

# GSA<sup>1</sup> CORAL Newsletter

Welcome to the GSA Coral Newsletter - keeping you in touch with the latest GSA Coral announcements as well as industry news and comment.

GSA Coral is at the forefront of opportunities in the global student accommodation sector.

## In this Edition:

» **Our track record of consistent and strong returns:** message from the Founder, John Kennedy

» **A marriage of expertise in student accommodation:** message from the Chairman of GSA, Nicholas Porter

» **Post EU Referendum Outlook** for the UK and the GSA Coral Portfolio

» **Successful sale** of major investment stake in UK portfolio

» **GSA Coral enters German market** and further diversifies portfolio

» **Dublin Investment** Steams Ahead



## FROM THE FOUNDER: Launch of GSA Coral

I was delighted to oversee the formal integration of Coral Portfolio into the broader GSA Group last month, and will continue to play a leading role in the senior executive team, providing strategic direction for the new business. This is great news for investors and places GSA Coral firmly at the forefront of opportunities in the Student Accommodation sector globally.



**John Kennedy**  
Founder and Strategic Advisor

GSA, and with it GSA Coral are on an exciting growth trajectory. The team established the sector in the UK, and are now pioneering international opportunity as the world prepares for **100 MILLION NEW STUDENTS OVER THE NEXT DECADE.**

Coral Portfolio has an enviable 8-year track record of consistent and strong returns. It has gained approval under AIFMD to further strengthen its focus on risk management and control. This established EU regulated structure was an obvious attraction to GSA and will be fully used for growing the existing Portfolio, and also for accommodating private "co-invest" managed accounts.

There are huge opportunities ahead as we grow the GSA Coral Portfolio platform. We will build on the strength of the core UK portfolio and continue to lead the market

in global exposure. As always the emphasis will be on maximising returns while controlling and mitigating risk.

I have just returned from **Australia** where the sector is just about to take off. There is a huge supply/demand imbalance and institutional investors are already taking positions. GSA, from its base in Sydney, has had a presence there since 2007 creating 4,300 beds. GSA Coral has recently made its first investment in a strategic site directly opposite the University of Melbourne. The location and conditions could not be better and we are looking forward to taking full advantage of this opportunity.

Similarly, our investment in **Dubai** represents the first ever private purpose built student rooms in the UAE. It offers 440 beds adjacent to Dubai International Academic City, home to twenty-one campuses, and

20,000 students drawn from 125 nationalities. The supply/demand gap is expected to widen in the UAE and we are monitoring a potential pipeline of further investment.

We have recently made our second investment in **Dublin** alongside US real estate giant Harrison Street Real Estate, and have made our first investment in **continental Europe** with a portfolio of 4 assets in core **German** cities. Again, the outlook for these assets are underpinned by the large and growing supply/demand imbalance in these locations.

**These are very exciting times for the Student Accommodation sector. GSA Coral investors are right at the heart of these huge opportunities and we are looking forward to delivering strong returns in the months and years ahead.**

# FROM THE CHAIRMAN, GSA GROUP

I am delighted to formally welcome all investors to the GSA Investment Management platform following regulatory approval for the full integration of GSA and Coral Portfolio last month. Since forming an initial partnership in 2014, GSA has enjoyed a highly productive partnership with Coral, and all the evidence from our collective experience points to a very bright future as a fully merged student accommodation specialist.



**Nicholas Porter**  
Founder and Chairman

This is a unique marriage of expertise in student accommodation as we combine our successful business models on a truly global stage. For 25 years, we have researched, financed, and built secure and vibrant communities for university students around the world. We have a unique understanding of student accommodation and how to manage capital into the sector to deliver a strong return on investment. Our management team have created over \$7.5bn of student accommodation in 44 cities and 8 countries.

This provides a strengthened platform for GSA Coral to capitalise on global investment opportunities, and adds significant depth of expertise, resource and reach into capital markets. We are committed to continuing to deliver increased benefits to GSA Coral investors, including:

- 1 Unrivalled underwriting and risk management expertise;**
- 2 Strengthening the alignment of interests between GSA Coral investors and GSA;**
- 3 Growth – in terms of both portfolio size and returns for investors;**
- 4 Continued access to GSA's proprietary research and intelligence;**
- 5 Maintaining the highest standards of service delivery to our investors.**

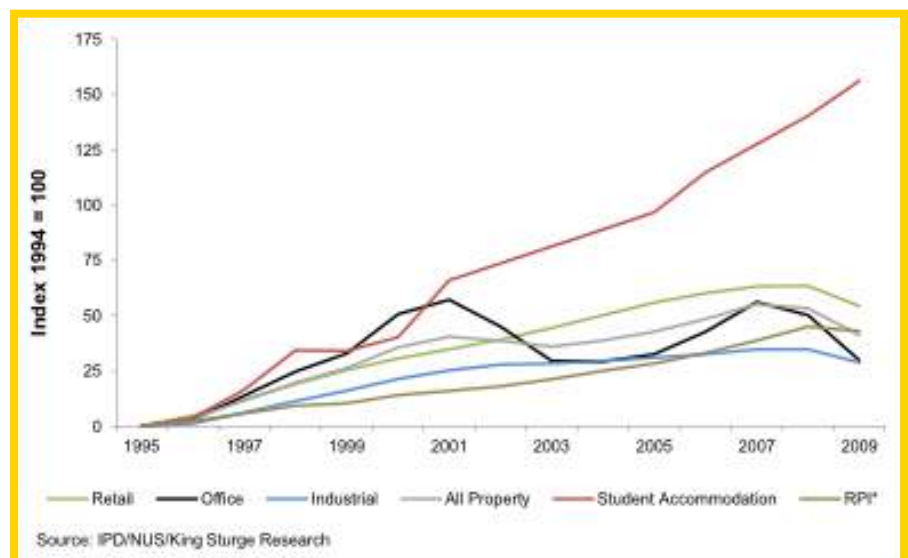
The re-branded GSA Coral came into being in May 2016, and barely a month later the UK's decision to exit the European Union has understandably led to uncertainty in global investment markets. But student accommodation remains resilient. We do not expect to see any reduction in higher education student numbers as a result, and education remains a government-driven priority whatever the economic outlook.

2015/16 saw record levels of institutional investment in student accommodation. There is every sign of continuing strong capital flows into the sector. It is worth remembering that purpose-built student housing in the UK

has outperformed all other real estate sectors during times of economic turbulence over the past 25 years. At GSA Coral, we have the added security of a globally diverse portfolio, which has just been further strengthened with investment into core German real estate.

**This is the sixth time in twenty-five years that we have successfully managed through periods of economic and political upheaval. Our experience and our portfolio position us well for stability, which is one of the hallmarks of the student accommodation sector.**

## STUDENT ACCOMMODATION SHOWS A STRONG AND CONSISTENT TRACK RECORD OF RENTAL GROWTH WHEN COMPARED TO OTHER REAL ESTATE SECTORS IN THE UK



# POST EU REFERENDUM OUTLOOK FOR THE UK AND THE GSA CORAL PORTFOLIO

## UK HIGHER EDUCATION MARKET

- » No expected impact on higher education student numbers
- » Strong statement from European University Association (850 universities) “**The Europe of Universities will not be divided**” – reiterated by UK Universities
- » Less than 5% of our international students come from the European Union
- » Less EU students combined than students from China

## RESILIENCE OF OUR SECTOR

- » The UK student accommodation sector has outperformed all other real estate sectors during times of both political and economic turbulence over the past 25 years
- » **Evidence clearly shows the stability of the sector**, even throughout the global recession of 2008
- » Record levels of institutional investment into the sector continued in 2015/16 and is set to grow
- » Structural under supply of purpose built student accommodation continues to increase

## CLOSURE OF UK COMMERCIAL PROPERTY FUNDS

- » GSA Coral is **not** a commercial property fund or a land development fund
- » Purpose built student accommodation enjoys very different fundamentals driven by a huge supply /demand imbalance
- » **GSA Coral has a 65% exposure to global assets outside of the UK**
- » Risk management, which includes events like Brexit, is at the very heart of GSA Coral and is the key rationale behind the diversity of the Portfolio

## GSA CORAL OUTLOOK

- » Our stated strategy is of a **diversified portfolio** to reflect improved risk and return across key global educational markets
- » We will continue to ensure that we manage our exposure to any single market as part of our risk management strategy
- » The GSA Investment Management team will continue to apply its 25 year track record in maximising investor returns (note in 2008/9 in the depth of financial crisis, excellent opportunities were realised on the back of stable and growing income from properties)
- » For a detailed presentation on the post EU referendum outlook, please [click here](#) for our full report.



# PORTFOLIO NEWS

## GSA Coral sells major UK investment stake and forms of a new Joint Venture

**We are very pleased to announce that GSA Investment Management and GSA Coral have now successfully concluded a major transaction to sell down a substantial part of the GSAF GBP / UCT portfolio to Chicago based real estate private equity firm Harrison Street Real Estate Capital (“Harrison Street”). Harrison Street has invested in over 60,000 student accommodation beds in the U.S., representing over \$4.4 billion in gross cost, and is also invested as a joint venture partner in Dublin with GSAF Euro.**

This recapitalisation concludes the Fund’s strategy over the last six months to sell down its stake to an institutional partner, with the investment allocation to this UK portfolio now reduced from 39% to 6% of Fund NAV.

The sale represents the formation of a new joint venture to focus on value-add opportunities in the UK student accommodation sector, particularly in strong university cities such as Nottingham, London, Sheffield and Newcastle.

Repositioning assets to improve rental profiles and capital value, as is currently the case with the current portfolio’s central London asset (Therese House), will be a key focus of the joint venture which has a forecast return of 14%+.

Going forward, GSA Coral will have further opportunities to participate in the growth of the joint venture should it wish to do so, and as such further diversify its exposure to high quality assets.

GSA Coral is now extremely well positioned for future growth as part of a financially robust partnership with one of the world’s largest student accommodation investors, and this shows the depth and reach of the wider GSA Investment Management platform into global capital markets.

## GSA CORAL MAKES FIRST INVESTMENTS IN GERMANY

GSA Coral has made a redeployment of capital (following the sell down of UK assets to Harrison Street) into a portfolio of four newly developed assets in Germany, with an option on a fifth asset currently in development. The investment follows two and a half years of indepth research on German markets and positioning a team on the ground to deliver local expertise. This is an allocation to core,

income producing assets in one of the world’s most robust real estate markets. Given the relative infancy of the sector in Germany, however, there is also a real opportunity to use our decades of experience in other markets to improve the offering to students and to add substantial value to the assets. German rents are also at a relatively low base in comparison to other major European cities.

## WHY GERMANY?

- » **2.8 million students in 2015 compared to 50% in the UK.**
- » **Domestic enrolments increased by 4.0% p.a over 5 years**
- » **International enrolments increased by 5.0% p.a**
- » **36 German universities in the world’s top 500**
- » **Germany is the 4th biggest international student destination behind USA, UK and China**
- » **Government support - university education is fully subsidised**
- » **78% of domestic students are living away from home**
- » **Minimal housing support from universities and poor quality offered by the Student Union**
- » **Currently, private providers of Purpose Built Student Accommodation account for only 1.4% of the total student accommodation market in Germany**
- » **Existing market is small & fragmented with no lead operator**
- » **Significant market opportunity to increase rental growth by improved service/product delivery**

## WHAT’S NEXT?

The acquisitions mark the start of a five-year strategy by GSA to build a 10,000-bed portfolio in Germany backed by further institutional investment, exploiting an under-supplied market for purpose-built

accommodation in Europe’s largest economy. GSA Coral is extremely well placed to participate in the growth of this portfolio which will deliver further diversification and robust returns.

# GERMAN PORTFOLIO



## Frankfurt - Adalbertstraße 44

- » Converted to student housing in 2012
- » Market of 60,000 students in Frankfurt
- » Only 500m from Goethe University's BockenheimerWartecampus and adjacent to the popular LeipzigerStraße
- » 264 beds and common spaces include a rooftop terrace, gym, cinema, games room and several learning lounges



## Münster -Geiststraße 2

- » Previously office building, converted in 2013
- » Market of 52,000 students in Münster
- » Centrally located on Geiststraße, 1.5km from Münster city centre and from University
- » 175 apartments ranging from shared classic two bedroom flats to deluxe plus studios



## Darmstadt -Havelstr. 9 / Spreestr. 5

- » Previously an office complex that was converted in 2014
- » Market of 30,000 students in Darmstadt
- » Located 1.5 km from the city centre and TU Darmstadt and 500m from HochschuleDarmstadt
- » 345 studio apartments with 5 different apartment types on offer, from Eco to Deluxe Plus



## Dresden -Holzhofgasse 1

- » Only high quality student building in Dresden
- » Market of 45,000 students in Dresden
- » Located at BautznerStraße, just adjacent to ÄußereNeustadt, the preferred residential neighbourhood of young people in Dresden and 700 m from Alaunstraßeand Albertplatz.
- » Completed in March 2016
- » 199 apartments, ranging from Eco to Deluxe Plus

# DUBLIN DEVELOPMENT STEAMS AHEAD



**GSA Coral's investment into the Dublin market continues to progress, with nearly 1,000 bed spaces currently under construction in the city centre. Growth of the portfolio began in November 2015, through the acquisition of Mill Street, in the Newmarket area of Dublin. A second transaction to acquire a site on Gardiner Street, in the north east of the city, concluded in early 2016.**

**The joint venture is on track to deliver €200 million of new accommodation into the Dublin market with a further pipeline of opportunities already identified.**

Both sites offer very good access to major education and training establishments, as well as transport links across the city including buses and the expanding tram system (the LUAS Line). Dublin continues to exhibit undersupply of PBSA owing to a recent period of zero development and the relative infancy of the asset type in the market. Supply ratios remain in the region of 8 students per bed which is above most UK markets as comparison. These demand/supply ratios continue to push rental values higher.

The Mill Street scheme was originally approved at 376 beds but a further 24 beds have now been secured through an amended planning application. The additional 24 bed spaces will be accretive to project returns. The property is already up to the top floor of construction on one block (seven storeys) and significant progress has been made developing out the ground floor commercial units on the north side of the site). We envisage topping out of the scheme within the coming quarter which is on programme.

Gardiner Street is in the north east of the city centre and a landmark seven storey scheme on a main arterial road leading to Trinity College Dublin. The 491 bed space scheme is being delivered by Tier One contractor Bennett Construction. The scheme will deliver a range of cluster flat units in a perimeter block with internal courtyard. There is a large roof top terrace for premium penthouse units, and a ground floor gym and commercial space. Groundworks on the development are now nearing completion.

## Who we are:

» In May 2016, GSA completed the takeover of Coral Portfolio Ltd following the acquisition of an initial 50% stake in 2014. The rebranded GSA Coral offers retail investors access to the student accommodation sector through its EU-regulated fund platform.

- » Coral Portfolio is dedicated to providing transparent, regulated funds managed with careful attention to risk management and the highest standards of service delivery.
- » GSA Coral Portfolio SCA SICAV SIF, is regulated in the EU under AIFMD approval and is a Fund of Fund structure with independent administration and calculation of the Net Asset Value.

## Please update your GSA Coral contact information

As of Monday 11 July, 2016, the GSA Coral team will be migrating from our previous email addresses ([@coralportfolio.com](mailto:@coralportfolio.com)) to reflect our recent rebranding. Any emails sent to the previous addresses will still reach us, but key team members can now be contacted as follows:

- » [John.Kennedy@gsa-im.com](mailto:John.Kennedy@gsa-im.com)
- » [Ben.Harvie@gsa-im.com](mailto:Ben.Harvie@gsa-im.com)
- » [Tony.Trescothick@gsa-im.com](mailto:Tony.Trescothick@gsa-im.com)
- » [Paul.Discalicau@gsa-im.com](mailto:Paul.Discalicau@gsa-im.com)

GSA Coral Student Portfolio is a compartment of Coral Portfolio SCA SICAV-SIF which is incorporated under the laws of Luxembourg and regulated by Luxembourg Authorities, the Commission de Surveillance du Secteur Financier (CSSF) as a multi-compartment specialist investor fund and is approved under AIFMD. This item is issued for information purposes only to financial institutions and intermediaries and is not intended for publication, reproduction or circulation to the general public. Full product particulars and contact details are available from the Contact Address found on our website at [www.coralportfolio.com](http://www.coralportfolio.com).