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How Is Student Housing Holding Up Amidst the Changing Academic Environment?

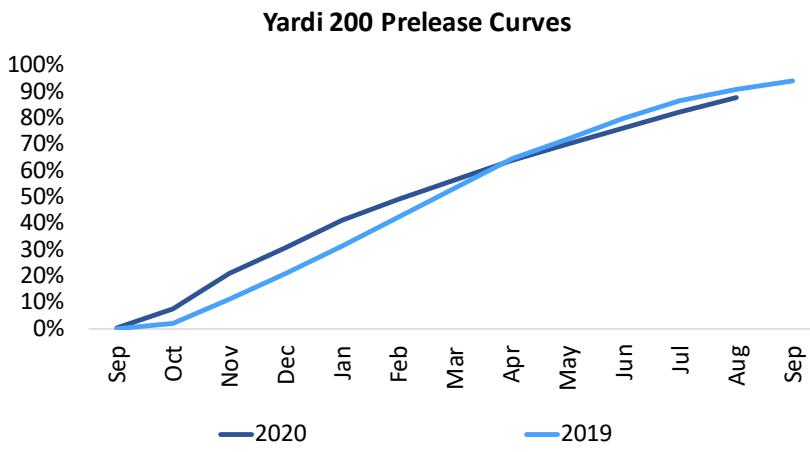


The institution of education is one of the most impacted by COVID-19, as all levels of education were forced to adapt at a moment's notice when the pandemic hit in early 2020. While living rooms becoming classrooms and parents becoming teachers have grabbed the headlines, higher education has also had to revolutionize its operating procedures in order to survive the pandemic. From limiting class sizes to moving certain instruction online to reducing dormitory capacity, many colleges and universities have scrambled to figure things out for the 2020-2021 academic year. Through it all, the off-campus, purpose-built student housing sector remains fairly strong, especially compared to other commercial real estate asset classes. And while demand has been volatile on a university-by-university basis, the willingness and desire for people to congregate near their school will likely help the student housing sector steer through these uncertain times.

Based on early reports from some universities, enrollment for the 2020-2021 academic year is showing mixed results. Enrollment seems to have

increased at public universities and in-state universities but declined at private universities, indicating that students may prefer a more affordable and local school if there is a risk of limited in-person engagement or remote instruction. Undergraduate enrollment is down slightly, but graduate enrollment is up, perhaps a result of job losses encouraging professionals to further their education.

Most schools chose to re-open their campuses to start the academic year, and Yardi Matrix data indicates that most students elected to return to campus. Yardi Matrix has compiled a list of 200 universities nationwide, comprising both public and private institutions, that includes all schools in the power 5 conferences as well as a number of R1 and R2 research caliber universities. For the Yardi 200, preleasing of pur-



Source: Yardi Matrix

pose-built student housing was only 3% below that of 2019, with the preleasing curve following a very similar trajectory to last year. Rent growth has dipped slightly below last year's levels but remains positive, another strong indicator that the student housing industry may have dodged a bullet. Overall, the industry seems to be weathering the storm well, and underperformance in the sector is based more on supply-and-demand fundamentals than on COVID-19 and university responses to the pandemic.

In-Person Schools With Highest Amount of Student Housing Preleasing

| University | Prelease % Aug. 2020 | Prelease % Change Aug 2019–2020 |
|---------------------------------------|----------------------|---------------------------------|
| University of Georgia | 96.60% | — |
| Texas Tech University | 96.30% | 6.40% |
| Brigham Young University—Provo | 96.10% | 3.80% |
| Rochester Institute of Technology | 96.00% | -2.00% |
| University of Nebraska—Lincoln | 95.40% | -2.70% |
| Virginia Commonwealth University | 94.60% | 1.90% |
| University of Central Florida | 94.40% | -2.80% |
| North Carolina A & T State University | 93.90% | 3.70% |
| University of Oklahoma—Norman Campus | 93.20% | 4.90% |
| University of Toledo | 93.00% | -3.20% |

Source: Yardi Matrix

PRELEASING

Despite a number of different plans for school openings, the 2020-2021 preleasing data remains fairly strong. At a number of large universities including Michigan State University, North Carolina State University and the University of North Carolina at Charlotte, the preleasing curves were almost identical to 2019. From an operational standpoint, Michigan State opened and then closed the school and went to online instruction, although students were permitted to stay in dorm rooms. At NC State, on-campus housing closed along with the university after a COVID-19 outbreak occurred in August. UNC Charlotte delayed move-in, but preleasing continued on strong.

A number of large state universities maintained very high prelease occupancy, as the University of

Georgia, Texas Tech University and the University of Nebraska all had prelease occupancy rates above 95%. Similar flagship public institutions including the University of Oklahoma, Oklahoma State University and Purdue University had some of the strongest preleasing growth in the nation, outpacing last year's rates by 4-5% in most instances.

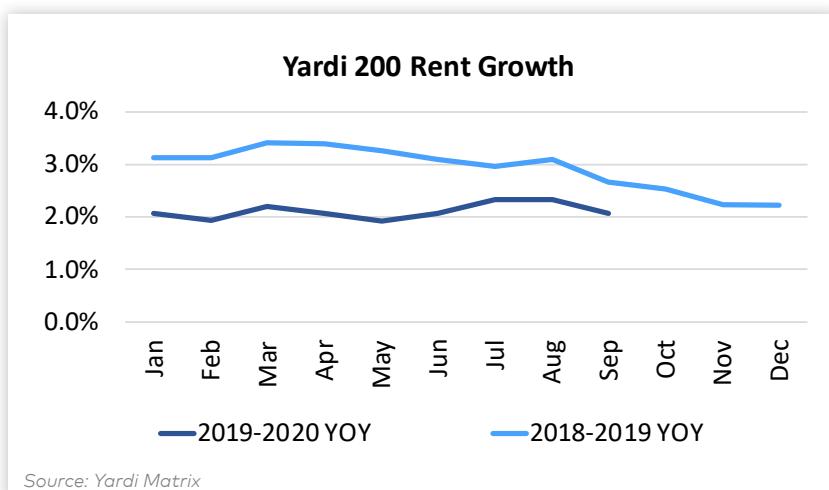
Further supporting the idea that student housing has sustained its strength, look no further than some of the universities that have moved entirely to online learning. Columbia University, the University of Pittsburgh, the University of New Hampshire and a number of University of California schools including the Irvine, Los Angeles and Santa Barbara campuses were 100% preleased as of August, despite their school administrations electing for online education.

Top 10 Universities with the Highest Year-Over-Year Rent Growth

(September 2019-2020)

| Rank | University | Y-O-Y Rent Growth |
|------|--|-------------------|
| 1 | University of Massachusetts-Lowell | 12.3% |
| 2 | University of Nevada-Las Vegas | 10.1% |
| 3 | University of California-Berkeley | 9.7% |
| 4 | University of California-Santa Barbara | 9.2% |
| 5 | SUNY at Albany | 8.9% |
| 6 | Arizona State University-Tempe | 8.8% |
| 7 | University of South Alabama | 8.4% |
| 8 | Wichita State University | 8.2% |
| 9 | Clemson University | 7.2% |
| 10 | University of North Carolina at Greensboro | 7.0% |

Source: Yardi Matrix



Schools struggling the most to lease up bedrooms are having issues due to oversupply or a decline in enrollment. The University of Memphis, for example, has seen slowing enrollment recently, yet has still increased its purpose-built student housing inventory by 55.8% over the past five years. As a result, 2020 preleasing lagged significantly from last year, and as of August only 50% of beds were preleased. Syracuse University has almost doubled its purpose-built student housing bed count in the past five years, and it too has seen preleasing activity drop more than 10% below last year. Boise State University is struggling with preleasing, but its issues are mostly demand driven, as overall enrollment and in-state enrollment fell well below expectations for the 2020-2021 academic year.

RENT GROWTH

Rent growth for the Yardi 200 universities was 2.1% on a year-over-year basis as of September, and while rent growth is down 0.6% from last year, it remains positive and steady. Also worth noting, conventional multifamily rent growth nationwide declined 0.3% year-over-year. Of the Yardi 200 schools, 165 (83%) had either flat or increasing rents on a year-over-year basis.

Some of the strongest rent growth has occurred at either flagship or secondary campuses of large

state universities. The University of Massachusetts-Lowell, the University of California-Berkeley, the University of Nevada-Las Vegas, the State University of New York-Albany and Arizona State University rank at the top of our Yardi 200, with year-over-year rent growth of 9% or higher. As public universities have increased in demand due to cost-conscious students, housing facilities at these institutions have benefited. Of the top 15 schools for student housing rent growth, only one was a private institution and only three of the top 30 were private.

CONCLUSION

In the first academic year since COVID-19 began impacting markets, the student housing industry appears to be holding its own. As many econo-

mists and forecasters predict, the pandemic may be an inflection point for the higher education industry, as increasing tuition costs that have outpaced inflation have led to ballooning student debt levels. The experiment of hybrid and remote learning may well lead to changes in the traditional model of university and college demand. However, demand for purpose-built student housing remains strong, especially at large public universities with solid track records and moderate costs. Purpose-built student housing performance is proving to be closely tied to supply-and-demand factors and relatively immune to university operations.

—Meeghan Fuhr and Chris Nebenzahl

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