

Australia PBSA Update



Q2 2025

Strong fundamentals bodes well for investors and developers

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Iglu, Redfern NSW

The Quick Take

Shifting Sentiment to increase PBSA Supply

Sentiment among policymakers and stakeholders for the growth of PBSA is strengthening, recognised for its role in supporting the growing student population while mitigating pressure on rental demand.

Investors Targeting PBSA

The student accommodation sector continues to be viewed favourably, driven by the under-supply dynamics, student growth and counter-cyclical features.

\$1.8b Transacted in 2025 YTD

Investment was strong in the first quarter of 2024. Activity will pick up further once interest rates continue to come down and cost inflation continues to ease, but politics and policy will be key this year.

Public-Private Partnerships

To alleviate the structural undersupply of stock, partnerships to build new or refurbish existing stock between universities and private accommodation providers are likely to become more widespread.

Affordability

Investors, developers and operators need to focus on the affordability of their offering to students and understand how accommodation feeds into students' decision making.

Rental growth

The sector has experienced strong rental performance. Since 2018 there has been average rental growth of 50% across Sydney, 38% in Melbourne, 36% in Adelaide and 28% in Brisbane for studio apartments in PBSA developments.

Policy update

Sector adjusting to evolving policy landscape

Proposed government intervention in the Australian student market dominated the headlines last year with the sector becoming embroiled in a wider political debate around migration, and specifically the impact of international student numbers on the housing market.

Facing opposition from the Coalition and Greens, the ESOS (Education Services for Overseas Students Amendment (Quality and Integrity)) Bill 2024 failed to pass through parliament at the tail end of last year. With this rejection, the Bill's flagship policy – a proposed 270,000 cap on foreign student enrolments – which would have been effective from 1 January 2025, has not materialised.

Following this setback, the Labor government moved quickly to revoke Ministerial Direction 107, which governed the existing visa student system, and replaced it with Ministerial Direction 111, effective from 19 December 2024.

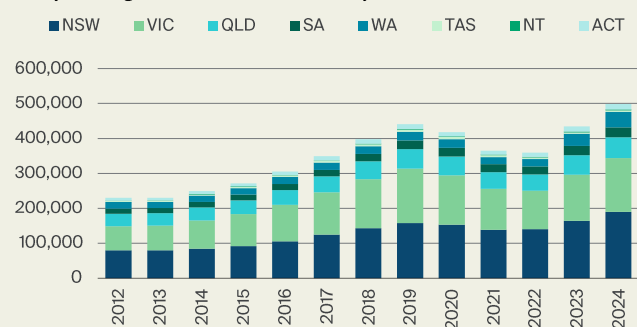
In short, MD111 aims to provide a fairer system through changes to visa processing prioritisation. The education sector, and in turn the market for purpose-built student accommodation (PBSA), is still adjusting to this unexpected round of changes and its impact will be closely monitored in the coming months. Early reaction has been mixed, and the policy has come under immediate criticism from the Group of Eight (Go8) universities.

As a result, there is growing sentiment that utilising and supporting the growth of PBSA is a crucial component to relieving pressures on the private rental market and ensuring the benefits from international student migration are realised.

Against this backdrop, investor confidence remains strong due to buoyant student demand, with international student enrolments well above pre-pandemic levels and near double the levels a decade ago. This will aid strong occupancy levels this year.

International enrolments by states

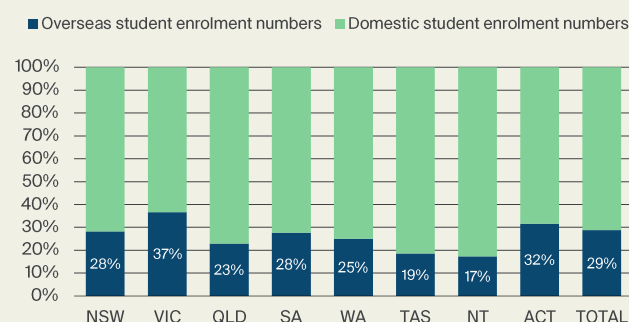
Full year, higher education sector only



Source: Knight Frank Research, Department of Education

Higher education student enrolments in Australia

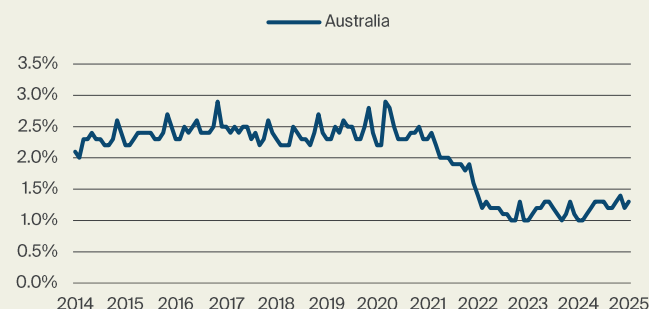
International enrolments vs domestic enrolments, 2024



Source: Knight Frank Research

Australia residential vacancy rate

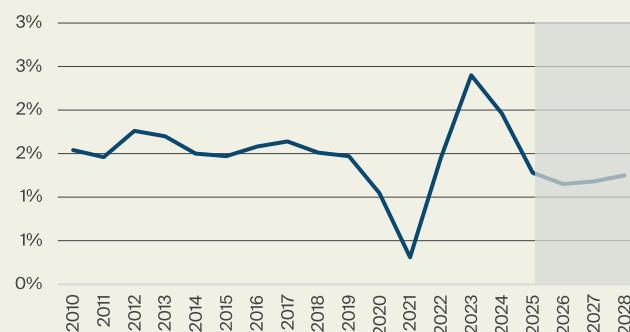
%



Source: Knight Frank Research, SQM Research

Australian population growth

Annual growth (%)



Source: Knight Frank Research, Oxford Economics

Demand & rents

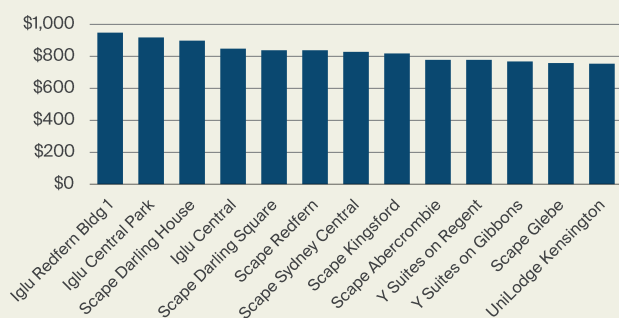
Supply-demand imbalance driving rental growth

The supply demand imbalance across the wider residential market is being mirrored in the PBSA market with below average development completions over the last two years and a sector dealing with strong levels of international student migration, which is forecast to remain high in coming years.

The demand-supply imbalance has led to a surge in rental growth for student accommodation which has raised the issue of affordability, in keeping with wider concerns about rental affordability more generally. Since 2018 there has been average rental growth of 50% across Sydney, 38% in Melbourne, 36% in Adelaide and 28% in Brisbane for single studio apartments, which are the most common form of student accommodation.

As with any style of housing, there are rental spreads based on location and amenity. For instance, in Sydney weekly rents can range from anywhere between \$550 to \$950 a week. The upper end rents are within the inner CBD markets such as Redfern, Central Park and Darling Square, which all provide students with accommodation on the university doorstep, multiple public transport options and significant amenity benefits.

Weekly advertised starting rent
Studio, inner Sydney locations, 2025 rate



Source: Knight Frank Research

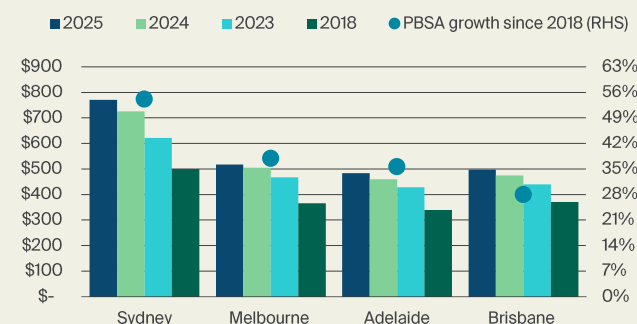
This is a similar story in the other capital cities with higher rents being achieved within inner-city locations.

With limited future development opportunities in these locations due to site availability constraints, rents will continue to rise, raising questions around affordability and the need for more stock in other locations at lower rental levels.

As the market evolves, investors, developers and operators will need to focus on the affordability of their offering to students and understand how accommodation costs feed into students' decision making.

On the operational side, while rents have been rising strongly, operating costs have also steadily increased as rises in budget items such as energy and staffing have filtered through to the bottom line. However, the worst of these challenges appear to be behind as inflation eases and construction costs stabilise.

Weekly advertised starting rent
Studio room



Source: Knight Frank Research

Recent scheme launches – Asking Rents *

| Property | Operator | Completion | Studio from (\$/week) | 1-Bed from (\$/week) | 2-Bed from (\$/week) | 5-Bed+ from (\$/week) | Twin Room from (\$/week) |
|--|----------|------------|-----------------------|----------------------|----------------------|-----------------------|--------------------------|
| Scape Kingsford / 391-397A Anzac Pde, Kingsford NSW | SCAPE | H2 2024 | 819 | 909 | 689 | / | / |
| Y Suites on Regent / 90-102 Regent St, Redfern NSW | Y Suites | H1 2024 | 779 | / | 679 | / | 589 |
| UniLodge Kensington / 187 Anzac Pde, Kensington NSW | UniLodge | H2 2024 | 755 | / | / | 589 | 544 |
| Scape Leicester / 130-138 Leicester St, Carlton VIC | SCAPE | H1 2024 | 549 | 819 | 499 | / | / |
| Scape Victoria St / 23-29 Victoria St, Melbourne VIC | SCAPE | H2 2023 | 604 | / | / | / | / |

* Rents reflect the headline rent per bed

Development

Market to remain undersupplied despite rising development activity

Despite continued uncertainty over the policy landscape, tight supply in the student market presents an ongoing opportunity for the increasing number of investors keen to deploy capital into living sectors.

This is illustrated by Australia's relatively high student-to-bed ratio, which has averaged 6.8 over the past decade – for international students in higher education – with the current ratio standing at 9.1 at the end of 2024. New South Wales has the highest student-to-bed ratio at 13.1.

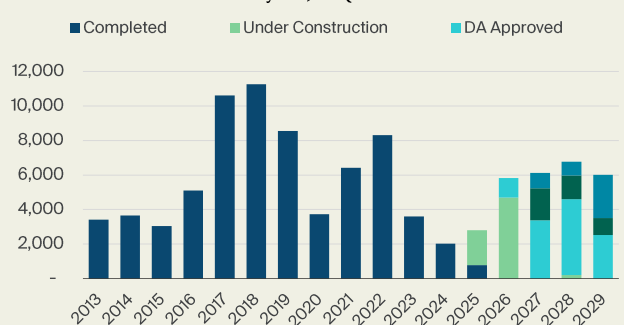
Despite strong growth in student numbers over the last two years, new delivery has been slow as developers continued to grapple with feasibility challenges. Last year saw the delivery of a modest 2,014 beds, of which over 80% were in Sydney and the remainder in Melbourne. However, with inflationary pressures now easing and the economic outlook clearer, this will aid developer confidence to progress with planned schemes and we expect a higher level of completions in 2025 and a further rise in 2026.

There are currently 6,912 beds under construction with 2,772 beds due for completion in 2025, a 38% increase on last year. Of these, 1,416 beds are being delivered by Citiplan & Brookfield and a further 876 beds by Scape, two of the largest groups in the PBSA market. In 2026, we expect a further wave of completions resulting in 5,832 new beds.

The private sector continues to play the leading role in providing new accommodation for students, with larger platforms looking to consolidate their positions, encouraged by the persistent supply-demand imbalance.

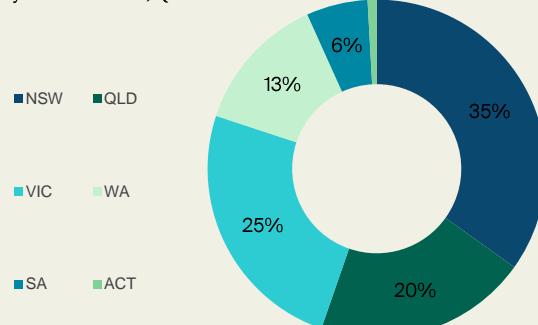
Looking ahead, however, we expect to see an increase in public-private partnerships as developers and universities collaborate to improve viability and unlock development sites.

Australia PBSA development pipeline
No. of total PBSA beds each year, at Q1 2025



Source: Knight Frank Research

Share of PBSA beds under construction
By State % share, Q1 2025



Source: Knight Frank Research

Major Developments

| Property | Beds | Status | Owner | Est. Completion |
|--|------|--------------------|--|-----------------|
| 104-116 Regent St, Redfern NSW | 408 | Under Construction | Wee Hur Holdings | H1 2025 |
| 183-187 Grattan St & 166-176 Bouverie St, Carlton VIC | 465 | Under Construction | Citiplan JV Brookfield | H1 2025 |
| 13-17 Metro Pde, Salisbury SA | 405 | Under Construction | Michael Calabro | H1 2025 |
| 325 - 335 Wellington St & 105-107 Pier St, Perth WA | 736 | Under Construction | Australian Unity Property JV Maxcap JV UniLodge | H1 2025 |
| 17-21 Lachlan Ave & 163 Herring Road, Macquarie Park NSW | 732 | Under Construction | Centurion Properties | H2 2025 |
| Scape Lachlan / 111-125 Anzac Pde, Kingsford NSW | 521 | Under Construction | SCAPE | H1 2026 |

Investment market

Investor preferences shifting to student accommodation and living sectors

The lack of clarity around international student caps, coupled with the challenging macroeconomic backdrop, resulted in a slowdown in the volume of transactional activity last year. Operational schemes remained tightly held; however, owners that did bring assets to the market were rewarded with limited competing opportunities.

This scarcity factor led to competitive bidding and helped to maintain robust pricing levels. With additional rate cuts planned and the prospect of greater political certainty in the second half of 2025, we expect investment volumes to pick up further.

Investors will continue to seek diversification opportunities in the Australian Living Sectors in 2025, underlined by ANREV's latest Investment Intentions Survey with 43% of respondents selecting Student Accommodation as a preferred sector for investment into Asia Pacific markets this year. This is up from 28% in 2021, the second largest movement behind retail.

Breaking this down further by investor's domicile, it is notable that North American investors are particularly intent on deploying capital into the sector, with 67% showing a preference for the student market.

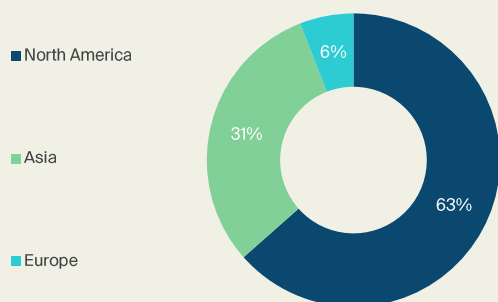
Strong demand from North American capital has already translated into the largest deal announcement since Scape's acquisition of the Urbanest portfolio back in mid-2020, with Greystar recently completing the acquisition of the GIC-Wee Hur JV portfolio comprising 5,662 beds across 7 assets for A\$1.6 billion.

So far in 2025, investment volumes total \$1.8 billion, with the Greystar acquisition representing the bulk of this. However, even without the inclusion of this deal, volumes still eclipse the low 2024 total.

Yields remain stable this quarter and have shown more resilience than other traditional asset classes in the face of higher interest rates over the past three years. Recent transactions have demonstrated that stabilised PBSA assets remain a key target for investors trying to enter or consolidate their position in the Australian market.

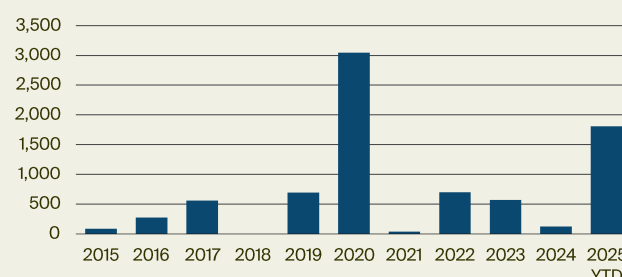
However, given the limited opportunity to acquire standing investments, we expect to see investors exploring alternative transaction structures in order to deploy capital.

PBSA investment capital source
% share of investment volume since 2022



Source: Knight Frank Research, RCA

Australia PBSA investment volumes
A\$ million



Source: Knight Frank Research, RCA

Recent transactions

| Property | Price (A\$m) | Beds | Completion / Est. completion | Purchaser | Vendor | Sale date |
|--|--------------|-------|------------------------------|-------------------------------|---------------------|-----------|
| GIC – Wee Hur Portfolio | 1.6bn | 5,662 | / | Greystar | GIC JV Wee Hur | Q2-25 |
| UNSW Jacaranda Hall / 171 Anzac Parade, Kensington NSW | 85.0 | 233 | 2005 | University of New South Wales | SC Capital Partners | Q1-25 |
| UniLodge Park Avenue / 8 Leonard St, Parkville VIC | 97.0 | 369 | 2019 | M&G Real Estate | Invesco Australia | Q1-25 |
| Dayman Apartments, Marsfield, NSW | 24.0 | 74 | / | Private | Private | Q1-25 |

Market outlook

Key themes in 2025

BARRIERS TO ENTRY REMAIN HIGH

The sector continues to present high barriers to entry that make it difficult for new investors to gain exposure, as established players leverage their scale and competitive advantage to grow market share and compete for the limited number of operational assets that come to market. This could result in a shift in transaction structures with new investors increasingly exploring development opportunities.

MORE CAPITAL TO BE DEPLOYED TO UNIVERSITY LEASED ASSETS

Appetite for university-leased assets is strong and provides an opportunity for new entrants to access the market, with the benefit of long lease terms and security of income. Last year Cambridge RE Partners acquired Hastings Village, a 592-bed student complex leased to Charles Sturt University in Port Macquarie, for \$116m. We expect this theme to continue with more university-leased assets to be traded this year as existing owners look to recycle assets, encouraged by the weight of capital for this type of product.

PRIVATE SECTOR AND UNIVERSITIES TO INCREASE COLLABORATION

University finances continue to be stretched, and to meet ongoing demand for high quality accommodation some institutions may opt to partner with strategic investors. We also expect this public-private partnership model to play a pivotal role in resolving the issue of affordability. Leveraging university owned land and utilising structures such as income strips and joint ventures, development viability can be effectively unlocked.

REPOSITIONING OF EXISTING ASSETS

Adaptive reuse and repositioning strategies are gathering momentum and represent an alternative entry route into the sector, or an opportunity for existing platforms to build scale. In October, Dexus and Marquette Properties announced plans to transform a B-grade office building in Brisbane's CBD, 41 George Street, into a 1,200-bed PBSA scheme. We expect to see further conversion opportunities this year, particularly in fringe office markets where occupier demand has diminished and the outlook for secondary assets is less favourable.

EXCHANGE RATE IMPACT ON INTERNATIONAL STUDENT GROWTH

Exchange rates are a fundamental determinant of cross-border student mobility, influencing affordability and hence the relative attractiveness of different study destinations. As major central banks navigate a path back to lower interest rates and global trade tensions result in heightened uncertainty, exchange rate volatility will continue to alter affordability and play an even more prominent role in students' decision-making processes.

An analysis of the Australian Dollar (AUD) exchange rate reveals a depreciation against both the Chinese Yuan (CNY) and Indian Rupee (INR) over the past year. The AUD has declined from 4.70 CNY in April 2024 to 4.55 CNY in March 2025, while against the INR, it has depreciated by approximately 1.57%, now trading at 53.97 INR.

This depreciation enhances Australia's price competitiveness as a study destination, making it more affordable compared to other leading education markets such as the UK and US. While other factors – including visa policies, employment opportunities, and the cost of living – will continue to influence student flows, a favourable exchange rate is expected to support further growth in enrolments in Australia from these key countries.



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Looking ahead to 2025, we expect to see the current positive sentiment continue.

This is driven by strong fundamentals, counter-cyclical features and the prospect of good risk-adjusted returns.

Transactional evidence 2025YTD is certainly indicating this with four PBSA deals having recently completed.

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