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THE TAKE

In U.S. College Towns, Vacant Student Housing Poses New Opportunities for Buyers

Student occupancy levels vary market to market

BY MAREESA NICOSIA | ORIGINALLY PUBLISHED ON OCTOBER 16, 2020 | [MANSION GLOBAL](#)



In Boston, available condo inventory priced under \$500,000 shot up 137% in August 2020 compared to August 2019.
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The coronavirus pandemic disrupted back-to-school plans for millions of students this fall, including university students who normally pour into college towns in late August and generate major revenue for landlords who own off-campus housing.

With many colleges switching to remote coursework this semester—and perhaps more students than ever opting to [take a gap year](#)—much of the off-campus housing typically rented or purchased by students and their families is sitting empty. A survey of 1,050 full-time college students by the debt management company Student Loan Hero found that only half of students [planned to return to campus](#) this fall; of them, 34% said they would attend class in-person if given the option, while 16% said they would return to campus but take courses online. Roughly 29% of students plan to study online from home, according to the report, which was published in August.

In the Boston metro area, home to dozens of universities, including Harvard and Northeastern, some student apartments that are usually leased out by May or June for the next semester were still vacant in July, causing landlords to panic and start looking to sell, said Tina Bacci, principal and broker at the RESIS, LLC, a Boston brokerage and real estate analytics firm.

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"Some of the landlords have just thrown up their hands and put it on the market," she said.

With [mortgage interest rates hitting new record lows](#) and low inventory in some markets, the situation is ripe for dealmaking, realtors said. Investors who want to expand their portfolios have multiple opportunities to buy this fall, especially if they're open to depreciated properties that are ready for renovations or teardowns to make way for new construction.

Rastegar Property Company, for example, grew its portfolio of multifamily apartments near the University of Texas at Austin campus five-fold from 2019 to 2020, COO Kim Langers said, acquiring some rundown properties from "mom-and-pop owners" and renovating them. With fewer students in the market, the units are drawing more tenants who are young professionals and who are willing to pay higher rents, she said.

In addition, homebuyers looking to move into typically competitive, affluent markets near university research hubs may find better options now than they could have in the last few months.

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Boston

The city is sometimes called "The Athens of America" in reference to its stature as a center of intellectual and cultural life. While not as ancient as Athens, much of Boston's housing stock is more than 100 years old. And it tends to stay in the same hands for generations, as owners pass revenue-generating rental properties down to their children.

That's part of why units that are popular with students, like one-bedrooms and studios, are usually very hard to find on the sales market for under \$500,000, Ms. Bacci said. But the pandemic has changed that. A dearth of student renters this year is driving some longtime landlords to relinquish properties they've held for years—and which they'd have to spend money on to renovate soon, anyway, she said. In addition, individual landlords with smaller portfolios of luxury condos are trying to cut some fat as they face competition from big-box property owners who can afford to give rent concessions in a down market.

Available condo inventory priced under \$500,000 shot up 137% in August 2020 compared to August 2019, Ms. Bacci said. The increase in that price point is considerably higher than in other segments of the market, according to her analysis. Listings priced \$500,000 to \$1 million were up 62%, while listings over \$1 million increased 48%. (The influx of inventory as summer waned is partially a reflection of the delayed spring market caused by the pandemic.)

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Investors pursuing such deals should know it might be six months before they get a qualified renter, Ms. Bacci warned. Still, she's seeing plenty of purchases move forward because investors—and some primary homebuyers—are eager to take advantage of low interest rates to get into a historically strong market.

"They're saying, 'I can just hold tight for right now because I believe in this market' or 'I believe in this type of inventory product, and it's ultimately going to be worth my while,'" Ms. Bacci said.

Raleigh and Durham, North Carolina

The two North Carolina cities bookend the Research Triangle, a regional home to three major research universities—North Carolina State University, Duke University, and the University of North Carolina at Chapel Hill—as well as tech firms.

Similar to what's happening in Boston, aging housing stock near these campuses—some properties have stood for 125 years— is undergoing a shift that started before the pandemic and has accelerated in the last six months, said Gretchen Coley, a broker with the Coley Group at Allen Tate, based in Raleigh.

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You missed your chance to take home a T. rex.

Christie's sold a nearly complete 67 million-year-old Tyrannosaurus rex skeleton named "Stan" for a hammer price of US\$27.5 million after more than 10 minutes of intense bidding at its live-streamed 20th century evening sale in New York.

The total with fees was nearly \$32 million, nearly four times the US\$8 million pre-sale high estimate.

The anonymous winning bidder was on the phone with James Hyslop, head of Christie's department of scientific instruments, globes, and natural history in London who had been working to bring Stan to the auction block for two years.

The result smashes the US\$8.4 million—with fees—that Sotheby's fetched for a dinosaur named "Sue" in 1997 that carried an estimate of about US\$500,000. The Field Museum in Chicago bought Sue—considered the most complete T. rex skeleton with 250 of 380 known bones—with the help of corporate and private donations.

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"Now that landlords' assets are sitting there empty, they have made conscious decisions over and over to go ahead and sell those assets because they have most likely depreciated the rental asset, but the land has appreciated so much from a market standpoint," she said.

For investors and home builders, the deals to be found in Raleigh and Durham are in subdividing extra-wide lots. That could mean snapping up a fraternity or sorority mansion for \$350,000 or \$400,000, tearing it down, and building two \$1.2 million homes in its stead, Ms. Coley said. Typically, these stately old homes sit on 125-foot parcels, so once subdivided, each new home sits on a roughly 60-foot lot.

North Carolina's strong job market and relatively low cost of living have been [attractive to transplants](#) from places like New York, New Jersey, and Washington, D.C., for years, and that migration has held steady in Raleigh and Durham this year, Ms. Coley said. The biggest problem is lack of housing. Inventory in the Triangle region, which encompasses 16 counties and about 20 colleges and universities, including UNC and Duke, decreased 47% from September 2019 to September 2020, according to a [report by Triangle MLS](#), a service of the Raleigh Regional Association of Realtors. Meanwhile, the number of days properties stayed on the market before a sale dropped 27%, while sales prices have climbed 11%, both indicating high demand in a tight market.

More: [As Winter Approaches, Caribbean Islands May Be a Lure for Both Investors and Second Home Seekers](#)

Seattle, An Outlier

One higher education hub that appears to be an outlier when it comes to deals created by student vacancies is Seattle. Forrest Moody, a listing agent with the real estate brokerage Redfin, said the central Seattle area he concentrates on, between the University of Washington and Seattle University, is home to scores of international students. In order to get student visas when they enroll, their parents purchase townhomes or condos where they either live alone or rent out a second bedroom to a friend.

Mr. Moody believes that many of those students likely did not leave when the virus hit the West Coast, either because international borders soon closed or they decided to ride it out from their private spaces that are walking distance from shops and services.

"If they have a comfortable home that they can live in, do school from, or work from, for the most part," people are staying put, Mr. Moody said.

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On the other hand, there are vacancies and deals to be had in Seattle's luxury condominium sector, but for different reasons. When the pandemic shut down swaths of city life in March, some condo owners started moving to the suburbs, seeking space to spread out for working or schooling remotely. That's opening up opportunities in a housing market where prices skyrocketed 93% from 2012 to 2017 before [finally beginning to cool off](#) in the last couple of years.

Now, the mid- to low-range condos are where investors could find bargains while the market is down and hang onto them until prices rise again.

When Mr. Moody moved to Seattle from Nashville three years ago, he recalled, "you couldn't find a one-bedroom condo for under \$500,000," and most listings had multiple offers over asking price. In contrast, the city had [roughly nine months of condo supply](#) on the market as of August, Seattle Met Magazine reported.

"You can now find condos for \$400,000 when that was never the case before," Mr. Moody said. "Right now if you're a smart investor, you would be buying."

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