



Shared Economy

Student Hostel Accommodation in India

The Strategy Boutique



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Honest Consulting

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Introduction

Section 1



1. Introduction

The research report prepared by The Strategy Boutique is an inquisition to understand one of the major segments of shared economy in India, i.e. student accommodation. As the world has integrated into a global economy and the geographical boundaries have diminished to mere lines that demarcate a countries presence, and the emergence of cheap air and rail travel has allowed students all across the globe to pursue education in their area of interest and institutes that they deem fit. With an influx of students, these institutions can only house so many students and here is where an opportunity sparkles. Hence, we set out to better understand the opportunity as a sub segment of sharing resources and as a standalone service.

1.1 Background: Shared Economy

Globally, the rise in population and rapid depletion of resources has driven a need for technological innovation and redefining the aspects of businesses. Economies have been striving for sustainable and community driven solutions with the aim for collaborative consumption. Over the years, the need to only realize and quantify the potential of underutilized resources but to devise meaningful ways to put them to better use has come into existence. This need is being facilitated with the help of technology to create a generation of 'asset light' and a sustainable structure, also called the 'Shared Economy'.

The Shared Economy is based on the concept of sharing and expressing one's

identity without ownership. The idea is temporary ownership or access-based

consumption. It helps integrate capital consumers with technology and a digitally connected economy which can include:

- Shared Mobility (Uber, Ola etc.)
- Recirculation of Good/ Rentals (eBay etc.)
- Utilization of Assets: Co-working Spaces (WeWork etc.)
- Utilization of Assets: Co-living Spaces (AirBnb, OYO etc.)
- Shared Services and Community Building (EatWithMe, Task Rabbit etc.)

India, has one of the largest youth population in the world including a high millennial concentration, and an aspirational and growth driven community of individuals who are willing to adopt shared assets and services.

1.2 Understanding the Industry with the Help of Numbers

- In 2019, the segment was estimated to be over \$1.5 billion in size in India, as per the report 'Shared Economy — India Story,' by Maple Capital Advisors.
- Co-working sector is pegged at \$500 million
- Co-living is estimated to be \$400 million
- Shared mobility at over \$630 million
- Furniture rental at \$200 million

India is witnessing an exponential growth in this segment and is considered to be at the peak of a revolution in this sector of shared economy. Total investment into the sector has been estimated at \$3.7 billion worth of capital and a comparable amount



is expected to be pumped into such services with accelerated growth,

profitability and significant IPOs in the sector in the next couple of years.

However, this massive growth potential has been hampered by the recent Coronavirus outbreak which has managed to infect over 10,02,872 people across 203 countries and territories and 2 international conveyances (for up to date statistics of this pandemic, refer to <https://www.thestrategyboutique.com/tracking-coronavirus.html>).

The idea of a shared economy with an emphasis on co-existence and sharing resources stands in contrast to the growing concerns over physical contact and populations across the globe practicing social distancing.

Each platform or service which involves physical interaction has been affected with stocks declining and potential shifts in investment and consumption patterns. Shared mobility has taken a hit with drivers and riders being equally apprehensive of operating, as much as hotel and hostel services due to a major drop in tourism and safety measures being implemented across the country, including a complete lockdown and travel ban. Further, even after the pandemic subsides, the industry will have to work hard to gain back consumer trust, adhere to the sanitation standards, replace the lost manpower, especially small to mid-level firms as they will take longer than large scale hospitality and mobility service providers to get their house back in order.



Student Hostel Accommodation

Section 2



2. Student Hostel Accommodation

India is home to one of the youngest populations in the world. We are also blessed with a growing and upward mobile middle class. With an increasing potential and rising aspirations of the youth, more and more educational institutes have opened up to help facilitate their growth. Even as these institutions are essential in building the foundation of a strong and successful youth population, there are not enough support structures for them to function smoothly. These include everything from decent accommodation facilities for students to basic amenities and adequate development opportunities.

2.1 Understanding the Target Audience and their Needs

- By 2020, India is expected to have about 34% share of Youth (15-24 years of age) in its total population, as per the Ministry of Statistics and Programme Implementation, GOI.
- In addition, the student community is also growing rapidly with almost 40 million students enrolled in colleges and universities at various education levels such as Bachelors, post-graduate, Ph.D., diploma, certificate, etc. across the country
- Out of these, there is an estimated 25% demand for student housing/accommodation. The existing university led accommodation capacity is limited and does not meet the rapid rate of enrollment, hence, is only able to cater to one-fifth of this demand.

On one hand, private universities are mushrooming with time to cater to this rising demand. With the education sector booming to become a major profit centric business model, more and more private universities are pumping in money to improve the infrastructure. Hence, in a country like India, there is little shortage of hostel accommodation in private universities.

On the other hand, there are a large number of prestigious but age-old public universities and colleges, with extremely limited infrastructure, that are now being scaled up. Even then, they require external support to reach the levels required.

Further, due to the pandemic situation, as most students across the country who were asked to vacate their respective campuses would be apprehensive of safety and sanitation measures and would seek reliable and professional firms. The sector might, in turn, see a shift towards sophisticated and state of art set ups from the small scaled ones. In present times, this seems a tall ask, given the economic impact of the present crisis, and the uncertainty of the viability of this business post this. However, as and when the economy does return to normalcy, TSB reckons that the demand of state of art sanitized accommodation would be higher than ever.

The entire estimated market for student accommodation, after studying the real estate and private investment scenario in the sector, is about \$50 billion. Keeping in mind that the sector is still unorganized, not even \$100 million seems to have been tapped by organized industry players.



This further, emphasizes the need for innovation and sophistication among the sector, and presents an opportunity for corporates to enter and transform this space.

The key reasons for a prominent and growing demand for sophisticated as well as professionally managed student hostel accommodation facilities –

- Increasing youth population coupled with an increasing student population and their educational requirements
- Improvement in the education industry and a 13% increase in the student enrollment across the country the last five years. India's higher education system is the world's third largest with respect to student enrollment, next only to China and the USA
- Rising influx of migrant students in some states across the country
- Limited capability of on campus facilities at educational institutions to cater to this demand

2.2 Growth Potential and Future Prospects

- Even though this industry is growing at a tremendous rate and is expected to further grow at a CAGR of 30-40% over the next few years, it is not even close to meeting the demand. As per industry estimates, currently, only one hostel bed is available for six students enrolled into higher education in India.
- With 90% of the market is still un-organized, student housing sector in India is expected to witness

investments of over USD 700 million by 2023, according to a report released by CBRE, a US based real estate consultancy firm.

- Top players in student housing, accommodation or co-living space capture a cumulative stock of more than 3 Lakh beds, paving way for not just a massive growth opportunity for existing players but also for new firms in the industry. Even if the investment levels take a hit due to the current pandemic situation, according to our analysis, this industry will witness an upward looking growth structure for a long time in the future due to the massive untapped potential and demand.

According to a sample survey by TSB to understand the demands of the growing student community in India as well as that of their parents, it has been observed that even though students and their parents, being major decision makers in this case, prefer on-campus accommodation in their universities, they are open to the idea of a professionally managed high quality and secure hostel accommodation, in close proximity to the university campus.

The key concerns of the student-parent groups who were a part of the survey, included safety, distance, clean and hygienic facilities, cost effectiveness and the sharing community. This further eliminates the hassles of engaging with middlemen, brokers, dealing with brokerage, lock-in periods, lack of basic amenities, high maintenance and additional/ hidden charges, housekeeping and cleaning services, and security deposits – everything adding up to become a huge financial burden for students and their families. Many respondents also stated that any additional facilities like in-



house mentoring, career counselling, team building events etc. would be welcome.

Based on these findings, TSB concludes that the purpose-built student accommodation (PBSA) or the co-living student hostel industry is an area of immense potential and is also defined by some as a real estate goldmine. Hence, this segment provides a huge opportunity for firms to tap into this potential and provide facilities as per the new and increasing needs of the students.

2.3 Market Segmentation

Area wise, this sector has grasped a good hold in a few prominent large cities owing to the emerging educational hubs with soaring number of migrant students as well as private educational institutes. Some of the key states dominating the share of universities and colleges in India include Maharashtra, Uttar Pradesh, Gujarat, Karnataka, Rajasthan, Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Kolkata as well as Delhi NCR.

Cities like New Delhi, Mumbai, Bangalore, Chandigarh, Jaipur, Hyderabad, Pune, Nagpur and Kolkata among education hubs like Dehradun, Indore, Vadodara, Jalandhar and Kota as well as other smaller Tier 2 and 3 cities have become key locations for hostels and student accommodation facilities.

Major players in the industry, including Stanza Living, Zolo, Oxfordcaps, Placio, Good Host spaces etc. have been building competencies and widening their scope of operations. Across Tier 1 and 2 cities, the combined number of beds provided by top 30 key players was more than 250,000

(August 2019), as mentioned earlier in this report.

All these focus on not just basic amenities and ease of living but also on building an experience and a sense of community. Some of the major stakeholders in this space are:

- Stanza Living:
 - Providing student accommodation facilities since 2017`1
 - Presence in Hyderabad, Chennai, Coimbatore, Indore, Baroda, Pune and Dehradun
 - Cumulative National inventory of 22,000 beds across 10 cities
- Placio:
 - Providing student housing management since 2016
 - Presence in Delhi, Noida, Greater Noida, Lucknow and Indore
- OYO Life:
 - OYO is one of the largest hospitality firms in India
 - Foraying into the student housing segment with the launch of Oyo Life (October 2018), a long-term rental housing business targeting young professionals, millennials and students. Currently, 20% of the total accommodations provided by OYO Life are for students and the rest cater to other communities
 - Current Presence: nine cities - Delhi, Gurugram, Noida, Bengaluru, Chennai, Hyderabad, Mumbai, Kolkata,
 -



- and Pune with 700 properties
40,000 live beds
- Target Presence: Top 10 metros
by end of 2019 with over 1 Lakh
beds

2.4 Understanding the Industry Best Practices

This competition in this market is constantly growing and there are a host of innovative ideas and features that the new age student accommodation platforms should try and adapt. Based on the market analysis, TSB suggests the following practices as incorporations into the future plans of the various existing and upcoming firms:

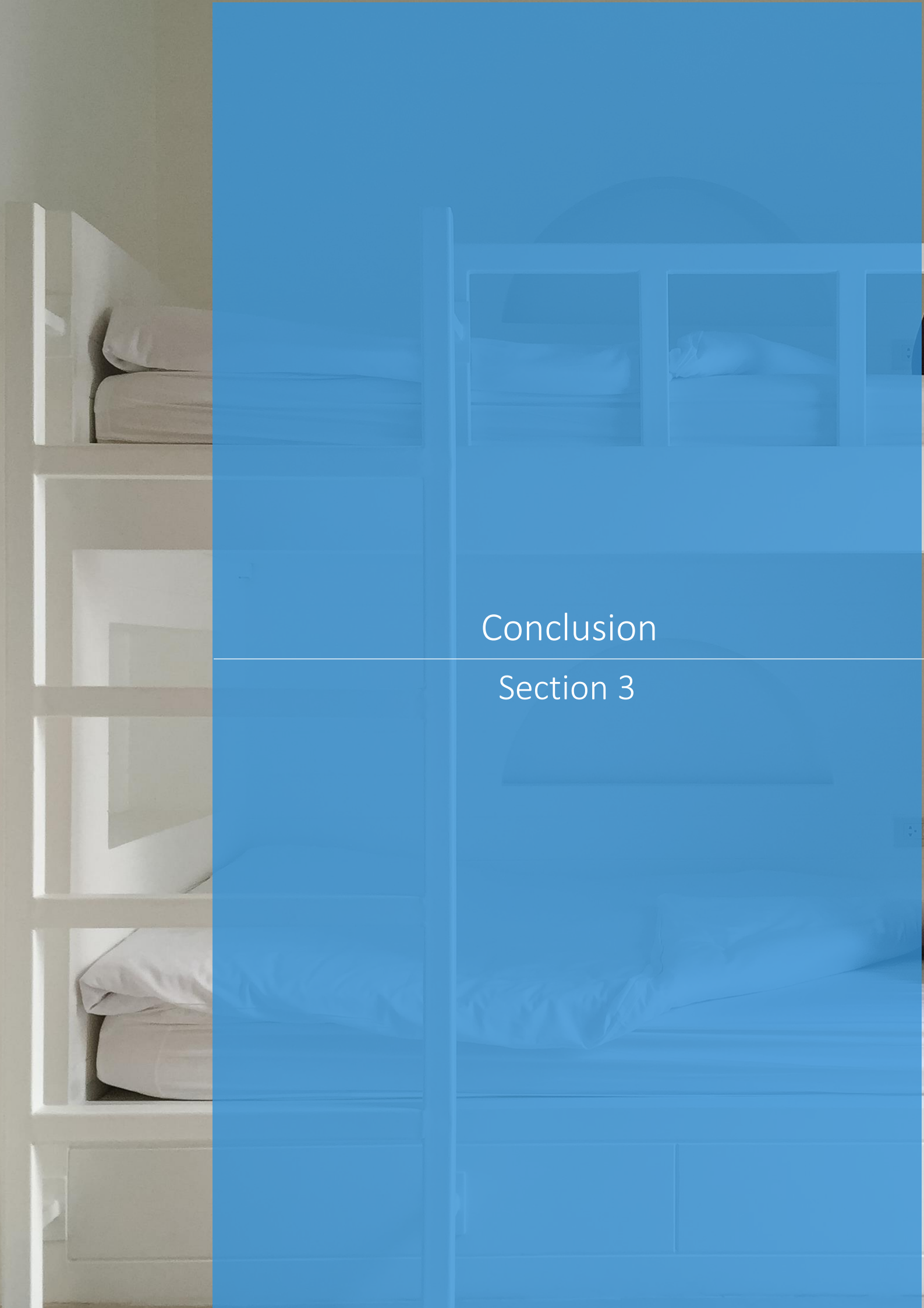
- Generate a wholesome user experience with end to end services. This can be achieved by partnering with asset owners to provide robust solutions. From real estate, inventory, to managing operations, offering a superior co-living experience, complete with break zones, community gaming, and interactive areas is becoming more and more essential.
- Focus on quick turnaround times and repeat users for faster expansion and a long-term relationship with consumers
- Utilize technological and app-based systems to manage operations and reduce human error in balances, housekeeping etc.
- Small additions and low-cost setups can go a long way in driving the interests of students. Providing vending machines, late night grocery deliveries, laundry systems etc., help

ease out the stress of students living away from home so that they can focus on studies and their personal development and not worry about minor inconveniences

- Partnering with top public universities, institutions and other established asset owners, will not only generate credibility for a new firm in the market but also to provide value to all stakeholders
- Also, marketing does not need to focus on targeting only migrant students and outstation crowd. Local students who want to avoid commuting time form a significant section of the consumer base and hence, must be including in all aspects of targeting.

One of the major deal breakers in any competitive industry is also the price of the service or commodity. We analyzed the price range in which the major players in the industry operate. Below is a graphical representation of the current pricing structure. Due to a highly competitive market, an equilibrium price range is maintained from minimum to maximum - based on location and facilities provided, among other factors.





Conclusion

Section 3



4. Conclusion

- It has been well established that the student hostel accommodation industry is a real estate gold mine with a massive growth potential. According to ET, there were reports of USD 700 million being injected in the sector over the next 3 years.
- With the decline in investments and stocks over the last few months in the wake of Covid-19, India's GDP growth estimates have fallen by almost 50%. In addition, the overall financial system remains weak and burdened and has created an uncertain atmosphere to generate optimistic projections.
- Even though these conditions will limit the upward credit growth which was. Earlier, almost doubling the current supply in less than half a decade, there will be a reasonable influx of investment, new players and healthy competition in the market. Even as these players bring new innovations to the table, the industry, currently, is mostly unorganized with key competitors such as Stanza Living, Placio, OYO Life, among other only being able to tap into about 0.5% of the potential market size. This leaves the scope for new players to still tap into the largely untouched market and drive profits post reasonable recovery of the Indian economy.

As per the sample survey conducted by TSB, the sentiment of parents and students across the country reveals a common desire for proper, well- managed living

spaces. The questions focused on finding their view on the current situation displays a lack of professional private sector providers, especially for migrant students studying in public universities. There are also well-established educational hubs in Tier 1 and 2 cities in UP, Maharashtra, Rajasthan, among others, hence, emerging as target markets for supply firms. In order to, however, tap into the potential for growth in this industry, it is crucial to focus closely on the demands of the consumers, that is, the students and the overall target audience, in this case the parents. They are now looking for not just a place to live, but a wholesome growth experience for their child. This involves providing innovative solutions like mentorship, learning programs, extended support, partnerships with service providers across sectors (eg. FnB etc.), high quality maintenance, among others, and not just cater to the basic accommodation and safety needs of the consumers.

TSB expects this industry to rebound once the crisis is over, but in a totally new avatar. Going forward, all student accommodation firms would have to strictly adhere to standards of sanitation and hygiene not seen before. Attributes like doctors on campus, mentorship and counselling initiatives, focus on community well-being, etc would start to take centerstage. The student living market of tomorrow is bound to be very different to what it was yesterday, and this would be a positive and welcome change. Moreover, with the new look student accommodations coming up, ideas and best practices from developed western countries would start to be adopted in



India. This could be facilitated by a consolidation in this space, with the entry of large players with a high quality and Pan

India offering, similar to what firms like WeWork did in the co-working space.

This is not to rule out smaller regional players, who by virtue of being firmly entrenched in their respective zones, could give the larger players a serious run for their money. Competition all around is healthy and would force every firm in this space to up their standards or perish. While cost sensitive, the target audience still represents a reasonably affluent clientele and they would gladly pay for good service.



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