THE BRAZILIAN STUDENT HOUSING MARKET
AN EXPLORATORY STUDY

SÃO PAULO
2016
THE BRAZILIAN STUDENT HOUSING MARKET

AN EXPLORATORY STUDY

Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Real Estate & New Markets

Adviser: Prof. Dr. Julia von Maltzan Pacheco

SÃO PAULO
2016
Petri, Ruben.


87f.

Orientador: Julia Alice Sophia von Maltzan Pacheco

Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo.


CDU 332.72(81)
THE BRAZILIAN STUDENT HOUSING MARKET
AN EXPLORATORY STUDY

Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Real Estate & New Markets

Approval Date
22/11/2016

Committee members:
__________________________________________
Prof. Dr. Julia von Maltzan Pacheco

__________________________________________
Prof. Dr. Sergio Goldbaum

__________________________________________
Prof. Dr. Jorge Oliveira Pires
ACKNOWLEDGEMENTS

I would like to thank Prof. Dr. Julia von Maltzan Pacheco for her support and enthusiasm through the writing of this research study at FGV-EAESP. I would also like to express my gratitude to all my professors that have contributed to my development throughout my studies and that have helped me achieve both my academic and professional goals.

Finally, I cannot thank my family and friends enough for their continuous support and contagious thirst for life.

“There was nowhere to go but everywhere” J. Kerouac
ABSTRACT

This research analyzes the emerging and growing student housing market in Brazil with the objective of establishing the market attractiveness and potential for investors and entrepreneurs. Because of the underdeveloped status of research on the student housing market in Brazil, this study offers a broad overview of the sector, from both a demand and supply side. A macroeconomic, social and demographic environmental analysis of Brazil forms the backbone of concrete recommendations for actors in this market. By means of both surveys conducted amongst students and interviews with specialists and actors in the field, a student housing business model is developed presenting key success factors as well as risks and barriers to overcome for the future development of the market. This exploratory research concludes that the Brazilian student housing market offers potential for entrepreneurs that can attract investors, that are aware of an unstable macro-environment, and that can address the fast-paced changes and specificities of this market in the Brazilian context.

Key Words: Student housing, Brazil, Real Estate, Higher Education Institutions, New Markets, Investments
RESUMO

Esta pesquisa analisa o mercado imobiliário estudantil emergente e em crescimento no Brasil. Tem como objetivo de estabelecer a atratividade do mercado e o potencial para investidores e empresários. Devido ao estado limitado das pesquisas sobre o mercado imobiliário estudantil no Brasil, este estudo oferece uma visão ampla do sector. Uma análise ambiental no nível macro-económico, social e demográfico do Brasil constitui a base do desenvolvimento de recomendações concretas para (futuros) atores nesse mercado. Por meio de questionários realizados entre estudantes e entrevistas com especialistas e actores no setor, um modelo de negócios de moradias estudantil é desenvolvido apresentando principais fatores de sucesso, bem como os riscos e as barreiras a superar para o desenvolvimento futuro do mercado. Esta pesquisa exploratória conclui que o mercado imobiliário estudantil brasileiro oferece potencial para os empresários que podem atrair investidores e que são cientes de um ambiente macroeconómico instável e que podem também atender as mudanças velozes e as especificidades deste mercado no contexto brasileiro.

PALAVRAS CHAVE: Moradia Estudantil, Brasil, Sector Imobiliário, Instituições de Ensino Superior, Novos Mercados, Investiment
List of abbreviations and acronyms

ABCT – Austrian Business Cycle Theory
ABECI – Associação Brasileira das Entidades de Crédito Imobiliário e Poupança (Brazilian Association of the Entities for Real Estate Credit and Savings)
ANDIFES – Associação Nacional dos Dirigentes das Instituições Federais de Ensino Superior (National Association of the Managers of Federal Universities)
CPI – Consumer Price Index
FGTS – Fundo de Garantia de Tempo de Serviço (Guarantee Fund for Time of Service)
GDP – Gross Domestic Product
HEI - Higher Education Institution
IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute for Geography and Statistics)
INCC – Índice Nacional de Custo de Construção (National Index of the Cost of Construction)
PNE - Plano Nacional de Educação (National Education Plan)
PPP – Public Private Partnership
SELIC - Sistema Especial de Liquidação e de Custódia (Brazil’s Central Bank overnight interest rate)
SENCE - Secretaria Nacional da Casa do Estudante (National Secretariat for the House of the Student)
List of figures and tables

List of figures

Figure 1 – Brazil’s social layers ........................................................................................................... 21
Figure 2 – Evolution of the number of undergraduate courses in the Brazilian regions (1991-2007) .. 22
Figure 3 – Enrollments, GDP and unemployment .............................................................................. 23
Figure 4 – Brazilian Socio-Economic classification ............................................................................ 24
Figure 5 – University demographics .................................................................................................. 25
Figure 6 – Brazil’s annual GDP growth (%) ......................................................................................... 25
Figure 7 – US Dollar (USD) to Brazilian Real (BRL) ............................................................................ 33
Figure 8 – Variations in Rental and Sales prices ................................................................................ 35
Figure 9 – Comparisons between real estate returns and overnight rate variations ......................... 36
Figure 10 – Construction sector Brazil (1) .......................................................................................... 42
Figure 11 – Construction sector Brazil (2) .......................................................................................... 43
Figure 12 – City dynamics by Urban Sytems ...................................................................................... 58
Figure 13 – Student (left) & family (right) income in Brazil ................................................................. 59
Figure 14 – Social layers based on income in Brazil ........................................................................... 60
Figure 15 – Rent paid (left) and willingness to pay (right) ................................................................. 61
Figure 16 – The Brazilian student housing market – Summary Figure ............................................... 75

List of tables

Table 1 – Student housing preference characteristics ........................................................................... 61
Table 2 – Percentage students reached based on rent paid ................................................................. 69
Table 3 – Barriers to investment ........................................................................................................... 73
# Table of Contents

1. Introduction.................................................................................................................. 11
   1.1 Managerial relevance .................................................................................................. 12
   1.2 Contribution to literature .......................................................................................... 12
   1.3 Research question ...................................................................................................... 13

2. Demand for student housing ....................................................................................... 14
   2.1 Historical overview .................................................................................................. 14
      2.1.1 The concept and social value of student housing .............................................. 14
      2.1.2 History of student housing in Brazil ................................................................. 17
   2.2 A note on the city of São Paulo .................................................................................. 19
   2.3 Demographic analysis ............................................................................................. 20
      2.3.1 Current trends in Brazilian (student) demographics .......................................... 20
      2.3.2 Expectations for the future ............................................................................... 24
   2.4 The psychology of the (Brazilian) student ................................................................. 26
   2.5 Private and public policies supporting students ....................................................... 28

3. The supply side of student housing ............................................................................. 31
   3.1 Main players ............................................................................................................ 31
   3.2 Factors of financing and macroeconomic context ................................................... 32
      3.2.1 Brazilian economy .............................................................................................. 32
      3.2.2 Aspects of sales and rent of the real estate sector in Brazil .................................. 36
      3.2.3 The Brazilian construction industry ................................................................. 41

4. Methodology ................................................................................................................ 45
   4.2 Secondary data ........................................................................................................ 45
   4.3 Primary data ............................................................................................................ 45
      4.3.1 Qualitative analysis – interviews ...................................................................... 45
      4.3.2 Surveys ............................................................................................................. 46
   4.4 Model applied .......................................................................................................... 47

5. Results .......................................................................................................................... 49
   5.1 Actors in the Brazilian housing market ..................................................................... 49
      5.1.1 Corporate housing and investment funds ......................................................... 49
      5.1.2 Republicas ....................................................................................................... 53
      5.1.3 University residences ...................................................................................... 54
      5.1.4 Other actors linked to the student housing market .......................................... 55
   5.2 Consumer market data ............................................................................................ 58
      5.1.1 Demographics .................................................................................................. 58
      5.1.2 Psychographics ............................................................................................... 60

6. Analysis and recommendations .................................................................................... 63
   6.1 Industry analysis ...................................................................................................... 63
      6.1.1 Competition and substitutes ........................................................................... 64
      6.1.2 Exit and entry barriers ...................................................................................... 65
   6.2 PESTEL Analysis ..................................................................................................... 65
   6.3 Key success factors - The Brazilian Student Housing Business Model ..................... 67
      6.3.1 Management ..................................................................................................... 67
      6.3.2 Marketing ......................................................................................................... 67
      6.3.3 Pricing .............................................................................................................. 68
      6.3.4 Target group ................................................................................................... 69
   6.4 Creating value for stakeholders .............................................................................. 70
      6.4.1 Public Private Partnerships ............................................................................. 70
      6.4.2 Attracting investors ......................................................................................... 72
   6.5 Summary figure ........................................................................................................ 74

7. Concluding remarks ...................................................................................................... 76
   7.1 General conclusions ............................................................................................... 76
   7.2 Limitations .............................................................................................................. 77
   7.3 Future research ....................................................................................................... 77

Appendix .......................................................................................................................... 78
   Appendix 1: Survey ...................................................................................................... 78
   Bibliography .................................................................................................................. 81
1. Introduction

The Brazilian student housing market seems to show great potential amidst a growing middle class, a growing student body as well as changing social habits in Latin America’s most populous country. In fact, the amount of students enrolled in university has almost doubled in Brazil between 2003 and 2013. More precisely, undergraduate enrolments passed from 3.9 million to 7.3 million in 10 years (Mercosur, 2013). Furthermore, the middle class represented 50% of Brazil’s population in 2009 (Neri, 2010).

In general, both international and Brazilian researchers have focused on analyzing the benefits and psychological consequences of student housing (e.g. academic performance, drug use…). Nevertheless, little research has focused on the economic potential of this market in Brazil and establishing the perimeters for growth. I want to argue in this paper that the Brazilian student housing market offers great potential for investors. Through this study, I will analyze both national and international (historical) approaches to student housing. Furthermore, I analyze the existing actors and economic potential in the current Brazilian economic context. Also, by means of surveys I will sketch a typical Brazilian student, their characteristics and their needs. Consequently, I develop a Brazilian student-housing model next to analyzing the different actors already present on the market. Finally, I present investors with possible risks of this specific market and put forward essential needs and characteristics of the target customers.

Brazil is an especially interesting country to analyze these dynamics as it has faced several economic setbacks starting from 2008 in the aftermath of the subprime mortgage crisis that have affected the real estate market and consumption levels. Consequently, as Brazil has undergone significant fluctuation as to economic growth and its real estate market, the dynamics that are expected to be analyzed will hold interesting characteristics. Monetary policies, credit rationing and inflation might all have had indirect adverse effects on the development of the student housing market in Brazil. Furthermore, Brazil is known to be the country of inequalities and its society is changing. How does this translate into the housing sector and what policies are in place to enhance housing affordability for students? Also, how is the mentality of the Brazilian student changing? These are all important questions that are yet to be addressed by literature. This research will present the reader with a comprehensive and all-encompassing overview of the emerging Brazilian student housing market.
1.1 Managerial relevance

The managerial relevance of this study extends to a large number of actors. Foremost, this study will focus on informing investors about the real estate market for student housing in the context of the Brazilian economy. Analyzing actors and establishing existing economic and demographic causalities will allow investors to more efficiently allocate their portfolio, reduce their risks and, more generally, take advantage of an emerging sector in Brazil. Also, this research could be relevant for municipalities when developing their housing policies too. For example, they can forecast possible gaps in the student housing market and act accordingly. As a side effect, this could boost the construction and real estate sector, as well as economic growth. Moreover, urban developments can be further enhanced by the development of the sector. In fact, positive relationships between student housing and urban developments have been analyzed internationally. For example, neighborhoods can profit from a student body that counter pauperization and boost local markets as well (Macintyre (2003). In Brazil, this is of particular value as its cities are going through urban transition phases.

Furthermore, the link between students living outside their family home has been proven to have a (mostly) positive impact on their academic performance, health and personal development (Garrido and Mercuri, 2013). More generally, social development and higher productivity seem to be the main results of student housing. Being able to assess the potential of the student housing market in Brazil will allow policy makers to support the development of this market to boost the quality of education, social welfare and long term economic growth nationwide. Policy makers should focus on the development hereof, also to address the large educational deficit Brazil is actually coping with (Da Silva, 2015). Among others, Coelho (2012) researched that the main reason for college dropouts is a lack of financial means, of which the costs of student housing is often an important part.

1.2 Contribution to literature

Literature of the Brazilian student housing market is very rare and as previously mentioned does not have an economic starting point. I will develop an overview of the existing student housing market in Brazil and establish the perimeters for growth and development. Economic, social, urban and demographic aspects will be addressed throughout the study, sourcing from both quantitative and qualitative aspects. Furthermore, concrete recommendations for growth will be presented.
The scarceness of the available documents and research shows the importance of the topic in Brazil (Zancul & Fabrício, 2008). Also, Garrido (2013) remembers the lack of attention that has been given in the Brazilian literature to the concept and objectives of student housing. This encompasses the clear understanding of the market environment, its actors and policies in place but also analyzing growth opportunities.

1.3 Research question

The objectives of this thesis are two-fold. As mentioned above, this research firstly aims to portray the current status of the Brazilian student housing market. This comprises establishing the scope of the market and all aspects that currently characterize the market in Brazil. Among others, this includes performing an in-depth analysis of the different types of actors on the market next to analyzing the development of the market up to date. Above this, a look at the (historical) demographics of the student body should provide additional insights into a changing Brazilian student mentality. Finally, this first objective also includes an exploration of the possible links between the Brazilian real estate and the student housing market. This will then allow the presentation of founded recommendations and an exploration of the future viability of the development of this sector in the coming decades.

By attaining this first objective, the basis will be laid for the development of the second objective. This entails estimating the potential of the market for entrepreneurs, investors and other stakeholders. To this end, growth opportunities will be elucidated next to analyzing the existing risks of the market. Moreover, the general actors and value of the market will be described. Finally, an analysis of questionnaires with students will allow for a further comprehension of their needs and how student housing is perceived. Based on the data collected, concrete recommendations will be made covering the different topics that impact the student housing market. This analysis will benefit students, actors and future investors in the market.

These two objectives should respond to the following general research question; What characterizes the student housing market in Brazil and what opportunities exist for investors in the future? However broad (both in time and scope of topics covered), taking into account the under-developed status of the literature on the Brazilian student housing market, this research will allow the presentation of a coherent overview of the market and can be a starting-point for more specific research studies.
2. Demand for student housing

To fully understand the context of student housing in Brazil, light will be firstly shed on specific aspects related to the demand side of the student-housing sector. In this first part, light will be shed on the origins of student housing, its (historical) concept and how it has evolved both internationally and in Brazil. The advantages of student housing analyzed throughout literature will also be highlighted. The second part will be a short note on the status of the old city center of São Paulo. The analysis of the development of this city should give additional insights and opportunities for the student housing market. São Paulo will remain the focus market throughout this exploratory research. The second part will dive into a preliminary analysis of the demographics of the Brazilian student body. Afterwards, a closer look will be held on psychographics characteristics as well as an analysis of the public policies and available funding for students in Brazil. This background analysis will provide the backbone to understand the demand side of student housing market and will be compared to the extracted information of the primary data collected later on.

2.1 Historical overview

In this part the evolution of growth and demand of the student housing market will be clarified both on an international and national level. It will also become clearer what differences in demand exist engendered by societal developments, the former also being triggered by the presence of universities.

2.1.1 The concept and social value of student housing

The origin of student housing is said to date back to 969AD in Egypt with the creation of the Al-Azhar religious school (Hassanain, 2008). Zahran (1972; as quoted by Hassanain) goes as far as to include students living together as an inherent part of university life. He defined universities as “a society of individuals living and working together for the advancement of learning and the dissemination of knowledge”. Goettems (2012, pp. 36) establishes the importance of student housing to the extent that it should enhance the “development of cooperation, security, responsible citizenship, intellectual stimulation and inspiration”. The actual improvements of these positive character traits have been proven on both a Brazilian as international level. For example, Garrido and Mercuri (2013) find positive correlation between students living in student housing and academic performance, identity building, tolerance and social inclusion, among others. Goettems (2012) links student housing to improvements in levels of cooperation, intellectual stimulation and security. However, he
also found that student housing can also be a source of distress and depression. Nevertheless, generally, the benefits of student housing seem to be manifold and invaluable for the development of any society.

The design of student housing is another complex theme that has been addressed by international researchers. Accordingly, Goettems (2012) shows the complex approach of students to “territories” inside buildings that has to be taken into account when designing student housing. Aspects such as values, behavior and age for example would generate different levels of feelings and needs of privacy. This point has been proven again by Clapham (2005, pp. 34). He refers to the term of housing pathways that refers to “the social practices of a household relating to housing over time and space”. He stresses the importance of personalities, social circumstances and, more importantly, the temporariness of housing for students, affecting the way student housing is experienced. Wilcox and Holahan (1976) have also put forward the complex interaction between students and the place they lived in, stressing the importance of matching culture, values and objectives with the design of student housing buildings. They found that students living in low-rise student complexes will be more involved, supportive, organized but less independent than those living in high-rise complexes. However, the opposite was true when the same students were asked about their perception of innovation. Thomsen (2007) then established the importance of individual choice and personalization in student housing that should circumvent institutional connotations. She found that architectural features had an impact on the feeling of homeliness and levels of self-identity.

This complexity seems to be even more accentuated when comparing literature on an international level. Hassanain (2008) identified several important characteristics of student housing in Saudi Arabia. The most important characteristic measured was thermal comfort referring to student’s satisfaction with the temperature. Support services (showers, laundry…) and proximity to campus were identified as being second to most important features of student housing. Still, research on these conclusions remains diverse. For example, when analyzing student housing in Trondheim, Norway, Thomsen and Eikemo (2010) found that tenancy, quality of housing characteristics and location were the most important factors for students. Support services proved to be of less significance for students. Thomsen and Eikemo (2010) found, as such, that students in Norway highly valued intangible characteristics (e.g. location, size). This shows again that preferences might vary across locations and cultures.
In contrast, in their research, Rugg et al. (2000, pp. 23) linked the student housing market in the United Kingdom to four more “qualitative” factors: “intensive concentration of services, flexibility in property type, intervention by Higher Education Institutions (HEIs) and landlords marketing exclusively to students”. They concluded that the first factor (the intensive concentration of services), was essential for investors to take into account. Above this, intervention and assistance by HEIs was further perceived as a valuable asset for students when it comes to student housing.

Rugg et al. (2000) also distinguished the type of property owners into traditional landlords and entrepreneurial landlords. The former refers to landlords owning one property (a small-scale operation) and being active for quite some time in the market. The latter refers to property owners operating in different locations and profiting from their track record as well as a growing student body. They further acknowledged the difficulty for students to find housing on the private market, which is linked to the need for stable guarantees but also for landlords that prefer to rent out to (more reliable) employed long term renters.

Still, other type of landlords have not been categorized by Rugg et al. (2002). In fact, university residences have been disregarded. What is more, the importance of the link between student housing and universities seems to have been undervalued by international literature. Still, Thomsen and Eikemo (2010) found that students were more satisfied renting from institutionally provided housing. Above this, Da Silva (2014) found that in 60% of the cases, public universities will have an important territorial influence. This also extends to influences on the development of infrastructure (including real estate), culture and urban mobility. Furthermore, in 40% of the cases, universities will have a positive effect on the development of commerce in the region. This relationship will be even truer on the urban scales of large cities, such as the metropolis of São Paulo where the mere size can be an even bigger “source of economic growth and improved living standards” (Quigley 1998, pp. 12).

Acknowledging the urban role and influence of universities, student housing can become part of municipal plans to regenerate neighborhoods by being included in the mix of commercial and residential areas, as will be touched upon later on in the context of the municipality of São Paulo. Macintyre (2003, pp. 117) qualifies this aspect as being able to add “to [the] potential utility” of student housing. He further argues that student housing has a positive impact on the development of commercial activities, local services and infrastructures. As such, student housing would have the “capacity to contribute to the processes of urban
regeneration” (Macintyre, 2003, pp. 112). He explains that this can extend to both cultural and social dynamics. However, results on positive effects of student housing in an urban context remain diverse. In fact Macintyre also puts into perspective the fact that student housing can lead to increased levels of fear, social erosion and higher economic costs (insurance costs, decreasing house values). Generally, he mentions that there is not one model fitting all universities. Through this, Macintyre also refers to financial means; a particularly important factor in the context of Brazilian HEIs. Furthermore, Rugg et al. (2000) acknowledges the crowding out of low-income families that face competition from students when searching for housing. Furthermore, he states that student housing would change the character and local amenities of the region. Consequently, it could be argued that student housing can have a positive effect on less safe areas in contrast to neighborhoods where families are already established.

Another important actor in the student housing market that should be mentioned are private developers which sometimes also manage student housing. Macintyre (2003) in fact shows the growing importance of private developers that are contracted by universities as financial aid from governments is decreasing. These developments result into a type of win-win situation. On the one hand, private developers profit from new income streams stemming from the development of the student housing sector. On the other hand, universities will still be able to provide their students with housing facilities (of which a shortage often exists) at low investment costs, as the buildings remain the property of the developers themselves.

2.1.2 History of student housing in Brazil
Brazil has had a late start when it comes to the creation of universities compared to its Latin American counterparts (Goettems, 2012). It is only in 1920 that the University of Brazil was founded in Rio de Janeiro, also known as the Federal University of Rio de Janeiro (Filho, 2008). Smaller cities with an important historical heritage have traditionally attracted the creation of more universities (Machado, 2007). Looking on an international level this has been true in Oxford, Cambridge, Salamanca, Coimbra, etc. This has also been in the case in Brazil. An icon in Brazil hereof today is the small city of Ouro Preto in the state of Minas Gerais. In the past, the metropolis of São Paulo had also been chosen to be developed as a university city before it boomed with the coffee culture plantations. In fact, the first Brazilian law university was created in São Paulo. Several factors explain the location of universities and students in the country. Da Silva (2014) identified that physical, demographic, economic and social/educational factors have direct impact on the development of universities and
attraction of students. Throughout these Brazilian university cities, the first student housings were located in monasteries. From then on, the first houses grouping several students together (or “republicas” named after their Portuguese counterparts with a political character) established themselves as student housing. These were highly organized; leaders were democratically selected and statutes strictly applied (Machado, 2007).

With the arrival of the dictator Getulio Varagas in 1930, social policies for students were, for the first time, being put into place. One year earlier, in 1929, the creation of the House of the Brazilian Student (Casa do Estudante do Brasil) in Rio de Janeiro truly marked the beginning hereof. This was followed by the creation of the UNE (National Union of Students) in 1937 (de Moares Gomes, et al.) that even today focuses on ameliorating the conditions of students nationwide. Still, it is only after the military coup in 1964 that universities themselves started to focus on student housing. In fact, before that, the dictatorship regime impeded the development of student housing to limit organized protests (mostly originating from within universities). Additionally, after the coup in the 1960s, lower social classes finally gained access to higher education in Brazil; a part of the population more in need of the development of student housing. Silva and Costa (2012) explain that, after the student claims in the 70s, student housing assistance was incorporated into public universities’ aid schemes. Nevertheless, the amount of university residences still doesn’t meet demand today. The 90s were marked by cuts (which largely affected aids for students attending federal universities) to counter the national deficit during the government of Fernando Henrique Cardoso (1995-2003).

To further illustrate the evolution and current status of student housing in Brazil, Goettems (2012) more specifically analyzed the case of the Federal University of Santa Catarina, a big public university in the southern part of Brazil. In 1965, the university opened the doors to a small-scale student dorm for males. Even if considerable measures were taken since then, the shortage that existed then remains nowadays. In fact, a research of 2010 of the SEPLAN (Secretary for Planning and Finances) shows that there was only housing available for 1% of undergraduate students enrolled at the Federal University of Santa Catarina in 2010. It should be noted that users of these student residences provided by the University mostly hosted students coming from a background with financial necessities. In Santa Catarina, these housing facilities have been hosting, on average, three students per room. This is also often the case on a national level as well.
As shown above, the student housing market in Brazil has not been able to fully develop itself throughout the country to become a mature and institutionalized market. Student housing is far from being common in Brazil and has largely been subject to the development of an informal market because of a lack of (public) student residences.

2.2 A note on the city of São Paulo

A potential and important growth market in Brazil is the city of São Paulo. The city of São Paulo is measured to hold almost 12 million inhabitants in 2015, a growth of 6.4% compared to the year 2010. The metropolitan area counts over 39 municipalities and has an estimated population of over 20 million. Around 43% of the city’s population is between 15 and 39 years old and over 640 thousand students (INEP, 2012) are enrolled in higher education institutions (HEI). What is more, the municipality represented 11.5% of the country’s GDP in 2011. The financial and economic importance of the city throughout the country as well as its scope is valuable to understand the potential and characteristics of the metropolis of São Paulo for the student housing market. Above this, it could potentially boost this asset class.

São Paulo has gone through different phases of development. After a “hygienist” phase to combat de-urbanization at the end of the 19th century, the city turned its focus to the development of universities, meliorated sanitation and technological infrastructure (Rial, 2014). Nevertheless, the real estate market in São Paulo has not been controlled and has grown accordingly. São Paulo became a typical example of an urban sprawl where large real estate investors developed the municipalities real estate based on speculation.

Today, Torres and Aparica (2007) show that the São Paulo suburbs are growing fast but that these areas are considered poorest. These social and urban processes can lead to “alienation of suburbs” (Rial, 2014, p. 73). What is more, central parts of the city in which has been most invested in the past decades (e.g. the development of office and retail offices) are currently seeing a decrease in population (Torres and Aparica, 2007). Although this study dates back to 2007, it shows the transformation of central regions into purely business areas with a migration of the population to the outskirts of the city. Furthermore, in São Paulo, through the same dynamics as mentioned above, the historical center that was once the business district of the city was emptied from its population in favor of the development of offices and retail spaces. However, through urban developments, offices moved 2 kilometers southwest emptying the historical center from most types of urban life. The historical city center was transformed into a place of social segregation, crime and vacancies (Rial, 2014).
In past years, however, as has been the case a few decades ago in Europe, the municipality of São Paulo is focusing back again on the development of these historical areas of the city. Planners aim to integrate the local economy with the local territory through programs enhancing the revitalization of the historical city center. Examples are “Projeto Nova Luz” or “Viva o Centro”. These also aim at the gentrification process and upscaling of the city centre. This process can be further enhanced through the development of student housing. In fact, the lower priced real estate will attract these students to these parts of town and enhance the dynamism of these regions. (Old) city centers can then become favorable regions for the development of student housing as has been the case in the development of British cities (Chatterton, 2010).

Consequently, student housing as well as the creation of universities can be an extremely valuable source for urban developments, notably, historical city centers. More precisely, urban spaces, markets and social actors can then be integrated through the elaboration of these types of strategies by means of an efficient use of economic resources (Alves, 2014). Keeping in mind the scale of the city of São Paulo, such strategies that include student housing can benefit all stakeholders involved (municipalities, inhabitants, students and investors alike). The value of a city of a scale such as São Paulo will remain present throughout this study.

2.3 Demographic analysis

In this second part, general Brazilian demographics will be analyzed, as well as the student body of the country itself to facilitate the understanding of the target market for student housing.

2.3.1 Current trends in Brazilian (student) demographics

Having grown by approximately 5% between 2006 and 2013, Brazil’s population has surpassed the 200 million cap in 2013. This makes Brazil the fifth most populous country in the world. The decrease of the infant mortality rate by over 46% between 2001 and 2013 also contributed to this growth (World Bank).

Urbanization in Brazil passed from 26.4% in 1940 to 84.2% in 2010. Fortunately, the last decade has allowed Brazil to increase its middle class through strong social actions put into place by the government of Lula (2003-2010). As shown by the figure 1 below, the middle class (color code C based on the IBGE socio-economic classification further explained below) had grown from 38% of the population to 50% between 2003 and 2009. However,
this growth has been brutally tightened in past years. The 1% richest have actually seen their income increase by 1.6% between 2006 and 2012 (Medeiros and Souza, 2016).

The 1% richest have actually seen their income increase by 1.6% between 2006 and 2012 (Medeiros and Souza, 2016). The growth of the middle class has most probably fueled the growth of the student body in recent years especially. Still, the boom of enrollment in HEIs in Brazil already took off in the 60s with an increase of 700%(!) in 20 years (Traina-Chacon and Calderón, 2015). What is more, Macedo and Numes de Moares (2012) establish that from 1995 onwards, HEIs have become accessible for a large part of Brazilian society. Still, Brazil is far from reaching the 30% enrolments objective of the population in the age range of 18-24 as defined by the PNE (Brazilian National Education Plan).

Looking at the share of male and females, we can safely say that these have grown equally. Still, it should be mentioned that the amount of females were in majority representing 56% of the student body in 2013. The average age of students enrolled in HEIs is of 21 years (Ministerio da Educacão, 2011) and around 10% of students are also pursuing an internship in Brazil, receiving an average remuneration of R$ 969.83 in 2014 (Abres, 2014). In 2010, the IBGE measures that 12.2% of the total Brazilian population was living alone and 8.8% were living in households with six or more residents. Data of the municipality of São Paulo however shows that around 15% of inhabitants of the municipality of São Paulo lived in households that surpass a headcount of six persons (Prefeitura São Paulo, 2010).

The percentage of students taking online courses passed from 1.3% in 2003 to 15.8% in 2013. Still, this increase did conversely not contribute to a decrease in courses with mandatory attendance, hence not negatively affecting demand for student housing. The PROUNI

---

**Figure 1 – Brazil's social layers**

*Source: Neri (2010)*

The growth of the middle class has most probably fueled the growth of the student body in recent years especially. Still, the boom of enrollment in HEIs in Brazil already took off in the 60s with an increase of 700%(!) in 20 years (Traina-Chacon and Calderón, 2015). What is more, Macedo and Numes de Moares (2012) establish that from 1995 onwards, HEIs have become accessible for a large part of Brazilian society. Still, Brazil is far from reaching the 30% enrolments objective of the population in the age range of 18-24 as defined by the PNE (Brazilian National Education Plan).
program (University for all) has also fueled the growth online courses from 2000 onwards (Izumi, 2013). Furthermore, we can observe that the division of students attending private and public universities has mostly remained the same over the last years. Around 28% of the students attend public universities compared to 72% attending private institutions. Even though the private universities cater to the largest part of Brazilian students, the private education sector only boomed from 1995 onwards. Today we can observe a small proportional growth of the number of enrollments in public institutions. Looking at the growth of the undergraduate courses, we can see that the economically dynamic southeastern region has particularly fueled the growth of HEIs throughout the country (Figure 2 below).

![Figure 2 – Evolution of the number of undergraduate courses in the Brazilian regions (1991-2007)](source: Brazilian Ministry of Education)

Also looking at the largest city in Brazil, in the southeastern part of the country, the 2012 educational census of the INEP counted over 640 thousand students enrolled in universities in the municipality of São Paulo. Of this amount, 83% was registered as an undergraduate student. This results in around 5% of the total population in São Paulo being actually enrolled in HEIs. This stands in contrast to 11.8% of the population in São Paulo being in the age range from 18-24 years old showing gigantic potential.

Still, several factors can have an impact on the growth or decrease of a student body. In fact, Long (2013) found that student enrollments tend to decrease proportionally during times of economic downturns. Da Silva (2014) also showed that changes in the HDI index, GDP and growth of enrollments are correlated with the creation of universities. This can be verified in Brazil as well by looking at the figure 3 below, especially during the short contraction of the economy in 2009. In fact, trends of changes in the growth of GDP fluctuated in opposite direction than changes in levels of enrollments in HEIs. Regardless of a decrease of
enrollment rates compared to 2010, in absolute numbers, student enrollments have increased up to date. When establishing projections of the target base for the student market, changes in GDP growth can consequently be said to hold some predictive value for growth in the changes of enrollments in HEIs. However, turning to employment, a relationship can only be found in the period around 2009, in the aftermath of the economic crisis, therefore not holding much predictive value. Still, longer periods should be analyzed to confirm these movements.

![Figure 3 – Enrollments, GDP and unemployment](source: Brazilian Ministry of Education, World Bank)

Elaborating on factors of student body growth, societal habits and purchasing power should also be taken into account. (De Souza, 2010) referred to a study of FONAPRACE (2007) showing that over 30% of students leave their family home to enter university with, however, different levels of purchasing power. It is common to divide Brazilian society in five layers of socio-economic status based on which multiple of minimum salary their families receive. These layers range from A (highest) to E (lowest) as depicted below. It should be said that conventions change according to the source with regard to the specific levels of family income.

Women, whites and individuals from higher socio-economic classes have increasingly been able to complete higher education programs compared to other minorities. In fact, 33.9% of students aged between 25 and 29 of the class A socio-economic classification finished their higher education degree compared to only 1.2% of the E socio-economic classification in 2013 that finished their higher education degree (classification as portrayed in figure 4).
The same study of FONAPRACE (2007) found that only 12% of the students pertaining to C, D or E social categories live outside their family home. This directly links to the complicated bifurcation between right to housing and right to education, which should come hand in hand for students. As such, only 2.7% of individuals between 25 and 34 from the E social-economic classification attended or finished their higher education compared to 49% of the A category (Mercadante, 2012). Consequently, the largest amounts of students are coming from higher social categories with higher levels of purchasing power and, would, consequently be more prone to look for student housing.

2.3.2 Expectations for the future

From the demographic trends analyzed above, several expectations for the future can be pointed out.

The large consumer base that exists because of the size of its population remains a shield to global economic storms. However, Brazil’s population is aging quickly. In fact, the part of the population of 65 and over is expected to have grown to 27% by 2060 compared to the figure of 6% in 2000 (IBGE, 2016). In contrast, the part of the population between 15 and 29 is projected to pass from 28% in 2000 to 15% in 2060. Still, in 2010, potential students in the age range between 20 and 24 years represented 4.5% of the population according to the IBGE. Consequently, student housing companies could potentially target almost 9 million individuals today.

More specifically, looking at the figures, even though the 30% enrollments (as set by the PNE) aren’t reached yet, the boom in higher education remains flagrant. The amount of students has grown by 172% in 10 years (2003-2013), passing from almost 4 million to 7.3

Figure 4 – Brazilian Socio-Economic classification

*Created by author in June 2016 based on data from SAE Brasil*
million students. This amounts to around 4% of the entire Brazilian population being enrolled in a HEI in 2013. What is more, that year, the government planned the creation of 27 new university campuses in 27 different municipalities across the country showing the future growth of HEIs and the student body in the near future (da Silva, 2014). This consistent growth offers a platform for the development of student housing.

Having seen it’s purchasing power previously increase, the middle class currently faces decreases in income again, next to high levels of inflation (9% in 2015 according to the World Bank). This turned around the growth pattern previously established. The purchasing power parity has decreased for the first time in 2015 by 3% compared to 2014 since 1990 (World Bank). Ribeiro de Carvalho (2016) particularly argues in favor of reducing inequalities to enhance socio-economic dynamics. Student housing could, in fact, be used as a part of meliorating income and urban distribution, as has been discussed previously. Generally, the contraction of the middle class has been accompanied by many challenges but it is unclear what these effects might have on the student housing sector. Yet, Brazilians families were able to considerably improve their standards of living before 2015. As mentioned above, GDP should be monitored to observe possible shifts in student enrollment.

Turning now to the expected habits and specific demographics of students, the following should be mentioned. Studies of IPEA conducted by Costa (2015) over the years 2006-2013 found that young students are spending more years studying. In fact, this is explained by the fact that there has been a decrease of 6.4% the number of job seekers between 2006 and 2013. In other words, there has been an exit of young individuals between 15 and 17 years from the labor market traded for the pursuit of better education. The positive effects of
students spending more years studying and actually finishing their education is reflected in increases of wages and decreases in levels of job informality. Corseuil and France (2015) drew similar conclusions as Costa. Like Costa, they found that benefits and quality of employment has strongly improved for the youth. Still, they found that inequalities remain important in HEIs.

Consequently we should be aware of the strong inequalities that exist amongst students and that economic factors can influence demand for student housing. However, future growth will most likely come for Southeast Brazil, especially the city of São Paulo as shown above. Today we can observe a small proportional growth of the number of enrollments in public institutions. It should further be pointed out that future students will most probably come from higher socio-economic categories, be white and female. These groups will be more enticed by international models of student housing.

2.4 The psychology of the (Brazilian) student

Having analyzed specific demographics of the scope of the Brazilian student body it will now be interesting to turn to a psychographic analysis of the mentality of students.

Jeanine (1997, p.1) states that “… students adopt a “student mentality”, a certain mode of consciousness or perspective in making sense of their perceptions and interpretations…” This student mentality would then be reproduced throughout the social knowledge networks of students and their quest for autonomy throughout their student life. It then becomes essential to understand how students act, think and view society as well as organizations to establish the ways student housing should be approached. What is more, the social value and success of student housing will be defined by how entrepreneurs can link this mentality to the development of their student housing business models. As such, already at high school a sense of belonging and community has proven to be most important for student’s efficiency and well-being (Walker and Greene, 2009). Polydoro et al. (2001) found that commitment to the course and the faculty, as well as family support to be the most important factor for levels of integration.

Lambert (1972) analyzed the generational gaps that were present in the 60s. He showed that during the age range of 18-26, generations alter societies and develop a political conscience. He states that every generation is marked by its own advances and history (e.g. industrialization, wars, television…). The 60s, for example, would have been characterized by mass education and political imperialism causing a significant generational gap with their
offspring. It could be argued that the current (Brazilian) students of the 21\textsuperscript{st} century are marked by “hyper-connectivity”. Cheong et al. (2016) analyzed students’ hyper connectivity in more detail. This hyper-connectivity would boost multitasking, time for task completion and material comprehension. However, distraction is a general challenge that has been linked to this phenomenon as well. Furthermore, this hyper-connectivity would define how students interact with peers and would define their lifestyles. Above this, it would also allow students to be more informed about global matters and habits and encourage fast-paced communication. Consequently, Brazilian students can develop an understanding and compare their student lifestyle to the student housing habits that have nowadays been established globally. This hyper-connectivity could lead to the desire of adopting these international standards of student housing. Levitt (1993, p. 307) explains this general globalized phenomenon as a “converging commonality” that is triggered by technology. Still, local specificities affected by economic, political and social contexts should definitely not be disregarded when customizing business and models to local markets (Baalbaki and Malhotra, 1993). This should also be taken into account for student housing that will be developed within the context of the Brazilian market.

In 2013, students that worked next to their studies did so for an average of 36 hours (men) and 35 hours per week (women). This is a small decrease of about an hour per week compared to 2006. Students from higher social-economical classifications worked on average more hours than their peers. Generally, more and more students are combining studies and professional experiences. Even though this might result in high pressure levels, this shows that the Brazilian student is determined to be able to combine work, study and family life.
Taking into account that these students are then generating an income and gaining more independence from their families, they might decide to redirect these financial resources to student housing.

Even more so than a trend for students, Brazilians seem to be looking more and more to live alone. According to the IBGE 11% of 54.6 million housing units analyzed were occupied by only one person (Cardoso & Borges, 2016). What is more, a study of the Caixa Economica Federal showed that in 2003, 36% of the total houses units financed by the bank were young professionals under 30 (Cardoso & Borges, 2016).

A quintessential distinction is to be made between young professionals and graduate students. In fact, the increasing independence that has been established above has had an impact on one-bedroom housing demand by young professionals throughout the country and especially the city of São Paulo. Young professionals will have more available funds and will rent for longer periods of time compared to students. Yet, both groups seem to be increasingly on the lookout for the same type of housing creating additional value for the student housing sector overall.

### 2.5 Private and public policies supporting students

In this next part, policies and institutions that are in place will be elucidated to support students throughout their studies.

The Fies (Financial Fund for Students in Higher Education) provides loans for students with low incomes and that meet the criteria of the Ministry of Education to receive these types of funds (e.g. attending at least 5 hours of classes a day). This ministry has also launched a new funds program in 2013 namely the Programa Bolsa Permanência for students at federal universities coming from families with incomes lower than 1.5 times the minimum wage. These students receive R$ 400 per month and native Brazilians up to R$ 900 (Portal Brasil, 2013). The program had as main aim to reduce dropouts due to lack of financial means. It is unclear what the costs of this beneficial program for students will be for the government. The most important support program, however, is PROUNI (Support program to development and restructuring plans of Federal Universities). In 2004, the government of President Lula developed the above-mentioned program PROUNI (also called University for all) which put in place scholarships for students specializing in particular courses. The program is said to have helped over 863 thousand students between 2005 and 2010, of which 70% with full scholarships. Traina-Chacon and Calderón (2015) established that the program was the
source of 47% of the growth of the student body in Brazil, helping mostly low-income students.

Other important programs such as the RUA (University Residences) and student housing scholarships allow access to public universities for students coming from families with lesser financial means. In fact, public universities in Brazil are obliged by law (Nº 9.394 of 20/12/1996) to provide students with low incomes with either financial aid or housing upon admittance to the university (through state subsidies). For example, the Federal University of São Paulo (UNIFESP) would provide students with R$ 373, R$ 213 and R$ 160 monthly for respectively, housing, food and transportation costs. These amounts are determined through socio-economic criteria (UNIFESP, 2016).

Nevertheless, only a few actors have acted in favor of the development of the student housing directly. One of them is the SENCE (National Secretary for student housing) which was created in 1987 and which lobbies in favor of student rights and student housing. FONAPRACE (National Forum of Deans for Communal and Student Affairs) is another powerful organization. They militated in favor of a national student housing policies, by means of both research and the organization of events. As such, one of the researches developed in 1969 showed that 65% of the students needed some type of institutional assistance to be able to finish their university courses (Neto, 2008). This research formed the basis for the National Assistance Plan (PNA). Both actors acknowledged the difficult development of public student housing in Brazil and that many steps still had to be taken in this regard. Unfortunately, no recent research has been published on the evolution of the needs of students for institutional assistance.

It can be understood that several solid scholarships are in place supporting students throughout their education but that student housing has not been addressed to the same extent. These policies and institutions seem not to have been able to cover the (housing) needs of all students across the country, as stated by SENCE and FONAPRACE. What is more, practically no funds have been made available to develop or encourage the creation of student housing.

Important to still remember is the reliance of the education sector on public funds and help. This has been proven repeatedly through the fact that the educational sector is, in general, more vulnerable to government cuts as had been the case in Brazil in the 90s (Silva and Costa, 2012). What is more, as a result of the discovery of the pré-salt oil fields, Dilma
budgeted R$6 billion for the education sector for 2015 that would come from royalties. Only R$ 872.5 million would have been actually spent by the federal government (Adamo, 2016). Investments were stalled by a slowed economy, decrease in oil prices as well as the Petrobras scandal. This has harmed the much awaited melioration of education.

Future investors should be aware of the current funds and policies in place supporting students throughout their studies and that these are underdeveloped when referring to student housing. Nevertheless, they should remember that government aid and policies could be very beneficial for the future development of the student housing market.
3. The supply side of student housing

Having previously analyzed the demand side of student housing it is logical to follow with the supply side of this market. To this end, a presentation of the main actors (or suppliers) on this market will be firstly presented. Next, a thorough analysis of the economic and financial dynamics that have direct effect on the supply side of the development of student housing will be shown. This part comprises a macroeconomic analysis followed by an analysis of both sales and rental aspects of the well-being of the real estate sector. An exploration of the current status of the construction industry is included as well.

3.1 Main players

Several actors can be distinguished active in the student housing market. As mentioned earlier Rugg et al. (2000), distinguished the market between traditional landlords and entrepreneurial landlords. The former refer to small entrepreneurs exploiting one property and the latter to real entrepreneurs that are trying to scale their student housing business. However, next to being simplified this distinction does not take into account the actual actors on the market. A more reliable distinction can be found in a study of the SENCE (Moares Gomes, et al.). They divided the market into three actors based on current developments in Brazil but more specifically in the city of São Paulo. They found that corporate housing, small entrepreneurs (or traditional landlords as posed by Rugg et al., 2000) as well as public university residences were the main actors on the market. Research showed that the SENCE distinction seemed of actuality in the context of Brazil.

Student residences are most probably the first type of actor that comes to mind when thinking of student housing. As previous parts of this study have shown, student residences in Brazil exist but are not present on a large scale. Furthermore, quality and safety within these residences seem to be more and more of an issue. As this actor is highly dependent on public funding, it is unclear of the future value and development of this actor in Brazil, taking into account a public deficit.

Republicas refer to small individual entrepreneurs/operators that own or sublet apartments and/or houses. Some of them might exploit several properties but actors will mostly have one property to rent out, which they own. As there are signs of a developing student housing market, it can be expected that more and more of this type of actors will appear on the market.
Corporate housing and investments funds have been investing on the largest scale of all actors in Brazil and especially in São Paulo. They develop housing blocks with varying sizes of apartments and offer a variety of services, often through a pay-per-use business model. This type of actor will be the main focus of our study assuming that investing on a large scale in this sector will generate high returns by means of the development of a solid business model.

More specific information on the above-mentioned suppliers of student housing will be found in the fifth part of this study. The next part will give a clearer overview of the important factors and trends that influence the actors and their choices in being active in the student housing market. These are the state of the economy, real estate (rental and sales) and other growth segments as well as the construction industry.

3.2 Factors of financing and macroeconomic context

Generally the health of the sector will be dependent on the well-being of the Brazilian economy, existing infrastructure and evolution of both rental and sales. To this end, three intertwined aspects of Brazil’s larger economic context will be analyzed in this part explaining both the status and risks of the country’s economy. The first part will sketch the evolution of Brazil’s economy for the last decade. The second part will give a clearer overview of the current situation of the real estate sector and how it has developed. Both rental and sales will be separately addressed in this part. As a last step, and directly related to the former two, the Brazilian construction sector will be analyzed. These three points will clarify the economic and financial impacts that could and currently affect the student housing market.

3.2.1 Brazilian economy

Brazil is currently the largest economy in South America with a GDP of US$ 1.77 trillion in 2015 making it the ninth largest economy in the world (IMF, 2015). From the year 2003 onwards, World Bank’s data shows that the country’s GDP grew every year up to 2008. The international belief in the economic potential of emerging markets such as the BRICS (Brazil, Russia, China, India, South Africa) were accompanied by the growth levels observed in Brazil in the first decade of the millennium. However, the country’s growth has proven unstable from then onwards. In 2009 due to the financial crisis 2008/2009, Brazil experienced a small contraction of 0.1%. The country’s economy recuperated from this small and short-lived slowdown with an impressive 7.5% growth in the following year 2010 and returned to
pre-crisis levels of growth for the next three years. Nevertheless, the country hit negative numbers again from 2014 onwards resulting in a contraction of 3.8% in 2015, which pulled Brazil into an economic recession (World Bank). This evolution can be found in figure 6 below.

![Figure 6](image)

**Figure 6** – Brazil’s annual GDP growth (%)

*Source: World Bank*

Several factors can explain this evolution. The first decade of the millennium was based on a consumption driven economy as well as robust exports of commodities (Loman, 2014). The consumption driven economy was triggered by the development of a middle class through, amongst others, increased access to credit and higher minimum wages. Above this, social programs such as the Bolsa Familia assisted millions of Brazilian families with financial aid enhancing the creation of a solid middle class and decreasing inequality in the country in record times. The exports of commodities increased through higher international demand but also by means of increased productivity levels which reached annual growth rates of 2.4% between 2006 and 2011 (OECD, 2013). Capital inflows accompanied these growth levels. These increased every single year, at the exception of 2009, reaching U$ 98.8 billion in 2014. Unemployment also passed from 9.7% in 2003 to a stable 6.1% in 2012 (World Bank).

![Figure 7](image)

**Figure 7** – US Dollar (USD) to Brazilian Real (BRL)

*Source: World Bank*
Nevertheless, the consumption and commodity-based model did not prove to be sustainable. In 2008, signs of a weakening economy were actually already visible. As such, the balance of trade plummeted and became negative in 2009. High inflation rates of over 6% from 2007 onwards and a stagnation of the appreciation of the Real harmed the consumption-based economic model (Figure 7). Also, the limits of the inflationist targets set by the Brazilian Central Bank were reached. In 2010, the external debt increased by 20% (FT, 2015) and foreign direct investment decreased from U$100 billion to around U$70 billion between 2011 and 2013 (World Bank). This all culminated in negative growth rates from 2014 onwards.

Today, the economic recession is still present and Brazil still faces the risks of entering into a depression. In fact, in 2015, gross government debt reached an unprecedented level of 66% of the country’s GDP in 2015 up from 57% in 2014 (FT, 2015, Wall Street Journal, 2016). This is the repercussion of a fast evolving fiscal deficit due to uncontrolled expenses amongst others that of pensions, sometimes covering 100% of former salaries. Next to the fear that taxes might be further increased, the SELIC (Brazil’s overnight interest rate) reached 14.2% in 2016 (Banco do Brasil). As interest rates rise, the speed at which the countries’ debt to GDP level might increase is worrying international investors and stakeholders.

Additionally, the ease of doing business decreased and Brazil currently occupies the 116th position and Standard & Poor’s lowered Brazil’s credit rating to non-investment grade or “junk” status in September 2015. Fitch followed in October 2015 and Moody’s in February 2016 (Trading Economics, 2016). This has been pushing up the costs of borrowing for the government.

Next to this, Dilma Rousseff, the president of Brazil representing the Worker’s Party (Partido dos Trabalhadores) also lost popularity after her re-election in 2014. She adopted a fiscal-adjustment strategy contrary to what she had promised during her campaign. This contradiction led to dissatisfaction amongst her electors. Next to this, general discontent was amplified in 2014 following the involvement of executive directors (amongst others, Dilma’s coalition partners) in the corruption scandal of the state controlled oil company Petrobras. The amount of protests in the country spiked as the country’s GDP plummeted and Dilma obtained disappointing approval rates of less than 10% in the wake of her second term. Having suffered a recent vote for impeachment in May 2016 because of bad management the president was suspended from office for the next 6 months until her trial. On August 31, with
a vote of the Senate of 61 to 20, Dilma was officially impeached. Michel Temer the vice-president is now to finish Dilma’s mandate (New York Times, 2016).

On a positive note, however, in the past five years the country has been able to reach high levels of international reserves representing over 11 months of imports. Next to this, the availability of credit has not decreased relative to Brazil’s GDP, countering excessive decreases in consumption levels (World Bank, 2016). Furthermore, exports have increased again in 2016, resulting in a positive trade balance up to date (MDIC, 2016). However, it should be said that a weakening currency and lower imports might have adversely affected this outcome.

The political direction and economic health of Brazil therefore remains uncertain. Unless oil and commodities prices will go up, Brazil will need several years to recover from this recession. Unfortunately, analysts forecast the crude oil price and other commodities will (only) remain stable for the next years even if international demand is on the rise (World Bank, 2016). To escape the downward spiral Brazil will have to focus on increasing productivity and competitiveness to be able to move up the global value chain. Next to this, proper allocation of resources and reforms will be key to regain the growth figures of 2010. Reforming the labor market as well as the overgenerous pension system of the ageing Brazilian society and decreasing interests on debt payments are the first steps ahead.
3.2.2 Aspects of sales and rent of the real estate sector in Brazil

Having expounded the turbulent economic situation of Brazil it is sensible to now turn to the real estate market and link its evolution to the above-mentioned findings. As real estate is the underlying asset on which the student housing sector is based it is essential to understand the robustness of this sector and the risks that may be involved within the Brazilian political and economic context. Both the rental and sales market are analyzed and compared throughout which will give a complete overview of the well-being of the real estate sector and this side of the supply side to student housing.

Even though the proportional contribution of the real estate sector to Brazil’s GDP diminished by 2.9 percentage points between 2000 and 2009, the sector experienced a considerable boom in recent years (Amitrano & Squeff, 2016). According to Mercopress (2015), “housing prices in São Paulo had soared by 113% (inflation-adjusted) from 2007 to 2013, while Rio de Janeiro's rose by 144%”. In fact, data from FIPE ZAP (an index measuring real estate data of the 16 largest cities in the country since 2012) established practically continuous increases in real estate prices from August 2012 onwards. Moreover, it was expected that the real estate sector would grow by 10% in 2015 and represent an impressive 9% of the gross domestic product in 2014 (Portal Brasil, 2014). These growth patterns are echoed in figure 8; both rental and sales price variation (offices rentals are excluded from this analysis) have been above 0% over the majority of the 2012 to 2015 period in Brazil. Overall, real estate prices have varied upwards by 29.4% between 2012 and June 2016 (ZAP, 2016). Nevertheless, the figure allows noticing that the sector has
grown unsteadily over the period 2012-2015 and that growth variations have diminished.
This is especially true when looking at the rental returns which have seen a gradual disinflation between 2012 and 2015. What is more, rental price growth became negative in 2014 and 2015.

Similarly, if we now turn to the evolution of the changes in financial returns as also measured by FIPE ZAP (Figure 9) we can observe signs of a general weakening real estate market over the past 2-3 years. In line with figure 8, rental returns have become negative in August 2014 and May 2015. Consequently, there was a clear discontinuation of the growth patterns of returns starting in 2014, which had characterized the beginning of the decade. What is more, both figures 8 and 9 show that the sector has proven unpredictable between 2012 and 2015. This has been especially true for the rental market that has been further shaking consumer confidence. Taking into account the felt insecurities towards real estate prices, previous potential buyers will most probably turn to renting. However, even though this might seem to be a better financial alternative for property seekers, rental rates can still be considered excessive compared to average salaries. Even though the sector has thus grown considerably over the past years, the real estate market has shown some disconcerting signs since 2014.

It seems like no coincidence that the general economic downturn experienced in Brazil in the past few years has accompanied the slowdown of the real estate market. With inflation levels of 9% in 2015 (World Bank) that largely exceeded real estate returns and unemployment increasing again from 2012 onwards the sector was quickly destabilized. Above this, the overnight interest rate (SELIC) peaking at 14.25% in 2015 (Banco do Brasil) reinforced the downward trend of both sales and rental return as it pressured access to credit. As a result, investors have been suffering from lower returns through this (not forecasted) recent slowdown. As such, from 2015 onwards, real estate developers have seen themselves forced to offer discounts and cancel new projects as consumers started postponing their acquisitions (Globo, 2016). The Rio Times (2016) estimates that these discounts amount to around 15-20% of the quoted prices. Access to finance also became more difficult and economic risks gradually became more apparent. In 2015 already, the number of units financed decreased by 58% in one year (ABECIP, 2016).

The turbulent economic context in Brazil thus also had its toll on the real estate market. The long term effects of the cooled down real estate sector still remain troublesome. In fact, Mendonça and Sachsida (2012) found that the Brazilian real estate market had become
overvalued, showing risks for the future economic and financial health of the country. According to them, real estate prices and access to credit strongly varied upwards between January 2008 and 2012. This wide access to credit for both investors and buyers most probably over-heated the real estate market and contributed to increases prices. As a result, supply started to exceed demand of which the effects are still felt today.

What is more, researchers and analysts have coined the existence of a real estate bubble as well, meaning that speculation would have driven up the prices during the period where supply could not meet an increasing demand. To this end, Manarin (2010) tried to learn from the US housing market bubble and find similarities and symptoms that might have been developing in Brazil in the past years. He argued that several factors are actually enhancing the creation of a Brazilian housing bubble. Manarin showed that, amongst others, families’ debts are exceeding their capacities and the salary increases have not accompanied the increases of the housing prices nor the GDP growth slowdown. In fact, between 2003 and 2010 the national index of the cost of construction (INCC; further discussed in the next part) has grown by 63%, far more than the real average salary that grew by 22.65%. Above this, he justly stated that interest rates are excessively high compared to international peers. Manarin deduced that this shows surplus increases in real estate prices. What is even more worrying is that, according to Manarin, never before had real estate been sold with such high levels of loans. Data from ABECIP confirms this statement because the total number of units financed (both construction and sales) increased by 27% between 2010 and 2014. Consequently, high demand has been accompanied by high levels of access to credit, which pushed the prices further up during the boom period from 2007 to around 2013 (Globo, 2016). It could be argued that this overvaluation was also owed to the large events hosted by Brazil such as the World Cup and the Olympic Games that have driven up the prices.

The above-mentioned symptoms can be compared to the situation which the United States faced before the burst of its housing bubble. If a real estate bubble has developed in Brazil this could have disastrous consequences on the future growth of the country. Nevertheless, no research has shown concrete proof that a housing bubble has developed in Brazil to the same extent as in the United States. The growth of the sector was based on high levels of GDP growth (e.g. 7.5% in 2010) such as the oil fields discovered in 2007 (Global Property Guide, 2015b). Still, in his paper, Manarin warned for the blow-over effects of the crisis that hit the United States and Europe as speculative capital might be redirected to emerging markets. But according to the former prime minister of Finance, Guido Mantega, Brazil
would have clear limitations on foreign capital that can enter the country and should not be worried about excessive speculative foreign capital.

Echoing Mantega, the importance of macroeconomic policies that safeguard the health and cycles of the real estate sector in Brazil should then be kept in mind. International literature has largely focused on the relationships between real estate, governmental policies and the economy. As such, Peng et al. (2005) found that a parallel could be drawn between real GDP growth and property price increases. Furthermore, Iacoviello (2005) shows the important interrelations between business cycles and real estate prices such as the interaction between housing prices and economic output or tight monetary policy and decreases in housing prices. In the Brazilian context, counterproductive policies might have negatively impacted the sector in the past years. In line with this, Manarin (2010) showed that facilitated access to credit, interventions in the monetary sector and manipulated interest rates would have played an important role in the development of a housing bubble in Brazil.

In consonance with Manarin, Mendonça and Sachsida (2012) studied, in keeping with the Austrian Business Cycle Theory (ABCT) that fiscal policies have largely contributed to an overheating of the real estate sector. As such, the real estate market would be sensitive to, and negatively impacted by increases in interest rates. Based on their findings and the Austrian Business Cycle Theory, Mendonça and Sachsida (2012) warned the Brazilian government of adopting additional expansionist fiscal policies that would enhance more access to credit. This would have a further overheating of the real estate sector as a result.

It is worth noticing that both Manarin and Mendonça & Sachsida papers reflect the importance of the availability of credit in the development of a housing bubble. This should not come as a surprise as excess credit availability is considered to have played an important role in the development of the subprime mortgage crisis in the United States and the economic recession that followed at the end of 2007.

Be that as it may, the Brazilian government has focused a lot on developing the real estate sector and access to credit. Apart from the program Minha Casa Minha Vida that will be further explained below, the FGTS (Guarantee Fund for Time of Service) holds benefits that facilitate the acquisition of real estate. The fund allows the financing of up to 85% of the acquisition for a maximum price of R$ 500 thousand, which needs to be repaid within 30 years (Oliveira, 2012). The FGTS is focused on low and middle income families. In 2015, little less than 300 thousand transactions took place through the FGTS with a value of R$ 53
billion of loans (CBIC). The SBPE (Brazilian System of Savings and Loans) can also facilitate acquisitions. For the SBPE system, the levels of tax-free savings will determine the amount of loans allocated throughout the country.

Ultimately, the real estate sector is at a crossroad. Policies (such as facilitated access to credit) and a growing middle class (Neri, 2010) has boosted the growth of the sector up to around 2013. However, from 2014 onwards growth has slowed down and has been largely unstable. Today, efforts will have to be made to stabilize the market and to create a balanced property market. Future opportunities will largely depend on the future fiscal health of the country and policies that can curb the overvaluation of the real estate sector. Both interest rates and levels of access to credit seem to hold most predictive value for the development of the sector. On a positive note, however, rising incomes as well as the population’s average age that is entering into its most productive years can benefit the sector. Also, capital is entering the sector anew as (foreign) companies are already looking to invest in highly discounted properties (Rio Times, 2016b).

Linking these findings to the topic of this study, the student housing sector is less impacted by economic fluctuations, as there will always be students looking for rental places compared to other types of real estate assets (offices and retail spaces) which are far more sensitive to the economic climate. This has been true in Brazil as well. One-bedroom housing has fared better compared to other type of housing as well, particularly in the city of São Paulo (Forbes, 2015). CEIC (2015) analyzed that yields for one bedroom houses in São Paulo hovered “at 0.47-0.49% since early 2014 compared to 0.43-0.45% of the overall São Paulo rental yield”. This has not remained unnoticed by investors which are hoping to capitalize on students and young professionals. Above this, the above-mentioned policies that are already in place (FGTS and SBPE) can be most beneficial for students and young professionals with lower access to credit and that wish to acquire new properties.

Furthermore, during economic downturns unemployment rates are prone to go up. As a result, enrollments at universities also go up as students try to increase their credentials to circumvent unemployment (Long, 2013). Long measured enrollments and university spending in the United States in the periods before, during and after the great recession. Long found that enrollments increased by 3.4% per year mostly among older and non-traditional students (adjusted from 6% total enrollment increases due to an already present cycle of increased enrollments in the years before the recession). This relationship would contribute to
increased demand for one bedroom housing. Long acknowledged, however, that local aid policy and other factors such as states and types of households increased variation of the results across the analyzed samples. For example, households and states that suffered relatively more from the recession (e.g. with lower incomes and higher unemployment rates) contributed less to increases in enrollment.

The student housing sector can then be seen as a potential safe and stable investment, or at least, a way to diversify investor’s portfolios during times of economic and political instability. However, this type of real estate has not been recognized yet as an asset class in Brazil and has often suffered from a negative image. Furthermore, even though investors can profit from the benefits of the student housing market (e.g. high occupancy rates and a growing preference for one bedroom apartments), they should be aware that the student housing market is strongly intertwined with the real estate market. The unstable rental market returns in Brazil and the current declining real estate sector should thus be monitored closely. Primarily, efficient public policies and pricing might become a determining factor for the success and future growth of the student housing market in Brazil. Finally, it should not be underestimated that other factors such as demographics and social developments can also greatly impact the student housing and the real estate market. In fact, Zancul & Fabricio (2008) found that the presence of universities has an important impact on urban developments and, hence, on changes in the real estate market.

3.2.3 The Brazilian construction industry

To get a better grip on the current status of the real estate sector and links to the student housing market, additional light needs to be shed on the construction industry. In fact, the construction industry is often the first sector affected by economic contractions and is essential to apprehend possible development pathways of the student housing industry and the development of the real estate sector in general.

The construction sector has followed a similar trend as the Brazilian economy. In fact, the sector was relatively stable between 2007 and 2009. However, as previously mentioned, Brazil’s GDP spiked in 2010 and so did the construction industry. More precisely, the added value (or contribution to the share in GDP) of the sector grew by over 13% in 2010 (Banco Central do Brasil), far more than the 7.5% GDP growth rates measured that same year. The steady growth of the construction sector from 2005 onwards was exceptional, reaching its peak in 2010. Above this, unemployment levels in the sector remained remarkably stable up
to 2016. In fact, in 2016 they declined by 2% compared to 2015 (CBIC, 2016). The above-mentioned points are figuring in the graph below (Figure 10).

In the last decade the sector was, amongst others, boosted by the social housing program Minha Casa Minha Vida (My House My Life) instituted by the president Lula. In between 2009 and 2010 the creation of 1 million housing units with a value of U$ 18.4 billion boosted the construction sector as well as employment, apart from reducing a largely present housing deficit (UN, 2013). It was measured that the program would contribute to 6% of the total growth of the GDP and to the creation of around 7 million jobs (Gonçalves et al., 2014). The program had, without any doubt, a large impact on the growth figures established in 2010 in this sector. Nevertheless, negative outcomes were also recognized. In fact, the prices of houses with one or two rooms (typical sizes of the houses built under the Minha Casa Minha Vida Program) increased disproportionally to housing with more rooms. Between 2008 and 2015, the prices for one bedroom increased in São Paulo by 153% compared to 97% for properties of four or more bedrooms. Between 2008 and 2015, the prices for one bedroom increased in São Paulo by 153% compared to 97% for properties of four or more bedrooms. In the city of Rio de Janeiro growth was even more accentuated. During the same time frame, the prices of one bedroom increased by 186% compared to 159% for properties of four or more bedrooms (de Oliveira, 2012). Above this, the housing deficit that was measured at 5.8 million units in 2007 (CBIC), as well as the loosening of loan terms, pushed up the demand for housing throughout the country and multiplied constructions. This also stimulated financial speculations as investors were able to buy and sell real estate quickly, profiting from rapidly rising prices. Both this speculation and the program Minha Casa Minha Vida then could have contributed to a distortion of the construction sector that was felt in the next years.

Figure 10 – Construction sector Brazil (1)

Source: Sinduscon, CBIC
In fact, in 2014 the construction sector shrunk by 2.6% and by 4.7% in 2015, much faster than Brazil’s economic slowdown itself. The previous construction boom distorted equilibrium between offer and demand. Above this, access to credit became more difficult and the value of real estate started to decrease. Consequently, many individuals have been deferring payments or cancelled new acquisitions. As a result, construction companies are currently forced to offer discounts as has been mentioned in the previous part, further harming the competitiveness of the sector (Globo, 2016). Next to this, even though the construction sector had shrunk, the cost of construction per square meter keeps increasing in contrast to a real estate market that has been slowing down. Additionally, looking at the value of real estate guarantees (the IVG index) and the evolution of rental returns above, we can observe that the adjustments of returns had always been lagged by around 6 months (Figure 11). These two points show that there has been a clear distortion between the actual value of real estate and the construction industry or, at least, that adjustments of these industries take time to reflect actual economic developments in Brazil. Furthermore, looking again at figure 10 above, we can establish that the construction sector has followed the economic evolution of the country but in a much more accentuated manner.

Diving deeper into the reasons for the decline of the constructor industry, side-effects of the recent economic downturn such as high levels of interest rates (14.25% in 2016; Banco do Brasil) and lower incomes have definitely impacted these recent developments as well. The risk of the development of an informal construction market that will distort both sectors even more is highly present unless the state intervenes with clear policies that could stabilize the
sector. In fact, economic forecasters state that the sector could recuperate from 2017 onwards as long as public policies counter this downward spiral (Globo, 2016).

The increases in the cost of construction and a slowdown of the growth of real estate prices should then primarily be kept in mind when considering the development of the student housing market in Brazil. Assessing the value of real estate correctly will be a determining factor for financial planning and for financial health.
4. Methodology

This research was based on both primary and secondary data to get a coherent overview of the different aspects and components of the student housing market in Brazil. The aim was to analyze documents, interviews and observations to guarantee the validity and reliability of this exploratory market study. Combining secondary data and both quantitative and qualitative primary data allowed for methodological triangulation and thus the verification of the validity and comparability of the findings throughout these three methods. The risks of encountering biases were consequently decreased. Next to increasing the validity of these findings, the gathering of both quantitative and qualitative data facilitates the explanations of particular phenomenon in more detail and enriches the general analyses (Morse, 1991). Furthermore, the development of the recommendations based on the different types of data gathered were based on two well-known business models/frameworks that will be further explained in this part.

4.2 Secondary data

Secondary data was used extensively in the first part of this research, which outlines the context and factors influencing the student housing market both in Brazil and on an international level. Firstly, research articles were analyzed from different university libraries. Secondly, much data was extracted from different types of databases and analyzed by linking them to developed theories. Finally, on a smaller scale, certain information was extracted from internationally recognized newspaper articles and consultancy research papers.

4.3 Primary data

The primary data was collected by means of two methods. Firstly, face-to-face semi-structured interviews were conducted with different types of Brazilian actors in the field of student housing. Secondly, a survey was conducted amongst students currently enrolled in Brazilian faculties across the country. The survey provided both quantitative and qualitative data.

4.3.1 Qualitative analysis – interviews

The interviews were performed in a semi-structured manner to allow the interviewees to elaborate on the particular aspects of the student housing market they deemed more essential or in which they were more specialized. Next to the open-ended questions that had been prepared for every particular meeting, this flexibility allowed the gathering of additional
information and insights that was not directly asked for. Because of the exploratory nature of this research and the different types of interviewees, this structure was preferred. This allowed for the development of a broader perspective of the actors and the student housing market in general. The first interviews were valuable to get the contacts of possible other interviewees next to directing future conversations. A downside of the semi-structured interview methods is the fact that it can be considered difficult to compare all interviews because the answers of the interviewees remain context sensitive.

4.3.2 Surveys
The target population for the conducted survey was all students enrolled in HEIs in Brazil. Brazilians were preferred over foreigners but the latter group could give additional insights into the status of the Brazilian student housing market. Convenience sampling was adopted as procedure for gathering responses.

To reach a larger number of respondents an online survey was preferred. By aiming for a large number of participants from different parts of the country, this allowed for greater generalizability of the findings and getting the best overview of the needs and positions of students that are directly affected by the student housing market. Because of the short length of the survey and the straightforward nature of the questions, it was less subject to non-responses. Participants were reached through social media (especially Facebook and WhatsApp) but also through direct contact and e-mails reaching out to universities across the country. It has been communicated that their data would be treated confidentially.

The full questionnaire applied can be found in appendix 1. Respondents could be divided through several characteristics, but two important distinctions could be directly made. The first one relates to the student living outside of its family home or not. The second one relates to the income of the student and its family.

Every participant was presented with 22 questions. The first set of questions regarded demographic aspects (age, gender, city of birth, nationality…). This allowed getting an overview of the type of students reached and developing a vision of a “typical” Brazilian student and their mobility throughout the country. Also, this could be compared against the general Brazilian and student demographics previously analyzed. Next to this, these demographic questions functioned as a filter of unusable responses. The next questions regarded their education (university, type of program and if the participant studied and/or pursued an internship next to their studies). This further allowed the categorization of the
students. Participants where then asked about their financial situation and expenses in the context of student housing. This varied depending on their housing situation (e.g. living or not outside of the parental house). Based on this, conclusions could be drawn on the socio-economic status of the students and how they perceived pricing of the student housing market. Further questions were asked about their lifestyle preferences to understand the views of the Brazilian student in comparison to international literature and findings. Finally, participants were asked about difficulties experienced in their search for housing, general preferences and the importance of particular student housing characteristics. These questions were presented to the interviewees with the intent to contribute to the development of recommendations, both marketing and management wise, for future actors within the market.

Certain limitations in the administration of the surveys could be identified. Firstly, as a convenience sampling method was used, it can be argued that the results are not representative of the entire target population, which could limit the generalizability of the findings. As such, it was highly probable that the largest amount of respondents would study and/or be born in the state of São Paulo. This was due to the fact that the research was conducted from the city of São Paulo. This led to an over-representation bias of inhabitants of the state of São Paulo. It should be mentioned that large differences most probably exist across the country (incomes, habits, student body…). It would have been best to sample students from the different Brazilian states proportionally and analyze an equal share of students living at home and outside of home. Due to limited resources of time and contacts, this has not been possible. Secondly, the risk of the surveys not being completed correctly or entirely entails the presence of response-biases in this research. It is hoped that variances evened out across the aggregated data.

4.4 Model applied

The model applied for the recommendations and conclusions of this exploratory research were based on the findings gathered from the different types of data collected. Inspiration was taken from two well-known business models.

The first business model used is Porter’s five forces. Porter’s five forces facilitates industry analyses by analyzing all (micro) factors that influence an industry. This model is often used as a basis for the development of business models and to determine the general attractiveness of a sector or industry. As this is an exploratory study, this model was deemed valuable for the development of concrete recommendations in this sector. The factors measured by this
model are barriers to entry, barriers to exit, supplier power and buyer power next to an in-depth analysis of the competitive environment already in place. General criticism to the Porter’s five forces should also be mentioned. Dälken (2014) summarized these criticisms in the following two points; oversimplification of micro-economic theory, and the fact that the model would only be applicable in simple markets (e.g. that aren’t faced with strong regulations or that are considered collaborative markets).

The second framework applied is the PESTEL analysis. This analysis generally allows for the development of an overview of macroeconomic factors that might influence the industry or the sector analyzed. The political, economic, social, technological and legal environments are analyzed to establish what factors could either enhance or negatively affect the sector at hand. However, as was the case for this research, not all environments hold significant value to contribute to a better understanding of a particular sector.

It was deemed that both frameworks were complementary. Using both models allowed for both a macro and microanalysis of the student housing market and its environment. Particular aspects of both models have been modified or not addressed to cater to the specificities of the industry that have been found through the analysis of the different types of data. More details on the models and explanations for the modification of these frameworks will be clarified in the next part.
5. Results

5.1 Actors in the Brazilian housing market

As mentioned before, three different types of actors can be distinguished in the sector of student housing in Brazil as has also been defined by the SENCE (Moares Gomes, et al.). These are corporate housing and investment funds, small individual entrepreneurs (or “Republicas” as previously explained) and general public university student residences. Below the detailed results of discussion with actors or experts on the field will be presented, mostly covering different types of actors as well as consultants and should resonate with both the supply and demand side of student housing previously analyzed.

5.1.1 Corporate housing and investment funds

Two representative and emerging growing actors can be found in the market in Brazil. These are Vitacon and ULiving whose main business is the creation and management of student housing. These two actors could be considered as the pioneers and leaders of the private student housing in Brazil. It should be mentioned that the contribution of number of beds actually provided by these types of actors remains very small relative to the size of the student body in Brazil. They have only recently started developing their activities with an important focus on the state and city of São Paulo. This is also where their headquarters are situated. A short description of both companies will follow.

 ULiving Brazil (CEO: Juliano Antunes)

ULiving is a pioneer in this sector in Brazil that is completely focused on the development of student housing. Its CEO is Juliano Antunes. Sourcing from international examples and specific case studies in Brazil, the company has been able to develop student housing projects throughout the country. They have currently opened student residences in four cities in Brazil being São Paulo, Sorocaba, Ribeirão Preto (all three in the state of São Paulo) and Macaé (in the state of Rio de Janeiro). They have developed six buildings in these cities that are currently up and running. The company has further expansion plans throughout the country. All apartments/studios offered for rent by ULiving are completely furnished and services such as internet are included in the renting price. The amount of apartments, where students share living rooms and kitchens, is higher than the number of studios offered. Within the shared apartments, rooms and bathrooms can be either shared or private. Services included are laundry, internet, TV channels, cleaning, maintenance as well as the costs of gas, water and electricity. Certain buildings give access to several commons areas such as study rooms,
Vitacon Incorporadora e Constructora (CEO: Alexandre Lafel)

Vitacon is a diversified company mostly focusing on the development of innovative projects in the real estate sector, focusing on the new “lifestyles” that have emerged as well as the quest for a better quality of life within cities (Vitacon, 2016). The buildings they design are customized to the particular target group of that project (e.g. students, young professionals, the elderly...). They consequently hold a varied portfolio from offices to studios and to large apartments, all situated in the city of São Paulo. They offer individual units of 15 or 20 square meters and shared units of 25 or 32 square meters. Having 325 of these units on offer in São Paulo, of which 100 furnished, prices vary between R$1.000 and R$2.500. The CEO of Vitacon Incorporadora e Constructora is Alexandre Lafel. He explained that the average value of investments turns around R$ 120 million. Being solely responsible for the construction processes, Vitacon has a varied portfolio of investors. As such, investors can participate by investing in a percentage of a new investment or, instead, acquire one unit for their own exploitation. There are around 36 months on average between the launch of a new building and the start of its exploitation.

Both companies use a pay-per-use business model where customers can decide the extent to which they want to include particular services. The flexibility lies in the choice to include them or not in the total rental amount. Examples of services offered are laundry rooms, maintenance, Wi-Fi and cleaning. Contracts are more flexible than the typical rental contract in Brazil as units can be rented out for a pre-defined period. Payments are made at the beginning of each month and a deposit is required. Important to also mention is that the company remains the main administrator and manager of each building, thus also taking care of maintenance and contracts.

The interviews conducted with both CEOs provided the follow insights. Both actors have focused, for a large part, on the marketing of their product through research and benchmarking. For example, Lafel stated that Vitacon develops their ventures in their creative lab always holding technology and design on the forefront. Antunes, in line with Vitacon, has a complete marketing team dedicated to position ULiving as a leader and benchmark in the market.
Nevertheless, their strategies and main focal points hold different characteristics. As such, on the one hand, Lafel explains that Vitacon uses innovation and analyses trends to find possible gaps in the market that would enhance the companies’ success and recognition. Through this, they established four strategic pillars that reflect their marketing strategy. These are mobility, design, simplicity and innovation. Other marketing focus points are sharing, ease and sustainability. For example, bikes and tools are available for common use by residents in some of their buildings. More generally, Lafel’s ambition is to propose a new way of living within cities. Lafel also stated that his pursuit for innovations was driven by the possibility to inspire future generations to look for solutions that make cities more livable. ULiving’s marketing strategy, on the other hand, revolves around the key words of “ease”, “security” and “community”. Antunes explained that the experience of the student is the starting point of the companies positioning strategy, next to analyzing international concepts of student housing. As such, ULiving has several international partners for knowledge sharing and development.

Lafel’s strategy of analyzing trends and focusing on innovation made him realize that students in Brazil are increasingly looking to have all services available in the same place (e.g. gym, laundry room, restaurants...). Furthermore, he found that locating student housing in accessible and valued areas was vital. Antunes, based on research from its marketing team, realized that creating a feeling of community was important for potential inhabitants of its student residences. This reflects international literature on the importance of community and support throughout the entire education process (Walker and Greene, 2009; Polydoro et al. (2001). Antunes, however, rightfully stated that ULiving can only enhance this feeling of community and that the students themselves have to contribute to the actual development hereof. To get to these conclusions, both CEO’s analyzed student housing and fraternity models in the United States to develop their concept of student housing. Lafel saw the positive effects of the lifestyle that is developed through student housing in American counterparts, such as the enhancement of creativity and innovation among students. He wants to foster this as well in Brazil.

When asked about the risks and complications of their activities different points were highlighted. Lafel estimated that the risks related to its ventures in the sector were low. He explained that creative and innovative ideas function as “strongholds” for the risks in the student housing market. Still, he states that, even though the consequences are felt less directly than in the financial markets, the political conjuncture remains an essential risk
affecting the real estate sector in general. Nevertheless, he was of the opinion that there was a more conscious approach to the real estate market today, which would be intimately intertwined with lower availability of incomes and credit.

Antunes, however, emphasized a different type of obstacle. He stressed the worry of lack of data of this sector to attract more investors. To this end, Antunes is particularly working on establishing a track record. In fact, Antunes explained that (Brazilian) investors find the student market too risky. He explains that this is mostly because it is an unknown sector and investors are often quite conservative in their choices. Consequently, it is the informality of the market and little confidence that hamper the further development of the sector in his eyes. However, large cities such as São Paulo are bigger and much more dynamic. Antunes explained that larger cities could therefore better absorb this emerging investment asset. Until a solid track record is established, ULiving will have to source from several different small investors to finance their new projects. Antunes is hopeful that a positive track record will trigger investors to invest in the student housing market which would facilitate the growth of his company. Another challenge mentioned by Antunes was the fact that there exists a gap between the company’s concept and the Brazilian mindsets and cultural views. Even though the Brazilian student is gaining and looking for more independence, both financially and personally, these developments are slow. Still, this gradual shift in the mentality and society in Brazil is exactly what Antunes is betting on.

Nonetheless, Antunes was positive about this sector. He explained that returns get as high as 8% and can even reach the 14% figure in the smaller cities (mostly explained by lower land prices). He does not experience much competition apart from small investors that own “Republicas” (further analyzed below). Price is the main differentiator being generally lower in Republicas. Still, he stressed the importance of differentiation, clear marketing and that the high quality management of the residences was a main asset for the development of ULiving. For Antunes, ULiving’s differential factor is its pay-per-use type of business model and the feeling of community that he aims to develop in the student residences.

Both actors seem to have approached in a very innovative way to the extent that their concepts are the first of its kind on such a scale in Brazil. These types of buildings already existed across the country but both actors seem to have marketed their units in a very approachable and fresh way seemingly attracting a faster-paced young society of Brazil.
5.1.2 Republicas

To get a better understanding of this widespread type of student housing an interview was held with one coordinator of a Republica in São Paulo, namely Debora Faria serving as example for the sector.

This Republica is a small business and a typical example of small-scale student housing in Brazil. These types of Republicas vary a lot in size and can range from around five to over fifty students living in the same building or house. In the case of this Republica, 15 students are living within one house close to the city centre of São Paulo. Previously, the house was used as a hostel but changes in laws and high taxes forced the managers to close the hostel and turn it into student housing. Bureaucratic levels for the registration of this type of student housing are practically inexistent in Brazil. The property functioned for about 5 years as hostel before being turned into a Republica for the past 2 years.

As explained above, the idea of developing student housing wasn´t planned by Faria and this resulted in a lot of struggles in the first months. With time she got more used to managing the house. Amongst others, this referred to meliorated contracts and maintenance as well as what could be asked from the amount of people living together in a community. Faria referred to this as a “learning by doing” process. She mentioned that the success of this Republica primarily comes from a supervisor/administrator that is acting and living within the house. Next to this, an important part of a correctly functioning Republica is the ability of choosing the right people that match the profile of that particular Republica. She explained that both Republica’s and every type of student housing hold particular characteristics that should match the personality of the student. Furthermore, Faria explained that Republicas still suffer from negative connotations such as excessive use of drugs and being qualified as uninhabitable places. These obstacles mentioned by Faria echo with the importance of management and marketing that was highlighted by Antunes in the previous part, as well as the informal status of the student housing market to date.

Nevertheless, Faria found it simple to attract new residents when needed. Faria explained that this was due to the size, dynamism and diversity in the city of São Paulo. In fact, she observed a strong development of Republicas in the city. In the past, students would rather migrate to the interior of the state to smaller cities to attend federal universities. Furthermore, she also stated that students are more and more looking to leave their parental house resulting in a growth of the concept of Republica´s throughout the country. According to Faria, these
shifts would be influencing the development of cities as these residents are looking for different types of services and amenities. She qualified this development by a rise of “student tourism”.

Even though the amount of Republica’s has been growing, she argued that there was a lack of intervention from the government providing buildings for students with lower incomes. She was of the opinion that international models where the government is completely involved would be most suitable for students from lower socio-economic classifications. Private developers would develop only unaffordable housing for the majority of students. She regarded corporate housing and investments funds as catering to a specific niche of the Brazilian society that had higher incomes.

5.1.3 University residences

Public university residences are another actor present in the Brazilian student housing market sector. However, these residences are non-profit-oriented. What is more, public universities are obliged to provide students (Law Nº 9.394 of 20/12/1996) with proven low incomes with either free housing or scholarships, depending on their socio-economic situation. Still, a general paradox exists in the Brazilian society. To enter public universities, students need to pass highly competitive entrance exams, mainly at reach for students from families with relatively high incomes to prepare them correctly for these exams. Consequently, most students that actually enter these public universities will often not qualify for housing. Even then, these university residences are often residences in deplorable states (as claimed, for example, by the student newspaper of the University of São Paulo, 2013). Management of these student buildings seems, again, to be a main issue. On that note, Antunes from ULiving defended that public universities should focus on their core competency of education and not on real estate, hence delegating managing these buildings to private parties.

At the time of writing this research, it has been impossible to interview administrators of university residences within the proximity of the city of São Paulo. At the residence of the University of São Paulo, a group of protestors has been occupying one of the student residences offices following a violent incident in one of the dormitories. The protestors have been demanding the expulsion of the aggressor. News articles explain that the lack of vacancies would lead to domestic violence leaving female residents especially vulnerable (USP, 2016). For example, studying young mothers from low-income families would have no access to different types of student housing except these public student residences that force
them to remain in these dangerous circumstances. Security can consequently not be discarded as it remains an important challenge for student housing.

The quality and lack of public student residences shows the low levels of institutionalization of the student housing market in Brazil and that many steps forward can still be taken.

5.1.4 Other actors linked to the student housing market

Two consultants have also been interviewed to get a better overview of the different perspectives and characteristics of the student housing market. Both interviewees adopted a more economic and financial perspective as to student housing. The interviewees are briefly explained below.

Caio Calfat - Real Estate Consulting

Caio Calfat is a consultant specialized in real estate for the hospitality industry. He was willing to share his insights of the student real estate market for which he has conducted specific consultancy projects.

Urban Systems (CEO Thomaz Assumpção)

Urban Systems is a consultancy firm that focuses on urban developments and mapping of markets by means of the use of large databases. Their work consists in managing business risks, especially concerning demand and is based on three main pillars: the sustainability of a city’s economy, the behavior of inhabitants and the specificities of the analyzed product. Like Calfat, Assumpção has also done research for the student housing sector.

Calfat reminded the contraction of the real estate market in Brazil and the increased risk through the economic and social conjunctures. In fact, he stated that the construction sector is facing many breaches of post-purchase contracts. Furthermore, through the current economic recession, demand has been repressed, especially for social/affordable housing. The result hereof is high levels of unmet demand, which he quantified at 7 million units throughout the country, considerably higher than the 5.8 million units measured in 2007 by the CBIC. According to Calfat, this contraction had an impact on the availability of capital directed towards the development of the real estate market, often seen as less attractive than the capital market.

Assumpção agreed that the returns in the real estate sector have decreased in the past years in Brazil but mentioned they are still above average and still growing if a long-term perspective
is adopted. Still, Calfat explained that the student housing sector is seen as very risky by Brazilian investors as financing projects and tools are expensive and complicated. He stressed that the market needs time to be consolidated and that opportunities need to be created in the context of the crisis. Assumpção showed, however, that international investors might be more interested in investing in the student housing market in Brazil. As returns could currently be qualified as low in mainland Europe and the United States, they might prefer accepting some risk and invest in innovative business models abroad, such as the student housing market in Brazil. In line with this, Calfat stated that the devaluation of the Brazilian Real could also have positive impacts on the attraction of international students next to increased inflows of foreign investments. In any case, just like Antunes, Calfat stresses the importance for actors in the student-housing sector to work on becoming a reference in the Brazilian market as student housing is still an unknown concept for both potential customers and investors. This should be a process of real estate incorporation. To this end, a quantification effort needs to be made to establish track records through the gathering of data, says Calfat.

Apart from the economic and financial barriers, both Calfat and Assumpção further stressed that the potential in the student housing market is hampered by the Brazilian political and juridical climate. More precisely, barriers to entry remain high because of juridical issues and regulations related to the novelty of this new type of service and product offering. Furthermore, Calfat, explained that the involvement of the public sector, and especially municipalities, is key to offer more flexibility for actors to grow and to surpass certain operational barriers (mainly linked to juridical hurdles). Yet, financial aid from the public sector cannot be expected for the time being.

Assumpção further elaborated on the changing mentality in Brazil. He felt that the quality of life was being lost in the larger cities and that more and more people are rationalizing their distance to work as well as housing comfort. This is also true for students; they live badly and for high prices. In addition, as parents often finance the first years of the studies of their children, they want to be reassured that the safety and comfort of their sons will be safeguarded. Corporate student housing then becomes an important part of this as it can cater to these demands. Students themselves will perceive corporate student residences as a personalized place, particularly designed for them, and with high accessibility to services. In fact, both Antunes and Lafel have included the above-mentioned priorities in their business models. Even though corporate student housing is more expensive than other options,
Assumpção argues that summing the costs of housing, transport and other amenities that students require, prices often equilibrate to other options. Still, it should be argued that the potential customers (parents and students alike) might not share this perception.

For the student housing market to grow further, Calfat, on the one hand, explained that the concept of the “Brazilian student housing model” needs to be further developed and that São Paulo’s size offers solid growth potential. He highlighted the importance of fine-tuning the management of these student residences (as highlighted by both Faria and Antunes) as well as an optimization of the format of the product and services offered.

Assumpção, on the other hand, elaborated on the importance of focusing on the lifestyle of students and the contribution to the development of sustainable cities to develop viable investment opportunities. In fact, he sees urban and architectural identity as having a direct influence on urbanism, operations and marketing. One should analyze the economic and demographic context when investing into a new real estate project. More than what would optimally create returns on paper, Assumpção argues one should look at the environment of a city and the location of the designated plot within it. He refers to the spatial organization (e.g. urban mobility, accessibility) which would increase quality of life. Through this, durable returns can be put into place. The urban logic which he defends is based on analyzing the links between socio-economic developments, economic sustainability and, consequently, planning. He stressed the importance of locality and the adherence to a flow/system model of the value chains (illustrated below) to safeguard the aim of developing sustainable cities and investments. To a lesser extent, the importance of location and lifestyle has been stressed as well by Juliano and Antunes.
On this note, Assumpção explained that this value chain can be sustainable and of value for the student housing sector if two types of equilibriums are found. The first one is the equilibrium between demand and supply (mentioned in Figure 12). The second one is orientated towards the equilibrium between access to health, education, services and education or, in the words of Assumpção, the enhancement of spatial logic.

5.2 Consumer market data

The collected data through the surveys should shed additional light on the demographics of Brazilian students, their needs, perceptions of student housing as well as their mentality that can then be compared to previous research. The results hereof will be used for the advancement of recommendations for the development of this sector in the next section. The data collected will be presented in two parts; namely a demographic and a psychographic part. Seventy responses were recorded of which 20% (or 14 responses) had to be invalidated. The main reason was survey drop-outs. This resulted in 56 completed surveys used for the following analysis. Data was collected between May 7 and May 27 2016.

5.1.1 Demographics

The average age of the student surveyed was 23.5 years (STD: 0.43; VAR: 0.18). The age ranged varied between 18 and 36 year (STD: 0.43; VAR: 0.18). 79% of the surveyed students were females and 21% males (STD: 4.79). They came from 20 different universities across the country from both private and public institutions. 64% of the students were currently
attending a part-time university course and 82% of the surveyed individuals were studying at the undergraduate level.

As expected, around 90% of the surveyed students were currently living and studying in the state of São Paulo. However, only 68% of the surveyed students were born in that state. Practically all of the students that were born in the state of São Paulo moved to the capital city of São Paulo for their studies.

43% of the students dedicated all their time to studying. The remaining students currently pursued an internship (29%) or worked next to their studies (25%). This entails that over half of the students receive personal financial incomes. Of the 56 interviewed students, 73% didn’t receive any type of funding other than funding from their parents, 11% got a full scholarship, 11% had a partial scholarship and the remaining 5% had access to a loan.

When asked about their personal and family income the following graphs could be generated:

The majority of the students had a low personal income (79%) representative of classes E and D as classified by the IBGE (STD: 0.95; VAR: 0.91). By calculating the average between the different categories, the surveyed students received, on average, an income of R$ 2.114 a month. The average rose to R$ 8.541 when calculating that of their families’ income (STD: 0.86; VAR: 0.76).

Comparing these data to the classification by Neri (2010) of all Brazilians based on their family income, we can see that the interviewed students came from wealthier families. In fact, the majority of the students interviewed came from social classes A and B (Figure 13).
above). However, the majority of the entire Brazilian population pertains to the C social class (Figure 14 below). This shows again that the student body in Brazil, generally, has access to higher levels of financial means.

![Figure 14 – Social layers based on income in Brazil](Image)

5.1.2 Psychographics

Around 63% of the surveyed students were living outside of their parental home. This figure is considerably higher than the 30% digit established by FONAPRACE in 2007. The main reasons for students leaving their parental house were distance to university (34%) and because their parents lived in another town (69%). The remaining 37% students decided to stay with their parents mainly because of financial reasons (95%) followed by security and general atmosphere at home (both at 38%). Still, 76% of the students living at home would prefer to leave their parental house if they had a chance.

On a scale of 1-10, students found it moderately difficult to find appropriate student housing. The average turned around seven. The mean turned around 7 for women and 6.75 for men (STD: 1.5; VAR 2.3). Furthermore, 23% of the surveyed students said that the availability of housing had an impact on their choice of university (STD: 1.76; VAR; 0.43). Then, understanding the dynamics of location for student housing, as mentioned by Assumpção and Antunes, proves to be important.

Turning to the willingness of students to pay rent, this resulted in an average of R$ 1.087 per month, all charges included (STD: 1.39; VAR: 1.76). This is R$ 80 above the amount actually paid by students living outside their parental home at an average of R$ 1.007 (STD: 1.44; VAR: 2.1). This shows that the Brazilian student is well aware of the pricing and options in student housing. The graphs showing these amounts can be found below.
As can be seen above, fourteen percent of the student surveyed paid between R$ 0 and R$ 400 a month for their housing, a low price within the Brazilian context. However, over half of the students interviewed were willing to pay more for their housing. Interestingly, those that currently paid over R$ 2,000 didn’t necessarily prefer to pay less. The amount that students within the middle ranges were actually willing to pay resulted to be higher, even compared to the amount they currently paid. The majority of the students, however, currently paid between R$ 700 and R$ 1,000 and would prefer remain doing so. Still, from the graphics it seems as though a considerable part of the students that currently paid R$ 1,000 or less would be willing to pay a premium over their current rent (moving to the range of R$ 1,000 – R$ 1,600). In other words, it could be assumed that they would be willing to pay more for additional services and quality levels. Students that live outside their parental home and receive some type of income, spent on average 48% of their personal income on rent.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Rating</th>
<th>STD</th>
<th>VAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>9.16</td>
<td>1.68</td>
<td>1.93</td>
</tr>
<tr>
<td>Distance to university</td>
<td>8.91</td>
<td>1.15</td>
<td>1.37</td>
</tr>
<tr>
<td>Security</td>
<td>8.61</td>
<td>1.62</td>
<td>2.71</td>
</tr>
<tr>
<td>Number of housemates</td>
<td>8.45</td>
<td>2.2</td>
<td>4.85</td>
</tr>
<tr>
<td>Access to services in the area</td>
<td>8.14</td>
<td>2.11</td>
<td>4.68</td>
</tr>
<tr>
<td>Common rooms</td>
<td>7.53</td>
<td>2.05</td>
<td>4.33</td>
</tr>
<tr>
<td>Feeling of community</td>
<td>6.95</td>
<td>2.87</td>
<td>8.25</td>
</tr>
<tr>
<td>Size</td>
<td>6.66</td>
<td>2.64</td>
<td>3.86</td>
</tr>
<tr>
<td>Management of the student residence</td>
<td>6.52</td>
<td>2.71</td>
<td>6.89</td>
</tr>
<tr>
<td>Services offered</td>
<td>6.30</td>
<td>2.61</td>
<td>6.83</td>
</tr>
<tr>
<td>Green areas</td>
<td>5.77</td>
<td>2.52</td>
<td>6.35</td>
</tr>
</tbody>
</table>

Table 1 – Student housing preference characteristics

Created by author in June 2016
The majority of the students surveyed (46%) would prefer living in a shared apartment with a maximum of five housemates. The next largest group (38%) preferred to live alone if they had the choice. Privately run organized student housing was the least preferred by the participants. This could however be due to the recent development of this type of housing, which might have still been unknown among the interviewed students. Unfortunately, no data was gathered concerning the willingness of students to share rooms.

Inquiring into the characteristics they valued more in housing, table 1 above could be generated. Students were asked to rate on a scale from 1-10 (10 being very significant) how important they deemed eleven characteristics when thinking of student housing. All characteristics were ranked above 5 and, thus, all characteristics were considered at least of minimum importance. Price (rated on average at 9.16), distance to university (rated at 8.9) and security (rated at 8.6) remained the most important characteristics. Green areas (rated at 5.7) were considered as least important for the interviewed students. The primary importance of price, distance to university and security refer to basic needs and requirements. Hence, this highlights that other characteristics remain valuable for students but only add value to the product offering of student housing.
6. Analysis and recommendations

The analysis and recommendations below will be mainly approached from the perspective of corporate housing and investments funds that wish to enter or expand their presence in the student housing market. Still, the recommendations can be valuable for both small entrepreneurs and university residences managers.

Generally, the student housing market shows potential to grow. In fact, Brazilians are changing their mentalities and gaining more (financial) independence and because they prefer leaving their parental house if they had a chance (76% according to the data collected). Above this, international standards of student housing are increasingly enticing students to adopt different lifestyles. Furthermore, the student body is constantly growing, reaching 7.3 million students in 2013 resulting in a large target group (Brazilian Ministry of Education). Buying power is also accompanying these shifts. In fact, Brazil is developing a big middle class. Furthermore, the presence of established investors in this sector act as positive examples for future investors who wish to enter this market. The sector additionally has high occupancy rates year round and economic downturns have positive effects on growths in the student body. These points can offer stability compared to the fluctuating Brazilian real estate market.

Growth will mostly come within the larger cities. The city of São Paulo in the Southeastern part of the country offers the possibility for investors to scale their product and establish themselves as real players on the market. In fact, the region is economically very dynamic and profits from an even faster growing student body. Nevertheless, there are quite some constraints to take into account for the successful future growth of this market and its actors, such as the informality of the sector. By sourcing from Porter’s five forces and the PESTEL analysis, particular aspects of these models will be used to further deepen the analysis of the student housing market and present concrete recommendations to tackle both the opportunities and obstacles presented by the student housing market in Brazil.

6.1 Industry analysis

This first part of the recommendations will source from Porter’s five forces model. More precisely, two main forces, next to an evaluation of the current competition within the sector, will be analyzed. These are the threat of new entrants and substitutes as well as barriers to entry.
6.1.1 Competition and substitutes

The threat of substitutes in the student housing market in Brazil remains low. Student housing is a particular sector that caters exclusively to students and is highly differentiated from other products offered in the real estate industry. However, within the sector analyzed there are different types of actors (as previously studied) that cater to different types of students and needs. For example, students choosing to live in a “Republica” will often be looking for a larger amount of roommates and lower prices. The owners will have lower margins but can use any type of real estate asset to cater to students. Furthermore, they are flexible in their approach, have few legal barriers (Faria, 2016) and can manage their businesses with high flexibility. Students living in student residences can often profit from zero housing costs, live on, or close to, their university campus but often suffer from bad housing management. The administrators of these public student residences have no real incentive for profit as they are supported by government funds. Finally, students living in corporate student housing will often pay a premium for extra services and central locations. Managers and owners hereof, on the other hand, will most probably be exposed to high quality demands from the part of its customers but have high and constant streams of incomes. These actors can profit from large scale marketing campaigns, attract students and create awareness on a citywide basis. In this regard, this actor offers the most potential as to occupying a strong position within the market as they can scale quickly and attract a large number of students, provided they have access to capital. As established through the interviews, this type of actors should further use innovation and creativity as a continuous differentiating factor. Even though there are several actors active in the student housing market, no real competition exists in the market, which is due to a clear housing shortage and a non-formalized market.

In this sense, competition exists within this particular sector both between actors, but more specifically, between the different types of actors. Even though this type of competition exists, especially for the corporate student housing firms, demand is yet unmet and the market needs to grow to its full potential. Firms can truly take advantage of the gaps that currently exist as the market is far from being formalized and institutionalized. This is even more true as there are only two established players of corporate student housing. What is more, even though they are fighting to grow their market shares respectively and might see each other as competition, the competition within this part of the industry allows for the creation of recognition and development of general track records. However, on the long term, it goes without saying that competition might become more intense when investors might see an
established market and growth opportunities as a result of the success of these recognized players. The coming years will be characterized by a fight through business models, advertising campaigns, expansion of services offerings as well as price wars. Still, new firms entering the market will, most probably, experience resilience from established firms at this stage of the development of this market.

Other types of substitutes outside of the scope of student housing also exist. Primarily, students can decide to stay and live with their parents if they had the chance. This is an important part of the student body that should be targeted. In any other case, students can also recur to renting and buying more traditional housing (e.g. apartments to share).

6.1.2 Exit and entry barriers

At the current status of the market, entry barriers are high or low depending on the scope of the level of entry evaluated. On the one hand, small entrepreneurs offering an apartment or a house as “Republica” will find the barriers to entry low. They don’t need to be registered as an enterprise within Brazil and need low levels of investment (Faria, 2016). Exit barriers remain low as well, as fixed charges are compensated directly by rental returns. What is more, “Republicas” are often situated in types of real estates that can be easily rented out to different types of customers if that were needed. On the other hand, big entrepreneurs and especially corporate student housing companies will find the barriers to entry high. As the companies currently operating in the sector explained (Antunes, 2016), the importance of establishing a track record will guarantee the possibility of finding investors that can enhance growth. Corporate student housing requires high levels of capital injections. Future corporate student housing firms can face strong established brand identities stimulated by advertising and might still be uncertain of the risks linked to the novelty and underdeveloped status of the sector. Exit barriers exist as these buildings are a specific type of real estate asset. However, like “Republicas”, student housing can be redirected to offices and apartments for young professionals. In fact, Vitacon rents out the same type of apartments to both students and (young) professionals.

Entry barriers can be reduced, however, if certain businesses develop partnerships that can facilitate processes or inject the companies with capital to boost their business.

6.2 PESTEL Analysis

Referring to the interviews as well as previous economic analyses of Brazil, understanding the economic, political, socio-cultural and legal climate will remain a necessity for any
investor wishing to enter this fast moving market. In fact, the interviewees mentioned political and juridical barriers as being obstacles they have encountered whilst operating in the student housing market. The technological and environmental contexts are not of current importance for the student housing market in Brazil. Hence, the analysis hereof is excluded from the PESTEL analysis.

Firstly, regarding the political climate, firms need to be aware of the current political instability in Brazil. Next to this, investors should be aware of the impact that cuts in education budgets (Silva and Costa, 2012) can have on the student housing market but also be on the continuous lookout for funding and initiatives from the part of the government that could enhance this market. It goes without saying that the tax and bureaucracy levels that might impact this sector more than another should also be well understood.

Secondly, the economic climate is probably the most important macro factor that should be monitored constantly. Impacts on increases in the cost of construction, inflation, unemployment, and income distribution will have direct effects on the future growth of this market. Investors should closely monitor and forecast these economic evolutions. A quintessential conclusion from previous analyses is that GDP can partially have predictive value for changes in enrollments and developments in the construction industry, directly influencing the real estate sector (Long, 2013; Peng et al. 2005). Levels of access to finance and interest rates would also hold predictive value for changes in real estate prices and these two indicators should thus also be followed closely.

Thirdly, the legal climate will be, especially in the first phases of the development of this market, a large expense for actors within this market. As the market is still informal there are many gaps and unclear legislations and regulations that can be both a barrier and a concrete risk for the future development of the sector. Indirectly this will affect costs, operations and demand for student housing.

Fourthly, the obstacles of the socio-cultural climate should be taken into account as well. Most importantly entrepreneurs should understand that the student housing market is context sensitive. It is recommendable to source from international examples but one should be aware of the local needs and culture (Baalbaki and Malhotra, 1993). The characteristics of the student housing have to match the needs of the students themselves. Also, the Brazilian student mentality is evolving but this is a slow process (Antunes, 2016).
6.3 Key success factors - The Brazilian Student Housing Business Model

6.3.1 Management
A pre-requisite to the efficiency of any entrepreneur in this sector will turn around management. All parties interviewed highlighted that management was a key success factor. Both small and big entrepreneurs showed that this was essential for both the customer (the student and sometimes parents) and the general wellbeing of the company. On the one hand, proper management will be a differentiating factor between competitors that will be perceived by students as a part of the service offering. Next to this, proper management will allow entrepreneurs to create sustainable and smoothly ran companies (As mentioned by Faria, 2016). The importance of proper and qualitatively high management of these properties is essential for any investor wishing to be successful in this market. For example, the development of this market can become more efficient if routine maintenance, cleaning and security, among others are aspects that will be correctly addressed. In fact, maintenance remains a real problem for all types of Brazilian student housing (Garrido, 2015).

6.3.2 Marketing
An essential aspect of the student housing model will be centered around the way it is marketed. This is especially true for corporate student housing as they, most probably, will be charging a premium for the rental of rooms. The success hereof will determine the possibility for entrepreneurs to develop a track record and attract investors and, more importantly, customers.

Based on the literature reviewed, interviews with actors in the market and surveys, the following key concepts have to be a part of the marketing strategy of any company active within this sector in Brazil.

The first one centers around location. Data gathered showed that an important share of the students come from other cities or states and living close to university would be a priority. The other share of students would appreciate location for the closeness to services and transportation routes. Enhancing urban mobility for students will be a valuable focus point (Assumpção, 2016; Thomsen and Eikemo, 2010). Is more, location will be a key asset setting apart the different actors active in the market. De Azevedo (2011), more precisely, stressed the importance of knowledge of territories, neighborhoods and habits of inhabitants for real estate investors and entrepreneurs. This will hold as well for the student housing market when deciding on the location for the development of student housing.
A second aspect will be the price as previously touched upon above. A serious effort should be made to justify a premium price. Comparing prices and breaking down the costs for prospective renters directly will enhance persuasion. Thirdly, a term that should be put forward is security. Being ranked as the third most important characteristic of student housing, marketing campaigns should make an effort to incorporate this as a key advantage of choosing one company over a competitor. A fourth way to communicate with potential customers is through the concepts of atmosphere and community. Literature has shown that these two aspects enhance the quality of life and performance levels at university. Meliorating the social effect of sense of belonging for students will enhance the reputations of actors in the market on the medium term. Students leaving their parental house are well aware of the complications and dangers that can arise from living far from home as has also been proven through literature. They should be convinced that student housing would substitute the support system of their homes. Fifth, the general image of Republica’s and corporate student housing and investments funds needs to be meliorated in the long run (Faria, 2016). A better reputation will benefit the growth of the student housing market as it will increasingly attract students.

Finally, in the case that actors want to differentiate themselves from competitors, the services offered within the student housing will justify charging a premium.

Facilitating the search for student housing and focusing on student housing close to particular universities does not seem to have to be a priority for entrepreneurs within the sector but should not be discarded completely. In fact, students only found it moderately difficult to find student housing and less than one fourth of the surveyed students based their choice of university on the availability of housing.

6.3.3 Pricing

Pricing is an essential aspect of the success for any type of entrepreneur in the student housing market. This is true because it was ranked as the most important characteristic by the students surveyed. The Brazilian student seems to be aware of what is available and it is a determining factor in the choice for a particular type of housing. Below is a summary table of the amount of students that would be reached depending on the pricing based on the data collected.
Depending on the type of student housing, different prices could be used. For corporate student housing the R$ 1300 figure could be surpassed to reach a third of the student population which are willing to pay a premium for the services offered. Concerning university residences and Republicas, the price should remain around R$ 1000 to reach the majority of the student body. Nevertheless, the informality of the market still results in unclear pricing standards. Yet, price will become a more and more important barrier for actors in the student housing market as student housing becomes more institutionalized. Price wars might occur as actors increase and pricing strategies will become key to safeguard a good position within this new market. A considerable part of the students interviewed were willing to pay over R$ 2000. Hence, diversifying into different types and categories of student housing could enhance a larger reach and the accumulation of a solid customer base. However, it could be said that this diversifying strategy might be more valuable once the market has grown. This point will further be explained below.

6.3.4 Target group

To further enhance the product and service offering of student housing, understanding the target market is key. Based on the surveys a general picture of the target group can be sketched. The target student will have an average of 23 years. Half of the students will be either working or interning receiving an average salary R$ 2.114 of which they will be willing to spend half on rent. The student will come from a relatively wealthy family (class A or B) and there might be a good chance the student is leaving his parental house because of the distance to university.

The student will prefer living in a shared apartment with less than five roommates and will highly value location, price and security. Next to this, he will be hyper-connected and will be inspired by international examples of student housing (Cheong et al., 2016: Levitt 1993). The process of “verticalization”, where the focus is on building apartments should be preferred.
Students that are living with their parents should be targeted as well. In fact, of the students surveyed that were still living at home, 76% would prefer to move to student housing. It would be important to focus on the characteristics of “safety”, “community” and “atmosphere” to attract this part of the market.

A large majority (over 65%) of individuals between 18 and 29 spend less than 30 minutes commuting to their workplace. This figure decreases for individuals from higher socio-economic classifications (Rocha et al. 2015). It will be important for entrepreneurs to keep this as a measure for distances between the student housing and locations students will have to commute to university and work. Location, then again, results to be important for the successful attraction of students, as has also been measured amongst the interviewed students.

Finally, as the majority of students hold higher socio-economic categories it might be more interesting to target this segment in the first place and diversify the target group on the medium term.

6.4 Creating value for stakeholders

The future success of this sector will be dependent on satisfying the needs of all stakeholders involved directly or indirectly with the student housing market. This involves everything from attracting investors to satisfying government regulations and working closely together with universities across the country.

6.4.1 Public Private Partnerships
Farquharson et al. (2011) argued that private public partnerships (PPP’s) allow for more efficient use of resources, better scrutiny of projects, exposure and commitment of capital to long-term performance and, generally, enhancing the quality of projects. They state that “partnerships between the public and private sector can make a significant contribution to improving the living standards of citizens and enhancing the competitiveness of the economy” (pp. 147). Of course PPP’s come with risks and require improvements such as management skills, alignment of interests, high levels of public intervention and “public law values” (e.g. proper judicial reviews, assessing conflicts of interests and safeguarding transparency) (Farquharson et al., 2011; Custos and Reitz, 2010, pp. 584).

PPP’s can foster innovation, research and development and, more generally, the competitiveness of the student housing market. They can share a common vision for the development of education and society as a whole. As such, public private partnerships can
enhance the institutionalization and formalization of the student housing on the short to medium term.

Public private partnerships seem to be an asset for a market that still needs to be developed. The interviewed actors in the market argued that public private partnership could give any competitor a great advantage in the market (Antunes, 2016). These types of partnerships should result in a win-win situation. By working together with entrepreneurs that are developing student housing, universities and governments can cater to a large demand that exists amongst the Brazilian student. Sidewise, the entrepreneurs can profit from the internal network of universities across the country. In addition, capital investments can be further enhanced through cooperation between universities, governments and entrepreneurs.

Antunes (2016) argued that, as universities in the country are faced with budgetary constraints, they should focus on their core competency of education instead of investing heavily in (badly) managed student residences. He was of the opinion that universities and actors active in the market should come to an agreement where universities delegate responsibility to an external agent whilst compensating them through granting them access to the student body, land and/or properties. Moreover, resources are becoming scarcer and investors are being more selective in choosing their investments. To boost this market, PPP’s can contribute significantly to supporting this market in the start-up phases where returns are still uncertain. In fact, Macintyre (2003) showed that private developers are increasingly being contracted by universities when we look at international examples.

From a marketing viewpoint, students prefer institutional connotations linked to student housing (Thomsen, 2007 and Eikemo, et al., 2010). As such, it could become an asset for investors to also profit from linkages with universities to attract students. For example, marketing through partnerships with the universities could enhance the negative reputation of the student housing market that might exist amongst students. However, it should be kept in mind that, as has been mentioned by Faria (2016), the inclusion of private companies can harm access to student housing for students from lower economic classifications through the maintenance of excessive rental prices.

Still, governments should be well informed about the advantage that accompanies a growth and institutionalization of the student housing market. A few can be named in the Brazilian context.
Firstly, student housing has a potential of regeneration of particular areas and their rehabilitation (e.g. the old city center of São Paulo). Student housing can be one of the steps towards the gentrification of abandoned areas and the development of services. In other words, student housing can enhance the multi-centrality of cities and meliorate urban dynamics engendered through the lifestyle of students and their needs (Chatterton, 2010; Macintyre, 2003). Large cities, should, as such be utilized as leverage for growth.

Secondly, the current downturn of the real estate market in Brazil had its toll on the construction sector (unemployment, decrease in investments…). The development of the student housing market might partially enhance the stabilization of the construction market. New student housing real estate developments can be put into place to compensate for a general stagnation of the real estate and construction sector in Brazil. This is especially true because there is a clear demand and gap in the market for student housing. Consequently, it is also in the government’s interest to foster PPP’s in this sector.

6.4.2 Attracting investors

Attracting and satisfying investors will be conditioned by the ability and willingness to invest. Investors in this sector will have to be informed of financial performances and entrepreneurs will have to work on establishing track records (Antunes, 2016; Calfat, 2016). As mentioned earlier, the real estate market in Brazil has been teetered by the fear for a real estate bubble and general insecurity of returns. The importance of showing that the returns in the student housing sector are considered more stable than the housing market itself should be put forward (as has been proven by Rugg et al., 2000). This point remains essential as the general rental market in Brazil proves to be much more unpredictable and, resulting, on average, in lower returns for investors. This has especially been true when comparing the rental market returns to the actual sales returns in the real estate market in Brazil in the past few years.

Nevertheless, in their interviews, Calfat and Assumpção (2016) highlighted the fact that international investors might be more prone to invest in this emerging and still unknown market. In fact, international investors have seen their margins decrease and are currently searching for new opportunities. Even though the student housing market in Brazil still seems risky and new, margins can actually exceed international counterparts. As such, Lima & Alencar (2008) prove that the Brazilian real estate sector continuously outperforms its
American counterpart, especially on the long-term. Assumpção (2016) had also mentioned this point.

Murray and Baum (2011) identified several informal and formal barriers to invest in real estate in developing economies. These are all applicable to the Brazilian context as well. A table developed by the authors can be found below:

<table>
<thead>
<tr>
<th>FORMAL BARRIERS</th>
<th>INFORMAL BARRIERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to invest</td>
<td>Willingness to invest</td>
</tr>
<tr>
<td>Restriction to capital accounts</td>
<td>Legal and title risk</td>
</tr>
<tr>
<td>Legal barriers</td>
<td>Political risk</td>
</tr>
<tr>
<td>Taxes and costs</td>
<td>Economic stability</td>
</tr>
<tr>
<td></td>
<td>Currency risk</td>
</tr>
</tbody>
</table>

Table 3 – Barriers to investment
Murray and Baum (2011)

Liquidity is an important barrier as classified by Murray and Baum (2011). Within the student housing market two advantages linked to liquidity can be distinguished. On the one hand, student housing has a large impact on the liquidity of real estate markets. On the other hand, it is essential to be aware that student housing can, in principle, be flexibly transformed for different ends, if only into different types of housing. It is because of this that Goettems (2012) recommends the use of flexible systems for the development of future student housing. This will enhance flexibility and decrease the liquidity risks for investors.

Moreover, investors in the student housing market should use this industry asset as a means to diversify their portfolio. Fong Chan et al. (2010) analyzed the relationships between different assets (namely commodities, financial and real estate assets). They divided economic cycles up into a “crisis” and “tranquil” regime which would push investors to invest in either of these assets types. Real estate assets, being qualified as being highly sensitive to contagion and volatility should be used in “dynamic portfolio allocation strategies” when under a “tranquil” regime. However, it could be argued, based upon previous analyses, that the student housing market could be classified as a different asset type holding different characteristics than the real estate market in general, thus offering increased diversification potential.
Still, the contraction of the real estate market in Brazil in the past years cannot be ignored. As analyzed previously, rental returns are sharply decreasing in Brazil and the cost of construction per square meter has, conversely, been increasing over the same time period. Being aware of the conjunctures of the Brazilian real estate market still remains important for investors to take into account when allocating their portfolios or developing student housing real estate.

6.5 Summary figure

Below can be found a summary figure of the recommendations and analyses made above. Both the macro and micro-environment are highlighted that directly impact the student housing market. Above this, an attempt has been made to summarize the Brazilian student housing model and which key factors could lead to the success of the student housing market in the country.
Figure 16 – The Brazilian student housing market – Summary Figure

Created by author in June 2016
7. Concluding remarks

7.1 General conclusions

The objective of this study was to attempt analyzing all facets of the emerging Brazilian student housing market and, more generally, measure the industry attractiveness. The sector has slowly been developing in the past years, especially in the largest cities (such as São Paulo) and the growing Brazilian student body has become more mobile and trying to achieve more independence, both financially and from their family. However, the sector is far from being institutionalized and formalized. Next to this, little public assistance is given to students nor to the development of this sector. Three main actors could be identified in this segment, namely, corporate housing & investment funds, “Republicas” (small entrepreneurs) and, finally, university residences. Private corporations investing in the sector hold most promises but these still have many barriers to overcome. The most important regards the establishment of confidence in the market through track records to attract more investors and be able to scale entrepreneurial activates. The current fragility of the Brazilian real estate sector accompanied by both economic and political insecurity further present a barrier for investors in this sector.

However, demand for student housing is present and growing, mostly from higher socio-economic classes. Key success factors for actors active in this market will evolve around management, pricing, solid marketing campaigns and a clear understanding of the target market and needs within the Brazilian social context.

Distinguishing competitive advantages for actors in this market will come from two main sources. The first one is the ability to attract investors through the capacity to create value and satisfy the different type of stakeholders. This should lead to a general consolidation of the market. In the first phases of the development of this sector it will be essential to both compete and work together with competitors in the market as the establishment of track records are indispensable to the future success of the market. The second key asset for any actor in this market will be public private partnerships that will allow companies to scale and attract more investors as well as students in the short to medium term.

Generally, the student housing market could be deemed underdeveloped and holds growth potential for investors that are looking for alternative investments and portfolio diversification in periods of economic turbulence. As long as investors are aware of both the micro and macro-environmental risks and barriers, the sector could be qualified as attractive.
Growth will come from within cities and time will allow student housing to become an integral part of the Brazilian university culture.

7.2 Limitations

The limitations of this study mostly extend to the fact that this is an exploratory research and that the student housing market is relatively new and, consequently, informal and non-institutionalized. Few research articles were available on the theme. Also, the survey conducted only permitted the gathering of data of a very small proportion of the Brazilian student body. Next to this, the surveyed students mostly came from the same region that might therefore limit generalizability of the findings. The same is true for the interviews, which were conducted in companies and organizations having headquarters in São Paulo. As such, the diversity and differences that might exist across regions in Brazil should not be discarded.

Furthermore, the student housing market is a quickly evolving market. The business model developed and the environmental analyses might not be of actuality in a few years through the uncertainties that exist in this type of emerging asset class.

7.3 Future research

As this is one of the first studies exploring the market, the topic has been covered in a general manner without regarding specificities. Consequently, there are still many white pages to fill concerning the student housing market in Brazil. As an emerging sector, it holds much potential and can profit from a better understanding of the links between real estate and student housing. As such, it might be interesting to analyze the concrete differences between real estate returns and student housing returns to see if portfolios could be better diversified. Also, a more concrete analysis of the potential role of PPP’s within this sector could be conducted.

Future research could also focus on more qualitative perceptions of student housing by Brazilian students. For example, the perception of students of corporate student housing could be analyzed or the differences across Brazilian regions highlighted. Another interesting research aspect could be the comparison of the Brazilian student housing with international counterparts with similar cultural and economic trends (e.g. Argentina or Portugal). Finally, a more extensive research on the development of one-bedroom housing in São Paulo would add highly to a further understanding of the student housing market.
Appendix
Appendix 1: Survey

Dear participant, welcome!

The procedure involves filling out an online questionnaire on the subject of student housing in Brazil, which will last less than 10 minutes.

Your answers are voluntary and confidential. The answers will not be identified by individual (identifiable information such as your name, email address or IP address will not be collected).

Thank you for your cooperation!

- I read and accept the text above

1. What is your age?
2. What is your gender?
   - Male
   - Female
3. In what city do you live?
4. In what state do you live?
5. In what city were you born?
6. In what state were you born?
7. What is your nationality?
8. At which university are you enrolled?
9. What type of course are you enrolled in?
   - Full time
   - Part time
10. What level of education are you at?
    - Graduate
    - Post-graduate
    - Other
11. Do you work or intern next to your studies?
12. What is your monthly income?
  o Between R$ 0-880
  o Between R$ 880-2640
  o Between R$ 2640-4400
  o Between R$ 4400-13200
  o More than R$ 13200

13. What is your families’ monthly income?
  o Between R$ 0-880
  o Between R$ 880-2640
  o Between R$ 2640-4400
  o Between R$ 4400-13200
  o More than R$ 13200

14. Do you receive any type of scholarship?
  o No
  o Yes, full scholarship
  o Yes, partial scholarship
  o Yes, in the form of a loan

15. Do you live with your parents?
  o Yes
  o No

(IF YES WAS SELECTED)

16. Why did you decide to live with your parents? You can choose more than one answer
  o Distance to university
  o General atmosphere at home
  o Security
  o Level of cleanliness
  o Financial costs
  o Other: …………

17. Would you prefer to live outside of your parental home if you had the chance?
  o Yes
  o No

(IF NO WAS SELECTED)

18. Why did you decide to leave your parental house? You can choose more than one answer
  o Distance to university
  o Student life
  o I study in another city than where my parents live
19. What is the amount you pay as rent every month (all service charges included)?

- o Between R$ 0-400
- o Between R$ 400-700
- o Between R$ 700-1000
- o Between R$ 1000-1300
- o Between R$ 1300-1600
- o More than R$ 2000

(FOR ALL PARTICIPANTS)

20. What is the maximum amount you would be willing to pay as rent every month (all service charges included)?

- o Between R$ 0-400
- o Between R$ 400-700
- o Between R$ 700-1000
- o Between R$ 1000-1300
- o Between R$ 1300-1600
- o More than R$ 2000

21. On a scale of 1-10, how difficult do you consider finding adequate student housing? (10 being very difficult)

22. Did the availability of student housing have an impact on your choice of faculty?

- o Yes
- o No

23. On a scale of 1-10, how important are the following characteristics when looking for student housing? (10 being very important)

→ Distance to university
→ Green areas
→ Price
→ Services offered (gym, internet, laundry room…)
→ House management
→ Number of housemates
→ Common rooms (kitchen, living room…)
→ Security
→ Community feeling
→ Access to services (shopping mall, transport, shops…)

24. In what type of student housing would you prefer to live

- o Republica (5 or more people)
- o Student residences
- o Student housing privately managed
- o Shared apartment (< 5 people)
- o Alone
Bibliography


Barbosa, M., (2004). Estudantes de classes pobres na universidade pública - um estudo psicológico de relações interculturais. Universidade de São Paulo (USP), Instituto de Psicologia. 2


Coelho, M., (2012). A política de assistência estudantil e a contrarreforma universitária: estudo sobre o programa de moradia universitária na universidade federal do Ceará. *Universidade Federal do Ceará*


He refers to an encompassing integration of institutional, environmental and economic agents (Alves, 2014)


Investe São Paulo. PIB. Retrieved from Investe São Paulo website: http://www.investe.sp.gov.br/por-que-sao-paulo/economia-diversificada/pib/


http://www.unifesp.br/reitoria/prae/programas/programas/pape

http://mirror.unhabitat.org/pmss/(X(1)S(mtmelfp1gkmj0bjkga10gdwx))/listItemDetails.aspx?publicationID=3453&AspxAutoDetectCookieSupport=1


http://www.docomomo.org.br/seminario%20205%20pdfs/003R.pdf

VITACON, (2016). Experimente um novo estilo de vida. Retrieved from:  
http://www.vitacon.com.br/institucional


Wall Street Journal (2016). Brazil Losing the Battle to Debt. Retrieved from:  


http://data.worldbank.org/

