

Inner-city rents may jump 5pc with return of 50,000 Chinese students

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Demand for accommodation from the 50,000 Chinese students or more likely to return to Australian university campuses within weeks could fuel at least a 5 per cent jump in rents across inner Melbourne and Sydney and worsen rental shortages, experts say.

The Chinese government edict, [issued at the weekend](#), that its students return to campuses for face-to-face teaching, will supercharge the recovery of the student accommodation market and spill over into private rental markets.



University student Tony Ru can't wait to be back to face-to-face teaching. **Eamon Gallagher**

Every rental market will be affected in coming months as demand ramps up following the seasonal lows during the holidays, but suburbs near universities will likely feel the immediate effect of the heightened demand, said Kent Lardner, founder of Suburbtrends.

"We usually see an increase in vacancy rates in the suburbs around the university campuses over the Christmas break, but in the coming weeks, students will be returning, and new students begin their search, which will see vacancies quickly drop to below 1 per cent in most suburbs," Mr Lardner said.

"The return of the Chinese students is likely to make this competition rather fierce, and I expect to see rental increases of at least 5 per cent in the next four weeks or so."

Among those keen to get back to face-to-face teaching is final-year University of Melbourne science student Tony Ru, 22, who said he had heard the Chinese government's directive to attend classes in person and welcomed it.

He has spent the past two years studying online and is looking forward to spending more time on campus.

“This is a good thing. Absolutely,” Mr Ru, who grew up in Shanghai, told *The Australian Financial Review*.

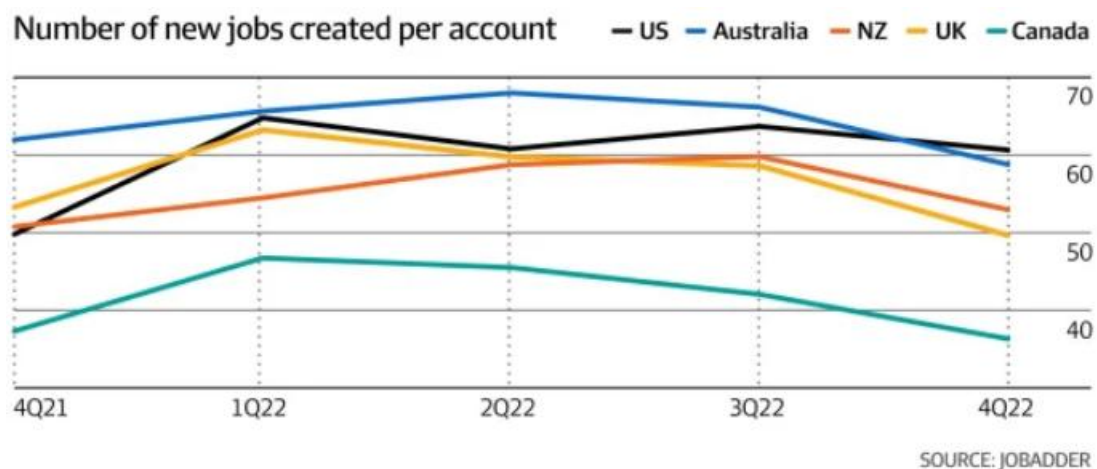
An emergency meeting was called for Monday afternoon between university representatives and officials from the Home Affairs and Education departments.

Universities were told Chinese officials had since updated the directive three times and appeared to be willing to be flexible.

It is estimated that the total number of people with visas and new applicants will result in about an additional 50,000 students in the coming weeks, said Luke Sheehy from the Australian Technology Network.

Universities were also reassured that visa processing was in hand and that new student visa applications from China were being cleared within 13 days.

Catriona Jackson, chief executive of Universities Australia, said improved bilateral relations between China and Australia meant communication lines were open and that Chinese officials appeared willing to compromise their initial hard stance.



“I’m reassured to hear that the number of flights out of China has increased from nine to 45 a week. I’m not saying there won’t be logistical issues but the most important thing is that the flow of information between the Australian and Chinese governments has resumed,” Ms Jackson said.

Phil Honeywood from the International Education Association of Australia, said clearly some students would have to continue online learning for some weeks as they sought airline seats and accommodation with assurance needed that they would still have their degree recognised.

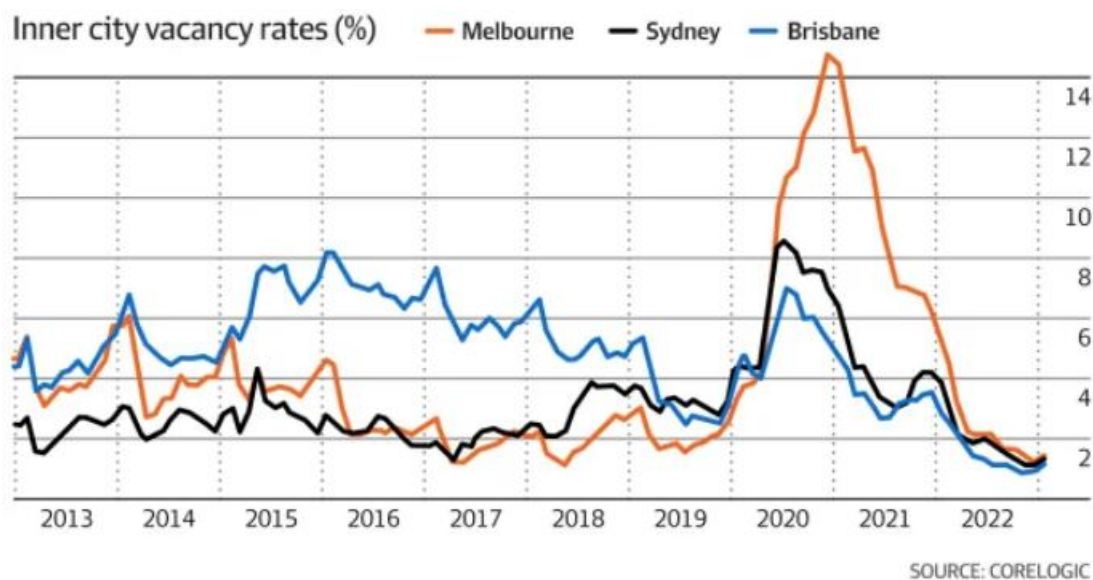
However, universities might struggle to absorb 50,000 or more students with most not expecting to return to full face-to-face teaching until mid-year.

The increased demand by Chinese students could put further pressure on the already-tight inner city rental markets, particularly in Sydney and Melbourne, said Louis Christopher, SQM Research managing director.

“It’s probably safe to assume that many of these students will be looking to live in these cities, Mr Christopher said.

“At this point, we’ve only got hundreds of available dwellings in Sydney and similarly across inner Melbourne, so there is the potential to create a problem on top of the issues we already have in the rental market,”

“This is a significant development for the rental market, which means vacancy rates will probably fall to record lows again and push rents higher particularly in the city areas of Sydney and Melbourne.”



Fewer available rentals

[CBD vacancy](#) rates in Sydney rose to 3.6 per cent in December from 3.2 per cent and in Melbourne, rates rose to 3.3 per cent from 2.5 per cent, but this should quickly turn over in February when rental demand surges amid low supply, Mr Christopher said.

Sydney’s rental market has already tightened dramatically in recent weeks, said Melissa Morgan, principal and inner Sydney-based property manager of Progressive Property.

“Since the start of the year, we’ve found that the supply has shrunk and what was hanging around last year has disappeared,” Ms Morgan said.

“We’re also seeing fewer available rentals, probably because some landlords that were badly hit during COVID have sold their investment properties, and potential investors are staying away due to higher interest rates.

“So with an influx of students coming in, and fewer supply available, renters are going to have more trouble finding suitable accommodation, and it’s obviously going to cause the rents to rise further in denser areas close to universities, which are already under quite a lot of pressure.”

In the past 12 months, [inner Melbourne unit rents have jumped 33.6 per cent, while Sydney’s climbed 23 per cent](#) as vacancies shrank to 1.6 per cent in Melbourne, and dropped to 1.1 per cent in Sydney, CoreLogic said.

“These precincts are already showing extremely tight rental vacancy rates and rental growth across the inner city unit precincts of Melbourne and Sydney has been nation-leading over the past 12 months,” said Tim Lawless CoreLogic research director.

“Against this backdrop of already extremely tight rental supply, a further boost to demand from a surge in foreign students is set to push rents even higher.

“As these precincts become increasingly unaffordable we could see rental demand rippling outwards, especially towards those areas with efficient public transport options.”

The expected surge in Chinese students comes as a further boost for the country’s international education market, [which is already undergoing a healthy rebounding courtesy of unprecedented demand from Indian students.](#)

Rents have risen as much as 10 per cent on pre-pandemic levels for bookings in 2023 [in the student accommodation sector,](#) which is dominated by operators such as Scape, Cedar Pacific and Iglu.

Students in China had begun contacting agents within 24 hours of the announcement, Scape chief executive Anouk Darling said.

“The demand profile now is very buoyant. The Chinese market is a key part of that, so we couldn’t be more delighted,” she said.

With a portfolio of about 16,000 beds nationally, Scape’s vacancy rates have recovered strongly since the pandemic lockdowns, to the high 90 per cent range in NSW and Queensland. After repeated lockdowns, its Victorian portfolio has recovered more slowly, with a vacancy rate in the 70 per cent range.

Another big player is US operator Cedar Pacific, with 5500 beds operational in Australia and a portfolio of close to double that across Australia and New Zealand, including its development pipeline.

CEO Bernie Armstrong said the expected return of Chinese students “can only be good news” with the speed of their transit from China the only limiting factor to that boost.

“That would be beneficial to the Melbourne student accommodation market in particular, which is probably the slowest to rebound of all of the markets,” he said.

Source:

<https://www.afr.com/property/residential/inner-city-rents-may-jump-5pc-with-return-of-55-000-chinese-students-20230130-p5cge4>