Barriers to Affordable & Accessible Student Accommodation

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Research Summary

AIMS OF THE RESEARCH

International education is a major export earner and wealth generator for the national economy. In order to maintain the country's comparative advantage the market appeal of the product offered must be maintained and enhanced. An emerging threat to that appeal is student access to suitable accommodation while studying in Australia. Cost has been identified in surveys as a significant factor, along with issues relating to availability and suitability.

The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR), formerly DSDBI, commissioned Urbis to prepare a high level and targeted Advisory Report to better understand the barriers that currently exist to the successful development of student housing projects in locations and at price points appropriate to the student market in Melbourne and Victoria.

This research is intended to highlight the major issues and barriers identified by industry stakeholders that impede the provision of affordable, suitable and accessible student accommodation in Victoria, however have national implications. These issues have been drawn from an industry-wide consultation process including institutions (university and vocational tertiary education), developers and government authorities, to determine which issues require further investigation.

The content of this report in no way reflects government policy.

This research summary draws out the key themes and findings and summarises these below.

THE STUDENT ACCOMMODATION MARKET

Student accommodation is a core component of the student experience in Australia as it has an influence on social interaction, including exposure to Australian society and culture, as well as having a bearing on the cost (and therefore overall competitiveness) of studying in Australia.

This theme has been identified in other jurisdictions and by other groups that have undertaken research into the provision and costs of student accommodation in Australia. Some of these include:

- Australian Education International's 2013 publication of "International Higher Education Student Satisfaction with Accommodation in Australia"
- Universities Australia's research into University Student Finances in 2012 that covered accommodation costs
- Inquiry into international student accommodation in New South Wales – NSW Legislative Assembly 2011 prompted by reports of overcrowded living conditions within unregulated student boarding houses
- The National Census of University Student Accommodation Providers 2014 completed by Tertiary Balance Pty Ltd on behalf of University Colleges Australia (UCA) with joint funding from Australian Government Department of Education and Training.

Urbis benchmarked the supply of purpose built student accommodation nationally for comparison. This benchmarking was based on Urbis' own research into accommodation supply conducted over 2013 to 2015. Key findings from the benchmark analysis across Australia include:

- Regional universities generally have a higher supply of accommodation compared to other universities with regional universities looking to provide more accommodation to attract students that come from areas far removed from the University. This is reflected by two of the top three universities for student accommodation provision being regionally located. The University of New England and Charles Sturt University have the first and third highest benchmarked level of supply. The top three universities have accommodation provisions of between 2 and 3 full time students per bed.

- The metropolitan based universities with the highest benchmark supply of student accommodation generally average between 7-15 students per bed. Most of the Universities at the lower end of this supply scale report that they are investigating additional accommodation and have issues accommodating student demand for housing.

- Smaller universities, those that are located in suburban areas and those that have chosen to provide no on campus accommodation generally have a lower benchmark supply of student accommodation ranging over 20 students per bed. Suburban universities generally do not have the same affordability pressures on housing due to the relatively lower cost of housing in these areas.

Whilst these numbers consider the overall provision of student accommodation, they are not a direct indicator of students' propensity to demand accommodation. As such there can be a gap between what has been supplied and what is being demanded.

There are a number of factors that can influence the demand for student accommodation. Based on consultation with universities, student accommodation providers and our own research, these key factors include:

- **Full time versus part time / external students** – the majority of demand for student accommodation is generated by full time students. Part time, multi-modal and external students typically generate very low levels of demand (based on student application data). We note however that part time, multi-modal and external students often require accommodation for residential schools, however these groups are often catered for in short stay accommodation and/or outside normal semester periods.

- **The proportion of international to domestic students** – universities with a higher proportion of international students generally require a higher level of student accommodation. This is a fairly intuitive factor given that international students are all relocating to a new city / town.

- **The proportion of non-local to local domestic students** – similar to international students, regional and interstate students have to relocate to attend university and therefore need to source accommodation. Higher numbers of these students will drive demand for accommodation.

- **The proportion of commencing students and continuing students** – benchmarking of occupancy within universities across Australia indicates that higher levels of demand come from commencing students compared to continuing students (2^{nd} year plus). This tends to occur as commencing (1st year students) are less familiar with the area and have not yet had time to make friends and connections. Continuing students are more likely to form share houses with established friends and seek accommodation in the private market.

- **Proportion of undergraduate to postgraduate students** – aligned with the experience for commencing and continuing students, postgraduate students often display a lower preference for dedicated student accommodation. This is due to the fact that they display many of the same features of continuing students and often also have families that are generally not provided for in traditional purpose built student accommodation facilities.

- **Diversity of supply** – traditional college accommodation provides a high level of service to students, often incorporating meals, cleaning, tutoring and pastoral care. This higher level of service therefore makes this type of accommodation more expensive and can be seen as an inflexible form of accommodation by some students. Self-catered accommodation on the other hand provides lower levels of service, putting more emphasis on self-reliance, therefore often reducing costs relative to full service models. Institutions that provide a diversity of accommodation options can generally cater to a broader range of tastes and therefore can expand demand from students.

- **Level of competition from private rental accommodation** – the relative level of competition from the private rental market can have a distinct impact on the demand for student accommodation. The impact of this competition tends to be more pronounced in outer suburban areas where housing supply is generally less constrained and pricing more affordable. As students are often cost sensitive, this can lead to a lower demand for dedicated student accommodation if the private rental market can offer a lower cost alternative.

- **Management and marketing** – student accommodation facilities that are well managed and marketed often can drive demand levels for student accommodation. There have been examples of universities that have improved the quality of management that has led to an increase in occupancy despite no other factors changing. Parents often play a significant role in choosing accommodation for younger students and will tend to look at the standard of management as a key decision point.

- **Level of amenity and access to employment** – students will also make decisions on their place of residence on a range of other external factors. In particular, students may preference a position closer to high levels of urban activity and amenity if on-campus accommodation is isolated or poorly serviced. Additionally, as students often seek employment whilst studying, limited access to employment near the university may direct demand for accommodation to other types of housing away from the campus.

Having consideration of the current provision of accommodation and the experience of a number of individual universities across Australia, it is clear that there will continue to be a growing need for accommodation as student numbers grown over time (particularly international student numbers).

There would appear to be additional demand for accommodation in key locations, particularly in urban areas and in markets that attract a large number of students from non-local markets. This has been echoed in the consultation with institutions who have indicated that they continue to investigate potential for new student accommodation to meet the evolving needs of students and to remain competitive in the international student market.

Some operators in the TAFE and vocational college segment indicated a lower level of requirement for accommodation given the high proportion of local, part time and short term student enrolments. It is noted that a growing number of these institutions are increasingly offering bachelor degree level courses such as nursing that may attract an increase in the number of students requiring accommodation, particularly international students.

Private student accommodation providers also expressed to Urbis a desire to develop additional accommodation to meet ongoing demand, however their interests were largely focused on inner city locations where a high level of demand for housing in general would help to mitigate demand side risk over the long term. Outside of major metropolitan areas, private student accommodation providers require a partnership approach with the university in order to share or mitigate demand risk, given the cost competitiveness of alternative accommodation in the rental market.

KEY ISSUES/BARRIERS IDENTIFIED

The core focus of this report was to utilise the experience of key organisations involved in the student accommodation system to understand any barriers that exist; examples of good practice or models that could enhance the delivery and hence access and suitability of student accommodation.

Urbis sought feedback from the following groups that were consulted in workshops, face to face consultations and telephone interviews. The groups consulted include:

- Higher Education Institutions
- TAFE Institutions
- Student Accommodation Developers
- State and Local Government Authority Organisations.

The groups raised a number of points highlighting issues that relate to either demand or supply barriers.

The key barriers identified consistently across the various stakeholders include:

- A lack of consistent information or **understanding of demand**; specifically 'excess or unmet demand' that is not tracked beyond initial application (this is seen as being key to having appropriate information to support major financial decisions, especially in an environment where there are multiple competing priorities for funding)

- A lack of **awareness of student preferences** combined with a detailed audit of appropriateness of accommodation.
- **Viability** issues related to competition for land use and or competing funding priorities
- Lack of a **clear definition and set of guidelines within the planning framework** to assist with approval or relative attractiveness for development
- **Delays and specific quality requirements** impacting upon feasibility
- **Lack of co-ordination** between Education Institutions and private sector as demonstrated by the limited numbers of joint venture based developments.

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