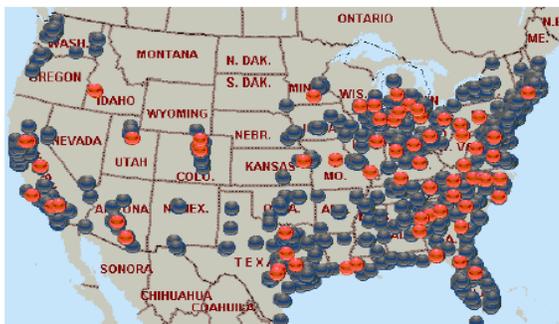


Multifamily Market Commentary – May 2014

Student Housing – Ending the Semester on a High Note

With both undergraduate and post-graduate enrollment expected to continue increasing through 2020, the student housing sector continues to draw a lot of investor interest from a variety of market players. Universities facing ongoing budget challenges continue to find it difficult to meet the demand for student housing and private developers have been filling the void. These developers are building student housing with a transition to adulthood in mind.

1990



2001



2008



2014



Source: Axiometrics

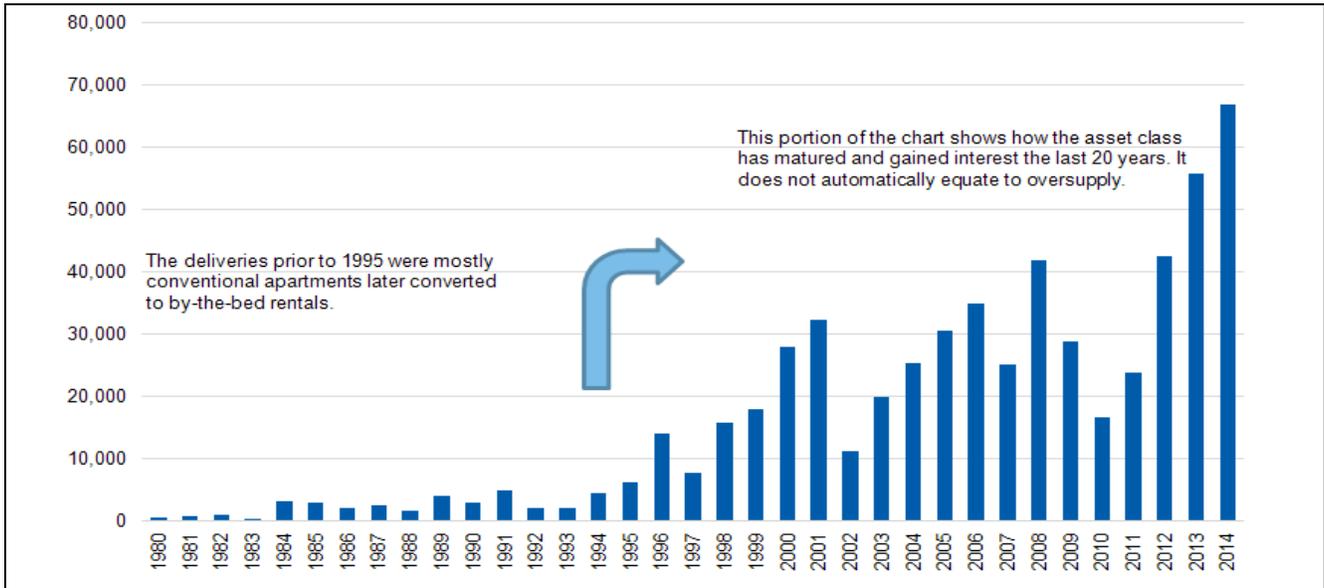
Student Housing’s Emergence

Since 1990, student housing has emerged as a dedicated real estate class. The graphic above from Texas-based Axiometrics, Inc., shows how student housing has expanded since 1990. The red dots represent student housing properties and the blue dots represent conventional apartments. Over the last two decades, student housing has gone from a niche property type focused in only certain parts of the country, to being a primary property type that has a presence in practically every major national university location, in addition to smaller collegiate towns.

Privately-Owned Student Housing Oversupply – Myth or Reality?

As shown on the graph below, the number of privately-owned student housing beds has more than doubled since 2011. This has led to fears of a potential oversupply of beds within the student housing sector. However, these fears are likely unwarranted.

Student Housing Beds Delivered Annually

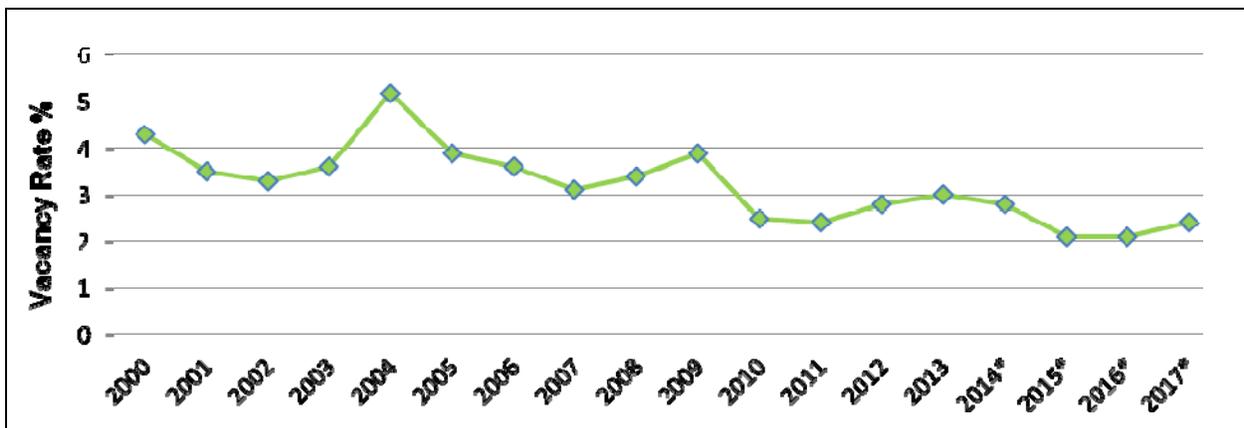


Source: Axiometrics

University-Owned Student Housing Remains Tight

University-owned student housing remains at near-full capacity with vacancies approaching 3.0% as of the end of 2013. As shown on the graph below, vacancies are projected to continue declining until 2017. As enrollment is projected to continue increasing through 2020, university-owned student housing will potentially not have enough beds to provide for students. As a result, the number of beds being delivered to the market by privately-owned student housing developers appears to be appropriate.

Vacancy Rates for University-Owned Student Housing



Source: Axiometrics

*Denotes Axiometrics forecast

Continued Growth in Enrollment and Tight University-Owned Housing Bode Well

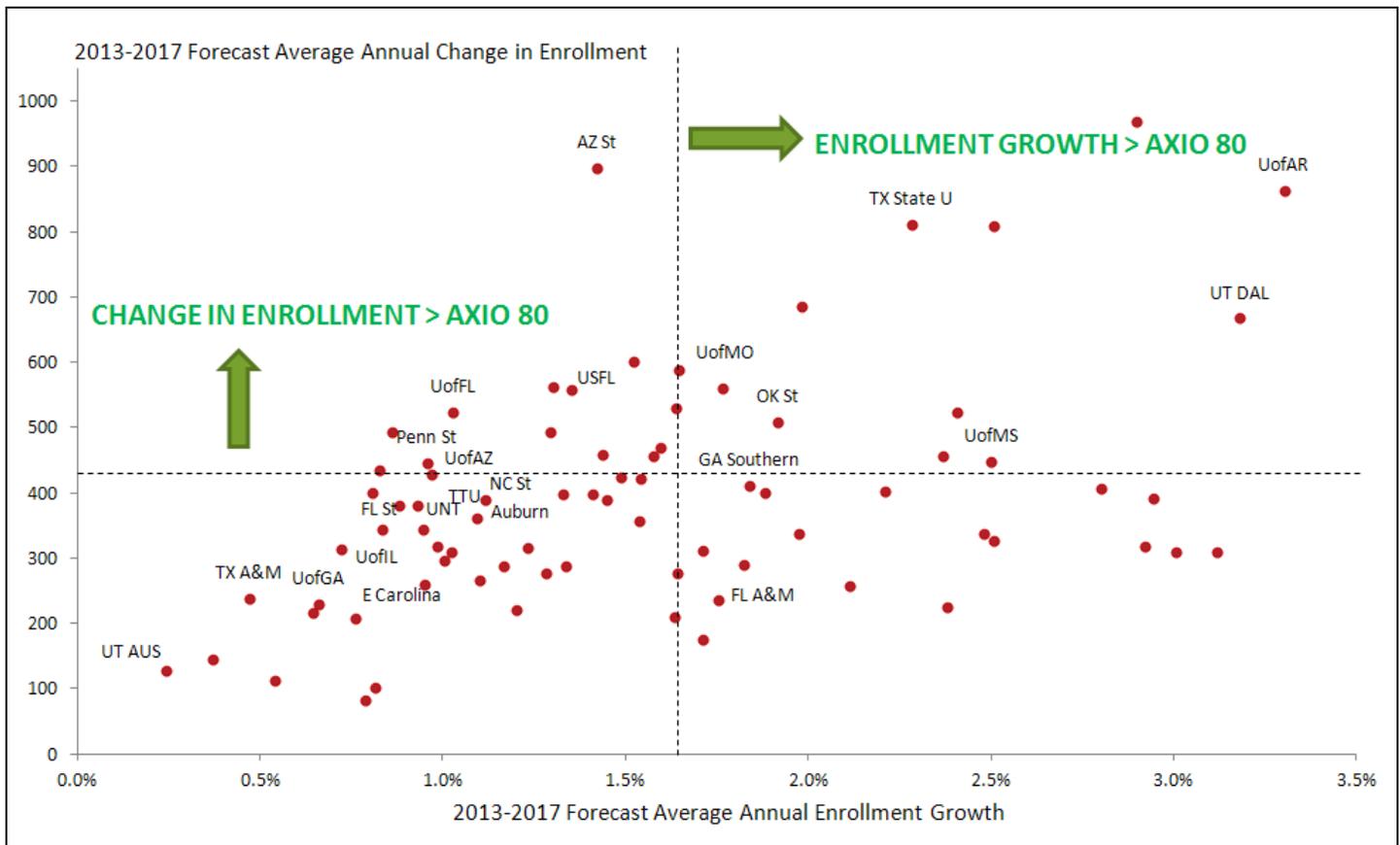
In 2012, approximately 39% of all 18-24 year olds were enrolled in college, which was a 4.0% increase from 35% in 2007, according to Pew Research Center. Data from the National Center for Education Statistics (NCES) shows that enrollment is expected to continue to increase and total college enrollment in both undergraduate and post-graduate institutions (public and private) is expected to increase 13% through 2020. Between the years of 2009 and 2020, enrollment is expected to increase by 9.0% amongst 18-24 year olds, 21% amongst 25-34 year olds, and 16% amongst those 35 years or older.

Furthermore, according to data from Axiometrics, Inc., vacancies for university-owned housing are forecasted to remain below 2.5% through 2017, likely indicating an additional need for privately-owned student housing.

A Few Schools Standout

While most universities are expected to continue to expand enrollment, there are a few schools that stand out among the others. As shown on the graph below, a number of southern universities are expected to experience above-average enrollment. Indeed, enrollment growth at Oklahoma State, University of Texas (Dallas), University of Arkansas, and University of Mississippi is expected to be particularly large.

Enrollment Growth and Change Forecast 2013-2017



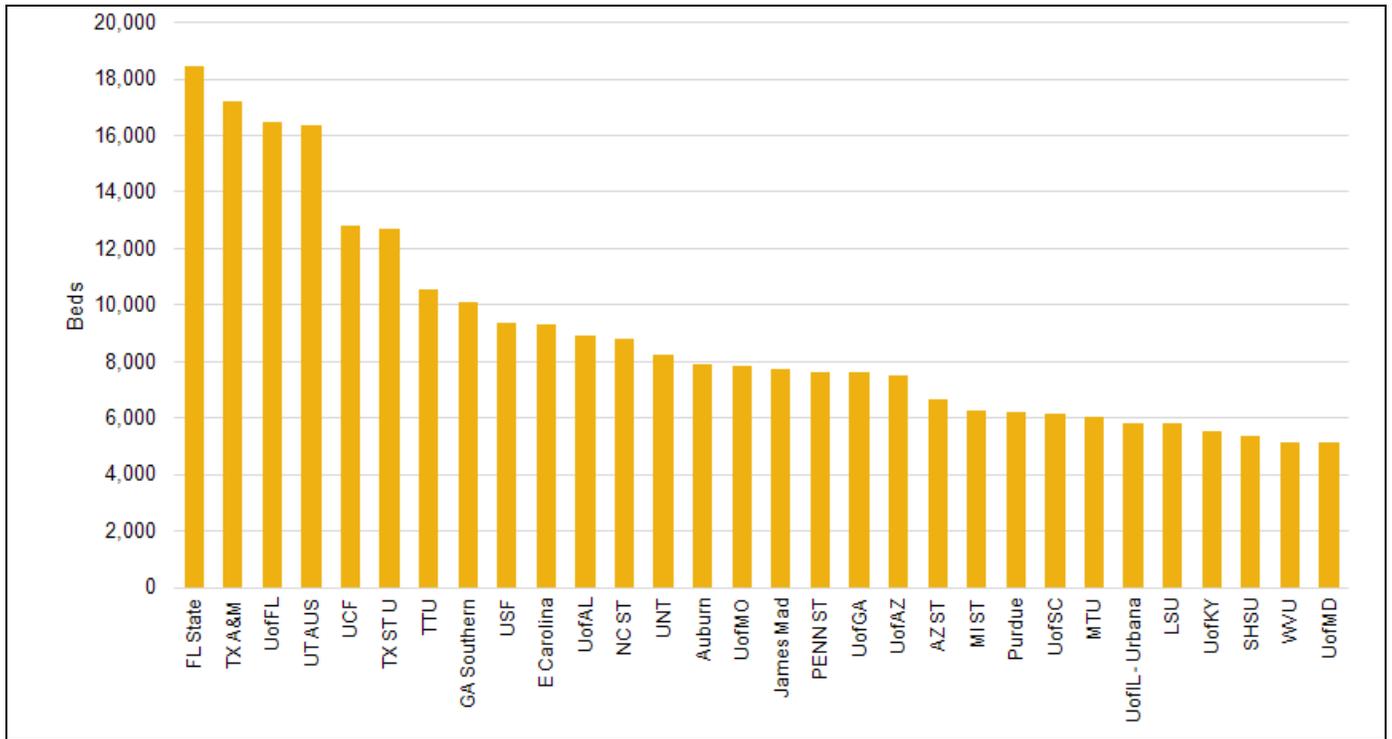
Source: Axiometrics

Deliveries Have Been Broad Based

The graph below shows the cumulative new supply of beds delivered at privately-owned student housing for the top 30 universities since 1990. The majority of the new supply is located at universities in Florida and Texas. As shown below, seven of the top 30 universities had more than 10,000 cumulative beds delivered.

With nearly 19,000 beds, Florida State had the highest amount of deliveries with Texas A&M following at a close second. The remaining 23 universities had between 6,000 and 10,000 cumulative beds delivered.

Top 30 Universities for Cumulative New Beds Added Between 1990-2013



Source: Axiometrics

Developers Continue to See Opportunity

Younger millennials have paved the way for student living in regard to the type of amenities that they are used to having at home and expect to have as part of their student housing, and developers have been listening. High-Speed Internet, tanning beds, movie theaters, and game rooms for example, are no longer considered luxuries, but rather necessities to draw students. With pressure to keep tuition costs in check, many universities are not in a position to upgrade facilities, not to mention construct new ones to meet demand.

Universities recognize student housing requires a highly specialized operating platform, well outside their core competencies of education and research. Meanwhile, developers want access to prime locations nearest campus, which the universities tend to own. Some Real Estate Investment Trusts (REITs) are continuing to lease land from universities and then financing, developing, and operating new student housing properties. These private-public partnerships are becoming increasingly common arrangements.



A Promising Outlook

The student housing sector has come a long way within the last two decades emerging into a major sector within the multifamily industry. The emergence of more industry players within the sector has increased the amount and types of available supply. Post-secondary schools in the states of Texas and Florida have been the biggest beneficiaries of the student housing revolution, as they lead the nation in the amount of student housing bed deliveries.

Even though the threat of oversupply is a possibility, at this time it does not appear to pose much of a significant threat. As long as vacancy levels at university-owned buildings continue to be near capacity, demand for student housing will continue to be healthy. Private developers have the luxury of being able to build the type of student housing with amenities that today's students desire, and with enrollment projected to continue increasing amongst all age groups, student housing is positioned to move to the head of the class.

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