Student housing faces supply gap as pvt developers shy away

Weak project economics, high land cost, regulatory issues key hurdles

SANKET KOUL
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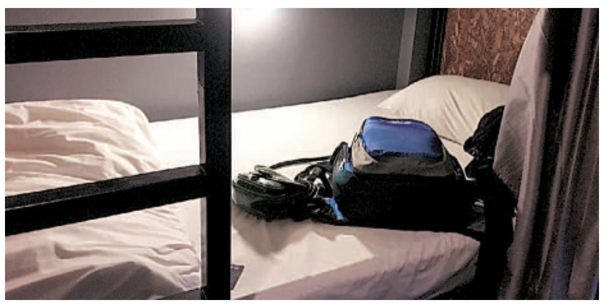

India's student housing is grappling to keep up with demand, even as organised private developers stay away from the segment citing weak project economics, high land cost and regulatory uncertainty.

Industry estimates show that only 7.5 million on-campus beds were available in the country against over 43.3 million students enrolled in higher education during 2021-22. This highlights a significant accommodation gap.

That gap, say industry watchers, has widened and demand was being met by unorganised and unregulated paying guest (PG) accommodation providers. The shortage comes as India seeks to bring more young people into higher education, with the National Education Policy (NEP) 2020 targeting a gross enrolment ratio (GER) of 50 per cent by 2035.

Despite the headroom for expansion, organised private developers have largely stayed away from student housing, including in major education hubs such as Delhi, Mumbai and Bengaluru, as well as education hubs of Kota and Sikar (Rajasthan).

"Private developer participation has remained low mainly on account of low rental yield, longer payback periods, high land costs near major education hubs, fragmented demand and limited institutionalisation," said Santhosh Kumar, vice-chairman at realty consultancy firm Anarock.

Much of the resulting demand, therefore, is being met by fragmented PG accommodation and private hostels, leaving students in many cities with limited options that are often low-quality, poorly regulated and, in some cases, unsafe. "The risks of the unorganised market have recently come into focus in Delhi, where incidents such as the Satya Niketan tragedy have highlighted the consequences of inadequate and poorly-regulated student accommodation," a Gurugram-based developer said.

Another major hurdle is regulatory ambiguity and complexities of approval. Market watchers say that Purpose-built Student Accommodation (PBSA) often falls among residential, hostel, PG and hospitality classifications. And, rules on land use, building norms, fire safety, approvals and taxation vary across states.

"The absence of standardised national norms and dedicated policy recognition for student housing further limits institutional investment and largescale private participation," Kumar said.

Venket Rao, founder of Intygrat Law, said the absence of regulations affects students, as security deposits are sometimes paid without receipts or formal agreements. And, promises on refunds, notice periods and facilities may remain verbal or on messaging platforms, making disputes harder to resolve.

The economics of the asset class raise a challenge for developers. High land prices around education hubs can make it difficult to offer affordable accommodation while generating attractive rental yields, as student residences are operationally intensive. With high demand, industry players believe that student housing in India is no longer an ancillary segment but is fast maturing into a core alternative real estate asset class.

"With strong policy push, rising enrolments, and persistent supply gaps, PBSA offers a scalable opportunity for institutional investors, developers, and operators," Kumar said.

Suresh Rangarajan, founder and chief executive officer at co-living platform Colive said the economics can work if the right incentives are provided.

"Yields upwards of 12 per cent are a reality," he said, adding that higher floor area ratio (FAR), reduced parking norms and public-private partnerships (PPPs) can improve project viability.

Under a PPP model, universities and government institutions could provide land while private developers bring capital, construction expertise and professional operations, particularly at institutions where existing hostels are inadequate.

"PPP models can combine public sector land and institutional support with private capital, development expertise and professional operations," said Parveen Jain, president, National Real Estate Development Council National.

Anarock expects student housing to grow at 10-12 per cent compound annual growth rate in beds delivered over the next five years, with organised operators gaining share from the unorganised PG market. The segment could, therefore, follow the broader shift towards organised rental housing, though its growth is likely to be slower than that of co-living. This is because of fragmented demand, regulatory uncertainty and project economics.

"Key positives for investors include high occupancy resilience, operating leverage potential, and alignment with global institutional investment trends in alternative assets such as PBSA in the United Kingdom, United States, and Australia," said Saurabh Arora, founder and CEO, University Living, a student accommodation platform.

Kumar added that early movers with city-cluster strategies, efficient operating models and compliance-oriented facilities are best placed to capture value. This comes as the market transitions from fragmented rentals to branded, investment-grade student residences.

Demand mismatch

- Only 7.5 million campus beds serve over 43.3 million students
- Unorganised PGs and private hostels currently fill much of the demand
- Students are often left with limited options that are low-quality and unsafe
- PBSA regulations remain unclear across residential, hostel and hospitality sectors
- PPPs could improve viability by combining public land and private expertise
- Organised student housing may grow 10-12% annually over five years

Nepal estimates $4.7 billion recovery and reconstruction need after flash floods

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Nepal's recent devastating flash flood has led to an estimated $4.7 billion in recovery and reconstruction needs, according to a government-led assessment.

The Rapid Damage and Needs Assessment (RDNA) for the Rasuwa-Bhotekoshi Flood 2026, released by the government on Saturday, estimates a total damage of around $2.7 billion, with physical damage at $1.81 billion and economic losses at $883.32 million.

The assessment, led by Nepal's National Disaster Risk Reduction and Management Authority, said the larger recovery figure does not represent simply the cost of replacing what was damaged. Recovery needs include reconstruction as well as disaster-risk reduction and resilience measures. Flash floods, triggered by an ice-rock avalanche in the high Himalayas near the Nepal-Tibet border on August 26, devastated towns and villages in northern and central Nepal, killing around 1,400 people, while more than 5,000 remain missing.

A survivor meets his mother after he was pulled out from a tunnel following flash floods in Nepal PHOTO: PTI

The Bhotekoshi River, which flows south from the Himalayan border region, carried the floodwaters downstream, sweeping away homes, vehicles, roads and bridges and damaging hydropower projects.

India has sent the first consignment of components for a 70-metre Bailey bridge to Nepal to help restore connectivity in the flood-affected Betrawati area, the Indian envoy in Kathmandu said. The consignment was handed over to Nepal's Road Division in Hetauda on Saturday, India's Ambassador to Nepal Naveen Srivastava said in a post on X, adding that more consignments of the bridge components would arrive in the coming days.