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Head of Student Property

“The private sector now dominates the development of PBSA, accounting for 84% of new bed spaces outlined for delivery in 2018/19. Affordability must be a key focus for operators, with demand among end users greatest for more affordable cluster-led schemes.”

Key facts

Some 23,000 PBSA bedrooms are due to be completed by the start of the 2018/19 academic year

Some 62% of units under construction are cluster flats

Private sector development accounts for 84% of the total beds due to be completed in 2018/19

A further 11,000 beds are currently under construction or in planning to be delivered in 2019 and 2020

DEVELOPMENT PIPELINE

Knight Frank’s analysis of the purpose-built student accommodation (PBSA) sector in the UK demonstrates a greater reliance on the private sector to deliver student accommodation.

Some 23,000 purpose-built student bedrooms are due to be completed across the country by the start of the 2018/19 academic year, according to an analysis of pipeline development data across more than 60 university towns and cities in the UK.

In total, these new additions will lift the total stock of PBSA by 4.3%. A further 11,000 beds are currently under construction or in planning to be delivered in the 2019 and 2020 academic years, although this total may rise as new development applications are approved.

Despite the volume of student accommodation either planned or underway, this level of potential future supply is unlikely to address the current supply/demand imbalance evident in a number of key cities. Across the UK as a whole, full-time student numbers outweigh current PBSA bed spaces by 3:1.

The majority of PBSA student beds are owned and operated by Universities, which accounts for 69% of current stock. However, the data shows that Universities are becoming increasingly dependent on the private sector to provide accommodation for their students. There are major opportunities for further private investment in developing partnerships with Universities to replace their older stock.

In total, private sector developers will deliver 74% of the total beds due to be completed by 2020, and 84% of the beds due to be built for the 2018/19 cycle.

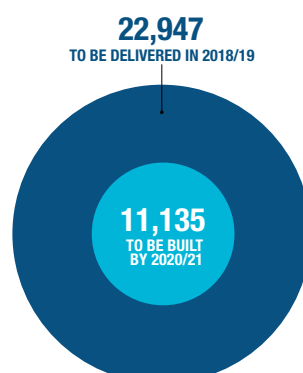
The type of stock being built is also changing. The current trend is towards less expensive accommodation, with 62% of the units currently under construction categorised as cluster flats, with shared kitchens and lounge areas. The remaining 38% are studios, which typically command higher rents.

Generally speaking, in cities where there is a larger pipeline of studios relative to cluster flats, such as in Glasgow and Southampton, the historical provision of studio accommodation has been low.

The balance of new stock in 2018/19 is likely to be less expensive, in real terms, than in previous years and this may mark the beginning of a shift in development, as the market reacts to perceived affordability pressures in some key cities. However, high development costs will continue to place upward pressure on pricing.

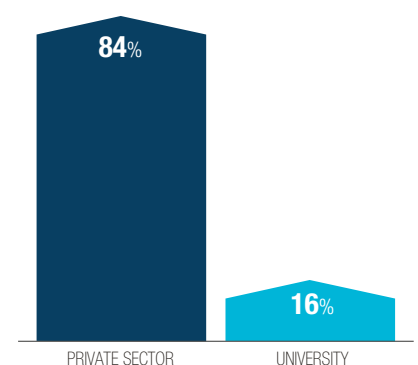
We anticipate that the development trend towards affordability will continue. However, as ever, well-located assets in strong markets will prosper and demonstrate high occupancy and rental growth at all price points.

FIGURE 1
Development pipeline of purpose built student accommodation
Projected volume of new student bedrooms



Source: Knight Frank

FIGURE 2
Development pipeline of purpose built student accommodation
for 2018/19, private sector/university split



Source: Knight Frank

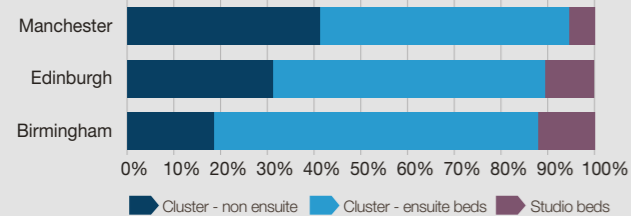
DEVELOPMENT PIPELINE OF PURPOSE BUILT STUDENT ACCOMMODATION for 2018/19, by type

CORE MARKETS

What: Strategic cities containing dual or multiple well-regarded universities high in the performance rankings, and large numbers of students. These markets have benefited from increases in student numbers but limited historic PBSA development.

Where: Manchester, Birmingham, Edinburgh

Bed space provision for existing schemes



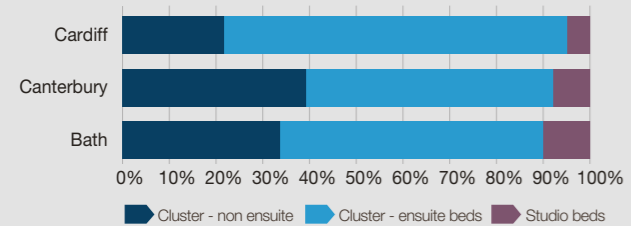
Source: Knight Frank

EMERGING MARKETS

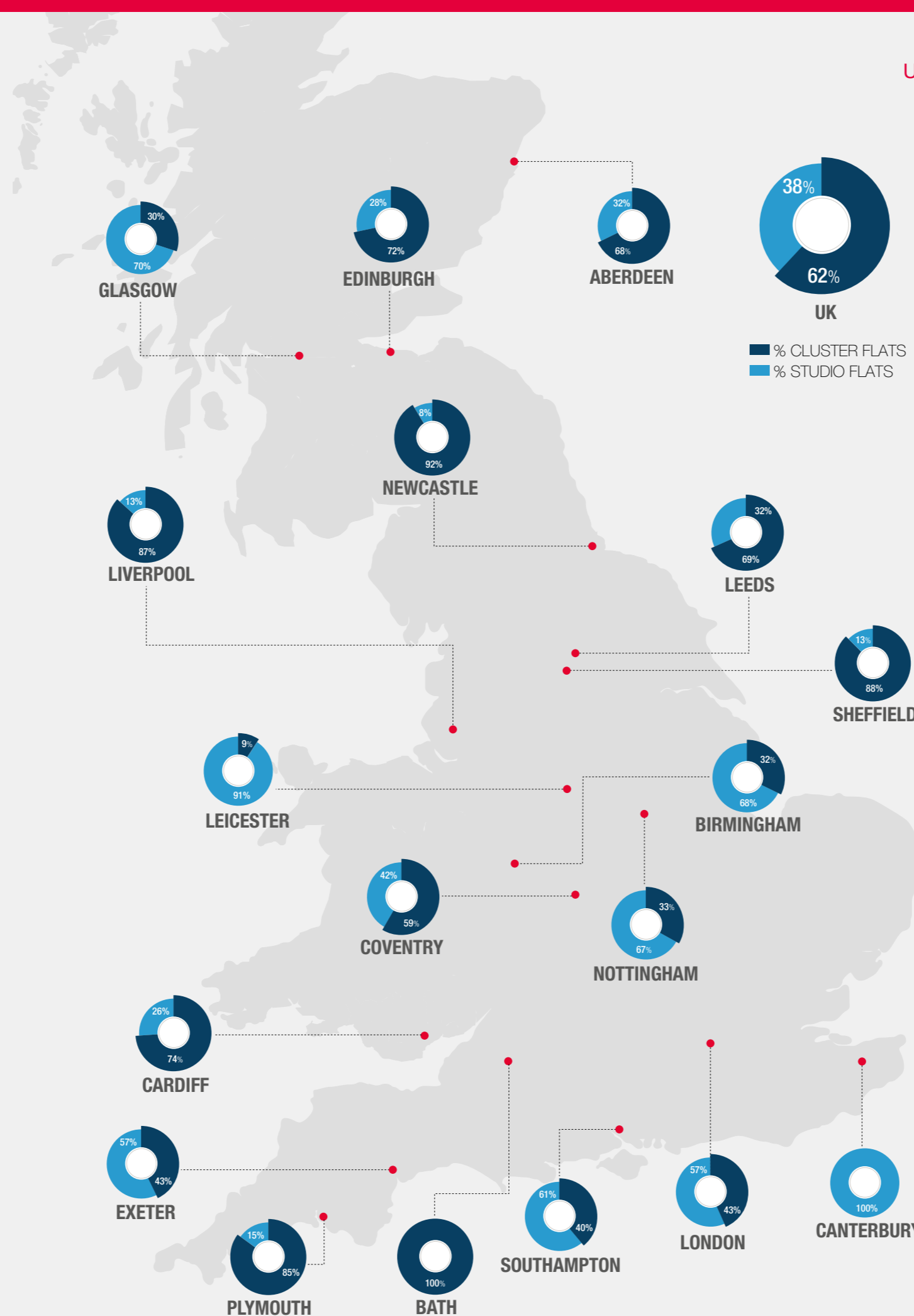
What: Relatively immature markets in terms of their provision of PBSA they can be characterised by good quality universities but low PBSA stock availability. This can often be as a result of more stringent planning regimes in these towns and cities. Rental growth in these locations has outperformed the wider UK average and is likely to continue to do so as a result of the imbalance between supply and demand.

Where: Bath, Canterbury, Cardiff

Bed space provision for existing schemes



Source: Knight Frank

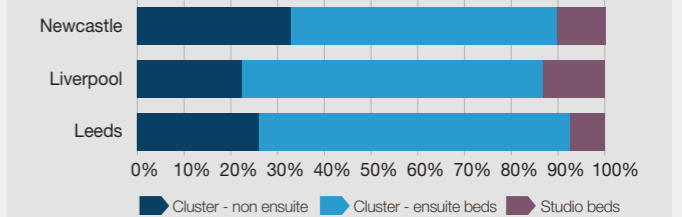


MATURE MARKETS

What: Strategic cities containing dual or multiple well-regarded universities, and large numbers of students. These markets have a historically high availability of development land, and have seen large amounts of PBSA development in recent years. It is important that new development is targeted at the greatest pool of occupier demand.

Where: Liverpool, Newcastle, Leeds

Bed space provision for existing schemes



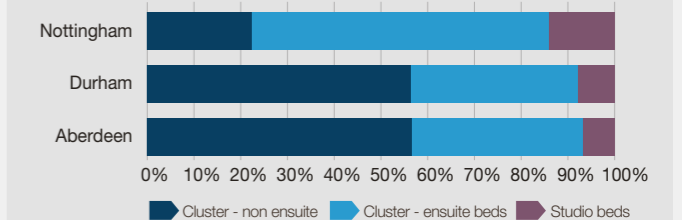
Source: Knight Frank

PRICE SENSITIVE MARKETS

What: Cities that have experienced a boom in development but do not have the underlying demand for large amounts of stock at the luxury end of the market. Affordable products are the primary driver of rental growth in 2017/18, with the strongest performance coming from en-suite and non en-suite rooms.

Where: Nottingham, Durham, Aberdeen

Bed space provision for existing schemes



Source: Knight Frank

UK STUDENT HOUSING – DEVELOPMENT GSA



TIM MITCHELL
Head of Global Real
Estate, GSA

As the Knight Frank data demonstrates, there is a healthy pipeline of new purpose built student accommodation planned in the coming years. However, as is also noted in this report, this is unlikely to be sufficient to meet potential demand over this time.

This trend reflects GSA's own view of the market, with a notable imbalance between student numbers and PBSA bed spaces across the UK.

Our strategic focus over the next three years is to manage 20,000 beds in carefully targeted UK cities.

For example, this year saw the launch of Catherine House in Portsmouth, bringing 1,000 much-needed high-specification student rooms to market, 70% of which are en-suite bed spaces arranged as cluster flats.

We see continuing demand for this type of product, driven by affordability, but also student and university preferences. In this regard, it is interesting to note

the current trend in development towards shared accommodation.

As the sector becomes ever more reliant on the private sector to provide PBSA, greater focus is likely to be placed on strong partnerships with universities to bring new product and innovation to market.

Rising build and site costs will put pressure on margins, especially at the more affordable end of the market and, subsequently, this will play a key role in shaping the PBSA pipeline in the coming years. We also see potential to draw ideas in terms of design and management from alternative models in operation across the globe.

Acknowledging the challenges impacting the wider housing market, we see the absolute necessity of providing more good quality accommodation for students. Changing demographics and fluctuating student numbers arising from uncertainty surrounding Brexit could pose short-term challenges, however GSA's view of UK PBSA remains positive.

The UK maintains its reputation for having some of the finest academic institutions globally and there will continue to be high demand for well-maintained PBSA in good locations from both home and international students.

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