

RESEARCH



DUBLIN

STUDENT HOUSING REPORT
2017

TRENDS

ANALYSIS

OUTLOOK

SUMMARY

1. Dublin accounts for 43% of Ireland's student population
2. Existing schemes currently cater for only 13.2% of the current student population
3. Average rents are highly variable but are expected to start at approximately €230 per week for new city centre schemes for the 2017/18 academic year
4. There are 7,181 private student beds in the pipeline, of which 4,197 are currently under construction
5. 93% of beds in the construction pipeline are located in the postcodes of Dublin 1, 7 and 8

Compelling market fundamentals have brought global student housing specialists to Dublin, helping to alleviate the prevailing undersupply.

Overview

There are 183,475 full-time students enrolled across the 27 third-level institutions which receive public funding in Ireland. The institutions are comprised of 7 universities, 14 institutes of technology and 6 colleges of education. The deployment of public funds is managed by the Higher Education Authority (HEA) and the Department of Education and Skills (DES).

Dublin has 78,791 full-time students – 43% of the total Irish student population – and 11 of the institutions. This comprises of 3 universities, 4 institutes of technology and 4 colleges of education, most notable of which are Trinity College Dublin (TCD), University College Dublin (UCD), Dublin City University (DCU) and Dublin Institute of Technology (DIT). In addition, there are numerous third-level private institutions in Dublin, the largest of which is Dublin Business School (DBS).

The number of students in Dublin has grown by 34% over the past 10 years, which has been underpinned by a number of long-term structural drivers:

- Underlying demographic pressure, with Ireland having both the youngest and fastest growing population in Europe
- The ever-increasing educational threshold required to compete in today's knowledge economy is boosting participation rates in third-level education
- Rising inflows from international students, which is primarily being driven by an expanding Asian middle class.

Current supply

The provision of student accommodation in Dublin has failed to keep pace with the growth in student numbers, creating a situation whereby the market is structurally under-supplied.

Detailed research carried out by Knight Frank shows that there are 10,442 student accommodation beds currently in operation in Dublin. With 78,791 students currently enrolled in third-level institutions in Dublin, existing schemes have the capacity to accommodate just 13.2% of the city's

student body. In an international context this is extremely low. For example, in London, 30% of full-time students have access to Purpose-Built Student Accommodation (PBSA).

Historically, it has been the responsibility of third-level institutions to provide PBSA in Ireland with little private sector participation. Of the current provision of PBSA in Dublin, 65% was built by third-level institutions with the remainder built by the private sector, reflecting the relative immaturity of the private market here.

The largest third-level delivered scheme is Trinity Hall in Dublin 6, which provides 1,018 beds for Trinity College students while Ashfield Hall became the newest scheme when it opened in 2016, providing 354 beds on-campus at UCD.

The largest private sector PBSA scheme in Dublin is Griffith Hall in Dublin 8 which provides 650 beds. Other significant schemes currently in operation include Shanowen Square and the Gateway Student Village, both located in Dublin 9, which provide 338 beds and 327 beds respectively. Binary Hub, located in the Digital Hub in Dublin 8, is the newest private scheme that has been brought to market. The development, which opened its doors in September 2016, provides 471 beds.

Rents

Benchmarking rents and inflation to a specific level is a challenging task given the variability of the age, quality

and location of the limited existing stock. Taking a broad view, weekly rents in private developments for the current academic year range from €170 to €260 for a single room en-suite, the latter being achieved at the Montrose Student Residence. For beds provided by third-level institutions, average rates were noticeably lower ranging from €114 to €192 per week. This represented annual inflation of 10% in comparison to the previous academic year.

As described in the next section, a number of new schemes are due to come online in the coming years in clusters around the city centre which will improve the reliability of market rent estimation. For high-quality new builds coming online in the city centre this year, indications are that average weekly rents for single en-suite rooms will start at €230. Lease term lengths may come under pressure and increase from the current academic year of approximately 36 weeks.

Just **13.2%** of the student population are catered for by purpose-built student accommodation

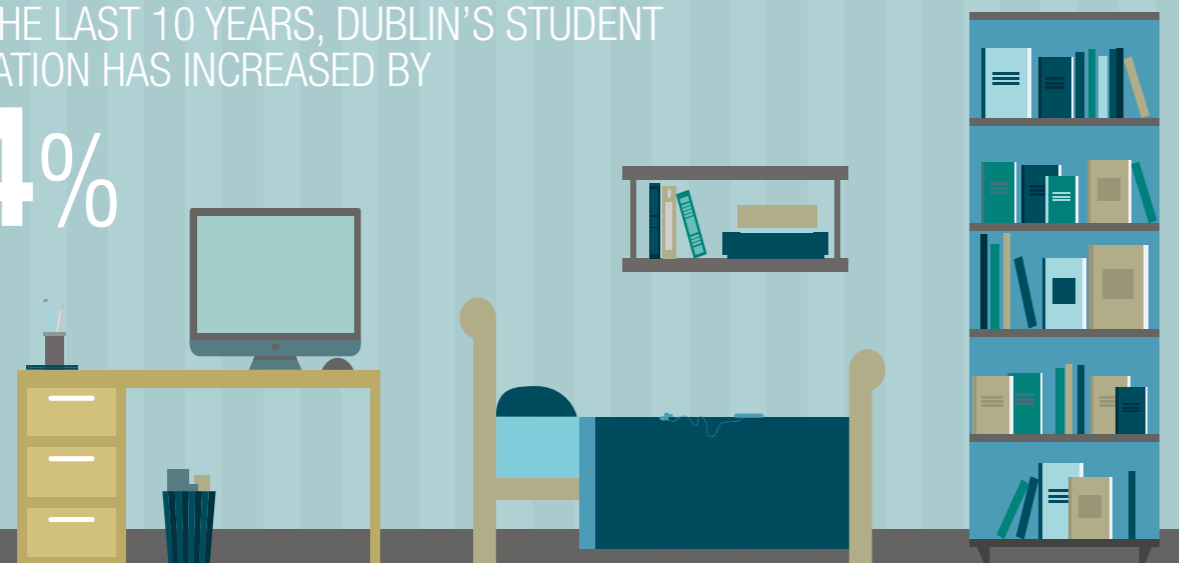
FIGURE 1
Dublin Student Accommodation Summary

	Students	% of Students
Third-Level Provided PBSA	6,785	8.6%
Private Sector PBSA	3,657	4.6%
Students not catered for by PBSA	68,349	86.7%
Total Student Population	78,791	100%

Source: Knight Frank Research
Note: Due to rounding, percentages may not add up to 100%

OVER THE LAST 10 YEARS, DUBLIN'S STUDENT POPULATION HAS INCREASED BY

34%



IMPACT OF BREXIT

Brexit will have a positive effect on student numbers in Ireland, as UK higher education becomes a less attractive proposition to EU students. Dublin – which attracts half of the State's international students – is particularly well positioned to see an uplift in numbers.

Presently, EU citizens are entitled to study in EU member states, pay domestic fees (in some cases less than a third of the international fees) and

access student loans. However, when the UK leaves the EU in 2019, EU students attending third-level institutions in the UK would lose these privileges. Indeed, the Brexit effect is already beginning to be felt, with UK universities witnessing a 7% decline in applications from EU students for the 2017/18 academic year, the first decrease in nearly a decade.

There are currently almost 125,000 EU students in UK third-level

institutions equivalent to 6% of total students. For EU students who wish to study in an English speaking country in the EU, Ireland will be the only remaining option. Attracting 10% of the UK's EU student population will more than meet the Government's objective of increasing international student numbers across public and private third-level institutions from 33,118 in 2015 to 44,000 in 2020, a targeted rise of 33%.

CITY CENTRE DEVELOPMENT PIPELINE

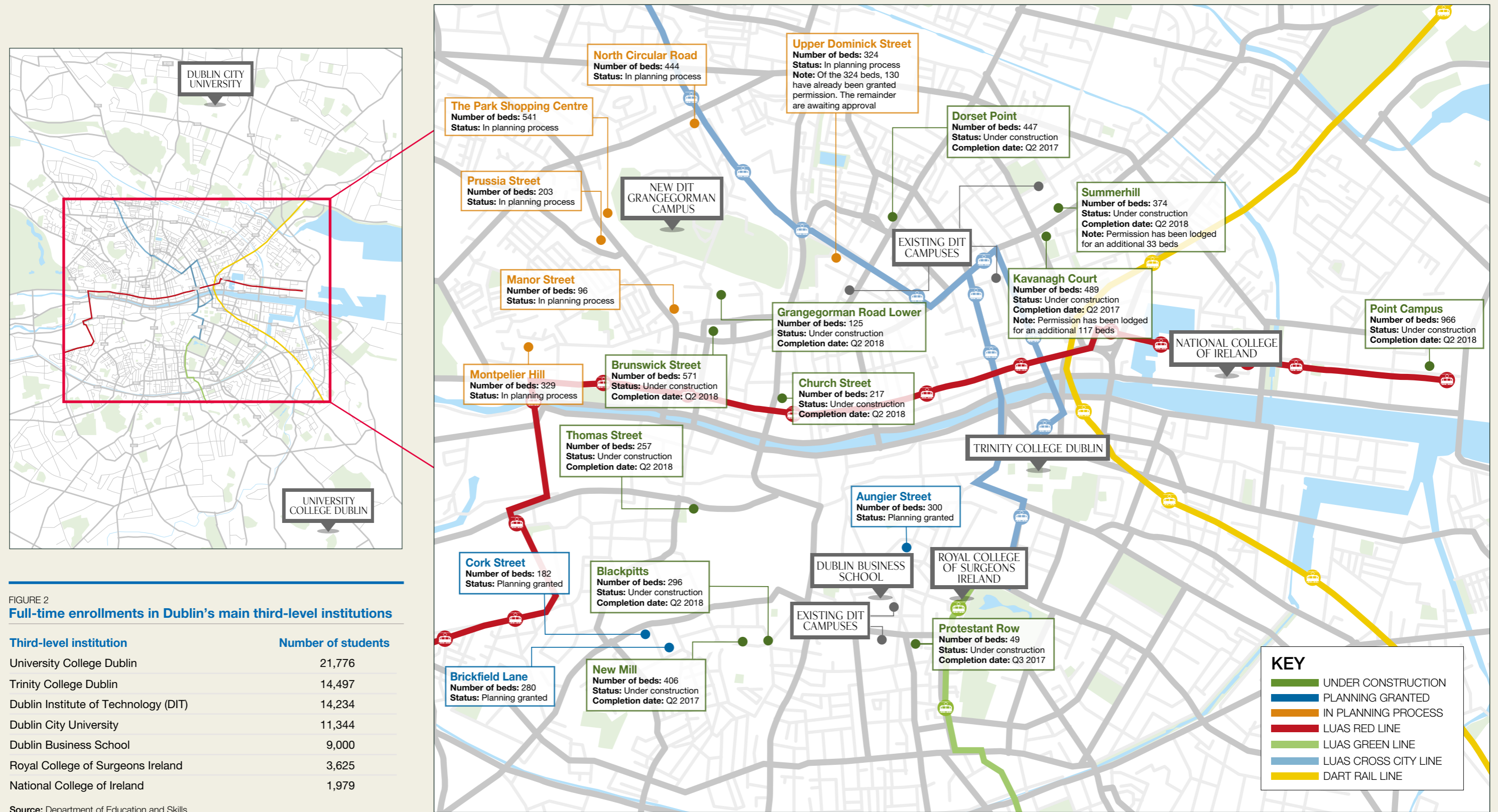


FIGURE 2
Full-time enrollments in Dublin's main third-level institutions

Third-level institution	Number of students
University College Dublin	21,776
Trinity College Dublin	14,497
Dublin Institute of Technology (DIT)	14,234
Dublin City University	11,344
Dublin Business School	9,000
Royal College of Surgeons Ireland	3,625
National College of Ireland	1,979

Source: Department of Education and Skills

Note: All figures noted above are approximate estimates only and may be subject to change.

“There are 21 private PBSA projects currently in the pipeline which have the potential to provide 7,181 beds by 2019.”

Driving forces of current market activity

Dublin’s student housing market is currently undergoing a rapid transformation from a relatively immature market to one which has the world’s leading global investors such as Global Student Accommodation (GSA) investing heavily here. The supply and deployment of capital can be explained by:

1. Supply – Global capital market trends

The dual capital forces of increased cross-border real estate investment flows and the rise of student housing as a distinct asset class has increased global allocations available for investment in student housing. The positive aforementioned market fundamentals of the Dublin student sector has ensured that a sizable amount of this capital has been deployed here, with net initial investment yields of 5.5% competitive in a global context. Furthermore, the severe lack of supply in the wider residential market minimises leasing risk while the free market setting of rents on a yearly basis increases the attractiveness of the asset class in a rising market like Dublin. Lastly, the absence of apartment style design standards such as the requirement to provide basement car parking also makes student schemes attractive.

2. Deployment – New DIT Campus at Grangegorman

The consolidation of a currently disparate population of 14,234 DIT

students spread across 40 campuses into one location creates a clear market opportunity to invest in this area. The LUAS Cross City Line – which is due for completion by year-end 2017 – will cut travel times from Grangegorman to the city centre to just 15 minutes and is thus expected to also increase the popularity of Dublin 7 with students of Trinity College, The Royal College of Surgeons and Dublin Business School. The cross city line is adding to the desirability of sites located in the vicinity of city centre LUAS stops in areas such as The Point Campus in Dublin 1 and the cluster of new schemes in Dublin 8. As a result, 93% of beds in the construction pipeline are located in Dublin 1, 7 and 8.

Future supply

There are 21 private projects currently in the pipeline which have the potential to provide 7,181 beds by 2019. Of these, 4,197 are under construction, 1,027 have been granted planning permission while a further 1,957 are in the planning process.

The Point Campus in Dublin 1 is the largest scheme currently under construction, with 966 bed spaces due to be delivered at the 2.3 acre site in 2018. The site is being developed by O’Flynn Capital Partners, who have vast experience in the student housing sector having built almost 7,000 beds in the UK previously.

The second largest project under construction is taking place at Brunswick Street where GSA will deliver 571 beds with completion also due in 2018. GSA are nearing completion at two other schemes, with 489 beds to be delivered at Kavanagh

Court on Gardiner Street and a further 406 at New Mill in The Liberties. Another substantial scheme set to be completed in time for the start of the 2017/18 academic year is taking place at Dorset Point, where 447 beds are due. The development was recently purchased, along with three other student housing assets, by Hines from Oaktree for a reported €240 million in late 2016.

Third-level led delivery

In terms of third-level provided PBSA, Trinity College, UCD, DCU and DIT all have plans to build new student residences. Trinity plans to build 2000 beds according to its Strategic Plan 2014- 2019 report although Oisín House on Pearse Street appears to be the only site that has gone through the planning process to date. Sites at Windmill Lane and Sir John Rogerson’s Quay have also previously been mentioned as suitable for development.

DCU plans to build 850 beds as part of its €230 million Campus Development Plan 2016-2021. According to UCD’s ten-year plan to 2026, the University intends to spend €300 million on new residences, which will increase its capacity by approximately 2,800 beds. Finally, DIT aims to build 2,100 bed spaces at its

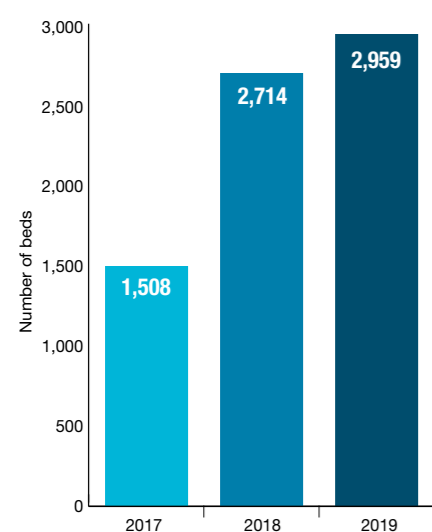
Grangegorman campus with delivery spread over three tranches. The first tranche will comprise of 700 beds with a targeted completion of 2019, with the second and third tranches comprising of 900 and 500 beds respectively.

– or over 10 schemes of Brunswick Street’s size – to reach the 30% student population provision that is achieved in London. Indeed, the demand and supply dynamic is likely to remain imbalanced for the foreseeable future as student numbers in Dublin are forecast to maintain their upward trajectory, aided by further increases in the international student population as a result of Brexit. As this asset class becomes increasingly popular with international investors, Dublin will remain an attractive prospect owing to the potential for further income growth in the context of this limited PBSA pipeline and growing student population.

Outlook

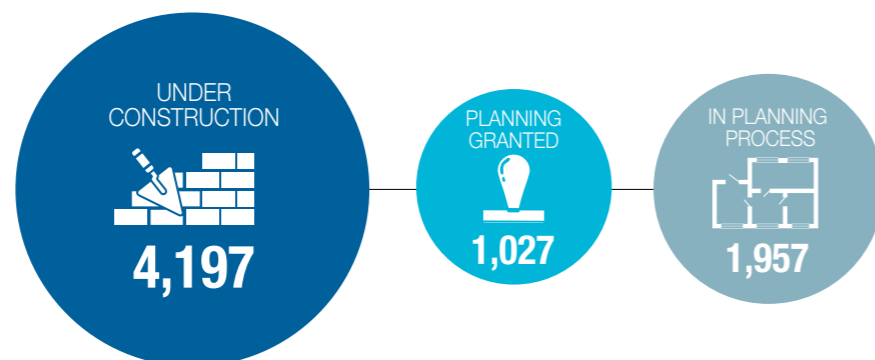
Despite the substantial number of bed spaces that are now in the private development pipeline, it is worth noting that even if the entire current private pipeline was delivered tomorrow, we would still need approximately 6,000 beds

FIGURE 3 Private pipeline projection



Source: Knight Frank Research

FIGURE 4 Future supply of private bed spaces by planning status



Source: Knight Frank Research

FIGURE 5 Distribution of current and future private PBSA beds

Postcode	Current	Pipeline	Future
Dublin 1	3%	38%	26%
Dublin 2	9%	5%	6%
Dublin 4	6%	0%	2%
Dublin 6	0%	2%	1%
Dublin 7	14%	35%	28%
Dublin 8	35%	20%	25%
Dublin 9	34%	0%	11%
TOTAL	100%	100%	100%

Source: Knight Frank Research
Note: Due to rounding, percentages may not add up to 100%



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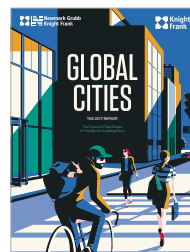
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