

The education sector is gaining momentum in Spain, not only due to the rise of student residences but also because educational institutions are now opting for office assets to set up their new campuses.



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Higher Education

Spain | 2023

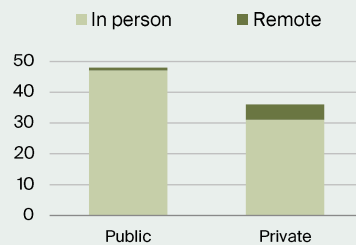
SPAIN			
Course 2021/2022	Number of enrolled students in public university centers 1,090,000	Number of enrolled students in private university centers 249,300	Number of municipalities with university centers 228
TOP MADRID 2022 LEASING DEALS	ALFONSO X Arapiles, 13 13,820 sq m	CUNEF Almansa, 103 8,370 sq m	SCHILLER Recoletos 35 3,220 sq m

Overview

Currently, there are around 90 universities in Spain, 5% more than five years ago. During the 2021/2022 academic year, almost 60% were public institutions, although it is in the private sector where new educational centers are being created, with an increase of around 15% in the last five years, while in the public sector they have remained stable. Regarding the number of enrolled students during the 2021/2022 academic year, the region of Andalusia leads the number of students in public education, followed by the Community of Madrid and Catalonia, while in the private sector, the majority of enrollments have occurred in Catalonia, followed by the Madrid region and the Valencian Community. However, the highest growth in higher education enrollment compared to the previous academic year has occurred in the Canary Islands and La Rioja, where there has been an increase of more than 18% in the private sector. These communities also lead the growth of enrollments in the public sector, but the growth has been much more modest, 3.3% in La Rioja and 2.5% in the Canary Islands.

Nº of university centers by type and modality

Spain. Course 2021-2022

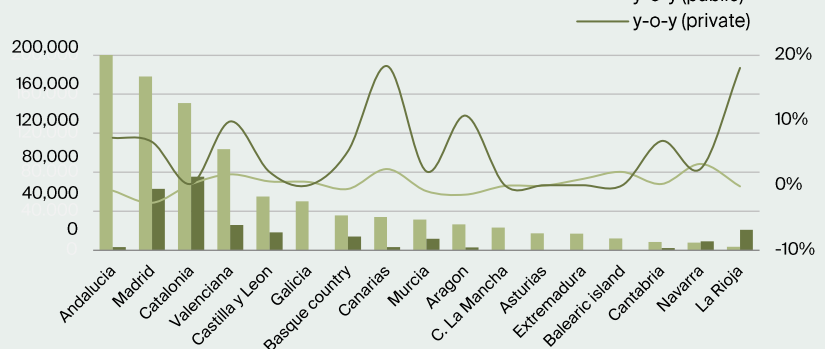


Source: Ministerio de Educación y Formación Profesional, SIU (Sistema Integrado de Información Universitaria) | Knight Frank Research.

The number of enrolled students in private Spanish university centers has increased by more than 5% in the last academic year.

Nº of enrolled students and annual variation* by type of university center and region

By Spanish regions. Course 2021-2022



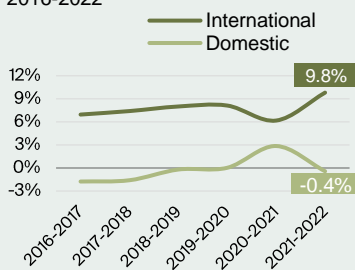
Source: Ministerio de Educación y Formación Profesional SIU (Sistema Integrado de Información Universitaria) | Knight Frank Research. *y-o-y course 2021-2022 vs 2020-2021.

International appeal

During the 2021/22 academic year, the students in higher education institutions in Spain exceeded 1.3 M enrollments, of which 6% were international students, not including students in master's programs, which accounted for an additional 55,000. Although this figure is much lower compared to domestic students, its annual historical increase is highly significant. After the sharp decline caused by the pandemic, international student numbers increased by almost 10% during the last academic year, compared to a -0.4% decline among domestic students. The majority of international students are choosing public institutions, accounting for approximately 65%. The largest proportion comes from the European Union, followed by Latin America/Caribbean and Asia/Oceania.

Y-o-y of international and domestic students

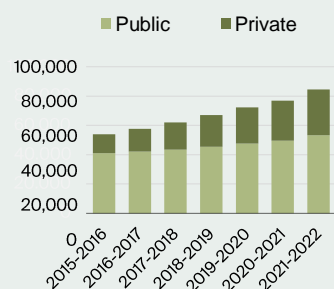
Spanish university system. %.
2016-2022



Source: Ministerio de Educación y Formación Profesional, SIU (Sistema Integrado de Información Universitaria) | Knight Frank Research.

International students by type of institution

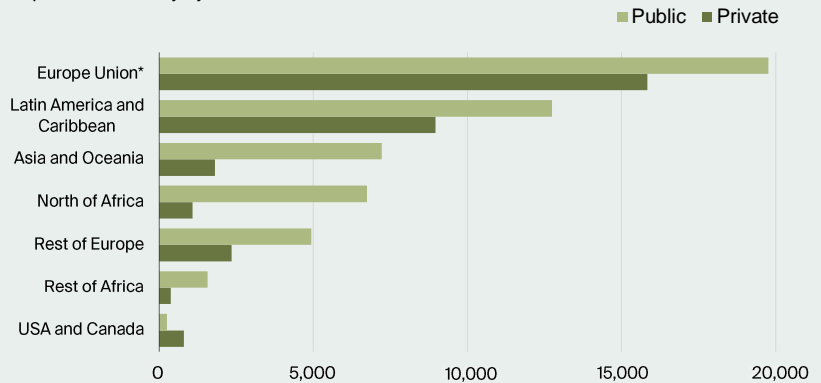
Spanish university system.
2016-2022



Source: Ministerio de Educación y Formación Profesional, SIU (Sistema Integrado de Información Universitaria) | Knight Frank Research.

International students by nationality region

Spanish university system. Course 2021-2022.



Source: Ministerio de Educación y Formación Profesional, SIU (Sistema Integrado de Información Universitaria) | Knight Frank Research. *Spain is not included.

The social, economic, and political factors of a country are crucial in attracting foreign students, although their decision-making is mainly based on the quality of education, the reputation of educational institutions, and the programs/scholarships that facilitate international exchanges.

Spain offers a wide range of institutions that provide higher education, including private and public universities with affiliated centers, as well as private schools or institutions of higher education. The adaptation of the education provided to new models of study and work, increased flexibility through in-person, hybrid, or online modalities, as well as a careful selection of campuses/facilities, are contributing to Spain's position in top rankings of higher education. One of the most prestigious rankings, the Shanghai Ranking, which analyses a total of 1,000 universities, placed the University of Barcelona among the top 200 universities worldwide in 2022 (1st in the national ranking). Meanwhile, the annual Financial Times ranking five Spanish business schools among the top 30 in Europe. One of them, ESCP Business School in Madrid, achieved the third position.

Spain offers a highly attractive experience for international students due to its rich cultural and social heritage, as well as its renowned educational institutions.

SHANGHAI RANKING 2022

UNIVERSITY	NATIONAL RANKING	WORLD RANKING
Universidad de Barcelona	1	(Between) 151-200
Autónoma de Barcelona	(Between) 2-5	(Between) 201-300
Complutense de Madrid	(Between) 2-5	(Between) 201-300
Universidad de Granada	(Between) 2-5	(Between) 201-300
Universidad de Valencia	(Between) 2-5	(Between) 201-300

FINANCIAL TIMES BUSINESS SCHOOL RANKING 2022

BUSINESS SCHOOL	EUROPEAN RANKING
ESCP Business School (Madrid)	3
IESE Business School (Barcelona y Madrid)	6
IE (Madrid y Segovia)	10
ESADE Business School (Barcelona y Madrid)	17
EADA Business School	27

Rethinking learning spaces

The architecture and interior design of buildings have a great influence on the successful development of their intended function. In the case of education, there are multiple styles of buildings, ranging from university campuses located in historic and even protected areas, to modern buildings housing state-of-the-art facilities. The interior design is also another aspect to consider based on the objectives being

pursued. Physical spaces play an important role in an environment where aspects such as collaboration, concentration, creativity, inspiration, or motivation are sought after. An attractive exterior design with well-utilized and interesting spaces, throughout with good infrastructure, has now become fundamental for educational institutions. It has been demonstrated that taking care of these aspects improves performance by stimulating students' learning.

Universidad de Salamanca



The oldest university in Spain and the fifth oldest in Europe. Building from the XV century.

Universidad de Navarra



With over 110 hectares of land, the university is a leader in scientific research.

IE University Tower | Madrid



The third largest vertical campus in the world. 180 sq m in height and 50,000 sq m.

Universidad Camilo José Cela | Madrid



In the CBD and under ESG criteria, its 11,300 sq m feature outdoor workspaces and wellness.

Main features in the new educational spaces

HIGHLY TECHNOLOGICALLY EQUIPPED



WITH ATTRACTIVE AREAS THAT ENCOURAGE COLLABORATION /COMMUNICATION AMONG STUDENTS



INSPIRING FOR PERSONAL DEVELOPMENT



WITH A GOOD LOCATION AND WELL-CONNECTED



WITH SPACES THAT FOSTER RESEARCH & DEVELOPMENT (R&D)



EQUIPPED WITH OPEN AND OUTDOOR SPACES



ADAPTED FOR EXPERIENCES, STAGING, PRESENTATION



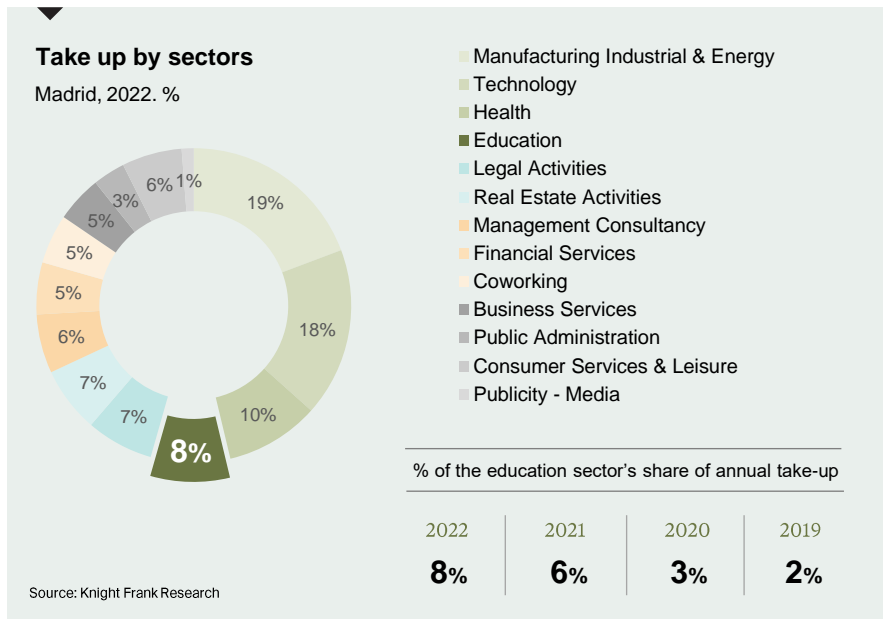
INTERNATIONALLY INTERCONNECTED WITH OTHER CAMPUSES/INTERNATIONAL FACULTY



The education sector in Madrid occupier office

The Spanish capital has become a focal point where prestigious business schools proliferate, new centers are established in affiliation with existing universities, and better locations are sought for existing institutions. The city's reputation as a great place to live, coupled with its stock of quality office buildings or the possibility of their optimal rehabilitation, is driving the private education sector to enter the office market with force, something that was not seen before. Madrid offers excellent opportunities for recent graduates, as large cities usually have greater collaborations with local companies, facilitating their early integration into the job market. Moreover, both national and international students see the city as a hub for quality education that has successfully adapted to new models of subjects and study formats (in-person, distance, or hybrid), while also offering a wide range of cultural and gastronomic experiences. Additionally, Madrid enjoys nearly 3,000 hours of sunshine per year.

As of the end of 2022, the education sector has accounted for 8% of the total

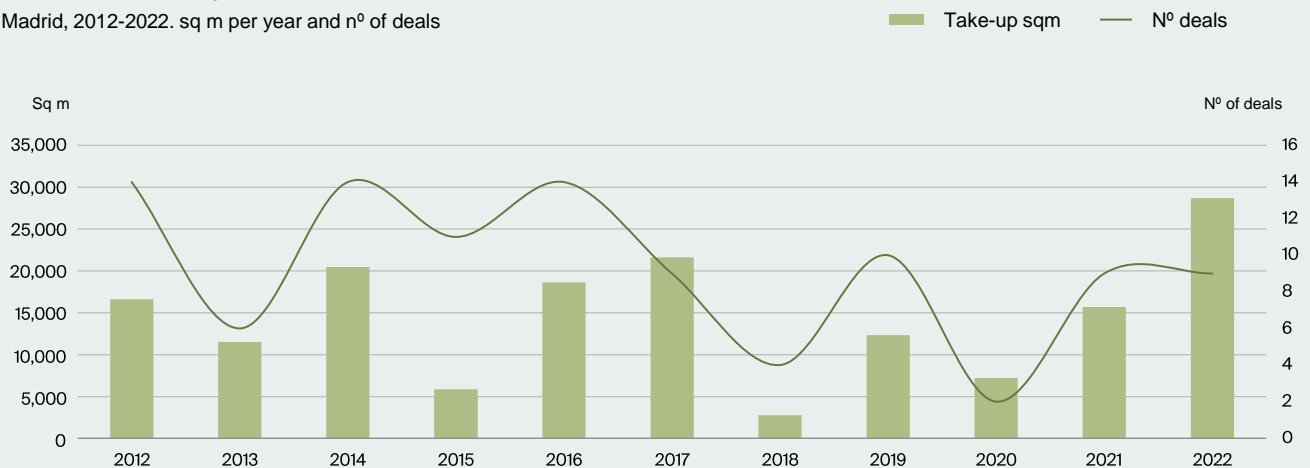


sector has accounted for 8% of the total absorption in the office market in Madrid. This represents an increase of six percentage points compared to the figures recorded in 2019. Currently, the education sector is experiencing significant growth, similar to the technological and healthcare sectors. In terms of the contracted area, the education sector has surpassed 28,600 square meters, which is the highest volume recorded in the past decade. This area is distributed among nine transactions, with the largest one being

the operation carried out at Arapiles 13, where Alfonso X University will occupy nearly 14,000 square meters in an exclusive office building. Another notable transaction during the year was made by CUNEF, which rented approximately 8,500 square meters on Almansa Street with the intention of occupying the entire complex, consisting of four buildings, in the near future. Analyzing the evolution by areas of the capital where space is being rented for educational purposes, it can be observed that during the last year, nearly 65% of

Take up evolution | Education sector

Madrid, 2012-2022. sq m per year and nº of deals



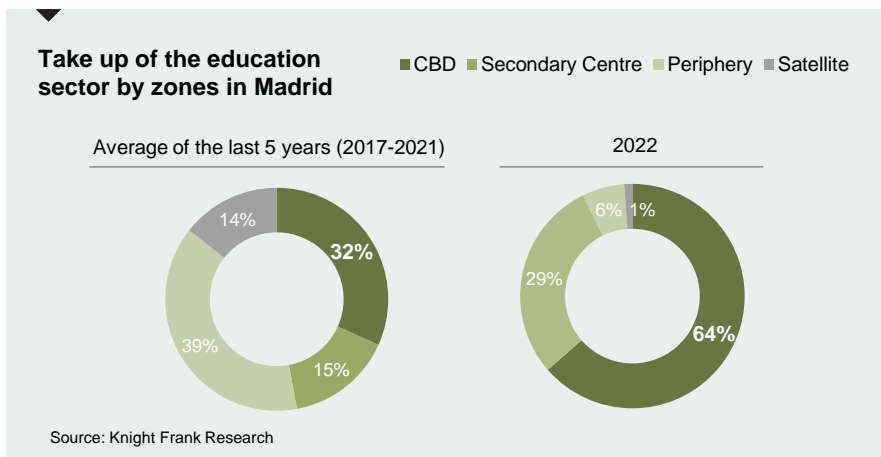
The educational sector's leasing activity has taken place in the prime area of the city, the Central Business District (CBD), followed by the Secondary Center with around 30%. A smaller portion is located outside the M-30 area. Comparing these figures with the average of the previous five years (2017-2021), a change in trend for this type of center can be observed. These data reflect the commitment of universities, currently private ones, to improve their locations. In addition to location, there is a preference for state-of-the-art buildings or those that offer possibilities for rehabilitation to meet educational quality standards, which in

turn enhance the reputation of the institution behind the operation. This has been the case for the American university Schiller, which has leased over 3,200 square meters for its Madrid campus in a historic building in the heart of the city, on Paseo de Recoletos. This positive trend in the education sector is also occurring in other Spanish cities. In Barcelona, an educational institution has secured a lease for 13,000 square meters in the Kudos Innovation Campus Inneo, owned by Starwood Capital, in the municipality of San Joan Despí. This transaction represented the largest leasing deal in the Catalan office market in 2022.

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Higher education is placing a greater emphasis on centralizing campuses and acquiring better buildings, which was not as prioritized a few years ago. These factors are part of the pursuit of excellence in new education models, offering better experiences and greater motivation for students, as well as improved visibility and representation.

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TOP 3 MAJOR LEASING OPERATIONS IN THE EDUCATION SECTOR | 2022



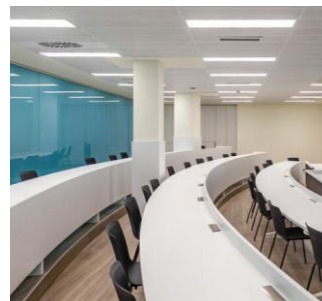
C/ ARAPILES, 13

- Tenant: Universidad Alfonso X
- Surface: 13.820 sq m
- Rent: confidencial
- Type: exclusive
- Property: Eptisa



C/ ALMANSA, 103

- Tenant: Universidad CUNEF
- Surface: 8.370 sq m
- Rent: 20 €/sq m/month
- Type: exclusive
- Property: Merlin Properties



C/ PASEO RECOLETOS, 35

- Tenant: Schiller University
- Surface: 3.220 sq m
- Rent: 27.1 €/sq m/month
- Type: exclusive
- Property: Reale Seguros

During the first months of 2023, a relevant transaction in the sector has taken place. Camilo José Cela University has leased over 8,000 sq m of space in the CBD in the building located at Juan Hurtado de Mendoza, 4, owned by Royal Met.

How do global investors view the education sector?

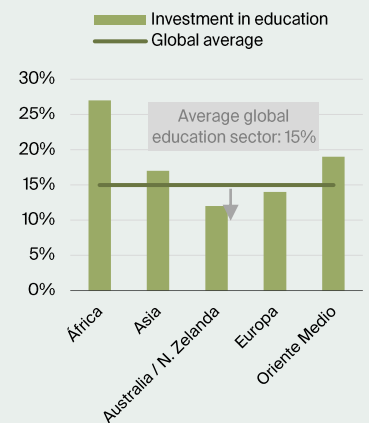
Knight Frank's Attitudes Survey, the survey on trends and attitudes included in The Wealth Report study, is based on responses from over 500 private banks, wealth advisors, and family offices representing a combined wealth of over \$2.5 trillion US dollars.

When asked about which branch of the real estate sector they are investing in, an average of 15% of all respondents selected the education sector. Africa had the highest percentage at 27%, while the remaining regions recorded around 15-20%. Regarding criteria related to environmental, social, and corporate

governance (ESG) factors that are taken into account when evaluating a property for investment, regardless of its intended use, an average of 57% of respondents stated that the energy source powering the building is one of the most relevant factors. This was followed by the opportunity for building rehabilitation, chosen by 33% of respondents. The materials used and their impact on the carbon footprint, accessibility, and social impact were next on the list, with approximately 30% each. Building accreditations and the availability of electric vehicle charging facilities were deemed important by around 25% of respondents. Finally, bicycle facilities were selected by 9% of respondents.

Investors by nationality investing in the Education sector

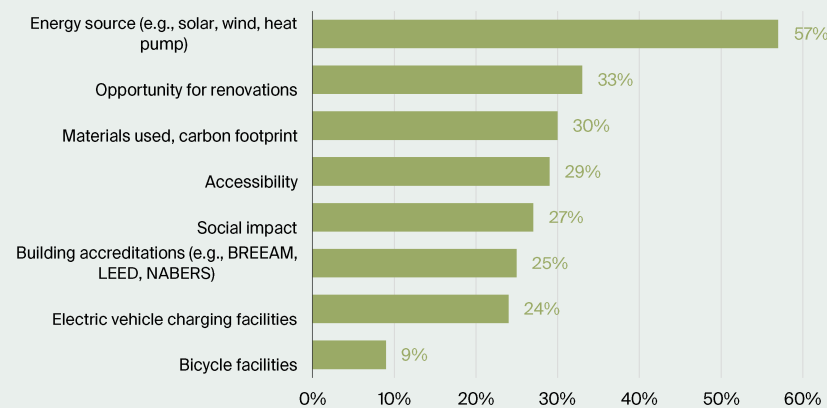
The Attitudes Survey. 2022



Source: Knight Frank The Wealth Report 2023.
*The Attitudes Survey is based on the responses of over 500 private banks, wealth advisors, and family offices representing a combined wealth of over \$2.5 trillion US dollars. The survey was conducted in November 2022.

What ESG-related criteria do investors evaluate in properties?

The Attitudes Survey. 2022



Source: Knight Frank The Wealth Report 2023.
*The Attitudes Survey is based on the responses of over 500 private banks, wealth advisors, and family offices representing a combined wealth of over \$2.5 trillion US dollars. The survey was conducted in November 2022.

These criteria are particularly important in educational centers where air conditioning, lighting, technological equipment, etc., are in full operation for a significant part of the day. The case of the Autonomous University of Barcelona is a good example. Considered one of the most environmentally-friendly universities in the world, it has achieved an energy reduction of over 60% in recent years and a water consumption decrease of 90% compared to other similar buildings.

Investment in the Spanish teaching market

If there is a market with great potential in Spain that offers stability and profitability, it is the education sector. It is worth noting that this segment has the characteristic of being counter-cyclical, so when we experience an economic crisis, this sector experiences a boom. It has been observed that during these situations, the population tends to seek to improve their educational level, and as a result, investors start to focus on this sector.

Although there haven't been many

registered operations in this sector, in recent years there have been significant acquisitions, such as the one made by Permira Fund of Universidad Europea from Laureate Education, for 770 million euros. This acquisition also included campuses in Valencia and the Canary Islands, as well as the Portuguese Universidade Europea in Portugal and the Portuguese Institute of Marketing Administration. Another major operation in this sector is the alliance between Universidad Alfonso X El Sabio and the British risk management firm CVC through its Fund VII, which amounted to around 1.1 billion euros.

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The educational segment has a counter-cyclical nature. It grows during economic crises because the population tends to seek to improve their educational level.
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LATEST INVESTMENT OPERATIONS IN THE EDUCATION SECTOR IN SPAIN(*)

YEAR	NAME	CITY	PURCHASER	VENDOR
2017	Cartera Nace School	Various (**)	Providence Equity Partners	Magnum Capital Industrial Partners
2018	Universidad Europea de Madrid	Madrid	Fondo Permira	Laureate Education
2018	Campus Universidad Europea	Madrid	Patrimonial Reim	Montepino
2019	Universidad Alfonso X El Sabio	Madrid	CVC Capital Partners	Confidential
2019	King's College	Madrid	Inspired	Confidential
2020	Colegio Mirabal	Madrid	Inspired	Confidential
2020	Toulouse Business School	Barcelona	Perial AM	Henderson Park y Hines

Source: El Confidencial / El Economista / Exitoeducativo / Inmobiliario Mes a Mes y Eje Prime.

*Including schools

**The purchase of the portfolio also includes other schools from the group located outside of Spain.

If you have any questions about our publication or if you need advice on properties, we would love to hear from you.

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Wealth Report 2023



Educational offering – Madrid prime

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