

# Student Housing Experts Say A Recession Is Coming And They Are Ready To Capitalize

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**Student housing** experts say a recession is coming as early as next year.

But a downturn could prove once again that the student housing industry is recession-resilient, experts at *Bisnow's* Annual Student Housing West conference said Thursday at the **JW Marriott LA Live** in **downtown Los Angeles**.



“It’s good for student housing because we perform well in a recessionary environment,” **Pierce Education Properties** CEO **Fred Pierce** said. “[It’s] not so good for our other colleagues in the four main food groups [office, multifamily, industrial and retail] but I’m of the belief that the ‘R’ word is here sooner rather than later and it’s going

to be in 2019.”

“I think it’s possible we are already in a recession,” **Core Spaces** Chief Investment Officer John Wieker said. “I think it’s still possible that it may not come in a few more years. I think it’s coming sooner rather than later and you’re starting to see the market begin to underwrite that.”

More than 160 people attended the annual student housing event where panelists discussed the state of the student housing industry, how to **increase affordable housing for students** and the latest building and campus design trends.

But whenever the "R word" is used, people begin to pay attention.

There is a common belief from industry experts that student housing performs better during a downturn. When the economy goes down, college enrollment goes up, Pierce said. Many adults go back to school for advanced degrees.

In 2010, during the height of the **economic downturn**, a record 19.1 million students enrolled in a two-year or four-year college or university, a 25% jump from 2000, according to **National Center for Education Statistics** cited by an **LA Times** story.

It is no wonder that it is also during this time that investors began to pour money into this once-niche industry.

As student enrollment has risen since 2012, the industry has followed suit with **record levels of transactions**. In 2012, the industry broke a record with \$3.9B in sales transactions. In the past three years, **more than \$25B of transactions have traded in the market**.

“It is still a nascent industry,” NB Private Capital CEO Blake Wettengel said. “It didn’t take off until the second half of the last decade.”



The recession concerns from student housing experts come just a week after **President Donald Trump** issued a moratorium with **China** in the two countries' ongoing **trade war**.

For the past year, the U.S. has issued **tariffs** on foreign goods such as steel and lumber imports, **spiking up construction costs** by as much as 20%. At the same time, **Chinese investors** have divested in U.S. real estate, selling off \$1B of commercial real estate in the third quarter.

Pierce said the U.S. trade war with China is one of the reasons why he believes a recession is coming next year.

“I think everything that’s been going on with China is not going to get resolved with a 10-month moratorium or a little fix on a tariff,” Pierce said. “This is about who is going to be the next world power on Earth for the next generation — and just think of all the implications — lack of raw materials ... inflationary pressures, interest rates are going up.”

Wieker points at the stock market’s recent volatility.

“Student housing is in a really interesting place,” Wieker said, adding that if a recession does come and student housing makes it through, more investors will come into the market.

“It’s interesting to see what a recession can do to student housing and there are a lot of reasons to be fairly optimistic about it,” Wieker said.

Despite a possible recession, Wettengel said this is a really exciting time for student housing. He is bullish on the industry making it through another downturn.

“We’ve been telling everybody for years that we are recession-proof,” Wettengel said. “It’s time to put our money where our mouth is.”

Check out a slideshow of the event here:



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