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# Beyond the Visa Cap: Why Restricting International Students Won't Solve Australia's Housing Crisis

*Student Accommodation Council*

NOVEMBER 2024

## The Government's proposed caps **will not help** Australian renters ...

Growth in purpose-built student accommodation **has matched** growth in international student numbers since 2016



**Only 6%**

of renters nationally are international students, with the majority in metropolitan areas



The caps would only lead to a **\$5 weekly decrease** in rents in metropolitan areas



Policy supporting the provision and utilisation of private PBSA would **help relieve pressure on the wider rental market**, while **enabling growth in a key Australian export**



## ... will **come at a cost to the economy** ...

The caps will cost the Australian economy

**\$4.1B** in lost GDP

from fewer international students living and studying in Australia (direct and indirect)



They could see up to

**22,000** jobs lost

(direct and indirect) representing 6% of the total international student supported workforce



**They will cause significant financial strain**

for universities that rely on revenue from international students, impacting their ability to fund and support capital works



## ... and threaten our **world-class international education sector**

Australia's tertiary education sector **brings critical economic, sociocultural, research and geopolitical benefits** to the nation.



Australia has built a market-leading offering for international education, making it our

**4th largest export**

at \$48 billion in revenue annually, **more than two thirds of the total tourism revenue in Australia**



International education is worth **\$63B** in economic contribution (direct and indirect) and supports

**335,000 jobs** across the country







1

**The Government's proposed student caps will not fix the problems in the rental market**

2

The caps will cost jobs and strain the economy

3

The Government should directly address the housing crisis and encourage the growth of private PBSA

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Appendix

# The Australian government plans to cap international student commencements

The Australian government will cut international student numbers by capping new enrolments at 270,000 in 2025. This represents a major shift for Australia, which currently ranks as the world's second-largest destination for international students.

The government has indicated it is doing this in the hope that it will help tackle rising rents nationwide. It also aims to address claims that individuals are misusing student visas as a backdoor to immigration. This is despite only 28% of international students using their post-study work rights, and only 16% becoming permanent residents.<sup>1</sup> The caps will affect both universities and vocational education providers.

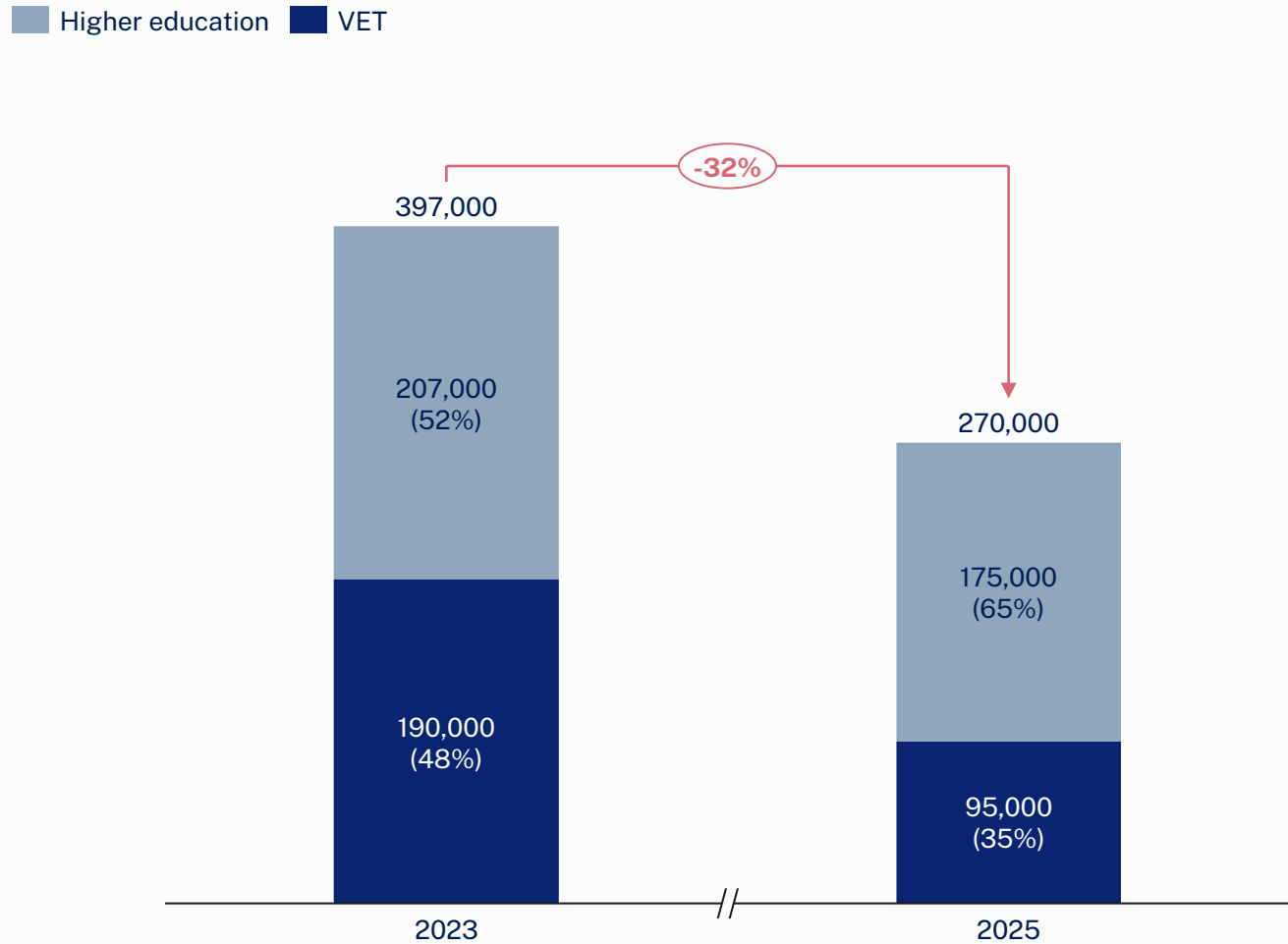
Early announcements noted that universities would be able to enrol more students above their caps provided they “establish additional, new supply of purpose-built student accommodation to benefit both international and domestic students”.<sup>2</sup> More recent announcements appear to have delayed this mechanism to 2026.<sup>3</sup>

However, these caps will have far-reaching consequences across the economy without achieving their stated aim (see next section); the tertiary education sector calls them “short-sighted”, and it's clear they could undermine Australia’s economy and global competitiveness in the education sector.<sup>4</sup>

Note: 1. Universities Australia (2022). 2. Ministers Clare, O'Connor, and O'Neil (2024). 3. Ministers Clare, Burke and Watt (2024). 4. ACS (2024).



## International student commencements by sector

Number of international student commencements by sector, 2023 and projected 2025<sup>4</sup>



Note: 4. Full-year data for 2024 is not yet available.  
Sources: Australian Trade and Investment Commission (2024); Department of Education (2024); Parliament of Australia (2024); Department of Treasury (2024).

# There are supply- and demand-side factors increasing rents nationwide, and international students make up one small component

<div></div> <div>Supply</div>	Land availability and use	<ul style="list-style-type: none"><li>▪ Urban growth boundaries and zoning rules limit housing development</li><li>▪ Geographic constraints restrict suitable building areas</li></ul>	Average <b>approval to completion for a new house is 12 months</b> , up from 9 months in 2019-2020
	Construction	<ul style="list-style-type: none"><li>▪ Labour and materials shortages drive up costs</li><li>▪ Complex regulations slow building timelines</li></ul>	<b>172,000 dwellings were completed in 2023</b> – the lowest in the past decade
	Government policy	<ul style="list-style-type: none"><li>▪ Public housing spend impacts supply</li><li>▪ Tax and protection laws affect new builds</li></ul>	<b>30% of potential NSW homes</b> are limited by a lack of enabling infrastructure
<div></div> <div>Demand</div>	Population dynamics	<ul style="list-style-type: none"><li>▪ Natural growth and migration drive housing demand, <b>of which international students are one component</b></li><li>▪ The ageing population changes housing needs</li></ul>	The national <b>rental vacancy rate is at 1.6%</b> – nearing a 15-year low
	Consumer preferences	<ul style="list-style-type: none"><li>▪ Shifts in household composition, such as the rise of single-person households</li><li>▪ An increasing preference for spare bedrooms for home offices for work from home</li></ul>	Australia's household size in 2021 has <b>decreased almost 10%</b> since 1991
	Economic factors	<ul style="list-style-type: none"><li>▪ Income levels, distribution, and employment rates affect individuals' ability to purchase or rent homes</li></ul>	Only <b>13% of the homes sold in 2022-2023 were affordable</b> for a median income household
	Short-term leasing	<ul style="list-style-type: none"><li>▪ In some areas, particularly regional, using investments for short-term rentals and holiday letting reduces the supply of long-term rentals</li></ul>	In Byron Bay, short-term rentals made up <b>48% of the total rental stock</b>

Sources: Property Council of Australia (2024); Property Council of Australia (2024); National Housing Supply and Affordability Council (2024); The Centre for Independent Studies (2024); Urban Development Institute of Australia (2024); Australian Institute of Family Studies (2023); Mandala analysis.

# International students make up just 6% of Australia’s renters with significant variation by state

International students have a small presence in Australia’s general private rental market. Based on the most recent data available, the national average sits at just 6% of all renters. This excludes students living in private PBSA.

Victoria has the highest share at 7% of renters, followed by NSW at 6%. These states host Australia’s largest international student populations and major universities. Victoria’s high share comes despite having the most private purpose-built student beds (26,000), showing strong student demand in the state. With the best available PBSA stock levels, Victoria could see the percentage of renters in the general market lowered if more beds were taken up in existing PBSA capacity.

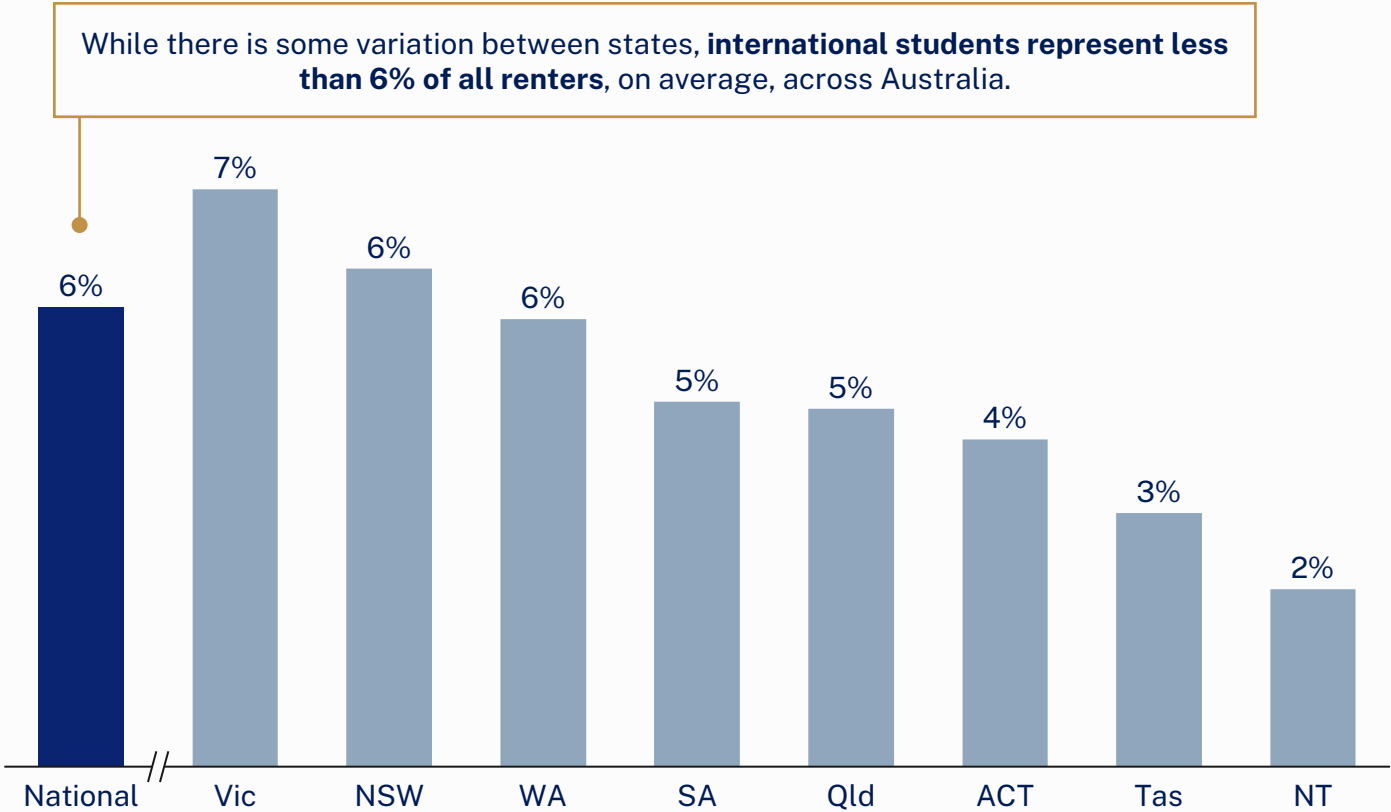
WA has an under-supply of PBSA beds, meaning the student to bed ratio is higher. This is reflected in the higher percentage of students living in the private rental market than in comparable cities, like Adelaide.

Queensland and South Australia both sit at 5% of renters. Queensland’s lower share reflects its 16,000 private purpose-built student beds, while South Australia benefits from recent development of student housing during the pandemic.

Sources: Accenture (2022).

## International student share of the general rental market by state

% of international higher education and VET students in the general rental market, 2024



Notes: General rental market refers to the broader private rental market and excludes private PBSA. Sources: Department of Education (2024); ABS (2021); Student Accommodation Council; Mandala analysis.

# 39% of international students live outside the general rental market, including a large portion in private PBSA

Two in five international students don't use the general rental market for housing. This significantly reduces pressure on local rental markets across Australia. Of the 725,000 international students in Australia, only 440,000 seek housing in the general rental market.

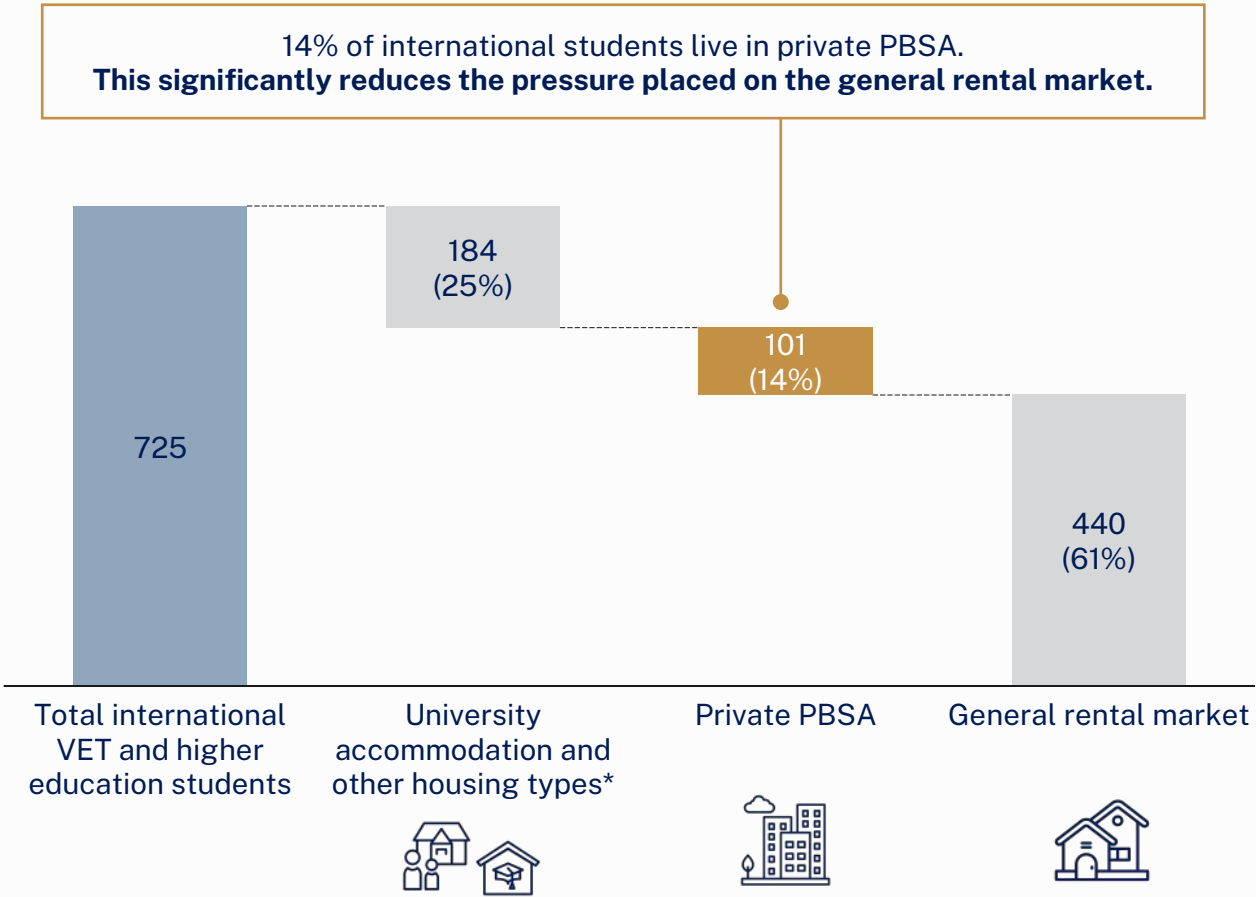
39% of international students live in specialised accommodation. This includes 184,000 students (25%) in university accommodation and other arrangements, and 101,000 students (14%) who live in private purpose-built student accommodation (PBSA).

Private PBSA plays a vital role in easing rental market pressure. It houses 101,000 students who would otherwise need private rentals. This private purpose-built housing creates dedicated student communities while freeing up rental homes for local families and workers. Major private PBSA providers continue to expand across Australian cities, with several new developments under construction or in planning.

The growth of private PBSA offers a sustainable solution to student housing needs. As more student housing gets built, it creates additional options for students to live outside the general rental market. This expansion of purpose-built accommodation helps balance the needs of international students with those of the broader community.

## Number of international students by housing type

'000 international higher education and VET students, 2024



Notes: University accommodation and other housing types includes university owned and managed accommodation, homestays, and students living with family and friends. Private PBSA refers to commercially operated student accommodation (excluding university owned and managed properties). General rental market refers to the broader private rental market.  
Sources: Department of Education (2024); ABS (2021); Student Accommodation Council; Mandala analysis.



# Private PBSA has continued to match student growth, alleviating demand on the rental market

Student housing has grown rapidly in Australia. Bed numbers grew 74% from 2015 to 2024. This purpose-built housing helps both students and the wider rental market by adding new homes that are exclusively for the use of students.

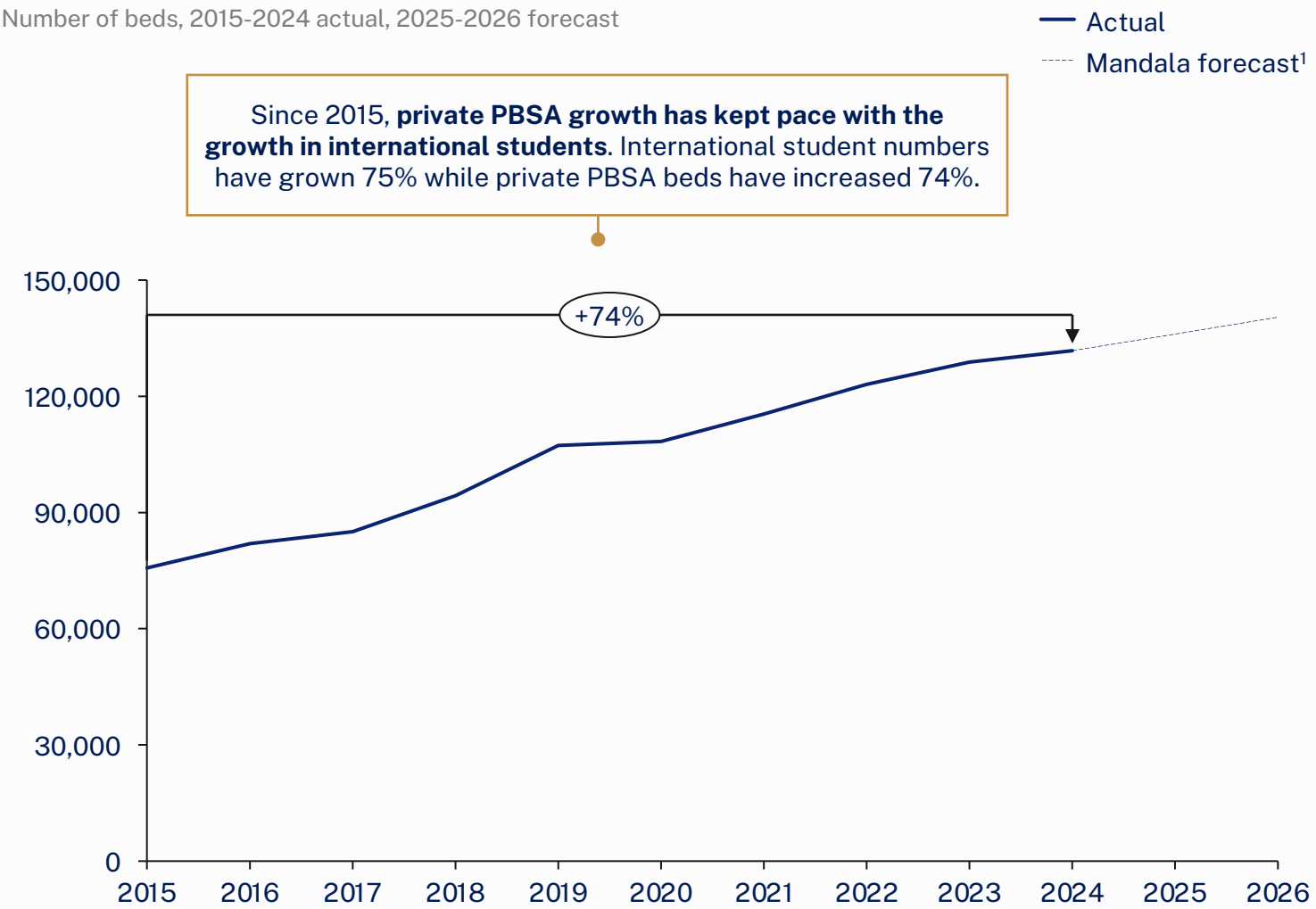
More student housing eases pressure on rental homes nearby. This matters most in city areas, where most international students live. These areas now have the largest amount private PBSA to meet this need.

Private PBSA creates an additional supply of homes built just for students. This new supply helps keep rents down in the regular rental market. It also shields local rental markets from big swings when student numbers go up or down.

The growth shows how well the sector meets both international and local student needs. Student housing can adapt more quickly to changes than regular rentals can. This flexibility helps support the broader rental market by giving students more housing choices.

Number of private PBSA beds in Australia

Number of beds, 2015-2024 actual, 2025-2026 forecast



<sup>1</sup> Forecast based on private PBSA currently under construction and current development approvals. Source: Urbis (2024) *Student Accommodation Market Snapshot*; Mandala analysis.



# Private PBSA could be more fully utilised to meet the housing needs of international students

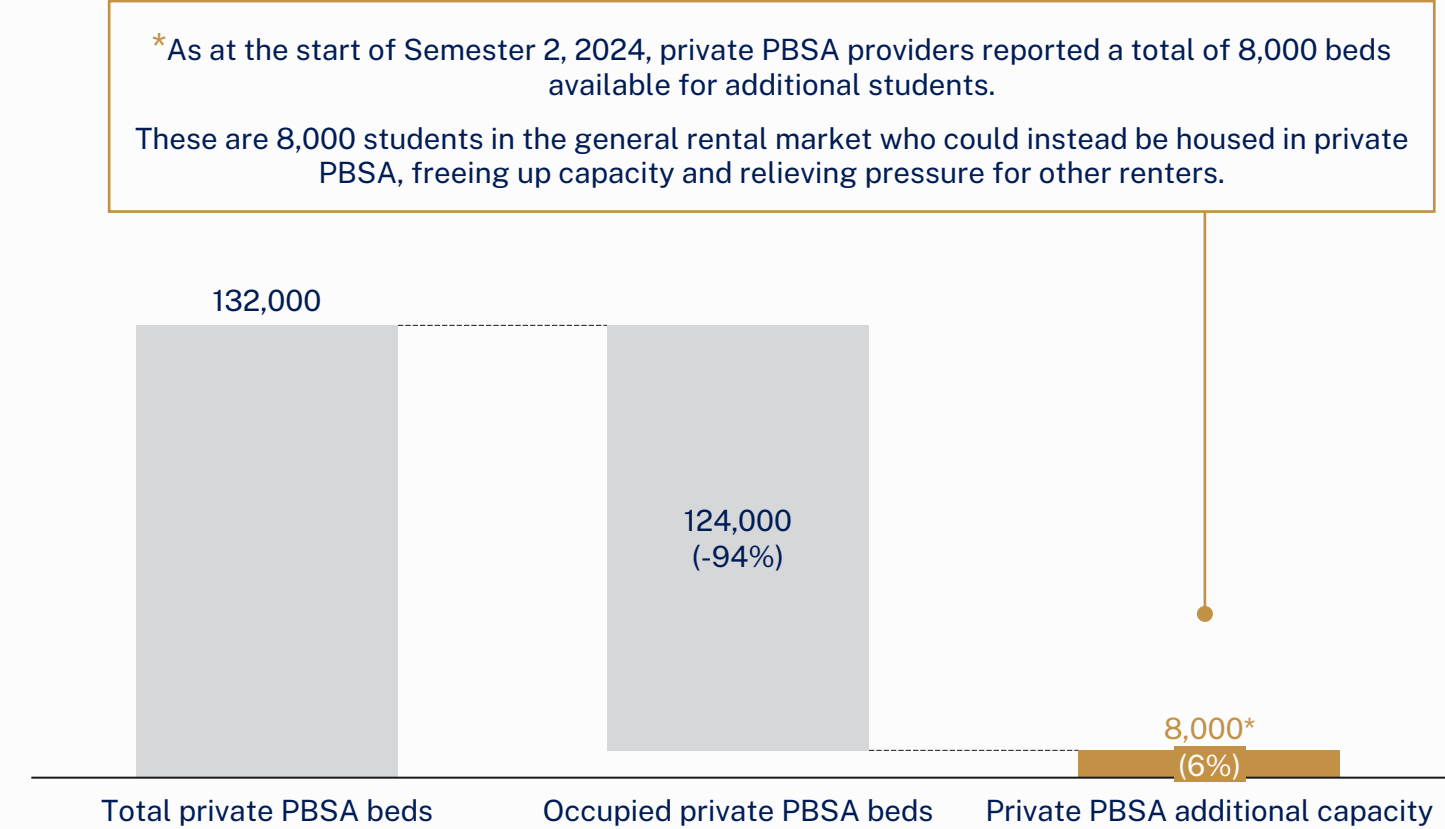
At the start of semester 2, 2024, there was remaining capacity within private PBSA to house an additional 8,000 students. Moving students into these purpose-built rooms would free up thousands of homes in the regular rental market. This would help ease housing pressure for everyone.

There is capacity for greater take up of available PBSA beds by having the university sector work more closely with PBSA providers to assist international students to find accommodation before they arrive in the country. They could highlight the benefits of purpose-built student housing during orientation and enrolment and encourage uptake of these accommodation sources over the general private rental market.

The recent policy debates have also revealed a lack of comprehensive data regarding where students live across the accommodation sector. Universities could report the type of housing and general locations their international students are choosing to live in, which would allow the government to understand the true impact different student cohorts are having on localised housing markets, and how much university accommodation and PBSA stock is being taken up. Right now, there is only limited, scattered data from different sources. Better tracking would show which students live in private rentals who could move to private PBSA. This data would help private PBSA providers plan future developments and fill empty beds.

## Private PBSA occupancy

Private PBSA, number of beds, as at June 2024



Note: These figures include domestic students in private PBSA.  
Source: Urbis (2024); Mandala Analysis.

# The proposed caps will reduce international students' share of the rental market from 5.4% to 4.8% in 2026

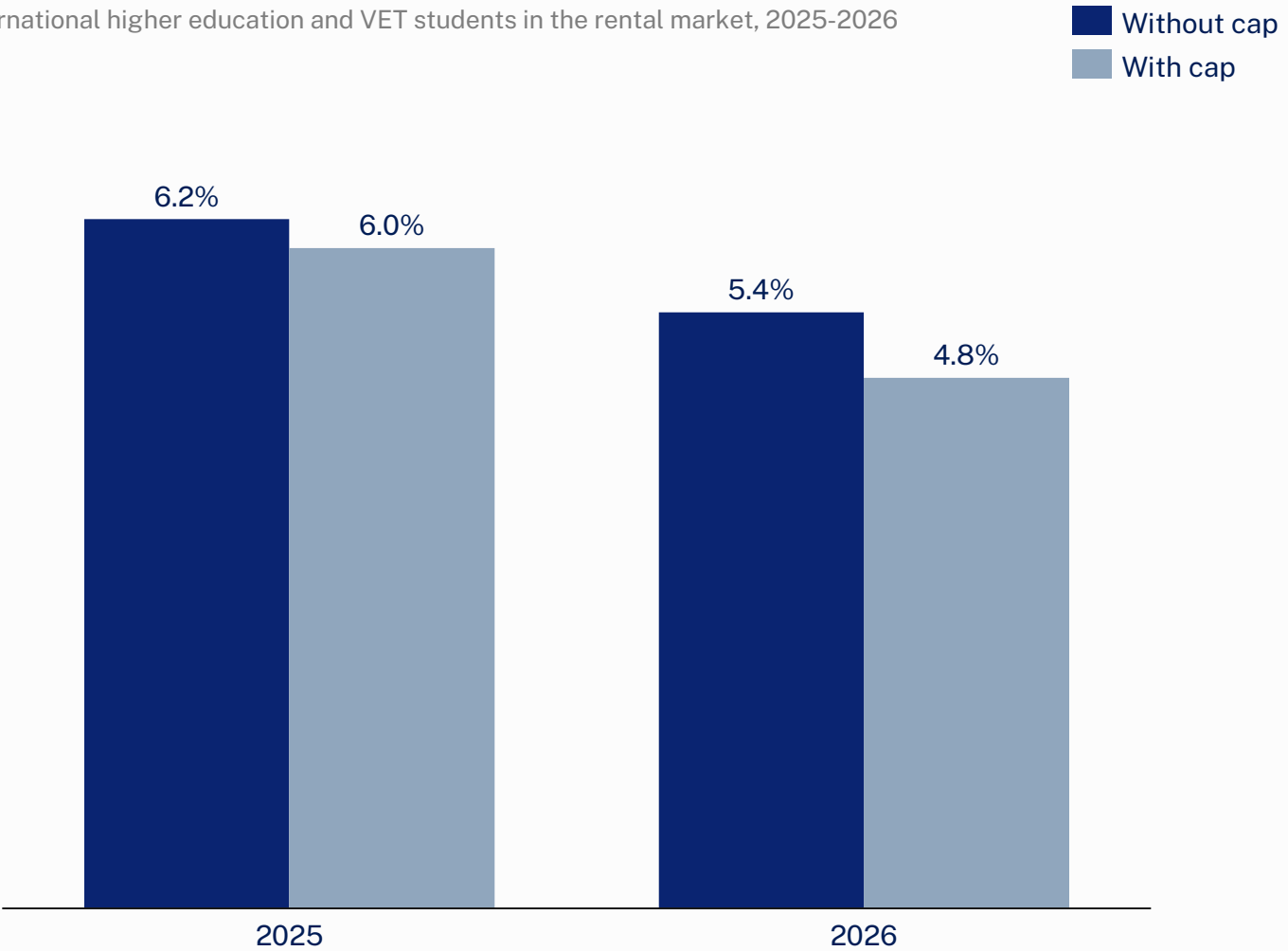
Given the number of international students living outside the private rental market, either with family and friends or in private PBSA, the impact of the proposed caps on the proportion of international students in the private rental market will be modest.

The impact of the proposed student caps on the broader rental market is also diminished by the expansion of private PBSA which has increased its offering significantly over the past decade, and which continues to provide accommodation to an increasing number of international and domestic students. New private PBSA developments under construction and in the planning and development phases will continue to absorb a growing proportion of international student housing demand in the coming years.

In the first year of the international student caps, 2025, only a 0.2% reduction in the amount of students in the general rental market will be observed. In 2026, this will increase to a 0.6 percentage point difference, which will primarily be felt in areas close to universities, many of which have developed specialised rental stock that caters to the student demographic.

Proportion of international students in the rental market

% of international higher education and VET students in the rental market, 2025-2026



Sources: Department of Education (2024); ABS (2021); NCVER (2024); Department of Home Affairs (2024); Student Accommodation Council; Mandala analysis.

# Renters in metropolitan areas will save less than 1% per week in rent under student visa caps

Detailed modelling shows the international student cap will have minimal impact on the rental market. Weekly rents will fall by just \$5 - less than the cost of a cup of coffee.

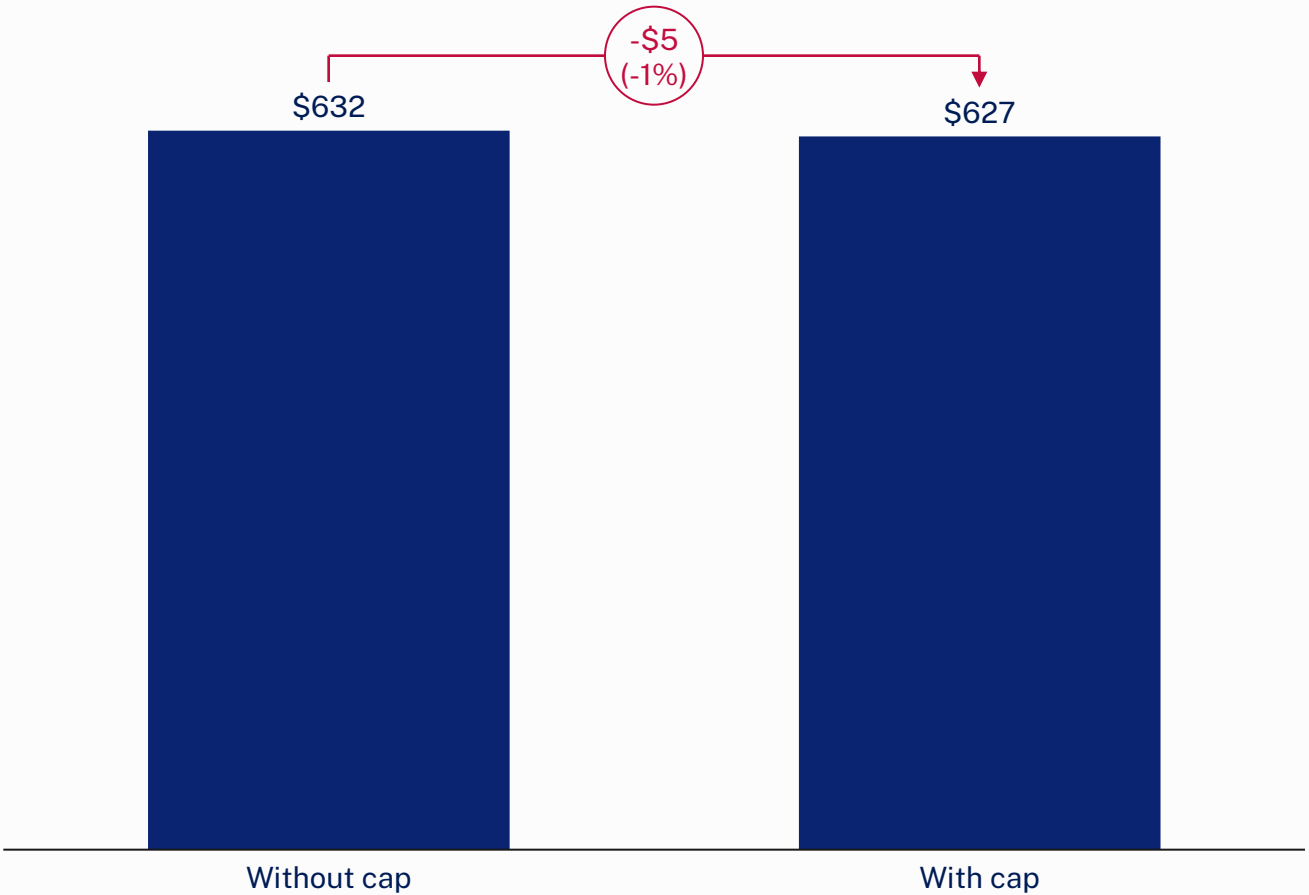
This 1% reduction in average metropolitan rents comes at a significant economic cost. Savings will be greatest in inner city and CBD locations that surround major universities, rather than in suburban areas popular with families and retirees. The policy will reduce GDP by \$4.1 billion and cost 22,000 jobs across the economy.

Our analysis suggests other factors drive rental prices far more than international student numbers. These include interest rates, housing supply, population growth and changing household preferences. Targeting international students will not meaningfully address rental affordability.

The small rent reduction also needs to be weighed against lost economic benefits. International students contribute to Australia's economy through spending in retail, hospitality and tourism. They create jobs and boost local businesses across the country.

Weekly mean metropolitan rents

AU\$, 2026



Sources: Department of Education (2024); ABS (2021); NCVER (2024); Department of Home Affairs (2024); Student Accommodation Council; Mandala analysis.



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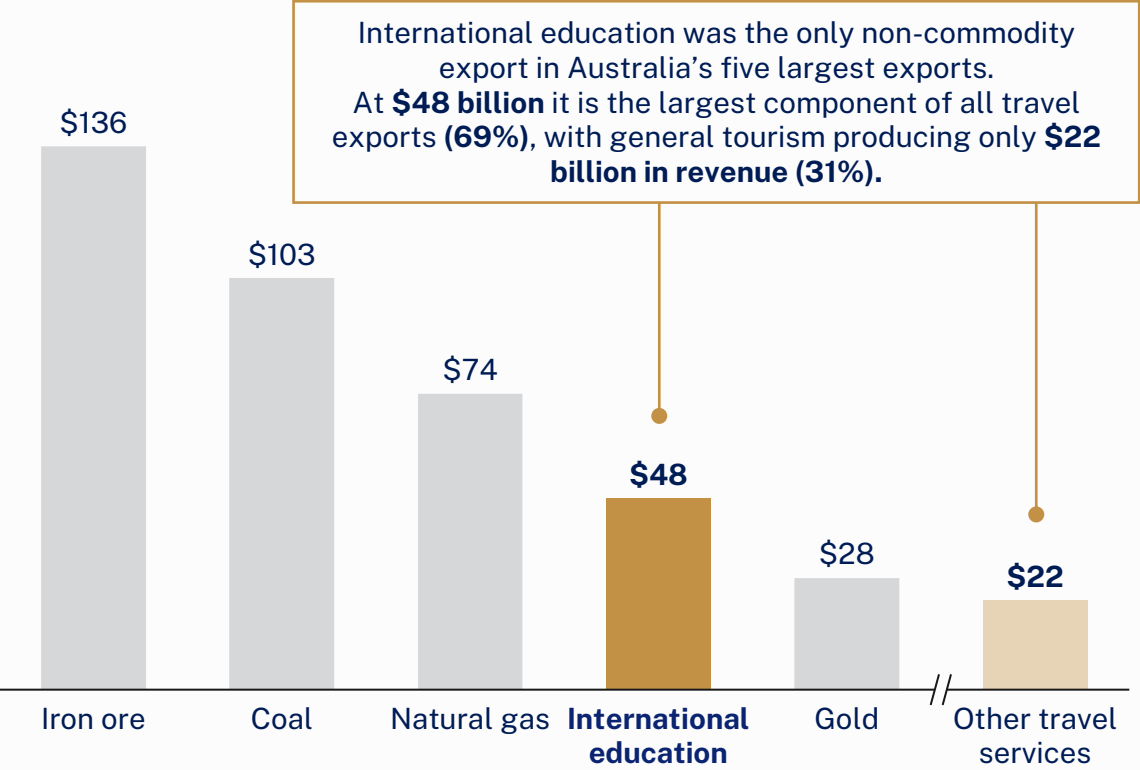
Appendix



# International education is Australia’s 4<sup>th</sup> largest export ...

## Australia’s largest exports in 2023

\$AU revenue, billions, 2023

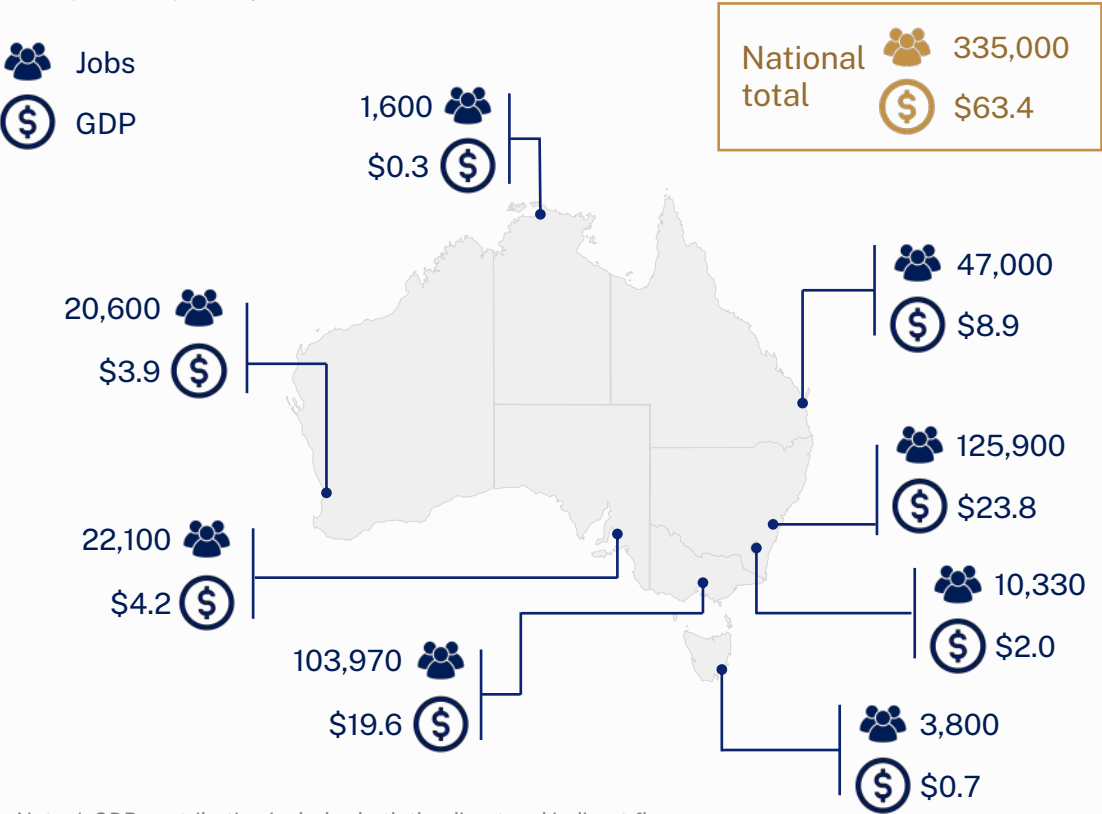


Notes: General tourism refers to services that include personal travel (excl. education-related) and business-related travel services.  
Source: Department of Foreign Affairs and Trade (2024)

# ... contributing \$63 billion a year to the economy and supporting 335,000 jobs

## Direct and indirect GDP and jobs supported by international students¹

\$AU, billions, 2023; Jobs

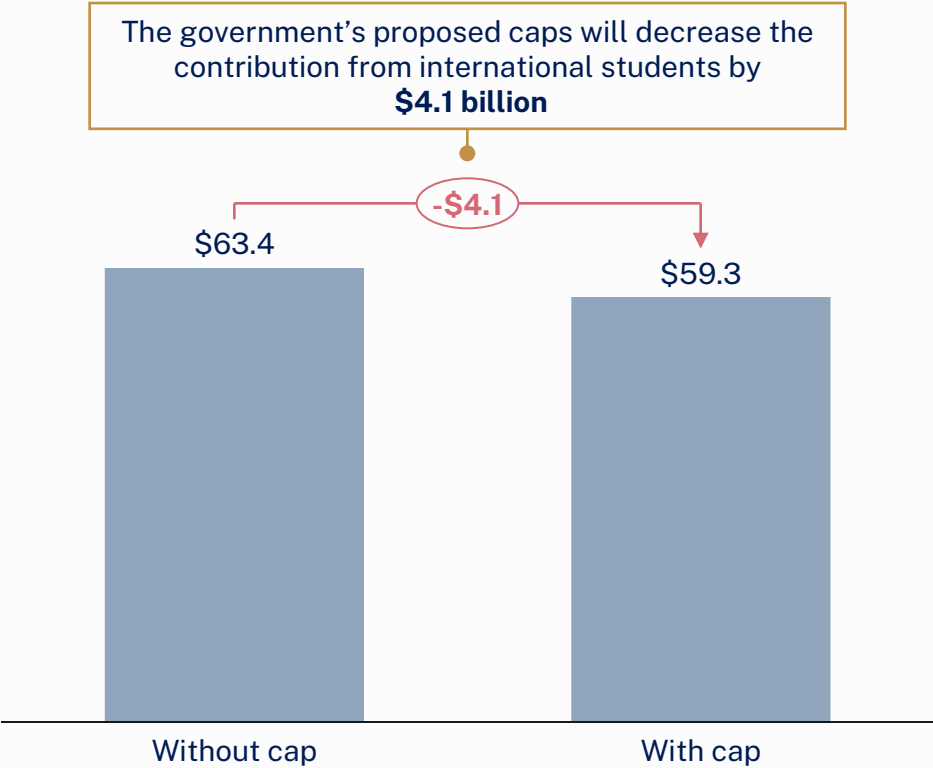


Note: 1. GDP contribution includes both the direct and indirect flow-on GDP contribution of international students.  
Sources: University of Sydney (2024); Department of Education (2024); Mandala analysis.

# International student caps will reduce Australia’s GDP by over \$4.1 billion ...

Direct and indirect flow-on GDP contribution from international students¹

\$AU, billions

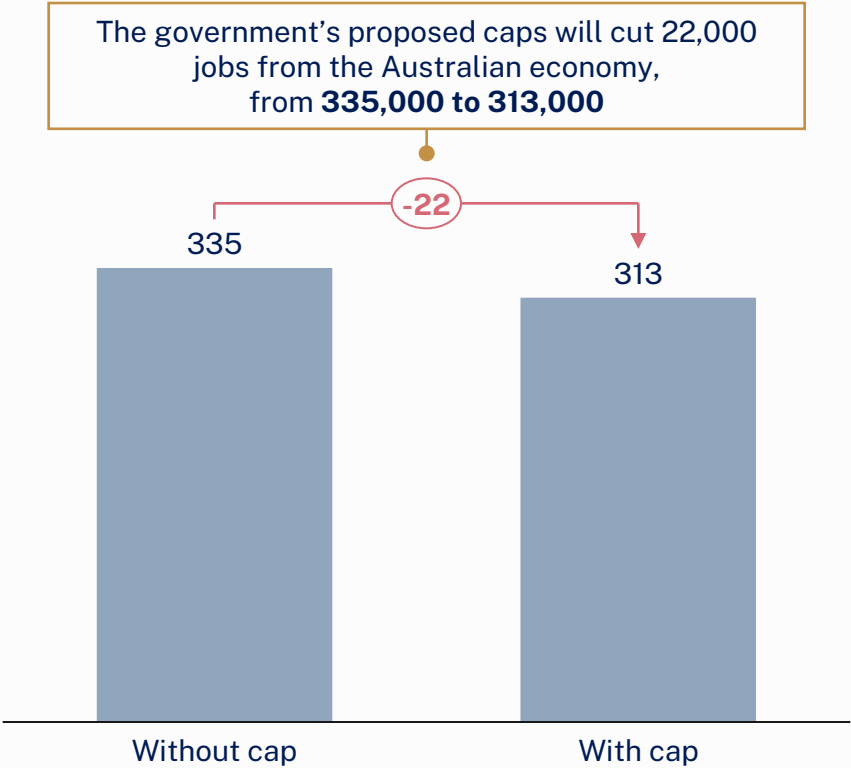


Note: 1. GDP contribution includes both the direct and indirect flow-on GDP contribution of international students.  
Sources: University of Sydney (2024)

# ... and cost 22,000 jobs across the Australian economy

Direct and indirect flow-on jobs support by international students¹

000, full time equivalent jobs (FTE)



Note: 1. GDP contribution includes both the direct and indirect flow-on GDP contribution of international students.  
Sources: University of Sydney (2024)

# Universities will face significant financial strain as they lose revenue from international students, reducing their ability to invest

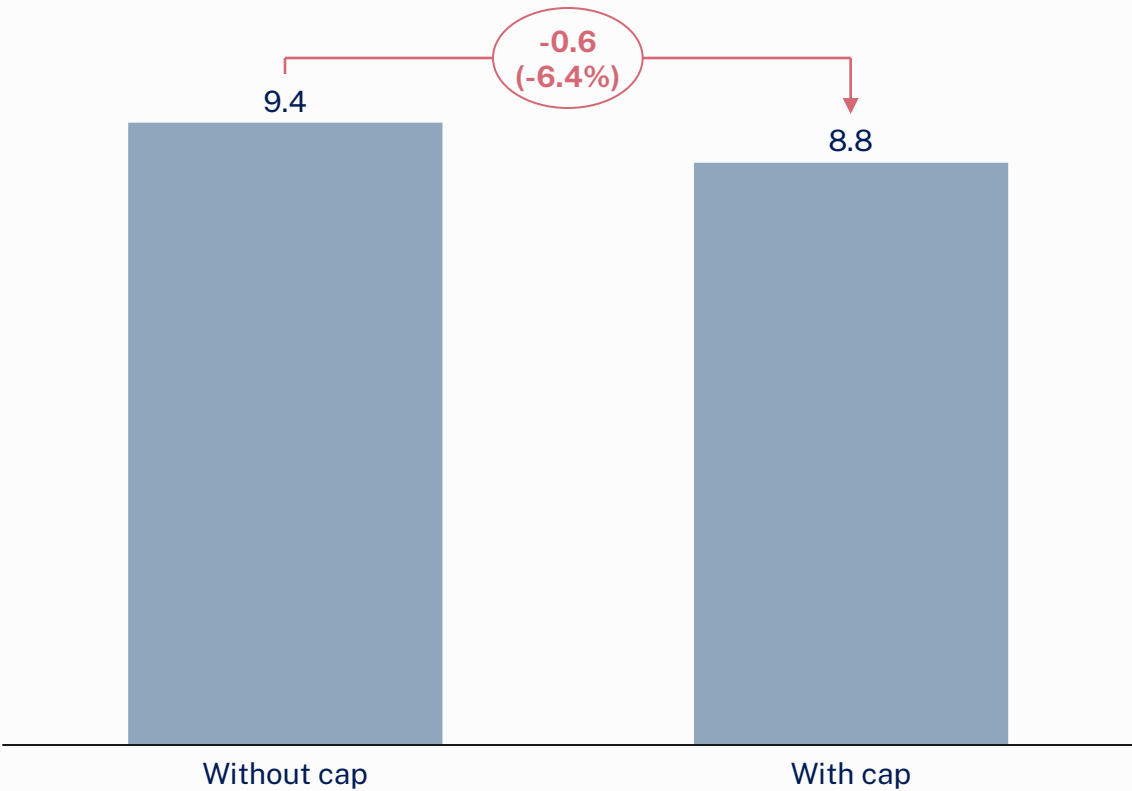
The new international student caps will reduce university revenue by \$600 million annually. This will impact universities' capacity to invest in student housing and infrastructure development.

International student revenue helps universities partner with private sector developers and operators to bring new accommodation options to market, as well as upgrading infrastructure and facilities to ensure the ongoing strength of our institutions. This funding supports new housing projects and helps universities partner effectively with private investors in purpose-built student accommodation (PBSA).

Universities use international student fees to create attractive conditions for housing co-investment. A reduction in revenue will make it harder for universities to partner with the private sector to develop new accommodation facilities in partnerships or through joint-ventures.

Annual university revenue from international students

\$AU, billions, 2026



Sources: Department of Education (2024); Mandala analysis.



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# Policy to support the provision and utilisation of private PBSA would help relieve pressure on the general rental market, while enabling growth in a key export

Recommendations Opportunity	<div>Private PBSA can help alleviate pressure on the rental market.</div> <div>Overcoming these policy and regulatory hurdles will help grow the supply of private PBSA, absorbing demand and reducing pressure on the general rental market.</div>				
	ENCOURAGE INVESTMENT			STREAMLINE DEVELOPMENT, APPROVALS AND OPERATIONS	
Description	1	2	3	4	5
	Reduce tax barriers to foreign investment	Form a consistent classification of PBSA	Include PBSA in housing targets	Incorporate PBSA into zoning plans	Develop PBSA-specific legislation for Residential Tenancy Acts
	<ul style="list-style-type: none"><li>Alleviating pressure on foreign investors will make PBSA investments more accessible and unlock future growth.</li><li>Currently, high levies and taxes – such as stamp duty surcharges and land tax surcharges – and high Foreign Investment Review Board application fees disincentivise investment in PBSA.</li><li>PBSA is underpinned almost entirely by foreign investment - making it uniquely impacted by foreign owner taxes.</li></ul>	<ul style="list-style-type: none"><li>Having a consistent definition and classification of PBSA as an asset class would incentivise further domestic investment.</li><li>Currently, there is a lack of harmonisation of the classification of PBSA as an asset class between different states and territories, which impacts stamp duty, land tax, and foreign owner surcharges.</li><li>Defining PBSA as an asset class would help unlock investment from domestic superannuation funds.</li></ul>	<ul style="list-style-type: none"><li>PBSA should be incorporated into the government's 1.2M homes target to reflect its contribution to housing supply.</li><li>Universities should prioritise utilisation of PBSA beds, including 8,000 available beds and implement mandatory data collection for student accommodation locations to better understand housing needs.</li></ul>	<ul style="list-style-type: none"><li>PBSA should be incorporated into future zoning plans to support the education sector and reduce pressure on the general rental market.</li><li>Currently, zoning frameworks designate education precincts, but PBSA is usually not accounted for specifically in and around these areas.</li></ul>	<ul style="list-style-type: none"><li>PBSA should be identified as a unique asset class, and PBSA-specific legislation should be embedded to reduce barriers for sector development.</li><li>Currently, tenants in Australia are covered by Residential Tenancy Act (RTA) legislation but the criteria are often not relevant to PBSA, as RTAs have been designed around general residential tenancies.</li></ul>

Source: Property Council of Australia (2022).

# By supporting the provision and utilisation of private PBSA, we can grow rather than limit the benefits from international education

 Economic benefits	 Sociocultural benefits	 Research benefits	 Geopolitical benefits
<p>Australian universities generate significant economic value</p>	<p>Australian universities drive social inclusion and foster a strong national identity</p>	<p>Australian universities consistently rank among global leaders in research output</p>	<p>Universities are one of Australia's most effective soft power assets</p>
<ul style="list-style-type: none"><li>Education is Australia's 4<sup>th</sup> largest export, <b>contributing \$63 billion annually</b> in direct and indirect GDP and supporting <b>335,000 jobs</b>.<sup>1</sup></li><li>International students in private PBSA spend an average of <b>\$4,000 per month</b> in our CBDs.<sup>2</sup></li><li>International students and their families and friends spend more than other tourists, comprising <b>two-thirds of all tourism export revenue</b>.<sup>3</sup></li></ul>	<ul style="list-style-type: none"><li>International education enriches Australian culture through diverse perspectives and <b>cross-cultural exchange</b>.</li><li>International alumni become <b>lifelong ambassadors</b> for Australia in their home countries.</li></ul>	<ul style="list-style-type: none"><li>Higher education institutions spent <b>nearly \$14 billion on R&amp;D</b> in 2022.<sup>4</sup></li><li><b>37% of university research funding</b> is supported by the fees paid by international students.<sup>5</sup></li><li>International research partnerships lead to <b>breakthrough innovations</b>.</li></ul>	<ul style="list-style-type: none"><li>Australian universities rank highly, with <b>9 in the top 100 globally</b>.<sup>6</sup></li><li>We are a <b>market leader</b> in educating international students, with more than <b>2.5 million studying in Australia in the past 50 years</b>.<sup>7</sup></li><li>These strategic relationships deliver <b>sustained diplomatic advantages</b> across trade, security, and other strategic imperatives.</li></ul>



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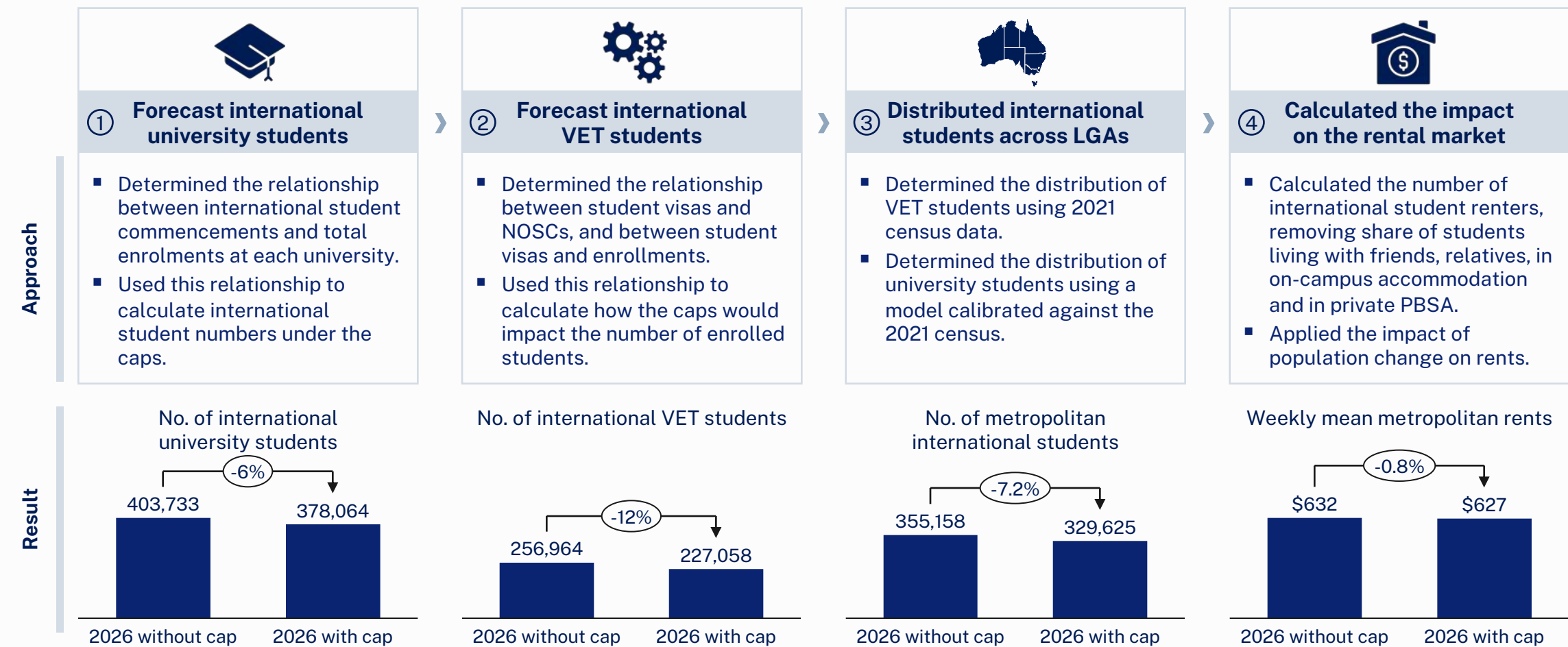
3

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# We modelled the impact of the international student caps over four steps



Notes: NOSC refers to Net Overseas Student Commencements  
Sources: Department of Education (2024); ABS (2021); NCVER (2024); Department of Home Affairs (2024); Student Accommodation Council; Mandala analysis.





M A N D A L A

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Note: All dollar figures are Australian dollars unless indicated otherwise.