Intelligent Investment

It is time for private student dormitories - record number of new schemes in Poland

VIEWPOINT

CBRE RESEARCH
JUNE 2023

Key findings

- Poland is one of the largest centres of higher education in Europe. In terms of the number of students it is among the six largest European academic markets, and in the European Union it ranks fifth. Academic centres of pan-regional importance comprise of eight cities: Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice.

- Only 9% of students were able find accommodation in a university-owned dormitory. Including the offer of private dormitories, this figure reaches 10%, but is still clearly below the European average of 13%. This creates an incentive for further investment in the private student accommodation sector.

- The number of beds in public dormitories across Poland is gradually falling. Since 2008, when there were 495 dormitories with 144,000 places, their number has fallen to 456 with 112,000 places, a drop of more than 22%.

- The total supply of beds in private dormitories in the eight cities highlighted is already more than 13,000 beds. According to CBRE, the modern investment asset class includes schemes belonging to eight networks of regional or pan-regional importance, totalling nearly 8,000 beds.

- A record number of dormitories will open in 2023, with around 3,000 beds in 4 university cities (most in Kraków, with around 1,300 beds).

- According to the CBRE Investor Intentions Survey 2023, private dormitories are the most sought-after asset in the alternative asset class and investment appetite has increased as the sector has matured in the European market.

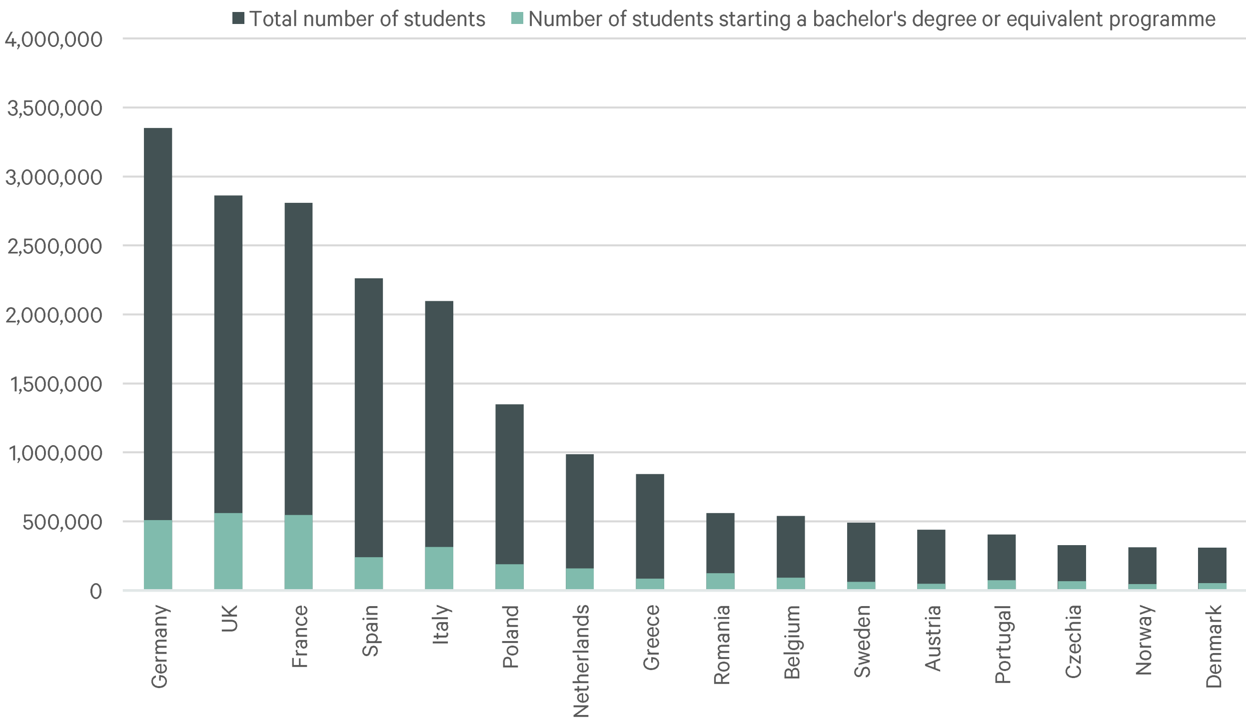
Introduction

Poland is one of the main markets for higher education in Europe. Existing student accommodation options in student dormitories are insufficient, creating an incentive for new investment. This opportunity has already been recognised by investors, with a record number of private dormitories opening in 2023.

Poland among the countries in Europe with the highest number of students

According to preliminary data from Statistics Poland, there is a recorded total of 1,223,600 students in Poland in the academic year 2022/2023. This translates into an average of 3 students per 100 inhabitants. According to Eurostat data, the total number of participants in higher education at levels 5-8 (according to the ISCED classification) places Poland among the six largest European academic markets, and fifth in the European Union. There are 347 higher education institutions in Poland, located in 93 different cities. Academic centres of pan-regional importance comprise of 8 local markets: Warsaw, Krakow, Wroclaw, Poznan, Tri-City, Lodz, Lublin and Katowice. Polish universities are represented in the QS World Rankings 2023 (22 present, 2 in the top 500) and Times Higher Education (THE) Rankings 2023 (32 present, 1 in the top 500). The most recognised are the University of Warsaw and Jagiellonian University in Krakow.

European countries with the highest number of tertiary education students (ISCED levels 5-8), 2021



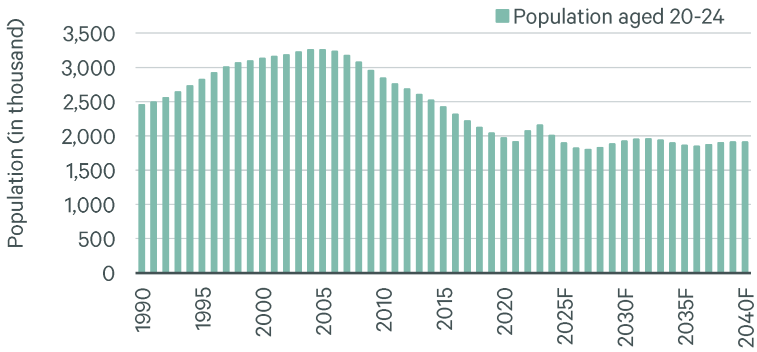
Source: Eurostat, CBRE Research

Domestic students, international students

Most of the demand for educational services in Poland is generated by local young people. Domestic students account for nearly 93% of all students in Poland. Therefore, predictions of their future numbers depend largely on demographic forecasts.

Poland is coming to the end of a period of transformation of the higher education market associated with a decrease in the number of students observed since 2005. In the perspective to 2040, the number of young people of student age is expected to stabilise, with periodic fluctuations, including an increase by 2030.

Student-age population (20-24 years) in Poland

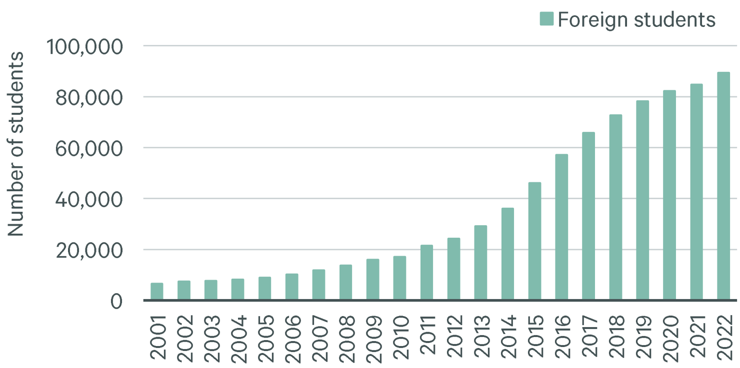


Source: Oxford Economics

The propensity of Polish youth to study remains high, with students accounting for 39.2% of 20–24-year-olds in 2021, above the EU average of 36.1%.

The dynamic growth in the number of foreign students is of particular importance for the development of the purpose-built student accommodation market. Foreigners are eager to use accommodation in private dormitories because of the benefits that renting a flat from a private individual or even from a PRS operator does not provide.

Number of foreigners studying in Poland



Source: StudyinPoland

Number of higher education institutions in Poland

347

Number of students in higher education institutions

1.2 M

Share of private university students in total number

32%

Share of foreign students, 2021

7.2%

Increase in the number of international students in the last 5 years

35.9%

The majority of foreign students in Poland are Ukrainians (in the academic year 2021/2022, they accounted for 40.3% of all foreign students) and Belarusians (12.4%). According to the Ministry of Foreign Affairs, an additional 1,500 refugee students from Ukraine studied in Poland in the 2022/2023 academic year, not counting those who started their studies in the standard mode.

Poland's popularity among students from Asia and Africa is also growing. In the 2021/2022 academic year, the third most numerous group of students were students from Turkey, followed by students from India and Zimbabwe. In total, people from 48 countries studied in Poland during this period.

Erasmus+

Erasmus+ participants are also an important group that generates demand for accommodation in private student dormitories. Poland is in fifth place in the ranking of the most frequently selected countries. In 2021, more than 33,000 learners and students visited Poland, complimented by an additional nearly 6,000 education professionals.

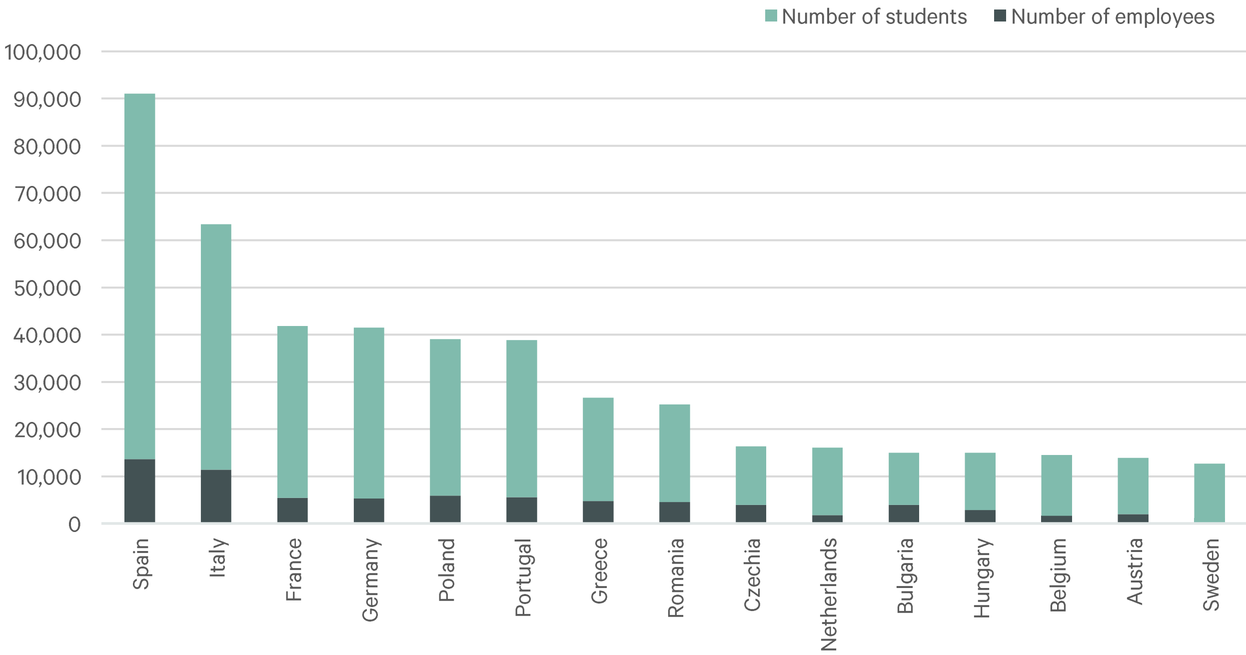
Number of Erasmus+ learners/students coming to Poland in 2021

33,142

The number of countries from which students planning to spend at least one academic year in Poland as part of Erasmus+ in 2021 came from

89

The most popular destination countries in Europe in the Erasmus+ programme



Source: European Comission, 2021

Availability of beds in student dormitories

In 2021, universities reported to Statistics Poland that they had 456 student residences with more than 112,000 beds. Since 2008, when there were 495 dormitories with 144,000 places, the number of places has fallen by more than 22%.

Currently, only 9% of students are able to find accommodation in a student dormitory owned by a university. Including the offer of private student dormitories, this figure reaches 10%, but is still clearly below the European average of 13%.

Moreover, the number of beds reported by universities tends to indicate the maximum capacity of their dormitories. In fact, in 2021, only 71,000 people, i.e., less than 6% of all students, lived in university-owned dormitories. At the very same time, some universities had several students per bed at the time of application.

Among the reasons for this is that universities often carry out renovations to raise the standard of their buildings, while at the same time reducing the number of people accommodated in individual rooms. Three-bed rooms are now rare in university dormitories, and four-bed rooms are appearing in only a few buildings.

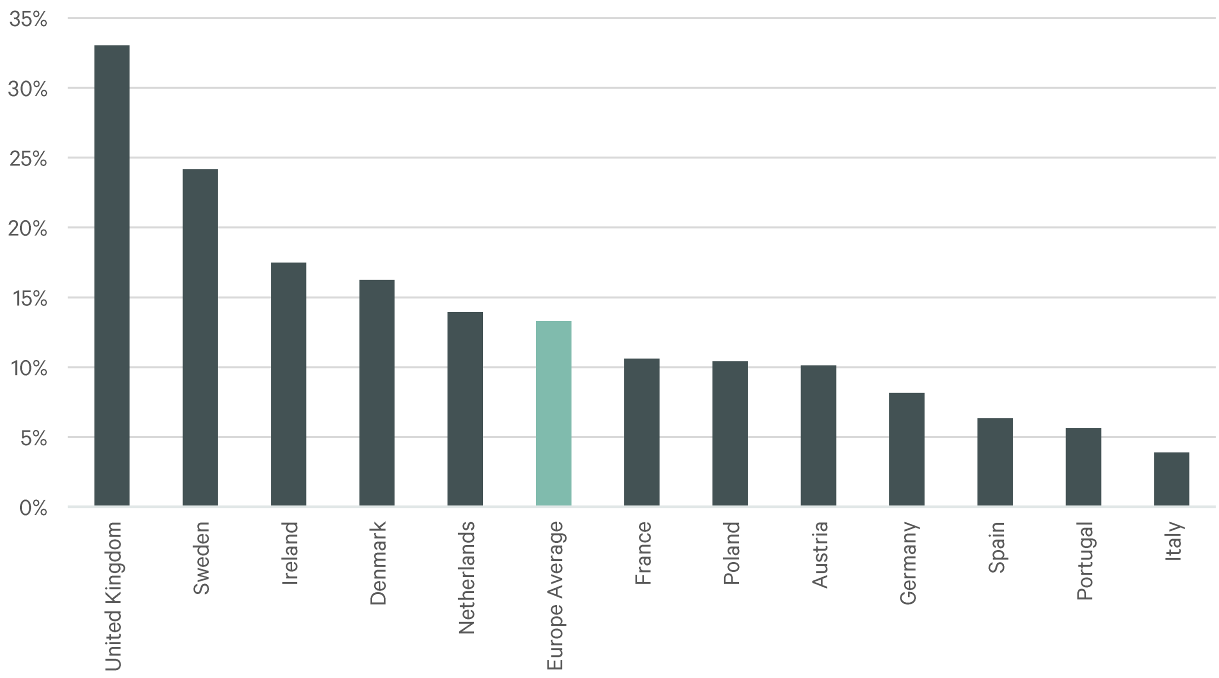
Potential number of places in university-run student dormitories (full occupancy)

112,430

Share of students who actually found accommodation in a university-run student dormitory

5.8%

Share of students who can be accommodated in a student dormitory in the total number of students



Source: CBRE Research

Number of beds in private dormitories - 2023 survey

In the first half of 2023, CBRE conducted a study of the student dormitory market in 8 major academic cities: Warsaw, Krakow, Wroclaw, Poznan, the Tri-City, Lodz, Lublin and Katowice. A total of 825,000 people, i.e. 68% of all students, were studying in these cities in 2021.

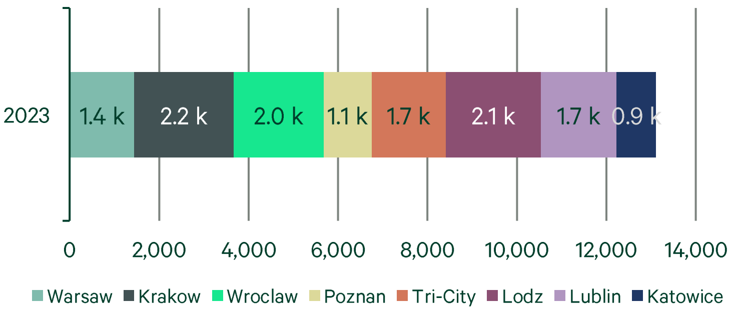
The total supply of beds in private student dormitories is already more than 13,000 beds. The largest number of beds in private student dormitories is in Krakow (2,200), Lodz (2,100) and Wroclaw (2,000). There are relatively few beds in Warsaw, considering the number of students (1,400).

Schemes positioning themselves as private dormitories have varying standards and business models. According to CBRE, facilities belonging to eight networks of regional or pan-regional importance, with a total of nearly 8,000 beds, can be classified as modern investment assets. Another two networks are planning to open their facilities in Poland. Currently, Student Depot is the largest owner (with more than 3,000 beds in operational schemes), followed by Xior SH (with nearly 2,000 beds after acquiring three dormitories of the BaseCamp network).

A record number of dormitories will open in 2023: 6 schemes with around 3,000 beds in 4 university cities. The largest number, more than 1,000 beds (around 30% of the planned supply), will be provided by Student Depot, which is opening two dormitories (in Warsaw and Lodz) bringing the number of beds in this portfolio to almost 4,200.

The largest number of approximately 1,300 beds will be supplied in Krakow, but still only 15% of students in this city will be able to rent a place in a public or private dormitory.

Number of beds in private dormitories in the main academic centres in Poland (operational facilities)



Source: CBRE Research

Number of major academic markets surveyed

8

Total number of beds in private dormitories

13,100

Number of beds in modern private dormitory networks

7,950

Number of beds in private dormitories scheduled to open in 2023

3,120

Announced number of beds in private dormitories planned to open after 2023

6,220

Fees

The standard duration of accommodation in a private student dormitory is at least a semester, although students often choose the option of year-round accommodation, especially if they are connected to the city for more reasons than just their studies. Fees are charged at a fixed rate (optionally, for greater transparency, divided into a room rental and an additional fixed fee for utilities and amenities). The price includes the student's room (or bed in a multi-bedded room), unlimited utilities and internet (Wi-Fi), access to amenities (gym, laundry, relaxation areas, etc.), security, technical support and sometimes wider support from a local resident. Students also pay a refundable deposit to cover any damage, and sometimes incur a one-off service charge (non-refundable).

From a longer-term perspective, rents in private student dormitories are steadily increasing. The main factors that contributed to the increase in rents last year included the influx of refugees from Ukraine and the demand shock in the rental market, as well as the increase in the cost of utilities. Further changes in rates will be largely determined by the popularity of individual locations, the characteristics of specific facilities and the scale of demand in a particular academic centre.

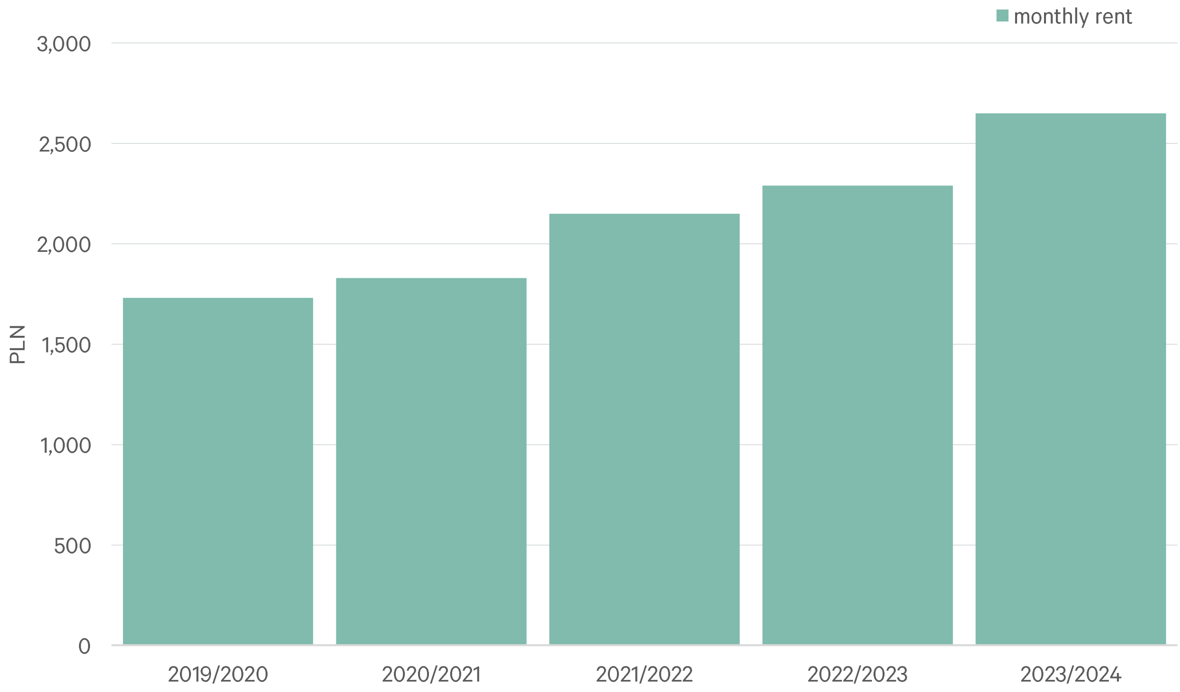
Increase in private dormitory studio fees over the last 4 years (*case study*)

47%

This is how much higher the monthly rent for a studio in a PRS scheme is than the monthly fee for a studio in a PBSA scheme (*case study*)

15%

Offer rent for a studio in an exemplary private dormitory (*case study*)



Source: CBRE Research

Investment market

According to the CBRE Investor Intentions Survey 2023, private dormitories are the most sought-after asset in the alternative asset class and investment appetite has increased as the sector has matured in the European market.

2022 was an exceptional year for the private dormitory market in Europe. The total value of transactions amounted to EUR 11.5 billion, due to several portfolio purchases, including Xior's purchase of Basecamp's portfolio of properties in Germany, Sweden, Denmark and Poland, PGGM's acquisition of the RESA operating platform in Spain and Brookfield's sale of Student Roost to Greystar and GIC in the UK.

In the Polish market in 2022, assets in Katowice and Lodz were part of a portfolio sold by Basecamp to Xior. The year before, on the other hand, there were two transactions involving facilities in Wroclaw and Krakow.

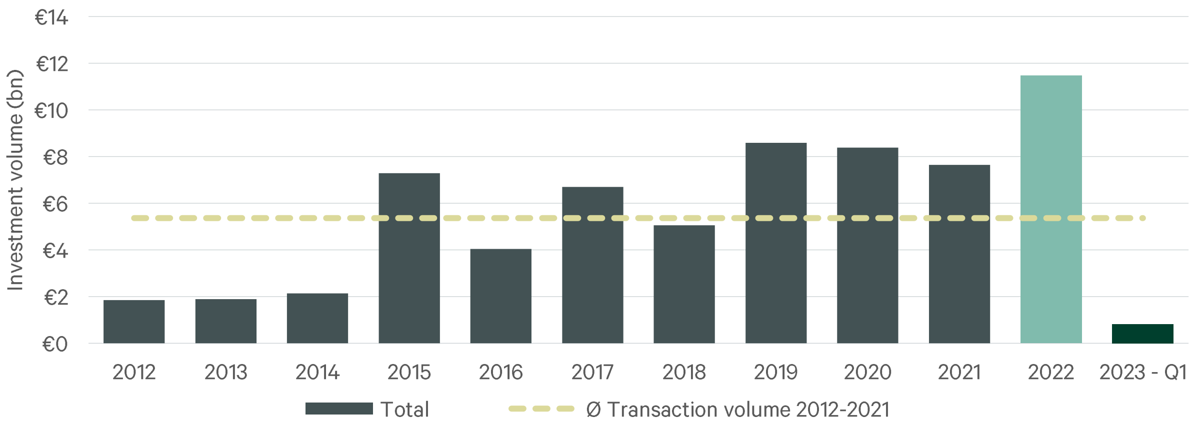
Growth in investment transaction volumes in the PBSA sector in Europe in 2022 (y/y)

50%

Share of PBSA sector transaction volume in residential sector transaction volume (PBSA+PRS) in Poland, 2022.

28.6%

Record European investment volume in the PBSA sector in 2022



Source: CBRE Research

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