

The Unsung Hero Underpinning Australia's Largest Service Export

Purpose-Built Student Accommodation

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Foreword



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Young people who choose to study at Australian universities and institutions are the life-blood of our cities – they live, shop, study, relax and play in CBDs across the nation. Some travel across the world to study in Australia, others from one suburb over, but the impact they have on our education sector and capital cities is the same.

International students who have positive experiences while living in Australia go home as life-long ambassadors for our country, and the Australian students they befriend along the way stay connected with them long after they return home. Students who choose to live in purpose-built student accommodation (PBSA) do so for a variety of reasons. It's safe, they are surrounded by like-minded young people, its close to study and transport and they are protected and supported by professional staff 24 hours a day.

Some make the decision on where to live with their parents long before they arrive in our country, others decide they'd prefer their own studio apartment and gymnasium over a share-house at the end of the train track. Regardless, the demand for PBSA is growing. However, PBSA is not just a niche product for international students – it is a vital part of Australia's housing supply chain, and one that needs to grow to support our critical education sector and residential rental market.

This report shows the true role that PBSA plays in our cities, both economically and socially, but it also highlights the role this sector has on adding important housing stock into the market. Without PBSA, tens of thousands of international and domestic students would be competing in the private rental market with other Australians. As Australia faces a looming housing shortage and rental squeeze, the role PBSA plays in alleviating rental pressure and housing our students has never been more critical.

PBSA – good for the student, good for the CBD, and good for the housing market. It's that simple.

Purpose-Built Student Accommodation (PBSA), underpins a vital economic sector that benefits all Australians. Yet little is known about the category, despite it underpinning Australia's largest service industry export international education, which prior to the pandemic contributed over \$40b to the economy.

As Australia faces some of the lowest vacancy rates in residential rentals, PBSA can alleviate this pressure whilst providing a fit for-purpose environment, that is created for students to flourish.

PBSA is the backdrop to a rich cultural tapestry that is home to the brightest minds, offering a safe haven and unique environment built around the needs of the customer – the students. However, our current tax structures, Residential Tenancy Acts, council requirements and other regulatory environments are stifling not just economic contribution, but are dampening growth.

This report highlights the strategic pillars that PBSA delivers to enhance a beneficial social and economic outcome and spotlights the current barriers that constrain further advancement. There is a great deal to be done, and The Student Accommodation Council is committed to driving initiatives that support Australia's future, for the benefit of all.

Purpose-Built Student Accommodation (PBSA) is an essential driver of growth for Australia's education industry

The PBSA sector provides students **with an all-inclusive accommodation experience**, and is a **common landing point** for regional, interstate, and international students as they commence their studies and adjust to a new living environment.

PBSA developments also provide significant economic benefits for their local areas – typically dense inner-city regions which were hit hardest by the pandemic. The average PBSA student **spends just under the equivalent of an average Australian adult (\$4,400 per month)**. The private PBSA sector provides **76,500 student beds** across Australia in **over 200 PBSA developments** and is a substantial part of Australia's property industry – the 10 founding members of the Student Accommodation Council currently have **more than \$20 billion in assets**.

PBSA has stood up to the task of **accommodating rapid growth in demand for Australian universities**, but there are still significant difficulties. To best support the sector in its continued growth, the following actions are essential:

- 1 Encouraging investment** from both domestic and international investors by reducing tax barriers to foreign investment and forming a consistent classification of PBSA as an asset class.
- 2 Streamlining development, approvals and operations** across all three levels of government by incorporating PBSA into zoning plans and developing PBSA-specific legislation for Residential Tenancy Acts.
- 3 Attracting and supporting students** by further marketing Australia as a safe and welcoming destination for international students, this can be achieved through pathways to post-study employment and supporting students during their return to in-person learning.

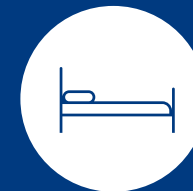
Australia's PBSA sector at a glance:



4th largest
student market in
the world¹



Over 200
PBSA developments in
Australia



76,500
PBSA beds provided for
students



\$4,400
Spent per month,
per student

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Journal Student Living Uni Place, Melbourne

01

PBSA provides a unique experience for students

PBSA is specially designed for students, tailored to their specific needs

PBSA provides students with a fit-for-purpose accommodation option. The purpose-built nature of PBSA is how the sector differentiates itself from other offerings in the market for Australian students. PBSA only supplies housing to students, and as such caters to the specific need of their market. The physical layout of the building is designed as mixed-use – incorporating retail outlets, communal spaces, study areas, amenities and multiple accommodation formats. PBSA buildings are located in proximity to both universities and education precincts close to public transport options.

The level of service and care is superior in PBSA compared to other student accommodation options. PBSA providers offer comprehensive and bespoke care options to student residents, which adds to the unique value of PBSA. Providers work in collaboration with universities to offer pastoral care to students, including mental health and wellbeing services, study assistance, English classes and social events. Many providers have 24-hour service staff who are able to engage with students and provide support.

PBSA is well-suited to students who are new to university and want a mid-term accommodation option. PBSA is an all-inclusive accommodation option, which makes it well suited to house new university students – particularly those coming from overseas or interstate. It is also built around the model that most students only stay a few semesters or years, and at most the full duration of their studies.

Level 17: communal kitchens and terrace



Ground level: communal space and retail



Yugo Infinity Place, Melbourne

PBSA is a premium offering in the student accommodation market

Level of services provided

←-----→
Low High



Private rental accommodation

- Students **bear the cost and responsibility of utilities, internet and furnishings**
- Leases are generally 12 months with limited supply at times of year when there is greatest student demand
- Securing a property can be difficult without rental history – leases can be insecure
- Residents are at risk of being taken advantage of by some landlords, due to less understanding of their rights
- Quality of building and responsiveness of landlords/agents varies
- Social connectivity is not guaranteed, and is highly dependent on housemates (if sharehousing)



Family stays / homestays

- Typically more affordable than other accommodation
- Student experience is **highly dependent on family placements** - some provide high levels of support and others provide none
- Generally furnished with some utilities provided
- Location not necessarily close to campus or public transport
- Environment likely not as supportive as residential colleges or PBSA (lack of professional pastoral care, wellbeing services, etc.)
- Risks associated with moving into housing with strangers, especially for younger international students



University residential colleges

- Purpose-built for students, but **restricted capacity and growth prospects** due to limited on-campus land
- Located on campus in close proximity to classes
- Fully furnished accommodation
- Meals are often provided
- Support networks of other students and pastoral care is typically provided
- Social events and activities, including study and peer networks
- Larger share of domestic students than international students



Purpose-Built Student Accommodation

- Purpose-built for students close to universities and inner-city regions, with **greater ability to scale** beds compared to residential colleges
- Fully furnished accommodation, with standard services included (Wi-Fi, kitchen facilities, and security)
- Social events and study support networks promote independent life skills (meals, laundry, etc.)
- May have other services such as gyms, music rooms, cinemas, games rooms, transportation services and cafes
- Pastoral care including mental health and wellbeing services
- Academic and career support including tutoring services, study groups, and career events

PBSA provides students with an all-inclusive service and access to pastoral care services, social events and academic support

Purpose-Built Student Accommodation (PBSA) is built specifically for the needs of students, and is a common landing point for new regional, interstate, and international students. PBSA plays a core role in enabling the continued growth of Australia's education export market, and is essential for the recovery of the sector following the COVID-19 pandemic.

PBSA provides more than just a place to stay for residents. PBSA developments provide a welcoming introduction to higher education and a supportive environment immediately after their move to a new and often unfamiliar city. A selection of premium PBSA features are included below.

Students choose PBSA for the following features:

All-inclusive accommodation

PBSA is all-inclusive, which means rent includes a fully furnished space, utilities, Wi-Fi, security, gym facilities and often other services including cleaning and laundry.

Close to campus

PBSA buildings are located close to university campuses and transport options, allowing residents to save travel costs and time and be closer to activities and supports.

Pastoral care services

Mental health and wellbeing is a top priority for providers, who offer 24/7 support staff, pastoral care programs and leverage affiliations with university mental health support services.

Social community and activities

Events and social activities are one of the key pillars of PBSA as they allow students to connect with one another as they transition to living away from home.

Academic and career support

PBSA providers have many study and work-related support systems in place. These include study groups, tutoring, post-study pathway sessions and career counselling.

Facilitating global citizenship

PBSA brings regional, interstate and international students together in one inclusive place, and also actively encourages engagement with local activities and opportunities.

Flexible offerings

Students have more flexibility than other accommodation options and can typically choose between a private studio or a shared apartment on a per semester or annual tenancy.

PBSA is a high growth, high value asset class with many unique characteristics

scape

 **Journal**
STUDENT LIVING

 dwell

 Yugo

 iglu™

 UniLodge

 campus living
villages

STUDENT ONE
STUDENTS LIVING BETTER 


WEE HUR CAPITAL PTE LTD

 AXA

Allianz 

 apg

AMPCAPITAL 

 GIC

 **InfraRed**
Capital Partners

 **DIF** | CAPITAL PARTNERS

 **SUITES**

nuveen
A TIAA Company

 **Centurion**

GSA 

 Cedar Pacific

 iVC
COMMERCIAL



Y Suites on Waymouth, Adelaide

“ Love it here! I really have enjoyed my time! The rooms are very nice and their common areas are so good!

They also have a really good events program and I really enjoy going and getting to know people!

The staff are really nice and I have thoroughly enjoyed my experience with them!

Definitely would recommend and I will absolutely be renewing my lease!

- Brock, Brisbane

“ I live in a four-bedroom apartment – we have a huge TV for movie nights and a window seat that looks over the city!

I have a cosy room with an ensuite and a desk. It's the perfect balance between living with a great group of friends and still having private space for study and downtime.

- Emily, Melbourne



A day in the life...



Kaylie is an international student studying at the University of Melbourne. She lives in Yugo's University Square building in Melbourne.

A day in Kaylie's life gives us a glimpse into the student experience for PBSA residents in Australia and some of the unique benefits that PBSA provides.



6am | Laundry and gym

Kaylie wakes up early and starts her day by doing some laundry and working out at the building gym, which contains cardio and strength training equipment.



8am | Breakfast

After her workout, Kaylie showers and cooks some breakfast in her apartment, before moving to the outdoor communal area to enjoy her breakfast with some fresh air and a view.



10am | University class

Kaylie stops at a nearby café to get a coffee before heading to the University of Melbourne campus for a class, which is just across the street from her building.



1pm | Study

Kaylie makes her way to another Yugo building nearby, Infinity Place, to use one of the study spaces she booked in advance for a few hours.



3pm | Cinema

With some spare time in the afternoon, Kaylie spends some time in the building's communal cinema, where she has free access to Netflix and other subscription services.



5pm | Garden terrace

Kaylie finishes her day by relaxing on the rooftop garden terrace, which has city views and is available to all students to enjoy.



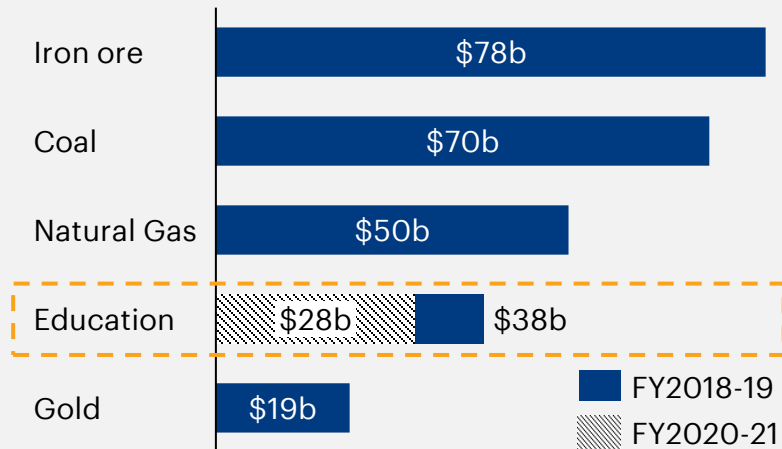
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PBSA enables the growth of the education sector, Australia's largest services export

International education is Australia's largest services export and its continued growth is enabled by PBSA

International education is a leading export for Australia, and a key driver of economic growth. Education is Australia's fourth largest export, and Australia's largest non-commodity export. Prior to the pandemic, exports were valued at almost \$40b each year, around 2% of Australia's Gross Domestic Product. Australia's higher education offerings are supported by over 40 universities, 13 of which are in the world top 200. Australia currently supports over half a million international student enrolments from over 140 countries, with the majority (90%) studying onshore in Australia.¹ For these students, Purpose-Built Student Accommodation (PBSA) is a common landing point as it provides an all-inclusive living experience which tailors to the needs of tertiary students.

Since FY2018-19, education has been Australia's **fourth largest export**, and **top services** export.²



Education sector exports are expected to bounce back from a pandemic-related low of \$28b in FY2021 to **\$33b by FY2025**.

13

Australian universities in global top 200

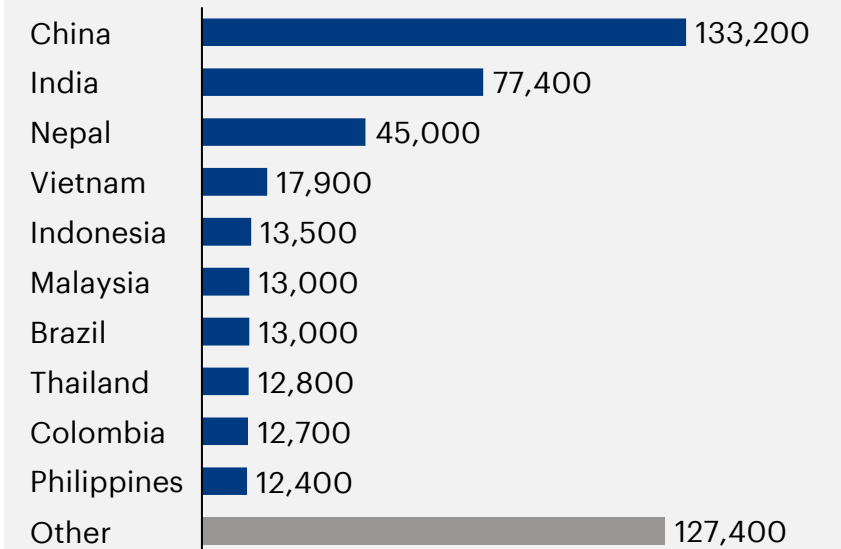
478,000

Australian tertiary international students onshore, YTD 2022¹

4th

Largest international student market³

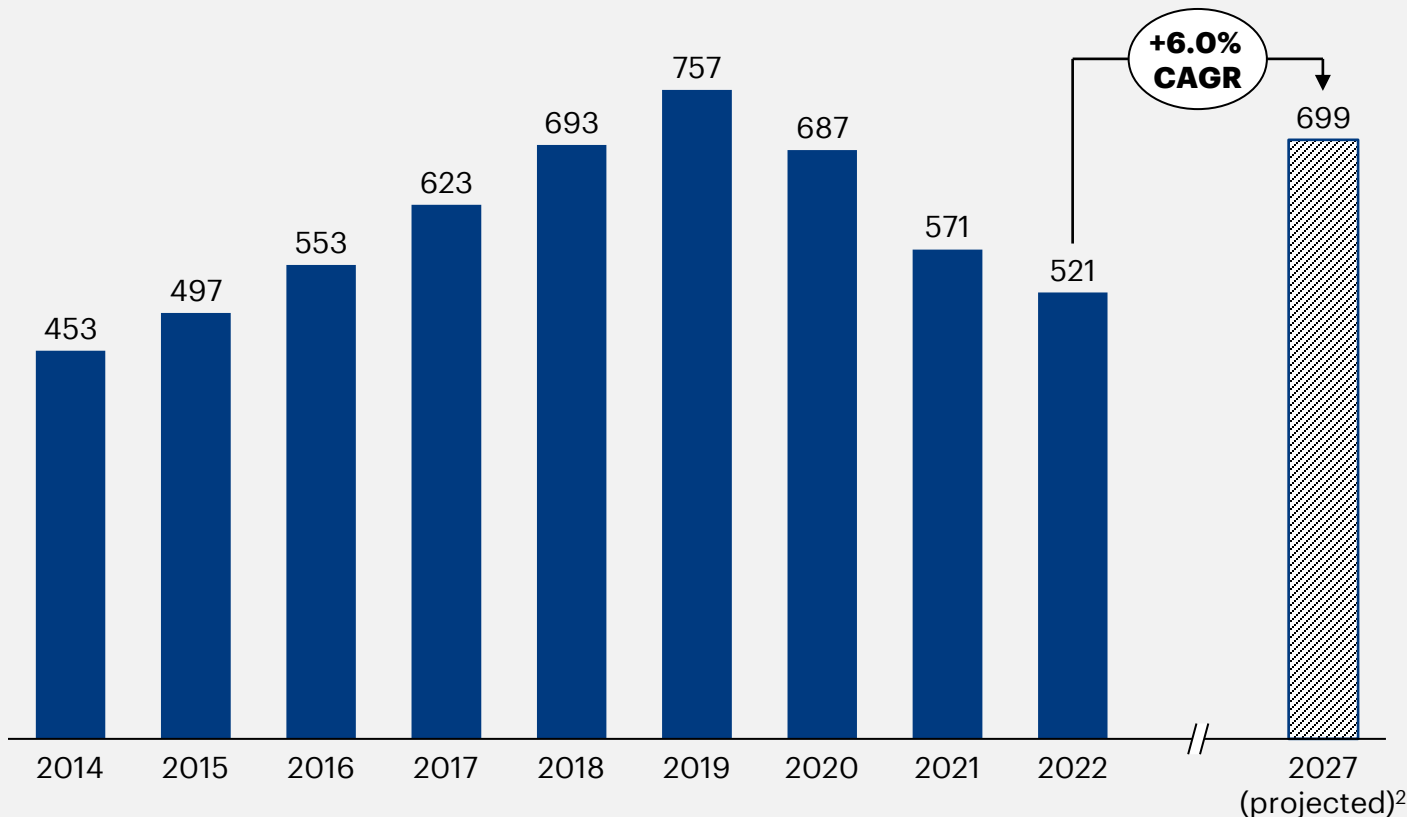
Australia is home to international students from **over 100 countries**, with **73% coming from the top 10 markets**.



PBSA adds to housing supply to accommodate growing numbers of students, without exacerbating rental shortages in Australia

International student numbers are expected to continue to grow at a pre-COVID rate

Number of international students enrolled in Australia, '000s, per year¹



International student numbers are expected to recover to near-pre-COVID levels by 2027.

The education sector in Australia is projected to service 699,000 students by 2027, as forecasted by IBISWorld. Approximately 521,000 international students are enrolled and studying in Australia in 2022, which is around two-thirds of pre-pandemic (2019) international student numbers.² The number of student visa lodgments was 364,000 for the 2021-22 program year, which is higher than pre-COVID figures.³ These figures indicate a steady return of international students, which is expected to continue in the next several years.

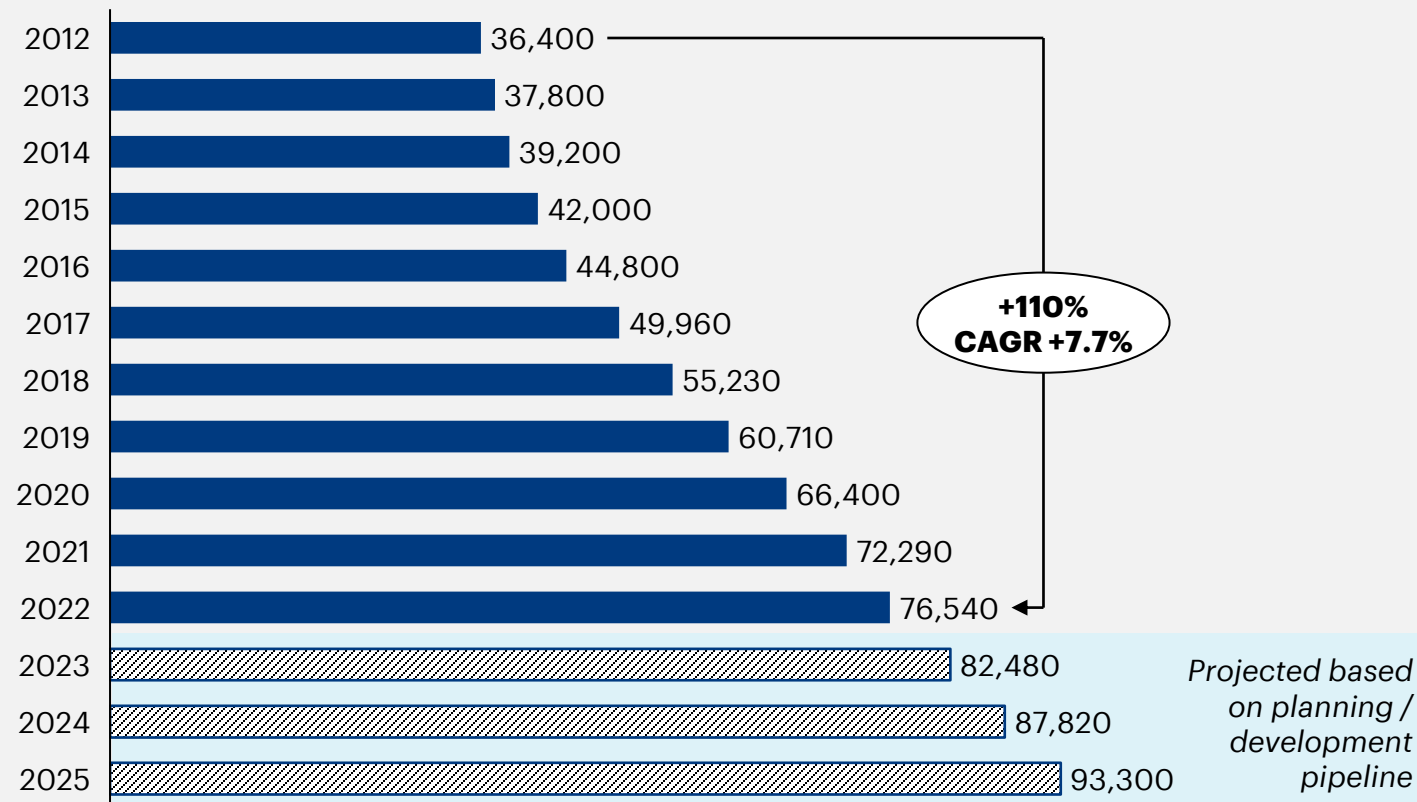
Australia's international student returns are on par with international competitors.

The United States benefitted from the return of international students sooner than Australia, due to fewer border restrictions. The United States is approximately six months ahead of Australia, experiencing a return rate of 68% relative to 2019 figures in the July-December window of 2021. The US international student enrolment figures are now estimated to be at 85% of 2019 figures, lending weight to projections of a recovery in enrollments. The Australian PBSA sector is prepared to play an important role in housing growing numbers of international students, in addition to domestic students relocating from regional areas or interstate.

The supply of PBSA beds in Australia has doubled since 2012 to meet rapidly growing student demand

Growth in the number of PBSA beds over the past decade¹

Number of PBSA beds operational per year



The PBSA sector in Australia has grown strongly over the past decade to meet the rising demand for Australian higher education.

In 2022, bed numbers in PBSA developments are now more than double what they were in 2012, an annualised growth rate of 7.7%.

This means that a greater number of students now have the opportunity to live in close proximity to tertiary institutions and inner-city areas, providing a supportive, convenient, and comfortable landing point for students moving from regional areas, another state, or another country.

PBSA as an asset class is set to experience further growth as total bed numbers edge closer to 100,000 by 2025, based on projects currently in planning or development stages.

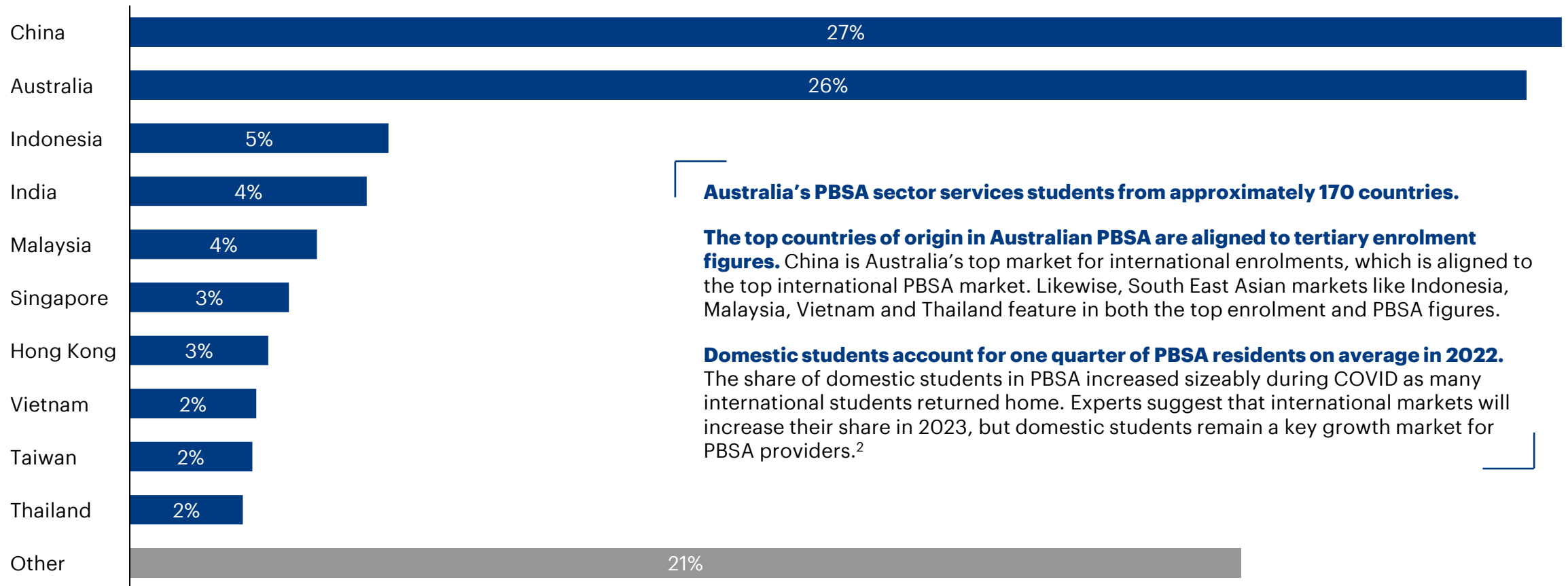
These developments continue to ease pressures on the private rental market, while also revitalising inner-city areas and supporting the CBD regions hit hardest by the pandemic.

Residents benefit from being in close proximity to services and potential employment opportunities, as providers often run frequent community events and facilitate partnerships with local employers.

Chinese, Australian and Indonesian students make up almost 60% of the students in Australian PBSA

Leading countries of origin for PBSA residents¹

Average proportion of student residents living in PBSA, by country of origin



Australia's PBSA sector services students from approximately 170 countries.

The top countries of origin in Australian PBSA are aligned to tertiary enrolment figures. China is Australia's top market for international enrolments, which is aligned to the top international PBSA market. Likewise, South East Asian markets like Indonesia, Malaysia, Vietnam and Thailand feature in both the top enrolment and PBSA figures.

Domestic students account for one quarter of PBSA residents on average in 2022.

The share of domestic students in PBSA increased sizeably during COVID as many international students returned home. Experts suggest that international markets will increase their share in 2023, but domestic students remain a key growth market for PBSA providers.²

Queensland University of Technology (QUT)

QUT

PBSAs provide a place for students to study, socialise and work together and allow international students to integrate easily with domestic students. The proximity of PBSAs to campuses is highly attractive for students.

PBSAs remove the need for universities to provide student accommodation and allows universities to focus on education and research.

PBSAs have positively impacted QUT by:

- 1. Helping to improve student retention**, leading to economic and revenue benefits for universities. PBSAs have provided important pastoral care which complements university services, which has noticeably reduced the rate of regional and remote students withdrawing to return home.
- 2. Providing an orientation** for regional, interstate and international students to the campus and area, which helps students to acclimatise to a new city.
- 3. Improving the educational and social outcomes of students** through the all-inclusive PBSA offering.

“PBSAs, through a focus on pastoral care, have greatly enhanced student retention, leading to better education and social outcomes for students and economic benefits for the university and the local region.” - QUT representative



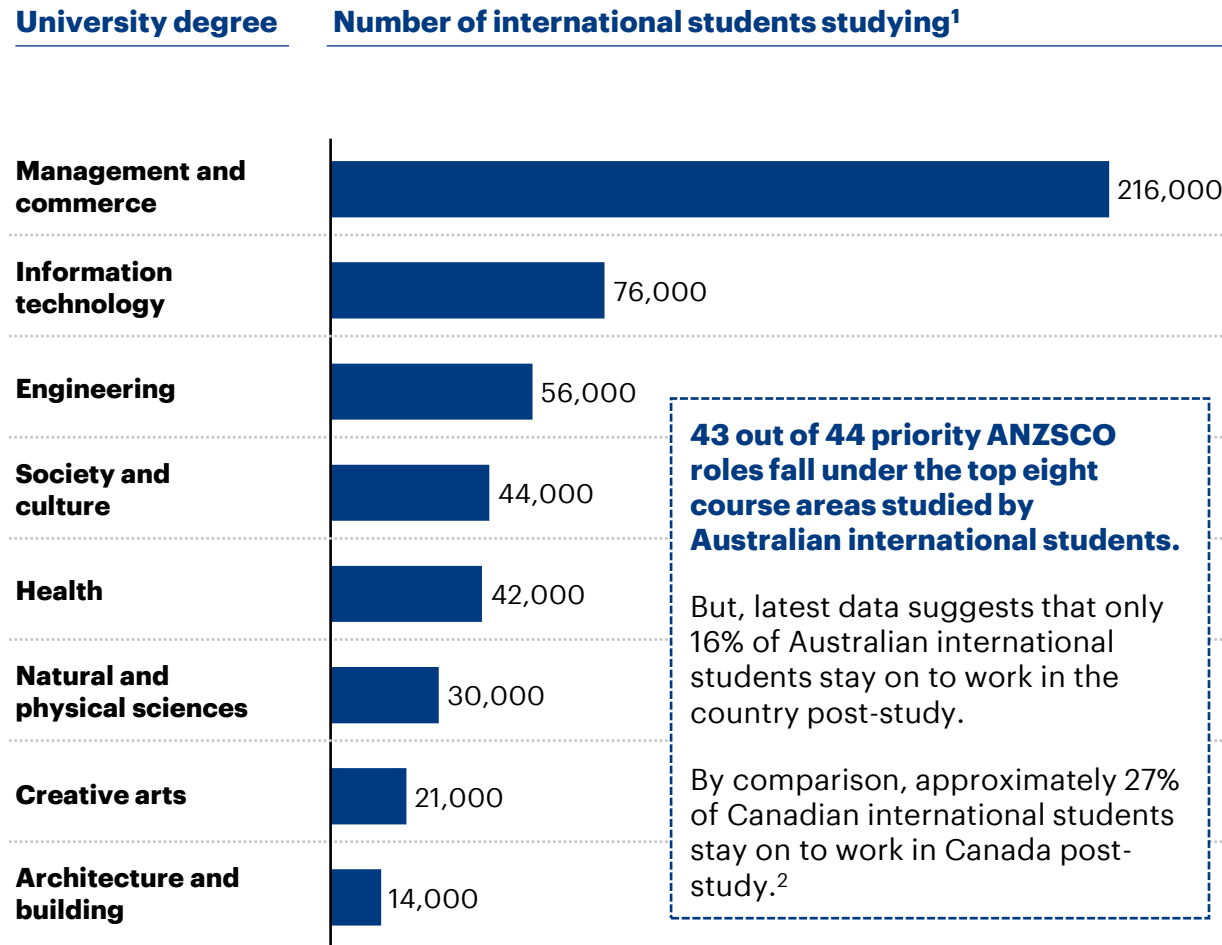


Student One Adelaide Street, Brisbane

03

The PBSA sector supports jobs, local communities and economic growth

International students study the most in-demand degrees, with 16% staying after their studies, alleviating workforce shortages



43 out of 44 priority ANZSCO roles fall under the top eight course areas studied by Australian international students.

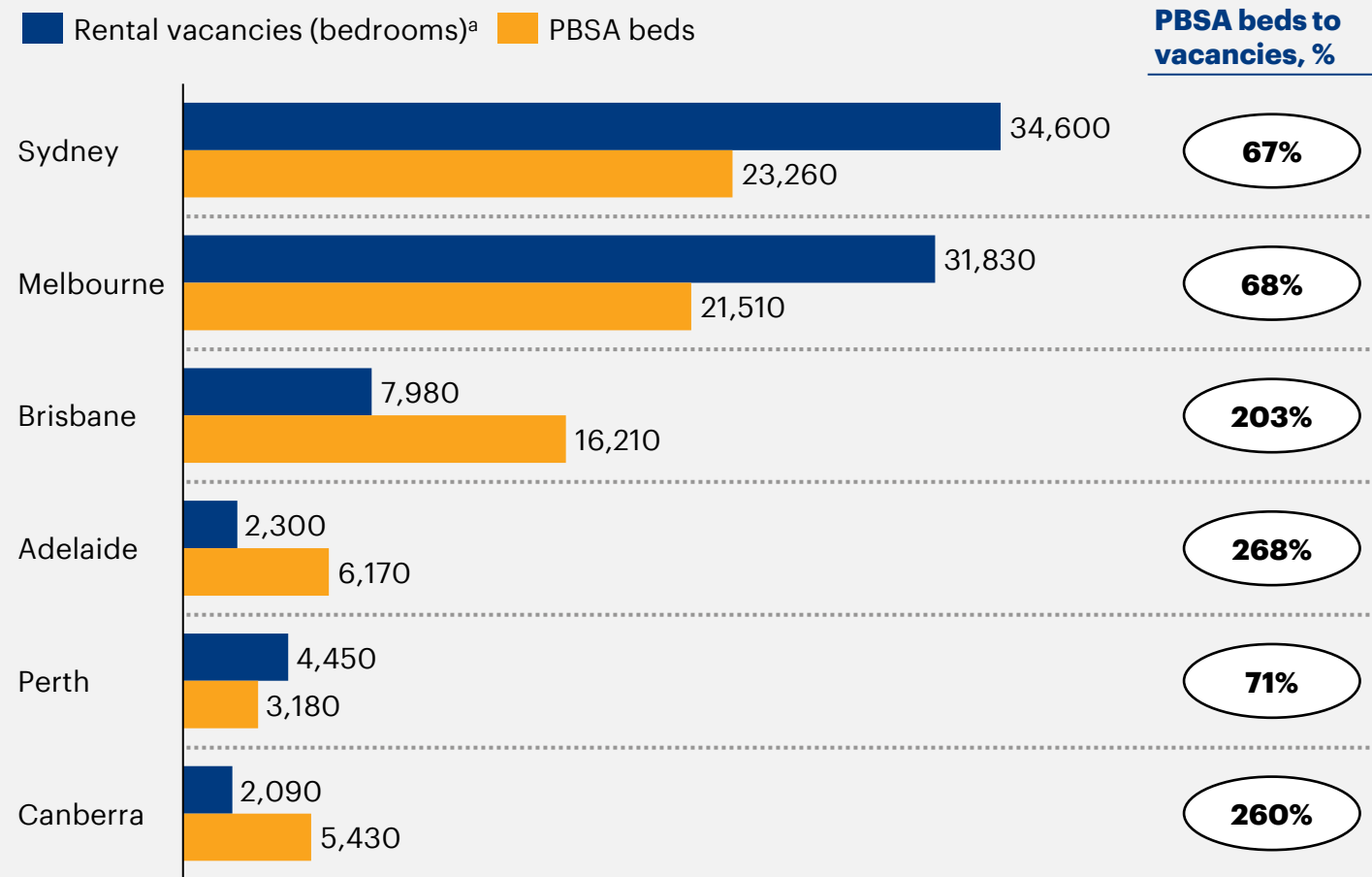
But, latest data suggests that only 16% of Australian international students stay on to work in the country post-study.

By comparison, approximately 27% of Canadian international students stay on to work in Canada post-study.²

| Priority migrant ANZSCO occupations |
|---|
| Based on Department of Home Affairs' 44 Priority Occupations ³ |
| Chief Executive or Managing Director, Accountant (General), Management Accountant, Taxation Accountant, External Auditor, Internal Auditor |
| Analyst Programmer, Developer Programmer, Software Engineer, Software and Applications Programmers, ICT Security Specialist |
| Civil Engineer, Geotechnical Engineer, Structural Engineer, Transport Engineer, Electrical Engineer, Mechanical Engineer, Mining Engineer, Petroleum Engineer |
| Social Worker, Veterinarian |
| Hospital, Industrial and Retail Pharmacist, Orthotist or Prosthetist, General Practitioner, Resident Medical Officer, Midwife, Psychiatrist, Registered Nurse |
| Medical Laboratory Scientist, Surveyor, Cartographer, Other Spatial Scientist |
| Multimedia Specialist |
| Construction Project Manager, Maintenance Planner |

PBSA accommodates the growing number of tertiary students in Australia while helping to alleviate rental shortages

Comparison of PBSA and private housing supply by capital city^{1,2}



PBSA accommodation provides vital housing supply for Australia's cities, and are essential in providing international students a smooth return to on-campus learning.

This additional housing supply allows international enrolments to continue growing without exacerbating existing rental shortages in the private housing market.

The effects are particularly evident in Canberra, Brisbane, and Adelaide, where the number of PBSA beds outnumbers estimated rental room vacancies by more than a factor of two.

In Sydney and Melbourne, PBSA bolsters rental supply by providing additional housing options which equates to around two thirds of current private rental vacancies. This means that without PBSA, there could be significantly fewer vacancies in the private rental market.

Shortages of student accommodation in other markets are a significant barrier for students, creating fear and uncertainty.

Student accommodation shortages in the Netherlands, Ireland, and Canada are creating a housing crunch. For example, some Dutch universities have recently warned international students not to come to the country unless they have secured housing before arriving.³

City of Melbourne



PBSAs have a large footprint within the City of Melbourne and play an important role in providing a safe place for international, interstate and regional students.

The City of Melbourne aims for students to have life-long connection to the city. For the City of Melbourne, international students' contributions are more than just economic. International students add to the vibrancy of the area and often occupied important front-line roles during the pandemic.

Students who feel connected to the city are more likely to contribute to their local communities and maintain a lasting connection with Australia.

PBSAs have contributed to the City of Melbourne by:

- Supporting the international education sector and student events within the municipality
- Helping to integrate international students with domestic students, and assisting in engaging students in local activities
- Providing local employment opportunities and a footing for students in the domestic job market
- Facilitating a sense of connectedness to the city for PBSA residents

"International students are friends and neighbours to many people; they regularly participate in value-add activities such as volunteering and occupy important front-line jobs," – City of Melbourne official



Students living in PBSA make significant contributions to the economy and their local communities

“Young people who choose to study at Australian universities and institutions are the life-blood of our cities – they live, shop, study, relax and play in CBDs across the nation. Some travel across the world to study in Australia, others from one suburb over, but the impact they have on our education sector and capital cities is the same.”

Torie Brown,
**Executive Director – Student
Accommodation Council,
Property Council of Australia**

1

Adding vibrancy to our cities

2

Activating spaces

3

Supporting local businesses

4

Creating cultural experiences

5

Easing private rental shortages

6

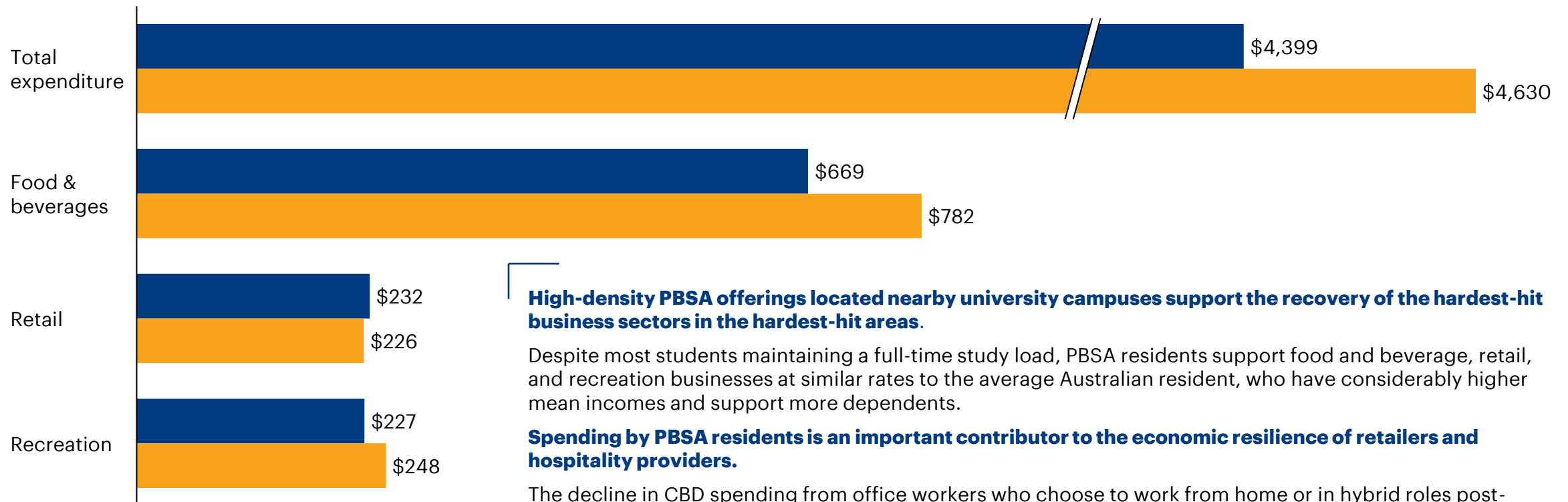
Alleviating workforce shortages

Despite studying, PBSA residents spend almost as much each month as the average Australian resident

Spending, total amounts and selected categories most relevant to small businesses¹

Spending per month, semester one 2022, \$ AUD

■ PBSA residents ■ Average Australian resident



High-density PBSA offerings located nearby university campuses support the recovery of the hardest-hit business sectors in the hardest-hit areas.

Despite most students maintaining a full-time study load, PBSA residents support food and beverage, retail, and recreation businesses at similar rates to the average Australian resident, who have considerably higher mean incomes and support more dependents.

Spending by PBSA residents is an important contributor to the economic resilience of retailers and hospitality providers.

The decline in CBD spending from office workers who choose to work from home or in hybrid roles post-COVID has greatly impacted the viability of many retail, recreation and hospitality businesses in these areas.

PBSA residents in New South Wales and Victoria outspend the national average

PBSA resident spending (excluding tuition), by state¹

Spending per month, semester one 2022, \$ AUD

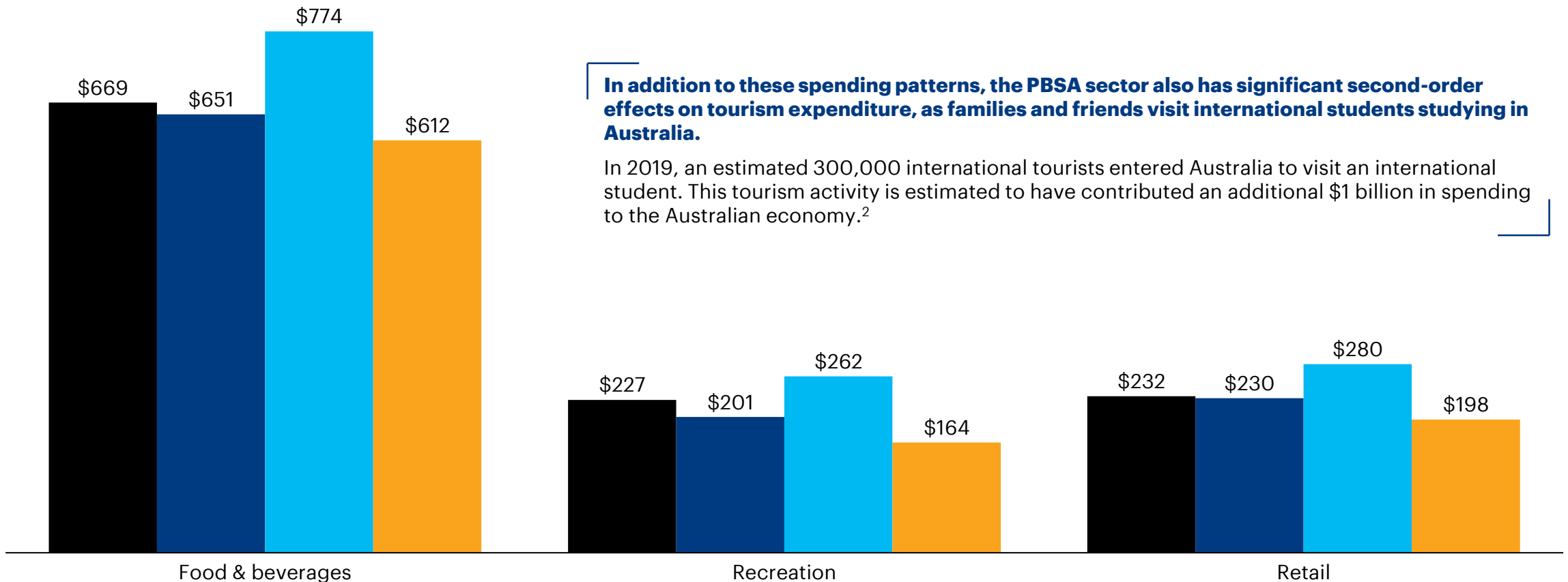


Victorian PBSA residents outspent the national average across food and beverages, recreation and retail

PBSA resident spending, by state and category¹

Spending per month, per category, semester one 2022, \$ AUD

Australia
 New South Wales
 Victoria
 Queensland



In addition to these spending patterns, the PBSA sector also has significant second-order effects on tourism expenditure, as families and friends visit international students studying in Australia.

In 2019, an estimated 300,000 international tourists entered Australia to visit an international student. This tourism activity is estimated to have contributed an additional \$1 billion in spending to the Australian economy.²



Scape Mountain Street, Sydney

04

How to get to best practice regulation

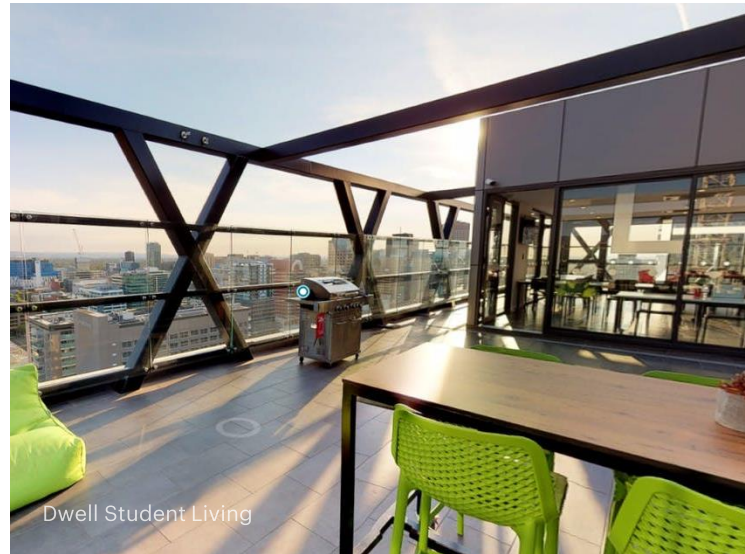
Encouraging investment, streamlining development, and attracting students are key challenges for the PBSA sector



Encouraging investment

Key recommendations:

1. **Reduce tax barriers to foreign investment** such as foreign owner surcharges and **harmonise tax policies between jurisdictions**
2. **Form a consistent classification of PBSA to incentivise domestic investment**



Streamlining development, approvals and operations

Key recommendations:

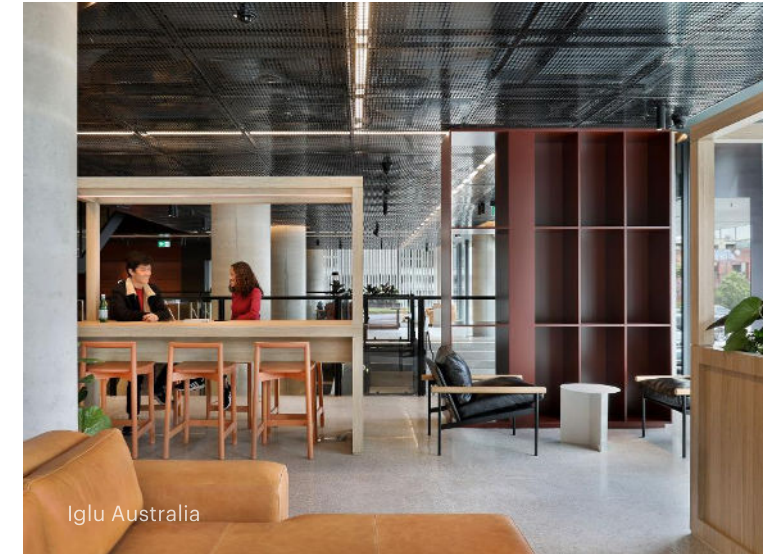
1. **Incorporate PBSA into zoning plans**, particularly around tertiary education providers
2. **Develop PBSA-specific legislation for Residential Tenancy Acts** that cater to the unique needs of the asset class and the additional benefits it provides



Attracting and supporting students

Key recommendations:

1. **Focus on pathways to post-study employment** to help ease domestic workforce skills shortages
2. **Support international students** as they return to study in person and on campus at Australian universities



Encouraging investment from both domestic and international investors is vital for the growth of Australia's PBSA sector



Encouraging investment

To encourage investment, state and territory governments should consider exempting the PBSA sector from foreign-owner land tax and stamp duty surcharges, and tax policies should be harmonised between states and territories. Government should also form a consistent classification of PBSA to incentivise domestic investment.

Australia's PBSA sector has traditionally relied on foreign investment, as there is limited domestic experience with the asset class. Domestic investors have historically been less interested in PBSA due to perceptions of short-term tenancies, but this can be alleviated through a unified classification of PBSA which clearly defines the sector, thereby incentivising local investment.

Australia has seen high levels of interest from foreign investors in the PBSA sector, enabling strong growth over the past decade. However, Australia continues to have fees and charges that generally disincentivise foreign buyers from purchasing established dwellings, including foreign owner stamp duty surcharges, land tax surcharges, and high Foreign Investment Review Board (FIRB) fees. For example, if PBSA developments are not specifically designated for a particular university, they are charged residential FIRB fees rather than commercial FIRB fees. This can effectively increase fees almost a hundred-fold, the FIRB transaction fees for a \$50 million residential property are over \$1 million, but just \$13,200 for a commercial property.¹ While there have been some GST and Managed Investment Trust supports for PBSA, the sector still faces headwinds which can be aided by further supports.

By removing barriers to investment in Australian PBSA, domestic and foreign investment can be unlocked to ensure a strong outlook for the sector as it continues to grow. With student enrolments recovering after the pandemic, PBSA buildings full across the country and a positive outlook for Australia's education sector, specific support for PBSA could contribute significantly to growth in the education export sector, reduce workforce shortages and help ease private rental market pressures.

Key activities



Encouragement of foreign and domestic investment into properties in development, which will help grow the sector.



Attracting investment from key international corporations and global investors in PBSA to Australia, including GIC, Cedar Pacific, Wee Hur, and Brookfield.



Inception of the Property Council of Australia's Student Accommodation Council in 2022, which regularly engages with industry and advocates on behalf of the sector.

Reducing barriers to investment will help the sector grow, which will help ease private rental market shortages



Encouraging investment

Recommendations

Reduce tax barriers to foreign investment and harmonise taxation policies

Alleviating pressures on foreign investors will make PBSA investment more accessible and unlock future growth. Historically, Australia's PBSA sector has mostly relied on foreign investment, but many levies and taxes around the country disincentivise international investment. Most states and territories levy one or both of stamp duty surcharges and land tax surcharges on foreign investors. International investors also pay high application fees to seek approval from the federal government's Foreign Investment Review Board. In addition to removing disincentives, harmonising tax treatments between Australia's states and territories would reduce uncertainty and make PBSA a more attractive asset class for investment.

Form a consistent classification of PBSA to incentivise domestic investment

Having a consistent definition and classification of PBSA as an asset class would incentivise further domestic investment. The PBSA sector would benefit from harmonisation of the classification of PBSA as an asset class between different states and territories. This classification influences the stamp duty, land tax, and foreign owner surcharges that PBSA developers and operators are currently liable to pay. Increasing investment in the Australian PBSA sector would in turn incentivise further growth in developments, supporting students studying in Australia and alleviating rental market shortages.

Examples



- PBSA is one of the UK's leading asset classes. The government applies no stamp duty to PBSA developments. Lower barriers to entry for foreign investors has allowed the UK better access to funds, with deal volumes in PBSA up 12% in 2020-21, and 58% of total investment in the domestic PBSA sector coming from overseas.¹



- Victoria's tax classification of PBSA is as commercial residential property. Classifying PBSA in this way nation-wide would eliminate stamp duty surcharges and reduce net taxation.
- NSW offers a set of guidance notes about how the government expects to see PBSA treated under different aspects of legislation, including land tax, stamp duty, Rental Tenancy Agreements and more.

Ensuring that development is accessible and efficient for PBSA providers is imperative in securing the future of the sector



Streamlining development, approvals and operations

State governments and local councils should ensure that zoning and development approvals are transparent, accessible, and prompt. State governments should also legislate provisions for the PBSA sector in Residential Tenancy Acts.

Accessibility of development is a key prerequisite of growth for the PBSA sector. Availability of land in proximity to universities thus far has enabled Australian PBSA providers to deliver over 76,500 private PBSA beds to date. In the last decade, development of PBSA in Australia has seen a sharp increase, with over 40,000 new PBSA beds delivered in Australian cities. More than 15,000 additional beds are expected to be delivered by the end of 2025 to support growing demand.¹

Australian PBSA providers have historically been able to access and develop sites that are in close proximity to university campuses. As a result, PBSA has a major presence in Australia's capital cities, such as Iglu and Scape in Sydney's CBD, as well as Scape, Yugo and Journal in Melbourne CBD sites. PBSA also has a presence in regional Australia, with UniLodge Lismore developed and managed for Southern Cross University and UniLodge Mildura built and operated for La Trobe University.

PBSA providers are governed by Residential Tenancy Acts (RTAs) which often do not separately define the asset class. This means that tenancy agreements are often treated identically to private rentals or boarding houses, despite significant differences between PBSA and these two forms of accommodation. Moving forward, state governments should support the ongoing operations of PBSA providers by legislating specific provisions for the PBSA sector in RTAs.

Key activities



Development of over 200 **PBSA properties** across Australia.



Delivery of more than **76,500 PBSA beds in Australian properties** to date.



PBSA providers have been able to **access Australia's closest and most attractive sites around university campuses.**



Highest ratio of international students in the world in Australia, at 29%, paving the way for strong development needs as international students return to pre-pandemic numbers.²

Increased specificity around PBSA in planning and tenancy agreements could help accelerate the sector's future growth



Streamlining development, approvals and operations

Recommendations

Incorporate PBSA into zoning plans

Australia should look to incorporate PBSA into future zoning plans to support the education sector and reduce the pressure on the private rental market. Australian zoning frameworks currently designate education precincts, but PBSA is not currently accounted for specifically in and around these areas. The PBSA sector is expected to see rapid growth in the coming years, so accounting for PBSA in zoning plans would help states and territories plan for the growing number of students arriving in their cities. Supporting the growth of PBSA in zoning plans will ensure that housing options for students keep pace with the growth of the education sector – alleviating the risk of further housing shortages for young people.

Develop PBSA-specific legislation for Residential Tenancy Acts (RTAs)

Australia should identify PBSA as a unique asset class, and embed PBSA-specific legislation to reduce barriers for sector development. Tenants in Australia are covered by RTA legislation but the criteria are often not relevant to PBSA, as RTAs have been designed around general residential tenancies. Day-to-day operations like maintenance, repairs and bond agreements are impacted by the lack of PBSA-specificity in RTAs. For example, PBSA provides a much more inclusive service than private rentals, but is required to give 24 hours notice to residents before maintenance can be conducted. Similarly, eviction terms are treated the same for PBSA providers as for private rentals, which in extreme circumstances can impact a provider's ability to provide a safe space for their residents.

Examples



- PBSA is built into zoning plans in the UK – the National Planning Guidance stipulates that local authorities must have to account for student housing in city plans, and newly constructed PBSA developments are required as they count towards local and national housing targets. The UK government recognises that PBSA is a high-density asset class, and its presence in key cities with universities reduces pressure on private rental markets and provides superior care to students.



- In 2022, the UK government is exploring a Renters Reform Bill on private student accommodation supply.¹ Reforms would align PBSA regulations with university residential colleges, replacing the current Private Rented Sector (PRS) legislation, which is comparable to RTAs in Australia. Similar reforms to align PBSA more closely to operational rules applied to residential colleges could benefit Australian PBSA providers, and subsequently the quality of care and services they are able to provide to student residents.

Government should strengthen pathways to employment for international students and support returning students



Attracting and supporting students

The federal government should strengthen pathways to transition from study to employment for international students. Following the government's recommendation that face-to-face learning requirements are resumed from June 2023, international students should be supported as they return to study on campus and in person.

Attracting higher education students to Australian states is a key challenge for the PBSA sector. Australia competes with other comparable economies including the US, UK and Canada, and Australia's slower reopening of Australian borders relative to other peer countries has posed further challenges for universities and PBSA providers who both rely on steady streams of new students. Australia has also suffered some reputational damage from strict treatment of international students during the pandemic which has slowed the return of international students.

Australian federal policy has supported the return of international students to Australia since borders reopened in early 2022. The Commonwealth's strong response in adjustments to international student visa settings as borders reopened has allowed the sector to begin its recovery. The package included several incentives to attract students back to Australia, such as reduced student visa work restrictions, an extension of the post-study work visa and cash incentives.

The development of new PBSA assets needs to be considered in conjunction with policies to increase and grow Australia's share of international students and the supports surrounding international education. Otherwise, the government is encouraging students to move into competition with existing Australian residents within the private rental market without increasing student housing options.

Key activities



The federal government extended the **post-study work visa** in November 2021, **giving students greater flexibility** to find work upon course completion.¹



A **cash incentive** in the form of a \$630 AUD **rebate on visa costs** was offered to international students returning to Australia between January 19 and March 19, 2022.¹



The **relaxation of the 20-hour student visa work limit** in January 2022 has incentivised foreign student returns and continues to help in addressing the national workforce shortage.²



Australian universities have made progress on **reinvigorating face-to-face learning** through hybrid course offerings in 2022.

Strengthening visa pathways and supporting students' return to in-person study will support further growth of the PBSA sector



Attracting and supporting students

Recommendations

Focusing on pathways to post-study employment

Increasing skilled migration caps will increase demand from international students and support PBSA. A recent study showed that behind cost of study and quality of education, access to post-study work rights was the third most important factor for international students when selecting a study destination.¹ Australia has made a positive start in increasing post-study work rights, but can improve on supporting pathways to residency and citizenship.

Supporting students who are returning to study in person

Increasing face-to-face contact hours at university provides more social interaction and welfare touchpoints, which positively influences student's mental health. The spread of COVID-19 caused a profound shift in the provision of university education in Australia to a purely online model, and more recently, hybrid models of learning. Attracting students back to university campuses has been a challenge for the sector in 2022. With the government's recent announcement that face-to-face learning requirements would return from June 2023, returning and commencing international students should be supported as they begin their in-person studies.

Examples



- On average, only 16% of international students who study in Australia stay on to work afterwards.²



- By comparison, 30% of international students who study in Canada go on to become permanent residents.³



- The Italian Government is currently running a grant program for foreign and Italian students living abroad who study in-person in Italy next year.⁴



- In 2021, Deakin University created a pathway program for students to start studying online and transition to on-campus study when they arrive in Australia, students received a 25% tuition bursary incentive.⁵ Similar programs may help ease the transition into in-person learning in 2023.

PBSA in the United Kingdom



The UK is one of the world's leading tertiary education and PBSA providers. The PBSA sector in the UK supplies over 700,000 beds (including private and university-owned beds) and is expected to be worth over £72 billion by the end of 2022.¹

The UK is supported by a strong education sector, with 10% of its universities ranked in the top 500 globally.² The UK is home to a large student market with over three million students in 2022, and 22% of enrolments coming from overseas students.³

Despite being smaller than the US and many European markets, the UK receives the second highest amount of investment into PBSA, behind the US. Investment from Asia alone totalled \$400 million in 2021.¹ Policy settings in the UK have supported the growth of the PBSA sector to date. Supportive actions include:

- 1. Exempting PBSA developers from stamp duty**
- 2. Including PBSA as an asset class in zoning plans and housing targets**
- 3. Recognition of PBSA as a unique asset class and adapting rental legislation accordingly**
- 4. Fast student visa application approval times**

Source: 1. [Knight Frank \(2022\)](#); 2. [QS University Rankings \(2022\)](#); 3. [Universities UK \(2022\)](#)





Iglu Flagstaff Gardens, Melbourne

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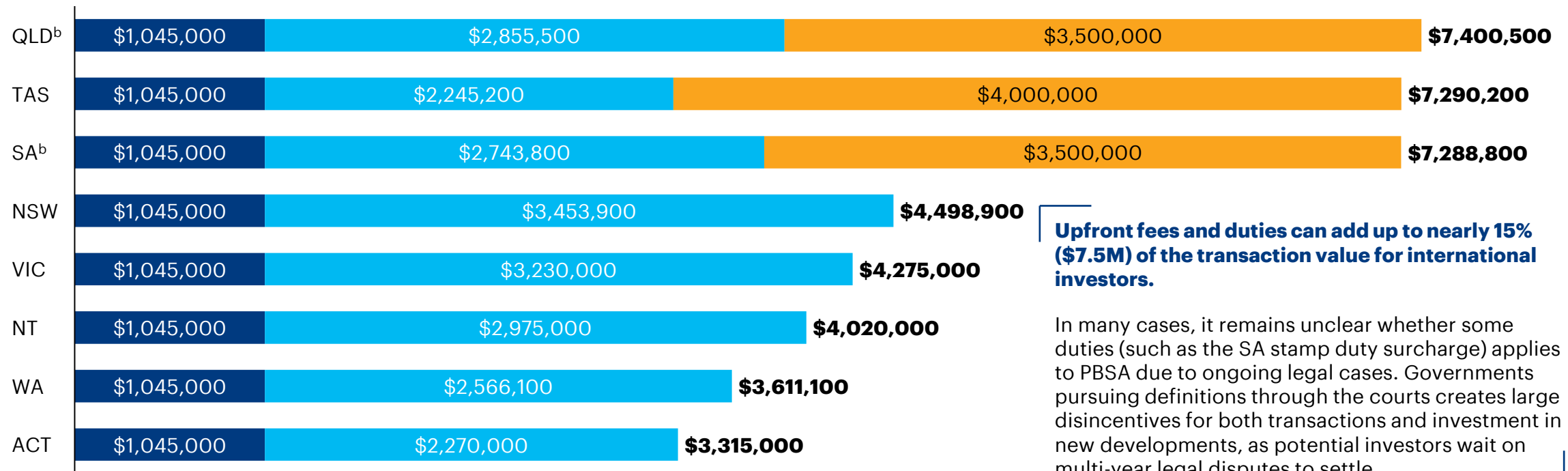
The state and territory policy landscape

Purchasing a PBSA development worth \$50 million would cost an international investor nearly \$7.5 million in upfront fees in some states

Upfront fees required for an international investor to purchase a PBSA development valued at \$50 million^{1,2,3}

\$ AUD, upfront fees/levies payable

FIRB fees^a Stamp duty Foreign owner surcharges



Upfront fees and duties can add up to nearly 15% (\$7.5M) of the transaction value for international investors.

In many cases, it remains unclear whether some duties (such as the SA stamp duty surcharge) applies to PBSA due to ongoing legal cases. Governments pursuing definitions through the courts creates large disincentives for both transactions and investment in new developments, as potential investors wait on multi-year legal disputes to settle.

Source: 1. Respective state revenue office (or equivalent) policies; 2. [Shine Wing Australia: Foreign Owner Duty Surcharges \(2020\)](#); 3. [Foreign Investment Review Board Guidance Notes: Fees](#)

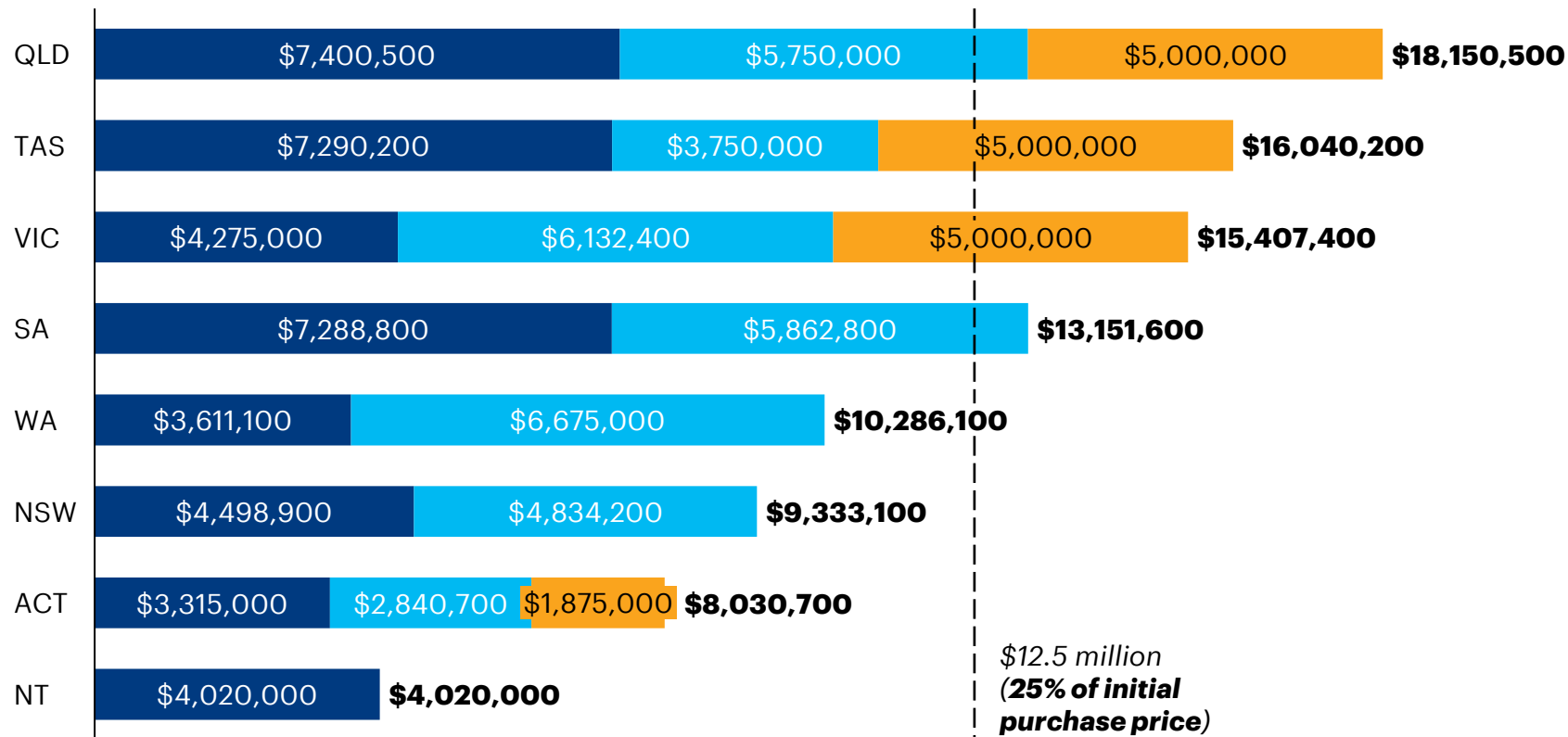
Notes: a. FIRB fees are less for "accommodation provided ... exclusively for students connected with a particular educational institution," as they are charged the considerably lower commercial rates rather than residential rates. As most PBSA developments are not provided exclusively for one university (and thus can not access the lower commercial rates), we have used the higher residential fees in this analysis; b. Whether PBSA attracts foreign-purchaser duty surcharges in these states is variable. However, based on recent experiences of SAC members we have included these to represent the potential fees that PBSA purchasers need to consider when evaluating investment options. Stamp duty is payable in SA on the basis that the exemption for commercial land transactions does not apply – although the definition of PBSA as residential has been challenged successfully legally and is currently being appealed by the SA government.

After 10 years, the same international investor would have paid over \$12.5 million in duties, fees and land taxes in four states

Initial and ongoing fees and duties for a \$50 million PBSA transaction, selected states¹

\$ AUD, cumulative, 10 years after transaction^a

■ Upfront fees (FIRB, stamp duty) ■ Land tax (10 years) ■ Land tax foreign-owner surcharges (10 years)



In most states, the majority of the medium-term (10 year) tax hit takes place over a decade of land tax and land tax surcharges.

High land tax surcharges levied against international investors can push the total 10-year tax take to a quarter of the initial investment.

Some land tax surcharges have uncertain applications, such as in Victoria where many PBSA providers found that long-standing exemptions to the absentee owner land tax surcharge were discontinued.

When land tax determinations can vary year-by-year by a substantial amount, it limits investor confidence and appetite for the sector, thus decreasing future developments.

\$12.5 million
(25% of initial purchase price)

Source: 1. Respective state revenue office (or equivalent) policies

Notes: a. Assumes that the unimproved land value of the site is 50% of the transaction price (i.e., \$25 million). Does not account for changes in land valuation or land tax rates.

The Victorian PBSA market has the highest number of beds in Australia and has embedded plans for further growth

Victoria has the largest PBSA sector of all states and territories, with over 26,000 beds and a student-per-bed ratio of 17.



26,100 PBSA beds



17 students per bed^a



1.4% rental vacancy rate in August 2022¹

Victoria is the nation's largest PBSA market. The state has nine universities, including the University of Melbourne which is the top university in Australia and 33rd in the world in 2022.² The majority of higher education is based in Melbourne, but there is also a smaller presence in regional Victoria.

There are more than 60 PBSA buildings in the City of Melbourne, and the state in total provides over 26,000 beds.³ There are 17 students for every PBSA bed in the state, which is marginally better than the national average of 19. International student enrolments are currently at 68% of 2019 figures.⁴ The state government has developed a \$53 million five-year plan to bring back international students, which includes increased state representation overseas to promoting Victoria as a study location. Victoria has a 1.4% rental vacancy rate in August 2022, which is the highest in the country, suggesting that private rental market shortages are less severe than in other jurisdictions.

Victoria should focus on:



Encouraging investment

By **reducing monetary barriers to foreign investment**, particularly the absentee owner land tax surcharge and restrictive Wholesale Unit Trust tests on institutional investment.

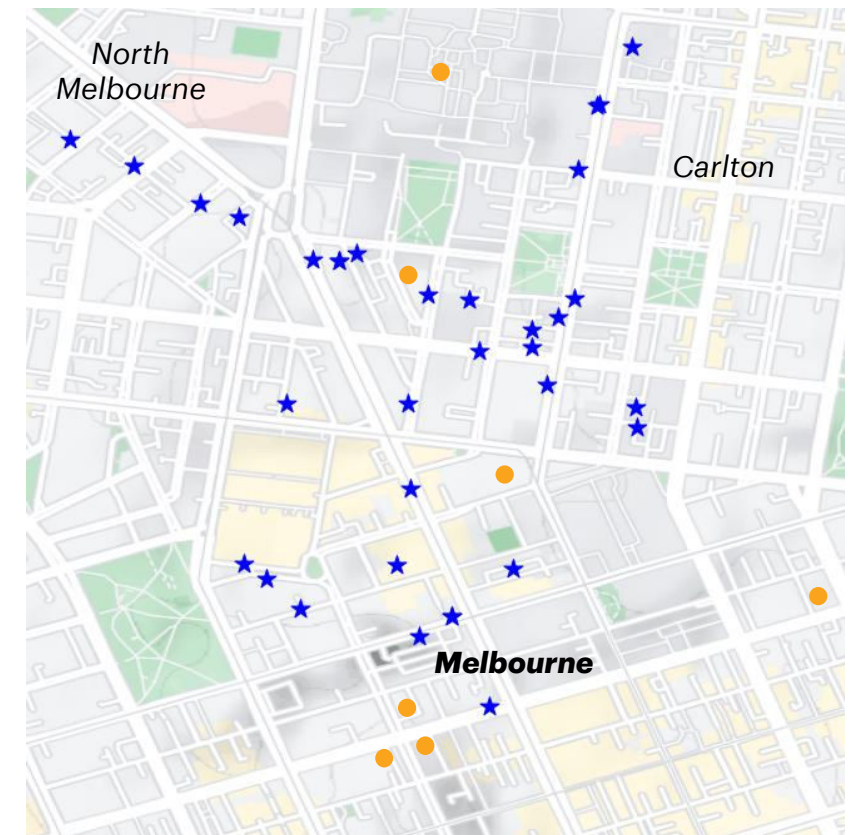


Attracting and supporting students

By **lobbying for increased skilled migration caps** for international students graduating **and for continuation of vital rental subsidies** for domestic students.

PBSA and universities in Melbourne

- ★ PBSA building
- University



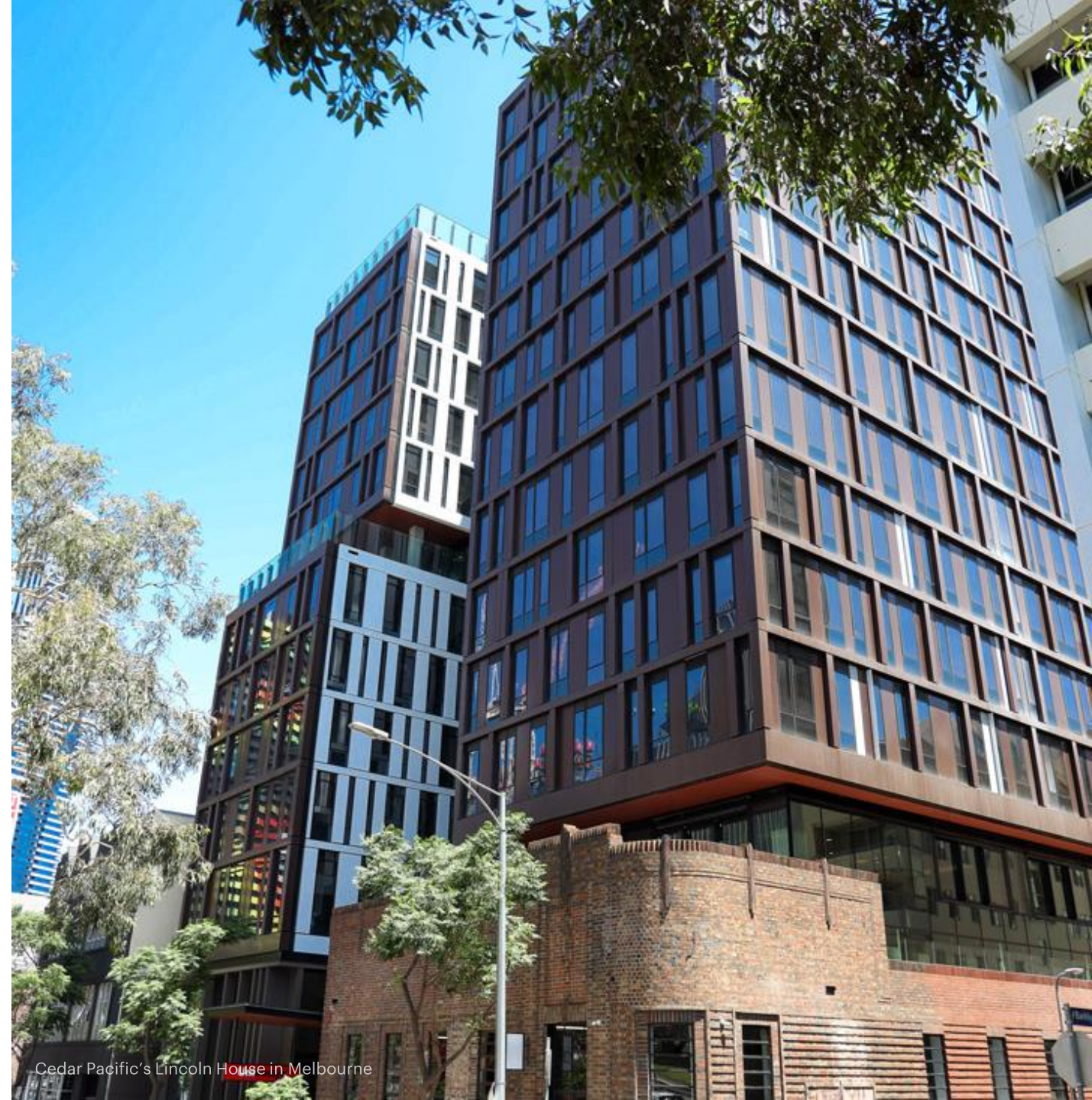
The commercial residential classification of PBSA in Victoria is supporting growth, but support should be improved by reducing barriers to foreign investment.

Victoria has made a positive start when it comes to identifying PBSA as a unique asset class and has also developed a strong program to attract students back to the state following the pandemic.

The large number of sites obtained and developed by PBSA providers in the state has been aided by the classification of PBSA as commercial residential property, which exempts international purchasers from stamp duty surcharges. The relatively lower cost to enter in Victoria also enables PBSA operators to bid more effectively with residential developers for site locations in proximity to universities. Investment in PBSA primarily takes place at the development stage, where the vast majority of PBSA transactions would attract a 5.5% rate of stamp duty, which is lower than most other jurisdictions, including NSW.

However, the sector's growth in Victoria is inhibited by land tax settings which increase uncertainty and disincentivise foreign investment. On top of annual land tax base rates, foreign owners can be charged an additional 2% absentee owner surcharge for properties valued at over \$250,000. While many providers received exemptions from this surcharge historically for providing significant contributions to the Victorian economy, these exemptions have become less certain over time which decreases investor confidence.

The foreign owner land tax surcharge is applied annually to individual foreign investors, corporations with more than 50% foreign voting power or shareholders or absentee trusts that purchase land in Victoria. When combined with base land tax rates, these charges are higher than those in NSW, Queensland and the ACT and threatens to inhibit growth of the PBSA sector and investment in new housing developments.



Victorian PBSA providers should look to attract both domestic and international students to secure ongoing growth potential.

Post-study work opportunities are a key decision driver for international students considering overseas study. A recent study showed that students in Asia ranked access to post-study work rights as the number one factor influencing choice of study destination.¹ However, only 16% of international students stay in Australia after graduating.² The two-year post-study work right extension for international students announced at the Jobs and Skills Summit proposes a step in the right direction.

State-sponsored skilled visas remain more attractive options to prospective students as they offer the possibility of permanent residency. Victoria's number of state sponsored places trails behind NSW at only 11,570 places in 2022.³ Advocating for an increase in the number of places for 2023 and increasing the list of eligible occupations would materially benefit the PBSA market by attracting more international students, which would assist with alleviating skilled workforce shortages in the state.

A strong push for domestic student enrolments into PBSA is another avenue to increase and diversify the student base. The benefit of increasing domestic students in PBSA is two-fold: it boosts overall tenancy, but also increases the attractiveness of PBSA to international students who want a more 'Australian' experience, which is bolstered with higher domestic student occupancy rates. Partnerships with universities and the state government can be leveraged to market PBSA to students in regional Victoria and other states. The National Rental Affordability Scheme (NRAS) was also a strong support for domestic student enrolments. Ongoing subsidies to support Australian students in PBSA should be considered, as the end of the NRAS will make it harder for many domestic students to live in the asset class, seek education and subsequent post-study employment opportunities.

Source: 1. [Macro Business \(2022\)](#); 2. [Sydney Morning Herald \(2022\)](#); 3. [SBS \(2022\)](#)



Students of Journal Uni Place, Melbourne

NSW is home to the second largest number of PBSA beds and remains a key target market for investment and development

NSW is home to a similar number of students as Victoria but has almost 10,000 fewer beds, so the state remains an investment and development priority for the sector.



16,500 PBSA beds



31 students per bed^a



1.3% rental vacancy rate in August 2022¹

The NSW PBSA market supplies 16,500 beds to students, which is considerably lower than Victoria. There are 11 universities in NSW, including two universities in the leading Group of Eight Australian universities – the University of Sydney and the University of New South Wales (UNSW). NSW has a PBSA presence both in the capital city of Sydney, but also spread throughout the regions, including cities such as Lismore, Newcastle and Wollongong.

NSW has 31 students per PBSA bed, which is considerably worse than the national average ratio of 19. The rental vacancy rate in Sydney is 1.3% which is the second highest capital city, just behind Melbourne at 1.4%. Considering the relatively low bed supply in Sydney, industry experts expect continued investment and development growth in the state, as student numbers recover post-COVID.

NSW should focus on:

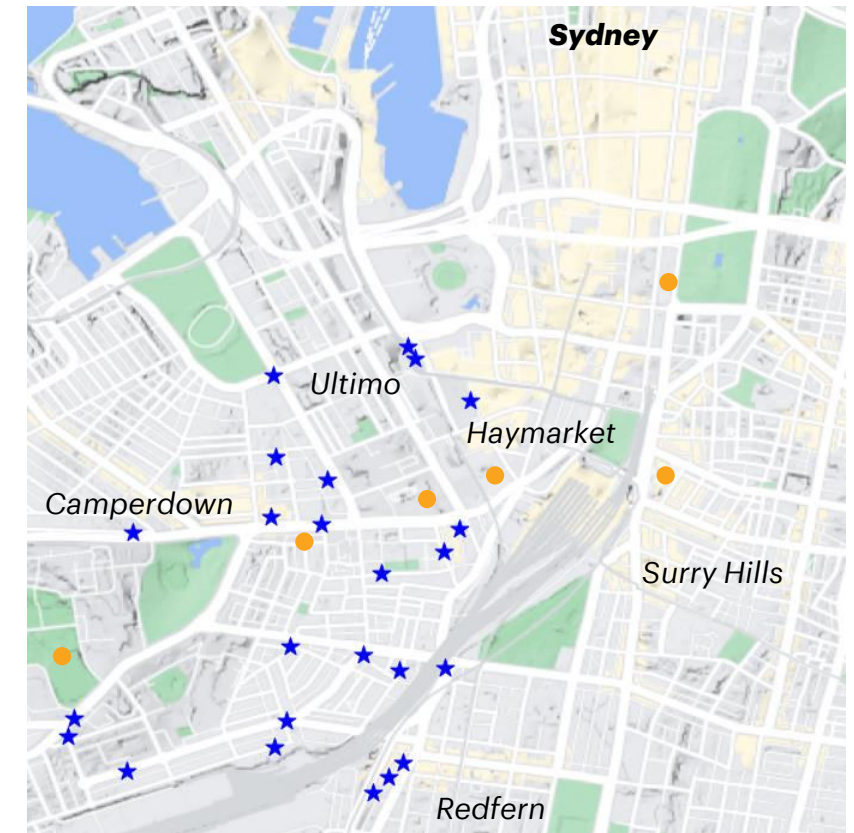


Streamlining development, approvals and operations

Accessibility of development is the leading challenge for the PBSA market in NSW. The state should **focus on reducing barriers to development**, including reducing acquisition costs by reducing tax penalties, incorporating PBSA into state zoning plans and introducing PBSA-specific development requirements to increase the availability of land and pace of development.

PBSA and universities in Sydney

- ★ PBSA building
- University



NSW is home to the largest education and second largest PBSA sectors in the country.

NSW has a large and diverse PBSA offering which helps accommodate students studying in the largest state education sector in the country, with almost half a million students studying at NSW universities.¹ The PBSA sector has responded by supplying 16,500 beds, but the state still has untapped potential to increase the supply of PBSA beds, particularly as international student numbers rebound and international enrolments increase. NSW's student to bed ratio is 31, which is considerably worse than the national average student to PBSA bed ratio of 19, further stressing the need for additional supply.

To support the return of students, NSW hosted the International Arrivals Pilot Program, as part of a partnership between the NSW Government and universities in the state. 500 students participated, and the success of the program supported the return of international students nation-wide in early 2022.

Since borders officially reopened to international students, NSW has recovered 66% of its 2019 international student figures. NSW has also increased its share of the total Australian international student market from 38% in 2019 to 40% in 2022.²

The NSW government has legislated a best practice approach to defining PBSA as an asset class. Unlike other states and territories such as the ACT, South Australia, Queensland and Western Australia, where the definition of PBSA is unclear, NSW has a set of guidance notes about where the state expects PBSA to fit and comply under different aspects of legislation, including land tax, stamp duty, and Residential Tenancy Acts (RTAs). However, international investors are still liable to pay foreign-owner land tax surcharges on PBSA assets, which disincentivises investment.



International students return to Sydney under the International Arrivals Pilot Program

Improving the accessibility of land for PBSA and improving the development planning process will help NSW to scale up PBSA.

The NSW PBSA market is primarily challenged by the accessibility of land, reducing barriers to acquisition of land and improving the planning and development process in the state would allow the NSW sector to grow and meet its full potential.

The NSW property market is one of the most competitive and expensive in the world. PBSA developers are challenged by these market conditions, in conjunction with high tax levies including stamp duty, land tax and foreign investor surcharges. These levies make it hard for PBSA to compete in bidding against residential developers and other high-yield asset classes. The overall high cost of acquisition and ongoing operations in NSW and Australia more broadly means foreign investors look to invest in other international markets, which perpetuates PBSA's limited ability to expand in NSW.

Currently, PBSA is not accounted for in NSW state zoning or local planning. As a result, PBSA providers frequently compete with private buyers on sites around universities, which in NSW is mostly in or near the Sydney CBD. Thus, competition is affecting the availability of land accessible for PBSA providers. Including PBSA in city planning and zoning would allow greater accessibility of land for providers in proximity to universities. Enabling PBSA development in Sydney would relieve the some of pressure on the private rental market.

Understanding PBSA as a development will further assist NSW on the challenge presented by planning regime resubmissions. Alignment on the requirements of PBSA in development stages will allow reduced delays and speed up approval times, which mutually benefits both the government and the PBSA sector.



Campus Living Villages, UNSW Village, Sydney

The Queensland PBSA market has a strong base in Brisbane and supplies 16,000 beds for students in the state

Queensland has a growing PBSA sector, which is currently heavily focussed around the education precinct in Brisbane.



16,000 PBSA beds



14 students per bed^a



0.7% rental vacancy rate in August 2022¹

Queensland PBSA providers have developed over 40 PBSA buildings in Brisbane alone, with the state servicing 16,000 beds in total.² The largest PBSA development in Australia was built by Wee Hur (operated by UniLodge), housing up to 1,576 students. There are several PBSA providers operating in Queensland, including Scape, Iglu, StudentOne, and UniLodge. Queensland currently has a very tight private rental market, with vacancy rates at just 0.7% in August.

Queensland has 14 students per PBSA bed, considerably better than the national average of 19 which indicates that the state has more supply than most other jurisdictions. The high PBSA bed supply in Queensland can be attributed to low development barriers relative to other states, lower average property prices and a selection of world-class universities. PBSA owners report zero vacancies across their Brisbane assets – showing a strong demand for beds in a tight rental market.

Queensland should focus on:



Encouraging investment

By **creating a more consistent and PBSA-specific set of legislation** within the state, including land tax settings which affect the decisions of providers and investors.



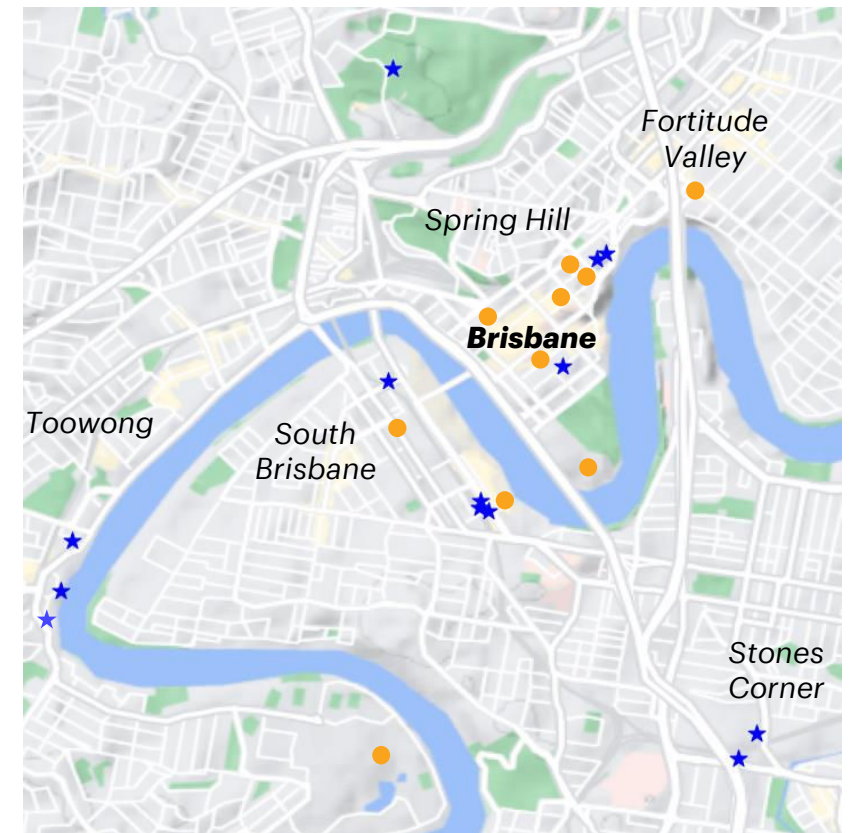
Attracting and supporting students

Queensland has seen a slower **return of enrolments from international students** than other states and should seek to meet the national average to keep pace.

PBSA and universities in Brisbane

★ PBSA building

● University



The PBSA market in Queensland is supported by positive development and planning regimes.

Queensland is the fourth largest PBSA market by number of beds in Australia. It is home to over 224,000 tertiary students and has over 16,000 PBSA beds.

Queensland's current position has been supported by positive planning and development settings. Queensland has distinct education zones built into state zoning plans, which enable PBSA to be developed in and around these areas. This has benefitted providers and supported their ability to expand their offerings in Queensland.

Industry experts suggest that the planning regime around education precincts in Queensland outpaces other states and territories and implementing this approach nationally would have a sizeable impact on the pace of growth of the education and PBSA sectors.²

While Queensland has made some progress in incorporating PBSA into legislation, creating a more consistent and stable legislative environment for the sector will help unlock further growth.

In recent years, PBSA providers in Queensland have been challenged by changing legislation. In 2019, the Queensland government introduced a foreign investor land tax surcharge of 2%, which PBSA providers were generally liable to pay given high levels of international investment.



The Queensland University of Technology's Brisbane campus

PBSA in Queensland could benefit from greater consistency in legislation and attracting more international students.

Rapidly shifting taxation plans, such as the recent announcement and retraction of land tax ownership assessments have also contributed to uncertainty for providers and investors in the state. The proposed method of determining the rate of land tax levied against investors with interstate portfolios went beyond existing forms of stamp duty surcharges and land tax surcharges. Although the Queensland government has retracted this policy, these announcements and plans can create a lasting impact on investor confidence.

Queensland can also look to bolster efforts in attracting more international students to PBSA. Currently 27% of Queensland’s tertiary students are international students, compared to 33% nationally.¹ Increasing international student numbers to meet the national average will allow Queensland’s education sector to grow and help to address the states skilled and unskilled labour shortages.

One successful initiative delivered by Study Queensland was a unique international social media competition, which offered prize-winners from 10 countries the opportunity to study in Queensland for 20 weeks. Half of the recipients were accommodated in PBSA beds in Brisbane for the duration of their stay. Experts have suggested that similar programs repeated in 2023 would be well placed to support the return of international students and to showcase Queensland PBSA to the world.



Residents of StudentOne Wharf Street, Brisbane

The South Australian PBSA market is well-serviced after strong investment and development during the pandemic

South Australia has a smaller PBSA market than other states, but will be well serviced by a larger number of PBSA beds as students return post-pandemic.



6,700 PBSA beds



13 students per bed^a



0.3% rental vacancy rate in August 2022¹

There are 23 PBSA developments in the City of Adelaide alone, and the state supports 6,700 beds in total.² The state is home to four universities, providing a strong student base from which PBSA can attract residents.³ Most universities and PBSA buildings are situated in the capital city of Adelaide.

The number of PBSA beds in South Australia is relatively high compared to the number of students in the state, due to a number of sites completions during the COVID-19 pandemic. There are 13 tertiary students per PBSA bed, one of the best ratios in the country. PBSA beds are helping to support housing options in Adelaide, which has the tightest rental market in Australia with just a 0.3% vacancy rate. International student enrolments have rebounded quickly with South Australia seeing 77% of pre-pandemic enrolments as at July 2022, which is higher than both Victoria and New South Wales.⁴ Private PBSA providers are currently reporting almost zero vacancies across their Adelaide city assets.

South Australia should focus on:



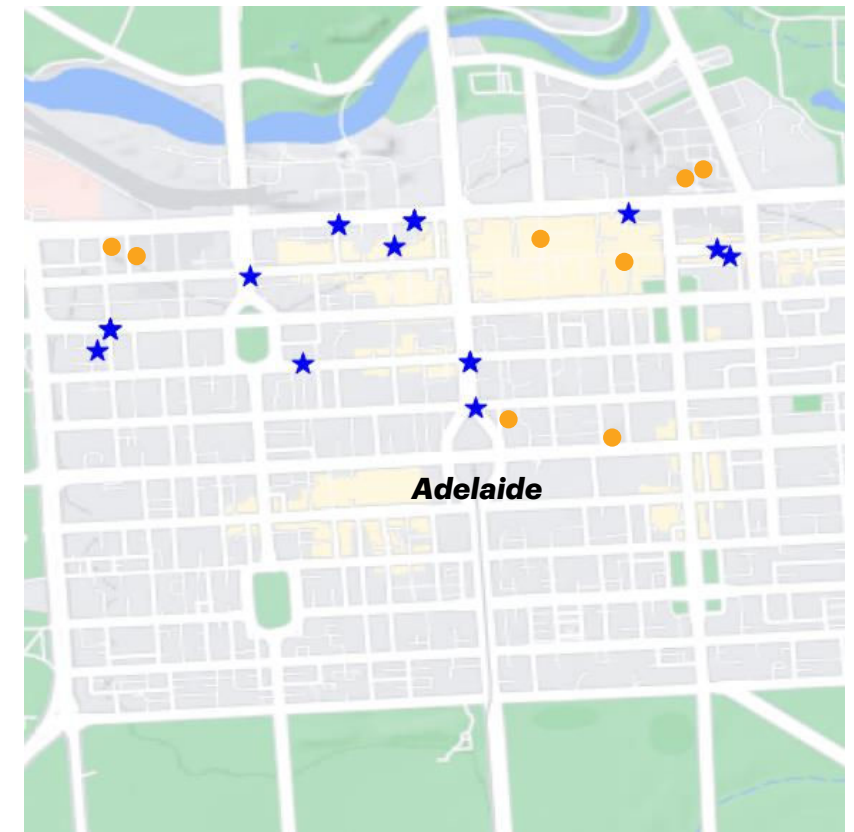
Encouraging investment

South Australia currently has one of the highest upfront fees for international investors hoping to purchase or invest in PBSA. To solidify its PBSA presence, South Australia should look to **increase investment by reducing tax barriers** across stamp duty, foreign-owner surcharges and land tax.

PBSA and universities in Adelaide

★ PBSA building

● University



South Australia has a strong education sector, which attracts students to the state's PBSA options.

South Australia has a proportionally high number of PBSA beds relative to the number of students in the state. South Australia has approximately 13 students per bed, which is better than most other Australian states and territories.

Pre-COVID, investment in the PBSA sector was rapidly increasing. As a result, several sites completed construction in 2020-2021, contributing to a higher bed supply.

PBSA developments in South Australia benefit from high demand from both international and domestic students in South Australia. Universities in Adelaide, the state's major student hub, rank in the top 2% of universities worldwide, which has driven demand for PBSA. Rankings are a particularly important decision-making factor for international students, who make up 12.5% of South Australia's tertiary students population. Domestic students comprise the remaining 87.5%, made up predominantly by students from Adelaide and regional South Australia. Adelaide is the destination of choice for regional South Australians, as 93% move to Adelaide while just 7% move interstate for university.¹

South Australia has implemented a strong regime to attract students to the state, both pre- and post-pandemic. Adelaide has been rated one of the most liveable cities and the lower relative cost of living has further increased the state's attractiveness to students.² Post-pandemic, the state has expanded the list of skilled migrant occupations for state sponsorship, up from 380 in 2021-22 to over 500 for 2022-23. Expanding this program is a key step in accessing higher international student numbers, which will help the state's education and PBSA sectors to grow.



South Australia can solidify its PBSA presence by reducing barriers to investment.

In December 2019, education overtook wine to become the state's number one export by revenue.³ Historically, South Australia has serviced 5-6% of Australia's international student population. However, with a number of the country's leading universities and a sizeable PBSA market opportunity, South Australia should look to increase its PBSA bed supply.

While the South Australian sector has seen high levels of investment pre-COVID, with many developments being completed the past two years, high tax penalties could affect future development opportunities.

South Australia has a stamp duty levy on foreign investment. A 7% foreign owner surcharge is applicable to overseas investors, in addition to the current 5.5% stamp duty charge, taking the total to 12.5% of the value of the property.

The classification of PBSA in South Australia and whether it is liable for the 7% foreign owner stamp duty surcharge is currently being determined through court cases. While the outcome is still uncertain, governments pursuing definitions through the courts creates large disincentives for both transactions and investment in new developments, as potential investors wait on multi-year legal disputes to settle. In a recent high-profile case, this additional duty has reportedly cost a PBSA provider in excess of \$7 million on a single transaction.

Australian states and territories compete with other international markets for foreign investment, and South Australian legislation must aim to keep pace with the efforts of other leading regions to remain competitive and attract foreign investment into South Australia.



Yugo Adelaide City opened in 2022 with 750 new beds

The ACT has a very well-supplied market, with the highest supply of PBSA beds relative to the number of students in the country

The number of ACT tertiary students per PBSA bed is the best in the country, indicating a strong supply in the nation's capital.



4,900 PBSA beds



7 students per bed^a



0.9% rental vacancy rate in August 2022¹

Despite its small size, Canberra accommodates a relatively large number of students in PBSA, providing vital housing supply, which eases pressure on the private rental market. The median weekly rental price in Canberra is \$700 – the highest of all Australian state and territory capital cities.² The ACT has 28 PBSA developments which provide 4,900 beds, bringing the state's ratio to seven students per bed.³

The ACT's PBSA sector is made up of entirely university-owned assets. PBSA in Canberra largely supports the Australian National University (ANU), University of Canberra (UC), Charles Sturt University (CSU), an Australian Catholic University (ACU) campus and the University of New South Wales' (UNSW) Canberra campus. Over 30% of the ACT's student population are international students, and Canberra has been ranked in the world's top 20 student cities.

The ACT should focus on:

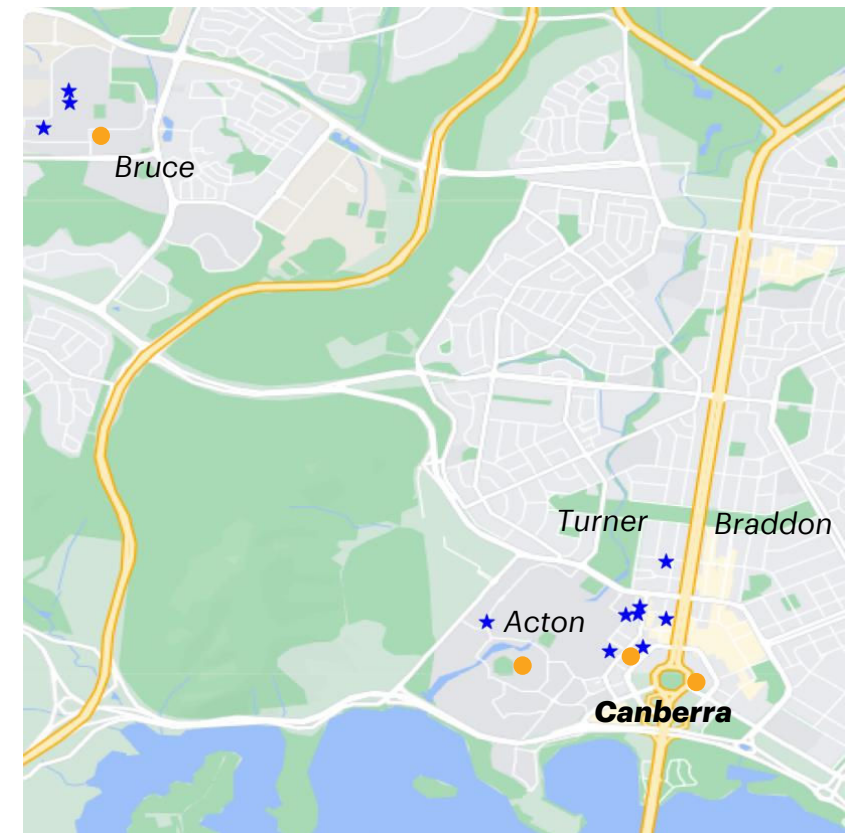


Encouraging investment

The ACT depends on PBSA bed supply to house thousands of students, and should **consider matching PBSA to residential college tax concessions to encourage investment** and ease the pressure on the ACT rental market. In addition, working with universities to secure partnerships to develop beds and facilities will support the case for PBSA and unlock further investment opportunities.

PBSA and universities in Canberra

- ★ PBSA building
- University



Canberra is a leading student city, supported by a strong education sector, a large number of university-owned residential colleges and an expanding PBSA market.

The Canberra PBSA environment is challenged by strong competition from residential colleges. However, residential colleges do not have sufficient capacity to accommodate growing numbers of domestic and international students due to the limited availability of on-campus land.

PBSA has an essential role to play in the future growth of the ACT's strong tertiary education market, particularly as international students return to on-campus learning. Experts suggest that PBSA bed supply should triple to support the strong return rates of international students.¹

Residential colleges for students in Canberra have had a long history dating back to the 1960s. ANU has seven residential colleges, a mix of catered and self-catered lodgings for undergraduate and postgraduate students.² PBSA faces strong competition from these well-established colleges in the student market, particularly for domestic students. Likewise, as residential colleges are tied to universities, they receive tax concessions, which allow them to access greater cost efficiencies than PBSA. As such, PBSA is frequently outcompeted by residential colleges in the ACT market.³

In markets like the ACT, where most universities offer their own affiliated residential colleges, PBSA providers struggle to promote their offering to students. Both ANU and the University of Canberra offer accommodation guarantee programs for first year and international students, but PBSA is frequently placed as a second alternative in these scenarios, as well as across publications and information provided about student accommodation for prospective students at Canberra universities.



The PBSA market in Western Australia has a high student to PBSA bed ratio, indicating a relative undersupply

The PBSA sector in Western Australia is undersupplied relative to the number of students studying in the state, but it has grown in recent years to its current offering of 4,200 beds.



4,200 PBSA beds



27 students per bed^a



0.4% rental vacancy rate in August 2022¹

Five universities are based in Western Australia, including The University of Western Australia, Curtin University, Murdoch University and Edith Cowan University, which are located in Perth, and the University of Notre Dame in Fremantle. Two of these – the University of Western Australia and Curtin University, rank in the top 200 universities globally.²

The state has eight PBSA buildings, which house over 4,000 beds. The PBSA offering in Western Australia is primarily based around the universities in Perth. There are 27 tertiary students for every PBSA bed in Western Australia which is considerably worse than average (19), suggesting a relative undersupply compared to other states and territories. Perth also has the second lowest vacancy rate in Australia at 0.4%, and increasing PBSA bed supply would help to alleviate these rental pressures. PBSA providers are also reporting zero vacancy rates in their Western Australian assets.

Western Australia should focus on:



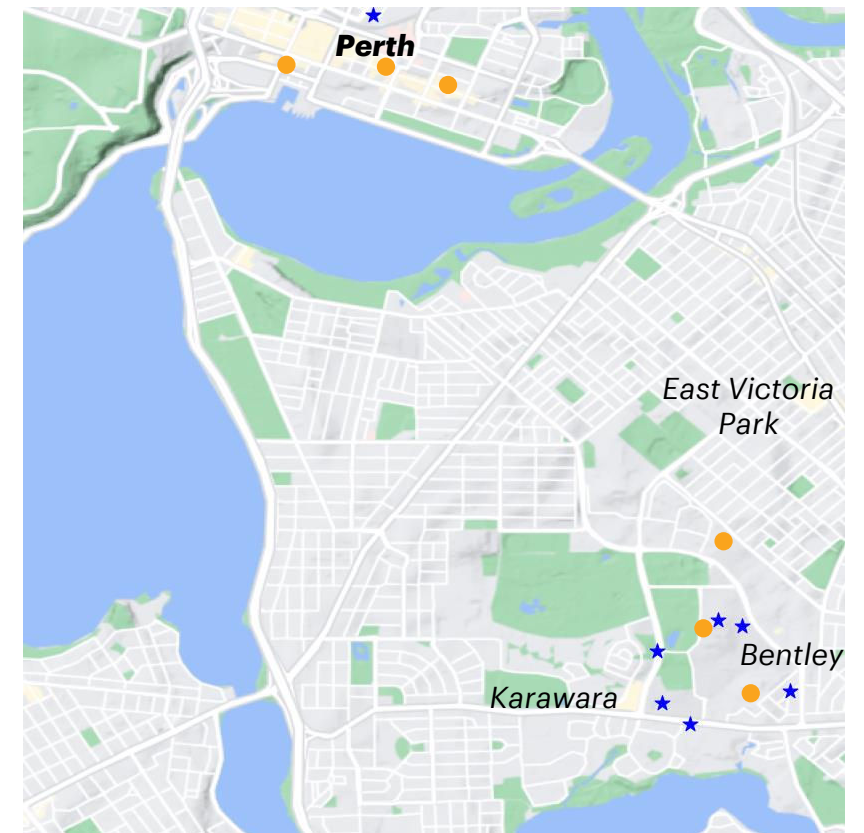
Attracting and supporting students

The Western Australian government should **work with universities to incentivise on-campus, face-to-face learning experiences** for students to assist with the recovery of the tertiary sector following Western Australia's strict COVID-19 policies. Government should work with PBSA sector to ensure student growth strategies align with future housing supply.

PBSA and universities in Perth

★ PBSA building

● University



The Western Australian government should incentivise further development of private sector PBSA to ensure suitable housing choice for students who are returning to study

In September 2022, the McGowan Government committed \$16.8 million to encourage international students to study in Western Australia.¹ The program dedicated \$10 million to the Agent Incentive Scheme in 2022-23 to promote Western Australia as the Australian study destination of choice to prospective international students and \$6.8 million for the continuation of the International Student Accommodation Subsidy and ELICOS Bursary. These commitments come in addition to the government's funding of \$41.2 million for international education initiatives in the 2022-23 State Budget.

Enrolment figures indicate that Western Australia is starting to recover from their relatively prolonged border closures, which has impacted the physical return of both interstate and international students. While the University of Western Australia reports 80% of pre-COVID student enrolments as of semester one 2022, international student enrolments are currently at just 62% of pre-COVID figures.²

Given the low amount of PBSA beds in WA, the tight residential rental market and the renewed focus on attracting students back to Perth, the Government needs to ensure that there is a pipeline of PBSA supply coming online to ensure that appropriate housing options are available for students.

At the University of Western Australia, almost half of international students remain overseas and are studying online. Support programs in the lead up to on-campus learning requirements resuming in June 2023 will help support students as the transition from remote/hybrid learning to a face-to-face format.



The Northern Territory market is one of the smallest in Australia, with only one PBSA development

Darwin is the epicentre for tertiary education in the Northern Territory, and the PBSA offering is supported wholly by UniLodge.



300 PBSA beds



33 students per bed^a



0.6% rental vacancy rate in August 2022¹

The Northern Territory is a unique PBSA market, as its sector is relatively small and services a limited base of students. The primary university in the Northern Territory is Charles Darwin University, with campuses in Darwin City and Casuarina.

The Northern Territory houses only one PBSA development – UniLodge Darwin, which services Charles Darwin University and offers 300 student beds. The student accommodation offering from UniLodge houses a considerable proportion of the territory’s students, at a rate of 33 students per bed. Relatively small investment incentives could help improve this ratio, and provide enough supply to reach the Australian average of 19 students per bed. There is likely sufficient student demand, as the Northern Territory has reached 91% of pre-pandemic international student enrolments in 2022, which is the highest rate in the country.

The Northern Territory should focus on:

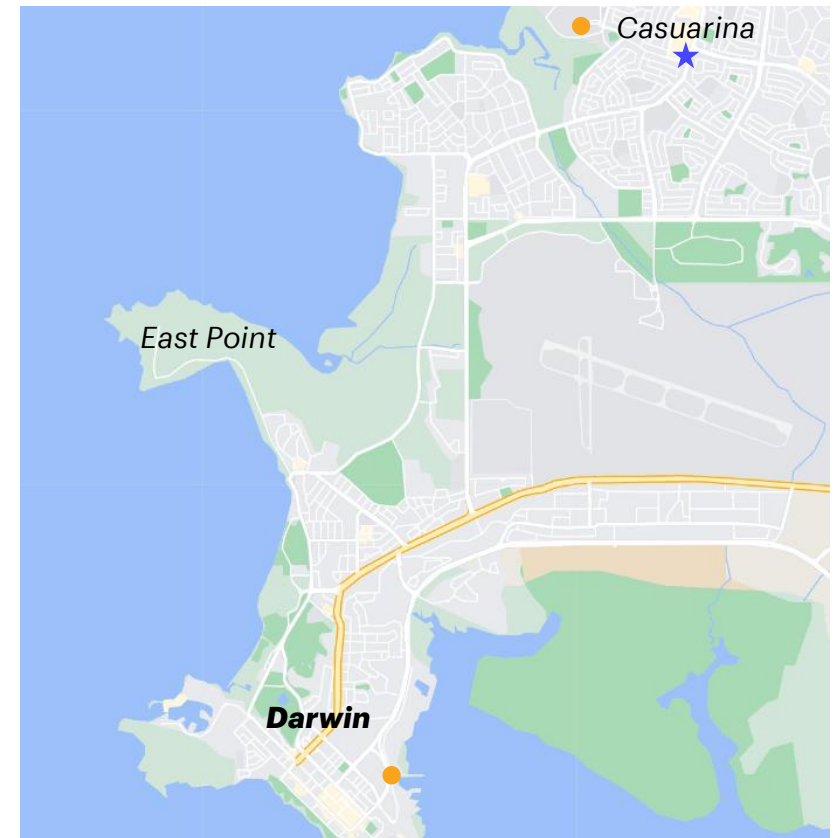


Encouraging investment

While the PBSA offering and market size in Darwin is small, the student per bed ratio indicates an opportunity for further supply in the Northern Territory. The sector can look to **encourage additional investment in Darwin to meet the growing demand**, supported by a leading post-pandemic international student enrolment rate in the Northern Territory.

PBSA and universities in Darwin

- ★ PBSA building
- University



The Tasmanian market has no PBSA buildings, but a strong education sector indicates an opportunity for private supply

Tasmania has no designated private PBSA buildings despite supporting a strong education sector, but is serviced by a relatively large number of university-owned beds.

 0 PBSA beds

 10 university-owned buildings

 0.5% rental vacancy rate in August 2022¹

Tasmania's university students are centered around the state's flagship university, the University of Tasmania, which has campuses in both Hobart and Launceston. There is a relatively high supply of university-owned beds in Tasmania, with 10 developments and almost 2,100 beds. Despite a relatively high number of well-established university-owned student accommodation, there are no large-scale privately owned and operated PBSA buildings in Tasmania.

International student enrolments have rebounded in Tasmania, with 64% of 2019 international student enrolments having returned by July 2022.² Tasmania has a strong tertiary education sector and is continuing its post-pandemic recovery, which presents an opportunity for the PBSA sector to enter the market and complement existing university-owned offerings.

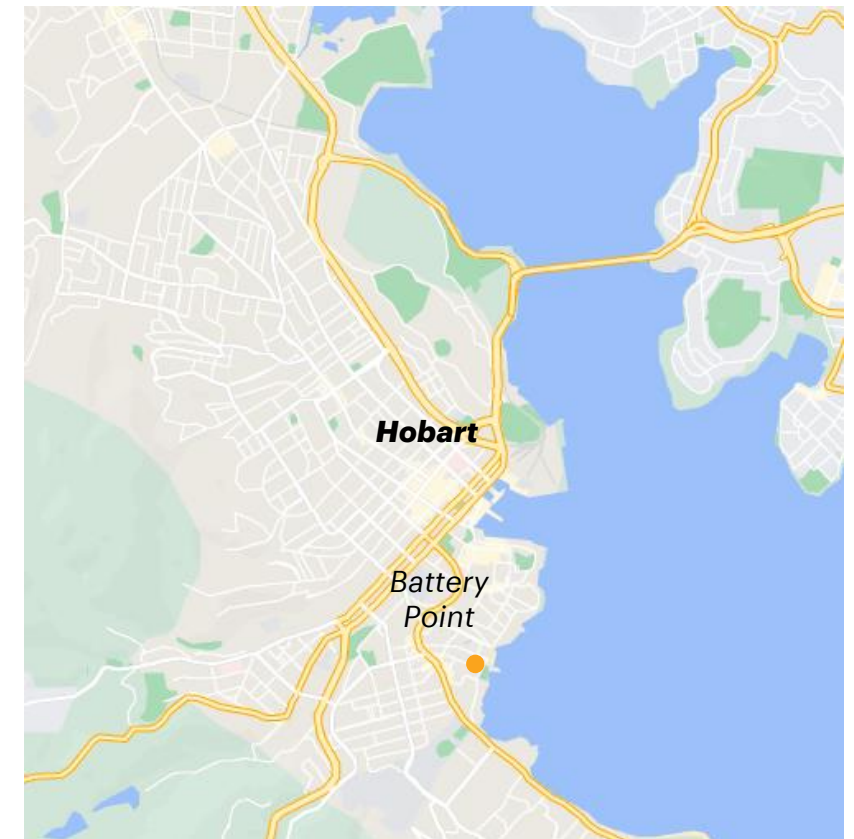
Tasmania should focus on:

Encouraging investment

Tasmania is one of two jurisdictions (along with SA) which does not have foreign-owner stamp duty surcharge exemptions for PBSA developments. With no privately owned and operated PBSA developments and a growing number of students enrolling at the University of Tasmania, **the Tasmanian government should ease this tax burden to encourage investment in the sector.**

PBSA and universities in Melbourne

- ★ PBSA building
- University



Acknowledgments

This report was informed by extensive consultation with the PBSA sector, tertiary education institutions and Australian government.

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| | |
|------------------------|-------------------------------------|
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| Scape | |
| Student One | |
| UniLodge | |
| Wee Hur | |
| Yugo | |

About Property Council of Australia

The Property Council of Australia is the leading advocate for Australia's \$600 billion property industry. Property Council members invest in, design, build and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism and hospitality venues and more. Find out more at www.propertycouncil.com.au.

About The Student Accommodation Council

The Student Accommodation Council is a newly formed (May 2022) division of the Property Council of Australia. It exists to provide advocacy for the growing Purpose-Built Student Accommodation Sector Australia wide.

The Council has been formed off the back of consistently strong industry growth, which, over the last five years, has delivered 31,000 purpose-built student beds with an estimated value of \$9.3 billion.

The Council's 10 founding members account for almost 50,000 of the 76,500 private purpose-built beds across Australia, with current assets valued at more than \$20 billion, and many more projects in the pipeline.



STUDENT
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