



2018 MID-YEAR **STUDENT HOUSING MARKET OVERVIEW**

ARA Student Housing proudly presents the 2018 Mid-Year Student Housing Market Overview. The research and conclusions contained within this report are based on our detailed and committed tracking of relevant data metrics across the entire student housing industry. We strive to offer the best brokerage services in the industry and pride ourselves on seamlessly integrating best-in-class investment sales with debt and equity, offering clients unparalleled access to national and global capital.

For more information on this 2018 Mid-Year Student Housing Market Overview or details on our available listings, please feel free to contact our team.

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2018 MID-YEAR STUDENT HOUSING MARKET OVERVIEW

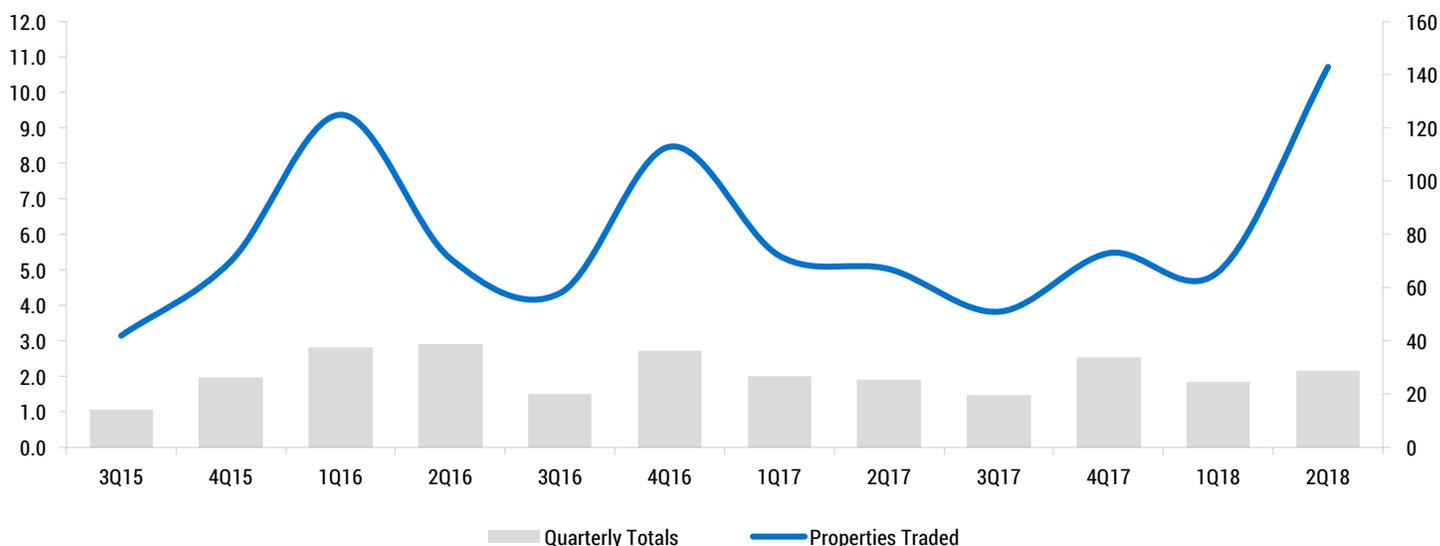
STUDENT HOUSING SALES VOLUME

The student housing sector saw a continuation of robust transaction volume kicking off 2018. Overall, cap rates have maintained record levels as greater institutional, domestic, and international capital gain greater market scale with risk-adjusted yields in what is viewed as a recession-proof asset class. The sector has witnessed multiple, large, portfolio sales and aggressive capital especially pursuing both core and value-add purpose-built assets that are pedestrian to campus. The sustained pursuit of the asset class has led to over \$4 billion in transaction volume, year

The sustained pursuit of the student housing asset class has led to over \$4 billion in transaction volume YTD 2018 compared to \$3.9 billion through the same period in 2017.

STUDENT HOUSING SALES VOLUME

Price (in billions) vs. Properties (based on assets priced \$2.5mm+)



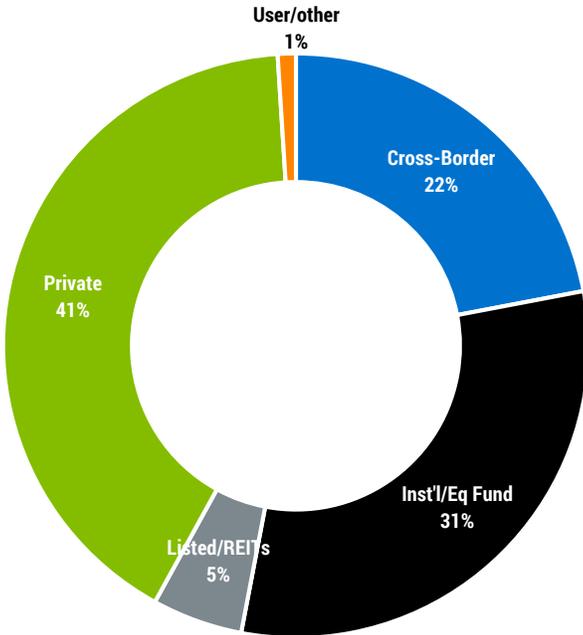
Source: Real Capital Analytics

to date, in 2018 compared to \$3.9 billion through the same period in 2017. Through 2Q18, the sector has seen a three-property, \$245 million acquisition by the joint venture between Goldman Sachs and Greystar from American Campus Communities. Additionally, a six property, \$200 million joint-venture between Campus Advantage and a major state pension fund from CA Student Living traded hands. The student space has continued to see tremendous transaction volume along with one of the biggest single portfolio transactions in recent history expected to take place in the latter part of 2018: the Greystar \$4+ billion merger agreement to acquire EdR and their 79 properties with more than 42,300 beds at 50 universities.

BUYER PROFILE

Investment in student housing has consistently offered long-term stability, attractive risk-adjusted returns, and safe diversification with respect to other asset classes. Maintaining the trend from recent years is the private sector, leading the market by accounting for 41% of acquisitions with more than \$1.5 billion purchased, year to date. As expected, the institutional sector has been steady and strategic in their approach with more than \$1.1 billion in acquisitions in 2018. This number is significant as it represents nearly

2018 YTD BUYER PROFILE



Source: Real Capital Analytics

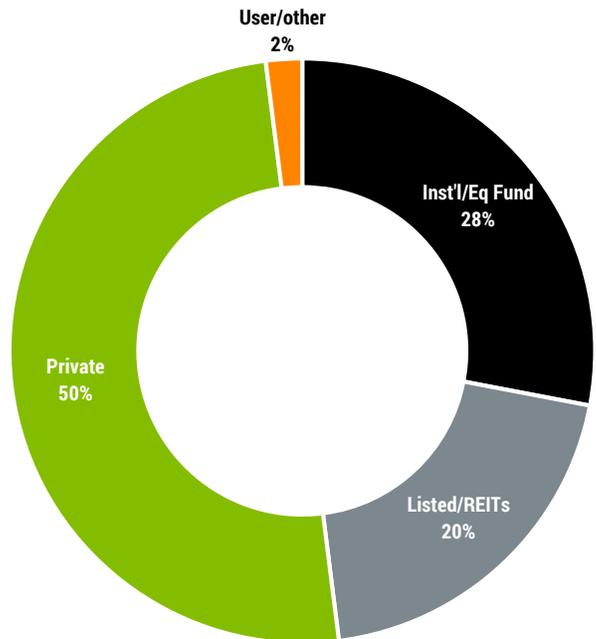
\$250 million more than all of 2017, combined, proving out the amount of capital readily available and the appetite for student housing - particularly after the sector saw institutions decrease their acquisition activity from 2016 to 2017. Foreign capital changed the landscape of the student space in 2017 with over \$2.8 billion of investment-grade student housing acquisitions, accounting for 36% market share. The inflow of foreign capital has been formidable in 2018, as well, accounting for 22% of all transactions, year to date. The buyer profile has diversified in an increasingly competitive landscape that ARA expects to continue throughout the remainder of 2018.

Foreign capital changed the landscape of the student space in 2017 with over \$2.8 billion of investment-grade student housing acquisitions, accounting for 36% market share.

SELLER PROFILE

Institutional and private capital groups have continued to lead the disposition effort throughout the first six months of the year. In an ongoing trend over the last three years, favorable cap rates for core, new construction has provided an accretive environment for sellers of private and institutionally owned purpose-built student housing. To date, the private sector has stayed atop the seller profile with more than \$1.97 billion sold in 2018, accounting for nearly 50% of total market share. At this same point in 2017, private capital had transacted \$1.6 billion, equating to an approximate uptick of \$400 million in disposition volume in the first half of this year. Institutional capital has increased their share of disposition activity through 2017 with over 28% market share. Additionally, REITs continued recycling capital through dispositions as their focus remains on funding large-scale development projects pedestrian to campus and select acquisitions at major Tier I, universities. In the past six months, ARA Student Housing has closed or contracted more than \$1.4 billion in student housing assets nationwide.

2018 YTD SELLER PROFILE



Source: Real Capital Analytics

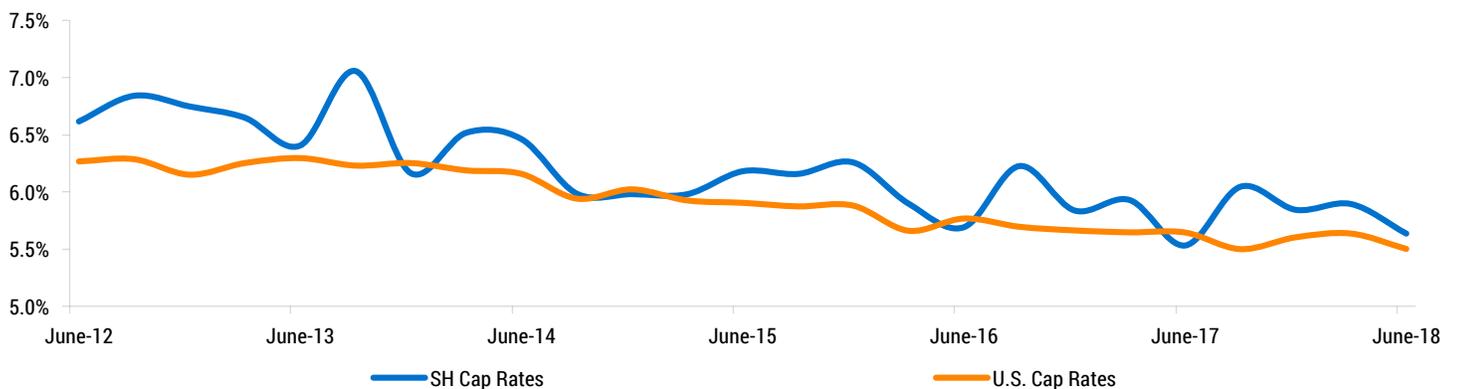
2018 MID-YEAR STUDENT HOUSING MARKET OVERVIEW

CAP RATES

Cap rate compression has been the new normal and 2018 has been no exception, despite rising interest rates and a relatively volatile capital markets environment. Regardless, the consistent inflow of capital from institutional, domestic, and international investment funds illustrates the market's confidence in the recession resilient asset class. Throughout the first two quarters of 2018, cap rates averaged 5.7%, in line with the historical lows observed in 2017 with several portfolio and core assets trading at sub 5%. The student housing sector has proven it's a mainstay among product types and, perhaps, the most attractive with cap rates trading within 10 basis points of conventional multifamily - a trend that was completely unthought of until the flood of new capital entering the space that compressed cap rates lower than conventional multifamily for the first time ever in 2016. ARA Student Housing predicts that the sector has reached a new normal in transaction volume with an abundance of capital available and foreign and domestic capital looking for creative ways to enter the sought-after asset class.

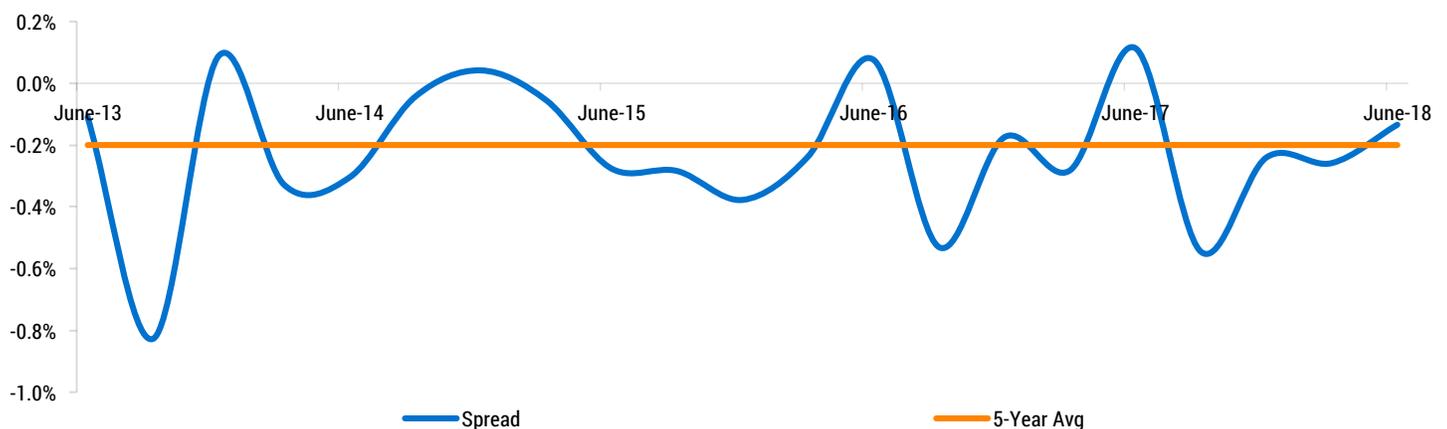
STUDENT HOUSING VS U.S. MULTIFAMILY CAP RATES

Yearly (based on assets priced \$2.5mm+)



Source: Real Capital Analytics

CONVENTIONAL CAP RATES VS STUDENT HOUSING SPREAD



Source: Real Capital Analytics

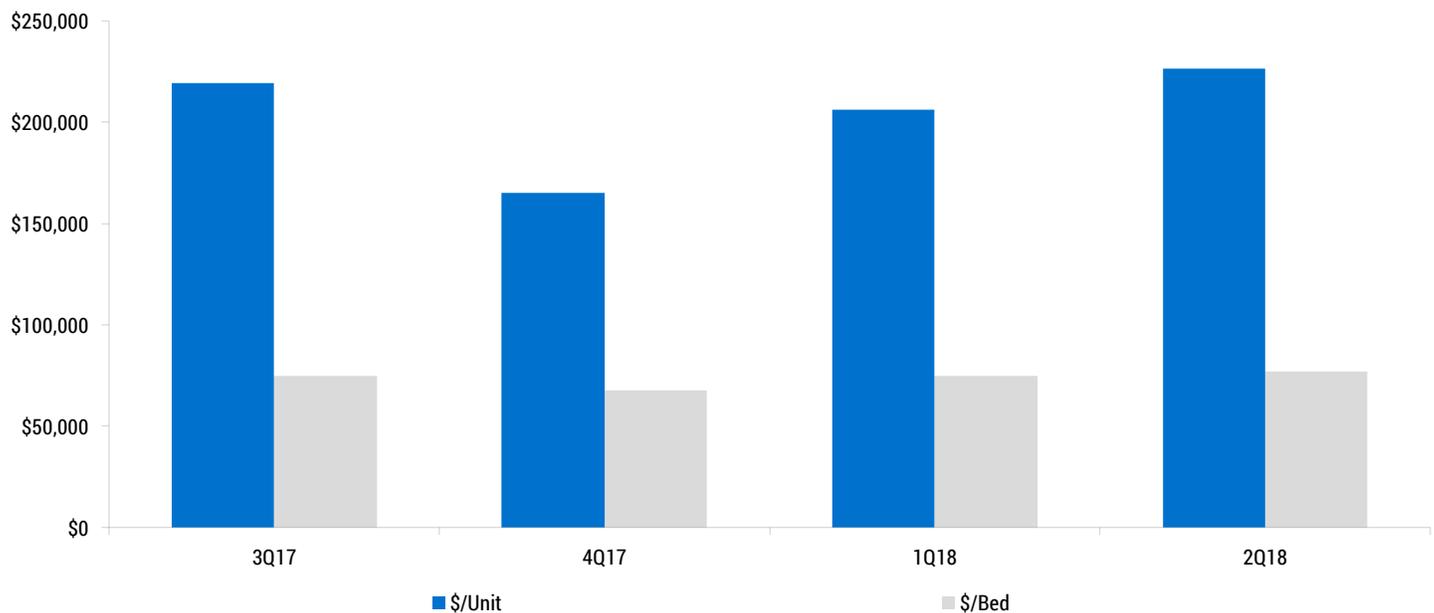
ARA PREDICTS THAT THE STUDENT HOUSING SECTOR HAS REACHED A NEW NORMAL IN TRANSACTION VOLUME, WITH AN ABUNDANCE OF CAPITAL AVAILABLE AND FOREIGN AND DOMESTIC CAPITAL LOOKING FOR CREATIVE WAYS TO ENTER THIS SOUGHT-AFTER ASSET CLASS.

PRICING METRICS

As the combination of aggressive capital meets a rise in student housing construction costs and deliveries, the sector continues to see an increase in pricing metrics for purpose-built student housing. Along with increased investor interest in every property type within the sector, foreign and institutional capital teamed up to influence the steady increase of standard pricing metrics. 2Q18 saw record per unit pricing at \$226,490. Additionally, the price per bed average increased to \$76,773, a 13.8% increase over the same time last year. If the current trend continues throughout the remainder of 2018, it will prove to be the highest price per unit and bed in history, topping historical highs in 4Q16.

PRICING METRICS: UNIT VS BED

Quarterly (based on assets priced \$2.5mm+)



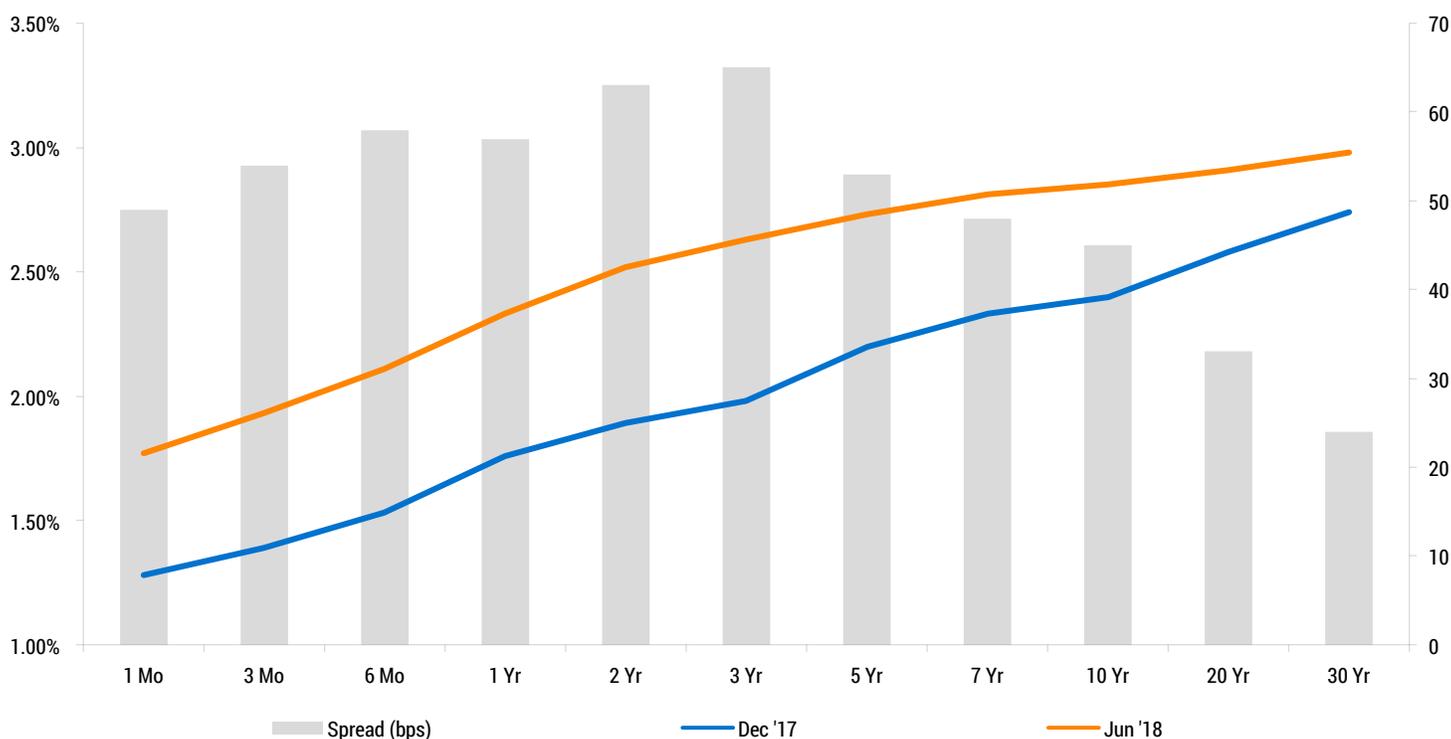
Source: Real Capital Analytics

2018 MID-YEAR STUDENT HOUSING MARKET OVERVIEW

CAPITAL MARKETS

Midway through 2018, robust student housing investment sales volume has positively driven GSE lending. Familiarity with the asset class, propelled by improved financial reporting and market data, has led to a surplus of capital seeking to diversify into the sector. Debt service coverage ratios and leverage ratios, however, remain flat from last year, as lending standards continue to be appropriately tight. As of June 30, the 10-year treasury yield is up 45 basis points since the close of 2017 – peaking in mid-May at 3.11%. The Federal Reserve lifted interest rates by 25 basis points for the second time in June of 2018, as expected. However, the market seemed primarily focused on the Fed’s hawkish language towards its future rate path. Fed officials upgraded their forecast to four total interest rate increases in 2018 and implied three increases in 2019, to put the rate above the level where officials view as “neutral.”

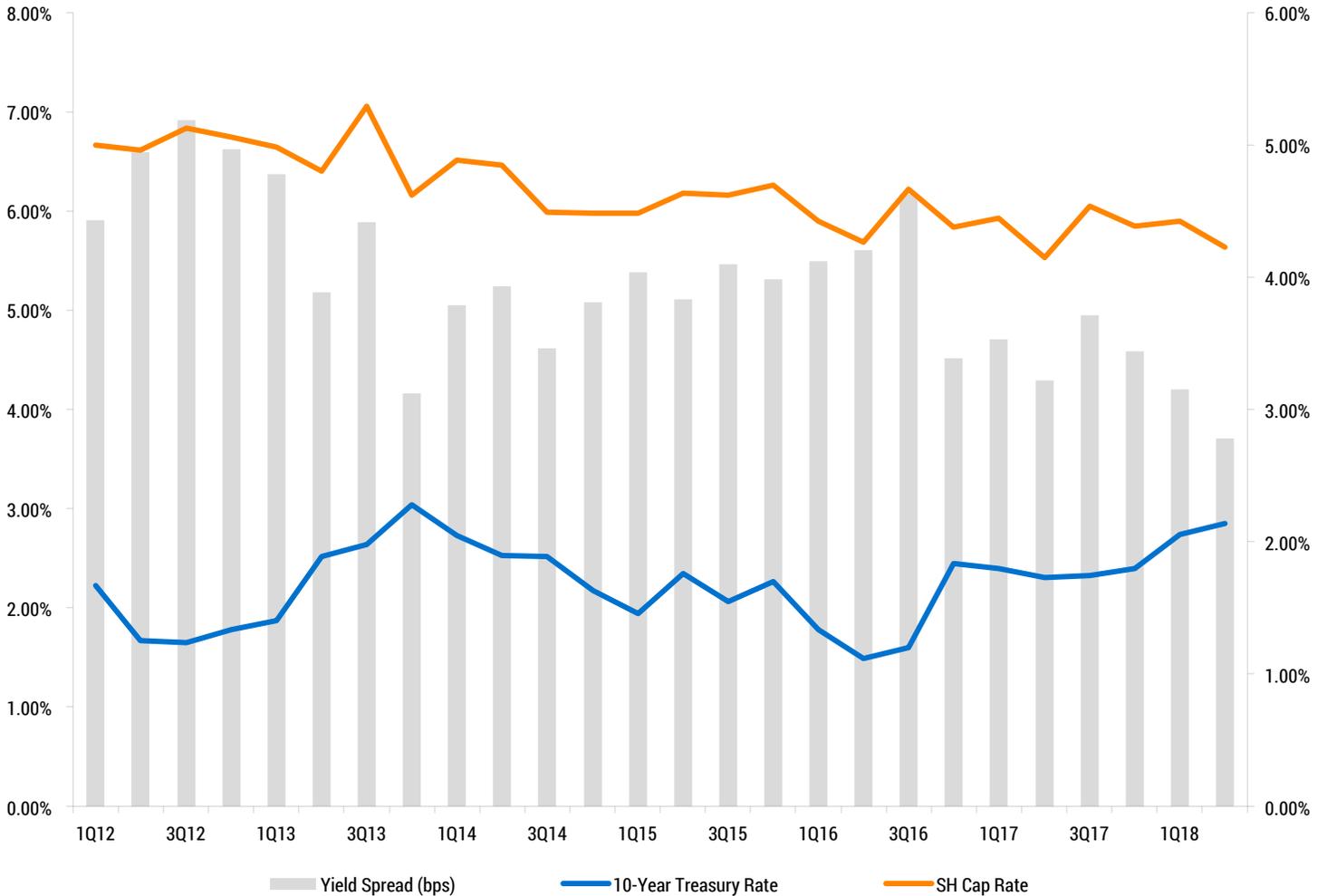
TREASURY YIELD CURVE



Source: U.S. Department of Treasury

Familiarity with the student housing asset class, propelled by improved financial reporting and market data, has led to a surplus of capital seeking to diversify into the sector. Debt service coverage ratios and leverage ratios, however, remain flat from last year, as lending standards continue to be appropriately tight.

TREASURY YIELD SPREAD



Source: U.S. Department of Treasury

Following the feedback, the yield curve bearishly flattened as markets priced in a steeper path for the Fed funds rate over the coming year. The pressure facing equity returns from potential interest rate hikes and lower loan proceeds continues to be a trend to watch for the remainder of 2018 as some buyers shift strategies with tremendously accretive debt readily available at lower leverage points. Rising LIBOR rates in tandem with looming rate hikes have already resulted in many borrowers shifting away from floating rate loans and into fixed-rate loans to take advantage of the historically flat yield curve. Trade and fiscal policy remain key areas to watch moving into the second half of 2018; however, an abundance of capital sources are anticipated to facilitate a positive lending and investment sales environment.

2018 MID-YEAR STUDENT HOUSING MARKET OVERVIEW

ARA STUDENT HOUSING



RYAN LANG

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Ryan Lang, executive managing director at ARA and head of its Student Housing group, is responsible for leading the platform and spearheading best-in-class investment sale services for its clients. He has represented many of the largest institutional, public and private real estate companies in the country and has closed approximately \$5.1 billion in real estate transactions.

Prior to joining ARA, Mr. Lang was vice president and co-leader of CBRE's National Student Housing Group. In 2010, he joined New Orleans-based Stirling Properties as director of multifamily investments. While at Stirling, Mr. Lang specialized in the sale of conventional and student housing assets and was one of the most active multihousing experts in the state. He was recognized as the top investment sales broker at Stirling Properties for 2011 and 2012. Mr. Lang began his real estate career in New York City at Marcus & Millichap where he gained experience in seller representation, acquisitions and investment underwriting. During his first year there, his investment team was recognized as the #1 top earning team in the office and he was awarded the Pace Setter award for 2008.

Mr. Lang was named to the ARA/NKF Chairman's Circle in recognition of being one of the top producing brokers in the entire company and he regularly speaks at acclaimed student housing events throughout the United States and Europe. Mr. Lang has been featured in the *Wall Street Journal* and on National Public Radio for his expertise and leadership within the sector. Lang received a Bachelor of Science degree in business administration from the University of Florida.



BRANDON BUELL

Director
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Brandon Buell, director for ARA's Student Housing group, is responsible for assisting clients in the disposition of institutional and non-institutional assets, handling all aspects of the marketing process including pricing strategies, valuation/modeling, negotiation and closing. He has been involved in over \$2 billion of purpose-built multifamily transactions since joining ARA in 2015.

Prior to joining ARA, Mr. Buell was an associate partner at ApexOne Investment Partners, a private equity group in Houston, TX where his primary responsibilities included acquisitions, dispositions and asset management for both student housing and conventional multifamily assets within a 33-state region. While at ApexOne, Mr. Buell sourced 100 percent of the student housing properties for the fund and asset managed 75 percent of the student housing portfolio. Other responsibilities included overseeing due diligence and renovations, and reporting to joint venture partners. Mr. Buell worked closely with an array of large student housing joint venture partners including Crow Holdings, Balfour Beatty, Behringer Harvard and Rockstreet Partners. His experience in acquiring approximately \$400 million of student housing and conventional apartment properties throughout the country provides vital knowledge to clients in valuing assets and developing disposition strategies.

Mr. Buell graduated from the Rawls Business School at Texas Tech University. A native Houstonian, he has been involved with his church in many capacities including Elder, Chairman of the School Committee and high school youth advisor. He has also served as a director on a Houston area Municipal Utility District board for more than 15 years.



JACK BRETT

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Jack Brett is the transaction manager for ARA's Student Housing group where his primary responsibilities include facilitating client relationships, business development, pricing and marketing strategy, and actively engaging with clients throughout the entirety of the disposition process. Since joining ARA, Mr. Brett has participated in over 100 closings, \$3.5 billion in financial modeling, and over 700 valuations. He most recently worked with ARA's Affordable Housing group, servicing a wide array of clients that included private and institutional developers, syndicators and direct Low-Income Housing Tax Credit (LIHTC) investors on disposition strategies. Mr. Brett is an industry veteran with substantial experience in all facets of the sale, valuation, and development process.

Prior to joining ARA, Mr. Brett worked with a Houston-based consulting firm where he performed financial reporting, analysis, modeling, and budgeting.

Mr. Brett is from Manchester, England and regularly visits the UK to source emerging capital from overseas and leverage existing relationships within the sector. Mr. Brett graduated magna cum laude from the University of St. Thomas in Houston, with a Bachelor of Business Administration degree in finance, economics and marketing. He was awarded the outstanding graduate award in marketing and is a member of the Delta Mu Delta and Beta Gamma Sigma International Honor Societies.



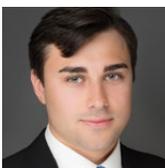
JEREMY BORST

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Jeremy Borst is the senior financial analyst for ARA's Student Housing group where he is responsible for the financial analysis of all properties and portfolios including the research of economic drivers, underwriting, and performance benchmarking in support of the company's investment sales services. His vast experience within the student housing sector lends critical insight into the most pertinent details of each specific assignment and he is involved in all facets of the sale process.

Prior to joining ARA Newmark, Mr. Borst was an analyst for nation's largest developer, owner, and manager of student housing communities, American Campus Communities. There he was responsible for the financial planning and reporting of the company's portfolio of 75,000+ wholly-owned beds. Mr. Borst has experience in the asset managing, budgeting, investment underwriting, and forecast planning of over \$5 billion of student housing assets across the nation.

Mr. Borst graduated from the State University of New York at Fredonia with a Bachelor's of Science in Accounting.



BEN HARKRIDER

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Ben Harkrider is a financial analyst for ARA's Student Housing group where he is responsible for underwriting, financial analysis and comprehensive market research of student housing assets nationwide. He is actively involved throughout the entire disposition process from the production of marketing materials and reports, to assistance through due diligence.

Prior to joining ARA, Mr. Harkrider worked internships at prominent student housing companies, including Coastal Ridge Real Estate Partners and Peak Property Group where his primary responsibilities included discounted cash flow modeling, property management, market research of economic drivers and financial analysis.

Mr. Harkrider earned a Bachelor of Arts degree in economics from the University of Texas and a Business Foundations Certificate from the McCombs School of Business.



Ryan Lang
AMERICA

NKF CAPITAL MARKETS



TRENT HOUCHIN

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Trent Houchin is director of the NKF Capital Markets team in the Austin office of ARA, where he is responsible for spearheading the Student Housing Debt and Structured Finance platform. Mr. Houchin works closely with ARA's Student Housing group and specializes in providing best-in-class financing and capital structure solutions for student housing assets across the country, including permanent, bridge, equity and mezzanine debt financing. Mr. Houchin's team leverages direct licenses with Fannie Mae and Freddie Mac, as well as industry-wide relationships with Life Insurance Companies, conduits/CMBS, banks and alternative debt executions to provide the most attractive financing options available.

Prior to joining NKF Capital Markets, Mr. Houchin led the financial analyses of ARA's Student Housing group where he was responsible for the comprehensive analysis of over \$8 billion of investment-grade student housing assets. In addition, he was actively involved throughout the entire disposition process from the production of marketing materials and reports, to assistance through due diligence, and has worked closely with some of the largest student housing owners in the country.

Mr. Houchin graduated from Texas State University with a B.S. in Business Administration and a major in finance.



MATT GREER

Executive Managing Director
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Matt Greer is executive managing director of the NKF Capital Markets team in the Austin office of ARA. Mr. Greer brings to his position 22 years of real estate experience. His property type expertise extends to multihousing, student housing, manufactured housing, and commercial and retail properties with various structures, including permanent, bridge, equity and mezzanine debt financing.

Prior to joining NKF Capital Markets, Mr. Greer worked from 2007 to 2016 at Austin-based Berkadia, where he financed projects in excess of \$2 billion. Mr. Greer was previously a partner at AMS Real Estate (AMS), a real estate services firm where he launched an underwriting group that worked for many of the CMBS industry's largest originators. Prior to his tenure with AMS, Mr. Greer was a vice president at Simmons Vedder Partners, where he was responsible for the development and marketing of the company's office division.

Mr. Greer is a Certified Commercial Investment Manager (CCIM) and is active in the Mortgage Bankers Association, National Multifamily Housing Council and Urban Land Institute.

Mr. Greer graduated from the University of Texas with a Bachelor of Arts degree in economics.

NATIONAL EXPERTS, GLOBALLY CONNECTED



James Pullan
EUROPE



Joseph Morris
AFRICA & MIDDLE EAST



Emily Fell
ASIA PACIFIC

Newmark Knight Frank's Purpose Built Student Accommodation (PBSA) specialists are leading the industry with direct access to the most active capital in the space, globally.

The PBSA team understands the need to be 'locally expert, globally connected' and coordinate on the front end of each assignment. This ensures maximum exposure within the global marketplace which, in turn, leads to unrivaled investor interest, a competitive global bidding environment and premium pricing.

Our track record includes locally significant projects requiring expert opinions and global trophy projects that require our international connectivity. The team's global reach is unique with proven results that are unmatched by anyone else in the industry.

The Newmark Knight Frank Student Property global team has four hubs.

2018 MID-YEAR **STUDENT HOUSING MARKET OVERVIEW**

ABOUT ARA STUDENT HOUSING

ARA Student Housing has a proven track record in providing best-in-class investment sale services. Our team has closed over \$7.5 billion in student transactions and has significant experience with portfolio, pre-sale, value-add, core, and secondary market transactions. We are the industry's best in execution.

- Partner-level national student housing brokers and eight specialized team members with combined 40 years of experience. Our team has more industry experience than any other national student housing platform in the country.
- Combined transaction experience of over 75,000 beds and \$7.5 billion in transaction volume.
- The only student housing platform with the ability to coordinate with its market-leading International student housing platform that encompasses the UK, Europe, Middle East, and Asia-Pacific student housing groups along with a New York institutional office to ensure the broadest global reach of foreign capital in the industry.
- Our team is unrivaled in our ability to bring the most aggressive capital sources, both foreign and domestic, into the competitive bidding process and successfully transact.
- Pro-active and tailored marketing approach to ensure seamless execution at the absolute highest price and best terms available in the market place.
- Unprecedented pricing achieved on multiple portfolio, pre-sale, core, and value-add dispositions across the country.
- The largest and most comprehensive student housing database in the industry.

ARA employs an information-sharing culture among all offices that provides immediate access to knowledge about buyers across the US, and how they have performed. Our brokers have access to every buyer and every bidder for every deal where ARA does business.

ARA offers clients unparalleled access to debt and equity through our fully integrated platform. To accomplish structured finance objectives, our in-house NKF Capital Markets team maintains close relationships with a comprehensive group of capital providers with direct access to FNMA/Freddie, CMBS, Life Co., and traditional lenders.

\$2.2 BILLION 43 ASSETS

CLOSED OR CONTRACTED BY OUR TEAM IN THE PAST 12 MONTHS

ARA Student Housing is the industry's best in execution.



STATION NINE
DUKE UNIVERSITY



CROWNE AT CAMPUS POINTE
UNIVERSITY OF TENNESSEE



POINTE AT TROY
TROY UNIVERSITY



THE BLAKE
SAVANNAH COLLEGE OF ART AND DESIGN



PARKHAUS
UNIVERSITY OF NEBRASKA-LINCOLN



ASPYRE AT ASSEMBLY STATION
UNIVERSITY OF SOUTH CAROLINA



THE BLUFF AT WATERWORKS LANDING
UNIVERSITY OF ALABAMA



THE RIDGE AT GAINESVILLE
UNIVERSITY OF FLORIDA



STADIUM VIEW
UNIVERSITY OF MINNESOTA



HAVEN49
UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE



STADIUM VIEW
TEXAS A&M UNIVERSITY



THE FORUM AT SAM HOUSTON
SAM HOUSTON STATE UNIVERSITY



THE CORNER
UNIVERSITY OF TEXAS AT AUSTIN



THE RUCKUS
UNIVERSITY OF TEXAS AT AUSTIN



THE LOOKOUT ON CRAGMOR
UNIVERSITY OF COLORADO COLORADO SPRINGS



THE FAIRWAY
PURDUE UNIVERSITY



THE LEX
UNIVERSITY OF KENTUCKY



STUDENT QUARTERS HUNTSVILLE
SAM HOUSTON STATE UNIVERSITY



ARDEN VILLAS
UNIVERSITY OF CENTRAL FLORIDA



UNIVERSITY FLATS
UNIVERSITY OF NORTHERN COLORADO



SKYLOFT
UNIVERSITY OF TEXAS AT AUSTIN



Z ISLANDER
TEXAS A&M UNIVERSITY



THE RIDGE PORTFOLIO
VARIOUS



COUNTRY WIDE PORTFOLIO
VARIOUS

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