

## FINDING

# Back-To-School For Recession-Proof Investments

Shortage of student accommodation presents captive niche market to investors

INVESTOR  
SERIES  
PART 1 of 2

By Monique Metcalf

If the thought of renting your investment property out to five rowdy students makes you want to turn this page immediately, resist the temptation! Student accommodation is proving to be a lucrative market segment in South Africa.

The growing shortage of student housing across the country has created lucrative opportunities for investors. There are two reasons for this shortage – record numbers of students entering universities (demographics indicate that a large proportion of the population is at this age) and the growing inability of tertiary institutions to provide student accommodation due to overstretched budgets.

Last year alone, about 22 000 more learners than in previous years passed matric with a university entrance, and with a growing number of foreign and older students, universities cannot keep up with the demand for student accommodation. For most students, the only option is to find privately owned accommodation off campus.

Student accommodation offers investors a captive, niche market that is almost entirely recession proof. Regardless of economic conditions, many youngsters want to further their education, and their parents find a way of making this possible. Older students who are not reliant on their parents who also want to improve their education and also are a big market. Students seldom own vehicles, and security is often a major concern. This means that apartments and flats with good security,

within walking distance of the campus, are always in demand – even at higher rentals.

### Investor issues

There are unique benefits for investors who target this niche market, and of course, some challenges. But by following a few tips from the experts in the industry, investors can make wise choices and target the right student segments.

One strategy is to compare the number of university-owned beds to the enrolment figures, using data from the institutions' registrars' offices. The lower this ratio, the greater the need

and says that student numbers in Potchefstroom and Pietermaritzburg are set to grow. "Property investors buying student accommodation will enjoy a higher rent per square metre than from other residential units. In Johannesburg, student rentals in privately owned accommodation are between R1 500 and R2 300 per student per month, compared with between R1 400 and R1 700 per month for accommodation in a campus residence."

### Johannesburg

There are numerous educational facilities

## Apartment blocks and flats with good security, within walking distance of a campus, are always in demand

for private student housing, and the greater the demand for an investor's off-campus property.

### Matching the demand

Students often do not have their own furniture, so fully furnished units will not only attract more potential tenants, but also higher rentals.

### Where to look

Berry Everitt of Chas Everitt International prefers properties situated close to campuses in Pretoria, Johannesburg and the Witwatersrand,

in and around the Johannesburg inner-city area, including the University of the Witwatersrand (Wits), Damelin, the University of Johannesburg, and currently, 72 educational facilities in Braamfontein. Demand for student accommodation has far outstripped supply – an estimated 7 000 students are vying for just 700 available rooms on or near Johannesburg university campuses.

### Essential furnishings for units

- Convection microwave oven (instead of an expensive oven)
- Fridge
- Tables and chairs
- Beds
- Washing machine (if laundry facilities are not available within walking distance)

### Tips to attract wealthier student tenants:

- Look for newer properties that have been well maintained.
- Look for properties that offer amenities such as pools and additional security.
- Install wireless Internet connections (Wifi).
- Install DSTV and a flat-screen TV as an added

bonus.

- Look for units with bedroom-to-bathroom parity so that roommates do not have to share facilities.
- Select only up-market finishes and furnishings, including quality appliances.
- Market the property to postgraduate rather than undergraduate students

### Benefits of student accommodation include:

- Continued and growing high demand
- Full occupancy is typical
- Rental increases are relatively easy to implement
- Students often rent the same unit for several years
- Tertiary institutions often compile free property

