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KEYNOTE INTERVIEW

Tapping into global student housing potential

The sector is seeing increased interest thanks to its counter-cyclical characteristics and growing opportunities, says Mapletree's Matt Walker

Student housing is continuing to attract wider institutional investor appeal due to increasing recognition of the sector's resilience and its counter-cyclical characteristics, constructive fundamentals and growing opportunities in key regions such as the United States, Europe, the United Kingdom and Australia, explains Matt Walker, chief executive officer of student housing with Singapore-based investment firm Mapletree Investments. The global student housing market is riding a wave of favorable tailwinds, which is positioning the sector as an increasingly attractive asset class for investors.

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Q What are the key tailwinds currently driving the global student housing market?
In most countries, the student housing sector is witnessing structural undersupply amid growing demand for higher education and enhanced student mobility. This combination of limited quality supply and rising demand presents favorable rental prospects and offers good potential for scalability.

Another important factor driving investor interest is the sector's resilience during economic downturns. The continued pursuit of higher education sustains demand for student accommodation, providing a steady stream of income. In addition, the sector is positioned as an inflationary hedge due to its shorter lease cycles, allowing owners the flexibility to adjust rental rates.

Within the broader living sector, student housing caters to the specific needs and preferences of students. These occupants typically require a certain level of amenities, services, flexibility and affordability. In this regard, purpose-built student housing has a key advantage – it is nearly always built at scale and benefits from professional management.

This stands in contrast to the private rental housing sector, which is fragmented and can be inefficient to manage.

As overall market uncertainty

persists, we believe that the resilient nature of the student housing sector will continue to position it as an attractive asset class for investors seeking to diversify their portfolios.

Q How do trends and growth drivers differ across specific regions such as North America, the UK, continental Europe and Australia?

Many of the core fundamentals are similar across regions. These include insufficient supply to meet rising demand, the presence of highly sought-after higher education institutions and stable-to-growing enrollments.

However, beyond these shared characteristics, there are also key regional differences. One notable distinction lies in the impact of international student enrollment, which varies significantly from one region to another.

For instance, the US represents the largest student housing market overall, yet it has proportionally fewer international students compared to other regions, such as the UK. As a result, this market is less reliant on international enrollment. Similarly, Europe relies less on non-EU international students, although numbers continue to grow. The EU encourages cross-border international studies, and these numbers are growing inside Europe, especially as more English-language courses are being offered.

In contrast, other countries with prominent higher education systems – particularly those where courses are taught fully in English, such as Canada, Australia and the UK – have higher proportions of international students, to which many of these universities have come to develop a reliance on and we expect to see healthy continued growth.

Q Last year, Mapletree acquired a student housing portfolio in the UK, along with an operating platform, for £1 billion ($1.3 billion; €1.2 billion). How has the portfolio performed?

The acquired operating platform – which has provided the group with direct operational control of the portfolio acquired – manages two brands: Student Castle and Capitol Students.

Last year, Student Castle received the Best Private Housing (UK and Ireland) Award at the 2024 Global Student Living Awards. That same year, it achieved Global Student Living's Platinum certification for a second year, which demonstrated its commitment to operational excellence and resident wellbeing.

Compared to peers in the UK, the portfolio performed well above

Q Where are you seeing the largest opportunities for new student housing supply, and what are the main challenges to growth?

The nascent nature of some markets offers significant growth potential, particularly in regions outside the US and UK. Australia and Europe are regions where there is much more potential for new supply to be developed and delivered. Despite the influx of new supply, the penetration rate of student accommodation in these regions is expected to remain lower than most markets and presents potential for the sector to develop further.

However, in order for this growth to take place, students must be absorbed from other existing housing options – often the traditional private residential rental sector. In some regions, this poses a cultural challenge of changing mindsets about living choices when away from home.

In more recent times, geopolitical tensions have started to influence students' decision-making when seeking overseas education and this will result in differential growth and new trends, though it is too early to know how this will eventually play out. International students may shift preferences from the US to other regions. At the same time, Canada, Australia and the UK have also seen political proposals to limit international students, generally in relation to concerns over housing affordability.

SOURCE: MAPLETREE INVESTMENTS

Mapletree's £1 billion acquisition of a portfolio of 31 student housing assets completed in April 2024 included Student Castle Brighton, a 213-bed property located minutes away from the University of Brighton and near the University of Sussex expectations in rental growth for academic year 2024-25, while achieving close to full occupancy.

In preparation for further scale-up, we have integrated the operating company into Mapletree's London office and have been busy aligning the business with the group over the past year.

"The student housing sector is witnessing structural undersupply amid growing demand"

"Student housing's typical six- to 12-month lease cycle is a sweet spot in a high inflationary environment as it allows for faster rental reversions for the portfolio"

These efforts include hiring a new chief operating officer, Tom Rix, to drive efficiencies and elevate the overall resident experience, implementing a front-to-end property management system and staffing up the business.

Additionally, we have transitioned several of our externally managed properties that were acquired before last year into the newly acquired platform. This has added further scale to the operating business and driven better alignment in objectives between the owner and operator of these assets.

Q How do you see the student housing sector positioned compared to other living sectors like multifamily or build-to-rent?

As a more defensive asset class, student housing has demonstrated greater resilience during economic downturns when compared to other living sectors. Conversely, more traditional residential sectors are more closely correlated to economic cycles and employment levels.

In the UK, Europe and Australia, student housing is more established than multifamily, allowing for a quicker path to greater scale. Meanwhile, in the US, the multifamily sector matured earlier, but investor appetite is growing for the student housing sector due to its strong fundamentals and counter-cyclical traits.

A further distinction lies in the nature of lease terms. Student housing often operates on shorter lease cycles aligned with academic years. Depending on the country, student housing's typical six- to 12- month lease cycle is a sweet spot in a high inflationary environment as it allows for faster rental reversions for the portfolio, while providing sufficient stability as compared to asset classes with shorter cycles.

Throughout its pre-leasing cycle, student housing's dynamic rates help increase average rents as occupancy builds. This provides flexibility to adjust for sudden surges in demand to maximize revenue, or conversely, to react to softness in the market. In contrast, build-to-rent and multifamily assets tend to have more immediate and sustained exposure to downturns, given residents can give notice and terminate – potentially at once – creating vacancy when the market is soft.

Given these advantages, we are committed to expanding our current student housing portfolio competitively and sustainably over the long term.

Q Which regions and strategies are attracting the most attention for expanding your student housing footprint?

The resilient student housing sector has been one of Mapletree's core focus areas for expansion. We have been active in the sector since 2016 and, as of December 2024, our global student housing portfolio comprises over 32,000 beds across 46 cities in the UK, the US, Canada and Germany. In the UK, Mapletree is one of the top five largest owners of student housing assets, with more than 18,000 beds.

Building on this momentum and leveraging its development capabilities to capitalize on scaling opportunities in this sector, the group seeks to pursue greenfield and brownfield development projects. The aim is to grow its student housing portfolio by expanding into developed student housing markets such as continental Europe and Australia – two of the biggest investment markets globally, with significant growth expectations within this sector.

At the same time, in the UK, we have reactivated the development capabilities within the operating platform we acquired in 2024, which brings extensive ground-up development expertise.

We will continue to identify strategic investment opportunities in the US and the UK, given the mature nature of these markets and the supply-demand imbalances driven by growing student numbers and slowing rates of new supply deliveries. ■