

## PROPERTY REPORT

# Students Are Going Back to Class, and Property Investors Want to House Them

Companies are pumping billions of dollars into buying and developing off-campus housing



Investors are offering amenity-rich student housing facilities with game and video rooms, fully loaded gyms and speedy Wi-Fi.

PHOTO: M. SCOTT BRAUER FOR THE WALL STREET JOURNAL

By [Peter Grant](#)

Sept. 7, 2021 8:00 am ET

With millions of students heading back to college campuses this month, some of the world's largest property investors are pumping billions of dollars into buying and developing off-campus housing.

Blackstone Inc., [Brookfield Asset Management](#) Inc. and other investors are offering student housing facilities that feature game and video rooms, fully loaded gyms, speedy Wi-Fi, and even swimming pools in some cases.

These companies are raising their bets on the sector as more universities plan to offer in-class learning again this fall. Yet even last year, demand for student housing only fell slightly when most colleges were closed for in-person learning because of Covid-19.

“Now that we’ve seen the asset class through a global pandemic, it really shows the resilience,” said Christopher Merrill, co-founder and chief executive of Harrison Street, the investment firm that is the largest private owner of student housing.

In August, Blackstone Real Estate Income Trust agreed to pay \$784 million for a majority stake in a portfolio of eight student housing properties with 5,416 beds developed and managed by Landmark Properties, of Athens, Ga.

Preleasing of the amenity-rich portfolio, near such schools as Florida State University and Georgia Institute of Technology, is back to 2019 levels, according to Jacob Werner, a senior managing director of Blackstone Real Estate.

Meanwhile, Brookfield is in talks to form a joint venture with Chicago-based student housing developer Scion Group LLC that would acquire at least \$1 billion in student-housing properties, according to people familiar with the matter. The deal would be Brookfield’s first move into the property type in the U.S., these people said.

Smaller investors also are getting into the action. In the first half of the year, student housing deal volume was \$2.52 billion, up from \$1.68 billion in the first half of 2020 and close to the \$2.96 billion in deals in the first half of 2019, according to JLL.

When Covid-19 first hit the U.S., investors worried that student housing values and profits would sink because of the large number of schools moving to remote learning. But rent collections remained surprisingly high even at schools that eliminated most in-person classes. Many students opted to live in their campus housing even while doing remote learning.



When Covid-19 first hit, investors worried that student housing values and profits would sink, but rent collections remained surprisingly high.

PHOTO: M. SCOTT BRAUER FOR THE WALL STREET JOURNAL

“Students showed up,” said Al Rabil, chief executive of Kayne Anderson Real Estate, which has developed 50 properties with 34,000 beds in 23 states. “They said, ‘Who cares if it’s remote learning? The last thing I want to do is stay in the room I lived in since eighth grade.’”

Kayne Anderson Real Estate is scheduled to close this month on sales of new properties it completed in 2020 near the University of Florida’s Gainesville campus and Rutgers University. Both were more than 90% occupied last fall, even though Rutgers was completely remote learning, Mr. Rabil said.

Major investors say they tend to invest in complexes near the largest schools in the U.S. where enrollment has been high. Student housing properties near smaller and less popular colleges have struggled more during the pandemic partly because their tenants tend to be less affluent.

Last fall, overall enrollment at public two-year colleges fell 9.5%, according to the National Student Clearinghouse Research Center, a trend some expect to continue. “I don’t think you would find a lot of people who think the U.S. needs 5,500 universities,” Mr. Rabil said.

But student housing at bigger schools saw some benefit from the pandemic because it put a damper on new supply, which was becoming a concern in the sector. An average of more than 40,000 beds a year were added between 2012 and 2019, close to double the rate earlier in the decade, according to Moody’s Investors Service.

Enrollment trends also have been more positive at many larger schools, which aren’t seeing a major impact from the highly contagious Delta variant. According to the Chronicle of Higher Education, more than 1,000 colleges and universities are mandating student vaccinations to put them and their parents at ease.

Such mandates also have helped demand for student housing, investors say. Occupancy is up about 3% to 4% over last year and is only down about 2% to 3% from 2019, according to Alexander Goldfarb, an analyst with Piper Sandler.

“That’s pretty darn good given everyone’s fears when you remember back,” he said.

Write to Peter Grant at [peter.grant@wsj.com](mailto:peter.grant@wsj.com)