

RESIDENTIAL  
RESEARCH



# INTERNATIONAL STUDENT PROPERTY 2012

**Knight Frank**



# 2012 INTERNATIONAL STUDENT PROPERTY

## Overview

**James Pullan, Knight Frank's Head of Student Property, introduces our 2012 International Student Property Report:**

**The rise in global student mobility is a long-term trend that is set to continue. This structural shift in the make-up of student populations has significant consequences for cities that play host to the world's best universities, and throws up key opportunities for developers and operators.**

**"The rise in global student mobility has created an excellent opportunity for investment in key European cities."**



**James Pullan**, Head of Student Property

Student accommodation in the UK has delivered solid and consistent returns throughout every year of the recent economic downturn, thereby attracting significant volumes of international equity and institutional debt into the sector. The positive occupational demand for student accommodation has been reinforced year on year by the increase in overseas students, a trend that is being replicated across the world.

But what lies behind the rise in student mobility? In short, the rise of the middle classes in emerging economies, especially Asia; the growing acceptance of international higher education qualifications across the world; and a new 'internet generation' of globally connected and well-informed student consumers are factors which have

combined to create a growing pool of students travelling across the world to study at degree level and beyond.

Europe dominates the globe in respect of attracting international students – a key target market for investors, as shown in figure 3. Knight Frank have identified ten key European cities which offer excellent development opportunities for operators and developers. The additional attraction for investors is that mainland Europe is around ten years behind the UK in providing suitable accommodation for international students, and a younger market offers more opportunities.

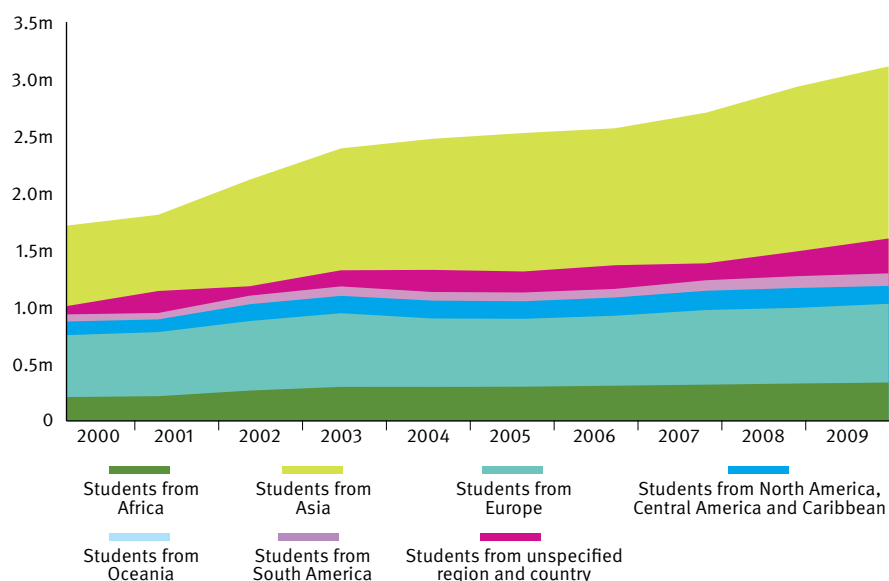
**46%**  
of international students study  
in Europe

The cities included in our top ten list, pages 4-7, all boast internationally excellent universities, significant student populations, a high proportion of international students attracted from across the globe, and limited existing student accommodation provision.

Mainland Europe is experiencing a high level of financial uncertainty and economic volatility. The economic, social and political risks arising from this must of course be factored in by developers and operators. But we believe the opportunities for investing in higher education, which has enduring benefits, outweigh the negative issues surrounding the economy, especially for the right projects.

Bob Crompton, chief executive of Knightsbridge Student Housing, sums this up perfectly in his interview on page 6, saying: "academic certainty overrides economic uncertainty."

Figure 1  
**Student mobility**  
Number of international students split by world region



Source: UNESCO



## Global student mobility

**The number of students travelling overseas to attend university has been rising steadily in recent decades, and this trend is set to continue. Just as the world's economies have become more globalised, with the relaxation of trade barriers, education has also become a global commodity. Students now seek out the best educational institutions across the globe. Gráinne Gilmore examines the data.**

On an economic level, the rise of the new 'middle class' in emerging economies mean there is a growing pool of potential overseas students. It is predominantly the middle classes, in both developing and developed economies, who aspire to, and can afford to, study abroad.

On an educational basis, increasing globalisation has also meant a growing recognition of qualifications around the world. This has alleviated concerns that studying abroad could somehow lessen the chances of gaining employment in a student's home country or elsewhere.

The personal advantages for students studying abroad remain constant: learning or perfecting a new language and experiencing a different culture. In a more globalised world, these achievements are even more highly prized by employers.

All these factors have helped boost the number of students studying abroad from 1.75 million to

more than 3 million since 2000 (figure 1).

It is forecast that the number of international students could more than double again by 2025 (figure 2).

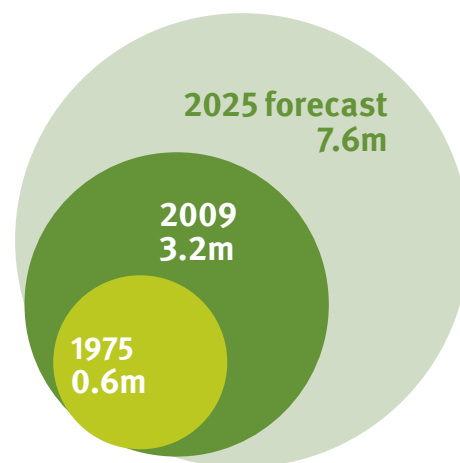
Examining the flows of students across the world, it can be seen that European universities hold the biggest attraction for those entering tertiary education. Around 850,000 students from Asia Pacific, Africa and North and South America study in Europe, according to the most recent data. A further 547,000 travel within Europe to study. Some 1.4 million international students study in Europe, as shown in the map below, compared to 750,000 in North America and 437,000 in Asia.

Europe dominates the international student marketplace (figure 3). The major European academic centres represent a key investment opportunity for student accommodation developers and operators.

Figure 2

### Future forecast

Number of students attending university outside their home country



Source: OECD, Böhm et al

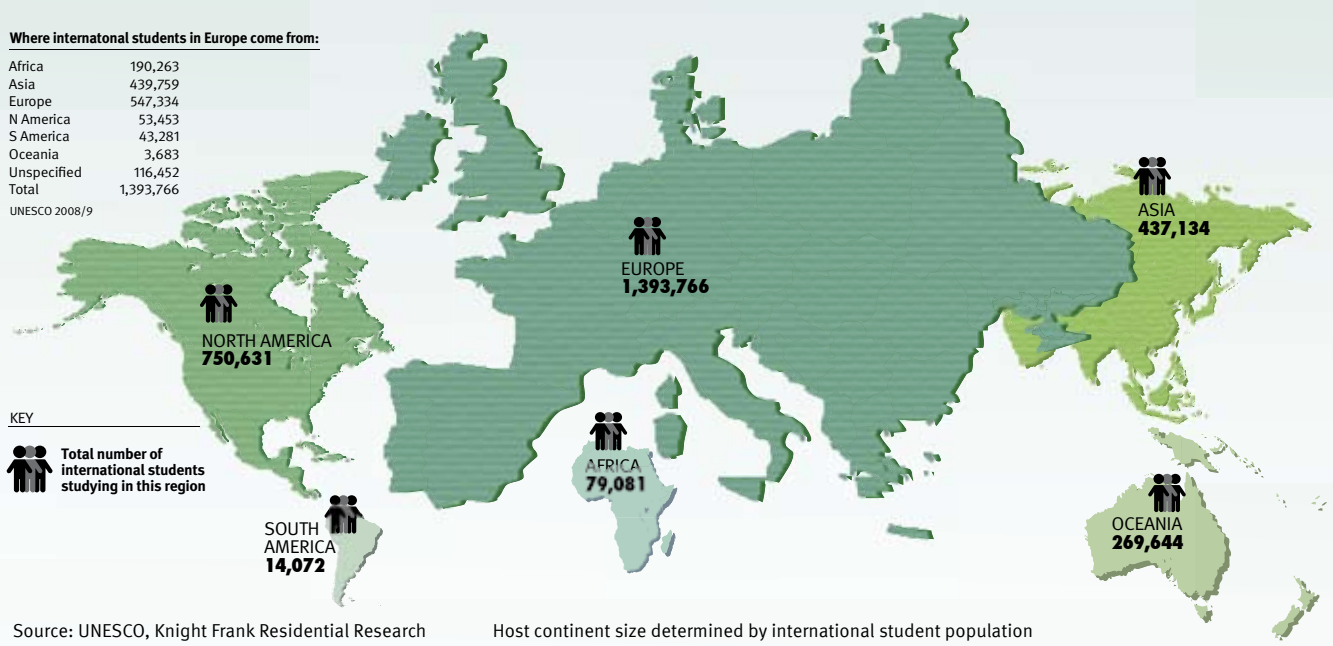
Figure 3

## INTERNATIONAL STUDENT POPULATIONS

### Where international students in Europe come from:

Africa	190,263
Asia	439,759
Europe	547,334
N America	53,453
S America	43,281
Oceania	3,683
Unspecified	116,452
Total	1,393,766

UNESCO 2008/9



Source: UNESCO, Knight Frank Residential Research

Host continent size determined by international student population



## Student property investment: Top ten European destinations

Europe boasts the highest number of students from overseas, as well as a significant number who travel across Europe to study at a university outside their home country. As such, we have focused on Europe in this international report, identifying the cities we believe offer the best opportunities for investors and operators.

The health of the global economy has not yet recovered from the financial crisis, with developed economies bearing the worst of the fall-out. Within this, the Eurozone is still undergoing upheavals, and economic, social and political risks still face the region. This will have an impact on investors in international student accommodation as they will have to factor the economic situation in local markets. The local economic situation could affect their currency exposure or access to local funding. But since the Eurozone crisis erupted, the desire among students for the best education has remained undimmed. There is a sharp contrast between the financial volatility in the Eurozone and the strong, steady academic performance of Europe's best universities over the past five years.

**We believe the argument for investment in Europe's best university cities is now compelling.**

We have identified cities which are global leaders in higher education; attract students from all over the world; have multiple university exposures and which have a structural undersupply of private student accommodation.

Our city rankings are based on data from the top 700 universities according to QS World University Rankings. We believe that focussing on the best universities is a good indicator, as they will always achieve high levels of student demand for places.

The rankings take into account a range of criteria including the number of top-flight universities in the world's top rankings within the city, the total number of students at these universities, the proportion of international

students, university fees, the quality of life and cost of living, as well as insight from our student accommodation team.

## TOP 10 CITIES



### 1. Paris

Paris has clinched the top spot boasting nearly a quarter of a million students at 16 world renowned universities. It comes second only to London in the number of international students, with nearly one in five of these students coming from outside France, underlining Paris' global reach. French universities have very low tuition fees, even the prestigious Grand Ecoles, have modest fees, except for Business Schools which can cost up to euro 10,000 a year. Private accommodation in Paris is generally expensive, meaning private student accommodation can be an attractive option. Paris was named by QS as the best city for students in 2012.



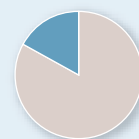
### 2. London

With 12 universities ranked in the top 700, there is no disputing London's reputation as a global educational hub. It also ranks most highly for the number of international students, with nearly one in three of those at these top-flight institutions coming from overseas. As discussed in our recent Student Report the changes to the fees regime, with the introduction of annual fees of up to £9,000 a year in the UK, may cause problems for less prestigious colleges and universities, but is unlikely to dent demand for the best universities. The cost of living is high however, the highest of all our top 10 cities.

Figure 4

## TOP TEN INVESTMENT DESTINATIONS

1 PARIS  
International  
Student Ratio: 17%



2 LONDON  
International  
Student Ratio: 33%



3 VIENNA  
International  
Student Ratio: 24%



4 DUBLIN  
International  
Student Ratio: 23%



5 BARCELONA  
International  
Student Ratio: 11%



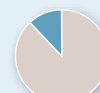
6 MUNICH  
International  
Student Ratio: 15%



7 LYON  
International  
Student Ratio: 14%



8 MADRID  
International  
Student Ratio: 8%



9 MILAN  
International  
Student Ratio: 5%

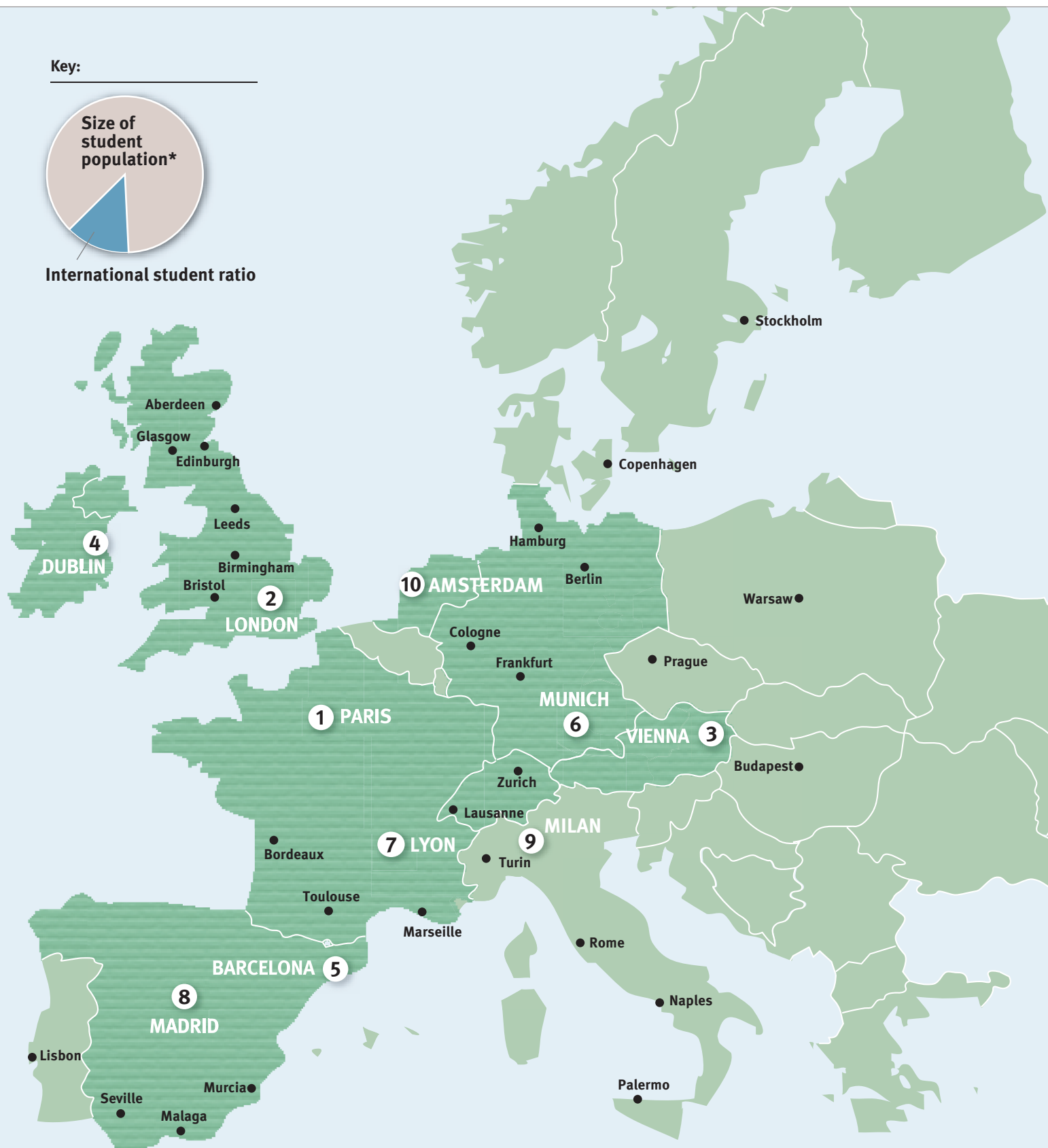


10 AMSTERDAM  
International  
Student Ratio: 7%



\*attending universities ranked in QS World University Rankings

Source: QS, Knight Frank Residential Research



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“You can’t ignore the economic difficulties in the Eurozone, but academic certainty overrides economic uncertainty.”

Bob Crompton, Chief Executive,  
Knightsbridge student housing

## 3. Vienna

Austria’s capital city is a popular destination for international students, accounting for nearly half of Austria’s international student population. A quarter of the students at its two top-ranked universities are international, and like many cities in our top ten, Vienna is also a well-known hub for students on shorter-term exchange programmes. Low university fees also make Vienna an attractive option for students. Fewer than one in ten of students across Austria live in student halls.

## 4. Dublin

Nearly one in four students at Dublin’s four top-ranked universities is international. Tuition fees and the wider cost of living have been relatively high in Dublin for years, but this has not affected the city’s allure for overseas students. The city’s popularity among foreign language students mean that there is real year-round demand for student accommodation, something which has already attracted some private operators

to the city. However developers entering the market must take into account the property and development tax regime, which can be more onerous than some other destinations.

## CITIES TO WATCH

These cities did not make our top ten list, but we believe that they may be in contention for the best investment opportunities in the coming years. The Scandinavian cities of **Stockholm** and **Copenhagen** are well recognised university hubs, boasting four and two top-tier universities respectively. International students numbers in Scandinavia have trebled over the last decade, and studying there is particularly attractive to other European students as there are no tuition fees for those from the EU. Another city to watch is **Liege**, in Belgium. Nearly a quarter of the students at the top-ranked Université de Liège are from overseas and the student accommodation offering is limited.

### INTERVIEW: Bob Crompton

Chief Executive, Knightsbridge Student Housing



#### Bob Crompton, chief executive of Knightsbridge student housing, talks to Knight Frank about the European student accommodation market.

“The student accommodation market in the majority of European cities is where the UK market was around 10 to 15 years ago. Most of the major cities have a severe shortage of student accommodation, so there are real opportunities there, but as always, seeking them out is the difficult part.

“The funding situation differs across the Europe; while local German banks are keen to invest in local projects, the landscape is certainly more challenging in some of

the Eurozone countries that have been hit hardest by the financial crisis.

“You can’t ignore the economic difficulties in the Eurozone, but the fact remains that if you operate a high quality residence in a key university city, one that it is difficult for others to replicate nearby, the quality of that accommodation will offset any wider economic concerns. In short, academic certainty overrides economic uncertainty.

“There are currently 13.4 million students in western Europe, of which over 7million live away from home and require accommodation, and we expect the number of students who spend time abroad is only going to increase, further widening the imbalance between

supply and demand for student housing in European cities which is already more acute than in the UK. At this time there are 3.7 million internationally mobile students world-wide; a significant portion of these head to Europe, but they are not well served in terms of accommodation – we see this as an opportunity.

“We are perfectly placed to take advantage of real economies of scale offered by moving into this market because of the systems we already have in place.

“Deals are generally opportunity driven, but we are particularly attracted to like Madrid, Barcelona, Milan, Munich and Hamburg at this time.”



## 5. Barcelona

Home to Spain's two most prestigious universities and three other top-ranked institutions, Barcelona is arguably the educational hub in Spain, with Madrid close behind. Barcelona, which is in the top ten ranked cities for quality of life in the world, is a particular attraction for South American students. The city's status as an educational leader has already attracted investment by operators and developers.



## 6. Munich

Munich has two top ranked universities, with a 15% ratio of international students. It is deemed one of the most desirable places to live in Germany, but student accommodation is not plentiful. Since around three in four students in Germany live away from home, as well as the international students attracted to the city, demand is far outstripping the supply of specific student accommodation. The relative strength of the German economy within the Eurozone is also a positive.



## 7. Lyon

This relatively small city boasts four top-tier universities and 14% of students attending are from overseas. As well as having the lowest cost of living of any city in our top ten, average tuition fees at the four top-tier universities in Lyon are also the lowest. Around 10% of students in France live in university halls of residence.



## 8. Madrid

The second Spanish city in the top ten, the Spanish capital ranks highest on the Mercer quality of life ranking. Madrid has four universities in the QS top 700 and some 8% of students at these institutions are from overseas. Private rented accommodation is usually favoured by students, with around 7% in student halls of residence across Spain.



## 9. Milan

Very few students in Italy live in halls of residence – around 2% across the country as a whole. Despite a relatively modest

international population, at around 5%, of those attending its four top-tier institutions, the demand for student housing is high. In addition, the highly regarded Bocconi School of Management is popular among international students seeking an MBA qualification.



## 10. Amsterdam

There are two top-ranked universities in Amsterdam, and around 7% of students are from overseas, but there is a well-recognised shortage of student accommodation. However operators entering the market will need to be familiar with the complex regulations which govern developments. Many universities run courses in English, further enhancing the international appeal.



Cottages of Lubbock, Texas Tech University, by Campus Living Villages

### INTERVIEW: Sean McKeown

Commercial Director, Campus Living Villages



**Sean McKeown, commercial director of Campus Living Villages, a global student accommodation company which owns and operates over 35,000 beds in over 50 properties across the world, shares his views on the international student property market.**

**Changing the fee structures for universities drives change in the student accommodation market.** For example, in the UK, this is the first year when meaningful fees will be paid by undergraduates. I believe universities will have to provide a higher level of customer satisfaction as students will be searching for more “bang for their buck”. If the choice of where to study comes down to the wire, with similar courses in similar towns at the same level of college on offer, then accommodation may become the deciding factor.

**Student accommodation operators need to understand the global student market.** Familiarity with what your residents look for makes it simple to offer those services

wherever they are studying in the world. For instance, US students like sharing twin rooms, and are more accustomed to amenities such as swimming pools, tanning salons, day spas and a multi use ipod stations.

**Students require value, but this doesn't mean that accommodation should be cheap.** To find the balance, an understanding of the student lifestyle is key. The rise of the student consumer mean that today's students demand more than those twenty or even ten years ago. In fact the change over the last five years has been vast. The aim is to create a community of residents, offer the best amenities and ensure that the specifications of the building meet current trends. This in turn leads to a high retention rate. In Australia, nearly half of the residents return to our accommodation for a second year.

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Front page: Picture courtesy of Harrison Street Real Estate Capital. Sterling Central is a Harrison Street Real Estate Capital property located adjacent to the University of Central Florida in Orlando, FL.

Page 7: Picture courtesy of Campus Living Villages. A high quality student living experience at the Cottages of Lubbock, Texas Tech University, United States

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