Will Australia’s First Mover Advantage be the Catalyst for Reoccupation?

After 10 years of sustained development and growth the Australian student accommodation market had begun to reach a point of early maturity. Liquidity had begun to flow, new generation PBSA was opening and global investors were circling, 2020 was exploding with optimism throughout the student accommodation sector and across its various affiliates.

Prior to Semester 1, PBSA operators were reporting near record occupancies for the 2020 academic year, following continued levels of excessive enrolment growth, sequentially generating expansion opportunities for city based and regional universities. The value to the economy of the international education sector had also hit a staggering $40.3 billion as at Q419, up 14% YoY, offering hope to a lagging national economy.

Flattening the Curve
Like most real estate sectors the arrival of COVID-19 has had an impact on occupier demand, as travel restrictions disrupt the movement of international students. The early and effective shutdown of Australia’s borders in mid to late March, and the repatriation of citizens back to home countries triggered a decline in physical occupancy across most student accommodation facilities, irrespective of city, with operators reporting falls of between 20 to 50%. This corresponds with ABS data reporting a 25% decline in international student arrivals in the three months to the end of March, compared to the same period in 2019.

The impact of COVID-19 is already showing up on the Q120 release of the value of the international education sector data, as shown by the immediate flattening of the curve. After the smallest three monthly growth rate for 28 quarters, the sector, as of Q120 was worth $30.4 billion on a rolling annual basis.

In line with most current economic forecasts, and following the fallout in international student arrivals, just 30 arrived on a temporary student visa in April 2020, down 99.9% on the previous period in 2019.

First mover advantage will be key to the recovery, and for the resilience of the sector over the short to medium term. International education agents are watching to see which countries relax travel restrictions first, before they restart recommending study opportunities in global destinations.

Global student search behaviour formulated by StudyPortals is also beginning to show the preference for, and recovery of, on-campus learning, having dipped initially post the spread of COVID-19. With competitor nations facing their own pandemics, and struggles relating to the Higher Education sector, Australia will be in a position to benefit from the strict, yet early, control of COVID-19.

Global On Campus Search Volume Recovering and Remaining Steady, 2020 vs 2019

Source: StudyPortals Covid-19 Dashboard
Lower Demand Risk Profile

The student accommodation sector’s ability to outperform other asset classes has been demonstrated during recent economic downturns. Although no data for Australia, as the country continues, for now, to skid above the recession surface having had 28 years of uninterrupted economic growth, student accommodation has proven to be resilient and less cyclical in performance in competitor markets.

Student enrolments (occupier demand), both domestic and internationally mobile, generally rise in extreme economic situations, as people look to up-skill or retrain to remain competitive in a shrinking labour market, or even delay entering the labour market.

Proving this advanced learning theory, additional search behaviour data from StudyPortals is already indicating an increase in interest for further education courses such as PHD and Masters, outdistancing interest in Bachelor degree level courses.

Higher Education Enrolment and Economic Performance, US and UK

International Student Search Volume – 2020 vs 2019

New Drivers of Demand

While disposable incomes and nest eggs will have shrunk for many families around the world, the desire for 18 to 20 somethings to travel will not have diminished. Having been cooped up in isolation for many months of 2020, with little to do but scroll their fantastical Instagram and TikTok feeds, escapism will thrive and the benefits of University abroad, in sunny climes, and where health systems are first class will intensify. Australian Education providers and recruitment teams will pounce on the benefits that Australia can provide once international borders are relaxed.

In the short term, an escalation in Australian students exploring courses at domestic universities, at the expense of courses overseas is already showing in the same online search behaviour data. Since the pandemic hit, Australians searching for domestic courses is up 34% on a five weekly average compared to the same period during April and May 2019. A growing domestic cohort, coupled with the reopening of internal State borders and the freedom of internal movement could see a possible short term shift in PBSA bed demand towards domestic students, providing a timely boost to the sector.

Flight to Quality

Australia has always been a solid and secure investment location, however Australia’s preparedness and crisis management of COVID-19 has propelled the nation’s popularity as an investment choice. Alongside further depreciation of the Australian Dollar to 18 year lows, internationally recognised and high ranking universities, relative student accommodation undersupply and strong demand drivers, long-term investment fundamentals underpinning the Australian student accommodation sector remain strong. This was reinforced by the recent completion of the Urbanest Portfolio to Scape for a price in excess of AUD$2.1 billion, reflecting a new low in terms of Net Initial Yields for the sector and setting a new high for investment volumes into Australian student accommodation.