

Despite Visa Upheaval, Remote Classes, Student Housing Owners Say Leasing Is Ramping Up

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The higher education community was left reeling this week following new Trump administration rules requiring all foreign students to take some in-person classes this fall or lose their right to be in the country.

But many owners of student housing around the nation remain optimistic about their ability to fill their spaces as schools de-densify dorms and college students prepare to head back to campuses despite the coronavirus pandemic.



The announcement of planned **policy** comes after American visa processing services around the world have **shuttered** and the U.S. **continues** to block visitors from places like China, Europe and the United Kingdom, which regularly send students to U.S. institutions. At some universities, foreign nationals make up in excess of 20% of enrollment and generate significant tuition fees, **according to the Wall Street Journal**.

Multiple student housing operators told *Bisnow*, however, that as the nation's schools have started to solidify plans for fall — largely opting for a mix of online and in-person teaching — their leasing has bounced up and their outlook improved. Many are closely tracking immigration regulations but are hoping schools will figure out how to keep their lucrative internationals within the system.

"I was worried," said Jacob Reiter, the president of Verde Capital Corp., which owns about 10,000 student and multifamily units in 12 states. "I thought we'd be empty with no cash flow and we'd be writing checks for debt service. But over the last three or four weeks, as universities have announced their plans, leasing has picked up."

He said the firm has received requests from schools that want to master lease their projects as they move to close down dorms in the fall.

"[They're asking,] 'Can we put the football team in the project? Do you own any other real estate near us that we could master lease?'" Reiter said in an

interview. "But we are leasing so fast, I'm not sure that's something we'd need to entertain."

When the pandemic first took hold in the United States in March, schools across the country rushed to switch to online learning and clear out their dorms, which pack students in two, three and sometimes four to a room. And though the virus has intensified nationally in recent weeks, schools have begun to clarify their plans. Most are **reopening** campuses but curtailing on-campus student numbers by using a mix of online and in-person classes and limiting those who can live on-site.

Harvard **said** on Monday it will teach all classes online and will only allow 40% of its students back on campus. Princeton and Yale are also **limiting** student numbers and going for a hybrid of online and in-person learning. The University of Southern California **walked back plans** to bring students to the classroom and announced last week most classes will be remote.

The requirement that foreign students take at least some form of in-person classes was met with condemnation; Harvard and M.I.T are **suing** U.S. Immigration and Customs Enforcement to try and stop the ruling, while Columbia University and others have reportedly moved to establish ways for international students to remain in the country or continue with the university.



Regardless of the upheaval, the Scion Group Chief Investment Officer Avi Lewittes said he has grown cautiously optimistic in recent weeks that his company, which owns 58,000 student housing beds in 28 states, won't take a major hit this academic year.

"The bottom line is, schools can't afford not to open in the fall," he said.

Though there was uncertainty in mid-March, Scion's properties are now roughly 85% leased for the coming year, he said. Lewittes admitted the current crisis means things can change quickly but said the firm's figures indicate that students want to be back experiencing college life in any way they can, even if some classes are on Zoom.

"Cal State [University] **said** early on that its intent was to have all classes online in the fall, and we have two of our 84 properties there. One of them is full and the other is close to full. It underscores the fact that students are committed to returning to their campus," he said. "College students don't want to be studying from their childhood homes."

Similar to Verde, he expects to be picking up excess demand from students who can't live on campus and said there has still been solid demand from international students, even amid the visa challenges.

Plus, he expects Americans who cancel study abroad plans in the coming year could make up the loss of international students.

Fred Pierce, the CEO of Pierce Education Properties, believes the ruling on foreigners — which some **contend is President Donald Trump's way of putting pressure** on schools to open — will have little impact on his company's portfolio. The firm owns 18,000 student beds at 25 universities in 17 states, and Pierce said there was an 80% jump in the monthly leasing volume between May and June.

“Demand is being pushed off campus, we've had universities call us saying, ‘We are closing residence halls.’ ... [And while] some students delayed their leasing decision, the universities are de-densifying, it will lead to a more robust leasing season in the summer,” he said.

“This freshman class, they lost their prom, they lost graduation,” Pierce continued. “They've been looking forward to going to college for four years. They don't want to miss out.”



FM Capital Principal Aaron Kurlansky — whose company owns about 5,000 beds of student housing in Texas, Michigan, Indiana, the Carolinas and Georgia — said he had been expecting to be at 50% occupancy this coming year. Pre-leasing, however, is now over 90%.

"We have been pleasantly surprised," he said. “Kids want to get out of their mom's house and have the college experience, whatever that's going to look like. Kids are going to be kids.”

Still, much remains uncertain about the course of the virus and the areas it may impact. The U.S. **eclipsed 60,000 daily cases this week**, setting record highs, and death rates in the states that reopened early are **starting to spike** after lagging behind the case numbers, as hospitals in Florida, Arizona and Texas approach capacity.

“It just takes one outbreak to shut it all down again,” John Pawlowski, an analyst at real estate research firm Green Street Advisors, **told the Wall Street Journal of college reopening plans in May.**

RiverOak Investment Corp. CEO Stephen DeNardo said his company is taking universities at their word that they are reopening, though he accepts there is a caveat that developments with the virus may change plans. The company's portfolio has around 1,500 beds supporting Slippery Rock University of Pennsylvania, Duquesne University in Pittsburgh and Clemson University in South Carolina. They are currently 92% pre-leased, he said.

“Leases are signed with parent guarantees and so on, and unlike being on campus, this is an obligation,” he said. “I like to plan, but this is going to be a little bit play-it-by-ear.”

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