

# 2018 STUDENT HOUSING MARKET OVERVIEW

Newmark Knight Frank's Student Housing group proudly presents the 2018 Student Housing Market Overview. The research and conclusions contained within this report are based on our detailed and committed tracking of relevant data metrics across the entire student housing industry. We strive to offer the best brokerage services in the industry and pride ourselves on seamlessly integrating best-in-class investment sales with debt and equity, offering clients unparalleled access to national and global capital.

For more information on this 2018 Student Housing Market Overview or details on our available listings, please feel free to contact our team.

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# 2018 STUDENT HOUSING MARKET OVERVIEW

## REGIONAL TRANSACTIONS

### TOTAL UNITED STATES

Avg \$ / Unit

\$211,330



#### PACIFIC COAST

TOTAL TRANSACTIONS: 26

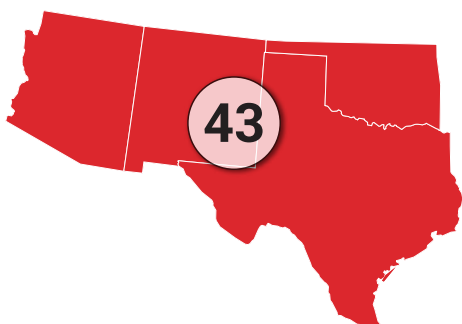
Avg \$ / Unit	Avg \$ / Bed	Avg Cap Rate
\$415,121	\$150,922	4.79%



#### MOUNTAIN

TOTAL TRANSACTIONS: 30

Avg \$ / Unit	Avg \$ / Bed	Avg Cap Rate
\$288,901	\$91,129	6.46%



#### SOUTHWEST

TOTAL TRANSACTIONS: 43

Avg \$ / Unit	Avg \$ / Bed	Avg Cap Rate
\$245,700	\$110,093	5.33%

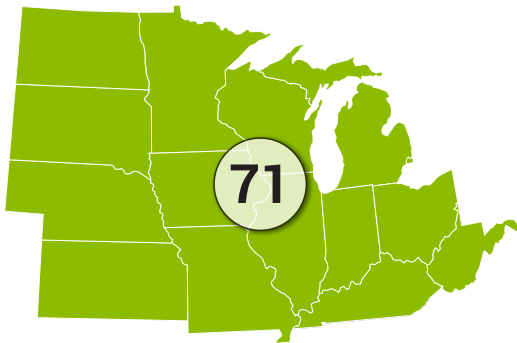
**TOTAL TRANSACTIONS: 286**

Avg \$ / Bed

Avg Cap Rate

\$93,164

5.73%



**MIDWEST**

TOTAL TRANSACTIONS: 71

Avg \$ / Unit

Avg \$ / Bed

Avg Cap Rate

\$221,320

\$75,593

6.23%



**NORTHEAST**

TOTAL TRANSACTIONS: 34

Avg \$ / Unit

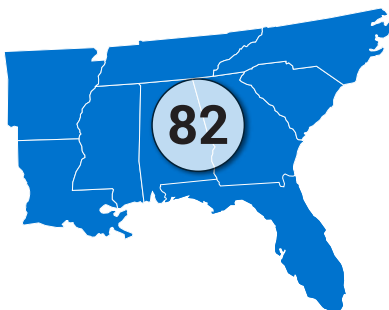
Avg \$ / Bed

Avg Cap Rate

\$289,914

\$102,746

5.33%



**SOUTHEAST**

TOTAL TRANSACTIONS: 82

Avg \$ / Unit

Avg \$ / Bed

Avg Cap Rate

\$209,977

\$72,344

5.75%

*Pricing analysis does not include sales with pricing information unavailable.*

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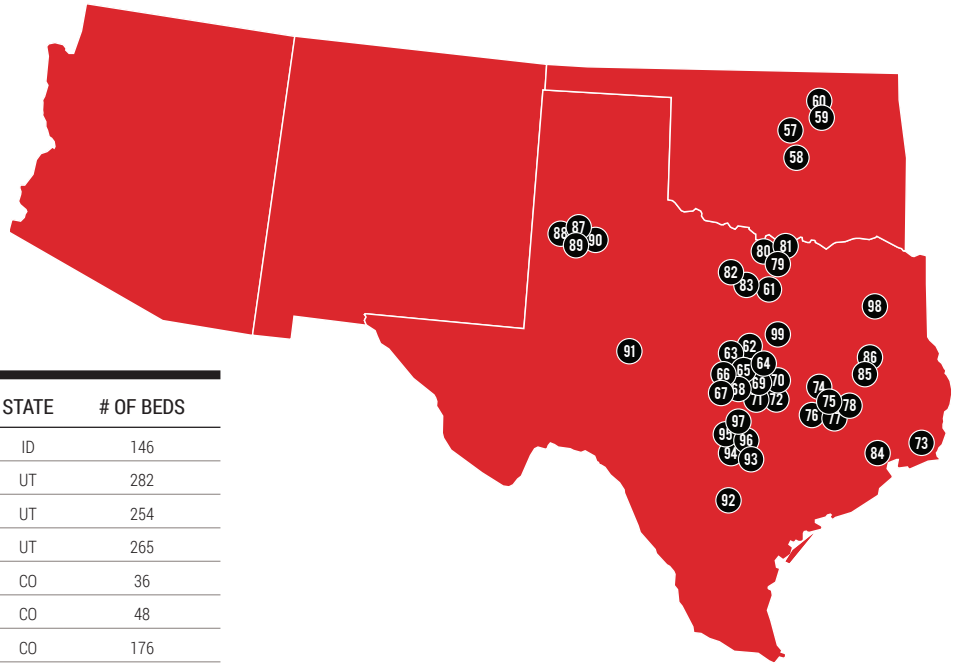


PROPERTY NAME	CITY	STATE	# OF BEDS
15 The U Apartments	Davis	CA	576
16 Del Playa Rentals Student Housing	Isla Vista	CA	634
17 New Tahitian	Isla Vista, Goleta	CA	
18 Victory on Ellendale	Los Angeles	CA	96
19 Icon Plaza	Los Angeles	CA	253
20 West 27th Place	Los Angeles	CA	475
21 Copper Canyon	Riverside	CA	
22 Sterling Highlander	Riverside	CA	658
23 University Village Towers	Riverside	CA	554
24 ICON at SLO	San Luis Obispo	CA	26
25 Brubeck Commons	Stockton	CA	
26 Hale Mahana	Honolulu	HI	489
27 Wolf Run Village	Reno	NV	180
28 Wolf Run East	Reno	NV	210
29 Iconic Village	Boise	ID	221
30 BSU Honors Building	Boise	ID	656
31 The Ivy Apartments	Rexburg	ID	900
32 NorthPoint	Rexburg	ID	1,024
33 Alpine Chalet	Rexburg	ID	252
34 Georgetown	Rexburg	ID	72
35 Rockland	Rexburg	ID	238
36 West & Autumn Winds	Rexburg	ID	120
37 Birchwood	Rexburg	ID	24
38 Birch Plaza	Rexburg	ID	406
39 Somerset	Rexburg	ID	288

PROPERTY NAME	CITY	STATE	# OF BEDS
1 Gather Bellingham	Bellingham	WA	423
2 Cambridge Square	Bellingham	WA	
3 Mountain View Hall	Everett	WA	120
4 Identity Seattle	Seattle	WA	206
5 LIV Seattle	Seattle	WA	199
6 Retreat at Corvallis	Corvallis	OR	1,016
7 Arena District	Eugene	OR	244
8 Uncommon	Eugene	OR	378
9 The Aspire	Eugene	OR	443
10 The Arthur	Portland	OR	50
11 Bowles Hall	Berkeley	CA	
12 The Berk	Berkeley	CA	167
13 Craig Hall	Chico	CA	
14 College Square Apartments	Davis	CA	486



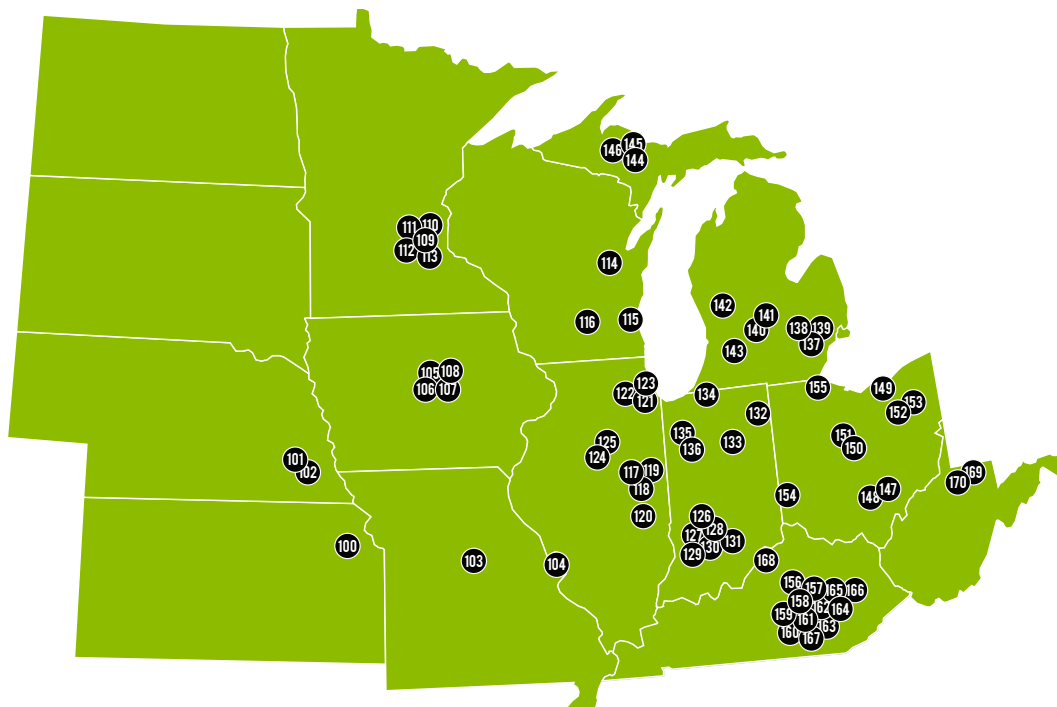




PROPERTY NAME	CITY	STATE	# OF BEDS
40 Brookside Village	Rexburg	ID	146
41 Summerwood Condominiums	Orem	UT	282
42 Stadium Terrace	Provo	UT	254
43 Vintage of Tabernacle	Saint George	UT	265
44 Lux	Boulder	CO	36
45 Lofts on College	Boulder	CO	48
46 The Hive Baseline	Boulder	CO	176
47 The Lotus	Boulder	CO	
48 The Province at Boulder	Boulder	CO	317
49 College Eight Thirty	Fort Collins	CO	95
50 Stadium Apartments	Fort Collins	CO	389
51 Lokal CSU	Fort Collins	CO	194
52 Union on Plum	Fort Collins	CO	229
53 Pura Vida Place	Fort Collins	CO	100
54 Carriage House	Fort Collins	CO	94
55 University Flats Greeley	Greeley	CO	232
56 University Flats Greeley (Phase II)	Greeley	CO	
57 Central Plaza	Edmond	OK	306
58 Millennium	Norman	OK	698
59 One on 4th	Stillwater	OK	475
60 The Reserve on Perkins	Stillwater	OK	732
61 Midtown Arlington	Arlington	TX	384
62 North 40	Austin	TX	
63 The Castilian	Austin	TX	492
64 Crest at Pearl	Austin	TX	748
65 Texan West Campus	Austin	TX	450
66 26 West	Austin	TX	556
67 The Vintage West Campus	Austin	TX	864
68 The Block	Austin	TX	808
69 The Callaway House Austin	Austin	TX	665
70 University Towers Apartments	Austin	TX	343
71 2400 Neuces	Austin	TX	190
72 Signature 1909	Austin	TX	1,026
73 Village at Lamar	Beaumont	TX	121
74 Z Islander	Bryan	TX	1,555
75 The Tradition	College Station	TX	753
76 The Marc	College Station	TX	324

PROPERTY NAME	CITY	STATE	# OF BEDS
77 The Marc	College Station	TX	384
78 The Marc	College Station	TX	316
79 The Republic At Denton	Denton	TX	696
80 Midtown Urban Student Living	Denton	TX	553
81 Bonnie Green	Denton	TX	180
82 Edge 55	Fort Worth	TX	
83 GrandMarc TCU	Fort Worth	TX	
84 Fountain at Cullen	Houston	TX	
85 Midtown University Living	Huntsville	TX	432
86 Forum at Sam Houston	Huntsville	TX	641
87 The Bloc	Lubbock	TX	218
88 Wildwood	Lubbock	TX	165
89 The Suites at Overton Park	Lubbock	TX	41
90 The Centre At Overton Park	Lubbock	TX	1,005
91 Angelo Place	San Angelo	TX	531
92 Prado Student Living	San Antonio	TX	644
93 Aspen Heights San Marcos	San Marcos	TX	304
94 Dakota Ranch	San Marcos	TX	622
95 The Lodge	San Marcos	TX	465
96 The Edge	San Marcos	TX	401
97 The Local Downtown	San Marcos	TX	464
98 The Reserve	Tyler	TX	472
99 West Campus Lofts	Waco	TX	480
100 The Woods of Old West Lawrence	Lawrence	KS	80
101 8N Lofts	Lincoln	NE	624
102 Parkhaus	Lincoln	NE	192
103 The Reserve at Columbia	Columbia	MO	676

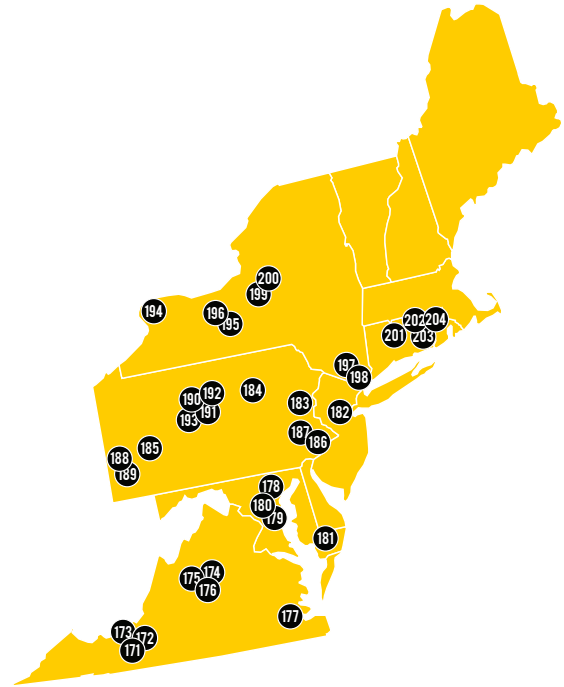
# 2018 STUDENT HOUSING MARKET OVERVIEW



PROPERTY NAME	CITY	STATE	# OF BEDS
104 3949 Lindell Boulevard	Saint Louis	MO	256
105 Stadium View Suites	Ames	IA	518
106 425 Welch Avenue	Ames	IA	66
107 2309 Knapp Street	Ames	IA	76
108 Union on Lincoln Way	Ames	IA	537
109 Radius @ 15th	Minneapolis	MN	772
110 Keeler Apartments	Minneapolis	MN	164
111 44 North	Minneapolis	MN	408
112 The Hub Minneapolis	Minneapolis	MN	707
113 The Marshall	Minneapolis	MN	994
114 Hub at Madison	Madison	WI	1,038
115 Fox Village	Menasha	WI	
116 The Park At 1824	Milwaukee	WI	173
117 102 East Gregory Street	Champaign	IL	68
118 512 South Third Street	Champaign	IL	400
119 212 East Green Street	Champaign	IL	428
120 Campus Pointe Apartments	Charleston	IL	336
121 The Buckingham	Chicago	IL	454
122 731 South Plymouth Court	Chicago	IL	343
123 Arc at Old Colony	Chicago	IL	490
124 The Flats at ISU	Normal	IL	400
125 Heartland Village Apartments	Normal	IL	288
126 Park on Morton	Bloomington	IN	472
127 Smallwood Plaza	Bloomington	IN	713
128 Hoosier Court	Bloomington	IN	378

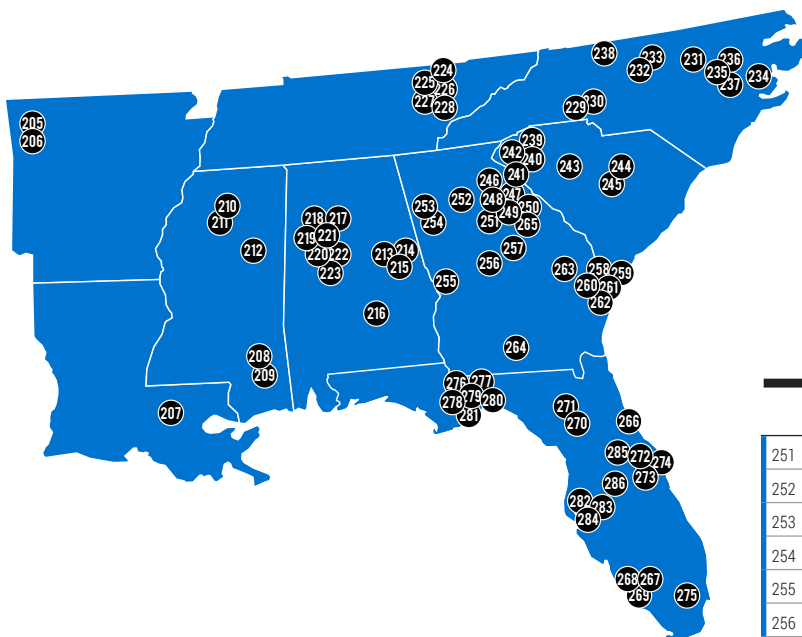
PROPERTY NAME	CITY	STATE	# OF BEDS
129 Sassafras Hill	Bloomington	IN	
130 Heritage	Bloomington	IN	
131 Hoosier Court at Henderson	Bloomington	IN	266
132 St. Joe Place	Fort Wayne	IN	432
133 Lux on Capitol	Marion	IN	669
134 Irish Row	South Bend	IN	326
135 The Cottages on Lindberg	West Lafayette	IN	745
136 The Fairway Apartments	West Lafayette	IN	298
137 Sterling 411 Lofts	Ann Arbor	MI	343
138 The Courtyards	Ann Arbor	MI	896
139 The Varsity	Ann Arbor	MI	415
140 Quarters at East Lansing Cottages	East Lansing	MI	108
141 Campus Village	East Lansing	MI	355
142 Lofts @ 5 Lyon	Grand Rapids	MI	175
143 700 SoHo	Kalamazoo	MI	488
144 The Woods (Phase I)	Marquette	MI	417
145 The Woods (Phase III)	Marquette	MI	379
146 The Woods (Phase II)	Marquette	MI	433
147 Carriage Hill Apartments	Athens	OH	536
148 The Summit at Coates Run	Athens	OH	
149 The Domain at Cleveland	Cleveland	OH	154
150 North Steppe Apartments	Columbus	OH	
151 T-H-E Griff	Columbus	OH	586
152 345 Flats	Kent	OH	288
153 The Province	Kent	OH	596

PROPERTY NAME	CITY	STATE	# OF BEDS
154 Annex	Oxford	OH	643
155 Edge 1120	Toledo	OH	590
156 University Trails Lexington	Lexington	KY	676
157 Boyd Hall and Holmes Hall	Lexington	KY	
158 University Flats	Lexington	KY	
159 Jewell Hall	Lexington	KY	
160 Haggin Hall	Lexington	KY	
161 Georgia M Blazer Hall	Lexington	KY	
162 Lee Donovan Hall	Lexington	KY	
163 University of Kentucky Student Housing	Lexington	KY	
164 Lewis Hall	Lexington	KY	346
165 Woodland Glen I & II	Lexington	KY	
166 Woodland Glenn III, IV, V	Lexington	KY	
167 Lyman T Johnson Hall	Lexington	KY	
168 Retreat at Louisville	Louisville	KY	656
169 Domain At Town Centre	Morgantown	WV	912
170 The Ridge	Morgantown	WV	644
171 Stonegate	Blacksburg	VA	
172 Carlton Scott	Blacksburg	VA	80
173 The Retreat at Blacksburg	Blacksburg	VA	823
174 Wertland Square	Charlottesville	VA	128
175 GrandMarc at The Corner	Charlottesville	VA	641
176 Jefferson Commons	Charlottesville	VA	82
177 Suites at Port Warwick	Newport News	VA	
178 Allston	Baltimore	MD	48
179 University View I	College Park	MD	
180 University View II	College Park	MD	517
181 University Village at Salisbury	Salisbury	MD	
182 Rockoff Hall	New Brunswick	NJ	674
183 Campus Hill	Bethlehem	PA	394
184 Landmark Student Housing	Bloomsburg	PA	36
185 891 Centennial Dr	Indiana	PA	
186 Evo at Cira Centre South	Philadelphia	PA	
187 AQ Overbrook Flats	Philadelphia	PA	222
188 Brottier Hall	Pittsburgh	PA	
189 One on Centre	Pittsburgh	PA	723
190 College Park	State College	PA	
191 The Legacy	State College	PA	300
192 The Pointe at Penn State	State College	PA	984
193 The Retreat at State College	State College	PA	587
194 Twenty 91 North	Amherst	NY	640
195 Belleayre Apartments	Ithaca	NY	76
196 Maplewood Apartments	Ithaca	NY	872
197 601 W 110th Street	New York	NY	500
198 Amsterdam Residence	New York	NY	300
199 Campus West	Syracuse	NY	313
200 University Village on Colvin	Syracuse	NY	432



PROPERTY NAME	CITY	STATE	# OF BEDS
201 Campus View	New Britain	CT	128
202 The Oaks on the Square (Phase III)	Storrs	CT	116
203 The Oaks on the Square (Phase I & II)	Storrs	CT	503
204 The Oaks on the Square (Phase IV)	Storrs	CT	
205 Atmosphere	Fayetteville	AR	628
206 The Quarters On Razorback Road	Fayetteville	AR	168
207 Wildwood Baton Rouge	Baton Rouge	LA	708
208 Tremont at 22 Apartments	Hattiesburg	MS	600
209 The Chelsea	Hattiesburg	MS	792
210 Campus Creek	Oxford	MS	636
211 The Retreat at Oxford	Oxford	MS	668
212 College View (Student Hsg)	Starkville	MS	656
213 Eagles South	Auburn	AL	486
214 Evolve Auburn	Auburn	AL	456
215 319 Bragg	Auburn	AL	305
216 Troy Place	Troy	AL	408
217 The Nine at Tuscaloosa	Tuscaloosa	AL	544
218 The Balcony	Tuscaloosa	AL	51
219 District Lofts at Green Bear	Tuscaloosa	AL	115
220 District Lofts	Tuscaloosa	AL	161
221 The Bluff At Waterworks Landing	Tuscaloosa	AL	308
222 Old Row at Cloverdale	Tuscaloosa	AL	200
223 East Edge	Tuscaloosa	AL	774
224 Evolve	Knoxville	TN	600

# 2018 STUDENT HOUSING MARKET OVERVIEW



PROPERTY NAME	CITY	STATE	# OF BEDS
225 The Tower at Morgan Hill	Knoxville	TN	360
226 The Commons on Bridge	Knoxville	TN	150
227 The Commons On Knoxville	Knoxville	TN	708
228 Knox Ridge	Knoxville	TN	371
229 Aspen Heights	Charlotte	NC	
230 901 Place	Charlotte	NC	576
231 Alexan Garrett Farms	Durham	NC	
232 Cottages at Greensboro	Greensboro	NC	674
233 University Village	Greensboro	NC	600
234 The Province	Greenville	NC	728
235 The U Raleigh	Raleigh	NC	600
236 Walnut Creek	Raleigh	NC	
237 University Towers	Raleigh	NC	936
238 Deacon Place	Winston Salem	NC	328
239 Summit at Cross Creek	Central	SC	
240 Rosewood at Clemson	Clemson	SC	144
241 Campus Evolution Villages West	Clemson	SC	288
242 Campus Evolution Villages Clemson	Clemson	SC	480
243 Highland Park	Clinton	SC	
244 Aspyre at Assembly Station	Columbia	SC	760
245 Walk2Campus Columbia	Columbia	SC	
246 Eclipse On Broad	Athens	GA	128
247 The Connection at Athens	Athens	GA	895
248 The Standard At Athens	Athens	GA	610
249 The Redland	Athens	GA	495
250 Exchange Loft	Athens	GA	121

PROPERTY NAME	CITY	STATE	# OF BEDS
251 Georgia Heights	Athens	GA	
252 Ponce Student Suites	Atlanta	GA	
253 River Pointe	Carrollton	GA	504
254 Carrollton Crossing	Carrollton	GA	336
255 University Crossing	Columbus	GA	96
256 Lofts At College Hill	Macon	GA	194
257 Prospect Milledgeville	Milledgeville	GA	141
258 Heyward House Apartments	Savannah	GA	
259 Avenues on 61st	Savannah	GA	128
260 One West Victory	Savannah	GA	338
261 The Blake Apartments	Savannah	GA	270
262 The Terrace	Savannah	GA	400
263 The Avenue at Southern	Statesboro	GA	624
264 Fields of North Valdosta	Valdosta	GA	262
265 Athens Ridge	Watkinsville	GA	787
266 Andros Isles	Daytona Beach	FL	
267 The Reef	Estero	FL	924
268 The Reef	Estero	FL	924
269 Coastal Village Apartments	Estero	FL	800
270 Campus Lodge of Gainesville	Gainesville	FL	1,115
271 The Ridge at Gainesville	Gainesville	FL	661
272 Solis at Winter Park	Goldenrod	FL	596
273 Retreat at Orlando	Orlando	FL	894
274 The Lofts	Orlando	FL	730
275 109 Tower	Sweetwater	FL	542
276 Villa San Michele	Tallahassee	FL	272
277 Townhomes at 770	Tallahassee	FL	336
278 The Edge-Stadium Centre	Tallahassee	FL	412
279 Southgate Campus Centre	Tallahassee	FL	
280 Villa San Marco	Tallahassee	FL	200
281 Players Club	Tallahassee	FL	584
282 University LinQ North	Tampa	FL	256
283 Haven46	Tampa	FL	542
284 University LinQ South	Temple Terrace	FL	356
285 The Quad	Union Park	FL	384
286 Flamingo Crossings (Apartment Phase 1)	Winter Garden	FL	5,200



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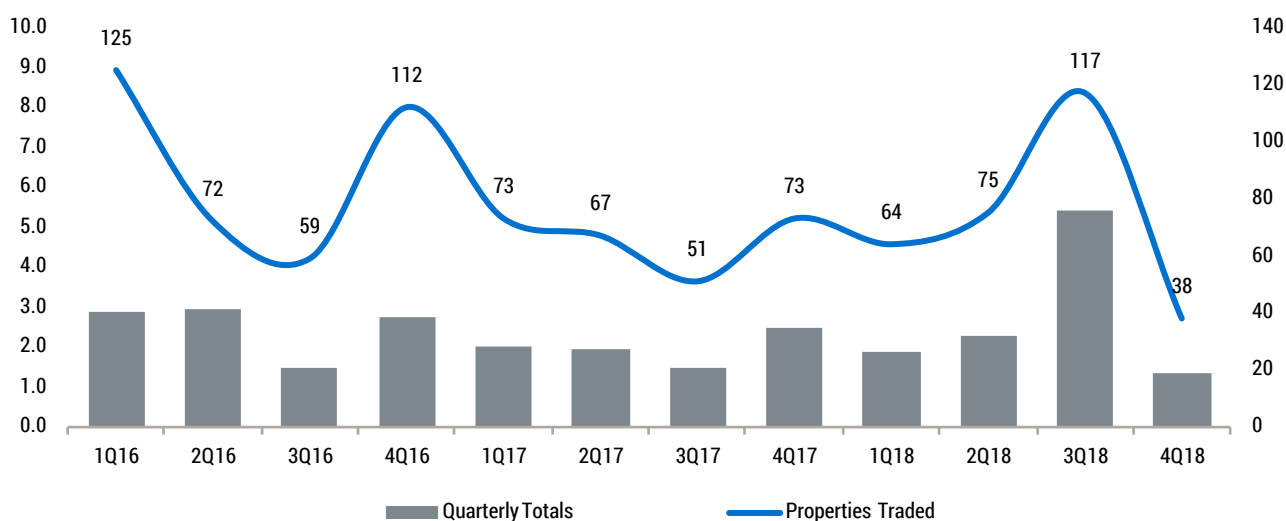
## STUDENT HOUSING SALES VOLUME

Building on high levels of activity in recent years, 2018 marked another record-setting year in sales volume and total properties transacted. Cap rates sustained marginal fluctuations from 2017's compression as continued interest from institutional, domestic, and international capital prospected greater market scale and risk-adjusted yields in what is viewed as a recession-resilient asset class. With the full capital spectrum of investors continuing to diversify into the space, 2018 once again witnessed large portfolio sales, aggressive capital attracted to both core and value-add pedestrian assets, along with opportunistic buyers coveting assets farther from campus or located at smaller universities with strong supply and demand fundamentals. Primarily propped up by Greystar Real Estate Partners' acquisition of Education Realty Trust, 2018's sales volume pushed the boundary of student housing activity further into the viewpoint of traditionally conventional equity. Appealed by the space's continued year-over-year rent growth, despite several years of high deliveries, an array of new capital entrants had sought to take advantage of an attractive capital markets environment through the first half of the year, driving a record of 286 property transactions.

In 2018, over \$10.9 billion of capital flowed into the student sector directed towards the acquisition of investment grade student housing assets priced at \$2.5 million or more. This figure represents an increase of nearly 77 percent over the five-year average and 160 percent over the ten-year average. The transaction volume of 2018 increased 39 percent from the previous year, which was primarily propped up by several large portfolio transactions from owners backed by both institutional and private capital looking to expand their scale within the space. Matching the previous two years, 2018 was highlighted by several large one-off transactions and portfolio sales. The primary portfolio transactions of 2018 consisted of a \$4.4 billion, 77-property acquisition by Greystar Real Estate Partners as well as an additional purchase by the joint-venture between Greystar Real Estate Partners and The Blackstone Group for \$1.2 billion – consisting of 20 assets. Foreign equity showed presence in 2018 with the German insurance group, Allianz, investing in seven properties amounting to \$373 million. While the number of large portfolio transactions maintained reign, the sector experienced continued individual sales volume growth spirited by growing interest in all asset types and markets within the U.S. student housing market.

### STUDENT HOUSING SALES VOLUME

Quarterly vs. Rolling 12 Month (based on assets priced \$2.5mm+)



Source: Real Capital Analytics

## STUDENT HOUSING SALES VOLUME

Price (in billions) vs. Properties (based on assets priced \$2.5mm+)



Source: Real Capital Analytics

Investment in student housing continues to offer long-term stability, attractive risk-adjusted returns, and safe diversification with respect to other asset classes. This is evident by the continued evolution and influx of new investors that entered the student housing space in 2018, further pushing the asset class to mainstay institutional status. Moreover, 2018 experienced another healthy influx of institutional international capital, seeing the potential of U.S. student housing product being more resilient to downward economic cycles while having the ability to promote strong, sustainable yields. Although foreign investment remained 67 percent higher than its 10-year average in 2018, trade tensions have ebbed foreign investment from the Asia-Pacific region – contributing to a 65 percent decrease in acquisition volume from 2017’s record high.

Sales volume continued to be driven by a large number of core deliveries, along with the acquisition of assets with value-add components from investors seeking opportunistic yields through strategic repositioning.

The 2018 investment sales market continued to see a similar evolution as in 2017 from the traditional cyclical nature of the sales timeline to a more year-round sales environment. Both investors and lenders have been historically sensitive to the timing of transactions as it relates to the pre-leasing performance of assets, as well as the timing of move-ins associated with the academic year. Properties tend to be brought to market in late summer and early fall when pre-leasing thresholds have been reached, or move-ins have occurred, with the anticipation of closing and funding prior to the end of the fourth quarter. Although sensitivity levels towards stabilization have historically dictated the volume metrics per quarter, 2018 seemed to have circumvented a higher level of scrutiny towards the volatility of interest rates. The fourth quarter saw the lowest level of transaction volume at \$1.3 billion, while quarters two and three boasted \$1.9 and \$2.3 billion, respectively. A portion of this uptick in the first two quarters could be attributed to increased transactional carry over from the 2017 fiscal year along with the major Greystar portfolio acquisition; however, with sophisticated

**\$10.9 billion of capital flowed into the student sector in 2018 – an increase of nearly 77 percent over the five-year average and 160 percent over the ten-year average.**

# 2018 STUDENT HOUSING MARKET OVERVIEW

investors recognizing the high probability of rate hikes later in the cycle, more investors took a proactive approach in dispersing funds with more favorable leverage. As interest rates become more favorable in 2019 and no federal rate hikes planned, the sector is anticipated to see early activity in investment sales as new entrants emerge to take advantage of the low cost of capital, owners and operators look to rapidly prove out pre-leasing, and the investment community becomes better educated on the overtly positive market fundamentals.

As of the first quarter of 2019, NKF Student Housing has closed or contracted over \$1.2 billion in investment-grade student housing assets. Student housing transaction activity is expected to remain robust in 2019 as institutional and private investors, both domestically and globally, recognize the growth potential and resiliency of the sector. While interest rates are expected to remain low throughout the upcoming year, the deep pool of investors and abundance of low-cost capital seeking to enter the space suggest cap rates will remain near historic lows with liquidity in the market remaining high. While significantly matured from years past, the overall student housing market is still transitioning, in many ways, to a fully institutionalized asset class. Additionally, there remains pent-up demand in several underserved markets with functionally obsolete product – representing a continued opportunity for capital investment.

## PRICING METRICS

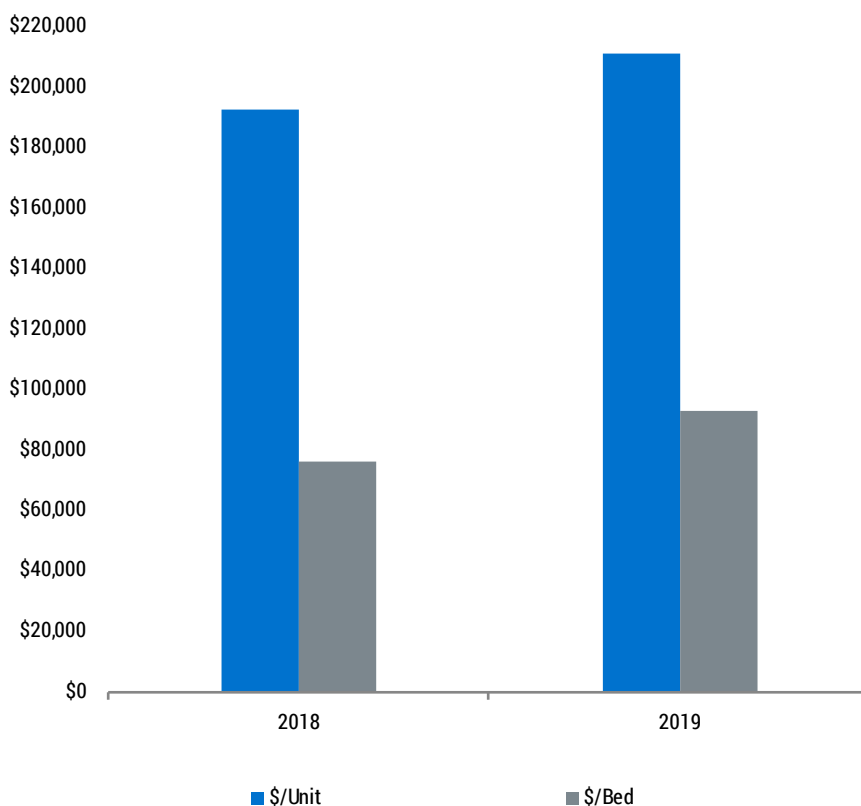
Pricing metrics for purpose-built student assets continued to trend upwards in 2018 as construction costs and the development of core deliveries steadily grew. With both national university enrollment and effective growth maintaining positive movement from the previous year's metrics, the sector continued to build on its ever-growing foundation. Although interest rates rose to recent highs through the better part of the second and third quarters, the prolongation of investors recycling low-cost capital, as well as new entrant activity, assisted in driving pricing.

Average pricing per unit of investment grade student housing assets that traded for \$2.5 million or more in 2018 increased by roughly 9 percent over 2017 metrics. The most notable increase occurred in the second quarter when the average price per unit climbed to \$211,645 – up from \$167,265 in 2017. This represents an average increase of 27 percent, with the average price per bed trending 5.3 percent above in Q1, Q3, and Q4. The considerable increase in Q2 was primarily influenced by a considerable amount of core transactions coupled with investors exercising capital prior to potential interest rate hikes – taking advantage of more accretive debt structures. Additionally, Q2 saw several late core deliveries, in both Tier-I and Tier-II markets, close from contracts stemming from the previous fall. Overall, pricing by product class has increased across the sector.

Due to the buoyant nature of the product type, increasing interest in the student housing market across both private capital and institutional investors continued to influence

### PRICING METRICS: UNIT VS BED

Yearly (based on assets priced \$2.5mm+)

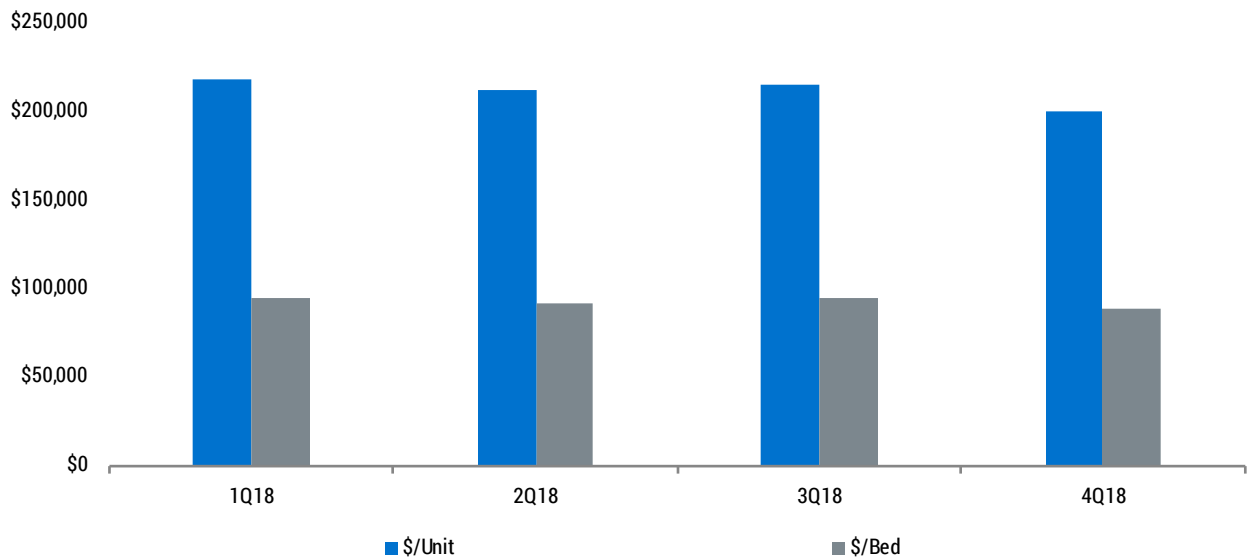


Source: Real Capital Analytics



## PRICING METRICS: UNIT VS BED

Quarterly (based on assets priced \$2.5mm+)



Source: Real Capital Analytics

increased pricing metrics. Traditionally, institutional and private capital interest has been focused primarily on Tier-I, flagship universities. This continues to hold true for the vast majority of larger existing operators and new equity entrants into the space; however, 2018 saw a heightened interest in value-add opportunities located in secondary markets with greater efforts to ease capital market pressure on yields. Over the last 12 months, NKF Student Housing has continued to see capital groups focus on both value-add and new construction opportunities that are pedestrian to campus in Tier-I and select Tier-II markets. High levels of enrollment growth at select branch campuses of major universities have seen increased construction activity in conjunction with pedestrian land availability seen from the previous year. Core, new construction assets traded for an impressive average of \$349,941 per unit and \$114,968 per bed, as cap rates compressed to levels near that of conventional multifamily in Q3. Based on NKF Student Housing's experience in 2018, well-located value-add and core plus assets in primary and secondary markets with upside potential have traded in the low five percent range from a cap rate perspective. More impressively, this was despite significant volatility in interest rates and capital markets.

NKF Student Housing anticipates pricing metrics will see moderate increases in 2019 as buyers continue to seek new construction, core-plus, and value-add opportunities in a more stable capital markets atmosphere. With construction costs of Class A product continuing to increase from its eight-year high in 2018, Class B and C properties are estimated to attract a more diversified group of investors in 2019. Moreover, as foreign investors hedge broader world economic sensitivities, a greater array of international capital will likely direct interests in the U.S. student housing sector with its ability to provide healthy returns and confidence in uncertain economic times.

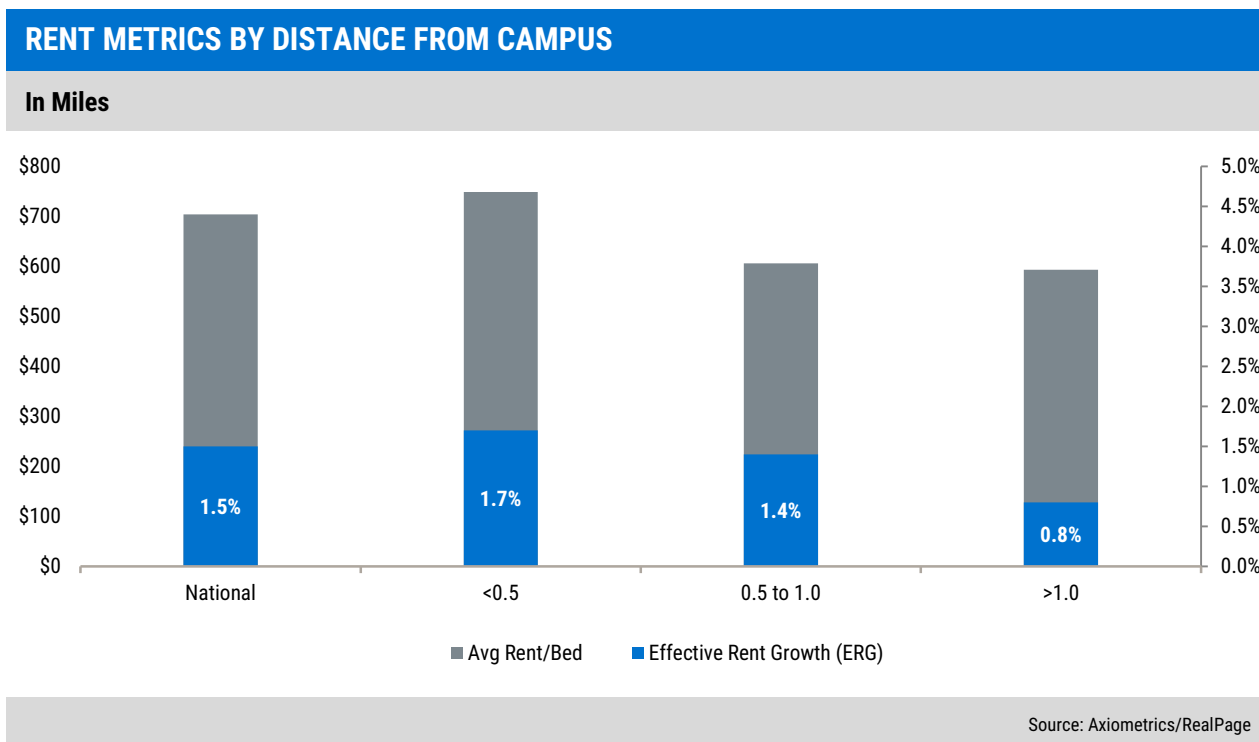
While the primary focus of capital groups remains at Tier-I universities with pedestrian access to campus, both domestic and international investors are anticipated to expand their investment criteria – particularly in markets with strong future supply/demand fundamentals and states with increasing high school graduate rates. Regarding experienced investors within the sector, many have substantially narrowed their focus to only target assets that definitively fit their current investment criteria.

# 2018 STUDENT HOUSING MARKET OVERVIEW

## MARKET METRICS

Market metrics across the student housing sector remained relatively positive in 2018. Over the last several years, pre-leasing cycles in many submarkets began earlier transitions as owners sought to quickly secure their projected revenue for the following academic year. Due to sustained high levels of development activity, many markets across the country have become increasingly competitive, resulting in students making an earlier commitment to live in their desired purpose-built student accommodation. While pre-leasing velocity in 2018 occurred at a slower pace than the previous two years, overall velocity remained historically healthy. As of June 2018, 78.6 percent of student housing beds had been pre-leased. According to Axiometrics, June 2018 pre-leasing marked a nominal 1.8 percent decrease from 2017. Alternatively, August pre-leasing velocity went from 92.5 percent, respectively, to 93.6 percent. The fact that the student housing sector has been able to maintain an average occupancy of over 93 percent, nationally, with positive year-over-year rental rate growth for the 2018 academic year is a testament to the long-term strength of the sector. Overall, leasing metrics for September 2018 finalized at approximately 93.3 percent compared to 93.5 percent for the previous year. Fall 2019 pre-leasing and occupancy is predicted to be closely in line with that of 2018, with upward movement in rental rates and the number of new developments delivering falling closely in line with 2017 levels.

Nationally, effective rental rates averaged \$704 per bed for Fall 2018, a 1.5 percent increase over Fall 2017, Tier-I assets located pedestrian to power five universities achieved their traditional increased rental rates and saw healthy pre-leasing velocity. Those properties located less than a half-mile from campus garnered average rental rates of \$749 per bed, up from the previous year's average by 1.7 percent. Investment grade student properties located between a half-mile and one mile from campus had an average rental rate of \$606 per bed, 1.4 percent over the previous year's average. Most notable were the increases for properties located over one mile from campus, typically Class B and C product. Purpose-built student housing assets located over one mile from campus experienced an increase in effective rate of only 0.8 percent, marking a 110 basis-point negative differential from 2017 levels. This decrease in rental rate growth is a result of increased development supply pedestrian to campus, as well as decelerating pre-leasing velocity for properties requiring residents to schedule transportation.



Although 2018 saw marginal increases in effective rate growth compared to previous years, the sector as a whole experienced phenomenal ownership diversification with record-breaking acquisition volume. Long-term rent growth and stabilized occupancy is foreseen to remain healthy as the population of college-aged 18 to 24-year-olds continues to climb and the amount of beds to be delivered is estimated to remain at normalized levels between 45,000 to 48,000 – a more than acceptable supply schedule to ensure robust market fundamentals across the nation.

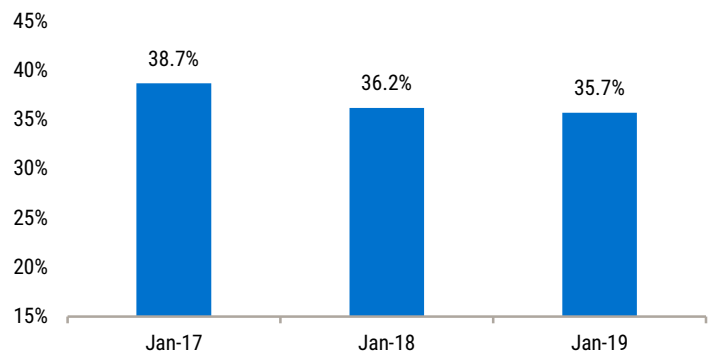
## BUYER PROFILE

The buyer profile continued to diversify in 2018 as new entrants from a broad spectrum of capital sources strengthened competition in the student space. Strong market fundamentals coupled with risk-adjusted yields procured the highest record of transaction volume as institutional and private capital alike looked to gain scale in what has become one of the most sought after and stable sectors of the real estate industry. Following 2017's year of significant private and cross-border acquisition volume, 2018 saw further institutionalization and maturation of the sector with Goldman Sachs, Greystar Real Estate Partners, and Blackstone Real Estate Partners headlining the year.

Maintaining the trend of years past, private capital buyers made up the most significant percentage of market share for 2018 acquisition volume at approximately \$7.08 billion, or 66 percent of total transaction volume. Although a 150 percent increase in volume from the previous year, approximately \$4.6 billion is sourced from Greystar and Blackstone Real Estate Partners purchasing Education Realty Trust's 97-property portfolio. Setting the EdR acquisition aside, private capital maintained activity near the five-year average of \$2.6 billion and was driven by one-off transactions. Low-cost institutional capital saw increased acquisition activity from 2017, with total acquisition volume growing from \$920 million to \$2.3 billion in 2018. This delta was expected as institutional groups spent the better portion of the previous year selling assets to meet loan and fund maturities, as well as recycling capital into development opportunities pedestrian to Tier-I campuses.

## AVERAGE PRE-LEASE PERCENTAGE

Yearly

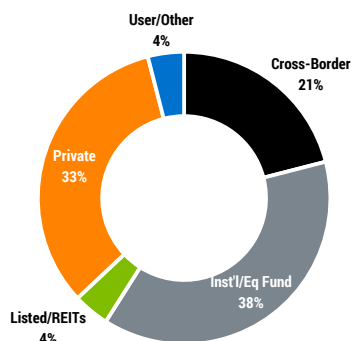


Source: Axiometrics/RealPage

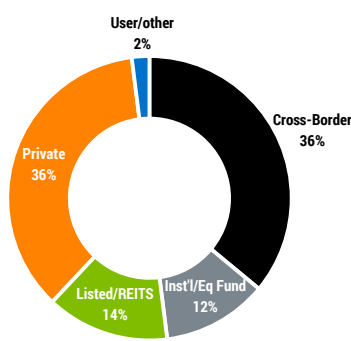


# 2018 STUDENT HOUSING MARKET OVERVIEW

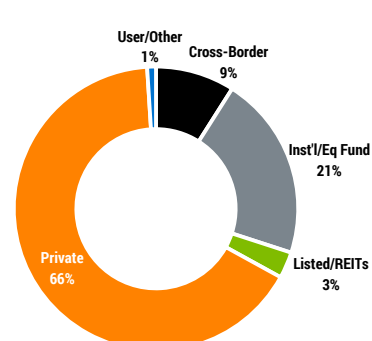
2016 BUYER PROFILE



2017 BUYER PROFILE



2018 BUYER PROFILE



Source: Real Capital Analytics

Although institutional funds are exhibiting increased interest in core development opportunities, numerous low-cost of capital groups, private capital, and new equity entrants continue to build scale through the acquisition of existing core and core-plus Class A assets pedestrian to major universities. Class B and C assets with value-add upside have also garnered very competitive interest from both opportunistic institutional and private capital groups looking to achieve higher IRR and cash-on-cash yields through asset repositioning. In conjunction, both institutional and private capital are fermenting the student housing space into a highly-regarded investment class in its own right.

2018 marked another consecutive year of considerable cross-border capital investment. Direct foreign investment activity represented 9 percent of total acquisition volume, with almost \$1 billion in student investment properties. Although cross-border acquisition volume decreased by 53 percent from 2017, some of this disparity can be attributed to more international equity, in 2018, being placed in one-off LP transactions with domestic private funds or operators – elevating the private fund acquisition market share. With the help of JV partnerships, cross-border activity has averaged \$1.9 billion over the last three years, a 198 percent increase from the ten-year average. The sustained pursuit of purpose-built student housing by foreign capital sources has afforded an array of opportunities for domestic firms to strategically partner with overseas equity providers. Foreign investment continues to be a driving force in transaction volume with the biggest changing dynamic being a willingness to purchase one-off assets, as opposed to focusing solely on scale and portfolio transactions.

Z ISLANDER  
BRYAN, TX



## CROSS-BORDER FOREIGN CAPITAL

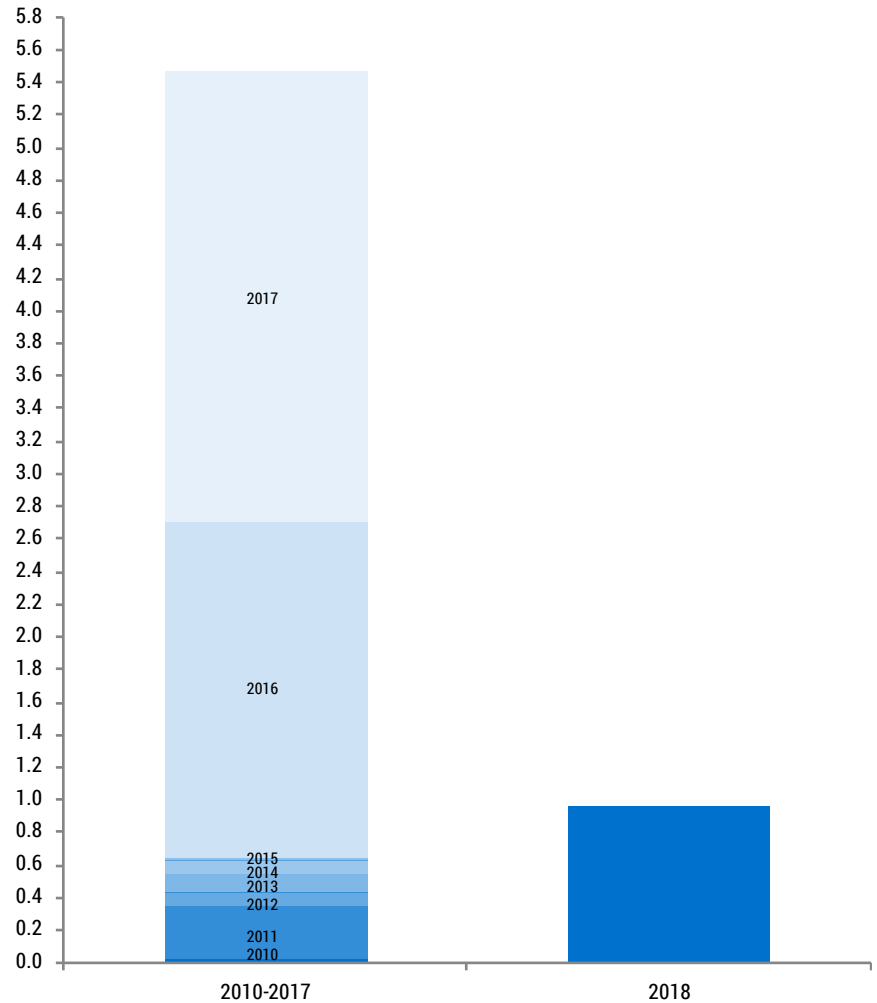
Cross-border foreign capital continued to increase its footing within the student housing sector as appetites for the risk-averse product type, sustained rental growth, strong occupancy, and moderate supply continued to peak interests despite trade tensions and U.S. tariffs. The high level of competition in core markets for Class A multifamily and office space complexes is causation to a more significant number of cross-border capital groups moving funds away from traditional commercial assets and into a maturing student market. About 20 percent of capital transitioning into the sector over the last three years is coming from direct foreign investment, an impressively high number when compared to the approximate 8 percent of direct foreign investment over the last three years in traditional multifamily.

The sector's healthy property fundamentals drove student housing's growth prospects, such as the propensity of steady revenue streams and comparably low vacancy rates. Although vacancy rates climbed slightly in 2018, the average rental rate, per bedroom, increased 1.5 percent while occupancy remained strong. Congruently, college enrollment has continued to rise. Average total registration at the nation's top 175 four-year public and private universities has increased every year since 1994. With on-campus student housing supply typically having the capacity to accommodate only one-fifth of enrolled students at many colleges and universities, cross-border capital is expressing continued interest in opportunistic yield premiums garnered by off-campus-housing. Moreover, the aging and constructed stock of college dorms has created unrecognized value further off-campus, allowing foreign investors to take advantage of pent-up demand while obtaining a product that boasts the ability to weather an economic downturn

Through strategic partnerships, international-capital remained relatively bullish in providing equity for core and value-add assets, particularly at Tier- I universities that have a significant international presence. Cross-border capital accounted for almost \$1 billion of investment-grade student housing acquisitions in 2018. This number reflects the ongoing evolution of the buyer profile in the last three years, in both total dollar value and percentage of overall market share. Given the uncertainties of foreign markets in future years and the strength of the U.S. housing sector, foreign institutional investment is anticipated to continue expanding interests with domestic partnerships in student housing. For example, the German insurance giant, Allianz, invested \$373 million across seven properties in 2018.

### CROSS-BORDER FOREIGN CAPITAL ACQUISITION VOLUME

Yearly (in billions)



Source: Real Capital Analytics

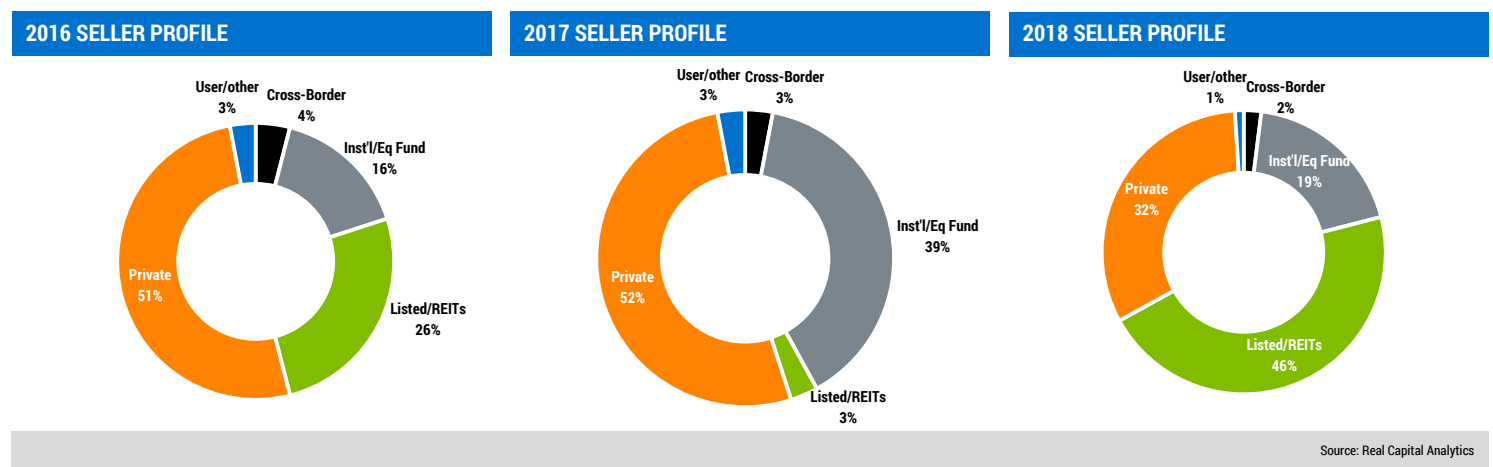


**Cross-border foreign capital accounted for over \$1 billion of investment-grade student housing acquisitions in 2018.**

The economic resilience, perpetually high occupancy rates, and attractive returns with steady cash flow have made the student housing sector an attractive investment vehicle for both foreign and domestic capital. As the student housing sector continues to mature, NKF Student Housing anticipates foreign investors to continue to view U.S. student housing as an increasingly lucrative opportunity. The current U.S. economic condition and institutional investors being chiefly drawn to Class A and value-add student housing assets have created an opportunity for foreign investors to add mid-market student housing to

their portfolio. With more cross-border capital flocking to the student housing sector, prices are estimated to grow with compression of yields and an improving capital markets atmosphere. As such, NKF Student Housing is partnered with our market-leading student housing groups in the Middle East, Europe, and Asia-Pacific region to cross-collaborate and bring real-time knowledge and advisory services of the most active foreign capital groups. Cross-border foreign capital is expected to continue expanding into the student housing sector in efforts to attain alternative investments and risk-adjusted returns from a quickly matured and institutional asset class.

## SELLER PROFILE



Apart from EdR's selloff of their 97-property portfolio, institutional and private capital groups continued to maintain reign on the seller landscape in 2018. The sustained favorable cap rate environment surrounding new construction assets during the last four years has established the subjugation of private and institutional low-cost of capital. With the highest transaction volume ever recorded in 2018, the private sector remained on-par with their historic five-year average of \$3.52 billion. Private capital disposition accounted for \$3.45 billion in 2018, a healthy amount that sits above volume numbers prior to 2015 and slightly below the record numbers of the last two years. Institutional funds witnessed an expected decrease from 39 percent to 19 percent in disposition volume, respectively.

REITs saw the largest increase per seller type regarding dollar value of dispositions, as well as the most substantial percentage increase – bringing their market share to 46 percent, up from 3 percent in 2017. REITs accounted for approximately \$4.96 billion in dispositions in 2018. This dramatic change is mostly attributed to EdR being acquired by Greystar and Blackstone Real Estate Partners. ACC contributed approximately \$618 million in disposition volume, as the company continued recapitalizing or selling the remainder of their non-pedestrian and older generational assets. The two REITs had largely been focused on large-scale development projects, strategic portfolio transactions, and operational efficiencies of their current respective portfolios.

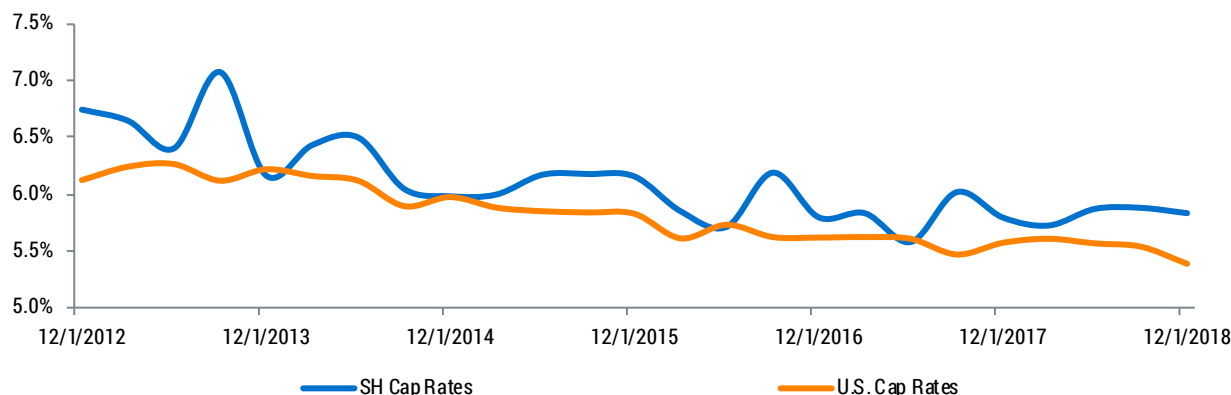
# 2018 STUDENT HOUSING MARKET OVERVIEW

As large-scale development projects begin to deliver across the nation to meet the growing demand for campus housing driven by national enrollment growth, NKF Student Housing anticipates 2019 to be another tremendously active disposition year. With interest rates beginning to taper and the Federal Reserve appearing more dovish on the macro-economic outlook, capital markets are looking increasingly attractive from a debt-financing perspective. When coupling improving capital markets with unprecedented demand from an array of capital sources, it appears likely that the sector will see compressed cap rates and substantial disposition volume in 2019.

## CAP RATES

### STUDENT HOUSING VS U.S. MULTIFAMILY CAP RATES

(based on assets priced \$2.5mm+)



Source: Real Capital Analytics

Cap rates in 2018 stayed constant with 2017 levels, despite a volatile interest rate environment and widening spreads throughout much of Q3 and Q4. The average cap rate of investment grade student housing assets (\$2.5MM+) stood at 5.83 percent, a 1-basis point differential from 2017's record low of 5.82 percent. Although limited by the volatility of the bond market, 2018 marked another year of high value-add transactional volume as knowledge of the product type and its advantageous yield disparities encouraged new entrants; however, core new construction assets in high demand markets continued to be exceedingly sought after and frequently traded at sub-five percent cap rates. Along with core new construction assets averaging cap rates between four and five percent, the margin between core and value-add product narrowed in 2018. NKF Student Housing experienced a multitude of capital sources justifying value-add product to be within reach of core and core-plus spreads, or thinner. NKF Student Housing expects this trend to continue in 2019 as enrollment growth sustains healthy levels, year-over-year growth climbs, national supply/demand metrics remain sound, capital markets improve, and the space becomes increasingly more competitive.

Most notably, the last three years marked consecutive years where student housing cap rates have been extremely competitive with conventional multifamily rates (0.03 percent) and in many cases have traded inside conventional multifamily spreads. As the space is progressing to a higher degree of institutionalization and diversification from new entrants, both domestic and foreign, NKF Student Housing anticipates the long-term outlook of the student housing sector will prove out comparable cap rates relative to its conventional counterpart. In growing Tier-I student markets, many investors are drawn to student housing's attractive risk-adjusted returns, resiliency against economic downturns, and the ability to more closely monitor the supply/demand fundamentals of the specific submarket.



2018 saw the continuation of the Federal Reserve shrinking the enormous portfolio of bonds amassed after the 2008 financial crisis, as well as four rate increases due to a strengthening U.S. economy and a historically low employment rate. For the first half of 2019, the Federal Reserve anticipates to leave interest rates unchanged and will likely dial back projections for further rate hikes in 2019, as inflation remains tame and economic growth slows. It is expected that Fed Chairman Jerome Powell and the Federal Open Market Committee will remain patient as they brace for choppiness from Brexit, unresolved trade tensions, slowing global and domestic growth, as well as subdued inflation from falling energy prices. Given national increases in enrollment growth, rising rental rates, and pent-up capital, the lack of movement from the Federal Reserve makes it possible to stimulate further cap rate compression across all real estate asset classes.

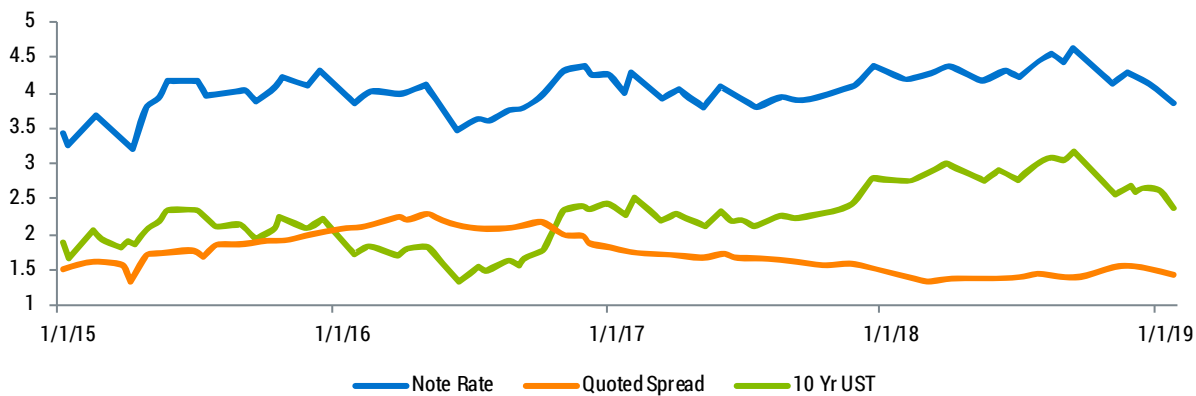
**The last three years marked consecutive years where student housing cap rates have been extremely competitive with conventional multifamily cap rates (0.03 percent) and in many cases have traded inside conventional multifamily spreads.**

The student housing sector is anticipated to see high levels of activity in 2019 as all sources of capital attempt to secure lucrative debt terms and, subsequently, stronger cash-on-cash yields. Additionally, if world-economic conditions continue to slow, NKF Student Housing anticipates a greater amount of foreign investment will begin recycling capital into U.S. investments and, in turn, PBSA within the states.

## CAPITAL MARKETS

### TREASURY MOVEMENT AGAINST NOTE RATES

10 Year



Source: Freddie Mac

Spreads shown based on Freddie Mac

2018 ushered in a record-setting year for capital markets. Favorable commercial real estate fundamentals and strong lender demand drove the largest annual increase in outstanding commercial and multifamily mortgage debt since the Great Recession. Multifamily debt spearheaded originations in 2018 with a 22 percent increase over 2017 – accounting for approximately half of the total increase – and setting the largest multifamily mortgage debt increase ever recorded.

## 2018 STUDENT HOUSING MARKET OVERVIEW

FANNIE MAE & FREDDIE MAC LOAN ORIGINATION VOLUME					
\$ in Billions (rounded)					
Fannie Mae			Freddie Mac		
Month	2019	2018	Month	2019	2018
January	6.1	4.6	January	4.1	3.3
February	4.4	3.7	February	4.4	4
March		3.0	March		5.7
April		4.6	April		4.4
May		4.2	May		5.5
June		5.7	June		5.9
July		6.0	July		5.1
August		5.5	August		6.4
September		6.7	September		6.5
October		6.2	October		7.3
November		6.5	November		9.6
December		8.6	December		14.3
<b>Total</b>		<b>65.4</b>	<b>Total</b>		<b>78</b>
<b>Student Housing*</b>	-	<b>2.7</b>	<b>Student Housing*</b>	-	<b>2.5</b>

Source: Fannie Mae & Freddie Mac

\*Student housing loan origination volume included in "Total" volume.

remained relatively unchanged throughout the shakeup and in some cases, continued to compress. Newmark Knight Frank expects cap rates to remain relatively stable given the amount of dry capital, a tightening of spreads and Treasury volatility, and the Fed's dovish tone on future rate hikes.

The first quarter of 2019 took a favorable shift for agency CMBS as 10-year spreads have tightened over 20 basis points and indices have shifted significantly downwards, closing first quarter 2019 at 2.39 percent (85 basis points below the October '18 peak). While the accretive interest rate environment is expected to drive continued transaction volume in the student housing space, the 10-year U.S. Treasury note notably closed inside the 3-month note. An inverted yield curve has historically been a leading indicator of an impending economic recession. It is often preferred to look at the relationship between the 2-year and 30-year Treasury notes, however, as a leading indicator. As of the end of the first quarter, the aforementioned correlation was still favorable by 56 basis points. The yield curve still has a meaningful way to go before it would fully invert and recessions typically do not occur until nearly two years following inversion.

The debt market forecast remains extremely favorable for the remainder of 2019 despite many of the underlying uncertainties of 2018 remaining. The Fed has held rates steady and sounded a benign tone for the rest of the year. Per Bloomberg, the implied probability of a hike is 0.0 percent. The implied probability of a cut in 2019 is 40 percent. Demand is expected to remain strong and highly liquid as all major debt and equity sources continue to seek capital diversification in

Fannie Mae, Freddie Mac, and FHA collectively accounted for two-thirds of multifamily origination growth in 2018, with Fannie Mae and Freddie Mac originating \$143.4 billion in loan volume. Of which, Fannie Mae (\$2.7B) and Freddie Mac (\$2.5B) originated over \$5.2 billion in combined student housing loans. The GSEs continue to play a key role in the stability and liquidity of the multifamily and student housing markets while life insurance companies, the conduit market, and banks all increased their holdings of multifamily debt during 2018.

This past year witnessed the Federal Reserve's continued and widely anticipated quarter-point rate hikes, four in total, increasing the federal funds rate from 1.5 percent to 2.5 percent by year-end. The major headline in 2018, however, was market disruption. Extreme volatility in the Treasury yields was triggered in the third quarter and took off in the fourth quarter in reaction to uncertainty around trade tariffs, emerging signs of slowing global growth, and concerns over corporate earnings. The tightening pushed yields on all Treasury maturities higher and the yield curve subsequently flattened. The 10-year U.S. Treasury note whipsawed from a low of 2.4 percent at the onset of 2018 to a peak of 3.24 percent in early October. Investor spreads widened in tandem with Treasury volatility – constraining loan proceeds and lowering return on investment. Despite the broader market volatility and economic uncertainty, the year ended strong with investor and lender interest in student housing continuing to drive record transaction volume.

The fourth quarter of 2018 saw significant agency CMBS new issue volume from both agencies despite the extreme interest rate volatility. MBS spreads continued to widen out late into the fourth quarter. However, yields on the Treasury indices moved down at twice the pace, resulting in accretive net gains to the total coupon. Cap rates



# 2018 STUDENT HOUSING MARKET OVERVIEW

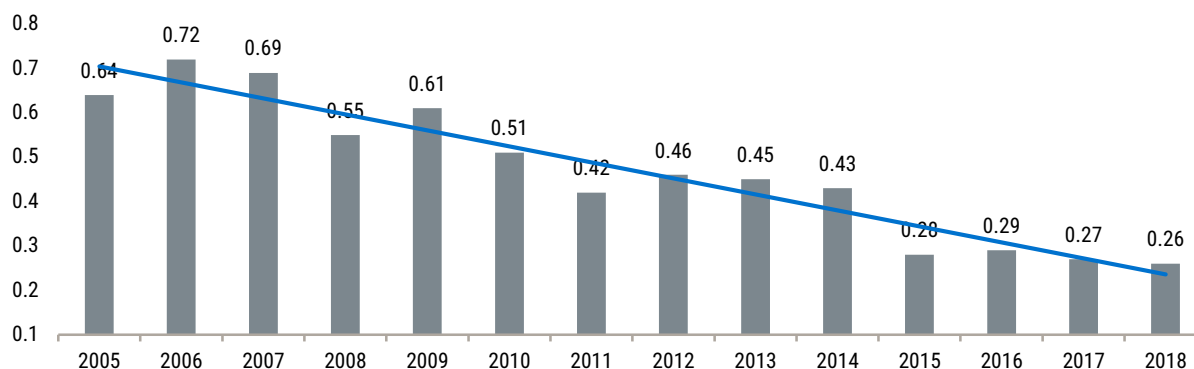
the student housing space. Powered by accretive interest rates, strong multifamily fundamentals, and abundant investor demand, multifamily origination volume is projected to grow to \$317 billion in 2019, representing a 3.9 percent increase over the \$305 billion in 2018 and 11.2 percent increase over the 2017 figure of \$285 billion.

## DEVELOPMENT PIPELINE

Total off-campus supply of purpose-built student housing assets decreased in 2018 as development slowed in major markets. Supply remained sufficient at 41,822 beds delivered, a 7.2 percent decrease from 2017's supply. Fall 2019 is anticipated to see a similar level to 2016's 48,187 beds as some carryover from properties delivering late occurred this past year. Additionally, a few hundred beds slated for delivery in 2019 remain in the planning stages and are unlikely to deliver prior to the 2019-2020 academic year. Additionally, there are more than 50,900 beds scheduled for delivery in 2020. The annual development of approximately 47,000 beds fits near the normalized level of annual student housing deliveries before 2014 and has become the benchmark over the last several years, meaning new supply is now modestly above historical and normalized levels.

### AVERAGE DISTANCE FROM CAMPUS BY YEAR CONSTRUCTED

In Miles

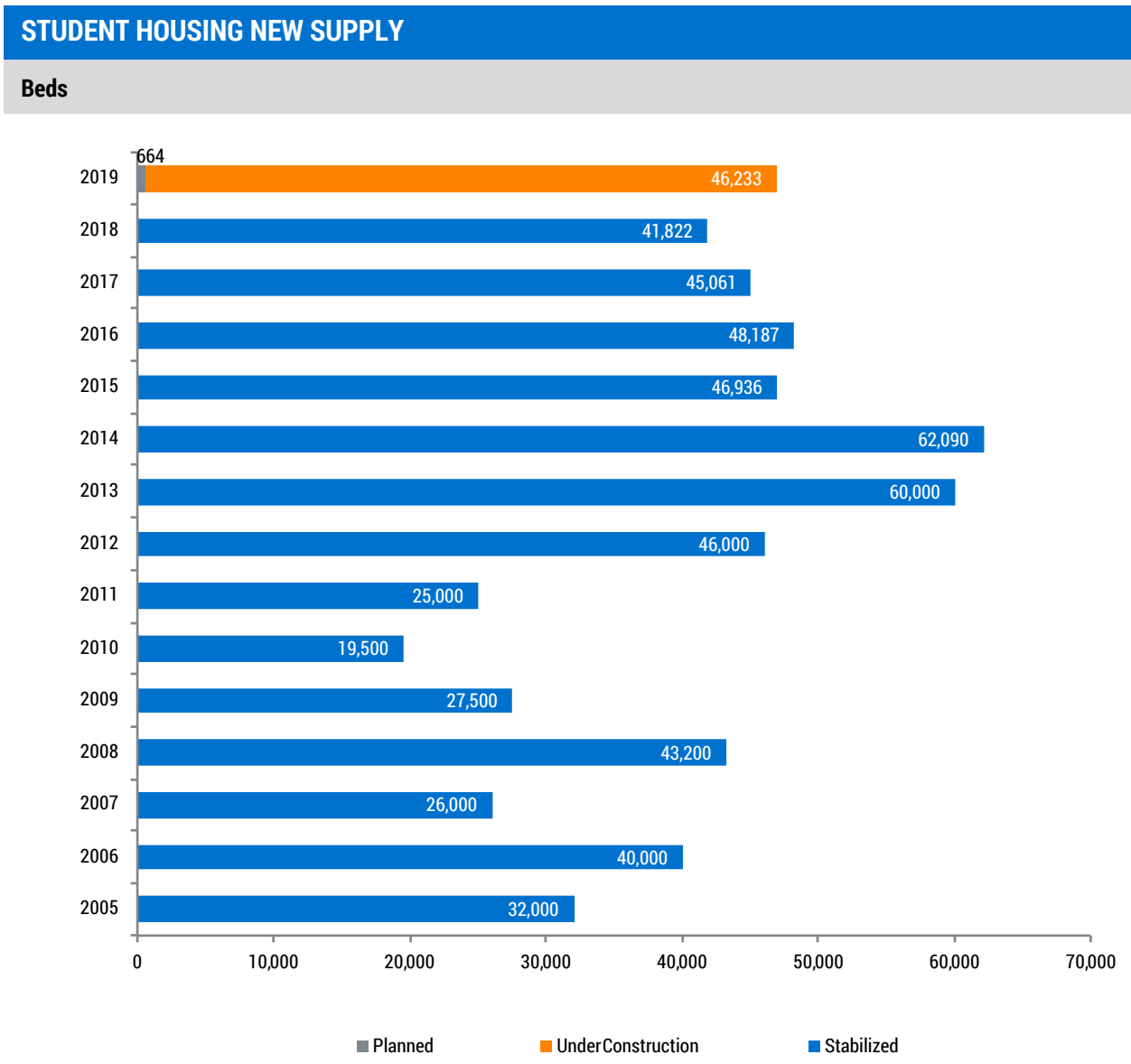


Source: Axiometrics/RealPage

Although the level of new supply was marginally lower in 2018, development in many larger markets continued to experience elevated levels of supply. Texas A&M University and Florida State University (FSU) are among some of the major markets that have witnessed above-average supply over the last two years, with additional deliveries anticipated for 2019 at FSU. However, 80 percent of the markets that received new supply in 2018 will not see a similar year of new construction deliveries in 2019. The spread of development across markets is a cautionary movement from developers as sophisticated investors largely are focused on markets that have limited housing or functionally obsolete product. As student enrollment continues to increase at a higher velocity, Tier-I and Tier-II universities will require ongoing development to supplement the ongoing accelerated demand for innovative accommodations to replace out of date dormitories across the nation. The U.S. long-term enrollment outlook projects an average enrollment increase of 3.81 percent between 2018-2020. Moreover, enrollment in degree-granting institutions is anticipated to grow to 19.8 million by 2025 – up from 17.2 million in 2013, per the National Center for Education Statistics. As seen in recent years, an underlying core driver of enrollment growth has been the influence of international students. The years following 2025 are expected to see a decline in the college-going population as the fertility rate dropped in 2008. Top-tier universities, however, are expected to see higher demand and could grow as

much as 14 percent by 2029. Foreign enrollment reportedly grew 45 percent in between 2008 and 2016; however, a clamping down on H-1B visa applications, as well as considerable increases in international tuition costs, has caused a decrease in international enrollment in 2018.

Many of the top universities anticipating new supply in 2019 have historical pent-up supply gaps and demand is higher than additional beds being delivered. This favorable environment at many universities has prompted developers to take advantage of tight market conditions to achieve higher returns and counter rising development costs. Per Axiometrics data, only a few of the 2019 top 25 supplied universities received any purpose-built student housing deliveries in 2018. Out of this group, FSU and The University of Texas at Austin are the only schools nearing the same above-average level in 2019. The strategic distribution of supply across markets maintains the attractiveness of student product as more groups are realizing the high-yield potential of untapped or underserved markets.



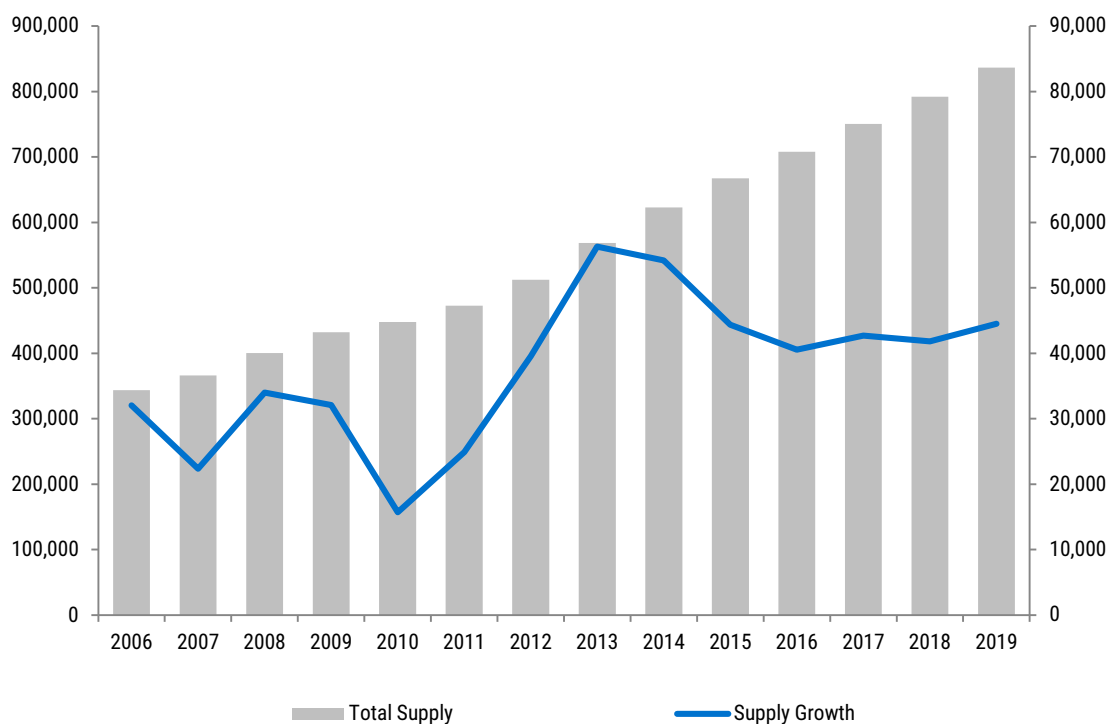
Source: Axiometrics/RealPage

# 2018 STUDENT HOUSING MARKET OVERVIEW

NKF Student Housing expects new development to continue filling the void of older product, both on and off campus, located in close proximity to universities. Furthermore, the median age of university-owned student housing is roughly 50 years, representing a unique replacement opportunity for capital investment. The market continues to indicate a strong preference towards purpose-built student housing assets located pedestrian to campus, with the average distance of new construction falling to less than a half-mile from campus since 2011. The preferred pedestrian location does not come without its own set of challenges for new prospective developments. The scarcity of developable land within proximity to universities has led to significantly increased pricing, construction costs rising steadily over the past five years, and securing construction financing has been notably more difficult. These factors have thinned profit margins for developers and forced capital to clearly identify markets and sites that can support current rental rate levels. Overall, cap rates in the near term are expected to remain low, and the abundance of new equity entrants with low cost of capital has allowed continued construction at lower development yields.

Many investors, including some of the most experienced in the industry, remain incredibly bullish on the sector - considering student housing to be in its infancy from a supply perspective. NKF Student Housing anticipates investor demand will remain high for newly constructed, core assets pedestrian to top-tier universities. However, given the finite availability of developable land sites and the increasing price disparity between new construction rents and older product located farther from campus, demand for value-add investments is expected to remain equally as strong as the upside opportunity in rent disparity more clearly defines itself.

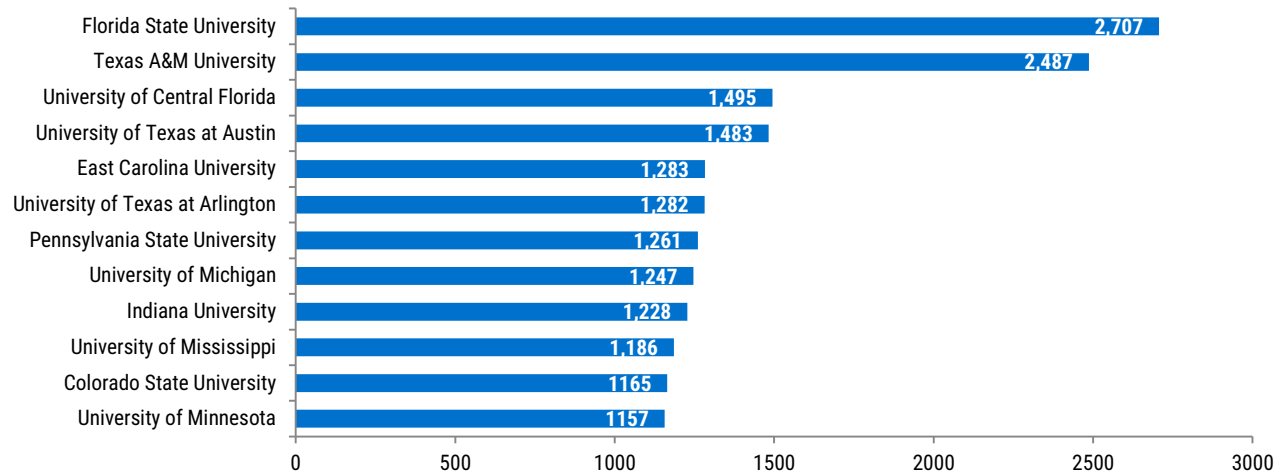
## STUDENT HOUSING SUPPLY TOTAL VS. GROWTH



Source: Axiometrics/RealPage

## TOP NEW SUPPLY: FALL 2018

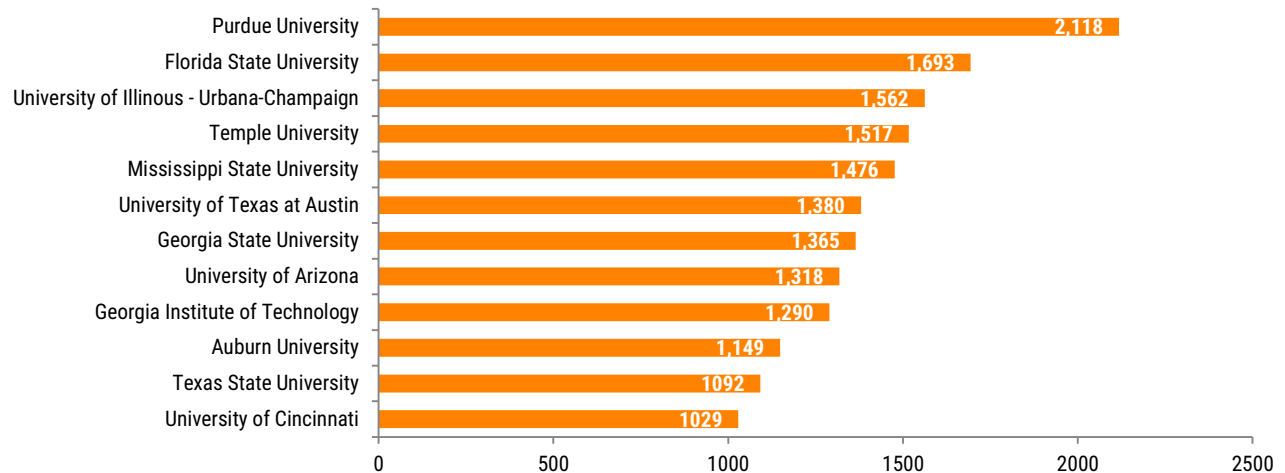
### Beds



Source: Axiometrics/RealPage

## TOP EXPECTED NEW SUPPLY: FALL 2019

### Beds



Source: Axiometrics/RealPage



# NKF SELECT CASE STUDIES



## SKYLOFT

212 UNITS | 674 BEDS | YOC 2018  
UNIVERSITY OF TEXAS AT AUSTIN | AUSTIN, TX



**CASE STUDY:** Skyloft is a Class A, 212-unit trophy high-rise asset directly adjacent to The University of Texas at Austin. Located in the heart of popular West Campus, the property benefits from being within walking distance of all university classrooms, athletic facilities, and an array of entertainment venues.



**EXECUTION:** NKF Student Housing created an unprecedented bidding environment with multiple overseas buyers and 17 offers. While clearly explaining how Skyloft was strategically positioned relative to its closest competitors, we effectively presented a clear path to substantial revenue growth drivers through a variety of creative operational vehicles. We were able to create an unprecedented bidding environment which led to record pricing for both UT student housing and the greater Austin multifamily sector.



## HAVEN46

158 UNITS | 542 BEDS | YOC 2018  
UNIVERSITY OF SOUTH FLORIDA | TAMPA, FL



**CASE STUDY:** Haven46 is a core, new construction asset located within a one-half mile to the University of South Florida. The property is primarily positioned within the submarket and located adjacent to the USF golf course, putting it within walking and biking distance of university classrooms and athletic facilities.



**EXECUTION:** Our team guided investors to the overall strength of the Tampa submarket while clearly demonstrating the differentiated product offered by Haven46. In turn, this strategy created a vastly competitive bidding environment with 16 total offers from many of the most aggressive overseas, institutional, private client, and new equity entrant purchasers across the globe. Ultimately, we successfully closed, all cash, within 40 days of contract execution and with one of the largest institutional buyers in the country.



## RIDGE PORTFOLIO

454 UNITS | 1,819 BEDS | YOC 2016/2014/2016  
VARIOUS | VARIOUS



**CASE STUDY:** The Ridge Portfolio is a differentiated, townhome PBSA, averaging one mile to the University of Tennessee, University of Georgia, and the University of Florida. The portfolio boasts top-of-the-line amenities and upscale interiors at a (rental rate) price point below that of comparable new construction assets pedestrian to campus. The townhome product is completely differentiated with oversized floorplans, garages, and unmatched amenities.



**EXECUTION:** Mitigated location concerns by focusing investors on strong historical occupancy and the assets' ability to push rental rates and capture substantial operating efficiencies. We aggressively marketed the portfolio, with assistance from our international student housing group, and successfully capitalized on a preemptive offer with one of the largest institutional capital groups in the world for two of the three assets.





**ELLA LOFTS**  
75 UNITS | 252 BEDS | YOC 2016  
TEXAS STATE UNIVERSITY | SAN MARCOS, TX



**CASE STUDY:** Ella Lofts is a boutique Class A, 75-unit mid-rise asset located 400 feet from Texas State University. Ella Lofts' location benefits from unmatched walkability and the property sits atop a hill that offers scenic views of the and the pool terrace. The property is also within close proximity to all of the best restaurants, shopping, and entertainment venues that San Marcos has to offer.



**EXECUTION:** NKF Student Housing highlighted the opportunity to substantially grow rents and other income through operating efficiencies in Year 2, whilst overcoming supply concerns with a tightly knit marketing strategy on the property's boutique nature, leasing velocity, and low capture rate. We were able to procure 19 offers from across the capital spectrum, inclusive of foreign capital. Our marketing process concluded with a successful exchange to a private capital group partnered with middle eastern LP equity.



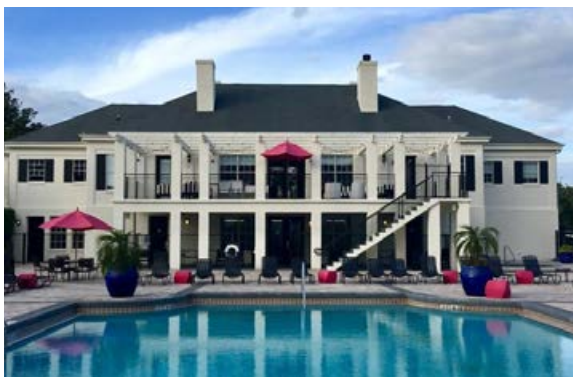
**THRIVE LUBBOCK**  
264 UNITS | 744 BEDS | YOC 2004  
TEXAS TECH UNIVERSITY | LUBBOCK, TX



**CASE STUDY:** Thrive Lubbock is a 744-bed value-add asset located less than one mile from Texas Tech University in Lubbock, Texas. Thrive Lubbock recently received a complete renovation of the clubhouse, leasing office, fitness center, and pool areas, providing residents a rejuvenated property that now boasts some of the strongest amenity features in the market. The property was approximately 83 percent occupied at the time of sale and offered value-add upside through interior upgrades.



**EXECUTION:** Our team procured 14 offers from both domestic and foreign capital with 65 percent of those offers at, or above, our targeted price point. The sale process was seamlessly navigated within a submarket with recent oversupply issues. Our team successfully transacted with a national operator with institutional LP equity.



**ARDEN VILLAS**  
336 UNITS | 624 BEDS | YOC 1999  
UNIVERSITY OF CENTRAL FLORIDA | ORLANDO, FL



**CASE STUDY:** Arden Villas is a 1999 built value-add asset, located within one mile of the largest public university in the country, University of Central Florida. The property was 95 percent occupied at the time of sale and enjoyed several years of strong rental rate growth. At the time of marketing, the property was leased by the unit and had some of the property's original interior finishes, providing the ideal scenario for a student housing purchaser to implement a successful value-add and repositioning program.



**EXECUTION:** Our team aggressively assembled one of the strongest buyer pools of 2018, totaling almost 20 offers with prospective purchasers across the entirety of the capital spectrum. NKF strategically marketed the asset with our conventional partners, based in Florida, to drive premium pricing and garner 9 offers from conventional purchasers. We seamlessly closed, all cash, within 40 days of contract execution with one of the largest pension funds in the country.

# 2018 STUDENT HOUSING MARKET OVERVIEW

## Student Housing Investment Sales



**RYAN LANG**

Vice Chairman  
512.637.1296  
ryan.lang@ngkf.com

Ryan Lang, vice chairman with Newmark Knight Frank and head of its Student Housing group, spearheads best-in-class investment sales and advisory services on behalf of its clients. He has represented many of the largest institutional, public and private real estate companies in the country and has closed approximately \$6.7 billion in real estate transactions.

Prior to joining Newmark Knight Frank, Mr. Lang was vice president and co-leader of CBRE's National Student Housing Group. In 2010, he joined New Orleans-based Stirling Properties as director of multifamily investments. While at Stirling, Mr. Lang specialized in the sale of conventional and student housing assets and was recognized as the top investment sales broker at Stirling Properties for 2011 and 2012. Mr. Lang began his real estate career in New York City at Marcus & Millichap where he gained experience in seller representation, acquisitions, and investment underwriting. During his first year there, his investment team was recognized as the number one top-earning team in the office and he was also awarded the Pace Setter award for 2008.

Mr. Lang was named to the NKF Chairman's Circle in recognition of being one of the top producing brokers in the entire company and he regularly speaks at acclaimed student housing events throughout North America and Europe. Mr. Lang has been featured in the *Wall Street Journal* and on National Public Radio for his expertise and leadership within the sector. Mr. Lang serves on the board of directors of the National Brain Tumor Society and received a Bachelor of Science degree in business administration from the University of Florida.



**JEREMY BORST**

Senior Financial Analyst  
512.637.1239  
jeremy.borst@ngkf.com

Jeremy Borst is a senior financial analyst for Newmark Knight Frank's Student Housing group where he is responsible for the financial analysis of all properties and portfolios including the research of economic drivers, underwriting, and performance benchmarking in support of the company's investment sales services. His vast experience within the student housing sector lends critical insight into the most pertinent details of each specific assignment and he is involved in all facets of the sale process.

Prior to joining Newmark Knight Frank, Mr. Borst was an analyst for nation's largest developer, owner, and manager of student housing communities, American Campus Communities. There he was responsible for the financial planning and reporting of the company's portfolio of 75,000+ wholly-owned beds. Mr. Borst has experience in the asset managing, budgeting, investment underwriting, and forecast planning of over \$5 billion of student housing assets across the nation.

Mr. Borst graduated from the State University of New York at Fredonia with a Bachelor's of Science in Accounting.



**BRANDON BUELL**

Managing Director  
713.300.7956  
brandon.buell@ngkf.com

Brandon Buell, managing director for Newmark Knight Frank's Student Housing group, is responsible for assisting clients in the disposition of institutional and non-institutional assets, handling all aspects of the marketing process including pricing strategies, valuation/modeling, negotiation and closing. He has been involved in over \$2 billion of purpose-built multifamily transactions since joining Newmark Knight Frank in 2015.

Prior to joining Newmark Knight Frank, Mr. Buell was an associate partner at ApexOne Investment Partners, a private equity group in Houston, TX where his primary responsibilities included acquisitions, dispositions and asset management for both student housing and conventional multifamily assets within a 33-state region. While at ApexOne, Mr. Buell sourced 100 percent of the student housing properties for the fund and asset managed 75 percent of the student housing portfolio. Other responsibilities included overseeing due diligence and renovations, and reporting to joint venture partners. Mr. Buell worked closely with an array of large student housing joint venture partners including Crow Holdings, Balfour Beatty, Behringer Harvard and Rockstreet Partners. His experience in acquiring approximately \$400 million of student housing and conventional apartment properties throughout the country provides vital knowledge to clients in valuing assets and developing disposition strategies.

Mr. Buell graduated from the Rawls Business School at Texas Tech University. A native Houstonian, he has been involved with his church in many capacities including Elder, Chairman of the School Committee and high school youth advisor. He has also served as a director on a Houston area Municipal Utility District board for more than 15 years.



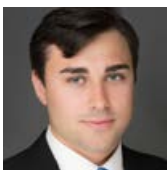
**JACK BRETT**

Associate Director  
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Jack Brett is the associate director for Newmark Knight Frank's Student Housing group where his primary responsibilities include facilitating client relationships, business development, pricing and marketing strategy, and actively engaging with clients throughout the entirety of the disposition process. Since joining Newmark Knight Frank, Mr. Brett has participated in over 100 closings, \$3.5 billion in financial modeling, and over 700 valuations. He most recently worked with Newmark Knight Frank's Affordable Housing group, servicing a wide array of clients that included private and institutional developers, syndicators and direct Low-Income Housing Tax Credit (LIHTC) investors on disposition strategies. Mr. Brett is an industry veteran with substantial experience in all facets of the sale, valuation, and development process.

Prior to joining Newmark Knight Frank, Mr. Brett worked with a Houston-based consulting firm where he performed financial reporting, analysis, modeling, and budgeting.

Mr. Brett is from Manchester, England and regularly visits the UK to source emerging capital from overseas and leverage existing relationships within the sector. Mr. Brett graduated magna cum laude from the University of St. Thomas in Houston, with a Bachelor of Business Administration degree in finance, economics and marketing. He was awarded the outstanding graduate award in marketing and is a member of the Delta Mu Delta and Beta Gamma Sigma International Honor Societies.



**BEN HARKRIDER**

Senior Financial Analyst  
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ben.harkrider@ngkf.com

Ben Harkrider is a senior financial analyst for Newmark Knight Frank's Student Housing group. Mr. Harkrider is responsible for underwriting, financial analysis and comprehensive market research of student housing assets nationwide. He is actively involved throughout the entire disposition process from the production of marketing materials and reports, to assistance through due diligence.

Prior to joining Newmark Knight Frank, Mr. Harkrider worked internships at prominent student housing companies, including Coastal Ridge Real Estate Partners and Peak Property Group where his primary responsibilities included discounted cash flow modeling, property management, market research of economic drivers, and financial analysis. He earned a Bachelor of Arts degree in economics from the University of Texas and a Business Foundations Certificate from the McCombs School of Business.



## Debt & Structured Finance



**TRENT HOUCHIN**

Director, Student Housing  
512.637.1298  
trent.houchin@ngkf.com

Trent Houchin is director of the Newmark Knight Frank's Debt & Structured Finance team in the Austin office of NKF, where he is responsible for spearheading the Student Housing Debt and Structured Finance platform. Mr. Houchin works closely with NKF's Student Housing group and specializes in providing best-in-class financing and capital structure solutions for student housing assets across the country, including permanent, bridge, equity and mezzanine debt financing. Mr. Houchin's team leverages direct licenses with Fannie Mae and Freddie Mac, as well as industry-wide relationships with Life Insurance Companies, conduits/CMBS, banks and alternative debt executions to provide the most attractive financing options available.

Previously, Mr. Houchin led the financial analyses of the NKF Student Housing group where he was responsible for the comprehensive analysis of over \$8 billion of investment-grade student housing assets. In addition, he was actively involved throughout the entire disposition process from the production of marketing materials and reports, to assistance through due diligence, and has worked closely with some of the largest student housing owners in the country.

Mr. Houchin graduated from Texas State University with a B.S. in Business Administration and a major in finance.



**MATT GREER**

Executive Managing Director  
512.637.1236  
matt.greer@ngkf.com

Matt Greer is executive managing director of the Newmark Knight Frank's Debt & Structured Finance team in the Austin office of NKF. Mr. Greer brings to his position 22 years of real estate experience. His property type expertise extends to multihousing, student housing, manufactured housing, and commercial and retail properties with various structures, including permanent, bridge, equity and mezzanine debt financing.

Prior to NKF, Mr. Greer worked from 2007 to 2016 at Austin-based Berkadia, where he financed projects in excess of \$2 billion. Mr. Greer was previously a partner at AMS Real Estate (AMS), a real estate services firm where he launched an underwriting group that worked for many of the CMBS industry's largest originators. Prior to his tenure with AMS, Mr. Greer was a vice president at Simmons Vedder Partners, where he was responsible for the development and marketing of the company's office division.

Mr. Greer is a Certified Commercial Investment Manager (CCIM) and is active in the Mortgage Bankers Association, National Multifamily Housing Council and Urban Land Institute.

Mr. Greer graduated from the University of Texas with a Bachelor of Arts degree in economics.

## NATIONAL EXPERTS, GLOBALLY CONNECTED



**James Pullan**  
EUROPE



**Joseph Morris**  
AFRICA & MIDDLE EAST



**Emily Fell**  
ASIA PACIFIC

Newmark Knight Frank's Purpose Built Student Accommodation (PBSA) specialists are leading the industry with direct access to the most active capital in the space, globally.

The PBSA team understands the need to be 'locally expert, globally connected' and coordinate on the front end of each assignment. This ensures maximum exposure within the global marketplace which, in turn, leads to unrivaled investor interest, a competitive global bidding environment and premium pricing.

Our track record includes locally significant projects requiring expert opinions and global trophy projects that require our international connectivity. The team's global reach is unique with proven results that are unmatched by anyone else in the industry.

**The Newmark Knight Frank Student Property global team has four hubs.**

# 2018 STUDENT HOUSING MARKET OVERVIEW

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## ABOUT NKF STUDENT HOUSING

Newmark Knight Frank Student Housing has a proven track record in providing best-in-class investment sales services. Our team has closed over \$10 billion in student transactions and has significant experience with portfolio, pre-sale, value-add, core, and secondary markets transactions. We are the industry's best in execution.

- The only student housing platform with the ability to collaborate with market leading counterparts across the globe in Europe, the Middle East, and the Asia-Pacific region, while partnering with an institutional office in New York, ensuring the broadest global reach of foreign capital in the industry.
- Partner-level national student housing brokers and ten specialized team members with combined 40 years of experience. Our team has more industry experience than any other national student housing platform in the country.
- Combined transaction experience of over 95,000 beds.
- Our team is unrivaled in our ability to bring the most aggressive capital sources, both foreign and domestic, into the competitive bidding process and successfully transact.
- Pro-active and tailored marketing approach to ensure seamless execution at the absolute highest price and best terms available in the market place.
- Unprecedented pricing achieved on multiple portfolio, pre-sale, core, and value-add dispositions across the country.
- The largest and most comprehensive student housing database in the industry.

NKF employs an information-sharing culture among all offices that provides immediate access to knowledge about buyers across the U.S. Our brokers have access to every buyer and bidder for every NKF deal across the U.S.

NKF offers clients unparalleled access to debt and equity through our fully integrated platform. To accomplish structured finance objectives, our in-house Debt & Structured Finance team maintains close relationships with a comprehensive group of capital providers with direct access to FNMA/Freddie, CMBS, Life Co., and traditional lenders.

**\$10  
BILLION  
CLOSED**

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**LARGEST  
DEDICATED  
TEAM**

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**IN-HOUSE  
DEBT &  
EQUITY**

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**FOUR  
GLOBAL  
HUBS**

**BEST IN  
EXECUTION,  
DEDICATED  
TO STUDENT  
HOUSING**

**Newmark Knight Frank's Student Housing group closes the highest profile deals in the industry.** Our team has a proven track record of providing best-in-class student housing advisory services for clients across the globe. We provide investment sales and debt and equity placement services, giving investors **one trusted name throughout the transaction.**

- **Top student housing broker of foreign capital transactions**
- **Combined transaction experience of over 95,000 beds and \$10 billion**
- **The only student housing platform with four market-leading global hubs brokering transactions globally**
- **Over \$620M closed and contracted year-to-date in 2019**





## ABOUT NKF MULTIFAMILY CAPITAL MARKETS

Newmark Knight Frank, operated by Newmark Group, Inc. (“Newmark Group”) (NASDAQ: NMRK), is one of the world’s premier commercial real estate advisory firms with a fully integrated global investment sales and lending platform. From marketing the sale of single assets and portfolios, to structuring complex debt solutions, to life of loan servicing and asset management, we provide 360-degree solutions. Taking a consultative approach, we assist clients in effectively managing their real estate operations and portfolios, and creating and executing on strategies that optimize the capital structure, increase efficiency and ultimately maximize value.

Newmark Knight Frank’s Multifamily Capital Markets Investment Sales team are nationwide experts, providing asset-specific customization that yields highly effective transaction strategies. By leveraging our proprietary database, each advisor has ready access to unique market intelligence to drive demand and match each client’s assets to a robust group of investors from private and institutional owners to global investors.

Investment sales advisors work closely with the Multifamily Capital Markets Debt & Structured Finance team on loan origination, underwriting, closing, life of loan servicing and asset management. This seasoned team provides clients with innovative and comprehensive solutions by accessing a full complement of debt products including Fannie Mae, Freddie Mac, FHA, Bridge, Life Company, Bank and CMBS products.

Newmark Knight Frank’s Multifamily Capital Markets team is responsible for more than \$33 billion in multifamily transaction volume annually.

## ABOUT NEWMARK KNIGHT FRANK

Newmark Knight Frank is one of the world’s leading and most trusted commercial real estate advisory firms, offering a complete suite of services and products for both owners and occupiers. NKF’s investor/owner services and products include investment sales, agency leasing, property management, valuation and advisory, diligence, underwriting, government-sponsored enterprise lending, loan servicing, debt and structured finance and loan sales. Occupier services and products include tenant representation, real estate management technology systems, workplace and occupancy strategy, global corporate services consulting, project management, lease administration and facilities management. For further information, visit [www.ngkf.com](http://www.ngkf.com).

## STUDENT HOUSING INVESTMENT SALES

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### **BEN HARKRIDER**

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### **MATT GREER**

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