

NOVEMBER 2020

Fall 2020 Student Housing Update

When colleges and universities around the country began to shutdown earlier this year due to the COVID-19 pandemic, the fall 2020 semester outlook became more uncertain. Finishing the spring semester remotely was a time in which colleges and universities got to learn and adjust to a new learning environment. As a result, schools decided to introduce a myriad of learning plans for the fall semester that included in-person, online, and hybrid learning plans, the latter a combination of both in-person and online learning. However, as colleges and universities welcomed students back to campus this fall, albeit in a limited capacity, the threat of the pandemic remained present.

One of the early takeaways from the fall 2020 semester is that overall enrollments are way down compared to the previous school year. The decline in enrollments has a trickle-down effect on student housing fundamentals. We believe that while the sector is performing slightly better than expected given the circumstances, it remains down compared to the previous fall 2019 - spring 2020 school year. As long as the pandemic remains in place, we expect that the student housing sector will continue to face a new reality that will likely lead to more short-term, as well as longer-term, changes.

Colleges/Universities With Over 2,000 Cases of COVID-19

University	State	# of COVID-19 Cases
Clemson University	SC	4,082
University of Georgia	GA	4,049
University of Florida	FL	3,634
Penn State University	PA	3,456
Ohio State University	OH	3,350
University of Wisconsin	WI	3,258
Indiana University	IN	3,139
University of Alabama	AL	2,882
University of Illinois	IL	2,802
University of Arizona	AZ	2,433

Source: *The New York Times*
 *Last updated on October 22, 2020

Tracking COVID-19 Cases as Schools Reopened

As nearly all colleges and universities around the country closed their doors to on-site learning during the early part of the spring 2020 semester, there was much uncertainty regarding the ways in which many of these schools would approach the fall 2020 semester. Many colleges and universities announced a variety of learning options with some opting for in-person but socially distant learning, which resulted in bringing students back to campus.

As of October 22, 2020 there were approximately 214,000 cases of COVID-19 at more than 1,600 colleges and universities, according to *The New York Times*. Some schools have been hit harder than others, but the data suggests that schools with larger student bodies have fared worse than smaller schools.

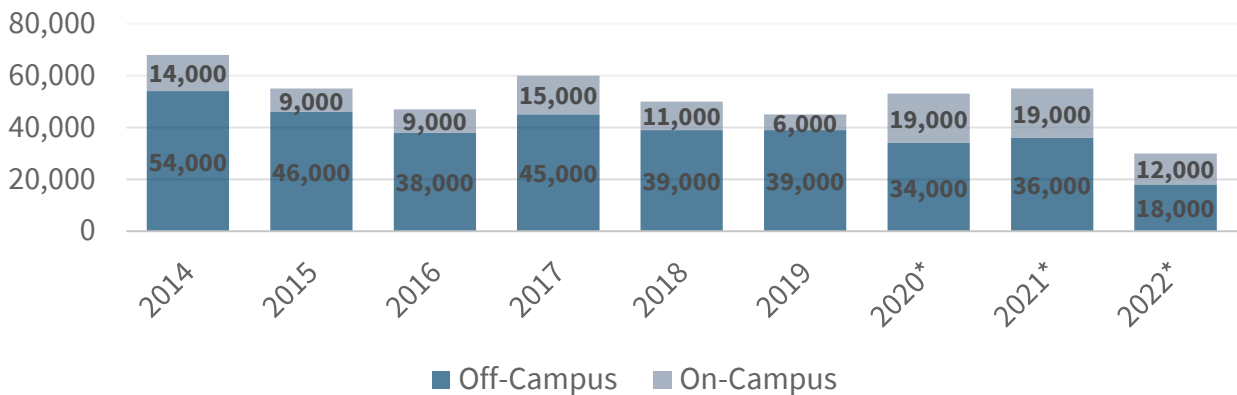
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Off-Campus Student Housing Offers Choices in a Pandemic

In a typical year, new deliveries are at the forefront of the student housing sector. Each new school year allows for a holistic view of how many new beds are delivered and where they are located. However, as a result of the onset of the COVID-19 pandemic, new supply -- although still significant -- is not the most critical element this cycle. That is because off-campus completions of new supply has continued to moderate this year, continuing its downward trend since 2017, as illustrated in the chart below.

Off-campus student housing does have a slight advantage over its on-campus counterpart this school year. Many colleges and universities across the country are still committing to distance/remote learning and as a result have closed dormitories on campus to mitigate the spread of COVID-19. Off-campus student housing is not owned by the local college or university, so it presents students with an alternative living arrangement even if their school's campus is not conducting in-person learning. Students can stay in their off-campus apartments for the full-term of their lease, which is usually 12 months, even if the school is not permitting students on campus.

Student Housing Deliveries (Beds) – through Fall 2022



Source: Axiometrics, a RealPage Company

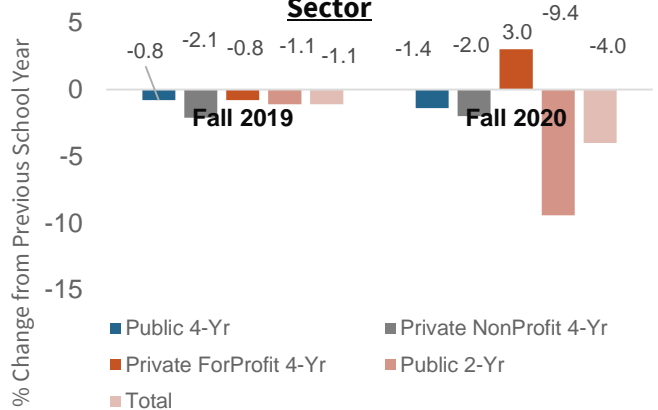
Note 2020-2022 deliveries are not yet finalized, these totals are underway as of 8/31/20

Enrollments Still Down During COVID-19

College and university enrollment has been decreasing over the past seven years and 2020 data indicates that those declines have been exacerbated for the fall 2020 semester. According to the National Student Clearinghouse Research Center, fall 2020 enrollments were down 4.0 percent as a result of COVID-19 compared to fall 2019. Community colleges (public two-year institutions) have taken the largest enrollment hit on a year-over-year basis, declining by 9.4 percent.

Broken out by age groups, the first-time beginning students in the 21-24 age group enrolled at public four-year institutions contracted by nearly 41.0 percent year-over-year. Overall first-time beginning students in all enrollment sectors and age groups is down approximately 16.1 percent compared to fall 2019.

Undergraduate Enrollment Changes by Sector



Source: National Student Clearinghouse Research Center



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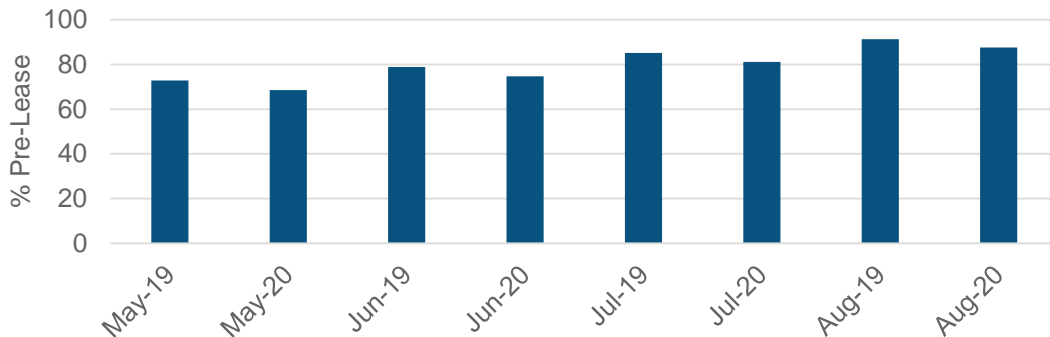
Student Housing Fundamentals Impacted during COVID-19

We believe off-campus student housing is slightly better positioned than on-campus housing to handle some of the effects of the COVID-19 pandemic. Off-campus properties provide students with the opportunity to still achieve some semblance of university life. In some instances, it can be easier to practice and enforce social distancing measures in an apartment compared to a dormitory. However, off-campus student housing properties are also impacted by declining enrollments. Fewer students means fewer potential residents, which, in turn, we expect to impact fundamentals across the board.

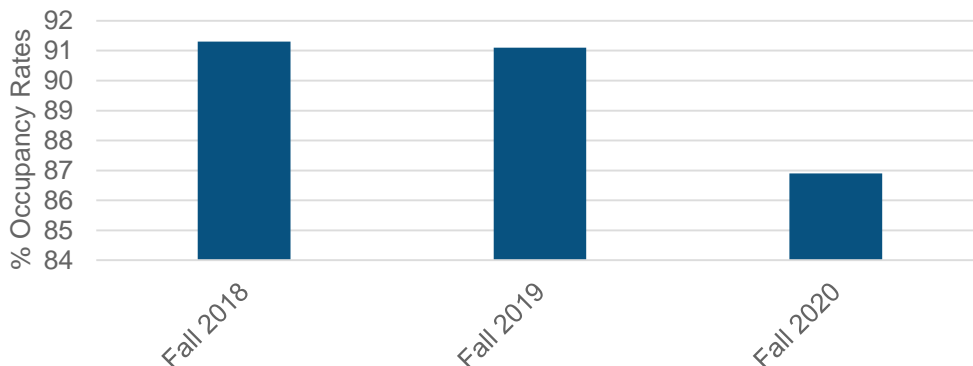
For instance, data from RealPage, Inc., shows that as of August 2020 pre-leases for off-campus student housing properties were at approximately 87.6 percent for the fall 2020 school year, which is down 3.7 percent year-over-year. As the pandemic continued from May through August, pre-leases for off-campus student housing properties were consistently down 4.0 percent compared to the same months in 2019. While a decline of 4.0 percent may not appear to be overly significant, it could potentially have larger ramifications for student housing developers and operators if the pandemic continues into the following school year.

With the decline in pre-leasing, occupancy levels have also been impacted. The occupancy estimate for off-campus student housing properties in the fall 2020 semester (as of September 2020) is currently at approximately 87 percent. This is a 4 percent decrease from the previous fall 2019 school year when occupancy levels were at 91 percent, as seen in the charts below.

Pre-Lease % for Off-Campus Student Housing Properties in May-August



Fall Occupancy Rates for Off-Campus Student Housing Properties



Source: Axiometrics, A RealPage Company.

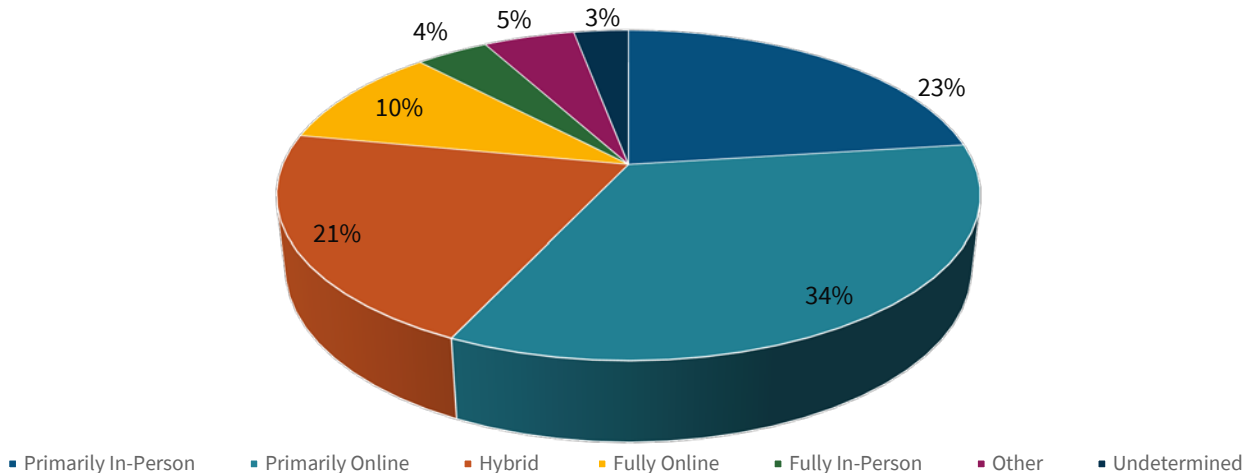


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Fluid College Reopening Plans

The Chronicle of Higher Education, a Washington, D.C.-based publication that focuses on the higher education sector, has been monitoring the fall 2020 reopening plan announcements of many colleges and universities. In its October 2020 update, nearly all colleges and universities around the country tracked in its database had re-opened for the fall 2020 semester in various learning capacities. Seventy-eight percent of the schools planned to conduct the semester with a hybrid model of in-person and online/remote classes. That is a stark difference from the June 2020 report stating that 68 percent of schools planned to conduct classes in person. As of October 2020, only 4 percent of colleges and universities are conducting classes entirely in-person. As students returned to campus this past fall, the risk of spreading the virus increased. Many schools that had planned to host students on campus had to pivot to alternative reopening plans to mitigate the spread of the virus.

Fall 2020 Reopening Plans for Colleges and Universities as of October 1, 2020



Source: *The Chronicle of Higher Education*

Planning for the Future

Much like the rest of the multifamily sector, the student housing sector is learning to adapt to the COVID-19 pandemic. Due to the large social aspect of the college experience, we believe it seems unlikely that colleges and universities will deviate from their current array of learning options as there are stark differences between in-person and distance learning. The on-campus student housing sector is expected to face headwinds complicated by the risk of having large amounts of students in dormitories, which typically consist of small, shared rooms and communal bathrooms.

By contrast, the off-campus student housing sector offers residents a more social experience in which they can also better practice social distancing. Nevertheless, this sector faces its own headwinds. As a result of the large drop in total enrollments, off-campus fundamentals have also been impacted. Both pre-lease percentages and occupancy rates are at their lowest points in years, due to lower enrollment levels coupled with fewer students attending in-person. Declining enrollments, especially from non-U.S. students, were already troubling the student housing sector pre-pandemic, and, as a result, we believe that additional, future declines in college enrollment would further harm the sector over the longer-term.



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Francisco Nicco-Annan

Lead Economist

Multifamily Economics and Research

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