

A STRATEGIC VIEW ON STUDENT HOUSING

Reflecting on relevant living spaces in an Era of change and disruption.

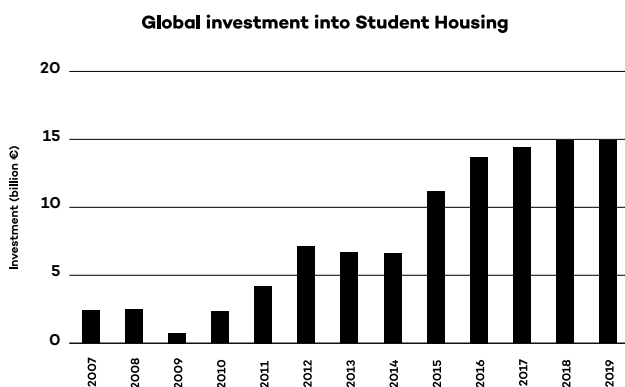
ABSTRACT

The present article aims to present the main drivers for student housing asset class together with **Reify's** strategic vision for Student Housing projects based on its segmentation tool. This tool allows to define different positioning segments that are portrayed in diverse ways and embody specific lifestyles.

There is a clear investors' appetite for student housing:

Investment in the residential sector grew by 56% over the past five years (2014-2019), an increase that has been accompanied by an appetite for "alternative" residential assets. Investment into operational residential real estate allowed investors to diversify from traditional real estate sectors. According with the Investments Intentions Survey 2020, these are expected to increase further as, about one fifth of investors, intend to put in money into operational real estate. Student, senior and multifamily housing are the key beneficiaries.

Student housing has been attracting great attention from international investors. Investment volumes in the sector have grown considerably in recent years, increasing 135% between 2014 and 2019, reaching €14.9bn globally and €8,8bn in Europe.



Despite the less favourable context due to Covid-19, student housing continued to show resilience with the

worldwide volumes in the first three quarters of 2020 standing at 62% of 2019 levels. This resilience is due to strong underlying fundamentals.

Student housing drivers represent an opportunity:

Long-term fundamentals underpin the student housing market across Europe. The European student market has grown significantly in the last decade. There were 17.5 million tertiary education students in EU-27 in 2018 studying at 3,300 institutions. Full-time undergraduates have increased by 7.7% over the past three years.

Demand is driven by trends relevant to younger generations (GenZ and Millennials, 24% and 22% of the global population respectively) such as, globalization, emerging economies, rise in mobility, urbanization as well as increasing desire for flexible living:

- **Mobility:** Studying abroad has become a key differentiating experience for young adults enrolled in tertiary education. Motivation to study outside their home country is related with the desire to access high-quality education, acquire a different set of skills (e.g. language skills) and knowledge (e.g. other cultures). Besides, it is seen as an opportunity to improve employability in increasingly globalized job markets. European markets have been experiencing an increasing demand of international students. According to Eurostat, there were in total 1.3 million tertiary students that came from abroad (both from another EU Member State and from outside the EU), representing 8% of the total tertiary students enrolled in 2018.

Mobility is also increasing among domestic students. In an increasing competitive environment, they enrol in universities far from home to pursue specialized studies or in order to attend universities with higher reputation.

With the growing trend of studying abroad and far from their hometown, there is a high unmet demand for specialized accommodation offer. The average provision rate (number of beds per total students) across major European cities is still low compared with UK (20% versus 35%).

Most of traditional supply by public entities (mainly universities) and religious orders are outdated and inferior to what is currently demanded by students in terms of quality of accommodation and services / amenities. Student housing is being redesigned to build a sense of community, bringing together different uses like living, studying, socializing but also entrepreneurial and work functions.


- Urbanization & flexibility: Due to increase in residential rents in main cities these have become off reach for many students. Furthermore 30% to 40% of international students wish to stay, work and live in the destination after graduation.

After living in a professionally managed product young professionals won't wish to downgrade to a less appropriate solution in the residential market.

MILLENNIALS:
26-40 YEARS OLD
22% SHARE IN GLOBAL POPULATION

Millennials challenge conventional life models preferring to live in urban environments, work less - with more flexibility, enjoy life, have the opportunity to reside in different cities and countries, question gender roles and adopt alternative family models.
#Mobility; accessibility; work, leisure, convenience

"I am 100% focused on my career and it is difficult for me to find time to meet more people in a healthy context"



#Tech-savvy
#Active experiences
#Pop culture and lifestyle

#Friends in
#Social and environmental responsible

HOME
59% select services instead of ownership
63% prefers to live in cities

WORK
92% wants a flexible job
32% are freelancers

SOCIAL
59% spend their income in leisure
61% does not have a significant relation

KEY-DRIVER
Mobility / A field of possibilities
Me / My peers

COVID-19
Acceleration of their move to virtual living and their look for purpose-driven and socially responsible companies & brands

Coliving addresses some of the issues around urban living, presenting investors with an opportunity to counter the unmet demand for suitable rented accommodation. This requires adapting and tailoring the concept to a target audience of a mobile generation of graduates and young professionals who demand flexibility, openness and collaboration.

Millennials (25-35 years old), seek out experiences and value being part of a community. According with Goldman Sachs they don't consider buying a home before the age of 45 years old.

COVID-19 IMPACT:


Past experiences shows that studying and renting is more on demand in and after economic recessions. When job prospects are weaker investment on higher education tends to increase.

Investors' appetite has therefore been underpinned by a high unmet demand both at a quantitative, (the undersupply of student beds across Europe) and qualitative (the scarcity of suitable product) levels.

GENERATION Z:
11-25 YEARS OLD
24% SHARE IN GLOBAL POPULATION

Gen Z is pragmatic, urban living, focused on saving money, valuing greener and cleaner mobility. They are more optimistic about home-ownership than other young generations.
Less kids, single living, «untraditional» couples, multi-cultural families, gender fluidity

"I am financially focused and entrepreneurial, I am competitive preferring independence, but I enjoy other people"



#Digital natives
#Individual experiences
#Pragmatic

#Social and environmental activists
#Open minded

HOME
Values ownership as an ultimate life goal
But they are facing a big problem: a shortage of starter homes

WORK
Engaged in educational endeavors
75% would like a job where they could perform different roles

SOCIAL
42% seek fun contents

KEY-DRIVER
Their peers
Individual and challenges

COVID-19
They will become more risk-averse and gear their spending towards necessities. Acceleration of activism on social issues



The Reify. vision for the sector:

Design, develop and manage assets with a modern, meaningful and human perspective.

Assessing a student accommodation market or specific asset requires understanding how customers make decisions, what cultural specificities need to be taken in consideration and addressing the value drivers of the different stakeholders (students, parents and universities).

Alongside knowing where to invest there is the challenge of ensuring that the product is relevant to the target customer segment.

The Reify. segmentation for the sector:

A segmentation tool is therefore critical to meet the needs of different segments within this target groups. This tool allows to identify the most relevant positioning segment based on a relevant value proposition.

The Reify. added value:

Reify. deploys a consultancy approach that respects the project's particularities – location and ecosystems – defining the best economic fit.

This methodological framework is set on three different steps:

1. Adapt to the local reality: Adapt the concept to the project needs considering the human reality in the location under analysis.
2. Model based on an economic layer: Potential opportunities are placed in the context of the macro and micro-environment, including an analysis of demand, supply and competitive environment
3. Test to find the best solution: With the accumulation of previous layers find the best solution for the project.

Leveraging the opportunity:

Livensa Living Ribeira Coimbra located in Portugal, is an example of amazing student residences offering 345 on-suite rooms with kitchenette over four floors. This complex designed and renovated by **Reify.** experts, has all the facilities to improve the experiences of young college students such as a gym, multimedia room, several dining rooms, library, and shared kitchens. In terms of interior design and furnishing, also designed by **Reify.**, the residence provides several study pods and study areas, where students can work alone or in a group. The residence also has several outdoor green areas to create a relaxing environment.



Find out more:

If you found this article relevant and interesting, we would be thrilled to tell you more and work with you and your company in any project you find fit. Please contact our Head of Strategy and Intelligence, Rafael Pelote, by sending him an email at rgpelote@reify.com