

Project Student

An opportunity exists to acquire a 50% stake in a project providing much needed student accommodation in the Melbourne market

Industry: Property

Deal size: \$10M - \$75M

Overview

- Student Accommodation is a proposed development adjacent to the campus of a significant Melbourne university.
- The project site is part of a larger development which started in 2011. The approved Master Plan includes ~1,100 dwellings, 10,000m2 retail.
- The developer would have constructed the town centre including Woolworths, Dan Murphy, 35 shops/restaurants, 178 apartments and 111 townhouses by October 2017.
- The proposed site is in close proximity to the town centre with tram line along the main road.
- Future developments include a child care facility, retirement and aged care apartments, tavern and hotel accommodation.

Business Model

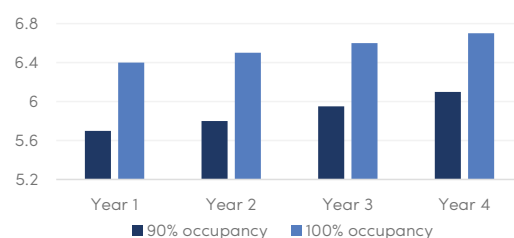
- The adjacent university has expressed an urgent need for more student accommodation.
- The existing on-campus accommodation only covers 14% of their international students (who makes up 22% of total student numbers).
- The additional 575 beds from the current project only increases the coverage to 21% of international students.
- The developer is in discussions with the university regarding the business model for the Student Accommodation project.

- Four options were presented: leaseback, underwriting of net revenue, joint venture or contract of sale for the completed development.
- All options would result in the developer having a significant level of revenue certainty provided by the university.

Opportunities

- The 575-bed option is expected to cost ~\$67m and be completed by December 2019. Development profit is estimated to be ~23%.
- There is also an operations profit of ~\$3m pa from 2020.
- Opportunity exists to acquire 50% of the project development and operations, replacing the vendor as the sole funder for the project.
- This is a rare opportunity to take part in a development project that aims to meet the accommodation needs of the increasing number of international students.
- The demand risk is low given the 86% gap between the existing accommodation and the number of international students.

Expected Annual Revenue 575-beds (\$m)



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