



## Meeting the Unique Challenges of the Student Housing Industry

Ryan's Property Tax practice is the largest in North America, with more than 700 professionals across 35 locations. We provide North American coverage, the benefit of our local market knowledge, and a comprehensive range of services to help effectively manage property tax requirements and control property tax liabilities.

Ryan's team of licensed attorneys, appraisers, and Certified Member of the Institute (CMI) professionals has extensive experience within the student housing industry. Our specialized representation in this niche market allows us to provide our clients the best strategies for reducing their ad valorem taxes.

### Trends Impacting the Student Housing Industry

- Construction is still on the rise. Many new projects are underway to fulfill housing shortages at overflowing colleges and universities due to increased enrollments and the need to replace outdated housing.
- Many students are staying in school longer to achieve advanced or specialized degrees in order to compete in the job market.
- Transaction activity in this booming niche continues to increase, particularly among the walking-distance and core campus properties (those less than one mile from campus).
- Capitalization rates have decreased dramatically on core campus properties (with caps of 5.5 to 6.5%) and are likely to hold steady. Debt capital remains readily available at low rates. Cap rates have also declined outside the core campus area, as new investors seek entry without the high prices of core campus properties.
- Interest rates on capital sources remain low, and availability continues to expand with life insurance companies and banks offering competitive rates.
- New players continue to emerge in the space, creating higher demand for the product type and further increasing transaction volume and prices per bed.



### Ryan Representation in Student Housing:

- More than 190,000 beds
- More than 300 properties
- More than \$6 billion in value
- Properties in more than 125 college and university markets
- Twelve of the Top 25 Owners of Student Housing (by bed count)\*

\*As reported by Student Housing Business Magazine

## Key Components Affecting Tax Valuations

- Many state districts do not understand the vast differences between the concepts and valuation of student housing properties and conventional multifamily properties.
- Although the cap rate spread between student and multifamily housing has thinned for the Class A+ and core campus student housing properties, historically, the spread has been 50 to 100 basis points (peaking in 2008 at 130 basis points).
- In acquisitions, buyers (or their agents) are publically announcing their purchases and disclosing details of the new acquisitions, providing market information to appraisers that may not have been available in the past (especially in non-disclosure states).
- Large transaction volumes of properties are showing many local assessors that prior assessments are well under current market values, causing large increases in assessments and property taxes.
- Consideration of intangible value on student housing purchases is not being taken into account.

## Client Success Stories

### Large, Class A Student Housing Property in Maryland

**Client Issue:** This property was a new project and had finished construction as of the first year of the last three-year assessment cycle.

**What We Found:** In the opening year, the district applied an income pro forma to the property, based largely on outdated data from the peak of the economic cycle (2007), for its initial assessment when the property was completed in 2010.

**Approach and Solution:** The income and expenses from 2007 used by the district were no longer obtainable in 2010. Ryan was able to provide a revised pro forma income model detailing the property's actual and prospective rents and expenses to indicate a more realistic income market model.

**Results:** Ryan successfully negotiated a reduction in value for the three-year reassessment cycle of nearly \$22 million per year and a tax savings of more than \$975,000 for the client.

### Two-Property Core Campus Portfolio in Texas

**Issue:** The student housing niche became very explosive in this market, and the appraisal district had become very aggressive in its assessments.

**What We Found:** The district was under-applying expense ratios and utilizing cap rates more suited to top-performing, Class A+ conventional multifamily properties.

**Approach and Solution:** Ryan put together a full study on expenses in the market to show the true operating expenses for student housing properties. In addition, Ryan provided documentation showing that the application of conventional multifamily cap rates is generally 50 to 100 basis points lower than student housing properties due to the enhanced risk associated with the property type.

**Results:** Ryan successfully negotiated a reduction in value of \$12.4 million and a tax savings of more than \$333,000 for the client.

### Ryan Property Tax Consulting Services:

- Annual Assessment Reviews
- Asset Price Allocation Reports
- AtlasTax™ Software
- Audit Support
- Business Personal Property Return Preparation
- Litigation and Trial Support
- Management Reports
- Pre-Acquisition Reports
- Property Tax Budgets
- Real and Personal Property Tax Appeal Services
- Tax Bill Processing

### A Few of our Student Housing Clients:

- American Campus Communities
- Aspen Heights
- Campus Advantage
- Campus Crest Communities
- Campus Evolution Villages
- Cardinal Group Investments
- Fountain Residential
- Horizon Realty Advisors
- Pierce Education Properties
- Student Quarters
- The Preiss Company
- The Scion Group
- University House Communities
- Vesper Holdings

All client references used with permission.

### Award-Winning Tax Services

For additional information  
**1.855.RYAN.TAX**  
[ryan.com](http://ryan.com)