

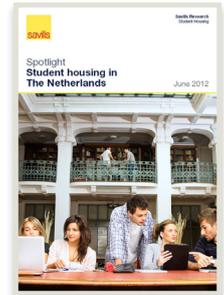


Spotlight Student Housing in The Netherlands

Summer 2012



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“Strong demand and positive rental growth make student housing an attractive investment opportunity.” Marcus Roberts, Savills Student Housing

Economy

Uncertainty is the keyword describing the current economic climate in the Netherlands. The government has to deal with the financial repercussions of the Euro zone sovereign debt crisis and will have to make drastic budget cuts in order to meet the EU requirements. These cuts will seriously affect the economics of both individual households and private companies. Households already face rising unemployment, lower spending power, decreasing housing prices and non-indexed pensions. No wonder that consumer confidence is currently even lower than in 2009 and household spending is dropping.

The 2011 growth of world trade has come to an end and for 2012 a decline of 1.75% is forecasted for Dutch exports. Following lower domestic spending and declining exports, private companies are cutting back on their investments, reducing risks and focusing on their core operations.

All in all 2012 will be a tough year. Households as well as companies and the public sector are focusing on cutting expenses and recovery will not come from world trade. For 2013-2015 economic forecasts show a small but steady economic growth between 1% and 1.5%, mainly supported by exports.

Student registrations

As noticed in the past economic downturns, weakness in the labour market has a positive effect on the number of applications in higher education. The same is happening in the current economic cycle when, following the credit crunch, the

number of students increased with an unprecedented 5.3% (31,000 students) in 2009 and another 3.5% (22,200 students) in 2010.

In 2011 a total of 668,000 students actively followed courses in either higher professional education or at a university. Over the past 20 years this number has increased considerably (+81%) and this increase is expected to continue in the years to come, both for academic and higher professional education. In 2020 the total student population is expected to have increased with another 150,000 students.

The total share of international students in the Netherlands has historically been relatively low, due to the fact that until the last decade the number of courses taught in English language were limited, while at the same time the number of Dutch- →

SUMMARY

Student numbers are rising

■ As in previous economic downturns the weakness of the labour market has coincided with a rising number of new student registrations, which increased by 5.3% pa in 2009 and another 3.5% in 2010.

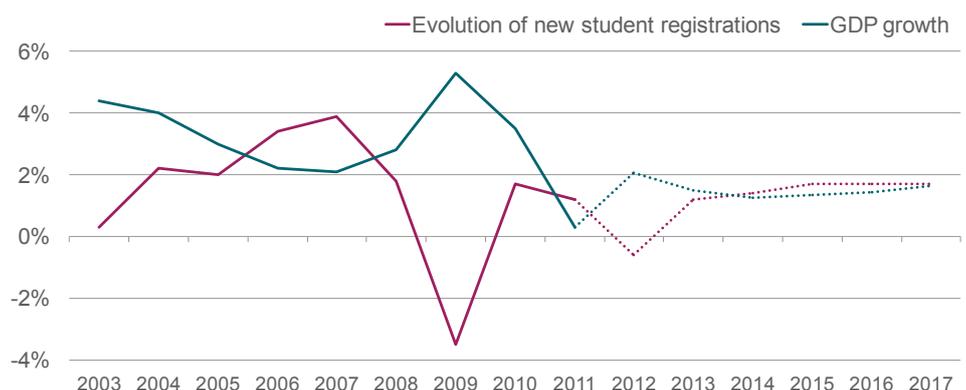
■ The number of foreign students has risen by more than 50% since 2005 and now accounts for almost 10% of the total student population. The rising offer of courses in English has contributed to this trend.

■ Taking into account the expected number of students by 2020 another 80,000 new places for student housing should be supplied.

■ In 2011 the national government designed a plan to speed up the number of new student housing developments. The goal is to realise 16,000 new student house places by the social student housing organisations in the period 2011-2016.

■ Gross yields for student residences range between 5.5% and 6.5%, depending on the location, the quality of the asset and, very importantly, on the underlying rental contract. This yield is higher than the achievable yields in the traditional residential sector and lower than gross yields for prime offices and shopping centres.

GRAPH 1 **GDP growth vs new student registrations growth** Demand for higher education is counter-cyclical



Graph sources: Focus Economics, CBS, RR2011

“The number of foreign students has risen by 51% in five years as more courses are offered in English.” Eri Mitsostergiou, Savills Research Europe

→ speaking foreigners were also limited. Currently over 1,500 programmes are taught in English, which combined with low tuition fees compared to other European countries has resulted in a strong rise in the number of foreign students over the past few years: +51% between 2005/2006 and 2010/2011. Due to the ongoing internationalisation of education, this number is expected to increase significantly over the years to come.

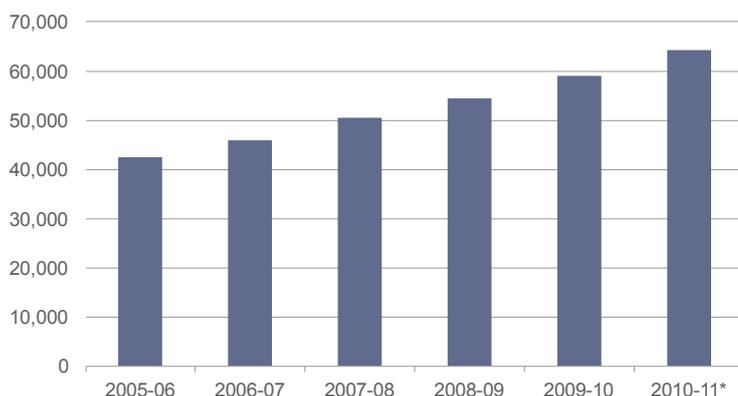
From the current foreign student population of 64,200, by far the most originate from Germany (38.6%) and China (8.5%). Other countries such as Belgium, Spain and France each account for 3-4% of the foreign students. The institute with the highest number of foreign students is the University of Maastricht with over 6,000 (42.9% of the total student population). The university of Maastricht benefits from close proximity to both Germany and Belgium. Institutes with a large share of foreign students are very much art and design oriented and are the smaller institutes. Codarts (Rotterdam), Gerrit Rietveld Academie (Amsterdam), University of Arts (The Hague) and the Design Academy (Eindhoven), all have over 30% foreign students.

Demand characteristics

39 institutes for higher professional education and 14 universities provide a learning place for 668,000 students, of which 52% are female. This percentage is now quite stable, but has grown considerably over the past years. In 1950 the male-female ratio was still 3:1, while 1999 was the first year listing more women than men. There is however a large variation in the male-female ratio per university depending on the subject orientation offered. The technical universities at Eindhoven and Delft are still male oriented, with just 18% and 23% of the total population respectively being female.

Compared to other countries the average age of students in the Netherlands is rather low. For bachelor students 81% are younger than 24 years, while for master students the equivalent figure is 54%. Both young undergraduate and postgraduate students spend similar amount of time on paid jobs (in both cases nine hours). On the other hand, older students, 30 years of age and above work on an average 25 hours per week, while spending 25 hours on their studies.

GRAPH 2 **International students** The number of foreign students has been rising by an average of 8.6% pa



Graph source: Nuffic (*estimate)

Amsterdam

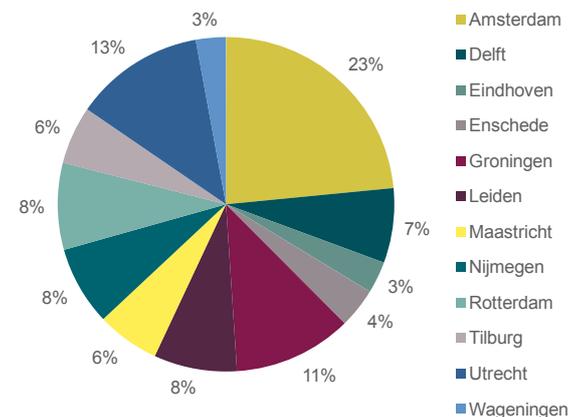
Student capital of Holland

Amsterdam - the capital city of the Netherlands - is known for its rich cultural heritage, diverse and creative culture, commercial dynamism and high quality of life. The city is a leading tourist destination, a coveted place to live and a prime spot for business. It is also the largest city in the Netherlands and provides for the largest number of universities, the largest number of facilities for higher professional education and of course the largest number of students.

Specific characteristics on the Amsterdam student population:

- 2 universities with 55,000 students, while in September 2012 the Protestantse Theologische Universiteit will open its doors;
- 22 facilities for higher professional education;
- Currently around 105,000 students;
- Expected growth 2010-2015: 17.9%;
- International students: 8,950 in 2015 (up 40.1% from 2010) or 7.6% of total population;
- Plus around 1,700 exchange students (data 2011) staying in Amsterdam for 6 months each;
- Demand for over 10,000 new student dwellings in the period 2010-2014 is likely being met.

GRAPH 3 **Students per city 2011** Amsterdam attracts almost one quarter of the total



Graph source: CBS

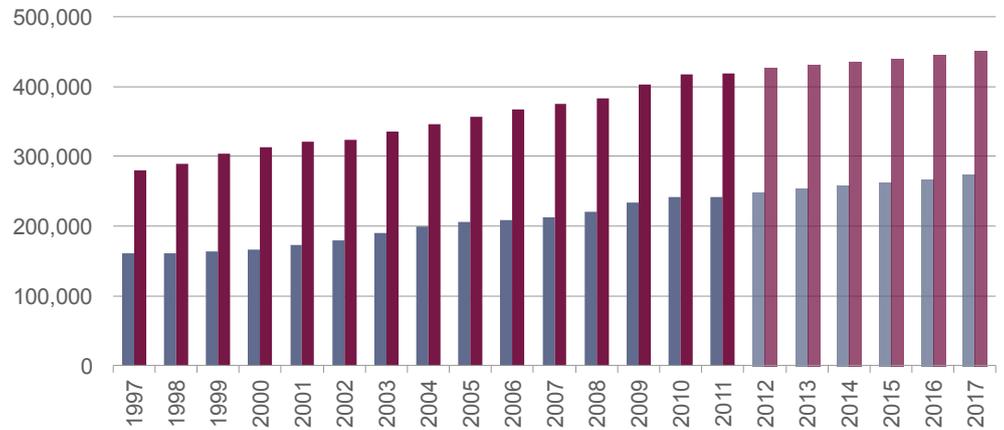
➔ On the expenditure side the study-related costs make up 20% of total expenses, while living costs account for the remaining 80%. Monthly tuition fees for bachelor students average €136 and for master students €187.

The housing situation does change significantly by age. Students within older age groups are more often married and have children and are therefore less likely to be living with parents or other persons. The Eurostudent IV research survey shows the majority of students (64%) living independently. 45% of the students living independently share their accommodation with (an)other person(s), 27% live alone and another 28% live with their partner (and/or children).

Qualitative research among independent living students has shown that they have a preference for an apartment with private facilities. The average income of students does however not always support this preference and therefore many students live in student halls with shared facilities. On the upside these student halls do provide for interaction with other students and do provide for additional facilities, such as gyms, libraries and bars.

With 18% of the total student population living in a student hall, the Netherlands is in line with the European average, although individual scores vary from a low as 2% in Switzerland to as high as 35% in Slovakia (Eurostudent IV).

GRAPH 4 **Number of students** The total number of students is expected to increase by 10% over the next six years



Graph source: Referentieraming 2011

“Taking into account the expected growth in the number of students by 2020 another 80,000 new places for student housing should be supplied.” Jeroen Jansen, Savills Research The Netherlands

Supply

The supply of student housing is shared among the social housing corporations, the private student housing market and the open housing market. Participants of Kences, an association of social student housing companies, house together more than 70,000 students, 16% of all independent living students. Of this supply 56% relates to accommodation

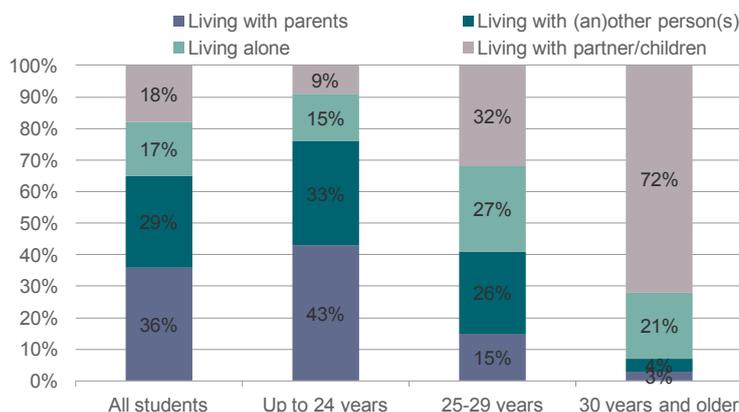
which offers shared facilities, the remaining 44% concerns student housing with private facilities.

The private student housing market relates mainly to students living in rooms let by private landlords. Many of those are rooms with shared facilities. Within the Netherlands the largest part of the independent living student population falls in this category. The supply in this market is less transparent and can fluctuate strongly, as private individuals sublet rooms to students.

Finally, the open housing market relates mainly to the regular rental housing, with accommodation often shared by two or three students. To a lesser extent it includes owner-occupation, referring to students who live in dwellings bought by their parents for investment purposes.

Taking into account the expected growth in the number of students between 2012 and 2020, around 80,000 new units have to be realized to meet the expected demand.

GRAPH 5 **Accommodation by type and age** Only one third of students live with their parents



Graph source: Eurostudent IV 2008-2011

Ranking of Dutch universities

10 universities in the top 100

Dutch universities perform well compared to other European universities at the different international listings. These listings do differentiate from one another on the basis of the criteria used. The Shanghai Ranking 2011, focusing on research results, puts six of the Dutch Universities in the top-60 and the Utrecht University at the 11th place.

The position of the Dutch universities within the Top-100 universities of Europe according to the Shanghai Ranking 2011.

11	Universiteit Utrecht
17	Universiteit Leiden
34-54	Radboud Universiteit Nijmegen
34-54	Universiteit van Amsterdam
34-54	Rijksuniversiteit Groningen
34-54	Vrije Universiteit Amsterdam
55-73	Technische Universiteit Delft
55-73	Erasmus Universiteit Rotterdam
55-73	Wageningen Universiteit
74-117	UniversiteitMaastricht
118-159	Universiteit Eindhoven
118-159	Universiteit Twente

“The government is planning at least 16,000 new student rooms that will be developed by the social student housing organisations.” Jan de Quay, Savills Investment Netherlands

Rental levels

In the private rental market students pay on average between €310 (private student halls) to €360 (solitary rooms and flat shares) per month. For social housing market accommodation the price levels are lower, due to strict regulations, and generally are just over €200 per month.

According to market evidence even during the economic downturn, student housing rental growth has remained positive, albeit more moderate than in the pre-crisis years. Overall student housing rental growth is linked to inflation (CPI) plus a maximum additional rate regulated by the government.

Rents vary from city to city. The lowest rents for private market accommodation are realized in Enschede, Eindhoven, Tilburg and Wageningen, below €300 per month, and the highest in Amsterdam, over €450 per month, while Haarlem, Almere and Hilversum, are all around €400 per month.

→ Major developments

Many new student housing developments are underway or planned. In November 2011 the national government designed a plan ('Nationaal Actieplan Studentenhuisvesting') to speed up the number of new student housing developments by enlarging the possibilities for temporary units and by lifting some of the strict building regulations. The goal is to realise 16,000 new student rooms by the social (student) housing corporations in the period 2011-2016, thereby focusing on the largest cities.

In the table listing recent commercial investments in student housing most deals are related to new developments. But beyond these there are numerous more, driven by social student housing organisations. One of those is DUWO, which is currently developing four projects in Amsterdam totalling over 1,500 units They also have another project at the Technical University of Delft where over the period 2013-2018 a total of 1,100 student apartments will be realized. Social housing corporations are also active in this sector. Among them are Vestia, which is building a

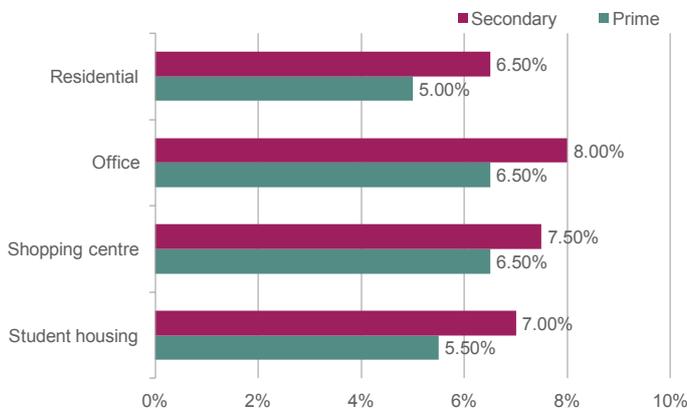
372 room building at the Erasmus University location in Rotterdam, Stadgenoot are redeveloping the empty GAK-building in Amsterdam into a 320 apartment student housing facility together with developer AM, and Idealis, which is developing a 345 student accommodation close to the Wageningen University.

TABLE 1 Investment deals The market is gaining investor and developer interest

Year	Buyer	Vendor	Asset
2011	Carlyle Group / City Living	Wealthcap	Rotterdam; Oostzeedijk; 11.300 sq m
2010	Carlyle Group / City Living	Redevelopment (former office)	Amsterdam; Jan van Galenstraat; 625 fully equipped student rooms
2010	Carlyle Group / City Living	Redevelopment (former office)	The Hague; Limburg van Stirum-building; 9,900 sq m; €8.85 million; gross yield 7.9%
2012	Syntrus Achmea	New development	Amsterdam; Villa Mokum; 279 student houses
2011	Syntrus Achmea	New development	Leiden; Campus location at the Leidsche Schans; 450 student houses
2012	Green Real Estate	New development	The Hague, Anna van Bueren-building; 5,000 sq m for Leiden University, 396 student apartments
2012	Axcellent	New development	Amsterdam-Southeast; 700 apartments in total; Axcellent will create a fund for part of them.

Graph source: Savills

GRAPH 8 **Gross Yields** The sector is still very attractively priced



Graph source: Savills

Niche for investors

The student housing investment market is small and has just started expanding. Only a limited number of institutional and commercial investors have entered this market, among them Syntrus Achmea with close to 1,000 student houses in the Netherlands and the UK originated City Living with one project in each of the three largest cities (Amsterdam, Rotterdam, Den Hague).

The current stock is mainly owned by social housing corporations, specialised student housing associations and by private owners. Increasing demand, high occupancy

rates and positive rental growth (linked to inflation) even during recession periods do point towards an increasingly attractive asset class. Most of the investment transactions are new developments, while some relate to redevelopments of existing real estate.

The expected yields for student residences range from 5.5% to 7.0%, depending on the location and the quality of the asset, however market evidence is still sporadic. ■

OUTLOOK

Positive rental growth prospects

- Projections show that the current number of students, at 668,000, will rise by another 150,000 students in the period up till 2020. This concerns both university students and students in higher professional education.
- Within the total population, the share of international students will continue rising, especially with an increasing number of courses taught in English language.
- The supply of student houses has increased significantly over the past years and the national government has introduced measures to speed up these developments even more to realise 16,000 new student rooms in the period up till 2016. These new developments are still not enough to provide for the increase in demand.
- This will result in continuing high occupancy rates and ongoing growth concerning the rental levels and will leave room for new types of developments, including those aiming at high quality, full service concepts for the top end of the market.
- The Dutch student housing sector is still an immature market, but is gaining interest from both national and international investors. Nevertheless deal and yield evidence is still sporadic.

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