



# CAMPUS ADVANTAGE

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# THE INSIDE ADVANTAGE

WINTER 2023 EDITION

# WELCOME LETTER

While student housing investment sales have been muted in the latter part of the fourth quarter of 2022 and in early 2023, we are experiencing the strongest pre-leasing season in memory. According to College House, pre-lease occupancy across the country sits at 47% as of January 31, 2023, 3.5% ahead of last year. Perhaps even more telling, the average asking rate per bed is up 9% over a year ago. The Campus Advantage portfolio sits about 2% ahead of the national market in pre-leasing occupancy and about even with the national market in rent growth at approximately 9% ahead of last year.

This has given a holiday gift of patience to owners looking to sell. Many would-be sellers are willing to wait for the pre-leasing rent roll to become solidified, at which point buyers will be confident they will have a higher first academic year of net operating income (NOI) and be willing to increase prices.

So what's the problem for sellers? In the near term, interest rates and mortgage spreads have made it difficult to achieve positive leverage on all but the riskiest of student housing assets. The fourth quarter saw the 10-year Treasury end up on December 31 very close to the same rate it was on September 30: around 3.85%. However, in between those dates, rates spiked to as high as 4.20% and mortgage spreads widened out, as well, especially for FNMA and FHLMC as demand from buyers of the B-pieces of their securities severely declined. This caused fixed mortgage rates to spike to around 6.5% and resulted in extended periods of negative leverage for prospective buyers.

Buyers are taking the view that if returns for lending are more than 6%, then buying core real estate at similar returns doesn't make much sense. Value-add assets have also been challenging as the costs of borrowing have resulted in levered internal rates of return (IRR) that don't feel commensurate with the risk of a value-add asset, and also involve negative leverage. Investors are weighing the strong rent growth against the prospect of negative leverage and in most cases are pushing back, reducing the number of recent transactions.

While it will take some time for more deals to make sense, interest rates have begun to moderate, with the 10-year Treasury trading between 3.5% and 3.6% for most of early 2023. This will



**SCOTT BARTON**  
Chief Investment Officer

help narrow the gap in expectations between buyers and sellers.

We are eager to see a return to more deals at attractive prices. While there are many issues swirling around universities in general, most seem to point to a flight to quality where the more selective, top-tier universities will continue to be able to grow enrollment, and smaller, less selective universities will struggle to survive. Never has market selection meant as much as it does today. Our continued focus on larger, selective universities and the declining national supply pipeline are the two primary reasons we are bullish on the student housing industry. We believe these factors are unlikely to meaningfully change in the near to medium term.

## CASE STUDY

### LIV+ GAINESVILLE (GAINESVILLE, FLORIDA)

Learn more about how Campus Advantage's third-party management services successfully guided the lease-up, marketing, and disposition of Liv+ Gainesville in Gainesville, Florida, serving the University of Florida.



**100%**  
OCCUPANCY FOR  
FALL 2021

**6.8%**  
RENTAL RATE  
INCREASE

**45%**  
RETURNING  
RESIDENT RATIO

## NOTABLE COVERAGE

The **September/October issue** of *Student Housing Business* featured Campus Advantage's acquisition of University Edge in Akron, Ohio, as well as our involvement in the College Student Mental Wellness Advocacy Coalition. The **November/December Top 25 issue** of *Student Housing Business* featured our full-page ad on page 19.

Our acquisition of University Edge was also covered by **Multi-Housing News**.

# TRENDSETTERS

## CYBER MONDAY 2022 CAMPAIGN

Catalyst, our marketing partner, collaborated with the Leasing and Marketing department at Campus Advantage to create our portfolio-wide Cyber Monday campaign, geared at both interested prospects and current residents looking to renew their lease. The 2022 campaign leveraged the resurgence of Y2K trends and the current popularity of digital nostalgia and other retro tech/fashion, centering around the theme, "The Future Comes Full Circle." In addition to playing on the idea of old trends becoming new again, this theme also pointed toward our commitment to investing in the future of our residents.

Messaging for the campaign blended the nostalgia of the '90s with an appeal to today's Gen Z audience, and visuals featured various pop-ups, loading bars, browser windows, and buttons in a variety of bright and primary colors. Stock imagery of students was curated specifically to include these same vibrant tones while capturing both retro and contemporary feels.

In addition to a landing page for each community, Catalyst created custom animated story graphics, paid Facebook and Instagram ads, Google ads, emails, a video, and an editable flyer and poster to allow each community to promote the campaign and giveaways throughout Cyber Week. Residents and prospects were encouraged to sign before the end of the four-day stretch to take advantage of themed prizes, such as a retro-inspired iMac computer, a Marshall Bluetooth speaker, or a Crosley record player.

Overall, the 2022 Cyber Monday campaign was a success, driving leads and traffic to all of the participating communities in the Campus Advantage portfolio. Highlights include:

- 141 renewals and 102 new leases signed
- A total of 4,598 sessions to the landing pages, with 3,705 of those sessions conducted by new users
- 48,611 emails sent with an open rate of 49%, exceeding the industry benchmark of 18.2%
- Custom QR codes added to the printed posters and flyers received a total of 180 scans
- The search engine marketing (SEM) portion of the campaign received 195,574 impressions and 1,920 clicks



## CA FUND UPDATE

We are pleased to report continued strong performance in the Campus Advantage Student Housing (CASH) Fund. The seed assets at the University of Florida (Lyons Corner Apartments and Lyons Corner Townhomes) are a combined 8.8% ahead of last year at this time in pre-lease occupancy, with The Stretch 9.6% ahead of last year. Projected rent growth is at a combined 9.6% for the Florida assets and 9.7% for The Stretch. All assets are well positioned with fixed-rate debt at interest rates below what is achievable today. The future looks especially bright at the University of Kentucky, where freshman

enrollment for fall 2022 increased more than 30% compared to fall 2021.

We are very optimistic about the prospects for the CASH Fund assets, and we are eager for greater opportunity to grow the number of assets in it. As noted in this newsletter, the market is very disjointed with a gap in expectations between buyers and sellers. Very few student assets have transacted in the past few months. We continue to aggressively pursue all potential opportunities for the fund, on and off market, and feel that as values begin to adjust, we will be well positioned to deploy capital and further grow the CASH Fund.



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## EXPERIENCE THE **INSIDE** ADVANTAGE

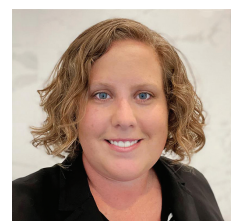
We have several opportunities to engage with our team of industry veterans. Contact us to leverage our expertise to your advantage in your student housing strategy.



**SCOTT BARTON**  
*Investment Partnerships*



**BETH PINDER**  
*Property Management  
and Consulting Services*



**CHRISTY MCFERREN**  
*Marketing Services*