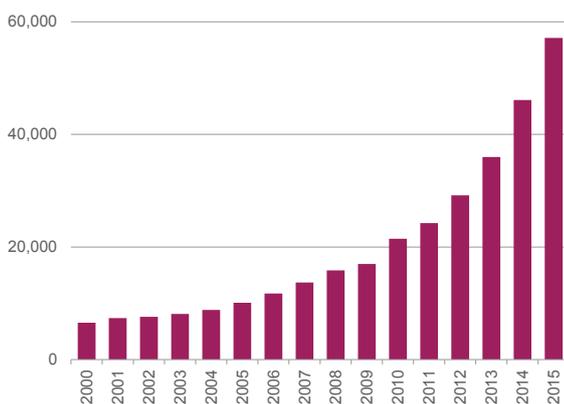


Spotlight Student housing in Poland

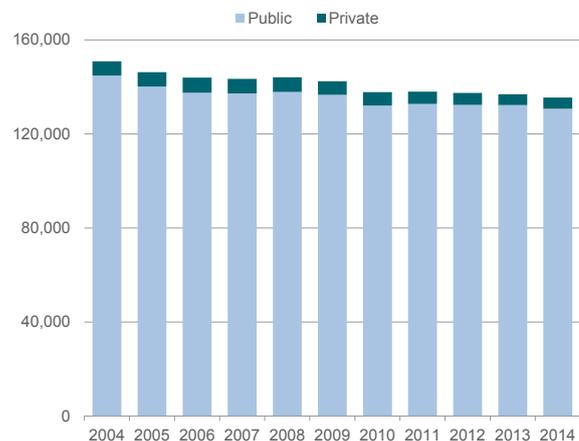
October 2016

GRAPH 1
No. of international students in Poland



Graph source: Central Statistical Office

GRAPH 2
No. of purpose-built student beds in Poland by type



Graph source: Central Statistical Office

SUMMARY

Student housing market in brief

■ Despite a fall in the total number of students in Poland, demand for private student housing is on the rise, arising largely from international students.

■ The purpose-built student housing market in Poland is in its very early stage of development. The majority of student housing is publicly owned and consists of shared rooms of poor quality.

■ Privately owned dormitories are characterised by small scale investments which convert one or two older buildings which have little development potential.

■ Griffin Real Estate is the first institutional investor to have acquired

student accommodation in Poland although new players such as Golub GetHouse, Triton Academicus, Budner and Square Investment are now also investing and slowly increasing supply.

■ The national provision of beds in student housing stood at 9% of the total number of students. This figure is below levels observed in more advanced markets such as UK (24%), the Netherlands (16%), France (15%), USA (12%) and Germany (11%).

■ The occupancy rates in the biggest academic centres range between 95% – 100% with limited availability in the majority of student housing schemes.

■ Students are willing to pay higher rents for bedroom of higher quality generally found in the private market. It is worth observing that purpose-built private accommodation is largely occupied by international students.

.....
“As yield compression of mainstream assets continues investors are looking for new opportunities, e.g. in student housing.”

Kamil Kowa, Savills Poland

→ Student population

The number of international students in Poland is on the rise despite the fall in the total number of students. The total number of students in Poland stood at 1.4 million in 2015 representing a decrease by 4% in comparison to 2014. The number is expected to increase to 1.49 million in 2035.

In 2015 there were over 57,000 international students showing an increase of 24% in comparison to the previous year. Since 2005 the number of international students has surged by 466% representing a yearly average increase of 19%. Despite this recent growth, international students in Poland still only make up 4% of the total student population. Comparing this with more developed student housing markets such as the UK, Germany, France and the Netherlands, where this percentage is above 10%, it suggests there is room for growth in Poland.

There are some campaigns operating outside of Poland aimed at attracting international students to study in Poland. "Study in Poland" is a multi-year programme run by the Conference of Rectors of Academic Schools in Poland and the "Perspektywy" Education Foundation since mid-2005. The programme promotes Polish higher education and encourages Polish universities to increase the number of courses offered in English and other foreign languages.

Supply of student housing

The majority of student housing is owned by public educational institutions and

"According to a survey conducted by Savills over half of students rent an apartment which suggests that 50% of them are potential tenants."

Tomasz Buras, Savills Poland

is usually of a low grade. In 2014 there were 504 student dormitories in Poland of which nearly 92% (462) were public ones. The number of both public and private dormitories is relatively stable but has undergone a slow downward trend in the last few years. One reason for the decline is the removal of old, low-standard buildings from the list of registered dormitories owned by public higher education institutions.

The number of available beds has also decreased, further straining supply. There were 135,500 purpose-built beds in 2014 of which 96% were publicly owned. In the last 10 years the total number of beds decreased by 10%. The refurbishment of some older publicly owned dormitories with 3 and 4 beds into more modern single and double bed dwellings can be held partly responsible for this decline. The majority of rooms offered in public dormitories generally comprise of 2, 3 or 4-bed rooms. Private student houses on the other hand usually offer single or double occupancy rooms.

The supply (number of beds) to demand ratio (number of students) is an important factor used to determine investment into the purpose built student accommodation sector. The current ratio in Poland is 9% which is below levels observed in more advanced markets

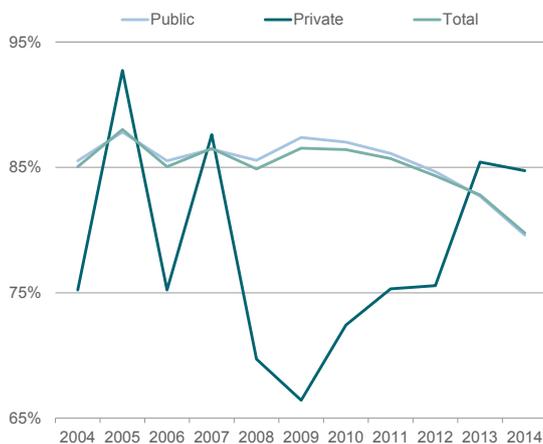
such as UK (24%), the Netherlands (16%), France (15%), USA (12%) and Germany (11%).

The student accommodation market in Poland remains in its early stage of development. The number of privately owned student accommodation is significantly lower than those offered by public institutions and the buildings are also typically of a smaller size.

The number of established institutional investors in the student housing market is very limited. The market remains very fragmented and the majority of the private market is made up of individuals rather than investment funds or institutions. Private student houses owned by these individuals are quite often located in old tenements or houses which are merely adopted for student accommodation. This contrasts greatly to purpose-built student housing schemes which offer a high quality and unique layout.

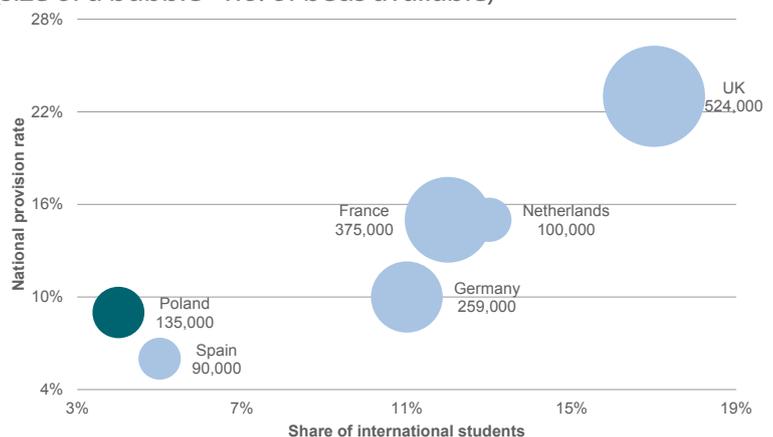
Griffin Real Estate is the first institutional actor to have invested in the student accommodation market. They have transformed an old hotel in Poznan into student accommodation, built a new residence in Lodz, purchased one in Lublin from TBV and plan to develop more projects in Warsaw, Poznan, Lodz, Lublin,

GRAPH 3 Occupancy of beds



Graph source: Central Statistical Office

GRAPH 4 Student housing cross border comparison (size of a bubble - no. of beds available)



Graph source: Savills, Central Statistical Office

Krakow, Wroclaw, Katowice and Tricity. The company is closely cooperating with Oaktree Capital, who are the investors behind The Student Housing Company. Griffin's student housing platform operates under the brand Student Depot. Another active developer worth mentioning is TBV from Lublin who developed four dormitories in Lublin, two of which were sold to Griffin Real Estate.

The market is becoming more attractive and other developers such as Golub GetHouse, Triton Academicus and Budner, under the brand name Dwell Well, are studying the market. Budner has two separate investments planned in Warsaw which will provide 700 beds by 2018. These plans accompany future investments in Krakow, Wroclaw, Poznan, Gdansk, Rzeszow and Lublin. Golub GetHouse is also planning development projects in the majority of the biggest Polish cities including Warsaw, Lodz, Krakow and Poznan. Triton Academicus have two developments in the pipeline, one in Lodz under the name Basecampie offering 500 rooms (mostly single bed rooms) due to be completed in August 2017, and the second in Rzeszow (ca. 400 rooms).

Some investors have been known to work in cooperation with universities to upgrade and manage the publicly owned accommodation. In October 2012 BYPolska (Bouygues Group) and Jagiellonian University in Krakow (UJ) signed the first public-private partnership (PPP) agreement aimed to modernise student dormitories owned by UJ. BYPolska has already redeveloped the two dormitories and is planning to redevelop third one. BYPolska will also fit out the dormitories and manage them for 25

years. According to the press, UJ will be responsible for the accommodation process and will keep full control on the pricing. The rooms have been converted into single and double occupancy rooms. The Jagiellonian University will pay PLN 785,000 gross per month for maintenance of the three dormitories.

In addition, some higher education institutions, such as Cardinal Stefan Wyszynski University in Warsaw, plan to build dormitories in the PPP formula however, no works or agreements have yet been signed.

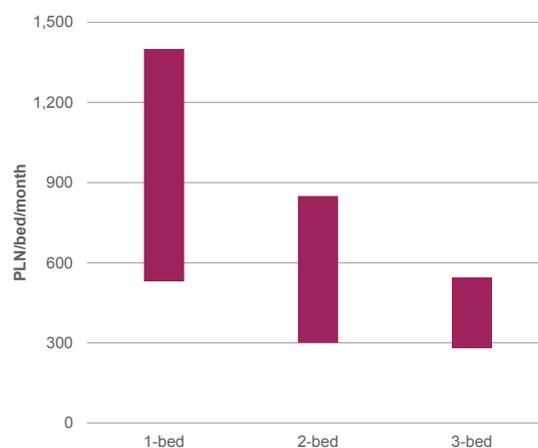
Demand

According to the Central Statistical Office data in November 2014 there were 108,087 students accommodated (of 1.47 million of the total number of students) in all dormitories across Poland. This translates into an 80% of all available beds. Occupancy rates in public dormitories have been falling since 2009, however the opposite can be seen in the private sector where these rates have been increasing.

Based on our study of the major academic centres in Poland (Warsaw, Krakow, Lodz, Poznan and Lublin) conducted in March 2016 the availability of beds in student houses is low, and where there is availability, this is usually due to the accommodation being dated and mispriced. As a result the demand for student housing is estimated to be much higher than previously reported by the Central Statistical Office. According to our research, occupancy rates in both private and public student houses in the biggest cities are at 95-100%.

The demand for private student houses

GRAPH 6 Rents in private student housing



Graph source: Savills

is generated mostly by international students, for whom renting in high standard, single room student housing is a relatively inexpensive and a convenient option. As the number of international students is forecast to grow, so is demand for higher quality student accommodation which at present remains highly undersupplied.

The results of our survey suggest that over half of students rent a private apartment, which suggests that 50% of students are potential tenants. Students have shown a stronger demand for single occupancy bedrooms. 53% of surveyed students live in single bedrooms while 73% would prefer to be accommodated in such bedrooms.

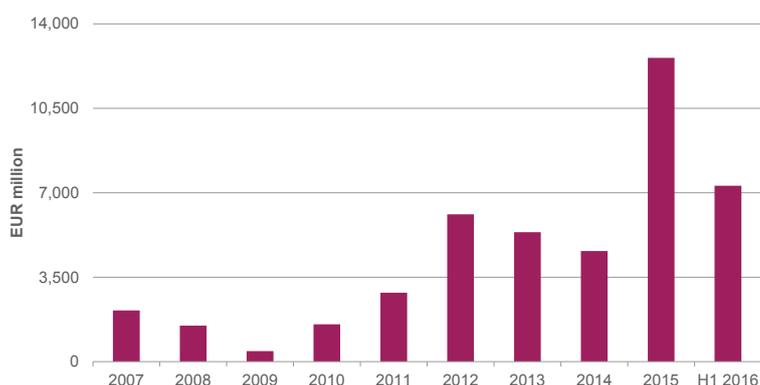
Rental levels

The price of renting student housing in Poland ranges from PLN 250 to PLN 1,400 per month per person depending on the standard and number of beds in a room. The rent in private market tends to be higher than in the public market given its better quality.

The lowest rents are in 3- and 4-bed shared rooms in public dormitories with a shared kitchen and bathroom. Higher rents are recorded for rooms divided into segments of several rooms (usually up to four rooms in private dormitories and up to six in public ones) with a common bathroom and kitchen. Studios with private kitchenettes and en-suite bathrooms command the highest rents.

Rents in public dormitories range from PLN 250 per month per person in a 3-bed room to PLN 1,000 per month per person

GRAPH 5 Global investment volume in student housing



Graph source: RCA

“The market is becoming more attractive with new players looking to invest.”

Wioleta Wojtczak, Savills Poland

→ for a 1-bed room. The highest rents are in refurbished dormitories but the supply is very limited.

Rents in private dormitories range from PLN 250 per month per person for a 3-bed room to PLN 1,400 per month per person for a 1-bed room with the highest rents observed in studios with private kitchenettes and en-suite bathrooms. The supply of accommodation below PLN 400 is very limited.

Investment market

As yield compression of mainstream assets continues, investors look for new opportunities and the alternative sector (student housing, nursing homes etc.) which are becoming a more important focus. The first student investment in Poland was the purchase of two student houses (over 300 beds) in Lublin by Griffin Real Estate from TBV in 2016. Investment activity is currently restricted by the lack of supply, however, with a number of assets in the pipeline, investment activity

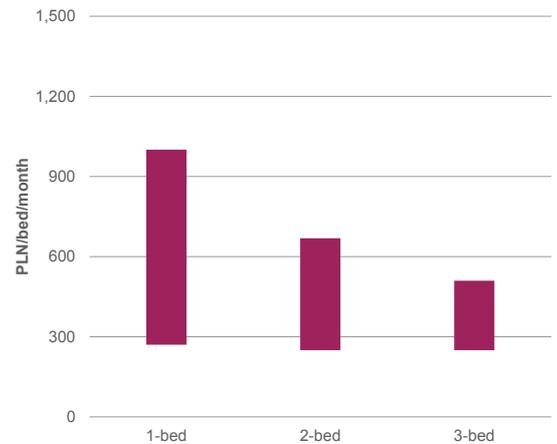
could grow in the near future once assets stabilise.

The global investment volume across the globe in 2015 reached a new record at ca. EUR 12.6 billion almost 175% higher than in 2014 (RCA data). The first half of 2016 started strongly with already EUR 7.3 billion invested in the sector.

In 2015 the majority of transactions took place in the UK (55%). The USA was second (36%) while other markets combined accounting for only 9% of the volume. The most active markets excluding the UK and USA were: Germany and France (2% each) and Switzerland and Sweden (1% each).

Prime net initial yield for Direct Let assets in the most established markets are estimated at: 3.80% in Germany, 4.50% in France, 4.60% in UK, 5.00% in the Netherlands, 6.10% in USA, 6.30% in Spain and 7.00% in Australia. As the student housing market in Poland is in at

GRAPH 7 Rents in public student housing



Graph source: Savills

a very early stage of development, there are very limited investment transactions to benchmark which could reflect where yields are considered to be.

In conclusion, the private student housing market in Poland is still not well established. It can be perceived as an opportunity and investments in this market can be very profitable for the early comers. ■

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