

# Student Housing

What is driving the current student housing trend?

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## What is driving the student housing trend and is this development product a “hidden gem” or an equity trap? Let’s examine the latest “hot topic” in the UAE’s real estate industry.

### WHAT IS STUDENT HOUSING?

Student housing, a sub-set of the residential real estate sector, is defined as co-living spaces designed for students enrolled in higher education institutions.

Internationally, student housing projects typically have the following unique characteristics (Exhibit 1):

1. The product is owned by a single entity or Fund (i.e. not sold in STRATA title format to individual investors) and units are offered for-rent only (i.e. not sold to the students)
2. Rental contracts are non-standard to match the school year (i.e. 8 or 9 months)
3. Product use is restricted; only university students can apply to rent a unit
4. Product design is on a “co-living” standard with several units sharing a common kitchen, bathroom, and lounge facilities
5. The product is gender-segregated, with either entire buildings or whole floors reserved for only male or only female students (due to the shared bathroom facilities)
6. Unit sizes are small and may have two student occupants within a space as small as 25 m<sup>2</sup>

7. The product contains facilities which fit student lifestyles such as a recreation hall, outdoor sports facilities, a small market, and services such as laundry
8. The product offers limited parking relative to the number of occupants as it is anticipated that many students will not have their own automobile and instead utilize a shuttle service or public transport.

### WHAT DRIVES THE STUDENT HOUSING MARKET?

Not surprisingly, demand for this product type is driven by the number of universities and enrolled students that require housing. However, there are differentiators in this demand structure:

- Family student housing which applies mostly to post-graduate students that are older and may be married or even have children, has very different design requirements and represents a niche sub-set of the student housing market.
- Special housing for professors teaching at the university is a niche sub-set of the student housing market.

*“Student housing, a sub-set of the residential real estate sector, is defined as co-living spaces designed for students enrolled in higher education institutions.”*

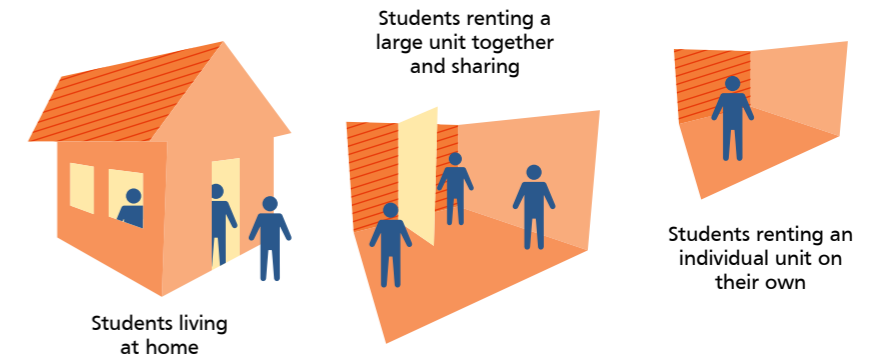
**EXHIBIT 1**  
Defining features of a student housing development



From a supply perspective, the situation is far more complex because students have multiple alternatives when considering their housing needs: (Exhibit 2)

- The Student can live at their parent’s home and commute to the university.
- The Student can rent a room within a larger unit on the open market sometimes coordinating with other students.
- The Student can rent an apartment on their own

**EXHIBIT 2**  
Alternatives to student housing



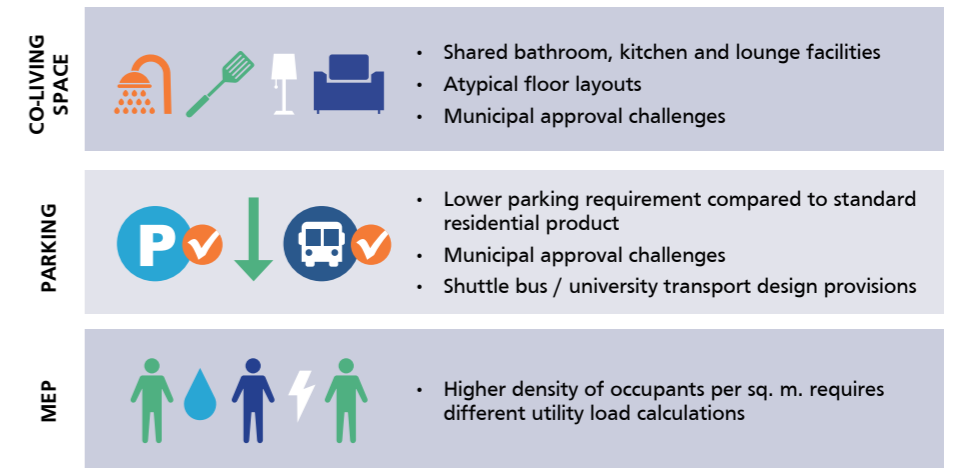
*“Assessing overall supply and competing projects in a development analysis for a new student housing project is difficult as students have a host of alternative options.”*

### DESIGN CHALLENGES

In addition to challenges in market assessment and feasibility, student housing also presents unique design challenges (Exhibit 3):

- **Co-living spaces**  
Designing co-living spaces presents space planning challenges, and raises issues in the project’s permitting process with the municipality. Units designed with common bathroom and kitchen facilities are non-standard and unless the municipality has a specific student-housing zoning process established, the developer may face challenges in obtaining approvals. In addition, architects with established student housing track records are rare as this is a niche product type, and making a co-living space functional from an end-user perspective is more challenging than designing standard units.
- **Parking requirements**  
Student housing projects have a much higher rate of occupants-per-square-meter than market-standard residential housing, and yet their parking requirements are comparatively less. This creates a

**EXHIBIT 3**  
Typical design challenges in student housing projects



paradox because typical municipality parking standards are based on the number of projected occupants; therefore, without specific student housing parking standards, project approvals and permitting can be an issue.

- **MEP (Mechanical Electrical and Plumbing)**  
Given the small unit sizes and multiple occupants in a single room, the overall project density (number of occupants versus GFA) is significantly higher than a market-standard residential project. This puts pressure on some of the building’s MEP systems, and normal residential standards of utility usage may not apply to student housing projects.

*“Student housing presents unique design challenges in relation to co-living spaces, parking requirements and MEP.”*

## COMMON DEAL STRUCTURES

Student Housing projects may provide an opportunity for developers to engage in various commercial deal structures given the product's niche positioning:

- Build-to-Suit**  
 If a specific University is interested in owning and operating student housing, developers can engage in a partnership agreement with the University and execute the project along a build-to-suit deal structure
- Institutional and Fund Equity**  
 Because student housing projects (if executed correctly) have typically a higher yield than market-standard residential projects, Funds and Institutional Investors may target student housing projects for equity investment. This may allow Developers engaged in student housing projects to access equity sources not available in traditional residential projects.
- Private Investment**  
 Another common deal structure in student housing projects is where an HNWI, Family Office or private investor commits to purchasing the building at completion, with the developer tasked with building and then operating the student housing project, with the long-term yields going to the investor.

- Wide variety of short-term housing options available due to the strong tourist market
- On the supply side, the UAE's market position as an international tourist destination has driven a wide variety and availability of short-term housing options and house-sharing arrangements. While not specifically marketed towards students, these housing options which are mostly aimed at tourists, can be utilized by students to fulfil their housing needs.
- Cultural considerations which encourage the "live at home" case for UAE Nationals and many Arab expatriates, traditional cultural influences tend to encourage students to live at home during their University study period, especially for females, as compared to the international standard.

However, from a development perspective, student housing is not an "easy money" project – it is an extremely niche product type with unique considerations and challenges. Location, design, deal structure, market positioning, cultural considerations, and the developer's relationship with Universities are all critical success factors to consider.

The Student Housing market in the UAE is still in its infancy and as developers start to specialize in this product type, a "best practices" data set will start to emerge. Until then, a wide variety of student housing projects are likely to enter the market with mixed success.

*"Demand for student housing is present in the UAE market and should increase as more Universities open their doors and the UAE continues its development as a regional education "hub" for higher learning."*

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## THE STUDENT HOUSING OPPORTUNITY

Demand for student housing is present in the UAE market and should increase as more Universities open their doors and the UAE continues its development as a regional education "hub" for higher learning. If executed correctly, student housing projects can yield significant returns with limited downside development risk.

## ADAPTING A "FIT" FOR THE UAE

Several factors unique to the UAE market have sizable influence on the student housing opportunity (*Exhibit 4*):

- Proportionately larger share of international student enrolment
- As the UAE is a "regional hub" with a high expatriate population, so too do the Universities in the UAE see a much higher proportionate share of international student enrolment.

### EXHIBIT 4

Factors unique to the UAE market that influence the student housing opportunity



Proportionately larger share of international students



Wide variety of short-term housing options available from a strong tourism market



Cultural considerations which encourage the "live at home" case

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