



Demands spark student accommodation drive

12 February 2009 18:02

UK – Coral Portfolio and Strutt & Parker Real Estate Financial Services (SPREFS) are launching a student accommodation fund in response to strong market demand.

The Coral Student Portfolio, set to launch on 1 March 2009, will invest primarily in UK schemes but also has scope to consider projects in Western Europe.

John Kennedy, co-fund manager of Coral Student Portfolio, said the firm hopes to raise around £100m (€111m) in its first year, and will then seek target returns of 8-10%.

“The fundamentals of this asset class are still very strong,” said Kennedy.

“Student numbers are increasing, bad debts are low and occupancy rates are high. The volatility of the markets creates the ideal opportunity for this fund and we have been able to formulate a liquidity strategy to meet this immediate market environment,” he added.

The number of students in the UK has increased by 31% in the last 10 years and now stands at 2.2 million. Similarly, occupancy rates are in excess of 95% and there is currently a problem of undersupply, with only 23% of demands for beds being met by university properties.

Philip Ingman, managing director of SPREFS and the fund’s investment adviser, said: “In these market conditions it is common for university and college admissions to increase, largely due to the shrinking employment opportunities. Where there is demand, there is value, and we are confident that this fund will be able to offer investors competitive returns without the volatility of the stock markets.”

The Luxembourg-based fund-of-funds portfolio, which has no minimum investment, is looking to target investors across the board, including pension funds, life funds and financial institutions.

The fund will be managed by John Kennedy, Robert MacDonnell and Lawrence Frampton and will be a sub-fund of the Coral Portfolio SCA-SICAV-SIF. It will carry an annual management charge of 1.5% and will be available through institutional tax wrappers such as life company bond products.

Kennedy helped market the first student accommodation fund in 2000 by Brandeaux, a manager of specialist investment funds for institutional investors.

SPREFS, the property consultancy firm for institutional investors, will be the investment adviser for the fund, providing an allocation and selection strategy for the individual funds.

The Coral Student Portfolio is being marketed around the globe and is said to be attracting high pre-launch investment levels, although the firms have declined to comment on how much.

Meanwhile, the University Partnership Programme (UPP) announced this week that occupancy levels across its portfolio of university partners were over 99%.

Sean O'Shea, Chief Executive of UPP said: "There is increased pressure on universities to market themselves as an investment worthy of students' financial commitment, and top quality accommodation and buildings play a vital role in this.

"Despite the credit crunch, university accommodation remains a stable and attractive investment opportunity, and we remain able to source high levels of funding for our partners," O'Shea added.

The UPP has already invested around £1bn (€1.1bn) and is planning to invest a further £1bn over the next two years, having secured five new university deals.

If you have any comments you would like to add to this or any other story, contact Poppy Sketchley on + 44 (0)20 7261 4629 or email poppy.sketchley@ipe.com

Author: Poppy Sketchley