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## Resort Living Comes to Campus

*Developers looking for new areas of growth are turning to colleges, where students have acquired a taste for luxury amenities; studying in the sauna or by the pool*

By DAWN WOTAPKA

Residents at a new rental community in Orlando, Fla., lounge around a resort-style pool in private cabanas. They practice their golf swings at the putting green and meditate in a Zen garden. Videogamers sip complimentary coffee while playing "Call of Duty: Black Ops II" on a multiscreen television wall. Now, they're facing final exams.

Welcome to University House, a \$65 million private college dormitory that just opened near the University of Central Florida. Built by Inland American Communities Group, University House is one of the latest upscale communities sprouting up in college towns—including East Lansing, Mich., Tempe, Ariz., College Station, Texas, and others. Developers say that colleges provide a steady stream of new customers every year, and that students—and their parents—are willing to pay for luxury amenities.

Instead of bunk beds, cinder-block walls and communal showers, these newly built dorms off campus resemble apartments and offer a wide range of amenities, such as walk-in-closets and custom-designed furniture. Everyone usually gets his or her own bedroom and bathroom, so the only sharing is in the high-end kitchens that often feature granite countertops and stainless-steel appliances.

Real-estate investors and developers, hungry for new areas for growth, are finding a lucrative and previously untapped market in these areas surrounding college campuses, one marked by low inventory, booming enrollment and an increasing appetite for luxury living.

Last year, the University of Kentucky made news when it began turning over its 6,000 beds and apartments to the publicly held Education Realty Trust, or EdR, for updating and expansion. Much of the existing housing stock will likely be razed and rebuilt. Some 600 additional beds will be ready in August and 2,300 more will be available in 2014. EdR, which has purchased or developed \$2.4 billion worth of student housing since 2000, controls housing for about 38,000 students nationwide. The University of Kentucky receives a percentage of gross revenue—which varies by residence hall—and a percentage of EdR's net income.

For years, major companies left student housing to mom-and-pop operators. But that changed with the 2004 initial public offering of American Campus Communities, ACC - 0.54% which is now the sector's largest player, owning or managing nearly 123,000 beds. Campus Crest Communities CCG -0.33% went public in October 2010 and now has nearly 21,000 beds, with roughly 3,500 more in the works. Inland American Communities, part of a diversified REIT that branched into student housing in 2007, has about 4,000 beds and would like to double its presence in the space within the next three years.

Many schools generally require freshmen to live on campus in university-run housing. After that—or when there isn't enough room for freshmen—students can usually move off campus. Developers of privately run off-campus housing typically don't share revenue with colleges, even though they operate much the same as college-run housing. The communities are open only to students, each of whom signs an individual lease. Some even use resident assistants to help with everything from study tips to roommate issues. Campus Crest, for example, typically employs nine such assistants—dubbed "Rock Stars"—per property, and their rent is covered in exchange for 20 hours of work each week. At an average rent of \$485 per room, that's a benefit worth \$5,820 a year.

Both students and administrators say housing has become a big factor in college selection, increasingly trumping degree programs or beloved sports teams. Mark Sampson says his daughter took "about two looks at the campus" of University of Florida in Gainesville and declared it too old. She picked University of Central Florida and hopes to move into University House this fall.

These flashy residences aren't cheap. At University House, located off campus, rates start at \$665 per person, per month for a four-bedroom, four-bath unit. A student who wants to live solo in a one-bedroom unit pays nearly \$1,000 a month. By comparison, two students can share a traditional dorm room on campus for about \$550 each a month for the academic year. An on-campus apartment with four bedrooms and four baths costs each resident more than \$800 a month.

On campus, "you never got your privacy," says Nicole Ibinarriaga, a 20-year-old junior whose parents pay her \$690 monthly rent, which includes parking, at the University House, where she lives in a three bedroom, three-bathroom unit with two other women. "Now, I can take a five-hour shower and not worry about it, or take a bubble bath."

Many schools—particularly public ones—say such luxury living won't likely find its way onto their campuses. "Our facilities are tasteful. They're as attractive as you're going to be able to find anywhere. They're not resorts," says Eli Capilouto, Kentucky's president. "We want something modern infused with technology, but not priced beyond the means of the people we're charged to serve."

Educators often require or encourage underclassmen, particularly freshmen, to live on campus. But, in many cases, there aren't enough beds to go around. This is only getting worse as the "echo boomers"—children of baby boomers—continue reaching college

age. More than three million high-school seniors are expected to graduate each year until the 2018-19 academic year, and many of them will pursue higher education. Kentucky has just 5,200 beds for more than 28,000 students, while Central Florida has nearly 60,000 students enrolled. Arizona State University, one of the nation's largest schools by enrollment, has 13,000 beds for nearly 74,000 students across four campuses.

Developers are profiting from this imbalance. Residences for more than 30,000 beds are estimated to be under construction around campuses nationwide, though the industry's fragmentation makes an accurate count difficult. These builders rely on amenities to stand out. At the Lodges of East Lansing near Michigan State University, the pool is heated year-round, and there's an ice-skating rink just for students. During the week, a private shuttle bus takes students to class. On the weekends, they're driven to and from night-life hot spots.

At the Cottages of College Station near the Texas A&M University campus in College Station, Texas, the two-story clubhouse's wood-shingle exterior resembles a tony Hamptons mansion. "Most of these kids are going to have a step down in lifestyle when they have to enter the working-world environment after they graduate," says John E. Vawter, principal of Capstone Collegiate Communities, which developed the Lodges and the Cottages.

The District on Apache, a 1,200-bed student-housing community set to open within walking distance of Arizona State next year, will feature an oversize outdoor movie screen, steam rooms and a 300-foot-long "lazy river" water feature, according to architect Mark Humphreys, whose firm designed University House.

Student-housing rental rates typically include furnishings, high-speed Internet, cable television and utilities. Ted Rollins, chief executive of Campus Crest, estimates each community's power bill tops \$300,000 annually.

This off-campus building boom is forcing schools to up their game, though slashed budgets have left minimal funds to erect new residence halls. With just a few hundred beds on campus, the University of Central Florida was long known as a commuter college. When John Hitt became president in 1992, he vowed to change that. Since then, the bed count has increased to about 11,300, with about 700 more under construction. All these beds will be one per room, though some students will have to share bathrooms.

"They don't have to be the super-sexiest facilities you've ever seen, but there's a competitive market out there," he said. "The schools that have the more modern arrangements, I think that makes a difference."

But even the best amenities won't protect developers and owners if more students decide to live at home to save money, increasingly likely as students and parents cope with student debt. There is also the increasing availability of distance learning, which allows students to take classes without setting foot on campus.

And then there's the risk of a glut as more competitors enter the marketplace. University House is near another residence called Sterling Central, which opened over the past two years and now has about 1,500 beds. Nearby, American Campus owns the 930-bed Edge and has another 1,300-bed project under way that should open in 2014.

Sterling Central, which boasts four pools, puts a 32-inch flat-screen television in every bedroom and often bakes cookies for residents to share in common areas, saw its occupancy fall to about 86% this academic year, from 98% last year, as students fled to the newer University House, says Bria Ivanoff, Sterling's community manager.

"There's new property after new property going up," she says. "It's only a matter of time before the market becomes oversaturated."

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