

savills

An aerial photograph of a modern, brightly lit interior space, likely a student lounge or library. Several students are seated at small, round white tables, each with orange chairs. They are engaged in various activities: one is using a laptop, another is looking at a tablet, and others are reviewing documents or books. The floor is a light grey, and a wooden staircase with a metal railing is visible on the right side. A yellow rectangular box highlights the central group of students.

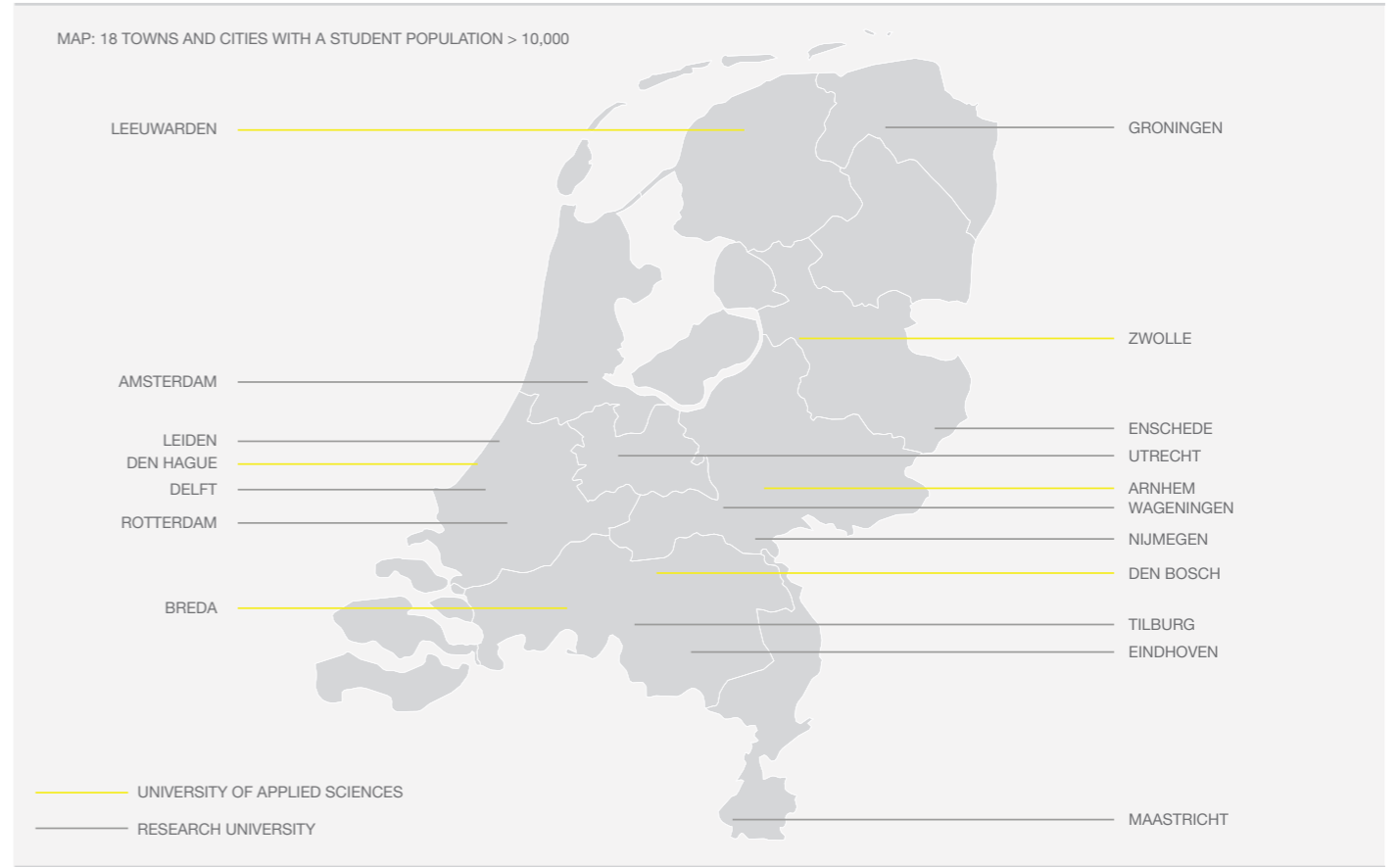
# Student Housing

a market on  
the move

spotlight



The Student Hotel



Introduction

## The student housing market has been developing strongly in recent years to become a mature investment alternative.

The investment volume in student housing has increased fivefold to reach almost €500 million in 2016. The year 2017 turned out to be a relatively quiet period for investment (around €250 million), but 2018

started strongly, with total invested capital increasing to €150 million over the first two quarters.

Quantitative developments are not the only sign that this market is growing strongly; a powerful quality impulse is also becoming apparent. This is partly due to significant changes in what students want and expect from their accommodation. In addition, a growing group of commercial parties have opted to operate and invest in student housing.

Why has student housing gained in popularity to such an extent, and how will this develop in the coming years?

### Dramatic increase in the student population

## There has been a shift in the demand for student housing in recent years

Over the past 15 years, the number of students has increased by over 40% to approximately 692,000 enrolments in the current academic year. Of this number, 49% live away from home. This has led to a surge in the demand for student accommodation. This demand has been

tempered slightly by the introduction of a new student loan system on 1 September 2015. This introduction was accompanied by the discontinuation of the basic student grant. At the time, this was expected to have a major impact on the general demand for student housing. While the percentage of students living independently in the current academic year did in fact fall (from 53% to 49%), this recalibration of the student finance system had almost no perceptible effect on demand. The main reason for this is the overall increase in student numbers and in particular the rise in the number of international students.

The number of international students has doubled in the past 10 years. They currently account for over 12% of the

total student population, with the urgency of their need for living space driving the demand for student housing. There are a number of reasons for the Netherlands' popularity among international students:

1. Dutch universities have a good international reputation;
2. The degree programmes have an international focus;
3. A wide range of programmes are taught in English;
4. Tuition fees in the Netherlands are relatively low;
5. Facilities for students in the Netherlands are of a high standard.

### Continuing demand for student housing

For the next 10 years, the steady rise in student numbers is expected to continue as forecasts point to an ongoing influx of international students. This increasing demand will ensure continued growth in demand for student housing, an assertion endorsed by the National Student Housing Monitor 2017.

Savills' analysis of 18 Dutch towns and cities with a student population of over 10,000 reveals significant differences in the trends for student numbers. In only 4 of the 18 cities, the student population will shrink in the coming years: Arnhem (-7%), Breda (-11%), Den Bosch (-12%) and Zwolle (-9%). All of these cities are home to a university of applied sciences, but not to a research university. An increase is forecast for all 12 university cities, and for the city of The Hague. In Delft, Maastricht, Leiden and Wageningen, explosive growth rates of up to 30% are expected.

### Demand for higher-quality student housing

Students are increasingly expressing a preference for more comfortable and therefore often more expensive rented housing, a tendency primarily driven by the needs of international students. The preference is for self-contained units, rather than student housing with shared facilities. Students are also prepared to pay for additional services and facilities, such as a gym, laundry facilities, a cinema, secure bicycle parking and bicycle rental. This is rapidly becoming the new standard, and providers of student housing are extending the range of services available. Many now offer insurance policies, for example. Another striking development, in line with the growing demand for higher quality, is the increase in the number of furnished rooms being offered. These trends are resulting in a shift in and the optimization of the revenue model of student housing providers.

TABLE: EXPECTED CHANGES IN STUDENT NUMBERS HAVE A STRONG INFLUENCE ON FUTURE HOUSING NEEDS (PRESENT – 2024/2025)

CITY	NUMBER OF STUDENTS (PRESENT)	EXPECTED NUMBER OF STUDENTS (2024-2025)	DIFFERENCE	DIFFERENCE (%)
WAGENINGEN	10,990	14,555	3,565	32.4%
DELFT	25,860	30,575	4,715	18.2%
LEIDEN	32,140	35,500	3,360	10.5%
MAASTRICHT	20,390	22,410	2,020	9.9%
AMSTERDAM	105,510	111,965	6,455	6.1%
ROTTERDAM	62,710	66,295	3,585	5.7%
ENSCHEDÉ	24,890	26,140	1,250	5.0%
EINDHOVEN	30,780	32,005	1,225	4.0%
DEN HAAG	28,850	29,905	1,055	3.7%
UTRECHT	61,490	62,830	1,340	2.2%
GRONINGEN	54,060	54,705	645	1.2%
NIJMEGEN	39,990	40,340	350	0.9%
LEEWARDEN	19,880	19,890	10	0.1%
TILBURG	25,790	25,720	-70	-0.3%
ARNHEM	11,600	10,835	-765	-6.6%
ZWOLLE	18,790	17,175	-1,615	-8.6%
BREDA	20,310	18,075	-2,235	-11.0%
DEN BOSCH	15,130	13,240	-1,890	-12.5%

# Existing housing falls short

Traditionally, students in the Netherlands have tended to rent a room from a corporation or a private landlord, sharing facilities such as kitchen and bathroom. This began to change at the end of the 1990s. The government's decision to do away with housing benefits for rooms with shared facilities led to an increase in demand for self-contained student housing units, which were often larger. In particular, corporations and investors with a focus on student accommodation, such as Vestide and DUWO, have responded to this by creating independent units in large-scale student complexes. In recent years, this trend has continued, partly due to other providers entering the student housing market, such as Xior and The Student Hotel. Such large-scale student housing projects, made up of independent residential units and run by professional operators, are relatively new in the Netherlands. As competition increases, a good location and a good product are not the only factors to consider: the branding of such projects is growing in importance. 'Branded living' is the new buzzword. Well-known brands include The Student Experience and The Student Hotel. At first, projects of this kind centred on Amsterdam, but nowadays they are also taking off in other student cities such as Delft and Maastricht.

Corporations, private investors and new entrants to the market have added to the student housing stock in recent years, yet there is still a substantial shortage of approximately 38,000 student residential units among the 18 largest student cities in the Netherlands. The shortfall varies greatly from place to place. Leeuwarden, for example, has a surplus of several hundred units, while the shortage in Arnhem is negligible. By contrast, three of the Netherlands' four largest cities are faced with substantial shortages: over 10,500 units in Amsterdam, almost 4,000 in Utrecht and approximately 4,750 units in Rotterdam. To solve the current shortage, a large number of student units will have to be added to the stock.

TABLE: SAVILLS' STUDENT HOUSING RANKING FOR INVESTORS INDICATES THE EXPECTED SHORTAGE WITHIN THE STUDENT HOUSING MARKET IN THE VARIOUS CITIES

CITY	STUDENT HOUSING RANKING FOR INVESTORS
EINDHOVEN	1
LEIDEN	2
DELFT	3
ROTTERDAM	4
MAASTRICHT	5
AMSTERDAM	6
NIJMEGEN	7
ZWOLLE	8
DEN BOSCH	9
TILBURG	10
WAGENINGEN	11
ARNHEM	12
BREDA	13
UTRECHT	14
DEN HAAG	15
GRONINGEN	16
ENSCHEDÉ	17
LEEUWARDEN	18

TABLE: THE ESTIMATED SHORTAGE OF STUDENT UNITS IN THE ACADEMIC YEAR 2024-2025 DECREASES, BUT REMAINS SUBSTANTIAL

CITY	TOTAL SHORTAGE STUDENT UNITS (2024-2025)
AMSTERDAM	8,600
ROTTERDAM	5,900
DELFT	4,400
LEIDEN	4,200
EINDHOVEN	3,300
WAGENINGEN	1,700
MAASTRICHT	1,700
NIJMEGEN	1,600
UTRECHT	1,000
TILBURG	700
ZWOLLE	500
ENSCHEDÉ	500
DEN HAAG	-
DEN BOSCH	-200
BREDA	-300
ARNHEM	-300
GRONINGEN	-1,000
LEEUWARDEN	-1,000

## Shortfall is shrinking but remains substantial

In order to reduce shortfall, various municipalities are liberalizing their policy on student accommodation. In Delft, for example, it is no longer necessary to obtain a permit in order to rent a home to more than one person. In addition, the conversion of offices into residential units is being actively encouraged. The municipality of Leiden has launched a Student Housing Task Force, with the aim of creating extra units by means of collaboration. Investors and corporations are also becoming ever more active in the creation of student housing, in the form of increasingly large-scale projects. Two good examples are the recent completion of 110 units in Delft (the Abtswoude bloeit project) and Xior's recent purchase of 247 new-build units in Amsterdam Sloterdijk.

A total of 75 planned projects are in the pipeline for the next four years, amounting to approximately 18,500 additional units. The figure below gives an overview of the total stock planned per city. In addition to these new units, part of the stock no longer meets students' changing needs and will have to be upgraded in the face of increasing competition from new entrants to the market and new construction projects.

Despite the above-mentioned initiatives by various stakeholders, an analysis by Savills shows that the shortage at the beginning of the academic year 2024-2025 will nevertheless exceed 31,000 units. While this represents a reduction of around 20% compared to the current shortfall, a substantial shortage will remain, one which may increase further if outdated complexes are withdrawn from the existing stock.

The largest shortages will continue to affect Amsterdam (over 8,500), Rotterdam

(almost 6,000), Delft (almost 4,500) and Leiden (over 4,000). On a positive note, the deficits in Amsterdam and Utrecht, for example, will be reduced by 24% and 76% respectively. In some cities there will even be a surplus. This does not mean that prices will necessarily come under pressure in these cities. As long as the location and the concept are good, new developments will remain relatively unaffected.

An in-depth analysis of how student housing shortages are set to develop shows that some cities will make up considerable ground in the coming years, while others will lag behind. This is confirmed by the ranking that Savills has drawn up for investors in student housing, based on three elements of supply and demand: changes in the pipeline, the deficit per student (current and future),

and the pipeline in relation to the number of students. A high ranking indicates a shortage in the market or the prospect of a growing shortage. A tighter market with high demand and limited supply represents opportunities for investors in these cities.

One thing that stands out is that the top seven consists entirely of university cities. These are the locations where student numbers are especially likely to grow, thereby increasing pressure on the student housing market. The relatively large pipeline of new projects in cities such as Utrecht and Groningen suggests that they are anticipating the increase in student population.

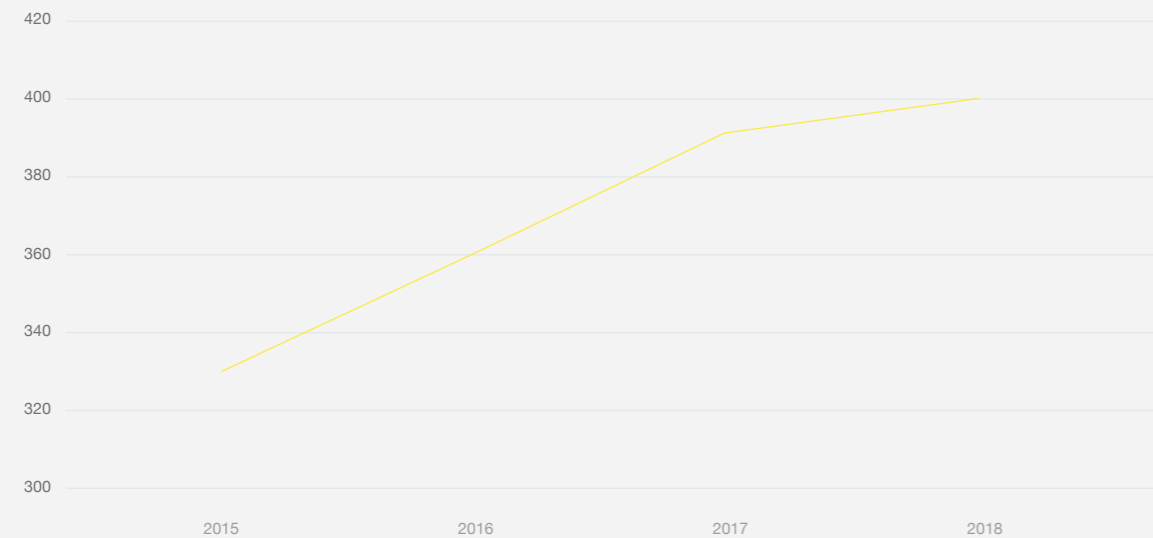


"The internationalization of the Dutch educational landscape provides a sustainable foundation for the student housing demand."   
Jordy Kleemans

MAP: NEW STUDENT UNITS PER CITY VARIES GREATLY BETWEEN 2018 AND 2021

## Average monthly rent is increasing

GRAPH: CHART SHOWING THE DEVELOPMENT OF THE AVERAGE RENT FOR DUTCH STUDENT ROOMS



\* rents excluding studios and apartments, including service costs based on an analysis of supply

### Rent and other costs

## The rent for an average student room has risen again in the past twelve months.

Last year, the average monthly rent for a student room was €394 per month, and this has now increased to €401. This rise is in line with the trend of recent years, which shows rents for student housing increasing at a rate considerably higher than inflation. Over the past 12 months, the increase slowed somewhat and amounted to 2.2%. The increase can largely be explained by shortages on the market in cities such as Amsterdam (+6.1%) and Maastricht (+8.6%). This gives landlords the opportunity to raise the rent when a tenant moves out. The rent increases outlined here indicate that student housing is inflation-proof, another factor that is sure to be of interest to investors.

One notable trend is that rents have increased in almost all of the cities analysed, the only exceptions being Eindhoven and Leiden. This

is only expected to be a temporary dip, since the shortages in these cities are considerable. Given the rise in student numbers in relation to planned developments, especially in the university cities, rents are expected to at least keep pace with inflation. In cities with an ongoing scarcity of housing, such as Amsterdam, Utrecht and Rotterdam, rents will continue to outperform inflation in the coming years. For the other cities, rents look likely to stabilize or even decrease slightly over the same period.

This upward price pressure also has a downside. It can jeopardize affordability for students, triggering a long-term drop in demand. Various housing corporations and universities are already taking action with this in mind, for example, by making long-term, large-scale rental deals with student housing investors under favourable conditions, and then renting these units to students. This protects students from rent increases above the rate of inflation. The advantage for investors is that re-letting risk and default risk are greatly reduced.

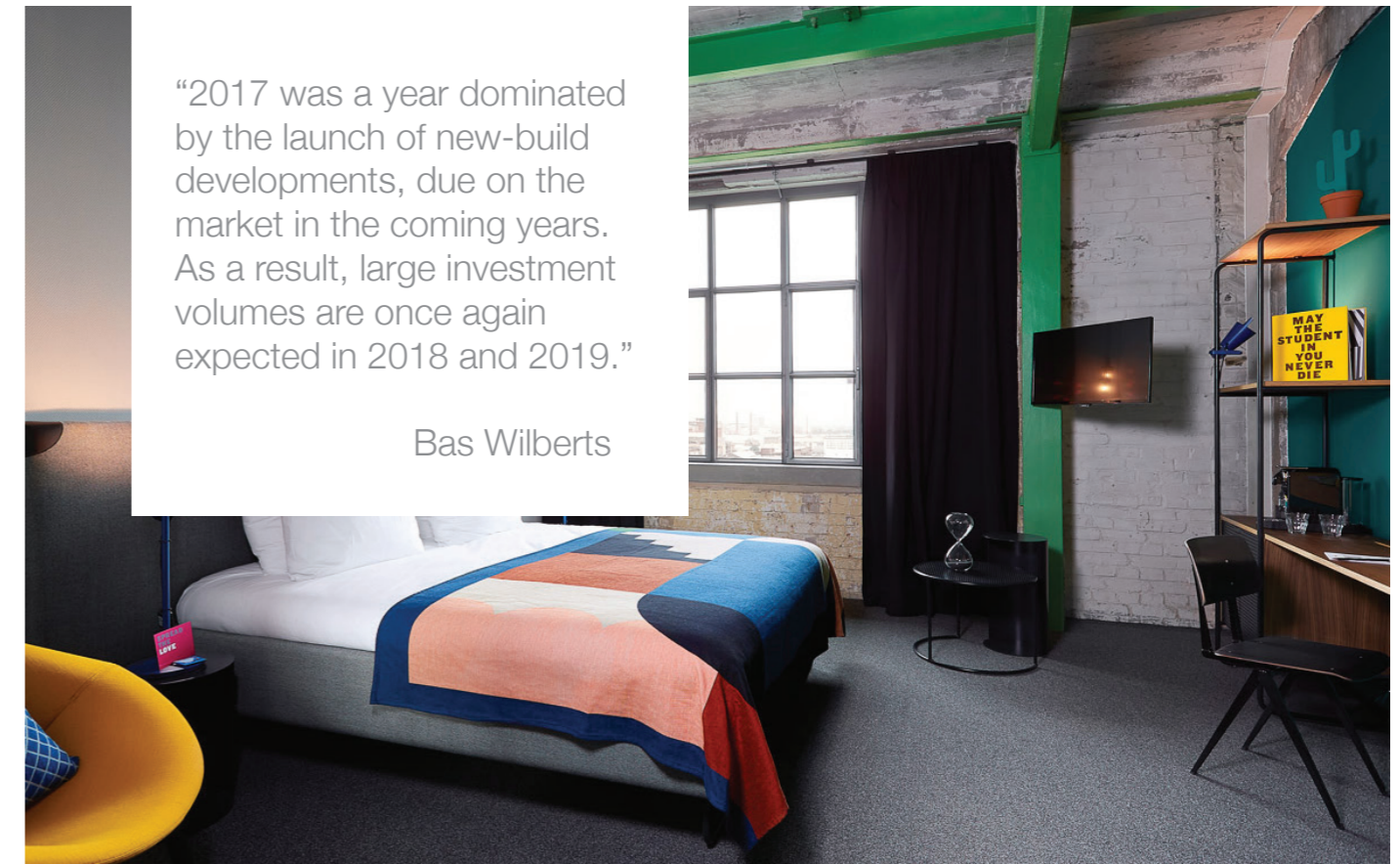
Due to the characteristics already outlined (i.e. ongoing shortage on the market, average rent increases exceeding inflation) investors are increasingly viewing the student housing market as an interesting addition to their investment portfolio.

## Trends and developments

In addition to the aforementioned trends such as economies of scale, there is also a tendency to aim at a broader target group when creating student housing complexes. Of the 75 current developments, 36% no longer focus exclusively on students. Projects often have a mixed character, aimed more widely at first-time tenants on the housing market. This development holds considerable appeal for investors. The strategy of encompassing

a broad target group reduces risk (e.g. vacancy risk) and makes it easier to respond to changes in market demand within a city by making simple structural adjustments to a complex. This reflects a trend towards flexibilization in society as a whole.

As a result of these developments, investors in student housing are increasingly moving towards the 'traditional' first-time tenant market, which also includes Young Professionals. The latter are generally prepared to pay higher rents and live in smaller spaces ('micro living'), which also represents an interesting opportunity for investors.



“2017 was a year dominated by the launch of new-build developments, due on the market in the coming years. As a result, large investment volumes are once again expected in 2018 and 2019.”

Bas Wilberts

### Zooming in on the investment market

## The burgeoning interest is clearly reflected by a sharp increase in investment volume.

Over a five-year period, it increased fivefold to reach almost €500 million in 2016. In 2017, investment volume amounted to approximately €250 million, a decline brought on by the shortage of

investment product. However, a large number of new construction projects were launched in 2017 and are due to arrive on the market in 2018 and 2019.

Approximately 23% of the total investment volume in 2017 came from Dutch investors. In 2016, this share was 40% and in 2015 it was 50%. The volume invested by Dutch investors did not decrease in absolute terms. This share has been diluted by an inflow of foreign capital. Parties such as the Belgian investor Xior and Germany's International Campus Group have long been active on the Dutch student housing market. An increasing proportion of the investments are in existing complexes, a sure indication that the market is maturing.

## Student Housing

## The maturing of the student housing market is also reflected in the decline in gross initial yields.

These have fallen again in the last few quarters. For the best student complexes, yields of around 6.0% are currently being paid. Two years ago, this figure was still as high as 7.0%. This applies to commercial student complexes leased on a long-term basis through a management contract.

Due to Amsterdam's different, higher cost structure for student housing, the net initial yields in the Dutch capital even out at just below 5.0%. It is worth noting that the gap between net initial yields on regular housing and student housing is narrowing. This is another sign of a maturing market in which risks can be addressed ever more effectively.

- The internationalization of the Dutch educational landscape provides a sustainable foundation for student housing demand.
- Demand is an issue of both quantity (approximately 38,000 student units) and students' changing needs in terms of quality: students want greater comfort and convenience, and the availability of additional facilities (e.g. gym, laundry room) has become the norm for new developments.
- A total of around 18,500 units will be added to the stock in the coming years, a reduction of around 20% compared to the current shortfall, but still leaving a substantial shortage of over 31,000 units.
- In Savills' Student Housing Ranking for Investors, the top seven consists entirely of university cities: a high ranking indicates a shortage on the

market or the prospect of a growing shortage, while a tighter market with high demand and limited supply represents opportunities for investors in these cities.

- With an average increase of 2.2% in the past twelve months, rents have once again risen at a rate that outperform inflation.

• Investors are increasingly seeing the student housing market as an addition to their existing portfolio, boosting investment volumes by fivefold to reach €500 million in 2016 and narrowing the difference between the net initial yields for traditional housing and student housing.

- The student housing market is showing clear signs of becoming a mature market in which risks can be addressed more effectively.



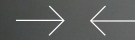
increasing  
**Demand**



substantial  
**Shortage**



rising  
**Rents**



narrowing difference  
**Traditional and Student Housing**

# key findings and expectations

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