



# HOW TO BENEFIT BY INVESTING NEAR AUSTRALIAN EDUCATIONAL FACILITIES 2022

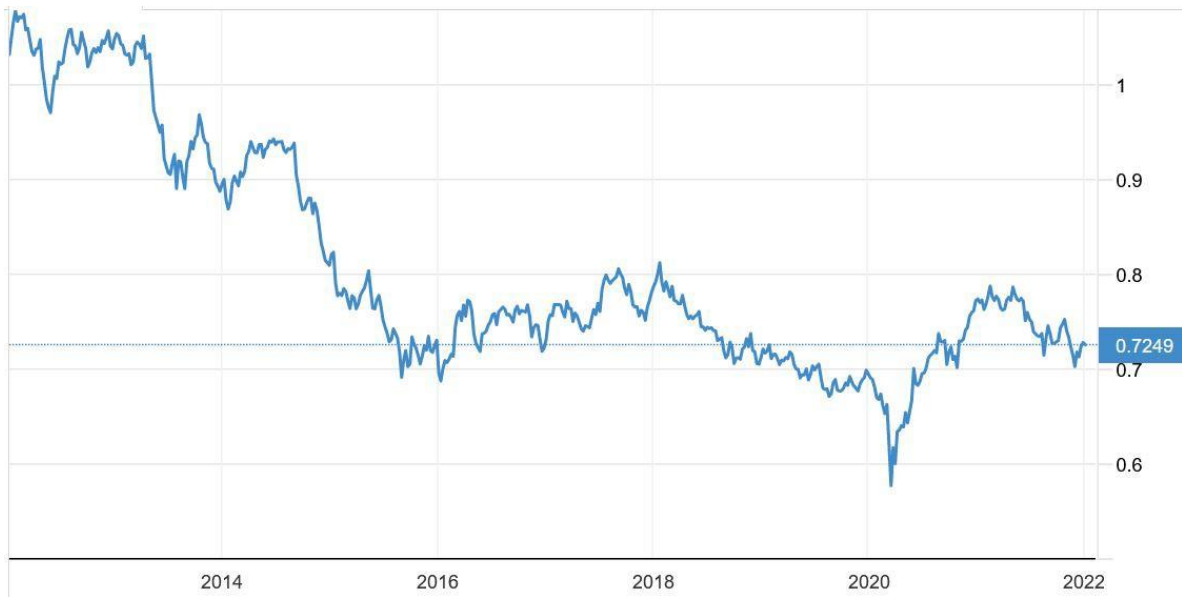
## INTRODUCTION AND OVERVIEW

**Many international buyers** keen on an overseas education for their children were buying residential properties in Australia before Covid.

**Buyers are extremely motivated** by the education that Australia offers from Junior School through to Universities, and especially in Melbourne.

**Buyers from all around** the world flocked to the Australian property market after the 2008 global financial crisis when Australia was seen as the world's safest haven. This trend is likely to continue, and even increase post Covid.

**In addition** the Australian dollar seems to be trading at fair value based on the past ten years chart.



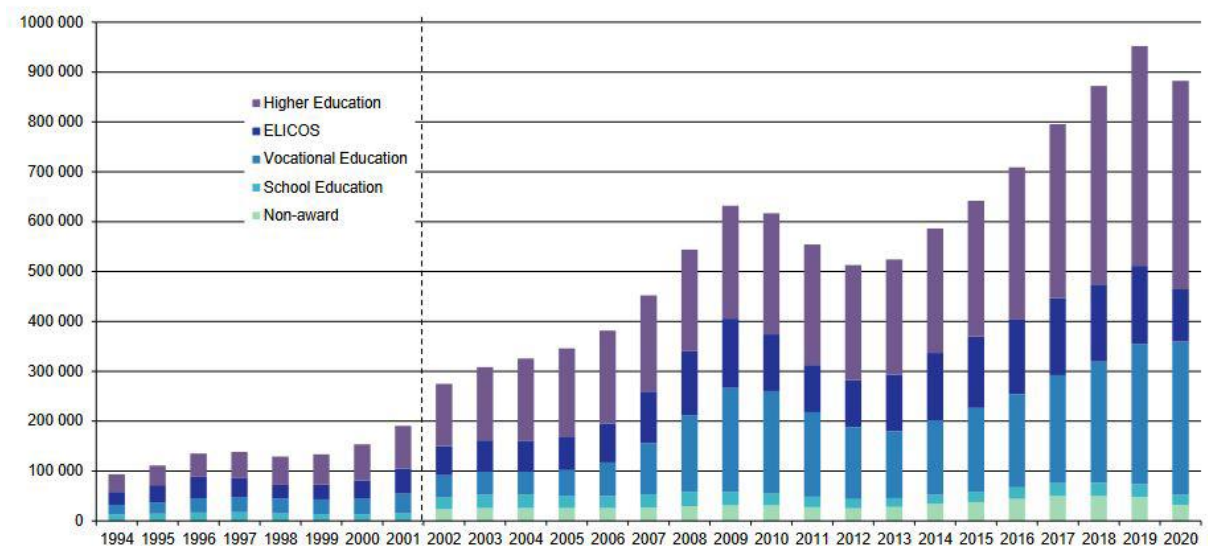
## EDUCATION IN AUSTRALIA

Prior to Covid, hundreds of thousands of international students went to Australia each and every year. International student numbers in Australia have been growing substantially especially since 2012.



Australian Government  
Department of Education, Skills and Employment

International Student Enrolments in Australia 1994–2020



Note: There is a break in series between 2001 and 2002

According to the Australian Bureau of Statistics (ABS), the value of the onshore international education sector was A\$5.5 billion in the June 2021 quarter, compared to \$9.1 billion in the June 2019 quarter. A growth in online learning has partly offset the losses caused by Covid.

*"We know that international students are attracted to Australia by the excellent quality of the education we provide and the calibre of both teaching and research here,"* Belinda Robinson, Chief Executive of Universities of Australia has said.



Melbourne's Monash University a popular choice

## **BUYING PROPERTY**

**The families** of these students represent a huge demand for Australian properties particularly in Melbourne, both for their own use and for investment.

*Many overseas parents have sent their children to Melbourne when they were young. The value of the apartments their families bought to save rent has risen so much that it covers their tuition by the time they graduate from university.*

**It is estimated** that around 80% of all parents will try to buy properties in Australia if they are sending their children through junior, middle, high schools or universities.

**However**, many simply cannot find a property that is **ready now**, approved for sale to foreign buyers, **and** in the right location.

It's a needle in a haystack situation.

**Simply put**, many overseas buyers **THINK** they will simply buy a property - as prices are still low on a world scale - but they then are **very surprised** to find how **few** new developments there are within 15 minutes of major universities.

**And very few projects** have any unsold stock available for purchase (Foreign buyers are not allowed to buy secondary properties without special permission).

**Most international buyers favour apartments rather than free-standing houses for security and safety reasons for children.**

**Apartments** come with high security entrances while freestanding houses often pose security and burglar risks. This is true not only of Australia but most countries.

**High quality**, 65 to 75 sq. metre 2 bedroom, 2 bathroom apartments with car parks, balconies and security in Melbourne near the Universities and the technical Colleges only cost around AU\$600,000 (HK\$3.3 Million, SGD \$585K) as at early 2022.

## **MORTGAGES**

**In addition investors are usually able to secure mortgages in Australia up to 70% to 75% of a property's value, providing they can prove the source of their deposit, and can show three years tax returns.**

## RETURNS AND COSTS

**Many buyers** investing in the property market hope the returns would cover the cost of tuition and university fees. **If they invest wisely**, capital appreciation on a typical new 2 bedroom apartment can achieve a profit on the apartment of between AUD\$100,000 - \$130,000\* in major cities such as Sydney, Melbourne and Brisbane over a span of 4 years which should be more than enough to cover the child's tuition. There may be a currency gain too.

And that does not take into account the rent savings, or renting out a spare bedroom for extra money, or the savings in accommodation or hotels for visiting relatives.

**The most popular** are generally one bedroom or two bedroom apartments in Melbourne where one of the parents or relatives can come and stay in the second bedroom during their studies as needed.

**The value** of Melbourne's new apartments has increased dramatically. In early 2022 they generally cost around \$12,000 AUD dollars per square metre. Just 7 years ago it was around \$8,100 psm and 12 years ago \$5,800.

**A recent investor stated the following as the reason he purchased:**

*"The average apartment price is \$12,000 per square metre, the average size of a two bedroom flat is 70 square metres.*

*I put down a 30% down payment and secured a 4.5% interest rate on a 30 year payment .*

*The repayment is slightly less than the average rent. If I sell after 8 years I will receive AUD\$258,000 in tax free capital growth assuming a reasonable 4% per year appreciation rate.*

*This should easily cover the 4 years of tuition at around AUD\$35K a year Uni fees, plus provide safe, secure housing for my daughter"*



Realestate.com.au shows that a typical two-bedroom flat on average in Melbourne CBD (pre-covid) was listed at a rent of around AUD\$2,500 per month, whereas the repayments on a \$600,000 flat at 4.5% interest and a 70% mortgage would be \$2,128 per month.

**A student said:**

*"My parents bought a two-bedroom flat last year in Melbourne. We got a 65% mortgage and paid \$550,000 for the apartment. I lease the second bedroom to another student. I aim to save all the rent money which I used to pay" she said.*

In a blog post, student.com CEO Luke Nolan said, *"In all major Australian metropolitan locations, there is less than one bedroom of purpose-built student accommodation for every ten students."*

## **RENTAL FOR STUDENTS**

**As the Uni year starts** each year around Australia many overseas students will be advised that they have been awarded a place in universities like Melbourne University, Monash and RMIT. They will be excited to live in Australia.

**With a reported 160,000 students waiting to return to Australia at the end of 2021, and just 22,000 private properties advertised for rent,** many will be simply unable to find decent rental accommodation at a reasonable price.

**Think about it this way also.** The largest university in Australia in terms of student numbers is Monash University from Victoria, with over 22,000 international students. In Clayton, where Monash is located, on the 1 January 2022 there were just 355 private properties advertised for rent.

And that **figure ncludes all prices ranges, houses, older apartments, new projects, studios, 1, 2 and 3 bedroom units, many of which are** unsuitable for students or out of their price range.

**The REALITY is** that many will be unpacking their suitcases in cramped student housing complexes, others will be sharing roach infested old houses, and others will have to rent low quality tiny studios. Sad to say, but true. And that is ONLY if landlords will even accept them.

**Pre-covid students were being turned away** in droves as landlords say they can rent to young professionals and so why should they rent to students without any rental history or track record? **Students are the least favoured tenants.**

**With supply of NEW apartments** dramatically falling across Australia, the rental costs for students could increase **greatly over the next few** years.

## **DON'T BUY STUDENT HOUSING**

**Student housing** in cities like Melbourne does not come cheap. The average on-campus room and board for a tiny studio around 20-30 sq.m rents for around \$1,700 per month. A larger one with 2 tiny bedrooms will rent for around \$2,200 per month.

**This begs the question:** **why not buy student housing on Campus for your children?** Property experts confirm that student housing in major Australia cities can be one of the **worst investments** you can make.

**There are no bank loans** available for these properties as there is little or no resale market, many are tiny rooms, smaller than even in Hong Kong, they are expensive on a square metre rate, and hundreds of similar ones are on the market, with owners desperate to sell.

**In fact, most re-sell** for significantly less than the original price paid. And that's if you can even find a buyer.

**Instead,** why not purchase a spacious off-campus freehold apartment for junior during University and hopefully sell it after graduation and make a profit?

## **HONG KONG BUYERS**

**That's what one buyer** from Hong Kong did recently when he bought a 2 bedroom apartment near Monash University.

**His daughter** has enlisted a friend as a flat mate to help subsidize the cost. The buyer said he paid \$590,000 for the apartment and hopes to be able to sell it for at least \$700,000 after 5 to 6 years.

**He said** that he is not trying to make money on the whole thing but that finding rental accommodation for his daughter was a nightmare in Melbourne before Covid.

**As long as he could afford** to buy in a safe and secure investment property market like Melbourne and he **didn't lose money**, and his daughter had some place to stay without having to pay a landlord, without a property inspection every 6 months, and without risking eviction, he is happy.

**He said his daughter also** wanted to have a pet like a cat. If he owned the place his daughter could have a pet and a flat mate and not have any eviction risks.

He said:

*“Well, I did not buy this for investment purposes. But now I have researched the market I would not be surprised if I end up making a profit from this venture. More importantly my daughter is safe and secure in a great city in an apartment that I own. So we can spend money on decoration and furnishing, it has a second bedroom she can rent out. Or my wife can come and visit and stay with my daughter. It's a win-win for everybody.”*

**Property analysts** agree that buyers should not just bet on the real estate market growing and blossoming when they buy an apartment for their child to study, but even the saving in rent could make it a worthwhile exercise.

## **HIGH SCHOOLS**

For parents wanting to place their children into a top high school, this is easily achieved if they simply buy a residential property in their preferred schools “catchment area.”

**But here is the catch.** Foreign buyers can only buy brand new properties. And in MOST residential suburbs, there is very little NEW construction. And when a project DOES come up, it is in huge demand from both local Australian buyers as well as foreign buyers.

So, if you have a school in mind, either you need to keep scouring the property pages of the Australian newspapers or websites every week, and hope you can find a project being launched, and then hope you are fast enough to be able to secure one of the properties available.



Or you employ a **professional real estate person** to work with you. That's exactly what Jim in HK did recently. He wanted to put his 9 year old daughter into the prestigious high school of McKinnon in Melbourne in a couple of years, and although he already has an Australian passport (so he could buy older flats) he still preferred to buy NEW to avoid maintenance and repair issues.

So he engaged real estate expert Mike Bentley from Citylife International Realty in Hong Kong to assist. Mike found a brand new release, organised Jim to get an early selection, and he was able to secure a prime 2 bedroom apartment before most of the project sold out.

If you need Mike's services also, you can contact him to discuss your personal situation at [www.citylifeprojects.net/buyers-service.php](http://www.citylifeprojects.net/buyers-service.php)



\*Based on 4% to 5% capital growth per annum, as per historical trends

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