

Spotlight on Investability



Australia recognised as the most investable student accommodation market globally

Investment into the Australian student accommodation market has reached record levels in 2019, highlighting a significant shift in maturity and momentum for the sector. Opportunities to acquire national portfolios, significant capital raises and on-campus activity has further pushed the asset class into the mainstream spotlight.

Reflecting this sentiment, the newly released *Savills 2019 Global Living Report* ranks the main global student accommodation markets according to their attractiveness to investors. Australia tops the inaugural index.

The report looks at a range of factors including demographics, migration, affordability, local legislation, delivery of accommodation, University rankings and student numbers, weighting each factor according to its importance.

Many developed countries are experiencing a fall in their student aged population. Australia ranks first as a market forecast to see strong growth in its student age population. The young, Millennials and Generation Z, are shaping demand for real estate's fastest growing asset classes, including purpose built student accommodation. While much of the developed world ages, Australia's most urbanised cities are forecast to remain youthful, underpinning demand for student accommodation.

Savills 2019 Global Living Report identifies six Australian capital cities which feature within the top 100 cities around the world which in ten years' time will be the most 'youthful' (the largest share of people aged 15-39). Forecast youthfulness is shaping investment into Australia's student accommodation sector, with demographic change shifting the profile of the student accommodation investor (figure 1).

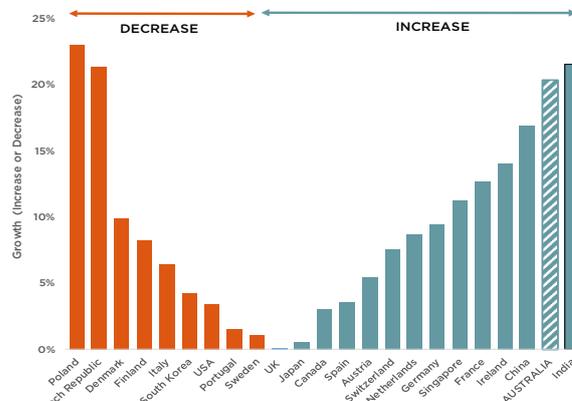
Improving Higher Education standards across the globe is broadening choice and making competition for international students greater than ever. Although University tuition fees are a drag on Australia's ranking, its institutions have a strong international standing and remain a top destination for foreign students. The US and the UK still remain by far the top two countries globally for universities within the top 400, with 75 and 45 respectively in 2020, followed by Germany (23) and Australia (22). But, both the US and UK have seen a decline in the number of institutions within the top 400 since 2010. Australia's post-study work visa provides a huge incentive for many people to consider studying in Australia.

Between 2012 and 2017 the total number of students in Higher Education has increased by 11% to exceed 220 million. While favourable demographic shifts have driven growth in some markets, many nations are grappling with slowing growth or a declining student age population. In order to counteract this, a number of countries are actively increasing their appeal to international students.

Over the past five years, and only second to India, the number of students studying in Australia has grown substantially (figure 2). By contrast many major student markets, including the UK and US, have seen the size of their university-aged populations decline over the same period.

Australia has benefited greatly from its geographic proximity to major Asian source markets such as China, India, Vietnam and Malaysia. The number of international students enrolled in Higher Education in Australia now accounts for around a third of total students.

Figure 2. Higher Education Across Countries



Source: Savills Global Living Report 2019 using national Higher Education statistics (2018/19 enrollment or latest available)

The US remains the largest market for international students, host to one million international students (but only 5% by share of total students). The UK is the second largest market for international students by number with 460,000, closely followed by Australia, host to 430,000. Together, these three countries account for a third of all globally mobile students, according to UNESCO.



ECONOMY: \$37.7 BILLION
Value of the education sector as a service export up 16% YoY (June 2019) reinforcing the economic importance of the sector.



POLICY: NEW REGIONAL VISA NOVEMBER 2019
A measure to attract overseas students to the regions with the incentive of an additional year in Australia on a post-study work visa.



INVESTMENT: 3,510 BEDS, C\$700 MILLION
Scape selected as the buyer of Atira Student Housing from Goldman Sachs and Blue Sky, a portfolio of six operating assets and three development sites.



DEVELOPMENT: 20,600 BEDS
Savills are tracking 20,600 beds with the potential to be delivered by the end of 2022 across the Capital Cities - 42% throughout Melbourne.

Figure 1. Total Percentage of Youthfulness (15-39) in Australian cities by 2029



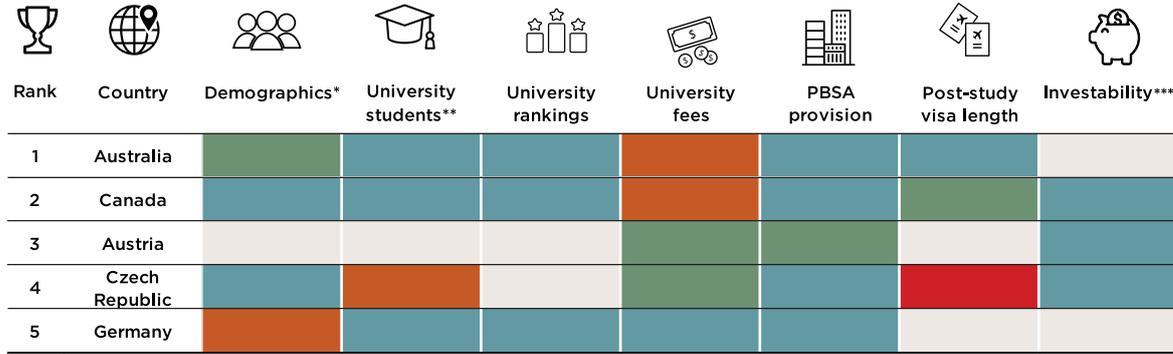
Source: Savills Global Living Report 2019, Oxford Economics



Having addressed the above mentioned factors, low levels of PBSA provision, transparency around investment, and political, social and economic stability pushes Australia to the top of the investability ranking (figure 3). Canada, a market with similar characteristics to Australia, ranks second.

Until early 2019, a lack of available operational assets to purchase has held the sector back from an investment, liquidity and access perspective. However, with over 24,240 student accommodation beds completed since January 2017 and a further 4,170 expected to be completed by the end of 2020, we expect transaction volumes to continue tracking upward.

Figure 3. Student Housing Investability Index



*forecast growth in university aged population, **domestic and international students, ***ease of investor access

KEY: ■ ■ ■ ■
Low Score.....High Score

Source: Savills Global Living Report 2019

Beyond the Curriculum, Universities are Investing in Campus Infrastructure to Boost Competitiveness

2019 has seen the re-emergence of regional universities publicising investment and development strategies

League table position, funding pressures and recruitment success of students catalysts for activity

Disruptive change and technological innovation is prompting universities into developing and announcing campus infrastructure projects. From high-tech research facilities to cafés, shops, entertainment and student accommodation, universities are reimagining and expanding their campuses to align with current lifestyles, urban environments and demographic changes.

Since the start of 2019 we have seen an unparalleled level of innovative development and investment proposals as universities throughout Australia embark on collaborative and dynamic campus renewal programs. These masterplan proposals are aligned with both the public and private sector.

Ever increasing competition across the Higher Education sector has prompted universities such as Curtin, Flinders, Newcastle, La Trobe, Swinburne, Western Sydney and Charles Darwin, to announce plans to create new innovation precincts and redevelop campuses into amenity-rich environments. These regenerative improvements are aimed at enhancing the experience for students, staff and local community and expand the status of universities both domestically and internationally.

OCCUPIERS: GEN Z ARE THE NEW KIDS ON THE BLOCK

‘Generation Z’, defined broadly as those born between 1995 and 2010. They are now the major occupier of student accommodation and are true digital natives, hyper-connected and unforgiving of poorly designed online services.

This generation was the first to be exposed to the internet from a very young age, including social networks and smartphones. For living, app-based or seamless online services when renting and dealing with property management will be important for engaging this cohort.

Understanding what makes this generation unique will be important for investors, developers and operators of student accommodation.



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