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Investments in Student Accommodation in India reach US\$ 100mn in 2018; Market set to grow manifold: Knight Frank Report

Mumbai, 07th June 2019: Current demand for Purpose Built Student Accommodation (PBSA) across India totals more than 8 million bed spaces – a figure which is expected to grow at a rate of around 8% each year to reach 13 million beds by 2025 according to the **Global Student Property 2019 Report** by **Knight Frank**. Around US\$ 100 million was invested into the Indian PBSA market in the year 2018. However, Knight Frank estimates the current potential demand for PBSA in the country to be approximately US\$ 50 billion.

KEY FINDINGS

- Number of Indian students currently studying outside the home country is approximately 2,55,000 students.
- The number of universities in India is recorded at 864 in 2017 as per all India Survey of Higher Education, Ministry of HRD.
- India has the youngest population in the world, with approximately 18% of the 1.3 billion-strong population aged between 15 and 24 years.
- By 2020, the Indian government wants 30% of all in the age group of 18 to 23 years to be enrolled in higher education courses. This would increase the country's student population to 40 million, a figure which is nearly double the current number of students studying in the United States.
- The current demand for PBSA bed spaces across the country is estimated to total more than 8 million. This figure is expected to grow at a rate of around 8% each year until 2025.
- Only 20% of the current demand is met by university operated supply. The student housing market in India is driven by a large volume of private owners with relatively small portfolios of off-campus hostels.
- Knight Frank estimates that there is currently a potential to deliver 6 million PBSA bed spaces on greenfield land located in proximity to universities, while a further 2 million can be delivered on brownfield land.

Indian hotspots

1. **Bengaluru** has the highest concentration of university colleges in India. With the current student population in professional courses estimated at 6,60,000 of which 3,06,377 require accommodation and only 10% of these are covered by on-campus PBSA provision
2. **Pune** is the 9th largest city in India and is emerging as a centre for IT and manufacturing and a strong base for start-up companies. With 264,350 of total student population 191,937 need accommodation, 11% of which is covered by on-campus PBSA provision.

3. **Hyderabad** has also been attracting a fair amount of student population in the country. However, of 29,300 students that require accommodation only 2% are covered by on-campus provision.
4. **Jaipur and Nagpur** are emerging clusters for student accommodation and they offer 15% and 13% on-campus provision to the student population in the city respectively.
5. **Noida** and the **Greater Noida** areas have emerged as modern industrial cities, well connected to Delhi. Noida is the outsourcing hub for Delhi's IT services. Home to a number of private engineering, management and arts universities, and the current accommodation provision is some of the best in India.

“Purpose Built Student Accommodation (PBSA) has become a global asset class, underpinned by a continentally mobile student population and an increased recognition across the world of the importance of higher education. The structural undersupply story is transparent with students attending universities across the world struggling to secure housing in what is a global housing crisis. PBSA represents an opportunity for institutions to invest in an asset class that has demonstrated rental growth every year since the economic downturn.” said **James Pullan, Global Head of Student Property, Knight Frank**

“The Indian student population base is growing consistently; this growth coupled with push from the government to promote more enrolment for higher education is a perfect recipe for student accommodation market to flourish. The forecast is highly promising and is likely to offer investment opportunities in this alternate asset class for domestic and international investors” said **Shishir Baijal, Chairman & Managing Director, Knight Frank India.**

As per the report, there are two major factors contributing towards reaching this target. India's GDP growth has averaged more than 7% per year for the last decade and it is now the sixth largest in the world. This rapid growth has fuelled the emergence of a burgeoning middle class population – estimated to be growing at a rate of 25 million each year. Subsequently, this has resulted in increasing demand from businesses for more highly educated workers who hold degree level qualifications. The second factor that will underpin growth of the Higher Education sector in India relates to demographics. India has the youngest population in the world, with some 18% of the 1.3 billion-strong population aged between 15 and 24.

“Currently the bulk of the student housing demand is serviced by the unorganised sector comprising of rented accommodations and private hostels. These properties are often below student expectations. The demand supply gap coupled with strong fundamentals of the sector has led to an increase in investor interest to develop and operate well-located, high-quality purpose built accommodation. Knight Frank estimates that there is currently a potential to deliver 6 million PBSA bed spaces on greenfield land located in close proximity to universities, while a further 2 million can be delivered through retrofitting and augmentation of existing on-campus hostels.” said **Saurabh Mehrotra National Director of Advisory Services, Knight Frank India**

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