GLOBAL STUDENT PROPERTY 2019

A GLOBAL PERSPECTIVE ON STUDENT PROPERTY AND INVESTMENT

GLOBAL STUDENT PROPERTY 2019

Sponsor
James Pullan

Editor
Oliver Knight

Head of Student Property Research
Matthew Bowen

Research
Matthew Bowen
James Culley
Oliver Knight
Ben Serle

Student Property PR
Freddy Fontannaz

Thanks to our contributors
UCAS
Unite Students
BONARD
World Data Lab
Times Higher Education
Scape Australia
Good Host Spaces
WP Carey
CA Ventures
British Council
Manchester Metropolitan University

GLOBAL CONTACTS
James Pullan
Europe
+44 20 7861 5422

Stuart Osborn
Europe
+44 20 7861 1735

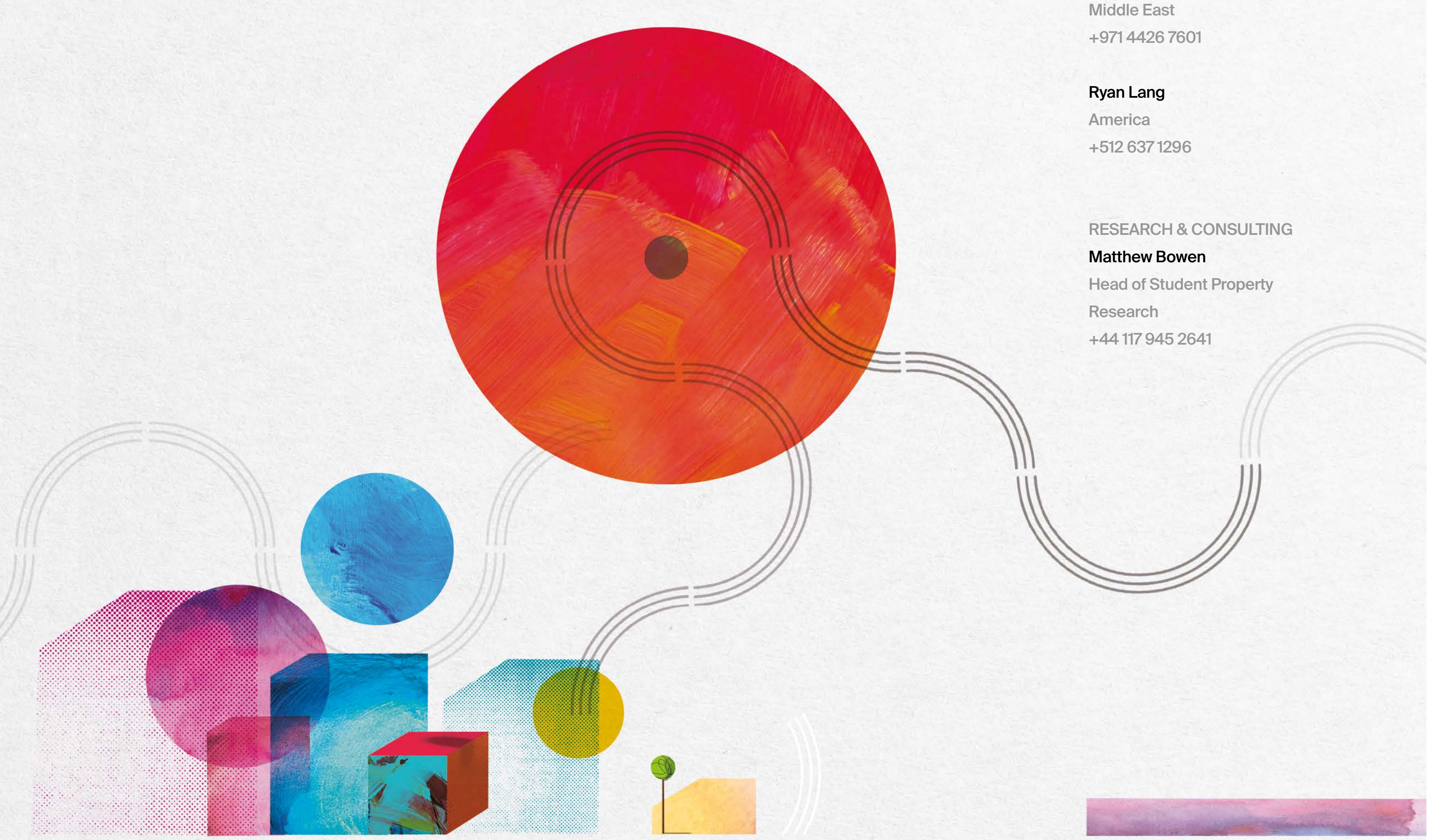
Emily Fell
Asia Pacific
+65 6429 3591

Ben Schubert
Australia
+612 9036 6870

Joseph Morris
Middle East
+971 4426 7601

Ryan Lang
America
+512 637 1296

RESEARCH & CONSULTING
Matthew Bowen
Head of Student Property Research
+44 117 945 2641



James Pullan
Global Head of Student Property, Knight Frank

Higher education and globalisation are closely linked: the knowledge capital produced by universities is key in underpinning the global economy, whilst the role universities play in driving technological development has transformed the way economies are organized.

The temptation for governments facing increased challenges, from globalisation as well the growth of populism, is to become increasing inward-looking when framing their policies.

Yet, in stark contrast, higher education must remain outward-looking. Today's best universities are built on the development of cross-border partnerships, the strength of academic networks and an ability to attract students from around the world. Accommodation is playing a greater role in supporting this, by helping create student communities.

This paper identifies the key global trends from across the student property sector, including the structural undersupply present across markets at all stages of development. It charts the growth in capital flows into student assets, and it shows that delivering an exceptional student experience is critical for higher education providers across the world.

Economic growth globally is expected to moderate over the coming years. This change will require a response from property investors. We expect further growth in investment volumes within the student property market as investors focus on specialist sectors to secure outperformance.

Here at Knight Frank, our global network of student property professionals enables us to provide a holistic view of both the challenges and opportunities facing the sector. One thing is clear: the case for investment in student property remains compelling.

Contents

GLOBAL STUDENT PROPERTY / 2019

Global trends

Matthew Bowen, Head of Student Property Research, Knight Frank

> "Students from around the world want to be in the right place, in good quality accommodation with facilities and communities that add value to that experience."

1 Student property is an increasingly global asset class

Cross-border capital into student property markets around the world accounted for 40% of investment into student accommodation over the last three years. The level of globally active capital is expected to increase as existing operators in mature markets look to expand and build scale, brand and reputation in emerging markets. The next decade will see the emergence of large-scale, truly global owner-operators.

2 Global demographics will exert a greater impact on local markets

The astounding growth of the middle classes globally is fuelling the demand for all goods and services, including education. Consequently, the number of students studying outside of their home country has increased by 23% over the last five years. The OECD forecasts that the globally mobile student population will increase to 8 million by 2025, from 5 million in 2019.

3 Universities in new markets assert their position and threaten the established hierarchy

In China, university enrolment has increased by 35% in the last five years. Other countries such as India and Malaysia have also achieved double-digit growth over the same period. Universities in these regions are building a critical mass of students, quality and confidence. The number of Asian institutions in the top 200 ranked universities globally, for example, has increased by 47% in the past three years challenging the status quo.

4 Students will demand more from their university experience

As students have ever greater expectations of their time at university, the demands placed on student accommodation will intensify. Students from around the world want to be in the right place, in good quality accommodation with facilities and communities that add value to that experience. A Knight Frank survey, in partnership with UCAS in the UK, demonstrates that accommodation is a key factor in supporting student wellbeing. Existing and new operators need to respond accordingly.

5 Collaboration and partnerships will drive success

From the US to India, our research reveals a development landscape characterised by higher construction costs, scarcer development land and mounting affordability pressures in markets which remain structurally undersupplied. Our expert commentators all point to the need for collaboration and partnership between universities and the private sector to overcome these challenges.

GLOBAL STUDENT PROPERTY / 2019

Global capital

Noted

Global investment into PBSA reached a record **US$16.3bn in 2018**, surpassing the previous high of **$15.9bn invested in 2017.**

Cross-border investment in student accommodation accounted for approximately **40% of total investment over the last three years, data from RCA shows.**

Continental Europe has attracted approximately **$2.3bn of inward investment in the last three years.**

The investment case for student property is a compelling one. Demographic change, as well as increases in state funding, have underpinned a rapid increase in student numbers globally over the last decade.

Meanwhile, the search for relatively low risk investments with good returns is drawing more investors to the sector. Increasingly, they are also looking to diversify out of home markets.

Global investment into purpose-built student accommodation (PBSA) was a record US$16.3bn in 2018, surpassing the previous high of $15.9bn in 2017.

Cross-border capital has accounted for approximately 40% of this total investment over the last three years, data from RCA shows. This compares to an average of 26% across all real estate sectors.

Investors from the United States have been the primary source of cross-border capital, spending $7.5bn on PBSA over the past five years. However, the balance of power is shifting. The outflow of capital from Asia-Pacific has eclipsed that from both Europe and North America in two of the previous three years.

In fact, investment from Asia Pacific into student property markets around the world has risen by 47% in the last five years, RCA data shows. In 2017 alone this equated to $3.5bn. This figure was more muted in 2018 reflecting the fact that levels of cross-border investment were down globally, amid a slowdown in economic growth around the world and a more cautious investor appetite in the second half of last year. Notably, however, Asian investors were under-bidders on a series of significant student property transactions in 2018.

Given the economic performance within Asia Pacific in recent years, its emergence as a more influential player within the market is no surprise, but this shift in capital flows will play a significant role in shaping future PBSA markets.

Far from retreating from the market as Asian influence has risen, European and North American investors have also steadily increased the share of capital invested overseas into PBSA – albeit to a lesser extent.

Who is investing?

Cross-border deals emanating from institutional investors have made-up the bulk of activity over the last three years, accounting for 75% of the total volume of capital deployed in this time.

However, there has also been a notable increase in activity among private equity funds, a trend which is expected to continue. According to financial data provider Prequin, $124 billion of fresh capital was raised in 2017 alone and many of the North American funds behind the largest of these pools have a global or European remit.

> "Outbound investment from Asia-Pacific into student accommodation markets has risen by 47% in the last five years."

Figure 1 / **Global investment volumes into student accommodation** / annual totals ($ billions)

Source: RCA/Knight Frank

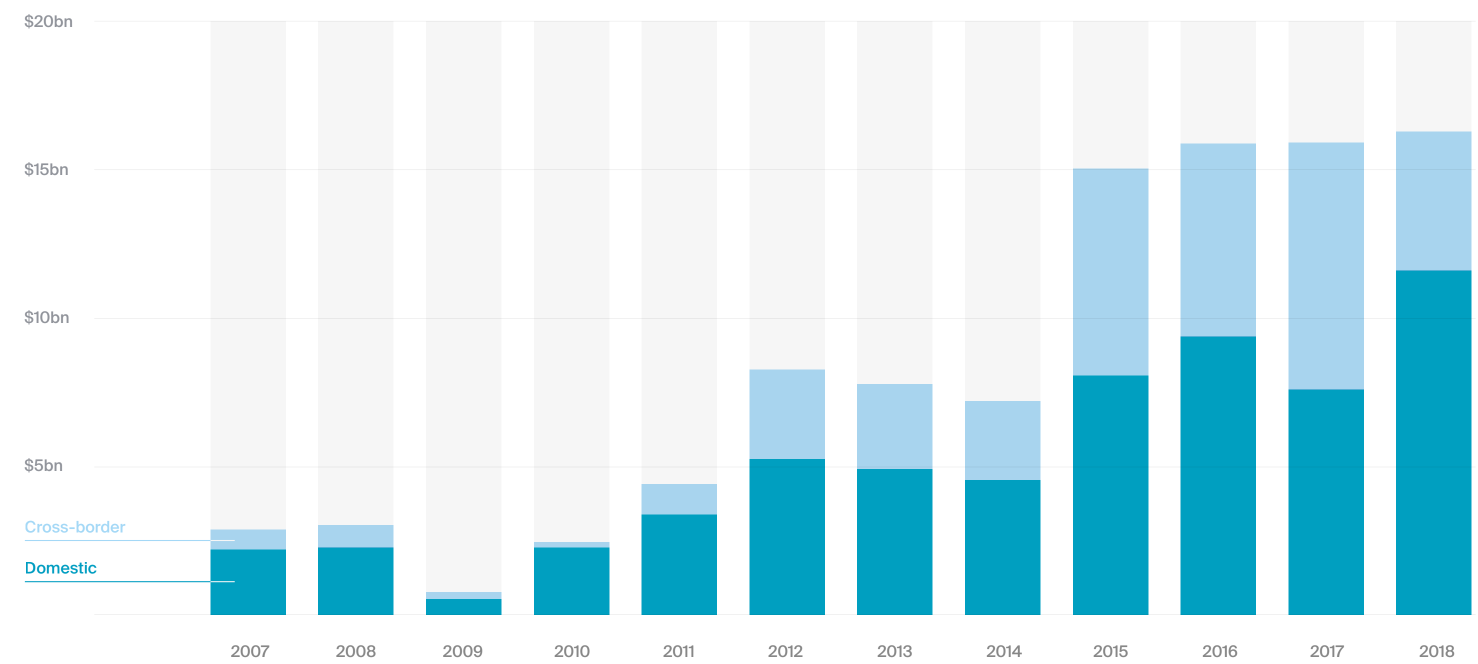
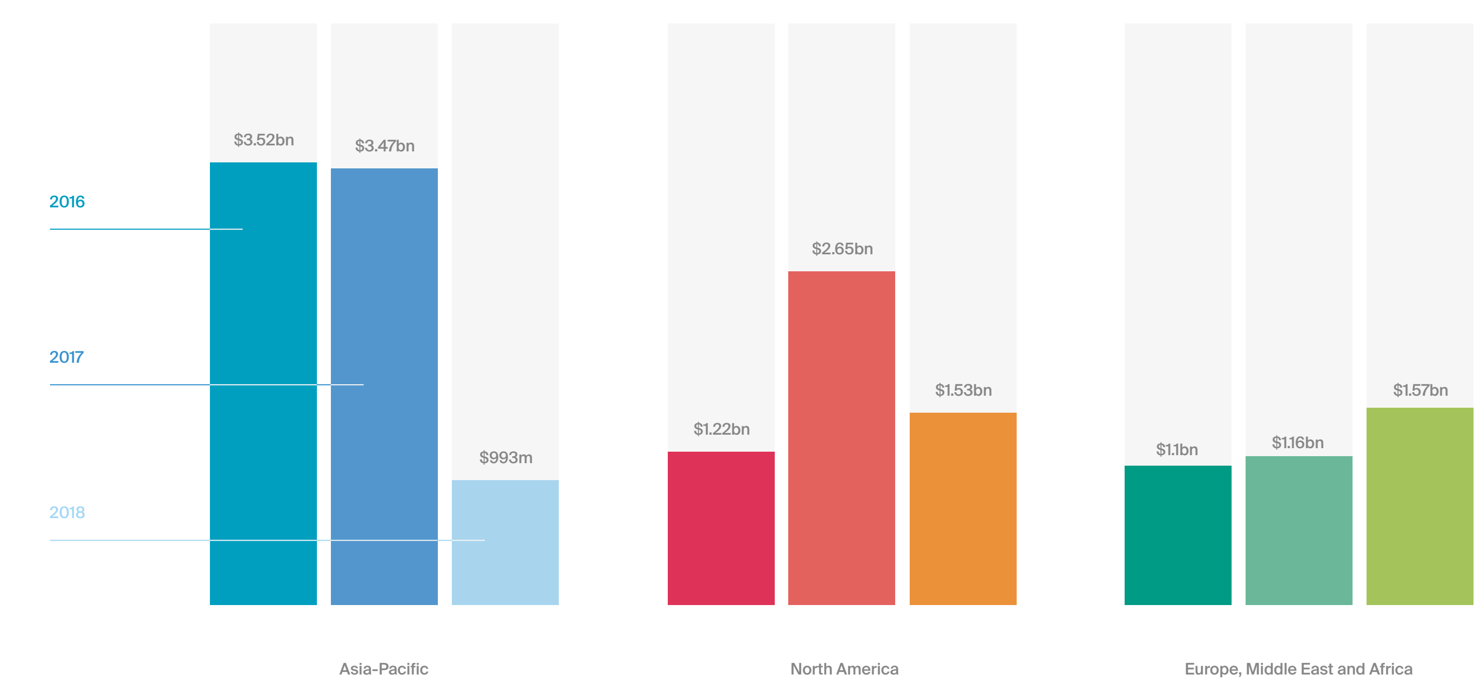


Figure 2 / **Cross-border capital outflows into student accommodation** / by origin, last three years

Source: RCA/Knight Frank



Destinations

The US and the UK remain the two most mature global PBSA markets when measured by investment volumes, accounting for 56% and 31% of total global investment in 2018 respectively.

While this is likely to continue to be the case, other markets are starting to catch up. Investment into European student housing from overseas has totaled $2.3bn over the last three years, a significant increase on historic volumes, though still some way behind the $8.4bn and $6.3bn invested in the US and UK respectively. Given current strong returns in European markets, as well as the variety of investors currently looking to deploy capital, this trend is set to continue as the sector matures (page 16).

Asia's role is also growing rapidly, not just as a source of outbound capital, but as a destination for inward investment. The emergence of Chinese institutions within world university ranking tables is indicative of this, a trend we explore later in the report. European investment into student property markets in Asia-Pacific doubled in 2018.

In the longer term, the share of investment into Asia Pacific markets is predicted to increase further. Australian higher education, in particular, continues to attract a larger share of the world's internationally-mobile students (page 24). However, in the short-term, so strong is the focus from both Asia Pacific and North American investors on European PBSA that that the continent is expected to be the primary focus for investment.

Appetite from Asia-Pacific investors to grow

Emily Fell
Director, Capital Markets, Asia

The majority of investors based in Asia Pacific who are looking to invest in purpose-built student accommodation are heavily weighted in traditional asset classes in their home region and are now looking to divest to other locations and sectors. To gain an immediate platform, large scale portfolios are at the top of the requirement list, hence the big jump in cross-border investment in recent years. Last year volumes fell back, though investors from Asia were under-bidders on a number of large transactions.

Consequently, we expect that the level of interest from Asia Pacific for regional portfolios around the world will continue to rise. However, if yields compress further, it may become difficult to meet return hurdles. This could mean that groups focus their attention on opportunities further up the risk curve.

For institutional capital in Asia, PBSA in the UK represents a stable and recurring income which delivers attractive returns relative to traditional global assets classes. The sector is also viewed as having performed well during economic downturns.

> "Continental Europe has attracted approximately $2.3bn of inward investment in the last three years, **a significant increase on historic volumes**"

Figure 3 / Top 5 destinations in Europe by total investment volume since 2016 (excludes UK)

Source: RCA/Knight Frank

US$2.0bn
Germany
Berlin, Hamburg, Cologne

US$1.4bn
Netherlands
The Hague, Utrecht

US$1.0bn
France
Paris, Lille, Lyon

US$0.7bn
Austria
Vienna, Graz

US$0.3bn
Spain
Madrid, Barcelona

Figure 4 / Top ten global student property markets by investment volume in 2018

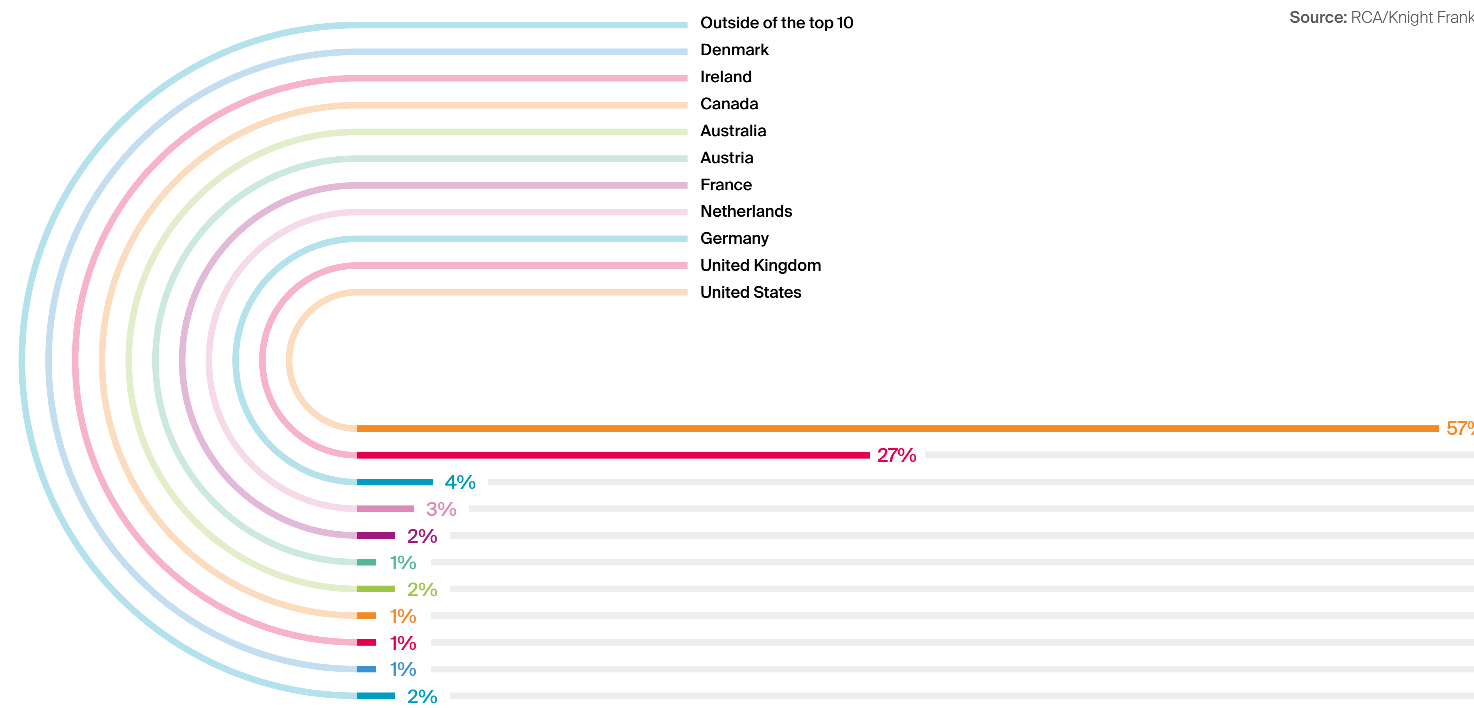


Figure 5 / Inbound capital: Investment volumes over the last 3 years

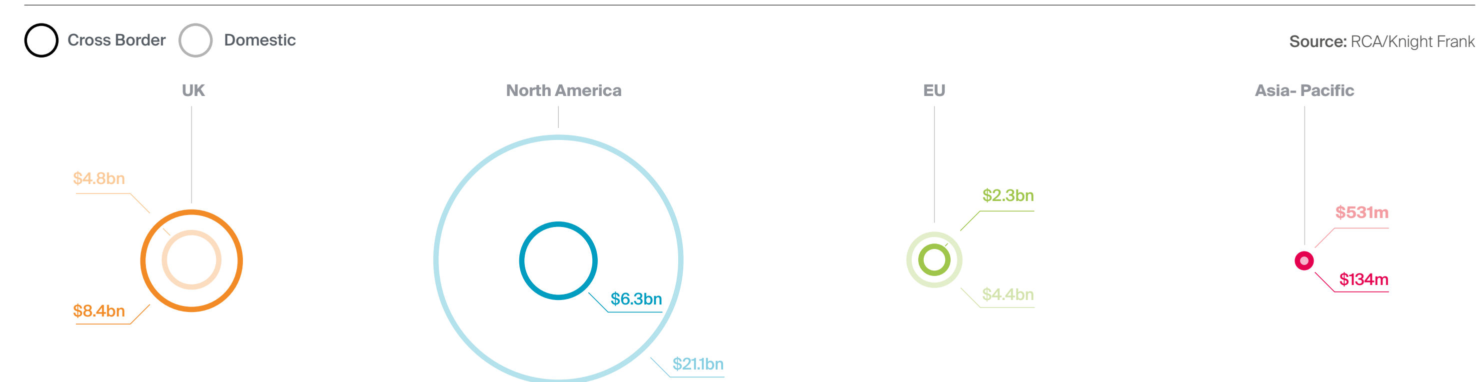
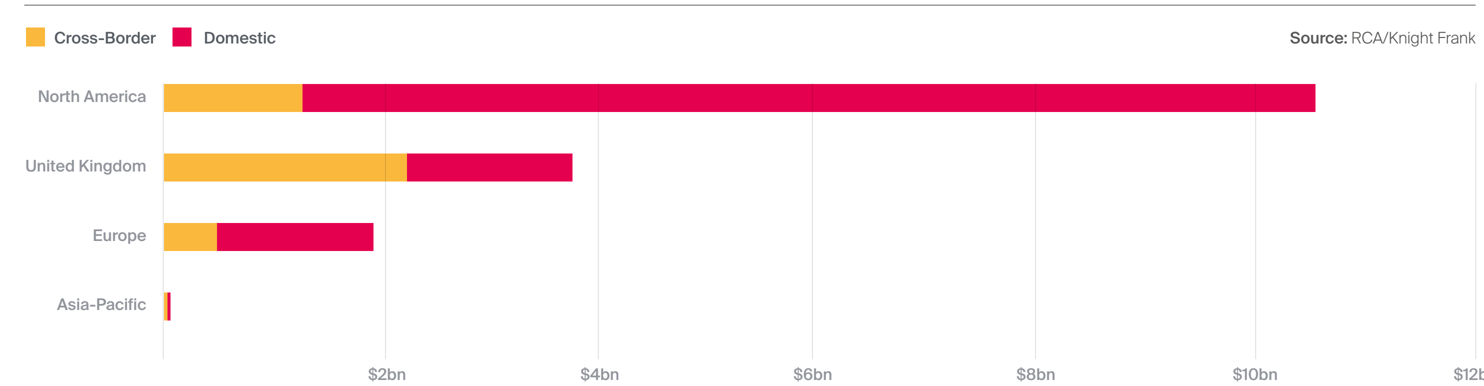


Figure 6 / Total investment volume in 2018



GLOBAL STUDENT PROPERTY / 2019

United Kingdom

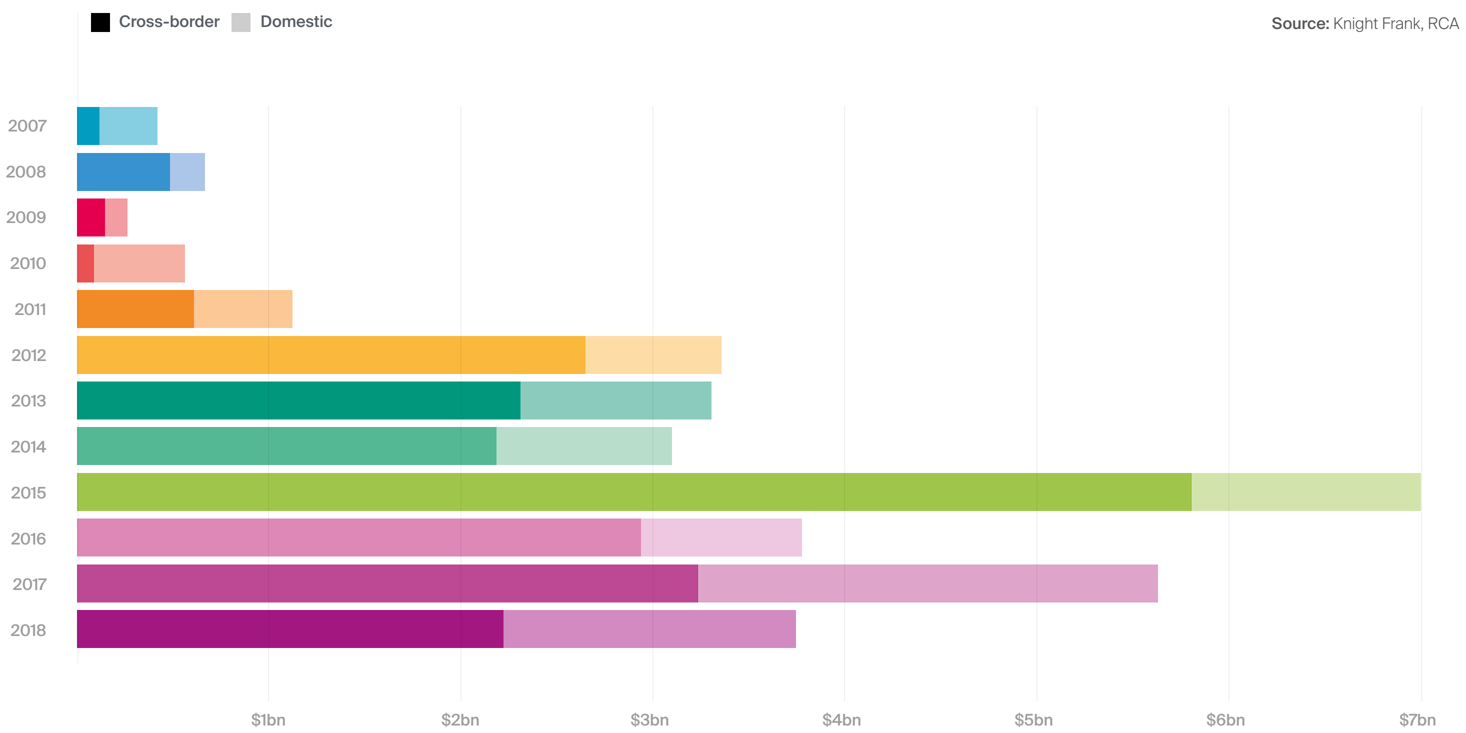
Noted

Purpose-built Student Accommodation (PBSA) in the UK is **valued at more than than $65 billion.**

UK student property is yet to attract a significant volume of capital from Asia. **It is our view that Asian capital will play a more significant role in the future.**

Applications from international students for 2019/20 **rose 6% year-on-year.**

Figure 7 / **A decade of investment in UK PBSA** / Total investment volumes



The next chapter

The UK is the second largest market for purpose-built student accommodation (PBSA) outside of North America. Rapid growth over the last decade means that the sector is now valued at more than $65bn (£50bn)

Key to this growth has been a strong global investor appetite for assets, underpinned by the safe haven appeal of the established UK market as well as rising demand from domestic and international students.

Investment into the UK has, in the main, emanated from North America. Investment from Asia currently remains small, but it is growing.

The globalisation in the market extends to the make-up of the student body, with non-UK-domiciled students representing 16% of full-time undergraduate students and 19% of higher education students overall.

It is expected that these proportions will be maintained, or even rise, in the future. Data from UCAS shows a 6% year-on-year increase in the number of applications from international students for the 2019/20 academic year.

A rise in applications from international students comes in spite of uncertainty surrounding the UK's future relationship with Europe and serves to highlight the global appeal of UK universities globally.

Current demographic trends mean the number of 18-year olds in the UK is falling, however domestic demand is expected to rise over the long-term. Knight Frank analysis of ONS population projections, along with entry rates from UCAS, points to a 15% increase in full-time undergraduate numbers between now and 2030. This would represent an increase of 220,000 to over 1.7m.

The increase in applications and acceptances for international students has been a key factor driving the type of new PBSA entering the market in recent years, with a focus on studio flats, to cater for this international demand.

However, as affordability pressures become more acute, especially among domestic students, the mix of accommodation being built will change. Some 61% of new PBSA schemes due to be built for the 2019/20 academic year are en suite and cluster-led schemes which typically command lower rents.

Some 25,000 new PBSA beds are being delivered into the market each year, according to analysis of planning data over the last three years. Even with this healthy pipeline, full-time student numbers outweigh available PBSA rooms by approximately 3:1.

There are challenges for the market. Policy revisions, including changes to the provision of affordable student accommodation in London, will add to viability pressures, while the findings of the Augar Review into university funding due in 2019, could have an impact on university finances. The sector will need to respond accordingly.

What does the future hold?

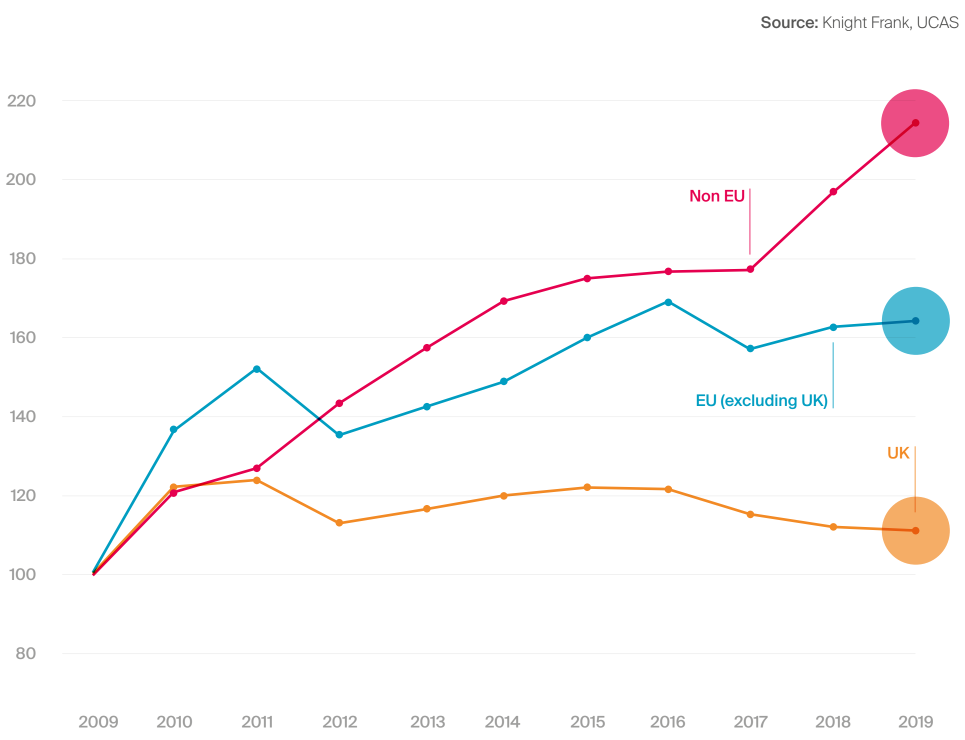
In the short-term, many of the largest development opportunities will be in partnership with universities to redevelop older stock. This new generation of PBSA will be driven by quality, value for money and delivering student experience.

As new entrants and existing investors look to consolidate and acquire additional scale, bulk purchases will continue to be a feature of the investment market. Yield compression will continue as a result. However, this will occur primarily in markets where there are supply constraints, multiple universities and strong prospects for student number growth.

Affordability will also drive the agenda. The acquisition of schemes, where the rent that students pay is perceived as affordable, will become an important focus for investors. Consequently, the push towards even higher specification schemes will tail off as the sector focuses on delivering product which fully meets the changing needs of students.

The market for international students is expected to remain strong. However, developers who overestimate the depth of market for high-specification accommodation, targeted at the most affluent students will find it more difficult to achieve full occupancy. Demand will instead be strongest for accommodation that provides clear and obvious elements that add value.

Figure 8 / **Change in UK applicant numbers by domicile** / Index 100 = 2009



GLOBAL STUDENT PROPERTY / 2019

Figure 9 / International student acceptances at UK universities by domicile / Total student numbers

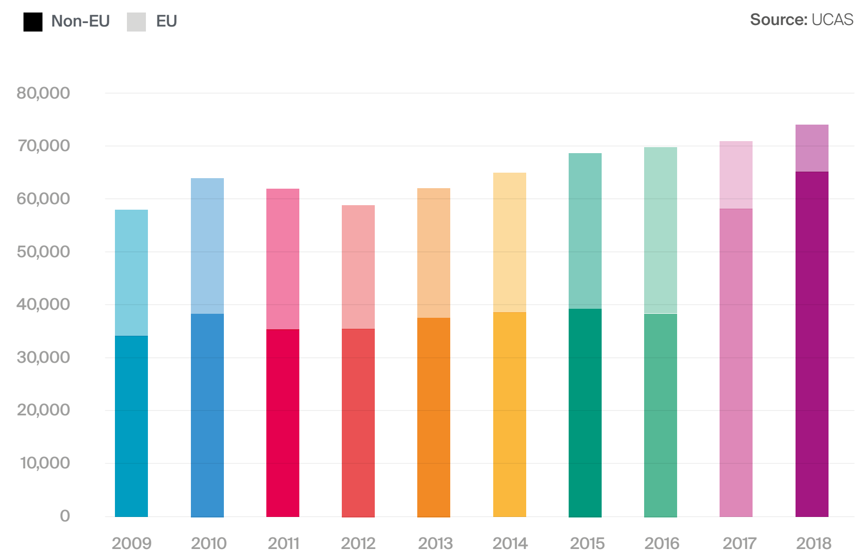
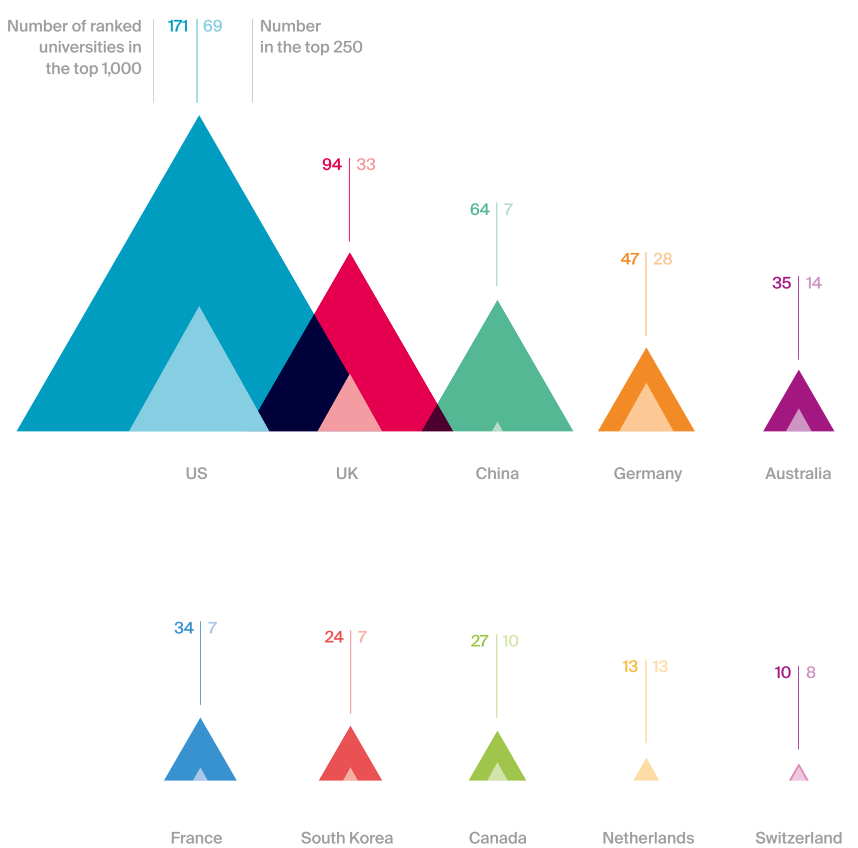


Figure 10 / Number of top ranked universities by country

Source: Times Higher Education



Karen Varty

Director of Recruitment and Admissions, Manchester Metropolitan University

Alongside the uncertainty surrounding the outcomes of Brexit, the university sector is facing a number of challenges including how we prepare for the outcomes of the Augar Review, and the continuing demographic shift resulting in a reduction in 18-year olds in the UK.

In combination with these factors, universities face ever-increasing expectations from students and an increasingly competitive recruitment market.

Despite this, the UK continues to be an attractive place to study, both for domestic and international students. This will remain the case.

Having said that, to remain resilient universities need to ensure that they are not wholly dependent on one cohort of students, offering attractive study options for a range of learners, across different levels, including undergraduate, postgraduate and research students among others.

The key to initial attraction and subsequent satisfaction is to ensure the right balance between quality of experience and perception of value.

Students are increasingly taking a role of 'purchaser' rather than 'commodity user', and expect both value and added value for money. This is not to say that the importance of a personalised and collaborative relationship with the institution has diminished.

As a consequence, it is critical that institutions take a holistic view of the student experience, ensuring teaching facilities, course offerings and campus life supports the learning and wellbeing of students; with quality, availability, proximity and value for money vital from an accommodation perspective.

The Higher Education sector may well face uncertainties, but universities are aware of the importance of the need to remain resilient and adaptive to those changes.

Nick Hayes

Group Property Director, Unite Students

Changing lifestyle patterns mean that in order to deliver the right type of accommodation in the right locations the student property market needs to continually evolve.

There are almost 1.9m students studying in the UK either part or full-time, of which around 750,000 are either first-year or international students. With around 615,000 operational beds, there remains a structural imbalance between supply and demand.

The abolition of the student number cap in 2015 commercialised the enrolment process and enabled universities to grow student numbers.

Accommodation now forms an increasingly important part of universities' proposition, with greater recognition of its impact on retention and satisfaction rates among students. Ensuring the right service level, facilities and amenity is no easy task and in many cases universities are leading the way in this area.

Geopolitical challenges aside, UK domestic policy remains in focus, with tuition fees firmly on the political agenda. We await the recommendations of the upcoming Augar Review with interest.

However, these complexities can be navigated with the right advice and we believe there remains a compelling investment case. UK higher education has a global reach. The number of international students has continued to rise. Domestic student numbers are also likely to grow in the long-term.

PBSA, meanwhile, is becoming more appealing to a wider range of students, evidenced by the fact that our second and third year customer base is up from 16% of occupants in 2018 to 21% last year. postgraduate numbers also continue to rise.

There are a number of markets with compelling supply/demand dynamics which will deliver ongoing rental growth.

We will be an active investor in 2019. We intend to increase our 6,000-bed development pipeline which we will continue to self-fund through disposals and we remain acquisitive for both investment and forward fund opportunities in high-quality university markets.

> "Accommodation is an increasingly important part of universities' proposition, with greater recognition of its impact."

Hotspots

1 Manchester

Manchester is home to two of the largest universities in the UK and, until recently, has had a council-driven moratorium on new PBSA development. As a result, there is significant pent-up demand for new product. Manchester is popular with international students and this continues to underpin pricing.

2 London

London is home to more universities than any other city in the world. Its popularity with students sees it regularly cited as one of the best cities to study. Demand for accommodation outstrips supply by a considerable margin, whilst new development is constrained by viability.

3 Bristol

Bristol is home to two of the largest universities in the South West.

PBSA supply has increased considerably in recent years but new supply has been unable to keep up with demand due to the surge in student numbers. This is particularly notable among post-graduates and international students. The supply/demand imbalance is reflected in strong PBSA rental growth. Bristol's economy continues to grow at pace, driven by its creative and digital economy.

4 Brighton

Demand for PBSA in Brighton significantly outstrips supply with the city having one of the highest student to PBSA bed ratios in the UK. Even though there has been limited PBSA growth in recent years, the local council is supportive of PBSA development.

5 Edinburgh

Edinburgh is a world-renowned destination and cultural hub. It is home to four universities, including the University of Edinburgh, which is the largest university in Scotland. Although there has been an increase in PBSA in recent years, demand continues to outstrip supply. Edinburgh Council has identified that more PBSA is required to alleviate some of the pressure on the private rental market in the city.

Europe

Noted

There are currently around **15 million full-time students across Europe** studying at 3,300 higher education institutions.

The EU's flagship Horizon research programme, which provides funding to support for European research and innovation projects, is set to increase significantly in size, a move which will strengthen university research across the continent.

The current average PBSA provision rate (the number of beds in purpose-build accommodation relative to students) across major European cities is 20%.

Scalable opportunities

The European student housing market has grown significantly in the past decade. Deals last year in continental Europe reached US$1.9bn, notably up on levels recorded three years ago.

There are currently around 15 million full-time students across the region studying at 3,300 institutions, according to education and student housing data provider BONARD. Eurostat data indicates that full-time undergraduates have increased by 7.7% over the past three years.

An increase in the number of international students has contributed to this growth, with more than 2 million currently estimated to be attending universities across continental Europe. Improved access to visas and study permits, more English Taught Programmes (ETPs) and lower tuition fees (relative to the UK and US) have underpinned this rise.

Meanwhile, universities have formed partnerships with host cities as they seek to market their appeal to international applicants.

Furthermore, the amount of budget allocated to the EU's flagship Horizon research programme, which provides funding to support European research and innovation projects, has been increased significantly, a move which will strengthen university research across the continent and could have a knock-on impact on overall university funding and their appeal internationally.

There are currently an estimated 5 million students studying outside of their home country, according to the OECD. This number is forecast to rise to 8 million by 2025, with Europe likely to increase its share.

This has implications for local PBSA markets. Currently, the average provision rate (the number of beds relative to students) across major European cities cities in continental Europe is 20%. The rising number of students choosing to study outside of their home town, city or country, however, means this shortfall is expanding.

Student numbers in Berlin, Madrid and Paris, for example, have increased on average by 2.5% per year over the three years to 2018. However, the supply of new PBSA bed spaces has not kept pace over this time. Assuming current trends, these three cities alone will have a supply gap of more than 100,000 beds in 2021 - just to maintain the 20% provision rate.

Consequently, the appetite for investment is increasing.

What does the future hold?

Development is the key driver of deals within European markets.

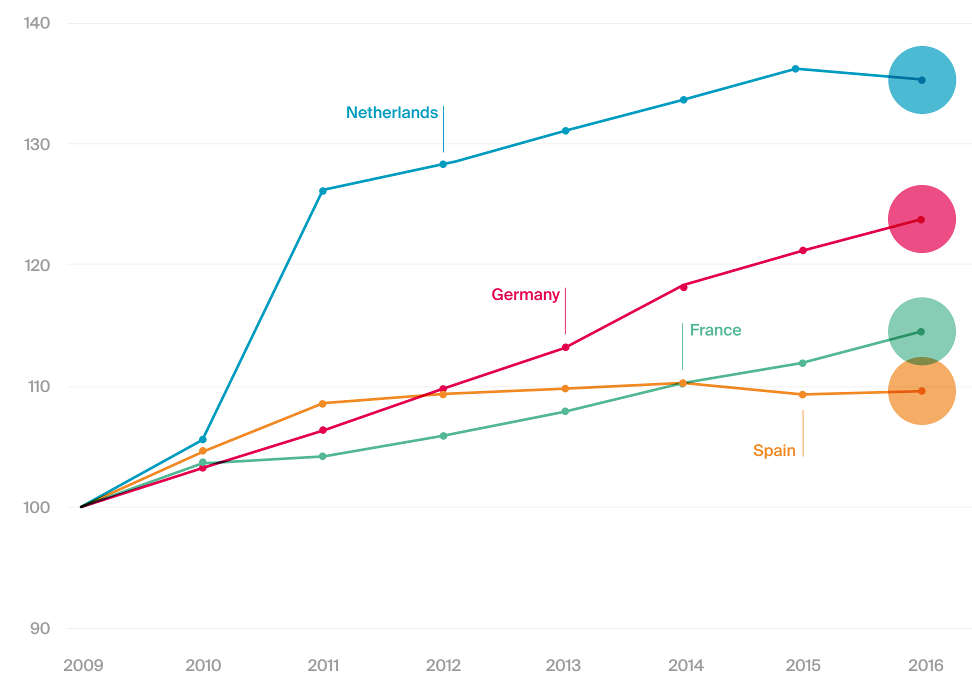
New PBSA development across the region is moving away from dormitory style accommodation towards provision with facilities and amenities that aim to enrich the student experience.

Investors are looking to build scale quickly, with a strong focus on partnering with developers. There are relatively few established specialist operators across the continent, and whilst there is a push to develop and acquire assets, the real key to the success of a student accommodation provider is its ability to deliver customer care, service and brand recognition. European markets represent significant opportunities for owner/operators to lead from the front.

GLOBAL STUDENT PROPERTY / 2019

Figure 11 / **Growth in university student numbers across continental Europe** / Index 100 = 2009

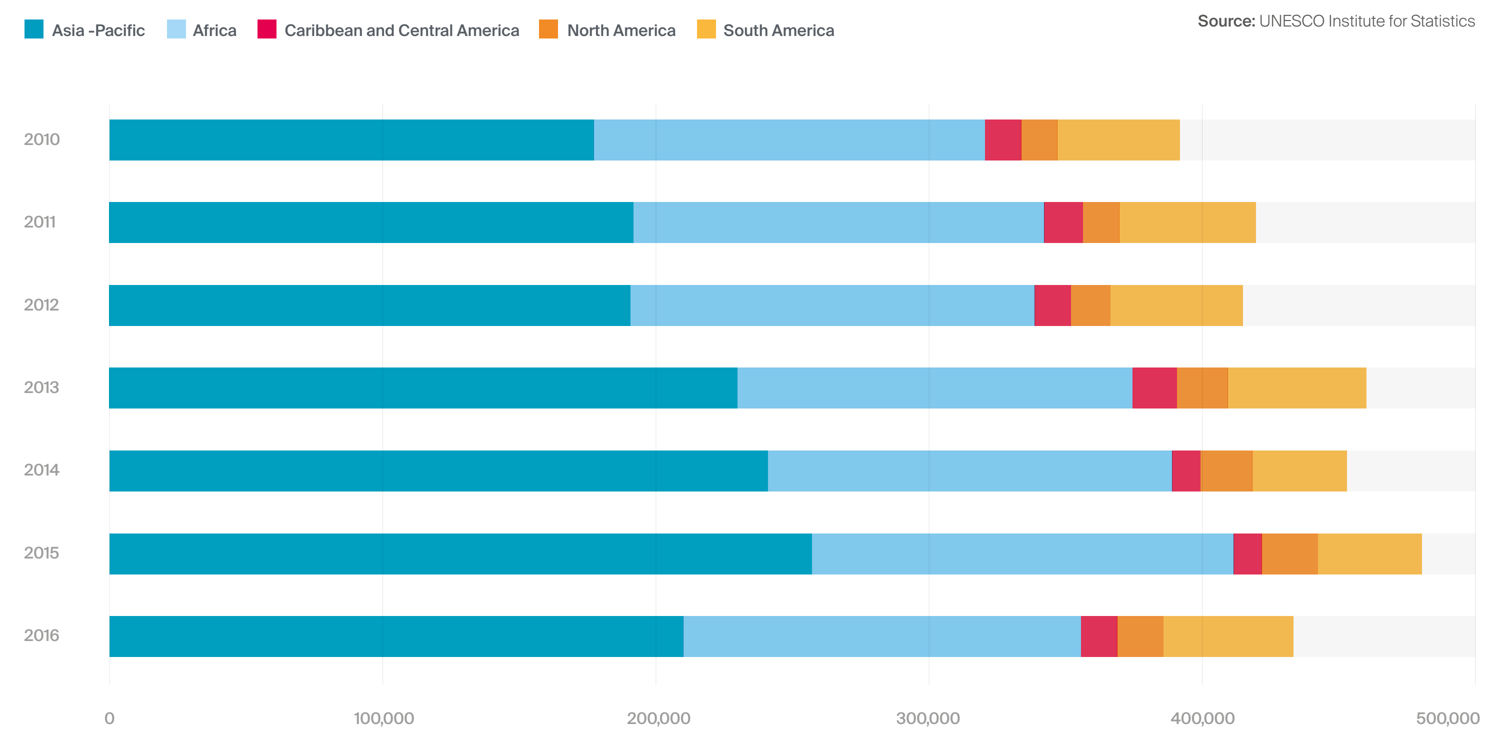
Source: UNESCO Institute for Statistics



> "Investors are looking to build scale quickly, with a focus on partnering with developers"

Figure 12 / **International university students studying in continental Europe by domicile** / Total number of students

Source: UNESCO Institute for Statistics



Samuel Vetrak
CEO, BONARD, student data specialists

In the last decade, the evolution of the student housing sector has been driven by increasing demand from international students. As an asset class, PBSA has matured over this period.

In continental Europe, existing supply is dominated by non-private operators, however this is changing. Demand for PBSA currently surpasses supply by a significant margin.

The average PBSA provision rate in major cities in Europe is 20%, though there are notable variations between cities.

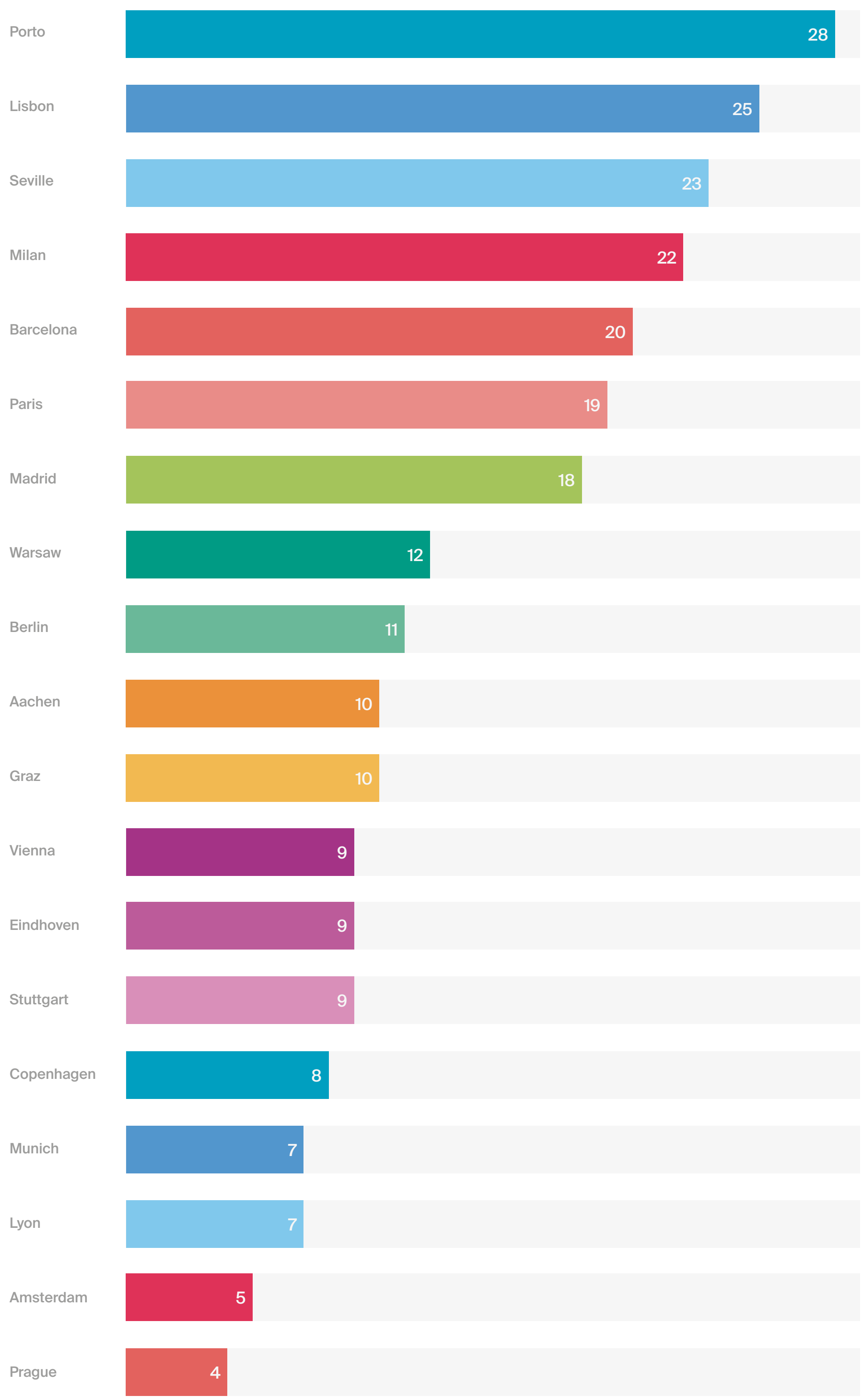
Despite a relatively strong PBSA pipeline in many European cities, the average rate is not expected to increase quickly.

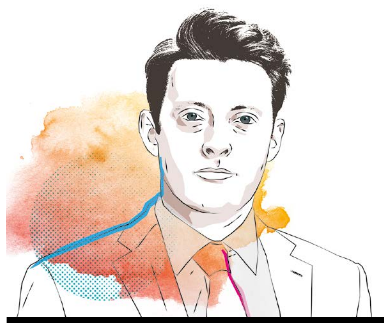
Most demand originates from international students, who often have higher budgets and a preference for modern PBSA with attractive communal areas and amenities, which provide the infrastructure for community life. Student surveys conducted by BONARD also confirm this trend.

> “Demand for PBSA in Europe currently surpasses supply by a significant margin.”

Figure 13 / **PBSA provision in selected European cities** / Number of students per available PBSA bed

Source: BONARD, 2018





Stuart Osborn
Head of European Student Housing, Knight Frank

Urbanisation trends and international mobility are just two factors changing the way the young people live. This is having a knock-on effect on student housing markets, especially within Europe.

These will combine with a number of macroeconomic factors to create a thriving environment for the sector in the coming years.

The already skewed supply and demand dynamics in key markets, alongside a scarcity of new product will further underpin an increase in investor appetite for student housing from current levels. Key to this is the fact that both investor and occupier markets for student housing indicate real growth potential.

In many countries and cities, student housing is closely linked to the already well established residential rental sector and the two operate very closely together, offering the potential of more diverse tenant mix and, as such, a more defensive asset.

Overall, we can see the growing maturity of the sector across the continent when looking at return profiles in the key markets, but there is also a real sense of anticipation and opportunity in less well established markets which could come to the fore in the coming years.

From an operator’s perspective, students are becoming increasingly demanding on what they expect from accommodation, with more of a focus on experience than what is in the room.

Oliver Cummings
Vice President, European Student Property Investment, WP Carey

There are significant investment opportunities in continental Europe. Although the development of new schemes are not without their challenges.

In Iberia, good freehold sites are often difficult to find, with a lot of the best sites held under concessions. Land prices have risen substantially over the past few years in many cities - mostly due to competition from the residential market but also due to increased investor appetite for alternatives. There are opportunities in less well-known locations, but obtaining scale can be difficult and the market dynamics can be questionable.

Working with local partners is essential for managing our risk, although there are still multiple challenges with local planning policy and upward pressure on construction costs over the past 18 months, which fall outside our control.

Despite these challenges, European cities are top destinations for international students and that informs investment strategy.

Our aim over the next few years is to increase our existing pipeline of 8,500 beds, with a continued focus on Iberia, although finding any projects that make sense is becoming much harder.

Hotspots

1 Berlin
The number of international students studying in Berlin increased by 25% between 2013/14 and 2017/18. Student housing demand currently outweighs PBSA supply by approximately ten to one. Even with a strong PBSA pipeline of projects due to be delivered over the coming three years, forecasts for student growth mean this imbalance will remain.

2 Lisbon
The PBSA market in Lisbon is relatively immature. Meanwhile, student numbers continue to climb, with a 21% increase in international students since 2013/14 alone. This contrasts with a pipeline of private PBSA that represents growth in supply of just 3% in the next three years.

3 Madrid
Madrid has a student population of almost 315,000, with an international student population of 47,500. PBSA provision accounts for 31% (see fig 4) of current supply, though most of this stock is over a decade old. Planning regulations in Madrid are more favourable than other Spanish cities, including Barcelona.

4 Milan
Milan is the second most undersupplied PBSA market in continental Europe with current provision representing just 4.5% of students. To reach the average level of provision across the continent of 20%, PBSA bed spaces would need to increase by almost 30,000.

5 Paris
Five of Paris’ universities are within the top 250 institutions in the world. In 2018, the city was voted the second-most welcoming city for students in France. Despite its popularity, Paris remains an undersupplied market. Even with a pipeline of 10,000 bed spaces, the city would require a further 42,000 for PBSA provision to reach the 20% average across European markets.

USA

Noted

A record $10.2bn was invested into US student property in 2018, far surpassing the $7.4bn invested in 2017.

Student enrolment is expected to set new records from 2020 to 2026, based on population forecasts.

Despite a healthy pipeline of new stock, **there remains a historical imbalance between supply and demand in many locations.**

New challenges and market transition

The United States has one of the largest student populations in the world. At 19.8 million, only China and India have more undergraduates enrolled on degree courses.

But while the US may lag the two Asian nations in terms of total student numbers, it tops the league tables in terms of investment.

A record $10.2bn was invested into the sector in 2018, far surpassing the $7.4bn invested in 2017 (itself the second largest investment volume on record).

High investment volumes in the US reflect its maturity compared with other student markets globally, but recent growth has also been propelled by a perfect storm of converging trends - a growing international student population; the escalating competition to attract students; and consistent yields for student housing that often surpass those for multifamily projects.

Population forecasts suggest that enrolment will set new records from 2020 through to 2026 following a slight fall in recent years as more individuals reach college age. Undergraduate numbers are expected to increase 13% over this period – taking total domestic student numbers to over 22 million.

Overall student numbers are likely to be boosted further by an increase in the number of international students studying in the US. Overseas students were estimated to total 1.5 million in 2018.

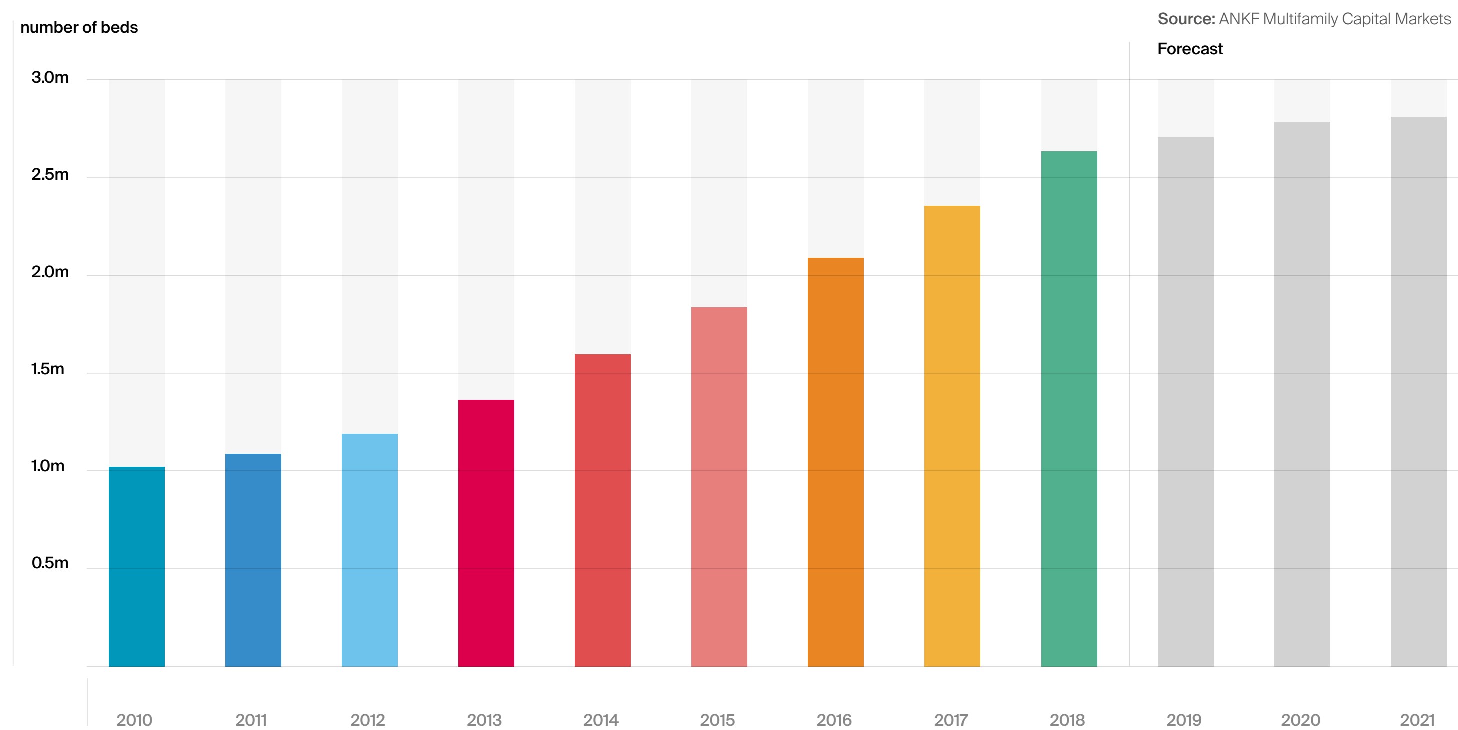
Developers have been racing to catch up. While new supply dropped back slightly in 2018 compared with 2017 it remained at a steady 45,000 new beds. A further 30,500 beds are due for delivery in 2019, though this is expected to increase.

Despite a healthy pipeline of new stock, there remains a historical imbalance between supply and demand. More than 12,000 new bed spaces are expected to be delivered in 2019 at the University of Texas at Austin, Syracuse University, University of Michigan, Colorado State University and the University of Minnesota. This may seem large, but it will only begin to address undersupply given these locations received fewer than 1,000 purpose-built student housing beds in the last three years combined.

> "Population forecasts suggest that enrolment will set new records from 2020 through to 2026"

GLOBAL STUDENT PROPERTY / 2019

Figure 14 / **Purpose-built student housing supply in the US** / Total bed spaces



Taylor Gunn
Vice President CA Ventures

Occupier demand has been highest for good quality properties located within walking distance to campuses, though demand for high-quality properties located further afield, is beginning to increase as demand for accommodation outstrips stock in the best locations. This will continue to be the case in the medium-term. We also expect to see demand for different product types at different price points rise, regardless of location.

The best operators are continuously looking to evolve their products and services to meet the changing wants and needs of students. For CA Ventures this includes changes to not just the properties we operate, but also our online footprint. iGen students want a more streamlined experience, which includes the way they sign up, move in and manage their stay. All processes are delivered online and it is essential to get this right. Reviews and personal recommendations are being heavily relied on by new students.

Sustainability has emerged as a big issue within accommodation and operators need to respond proactively by developing green buildings and incorporating recycling programs. The growing importance of technology means we have formed a committee of specialists that will focus on the future role this could play within buildings.

The outlook remains positive for the US student housing sector. CA Ventures has a strategic focus on public universities in states with strong fundamentals and a healthy outlook. Pent-up demand and the growing popularity and value of a college degree will continue to drive the need for more purpose-built housing.

> "iGen students want a more streamlined experience. All processes are delivered online and it is essential to get this right."

What does the future hold?

Investors and developers are focussing on PBSA opportunities located within walking distance to campuses, with the average distance of new sites built in the last 12 months less than a half-mile from where students study. The scarcity of developable land within proximity to universities however, has put upwards pressure on pricing for such sites.

Construction costs have also risen steadily over the past three years, as have barriers to securing construction finance.

Many investors remain bullish and demand is expected to remain high among students for newly constructed properties within proximity to top-tier universities.

Given the finite availability of developable land, demand for value-add investments is expected to remain strong.

Indeed, the median age of university-owned student housing is approximately 50 years and this represents an unprecedented replacement opportunity for capital investment.

The macro-economic outlook in the US is also significant. Economic growth is expected to slow across the US in 2019, while forecasters are pointing towards modest increases in interest rates in the foreseeable future. Given that there is continuing strong occupier demand, rising rental rates, and a significant volume of pent-up capital, federal rate hikes are the only real significant factor in countering continued yield compression.

> "The scarcity of developable land within close proximity to universities has put upwards pressure on pricing"

Figure 15 / Top five locations in the US by development pipeline of private purpose-built student accommodation (PBSA)

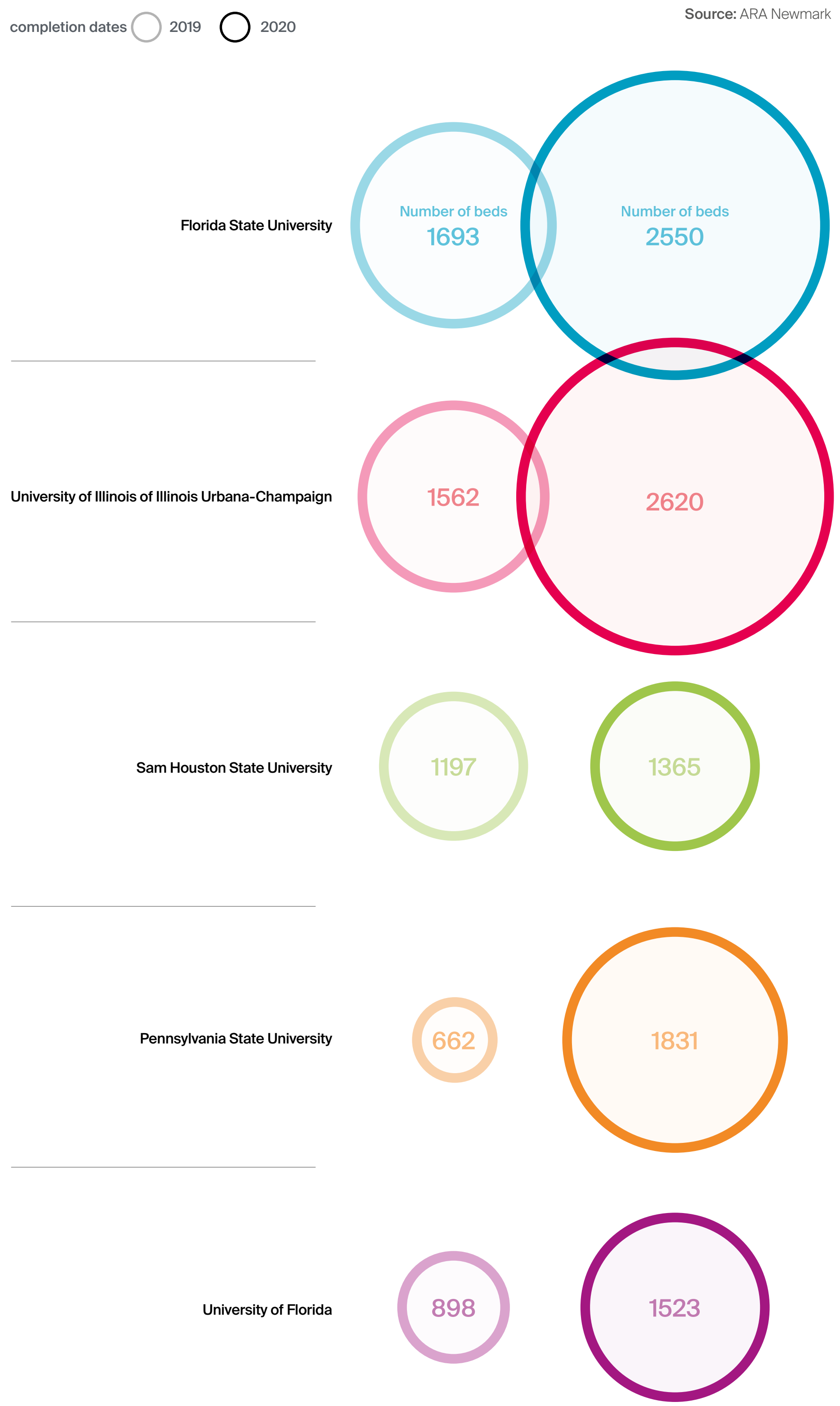
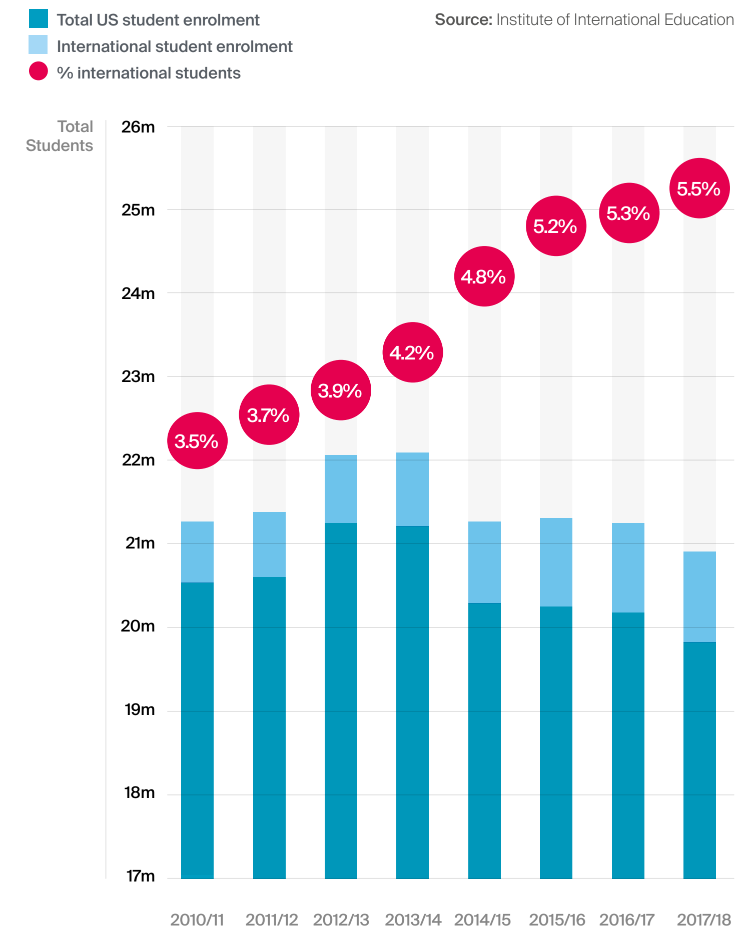


Figure 16 / Total student enrolment by domicile



Ryan Lang
Vice Chairman of Student Housing, Newmark Knight Frank

Student markets across the US still represent significant opportunities for investors. The market is fundamentally sound and PBSA is viewed as a relatively low risk asset class. Consequently, we expect that total investment volumes, both cross-border and domestic, will rise in 2019.

Key investment opportunities include newly constructed properties coming to market. There will also be a greater volume of "value-add" operational properties offered for sale that will provide opportunities for higher income returns. The former will appeal to institutional investors looking for stable income whilst the latter is likely to be more appealing to investors searching for higher yields.

Consolidation and re-capitalisation will also be a major theme this year.

Supply levels are in line with historical norms and construction finance remains available, albeit at a high loan-to-cost ratio. Given the abundance of capital flowing within and from outside of the US we will continue to see new joint ventures and forward funding deals will also continue to be a key feature in the market.

Average occupancy at the bestuniversities is approximately 95%. However, we believe several markets have been supply constrained over the past few years and these will begin making noticeable recoveries. Texas Tech (Lubbock), Ole Miss (Oxford), and Michigan State (Lansing) have the potential to outperform investor expectations.

Hotspots

1

Austin, TX

Austin is situated in one of the fastest growing student markets in the US. Strong demand for undergraduate and graduate programs at the University of Texas has underpinned rental growth despite new supply also rising. Austin is the capital of Texas, the main economic driver of the state supported by tech giants, such as, Dell, Apple, IBM, Amazon, Oracle, Facebook, and Google.

2

Athens, GA

Enrolment at the University of Georgia has increased by more than 10% in the last five years rising to more than 38,000 students. Athens is the definition of a US college town, with a good supply of purpose-built product to cater to the student population. The market is further supported by the state of Georgia which provides eligible state students with free tuition.

3

Chicago, IL

Strong demand for undergraduate programs across top-tier universities in Chicago and this has driven rental growth in recent years. Chicago is also popular with international students. The University of Illinois has over 80,000 students living within a 4-mile radius, creating one of the most densely populated student communities in the US.

4

Gainesville, FL

Supported by the largest high school population in the United States, the University of Florida is one of the largest universities in the country. With over 53,200 students and occupancy rates in PBSA averaging 97.5%, the supply/demand fundamentals are robust.

GLOBAL STUDENT PROPERTY / 2019

Australia

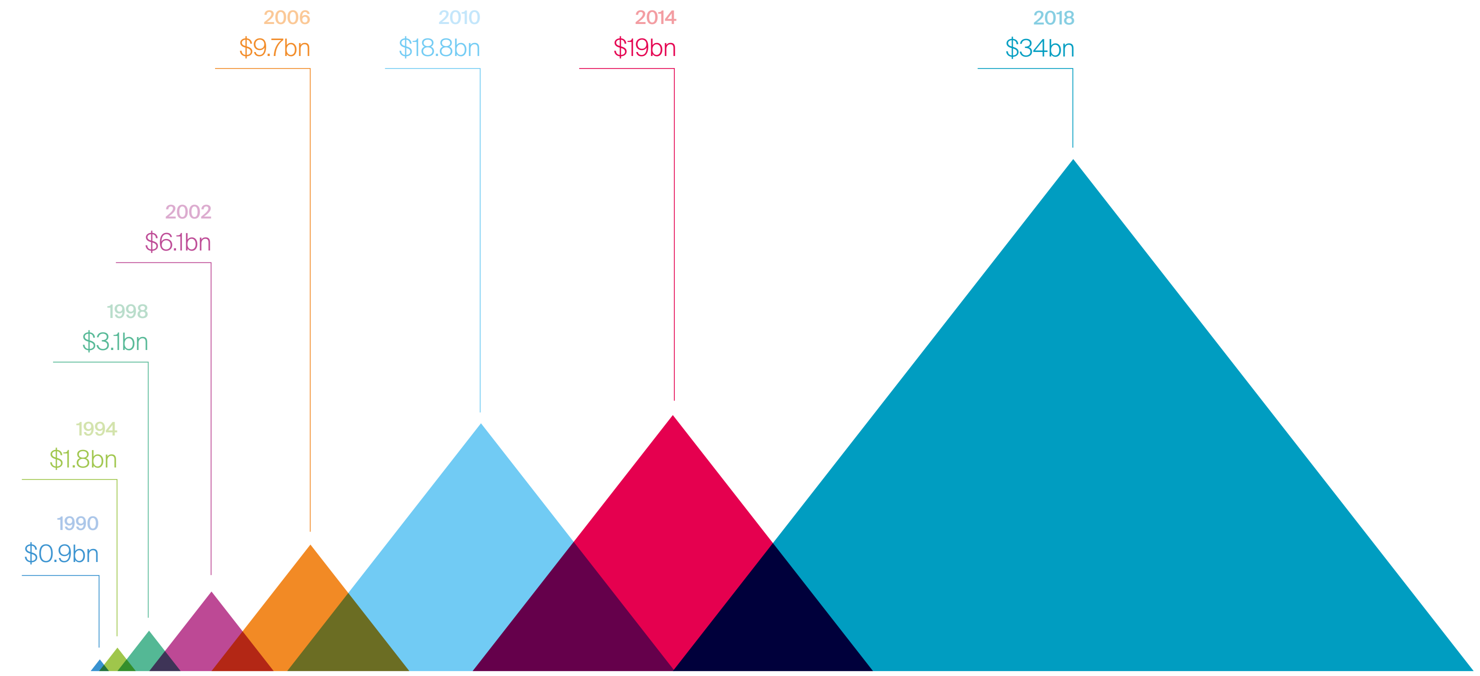
Noted

The Australian Government is aiming for 40% of 25 to 34 year olds to hold a degree by 2025, **up from 27% currently. Student numbers have surged by over 50% over the last decade.**

Australian Higher Education providers have made significant gains in attracting overseas demand. **The number of people applying for a higher education visa from outside Australia increased by 118% between 2010/11 and 2016/17.**

Figure 17 / International student contribution to the Australian economy

Source: Australian Bureau of Statistics, Knight Frank Australia



Challenging the status quo

Australia's PBSA market is in transition. Ambitious government enrolment targets, consistent growth in international student numbers, as well as a significant increase in state-backed university funding, has seen demand for accommodation rise significantly.

New supply of PBSA is failing to keep up with this demand, a factor which is exacerbated by a shortage of available land close to universities on which to build.

The government's aim is that 40% of 25 to 34 year olds will hold a degree by 2025, up from 27% currently.

To achieve this, policymakers have implemented some fairly major reforms to the higher education system which have had implications for the PBSA sector. In 2012, student numbers were uncapped and funding to improve the participation rate of students from low socio-economic groups increased markedly.

As a result, student enrolment has increased by 50% compared with a decade ago, supported by high international university rankings, high standards of living, higher education reforms and growing overseas demand, especially from China and India.

There are currently 370,000 full-time international students studying in Australia, up from 268,000 in 2012. International students now represent 32.4% of the full-time undergraduate population.

Increased uptake, both domestically and from abroad, has been accompanied by a significant increase in university funding. Government money distributed via the Commonwealth Grants Scheme (CGS) has risen 58% since 2009.

Such growth has raised concerns about the sustainability of the uncapped system, with university funding so intrinsically linked to student numbers. These concerns have come to the fore in an environment where overall government spending has tended towards restraint. As a result, in December 2017 the government froze university teaching grants, effectively ending the 'demand-driven' admissions system.

The impact of the funding freeze has meant Australian universities are focussing more on the recruitment of international students. The number of people applying for a higher education visa from outside Australia increased by 118% between 2010/11 and 2016/17.

> "The government's aim is that 40% of 25 to 34 year olds will hold a degree by 2025"

The prospect for continued growth within the Australian Higher Education sector also remains strong. Many universities continue to invest in capital works programmes to support expansion and develop capacity for student growth. Course satisfaction among undergraduates is high, while outcomes following graduation - 72% of those in employment were working in managerial or professional occupations four months after completing their course – highlight the value of holding a degree-level qualification.

What does the future hold?

As student numbers have risen, attention has turned to the PBSA market, with more than 25,000 new bed spaces created since 2015.

This first wave of investment in was defined by early entrants such as CLV, Urbanest, Wee Hur,

Paul Haldey
Analyst, Scape Australia

Key urban locations in Australia remain significantly undersupplied given strong demand. Demand for Australian higher education, especially from overseas, is forecast to grow steadily over the next decade, whereas ever-increasing urban density will further tighten the available supply of PBSA in key cities.

Drivers of growth include significant investment by universities in infrastructure, the high world rankings of Australian universities, and increasing affluence of China, India and other countries in Asia. The liveability of Australian cities is an enduring attraction.

Currently, there is a significant undersupply of PBSA. While the development pipeline may ease some of the pressure, demand is forecast to continue to outstrip new supply in the long term.

In comparison to mature markets such as the US and UK, Australian PBSA is predicted to have significantly lower penetration. This is due to supply barriers including the lack of available, developable land in close proximity to universities. These factors point to a strong rationale for sustained rental growth in the long term and yield compression as the sector transitions to maturity.

The rising pressures on students, international and domestic alike, means that operators need to provide integrated solutions that go far beyond just a dorm room. At Scape, this is paramount, and is encapsulated in the strength of our brand and our product.

GLOBAL STUDENT PROPERTY / 2019

The Student Housing Company, Scape, Atira and Iglu who brought a depth of global development capital. Over the next five years these groups, among others, will establish operational portfolios ahead of the second investment phase.

The third phase of PBSA in Australia will be defined by the weight of institutional capital seeking defensive, counter-cyclical yields in stabilised operational assets. This inflow of funds will see yields compress in a similar way to PBSA and multifamily sectors in the UK and the US.

In total, there are an estimated 105,000 PBSA bed spaces nationally. Around 8,290 new beds will be delivered this year. Sydney, Melbourne, Brisbane and Adelaide account for 80% of this new delivery, with the remaining 20% distributed across Hobart, Geelong, Wollongong and Cairns.

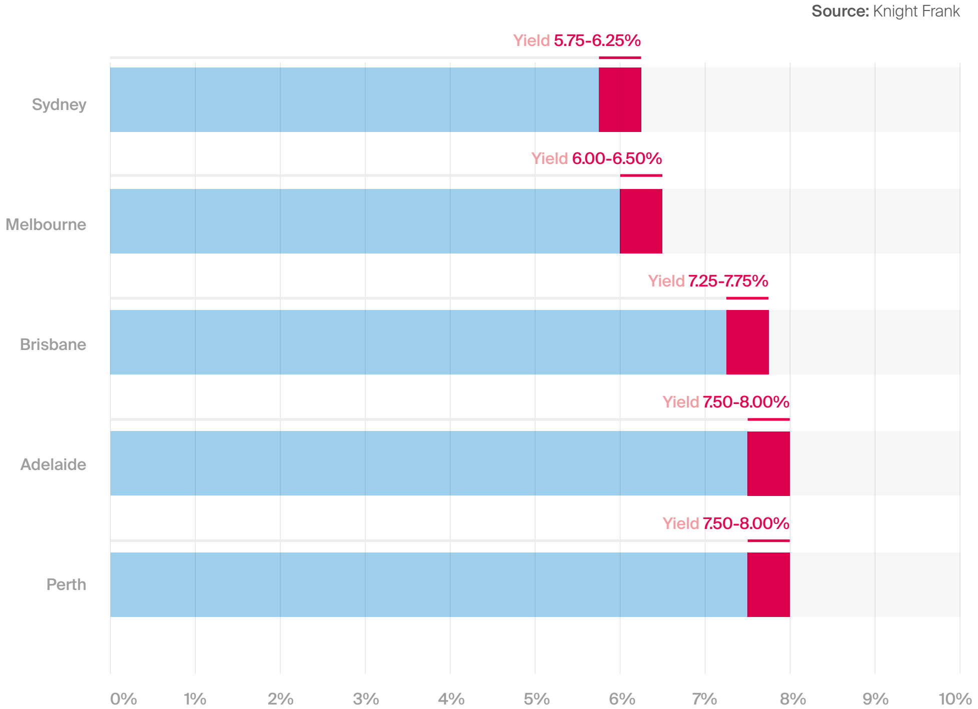
A scarcity of developable land in close proximity to many Australian universities remains a barrier to increasing supply, with many institutions situated in urban locations. CBD and CBD-fringe locations have so far provided the best returns for investors in Australian PBSA and will continue to do so while international student growth continues to outpace the speed of development of supply.

Over the next few years, upgrading existing university accommodation to attract and retain students will be key. There may be investment opportunities in partnership with more regional, or metro universities to redevelop older on-campus stock, which is traditionally targeted towards domestic students.

> “8,290 new beds will be delivered this year. Sydney, Melbourne, Brisbane and Adelaide account for 80% of this new delivery”

Figure 18 / Prime student property yields in key Australian cities

Source: Knight Frank



Edward Jennings
Capital Markets, Knight Frank Australia

The Australian PBSA investment market is still in its infancy. Key market participants are seeking to build their platforms to deliver better operational efficiencies.

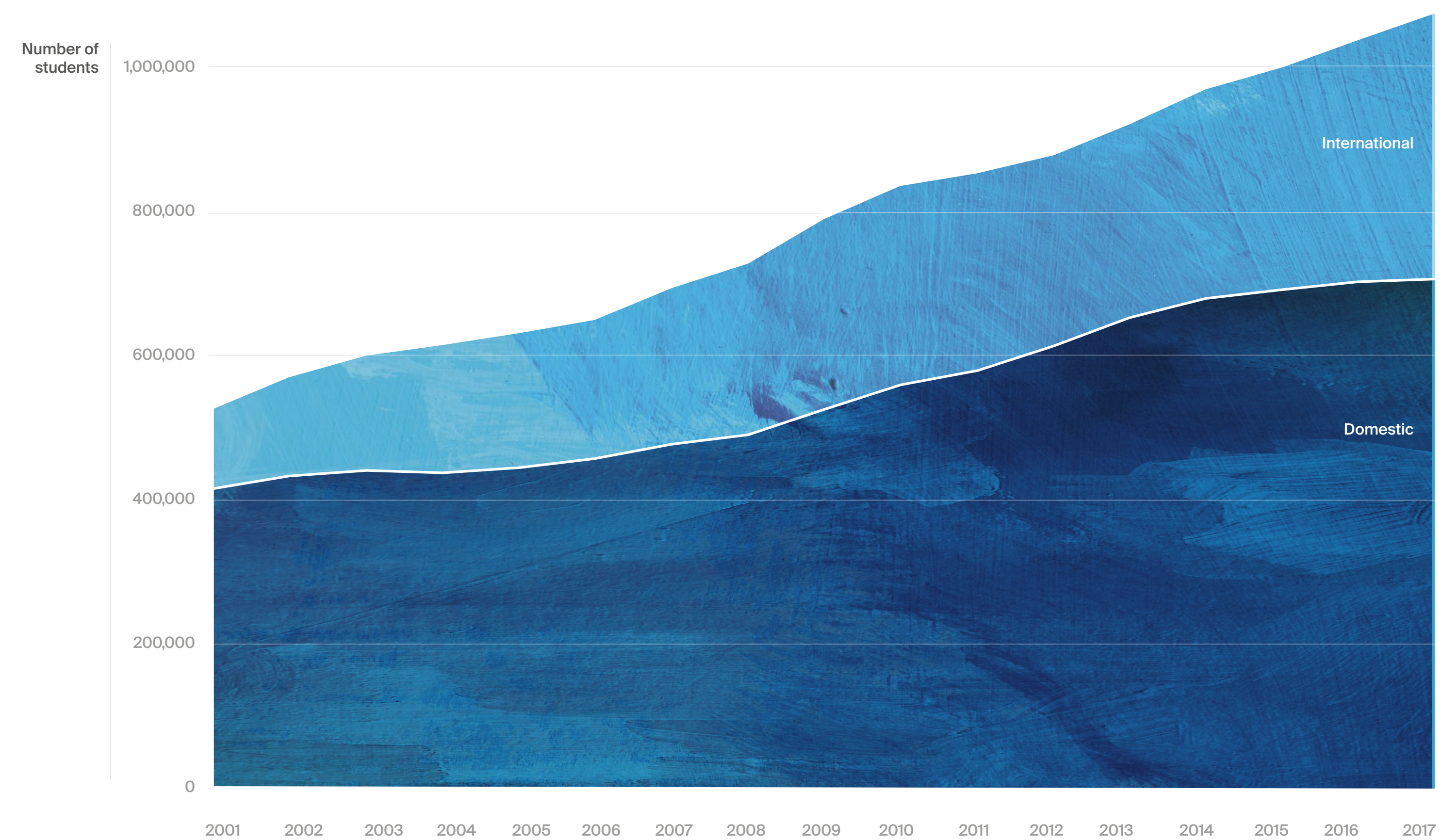
As a result, transactions of stabilised assets remain scarce. That said, there is strong appetite for development sites across major markets with Sydney and Melbourne remaining the most in demand locations given their favourable supply and demand dynamics.

Global equity continues to show interest in the sector demonstrated by the A$250m capital injection by Allianz into Scape's $500m JV 2 Fund. Offshore capital partnering with local operators is an increasingly popular approach to gain exposure to the sector.

Meanwhile, prime yields for PBSA have remained stable, largely due to the lack of transactions. However, there are regional variations, with prime Sydney PBSA assets the lowest at c.5.25%. Melbourne is marginally higher by c.25bps. Other markets typically sit between 7% and 8%. Given the strong global demand and low interest macro-economic environment we anticipate further yield compression to take place over the short to medium-term.

Figure 19 / Full-time higher education enrolment in Australia by domicile

Source: Knight Frank, Department for Education & Training



Hotspots

1 Sydney

Sydney has experienced strong PBSA rental growth in recent years and it remains an undersupplied market. The PBSA pipeline remains low due to a lack of developable land. New transport infrastructure will help support development.

2 Melbourne

Melbourne was voted the second most ‘liveable’ city in the world in 2018 and it is benefitting from significant investment into a new metro network, which will bring different areas of the city closer together. Low residential vacancies in the private rental market within the city centre will underpin occupancy and values for PBSA.

3 Brisbane

Brisbane is one of the largest cities in Australia by student population. There are a significant number of PBSA schemes currently in the pipeline and, subsequently, it has been attracting interest from large institutional investors.

4 Adelaide

Adelaide is the 10th most liveable city in the world. Currently demand for PBSA outstrips supply. The proposed merger between the University of Adelaide and the University of South Australia will support further growth in student numbers.

5 Perth

The City of Perth actively incentivises the development of PBSA. Over the past five years, central Perth has been transformed as a result of significant government investment. The University of Western Australia's International Student Strategy aims to increase student numbers and promote the close ties the region has to Asia.

Data Lab

Noted

New KF analysis and research shows the importance of GDP in university performance.

As the quality of education improves around the world, the focus will be on, not just attracting talent from around the world, **but capturing and retaining domestic demand.**

Established players need to keep progressing in order to keep up with competition in emerging markets.

The flow of knowledge capital

What is the current pattern of student mobility? To which locations are students gravitating to? What are the implications for universities and investors in student property? New analysis by Knight Frank looks for the answers.

Higher education has become globalised. According to the OECD, the number of students studying outside of their home country has risen by 23% over the last five years, with the US, UK and Western Europe among the most popular destinations. The presence of top-ranked universities acts as a draw to this increasingly mobile student body.

At the same time, the landscape is shifting. Over the past three years the number of Asian institutions in the top 200 universities has increased by 47%, according to Times Higher Education data. For now, the US and UK still dominate the top spots, but Asian institutions have been climbing the rankings at a steady pace.

The questions for the future are: How much further does the trend have to go? What impact will it have on student flows around the world? And, what factors will deliver the most impact?

International student flows

Students from China represent the single largest mobile student population globally, according to data from UNESCO. More than 800,000 Chinese students currently study outside of their home country, followed by India with 255,000 students.

The outflow of students from China and India has increased more than 20% in the last five years, contributing to a 31% overall increase in globally mobile students from Asia.

The US is the single largest destination for international students, attracting over 900,000 students from 76 countries. The UK is the second most popular destination, while countries within continental Europe as a whole (excluding the UK) host more than 30% of globally mobile students.

Push and pull

An array of factors influence the pattern of global student flows. To assess the importance of different factors, we have developed our own version of a Gravity Model. We explored 30 variables for this model, excluding policy changes, carefully analysing the importance of each. The aim was to identify the most important factors explaining variations in the cross-border flows of students. Unsurprisingly, geographical and cultural factors come high on the list when it comes to a country's ability to attract international students. Connectivity, primarily transport links, also plays an important role.

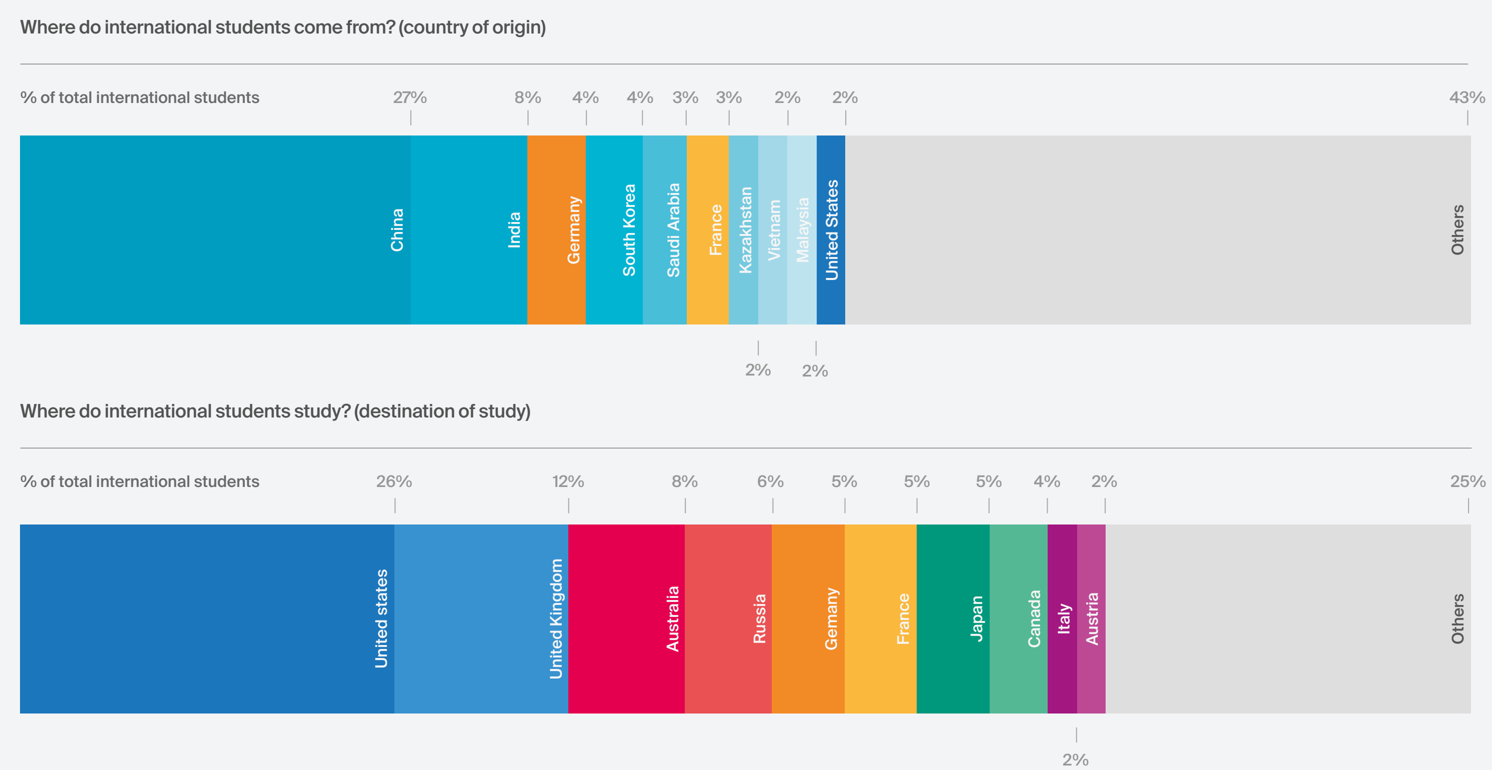
However, the quality and size of the higher education offering is the single most important factor, which itself is closely linked to the size of a country's economy. Generally speaking, the larger the size of a country's economy the greater the number of institutions featuring in the Times Higher Education list of the 'Top 500' universities globally.

There are exceptions, however. The UK, with 58 institutions in the top 500, is 'punching above its weight', while Japan – with double the GDP of the UK - has only 13 universities in the top 500. The same is true of a number of other Asian countries, including the world's second largest economy, China with 14 in the top 500 and seven in the top 200.

> "The number of Asian universities in the top 200 has increased by 47% in the last three years"

Figure 20 / **Push and pull: International student flows** / % of total 2018

Source: UNESCO



Our analysis suggests that if a country increases its share of global GDP by 1%, it will result in that country increasing its current number of international students by a similar margin.

The IMF is predicting that GDP growth in Asia Pacific will average 5% over the next five years. This growth, and the resulting expansion of the middle classes, will fuel further demand for all goods and services, including education.

In comparison, economic growth across North America, the UK and continental Europe is expected to average less than 2%. The implication based on our model, therefore, is that these destinations will face greater pressures from Asia Pacific in terms of attracting international students.

Local vs. global

The role of economic and demographic growth will exert a greater influence on future global higher education. Whilst the number of internationally mobile students is projected to increase, the development of higher education in key origin countries will act as a counter weight.

Historically, students have gone overseas due to insufficient capacity, or the quality of education at home. This is changing. The British Council, for example, indicates that whilst China and India are forecast to account for 60% of the global growth in outbound students to 2027, they are also forecast to experience the highest growth in domestic enrolments over the same time period.

The implications for universities and the PBSA sector in the major destinations for global student flows are twofold. Firstly, to compete they must continue to work together to build the highest quality student experience. Student accommodation will increasingly play a role.

Secondly, it raises the prospect of the investment potential within emerging markets. India, featured in this report, represents a market characterised by strong projected economic and demographic growth, a government-backed push to increase university enrolment and an acute undersupply of purpose-built accommodation.

With more countries developing their higher education offer, the globalisation of education shows no signs of slowing. However, as the quality of education improves around the world, the focus will be on, not just attracting talent from around the world, but capturing and retaining domestic demand. There are opportunities for PBSA investors and operators in both.

The findings underline the need for established players to keep progressing in order to keep up with the competition, while also highlighting the opportunities for growth in emerging markets.

Methodology In this study we calibrated a production constrained gravity model upon UNESCO student flow data. We incorporated ethnographic, economic and social data as explanatory data in the model that were observed to have a statistically significant relationship with the number of students drawn to a destination. The functional form of the model was $\lambda_{ij}=\exp(k+\mu_i+\alpha \ln W_j-\beta \ln d_{ij})$ where λ_{ij} = the poisson distributed mean of direct real estate flows between countries I and j, k is a constant, W_j is a matrix of explanatory variables, μ_i is a fixed effect variable to ensure the flow estimates from each origin sum to the known Origin country totals Oi.

> Each year 140 million people are joining the 'middle classes' and for the first time in our recent industrialised history, the majority of humankind, some 3.8 billion people, live in households with enough discretionary expenditure to be considered 'middle class'
>
> **World Data Lab**

Figure 21 / Top 500 Universities: the difference between actual and predicted based on GDP

Source: UN, Knight Frank Global Research

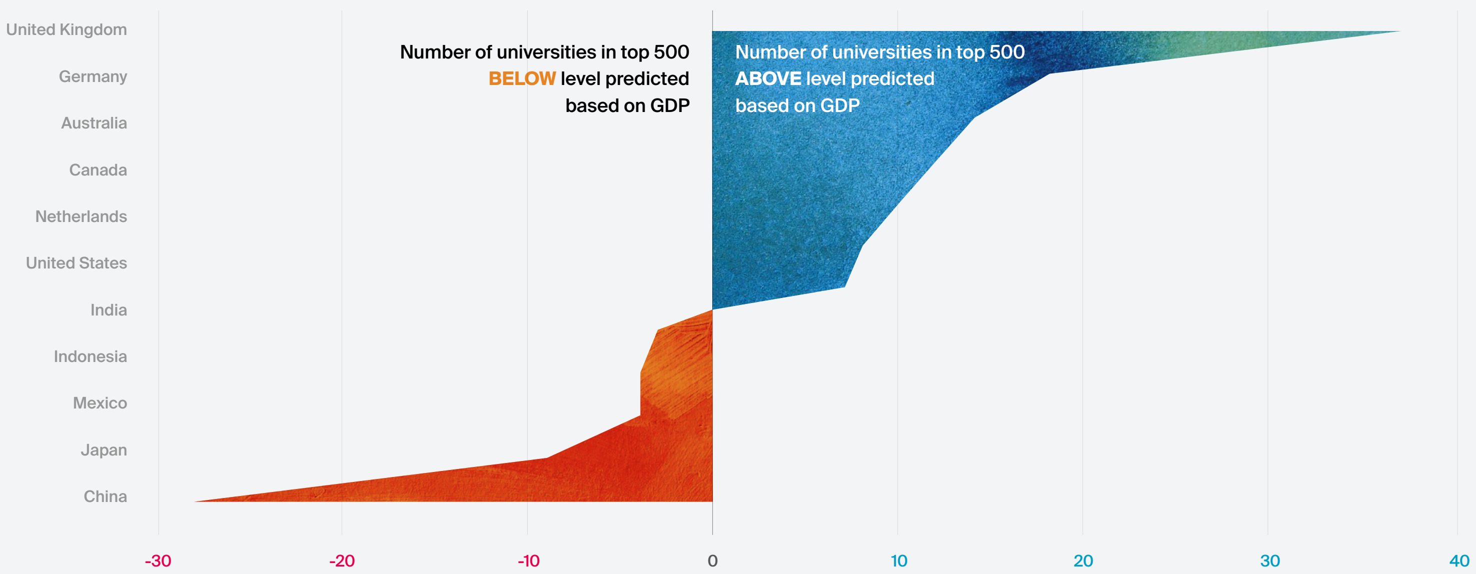
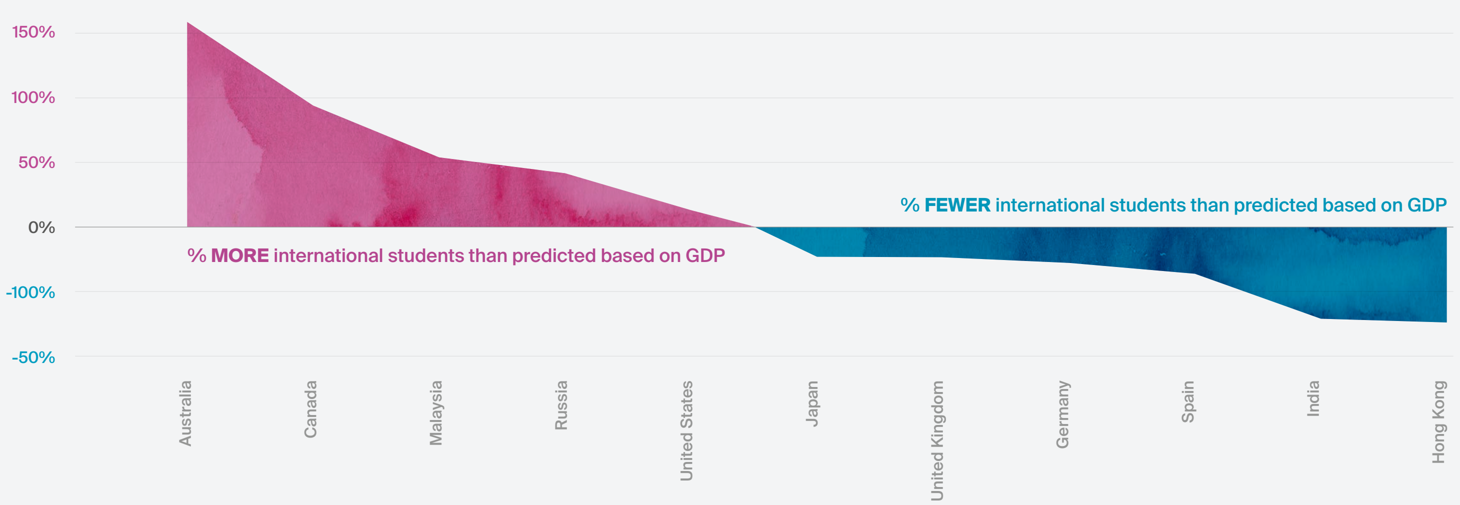


Figure 22 / The difference between actual flow of international students arriving to study in a country and predicted based on GDP

Source: UN, Knight Frank Global Research



GLOBAL STUDENT PROPERTY / 2019

Ellie Bothwell
Global Rankings Editor at Times Higher Education

It would be a major understatement to say that China's position in the world has become more dominant in the past three decades. The overall size of China's economy has surged 42-fold since 1980. It is the world's largest economy based on purchasing power parity.

In the higher education sector, China is now the world's largest producer of scientific research papers and it is expected to match the US on measures of research quality by the mid-2020s.

China's meteoric rise is also starkly visible when tracking the country's performance in the Times Higher Education World University Rankings. In 2014, just two Chinese universities featured in the global top 200. Fast forward five years and seven institutions make this elite group. Tsinghua University is top of the pile at 22nd, having overtaken New York University and the London School of Economics and Political Science among others, and is ranked sixth globally for its research environment.

The US is still the most prominent higher education player and the overall performance of its leading research universities has generally held steady. However, some of the country's mid-tier institutions have declined in the wake of global competition, state funding cuts, and tightened immigration policies.

The UK has always punched well above its weight and its top universities have actually improved their standing in recent years; Oxford and Cambridge claim the top two spots in the global table for the second consecutive year. However, Japan now has more representatives in the table than the UK for the first time and the majority of the UK's entrants have remained static or declined.

We can only speculate at this stage as to any connection with Brexit, but the UK's separation from Europe presents real risks to its future research environment, international outlook and reputation.

It is also unclear how souring trade relations between China and the US, Australia and Canada will impact on student and academic flows and which countries will be able to capitalise on China's growth and which will fall behind.

But despite these shifts in the global higher education landscape, it is unlikely that this will result in major changes at the top of global university league tables in the near future. Movement among middle-ranked institutions will no doubt continue and China may enter the global top 10 (it has already done so in the life sciences), but the frontrunners in the US and the UK look set to hold their ground.

> "In the higher education sector, China is now the world's largest producer of scientific research papers and it is expected to match the US on measures of research quality by the mid-2020s."

GLOBAL STUDENT PROPERTY / 2019

India

Noted

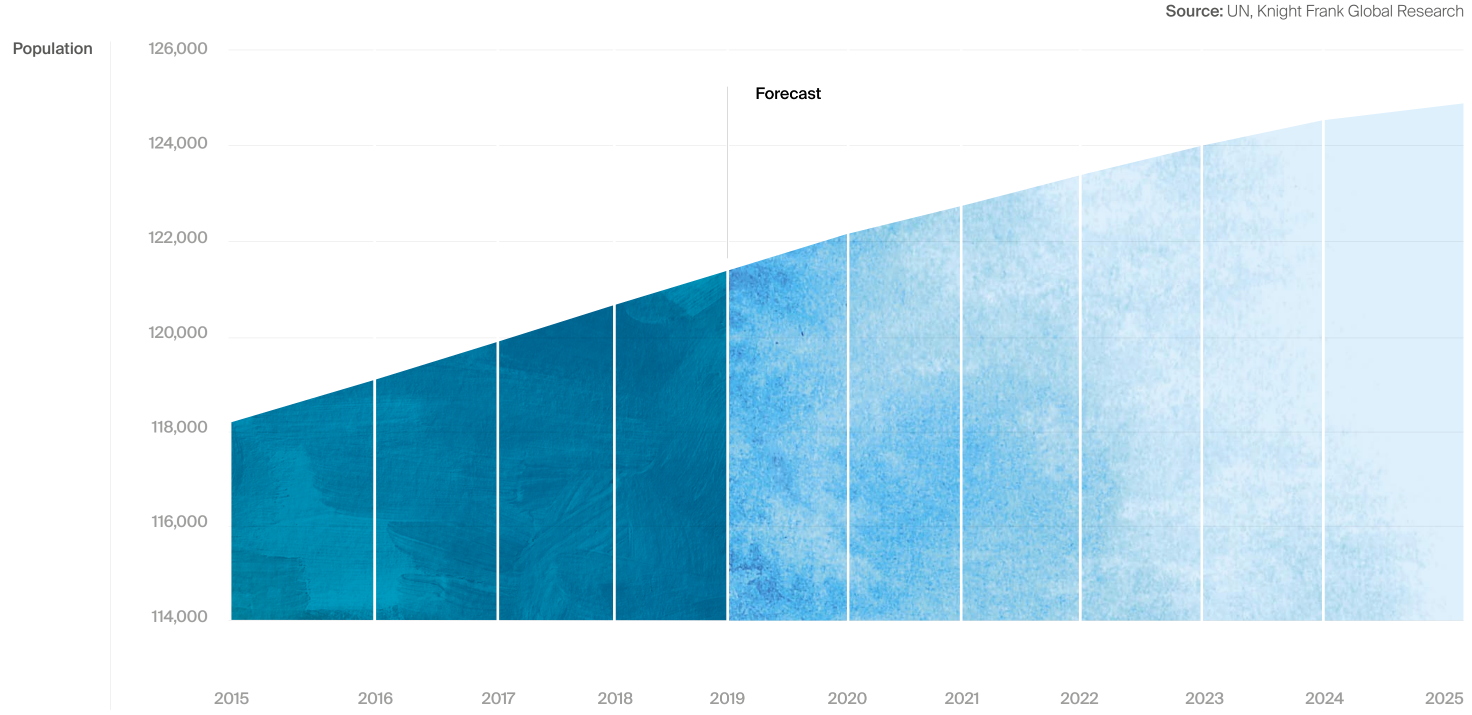
By 2020, the Indian government wants **30% of 18 to 23 year olds to be enrolled in higher education.**

India has the youngest population in the world, with some 18% of the 1.3 billion-strong population aged between 15 and 24.

The current demand for PBSA bed spaces across the country **is estimated to total more than 8 million.**

Figure 23 / **India's growing youth population** / 18 - 24 years

Source: UN, Knight Frank Global Research



New horizons

The PBSA market in India is in its infancy, despite the country boasting one of the largest populations of undergraduate students in the world.

More than 34 million students are currently enrolled on courses at universities across the country, and this figure is expected to rise.

By 2020, the Indian government wants 30% of all 18 to 23 year olds 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.

An array of factors will contribute towards reaching this target, but it is worth focussing on just two.

The first is economic. India is the world's fastest growing large economy. 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 stand at 280 million people and 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. A further 350 million are aged up to 14.

It is likely this will help boost the participation rate as a growing number of individuals reach university age over the coming decade.

The number of higher education institutions located in India has risen considerably over the past five years to cater for current and expected demand. However, while this may be the case, students still tend to cluster in certain regions. Of the 34 million current students, over 70% are located in the biggest ten states.

The PBSA market remains immature, with demand far outstripping supply at the current time. There are currently 1.6 million PBSA bed spaces in India, a figure which represents just 4% of total student enrolment.

The majority of this accommodation is operated outside of university control by private owners. Often it is off-campus, of poor quality and with little modern value-add facilities such as WiFi or laundry services.

What does the future hold?

Currently, the student housing market in India is driven by a large volume of private owners with relatively small portfolios of off-campus hostels. Only 20% of the current demand is met by university-operated supply.

This is despite a survey undertaken by the Indian Human Resource Department which indicates that the majority of students would prefer on-campus accommodation. Existing capacity is limited and new development has ultimately not kept pace with the growth in enrolment.

Knight Frank estimates that the current demand for PBSA bed spaces across the country totals more than 8 million – a figure which is expected to grow at a rate of around 8% each year until 2025. At this point total demand for PBSA bed spaces will total around 13 million across the country.

Around $100m was invested into the Indian PBSA market in 2018. Knight Frank estimates the current potential demand for PBSA in India to be approximately $50bn. This is based on 8 million beds and an average value per bed of $6,250.

> "Only 20% of the current student demand is met by university-operated PBSA."

Figure 24 / **India: Total student enrolment**

Source: University Grants Commission

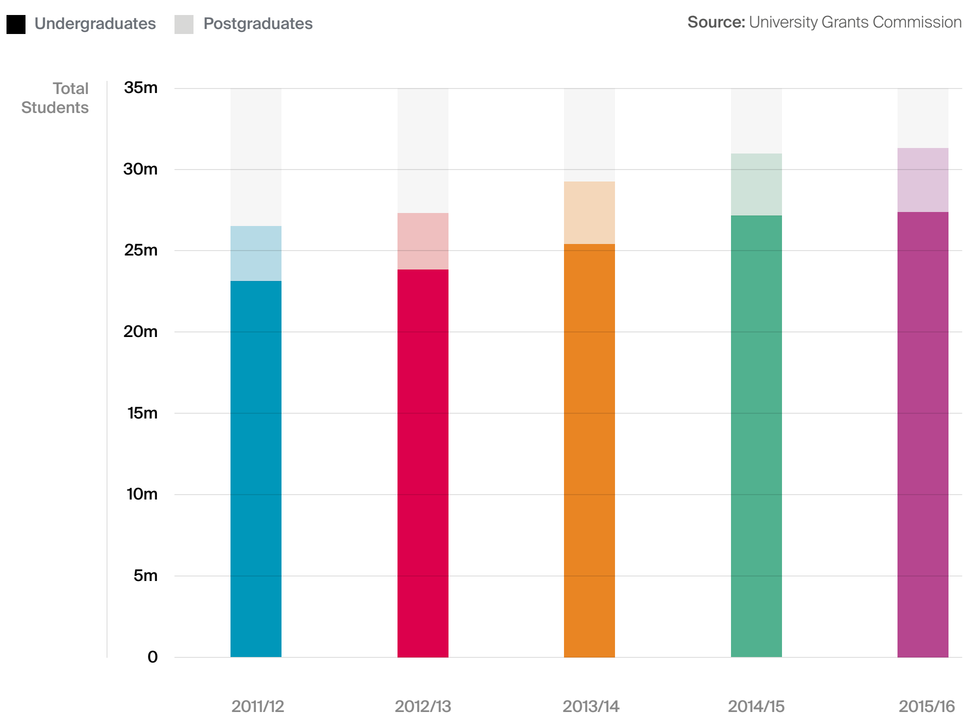
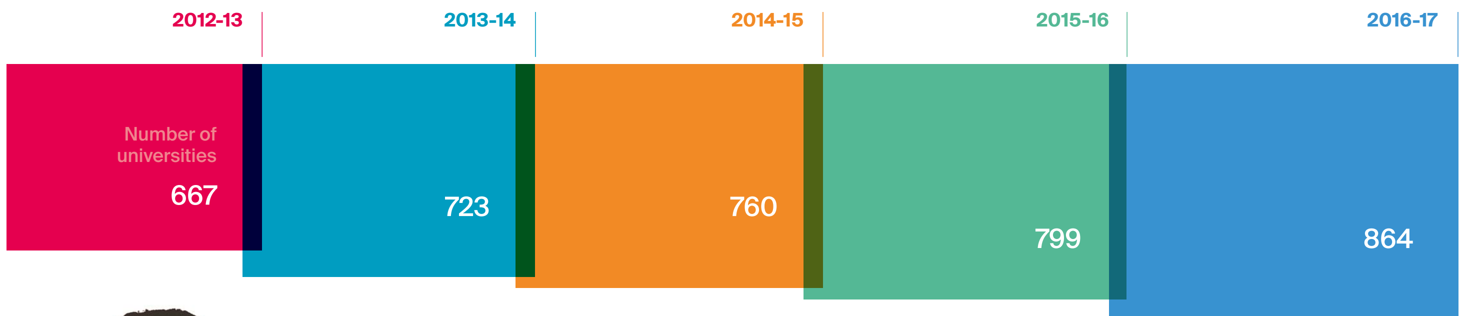


Figure 25 / Increase in the number of Indian Higher Education institutions

Source: All India Survey of Higher Education, Ministry of HRD



Nimesh Grover
President, Good Host Spaces

The market for purpose-built student accommodation in India may still be in its infancy but there are a number of factors that are expected to drive growth in the coming years.

An exponential rise in student enrolment in key education hubs over the last few years, as well as an increase in the number of higher education institutions nationally, means there is a significant supply/demand imbalance across the country.

Government targets aimed at increasing student enrolment over the next few years mean this imbalance is likely to become more pronounced. Good Host Spaces, a majority owned venture by Goldman Sachs, is India's largest independent PBSA company with over 15,000 beds across multiple locations throughout the country.

We see opportunities for investors and developers to tap into this demand. High-quality student accommodation is also fast emerging as a differentiator influencing the choice of an increasingly mobile student body on where to study across the country.

> "High-quality student accommodation is emerging as a differentiator influencing the choice of an increasingly mobile student body on where to study."

Hotspots

1 Bangalore
Bangalore is India's 'Silicon Valley' and has the highest concentration of university colleges in India. Employment growth has driven inward migration and this has fuelled population growth which in turn has led to a flourishing Higher Education sector.

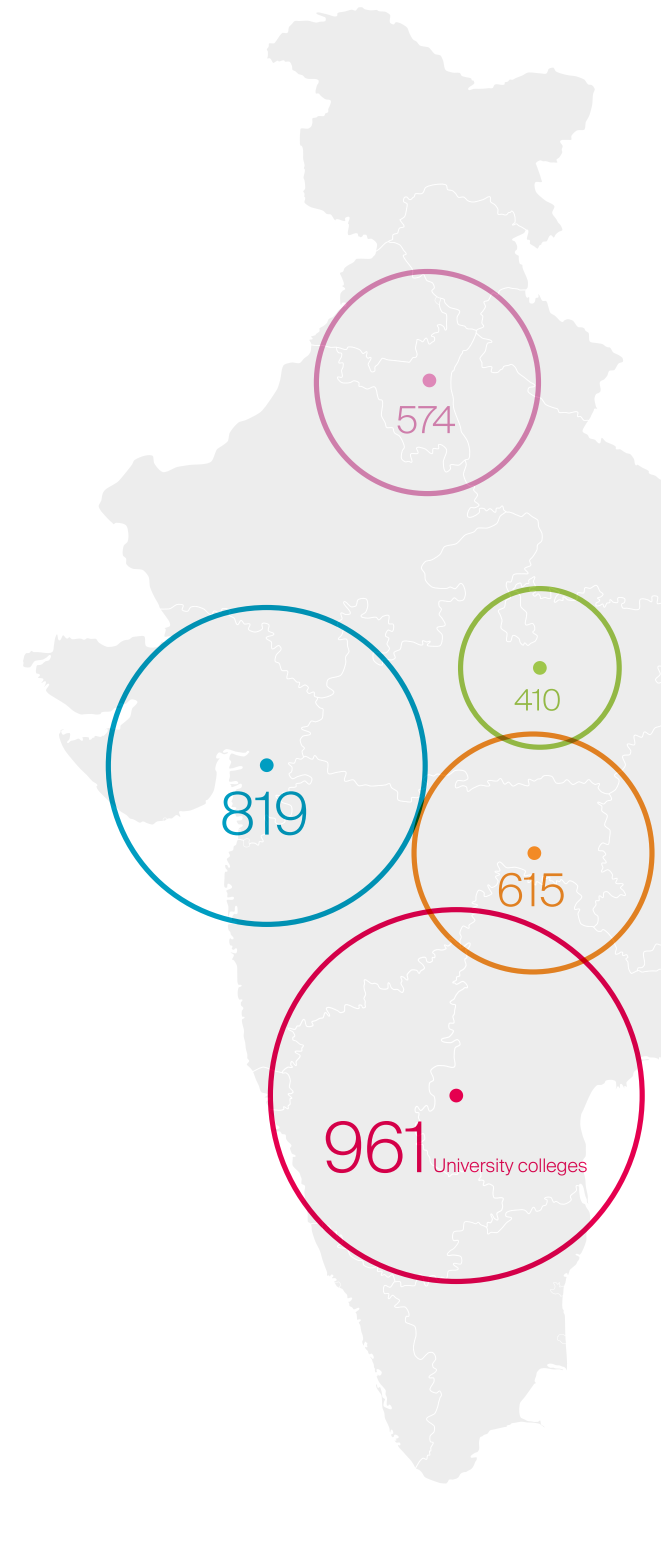
2 Jaipur
Jaipur is an economic and learning hub in Rajasthan. Some 85% of students studying here are from outside of the state creating a significant demand for accommodation. Current provision indicates that just 15% of students are accommodated by on-campus stock.

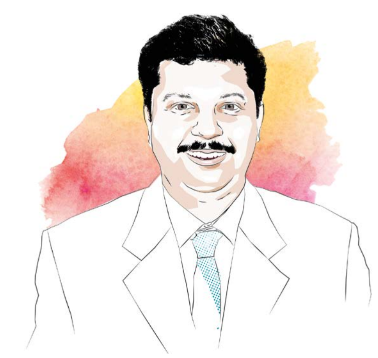
3 Pune
Pune is the 9th largest city in India and is emerging as a centre for IT and manufacturing and a strong base for start-up companies. Over 90% of university colleges are owned privately which has driven a thriving market for private hostel accommodation.

4 Noida
Noida and the Greater Noida area 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, the current accommodation provision is some of the best in India.

Figure 26 / Top 5 education clusters in India

Source: Knight Frank India



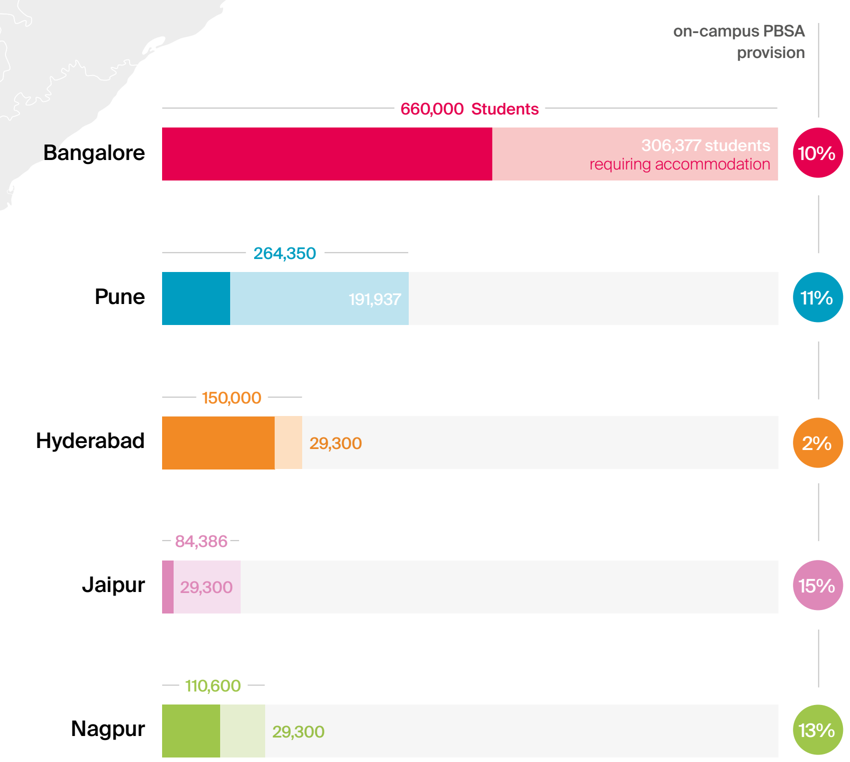


Saurabh Mehrotra
National Director of Advisory Services, Knight Frank India

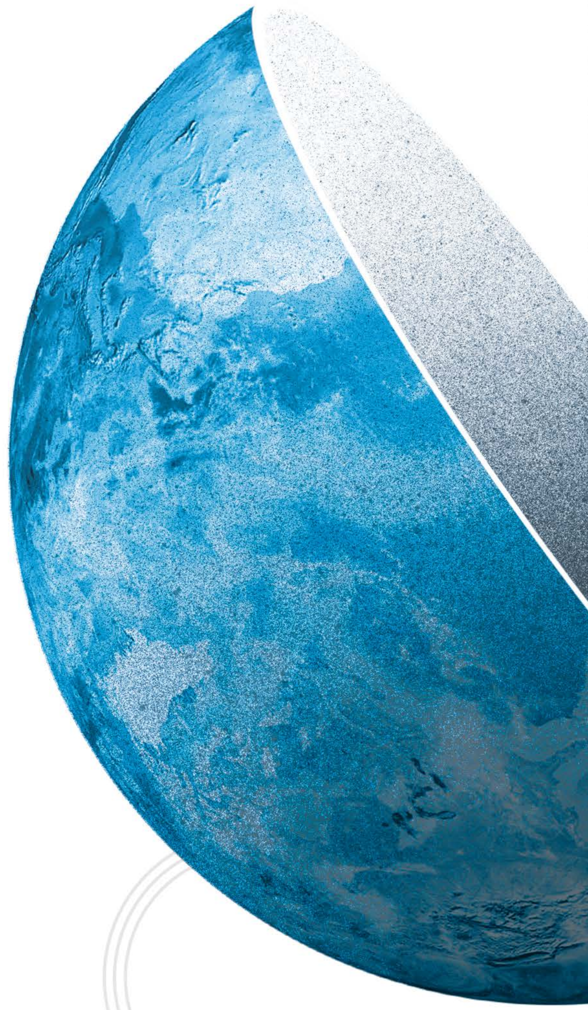
At present, private home-owners continue to dominate the student-housing market. The majority of students either rent apartments or live in private hostels outside of the university campus.

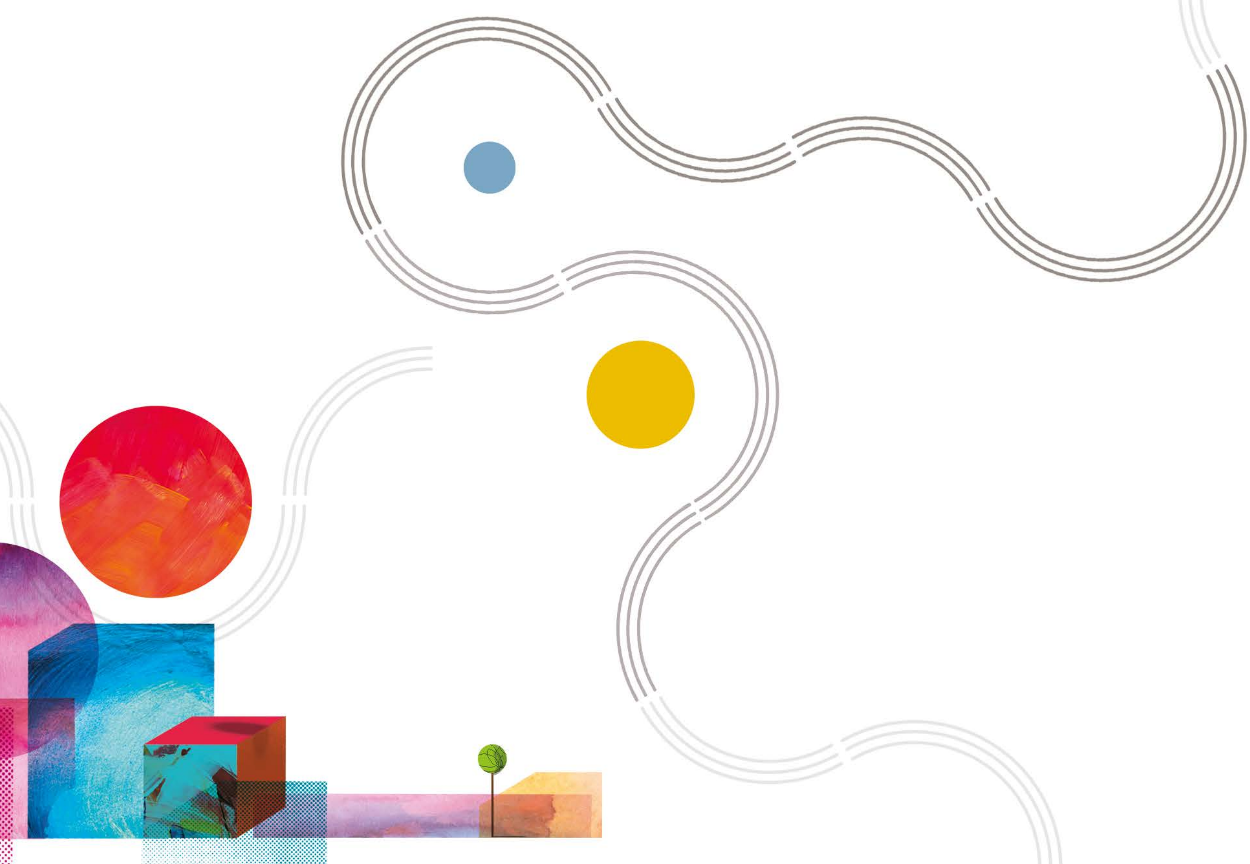
The quality of this accommodation is often way below what students want, or expect. As such, investor interest in the market is growing, with the opportunity to meet demand for well-located, high-quality accommodation.

Knight Frank estimates that there is currently the 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 on brownfield land.



Knight Frank





KNIGHTFRANK.COM