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Scope & Comparison Of Student Housing Industry In India

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Abstract

This paper offers a unique and one of a kind market research for student housing industry in India wherein the top prospective cities are identified which offers most favorable business opportunity in this sector. Next, the best three cities among these have been shortlisted through qualitative approaches like brainstorming with the SME's and trend analysis of associated KPI's. Now, in order to build up the growth momentum for a potential private player who is optimistic for this industry, a good start is necessary in order to transform a potential industry into existence. Therefore, using analytical techniques we have selected that one city which offers highest returns in the shortest period not only in tangible forms but also intangible forms like publicity at a mass level which not only attracts potential business partners but also venture capitalists.

1. Introduction

The improvements in the education levels and increasing enrolments of students in Higher Education Institutes has made the student accommodation as the important sector of commercial property and is attracting the interest of many investors. Previously the student accommodation was only provided by the universities but due to increased enrolments in the educational institutes there is strong need of alternate form of accommodation as these universities are not able to cater the increasing demand. The global tertiary enrolments in 2000 were 98 million which grew to 165 million by 2009 and it is expected to grow to 263 million by 2025. The rise in the supply has not been fast to accommodate this steep rise in the housing demand thus resulting in the unbalanced student housing market. In US, 29% of students get accommodation on campus, 62% of students get accommodation in off campus private rentals which are often overpriced and poorly maintained and only 9 % of students get accommodation in private purpose built housing [1].

The need for student housing providers is to focus on improving service quality in order to remain competitive in the market. The different types of student housing quality dimensions are as discussed below:

- Enabling Facility Quality: This dimension includes factors such as security, rule and regulations, interpersonal relationship, behavior of landlord/lady, availability of transport, reading room facility, and overall quality of a housing facility.
- Core Facility Quality: This dimension includes bedroom facility, bathroom facility, and toilet facility.
- Supporting Facility: This dimension includes desirable value added services such as garage facility, junior common room, and entertainment facilities.
- Financial Cost: This dimension includes searching cost, housing rent, or fees per period. [2]

The student housing industry is emerging as a good investment sector and is attracting the interest of many investors. The business has low risk option and it characterizes secure and steady rental growth. It has high occupancy rate due to greater demand than the supply. The sector has well performed even during the times of downturn due to increase in student enrolments even during the recession periods. The sector has minor default risks due to parental financial guarantee and minimum commitment from universities. There is high investment opportunity with the global market being currently valued at US$ 200 billion. Privatization of student hostels is a good alternative financing solution for universities which can provide ability to meet the increased demand of student housing along with a new revenue stream to support financial operations of university. Thus it can provide relief to capital capacity constraints for university. Private housing not only provide financial alternative to university but also innovative housing plans according to student needs. [3]

Student housing sector is gaining popularity in India and is one of the most vibrant real estate markets in near future. Unlike other conventional real estate markets it offers relatively more stable income and resilient performance in downturns. Dense student populations that exist around prominent colleges positively affect the demand for residential spaces as well as restaurants and small retail spaces. The Indian higher education system has exhibited impressive growth over the last decade to become one of the world's largest systems of higher education. Higher education enrollment has grown at a healthy pace, with 3.6 million students being added over the last four years. India's higher education system is the world's third largest with respect to student enrollment, next only to China and the USA. The role of private investors in student housing in India assumes greater significance because of high potential of higher education and also has largest target market in the world. The expenditure made by the government is insufficient to create capacity for increasing demand. The demand and supply is widening due to infrastructure and

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investment deficit thus it is growth opportunity for private sector players. India is to meet its 30% GER (Gross Enrolment Ratio) target by 2020 and about 40 million students would be enrolled in the higher education by 2020. Currently, 14.6 million students are enrolled in the higher education sector. Therefore, an additional capacity of about 25 million seats would be required over the next decade to cater to the increased demand [4].

2. Literature Review

Student accommodation industry has been traditionally dominated by unorganized players. Twenty first century has brought about a paradigm shift in this tradition. Organized and big real estate firms have identified huge potential and void this industry has to offer. According to the report by Dawn Wotapka [5] Lennar Corp., a large real estate builder, identified huge potential in the student accommodation business from the students of University of Texas and established its first off-campus apartment community near University of Texas in Austin. Similarly, Toll Brothers Inc. known for its dominance in traditional real estate business of suburban homes purchased a land near the University of Maryland in College Park and Penn State University in State College on which it plans to build student housing. These moves were taken by the real state developers to diversify their portfolio in areas that are considered less sensitive to downturns during an economic recession. Even during real estate crash, prices of single family homes declines and apartment landlord reduced rents but student housing landlords continued to raise rents without any objection from the students.

There is huge gap in the student housing industry. In the MIT faculty newsletter, Brian Spatocco regarded lack of graduate student housing as a serious problem and stated that if this issue is left unchecked it will not only have a profound effect on the quality of life of many off-campus MIT community members but it may also markedly impact the ability to attract the talent as well as maintain the level of productivity which fuel their academic pursuits [6]. The emphasis was also given on living close to the place of work that is a walking distance from the campus as it is important to the safety, well-being and quality of life of the graduate. Thus, penetration of big firms in this industry can prove to be highly rewarding in the long run and may also give first mover advantage.

The student accommodation is a captive niche market to investors and the investment feasibility of student housing is enumerated in the study made by Mathew E. Pace [7], where he says that the student population is rising twice as fast as the total U.S. population and University owned supply has failed to keep pace with demand growth as well as the private sector is slow to fill the void. The per unit rents or student housing generally exceed those for conventional apartments, as units have more tenants paying rent. Despite a growing institutional presence, the student housing market is still highly fragmented and dominated by small, undercapitalized owners, whose market share would be vulnerable to capture by larger, more professional institutional developers, managers, investors, and owners.

Various business models can be executed in this industry. The private development of student housing by partnership with the institution provide interactive and enriching student living experience possible for the least cost. These partnerships allow the institution to benefit from the efficiencies of private development according to a report by John Martin and Mark Allen. It further stated two projects which were developed through successful partnerships, College Row at Franklin

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& Marshall College and South Campus Gateway at Ohio State University [8]. A generation of students has become accustomed to colleges and universities competing for their enrollment with improved housing options thus housing to student expectations for a comfortable and engaging environment is an established trend in residential life.

The academic performance of the student is directly influenced by the quality and quantity of their residential accommodation. Observing this, the Federal Government of Nigeria directed Heads of Tertiary Educational Institutions in the country to hand over hostels in campuses to private managers and also encouraged private investors to build hostels for students [10]. In the study made by Bassey Ubong, few benefits of the hostel accommodation were highlighted. These benefits include students staying in hostels enhances desire to read with fewer distractions, moreover, activities of studious students can force less serious ones to read. Students in hostels enjoy greater opportunities of participating in co-curricular activities. Students go under moral training such as proper code of conduct and individual behavior in group situations during their stay in hostels.

Though investment in student housing industry does not generate a high ROI but it certainly reaps stable and guaranteed success if backed by a proper market research and effective execution of its suggestions. According to the report by JLL (Jones Lang LaSalle), the student housing industry is emerging as mainstream investment category. This is all due to rise in student numbers worldwide and increase in international student mobility [1]. In 2000-2011 global tertiary enrollments rapidly rose from 98 million to 165 million in 2011 and it is expected to reach 263 million by 2065. The special attributes of this sector are the stable rental income with solid annual growth, resilient performance in downturns and high occupancy rates as student enrollments are rising at a higher rate than supply.

Although this industry offers great opportunity, aspiring players should not be over ambitious. A study conducted on student housing in the city of Pretoria, South Africa revealed that the university can only accommodate less than 34% of the to total enrolled students [11]. Thus the private student housing clearly plays a critical role in bridging the existing gap and a partnership between the private housing providers and the university may help optimize entrepreneurship ability and potential. Government entrepreneurship financing agencies like Independent Development Corporation (IDC) and National Youth Development Commission (NYDC) could benefit both the student community and the general public if engaged in joint housing provision venture.

3. Scope of Student Housing in India

India is witnessing growing number of educational hubs throughout the country due to increased student mobility from all the states. The growing influx of students in these educational hubs has created growing demand of student accommodation which the educational institutes are not able to cater. The educational hubs in India are Delhi-NCR, Pune, Chennai, Mumbai, Kota, Jaipur, Nagpur, Kolkata, and Hyderabad.

Pune, Delhi-NCR and Chennai have witnessed a strong growth in number of student enrollments in recent years and also increase in number of private higher education institutes. They have relatively more number of outstation students studying compared to other Indian cities. Mumbai has fallen to lower positions in catering education demands of the students firstly due to a high living cost in the city for the students secondly due to shortage of land and which has thus increased real estate prices. Kota is a popular coaching destination for competitive exam preparation for engineering and medical colleges. The scope of student housing industry is limited as the major outstation students are in the city for coaching facility which lies under supplementary education thus there is uncertainty in continuity of the coaching tenure due to high dropout rate.

Jaipur, Nagpur, Kolkata and Hyderabad are cities with low per capita income and relatively the local governments also generates lower revenue per capita (Less than Rs.50,000/- in 2013). Moreover, these cities are facing growing rate of poverty crisis ***(y%)*** and persistently acute state of law and order along with corruption resulting in lower investments in education infrastructure ***(x%)*** as per xyz report. This has resulted in low attraction of the outstation students to migrate to these cities for pursuing higher education. Thus, the state of infrastructure remains an issue along with shortage of land allocation for setting up educational institute and residential accommodation for the same. This factor cumulatively makes scope of student housing industry in these cities dim.

3.1 Scope Student Housing Industry in Pune

Pune, also referred to as "the Oxford of the East", is an important education hub that attracts students from all over the country (470 institutions with over 3, 40,000 enrolments). The city has several premier engineering, management and polytechnic institutes including College of Engineering, Pune (CoEP), Symbiosis University, MIT, Fergusson College, etc. There are about 2, 00,000 outstation students studying in Pune. Close to 54% of the total students enrolled are from all different parts of the country while 5% are international students mainly from Afro-Asian countries. Pune has students from 74 different countries. Pune has also seen a growth in private investment to set up colleges and universities.

3.1.1. Hostel Overview: College hostels are the most cost effective option for students, however quality of facilities is poor and infrastructure is limited. It has been observed, that several college hostels have poor canteen facilities, inadequate water supply, no hot water and no Wi-Fi facilities. Also college hostels generally provide accommodation to first year students and after that, these students have to explore other alternate modes. Student feedback suggests that higher rental rates of the college hostels did not necessarily provide students with better facilities and environment. Thus the facilities provided in most of the college hostels are inadequate and do not even provide basic amenities to the students.

3.1.2. Private Hostel Overview: The city currently has only 40 registered private hostels. The majority of private hostels are unorganized and it is estimated that there are between 500 – 600 unorganized hostels, which have a capacity of between 2 – 10 rooms. The facilities provided in these hostels are also not adequate. Hence only 10% of the outstation students prefer this mode of accommodation. The private hostels in Pune are very limited thus they are not able to accommodate the increasing number of students with a need for affordable college accommodation.

3.1.3. Paying Guest Overview: Paying Guest accommodation is the most popular choice for outstation candidates in Pune. As there are large number of small colleges in the city and the profile of the Paying Guest varies greatly with different areas. Most of the families living adjacent to the colleges have started renting out a part of their flat to outstation students. Paying Guest accommodation in Pune is generally on a sharing basis and due to the diverse profile of the students the preference is to share their accommodation with friends or acquaintances. Approximately 60% of the outstation students in Pune are non-Maharashtrian and are keen to stay in a family based environment that is offered by paying guest.

3.1.4. Rented Flats Overview: Most of the colleges in Pune provide college hostel facility only to first year students. After which students generally prefer to opt for rented flats. However, renting

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flats is a costly option for students in Pune as the rentals are higher than the alternate modes of accommodation. This escalation in rentals has been caused by high demand for housing from IT professionals. The rising rates have forced many students to move to the outskirts of the city. Though students save on rental but they have a longer commuting time and eventually end up paying higher transportation costs.

3.2 Scope of Student Housing Industry in Delhi-NCR

The region is one of the leading education centers in India that attracts students from all parts of the country as well as international students (656 institutes with over 9, 30,000 enrolments). The region has some of the prominent undergraduate degree colleges' medical institutes, engineering, and management institutes. Approximately 41% of the students come from other parts of India while about 4% are international students. In the recent decade, several private players have set up private educational institutes in Noida and Gurgaon. Besides several private as well as government universities and colleges, the region is also a hub for UPSC examination coaching institutes.

3.2.1 College Hostel Overview: Delhi NCR is one of the preferred location in India for outstation students, with nearly 45% of students enrolling across Delhi colleges from other cities. Priority for securing a college hostel seats is mostly on merit. The fees for College hostels in Delhi NCR area have witnessed an increase by 20 to 30% between 2011 and 2013. This has been due to the rising cost of all amenities as well as increase in maintenance cost charged for the upkeep of the hostel. Generally most of the college hostels in Delhi NCR do not have the supporting infrastructure to accommodate a large number of students and thus only 12% of the outstation students manage to get accommodation in these hostels.

3.2.2 Private Hostel Overview: The colleges in Delhi and NCR have a limited number of hostel seats for undergraduate students and thus a large number of students especially women opt for private hostel facilities. Private hostels are located in residential clusters close to key college campuses. Increased demand for private hostel facilities has resulted in higher rental charges for the facilities. As such the rentals of private hostels are generally higher than PG facility in some cases.

3.2.3 Paying Guest Overview: Paying Guest (PG) accommodation is a popular choice for students and also caters to young professionals working in the region. Home style food, hygienic and spacious rooms; with Wi-Fi connectivity make PG a preferred option for students in the city. With rising costs of paying guest accommodation, students on are being evaluating areas away from their college including Gurgaon, Noida, and Indirapuram.

3.2.4 Rented Flats Overview: Shared rental flats are an attractive alternative for students and single professionals, offering independent living arrangements. This option is more popular among male students. As safety is a key concern for female students in Delhi, renting shared flats is not a preferred option for female students due to low security. With increased security and safety concerns, landlords are becoming particular on renting flats to students. This has resulted in a shift to rented rooms being let out in unauthorized and irregular colonies.

3.3. Scope of Student Housing Chennai

Chennai is home to several education and research institutes that are ranked among the top institutes in India. These include three central universities, deemed universities, reputed engineering and medical colleges as well as several Arts and Sciences colleges (348 institutes with an enrollment of over 4,16,000). Chennai attracts a large number of outstation students including

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foreign students as well and approximately 68% students come from outside Chennai and the other 2% are international students.

3.3.1. **College Hostel Overview:** Hostel rooms are allocated on a first-come-first-serve basis and those students unable to secure a college hostel seat must look for private accommodation. Amenities at college hostels are poor and inadequate as facilities have not been expanded and upgraded to balance the increase in student intake. College hostels in Chennai have been criticized for poor infrastructure, sanitation and quality of food. Some college hostels lack basic facilities such as adequate water supply and provision for drinking water.

3.3.2. **Private Hostel Overview:** The lack of safety, poor quality of food and hygiene are common problems faced by students in private hostels. There is no regularization or licensing as far as private hostels in Chennai are concerned. Hostels are not covered by the Chennai Corporation and are treated as residences.

3.3.3. **Paying Guest Overview:** Chennai attracts a stream of students and young professionals who demand temporary, cost effective housing that paying guest accommodation provides. However, demand for paying guest facilities in Chennai is driven by non Tamil speaking working population.

3.3.4. **Rented Flats Overview:** A number of foreign students pool resources and share a common apartment flat. Students however face difficulties when finding rental accommodation as flat owners are unwilling to rent their flats to bachelors and international students. Also, owners are continuously revising the rentals due to high demand. Besides, students have to pay 2 months advance rental along with 1 month's security deposit.

4. Comparison Between Pune, Delhi-NCR, Chennai

Among Pune, Delhi-NCR, Chennai to reason out the best city in India to set up the student housing industry we have used an analytical method. We have picked up seven dominating factors in student housing industry and have assigned weight to each factor. This is done by pair-wise comparison method in which each factor is compared with every other and is given 1 point if it carries more importance than the other. As shown in the Table 1.

Table 4.1: Pairwise Comparison

Factor	No. of Students	No. of Outstation students	No of students who don't get hostel accommodation	Living Cost	Buying Power	Competition	(students/ km)	Score
No. of Students	-		1	1	1			3
No. of Outstation students		-		1	1			2
No of students who don't get hostel accommodation		1	-	1	1	1	1	5
Living Cost				-	1			1
Buying Power					-		1	1
Competition	1	1		1	1	-	1	5
Average	1			1			-	2

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Density of students in the city (students/ km)								

On the basis of the total score obtained by the each factor in Table 1, we have calculated weightage by dividing the factor score with total score. Weightage of each factor is shown in the Table 2.

Table 4.2: Weightage Calculation

Factor	Score	Weightage (Score/19)
No. of Students	3	0.157895
No. of Outstation students	2	0.105263
No of students who don't get hostel accommodation	5	0.263158
Living Cost	1	0.052632
Buying Power	1	0.052632
Competition	5	0.263158
Average Density of students in the city (students/ km)	2	0.105263

Finally with weightage of each factor obtained we have multiplied the weightage with factor value corresponding to each city. Factor value is 3 if the factor is best suited to a city and 1 if it is least suited to the city. Then a cumulative score of each city has been calculated as shown in the Table 3.

Table 4.3: Cumulative score of each city

Factor	Weightage	Delhi	Pune	Chennai
No. of Students	0.157895	930,000 (3)	340,000 (1)	416,000 (2)
No. of Outstation students	0.105263	421,626 (3)	200,000 (1)	291,328 (2)
No of students who don't get hostel accommodation	0.263158	372,780 (3)	164,000 (1)	244,715 (2)
Living Cost	0.052632	5,550 (3)	4,500 (2)	4200 (1)
Buying Power	0.052632	6800 (3)	4500 (1)	6000 (2)
Competition	0.263158	3 (2)	3 (2)	2 (1)
Average Density of students in the city (students/ km)	0.105263	251 (3)	234 (2)	209 (1)
SCORE	-	2.21	1.42	1.57

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5. Conclusion

The student housing industry is emerging as the good investment sector which has a huge scope in India. This is due to the impressive growth rates in education facilities in the country. The increase in number of student enrollments in higher education institutes has created a increase in demand of student accommodation which these institutes are incapable of catering. Thus infrastructure needs to be created not for education facilities but for providing student housing.

Among the nine cities (Delhi-NCR, Pune, Chennai, Mumbai, Kota, Indore, Nagpur, Kolkata, Hyderabad) initially considered to set up the student housing industry in India we came down to best three cities (Delhi-NCR, Pune, Chennai). Finally by using a analytical technique from top three cities we came down to one city i.e. Delhi-NCR which is most favorable city to set up student housing industry in India.

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