

Housing projects expand beyond small developers

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Out of SA's total university student population of about 535,000, less than 110,000, or 20% of students, can be housed on university campuses, figures from the Department of Higher Education and Training show.



There is a huge demand for student accommodation near universities in South Africa. Image: CLX

So it is not surprising that student housing projects are no longer solely the domain of a few small developers.

Private equity investors, pension funds, institutional investors and even listed property companies are becoming keen to share in the spoils of the burgeoning student letting market.

"There is no doubt that student accommodation in SA is fast becoming a recognised asset class of its own," says James Howard, portfolio manager at Futuregrowth Asset Management, a division of insurer Old Mutual.

Futuregrowth funds student housing developments through its socially responsible investment vehicle, the Futuregrowth Development Equity Fund.

Howards says the equity fund typically requires an internal rate of return of between 18% and 20% a year, which can easily be generated by student housing developments that are run by good operators.

"It's simple: we are increasing our exposure to the student market because it is an extremely profitable model. There's lots of demand and not enough stock," he said.

Private equity development financier International Housing Solutions (IHS) is backing the development of at least 5,000 new student beds.

That is in addition to its existing "Studentdigz" portfolio, which comprises 2,100 rental units spread between Braamfontein in Johannesburg and Bloemfontein in the Free State.

IHS managing partner Rob Wesselo says it is encouraging to see institutional and listed property companies, like their US and European counterparts, starting to enter SA's housing market.

In December, Arrowhead Properties bought a R150m portfolio of student flats at the South African campus of Monash, an Australian university.

That followed Arrowhead's acquisition of a R406m housing portfolio from Jika Properties in October, the listed fund's first foray into the residential property market.

Source: Business Day via I-net Bridge

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