Poland Commercial – April 2019

SPOTLIGHT
Savills Research

Student Housing in Poland

An emerging sector ● High demand for beds ● Undersupply of investment targets

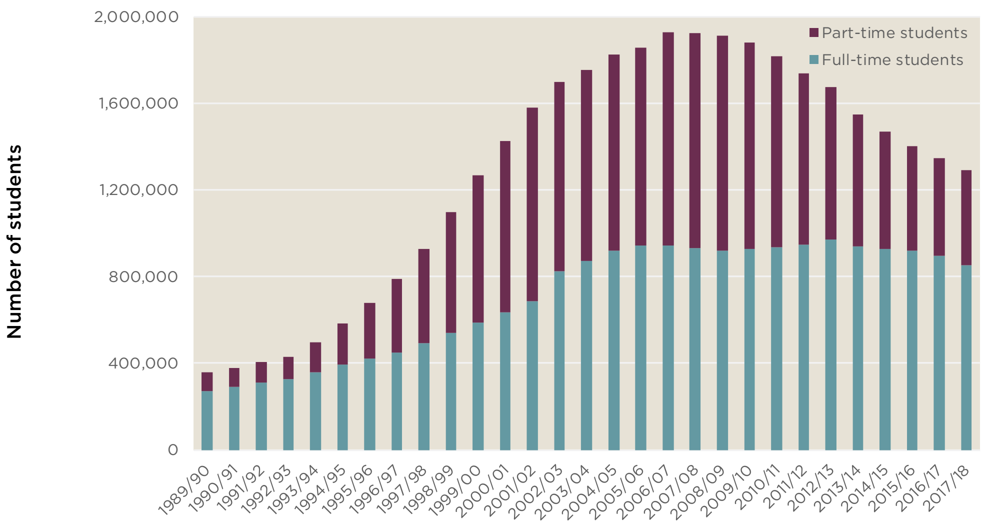
In Europe student housing has shown how a niche and specialist sector of real estate can break through to the mainstream. In 2018 the global volume of investment activity in the PBSA (purpose-built student accommodation) sector reached over USD 17 billion, a similar volume to 2017. The total global investment volume from last five years (2014-2018) was three times higher than between 2009 and 2013, showing the market has become an important real estate sector.

In Poland the PBSA market is still a niche in its early stage of development with limited number of transactions, but with great potential for growth which was already seen by some developers and investors.

Undersupplied market with strong demand for beds represented by very high occupancy rate are the proof for institutionalised investors that Poland is the right place to invest in. In the next few months we expect first institutional transactions to be recorded in Poland with next ones to follow over the next few years.

Kamil Kowa
Board Member
Head of Corporate Finance and Valuation

Students population in Poland



Source Statistics Poland

Students in Poland

100,000 international students in Poland by 2021

Population of students is declining...
In the academic year 2017/2018 there were almost 1.3 million students enrolled in Poland, which constitutes close to 3.4% of the total country's population and almost half of young people aged 19-24.

The population of students has been decreasing by ca. 4% year-on-year in the last three years which is in line with demographic changes. The population of 19-24 years old people is also declining at a similar pace, but on the other hand the share of students among that group age is rather stable at 50%.

...but more for part-time programmes
The falling number of students is usually less visible when full-time learners are considered - the decline was ca. 2.8% year-on-year on average in the last three years whereas when part-time students are taken into account the drop was significantly higher at 6.7% on average every year since 2015/16 academic year. It means that more and more students are enrolling full-time at the expense of part-time programmes.

...and the number of international students is surging
The mobility of students is increasing worldwide. Poland, with approximately 800 English taught programmes, is also benefiting the constantly increasing inflow of international students. The newest data shows the population of foreign learners was 72,743 in the 2017/2018 academic year, up by 10.6% year-on-year. Assuming the population of international students will grow by 8-10% per annum in the next few years, by 2021 the number of overseas students enrolled in Poland will reach 100,000.

International students in Poland

Source Statistics Poland

“The internationalisation is one of the key development goals of many Polish higher education institutions thanks to which the population of foreign students is growing”

The share of international students with Polish descent has decreased from 21.5% in 2007/2008 academic year to 10.6% according to the most recent data showing that studies in Polish higher education institutions are getting more and more popular among young people with no connections with Poland.

Over 88% of all international students were engaged in full-time studies and the most popular fields of studies were business management, medicine and IT studies which together attracted almost 31% of all foreign students.

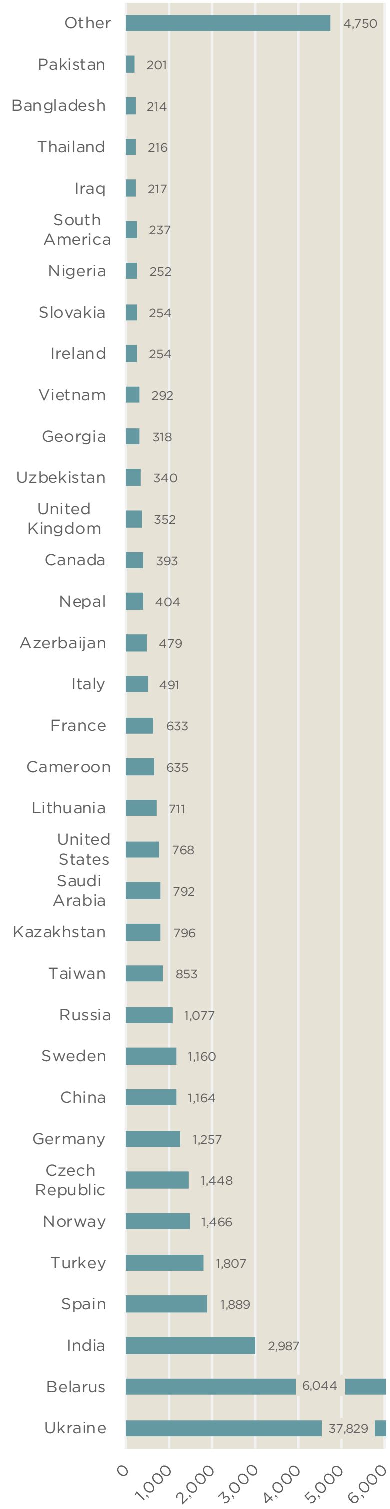
The three top universities when international learners are considered are University of Warsaw, Jagiellonian University in Kraków and Vistula University in Warsaw, but there are two more higher education institutions with over 2,000 foreign students each: University of Social Sciences in Łódź and Andrzej Frycz Modrzewski Kraków University.

A large proportion of foreign students (60%) originate from the two nearest eastern neighbours: Ukraine and Belarus, followed by India (4% of all international students enrolled in 2017/18), Spain and Turkey (2.5% each).

HEIs with the highest number of international students in Poland

Higher education institution	Total number of students / Share of full-time students	International students / Share in total
University of Warsaw	45,633 / 75%	2,952 / 6%
Jagiellonian University in Kraków	39,101 / 85%	2,700 / 7%
Vistula University in Warsaw	4,121 / 61%	2,210 / 54%
University of Social Sciences in Łódź	15,513 / 18%	2,089 / 13%
Andrzej Frycz Modrzewski Kraków University	7,320 / 54%	2,043 / 28%
Warsaw University of Technology	30,036 / 78%	1,688 / 6%
UMCS Maria-Curie Skłodowska University in Lublin	21,274 / 8%	1,624 / 8%
University of Information and Management in Rzeszów	5,091 / 51%	1,608 / 32%
University of Economics and Human Sciences in Warsaw	5,079 / 38%	1,515 / 30%
University of Łódź	30,139 / 79%	1,438 / 5%
Medical University of Lublin	7,012 / 73%	1,407 / 20%
University of Wrocław	25,549 / 78%	1,376 / 6%
SWPS University of Social Sciences and Humanities in Warsaw	13,591 / 45%	1,309 / 10%
Kraków University of Economics	17,518 / 67%	1,244 / 7%
Warsaw School of Economics	13,981 / 63%	1,241 / 9%
University of Euroregional Economy in Józefów-Warsaw	2,407 / 42%	1,162 / 48%
Koźmiński University in Warsaw	5,884 / 54%	1,107 / 19%
Warsaw Management University	4,321 / 11%	1,097 / 25%
Poznań University of Medical Sciences	7,259 / 85%	1,003 / 14%

International students by country of origin



88% International students engaged in a full-time programmes

79% International students originate from Europe

Source Statistics Poland

One of the reasons Poland is an attractive location for student housing project is the strong inflow of foreign students

Undersupplied market

Only 15% of students can be accommodated in student residences

The majority of student houses in Poland (2017/2018 academic year) is owned by public HEIs - in 449 dormitories there were 122,119 beds offered. Private higher education institutions offered a total of 35 student houses with only 3,892 beds. Private investors add another 6,500 beds to total supply.

Both public and private institutions are reducing their accommodation offer for students. From 2004 to 2017 the total number of student houses dropped from 513 to 484 and at the same time the number of beds declined from 150,877 to 126,011. The latter is not only the consequence of lower number of dormitories offered but also the clear need to upgrade the standard. The majority of rooms in public dorms are multi-bed rooms with common kitchen and bathroom, of poor standard much below current students' requirements. The gap between the standard offered and what is needed was also noticed by the landlords which started or plan to start refurbishments to meet students needs.

Over 73% of students prefer to be accommodated in a single-bed room and for another 20% of them a 2-bed room is a preferred option. The shift from 3- and more beds rooms into single or double bed rooms is visible and confirmed by several administrations of dormitories interviewed by us.

Some universities, such as Lazarski University in Warsaw, disposed their dormitory which offered over 40 beds in 2- and 3-bed rooms to a private investor which will refurbish and upgrade the building reducing the offer to 17 single-bed rooms.

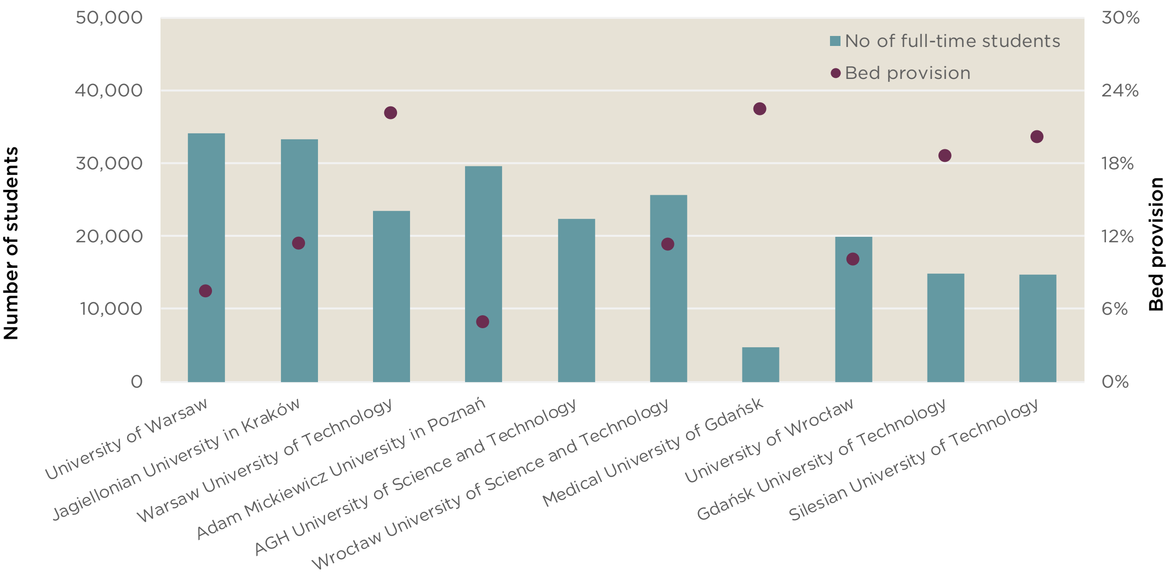
On the other hand Medical University of Lublin decided to change their dormitory into a teaching and research facility explaining that their students are not keen to stay in multi-bed rooms and prefer to choose private projects of higher standard.

Statistics Poland data shows that, although vast majority (95%) of students accommodated in dormitories owned by public and private HEIs were engaged in full-time programmes, remaining 5% of them were part-time learners.

The supply (number of beds) - demand (population of full-time students) ratio is one of the main factors used to determine investment in the PBSA sector. In Poland the ratio stands at ca.15%, below levels recorded in more developed markets such as UK (34%) or Netherlands (18%). Bed provision and accompanying strong demand proved by high occupancy figures of over 90% suggest there is still room for growth in Poland even assuming all pipeline schemes currently under construction or planned are completed.

Five higher education institutions from the top 10 best HEIs ranking prepared by Perspektywy are able to accommodate below 15% of their full-time students. The lowest bed provision is seen at University of Warsaw (7.4%) and Adam Mickiewicz University in Poznań (4.8%).

Students population in top 10 Polish HEIs vs. offered bed places



Source Savills, Statistics Poland

In brief

1 Poland has nearly 1.3 million students of which ca. 66% are full-time learners.

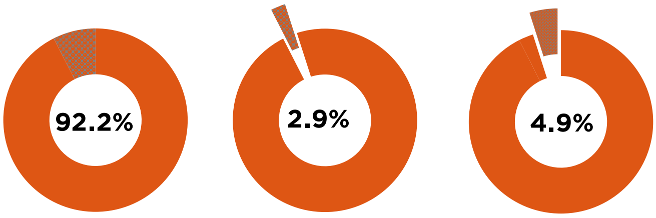
2 The current supply of PBSA stands at ca. 132,500 beds of which 95% is located in university owned residencies (both public and private).

3 High demand for PBSA projects is confirmed with occupancy rate of 90-100% in projects of relatively high standard. Occupancy in sub-standard residences is also rather hight at ca. 80%.

4 Increasing population of foreign students is one of the key drivers for demand for high quality PBSA projects.

5 Total number of beds in the pipeline in Poland is 10,000, including 2,500 beds located in eight under construction projects.

Beds in student houses by type of owner



Share of beds in student houses owned by:

- Public HEIs
- Private HEIs
- Private owners

Source Savills, Statistics Poland

90-100%

Occupancy rate in private student houses in Poland

Strong pipeline

Even 10,000 beds in the pipeline

New projects in Kraków, Gdańsk and Warsaw to be completed in 2019 and 2020

In the next few years supply of beds in Poland will increase even by 10,000, assuming all planned projects will be developed.

Approximately 1/4 of the pipeline is currently under construction: three projects in Kraków; two in Gdańsk, three in Warsaw and one in Wrocław. Some of the most active private investors in the PBSA sector in Poland are: BaseCamp, Student Depot, Gent Holding, Golub GetHouse, IC Campus, Silver Rock and Metropolitan Investment.

Apart from private investors new developments are also planned by public universities. University of Warsaw plan to build a dormitory with approximately 300 beds of higher, than in operating dormitories, standard. A similar investment is planned by the University of Rzeszów, which will also refurbish two operating student houses.

Students needs evolved over years worldwide. According to Student.com data students opt for a private space (as long as their budget allows) as opposed to a shared room, however communal spaces are still what students value a lot. Amenities required also include study space which is away from the bedroom and on-site social spaces, gyms and areas dedicated for entertainment.

We saw similar results in a survey conducted by Savills among 250 students. Gym, garden/patio and grocery store were pointed as the most favourable amenities in dorms and some students are willing to pay an extra fee for additional facilities. Extra costs for amenities can be recognised as a saving elsewhere, but students prefer an all-in costs option for the accommodation.

Rents for a single-bed room in Poland vary between PLN 1,300 and PLN2,000 per month depending on size of the room, standard and location. 2-bed rooms, which are the second most popular option, are less expensive at up to PLN 1,000 per person per month.

Selected investors in the PBSA sector in Poland

Investor	Brand name	Locations	Number of beds (including pipeline)
BaseCamp	BaseCamp	Łódź, Łodź II, Wrocław, Katowice, Sopot and Gdańsk	ca. 3,600
Student Depot	Student Depot	Lublin, Łódź, Poznań, Wrocław, Warsaw, Kraków and Gdańsk	ca. 2,800
Gent Holding	Liv	Gdańsk, Kraków, Katowice, Poznań	ca. 2,000
Golub GetHouse	LivinnX	Kraków and Warsaw	ca. 1,140
IC Campus	The Fizz	Kraków	ca. 1,000
Silver Rock	Collegia	Gdańsk	ca. 730

KEY FIGURES

1,291,870
Total population of students in Poland

66%
Share of full-time learners

72,743
Total population of international students

132,500
Total number of beds offered in Poland

15%
Bed provision in Poland assuming full-time students

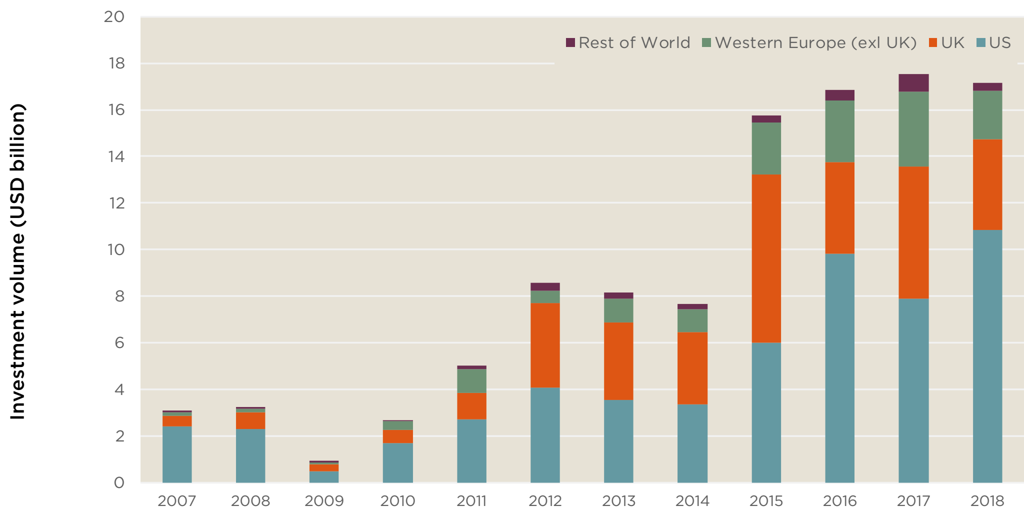
2,500
Number of beds located in 8 projects currently under construction in Poland

10,000
Number of beds in the pipeline

USD 17.1 billion

Global volume of investment activity in the PBSA sector in 2018

Volume of investment transactions in PBSA sector



Source Savills using Real Capital Analytics

Investment transactions are yet to come

Global volume of investment transactions in the PBSA sector in 2018 stood at USD 17.1 billion

The investment market of private dormitories in Poland is currently in a state of imbalance. This asymmetry results from the high demand reported by investors and a very limited supply.

European experience indicates that investors prefer to acquire large portfolios (at least 1,000 beds divided into several locations). In Poland, there are only two such products on the domestic market: Student Depot platform and Basecamp Łódź being part of the portfolio of 5 properties in Germany, Denmark and Poland. The other players present in the market are involved and focused on building portfolios, which means that investment activity in this sector should be visible in the next few years.

Country	Prime net PBSA yield (lease)
Austria	4.75%
Czech Republic	5.50%
France	4.25%
Netherlands	4.75%
Germany	3.70%
Italy	6.00%
Norway	4.00%
Poland	6.00%
Spain	5.00%
Sweden	4.25%
UK	4.50%

Source Savills

So far, the only recorded transactions of ready-to-use facilities concerned investments made by local developers in Łódź and Lublin. The projects were purchased by Griffin RE for the Student Depot platform. Other transactions concerned properties purchased by developers in order to implement new constructions or reconstruction/ refurbishment.

The main factor determining the success of a student house is the distance from the main higher education institutions, which in the case of large agglomerations are most often situated in city centres, where the shortfall of investment land is noticeable.

Moreover, in central locations, the competition for attractive locations with office, residential or hotel developers is unavoidable. One of the solutions for developers who do not want to give up the central location is the acquisition of developed properties requiring some kind of reconstruction to adapt the building to students needs or even demolition, as evidenced by such investments as BaseCamp Łódź, LivinnX Kraków or a project implemented by Zeitgeist AM at Solec St. in Warsaw.

It should also be pointed out that among investors interested in Polish PBSA market there are both investors with extensive European experience in managing student accommodation business as well as investors who are eager to purchase not only real estate but also the platform management entity.

Student housing yields in Europe vary from as low as 3.70% in Germany to approximately 5.25% in Italy and Spain. In Central and Eastern Europe yields stand from ca. 5.50% in Czech Republic to 6.00% in Poland.

Glossary

HEI

Higher education institution

PBSA

Purpose-built student accommodation

Full-time programmes

A mode of study wherein a minimum half of the study programme comprises courses which require the direct participation of academic staff and students

Part-time programmes

A mode of study other then full-time, as specified by the senate of a higher education institution

Bed provision

Total number of beds vs. number of students enrolled in full-time programmes

Savills Research
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Kamil Kowa
Board Member, Director,
Corporate Finance
& Valuation
+48 (0) 510 201 209
kkowa@savills.pl

Marcus Roberts
Director, Residential
Capital Markets
+44 (0) 7807 999 187
mroberts@savills.com

Wioleta Wojtczak
Associate Director
Head of Research
+48 (0) 600 422 216
wwojtczak@savills.pl