

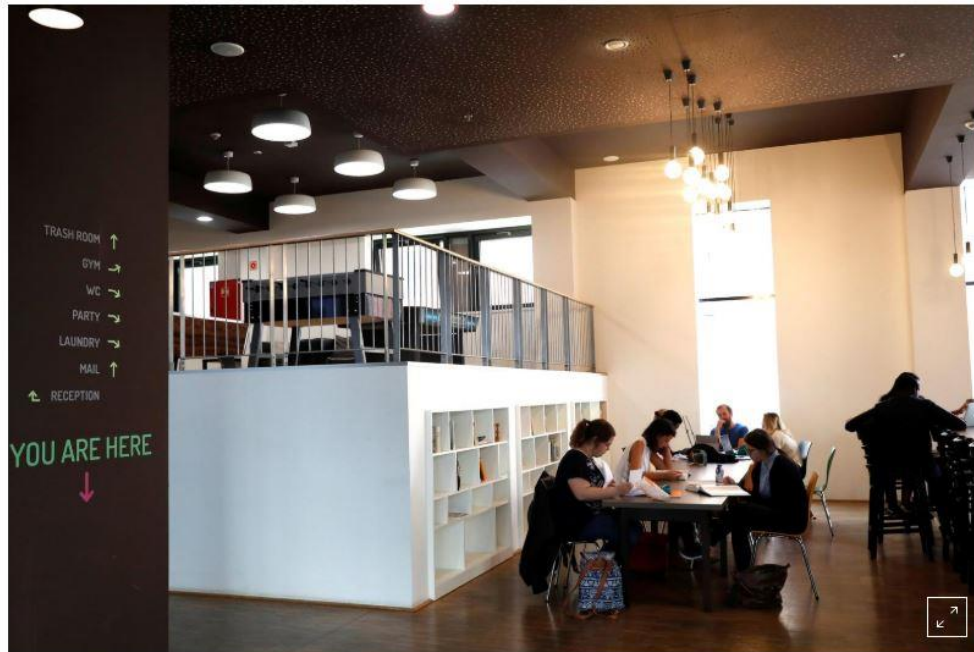
No room at the inn: Central Europe student housing crunch attracts investors

Michael Kahn

8 MIN READ



WROCLAW, Poland (Reuters) - Wroclaw's hulking Soviet-era public dormitories held little appeal for Odysseas Savvas when he moved to the Polish city from Greece to study business at university. Instead, he opted for his own room and bathroom in a newly built private residence.



Students study in the Milestone student housing in Budapest, Hungary, October 16, 2018.
REUTERS/Bernadett Szabo

“The other dorms were really old from the communist times and really simple,” Savvas, 19, said. “I couldn’t be comfortable sharing a room and a bathroom with four people.”

Investors and developers sizing up the potential for new student housing projects in central and eastern Europe believe there will be many more foreign students just like Savvas willing to pay extra for their creature comforts.

That’s why the company behind the new residence in Wroclaw which has a gym, private kitchens and big-screen TV in the communal area, is planning to quadruple the number of student housing projects it runs in the next two to three years.

Central Europe’s old world charm and tradition-steeped universities are increasingly attracting international students eager to study in English-language degree programmes for a fraction of the cost back home.

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It’s also creating a housing crunch with many older dormitories filled to capacity and students snapping up rooms in private residences such as the nearly 500-bed residence in Wroclaw, which opened in September.

“We can see the demand is there,” said Nebil Senman, managing director of Griffin Real Estate griffin-re.com/en which operates the residence in Wroclaw and is backed by Los Angeles-based Oaktree Capital Management (OAK.N). “We are currently over-subscribed.”

“In the last six months I’ve really seen the market pick up. There is more demand from international investors approaching us. This is something we are considering,” said Senman, who oversees four student housing projects in Poland at the moment.

SIMPLE ECONOMICS

In Poland, the region's biggest country and largest economy, the number of international students has surged more than four-fold to almost 57,000 in the past nine years, according to government statistics compiled by StudentMarketing www.student-market.com/home.

It has jumped 72 percent to 38,868 in the Czech Republic while Hungary's international student population has doubled to nearly 27,000 over the same period.

For investors it's simple economics. More students and not enough beds in cities where development costs are lower than in western Europe means higher yields on new projects than in more mature western European student housing markets.

"Central and eastern Europe is on the radar of those big investors who have established their presence in western Europe and it is a natural next move for them," said Stefan Kolibar, head of marketing at StudentMarketing, an independent research company focussed on student housing data.

"The region is even more under supplied with not as much volume," he said.

Kolibar said the percentage of private beds to international students was 5 percent in Prague, 1 percent in Warsaw, 9 percent in Wroclaw and 13 percent in Budapest compared to 16 percent in Barcelona, 55 percent in Amsterdam and 30 percent in Dublin.

In Budapest, Austrian company value one www.value-one.at opened the 418-apartment Milestone project last year offering a roof-top terrace, high-speed internet and a fitness room.



Slideshow (12 Images)

It now has its sights set on the Czech Republic and Poland, which entered the top 10 destinations for the Erasmus program [here](#) for international students, a spokeswoman said.

“Both markets are interesting for us because they offer a high number of students from all over the world and they are near our home market,” said spokeswoman Caroline Hadl.

HEDGING YOUR BETS

Investors such as Corestate Capital Holding ([CCAG.DE](#)) see student housing as a durable asset because of the perpetual pipeline of domestic and international students, said Philipp Rohweder, one of the company’s investment directors. His firm is keen to invest in projects in central Europe, especially Poland where a thriving student population, years of economic growth and a stable currency provides opportunity for investors in an emerging market.

The country of 40 million people also has a large number of university towns attractive for investors who want to establish a network of student housing projects, he added. “Student housing is hedging your bets against other economic cycles because when the economy is good everyone wants to study and when it isn’t everybody has to study,” said, adding that he hopes to have a deal for a 1,000-bed project secured this year.

Low costs are a big draw for students. Yearly tuition at Prague’s Charles University [www.cuni.cz/UKEN-1.html](#) is about 6,000 euros (\$6,950) per year for a degree programme, far less than in most universities in the United States and Asia.



Tesla sees 2019 profits, lack of subsidy bites

Commerz Real www.commerzreal.com/en, a subsidiary of Germany's Commerzbank (CBKG.DE), launched a 500 million euro fund in August aimed at tapping into the European student housing market.

The fund's manager, Heiko Szczodrowski, sees fast-growing central European cities such as Warsaw, Prague and Budapest as attractive potential targets: "We don't have a property in the fund but we want to change that soon."

'THE RIGHT TIME'

In Prague, enrolment in the Erasmus program at Charles University has surged from less than 200 at the turn of the century to nearly 2,000 today, said Beata Tomeckova, who coordinates student housing.

Average monthly rent for a single room in private student residences is 299 euros in Prague, 238 euros in Budapest and 176 euros in Warsaw, according to data compiled by StudentMarketing.

That compares with an average 627 euros in Barcelona, 760 euros in Milan and 870 euros in Dublin.

“We have an increasing number of students but there are limits and some students may not get a place in the dormitories,” Tomeckova said.

Alexander Gulya, managing director for international acquisitions at International Campus www.ic-campus.com/en/home, which is controlled by Canada’s Brookfield Asset Management (BRE.TO), is planning a 550-bed dormitory in Prague’s trendy Holesovice district.

It started a project for a 1,400-bed residence in Budapest in April and a 1,000-bed dorm in Krakow in July. The company is also targeting Warsaw in the central European region where Gulya said it was possible to see attractive yields.

“We believe it is the right time to reach out and find chances in higher yielding markets especially in an asset class where there will be future demand,” he said.

“But we should not forget that student housing is at a very early stage in this region and those going to CEE need to take a strong entrepreneurial view.

Reporting by Michael Kahn; editing by David Clarke

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