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Deputy Group CEO, Mapleiree

## Back to school – Hedging inflation with student accommodation

“The fundamental demand-supply imbalance of the student accommodation sector and its counter cyclical nature positions it as a defensive asset class, amid a period of market volatility. In line with the Group’s strategy of diversifying and ensuring a resilient business, we aim to continue seeking out opportunities for strategic investments while also leveraging our development capabilities to ensure our existing portfolio remains competitive. Student housing assets is one of our core focus.”

### Macro Monitor

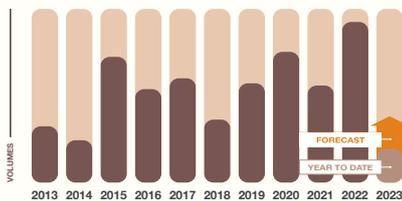
#### Bright Spots in Developed Markets

The fundamentals for the living space, in particular student housing, have never been better despite persistent, high interest and inflation rates, which have impacted investor sentiment especially in the commercial sectors.

Favourable tailwinds for the education sector in developed markets and a growing population of full-time students have contributed to the sector’s resilient demand in the United Kingdom (UK) and the United States (US). While demand in the US stems largely from the huge domestic market, which supported the sector’s defensiveness even throughout the pandemic, there has been an influx of international students to both the UK and US post-Covid-19.

With in-person education remaining a key focus for many, students are appreciating the benefits of institutional student housing as compared to private rented residences when it comes to pastoral care, security and community living.

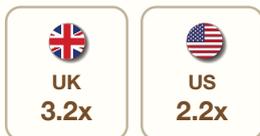
#### ■ UK student accommodation investment volumes



Source: CBRE

Yet, supply of available beds remains constrained, due to restricted appropriate land supply, rising construction costs and the need to modernise existing stock to not only ensure competitiveness and environmental standards in the market but also meet the evolving needs of students.

#### ■ Student to bed ratios



As a result, demand continues to outstrip supply, underpinning strong rental growth prospects, which is expected to continue in the future – positioning student housing as a well sought after asset class.

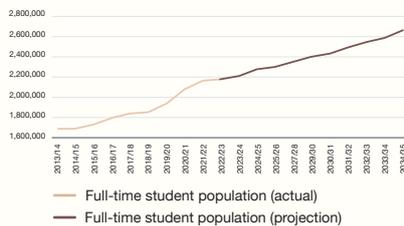
### Real Views

#### Defensive Against Crises

Student accommodation is often considered a defensive class due to its resilient nature. The demand for education remains high, even during times of elevated unemployment, providing a steady stream of income despite difficult times.

Unlike traditional residential properties with longer lease terms, student housing often operates on shorter lease cycles. These are aligned with academic semesters, with pre-leasing beginning 12 months before each academic year, where owners are able to adjust rental growths during periods of high inflation. Furthermore, through the pre-leasing cycle, dynamic rates will increase as occupancy builds, providing flexibility to adjust for sudden surges in demand to maximise revenue. Hence, the sector is a good inflation hedge instrument.

#### ■ Full-time student population in the UK

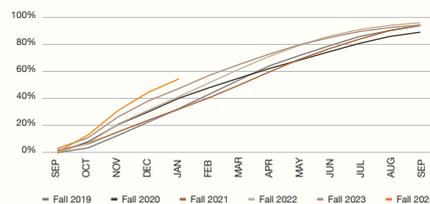


Source: Higher Education Statistics Agency Student Records

While occupancy during the pandemic suffered in some markets that had a higher proportion of foreign students, it has since recovered, with students returning to campuses in greater numbers. In the UK, operators are seeing the strongest occupancy rates on record with many assets booking at least 98% by Spring 2023. Cities like Glasgow, Edinburgh and Bristol are facing an undersupply, leading to students having to rent in cities away from the university. Rentals are also expected to grow in the next year with operators predicting rent growth of at least 5% for the upcoming academic year.

Rentals in the US are similarly positive at 8% rental growth with pre-leasing numbers remaining strong for FY23/24 and exceeding the performance of prior years, promising good investment returns in this resilient sector.

#### ■ Preleasing velocity in the US



Source: Yardi Matrix

### Mapleiree’s Approach

#### A Strong Conviction

Student accommodation has been the Group’s focus within its wider living/residential strategy due to the sector’s defensive characteristics, which aligns with Mapleiree’s overall investment strategy. It will continue to be a core sector for the Group’s future growth.

The Group recently acquired a portfolio of 31 student housing assets in key cities in the UK and Germany, boosting its AUM by \$51.7b. The near-term focus from this acquisition is operational integration to bolster Mapleiree’s strong on the ground presence and leverage its development capabilities to undertake new development projects.



The Chestnut at University City in Philadelphia, the US.

Since Mapleiree’s first acquisition in 2016, its AUM has grown to \$56.2b with over 33,000 beds across 47 cities, as at 12 April 2024. Mapleiree is proud to feature a global portfolio diversified across the largest student housing markets of the US and the UK with a specific focus on investing in assets proximate to the best universities with positive student to bed ratios.



Westwood Student Mews in Coventry, the UK.

Looking ahead, Mapleiree will explore expansion into Australasia and Europe to deliver high quality assets that can meet the evolving demands of students, alongside efforts to ensure its current portfolio grows competitively, and sustainably in the long-run.

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## Sector Spotlight: Student Accommodation

### What We Have



5th in the UK  
by number of beds



~175 personnel  
on the ground



Access to 19 cities  
in North America  
and 28 cities in the UK<sup>3</sup>

72% of beds are supporting  
top universities<sup>4</sup> and are on average,  
located within 1.7km

### Overview

#### Country Outlook

##### GDP growth



Recovery is on the horizon for the UK economy, as inflationary pressures are expected to ease and reach the Bank of England's target, enabling interest rate cuts to support real income growth. The US economy started off strong in early 2024. Business activity and labour markets are heading towards a positive direction, amid subsiding inflationary pressures and aggressive monetary policies.



UK and US economic growth

#### Sector Outlook

##### Cap rates



Rental growth prospects are expected to remain strong with the acute supply and demand imbalance in the student accommodation sector in the UK and the US. Capital values are poised to recover on the back of strong performance and may improve even further when interest rates fall.



Capital value



Rents

#### Mapletree's Student Housing Portfolio



Given the resilient and defensive nature of student housing, Mapletree remains committed to expanding its footprint in this sector, with a greater focus on development opportunities to achieve higher yields and deliver quality assets to ensure the competitiveness of the Group's portfolio.



Deployment into  
completed assets



Deployment into  
development assets

<sup>1</sup> As at 12 April 2024.

<sup>2</sup> Figures from across Mapletree's portfolio in the US and the UK.

<sup>3</sup> Includes one city in Germany.

<sup>4</sup> Defined as Russell Group universities in the UK, and NCAA and Ivy League universities in the US.



“ The Group's conviction in this asset class can be seen in its efforts to enlarge its portfolio and upgrade its existing assets, with the goal of providing quality student housing to the growing demographic of university students. Mapletree's track record and extensive on the ground experience in this sector will enable it to seize good opportunities within this defensive asset class, as student housing continues to thrive amid this period of heightened inflation and rising interest rates.

Matt Walker  
CEO, Student Housing, Mapletree

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