

Growing supply/demand imbalance on Spanish student housing market

Happy Flats Barcelona – Student Rental Property White Paper

Includes Third-Party Reports, Excerpts and Information on Student Housing Rentals

Case studies from Barcelona students show there is a need for good student housing. Many students cite that they searched for housing on their own because they “had no other choice”.

“The University is not helpful; it has no housing program, nor any association with residence or anything. The students normally have much trouble regarding housing.”

A report from global real estate agent and advisory group Savills on Spain’s student housing market finds that a combination of high student hall occupancy rates, a fall in development completions and rising student registrations highlights a growing supply/demand imbalance in the emerging real estate sector.

The international real estate advisor notes that the majority of student halls in the main university towns across Spain have 100% occupancy rates during the academic year (October to June). Furthermore, over the last three years the report records an 80% drop in student housing development completions, while over the same period new student registrations have increased by almost 20%.

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Student Rental Market

The student accommodation market has started to emerge as a significant mainstream global investment category, attracting increasing interest from investors, developers and private operators, according to the latest research from international property consultants Jones Lang LaSalle.

Although sometimes described as an 'alternative' investment sector, in these markets student housing is increasingly sought after by mainstream institutional investors.

Philip Hillman, lead director of Student Housing and Higher Education team in London said that student housing is increasingly a global asset class because students are increasingly international and mobile so developers and operators of student accommodation now operate across continents and investors are increasingly investing overseas.

This imbalanced market has resulted in outperformance both in the UK and US, outperforming other commercial real estate sectors delivering total returns of between 11% and 15%. Stable income and solid rental growth plus resilient performance in downturns are key appealing attributes resulting in high occupancy rates where enrolments are rising at a higher rate than supply.

The report adds that investors have been attracted by the counter cyclical nature of the sector. University enrolments have consistently grown during periods of economic downturn. The supply of new accommodation has struggled to keep pace with the surge in enrolments over the past 20 years and the shortfall of suitable accommodation has led to high occupancy and consistent rental growth.

'Looking towards the emerging markets, it is considered that mainland Europe is around 10 to 15 years behind the markets of the UK and the US. **There are few open market transactions at the moment but there are real opportunities for growth,**' the report explains.

‘However the sector in these emerging markets should benefit from an accelerated acceptance of the investment characteristics of the sector as a result of the growth of the UK and US markets.’

Savills, (Savills UK | Estate Agents & Lettings UK & London) the international real estate advisor notes that the majority of student halls in the main university towns across Spain have 100% occupancy rates during the academic year (October to June). Furthermore, over the last three years the report records an 80% drop in student housing development completions, while over the same period new student registrations have increased by almost 20%. With student housing stock due to increase by just 1.3% in the current academic year (2011-12) placing more pressure on supply, Savills identifies a window of opportunity for developers and investors.

“The student housing market, already an established alternative asset in the UK, is also becoming a niche sector for European investors. With some uncertainty surrounding the fundamentals of traditional commercial property sectors, investors are looking for alternatives in Europe. With a sustained demand and student registrations consistently rising year on year, student accommodation could be seen as such an alternative.”

*The average monthly rent in public halls for full board stood at approximately €650, or €950 per month in private halls

*The monthly price to rent a room in Barcelona City Centre is currently (2015) between €350 and €450 in a shared apartment of 3-4 bedrooms on average

Investors in student accommodation are turning their attention towards mainland Europe because the Continent is ripe for a boom in overseas student numbers.

“While the UK is now well established as a destination for student housing investment, the European market remains relatively untapped,” according to Savills Spotlight: European Student Housing Report.

With a high number of both domestic and international students it doesn't come as too much of a shock that demand for student accommodation is high and occupancy rates currently stand at around 99%. There is also said to be a shortage of supply of high-quality, self-contained property so the increased amount of money being invested in the sector will hopefully make way for this.

It looks like students will be saying goodbye to basic and hello to luxury in the near future.

It's a rental sector where it's impossible for your tenants to lose their jobs and where demand remains usually steady regardless of economic conditions or downturns. If gone about carefully, student housing rentals can return higher yields and a steady demand that is not likely to significantly wane.

Student accommodation may be the right investment if you are heading into retirement and want or simply want a steady income opportunity.

Spanish Student Housing Market

Why is Spain so popular with students?

Spain offers a uniquely relaxed experience, its Siesta culture allowing students to pursue their academic interests at a different pace. However, this doesn't mean that Spain should be treated less seriously academically speaking! Spain is particularly known for its foreign language courses, with Spanish universities being world famous for their foreign language centres. The country also offers students a uniquely diverse cultural experience, the historic sense of regionalism allowing students to experience widely varying languages, cultures and traditions all within one country.

Erasmus Sets a New Record for Study Abroad Funding

Erasmus is one of the largest and most successful programs for study abroad funding in the world.

The latest Erasmus statistics released by the European Commission today reveal that nearly 270 000 students - a new record - benefitted from EU grants to study or train abroad in 2012-2013. While studying at another university continues to be the most popular choice, one in five students (55 000) opted for Erasmus job placements in companies. The three most popular destinations for Erasmus students in 2012-2013 were Spain, Germany and France.

Spain has highest number of Erasmus students

The European Commission's report also highlights how active different countries are within the scheme. According to 2012-13 data, the three most popular destinations for Erasmus students were Spain

€15 billion to be awarded in the next seven years

In the next period (2014-20), plans are set for the initiative to grow exponentially as part of the European Commission's reform strategy, aimed at modernizing higher education and increasing student mobility by at least 20%. The study abroad funding that Erasmus offers is a key part of this strategy, and the scheme has been given a 40% budget increase for the next seven year period, bringing its total budget to €15 billion (US\$20.4 billion).

Spain is a Top 5 study destination

With just 2.3% Spain seems to be one of the less important destinations if you compare it to the big players like the US and the UK. However, Spain showed a remarkable development. In the last 5 years, the popularity towards the other countries world-wide more than tripled! For obvious reasons, Spain is especially popular among other Spanish speaking countries such as Chile, Mexico and Argentina. However, it is also a great opportunity for US and UK citizens for example, to learn one of the most popular languages of the world besides Chinese, Hindi and English!

Top E.U. Student Populations by Country with Provision Rates

1. **U.K.:** 2,500,000 students, 21% student housing provision rate.
2. **Germany:** 2,400,000 students, 11% student housing provision rate.
3. **France:** 2,300,000 students, 11% student housing provision rate.
4. **Spain:** 1,900,000 students, 8% student housing provision rate.

Spain has the 4th highest E.U. student population with well under half of the provision rate of the United Kingdom.

Barcelona Student Housing Market

Barcelona is absolutely one of the world's best places to be a student. There are several major universities, so student life is really active here. The universities have tons of activities going on, and even better, Barcelona's an international city so it's easy to make friends from all over the world.

Barcelona offers one of Europe's most appealing environments in which to live and study – sunny climate, beaches, renowned cuisine, a rich artistic and cultural legacy, cosmopolitan city centre and of course, a legendary party scene.

It is also home to Spain's two most prestigious universities, the University of Barcelona (UB) and Universitat Autònoma de Barcelona, which both rank among the global top 200 in the QS World University Rankings® 2014/15, as well as several other internationally esteemed institutions.

The city's highest score in the QS Best Student Cities index is in the “student mix” category – reflecting its large and international student community – followed by “employer activity”, thanks to its institutions' strong reputation among employers both within Spain and much further beyond.

While Barcelona is one of the most popular and visited cities in Europe, living costs remain reasonable compared to the likes of London and Paris. Tuition costs are a little higher than those in fellow Western European countries such as France or Germany, but still relatively low, giving Barcelona an overall affordability rating somewhere in the mid-range.

Universities in Barcelona

Autonomous University of Barcelona	Cerdanyola del Vallès	Catalonia	1968	Public
Polytechnic University of Catalonia	Barcelona	Catalonia	1971	Public
Pompeu Fabra University	Barcelona	Catalonia	1990	Public
University of Barcelona	Barcelona	Catalonia	1450	Public
Abat Oliba CEU University	Barcelona	Catalonia	2003	Catholic
International University of Catalonia	Barcelona	Catalonia	1997	Private
Open University of Catalonia	Barcelona	Catalonia	1990	Public
Ramon Llull University	Barcelona	Catalonia	1990	Private

American and European universities in Spain

In addition to Spanish higher education establishments, there are also a number of US universities with faculties in Spain including the Schiller International University, the St. Louis University and Suffolk University (all in Madrid). All classes at American universities are taught in English.

The European University has branches in Barcelona and the University of Surrey (Britain) also has a branch in Madrid. Many foreign university students (and Spanish students abroad) can study in Spain under European Union exchange programmes for periods ranging from a few weeks to several months. If you're heading for Barcelona (or anywhere in Catalonia), ensure that a course is conducted in Spanish (Castilian) and not Catalan.

There are also other smaller universities and specialist schools that are not listed above.

Student Population in Barcelona

As of the latest data sheet provided by the Generalitat de Catalunya in 2010/11, there were 247,571 officially listed students with a Barcelona City population of 1,615,448.

This means approximately 15% of the city is students. That is one big campus mix! In addition, the number of new and international students has grown steadily over the last 4 years and is expected to see expanded growth through 2020.

Average Student Rental Prices in Barcelona

Single Room Private

650 € monthly, ERASMUS University dorms

PRIVATE ROOM with BATHROOM ENSUITE in a student residence with pool

632 € monthly, MelonDistrict University dorms

Super cool STUDIO in building with POOL and other services

1199 € monthly, Studios

Triple Room to share, with private ensuite

510 € monthly, University dorms

450 € to 650 €, 3/3 rooms, for a total of 1,350 € to 1,950 € per month on 3 bedroom shared apartment. These prices are much higher for luxury studios as seen above. *Listings from: <http://erasmusu.com> (April/2015).

Case Studies from Barcelona Students

Case studies from Barcelona students show there is a need for good student housing. Many students cite that they searched for housing on their own because they “had no other choice”.

HOUSING ★★★★★

by Ken, [Medizinische Universitaet zu Luebeck](#), Luebeck, Germany
 Medicine, Erasmus

Type of housing: Apartment/House

Arranged by: Independently - I had no other choice

If returning, I would choose: Apartment/House

Why? Your own apartment, preferably shared with some other exchange students or even better some locals, gives you the maximum of independence and makes you feel more like a real citizen of the city.

Personal comments:

Like most of the exchange students to the Universitat de Barcelona (UB), I was referred to HabitatgeJove for the difficult quest for accommodation. This doesn't have to be the best choice: While I was very lucky with my flat, I heard of other misfortunate students who only found housing in sleazy suburban flats. Therefore it may be more advisable to engage into the tiring and sometimes frustrating search for flats yourself. Take a look at the blackboards in the Central University building of UB where usually a lot of flat ads can be found (watch out for dodgy ones, though!) and at newspaper stands for buy & sell journals.

HOUSING ★★★★★

by Milos, [Hogeschool van Utrecht](#), Utrecht, Netherlands
 Business Studies, Erasmus

Type of housing: Apartment/House

Arranged by: Independently - I had no other choice

If returning, I would choose: Apartment/House

Why? The best thing is to rent a whole apartment with several rooms because it gives you the needed independence and you will be our own boss.

Personal comments:

The best thing is to arrange accommodation before you go to Barcelona. Remember, a lot of people go to Barcelona, but a lot of Erasmus are also moving out each year. Try to get the room of a student of your uni who was the year before in BCN. People complain that they couldn't find a room because the Uni didn't help them need to grow up, you're on your own and that is reality.

HOUSING ★★☆☆

by Guilherme, [Fundação Getulio Vargas](#), Sao Paulo, Brazil
Business Studies, Independent

Type of housing: Apartment/House

Arranged by: Independently - I had no other choice

If returning, I would choose: Apartment/House

Why? The independence and the troubles regarding it, is something I was hoping to live thru this experience. Negotiate, was stressful but cooking and cleaning have proven to be very easy.

Personal comments:

The University is not helpful, it has no housing program, nor any association with residence or anything. The students normally have much trouble regarding housing.

Property Market in Spain

2015 set to see strong growth in demand for prime properties in Spain

According to the conclusions contained in the January Multi-Country Report published by the International Monetary Fund (IMF), housing prices appear to have bottomed out in Spain.

The international financial markets are expected to be a key driver in the uptake of Spanish prime residential property during 2015, according to a new analysis.

The latest market reports from Lucas Fox International Properties, suggest there has been an increase in demand from UK, US and Swiss buyers thanks to the rise of the dollar, pound and Swiss franc against the Euro.

‘With unemployment falling, the economy growing faster than predicted and property reaching the bottom, 2015 is set to be a pivotal year for Spain's property market. Prices are on average 40% below what they were since the start of the crisis in 2007 and we predict a slow and steady recovery. This is an opportune time to invest,’ said Lucas Fox co-founder Alexander Vaughan.

The report says that prices in Barcelona have stabilised in the past 12 months and new international interest is impacting on demand for prime residential property. 2015 is expected to be the most significant year of recovery for the prime market in Barcelona since 2007.

Lucas Fox sales data shows that Middle Eastern buyers accounted for 12.5% of all purchases during 2014, followed by the Spanish and French both at 11%, the Germans at 8% and the British at 7%.

The bulk of prime market property purchases in Barcelona during 2014 were for investment use with two out of five buying for that reason, whereas in 2013, the main reason for buying was for use as a primary or secondary residence.

The number of transactions in 2014 increased over 2013, with more properties above €1 million selling than in the previous year.

‘We see 2015 as the recovery year for the Spanish prime residential property market, driven mainly by increasing numbers of overseas buyers. We expect that those who were deterred by falling prices during the past seven years or so, will enter the market, enticed by some real opportunities,’ explained Vaughan.

‘Prices have fallen by up to 40% in some areas of the city but, in the last 12 months, these prices have stabilised. Some recent figures suggest that, in some of the most desirable areas of the city such as Eixample and the beachfront, prices for the best properties are starting to creep up again. The key change in the Barcelona Residential market during 2015 will be the return of quality new build residential developments which have not been seen on the market for several years and where demand currently outstrips supply,’ he added.

Property Market in Barcelona

World's 20 best places to invest in property – Barcelona #1 telegraph.co.uk

The past few years have been sobering for global property. Falling house prices have torpedoed buy-to-let markets all over the world. But millions of Britons are still tempted by the dream of buying a property in the sun, spending their holidays there and converting it into a nice little earner in their old age. Sinking hard cash into an overseas property always comes with risks. Yet there are a number of destinations where investing now looks far more attractive than 12 months ago. Some markets that nosedived – for example, Spain – show signs of bottoming out, and offer good value again. In other parts of the world, such as the Caribbean, overseas buyers are being targeted with significant tax incentives. According to the telegraph.co.uk list, Barcelona ranks as the #1 city in the world to invest in property.

Barcelona, Spain

A city perceived as a magnet for beautiful people will always buck national trends. This probably explains why Barcelona is looking a better bet than the still struggling Costas. Alex Vaughan of Lucas Fox reports sales turnover is up by 250 per cent on a year ago. The Spanish government is wooing overseas buyers, and stylish two-bedroom apartments in classic buildings are available for about £400,000. This could be the perfect time to invest in a buy-to-let property in a landmark European city.

HFB Snapshot

The best part of the new development, are the wonderful apartments themselves. Each one of them consists of a study space, a bathroom as well as a fully fitted kitchen, all of which are furnished to the highest standards, to accommodate the needs of the modern student. Furthermore students can make use of on-site laundry facilities and secure bike storage.

'Cluster' apartment strategy – HFB will target properties with 'clusters' of 6-10 apartments, each containing 3-4 bedrooms, within the same property. These 'clusters' are easier to manage and diversify the locations available to students seeking housing. Each 'cluster' may be owned by a separate holding corp. with each asset held under one umbrella. This strategy can provide significant risk protection – if anything happens to a unit, it can only affect a single asset or 'cluster'. This strategy also provides tax and efficiency benefits in case of liquidation – instead of selling the property, the company sell the SPV rather than the property itself.

Independent Resources and Links

Student Rental Market

<http://www.propertywire.com/news/global-news/student-accommodation-investment-property-201211077120.html>

www.savills.co.uk

http://pdf.savills.com/documents/European_Student_Spotlight_2013.pdf

Spanish Student Housing Market

http://europa.eu/rapid/press-release_IP-14-821_en.htm

<http://www.topuniversities.com/student-info/university-news/erasmus-sets-new-record-study-abroad-funding>

<http://www.mastersportal.eu/articles/390/top-5-study-destinations-in-europe.html>

Barcelona Student Housing Market

<http://barcelonacatalonia.cat/b/wp-content/uploads/2012/12/datasheet-2012-angles.pdf>

<http://erasmusu.com>

http://www.iagora.com/studies/uni/Universitat_de_Barcelona

Property Market in Spain

<http://www.imf.org/external/pubs/ft/scr/2015/cr1501.pdf>

<http://www.lucasfox.com/news-and-press/2014/07/31/spanish-real-estate-market-reports/>

Property Market in Barcelona

<http://www.telegraph.co.uk/finance/property/investment/10542844/Worlds-20-best-places-to-invest-in-property.html?frame=2777629>

<http://www.lucasfox.com/updfiles/publications/barcelona-market-report-2014.pdf>