Italian Spotlight – June 2023

SPOTLIGHT
Savills Research

Italy student housing Spotlight

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> The sector is promising and full of opportunities for investors and operators

Highlights

- University students over exceeded 1.8 million in the last two years with international students steadily increasing
- Total bed supply for students is concentrated in 5 main cities (Milan, Rome, Firenze, Torino, Bologna)
- Some 24,000 student beds are in pipeline and expected to be available in the market by 2026, a figure that is still insufficient to meet the pent-up demand
- Despite the general slowdown in the total investment volume, the PBSA volumes in Italy reached a new record in Q1 2023
- The new offer in the sector is driven by quality, services offered, comfort and facilities, which sustain higher rents

Key Figures

98
UNIVERSITIES

1.8 M
STUDENTS

32%
MOBILE STUDENTS

6%
INTERNATIONAL STUDENTS

67,400
BEDS' STOCK

4%
PROVISION RATE

Universities and students

Italy hosts a total of 257 schools for tertiary education: 98 are universities while the remaining are AFAM (Alta Formazione Artistica e Musicale) institutions legally recognised. Among universities, it is worth mentioning that 11 are telematic and 6 of them fall within the city of Rome; the 3 polytechnics are located in Milan, Torino and Bari.

The number of students has increased steadily in recent years, exceeding 1.8 million in 2021. In 2021/2022 academic year, international students increased and now represent 6.0% in universities (from 5.6% of the previous a.y.) and 15.2% in AFAM facilities (from 13.1% of the previous a.y.).

The share of mobile students is increasing (+3% YoY), not only because of the international component, but also thanks to Italian students that are becoming more and more oriented to move to cities where the best universities are located. Preliminary data for the academic year 2022/2023 show that new enrolments increased by 2% compared to the previous period.

Rome is the main Italian city for both number of schools (28 Universities and AFAM together) and number of tertiary students: around 280,000 students enrolled in the a.y. 2020/2021. Milan is the second city in terms of number of students and boasts the highest number of international students in absolute terms (more than 20,000). In Torino, 46% of students are mobile. Bologna reached the highest share of international students (13% of the total) but also of mobile students (52%). Among the five selected cities, Firenze registered the second highest share of domestic students (67%) after Rome; international students are around 39,000 while mobile 17,000.

Top 5 cities by number of university students (2021/2022)

1. ROME
280,000 students
6% international

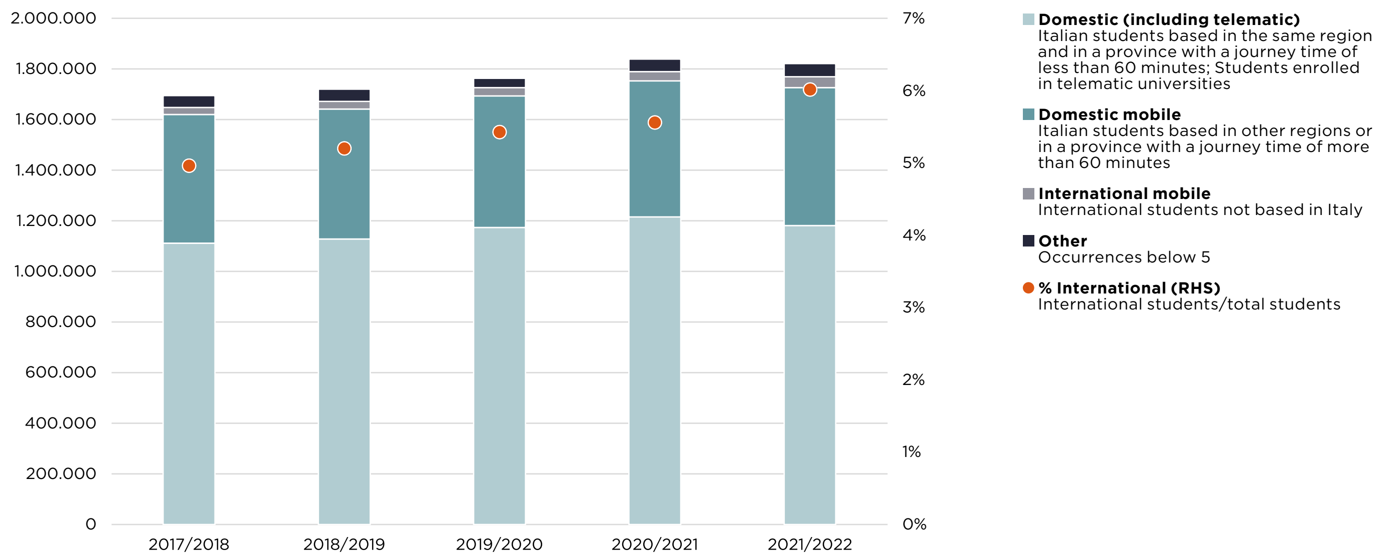
2. MILAN
187,000 students
11% international

3. TORINO
106,000 students
10% international

4. BOLOGNA
64,000 students
13% international

5. FIRENZE
52,000 students
7% international

Number of full time university students by accademic year



Supply and pipeline

Total bed supply for students in Italy stands at around 67,400 units. Public beds are the most present, especially those provided by DSU (Diritto allo Studio Universitario - Right to University Study) covering 72% of the total. In recent years private student accommodations are increasing their presence in the market and today they represent 22% of the total (against 19% in 2021).

Approximately half of total supply is concentrated in Milan, Torino, Rome, Bologna and Firenze.

The total pipeline consists of around 24,000 beds that are expected to be available in the market over the next two years, with the majority of the opening expected in 2025. Many projects already started: 47% of beds are under construction and concentrated in the 5 top cities. Milan is the most dynamic city, leading both in terms of total stock (11,800 beds) and the number of development projects (24 for a total of 10,600 beds) planned by 2026. In Torino, a good level of pipeline has been noted, including 11 projects with a capacity of more than 3,800 beds. Bologna is the city with the highest density of PBSA, accounting for 57% of its bed supply.

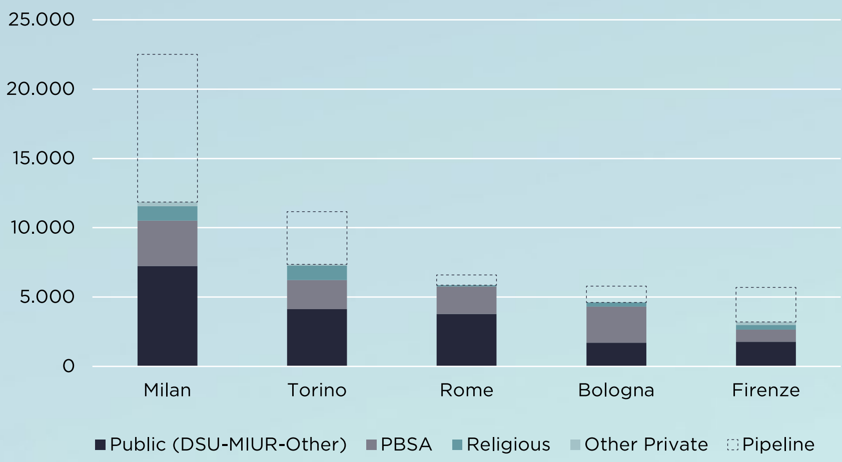
24,000
BEDS
IN PIPELINE

70
NUMBER
OF PROJECTS

32
PROJECTS UNDER
CONSTRUCTION

44%
OF PIPELINE LOCATED
IN MILAN

Bed supply and pipeline (2023-2026) by type and city



Potential demand

The supply of student accommodations varies widely among European cities. The highest provision rate* has been reached in London, exceeding 30%. In Italy, the scenario is completely different, with an overall figure standing at 4%.

In the next years, a growing number of students is expected in the main European university hubs, generating a further increase in demand for beds. There are several projects of future accommodations, but figures suggest that will be insufficient to meet the expected pent-up demand.

If we consider just the mobile population, mobile provision rates** are higher but remain unsatisfactory. Firenze presents the highest coverage at 19%, while Rome maintained the smallest percentage (11%) in the selected cities. Considering the pipeline by 2026, the mobile provision rate will reach 33% in Firenze, 29% in Milan and 22% in Torino, while Bologna and Rome will not register a significant increase. Considering the potential demand, there is a significant gap that needs to be fulfilled in all cities, especially in Milan and Rome, where the number of mobile students exceeds fifty thousand.

Gap in demand for beds

MILAN
~65,000

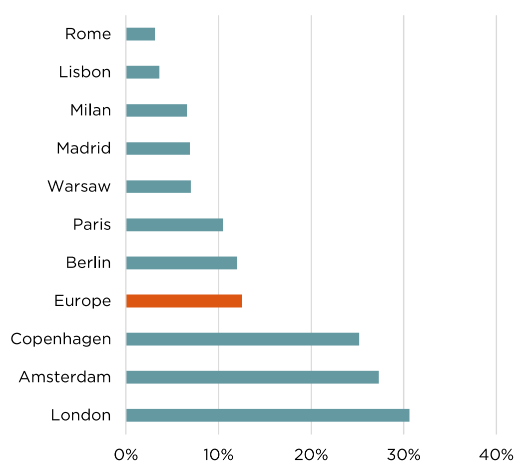
ROME
~48,000

TURIN
~42,000

BOLOGNA
~32,000

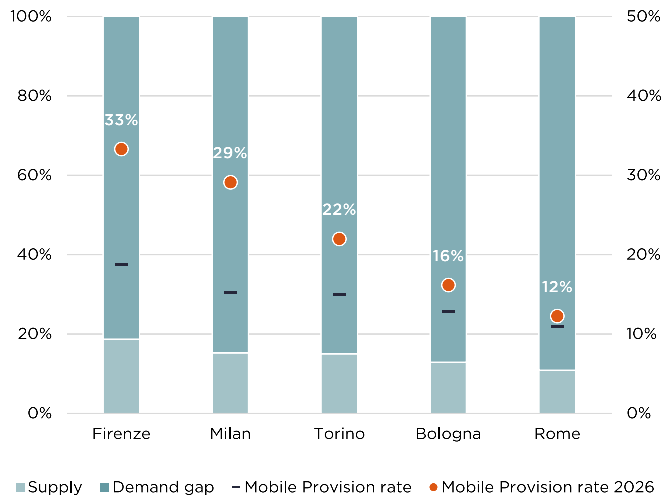
FIRENZE
~14,000

European provision rate*



* Total number of beds divided by the total number of university students

Total supply, demand gap (LHS) vs actual and future mobile provision rate** (RHS) by city



** Total number of beds divided by the total number of mobile university students

Investments and prime net yields

At a European level, investment activity in the sector was strong over the past five years and reached its peak in 2022, with around €12.7 bln invested. UK represents the largest destination, where more than 60% of investments were located. Nevertheless, investors are increasingly looking beyond core destinations (UK, Germany, France, Netherlands), particularly in Spain, Belgium and Italy. In Q1 2023, the weaker macro-economic backdrop contributed to a limited activity, as investors are largely in price discovery mode.

We expect that activity in Europe will pick up in the second part of the year, sustained by rising rents which are offsetting the challenges faced in terms of operational cost increases.

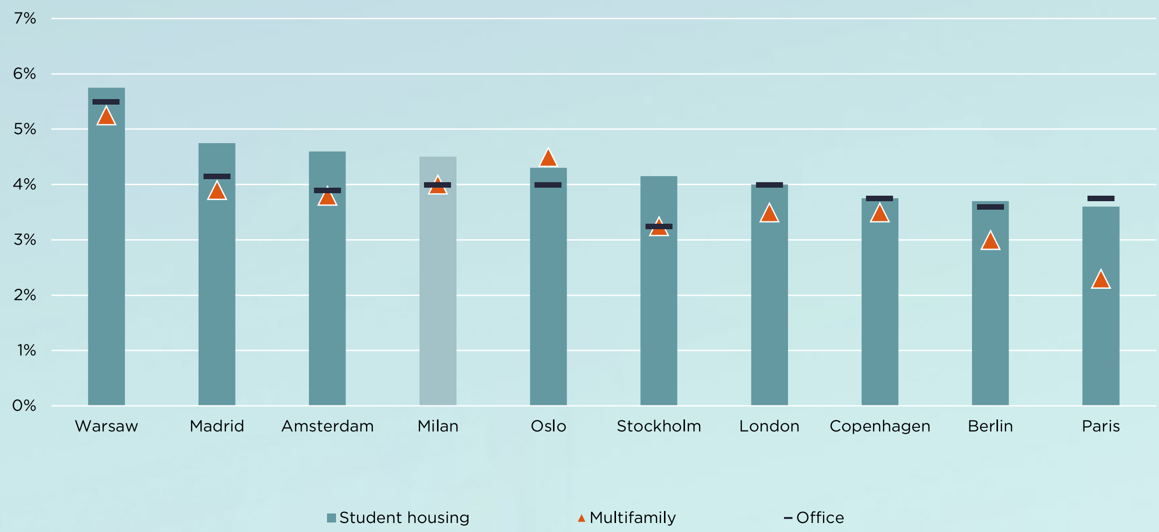
The growth in the number of mobile and international students demonstrates long term demand and underpins the attractiveness of the sector. Savills recent European Living Investor Survey found that around two thirds of investors are looking to deploy more capital into PBSA over the next three years.

In Italy, investment volumes remained low until 2022 because of a predominance of forward funding and forward purchase transactions; however, in the first quarter of 2023 we start to register deals of income producing products reaching the quarterly record high of around €160 mln.

The sector has shown good resilience, which has been reflected in the stability of yields over the past three months.

European (LHS) and Italian Investment volume (RHS)

Europe prime net yields by sector



Main operators and rents

The resilient appeal of the Italian PBSA sector is confirmed by the relevant number of operators, national and international, active in the market or willing to enter it: **Aparto**, after the successful opening of the Bocconi/Giovenale scheme in Milan last year, will deliver the Ripamonti project in the second part of 2023, accounting for more than 700 beds, which will be followed by Firenze and other expansions in Milan in the coming years. **Collegiate**, the UK-based student operator, is ready to officially inaugurate its brand new campus before the summer, Collegiate Milan North, in the Bicocca neighbourhood with a 700 beds facility.

Beyoo, the Italian brand of the UK CRM Students operator, after entering in our country with their first opening in Bologna in November 2022, will add Firenze and Torino schemes this year. Former The Student Hotel, rebranded in 2022 as **The Social Hub**, following the first Italian project in Firenze (Viale Spartaco Lavagnini), will add 550 beds in the Viale Belfiore structure, along with already planned expansions in Rome and Torino. At national level, **CX**, former Italian operator CampusX, will open Viale Suzzani project in Milan before year end, in the former Manifattura Tabacchi wider redevelopment, which will be followed by Novate Milanese scheme at the beginning of 2024, located in the outskirt of Milan. **Campus** should confirm their plan to add to the existing offer more than 600 beds in Torino, Firenze and Udine.

As the majority of the on-going activity is concentrated at the moment in the main 5 Italian key cities, we are expecting further interest for cities with less consolidated initial appeal in terms of location, but with a strong university presence, like Padova, Pisa, Venezia and Ferrara.

New PBSA supply is driven by quality, services, amenities and facilities, strongly supported also by the structural under supply of student beds. These new products result more competitive and attractive than traditional accommodations for both national and international students willing to pay an extra amount to benefit of these unique services.

New Projects

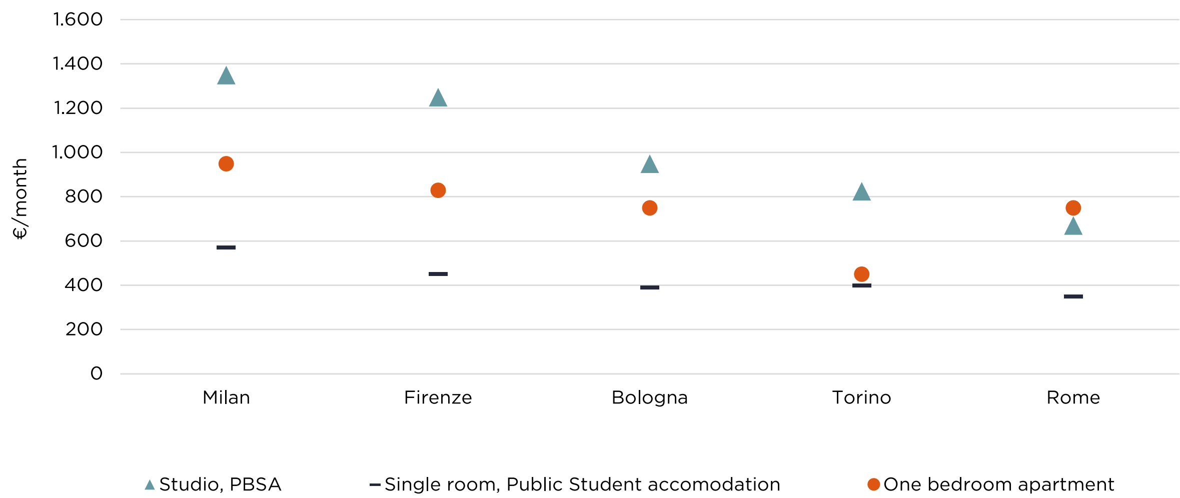
CX, MILAN BICOCCA
600 beds
2023 opening

BEYOO, TORINO
500+ beds
2024 opening

EX MANIFATTURA TABACCHI, FIRENZE
500 beds
2025 opening

THE SOCIAL HUB, ROME
500 beds
2024 opening

Average rents



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