



Insight: December 2021

## Student Housing: The Indian Perspective

By 2035, the Indian government wants 50% of all 18 to 23 year old's to be enrolled in higher education courses. This would increase the country's student population to 40 million, a figure which is nearly double the current number of students studying in the United States. The student housing market in India is in its infancy, despite the country boasting one of the largest populations of undergraduate students in the world.

This monograph provides a broad overview of the student housing market in India, its key challenges and opportunities available to Student Housing Service Providers to establish a stronghold in the market. The business implications for operators have also been highlighted to provide a holistic view of the industry as it stands. Investment drivers have also been brought to light through a comparison with commercial yield of retail and office spaces.

### About Eduvisors:

Eduvisors is a leading sector-focused consulting firm in Education in India. A part of Barry & Stone (B&S), a global network of independent consulting firms with 12 offices in 8 countries, Eduvisors is a pioneer amongst consulting firms in India with sole focus on the Education sector.

For more information, please contact:

**Bharat Parmar**

T: +91 (124) 4119162, 4229162 Extn. 106

M: +91 98117 99162

E: [bharat@eduvisors.org](mailto:bharat@eduvisors.org)

To unsubscribe, please write to [unsubscribe@eduvisors.org](mailto:unsubscribe@eduvisors.org)

### Disclaimer:

*This Monograph has been prepared for clients and Firm personnel only. It provides general information and guidance as on date of preparation and does not express views or expert opinions of Eduvisors. The Monograph is meant for general guidance and no responsibility for loss arising to any person acting or refraining from acting as a result of any material contained in this Monograph will be accepted by Eduvisors. It is recommended that professional advice be sought based on the specific facts and circumstances. This monograph does not substitute the need to refer to the original pronouncements and is based on publicly available information.*

## Student Housing

Globally, student housing is the alternate form of accommodation provided to higher education students by private student housing service providers (SHSPs).

### Types of Student Accommodation

- **University Accommodation**
  - *Accommodation owned by school, college or university*
  - *Halls of residence, flats or houses*
- **Own Accommodation**
  - *Parental or own home*
  - *Other property owned by student or their family*
  - *Property owned by a friend*
- **Private Accommodation**
  - *Privately rented house or flat*
  - *Privately owned halls of residence*
  - *Property rented from council or housing association*

### Key Highlights

- Student housing is not core to the business activity of any HEI\*, thus increasingly there is demand for professionally managed services in this domain.
- Major real estate companies provide in-campus and off-campus residential facilities to university students.

\*HEI – Higher Education Institute

## PLAN & DESIGN

- Financial feasibility and economic analysis
- Budget development and administration
- Site identification and assessment
- Government approvals and Scheduling
- Architectural and engineering contract negotiation
- Market analysis and Project planning

## PROPERTY MANAGEMENT

- Employee management
- Permissions and certifications
- Daily operations and facilities management including maintenance, repair, upgradation etc
- Turn—around of underperforming facilities
- Student management
- Technology implementation including high speed internet, CCTV security, digital TV etc

## Broad Service Offerings

## FINANCING

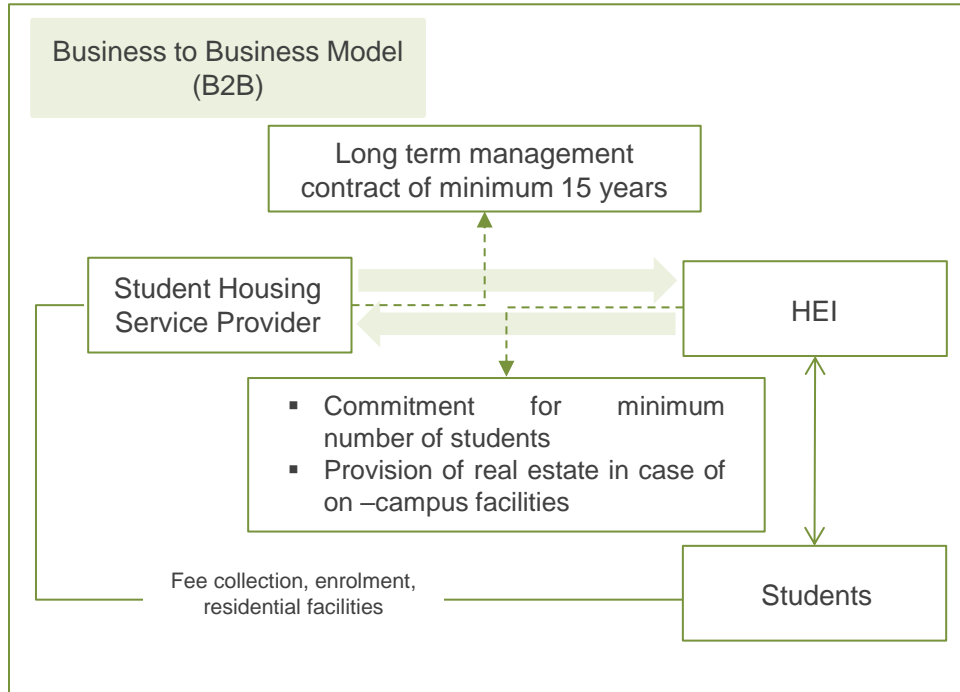
- Contractor identification and assessment
- End-to-end project management
- Vendor management
- Budget planning

## CONSTRUCTION MANAGEMENT

- Contractor identification and assessment
- End-to-end project management
- Vendor management
- Budget planning

# Operating Models: B2B vs B2C (1/2)

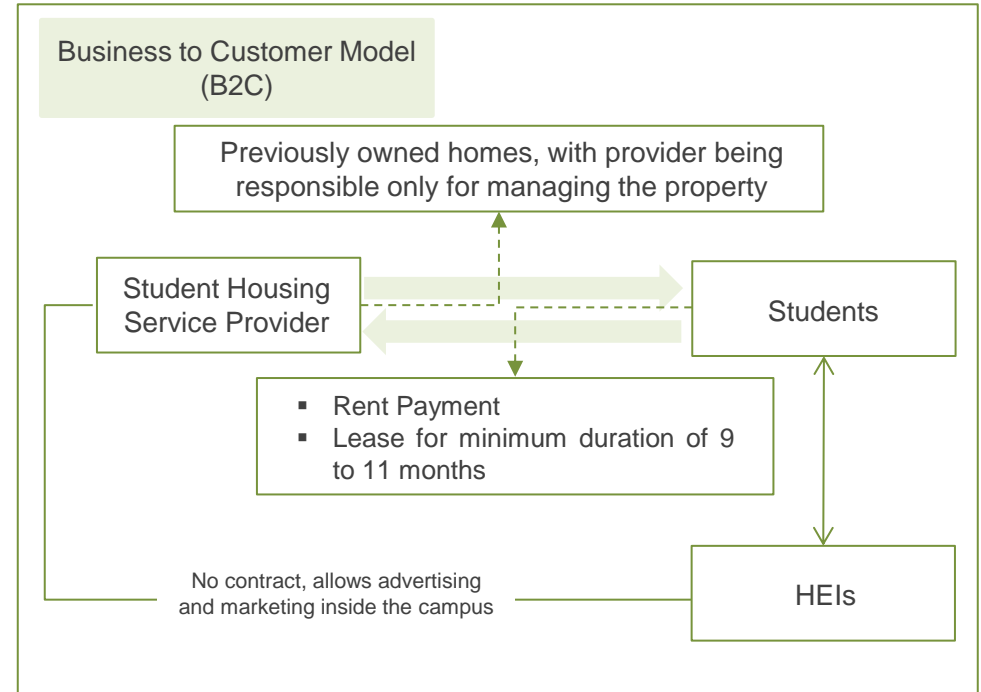
## BUSINESS TO BUSINESS MODEL



### Characteristics

- Planning, construction and ongoing operations of the residential facilities.
- Large scale facilities with housing being provided for all students within the same set-up..

## BUSINESS TO CUSTOMER MODEL



### Characteristics

- Typically off-campus facilities are provided.
- Residences often spread across several localities which are in close vicinity to the university.

\*HEI – Higher Education Institute

# Operating Models: B2B vs B2C (2/2)

## BUSINESS TO CUSTOMER MODEL

### Build and Manage Service

In this model, student housing providers build and manage properties themselves. This is an asset heavy model, which requires huge upfront capital investment for purchasing and developing the land.. This model is suitable for real estate developers having large pool of capital

### Lease Model

This model operates on lease agreements by student housing providers for acquiring the property for long term and customizing the accommodation as per students' needs. The students are charged on a per bed basis either monthly or annually. Leading players in India include Stanza Living, Your Space etc.

### Aggregator Model

This model operates in similar manner online cab or property aggregators such as Ola Cabs, or 99acres.com. Here, the housing provider creates an online marketplace to list the properties by owners charge them for bookings. This is an asset light model and works on commission basis.

## BUSINESS TO BUSINESS MODEL

### BOOT Model

In Build, Own, Operate, Transfer(BOOT) model, student housing players collaborate with HEIs on a long-term lease to build, own and operate the accommodation. Real estate developers can build accommodation while HEIs can get the students. The developer or any service provider can manage the accommodation

### Management as a Service

In this model, student housing players collaborate with HEIs or developers and only provide the management services. Currently, many institutions have accommodation spaces, but not of the quality expected by students. This model is suitable with institutions having large bed spaces.

### Key Highlights

The suitable models for Indian market in B2C segment are:

- Lease Model
- Aggregators model

And in the B2B Segment are:

- BOOT Model
- Management Only Service Model

# Assessment of Student Housing Business Models



## Business Model



## Pros



## Cons

BOOT Model	<ul style="list-style-type: none"> <li>✓ Minimizes cost burden on universities / institutions for infrastructure development</li> <li>✓ Scope for innovation</li> <li>✓ Better managed facilities</li> <li>✓ Better amenities and facilities for occupiers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Suitable only for large-scale projects</li> </ul>
Management only Service	<ul style="list-style-type: none"> <li>✓ Improves the quality and facilities of an accommodation</li> </ul>	<ul style="list-style-type: none"> <li>✓ Can only work where the college / institution have large bed space</li> <li>✓ College/institution need to invest or find investing partner</li> </ul>
Build & Manage	<ul style="list-style-type: none"> <li>✓ Direct connection with students.</li> <li>✓ High profit margins because of absence of middleman.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Huge upfront capital investment required</li> <li>✓ Suitable for big real estate developers only.</li> <li>✓ Hassle of managing all aspects of business</li> </ul>
Lease Model	<ul style="list-style-type: none"> <li>✓ Guaranteed income for small landlords</li> <li>✓ No hassles of dealing with tenants/ students</li> <li>✓ Timely maintenance of properties</li> <li>✓ Operator to address students' grievances</li> </ul>	<ul style="list-style-type: none"> <li>✓ Student Housing being a new concept, it is difficult to get smaller landlords on board</li> <li>✓ No cap on in and out timings, which might impact the security and safety aspect</li> </ul>
Aggregator Model	<ul style="list-style-type: none"> <li>✓ Smaller/unknown properties get featured under a bigger brand name</li> <li>✓ Better visibility for smaller landlords</li> </ul>	<ul style="list-style-type: none"> <li>✓ Student Housing being a new concept, it is difficult to get smaller landlords on board</li> </ul>

# Factors Driving Demand in Student Housing Market

Student housing is an alternative asset class in real estate, which ideally would fall under the commercial asset class category being a rent yielding asset.



## Increase in higher education enrolment in India

Gross Enrolment Ratio (GER) has reached 28.4% in 2021-22 from 24.5% in 2015-16 and is targeted to reach 50% in 2035



## Migration – More students migrating for education

The student relocation currently stands at around 11 million in 2023 while it is expected to reach 31 million by 2036.



## Quality and Convenience

Organized student housing players provides the quality and convenience which is highly valued by the students looking for private accommodation.



## Few players in the sector

At present, there are few players in the sector with limited capacity and reach which leaves significant room for new entrants.



## Organized players perceived as more credible

Due the quality and convenience provided by the organized players, they are perceived as more credible over local options in safety and security, value-added services; community and networking, etc. by the students

## Key Takeaway

- Post-pandemic, student housing rentals have been increasing 10-15% YoY which shows the scaling demand.
- With student enrollment in higher education projected to cross 92 million by 2036, there is untapped opportunities for investors and huge scope for sector's growth.

# Value Drivers for Student Housing

1

## STEADY INCOME & SOLID INCOME GROWTH

- Secure and steady rental growth
- Increase in rental rates by at least 7% over the last 8 years in developed markets.
- Returns of between 11-15% in USA and UK
- High occupancy rates.

2

## STRONG DEMAND CONDITIONS

- Strong supply demand imbalance, with demand conditions largely outweighing supply for quality student housing facilities.
- Steady rise expected due to growing university enrolments and increased international and intra-national student mobility.
- Sector has also performed well during periods of downturn due to the increase in student enrolments..

3

## LOW RISK PROFILE & INVESTMENT OPPORTUNITY

- Minor default risks due to parental financial guarantee and/ or minimum commitment from universities.
- High investment opportunity with the global market being currently valued at US\$ 138.31 billion.
- Equity funds, pension funds, investment managers and sovereign wealth funds are gradually entering the market.

4

## LIMITED UNIVERSITY CAPACITY

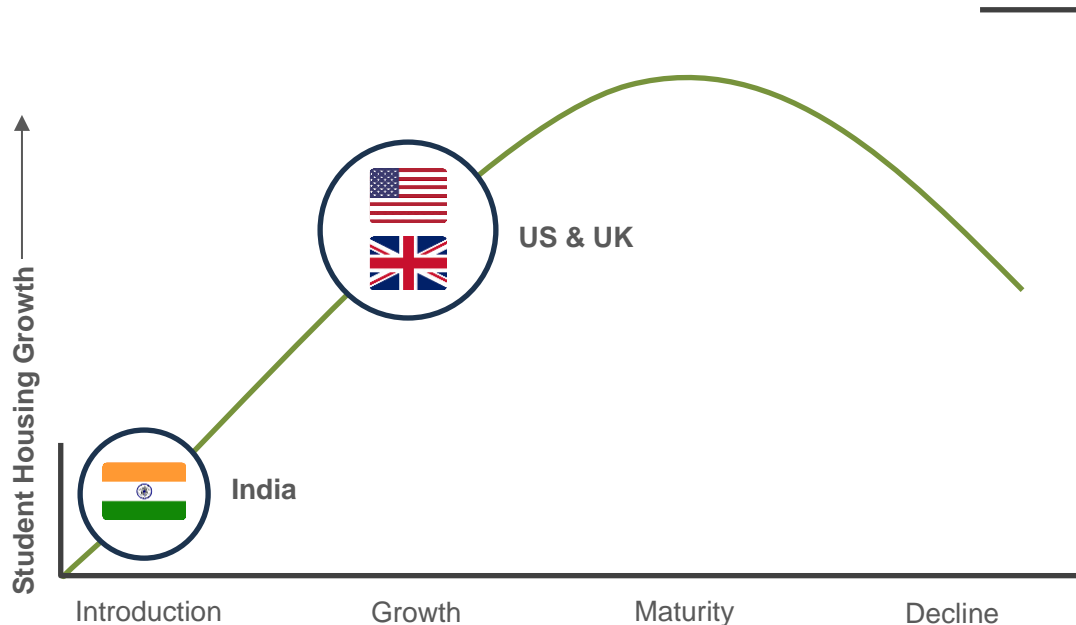
- Non-requirement of large scale investments for the university.
- Lack of willingness to utilize real estate available inside the campus for residential facilities.
- Better quality of housing being provided by SHSPs as compared to university built residences



# Private Student Housing Sector - Mapping Industry Lifecycle

The unorganized form of student housing has always been there. Be it hostels or the paying guest accommodation, student housing has been available in some form or the other. However, there is a huge demand supply gap, there is vast potential which can be tapped by the investors and developers.

Life Cycle of Student Housing in India vs US & UK



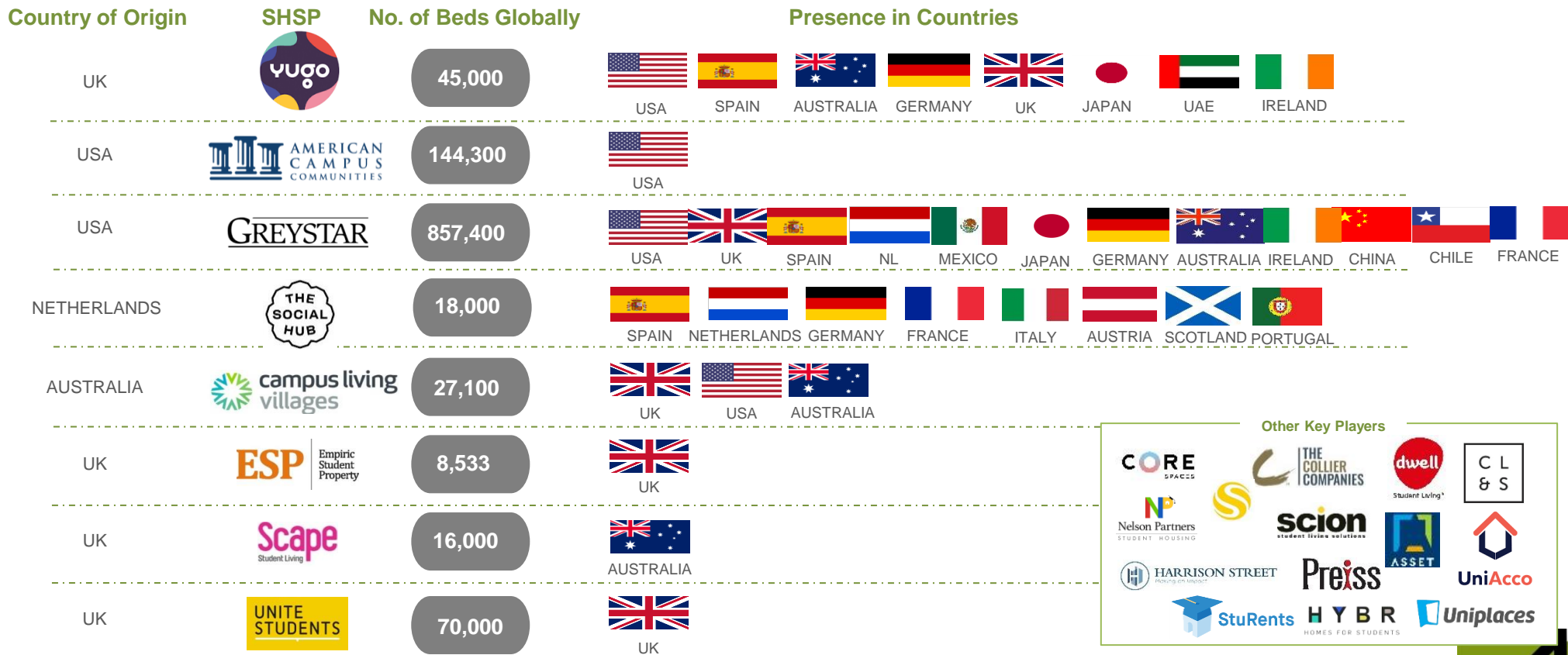
## Key Highlights

- In the global markets like, US, UK & Australia, student housing sector has already reached the growth phase.
- In the developed markets, student housing sector is moving from an alternative asset class to becoming a matured mainstream investment class.
- Prominent global players in this segment include Greystar, which has presence in US, Europe, Mexico, Japan, and Chile; American Campus Communities present in US; and Yugo which is present in US, Spain, Germany, Japan, UK & Australia amongst many other players
- Currently, student housing in India is at the introductory stage. However, as new players start entering the segment and existing firms increase their operations, this segment will soon reach the growth stage in India.

Source: CII ANAROCK Report

# Top Players in Student Housing Market- International










Student Housing Service Providers in developed markets are seeking newer opportunities and are becoming global by entering global potential markets



**Other Key Players**




# Top Players in Student Housing Market- India

Provider	Type	Total Beds	SH / CL*	Delhi NCR	Bangalore	Pune	Mumbai	Chennai	Hyderabad	Other Cities
	●	70,000	CL+SH	✓	✓	✓	✓	✓	✓	Dehradun, Bhopal, Mangalore, Indore +13 cities
	●	5,000	CL	✓	✓	✓	✗	✗	✓	Vishakhapatnam
	●	18,000	CL+SH	✓	✓	✓	✓	✓	✓	Coimbatore
	●	20,000	SH	✓	✗	✗	✗	✗	✗	Jaipur, Manipal, Solan
	●	10,000	SH	✓	✓	✓	✓	✗	✓	Dehradun, Jaipur, Indore, Chandigarh, Solan, Mussorie, Shimla
	●	20,000	SH	✗	✓	✓	✗	✓	✓	Chennai
	●	12,000	CL+SH	✓	✓	✓	✓	✗	✗	Ahmedabad, Jaipur, Indore, Dehradun
	●	4,300	SH+CL	✗	✓	✓	✗	✗	✗	-
	●	4,000	CL	✓	✓	✗	✗	✓	✓	-

# State of Indian Student Housing Market: Overview

**43 Million**

students enrolled in  
higher education



- There are currently 1.6 million purpose built student accommodation bed spaces in India, a figure which represents just ~4% of total student enrolment.
- The majority of this accommodation is operated outside of university control by private owners. Often it is off-campus, with poor quality and with little modern value-add facilities such as Wi-Fi or laundry services.

**70%**

students located in  
10 big states



- The number of higher education institutions located in India has risen considerably over the past five years to cater for current and expected demand
- However, while this may be the case, students still tend to cluster in certain regions.

**20%**

of demand is met by  
institute operated  
accommodations



- Currently, the student housing market in India is driven by a large volume of private owners with relatively small portfolios of off-campus hostels.
- Existing capacity is limited and new development has ultimately not kept pace with the growth in enrolment.

**Demand >  
Supply**

# Student Housing Deficit Analysis - India

## Methodology for Demand Estimation

No. of HEIs in the city and their student Enrolment

×

Proportion of Outstation Students

=

Migrant Students Requiring Accommodation

-

Existing hostel capacity of HEIs

+

Inventory of Formal Players

=

**Potential for Professionally Managed Student Accommodation Segment**

## Student Housing Demand – Supply Deficit Analysis

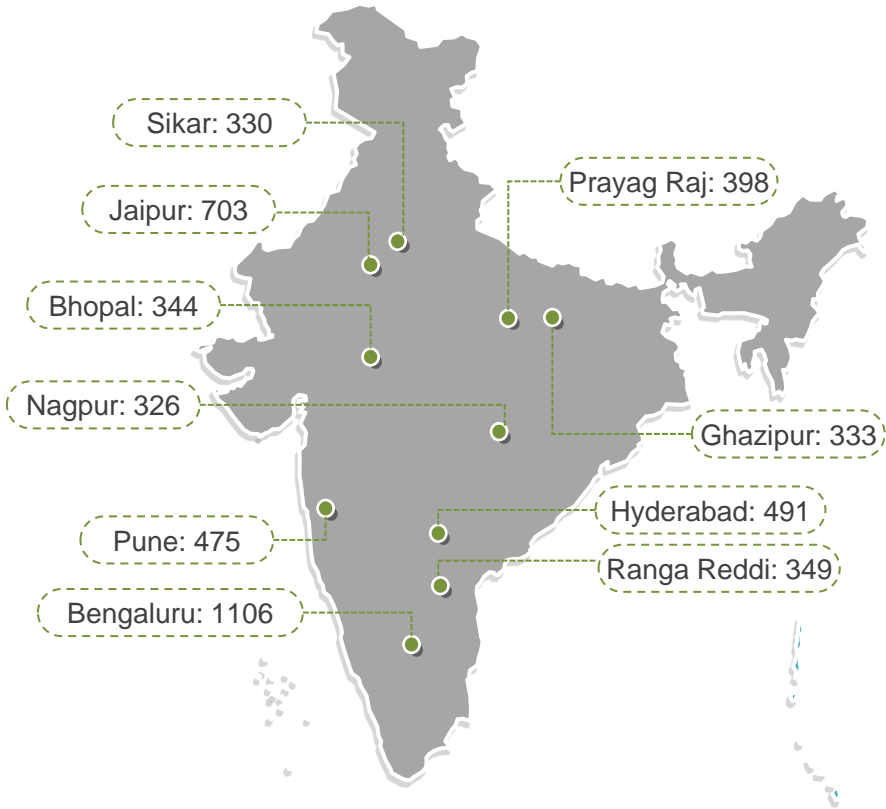
<b>Number of HEIs</b>	<b>58000+</b>
Students Enrolled in HEIs	43 Million
Proportion of Outstation Students*	25%
Migrant Students Requiring Accommodation	10.75 Million
HEIs Hostel Capacity	7.5 Million
Number of Beds Offered by Top PMSA Players	0.16 Million
<b>Additional Potential for Professionally Managed Student Accommodation</b>	<b>3.08 Million</b>

\*Proportion of outstation students: It is taken as the ratio of total student migration in the country to total students enrolled in HEIs

### Key Highlights

- Steady increase in the Indian student population along with support from government in promoting more enrolment in higher education has acted as strong driver for the expansion of the student housing segment.
- As per the analysis above, there is a huge unmet demand of close to 3 million students seeking accommodation across the country.

# Top 10 Districts for Student Housing in India



University Colleges: Top Districts

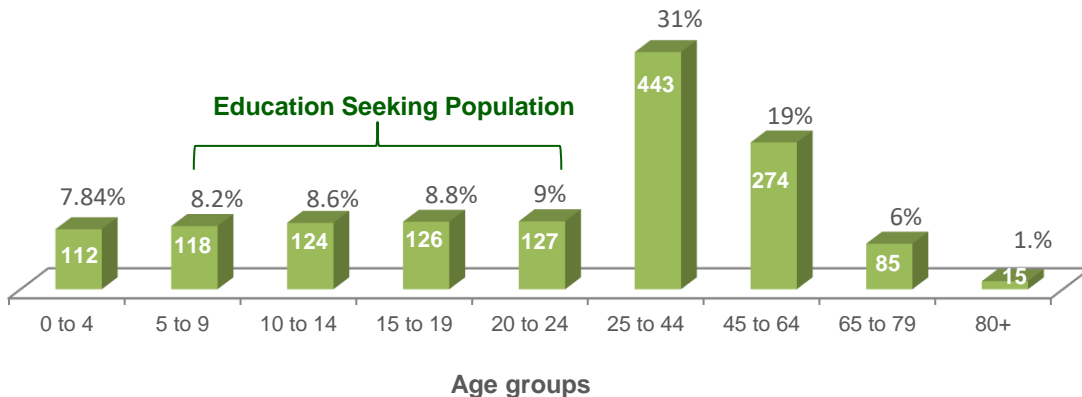
Students Population Requiring Accommodation

City	Population (18-24 years)	Student Population	On Campus Provision	Require Accommodation
Bengaluru	12,85,930	6,85,400	19%	4,72,086
Jaipur	5,27,271	1,37,617	6%	1,15,449
Hyderabad	6,09,811	2,38,436	12%	1,72,879
Pune	6,25,665	2,18,357	10%	1,66,530
Prayagraj	14,73,811	3,41,924	5%	3,15,343
Rangareddi	7,69,160	3,00,741	12%	2,54,143
Bhopal	4,75,110	1,28,754	4%	1,04,846
Ghazipur	1,92,929	44,759	5%	22,519
Sikar	1,61,334	42,108	6%	31,702
Nagpur	5,07,796	1,77,220	10%	1,41,650

# India has an Expanding Student Population..

Approximately 500 million people fall under education seeking population

Total Education Seeking Population in 2023 (in millions)

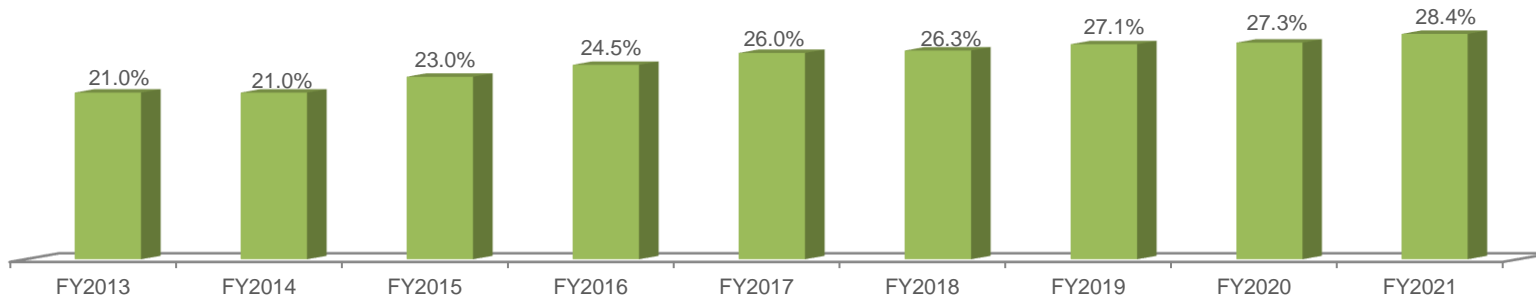


More than  $\frac{2}{5}$  of India's population was seeking education in 2023

Source: IMF World Economic Outlook Database Oct 2019 and world population review

GER at HEI level was only 28.4% in 2021 indicating high scope of enrolment

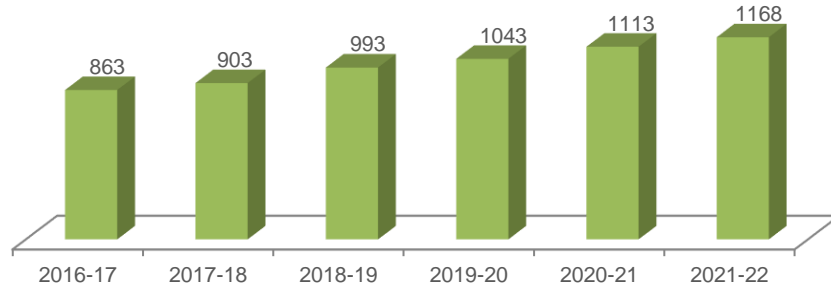
Gross Enrolment Ratio



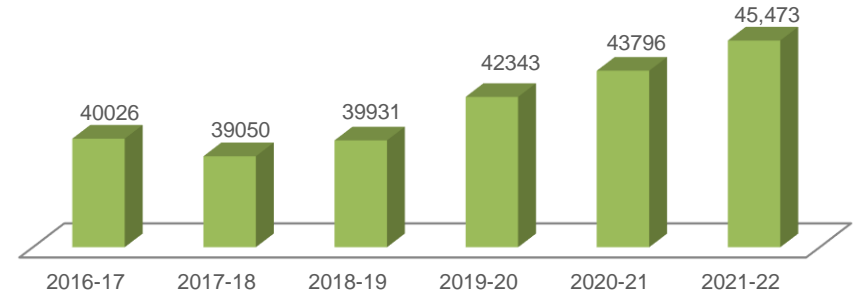
## ..And a Growing Number of Higher Education Institutes..

HEIs (Universities, colleges and standalone institutes) constitute 58,000+ institutes and have grown at average rate of 3.2% between 2016 and 2022

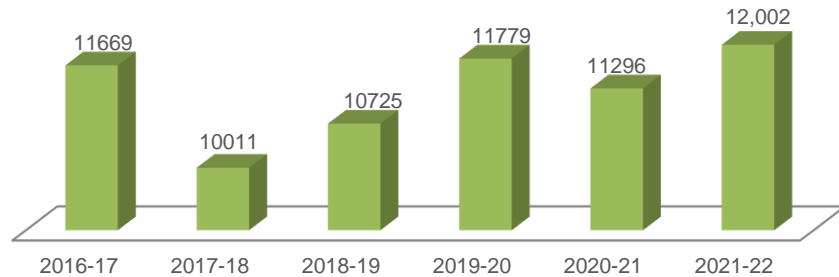
### Growth in Number of Universities



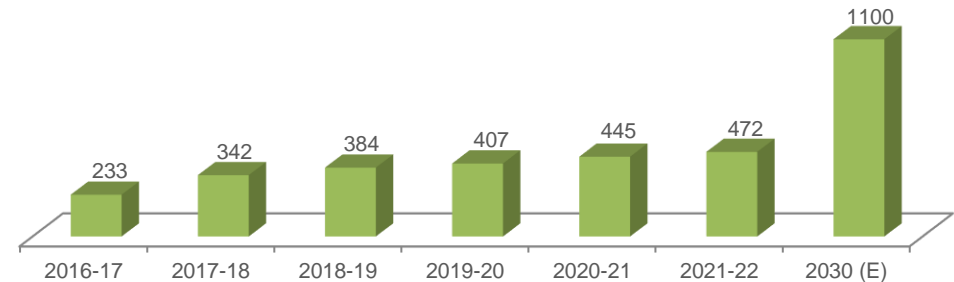
### Growth in Number of Colleges



### Growth in Number of Standalone Institutes



### Growth in the Number of Private Universities

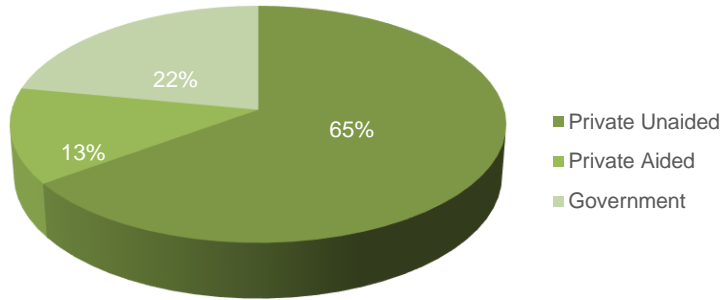




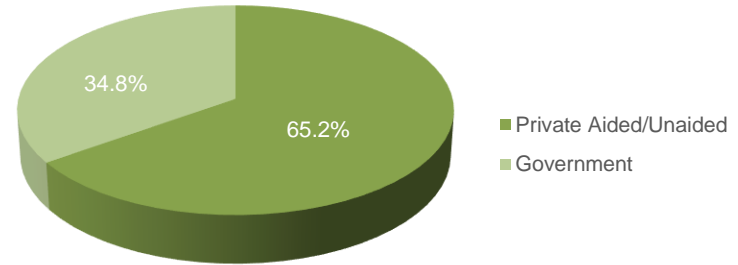
# ..Where Students Prefer Classroom Learning, Increasing Need for Housing Infrastructure

Govt. colleges make up 1/5th of all colleges but cater to 1/3rd of total enrolment

### Colleges Based on Type of Management

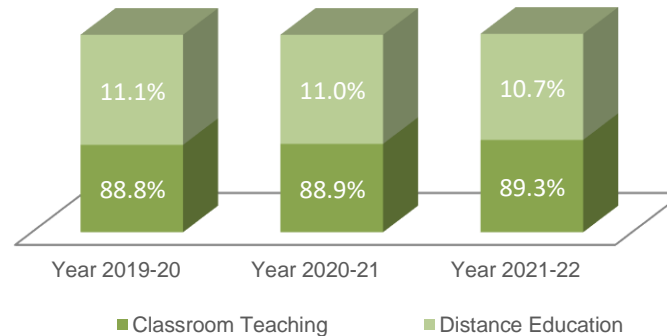


### Enrolment Based on Type of Management



Between 2019-20 and 2021-22, distance education has seen a drop in enrolments; whereas enrolment in regular mode i.e. classroom teaching has surged, implying a preference for classroom teaching in recent years

### Enrolment based on Mode of Delivery



# Challenges Facing Student Housing in India

## I. Lack of Facilities

- Majority of hostels are cramped and not well designed, especially in public HEIs.
- Lack basic facilities such as regular cleaning, adequate washroom facilities, common areas etc.

## II. Inadequate Management

- Caretakers of hostels and PGs are unqualified to manage student housing.
- Not aware of their duties and provide below par services to its occupants.

## III. Limited Capacities

- Few private HEIs provide hostel facilities and thus majority of students have to settle with over priced private PGs which lack basic facilities.
- Limited housing capacity within campus.
- Though capacity has increased with entry of private players like Stanza Living, Your Space but demand stills far exceeds supply



### Key Challenges for Student Housing

## IV. Few Alternatives

- Due to the limited capacity in hostels in HEIs, student have to look for alternate living arrangement which are not readily available in proximity to the HEIs..

## V. High Cost

- Student accommodations fees in private HEIs are very high and can be increased without prior warning.
- Cater to a select audience which can afford high cost of living.

## VI. Minimal Safety

- Most student housing facilities don't provide adequate safety mechanism to protect the student from external and internal threats such as theft.
- Lack safety facilities for fire, medical emergencies and security.
- Some local players have started takings measures such as installing CCTVs however number of such players is very less.

# Investment Landscape: Why Choose Student Housing?



## What's the Gap?

Only **1 student bed** is available for every **5 students** seeking higher education

## Why Invest in the Student Housing?

Nascent market,  
significant scope  
for scalability

Higher yields  
than traditional  
assets

Asset-light, no  
concentration of  
assets in few  
cities only

Good  
diversification  
strategy

Numerous Tier II  
markets with significant  
student population but  
affordable RE assets

# Higher Yield Than Other Commercial Investments

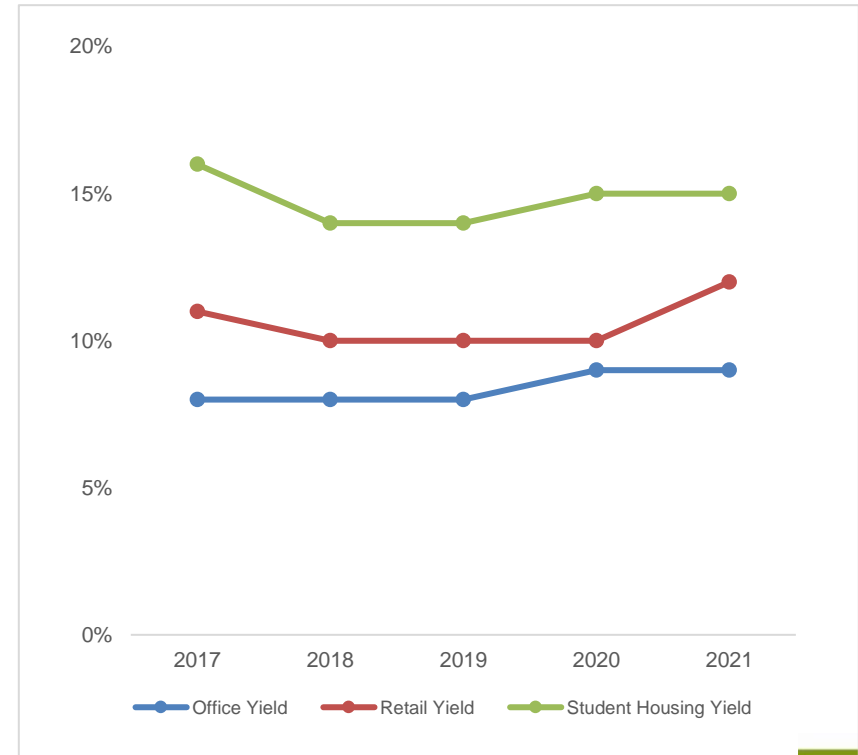
Student housing is an alternative asset class in real estate, which ideally would fall under the commercial asset class category being a rent yielding asset. The graph shows, office & retail yield rates vis-à-vis student housing segment:

Item	Value	Description
Student Revenue	2,40,000	Per student per annum
EBITDA Margin	69,120	Per student per annum
EBITDA Percentage	29%	-
Capital Expenditure	5,16,000	Per student (excluding land cost)
Per student Area	180	Sq ft
Per student rent yield	384	INR/sq ft/anum
Average Investment Yield	13%	Based on Eduvisors study. Can vary from city to city. Can be higher in Tier 1 & 2 cities.

## Project Size & Investments

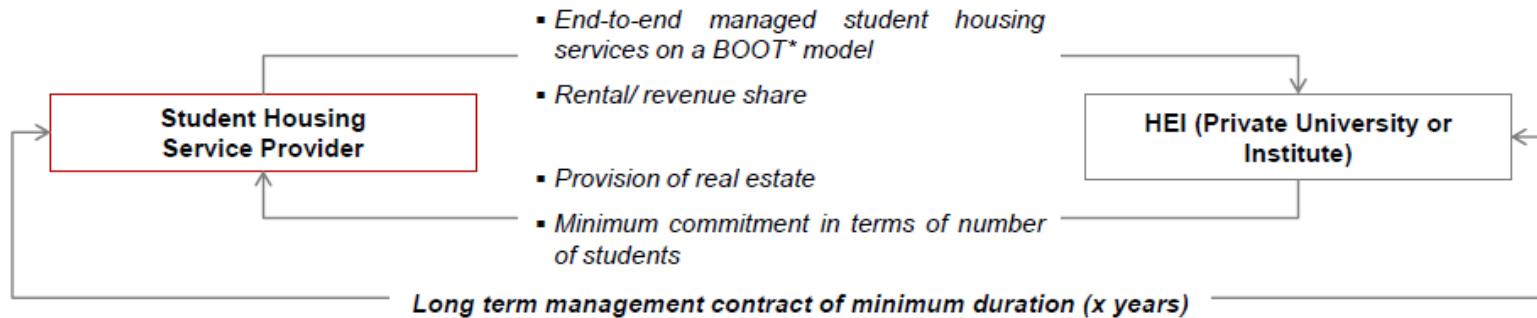
<b>Project Size (Beds)</b>	1,000	2,500	5,000
<b>Capital Expenditure (INR Cr.)</b>	52	129	258

Commercial Yield Rates (2017-21)



Source: JLL Research

# Proposed Models for Student Housing Operations in India



## Typical Roles & Responsibilities

No	Component	Student Housing Service Provider	Higher Education Institute
1	Land	✗	✓
2	Student Enrolment	✗	✓
3	Financing	✓	✗
4	Facility Construction	✓	✗
5	Ongoing Management	✓	✗
6	Maintenance	✓	✗
7	Management Services	✓	✓

- High quality of student housing facilities provided.
- End-to-end management, thereby allowing the university to focus on its core focus area.
- Affordable facilities due to presence of scale and established relationships with vendors.

## Key Highlights

- Student Accommodation is a **relatively new and unconventional asset class** that is specifically targeted at the student community, particularly in the higher education sector. As universities and colleges have flourished and enrolments have grown, specific countries and cities within these countries have emerged as major education centers
- There are currently 1.6 million student accommodation bed spaces in India, a figure which represents just ~4% of total student enrolment.
- There are different traditional and contemporary models to be opted by the student housing service providers including BOOT model, Lease Model, management service model and most recent aggregator model.
- Co-living and student housing market size is expected to grow by three times in the next 10 years. Around 95% of an entire rental residential market is unorganized and dominated by paying guests (PGs), hostels, apartment rental by homeowners and local brokers.
- Co-Living and student accommodation are at a nascent stage with the young shared living market reshaping gradually. The national average rental yield from traditional rental housing is merely 3%, but modern shared living spaces can achieve rental yields of 10 – 13%.
- Currently, the student housing market in India is driven by a large volume of private owners with relatively small portfolios of off-campus hostels. 20% of demand is met by institute operated accommodations. Wherein majority of hostels are cramped and not well designed, especially in public HEIs. Few private HEIs provide hostel facilities and thus majority of students have to settle with over priced private PGs which lack basic facilities. Most student housing facilities don't provide adequate safety mechanism to protect the student from external and internal threats such as theft.
- Despite a prolonged slump in residential real estate, co-living and student accommodation have become the main attraction for investors and developers. In India, co-living and student housing are expected to attract an investment of USD 700 million and the addition of 6 lakh beds in the next two years.



Monograph: December 2021

**Thank You**

---

For more information, please contact:

**Bharat Parmar**

T: +91 (124) 4119162, 4229162 Extn. 106

M: +91 98117 99162

E: [bharat@eduvisors.org](mailto:bharat@eduvisors.org)