

Spotlight Student Housing in The Netherlands

Summer 2015



SUMMARY

Including all new developments there is room for 50,000 new student housing units

■ According to the latest national forecast the number of full-time students in the Netherlands is estimated to increase by around 58,000 in the period till 2025 to just below 695,000 in total.

■ New legislation, which will take effect on September 1 this year and which will turn the current state grant into a loan, could have stronger effects than currently expected and might lead to lower growth figures and different housing preferences.

■ The number of new student housing projects is increasing substantially. In Amsterdam alone over 5,500 new rooms within purpose built student

accommodations could be added to stock in 2015 and 2016, and in total 10,000 more in the other major student cities in the Netherlands.

■ Our calculations show that, besides all known student housing developments, around 50,000 new student rooms need to be added to the Dutch stock to cover total demand. This demand is partly quantitative (a growing number of students and the existing undersupply) and partly qualitative.

■ This qualitative mismatch concerns demand being very much oriented towards individual units, while supply generally consists of rooms with

communal facilities.

■ Interest from national and international investors for the Dutch student housing market remains very high and is reflected in yields dropping to 5.5% from 5.75% last year for prime purpose built student housing with a long lease.

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“The Dutch student housing is seriously starting to mature as foreign interest is increasing substantially.”

Jan de Quay, Netherlands Investment
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“In the coming 10 years the student population is forecasted to grow by another 58,000 students.”

Jeroen Jansen, Netherlands Research

Higher education

The Netherlands has two forms of higher education. The first concerns the research universities, of which there are 14 situated in the country and six of them are listed in the top 100 ranking by the Times World University Rankings. The other concerns the 37 universities of applied sciences (Dutch: hoger beroepsonderwijs or HBO), of which a number are branched out to multiple cities.

While in some cities students at MBO (literally: middle-level applied education) do form a substantial part of the student population, they have relative low presence in student housing and are therefore not taken into account in this report.

Number of students

Data from DUO lists a total of 690,300 students enrolled at the start of the current 2014/2015 academic year. Students at research universities form 38.9% of the total student population, very similar to the previous year.

The yearly updated 'Referentieraming' forecasts the number of students at every school level in the Netherlands. The most recent estimate, the Referentieraming 2014, saw a steeper growth in the number of students in 2013/2014 and 2014/2015 as the new legislation concerning the study grants was postponed to 2015. In 2015 the inflow of students is foreseen to drop back to the 2011 level.

The number of full-time students will be increasing from 635,500 in 2014/2015 to 693,500 in 2024/2025 (+58,000 or 8.4%). In this figure the growth of the number of foreign students is included.

International students

The large and increasing share of English taught programmes combined with a still relative low tuition fee remain valuable assets in attracting international students. Data from VSNU/CBS shows that the number of foreign students at research universities has almost doubled over the past 7 years, from 17,700 in 2008/2009 to 32,500 in 2014/2015.

Currently 13% of the total student population concern international students, of which one quarter concerns students originating from outside the European Union. They are primarily enrolled in Master programmes and are living in the Netherlands for 1 to 2 years.

Next there is a fair share of students which, in Erasmus type programmes, study for maximum 1 semester in the Netherlands. In 2013 Nuffic estimated

MOOCs: threat for student housing?

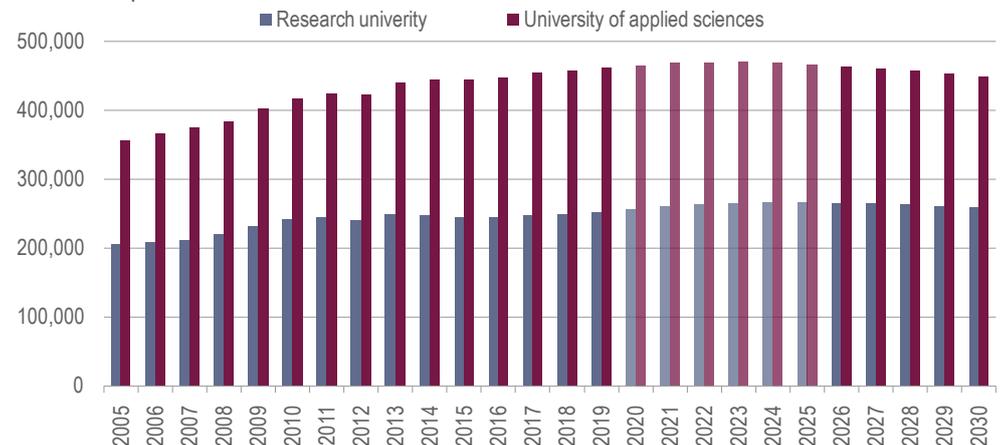
MOOC is an acronym for massive open online courses and refer to online (university) courses with unlimited participation, albeit not always free, accessible via internet and with interactive user forums to support community interactions between students, professors and teaching assistants.

MOOCs are a relative new phenomenon. It was only in 2012, when a.o. MITx, edX, Harvardx, Coursera and Udacity were founded, that MOOCs became well-known. Various Dutch Universities also started MOOCs, among them TU Delft, Leiden University and the UvA. At the Delft Technical University already 400,00 people globally have participated in one of the 18 MOOCs or signed up for one that will start shortly.

While MOOCs seem disruptive in nature, they offer opportunities for universities to innovate their education and (re)position their university.

Concerning student housing, we consider the current impact of MOOCs to be very limited. First of all, as colleges and legitimate accrediting bodies don't accept MOOCs, participants can't earn a recognised academic credential. Secondly, participants are on average older, often have jobs and follow courses as a side activity. This also shows in the small proportion of participants (generally less than 10%) that actually finish their course.

GRAPH 1 **Number of students** The total number of students is expected to rise by 58,000 up till 2025



Graph sources: Referentieraming 2014

→ this number to be around 25,000. These students are not incorporated in the figures mentioned above.

The number of international students at universities of applied sciences stands at 26,500 currently, 500 lower than last year. While this number increased substantially in the past years, recent data shows that among new enrolments, the number of international students has dropped substantially. While a cause is yet to be determined, the Dutch universities organisations (VSNU and HBO-raad), did produce a report on the importance of attracting foreign talent to Dutch universities and state that competition from other countries is getting stronger and the Netherlands has to better position itself, among others via 1,000 new international scholarships for top students.

Stock

While demand for student housing is large, a substantial number of new developments is ongoing. Looking just at the city of Amsterdam, Savills identified 14 student housing developments in 2015 and 2016 alone. These new developments will add around 5,500 rooms to the existing stock of almost 22,000 purpose built student accommodations (PBSAs). In all major student cities in total over 10,000 new units are projected to be realised in this period.

A large subset of these new developments relates to redevelopments of former office buildings. This provides for new rooms and brings down the office vacancy. Excellent example is Diemen, a satellite city of Amsterdam, where the redevelopment of empty offices to student housing (Campus Diemen Zuid) and residential (Holland Park) has brought office vacancy down to 4.0%.

Also the redevelopment of the 14,200 sqm former office of Rijkswaterstaat in Arnhem into 293 student units is an excellent example.

GRAPH 2
Supply rooms by asking rent Over 70% of all Amsterdam rooms are priced at over €450 per month



Graph source: Data Kamernet 2014, edited by Savills

Rents

According to data from kamernet.nl the average rent within the 10 largest cities with a research university is €354 per month. This includes furnished rooms, but does not include apartments and studio's. The average rent for these is much higher, €597 per month, but can in many cases be shared.

The rents in Amsterdam are, again, highest of all: €494 per month per

Investment market

In an earlier publication (Savills Spotlight World Student Housing, May 2014) a number of major global student housing markets were put on a maturity timeline. The Dutch student housing is among the markets which seriously started to mature in recent years as foreign interest is increasing substantially.

In the course of 2014 a number of

“The number and scope of new projects shows that the student housing market is developing rapidly into a market with products for all types of students.”

Bas Wilberts, Netherlands Investments

room, followed by The Hague (€404 per month) and Rotterdam (€396). The average price per sqm per month is €36 within Amsterdam, and between €20 and €26 in all other cities. However, as average price levels are just part of the story, graph 2 above provides for insight in the spread of the rent levels per city.

Mind that recent research by the LSVb among 3,000 students showed that in a majority of cases rents asked by private landlords are above the legal threshold, as defined in the WWS or point system. This is especially the case in cities with large undersupply, like Amsterdam, Utrecht and Leiden. Here, private landlords assume students are willing to pay extra just to get a room.

significant, often foreign, investments have been made in the Dutch student housing market, among them the €150m agreement in the summer of 2014 between German based International Campus (IC) and Dutch student housing association DUWO aiming at at least five new student housing schemes, as well as another €150m agreement between Perella Weinberg Real Estate and The Student Hotel. The Student Hotel will use the capital to expand their network in the Netherlands (a.o. a 574 room redevelopment of the Parool and Trouw towers in Amsterdam, a planned development in Maastricht-Belvédère in the Eiffel building and a 365 room project in Groningen-Ebbingekwartier) and other European countries. Third example concerns Hanson Asset Management investing €55m in a

residential project in The Hague, which will include 586 rooms for students.

National investors are also increasing their focus towards the student housing market, as for instance the investments of Bouwfonds (new projects in Amsterdam and The Hague, as well as the €110 million second closing of their European Student Housing Fund), Ravam (a conglomerate of Dutch family offices investing €35 million in temporary student housing at the Amsterdam South Axis) and Haerzathe Investments (setting up a fund for the second part of their Spinozacampanus development, which includes another 552 units next to the existing 700 units), clearly show.

In the first months of 2015 a number of noteworthy transactions took place. Bouwfonds IM purchased 'De Admiraliteit' in Rotterdam and will transform the former office building into residential (319 units) and student housing (268 units), the latter as part of the European Student Housing Fund. Certitudo recently purchased a 2,900 sqm office building in Arnhem, while it will also start with redevelopments in Rotterdam and Dordrecht.

As there are many more foreign investors open for acquiring student housing assets, it is more than likely that 2015 will see an even higher inflow of capital than 2014.

Yields

There is a substantial gap in yields between different types of transactions. At one hand transactions in which the investor at the buying side is long-term outsourcing the (commercial) management of the scheme, often including transferring vacancy risks to the manager, and on the other hand transactions in which the investor sets up its own local management organisation.

The likes of Syntrus Achmea, Haerzathe and IC are prone to do the first and accept lower yields in exchange for lower risks. Other investors, such as Crosslane, The Student Hotel and Greystar, opt for the choice of managing the schemes themselves and thus aim for higher yielding transactions.

The expected prime net initial yield for commercial student accommodations with a long lease agreement stands at around 5.5% (-25 bps compared to last year), whereas prime net initial yields for purpose built student accommodations with a management agreement range from 6.25% to 6.75%.

OUTLOOK

■ New student housing projects are added to the development pipeline on a regular basis. As these are often redevelopments of empty offices, they address two problems at the same time.

■ Still the pipeline is not large enough to cover the overall demand and new ones have to be added. These are likely to also be redevelopments and increasingly concern redundant properties from public bodies.

■ An increasing number of these developments aim at students willing to pay extra for higher quality housing and added services. As the competition gets stronger, local assessments need to be made about the size of this market segment.

■ The new legislation concerning the student loan system could have a more substantial impact on the number of students than anticipated and potentially also on their housing situation. The coming one or two years will make clear how large these effects will turn out to be.

■ (Student) housing associations remain a major force in developing student housing. We do foresee commercial investors to take a larger share and form project based JV's with the associations.

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 "Some of the foreign investors will manage their own student housing schemes and aim at higher yielding projects." Jan de Quay, Netherlands Investment

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