

## THE APPEAL OF PURPOSE-BUILT STUDENT HOUSING IN FLORIDA

**When organizations take a thoughtful approach to investing in student housing it can not only generate capital returns but can also help universities serve students**

This fall college students flocked back to campuses around the country. Much like the evolving demographic of a college student, their living arrangements have matured to match their tastes. Gone are the days of moving into an old dorm or living on campus all four years of college. We are seeing a revitalization in student housing and an emergence of a new offering, purpose-built student housing in urban in-fill settings as students and universities look for more modern, amenity rich accommodations. While the demand is consistent throughout the country the offerings are very diverse.

### **Urban In-fill Purpose Built Student Housing as an Asset Class**

Purpose built student housing is a maturing and evolving asset class that is defined as living accommodations exclusively for students, that could not be easily converted for another purpose with lifestyle and college experience focused amenities including collaboration rooms, study areas and wellness facilities.

### **Trends**

Two trends are driving the growth and privatization of purpose-built student housing. The first is that universities are expanding and there is a shift in funding commitments to academic and mission driven expenses which leaves resources for student housing constrained. Another trend we are seeing is that universities have limited land assets and the land they own is designated for classrooms, libraries and academic buildings.

As a result, many universities are collaborating with private companies who have the capital and expertise to meet the university's student housing needs. We are also seeing an increasing number of universities marketing these student housing developments as a way to recruit freshman as well as foster student experience and wellness.



## The Sunshine State Becomes the Education State

The Florida student housing market is exceedingly attractive and benefits from state wide economic trends that are driving expansion including tax friendly legislation and Florida's efforts to keep their best students in-state. More families are moving to Florida to take advantage of the state's favorable economic policies and in turn, they are sending their kids to state schools. Programs such as prepaid tuition and state supported scholarships help to attract and retain top students making the universities more prestigious and in demand.



“Florida’s colleges and universities remain an attractive price advantage compared to their counterparts in the Northeast and Midwest, especially as we are seeing the quality of education available at Florida institutions continue to rise,” said Dennis Biggs, president and chief executive officer, [Development Ventures Group](#). “The operational costs for institutions in Florida are much lower than similar institutions in other parts of the country which keeps tuitions lower and helps to foster demand and growth. And it is hard for students from the northeast and Midwest to ignore the attraction of the Florida weather.”

In 2019 [U.S. News & World Report](#) named Florida the top state in the country for higher education for the third year in a row. *U.S. News & World Report* analyzes the share of Floridians holding college degrees, the time it takes students to complete both two- and four-year college programs, the cost of in-state tuition and fees, and the burden of debt that college graduates carry.

University of Central Florida has the second largest student population in the country and we expect this growth trend to intensify. According to the [Chronicle of Higher Education](#), the average percentage of students who went out-of-state for college in [2016 was 31%](#) but in Florida that number was only 22%. Given the state's focus on keeping Florida students in-state, we think this will only intensify as more of these early adopters mature to college age.

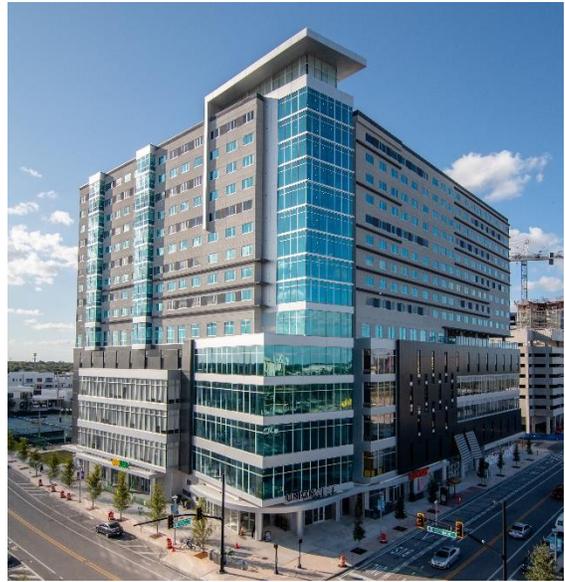
### Purpose-built Student Housing in Florida

When evaluating student housing investment opportunities, it is important to understand the focus and mission of the institution and to familiarize yourself with the university leadership to understand the university's priorities from a growth and student experience standpoint. While it can take time to understand the student housing dynamics, projects that are affiliated with a university have a long-term derived revenue stream and are not prone to market conditions associated with occupancy. Always having an increasing influx of potential new tenants helps to keep demand stable.

“Off campus developments have the ability to set rates that are in-line with the market demand,” said Biggs. “Often universities don’t have the same flexibility, which makes new student housing a losing proposition for an institution. The private developer is incentivized to provide an attractive product to attract students initially, but also to keep the building in top notch condition to compete with other available options, which benefits students and the campus. It is really a win-win situation for both the institution as well as the developer and its investors.”

Not all student housing opportunities in Florida have the same demand trends. Our [UnionWest at Creative Village](#) project was an immediate success due to its adjacency to the new UCF campus as well as its

proximity to the vibrant Orlando urban core that fosters a strong work/live/play lifestyle. The building was leased 97% at opening.



## Future

While the demand is relatively consistent across housing developers and investors must find a product, like urban purpose-built student housing that appeals to students and the universities. Halstatt Real Estate Partners in collaboration with Development Ventures Group recently announced our intent to build a purpose-built student housing tower near the [University of Tampa](#). We view the deal as favorable because it is in an urban area that is closely tied to the business community with a flagship university. Much like our project in Orlando, we have been working closely with university leadership to be sure our project meets our investment goals and supports the university’s mission and is a product their student will enjoy. While not always an easy task, the reward is well worth it when you see student’s excitement on move in day.



*Bobby Sullivan is a Principal of Halstatt Real Estate Partners. He has more than 20 years of experience in real estate development, asset management and investment strategy. He is focused on identifying and acquiring value add, opportunistic and demand driven commercial, multifamily and student housing real estate assets. Halstatt Real Estate Partners, a real estate private equity firm, has participated in the acquisition and development of over \$850 million in Florida-based real estate assets since 2011.*