

# Students flood private residences

Private residences are being inundated with applications for accommodation in 2014, amid shortages in the public sector.



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"We are fielding an unprecedented number of calls from students desperate for quality, affordable accommodation close to campuses," says Rob Wesselo, managing partner at International Housing Solutions (IHS), which has one of SA's largest private student accommodation portfolios.

Wesselo says that, as students get ready to go to universities and colleges, thousands of them are realising that securing a coveted space at a tertiary campus was just the first hurdle, and that finding a place to live and study poses challenges of its own.

## Increased supply of student housing

He says because of the huge and growing demand, IHS is dedicating a significant chunk of its second fund to ensuring an increased supply of student housing units in coming years. The global private equity investor expects this strategy to deliver returns in excess of 20%. IHS recently launched the second fund, IHS Fund II, in the wake of the massive success of its first fund, the SA Workforce Housing Fund, which enabled the large-scale development of affordable housing in South Africa.

According to the Department of Higher Education's Ministerial Review of SA University accommodation, less than 10% of first-year students can be accommodated. However, much of the available on-campus accommodation remains dilapidated, unhygienic and unsafe. The latest statistics further show a shortfall of 207 800 university beds, and that does not include the shortfall of accommodation for private tertiary institutions. An estimated 400 000 students are currently enrolled at FET colleges, the vast majority of which do not have any on-campus accommodation.

"The lack of adequate and affordable student housing results in students renting inadequate accommodation off-campus, in locations that are often in appalling condition and overcrowded," says Wesselo.

"Of great concern, is the fact that the poor living conditions of students have been linked to our country's high drop-out and failure rate, due to these conditions not being conducive to studying and good health," says Wesselo.

And he says that, as government funding for studies through the NSFAS (National Student Financial Aid Scheme) drives the growth in the student population, the demand for accommodation increases dramatically.\*

Wesselo says that due to the huge demand and limited supply of student housing opportunities, IHS will dedicate a significant part of its second fund, IHS Fund II, to service this need in the market.

"Through our first fund, the SA Workforce Housing Fund, we have already made available 2184 opportunities in quality student developments," he says.

"And in line with our philosophy to create not mere walls for shelter, but to build thriving new communities, our student housing is characterised by their pleasing aesthetics, holistic services including safety interventions, gyms, study areas, cafeterias and shuttle services, as well as sports teams and student representative bodies."

Although student housing also offers excellent opportunities to investors, it must be approached via a sound strategy to mitigate any sector-specific challenges, warns Wesselo.

"We have therefore invested in a strong internal team of specialists who, together with our property management partners, are experts in student housing financing, delivery and management.

"We have been building a pipeline that will be focused on the provision of quality accommodation opportunities for both private and public higher education institutions, and will target the delivery of at least 5000 student housing opportunities in Fund II."

*\* FET student funding increased from 61 700 students/R 318 million in 2010 to 222 800 students/R 2 billion in 2013*

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