



CANADIAN STUDENT HOUSING OVERVIEW

2023

STUDENT HOUSING SNAPSHOT

2.17M

Postsecondary enrolments and graduates

1.0%

Average annual increase in total students

374K

International students (18%)

10.1%

Average annual increase in international students

Source: Statistics Canada, Table 37-10-0086-01 (2010/11 – 2020/21)

PROVINCIAL STUDENT ENROLMENTS MARKETS BY NUMBER

904K (42%) ONTARIO

540K (25%) QUEBEC

288K (13%) BRITISH COLUMBIA

204K (9%) ALBERTA

238K (11%) REMAINING 9 PROVINCES & TERRITORIES

Source: Statistics Canada, Table 37-10-0086-01 (2020/21)

CUSHMAN & WAKEFIELD – STUDENT HOUSING

At Cushman & Wakefield, we recognize Student Housing as a distinct asset class which requires specialized knowledge, information and expertise. Our Student Housing practice is part of Cushman & Wakefield's Valuation & Advisory group, with established practices globally including the U.S. and U.K.

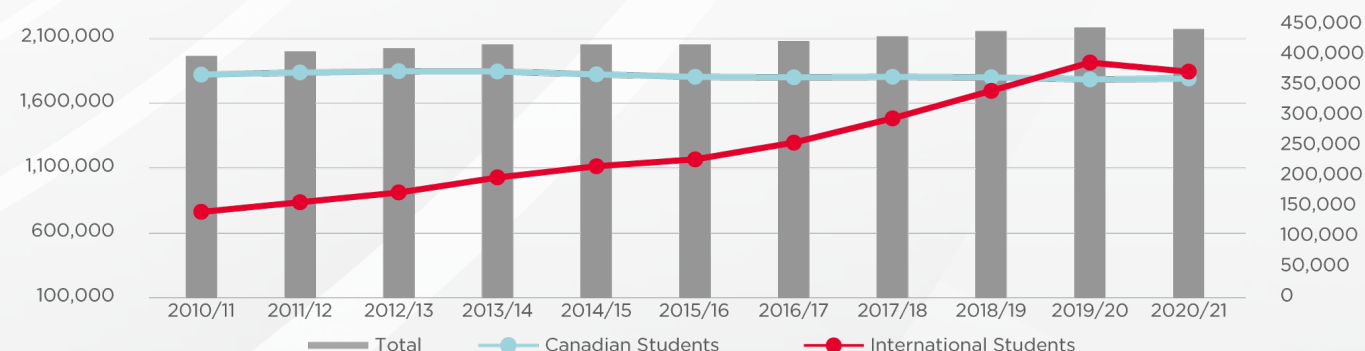
The Canadian economy weakened since our Spring 2022 report with rising inflation and interest rates and slower economic growth, impacting a number of CRE sectors. Despite these headwinds, the Canadian Student Housing sector continued to perform well compared to other asset classes. As outlined in this report, the demand for student housing has driven low vacancy levels and rising rental rates for landlords, and has spurred development of new, much needed purpose-built housing across the country.

GROWTH CONTINUES IN POST-SECONDARY ENROLMENT

According to Statistics Canada's latest results, Canadian post-secondary institutions (colleges and universities) continue to recover from COVID impacts.

- Enrolment at Canadian public post-secondary institutions (colleges and universities) totaled 2.17 million in the 2020/21 academic year (latest available data published by Statistics Canada). While the 0.6% decline from 2019/20 represents the first dip in enrolment since 2014/15, this is largely attributed to impacts of COVID on international students and enrolments. Canadian student enrolment grew marginally by 0.5% in 2020/21; however, international enrolment decreased by 4.0%.
- The majority of Canadian universities have seen muted annual growth in full-time enrolments over the last 3 years. This has been attributed to flat or declining domestic enrolment, which is in part attributed to admission management by institutions. As a result, enrolment growth will continue to be driven by international students.
- Domestic student enrolment, particularly in Ontario, is dictated in part by provincial funding corridors. Until 2020/21, most of the provincial operating funds were allocated to post-secondary institutions based on enrolment, with only a small portion of funding tied to performance. For the 2020-2025 period, funding is largely based on student enrolment in post-secondary funded programs; however, this is constrained by an upper limit beyond which the provincial government will not fund – and a lower limit below which funding may be reduced – resulting in a funding 'corridor'.
- International student enrolment fell in 2020/21 due to travel restrictions, visa processing delays, and increased online course offerings. As post-secondary institutions have now returned to campus, international student enrolment growth is anticipated to see stronger performance in the coming years.
- As indicated by Immigration Refugee and Citizenship Canada (IRCC) data, as well as recent enrolment statistics published by Canadian post-secondary institutions and Universities Canada, international enrolment levels have seen a rebound through Fall 2022, as the majority of Canadian institutions have followed their 'return-to-campus' plans.

CANADA – POST-SECONDARY ENROLMENT



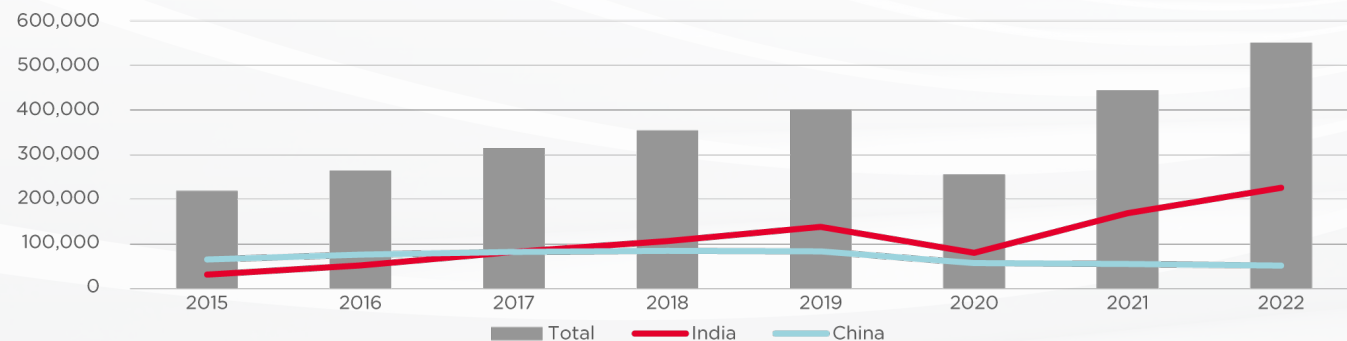
Source: Statistics Canada, Table 37-10-0086-01



THE RETURN OF INTERNATIONAL STUDENTS

- The IRCC received over 550,000 applications for study permits in 2022, most of which were post-secondary students. This represents the highest number of individual applicants reported since 2015, indicating a continued rebound in international student arrivals.
- Canada has implemented a visa turnaround time guarantee, assuring applicants of a visa decision by August for applications logged by May of the same year. However, Universities Canada indicated a backlog of nearly 900,000 temporary resident applications, including study permits, as of September 30, 2022.
- Delayed visa processing creates significant issues with the regular academic cycle beginning in September/October. As a result, many universities reported seeing a shift in intake towards the winter and summer months of 2022. While delays are reported to continue into early 2023, the IRCC is expected to return to standard processing times.
- The two largest source markets for international students in Canada are China and India. The number of Chinese students in Canada with study permits fell by over 32,000 between 2019 and 2022; whereas study permits issued for students from India grew by over 87,500 during this period.
- In January 2023, the Chinese Ministry of Education directed international students attending classes online from China that they will have to return to foreign campuses this spring semester, in order for their qualifications to be recognized in the Chinese job market. This may contribute to a rebound in Chinese students in Canada.

IRCC STUDY PERMITS ISSUED 2015-2022 (UNIQUE INDIVIDUAL APPLICANTS)



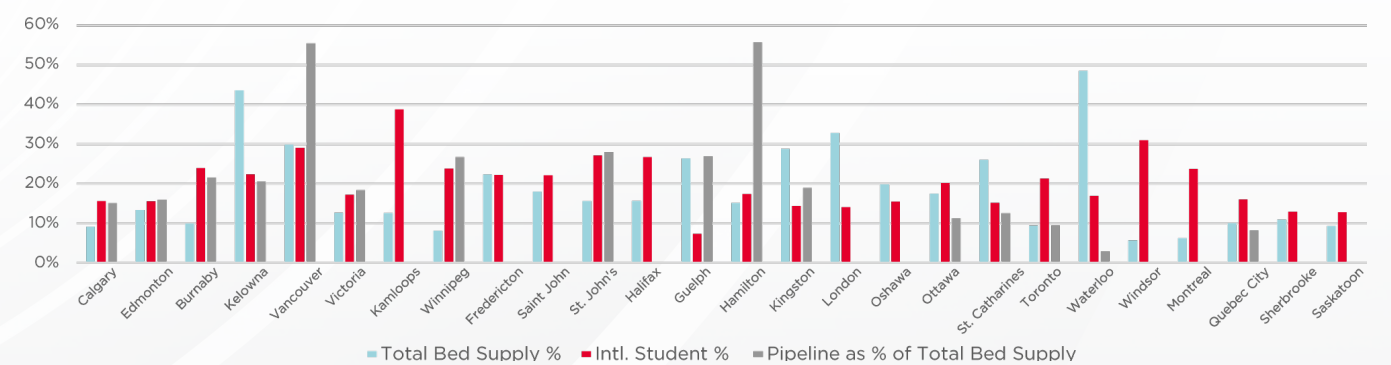
Source: Immigration Refugee and Citizenship Canada. Calendar Year

CURRENT SUPPLY & DEVELOPMENT PIPELINE

Cushman & Wakefield tracks the 24 largest student housing markets in Canada, which include the top 34 institutions by enrolment size (mainly universities). Our latest survey indicates that these institutions captured approximately 60% of all full-time, post-secondary students across the country.

- Total university-owned (on-campus) housing and privately-owned (off-campus) housing provide about 155,000 beds in these markets, which represent about 16% of total full-time students. Of this total, about 52,600 beds are located in privately-owned, off-campus student residences.
- In 2022, we tracked about 5,800 new beds in British Columbia, Ontario, Quebec, and Nova Scotia that were added to the national market supply. This consisted of about 1,800 beds in university-owned residences and 4,000 beds in privately-owned residences.
- In terms of the current pipeline for these markets, we have identified approximately 25,700 beds currently in development for both university-owned and privately-owned student properties. About 7,100 beds are scheduled for completion in 2023-2024, another 10,300 beds scheduled for 2024-2026, and the remaining 8,300 beds in various planning stages.
- A common trend in recent developments is a shift towards a mix of young adult and student tenants, which allows developers to market to a larger demographic. These developments typically include a larger proportion of 1- and 2-bedroom units.
- Student housing developments have been spurred by increasing interest from private investors, as well as provincial and federal governments working to facilitate growth in the availability of housing.
- In 2018, the British Columbia provincial government began investing in student housing as part of Homes for BC, a 10-year housing plan that includes building 8,000 on-campus student housing beds by 2028. UBC has proposed at least 3,300 new student beds by 2034 — increasing its on-campus student housing supply from the existing 14,000 beds to over 17,000. At the start of each school year, UBC typically has a waitlist of 6,000 students for on-campus student housing.
- We tracked over 6,535 beds currently in development for openings in 2023-2026 in BC. Another 5,595 beds are in early planning stages across the province.

CANADIAN STUDENT HOUSING SUPPLY PIPELINE



Source: Cushman & Wakefield



OPERATING COSTS — TRENDS & RATIOS

STUDENT RESIDENCE REVENUES & EXPENSES (SURVEY MEDIAN)									
Effective Gross Income	Repairs & Maintenance	Utilities	Insurance	Payroll & Benefits	Administrative & Marketing	Management Fee	Realty Taxes	Total Expenses	NOI
EXPENDITURE PER BED									
\$9,634	\$437	\$878	\$186	\$751	\$251	\$323	\$982	\$3,594	\$6,300
PERCENTAGE OF EGI									
100%	4.5%	8.5%	1.9%	6.5%	2.1%	3.3%	9.9%	36%	64%

- As students have returned to campus, the demand for accommodation has also increased in the last year. Despite marginal enrolment growth between 2021 and 2022, student housing and apartment rentals in major markets have seen significant reductions in vacancy rates, reversing impacts of COVID. Rental rates have also seen record growth over the second half of 2022, driven by increased demand and inflationary pressures.
- Based on our current survey of Student Residence Revenues & Expenses, Net Operating Income margins, after deduction of management fees and a reserve for replacement, range from 50% to 75%, with a median of around 64%.
- The largest variances in expenses among the properties surveyed were in Utilities, Payroll & Benefits, and Property Tax expenses.
- Over the last year, strong rental revenue increases have allowed for improved margins, despite high increases in Utilities and Insurance expenses.

RECENT TRANSACTIONS

Interest in the Purpose-Built Student Accommodation (PBSA) market has continued to increase in 2023 as investors recognize the benefits of this sector and the superior returns offered. The following are recent transactions in the Student Housing sector. We note that the majority of sales in 2022-2023 consisted of newly built properties situated near major post-secondary institutions.

2022-2023 MAJOR STUDENT RESIDENCE TRANSACTIONS



LE BACC APARTMENTS

WHERE: Quebec City, QC
BEDS: 289
DATE: May 2022
BUYER: Centurion Apartment REIT
SELLER: CEGEP Sainte-Foy
TAKEAWAY: Built in 2021 and located near CEGEP Sainte-Foy and University of Laval



HILLSIDE APARTMENTS

WHERE: Ottawa, ON
BEDS: 107
DATE: August 2022
BUYER: Harrison Street
SELLER: Global Realty Advisors
TAKEAWAY: Built in 2022 and located near University of Ottawa



LE MILDORÉ

WHERE: Montreal, QC
BEDS: 279
DATE: January 2023
BUYER: Harrison Street
SELLER: WerkLiv
TAKEAWAY: Built in 2022 and located near McGill University



THE SEE-MORE

WHERE: Halifax, NS
BEDS: 491
DATE: February 2023
BUYER: Alignvest Student Housing
SELLER: WerkLiv
TAKEAWAY: Built in 2022 and located near Dalhousie University

CONCLUSION

Since our last report in Spring 2022, the economy has softened amid increased interest rates and high inflation. Despite this slowdown, the outlook for the Student Housing industry remains strong and the pace of development is expected to continue over the coming years. As students at post-secondary institutions have returned to campus and international student enrolments begin to rebound, we expect continued strong demand for quality accommodations.

Growing demand and strong investor interest, combined with growth in the sector through private and public private partnerships, provides a positive long-term outlook for the sector.

Cushman & Wakefield offers both a global and national platform for specific market focus and regional support. Our Student Housing practice group continues to provide a platform that aims to support the continued expansion of the Canadian market. This includes in-depth valuation and appraisals, market research and feasibility studies.

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