

market report

2018



Australian
Student
Accommodation

savills.com.au



*Front cover image:
Urbanest Darling House, Sydney

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Introduction

We are pleased to present the 2018 Savills Australian Student Accommodation Market Update. This paper provides an overview of the key drivers and market activity in this emerging asset class throughout the past 12 months.



International student visa numbers are continuing to rise rapidly at Australian universities, with double-digit growth



The Australian PBSA sector remains in a predominately development-focused phase, with limited transactions of operational property



Brisbane is showing signs of an oversupply of more expensive accommodation options; demand remains robust in the other capital cities

Student Demographics

The underlying dynamics of the Australian higher education market is continuing to support increasing development into new PBSA. As outlined in this paper, the international student population is continuing to increase in both universities and other education sectors.

However, Australia does have a very strong reliance on international students from a number of South East Asian countries. The latest demographic information available indicates that international student growth is stronger as evidenced by enrolments in higher education courses with student visas growing by 12.7% from 2016 to 2017. China (28.9%), India (11.0%), Brazil (4.6%), Nepal (4.4%) and Malaysia (4.1%)

are the top five countries of origin for international students studying in Australia.

In 2017, the strongest growth in international student numbers in Australia came from Nepal (56.2%), Sri Lanka (32.0%), Brazil (24.4%), Colombia (26.5%) and Spain (19.9%).

Market Activity

The first three quarters of 2018 have been highlighted by a continued increase in the pipeline of new PBSA developments, with a strong focus on Melbourne and to a lesser extent Adelaide (driven in part by the availability of development opportunities).

A number of established developer/operators have also looked to raise

additional equity, including Scape, GSA, Cedar Pacific and Wee Hur. Successful completion of these capital-raising exercises is expected to provide significantly more liquidity in the sector moving towards 2019.

Several universities have entered the market to improve and grow their residential portfolios. This area of the market is relatively immature in Australia and it is expected that a range of transaction structures will emerge with specialist integrated on-campus developer/operators.

Capital Cities Activity

There are 76,201 beds of Purpose Built Student Accommodation (PBSA) in the eight Australian capital cities. The existing supply in each city is less than 12% of the full-time student population with the exception of Canberra (27.2%).

Over the first three quarters of 2018, consistent with market activity throughout 2017, the key focus for the major developers in this sector has been the continued acquisition of sites and the construction and delivery of new PBSA.

Sydney is the most attractive market in terms of the supply and demand fundamentals combined with the robustness of the underlying property and investment markets. However, it remains the most difficult Australian market to access. Sydney has a total development pipeline of 4,787 beds (2.2% full-time students) expected to be

delivered over the next four years, of which circa 41% is proposed by universities.

Melbourne has the largest development pipeline of 16,137 beds (5.5% full-time students), which is a quite significant increase compared to 12 months ago. However, the Melbourne market is underpinned by a strong demand for accommodation, with new schemes trading well. Melbourne's universities are active in developing their accommodation, with several projects contributing to just over 25% of the proposed pipeline.

The pipeline of new PBSA projects in Brisbane has slowed somewhat in the past 12 months, following an extremely busy period over the 18 months prior, backed by the positive initiatives of Brisbane City Council. Brisbane's development pipeline is currently 6,865 beds (4.8% of full-time students). There are some concerns

regarding the potential uptake of new PBSA being delivered into the market in the short to medium term, as there is also an increasing pipeline of residential apartments being delivered in the city in the same timeframe.

A number of new PBSA projects have entered the development pipeline in Adelaide, predominantly focused towards the northern end of the CBD and North Terrace. Recently completed schemes are trading with good occupancy levels.

Currently there is no direct-let accommodation in Perth. It is also a market that has witnessed a new phase of development, with a number of direct-let projects being promoted in the past 12 months. The first two projects are scheduled for completion in Semester 1, 2019, which will be a good barometer of demand for off-campus residences in the CBD.



Student One, 363 Adelaide St, Brisbane

Student Enrolment Statistics

Australia's student population is continuing to grow at a steady rate.

The latest data available indicates that total student enrolments grew by 3.3% from 2015 to 2016, an increase of 47,076 students. International student numbers increased by 7.7% in 2016. All of this growth is attributed to full-time international students, which increased by almost 9.2%. Part-time international student numbers fell by 0.8% in 2016. Table One details the breakdown between the domestic and international student cohorts.

Table 1: Total Student Enrolment Numbers in Australia, 2016

Study Mode	Full-time Student Enrolments	Part-time Student Enrolments	Total Student Enrolments
Domestic	702,110	363,599	1,065,709
International	337,166	54,334	391,500
Total	1,039,276	417,933	1,457,209
% Change from 2015	3.9%	2.0%	3.3%

Source: Australian Government Department of Education and Training (uCube) which is based on the student and staff data collections (2016).

New South Wales, Victoria and Queensland have the greatest number of student enrolments, with Victoria achieving the largest increase in enrolment numbers year on year, with an increase of 4.2% compared to 2015. Of all the states, Tasmania saw the largest increase of 7.3% in 2016, with multi-state higher education providers increasing by 4.0% as detailed in Table Two.

Table 2: Student Enrolment Numbers by State and Territory, 2016

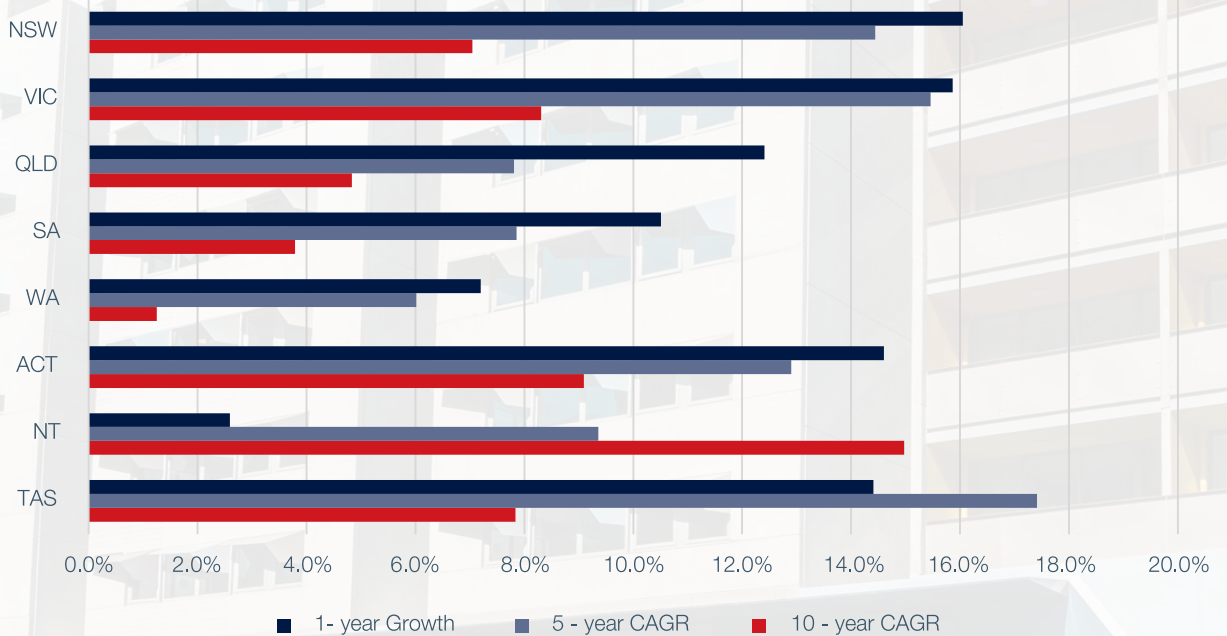
Student Type / State	New South Wales	Victoria	QLD	Western Australia	South Australia	Tasmania	Northern Territory	ACT	Multi-State	Total
Domestic	334,315	255,317	194,447	105,519	75,543	29,150	9,253	29,430	32,735	1,065,709
International	111,374	141,588	52,249	36,647	26,716	5,484	2,612	11,300	3,530	391,500
Total	445,689	396,905	246,696	142,166	102,259	34,634	11,865	40,730	36,265	1,457,209
% Change from 2015	3.5%	4.2%	1.6%	1.2%	5.8%	7.3%	-0.6%	2.7%	4.0%	3.3%

Source: Australian Government Department of Education and Training (uCube) which is based on the student and staff data collections (2016).

Chart One below shows the Compound Annual Growth Rate (CAGR) for each state over a one-year, five-year and 10-year period. It shows that New South Wales and Victoria have had rapid growth in the past five years, confirming their positions as first and second most attractive destinations for students in terms of the universities' and cities' amenity. The Australian Capital Territory has the third strongest growth rate in the last 12 months. Queensland and South Australia have also seen strong growth rates, with Brisbane City Council being proactive in the past five years toward ensuring the city has student accommodation development, and the South

Australian Student Accommodation Association (SASAA) championing Adelaide as a study destination. Western Australia had a long period of underperformance, however, the universities and associations such as Study Perth are now taking positive steps toward promoting the city again and accelerating growth. The Northern Territory has very low student numbers compared to the other cities, however long-term growth has been strong but has slowed in the past two years. Tasmania is also a relatively small market but has achieved good levels of student growth in recent years.

Chart 1: Student Number Growth by State



Source: Commonwealth of Australia - International Student Data 2018, Extracted: July 2018

CLV Student Village, University of Melbourne Campus, Melbourne











The number of international students enrolled in higher education courses and utilising study visas in Australia has grown by 12.7% from 2016 to 2017, a marginally higher increase than the previous year, as detailed in Table Three below. There were 624,001 international students studying on a student visa in Australia in 2017, which represents a 12.7% increase over 2016 figures (554,179 student visas) . The top five nationalities are China, India, Brazil, Nepal and Malaysia.

Table 3: International Students Studying on Visas in Australia, 2017

Education Sector	2017 Student Numbers	2016 Student Numbers	Growth from 2016 to 2017
Higher Education	350,472	305,486	14.7%
VET	217,696	186,533	16.7%
Schools	25,762	23,270	10.7%
ELICOS	155,448	150,272	3.4%
Non-Award	49,993	44,044	13.5%
Total	799,371	709,605	12.7%

* 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 Research – “End of Year Summary of International Student Enrolment Data1 – Australia – 2017”.











Table 4: International Student Enrolments in Australia in 2017

Top 10 Nationalities	Number of Students 2017	Proportion
 China	231,191	28.9%
 India	87,615	11.0%
 Brazil	36,496	4.6%
 Nepal	35,423	4.4%
 Malaysia	32,899	4.1%
 Korea, Republic of (South)	31,112	3.9%
 Thailand	30,730	3.8%
 Vietnam	30,536	3.8%
 Colombia	21,628	2.7%
 Indonesia	20,028	2.5%
Other Nationalities	241,713	30.3%
Total	799,371	

*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 – “End of Year Summary of International Student Enrolment Data1 – Australia – 2017”.

China is the largest international student country of origin, which contributed almost 29% of the total number of international students in Australia in 2017. The country with the highest percentage of growth is Nepal, with a growth rate of 56.2% from 2016 to 2017.

Table 5: International Student Numbers in Australia Growth between 2016 and 2017

Current Position	Top 10 Nationalities	Number of Students 2016	Number of Students 2017	Growth 2016-2017	Position 2016
1	 China	195,731	231,191	18.1%	1
2	 India	77,841	87,615	12.6%	2
3	 Brazil	29,347	36,496	24.4%	6
4	 Nepal	22,684	35,423	56.2%	8
5	 Malaysia	28,295	32,899	16.3%	7
6	 Korea, Republic of (South)	30,444	31,112	2.2%	3
7	 Thailand	30,316	30,730	1.4%	4
8	 Vietnam	29,589	30,536	3.2%	5
9	 Colombia	17,092	21,628	26.5%	11
10	 Indonesia	19,751	20,028	1.4%	9
	Other Nationalities	228,515	241,713	5.8%	
Total		709,605	799,371	12.7%	



*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 – “End of Year Summary of International Student Enrolment Data1 – Australia – 2017”; Australian Government Department of Education and Training – International Student Data 2017 - pivot tables.

Australia The Number Two Destination

According to UNESCO statistics, Australia is set to overtake the UK as the second most popular destination for international students.

Australia has witnessed strong growth in international student numbers as outlined in the table below. This has continued into 2017, with further growth of 12.7%. Growth has been largely static in the UK since 2013 and the impacts of Brexit could prove to be detrimental as the UK is heavily reliant on EU student enrolments. After Brexit, European students will have to pay international student fees as opposed to UK student fees, as well as having to pay up front for study, with tuition loans no longer available to them.

Table 6: 10 leading countries in international education: 2011 – 2016

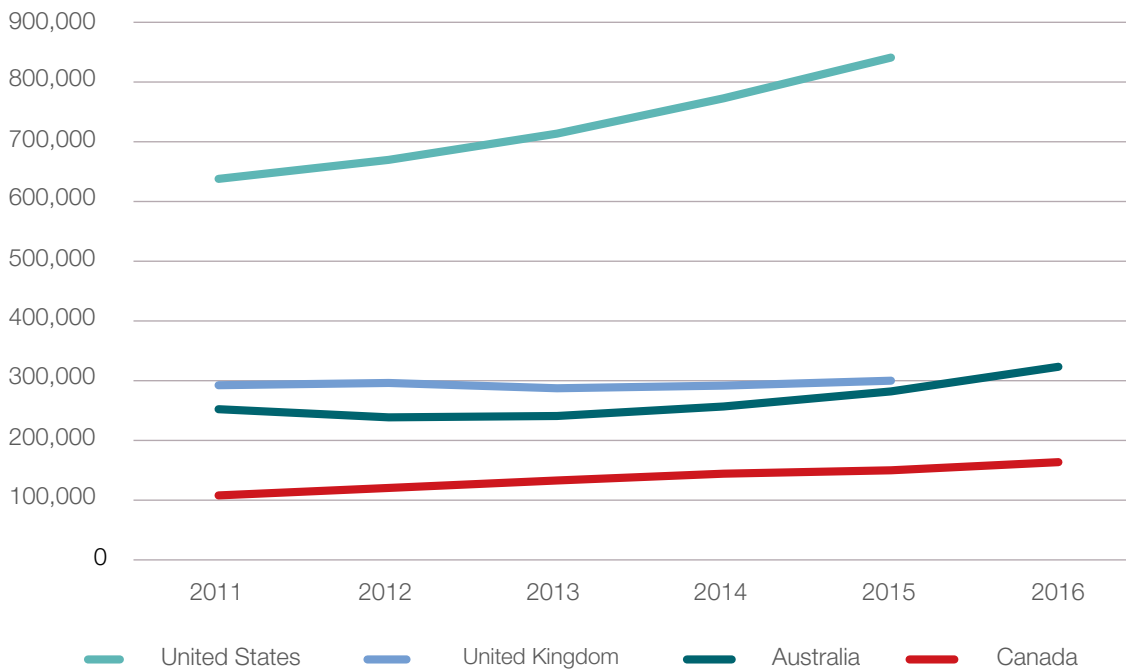
	2011	2012	2013	2014	2015	2016
 United States	640,488	671,027	714,630	771,561	840,757	
 United Kingdom	290,382	294,288	288,766	289,514	301,558	
 Australia	251,676	239,533	239,031	255,525	283,043	321,352
 France	268,212	271,399	228,639	235,123	239,409	
 Russia	112,655	125,392		168,818	177,286	197,206
 Canada	107,172	119,047	132,558	142,863	148,458	164,262
 Germany			118,933	121,072	133,481	
 Japan	147,428	147,051	131,855	128,623	128,108	
 Malaysia				98,526	110,499	123,061
 China						
World	3,131,898	3,195,639	3,311,693	3,497,599	3,759,060	3,890,874

Gaps = data not available.

Source: UNESCO Institute for Statistics, <http://data.uis.unesco.org/#>



Chart 2: Top four leading countries in international education: 2011 – 2016



Source: UNESCO Institute for Statistics, <http://data.uis.unesco.org/#>

Australian University Rankings

Australian universities are continuing to rise in global rankings.

The Times Higher Education World University Rankings 2018 list the top 1,000 universities in the world. The rankings judge research-intensive universities across all of their core missions: teaching, research, knowledge transfer and international outlook. There are 13 performance indicators used to provide the rankings.

According to the Times Higher Education World University Rankings and as summarised in Table Seven, the University of Melbourne continues to be Australia's top university and has also improved in overall rankings from 34th in 2014 to 32nd in 2018.

Table 7: Times World University Rankings – Top Australian Universities (2014 – 2018)

Top 8 Universities	Main Campus Location	Times 2014	Times 2015	Times 2016	Times 2017	Times 2018
The University of Melbourne	VIC	34	33	33	33	32
The Australian National University	ACT	48	45	52	47	48
The University of Sydney	NSW	72	60	56	60	61
The University of Queensland	QLD	63	65	60	60	65
Monash University	VIC	91	83	73	74	80
The University of New South Wales	NSW	114	109	82	78	85
The University of Western Australia	WA	168	157	109	125	111
The University of Adelaide	SA	201-225	164	149	142	134

Table 8: QS World University Rankings – Top Australian Universities (2016 – 2019)

Top 8 Universities	Main Campus Location	QS 2016	QS 2017	QS 2018	QS 2019
The Australian National University	ACT	19	22	20	24
The University of Melbourne	VIC	42	42	41	39
The University of Sydney	NSW	45	46	50	42
The University of New South Wales	NSW	46	49	45	45
The University of Queensland	QLD	46	51	47	48
Monash University	VIC	67	65	60	59
The University of Western Australia	WA	98	102	93	91
The University of Adelaide	SA	113	125	109	114
University of Technology Sydney	NSW	218	193	176	160
The University of Newcastle	NSW	256	245	224	214

QS World University Rankings 2019 list the top 1,000 universities in the world. The rankings capture university performance using six metrics, including academic reputation (40%), employer reputation (10%), faculty/student ratio (20%), citations per faculty (20%), international faculty ratio (5%) and international student ratio (5%). According to the QS World University Rankings and as summarised in Table Eight, the Australian National University continues to be Australia's top university although there are some fluctuations in its overall rank, declining from 19th in 2016 to 24th in 2019.

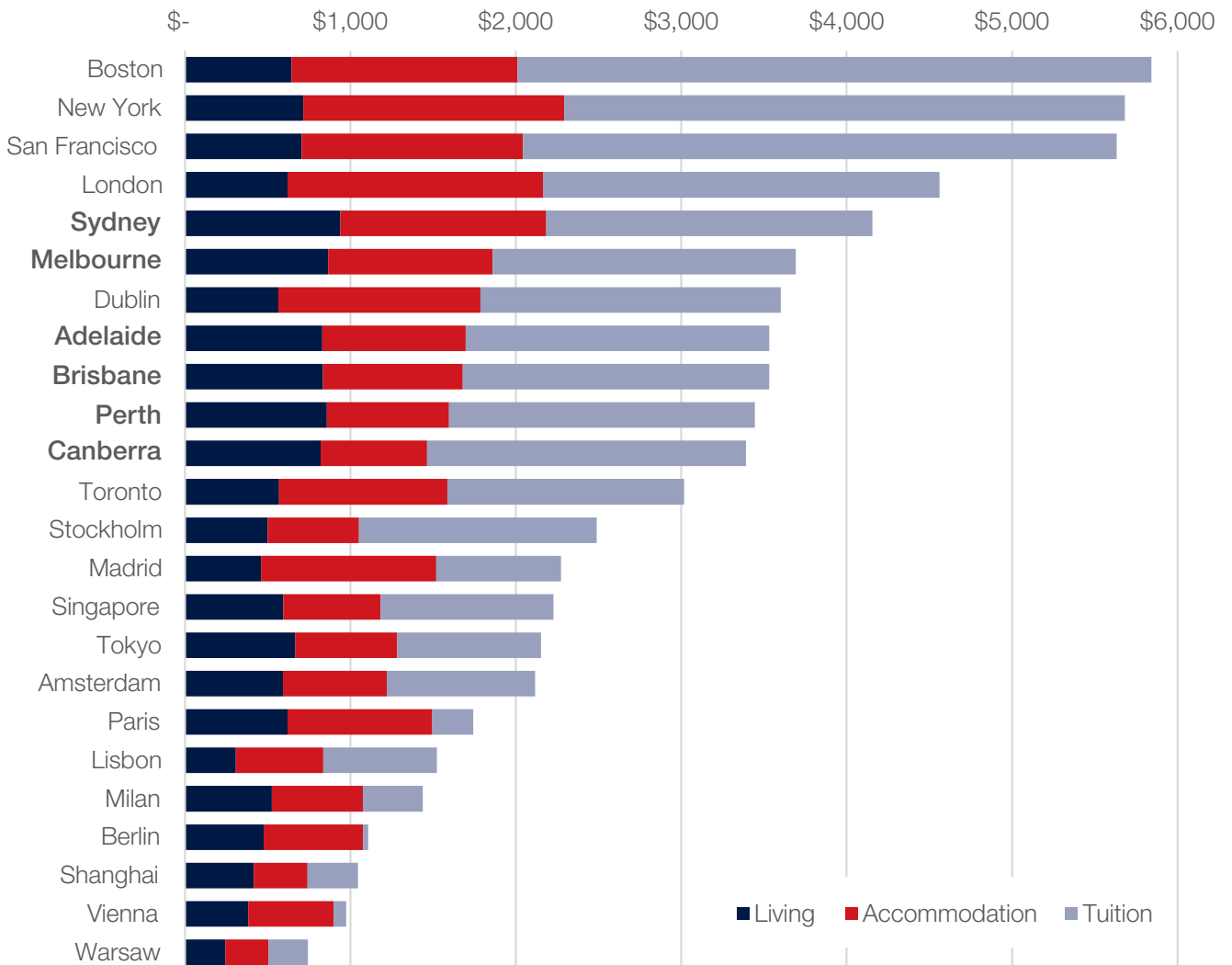
Cost of Living Analysis

Historical analysis of Australia’s international student population indicates that student enrolment number growth is correlated with changes in affordability.

Chart Three below shows a snapshot of current costs of living in a selected number of global cities and indicates that Australian capital cities rank towards the most expensive, with five of the six Australian cities ranking in the top 10 of the sample group.

Whilst recent depreciation of the Australian dollar to major trading currencies has counterbalanced overall costs, this will be a key consideration for students making choices about where to study moving towards 2020.

Chart 3: Global student cost of living analysis for selected cities



Source: Savills World Research, Student.com, universityreviews.com.au, numbeo.com/cost-of-living/

European course fees represent non-EU international student on non-specialist STEM undergraduate degree course at a top institution, residing in purpose-built accommodation. US dollars with August 2017 exchange rate.

Where Students Live

The following analysis provides a snapshot of the current population of full-time students in the greater statistical areas of Australia’s main capital cities measured in terms of the number of PBSA beds against full-time student numbers.

The analysis focuses on the provision of PBSA by both the universities and the commercial providers. Students who are not living in professionally provided accommodation, are classified as either renting in the private sector, or living in family-associated accommodation.







Urbanest Darling House, Sydney

Market Focus Sydney

The total development pipeline in Sydney has decreased from 5,435 beds in 2017 to 4,787 beds in 2018 with the completion of a number of new schemes.

The largest new project completed this year has been Urbanest's second stage of accommodation at Darling Square (Urbanest Darling House), comprising 664 beds. Urbanest Darling House is the first off-campus direct-let accommodation available in Australia with 21 meals per week provided to students. Iglu completed a 370-bed scheme on Regent Street in Redfern.

If all of the accommodation within the supply pipeline is delivered, the existing provision of circa 8.3% may remain at a relatively consistent level at 7.9% in 2020 and 7.9% in 2025.

Sydney continues to be the most attractive Australian market for investment into the student accommodation sector. The value of

land associated with competing land uses, primarily residential in CBD fringe locations, continues to be prohibitive. However, Singaporean developer Wee Hur has recently purchased its first Sydney student accommodation site in Redfern for \$52million.

The University of Sydney continues to be a significant participant within the Sydney market, with several new developments proposed, including the redevelopment of the Regiment Building, which is under construction and due for completion prior to the first semester of 2019.

Analysis of the development pipeline by room type indicates that approximately 41% of the new accommodation will be provided in the most expensive form of accommodation, which is self-contained studios. The remaining accommodation will be provided in shared apartments, with 9% of the pipeline in dormitory-style rooms, which is primarily influenced by the University developments.



Sydney is the most attractive market for investment due to a large supply and demand imbalance.

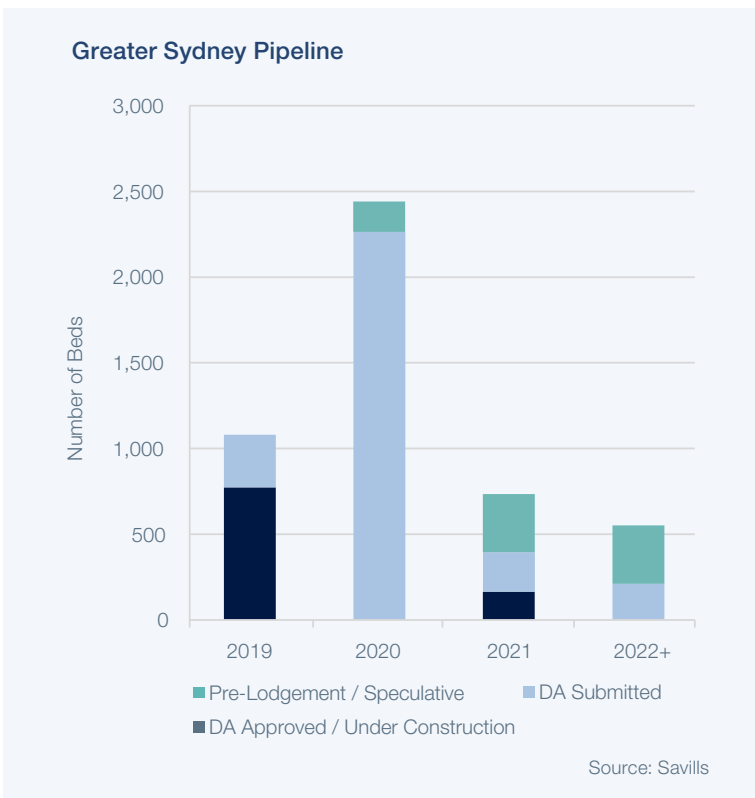
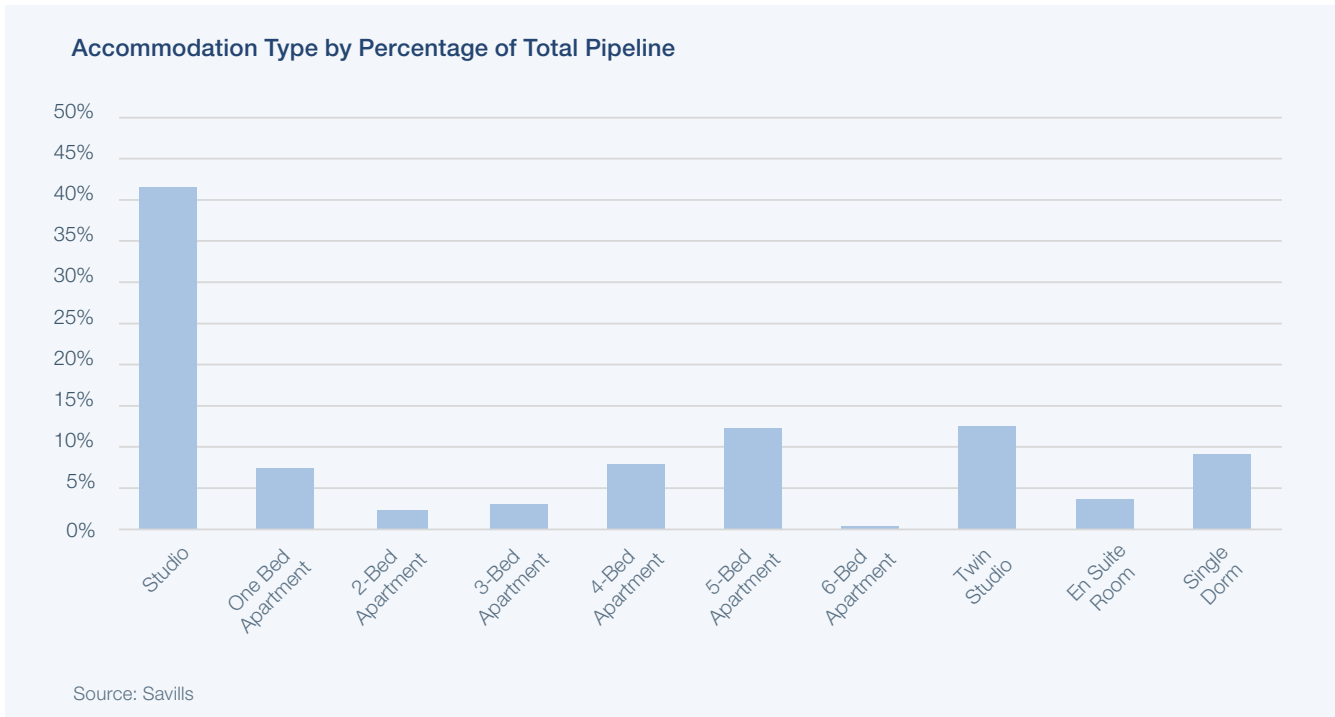


Significant barriers to entry include the value associated with competing land uses, particularly residential, which means there is a relatively low development pipeline.



The affordability of student rents influencing the financial viability of delivering new accommodation will continue to be a critical issue for Sydney throughout the next 12 months.

Sydney Pipeline



1,034 beds delivered in 2018.



A cooling residential market may create opportunities for PBSA developers to acquire more sites.





Scape Swanston, Melbourne

Market Focus Melbourne

Melbourne has continued to be the most active market for student accommodation in 2018 with a pipeline of 16,137 beds, which remains largely static from 2017 despite the completion of a number of schemes.

During 2018, 1,709 beds were delivered. Global Student Accommodation (GSA) has opened its first scheme in Australia, with 352 beds at University Square operating as The Student Housing Company. Iglu also opened its first Melbourne property with 594 beds on Franklin Street, and Scape opened its first Melbourne project with 763 beds on Swanston Street. A further 4,706 beds are currently under construction and programmed for delivery in 2019, including South African Redefine's first scheme on Leicester Street under operational brand, Journal.

If all of the accommodation within the supply pipeline is delivered, the existing provision of circa 6.0% may increase towards 6.8% in 2020 and 9.0% in 2025.

Analysis of the development pipeline indicates that more than 50% of the proposed new developments will comprise self-contained studios. The balance of the pipeline is distributed between shared apartments, and circa 9.2%, which is dormitory-style, influenced by the universities.



Melbourne's PBSA development pipeline has remained static in the past 12 months at around 16,000 beds.

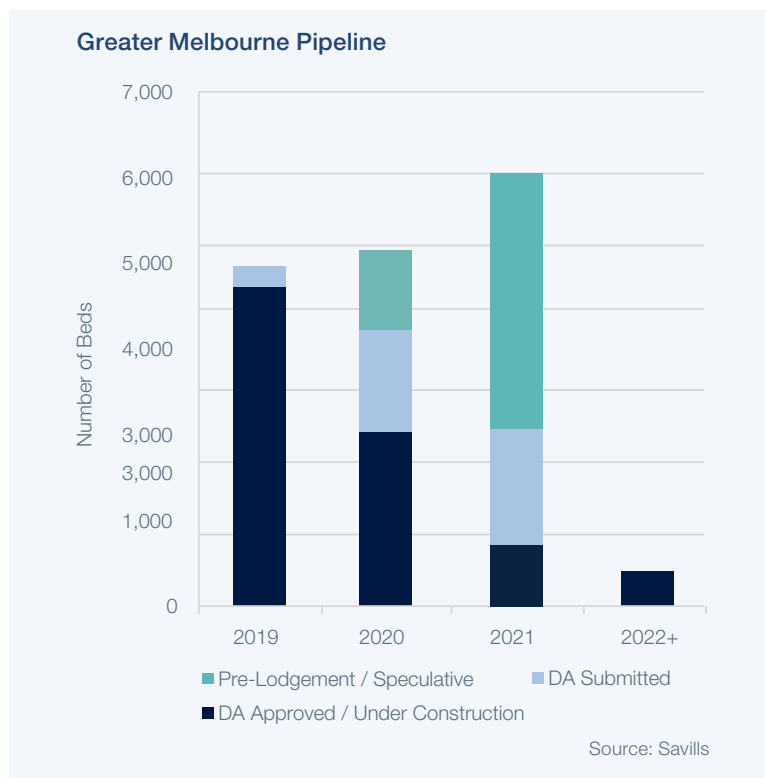
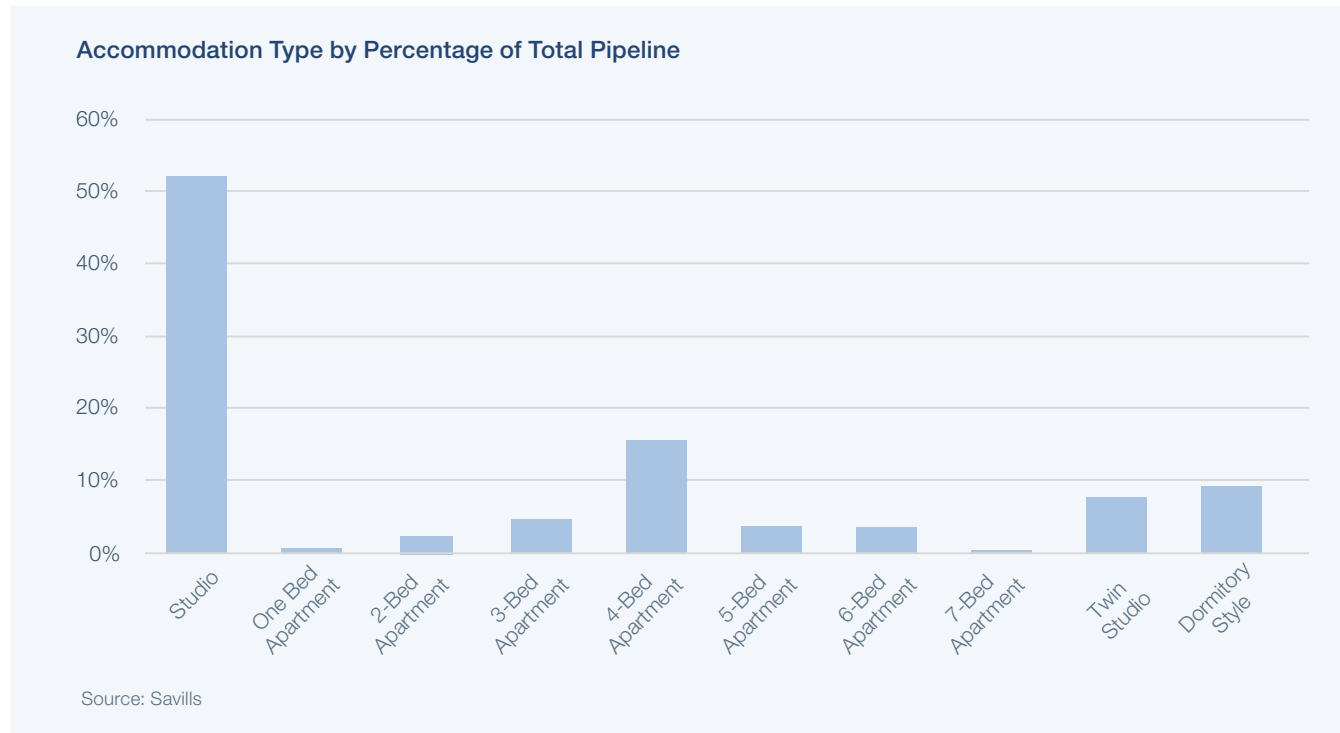


Approximately 4,706 beds are under construction and due for completion in 2019, with a similar number forecast for completion in 2020.



More than 50% of the pipeline is proposed to be self-contained studios.

Melbourne Pipeline



1,709 beds delivered in 2018.



Melbourne's universities are very active, with a number of projects underway both in the CBD / fringe and suburban localities.



Scape Swanston, Melbourne



UniLodge South Brisbane

Market Focus **Brisbane**

The PBSA development pipeline in Brisbane increased significantly in 2015 and 2016, however additional activity has been subdued in 2017 and in 2018 to date.

Analysis indicates that the total combined PBSA pipeline has decreased from 10,682 in 2017 to 6,865 in 2018 with completion of a number of schemes.

During 2018, 3,450 beds were delivered to the Brisbane market, with a further 3,247 beds having development approval or under construction and programmed for completion in 2019. Wee Hur, UniLodge / Cedar Pacific and Scape have all opened schemes in Brisbane this year.

Rental growth in Brisbane has been relatively static in 2018 for existing assets, and occupancy levels for some new properties have been somewhat lower than forecast.

There are some concerns regarding the potential uptake of top-end new PBSA being delivered into the market in the short to medium term, as there is also a large pipeline of residential apartments being delivered in the city in the same timeframes.

Analysis indicates that the total provision based on the development pipeline completion forecast may increase from 9.8% of full-time students at present, to 10.8% in 2020 and 11.6% in 2025.

More than 30% of the pipeline comprises self-contained studios, with the balance incorporating shared apartments, primarily four, five, and six-bedroom apartments. There is approximately 11.8% of dormitory-style accommodation proposed.



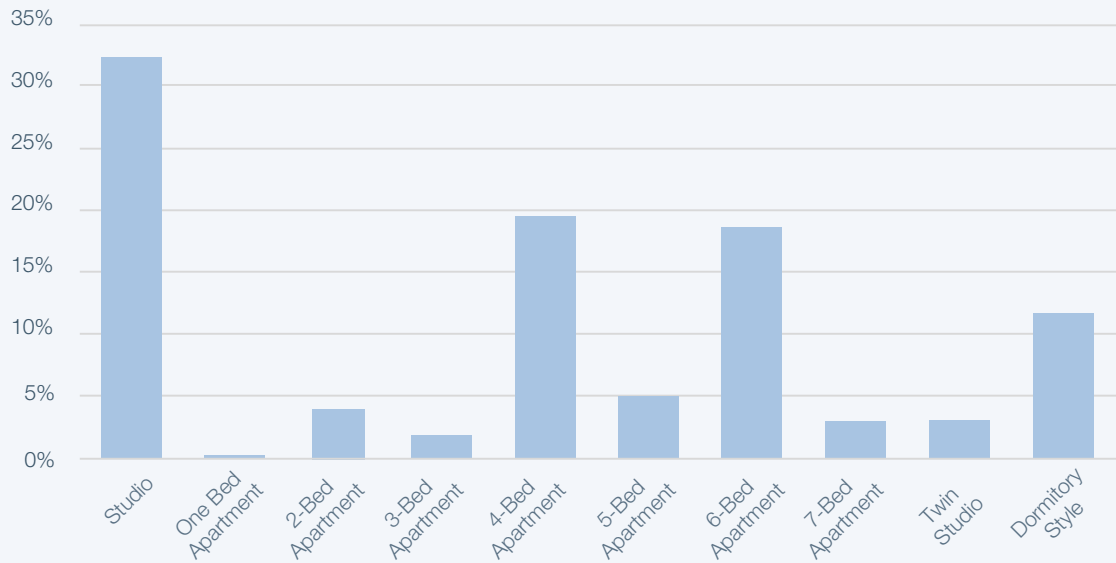
PBSA development pipeline has decreased to 6,865 in 2018, having peaked at 10,682 beds in 2017.



Activity has now slowed in the Brisbane market due to concerns over potential uptake of new PBSA in the short to medium term.

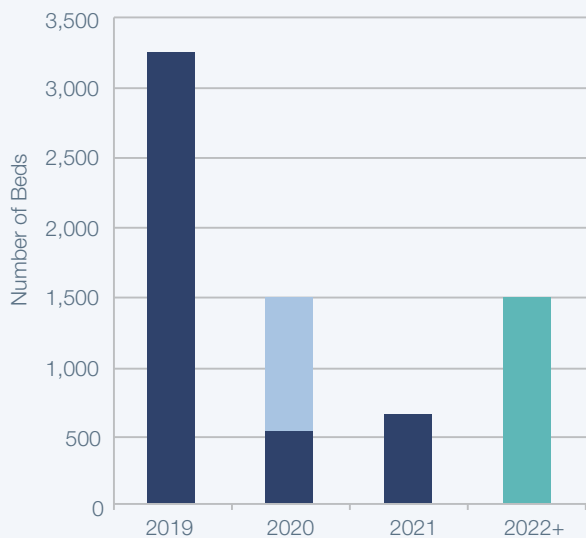
Brisbane Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Greater Brisbane Pipeline



■ Pre-Lodgement / Speculative ■ DA Submitted
■ DA Approved / Under Construction

Source: Savills



3,450 beds delivered in 2018.



Over 30% of the pipeline comprises self-contained studios, with the balance incorporating shared apartments, primarily four, five, and six bedroom apartments.



Wee Hur, Park Central, Woolloongabba



dwell East End, Adelaide

Market Focus **Adelaide**

The development pipeline in Adelaide has grown to 2,991 in 2018 from 2,159 in 2017.

Two projects were completed for the first semester of 2018, including developments by Atira and Urbanest. Completed assets are trading well for Semester Two 2018, with strong pre-lease figures for 2019. Two more schemes are programmed for 2019, including Kyren Group's 280-bed development, which will introduce Centurion's operational brand, dwell and Wee Hur's 772-bed scheme on Gray Street, to be operated by UniLodge.

There has been a strong focus on new developments in the area around North Terrace in the vicinity of Adelaide's two main universities, with GSA receiving development approval for 686 beds at 266 North Terrace.

Comparing the development pipeline against full-time student numbers indicates that the current provision at circa 8.2% may increase to circa 8.7% in 2020 and 9.7% in 2025.

Analysis of the development pipeline indicates that approximately 56.8% will be self-contained studios, with the balance including shared apartments, together with circa 8.4% of twin studios. It appears that the twin studio product has been adapted to the Adelaide market to meet the expectations of price affordability for students in the city.



There has been a strong focus on the new developments in the area around North Terrace, in the vicinity of Adelaide's two main universities.



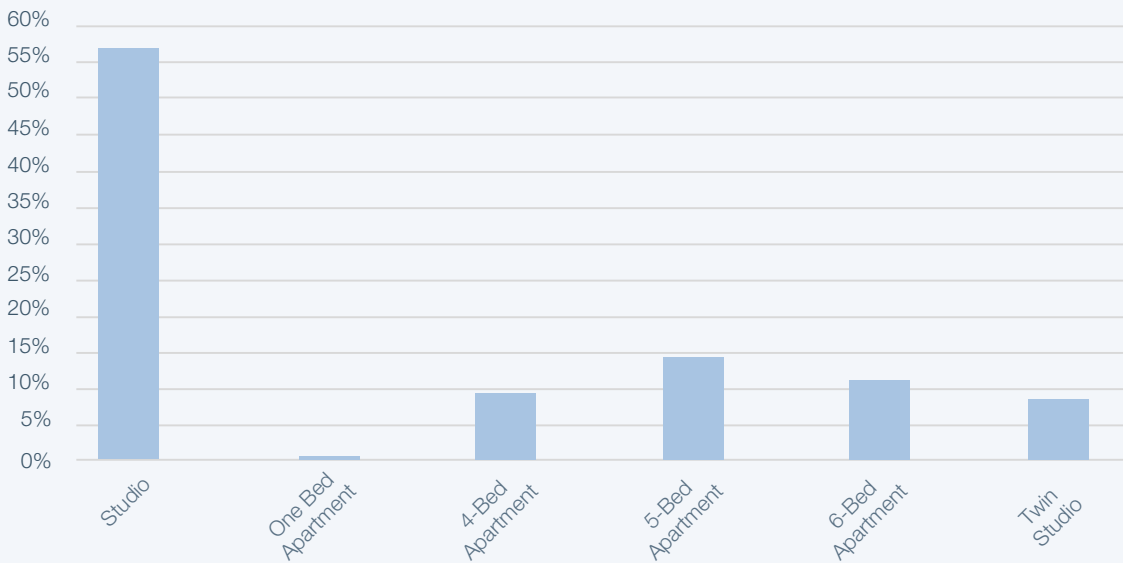
The development pipeline in Adelaide has grown to 2,991 in 2018 from 2,159 in 2017.



57% will be self-contained studios, with the balance including shared apartments, together with circa 8% of twin studios.

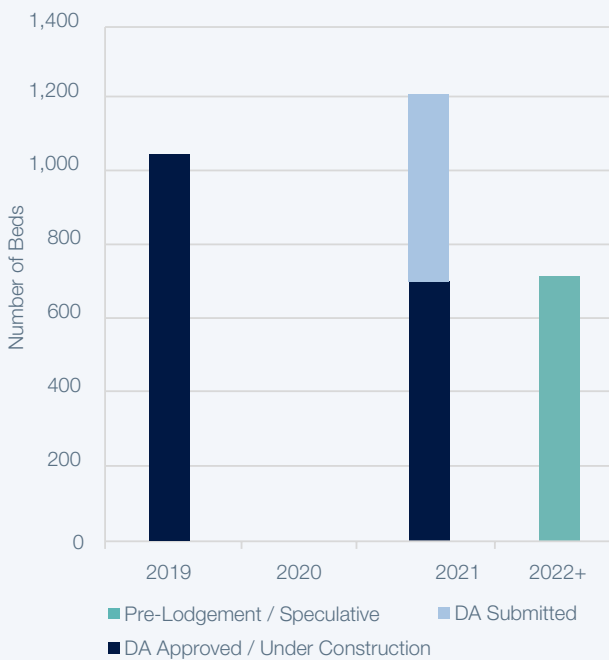
Adelaide Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Adelaide Pipeline



Source: Savills



1,128 beds delivered in 2018.



The proposed merger of the University of Adelaide and the University of South Australia does not look likely to proceed.



Hines Property, Twin Street, Adelaide



Campus Perth

Market Focus Perth

The total development pipeline has decreased from 3,621 in 2017 to 3,147 in 2018.

Stirling Capital and GSA (trading as The Student Housing Company) have a 571 bed scheme on Stirling Street which is programmed from completion in 2019 and GAW Capital / Campus Perth are also due to open their scheme directly opposite around the same time. We understand that the Campus Perth scheme will include four bed bunk rooms with rentals starting from as low as \$165 per week. Curtin University are proposing to build 1,000 beds on campus which are expected to be completed by 2022.

Analysis of the development pipeline indicates that just over 22% of the bedrooms will be self-contained studios, with the balance in four, five and six bedroom apartments, together with twin studios and over 23% of dormitory style accommodation.

The pipeline indicates that with the potential delivery of new accommodation the existing supply equating to 4.6% of fulltime students in 2018 may increase to 5.2% provision in 2020 and 6.2% provision in 2025.

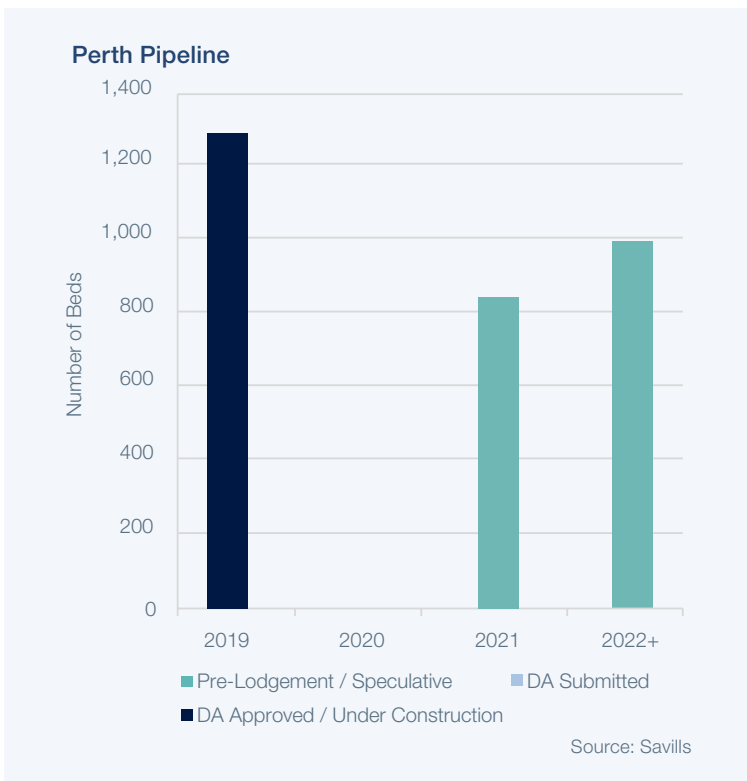
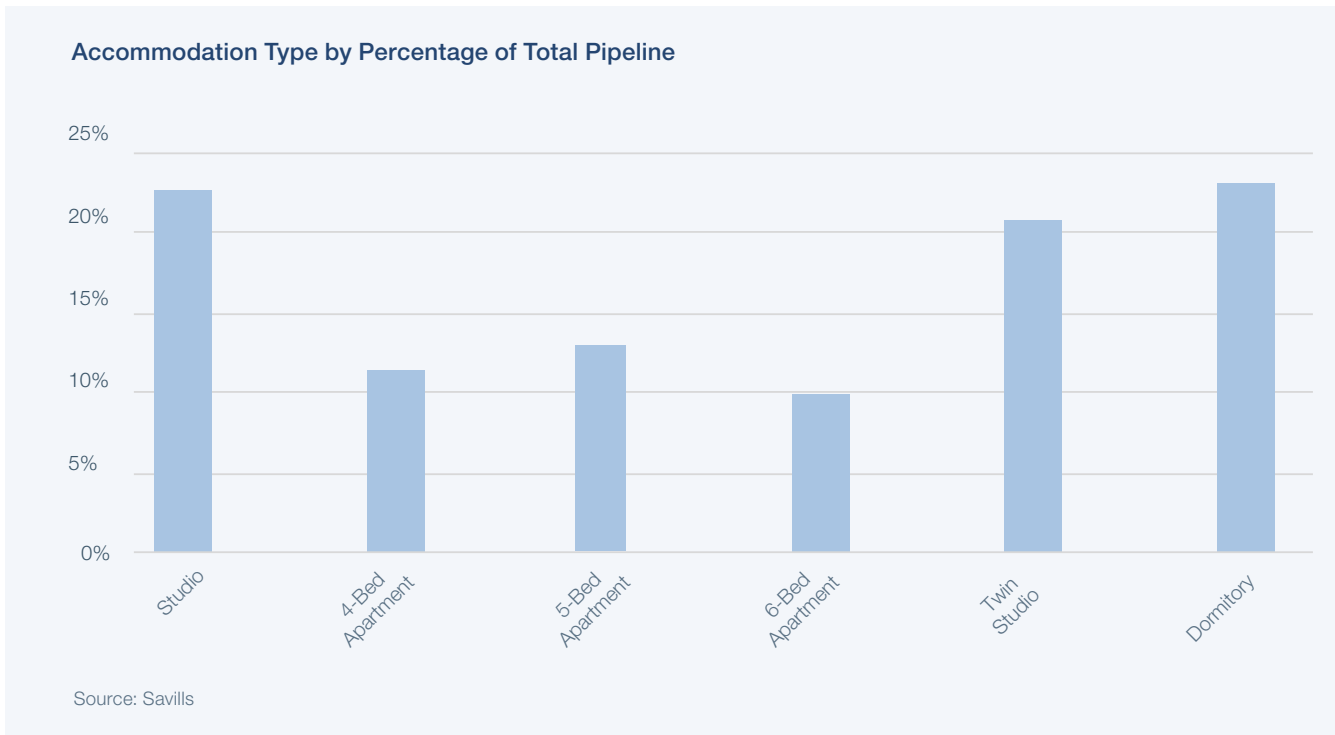


There continues to be interest in the Perth student accommodation market, however the pipeline has decreased due a number of projects being put on hold.



Location has been the key consideration for the delivery of direct-let accommodation in Perth, given that Perth's main universities are all situated outside of the CBD.

Perth Pipeline



The City of Perth is offering packages to facilitate further development of student accommodation, which includes a 20% plot ratio bonus in many parts of the city.



The Student Housing Company, The Boulevard, Perth



UniLodge @ UC – UC Lodge

Market Focus **Canberra**

The total development pipeline in Canberra has remained static, with 800 beds forecast for completion in 2019.

Across the key Australian cities, Canberra has the highest provision rate of PBSA with approximately one bed for every three students (albeit this is almost exclusively on-campus).

ANU provides a significant portion of this accommodation and continues to be active with a new hall of residence to replace Bruce Hall.

ANU is ranked as the top University in Australia for 2019, according to the QS World University Rankings.



Canberra has the highest provision rate with 27.2% of students having access to PBSA.



There is a very limited supply of off-campus direct-let student accommodation.



Canberra has one of the nation's tightest residential rental markets with low vacancies and strong rental pricing.

Top 10 Private Providers

The following table provides a summary of the existing beds owned and under management, together with the development pipeline for the top private sector providers across Australia, as at the end of Semester 1 2018.

The top 10 providers currently own or manage a total of 47,534 beds (which varies from the total shown below, as the figures have been adjusted for properties owned by one party and managed by another).

In 2018, the total number of owned beds is 27,164, compared to 23,639 in February 2017, an increase of 14.9%. In 2017, the number of owned beds had increased 52.2% from the previous year (15,498). This illustrates that existing supply has continued to increase, albeit at a somewhat lower rate.

The average size of the owned operational properties is 631 beds.

Table 9: Top 10 Private Providers by Existing Owned Properties

Rank	Operator	Total Number of Operational Properties Owned	Total Number of Operational Properties Managed	Total Number of Operational Beds Owned	Total Number of Operational Beds Managed	Total Number of Operational Beds (Owned or Managed)
1	UniLodge	0	54	0	15,763	15,763
2	CLV	9	14	4,719	5,688	10,407
3	HRL Morrison*	2	2	6,471	6,471	6,471
4	Urbanest	12	12	6,039	6,039	6,039
5	Iglu	8	8	3,366	3,366	3,366
6	Student Housing Australia	0	49	0	2,668	2,668
7	Atira	5	0	2,163	0	2,163
8	Scape	3	3	1,606	1,606	1,606
9	Student One	2	2	1,495	1,495	1,495
10	Cedar Pacific**	2	0	1,305	0	1,305
	Total***	43	144	27,164	43,096	51,283

*UniLodge manage 2,444 beds at ANU which are owned by HRL Morrison.

**UniLodge manage all beds owned by Cedar Pacific.

***We note that the total number of beds includes a double count due to this (as does the total operational and development pipeline). The total number of existing supply of beds equates to 47,534 excluding any double up and our percentage calculations above have been based on this number.

Source: Savills, data correct as at Semester 1 2018.



The Student Housing Company, The Boulevard, Perth

The table below shows the top 10 providers ranked by total beds (including existing operational beds and development pipeline). The top 10 providers currently have a pipeline of 71,141 beds (which varies from the total shown above as we have adjusted for properties which will be owned by one party and managed by another).

The average size of the total existing properties and development pipeline is 893 beds.

The chart below shows that there are a number of newer entrants to the market who have very strong development pipelines planned, and are also building larger schemes and will change the composition of the top 10 should their pipelines be delivered.

Table 10: Top 10 Private Providers by Existing and Development Pipeline Properties (Owned and Managed)

Rank	Operator	Total Number of Operational Beds (Owned or Managed)	Total Number of Properties in Planning or Under Construction	Total Number of Beds in Planning or Under Construction	Total Number of Properties Owned (Operational and in Development Pipeline)	Total by Number of Beds (Operational and in Development Pipeline)
1	UniLodge	15,763	18	9,375	0	25,138
2	CLV	10,407	0	0	9	10,407
3	Scape	1,606	11	6,665	14	8,271
4	Urbanest	6,039	3	1,344	15	7,383
5	HRL Morrison*	6,471	1	450	3	6,921
6	Atira	2,163	4	2,869	9	5,032
7	Iglu	3,366	5	1,420	13	4,786
8	Wee Hur Holdings Ltd**	450	4	4,041	5	4,491
9	GSA Group	345	6	3,919	7	4,264
10	Cedar Pacific***	1,305	3	1,905	5	3,210
	Total****	47,915	55	31,988	80	79,903

*UniLodge manage 2,444 beds at ANU which are owned by HRL Morrison and have 425 beds under construction also owned by HRL Morrison.

**UniLodge manage 450 beds at Park Central, Woolloongabba which are owned by Wee Hur Holdings Ltd, and will also manage the second phase of this building (a total of 1,578, as well as future assets in Adelaide (772) and Melbourne).

***UniLodge manage all beds owned by Cedar Pacific existing and development pipeline.

****We note that the total number of beds includes a double count due to this (as does the total operational and development pipeline).

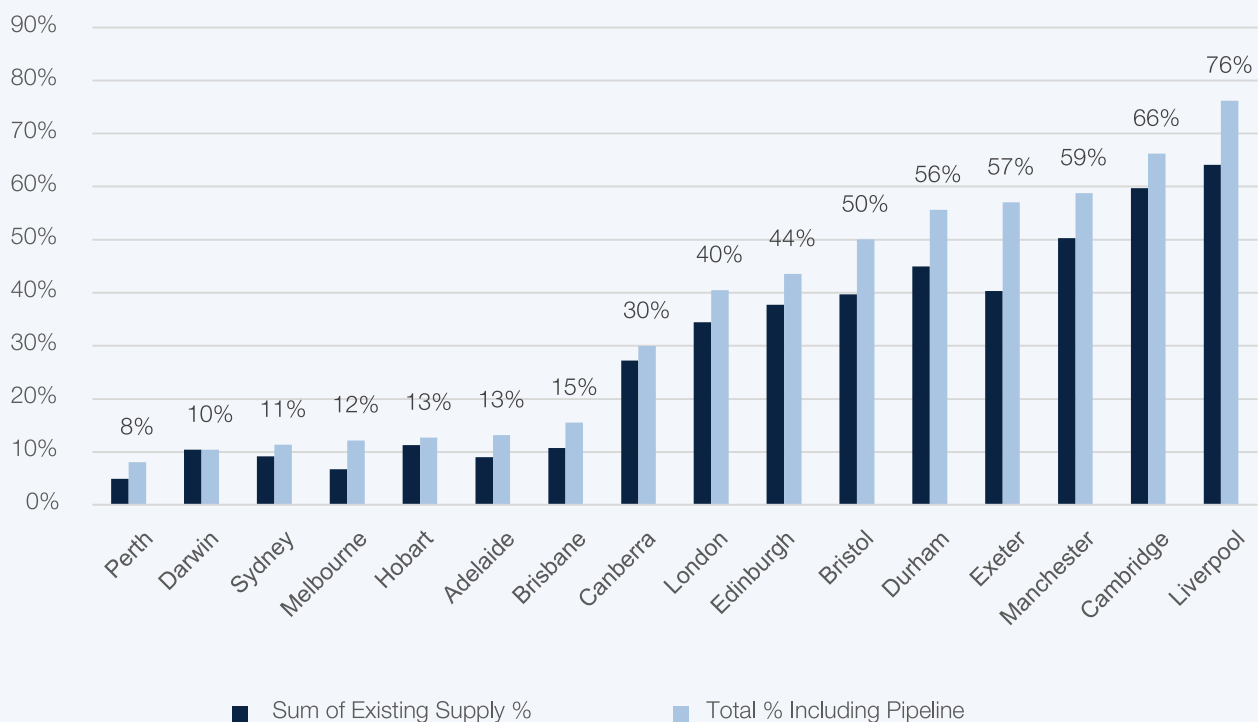
Source: Savills, data correct as at Semester 1 2018.

Development Pipeline

It is clear when comparing both the existing supply and development pipeline across the major Australian Capital Cities, with the comparative cities in the UK that in general Australia has a much lower base of supply.

However, one critical difference between the Australian and UK market is the propensity of domestic students in the UK to move away from home for University education – and therefore demanding PBSA. Australian domestic students are much more likely to live at their parent's home while studying at University (please also refer statistics of students living at home within – Where Students Live). Cultural drivers and specialisation of course offerings from UK universities has led to much higher rates of students leaving home and travelling to attend University studies.

Chart 4: Total Supply including Pipeline of Australian and UK Cities



Source: Australian Data Current as at September 2018, UK data April 2018.

The chart above provides a summary of the existing supply of PBSA (navy bars) and the proposed development pipeline in each of Australia's capital cities (sky blue bars) and a selection of UK cities, with the cities sorted by the total provision of accommodation including pipeline.

Transactions

Australian Transactions

A summary of the total student accommodation transaction amounts in Australia per year since 2012.

Year	SAUD Millions	No. of Beds
2012	0	0
2013	\$43	403
2014	\$530	1,363
2015	\$87	877
2016	\$557	3,993
2017	\$475	1,321

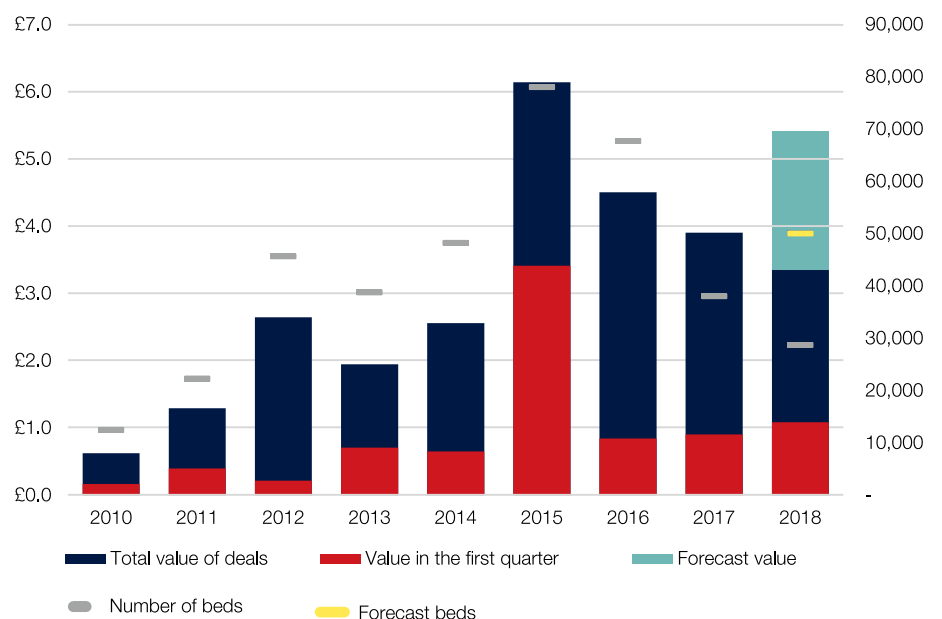
Source: Savills

UK Transactions

Analysis of recent transactional activity within the UK demonstrates how the Australian transaction market is still at an early stage, both in terms of the volume of stock that has been traded, analysed in terms of the number of beds and the total value of transactions.

There is a substantial amount of trading in the UK forecast for the fourth quarter of 2018, indicating that transaction volumes could total close to £5.4billion for the year.

Chart 5: UK Transaction Volumes



Source: Savills World Research

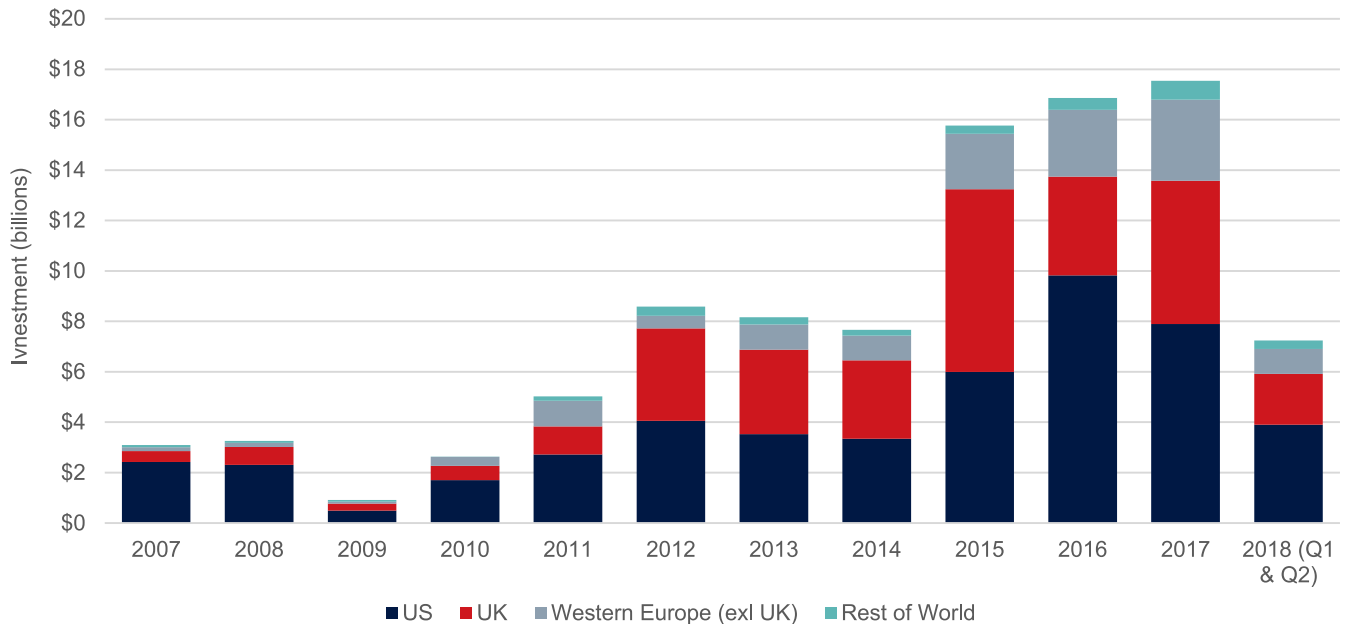
Global Transactions

2017 saw the highest level of investment in the student accommodation sector in the past 10 years, with circa USD \$17.5 billion invested.

The US market achieved record levels of USD \$9.8 billion in 2016, over 60% increase from the record of the previous year at \$6 billion. The UK had a slower year in 2016 after record sales in 2015, but then had a stronger year in 2017. Western Europe also continued to break records in 2017, with circa \$3.2 billion of transactions.

Sales activity in the first half of 2018 has been somewhat more subdued, with a total of USD \$7.2 billion of transactions.

Chart 6: Global transactions (deals greater than \$7.5m)



Source: Savills World Research using RCA










Urbanest Swanston Street, Carlton

Yields

Current Indicative International Yields

This table provides an indication of Net Initial Yields for prime student accommodation investments across several countries with emerging and established markets, as at September 2018.

		Typical prime initial yield
Australia		6.75%
Germany		3.80%
Spain		5.25%
USA		5.91%
Netherlands		4.75%
France		4.25%
UK		4.30%

Source: Savills World Research

Australia

Net Initial Yields in Australia have remained relatively static throughout the past 12 months, primarily due to the limited amount of transactional evidence.

There is strong sentiment to suggest that yields are contracting, given the weight of capital that has entered the market and also the spread of current yields to the 10-year bond rate, compared to more mature transaction markets.

This table indicates the current net initial yields for Australia in 2018.

	2017 Yields	Direct-Let
Sydney	Prime	5.75% - 6.25%
	Secondary	6.50% - 7.00%
Melbourne	Prime	6.25% - 6.75%
	Secondary	7.00% - 7.75%
Brisbane	Prime	7.25% - 7.75%
	Secondary	8.00% - 8.50%
Adelaide / Perth	Prime	7.50% - 8.25%
	Secondary	8.50% - 9.00%
Other Metropolitan Areas	Prime	7.50% - 8.25%
	Secondary	8.50% - 9.00%

Source: Savills



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STUDENT LIVING

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Journal Student Living, Uni Place, Carlton

44 Where To Invest Next?

The following chart provides a comparative analysis across a number of major university cities in Australia, the UK and Europe focusing on headline rents for self-contained studios and the existing supply of PBSA.

Four out of five of Australia's main capital cities are currently placed in the "lower supply, higher rents" quadrant, which indicates that they rank towards the top preferred locations for future PBSA delivery. It is important to note that this analysis does not factor in relative development costs, which would give a comparative measurement of financial feasibility.



Source: Savills World Research using Student Marketing, Savills Australia Student Accommodation Database, uCube 2016.

* Florence, Rome and Warsaw rents are for single en suite rooms *Exchange rate as at 24 October 2018

Co-Living Diversification

Can PBSA and Co-Living Co-Exist?

As the supply of new PBSA is accelerating in many of Australia's major capital cities, the increasing influence of Gen Y's demand for higher quality rental accommodation is creating opportunities for developers to provide hybrid co-living developments.

Co-living, Build to Rent (BTR) or multi-family accommodation, which are established institutional investment classes in the US and more recently the UK, are now gaining momentum in Australia as an emerging asset class. The recently completed UKO Stanmore is an example of a communal accommodation option available in Sydney, which has been delivered under the new generation boarding house planning designation.

Future government policy will be pivotal in attracting ongoing investment that will deliver sustainable long-term returns. Australian lawmakers should be mindful of passing legislation that may reduce the attractiveness of investments, or this country may run the risk of becoming less attractive to millennials and Gen Zs looking to study, live and work here.

The student accommodation sector, while targeting an alternative market, is not dissimilar to the co-living model and offers synergies that may allow future mixed co-living developments incorporating the student and non-student market.

The type of communal facilities designed, apartment mix and floor layouts will play pivotal roles in the success of these developments, ensuring there is a degree of separation between students and non-student residents, but ultimately offering a similar experience. A mixed co-living environment must maintain the present level of security and safety of the student body, provide segregated accommodation, and ensure the high level of resident experience is maintained, assuring partner institutions their students are not affected. Students would remain the core business of any site.

The successful design and operation of a mixed co-living development could provide many benefits to student accommodation providers and their investors, predominantly diversifying risk by increasing market pool and increasing length of lease terms. Incorporation of additional publicly available facilities such as cafes, bars, work spaces and convenience stores could complement current designs, creating an increasingly diversified community, while under the control of an experienced student accommodation operator.

Building design and security, while integral, are not the only considerations. A student accommodation provider would need to be cognisant of the added operational and legislative requirements to successfully manage a mixed-use development.

The propensity for flexible workspaces is increasing year on year, as can be seen by the emergence of companies such as WeWork. The Collective in the UK is also a good example of the increasing need for co-living communities, providing the same facilities as PBSA but targeting the non-student market. The Collective also provides flexible workspaces in separate locations. The synergies between PBSA and co-living communities are numerous, both offering all-inclusive rents, 24/7 staffing, communal spaces, event programs, high speed WIFI, and cleaning services. The hybrid addition of flexible working spaces into future PBSA developments along the lines of WeWork and The Collective would further enable the diversification of the PBSA market in Australia, providing a working, living, collaborative community, attracting current young professionals alongside future young professionals.

The combination of PBSA and co-living communities could act as a segue for investors into the wider institutional residential investment markets prior to any potential changes to government policy, such as taxation concessions. Furthermore, the student accommodation arena is becoming increasingly competitive and price sensitive. The need to offer flexible contracts has increased occupancy risk and provided students with more choice. A mixed co-living model, diversifying the risk, will stabilise the student accommodation industry in Australia, further enticing investment into the sector.

PBSA and Co-Living can co-exist and can complement each other - but design needs to be well planned, ensuring safety, community and inclusion, and ultimately creating a place to succeed.



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