

INTERNATIONAL STUDENT ACCOMMODATION SYMPOSIUM

AUSTRALIAN STUDENT ACCOMMODATION MARKET UPDATE 2015

Conal Newland, National Director, Student Accommodation Services, JLL

JLL's student accommodation market update provides an overview of purpose-built student accommodation (PBSA) in Australia. Over the last 12 months there has been a significant increase in awareness of this emerging asset class. While the appetite for institutional investment is growing, there are at present few opportunities to enter the market. There have been limited transactions as the main developers are focusing on developing and then holding the finished assets.

CONTENTS

KEY OBSERVATIONS	3
AUSTRALIAN HIGHER EDUCATION	4
STUDENT DEMOGRAPHICS	6
EXISTING SUPPLY OF ACCOMMODATION	10
PIPELINE	13
Sydney Development Pipeline	14
Melbourne Development Pipeline	15
Brisbane Development Pipeline	16
DEADLINE SUPPLY GAP	17
TOP 10 STUDENT ACCOMMODATION PROVIDERS IN AUSTRALIA	18
MARKET ACTIVITY	19
OUTLOOK	21

KEY OBSERVATIONS

JLL's student accommodation market update provides an overview of purpose-built student accommodation (PBSA) in Australia. Over the last 12 months there has been a significant increase in awareness of this emerging asset class. While the appetite for institutional investment is growing, there are at present few opportunities to enter the market. There have been limited transactions as the main developers are focusing on developing and then holding the finished assets.

Key observations include:

- Australia is the fifth most popular study destination for international students behind the United States of America (USA), the United Kingdom (UK), Germany and France.
- Recent surveys and rankings indicate Australia's top universities are becoming more prominent on the global stage and Australia's top cities rank highly as study destinations.
- Total student numbers in Australia have increased 4.4 per cent in the last 12 months and international student numbers in higher education are rising rapidly with growth of 8.9 per cent in the last year.
- The top five nationalities of international students studying in Australia are China (26.8%), India (10.2%), Republic of Korea (4.5%), Vietnam (4.9%) and Malaysia (4.2%).
- The five countries with the strongest growth in international student numbers in Australia in 2014 are India (28.1%), Nepal (19.7%), Pakistan (18.8%), Brazil (18.5%) and Thailand (15.2%).
- There are 58,109 beds of PBSA in the top six Australian metropolitan localities. This represents an increase in supply of 4,647 beds (8.7%) in the last 12 months.
- Brisbane, Melbourne and Sydney have development pipelines of 8,661, 6,856 and 4,954 beds respectively.
- The total number of beds under control of the top 10 providers has increased 11 per cent – from 33,518 in 2014 to 37,062 – in 2015.
- Total beds in the development pipeline for the top 10 providers have increased 19 per cent – from 5,774 in 2014 to 6,853 – in 2015.

AUSTRALIAN HIGHER EDUCATION

Australia is an attractive destination for upwardly mobile international students offering high quality English speaking universities, world-class cities in which to live, relatively safe community environments and improving affordability. It is currently ranked fifth in the world as the most popular study destination behind the USA, the UK, Germany and France¹.

Australia features prominently in the QS World University Rankings 2014/15 with five universities in the top 50 and eight universities in the top 100. The Australian National University has moved up two places to stay as Australia's best performing university at 25. The University of Melbourne dropped two places to 33. The University of Sydney has moved up one place to 37. The University of Queensland has remained at 43 and the University of New South Wales has entered the top 50 at 48².

The *Times Higher Education* World University Rankings 2014/15 has five Australian universities in the top 100 with the University of Melbourne ranking the highest at 33. All but one of the five universities have increased in rankings in the last 12 months. The Australian National University has moved up three places to 48. The University of Sydney has seen the greatest movement of 12 places to 60. Monash University has moved up eight places to 91. The University of Queensland was the only Australian university in the top 100 to drop in the rankings from 63 to 65.

TABLE 1: THE TIMES HE WORLD UNIVERSITY RANKINGS 2013/14 AND 2014/15

AUSTRALIAN UNIVERSITIES	RANKING 2013/14	RANKING 2014/15	MOVEMENT IN RANKING
The University of Melbourne	34	33	1
The Australian National University	48	45	3
The University of Sydney	72	60	12
The University of Queensland	63	65	-2
Monash University	91	83	8
The University of New South Wales	114	109	5
The University of Western Australia	168	157	11

Source: *The Times Higher Education World University Rankings 2013–14 and 2014–15*

The QS World Ranking for Best Student Cities 2015 has placed six Australian cities in the top 50 overall. Melbourne is placed second after Paris, London is ranked third, followed by Sydney in fourth, further down, Canberra is placed in 21, Brisbane 23, Adelaide 29 and Perth is ranked 38³.

International students are generally very satisfied with their study experience in Australia, but living costs and affordability are areas of concern. The Department of Education and Training has recently published the International Student Survey 2014 following similar surveys in an internationally established format that have been carried out in 2010 and 2012. The report found that higher education in Australia is globally recognised and has strong levels of satisfaction among students with the quality of education provided. Australia has a well-developed higher education sector that enables international students to learn and achieve at a high level.

Results of the 2014 survey showed an 87 per cent overall satisfaction rating from international students in all sectors of education provided in Australia. This rating assesses satisfaction levels based on expert lecturers, course content and libraries/laboratories at their disposal, with all criteria recording ratings in the high 80 per cent and low 90 per cent range⁴.

1 Australian Government Department of Education and Training, International Student Data (April 2015)

2 QS World University Rankings 2014/2015

3 QS Best Student Cities 2015

4 Australian Government Department of Education and Training, 'International Student Survey 2014' Overview Report

A key issue highlighted in the survey is the cost of living in Australia. Areas that experienced the lowest levels of satisfaction are accommodation costs, living costs, earning money and financial support, with positive responses as low as 49 per cent⁵.

The Australian Government's 'Draft National Strategy for International Education' highlights the provision of accommodation in the strategic actions (5.5): "Improving access to suitable and affordable accommodation". The strategy refers to research that indicates that students who live in specifically designed on-campus accommodation outperform students who live off campus. A number of other benefits of PBSA located on or near a campus are noted including:

- Contributing to safe living environments;
- Convenience;
- Access to extra-curricular activities;
- Opportunities to develop lifelong friendships; and
- Opportunities to learn about other cultures.

A key challenge in addressing the issue of affordability is that a large proportion of Australian universities are located in or near the central business districts (CBDs) of major metropolitan areas, or in high value residential localities where market forces drive land values. In order to deliver such accommodation, market intervention will be required (for example, planning concessions for student accommodation under certain circumstances). Universities can also collaborate with private sector developer/operators under a range of transaction structures to refurbish existing accommodation or deliver new accommodation. In the UK there are a wide range of structures to facilitate such development which can range from 'hand off' funding arrangements to fully outsourcing the provision of residences.

The Mercer's Cost of Living Rankings 2014 has however indicated significant drops in the relative affordability of the main Australian cities benchmarked against other major global cities in the last 12 months. The findings of the research appear to be mainly driven by the recent depreciation of the Australian dollar. As summarised in the following table, Canberra fell the most with 26 places, followed by Adelaide (25), Brisbane (24), Perth (19), Canberra (17) and Melbourne (17)⁶.

TABLE 2: MERCER'S COST OF LIVING RANKINGS FOR MAJOR AUSTRALIAN CITIES (2013, 2014)

AUSTRALIAN CITIES	RANKING 2013	RANKING 2014	MOVEMENT IN RANKING 2013-14
Sydney	9	26	-17
Melbourne	16	33	-17
Perth	18	37	-19
Brisbane	28	52	-24
Canberra	27	53	-26
Adelaide	34	59	-25

Source: Mercer's Cost of Living City Rankings (July 2014).

⁵ Australian Government Department of Education and Training – International Student Survey 2014 Overview Report.

⁶ Mercer's Cost of Living City Rankings (July 2014).

STUDENT DEMOGRAPHICS

Total student numbers in Australia over the last 12 months have shown modest growth. Based on the latest Department of Education and Training data as of 2013 (most recent data available) there were a total of 1,313,776⁷ full and part-time, domestic and international students in Australia who were enrolled at a Higher Education Provider (HEP). This number represents an increase of 4.4 per cent from 2012 with 70 per cent (924,845) studying full-time, while 30 per cent (388,931) were part-time.

TABLE 3: SUMMARY OF TOTAL STUDENT ENROLMENTS IN 2013

STUDY MODE	FULL-TIME STUDENTS	PART-TIME STUDENTS	TOTAL STUDENTS
Domestic	652,089	333,028	985,117
International	272,756	55,903	328,659
TOTAL	924,845	388,931	1,313,776

Source: Australian Government Department of Education and Training (uCube), 2013.

Many of Australia's main universities are located in major metropolitan areas in and around CBDs. Three-quarters (981,427) of students study in the three Eastern states (New South Wales, Victoria or Queensland) with Australia's three largest cities (Sydney, Melbourne and Brisbane). The table below shows the breakdown of domestic and international students by state and territory.

TABLE 4: STUDENT ENROLMENTS BY STATE AND TERRITORY IN 2013

STUDENT TYPE / STATE	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	MULTI-STATE	TOTAL
Domestic	319,000	231,714	180,524	101,118	67,178	22,036	9,704	28,003	25,840	985,117
International	87,034	112,944	50,211	36,989	23,023	4,872	1,161	9,377	3,048	328,659
TOTAL	406,034	344,658	230,735	138,107	90,201	26,908	10,865	37,380	28,888	1,313,776

Source: Australian Government Department of Education and Training (uCube), 2013.

Australian Government Department of Education and Training data indicates that in 2014 there were a total of 453,532 international full and part-time students studying on a student visa in Australia. This represents an increase of 10.4 per cent over 2013 international student numbers (410,925).

As detailed in the table below, 236,249 (52.1%) of international students in Australia on a student visa are studying in higher education, with growth of 8.9 per cent from 2013–14. It is also clear there is strong growth in other areas of the Australian international student market, however, for the purpose of this paper we focus on the higher education students as this cohort generate greater demand for PBSA.

⁷ Australian Government Department of Education and Training (uCube), which is based on the student and staff data collections (2013).

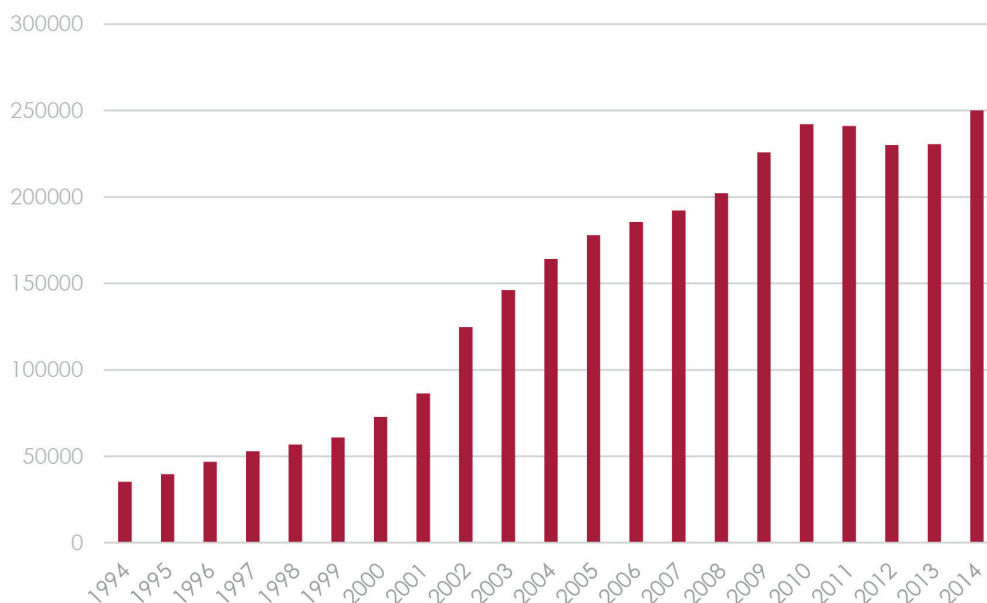
TABLE 5: INTERNATIONAL STUDENTS IN AUSTRALIA 2014

EDUCATION SECTOR	2014 STUDENT NUMBERS	2014 PROPORTION OF STUDENTS	2013 STUDENT NUMBERS	GROWTH FROM 2013–14
Higher Education	236,249	52.1%	216,971	8.9%
VET	109,305	24.1%	98,264	11.2%
Schools	18,206	4.0%	17,644	3.2%
ELICOS	112,516	24.8%	93,795	20.0%
Non-award	34,125	7.5%	27,857	22.5%
TOTAL	453,532	–	410,925	10.4%

* The total is less than the sum of its components as individual students can undertake study in more than one sector during the year.
 Source: Australian Government Department of Education and Training, Research Snapshot (March 2015).

The following chart based on international student enrolments in Australia demonstrates growth over the last 20 years. International enrolments in 2014 peaked at 249,990 students, increasing 8.5 per cent since 2013⁸. The total number of enrolments is higher than the international student visa data as a student attending two different courses in the same period (for example, ELICOS and a higher education bachelor degree) will have both enrolments counted.

FIGURE 1: INTERNATIONAL STUDENT ENROLMENTS IN AUSTRALIAN HIGHER EDUCATION 1994–2014



Source: Australian Government Department of Education and Training, International student enrolments in Australia 1994–2014.

In 2014 Australia’s international students were from 191 different countries. The largest source of international students studying in Australia are from the Asia-Pacific region. The top five nationalities of international students studying in Australia are China (26.75%), India (10.23%), Republic of Korea (4.45%), Vietnam (4.85%) and Malaysia (4.23%). The top 10 countries together contributed 65.7 per cent of total international student numbers. Nine of the top 10 nationalities recorded more than 13,000 students studying onshore in Australia⁹.

8 Australian Government Department of Education and Training, International Student Data (March 2015) – ‘International Student Enrolment Data 2015’

9 Australian Government Department of Education and Training, Research Snapshot (November 2014) – ‘Export income to Australia from international education activity in 2013–14’.

TABLE 6: INTERNATIONAL STUDENT NUMBERS IN AUSTRALIA IN 2014

TOP 10 NATIONALITIES	NUMBER OF STUDENTS 2014	PERCENTAGE
China	121,318	26.75%
India	46,380	10.23%
Republic of Korea	20,178	4.45%
Vietnam	21,987	4.85%
Malaysia	19,201	4.23%
Thailand	16,115	3.55%
Indonesia	13,726	3.03%
Brazil	14,970	3.30%
Nepal	13,491	2.97%
Pakistan	10,790	2.38%
Other nationalities	155,376	34.26%
TOTAL*	453,532	100.00%

Source: Australian Government Department of Education Research Snapshot (March 2015), 'International student numbers 2014'.

Despite providing over one quarter of international students in Australia, the growth in Chinese students was only 1.8 per cent between 2013–14. This is substantially lower than many of the other top 10 source countries. Based on the data in the following table, the five countries with the strongest growth in international student numbers in 2014 are India (28.09%), Nepal (19.73%), Pakistan (18.75%), Brazil (18.49%) and Thailand (15.18%). Pakistan's growth in the last year resulted in the country entering the top 10 source countries, replacing the USA.

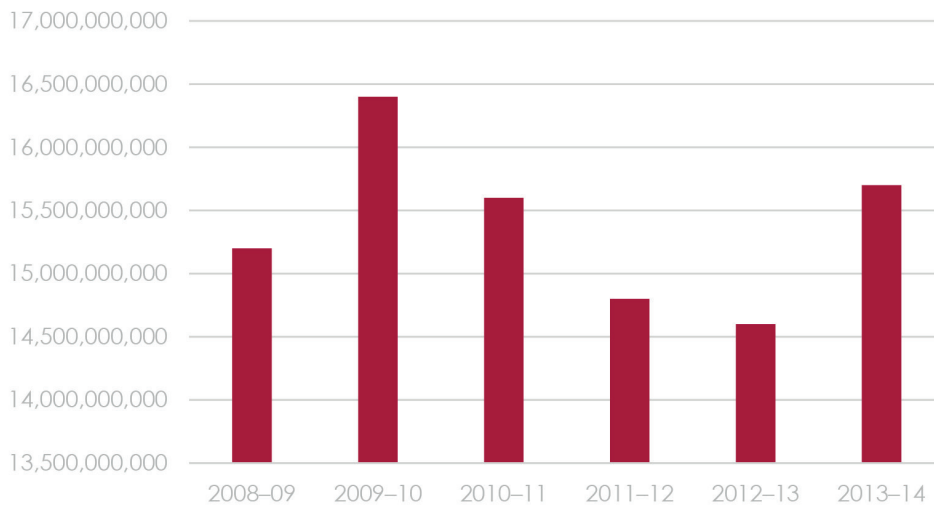
TABLE 7: INTERNATIONAL STUDENT NUMBERS IN AUSTRALIA GROWTH BETWEEN 2013–14

TOP 10 NATIONALITIES	NUMBER OF STUDENTS 2013	NUMBER OF STUDENTS 2014	GROWTH 2013–14
China	119,237	121,318	1.75%
India	36,208	46,380	28.09%
Republic of Korea	20,156	20,178	0.11%
Vietnam	20,078	21,987	9.51%
Malaysia	18,855	19,201	1.84%
Thailand	13,991	16,115	15.18%
Indonesia	13,319	13,726	3.06%
Brazil	12,634	14,970	18.49%
Nepal	11,268	13,491	19.73%
Pakistan	9,086	10,790	18.75%
Other nationalities	136,093	155,376	14.17%
TOTAL	410,925	453,532	10.37%

* International student numbers relate only to international students in Australia on a student visa and are derived from AEI enrolments data. Source: Australian Government Department of Education Research Snapshot (March 2015), 'International student numbers 2014'.

International students studying and living in Australia contributed \$15.7 billion to the Australian economy in the financial year to June 2014. As detailed in the chart below, this is the first increase since the 2009/10 financial year and an 8.2 per cent increase from \$14.6 billion in the 2012/13 financial year. In addition, sundry international education activities contributed \$581 million in 2013/14¹⁰ to give total educational export income during this period of \$16.3 billion.

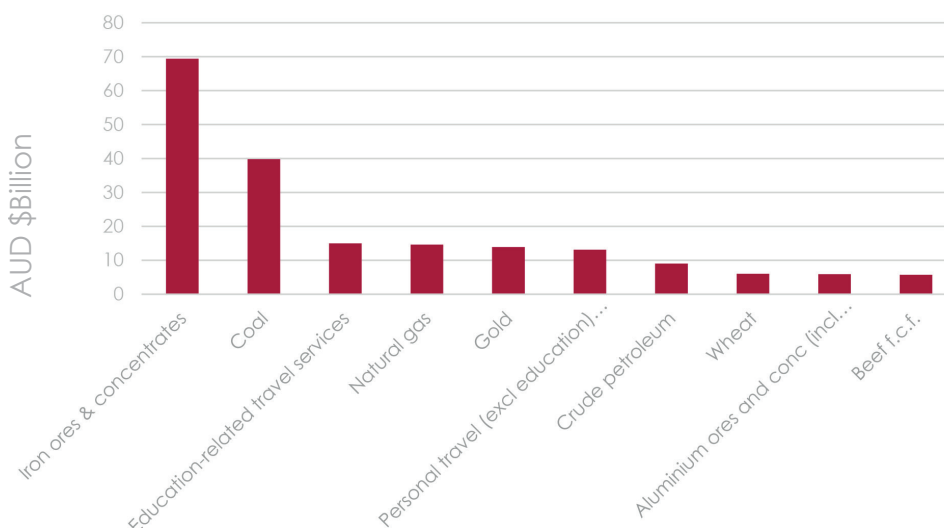
FIGURE 2: EXPORT INCOME FROM AUSTRALIAN EDUCATIONAL SERVICES 2008–14



Source: Australian Government Department of Education and Training (November 2014), *Export income to Australia from international education activity in 2013–14*.

International education exports (classified as “education-related travel services” by the Australian Bureau of Statistics) were ranked third in terms of total Australian exports for 2013, behind iron ore and coal as detailed in Figure 3.

FIGURE 3: AUSTRALIA'S TOP 10 GOODS AND SERVICES EXPORTS 2013



Notes: Goods trade are on a recorded trade basis, Services trade are on a balance of payments basis. Total is balance of payments basis. Source: <http://dfat.gov.au/trade/resources/trade-at-a-glance/Pages/top-goods-services.aspx>

¹⁰ Australian Government Department of Education and Training, Research Snapshot (November 2014) – ‘Export income to Australia from international education activity in 2013-14’.

EXISTING SUPPLY OF ACCOMMODATION

JLL's analysis of the existing supply of accommodation considers the six main higher education cities across Australia (Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth). In Sydney, Melbourne and Brisbane the analysis focuses on the supply of accommodation provided in the Greater Capital City Statistical Areas (as defined by ABS). In addition to these bedrooms, there is an existing and growing supply of PBSA in other localities. JLL research indicates that in 2015 there are 58,109 beds of PBSA in the top six localities representing an increase of 4,647 beds (8.7%) in the last 12 months. We consider that this increase in supply is both through the development of new accommodation and adjustments to our survey methodology (in terms of the extent of the 'Study Areas' for Sydney, Melbourne and Brisbane).

TABLE 8: ACCOMMODATION SUPPLY IN MAJOR AUSTRALIAN CITIES 2015

CITY	UNIVERSITY PROVISION (BEDS)	COMMERCIAL PROVISION (BEDS)	TOTAL ACCOMMODATION
Sydney	7,296	7,513	14,809
Melbourne	5,930	10,058	15,988
Brisbane	3,929	5,525	9,454
Adelaide	2,313	3,190	5,503
Perth	3,929	839	4,768
Canberra	3,207	4,380	7,587
TOTAL	26,604	31,505	58,109

Source: JLL Student Accommodation Database 2015.

University Colleges Australia (UCA) research indicates that, as at November 2014, there was a total of 74,482 beds provided in University Colleges, Halls of Residence and private sector providers with more than 100 beds. This includes 60,291 (81%) of surveyed accommodation in metropolitan areas and 14,191 (19%) in regional areas. JLL analysis of the metropolitan accommodation on a state by state basis and at a national level is consistent with the UCA survey findings.

As detailed in the following charts, JLL's analysis of the existing supply of PBSA (provided by both the universities and commercial operators) indicates that in all the major Australian metropolitan locations (excluding Canberra), there is currently less than one bedroom of purpose built accommodation for every 10 students. Canberra has one bed per five students. All of the major Australian cities have less provision than more established markets such as London, where the ratio is less than one bedroom per four students (27% per cent of full-time students can access PBSA).

"In all the major Australian metropolitan locations (excluding Canberra), there is currently less than one bedroom of purpose built accommodation for every 10 students."

SYDNEY	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	7,296	3.8%
Commercial provision (Primarily PBSA)	7,513	3.9%
Living with parents, renting or living elsewhere (including serviced apartments)	177,806	92.3%
TOTAL	192,615	100%
MELBOURNE	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	5,930	2.4%
Commercial provision (Primarily PBSA)	10,058	4.0%
Living with parents, renting or living elsewhere (including serviced apartments)	235,506	93.6%
TOTAL	251,494	100%
BRISBANE	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	3,929	2.9%
Commercial provision (Primarily PBSA)	5,525	4.1%
Living with parents, renting or living elsewhere (including serviced apartments)	124,217	92.9%
TOTAL	133,671	100%
ADELAIDE	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	2,313	3.6%
Commercial provision (Primarily PBSA)	3,190	5.0%
Living with parents, renting or living elsewhere (including serviced apartments)	58,348	91.4%
TOTAL	63,851	100%
PERTH	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	3,929	4.0%
Commercial provision (Primarily PBSA)	839	0.9%
Living with parents, renting or living elsewhere (including serviced apartments)	93,586	95.2%
TOTAL	98,354	100%
CANBERRA	NUMBER OF STUDENTS	%
University provision (Primarily on-campus)	3,207	12.1%
Commercial provision (Primarily PBSA)	4,380	16.5%
Living with parents, renting or living elsewhere (including serviced apartments)	18,947	71.4%
TOTAL	26,534	100%

Source: JLL Student Accommodation Database, 2015, UCube Data 2013.

LONDON

ACCOMMODATION ANALYSIS	ACCOMMODATION (BED SPACES)	PROPORTION OF STUDENT
University provision	52,298	18.0%
Commercial provision (Direct let)	26,575	9.2%
Other (Students reside "at home" or in HMOs)	211,442	72.8%
TOTAL	290,315	100%

Source: JLL Student Accommodation Database, 2015.

PIPELINE

JLL pipeline analysis focusses on Australia's three largest cities Sydney, Melbourne and Brisbane and within each of those localities on site specific projects (i.e. excluding publicly stated university strategies for additional student accommodation). JLL research indicates that Brisbane and Melbourne have the most significant amounts of pipeline development with 8,661 and 6,856 beds respectively. Sydney has a pipeline of 4,954 beds.

Pipeline proposals are at varying stages of development and have the potential to be delivered over several years. Some are at an early stage of feasibility with no development application having been submitted, others have submitted a development application and other schemes have development approvals granted. It is important therefore to consider a strong probability that a number of these proposals may change significantly, or may not be delivered at all.

The following table indicates that even if all of the pipeline accommodation is delivered in Sydney, Melbourne and Brisbane, that the total supply will be 10.26 per cent, 9.08 per cent and 13.55 per cent of existing full-time students respectively. Overall provision at these levels compares favourably on an international basis to the more mature market of London which currently has 27 per cent PBSA provision. This analysis also does not take into account that student numbers in Australia are growing and are expected to continue to do so during delivery of the pipeline accommodation.

TABLE 9: STUDENT ACCOMMODATION PIPELINE ACCOMMODATION ANALYSIS

LOCATION	APPROXIMATE NUMBER OF BEDS IN DEVELOPMENT PIPELINE	TOTAL FULL TIME STUDENT NUMBERS	PROPORTION OF TOTAL STUDENTS (PIPELINE)	EXISTING SUPPLY OF BEDS	PROPORTION OF TOTAL STUDENTS (EXISTING AND PIPELINE)
Sydney	4,954	192,615	2.57%	14,809	10.26%
Melbourne	6,856	251,494	2.73%	15,988	9.08%
Brisbane	8,661	133,671	6.48%	9,454	13.55%
TOTAL	20,471				

Source: JLL Student Accommodation Database, 2015.

SYDNEY DEVELOPMENT PIPELINE

TABLE 10: SYDNEY DEVELOPMENT PIPELINE BY STAGE

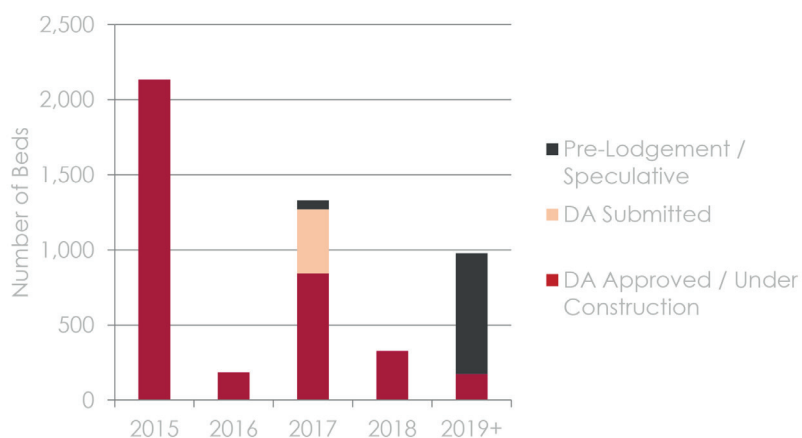
DEVELOPMENT PIPELINE	NUMBER OF BEDS	PERCENTAGE OF TOTAL PIPELINE
Pre-lodgement / speculative	1,190	24%
Development application (DA) submitted	427	9%
DA approved / under construction	3,337	67%
TOTAL	4,954	100%

Source: JLL Student Accommodation Database, 2015.

We note that the 'Pre-lodgement / speculative' dataset excludes publicly stated strategies for the delivery of new accommodation from universities. This excludes 4,500 new beds planned to be delivered by the University of Sydney over the next five years, but includes 1,500 beds which are currently planned for or under construction in College extensions, the redevelopment of the Queen Mary Building and the new Business School.

There are a total of 4,954 beds in the Sydney pipeline. As detailed in the following chart, these are forecast to be delivered over the next five plus years. In Semester 2, 2015 several properties are due for completion including Urbanest Darlington, Frasers 'The Steps' and two projects from the University of Sydney, the Queen Mary Building and the Business School accommodation.

FIGURE 4: SYDNEY PROJECTED DEVELOPMENT PIPELINE



Source: JLL Student Accommodation Database, 2015.

If all of the 4,954 beds above are completed, this represents 4.4 per cent of additional current full-time student numbers who will be able to access university or commercially provided PBSA, leaving 172,852 (88%) full time students who will rent from the private residential sector or live at home.

MELBOURNE DEVELOPMENT PIPELINE

TABLE 11: MELBOURNE DEVELOPMENT PIPELINE BY STAGE

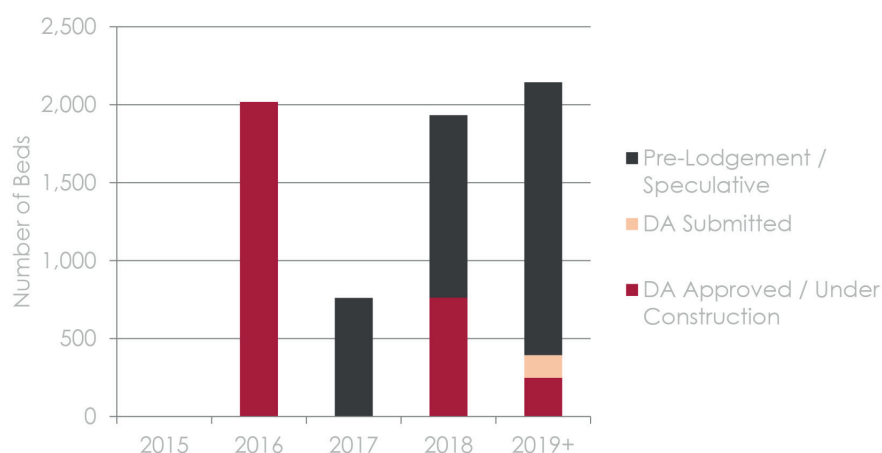
DEVELOPMENT PIPELINE	NUMBER OF BEDS	PERCENTAGE OF TOTAL PIPELINE
Pre-lodgement / speculative	3,681	54%
Development application (DA) submitted	145	2%
DA approved / under construction	3,030	44%
TOTAL	6,856	100%

Source: JLL Student Accommodation Database, 2015.

We note that the above analysis excludes publicly stated strategies for the development of new accommodation by the universities. This includes a target of 2,000 beds that the University of Melbourne is planning to deliver by 2020.

There are a total of 6,856 in the Melbourne pipeline. As detailed in the following chart, over 2,000 are expected to be delivered in 2016. This accommodation will all be provided by the universities, with the University of Melbourne (in partnership with Campus Living Villages), Monash University and RMIT programmed to finish projects currently under construction.

FIGURE 5: MELBOURNE PROJECTED DEVELOPMENT PIPELINE



Source: JLL Student Accommodation Database, 2015.

Should all of the 6,856 beds above be completed, this represents 2.7 per cent of additional current full-time student numbers who will be able to access university or commercially provided PBSA, leaving 228,650 (90.9%) full time students who will rent private sector rental accommodation or live at home.

BRISBANE DEVELOPMENT PIPELINE

TABLE 12: BRISBANE DEVELOPMENT PIPELINE BY STAGE

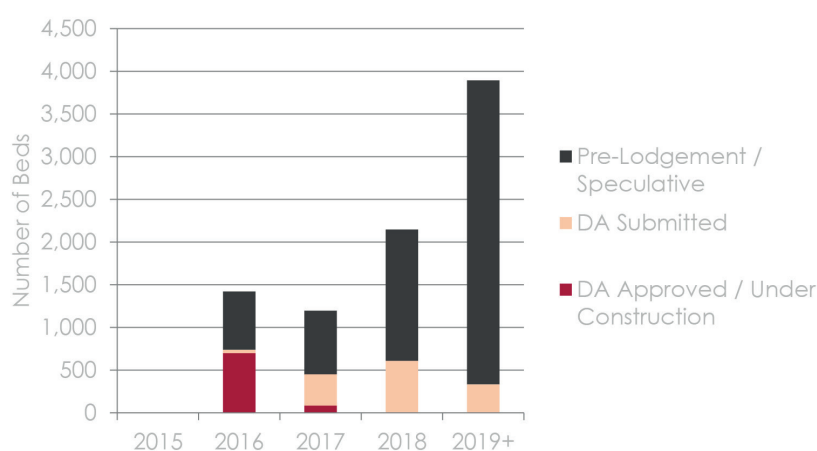
DEVELOPMENT PIPELINE	NUMBER OF BEDS	PERCENTAGE OF TOTAL PIPELINE
Pre-lodgement / speculative	6,528	75%
Development application (DA) submitted	1,349	16%
DA approved / under construction	784	9%
TOTAL	8,661	100%

Source: JLL Student Accommodation Database, 2015.

Student accommodation development activity has risen significantly in the last 12 months in part boosted by the City Council's promotion of higher education in Brisbane and a pro-active approach to planning which has included a concession on infrastructure levies, but also the relative availability of development sites in and around the CBD and land pricing compared to Sydney and Melbourne. The current pipeline includes a significant amount of projects still in the early stages of feasibility.

As detailed in the following chart, a limited amount of new accommodation is programmed for completion in 2016 and 2017. Supply of new accommodation may increase rapidly in 2018 and 2019.

FIGURE 6: BRISBANE PROJECTED DEVELOPMENT PIPELINE



Source: JLL Student Accommodation Database, 2015.

Should all of the 8,661 beds above be completed, this represents 6.5 per cent of additional current full-time student numbers who will be able to access university or commercially provided PBSA, leaving 115,556 (86.4%) full-time students who must rent from the private rental sector or live at home.

HEADLINE SUPPLY GAP

The following table provides high level analysis of the potential shortfall of the existing provision of PBSA for international students in Sydney, Melbourne and Brisbane. This does not include an analysis of the propensity of students to take up student accommodation, therefore the table below shows the current gap between the supply (including existing and pipeline) of beds and the total number of full-time international students, rather than an indication of the current total 'undersupply' of accommodation. This analysis does however indicate that there is headroom in each of the major cities.

TABLE 13: INTERNATIONAL STUDENTS – HEADROOM SUPPLY ANALYSIS

CITY	TOTAL NUMBER OF INTERNATIONAL STUDENTS (2014)	EXISTING SUPPLY	PIPELINE SUPPLY	EXISTING GAP	POTENTIAL GAP IF ALL PIPELINE DELIVERED
Sydney	49,124	14,809	4,954	34,315	29,361
Melbourne	92,167	15,988	6,856	76,179	69,323
Brisbane	33,424	9,454	8,661	23,970	15,309

Source: Australian Government Department of Education and Training (uCube), JLL Student Accommodation Database 2015.

An additional analysis based on the UCA calculation of mobile higher education students which includes international, domestic – interstate and domestic intrastate students based on 2013 student numbers indicates more headroom in each of the major cities.

TABLE 14: UCA MOBILE STUDENTS – HEADROOM SUPPLY ANALYSIS

CITY	TOTAL NUMBER OF MOBILE STUDENTS (2013)	EXISTING SUPPLY	PIPELINE SUPPLY	EXISTING GAP	POTENTIAL GAP IF ALL PIPELINE DELIVERED
Sydney	95,618	14,809	4,954	80,809	75,855
Melbourne	96,174	15,988	6,856	80,186	73,330
Brisbane	60,032	9,454	8,661	50,578	41,917

Source: UCA – National Census of University Student Accommodation Providers 2014, JLL Student Accommodation Database 2015.

TOP 10 STUDENT ACCOMMODATION PROVIDERS IN AUSTRALIA

The table below provides a summary of the number of beds either owned or under management by each of the top 10 student accommodation providers in Australia, both on and off campus. We note the following:

- There have been two new entrants in the top 10 this year. Living + Learning Partners (L+LP) led by Balfour Beatty plc. who completed the University of Wollongong transaction and Scape Student Living, an established UK student accommodation provider in a joint venture with APG Asset Management who have acquired their first site in Melbourne.
- The total number of beds either owned or managed by the top 10 providers in Australia have increased 11 per cent in the last 12 months from 27,744 in 2014 to 30,797 in 2015.
- Total pipeline beds have increased 19 per cent from 5,774 in 2014 to 6,853 in 2015.
- The total number of beds under control of the top 10 providers has increased 11 per cent from 33,518 in 2014 to 37,062 in 2015.

TABLE 15: TOP 10 PRIVATE SECTOR STUDENT ACCOMMODATION PROVIDERS IN AUSTRALIA 2015

OPERATOR	TOTAL NUMBER OF BUILDINGS EITHER OWNED OR UNDER MANAGEMENT IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF BEDS EITHER OWNED OR UNDER MANAGEMENT IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF OPERATIONAL BEDS UNDER MANAGEMENT IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF OPERATIONAL BEDS WHOLLY OWNED IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF BEDS WITH DEVELOPMENT APPROVAL OR UNDER CONSTRUCTION IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF BUILDINGS WITH DEVELOPMENT APPROVAL OR UNDER CONSTRUCTION IN AUSTRALIA (FEBRUARY 2015)	TOTAL NUMBER OF OPERATIONAL BEDS AND NUMBER OF BEDS IN THE DEVELOPMENT PIPELINE (FEBRUARY 2015)
Campus Living Villages	13 Villages / 21 Sites	9,346	1,255	8,091	1,643	3	10,989
UniLodge	46	8,511	8,511	0	1270	2	9,781
Urbanest	7	3,438	3,438	3,438	1,909	4	5,347
Student Housing Australia	46	2,650	2,650	0	0	0	2,650
Living + Learning Partners	26	1,900	0	1,900	0	0	1,900
The Pad	105	1,800	1,800	0	84	1	1,884
YMCA	3	1,800	0	1,800	0	0	1,800
Frasers	2	1,041	271	271	770	2	1,041
Iglu	2	493	493	493	414	1	907
Scape	0	0	0	0	763	1	763
TOTAL	234	30,979	18,418	15,993	6,853	14	37,062

Source: JLL Research June 2015

MARKET ACTIVITY

The off-campus Australian student accommodation market is transforming from a fragmented sector with high levels of strata ownership to an institutional asset class. A number of global investors have entered the market in the last five years and in 2015 there have been three new large scale entrants. Many of the major developer / operators in the market are now looking to grow portfolios. As such, there have been limited transactions of existing off-campus assets in the last 12 months. On-campus, the largest transaction was the \$250 million University of Wollongong project which reached financial close in December 2014. Comprising a 39-year licence of the university's portfolio to Living + Learning Partners (L+LP) led by Balfour Beatty plc. L + LP have taken over the existing portfolio of 1,900 bedrooms and will build 1,000 beds taking the portfolio to 2,650 beds on completion¹¹.

A key challenge facing student accommodation development across many Australian metropolitan areas is the feasibility against other land uses and planning regulations. Feasibility of new development is a key barrier to entry. Key locational requirements for student accommodation often align closely with residential development. Therefore with the residential land and apartment markets achieving high prices in Sydney, Melbourne and Brisbane, student accommodation developers are having difficulty outbidding residential developers.

Student accommodation is also often not clearly defined in planning terms. This can cause uncertainty and risk for developers considering student accommodation alongside other uses, making it less viable. However, Brisbane City Council has been pro-active in its approach to student accommodation with the introduction of a temporary three year reduction in Council's adopted infrastructure charges for student accommodation developments within a four kilometre radius of the Brisbane GPO. Alongside this, Queensland Urban Utilities (QUU) has introduced a new infrastructure charge category for water and sewerage connections for developments of student accommodation. As a result, the combined Council and QUU infrastructure charges bill for a one bedroom unit has been cut from about \$18,000 to \$4,560 – a saving of \$13,440 per unit.

In addition to this, the planning system in Brisbane can be viewed to be more attractive to potential developers in comparison to Sydney or Melbourne as it operates a system of assessments for development applications which can make the process of gaining development approval quicker and more straightforward. A code assessable development application fits within the codes of the City Plan and can be assessed quickly by Council without the need for public notification. An impact assessable development application is for development that must be assessed against all identified codes and the City Plan as a whole. This is to ensure that identified development impacts are addressed. These applications must be publicly notified to take into account the community's views.

As the sector matures in Australia we expect to see transaction volumes increase, however this could be several years away. In the UK there have been over £3 billion of transactions in 2015 including:

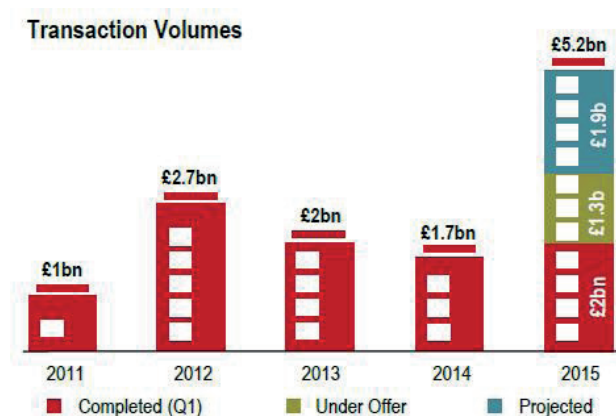
- Pure Portfolio – 2,170 rooms across five prime central London sites. Sold March 2015 for £530 million. Net Initial Yield circa 4.6%.
- Liberty Living Portfolio – 16,700 bedrooms across 40 properties. Sold March 2015 for £1.1 billion
- Nido Portfolio – 2,521 bedrooms across three central London sites. Sold May 2015 for £600 million. Round Hill Capital purchased the entity including the three assets for circa £415 million in 2012.

¹¹ <http://www.illawarramercury.com.au/story/2714031/private-investors-to-fund-uow-student-housing/>

¹² <http://eplan.brisbane.qld.gov.au/?doc=HostelCode>

JLL research predicts that UK transactions may exceed £5 billion in 2015. This will be substantially higher than the average sales volumes of between £1.7–2.7 billion over the last three years as demonstrated in the following chart.

FIGURE SEVEN: UK STUDENT ACCOMMODATION TRANSACTION VOLUMES 2011–2015



Source: JLL research 2015

Strong recent transaction volumes have driven down yields for UK student accommodation for single assets and at a premium for portfolios. We provide below an indication of current and forecast net initial yields for UK student accommodation assets on a Direct-Let basis and assuming a 25-year full repairing and insuring (FRI) lease (equivalent of Australian triple net lease).

TABLE 16: YIELD SUMMARY (UK)

LOCATION	DIRECT LET		25-YEAR FRI LEASE	
	CURRENT	FORECAST	CURRENT	FORECAST
Prime London	4.75%	Stable	4.25%	Hardening
Other London	5.00%	Stable	4.50%	Stable
Prime varsity regional	5.50%	Stable	4.75%	Stable
Prime Regional	5.75%	Stable	5.00%	Stable
Other Regional	6.75%+	Hardening	5.25%	Stable

Source: JLL - Note: Referenced against appropriate cash flows and applies to single 'best in class' assets.

While there have been limited transactions in Australia, we provide below an indication of our opinion of the net initial yields which could be achievable in prime and secondary locations within Sydney, Melbourne, Brisbane and Other Major Metropolitan Areas:

TABLE 17: YIELD (AUSTRALIA)

LOCATION	DIRECT LET	
	PRIME	SECONDARY
Sydney	7.00%–7.50%	7.50%–8.50%
Melbourne	7.00%–7.50%	7.50%–8.50%
Brisbane	7.25%–7.75%	8.00%–9.00%
Other major metropolitan areas	7.75%–8.25%	8.50%–9.50%

Source: JLL - Note: Referenced against appropriate cash flows and applies to single 'best in class' assets.

OUTLOOK

Without change in macro drivers in the short to medium-term, new student accommodation development will remain challenging in major Australian metropolitan areas. However, given the structural undersupply of good quality accommodation across many locations in Australia, further development of new high quality accommodation is a necessity to support the aspirations of universities and stakeholders in promoting Australian higher education in the global market.

“A key challenge for the Australian market is the issue of affordability and the introduction of design trends such as smaller studios and twin rooms in looking to address this.”

As competition for international students intensifies, the cities that Australia is competing with are increasing their supply and improving the quality of accommodation offered. A key challenge for the Australian market is the issue of affordability and the introduction of design trends such as smaller studios and twin rooms in looking to address this.

Over the next 12 months, student accommodation will continue to attract increased levels of interest. JLL anticipates:

- At least one more new significant developer / operator will enter the sector in 2015.
- The volume of studios entering the Sydney market may impact on rents and occupancy levels for this type of accommodation.
- The pipeline of new properties across major metropolitan areas will increase as the development market reacts to the existing shortfall in provision and investment opportunities.
- Alternative use values will remain as a barrier to entry, with the Sydney and Melbourne markets being the most difficult to access.
- A number of universities are looking at options to develop new residences and may enter the market in 2015.

Contact us

IEAA Secretariat

PO Box 12917
A'Beckett Street
Melbourne VIC 8006
Australia

+613 9925 4579
admin@ieaa.org.au



ieaa.org.au/accommodation