

Pros and cons of investing in student accommodation

Investing in student accommodation remains a highly attractive option provided you buy the right kind of property in the right location, says Bill Rawson, chairman of the Rawson Property Group.



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“The disruption of studies and exams is obviously a worry for investors as well as students and parents. In recent times some students prefer staying at home and studying online or by correspondence, and some - those who can afford it - opt to attend private institutions here or overseas where they will be unaffected by protect actions.

“The fact remains, however, that the vast majority of SA students attend our public universities and colleges – and these institutions are trying their best to close the huge gap between the demand for accommodation on their campuses and the available spaces in the official residences.”

Growing student numbers

As it is, he says, they can accommodate fewer than one in five students who apply for a residency, and student numbers are also growing annually as increasing numbers of young people complete their secondary schooling.

“SA is attracting higher numbers of foreign students and from other countries in sub-Saharan Africa, where the latest research by Jones Lang LaSalle (JLL) has found that the number of young adults aged 18-25 will increase to almost 100-

million by 2020, and that the demand for new, purpose-built student accommodation is set to top 500,000 beds in the next five years.”

The JLL report also notes that with continuing public sector budget constraints (and not only in SA), private investors will not only have a vital role to play in meeting this demand, but are likely to find that “student housing projects are among the most attractive investments they can make in Africa”.

And this is especially true if they are in it for the long-term and not parents who plan to sell again as soon as their child has completed a three or four-year course, says Rawson.

Identifying and acquiring suitable properties

“So now the question becomes not whether to invest but how quickly one can identify and acquire suitable properties, and this is becoming increasingly obvious in the major student accommodation markets like Stellenbosch, Pretoria, the Southern Suburbs of Cape Town and the parts of Johannesburg surrounding Wits and the main UJ campus.

“In these areas, the student accommodation market is no longer seasonal, with the bulk of sales taking place from August to December. Now there is demand all year round, and parents make up the increased percentage of buyers.”

However, he says, in order to ensure the best returns, it is essential to take heed of what students - or their parents – are most likely to rent. “This can generally be summed up as clean, safe accommodation within easy reach of campus at an affordable price, and in our experience, the most consistent demand is for newly built and pre-owned one and two-bedroom sectional title apartments with high-tech security, parking and good access to shops and other amenities as well as campus.”

“Student houses or communes are also an option for private investors but considerably harder to manage, while the purpose-built student studios are relatively expensive to buy and have a limited audience of potential buyers if you decide to resell. Ordinary apartments in convenient locations can also be marketed to career singles, young couples and these days, even to older buyers who are scaling down from big family homes.”

Calculating potential returns

Rawson says prospective investors should also research the most popular areas and comparative prices and potential rentals with the help of experienced agents specialising in student accommodation. “They may find, for example, that apartments that are further away from campus but have good access to rapid bus or train transport will rent just as well as those closer to campus but are more affordable to buy and will actually generate a higher percentage return.

“It is also important to include rates and taxes, sectional title levies, insurance, maintenance, advertising and any management fee applicable when calculating potential returns. If they intend to build up a portfolio of student apartments, investors should also seriously consider appointing a professional management agent to take care of advertising, tenant screening, legally compliant leasing, deposit and rent collection, inspections and damage prevention.”