

market report 2017

savills

Australian
Student
Accommodation

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*Front cover image:
The University of Sydney
Queen Mary Building, Sydney

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Introduction

We are pleased to present the 2017 Savills Australian Student Accommodation Market Update. This paper provides an overview of the key drivers and market activity in this emerging asset class over the last 12 months.



Australia's eight capital cities have an existing supply of PBSA of less than 11% (except Canberra)



Key focus for the major developers has been the continued acquisition of sites and delivery of new PBSA. Universities have also been active in expanding their PBSA provision



International student growth continuing, with an increase of 11% from 2015 to 2016

Key Capital Cities

There are 71,645 beds of Purpose Built Student Accommodation (PBSA) in the eight Australian capital cities. The existing supply in each city is less than 11% of the full-time student population with the exception of Canberra (28%).

Over the first three quarters of 2017, consistent with market activity throughout 2016, 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 5,435 beds (2.6% full-time students) expected to be delivered over the next four years, of which circa 30% is proposed by universities.

Melbourne has the largest development pipeline of 16,294 beds (5.8% full-time students), which is quite a significant increase compared to 12 months ago. However, the Melbourne market is underpinned by a strong demand for accommodation, with a significant amount coming from Melbourne's Universities. The Universities are also active in developing their own accommodation, and activity from the Universities is at a relatively high level (27% of the proposed pipeline).

The pipeline of new PBSA projects in Brisbane has slowed somewhat in the last 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 10,682 beds (7.5% 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 timeframes.

A number of new PBSA projects have entered the development pipeline in Adelaide. Perth is also a market that has witnessed a new wave of development, with a number of direct-let projects being promoted in the last 12 months.

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. Australia is now firmly entrenched as the third most popular destination for international students studying abroad globally.

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 11% from 2015 to 2016. China (28%), India (11%), Republic of Korea (4%), Thailand (4%) and Vietnam (4%) are the top five countries of origin for international students studying in Australia.

In 2016, the strongest growth in international student numbers in Australia came from Brazil (20%), Malaysia (18%), Nepal (16%), China (15.7%), Hong Kong (10%) and Colombia (22%).

Market Activity

Australia's universities continue to be significant participants within the market. In Sydney, the University of Sydney, UNSW and Macquarie University are currently active in improving/extending existing residential portfolios. The University of Melbourne has been active with a number of projects in the last 12 months, as have Deakin and Monash Universities. In Brisbane, the University of Queensland and QUT have also considered new projects.

There were only two institutional off-campus transactions in Australia in the first three quarters of 2017, however this overall activity is generally consistent with transaction volumes over the last five years. The limited number of transactions is in stark contrast to the more mature markets in the United States and the United Kingdom, both of which have been at near record volumes.



In Summary

This 2017 paper focuses on the development activity occurring across Australia's main capital cities. We provide insight into the projected timing for delivery of this accommodation, together with research and analysis into the accommodation mixes that are being delivered. 2018 and 2019 will be critical years in terms of the delivery of PBSA, market participants and observers will have a strong focus on the uptake and stabilisation of occupancy and revenues for new accommodation.

There continues to be a number of opportunities for new entrants into the student accommodation market, including the provision of independent third party management, together with delivery of affordable PBSA offerings in many of the major metropolitan markets.

University of Tasmania Hobart Apartments, Hobart



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 2.7% from 2014 to 2015, an increase of 36,903 students. International student numbers increased by just less than 4.5% in 2015. All of this growth is attributed to full-time international students which increased by almost 5.5%. Part-time international student numbers fell by 0.8% in 2015. Table 1 details the breakdown between the domestic and international student cohorts.

Table 1: Total Student Enrolment Numbers in Australia, 2015

Study Mode	Full-time Student Enrolments	Part-time Student Enrolments	Total Student Enrolments
Domestic	691,669	355,013	1,046,682
International	308,704	54,747	363,451
Total	1,000,373	409,760	1,410,133
% Change from 2014	2.9%	2.2%	2.7%

Source: Australian Government Department of Education and Training (uCube) which is based on the student and staff data collections (2015).

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 4.4% compared to 2014. Of all the states, Tasmania saw the largest increase of 9.9% growth in 2015 with multi-state higher education providers increasing by 6.7% as detailed in Table 2.

Table 2: Student Enrolment Numbers by State and Territory, 2015

Student Type / State	New South Wales	Victoria	QLD	Western Australia	South Australia	Tasmania	Northern Territory	ACT	Multi-State	Total
Domestic	330,419	250,857	191,000	103,824	73,530	26,874	9,491	29,247	31,440	1,046,682
International	100,039	130,133	51,814	36,628	23,139	5,395	2,447	10,413	3,443	363,451
Total	430,458	380,990	242,814	140,452	96,669	32,269	11,938	39,660	34,883	1,410,133
% Change from 2014	2.3%	4.4%	1.6%	-1.2%	4.0%	9.9%	3.0%	0.5%	6.7%	2.7%

Source: Australian Government Department of Education and Training (uCube) which is based on the student and staff data collections (2015).

There were 712,884 enrolments generated by 554,179 international students studying on a student visa in Australia in 2016. This represents an 11.3% increase over 2015 figures (498,155 student visas). The top five nationalities are China, India, Republic of Korea, Thailand and Vietnam.











Table 3: International Student Enrolments in Australia, 2016

Education Sector	2016 Student Numbers	2015 Student Numbers	Growth from 2015 to 2016
Higher Education	306,691	271,718	12.9%
VET	187,801	168,286	11.6%
Schools	23,325	20,534	13.6%
ELICOS	151,110	144,932	4.3%
Non-Award	43,957	37,479	17.3%
Total	712,884	642,949	10.9%

Source: Australian Government Department of Education Research – “End of Year Summary of International Student Enrolment Data – Australia – 2016”, 12 December 2016.

The number of international students enrolled in Higher Education courses and utilising study visas in Australia has grown by 12.9% from 2015 to 2016, a marginally higher increase than the year previous.











Table 4: International Student Enrolments in Australia in 2016

Top 10 Nationalities		Number of Students 2016	Proportion
	China	196,315	27.5%
	India	78,424	11.0%
	Republic of Korea	30,595	4.3%
	Thailand	30,451	4.3%
	Vietnam	29,766	4.2%
	Brazil	29,440	4.1%
	Malaysia	28,504	4.0%
	Nepal	22,812	3.2%
	Indonesia	19,731	2.8%
	Hong Kong	17,586	2.5%
	Other Nationalities	229,260	32.2%
Total		712,884	

* 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 Data – Australia – 2016”, 12 December 2016; Australian Government Department of Education and Training – International Student Enrolment Data 2016, Extracted: January 2017.

China is the largest international student country of origin which contributed 27.5% of the total number of international students in Australia in 2016. The country with the highest percentage of growth is Colombia with growth rate of 22.4% from 2015 to 2016.

Table 5: International Student Enrolments in Australia Growth between 2015 and 2016

Current Position	Top 10 Nationalities		Number of Students 2015	Number of Students 2016	Growth 2015-2016	Position 2015
1		China	169,687	196,315	15.7%	1
2		India	71,992	78,424	8.9%	2
3		Republic of Korea	28,610	30,595	6.9%	4
4		Thailand	27,765	30,451	9.7%	7
5		Vietnam	29,362	29,766	1.4%	3
6		Brazil	24,610	29,440	19.6%	6
7		Malaysia	24,115	28,504	18.2%	5
8		Nepal	19,678	22,812	15.9%	8
9		Indonesia	19,264	19,731	2.4%	9
10		Hong Kong	15,941	17,586	10.3%	10
	Other Nationalities		211,925	229,260	8.2%	
Total			642,949	712,884	10.9%	

* 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 Data – Australia – 2016”, 12 December 2016; Australian Government Department of Education and Training – International Student Enrolment Data 2016, Extracted: January 2017.





urbanest Darling Square, Sydney

Market Focus Sydney

The total development pipeline in Sydney has increased from 3,665 beds in 2016 to 5,435 beds in 2017.

Sydney is the most attractive Australian market for investment into the student accommodation sector. The significant supply and demand imbalance, world class universities and status as a global city are contributing factors.

However, there are significant barriers to entry. The value of land associated with competing land uses, primarily residential in CBD fringe locations, continues to be an issue for private sector developers. This has led to developers seeking locations outside of the CBD, primarily around transport hubs.

The University of Sydney continues to be a significant participant within the Sydney market, with several new developments proposed.

The most significant PBSA completed this year has been Urbanest delivering the first stage of their accommodation within the Darling Square precinct comprising 634 beds. Their second stage of that project comprising 664 beds is programmed for completion during 2018. This will be the first off-campus fully catered accommodation available to the market.

Analysis of the development pipeline by room type indicates that approximately 30% 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 approximately 34% of the pipeline in dormitory style rooms which is primarily influenced by the University developments.

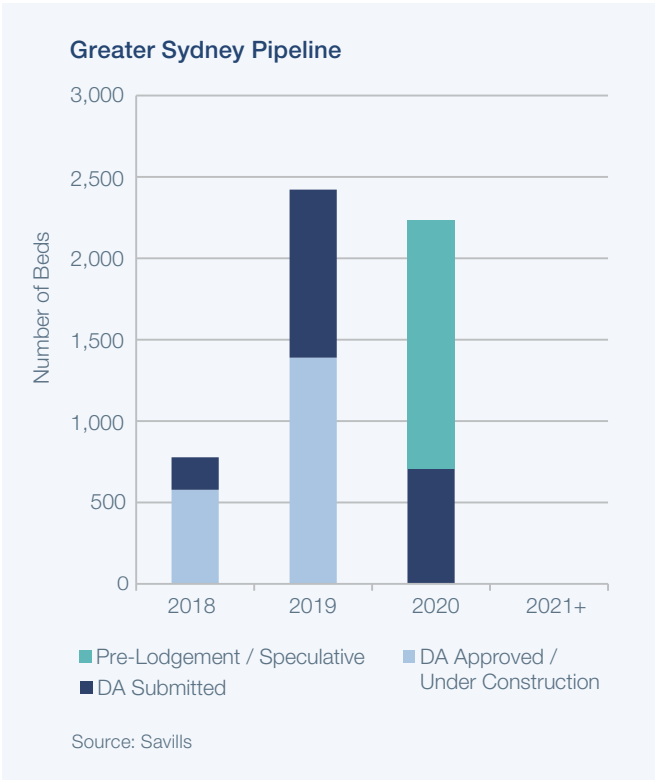
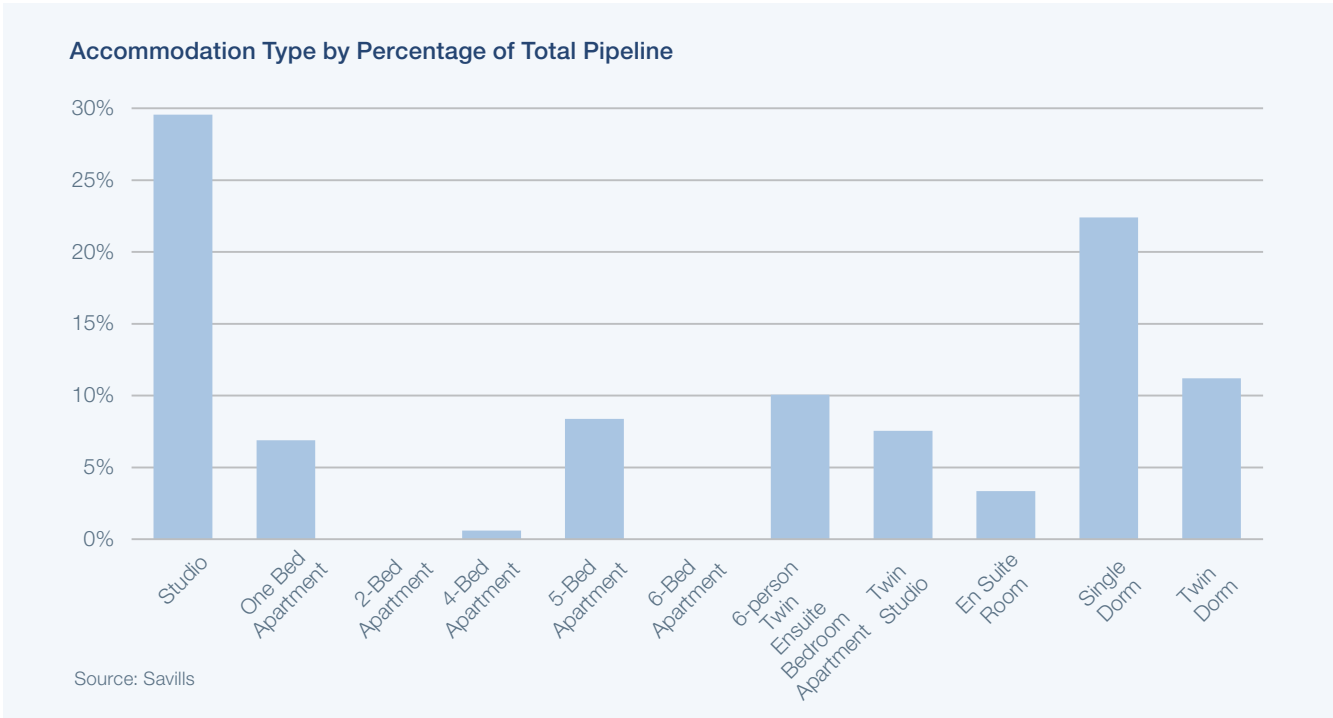


The affordability of student rents influencing the financial viability of delivering new accommodation will continue to be a critical issue for the Sydney market throughout the next 12 months. Delivering new student accommodation within mixed use developments, such as Central Park and Darling Harbour will, in our opinion, be the main source of new opportunities in Central Sydney.



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



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

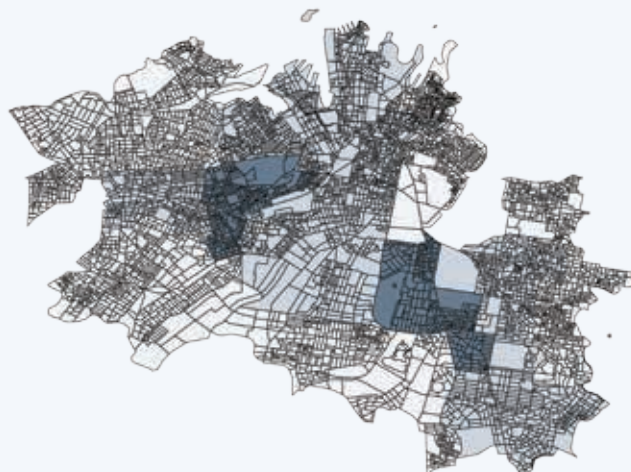
Where Students Live – Census Analysis

Analysis of the 2016 Census data indicates that the highest density of students living in Sydney are surrounding the UNSW Campus in Kensington. The second most popular area for students is the fringe of the CBD (particularly to the south and west). There is then a higher density of students following a ribbon out of the CBD along Anzac Parade and Parramatta Road. Looking back at the 2011 and 2006 Census data it can be seen that there is a trend of consolidation and intensification of students towards the CBD and UNSW.

2006



2011



2016



Legend

Percentage of student residents versus total residents.

- <10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%

Source: Savills, Census



The University of Melbourne Bouverie Street, Melbourne

Market Focus Melbourne

The pipeline for delivery of new student accommodation in Melbourne has increased quite significantly in the last 12 months. Our 2016 research indicated a total pipeline of 9,651 beds, which has increased to 16,294 beds in 2017.

This increase has been driven by two key factors. Firstly, the availability of development sites in proximity to the University of Melbourne's Parkville Campus and RMIT University have contributed to an increase in the promotion of off-campus projects. Secondly, the University of Melbourne's 2020 strategy to increase the pipeline of student accommodation bedrooms to 6,000.

Our analysis of the pipeline supply indicates that 3,958 beds are programmed for delivery in 2018.

In 2019, 3,771 beds have development approval or are under construction, therefore combined with more speculative developments there is a total of 6,341 beds that may be delivered in 2019.

If all of the accommodation within the supply pipeline is delivered, the existing provision of circa 7.2% (based on 2015 student numbers) may increase towards 9.0% in 2020 and 11.4% in 2025.

Analysis of the development pipeline indicates that over 50% of the proposed new developments will comprise self-contained studios. The balance of the pipeline is distributed between shared apartments, and circa 10% which is dormitory styled influenced by the universities.



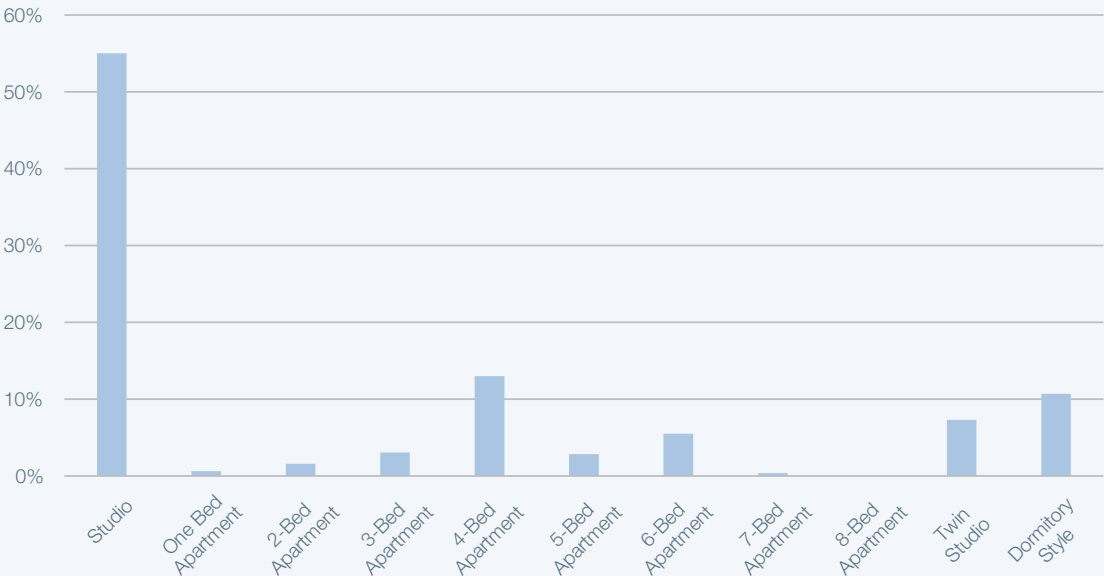
Over 50% of the pipeline is proposed to be self-contained studios.



This activity has been driven by the availability of sites and the University of Melbourne's strategy to build 6,000 beds.

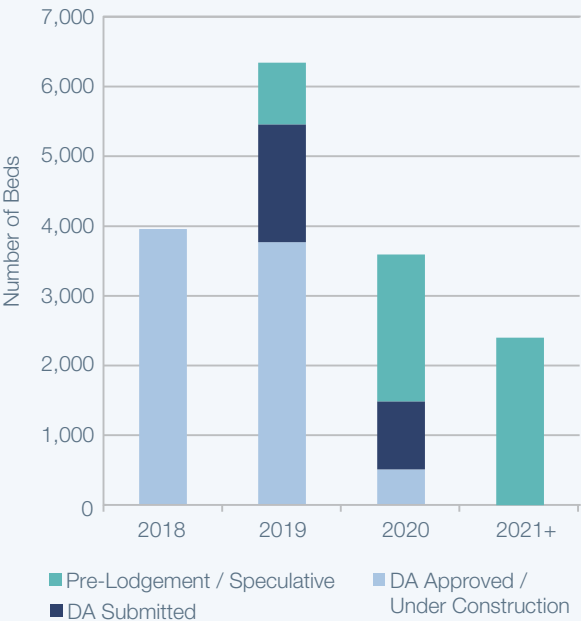
Melbourne Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Greater Melbourne Pipeline



Source: Savills

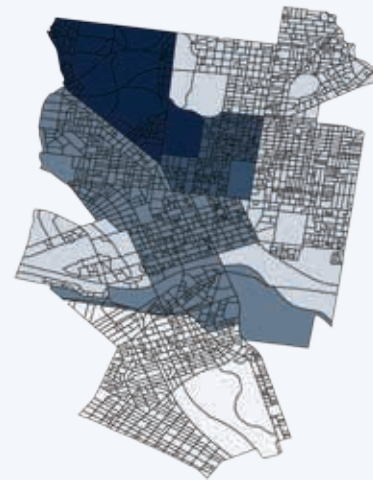


Melbourne’s PBSA development pipeline has increased significantly in the last 12 months to 16,294 beds.

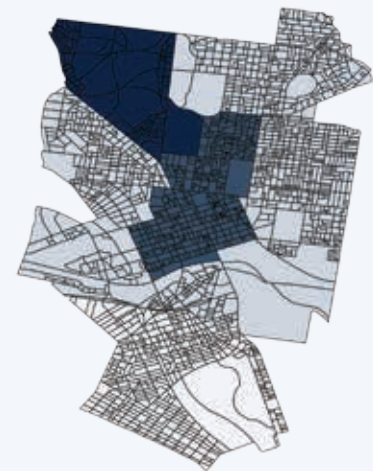
Where Students Live – Census Analysis

Analysis of Census data from 2006, 2011 and 2016 indicates that the highest density of the student population in Central Melbourne continues to be in the RMIT/ University of Melbourne Parkville precinct. We consider that delivery of the current development pipeline of on and off campus projects will continue this trend.

2006



2011

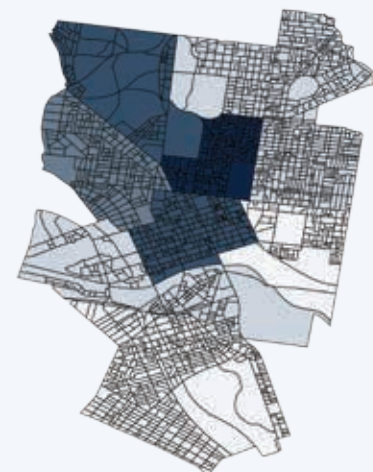


Legend

Percentage of student residents versus total residents.

- <10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%

2016



Source: Savills, Census



Market Focus **Brisbane**

After a period of two years when the PBSA development pipeline in Brisbane increased significantly, the activity has slowed in the first three quarters of 2017. There was a minor acceleration towards 30 June 2017, the date that Brisbane City Council's infrastructure levy reductions ceased, and these projects must commence construction by the end of October 2017 to receive the concession.

Analysis indicates that the total combined PBSA pipeline has increased from 8,930 beds in 2016 to 10,682 in 2017.

In 2018 4,192 beds are programmed for delivery, with a further 1,843 beds having development approval or under construction and programmed for completion in 2019.

Analysis indicates that the total provision based on development pipeline completion forecast may increase from 9% of full-time students, (based on 2015 student numbers) to 11.0% in 2020 and 14.5% in 2025.

Over 40% of the pipeline comprises self-contained studios, with the balance incorporating shared apartments, primarily four, five, and six bedroom apartments. There is less than 10% of dormitory style accommodation proposed.

The number of residential approvals has increased significantly, with nearly 50,000 apartments or townhouses approved in Greater Brisbane in the last three years. Many of these approvals are apartment blocks in inner Brisbane (circa 11,000 apartments), which are beginning to complete or are currently under construction.



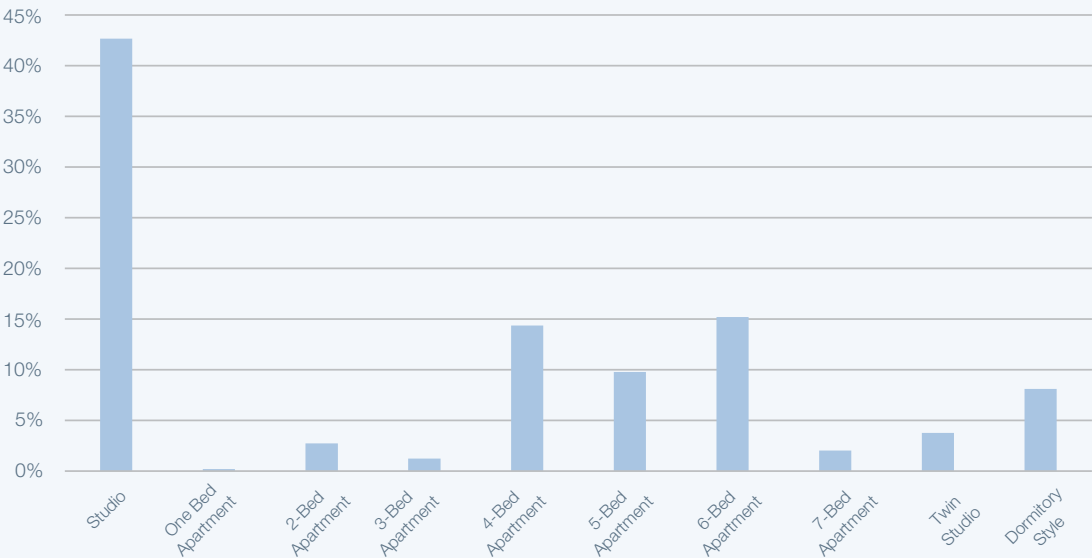
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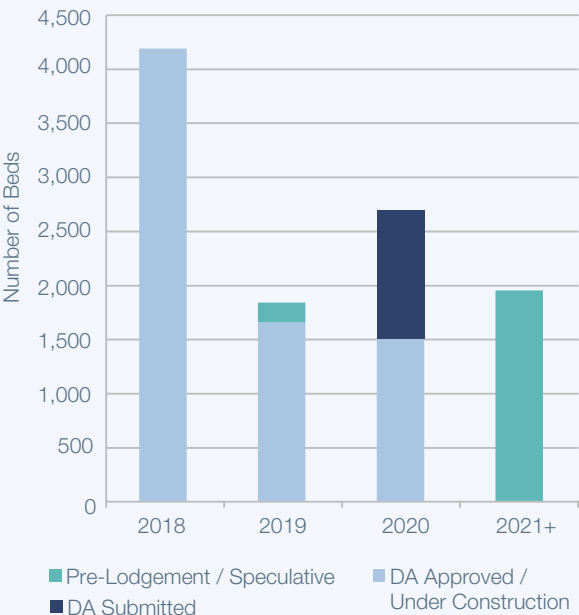
Brisbane Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Greater Brisbane Pipeline



Source: Savills



Activity slowed in the first three quarters of 2017 although there was a minor acceleration towards 30 June 2017, the date that Brisbane City Council’s infrastructure levy reductions ceased.

Where Students Live – Census Analysis

Analysis of the 2006, 2011 and 2016 Census data indicates that the University of Queensland Campus and surrounding residential area in St Lucia contains the highest density of students in Brisbane. The density of students residing in the CBD has increased through the last three Census, and we expect that it will continue to do so with the delivery of new schemes, including Student One's project at Wharf Street. It is also clear that the total proportion of students has been increasing within the Southbank area and will continue to do so as a number of schemes have completed during 2017 and are currently in their stabilisation period.

2006



2011



2016



Legend

Percentage of student residents versus total residents.

- <10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%

Source: Savills, Census



Artist's Impression of urbanest at the University of Adelaide, Adelaide

Market Focus Adelaide

The development pipeline in Adelaide has grown to 2,159 in 2017 from 1,480 in 2016.

In 2018, three projects are programmed for delivery including developments by Blue Sky, Kyren Group and Urbanest. In 2019 a further 372 beds are programmed for delivery. There has been a strong focus for the new developments in the area around North Terrace in the vicinity of Adelaide's two main universities.

Analysis of the development pipeline against full-time student numbers indicate that the current provision at circa 7.9% (based on 2015 student numbers) may increase to circa 8.6% in 2020 and 9.1% in 2025.

Analysis of the development pipeline indicates that approximately 35% will be self-contained studios, with the balance including shared apartments, together with circa 30% of twin studios. We consider that the twin studio product has been adapted to the Adelaide market to meet the expectations of price affordability for students in the city.

The South Australian Student Accommodation Association (SASAA) continues to be a proactive industry group engaged with multiple stake holders across the sector and have stated the following Strategic Objectives:

- Explore the viability and deliverability of a member self-accreditation system aligned with the development of minimum quality standards framework



Atira Waymouth Street, Adelaide

- Lobby for the introduction of a prescribed student accommodation tenancy document
- Lobby for the introduction of a licencing system for providers in the private rental market
- Inform the development of the accommodation component to the State Government's International Education strategy
- Lobby for changes to relevant planning approval framework with a view to defining significant difference between projects specifically designed to accommodate students (purpose built) and "mixed use" residential apartment developments

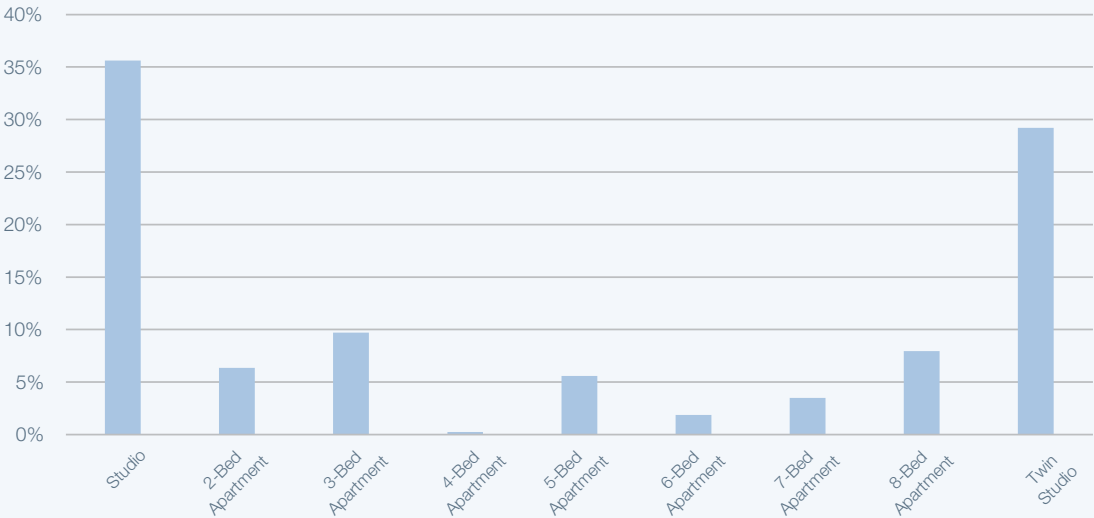
Source: SASAA Website



The development pipeline in Adelaide has grown to 2,159 in 2017 from 1,480 in 2016.

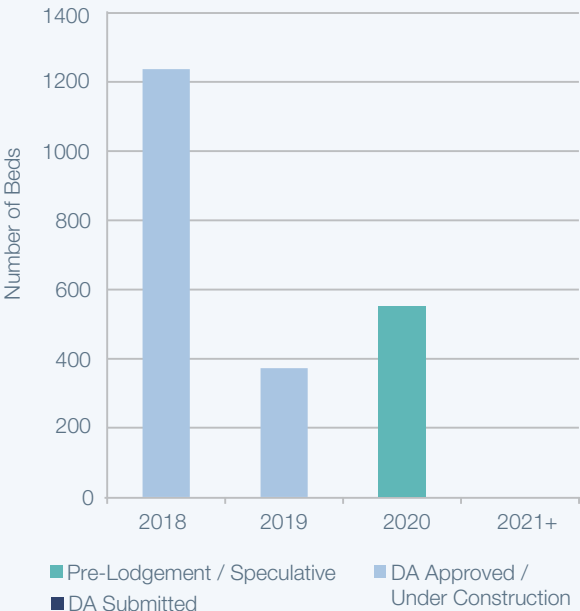
Adelaide Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Adelaide Pipeline



Source: Savills



Approximately 35% will be self-contained studios, with the balance including shared apartments, together with circa 30% of twin studios.

Where Students Live – Census Analysis

2006



2011



Legend

Percentage of student residents versus total residents.

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- 40% - 50%

2016



Source: Savills, Census



Market Focus **Perth**

There has been significant interest in the Perth student accommodation market in the last 12 months.

The total development pipeline has increased to 3,621 beds from 2,000 in early 2016. This includes projects being promoted by Stirling Capital and Cedar Pacific. The development pipeline also incorporates the first stage of the Curtin University procurement – a mixed use project incorporating student accommodation.

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.

Analysis of the development pipeline indicates that just over 30% of the bedrooms will be self-contained studios, with the balance in five and six bedroom apartments, together with twin studios and just over 20% of dormitory style accommodation.

The pipeline indicates that with the potential delivery of new accommodation the existing supply equating to 5% of full-time students in 2015 may increase to 5.2% provision in 2020 and 7.7% provision in 2025.



GSA Stirling Street, Perth

To facilitate further development of PBSA in Perth, the City of Perth is offering the following package of incentives:

- 20% plot ratio bonus for special residential (student accommodation) in many parts of the City
- Fastest planning approvals in the country [Urbis, Development Regulation Report, 2015]
- 10 day building permit process
- No developer contributions and
- No percent for art contributions

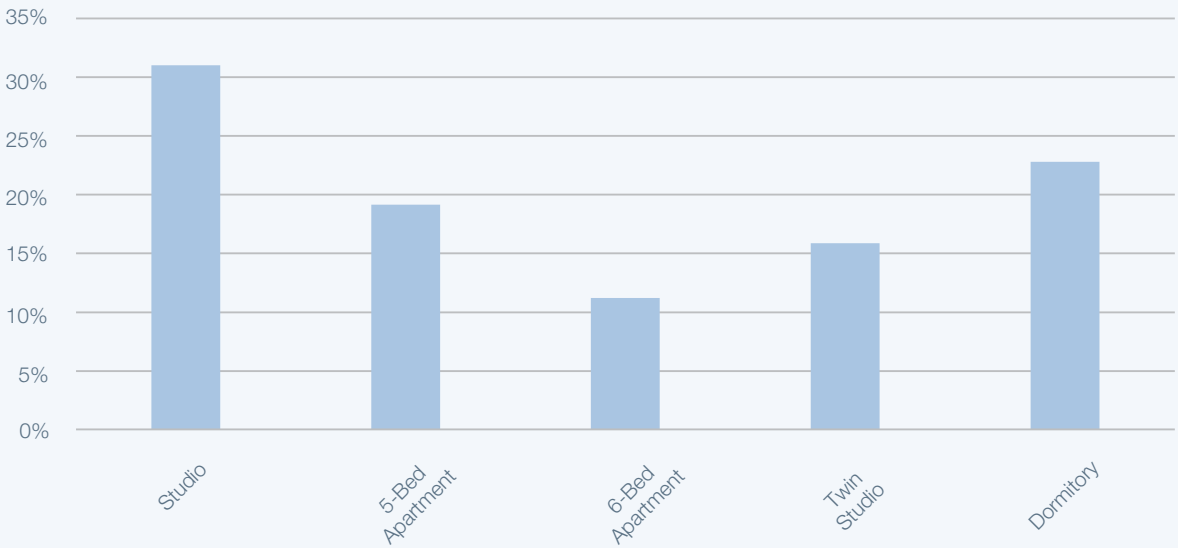
Source: City of Perth – Student City Brochure July 2017



There has been significant interest in the Perth student accommodation market in the last 12 months with the total development pipeline having increased to 3,621 beds.

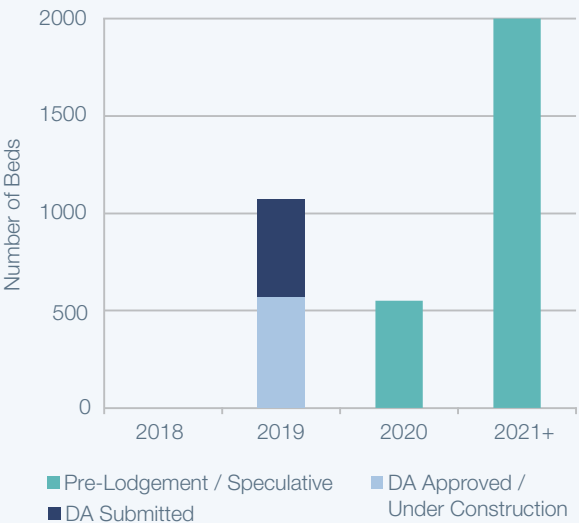
Perth Pipeline

Accommodation Type by Percentage of Total Pipeline



Source: Savills

Perth Pipeline



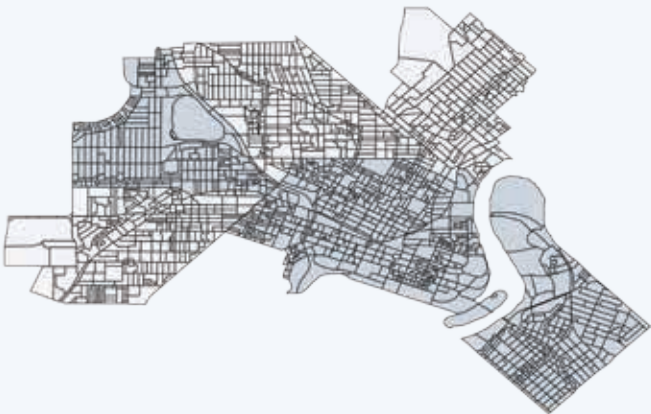
Source: Savills



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.

Where Students Live – Census Analysis

2006



2011



Legend

Percentage of student residents versus total residents.

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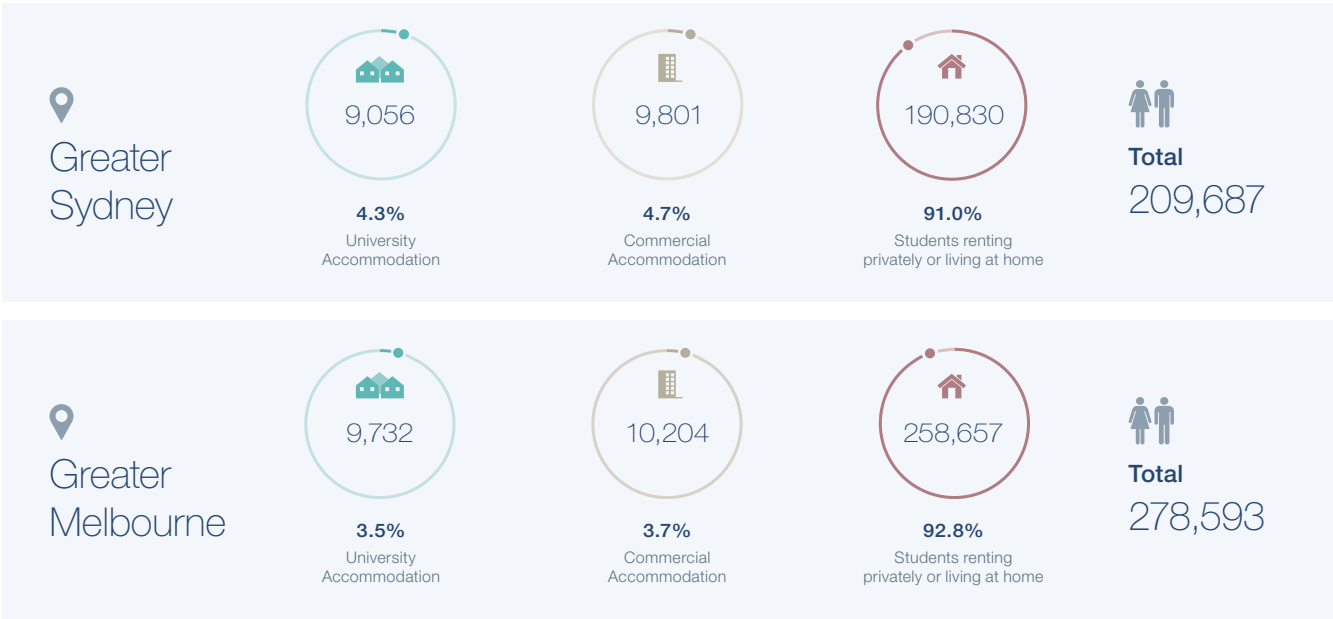
2016



Source: Savills, Census

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

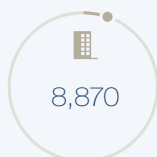




Greater
Brisbane



2.7%
University
Accommodation



6.2%
Commercial
Accommodation



91.0%
Students renting
privately or living at home



Total
142,889



Perth



3.2%
University
Accommodation



1.8%
Commercial
Accommodation



95%
Students renting
privately or living at home



Total
98,368



Adelaide



3.4%
University
Accommodation



4.5%
Commercial
Accommodation



92.1%
Students renting
privately or living at home



Total
67,402



Canberra



10.6%
University
Accommodation



17.6%
Commercial
Accommodation



71.8%
Students renting
privately or living at home



Total
27,928



Darwin



6.1%
University
Accommodation



4.9%
Commercial
Accommodation



89.0%
Students renting
privately or living at home



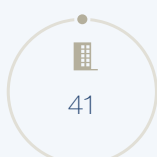
Total
6,185



Hobart



9.9%
University
Accommodation



0.3%
Commercial
Accommodation



89.7%
Students renting
privately or living at home

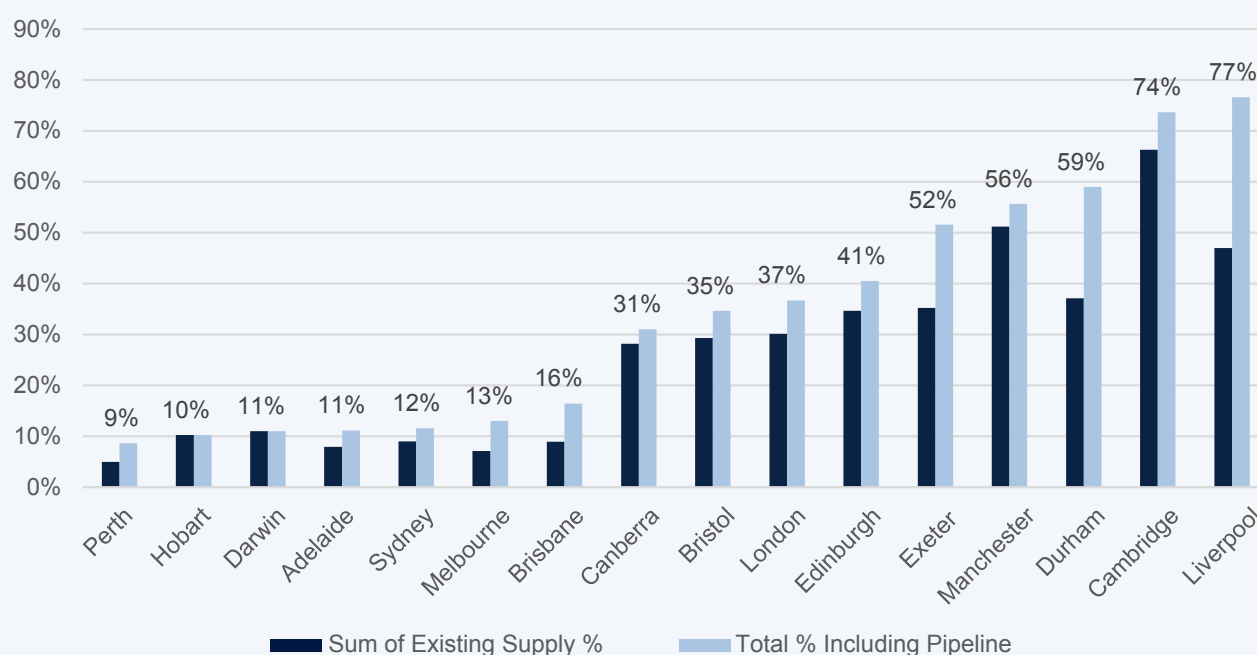


Total
12,128

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 parents' 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.

Graph 1: Total Supply including Pipeline of Australian and UK Cities



Source: Savills World Research (all data current as at August 2017).

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



Transactions

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

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

Source: Savills



GSA Royal Parade, Melbourne

2016 transactions were dominated by the Australian National University On-Campus Project which completed in Q3/2016. In 2017 there have been two significant transactions as detailed in the following analysis:



The Steps Central Park: 6 Central Park Ave, Chippendale NSW 2008 and Central Park-Kensington Street: 9 Kensington St, Chippendale NSW 2008

Sale Date Agreed December 2016

Sale Status Settled in May 2017

Sale Price Circa \$425m

Net Initial Yield Circa 5.80%

Purchaser GIC

Vendor Frasers

Details

Singaporean Sovereign Wealth Fund GIC announced in May 2017 that it had purchased the two Frasers student accommodation properties at Central Park, totalling 1,041 beds. The properties have 828 NRAS allocations between the two buildings and several retail tenancies at ground floor. The properties will be managed by Iglu, the operational platform which was acquired by GIC in 2014 in a joint venture with Macquarie Capital.

Whilst we haven't been privy to specific transaction details we understand that when analysed on a net yield basis the initial return is circa 5.80%. (Savills analysis).



**dwell Adelaide
12-18 Synagogue Place, Adelaide**

Sale Date March 2017

Sale Status Land settled in mid-2017, building settles on completion of construction programmed for early 2019.

Sale Price \$45.5m as a turnkey on completion in early 2019

Net Initial Yield Circa 7.75%

Purchaser Centurion Corporation

Vendor Kyren Group

Details

Singapore-based Centurion Corporation acquired the development site for \$3.5 million. The site is to be developed as a new 280 – bed student accommodation which is proposed to be completed in the last quarter of 2018, in order to accept student tenants in the first semester of 2019.

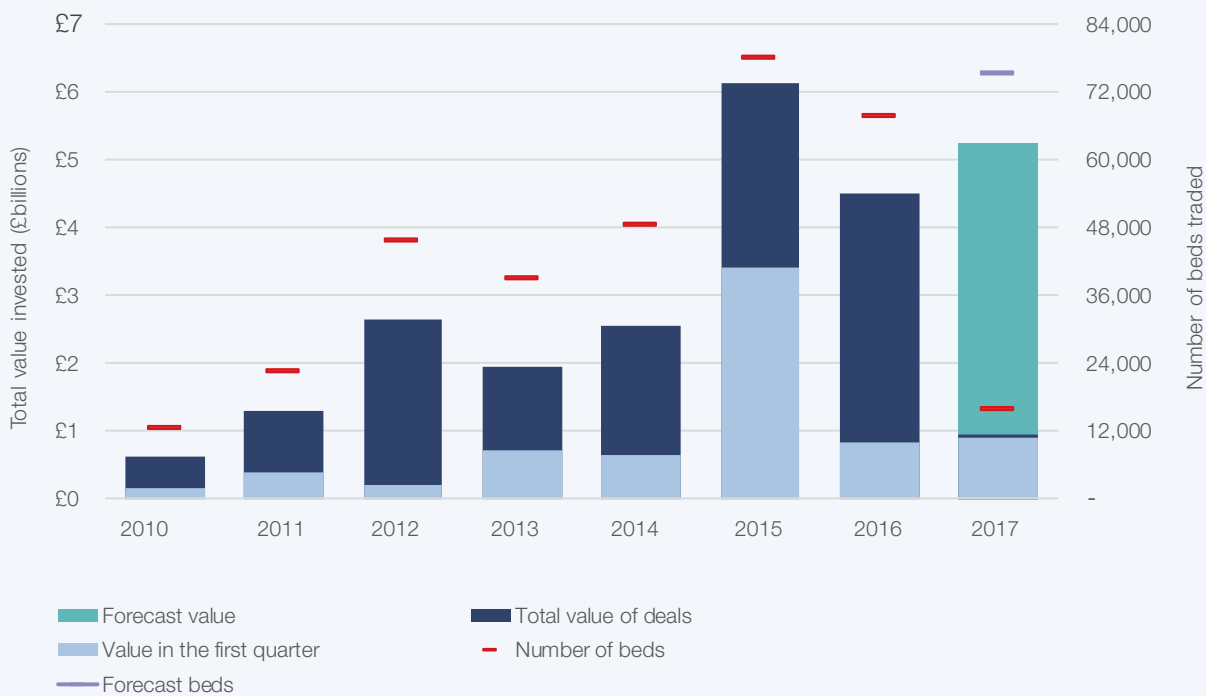
The site is located off Rundle Street on the eastern side of Adelaide City Centre, with proximity to the University of Adelaide, University of South Australia and the Rundle Mall shopping strip.

The purchase price for the turnkey was negotiated on the basis of a net initial yield of circa 7.75%.

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 2017, indicating that transaction volumes could total close to £5 billion for the year.

Graph 1: UK Student Accommodation Investment Activity



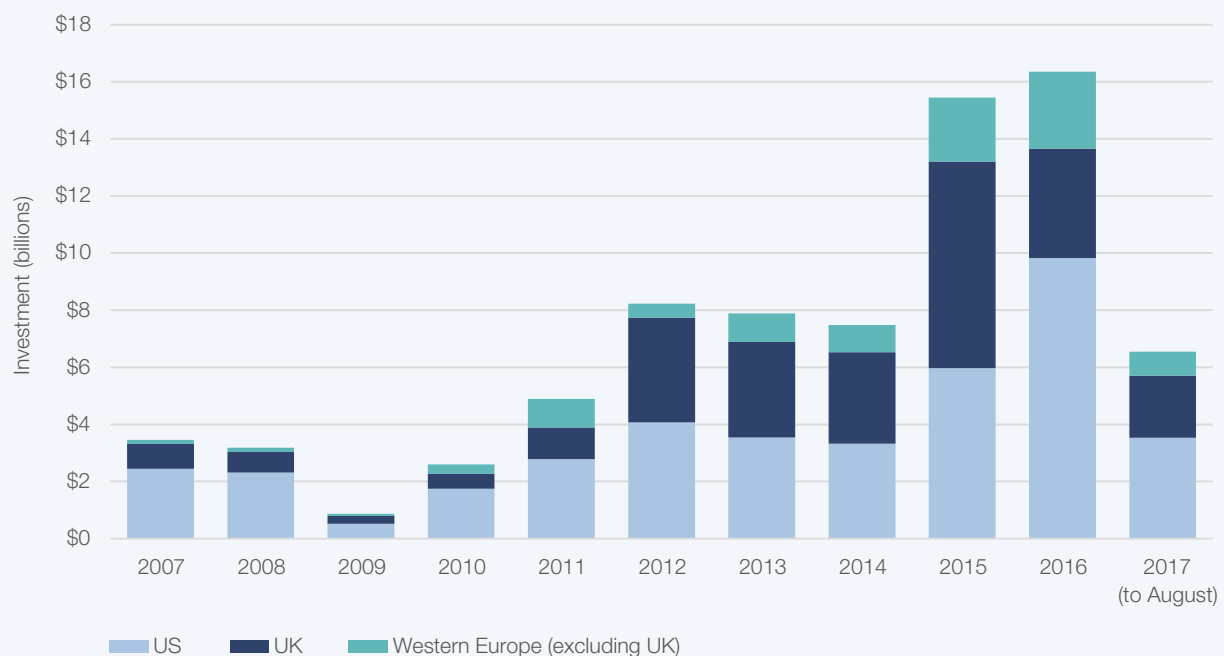
Source: Savills World Research

Global Transactions

The record level of UK transactions contributed to global student accommodation investment of over US\$14 billion in 2015. The US market also achieved record levels of US\$5.5 billion for the year and Western Europe US\$2 billion, again a record. The US and Western Europe continued to break records in 2016, with the UK having a slower year transaction wise, before being projected to reach close to 2015 levels in 2017 (refer to UK transactions above).

Sales activity in the first quarter of 2017 has been somewhat more subdued with a total of US\$1.95 billion of transactions.

Graph 2: Global Student Accommodation Investment Activity



Source: Savills World Research










GSA University Square, Melbourne

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 2017.

Typical prime initial yield		
Australia		7.00%
Germany		4.00%
Spain		6.30%
USA		5.90%
Netherlands		4.90%
France		4.50%
UK		4.25%

Source: Savills World Research

Australia

Net Initial Yields in Australia have remained relatively static over the last 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 2017.

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

Source: Savills



Wee Hur Turbot Street, Brisbane

Australian Student Accommodation – Top 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 **May 2017**. Wee Hur, Global Student Accommodation (GSA) and Redefine have all entered the market since the start of 2016 and have rapidly established pipelines of 3,125, 2,585 and 1,304 respectively.

The top 10 providers currently own a total of 23,639 beds – an increase of 52.5% of operational beds since February 2016. There are four further operators who have strong development pipelines but currently have no operational beds in Australia. In total, these 14 providers have a pipeline of 24,298 which equates to 62% of the existing supply of owned and managed beds. The average size of the owned operational properties is 514 beds and the average size of development properties in the pipeline is 540 beds.

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)	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)
UniLodge*	0	58	0	13,589	13,589	3	0	3	13,589
CLV**	10	5	8,149	2,258	10,407	0	0	10	10,407
HRL Morrison*	15	0	5,775	0	5,775	2	1,300	17	7,075
Urbanest	10	10	4,694	4,694	4,694	3	1,940	13	6,634
Student Housing Australia	0	47	0	2,647	2,647	3	466	3	3,113
Iglu	6	6	2,402	2,402	2,402	2	964	8	3,366
Atira	2	2	1,034	1,034	1,034	5	2,820	7	3,854
Student One	1	1	700	700	700	2	1,800	3	2,500
Centurion**	1	0	456	0	456	1	280	2	736
Cedar Pacific	1	0	429	0	429	3	1,872	4	2,301
Scape	0	0	0	0	0	10	5,842	10	5,842
Wee Hur Holdings Ltd	0	0	0	0	0	3	3,125	3	3,125
GSA Group	0	0	0	0	0	6	2,585	6	2,585
Redefine	0	0	0	0	0	2	1,304	2	1,304
Total***	46	129	23,639	27,324	42,133	45	24,298	91	66,431

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

** CLV manage 456 beds at RMIT Village which are owned by Centurion.

*** We note that the total number of existing beds includes a double count due to this. The total number of existing supply of beds equates to 39,233 excluding any double up and our percentage calculations above have been based on this number.

Source: Savills, data correct as at May 2017

2018 – Outlook

Political reform of the Australian Higher Education Sector remains on the agenda. As continued government funding of the Australian University Sector seems less likely, and competition between universities is set to increase, Savills expects that the provision of high quality purpose built accommodation will become an important consideration for a number of Australian universities. The levels of development activity among universities is already increasing.

Off market, Sydney will continue to be the most attractive, but the most difficult market to access. Despite a rapid rise in the number of projects over the last 12 months, Melbourne continues to attract a number of new pipeline projects.

Debt funding for new development led projects has affected a number of property asset classes through

the first three quarters of 2017, including student accommodation. Accessing debt finance for new projects is anticipated to remain challenging.

Record numbers of investors are looking to access the Australian student accommodation market. However, whether development led or investment led, opportunities are at this stage somewhat limited. Therefore, we anticipate at least one new developer entering the market either late 2017 or early 2018. We also see an opportunity for more competition in the independent third party management of student accommodation.

Looking to the start of 2018, the delivery of new pipeline accommodation, particularly in Melbourne and Brisbane is going to be closely watched by market participants and observers in terms of the occupancy uptake and stabilisation of new assets, particularly towards the top end of the rental price range.

- Sydney will continue to be the most attractive, but the most difficult market to access. In 2018 Melbourne, and particularly Brisbane will be closely watched in terms of occupancy and stabilisation of new assets at the higher end of the rental range
- Accessing debt finance for new projects is anticipated to remain challenging
- Savills anticipates at least one new developer entering the market either late 2017 or early 2018. We also see an opportunity for more competition in the independent third party management of student accommodation



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