

December 15, 2020

Student Housing Vacancy Grows As Rents Rise

By Kelsi Maree Borland
GlobeSt.com

Student housing vacancy rates have surged this year as universities across the country shut down in-person classes to navigate the pandemic. According to a third quarter report from Moody's Analytics, vacancy increased to the highest levels since 2014. There was, however, a silver lining. Rents have increased by 1.3% to 1.8%.

Student housing vacancy has increased both by bed and by unit. By bed, the vacancy rate grew by 270 basis points from 5.2% to 7.9%, and vacancy by unit increased 120 basis points from 2.3% to 3.5%. These are the highest levels of vacancy since Moody's began tracking the sector in 2014.

Vacancy trends were very market specific. In the western region, vacancy per bed increased an astonishing 610 basis points to from 2.8% to 9.2%. By unit, vacancy grew by 320 basis points from 1.9% to 5.2%.

The Midwest, on the other hand, saw much less dramatic increases, with vacancy per bed increasing by only 50 basis points and vacancy by unit up only 60 basis points.

For the first time, rent growth outpaced vacancy rate. Rents increased by 1.3% per bed and 1.8% per unit year over year from the fall 2019 semester to the fall 2020 semester. Every market saw an increase in rents with the exception of the Southwest region, where rents actually fell .7% per unit. The South Atlantic and Northwest regions led rent growth in student housing, with rents growing 2.5% per unit in the South Atlantic and 2.8% per bed in the Northeast.

The combination of rent growth and a climbing vacancy rate could be attributed to new supply deliveries. This year, developers continued to build and deliver new student housing projects with inventory increasing by 2.6% by bed and 0.5% by unit.



Student housing vacancy has surged by nearly 2% as operators await university plans for spring semester.

Student housing operators are now awaiting university attendance policy for the spring semester, which will determine if students can return to classes. With the surge in COVID cases across the country, it is likely that in-person classes will be limited in the spring. However, with the vaccine ready to be rolled out, many are holding hope for a rebound in fall 2021.

Some student housing operators are confident that the rebound will begin in the spring. Fred Pierce of Pierce Properties says that the news of a vaccine and the conclusion of the election will encourage both domestic and international students, who couldn't return to the country during the pandemic, to return to school. "We are expecting more spring move-ins in 2021 than in most years," he said in a recent interview.