Despite growing activity in new development, the hunt for suitable, affordable accommodation is still a challenge with many new students underestimating the true costs of housing and studying, in general.

Focusing on Berlin, its population of a little over 3.64million are very much renters. Some 85% of the capital's inhabitants live in rented properties; the city's housing stock is just under 1.95million units.

COUNTRY NUMBERS GERMANY	
Top Countries of Origin	China, Russia, India
Student Population	2,863,609
International	393,579 (13.7%)
Average Monthly Rent (PBSH)	€250 - €800
National PBSH Provision rate	11%

In the intensifying global competition amongst cities vying for top spot as the best destination for international students, a number of criteria could be chosen as being key to a selection of where to study. Based upon student experience, affordability, city life, social inclusivity, urban environment and connectivity, the Student Housing think tank, The Class of 2020 recently proposed Berlin as firm contender for top spot. Its affordability, however, has been affected by its overall popularity and resultant cost increases.

However, with the city launching new and innovative development and planning projects, Berlin is certainly an attractive option.

ITALY – Of the major European economies, Italy probably has the most pronounced North-South divide. That said, this may echo the East-West divide noted above in Germany in some respects such as cost per square metre of living space, but in Italy, it is more to do with the very different industries and levels of prosperity that exist in the two regions.

COUNTRY NUMBERS ITALY	
Top Countries of Origin	China, Albania, Romania
Student Population	1,654,680
International	76,351 (4.6%)
Average Monthly Rent (PBSH)	€200 - €1,000
National PBSH Provision rate	3%

The North with its younger city populations found in Rome, Milan and Firenze (Florence) are highlighting the evolution of Student Housing, Co-living and Co-working. The South with its reliance upon agriculture and manufacturing, is highlighting the regional divide which some are commenting is growing.

Investors are focusing upon the North with increased PBSH, Co-living and Co-working development activity in the above-named cities. Greater work and superior housing opportunities in the North are drawing in a younger demographic and, alongside that, investment capital.

SPAIN – Topping the rankings as the favoured destination for Erasmus* students, Spain is seeing increased PBSH development activity in Madrid and Barcelona, its two largest higher education centres. Provincial locations such as Granada, Seville and Valencia however are also attracting inward investment, offering relatively untapped potential.

JLL recently estimated total bed space needs for the upcoming academic year at 473,254 while available beds languish around 93,000. A significant shortfall echoed in most countries across the Continent.

COUNTRY NUMBERS SPAIN	
Top Countries of Origin	Colombia, Italy, Peru
Student Population	1,594,844
International	139,701 (8.7%)
Average Monthly Rent (PBSH)	€350 - €1300
National PBSH Provision rate	6%

Investment is still focused mainly around the larger centres but strong moves to provide Blended Living are very much part of this expansion. Madrid's favourable planning policies provide an advantage for developers wishing to build in the city while its overall provision rate stands at 18%.

PORTUGAL – Spain's smaller Iberian neighbour has become a popular destination for Erasmus+ students attracted by its warm climate, good quality of life alongside high reputation universities. It has a low provision rate for PBSH at 3 – 6%, providing considerable scope for new development.

COUNTRY NUMBERS PORTUGAL	
Top Countries of Origin	Brazil, Angola, Spain
Student Population	372,753
International	49,708 (13.3%)
Average Monthly Rent (PBSH)	€150 - €950
National PBSH Provision rate	3 - 6%

Strong demand continues to fuel a growing PBSH sector focusing on Lisbon, the nation's capital, and its second city Porto. Portuguese-speaking students from Brazil and Angola are the most common source of international students.

POLAND - Regarded by many as Central and Eastern Europe's economic powerhouse, Poland is on the receiving end of growing interest and investment. With its higher education heritage, scientific, arts and academic alumni including some of the World's best-known figures (think Marie Curie, Copernicus, Chopin), Poland is no remote educational backwater.

Investors have already been attracted to its offices and logistics real estate opportunities with Warsaw business premises become significantly hot property in the past few years. However, as yields begin to compress, alternatives such as PBSH and its blended stablemates will come into sharper focus.

There is growing activity from external investor/operators and the opportunity to swiftly build scale in the country is very real. Low national and local provision rates with competing university-supplied dorms of inferior quality, key centres such as Warsaw, Wroclaw, Krakow and Poznan offer attractive options.

Institutional activity is currently low but liquidity is beginning to move as completed developments are exited by their current owners. Blended Living opportunities are extensive as Poland has become an out-sourcing and IT hub – young professionals and students alike are increasingly vying for the available modern-standard beds. Demand from these demographics and the growing numbers of start-ups in the key centres will grow strongly.

Poland has the sixth-largest student population in the EU with a little under 1,350,000 students enrolled of which just over 5% are from abroad. While domestic students continue to have growing spending power, the Polish Government is actively support their Knowledge Economy and are keen to attract affluent students from outside the country. These drivers will undoubtedly push demand higher and investors would be advised to look closely at Poland as a home for their capital.

COUNTRY NUMBERS POLAND	
Top Countries of Origin	Ukraine, Belarus, Norway
Student Population	1,291,870
International	72,743 (5.6%)
Average Monthly Rent (PBSH)	€90 - €450
National PBSH Provision rate	10%

Whilst current foreign students tend to come from neighbouring countries such as Ukraine and Belorussia as well as elsewhere in Europe, applicants from further afield such as Turkey and the Middle East, are growing in number.

NETHERLANDS – Rising demand is inevitably leading to increasing rental prices. Like most countries surveyed in this report, a general housing shortage is reflected in a similar picture for students, and as trends change, for young professionals both domestic and ex-patriate.

COUNTRY NUMBERS NETHERLANDS	
Top Countries of Origin	Germany, Italy, China
Student Population	747,958
International	85,500 (11.4%)
Average Monthly Rent (PBSH)	€380 - €625
National PBSH Provision rate	18%

The county's success in growing its English Taught Programmes (ETPs) and government support for student recruitment is exacerbating the gap between supply and demand and their provision rate, though higher than some, is still only at 18% leading to new development potential.

The government's motivation is to attract high-spending international student cohorts – currently most of these hail from Germany, Italy and China.

Key locations are, as expected, the major urban centres but as a way of working towards meeting demand institutions and developers alike are joining forces to create new beds in neighbouring towns where travelling into big city centres is both easy and economical.

IRELAND – Having provisions rates at almost 18%, Eire has recently seen a rapid rise in its available PBSA beds. 13% of its student population is made up of international students, the bulk of these coming from the USA, China and India. It stands to gain from the UK's decision to leave the EU (now reinforced by the latest election result) as a popular English-speaking and English-teaching higher education destination.

The government has established a National Student Accommodation Strategy, designed to address the woeful state of the student housing market. The lack of beds close to Ireland's universities was the subject of frequent comment amongst students, student welfare bodies and the press. Significant, heavyweight inward investment has followed, and future projects are appearing in Dublin and Cork.

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The same pressure that pushed for greater availability, however, is now appearing as criticism of the high cost of the luxury accommodation that is now being provided in some projects. Market forces and the investor appeal of this market has meant that international students are a key target market. While Ireland is certainly not the only country where affordability (or rather, unaffordability) has become a hot topic, student bodies have been quick to raise complaint about the costs which are in many locations, in excess of €1,000 per month. There seems to be no shortage of investors and developers, though, keen to expand into Ireland.

Planning considerations, such as public space and community space, are a key cost-adding element in Ireland development and this is reflected in higher costs for rents.

Notes

- Data obtained from The Class of 2020, Studivest, Knight Frank, Study in Poland, JLL
- 1 - Erasmus
    - The Erasmus Programme is a European Union student exchange programme established in 1987. Erasmus+, or Erasmus Plus, is the new programme combining all the EU's current schemes for education, training, youth and sport, which was started in January 2014.
- Image in Poland section: International students in Wroclaw provided by Studivest.

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