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Student Housing

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EXPERT COMMENTARY

Durable demand supports sector growth, but widening dispersion is placing a premium on market selection, disciplined underwriting and experienced operators, says Mike Gordon, global CIO – real estate at Harrison Street Asset Management



Where conviction meets selection

Student housing continues to benefit from durable demographic and supply-demand dynamics, but conviction in a sector should never be confused with conviction in every market or every asset. We believe the sector is entering a period in which broad exposure will matter less than the ability to identify the universities, markets, assets and operating partners best positioned to perform.

Enrollment trends and the underlying demand picture remain compelling. Post-secondary enrollment across the US increased by 192,000 students between the spring 2025 and spring 2026 semesters, led primarily by public institutions, according to the National Student Clearinghouse Research Center. Academic year 2025-26 also included a record 11.1 million undergraduates enrolled at four-year institutions in the US, and enrollment in degree-granting post-secondary institutions is projected to increase by more than 8 percent by 2030, according to the National Center for Education Statistics.

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At many leading public universities, housing supply has not kept pace with demand. At public Power 4 Conference universities, average occupancy reached 94.4 percent from academic year 2022-26, compared with 90 percent from 2016-22. Over the more recent period, cumulative effective rents increased 30 percent, compared with 19.6 percent growth during the earlier period, according to data collected by RealPage.

These fundamentals have attracted capital to the sector. US student housing transaction volume was estimated at approximately $9 billion in 2025, the most recent full year of available data from Real Capital Analytics.

We have observed that increased investor interest has also contributed to higher pricing and lower capitalization

rates, reinforcing a principle we believe is increasingly important: a compelling sector does not make every investment compelling. That distinction often matters more today than it did several years ago.

A market defined by greater dispersion

We have seen student housing evolve from a relatively overlooked real estate sector into an established institutional asset class. Since inception, Harrison Street has invested more than $24 billion and sold nearly $13 billion in gross sales price across the student housing sector. Through that experience, including investments across multiple economic, capital markets and university cycles, we have learned that strong underlying sector dynamics can coexist with significant dispersion in investment outcomes.

We believe that dispersion is likely to increase. Enrollment and demand are not equally strong across institutions, and the supply pipeline is expected to increase as rent growth begins to normalize from unusually strong recent levels. Some markets appear well positioned to absorb new deliveries, while others may face near-term supply pressure.

One of the most important distinctions investors need to make today is between cyclical softness and secular softness. A strong university can experience temporary pressure from a wave of new supply and still represent an attractive long-term investment market. With the development pipeline gaining momentum, it is essential to identify those institutions and markets that will be able to absorb the additional units.

We believe higher education is experiencing an overall flight to quality, but affordability matters as well. In an environment where the cost and perceived value of higher education are being scrutinized closely, many large public universities offer a compelling combination of quality and affordability.

Extending the opportunity on campus

An increasingly important part of the opportunity set consists of on-campus and university-affiliated housing

Many universities face a fundamental mismatch between housing needs and the capital available to address them. Aging residence halls, enrollment growth, constrained university balance sheets and competing demands for capital are creating opportunities for experienced private partners to help finance, develop and operate modern student housing.

In some cases, a public-private partnership can provide a viable approach to these challenges, allowing the university to add housing in a convenient on-campus location, while benefiting from the investor's access to capital, development capabilities and operating expertise. At Harrison Street, we have long viewed public-private partnerships and on-campus housing as a natural extension of our student housing strategy, and a way to leverage our experience and relationships with universities.

The PPP model can create strong alignment among universities, students, operating partners and investors, while allowing institutions to preserve capital for their core academic missions. For investors, direct university relationships can provide valuable insight into enrollment strategy, housing policy, capital priorities, future supply and the interaction between on-campus and off-campus housing. They also offer investors a way to access markets where barriers to entry are high.

The central question for investors is therefore not whether student housing has attractive fundamentals, but where those fundamentals are most likely to translate into durable investment performance. In this environment, it is not enough merely to underwrite enrollment growth. We must effectively underwrite universities as competitive institutions. The strongest institutions will continue to attract students – and capital – and that is a critical element of how we approach our chosen markets.

Supply is increasing, but student housing remains local

After several years of below-average development, an estimated 22,000-30,000 beds were expected to be delivered at the start of the 2026-27 academic year. The pipeline is projected to increase to 40,000-50,000 beds in academic year 2027-28, according to RealPage, Yardi Matrix and in-house research. Those figures deserve attention, but national supply statistics can obscure as much as they reveal.

Student housing is ultimately a collection of highly localized markets. Demand surrounding one university cannot absorb excess supply surrounding another. We believe what matters is not simply how many beds are being delivered, but the relationship among new beds, enrollment growth, existing housing quality, affordability and future barriers to development at an individual university.

In aggregate, public Power 4 universities appear positioned to absorb the current pipeline as enrollment grows alongside new supply. We have observed prospective students continue to favor large public universities because of graduation outcomes, alumni earnings and relative affordability.

But even within this cohort, local conditions vary considerably. A market adding 1,000 beds against substantial enrollment growth and constrained existing housing presents a very different investment proposition from

one adding the same number of beds against flat enrollment and an already competitive housing stock.

This is why we believe selection has become increasingly important. Our process is designed to narrow a broad universe into a focused opportunity set. We evaluate more than 2,300 four-year universities, identify approximately 180 institutions with meaningful enrollment scale, refine that universe to 60-70 investable markets and ultimately focus on 20-30 high-conviction "Power 4 Plus" markets that are continuously evaluated and updated.

The same discipline applies at the transaction level. In 2025, we evaluated more than 400 student housing opportunities and pursued less than 5 percent of those. This selectivity illustrates an important distinction: an attractive sector can contain investments with very different risk-reward profiles.

Data is abundant, judgment remains scarce

After investing in more than 430 properties totaling more than 235,000 beds across more than 200 universities, we have developed an informed view of the factors that influence long-term performance. Enrollment growth, application trends, leasing velocity, academic reputation, pricing power, institutional investment, affordability, existing housing quality and future supply pipelines all contribute to market selection.

But increasingly, access to information itself is not the differentiator. The challenge now is determining which information matters, how different variables interact and, importantly, when historical relationships may no longer be reliable. Selectivity is the goal, but the ability to convert information into judgment is the means to that end.

Several years ago, we developed the Harrison Street Pattern Recognition Investment Scoring Model, or H-PRISM, to organize these inputs within a repeatable risk-reward framework. The model combines sector-specific micro-market data, operator-level performance and insights from more than two decades of investment activity.

But no model replaces judgment. We view technology as a way to augment investment judgment, not substitute for it. Its value comes from helping investors process more information, identify patterns and challenge assumptions more effectively. The ultimate investment decision still requires context, experience and an understanding of what the data may not capture.

Operating execution matters more than ever

Student housing is real estate, but we have seen it is fundamentally an operating business. Unlike conventional multifamily, leasing activity is often concentrated within a highly consequential annual cycle. Preleasing velocity, management, marketing, unit turns, expense control and resident experience can materially influence performance. The right university and the right asset are necessary, but neither is sufficient without strong execution.

We believe that makes operator selection an integral part of investment selection. Our extensive experience in student housing, and our relationships with seasoned operators, provide another layer of information and judgment. Operators closest to students can often identify changes in leasing behavior, affordability, parent preferences and market dynamics before those changes become visible in broader data sets.

The volatility experienced during covid was a particularly important test. Operators were forced to make decisions in an environment without precedent, and the years that followed demonstrated the value of experienced teams capable of adapting quickly while maintaining discipline. For us, the lesson was straightforward: strong real estate and strong markets matter, but neither eliminates the importance of execution.

Looking ahead at a global opportunity

Many of these themes extend beyond the US. Canada continues to have one of the lowest student housing provisioning rates globally, according to brokerage Cushman & Wakefield. In Europe, demand for purpose-built student housing continues to grow, with the UK remaining a major destination for international students alongside markets including Spain, Germany and France, according to brokerage CBRE.

The specific dynamics vary by country, university and market, but we believe the investment principle is consistent: attractive top-down fundamentals are a starting point, not a substitute for bottom-up underwriting. As institutional capital increasingly recognizes the durability of student housing demand globally, we believe the ability to distinguish between markets, assets and operators will become more, rather than less, valuable.

We remain highly constructive on student housing because the long-term demand case remains compelling. But the maturation of the sector is changing where we will see strong outcomes. Broad demographic and enrollment trends provide an important starting point; they do not eliminate differences across universities, markets, assets, operators and capital structures.

We believe the next phase of student housing opportunities will increasingly be defined by selectivity, discipline and precision. To capture these opportunities, investors must be able to distinguish temporary supply pressure from structural weakness, identify universities that are gaining share, understand where demand can absorb new supply, invest at an attractive basis and combine strong real estate with experienced operating partners.

For us, the central lesson is straightforward: combine data with experienced judgment, relationships with execution and conviction with discipline. This is how the next generation of outperformance will be created. ■