EUROPEAN STUDENT ACCOMMODATION GUIDE

2019

CUSHMAN & WAKEFIELD

CONTENTS

WELCOME 2019

The expansion of the global purpose built student accommodation (PBSA) sector continued to gain momentum into 2019, against a back drop of political uncertainty and concerns about global economic cycles reaching a peak.

It has been said more and more in recent times that student accommodation and the 'alternative' real estate sector were moving out of the shadows. What is evident is that these sectors and in particular PBSA are now mainstream global real estate investment asset classes.

The global supply and demand dynamics underpinning the sector are long term and resilient. These are driven by increasing urbanisation, rising levels of social and global mobility, as well as a growing appetite for higher education, driven in part by the continued rise of the middle classes across regions such as India, Asia and western Africa.

The PBSA sector continues to be dynamic and adaptable. With demand for beds being driven by basic human need, the sector fundamentals provide a strong level of resilience to wider global economic and political headwinds.

In different countries, how these beds are delivered and operated will depend on demand and supply dynamics, as well as cultural nuances, giving rise to different types of operational models across the European and global landscape.

With increasing capital allocations to 'bed backed' real estate sectors, student accommodation continues to attract a growing and diverse pool of international capital, contributing further to the evolution of the sector.

This guide is intended to update our thoughts shared in the 2018 guide, as well as highlight some of the key discussion points across the sector. We hope you find it useful.


$a^2 + b^2 = c^2$
abc

KEY THEMES

Student accommodation is fundamentally operational real estate and as an owner of these buildings you are required to be product and customer centric. This requires a change in perspective from investors who are now increasingly exposed to the end user of the real estate, alongside their wants and needs.

Investors now need to be ensuring that they know their target customer segment and have a product that is relevant to that group. Not only that, investors need to understand how their target customers are evolving and how they protect their competitive edge in the market. Of some 19.6 million students across Europe with 8% of those being international students, it's a significant market to get to grips with!

In this guide we focus on understanding the customer segments, which are different per country and even per city. Breaking down the market and conducting micro analysis is essential to understanding how customers make decisions, what cultural nuances need to be considered, and ultimately how price sensitive your target customers will be.

Focusing on the value drivers for the students, parents and universities is important when assessing the strength of a student accommodation market or asset. Also having an operational partner who understands these touch points is also fundamental to success.

On top of these performance drivers lie some bigger, more macro themes, which investors are having to become more aware of when operating purpose built student accommodation. In particular wellbeing and mental health awareness are increasingly important, and accommodation operators are increasingly seen to have a duty of care to their customers to provide a framework for dealing with these issues.

Technology continues to be a value driver, but is being increasingly seen as a utility, rather than a differentiator. You wouldn't stay in a building without water, therefore why stay in one without superfast connectivity? Further, value and affordability remain hot topics.

With accommodation comprising over 90% of the total cost of an undergraduate degree in some countries, customers are becoming increasingly conscious of assessing cost versus value for money, be that convenience of location, amenity offer or a thriving community. One of the findings of our city analysis is that PBSA accommodation prices do vary depending on micro market dynamics and can be particularly high in markets where PBSA as a concept is limited such as Milan. However a market such as Paris has a lower average PBSA cost due to the diversity of operators (some being non-for-profit organisations) and more suburban locations.

Finally, whilst participation in higher education is not correlated to wider macroeconomic movements, therefore can be considered counter cyclical, higher education is susceptible to political risks and changes in government policy. Therefore, awareness of education funding, grants and subsidies available, and the rhetoric around immigration policies are all key areas to understand when entering new markets.

KEY THEMES

TARGET CUSTOMER	VALUE & AFFORDABILITY
TECHNOLOGY	WELLBEING

EDUCATIONAL LANDSCAPE 2019

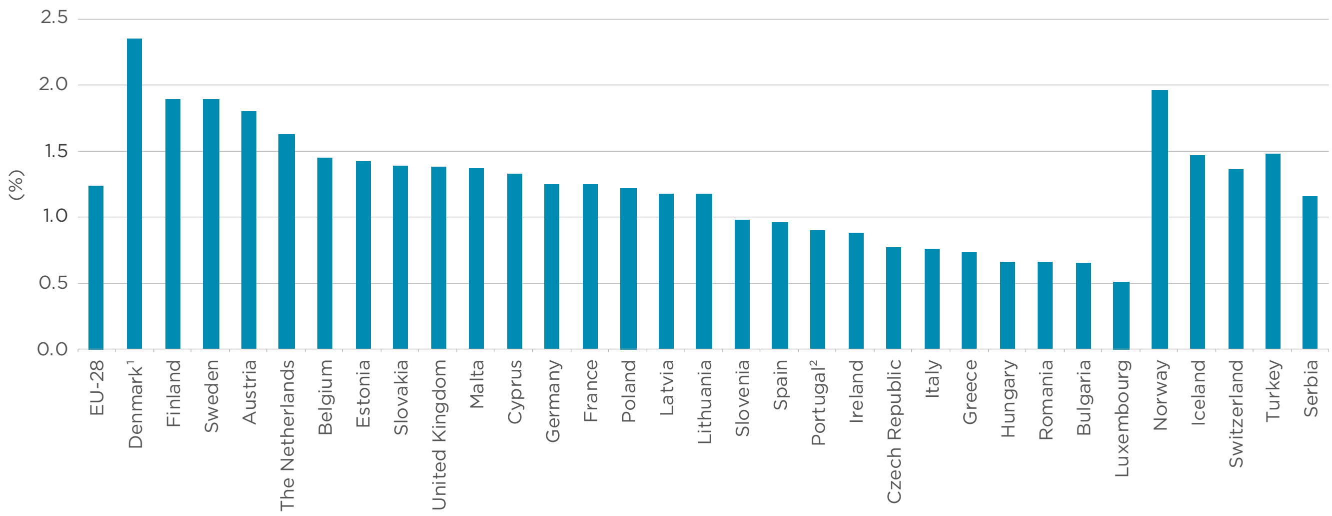
Higher education continues to be a significant global commodity and European universities top the charts in terms of quality and variety of offer. Universities are integral to a country's long term economic and political plans, especially in a world where mobility is the highest it has ever been and the battle for talent is becoming fundamental to economic diversity and success.

Higher education is often seen as a major way in which to attract talent to a region, with universities, business, and governmental policy working together to ensure talent pools grow and remain within their region. By having a highly skilled and diverse talent pool, countries can drive inward investment from global businesses, contributing to better economic prosperity and increasing governmental revenues.

As mentioned in our 2018 report, the university sector is often a significant contributor to economic output in many developed countries.

Eurostat have recently published a study on participation in higher (tertiary) education across the EU-28, part of which highlighted public expenditure on higher education as a percentage of GDP, with the EU average being 1.2%. Government spending across western Europe ranges from 35% to 55% of GDP, suggesting that spending on higher education can be up to 3.5% of the total government spending budget, therefore is providing a return on this is fundamental. Given the wide number of data sources across Europe, the latest data shows figures for 2015 and 2016.

Fig. 1: Public Expenditure on Higher Education Relative to GDP



[1] 2014. [2] Includes part of post-secondary non-tertiary education.

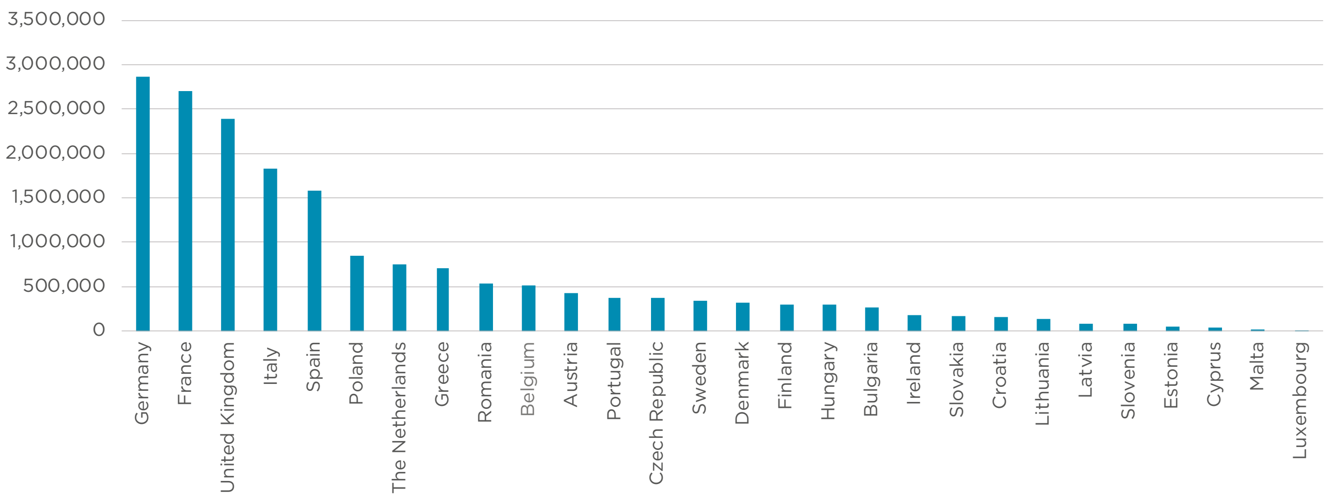
Source: Eurostat 2015

As a result of its importance at a domestic and global level, the university landscape is a highly competitive environment, with universities having to think like big business and develop a brand that resonates with its 'customers'. With the increasing demand for higher education, students now have more choice than ever, therefore it is important for universities to differentiate themselves in an increasingly crowded marketplace.

Quality of degree, cost of availability of English language courses and job opportunities post graduation are key considerations and evaluation points for students, but just as important will be availability, cost, and quality of accommodation, as students make a rounded decision when choosing to attend university. Therefore, if universities are looking to compete globally for customers/talent, it is imperative that the accommodation on offer complements these forward thinking strategies.

To put the market in context, according to Eurostat, there are 19.6 million students in higher education, with 61.3% studying at an undergraduate level. In terms of geographical spread, Germany, France, the UK, Spain and Italy make up approximately 60% of these numbers.

Fig. 2: Total Number of Students Across Europe



Source: Eurostat 2016 and Cushman & Wakefield Research

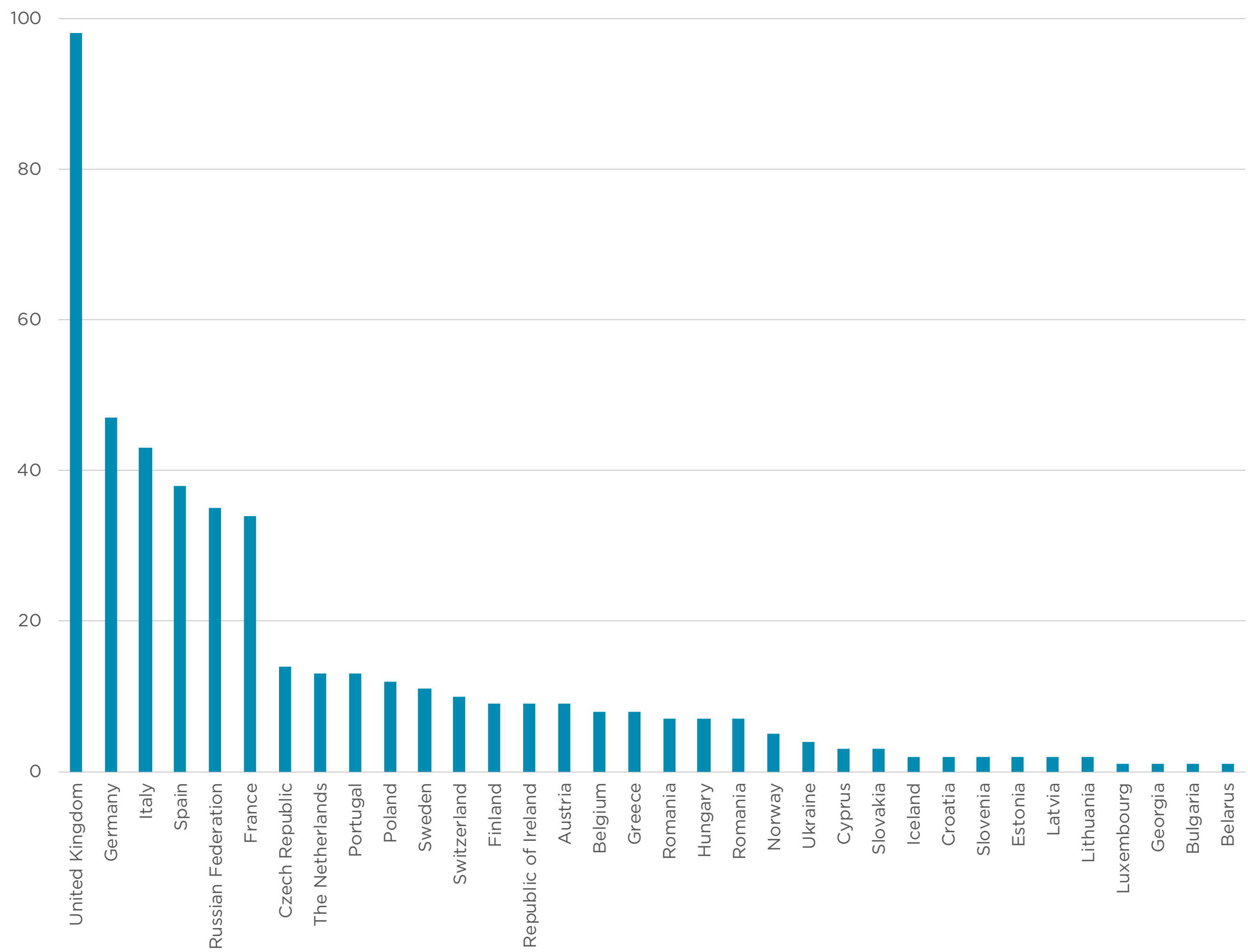
EDUCATIONAL LANDSCAPE 2019

In terms of the QS World Rankings 2019, 381 European universities are listed, which is approximately 38% of all global universities, an increase from 369 in 2018. Another indicator, the Times Higher Education World University Rankings 2019, shows that approximately 36% of the universities ranked are located in Europe, with UK the most represented country (98 universities), followed by Germany (47 universities). Being in the top 200 often means the universities are internationally renowned.

The rankings note that Scandinavian countries perform well, with both Sweden and Finland showing high quality universities relative to their population size, with 11 and 9 institutions respectively in the rankings.

These figures correlate with the geographical dispersion of students across Europe, with the exception of Russia, which has some 35 top ranked universities.

Fig. 3: Number of universities per country ranked in Times Higher Education World Rankings



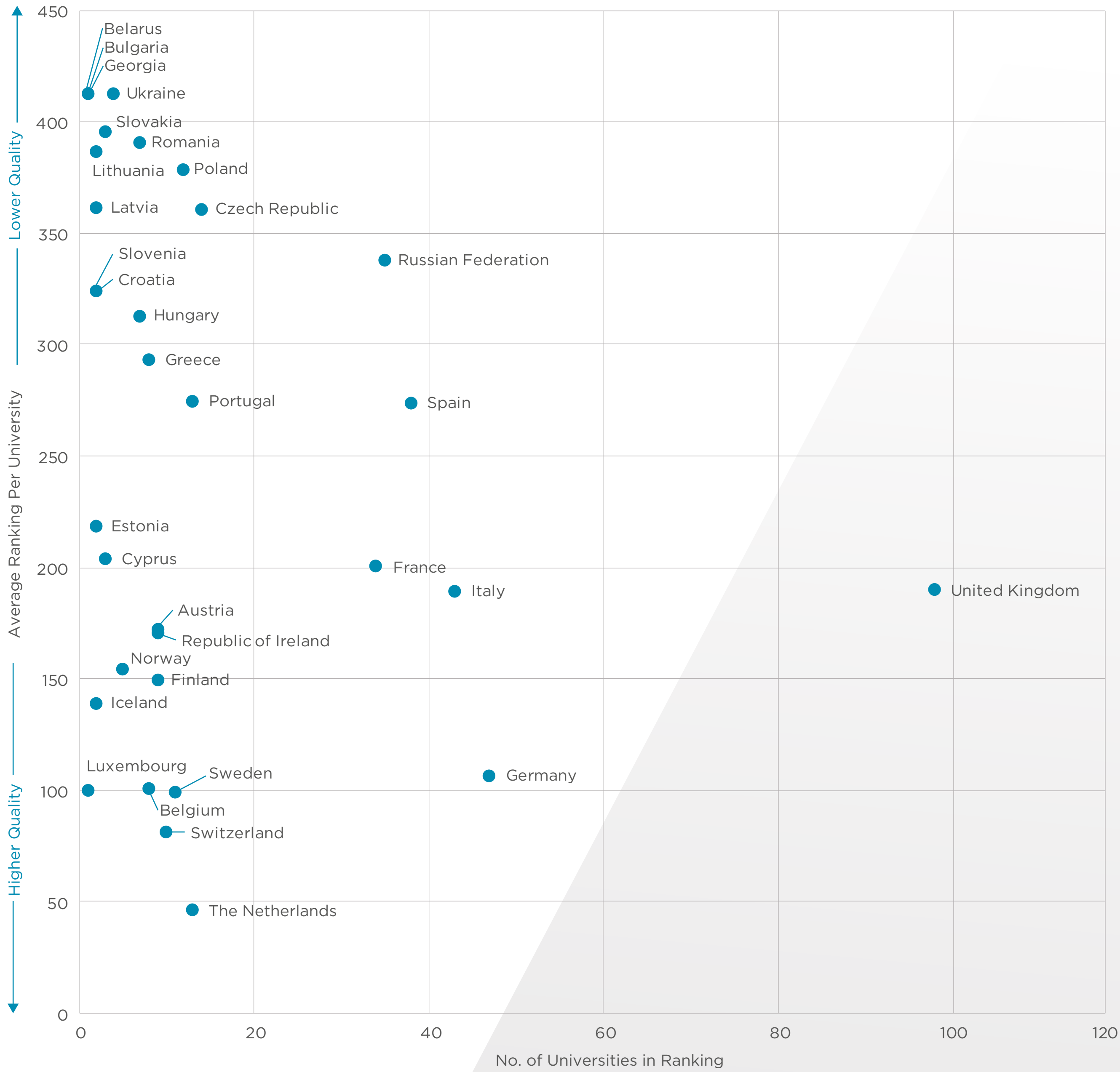
Further analysis of the THE data, allows us to see the depth of university offers in each country and get some indication of the quality of higher education in that particular country by taking an average ranking of universities in a particular country.

What we see is that the average number of courses across the 34 countries included is 14 (11 if exclude the UK), which can be seen in the graph below (figure 4). In this analysis, the lower the average ranking number, the higher the quality of higher education in that country.

Countries that stand out include The Netherlands (average ranking: 46), Switzerland (81), and Sweden (99). Germany also stands out, with 47 ranked universities and an average ranking of 106.

The UK is a slight anomaly in this analysis, as whilst 7 of the top 10 ranked universities are based in the UK, there are 98 ranked universities (21% of total ranked universities), therefore taking all the universities into account, the UK has an average ranking of 190, highlighting the spread of quality amongst the country's universities.

Fig. 4: Country Range of Offer/Quality Indicator



Source: THE 2019. Cushman & Wakefield Research

EDUCATIONAL LANDSCAPE 2019

There have been no significant changes to the base cost of study across the European countries surveyed in our 2018 guide. There will have been fluctuations driven by currency for international students, depending on their home currency, however in Euro dominated countries, the playing field will have remained level.

Currently within the European Union, all European students pay the same as domestic students in each European country. The current political unknown in the wider European landscape is how Britain leaving the European Union will affect the cost of study for EU students in particular, who are currently treated equally to domestic students in the UK.

Should the cost of study for EU students increase in the UK, the question being asked is where those students will now look to study? Currently there are over 430,000 international students in the UK, with nearly 140,000 coming from the EU according the HESA. The same also applies to UK students looking to study in mainland Europe, will they be treated as EU students or Non-EU and pay a different tariff?

Overview of current costs for a European student studying an undergraduate degree per annum:

COUNTRY	COST
France	€200–650
Germany	Free
Italy	€850–1,100
Ireland	Free (admin charge of €3,000)
The Netherlands	€2,000
Spain	€680–1,400
Portugal	€1,000
Sweden	€9,000–15,800

Source: Cushman & Wakefield Research

When assessing the higher education landscape, it is often the case that the analysis focuses solely on student numbers and courses offered. However the glue that often brings this together is the academic staff, with a depth in quality of teaching staff seen as a major pull factor for universities. Eurostat data shows there are 1.5 million people teaching in tertiary education across Europe, a student to staff ratio of 15:1.

As such, attracting and retaining high quality staff is paramount to universities remaining competitive, through offering the best courses in their field and being able to facilitate future growth in student numbers.

One of the threats to be considered with Britain leaving Europe, is the ability of the UK to retain and attract the best teaching and research talent from Europe. If Britain becomes an unfavourable place to relocate for European academics, the UK's competitive edge could be threatened to the advantage of universities across Europe who will benefit from this talent.

Steps are being taken to address this and it should be noted however that government policy is that EU university staff will be fast tracked for residency approval, and further the UK is a net contributor to the EU research budget, therefore it is likely that close ties will remain post Brexit. At the time of writing it is not known how this will play out, but it goes without saying that the ability to attract world class staff goes hand in hand with attracting world class students.

In terms of counteracting the threat of Brexit, one strategy we have seen is a number of UK universities looking at developing satellite campuses in mainland Europe to diversify their offering and provide increasingly flexible options to staff and students.

According to the Cross Border Education Research Team (C-BERT), the UK has 43 university branch campuses abroad, however has very little presence in the EU, with only 4 UK branch campuses: in Brussels (University of Kent), Cyprus (Central Lancashire), Greece (University of Sheffield), and Paris (University of London).

Since the Brexit vote there has been talk of this number increasing, with University of Warwick looking at looking at establishing a campus in France, similarly the University of Oxford has considered an offering in Paris, and Lancaster University recently announcing it will work with leading education provider Navitas, to establish a university campus in Leipzig, Germany, adding to existing partnerships for overseas campuses in Malaysia, China and Ghana. Further, Kings College London has been developing its relationship with TU Dresden in Germany through the transCampus initiative.

Establishing branch campuses in the EU is one way in which UK universities might retain access to EU funding, continue to benefit from significant EU collaboration, and continue to attract the EU students who may be discouraged from enrolling in the UK itself.

Whilst branch campuses are not a revolutionary concept, UK universities may be forced to adopt new ways of thinking to counter political headwinds and an increasingly competitive higher education landscape.

The satellite campus concept would potentially allow universities to insulate themselves from the financial uncertainties of leaving the EU, at the same time as demonstrating to the marketplace that the UK remains a powerful presence in global higher education, committed to open collaboration in both research and teaching.

Another strategy being considered more widely is pivoting towards increasing non-EU student numbers to make up shortfalls in EU numbers and possible reductions in funding, and universities are assessing how they can compete in this landscape effectively.

A further trend in the global higher education market is the increase in 'short-cycle' courses, which are courses in targeted areas of study which are shorter in time of study than a typical undergraduate or postgraduate degree. These can often be vocational courses targeting professionals looking to upskill in a particular field or foundation courses preparing students for particular undergraduate or postgraduate courses.

Skills such as learning a new spoken language or studying a particular coding language, are becoming increasingly relevant as people become more mobile and need new specific skill sets to achieve their individual career goals.

Across Europe there is varying participation in short cycle courses, with the approximately 7% of all students in some form of short cycle learning, ranging from close to zero in Germany to 20% in France. This difference is also driven by the individual country structures of how secondary and tertiary education interact.

It is expected that the structure, format and delivery of higher education will continue to evolve across the landscape, and as such the provision of supporting services, like accommodation, will need to adapt with the changing environment. Whether this is by offering more flexible tenancies, incorporation of further technologies to foster studying within residences, or increased collaboration with different types of university, accommodation providers will need to remain adaptable and agile in meeting the needs of tomorrow's customers.

CUSTOMER FOCUS

WHO IS THE CUSTOMER?

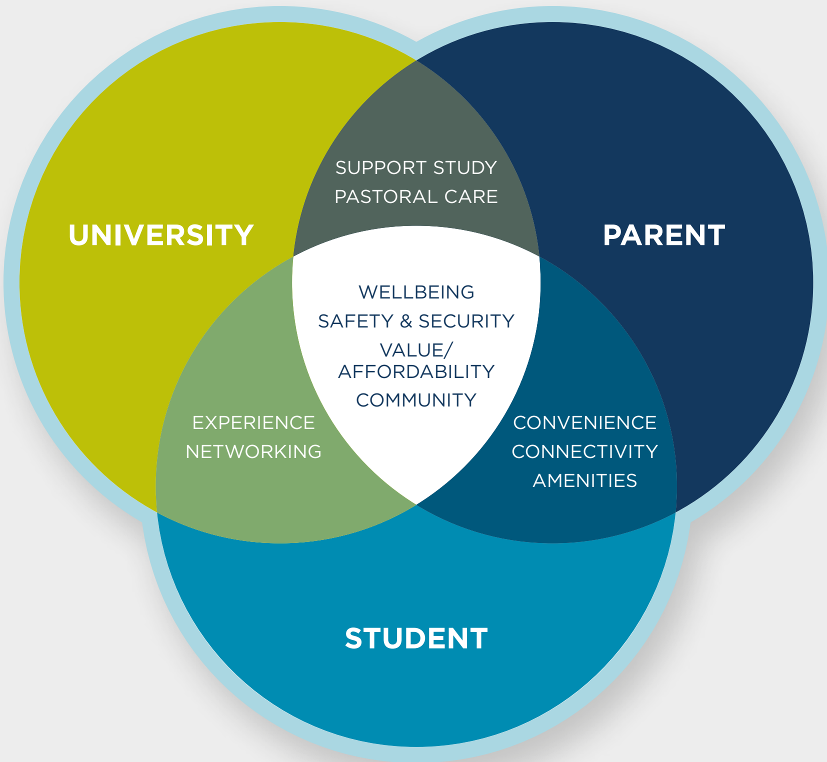
The success and strength of performance in real estate investments is increasingly being driven by the relevance of the underlying product being offered to the target customer market. This is becoming of increasing focus in the retail and office sectors, with the increasing importance of turnover based rents and flexible leasing, and the 'bed' sector is no different.

Student accommodation can be considered unique as it has three distinct customers that operators need to provide value to.

Firstly, the student, who lives with you; secondly, the parent(s), who make the decisions (and more often than not, pay); and lastly, the university, who you directly or indirectly represent. All three customers have differing need and values that need addressing, meaning that knowing your customer is paramount to success.

The following diagram highlights some of the points of importance for the customer groups:

CUSTOMER FOCUS



IS THE EVOLUTION OF STUDENT ACCOMMODATION MARKETS ALL ABOUT INTERNATIONAL STUDENTS?

International students are not a homogeneous group. Not all international students are the Asian super rich we read about in the mainstream press, often they will come from neighbouring countries on well trodden study or work routes.

New market entrant strategies have typically focused on delivering accommodation to international students, underpinned by the theory that international students will appreciate the value of premium student accommodation. But is this the only way to look at things and is it the most sustainable model?

The latest Eurostat figures* show there were 1.6 million international students studying in Europe, making up 8% of the total student population, therefore it would be remiss to exclude domestic students from being customers for modern purpose built student accommodation. With increasing mobility among young people globally, students are just as likely to move within their own country as they are to study abroad, with a fundamental undersupply of suitable accommodation affecting the whole market.

As with any market, tracking the number of students who live away from home is intrinsic to understanding the size of the customer base, before looking at the intricacies of what type of product to deliver. Whilst we believe domestic mobility to be improving as urbanisation increases, some countries are growing from a low base, where for generations it has typically been the case that students study in their home town, and it is only now that today's university generation in that particular country are seeking independent living.

Quantifying students that live away from home across Europe still remains difficult with limited public data sources compiling this. Therefore developers and operators need to rely on a deep understanding of their local markets and demographic green lights.

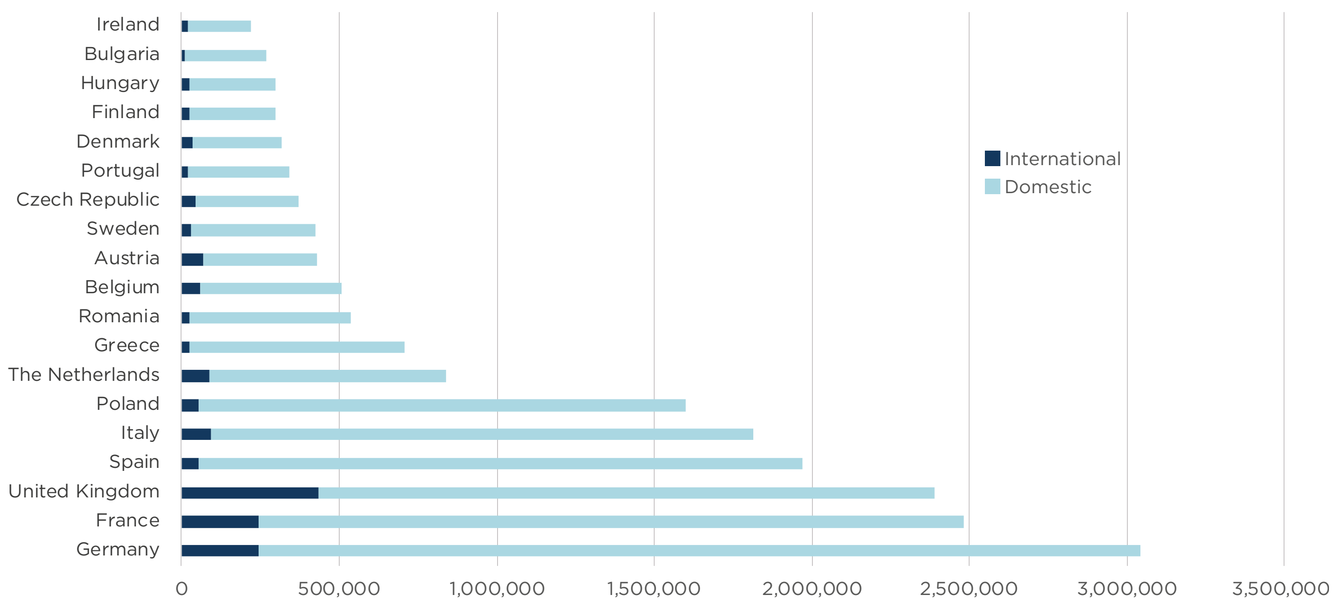
Improving higher education offerings in many countries have also meant that domestic students do not necessarily have to travel abroad to seek a quality degree. Increasing political and economic uncertainty can also affect the students decision making process, meaning they opt to stay and study domestically, which all contribute to a potential growth in the domestic markets.

Focusing on the domestic market presents its own challenges, as customers can be more price sensitive and may take more time to adopt new product and operator models, nonetheless recent experience shows the largest demographic of customer is likely to be the domestic market.

Nonetheless a more tech savvy and mobile generation are used to being early adopters, therefore its important the markets keep innovating and operators looking to scale in some nascent markets will need to look at models tailored towards domestic students as well as internationals.

The below graph shows some of the differences around Europe.

Fig. 5: International vs Domestic Students Across Europe



Source: Eurostat 2016

CUSTOMER FOCUS

Across Europe there are similar market fundamentals underpinning the growth opportunity in student accommodation. Much existing accommodation is out-dated and unfit for purpose, owned by public organisations who are cash poor and not inclined or able to invest in 21st century improvements. As customers place increasingly more value on aspects such as connectivity and community, existing supply is essentially obsolete.

Existing supply is often affordable and domestic students do not have the same barriers to entry to the domestic residential market in comparison to newly arrived international students. Therefore modern PBSA needs to provide value to domestic and international students alike.

When we approach the concept of value, it does not necessarily mean being cheap, it means meeting customer expectations in line with the price they are paying. If customers demand and see value in all in one rental payments, superfast connectivity, and first class amenities, like a gym, library, and cinema room, then there is an appropriate market price for this. If it isn't what they expect, they will need to be educated on the product and therefore it is important to consider marketing strategies and price sensitivity, as well as longer stabilisation periods in some markets. Making sure product matches expectations is critical, otherwise long term void and rental declines are possible.

The key is understanding who your customer base is and what is important to them. Added to this cultural understanding is key in each market to ensure the product speaks to the domestic customer, but also gives the international customer that local experience.

Ultimately in many markets, the nature of PBSA and current development market dynamics, will mean that pricing will inevitably be in the upper quartile of the options on offer. It is important however to consider the comparable cost of utilities (and set up), service, and flexible terms. To understand the perspective of the student and parent when considering the investment into studying domestically or internationally, we calculated the typical total fixed cost of study (fees and accommodation) based on a 3 year undergraduate course for an EU student staying in a modern PBSA building in a capital city. Costs will likely be lower in other non-capital cities.

> ***If customers demand and see value in all-in-one rental payments, superfast connectivity, and first class amenities, like a gym, library, and cinema room, then there is an appropriate market price for this.***

Our analysis of fixed student costs (fees and rent) show that in all countries covered in this report, accommodation is 84-100% of the total fixed cost of study. The exceptions are the UK (where fees are considerably higher) and Poland (where rents are considerably lower). Accommodation is therefore the biggest financial decision and commitment students (and their families) will make and must deliver value.

It should be noted that the findings of this analysis do not necessarily follow the dynamics of the wider residential markets in each city and also the average pricing reflects quality of product and location for the PBSA assets in each city. For example, the average cost of rent in Paris is lower than other major cities because the French market has a number of non-for-profit organisations running student accommodation, which has kept price inflation for PBSA low, and further the majority of PBSA is Paris of average quality and located in peripheral neighbourhoods, rather than in the central district (more expensive) districts. Compare this to Dublin where PBSA locations are more central and the specification higher, means a higher average rent.

COUNTRY	ANNUAL TUITION FEE	TOTAL ACCOMMODATION COST PER ANNUM (€)	ESTIMATED TOTAL COST OF STUDY	ACCOMMODATION (%)
United Kingdom/London	10,730	18,096	86,000	63%
Italy/Milan	1,100	14,473	47,000	92%
Sweden/Stockholm	-	14,508	44,000	100%
Ireland/Dublin	1,000	13,468	43,000	94%
Spain/Madrid	1,400	12,276	41,000	90%
Netherlands/Amsterdam	2,060	10,692	38,000	84%
France/Paris	650	9,960	32,000	93%
Portugal/Lisbon	1,000	9,108	30,000	91%
Germany/Berlin	1,000	9,100	30,000	91%
Poland/Warsaw	3,000	4,680	23,000	61%

Source: Cushman & Wakefield Research
*PBSA Accommodation and Fees for 3 year undergraduate course
**Sample size for rent comparables varies due to size of PBSA market in each city. Averages from student.com or other rental databases have been sourced where available, and where not available an average of the available PBSA has been used.

WELLBEING

As awareness around mental health continues to grow, universities and student accommodation providers have an obligation to consider this as part of how they conduct day to day business.

Wellbeing of the student is integral to the university experience and industry leaders are taking it upon themselves to integrate this as a major deliverable in their business.

Wellbeing and mental health awareness is becoming front and centre of how we operate student accommodation, so much so that in the UK, the British Property Federation released a guide for owners and operators to navigate the student wellbeing environment.

The guide focuses on raising awareness about the complex nature of managing and promoting wellbeing, which owners and operators have a duty of care to address in today's operational environment. Whilst the guide is not suggesting that accommodation providers should be responsible for providing care services, it is suggesting that operators have appropriate frameworks and policies to address issues as and when they arise. This could be through staff training to raise awareness of wellbeing issues and recognise signs that need a reaction, to fostering relationships with the students, the health services, universities and other support groups to promote and learn about positive wellbeing.

According to the Mental Health Foundation, mental health problems affect 1 in 10 children and young people, therefore one way or another our customers will be affected by wellbeing issues and the expectation is that student accommodation owners and operators provide more than just a room. Part of creating and fostering a community is being there for one another in positive and more challenging times. With increasing awareness around mental health issues, how accommodation provider address community development and support services will become an increasingly important value differentiator for all customer groups.

Cushman & Wakefield asked Bobbi Hartshorne, responsible to Wellbeing at the global student accommodation operator, developer and investor, GSA, for her insights into how a global business thinks about wellbeing as part of their day to day operations.

WHAT DO WE MEAN BY WELLBEING?

While there is no agreed definition of wellbeing, it is generally understood as an individual's satisfaction with life and perception of whether life is worthwhile.

Looking specifically at student wellbeing, GSA conducted a global study and identified nine core pillars of wellbeing, that if tackled holistically can help students to deal with the everyday stressors that they are known to commonly face. These include spiritual, mental, cultural, social, environmental, physical, academic, financial and career wellbeing and have been used as the base for GSA's Award-Winning residential student wellbeing framework.

Whilst wellbeing is a topic that affects us all, students at University face a specific set of unique circumstances. The immense transition that they experience across almost every aspect of their life, in a short space of time, combined with the physical separation from several of their existing support systems creates a specific context within which solutions need to be developed.

> “
>
> *Everyday stressors that they are known to commonly face include spiritual, mental, cultural, social, environmental, physical, academic, financial and career wellbeing.*

WELLBEING

WHY IT IS AN IMPORTANT TOPIC FOR US TO ADDRESS

Recently, Insight Network conducted the largest mental health survey ever among UK university students. They found;

Half of the students (50.3%) who took part reported thoughts of self-harm...More than four out of 10 (44.7%) admitted using alcohol or drugs to cope with their problems...[and] one in three (33.9%) had experienced a serious psychological issue for which they felt they needed professional help.

The report paints a very concerning and growing challenge and one that is fast moving to the top of University agendas worldwide. GSA's report 'Student Wellbeing Matters' identified several stressors that could be driving these upward trends; Financial pressures, balancing priorities, academic pressure, long commute times, social pressures, employability and housing challenges.

As the population of students continues to increase, so does the scale of the problem and with hundreds of thousands of students living in PBSA globally, it is not surprising that staff operating student residences are also starting to experience an increase and change in the support they are now offering their residents.

As both a known potential stressor and the place where students spend most of their time, accommodation has a particularly important role to play in ensuring that students remain healthy and happy. There are many opportunities to develop more effective and efficient solutions.

INSIGHT NETWORK SURVEY: MENTAL HEALTH OF UK UNIVERSITY STUDENTS.

1 in 2

HALF OF STUDENTS REPORTED THOUGHTS OF SELF-HARM

4 in 10

STUDENTS ADMITTED TO USING ALCOHOL OR DRUGS TO COPE WITH STRESSES

1 in 3

ONE THIRD EXPERIENCED A SERIOUS PSYCHOLOGICAL ISSUE FOR WHICH THEY FELT THEY NEEDED PROFESSIONAL HELP.

WHAT DOES IT MEAN FOR

INVESTORS?

Key PBSA stakeholders are increasingly concerned about wellbeing and are looking for proactive and preventative solutions. Without a doubt, as Universities seek to adopt a 'whole University approach' to tackling this challenge, they will look to include accommodation in their solution and it is expected this will, sooner or later, include their demands on PBSA partners. To ensure their offering remain relevant and attractive, it will be important for investors to ensure this is being addressed within their portfolios.

DEVELOPERS?

Design is shifting away from environmental sustainability as it's primary focus and towards human sustainability which includes environmental considerations and the safeguarding of the planet, but also considers how people live, work and use buildings. There is a growing focus on how a building impacts wellbeing, health and performance in both the architectural as well as interior design features. Research points towards several small, relatively low-cost factors that can make a significant difference.

Recently we have seen the emergence of fun and fresh common space design aspects such as slides, bowling alleys and cinemas.

Whilst this is a refreshing progression away from the magnolia box with a series of mismatched furniture placed around the edge of the room, it may be time to reconsider what can really promote student wellbeing and success using the latest in design research.

The design of thoughtful spaces that use natural light and ventilation to enhance the environment are just one example, but also understanding how people use and interact with space, in particular students and staff, is also critical in creating environments that foster the fundamentals of wellbeing.

OPERATORS?

Several operators have already started to consider how they can support student wellbeing, which is a really encouraging step forward. However, many service providers are operating in silo which should be addressed with a greater focus in collaboration.

As a whole university strategy becomes the more preferred approach it is vital that all aspects are considered as a coherent support, information and guidance network delivered through multiple on and off-campus channels. This network needs to go beyond the boundaries of university geography and service provision and link into the potential partners that influence the entire student experience. PBSA operators should be striving to add value to this network of support.

OPERATOR MODELS

As the student accommodation landscape grows across Europe, so do the operator models which deliver and manage student beds. As the sector has matured, considerations around design, specification and amenity provision have moved forward, as well as methods by which the rooms are let and managed.

The student accommodation sector has evolved much like the hotel industry, with operators providing different products to different customer groups in the value chain. Student accommodation has moved on from a 'cookie cutter' approach, and now delivers a tailored product based on the operator values and reflecting key customer learnings.

Operator models also come in different forms across the sector, from vertically integrated businesses focused on investment, development, and operations, to third party managers, who purely manage on behalf of investors and owners. As student accommodation development grows across Europe the number of operators are expanding to facilitate market growth.

SO WHAT ARE THE CONSIDERATIONS WHEN ANALYSING OPERATIONAL MODELS IN THE SECTOR?

Fundamentally it comes down to customer, product and competition. As has been mentioned earlier in the report, customer knowledge and market sizing are fundamental. From a product perspective, the customer research will inform this to a certain degree, but also operators need to look at what level of product they can deliver at a price point that is digestible to the local market. This is why we often see more innovative products in capital cities first, because these products can command a higher price point and have a more diverse customer base to be a test bed for new ideas.

Product is about the intangibles as much as the tangibles. What do we mean by this? The tangibles are what we can touch and feel, such as furniture provision, wifi connectivity, smaller or larger rooms, amenity spaces such as gyms, lounges and study spaces.

The intangibles are focused on the delivery model and how the space is managed, such as ease of booking a room, flexibility in lease contracts, ability to bolt on extra services, facilitating a vibrant community, and fundamentally how the staff interact with the customers to make them feel at home. All these elements require forethought, framework, and effort to achieve, but make up a significant part of the value and experience for the student, therefore cannot be taken for granted.

Across Europe, length of lease contract and length of stay varies depending on the dynamics of each micro market. In some countries students will stay for the duration of their study in one building, up to 3 or 4 years, in other countries, especially those that cater for Erasmus students, tenancies will be more mixed to cater for shorter stays. This is common in cities such as Madrid and Barcelona, where it is common to seeing room pricing based on stays of up to 5 months (Erasmus) and separate pricing for over 5 months.

To put the Erasmus market in context, according to latest Erasmus data, in 2015 there were some 303,880 students that participated in Erasmus exchange programmes across Europe. Put simply, that is over 300,000 students in need of a bed for an extended period. The table below shows the top participating countries in the Erasmus program.

TOP ERASMUS RECEIVING COUNTRIES	
Spain	44,596
Germany	33,346
UK	31,067
France	29,068
Italy	22,785
Poland	14,616
Netherlands	12,771
Portugal	12,662

Source: Erasmus 2019 (2015 data)

TOP ERASMUS SENDING COUNTRIES	
France	40,910
Germany	40,089
Spain	39,445
Italy	34,343
Poland	16,518
Turkey	16,089
UK	15,645

OPERATOR MODELS

HOW ARE THE OPERATOR MODELS EVOLVING?

Historically student accommodation has only been focused on full time students, primarily due to planning framework constraints or agreements with universities. However different zoning and permitting approaches exist across Europe, with some are more open than others, allowing purpose built accommodation to house more than just students.

At the same time, the reasons why young people travel to major towns and cities have expanded. Many young people are now focused on developing experiences and move to global cities to explore, work, learn, as well as live. The way in which students study is also widening from short format courses with limited contact time to more vocational based learning.

In parallel, the way in which people work is developing, with an increase in longer term internships and freelancing. The interaction between work and study is also evolving and is not as linear as for previous generations, where you studied then headed into the world of work. Today, it is not uncommon to study, then work, then go back to studying after a few years work experience. The concept of retraining or changing career in your working life is becoming more commonplace among the global workforce.

What this means for accommodation is that while young people might change their focus at any particular time, they do not necessarily want to have to change the format of their accommodation each time their focus changes. The idea of having to go from a professionally managed living product into a fragmented poor quality residential market when you finish studying is becoming an outdated concept. This presents both opportunities and threats to current operators, who will need to consider whether they adapt to accommodate changing needs.

When assessing the evolution of the operator models, it is prudent to evaluate 3 core pillars of how 'operating beds' are delivered in a market. Each operator will have to define who their customer is, what physical product they want to provide, and via what service delivery model. What this shows is that there is not a 'one size fits all' solution, and models will depend on the diversity of the customer base, the pull factors of a particular location, and more importantly what can be delivered within the constraints of that business environment.

The table overleaf shows the different high level consideration when constructing operator models. Operators will place different weighting and focus on these areas to drive what they see as their competitive advantage in a particular market.

OPERATOR MODEL CONSIDERATIONS

01

CUSTOMER

- Student (short or long term)
- Young professional
- Project based employee
- Entrepreneur

02

PRODUCT

- Location (near universities or employment hubs)
- Room sizes and specifications
- Amenity offering
- Concession provision such as Food & Beverage
- Pricing

03

SERVICE DELIVERY

- Community management
- Term flexibility & dynamic pricing
- On boarding process
- Marketing & sales strategies
- Concierge facilities/staffing

Whether a person is studying or working, increasingly young people want to be part of a community, they want to forge new networks with like minded people, and they want experiences.

Therefore the operational model is evolving to facilitate this, and as such we are seeing the rise of mixed coliving models and mixed use communities. In Europe, The Student Hotel would be considered one of the pioneers of this sector, operating a successful business focused on providing short stay and long stay, within a vibrant community in global destinations.

Whilst short term options are an evolving part of the market, the backbone of PBSA is still likely to remain long stay customers completing undergraduate or postgraduate degrees.

The range of amenities offered such as co-working, food and beverage, gyms, TED Talk areas, lounges as well as bakeries and bike repair shops, all speak to today's customer arriving in a global city for a known or unknown length of time.

The adoption of dynamic pricing models for customers and flexible service level agreements with outsourced providers to manage operational costs, allows models such as this to cater for a growing breed of customer looking for a flexible, all inclusive, plug & play living experience.

The growth of models that encompass student accommodation, coliving, serviced apartments and corporate housing is servicing a growing customer sector looking for flexible residential options in global cities. These customers place increased value on experience over ownership, require flexibility over security of tenure, want all inclusive fees, as well as a plug & play environment supported by high levels of technology and service.

EUROPEAN INVESTMENT MARKET SUMMARY

The European student accommodation investment landscape remained robust in 2018, albeit as predicted in our previous report, overall investment volumes were down on the previous year, driven by several market dynamics. Firstly, there were no significant portfolio deals in mainland Europe in 2018, compared to 2017, with traded platforms now owned by long term capital. Secondly most platforms are focused on growth through development, therefore trading of operational assets was limited, and transactional activity was concentrated on development land.

High level transactional data remains opaque and inconsistent in the market, a characteristic of the market not yet being institutionalised across Europe and different classifications of what constitutes student accommodation.

Transactional data also does not include all development transactions and given much of the market in Europe is development focused, the aggregated data does not give a true picture of investment activity in the sector.

RCA estimates show there was approximately €5.2bn of student accommodation transactions in 2018 across Europe, down from €7.9bn in 2017*. Excluding the UK, transactions across mainland Europe were €1.8bn, down from €2.9bn in 2017, a market share of 35% of all transactions.

At a country level, Ireland and The Netherlands saw an increase in transactional activity by over 50%, reflecting the more mature nature of these markets, however other markets such as Spain and Germany saw a decrease due to reduced portfolio activity in 2018.

Significant asset deals in 2018 include the following:

COUNTRY	TRANSACTION	DEAL TYPE	SELLER	PURCHASER	ESTIMATED GROSS ASSET VALUE
Ireland	Brickworks	Forward Funding	Bain Capital/ Carrowmore	Invesco	€47m
Ireland	Project Waltz	Portfolio Sale of operating asset and development land	Cairn Homes PLC	Bain Capital/ Carrowmore	€45m
Ireland	Project Kew	Purchase of operating business and development pipeline	NTM Capital	GSA/Harrison Street	€200m
The Netherlands	Nido Utrecht	Redevelopment	Ontwikkelings-combinatie Oudenrijn	KKR/Round Hill Capital/ Nido Collection	Undisclosed
Germany	Project Woodie	Investment	Senectus Capital GmbH, PRIMUS developments	Corestate Capital with Bayerische Versorgungskammer (BVK), Universal-Investment	€50m

*This is the revised figure for 2017, which differs from the figure published in the 2018 Student Accommodation Guide following further analysis post publication.

These figures highlight that investor activity in 2018 was more strategic and partnership focused, with transactional activity not reflecting the true level of investor activity in the market.

As global capital shifts its focus and increases allocations to operating asset classes within real estate, investors are seeking to establish joint ventures with developers and operators, a symptom of there being limited stock to trade and the immature nature of the markets but reflecting a long term commitment to the 'operating beds' sector.

The following table highlights some of the recent significant capital activity across the sector:

DATE	COUNTRY	JOINT VENTURE SPONSOR	INVESTOR	TARGET SIZE	FOCUS
Q1 2018	Germany, Austria, Hungary & Czech Republic	International Campus	Brookfield	20,000 units	Recapitalisation of existing assets and development
Q4 2018	Spain	Valeo/Plenium Partners	Bank Inter	€400m	Development
Q1 2019	Spain	Urbania	Invesco	€250m	Development
Q1 2019	Europe wide	Milestone/Value One	Nuveen	€600m	Development
Q2 2019	Poland	Griffin Real Estate	Kajima Student Housing	2,000 beds+	Investment & development
Q2 2019	Italy	Collegiate	Proprium Capital Partners	3,500 beds	Development
Q2 2019	Spain	GSA	Harrison Street Real Estate	€750m	Recapitalisation of existing assets and development

In terms of the transactional activity across Europe, it has been mainly focused on land purchases and forward funding style deals. Forward commitments are still relatively scarce in the market across southern Europe, although these have been more commonplace in Germany for example, which reflects the increased availability of development financing and better capitalised developers.

However as markets become more mature and development financing availability increases, it is expected that the lower cost of capital purchasers will be able to secure forward commitment style deals as developers will be able to complete projects with their own resources.

Nonetheless in the current environment, those long term capital sources who are able to digest a level of development risk are currently increasingly competitive as they negotiate hybrid forward funding style transactions to secure strong assets for long term ownership.

One of the market challenges is that development financing availability remains fragmented across Europe, with varying levels of debt providers, price and loan to cost ratios specific to each country. With an increasing number of development opportunities and equity capital seeking to invest in new, undersupplied markets, development financing constraints have presented significant opportunity to non-traditional lenders, such as debt funds, who are able to be more flexible and dynamic in their approach. These lenders are also able to offer more competitive loan to cost ratios, which allow developers to scale quicker in what is currently a fast paced land acquisition market across Europe.

In 2019 it is anticipated that transactional activity will remain relatively steady, with investor activity focused on agreeing further development joint ventures. Focus will be on construction throughout the year and into 2020, however there will be a first wave of assets completing and being mobilised for September 2019 following first mover activity in 2016/17. Investors and operators alike will be watching these assets carefully to evaluate their success and how they validate underwriting assumptions moving forward.

EUROPEAN INVESTMENT MARKET SUMMARY

COUNTRY

TOTAL STUDENTS | INTERNATIONAL STUDENTS | PRIME YIELD

SWEDEN
0.3m | 38k | 4.25%

GERMANY
2.9m | 394k | 3.5%

THE NETHERLANDS
0.7m | 75k | 5.5%*

UNITED KINGDOM
1.7m | 397k | 3.75%

IRELAND
0.2m | 22k | 4.5%

POLAND
0.9m | 73k | 6.25%

FRANCE
2.7m | 343k | 4%

PORTUGAL
0.4m | 50k | 5.5%

SPAIN
1.6m | 127k | 5.25%

ITALY
1.8m | 93k | 5.5%

*Gross Yield

FRANCE

Student accommodation in France remains one of the larger markets in Europe, with some estimated 350,000 purpose built beds provided. Ownership however is fragmented across non-for-profit organisations and in dedicated retail investment structures, a legacy of historic tax advantages for private investors to invest in individual rooms.

Student numbers have continued to grow, with 2.63m students in higher education in France for the 2017/18 academic year, a 2.7% increase on the previous year, and a 15.6% increase since 2010/11. This underpins France's position as a global education destination and how students are attracted by the quality of universities on offer (31 universities in the QS 2020 World Rankings) at a relatively affordable price.

International student numbers also continue to grow, with 343,000 international students registered in 2017/18, an increase of 6% on the previous year, and 20% since 2010.

Whilst ownership remains fragmented, there is increasing focus on student accommodation provision, as student numbers continue to grow. In 2018, controversial reforms in higher education were implemented, which applied new processes to how university applications were dealt with and outlined plans to create an additional 130,000 university places by 2023.

As part of these reforms, there are plans to create an 'Observatoire national du logement étudiant', a government department monitoring student accommodation, as well as the intentions to create 60,000 new student housing beds by 2022.

However the detail in how this is to be delivered remains to be seen, and the main focus will be on reducing the high dropout rate for first year students, which is estimated to be nearly 60%, and has been one of the main drivers for the need to change the system.

FEES (FOR AN EU STUDENT LARGEST BED PROVIDER – CROUS (165K BEDS)

€100–1,000

TOP INVESTORS
BROOKFIELD; OAKTREE; SWISS LIFE; GECINA

OPERATORS
CROUS, STUDEA, LES ESTUDINES, KLEY

KEY STUDENT MARKETS BY NUMBER

PARIS	363k
LYON	196k
LILLE	180k
TOULOUSE	139k
NANTES	135k
BORDEAUX	132k

2.7m
FULL TIME STUDENTS (2017/18)

2.7%
ANNUAL INCREASE

343K
INTERNATIONAL STUDENTS (13%)

INTERNATIONAL STUDENTS MAINLY FROM **CHINA, MOROCCO, ALGERIA & TUNISIA**

EST. **340,000**
PURPOSE BUILT BED SPACES

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	→	→	↑	→

GERMANY

The student accommodation market in Germany continues to grow and evolve, as part of wider growth in the micro-living sector, providing various formats of residential living to a wider range of customers. Germany's appeal to international business and highly mobile workforce, has led to strong demand for flexible and convenient living solutions, which are not provided for in the mainstream residential market.

Germany has one of the largest student cohorts in Europe, with some 2.86m students in higher education in 2018/19, an increase of 1% on the previous year. International student numbers also rose by 5% to 394,000, with international student numbers growing by over 60% over the past decade. Germany's high-quality degree courses, increasing courses taught in English, and free-tuition universities, make it a popular choice for international study.

The strong governmental support for higher education, open accessibility, and close links to international business, make the German student market a highly stable customer base. This has led to large domestic and international capital players looking to gain or grow exposure to the market.

Student accommodation comprises a significant part of the 'micro living' landscape in Germany which is developing a steady pace. However it is estimated that a proportion of the current stock will become economically obsolete in the short to medium term, therefore total stock numbers are likely to be grow at a lower pace as beds are replaced, rather than added to.

The investment market remains tight, as land and construction pricing remains strong, and competing use values in desirable locations continue to provide robust competition to student accommodation developers, ensuring yields have been kept low.

FEES (FOR AN EU STUDENT (ADMINISTRATION CHARGE; PUBLIC UNIVERSITIES ARE FREE FOR ALL STUDENTS)
€0–1,500

LARGEST OWNER
STUDENTENWERK (200K BEDS)

TOP INVESTORS
GIC; BVK; ALLIANZ, HSRE, BROOKFIELD

OPERATORS
STUDENTENWERK, THE FIZZ (IC), YOUNIQ, UNINEST

KEY STUDENT MARKETS BY NUMBER

BERLIN	188k
MUNICH	130k
HAMBURG	108k
COLOGNE	102k
FRANKFURT	72k

2.86m
FULL TIME STUDENTS (2017/18)

1%
ANNUAL INCREASE

394K
INTERNATIONAL STUDENTS (14%)

5%
ANNUAL INCREASE IN INTERNATIONAL STUDENTS

INTERNATIONAL STUDENTS MAINLY FROM **CHINA, RUSSIA, AUSTRIA & CEE**

EST. **274,000**
PURPOSE BUILT BED SPACES

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	↑	→	↑	↑

ITALY

The Italian student market has a number of strong fundamentals, such as 1.83m students, a lack of fit for purpose and modern purpose built accommodation, and a diverse educational offer across some of the oldest universities in the world. The purpose built student accommodation market is a first mover landscape with the opportunity at the front end of the risk curve and activity is focused on development transactions.

Investors have become increasingly interested in the market in the last year, and activity has increased, with Hines purchasing a 600 bed development site in Milan to be operated under their Aparto brand, Camplus increasing their development activity, and The Student Hotel opening their first building in Florence in 2018 with their hybrid short & extended stay model.

It is estimated that there are some 7,500 beds in the development pipeline across Italy, which will change the landscape over the coming years and establish new concepts in key markets such as Milan, Turin, Bologna, Florence, and Rome.

These new operations will provide modern amenities and service levels in a market which often provides basic accommodation run by non-for-profit organisations. These operators will also cater for international students, particularly those from US, as well as Erasmus students, with some 22,785 students choosing Italy as their exchange destination according to latest figures.

First mover challenges are currently front and centre in the market, with the focus on navigating construction and procurement contracts, to local taxation and permitting hurdles to overcome. However the depth of the local markets and changing demand dynamics make Italy a highly sought after growth market and those seeking to capitalise on first mover advantage will pave the way for bigger capital sources to enter the sector.

FEES
€850–1,100

TOP INVESTORS
HINES, AERMONT, APG, PROPRIUM CAPITAL, FONDO ARISTOTELE

PRIVATE OPERATORS
CAMPUS X, THE STUDENT HOTEL, IN-DOMUS, GASTAMECO, CAMPLUS, COLLEGIATE

1.83m
FULL TIME STUDENTS

93k
INTERNATIONAL STUDENTS (4%)

INTERNATIONAL STUDENTS MAINLY FROM **CHINA, IRAN, ROMANIA AND SPAIN**

49.5k
PURPOSE BUILT BED SPACES

7.5k
BEDS IN THE DEVELOPMENT PIPELINE

KEY STUDENT MARKETS BY NUMBER

ROME	178k
MILAN	174k
TURIN	96k
BOLOGNA	79k
FLORENCE	49k

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	→	→	↑	→

IRELAND

Activity and interest in the Irish student accommodation market has continued to remain robust, as the main markets of Dublin, Cork and Galway evolve, and new, modern purpose-built accommodation is introduced into the market. Chronic shortages of accommodation in markets that have been attracting increasing international and domestic talent to universities and jobs, have led to significant investor and developer interest in the wider residential sector, including student accommodation.

The attractiveness of Dublin as a place to study and work is fuelling development activity, and in student accommodation alone, there are over 2,000 beds under construction in Dublin alone, with a further 6,000 in the wider pipeline across Ireland. This level of construction is likely to cause some digestion issues in Dublin in particular, forcing operators to be savvy about marketing and mobilisation plans for new buildings. It remains to be seen whether operators will compete on price, but one result may be that rental growth is limited as new buildings are absorbed into the market.

Another possibility is that some of the pipeline beds are repurposed to a coliving style product to cater for the growing number of companies growing staff numbers in Dublin in particular. Facebook's decision to grow their European headquarters in the city is going to increase the need for beds on a temporary and permanent basis, and new coliving buildings may be able to profit from this.

Despite some anticipated growing pains in the market in the next few years, well located and priced schemes will continue to thrive and be in high demand in Dublin, and the growing markets of Cork and Galway will provide further development opportunity to cater for modern day students.

FEES (FOR AN EU STUDENT AT PUBLIC UNIVERSITY)

€0–3,000

TOP INVESTORS

HINES, HARRISON STREET, GSA, VALEO, BLACKROCK, AIG, BAIN CAPITAL, EXETER PROPERTY GROUP

OPERATORS

APARTO, UNINEST, LIV STUDENT, HOST, FRESH

KEY STUDENT MARKETS BY NUMBER

DUBLIN	76k
CORK	27k
GALWAY	20k

184K
FULL TIME STUDENTS (2017/18)

1.6%
ANNUAL INCREASE

30%
STUDENTS STUDYING AWAY FROM HOME

INTERNATIONAL STUDENTS MAINLY FROM **UK, MALAYSIA & CHINA**

22K
INTERNATIONAL STUDENTS (12%)

EST. **30K**
PURPOSE BUILT BED SPACES (22,600 BETWEEN DUBLIN, GALWAY AND CORK

OVER **4,000** BEDS UNDER CONSTRUCTION IN DUBLIN

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	→	↓	↑	↑

THE NETHERLANDS

The Netherlands has a highly attractive higher educational system and have been progressive in recent years with internationalising their offering, providing an increasing number of courses taught in English to boost student numbers.

As with many European markets, the Dutch market has been dominated by not-for-profit owners of student accommodation and has been governed by restrictive legislation, which has meant that whilst accommodation costs have been kept low, quality has suffered due to lack of investment, which has opened up opportunity for private providers to cater for an undersupplied and changing student market.

However this has meant that pricing has had to evolve and new rental levels have been achieved in particular markets, with these rents delivering value to a student cohort with shifting demands through provision of a fit for purpose and modern product.

New developments operated by Greystar, IC Campus, and Xior, are now opened and stabilising, and hybrid operations such as The Student Hotel are becoming established operators in the market, demonstrating value at their respective price points to domestic and international students alike through their amenity offer and approach to flexible contracts.

Increasing land prices and construction costs have restricted development supply in the last year, with strong price growth in the residential sector limiting viable opportunities for student accommodation development in strategic urban locations.

Nonetheless the Netherlands remains a sought after landscape for institutional capital , due to a relatively transparent residential market and strong education market fundamentals. Despite the challenges in the development market, it is expected demand will remain strong as there is plenty of room for growth.

FEES (PER YEAR FOR EU)
€2,000

LARGEST OWNER
DUWO (32K)

MAIN INVESTORS/OPERATORS
INTERNATIONAL CAMPUS, GREYSTAR AND THE STUDENT HOTEL, XIOR, DUWO, CAMELOT

683K
FULL TIME STUDENTS

2.3%
ANNUAL INCREASE

52%
STUDENTS STUDYING AWAY FROM HOME

75K
INTERNATIONAL STUDENTS (10%)

KEY STUDENT MARKETS BY NUMBER

AMSTERDAM	100k
ROTTERDAM	83k
UTRECHT	64k
GRONINGEN	57k
MAASTRICHT	17k

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	↑	↓	↑	↑

POLAND

Poland is fast becoming a successful hub for high quality talent in mainland Europe, with an accessible and deep higher educational market, as well as a fast growing and attractive landscape for international business to grow. A relatively lower cost of study and living, as well as over 400 higher education institutions to choose from, makes Poland a highly attractive place to study.

The cities of Warsaw, Poznan, Krakow, Lodz, Lubin and Gdansk, are all seeing regeneration and increased levels of urbanisation, providing opportunities to create new communities and provide modern accommodation to those relocating to these cities for study or work.

Universities provide some 125,000 beds across their various campuses; however these differ in quality, with the average quality towards the poor end of the scale. Whilst these are often offered at an attractive entry price point, they do not cater for the evolving needs of Generation X, with limited technology infrastructure and not fostering the kind of dynamic communities that students want to be a part of. In any case, these university rooms are in such short supply, catering to approximately only 15% of all full time students.

Research conducted by Cushman & Wakefield in Poland highlighted that more than half of all students work part time during study and are willing to allocate up to 50% of their monthly salary towards living costs. Therefore, whilst students do have increasing demands, they are also cost conscious, and this must be taken into account when developing new student accommodation, particularly in developing cities where average earnings are lower.

Overall student numbers did fall in 2018 by some 5%, as a result of a demographic dip, which is being seen amongst many developed nations, such as the UK. It is forecast that the number of domestic population of university age will start to increase again in 2022.

Transactional activity in the market has been predominantly development focused, with local developers buying strategically located sites. However the sale of the Student Depot portfolio by Griffin Developments and Oaktree Capital to Kajima, was a landmark transaction in the market, representing the first trading student accommodation portfolio to be traded in the country, and highlighting the growing demand.

FEES

€2,000–3,000

KEY STUDENT MARKETS BY NUMBER

WARSAW	138k
KRAKOW	118k
LUBIN	65k
POZNAN	65k
LODZ	53k
GDANSK	46k

852K
FULL TIME STUDENTS

5%
ANNUAL DECREASE

73K
INTERNATIONAL STUDENTS (8.5%)

INTERNATIONAL STUDENTS MAINLY FROM **UKRAINE, BELARUS AND INDIA**

EST. **5K**
PRIVATE PURPOSE BUILT BED SPACES/125,000 UNIVERSITY DORM SPACES

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	↑	↓	↑	→

PORTUGAL

Activity in the Portuguese student accommodation market continues to remain strong, as investors and developers seek opportunities to take advantage of strong student demand and a lack of modern purpose-built bed provision. Pipeline estimates show circa 10,000 new beds will come on line in the next three years, adding to the purpose-built provision of 18,000 beds currently operating in the market.

Portugal has strong appeal to young students, as Lisbon and Porto cities are turning into innovation playgrounds and the promotion of business clusters are opening up entrepreneurship initiatives in universities. Fees at public universities have also been recently reduced, increasing the appeal to domestic and EU students.

Domestic students will often travel to study, with historic research suggesting some 42% of students live away from home. International students come in search of lifestyle, lower cost of living and good weather, combined with the increasing international reputation of higher education in Portugal. The clear lack of supply for student accommodation has led the government to announce plans to support growth in the sector, albeit the detail has yet to be released.

It is estimated some €71m of student accommodation development transactions has been undertaken since 2016, with further activity anticipated in 2019. Operators such as Collegiate, SmartStudios, U.hub, and StudentVille, have all established themselves in the market in the last two years, and have ambitious plans to grow with international capital partners.

Whilst Portugal has a compelling business case for student accommodation, the nascent nature of the sector means considerations around affordability and product type will have to be more of a focus.

FEES

€1,000

TOP INVESTORS

WP CAREY, ROUND HILL CAPITAL, NUVEEN

OPERATORS

COLLEGIATE, NIDO, STUDENTVILLE, U.HUB, SMARTSTUDIOS

KEY STUDENT MARKETS BY NUMBER

LISBON	141k
PORTO	78k
COIMBRA	36k

372K
FULL TIME STUDENTS

42%
LIVE AWAY FROM HOME

50K
INTERNATIONAL STUDENTS (13%)

INTERNATIONAL STUDENTS MAINLY FROM **ANGOLA, BRAZIL AND FRANCE**

18K
PURPOSE BUILT BED SPACES

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	↑	↓	↑	→

SPAIN

Spain continues to be one of the more active student accommodation markets in Europe, with an estimated 11,000 purpose-built beds in the development pipeline, which will add to the current purpose built stock of approximately 96,000 beds. It is estimated that over half of this stock is controlled by non-for-profit organisations, who are typically cash poor, therefore the quality of provision varies significantly and many buildings are becoming economically obsolete.

Following two large portfolio transactions in 2017, transactional activity since then has concentrated on development, with investors, developers, and operators partnering to acquire strategically located sites for development. There has been limited trading of operational assets in the market since these portfolios traded, which has contributed to comparable data remaining opaque.

In terms of concession deals which made up a significant proportion of 2017 transactional activity, these are likely to be limited in the coming years, but it is anticipated that surface rights will continue to be popular as public land owners release sites for student accommodation development.

Nonetheless, there has been an increase in capital moving into the market across the risk spectrum, with new entrants including more lower cost of capital and long term investors, such as Invesco, who have partnered with Urbania to develop and operate a portfolio across Spain.

The Spanish market fundamentals remain strong, with a stable cohort of domestic and international students, and a poorly supplied accommodation market that increasingly doesn't meet the needs of modern-day students. As new pipeline enters the market, we will see proof of new concepts across Spain and potentially new rental levels set.

LARGEST OWNER – RESA (BEDS)

9,000

TOP INVESTORS

GREYSTAR/AXA IM/CBREGIP (RESA); GSA & HSRE; CORESTATE; WP CAREY; THE STUDENT HOTEL, INVESCO

OPERATORS

RESA, NEXO RESIDENCIAS, YOUNIQ, COLLEGIATE

KEY STUDENT MARKETS BY NUMBER

MADRID	305k
BARCELONA	162k
VALENCIA	95k
SEVILLE	77k
GRENADA	52k
BILBAO	37k
MALAGA	36k
SALAMANCA	36k

1.58m

FULL TIME STUDENTS (2017/18)

1%

ANNUAL INCREASE

127k

INTERNATIONAL STUDENTS (8%)

INTERNATIONAL STUDENTS MAINLY FROM **LATIN AMERICA (40%)**

EST. **96k**

PURPOSE BUILT BED SPACES

KEY TRENDS

Activity	*Rents*	*Yields*	*Development*	*Investment Pipeline*
↑	→	↓	↑	↑

SWEDEN

Sweden is a highly attractive market for purpose built student accommodation, with a diverse university offer, free tuition for EU students, and a chronically undersupplied residential market. The majority of the current student accommodation stock is managed by universities or public housing associations, with the quality of the stock and levels of amenity and service varying greatly.

Private investors and developers are now entering the market as first movers, but still face challenges in finding suitable sites and navigating residential rental legislation. A constrained land market and strong residential pricing, have limited opportunities for developers to drive scale in the short to medium term, meaning growth has been slow.

Sweden is a progressive country that adopts new ideas, technologies, and concepts well, and the diverse mix of students would welcome modern student living as we know it. However restrictive rental legislations for residential properties need to be navigated with the public bodies, and growth in the Swedish market is most likely to achieved by having positive working relationships with universities, local government, and land owners.

Nonetheless not-for-profit owners such as SSSB are opening new buildings in Stockholm and private developers such as ByggVesta, are providing modern high quality beds in desirable residential locations throughout the city, which demonstrates progression in the market.

Construction efforts have been strong in the market with Public Private Collaboration programs such as STHLM6000+ building 6,000 beds in and around Stockholm from 2013 to 2020, but this still does not meet the growing demand for good quality accommodation.

The wide range of courses on offer and growing start up culture in Stockholm in particular, make the city ripe for development in the coliving sector too, catering for students looking to study short courses or budding founders looking to grow their companies and ideas.

FEES

FREE FOR DOMESTIC AND EU STUDENTS AT PUBLIC UNIVERSITY OPERATORS IN THE MARKET ARE NOT-FOR-PROFIT ORGANISATIONS SUCH AS SSSB IN STOCKHOLM, SGS IN GOTHENBURG, AND AF BOSTÄDER IN LUND, CONTROLLING SOME 21,000 BEDS BETWEEN THEM.

KEY STUDENT MARKETS BY NUMBER

STOCKHOLM	48k
GOTHENBURG	35k
UPPSALA	28k
LUND	26k

345K
FULL TIME STUDENTS

0.7%
ANNUAL GROWTH

38K
INTERNATIONAL STUDENTS (11%)

INTERNATIONAL STUDENTS MAINLY FROM **GERMANY, FINLAND AND CHINA**

57%
STUDENTS STUDYING AWAY FROM HOME

KEY TRENDS

Activity	Rents	Yields	Development	Investment Pipeline
↑	→	↓	→	→

CONTACT DETAILS

EUROPEAN STUDENT ACCOMMODATION INVESTMENT & ADVISORY

Paddy Allen
Partner
T: +44 (0) 20 7152 5534
paddy.allen@cushwake.com

George Dyer
Partner
T: +44 (0) 20 7152 5954
george.dyer@cushwake.com

Andrew Smith
Partner
T: +44 (0) 20 7152 5969
andrew.t.smith@cushwake.com

EUROPEAN VALUATION

Jagruti Joshi
Partner
T: +44 (0) 20 7152 5769
jagruti.joshi@cushwake.com

FRANCE

Chrystele Villotte
Residential Director
T: +33 (0) 1 86 46 11 07
chrystele.villotte@cushwake.com

Elsa Wojtowicz
Consultant
T: +33 (0) 06 35 88 46 52
elsa.wojtowicz@cushwake.com

GERMANY

Andreas Polter
Head of Residential
Portfolio Investment
T: +49 (0) 1 511 883 6150
andreas.polter@cushwake.com

IRELAND

Emma Reardon
Senior Analyst
T: +353 (0) 1 639 9305
emma.reardon@cushwake.ie

Siobhan Corcoran
Associate Director, Research
T: +353 (0) 1 237 6317
siobhan.corcoran@cushwake.ie

ITALY

Luca D'Anzieri
Senior Consultant – Capital Markets
T: +39 (0) 2 63799 241
luca.danzieri@cushwake.com

POLAND

Mira Kantor-Pikus
Partner
T: +48 (22) 820 20 96
mira.kantor@cushwake.com

PORTUGAL

Ana Gomes
Associate, Head of
Urban Development
T: +351 (0) 21 3219545
ana.gomes@cushwake.com

Andreia Almeida
Associate, Head of Research
+351211207560
andreia.almeida@cushwake.com

SPAIN

Reno Cardiff
Partner
T: +34 (0) 93 272 16 68
reno.cardiff@cushwake.com

Miles Leonard
Associate
T: +34 (0) 91 781 83 38
miles.leonard@cushwake.com

SWEDEN

Sara Vesterlund
Partner
T: +46 (0) 8 671 3400
sara.vesterlund@cushwake.com

Mimmi Gade
Associate
T: +46 (0) 8 671 3400
mimmi.gade@cushwake.com

THE NETHERLANDS

Roel Timmermans
Associate – Capital Markets
T: +31 (0) 20 800 2080
roel.timmermans@cushwake.com

Wessel van Loon
Advisor
T: +31 (0) 30 232 0034
wessel.vanloon@cushwake.com

Jurre Brantsma
Head of Residential –
Valuation & Advisory
T: +31 (0) 20 8407 244
jurre.brantsma@cushwake.com

About Cushman & Wakefield
Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of $5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded Cushman & Wakefield Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.