

Spain Research – 2021

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SPOTLIGHT
Savills Research

Student Accommodation in Spain



Economic Overview

The living segment has become increasingly important in recent years. Forecasting demographic indicators and limited links to real estate fundamentals have put products such as rental housing (BTR and PRS), retirement homes and student residences on investors' radars.

Since 1998, the young population between 18-24 years old (the most frequent age group among the university population)

has declined steadily, with a slight upturn in 2018. According to INE, in January 2021 this group comprised 3.3 million young people, representing 7% of the total. This shows a decrease of 29% compared to 1998, when the 4.7 million accounted for almost 12% of the population and a moderate increase of 6% compared to 2018, which is when signs of a slow increase were seen.

The population projection up to 2035

indicates a steady growth until the early 30s (12% cumulative), reaching 3.76 million young people (about 8% of the national population). Thereafter, there will once again be a slow and steady decline.

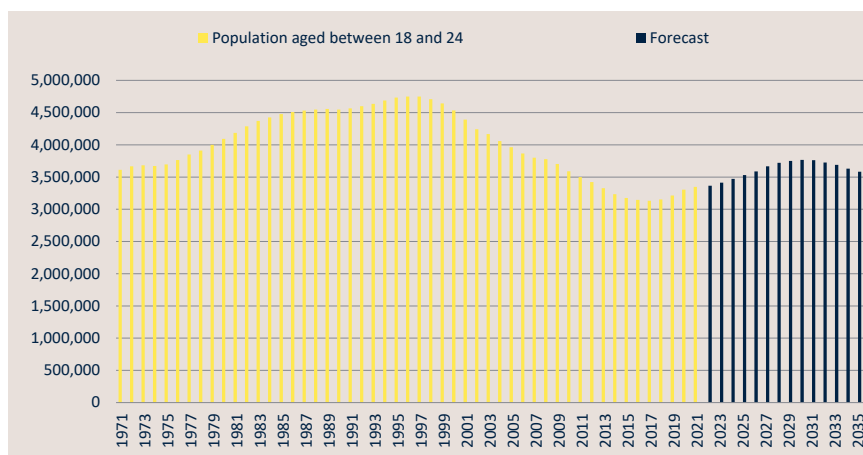
In recent years, the evolution of enrolments in university institutions (including face-to-face and distance learning) has been positive (growth above zero), although since 2016 there has been a certain slowdown, which has accompanied the economic decline in the country. Data for 2020-2021 already reflects a return to the classroom (+3.3% year-on-year), with a significant peak in distance learning (+13.3%). It should be noted that in times of economic downturn, students return to educational centres for training, a key aspect in the labour market. In fact, the difference between the total unemployment rate in Q3 2021 (14.57%) and that of the population with higher education (9.38%) exceeds five percentage points. In the historical average, the gap reaches 7.82 points in the total unemployed population and 10.4 in the 20-24 age range, which matches the majority of recent graduates.

In 2016, there was also a sharp decline in the share of higher education in household budgets (-17%), which recovered in 2017 (+1.6%) and further still in 2018 and 2019 (latest data available from INE), with an average growth of 17%.

According to Eurostat, Spain has one of the highest unemployment rates in the EU, including the population with a university degree. However, in 2020 it reached a difference of almost six percentage points, one of the highest in the EU, which had an average of only 1.5 points.

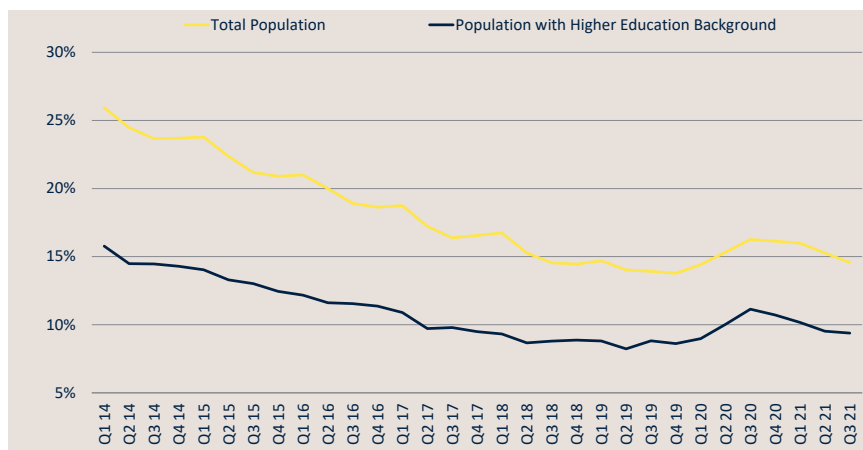
In terms of university education, in 2020 (latest available data) Spain ranked 13th, with 36% of the total population. Ireland, Luxembourg and the United Kingdom made up the top three, all above 40%. The EU average stood at 29%.

Evolution of Young Population and Forecast



Source: INE

Unemployment Rate

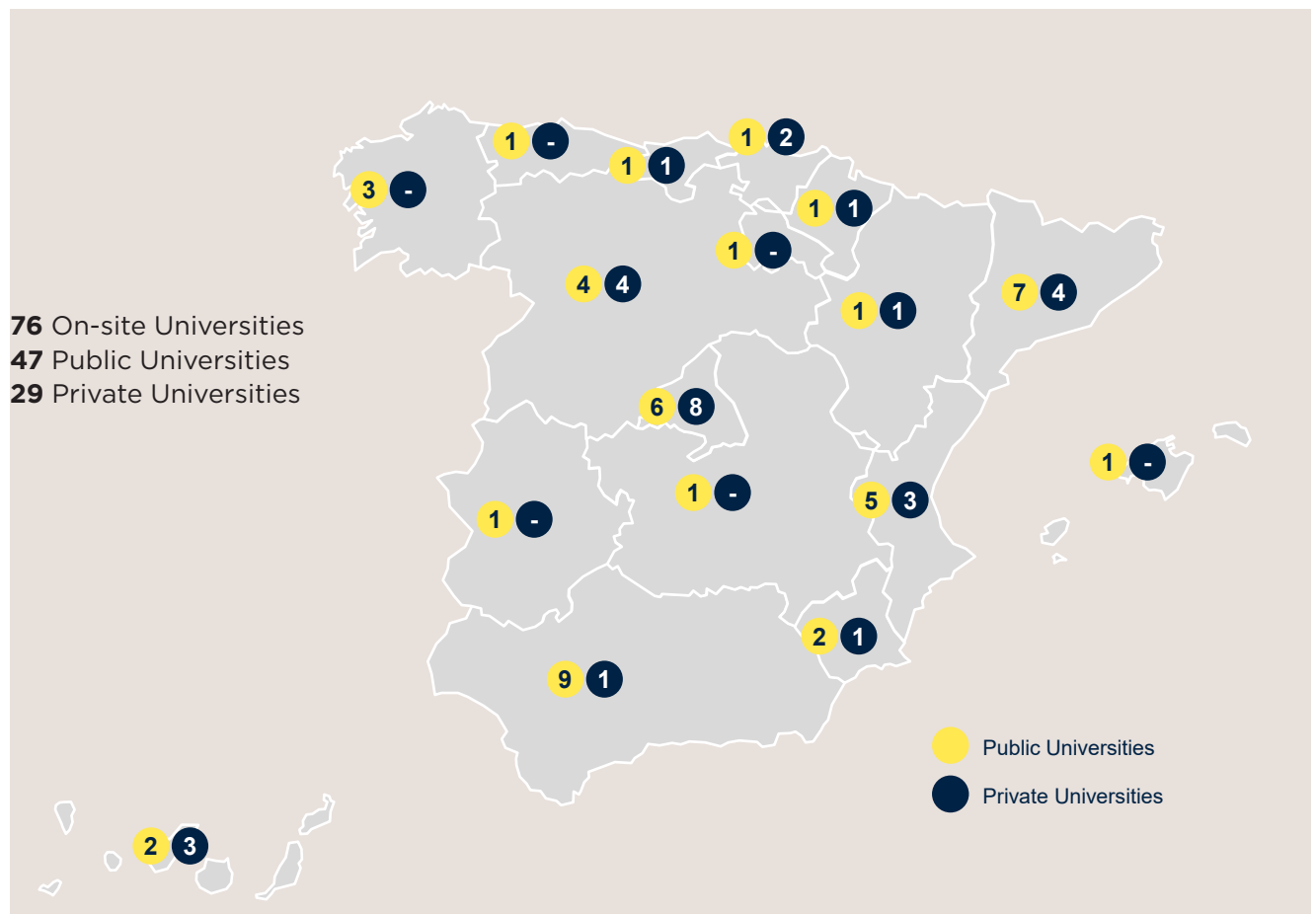


Source: INE



Map of the Spanish University System

On-site universities by ownership



Source: Ministry of Universities

The Spanish University System

In the 2020-2021 academic year, the Spanish University System (SUS) had 84 universities, of which 76 are face-to-face (47 are public and 29 are private), six are distance learning (one public and five private) and two are special universities (both public), which only offer special master's and doctorate programmes. With 16 universities (14 on-site and two distance learning), Madrid ranks first in the regional distribution of universities, followed by Catalonia and Andalusia, with 12 and 11 respectively.

A total of 1,061 university centres were registered including schools and faculties, 537 university research institutes, 50 doctoral schools, 54 university hospitals and 76 foundations, demonstrating a highly varied distribution.

In terms of degree offerings, in 2020-2021 the SUS offered around 8,928 degrees, including on-site, off-site and special universities (both public and private) across all levels of study (bachelor's, master's and doctorate).

On-site universities accounted for 94% of the total number of degrees, indicating the high level of diversification. In the distribution by type of study, bachelor's and master's degrees registered similar figures of 45% and 42% respectively, with the remaining 13% corresponding to doctorate degrees.

Internationalisation

The international positioning of universities has become a key factor in a globalised world

The international positioning of universities has become a key factor in a globalised world. In an increasingly globalised and digitalised world, given the global health crisis of 2020, the internationalisation of universities has become a key factor closely linked to the quality and reputation of teaching and research, as well as a driving force to enhance their competitiveness among neighbouring countries. The presence of university institutions in international rankings is a very significant aspect and a primary channel for attracting talent (students, teachers and researchers), who are seeking a prestigious and internationally recognised training or work environment, as well as playing a fundamental role in the visibility of the institutions.

Three of the most reputable classifications are the QS World University Rankings, the Academic Ranking of World Universities (ARWU) and the Times Higher Education (THE). 56 of the 76 on-site universities appear in these lists, of which 25 are included in all three, 16 in two, and 16 in only one. Madrid, Barcelona and Valencia, with nine, seven and three

institutions respectively, account for a third of the most internationally recognised universities. According to the 2021 edition of the student satisfaction report carried out by Studyportals, Spain ranks first among international students from 121 countries, with 4.33 points on a scale of 5.

The study analyses feedback from over 100,000 students on aspects such as the admissions process, student-faculty interaction, student diversity, quality of life and professional development. In the latest edition, two extra categories were added to assess both the online classroom experience and Covid-19 crisis management.

Spain's score was above the global average in all categories, with the quality of life of students scoring 4.5, while the average stood at 4.07.

Another significant aspect when discussing the internationalisation of the SUS is teaching in other languages. Increasing multi-lingualism and multi-culturalism also implies growing

internationalisation, without neglecting the importance of Spanish (the second most widely spoken language in the world) as a vehicular language for higher education.

According to the Spanish Service for the Internationalisation of Education (SEPIE), 20% of undergraduate degrees taught in on-site universities and 17% of master's degrees are offered in another language, of which English is present in almost 95% of the total.

When comparing universities by ownership, there are almost no variations. Private universities score a few tenths of a point higher at both levels of study, an insignificant difference.



Students in the SUS

According to the data provided by the Ministry of Universities, in the 2020-2021 academic year the SUS had 1.68 million students, of which 1.38 million were enrolled in on-site universities (the group that includes potential residents of student housing). The year-on-year variation in the number of students enrolled in on-site universities is favourable (+1.4%), although the growth will be determined by

private centres, which increased by 6.28%, compared to 0.59% for public institutions.

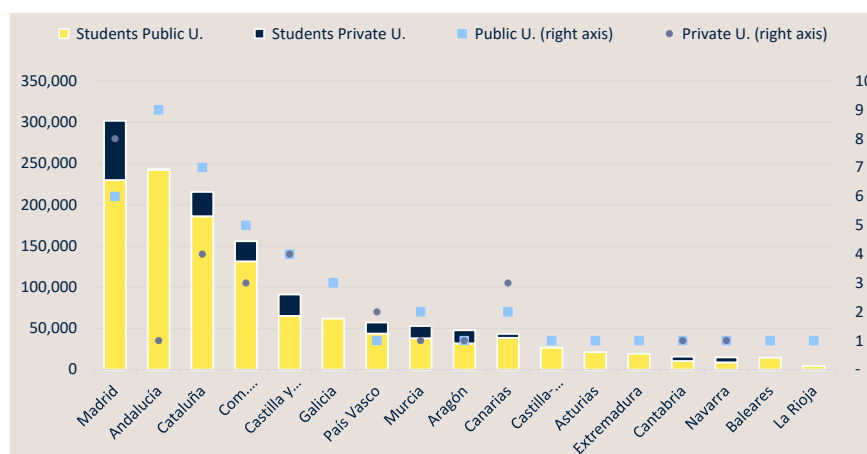
Level of Study

Madrid leads the regional distribution with 300,024 students (including bachelor's, master's and doctorate degrees) distributed across 13 universities, representing 22% of the national total. This is followed by Andalusia, with 18% across 10 universities, and Catalonia, with 16% in 11 universities.

In the provincial analysis, second and third place went to Barcelona and Valencia, with 12% and 7.4% respectively across eight and five universities.

By level of study, students enrolled in bachelor's degrees account for 81% (just over 1.1 million). Master's students (nearly 173,000) and doctorate students (nearly 87,600) make up the remaining 13% and 6% of the total number enrolled in on-site universities.

Students enrolled in on-site universities by ownership and number of universities



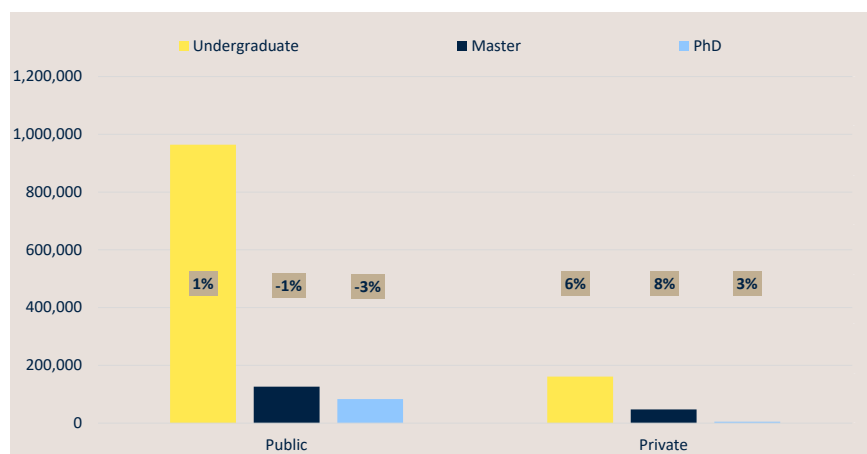
Source: Ministry of Universities

The distribution of students by level of study is very similar in public and private universities. The most notable differences are found in doctorate students, who account for 7% in public institutions compared to 2% in private ones, and in Master's students, who make up barely 11% in public compared to 23% in private.

The evolution of figures compared to the previous year shows an increase in all levels of study, except for Master's and PhD students at public universities, which decreased on average by 2%.

In the cumulative of the last five years, the only group to experience a decline in number was undergraduates in public universities (-0.68%). The number of master's students rose at both public and private institutions, but at different rates with 3.9% and 8.5%, respectively. The situation was similar with doctorate students, who increased more strongly in private universities (10.5% in public compared to 19% in private).

Students enrolled in on-site universities in 2020-21 by level of study and yoy variation



Source: Ministry of Universities

New Students

In terms of new undergraduate students, in the 2020-2021 academic year around 281,000 enrolled, representing around 25% of the total number of students in undergraduate studies (24% in public and 29% in private universities).

The year-on-year comparison demonstrates an increase of 1.5% in public universities and 7% in private. The performance since 2015 indicates the decline in the number of students in public institutions (-0.3% on average), while enrolments in private centres grew by 4.3%.

Origin of Students

The presence of international students (nearly 128,235 including bachelor's, master's and doctorate students) accounts for 9.25% of the total number enrolled in the SUS in 2020-2021. The participation of cross-border students varies considerably depending on the ownership of the institution; while in public universities they currently represent 8%, in private universities it is close to 16.5%.

It should be noted that the impact of Covid was reflected in the slight decrease in international student enrolments (-0.5% compared to the 2019-2020 academic year, accounting for a total of 626 fewer students). The group with the greatest decrease (-5%) came from Latin America and the Caribbean, falling by 2,551 students.

There are also differences according to the level of studies: 6% among undergraduate students (5% in public universities and 14% in private universities), 19% among master's students (18% in public and 22% in private) and 28% among doctorate students (28% in public and 24% in private).

The performance of international enrolments differed according to the type of university. While public institutions decreased by just over 2,100 students (-2% y-o-y), representing only 8% of the total, private universities

registered nearly 1,500 more enrolments than in the previous academic year (+4.5%), reaching 16% of the total.

On average in recent years, international students made up 6% in public universities and almost 12% in private.

By level of study, it is important to highlight the sharp decline in the arrival of international master's students. In 2020-2021, there was a decrease of 11% driven by the 15% drop in public universities.

Although the number of international doctorate students did not suffer any cuts, it should be noted that their presence has significantly reduced in recent years. While in 2020-2021 they represented 1% and 7% in public and private universities respectively, this contrasts with their presence in the historical series of 13% and 20%.

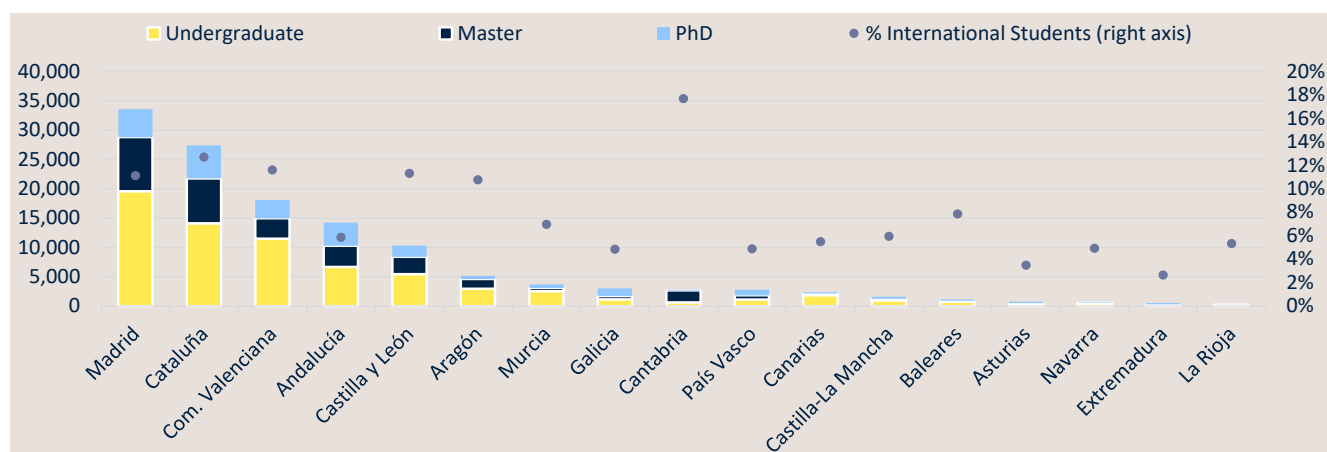
On the other hand, undergraduate students increased in both public (4%) and private universities (6%), but it is worth noting the impact caused by the health crisis which resulted in a notable slowdown compared to the previous year's growth (11% and 14% in public and private universities, respectively).

The regional distribution of international students is based on data from 2020-2021

and reveals a clear preference for Madrid (with 22% of the total). This is followed by Andalusia and Catalonia, with 18% and 16% respectively, although the percentage they represent is in respect to total enrolments in the autonomous region. In this sense, Navarre is the region with the greatest presence of international students (18%), followed by Catalonia and Cantabria, both with around 14%. Madrid occupies sixth place in the region with almost 11%, with Andalusia dropping to tenth place with barely 6%.

In terms of the origin of international students, the largest group comes from Latin America and the Caribbean, accounting for 35% of the national total, followed by students from the European Union (34%). Although the groups from the European Union, Latin America and the Caribbean continue to be the most numerous, the analysis by type of university shows that the percentage varies considerably. Thus, students from the European Union comprise 43% of the total in private institutions and 29% in public, while the Latin American and Caribbean group accounts for 36% in private institutions and 32% in public.

Regional distribution of international students enrolled in on-site universities by level of study and their weight with regards the total number of students



Source: Ministry of Universities



Student Residences

According to the latest report from DBK *Residencias para Estudiantes* published in January 2021, the number of accommodation places in the Spanish market at the end of 2020 was 97,290, distributed across 1,053 centres. Madrid concentrates 22% of the national places and leads the regional ranking, followed by Catalonia, with 16% (15,298) and Andalusia, with 14% (13,873).

At the other extreme are the Balearic Islands, La Rioja and Cantabria which, with less than 1%, account for barely 2% of the national total.

In terms of provincial distribution, Barcelona ranks second with 12,786 places while Salamanca comes in third, with 4,410 beds. Valencia occupies fourth place, with 4,325 beds, but it should be noted that it is the third province in terms of students enrolled in the SUS.

The average size of the assets is 92 places. In 20 provinces the average size is well above the national average, of which Malaga with 159 stands out, along

with Madrid and Barcelona, each with more than 110. Among the provinces with smaller centres, there are some that are ahead in terms of the number of students enrolled, such as Valladolid and Salamanca, with 88 and 58 places on average, respectively.

It should be taken into account that the domestic market is highly fragmented, mainly privately-owned (often religious orders) and characterised by a high level of disrepair. The arrival of large international groups, now focused on development activity, is improving the quality of the stock and the average size of the assets, as they generally carry out projects of >200 beds. The entry of new developments will enable them to create a portfolio that meets international standards.

The provision of beds, calculated by the total number of students enrolled and the total number of beds available, indicates the market's capacity for growth. The national average is 7.1%, which means that the ratio of beds per student is 1:14.

The comparison with a mature market such as the UK shows enormous potential for growth, with a bed provision rate of 33%, equating to one bed for every three students.

The regional analysis shows large differences between the minimum and maximum values (16% in La Rioja and 2% in Murcia). The autonomous regions with the best bed provisions are La Rioja, Castilla y Leon and Navarre (all with >14%), while the Canary Islands, Cantabria and Murcia are at the bottom, with 4%, 3% and 2% respectively.

In the last five years, the number of bed places has grown by more than 10% cumulatively, but the number of beds has increased by only half a percentage point.



Main Operators

The top 10 private operators account for around 9% of the total number of university accommodation centres, making up 23% of the total number of beds. The autonomous regions with the largest number of beds in the student housing market are Madrid, Catalonia and Andalusia, which also have the highest number of students enrolled in the SUS on-site universities.

The analysis by province places Madrid, Barcelona and Seville in the top three, followed by Valencia and Malaga. Madrid, Barcelona and Valencia all have a strong presence of international students (>10% of enrolments), including Erasmus students. Seville and Malaga, although hosting a more modest share of international students (both enrolled and Erasmus), serve as focal points for attracting language tourism.

Six of the top 10 operators have centres in Madrid, five in Barcelona and Seville, four in Malaga and two in Valencia.

Main Operators in the Market (Top 10 by number of places)

Operator	No. of Places in Spain	Market Share
RESA	9,244	9.5%
The Student House Company (Nexo Residencias)	2,211	2.3%
Student Property (Mi Campus Residencias)	2,280	2.3%
Xior Student Housing	1,764	1.8%
Livensa Living	1,757	1.8%
Residencias Campus	1,200	1.2%
Mi Casa Inn	800	0.8%
Alfonso X El Sabio	763	0.8%
Youniq Student House	715	0.7%
The Student Hotel	626	0.6%

Source: DBK



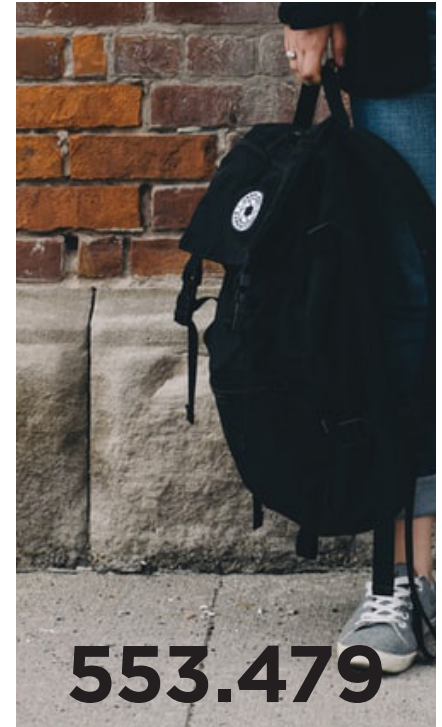
128.235

International Students



52.830

Students Erasmus*



553.479

Mobile Domestic Students

*Curso 2018-2019

Potential Demand

The importance of international students is of significant interest to the student residence market. Although they represent a small part of the total number of students, they are key potential residents for university accommodation (128,235 enrolled in the SUS on-site universities in 2020-2021, according to data from the Ministry of Universities).

Another key group making use of student accommodation are Erasmus students, who are not included in the data provided by the Ministry of Universities as they are not enrolled in the Spanish university system.

According to the latest data published in December 2020 by the European Commission in its Erasmus+ Annual Report (corresponding to 2018-2019), Spain was once again the first country to receive the most Erasmus students in higher education. In total, 52,830 students

from other countries decided to pursue a part of their university studies in Spain. This figure is much higher than the other countries in the top five main destinations: Germany has the second highest number of Erasmus students, with 34,750, followed by France, with 31,063; the United Kingdom, with 30,501; and Italy, with 29,516. Spain saw an increase of more than 1,500 Erasmus students compared to the same report in 2018 for the 2017-2018 academic year (+3%).

Finally, national students who study at a university outside their usual place of residence complete the group of potential demand. The report *Datos y Cifras del Sistema Universitario Español, a 2020-2021* publication prepared by the Ministry of Universities, includes a brief reference to the internal mobility of undergraduate students. This indicates that in the 2018-2019 academic year, 29.6% of national

students enrolled in on-site universities had their usual place of residence in a province other than that of the university centre in which they enrolled.

Therefore, the total potential demand is obtained by adding up the available figures for the above groups. It consists of international students enrolled in the SUS (128,235), Erasmus students (52,830) and 29.6% of national students who, according to the Ministry, are enrolled in a centre located in a province other than their usual residence (372,414). This results in a total potential demand of 553,479 students. Although there has been a decrease of 6% compared to the previous year's figure, the result is a far cry from the existing 97,290 places in the Spanish market (according to the latest DBK report).

Pipeline

During 2021, 20 projects will be delivered in the student housing market, providing almost 5,100 new beds, to surpass the psychological barrier of 100,000 beds. Between 2022 and 2023, around 14,600 new beds will be added to the market through 36 projects. Despite the massive influx of new university accommodation places, the bed provision will increase to only 8.3%, accounting for one bed for every 12 students (current levels stand at 7.1% and 1:14).

The average size will rise by more than 10% to 105 places.

With regards to the location of the new projects, Barcelona, Madrid and Seville (in that order) account for a large part of the activity, representing a combined 53% of the new centres and 63% of the places planned between 2022 and 2023.

Although Seville will incorporate only three projects, two of them are among the largest in terms of beds (>600 places), making the city the frontrunner for the average size of new developments (609 beds).

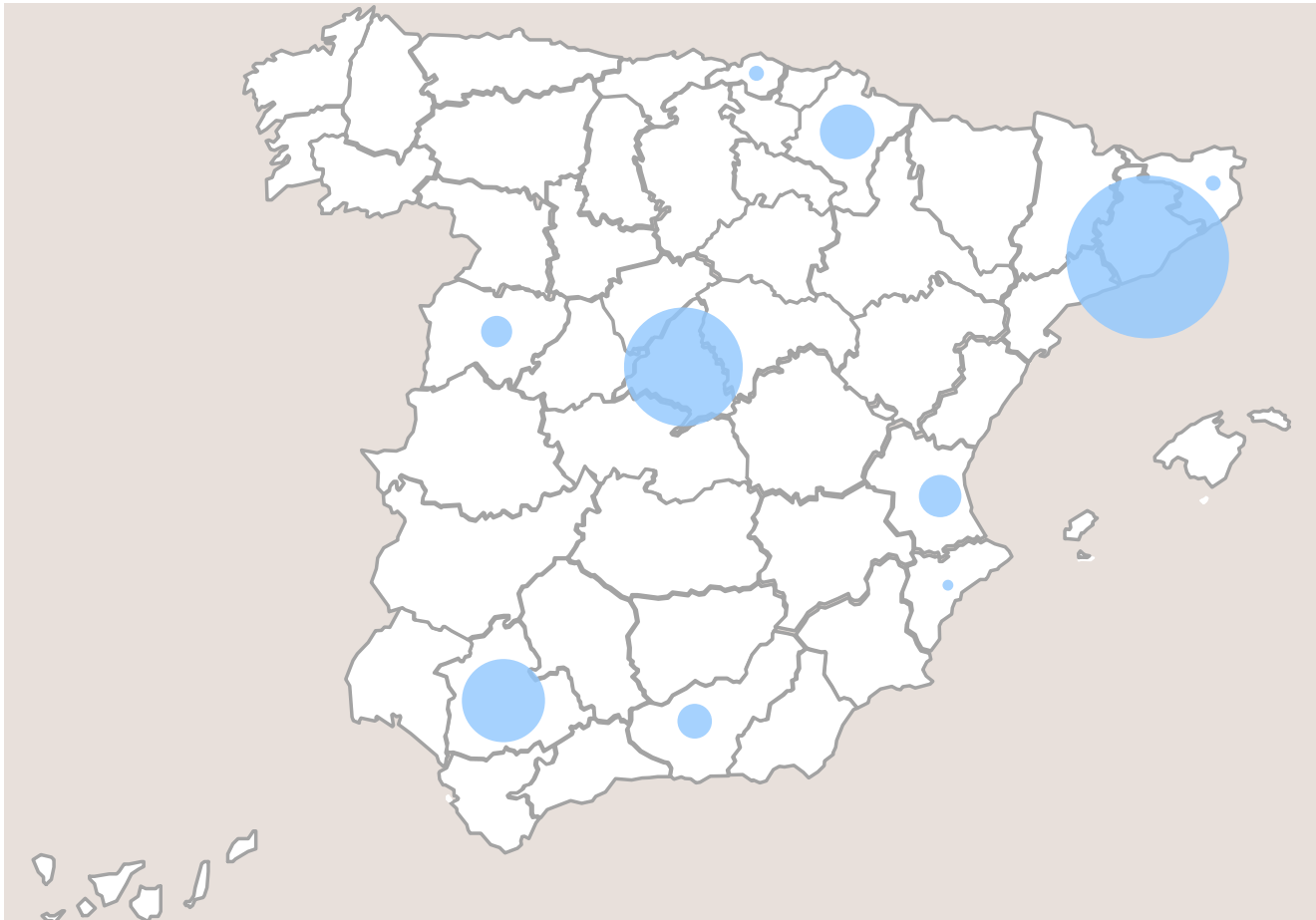
Moraval Valeo and MiCampus are the groups that currently have the most developments

underway with planned incorporation in the short term (33%) and they are also the groups that are incorporating the most places into the market (around 35%).

Additionally, more than 40 future projects have been identified that would add more than 9,600 beds. Some of these are still in the preliminary stages and do not specify the delivery date. Others may never leave the planning stage due to the owner's weak financial situation. In other cases, there are potential uses for future projects of which student residence is one, but this is not yet defined.

Map of New Developments

(bubble size represents the number of places)



Source: Savills Aguirre Newman Research



Trends

The marked degree of disrepair of much of the student housing stock contrasts with the fresh and modern designs of new developments, which seek to offer students not only a place to live, but also to share experiences in a diverse environment formed by a broad community.

With regards to the layout and design of spaces, worth highlighting is the importance of common areas. Whether they are intended for leisure or study and collaborative work, they should always encourage socialising and connection with peers, as well as cover the technological needs required by current demand.

Lighting is a key factor with the most-used spaces being relocated from lower ground floors to upper levels of the building. The prominent location makes the room more welcoming, allowing the use of natural light.

Common areas are not limited to a dining room, library and TV or games room. When possible, a swimming pool or gym is incorporated. This might not be necessary in highly urban locations where agreements can be made with gym chains in the vicinity.

Digitalisation and new technologies are also impacting the student residence sector. One of the most widespread options is to replace the traditional key with an access card or bracelet, which will allow entry not only to the room, but also to common areas and the building.

On the operational side of the asset, different systems are also incorporated to facilitate the management of various services, increase security and reduce energy consumption. Overall, it takes advantage of the innovations available in other segments of the real estate market.

In terms of room space, single rooms are becoming increasingly more important. They generally cover a minimum of 85% of beds, although some projects are already planned with 100%.

The incorporation of the bathroom in the rooms is already an essential and highly valued aspect, as there are still university residences and residential colleges with shared bathrooms.

All new developments include a kitchenette in the rooms with a small refrigerator, microwave and sink, and sometimes even a hob and extractor fan, which give the resident a certain degree of autonomy so that they do not depend exclusively on the centre's catering service.

The average room size in new projects will be around 15 sq m useable space for single rooms and 22 sq m useable space for double rooms.

Another format that is already on the market and is also being considered in some projects are clusters of single rooms which, like small flats, share a small kitchen and/or bathroom. In the case of two rooms, this model is called twodios.

With regards to catering solutions, until now the most common option was to offer a full- or half-board service, but some international groups operating in Spain no longer consider this, mainly in centres where the profile of residents is more international. The dining room service would be replaced by a cafeteria on the ground floor, which would also be open to the general public and offer



a careful selection of dishes oriented towards healthy eating and lifestyle. In order to create a pleasant atmosphere and transform the stay into an enjoyable experience, the design of the space would follow the style of trendy restaurants.

This option is mainly found in cities such as Madrid and Barcelona. Tier 2 locations, such as Seville, Malaga, Granada, Salamanca and Pamplona, are more focused on a traditional demand that mainly requires full board, although projects have already been identified that dispense with a dining room. Instead, they include a kitchenette in the rooms, not only with a microwave but also with a hob.

The full-board model will most likely evolve to adapt to current demand. The option of a cafeteria service will continue to be available, but not imposed, instead with the payment of meal tickets taken at the centre.

Finally, university accommodation centres are usually located in the immediate vicinity of a campus, faculty, or in the city centre, provided it has good connections to university areas. However, in large

cities, such as Madrid and Barcelona, more locations have already been identified in decentralised zones, provided they have good transport links to the areas where the teaching facilities are located.

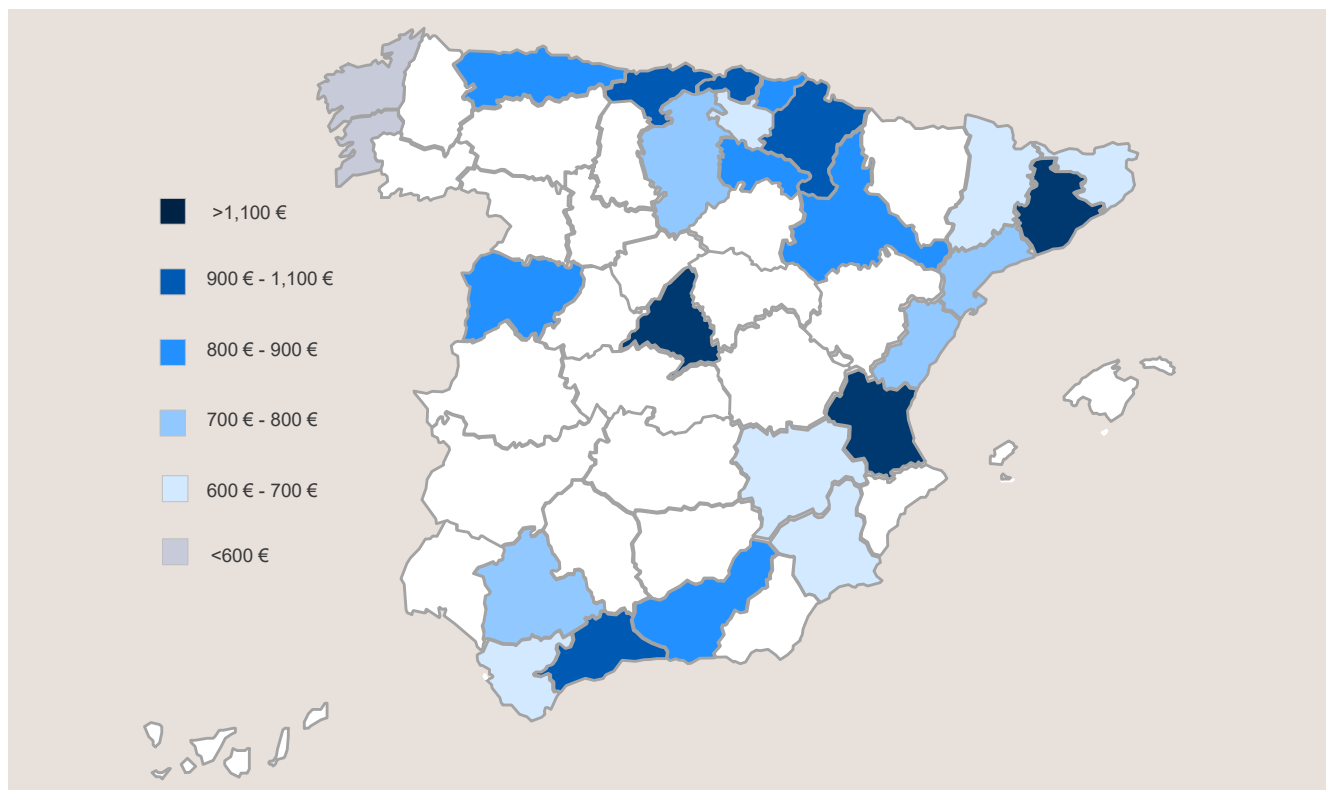
Sustainable building models have also been introduced to the student housing segment. The various players in the market (developers, operators, investors, etc.) are becoming increasingly more aware of the environmental impact of developing and managing assets, trying to responsibly give back to society.

The integration of sustainability standards is carried out from the design and construction phase. This continues after the building is in use, with the implementation of policies and activities in the green spirit of the project.

The following aspects will inform and promote day-to-day commitment to the environment: encouraging the use of public or shared transport, catering services based on local products, channelling surpluses through social canteens, proper waste management, promoting care for the planet and the

impact of climate change through social networks and volunteer activities, etc. These will increase the likelihood of a change in personal habits focused on sustainable development.

Map of student housing monthly average rents in the locations where the top 10 operators have schemes



Source: Savills Aguirre Newman Research

Student Housing Monthly Rents

The analysis of fares in the student housing market is becoming more multi-faceted. In addition to price differentiation according to the choice of single or shared room and catering (full board or half board), many more factors have been added, such as length of stay, additional services (laundry, change of bed linen and towels, and room cleaning), individual or standard water and electricity consumption, room size, orientation, height, etc., all of which make it difficult to establish consistent comparisons.

The comparison has been made on the assets owned by the 10 primary market operators, which account for 23% of the places and 8% of the centres in the total market (according to data from the latest DBK report). Therefore, the study focuses on assets of best and average quality,

discarding all the outdated product of lower quality. In any case, it should be taken into account that some of the centres considered for the analysis are administrative concessions of public universities, which would have a price ceiling. On the other hand, although only single room rates have been considered, there are also differences in terms of the type of room, as those integrated in clusters or flats register lower price levels.

Although it is still most common for student residences to offer an all-inclusive package with some catering services, it is becoming increasingly common for centres to start with a basic accommodation rate to which services will be added. For the rent analysis, we have considered the rates for single rooms, long stay (full academic year) and full board. For centres that do

not offer catering, we have estimated an increase between €260-290 per month.

The result, grouped by city level, shows that Tier 1 locations (Madrid, Barcelona and Valencia) would slightly exceed €1,200 per month on average. Between categories 2 and 3 there is barely a €90 difference, with Tier 2 locations close to €900 per month (Seville, Malaga, Granada, Salamanca, Pamplona and Bilbao) and Tier 3 locations at €810 per month (San Sebastian, Santander and Zaragoza). Tier 4 cities (all other cities where the top 10 operators are active) barely reach €700 per month.

Investment

The student housing segment has gradually moved from being considered an alternative asset to being an entity in its own right. In recent years, the living sector has progressively gained importance in the investment market. While all segments are subject to cycles and the health crisis has clearly affected the real estate sector, demographic and socio-economic indicators support the strength of the following: nursing homes (ageing population and increasing life expectancy), rental housing (decreasing household size and delayed access to home ownership due to the difficulty of obtaining a down payment and financing constraints), and student residences (increase in young population in the coming years, growth in enrolment figures in on-site universities, and rise in the relative presence of international students).

As in all other real estate markets, investment activity in student residences suffered during 2020 due to the mobility restrictions caused by the health crisis on the one hand, and the overall wait-and-see attitude in the face of uncertainty on the other. The market contracted by 27%, in line with the 30% decline in the commercial sector as a whole.

However, the market has regained momentum, with just over €400m

transacted between January and October, now accounting for more than 21% of the 2020 total.

The average annual volume over the last three years is around €370m. 2017, with just over €900m transacted, marked the peak of the market, although it should be noted that 65% of the total (€605m) came from just two transactions: the RESA residential portfolio acquired by CBRE GI and AXA (€425m) and Nexo, acquired by GSA (€180m). Excluding these two deals, the annual volume stands at around €360m, in line with the annual average between 2018 and 2020.

It should also be noted that the market started to gain traction in 2017. Since then, 86% of the total in the historical series has been recorded.

Another important aspect is the scarcity of quality operational product for sale, which leads investors to opt for land transactions for subsequent development or forward purchase format deals (12% of the total transacted and 21% of deals since 2017). This allows them to create the type of product that adapts to their quality standards and to the requirements of current demand.

On the other hand, the market still has room for growth. A potential demand of 553,479 students has been estimated, far exceeding the existing 97,290 places in the Spanish market (according to the latest DBK report). This figure has been calculated from the latest available data for international students enrolled in the Spanish university system (128,235), Erasmus students (52,830) and the 29.6% of national students who, according to the Ministry, enrol in a centre located in a province other than their usual residence (372,414).

The most sought-after locations in the last few years continue to be the most in-demand today. Madrid, Valencia and Barcelona remain in the top three. In fact, Valencia is already ahead of Barcelona due to the limitations imposed by the City Council through the Plan Especial Urbanístico de Alojamiento Turístico (PEUAT), which regulates tourist accommodation, as well as youth hostels, collective residences for temporary accommodation and housing for tourist use, making it necessary for investors to leave the municipality of Barcelona.

Other Tier 2 locations, such as Seville, Malaga, Granada, Pamplona, Salamanca and Bilbao are also on the radar as they are university cities with prestigious and reputable institutions, which means a greater capacity to attract international students and those from other provinces where the number of beds is still scarce.

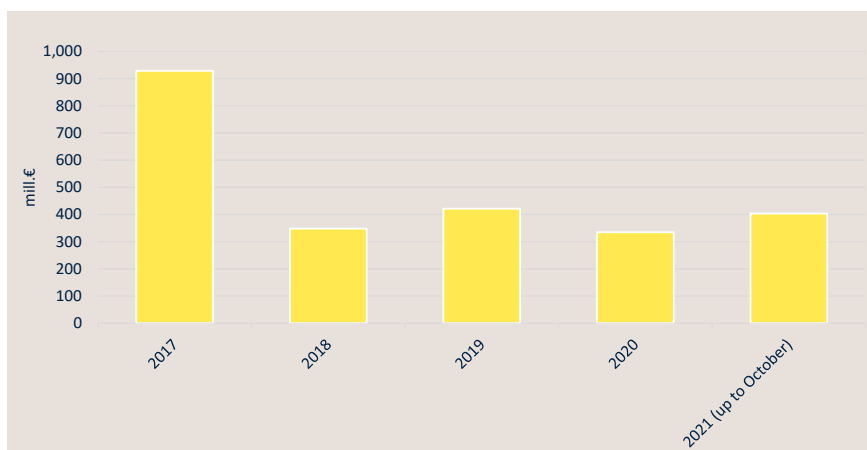
The profile of buyers active in the market is mainly international, although the creation of joint ventures (JVs) with international capital and local knowledge is becoming increasingly more frequent.

The high interest in the market and the significant level of liquidity continue to mark a clear trend of yield compression.

The yield for prime product in Madrid currently stands at 4.50%, although some trophy assets were transacted at lower yield levels.

In the last ten years the downwards yield adjustment has been close to 200 bps.

Investment in the Student Housing Market



Source: Savills Aguirre Newman Research



The post Covid-19 era

The health crisis brought about by Covid-19 raised a big question over the immediate future. During the months of lockdown, technology was the main tool and support for learning and teaching. As a result, online training may become more important from now on, at least in some specific areas of knowledge or in some types of training, as the high degree of hands-on experience in others would make it difficult to teach exclusively remotely.

It should also be noted that the number of students enrolled in distance learning universities has grown steadily in recent years (+4.68% on average over the last five years), driven mainly by Master's studies (+17.14%).

In 2020, online education increased by 13.24%, thanks to strong growth in Bachelor's (12.76%) and Master's (15.20%) enrolments.

The acceleration in the digital transformation of education following the health crisis is undeniable. The pandemic has led to the widespread use of virtual campuses and digital tutorials and exams. Teaching staff has had to learn new teaching methods and students have had to adapt to new ways of learning, but face-to-face attendance is an irreplaceable aspect, at least during the first years of university education. For this reason, all academic institutions have made an enormous effort to return to the classroom, always complying with safety protocols and the recommendations issued by the health authorities.

In the latest report on student satisfaction prepared by Studyportals, the rating of the online classroom experience received the lowest score of the seven categories analysed (3.6 on average out of a total of 4.06 overall).

During 2021, face-to-face attendance has been the overall trend in the SUS, always adapting to the recommendations issued by the authorities to minimise the risk of infection and only occasionally opting for online mode during very specific periods. Therefore, the demand for university accommodation has not been affected to any great extent.

On the other hand, the market has very little dependence on the international student segment (9% on average), so most centres have continued to operate with occupancy rates similar to those of previous years.

The end of the vaccination rollout will be key to clearing the uncertainty about the future but, a priori, market dynamics point to a recovery in the short term.



Savills Aguirre Newman Research

We carry out a thorough and objective analysis of the real estate market in order to provide our clients with accurate information on the current situation in all sectors, helping them make the right decisions at each moment

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