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[Fitch: Coronavirus Weakens Student Housing PPP, US CMBS Performance]

Fitch Ratings-New York-16 June 2020: Unprecedented pressures on colleges and universities as a result of the coronavirus will weaken student housing asset performance across sectors, according to Fitch Ratings. Student housing public private partnerships (PPP) metrics have generally been stable through 2019, but student housing loans held by US commercial mortgage-backed securities (CMBS) portfolios performed weaker compared with the overall multifamily sector even before the outbreak. The effects of the pandemic are expected to further impair standalone student housing performance, as described in Fitch's recently published report [Student Housing Vulnerable in New Normal of Higher Education].

Factors that traditionally drive student housing occupancy are now informed to a large extent by the course of the coronavirus and its effect on university enrollment trends and housing density policies. Declines in student revenues as a result of reduced enrollment will pressure standalone university housing and PPP projects. Most university-owned housing systems, which are secured by multiple revenue sources and not solely by net housing revenue, will be less affected.

Fitch's college and university base case scenario anticipates declines in enrollment in the upcoming school year to range between 5% to 10% with most residential campuses reopening in fall 2020. Our downside scenario considers declines of up to 20%, and sporadic closures if a spike of coronavirus cases occurs during the academic year. The continuation of distance learning in the fall would have an even more negative effect on housing and parking revenues, directly affecting demand-driven PPPs as well as the ability or willingness of CMBS borrowers to make debt service payments on student housing loans.

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