

The American Model

The international community looks to U.S. student housing to set the bar for developments worldwide.

By Lynn Peisner

Student housing is increasingly becoming a global business. While we are just at the start of lending American student housing ingenuity to projects abroad, foreign investment has participated for some time in student housing investments here in the United States. That effort is increasing as foreign pension funds and other foreign institutional investors seek to increase their U.S. investments. At the same time, a number of U.S.-based investors are seeking to deploy capital abroad, where purpose-built student housing is practically in the embryo stage.

Exporting Expertise

Exporting American ingenuity to foreign lands is something that is relatively new to the student housing field, but it's a trend that is becoming more common as investors overseas build student housing assets and seek the knowledge to operate them with an established model. Many are turning to U.S. companies with proven systems, programs and procedures for their expertise. For U.S. operators, these assignments can be a chance to show what they can deliver for a new class of client. And, for many, it is introducing them to new markets for investment.

How does the supply of purpose-built student housing compare on the rest of the globe to that of the United States? "It's essentially non-existent," says Stephen Mitchell, executive vice president, acquisitions and business development, for Asset Campus Housing.

"There certainly are opportunities in the U.K. and other cities in Northern Europe, but beyond that, I wouldn't even say it's in its adolescence at this point in most countries."

While operating under its international brand, Asset Campus International (ACI) is one of a select few student housing companies that is pursuing opportunities in foreign markets. The move began about two years ago when ACI formed a partnership with a local developer and took over operations during lease-up at a large new property in Queretero, Mexico, called Altana near the campus of Universidad Anáhuac.

On the heels of that project, ACI was contacted by a large capital group from the United Arab Emirates, another from Istanbul and two groups from Colombia.

Most recently, ACI began working on an on-



Mill Street is the first of several joint-venture developments between GSA and Harrison Street Real Estate Capital. When complete in September 2017, Mill Street, under GSA's Uninest brand, will house 400 students and include retail, a restaurant and office space.

campus project for University of the Bahamas. The company began its international work as an operator. It works in that capacity in Montreal, where it took its first steps into Canada with a management assignment of Parc Cité, a 280-bed converted hotel that opened in 2014 near McGill and Concordia universities. The property is owned by Kayne Anderson Real Estate Advisors and Campus Suites.

ACI has transitioned its role in business further abroad and serves as a project consultant with several engagements. One developer has retained ACI for its consulting services for two properties — one 4,500-bed project under development in Oman, and another 3,300-bed property for Dubai's DIAC (Dubai International Academic City). The developer's plan is to utilize this same model for projects in Saudi Arabia, Singapore and Malaysia.

In the Bahamas, ACI is working in concert with a master developer and financier to design, construct and lease a student housing property for the length of the ground lease, which is approximately 35 years. And in Bogotá, Colombia, ACI is performing a market analysis that will lead to a marketing plan for new student housing that is being constructed

along a popular biking and walking path. The housing site is in close proximity to approximately 25 universities.

"The reason we're seeing developments like these occur more often throughout the world is two-fold," Mitchell says. "One, is that many in-country developers around the globe were educated in the United States and have seen or lived in the original off-campus student housing properties. But more often, it's that developers' children have gone to the United States or the United Kingdom for their education, and they have been paying for their kids to live in the newest, most highly amenitized student housing developments."

Mitchell says many international developers and investors are looking to the United States' model of student housing as a way to retain more college students in their home countries instead of going abroad, and likewise as an incentive to attract international students. The international community is looking to ACI for their expertise — primarily in design and development — and for the specifics of the marketing and customer services aspects of student housing operations.

"Looking into the future for our business, I

could see our international group involved in projects totaling 25,000 to 30,000 beds across the globe in the next two to four years," Mitchell says. Asset Campus Housing currently manages 113,500 beds in the United States.

Closer to Home

In November 2014, Chicago-based The Scion Group opened a Toronto office in order to grow its advisory services business north of the border. In Canada, Scion is primarily advising campuses that want to replace or upgrade their housing. In many of its engagements, Scion guides universities through the process, typically via a public-private partnership and occasionally advises developers on how to respond to RFPs. Scion also provides housing master plans, market demand assessments and operational consulting on topics such as residence life, occupancy management and marketing and living-learning communities.

Lately, Scion has been getting more involved with advising colleges and universities on potential P3 partnerships and structures. This involves creating and overseeing the RFP process and selecting and negotiating the financing, the builder and sometimes the operator as well.

Mike Porritt, director of advisory services for The Scion Group, says two cities, London and Waterloo, both in Ontario, are home to a majority of what most Americans would recognize as off-campus, purpose-built student housing. Aside from American Campus Communities (ACC)'s Canadian arm, Canadian Campus Communities (CCC), which is solely a management firm, there is only one publicly listed company, CHC Student Housing, an owner and manager.

"Canada tends to be a little more regulation-heavy, which, at times, can be frustrating for people, but it's also what tends to keep us out

of the peaks and valleys that other economies sometimes face," Porritt says.

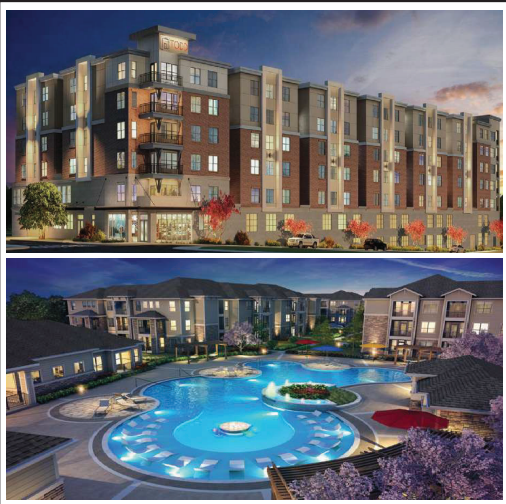
While Canada may not be aggressive in new development, the country is seeing an increase in international investment. "I think international investment is already underway," Porritt says. "It's taken a while to get started, at least here in Canada, but once it really hits, I think it's going to go quite quickly."

The Scion Group has completed or is in the process of completing work for 21 universities, colleges and developers in Canada. The company's first engagement in Canada was in 2008, but business accelerated for the firm after 2010. While The Scion Group is involved in PPPs with universities to provide operating teams — including one for a 25-story project for 900 students that will open at the University of Toronto next fall — Porritt says the main objective of the Canadian office is to grow the advisory business in all facets and

to expand The Scion Group's reach throughout Canada.

Making the Leap Overseas

In May 2015, Harrison Street Real Estate Capital launched its seventh closed-end opportunistic fund, the European Property Partners Fund, which is targeting €300 million (U.S. \$321 million) in equity solely for acquisition and development throughout Europe. In December 2015, Harrison Street opened an office in London and selected Daniel Gorzawski, formerly a managing director at AIG Global Real Estate, to lead international efforts on the ground. At its Chicago headquarters, Robert Mathias, principal and co-head of acquisitions, leads the firm's international strategy. For its first investment, Harrison Street partnered in a five-year commitment with GSA (Global Student Accommodation) Investment Management to invest €250 million (U.S. \$285 million) in student housing in Dublin, Ireland.



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The €60 million (U.S. \$64.3 million) GSA-HSRE joint venture Kavanagh Court will create Dublin's largest purpose-built student housing for approximately 500 students. The site is within walking distance of Trinity College and Dublin Institute of Technology.



Capstone Cottages of San Marcos was one of a portfolio of seven assets Singapore-based Mapletree Investments acquired from Kayne Anderson Real Estate Advisors in November 2016. The acquisition is Mapletree's first move into student housing in the United States.

Launched 25 years ago, GSA is the oldest owner, manager and developer of student housing in the United Kingdom and manages student communities across three continents. Its goal is to manage 250,000 beds around the world by 2025.

The first joint GSA/Harrison Street development in Dublin is called Mill Street, which will house 400 students and include retail, a restaurant and office space. The community will serve students of Trinity College and Royal College of Surgeons, both of which are within walking distance to the property, and will be branded under GSA's Uninest name when it opens in September 2017.

In March, the partnership announced its second project. The €60 million (U.S. \$64.3 million) Kavanagh Court will create Dublin's largest purpose-built student housing for approximately 500 students. The site is within walking distance of Trinity College and Dublin Institute of Technology. Harrison Street also has invested in an existing building in Dublin called Broadstone for a total of three assets in that city.

"Mill Street and Kavanagh are both exciting ground-up developments on brownfield land in great locations close to universities in the very center of Dublin," says Derek Williams, head of GSA Investment Management, EMEA (Europe, the

Middle East and Africa). "There is an acute supply and demand imbalance in Dublin."

Foreign Investment

Americans aren't the only international investors eyeing student housing development outside their home borders. GIC, the sovereign wealth fund of Singapore, grabbed headlines in 2016 with its acquisition of the University House Portfolio along with Canada Pension Plan Investment Board (CPPIB) and The Scion Group. GIC also has an ambition to also deliver 10,000 beds in Germany within the next 10 years in partnership with GSA.

In November 2016, another large cross-border student housing investment was made from Singapore into the United States. Mapletree Investments acquired a portfolio of seven student assets in six states from Kayne Anderson Real Estate Advisors. The acquisition is Mapletree's first move into student housing in the United States.

Mapletree also acquired a portfolio of 25 student housing properties in the United Kingdom in March 2016. That portfolio included 6,000 beds and is spread across 12 core university cities including London, Oxford, Manchester, Edinburgh, Birmingham and Liverpool.

"The investor community has been seeking robust, income-generating assets with defensive characteristics, and the student accommo-

dation sector is one such asset class that meets these objectives," says GSA's Williams. "There are relatively few operators in our sector that have more than a few years' experience. The key to returns going forward will be for capital to partner up with seasoned teams, namely in real estate investment, management and operations. Cross-border capital flows generally are trending higher in our sector."

According to a U.K. Student Accommodation Report for 2015-2016 published by Cushman & Wakefield, international capital accounted for 82 percent of all transactions in the United Kingdom. Increasing demand for beds near universities is fueling the international investment community's attraction and attention. In 2015, there were 1.69 million full-time higher education students in the United Kingdom. More than 1 million of those students were studying away from home, while there were only an estimated 539,000 purpose-built beds available in the country. Beginning in 2015, the United Kingdom lifted student enrollment controls, allowing universities to recruit as many students as they wished. This move is expected to bring in 60,000 additional university applicants each year.

In the United States, Harrison Street invests in needs-based alternative real estate assets, including

healthcare, self-storage and student housing, but its European fund is only targeting student housing for now.

"At this point, we are 100 percent student housing focused because we saw the most demand there — the most desire from the capital market side, whether it be lenders or take out investors," Harrison Street's Mathias says.

The partnership with GSA for the Dublin developments and acquisition is a springboard for Harrison Street into further international investment.

"This initial focus on Dublin is very clearly meant to be a joint venture that will allow us to create 2,500 to 3,500 beds in a pretty short period of time across a portfolio," Mathias says. "So there are additional properties that we'll be adding to the three we already own. The goal is to create a meaningful portfolio in Dublin. The fund we raised is pan-European, however, so the focus is beyond Dublin and includes a portfolio with GSA as our partner on five additional assets, which closed in mid-2016, all in the United Kingdom. We saw the same fundamentals in the student space in the U.K. that we had seen earlier on here in the United States, where you've got a supply and demand imbalance. There are simply not enough beds for the kids who are seeking them." **SHB**