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Savills World Research  
European Investment

# Spotlight **European Student Housing**

Summer 2013



# Spotlight European Student Housing



As the student housing market matures, can the investment model used successfully in the US and the UK be replicated across Europe?

**T**he provision of, and investment in, accommodation for students in the UK has been a successful growth sector over the past decade or so. It has even shown how residential property can perform as a 'commercial' investment if purpose-built, for letting.

UK and other global investors are now becoming more sophisticated as they look for ways to identify supply gaps and focus on institutions and cities that are likely to see highest demand, have the most constrained supply and show the best returns.

As the student housing investment market matures, the more sophisticated players are looking for new products in which to invest. Some of them are looking overseas to see if the models that they have pursued successfully in the US and the UK can be replicated elsewhere in the world or adapted to suit the most promising overseas markets.

This report focuses on Europe as a potential location for such activity. It shows how cultural, economic and market differences mean that returns on student accommodation will not be the same everywhere and some markets will be difficult to penetrate successfully.

We have examined the state of the student housing markets in the 119 European cities that are home to Europe's top tier of universities. Our assessment of investment risk looks at the quality of different institutions in each city and hence their capability to attract visiting students (most likely to require accommodation) and their capability to grow. This risk measure

also assesses the cost of living in a city and fee levels which are likely to affect future demand from students. This is set against the market strength indicators of rent levels and the supply of bespoke accommodation per student to give a rich picture of potential investability by city, across Europe.

Our findings indicate that investment choices must not be made at a national level. Investor focus needs to be concentrated on cities themselves and their higher education institutions in particular. Different locations can have very different prospects within the same country.

In Italy, for example, higher rents, lower supply and a large market makes Milan an interesting location for investor investigation but Modena, for example, with more supply per student, higher risk and a much smaller market, a less attractive proposition.

Compared at the pan-European level, we paint a picture of small and riskier markets, dominated by local and domestic students, with adequate supply that are unlikely to appeal to

## SUMMARY

- Europe's student population is growing rapidly. It is a major recipient of internationally mobile students who are forecast to reach eight million by 2025.

- The student housing provision rate in Europe ranges from 23% in Sweden to 2% in Italy. This must be understood in the context of local cultural, economic and market differences.

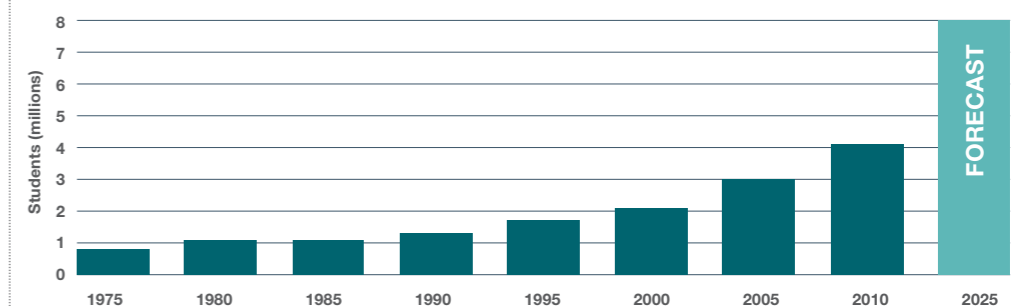
- Our city-by-city analysis suggests investment choices need to be concentrated on cities themselves and their higher education institutions in particular.

- There is a sizeable 'investor sweet spot', which includes a variety of cities with low supply, strong demand and potentially higher rental returns.

risk-averse international investors, except in exceptional circumstances. On the other hand, there is a sizeable 'investor sweet spot', which includes a variety of cities with low supply, strong demand and potentially higher rental returns.

It has to be said that many locations in this sweet spot are in the UK but this is not to suggest that there are no opportunities for diversification elsewhere in Europe, especially if land and build costs are to be taken into account. Our country by country guides illustrate where these might be. →

GRAPH 1  
Number of students enrolled outside their country of citizenship



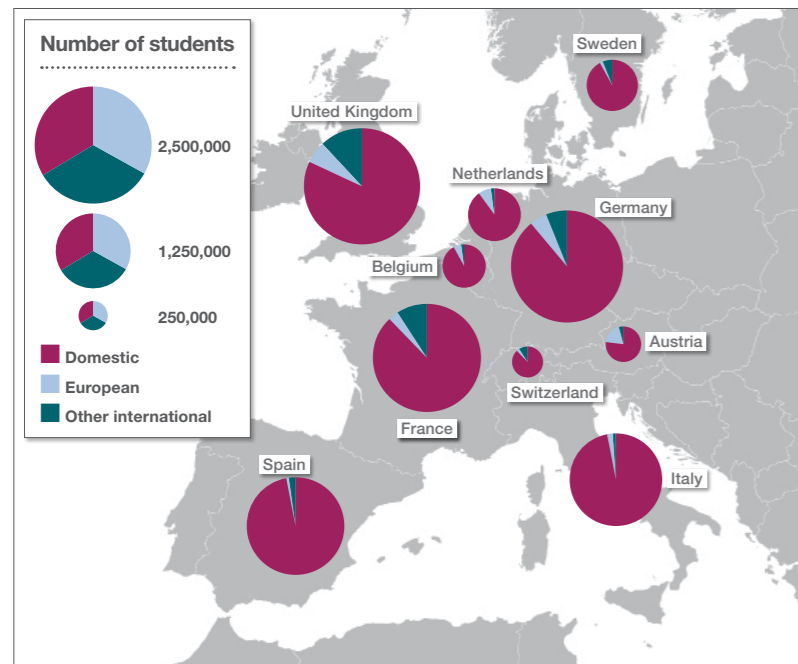
Source: UNESCO Institute for Statistics

### Notes about the publication

This document was published in June 2013. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts.

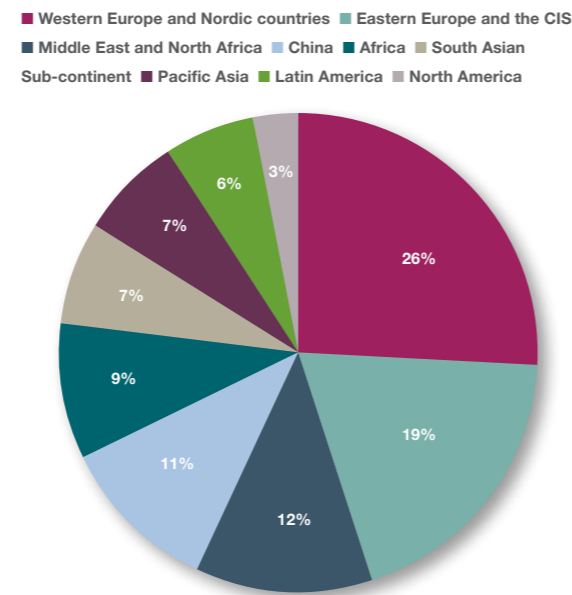
On the cover: Karolinska Institutet, Stockholm

GRAPH 2 Student population by country

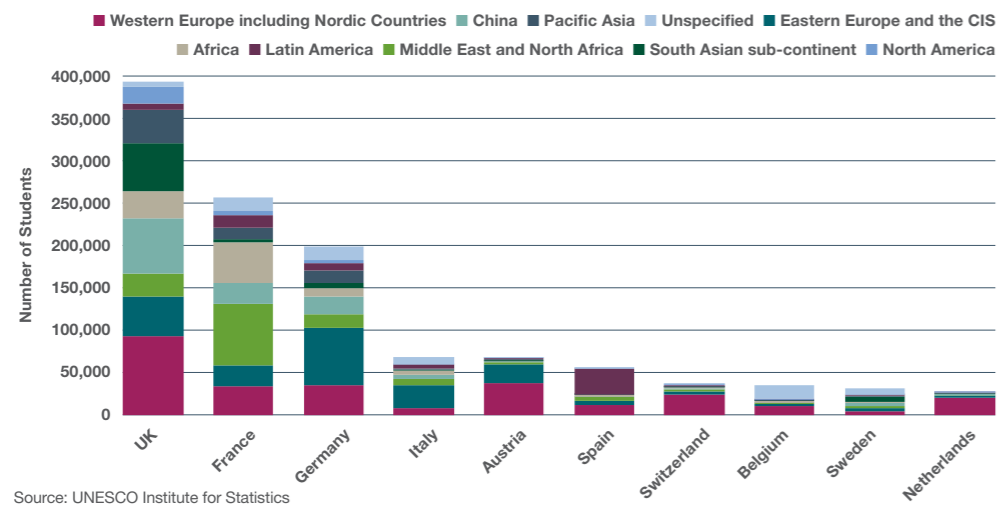


Source: Savills Research, UNESCO Institute for Statistics

Breakdown of non-domestic students by global region



GRAPH 3 International student numbers and origin



Source: UNESCO Institute for Statistics

→ **European student market**

Investor interest in European student housing is well directed. Europe's rapidly growing student housing sector is supported by Europe's robust and fast-growing student market. The number of higher education students is anticipated to grow to 262 million globally by 2025 and Europe is one of the biggest recipients of these students. Together with North America, Europe accounted for 58% of all internationally mobile students in

2010. Global student mobility is increasing, with growth of students outside their country of residence forecast to grow to 8 million by 2025, from 4.1 million in 2010 (Graph 1).

In difficult economic times, and as youth unemployment has soared in many European countries, more people have sought higher education to improve their employability. This trend has been particularly marked in the wake of the Eurozone crisis, especially in economies such as

Spain. The total number of student registrations increased by 5% in Spain, 4% in France and 9% in the Netherlands between 2010 and 2011. In Italy, the number of students has remained stable over the same period.

The largest student market in Europe is the UK (Graph 2), with 2.5 million students, closely followed by Germany, and France (both 2.4 million). Of these, the UK attracts by far the largest number of international students (in excess of 400,000), followed by France and Germany (see Graph 3).

The UK also has the largest number of non-EU students by number, who account for 68% of its international student population. Language is a strong determinant for many European student markets. France has a large proportion of non-EU students (77% of its foreign student total), who are predominantly from French-speaking regions of Africa. Spain is popular with students from Latin American countries (69% of Spain's foreign students are non-EU), tuition in Spanish a major draw for this group.

As global recruitment strategies become the norm, the profile of the European student market could increasingly tilt towards non-EU

students. In a bid to capture more lucrative Asian students, countries such as the Netherlands, which currently see most of their foreign student demand from neighbouring European countries (just 18% of the foreign students in the Netherlands are non-EU), are actively looking to increase overseas student numbers, by offering more courses in English.

The strategy is paying dividends. During the 2010-11 academic year, the number of foreign student registrations increased by 8% in France, 5% in Spain, 4% in Italy and by 18% in the Netherlands. Milan University will be teaching all of its courses in English from 2014. Such cities are likely to see significant increases in their international student populations.

**Cost of education**

While the UK is the largest recipient of international students in Europe, study in mainland Europe looks particularly good value, offering significantly lower tuition fees (Graph 4).

Domestic fees in all the major mainland European student markets are under £1,500 per annum. Higher education in Austria and Sweden is free for domestic students, while fees are nominal in France (although administrative fees can push the true cost higher). In Germany, there are no fees for either EU or international students, with the exception of Bavarian universities which charge £850 per annum.

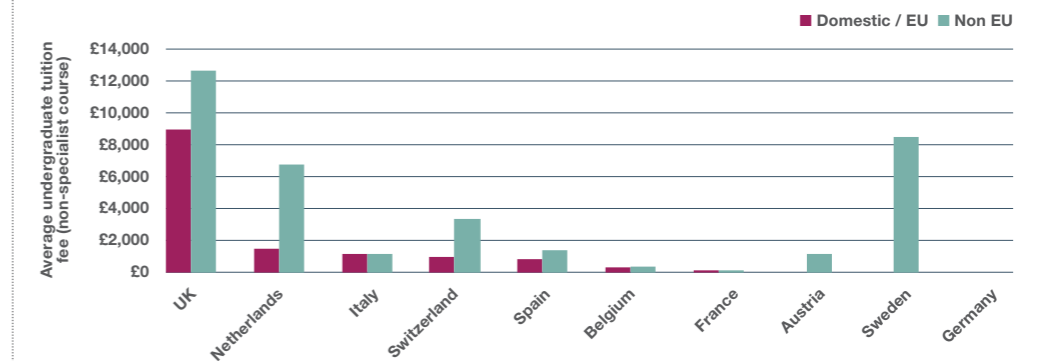
The affordability of higher education in mainland Europe has been a key driver of the growth in student numbers in recent years, particularly given weaknesses in the wider European economy.

Demand for lower cost international education is likely to grow, particularly as the international student population expands beyond the very wealthiest in other countries. The growth of the middle classes in emerging economies will be a key driver of student housing demand in the coming decades.

**Student housing provision**

The provision of student housing and the behaviour of student occupiers across Europe varies significantly between countries. Broadly, students in southern Europe tend to live

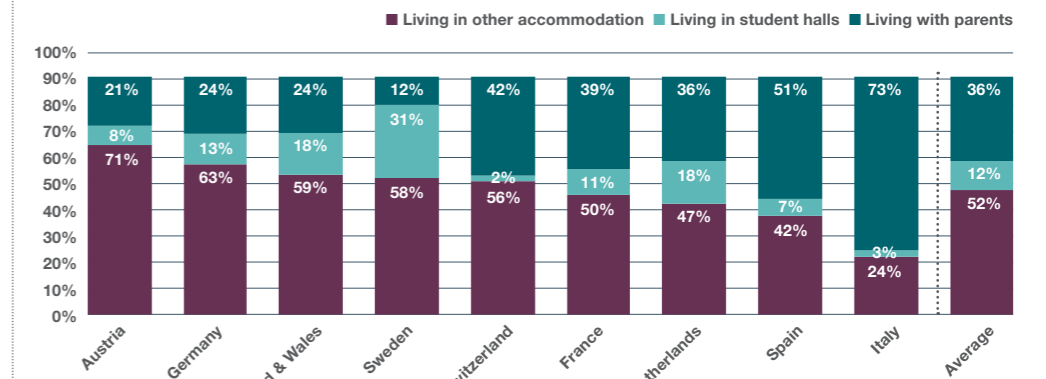
GRAPH 4 Average undergraduate annual tuition fees (non-specialist course\*)



Source: Savills World Research

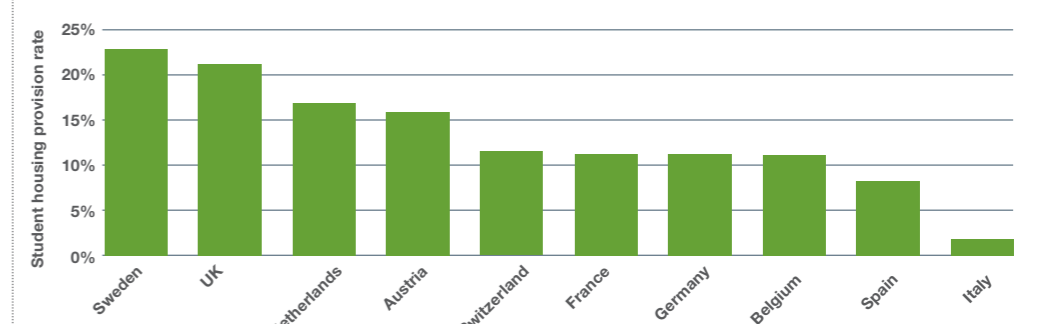
\*Standard lecture-based course not requiring specialist facilities

GRAPH 5 Student accommodation by type



Source: Eurostudent Survey IV

GRAPH 6 Student housing provision rate\*



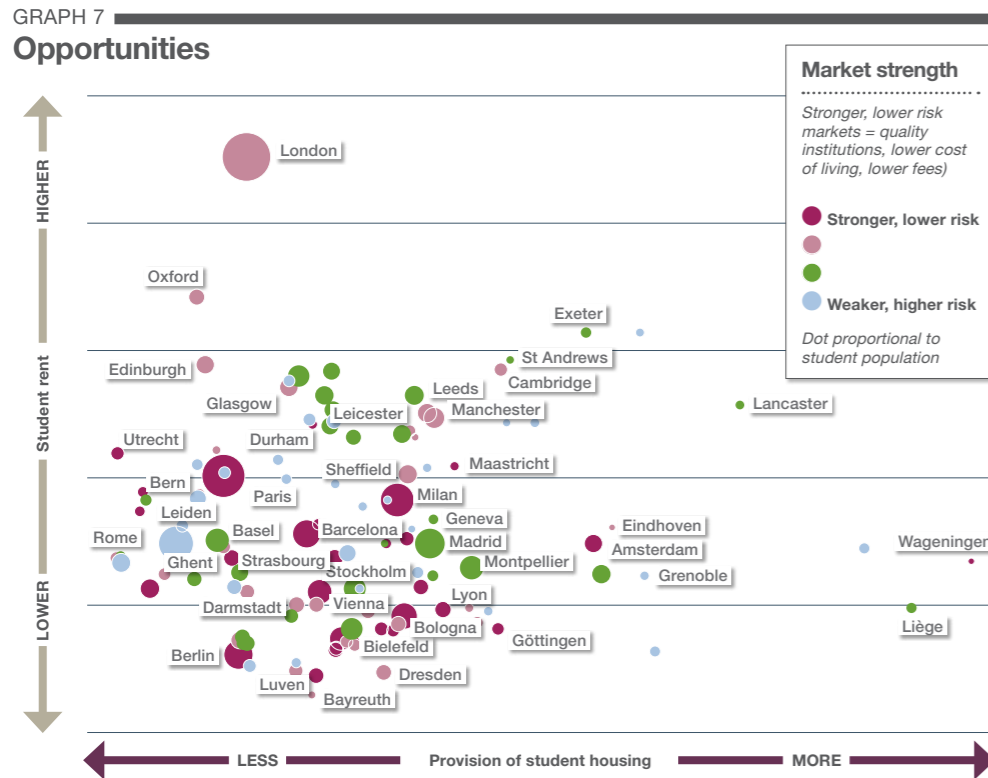
Source: Savills World Research

\*average provision rate of university cities appearing in the Times Top 400

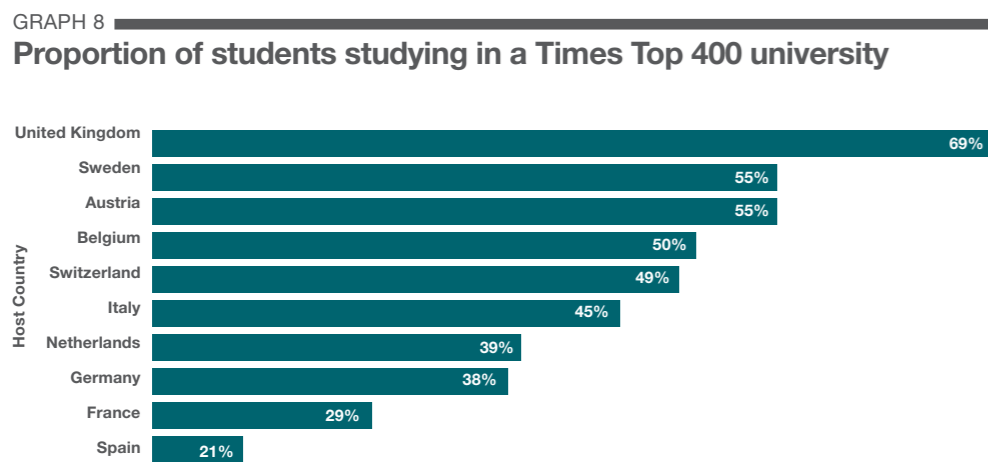
and study in their home town or region, the majority living at home with parents. In Italy, for example, 73% of students live with their parents, according to Eurostudent (Graph 5). In northern Europe, most notably in Austria, Germany and the UK, students are more likely to live in purpose built student accommodation or seek housing in the private rented sector.

These cultural trends have implications on the demand for purpose-built student housing in some markets. Tendencies for many European students to live with parents reduces the requirement for dedicated student accommodation in those locations.

Across Europe, the provision of purpose-built student accommodation is low. The provision rate, calculated →



Source: Savills World Research



Source: Savills World Research, Times World University Rankings

→ as the total places in student halls over the total number of student registrations across the cities we have monitored in this report, ranges from 2% in Italy to 23% in Sweden.

This provision rate must be seen in the context of the broader cultural trends. For example, while the provision rate in Italy is exceptionally low, where students do not live with parents Italians are accustomed to seeking accommodation in the private sector.

Rising incomes, improving standards of living, and rapid growth in the number of international students mean a significant group of students have higher expectations of their accommodation.

A decade ago the UK was characterised by sub-standard student accommodation. The private sector has filled a gap in this market to meet the demands for quality accommodation. Mainland Europe still presents an opportunity to do the same.

**Investment**

Student housing has been a major beneficiary of the ‘flight to quality’ among property investors in the last five years. The volume of student housing transactions in Europe increased by almost 81% per annum, exceeding €1.4 billion in 2011, according to RCA. In the first half of 2012 investment volumes in the sector reached €1 billion, double that of the same period a year earlier. With yield compression in mainstream property assets, student housing is increasingly appealing. High yielding, with low voids, student housing has attracted rising volumes of investment from funds across Western Europe.

For commercial property investors looking for exposure to residential markets but without the attendant implications of direct ownership, student housing investment has provided a convenient, fully managed halfway house – producing income streams but on a single operational lease. In this way student housing investment has opened the door to ‘build-to-let’ or purpose-built mainstream letting blocks.

The student housing sector is counter cyclical, and the ability to deliver secure income during uncertain economic times is appealing to investors. This strategy has already paid dividends for investors in the UK market, so investors are beginning to look to Europe for new opportunities.

**Yields**

The market for student housing in mainland Europe is still in the first stages of development so performance evidence is sparse. Savills research into sample properties across the biggest European markets suggests that gross average initial yields range from 5.5% for prime property to 8.5% for secondary.

Prime achievable yields are in the region of 7% in Italy, the Netherlands, and Spain, while they can be as low as 5.5% in France, Germany and the UK for top-quality assets (Table 1).

**Opportunities**

Our findings suggest the greatest investment opportunities lie in established university towns with a low provision of student housing and higher costs of living and

**TABLE 1 Average student accommodation yields**

| Countries   | Prime | Secondary |
|-------------|-------|-----------|
| Spain       | 7.0%  | 8.5%      |
| Italy       | 7.0%  |           |
| Netherlands | 5.8%  | 7.0%      |
| France      | 5.5%  | 7.0%      |
| Germany     | 5.5%  | 6.8%      |
| UK          | 5.5%  | 6.6%      |

Source: Savills World Research

student rent, but with low market risk. On this basis, cities with large student markets, strong, high quality institutions and more affordable living and tuition costs feature highly. Paris, Milan, Barcelona and Amsterdam pose opportunities (see Graph 7).

UK cities such as London, Oxford and Edinburgh feature strongly as low supply cities. However, cost of living is high in a European context, as are tuition fees. Swiss cities such as Zurich and Lausanne also pose strong opportunities given the strength of their institutions and relatively low student housing supply, although their student populations are smaller.

Some Dutch cities, notably Utrecht, Rotterdam and Leiden have exceptionally low student housing provision rates coupled with high ranking institutions and modest living and fee costs, although the Dutch Government is undertaking measures to increase supply (see The Netherlands country profile).

German student cities rank relatively low in terms of rent levels, although student housing provision is only modest. There may be opportunities in the lowest supply, highest value locations, such as Darmstadt.

Set against a growing student population, the supply-demand imbalance in many of these markets presents an opportunity for investors and developers. Each country poses specific prospects and challenges. While the UK is now well established as a destination for student housing investment, the European market remains relatively untapped. Graph 8 shows the proportion of

**Identifying the best places to study**

**How the Savills student city ranking is calculated**

Using the Times World University Rankings Top 400 2012-13, we have identified the top European student cities by student numbers and institutions (Table 2). These towns and cities are home to the best established and highest performing institutions, with strong domestic and international student bases. These 119 locations represent the most secure investment opportunities, and form the basis of this report.

student housing provision rate for each city (student population / number of beds), which was then adjusted for the average rate of student housing provision within that country.

We also calculated the average rent for student accommodation, based on those European universities appearing in the Top 400. These include both private and university accommodation provided in each city.

This was then overlaid with a strength of market indicator, assessing the quality of institutions in the city, the cost of living and country tuition fee levels.

For each city we assessed the student population and the amount of dedicated student accommodation provided (both public and private). This was used to calculate the

**TABLE 2 Student and university numbers by country appearing in the Times Top 400**

|    | Country        | Student Numbers 2012-13 (in Top 400) | Universities (in Top 400) | Towns / Cities (in Top 400) |
|----|----------------|--------------------------------------|---------------------------|-----------------------------|
| 1  | United Kingdom | 1,713,938                            | 48                        | 40                          |
| 2  | Germany        | 945,017                              | 25                        | 23                          |
| 3  | Italy          | 807,410                              | 14                        | 12                          |
| 4  | France         | 676,786                              | 12                        | 6                           |
| 5  | Spain          | 400,072                              | 7                         | 4                           |
| 6  | Netherlands    | 258,549                              | 13                        | 12                          |
| 7  | Sweden         | 251,250                              | 10                        | 6                           |
| 8  | Belgium        | 223,586                              | 7                         | 6                           |
| 9  | Austria        | 196,600                              | 6                         | 4                           |
| 10 | Switzerland    | 121,366                              | 8                         | 6                           |

Source: Times World University Rankings Top 400, 2012-13

“While the UK is now well established as a destination for student housing investment, the European market remains relatively untapped” Yolande Barnes, Savills Research

students studying in a Times Top 400 university within each country. Some 69% of students in the UK study in a Times Top 400 institution, followed by Sweden and Austria, both at 55%. This reinforces the appeal of these markets on a global stage, critical in attracting international students. It is with these students that the investment opportunity lies. The European student housing market can be challenging for international students to navigate.

Private student housing operators providing a one-stop-shop for international students in these markets may find themselves with a commercial edge.

A combination of a lack of supply and growing demand, alongside an expectation that yields will exceed that of other traditional residential and commercial real estate assets will continue to attract investors to the sector. ■



# COUNTRY SPOTLIGHT UNITED KINGDOM

| COUNTRY STATS  |  |  |
|--|--|--|
| <b>Student population: 2,500,000</b><br>% International: 17% | <b>Top countries of origin</b><br>(% of international students)  | <b>Top institutions</b><br>(Times World Rankings)  |
|  | China (14%)<br>India (10%)<br>Nigeria (4%)                       |  |
| <b>Typical Domestic Course Fee:</b><br>£9,000 (€10,500)      | <b>Average weekly rent in student accommodation:</b> £117 (€139) | <b>21%</b> National student housing provision rate |

**T**he UK saw fundamental changes in the funding of higher education in the 2011-12 academic year, with significant increases in student tuition fees. Applications for the 2013-14 year are currently 2.5% above their level at the same point last year but remain 5.4% below their pre-tuition fee levels of 2011-12.

However, demand from outside of Europe has remained strong and continued to grow during this period. The UK market is already the biggest beneficiary of overseas students in Europe. In the next decade, some 30,000 more international students are expected to join university courses in the UK, second only to Australia, but more than the United States.

Overall, it does not appear that these changes have adversely affected the student housing sector. The underlying lack of supply has sustained investment returns. Student housing in the UK is unique in a European context in the significant amount of private investment it has seen in recent years. It is now considered a maturing sector, and has performed well over the last five years, outperforming many commercial property asset classes. Investment funds are beginning to fill the debt gap left by banks and have secured loan with operators such as Unite, iQ and Nido.

London continues to be a significant focus for investment, given the underlying supply-demand dynamics of that market. London's student population is the highest in Europe.

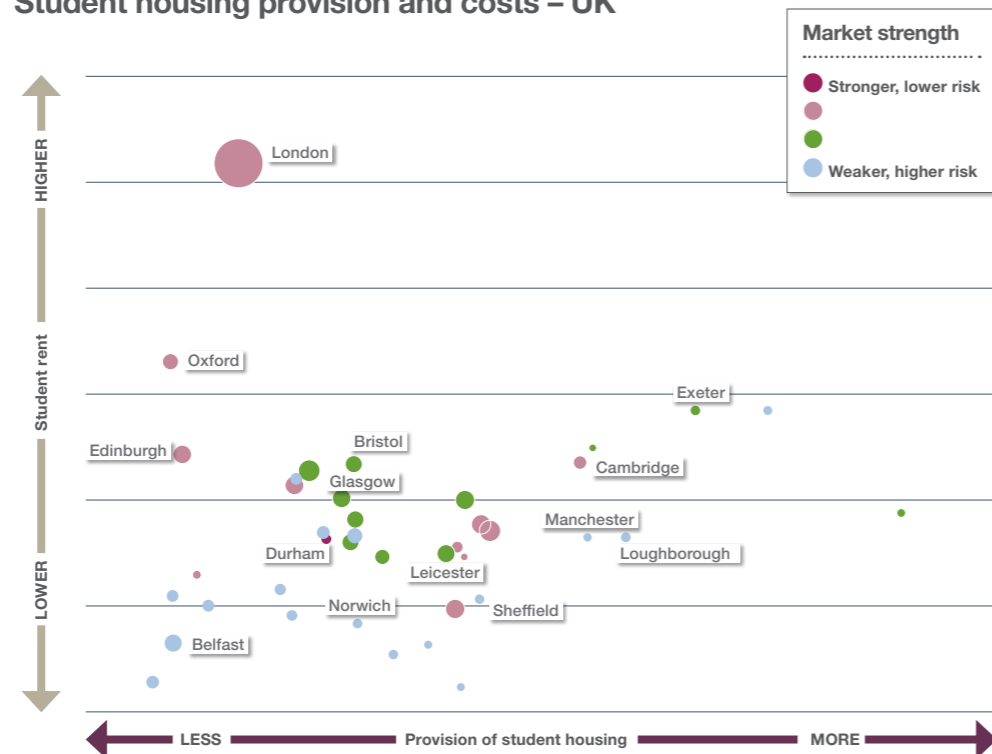
Student rents in London (along with residential rents generally) continue to grow. Purpose-built student housing delivery historically has fallen short of the city's student housing requirement.

While the London market offers many opportunities, there are risks, with quotas on visas for overseas students and on the supply side, pressure from the Mayor to disperse the development of student accommodation away from central London boroughs in order to

regenerate other London economies. This may put a strain on viability as land economics become more difficult away from the core.

As the pressure to fulfil demand for student places increases, universities with ageing accommodation may engage in stock transfer to private providers in order to generate capital receipts. This offers unprecedented opportunities for investors in high-quality university locations not otherwise available to them due to a lack of newly built supply. ■

GRAPH 9 Student housing provision and costs – UK



Source: Savills World Research



# COUNTRY SPOTLIGHT GERMANY

| COUNTRY STATS   |   |  |
|---|---|--|
| <b>Student population: 2,500,000</b><br>% International: 11%  | <b>Top countries of origin</b><br>(% of international students) | <b>Top institutions</b><br>(Times World Rankings)  |
|   | China (11%)<br>Turkey (6%)<br>Russia (6%)                       |  |
| <b>Typical Domestic Course Fee:</b><br>£0 (€0)* *Bavarian universities charges tuition fees at €1,000 per annum | <b>Average weekly rent in student accommodation:</b> £48 (€57)  | <b>11%</b> National student housing provision rate |

**G**ermany's student market received a boost in the 2011-12 academic year with the suspension of national service, with student numbers increasing by 7%.

Accommodation for students in Germany is provided through Studentenwerk, a semi-governmental institution providing a range of services to college and university students. There is one local Studentenwerk in each university town or city, providing services to the students of all higher education institutions in the metropolitan region.

Studentenwerk accommodation is relatively affordable by European standards, averaging €57 per week across the German cities we have analysed. Rents range from less than €40 per week in Bayreuth to over €70 per week in Darmstadt.

There are just under 230,000 places in publicly funded halls provided by 'Studentenwerk', equating to a national student housing provision rate of just 11%. This provision rate ranges from 8% in Darmstadt to 20% in Göttingen.

There is currently limited institutional investment in student housing in the country. Local player Youniq is Germany's largest private operator and developer of student housing and has over 3,700 units in operation or under construction. The provider targets the upper tiers of the student accommodation market, offering individual apartments rather than rooms with shared kitchen facilities. It has intentions to develop and

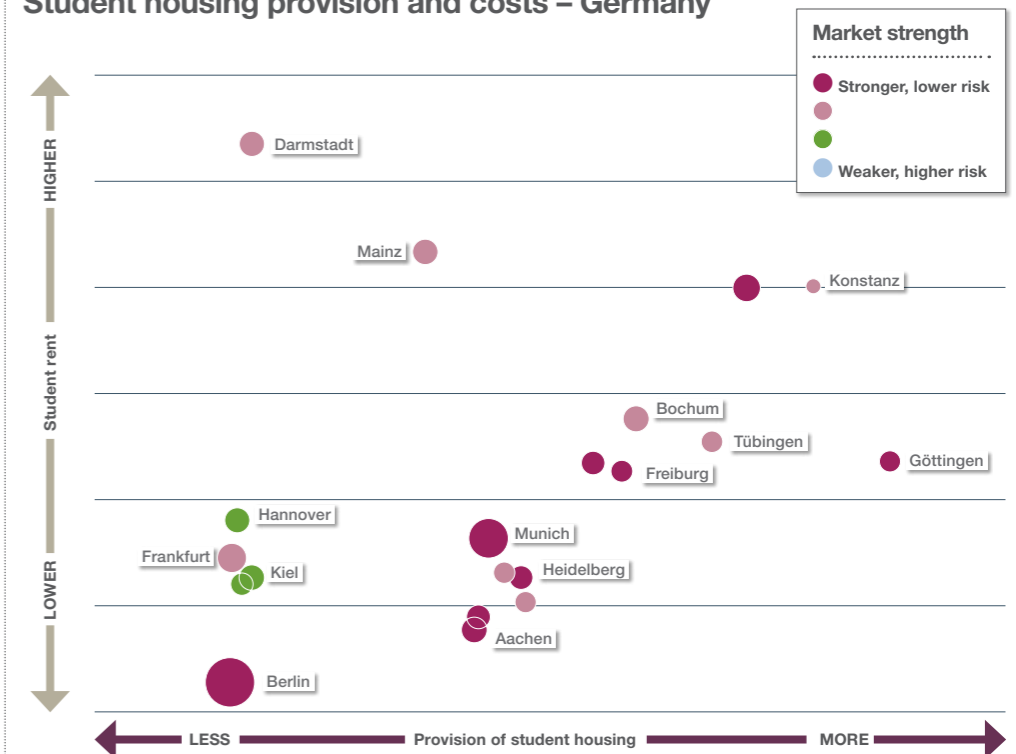
market 1,500 to 2,500 student housing units a year.

Others active in the market include UK developer Crosslane and German property company Bauer Capital, who have formed a joint venture for student housing projects and portfolios in Germany. The Victus European Student Accommodation Fund will acquire, develop and build 3,000-5,000 student beds throughout Germany over the next five years, targeting Munich, Hamburg and Oldenburg.

Our analysis suggests German cities feature relatively low down the cost of living and renting scale on a European level, given the affordability of accommodation provided by the country's Studentenwerk.

Nonetheless, the rate of student housing provision in many German cities is low, and private providers are making moves on the market. Darmstadt stands out as an opportunity, given higher cost of living and particularly low provision of student housing. ■

GRAPH 10 Student housing provision and costs – Germany



Source: Savills World Research

# COUNTRY SPOTLIGHT ITALY

| COUNTRY STATS   |   |   |
|---|---|---|
| <b>Student population: 1,800,000</b><br>% International: 3% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Albania (20%)</li> <li>China (8%)</li> <li>Romania (7%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>University of Milan</li> <li>University of Milan Bicocca</li> <li>University of Trieste</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£1,200 (€1,400)      | <b>Average weekly rent in student accommodation:</b> £64 (€75)  | <b>National student housing provision rate</b><br>2%  |

The number of new students in Italy fell by 2% per annum between 2004 and 2010, having peaked in 2003-04. This has been offset to a degree by an increase in the number of foreign students, growing by an average of 10% per annum over the past decade, although they account for just 3% of the total student population. Over half of new foreign students are from non-EU countries, dominated by neighbouring Albania (20%) and Romania (7%). China made up 8%, and this group is anticipated to grow fast.

including social housing, university development, senior housing, as well as student accommodation. This fund controls 2,900 units across four developments in Bari, Chieti, Milan and Rome.

While new student registrations in Italy are seeing a modest decline, the number of foreign students is increasing. More universities are introducing courses in English, such as Milan University, which will support this trend. This is particularly significant given the tendency of

Italian students to live with their parents while they study.

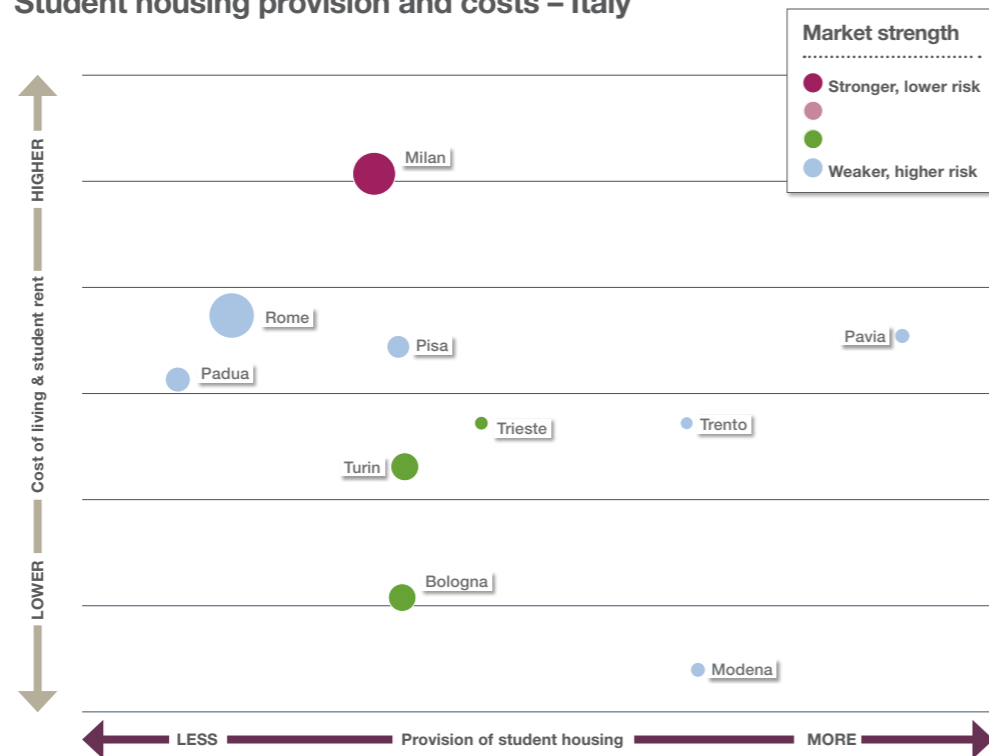
Due to the poor state of Italy's national finances, there is unlikely to be any significant new supply of student housing from the public sector in the near future. Yields are likely to remain attractive compared to other sectors of this emerging market in Italy. Milan poses the greatest opportunities for investment, given its large student market, high quality institutions and low levels of purpose-built student housing.

The student housing provision rate in the country is just 2%, the lowest among the European countries we have analysed here. Some 65% of Italian students live with their parents and study in universities of their home region, one of the highest proportions in Europe.

Purpose-built student accommodation in Italy is typically provided by the university. Almost a quarter of these units are located in the region of Lombardy, in the north of the country, home to 15% of the national student population. The shortage is most acute in Lazio (with Rome at its centre), which is home to 12% of Italy's students, but just 3% of its accommodation. Rents in dedicated student accommodation vary from less than €50 per week in Lecce and Taranto to over €100 per week in Milan.

Italy has yet to experience any significant institutional investment in its student housing market. To date there has been one fund, Fondo Aristotele, which focuses on investments

GRAPH 11 Student housing provision and costs – Italy



Source: Savills World Research

# COUNTRY SPOTLIGHT FRANCE

| COUNTRY STATS  |  |  |
|--|--|--|
| <b>Student population: 2,300,000</b><br>% International: 12% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Morocco (11%)</li> <li>China (10%)</li> <li>Algeria (8%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>École Normale Supérieure, Paris</li> <li>École Polytechnique, Paris</li> <li>Université Pierre et Marie Curie, Paris</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£150 (€180)           | <b>Average weekly rent in student accommodation:</b> £73 (€86)   | <b>National student housing provision rate</b><br>11%  |

France has 2.32 million students in higher education, of which 285,000 are international (12%). It is the second biggest recipient of international students in Europe, behind the UK. The country is expecting the number of non-EU students to increase rapidly, having made its fees for international students significantly more competitive. As a consequence, the international student population is anticipated to rise from 12% of the student population to 30% of all students by 2020.

Paris is the country's biggest recipient of international students. In the case of Strasbourg, on the German border, some 20% of its student body is from outside France. Students in France benefit from low tuition fees, even for international students, small class sizes and intensive teaching methods.

Student housing provision in France is estimated to total 342,500 rooms. Of this, 161,500 are publicly owned, 40,000 are social housing units dedicated to students, both managed by CROUS (the French public student body). The remaining 100,000 are privately owned and managed. Accommodation is a mix of single rooms and studio apartments, the latter particularly desirable among European students.

Increased funding from government should see the amount of CROUS managed accommodation more than double by 2020, growing to 220,000 units. As a consequence, the national student housing provision rate is expected to reach 24% by 2020.

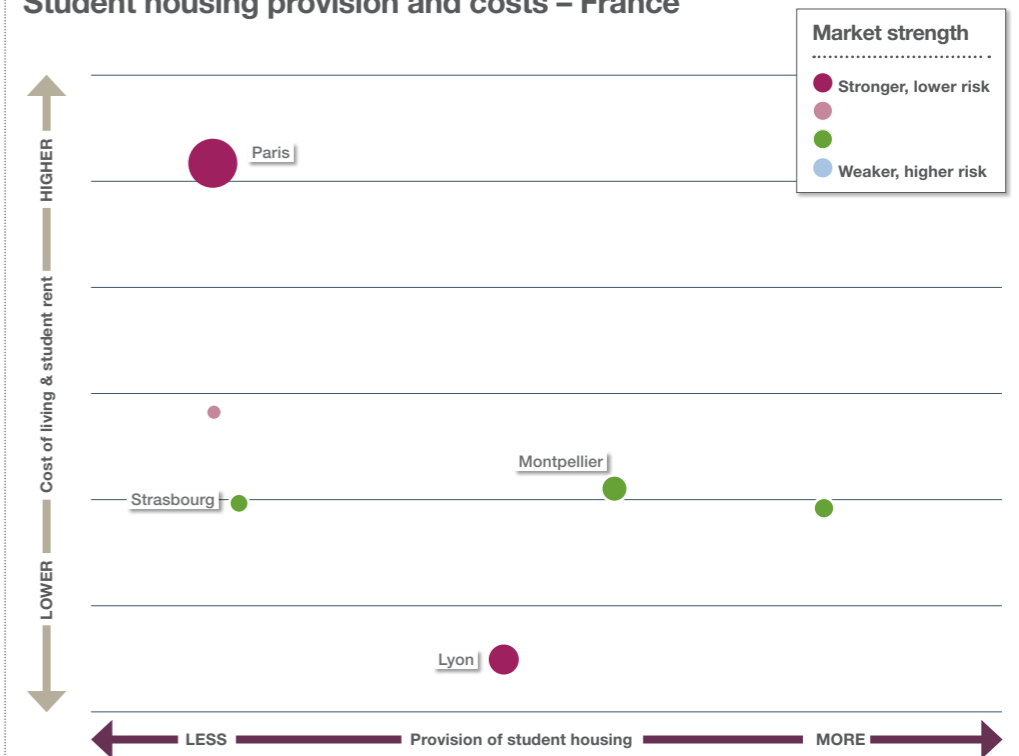
The French student housing market is dominated by domestic investors, notably real estate companies, though some international players have entered the market in recent years.

The average student housing provision rate is 11%. This provision rate ranges, from around 6% in Paris, to around 25% in Grenoble. The average rent for public student housing is €86 per week. Rents vary from €65 in Lyon to €117 in Paris. Students under the age of 20 are eligible for state aid toward their rented accommodation,

known as 'Allocation de logement sociale' or ALS. This includes both student residences and private rented accommodation, to the value of up to €210 per month.

The number of international students is growing rapidly. This should support demand for purpose-built student accommodation, particularly in established student cities with international profile, such as Paris. However, government funding of new supply may soften demand, if it meets its targets.

GRAPH 12 Student housing provision and costs – France



Source: Savills World Research



# COUNTRY SPOTLIGHT SPAIN

| COUNTRY STATS   |   |  |
|---|---|--|
| <b>Student population: 1,900,000</b><br>% International: 3% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Colombia (10%)</li> <li>Peru (7%)</li> <li>Morocco (6%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>Autonomous University of Barcelona</li> <li>University of Barcelona</li> <li>Autonomous University of Madrid</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£700 (€800)          | <b>Average weekly rent in student accommodation:</b> £78 (€92)  | <b>National student housing provision rate</b><br>8%   |

**T**he number of students registered in Spanish universities rose by 10% in 2011-12, having declined by 11.8% between 1998 and 2008 as the Spanish economy boomed. This reflects the counter cyclical nature of education.

With Spain's youth unemployment rate at 55%, more young people out of work are returning to education to increase qualifications. Some 32% of students enrolled in Spain are over the age of 25, and 18% are over the age of 30.

The number of foreign students in Spain has risen steadily over the past few years, to 3.3% of total registrations, concentrated in Madrid (23.4%), Catalonia (17.3%), Valencia (14.6%) and Andalusia (12.5%). Some 40% of these students come from EU countries, with 33% from South American and the Caribbean, reflecting the number of Spanish speakers in this part of the world. The number of students from Latin American and the Caribbean rose by 80% from 2007 to 2011.

80% of the student housing stock is university run, the remainder are run by either universities or religious bodies, providing cultural, academic, religious or sporting facilities as part of their offer. The average rent of dedicated student accommodation is €92 per week. Strong competition comes from small scale landlords in the private sector, with more 'accidental landlords' adding to private rental stock given a weak sales market.

The average student housing provision rate across the university towns

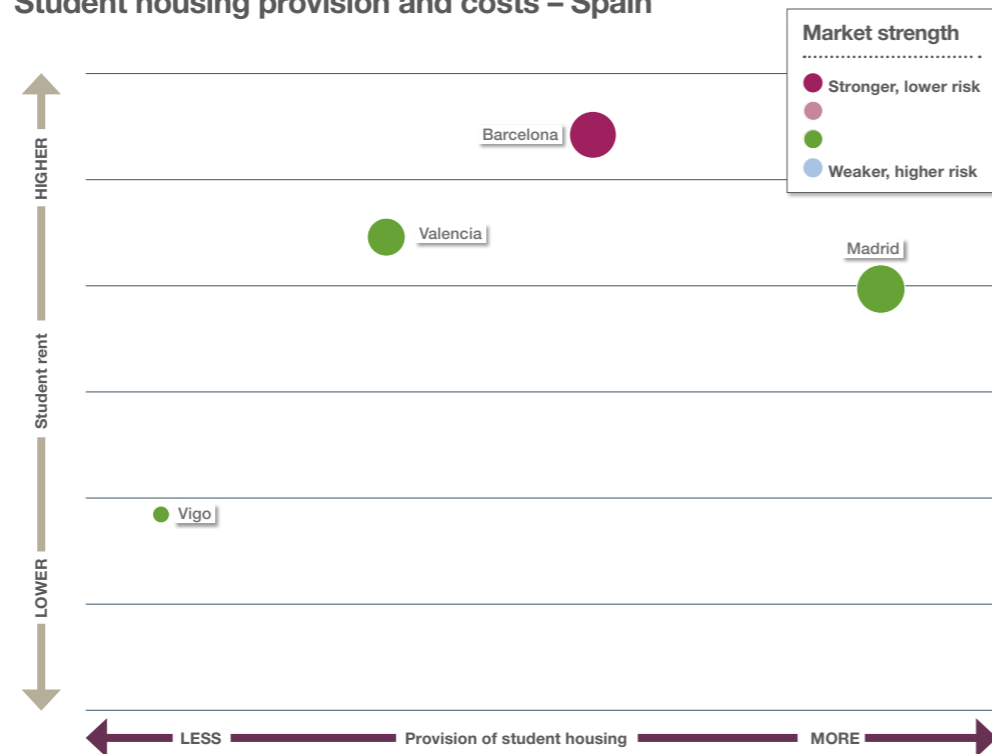
we have analysed is just 8%. While Spanish students have a strong tendency to live at home during their studies, it is estimated current provision satisfies just 50% of demand from intra-regional and international students.

Madrid offers the highest number of student accommodation places (12%), followed by Barcelona (8%), Salamanca, and Valencia, accounting for almost half the total stock in Spain. The strongest private operators in Spain are native and work under

administrative concession agreements with public universities. The economic and debt crisis in Spain has resulted in an 80% fall in student housing completions over the last three years.

There are opportunities in the Spanish market, given a slowing in the delivery of new supply (the number of accommodation places growing by just 1.1% in 2012-13), and a growing student population. However, the domestic economy remains weak and the private sector increasingly competitive. ■

GRAPH 13 Student housing provision and costs – Spain



Source: Savills World Research



# COUNTRY SPOTLIGHT THE NETHERLANDS

| COUNTRY STATS  |   |  |
|--|---|--|
| <b>Student population: 670,000</b><br>% International: 10% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Germany (62%)</li> <li>China (7%)</li> <li>Belgium (4%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>Leiden University</li> <li>Utrecht University</li> <li>Wageningen University</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£150 (€180)         | <b>Average weekly rent in student accommodation:</b> £85 (€100)   | <b>National student housing provision rate</b><br>17%  |

**T**he Netherlands is appealing as a destination for foreign students. Currently over 1,500 courses in the country are taught in English. Combined with low tuition fees the number of foreign students have risen rapidly, growing by more than half between 2005/06 and 2010/11. The majority of these students are from neighbouring Germany, followed by China.

Student housing in the Netherlands is shared among social housing corporations, the private student housing market, and the open market. Kences is an association of student housing companies, together housing more than 70,000 students, or 16% of those living independently. Taking into account the expected growth in the number of students by 2020, another 80,000 new places for student housing will need to be supplied to meet demand.

The Dutch government has been proactive about increasing the supply of student housing. In November 2011 a plan was implemented to realise 16,000 new rooms by 2016, focussing on the major cities. As a consequence, Amsterdam, the Netherlands' largest student market, is seeing significant new investment, which will aim to deliver the 10,000 student accommodation places required in the period 2010-2014.

By contrast, other university cities, such as Groningen, in the north of the country, only have student housing provision for international students: most students are expected to seek accommodation in the private sector.

Utrecht, with a student population second only to Amsterdam, also has extremely limited student housing provision. Cities such as these may offer investment potential.

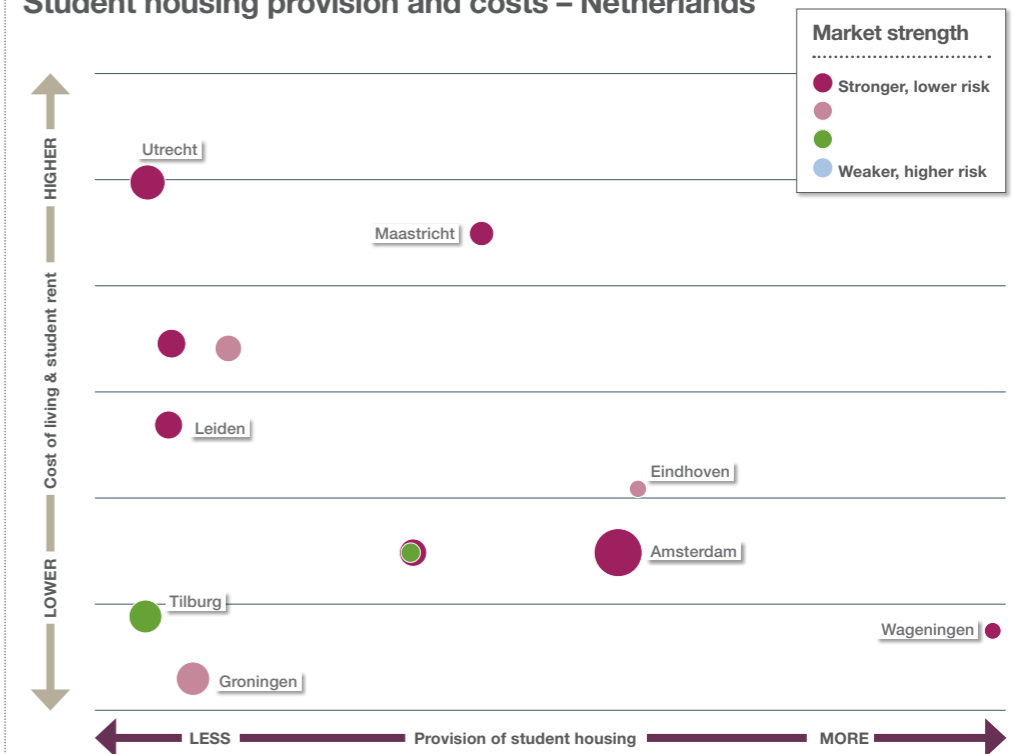
The Dutch market is gaining investor and developer interest, with a number of new developments and office conversions taking place.

Syntrus Achemea has close to 1,000 student residences in the country. UK based City Living has a project in each of the three largest cities: Amsterdam,

Rotterdam and The Hague, as well as Liege and soon, Eindhoven. It operates under the 'Student Hotel' brand and offers a high level of services and facilities.

The average rent for student accommodation is €100 per week, the highest rates in Utrecht, where the supply is most limited. Rents are typically pegged to inflation, ensuring upward rental growth even during recessionary periods, reinforcing the appeal of the sector. ■

GRAPH 14 Student housing provision and costs – Netherlands



Source: Savills World Research



# COUNTRY SPOTLIGHT SWEDEN

| COUNTRY STATS   |  |   |
|---|--|---|
| <b>Student population: 460,000</b><br>% International: 8% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>China (15%)</li> <li>Pakistan (12%)</li> <li>Iran (9%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>Karolinska Institutet, Stockholm</li> <li>Lund University</li> <li>Uppsala University</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£0 (€0)            | <b>Average weekly rent in student accommodation:</b> £69 (€81)   | <b>23%</b> National student housing provision rate  |

**T**he student population in Sweden is 460,000, of which 8% are international. There are just over twice as many students from outside Europe than from within it studying in Sweden. Students from China and Pakistan rank highest in the proportions of the international students studying in Sweden.

In 2011, application and tuition fees were introduced in Sweden for international students from outside the EU and EEA, which led to a notable decline in the number of applicants to international courses and programmes. These average around £8,500, second only to the United Kingdom.

Although universities in Sweden cannot administer or arrange accommodation for Swedish and international students by law, they do provide accommodation for exchange students and students that are residents of countries outside the EU/EEA.

Several different student housing companies operate in Sweden, Akademiska Föreningen (AF) Bostäder being one of the largest. Blocks of accommodation are common and most rooms are rented as part of 2-3 room student apartments with shared kitchen and bathroom facilities. Sweden has the lowest proportion of students living with parents (12%) and the highest proportion living in student halls (31%) according to Eurostudent.

There is a shortage of both student and other housing in Stockholm while

students in the small town of Lund often live into the surrounding areas.

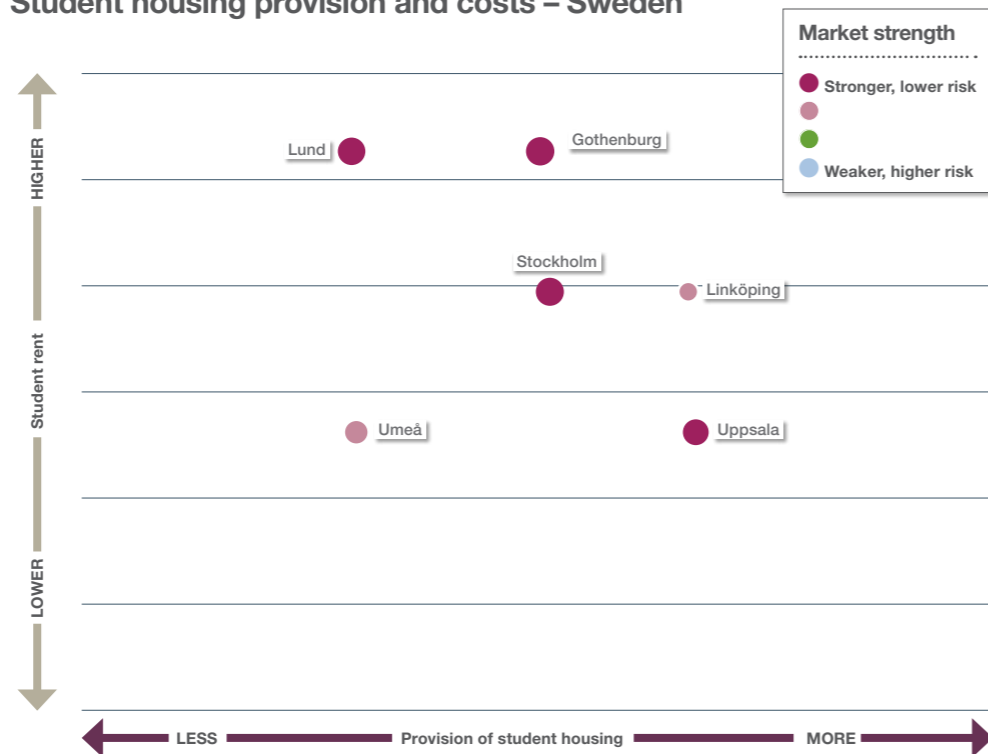
Students in Stockholm commonly sign up to the housing organisation Stiftelsen Stockholms Studentbostäder (SSSB) who act as intermediaries between students seeking accommodation and landlords providing housing.

It is common for students to be in the queue for accommodation through this system for a semester before finding a room.

The rental market in Sweden is highly regulated, with controls on rents. Across the Swedish cities monitored here, weekly rents average €81. There is a limited range of prices between cities. The provision of accommodation is higher than even the UK, at 23%

High living costs and a high share of universities in the Times Top 400 attracting non-EU students may make the country appealing to private operators. ■

GRAPH 15 Student housing provision and costs – Sweden



Source: Savills World Research



# COUNTRY SPOTLIGHT BELGIUM

| COUNTRY STATS   |   |   |
|---|---|---|
| <b>Student population: 450,000</b><br>% International: 8% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>France (31%)</li> <li>Netherlands (18%)</li> <li>China (5%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>KU Leuven</li> <li>Ghent University</li> <li>Université Catholique de Louvain</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£340 (€400)        | <b>Average weekly rent in student accommodation:</b> £56 (€66)  | <b>11%</b> National student housing provision rate  |

**B**elgium is home to 450,000 students, 8% of which are international. Students from neighbouring France and the Netherlands dominate the international student population and only 2% of students are from outside Europe.

Tuition fees are low, particularly for specialist courses, making Belgium appealing to students from neighbouring European countries.

For example, the French favour francophone Belgian medical schools because of their lower entry requirements, affordable fees (around €800 per year) and shared language.

As a consequence, Belgium has capped the number of international students taking its medicine and dentistry courses to 30%, to stem the surging number of French crossing the border to study.

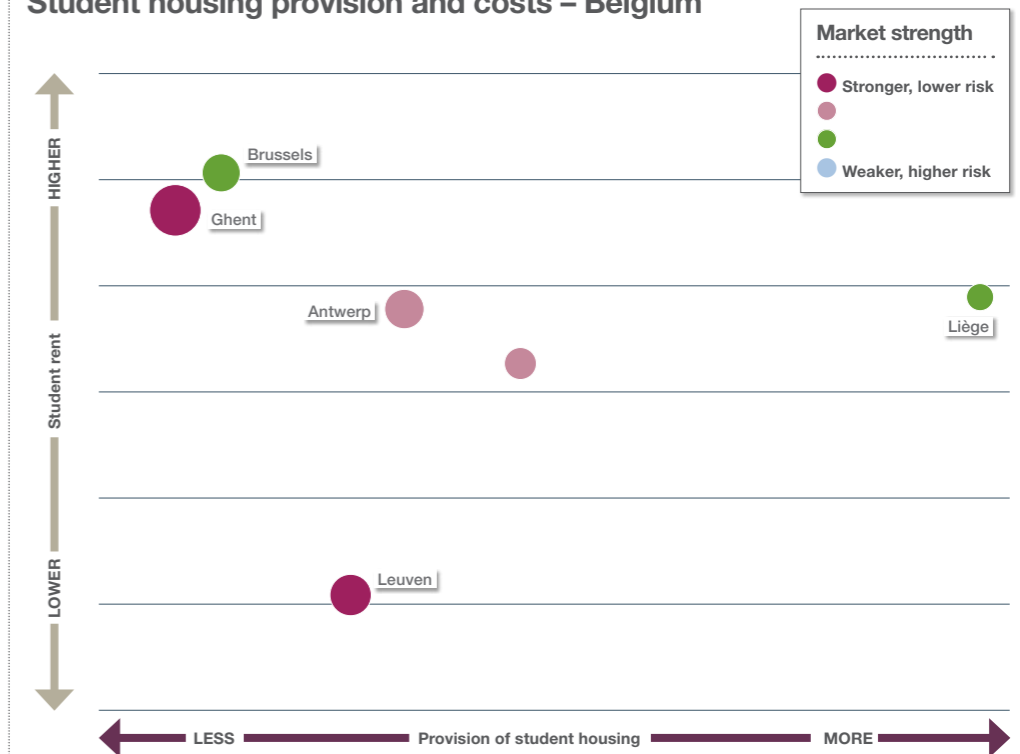
The quotas apply to those who have not lived in Belgium for more than three years, aimed at French who study in Belgium but return home to work after graduation, leaving the medical professions under-resourced.

**Kots are common**  
 Limited accommodation is provided by the universities in Belgium usually only for short-term or international students. Individual student rooms in the private sector called 'kots' are common. In Leuven, accommodation in student housing is provided and charged based on family income.

“Belgium has capped the number of international students taking its medicine and dentistry courses to 30%, to stem the surging number of French crossing the border” Paul Tostevin, Savills Research

The student housing provision rate in Belgium is 11%. Student rents average €66 per week, ranging from just €43 in Leuven to €78 in Brussels. ■

GRAPH 16 Student housing provision and costs – Belgium



Source: Savills World Research



# COUNTRY SPOTLIGHT AUSTRIA

| COUNTRY STATS  |   |  |
|--|---|--|
| <b>Student population: 360,000</b><br>% International: 23% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Germany (37%)</li> <li>Italy (11%)</li> <li>Bosnia &amp; Herzegovina (4%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>University of Vienna</li> <li>University of Innsbruck</li> <li>Vienna University of Technology</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£0 (€0)             | <b>Average weekly rent in student accommodation:</b> £58 (€69)  | <b>National student housing provision rate</b><br>16%  |

**A**ustria has a student population of 360,000, having grown by 8% between 2010 and 2012. Although 23% of the student population are international, many of them are from bordering countries.

German students form a particularly high proportion of the international student population (37%) while those from outside Europe only make up 4% of the total student population. Tuition in Austria is free for domestic and EU students, and around £1,200 for international students making it attractive to both students from the EU and abroad.

Student accommodation is rarely provided by the universities directly; students have the choice of finding accommodation through student housing companies or in the private rental market. Student housing companies provide accommodation in dormitories, flat-shares and student apartments.

Student housing company OeAD specifically provides accommodation for international and visiting students and provide around 6,000 places across Austria. The second largest provider of student housing in Austria is the Austrian Student Aid Foundation (trading as 'homes4students') who manage 16 dormitories across Austria accommodating around 2,000 students.

Private accommodation for students is common with a shared flat being the preferred accommodation type

for many students. The proportion of students in Austria living with parents is low by European standards, at just 21% according to Eurostudent data.

Rents across the Austrian cities we have analysed average €69 per week, ranging from €65 in Innsbruck to €74 in Vienna. The student housing provision rate averages 16%, the highest is 27% in Linz.

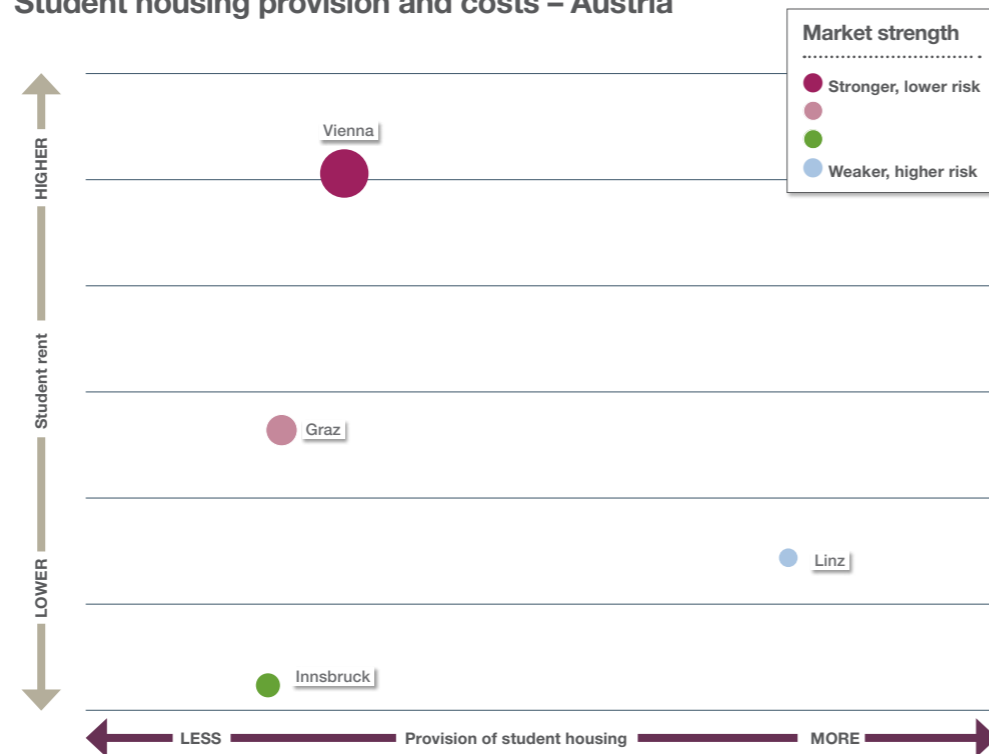
Austria enjoys a large share of Europe's Top 400 universities, and a high proportion of international

students. With relatively high rental costs, there are opportunities in this market. ■

“German students form a particularly high proportion of the international student population at 37%”

Yolande Barnes, Savills Research

GRAPH 17 Student housing provision and costs – Austria



Source: Savills World Research

# COUNTRY SPOTLIGHT SWITZERLAND

| COUNTRY STATS  |   |   |
|--|---|---|
| <b>Student population: 250,000</b><br>% International: 15% | <b>Top countries of origin</b><br>(% of international students) <ul style="list-style-type: none"> <li>Germany (29%)</li> <li>France (16%)</li> <li>Italy (8%)</li> </ul> | <b>Top institutions</b><br>(Times World Rankings) <ul style="list-style-type: none"> <li>ETH Zürich – Swiss Federal Institute of Technology Zürich</li> <li>École polytechnique Fédérale de Lausanne</li> <li>University of Zürich</li> </ul> |
| <b>Typical Domestic Course Fee:</b><br>£1,000 (€1,200)     | <b>Average weekly rent in student accommodation:</b> £81 (€95)  | <b>National student housing provision rate</b><br>11%   |

**T**here are 250,000 students in Switzerland, of which 15% are international. The majority of those international students are from neighbouring Germany and France who make up 29% and 16% of the international student population respectively.

Swiss students do not pay tuition fees, but international students do, averaging £3,400 for a non-specialist course, higher than many major European countries, but lower than the UK and Sweden.

According to Eurostudent, 42% of students in Switzerland live at home and only 2% in student halls. Student accommodation is not provided by the universities directly, but provided by companies connected with the university operating independently. While directed at students, this accommodation is often reserved for young people in general, as opposed to specifically for university students.

It is recognised that there is a shortage of housing in the Zurich area, especially that is available for students. The Zurich Student Housing Foundation in conjunction with ETH Zurich and private investors plan to provide new accommodation for 1,000 students in the near future.

In a 25-year plan, ETH Zurich also plan to release 7,500 square meters of residential accommodation currently used as office space.

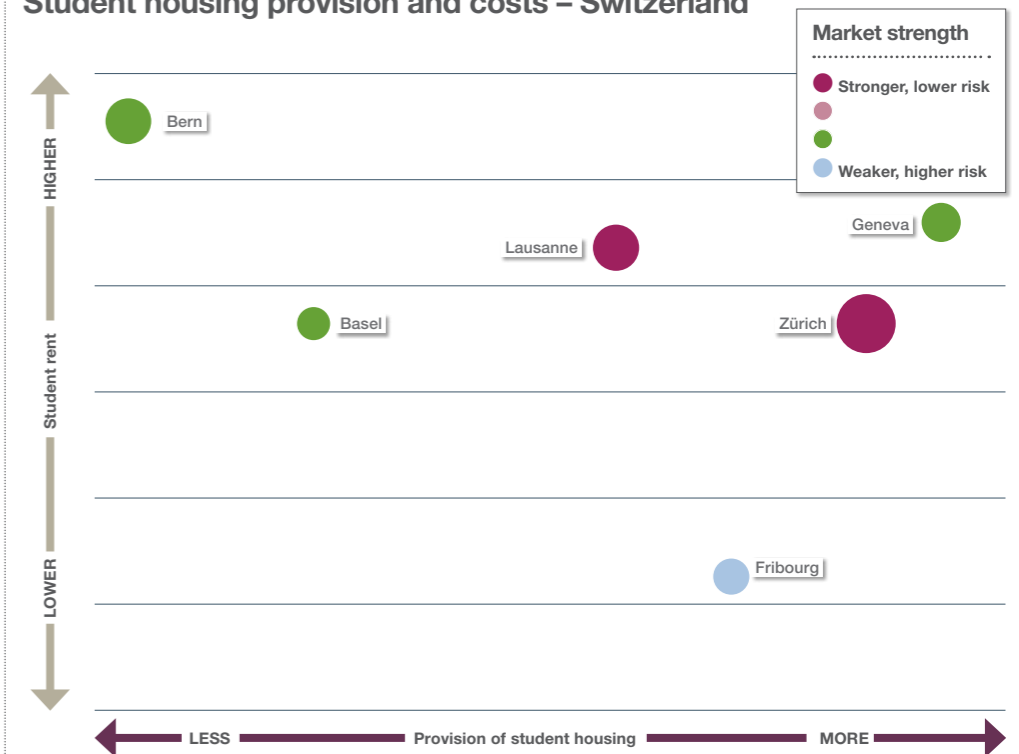
The average student accommodation provision rate in Switzerland is 11%. The shortage in student housing is

“Relatively high rents by European standards reflect strong demand and a higher cost of living in the country” Paul Tostevin, Savills Research

most acute in Bern (3%) and Basel (6%). Rents average €95, and are over €100 in Bern and Geneva.

Relatively high rents by European standards reflect strong demand and a higher cost of living in the country. Swiss cities rank high for investment potential on this basis. ■

GRAPH 18 Student housing provision and costs – Switzerland



Source: Savills World Research

## Conclusion and outlook

■ Student Housing is already a well-established asset class in the UK and US, and has been a beneficiary of the general 'flight to quality' among property investors in the last five years. Student housing offers exposure to a residential asset class, but without the attendant implications of direct ownership. For income-seeking investors, student housing delivers secure income in uncertain economic times.

■ As the student housing market matures in established markets such as the UK and the US, investors are turning to mainland Europe for new opportunities. The fundamentals of the European market are solid: Europe is one of the biggest recipients of international students and domestic enrolment is growing as young people seek to improve their employability in a challenging economic environment.

■ The European market is a diverse one and our findings indicate that investment choices must not be made at a national level. Different locations can have very different prospects within the same country. Investor focus needs to be concentrated on cities themselves and their higher education institutions in particular.

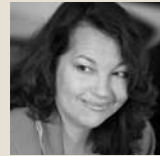
■ There are challenges: the propensity for European students to live at home during studies in countries like Spain and Italy is high. In much of mainland Europe, the private rented sector is already well geared to accommodate students and, in some cases, organisations are in place to act as intermediary between student and private landlord.

■ With global student mobility increasing, and European institutions actively recruiting

more non-EU students, purpose-built student accommodation comes into its own. Private student housing operators providing a one-stop-shop for secure, quality accommodation, may find themselves with a commercial edge.

■ Our findings suggest the greatest opportunities lie in established student cities such as Paris, Milan, Barcelona and Amsterdam. Germany, characterised by relatively affordable student accommodation, still offers potential in higher value cities such as Darmstadt, for example. Zurich and Lausanne also pose strong opportunities, as does Utrecht in the Netherlands – albeit student populations are smaller. Meanwhile, the focus of investor activity in the UK to date has not been misguided; many UK cities still hit the investor sweet spot.

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