



Spotlight Student Housing in The Netherlands

Summer 2013



Spotlight Student Housing in The Netherlands 2013



“To meet future demand, between 50,000 and 60,000 new units need to be realised in 2025.” Jeroen Jansen, Netherlands Research

Economy: poor conditions, green shoots

The current Dutch economic climate is overall negative. Household spending has been shrinking for two years now, public spending cuts on both national and local level are necessary to meet budget demands and private investments have gone downhill since the start of 2012. The only positive economic key figure is exports.

As a result of the factors above and of the falling house prices, pension cuts and rising unemployment, the overall consumer confidence reached a record low of -44 in February 2013. Since then it has however been rising, to -32 in May 2013. The necessary actions taken by the pension funds and by the national government seem to have brought back some confidence to the market and house prices are showing less steep drops.

If consumer confidence keeps rising an increase in actual household spending could be expected, slowly bringing back life to the national economy. However, 2013 will remain a challenging year and it is likely not until 2014 before the Dutch economy will be performing significantly better.

Student registrations: decrease in 2012, long term growth

Over the past fifteen years, the total amount of higher education students in the Netherlands has increased with a stunning 48% and in 2012 a total of 663,000 students were actively enrolled in either higher professional education (Dutch: Hoger Beroepsonderwijs or HBO) or at a university.

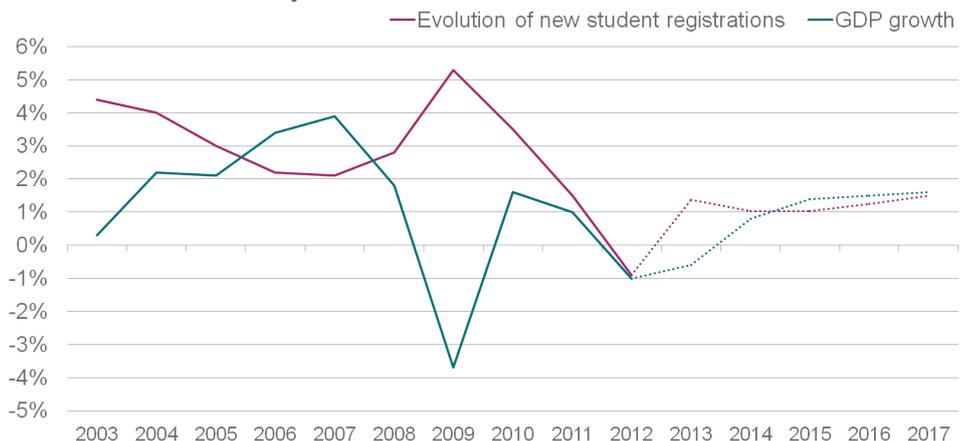
The influx of students has however fluctuated significantly over the years. The economic recession and the lack of jobs caused a steep increase in the total amount of students especially in 2009. Since then new registrations remained high, but the bulk of the extra students from previous years did graduate, consequently causing a decline in the total number of students in 2012-2013.

According to the Referentieraming 2012 the student population is expected to increase by another 104,000 students to a total of approximately 767,000 students in 2025, an increase of 15.7%. The expected growth in the number of students derives from a higher influx of secondary school students, both from pre-university education and higher general secondary education, and an increase in the number of →

SUMMARY

- The recession of 2008-2009 caused for a steep increase in student registrations, making the student housing market a counter-cyclical market.
- The Dutch student population is expected to increase by 15.7% to a total of 767,000 students in 2025, substantially adding to demand for housing.
- Additionally, the Netherlands is able to attract an ever increasing number of foreign students due to the widespread availability of English taught programmes and low tuition fees.
- Over the past few years a substantial number of empty office buildings have been redeveloped into student housing, solving problems in both markets.
- Still, to meet the expected demand for student housing, between 60,000 and 65,000 new beds will have to be added by 2025.
- Student housing is increasingly turning into an attractive asset class for commercial investors.
- However, strict regulations concerning rents and indexation do prove a hurdle for investors and deregulating part of the student housing market would make this sector even more attractive.

GRAPH 1 **GDP growth vs growth in total number of students** Demand for higher education is counter-cyclical



Graph sources: Focus Economics, CBS, Referentieraming 2012

→ international students. After 2025, the total number of students is expected to decline slightly, due to changing demographics.

The ratio between students who are studying at a university (currently 36% of total students) versus those enrolled in higher professional education (the remaining 64%) is forecasted to remain stable. Women represent the majority of the students with 52% of the total.

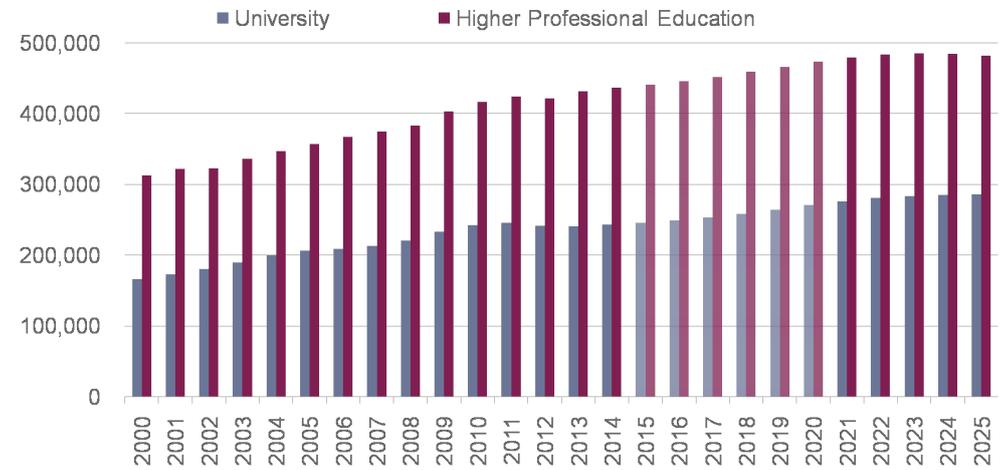
International students

Both the number of Dutch students living abroad as well as the number of foreign students following courses in the Netherlands is rising significantly. For the latter part the increase in English taught programmes is a key driver, between 2007 and 2011 the number of English taught Master programs more than doubled from 386 to 812, as stated by the Institute of International Education. Within continental Europe the Netherlands has the largest number of English-taught programs.

In comparison to other European countries the Dutch tuition fees are relatively low. For the year 2012-2013, EU-students pay around €1,700 per year for a bachelor or master program. Non-EU students do pay more but on average still around 30% less than for example in the United Kingdom. As a result the Netherlands (12%) lists third in European perspective as most popular host country for European students, behind the United Kingdom (31%) and Germany (14%).

GRAPH 2

Number of students The total number of students is expected to increase by 15.7% over the next twelve years



Graph source: CBS, Referentiraming 2012

“The Netherlands is the third most popular destination for European students, due to high number of English taught programmes and low fees.”

Jeroen Jansen, Netherlands Research

According to the most recent Nuffic data a total of 68,650 international students were registered in the Netherlands in the academic year 2011-2012, or 10.2% of the total student population. The amount of international students has seen a steep annual increase of 8.3% over the last six years, which in absolute numbers relates to an average yearly increase of 4,400 students. It seems highly likely

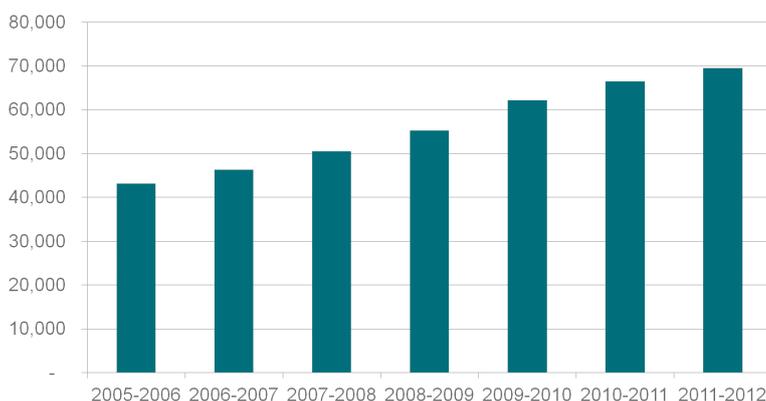
that the number of foreign students will remain growing in the coming years, thereby increasing demand for student housing for international students.

From the current foreign student population 59% originate from Europe, but the share of students originating from Asian countries is significantly increasing. The two countries from which most students originate are Germany (37.9%) and China (8.3%).

Due to the proximity to both Belgium and Germany, the University of Maastricht hosts, both in number and by share, by far the largest amount of foreign students. In 2012 a total of 6,660 foreign students were enrolled at Maastricht, compared to 2,720 at the the Rijksuniversiteit Groningen and 2,190 at the University of Amsterdam.

GRAPH 3

International students The number of foreign students has been rising by an average of 8.3% pa



Graph source: Nuffic 2012

➔ **Demand: ever increasing demand for student housing**

The share of students living with their parents (45%) has remained stable over the past years. From the students who live independently, approximately 210,000 students are residents of the city where they study, the remaining share are commuting students. ABF forecasts the total amount of students who live in the city of their studies to grow by 33,000 students up to 2020, this figure includes international students.

Cities with a large projected growth in number of students up till 2020 are Amsterdam (+20,000), Utrecht (+7,500), Groningen (+6,700) and Rotterdam (+6,000). Following the historic trend these cities will take-up the largest share of new students in the coming years.

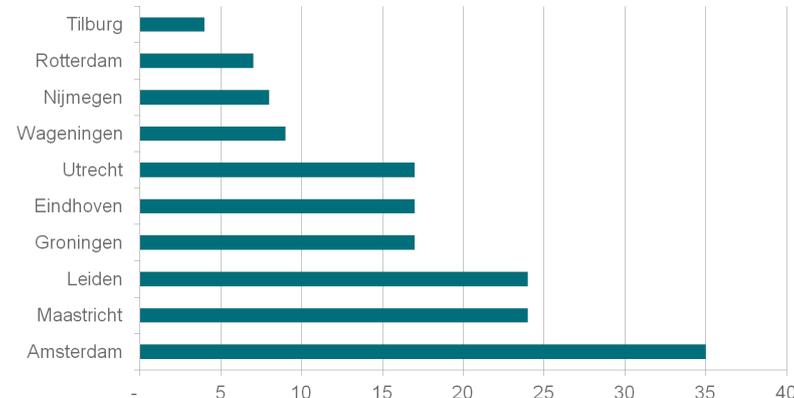
Stock

The stock of student housing can be divided into the purpose-built market on one hand and the non-purpose-built market on the other. The purpose-built market consists of student houses owned by commercial investors and housing associations. These are mainly large-scale student accommodations. The housing associations are the dominant provider of purpose-built student housing. DUWO, the largest housing association which primarily focuses on student housing, is letting over 25,000 rooms in the Netherlands. Recently however, the share of commercial purpose-built housing has started increasing due to an increasing interest by commercial investors in student housing as an asset class.

The non-purpose-built market is more diverse in nature and can range from students letting rooms from private landlords to students collectively renting an apartment or even buying one. This makes it difficult to precisely assess the stock of this market and it is likely to fluctuate significantly.

The shortage of student housing can be reflected in the average time students have to wait to obtain a room. In 2012 this waiting time was on average 16 months, but differs dramatically between cities. In Amsterdam for instance the average waiting time is around 35 months. It does clearly indicate a strong

GRAPH 4 **Average waiting time in months** The average waiting time in the Netherlands is 16 months



Graph source: Kamernet 2012

undersupply of student housing and low market dynamics. Especially in the larger cities in the Netherlands a structural undersupply of student housing still exists. Kamernet (a national organisation for matching supply and demand for private rooms) estimates that the current national shortage adds up to 30,000 beds.

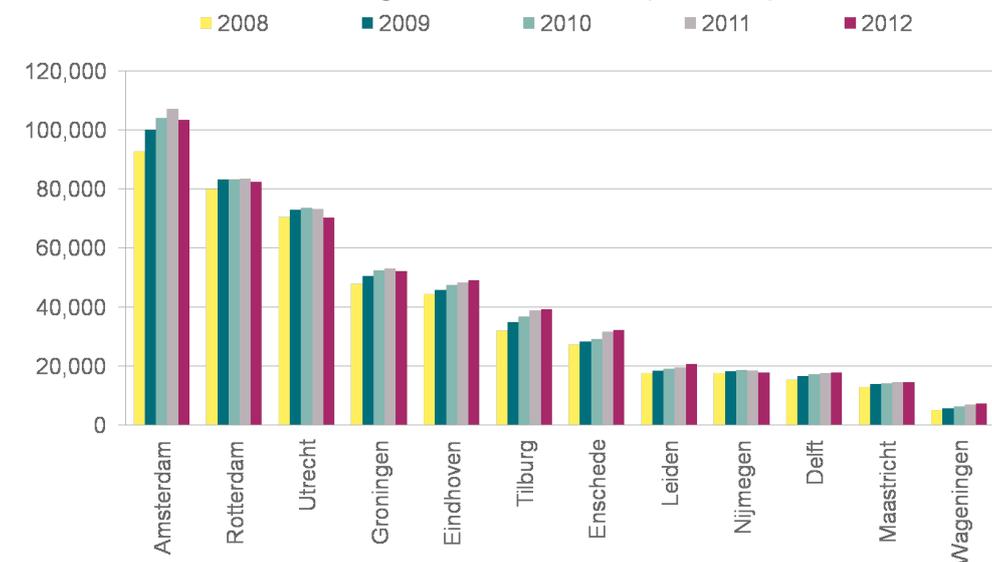
The future delivery of student accommodation has been supported by a national scheme for new student housing (Landelijk Actieplan Studentenhuisvesting). The scheme pinpoints the continuing need for student housing in the coming years

and therefore supports the addition of over 16,000 student houses to the stock before 2016.

International students

Savills calculates that, taking into account the expected growth in number of students up till 2025, the increase of foreign students and the current undersupply for student housing, over 90,000 beds have to be realised, of which an estimated 50,000 to 60,000 as purpose-built student housing, in order to meet the expected demand. ➔

GRAPH 5 **Number of students** Rising numbers over the past five years



Graph source: DUO, CBS

→ **Rents**

The rental market for student housing consists of the social housing market, of the rooms for letting by private landlords and of the purpose-built commercial market stock. In this paragraph data for rooms in the private market is used, since they provide for the largest source of information. The social housing market has strict regulations regarding the maximum rent levels and indexation and is therefore not taken into account.

Rental levels vary from city to city and also depend on both the actual location and the quality of the room. The average rental price for rooms in the Netherlands is €415 excluding utilities, and has increased 9.6% compared to 2011. Amsterdam has the highest average rental price with €498 per room. The lowest average rents for private market accommodation are realized in Eindhoven, Tilburg and Wageningen, just over €300 per month. It has to be noted that in 2012 the share of large rooms increased substantially, increasing the average size of the rooms let to 22.5 sq m. As a result the price per sq m actually dropped by 4.2% to €18.4 per sq m on average.

Student housing: a rapidly evolving asset class

Student housing is increasingly becoming an attractive asset class for real estate investors, both international and Dutch, and over the last couple of years there has been an increase in number of transactions and an increase in total student housing investment volume in the Netherlands.

Growth in investments is supported by the continuing rise of the number of students in the coming years. Demand is larger than supply, making vacancy levels low compared to other assets. Adding to this is the countercyclical nature of student housing, since in times of economic downturn students tend to extend their stay at the university rather than entering a weak labour market, increasing demand for student housing.

Student housing has a relatively stable cash flow and if well managed it can be further optimised limiting the risks. In several cases, the accommodations have the possibility to be transformed to alternative uses.

Because of the increasing interest and activity of (specialised) institutional investors and the increase in quality of the product itself, the market for student housing is evolving into an asset class of itself. Adding to this is the fact that banks are increasingly interested in financing student housing.

Yields

Recent offerings in the Netherlands shows a general trend towards triple net yield transactions. The expected prime triple net yields for commercial student accommodation ranges from 5.75% to 7.0%, depending on the city, the actual location, the quality of the asset, the covenant strength and the length of the lease.

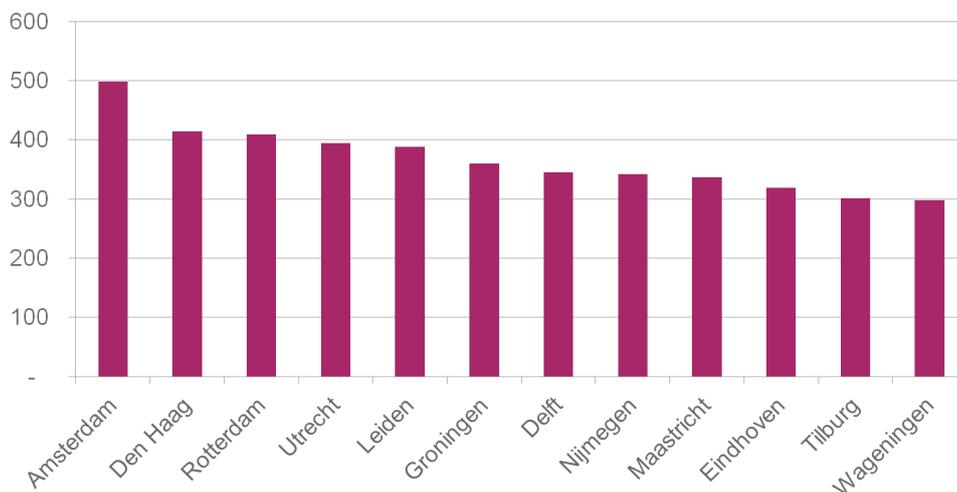
New student housing funds

Three examples support the increasing interest in student housing

Recently Bouwfonds REIM has established the Bouwfonds European Student Housing Fund which will be offered to German institutional investors. The projected volume of the fund will be around €300 million and it will focus mainly on the core markets and the most important cities with universities and healthy residential markets within countries such as Germany, France, the United Kingdom and The Netherlands. Second, the large Dutch pension fund PGGM has invested in the University Partnership Programme, which has a total enterprise value of €1.7bn. Although this investment is mainly focused on countries outside the Netherlands, this indicates an increasing interest of large funds in student housing and an enlargement of the investment volume. And recently Haerzathe Investments has opened a fund for student housing in the Netherlands. This closed end fund will primarily invest in student housing in Amsterdam.

“Student housing is evolving into an attractive asset class offering a stable income stream and limited risk. Net yields in the region of 5.75% to 7.0% can be achieved.” Sebastian Zwart, Netherlands Investment

GRAPH 6 **Average rents** The average rental price for private student housing has risen to €415



Graph source: Kences 2012

Amsterdam: new developments to support high demand

Amsterdam houses around 104,000 students and is therefore the city in the Netherlands with the largest amount of students. This amount has increased substantially over the past decade as in 2005 the total amount of students was still just around 70,000. It is forecasted that the amount of students in Amsterdam will increase to around 140,000 students in 2020, thus further enlarging the demand for student housing.

The share of foreign students in Amsterdam is also increasing substantially. Interesting to note is that the current overall share of

foreign students at the University of Amsterdam is 8.6% (2,560 students), while among first year students this share has already reached 17%.

To enlarge the stock of student housing in Amsterdam and to speed up the number of new student housing developments, the municipality has come up with a policy to add 9,000 student houses to the market before 2015. New developments and redevelopments of empty office buildings resulted in an addition of 2,600 student houses in 2012 alone, while several new developments are projected to be completed in 2013 and 2014.

.....
 “The redevelopment of former office buildings into student housing accommodation is solving a problem in both markets.” René Tim, Netherlands Research



Elsevier building Amsterdam



Interior The Student Hotel

TABLE 1 **Redevelopment projects in Amsterdam**

Project Name	Year of completion	Number of student houses	Owner	Area
ACTA building	2012	464	De Alliantie	West
De Aak	2013	105	Cocon	New-West
De Studio	2013	170	Stadgenoot	West
Diemervijver	2013	936	Snippe B.V.	Southeast
Echtenstein	2013	242	DUWO	Southeast
GAK building	2013	320	Stadgenoot	West
Hoge Bretten	2014	1,000	Bricks International/ Borghese	West
NISPA	2014	340	Unknown	Southeast
Rembrandtpark building	2013	128	Pronam	West
Rijkswaterstaat 175	2014	232	Clever Real Estate/ Camelot	Southeast
The Student Hotel	2013	709	City Living	New-West

Table source: Savills

Redevelopment: from office building to student housing

The oversupply in the office market has caused investors to look for other uses for their empty and difficult to relet properties. New uses are generally either apartments, student housing or hotels and over the past few years a substantial number of redevelopment projects have been started.

One of those is the Rembrandtpark-building in Amsterdam-West, owned by Pronam. This former office building has recently been redeveloped into a combination of a hotel, a school for higher professional education and 128 student apartments. The project Diemervijver in Diemen, a redevelopment of Snippe B.V., consists of five former office buildings which will be redeveloped into a student campus. The owner bought the distressed 43,000 sq m Diemervijver in 2012 from a bank. By the start of the new academic year a total of 534 units will be delivered and another 402 units will be realised early 2014. The Student Hotel, located in the west of Amsterdam is a former office building in the process of being redeveloped into student accommodation. The Student Hotel offers students a fully equipped room and additional facilities by the start of the new academic year. The Student Hotel is primarily focussing on international students

and exchange students. Students can stay for a minimum of one week and for a maximum of 10 months.

Regulations on student housing accommodations

The Dutch student housing market is restrained by governmental regulations, since it maximises the rent levels and yearly indexation. Thus investors are limited in optimising rents. In our opinion the regulations should also allow for a fully commercial operation of student housing next to the regulated segment. In that way the undersupply can be addressed faster and students will be able to choose from a variety of suppliers and quality, from budget to high-end.

This would also fit the national policy of driving the Netherlands into the global top 5 knowledge economies. Importing international knowledge and thus international students is vital and these students should be able to find a suitable student accommodation during their studies.

OUTLOOK

- The student housing market is undersupplied and the expected increase in total amount of students in the coming years will drive demand further. New developments are needed in all segments of the student housing market.
- Taking the undersupply of student housing and oversupply of offices into account a further redevelopment of empty office building towards student housing is expected.
- New projects will be increasingly modeled towards a campus format providing additional facilities for students.
- The development of student housing is currently dominated by housing associations specialised in the development and operation of student housing and they will remain a substantial factor.
- Student housing investments will be an increasing interesting asset class providing a stable return on investment and positive portfolio diversification conditions, also for commercial property investors.
- However, commercial investor demand will only seriously take off when the strict regulations on student housing will be loosened and more adapted to the needs of the commercial market.

“Deregulation of the student housing market is necessary to meet the requirements of both students and investors of this new asset class.”

Jan de Quay, Netherlands Investment

Savills teams

Please contact us for further information



Jan de Quay
Netherlands Investment
+31 20 301 2000
j.dequay@savills.nl



Sebastian Zwart
Netherlands Investment
+31 20 301 2000
s.zwart@savills.nl



Marcus Roberts
Student Housing
+44 (0)20 7016 3799
mroberts@savills.com



Jeroen Jansen
Netherlands Research
+31 20 301 2094
j.jansen@savills.nl



René Tim
Netherlands Research
+31 20 301 2025
r.tim@savills.com

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.