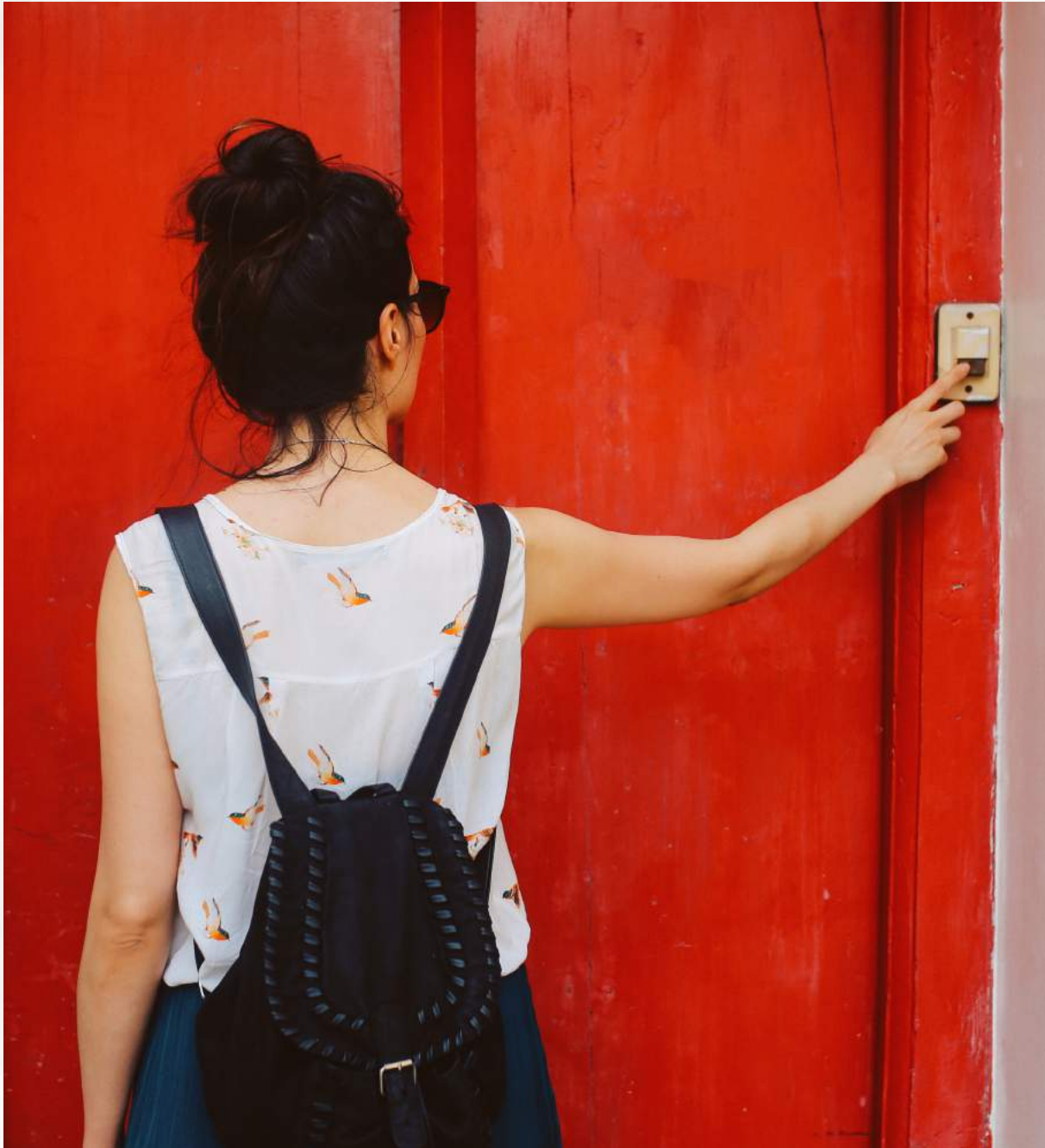


**CBRE**

 **SAPFI** Student Accommodation  
Providers Forum of India



CBRE RESEARCH | 2019

# THE HERALD OF A NEW CHAPTER: STUDENT ACCOMMODATION IN INDIA

SEPTEMBER | 2019

A blue school bag is shown on the left side of the page, filled with various school supplies. A red book is prominently displayed, along with a yellow book, a pink calculator, and several pens and pencils. The background is a solid blue color.

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ABOUT SAPFI





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## FOREWORD

As the education landscape evolves in India, the country has witnessed a major revolution in terms of growing student numbers in the country. India, today hosts one of the largest student population in the world. With many students relocating in search for better education, having access to safe, affordable and good quality housing has emerged as a worrying point for them. The challenge confronting educational institutions on how to support students' housing needs has created an opportunity for the private sector, leading to formation of a professionally managed student accommodation sector in India.

The professionally managed student accommodation industry functions at the very intersection of physical & social infrastructure, affordable housing, urban information systems and urban environment. The sector has been playing an enabling role for students migrating to other cities in pursuit of higher education. It promotes greater degree of social interaction between students, apart from providing them with a sense of safety and security. The growth of this sector will play a huge role in projecting India as a global education power and making it a lucrative destination for foreign students.

The joint SAPFI-CBRE publication marks a major landmark in the evolving literature for student housing segment in India. Through this report, emerges a significant message about the importance and need for the entirety of the stakeholders to work together and improve the living infrastructure for students in the country. Subsequently, proactive government support is the need of the hour for this industry to realize its full potential.

The student housing industry has witnessed a steady growth trajectory in the recent years globally. As the student community becomes more aware about the importance of an organized setup with high quality standards and facilities, India moves one step closer towards becoming an education hub.

Once considered a niche market, the sector has attracted major global investments in the last decade, promptly establishing student housing as a mature asset class. Investors from the likes of Sequoia Capital, Goldman Sachs, Falcon Edge Capital and Nexus Venture have shown keen interest in the Indian student housing ventures, giving further boost to the domestic players.

With this report our objective at SAPFI and CBRE is to create a pioneering document establishing the needs of the sector and the measures required to sustain the future growth. We are looking forward especially to the growth of organized student housing in the tier 2 and tier 3 cities which have high concentration of educational institutes.



# GLOBAL EVOLUTION OF THE STUDENT ACCOMMODATION INDUSTRY

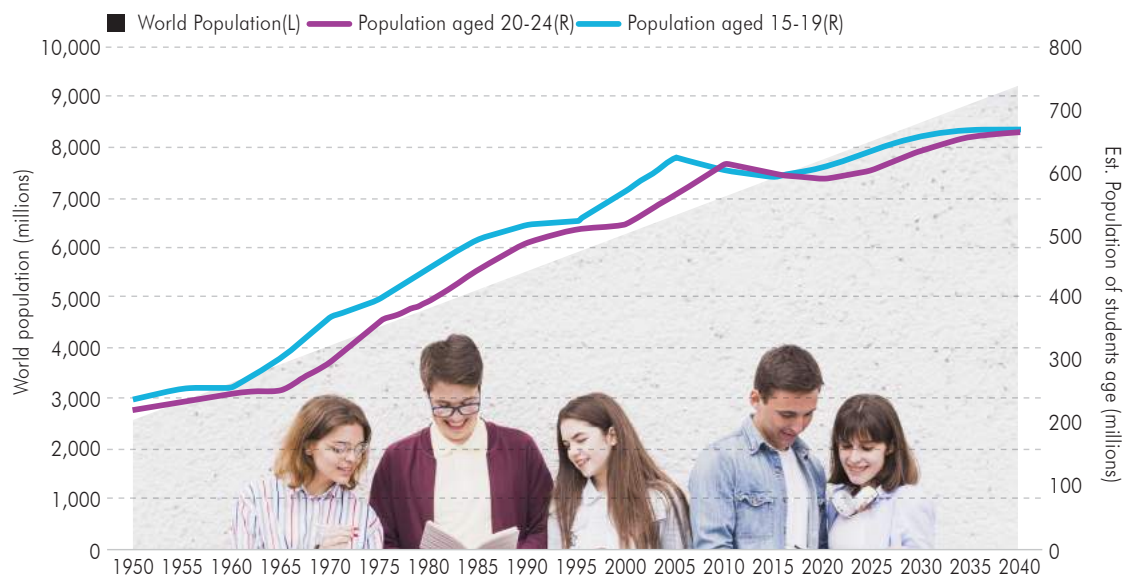
Student accommodation industry is a well-established industry in several prominent regions of the world. While trends in higher education enrolment are divergent amongst key markets due to demographic changes and a decreasing rate of population growth, this has been more than offset by the growth in international student mobility. The growth in the sector has sparked investor interest and growing student demand alongside strong investor interest has resulted in a fast-growing, professionally managed student accommodation (PMSA) sector with greater market transparency. CBRE's Investor Intentions Survey showed that while eight out of 10 categories of "real estate alternative" asset classes reached the peak of their popularity in 2018, however student housing continued to register a year-over-year increase in investor interest. With a steady growth in student numbers globally, the sector is fast moving gears from being an "alternate investment class" to becoming "mainstream".

## What is driving demand?

### DEMOGRAPHICS CAUSING SPURT IN STUDENT POPULATION

World population growth is projected to continue and is likely to cross the 9 billion mark by 2040. Although an increase in aging populations in developed markets has caused a slight dip in the percentages of young people (between 20 and 24) in those markets, this likely is a temporary phenomenon. The number of university-age people is expected to increase at a sharp rate between 2020 and 2040.

**FIGURE 1: WORLD POPULATION: 1950 – 2040**



Source: United Nations, Department of Economic and Social Affairs, Population Division, 2017

### A BURGEONING MIDDLE CLASS

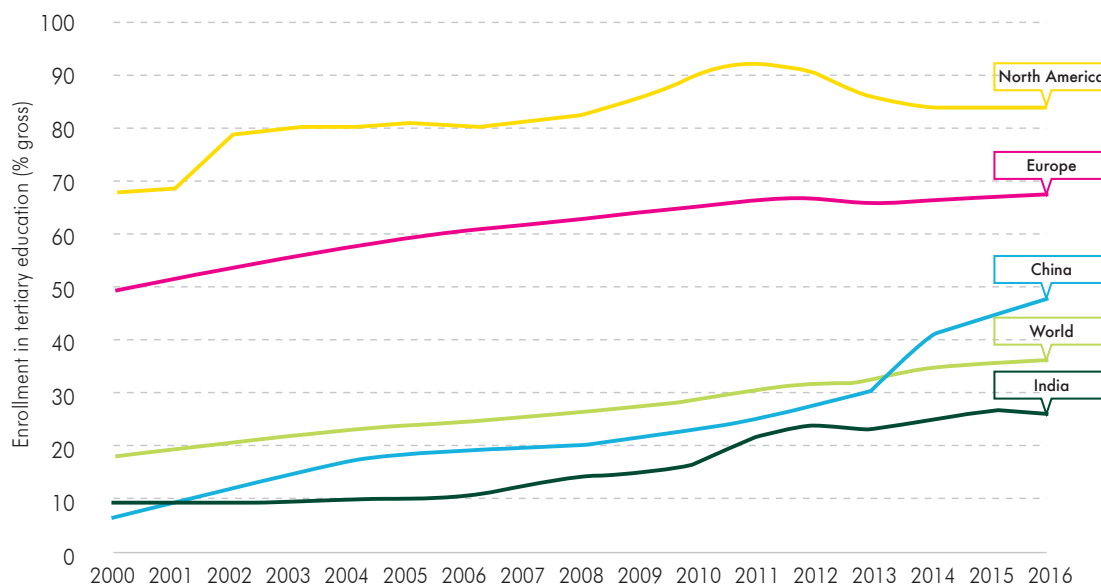
Economic growth, especially in Asia, has driven a huge increase in the global middle-class count. By 2020, the middle class will be the largest global socio-economic group for the first time in several years. Since the middle class tends to invest more of its income in education, this trend suggests growing demand for higher education facilities.



## GROWING PARTICIPATION IN HIGHER EDUCATION

While educational participation rates have generally slowed in North America and Europe, there has been rapid growth in some of the most populated countries in the world, including China and India. This has driven up world participation in higher education overall.

**FIGURE 2: ENROLMENT IN HIGHER EDUCATION**

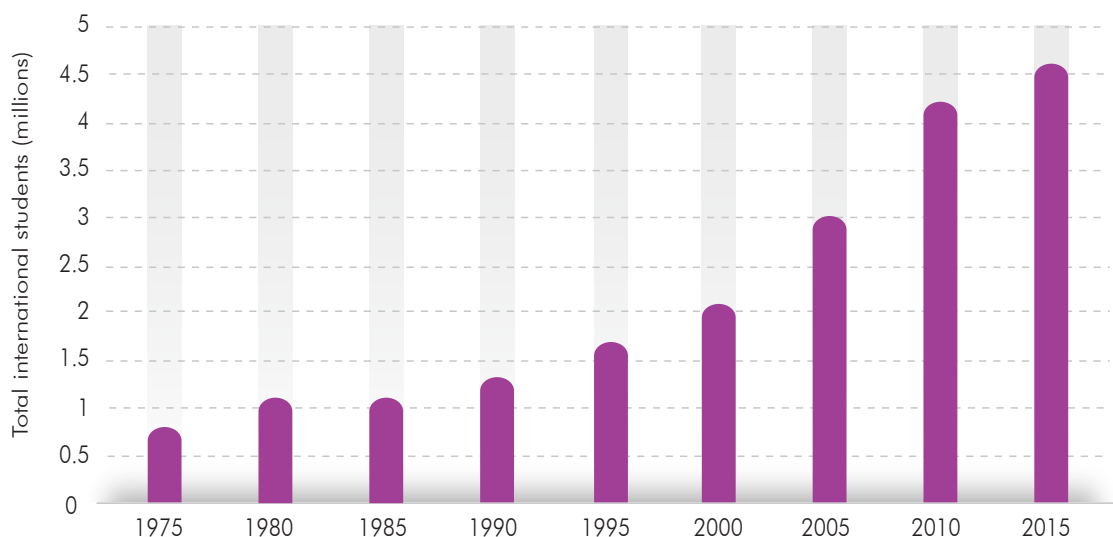


Source: World Bank, 2017

## INCREASINGLY GLOBALISED NATURE OF HIGHER EDUCATION

Alongside growing student numbers, the international mobility of students is also increasing. Since 1975, the number of students enrolled for higher education outside their country of citizenship has grown nearly six fold through 2015. According to UNESCO, there are currently over 5 million internationally mobile students worldwide. There is a distinct east-to-west pattern of international student movement. Asia Pacific is the top sending region for internationally mobile students, with China at the top. Between 2014 and 2015 alone, the number of students from China and India increased by 43,000 and 52,000, respectively. There still is substantial room for growth in student numbers from these relatively fast-growing East Asian economies. Africa is also becoming an increasingly important source of international student flows.

**FIGURE 3: TOTAL INTERNATIONALLY MOBILE STUDENTS, 1975 – 2015**

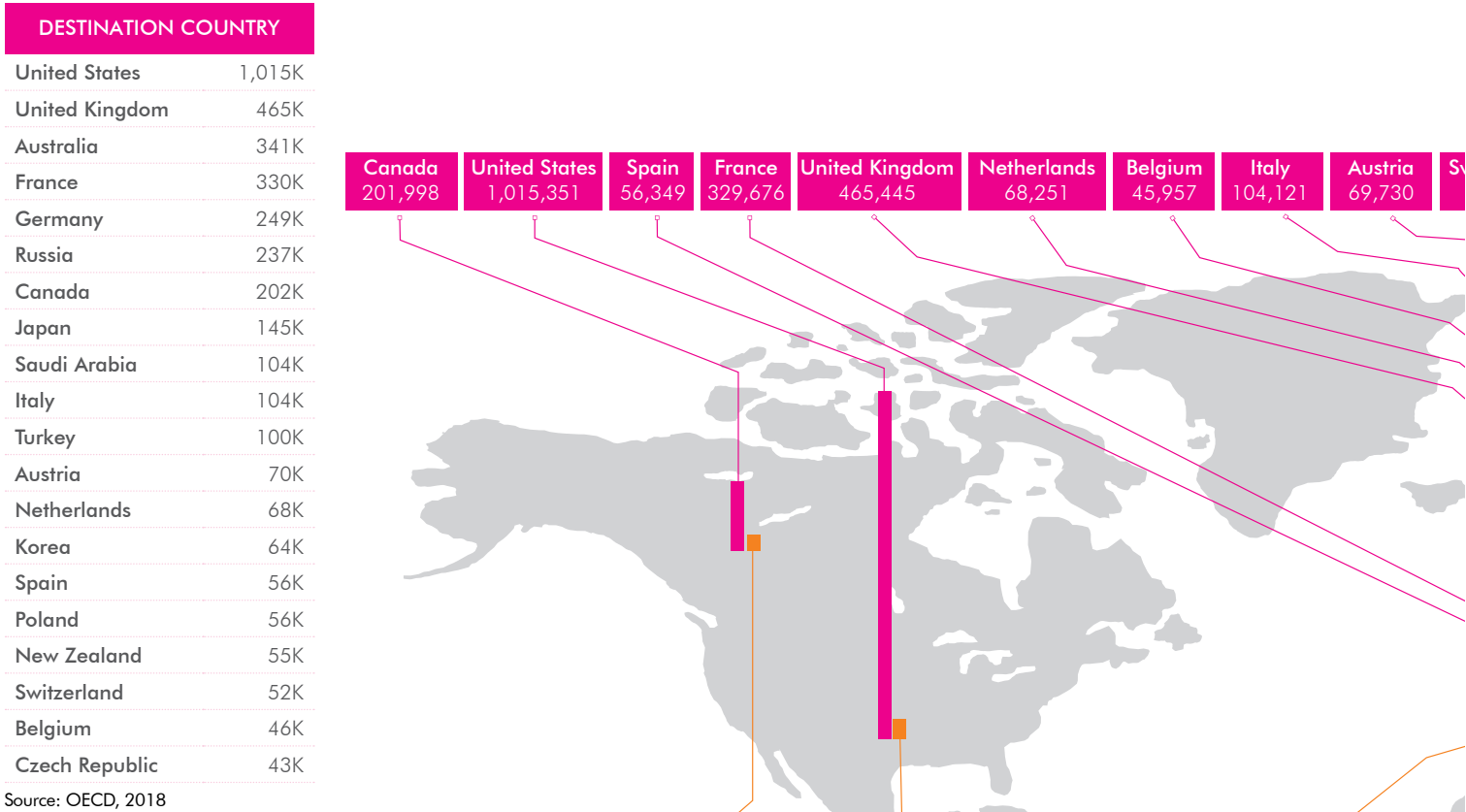


Source: OECD, 2015

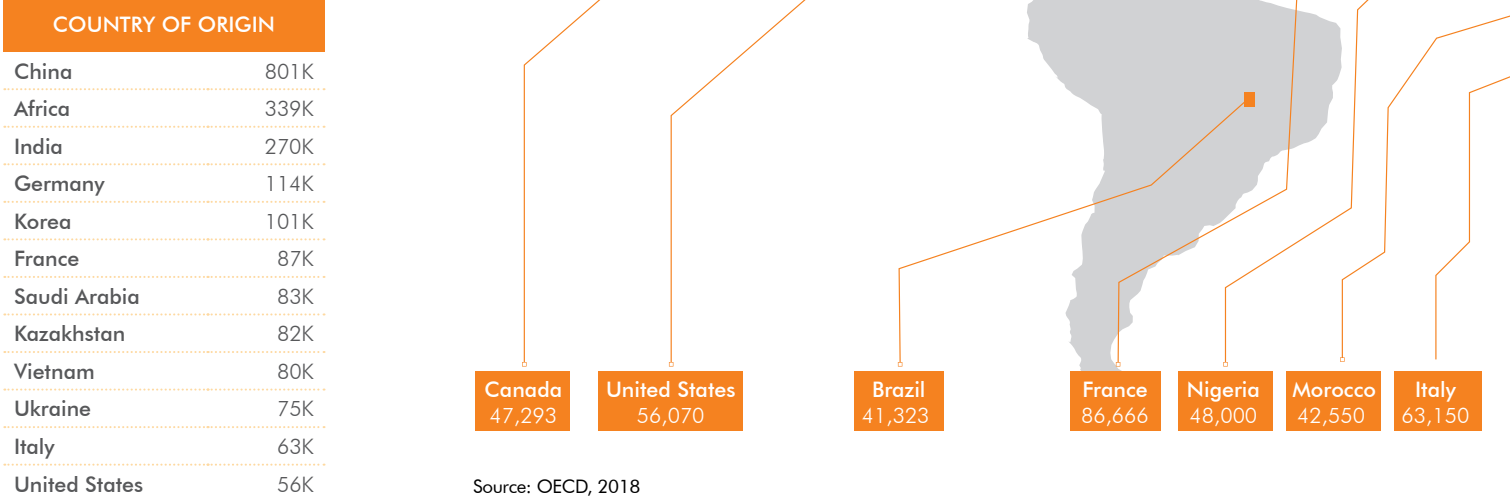




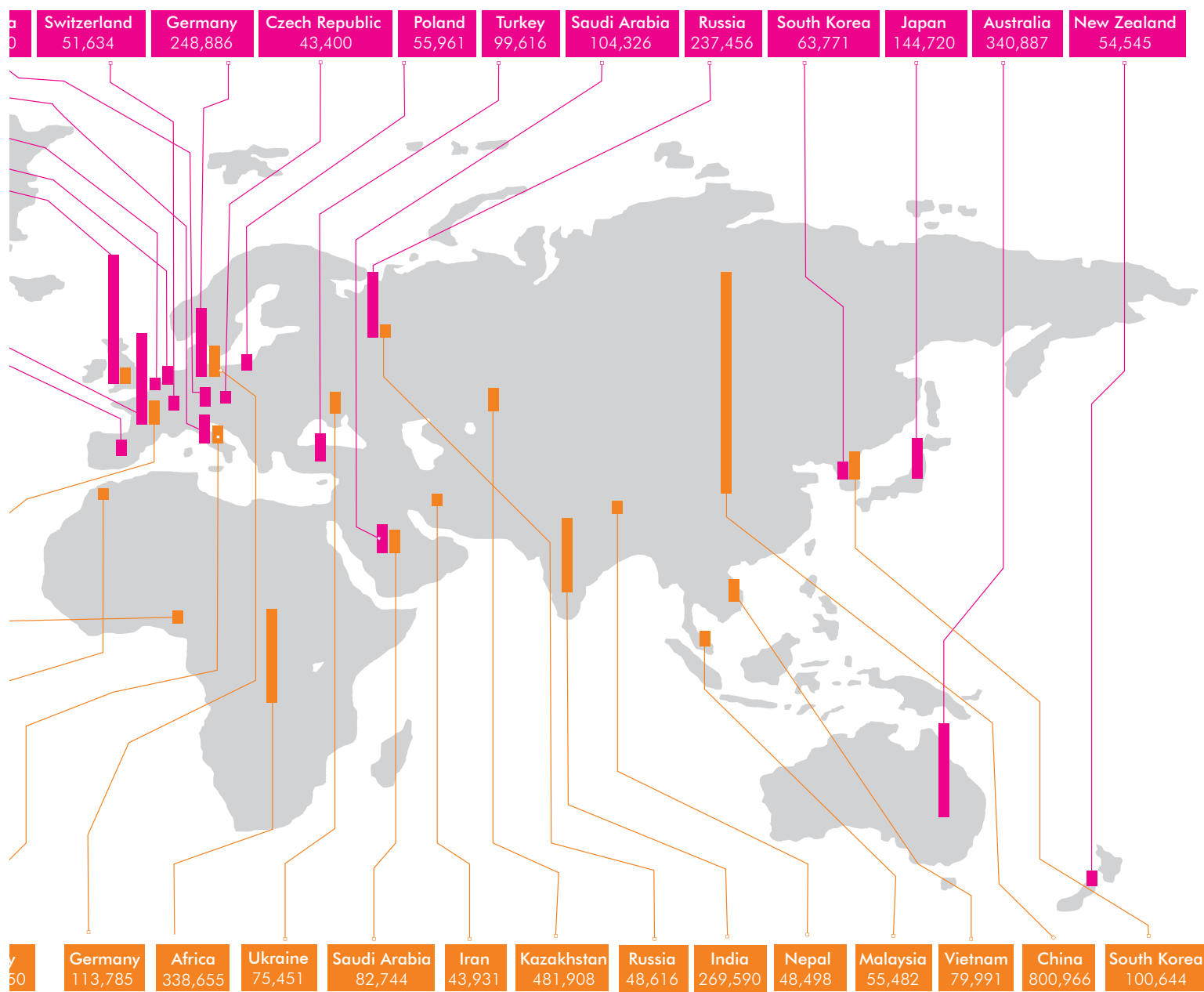
**FIGURE 4:**  
**Top destination countries of internationally mobile students**



**FIGURE 5:**  
**Top countries of origin of internationally mobile students**



































## How is the supply shaping up?

While the UK, US and Australia are relatively mature markets with organised asset classes, domestic operators still rule the roost in the rest of the world despite growing student mobility. In some countries, housing is almost entirely provided by universities (which may lack the funds/expertise to bring accommodation upto modern standards) or the state and commercial operators have not entered the market. However, the scenario is now changing as student mobility has reiterated the need for quality, well managed student accommodation. This has opened-up avenues for joint ventures, partnerships etc. for private operators.

**FIGURE 6: MAJOR CROSS-BORDER STUDENT HOUSING OPERATORS**

Operator	Total number of beds	Countries/ cities active in
 GREYSTAR™	68,000	 UK  US  Spain  Netherlands
 campus living villages	45,000	 UK  US  New Zealand  Australia
 GSA <sup>1</sup> GLOBAL STUDENT ACCOMMODATION	13,910 (secured pipeline of 10,000)	 UK  Australia  Spain  Germany  Tokyo, Japan  Ireland  Dubai, UAE
 Scape Student Living	7,000 (built and under- construction)	 UK  US  Australia
 THE STUDENT HOTEL	4,400	 Spain  Netherlands  France  Germany  Italy

Source: CBRE Research

## The tale of two markets – South Africa and the UK

### SOUTH AFRICA

South Africa is a major draw for the students of Sub-Saharan Africa. South Africa has an inbound mobility rate of 4.3%, hosting about 0.9% of the total mobile students (most of who are from the neighbouring countries<sup>1</sup>). However, there is a massive mismatch between the number of students enrolled in its universities and the availability of beds for student housing.

According to the South African higher education and training ministry's 'Report on the Ministerial Committee for the Review of the Provision of Student Housing at South African Universities' (September 2011), the number of beds in the residential universities of the country were available for just 20% of the total enrolment in 2010. As of 2016, the number of public university residence beds numbered 115,040<sup>2</sup>. The report also estimated that the national maintenance and refurbishment backlog at public university residences amounted to R2.5 billion. Further, the cost to modernise the existing stock of university residences to ensure it is fit for purpose stood at R1.9 billion.

<sup>1</sup> UNESCO UIS

<sup>2</sup> South African Ministry of Higher Education and Training, 2017



To plug this gap, the South African government announced a student housing infrastructure programme for which it allocated R4.1 billion. The aim is to build 200,000 student beds in universities and 100,000 beds in Technical and Vocational Education and Training colleges in the next 10 years. Moreover, the government has been encouraging private players to step in. Some private developers such as South Point Property Group specialise in refurbishing office stock into student housing, while some developers focus primarily on providing new stock, which typically includes 24/7 on-site security, recreational services, broadband access, and sustainable building features. Examples of such providers are Respublica, CampusKey, STAG African Student Accommodation Group and the Yandy Property Group.

## UNITED KINGDOM

The United Kingdom is a seasoned student housing market, hosting 8.5% of the total mobile students and boasting of an 18.1% mobility rate.<sup>3</sup> One of the major reasons behind this high mobility rate is the fact that the UK houses 15% of the 200 top-ranked universities worldwide, according to QS Top Universities (for 2018/19 academic year). The steady demand has helped the student accommodation market in the country evolve into a global force, drawing investments from countries as diverse as Singapore and Canada. Moreover, the investments have been particularly stable despite a tumultuous economic and political climate in the UK on account of developments such as Brexit.

As a result, student housing continues to be a steady and profitable investment, leading to the promulgation of REITs. Real Capital Analytics (RCA) reports that the combined assets under management of student REITs globally total almost USD 4.9 billion, one of the largest of which is Unite Group Plc in the UK. Many REITs have specialized within the sector. UK-based Empiric Student Property Plc focuses on the premium end of the market in regional cities, whilst GCP Student Living Plc is focused in London and high value towns in the South East at present.

## *Key investment trends*

Investors are increasingly viewing student housing as a defensive investment that can also provide portfolio diversification. For instance, during the 2010 to 2012 downturn in the U.S. commercial property market, multifamily asset prices fell by 20%, while student housing prices continued to increase. Part of the reason for this was increased student demand for university retraining from disruption in the job market. While demand for other commercial property types is more correlated with economic fundamentals, demand for student housing relies on demographics and the value placed on education.



There are several routes open to investors looking for exposure to student housing, which vary between passive and involved. Investors can pick their strategy depending on their appetite for operating risk and the availability of each type of model in their target market.

<sup>3</sup> UNESCO UIS

## Global ownership models and Investment Risks/Rewards

Globally, four key ownership models for student accommodation exist. Below is an assessment of their working and investment risks.

**TABLE 1: OWNERSHIP MODELS**

		
Model	How it works	Investment Risks and Rewards
<b>Direct let</b>	Investor leases directly to students via an online platform.	Control of the strategy for the assets, including rent reviews. The higher risks to the investor/operator are offset by higher returns. Rental growth tends to be in line with inflation as rents are reviewed every year. The investor bears full demand and cost risk.
<b>University nomination agreements</b>	The investor retains ownership but there is an agreement with a university. These can range from a short-term referral agreement to a long-term agreement with a rent guarantee.	Demand is 'managed' via the agreement with the university. The investor bears running cost risk.
<b>Full Repairing and Insuring (FRI) leases to universities</b>	Investor leases an asset to the university to operate on an FRI basis.	No running cost risk or exposure to fluctuations in demand.
<b>University partnership</b>	The operator enters a management agreement to operate university-owned assets via a concession agreement of 40-70 years.	The operator takes on demand, risk and running cost risk from the university. Generally low risk due to being on campus.

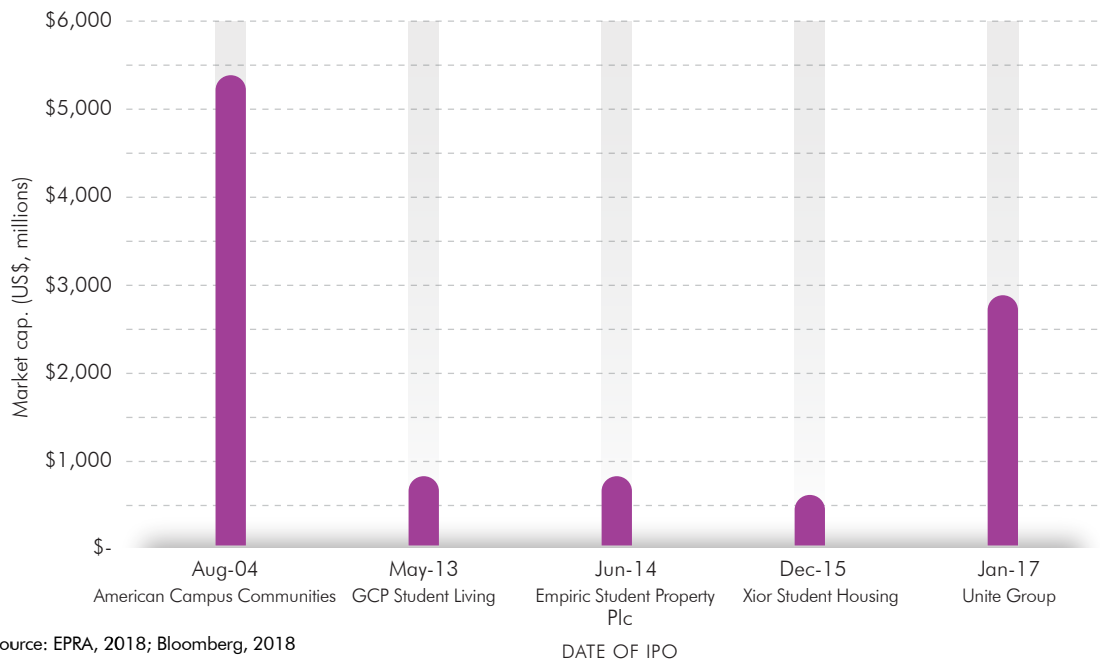
Source: CBRE Research, 2018

## Student housing REITs are also proliferating

Globally, the increasing number of student housing REITs offer investors another way to gain exposure to this sector. As per Real Capital Analytics (RCA), the combined assets under management of student REITs globally total almost USD 4.9 billion. If we look at the market capitalization rates in the last few years, some of the largest REITs include Unite Group Plc in the UK and American Campus Communities in the US. REITs are not only a viable investment avenue in mature markets in the US and UK, but also in evolving/maturing markets such as Belgium and Canada.



**FIGURE 7: FIVE LARGEST REITs IN THE STUDENT ACCOMMODATION INDUSTRY**



## ***US and UK still dominate flows***

Although many markets are witnessing increased investments in student housing, the mature markets of the US and UK lead in attracting investment inflows. They have dominated inward capital flows due to their relative transparency and availability of quality student housing. The biggest sources of capital have been North America and South East Asia.

In terms of recent growth, however a different picture emerges. Since 2014, investment volumes in northern European markets, including Germany, the Netherlands and Denmark, have more than doubled. Much of this growth has been driven by domestic capital, although very recently the Netherlands has attracted increasing volumes of foreign capital. Spain has also seen several large investment deals involving foreign investors in the past couple of years.

## ***What is the Investment criteria?***

From a real estate perspective, the best global cities to invest in student accommodation tend to have the following characteristics:





# STUDENT ACCOMMODATION INDUSTRY: INDIA'S SNAPSHOT



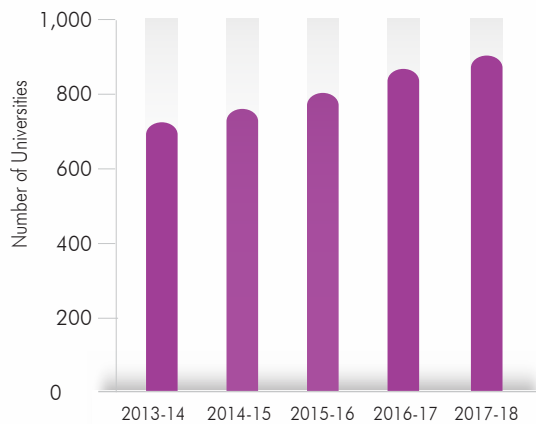
India has witnessed tremendous improvement across the education industry and the student enrollment across the country has increased by nearly **13% in the last five years**. Student enrolment across various higher education levels such as Ph.D., under graduate, post graduate, diploma, certificate, etc. has touched more than **36 million across the nation**<sup>4</sup>. India's higher education system is the world's third largest with respect to student enrollment, next only to China and the USA<sup>5</sup>. Consequently, increasing number of migrant students to key education hubs has led to a steady demand in housing for the student population.

A few years ago, the student accommodation industry in India was restricted to housing facilities within the universities or educational institutions. However, the increasing gap between on-campus housing supply and growing demand among students led to emergence of boarding houses / PG accommodations in proximity to educational institutions. However, most of these are largely unorganized in nature and do not offer much in terms of safety and ancillary services. Developers as well as operators looked at this as an untapped demand for offering professionally managed student housing which would cater to the changing needs of students.

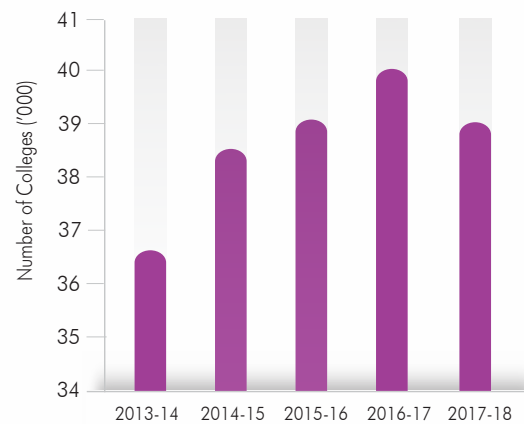
## *High potential of higher education earmarking Indian cities for student housing*

Through several systematic and structural changes in its education system, India has not only increased its enrolment numbers but also improved the quality of educational institutions. With one in four graduates in the world being a product of the Indian education system, India is one of the leading providers of global talent and 23 Indian universities rank amongst the global top 200<sup>6</sup>.

**FIGURE 8: GROWTH IN THE NUMBER OF UNIVERSITIES**



**FIGURE 9: MARGINAL DECLINE IN THE NUMBER OF COLLEGES\***



Source: AISHE 2017-18

In 2017-18, the number of universities in India have increased by nearly 25% from 2013-14 (Figure 8). While the number of colleges has declined, this is primarily due to the deletion of colleges that have not registered with their AISHE\* code.

India is touted as one of the youngest nations in the world and by 2030 will have nearly 140 million people in the college-going age group.<sup>7</sup> As the hostels on campus cater to merely a small number of student population (and at most times inadequate facilities), student housing sector is witnessing significant interest from operators and investors in this space.

<sup>4</sup> AISHE (All India Survey on Higher Education) 2017-18, Ministry of Human Resource Development

<sup>5</sup> Scope & Comparison Of Student Housing Industry In India, International Journal of Informative & Futuristic Research, Volume 2, Issue 11, July 2015

<sup>6</sup> Higher education in India: Vision 2030, EY

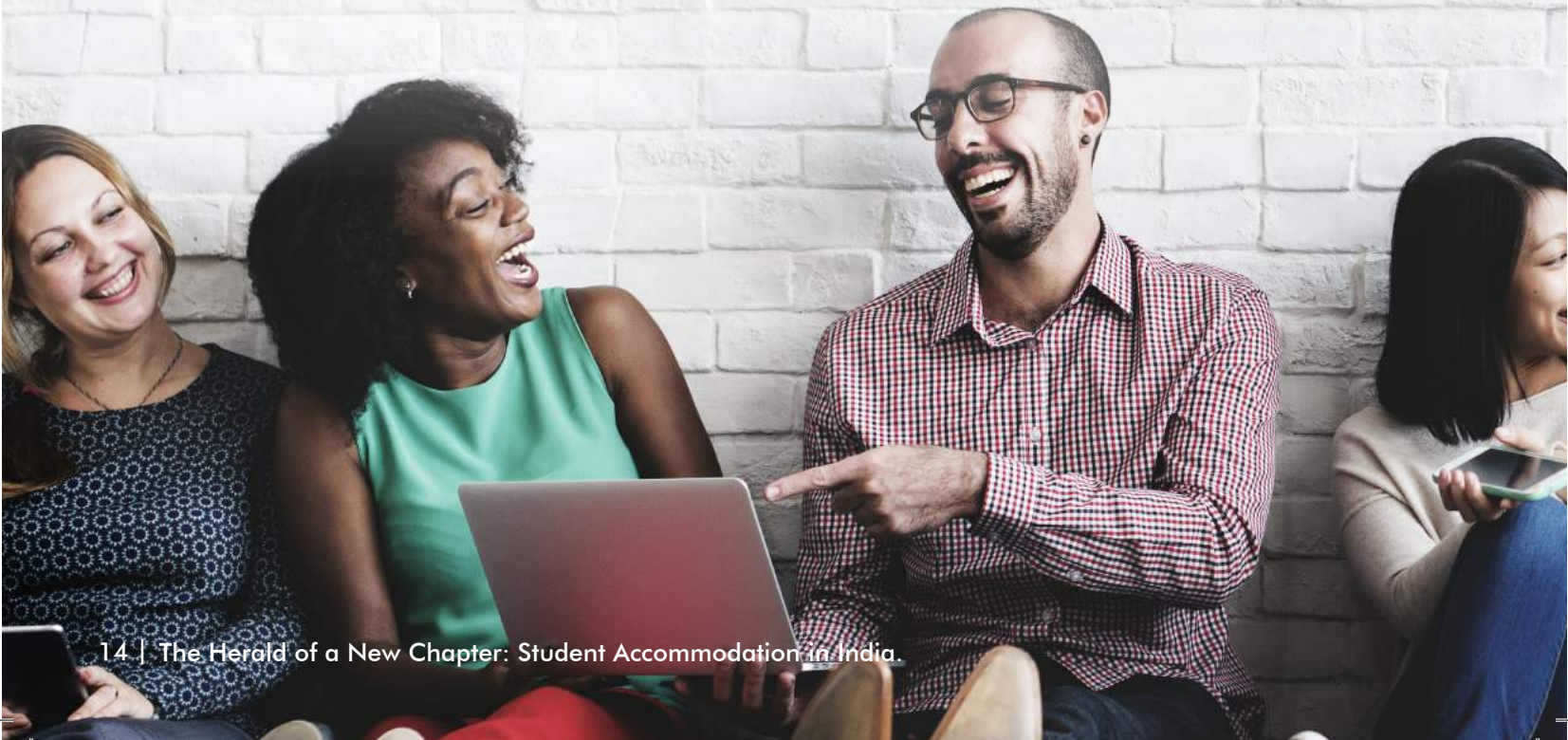
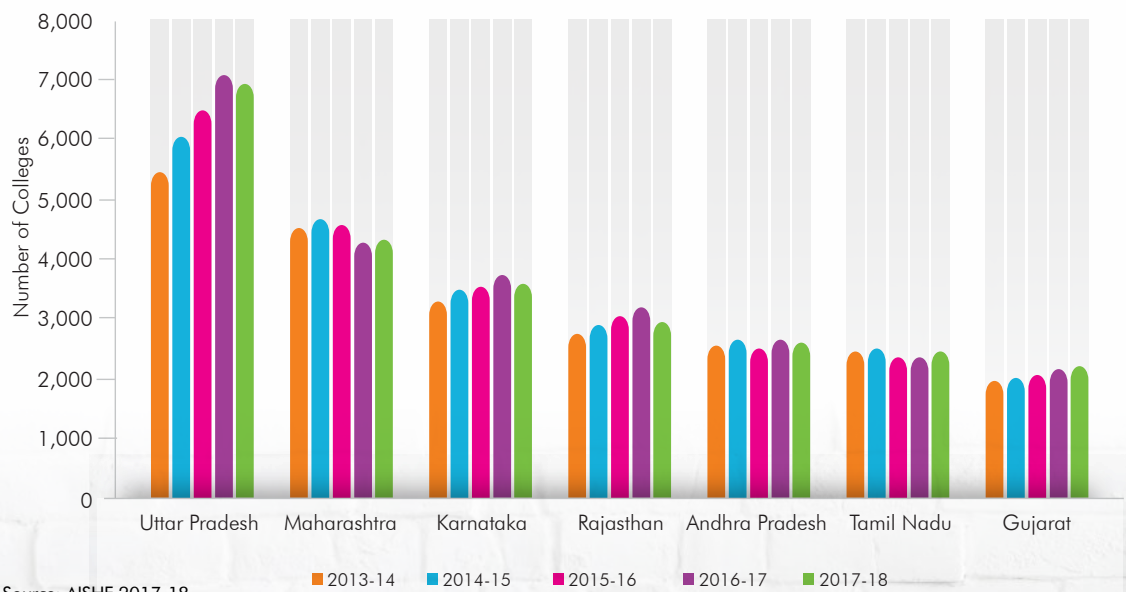
<sup>7</sup> Higher education in India: Vision 2030, EY

# Educational hubs are fuelling demand for student housing

Increased mobility among students and growing number of private higher education institutions has led to the emergence of new educational hubs in the country. Rising influx of migrant students in a few states have created strong demand for student accommodation, and the campus facilities at educational institutions are unable to cater to this demand.

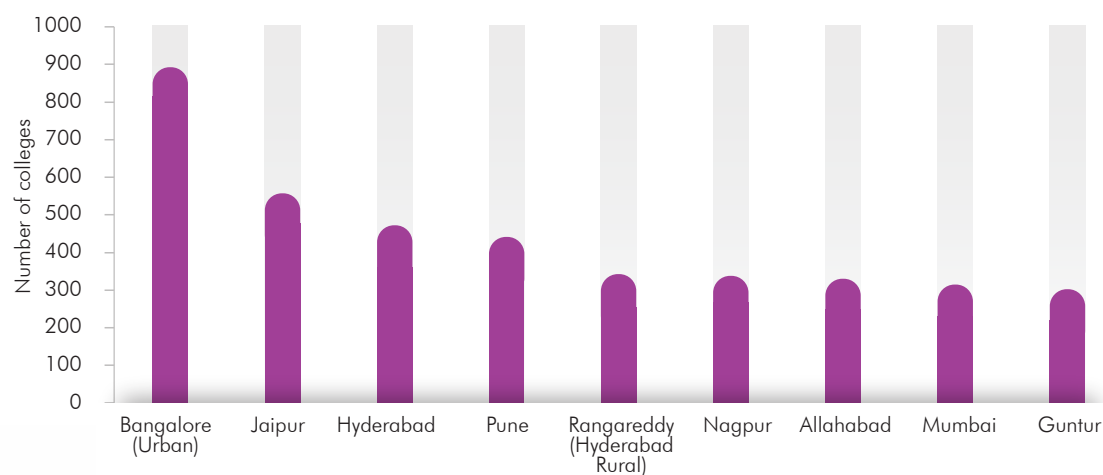
Larger states such as Uttar Pradesh, Gujarat, Maharashtra, Karnataka, Rajasthan, Madhya Pradesh, Tamil Nadu and Andhra Pradesh account for a major share in colleges across the country. Most of these states have witnessed a steady pace of student enrolment in the last few years. Consequently, cities such as Bangalore, Jaipur, Hyderabad, Pune, Nagpur and Mumbai housing prominent educational institutions have emerged as educational hubs.

FIGURE 10: TOP SEVEN STATES WITH THE HIGHEST NUMBER OF COLLEGES



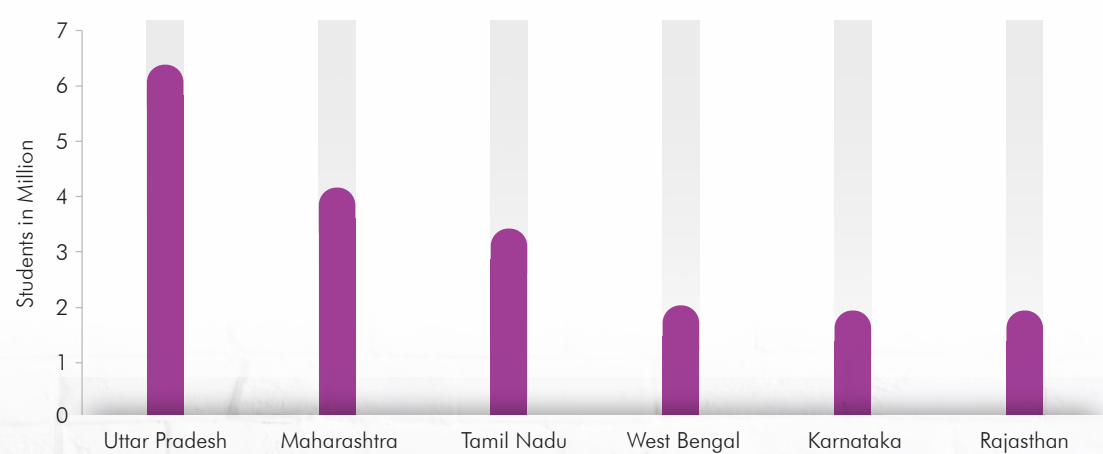


**FIGURE 11: TOP TEN DISTRICTS WITH THE HIGHEST NUMBER OF COLLEGES (2017-18)**

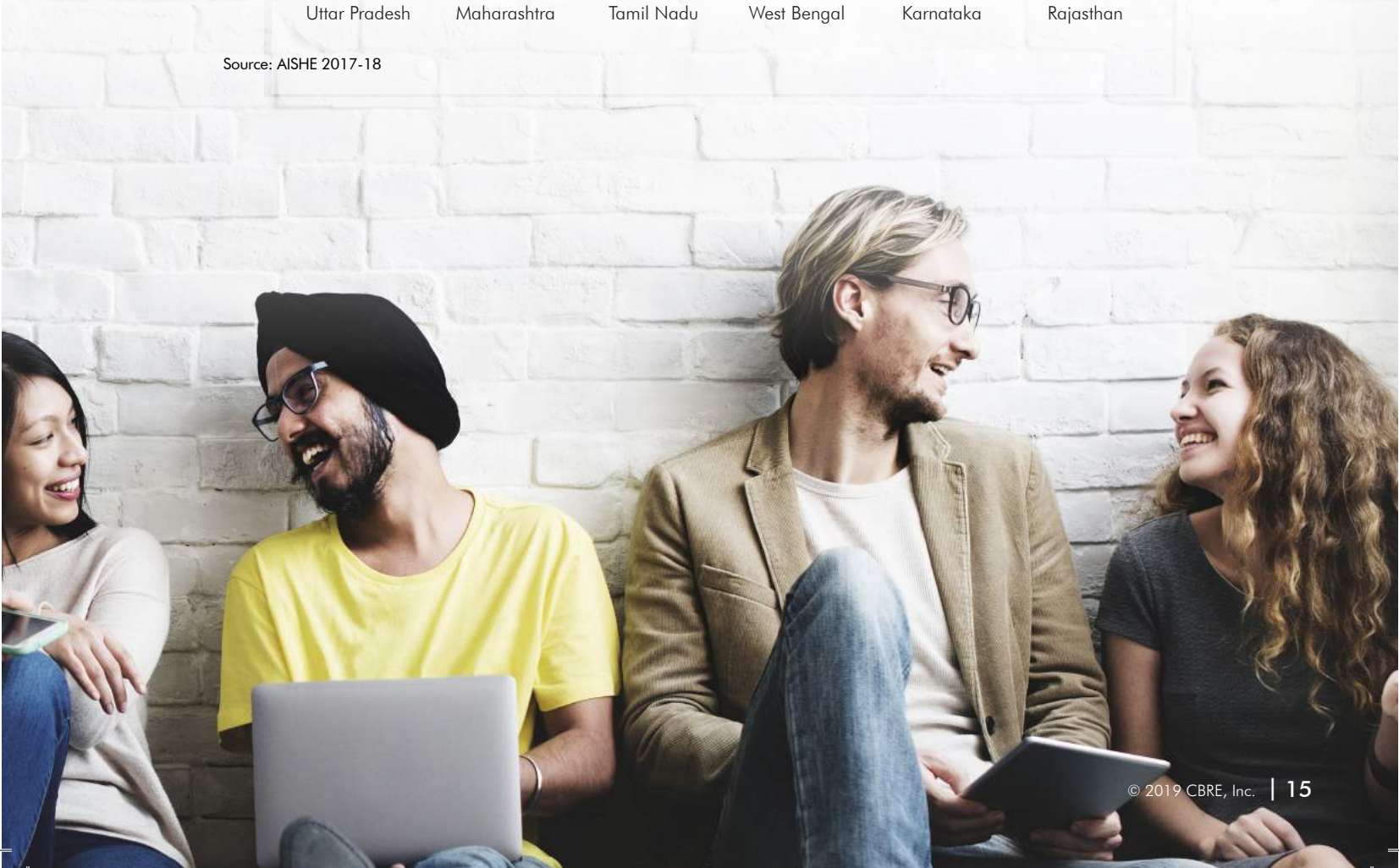


Source: AISHE 2017-18

**FIGURE 12: STATES THAT LEAD IN THE NUMBER OF STUDENTS ENROLLED (2017-18)**



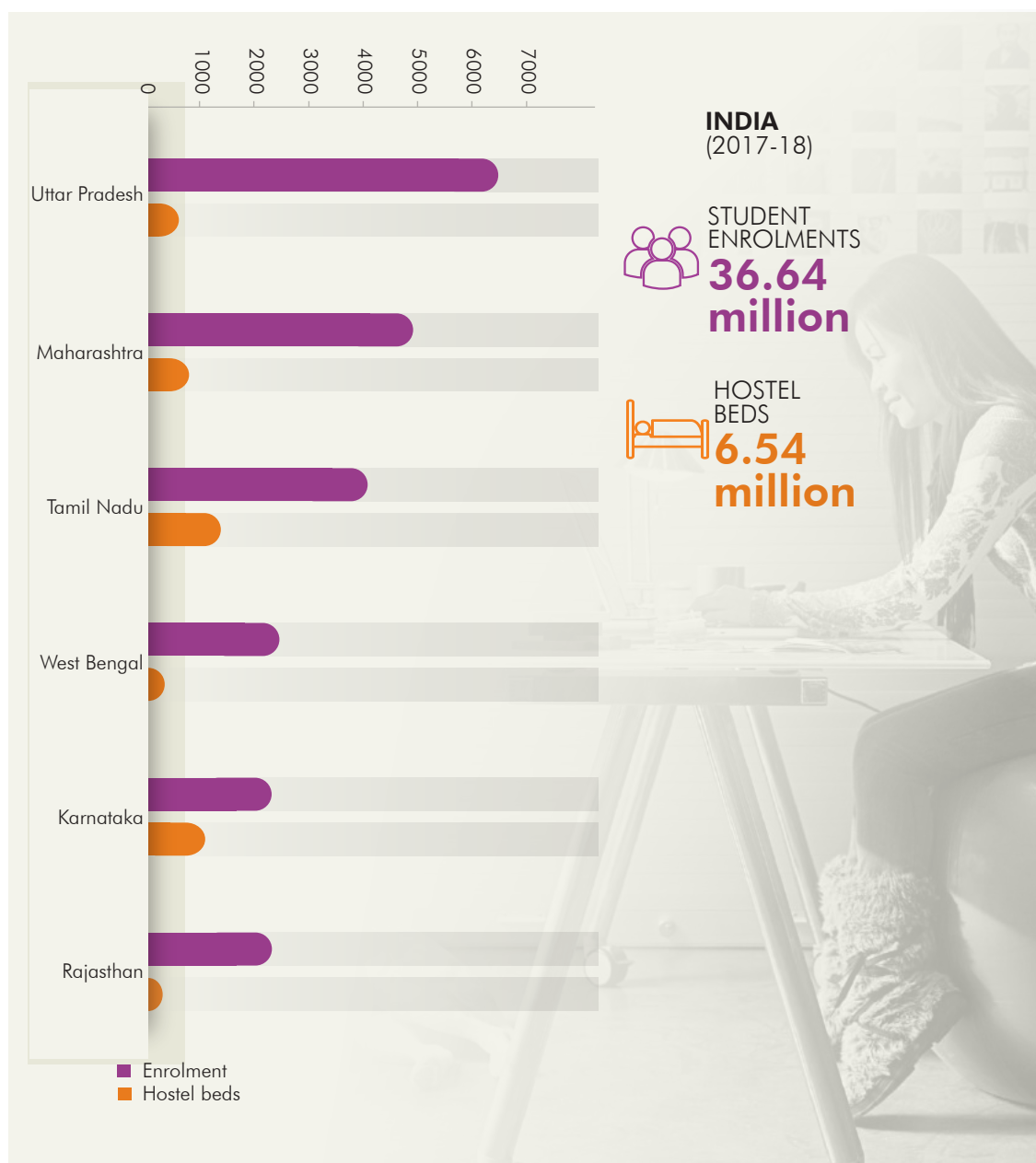
Source: AISHE 2017-18



## What is the state of student accommodation in India?

As India's economy expands and urbanisation increases, its mobile middle class has increasingly started relocating to big cities to work and study. Student enrolment in the country has been rising and has increased from **32.3 million in 2013-14** to **36.64 million in 2017-18**. However, the amount of hostel intake that universities offer is woefully inadequate – a little over **6.5 million** hostel beds<sup>8</sup>. For a large majority of the country's student population, finding accommodation is often a daunting task.

**FIGURE 13: STATE-WISE HOSTEL BEDS VS STUDENT ENROLMENTS – 2017-18**

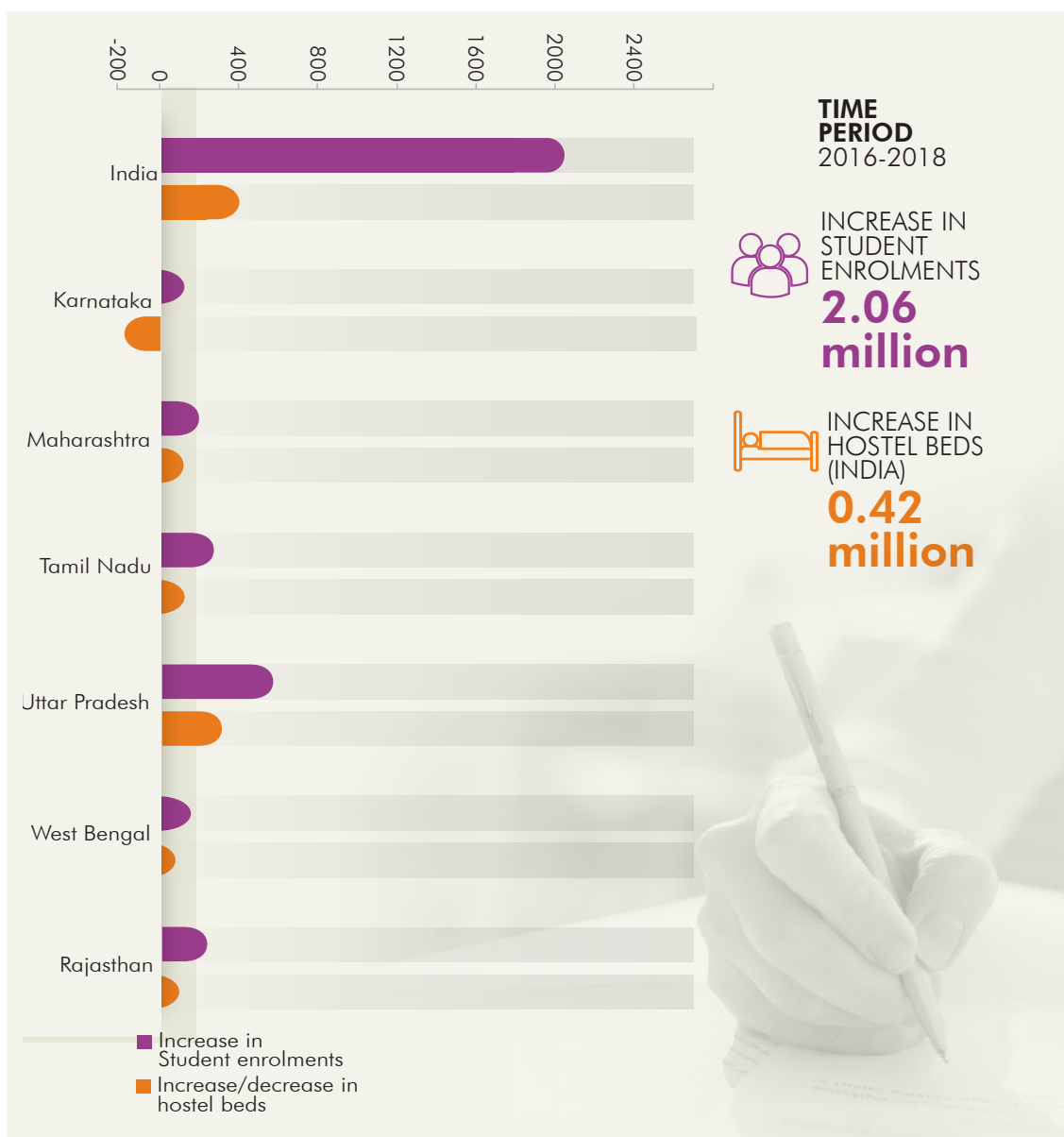


Source: AISHE 2017-18

Over the past few years, while the capacity of hostels has increased, it has continued to fall significantly short of the required mark. Moreover, universities have been too slow in adding to their hostel intake when compared to the growth in student numbers. For instance, in 2015-16, total enrolment in higher education was estimated at **34.6 million**, while overall hostel intake was recorded at **6.1 million**. In 2017-18, the number of students was close to **36.6 million**, but the hostel intake increased to **6.5 million** only.

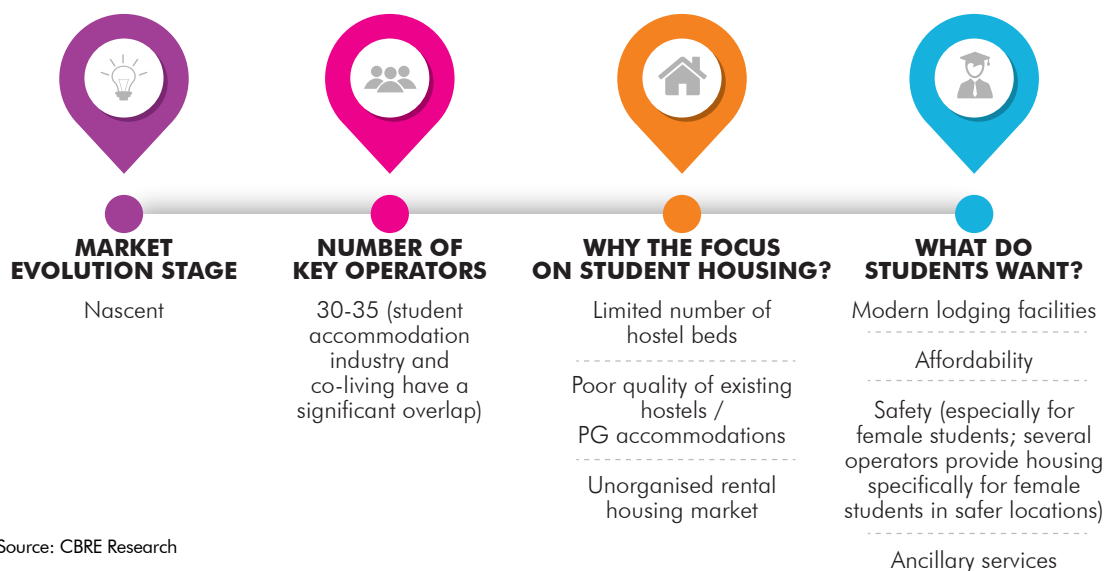
<sup>8</sup> AISHE 2017-18, Ministry of Human Resource Development

**FIGURE 14: HAVE HOSTEL BEDS KEPT PACE WITH GROWING STUDENT ENROLMENTS?**



Source: AISHE 2017-18 and AISHE 2015-16, Ministry of Human Resource Development

**FIGURE 15: BRIDGING THE GAP: OVERVIEW OF THE PMSA INDUSTRY IN INDIA**



Source: CBRE Research



Arusha Homes and Your Space were some of the early movers in the student accommodation industry. From modest beginnings in Singapore, international players such as Oxfordcaps have also made inroads into India. Most of these operators are not only active across major cities but also have a presence in educational hubs such as Dehradun, Jaipur, Chandigarh, Indore, Vadodara, Jalandhar and Kota. These cities have a greater number of migrant students than most other cities, thus marking their scope for student accommodation.

**TABLE 2: PROMINENT PLAYERS IN THE STUDENT ACCOMMODATION INDUSTRY ACROSS INDIA**

			
Name of the operator	Presence across key cities	Presence in other cities	Expansion plans
<b>Stanza Living</b>	Delhi-NCR, Bangalore, Pune, Hyderabad, Chennai	Dehradun, Vadodara, Indore, Coimbatore	Ahmedabad, Jaipur
<b>Oxfordcaps</b>	Delhi-NCR, Bangalore, Pune	Dehradun, Jaipur, Indore	Ahmedabad
<b>Zolo Stays</b>	Delhi-NCR, Mumbai, Bangalore, Chennai, Hyderabad, Pune	Coimbatore, Kota	Manipal, Davanagere, Bokaro, Varanasi
<b>Coho</b>	Delhi-NCR, Bangalore	-	Pune, Bangalore, Hyderabad, Chennai, Mumbai
<b>Your Space</b>	Delhi-NCR, Mumbai, Pune	Chandigarh, Jalandhar, Indore, Ahmedabad	Jaipur, Bangalore, Hyderabad, Chennai, Kota
<b>Studentacco</b>	Delhi-NCR	Chandigarh, Dehradun, Kota, Jaipur	-
<b>Placio</b>	Delhi-NCR, Mumbai	Indore, Jaipur and Coimbatore	-
<b>Campus Students and Communities</b>	Bangalore, Navi Mumbai	-	-
<b>Renaissance Living Spaces</b>	Delhi-NCR, Bangalore	Kota	Dehradun, Kolkata, Vijayawada
<b>Tribe</b>	Pune, Mumbai, Bangalore	-	-
<b>Good Host Spaces</b>	Bangalore	Jaipur, Manipal	-





<b>Colive</b>	Bangalore, Chennai	-	Mumbai, Pune, Hyderabad
<b>Youthville</b>	Pune	-	Pan India
<b>Grextar</b>	Bangalore	-	-
<b>Bright Youth</b>	Mumbai	-	-

Source: CBRE Research, Secondary Research, Company websites

## Key Players and their spread across India

If we look at the top 30 players that operate in India in the student accommodation industry / co-living space, the cumulative stock of beds of these key players was more than **250,000** as of August 2019. This stock is spread across various Tier I and Tier II cities across India. Most of the leading players such as Stanza Living, Oxfordcaps, Placio, Zolo, Good Host spaces etc, have announced significant expansion plans in terms of beds in existing cities as well as expansion to other cities.

**TABLE 3: KEY PLAYERS AND THEIR SPREAD**

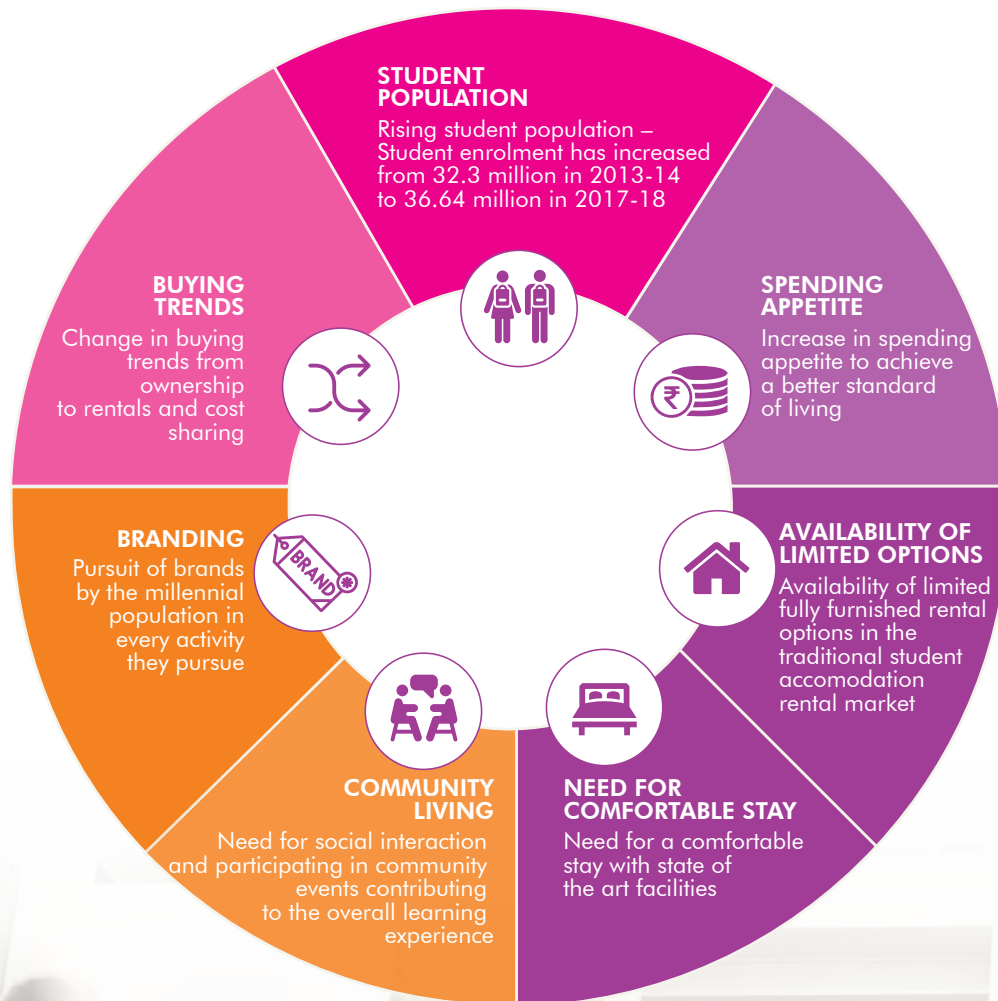
 Key Players	 Number of Beds	 Key Cities
Studentacco, Nestaway, Oyo Life, Stanza Living, Zolo, Oxfordcaps, CoHo, Good Host Spaces, Your Space, Renaissance Living Spaces etc.		<b>Tier I:</b> Bangalore, Delhi -NCR, Mumbai, Chennai, Hyderabad, Pune.  <b>Tier II:</b> Jaipur, Nagpur, Dehradun, Chandigarh, Jalandhar, Ahmedabad, Kota, Coimbatore, Indore, Vadodara.

Source: CBRE research, Company Website, Press releases



## What is fuelling the demand?

FIGURE 16: DEMAND DRIVERS FOR THE STUDENT ACCOMMODATION INDUSTRY



Source: CBRE Research



## ***How are these organised players differentiating: What do they provide?***

The student accommodation industry differs from conventional housing options such as rented apartments and PGs, primarily because they are tailored to suit end-user needs. It has relatively flexible lease terms, lower security deposits, shorter lock-in periods and less stringent house rules and regulations. It also offers housekeeping and daily maintenance services backed by robust technologies (many have dedicated applications developed to handle most requests) in addition to providing avenues for social activities and events (in the form of gyms, in-house entertainment options, etc.)

**FIGURE 17: STUDENT ACCOMMODATION OPERATORS AND KEY SPECIFICATIONS**



### **AVERAGE ROOM SIZE**

- Average size of units witnessed across these spaces is approx. 150-180 sft (carpet area with attached bathroom) per room ~ accommodates 2/3 beds with study table and wardrobe



### **COST BREAKUP**

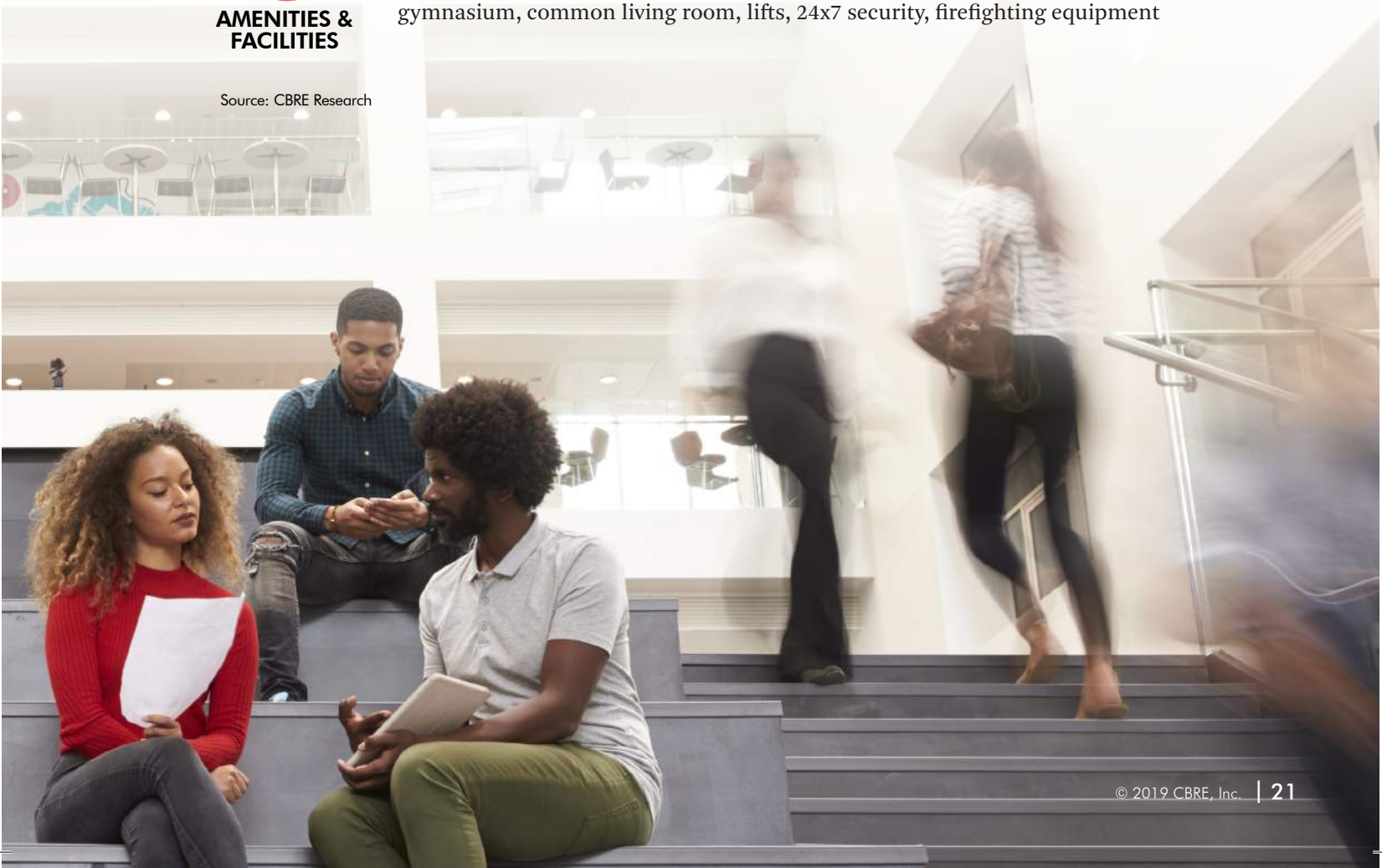
- Capital Expenditure: Incurred by the developer / operator to construct and furnish the development
- Operating Expenditure: Primarily comprises of F&B, manpower & other costs (excludes rent) ~ ranges from 30 – 40% (could be higher for metro cities) of the total revenue with a lock-in period of 3,5,9 years for the operator



### **AMENITIES & FACILITIES**

- F&B options ~ in the form of mess/common dining area providing 2/3 meals
- Air conditioner, attached/common bathroom, heaters, laundry facility, common kitchen, housekeeping, caretaker, optional food facility, gymnasium, common living room, lifts, 24x7 security, firefighting equipment

Source: CBRE Research









# BUSINESS MODELS OF THE STUDENT ACCOMMODATION INDUSTRY IN INDIA

In the past few years, various models in the student accommodation industry have been developed across the globe; many of them are being followed in India as well. Some of these models are based on sharing responsibilities between private owners and developers whereas in many instances housing needs are fulfilled by the developers alone. The aggregator and the lease model are more commonplace in India, with the aggregator model functioning more like a marketplace for listing properties and thus allowing for a much quicker pace of expansion.



**FIGURE 18: BUSINESS MODELS IN INDIA**




Model	 <b>MARKETPLACE / AGGREGATOR MODEL</b>	 <b>INCENTIVE MODEL</b>	 <b>LEASE MODEL</b>	 <b>OWNERSHIP MODEL</b>
<b>How it works</b>	The operator acts as a marketplace for listing properties and the aggregator charges the landlord and tenant for every property closed. Asset light model and allows for rapid expansion.	The operator partners with landlords and charges the landlord a fee for maintaining/standardising the property basis the brand introduced at the site / location.	The operator acquires properties on long-term leases, refurbishes them and then a rental is charged from the students on a per bed/lease basis.	This is the traditional asset ownership and operation model wherein the operator owns the assets. These assets could have been acquired or built by the operator. The model requires higher capital for asset creation and can mean slower pace of expansion.
<b>Key Operators</b>	*Nestaway, **Studentacco	COHO	Stanza Living Yourspace, Zolo, Renaissance Living Spaces, OxfordCaps, COHO	Flock Co-Living, Unilodgers (Not present in India yet)

Note: \*Nestaway manages a homeowner's rental property throughout the rental life cycle, which include showing the house to a prospective tenant, closing the rental agreement, collecting rent on the owner's behalf and assisting the tenant and owner for a move-out. Their model doesn't include any charge for the tenant, contingent on the city, location, number of units / beds, etc

\*\*Studentacco works on an aggregator model and charges PG & house owners for every accommodation closed

Source: CBRE Research

**TABLE 4: AN INSTANCE OF AN OPERATOR – DEVELOPER MODEL IN INDIA (PURE LEASE BASIS)**

 <b>Asset Onboarding</b>	<ul style="list-style-type: none"> <li>• A 3 – 10 years' MoU with property owners is signed to manage their property.</li> <li>• Quality checks of the property are conducted, property is onboarded on the operator platform.</li> <li>• Operator has an arrangement with the property owner seeking a minimum number of days to rent out the property to tenants.</li> <li>• Property owner is assisted by the operator in furnishing, branding, tenant onboarding, etc.</li> </ul>
 <b>Tenant Onboarding</b>	<ul style="list-style-type: none"> <li>• Survey for suitable tenants and organizing site visits is undertaken by the operator.</li> <li>• Operator takes the responsibility to sign a rental service agreement between all parties involved.</li> <li>• Onboarding of the tenant is done by the operator.</li> </ul>
 <b>Tenant and Asset management</b>	<ul style="list-style-type: none"> <li>• Tenants pay a fixed rent to the operator through its platform.</li> <li>• The rent is paid back to the owner after deduction of the commission (it is a % of the rent and varies as per operator, can range from 15-25% of the rent). Additional charges for the tenant include admin and moving out charges.</li> <li>• The operator manages requests, audits, exits etc.</li> </ul>

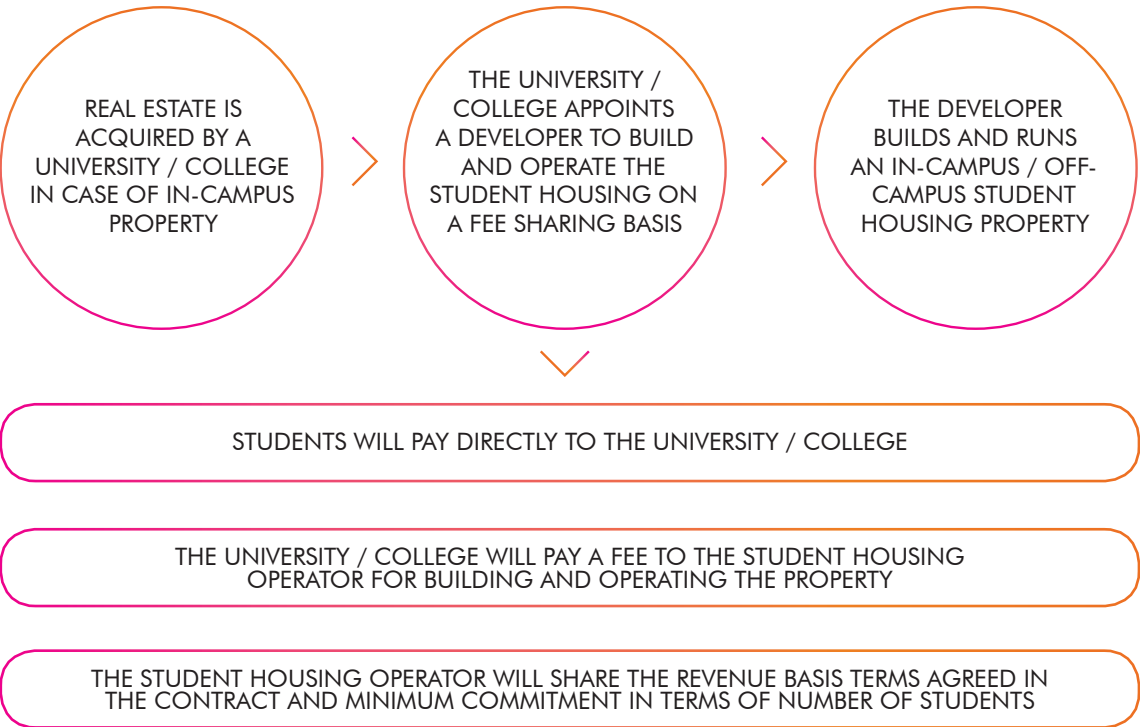
Source: CBRE Research, Operator Websites, Secondary Research



# What other models could gain traction?

- While **university collaborations** are commonplace across the globe, the concept is at a nascent stage in India. In many countries such as the US, Canada and Australia, student accommodation is provided by universities and managed by private players. With the amplified need for student accommodation and entry of several organised players in India, collaborations among educational institutions and private players are already happening and expected to further pick up pace in India as well.
- We could see the emergence of a **build-own-operate-transfer (BOOT)** model wherein the capital and RE development would be done by the developer and the land and guarantee of students taking up accommodation would be provided by the university / college. The facility could be then managed by a service provider or by the developer itself.

FIGURE 19: POTENTIAL BOOT MODEL



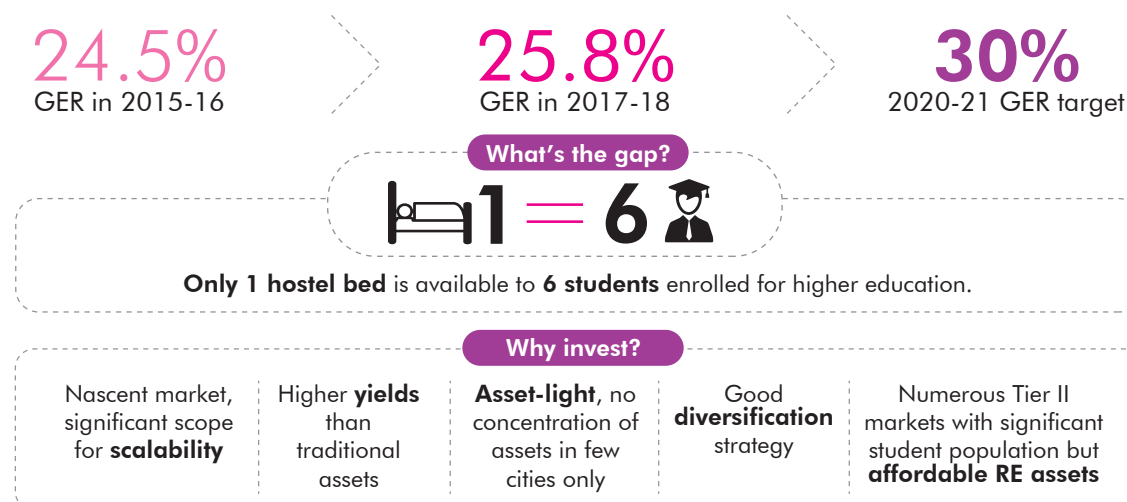
Source: CBRE Research

A high-angle photograph of four women sitting on a set of concrete stairs. They are engaged in a collaborative work session. One woman in the center is using a laptop, while another to her right holds a tablet. A third woman is holding a smartphone, and a fourth woman is writing in a spiral notebook. They are all smiling and looking at each other, suggesting a positive and productive meeting. The stairs are made of concrete with white-painted edges.

# INVESTORS KEEN: GROWING APPETITE OF PRIVATE AND INSTITUTIONAL PLAYERS



**FIGURE 20: WHY IS THE STUDENT ACCOMMODATION INDUSTRY WITNESSING INCREASING INVESTOR INTEREST?**



Source: CBRE Research

Below is a lowdown of the key investments that have been witnessed in the segment over the past couple of years:

**TABLE 5: MAJOR INVESTMENTS ACROSS THE STUDENT ACCOMMODATION INDUSTRY**

Co-living/ student housing operator	Investors/ partners	Amount invested	Year
<b>Stanza Living</b>	<ul style="list-style-type: none"> <li>Sequoia Capital (one of the key investors, alongside Accel Partners and Matrix Partners)</li> <li>New York-based Falcon Edge Capital in series C funding round</li> </ul>	USD <b>70</b> million	2018 & 2019
<b>Good Host Spaces</b>	<ul style="list-style-type: none"> <li>Goldman Sachs acquires majority stake</li> <li>HDFC buys 25% stake</li> </ul>	USD <b>60-65</b> million	2017 & 2018
<b>Nestaway Homes</b>	<ul style="list-style-type: none"> <li>Series D funding round led by Goldman Sachs and UC-RNT (JV of Ratan Tata's RNT Associates and University of California)</li> </ul>	USD <b>53</b> million	2018
<b>Zolo Stays</b>	<ul style="list-style-type: none"> <li>Series A funding round led by Nexus Venture Partners and Innoven Capital</li> <li>Series B funding round led by Nexus Venture Partners and IDFC Alternatives</li> </ul>	USD <b>35</b> million	2017 & 2019
<b>Oxfordcaps</b>	<ul style="list-style-type: none"> <li>Series A funding round led by Times Internet</li> </ul>	USD <b>8</b> million	2019
<b>Your Space</b>	<ul style="list-style-type: none"> <li>Angel Investors</li> </ul>	USD <b>2</b> million	2017 & 2018



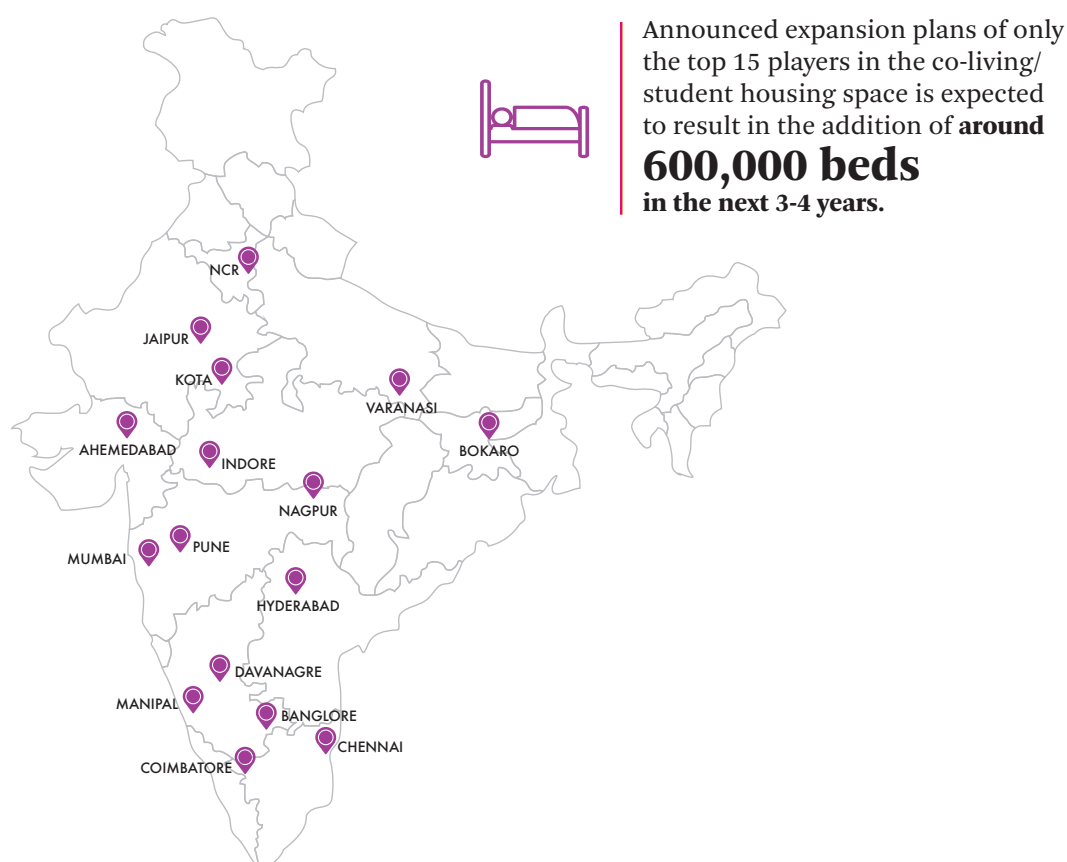
<b>Renaissance Living Spaces</b>	• Self-Funded	USD <b>1.4</b> million	2014 to 2019
<b>Grextar</b>	• Angel investor Venture Catalysts	USD <b>1.5</b> million	2019
<b>Warburg Pincus and Lemon Tree Hotels</b>	• Entered into a JV, named Hamstede, to create a co-living platform	USD <b>210-220</b> million as initial investment (USD <b>210-220</b> million to be infused later)	2018

Source: CBRE Research

## Focus areas for future investments

Investors and service providers have so far barely scratched the surface of India's student accommodation industry. Spurred by the potential of the industry and the growing interest from foreign PE and institutional interests, these providers have been making plans to strengthen the scale of their operations. Many are planning to enter newer markets, some are looking to invest in newer services, while others plan to simply expand in their existing city bases.

**FIGURE 21: GROWTH POTENTIAL SPREAD ACROSS THE COUNTRY**



Source: CBRE Research, Secondary Research, Company Websites

# WHAT CHALLENGES REMAIN FOR THE STUDENT ACCOMMODATION INDUSTRY TO ACHIEVE ITS FULL POTENTIAL?

Although the student accommodation industry in India is gradually emerging as an alternate segment and investors are increasingly looking at it as a portfolio diversification asset class, a few challenges still remain:

## MAINTAINING THE AFFORDABILITY QUOTIENT

As the industry is maturing and several private players are foraying into the sector, competition among various players has become fierce. In addition, changing expectations of students in terms of residential facilities being offered and increase in competition are likely to affect the market price for assets, thus driving up the overall rents. Even the differential between hostel accommodation versus the ones provided by student accommodation providers varies significantly (the difference between an accommodation in a university hostel and a student accommodation could be upwards of three times) in terms of costs.

## UNDERDEVELOPED RENTAL HOUSING SECTOR

As the rental housing market in India remains unorganised and opaque, quality and trust issues are the top challenges that both landlords and tenants face. For instance, it is difficult to convince landlords who are accustomed to 6-12-month-long security deposits to get used to 1-2 months of security deposits for operators in the student accommodation industry.

A thriving rental market is important not only for workforce mobility but is especially relevant in a country such as India where a significant proportion of the population earns from informal sources, thereby placing restrictions on such population groups to qualify for mortgages. Lessons should be learnt from developed nations such as the US, where despite high home ownership rates, 36% of the population lives on rent (the number goes up for key urban centres - 74% for Newark, 65% for New York and 60% for Boston).

## SAFETY

As the number of female students constitutes more than **47% of the total student enrolments** in India, it is imperative that student housing accommodations are able to tick the boxes on safety, security and predictability of service. The same will also be critical for foreign students, the number for which is dismally low at around 46,000 in 2017-18; the same can receive a boost if the availability of quality and safe accommodation is eased.

## INCREASED POLICY SUPPORT REQUIRED

Keeping in view the potential of the student accommodation industry, government entities in several countries across Europe and the US have provided the necessary support for the sector to flourish. REITs in the student accommodation industry are amongst the best performing asset classes globally and provide investors with a good diversification strategy. In India, the student housing sector is yet to witness keen interest from policymakers. An assessment of the contribution of the sector needs to be made and sops should be allowed; for instance, currently student accommodation industry ventures attract the same tax rate as any other corporate.

## ***The Model Tenancy Act 2019 may impact the student accommodation industry positively...***

In order to reduce the current housing gap in the country, the Act has proposed to overhaul the legal framework that currently governs rental housing, thereby encouraging private participation in the segment. This move is expected to impact the student accommodation industry as well. Some of the provisions of the act which are likely to ease the rental housing process are as follows:



### **Security Deposit**

- The act has capped the security deposit to a maximum of **two months' rent** in case of a residential property and minimum of one month's rent for a non-residential property.
- Although there is no clarity on whether the student accommodation industry would fall under the ambit of residential or non-residential property, lower deposits would act as an advantage to the industry.



### **Unit Management**

- Since there is a regular outflow and inflow of tenants in such units, these properties are subjected to frequent wear and tear. For this purpose, the act has explicitly specified the responsibilities of both the landlord and the tenant.



### **Rent Courts and Rent Tribunals**

- As per the Act, it is the responsibility of the state governments to constitute rent courts / rent tribunals as they deem necessary, thus providing a grievance redressal platform to both landlords and tenants.



### **Need for a definition on student accommodation**

- **The scope of the act should be extended to recognize and include 'student accommodation' as a residential sector as defined by the following definition:** 'Quality residential accommodation that creates affordable, safe, healthy and comfortable environment for the exclusive use of students.'



### **However, on Sub-letting...**

- **No provisions have been specified for subletting** of the property which could prove detrimental for emerging models in the student accommodation industry.

However, Haryana has recently made some strides in this regard. It has finalised the Haryana Guest House Policy, July 2019, for setting up guest / boarding houses in a residential zone where additional Floor Area Ratio (FAR) has been provided to these facilities through payment of premium charges. However, apart from a few development-related norms, no special provisions have been stated for private players and platforms that might aid this industry further.



A photograph of a modern university hallway with orange walls and glass doors. A student is walking through the hallway, carrying a yellow folder. The hallway is well-lit and has a clean, contemporary design.

# RECOMMENDATIONS— BUILDING AN ECOSYSTEM FOR STAKEHOLDERS

The value of educational credentials has only increased with time, reinforcing its position as a significant investment to secure an individual's future. With rapid growth in the education sector, having access to safe, affordable and good quality accommodation has emerged as a key worrying point for students. Thus, PMSA is essential to support the growth and success of the higher education sector.

Although PMSA is rapidly emerging as a better alternative to existing private facilities, the student accommodation market has a long way to go before it can be considered a mature asset class. Even today, government-supported educational institutions continue to dominate the industry. Currently, it is largely dominated by the unorganised sector – which lacks a regulatory framework to ensure that certain minimum standards should be followed to create a holistic educational ecosystem for the students.

## ***Classification of a separate asset class***

PMSA is a growing sector with specific needs and requirements focused on serving the student communities across cities in India. To harness this growth, it is necessary that a distinction is drawn from other consumer groups so that it is clearly defined as a separate asset class.

Since student accommodations specifically cater to the long-term residence needs of the students, the government should avoid imposition of commercial tax rates on such facilities. The government should also look at creating a conducive tax structure to ensure adequate representation of the industry. It is thereby recommended that a separate committee be formed in order to create specific tax regulations and provide a platform to industry stakeholders, experts and lawmakers to engage in a dialogue and make suggestions to manage the expected growth in this industry.

## ***Systemization of the student accommodation industry***

Although several operators have made headway in the industry, the services and quality of housing offered vary from operator to operator basis cost, location and city. Hence, to ensure organization and uniformity in the student accommodation industry, the government should institute minimum standard regulations or guidelines. Presence of standard guidelines or regulations could offer an opportunity to codify best practices and facilitate effective coordination among stakeholders who are working on creating better facilities for the students. Any guidelines that the government comes up with should pay attention to the following:

### **INFRASTRUCTURE**

1. Minimum room area per person / resident
2. Minimum communal space / common area space for residents
3. Washroom area per resident
4. Baseline maintenance requirements:
  - a. *Waterproofing of rooms / terraces / washrooms*
  - b. *Washroom tiling, CP and sanitary fittings*

### **SERVICES:**

1. Provision of basic facilities such as water, electricity, meals, security set-up etc.
2. Mandate for food services – should be prepared in FSSAI (Food Safety and Standards Authority of India) -licensed kitchens, food-testing reports should be generated
3. CCTV network audits to ensure security
4. Provision of first-aid and basic medical facilities
5. Power back-up requirements
6. Establishment of Grievance Redressal Mechanism for tenants
7. Housekeeping staff

### **COMPLIANCE AND REGULATIONS:**

1. Compliance with fire safety norms
2. Minimum water storage requirements
3. Minimum safety and security requirements
4. Waste management practices
5. Adherence to GST
6. Verification of tenant and the landlord (individual / operator)
7. Verification of management staff – on-roll and third-party
8. Compliance with minimum wages act for staff
9. Training of staff

Apart from facilitating best practices, these regulations and guidelines can also lead to formulation of incentive-based schemes for operators and developers who follow these guidelines.

## ***Harnessing the potential of the private sector***

Developing private-public partnerships (PPP) will benefit the industry by bringing industry expertise to government-mandated projects, thereby helping India's education and accommodation sector. Below are some ways in which the government can leverage the PPP model for this industry:

- Private players can partner with city municipalities and urban development departments to provide PMSA facilities to students of various universities and higher education institutions
- The Government of India is already running several schemes for maintenance and construction of hostels such as 'Youth Hostel Scheme', 'Construction of Women's Hostels in Polytechnics', 'Construction of Women's Hostels in Universities' and many more. Integration of PPP models with such schemes will not only enable the government to access better resources but also bring in industry experts
- The PPP arrangement can also be applied as a build-operate-transfer (BOT) model wherein a private player will finance the development and operations of a student accommodation project for a specified period. At the end of this period, the ownership is transferred to the government agency once the developer has recovered the costs and generated profits
- In addition, existing hostel facilities in universities and colleges that are in need for redevelopment can engage in PPP models to create better facilities for the students

## ***Clear identification and creation of growth centers***

Markets that attract a mobile cohort of students usually tend to be ones that offer top-quality programs and have a high concentration of educational institutions. From a real estate perspective, global cities which have seen a thriving PMSA sector tend to have the following characteristics:

- Concentration of well-ranked universities
- Large student population, with a high proportion of outstation students
- High-value residential real estate markets
- Advanced service-sector employment
- A generally liquid real estate market
- Lack of supply, but not impossible to build due to restrictive planning regimes or very high build costs

Private players are already ahead of the game and targeting such cities with robust expansion plans. In order to ensure decentralisation and all-round development, it is important that state governments across the country make an effort to increase their educational institution footprint and look at developing new education hubs (maybe in the periphery of existing cities) that can serve the dual purpose of providing education and acting as engines of economic growth.



## ***Recommendations for operators***

### **TARGETED APPROACH**

Student housing operators must familiarize themselves with the various ethnicities that dominate the targeted cities, colleges or universities and develop a targeted outreach campaign. In many cases, successfully connecting with students from varied ethnicities will require substantial alterations to a student housing operator's marketing, leasing, communications, and customer service platforms and strategies.

### **STUDENT HOUSING AS PART OF MIXED-USE PROJECTS**

Coupling student housing with complementary facilities can create additional value by leveraging built-in demands of residents. As land values in core locations remain high and command higher rentals; creating a self-sustaining unit, especially in peripheral locations with ancillary retail, medical and other key amenities, would be more effective in catering to students' preference for a live, work, and play environment.

### **AFFORDABILITY**

While differentiating on the basis of amenities in the fast-growing sector is a key trend, remaining affordable should continue to be a key focus area for operators. As with any new segment, once the novelty factor wanes and competition intensifies; affordability (with key basic facilities in place) will play a critical role in determining the success of a student housing facility.

### **DELIVERING THE RIGHT PRODUCT AND BUILDING A BRAND**

While the need to own largely branded goods is a key pull factor for Gen Z, the foundation for this brand (not necessarily translating into brand loyalty) will stem from the experience an operator has in maintaining such facilities. Factors such as location (one of the most critical success factors), type of accommodation, exposure, safety and the level of standardisation offered will help operators build their reputation and awareness and in turn command a premium for the same. For instance, as observed in developed student housing markets such as the US and UK, oversupply of the same kind of accommodation in a particular location was viewed to have limited scope for rental increment. On the other hand, differentiating products allowed developers in the same market to command premiums.

### **FLEXIBILITY**

Maintaining flexibility will remain key to success and will assist in maximising revenue. For instance, rather than developing a one-size-fits-all product, awareness of cities with universities/institutes that offer more 6-month/1-year/4-year study programmes (rather than the traditional 3-year programme) and approaching these cities with a hotel format/long-term accommodation strategy (depending on the duration of the course) will ensure better occupancy and acceptability of the accommodation.

### **CAUTION AROUND THE OPTIMISM**

While the student housing sector is growing at a fast pace, operators should exercise some caution when it comes to being too optimistic about the pace of expansion. Factors such as the developer profile (while leasing properties), funding commitments, the country's economic cycle, development of rental housing in India, changes in government policies are some key factors that should be kept in mind. As seen across various other RE a speculative approach can lead to an oversupply/overcrowding situation, which in turn could result in the segment losing its sheen much quicker than expected.

# ABOUT SAPFI



**SAPFI**

Student Accommodation  
Providers Forum of India

Student Accommodation Providers Forum of India (SAPFI) is an organization of student accommodation providers, managers and related service providers. The vision of SAPFI is to empower organizations and businesses engaged in the student accommodation industry; promote value of quality student accommodation solutions to support and enhance India's education experience.

For details visit: [www.sapfi.org](http://www.sapfi.org)

## Industry viewpoints from SAPFI Members

*With new engineering, medical and law colleges being set up in the country the students are longing for quality accommodation services. Similarly, the housing offered by many of the older Government run colleges needs urgent renovation and upgrades. A PPP model in which specialist PMSA providers construct, maintain and upgrade the student accommodation would enable the Indian higher education to achieve its full potential.*

**- Viraj Prasad, Good Host Spaces**

*The student housing in India can attract huge investment participation from both Local and Global Investors. The key driver to growth would be level playing field, clarity of regulation, licencing from local government, University reliance on professional housing companies and execution capacity of student housing companies. Demand is pre-existing, real estate is available in plenty. Student Housing assets can generate consistent yield, which is ideal for any high growth business. Compared to Tier I cities, major growth would come from Tier II and Tier III Cities.*

**- Rohit Pateria, Placio**

*Student accommodation provides some of the highest investment returns on the rental real estate landscape, looking at the mature trends in the west, namely America and United Kingdom. The same is being projected within the Indian student accommodation sector, still at a nascent stage. It is high time that we see the same support from the real estate, education and government bodies for a positive foreseeable future.*

**- Shantam Mehra, Tribestays**

*The sector is moving away from un-organized players towards professionally managed high-quality operators. Organized players are able to provide add on services like better quality food, laundry, badged security, common rooms/ gyms, reading rooms and daily housekeeping which make the student experience better and consistent.*

**- Shubha Lal, Your Space**

*We believe, the student housing sector has potential to grow 3x over the next decade. However, it is a largely unorganized sector that suffers from significant infrastructure and service quality gaps. Despite its high potential, the sector hadn't witnessed any fundamental disruption, leaving millions of students dependent on housing facilities of various standards. The entry of professional operators like us, with international-quality propositions curated to suit unique lifestyle needs has created high consumer value. At the same time, it has led to interest from developers, educational-institutions and large-scale owners, for partnerships, on the back of improved asset yield and professional management. We feel, sectoral growth will be driven by an operating model that can deliver at-scale cost-leadership, people and process efficiencies and consumer experience, where technology will play a pivotal role in achieving these. As the largest and fastest-growing student housing operator in India, for Stanza Living, this operating model has attracted marquee investor interest.*

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**- Anindya Dutta, Stanza Living**



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## CBRE RESEARCH

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