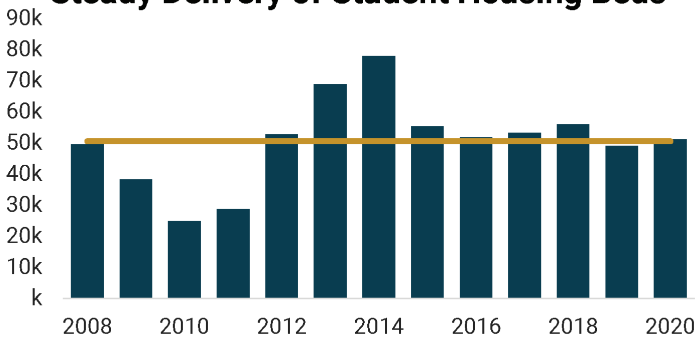
APARTMENT ADVISORY

OCTOBER 2020

Student housing has been a remarkably steady sector for many years. Even during the era of the COVID-19 pandemic, annual rent change across the nation remained between its typical 1% to 2% range.

Steady Delivery of Student Housing Beds



Source: RealPage, Inc.

Perhaps even more remarkable is just how steady new purpose-built, off-campus construction has been in recent years. Between 2008 and 2020, a total of roughly 660,000 new beds have delivered. That's equal to roughly 51,000 beds per year.

The two periods where deliveries deviated from that average were 2009 through 2011 and 2013 through 2014. The pullback from 2011 to 2013 was due to the Great Recession, and the subsequent acceleration in 2013 and 2014 reflected developers chasing the pent-up demand from the recession, which resulting in the peak supply years for student housing.

But since 2015, there has been almost zero variability around the industry's long-term average of approximately 51,000 beds delivering. In every year since 2015, there have been somewhere between 49,000 and 56,000 beds delivering annually. The Fall 2020 semester wasn't any different as about 51,100 beds delivered in total, perfectly confirming with that long-term norm.

New Supply Leaders Since 2010

Rank	University Name	Total New Beds (2010 to 2020)
1	Texas A&M University	14,129
2	Florida State University	13,456
3	Texas State University	11,800
4	University of Alabama	9,311
5	University of Florida	9,111
6	University of Texas at Austin	8,925
7	Texas Tech University	7,731
8	Louisiana State University	7,588
9	University of Illinois at Urbana-Champaign	6,929
10	University of Arkansas	6,721

Source: RealPage, Inc.

While the overall numbers show incredible consistency, there are some key themes hidden in the overarching story. Student housing numbers vary widely across individual campuses.

Even schools that have featured the most construction in the past decade have seen a few years where development took a pause. The top 10 campuses for new construction since 2010 – each of which has seen about 6,700 or more new beds deliver – have had at least one year in which no new beds deliver.

Among those leaders were a few select schools with ample delivery totals in Fall 2020 as well.

Most notable was the University of Florida. There, a whopping 3,317 new beds delivered in time for Fall 2020. That was the second highest annual new supply volume at any school over the past 10 years, surpassed only by the 3,374 beds that delivered at Texas Tech University in 2017.

New Supply Leaders in 2020

Rank	University	New Beds in 2020
1	University of Florida	3,317
2	Arizona State University	1,849
3	Texas State University	1,727
4	Oregon State University	1,579
5	Utah Valley University	1,544
6	North Carolina State University	1,512
7	Pennsylvania State University	1,427
8	Sam Houston State University	1,380
9	Towson University	1,331
10	Washington State University	1,325
11	Rutgers University - New Brunswick	1,257
12	Kennesaw State University	1,198
13	Colorado State University	1,184
14	Auburn University	1,115
15	University of Texas at Austin	1,052
16	San Jose State University	1,039

Source: RealPage, Inc.

That total was enough to push the University of Florida into the nation's top five construction leaders this cycle. It also marked the seventh year in a row that new beds have delivered in The Swamp, making Gainesville a consistent target for student housing developers.

All of the 2020 construction leaders saw at least 1,000 new beds delivered and many also appear on the decade leaderboard. In addition to the University of Florida, schools that overlap between this year's leaderboard and that of the past decade include Texas State University – in San Marcos, a town just south of the University of Texas at Austin – and the University of Illinois at Urbana-Champaign.

Among this list, there were two schools that saw their first big blocks of deliveries since 2010. At Towson University north of Baltimore, some 1,331 beds came online servicing the local enrollment base of roughly 22,000 students. Similarly, at the Rutgers University flagship campus in New Brunswick, New Jersey, a total of 1,257 beds came online, servicing the 50,000 or so students attending school at that campus.

Perhaps the worst-case scenario on this list was Oregon State University. There, a hefty 1,579 beds delivered in 2020, comprising about half of the total delivered this past decade (3,452 beds). And Oregon State University's return-to-campus plans created a challenging leasing environment for off-campus operators. The large number of deliveries paired with local COVID-19 measures yielded one of the nation's lowest occupancy rates (just 63.6%) to start the Fall 2020 semester.

Given uncertainty generated by COVID-19, it's probably not surprising to see fewer beds are scheduled to deliver at U.S. campuses in 2021 than in the previous nine years. The nation is slated to see just 39,000 or so beds come online next year. That would mark the lowest annual total since 2011 and may offer the industry a breather after a few years of 50,000-plus beds delivering.

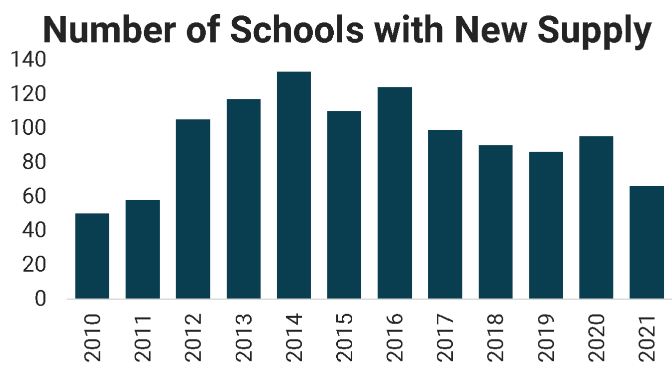
Part of what's driving down next year's scheduled delivery volume is that fewer schools are receiving new supply. Only 66 schools tracked by RealPage are scheduled to see new supply in 2021. In total, that's just 16% of the some 420 schools tracked by RealPage. That would comprise the smallest share of the nation's schools seeing new deliveries since the 2010 to 2011 recovery period.

Developers are also pulling back on completions at individual campuses. Only about 10 schools are expected to see 1,000 or more new beds deliver during the year, compared to 16 schools in 2020.

Diminishing supply volumes set up a scenario to monitor moving into 2021. Does the combination of diminishing supply and the potential for a post-pandemic enrollment boost help boost rent and occupancy performance? Time will tell.

Beyond that, the ability of some supply-burdened schools to absorb yet another big block of new supply in 2021 will be a key trend to watch. Perhaps most notably is whether the University of Texas at Austin has enough demand to offset yet another big year for construction.

The 2,343 beds delivering at the school will push the University of Texas at Austin campus north of 11,000 new beds delivered since 2010. That will be the fourth-



Source: RealPage, Inc.

most beds delivered nationally, making UT one of only four schools with more than 10,000 new beds delivered since 2010. And although the school has some 52,000 or so students, it's important to remember the abundance of student competitive properties nearby. Further, the school has an enrollment cap so unless that cap is removed there won't be a significant surge in enrollment moving forward.

Scheduled Supply Leaders in 2021

University	New Beds: Fall 2021
University of Texas at Austin	2,343
Georgia Institute of Technology	1,998
Arizona State University	1,367
University of Washington	1,356
University of Arkansas	1,334
University at Buffalo - State University of New York	1,230
Washington State University	1,167
University of California - Davis	1,148
Florida International University	1,086
Pennsylvania State University	1,007

Source: RealPage, Inc.