

FINDING

Inner-city developer, Aengus Lifestyle Properties (ALP), has seen the number of students renting its refurbished apartments in central Johannesburg grow from 142 last year to over 1 200 with this year's student intake. One of the 427 fully furnished units in the company's recently developed Argyle Precinct will rent to a student for between R1 500 and R2 300, little more than university residence accommodation,

Timing is crucial in order not to miss the demand

which will generally cost a student around R1 400 to R1 700 per month.

ALP is also looking at developing the YMCA building into a mixed-use development, incorporating student accommodation. "We expect student accommodation to make up an increasing proportion of our property portfolio," says Richard Rubin, CEO of ALP.

With the conversion of the old Gretermans building, more than 400 new rental apartments in downtown Johannesburg will soon be available to tenants. They will be rented out for less than R2 000 a month by AFHCO (Affordable Housing Company) in partnership with International Housing Solutions (IHS) South Africa.

"We have witnessed a flood of students looking for accommodation in Berea near the WITS Campus in Saratoga Street," says Liezel Slabbert from Mamela Estates. "Properties in this area sell for below R200 000, and they earn rentals

in excess of R4 000 per month. We have not had any damage complaints or payment problems. Foreign students are exceptionally serious about their studies, and normally their parents pay a full year's rental in advance."

Paul Farmer of Just Letting in Randburg concurs that demand far outweighs supply, but he notes that they are experiencing challenges at their Honeydew branch, which services Monash University. Here, he says, there is a high foreign student population and increasing non-payment from overseas parents, as well as students failing to return after each semester.

Pretoria

According to Mamela Estates, the presence of the University of Pretoria (UP), Unisa (University of South Africa) and Tshwane University of Technology (TUT) creates a huge demand for student accommodation in Pretoria, especially in Pretoria West, Arcadia and Pretoria North.

"In the first two weeks of the year, all campus accommodation was already fully occupied.

TUT, for example, had a 40-page waiting list for accommodation. Students are typically accommodated in Atteridgeville, Lotus Gardens, Pretoria West and Pretoria Central," says Slabbert.

"A great deal of residential development has been taking place to meet the demand for student accommodation. The focus is on medium-sized blocks with low maintenance, good security and monthly levies of under R400 per unit. Units sell for around R400 000, with rental expectations being around R3 200 to R4 000 per month if let furnished. Students usually rent furnished rooms at between R1 000 and R1 500 per room."

Magnus Engelbrecht of Just Letting in Pretoria North says there is a definite demand for student accommodation in the area. "This is due to its proximity to the Pretoria Academic Hospital, Medunsa Medical Campus, and the faculty of veterinary science at Onderstepoort. In addition, there has been an increase in enquiries from student pilots at the flight training schools operating from Wonderboom airport. The most

The Gretermans building being converted by AFHCO and IHS South Africa



listings, making it relatively easy to find a tenant

- Higher rentals per square metre relative to non-student-segment units

Challenges of student accommodation include:

- Students are more transient, particularly undergraduate students.
- It may be relatively hard to collect rentals.
- There may be relatively more wear and tear on the property.
- It may be difficult to let a unit mid-year, a situation you might face if your student tenant drops out during the year.
- Of course, not all investment opportunities in the student accommodation segment are equal.

As with any other investment, selecting the right property requires some homework.

Top tips for selecting the right property:

- Select a property within walking distance of a campus.
- Give preference to properties close to other amenities, such as shops, restaurants, entertainment areas and sporting facilities.
- Look for a property that is well managed, with manned security and regular onsite inspections – a few disruptive students can result in dedicated students moving out.

- Investigate the body corporate's management – a student building will deteriorate quickly if the building is not well maintained. Municipal services must be paid and levies collected promptly.
- Check available parking, since some students may have or acquire cars during their stay.
- Student accommodation units are good investments, provided they are purchased at the correct price, based on net income. While rentals may be pushed up by demand, in the current market, the asking prices are close to or at their maximum investment potential.

Source: Platinum Global)