



Singapore, China among top investors in US student housing market



A tour group walks through the campus of Harvard University in Cambridge, Massachusetts. Photo: AP

- *US student housing segment popular among sovereign and pension funds, says analyst*
- *According to Euromonitor International, foreign students in US universities grew by nearly half to 918,000 in the decade between 2008 and 2018*

The growing number of overseas students heading for colleges and universities in the US is being matched by a rise in foreign investments in students' accommodation.

Singapore was the top source of investment in student housing in the US, putting in US\$5 billion between 2016 and 2018, data from New York-based Real Capital Analytics showed.

The rest of the field was a long way behind, with Germany in second with US\$373.1 million of investment, Bahrain third with US\$342.1 million and France fourth with US\$201 million.

Mainland China and Hong Kong were the fifth largest source, investing a combined US\$143.1 million.

As of the second week of March, student housing had received US\$196.5 million in investments in 2019, led by US\$93.1 million from the Netherlands and US\$55.1 million from mainland China.

"What's really gotten popular is student housing," said Dan Flanigan, who heads the real estate services department at the US law firm Polsinelli. "Over the last 10 to 15 years, the quality and the perceived desire for higher quality student housing has really taken off."

Investors are flocking to the segment owing to the higher rates of return with many also seeing it as an asset that holds its value in a downturn, supported by demographics and strong demand.

According to Euromonitor International, foreign students in US universities grew by nearly half to 918,000 in the decade between 2008 and 2018.

Jaelyn Fitts, director of student housing, capital markets at CBRE, said about a third of all international students

in the US are from China, the biggest group among all foreign students.

"Additionally, the growing middle-class in China is expected to further propel the enrolment of Chinese students at US universities," Fitts said.

Yvonne Siew, executive director, global capital markets, Asia Pacific, CBRE, said the asset class is popular among pension funds and sovereign wealth funds.

Singapore's GIC, through a joint venture, acquired a student housing portfolio of 24 assets consisting of 13,666 beds in the US for about US\$1.1 billion last year.

Demand for student housing is underpinned by the number of university-age individuals, which is expected to keep increasing until at least 2040.

The US boasts almost a quarter of the 200 top-ranked universities worldwide, with the UK in second place, according to Siew.

While the trade war has made it more difficult for some Chinese students to secure a visa to study in the US, the overall impact has been minimal.

Over the past year, about 100 Chinese students have encountered visa delays, putting their academic studies at risk, according to a post by two Chinese students'

associations on WeChat.

"The driver of overseas education is the rankings of these US universities and the quality of education they promise," Siew said.

She said that because residents of student quarters are usually teenagers, depreciation is generally also higher than with other types of property.

"If you are 30,000 miles away and an owner of a unit, there's so many things that you really don't know about what's happening on the ground," she said, adding that investors should pick reputable partners to run such a business.

Savills said student housing is "too risky and too unregulated" in the US.

"It's not something that we actively sell and promote to our clients. Student housing provides great rental returns, it can be anything from 5 per cent all the way up to 9 to 10 per cent, but it's very difficult to get out and very difficult to sell," said Mark Elliott, Savills' head of international residential.