

A LOOK AT

Higher Education Property Sector.

A fast-growing asset class



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Introduction

Since the early 2000s, enrolment in higher education in France has sharply risen. The private sector has seen the highest increase, with the number of students almost doubling in 20 years thanks to increasingly varied and professionally-orientated courses. This has been supported by the rise of large private education groups (GALILEO, IONIS, etc.), which have made several school acquisitions. The major business and management schools have also developed, like KEDGE or NEOMA (resulting from the 2013 merger between Reims Management School and Rouen Business School), and have now reached a considerable size.

This expansion has generated significant property needs, and has resulted in the proliferation of large campus projects, designed to absorb the growth in enrolment and to bring schools together. In five years, more than ten lettings transactions of >5,000 m² have been recorded on the Greater Paris Region office market (SKEMA in suresnes, NEOMA in the 13th arrondissement, EM NORMANDIE in Clichy, etc.). The leasing of intermediate-sized areas have also increased. Most often between 1,500 and 4,000 m², they represent the majority of leases taken.

The need to adapt spaces with new digital equipment is also a driving force in school building projects. This is as vital as ever since the outbreak of the Covid-19 pandemic. The health crisis emphasised the downfalls of online learning and confirmed that the future lies in the implementation of hybrid teaching systems combining online and classroom learning. Therefore, property is

more than ever an essential tool, promoting social interaction and optimising learning experience. A school's premises also allows it to cement its brand in a physical space, which reinforces its attractiveness. Schools therefore must have high-quality, flexible buildings that comply with certain regulatory constraints (ERP), the supply of which is particularly limited in the most sought-after geographical areas.

The difficulty to meet these property needs and the growth prospects of private higher education explain the growing appetite of investors for the higher education property sector. Allowing them to diversify their assets while responding to ESG issues, with little dependence on economic cycles, benefitting from the rise in student numbers, schools thus benefit from their status as a safe investment (long leases, solid tenants, etc.) in contrast to the uncertainty surrounding the future of other types of assets.

Knicht Frank explores the subject of the higher education property sector for the first time, an often overlooked part of the property market, but one that will become increasingly important in the coming years.



Higher Education Property Sector

Key figures and players in higher education.



Internationally Attractive

FRANCE CONFIRMS ITS STRONG POSITION ON AN INTERNATIONAL LEVEL

In the European Union there were **16.8 million students enrolled in higher education in 2019**, an increase of 500,000 students in five years. This figure is made up of a significant proportion of international students, a population that has increased dramatically since 2010 (+71% in 10 years). While geopolitical and economic factors explain the appeal of the European Union (Brexit, arrival of refugees, etc.), it is mainly based on the teaching quality, the reputation of its educational institutions and the many programmes facilitating international exchanges (Erasmus for example) or obtaining grants to study.

France, which is one of the main countries in the EU in terms of the number of foreign students, has been working for several years to strengthen its international position. Thanks to reforms facilitating the grouping of universities, it has gained visibility in the world's leading university ranking, the Shanghai ranking. 30 French universities are included in the 2021 edition, **ranking France 3rd in the world, behind the United States and the United Kingdom.**



University rankings are not a trivial matter. They are closely followed not only by students and parents, but also by academics, employers and potential donors. In the competition to attract international students, a high ranking is a huge benefit.

Source : Le Nouvel Economiste, 19 October 2021.

SHANGHAI RANKINGS 2021

French universities place in the Top 100 in the world

University	European ranking	World ranking
UNIVERSITE PARIS-SACLAY	3	13
UNIVERSITE DE LA SORBONNE	7	35
UNIVERSITE PSL	9	38
UNIVERSITE DE PARIS	20	73

Source : 2021 Shanghai Academic Ranking of World Universities

FINANCIAL TIMES MBA AND BUSINESS SCHOOL RANKINGS

4 of the 10 best European business schools

HEC Paris #1
INSEAD #3
ESSEC Business School #5
ESCP Europe #8

5 of the 16 best management masters

HEC Paris #2
ESSEC Business School #3
ESCP Europe #6
EDHEC Business School #16

Source : Financial Times

Amongst the best MBA programs in the world

INSEAD #1
HEC Paris #7

5 of the 10 best Executive MBA programs in the world

HEC Paris #3
HEC/LSE/NYU #4
Tsinghua University/INSEAD #5
ESCP Europe #7
INSEAD #9



Private education growing rapidly

LARGE INCREASE IN STUDENT ENROLMENT

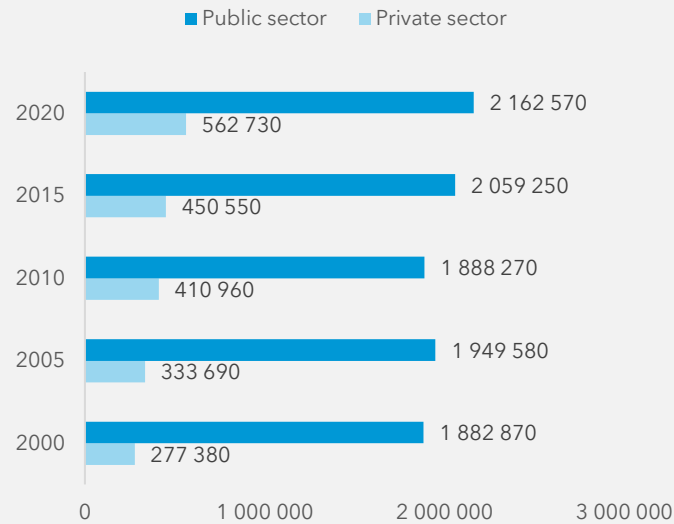
In recent years, the number of students has continued to rise. In 2019, there were **2.73 million students enrolled in higher education (public and private) in France**, a quarter of which were in the Greater Paris region. The increase in enrolment is particularly significant in certain academies (Nantes, Versailles, etc.) and has continued in 2020 (2.78 million) and in 2021 (2.81 million) due to exceptional baccalaureate success rates. **The proportion of foreign students** (almost one third of whom are concentrated in the Greater Paris region) has fallen due to the Covid-19 pandemic, but **should be increasing again** with the improvement in the health crisis situation.

The success of private higher education is contributing to this dynamism. With **1 out of 5 students enrolled in private education**, its significance has continued to increase thanks to a higher number of diplomas being recognised by the State as well as the varied, professionally-orientated courses on offer. This has boosted its growing attractiveness to students (international exposure, higher employability rate, etc.). So, with 562,700 students in 2020, the growth in enrolment in private education has reached **5 to 6% each year since 2000**, compared to an average of 1 to 2% in education.

France has more than 3,000 private higher education institutions. The turnover of private groups has suffered due to the health crisis, but still stood at 4.4 billion euros in 2020 (an increase of 0.7% in a year). It should increase again in 2021 (+1,8%), before returning to the annual growth of around 4% once international student mobility returns to its normal level.

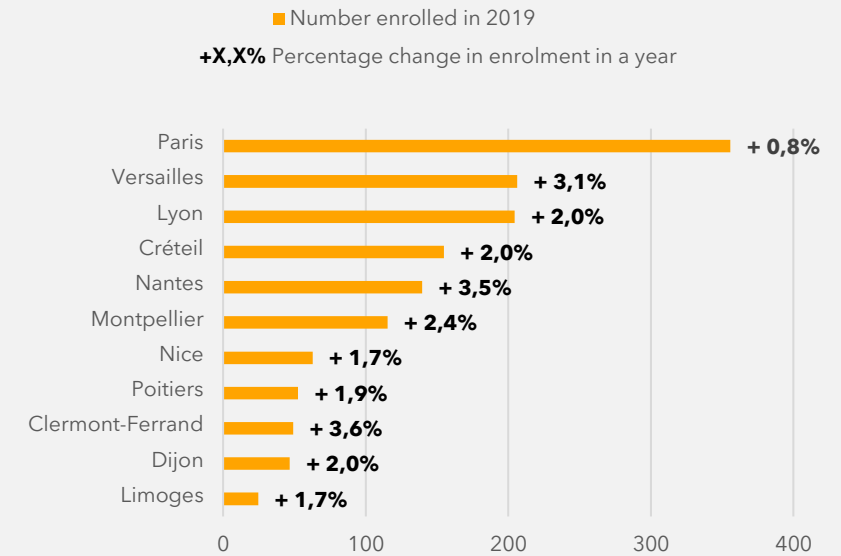
NUMBER ENROLLED IN HIGHER EDUCATION

In France



CHANGE IN ENROLMENT BY ACADEMY

In France



Source : Ministère de l'Enseignement Supérieur, de la Recherche et de l'Innovation (MESRI-SIES)



Key figures for higher education



2.73 million
students in France in 2019

including

21%
in the private sector

26%
in the Greater Paris region



In private education there were

563,000
students in 2020

an increase of

152,000
students in 10 years



+ 5 to 6%
Annual growth in private higher
education enrolment

compared to

+ 1 to 2%
in the public sector



4.4 bn €
Turnover in private education in
France 2020

an increase of

+ 0.7%
in a year

Source : MESRI-SIES, Xerfi



The participants in higher education

Although supply is rather fractured, four main categories are identified below (excluding universities):

THE BIG NAMES

(Sciences Po, HEC, ESSEC, INSEAD, etc.)



Inherited from the 1970s and the Anglo-Saxon campus model, most of these big names have chosen to establish themselves more or less in the suburbs. This is the case of HEC, established in 1964 in Jouy-en-Josas (78). Sciences Po Paris is an exception however. Historically based in the 7th arrondissement, the institution has an address that matches its prestige and international reputation. This presence on the Left Bank will be reinforced by the inauguration in 2022 of a new campus in the Hôtel de l'Arillerie, purchased by Sciences Po in 2016.

THE OTHER GRANDES ÉCOLES

(Skema, Neoma, EM Lyon, Kedge, etc.)



These schools have a national or even international reputation and prefer central sites that are easy to access, for example close to train stations in order to provide easy access to the group's other campuses. This is the case for EM Lyon and its campus of 5,500 m² inaugurated in 2016 on Boulevard Diderot in the 12th arrondissement in Paris. Some are setting up on the outskirts of the city in order to have larger areas to absorb the increase in enrolment, such as Skema, which opened its new 30,000 m² "Grand Paris" campus in Suresnes in early 2021.

THE BRAND PORTFOLIOS

(Galileo, Ionis, AD Education, etc.)



Bringing together several schools from a variety of fields (digital, business, art, etc.), the best known groups are Galileo Global Education, (Cours Florent, Studi, Paris School of Business, etc.), AD Education (Ecole de Condé, ESD, IAAD, etc.), Ionis Group (ISEG, ESME Sudria etc.) or Eduservice (MBWay, Pigier, ISCOM, etc.). Some are moving towards a combined mass approach, diversifying their courses and target sectors, whilst others are specialising in order to stand out from the competition. These groups are looking to boost their brand image and, in this context, are developing new city-centre campus projects, sometimes bringing together several of their schools.

THE SMALL AND THE INDEPENDENT SCHOOLS





These are mainly independent schools who have more limited finances due to their youth or their small size. As a result, they have to join forces with other players, develop partnerships with the big names in education or be absorbed into a network in order to accelerate their development. The development of digital tools also allows them to move towards digital learning options, enabling them to limit costs, especially real estate costs.




A closer look at large private education groups



 **Recent developments:** Galileo Global Education is banking on the ecological and digital transition to develop their offer. Two business schools will offer new courses in the environment (ESG green) and artificial intelligence (ESG data-IA), while the Paris School of Business (PSB) will develop an MSC in *health & care management*.


 **Number of students:** 35,000 in France and 170,000 in the world



 **Recent developments:** since 1st July 2021, the engineering schools within IONIS Education Group (ESME Sudria, Epita, Ipsa and Sup'Biotech) chose the status of mission companies in order to define long-term objectives in terms of social responsibility (CSR, inclusion, etc.).


 **Number of students :** more than 30,000




 **Recent developments:** OMNES Education recently announced a new investment of €100 million (including €50 million dedicated to property) and a strategy plan for the next five years, looking to surpass 40,000 students.


 **Number of students :** 30,000


 **Number of schools:** 33 in France (Paris School of Business, Cours Florent, Penninghen, Strate, Atelier de Sèvres, etc.)

 **Ongoing real estate projects:** PSB has been announced for the 20,000 m² of the former AgroParisTech campus on rue Claude Bernard in the 5th arrondissement in Paris. Other projects will soon begin, such as the Web School Factory in the 13th arrondissement in 2022.

 **Number of schools :** 26 (Esme Sudria, EPITA, EPITECH, IPSA, ISG, etc.)

 **Recent real estate projects :** The engineering school ESME Sudria opened a new campus in the 6th arrondissement of Paris, at 34 rue de Fleurus. Already established near Montparnasse and in the Paris suburbs, these 3,500 m² of entirely restructured premises will enable the school to expand its range of courses.

 **Number of schools :** 12 (INSEEC, ECE, Sup de Pub, etc.)

 **Ongoing / recent real estate projects :** OMNES Education is in the process of consolidating and expanding its Paris campuses, with the surface area increasing from 40,000 m² to 60,000 m² and concentrating on Eiffel, La Villette and La Défense instead of the current 10 sites. Other campuses are being developed, such as the one at 37 quai de Grenelle in the 15th arrondissement (Castor building), which will soon house INSEEC.

EXAMPLES OF OTHER GROUPS





Paris, a land of choice for foreign “grandes écoles” and universities

With the current strong competition between European cities, Paris is making the most of its attractiveness to allure foreign institutions. Established in Paris in 2003 and ranked 10th in the Shanghai rankings, **The University of Chicago**, for example, chose to strengthen its position in France in order to attract even more European, Middle-Eastern and African students. By 2022, the University of Chicago will have a new 9,500 m² campus (including 86 housing units and 2,500 m² of teaching space) developed by Icade and located close to Austerlitz station in the 13th arrondissement, Paris. The President of the University of Chicago, Robert J. Zimmer, said “*the expansion of the Paris campus is a testament to its success as a leading intellectual destination for professors, students and alumni*”.

Holberton School, the start-up created in 2015 in Silicon Valley, chose to open its first school in Paris at 45 rue Linois in the 15th arrondissement. “*Europe is seeing a growing need for engineers and quality training. Paris is also one of the three main Tech hubs in Europe and one of the cities with the highest demand for high-level developers,*” explained Julien Barbier, co-founder and CEO of Holberton. The network of schools already had two campuses in France, in Laval and Lille, and is accelerating its expansion in France and internationally. Supported by its fundraising in March 2021 (20 million dollars), the network should have more than 30 locations around the world by the end of the year.

With the continuous increase in enrolment in private education and growing interest in alternative paths to the public sector, the French market therefore presents an excellent opportunity for the expansion of foreign universities and public schools wishing to develop in Europe in order to **increase their international presence and gain market share**.





H i g h e r E d u c a t i o n P r o p e r t y S e c t o r

Education and the digital revolution.





Boom in hybrid learning

A REVOLUTION IN THE MAKING

During the major transport strikes in 2019, digital tools had already made it possible to provide courses despite travel difficulties. The covid-19 pandemic has accelerated their development, making the implementation of online learning more widespread in an emergency. After the success of this arrangement, **schools now offer hybrid teaching methods**, combining face-to-face and distance learning. INSEEC, for example, chose to invest 40 million euros in order to make 15 to 30% of the curriculum available in a digital format for all its students.

Thanks to the significant adoption of new teaching tools, learning is now open to a wider public (students, employees, etc.), available at any time and at the pace of each individual. Such a development is not without consequences for the higher education property sector. The option of online learning can therefore help schools with limited space and growing enrolments to **better control their growth**.

Some institutions can also take advantage of the digital boom to optimise their surface areas, even if **the trend is not to reduce space outright**. Rather, the aim is to take advantage of this downsizing to relocate their campuses to strategic locations (proximity to companies or schools in the same network, better ability to link up with other

locations, etc.). Finally, the increased use of digital technology and the investments made in cutting-edge technologies are also reflected in the integration of dedicated versatile spaces within the new campuses (incubators, research and co-working centres, start-up spaces, *digital factories*, etc.), which also aim to enhance the links between work and education.

In any case, **100% online learning is no longer on the agenda**. Apart from the problems of additional costs for students (computer equipment, increased registration fees, etc.) and accommodation that is often unsuitable, the pandemic has shown that online learning brings risks with it. This is evidenced by the survey conducted by the *Fédération des Etudiants Francophones* (FEF) among more than 7,700 students at the end of 2020, which revealed that 60% of them had developed feelings of disengagement and wanting to drop out. The impact was also felt by teachers (fatigue, weakened relationships with students, etc.). **Physical premises are therefore more necessary than ever for schools**: in addition to anchoring their brand in a physical space, campuses encourage social interactions and form an integral part of learning.



FOR VERSATILE TEACHING

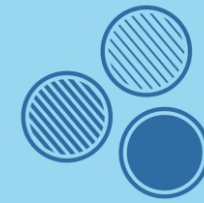
These new digital tools allow for **hybrid** or **co-modal*** teaching (mixing physical and online), thanks to the recording of lessons, the use of virtual classes or the use of collaborative documents, for example.

INSEEC U uses a giant interactive screen that allows a class to be followed simultaneously on several campuses or in different classes.



EMPHASIS ON INTERACTIVITY

Gone are the days of the traditional lecture, education is now becoming more interactive between students and teachers thanks to new tools and a flexible layout: arrangement of tables, interactive screen walls, possibility of moving around, zoning of activities, etc.). This improves the concentration of students and encourages discussion in order to bring the group up to a higher level.



NEW SPACES, NEW USES

From a financial point of view, the development of premises and the multiplication of informal learning spaces present an obvious cost (individual cubicles, connected rooms, etc.). However, schools are banking on these new spaces to diversify the educational experience and promote student well-being.

The University of Cergy-Pontoise has set up a "FaLab", open to all students so that they can develop collaborative and experiential projects.

*Hybrid learning means that the course can be run either face-to-face or online. Alternatively, co-modal learning implies simultaneous management of a physical and virtual class, whether synchronous or not.



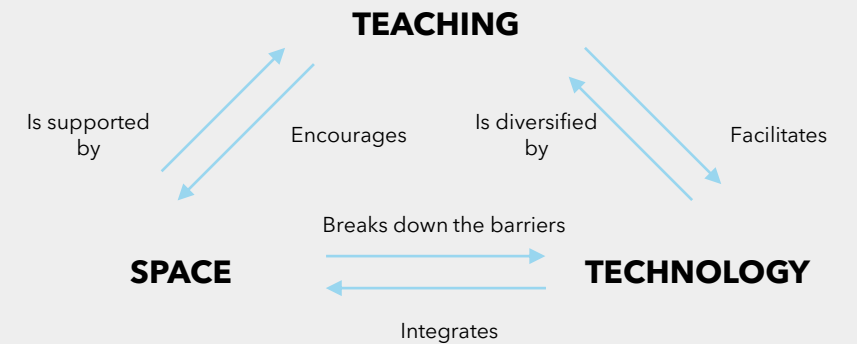
Rethinking learning spaces

With the upcoming digital era, **property and space planning have become strategic levers for optimising learning**. As indicated in the University of Louvain publication, *“the effective linking of space with teaching strategies and technological possibilities makes it possible to envisage an integral environment where each facet supports the learning dynamic”*.

MAJOR PLANNING PRINCIPLES

- **Thinking holistically about the campus to increase the efficiency of spaces and the student experience**
- **Focus on collaboration, versatility and mobility**
- **Diversify uses and spaces (formal and informal) to encourage new synergy**
- **Encourage flexibility by adapting spaces to changing learning styles**

THE THREE DIMENSIONS TO ORGANISE LEARNING SPACES



Source : *Learning Spaces in Higher Education : Positive Outcomes by Design*



Université de Poitiers, coworking space



FST Nancy, program Mut@camp



University of Warwick, Learning Grid



UFR STAPS, PECT room



A closer look at EdTech

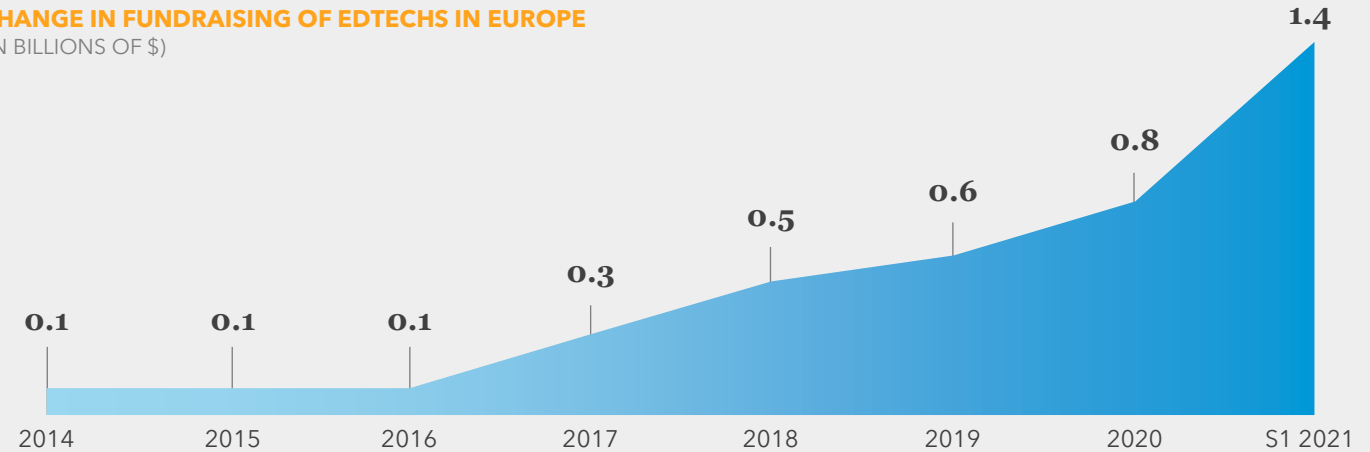
A BOOMING SECTOR

A contraction of the words “education” and “technology”, EdTech refers to educational technologies in a broad sense. An EdTech is therefore a company that uses technology to offer **new approaches to learning**, therefore accompanying the digital revolution in education. Among the best-known companies in EdTech are OpenClassRooms, an online school that offers diploma and professional training to more than 3 million students every month around the world. There is also 360Learning, a SaaS platform for B2B online training which, after having raised 41 million dollars in 2019, has finalised a **200 million dollar round of financing in 2021**.

This latest operation enables France to consolidate its **second place in the European EdTech market, just behind the United Kingdom**. The French EdTech ecosystem which is estimated to represent around 7,000 jobs in France, is therefore becoming increasingly important. As proof, the number of start-ups have increased by 47% in 3 years (Source: Deloitte Digital / Caisse des Dépôts et Consignation). Moreover, the EdTech France association lists **more than 350 companies belonging to this sector the vast majority of which (60%) are located in the Greater Paris region**, far ahead of the Auvergne-Rhône-Alpes (8%) and PACA (7%). In the Greater Paris region, there are mostly in Paris, particularly in the central districts that start-ups generally target for their offices (2nd, 3rd, 9th etc.).

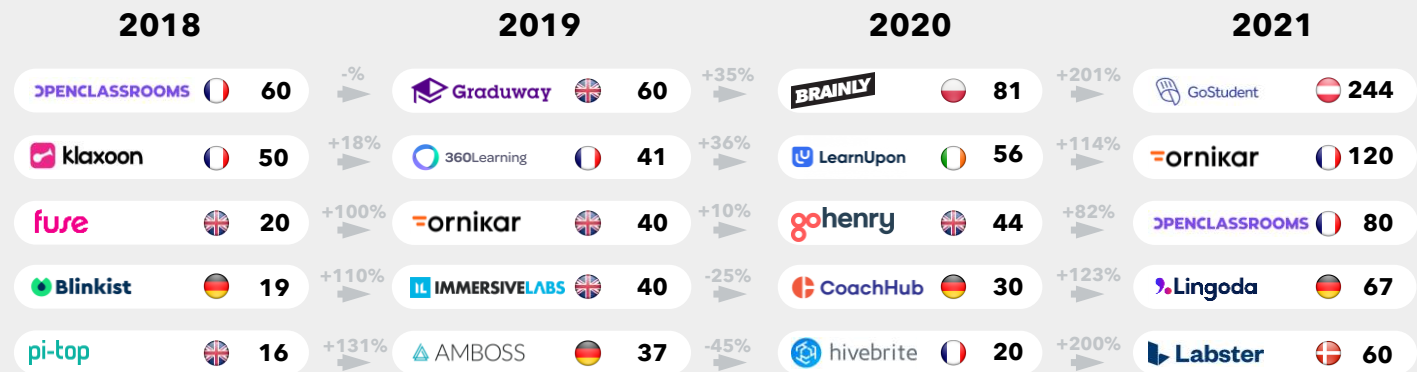
The volume of EdTech leases remains limited for the time being, especially as **many of them favour coworking spaces** (such as OpenClassRooms, which has been located in Deskeo in the 19th arrondissement since 2020), and as start-ups increasingly offer the possibility of working from home. That said, EdTech companies may need more office space to support their growth, as the health crisis has accelerated the digital revolution and the need for online learning.

CHANGE IN FUNDRAISING OF EDTECHS IN EUROPE (IN BILLIONS OF \$)



Source : HolonIQ

TOP 5 FUNDRAISING IN EDTECH IN EUROPE SINCE 2018 (IN MILLIONS OF \$)



Source : Brighteye Ventures

Higher Education Property Sector

The lettings market.





Growing role of large transactions

The number of leases or acquisitions of premises by higher education institutions has increased in recent years in the Greater Paris region. While these only account for a limited proportion of all commercial space lettings, their volume has nevertheless increased significantly. In total, **73 transactions over 1,000 m² have been recorded since 2016 in the Greater Paris region**, representing a volume of 234,740 m², including 47,330 m² in 2020 and 50,920 m² since the beginning of 2021.

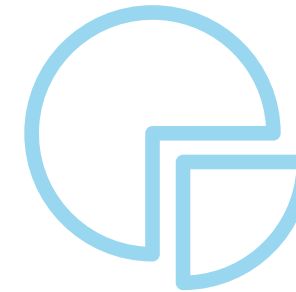
While the majority of activity continues to be based on intermediate area lettings (most often between 1,000 and 4,000 m²), recent years have seen **an increase in the number of large transactions**. More than 10 transactions exceeding 5,000 m² have been recorded in the last five years, whereas none had been recorded in the previous 5 years. For example, in 2019, NEOMA BUSINESS SCHOOL acquired 6,500 m² of office space at 6 rue Vandrezanne in the 13th arrondissement for its new campus, SKEMA BUSINESS SCHOOL, buying also in the same year the building “Helys” in Suresnes (13,200 m²).

Since the outbreak of the Covid-19 outbreak, other major leases have kept the office market dynamic, such as EM NORMANDIE’s lease of the “H2B” building in Clichy (13,700 m²). Formally located on rue Ranelagh in the 16th arrondissement, the school will move into its new premises in 2022. EM Grenoble, which has been located in the 14th arrondissement since 2020 in a 2,500 m² building, has also taken a lease on a 6,000 m² building in Pantin, which it should move into in 2023.

KEY FIGURES



73 rental transactions of >1,000 m² have been recorded between 2016 and 2021 in the Greater Paris region.



234,740 m² let between 2016 and 2021, of which **53 %** is in inner Paris.



A peak in 2020 with **49,310 m²** taken-up (transactions > 1,000 m²) of which **26 %** of areas were > 5,000 m². Record reached in 2021 with already **50,900 m²** pre-let of which **64 %** of areas >5,000 m².



The average rent in the Greater Paris region reached **378 €/m²/year** between 2016 and 2021, compared to **431 €/m²/year** in Paris.

Source : Knight Frank



2021 : a year full of large projects

EXAMPLES OF LARGE PROJECTS (LEASES AND NEW OPENINGS)



In 2019, SKEMA BUSINESS SCHOOL took over “Helys”, the former Airbus headquarters in Suresnes, in order to develop its Grand Paris Campus. The latter was opened in 2021 in the renovated building transformed into a CINASPIC. A true showcase for the school’s reputation, it features the latest technological innovations and a research centre for enhanced intelligence.



Previously located in the 9th arrondissement, NEOMA BUSINESS SCHOOL acquired 6,500 m² of space at 6 rue Vandrezanne in the 13th arrondissement in 2019. During the restructuring, the project, inaugurated in 2021, has evolved to meet the new post-Covid expectations of students. Therefore, teaching is hybrid while the school offers a variety of facilities (creativity rooms, business incubator, etc.) and innovative digital tools (interactive boards, etc.).



In 2021, EM Normandie signed a forward lease (“BEFA”) for the entire “H2B” building in Clichy, to be delivered this year. The campus will have the best technologies and a multitude of amenities (FabLab, a co-working space, a gaming zone, a learning centre, etc.). Its strategic location will allow for quick access to Saint-Lazare station as well as the school’s other campuses (Caen and Le Havre). etc.).



Paris makes up the large majority of projects

Paris remains the focal point of the vast majority of transactions with 58% of the total number of leases >1,000 m² in the Greater Paris region since 2016 and 53% of the volume. These transactions are mainly on **the Left Bank, the traditional location sector for higher education**. Therefore, South Paris makes up 67% of the volume of leases >1,000 m² recorded inside Paris itself, ahead of North East Paris (29%).

The capital remains particularly popular with large private groups who, **with a flagship logic, want a Paris address to enhance their national and international attractiveness** as well as being based in lively districts with good transport links. Among the most recent Parisian projects is ESME SUDRIA (IONIS group), who are located in 3,500 m² of space at rue de Fleurus in the 6th arrondissement, a few metres away from the Luxembourg gardens. Previously located in Levallois-Perret, EFJ (EDH group) recently opened a campus not far from there, at 214 boulevard Raspail (4,500 m²). Lastly, another larger project is in preparation in the neighbouring 5th arrondissement, with the announced establishment of PARIS BUSINESS SCHOOL as well as other schools of the GALILEO GLOBAL EDUCATION group at AGROPARISTECH on rue Claude Bernard (20,000 m²).

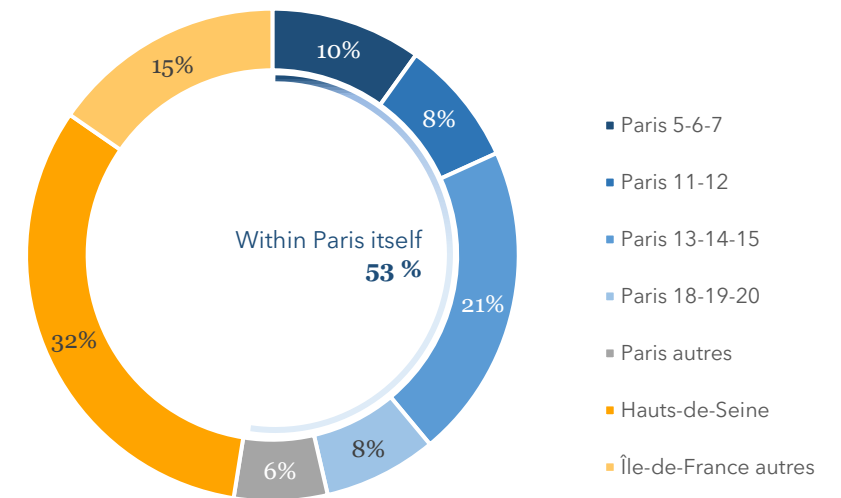
Two other, more outlying areas are also seeing the development of private schools on more or less large areas: the Beaugrenelle sector on the one hand, located in the 15th arrondissement, Paris, where INSEEC (Groupe OMNES) is

strengthening its presence, and in the 13th on the other (NEOMA on rue Vandrezanne, WEB SCHOOL FACTORY on Impasse Nationale, etc.). On the Right Bank, the preferable areas are mainly those in the east or the north of the capital, which make it possible **to reconcile a Parisian address while having control over the property costs** (Bellevue campus in the 20th arrondissement).

While Paris represents a significant share of the higher education projects, its share of the marketing volumes however has tended to decrease over the years due to the large transactions carried out in the inner suburbs. While some of these have recently been signed in Seine-Saint-Denis (EM GRENOBLE in Pantin), the Hauts-de-Seine department remains by far the second largest centre in the Greater Paris region after Paris. Two sectors are particularly target by schools: **Boulogne-Billancourt on the one hand, and La Défense and the communes close to the business district** on the other, which, due to their status as major tertiary centres and the concentration of numerous head offices, **offer important synergies with the business world**.

GEOGRAPHICAL BREAKDOWN OF TAKE-UP >1,000 M² SINCE 2016

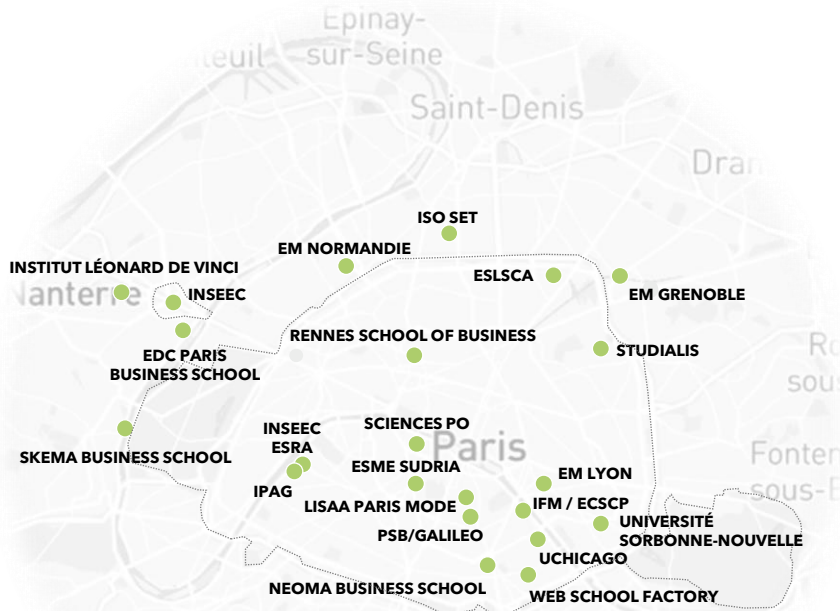
In volume, in the Greater Paris region



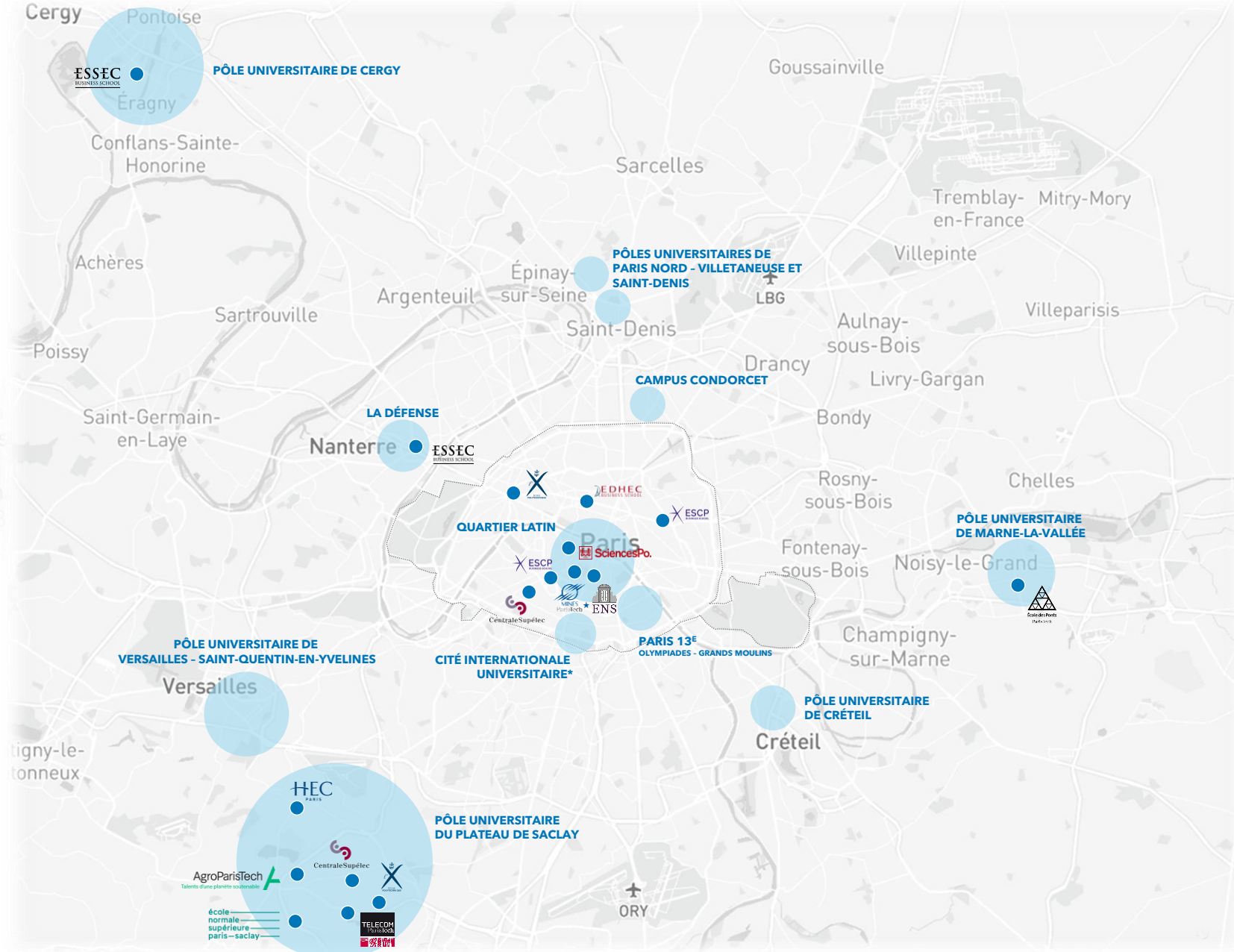
Source : Knight Frank



MAJOR HIGHER EDUCATION CENTRES AND PROJECTS IN PARIS AND THE GREATER PARIS REGION



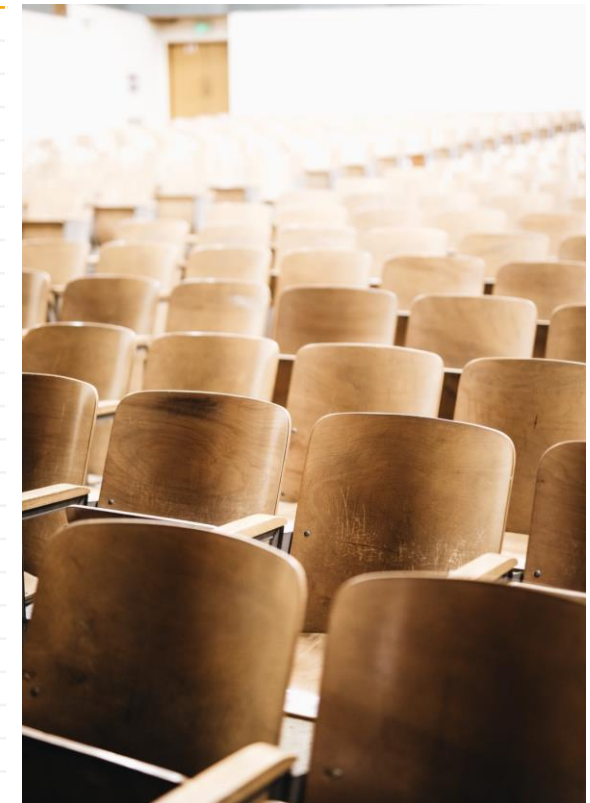
- Examples of grandes écoles locations
- University centres
- Examples of recent and upcoming projects (campus creations, mergers or relocations)



**EXAMPLES OF OFFICE LETTINGS TRANSACTIONS BY SCHOOLS AND HIGHER EDUCATION GROUPS**

IN THE GREATER PARIS REGION OFFICE MARKET

YEAR	SCHOOL/GROUP	ADDRESS	CITY	AREA
2021	EM NORMANDIE	H2B, 30-32 RUE HENRI BARBUSSE	CLICHY (92)	13,700
2021	INSEEC	CŒUR DÉFENSE, 110 ESP. DU GÉNÉRAL DE GAULLE	COURBEVOIE - LA DÉFENSE (92)	13,500
2021	IGS GROUP	225 RUE DE LA GARENNE	NANTERRE (92)	11,000
2021	EM GRENOBLE	183 AVENUE JEAN LOLIVE	PANTIN (93)	5,860
2021	ESI BUSINESS SCHOOL	16-18 RUE DU DÔME	BOULOGNE-BILLANCOURT (92)	1,650
2021	RENNES SCHOOL OF BUSINESS	9 RUE D'ATHÈNES	PARIS 9 ^e	1,500
2020	ESME SUDRIA	34 RUE DE FLEURUS	PARIS 6 ^e	2,900
2020	EFJ PARIS	214 BOULEVARD RASPAIL	PARIS 14 ^e	4,500
2020	FONDATION ROBERT DE SORBON	18 RUE DE MARTIGNAC	PARIS 7 ^e	2,800
2020	DIGITAL CAMPUS PARIS	8 BIS RUE DE LA FONTAINE AU ROI	PARIS 11 ^e	2,400
2020	EM LYON	6-8 RUE LEGRAVEREND	PARIS 12 ^e	1,700
2019	SKEMA BUSINESS SCHOOL	HELYS, 1-5 QUAI MARCEL DASSAULT	SURESNES (92)	13,200
2019	NEOMA BUSINESS SCHOOL	6 RUE VANDREZANNE	PARIS 13 ^e	6,500
2019	ESLSCA BUSINESS SCHOOL (PLANETA)	11 RUE DE CAMBRAI	PARIS 19 ^e	6,100
2019	WEB SCHOOL FACTORY	3 IMPASSE NATIONALE	PARIS 13 ^e	2,900
2019	EM GRENOBLE	98 RUE DIDOT	PARIS 14 ^e	2,550
2019	LISAA PARIS MODE	3-5 RUE LAROMIGUIERE	PARIS 5 ^e	2,100
2019	EVC (AD EDUCATION)	17-19 RUE PECLET	PARIS 15 ^e	1,700
2018	EDC PARIS BUSINESS SCHOOL	74-80 RUE ROQUE DE FILLOL	PUTEAUX (92)	4,800
2018	ESPI	12 RUE BELGRAND	LEVALLOIS-PERRET (92)	3,800
2018	KEDGE BUSINESS SCHOOL	LE LUMIÈRE	PARIS 12 ^e	3,000
2017	INSEEC	43 QUAI DE GRENELLE	PARIS 15 ^e	4,520
2017	CLCF / CIFACOM	20 RUE DE BELLEVUE	PARIS 19 ^e	4,130
2017	TOULOUSE BUSINESS SCHOOL	164 RUE DE JAVEL	PARIS 15 ^e	1,950



Source : Knight Frank



Some specific constraints

Higher education establishments face several location limitations.

For those recognised by the State, the choice will have to be made for a building intended for public interest and public services (ex **CINASPIC***), while the others may opt for offices or commercial premises. (The constraints linked to an establishment receiving the public (ERP type R) also limit the choice). These are **regulatory**, controlling the capacity ratios (between 3 and 6 m² on average per student in Paris), **technical** (fire safety standards, disabled access, etc.) and **fiscal**. While VAT is not recoverable by schools, some assets have a better regime of only 2.5%. These are premises subject to the rental income tax (CRL).

In Paris, where office space supply is generally limited, the market is even more constrained for educational types of premises. In addition, groups are looking for large premises, which are sometimes rare in the capital, in order to expand or to regroup schools.

In the most sought-after areas, where the supply of existing suitable premises is particularly limited, **the conversion of commercial premises offers new opportunities**. Thus, operations to bring premises up to standard and change their use have multiplied in recent years. In 2019, for example, GDG INVESTISSEMENTS acquired 34 rue de Fleurus in the 6th arrondissement in Paris in order to carry out a major restructuring and to bring the 2,900 m² of office space up to ERP standards with a view to leasing it to the IONIS group. BAUMONT REAL

ESTATE CAPITAL has also undertaken to restructure and transform “Vision Seine” in Courbevoie (9,800 m²) into teaching premises by 2023.

Private establishments are not confined to just the Greater Paris region. Motivated by the search for a good quality of life, a lower cost of living and the quality of the teaching provided in certain schools, more and more students are opting for places other than Paris. Developing their territorial network has therefore become a major challenge for private higher education establishments, which are targeting major cities to develop their supply and increase their enrolment while maintaining the same quality requirements throughout the network (modern premises, brand image environmental and societal commitment, etc.).



The property market for private schools is still developing and it is not easy to find new buildings. However, betting on future growth is only possible if you anticipate two or three years in advance of the real estate projects that will allow you to handle it.

Mathias Emmerich, Président of the Omnes Education group, quoted in Les Echos, 27 October 2021.

**Buildings and installations necessary for public services or collective interest. These are defined in the town planning documents of the municipalities (PLU).*



H i g h e r E d u c a t i o n P r o p e r t y S e c t o r

The investment market.





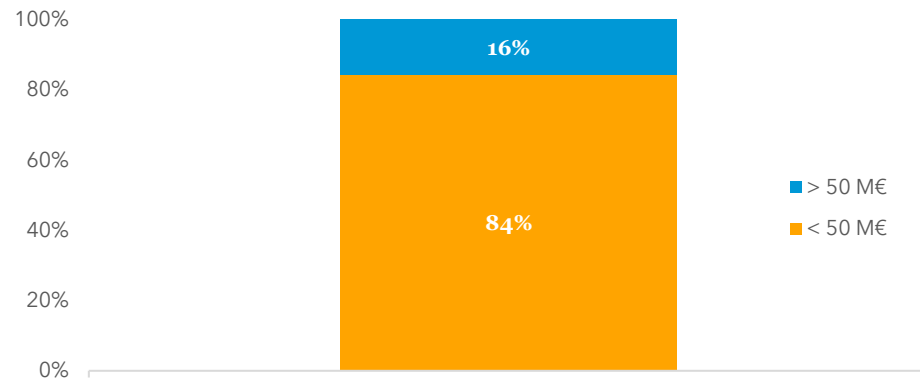
An increasingly popular asset class

A NICHE MARKET WITH GROWING INTEREST

Higher education property only represents a small share of the volumes invested. Since 2011, school acquisitions have totalled around one billion euros in the Greater Paris region. However, these transactions are becoming more frequent. A peak was reached in 2019 with just over 250 million euros invested. This sum was boosted by two occupier sales of more than 50 million euros: the purchase by NEOMA at 6 rue Vandrezanne in the 13th arrondissement and by SKEMA of “Helys” in Suresnes. **Sales on behalf of investors are usually less than €50 million**, generally between €10 - €40 million.

Since the beginning of the health crisis, the growing interest of corporate investment in schools has increased, as shown by the completion of several transactions (the purchase by SWISS LIFE at 34 rue de Fleurus in the 6th arrondissement, the purchase by LA FRANÇAISE of the new EM Grenoble campus in Pantin, etc.). Higher education property therefore allows investors to **diversify their assets, while meeting ESG requirements. With little dependence on economic cycles** and benefitting from the increasing enrolment rate, **schools are benefitting from their status as a safe investment** (long leases, solid tenants, etc.), in contrast to the uncertainty surrounding the future of other asset classes.

BREAKDOWN OF VOLUME INVESTED SINCE 2011 BY PRICE BRACKET*
IN THE GREATER PARIS REGION, IN NUMBER



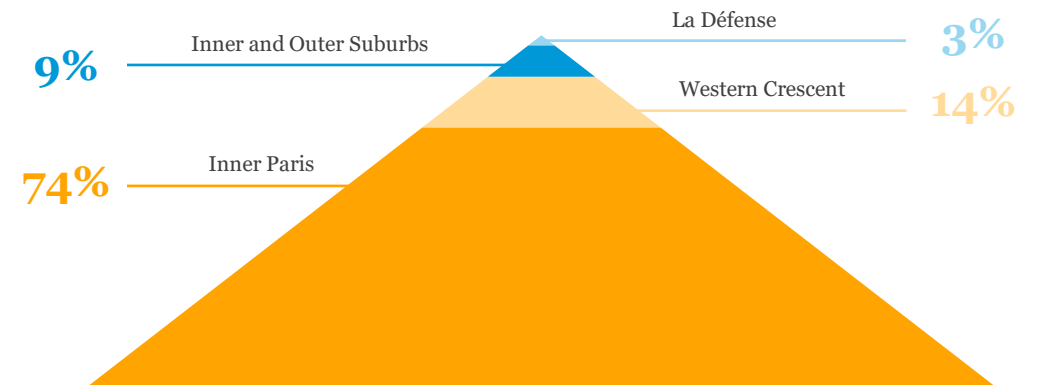
Source : Knight Frank / *Including sales to occupiers

PARIS ACCOUNTS FOR A LARGE MAJORITY OF VOLUMES INVESTED

The location of an asset still remains a key criteria. This is why the most established markets are over-represented in volumes invested. Over the past ten years, **inner Paris itself** proved a stronghold for higher education, and has **made up 74% of volumes invested** in the Greater Paris Region educational property market, including a significant proportion on the Left Bank. The West Crescent and La Défense are other major areas with numerous schools, accounting for 17% of the volume invested since 2011. The inner suburbs only account for 9% over the same period. **However, its share should increase** : following the example of the projects carried out by EM Normandie in Clichy and EM Grenoble in Pantin, investment opportunities could indeed multiply there, as some schools could be tempted to set up there thanks to more favourable market conditions (abundant and cheaper large surface areas, improved accessibility thanks to the new Grand Paris lines, proximity of student residence programmes, large stock of vacant offices to be transformed, etc.).

Transactions are more modest outside of Paris. Activity there is concentrated in large cities like Lyon, where LA FRANÇAISE REM recently acquired STRATE DESIGN school in the 2nd arrondissement.

GEOGRAPHICAL BREAKDOWN OF VOLUME INVESTED SINCE 2011*
IN THE GREATER PARIS REGION, IN VOLUME (M²)



Source : Knight Frank / *Including sales to occupiers



Who are the players in the market?

SAVINGS INSTITUTIONS - THE MAIN PLAYERS IN THE MARKET

The French dominate the education market. While foreign investors only represent a modest proportion of acquisition volumes, this could increase with the gradual maturation of this asset class given the growing search for alternative and secure investments by international funds.

The diversification of profiles of types of players in the education property market is already underway. **While property companies and developers are traditionally important players, such as HERTEL**, who recently completed several campus projects in Paris (“Eiffel”, “Bellevue” and “Castor” campuses) or Montrouge (EFFICOM), recent years have seen **the breakthrough of savings institutions.** These institutions have also been responsible for 60% of invested volumes since 2011, ahead of funds (24%) and schools (15%). Several can be mentioned, such as SOFIDY, PRIMONIAL REIM and especially LA FRANÇAISE REM, who has been behind a number of significant transactions in recent years in the Greater Paris region (Bellevue campus in Paris, EM GRENOBLE in Pantin) and STRATE DESIGN, in Lyon.

AN ASSET CLASS OF ITS OWN

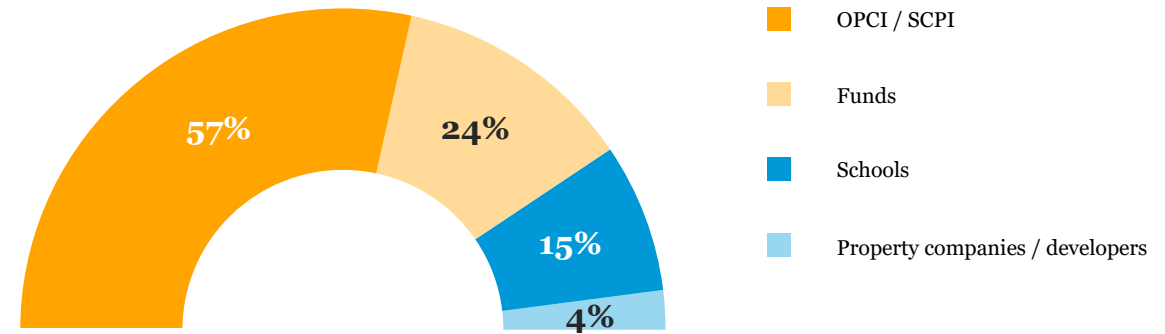
The growing interest of investors in schools is reflected in the fact that **dedicated funds are now being created for them.** For example, QUAERO CAPITAL recently announced the launch of the first property fund exclusively dedicated to educational property, with the aim of building a €200 million portfolio of 15 to 20 assets in France (see slide 25-26).

There is no doubt that the coming months should see investors’ appetite increase. Beyond the safe investment status of this asset class, schools have important property needs due to the continued growth of private education, the concentration of the sector around large groups and the need to adapt premises to accommodate hybrid teaching methods created by the digital revolution.

Consequently, **partnerships between schools and institutional investors are likely to increase.** Outsourcing deals could in particular enable schools to professionalise and optimise their real estate and to focus on their core business in order to strengthen their position in a highly competitive market.

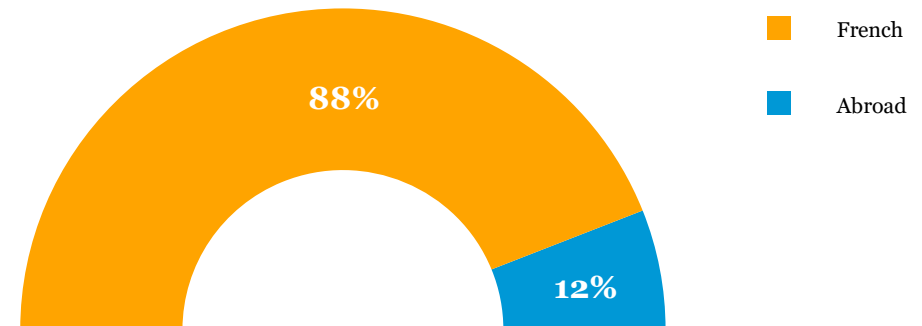
BREAKDOWN OF VOLUMES INVESTED BY TYPE OF PURCHASER*

IN THE GREATER PARIS REGION, IN VOLUME (M²) BETWEEN 2011 AND Q3 2021



BREAKDOWN OF VOLUMES INVESTED BY NATIONALITY*

IN THE GREATER PARIS REGION, IN VOLUME (M²) BETWEEN 2011 AND Q3 2021

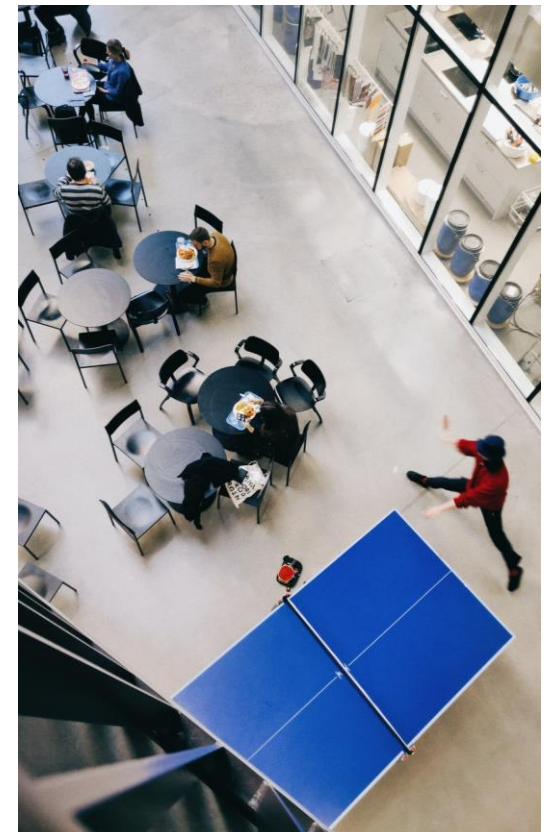


Source : Knight Frank / *Including sales to occupiers

**EXAMPLES OF INVESTMENT TRANSACTIONS OF EDUCATION PROPERTY
IN FRANCE**

YEAR	SCHOOL/GROUP	ADDRESS	CITY	BUYER	AREA
2021	EM GRENOBLE	183 AVENUE JEAN LOLIVE	PANTIN (93)	LA FRANÇAISE REM	5,860
2021	LISAA PARIS MODE	5 RUE LAROMIGUIÈRE	PARIS 5 ^e	SOFIDY	2,430
2021	THE LENNEN BILINGUAL SCHOOL	9 AVENUE DE VILLARS	PARIS 7 ^e	BLACKROCK	1,650
2021	COURS FLORENT	37-39 AVENUE JEAN JAURÈS	PARIS 19 ^e	QUAERO CAPITAL	1,400
2021	STRATE DESIGN	23 RUE PAUL MONTROCHET	LYON (69)	LA FRANÇAISE REM	2,200
2021	INSEEC MSC & MBA	31 QUAI DE LA SEINE	PARIS 19 ^e	QUAERO CAPITAL	1,700
2020	ESME SUDRIA	34 RUE DE FLEURUS	PARIS 6 ^e	SWISS LIFE AM	3,090
2020	IRTS	145 AVENUE PARMENTIER	PARIS 11 ^e	LA FRANÇAISE REM	4,470
2020	ECV PARIS	17-19 RUE PÉCLET	PARIS 15 ^e	WHITEROCK	1,690
2019	CIFACOM / CLCF	20 RUE DE BELLEVUE	PARIS 19 ^e	LA FRANÇAISE REM	4,270
2019	LISAA PARIS ARCHITECTURE	75 RUE PASCAL	PARIS 13 ^e	PRIMONIAL REIM	2,710
2019	ESPI	12 RUE BELGRAND	LEVALLOIS-PERRET (92)	OFI PIERRE	3,100
2019	ALLIANCE FRANÇAISE	34 RUE DE FLEURUS	PARIS 6 ^e	GDG INVESTISSEMENTS	3,090
2019	WEB SCHOOL FACTORY	3 IMPASSE NATIONALE	PARIS 13 ^e	QUAERO CAPITAL	1,600
2017	IRIS	6-8 IMPASSE DES DEUX COUSINS	Paris 17 ^e	PRIMONIAL REIM	2,260
2017	IPAG	5 RUE DAREAU	Paris 14 ^e	SWISS LIFE	2,500

Source : Knight Frank





QUAERO CAPITAL



Olivier Lutz
Head of Real Estate, Quaero Capital

Could you present QUAERO CAPITAL to us ?

Olivier Lutz : Founded in Geneva in 2005, QUAERO CAPITAL is a Franco-Swiss company with assets under management, listed and unlisted, totalling €3 billion to date. Launched in 2017, its real estate activity was originally concentrated on value-added mid-sized office assets in Paris, the inner suburbs and other French cities, through our OPPCI Foncière Quaero 1.

It's within this fund's framework, which closed in 2020 and totals just over €100 million of assets under management, that we acquired the "G5" building in Bordeaux (4,500 m²) in the Bassins à Flot sector in 2018, and also in 2019 the "Cyteo", a 3,650 m² building located in Rueil-Malmaison.

You are dedicating an OPCI to educational property. Can you tell us more about the funds and your first acquisition transactions?

Olivier Lutz : We decided to launch the first fund exclusively dedicated to educational property at the end of 2020. Our objective is to create a €200 million portfolio of assets in this area, bearing in mind that our secured pipeline is already €60 million. For example, we have just finalised the acquisition of 1,400 m² of space at the prestigious Cours Florent in the 19th arrondissement, and will soon complete several transactions in France.

What are your criteria for an acquisition?

Olivier Lutz : The transactions we primarily go for are in Paris, but also in the inner suburbs, close to the capital with very good transport links. Outside the Greater Paris region, we mainly target city centres in other large French cities such as Lyon, Aix-Marseille, Lille or Nantes which, like Paris, are preferable locations for private schools because of the urban life sought after by students.

These transactions cost around €5-40 million euros and have areas of between 2,000 and 4,000 m², which form a large part of the higher education real estate market. This said, we don't only look at the private higher education segment. While this occupier profile makes up about 70% of our business, our strategy also includes vocational training centres and primary and secondary schools (Montessori, bilingual schools etc.).

Has the pandemic reaffirmed your strategy? And if so, why?

Olivier Lutz : The decision to launch this fund dedicated to education was in fact the result of our reflection during the pandemic! We began with the observation that the risk was no longer sufficiently rewarded in the office market, and that we needed to reorientate our strategy towards more resilient assets, uncorrelated with economic cycles. The education real estate, a new sub-section of the tertiary sector, meets the brief perfectly : the sector's growth rate was just over 2% in 2020 compared to the fall of around 8% for France's GDP. With a steady growth rate for more than 30 years, schools can commit to long or even very long leases. For example, we are in the process of finalising the signing of a lease with a school ready to commit to a 24-year term! Furthermore, we are convinced that the digital revolution will not lead to a reduction in the surface area occupied by teaching groups; it will enable them to better control their growth and manage their increasing number of students by allowing them to provide some of the courses online.

Moreover, we already had a track record in this area via our first fund, notably with the construction transaction located in Impasse Nationale, in the 13th arrondissement, which we are carrying out in partnership with the GALILEO GLOBAL EDUCATION Group for their digital management school, the WEB SCHOOL FACTORY. At that time, we were able to observe the asymmetry between a rapidly growing market and the almost total lack of real estate supply adapted to the needs and constraints of educational groups.



What exactly are the constraints?

Olivier Lutz : The constraints are primarily technical and regulatory, due to the need to have ERP premises. However, adapting or transforming office space into ERO establishments is not an easy task, whether in Paris or in the city centres of major metropolitan areas. That being said, it is difficult to generalise as the education sector is characterised by its great diversity in terms of the types of schools or their purpose, which explains the variety of needs to be met in terms of real estate. For example, well-known schools where students need to pass competitive exams to be accepted, are more often located in the suburbs. They are distinguished from those belonging to private groups, whose attractiveness derives from the quality of its campus and its central location.

The technical and regulatory restraints are coupled with economic restraints. Indeed, some schools are particularly attentive to their profit calculated on the basis of the capacity of the premises and, for the most part, cannot afford the highest rents in the market. This is why Parisian neighbourhoods outside the CBD are a good compromise allowing them to have both a dynamic environment and controlled real estate costs.

How do you see the education market developing in the coming years?

Olivier Lutz : Faced with the continuous growth of the private education sector and the highly competitive pressure between different groups, real estate will continue to be an essential contributor to its attractiveness, both in terms of quality of space and location. The pandemic, in effect, has accelerated the implementation of a hybrid teaching model, mixing face-to-face and distance learning.

As for offices, this has translated into an increased need for centrality and the necessity to reinforce social interactions. From this, we see the need to develop modern and flexible supply. Therefore, there is no doubt that partnerships between educational groups and institutional investors will develop, allowing them to focus on their continued development and to have campuses adapted to the major challenges of tomorrow's educational world.

Fiat Lux, Impasse Nationale, Paris 13^e Future campus of the Web School Factory (Galileo Global Education Group)



H i g h e r E d u c a t i o n P r o p e r t y S e c t o r

Outlook.





Outlook

A FAVOURABLE ENVIRONMENT

- Continued growth in enrolment in **private higher education**. The Ministry of Higher Education announced their estimation of **nearly 3 million students enrolled in 2028, an increase of 5% in 10 years**.
- The **sector will continue to be concentrated around a few large groups**, allowing schools to develop new synergies and achieve economies of scale by pooling certain services (administration, Communication, etc.).
- **New acquisitions by investment funds** (ARDIAN / AD EDUCATION, CAPZA, YNOV, etc.) enable education groups to accelerate their growth and strengthen their geographical diversification strategy.
- Continued **development of hybrid teaching and the adaptation of learning spaces**.
- Reinforcing schools' commitment to **social and environmental responsibility** (ESG), in particular by encouraging them to favour energy-efficient premises.

THE RISE IN THE RENTAL MARKET

- **The gradual increase in volumes let**, showing the growth of the private education sector and the trend towards grouping of schools into larger, higher quality spaces.
- The creation of new opportunities linked to the acceleration of **transformations** and **changes of use of existing assets** and to the development of new and efficient buildings, notably located near the future major hubs of the Grand Paris Express.
- **Benefits of several areas:** Inside Paris itself (heritage, centrality, showcase), the inner suburbs of the Greater Paris Region (large areas, improved transport, etc.), and regional cities (expansion of large groups, quality of life, demographic dynamics, etc.).

AN INCREASINGLY ATTRACTIVE MARKET FOR INVESTORS

- **Increased attractiveness** to investors (secure yield, long leases, positive reversion opportunities, etc.).
- Increased role of French institutional investors and foreign funds seeking to **diversify their assets**.
- Still significant potential for **outsourcing operations**. Many schools (or former school leaders) still own their buildings.



Knight Frank at a glance

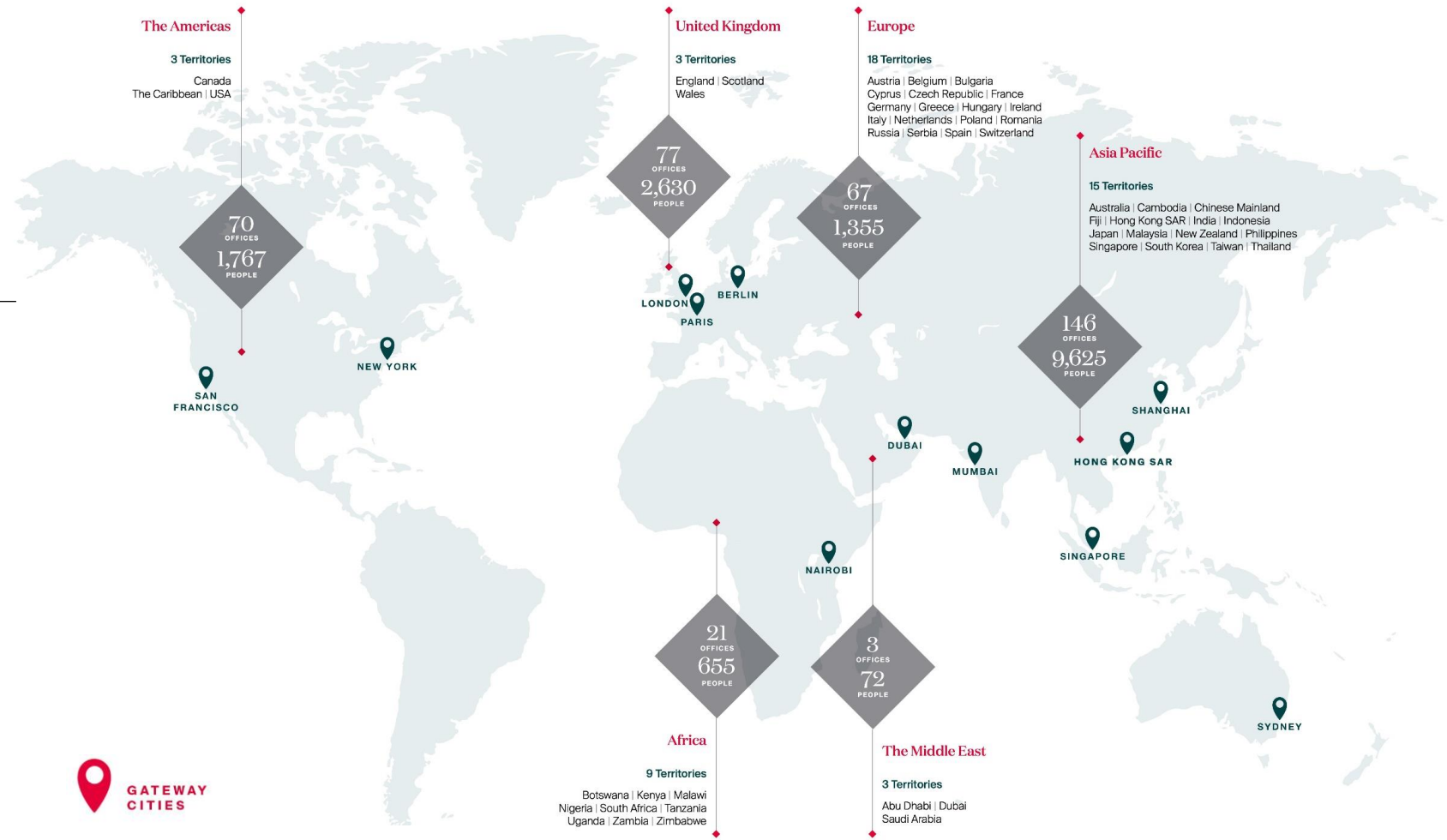
384 OFFICES
16 000 PEOPLE
51 COUNTRIES

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Its Paris office, established nearly 50 years ago, is structured around 5 lines of service: office marketing and tenant advice (Occupier Services & Commercial Agency), workspace development (Design & Delivery), Capital Markets, Retail Leasing and Valuation with its subsidiary Knight Frank Valuation & Advisory.

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