

A collage of three student portraits. The left portrait shows a person with light skin and blonde hair. The middle portrait shows a person with dark skin, freckles, and dark hair. The right portrait shows a person with dark skin and braided hair. Large, stylized yellow numbers '2020' are overlaid on the portraits. The background is dark blue.

Student Housing Report

Student Housing Report 2020

"Right in the middle of Residence road, about 30 students erected a corrugated iron shack equipped with a braai area and porta-loo – graffitied on the side was the slogan 'This is the State of our Nation'.

The rhetoric of post-Apartheid South Africa has positioned education as the vehicle to reduce inequality and elevate people from poverty—the question arises then:

Why is a shack the symbol of the state of student accommodation today?"

– Alexandria Procter, DigsConnect CEO

Acknowledgements



We would like to thank Greg Keal who first had the idea to put this report together, and whose relentless follow-ups ensured its completion. We would like to thank Nigel Reddy and Rorisang Moseli for their superb research and editing work. We would like to thank the entire DigsConnect team, whose tireless efforts and inspiring work are what make everything that DigsConnect is possible. We would like to thank the South African student body for fighting for a better future for our country, for prevailing against the odds. Finally, we would like to thank the thousands of South African homeowners in this country for opening up their homes to students and the developers for investing in our economy, for displaying the plucky entrepreneurial spirit this country has, and embracing technology and all that the future has to offer us.

We live in an extraordinary country.

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Foreword

01

// South Africans had realised there was an opportunity to facilitate a burgeoning demand using assets they already owned //

Words from our co-founder & CEO



Alexandria Procter

As an undergraduate at the University of Cape Town (UCT), I served as a student leader on the Student Representative Council (SRC), a position which permitted me a first-hand perspective into the challenges faced by the modern South African student body. It was during this tenure that the magnitude of the student housing crisis became apparent to me.

While there is little doubt that this problem places students from less privileged backgrounds at greater risk, and addressing this is of paramount importance, students arrived from a myriad of socio-economic contexts. Some grew up beneath the shadows of Sandton's skyscrapers erupting like glassy candles toward the clouds. Others hailed from beneath the baking sun of rural KwaZulu-Natal where they shared rugged roads with grunting tractors. They came in hundreds and thousands to Cape Town, some joining siblings at the university while others had taken 18-hour buses and were the first in their families, sometimes even their towns and villages, to attend university. They came carrying their belongings, blankets, books and clothes, and the weight of expectations and hopes for a better future for their communities back home. They came to break the cycles of poverty that have robbed so many South Africans of their dignity. And far too often, they were left homeless. They may have come from all over the country but they all came seeking security and shelter. They came seeking a home. And from my little office in the Steve Biko Student's Union Building it was my imperative to service this most human right.

Within the broader narrative and context of our country, this situation wasn't surprising. Our universities were built pre-1994, and while enrolment had been growing impressively, supporting infrastructure at public institutions had not been built at a commensurate rate. Many felt that the duty to rectify the situation lay with the public bodies, an unenviable task, and to a certain extent this was perhaps true. However, where they fell short, the private sector had begun to respond to this critically underdeveloped market.

Landlords would call me regarding vacancies and beds-to-fill; wanting to know how to advertise these rooms to students. Once their entrepreneurial spirit kicked in, ordinary South Africans had realised there was an opportunity to facilitate a burgeoning demand using assets they already owned but could not efficiently monetize due to their inability to access prospective tenants.

Thus, DigsConnect was born as an online marketplace to connect sellers (landlords) with buyers (students).

The beauty of marketplace technologies is that they democratise access to the supply and demand of services, meaning that the value gained from consumers is distributed amongst more sellers. A more fertile market, one that not only generates access to more sources of revenue but also permits more merchants access to said sources, better serves the economy by negating the stranglehold a property sector under a monopolistic scheme might. In the case of student housing, it means that instead of one developer getting a multi-billion rand tender and building all the residences, now everyday South Africans can invest in smaller, more accessible, commune-style properties, and rent these out to students. This means tens of thousands of people benefit, instead of just the one. More people with more money, and more places to spend it, precipitates a more heterogeneous flow of commerce and that, ipso facto, is the essence of a thriving economy.

For the students, having a vast and meticulously curated database, which can be easily sorted to accommodate their specific requirements, represents a massive shift in their autonomy as consumers. No longer will they be subject to monolithic, and often subpar, housing standards. Instead, in this competitive marketplace, landlords have the incentive to offer the highest standards of living so as to attract tenants. Practically speaking, every year the standard of private student accommodation is improving, and those that do not improve, or charge too much, quickly find themselves with vacancies. Hence, we see that when a free market enterprise is structured to specifically address a social imperative it has the capacity to affect constructive, tangible, change on both sides of the mercantile relationship.

Furthermore, having recently been a student myself, communal living for students also encourages more cohesion and closer bonds, combating the sense of social isolation so many contemporary students experience.

Considering the strain already placed on the national budget, we needn't allocate huge sums for overly ambitious public projects in student housing when the solution can be provided by the private sector. South Africa has world-class business leaders. It starts with a natural entrepreneurial spirit in our people, the initiative to problem solve, a self-reliance necessary for our survival, and is later reinforced by having to build a business in extremely tough economic conditions. Those that

manage to build thriving businesses here have proven that they are resourceful, competent, hard-working, accountable, and resilient. Exactly the kind of qualities you'd want in the people attempting to navigate this dilemma.

The primary concern here is that thousands of communes are harder to regulate than a handful of giant buildings, especially for the already overstretched Department of Higher Education and Training (DHET) and the National Student Financial Aid Scheme (NSFAS). With their number of responsibilities compounding, both administrations are being held accountable for a deepening crisis yet are not adequately provisioned with appropriate human, financial, or structural requirements. I do not doubt their willingness, but their task is impossible unless significant resources become available to them in a short period of time. There can be little doubt of their systemic shortcomings and, pardon my animadversion, but if we continue to use antiquated, paper-based systems for such regulation we will continue to flounder when it comes to delivery in these departments. Unless our public administrations take advantage of the vast assets available in the private sector, it is unfeasible to expect them to accrue the necessary means to combat the student housing crisis. A collaborative approach going forward would allow said offices to delegate resources elsewhere and let independent organisations bear the weight, and expenses, of this service. With the right technology and resources, both of which already exist, we can unite policy, practicality, student wellbeing, and economic stimulation, in a harmony of organizational efficacy where the benefits are widespread.

This technology is the DigsConnect Virtual Res, which, at its heart, is an extraordinarily simple idea. It is a decentralised student accommodation verification system; democratic, instantly scalable, self-sustaining and refreshingly modern.

The Virtual Res is financially transparent meaning that the flow of money from taxpayer to government to bursaries to student to landlord is clean, accountable and auditable.

It also removes the bottleneck of a centralised authority granting property verifications, and instead allows for those

that should have the biggest say in the matter, the students, to be not only included but indeed necessary for the system to operate. This is because it is the students that will respond, via the app, to property verification requests directly from the landlords. The verification standards are openly published and easily accessible on the platform, and the technology picks up automatically if the landlords qualifies; further expediting the process.

Since students are being paid on a gig-economy basis for doing accreditations across South Africa, this means that the Virtual Res is creating employment, accountability and enhanced security across the entire sector. Once the student has verified the property, it is immediately updated on the platform, increasing the stock of available university / NSFAS verified properties, which is instantly available to NSFAS students with a simple tap on their cellphones to filter the listings. For the policy-makers themselves, this is exciting because now we have up-to-date (up to the second, really) data that they can use to hone their decision making model and more accurately determine accreditations and funding amounts. We are excited to work with all the stakeholders to make student accommodation work in South Africa. We are not pointing fingers, we are here to join hands.

At DigsConnect, we have come to realise this platform has exceeded even our most ambitious dreams concocted during our humble beginnings in the Steve Biko Building on UCT's Upper Campus. We have begun to enable access to higher education that has been so elusive for so many students, not only in South Africa, but across the rest of Africa also.

There are many stories of students from abroad having to grapple with an inefficient system, thus putting their education at risk. Every year, Grace, a Zimbabwean student at UCT, would struggle to get her student visa, because she could not get the documentation without a signed lease proving that she had accommodation. Before DigsConnect, there was no decentralised platform with a trusted third party accreditation

system, which exposed Grace to conniving “landlords” demanding deposits in exchange for dubious promises of properties that were often fake. The overall unpleasantness of the experience and mental tax aside; this lack of reliable accommodation meant that her student visas were always being delayed.

This year, she found accommodation on DigsConnect that our team had vetted and with peace of mind paid her deposit. Thus, she secured her visa in time to make it back for the start of the academic year. For Grace, and the myriad of foreign students coming to study in South Africa every year, their path through the system has become measurably less fraught, both emotionally and bureaucratically.

Such streamlining also enhances the experience of struggling South Africans too. Regard Fiona, a single mother of two girls in the Southern Suburbs of Cape Town, who had been diagnosed with cancer. Fiona was unable to keep going to work, but needed an income to support her daughters. She started renting out her rooms on DigsConnect, and did so well with those that she ended up opening a second student accommodation house and proceeded to rent out all of those as well. Fiona is building her property portfolio off the back of the DigsConnect platform.

Ordinary South Africans should be rewarded for investing in our economy, for starting small businesses and hiring staff to combat the high unemployment in our country. With more

people having the opportunity to participate in a lucrative sector of the economy, we made a remarkable observation within communities enriched by students. Secondary services –local salons, cafes, bookstores–began to flourish in the wake of their student influx. It was putting the money back in the hands of local entrepreneurs, where they in turn were spending it in their communities.

There is nothing greater than *communitas*, and at DigsConnect we often say “we are committed to community”. We use technology to bring people together; to form communities so that no student feels isolated. We speak often of the ‘Fourth Industrial Revolution’ in South Africa, and we are of the firm conviction that the power to bring this about lies not solely in the hands of the government, but in the hands of young, ordinary South Africans that can build the solutions they and their fellow citizens need.

We have the solution. We are a vessel bound for the future.

I am honoured to be sharing this report with you on our analysis of the current government norms and standards, and vetting procedures, for student accommodation in South Africa, as well as our plan of action to revolutionise this sector and unlock the massive potential we see here.

Johannesburg, 28 February 2020.

There is nothing greater than *communitas*, and at DigsConnect we often say “we are committed to community”. We use technology to bring people together, to form communities so that no student feels isolated.

Introduction

02

// Why is a shack the symbol of the state
of student accommodation today? //



Introduction

Shaped like a blocked cross is the most iconic space on UCT's upper campus. Standing in the centre; ahead Sarah Baartman, formally Jameson Hall, sits atop a throne of stone stairs, on the flanks are the prestigious and historic student residences, Smuts and Fuller Hall respectively, and right behind is the ominously empty plinth where the Rhodes statue once stood.

It was a Monday, the 15th of February 2016, and the first day of the new semester when the space became ground zero for a powerful, symbolic demonstration exposing and drawing attention to the student housing crisis across South Africa's 26 public universities.

Right in the middle of Residence road, about 30 students erected a corrugated iron shack equipped with a braai area

and porta-loo – graffitied on the side was the slogan 'This is the State of our Nation'. The creation of an informal settlement environment served to explicitly portray the visceral realities of the students overlooked by university housing policies.

Shackville, as it was called, drew the attention of mass media and UCT management. The destruction and removal of the shack, and arrests of its occupants, even more so.

However, the provision of safe, accessible, and academically conducive student accommodation has been a growing crisis since 1994. The rhetoric of post-Apartheid South Africa has positioned education as the vehicle to reduce inequality and elevate people from poverty—the question arises then...



**Why is a shack the
symbol of the state of student
accommodation today?**

Historiography

03

// 1994 was a year of celebration and
freedom masking a mass urgency //

Historiography

1994 was a year of celebration and freedom masking a mass urgency: the socio-political and historical inequalities left behind by Apartheid. Higher Education Institutions (HEIs) faced extreme pressure from the government to increase student numbers, especially for students from low-income and disadvantaged backgrounds. Universities were then not only expected to massively increase their student intake, but also drastically increase their student housing capacity. Many tertiary institutions were built in developed urban spaces whereas, due to Apartheid geography, disadvantaged students were still living in rural areas far from higher education strongholds—meaning these students needed to leave home to attend university. The pressure to match the surge of student admissions with infrastructural capacity remains immense.

The demand for access to tertiary institutions has quadrupled over the past decade but throughout this period, there has been little governmental focus on infrastructure and development.² Universities have not received an acceptable funding injection, or adequate monitoring and regulation, to cater for this sudden and untenable rate of student intake.³

President Jacob Zuma established the Department of Higher Education & Training in 2009. He formed a separate ministry for post-school institutions – from which the Department of Basic Education could assist in addressing the problems at tertiary institutions, student accommodation included. A report by the Department of Higher Education and Training (DHET) notes that it was not until the Stakeholder Summit on Higher Education Transformation, in 2010, that the state of student accommodation was criticised and challenged on a public platform.⁴ The report goes on to highlight the severe underfunding of HEIs and the lack of sufficient infrastructure to successfully provision for the volume of students. The DHET 2011 review noted that across 23 campuses, there was a shortage of 200 000 beds.⁵

The same Ministerial Commission investigated the scale and magnitude of a crisis rapidly gaining attention. It revealed that an estimated R147 billion over a 15-year period would be needed to scratch the surface of the student housing required, not taking into account further growth in the higher education sector in the future. In fact it is estimated that more than 400 000 beds will be needed by 2030.⁶

Pepler Sandri, associate director of capital markets at JLL commercial property and investment management services company, suggests that only around 50 000 beds, of his estimated 430 000 off campus beds, are provided by the large scale providers, with the balance being provided by what he identified as 'non-specialist' providers—which are largely unregulated and failed to secure NSFAS accreditation.⁷

As it stands, TVETs currently have a total student accommodation capacity of 18 574, and universities have a total student accommodation capacity of an estimated 2.3 million students in South Africa. University student accommodation is spread between university owned beds (121 312), leased beds (64 817), university accredited beds (70 042) and privately leased beds (33 335).⁸

This financial and structural incapacity prevalent in universities, when it comes to the demand and supply of student accommodation, alongside growing student enrolment has caused students to resort to alternative options such as private rentals—this comes with rental prices that many students cannot afford. Thus we must contend with the involvement of the private sector in student housing and how to both ethically and commercially restructure this field: the unequivocal viability of said endeavour is among the paramount concerns of this report.

As a result, student protests began.

1994



**A year of celebration
& freedom masking a mass
urgency: the socio-political
and historical inequalities
left behind by Apartheid.**

The Connection

04

// South Africans should be able to find affordable, suitable, and convenient accommodation //

Connection between accommodation & academic success

A significantly large statistical portion of students in HEI's accommodation are Black students. With South Africa's history of racial segregation, a large proportion of tertiary institutions are situated within cities, meaning students of colour often have to leave home to attend university.

We have extensively consulted Nirmala Gopal's invaluable research into outcomes from student accommodation to facilitate the exposition in this chapter.⁹ Her report prompts the need to "explore ways in which the social and cultural milieu in residence systems affects the ability of Black working-class students to succeed academically."¹⁰ She clarifies that increasing access to higher education additionally demands delivering quality student accommodation if Black working-class students' socio-economic status is to be elevated.

While The Policy on Minimum Norms and Standards (N&S) for Student Housing in Public Universities is theoretically sensible, it does not adequately consider or account for the different learning styles of students from diverse and contrasting backgrounds whose academic success is thereby hindered. The academic success of students is critical to societal transformation in South Africa. If we are truly dedicated to this mission then we must invest in safe and adequately resourced student housing, this does not necessarily require additional funding from the fiscus, but rather through the regulation and accreditation of private properties that are either PBSH or residential properties.



Literature on the connection between the standard of student housing and academic success is voluminous in Europe but distressingly absent in South Africa. Thankfully Gopal has managed to reconcile what little there is—such as Eurostudent¹¹, Jansen and Dube¹² and Swartz¹³—and strongly confirms that the quality of student housing is essential to a student's academic success, especially for those who come from previously disadvantaged backgrounds.¹⁴

We, as a country, want more qualified people entering the workforce consistently. It is better for the institutions, better for our economy, and better for organisations invested in student funding.

It is thus in our best interest to minimise any extraneous complications in the transition from enrolment to graduation. When students are hindered by factors other than the formidable challenge that is academia itself, it is our duty to identify said factors and address them. Among noted publications, Gregory Blimling, a scholar whose area of expertise is student affairs, discovered that students living in residence halls perform better, under ideal living conditions, than those living at home.¹⁵ Gopal summarises that residence halls become the “psychological home and the locus of identity development during the most concentrated and intense learning period in the lives of students”.¹⁶ This positions student residences as central to the academic success and general well-being of the student—aligning with the DHET task team report's finding that student accommodation and residences are “living social communities that can either advance or detract from the shared university or societal goals”.¹⁷ What both independent scholars and organisations have consistently determined from their research is the profound effect housing conditions have on the success or failure of the aforementioned transition. Students have the capacity to perform well living away from home, perhaps better, according to Blimling. Thus if students living in residences are struggling to excel academically it is not because they are displaced but rather because the ideal conditions are not being created or maintained.

When reverting back to South Africa's Higher Education mandate in 1994, to transform its socio-political landscape, it becomes indisputable that providing quality student accommodation is germane to this mission. Higher education is where students will acquire valuable skills that will broadly determine their economic mobility. It is during this phase students shape their professional lives. For that to be possible their environment needs to provide the psychological security of a home while being liberating enough to encourage growth and identity development.

This report, therefore, proposes that the existing policy framework for student housing is superannuated and should be replaced with a set of national guidelines developed by public and private stakeholders for reasons categorically unpacked hereafter. The current model determines that if certain material conditions are met, and in a later chapter you will learn just how absurd those conditions are, then a student is adequately provisioned for academic success. That ambit fails to account for the psychological factors that contribute to academic success and how student psychology is hewn by their housing environment. In particular, economically disenfranchised South Africans should be able to find affordable, suitable, and convenient accommodation if they are to excel, yet the system places them at a greater disadvantage.

Given the sheer volume of students it should come as no surprise that the government finds itself overwhelmed to respond. Stimulating private sector interest in this area would alleviate much of that stress while providing a broader scope more suited to determining housing standards for all South Africans.

Norms & Standards

05

// Safe, affordable, quality and academically conducive student housing becomes increasingly important in ensuring the academic success of these students //

The Policy on Minimum Norms & Standards for Student Housing in Public Universities in 2015



As South African tertiary institutions continue to admit more students through the gates of higher learning, the provision of safe, affordable, quality and academically conducive student housing becomes increasingly important in ensuring the academic success of these students.

While there is a decent array of literature on private student housing in countries such as England, there is a clear gap in literature on private student housing in South Africa and perceptions about this housing typology. Little research has gone into investigating perceptions on private student housing, particularly with regards to the quality of the residences as well as whether the private sector is providing student housing that is affordable and conducive to a positive and healthy learning environment.

Policy and regulatory frameworks for both on and off-campus student housing have been developed for several years in most developed countries. Yet, it was only in 2013 that South Africa drafted their own student housing in public universities policy. Considering the mass escalation of student enrollments in 1994, the 19 years without this policy saw student housing in South Africa largely largely unregulated and unmonitored thereby creating an unprecedented administrative crisis compounding for over a decade. A mammoth task to address.

Thus it is the objective of the N&S to ensure an acceptable standards of living necessary to foster positive academic progress were mandated. While this is, theoretically, an attempt to address the aforementioned crisis; without conducting the research, both quantitative and qualitative, this policy was insufficiently substantiated to fully comprehend the complexity of the situation.

The policy lays out a list of compulsory prerequisites that off-campus housing needs to meet before they can gain accreditation from the 'feeder' university. This stipulation directly affects NSFAS-funded students as they will only be granted accommodation funding for accredited private residences. Below we have broken the shortcomings down into the following sections; housing (general), location, quality and, lastly, university compliance.

It was through our interactions with some of our 5 000+ landlords that we have been exposed to the inefficiencies in the system, that has only allowed a few property providers to succeed in getting the relevant accreditations. We talk further about the real experiences of our landlords later in the report.

While there are issues with the policy itself and how out of touch it is with the reality of South African students and their needs, it is also the implementation of the policy which is inherently flawed.

This is not to assign blame toward offices charged with arbitration as they are forced to operate under these fickle guidelines. Nor do we censure policy-makers who could not have foreseen the complex externalities when they rolled out the N&S. This was always due to be a process of trial and error and now we have established the failures of said policy, we must revise, and continue to revise, until we arrive at functional model. This is a critical dialogue we hope to encourage between public and private players.

DigsConnect aligns itself with the Council of Higher Education's comments on the policy; the applicable norms and standards as specified are inappropriate and lacks the understanding of the student housing sphere in public universities.¹⁸

DigsConnect's critique on the Minimum Norms and Standards

The applicable Minimum Norms and Standards are, as it stands, irrelevant, overly prescriptive, unenforceable, and bereft of the necessary research to fully comprehend the situation. For the sake of concision, our deconstruction of this policy shall be categorically unpacked so as to most effectively highlight the irrefutable fallacies present. This will hopefully aid policy-makers as they draft solutions toward the housing crisis.

The short-comings with regard to the development of detailed specifications can be illustrated with reference (but not limited) to the following examples:

Housing

At this point it is pertinent to mention that the entirety of the policy is based on an anarchic conception of what constitutes a student residence. As a result, the specifications for accreditation extend to overly prescriptive prerequisites of communal areas and ablutions.

Below we have listed some of the features that are both overly prescriptive and/or anarchic.

Televisions

DVD players

AV equipment cupboard

CCTV

Biometric access control

Lights on time-delay motion sensor switch

Wall-mounted heater

Curtains & curtain rails—ignoring alternatives like blinds

(Via Report on the Ministerial Committee)

The policy further stipulates that the student residence should contain “a flat-lawned area, the minimum size for a volleyball court”.¹⁹ It is no wonder those expected to apply the existing accreditation apparatus are having difficulty.

As we have noted, the policy adheres to a student residence model that does not suit all environments, particularly in relation to the dire need for private sector involvement and housing alternatives in the face of the national shortage.

These include house or apartment-based student villages, converted houses, student flats, or private student accommodation dispersed within the urban metropolis.

Location

The N&S, once again, fails to acknowledge the challenges, variety, and multi-faceted factors that affect off-campus accommodation standards due to its archaic framing of student housing despite written acknowledgement that student halls and residences alone cannot hold the demand.

The 2011 task team set up by Minister of Higher Education, Blade Nzimande, concluded that due to the severe shortage of on-campus student housing, a majority of students were seeking off-campus housing that are often placed in unsafe and inaccessible areas.²⁰

Using the 2011 task team's report as a point of departure, the specifications for off-campus student accommodation require that housing sites must be within a radius of no more than 20 kilometres of the university campus. If there are new university-owned or rented student residences being developed that do not meet these standards, they must be submitted to the Department for approval.

It is important to note here that the geographical location of student housing materially affects the travel time, and expense, that students have in getting to the campus. There have been recorded instances of Universities having to end lectures early due to the difficulty of students getting to their accommodation. One such case is the The University of the Western Cape, which stated that they try not to have activities after 4pm due to the distances students must travel home and the dangers associated with travelling after dark.²¹ Aside from inhibiting academic success, this also results in students' inability to partake in social activities on the campuses due to travel constraints.

Thus, the shortage of verified student accommodation close to the campuses have both an academic and a psychological effect on students, with students having to choose between putting themselves at risk of traveling late or staying on campus to partake in social and academic programs after hours.

However, it can be seen in this report that the shortage of accommodation options close to campuses are a result of the inefficiencies of the N&S and their roll out, and in most cases not the result of inadequate student housing close to campuses. There is massive scope for the private sector to respond here with suitable housing close to campuses, should the requirements for verification be (1) documented (2) reasonable (3) fairly/transparently administered.

Quality

Though the Policy sought to establish an acceptable standard of living for students there is evidence to suggest that the conditions were not humane let alone habitable. A particularly egregious case was observed at the University of Venda wherein the condition of (some) private accommodation was described to be outright repugnant.

"[regarding the accommodation] so atrocious that even the accompanying university officials refused to enter. The stench of blocked drains and malfunctioning sewerage systems was indescribable. The students' rooms were minute, barely big enough for a bed which consequently must be used also as a desk, a cooking space and a social space. The supply of electricity was at the whim of the landlord, who would arbitrarily cut off power to save on expenses" – Ministerial Committee Report.²²

Though this is a rather extreme example, similar reactions were encountered at numerous campuses where universities provided accommodation. It was reported that the decline in quality was the result of a large number of subletting or squatting occurring.²³ The Ministerial Committee declared that students subjected to overcrowded and "squalid" conditions would not be able to perform academically and such a climate should not be permitted for both moral and academic reasons.²⁴

The poor quality of student accommodation provided can, in part, be attributed to the location of student accommodation. Private student accommodation is not subsidised by the university and thus the private sector, in an attempt to cater for students' affordability, have located student accommodation far from universities where accommodation prices are cheaper. The foundation of this logic is inherently flawed but has been

upheld without regard for the ways in which an intelligent system designed to function in the modern housing sector, and respond to trends within it, could shift the economies of scale favourably for students, proprietors, and HET's in dire need of fiscally sensible and practically secure alternatives.

University Compliance

The policy places the responsibility in the hands of universities to accredit private student housing. The intention behind this provision is understandable but if one were to scrutinise the capacity of public universities in South Africa (to successfully undertake this responsibility), it becomes clear that they have neither the administrative capacity, nor space within their already overly extensive areas of jurisdiction, to take on the private market. Not that these faculties should be, though their societal titles may suggest otherwise, diametrically opposed in this regard. As they are both seeking to accommodate students, their goals are ultimately aligned. The sooner public and private works realise they are not competitors in this field, the better it will be for students.

The overly prescriptive and archaic provisions made in the Minimum Norms & Standards policy creates a level of bureaucracy not manageable or financially feasible for university oversight.

As much as this may result in a greater shortage of student housing, it also creates a severe window for exploitation and manipulation by private "landlords" or private accommodation providers.

Additionally, with the severe shortage and unregulated quality of student housing, students are forced to accept whatever housing options available to them—even if they must compromise for sub-standard options not conducive to their academic success.

We have no intention of exposing individual landlords in this report, many of which design their purpose-built student accommodation to the Minimum Norms and Standards specifications, but we have seen, first-hand, properties that are (1) unfurnished (2) do not have "a flat-lawned area, the minimum size for a volleyball court" (3) do not have biometric access control, just to name a few, and yet have received accreditation.

On the other hand, we have met landlords with properties that meet every requirement (and more) that cannot get a single verification due these ill-considered regulations and the many obstructions in the existing vetting process. We have also come into contact with cases of "third parties" that own no property being granted accreditation licences, and then selling those licences on to the actual property holders. A shocking revelation.

It is, in fact, our experience in this regard that led to this section of the report. In 2018 we were given the go-ahead to investigate the option of running a pilot of NSFAS student rental payments being run through our platform in order to ensure complete transparency of payments; amongst other solutions we could provide.

We were first told to contact the college in question to get their landlord list of accredited properties. Which we did several times. One would imagine that this would be a fairly simple and, in 2019, digital process. After being bounced from person-to-person and department-to-department it was ostensibly revealed that they in fact did not have a list of their accredited landlords. We were told to contact NSFAS for this list. Their administration was so overtaxed and overwhelmed, handcuffed by unnecessary protocol, that they begrudgingly could not provide the documents. No list of accredited landlords existed and this entire rigamarole was all for naught.

It became clear then, and in meetings with universities that followed, that there was in fact no structure to the implementation of the government standard. Some applied only part of the requirements, some created their standards or checklists from the standards document, and some completely ignored the standards and continued to verify properties surrounding their campus as none met the minimum norms and standards.

Others failed to verify any properties, and granted NSFAS funding for student accommodation to students upon the presentation of any lease agreement. It was evident that our public offices cannot be expected to perform their duties under the current systemic conditions.


What was universal was that they all had a manual, paper-based system for verifications with little or no accountability for the correct implementation of the standards. Therefore, it is not only the content of the policy but also a failure to correctly implement policy itself.

In order to avoid the same happening with our private college partners, we have created the technology that allows verifications to be processed, reports on properties saved, photos of the properties uploaded, and reminders to reverify properties each year.

In fact, it is also an additional revenue stream for underfunded universities as they charge for verifications.

However, our discussions around the implementation of this technology for the public institutions have gone nowhere. Doors have been shut in our faces; impasses reached. We are not looking to replace existing authorities. Our research has allowed us to observe their systemic shortcomings and develop solutions which facilitate this gap. Should we achieve the cohesion we desire, we will be able to support our public institutions and make the duties of their personnel considerably easier.

2011



Due to a severe shortage of on-campus student housing, the majority of students were seeking off-campus housing that are often placed in unsafe & inaccessible areas

The Private Sector

06

// The private sector is a significant contributor and stakeholder in the provision of accommodation to university students in South Africa //

Why can't the private sector come to the party?

The over regulation of student accommodation with strict standards and little to no focus on smaller properties has meant that private landlords are unable to cater for the majority of students in South Africa. Thus, they are shut out from a vital market and forced to only supply the wealthy minority of students.

The private sector is a significant contributor and stakeholder in the provision of accommodation to university students in South Africa, as is the case internationally.

Poland is a great example of a European country with similar issues to South Africa in the extreme growth of its higher education, now with one of the largest student populations in Europe with over 1,5 million students. As in South Africa, higher education could not keep up with the demand for student housing. Today in Poland only 8,8 percent of student housing is available through higher education institutions and more than 90 percent is in private student housing.²⁵

In South Africa, disregarding those students who live at home or in their own accommodation, it is estimated that the number of student beds currently made available by both small and large scale private providers in South Africa is close to 20 percent of the total full-time contact enrolment at public universities.

On the other hand, private colleges provide little to no housing for their students. We have been working with the major private education groups to assist them, through the Virtual Res, in the accreditation of private student housing suitable for their students.

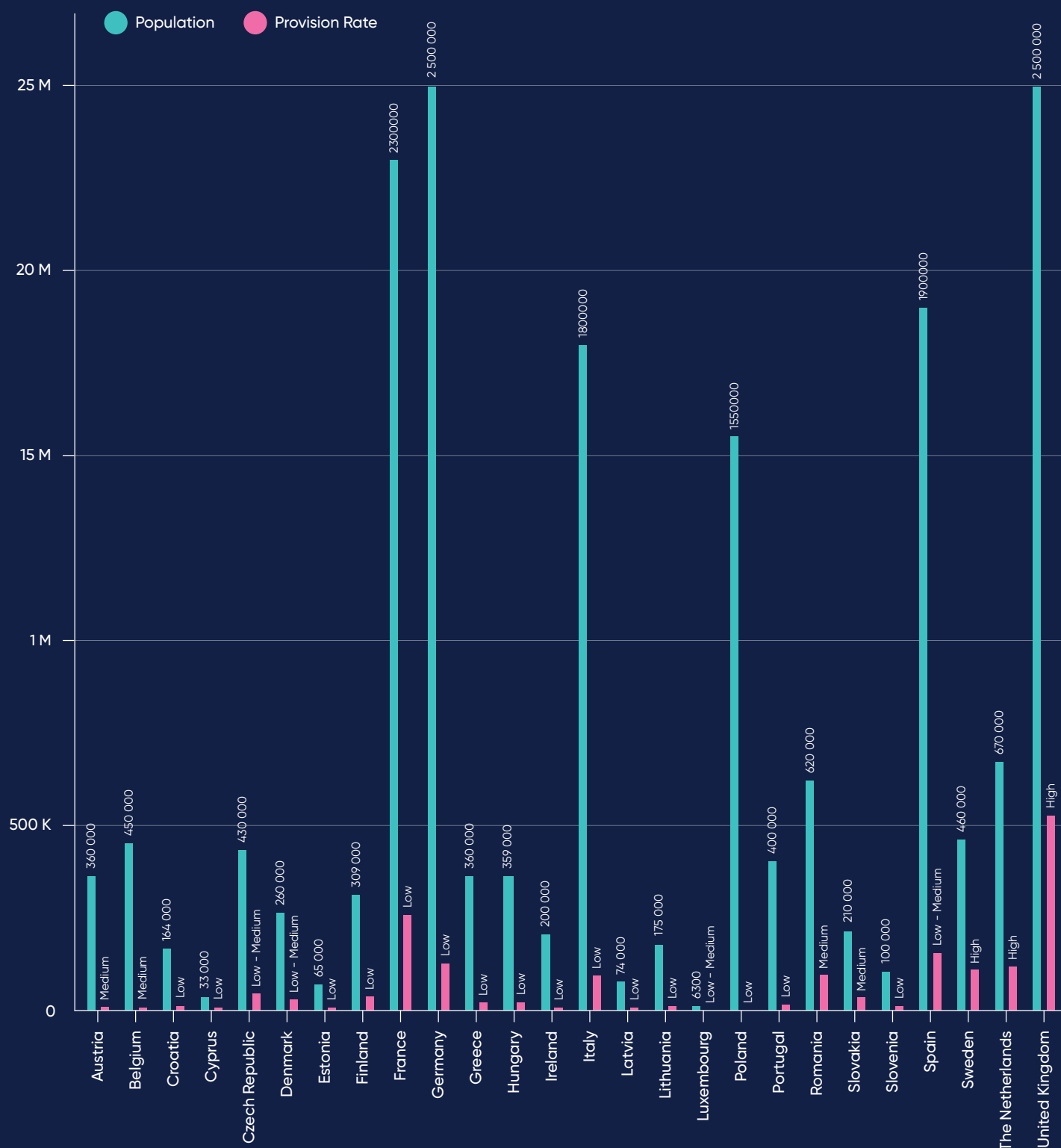
The Minimum norms and standards, however, is so overly prescriptive that it totally eliminates the option for apartments, private houses and smaller student residences from being accredited due to their failure to meet some of the obscure accreditation standards such as the provision of televisions, DVD players, CCTV cameras, biometric access control, lights on time-delay motion sensor switches, wall-mounted heaters, amongst others.

These overly prescriptive and archaic standards mean that perfectly adequate and safe accommodation options within the immediate vicinity of the higher education institutions are unable to qualify to provide much needed housing for NSFAS students.

Therefore, it is only PBSH that seems to be eligible to qualify for NSFAS accreditation, providing a complete monopoly on the student housing market to a few key players.

This (1) creates a burden for students who have to pay unnecessarily high rates due to the small range of choices (2) results in a shortage of student rooms (3) stifles the economies around student areas, which would thrive if ordinary South Africans could partake in building student communities.

Student numbers vs student housing provisions by universities in the European Union



(1) The data for student populations and international students relate to the 2013/2014 academic year.

(2) Provision rate refers to the national provision rate and it is calculated as the total places in student dedicated accommodation over the total number of students' registrations at national level. For the cases where it was not possible to quantify the provision rate due to the lack of accurate information, a qualitative scale. Qualitative scale for national provision rates: very low (<5%); low (5% - 10%); low to medium (11%-20%); medium (21%-30%)

(3) Data for Malta and Bulgaria was not collected due to the lack of information.

Residence Financing

OF

// When considering the status of higher education accommodation funding in South Africa, we see that the nature and structure of its financing remains its primary driver //

Residence financing: 2020 and beyond

When considering the status of higher education accommodation funding in South Africa, we see that the nature and structure of its financing remains its primary driver. A headline assessment of student housing financing, both on and off campus, indicates a sustained dominance of the government as the primary financier for HEI infrastructure development, student consumer expenditure, and the student-focused private real estate market. While some aspects within the fiscal instruments through which tertiary education housing funding have evolved, these reforms remain within the remit of the institutional block grant and NSFAS student bursary/loan scheme.

In this section we will unpack the history, composition and limitations posed by the aforementioned financing tools, and the impact on current and future private market possibilities.

Historical evolution

A key feature of the tertiary education funding model in South African institutions is the significant government subsidy extended to institutions for both academic and residence expenditure. In the first decade of post-Apartheid South Africa, the then Department of Education retained the SAPSE-110 funding formula first implemented in the 1980s.²⁶ The formula, despite its inefficiencies and eventual replacement in 2004, included a comprehensive student accommodation calculation where a majority of HEI's housing infrastructure capital expenditure was sourced through the fiscus whilst institutions oversaw annual operational, maintenance, and sundry expenditure.²⁷ This calculation empowered student

housing officers to advocate and secure both capital and operational funding that positioned it as a priority in institutional budgetary processes. At the end of the 1990s, it was evident that the older SAPSE-110 formula had failed. The previous model had a notably adverse effect on rural HEI's that could not equal or rival the surplus allocations made to institutions with a significantly higher enrolment and geographic spread.²⁹

As a means to address the structural inequalities within SAPSE-110, a revised framework was introduced in 2004. Under this new dispensation, the shift to block grant funding (away from SAPSE institutional variation) in accordance with cyclical ministerial priorities, rather than institutional-specific needs, triggered the current phase of per-institution-funding variances.³⁰ Consequently, this diminished HEIs incentive prioritisation, producing significant exposure to negative externalities. This is particularly relevant to HEI's with historically weak governance structures across their student housing operation. The combination of these changes led to the de-prioritisation of infrastructure expansion and maintenance generally with student housing in particular (SAPSE used headcount and other HEI specific variables to determine allocations).³¹ Flowing from this funding allocation change, HEIs saw increased accumulated asset depreciation costs as a deferred expense over a ten year period. While the present asset value of said facilities were amortised over the period, the decline of both state subsidies to HEIs as allocations were raised at or below CPI year-on-year by the National Treasury.³² Given that the Higher Education Price Index has consistently remained above CPI, this has formed an ever widening deficit resulting in either delayed maintenance or the continued use of infrastructure whose use for life had fully depreciated with no residual value to mitigate said deficit.

Direct government block grants

As introduced above, DHET funds HEIs through several earmarked grants and a state subsidy. When considering student housing, particularly in relation to DHET's residence norms and standards, it is useful to assess the grants individually and in concert. Importantly, the varying allocations made by DHET reflect the Minister's macro level policy objectives thereby allowing us to assess which areas have been or have become fiscal priorities.

Current government income flows to HEIs³³

State subsidy: this is determined chiefly by the number of Teaching Input Units (TIUs) which are calculated using forecasted headcount enrolment, redress, and discipline specific requirements. This allocation also includes 'reward' funding calculated off a university's completion rate.

Teaching and development grant: determined by enrolment, throughput, and excellence.

Research development grant

Foundation programme grants: aim to bolster the teaching and development grant's resource focus on at-risk students.

Infrastructure and efficiency grant: seeks to provide stronger capital funding to keep pace with increased student numbers. The initial infrastructure grants from both the DoE and later DHET insufficiently placed housing infrastructure as a direct fiscal target in its allocation framework. Given the structure and determination by the government of qualifying projects under its grants; overall deferred infrastructure expenditure in

2010 was estimated at R9.1 billion by Higher Education South Africa (HESA) with 32.5 percent accounting for student housing.³⁴ In response to the mounting financial and structural risk posed by continued under-investment in HEIs student housing stock, DHET moved to reprioritise student housing and deferred maintenance as a fiscal priority as reflected in the department's 2014/15 and 2015/16 budgetary allocations. In doing so, it laid the foundation for the introduction of the 'Macro Infrastructure Plan' in 2017 which has made it mandatory for all public HEIs to present institution-specific strategies on how said funds would be spent.

Legislative constraints and prescriptions

Under Chapter 5 Section 39 of the Higher Education Act of 1997 (henceforth 'the Act'), the Minister is permitted to condition block grants in accordance with their policy priorities—with particular regard to matters relating to transformation and redress.³⁵ It requires the Minister to allocate government funding fairly across the sector in an effort to balance historical and present disparities. The consequence of such a distribution commitment is greater financial pressure on previously white institutions in relation to student housing expansion as these HEIs are often located in urban centres. In relative terms, this forms a compounding housing shortage effect on two fronts. On the market property development supply side, the cost of construction and land in urban centres, both in dense and suburban districts, is significantly greater per square metre when compared to rural pricing. The second compounding effect is created by Section 40 of the Act which prescribes the conditions under which HEIs can acquire commercial financing for infrastructure development.

Clause 2(b) of Section 40, the Minister will only approve financing when: sum of borrowing + loan amount proposed + HEIs short-run and long-run costs at the date of the application exceeds: (1) the Rand value the Minister has determined for infrastructure or (2) 5 percent of average annual income of the HEI in the preceding two years.³⁶ (*The Higher Education Act, No 101*)

2010/11 – 2011/12	686 million to 15 universities
2012/12 – 2014/15	1.748 billion to 23 Universities
2015/16	949.7 million to 14 universities
2016/17	R1 billion to 14 universities
2017/18	R1.1 billion to 9 universities
2018/19 – 2020/21	809.3 million to 14 universities

University	2019/2020 (R'000)	2020/2021 (R'000)
Cape Peninsula UT	113 000	163 000
Cape Town	68 000	49 021
Central UT	87 170	69 264
Durban UT	100 000	121 212
Fort Hare	71 888	57 333
Free State	109 280	112 071
Johannesburg	79 900	29 700
Kwazulu-Natal	105 000	131 000
Limpopo	106 421	154 390
Mangosuthu UT	116 243	101 060
Nelson Mandela	59 730	42 494
North West	127 991	162 098
Pretoria	77 700	112 865
Rhodes	124 682	143 314
Sefako Makghato	50 000	0
South Africa	84 676	63 529
Stellenbosch	75 500	90 350
Tshwane UT	0	0
Vaal UT	121 507	131 301
Venda	94 211	94 211
Walter Sisulu	100 000	90 300
Western Cape	106 259	94 445
Witwatersrand	109 936	133 030
Zululand	100 000	250 000
Other (2)	650 000	598 729
Total	2 838 594	2 994 717

The University of Cape Town, Stellenbosch University, and Pretoria University block grants are two to three times lower than historically disadvantaged institutions.

Moreover, the year-on-year infrastructure grant for UCT decreased whilst most of its peers have received increased fiscal support. This is notable given UCT's location and other factors including its demography that constrains government support across other allocations. Importantly, the DHET has said its current aim of creating 200 000 additional beds by 2026, as outlined in its Student Housing and Infrastructure Programme, poses a significant challenge for on-campus residence expansion.³⁸ Using the infrastructure grant, the government aims to orientate student housing development away from the traditional 200–300 bed residence into 'student villages' that move the average per bed rate into the several thousands.³⁹ Given the spatial constraints, as well as high market competition faced by urban HEIs, they will not be able to meet student housing demand within this framework.

When considering historically disadvantaged institutions, the market forces shift relative to their urban counterparts. While demand-side pressures do not face the same private market externalities, the allotted funding from the government is insufficient to keep up with both increasing enrolment and inflation. Furthermore, the price drivers of infrastructure costs in semi-urban and rural areas would likely place the cost of financing below both thresholds as prescribed in S(40) of the Act. This raises an even greater challenge for a set of minimum norms and standards that cannot be enforced as on-campus housing development, consistent with said standards, lags behind the stated target due to underfunding. Consequently, this opens students up for exploitation as the institutions do not have the funding to introduce sufficient monitoring costs while private landlords have little to no incentive to adopt the prescriptions due to the absence of a sufficient demand-supply gap.

After accounting for the existing legislative constraints on infrastructure financing, together with DHET's allocations, it is evident that HEIs face an impossible task. The make-up of

South Africa's HEIs geography and the variances in infrastructure costs point to the weaknesses of universal policy formation in relation to student housing. Both urban and rural institutions face significantly different constraints to on-campus residence expansion thus placing the need for a more robust private sector presence at the centre of resolving persistent housing shortages.

Student funding

Direct student higher education funding subject to the prescriptions of the current N&S can largely be accounted for by funds provided through NSFAS. Since the #FeesMustFall protests in 2015/16 and the adoption of free higher education for poor and working class students, NSFAS' mandate has shifted from serving as a lender to a bursary provider. The scheme was established through the enactment of the National Student Financial Aid Scheme Act (Act 56 of 1999) and incorporated TEFSA (Tertiary Education Fund of South Africa), the first government funded financial aid scheme.⁴⁰

Eligibility

The NSFAS utilises a national means test to determine the eligibility of an applicant for government financial aid. Through its central application system, students are awarded bursaries against a set income criteria. Using the means test, NSFAS then determines an applicants award amount together with their Expected Family Contribution (EFC).⁴¹ The EFC serves as the co-payment that an awardees family is liable to pay directly to HEIs.

An applicant must:

Have South African citizenship

Come from a family with a combined gross income of up to R350 000 or R600 000 if the applicant is disabled

Intends to enrol at any of South Africa's 26 public universities or 50 TVET colleges

A first time applicant. Funding renewals are automatic for students who pass 50% or more of their registered courses in an academic year.⁴²

Funding inclusions for 2020⁴³

University students

(1) Academic tuition costs

(2) Accommodation

Allocations are as per the costs determined by universities for their on-campus housing. Off-campus/private accommodation funding cannot exceed the cost of on-campus residence.

(3) Transport allowance

Primary residence within 40km radius of institution	R10 000 per annum
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(4) Living allowance

R14 400 per annum

(5) Book allowance

R5000 per annum

(6) Incidental/personal care allowance

Students in catered residence	R2750 per annum
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TVET students

(1) Accommodation costs (including meals)⁴⁴

Category C: Urban area	R25 200 per annum
Category B: Peri-urban	R18 900 per annum
Category A: Rural area	R15 750 per annum

(2) Transport Allowance

Primary residence within 40km radius of institution	R10 000 per annum
Students in accommodation	R7000 per annum

(3) Incidental/personal care allowance

N/A	R2750 per annum
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Funding shortfalls

The accommodation provision for both university and TVET students presents a significant challenge, with the latter group of students in a notably precarious position.

HEIs are expected to prioritise, if not fully admit, NSFAS students for their available on-campus accommodation. While such a determination may serve as both a carrot—for HEIs to admit financial aid students into on-campus housing—and a stick—for students to take up these places—the current capacity shortfalls place a significant portion of students into precarious accommodation conditions. While NSFAS recipients living in private housing across the system are vulnerable, the current N&S affect students along the dimensions outlined in the previous discussion of HEI infrastructure funding.

The case studies of the University of Cape Town and the University of the Witwatersrand later in this report make a robust case for how and why students in urban areas bear an elevated risk factor.

On the macro level, there are notable negative externalities to which the student housing sector more broadly, and NSFAS recipients particularly, remains vulnerable.

Macroeconomic effects

According to the 2018 National Treasury Budget Review, post-school education and training is the fastest growing expenditure category into the medium term, estimated to accelerate by 13.7 percent in nominal terms.⁴⁵ Given that much of the higher education sector is funded from the fiscus, the student housing market as a function of higher education spending is particularly exposed to negative shocks.

The 2019 budget review identified key risk areas namely:

Economic growth is not broad based and unemployment levels remain high

Persistent low economic growth has seen an increase in the government deficit and public debt

The downgrading of South Africa's sovereign credit rating has accelerated public debt and debt-servicing costs leading to the crowding out of previous fiscal priorities

Weak governance across the public sector continues to undercut policy implementation, capacity and service delivery

Weak growth levels and residual tax administration has enlarged government revenue shortfalls that have been worsened by the financial performance and sustainability of state owned enterprises

Real GDP outlook saw a downward adjustment from the 2018 Midterm Budget statement with 2019 growth estimated at 1.5 percent while 2021 projections remain at 2.1 percent

CPI for 2019 was estimated to come in at 5.2 percent with projections for 2021 marginally higher at 5.4 percent. Food and electricity prices are noted as key drivers. This is particularly notable for HEIs as sectoral internal inflation has consistently remained higher than CPI while government funding increases have remained below

Gross tax revenue shortfall worsened since 2018 and it is expected to continue totaling R16.3 billion over the next three-years.⁴⁶

All these risk areas taken into account, the higher education sector will continue to come under pressure. Student housing shortfalls could worsen as inflation outstrips increases in funding both to HEIs and NSFAS.

UCT Student Housing

08

// The university has developed key responses to this housing shortage using both governance and financing mechanisms to achieve relatively more successful allocation outcomes //

University of Cape Town Student Housing

Preamble

The broad landscape of the University of Cape Town's student housing model presents the strongest and most comprehensive response to its on-campus housing stock shortfall. UCT, like other HEIs, faces a notably acute supply side constraint as a result of its limited on-campus capacity and an off-campus student housing market embedded in a highly competitive private housing environment. The university has developed key responses to this housing shortage using both governance and financing mechanisms to achieve relatively more successful allocation outcomes. However, this outcome is a product of the university's financial capacity owing to its history as a predominantly white and wealthy institution.

Demography

According to the 2018 Teaching and Learning Report, UCT had an overall student population headcount of 29 074 students, up from approximately 26 000 in 2014.⁴⁷ Of that number, 18 421 were undergraduate students while 10 653 were registered for postgraduate studies.

Despite this marginal growth in student enrolment, it continues to struggle meeting key demographic indicators that determine government subsidy allocations. Notably, the relative size of its Black (Black African, Coloured, and Indian) population saw a marginal decline between 2014 and 2018 moving from 44.4 to 44.1 percent over the period.⁴⁸ This underperformance in increasing the proportion of students in redress categories poses a substantial negative effect on future state funding, including its infrastructure grant.

NSFAS and Financial Aid

UCT's financial aid policy is both the most competitive and comprehensive in the country. This is a result of the University's large endowment and donor receipts that enable its 'top-up' system; providing as much as double the NSFAS bursary provision. While NSFAS only provides for students with gross family incomes at or below R350 000, UCT offers aid for students with family incomes up to R600 000 under its Gap Funding allocation.⁴⁹

In 2018, UCT's financial aid allocation came in at R1.2 billion with:

Financials	
R850 million	Undergraduate students
R310 million	Postgraduate students
Number of students	
3856	Received NSFAS support
1011	Supported through Gap Funding. ⁵⁰

Students living off-campus with NSFAS comprehensive funding at the undergraduate level in 2018 received an overall monthly allowance averaging above R7000 to cover rent, food, and transportation costs. Rental costs were factored in at R5260 per month disbursed across a 10-month period totaling R52 600. Historically, UCT students received their monthly stipends directly into their bank accounts and have

been free to choose their type of accommodation subject to the submission of a lease agreement. Thus, there is no current system in place that prescribes accredited off-campus housing.

Lease agreements are not adequate to prevent fraud, to protect students from exploitation and over-pricing, or to ensure that private accommodation allowances are being effectively utilised.⁵²

(Meeting of the Parliamentary Committee).

On-campus housing landscape

On-campus housing placement at UCT is highly competitive due to a limited housing stock, stratification of residence spaces according to academic level, and high demand that is intensified by high cost barriers into the private housing market.

- Total university housing stock in 2018 stands at 6700 beds in total for a student population of over 28 000.⁵³

See below out of the 6800 on campus residence places:

First tier catering

3857 beds

Rooms are single or double occupancy, equipped with basic amenities (bed, desk, shelves, cupboards, wifi).

These residence places are largely gender designated with a small number of beds in mixed gender residences.

Designated for undergraduates in their first and second year.

Second tier self-catering

2197 beds

All of these are self-catering places. These are often shared flats that see 2-3 students sharing a kitchen & bathroom.

These are usually mixed gender residences.

Allotted for senior students in 3rd or 4th year (including honours).

Third tier

N/A

Some units allow for family occupancy.

These are self catering private units. Usually without gendered separation.

For postgraduates only

Allocation

General principal: students from outside the Western Cape or the City of Cape Town receive priority.⁵⁵

Housing beds are distributed by faculty to achieve 'academic diversity' spread.

Within the faculty assigned beds, placement follows redress policy. 80 percent of Undergrad (UG) stock is assigned according to UCT redress categories (in line with admissions policy that factors race and class background).

5 percent of UG beds must be allotted to students from the African continent

150 beds reserved for international semester study abroad students

Students (UG) are only permitted to retain space in the residence system following the $n + 2$ rule: number of years of degree + 2. First tier (catering) is capped at two years.

Particular priority is given to financial aid recipients (NSFAS and missing middle).

Entry also subject to academic performance/first time entry into the system.

Cost⁵⁶

First tier

UG first and second year students must be in a catering residence. Due to this requirement, UCT UG students in their first and second year are liable for a room and catering fee.

Average first tier bed fee

Double (shared)	R54 000 – R56 000
Single Room	R61 000 – R65 700

Importantly, students do not have the ability to select their room type thus are unable to predetermine costs.

Meal plans

Per annum	R19 200 (2x5) – R25 8000 (3x7)
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Catering residence students choose from three meal plans priced according to the number of meals per day and number of weekdays.

Second tier (self catering)

Small single room – Bachelor flat	Average per head cost: R47 300 – R69 900
Single, standard sized room	R47 000 – R65 000 per annum

Most students occupy a single, standard size room.

Third tier (self catering, PG)

Single room in shared flat – Single occupancy, 3 bed flat	R57 000 – R123 100
Single room	R57 000 – R75 000

Most students occupy a single room.

On-campus residence is only open to students during the academic year from February to November/early December. Thus per month rental should be calculated over a 10 rather than 12 month period.

Off-campus Residence landscape

As reflected in much of the country, the UCT off-campus offering varies widely in housing type, cost, and amenities. Housing within a 5 km radius of the main campus is in high demand. Given the shortage of supply, we must look at the private market in two different categories: students renting with student financial aid and self-financed, generally upwardly economically mobile, students are not subjected to DHET norms and standards. According to the 2018 State of Cape Town City Report, student housing ranged from R3280 for a double room (sharing) to R7750 for a studio apartment.⁵⁷

Private 'on campus' developments

Since the 2016 housing crisis, there has been a sharp increase in large, commercial student housing developments in the campus vicinity.

Two of the prominent providers and the costs are outlined below:

(1) Campus Key

Location	Beds
Rosebank	585
Observatory	222
Room Type	Price per person
Single occupancy	R95 500 - R129 000
Two people	R82 000 - R89 000
Four bedroom	R79 500 - R89 500

Price range is dependent on room occupancy, position and location.

- All room types are self-catering
- Occupancy is limited to 21 January to 11 December

(via Campus Key website)

(2) My Domain

Location	Beds
Wynberg	139
Room Type	Cost per month
Shared studio, studio or two bedroom	10 month: R5450 - R8600 12 month: R4250 - R7700
Location	Beds
Observatory	99
Room Type	Cost per month
Studio, two bedroom	10 month: R8500 - R14 000 12 month: R7000 - R13 000

(via MyDomain website)

Private flats and homes

The private market is dominated by private housing ranging from student digs, where several students share a house, to shared or single occupancy apartments. As mentioned above, UCT is unique in that its private market housing stock is reflective of a common, highly competitive, and expensive market. Given that government funding is not conditioned on occupancy in a specific set of accredited housing, it is difficult to quantify the number of beds and average rental prices facing students specifically.

According to the University, students can expect to pay an average of R8000 for living costs, inclusive of food and utilities.⁵⁸

An approximate look at current market prices shows wide variance according to housing type. Most students receiving government linked financing are absorbed into the on-campus or private student accommodation buildings. Those that move into the private market can expect to pay an average rental price of R6000–R8000 for a room in a shared house or apartment and in excess of R10 000 for a studio or one-bedroom unfurnished home. A significant barrier to entry for financial aid students is the deposit required by landlords which the university does not finance. This is usually one or two months rent payable upon signing of the lease. Given the exclusionary nature of the private market, the student housing department established the Off Campus Accommodation Office (OCSAS) that links private landlords and potential students.

OCSAS effectively plays an advocacy role between landlords and students with its main focus on linking and documenting suitable housing for students outside of the residence system.

For landlords to be considered for the OCSAS database, the following factors are considered:

Affordability

Area/Location

Lease agreements

Deposits

Rental

Feasibility

Ad hoc requirements (if it is not offered they will seek)⁵⁹

University-Private sector partnership

Since the 2016 housing crisis, the UCT residence office has sought to partner with larger commercial developments to increase its available bed-stock. Currently, the university has formal leasing agreements with MyDomain Observatory and Wynberg. In addition to increasing the number of total beds, the agreements overcome the financial barriers to entry applicable to direct private leasing agreements such as the waving of deposit fees, lower rates and relatively better equipped facilities.⁶⁰

What is the solution?

09

// The student housing market is arguably one of the
biggest markets not yet digitised in South Africa //



What is the solution?

New Norms and Standards

The argument this report makes is that not only are the existing N&S absurdly rigid but also that they cannot be enforced with the current systemic flaws. We are trying to shift away from this excessive bureaucratic headache because:

- 1) It hampers administrations in semantic deliberations thus exacerbating the backlog of students in desperate need of accommodation
- 2) It remains unresponsive to variances outside its limited parameters. Places which fall outside these absurd constraints are subject to structural revisions though they may be perfectly suitable.

With so many displaced students can we really afford to exclude housing options on the grounds they do not comply with an obsolete standard?

We have not implicitly proposed a new set of N&S in this document. Rather, we want this report to open the conversation with all stakeholders in this ecosystem. What is apparent is that the current N&S are too stringent and quickly became outdated. While there are some obvious fallacies, even a revised provision operating under the same narrow constraints and perspectives would prove unsuitable in the long term. It is necessary to establish a "base" set of standards, e.g. ablution facilities, internet connection, and a level of safety, but after that a more innovative, transparent and cost effective approach is needed for this sector.

Our goal is to bring all the stakeholders to the table in order to have a conversation about what these “base” standards are and about what tiers or grades student accommodation can be slotted into, NSFAS student housing funds can then be allocated based upon a set of revised and agreed upon prerequisites. However, any policy should future-proof itself by allowing market forces and trends to be taken into account for property listings going forward. Those participating in this ecosystem should be able to respond to shifts and audits if they are to remain up-to-date. Put simply, a democratic approach to this marketplace will ensure that standards are maintained. In our capacity, DigsConnect has implemented a publicly accessible feedback system so that students can rate and review properties. This creates a transparent and fluid consensus of housing quality by, and for the benefit of, students and landlords. “Democratising” student accommodation has been a core tenant in DigsConnect’s development of this sector. Having tested and established the success of this market approach, we believe this to be a viable long term strategy for public administrations to consider.

The role of the independent verifiers would thus be to confirm that the listing accurately represents the property itself, and the agreed minimum essentials are in working order. After that, the community self-supports with the built-in feedback loops, meaning that standards are always upheld due to the continuous public reviewing.

It is possible to draft a new N&S that accounts for more diversity. This would be a positive start. But we must remain flexible in our arbitration regarding the ‘minutia’. A new policy should demand certain essential qualities (running water, ablution facilities, WiFi etc). Properties which fail to provide these critical resources to students should not be listed. But when it comes to the extraneous details, non-essential furnishings or garden specifications for example, it is better to rely on democratic perspectives.

Obviously it should fall on public administrations to sanction private authorities but vetting a few accreditation schemes is easier than vetting thousands of properties. They would also be expected to provide input for the functionality of independent review systems; i.e. determine if an open ended comment section or more targeted questions should be used to rate properties seeking NSFAS accreditation. This is the capacity in which our public administrations excel. They

possess the moral authority to discredit independent platforms which either do not insist upon the mandatory (and hopefully legalised) standards or are lax in their approach to other (flexible) criteria. We feel confident that the Virtual Res is a scrupulous accreditation strategy that empowers the most vulnerable in the sector and expedites the overall process. This report, in addition to diagramming the housing crisis, is also a submission of this particular technological solution for the consideration of policy makers.

We encourage questions and revisions because policy should never remain static.

Such is the problem with N&S itself. We have a plethora of unused accommodation available to facilitate unhoused students yet for so long we have impressed upon private landlords that they either implement structural revisions or be excluded. It would be more logical to adopt a flexible policy than demand physical structures needlessly change. What we hope to establish is a system which is fictile enough to include the vast housing options available while upholding our commitment to student wellbeing.

As such we do not suggest replacing the old N&S without reconsidering the systemic implementation itself. Updating the contents and definitions within the existing N&S is long overdue but that will not remedy the administrative problems associated with any sort of strict housing paradigm. A transition in administrative responsibilities needs to take place but to seamlessly orchestrate this process will require collaboration. This is the critical discussion that needs to urgently take place between policy makers, public administrations, and independent parties.

Student Housing Platforms

The student housing market is arguably one of the biggest markets not yet digitised in South Africa. This is perplexing, given that this is a market now comprised of digital natives brought up using technology. It is also concerning given that, especially in the South African context, it is one of the markets that has faced the most contestation over the last 24 years.

Before student housing platforms, such as DigsConnect, this was a market that was largely unexplored, dominated by a few large scale developments and student housing management groups.

Historically, students have had no central platform to (1) compare their options (2) see verifications (3) find other students to live with from their institution. Leveraging the power of technology has allowed us to, for the first time in South Africa, provide a place for students to conveniently navigate the market via a single platform, thus negating the possibility of students making critical decisions in a scenario characterised by time sensitive policies and a dearth of options.⁶⁴

Overall the student accommodation industry is still highly fragmented, and small scale landlords have lacked the resources to advertise their properties alongside the large scale accommodation providers in South Africa.

Moreover, the universities are unable to deal with the volume of requests that they receive for student housing off-campus, especially given the disparate needs of any given student that prohibits an inflexible standard to be applied.

Student accommodation platforms now exist the world over; to aggregate and consolidate the options that students have for housing, providing a 'one-stop-shop' for students to compare their options. Some of the most notable platforms in Europe, Asia and North America are; Housing anywhere.com which currently lists in excess of 64 000 rooms in 4519 cities, Student.com which operates in 426 cities but does not disclose the number of rooms it has on the platform, and Uniplaces which operates 40 000 rooms across Europe.⁶⁵

Started as a direct solution to the accommodation crises, DigsConnect is South Africa's largest student accommodation marketplace. Fundamentally, DigsConnect is about bringing student housing into the 21st century, while also ensuring that students are living in environments that promote learning, academic well-being and community cohesion.

It is a digital platform where students can research student housing and potential roommates. Landlords list and manage their properties on DigsConnect using the website to host their engagement with tenants. We have added functionality for students and landlords to manage the entirety of their property rental interaction digitally.

Finally, it's also a place where universities and colleges can manage property accreditations, providing real time data on how many accredited beds are available within set distances

to campuses; allowing universities to better plan transport routes for their students and more effectively support their student body. This system is called the Virtual Res.

DigsConnect is a platform that connects universities, colleges, landlords, homeowners, property developers and investors, and students that are pursuing an NQF-rated qualification.

We have partnered with several universities, alleviating the strain on their administrative departments by providing a credible alternative to their at-capacity on-campus residencies.

The Virtual Res

Finding legitimate off-campus accommodation is a challenging task for any student but it is especially difficult for students who receive NSFAS grants as, by law, they are required to find accredited accommodation that meets the particular NSFAS standards as set out by the tertiary institutions.

With 1.2 million students currently living in or looking for off-campus housing in South Africa, and approximately 800 000 receiving grants from the NSFAS, this poses a serious question –how can off-campus student accommodation be regulated?

The Virtual Res is an elegant, but modern, solution to bridge the gap between tertiary institutions and the private accommodation sector; with the goal of simplifying and centralising communication between both parties. This is achieved by creating a free online network of accredited off-campus student accommodation providers which tertiary institutions will be able to verify, regulate and manage themselves through their very own custom Virtual Res portal on the DigsConnect platform.

The Virtual Res is especially beneficial for NSFAS as the platform will enable NSFAS to keep track of verified student accommodation providers and reconcile payments. Furthermore, students who are verified as recipients of NSFAS grants will get a verification mark next to their email address as well as an Application Programming Interface (API) with the university, which will enable the facilitation of their grants

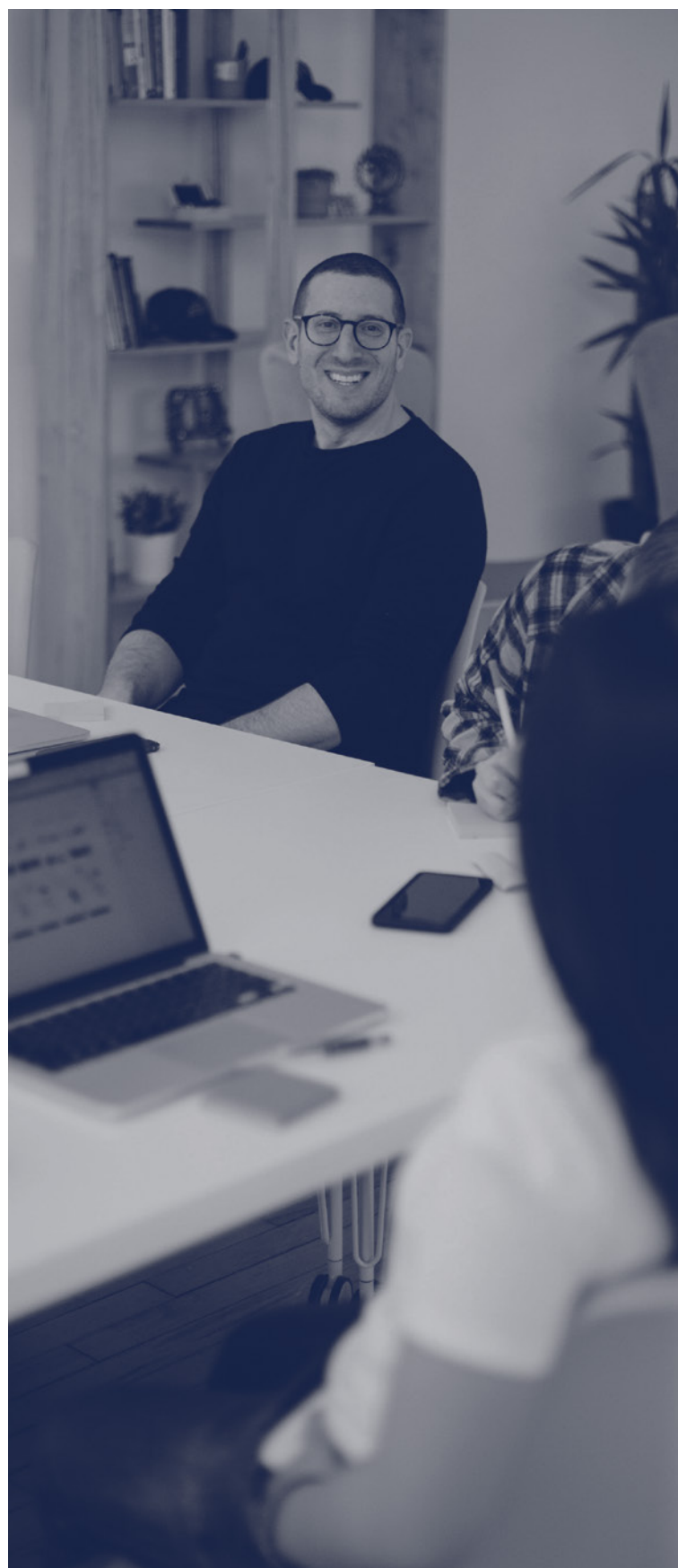
being approved, and the easy and secure payment of landlords, all from the Virtual Res platform.

For students, the benefit of The Virtual Res lies in the ease of finding and securing verified and/or NSFAS accredited accommodation online, remotely.

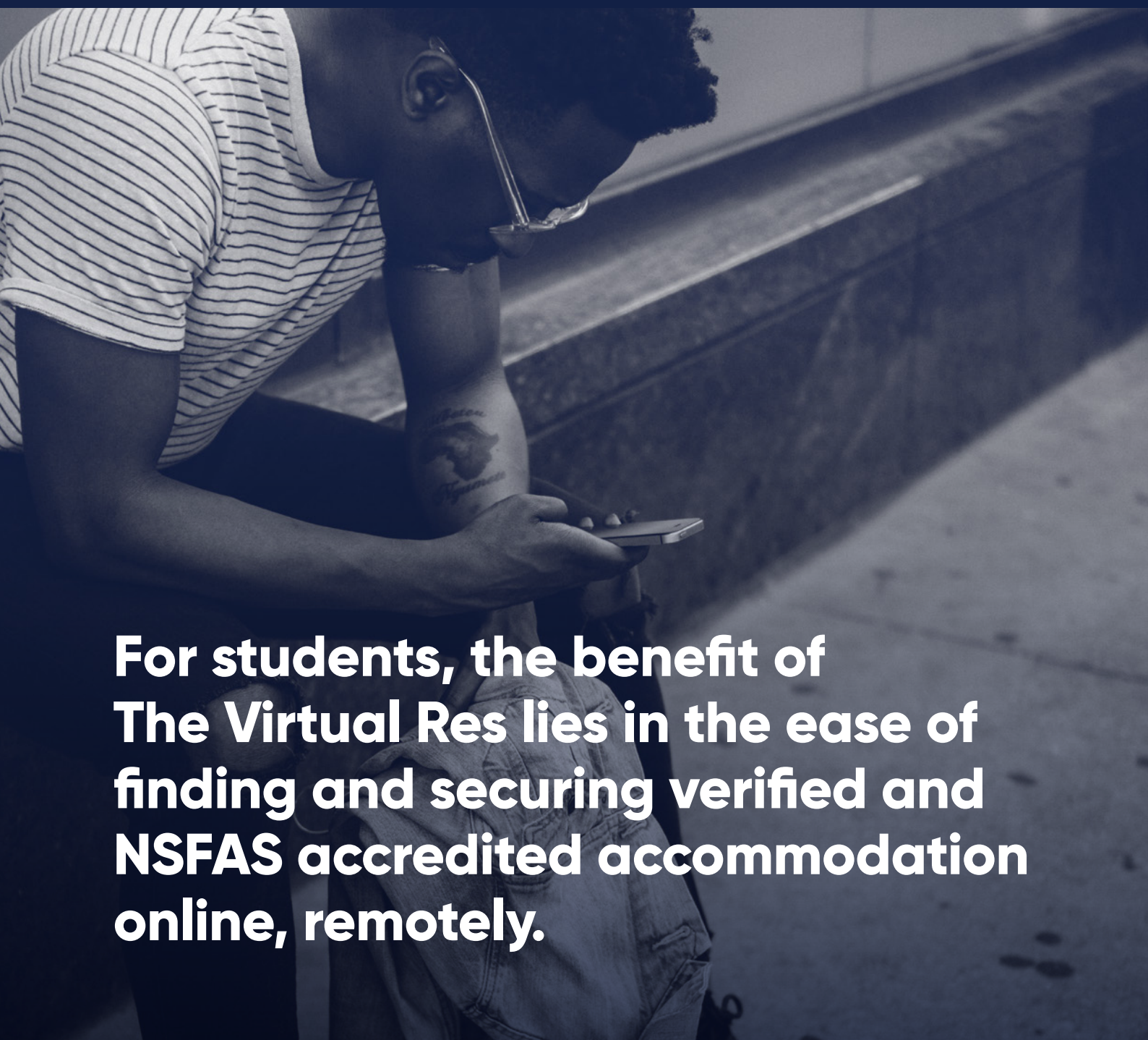
The verification process itself is straightforward, allowing landlords to apply for accreditation with a tertiary institution via the Virtual Res platform for a small fee, which is paid to the student conducting the verification, minus the processing fee from banks, payment providers, etc. (Note that landlords are already paying this accreditation fee to some institutions, although currently there is no nationally-accepted rate nor procedure for this).⁶⁶ In order for a landlord to receive a verification on the Virtual Res, their property will have to comply with a set of standards as set out by DigsConnect and the applicable tertiary institution. These standards will be published on the DigsConnect website with the corresponding institution's branding, should it be applicable, and publicly available in the interest of creating a transparent end-to-end system.

To verify that the property meets these standards, student verifiers are sent to view the property on behalf of the tertiary institution, creating an exciting opportunity for students to supplement their income. If the property meets the requirements, the tertiary institution is then at liberty to give the landlord the necessary accreditation. This is completed immediately and seamlessly with a few clicks on DigsConnect by the student verifiers. The system records the date, time, place and verifier to ensure transparency. Once the property has received its verification, it will be immediately updated on DigsConnect so that the applicable logos from NSFAS and the institution appear on the listing for easy identification and filtering. Students can now search to find legitimate, accredited off-campus accommodation.

The main advantage for colleges is that they can advertise to prospective students that they have accommodation close to campus and can therefore canvass students from further away (i.e. not in their typical catchment area) thus expanding their potential intake. It removes the burden of their current paper-based, manual system and replaces it with one that is always up to date and relevant, requiring no capital input as the Virtual Res utilizes resources that already exist.



Virtual Res



For students, the benefit of The Virtual Res lies in the ease of finding and securing verified and NSFAS accredited accommodation online, remotely.

Safety on the Virtual Res?

One of our primary concerns is the safety of the (student) verifiers that are going out to conduct property verifications, and we are committed to being proactive about this.

The college or university will select two students or staff members per campus to become accommodation 'verifiers'. These verifiers are trained by DigsConnect.

Training is either done in person or via video conference. DigsConnect's Business Development team will be conducting the verifier training.

Training consists of learning the following:

DigsConnect and the technicalities of the system

Going through the norms and standards that are applicable to their college or university (i.e. the checklist)

Understanding the verification process

Taking pictures and making notes

Checking in and out using the web app

Two verifiers are chosen for the sake of a "buddy" safety system. The verifiers and the institution will have the DigsConnect profile, and thus the identification of the landlord making the verification request. On the landlord's DigsConnect profile is the address of the property and identifying documents uploaded by the landlord.

Identifying documents include:

Picture of ID

Verified cellphone number

Verified email address

Linked Facebook account (if applicable)

Potential third party identity verification check

Landlords will not be able to make a verification request until this information is added to their profile. Once their profile qualifies for verification, they will unlock the verification button. When a landlord requests a verification, they are required to first make payment for the verification. Once the payment has been made, the verification process will continue. This payment allows DigsConnect to confirm the landlord's banking details, which qualifies as an additional tier of safety and identification.

The verifiers will have access to the DigsConnect contact numbers, as well as the phone number of the DigsConnect's Business Development Lead to call at any time for an emergency.

The student will be required to 'check-in' and 'check-out' of property using the app. By doing this, the verifier's location is visible to the institution, the "buddy" and to DigsConnect. DigsConnect can then contact the verifier and confirm their safety if necessary.

Taking the landlord's safety into account, DigsConnect allows the landlord to view the profile of the verifier visiting their property on the DigsConnect platform. The landlord will be able to see how many verifications the verifier has completed. DigsConnect will also provide branded t-shirts to verifiers for easy identification.

DigsConnect is also looking into partnering with security tech companies to implement panic buttons on the verifiers' cellphones.

Conclusion

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// The technology exists. The resources exist. The entrepreneurs exist. The demand exists. Connect them. //



Conclusion

Our objection and response to the existing student housing paradigm has been categorically expressed throughout this report. We cannot further stress the importance of having a thorough understanding of the crisis and, as such, we have spared no words in mapping the dilemma from the mathematic to the bureaucratic. However, for those more partial to the art of brevity, whose attention skimmed through to this very denouement hoping to find that which is most germane and easiest to digest; we offer this distillation.

The norms and standards, as they are, are unquestionably outdated, inefficient, inflexible, and ultimately to the benefit of neither students nor property owners across South Africa. For the organisations charged with accrediting accommodation, the N&S only complicates their duties. These standards are not

the cause of the housing crisis but they are having a catastrophic effect on efforts to resolve it. We continue to accept such baffling criterion which simultaneously hinders the present economy and our future as a country—by adversely affecting our students. Acceptance of such poor policy is a bitterness we refuse to stomach but more acrid yet is that we expect overwhelmed and under equipped public offices to effectively apply these standards. If we must, which we must not, abide a broken mandate we must, at the very least, provision the success of implementation. Our investigation has determined that the overall accreditation process is consigned to failure unless we fundamentally re-examine the systemic defects.

We are aware that the public and media consensus of a 'crisis' axiomatically implies recognition of systemic defect. We have merely sought to diagnose the problem so that we might comprehensively provide a solution. Words like "crisis" can quickly become buzzwords that we loose like quarrels without a target. What we have are South Africans, more than ever, seeking to enter and thrive within the tertiary education system. The crisis is not the volume of students. That we have such eager participation in higher learning is a boon for the future of our great country. But our institutions were not made to serve the disadvantaged and disenfranchised. The exclusion of the majority from these spaces during Apartheid was an unconscionable cruelty. Yet these students are particularly vulnerable to continued exclusion due to geographic or economic reasons; both of which should be countered by effective policymaking at a state or institutional level. However, it is apparent that the existing structures have neither the reach nor strength to draft an effective response. It is best not to think of this as a proposition for outsourcing this responsibility. After all, it is industrious South Africans who make this solution so immediately accessible. Despite the prevalent obstacles, students and landowners have achieved remarkable success and cohesion in this housing sector. Just consider how the sector would flourish if we were to remove those obstacles and enable this marketplace to achieve its full potential.

And yes, this is a report from a company with a vested interest in a democratised housing sector. But DigsConnect is no less a paradigm for South African ingenuity than the patrons who use it so effectively. DigsConnect does not claim nor desire nor require a monopoly on the student housing sector henceforth. On the contrary, this is an appeal for greater accessibility across the board. The website does not exist without both landlords and learners taking the initiative and thus they, as

the parties most harmed by the existing system, are empowered more so than any singular entity. Ultimately that is what is offered here; an opportunity to leverage technology for the benefit of ordinary South Africans while simultaneously relieving an over-encumbered government from an untenable position. If this seems revolutionary then, perhaps, we are missing the point.

The technology exists. The resources exist. The entrepreneurs exist. The demand exists. Connect them.

Connect them and let the market thrive absent the extraneous interference of outdated administrative frameworks. For this we offer the Virtual Res. With it we hope to chart a legacy of private sector growth which is not only productive as a public service but also transparent, accountable, and fair. Still, this is not an attempt to banish policy makers from the sector entirely. This is the start of a discussion that ought to have occurred long ago, one that includes all parties with an interest in solving the housing crisis. We do not doubt the intent of policy makers to uphold their commitments in parliament. However, we have heard promises one year and excuses mumbled the next. South Africa is bigger than the walls of parliament and our young democracy was founded on the principle that all people are equal. The table needn't be so quiet when there are several voices with something to say. Hear us now; we want to help. And we have listened to those on the ground. They are frustrated, confused, desperate. But they are also determined and eager to welcome the changes proposed in this report and there is little doubt that others will take up their cry. This an appeal for collaboration. And an opportunity for politicians, scholars, and businesspeople to serve South Africans a piece of the promise of 94.

Let's enable this marketplace to achieve its full potential.

Epilogue

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// We believe that the value DigsConnect and Virtual Res is evident now more than ever before //



Epilogue

The 2020 State of the Nation Address offered by President Cyril Ramaphosa, coupled with the 2020 Budget Statement, point to a government that is aware of the compounding student housing crisis, but continues to underinvest in its solution. Overall, the post-school education and training budget for 2020 has been set at R118.8 billion⁶⁷ accounting for 6.1 percent of the fiscal budget. Specifically, institutional infrastructure and student housing block grants have been estimated at R2.841 billion⁶⁸ for the 2020/2021 fiscal year with

current medium term growth projections at 7 percent annually. These estimates offered by the National Treasury stand in contrast with the stated requirements offered by the Department of Higher Education and Training's Student Housing Infrastructure Program (SHIP). According to the department's presentation to Parliament, SHIP aims to satisfy the growing student housing demand through the Infrastructure Efficiency Grant (IEG) alongside interdepartmental and private sector funding.⁶⁹ The stated program aim is the construction of

student housing with 300 000 beds at the 26 public universities and 50 TVET colleges across 300 campuses.⁷⁰ If this goal will be met, it will require an annual R7 billion spend on student housing to meet the 30 000 bed annual target up from the current 4000 beds constructed per annum.⁷¹ However, DHET currently allocates R1 billion⁷² to student housing at universities and not TVETs and the aforementioned medium term infrastructure spending projections provided by the National Treasury do not adequately provide a signal of a greater financial commitment from the fiscus. Importantly, infrastructure spending in higher education is estimated to decline by R5.2 billion⁷³ over the medium term which Treasury acknowledges as a risk to timeous project completion and delays.

Taking a look at direct student funding, the allocation toward NSFAS funding for 2020/21 is estimated at R37.094 billion with an expected per annum growth rate of 7.3 percent in the medium term closing off at R40.8 billion in 2022/23.⁷⁴ The increase in student financial aid is a critical aspect in addressing the housing shortages facing the sector. DHET has found that NSFAS students occupy 184 972 of the 287 507 beds available in the system.⁷⁵ In effect, the continued student housing shortage and failing regulations predominantly affects poor and working class students. Minister Blade Nzimande acknowledges that the current norms and standards policy are not effective across the sector. In his comments to the select parliamentary committee, Nzimande noted that NSFAS students requiring private housing allowances only need to provide evidence of a lease agreement in most instances.⁷⁶ The current system insufficiently addressed questions of fraud, exploitation and the effective use of housing allowances. Nzimande further detailed the departments

plans to form a national private accommodation accreditation system alongside NSFAS and institutions beginning in 2021.⁷⁸ Given the minimum norms and standards were introduced in 2015 and a clear lack of individual institutional uptake in implementation, it remains unclear how the government will achieve said accreditation system. A key challenge that HEIs face is the absence of institutional capacity to take on the task of forming and maintaining a private accommodation database, thus plans toward a national accreditation system will likely take several years to form and implement. It is for this reason, we believe that the value of DigsConnect and the Virtual Res is evident now more than ever before.

While the 2020 SONA and National Budget statement provide a signal of policy movement toward the prioritisation of student housing at higher education institutions, the proposed changes and funding commitments remain woefully inadequate. The spike in housing-related protest action across several public universities and TVETs at the beginning of the 2020 academic year bring into sharp relief the consequences of inadequate funding and a dysfunctional bureaucratic process preventing the timeous release of funds to students.⁷⁹ The demand for student housing is set to increase, likely beyond current estimates, as the government places pressure on HEIs to increase headcount enrolment. Additionally, the macroeconomic projections provided by the National Treasury make it clear that satisfactory student housing infrastructure demand will not be met nor driven by the government. If we are to robustly respond to the growing student housing demand, given the constraints on new development financing, current private housing stock and development require an efficient and scalable accreditation solution.

The latest statements provided by the government for the 2020 financial year do not offer a clear way forward to meet the growing accreditation crisis, but we do.



Considering Covid-19

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// As our institutions of higher education begin remote learning, it has become more apparent than ever that students, across the country, need easy access to quality accommodation //



The future of student housing post Covid-19

Our team was busy dotting the i's and crossing the t's on this report when Minister of Health Zweli Mkhize announced that the National Institute for Communicable Diseases had confirmed the first case of COVID-19 in South Africa.¹ Even then the coronavirus pandemic was having to compete for global headlines and our considerations were largely superficial. *Will there be a Summer Olympics? Will Marvel delay their next Blockbuster?* Such was the public languor toward what has become, in no superfluous terms, the most significant threat to mankind in the 21st century.

A month ago, the State of Student Housing (SSH) Report might have been complete. Now it is impossible to publish without this consideration for any conclusions reached, without an acknowledgement of the current predicament, would appear outdated. Despite the comprehensive research which has already gone into mapping the housing crisis, the landscape of this socio-economic sector has shifted beneath us. We felt our case, for increased deregulation in student accommodation, was soundly made yet a new global crisis has made this addendum necessary. The SSH Report was a response to

conditions that have since changed, and will continue to change, as we enter what is likely a post-pandemic recession. However, our principle imperative has only been affirmed. We are among the fortunate few who are able to (mostly) successfully work from home during the national lockdown. The comforts of our living conditions make that possible. As our institutions of higher education begin remote learning, it has become more apparent than ever that students, across the country, need easy access to quality accommodation. That there are students who will endure self-isolation in subpar living conditions has redoubled our stance and made our findings *ad rem*. This is not to fault any organisation for failing to account for a global pandemic. This is an unprecedented moment in our collective history. We do not know what comes next but a path forward will require creative solutions. As a company invested in student wellbeing, DigsConnect remains committed to students as they face a period of increasing uncertainty, hardship, and vulnerability.

It is important to recognise that the coronavirus pandemic is an ongoing situation and therein lies the difficulty in engaging the discourse. There is already an excess of misinformation creating a degree of public consternation beyond the measure required to encourage responsible behaviour. It is thus critical that we navigate the line between trite speculation and harmful conjecture.

What we are offering here is a careful mediation of COVID-19, accounting for how it may impact the findings of this report.

This requires we first contextualise the pandemic in South Africa, using the data presently available, if we are to arrive at a plausible hypothesis regarding the state of student accommodation during an economy in recession. We must account for projections in government spending and funding as well as considering the role private investment and the property sector will play in a post-pandemic marketplace. Despite the alarming number of commitments currently facing the presidency, which will be acknowledged, there is evidence to suggest the property sector may prove a lynchpin for a market in distress. It is thus our duty to highlight the ways in which our student housing proposal will strengthen this sector and contribute towards the rebuilding of the South African economy.

International responses to the pandemic have been varied. Some governments have ploughed ahead bullishly, prioritising economic stability, while others have adopted borderline draconian measures. Though the appropriate reaction is yet to be determined, we feel confident in applauding the actions of South African President Cyril Ramaphosa and his cabinet. The national lockdown is necessary if he is to uphold and honour his primary duty to protect the lives of South Africans. Initially the lockdown was slated for 21 days, starting March 26th, but has, at the time of writing, been extended until the end of April 2020. This was not a decision taken lightly. The economic consequences of this 35-day absence of regular labour have not gone unchecked by the presidency. A Solidarity Fund has been established to facilitate the rapidly depleting returns of South African workers and the executive members of the presidential administration, as a gesture of their commitment, have contributed a third of their salaries.² Other public officers and prominent executives of major companies have been implored to follow suit. The UIF has set aside R40bn to subsidise the many South Africans likely to be retrenched during and after the COVID-19 crisis. Additionally, a stimulus package of over a billion rand has been provisionally drafted to augment and secure the food supply chain should smallhold farms come under stress. These are among the myriad measures that have been taken to mitigate the economic fallout from the national lockdown. It is clear that whatever can be done by the South African government, is being done.

With regards to the housing sector, a moratorium has been placed on all evictions during the lockdown.³ There are a number of laws already in place to prohibit the unlawful and inhumane eviction of tenants which allows the government to partially avoid the bureaucratic headache of rewriting existing South African jurisprudence.

In terms of section 26 of the Constitution:

"No one may be evicted from their home or have their home demolished without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions."

A tenant may not be evicted without a court order even if the tenant is in breach of the rental agreement e.g. non-payment of rent.

The Western Cape Rental Housing Tribunal (*via Business Tech*)

The president himself implored landlords to honour their contracts though they too have financial commitments. That being said the legal precedent is, at best, tenuous & what the relationship between landlords & tenants will come down to is "good faith".

As each case will have different circumstances, different outcomes are to be expected and thus no blanket policy can be observed.⁴ An appeal is being made to South Africans to conduct their affairs with compassion and common sense and, for the most part, this is working. DigsConnect has sent out a survey to affiliated landlords so as to ascertain the outcome of this strategy.

As previously stated, it is too soon to make definitive claims. In terms of health, the current approach appears to be successful at this initial stage. Countries undergoing similar lockdowns have all experienced a significant reduction in the spread of the virus. Since being implemented in South Africa, the country with the highest number of cases on the continent, the rate of new infections has dropped to four percent.⁵ It is worth acknowledging that African countries in particular have been praised for their impressive response to the coronavirus from a health and safety perspective.⁶ Most have declared states of emergency and enacted policies of social distancing and quarantines. Outreach efforts have been mobilised to provide essential services to at-risk communities. There is a near unanimous restriction of movement across the continent in accordance with what is being recommended by the majority of the world. These measures have put us on the appropriate trajectory to successfully cope with the pandemic while limiting the number of casualties.

However, with the global economy still reeling, and a deepening recession, there is no fiscal model for us to adopt. We can only work with the data available. Thus, the long-term projections for a post-pandemic recession response are less encouraging. In a sense, this is unavoidable on a global scale though some countries will feel the sting of a recession more keenly. While authorities such as the World Health Organisation (WHO) have done an admirable job raising funds to directly fight the coronavirus in Africa, it is estimated that the continent will

require an initial grant of US\$100bn in financial support over the next two years to cope with the fallout. Resources are being expended, or discarded as surplus, without the revenue to replenish them due to a startling decline in "commodity prices, trade, and tourism".⁷ Once the pandemic has been snuffed, these are likely to improve; but revenue streams will have been stagnant and we cannot expect any market to seamlessly return to pre-coronavirus functionality without substantial capital investment. Most countries, both third and first world, have already begun strategizing in this regard. There are schemes in place for the express purpose of funding the financial caveats (of the pandemic) but it remains to be seen whether such stimulus packages, largely accrued through philanthropy, will be sufficient for African economies in distress.

There is a larger, more complex, debate to be had regarding third world debt but this is not the appropriate platform to host such a discussion. There is no material toll too high that it should not be exacted in the saving of human lives and we fully endorse all measures necessary to this endeavour. Every resultant consequence is one we must accept. This information is only presented so as to provide a context for the precarious state of student housing in South Africa once our national health objectives have been achieved. For every problem there is a solution. As our immediate priority is the health and safety of our people, the presidency has taken the appropriate measures (social isolation etc). What we hope to determine is the appropriate measure for student housing in the wake of the pandemic.

Regardless of whether capital is generated via altruism or loans, it has been proven that our budget is going to be sorely tested over the coming years. This is unavoidable. Finding ways that alleviate, not exacerbate, the pressure placed on our national funds will prove crucial. As the nation attempts to recover economically while simultaneously protecting the economically vulnerable—students, in our case—the findings of the SSH Report become all the more relevant. Rather than borrowing from foreign treasuries or the private sector, public offices would do well to let the private sector itself stimulate capital flow in areas it has already shown competence in. Our report determined that the private sector was capable and willing to assume the mantle and burden of providing student housing in South Africa. The transition out of a post-pandemic

recession will require a cohesive effort between public and private sectors.

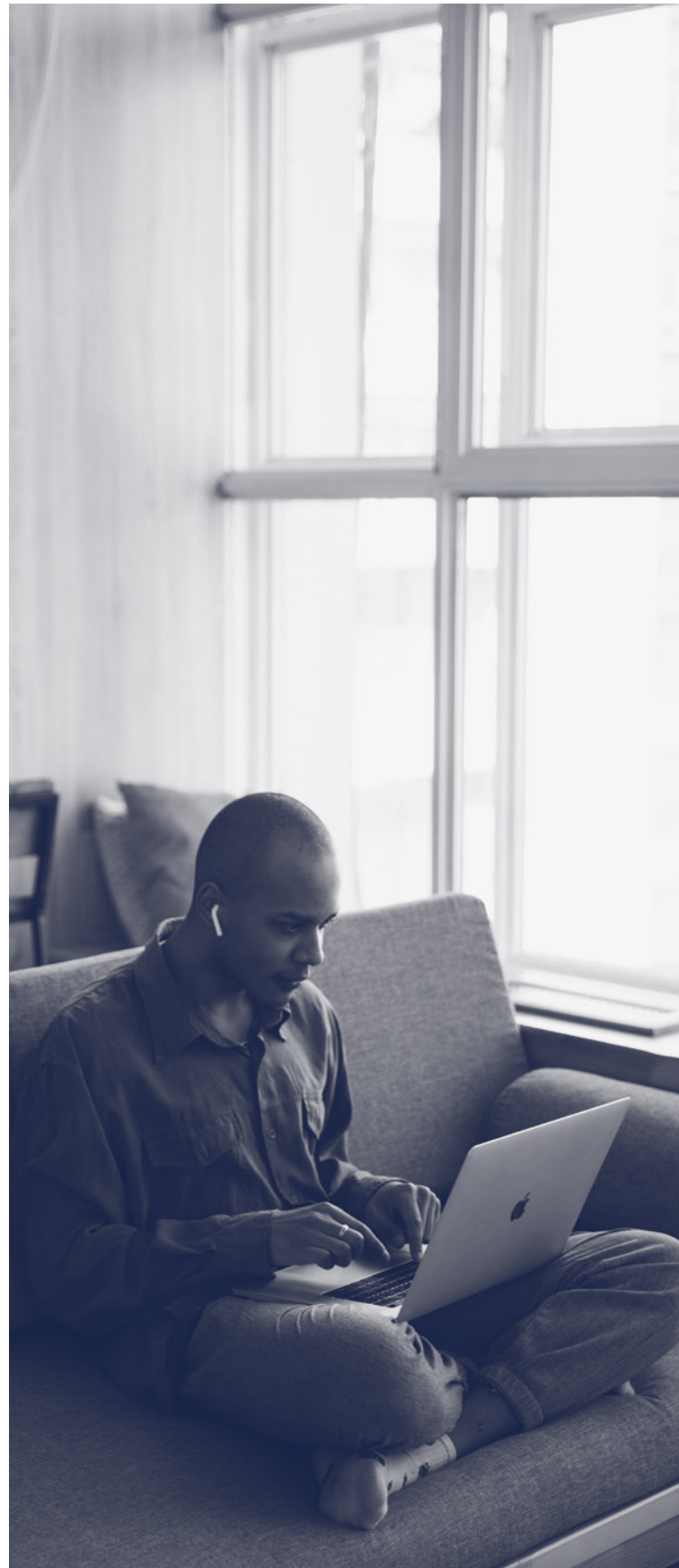
The state has already begun to propose strategies, and delegate funds, to address other financial sectors likely to be affected. Though we are specifically interested in student accommodation, we must consider the potential outcomes for the property sector as whole. There are three immediate choices the government may undertake vis-à-vis the handling of property and increased displacement during a recession.

1. The state could build more accommodation to provide for the influx of displaced people (including students)

In theory this is a reasonable plan and will have the positive secondary effect of generating jobs in the construction industry. Creating jobs and cash flow is the essence of reigniting the market place. However, as stated in the report, these are often costly projects and, post-pandemic, will likely be untenable on a threadbare budget. In the long term, more housing is welcome but “plans” will not shelter students left homeless; no more than it did the thousands unable to secure accommodation previously. Though the current predicament is unprecedented, and our public offices have shown remarkable follow through during the pandemic, it is unlikely that sufficient accommodations can be generated in a reasonable timeline which belies the immediacy of the dilemma.

2. The government could nationalise the land and subsidise housing for all students

There are those who might label this extremist and there are those who might point to the extreme situation. It is not unthinkable to imagine a government foregoing the expensive process of building new properties when sufficient assets are already owned within the private sector. Property is a relatively stable (and valuable) asset class and various politicians have previously, to much furore, entertained redistributing the land in order to combat inequality. With or without compensation, this will see an exodus of private investment, both foreign and domestic, from the country. Whether this controversial proposition is ever worth considering is subject to debate and does not fall under the expertise of this report.



What we can determine, and is within the scope of our available research, is that a post-pandemic recession will require investor confidence and thus, if ever there is a time to consider the aforementioned proposal, this is not it. On the 31st of March, 2020, the second online meeting of the African Ministers of Finance took place to discuss the ongoing crisis. They determined that African countries will require debt relief in excess of US\$44bn with an additional US\$55bn by 2021. This money, however, is reserved for relieving exhausted treasuries in the wake of the coronavirus.⁸ It will not be sufficient to stimulate capital flow within each country. Simply, even if an apportioned US\$100bn package is included in budget projections, those funds will not be sufficient to mobilise independent markets. For this, the ministers appealed to G20 and the EU (amongst others) for liquidity relief in the private sector. They highlighted the precarious state of the private sector, in which small to medium enterprises (SMEs) account for over 70 percent in Africa, and impressed upon the importance of keeping the private sector afloat.⁹ For commerce to return to the marketplace, SMEs will evidently need substantial assistance.

Our recession strategy will require extensive loans both for public and private works and that is relevant to our treatment of the property sector post-pandemic.

Having a thorough understanding of potential market pressures helps to frame our conception of the investment climate both public and private players will find themselves in. The terms of borrowing are already increasing due to investor pullback from fragile assets.¹⁰ This is the type of domino effect President Ramaphosa mentioned during his second lockdown briefing. That our various financial sectors are so interconnected, means that reactive behaviour in one can have a volatile effect on another. The president urged investors not to renege on their contracts so as to curb this *force majeure*.¹¹ In order to keep the markets relatively secure during the recession, it is critical to maintain a relatively stable flow of cash across the economic spectrum. If investors abruptly withdraw their capital, it will cause many industries to collapse and SMEs will suffer more than most.

There is no alternative where many financial sectors are concerned and they will require funds only available through borrowing. Property, as a relatively stable asset class, is one of the few sectors that will likely have reliable value both during and after the pandemic. It is thus critical that property investors be given assurances by the state. In the short term, commandeering private assets may seem logical but it will have damning consequences for the overall viability of our recession recovery. Should property investors lose faith in the South African market, borrowing terms will continue to spike in financial markets. Given that the prospect of our recovery hinges largely on loans, it is in our best interest to keep the interest rates low. On the contrary, enabling greater private interest in the property sector will help maintain the stability of this asset class, reducing gross investor pullback, and thereby liberate and generate funds from loans needed across multiple sectors.

The suggestions prompted within the SSH Report have a two-fold effect for the property market, both of which may prove crucial going forward. Firstly, adopting some of the deregulations advised, where student housing is concerned, will improve investor confidence in this sub-section of the property market, contributing to greater stability in the broader market itself. Additionally, a lucrative opportunity, to let domestic property, will prompt increased investment.

However, this does not sufficiently explore the looming liquidity shortage expected during the recession.

3. We offer a third hypothesis: a cohesive property strategy to the post-pandemic recession, one that allows the private and public sectors to operate in ways most suited to their strengths.

The premise that sufficient property assets already exist in the private hands is correct. Making these assets available need not require the state to assume control of them. As the SSH Report has convincingly proven, South African property owners are more than willing to respond to the demand of students. The coronavirus pandemic, and subsequent lockdown, will likely have left many South Africans in need of a stable revenue stream. The government does not have to drive supply and demand in this sector.

Property is generally not considered a liquid asset outside the retail industry. As retailers form the backbone of South African SMEs, there have already been financing initiatives drafted to keep SMEs afloat as rental overheads drain their reserves during the lockdown.¹² Landlords of the Property Industry Group announced relief for retail tenants provided they continue to pay staff during and after the lockdown. Freed from the obligation of paying overheads, employers can pay employees. This is to maintain liquidity across our economic classes, allowing people to spend more freely and thereby ensure the market is able to return to functionality as soon as possible.

However, for (particularly small scale) property owners, whose properties are in domestic not retail spaces, their assets will only sap their reserves with no promise of liquid returns. In the coming months, under the pressure of a recession, they may be forced into selling their assets below market value. The transfer of such large assets seldom, if ever, contribute towards the increased liquidity required in a free-flowing marketplace. As per our findings, allowing property owners to facilitate the demand for student accommodation will make them small business owners in their own right. They will be able to profit from previously negative assets and rental revenue is more likely to be spent than saved. Additionally, the influx of students benefits local businesses and improves income within communities (see SSH Report: Foreword).

During our initial research we noted that supply and demand side players in the student accommodation game were unable to effectively connect due to the existing strictures. This fundamental systemic flaw was, in part, the motivation for this report. It is likely that post-pandemic these strictures are in greater need of revision in order to quickly catalyse the

potential of this market. If we accept that SME's, which constitute a significant part of our market, are going to be critical in the recession response—given the impetus placed on provisioning for their survival by the aforementioned experts and organisations this seems beyond doubt—then it is certainly worth taking seriously a proposal which supports and creates prosperity in these enterprises. Property need not solely exist in the form of valuable assets which contribute primarily towards net worth. By allowing property owners to access a sustainable source of demand, that being students, property can become a source of liquid income. While we appeal to G20 and the EU for aid, and this will still be necessary, it is important that we generate cash flow internally where possible. Housing platforms, like DigsConnect, are able to mediate this untapped market and already have the structural capacity to do so.

Despite the threat of a debilitating recession, from a financial perspective, collaboration in the provision of student accommodation, with the private sector, is still the best course of action for both the housing crisis and COVID-19 crisis. It would be one thing to reject the SSH Report on the basis that authorities cannot afford to greenlight a new project during a recession. But it would be more fiscally detrimental to operate under the status quo or adopt one of the alternative measures. There are undoubtedly more options than the ones explored within this essay. This, much like the SSH Report itself, is an attempt to commence a dialogue and strengthen ideas. South African entrepreneurs are simply looking to use pre-existing, private, resources in order to facilitate nationwide growth. Easing government spending (see SSH Report: Funding Shortfalls) was one of many potential benefits of the proposal but now the support of private enterprises will be invaluable through this trying period.

Housing platforms, like DigsConnect, are able to mediate this untapped market and already have the structural capacity to do so.



Our national finances are not the only resources likely to be strained. The human resources available to the public administration will be stretched thin too. It was clear from our research that HEIs were struggling to accredit housing for students in recent years. This was a result of insufficient manpower, funding, and the fraught constraints which determine housing accreditation (see SSH Report: Digsconnect Critique on the Minimum Norms and Standards). The private sector can be relied upon to facilitate this need as well. We preface this claim with the acknowledgement that DigsConnect is not the only company invested in this sector. There are other private housing players whose contributions will be welcome. However, it would be unethical to mediate over intellectual property we do not own. Thus, the only technology within the sector we can qualify is our own. With the Virtual Res The SSH Report goes into detail regarding the many advantages of this technology (see SSH Report: The Virtual Res). Free from the bureaucratic entanglement which plagued this process previously, we will have more housed students and a booming industry to boot. As discussed throughout this essay, it is in the best interest of our post-pandemic recession response to have as many markets generating income as freely as possible. In particular, the property sector, and by extension the student housing sector, will be a significant component in a national economic rebuild.

This is not to assert, just as the SSH Report does not assert, the government and public administration be removed in all capacities from the student housing sector. The pandemic has made it all the more apparent that the public and private sectors need to collaborate. The SSH Report simply highlights the areas where public offices have struggled to effectively arbitrate, within the sector, and offer solutions from private industry. There are many areas that public administrations excel and, more broadly, the pandemic response has made us exceptionally proud of our incumbent government. We have witnessed a tireless effort to protect the lives of South Africans. This is not the time for obscene mathematics, the human cost supersedes all others. However, this duty will not expire once the immediate threat to our health is brought under control.

There are many who will be vulnerable to exploitation during an extended period of economic tumult. That includes, but is not limited to, students. It is likely that many students will have difficulty honouring the terms of their leases and once the

lockdown expires so too does the moratorium on evictions. We implore our public officers to extend the moratorium in legislation and prevent predatory practices within the sector. Despite extensive guidelines and conditions being prescribed in DigsConnect's landlord policy, we, like all companies, will require the assistance of (various) public administrations to combat unethical practices. During our extensive fieldwork, we encountered landlords of multiple moral inclinations. While the overwhelming majority were positive interactions, these are desperate times we are entering and that lends itself to desperate measures. The SSH Report determined that The Virtual Res, if sanctioned as an accreditation mechanism in addition to other systemic revisions, would help reduce illicit conduct but it is critical to vet all private accommodation verification practices to ensure they all function in the best interest of students going forward. We were appalled at some of the discoveries made during our field research regarding the standard of student housing. For those students, without adequate resources, this lockdown will prove even more challenging.

Ultimately, we encourage an open dialogue with policy makers in order to refine this ground-breaking innovation and establish a new paradigm for student accommodation.

At the same time, let us consider that the presidency has placed a great deal of trust in South Africans. We are being asked to behave responsibly and make sacrifices but these are not being oppressively enforced. Despite the lockdown, we retain relative autonomy.

Given the reduction in the rate of new cases, and statements made by the president himself, it is clear that South Africans are largely rising to the occasion. Let this serve as evidence that private interests and public policy might be able to align going forward and a more cohesive relationship is possible.

DigsConnect is currently conducting independent research amongst our clients to better understand how both landlords and tenants are conducting themselves during the pandemic. As this is an ongoing situation, it is important that we gather data in order to provide substance amidst media conjecture. This addendum is subject to the context it is being written against and with such radical uncertainty threatening to undo even the most grounded projections, it is impossible to be certain of anything right now. The State of Student Housing Report was written as means to diagram the housing crisis and potentially remedy the situation. It is likely that a post-pandemic recession will exacerbate the crisis. However, we would posit, in accordance with the findings of this essay, that solving the housing crisis may prove valuable in the long-term objective of recession recovery. Much may be subject to dispute but there is no doubt that the burden placed on government resources must be eased, private sector investment must be encouraged despite the circumstances, industries promoting liquidity across our economic classes are needed, and, most importantly, South Africans must be protected. Though it is only one faculty of a diverse economy, our proposal for the future of student housing accounts for all these considerations.

We are not suggesting that online housing platforms, being allowed to source accredited student accommodation, are sufficient to end the recession. But we feel confident in our declaration that student housing sector need not be a further hinderance to our economic progression even in such trying circumstances. On the contrary, if the appropriate measures are taken, we may resolve the housing crisis and create a market powerhouse whose contributions will be helpful.

South Africans have shown remarkable fortitude, compassion, and creativity during this trying period. We all have a role to play in a national recovery process and, as a proudly South African company, DigsConnect are prepared to do just that.

Given the reduction in the rate of new cases, and statements made by the president himself, it is clear that South Africans are largely rising to the occasion. Let this serve as evidence that private interests and¹³ public policy might be able to align going forward and a more cohesive relationship is possible.

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// The technology exists. The resources exist. The entrepreneurs exist. The demand exists. Connect them. //

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