

Investing in Student Living



Opportunities in Hotel Conversions

December 2024

This research paper delves into the growing trend of converting hotels into student housing, highlighting the rising non-local student population and the significant gap between the demand and supply of student accommodation.

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Introduction

The student accommodation market in Hong Kong presents a unique investment landscape, especially considering the growing trend of transforming underperforming or distressed hotels into student housing. As the demand for affordable and accessible living arrangements for students increases, investors and property owners are recognising the potential for lucrative returns through such conversions. This research paper delves into the key drivers behind this trend, including the rising non-local student population and the significant gap between the demand and supply of student accommodation.

In our analysis, we highlight successful case studies that showcase the effective transformation of hotels into student residences. These examples not only illustrate the financial viability of such investments but also emphasise the

importance of strategic planning and understanding market dynamics. By examining the investment returns associated with these conversions, we provide a comprehensive overview that can guide potential investors in making informed decisions in this burgeoning sector.

To further enhance the student accommodation landscape, we offer actionable solutions aimed at optimising existing resources and accelerating the supply of student housing. By addressing leveraging opportunities within the market, stakeholders can better align their strategies with future demands. This paper serves as a valuable resource for investors eager to tap into the potential of Hong Kong's student accommodation market, ensuring they are well-equipped to navigate this evolving sector.



The Growing Demand for Higher Education in Hong Kong

Table 1: QS World University Ranking 2025

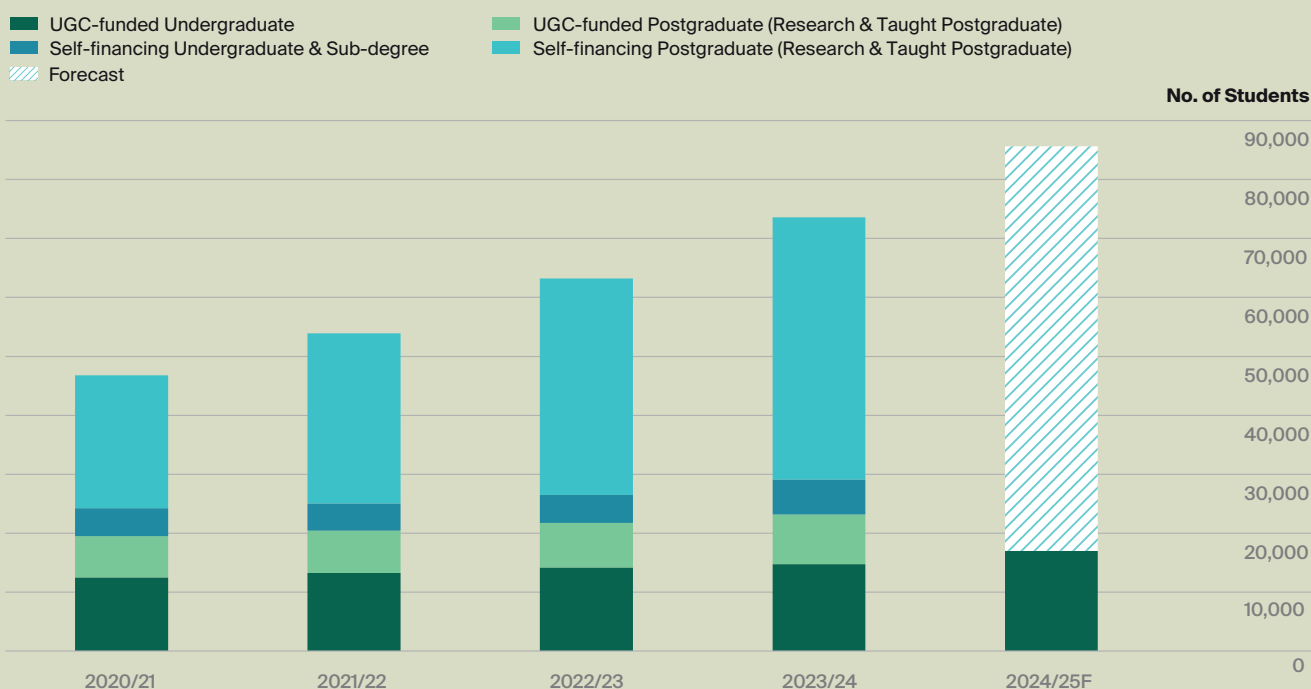
| University | Global Ranking | Asia Ranking |
|--|----------------|--------------|
| The University of Hong Kong | 17 | 4 |
| The Chinese University of Hong Kong | 36 | 8 |
| The Hong Kong University of Science and Technology | 47 | 11 |
| The Hong Kong Polytechnic University | 57 | 16 |
| City University of Hong Kong | 62 | 18 |

Source: QS (Quacquarelli Symonds) World University Rankings

Hong Kong has long been renowned for its internationalised higher education. As the city’s universities are well-regarded globally, with several institutions consistently ranking among the top in international university rankings, it has attracted students from around the world (Table 1). Supported by the Hong Kong government’s initiatives to promote the “Study in Hong Kong” brand, including increasing the admission quota for UGC-funded universities non-local undergraduates from 20% to 40% and providing substantial funding to higher education institutions, there has been a significant influx of overseas students in recent years. The projected number of non-local student enrolments in the 2024-2025 academic year is expected to exceed 80,000 from 73,600 a year earlier. (Chart 1)

Universities funded by the University Grants Committee (UGC) are gradually increasing their capacity to accommodate more non-local students. Additionally, other post-secondary institutions are experiencing growth in international student enrolments and enhancing student exchange programmes. According to data from the Immigration Department, 62,079 student visa or entry permit applications were approved in 2023, marking a 24% increase since 2020. The total non-local student enrolments in post-secondary education, as reported by the Concourse for Self-financing Post-secondary Education (CSPE), also showed a staggering increase of 26,900, or 57.4% increase in 2023/24 compared to 2020/21. Applying the five-year compound growth rate (CAGR) of 12.05% to the number of student visas and entry permits issued in 2023 suggests that the expected number of non-local students in Hong Kong will reach 97,857 in the 2027/28 academic year.

Chart 1: Non-local Student Enrolments



Source: CSPE, Legco

Current State of Student Accommodation

Student accommodation refers to housing specifically designed for students attending university or college. In Hong Kong, accommodation options for students are diverse and offer to various needs and preferences. Some of the popular choices among students include:

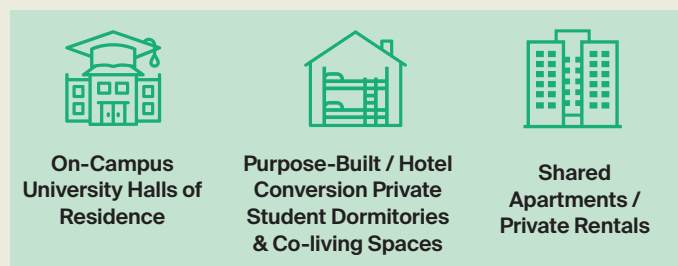





Table 2 analyses different types of student accommodation in Hong Kong. On-Campus University Halls of Residence is popular among students due to its convenience of being located on or near campus. It also helps students build a strong sense of community. On-campus accommodation typically has good amenities and security measures in place, providing a safe and enriching living environment for students. However, on-Campus University Halls of Residence have always been in shortage to meet the high demand, hence “Purpose-Built / Hotel Conversion Private Student Dormitories” has become a business opportunity.

Table 2 : Student Housing Products in the Market

| | Details | Pros | Cons |
|--|--|--|---|
| Option 1:  On-Campus University Halls of Residence | Typically managed by the university & offer finished rooms with shared facilities like kitchens & bathrooms. | Often located close to campus, making it convenient for students to attend classes and participate in campus activities. | Lack of available bed. |
| Option 2:  Purpose-Built / Hotel Conversion Private Student Dormitories & Co-living | Similar to university-managed halls, these are run by private companies. | Offer similar amenities and student hall experience as On-Campus University Hall of Residence while located near universities. | Slightly expensive than On-Campus University Halls of Residence, as it offers modern amenities and better securities. |
| Option 3:  Shared Apartments / Private Rentals | Students can rent apartments and share them with other students. / Renting a private apartment or flat. | Provides more independence & can be more cost-effective when splitting rent and utilities. | Requires students to manage their own bills and maintenance. |

Source: Knight Frank Research

Student Housing Supply

Amid the continued growth in demand for student accommodation, the pace of new deliveries has slowed, leaving many students unable to access on-campus university halls of residence or purpose-built / private student dormitories. This situation, along with broader economic factors, has contributed to the recovery of the residential leasing market, particularly in areas near universities and emerging residential areas.

According to our research, there are currently around 35,720 beds available across 12 institutions for on-campus university halls of residence (Table 3). However, with 62,079

students' visa / entry permit applications approved in 2023, there is a significant shortfall of 23,389 beds.

Recognising this gap, various investors have identified opportunities in the real estate market by converting hotel properties into student accommodations. Notable players in this venture – whether through partnerships or individual investments – include AEW Capital, Crystal Investment, Wang On Properties, and TPG Angelo Gordon. As of Q4 2024, Hong Kong has seen the establishment of 10 purpose-built or converted hotel student accommodations, collectively offering a total of 2,980 beds (Table 4).

Table 3 : University Dormitory Supply (as of Jun. 2024)

| No. | Publicly Funded Local Degree-Awarding Institutions: | No. of Beds |
|--|--|---------------|
| 1. | City University of Hong Kong | 6,000 |
| 2. | Hong Kong Baptist University | 1,770 |
| 3. | Lingnan University | 2,600 |
| 4. | The Chinese University of Hong Kong | 9,000 |
| 5. | The Education University of Hong Kong | 2,000 |
| 6. | The Hong Kong Polytechnic University | 4,600 |
| 7. | The Hong Kong University of Science and Technology | 4,544 |
| 8. | The University of Hong Kong | 1,800 |
| Self-Financing Post-Secondary Institutions: | | |
| 9. | Hong Kong Chu Hai College (HKCHC) | 190 |
| 10. | Hong Kong Shue Yan University | 1,000 |
| 11. | The Hang Seng University of Hong Kong | 1,216 |
| 12. | Vocational Training Council (VTC) - Hong Kong Institute of Vocational Education (IVE), Hong Kong Design Institute (HKDI), International Culinary Institute (ICI) & Hong Kong Institute of Information Technology (HKIIT) | 1,000 |
| Total No. of Beds | | 35,720 |

Source: Universities' Official Websites

Table 4 : Major Privately Funded Student Housing Supply

| | Development | Location | No. of Beds |
|--------------------------|---------------------|---|--------------|
| 1. | Y83 | 83 Wuhu Street, Hung Hom | 600 |
| 2. | Yhill | Hill Road, Sai Wan, Hong Kong Island | 272 |
| 3. | Y36 | 3 San Lau Street, Hung Hom, Kowloon | 82 |
| 4. | Y18 | 18 Shanghai Street, Jordan, Kowloon | 80 |
| 5. | Dwell Prince Edward | 177 Prince Edward Road West, Mong Kok, Kowloon | 66 |
| 6. | Dwell Ho Man Tin | 56 Ma Tau Wai Road, Hung Hom | 89 |
| 7. | Uni Hall | 180 - 182 Tai Po Road, Sham Shui Po | 120 |
| 8. | A Square | 39-41 Tai Nan Street, Prince Edward, Kowloon | 117 |
| 9. | Sunny House | 19 Luk Hop Street, San Po Kong, Kowloon East, Hong Kong | 1,450 |
| 10. | Youth Dorm | 3A, 8 Gravelle Road, Tsim Sha Tsui | 104 |
| Total No. of Beds | | | 2,980 |

Source: Knight Frank Research, Market News

Future Supply Pipeline

The government is aware of the hostel space shortage and multiple hostel projects under hostel development fund have commenced. Based on the development schedule of the Legislative Council Panel on Education, about 7,900 hostel bedspaces will be provided from June 2024 to 2027. The University Grants Committee (UGC)-funded universities will also continue to take forward a number of hostel projects, in order to increase hostel bedspaces by about 13,500 in total by 2027. (Table 5)

Overall, the total supply of student accommodation – comprising beds from private operators, On-Campus University Halls of Residence, future hotels convert to private student dormitories and upcoming student hostel projects – is projected to reach 55,000 beds in 2028. This anticipated number of student bedspaces underscores the urgent need to significantly increase the supply of student housing to meet the living demand from an estimated 97,857 non-local students in the 2027/28 academic year.

Table 5 : Hostel Projects for which Construction Works have Commenced

| University | Hostel Project | Number of Hostel Places to be Provided | Target Completion Date |
|--------------|--|--|-------------------------------|
| HKUST | Halls 10–13 Student Residences (formerly known as “1415-place Student Hostel”)(1,415 places funded by HDF plus 136 additional privately-funded places) | 1,551 | Aug-24 (Subject to review) |
| CUHK | 250-place Student Hostel at United Campus | 250 | Dec-24 (Subject to review) |
| HKU | Student Residence at High West Site | 938 | Dec-24 |
| CUHK | 300-place Student Hostel at Shaw Campus | 300 | Jun-25 |
| CUHK | 300-place Student Hostel at Chung Chi Campus | 300 | Dec-26 |
| CUHK | 250-place Student Hostel at Wu Yee Sun Campus | 250 | Jun-27 |
| PolyU | Student Hostel at Ho Man Tin Slope | 1,279 | Aug-27 |
| CityU | Student Hostel at Tat Hong Avenue, Kowloon Tong | 999 | Oct-27 |
| PolyU | Student Hostel at Tat Hong Avenue, Kowloon Tong | 1,680 | Oct-27 |
| CUHK | 394-place Student Hostel in Area 39 | 394 # | Jun-27 |

Note: #Hostel project for which construction works have yet to commence

Source: Legco

Investors' Guide: Benefits of Investing in Student Accommodation



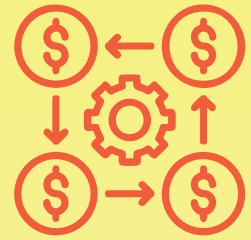
Stable Returns

Student accommodation typically provides stable returns, as students often enter into year-long leases, ensuring a steady income for property owners. Moreover, the one-year tenancy term allows landlords to adjust rents more frequently, enabling a quicker response to market changes. This reliability is often more favorable compared to traditional residential properties, making it an appealing option for investors seeking consistent returns. Furthermore, it is common for students to agree to upfront full payment for the year, which enhances the operator's liquidity.



High Occupancy

Student accommodation often enjoys high occupancy rates, given that students generally require accommodation for the entire academic year. This leads to predictable rental income, which is appealing to property owners. For example, Y83, a student accommodation facility, achieved an impressive occupancy rate of about 85% in its first year of operation. This figure climbed to 100% in the second year, and expectations for the third year suggest that performance will remain strong, further underscoring the reliability of investing in this sector.



Lower Operation Costs

Student housing typically incurs lower overall costs compared to hotel operations. Unlike hotels, which often provide a wide range of luxury services and amenities, student housing emphasizes the essential needs of students. This includes basic accommodations, communal spaces for studying and socialising, and facilities like laundry and kitchens. By focusing on these fundamental amenities, operators can streamline their services and reduce overhead costs. The emphasis on self-service options—such as communal kitchens and laundry facilities—reduces the need for personnel in housekeeping and maintenance. This reduction in staffing not only cuts labour costs significantly but also allows staff to concentrate on enhancing the resident's experience.



Investors' Guide: Key Considerations

Hong Kong's hospitality sector is under pressure, which has been reflected in hotel values. Hotels that are strategically located now have the benefit of being eligible for conversion to a higher and better use as student accommodation.

Property conversion presents an opportunity to enter a growing market while leveraging the advantages of the existing properties. For instance, hotels typically feature essential infrastructure, such as en-suite bathrooms and shared spaces, that can be readily adapted for student accommodation. Additionally, their proximity to MTR stations significantly enhances the appeal of these residences, making them more attractive to students. Fuelled by strong investment interest, the cumulative transaction volume for hotel conversions in 2024 has reached HKD 1.3 billion year-to-date.

Whether to convert the current property to enter student housing could be determined by analysing the current property's performance, direct competition and future prospect. Investors should also consider financial viability and regulatory compliance in their investment considerations.

Financial Viability



In general, a typical 3 to 4 stars hotel is equipped with facilities, amenities and common areas that could easily convert to student accommodation uses. Moreover, the typical hotel room layout can accommodate additional bed spaces to generate more income per room. If no

change applied to the existing floor plan for the guestroom, rooms that are under 200 sq ft can be considered for rooms to accommodate two students. For room sizes over 300 sq ft, three beds or more could be applied. Furthermore, loft beds are widely used for student accommodations to maximise space utilisation. The conversion and renovation expense could be controlled around HK\$500 to HK\$800 per sq ft subject to newer hotel properties.

Given the stable occupancy rates among students and the potential for revenue growth, coupled with a reduction in operational expenses, the conversion of properties may enhance the rental yield of an existing hotel that has encountered a revenue plateau. The anticipated yield for student housing is projected to range from 4.5% to 8%, contingent upon the current performance of the hotel and the initial renovation costs.

Regulatory Compliance: land's perspective



For hotels located on Hong Kong Island and in urban areas such as the Yau Tsim Mong District, most properties operate under a "Virtually Unrestricted Lease". This lease structure provides significant flexibility in property development usage, as long as operators comply with specific conditions outlined in the lease, such as

prohibitions against engaging in offensive trades.

For new grant lots with residential usage stipulated in the land leases, operators can easily run these properties as serviced apartments for student accommodation. Similarly, if the land leases allow for Commercial / Hotel usage, operators can operate as student accommodations without facing additional restrictions.

However, some universities or public institutions may impose land leases specifically for student accommodation, which come with more restrictions. For instance, these leases may only permit students enrolled at the specific

university to reside in the accommodation. Typically, these institutions do not require additional land premiums and pay only nominal fees. Overall, converting hotels into student accommodation tends to be quite flexible concerning land lease regulations.

Regulatory Compliance: zoning & licensing requirements

Most hotels are typically zoned for commercial use. Investors must retain their hotel licenses when converting properties to student accommodation. This is important because changing a hotel's designation to "flat" or



"residential institution" usage may require planning applications. By maintaining a hotel license, the property can continue to operate under hotel usage while functioning as student accommodation, thus avoiding the need for additional planning applications.

Converting a hotel to student accommodation without a hotel license can pose challenges. In this case, a planning application must be submitted, and the property may lose plot ratios and Gross Floor Area (GFA). According to the Building (Planning) Regulations, the maximum plot ratios of non-domestic properties, including hotels, is 15. In contrast, for domestic properties, the maximum plot ratios are limited to 8,9 or 10, depending on the site class (A, B, or C).

Most universities or public institutions zoned under Government, Intuition or Community ("GIC") typically can operate as student accommodation without a planning application. The usage "Residential institution" falls into Column 1 of the Outline Zoning Plan ("OZP"), indicating that such usage is always permitted.

Overall, converting hotels into student accommodation while retaining a hotel license offers considerable flexibility in terms of planning regulations.

The government previously announced the resumption of the Hotel Accommodation Tax (HAT) in 2025. Effective January 1, 2025, the HAT rate will be adjusted from 0% to 3%. This tax is expected to have minimal impact on student accommodation and hotel investors and is unlikely to deter conversion decisions. Operators should be able to adjust their pricing structures to incorporate the tax. Given the strong demand, it is not expected to affect the occupancy rate.

Successful Case of a Rapid Hotel Conversion:

From Hotel Sav to Y83:



Background

Boston-based fund manager AEW Capital teamed up with local developer Crystal Investment to purchase the 388-room Hotel Sav at 83 Wuhu street in the Hung Hom area.



Late April 2022

Midway of renovation and started accepting reservation. Units comprise single to triple bed rooms measuring from 146 sq ft to 198 sq ft.



Mid-August 2022

Students started to move in.

2022

2023



Early March 2022

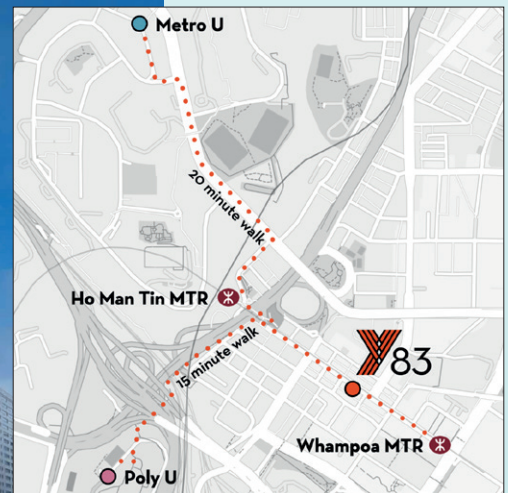
AEW Capital & Crystal Investment acquired Hotel Sav, 83 Wuhu Street, Hung Hom from Chuang's Consortium International Ltd for HK\$1.65 billion. Positioned the property as student housing with 600 beds under Crystal Investment's YX platform.



May 2022

Started marketing campaign and began for leasing.

Source: Knight Frank



The building was originally completed as a commercial building in 1996 and was later converted into Hotel Sav, a 25-storey hotel with 388 rooms, in 2014. It was owned by Chuang's Group.

In early March 2022, Knight Frank was appointed to facilitate the sale of Hotel Sav, which was sold for HK\$1.65 billion (approximately HK\$4.26 million per key) to the joint venture between AEW Capital Management and Crystal Investment.

Y83, the new name for the converted property, has a major lease restriction that includes a non-offensive trade clause. However, Y83 can easily apply for an offensive license through the Lands Department to remove this restriction. According to the Lands Department's Practice No. 3/ 2023, any granted offensive trade license will be subject to a payment, currently set at \$32,600 per lot.

Regarding town planning restrictions, the property falls within a hotel zone. With an existing hotel license, the conversion of Hotel Sav into Y83 did not require a planning application, allowing for a straightforward transformation into student accommodation.

Y83 is designed to house nearly 600 students and offers 20,000 sq ft of communal space, which includes a cafeteria, common rooms, collaborative spaces, a gym, an activity studio, and pantries, all featuring newly fitted rooms and furniture. In its first year of operation, Y83 achieved an occupancy rate of approximately 85%, which rose to 100% in its second year.

Although the rental prices are higher compared to nearby studio units, Y83 remains fully occupied. In 2023, monthly rents of Y83 ranged from HK\$7,000 to HK\$12,500, and in 2024, rents increased to between HK\$8,300 and HK\$14,800, reflecting a rise of 14% to 18%.

Existing Student Housing Investment Opportunities

Below is an example of three hotels that we believe are suitable for conversion into student housing. These properties, listed for sale by Knight Frank, are well positioned and equipped with essential amenities that can be easily adapted to meet the needs of students.

Hotel COZi Harbour View

No. 163 Wai Yip Street, Kwun Tong, Kowloon

Hotel COZi Harbour View offers 598 modern guestrooms and is located in Hong Kong's CBD2, East Kowloon. The hotel provides easy access to one of the largest community shopping malls, APM and Ngau Tau Kok MTR Station. Its advantageous location allows for convenient access to educational institutions in Kowloon, including the Vocational Training Council (VTC), City University of Hong Kong (CityU), and Hong Kong Baptist University (BU).



| Hotel COZi Harbour View, No. 163 Wai Yip Street, Kwun Tong, Kowloon | |
|---|--|
| Property Number | HKCM0825 |
| Lease Term | For a term of 50 years commencing from 30 May 2006 |
| Site Area | 19,050 sq. ft. |
| Class of Site | Class B |
| Year Built | 2007 OP No. KN2/2007 |
| Major Lease Restriction(s) | <ul style="list-style-type: none"> Non-offensive Trade Clause |
| Town Planning | <ul style="list-style-type: none"> Maximum Building Height: 100m Zoning: Other Specified Uses (Business) |

Hotel Ease

No. 60 Portland Street, Mong Kok, Kowloon

Hotel Ease, Mong Kok, features 199 modern and cozy guestrooms and is located just a minute's walk from the MTR Yau Ma Tei Station. Situated in the heart of Mong Kok and Yau Ma Tai, this strategic location appeals to students from various education institutions, including PolyU, HKBU, CityU, HKMU and others.



| Hotel Ease, No. 60 Portland Street, Mong Kok, Kowloon | |
|---|---|
| Property Number | HKCM0813 |
| Lease Term | For a term of 150 years commencing from 1 January 1898 |
| Site Area | 4,053 sq. ft. |
| Class of Site | Class A |
| Year Built | 2014 OP No. KN38/2014 |
| Major Lease Restriction(s) | <ul style="list-style-type: none"> Shall not be used for industrial purpose and no factory building shall be erected thereon |
| Town Planning | <ul style="list-style-type: none"> Maximum Building Height: 110m Zoning: Commercial |

Hotel COZi • Resort

No. 4 Kin Fung Circuit, Tuen Mun, Hong Kong

Hotel COZi • Resort, Tuen Mun, which opened in 2019, offers 430 themed rooms. The hotel is conveniently located just a few minutes' walk from the MTR Tuen Mun Station and a large shopping mall. It is also close to Lingnan University and other higher education institutions in the area, such as the Hong Kong Institute of Vocational Education (IVE) and Chu Hai College of Higher Education.





| No. 4 Kin Fung Circuit, Tuen Mun, New Territories | |
|---|---|
| Property Number | HKCM0746 |
| Lease Term | For a term of 99 years, commencing from 1 July 1898 |
| Site Area | 24,229.6 sq ft |
| Class of Site | Class C |
| Year Built | 1982 |
| Town Planning | <ul style="list-style-type: none"> • Maximum Building Height: 100m • Zoning: Commercial |

Market Opportunity Summary



Hotel COZi • Resort
No. 4 Kin Fung Circuit, Tuen Mun

 **430**
ROOMS

 Few minutes' walk to Tuen Mun Station

KEY FEATURES
Excellent condition with neighborhood amenities



Hotel COZi Harbour View
No. 163 Wai Yip Street Kwun Tong, Kowloon

 **598**
ROOMS

 Few minutes' walk to Ngau Tau Kok Station

KEY FEATURES
Spacious common area and sufficient rooms



Hotel Ease
No. 60 Portland Street Mong Kok, Kowloon

 **199**
ROOMS

 1-minute walk to Yau Ma Tei Station

KEY FEATURES
Modern, cozy rooms in a strategic location





Conversion Potential of Hotel COZi • Resort

It is recommended that, with minimal alterations to the floorplan, rooms measuring less than 200 sq ft be configured as two-bedroom units, while larger rooms can accommodate three beds. This configuration could achieve a maximum capacity of 1,060 students for the proposed student housing. Considering the monthly market rate for a single bed and assuming full occupancy, this student accommodation is projected to significantly enhance revenue compared to the current hotel operations. Given that student housing generally experiences a much lower turnover rate than hotels, there is potential to reduce staffing needs, leading to further optimisation of operational expenses. With renovation costs estimated at HK\$500 per sq ft, the anticipated yield following the conversion is expected to range between 7.4% and 8.4%.

Hotel COZi Resort is not subject to significant lease restrictions and currently functions as a licensed hotel. The transformation of the property is expected to be relatively straightforward and swift. If no substantial alterations to the layout are needed, the proposed student accommodation could be ready in time for the upcoming academic year, thereby appealing to prospective students.



Table 6 : Hotel COZi • Resort Financial Analysis

| | Current Hotel Room Sizes (sq ft) | No. of Rooms | Proposed Room Type | Total Beds | Monthly Rent per Bed (HK\$) | Monthly Revenue (HK\$) |
|--|----------------------------------|--------------|--------------------|-------------|-----------------------------|------------------------|
| Room A | 155~178 | 230 | 2-beds | 460 | 7,500 | 3,450,000 |
| Room B | 308~392 | 200 | 3-beds | 600 | 6,500 | 3,900,000 |
| Total | | 430 | | 1060 | | 7,350,000 |
| Average about HK\$7,000 per bed/month | | | | | | |

| | *Hotel Example | Proposed Student Accommodation | | |
|---|----------------------|--------------------------------|-------------------------|-------------------------|
| Leasable Units | 430 rooms | 1,060 beds | | |
| Room Size (sq ft) | | 155~178 / 308~392 | | |
| | | Base Case | Positive Case | Best Case |
| Price per Unit | HK\$500/day (RevPAR) | HK\$7,000 per bed/month | HK\$7,400 per bed/month | HK\$7,800 per bed/month |
| Occupancy | 90% | 100% | | |
| Annual Revenue (HK\$) | 70,630,000 | 89,000,000 | 94,000,000 | 99,000,000 |
| Annual Operation Expense (HK\$) | 28,250,000 | 18,000,000 | | |
| Annual Net Operating Income (HK\$) | 42,380,000 | 71,000,000 | 76,000,000 | 81,000,000 |
| Acquisition Price (HK\$) | | 850,000,000 | | |
| Renovation Cost (HK\$500/sq ft) | n/a | 113,552,500 | | |
| Yield (%) | 5.0% | 7.4% | 7.9% | 8.4% |

* Hotel revenue and expense calculation is solely based on room division
 - Suggested consideration, price per bed, renovation cost are for reference only

The proposal for the converting Hotel COZi Resort serves as an exemplary model to encourage market stakeholders to capitalise on the increasing demand for student housing. The potential for enhanced property yields may be realised through elevated revenue streams and improved operational efficiency. Notably, there is a lack of large-scale

student accommodation in the vicinity, despite Tuen Mun being recognised as one of the educational hubs in the New Territories. Additionally, Hotel COZi Resort has the capacity to further enhance the asset value by fostering leasing synergies with retail tenants to meet students' needs.

Table 7 : Hotel COZi · Resort Conversion Schedule

| | 2025 | | | |
|--------------------------------|------------------|----|-------------------|----|
| | Q1 | Q2 | Q3 | Q4 |
| Transaction | [Green bar] | | | |
| Renovation | [Dark green bar] | | | |
| Marketing | [Blue bar] | | | |
| Beds Reserved for Universities | [Light blue bar] | | | |
| Grand Opening | | | [Red bar] | |
| Individual Tenant Application | | | [Light green bar] | |

Table 8 : Hotel COZi · Resort Conversion Results

| Current Hotel | Proposed Student Accommodation |
|---|--|
| ADR / Monthly revenue reached cap | <ul style="list-style-type: none"> • Increase revenue by offering more beds • The variety of facilities and good condition have mark-up potential • Demand-driven market expansion leads to organic rental growth |
| High operating cost | <ul style="list-style-type: none"> • Required staff is reduced and operational profit has been improved |
| Direct competition in area | <ul style="list-style-type: none"> • No competition for student housing with sufficient demand from different educational institutions |
| Underutilised area: spa/wellness | <ul style="list-style-type: none"> • Could be converted into student-oriented facility/space creating more asset value |
| Ground floor retail spaces have more retail trade potentials | <ul style="list-style-type: none"> • Retail spaces can create synergy with the student accommodation to provide better neighborhood and increase rental income |



Source: www.hotelcozi.com/resort

Recommendations

In the 2024 Policy Address, the government outlined its plan to increase the supply of student accommodation by encouraging the private sector to convert hotels and other commercial buildings through self-financing and private initiatives to enhance the provision of student housing facilities. Based on this, we suggest the Buildings Department expedite applications for building plans and that new guidelines and regulations from the Fire Services Department be implemented for operators. These measures could facilitate a more rapid development of privately funded supply of student housing to address increasing needs.

Additionally, we recommend that the government streamline and simplify the regulatory and approval processes for new student housing developments. This could include offering more flexible zoning regulations and easing zoning laws. For instance, due to the rejection of

numerous commercial and industrial buildings for rezoning to hotel use as a result of parking and traffic limitations, we recommend that the Town Planning Board consider introducing “Hotel – Student Dormitory” as a category to ease associated regulations and expedite the application process.

Furthermore, we recommend that the government allows greater flexibility in converting and repurposing underutilised government properties or commercial and industry buildings for student accommodation. Commercial properties that are singularly owned and located near MTR stations – especially those struggling to enhance leasing revenues – are particularly suitable for conversion. While initial renovation costs may be significant, transforming a suboptimal asset into a value-generating one during a market upturn presents substantial potential.

Conclusion

Student accommodation in Hong Kong is a dynamic and evolving sector that plays a crucial role in the city’s higher education landscape. It presents a promising opportunity for investors, given the rapidly growing non-local student population. The trend of converting hotels into student residences not only addresses the urgent need for adequate housing but also offers substantial financial prospects for stakeholders.

The transformation of hotels into student accommodation not only creates value for investors but also contributes to the overall enhancement of the student’s living experience.

With government’s supportive measures to expedite the conversion of assets into student housing and increase the supply of accommodation facilities, it presents a tremendous opportunity for real estate investment. Looking ahead, it is crucial for investors to remain adaptive and proactive in their strategies, addressing current challenges while capitalising on emerging opportunities within this sector.



We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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