Student Living Revisited

Maturing Investment Landscape and Market Execution

November 2025

Building on the previous Knight Frank report published in February 2025, "Investing in Student Living", this paper further explores the impact of new government policies on property conversion, market demand and supply, and provides strategic guidance for investors diving into the student housing sector.

knightfrank.com.hk/research

Introduction

Hong Kong has firmly established itself as a leading international education hub, with five of its universities ranked among Asia's top 20 in 2025—making it the only city in the world to host five institutions within the global top 100. Its strong academic reputation has led to a growing demand for its educational programs among students. This leads to a surge in investment activity of education-related assets, with a notable increase in transaction volume for student hostels and conversion projects in 2025. The market is clearly responding to the robust demand and long-term potential of education-related assets .

Collaborative Efforts by Universities and Government

The government raised the quota for non-local student admissions to actively attract a greater number of young scholars to the city. Furthermore, the Immigration Arrangements for Non-local Graduates (IANG) allows international students to remain in Hong Kong after graduation to pursue job opportunities, thereby enhancing the city's attractiveness as a hub for global talent and long-term career growth.

Demand-driven Market

An additional intake of 18,400 non-local students was allocated for the 2024/25 academic year compared with the previous year. Of this, UGC-funded undergraduate non-local enrollments increased by 2,405, as the admission cap has been relaxed by the Government. Self-financing postgraduate programs, the largest source of demand, rose by 11,774. As the universities continually expand their capacity to admit more students, there remains no strict limit on the demand that the city can accommodate .

Conversion Opportunities for Investors

In July 2025, the "Hostels in the City Scheme" was introduced to encourage private sector participation in converting existing commercial buildings into student accommodation. This initiative, coupled with the strong growth in non-Hong Kong students, has spurred increased interest from international and local investors, who see the potential for substantial returns in this emerging sector.

Current State of Student Accommodation

In Hong Kong, there is a wide variety of housing choices available for students, catering to different requirements and needs. Popular choices among students include:

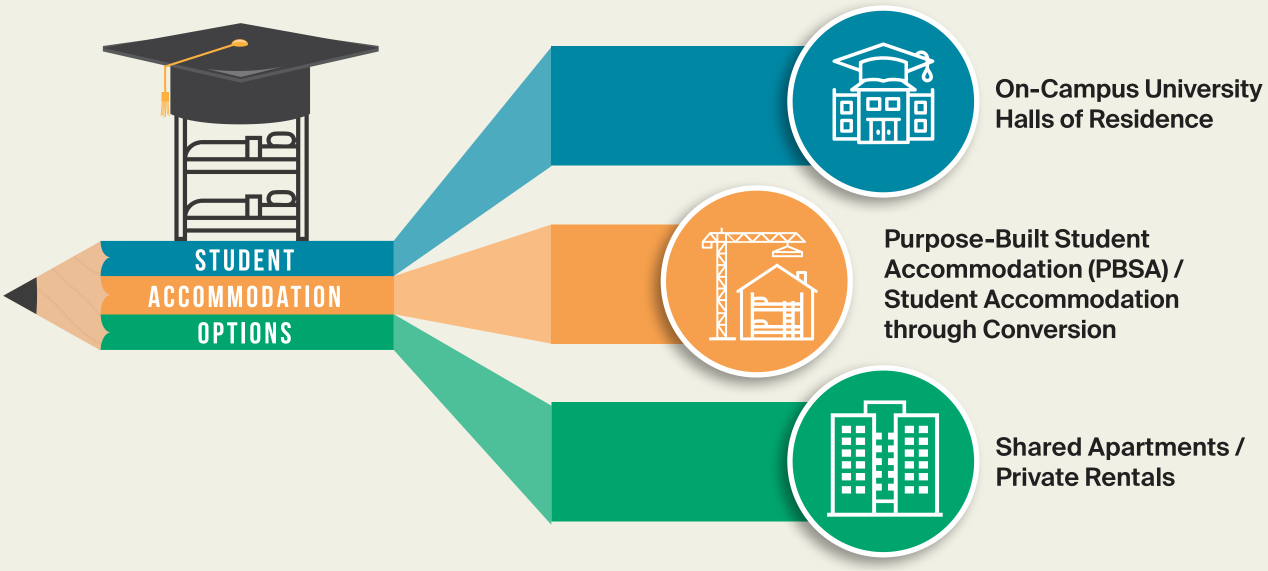


Table 1 analyses different types of student accommodation in Hong Kong. On-Campus University Halls of Residence are popular among students due to their on or near campus convenience. It also helps students build a strong sense of community. On-campus accommodation typically has good amenities and security measures in place, providing a safe and enriching living environment for students. However, On-campus University Halls of Residence are in short supply and cannot meet the high demand, hence “Purpose-Built Student Accommodation (PBSA) / Student Accommodation through Conversion” has become a business opportunity.

Table 1: Student Housing Products in the Market

	Details	Pros	Cons
On-Campus University Halls of Residence	Typically managed by the university & offer finished rooms with shared facilities including kitchens and bathrooms.	Often located in or close to the campus, making it convenient for students to attend classes and participate in campus activities.	Shortage of bedspaces.
Purpose-Built Student Accommodation (PBSA) / Student Accommodation through Conversion	Similar to university-managed halls, these are run by private companies.	Offer similar amenities as On-Campus University Hall of Residence and located near the university.	Slightly expensive than On-Campus University Halls of Residence, as it oftens offer modern amenities like multi-functional rooms, gyms and social spaces.
Shared Apartments / Private Rentals	Students may rent a shared flat or an apartment.	Provides more independence & can be more cost-effective when splitting rent and utilities.	Require students to manage their own bills and maintenance.

Source: Knight Frank Research

Hostels in the City Scheme: Policy Overview

The Development Bureau (DEVB) and Education Bureau (EDB) launched the Hostels in the City Scheme in July 2025 to address the acute shortage of student accommodation in Hong Kong, as announced in the Chief Executive's 2024 Policy Address. The Scheme streamlines planning, land, and building plan application procedures **to facilitate the conversion of existing commercial buildings into privately funded student hostels.** The policy has been effective since 17 September 2025.

However, despite the introduction of this scheme, issues such as the necessity for structural renovations, adherence to regulations, and amenity standards may result in increased conversion expenses and delayed execution. Nevertheless, converting hotels remains the most effective solution, by retaining the hotel license and conducting minimal refurbishments within the existing infrastructure allows for quicker implementation and a cost-efficient transformation into student accommodation.

Key Features	Details
Streamlined planning procedures	Expanded Town Planning Board's definition of **"Hotel" use to include eligible student hostels.** Most commercial sites require **no planning approval to convert.**
Building regulations facilitation under Buildings Ordinance	Plot Ratio (PR) relaxation—student hostels **treated as non-domestic for PR/site coverage.** **Retention of exempted gross floor area (GFA)** such as gyms and study rooms. No standalone kitchens required; open space exemptions possible.
Partial conversion	Partial conversion of a building into student hostel is allowed if specified conditions are fulfilled (determined by the Education Bureau and Development Bureau).
Batch sales	Hostel rooms must **not** be sold off individually.
Timeline	**Conversion** works should be **completed within 18 months.** New hostel construction must be completed within 54 months.

Advantages

- Fosters efficient **repurposing** of **underutilised** commercial buildings
- Boosts availability of **affordable, high-quality** student accommodation
- Aligns with Hong Kong's strategic vision as **a global education hub**

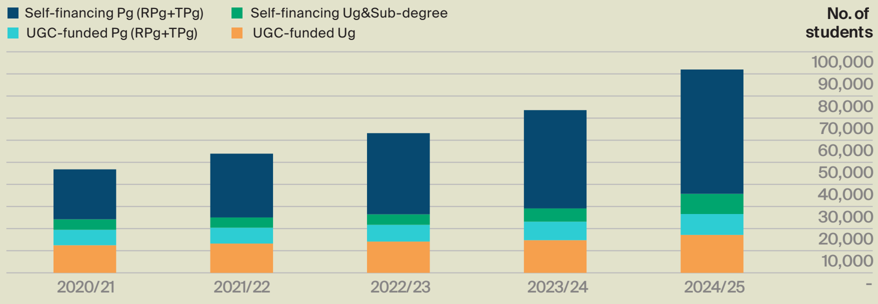
Challenges

- Protracted preparation work and **conversion timelines** compared to hotel conversions
- Potentially elevated **conversion costs**
- Diminished attractiveness to **institutional investors**

Resilient Demand for Higher Education and Positive Impact of 2025 Policy Address

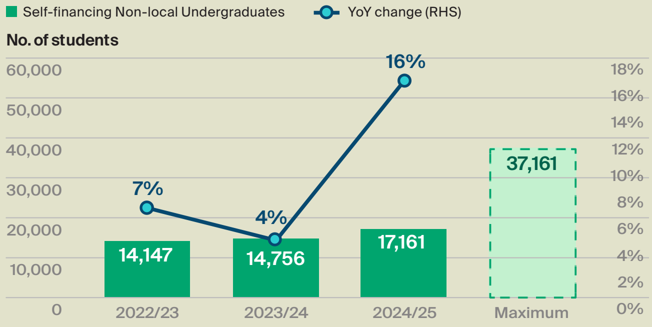
Universities funded by the University Grants Committees (UGC) and other post-secondary education institutions are expanding capacity to accommodate more non-local students, with favourable policy support and growing interests of international talents. The number of non-local student enrollments in the 2024/25 academic year increased to 92,000, representing a 25% YoY growth.

Fig 1. Non-local Student Enrolments



Source: Knight Frank Research

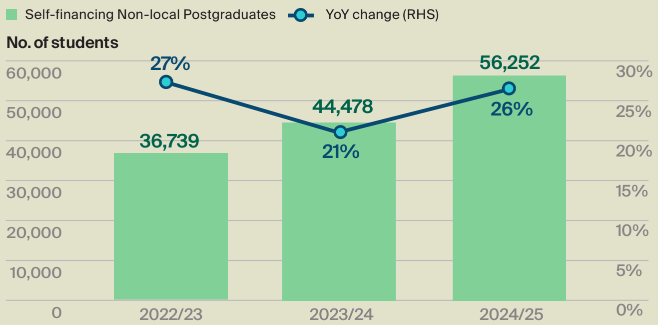
Fig 2. Self-financing Non-local Undergraduates



For UGC-funded Post-secondary Institutions

Source: Knight Frank Research

Fig 3. Self-financing Non-local Postgraduates



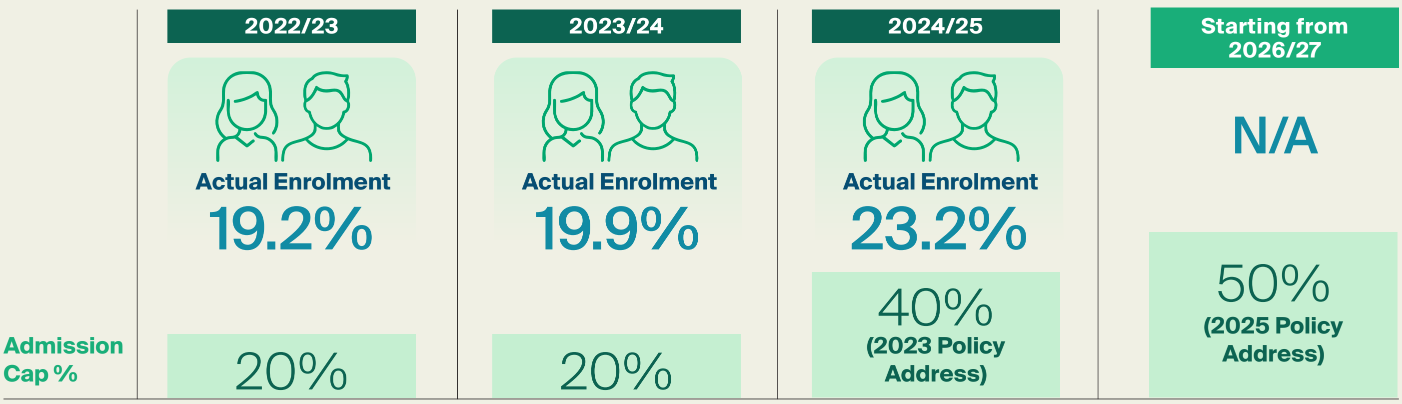
Source: Knight Frank Research

2025 Policy Address

To support the post-secondary education to continuously expand capacity and enhance quality, starting from the 2026/27 academic year, the Government will raise the enrolment ceiling for self-financing non-local students for taught undergraduate programmes of each funded post-secondary institution from the level equivalent to 40% of local student places to 50%; and the over-enrolment ceiling of self-financing places of funded research postgraduate programmes will be increased from 100% to 120%.

Although the admission quotas have been increased for both self-financing non-local undergraduates and research taught postgraduates, the annual increase in enrolment for each of these categories remains considerably less than that of self-financing non-local postgraduates. **Self-financing non-local postgraduate remains the main demand driver for the student accommodation as there is no stringent cap on enrolment under this category.** Its enrolment numbers were up 26% YoY growth or 11,774 students over the 2024/25 academic year. In contrast, UGC-funded non-local undergraduate enrolment only increased 16% YoY or 2,405 students, despite the relaxation of admission quota from 20% to 40% announced in the 2023 Policy Address.

Self-financing Non-local Undergraduates Actual Enrolment and Admission Cap



Admission quota cap is calculated by the local UGC-funded spaces about 74,000 annually
For UGC-funded Post-secondary Institutions

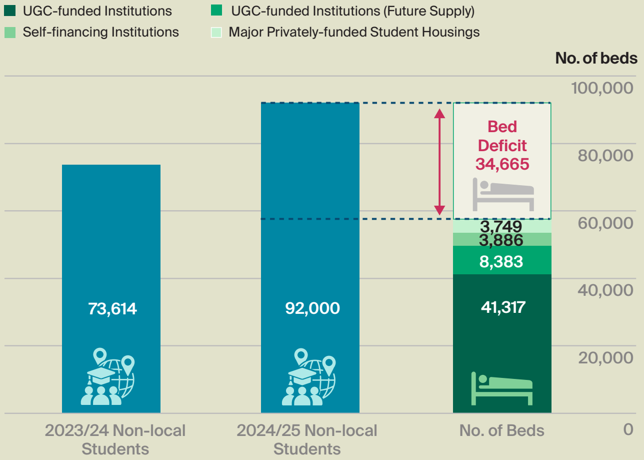
Supply & Demand Gap

As of the 2024/25 academic year, the total supply of student hostel beds—comprising both existing and planned beds stands at approximately 57,335. However, even under the optimistic assumption that all beds are reserved exclusively to non-local students, there remains a significant shortfall of about 34,665 beds to meet demand.

In reality, the bed deficit is even larger, as many institutions reserve a portion of hostel capacity for local students. This structural imbalance between supply and demand highlights a critical and persistent gap in student accommodation.

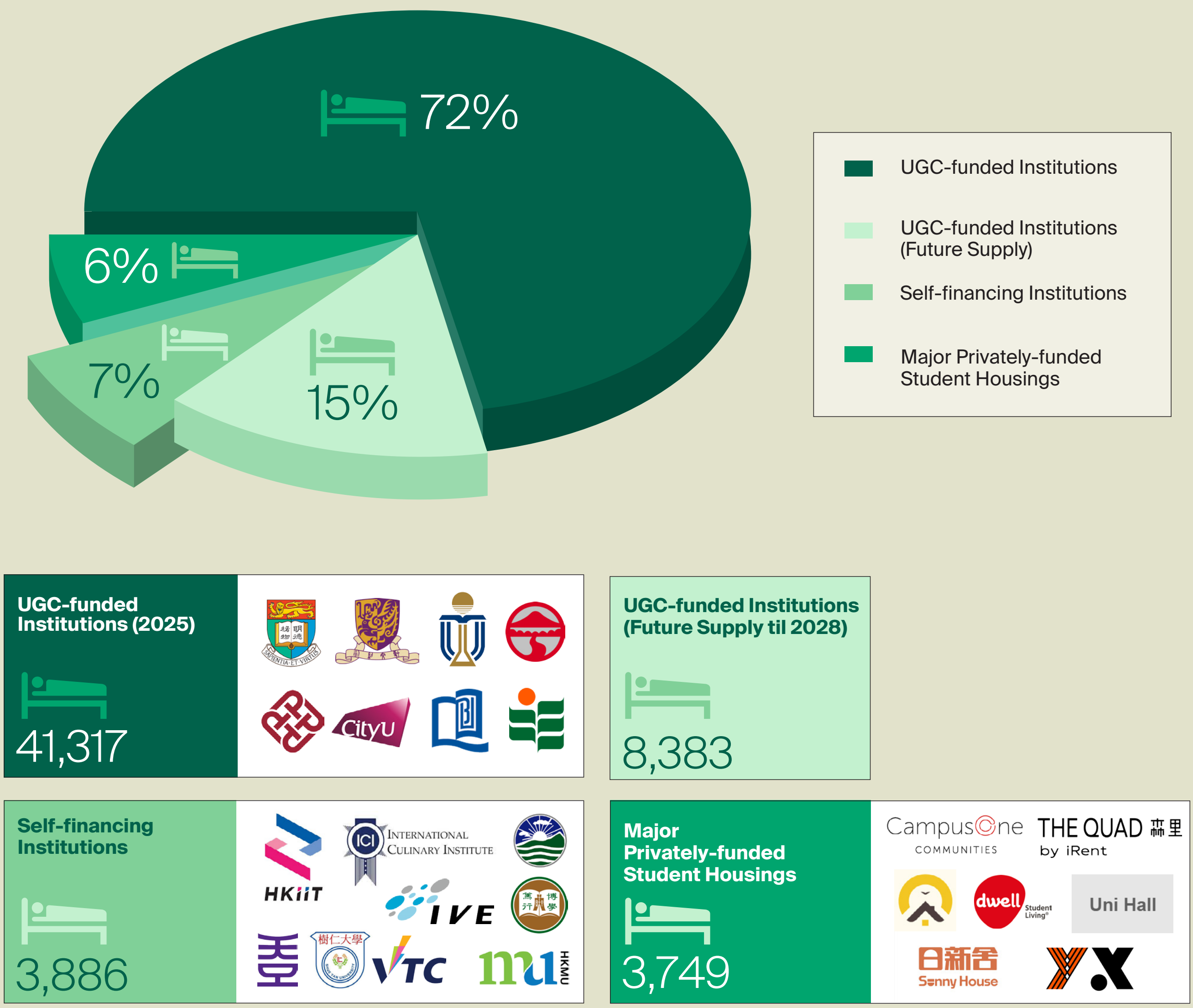
The magnitude of this demand-supply mismatch presents a compelling opportunity for private sector investment and operational partnerships. With non-local student numbers expected to grow and public sector capacity expansion is limited, the student housing market in Hong Kong is poised for strategic development.

Fig 4. Current Supply and Demand Gap



Source: Knight Frank Research

Fig 5. Number of Beds for Students



2024/2025 Hotel Investment Overview

In line with the Chief Executive's 2024 Policy Address, which prioritises the promotion of the "Study in Hong Kong" brand, there has been a noticeable trend of repurposing underutilised hotels into student accommodations to meet rising demand for educational infrastructure. This shift has positioned hotel assets as a compelling investment opportunity.

In 2024, Hung Hom witnessed three significant property transactions, highlighting its increasing attractiveness owing to its closeness to prominent institutions such as Hong Kong Polytechnic University, City University of Hong Kong, Hong Kong Baptist University, and Hong Kong Metropolitan University. One of these transactions pertained to the Hong Kong Metropolitan University, indicating robust demand from both institutional investors and end-users.

Year-to-date, six different residential buildings and hotels were sold totalling more than 1,000 rooms with potential for conversion. The total investment consideration for potential student accommodation supply has reached HK$3.3 billion in 2025, representing a 2.5-fold increase compared to HK$1.3 billion in 2024.

Table 2: Major Transactions in 2024

District	Project Name	No. of Rooms	Purchaser	Transacted Price (HK$ Million)	Transacted Date
Hung Hom	MU88 (ex- Urbanwood Hotel)	255 (433 beds)	Hong Kong Metropolitan University	1,000	Q1/2024
Hung Hom	One Pace 117 (ex-Popway Hotel)	63	Centaline Investment	180	Q3/2024
Hung Hom	Y36 (ex-Incredible Residences)	82 beds	Crystal Investment	123	Q3/2024

Table 3: Major Transactions in 2025

District	Project Name	No. of Rooms	Purchaser	Transacted Price (HK$ Million)	Transacted Date
Kwun Tong	Hotel Cozi Harbour View	598	Nanyang Commercial Bank	1,860	Q1/2025
Mong Kok	Stay MK	101	Mark Rise Investment	188	Q1/2025
Mid-Levels	Bonham Residence Hong Kong	96	Centaline Investment	335	Q3/2025
Mong Kok	Hotel Ease Mong Kok	199	Wang On Properties & Angelo Gordon	435	Q3/2025
Tsim Sha Tsui	The Nate	71	TBC	270	Q3/2025
Sai Ying Pun	The Henry	34	TBC	185	Q3/2025

Areas with Investment Potential

- Private student housing operators should target self-financing postgraduate students from Chinese mainland, as they represent the largest segment of non-local students and are often not guaranteed with on-campus accommodation.

- Leasing demand around Sai Wan is exceptionally strong due to The University of Hong Kong students, resulting in elevated residential rents and high transaction volumes in the area.

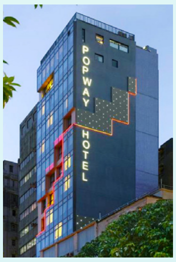
- Private student housing in the Kowloon area offers convenient transportation and is well-positioned to capture demand from City University of Hong Kong and The Hong Kong Polytechnic University students.

Successful Case of a Hotel-Student Accommodation Conversion

From Popway Hotel to One Pace 117

2015 — 2026

2015
Highgrade Building (Commercial) has been converted into a 3-star hotel, Popway Hotel.



Sep 2023
Popway Hotel was listed on the market asking HK$380 million.

July 2024
Centaline Investment acquired Popway Hotel for HK$180 million, averaging HK$2.86 million per key.

May 2025
Centaline Investment launched CampusOne Communities, a platform aims at providing dedicated student housing in Hong Kong.

CampusOne COMMUNITIES

June 2025
Being the flagship project of the CampusOne brand, it was renovated with a capital expenditure of HK$20 million and rebranded as One Pace 117. It offers 121 student beds across various room types.

ONE PACE 一步居

Aug 2025
One Pace 117 reached 98% occupancy within two months of opening. Its estimated net operating income (NOI) yield is 5%, based on a 70% profit margin.

98% OCCUPANCY

Centaline Group's One Pace 117, launched under its CampusOne Communities platform, marks a strategic entry into Hong Kong's growing student housing market, targeting the influx of non-local students. Located in Tsim Sha Tsui, this flagship project transformed Popway Hotel, a former 3-star hotel acquired for HK$180 million in July 2024, into a modern student residence. With an additional HK$20 million invested in renovations completed by June 2025, One Pace 117 now offers 121 beds across single, twin, and triple room configurations, catering to post-secondary students. Monthly rents range from HK$6,355 for bunk-bed trio rooms to HK$19,530 for deluxe single rooms with sea views.

Building on the success of One Pace 117, Centaline Group further expanded its student housing portfolio by acquiring Bonham Residence Hong Kong in August 2025, reinforcing its commitment to this resilient and high-growth asset class. This continued investment activity reflects growing confidence in the sector and the strategic value of hotel-to-student housing conversions in Hong Kong's evolving real estate landscape.

Amenities Conversion Highlights

Area	Layout	Purpose
Communal Living & Social Spaces	Coffee corner	Casual interactions
	Shared kitchen	Fostering community dining experiences
	Laundry facilities	Resident convenience
	Dedicated study rooms	Support academic pursuits
	Multifunctional spaces	Events and gatherings
Rooftop Communal Area	Multifunctional space - providing a panoramic view of the harbour	Relaxation, socialising and events

Investors' Guide: Benefits of Investing in Student Accommodation

Stable returns

Student accommodation yields stable returns, as most students enter into annual leases, guaranteeing a consistent income stream for property owners. Additionally, the one-year leasing period enables landlords to adjust rental prices more often, facilitating a prompt reaction to shifts in the market.

Beyond the strong liquidity provided by advance payments, rental prices have experienced growth spurred by high demand. The single-bed room at Y83 saw a rise from HK$11,500 in monthly rent in 2023 to HK$13,500 in 2025, a 17% increase over two years. Similarly, three-bedroom units at Sunny House saw a 9% rise, from HK$5,800 per bed in 2024 to HK$6,300 in 2025. The rise in rentals is warranted by the robust demand from non-local students, along with partnerships between educational institutions and the private hostel sector.

Student accommodation provides higher market yields compared to traditional office and residential sectors. The rental yield for student accommodation is anticipated to be 4.5%, with the potential to exceed 5%, based on the actual consideration transacted. In contrast, Grade A office spaces yield approximately 3.7%, while serviced apartments typically fall within the range of 3% to 3.5%. Additionally, small to mid-sized residential properties generate yields between 3.2% and 3.6%.

High occupancy

Student accommodation in Hong Kong presents a compelling investment opportunity due to its consistently high occupancy rates and stable rental income. With students typically requiring housing for the full academic year, operators benefit from predictable cash flows and low vacancies. For instance, as reported by the owners, Sunny House achieved a 99% occupancy rate within just three months of opening in 2024, while One Pace 117 reached 98% occupancy during its pre-leasing phase in August 2025. These examples underscore the strong demand and resilience of the sector, reinforcing its attractiveness to property owners and investors seeking dependable returns.

Lower operating 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 emphasises the essential needs of students. This includes basic accommodation, communal space 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 allow staff to concentrate on enhancing the residents' experience.

Investment Recommendations and Exit Strategies

Student accommodation is rapidly emerging as a new investment class in Hong Kong, driven by robust demand fundamentals and stable cash flows that appeal to long-term investors. An effective exit strategy for student housing investments in Hong Kong can involve multiple pathways. Strategic exits include long-term ownership for developers and operators, stable cash flow investments for institutional investors, direct sales or leases to universities, and public market access through REITs, enabling flexible investment returns aligned with market growth.

This sector offers a favourable opportunity for growth, demonstrating strong holding potential. More established markets, such as the United Kingdom and Australia, have demonstrated the success and scalability of the student accommodation sector, which attracts the investment interests of insurance companies, core investor, and sovereign wealth funds. Furthermore, one notable example of conversion, Sunny House, is backed by GIC, suggesting that the sector is evolving from a market opportunity into a viable asset class.

Investors considering student accommodation should note key considerations. Although the growth of rental income might be tempered by affordability limitations, this factor simultaneously aids in preserving steady demand. Furthermore, the recovery of the hotel sector could result in a diminished availability of discounted hotel properties for conversion, potentially limiting cost-effective investment options. For those investors pursuing stable returns, student accommodation remains an appealing choice—particularly when undertaken with careful planning and an understanding of market dynamics.

Exit Strategies

Developer / Operator

Retention of ownership through integration into its existing investment property portfolio, which facilitates long-term asset control and portfolio diversification

Institutional Investor

Properties offering stable cash flows, are well-suited for institutional investors, funds, and private equity entities seeking a 5-7 years investment horizon

University / User

Direct sales or long-term leases to educational institutions for large-scale, amenity-rich accommodations, addressing the comprehensive housing needs of expanding student cohorts

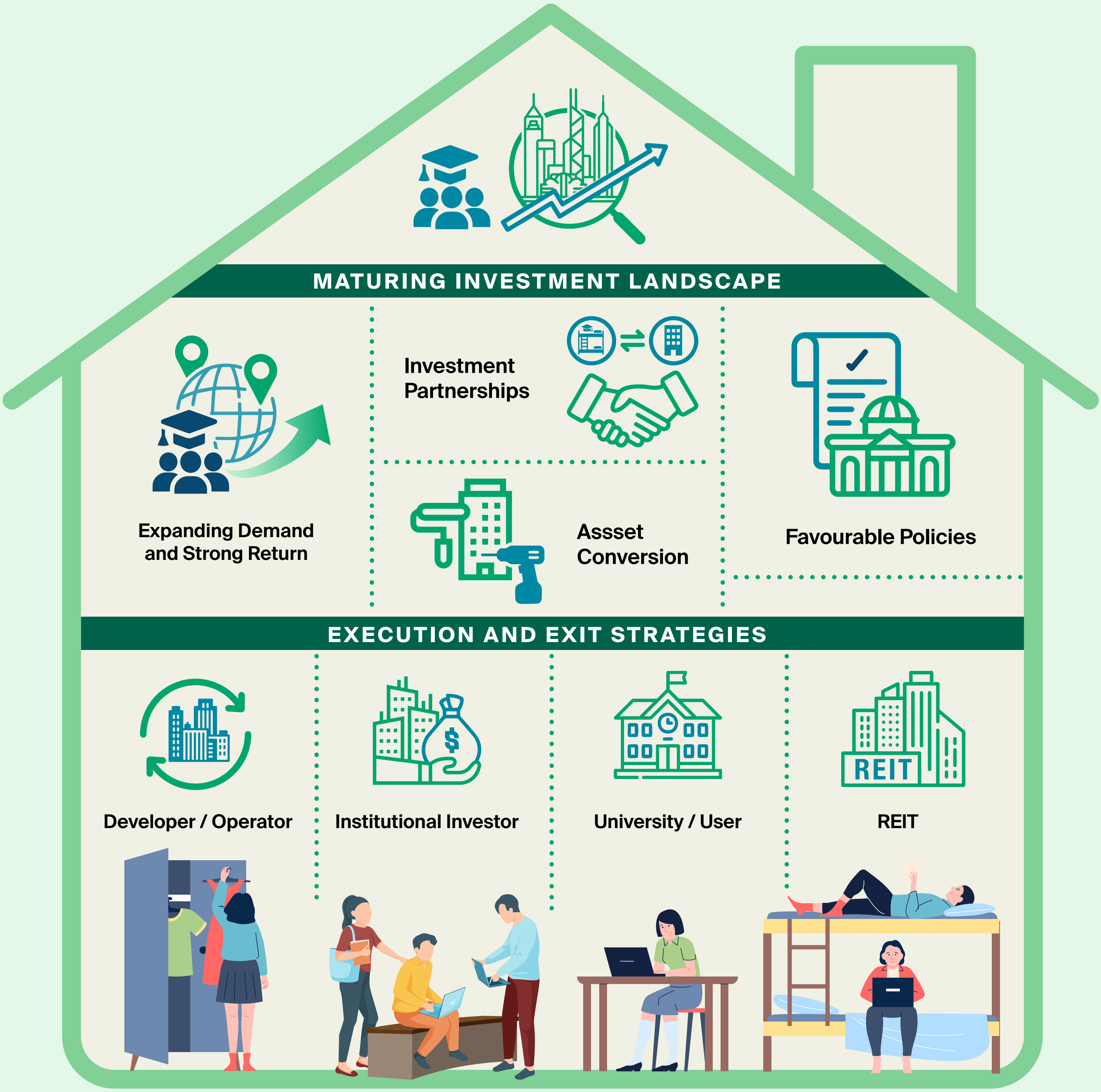
REIT

Engagement with Real Estate Investment Trusts (REITs) presents opportunities for public funding and international expansion, leveraging the market's growth trajectory

Conclusion

The student accommodation market in Hong Kong is positioned for substantial growth, fueled by increasing demand from the expanding international student population and limited existing supply. Investment opportunities are ripe, particularly through innovative asset conversions and partnerships, supported by favourable policies.

Strategic investment in this evolving market offers stable returns through diverse exit options, including long-term ownership, institutional investment, university partnerships and REIT involvement. Investors who leverage these trends and adapt proactively are well-positioned to capitalise on sustained demand and market expansion.



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

Research & Consultancy

Martin Wong
Senior Director
Head of Research & Consultancy,
Greater China
+852 2846 7184
martin.wong@hk.knightfrank.com

Keith Chan
Economist
Research & Consultancy,
Greater China
+852 2846 9514
keithch.chan@hk.knightfrank.comm

Jennifer Lau
Senior Analyst
Research & Consultancy,
Greater China
+852 2846 9552
jennifer.lau@hk.knightfrank.com

Sean Hsu
Senior Analyst
Research & Consultancy,
Greater China
+852 2846 4876
sean.hsu@hk.knightfrank.com

Capital Markets

Antonio Wu (E-053542)
Head of Capital Markets,
Greater China
+852 2846 4998
antonio.wu@hk.knightfrank.com

Willis Mak (E-146312)
Executive Director,
Head of Private Clients,
Greater China
+852 2846 4993
willis.mak@hk.knightfrank.com

Alfred Wong (E-246708)
Senior Director
Capital Markets
+852 2846 4995
alfred.wong@hk.knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

(Y)our Space

The Wealth Report

Investing in Student Living
