

Providing student housing is not without risks,

Alistair Anderson

Student accommodation lures investors keen for stable income

The private sector is starting to invest aggressively in student housing, which has faced severe shortages in the past.

Students across SA began the academic year early this month, but according to Stag African, a Cape Town-based specialised housing developer, there are about 200,000 university students and a further 400,000 students at Further Education and Training College who are without adequate housing.

This means students who cannot be accommodated on campus or residences near campus have to rent housing situated far from their colleges or share with many people in cramped rooms. While the number of people entering tertiary education is rising each year in SA, accommodation is not catching up.

Stag African believes the private sector can play a large role in alleviating the shortage.

"While the Department of Higher Education is doing its best to solve the problem, the private sector needs to drive student housing development in SA," MD John Schooling says.

He is concerned that shortage of student accommodation leads to students dropping out or failing, especially in first year.

"It is crazy that some people first struggle to get to university because of having to support families and themselves and then they can't find a place to live when they get there," says Mr Schooling, a former teacher who launched Stag African 30 years ago.

Stag African is building a 2,046-bed residence at Fort Hare University's main campus in Alice, a 200-bed facility at Stellenbosch University's Tygerberg campus and it recently completed a 240-bed facility at Walter Sisulu University in Mthatha.

Mr Schooling says his company's student housing is an all-inclusive service. It designs, builds and then operates the housing facilities on campus.

Another private group pursuing student housing is Respublica, in which listed property giant Redefine Properties bought a 51% stake last year. Respublica has a capacity of 2,700 beds now and



CHALLENGED: About 600,000 university and FET college students across SA are said to be without adequate housing as the institutions battle to satisfy demand. Picture: MICHAEL PINYANA © DAILY DISPATCH

hopes to increase that to 20,000 in the next four years.

Stag African is trying to reach 25,000 beds of capacity over five years — the company has 17,500.

Respublica CEO Craig McMurray says the business case for providing student housing is "very strong". He says he understands why companies of all sizes would want a piece of the market.

"The government's allocation of R1.6bn in funding for student accommodation, together with the universities' own funding of about R700m, will only be sufficient to deliver an additional 9,000 beds by 2016," Mr McMurray says.

"This is not even sufficient to accommodate one-third of the new enrolment, let alone deal with the backlog."

Small businesses and individual entrepreneurs can invest in student accommodation quite easily. They can buy or redevelop houses and flats, and rent them out to students. For those who need some help in financing, there are partners.

The Gauteng Partnership Fund is a public sector affordable-housing delivery vehicle that partners with the private sector to develop student accommodation. It uses the Student Accommodation Fund to take up equity stakes in student housing projects. These projects tend to be inner-city residential refurbishments, conver-

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sion of offices to residential units and greenfield developments.

Any company or special purpose vehicle with a recognised legal form that provides well-managed affordable student accommodation qualifies.

But student accommodation is not without risks and much of these are in its management. Estate agency Seeff says people looking to buy and rent student accommodation, even on a small scale, must bear in mind that the properties often require extensive maintenance.

"The tenant turnover can be rather high and factors such as good security, Wi-Fi facilities, proximity to place of study, parking and access to public transport, gyms, bars and night clubs play a crucial role in the desirability of the property," says Tony Ketcher, Seeff's MD for areas including Auckland Park, Westdene and Melville. These suburbs have become popular because they are adjacent to the University of Johannesburg and near the Uni-

versity of the Witwatersrand.

But Mr Ketcher says the shortfall for student accommodation is so significant in Johannesburg that there is demand for sectional title units stretching as far as 15km away from the campuses in places such as Blackheath, Fairland, Cresta and Windsor.

A one-bedroom unit near campus can achieve an income of R3,500 per month, and a nearby three-bedroom house could rake in anything between R10,000 and R20,000 a month.

Seeff Pretoria East agent Pieter Bezuidenhout says sales of student housing close to the University of Pretoria have reached an all-time high. "Units are selling off-plan or are being rented out at astronomical rates."

"The result is that affordable accommodation is moving further and further away from the Hatfield and Hillcrest areas."

He has found that bachelor apartments that range between R480,000 and R530,000 to buy are very popular with investors. The reasons for that included low maintenance, high rentals and a good return on investment.

The Western Cape also offers strong demand. It costs between R6,000 and R10,000 a month to rent a one-bedroom unit in the Cape Town central business district and between R8,000 and R14,000 for a two-bedroom unit.

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