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ADVANTAGE

SPRING 2023 EDITION

WELCOME LETTER

What a difference a quarter makes. When the Federal Reserve raises interest rates, the cracks in the system are eventually illuminated. Silicon Valley Bank was obviously the first crack to appear. It remains unclear how extensive the cracks are, but what does seem clear is that the dust has not completely settled.

The biggest issue surrounding this banking crisis for investors in student housing assets is what the lending environment looks like going forward — not just rate and proceeds, but what types of lenders will be active. This will certainly take some time to work itself out. Regional banks are important to commercial real estate. Despite some headlines suggesting figures as high as 80%, the 135 U.S. regional banks between \$10 billion and \$160 billion in size comprise 13.8% of all commercial real estate debt (income producing properties), according to Moody's. So far, other lenders, such as life insurance companies, are showing a willingness to step in as lenders for student housing deals. This is a strong sign of ongoing liquidity for our market as it does seem logical that banks will be subject to some greater level of regulatory scrutiny than in the past. This liquidity will likely come at a cost, however, with spreads and coverage ratios likely to increase in the near term.

While the recent banking crisis has added complication to the investment climate, the top-line growth of the industry measured in terms of both pre-leasing velocity and rent growth is unparalleled. According to College House, pre-leasing nationally is approximately 7.4% ahead of last year, and asking rent is 10.4% ahead of this same time last year. This doesn't necessarily mean that properties will likely achieve an average of 10% rent growth. Typically, some markets will offer concessions as the leasing season wears on, resulting in a decline in the final average rent growth achieved.

This tension between strong pre-leasing and volatile capital markets has resulted in a continued standoff between buyers and sellers, and a bid-offer spread on most properties. Transaction volume is down significantly this year, and the issue of a bid-ask gap is highlighted on the cover of the January/February issue of *Student Housing Business* magazine.



SCOTT BARTON
Chief Investment Officer

We do expect that sales volume will improve as we move toward the latter portion of 2023. A certain amount of capital wants to sell each year. Given that many deals did not sell in late 2022, and more capital wants to exit in fall 2023 after the leasing season is completed, there appears to be a growing impetus for deals to come on market. With pre-leasing so strong, we had been on track to have that happen in the next couple of months. However, the current banking crisis has probably lengthened that timeline a bit, but the latter portion of this year still looks to see much more sales volume than we have seen in the past six months.

CASE STUDY

THE ROWAN (COLUMBIA, SC)

Learn more about how Campus Advantage's consulting and third-party management services have successfully guided the rebranding, property-wide renovation, and 40% occupancy increase of The Rowan in Columbia, South Carolina.



95%
OCCUPANCY
ACHIEVED IN
FALL 2021

40%
INCREASE IN OCCUPANCY BY
YEAR TWO OF PROPERTY
MANAGEMENT

37.45%
RENTAL RATE
INCREASE

NOTABLE COVERAGE

The January/February issue of *Student Housing Business* featured appearances from Campus Advantage and Catalyst, including:

- News in Brief: "Thriving College Student Index Report' Provides Annual Benchmark for Students Mental Health, Wellness" (page 10)
- Christy McFerren – Question of the Month: "Where do you think AI and ChatGPT could have a positive, or negative, impact and influence on student housing, be it in investment, development and financing, or leasing, management and operations?" (page 28)
- Dan Oltersdorf – What's on My Mind: "Mistakes, Myths and Masterpieces" (page 86)

TRENDSETTERS

Catalyst, our marketing partner, collaborated with the Leasing and Marketing department at Campus Advantage to develop this year's Spring 2023 portfolio-wide campaign. This year's campaign centered around the inaugural Future Lives Here Scholarship, which has been in progress and accepting applications from residents since Cyber Monday for the chance to win a \$5,000 grand prize.

Additionally, secondary messaging and designs for the campaign centered around prospects interested in travel for their spring break or summer adventures. Visuals included bright colors and world maps as well as eye-catching typography touting phrases such as "The future lives here (and here, here, and here)." Prospects who toured at participating communities received one entry into the drawing, and if a lease was signed, they received five entries for a chance to win a \$2,000 travel voucher to Expedia or a similar travel site.

Deliverables included search engine marketing (SEM) ads, two email deployments, a static IRIO graphic, a print flyer with a custom trackable QR code, a vertical video, and a branded landing page to collect leads.

The campaign ran from February 20–March 6 and was overall a success, driving leads to the participating communities and providing an influx of submissions to the Future Lives Here Scholarship. Highlights include:

- 475 new leases and 459 property visits
- 6,011 sessions to the landing pages
- Average email open rate of 47.02%
- SMM campaign: 224,647 impressions and 3,538 clicks
- SEM campaign: 832,860 impressions and 7,545 clicks

CA FUND UPDATE

Let's start with a nice broken record, just as we began last quarter's fund update. The strong performance of the Campus Advantage Student Housing (CASH) Fund continues. The Stretch at the University of Kentucky is projected to achieve 13.3% rent growth for the fall 2023 academic year and is 59.7% pre-leased, 16.1% ahead of this time last year.

The seed assets at the University of Florida (Lyons Corner Apartments and Lyons Corner Townhomes) are projected to achieve 6% rent growth on top of 5.9% the prior year. Pre-leasing is at a combined 85.5%, 6.6% ahead of this time last year.

We have been very impressed with the strength of the market at UK as the freshman class grew 30% from fall 2021 to fall 2022. The UF market does have a good bit of supply coming, but the market has surprised us with its resilience, and we believe our modest-sized, well-located properties will be better able to thrive than most in the face of new supply.

Many markets leased up so fast for fall 2023 that we see at least one more year of outsized rent growth before a likely tapering off to perhaps more historical levels.

Tour or sign with us before March 6 and you could win a **\$2,000 TRAVEL VOUCHER** that can be used toward flights, hotels, rental cars, and more.

Earn one entry for touring our community, or sign a lease and be entered to win five times. Click below to enter — and to see all the perks of living with us!

[TELL ME MORE](#)

SIGN OR TOUR TODAY AND your next adventure IS ON US.

One day left — take home a \$2,000 travel voucher when you tour or sign with us!

Book a flight! Find a great hotel. Discover your next great destination. Wherever your trip takes you, remember that great experiences don't have to end when you come home. Enjoy stand-out customer service, exclusive amenities, and an unbeatable community when you sign with us today!

Every tour is entered to win — will it be you? Score a **\$2,000 TRAVEL VOUCHER** when you tour (1 entry) or sign (5 entries) with us before March 6!

Your future self will thank you — don't miss out!

[SCHEDULE A TOUR NOW](#)



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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