

Redefine lifts Melbourne investments

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Redefine Properties has acquired a second development site for student accommodation in Melbourne, Australia, expanding into this highly competitive property sector.



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Its new site will be able to accommodate 700 beds and the development, which is near Melbourne University, will start in 2018.

This accompanies the company's A\$139m (\$106.38m) 804-bed development also in Melbourne. Student housing is one of the fastest-growing sectors in the Australian economy.

Redefine, which has a market capitalisation of close to R60bn, pinpointed Melbourne as an undersupplied market given the demand from international students for high-quality accommodation products. The development is expected to cost A\$103.3m. Redefine's share of the development cost is A\$93m and it is looking to develop the site at about a 10% income yield. "We remain focused on procuring high-quality properties and opportunities across strategic geographic locations. We are excited about the upside potential in student accommodation in Australia," said Redefine CEO Andrew Konig.

A JLL Student Accommodation report revealed that while full-time students in Melbourne numbered just under 235,000, the existing supply of beds was about 19,200.

"There is capacity for a lot more purpose-built student accommodation as the market is undersupplied.

"With a capital uplift potential on these developments and return on equity well ahead of offshore funding costs, the investment proposition is compelling from a total return point of view," said Konig.

He said Redefine was building scale for a specialist student accommodation fund and leveraging its international management capacity.

Redefine has exposure to Australia through its investment in Cromwell Property Group.

"By investing in student housing, we are diversifying across an attractive Australian real estate market," said Konig.

Source: Business Day

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