

Student housing snapshot



General Outlook

GDP growth recovery continues to face a high degree of uncertainty: US and UK forecasts remain robust while the European one is expected to be softer. News that the vaccines are broadly effective against the new variants will sustain the global GDP recovery this year, but some challenges related to securing vaccines in areas such as Asia, Africa and Latin America are creating uncertainty over the end of the pandemic by 2022.

In June 2021 meeting, the ECB Governing Council decided to reconfirm its very accommodative monetary policy stance. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converging to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

In Italy, we are registering a gradually relaxation of the lockdown measures with the restoration of the white zones and the reopening of many activities. Italy is eager to reopen for summer tourism. The annual GDP growth estimates have been revised upwards for 2021, forecasting a growth of 5.2% (Oxford Economics, June 2021) thanks to an improvement in confidence among consumers and businesses. Reform and investment spending plans combined with an acceleration of the vaccination campaign driven up optimism. Unemployment rate will remain high as business support and redundancy ban gradually stop.

In June, the European Commission approved the Italian plan for the Recovery Fund, paving the way for the arrival of €24.9 billion in pre-financing. The Italian PNRR – Piano Nazionale di Ripresa e Resilienza (i.e., National Recovery and Resilience Plan) plans the allocation of €248 bn related to 6 different Missions: digitisation, innovation, competitiveness and culture; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and cohesion; healthcare. Among these, more than €120 bn will be allocated to activities related to the real estate sector: energy upgrading and renovation of buildings; railway network; renewable energy, hydrogen and local sustainable mobility; strengthening the supply of education services; social infrastructures; families, communities and third sector; tourism and culture; intermodality and integrated logistics; protection of the territory and water resources; circular economy and sustainable agriculture. About 40% of the resources are earmarked for the Mezzogiorno, which testifies the attention paid to the issue of territorial rebalancing.

Mission M4C1 is strictly connected to the supply of education services. Among the other expense items, €0.96 bn will be allocated to student housing and €0.50 bn to scholarship programs.

In 2020, the effects of the pandemic were significant for the student housing segment. The closure of universities and their campus for health and safety reasons increased the concerns of operators which started to request for reductions or refunds in accommodation costs for the final term of the university semester. The consequences of lockdown and travel restrictions were especially observed in Europe, which is the most popular destination for international students' travels. Anyway, traveling students are set to rebound in 2021/22 academic year as students are more keen to return to campus after more than a year of online learning.

Investment volume trend confirms the positive signal for the sector reaching more than €1.9 billion in the first quarter of 2021, a figure 43% higher than the same period of the year before. Capitals were mainly allocated in UK (76%), Germany (7%), Spain (7%) and Austria (4%). Moreover, the JLL Living investor survey conducted in 2021 reveals that 34% of respondents were looking to enter new countries in the student housing sector.

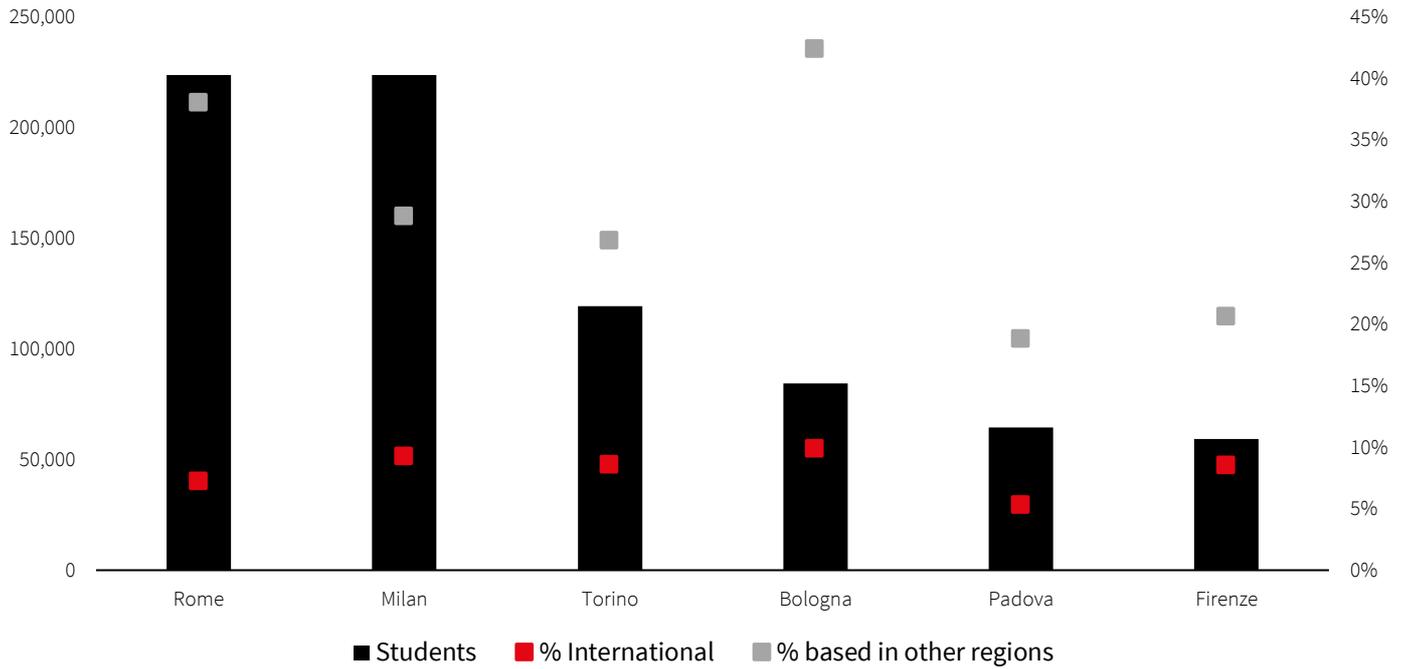
In Italy, the interest for the sector remains high. Both domestic and international operators have planned to develop and open new student residences in the Country contributing to a high dynamism. The active players on the market are very diverse: from local developers with strong and grounded know-how to institutional investors with a core profile; the most important operators in Europe are active on the Italian market trying to secure opportunities and setting the basis for a larger presence in Italy. Among them, the Student Hotel, Camplus, Campus X, Aparto and In-Domus stand out.

The current number of beds is more than 64,000 units. 70% of them are regional residences under the DSU (Diritto allo Studio Universitario - Right to University Study); 11% are beds managed by private operators, other 11% are beds managed directly by universities, while the remaining 7% are private and public student housing that are legally recognised. Moreover, for the next four years the beds in pipeline are more than 18,000 and especially concentrated in Milan, which confirms to be the first Italian market. Several projects of urban regeneration are expected to be completed here providing new student accommodations in key submarkets.

In Italy, during the 2019/2020 academic year, more than 1.8 million of post-secondary education students were enrolled, attracted by the prestigious universities of the Country. The registrations in Italian universities were high despite the pandemic: in the last academic year they grew by 4% YoY (a.y. 2020/2021; provisional data).

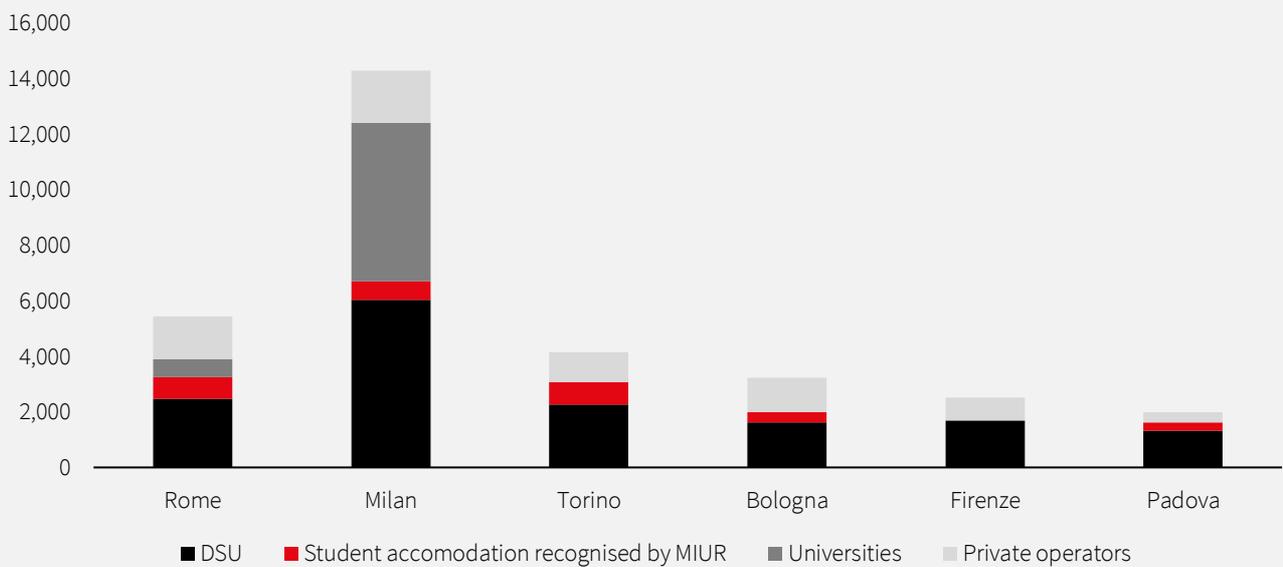
Students

Number of students, academic year 2020/2021 (LHS) and % of international and based in other regions (RHS; a.y. 2019/2020)



Source: JLL on MIUR data

Bed supply



Source: JLL on MIUR and other sources data

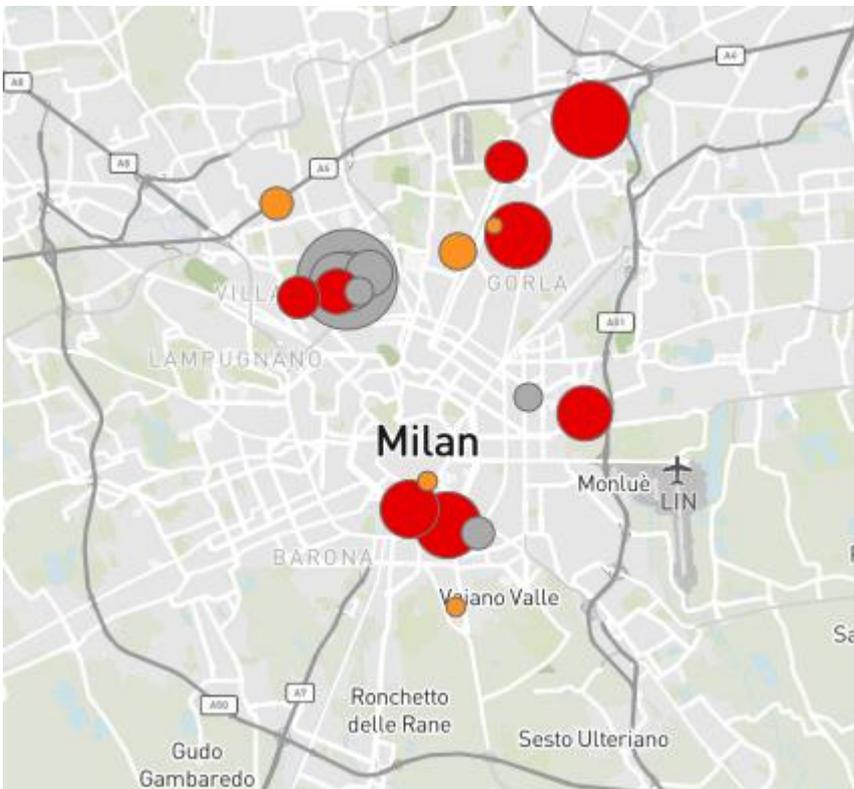
Pipeline

Number of planned beds expected to be added in the market by 2024



Milan beds in pipeline

- Most of the pipeline is related to International operators which operate with a management operating model
- Domestic players mainly employ lease models



Legend

Origin of operator

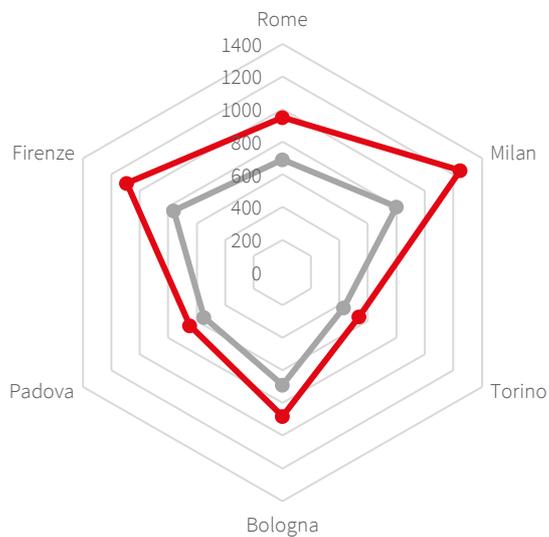
- International
- Domestic
- tbd

Number of beds

- > 1,100
- 900
- 600
- 400
- < 104

Rents

Monthly rents (€/month)



—●— Student accomodation (single room; private operators)

—●— One bedroom apartments

Affordable student accommodation

(single room; maximum value)

Milan

960 €/month



Torino

490 €/month



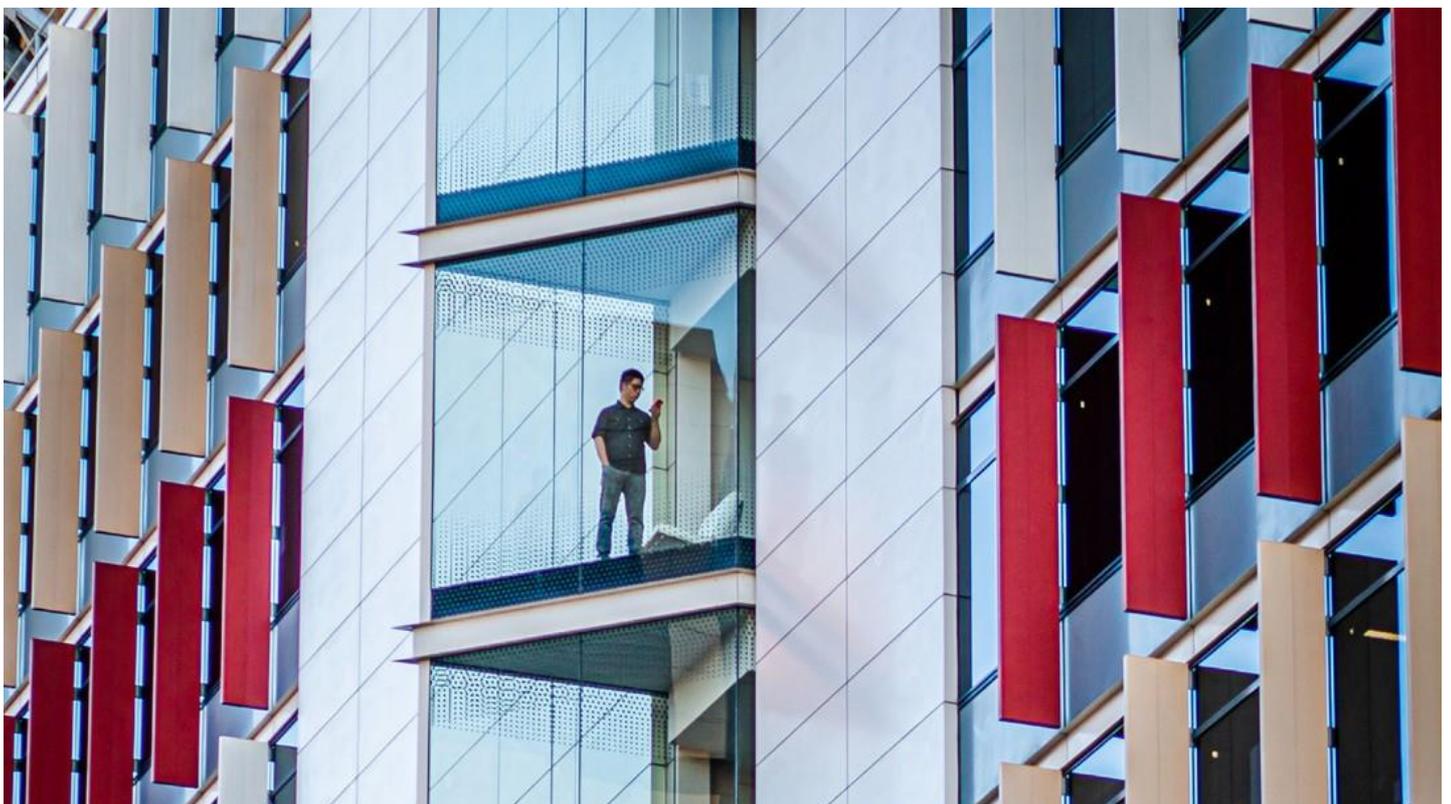
Bologna

395 €/month



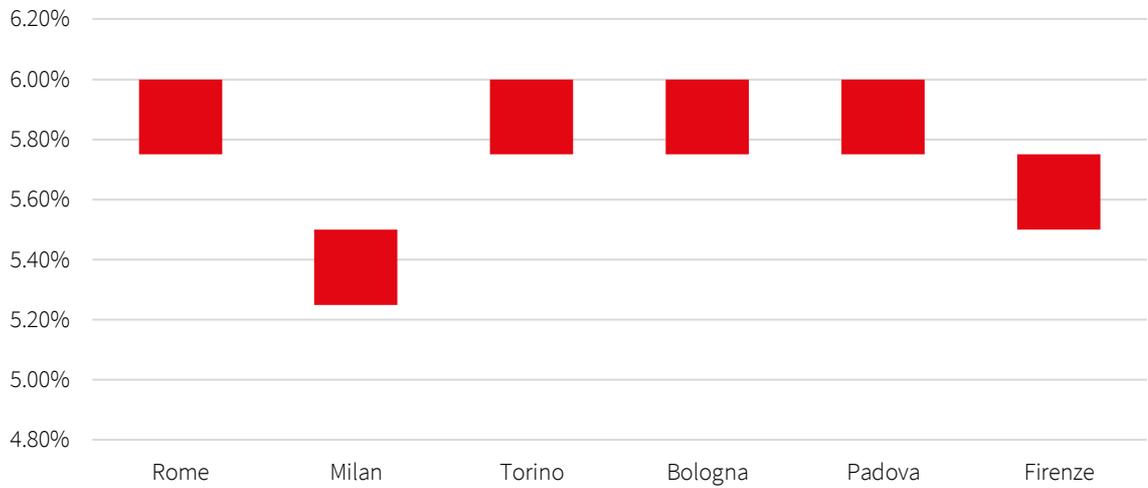
Firenze

800 €/month

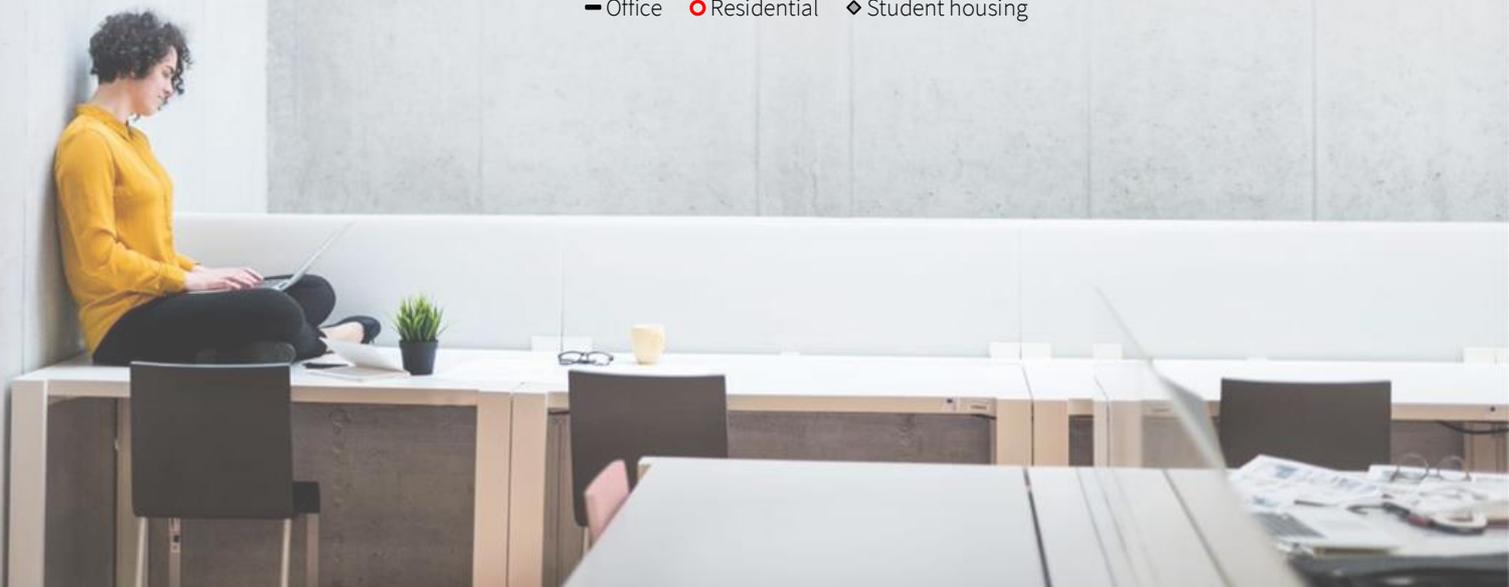


Prime yield range

Italy, student housing yields (min and max)



Europe, residential yields vs office (min) and student housing (max) yields



QS Ranking

Italy can count on a high number of renowned universities which attract students from all over the world. There are more than 800 English Taught Programmes (ETP) offered by Italian universities, a relatively low number compared to the breadth of the university offer in the country. The number has, however, grown in recent years and contributed to the increase of international students: in 2019/2020 academic year they grew by 6% YoY. Moreover, Italy is the 5th most popular Erasmus+ destination, just behind the UK, with recent growth in excess of the total number of student exchanges.

The QS Ranking classification recognises the best universities all over the world: in the general ranking, several Italian institutions stand out; moreover, the same classification based on subjects reveals the presence of Italian atheneums in the first places for several disciplines.

Global QS Ranking 2022, top 10 Italian universities



Global QS Ranking by subject



Sapienza of Rome
1st place
Classics & Ancient History



Politecnico of Milan
5th place
Art & Design



Bocconi University
7th place
Business & Management studies



Provision rates and saturation points

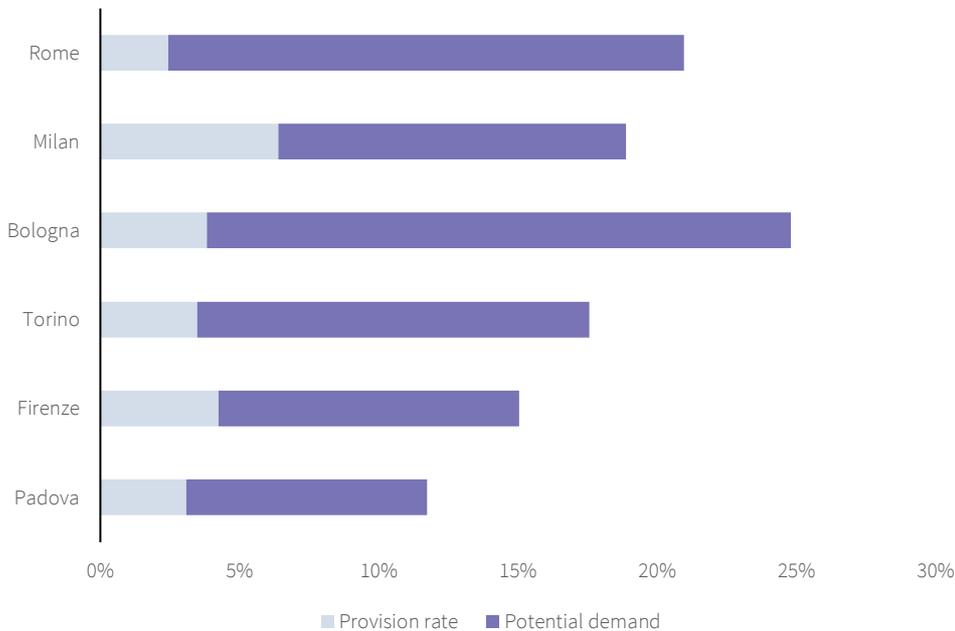
Student provision rates are low, with significant headroom to grow the sector

International students represent a significant portion of people choosing student accommodations when they study abroad. A huge part of the demand comes also from Italian students studying in a different region from where they live while we expect a growing share of demand to come from local students over the next years. In the main Italian cities, provision rate ranges from 2 to 6%. Considering that not all International students and Italian students based in other regions choose to stay in a PBSA and the current trend of students' enrolment rate, potential demand could range from 10 to 25% of total students depending on the city.

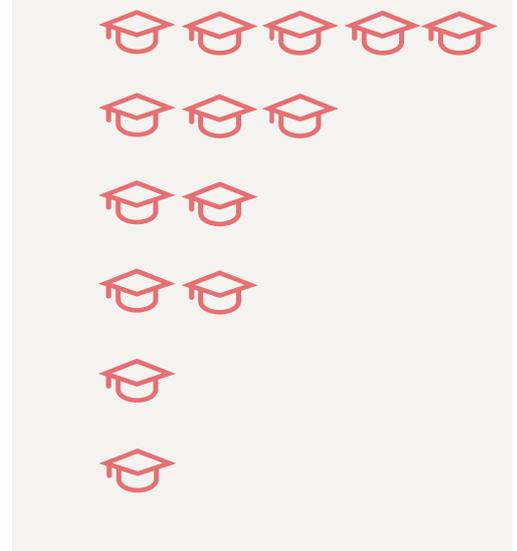
Milan is the leading student market, with the higher provision rates of the sample, as private investors see it as a gateway city to access the sector in Italy. Nevertheless, Milan provision rate is very low considering continental standards as Milan confirmed to be the preferred destination in Italy for international students.

Rome sees the highest demand mainly due to a huge number of students coming from other Italian regions. Despite this, the Eternal city has the lowest provision rate and, consequently, needs a huge number of beds. Today Rome has beds only for 2.4% of the students while the potential demand reaches 21%. Smaller universities cities are currently well supplied with provision rates between 3 to 4%.

Provision rates vs potential demand by city



Estimated beds' demand



■ Provision rate: beds supply / total number of students

■ Potential demand: share of International students and students based in other regions / total number of students

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