

Deloitte.

The Student Accommodation Handbook

Key Investment & Finance
Information

Spain 2019



April 2019

Financial Advisory | Real Estate

1 Why Invest in the Student Accommodation Market?

“ Factors increasing demand:

- An **increase** in the number of **foreign students**.
- An **increase** in the **mobility** of **domestic students**.
- An **increase** in students flats **rental prices**.

“ High demand: **the increase** in the number of **foreign students** and the increase in **rental prices** are **factors increasing the demand for student accommodation**.

“ **C.400k students** who **required accommodation**, whilst there were only **c.90k beds available**.

“ In FY18 student accommodation reported a yield of **c.5.5%**.

2 Macroeconomic Context Overview

“ The **GDP** growth: **+2.6%** in **2018** (+2.1% 2019E).

“ Current **unemployment rate** is 14.1%, which has **decreased** by **12 p.p.** since 2013.

“ The **Spanish Consumer Confidence Index** has presented an upward trend since 2012 and, in 2018, reached higher levels than the pre-crisis period.

“ There are **3.1m** potential student accommodation residents aged between 18 and 24 years old.

3 Supply & Demand

“ There are **84 universities** in **Spain**, 50 of which are public and 34 are private.

“ To achieve the same **students per bed** as Germany and the UK, Spain would have to increase the number of beds by c.60k and c.275k, respectively.

“ The **number of students per bed** was **17**, whilst it was **7** in the **EU countries**.

“ **Spain** has **three universities** which are in the **2019 European Top 10 University MBA ranking**.

“ Last year only **15%** of **European students** lived in student accommodation.

4 Key Investment Indicators

“ The market offers more than **1,000 student accommodation facilities** providing over **c.90k beds**.

“ In 2018, the beds/student ratio was **c.17 students per bed**.

“ In **2018**, **Madrid** and **Barcelona** accounted for c.38% of beds in the Spanish student accommodation market.

5 Investment market Statistics & Trends

“ The sector's **main M&A operations** amounted to **€560m** in 2017 and **€141m** in 2018.

“ There are many potential investors who are interested in the **Spanish accommodation market** with a core and added value profile.



1. Why invest in the Student Accommodation market?

Key Ideas

Demand - Supply



- **Positive Macro and Micro fundamentals**
- In 2018 there were **c.400k mobility students which required accommodation**, whilst there were only **c.90k beds available**,
- **Which accounted for 26.5%** of total students (c.1.5 million)
 - **20.1%** were **national** students (12.6% from mobility between regions and 7.5% from mobility intra-regions); and
 - **6.4%** were **international** students.



Business Concept

- Revenues growth through catchment areas with solid growth and PRS GAP.
- Service quality offering: fully-equipped accommodation, study environment, personnel development, sports and entertainment...



Entry Barriers

- Scarcity of management platforms offering economies of scale.



Exit strategy

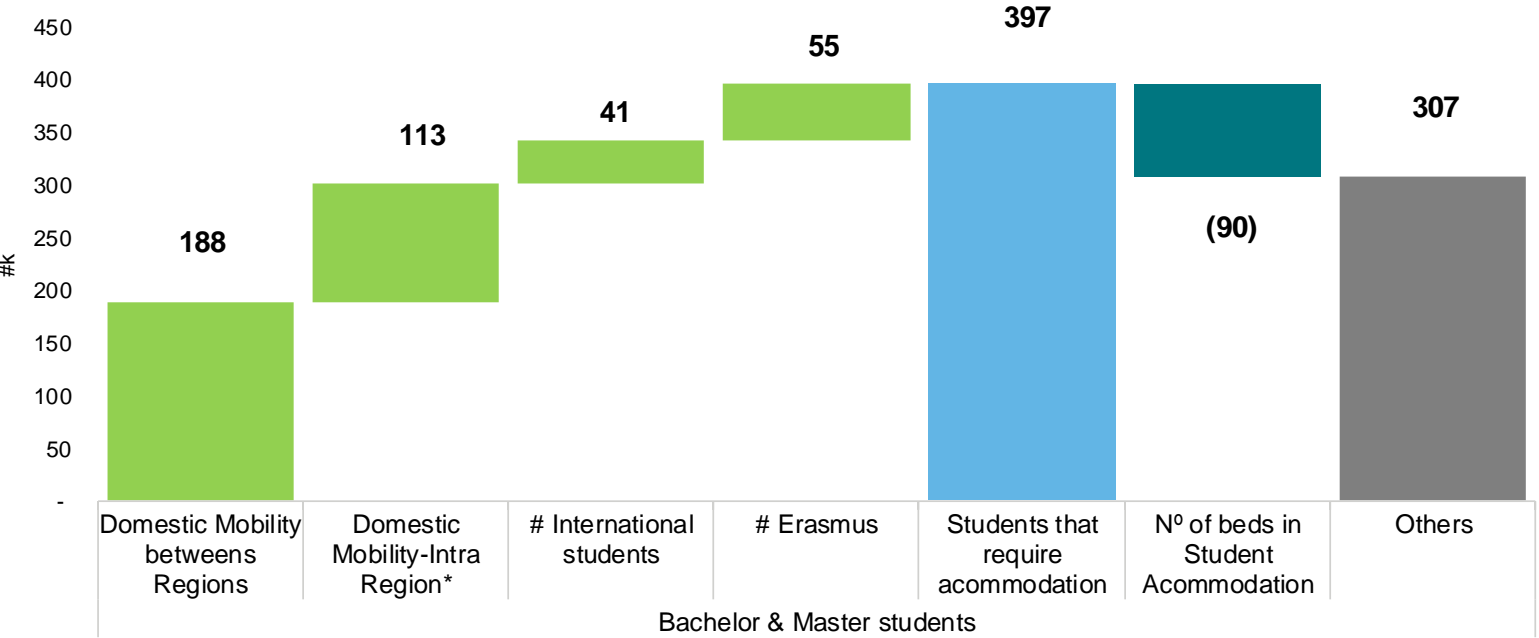
- Immature institutional market
- IPO
- Yield pricing liquidity risk



1. Why invest in the Student Accommodation market?

Supply & Demand

Supply & Demand Bridge Analysis in the Spanish Accommodation Market



(*) The graph does not include the inter-regional mobility of Castilla La Mancha, Aragón, País Vasco, Islas Baleares and Extremadura.

(**) The graph does not include mobility relating to doctoral students.

Source: M. Education statistics and CRUE.

“In 2017 there were **397k** students that **required accommodation** in Spain whilst only 90k beds were available.”

Why Invest in the Student Accommodation Market?



1. Why invest in the Student Accommodation market?

Yield

Prime asset yields in each sector as at 4Q18



Shopping centres

4.25%



Offices

3.75%



Residential

3.0%-3.5%



Student Accommodation

5.5%

“As at 4Q18, student accommodation in the Spanish market had a yield of c.**5.5%** for prime assets.

Source: Deloitte research



1. Why invest in the Student Accommodation market?

Gap with the EU

UK	
# of beds (k)	550
# students enrolled (m)	2.3
Students per bed	4.2
International students	18%

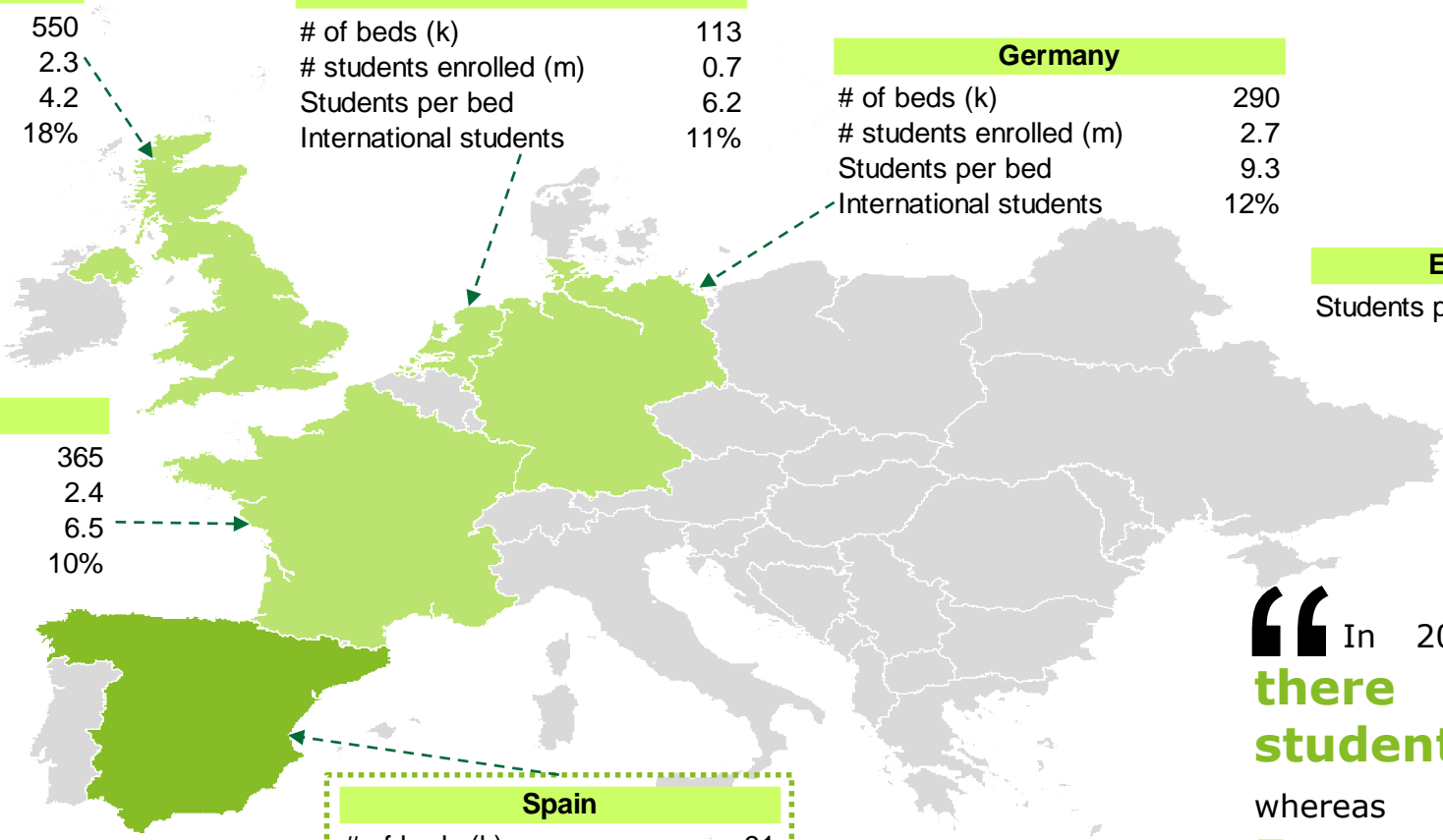
Netherlands	
# of beds (k)	113
# students enrolled (m)	0.7
Students per bed	6.2
International students	11%

Germany	
# of beds (k)	290
# students enrolled (m)	2.7
Students per bed	9.3
International students	12%

European Union	
Students per bed	7.0

France	
# of beds (k)	365
# students enrolled (m)	2.4
Students per bed	6.5
International students	10%

Spain	
# of beds (k)	91
# students enrolled (m)	1.6
Students per bed	17.3
International students	9%



“ In 2018, in **Spain** there were **17** students per bed whereas in the **European Union** there were **7** students per bed.

1 Why Invest in the Student Accommodation Market?



1. Why invest in the Student Accommodation market?

Changes in the users profile

Expectations



“ **Save time and money** with a fully equipped accommodation



“ **Relaxed** atmosphere to **study**



“ **Personal development** (shared work spaces and peer support)

Requirements



“ **Location:** next to the University or city centre



“ **Care services** (laundry, cleaning, doctors)



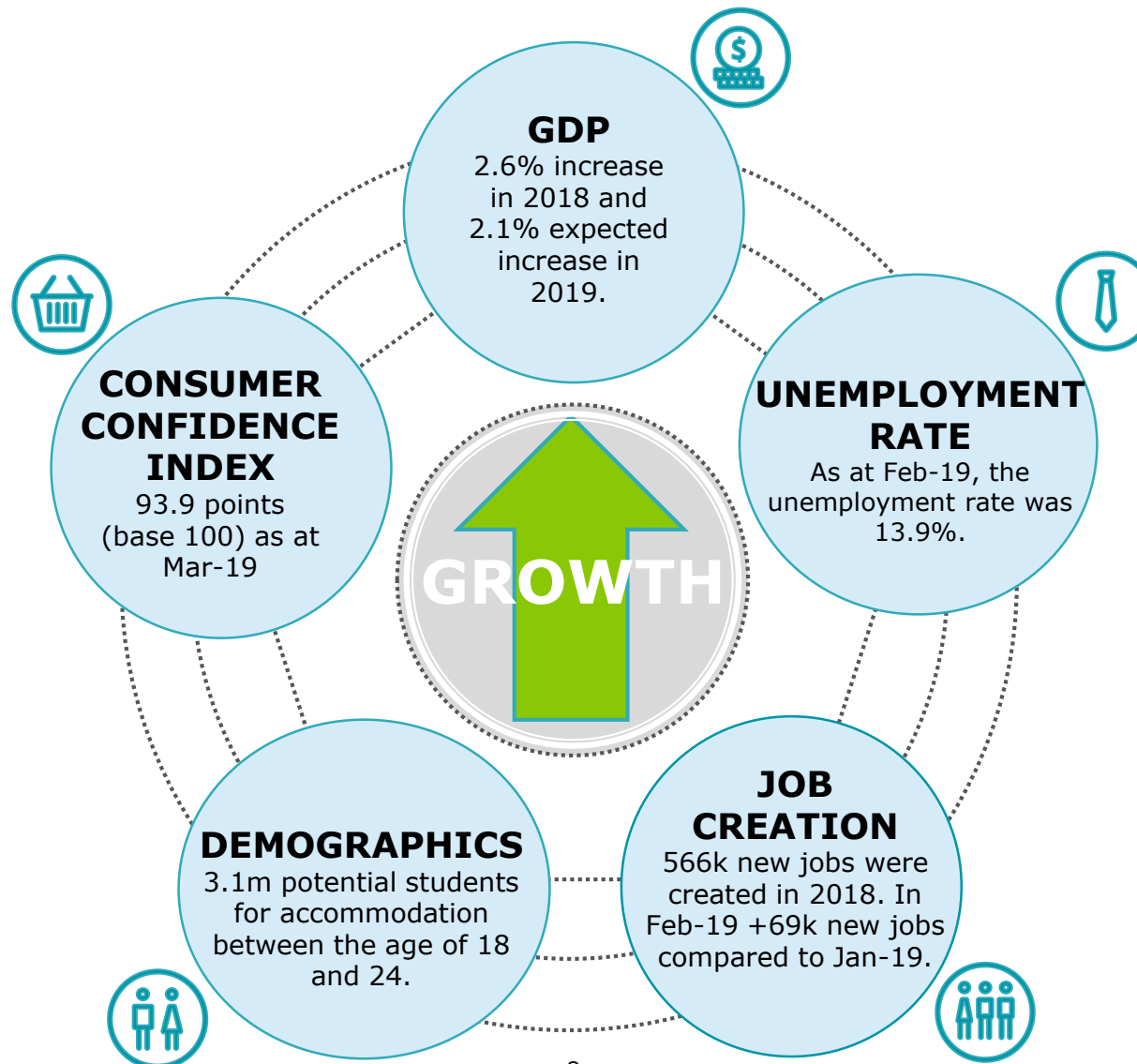
“ **Sports and entertainment facilities** (Gym, cinema, etc.)





2. Macroeconomic context overview

Spanish Macroeconomic Overview FY18-FY19



“ The main macroeconomic indicators are **positive**.

Spain is on target to sustain economic recovery:

- ▲ GDP
- ▲ Job Creation

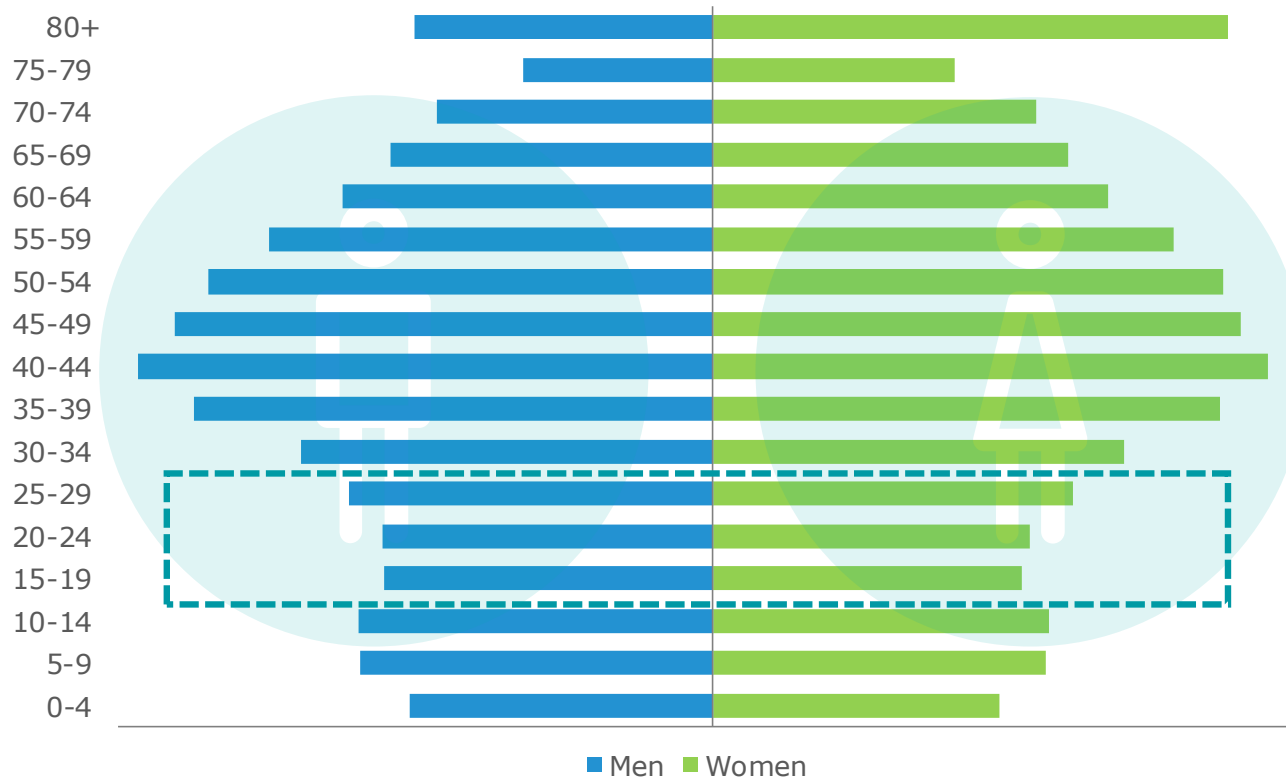
Source: INE



2. Macroeconomic context overview

Spanish Demographics

Spanish Population Pyramid



Source: INE 4Q 2018

“ The Spanish population comprises **3.2m people** between the ages of 18 and 24 (**Potential student accommodation users**) which accounted for **6.7% of the total Spanish population**.

“ In 2030, the Spanish population aged between 18 and 24 years old is expected to be **3.1m**.



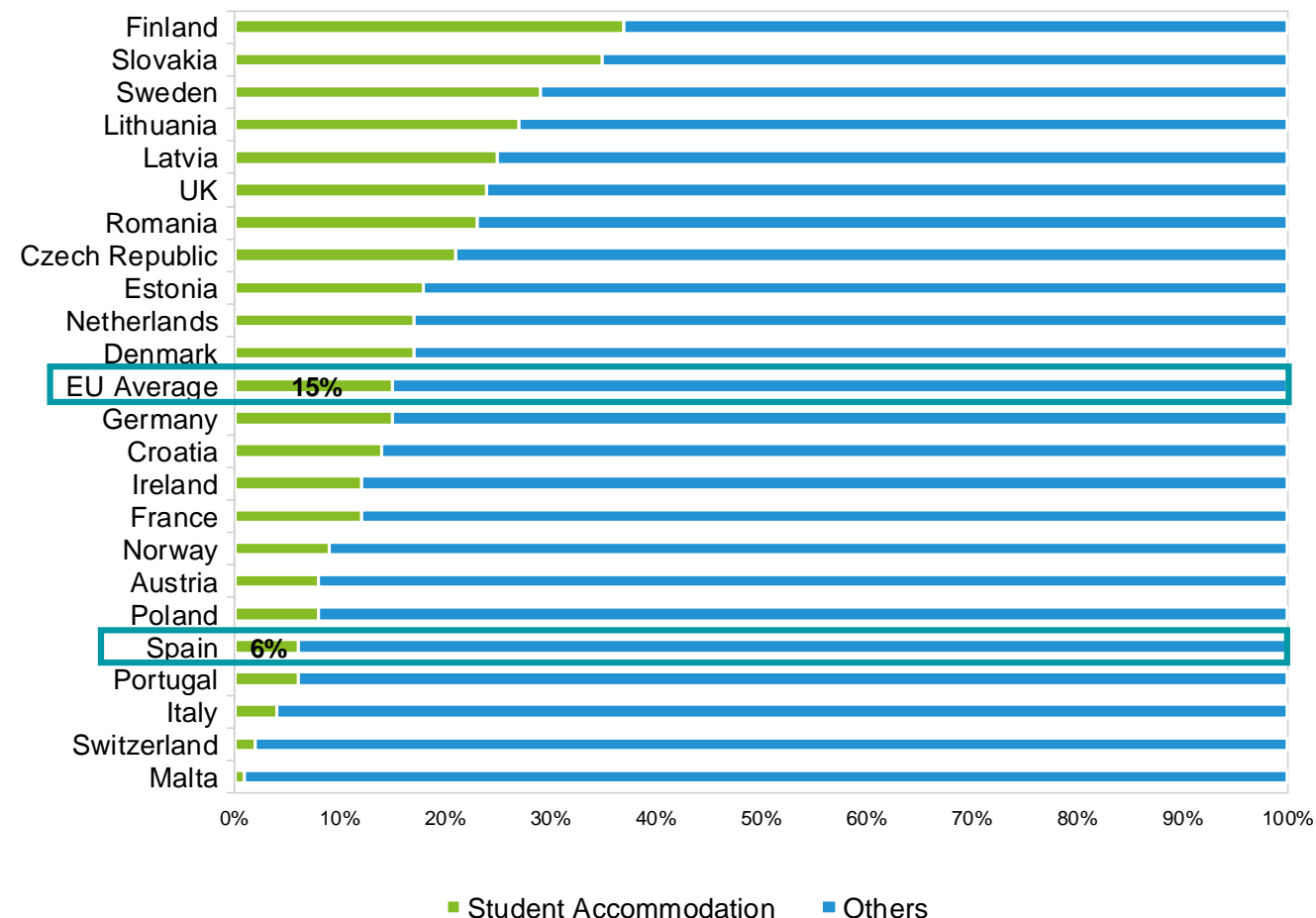
3. Supply & Demand

Europe vs. Spain – Students living in PBSA

“6% of Spanish students lived in student accommodation in 2017, being one of the lowest countries in Europe, only being higher than Portugal, Italy, Switzerland and Malta.”

In 2017, 15% of European students lived in student accommodation facilities.

% of Students Living in Student Accommodation FY17



Source: Eurostudent VI



3. Supply & Demand

Europe vs. Spain – University System and Rankings





Spanish Business Schools in MBA 2019 Ranking

# European		# Global
4	 ie business school	8
6	 ESADE Business School	13
7	 IESE Business School University of Navarra	18

Source: QS University Ranking

“ Spain has become an attractive global destination for international students with **three Business Schools in the Top-10 2019 European University MBA ranking.**

Top European Universities in 2019

# European	# Global	
1	5	 UNIVERSITY OF OXFORD
2	6	 UNIVERSITY OF CAMBRIDGE
3	7	 ETH zürich
4	8	 Imperial College London

Source: QS University Ranking

“ As at December 2018, there were **84 Universities** in Spain, of which 50 were public and 34 were private. Most of the Spanish universities appear **after the number 66** in the top European Universities ranking.

Top Spanish Universities in 2019

# European	# Global	
66	159	 UNIVERSIDAD AUTÓNOMA DE MADRID
70	166	 UNIVERSITAT DE BARCELONA
84	193	 UAB Universitat Autònoma de Barcelona
92	206	 UNIVERSIDAD COMPLUTENSE DE MADRID
106	242	 Universidad de Navarra
111	253	 Universidad Carlos III de Madrid
120	275	 UNIVERSITAT POLITÈCNICA DE CATALUNYA BARCELONATECH
128	298	 upf. Universitat Pompeu Fabra Barcelona

Source: QS University Ranking





4. Key Investment Indicators

Main Figures: Overview

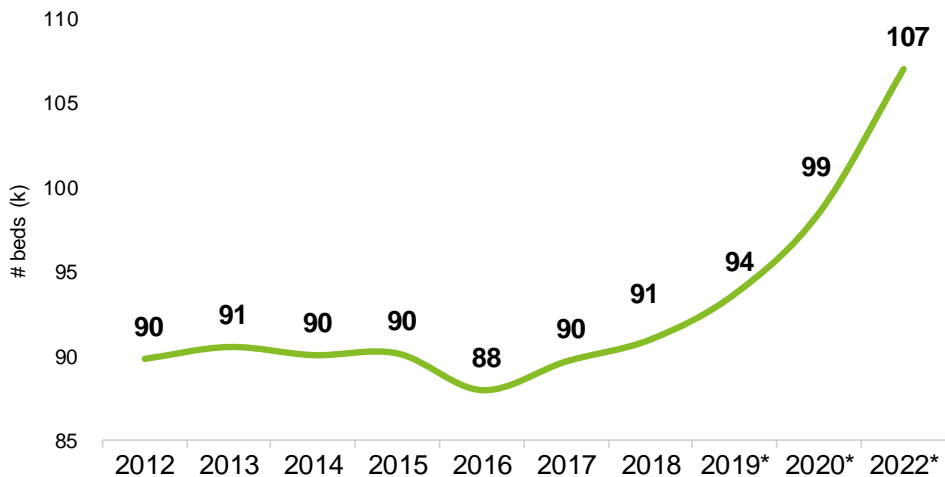
KPIs FY18



Source: Deloitte research

“ In FY18, the Spanish student accommodation market comprised **1,025 halls of residence and residential colleges with over 91,066 beds.**

of Beds Trend (k)



* figures include projected data
Source: Deloitte Research

“ In Spain, student halls of residence and residential colleges are mainly operated **by private companies, universities (public and private) or religious orders.** The student accommodation market is **fragmented.** The Top-5 suppliers only have a **c.15.7% market share.**



4. Key Investment Indicators

Main Figures in Spain: # Beds, # students and ratios.

Region	# Facility	# Beds	# Beds per facility	# Students	#Students/bed
Madrid	183	20,304	111	290,955	14.3
Cataluña	150	13,891	93	208,318	14.9
Castilla y León	179	11,992	67	81,989	6.8
Andalucía	133	11,749	88	244,504	20.8
C. Valenciana	66	6,542	99	149,465	22.7
Galicia	64	5,388	84	61,893	11.5
Aragón	40	3,718	93	33,628	9.0
Castilla La Mancha	42	3,538	84	25,210	7.1
País Vasco	32	3,332	104	58,131	17.5
Navarra	31	2,853	92	19,655	6.9
Extremadura	32	2,363	74	20,187	8.5
I. Canarias	18	1,452	81	39,745	27.0
Murcia	14	1,229	88	51,608	41.7
Asturias	17	906	53	21,682	23.8
La Rioja	9	697	77	4,315	6.2
Cantabria	4	599	150	13,020	21.7
I. Baleares	11	513	47	13,605	26.3
Online University	-	-	-	237,669	-
Total	1,025	91,066	88.8	1,575,579	17.3

Source: Deloitte research

“As at December 2018, the average number of beds was c.89 per residence. The number of students per bed was c.17.3.”



Investment market

Main platforms

Owners	Managing Company
  	
 	
 	
	
 	
  	

Owners	Managing Company
	
	
	
 	
	



Investment market

M&A main operations in Spain



Portfolio: **Resa**

Seller: **Azora**

Buyer: **CBRE, Axa & Greystar**



Portfolio: **Nexo**

Seller: **Oaktree**

Buyer: **GSA**



Portfolio: the purchase of **seven buildings** in Madrid , Valencia, Salamanca, Pamplona and Malaga.

Buyer: **Syllabus**



Portfolio: **Campus Patrimonial**

Seller: **EBM Alisma, Ibercaja, Unicaja, Bankia, BMN & others.**

Buyer: **Stoneshield Capital**

Total transactions' deal value

2017

€560m

2018

€141m



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#TheStudentAccommodationHandbook April 2019

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