

# Quality Research Needed

*With a lack of publicly available data, now is the time for the industry to create a solution.*

By Frederick W. Pierce, IV

Research and data are the lifeblood for investment analysts, underwriters, lenders and institutional investors in virtually every form of lending and investing. A solid foundation of market research, empirical data and independent studies inform the development of investment strategies and lending decisions. This is certainly the case in the arena of public stocks and bonds but is equally important in the world of commercial real estate.

For the four main commercial real estate “food groups” — multifamily, office, industrial and retail — there are scores of domestic public REITs and decades of historical research data. Demographic information, largely forecasts predicated on U.S. Census data, has long been relied upon as the basis for assessing and projecting market demand. National brokerage firms all have established research divisions that assimilate market information on rents, absorption, investment sales, cap rates and the like. Industry organizations like ULI, BOMA, NAIOP, IREM, NMHC, NAA, ICSC and others are valuable sources of annual data on revenues and expenses, as well as specialized research studies. Other organizations such as PREA, NAREIT, MSCI and S&P have established indexes that track investment return metrics. Wall Street analysts are also a steady source of data and analysis to support publicly traded REIT stocks and sectors. However, for the emerging niche sectors of commercial real estate — student housing, senior housing, healthcare/medical office real estate, self-storage, data centers, etc. — supporting data and research is far less available.

Over the last decade, the availability of data to support the student housing sector has been bolstered by the existence of four publicly-traded student housing REITs (ACC, EdR, GMH and Campus Crest). However, with ACC’s purchase of GMH’s student housing portfolio several years ago and the more recent privatizations of Campus Crest by Harrison Street and EdR by Greystar, ACC remains the sole public data point.

There is a foundation of existing student housing research to build upon. More than a decade ago, Real Capital Analytics made a commitment to the sector when it started separately tracking investment sales of student apartment properties. A few years later, Axiometrics invested in the sector and launched monthly surveys of student housing markets (now up to 175 markets nationwide known as the “AXIO 175”) available to subscribers. Axiometrics separately tracks purpose-built and “student-competitive” apart-

ment projects in each market providing information on rents/rent growth, pre-leasing, occupancy and new supply, as well as preparing reports on the supporting universities including enrollment history and projections. Both of those research platforms are now part of the research offerings of parent company RealPage, Inc.

Since 2013, real estate brokerage firm Triad Real Estate Partners has prepared more than 70 market research reports on university markets and also authored selected specialty studies including a “Student Housing Market Conference Showdown” report on the SEC (2017-18) and an “International Student Enrollment Report” (2017) amongst others.

As it relates to international students and trends, the U.S. Department of Homeland Security’s Immigrations and Customs Enforcement (ICE) division publishes bi-annual reports on international student trends called “SEVIS by the Numbers” – SEVIS is the Student and Exchange Visitor Information System. This provides interesting macro-economic information regarding the volume of international students in the U.S. The Institute of International Education (IIE) annually publishes a report called “Open Doors,” which provides more detailed current and historical information regarding international student migration to the U.S. Finally, the National Association of Foreign Student Advisors (NAFSA) is a great source to identify the economic impact that international students have on universities.

All student housing research should necessarily start with an evaluation of the feeder colleges and universities in the market. The motherlode of information comes from the annual submission by universities of the Common Data Set survey to the National Center for Education Statistics (NCES). NCES compiles this information into its annual “Condition of Education” report which is a statistical abstract with hundreds of pages of tables and charts with historical data on K-12 and higher education going back 70-plus years, and in some areas projected forward for a decade.

But all of this available baseline informa-



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tion still leaves student housing wanting for the meaningful application and interpretation of data in a manner that would parallel the information available to the primary sectors of commercial real estate. In this context, the NMHC Research Foundation has recently announced the formation of a Student Housing Research Fund with initial funding of more than \$500,000 from leading companies comprising and serving the student housing industry. NMHC, together with the Student Housing Research Fund Advisory Board, are now actively looking to get more industry participants involved and increase that endowment to \$750,000.

The NMHC Student Housing Research Fund Advisory Board is developing an agenda of research projects that will be funded annually by the endowment going forward. The goal is to provide new and meaningful student housing specific research that will enable current and potential future market participants — equity investors, lenders, investment bankers, developers, operators, etc. — greater and more specific information on the student housing sector to better evaluate this increasingly appealing sector. Research topics under consideration include:

- Continue income and expense benchmarking survey on a recurring basis.
- Study to evaluate how the sector has performed during economic down cycles.
- Measure investment returns in the sector and compare against various return benchmarks.
- Establish a definition of what constitutes student housing and analyze the sector’s size and other trends.
- Prepare future industry growth and demand projections — establish a demand model.
- Analyze the correlation between on- and off-campus student housing.

The industry is invited to provide suggestions on future student housing research topics that could be of interest to the NMHC Student Housing Research Fund Advisory Board. Please forward any feedback or suggestions to Fred Pierce, advisory board chairman (fpierce@pierceeducationproperties.com), Matthew Berger, NMHC VP (mberger@nmhc.org) or Dave Borsos, NMHC VP (dborsos@nmhc.org).

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