

Student Housing REIT Campus Crest Aims to Meet Demand



By Allen Kenney
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People who associate dorm life with cramped rooms, community showers and beds as hard as granite countertops would probably find the student housing community in Huntsville, Texas, for a resort. Opened in 2010, the student housing community on the campus of Sam Houston State University features a sand volleyball court, an inviting outdoor pool, a 24-hour fitness center and full-court basketball.

It's all part of **Campus Crest Communities Inc.**'s (NYSE: CCG) goal to provide "fully loaded" student living.

"We have a very robust residence life program," says Ted Rollins, co-chairman and CEO of Campus Crest. "We provide the life skills experience, which matches up nicely with the academic experience."

The Grove in Huntsville is one of Campus Crest's 27 student housing communities in operation around the country. Campus Crest has several properties currently under development and seven in the preconstruction phase. The company's portfolio stretches from Orono, Maine, to Ellensburg, Wash.

Going Public

In the middle of a somewhat slow year for REIT IPOs, Campus Crest decided it was time to go public. The company, which was founded by Rollins and Mike Hartnett, Campus Crest's co-chairman and chief investment officer, in 2004, generated more than \$350 million from its initial public offering in October 2010. Hartnett says the decision has provided resources to support the company's growth aspirations.

"It has worked out beautifully," he says.

Campus Crest is part of a growing sub-sector of multifamily REITs that focus on student housing. Other REITs in the sub-sector include **American Campus Communities Inc.** (NYSE: ACC) and **Education Realty Trust Inc.** (NYSE: EDR).



Growing Demand



Rollins lists a number of factors that make student housing a compelling business in the current market. For instance, he cites statistics showing that a higher percentage of school seniors are continuing on to college on a full-time basis. Half of those entering college in 2009, and an additional 36 percent finish in five years. Also, the number of non-American universities is growing, further stimulating demand in the sector.

Meanwhile, the supply of student housing has stagnated, according to Rollins. He notes there are relatively few competitors in the sector. Furthermore, with state governments facing budgetary constraints, schools don't have the resources to replenish their on-campus housing.

"You've got a growing demand and the supply isn't really growing," he says.

Going forward, both Rollins and Hartnett identify talent retention as the toughest issue facing their company in the near term.

"Our definition of brand is a consistent customer experience," Hartnett says. "We have great passion and excitement with our team."