

PROPERTY REPORT

More Colleges Are Going Online This Fall. That's Bad News for Student Housing.

Early leasing for some operators trails last year's rates as families await word on campus reopenings



Most students at California's public universities won't be returning to campus for classes this fall. A graduate was photographed at San Diego State University on May 13.

PHOTO: MIKE BLAKE/REUTERS

By [Keiko Morris](#) and [Melissa Korn](#)

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Many investors have long wagered that the student-housing sector was a safe bet even during tough economic periods. The pandemic is threatening that notion.

Student demand for off-campus housing typically stays constant, especially at large public universities, because even during bad times college enrollment tends to remain stable.

Now, after a strong start before the coronavirus outbreak, many student housing facilities are trailing their year-ago rates for locking in new tenants as families await confirmation of campus reopenings.

An online fall semester could prove disastrous for them, and in some places it's already shaping up that way. The sprawling California State University System, with 23 campuses and more than 480,000 students, said last Tuesday it would operate primarily online in the fall. Eastern Washington University has said it would be mostly online as well, and Harvard Medical School is planning remote classes for its new medical, dental and other graduate students.

Other institutions have said they would make decisions in the coming weeks.

“Everybody’s got heartburn,” said Shawn Lubic, director of student housing capital markets at Cushman & Wakefield, which advises investors and markets properties in the sector. “We’re at the mercy of the schools.”



California State University Maritime Academy, which is located in Vallejo. For schools that reopen, off-campus housing may be better-suited for social distancing than traditional dorms.

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Student Housing Solutions, which serves students near three Florida campuses including Florida State University, said it has leased for the fall about 60% of its properties. That’s about 15 percentage points behind preleasing levels at this time last year.

”Operators believe student housing is recession proof,” said Jennifer Pearce, chief executive of Student Housing Solutions. “But we’re not pandemic proof.”

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Many colleges are still poised to open in the fall, which has kept student housing demand broadly in line with previous years. Preleasing for the U.S. student-housing industry through April stood at nearly 65%, which was barely changed from a year ago, according to real-estate data-analytics firm [RealPage](#).

Still, analysts say the pandemic has undermined the notion that student housing is always a safe bet, and some warn that even campuses planning to open could soon change their minds.

“It just takes one outbreak to shut it all down again,” said John Pawlowski, a senior analyst at real-estate research firm Green Street Advisors.

Green Street last week downgraded industry giant [American Campus Communities Inc.](#) to sell from hold, citing concerns that occupancy could take a near-term hit. American Campus shares are down nearly 21%, compared with a 9% gain for the S&P 500 stock index, since March 13.

Other analysts have noted American Campus Communities’ properties are located near Midwest and Sunbelt state schools, where Covid-19 hasn’t been as prevalent and economies are opening back up.

American Campus Chief Executive Bill Bayless says leasing for the fall semester is shaping up similar to last year, and he anticipates students will return to their university towns even if some classes remain online.

The only publicly traded company purely dedicated to student housing manages nearly 138,000 beds world-wide and picked up 985 new students in March and April after campus dorms were closed, a rare surge of new tenants for that time of the year, Mr. Bayless said.

The company reported preleasing levels at 76.6% for the 2020-2021 academic year, higher than the year-earlier rate of 76.2%.

Others reported a more dramatic slowdown. Blue Vista Capital Management LLC, which with affiliates owns or manages more than 35,000 beds near schools including Syracuse and the University of Southern California, was 7 percentage points ahead of last year before the pandemic; now it's five points behind, at 65% preleased.

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For schools that do open, off-campus housing may be better-suited for social distancing than traditional college dormitories because many feature private bathrooms and bedrooms for each student, and students don't need to rely on communal dining halls.

Scion Group, which has more than 55,000 beds near 55 campuses around the country, including the University of Florida and Purdue University, said it's already deep into discussions with at least two schools to reserve large blocks of space in off-campus buildings so students aren't crammed together in dorms amid continuing health concerns.

The schools are looking to switch from doubles and triples to single-occupancy rooms, said Scion President Robert Bronstein. Some are planning to keep entire buildings empty, in case they need facilities for students under quarantine.

“Medium to long term, it is very much going to change the dynamic” between schools and their off-campus housing operators, Mr. Bronstein said.

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