



National Student Financial Aid Scheme

MEDIA STATEMENT

FOR IMMEDIATE RELEASE

DATE: THURSDAY, 23 FEBRUARY 2023

SUBJECT: National Student Financial Aid Scheme (NSFAS) to take the high costs of student accommodation to the Competition Commission.

The National Student Financial Aid Scheme (NSFAS) is mulling over reporting student accommodation providers to the Competition Commission for possible collusion and price gouging. This follows reports that several student accommodation providers have raised rent prices to astronomical levels and are refusing to lower them to the R4 500.00 a month cap that has been stipulated by NSFAS for the accommodation it finances.

Many students at four universities, namely University of Pretoria, Wits University, Stellenbosch and University of Cape Town, were left without accommodation in the past week because they could not afford the new rent amounts that have been imposed by several service providers. “The unaffordability of accommodation does not only affect NSFAS students, but parents from both poor and middle-class families who cannot afford monthly rent amounts of up to R9 000.00. If this matter is not confronted urgently by all stakeholders, student accommodation will simply be unaffordable for many and so will be education”, said Mr Slumezi Skosana, NSFAS spokesperson.

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NSFAS spends R18 billion on student accommodation each year. The entity has changed its policy to ensure that the money is well spent and that new accommodation is built which should ultimately be owned by universities and TVET colleges. As of last year, accommodation at university residences ranged from R28,000.00 to R90,000.00 a year. Private accommodation providers charge up to R90,000.00 a year. This is clearly unsustainable.

NSFAS calls on all stakeholders to confront this issue before more damage is done to the future of thousands of students.

As of 2023, NSFAS is playing an active role in facilitating identification and accreditation of student accommodation for NSFAS funded beneficiaries.

- 39 companies have been appointed as accreditors and have been trained on the accreditation module. Accreditation has started in the Western Cape.
- NSFAS is continuing with training of accommodation providers on the process and requirements for student accommodation.
- The R45,000.00 cap is introduced to manage the unregulated increasing costs for student accommodation. NSFAS introduced this cap to manage the unjustified exorbitant costs of accommodation, which seem to be based on price collusion. Currently there is a challenge of private and institution accommodation above the cap of R45,000.00. NSFAS is working with the affected institutions and is fast tracking the accreditation in the affected areas.

The most recent study by the World Bank/IFC 2021 "Market Assessment: The Student Housing Landscape in South Africa" was used to estimate the NSFAS cap of R45,000.00.

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According to the study, student accommodation market in South Africa is categorised as follows.

- i) The **first**, and lowest-income bracket, is the affordable and NSFAS student accommodation market.
- ii) The **second** market segment is the mid-student accommodation market. This market targets middle income students with an affordability range of between R3,000.00 – R4,500.00 per month. Such student accommodation typically provides larger sized bedrooms compared to the affordable and NSFAS market with auxiliary amenities and services such as student support services, entertainment areas and other social amenities and is often occupied by students who ‘top-up’ their NSFAS accommodation allowances.
- iii) The **final market segment** is classified as the upper-end student accommodation market and is typically integrated into a Purpose-Built Student Accommodation development. Such rooms or units are marketed as a premium package which consists of larger rooms, private kitchen and bathroom amenities and higher quality finishes than standard rooms. These premium packages may also include the use of student services and other amenities which may be included in the room price. The price point of upper-end student housing between R5,000 – R8,000 per month but can be as high as over R14,000.00 in some exclusive nodes and developments.

Given the diversified market for student accommodation, NSFAS settled for the middle ground which is the second market segment based on affordability.

There is a process by NSFAS to unpack the cost structure of various student accommodation segments to understand what the accommodation rental includes. This will assist government

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to negotiate with the landlords and institutions the type of costs that government will consider and fund for the NSFAS funded students. This process will also avoid incidences of double dipping from other grants offered by the Department to institutions.

Additionally, NSFAS is developing a grading process to cater for costs where there are services offered over and above the Minimum Norms and Standards for Students Housing.

Institutions are requested to allocate accommodation that is within the cap for NSFAS funded students. NSFAS will be engaging also with accommodation providers to consider accommodating NSFAS funded students within the cap amount of R45,000.00

Issued by:

The National Student Financial Aid Scheme

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