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Impact of students in the real estate sector, namely in student housing

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Abstract

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The paper discusses the impact students have on the real estate in Lisbon. Portugal is an interesting market to invest in student housing, while the incoming flow of international students does not stop to grow. The student accommodation market in Lisbon is very recent and unstructured, being Private Apartments the largest category of student accommodation. Public & Religious residences are outdated and many Private Apartments Operators have been founded. Therefore, there is great potential for investing in the PBSA market where 500 million euros are needed to build 10,000 beds. However, studentification is changing the city's identity positively and negatively.

Table of Contents

Introduction	4
Literature review	5
Methodology	6
International Students	6
Student Housing in Europe	8
Portuguese Market – Overview	9
Lisbon Market – Overview	11
How students are changing cities	16
Impact of students in real estate in Lisbon	17
Conclusions	20
Bibliography	22
Appendix	24

Introduction

In Lisbon, to study the impact students have in the real estate sector is a challenge since information is scarce and it is very difficult to quantify it. In order to understand how students are changing the real estate sector, I have tried to study the evolution of housing rents in the traditional market and the evolution of student housing rents. In this paper I study the evolution of this market through qualitative and quantitative data. In the student housing market, it is possible to identify four different categories of student accommodation: Public & Religious Student Housing, Private Student Housing, Private Apartments Operators and Private Apartments owned and managed by private landlords. The Public & Religious Student Housing is the oldest student accommodation type used by the government to provide affordable accommodation to students with low income, charging low prices. The Private Student Housing is the new norm, having emerged recently due to an increasing demanding student generation and an increasing internationalization of higher education which allows student's international mobility. This emerging alternative asset class was created by private investors and is managed by global companies/operators.

The millennial generation was born in an era characterized by high living standards and therefore they look for studios fully equipped in a Purpose-Built Student Accommodation (PBSA) which offers different amenities and services. The private PBSA with European standards in Portugal were built in the last 3 years. The Private Apartments Operators and Private Apartments owned by private landlords represent the largest market share, offering very different quality and services. Given the fact that the market is recent and not regulated, I have decided to present the international trends and student flows around the globe as well as the higher education sector in Portugal and specifically the student housing market in Lisbon. To understand the impact students have in cities, I analyse the impact studentification has on cities and how it is changing the neighbourhoods environment.

Literature review

Papers related to the impact of students in the real estate sector are scarce and articles related to student housing in Portugal are almost inexistent. In Portugal there are few papers about this subject, though “The student housing concept in the Portuguese market: Lisbon” (Bragança, Luís Miguel de Sousa Valada Freixedas, 2012) analyses the students’ needs, the price students can pay for a room and discusses the location, type of facilities, typology and other attributes PBSA should offer to students.

Notwithstanding, some international papers from the United States of America, United Kingdom and Australia, the most consolidated markets, discuss different topics on this matter. Lawrence Higgins (2017) states “that every £1 generated by a university will create £1.35 in the wider economy, and for every 100 people employed directly by a university there will be an additional 117 jobs generated elsewhere”. In the same area of research, John Caffrey and Herbert H. Isaacs (1971) performed an analysis about the impact that a university would have on the local economy, studying how much students spend, what do they buy and where. An interesting paper, “The nature and impact of student demand on housing markets”, written by Julie Rugg, David Rhodes and Anwen Jones (2000) discusses how students impact the housing market, finding that the growth of the number of students enrolled in the higher education increases the demand for student housing and as universities do not have enough accommodation for all, students rely on the private rental market. This impact on the private rental market has led to a large impact on the local housing market, increasing the demand and therefore the prices. This strong demand in consolidated student markets keep other tenants away, but, in some areas, young professionals with more bargaining power are more powerful than the students, pushing them out of high housing demand markets. Another interesting paper, “De-studentification: emptying housing and neighbourhoods of student populations”, (Kinton, Chloe; Smith, Daren P., Harrison, John, 2016) which discusses how the construction of PBSA

is changing the urban landscape since they gather all students in only one building or campus, emptying all the other apartments spread all over the cities. At the end it has impact on the rental market since the supply increases dramatically compared to demand and leads city centres to “physical downgrading”. This is the opposite process of studentification, in which the cities change due to an increasing number of students living there.

As previously referred, the lack of literature published in Portugal about the subject, leaves unanswered questions.

Methodology

In order to develop the Student Housing market analysis, I have visited 8 private student housings and I have done a web-research on several websites to gather information about all different types of student housing, its conditions and services. I have also worked together with the Uniplaces General Manager for Portugal and performed a survey to Nova SBE and ISEG students, recording data from 278 Portuguese and international students. In addition, I have read many newspaper articles and international reports about the European and world student housing and international higher education markets as well as students flows. All numeric data was analysed in excel and the content from talks was used to complement the market analysis, with qualitative insights. The oldest private student housing in Lisbon, SPRU, disclosed the prices evolution of individual rooms since its opening to try to understand the student rental market prices evolution and the database of students from DGEEC was used as well.

International Students

Nowadays, Higher Education is a global business due to rapidly changing demographic profiles, developing economies and globalisation. The increasing need for soft and hard skills in a business environment makes international mobility mandatory for students that aspire to have successful careers. The ease of travelling and obtaining visas, the increase of medium classes in Asia and Africa and the incentive plans, like Erasmus, have come to facilitate millions

of students to study abroad. Millennials are the main driver of Higher Education and their needs raise new challenges. At present, students look for universities with an international reputation, quality and wide education offer, but they also choose the city destination according to job opportunities, accommodation services and amenities as well as city characteristics like safety, welcoming culture, quality of life, living costs and easy visa processes. International students want to go abroad to seize the opportunity to meet different people, develop soft skills, learn new cultures and languages and broadening horizons.

The cost of Higher Education is rarely mentioned as a determining factor of demand from international students. Even though wealthy students able to pay a premium for the best universities with unique services and accommodation conditions will continue to be an important segment, the next great opportunity will be for the universities with low tuition fees and mid-market accommodation, catering not just to domestic students but also overseas students from the rapidly growing middle classes in countries such as Nigeria, India or Vietnam. The number of international students is expected to exceed 7 million by 2020, when Higher Education is set to become a \$70 billion industry (Unesco).

Regarding international student's mobility, USA and China are undoubtedly the major players in the international student's market. They are the largest hosting country and source of international students, respectively. According to Unesco (2015), United States of America and United Kingdom host more than 30% of all international students, while Australia receive 7% and France, Russia and Germany account more than 5% each. As one, Europe hosted 42% and North America 24% of total international students. On the other hand, China is the main source of international students, accounting 18%, followed by India with 6 % and Germany with 3%. USA and UK dominate the upper end of global university rankings. One of the reasons for the increasing importance of Europe in this market has been the fact that European universities are increasing the number of English Taught Programmes. Ten years ago, there were only 500

English Taught Programmes in the main European universities, but in the last year there were more than 6,000. While China, Hong Kong and Malaysia are the main source of the wealthiest students, emerging economies in Asia and Africa are flooding the higher education market with an increasing number of students from middle classes who will likely be studying abroad in the coming years and are looking for more affordable destinations. Asian students represent more than 50% of international students in mobility.

Europe is the main destination for international students. The old continent hosted 42% of these and it has registered a growth of 120% since 2010, reaching 1.9 million students in 2015. The UK is responsible for hosting 22% of all international students in Europe. Germany, France and the Netherlands are growing but are not completely consolidated yet, considering the number of foreign students they receive each year. Due to the increasing demand of international students, markets such as Portugal and some other Southern European countries are bound to grow.

Student Housing in Europe

According to JLL Research, the market share of PBSA in the main European markets is low, both for public and private operated beds. The market is increasingly dynamic since established investors and operators look for opportunities, taking advantage of supply and demand imbalances in less mature markets. Across Europe many markets face a shortage of student housing supply and each market is at different maturity stages. This is proved by the beds supply, the number of market players, the different demand patterns and student's requirements. Countries like the UK, Germany, France and the Netherlands, are the most mature markets and have a wide variety of student residences and an extensive pipeline. Southern European markets like Italy, Spain and Portugal, are considered emerging markets and are arousing a growing interest from investors. Northern Europe, despite not being the main destination for international students, has a very mature and quality student housing market.

Currently, the student housing rents present different levels among several European markets. In contrast, there is a clear shortage of private student housing in some European capitals. Examples are Lisbon and Dublin, where the local residential rents are beyond many students purchasing power, leading to an increasing demand in student housing, where rents already started to increase, by almost 25% over the last two years.

Student housing investment across Europe has been rare, as a result of the dominance of university PBSA, the small number of private operators and investors as well as a shortage of proper private PBSA supply. However, with the growing trend of studying abroad, momentum in the student housing investment market is starting to grow. Since 2010, 80% of the total PBSA investment in Europe is concentrated in the UK, representing almost €19bn.

Portuguese Market - Overview

Higher Education is evolving and is gaining an international reputation. The quality of English taught programs in Portuguese universities has been recognised by international rankings, leading to a sustained growth of international students enrolled. In this regard government institutions and universities have made efforts to implement strategies focused on the internationalization of education. The government, AICEP, universities and embassies are developing a national policy to promote Education as an export sector with all entities working in the same direction. This group is making efforts to attract international investors to develop student accommodation and bring students from overseas markets like Angola, Brazil, China, Colombia, Equator, Luxemburg, Macau, Mozambique and Peru.

Regarding the number of students enrolled in Higher Education, 2016 proved to be a year of change. The downtrend observed in the number of students since 2010 was inverted. For the first time, the increase of international students has offset the decrease of Portuguese ones, contributing to a Year-on-Year growth of 1% in the total number of students, to 361,943. This growth is due to 42,564 international students that have increased 12% comparing to last year.

Contrary to the increase in the number of international students, 119% since 2009/2010, the number of Portuguese students has been decreasing every year, totalling a decline of 14% in the same period. In line with the Portuguese students' evolution, the total number of students decreased 7% in the last 8 years. The international students weight has been increasing from 5% in 2009/2010 to 12% in last year 2016/2017. From the international students, more than 50% are originally from CPLP countries, confirming the strong connection among Portuguese speaking countries, nonetheless, the diversity of nationalities is increasing, 178 different nationalities were registered last year.

The demand for student accommodation is not only represented by international students, but also by Portuguese students who study and live away from their hometown. In 2015/2016 both segments represented 41.74% of total students, more than 149,498 students, 111,508 Portuguese students plus 37,990 international students, who needed accommodation, ranging from a relatives' home to PBSA. The number of students living out of their hometown results from the difference between the number of Portuguese students studying in the region's main city where universities are established and the number of Portuguese students originally from the same region of that city.

The supply of student accommodation in Portugal is still very informal and unstructured. Most of Portuguese universities offer student accommodation however it is usually associated to social services for students with low income. These types of residences, usually located near to universities often have outdated facilities and ask for low rents. Nevertheless, the total number of rooms in this category is relatively small and the PBSA market is extremely recent. Consequently, the private apartments for long-term lease have been the main option for students that often rent non-regulated units in an informal market. Prices vary widely since the quality, amenities & services, size and types of rooms offered can be very different.

There is a huge demand and supply imbalance in the market. The number of PBSA is scarce and finding quality in other types of accommodation is a difficult task for students.

Currently, the growing attractiveness of Portugal as a student destination and the fact that the student housing market is still nonconsolidated provides an opportunity for investors, established operators and new entrants, aiming to take advantage of the shortage of supply.

Investors and operators have been active looking for plots or old buildings to refurbish in the main cities. However, the pure residential market has been very active too, leading prices to climb, making it difficult for the student housing developers to find good assets, well located and for affordable prices.

Lisbon Market - Overview

Regarding the students' evolution, Lisbon counts 113,544 students, representing 31% of total students in Portugal and has the highest share of international ones, totalling 16,110 students which contributed to a Year-on-Year growth of 0.72% in the total number of students. This growth is due to an increase of 6% of international students comparing to last year. Contrary to the increase in the number of international students, 79% since 2009/2010, the number of Portuguese students has been decreasing every year, totalling a decline of 19% in the same period. In line with the Portuguese students' evolution, the total number of students decreased 12% in the last 8 years. The international students weight has been increasing from 7% in 2009/2010 to 14% in last year 2016/2017, comparing to the Portuguese students position that has fallen. From the international students, more than 48% are originally from CPLP countries, confirming the strong connection among Portuguese speaking countries, nonetheless, the diversity of nationalities is increasing, 150 different nationalities were registered last year. In addition to this, in 2015/2016, there were 55,663 students living out of their hometown with accommodation needs, representing 49% of total students, 40,480 Portuguese students plus 15,183 international students. Following the national trend, international students are

responsible for the turnaround in the decrease of the number of students, showing the importance of this market. According to Uniplaces the average stay of a student in Lisbon is 142 days, spending on average €443 in accommodation. Students prefer to live in Arroios, Saldanha, Alameda, Intendente and Alvalade, with average prices ranging from €368 to €434 for private apartments.

Considering the new reality, the PBSA market is emerging to face the new demand. From the existent supply, it is possible to find 4 different categories of accommodation as follows: University & Religious Student Housing, Private Student Housing, Private Apartments Operators and Private Apartments owned by private landlords.

The Public & Religious Student Housing is the oldest student accommodation created to accommodate the little number of students in the public universities that were living out of their hometown. This type of accommodation has been evolving since then and it is located all around the city mainly close to universities campuses or in zones with good public transportation networks. It is usually associated to students with low income and is managed by the university social services, allocating a small number of rooms to international students. Its facilities are in its majority outdated and the prices they charge are low. They offer single, double, triple and quadruple rooms, some with private toilet. In terms of services there is weekly cleaning of common areas and rooms, laundry service and sometimes catering, and they usually offer bed linens and towels. The Religious Student Housing Montes Claros, which includes catering services, charge higher prices up to €650/month/room.

Lisbon has 1,790 rooms at 33 University and Religious Student Housing with capacity for 2,580 students. Usually they offer low rents ranging from €160 to €480/month/room. On average each residence has 54 rooms with capacity for 78 students. The students that receive scholarships can pay as much as €73.

The Private Student Housing emerged in the recent years due to an increasing demanding students' generation and an increasing internationalization of Higher Education which allows the students international mobility. Millennials look for studios fully equipped in a Purpose-Built Student Accommodation (PBSA) which offers different amenities and services. The Private Student Housing is the most important type of accommodation. However, the Private PBSA is extremely recent in Portugal, being SPRU the oldest market player present in the market since 2001. All the other PBSA were built in the last 3 years. Usually these residences are micro-living or co-living solutions, entire buildings that combine small studios with many, big and flexible common areas created to foster social activities, innovation and entrepreneurship. Some buildings offer amenities such as cinema, spa, gym, private clubs with bars, swimming pools, restaurants, private rooms for parties, libraries and many other services like catering, laundry, cleaning, concierge, among others. They work as a community. This category of accommodation offers the best quality in individual or double suites and studios as well as in apartments. The main target is the international students with purchase power, however there are some Portuguese students from private universities as tenants.

Currently, the Private Student Housing market has the smallest market share and there are only 8 units around the city, constituting a total of 380 rooms with 460 beds. In this category, individual suites and studios represent most of rooms offered. Each PBSA on average has capacity for 58 students and the area of the rooms vary between 11-28 sq m with prices ranging from €350 to €650. The average price of an individual room is €463, for a double room is €604, an individual suite costs €515, the double suite prices are €561, the individual studio is €598 and for the double studio costs €628 per month. There are also some apartments (one, two, three and four bedrooms) in this category with areas of 30-60 sq m which prices range from €750 to €2,300. The main typology is individual suite with 25% of total supply, followed by individual studios with 20% and double suites counting 18%.

East Lisbon Student Village comes up as the trendiest residence. In contrast SPRU Zone, located in the historic centre, is the oldest (2001) Private Student Housing in Lisbon, presenting outdated facilities. Uhub is the largest player with 3 recent PBSA, totalling 138 rooms, while Doorm was the first PBSA with European quality standards in Lisbon organized in rooms per floor and one kitchen for every two floors. 9StudentLiving is established in a residential building where each floor has two apartments, each one with a shared kitchen and many rooms. The most recent student housings are already located in the opportunity zones like Alcântara and Intendente, where the prices of plots are still affordable to develop new real estate projects. As per example, The Collegiate Marquês de Pombal, due to open in January 2018, will be the most luxurious student housing in Portugal with capacity for 330 studios, offering premium facilities with many amenities like cinema, gym, swimming pool & sauna, restaurant, bar, living rooms, private studying and dining rooms, library, club lounge & concierge service.

As time goes by, Student Housing partnerships gain popularity and universities start making partnerships with private investors and operators to manage public PBSA like Nova SBE is doing with Milestone, in the Carcavelos campus.

The Private Apartments Operators are companies that manage different apartments in a professional way, allowing to have a structured and differentiated offer in different locations to target different students. They usually pay a rent to the landlord and are responsible for all accommodation management, managing more beds than the Private Student Housing. The quality and the size of rooms is very different among each operator. Operators rent room by room, offering sometimes bed linens & towels, weekly cleaning of common areas and the kitchens are usually equipped. There are more than 17 players with a total supply of 1,440 rooms with capacity for over 1,620 students. In this market, Smart Studios is the best operator offering high quality accommodation in the form of studios, rooms with private bathroom and kitchenette. There is an average of 85 rooms per operator, though Houze Student and The

Housing Concept are the largest operators with 194 and 175 rooms, respectively. Individual rooms are the main typology totalling 58% and double rooms with 33%. The average price of an individual room is €367 and a double room is €396. Montepio bank is becoming a large player with more than 100 rooms spread all over the city that are managed by professional operators, like The Housing Concept. However, the institution is looking to increase its pipeline (83 rooms for the next year) and create its own student housing brand.

Most of the student accommodation offered in Lisbon are Private Apartments. These apartments are owned by private landlords and represent the largest category in the student accommodation market, offering very different conditions and facilities. The Uniplaces platform holds more than 5,000 units, which could vary from a simple room to apartments. However, this number can be larger counting the supply that is marketed on Facebook, by word of mouth, Airbnb or other real estate brokers and booking platforms. In this type of student accommodation, students can rent the entire apartment or just a room. There are no services included and students usually have to buy small home appliances, bed lines & towels as well as table wear. According to Uniplaces, the individual studios cost €646 and the price per room in one-bedroom apartment costs €763, in two-bedrooms apartments costs €632 and in three-bedrooms apartments costs €400.

The PBSA occupancy rate achieves almost 100%. During the academic year, Lisbon PBSA are full, being international students the main residents. During the summer months, the occupancy rate can be improved with students enrolled in summer courses and tourists. Doorm already uses short-term rental system during the summer, selling overnights by €60 per night, showing almost 100% occupancy rate during all year.

Due to the lack of beds for international students, hostels have also become a player in this market, taking advantage of students' high season during the semesters.

Students want to live close to university or in the city centres, in zones with good public transportation networks, but the increasing demand for real estate in Lisbon city centre namely for residential schemes is causing great pressure on prices of available plots and buildings. According to a survey undertaken within students from Nova SBE and ISEG, the average commute time is 20/30 min walking, using public transportation, bicycles or electric scooters, which are increasingly used as a new way of transport. Therefore, student housing investors are start looking at alternative locations.

It is expected a shortage around 10,000 beds with quality and services in private PBSA, circa of 20% of total students living out of their hometown. Taking this into account, the PBSA market is emerging in order to face the new demand. The current interest from international and national private investors and operators represents a pipeline of 3000-4000 PBSA beds in the medium term.

As consequence, Temprano Capital Partners has acquired a plot to build 420 studios until 2020 and a building for 330 studios operated by The Collegiate Marques de Pombal. Staytoo intend to develop 1,000 PBSA beds in Lisbon and the Portuguese Uhub and Student Ville will build 850 and 100 PBSA beds, respectively. Following this trend, University of Lisbon has under development 1,130 beds.

How students are changing cities

The impact of students in the real estate can be measured by how studentification is changing cities. Studentification is related to the in-flow of High Education students and results in the high concentrations of students in the universities' surroundings. This movement changes the urban fabric and transforms the social, cultural, economic environments in university cities. This phenomenon is caused by government policies, economic and social trends in times of increasing competitiveness in which the number of students grow fast. However, the capacity

to provide accommodation by universities does not increase at the same pace, creating an imbalance between supply and demand.

Research shows that the impact of studentification in the housing sector occurs mainly in city centres and university surroundings. The young students have been very important for the regeneration process of the cities. At the social level, the demographics and population changes allow the creation of new social interactions and a better integration of individuals from different social classes and nationalities. This influx of students is also important for the emergence of new local businesses, although some of them usually do not contribute much for the local GDP since are “low cost” businesses. The public transportation usually changes and is improved to satisfy the new population needs. In old cities, the increase of students is critical for the rehabilitation and refurbishment of old buildings. Notwithstanding, studentification also has negative impacts on the community. The noise pollution caused by students and the waste management are responsible for disputes and tensions within the neighbourhood, severely impacting the quality of life of residents. The construction of PBSA, as a big real estate scheme that concentrate thousands of students can damage the city’s social environment because it increases social displacement. The imbalance between supply and demand cause an inflation of property prices, representing the main consequence of studentification. Family homes become more profitable if rented to students in a room by room basis rather than for single families that rent the whole house. The return landlords can receive with students is much larger. The inflation of housing prices leads local families to move out of city centre, impacting the local lifestyle and transforming the city’s identity. The seasonal nature of Higher Education can lead to a slowdown in local economy, but nowadays tourism can offset it.

Impact of students in real estate in Lisbon

Under the current panorama, housing rents have been climbing since last three years as consequence of a never seen international demand for real estate. As the student housing market

is extremely recent and unstructured, the information available in this regard is scarce. As University & Religious Student Housing are focused on students with low income, its prices cannot be taken into account when analysing the general impact students have in the real estate sector since they do not correspond to real market prices. In relation to Private Student Housing there is no sufficient data that allows me to perform a structured analysis of the impact of students in the real estate sector. Thus, it is very difficult to quantify the impact of students in real estate prices. Of course, the huge increase of international students since 2010 has had impact on the housing rents as private landlords may have better yields if they rent rooms piece by piece, as stated before. The great imbalance between student housing supply and demand leads prices to increase, making new prices for rooms very high and therefore apartments become very expensive for normal families to rent. To understand the impact students have in housing rents, SPRU made available the individual rooms prices since 2001, showing that prices were stagnated during the financial crisis between 2009 and 2014, with a small increase occurred in 2011/12 that coincides with the great increase of international students, 37%. From 2014/15, the prices have been increasing again guided by the strong demand for student rooms. Contrary to the private apartments rents, student housing rents have had a stable growth always positive while the traditional rental market suffered a lot during the financial crisis, this fact allows us to confirm that the student housing market is independent of traditional economic and real estate cycles. Experts say that during financial crisis people tend to invest in its education and therefore the demand for student housing may increase. On the other hand, the graphic 4 shows that the prices of private student housing do not evolve at the same pace that the total number of students in Lisbon Metropolitan Area. With great level of confidence, the prices in SPRU increased gradually because it was the only private student housing operating.

The average rents given by SIR, which aggregates all leasing apartments in Lisbon, shows a different evolution that can be consequence of different drivers beyond students, like short term

rental apartments for tourists or housing for international professionals that moved to Lisbon or even investors from the Golden Visa and NHR schemes that buy all houses available on the market, reducing the stock of rental apartments.

To understand how students can impact Lisbon's real estate in the near future we can take into account the total area of construction needed to host the increasing number of students, since it is estimated a shortage of 10,000 beds. For this analysis and according to investors and operator's interviews, an area between 30 and 35 sq m is considered when analysing the overall area for a student housing project. The area varies according to the positioning of each project. It is estimated a cost of construction between €750€ and €1,000 per sq m, depending on the type of room and the need to build a car park underground. Studios are more expensive than suites due to the kitchenette and suites are more expensive than standard rooms that do not have private bathrooms. Currently, the investment to acquire land or an old building to refurbish is high due to the boom that the market is witnessing. Thus, it is possible to buy land in secondary locations around €800 per sq m, without project approval, or around €1,000 with project. The last transactions occurred in the market have been focused on old office and industrial buildings to refurbish which decreases the cost of construction and the time needed to get the project approved and the respective licensing. The car parks and the retail spaces in the ground floors can be used as an additional source of income if rented to companies or other tenants. The time estimated to make a project, to get the approvals and license is around eight to twelve months depending on who are the architects and project managers, plus one and half to two years for the construction. The operating costs represent about 35% to 45% of total income.

To meet the demand of 10,000 beds with European standards, it will be necessary to have between 300,000-350,000 sq m of construction area that represents 100 buildings if each building accommodates 100 beds or 20 buildings if each one accommodates 500 beds. This will have an enormous impact on the Lisbon real estate market in the medium-long term.

In addition to the usual student housing, there will be another asset class that will have a similar impact in the real estate in Lisbon, the Co-living schemes. These buildings aim to create communities beyond the university life. A space intended to bring together living and socializing purposes along with recreational, entrepreneurial and work functions in order to foster entrepreneurship, innovation and networking. The co-living market is set to grow, offering an alternative concept of housing and a new lifestyle. It is a forward-thinking concept designed mainly for young professionals to live, work and socialize. People who are not tied up to location, but to the internet. The main difference comparing to PBSA is the small private apartments offer, as an alternative to rooms. It requires larger private areas for tenants and in some cases the studios can be sold, coexisting in the same building tenants and private owners. Co-living also offers common areas, but with different amenities and services, usually positioned for a higher segment.

Conclusions

Papers related to the impact of students in the real estate sector are scarce and articles related to student housing in Portugal are almost inexistent. The scarcity of studies regarding student housing in Portugal makes this paper an innovative study about this subject in Portugal.

The main obstacles found during the market analysis were related to the survey where the sample was small, not diversified in terms of fields of study and academic programs and 32% of respondents did not reply to all questions. The survey results show that the students enquired do not correspond to the target of Private Student Housing.

Further to the publication of part of this study to international investors, my suggestion is to enquire students from different fields of study and academic programs to reinforce the market knowledge which is very important for universities, investors and public entities to consolidate strategies to attract and retain students as well as investment.

It is important to highlight the amazing performance Portugal and Lisbon have had during the last 7 years in the international students evolution, a growth of 120% and 79%, respectively. The number of beds in University & Religious student housings will continue low and the number of beds in Private Apartments and Private Apartments Operators will grow steadily considering the new measures from Lisbon Municipality that will limit the number of hotel beds and the number of overnights in the local lodging to, most likely, 120 overnights per year and will offer fiscal incentives for long-term leases. Therefore, private landlords will get a better return if they rent the apartments in the traditional market for long-term leases, and as they prefer to cash-in immediately, they are encouraged to sell the apartments at current high prices. In addition, with less apartments available for short-term rental and considering the growth of international students, who are keen to pay for good rooms with quality and amenities, the Private Student Housing will grow faster. Thus, it is necessary a total investment of 500-550 million euros to develop the 10,000 PBSA beds, corresponding to 20% of total students living out of their hometown. To face the demand, there are already 3,000-4,000 beds in pipeline. It is expected a yield of 6% to 8% and according to market values the value per room is between €85,000 and €120,000.

The main challenges investors can find in the market regarding the student housing construction is the financing, since national banks are not aware and prepared for this type of accommodation yet and proper regulation and laws are still missing, critical to facilitate licenses and approvals. Investors, companies, and government entities should bear in mind the need for affordable accommodation for young professionals. To solve this problem some investors are already looking for good opportunities to develop co-living schemes.

Notwithstanding, in this panorama, Lisbon will be affected by the studentification and, as result, some conflicts are starting to arise in the traditional and historic neighbourhoods.

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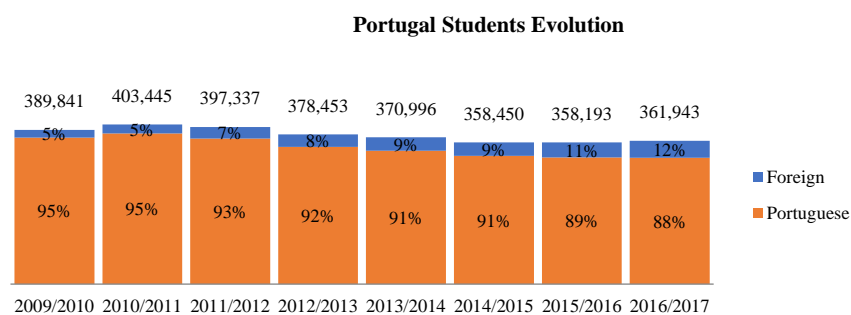
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Websites bibliography can be seen further in the Annex document attached.

Appendix

All the information related to capacity of each category of Student Housing and the respective prices are part of a database developed within my Directed Research Internship done between July 2017 and December 2017 at JLL Portugal.

Graphic 1



Graphic 2

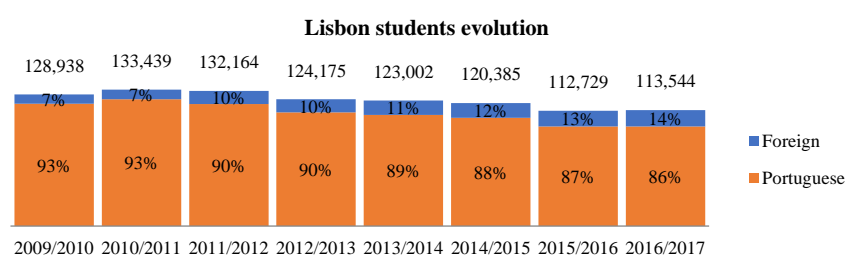
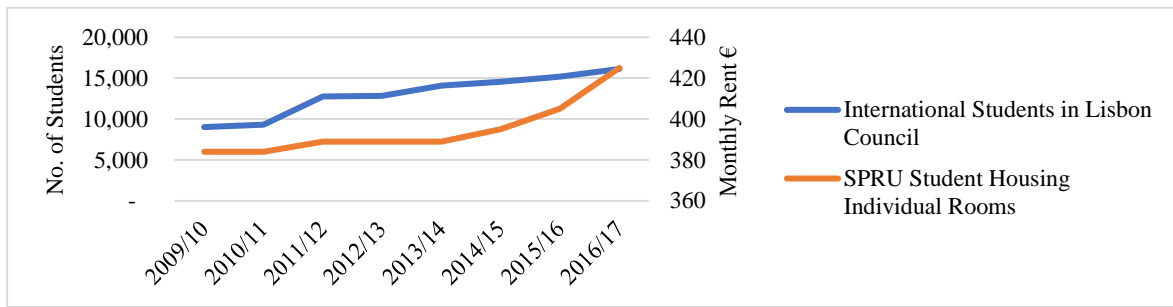


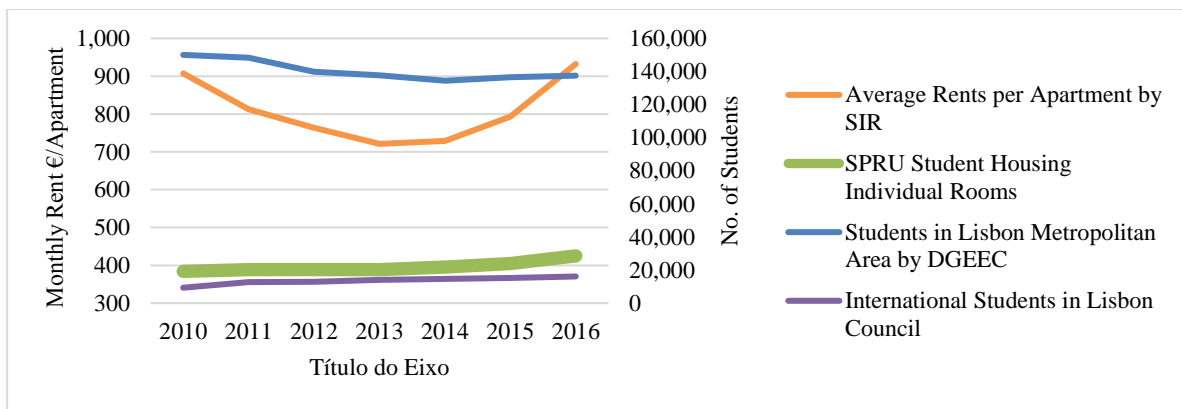
Table 1 - Number of Portuguese students in Lisbon living out of their hometown

Concelho de residência	Concelho do estab.	Portugal	Amadora	Cascais	Lisboa	Odivelas	Oeiras	Sintra	Torres Vedras
Portugal		333 431	409	2 261	103 701	604	4 696	146	87
Alenquer		963	0	7	634	3	20	2	4
Amadora		4 887	10	90	4 049	45	189	2	0
Arruda dos Vinhos		407	1	8	315	1	8	0	1
Azambuja		416	0	5	228	0	4	0	0
Cadaval		239	1	2	107	1	6	1	1
Cascais		7 478	18	421	5 682	19	558	3	0
Lisboa		27 095	108	296	23 640	71	628	11	0
Loures		5 735	12	69	4 773	58	134	3	0
Lourinhã		539	0	5	297	4	15	1	7
Mafra		2 166	5	53	1 688	22	78	3	11
Odivelas		4 075	4	55	3 416	100	112	0	1
Oeiras		6 425	23	185	4 938	20	551	1	0
Sintra		11 615	38	319	9 141	82	748	17	0
Sobral de Monte Agraço		216	1	2	156	1	2	0	0
Torres Vedras		1 922	2	18	1 245	8	57	0	49
Vila Franca de Xira		3 676	9	41	2 912	15	76	3	0
Total					40 480				

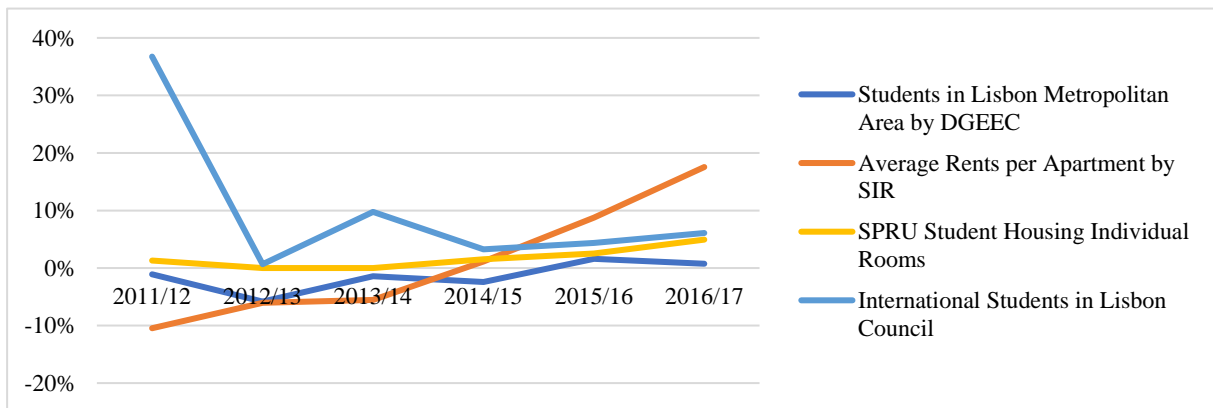
Graphic 3 - Evolution of international students and individual rooms monthly rents:



Graphic 4 - Evolution of rents and students in Lisbon:



Graphic 5 - Growth rates:



Graphic 6 - Evolution of students in Lisbon Metropolitan Area and SRPU individual room prices:

