

Student Housing Market Update

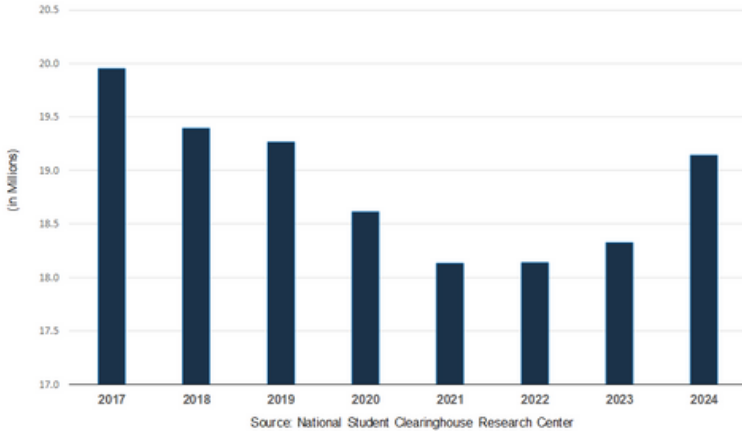
March 2025



STUDENT HOUSING MARKET UPDATE - MARCH 2025



Total National Fall Enrollment



92.4%

\$2,130



18.2%

\$774

Pre-leasing range

Rent per bed range

Sale Volume

▲ 22.3% QoQ

▲ 31.4% YoY

5.83%

Trailing 12-month OAR

15,147

Beds Under Construction

Recent Student Housing Property Sales

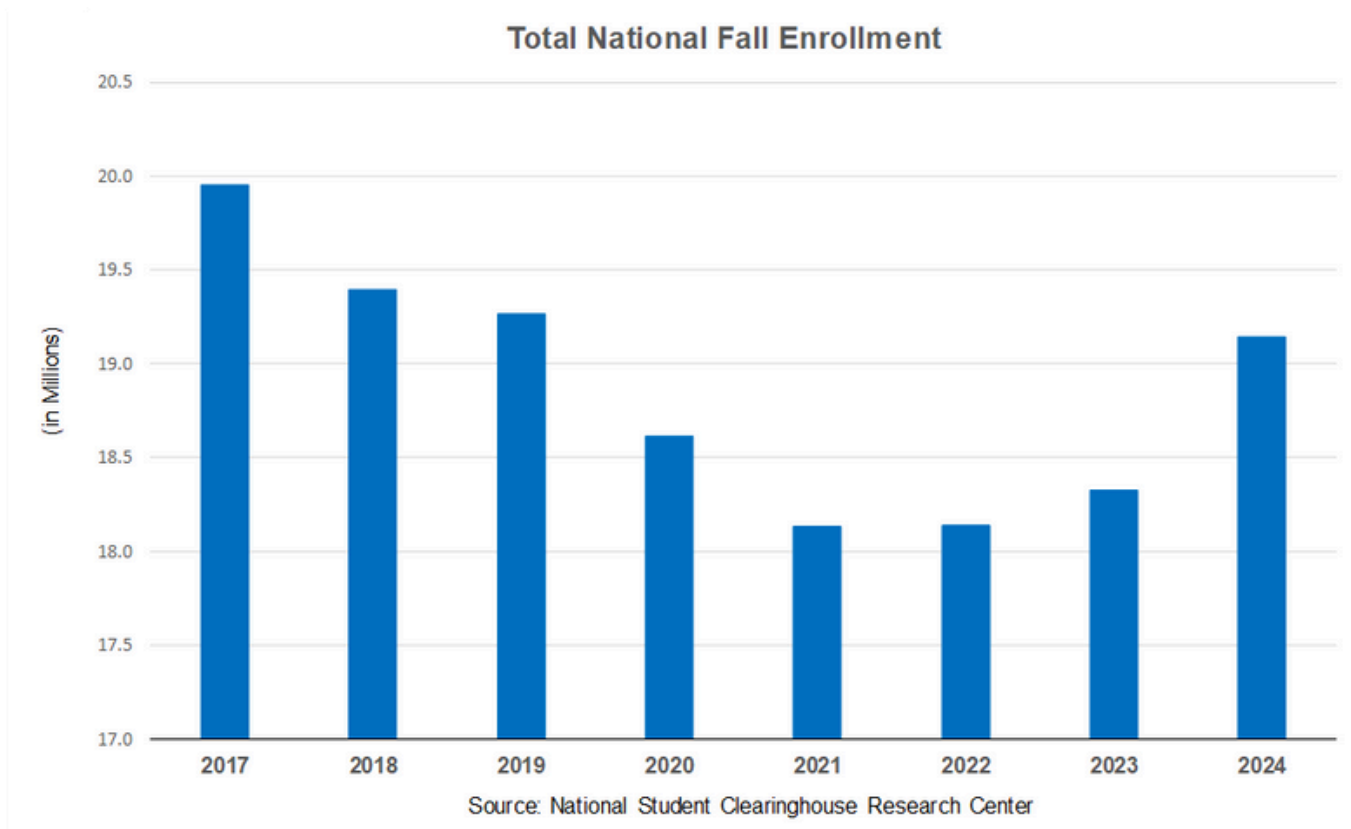
Property	University	Sale Date	Total Beds	Sale Price
The Accolade	University of Washington	Jan-25	597	\$126.4M
114 Earle	Clemson University	Dec-24	706	\$153.9M
Sawyer on Lincoln	University of South Carolina	Oct-24	673	\$108.3M
The Blake	Kennesaw State University	Sep-24	736	\$97.0M
Rush Student Living	University of North Carolina	Aug-24	887	\$114.0M
UFORA Gainesville	University of Florida	Jun-24	663	\$124.0M

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Student housing is a small but growing share of the institutional real estate investment market. Healthy enrollment at the nation's largest universities and a growing trend towards off campus housing continues to attract institutional capital to this asset class. With increasing institutional investment, the quality of student housing has greatly improved. Dorm-style housing with one shared bathroom per floor has given way to private bedrooms in separate apartment units with full kitchens and living rooms. The result has been strong increases in rents, and pre-leasing that often begins a year before the start of the academic year. This has created a virtuous cycle where increased investment has improved the quality of the asset class which in turn has grown rents, increased demand, and attracted more investor interest.

Student Housing Rental Market

Demand for student housing relies entirely on the enrollment of the universities that it serves. With the increasing importance of a college diploma in today's knowledge-based economy, university enrollment has steadily increased over the past several decades. Furthermore, most large universities are relatively resilient during slower economic conditions sometimes even growing their enrollment during periods of recession as laid off workers look to expand their skills and change careers. The pandemic adversely affected enrollment at most colleges and universities nationwide. However, there has been steady improvement in enrollment over the past two years with increases of 1.1% in 2023 and a 4.5% in 2024.



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Institutions typically invest in student housing properties that serve the largest universities in the nation. These are generally the Power Five which include schools in the four largest conferences (Atlantic Coast Conference or ACC, the Big Ten Conference or B1G, the Big 12 Conference, and the Southeastern Conference or SEC) as well as the Pac-12 Conference. Each Power Five school has an enrollment of over 30,000. Accordingly, these schools have substantial levels of private off campus student housing. A list of the largest Power Five universities is set forth in the table below sorted by current enrollment.

Largest Power Five Universities

University	Full-Time Enrollment	Total Inventory	Under Construction	Occupancy	Pre-Leased	Asking Rent/Bed
Arizona State	70,971	39,553	2,201	88.7%	43.3%	\$1,124
Texas A&M	65,547	52,108	321	93.3%	57.9%	\$820
Ohio State	51,944	31,027	2,349	93.1%	N/A	\$881
Texas at Austin	49,894	48,994	2,207	88.6%	62.8%	\$1,378
Penn State	48,720	27,113	0	94.4%	71.1%	\$999
Michigan at Ann Arbor	48,167	24,433	1,135	94.9%	55.0%	\$1,278
Illinois at Urbana, Champaign	47,118	34,192	199	94.5%	70.3%	\$780
Central Florida	46,570	25,300	616	94.3%	70.2%	\$979
Michigan State University	45,915	27,516	0	94.1%	53.6%	\$774
Wisconsin at Madison	44,928	34,521	611	95.4%	92.4%	\$1,140
California, Los Angeles (UCLA)	44,730	23,383	525	93.2%	N/A	\$2,130
Purdue	44,479	24,896	82	97.5%	74.6%	\$926
Florida, Gainesville	44,377	51,146	288	91.0%	56.8%	\$851
Rutgers	43,738	14,638	0	96.7%	N/A	\$1,387
Washington at Seattle	43,118	33,835	444	92.2%	N/A	\$1,561
Indiana at Bloomington	42,650	21,607	0	92.1%	64.8%	\$903
California, Berkeley	41,820	19,522	768	90.7%	18.2%	\$1,871
Southern California, USC	41,648	20,869	1,347	89.4%	N/A	\$1,222
Arizona, Tucson	41,526	24,624	648	90.3%	58.0%	\$988
Minnesota	38,441	23,177	1,406	89.9%	51.4%	\$918

Source: CoStar

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As shown in the previous chart, at 52,108 Texas A&M has the largest number of beds at its main College Station campus reflecting the school's substantial enrollment of 65,547 students. There are currently 15,147 beds under construction at these large universities indicating a 2.5% near-term increase in total inventory.

Preleasing for off campus student housing typically starts a year prior to the next academic year. For the student housing complexes that are in the highest demand, or are in supply constrained markets, occupancy is usually 100% when the academic year starts. Pre-leasing for the 20 largest Power Five universities currently ranges from 18.2% to 92.4% as of 1Q25. The national pre-leasing average is currently 59.5%.

Rent for student housing properties is typically quoted on a per bed basis. With the increasing prevalence of apartment-style units, this typically means a private partially furnished bedroom in a multi-bedroom apartment with a shared kitchen and living area. However, in some supply-constrained markets, the practice of shared bedrooms continues. Rent at a student housing complex is generally dependent on the amount of supply in the market that it serves, as well as the parents' income demographics of the students enrolled. For most student housing properties, lease terms have shifted to 12 months removing the summertime vacancy gap.

Rents at the 20 largest Power Five universities currently ranges from \$774 to \$2,130 per bed, with a weighted average of \$1,111 per bed. At the high end of the range is the University of Los Angeles (UCLA), a significantly supply constrained market where barriers to entry are high.

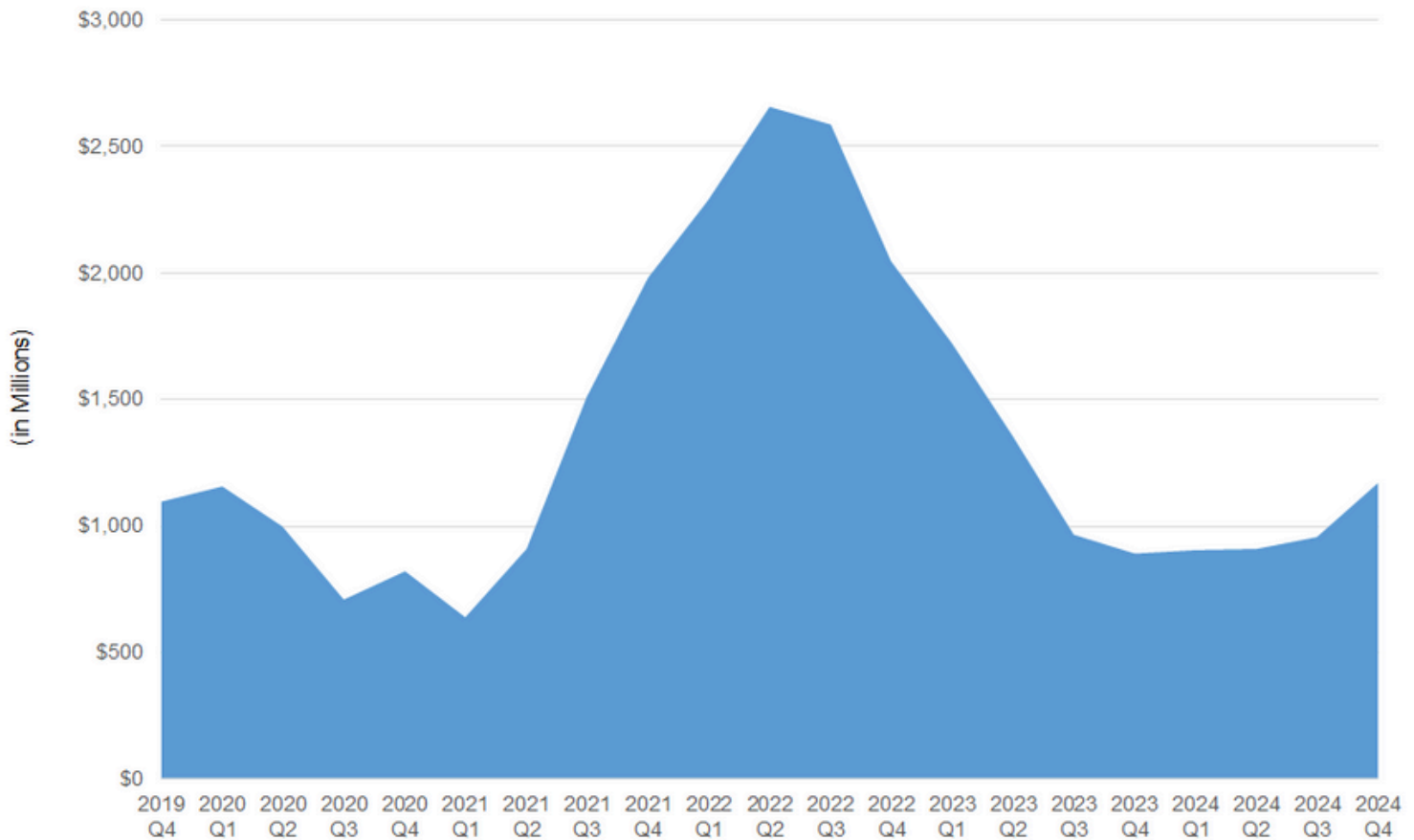
Institutional Quality

Increasing levels of institutional capital have resulted in a significantly higher standard of construction quality and an overall enhanced student housing experience. Class A student housing properties are typically within a short walk of campus and include high-end in-unit finishes and extensive common amenities. The highest quality units are typically partially furnished with beds, desks and some living room furniture. Units include full kitchens with stainless steel appliances and quartz countertops, as well as in-unit laundry. Common amenities at Class A student housing properties are extensive and include numerous study lounges, fitness centers, yoga studios, lounges, game rooms, swimming pools, and a large onsite management staff.

Transaction Activity

As was the case with all property types, transaction activity of student housing properties slid significantly throughout the second half of 2022 and into the first half of 2023. This was due to the sharp increase in interest rates as the result of the Federal Reserve's monetary tightening to control inflation. However, more recently as interest rates stabilized, transaction activity began to pick up during the second half of 2024.

National Student Housing Trailing 12-Month Sale Volume



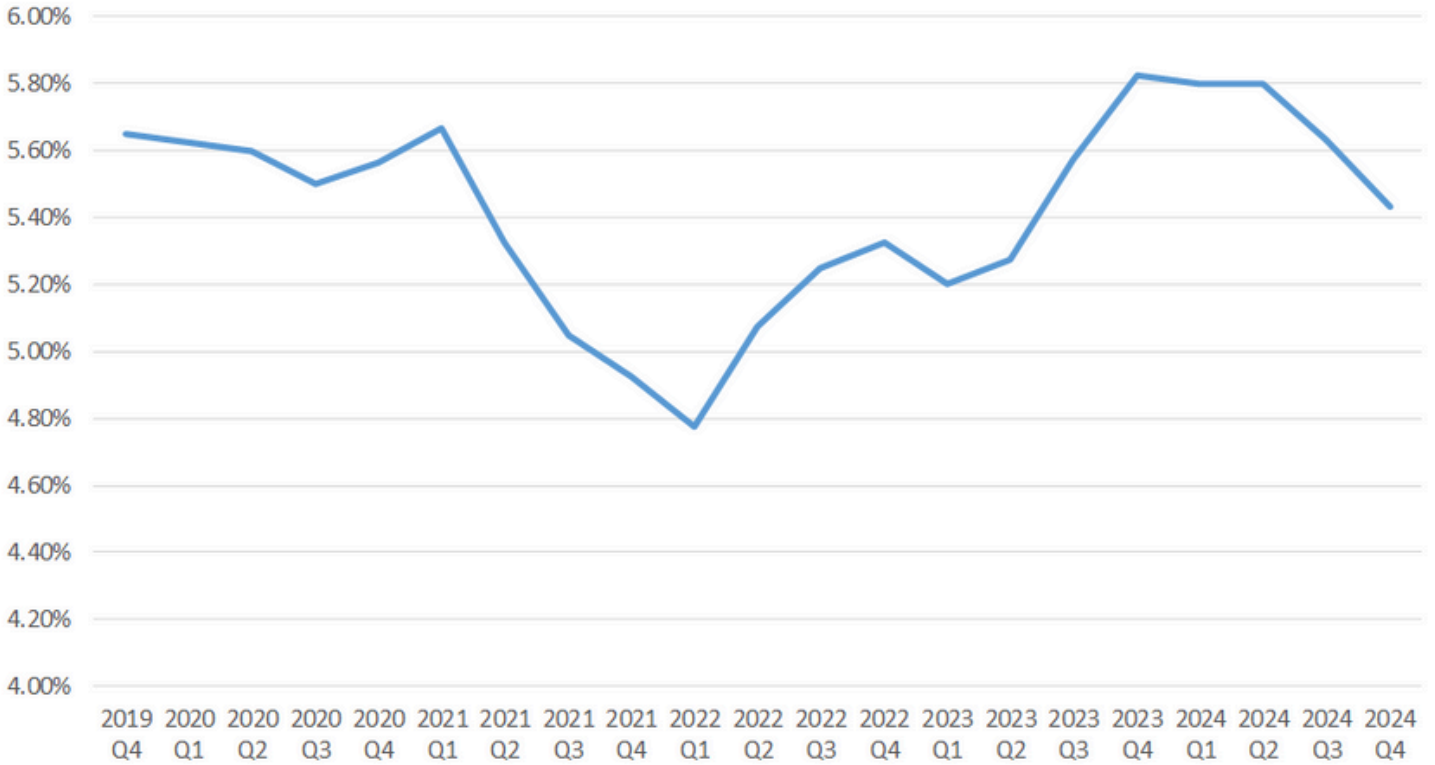
Source: Costar

As shown in the graph above, trailing 12-month sale volume of student housing properties totaled \$1.17 billion as of 4Q24, an increase of 22.3% from the prior quarter and an increase of 31.4% one year prior. In addition, reflecting the stabilization of interest rates, the average trailing 12-month overall capitalization rate has declined over the past two quarters.

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National Student Housing Average OAR



Source: Costar

As shown in the graph above, the most recent trailing 12-month overall capitalization rate for student housing properties nationally was 5.43%, down from a recent high of 5.83% in 4Q23. Overall capitalization rates for student housing properties are typically 25 to 50 basis points higher than conventional apartment properties due to their exclusive reliance on the universities that they serve.

Recent notable sales that have transpired over the past 12 months are set forth in the table below. These are large properties of over 500 beds with sale prices in the range of \$100 million or above.

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In addition, there have been two recent portfolio sales:

- Harrison Street sold a 14-property, 8,724-bed, student housing portfolio to Scion Group for \$893M in November 2024. The properties are located near large universities such as the University of Arkansas, Texas A&M and the University of Missouri.
- Blackstone sold a 19-property student housing portfolio to KKR for \$1.6B in April 2024. It is estimated that the portfolio has over 10,000 beds. Most of the properties are located near major public universities.

Risks and Opportunities

As a real estate class, student housing has some of the same risks and opportunities as other property types; such as the current risk of elevated interest rates and ongoing inflation, and the opportunity of strong demand in the face of constrained inventory growth. However, there are some addition risks and opportunities that are specific to the student housing sector.

RISKS

Enrollment: Demand for student housing is entirely dependent on the enrollment of the university it serves. The financial health of the university is a major factor to consider as a potential risk to the property.

University rules and regulations: Sometimes universities will change their off-campus housing policy, restricting it to upperclassmen and thereby reducing the pool of potential renters.

The rising cost of higher education: Most universities and colleges have seen substantial increases in tuition, and, in an increasing number of cases, the career benefit of a college diploma is no longer worth the cost.

Higher maintenance and capital costs: Turnover is substantially greater with student housing than conventional apartments increasing the wear and tear on the property.

OPPORTUNITIES

Recession resilient: Student housing is resilient in the face of a recession and will sometimes benefit. When recessions occur some laid-off workers choose to return to school to bolster their skills.

Undersupplied market: In most student housing markets off campus student housing construction has not kept up with increasing enrollment. Walker & Dunlop estimates that there are 1.34 students for every bed at the top 20 universities.

Reductions in on campus housing: In the face of state budget cuts, many universities are scaling back on campus housing.

Master leases: Student housing properties can sometimes partner with the university that they serve by signing long-term master leases for all or a portion of the beds.

Conclusion

The student housing market has matured into a stable high-quality investment sector. The newest properties are well-constructed and have similar in-unit and common amenities as Class A apartment complexes. Most markets continue to be undersupplied as student housing construction is not keeping up with university enrollment growth. The result of increases in quality combined with low inventory growth has been a substantial increase in asking rents and pre-leasing that is often completed months in advance of the start of the academic year. These positive factors are attracting an increasing share of institutional capital to the student housing market with cap rates that are typically 25 to 50 basis points higher than the conventional apartment market.

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For more information on the student housing market, please reach out to:



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