

Intelligent Investment

Accommodating the growth in students

REPORT

Demand, supply and pricing for Australian PBSA market

CBRE RESEARCH
AUGUST 2024





Scape, Toowong

Overview

Market size

Australian universities service ~1.2m domestic and 0.7m international students. New Zealand market comprises 0.18m students, including 0.3m international students. CBRE estimate that just 6% of students have the opportunity to live on/close to campus in purpose-built accommodation (PBSA).

In August 2024, the Australian Government set-up international student caps which come into effect from 2025. CBRE's initial estimate of international student caps is University sector will see 2025 commencements at -21% vs 2024 but +4% vs 2019 levels. This potentially reduces demand at University of Melbourne and University of Sydney by ~6,800 on our estimates.

Supply and pipeline

The five largest operators account for over 80% of current stock. CBRE estimate 19,000 beds of supply (Australia-wide) over 2024-27, represents 18% uplift to current volumes. Melbourne accounts for ~30% of new supply, followed by Sydney 25% and Brisbane 20%.

To illustrate the acute under-supply of student accommodation beds:

- University of Melbourne and RMIT catchment currently has 17,700 beds. CBRE estimate circa ~15k of unmet demand for PBSA in Melbourne CBD/Inner North.
- University of Sydney and UTS catchment currently has 12,400 beds. CBRE estimate ~25k of unmet demand for PBSA in Central/Inner-west Sydney.

Rent outlook

Median rents for student accommodation studios grew at CAGR 6% over 2018-2024 across Melbourne and Sydney markets. CBRE forecast rent growth in inner city living sectors will continue to outperform inflation, with private rental market vacancy likely to remain sub 2%.

As at mid 2024, PBSA rents Australia-wide were at 8% premium to two-bedroom apartments in the same precinct, per CBRE research analysis.

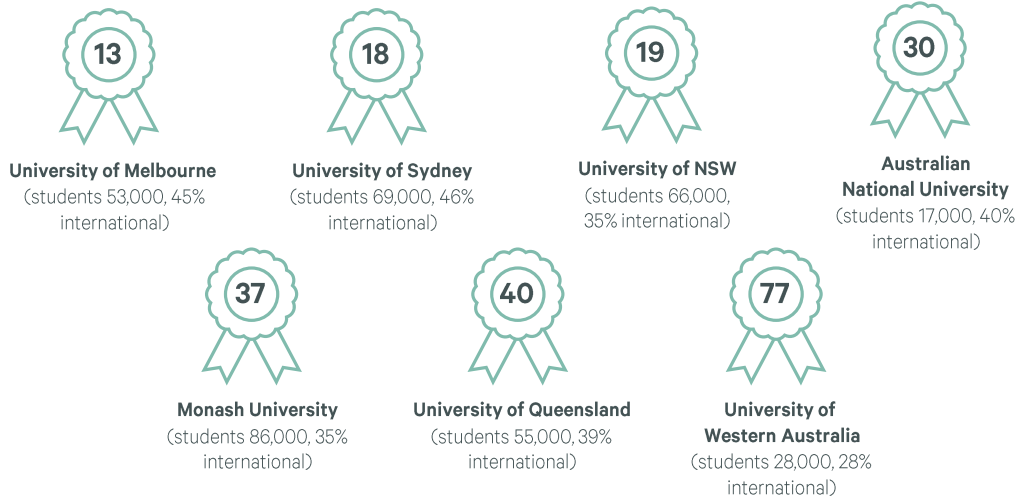
Cap rates

Rent growth and resilient occupancy has helped to cushion yields in the face of rising financing costs. While yields have expanded by circa 75bps-100bps in the US and UK by mid 2024 off their mid 2022 lows, the sector has remained exceptionally resilient.

International students

Australia had 688,000 international students studying across a variety of higher education, VET and English language programmes in early 2024.

Australian universities are well regarded globally, with seven universities ranked in the Top 100 globally by QS University rankings 2025:

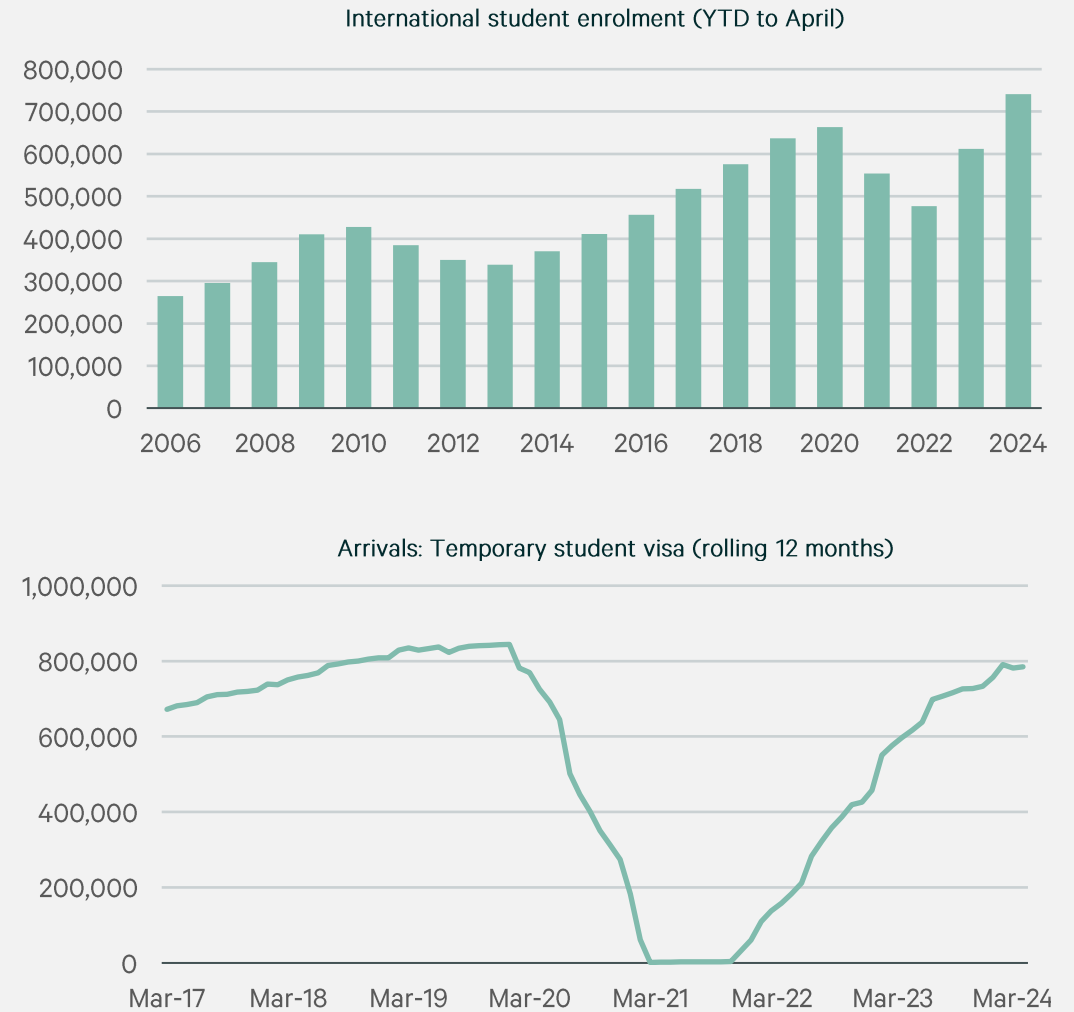


In 2022, enrolments started to recover after being down 25% on 2019/2020 levels. As at April 2024, enrolments were 12% ahead of their prior peak level.

Enrolments do not directly equate to accommodation demand as students may be enrolled in multiple courses or in some cases studying online. But we see this data providing us with insight on the trajectory of demand.

**688,000 international students in Australia as at Q1 2024,
with enrolments exceeding peak 2019/20 levels.**

Figure 1: Recovery in international student enrolment and arrivals



Source: ABS, Department of Education

International student demand continues to grow and also diversify

As at March 2024, China (23%) and India (17%) were still the largest cohort markets for international students in Australia. Interestingly the student profile continues to diversify, with students from India, Nepal, Colombia, Philippines, Vietnam all recorded double digit growth in student numbers over the past decade.

Approximately 83% of students are residing on the core east coast markets of Sydney (39%), Melbourne (29%) and Brisbane (15%). Sydney is home to six universities and has campuses for 11 other universities. The Sydney market comprises 223,000 students, with University of NSW supporting a 35% international student cohort.

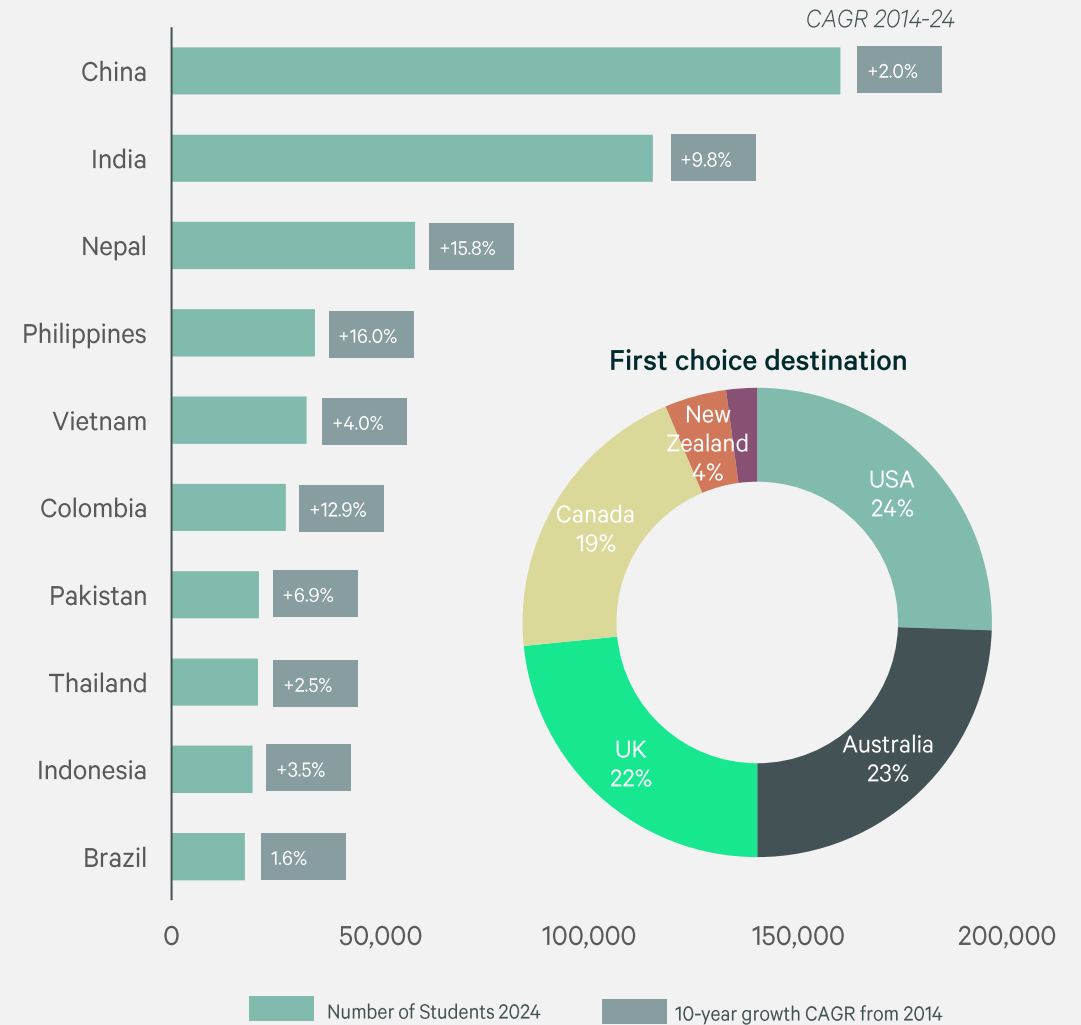
The Melbourne market comprises 334,000 university students (domestic and international), with University of Melbourne and Monash supporting a 45% and 35% international cohort respectively. Relative to other cities in Australia, Melbourne based universities attract a larger share of international students.

The Brisbane market comprises 137,000 university students with University of Queensland supporting a 39% international student cohort.

2.5% of domestic students are estimated to reside in PBSA, a larger share of renters reside in colleges. There is an opportunity to capture the overflow demand of domestic students due to the rising number of students studying interstate and the diminishing supply of private rental sector accommodation.

China and India contributed half of all international enrolments in Australian institutions in 2032.

Figure 2: Top 10 International students nationalities and 1st choice destination



Source: Department of Education, IDP Voice of International Students 2024, CBRE Research

International student cap

What's proposed?

In August 2024, the Australian Government provided caps to accompany a new bill in Parliament.

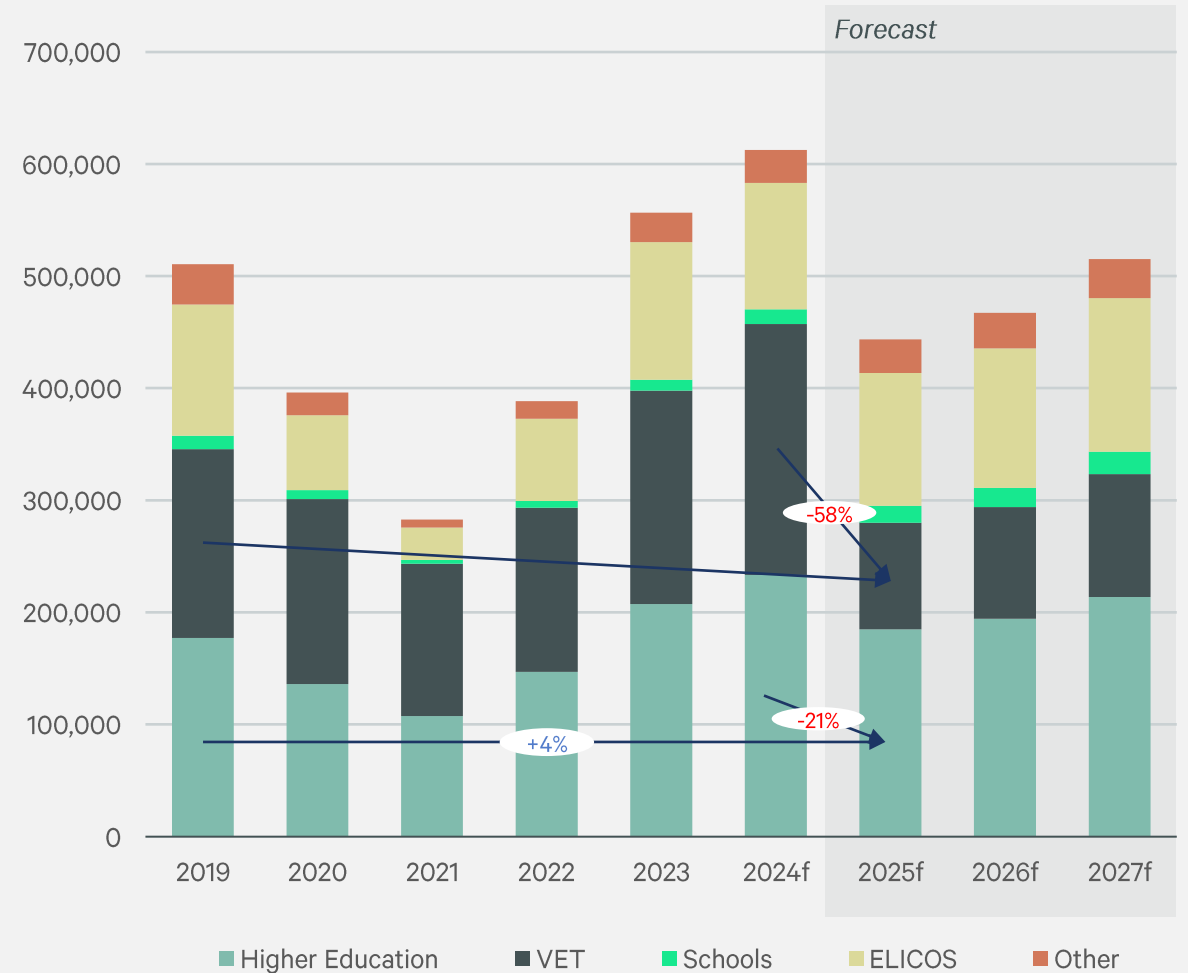
- 175,000 cap for higher education + exchange + research
- 95,000 cap for VET

Universities with low concentrations of international student can have all their growth to 2023 included in their 2025 cap. However universities with concentrations above 37% will get to keep only 50% of their growth.

CBRE's initial estimate of international student caps is University sector will see 2025 commencements at **-21%** vs 2024 but **+4%** vs 2019 levels. We have assumed there are 10k students that fall under exemptions to cap eg exchange, research and friendly-countries.

For illustration, we estimate the impact at University of Sydney/UTS and University of Melbourne/RMIT precincts is **6800** fewer international students than 2024's elevated level.

Figure 3. International student commencements by category



Source: Department of Education, CBRE Research

New Zealand market

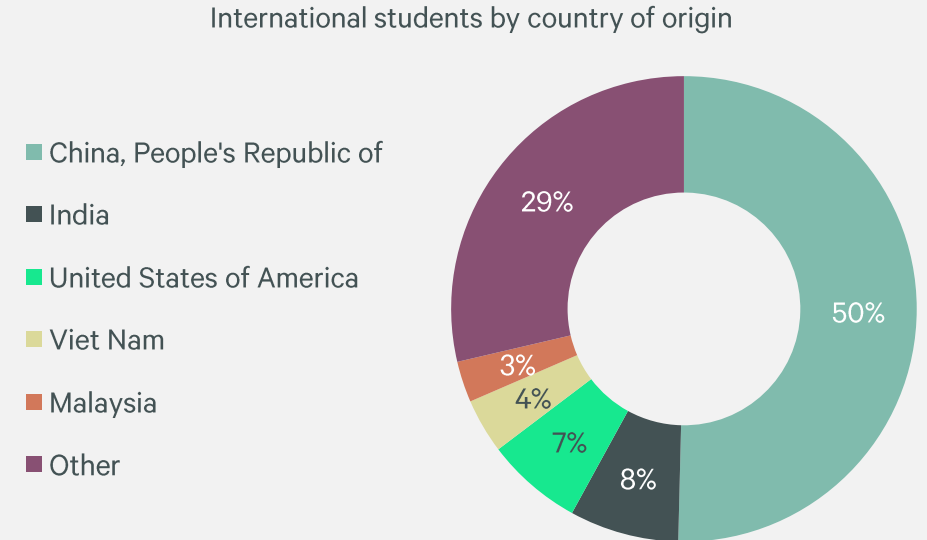
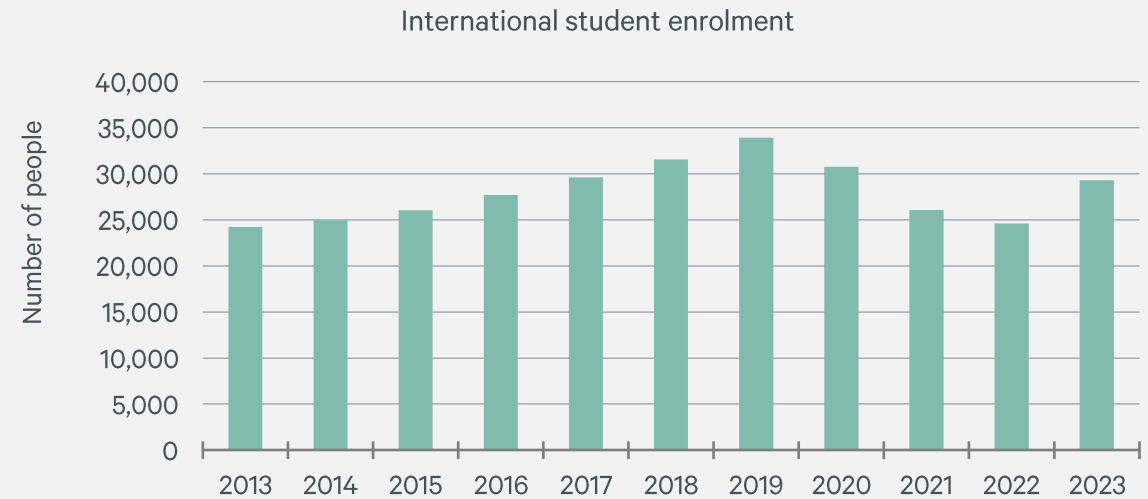
International student enrolments have continued their post Covid recovery in New Zealand. International student university enrolments in 2023 totalled 29,300, 86% of the previous peak in 2019.

China continues to be New Zealand’s largest source market based on student enrolments. Pent up demand and China’s non-recognition of online study has pushed students toward in-person offshore study. Viet Nam has been a growth area with more enrolments in 2023 than any other year.

Auckland accounts for c40% of the university student population in New Zealand. The three largest universities by student numbers are University of Auckland, Massey University, and Auckland University of Technology.

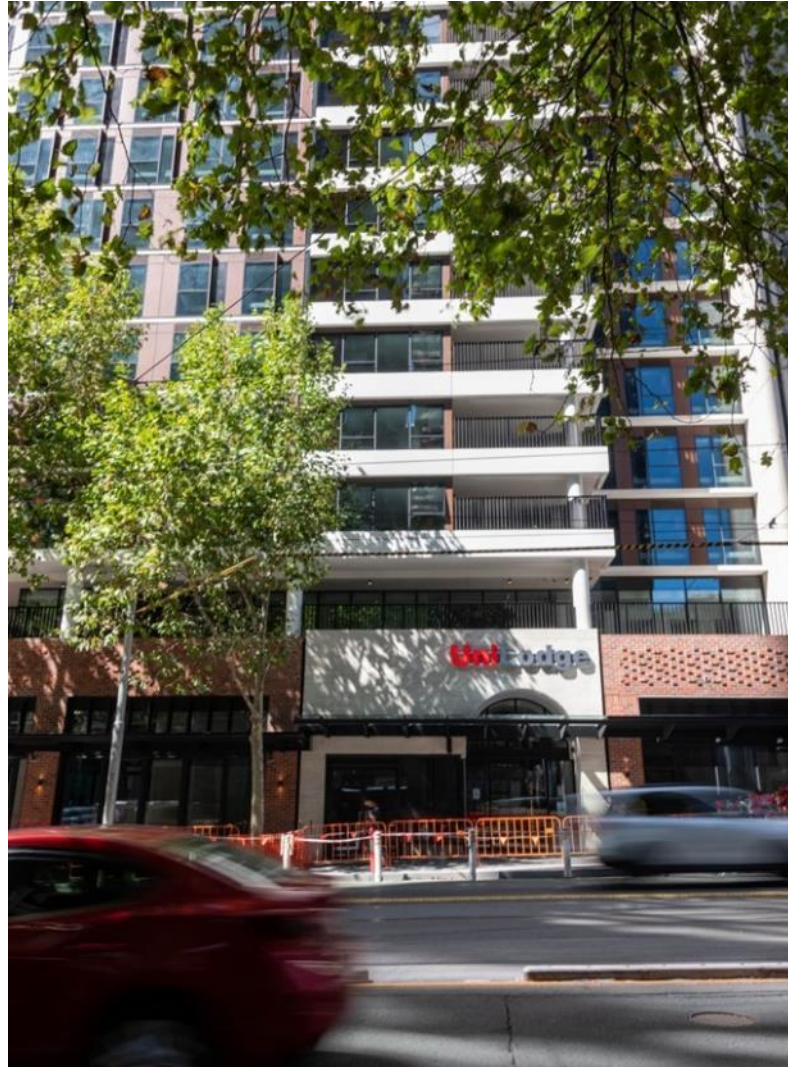
Auckland has a large student accommodation project of 786 studio rooms currently under construction at 66-68 Lorne Street by developer Cedar Pacific, due in late 2025. In addition, Precinct have announced their entry into the sector with the acquisition of 256 Queen Street for the development of a purpose built 600-unit student accommodation facility.

Figure 3: New Zealand international student enrolments and country of origin



Source: educationcounts.govt.nz

UniLodge, Central Melbourne



Supply across Australia has grown, however, remains below global peers






The Australian market is increasingly dominated by Purpose Built Student Accommodation (PBSA), which complements an existing pool of Colleges and University owned/managed stock.

The supply of PBSA has increased significantly from c3,000 rooms in 2010 to c41,000 rooms by 2022. This partly reflects the growth in demand for Australian education by international students.

University owned or affiliated colleges primarily service domestic students. There are approximately 50 colleges across 15 universities servicing 18,000 students (source UCA).

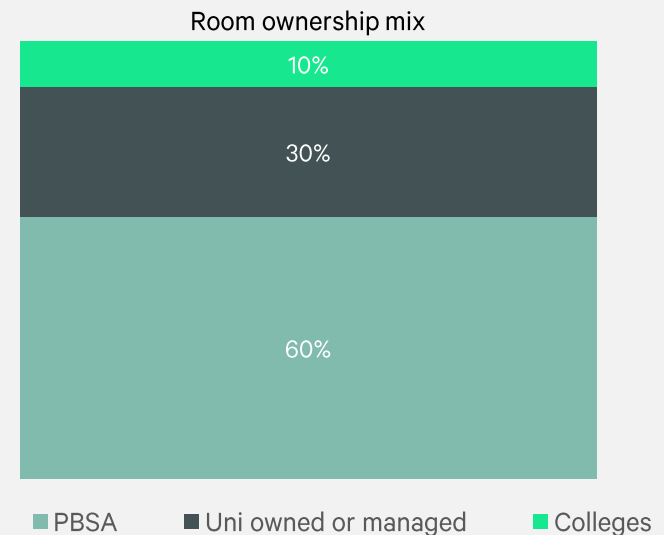
We anticipate new supply over 2023-2026 could amount to 8,000 additional rooms, representing a 7% uplift to student accommodation options. However, this is likely to be inadequate when compared to our global peer market penetration rates.

Figure 4: Key Market Differences

					
Undergraduate students	1.6m	1.65m	20m	2.9m	2.5m
Student accommodation beds	102k	750k	5.8m	240k	190k
International student ratio	31%	22%	5%	15%	15%
Penetration rate (beds/students)	6%	45%	29%	8%	8%

Source: Educationcounts, CBRE Research

Figure 5: Type of accommodation



Number and location of rooms

Melbourne comprises 37% of the national student accommodation room stock. This aligns with the larger share of university students and particularly the international student cohort.

Looking ahead over the next three years to 2027, we estimate Melbourne will account for ~30% of future supply, Sydney 25% and Brisbane 20%.

Recent new supply announcements include:

Sydney

- Iglu/UNSW development for 1,066 beds across five buildings.
- Redfern development by Wee Hur for 411 student beds.
- Iglu Mascot II accommodating 305 beds.
- The Switch at Macquarie Park with 500 beds.

Brisbane

- Journal Student Living and Brookfield at Margaret St for 935 beds.

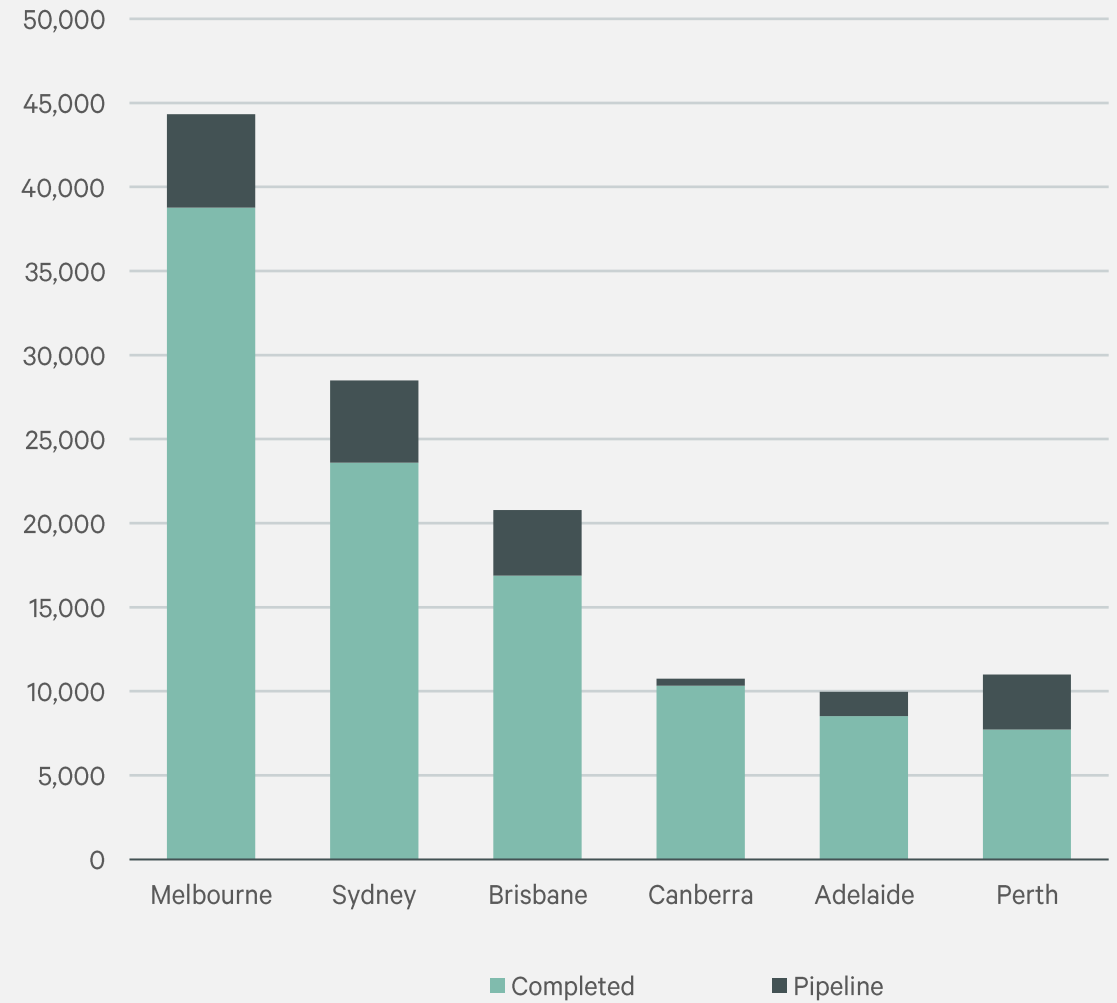
Gold Coast

- CLV/Griffith University development of 460 beds and Bond University development for 646 beds.

Melbourne

- Journal Student Living and Brookfield at Carlton for 465 beds.
- Scape at Carlton development for 300 beds.
- Scape and Lendlease at Queen Victoria Markets for 1,100 beds.
- Brookfield at Franklin Street development for 1,040 beds.

Figure 8: Current beds and planned supply over 2024-27



Source: CBRE

Leading service providers

The five largest student accommodation providers in Australia account for over 80% of industry capacity. Many of the operators bring a unique investment lens and value proposition for students.

UniLodge: Australia's largest student accommodation provider. The firm manages 33,000 beds across 118 facilities. Their portfolio includes over 10 lodges each in Adelaide, Brisbane, Canberra and Melbourne.

Scape: The portfolio comprises 17,000 beds, with another 5,000 beds under development. They occupy 35 buildings across Sydney, Melbourne, Brisbane and Adelaide.

Campus Living Village: Their suite of residences are typically located on-campus and comprise 5,700 beds across 9 properties. The business operates across Sydney, Melbourne, Brisbane and Perth.

Iglu: They have 13 operational properties totalling 5,400 beds with a further 2,100 beds in the pipeline. Their residences are located across Brisbane, Melbourne and Sydney.

Y Suites/Wee Hur: Wee Hur's operational assets include Y-Suites (4,500 beds) and UniLodge (1,500 beds). The assets are located in Sydney, Adelaide, Brisbane and Melbourne.

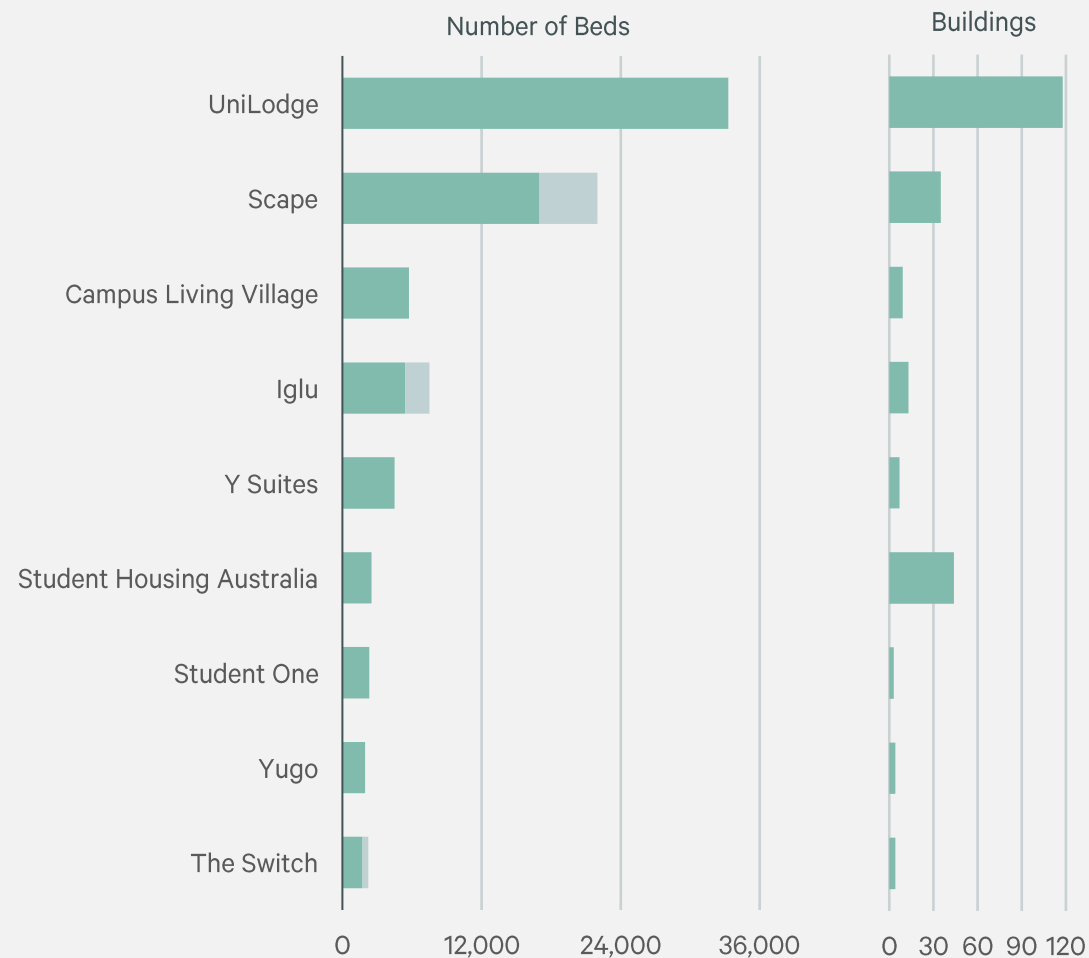
Student One: The portfolio comprises 2,350 beds across Adelaide and Brisbane.

Yugo: They are a global student accommodation service provider, with an Australian portfolio of 1,900 beds in Adelaide, Melbourne and Perth.

The Switch: They have 1,700 beds across Adelaide, Melbourne, Perth and Sydney.

Student Housing Australia: They manage student accommodation, working with landlords in Melbourne. The portfolio comprises ~2,500 rooms across 45 buildings.

Figure 9: Student accommodation service providers in Australia, selection of Top 10



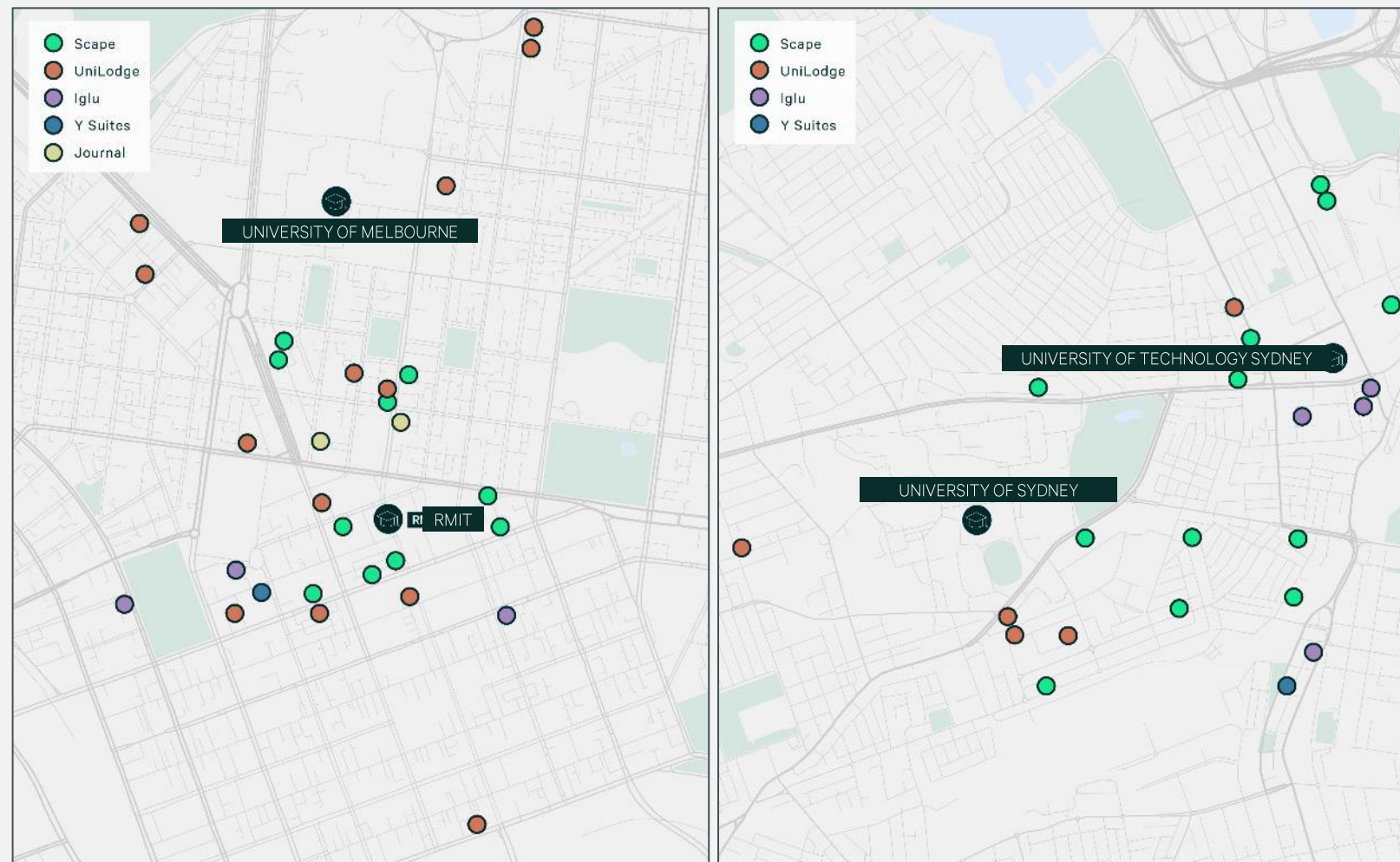
Source company websites, CBRE Research

Proximity matters

Student accommodation facilities are typically in convenient locations to University campus or city centres. The current suite of properties are also in close proximity of each other, creating a vibrant environment for students who wish to study and socialise together.

Most interstate and international students do not have cars. So proximity to public transport and within walking distance of the University are key drawcards in choosing a residence.

Figure 10: University and selection of PBSA locations in Sydney and Melbourne



Source: CBRE Research

Scope to add significant supply

CBRE estimate that there is a significant pool of unmet demand for PBSA. Students typically prefer to live within walking or short-commute of Universities.

By way of illustration, CBRE estimate:

- The University of Melbourne and RMIT (catchment area) has 57,000 students actively looking to rent (demand), the rest are stay-at-home. PBSA and residential colleges supply 17,700 beds in close proximity to these institutions. Students potentially occupy ~14,000 near-campus apartments.

CBRE estimate 15k of unmet demand for PBSA in Melbourne City/Inner North Melbourne.

- The University of Sydney and UTS (catchment area) has 56,000 students actively looking to rent beds (demand), the rest are stay-at-home. PBSA and residential colleges supply 12,400 beds in close proximity to these institutions. Students potentially occupy ~10,000 near-campus apartments.

CBRE estimate 25k of unmet demand for PBSA in Central/Inner-west Sydney.

Figure 8: Closer examination of two sub-markets

Uni of Melbourne & RMIT



Uni of Sydney & UTS



Source: CBRE Research 2024

Iglu, Mascot



Weekly rent options for student accommodation studios

Rent for student accommodation beds varies depending upon whether the offer is a premium studio or shared unit, with up to six attached bedrooms. Rents also vary depending upon the vintage of build and amenities on offer

There are a number of accommodation options in Adelaide, Canberra and Brisbane at \$300-\$400 per week.

In Melbourne, per student rent is typically \$350-\$700 per week. In Sydney, rents range from \$550-\$850 per week.

The range is not dissimilar to what we see in two-bedroom apartment markets where rents in the Sydney CBD are nearly double rates for Brisbane and Melbourne.

Dynamic pricing

Student accommodation operators typically use dynamic pricing models to optimise occupancy rates while dealing with shorter lease terms. So the rent during off-season can be materially different to rents during peak periods of enquiry.

Figure 11: Student accommodation rents across major campuses, per student per week (June 2024)



Source: CBRE Research analysis across 86 student accommodation buildings

PBSA rents grow with newer additions

Student accommodation rents have increased substantially across the market. We looked at the median rent for a sample of student accommodation studios in Sydney and Melbourne properties. Median rents grew at CAGR 6% in these markets, from \$406 per week to \$579 per week between 2018 and 2024.

Newer and highly amenities stock is providing a boost to average market rents. However, like-for-like studios also experienced high teens growth over the past five years.

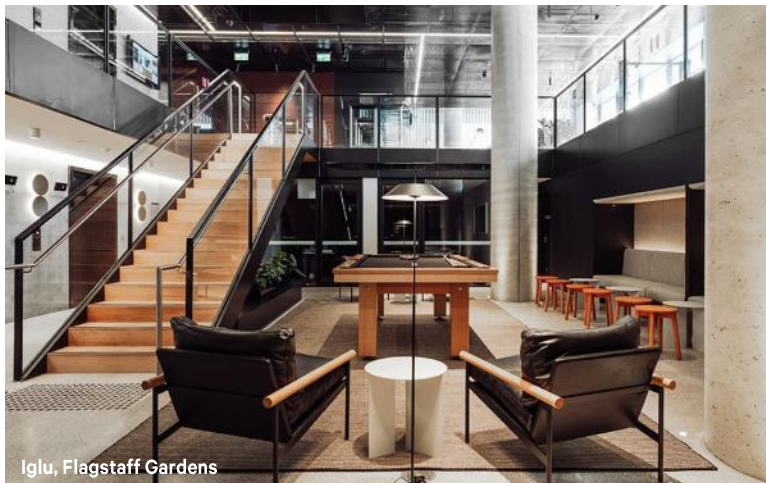
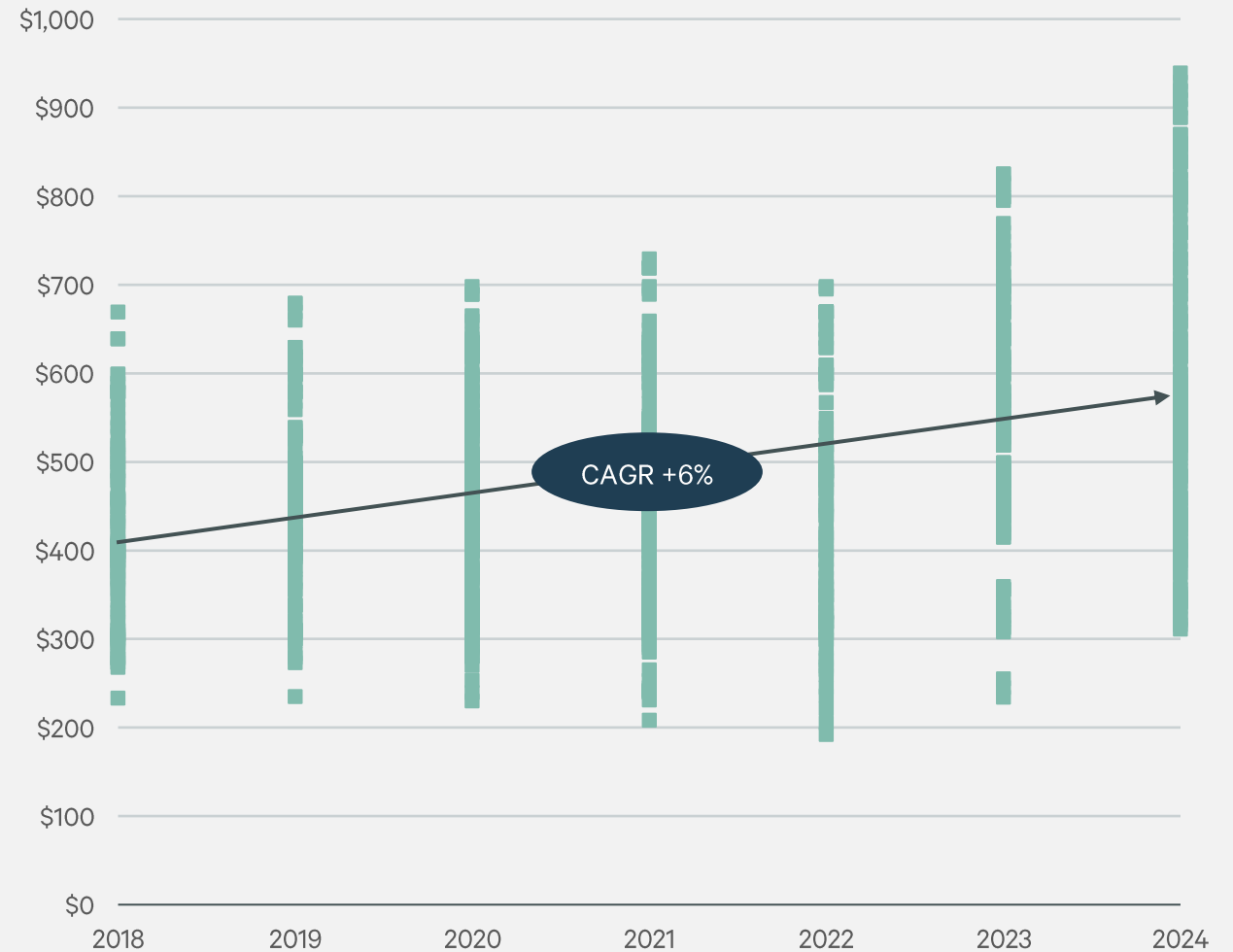


Figure 13: Profile of weekly PBSA rents across over Melbourne and Sydney. 2018-2024



Source: CBRE

Rent premium for amenities

Student accommodation rents are currently at a 8% premium to rents for two-bedroom apartments in the same precinct. But there is a wide range, with 80% of the stock at 20% discount to 50% premium rents.

The premium rents are explainable as purpose built student accommodation offers:



Utilities included such as electricity & WiFi



Amenities including gyms, study areas and social interaction spaces



Safety and security including card swipe access and CCTV



Fully furnished



Pastoral care



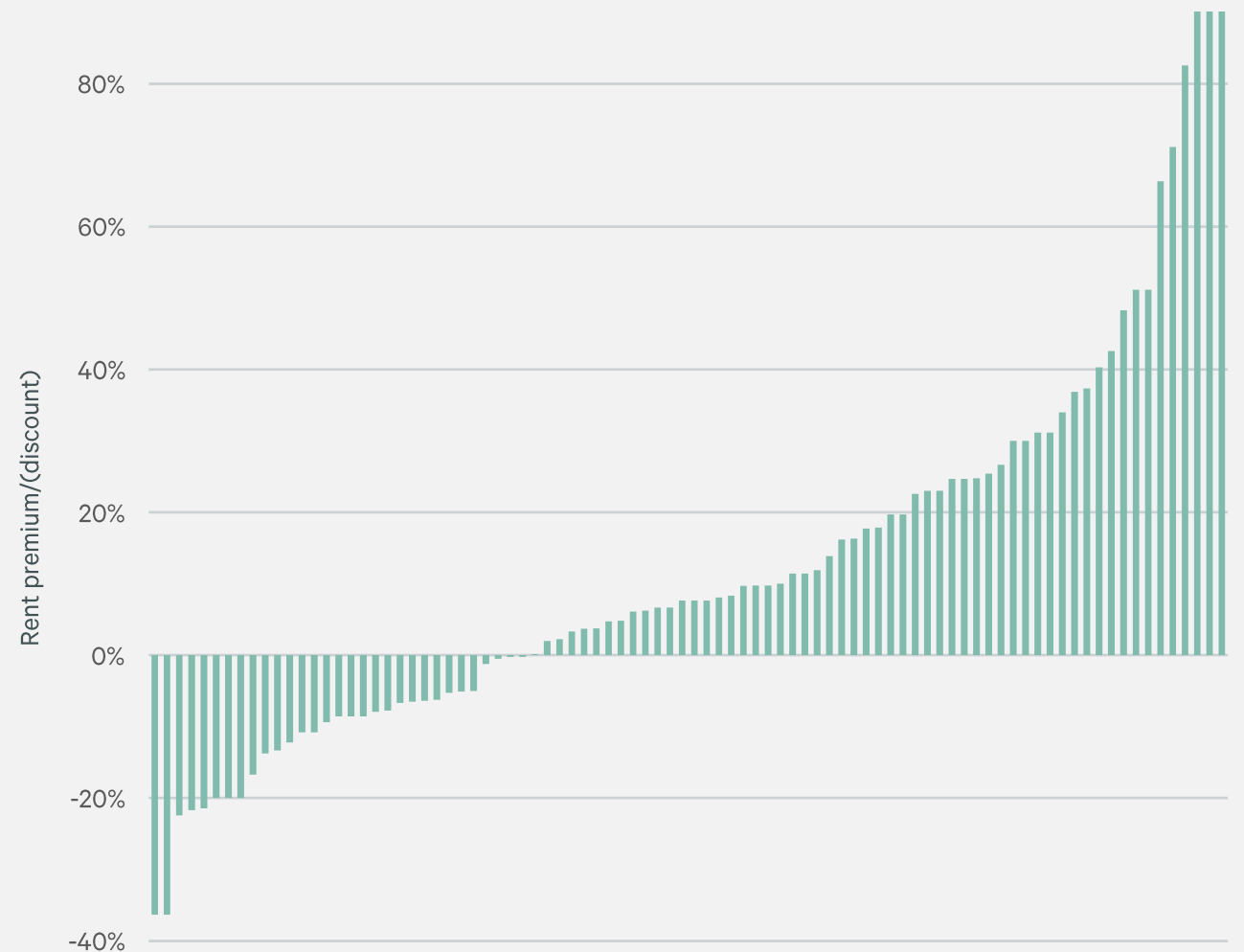
Breakfast & coffee facilities



Community & social activities

Newer student accommodation offers residents premium living experience.

Figure 12: Rent premium of student accommodation vs apartment rents in similar precincts (June 2024)



Source: CBRE Research comparison of 86 student accommodation buildings

Scape, Redfern



Consolidation continues as new entrants emerge

After a record 2020, transaction activity slowed over 2021-1H 2024.

Consolidation and developments remain the themes of the PBSA sector in Australia with Scape completing 3 assets previously owned and operated by UTS for \$85m in January 2022. In the same month, Allianz settled on the second Journal asset for \$190m.

Capital continues to pursue development as there are few opportunities to purchase stabilised operational stock. This was evident as APG and Ivanhoé Cambridge committing \$1bn for Scape’s development pipeline.

Asset	SYD Cap Rate	MEL Cap Rate	BRIS Cap Rate	ADE Cap Rate	PER Cap Rate	CAN Cap Rate
PBSA	5.00% - 5.25%	5.25% - 5.50%	5.50% - 6.00%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%

Figure 17: Major Australian PBSA Transaction Timeline



Global pricing metrics

In the US, student housing cap rates had compressed to just below 5% but have increased through 2023 and early 2024. In the UK, cap rates are around 4.25% in 1H 2024.

Transaction volumes were muted in 2023, down by 50%-60% on 2022 levels, depending upon the geographic market.

We see opportunities for capital to continue to invest in develop-to-core strategies in coming years, as the market comes to appreciate stability of income and rent growth profile. .



Figure 15: Global cap rates for student living sector



Source: CBRE Research, RCA

Y Suites on A'Beckett, Melbourne



Australian Universities

New South Wales)

- Charles Sturt University
- Macquarie University
- Southern Cross University
- University of New England
- University of New South Wales
- University of Newcastle
- University of Sydney
- University of Technology Sydney
- Western Sydney University
- University of Wollongong
- Australian Catholic University*
- Central Queensland University*
- University of Southern Queensland*
- University of Tasmania*
- Torrens University*
- Charles Darwin University*
- Curtin University*
- University of Notre Dame*
- University of Divinity*

Australian Capital Territory

- University of Canberra
- Australian National University
- Australian Catholic University*
- Charles Sturt University*
- University of New South Wales*

Queensland

- Queensland University of Technology
- Bond University
- Central Queensland University
- Griffith University
- James Cook University
- University of Queensland
- University of Southern Queensland
- University of Sunshine Coast
- Australian Catholic University*
- Torrens University*
- Southern Cross University*

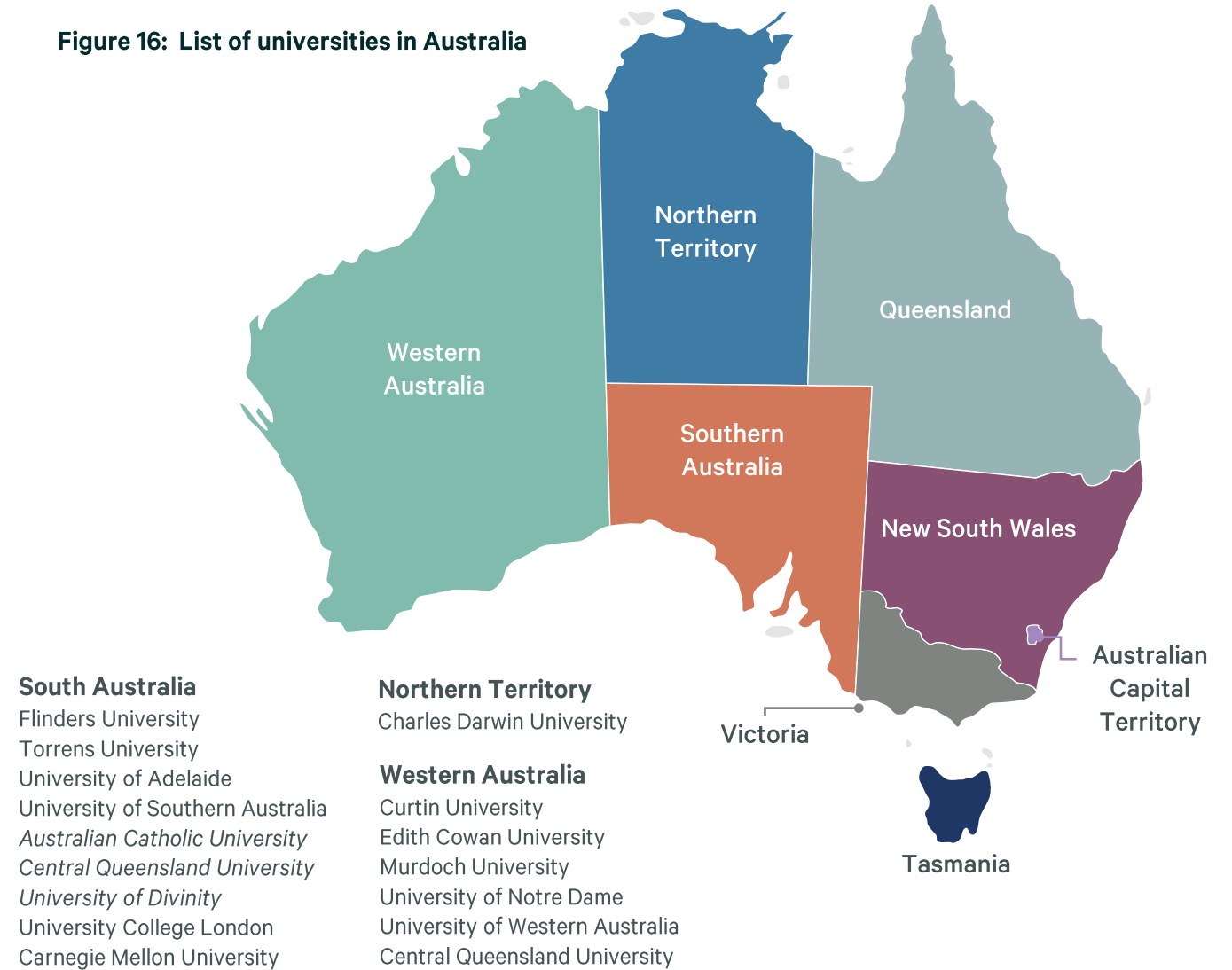
Victoria

- Deakin University
- Monash University
- RMIT University
- Federation University
- University of Melbourne
- La Trobe University
- Victoria University
- Australian Catholic University*
- University of Divinity*
- Swinburne University of Technology*
- Central Queensland University*
- Torrens University*

Tasmania

- University of Tasmania

Figure 16: List of universities in Australia



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