



**MBA's Commercial Real Estate Finance/  
Multifamily Housing Convention & Expo**

# Niche Multifamily Markets: Challenges & Opportunities in Student Housing

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**AMERISPHERE MULTIFAMILY FINANCE**

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## **Agenda: Challenges and Opportunities**

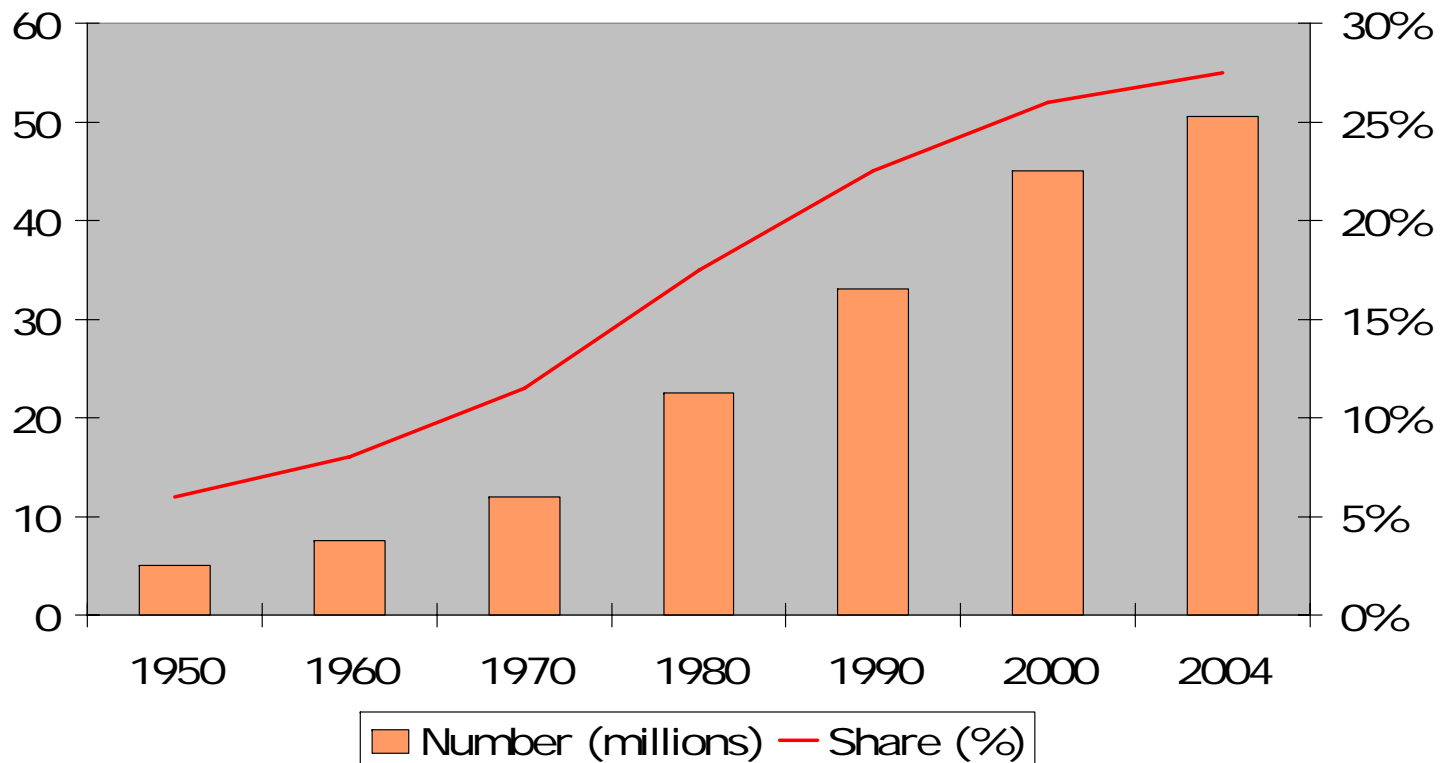
- Population and college enrollment growth in the United States
- Market opportunities
- Operational and design characteristics
- On going dilemma: "By-the-Bed" or "By-the-Unit"?
- Financing product characteristics





# US Population with College Degree

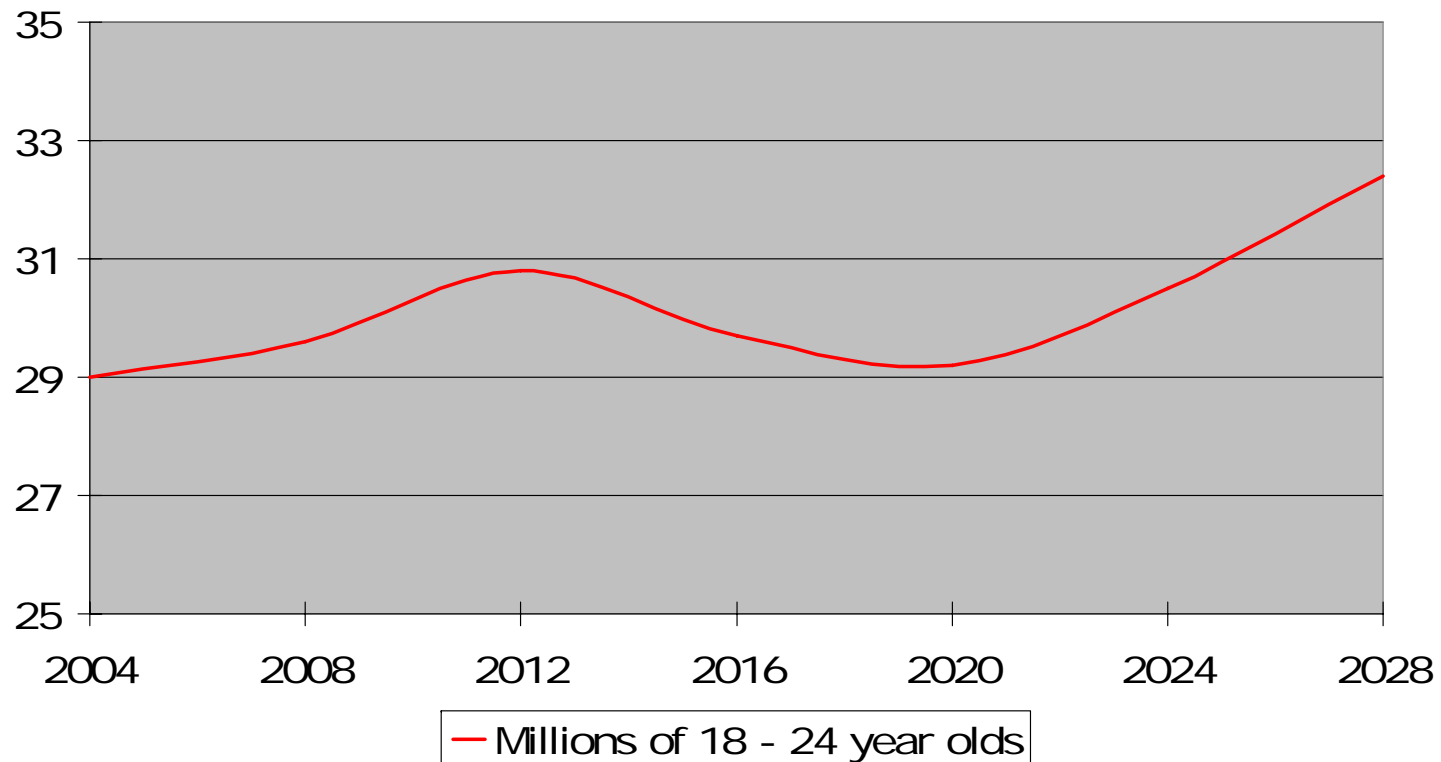
(Source: National Multi-Housing Council)





# US College-age Population

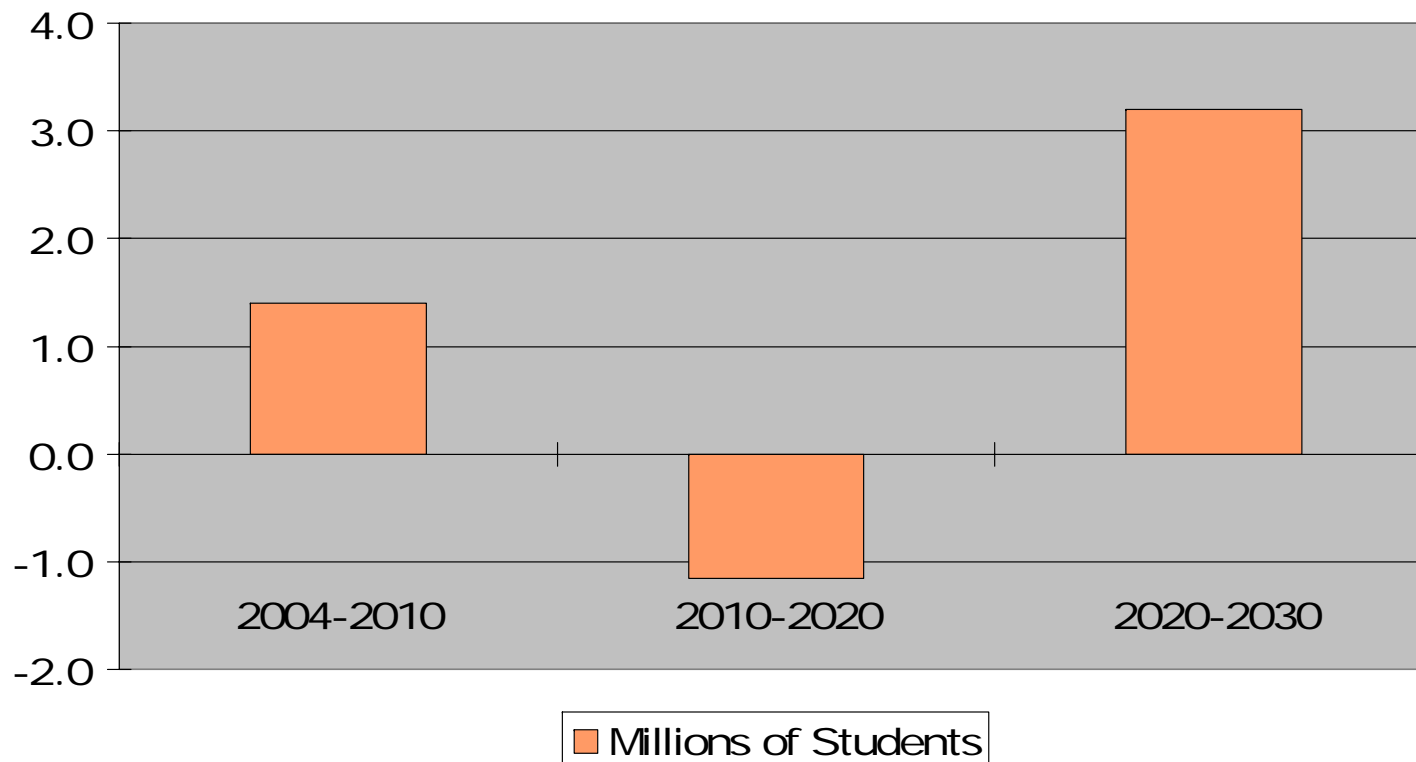
(Source: National Multi-Housing Council)





# Growth of College-age Population

(Source: National Multi-Housing Council)





# NMHC Student Housing Enrollment Growth Study

*(Source: National Multi-Housing Council)*

## Current Enrollment

Total Colleges Surveyed	184
2005 Undergraduate Enrollment	2,692,610
2005 Graduate Enrollment	685,854
2005 Total Enrollment	3,378,464





# NMHC Student Housing Enrollment Growth Study

(Source: National Multi-Housing Council)

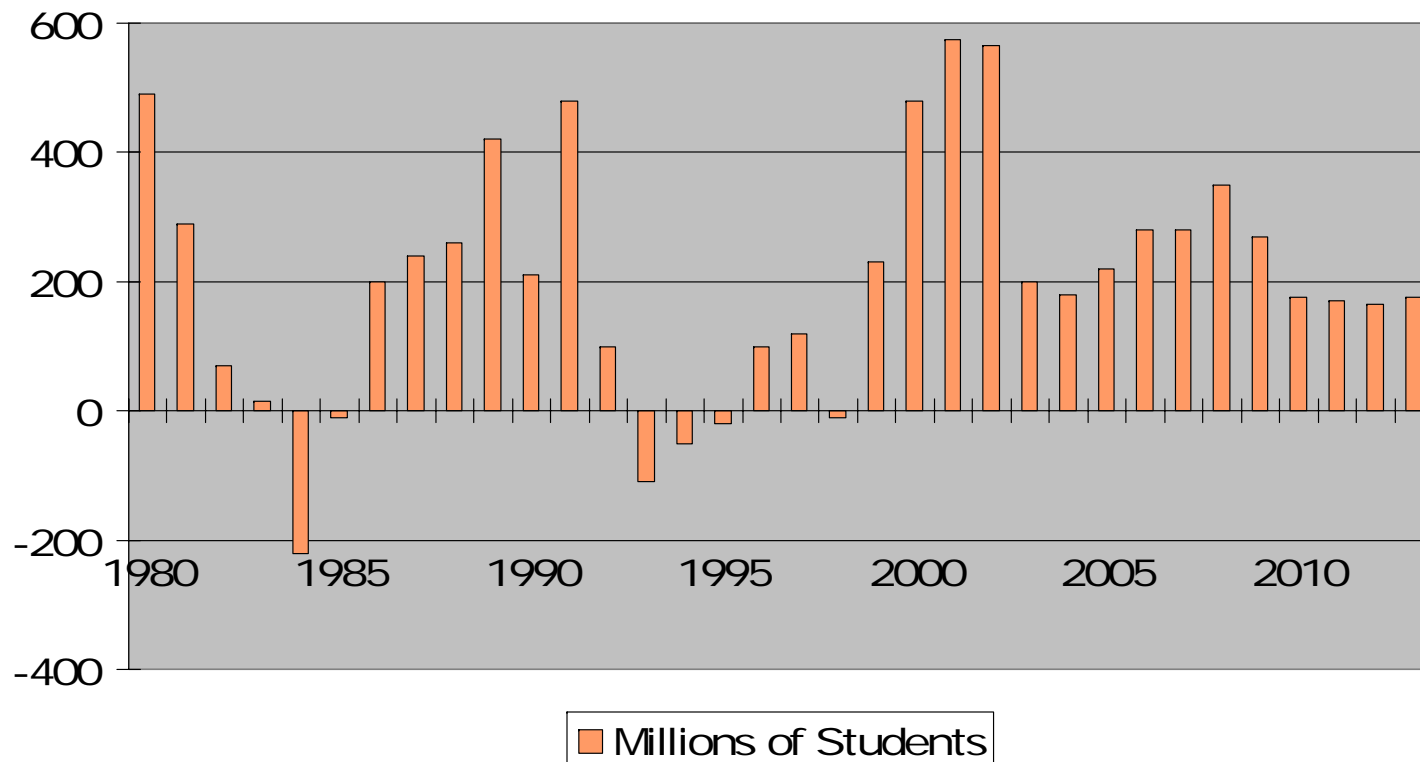
## Projected Enrollment Growth

Colleges Providing Predictions	132
2005 Enrollment	2,512,888
2010 Projected Enrollment	2,724,738
2005-2010 Percent Increase	8.4%



# Projected Enrollment Increase in the US

(Source: National Multi-Housing Council)





# **NMHC Student Housing Enrollment Growth Study**

*(Source: National Multi-Housing Council)*

## 2000-2030 Population Growth Trends:

- Nearly half of US population growth will be in Florida, California and Texas
- Eighty percent is projected to occur in the South and the West
- More than 80% of institutions exceeding 15% enrollment growth will be in Florida, Texas, Georgia, California and Arkansas





# NMHC Student Housing Enrollment Growth Study

(Source: National Multi-Housing Council)

## Greatest Projected Enrollment Increase

Rank	University	Growth(%)
1	Georgia Institute of Technology	58%
2	University of Maryland	45%
3	Drake University (Iowa)	44%
4	University of Arkansas at Fayetteville	37%
5	University of Idaho	34%
6	Valdosta State University (Georgia)	32%
7	Arkansas State University	29%
8	University of Arkansas at Forth Smith	28%
9	Frostburg State University (Maryland)	27%
10	Old Dominion University (Virginia)	25%
11	University of North Carolina at Greensboro	25%





# **NMHC Student Housing Enrollment Growth Study**

*(Source: National Multi-Housing Council)*

## **Greatest Projected Enrollment Increase**

<b>Rank</b>	<b>University</b>	<b># of Students</b>
1	University of Maryland	12,408
2	California State University at Long Beach	8,000
3	San Diego State University	7,798
4	University of South Florida	6,900
5	University of Arkansas at Fayetteville	6,118
6	California State University at Fullerton	5,520
7	Old Dominion University (Virginia)	5,214
8	Georgia Institute of Technology	5,119
9	East Carolina University (North Carolina)	5,026
10	University of Central Florida	5,000





## NMHC Student Housing Research

Reports available from NMHC or NAA:

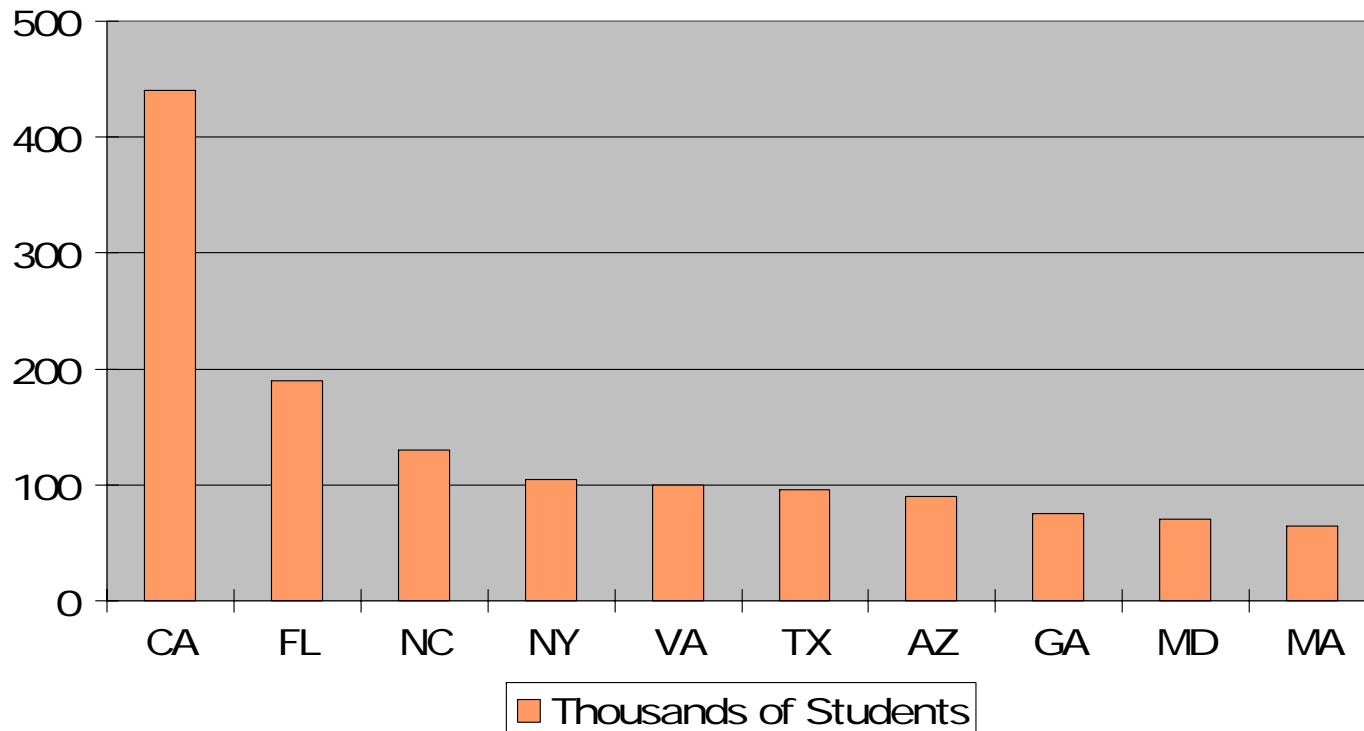
- Student Housing 101: Where are the Opportunities
- Student Housing 102: An In-Depth Look at Properties Leased By-the-Bed
- Student Housing 103: A survey of 184 University Housing Departments





# State Growth of College-age Population

(Source: National Multi-Housing Council)



## Not the Baby Boomers College Dorms...



- Students want plenty of space, privacy and plenty of amenities (computer lab, fitness center, coffee shop, movie theater, game rooms, round-the-clock receptionist for security)
- They certainly do not share bedrooms or baths





## Operational and Design Characteristics

Not your typical multifamily property:

- Managers must be experienced
- Students expect hotel-like services
- Turnover is significant before school starts (65% to 75% of the beds within a 10-day period)
- Operating student housing is costlier because of management intensity and higher maintenance cost





## **Operational and Design Characteristics**

Numerous and varied Student Issues:

- Often it is first time they are on their own (do not know how to operate dishwasher or washing machine, never taken out trash or mopped a floor)
- Generally do not recognize maintenance issues, and dwell on non-issues
- They sleep late and are nocturnal, so everything "bad" happens at night





## **Operational and Design Characteristics**

- Rented “by-the-bed” or “by-the-unit”
- Higher per square foot rent than conventional apartments (utilities, cable TV, internet service)
- Unique marketing and advertising
- Contain more interior walls, also more plumbing and fixtures (per unit costs 20% to 30% higher)





## **"By-the-Bed" or "By-the-Unit" Dilemma**

Parties to the Lease:

- "By-the-Bed": One person signs lease for each bedroom and is responsible for space leased but there is joint and several responsibility with all roommates for common areas
- "By-the-Unit": Multiple residents, jointly and severally responsible





## **"By-the-Bed" or "By-the-Unit" Dilemma**

What are the premises:

- "By-the-Bed": Requires clear definition of space leased and responsibilities relative to exclusive spaced leased and common areas in the unit
- "By-the-Unit": Obviously, the entire apartment unit





## "By-the-Bed" or "By-the-Unit" Dilemma

(Source: National Multi-Housing Council)

### "By-the-Bed" Revenue Premium

	2 BR/2 BA	3 BR/ 3 BA
University of Florida		
By-the-Unit	\$810	\$912
By-the-Bed	\$1,044	\$1,380
Georgia Southern		
By-the-Unit	\$500	\$550
By-the-Bed	\$730	\$1,080





## **Fannie Mae's Student Housing Product**

Eligible properties:

- Undergraduate and graduate students comprising at least 80% of tenant base and function as dedicated student housing
- Serving a university with at least 10,000 students (majority of which are full time) and located within two miles of campus or sanctioned bus line





## **Fannie Mae's Student Housing Product**

General product requirements:

- Food service is not permitted
- Maximum 10-year loan term
- Generally, 25-year amortization
- Maximum LTV is 75%
- Minimum DSC is 130%
- 10% minimum vacancy & collection loss
- 12-month lease with parental guarantee





## Summary

- Population and college enrollment trends show significant demand for student housing, but market opportunities vary across US
- More difficult to manage than conventional properties because unique operational and design characteristics
- "By-the-Bed" is management-intensive and requires attention to detail

