

## Student-Housing Sector Gets “A” Grade from Experts

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**After showing impressive resilience** during the Great Recession, the student-housing sector is set for a strong future and is attracting increased interest from investors.

Those were some of the points made by a panel of student-housing experts on [a recent episode](#) of the “Commercial Real Estate Show.” My guests and I examined many topics related to the sector, including in-demand amenities, rent growth, financing and construction costs.

### **Acing the Tests**

“To sum up, conditions right now really look good for the student-housing market,” said Ronald Johnsey, president of [AxioMetrics Inc.](#)

Student-housing communities performed better in terms of rent growth and occupancy than traditional apartments during the recession, in part because many people returned to school during the downturn to improve their employment prospects, Johnsey said. Now, with much of the Millennial generation entering their college years, overall college enrollment growth in the United States could average 1.5 percent a year for the next decade, he said. Combine increasing enrollment with decreased state funds for building or renovating on-campus residences, and the demand for privately developed and operated residential communities near colleges should continue to be strong, Johnsey noted.

Rent growth should actually slow in 2013 because a sizeable amount of new supply – 50,000 beds – will be delivered this year, according to Johnsey. However, rent growth should rebound to 3.7 percent next year, and “occupancy should be in the 96 percent range over the next four years,” Johnsey said. “We think the outlook’s great.”

Rising construction costs and labor shortages should prevent the sector from becoming oversupplied, Johnsey noted.

### **Non-Flagship Schools Creating Demand**

The areas surrounding the non-flagship schools of public university systems offer great opportunities for student-housing developers and operators, said Ted Rollins, CEO of [Campus Crest](#). That’s because enrollment at the institutions is growing as students seek cheaper tuition costs, he said.

“Students are focusing on these non-flagships due to their value and the quality of education that the students are getting,” Rollins said.

College students typically are taking longer to get their degrees, and enrollment from international students continues to grow, Rollins added. Those two dynamics will help drive demand in the years ahead, he said.

### **Not Your Father’s Student-Housing Community**

Amenities at student-housing communities are more elaborate than ever, said David Nelson, a vice president with [Carter](#). “It’s about trying to provide almost an all-inclusive environment for students, where they can study and be productive, where they can hang out and have fun without leaving the community,” he said.

Resort-style pools, golf simulators and even tanning beds are among the common amenities, Nelson said.

In the final analysis, however, proximity to campus is the most important amenity, Nelson added. “The amenities continue to evolve,” he said. “Everyone adds the next best amenity, but you cannot replace a great location. At the end of the day, students that are living farther away from campus are going to be frustrated with being late to class because they couldn’t find a parking space.”

### **More Money Flowing**

Financing for student-housing projects has become more readily available in recent years, even to the point that non-recourse loans are not unheard of, Nelson added.

Still, lenders are carefully evaluating the developers and operators they're giving money to, according to Miles Orth, chief operating officer of [Campus Apartments](#). "We are constantly getting feedback – whether it be from the life companies or GSEs – that experience is the most critical aspect for them, whether it be on the [project] delivery side or the management side," he said.

As for investment sales, 175 student-housing properties changed hands in 2012. "That's up pretty significantly over 2011," Orth said. "In particular, institutional investors and REITs are looking at the space and wanting to get in, and that's driving up [investor] demand," Orth added.

The entire [student-housing](#) episode is available at [www.CREshow.com](http://www.CREshow.com).

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