

Spotlight on Development



Solid growth in international and mobile domestic students fuels development

The Australian student accommodation sector is powering through a rapid development phase. A chapter in its evolution not so dissimilar to other emerging asset classes across global markets, such as build-to-rent in the UK or data centres across Southeast Asia. The expansion of the student accommodation sector is playing catch-up in order to support demographic changes and the continued inflation, and growing mobility of, international and domestic students.

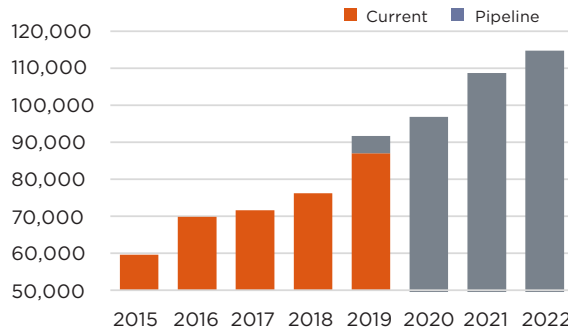
By the start of the first semester of 2019, there were 87,052 operational PBSA beds varying by quality, price, location and amenity across the eight Australian Greater Capital Cities. Since the 2018 Savills market report 10,850 new PBSA beds have entered the market. Our projections show there could be 114,755 operational beds by the end of 2022, a 32% uplift to today's number. Peak delivery will be 2021 when an estimated 11,800 beds will enter the market, 57% to be completed across Melbourne.

Strong development rates reflect expanding enrolments and a desire by global funds to place capital in a seemingly undersupplied, low-risk emerging asset class. Compound annual growth in full time students across Australia's Greater Capital Cities recorded 4.3% over the past five years, and 4.5% over the 10 year period.

International student growth has been even stronger, recording a compound annual growth rate of 7.1% since 2012, and 5.7% over 10 years. Between 2012 and 2017, Australia's full time international student presence grew by 41%. With Melbourne and Sydney the premier destinations for international students, growth has been significant across these two Capital Cities recording an annual increase of 8.7% (Melbourne) and 11.3% (Sydney) over the past five years.

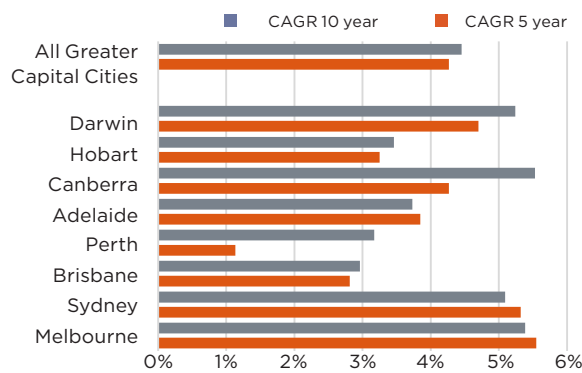
The focus of new investment into the sector has been centred around Group of Eight (Go8) Universities. They account for five of the top six universities by overseas intake, and around 40% of all overseas enrolments, up from 30% ten years ago. Across the Go8 grouping overseas enrolments have grown 64% since 2012, compared with total overseas enrolment growth of 32% over the equivalent period, highlighting the attractiveness of Australia's leading Universities to international students.

Figure 1: Australia PBSA Supply (beds)



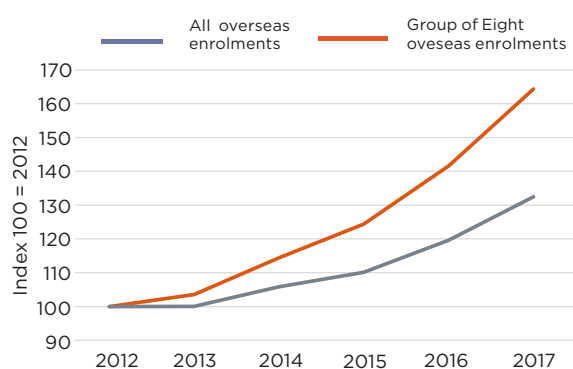
Source: Savills

Figure 2: Growth in Full Time Students



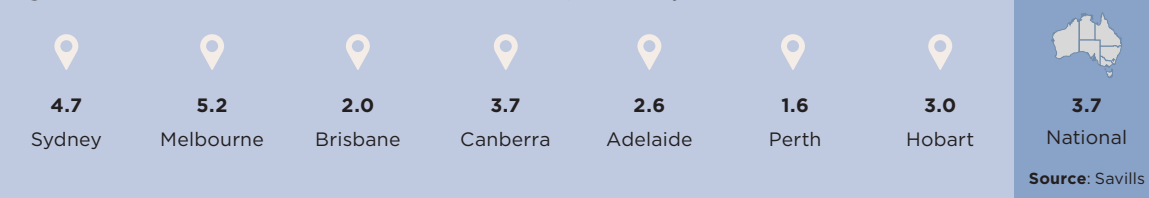
Source: Savills, Department of Education & Training

Figure 3: Overseas Enrolment at Go8 Universities



Source: Savills, Department of Education & Training

Figure 4: International Student to All PBSA Bed Ratio, 2022 Projections



Source: Savills

- 10,850 new PBSA beds entered the market in time for the 2019 academic year, taking the national stock count to 87,052



- Driving development is the continued growth in international students, increasing by 94,630 over the past five years

- The 121,500 mobile inter and intra-state domestic students are now more of a dominant feature of the Australian student landscape, moving away from home for opportunity and lifestyle



- Savills are tracking a further 28,000 beds with the potential to be delivered by the end of 2022, 46% of future pipeline is throughout Melbourne

- Future pipeline has shifted towards more affordable product, 40% are shared cluster apartments, 6% twin studios and 11% dormitory rooms



- By 2022, the full-time international student to all bed ratio is projected to measure 3.75, significantly higher than more mature global markets such as the UK

The student accommodation pipeline has decreased from close to 35,000 beds in 2018 to around 28,000 in 2019. The reduction in the future supply pipeline reflects an intense concentration on construction activity over the past eighteen months with schemes coming online, and shifting local market demand dynamics. All cities show a shrinking pipeline from 2018 figures. Access to well-located sites across the core cities is contributing to the slowdown in pipeline.

Melbourne remains the city with the greatest pipeline, totalling 13,065 beds, Brisbane follows with 5,279 (down from 10,682 in 2017) and Sydney at 3,617. If all stock were to be delivered to the Melbourne market over the next four years the projected Higher Education full-time international student to all bed ratio would fall to 5.2, from a 2019 estimate of 6.4. This figure excludes domestic inter or intra-state students who inherently also require accommodation. In comparison with more mature global student accommodation markets this extraordinary low projected 2022 provision rate would still be more acute than Sydney (4.7).

Domestic students becoming more mobile

Over 121,500 full-time domestic students lived away from home in 2017.

The analysis dispels the myth that Australian students stay at home during their university life, with the number of domestic students residing out of home up by 24,200 students in the past five years, growth of 25%. Mobile domestic students now account for 17% of all domestic students, up from 15% in 2012.

Intra-state domestic students (living at a different address during term time, but still within their home state) make up the majority of Australia's mobile domestic students (88,997), demonstrating a five year CAGR of 3.9%. Interstate domestic students (living within a different state to their home address during term time) total 32,565, revealing a five year CAGR of 6.5%.

The growth in mobile domestic students adds an additional dimension to the demand profile of Australian PBSA.



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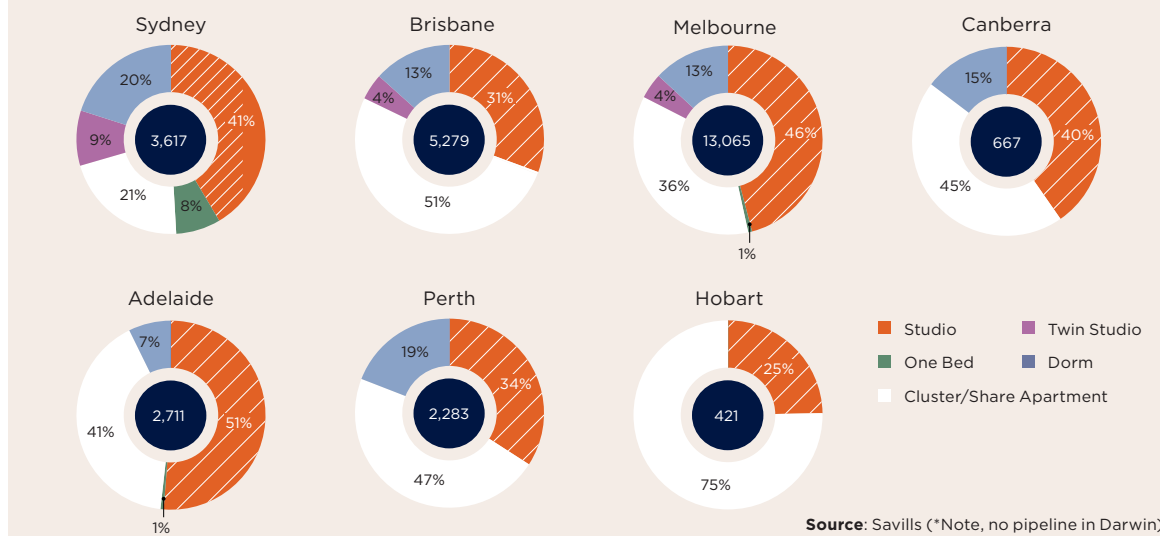
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Figure 5. Breakdown of Future PBSA Development Pipeline



OUTLOOK

GROWTH CITIES: State Governments have recognised the value international students bring to both the community and economy. The national economic impact of international education reached \$35bn in 2018 increasing by 13% on an annualised basis since 2008.

Western Australia is the latest state to release an action plan to increase

their share of international students and associated economic benefits. StudyPerth's aspiration is to increase the number of international students in Perth to 100,000 in the next six years.

MID-MARKET OPPORTUNITY: The most recent development wave has focused on the premium and upper end of the PBSA market, a result of

development viability and demand. Whilst maintaining quality and associated amenity space the future pipeline will deliver more affordable, middle tier product types.

HYBRID LIVING OPTIONS: The co-living model mixes students with other occupiers in flexible, secure, safe and adaptable living components. This broadens the demand pool

as well as supporting a diversified tenancy mix and a wider range of services and amenities.

We anticipate further hybridisation of student and co-living residential asset classes as the build-to-rent sector emerges.

