

APARTMENT ADVISORY

OCTOBER 2019

As students diligently work their way into the fall 2019 semester, RealPage's year-end student housing performance metrics come into focus.

the lowest this cycle.

Consistency is the predominate theme in overall student housing performance across the U.S. Among individual campuses, how-

tors reappear throughout.

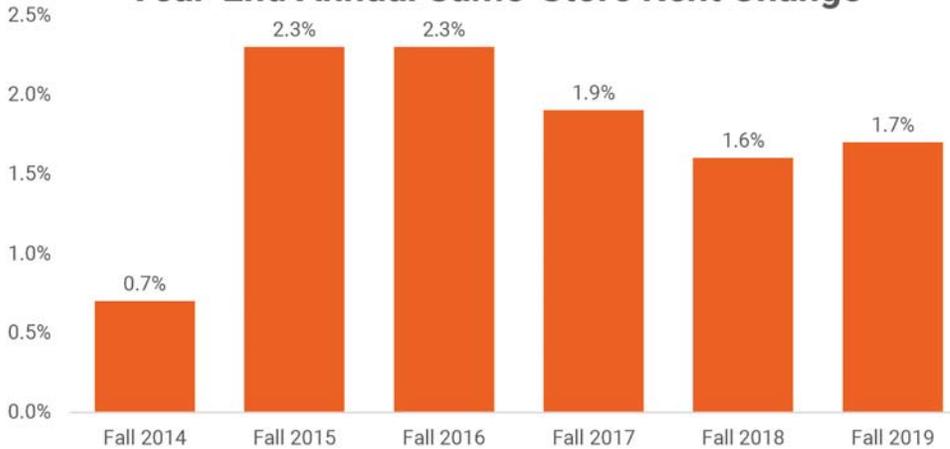
Several schools seeing high rent growth have seen little to no new supply of late. For instance, Bowling Green State University has seen no new purpose-built supply delivered since 2007. As a result, the school's existing stock of purpose-built beds remains extremely limited, allowing local operators more pricing power.

Other schools have grown enrollment with such pace to have new, captive demand for housing. For example, Virginia Tech has increased supply in the past five years, but strong enrollment growth has boosted demand and therefore rent growth.

Alternatively, schools that performed the worst for rent change in fall 2019 have generally seen significant new supply, decelerating or declining enrollment or a combination of both.

For instance, despite desirable enrollment growth at Mississippi State University, the school has added

Year-End Annual Same-Store Rent Change



Source: RealPage, Inc.

Rents grew 1.7% at the national level in fall 2019, which is up just 10 basis points (bps) from the prior year. Even considering rent growth's cycle peak of 2.3% in 2015 and 2016, the prevailing trend has been for rent increase to stand within the mid-1% to mid-2% range across the past five years.

Consistent levels of new supply have contributed to uniform rent growth. Each year of this current cycle, which began in 2011 for student housing, developers have not deviated from delivering between 40,000 and 60,000 purpose-built off-campus beds.

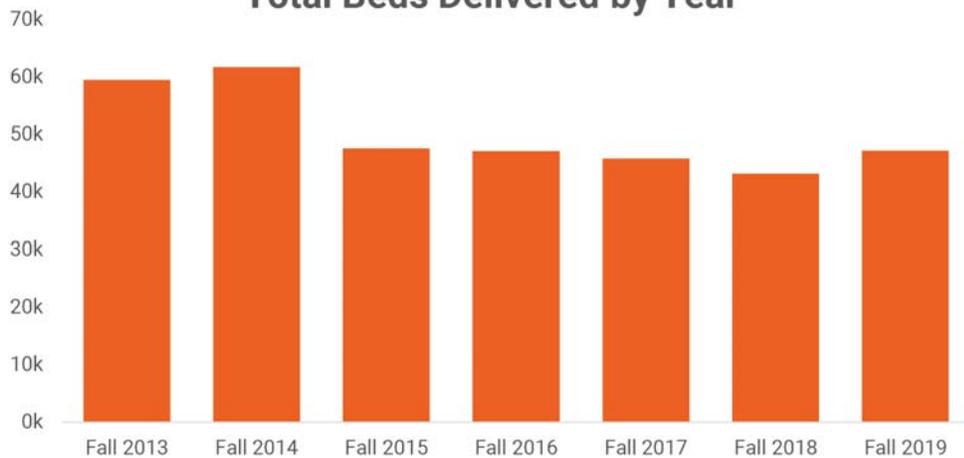
In the last five years, construction has kept an even tighter range. Since 2015, purpose-built, off-campus housing has grown by an average of 46,000 beds annually. In fall 2019, about 43,900 beds were delivered across the U.S.

Unlike rent growth and supply volumes, occupancy has varied this cycle. Pre-leasing activity through August sent occupancy in fall 2019 to 93.2% - matching 2018's rate as

ever, significant variances emerge.

In terms of pricing, 51 of the core 175 universities tracked by RealPage posted rent growth above 3%. Meanwhile, 43 schools saw rents

Total Beds Delivered by Year



Source: RealPage, Inc.

decline year over year. Very few actually posted performances in line with the national average.

While no singular trend can explain the performances at opposite ends of the spectrum, a couple key fac-

nearly 6,000 student purpose-built beds since 2011. Those beds have more than doubled total off-campus supply, resulting in weak rent growth in some years and rent cuts in other years. In fall 2019, the school cut rents by 2.7%.

At the University of Akron, enrollment has declined 30% since 2011 to stand at about 19,000 students. Though the school hasn't grown off-campus supply, drastic declines in enrollment create challenging environment for local operators.

Proving that performance is driven more by individual school factors rather than national drivers, few schools perform in line with the national norm for both rent growth and occupancy. Rather, the theme is for widespread differences from the national norm.

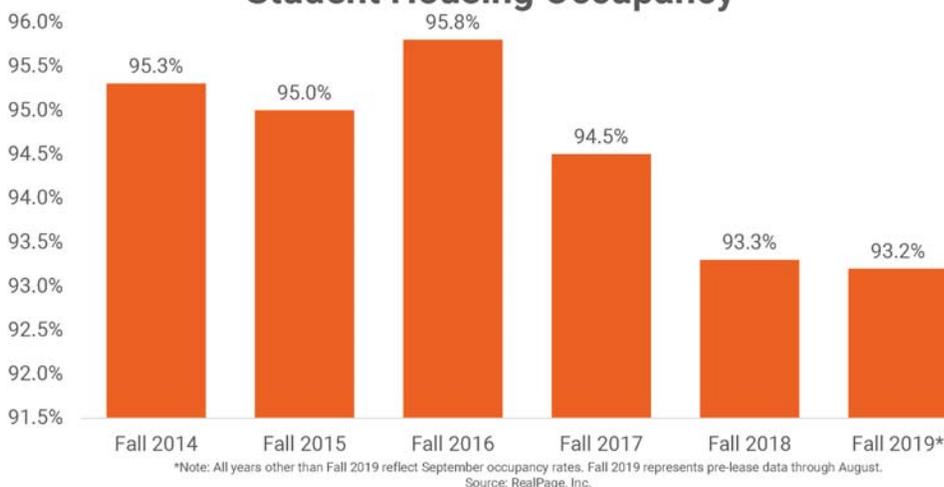
Though the national rent growth figure was 1.7% in August, most universities reported either negative rent change (about 29% of schools) or more than 3% rent growth (34% of schools).

The takeaway for national performance is that the U.S. average doesn't tell the full story. Although the U.S. aggregate number tends to stay consistent, the ebbs and flows of individual schools is more drastic.

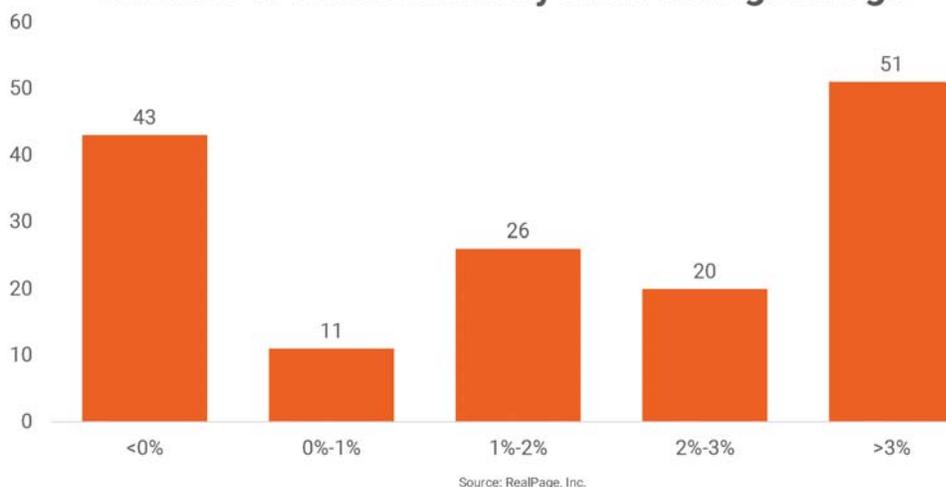
Unsurprisingly, performance in 2020 is forecasted to remain consistent with 2019 and 2018 figures. Early indications for 2020 supply look remarkably similar to the last couple years, standing around 44,000 beds.

Considering many schools have on-campus living requirements, the demand pipeline is largely driven by enrollment growth from the

Student Housing Occupancy



Number of Universities by Rent Change Range



previous two to four years.

Enrollment has grown at a pace of roughly 0.9% (about 53,000 students per year) over the past four years among the RealPage 175 universities. The tail end of that four-year window is considerably softer at about 0.3% growth in 2018. This

could indicate some downside risk in the next one to three years.

RealPage forecasts national student housing performance will remain in line with current levels. At individual schools, expect to see lots of variance yet again.

Rent Leaders

University	Annual Rent Change in Fall 2019
Liberty University	10.2%
Washington State University	9.7%
Brigham Young University	7.6%
Bowling Green State University	7.5%
University of Nevada - Reno	6.9%
Minnesota State University - Mankato	6.0%
University of California - Davis	6.0%
Virginia Tech	6.0%
University of South Carolina	6.0%
University of North Carolina	5.8%

Source: RealPage, Inc.

Rent Laggards

University	Annual Rent Change in Fall 2019
University of Mississippi	-6.6%
Oklahoma State University	-6.4%
University of Louisiana - Lafayette	-5.6%
University of Akron	-3.9%
Western Kentucky University	-3.3%
Illinois State University	-2.9%
Kent State University	-2.8%
Texas A&M University - Corpus Christi	-2.7%
Coastal Carolina University	-2.7%
Mississippi State University	-2.7%

Source: RealPage, Inc.