PRIVATE DORMITORIES

A YEAR IN THE PANDEMIC

CBRE

In Q1 2021, CBRE completed a study of the student housing market in Poland's largest academic cities.

The previous report, published in spring 2020, covered the period just before the first restrictions related to the COVID-19 pandemic were introduced.

We can now summarise what has happened in the past year.

Did the activities of private dormitories resist the pandemic?

How has the pandemic affected fees and availability of beds?

Are new private dormitories coming onto the market, or are there some that have been forced to cease their operations in the past year? Have investors' plans changed?

STUDENTS IN POLAND

Young people entering adulthood are tending to enter higher education. Studying allows them to gain qualifications, confirm their competences, but it also helps them to build up a network of valuable contacts.

Number of students

The latest official data on the number of students in Poland comes from the end of 2019 (2019/2020 academic year), i.e. the period before the pandemic. According to the Central Statistical Office, the total number of students in Poland at that time amounted to 1,202,582 people attending 353 universities. The number of students remained in a downward trend, but the pace of change was slower than in previous years (2% decline compared to 4-5% annually in the past five years).
However, based on demographic forecasts, it can be concluded that in the next decade we will observe a reversal of this trend (these forecasts are described in more detail in the CBRE report "Residential market in Poland 2030").

Importantly, despite the gradually decreasing student population, Poland still undoubtedly belongs to the group of European countries with the largest number of people attending universities.
According to Eurostat data (for 2018), Poland was sixth in terms of the number of students among the then European Union countries (following Germany, France, UK, Spain and Italy), and the Warsaw-capital region was sixth among all regions in this respect. This places Warsaw as one of the most important centres of higher education.

The significant number of students results directly from the large population, including the group of people aged 18-24. The tendency of young people to undertake higher education is also important - according to Eurostat data, in 2018 46.3% of Polish 20-year-olds studied, clearly above the European Union average (equal to 41.9%).

1.2 mln
million students at 353 universities

Poland ranked
6th
in the EU in terms of the number of students (2018)

46.3%
of Polish twenty-year-olds study

Foreign students

The inflow of foreign students is also an important factor for the development of higher education in Poland. Although in this respect local universities are nowhere near the results achieved in Great Britain, Germany or France, in 2018 Poland was the 8th country in the EU most often chosen by foreign students. The 2019/2020 academic year was also another year of increase in the number of foreign students in Poland - for the first time it exceeded 80,000 (and amounted to 82,194).

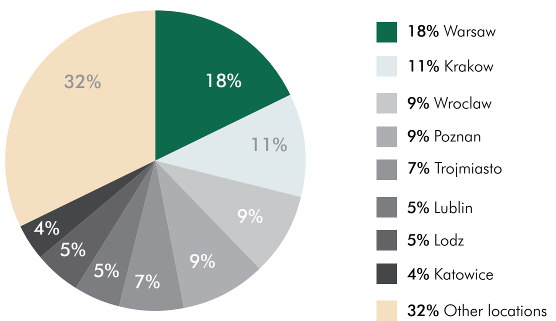
The pandemic has brought turmoil in the higher education market: delays in recruitment, fewer foreigners recruiting, difficulties in distance learning, remote English-language programs for foreign students unable to come to Poland or fearing the effects of the pandemic. At the same time, all signals currently indicate that after the end of the pandemic threat, universities, lecturers and students will be relieved to return to their former ways of functioning.

Over
82,000
foreign students in 2019

The main academic centres

The largest academic centres in Poland remain Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice. There is a total of 813,600 students in these cities. Outside of the eight main academic centres there are 165 universities (46% of all) and 32% of all students study there.

The main academic centres in Poland by number of students



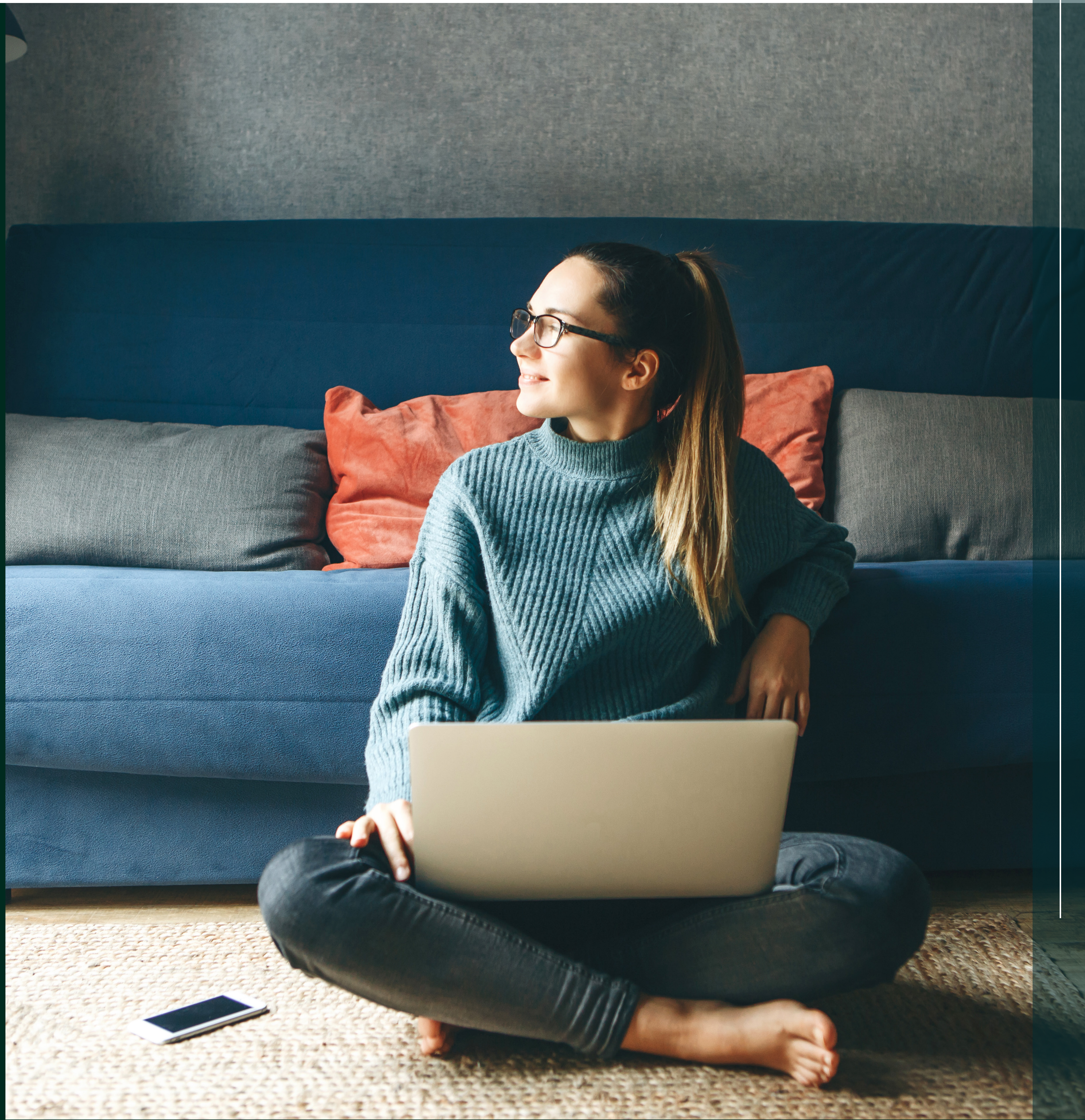
Source: CBRE based on Statistics Poland data for 2019, March 2021

More than one in four Polish students study in Warsaw or Krakow. However, there is also sufficient demand in smaller academic centres to launch a profitable investment in the private dormitories sector.

STUDENT DORMITORIES 2021

RESULTS OF THE SURVEY

The pandemic has changed the way universities operate and completely revolutionised the experience of studying. Despite the prevalence of remote classes, most dormitories, both public and private, remain open and students are accommodated there.

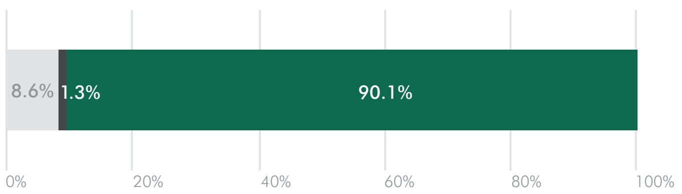


Availability of beds in student dormitories

The CBRE survey, conducted in Q1 2021 in the largest academic centres in Poland (Warsaw, Krakow, Wrocław, Poznań, Tri-City, Łódź, Lublin, Katowice), covered student dormitories, both public and private, operating in these cities.

In comparison with the results of the survey conducted a year ago, the total number of beds in public and private student halls of residence increased by 3% and amounted to 80,300. In relation to the total number of students, however, this is still not much - at full occupancy, beds would be provided for only 9.9% of students (previous year: 9.4%).

Availability of beds in student dormitories in the main academic centres in Poland



8.6% Beds in public dormitories
1.3% Beds in private dormitories
90.1% Shortage of beds in relation to total of students

Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

In a pandemic situation, the actual interest in student accommodation is much lower. The vast majority of public dormitories have beds available, despite additional restrictions (for example, accommodation of a single student in a room, even in multi-bedded rooms). A few facilities have stopped accommodating new students, despite having vacancies. In some cases, the public dormitories are charging a small fee (of ca.100 PLN per month) for the opportunity to store items in the room while the student returns to a permanent place of residence.

What is worth noting, however, is that at the same time, of the 62 private dormitories operating in the eight largest markets, 18 dormitories had no vacancies at all, in a further 6 there were no more than a few vacancies, and in only one case was the accommodation removed from operation for the duration of the restrictions.

Accommodation costs

When moving to a university city, students usually choose between a place in a student dormitory or a flat rented on the open market.

Fees in student halls belonging to public universities are by far the lowest, but this option is only available to very few students. Furthermore, the standard is often not very good, and students may be concerned about the lack of privacy and difficulties in dealing with random roommates. In addition, the option of living in a dormitory run by their own university is available almost exclusively to students at public universities. Only in some unique cases will private schools have their own facilities and the majority often do not support their students in finding accommodation at all.

For most students, looking for accommodation on the rental market is a necessity. Here prices are often several times higher than for a bed in a public dormitory, and the standard varies greatly.

The aim of private student dormitories is to bridge the gap between the public dormitory offer and the open market. The fees for a place in a private dormitory are also usually somewhere in between, although in modern facilities with many amenities fees can be closer to the rent paid for a small independent flat.

Typical level of monthly fees faced by students planning to study - the example of Warsaw

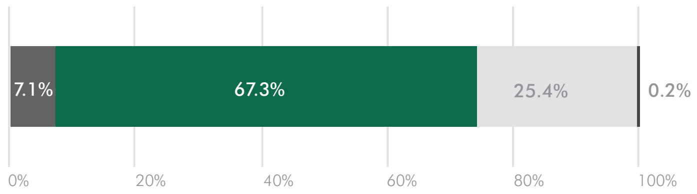
Source: CBRE survey, data for Warsaw, March 2021

Dormitories of public universities

According to a CBRE survey, at the beginning of 2021, student residences owned by public universities in the largest academic markets (Warsaw, Krakow, Wroclaw, Poznan, Lodz, Tri-City, Lublin and Katowice) had 69,672 beds for students (assuming full use of the facilities). This was a comparable number to the previous year. Some universities are modernising their existing facilities, and there is also information about the planned construction of new public student dormitories in several locations. The effects of these plans will probably be seen in the next few years.

The detailed structure of the existing rooms was provided for student dormitories with 52,782 beds. Most beds are available in double rooms (67.3% of the total number of places available in student residences). Single rooms are still quite exceptional, with only 7.1% of all beds available there. Compared to the previous year, the share of beds in single rooms has increased slightly (from 6.9%), while the share of beds in triple rooms has decreased (from 26.1% to 25.4%). Four-bed rooms are almost non-existent in public student residences.

Structure of beds in student dormitories of public universities in the main academic centres in Poland



7.1% 1-bed rooms
67.3% 2-bed rooms
25.4% 3 bed-rooms
0.2% 4 bed-rooms

Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, dormitories which provided the structure of their rooms, March 2021

The analysed structure relates to the initial number of beds, however due to pandemic constraints some universities are now accommodating single people in multi-bed rooms, or two people in triple rooms.

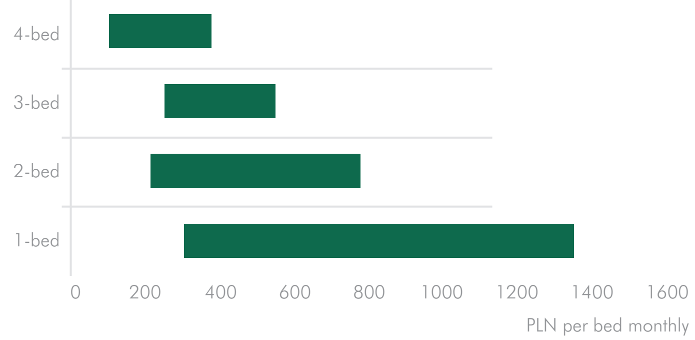
Dormitories of public universities - fees

In the analysed academic centres in Poland, the average fee for a bed in a student dormitory belonging to a public university is PLN 446 per month, i.e. 3% more than last year. The average monthly fee in most of these cities is in the range of PLN 400-500 per bed.

The fees at individual universities vary considerably, depending largely on the standard of the dormitory and the number of people in the room, although arbitrary administrative decisions are also important.

The level of fees for single rooms remained similar to the previous year, while in the case of multi-bed rooms there were slight upward and downward changes in the price range.

Range of fees per bed depending on the total number of beds in a room (student dormitories of public universities)



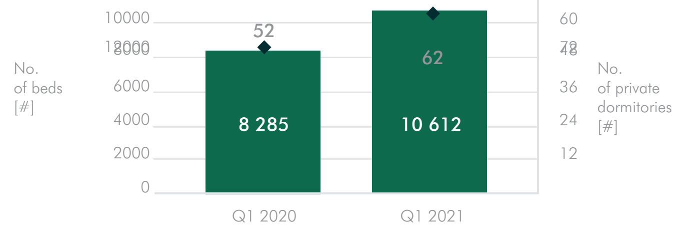
Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

Accommodation for students and PhD students in a student dormitory, provided by their own university, is exempt from VAT. For other categories of residents, universities charge VAT and sometimes set a separate price list. However, under the conditions of the pandemic, some universities have opted out of accommodating people not directly connected with the university.

Private dormitories

According to a survey conducted by CBRE at the beginning of 2021 there were 62 facilities defining themselves as private dormitories in the main academic markets (Warsaw, Krakow, Wroclaw, Poznan, Lodz, Tri-City, Lublin and Katowice) with a total of 10,612 places. Over the year the number of places in private student residences increased by 28.0%. While the survey covered all facilities positioning themselves as private dormitories, it is worth noting that only around 20 of them belong to the modern investment asset class.

Change in the number of private dormitories in major academic centres



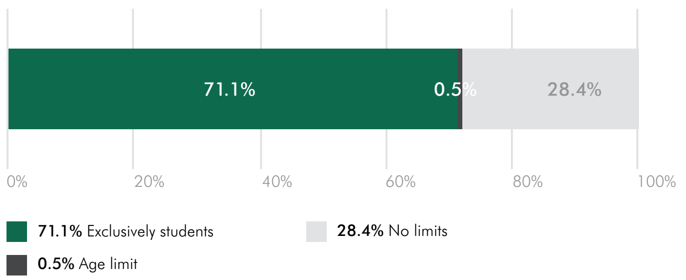
Number of beds in private dormitories
Number of private dormitories

Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

The private dormitories vary in size. Some have less than 20 beds, while the largest can accommodate a maximum of nearly 900 students in over 600 rooms. More than half, (37) of the dormitories belonged to regional, national or international networks of private dormitory operators. Only two dormitories were run by private universities.

In 38 dormitories (accounting for 71% of all beds in private dormitories), it was declared that exclusively or almost exclusively people with university student status were accommodated. In such cases, the basic rental period was one semester of the academic year. In one case (less than 1% of beds), an age restriction (up to 26 years) was introduced. In the remaining dormitories there were no additional restrictions, although the operators admitted that for a facility positioned in the student residence sector the primary target group were students and young working people, regardless of the formal restrictions adopted.

Beds in private dormitories - facilities accommodating exclusively students and also accommodating other people



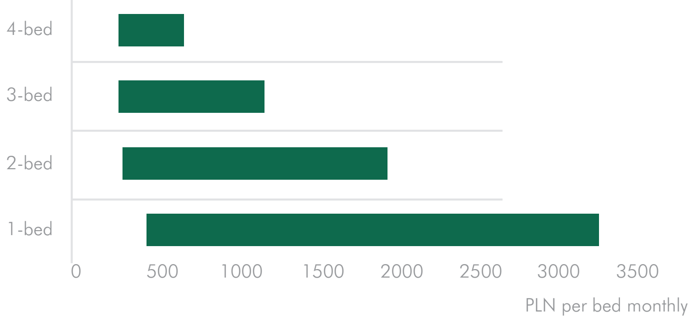
Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

Private dormitories - fees

In the eight main academic centres in Poland, the average fee for a bed in a private student house is PLN 1,195 per month, 19% more than the year before. The price increase is influenced by the launch of more modern high-standard dormitories, but also by the need to cover additional costs due to the pandemic.

The variation in fees per bed is much greater in private dormitories than in student halls belonging to public universities. The price level is strongly influenced by the standard offered, which in the case of the cheapest options is similar to that of public halls and in the case of the most expensive options includes modern micro-apartments with a wide range of additional services. It is also noticeable that in the most expensive single rooms, the offered bed is most often a double bed, allowing a couple to live together, while the most expensive double rooms are actually more like two-bedroom mini-apartments.

Range of fees per bed depending on total number of beds in a room (private dormitories)



Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

Operators of private student residences have different policies when it comes to additional charges. The cost of utilities is usually included in the monthly rent, but some operators charge by the meter, while others charge a lump sum. The situation is similar with the deposit - in some facilities it is not charged at all, while in others it is up to twice the monthly fee.

Planned private dormitories

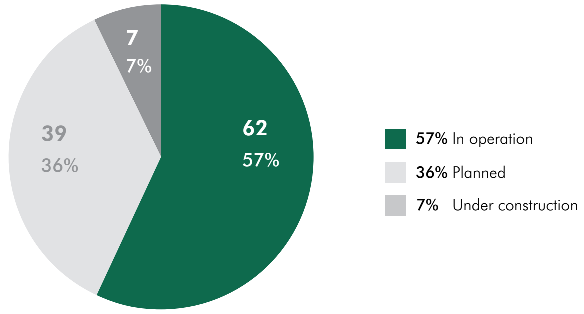
The survey conducted by CBRE indicates that not only was there no slowdown in investment plans regarding private dormitories in the past year, but activity actually intensified. Although only 7 dormitory projects are under construction, i.e. one less than last year, a further 39 facilities are at various stages of planning.

In 5 of the projects under construction, the developers have declared the construction of 1,776 rooms (with an unknown number of beds), and in the other 2 projects under construction there will be an additional 316 beds.

Of the planned projects, 14 have stated the number of beds (5,967 in total), for a further 10 facilities the number of rooms is known (2,480 in total), and for the remaining 15 no further information has yet been revealed.

According to these announcements, as many as 12,000-15,000 new beds in private dormitories may appear on the market in the next few years, which is more than currently available in all the facilities in operation. However, based on the projects currently under construction and at an advanced planning stage, the real supply over the next two to three years will probably be no more than 3,500 to 5,000 beds.

Number of planned and existing private dormitories in the main academic centres in Poland



Source: CBRE survey, data for Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice, March 2021

In the context of the number of planned and existing student residences, it is also worth mentioning that three facilities that were planned as private student residences last year have changed their investment profile to flats for rent or for sale on the open market. On the other hand, three other facilities (with 330 beds), which had been in operation during the previous year, were closed down. However, this is not unique to the market - a year earlier, at the beginning of 2020, 10 such projects were identified that had previously been announced as private student residences, and this function was then abandoned either while the investment was still being planned or after the first rental had already been launched.

The popularity of remote education does not change the fact that it is an ad hoc solution, and the most welcome aspects of studies remain direct contact with lecturers and informal meetings in the student community. Investors continuing and planning new investments in the private student dormitories sector are also preparing for the expected return of students to university centres after the end of the pandemic.

SUMMARY AND OUTLOOK

Although the coming months will pass in the shadow of the pandemic, the growth prospects for the private student dormitories sector depend primarily on long-term demographic and social changes.

The foundations for the development of the private student accommodation sector:

- large number of local young people, mobile and interested in studying,
- significant demand generated by foreign students, also in regional cities,
- increasing demands on the quality of accommodation

will be maintained in the long term. Whereas, the impact of the pandemic on the economy in the short term may result in an increase in the number of local students, due to limited opportunities to study abroad and a desire to upgrade skills to improve their position in a weaker labour market.

The market study by CBRE indicates that despite the significant impact of the pandemic, private dormitories continue to attract students. Sometimes, however, changes are needed in both the operation of existing facilities and the design of planned developments. Single units without the need to share space with other tenants are becoming even more popular.

It is likely that due to the current situation some investment decisions will be postponed, but the stock of private dormitories in Poland is so small that investors should not abandon their plans just because of the pandemic. The market is developing rapidly and is increasingly competitive. Networks such as Student Depot, BaseCamp, Youniq Student and LivinnX are growing in importance, and more investors are entering the market with great momentum.

Investing in student halls of residence has also recently become an attractive alternative for those traditionally operating so far in the office and residential sectors, who have started to consider alternative projects due to the more difficult access to land in key locations.

Private student dormitories remain an interesting investment option that can be an element of diversification within a property portfolio. Currently, the efforts of owners and operators of private student dormitories are primarily directed at maintaining the safe operation of existing facilities, but the announced investment plans provide an expectation of further growth in this sector.

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