

Optimism And Opportunity Abounds Amidst The Pandemic



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.

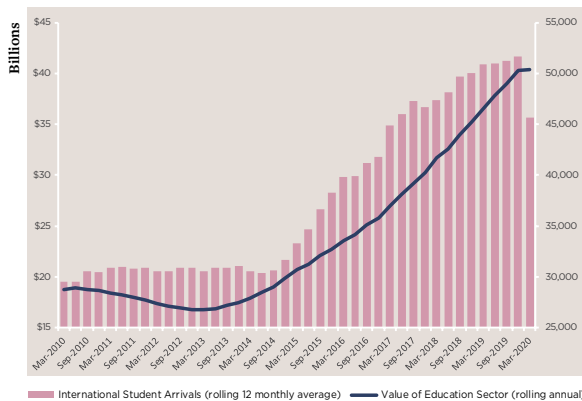
Flattening the Curve

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 in 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 \$40.4 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 April 2019, Savills projects that total international education

Flattening of the Economic Curve



Source: ABS

sector income will decline sharply. With the March quarter historically the largest quarter in revenue terms, by Q320 we expect the data to show negative annual growth for the first time since 2013.

Pathway to Reoccupation

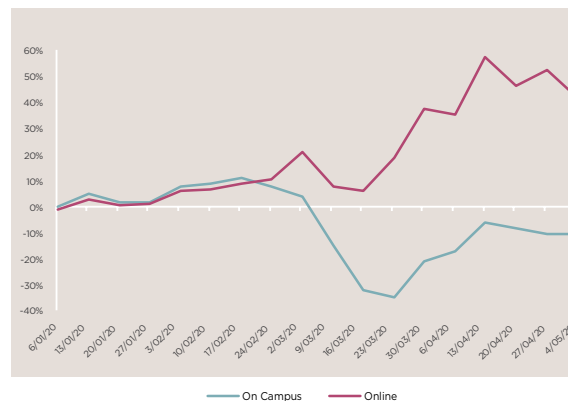
With Prime Minister Scott Morrison seeking to kick start the economy, and protecting its foundation industries, Australia is showcasing its proactiveness in engaging a plan for the swift return of international students.

Within the 8th May announcement, of the three-step pathway to reopening the nation, Federal Government unwrapped the possibility of chartered flights being allowed to enter Australia to facilitate international students returning to studies on-shore in Semester 2, or by the start of 2021 academic year at the latest. How that is done and how those costs are met are still to be worked through, however, strict quarantine rules would need to be observed, thus presenting opportunities for PBSA providers to effectively manage this quarantine period, and recharge occupancy. New Zealand has also acknowledged the importance of international students, and could become exempt from international travel restrictions if they can be quarantined safely.

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



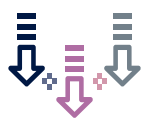
INTERNATIONAL EDUCATION WAS WORTH \$40.4 BILLION ANNUALLY TO THE AUSTRALIAN ECONOMY, AS AT MARCH 2020



FEDERAL GOVERNMENT HAS ANNOUNCED THAT UNIVERSITIES CAN "INCREASE FACE-TO-FACE LEARNING WHERE POSSIBLE" AND "PRIORITISE HANDS-ON, SKILLS-BASED LEARNING". STUDENTS ARE PERMITTED TO GATHER IN GROUPS OF 10 IN THE FIRST PHASE, RISING TO 20 IN STAGE 2 AND 100 IN STAGE 3 (TENTATIVELY JULY).



SEARCH BEHAVIOUR DATA FROM STUDYPORTALS HAS INDICATED THAT AUSTRALIAN STUDENTS ARE LOOKING AT AUSTRALIA AS A STUDY DESTINATION MORE SO NOW, THAN THIS TIME IN 2019, AND SIGNIFICANTLY MORE SINCE THE GLOBAL COVID-19 PANDEMIC WAS ANNOUNCED.



A RECENT SURVEY BY MARKETING ANALYSTS IDP CONNECT FOUND THAT INTERNATIONALLY MOBILE STUDENTS RATED THE LOW RISK OF INFECTION IN AUSTRALIA AHEAD OF THE MORE GENEROUS WELFARE ARRANGEMENTS AVAILABLE ELSEWHERE.

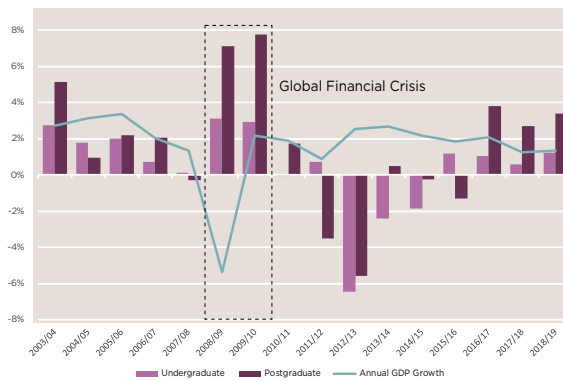
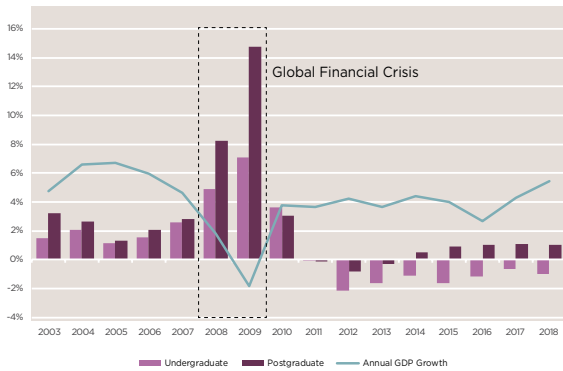
Lower Demand Risk Profile

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.

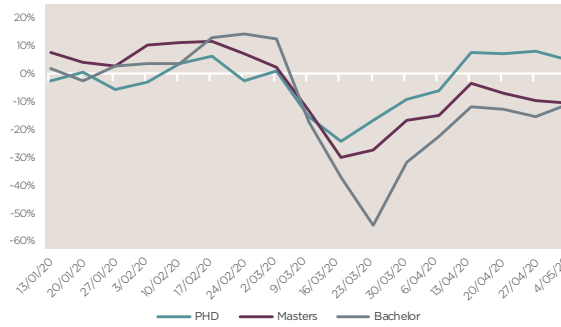
Proving this advanced learning theory, additional search behaviour data from StudyPortals is already indicating an increase in interest for further education courses such as PHD and Masters, outdistancing interest in Bachelor degree level courses.

Higher Education Enrolment and Economic Performance, US and UK



Source: Savills, HESA, U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Oxford Economics

International Student Search Volume – 2020 vs 2019



Source: StudyPortals Covid-19 Dashboard

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.

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PBSA Investment Volumes (AUD\$)

Source: Savills

