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Real Estate Practice

Private real estate companies can ace the US student housing test

Aligning the needs of students, universities, and private real estate owners and operators can lead to long-term success in student housing.

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Student housing on and near college campuses in the United States is a difficult asset class to master. For students (and their families), housing needs to be high-quality yet affordable. For universities, it needs to enable great student experiences and educational outcomes. And for private providers, it needs to be at or near full occupancy and profitable.

It's easy to assume that the needs of these stakeholders are largely independent, with distinct strategies required to meet each of them. We believe, however, that the opposite is the case, and that private real estate companies can thrive when they focus on making both students and universities winners. Private owners and operators can do this by improving the parts of off-campus housing that make the biggest difference to students' lives, which creates financial and nonfinancial benefits for universities. Companies that contribute to a university program's overall excellence can position themselves for enduring and fruitful partnerships.

Figuring out how to participate in student housing—historically, a "niche" asset class—is of growing interest to investors for several reasons. First, there is a significant shortage of adequate college housing in the United States. The National Center for Education Statistics projects total undergraduate enrollment to increase by 9 percent to 16.8 million students between fall 2021 and fall 2031, representing an additional 139,000 students per year.[1] By some estimates, purpose-built off-campus housing, which makes up more than 30 percent of the student housing market in the United States,[2] has only increased by an average of fewer than 50,000 beds per year.[3] The resulting supply gap is unlikely to reverse in the near future despite a challenging enrollment environment (see sidebar, "Why national demographics aren't enrollment destiny"). That leaves universities' own on-campus dorms (which account for roughly 20 percent of supply[4]) and other non-purpose-built apartments or houses within reach of campus (which account for about 50 percent of supply) to fill the gap. Unfortunately, capital projects in education are prone to both high capital expenditure overruns and significant delivery delays, while the existing supply of off-campus options is often inadequate and not tailored to meet student needs. Enduring shortages help explain why net operating income growth for student housing has been higher than for offices, strip malls, and malls for the last 15 years.[5]

The second factor that has intrigued investors is that purpose-built student housing is often countercyclical to the rest of the real estate market. As demand for jobs slows during economic downturns, the number of people looking to enroll in universities tends to grow.[6] Student housing's strong performance has held through downturns, with purpose-built student housing outperforming apartments, industrial complexes, offices, and strip centers during the Great Recession of 2008 and the COVID-19 pandemic.[7]

Given the attractive context, this is an opportune time for real estate investors to examine win–win–win scenarios in student housing. By offering the right kind of student housing experiences, private operators can create positive outcomes for students, prove their value to universities, create economic value, and position themselves for more programmatic, long-term partnerships with higher education institutions.

[1] *Undergraduate enrollment, Condition of Education 2023*, National Center for Education Statistics, accessed June 2025.
[2] Steve McLean, "Canada lags behind U.S., Europe when it comes to student housing," Real Estate News Exchange, June 1, 2023.
[3] *Student housing market trends 2025: Insights from College House at Interface Conference*, College House, April 14, 2025.
[4] Julia Bunch, "More beds per student on campuses with living requirements," RealPage, March 22, 2019.
[5] Since 2008, average annual net operating income growth was 2.6 percent for student housing, 2.5 percent for offices, 2.0 percent for strip malls, and 1.8 percent for malls; based on Green Street data.
[6] Susan Dynarski, "In a sharp downturn, college can be a shock absorber," *New York Times*, January 19, 2020.
[7] Based on Green Street data, June 2023.

Why national demographics aren't enrollment destiny

Much has been made in recent years of the flattening overall demand for college enrollment in the United States due to the nation's shrinking 18-year-old cohort. More recently, there have been media reports exploring uncertainty over student visa policy and how it might affect international-student enrollment.[1] However, the impact of demographics is likely to vary widely at the state level. Whereas the Northeast and upper Midwest are projected to see declines in their 18-year-old cohorts, the Mountain West states and Texas are projected to see growth in these cohorts over the next five years.[2]

Moreover, significant housing deficits remain in several colleges or university systems across the country, since only a modest amount of new student housing is brought to the market each year.[3] Institutions in Texas, Tennessee, Florida, Massachusetts, Vermont, and elsewhere, some of which admitted record numbers of students in recent years, have resorted to packing more students into small rooms,[4] converting study rooms into bedrooms, leasing apartment buildings,[5] creating lotteries and waitlists,[6] or even paying students to take a semester off in order to alleviate housing pressure.[7]

Finally, enrollment trends vary by type of institution. Power Five schools—large, usually state-run schools that participate in the five most prominent NCAA Division 1 college football conferences—have been the primary focus for off-campus housing. These schools saw a 5.2 percent increase in their enrollment from 2017 to 2021, while non–Power 5 school enrollment declined by −0.6 percent.[8]

Where and how much student housing is needed may change, but the pressure on student housing is unlikely to go away any time soon.

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[1] Jessica Dickler, "International students are rethinking U.S. study plans amid visa policy shifts, experts say," CNBC, April 28, 2025.
[2] Based on U.S. Census data; see also, Paige Mueller and Jeffrey Havsy, "The future of U.S. student housing demand," National Multifamily Housing Council, July 2021.
[3] Patrick Sisson, "Student housing crisis offers hard lessons for U.S. colleges," Bloomberg, December 15, 2021.
[4] Maya Fawaz, "U.S. universities and colleges face a huge demand for on-campus housing," NPR, October 10, 2023.
[5] Evan Castillo, "New private-public partnership to address University of Tennessee Housing shortage," BestColleges, May 31, 2023.
[6] Christian Valverde, "Students express continued concern over FAU housing crisis," University Press, August 21, 2023.
[7] Alex Perry, "No room at the dorm: As college begins, some students are scrambling for housing," *Forbes*, August 20, 2023.
[8] *RealPage Analytics Blog*, "Student housing outlook for 2023," blog post by Carl Whitaker, January 12, 2023.

In pursuit of these goals, student housing investors and operators can emulate other residential asset classes, particularly multifamily. Leading companies are improving resident satisfaction and financial returns with digitally enabled resident journeys. McKinsey's proprietary analysis demonstrates that multifamily leaders in digital adoption are able to increase net operating

income by 10 percent or more. They do this by using digital tools to select property locations and designs that will provide the best customer experiences, to create a strong sense of community among residents, and to impress customers when it matters most. They also provide highly efficient building operations and create a range of nonrent revenue streams, such as by co-venturing with concierge services or event providers.

In this article, we explore how to align the needs of students, universities, and private housing owners and operators and develop a winning recipe for student housing.

The first win: Creating positive outcomes for students with a distinctive offering

Win–win–win alignment is predicated on student housing providers' ability to offer the right kind of living experiences for students. Not only do incoming undergraduates rank housing as an important factor for selecting a university, but it is also a key component of university life that can positively or negatively contribute to the student experience.

When it comes to choice of student housing, students generally care most about affordability, proximity, safety, and having adequate space.[8] Student housing accommodations that are affordable, close to campus, and safe, with enough space for each student (ideally, a private bedroom and bathroom), will likely meet students' basic requirements.

But to be great, student accommodation must go beyond these prerequisites and help students thrive by creating a "home away from home." Our research has shown that social belonging and interactions outside of class are major drivers of graduation rates alongside more obvious factors like financial situations.[9] Students who have a strong connection to their residential community are significantly more likely to report good mental health than those who don't.[10] Mental health is a predictor of both student performance and retention[11]: According to one report, up to one-third of students who drop out of higher education do so for mental health reasons.[12] University administrators are increasingly aware that a sense of well-being and community inclusion are major factors in graduation rates—and that graduation rates are critical to universities' financial success.

Unfortunately, student housing—including off-campus housing—has not always given student residents this sense of belonging, possibly contributing to lower student achievement and retention.[13] Student housing providers looking to meet the broader needs of students and universities should be ready to take on this challenge.

Building a community
Given the emphasis on social belonging and finding your "identity" away from home, we believe that community building is an important objective for successful student housing providers. Housing operators can help build community through physical-space design, community programming, and services to connect students with community resources.

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[8] See Kefei Wu and Anthony DeVriese, "How students pick their housing situations: Factors and analysis," *The Undergraduate Research Journal of the Ethnography of the University Initiative*, May 2016, Volume 3, Number 1; *Navigating changing options: Current students report – Spring term 2023*," The Student Room Group, 2023.
[9] "Fulfilling the potential of US higher education," McKinsey, April 17, 2023.
[10] *Thriving college students index report*, Ipsos, January 2023.
[11] Sarah Ketchen et al., *Investing in student mental health: Opportunities & benefits for college leadership*, American Council on Education, 2019.
[12] Richard Jenkins, "Third of students drop out of university due to mental health reasons, report finds," *Independent*, March 19, 2020.
[13] Patricia Kowalski, "The impact of campus housing on student outcomes," EdD diss., Temple University, 2022.

A sense of well-being and community inclusion are major factors in graduation rates.

Well-designed floor plans can promote positive interactions, foster a sense of community, and contribute to a more productive learning experience. Plentiful shared spaces that are used throughout the day—for example, group study rooms, entertainment areas (including TV or game rooms, and shared outdoor spaces—are important elements of the best student housing. Adaptable designs are especially helpful in this regard, since they enable student housing to meet different kinds of student needs without increasing overall square footage (for example, by transforming study group collaboration spaces into spaces for movie nights or student club meetings. Besides including dedicated shared spaces, excellent student housing can promote community by having floor plans that encourage students to frequently circulate through shared spaces, enabling them to come across one another and interact socially more often.

Creating the right spaces, however, is only half the battle. These spaces also need to be activated with programming that brings students together and creates moments that matter. Operators can blend programming events seamlessly into campus life by, for example, hosting student-organization-run affinity groups, game nights, or community service days, and partnering with outside providers to set up activities such as pop-up arcades, exercise classes, or esports events.

Students are members not just of the immediate communities in which they live but also of the broader campus and local communities. Here, too, housing providers can foster social belonging. They are uniquely positioned to provide safe and curated marketplaces and help connect students to campus and local events and services. Housing providers could, for example, resell tickets to plays, concerts, and sporting events; organize campus or off-campus counselor drop-ins or flu vaccination drives; set up community "open days" to connect students to local community groups; or publish weekly newsletters that highlight nearby off-campus events.

The most forward-thinking players may move beyond these general community-building efforts and focus on identity-based branding that could appeal to Gen Z consumers. Members of Gen Z (the age cohort born between 1996 and 2010, who are most likely to attend college today care about belonging to inclusive, supportive communities; value personal self-expression; and are attracted to brands with purpose and strong stories. In short, they want to live their beliefs. To appeal to this sensibility, student housing providers can offer spaces and programming branded

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around particular lifestyles (for example, substance-free or outdoor events), interests (such as sustainability or entrepreneurship), or areas of study (such as STEM or the humanities). Just as some office providers have carved out specific niches within their asset class (such as companies that specialize in building life-science workplaces), some student housing players can develop specialized niches within the parts of the student experience they can enhance. Of course, operators need to be mindful that they cater to broad identities and that there should be an authentic match between the brand and the housing features (for example, outdoors-oriented housing should have easy access to nature).

Elevating experience digitally
The best operators are able to create a seamless living experience that allows students to spend time on both their studies and personal growth. Providing the right physical spaces and amenities, such as study spaces with monitors and noise-canceling headphones for watching lectures,[14] is a start. But the best operators can also provide a range of digitally enabled resources that make students' lives more convenient and focused on valuable activities. Within the multifamily sector, we have observed that digital touchpoints and enablers including smart-home devices have increased ancillary nonrent revenue for things like deliveries and storage spaces and boosted overall satisfaction, which has contributed to higher renewals. The same principles could extend to student housing, where typical residents are even more digitally native than conventional multifamily tenants.

Digital enablement is particularly important in the university setting, since the current (Gen Z) and next generation of students (Gen Alpha, born between 2010 and 2023) are digital natives who prefer digital interfaces. Apart from the obvious tech-enabled amenities that students are used to and expect (such as ride-hailing services or mobile-payment options), technology can be used to meet the specific challenges of university life. For instance, a building's app can make it easy to book study space or laundry room machines, file maintenance requests, schedule moves, sell furniture to students on a resale marketplace, or request book deliveries from campus libraries. Technology can also improve security—for example, through a Blue Light emergency mobile app that allows students to quickly contact campus security or emergency buttons in rooms that can alert security guards or resident advisers.

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[14] Angelos Konstantinidis, "An integrative review of the literature on factors influencing student well-being in the learning environment," *International Journal of Educational Research Open*, December 2024, Volume 7, Number 100384.

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As student accommodation becomes more tech-enabled, agentic AI (system algorithms that complete specific tasks or goals) that makes use of gen AI (algorithms that create new content) can play an important role in crafting a more seamless day-to-day living experience. Real estate companies are creating AI-powered tools that can interact with residents in a personalized way and immediately respond to their needs. Such tools can be used to offer a broad range of services to students without inflating staff and overhead costs.

As an example of a use case for an agentic AI, a "campus adviser agent" could help connect students to campus resources and groups that can cultivate a sense of belonging while also supporting everyday life in other ways. The tool could alert students to on- and off-campus events that match their passions or even help organize groups of students with shared interests to attend events. In short, an agent with a conversational interface, implemented in partnership with universities, could support the college experience and serve as a gateway to better student outcomes.

Optimizing location selection
Finally, location remains highly important. As mentioned, students prioritize proximity to campus, but this is not the only location criterion that matters. Young people also want to live in vibrant, walkable neighborhoods with entertainment and other amenities.[15] Such locations are pedestrian friendly, with diverse spaces and building types, and are close to destinations such as cafes, shopping, and entertainment venues. In larger, urban centers, proximity to public transit is also a desirable trait.

Given the importance and complexity of property location selection, leading student housing owners and operators increasingly use advanced machine learning models and nontraditional data. These may include metrics such as commute time to classes, supermarket proximity, and average foot traffic on nearby streets. By optimizing location selection based on how students (and their parents) make living decisions, housing providers will be better able to meet students' needs and promote their well-being.

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[15] Robert Pinnegar, "How Gen Z is shaping the future of apartment living," *Washington Post*, March 30, 2022.

The second win: Helping universities retain students and achieve superior operations

It's clear that student housing operators can play a valuable role in students' well-being. This foundational win dovetails with the second way student housing owners and operators can create a virtuous circle: By boosting student belonging, they can help universities fight the dropout syndrome and its negative financial implications. The best student housing providers can add further value to universities through operational distinction and financial discipline.

Addressing the retention challenge and helping students thrive over the long term

Only 64 percent of full-time students at four-year institutions graduate within six years.[16] This high level of attrition is a significant challenge for higher education institutions whose mission is to help students thrive. Completing a degree can provide students with a lifetime of benefits. College graduates are likely to be wealthier: Lifetime earnings are $400,000 higher for associate's degree holders and $1.2 million higher for bachelor's degree holders than for those with a high school diploma.[17] They tend to be healthier: Bachelor's degree holders are more than twice as likely to vigorously exercise at least once a week compared with their high school graduate peers. And college graduates are also more socially mobile: Of adults who grew up in the lowest family income quintile, 53 percent with a four-year degree moved up to at least the middle-income quintile, compared with 27 percent of those without a four-year degree.[18]

The high level of attrition is also a financial problem for colleges. A study published in 2013 found that high attrition rates cost 1,669 colleges $16.5 billion in lost revenue in one year alone.[19]

A great housing experience that enables student success can play a crucial role in universities' efforts to improve completion rates. Moreover, by contributing to a positive overall student experience, good student housing can help build long-term bonds and loyalty between institutions and their students, which may ultimately encourage longer-term engagement and giving.[20]

Creating distinction with operational excellence

Student housing operators can create further alignment with universities by providing superior operations. Higher education institutions have historically struggled to manage capital projects, enduring some of the highest cost overruns and most severe project delays compared with other industries (exhibit). Introducing private-market best practices for project delivery could decrease dorm construction costs by up to 50 percent, resulting in multimillion-dollar operational efficiencies.

The third win: How student housing excellence can lead to long-term partnerships

Finally, meeting the needs of students and universities can lead to significant opportunities for student housing providers themselves. Providers that deliver value to both groups can create an

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[16] "Fast facts: Undergraduate graduation rates," National Center for Education Statistics, accessed June 2025.

[17] Anthony P. Carnevale, Stephen J. Rose, and Ban Cheah, *The college payoff: Education, occupations, lifetime earnings*, Georgetown University Center on Education and the Workforce, September 5, 2011.

[18] Sandy Baum, Jennifer Ma, and Kathleen Payea, *Education pays 2013: The benefits of higher education for individuals and society*, College Board, 2013.
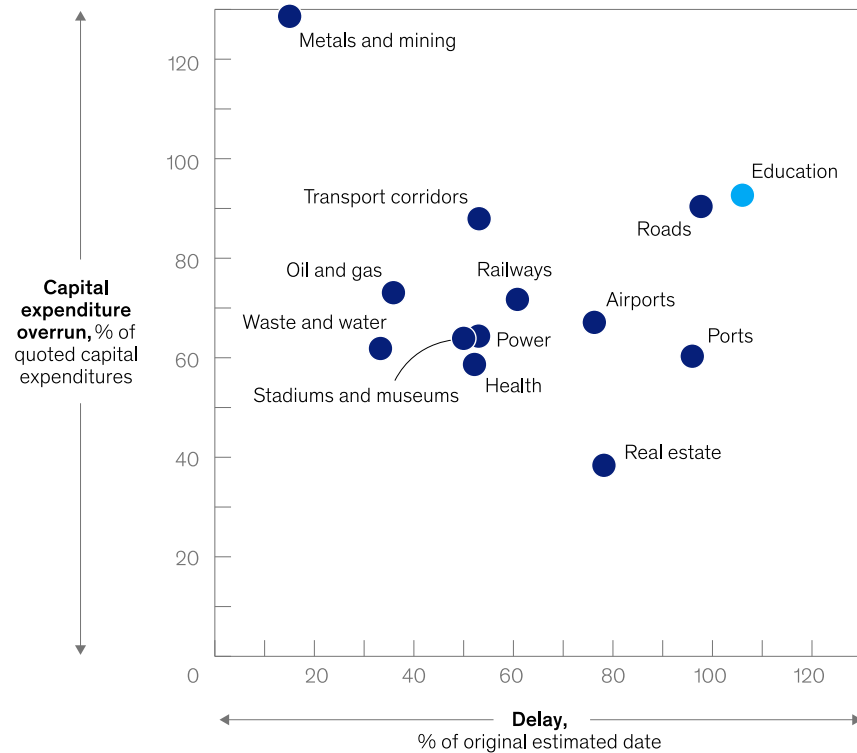
[19] Neal Raisman, *Policy perspectives: The cost of college attrition at four-year colleges & universities*, Educational Policy Institute, February 2013.

[20] Y. Wang, "What influences alumni donations?" *Journal of Economics, Business and Management*, November 2018, Volume 6, Number 4.

Education capital projects have historically been the least likely to deliver on cost and schedule targets.

Capital expenditure overrun and delays, by project type[1]

[1]Based on 800 projects, mostly in Europe and US, completed between 1990 and 2015. Extreme values and outliers were excluded once data was plotted.

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offering that positions them for long-term partnerships with universities and sustained success in the sector.

A proven ability to enhance the student experience and positively impact university goals can be a powerful differentiator in a competitive market. It can create alignment with university objectives and elevate the provider from a mere vendor to a strategic partner. This, in turn, can create a flywheel where closer, longer-term collaboration with a university enhances the operator's ability to meet the needs of the university and its students. An operator's experience,

ability to collect data on what works and doesn't, and understanding of student body dynamics and university priorities can continually strengthen the grounds for the partnership.

Successful public–private partnerships are common in other parts of the real estate industry, suggesting that the same principles and value should flow to student housing with the right incentives alignment. Long-term contracts with universities could provide a more predictable pipeline and expected revenue streams. They may also have reputational benefits: In a market where trust is paramount, being viewed as a reliable and forward-thinking partner can be a competitive advantage that could pay dividends over time across multiple institutions. Long-term partnerships can also yield access to financing, with enhanced ability to attract institutional capital from those interested in investing in student housing on a long-term, programmatic basis.

Additionally, student housing providers who also have conventional multifamily properties may be able to build their networks through branded ecosystems. When students graduate from college, they could also graduate to nonstudent housing brands from the same owners or operators. We believe that brand and customer service innovations are becoming more important in residential real estate. Housing products that appeal to these high-value renters early in their adult lives could represent a new opportunity for real estate companies.

Ultimately, the combination of strong financial resources from the private sector and consistent demand from student enrollment creates a powerful formula for increasing net operating income for student housing players. A commitment to excellence can not only create wins for students and universities but also secure enduring success for student housing providers.

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Thoughtfully designed housing that creates the best student experiences, boldly deploys thoughtful spatial design and digital innovation, and achieves operational efficiencies can lead to the triple win described in this article. Operators that put student needs at the center of their efforts have the opportunity to not just improve the college experience but also help universities improve retention figures and financial outcomes. Student housing providers who truly prove their value to university partners may be rewarded with promising long-term relationships.

Amid the backdrop of a student housing shortage in many locations and a record of strong performance for the asset class, this is an intriguing moment to pursue a change in what it means to go away to college.

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