



INVESTOR EDUCATION SERIES

OPPORTUNITY ZONES & PURPOSE-BUILT STUDENT HOUSING

Why student housing belongs in an Opportunity Zone fund

An investor primer on tax-advantaged community development, public university markets, and purpose-built student housing.

Realize a capital gain. Defer taxes. Step up your basis. Pay no taxes on growth.

Long term investors now have a permanent tax benefit beginning in 2027 allowing them to: defer tax on a realized gain, receive a step-up in basis when tax is due, and — if the investment is held 10 years — owe nothing on the appreciation. That hold requirement is exactly why student housing is such a natural fit.

1

Permanent University Locations

A flagship or major public university does not relocate — the demand anchor is durable for the full 10-year hold and beyond.

2

High Barriers to Entry

Averaging under 33,000 new purpose-built beds delivered per year nationally, scarcity protects value over a long hold.

3

Enrollment-Driven Demand

+900K growth in enrollment at the top 175 U.S. universities over 20 years — a structural, 25% increase in demand.

The three tax benefits



Day One

DEFER

Reinvest a realized capital gain into a Qualified Opportunity Fund within 180 days and the tax on that gain is deferred for five years.



Year Five

REDUCE

Ten percent of the deferred gain is forgiven through a step up in basis, so less of the original gain is ever taxed. Rural funds receive 30 percent.



Year Ten

EXCLUDE

All appreciation on the fund investment becomes permanently exempt from federal capital gains tax. This is the benefit that does the work.



Investment made



Deferred tax comes due



Appreciation exempt

Unlike a tax credit, the benefit is earned on the back end, so the investor's return and the project's success move together.



03

THE INVESTMENT THESIS

Not multifamily near campus — a specialized platform

Purpose-built student housing is designed around students and parents — by-the-bed leases, parental guarantees, furnished units, and an operating model built around the academic cycle.

- A University-Anchored Demand**
Tied to large, selective, growing institutions with research funding and alumni networks.
- B Limited Substitute Product**
Modern, well-amenitized product captures demand from aging dorms and older housing.
- C Annual Lease Reset**
The academic-year cycle can reset rents faster, with disciplined preleasing.
- D High Barriers to Entry**
Prime sites require assemblages, rezonings, and delivery that can't miss the school year.
- E Operational Specialization**
Requires expertise in by-the-bed leasing and compressed summer turnover.
- F Consistent Performance Over Time**
Demonstrated performance through two recessionary periods over the past 20 years.

Public universities are among the most important economic development assets a state has — and **university-adjacent Opportunity Zones** are politically and economically intuitive.

01

Workforce Development

New housing supports enrollment growth without funding every bed on the state's balance sheet.

02

Neighborhood Revitalization

Reduces pressure on adjacent single-family neighborhoods while activating downtown cores.

03

Job Creation

Construction and property-management employment tied directly to campus growth.

04

Long-Term Tax Base

Larger housing projects create significant additional tax revenue to the state.

A natural 10-year lifecycle

OZ investors don't need a 10-year construction project — they need a 10-year investment horizon.



Additional Investor Benefits: Passive Tax Losses Through Depreciation

Cost segregation reclassifies eligible building components into shorter depreciable lives. With bonus depreciation, the full value of the 5-, 7-, and 15-year components can potentially be written off in the year the property is placed in service.

One Building, Four Depreciation Buckets

39-YR

The Building

depreciates slowest

- Structural shell
- Roof & foundation
- Elevators
- Windows & exterior doors
- Corridors & stairwells
- Fire & life-safety systems

15-YR

Site & Land Improvements

outside the walls

- Landscaping
- Parking lots & drives
- Walkways & courtyards
- Pool & sundeck
- Outdoor lighting
- Fencing & retaining walls

7-YR

Amenity & Operating Equipment

supports leasing ops

- Clubhouse furnishings
- Fitness equipment
- Leasing office equipment
- Security & access systems
- Laundry equipment
- Maintenance equipment

5-YR

Unit Interiors & FF&E

fastest write-off

- Furniture
- Appliances
- Carpet & flooring
- Window treatments
- Light fixtures
- TVs & unit technology

Cost segregation pulls dollars out of the 39-year bucket into the 5-, 7- and 15-year buckets — then bonus depreciation can write those components off in Year 1, creating losses investors can use to offset passive income.

At a 10-year exit, the basis step-up to FMV means the accelerated depreciation is never recaptured.

Key Risks, and How to Underwrite Them

The OZ wrapper does not turn a weak project into a good one. Diligence should focus on the fundamentals below.

● Market Selection Risk

Focus on large, growing, selective universities with limited on-campus housing and visible supply pipelines.

● Construction Timing Risk

Missing fall delivery can impair a full academic year — underwrite contractor quality and schedule controls.

● Operating Risk

Preleasing, turn, resident experience, and collections require a specialized management platform.

● Supply Risk

Analyze announced and entitled competitive projects, not just delivered beds — markets can look undersupplied until several deliver at once.

● OZ Compliance Risk

Confirm QOF and QOZB testing, working capital plans, eligible gain timing, and exit mechanics.

● Exit & Cohort Risk

Avoid forcing taxable or suboptimal liquidity events before investors reach their 10-year holding period.

CONCLUSION

Real estate fundamentals first. Tax structure second.

Large public universities create durable demand; many markets remain structurally undersupplied with modern, purpose-built housing; and high barriers to entry reward sponsors with true development and operating expertise. When the tax structure, business plan, community impact, and 10-year hold period align, student housing becomes one of the clearest real estate expressions of what Opportunity Zones were designed to encourage.



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