

STUDENT ACCOMMODATION – MID YEAR MARKET UPDATE 2019

URBIS

01 HIGHER EDUCATION OVERVIEW

The higher education sector in Australia has experienced rapid growth over the past decade driven by both domestic and international factors. As illustrated in Chart 1.1, total higher education enrolments in Australia increased every year from 2002 to 2017, albeit the rate of growth varied (from 1.7% in 2005 to 6.7% in 2009).

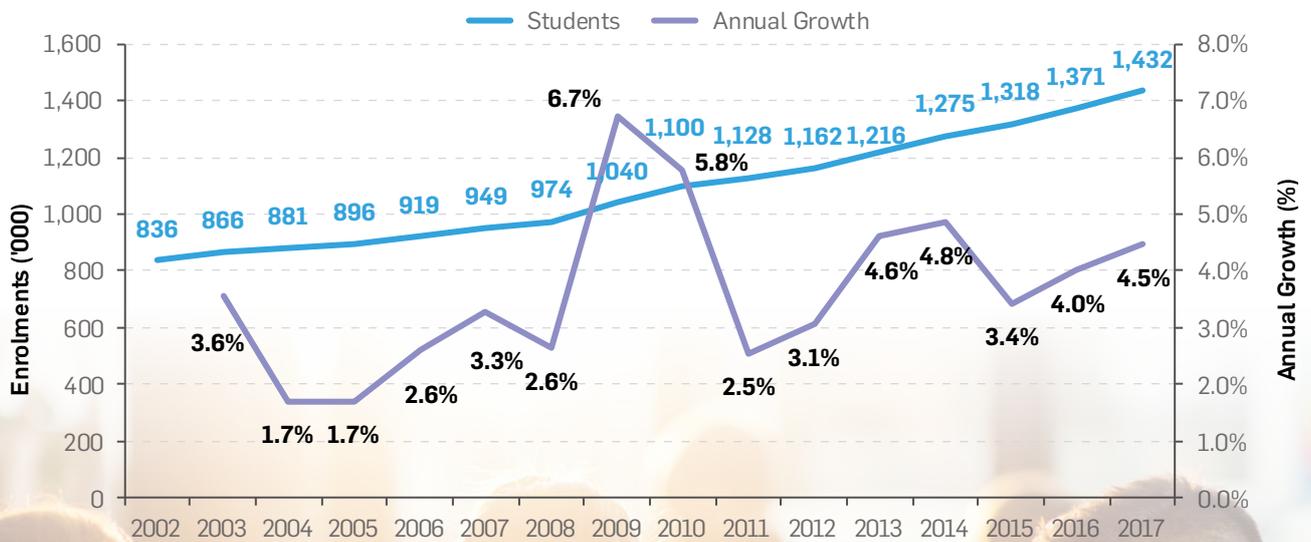
By 2017 (the most recent comprehensive data available), an additional 596,192 students were enrolled in higher education institutions in Australia compared to 2002 – translating to an average annual growth rate over the period of 3.7%. The total number of higher education enrolments in Australia in 2017 was 1,432,293, an increase of 61,098 students from 2016 (4.5%). Postgraduate students increased by 6.4% to 428,021 while undergraduate students also increased by 3.0% to 1,037,013.



The sustained growth and success of the student accommodation sector in Australia continues to attract new capital, in turn driving down investment yield.

Matthew Cleary,
Regional Director

CHART 1.1 - TOTAL HIGHER EDUCATION ENROLMENTS AUSTRALIA, 2002-2017



Source: Department of Education; Urbis

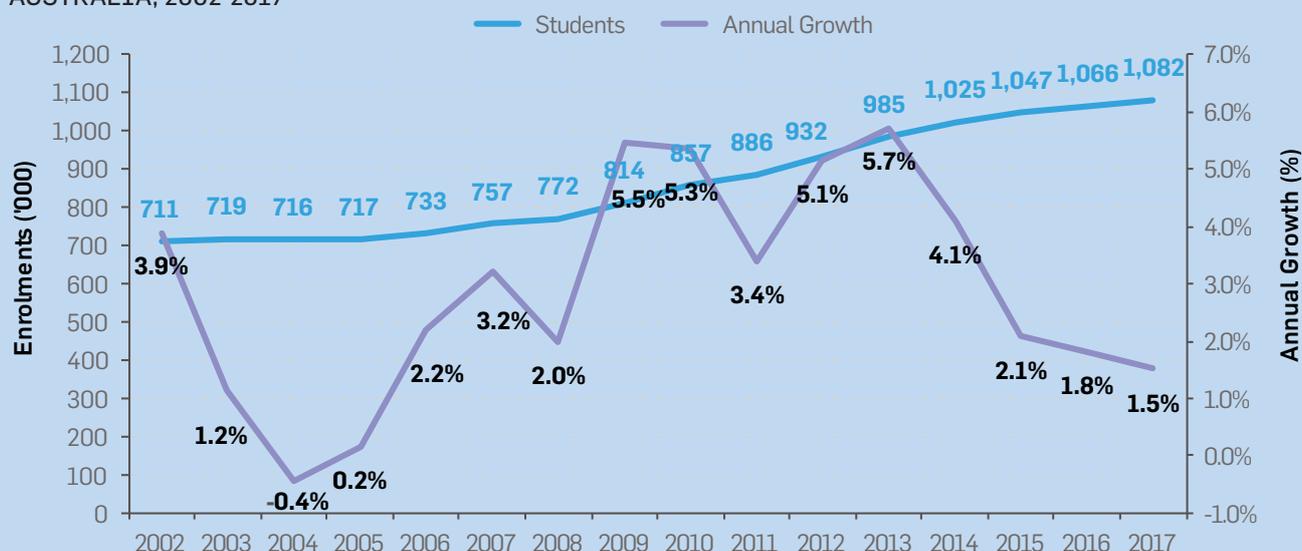
1.1. DOMESTIC HIGHER EDUCATION

1.1.1. HISTORIC ENROLMENTS

There were 1,081,821 domestic students in 2017, an increase of 1.5% from 2016. Domestic student enrolments in higher education institutions increased in all years between 2002 and 2015, except in 2004 when the proportion of Commonwealth Grant Scheme (CGS) funding was reduced. Enrolments grew thereafter as the proportion of CGS funding increased again.

This reflects the impact that government funding can potentially have on domestic higher education enrolments, and therefore it is important to consider likely future changes in government funding, and the associated risks and opportunities that this might represent.

CHART 1.2 - DOMESTIC STUDENT HIGHER EDUCATION ENROLMENTS
AUSTRALIA, 2002-2017



Source: Department of Education; Urbis

1.1.2. UNIVERSITY PARTICIPATION

Table 1.1 shows the growth of residents attending university or other tertiary institutions in Australia from 2011 to 2016. The tertiary education participation rates in Australia is 5%. It is considered that the tertiary education participation rate in Australia is reaching

saturation, which would likely result in population growth being the key driver in domestic enrolments.

As a comparison, participation rates in other major university markets include New Zealand (5.9% in 2016) and United Kingdom (3.5% in 2016).

TABLE 1.1 - DOMESTIC UNIVERSITY AND OTHER TERTIARY INSTITUTION ATTENDANCE
AUSTRALIA, 2006-2016

State	2011	2016	Annual Growth (%)
AUSTRALIA			
University/ Tertiary Institution Attendees	932,526	1,160,623	4.5%
Total Resident Population	21,507,719	23,401,891	1.7%
Proportion of Population	4.3%	5.0%	0.6%*

Source: Department of Education; Urbis

Note: * percentage point increase Services 2015 – 2020

1.2. INTERNATIONAL EDUCATION IN AUSTRALIA

1.2.1. HISTORIC ENROLMENTS

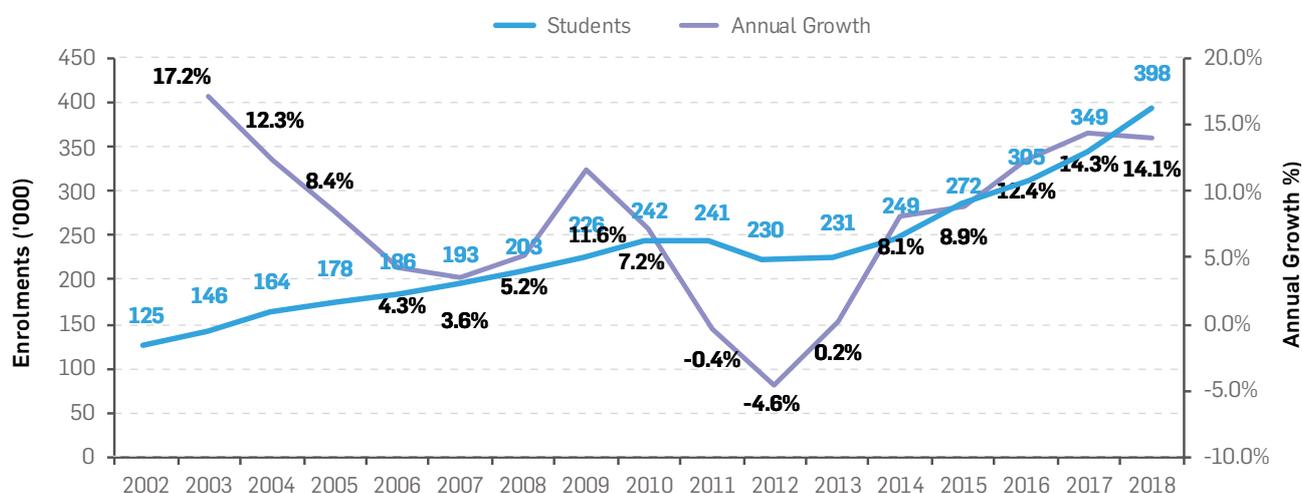
International higher education enrolments grew in all years from 2002 to 2010, before stabilising, and then decreasing in 2011-2013. Since a low of 230,037 international student enrolments in 2012, enrolments have grown by an average rate of 10% per annum.

Growth in the number of international student enrolments outpaced growth in domestic student enrolments from 2002 to 2017, resulting in the international student segment accounting for a growing proportion of all students enrolled in higher education institutions.

In its publication Education at a Glance 2018 the OECD reviewed the proportion of international students relative to all tertiary students for OECD countries for 2016. Of the 34 OECD countries included in the analysis, Australia had the fifth highest proportion of international students, at 17% compared to an average of 10%. Australia was behind New Zealand (20%), Luxemburg (47%), United Kingdom (18%) and Switzerland (18%). According to DET statistics, the proportion of international higher education students in Australia has continued to grow since 2013.

Preliminary data for 2019 indicates international enrolments are continuing to grow with 361,161 international enrolments to May 2019, equating to an increase of 13% from the same period in 2018. India has recorded strong growth between 2018 and 2019 of 39%.

CHART 1.3 - INTERNATIONAL STUDENT HIGHER EDUCATION ENROLMENTS AUSTRALIA (2002-2018)



Source: Department of Education; Urbis

Table 1.2 shows the international higher education student enrolments by each state over the past year (June 2018 to June 2019). Although total international enrolments had increased by 12.8% from 2018 to 2019, enrolments growth varied across each state.

TABLE 1.2 - INTERNATIONAL HIGHER EDUCATION ENROLMENT GROWTH BY STATE
INTERNATIONAL ENROLMENTS, YEAR TO JUNE 2018 TO JUNE 2019

State	June 2018	June 2019	Annual Growth (%)
New South Wales	117,151	130,575	11.5%
Victoria	113,144	129,647	14.6%
Queensland	41,433	46,731	12.8%
South Australia	17,246	19,566	13.5%
Western Australia	17,973	20,364	13.3%
Tasmania	4,782	5,509	15.2%
Northern Territory	1,341	1,429	6.6%
Australian Capital Territory	10,393	10,997	5.8%
Total	323,463	364,818	12.8%

Source: Department of Education; Urbis

1.2.2. COUNTRY OF ORIGIN

The countries of origin of international students in Australia from June 2009 to June 2019 are shown below in Table 1.3. Key points are:

- Australia's international students continue to be predominantly from the Asian region.
- Chinese students account for nearly 40% of international students.
- Significant growth in the Indian student population has been experienced throughout Australia. The Indian student population now accounts for 20% of all international enrolments up from 9% in 2014.

- The proportion of Malaysian students has fallen significantly with the proportion of Malaysian students falling from 9% in 2009 to 3% in 2019.

The shifts in the international student profiles have resulted in less diversification in Australia's international education sector, and therefore a higher degree of risk to the sector if any of these major markets were to be negatively shocked.

TABLE 1.3 - INTERNATIONAL ENROLMENT GROWTH BY STATE
INTERNATIONAL ENROLMENTS, YEAR TO JUNE 2018 TO JUNE 2019

Country	AUSTRALIA		
	2009	2014	2019
China	33%	36%	38%
India	12%	9%	20%
Nepal	2%	4%	8%
Vietnam	3%	5%	4%
Malaysia	9%	6%	3%
Pakistan	1%	3%	3%
Sri Lanka	2%	2%	2%
Indonesia	4%	3%	2%
Hong Kong	3%	4%	2%
Singapore	4%	3%	2%
Other	27%	26%	17%

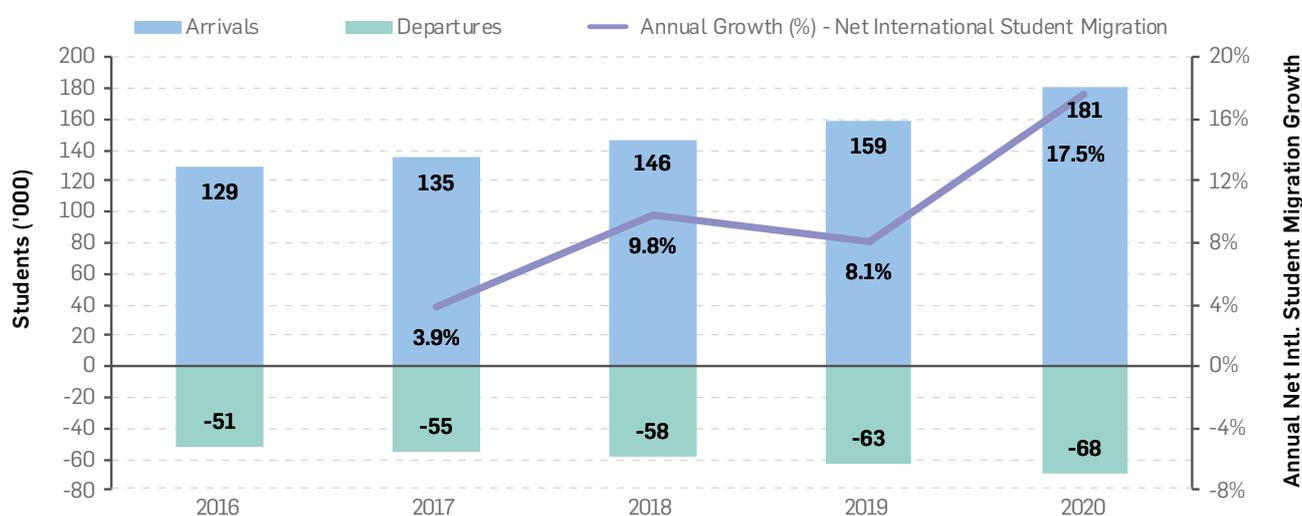
Source: DET, Urbis

1.2.3. INTERNATIONAL STUDENT FORECASTS

The Australian Government Department of Immigration and Border Protection (DIBP) produces forecasts of international students studying in Australia. The forecasts are updated quarterly and provide an indication of future potential international student growth in Australia. It is noted that forecasts also include international students that have applied for non-Higher Education courses such as Vocational, Education and Training (VET) courses and short stay language courses.

Annual international arrivals are forecast to increase by 52,100 to 181,000 by June 2020, representing at an annual growth rate of 8.9%. The growth of departures is likely to be slower than arrivals, so the number of students in the country at any given time is going to grow at an even quicker rate. DIBP has forecast net arrivals to increase from 77,800 in 2015 to 112,700 in FY June 2020.

CHART 1.4 - HISTORIC & FORECAST INTERNATIONAL STUDENT ARRIVALS & DEPARTURES AUSTRALIA (YEAR ENDING JUNE 2016-2020)



Source: Australian Government Department of Immigration and Border Protection; Urbis

1.2.4. INTERNATIONAL STUDENT GROWTH DRIVERS

International students typically have a higher propensity to demand student accommodation than local students, and thus fluctuations in the international student population will have a significant impact on demand for student accommodation. Given this impact, we consider the drivers, barriers and risks associated with growth in the international student segment in Australia, in order to understand how the international student populations might grow or shrink in the future.

Based on the findings of the Australian government's survey of international students in 2018, the top reasons for choosing Australia, identified as important or very important by over 90% of higher education student respondents, were:

- Quality of teaching (98%)
- Reputation of chosen qualification (95%)
- Personal safety and security (95%)

- Reputation of chosen institution (94%)
- Reputation of Australia's education system (94%)

The key factors influencing international students' demand for university education in Australia are therefore:

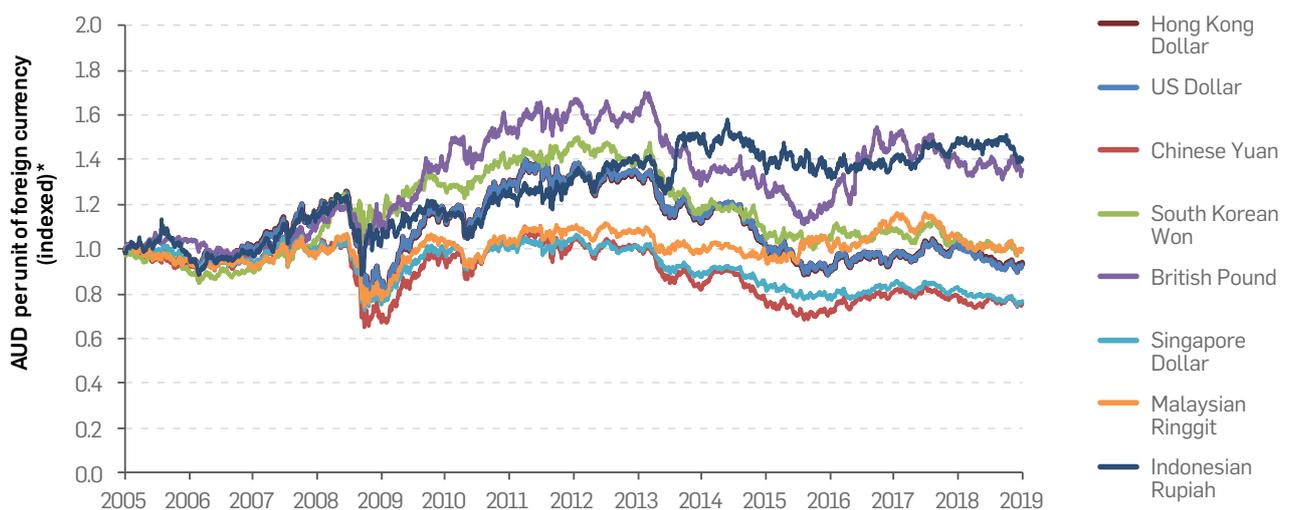
- Availability and accessibility of quality education in home countries: In particular, Chinese students enrolling in Australian universities have increased year on year, reaching 38% of total international enrolments in 2019. This has been influenced by the Chinese middle class growing in affluence and the growth in university places in Chinese universities being unable to keep up with student demand, particularly for postgraduate study. However, the Chinese government is now investing heavily in tertiary education and as standards and capacity constraints improve, Chinese students may wish

to study in their home markets. It is noted however, that the ability to study in an English language environment will continue to be of relevance to a significant number of these students. An added key driver for Chinese students is the improved opportunity to work in Australia after studying and potentially to gain preferred immigration status, for which Australia is seen as a strong destination.

- Safety: Safety is an important consideration for international students when choosing where to study. There have been previous cases in Australia and New Zealand where international student communities (including Chinese and Indian students) have raised concerns with respect to the level of safety and care for international students, in response to reports of mistreatment of students. These issues have received media interest and have resulted in significant falls in enrolments in following years. As outlined in the 2018 International Student Survey, over 95% of surveyed students identified personal safety was an important reason in choosing to study in Australia.

- Increasing international competition: International competition for students continues to grow rapidly. While the developed world has traditionally dominated the market, developing nations are now increasing their share of the market. Countries like China and, in particular Malaysia, are pushing hard to attract international students. Many developed country institutions are setting up campuses in the developing world or entering into partnerships. This represents a risk as demand for international higher education in Australia can ultimately decline as a result.
- The value of the Australian dollar also affects the global competitiveness of Australia's higher education market. From 2010 to the middle of 2013 the value of other world currencies against the AUD declined substantially as illustrated in Chart 1.5. Or, in other words, the value of the AUD against other currencies increased. At the beginning of 2013 the value of the AUD reached historic highs, which increased the cost of higher education courses in Australia relative to other countries. It is worth noting however that strong growth in enrolments from India and China continued over this period despite the appreciation of the AUD against both countries' currencies since 2002, particularly the Indian Rupee.

CHART 1.5 - AUSTRALIA DOLLAR CROSS EXCHANGE RATES
2005-2019



Source: RBA; Urbis

02 NATIONAL TRENDS IN STUDENT ACCOMMODATION

2.1. STUDENT ACCOMMODATION TYPES

There are several options available to students seeking to live close to university campuses. Broadly, the options fall under two categories – purpose built student accommodation and private rental housing. Each of the options is described opposite.



2.1.1. PURPOSE BUILT STUDENT ACCOMMODATION (PBSA)

University Owned Residence Halls and Colleges

Residence Halls and Colleges are typically located on or close to the University campus, and are either owned by or affiliated with the University. The facilities are usually large and accommodate up to several hundred students. The rooms are usually in a single or twin format, and are often basic in terms of their amenity. Bathrooms and laundry facilities are usually shared, though in some instances some rooms may have ensembles. Catering and the level of academic support and social infrastructure differentiate Halls / Colleges from other privately run student accommodation. Pastoral care appeals to parents of younger students and contributes significantly to the greater academic retention and performance of the resident student cohort. The perceived safety of university provided housing is also a key influencer of choice for both domestic and international students.

Independent Style Student Studios and Apartments

This type of accommodation is usually situated in higher density apartment developments located either on or in close proximity (walking distance or a short bus ride) to the University. Students usually have the option of a single studio style apartment with ensuite bathroom, or a larger apartment of typically up to six bedrooms with shared bathroom and kitchen facilities. Apartments usually come with basic furniture including a bed, desk, chair, and wardrobe and basic common area furniture. Compared to a standard (non-student apartment) rooms are generally smaller and often basic (particularly so in older accommodation), and therefore can provide an economical option to students.

2.1.2. GENERAL HOUSING

Shared Housing

Shared housing simply involves students leasing a house or unit through the general rental market. In a competitive rental market, this form of accommodation can often be difficult for students to take up given higher costs in some markets and the preference for landlords to lease properties to older, working tenants rather than students. Groups of students often reduce their rental costs by sharing a house that has fewer bedrooms than the number of students in that group. These types of accommodation also typically require a minimum 12-month lease and often come unfurnished. Utility costs that are typically fixed or included in the rental in purpose built student accommodation facilities are charged directly to the tenants by the utility providers, therefore increasing uncertainty of total accommodation costs over a year.

Homestays

Homestay accommodation involves students living with a local family while studying. Rental terms can vary, but typically the family charges the student a fixed rent which includes the cost of utilities. Catering arrangements also vary, from no meals being provided to all meals being provided. Homestay accommodation is generally more popular amongst international students, particularly those studying short courses or bridging courses and where immersion in an English language-speaking household is beneficial.



PBSA is forecast to gain greater market share of student housing.

Clinton Ostwald,
Group Director

2.2. PURPOSE-BUILT STUDENT ACCOMMODATION SECTOR AND OPERATORS

The student accommodation market in Australia has recorded strong growth in the last decade underpinned by:

- Educating international students in Australia is the 3rd largest export earner (over \$31 billion a year). There are over 500,000 international students educated in Australian universities and schools, with forecast growth to 600,000 by 2019 (increasing occupier demand driven by the rise in global student mobility).
- Greater opportunity to cater for the growth of inner-city residents (currently an unsaturated market where there is structural undersupply) that affects both students and the general public.
- Increasing level of global equity driving new investment opportunities (depreciation of the AUD may also provide additional incentive for foreign investment in the sector coupled with positive rental growth).

The student accommodation market is a fragmented industry in terms of geography and ownership. The most concentrated market is Melbourne, due to the fact there is a high density of educational institutions, coupled with an availability of development sites that have enabled student accommodation development.

There is a growing trend toward educational institutions creating agreements with the private sector, placing less focus on the traditional fully catered residential colleges.

The purpose-built student accommodation sector in Australia is dominated by several main operators, which have been listed in Table 2.1. As evident in the table, UniLodge and Campus Living Villages (CLV) are the main operators in Australia, comprising approximately 45% of the total Australian supply run by private operators. CLV's business model has historically focused purely on on-campus accommodation in partnership with universities (also incorporating a large offshore business in the US, UK and New Zealand), whereas UniLodge has a combination of on-campus and off-campus facilities (with a presence in New Zealand). Urbanest entered the market in 2008 and has grown quickly with a model based almost entirely on private facilities that are non-aligned to universities. Newer operators, such as Atira Student Living, Scape Living and GSA are expanding in the market in major Australian cities (noting that GSA was an original investor in Urbanest).

TABLE 2.1 - PBSA BED PROVISION BY MAJOR PRIVATE OPERATORS AUSTRALIA, JUNE 2019

Operator	Beds	% Of Total Beds	Facilities
UniLodge	18,563	28%	64
Campus Living Villages	11,462	17%	24
Urbanest	6,739	10%	13
Atira Student Living	3,441	5%	6
Student Housing Australia	3,440	5%	48
Iglu	3,371	5%	8
Student One	2,341	4%	3
Scape Student Living	2,235	3%	4
Other	14,951	22%	93
Total	66,543	100%	263

Source: Urbis

2.3. ROOM PREFERENCES

Cultural norms and socioeconomic status drive international student housing selection. The following preferences are noted for different nationalities based on interviews with student accommodation managers and our recent experience working on student accommodation facilities across Australia:

- **China:** Chinese students from cities such as Beijing and Shanghai are generally more affluent and are willing to pay more for a studio room though we note that there are a diverse range of students including more budget conscious students at the affordable end of the market. These students are generally more accustomed to sharing rooms as a result of the four to six bed dormitories provided in China. In addition, primary research conducted by Urbis at a number of universities had found many students from China, particularly those from a low to moderate socio-economic background, prefer a twin share room to reduce costs.
- **South Korea:** The majority of South Korean students prefer studio apartments with their own kitchen and facilities and a higher quality of fit out.
- **South East Asia:** Students desire a mix of accommodation with a relatively even mix between studios and share apartments.
- **Indian Subcontinent:** Students are generally used to sharing accommodation and have a higher propensity for share apartments/houses and shared rooms to reduce costs.
- **Europe:** European students are generally more willing to share facilities in an apartment. They prefer single rooms with communal living arrangements allowing an opportunity to cook and socialise together.
- **United States:** Generally, more flexible when it comes to student accommodation and willing to share apartments. This is influenced by a large proportion of students sharing a room in their first year of university/college. However, anecdotal evidence through discussions with operators indicates US students push for private rooms while studying abroad has increased somewhat over time
- **Australia:** Australian students are also relatively flexible with some wanting their own studio room, while others keen to share facilities in an apartment, however, generally still expect a private bedroom. The key feature that most of these students are looking for is medium to high quality accommodation that is moderately priced. Younger Australian students from regional and remote Australia also have a higher preference for catered forms of accommodation, whereas older and metropolitan based students have a higher preference for self-catered accommodation.

Other factors important in determining accommodation preferences and decisions include:

- Proximity to the campus
- Proximity to employment opportunities
- Proximity to entertainment and retail services.



With a growing international student population, we forecast the PBSA will grow to take a greater market share similar to the developed nations.

Alex Stuart,
Associate Director

2.4. AUSTRALIAN BENCHMARK SUPPLY

The following table benchmarks the provision of student accommodation to full time students studying on campus (on-campus students). The benchmark compares total beds in July 2019 with full time student enrolments in 2017. While some data is available on student enrolments in 2018 and 2019, 2017 data has

been used for the benchmarks to ensure consistency between universities throughout the country. As the enrolment data is two years old, the benchmarks are best placed to show the relativity between universities rather than the actual current benchmark.

TABLE 2.2 - STUDENT ACCOMMODATION SUPPLY BENCHMARKS
JULY 2019

REGION	Full Time Students per Bed (On-Campus Students)			FT ON-CAMPUS ENROLMENTS
	ON-CAMPUS	OFF-CAMPUS	TOTAL	
Inner Sydney	16.3	20.4	9.0	143,244
Suburban Sydney	23.8	133.2	20.2	70,508
Regional Cities	11.2	145.5	10.4	47,275
Regional Towns	3.8	98.6	3.7	24,259
New South Wales	12.8	35.1	9.4	285,286
Inner Melbourne	32.7	10.0	7.7	144,454
Suburban Melbourne	18.3	41.9	12.8	121,332
Regional Cities	8.0	156.8	7.6	9,876
Regional Towns	6.5	140.8	6.2	16,333
Victoria	19.8	16.7	9.0	291,996
Inner Brisbane	29.5	8.1	6.3	82,379
Suburban Brisbane	20.8	9.9	6.7	19,707
Regional Cities	18.1	33.0	11.7	43,948
Regional Towns	12.8	89.8	11.2	20,199
Queensland	21.5	12.1	7.7	166,233
Inner Adelaide	55.4	7.1	6.3	38,182
Suburban Adelaide	35.7	-	35.7	20,023
Regional Towns	9.0	11.4	5.0	796
South Australia	44.1	10.8	8.7	59,001
Inner Perth	14.7	43.6	11.0	56,602
Suburban Perth	27.1	-	27.1	29,463
Regional Towns	18.1	9.3	6.1	2,120
Western Australia	17.5	57.8	13.4	88,185
Hobart	17.8	11.3	6.9	10,228
Regional	5.1	133.5	4.9	5,339
Tasmania	9.5	16.5	6.0	15,567
Australian Capital Territory	3.9	37.8	3.6	32,945
Northern Territory	8.0	12.6	4.9	3,806
Australia	15.3	19.4	8.6	943,019

Note: (-) No student accommodation beds

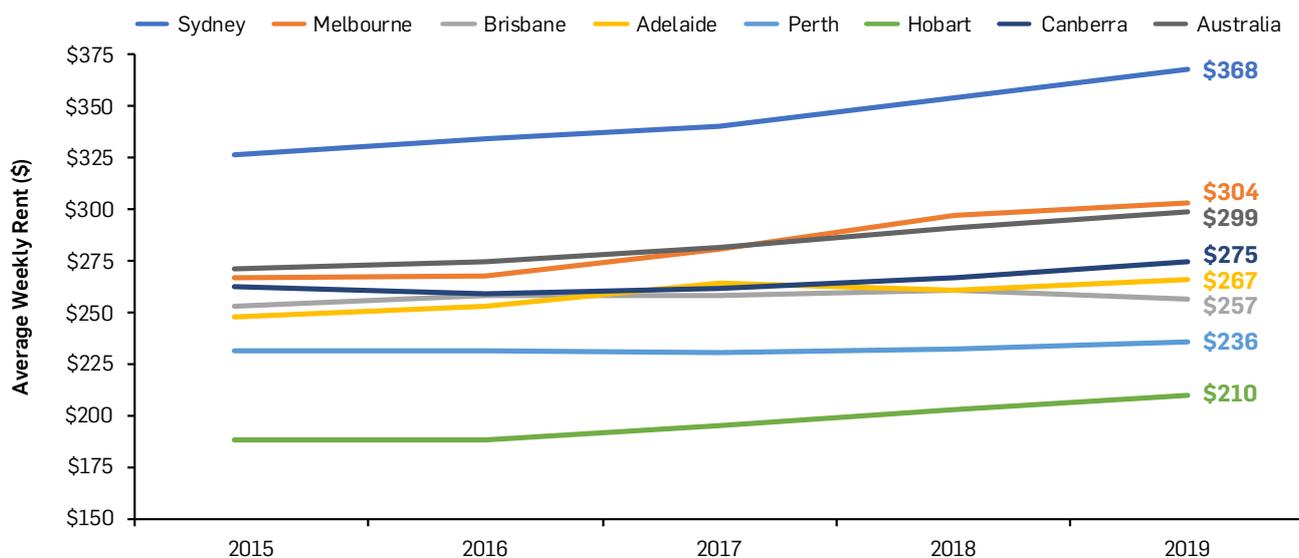
Source: Various universities, Department of Education and Training, Urbis.

RENTAL RATE ANALYSIS

Urbis has tracked fee growth for PBSA facilities in Australia over the last five years. Of self-catered facilities that have operated from 2015-2019, fee growth across Australia has averaged 2.5% per annum. With almost 30,000 beds completed in the last four years, the average quality of accommodation has improved meaning price growth across the whole market is higher than 2.5%.

Sydney records the highest average weekly fees reflecting the high cost of living compared to other capital cities. Rents in Sydney have grown at 3.0% per annum with Melbourne recording the highest growth of 3.3% per annum. The price growth reflects the strong demand in the two cities with most PBSA facilities (particularly in the inner city) operating at full occupancy. Average rents in Brisbane, Perth and Canberra have been relatively stable with vacancies in the market constraining growth

CHART 2.1 - AVERAGE WEEKLY RENTS
AUSTRALIA 2015 - 2019



Investors seeking a core CBD investment in gateway cities will continue to seek out PBSA opportunities due to the return premium above the office sector landmark.

Eleanor Gleeson,
Consultant

03 INVESTMENT MARKETS

3.1. PURPOSE-BUILT STUDENT ACCOMMODATION INVESTMENT

PBSA has emerged as its own asset class in Australia as it reaches a critical mass. There are major investment groups investing in Australia from countries such as China, Singapore and the Netherlands. This includes Scape Student Living, which has a development pipeline of almost \$1 billion in Melbourne, Brisbane and Sydney and GSA which has several sites across the country.

Undersupply of residential accommodation, increasing student demand, and a growing level of global equity seeking to diversify investment is driving growth in the Australian student accommodation market. On a global scale, the increasing mobility of students, emergence of international PBSA developers, and investment mandates to diversify portfolios is driving growth in student accommodation.

The student accommodation market has proven to be attractive to global equity as it provides a proxy investment in Australia's residential sector, whilst often benefiting from long lease agreements and capital guarantees from tertiary providers.

At a national level, the Australian PBSA market's immaturity relative to other developed nations, consistent growth in student enrolments, proven strength of academic offering, and depreciation of the AUD, have provided a catalyst for growth in student accommodation. Consequently, there has been a recent influx of interest in student accommodation by foreign and local investors.



There are multiple factors that contribute to the capitalisation rate achieved on the sale of PBSA properties. Drivers include:

- Leasing structure
- Rent review mechanisms
- Competition
- Proximity to the campus and other amenities
- Status and reputation of the university that the accommodation services
- Property Mix and Quality, and
- University Agreements and Incentives.

Within the last few years, there have been a number of notable transactions.

- **February 2014:** RMIT Village at 5-17 Flemington Road, North Melbourne sold for approximately \$60 million (at an initial yield of around 7.5% after management fees). The property comprises 456 bedrooms and incorporates a car park providing future development potential.
- **February 2014:** Macquarie Capital and the Sovereign Wealth Fund GIC acquired student accommodation provider Iglu and its associated assets (2 operating properties in Sydney and 1 development site in Brisbane) for approximately \$150 million. This transaction was reportedly based on an initial yield of 7% based on anticipated revenues.
- **Since 2014** Cedar Pacific have progressed a portfolio of 12 assets across Australian and New Zealand, which when complete will comprise 6841 beds. The portfolio has been funded, developed and managed through two separate funds and now includes assets in Auckland, Brisbane and Melbourne a number of which are under construction. The portfolio which is operated by UniLodge will have an anticipated end value of circa \$2bln.
- **September 2015:** Macquarie Capital and GIC-backed student accommodation provider Iglu purchased the 454-bed Kelvin Grove Village from Campus Living Villages.
- **July 2016:** A private domestic investor purchased the 233 bed UniLodge @ UNSW for \$57 million
- **May 2017:** Singapore-backed Frasers Property Australia and partner Japan's Sekisui House sold the UniLodge development near Sydney's Central Park to GIC, a Singaporean Sovereign Wealth Fund in for \$300 million.

Other activity related to PBSA investment include:

- **November 2014:** University of Wollongong has licensed its entire student accommodation portfolio to Living + Learning Partners for 39 years – the price and structure of this deal have not been disclosed however the total deal including new development has been quoted in the press as having a value of \$250 million.

- **April 2015:** Iglu purchased a prime development site in the precinct around Queen Victoria Market in Melbourne for close to \$20 million.
- **Early 2016:** British student accommodation operator GSA Group has made its first Australian acquisition, buying out Campus Estates.
- **March 2016:** Blue Sky Private Real Estate announced a \$1bn student accommodation joint venture with global investment firm Goldman Sachs, with the intention of building a portfolio of 5,000 to 10,000 purpose built student accommodation beds across Australia and New Zealand. The JV partnership has purchased a majority stake in THE PAD Student Living, which currently manages accommodation for around 1,800 students (though is primarily across share houses and some PBSA). This has resulted in the existing establishments being rebranded as Padrooms and new facilities being operated as Atira Student Living.
- **April 2016:** APG has purchased two development sites in Melbourne close to RMIT and aims to deliver 1,500 beds on the sites.
- **April 2016:** South African listed Redefine Properties purchased a six-level car park on a 2,040 sq.m site at 16-32 Leicester Street in Carlton. Redefine Properties plans to undertake a \$130 million, high-rise student accommodation complex with up to 700 beds.
- **July 2016:** Infratil and Commonwealth Superannuation Corporation were awarded a 30-year financial concession on nine existing and one new ANU residences, in exchange for the capital funds to upgrade facilities.
- **Mid 2017:** UTAS entered into a partnership with the Spark Living consortium (comprising DIF and Tetrus Capital) awarding the consortium a 30-year licence arrangement for 10 of the University's 14 purpose-built accommodation properties across the Hobart, Launceston and Burnie campuses.
- **February 2018:** Singapore-listed Wee Hur Holdings has appointed InterGen Property Group to management \$700m PBSA fund to develop 3,250 beds across Melbourne, Adelaide, and Brisbane. Pipeline now includes sites in Sydney and is estimated at 4,500 beds across Australia.
- It is also noted that several universities have undertaken expression of interest processes investigating opportunities to partner with the private sector. These include Curtin University, James Cook University and La Trobe University. It is noted that the James Cook and La Trobe transactions have experienced difficulties and have not been successful.
- The expected sale of the global Campus Living Villages portfolio was shelved in July of 2017 with owners not able to come to agreement with several potential bidders. The UBS managed deal, estimated at over \$2bn, was set to include 10,400 beds owned,

operated and/or managed in Australia, as well as assets in NZ, the UK and USA (approximately 45,000 beds in total), however, as of November 2017, it is understood CLV is undertaking a transaction process to sell their University of Canberra Village accommodation.

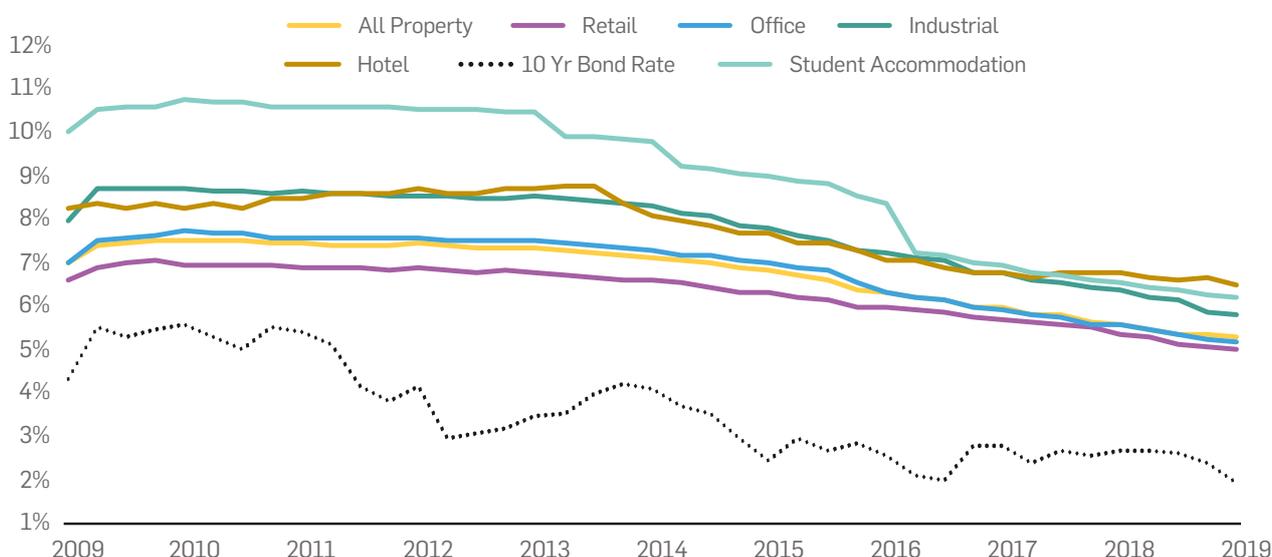
- **November 2018:** AMP Capital, through its AMP Capital Diversified Infrastructure Trust has entered into a 40-year student residences contract with the University of Melbourne. The long-term arrangement comprises a total of 954 beds across two facilities being refurbished and constructed at the University of Melbourne's Parkville campus.
- **April 2019:** AMP Capital purchased the Australian National University's student accommodation concession from investors managed by H.R.L. Morrison & Co. The transaction is valued at over \$700 million and includes a 34-year concession over 4,184 beds across ten existing residences on the campus in Canberra.
- **June 2019:** Chicago-based financial investor M3 Capital Partners, which manages the The Washington State Investment Board's money, is undergoing a process to sell Urbanest's Australian assets with an indicative asking price of \$2 billion.
- **September 2019:** Scape Australia has purchased Atira Student Living from Goldman Sachs and Blue Sky for an estimated \$700 million. The portfolio comprises six facilities with 3,510 operational beds and an owned development pipeline of another 1,520 beds.

As the Management and Investment Model continues to be affirmed in the Australian context we are now seeing increased activity in terms of both local and further offshore investment particularly in relation to the current portfolio opportunities that are available through the Urbanest and Atera transactions.

From a market perspective that bidders considering the current opportunities have been faced with a dilemma of limited recent transactional to guide them as to broader market pricing for PBSA assets and accordingly there is strong focus on the broader investment market pricing including commercial office in particular from which they are seeking guidance. It is our expectation that the prime assets within each of the portfolios should be priced at approximately 100 basis points softer than prime CBD assets in each of the relevant geographies which should indicate yield ranges from 5% to 7%.

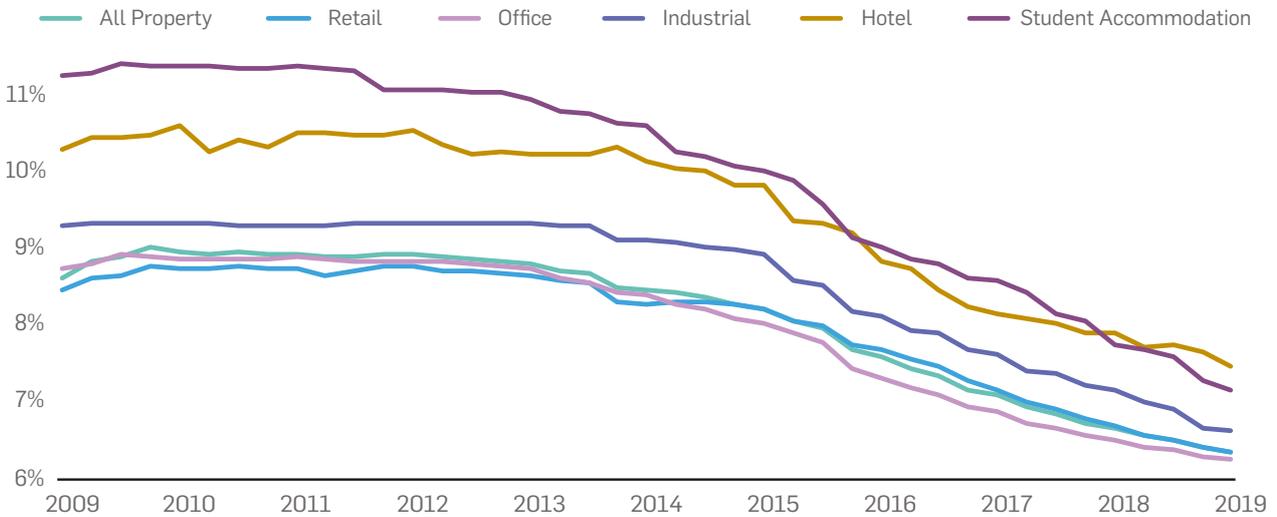
As evidenced by the tightening in yields across all asset classes the IPD Index data below indicates that in the student accommodation sector there is further capacity for the market to reprice these assets as the current benchmarks indicate a discount above what is anticipated through the current round of transactions.

CHART 3.1 - PROPERTY CAPITALISATION RATES VERSUS BOND RATE
QUARTERLY PERIODS ENDING MAR 2019



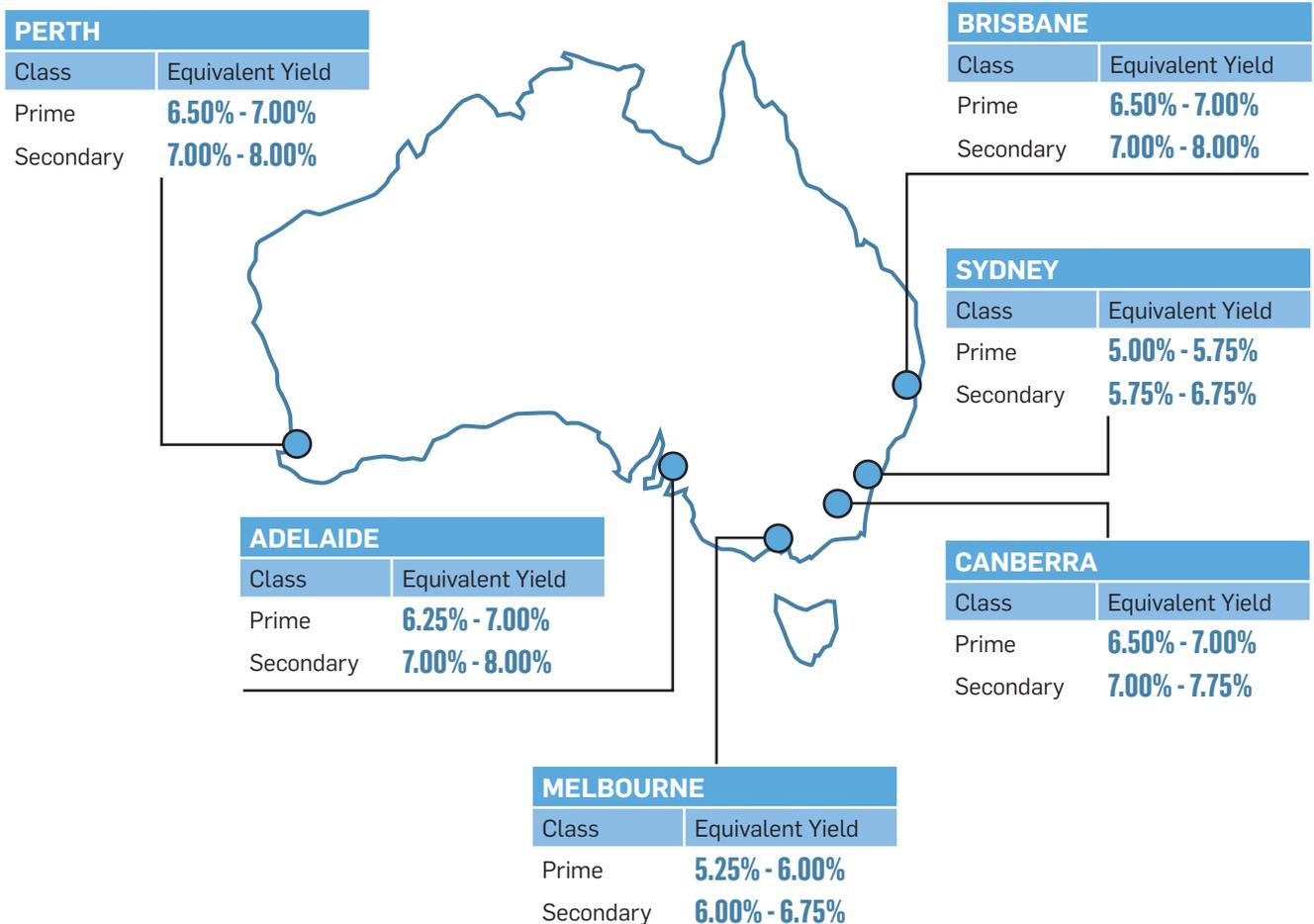
Source: RBA, MSCI. Analysed by Urbis

CHART 3.2 - PROPERTY DISCOUNT RATES QUARTERLY PERIODS ENDING MAR 2019



Source: RBA, MSCI. Analysed by Urbis

PBSA YIELD RANGES BY CAPITAL CITY



Transactions

In terms of the most recent comparable transactions, there has been limited evidence since the transactions of the Frasers Property Australia assets in Central Sydney. Our analysis of these transactions provided below indicates a market capitalisation rate of approximately 5.25% with the forecast cashflows presenting internal rates of return of 7%.

CENTRAL PARK, KENSINGTON 1 REGENT STREET, CHIPPENDALE, NSW

Sale Price	\$125,000,000
Sale Date	Dec-16
Purchaser	GIC
Vendor	Frasers
Total number of beds	271
Land Area (sq.m)	611 sq.m
FINANCIAL ANALYSIS	
Equivalent Market Yield	5.23%
10 Year IRR	6.96%
Value per bed	\$461,255



LOCATION

The subject property is located on the corner of Regent Street, Dwyer Street and Goold Street, Chippendale, approximately 2 kilometres south of the Sydney CBD and 1.4 kilometres from Sydney University and 150 metres from University of Technology Sydney.

The recreation and parkland facilities at Victoria Park are located 1.2 kilometre west with Chippendale Green facilities located 100 metres south-east.

Bus services operating along Broadway provide direct access to both Universities and the Sydney CBD. The site also benefits from access to Central Station which lines service the south and south-west of Sydney.

Chippendale is a highly regarded residential location mainly due to its offering of established period homes and proximity to the Sydney CBD, Universities and nearby parkland.

IMPROVEMENTS

Central Park, Kensington is a purpose built residential college which was purchased on an "on completion" basis by GIC Singaporean Sovereign Wealth Fund. The properties are now managed by Iglu, the operational platform which was acquired by GIC in 2014 in conjunction with Macquarie Capital. The construction was completed in early 2015.

The property comprises retail at ground floor and 271 beds used for student accommodation. The dwelling typology ranges from studio accommodation to 6 bed share rooms and additional Deluxe rooms offered. Two hundred of the available beds are NRAS compliant.

THE STEPS, CENTRAL PARK

6 CENTRAL PARK AVENUE, CHIPPENDALE, NSW

Sale Price	\$300,000,000
Sale Date	Dec-16
Purchaser	GIC
Vendor	Frasers
Total number of beds	770
Total building (sq.m)	16,572 sq.m
Land Area (sq.m)	2,808 sq.m

FINANCIAL ANALYSIS

Equivalent Market Yield	5.21%
10 Year IRR	6.96%
Capital Value (\$/sqm of building area)	\$18,103 per sq.m
Value per bed	\$389,610



LOCATION

The subject property is located along Abercrombie Street, Chippendale, approximately 2 kilometres south of the Sydney CBD, 1.1 kilometres from Sydney University and 250 metres from University of Technology Sydney.

The recreation and parkland facilities at Victoria Park are located 1 kilometre west with Chippendale Green facilities located 100 metres south-east.

Bus services operating along Broadway provide direct access to both Universities and the Sydney CBD. The site also benefits from access to Central Station which lines service the south and south-west of Sydney.

Chippendale is a highly regarded residential location mainly due to its offering of established period homes and proximity to the Sydney CBD, Universities and nearby parkland.

IMPROVEMENTS

The Steps Central Park is a purpose built residential college which was purchased on an "on completion" basis by GIC Singaporean Sovereign Wealth Fund. The properties will be managed by Iglu, the operational platform which was acquired by GIC in 2014 in conjunction with Macquarie Capital. The construction was completed in early 2015.

The property comprises retail at ground floor and 770 beds used for student accommodation. The dwelling typology ranges from studio accommodation to 6 bed share rooms. 746 of the available beds are NRAS compliant.

WHITLEY COLLEGE

271-273 ROYAL PARADE, VIC

Sale Price	\$18,500,000
Sale Date	May-16
Purchaser	GSA Group
Vendor	Private
Total number of beds	130
Total building (sq.m)	5,044 sq.m
Land Area (sq.m)	4,858 sq.m

FINANCIAL ANALYSIS

Equivalent Market Yield	7.25%
Capital Value (\$/sqm of building area)	\$3,668 per sq.m
Value per bed	\$142,308



LOCATION

The subject property is located on the north west corner of Royal Parade and Leonard Street in Parkville, approximately 2.5 kilometres north of the CBD and 1.5 kilometres from Melbourne University. Royal Parade comprises a tree lined boulevard accommodating a variety of uses including student accommodation, residential housing and commercial offices.

The recreation and parkland facilities at Princess Park are located directly opposite the subject property together with Royal Park to the west.

Tram services operating along Royal Parade provide direct access to Melbourne University and the Melbourne CBD to the south whilst Sydney Road, Brunswick is a short distance further north.

Parkville is a highly regarded residential location mainly due to its offering of established period homes and proximity to the Melbourne CBD, Melbourne University and nearby parkland.

IMPROVEMENTS

Whitley College comprises a purpose built residential college which was purchased as a development site by The Baptist Union of Victoria in 1956 for the purpose of developing a university college. The building was completed and opened on 25 February 1965.

In its current distinctive doughnut shaped configuration the residential college provides accommodation for approximately 130 students plus 10 tutors together with shared amenities, a manager's residence, commercial kitchen, dining room, recreation rooms, library, chapel and offices.

The improvements are surrounded by established gardens including a central courtyard located within the confines of the doughnut building.

The accommodation comprises mainly single studio rooms with shared bathrooms. At the time of our inspection the improvements were in basic order and would benefit from refurbishment and upgrading.

OUR STUDENT ACCOMMODATION TEAM



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Group Director



Matthew Cleary
Regional Director



Sarah Macklin
Director



Eleanor Gleeson
Consultant



Alex Stuart
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