

Education Sector Hints at Timely Revival

➔ Rise in Numbers of International Students Could Benefit Property

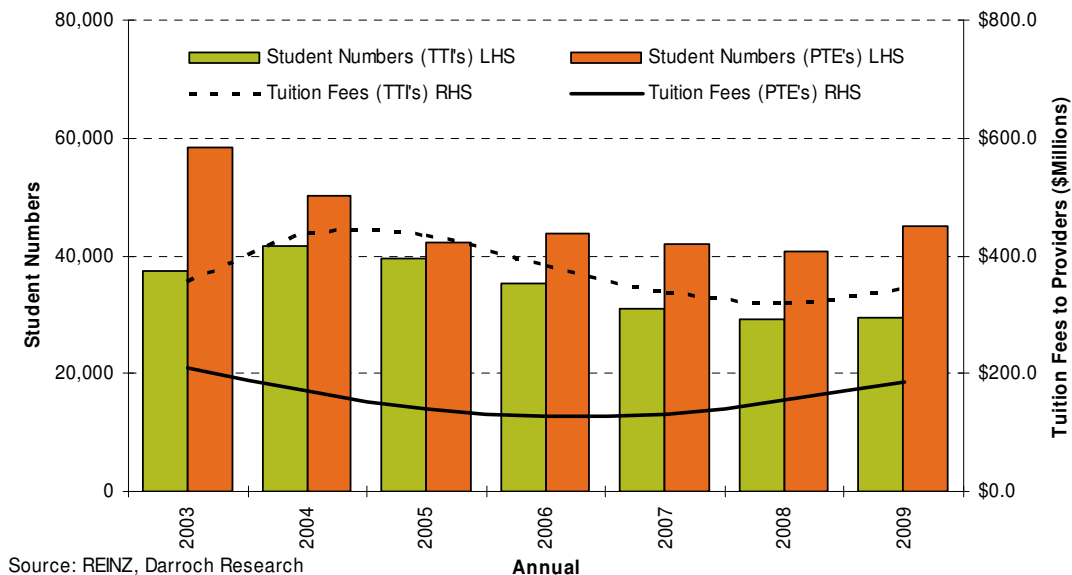
The education sector is hinting at a timely revival with the number of international students studying in New Zealand on the increase again. Income from tuition fees is also on the rise, giving a much needed boost to export education. This sector is currently enjoying its best period for three years, and there is some optimism that this trend will continue. While enrolments are not yet at levels seen during the peak of 2003/2004, they have recovered well from two years ago when the harsh effects of the global recession were being felt.

Globalisation and growth of international business continues to create an export outlet for the education sector in New Zealand. Quality education courses with an emphasis on 'English' and in particular 'Business English' are becoming increasingly important. A tertiary education from one of the major English speaking 'western' countries such as UK, Canada, USA, Australia or New Zealand is very transportable. Other factors such as affordability via exchange rates, political climate and the prevailing economic conditions all play a part in the decision to study in New Zealand. Student well-being is also an important factor and New Zealand is internationally recognised as being 'safe' and politically uncorrupt.

This positive outlook sees the number of international students enrolled at Private Training Establishments (PTE's) at just under 45,000 in 2009. This comes despite lingering effects of the global recession and an often elevated NZ dollar, reducing affordability for students. After rapid growth between 2000 and 2004, the number of international students enrolled at Tertiary Training Institutions (TTI's) declined slightly but has stabilised since 2008, with current numbers around 30,000.

Figure 1 shows the increase in international student numbers/fee income to education providers.

Figure 1 – International Student Numbers and Tuition Revenue to Education Providers



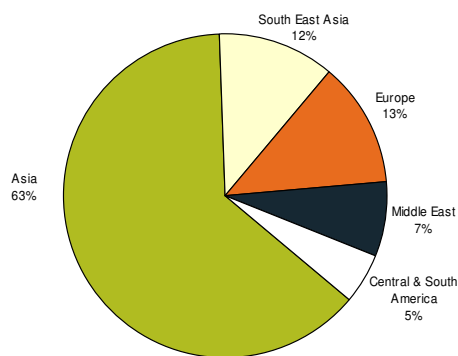
If the rate of growth experienced over the past 18 months continues, there could be positive spin-off on the commercial leasing market. Back in the early 2000's, growth in the education sector played a major role in helping revitalise office markets, particularly in Auckland. The effects of the Asian crisis was still being felt but strong demand to establish education businesses such as English language schools played a major part in keeping vacancy rates in secondary office markets down.

While we are not currently at this stage, a continued increase in demand could put pressure on the capacity of existing providers and could force them to seek out additional accommodation. However, there are a number of challenges to overcome including an elevated NZ Dollar, news of some universities restricting placement numbers from 2011, and an improving Asian economy which could see students seek out jobs in their homeland rather than study abroad.

Regardless, export education remains big business in New Zealand and recent developments are encouraging. International students now make up around 8% of all formal tertiary students. About 63% of all international students enrolled in formal tertiary education come from Asia with the majority from China. The top five paying students by country of origin are China, South Korea, Japan, India and Saudi Arabia.

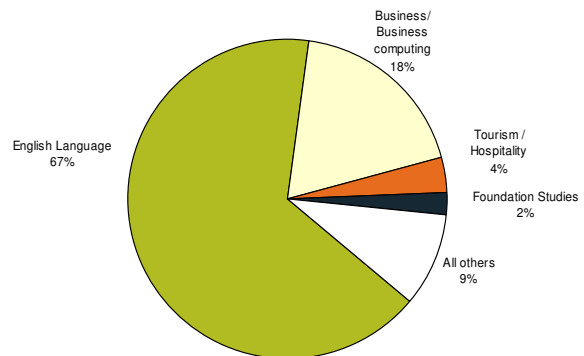
Figure 2 illustrates the number of international students by world regions. Figure 3 shows the number of international students in PTE's by major course of study

Figure 2: Origin of Students



Source: Ministry of Education, Darroch Research

Figure 3 Courses Studied



Source: Ministry of Education, Darroch Research

The most popular courses at private training establishments (PTE's) are currently; English Language (67%), followed by Business Computing (18%) and Tourism/Hospitality (4%).

International students contributed \$343 million in fees to the revenue of public tertiary education institutions in 2009 (9% of the institutions' total revenue) and \$185 million in fees to the revenue of private training establishments. Following a decline over 2005-2007, tuition fees in private training establishments is back on the rise and now approaching levels last seen in 2003. In terms of revenue from fee paying students, other important points are:

- Fees charged to international students (in tertiary institutions) have increased significantly on an equivalent full-time student basis. Between 2002 and 2009 the average international tuition fee per equivalent full-time student in tertiary education institutions increased by 32 percent, from \$13,000 (excluding GST) to \$16,900. This partly reflects an increase in international students studying at degree level and above.
- Fees charged to international students (in PTE's) have remained relatively steady on an equivalent full-time student basis. Between 2002 and 2009 the average international tuition fee per equivalent full-time student in private training establishments remained flat, from \$10,075 (excluding GST) to \$10,154. However, this is up from 2007 (\$9,935) and overall student numbers are up in the past two years

Overall, the export education sector is enjoying a welcome turnaround in demand. If continued, this could have a positive effect on the commercial office sector.