



**JAMES PULLAN**  
Head of Student Property

“Affordability will be a key theme for the next few years. Construction cost rises make delivery of truly affordable accommodation a genuine challenge.”

## Key facts

Rents for purpose built student accommodation have increased by 2.55% on average for the 2017/18 academic year

An imbalance between supply and demand has been the primary factor driving rental growth

Cardiff topped the table for annual rental growth at 5.80%, followed by Bath at 4.92%

Higher demand for more affordable student accommodation resulted in stronger rental growth for en-suite and non en-suite rooms, compared with self-contained studios

## STUDENT HOUSING CONTINUES TO ACHIEVE POSITIVE RENTAL GROWTH

The UK purpose built student accommodation sector continues its bull run by posting positive rental growth across all core investment markets.

Headline rental growth for purpose built student accommodation (PBSA) increased by 2.55% for the 2017/18 academic year, according to Knight Frank’s Student Property Index.

The index is a comprehensive study of PBSA rents in the UK, analysing year-on-year growth across 75 cities on a room-by-room basis. We acknowledge that some operators employ dynamic pricing models and that rents may be subject to change.

Whilst the macro picture shows steady rental growth, individual markets are seeing varying levels of performance, largely dependent on supply and demand dynamics within cities.

Generally speaking, cities with large, growing student populations and modest delivery pipelines, such as Manchester, are outperforming the wider market in terms of rental growth. Cities with a large volume of existing PBSA stock, as well as healthy development pipelines, such as Newcastle, are reporting more modest growth.

However, while markets have experienced different degrees of new supply relative to demand over the last year, it is worth noting that the change in rental values across the sector has been positive in 95% of the cities covered by the index, and that occupancy rates in PBSA across the UK remain high.

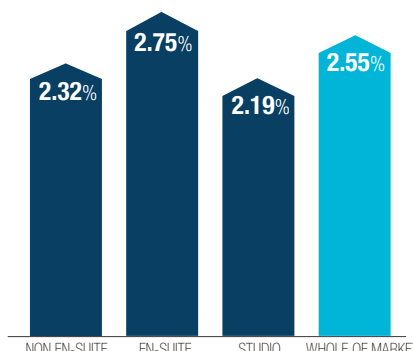
Nationally, a further 25,000 student bedrooms will be completed for the start of the 2017/18 academic year, with a further 14,000 under construction for 2018/19. In total, these new additions are equivalent to approximately 7.4% of existing stock.

We acknowledge that there are a number of additional factors at play on a local level when it comes to rental growth, and we have examined some of these markets according to their characteristics in more detail later in this report.

Meanwhile, stronger rental growth for en-suite and non en-suite rooms with shared kitchen facilities compared with self-contained studios in 2017/18 (figure 1), reflects higher levels of demand at the more affordable end of the market. We anticipate that this trend towards affordability, among both occupiers and developers, will continue.

Despite a strong PBSA development pipeline in most key university towns and cities, rental growth has been positive in 2017/18. We anticipate that rental growth in the sector will continue to be driven by growing student numbers – the latest data from HESA for 2015/16 shows the largest recorded numbers of both domestic and international students enrolled on courses at UK higher education institutions.

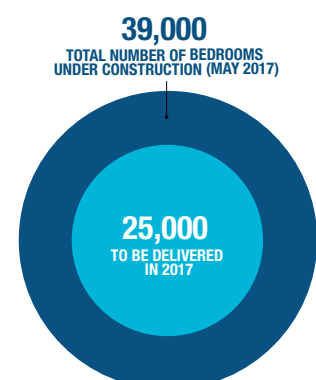
FIGURE 1  
**UK purpose built student accommodation rental growth 2017/18, by bedroom type**



Source: Knight Frank

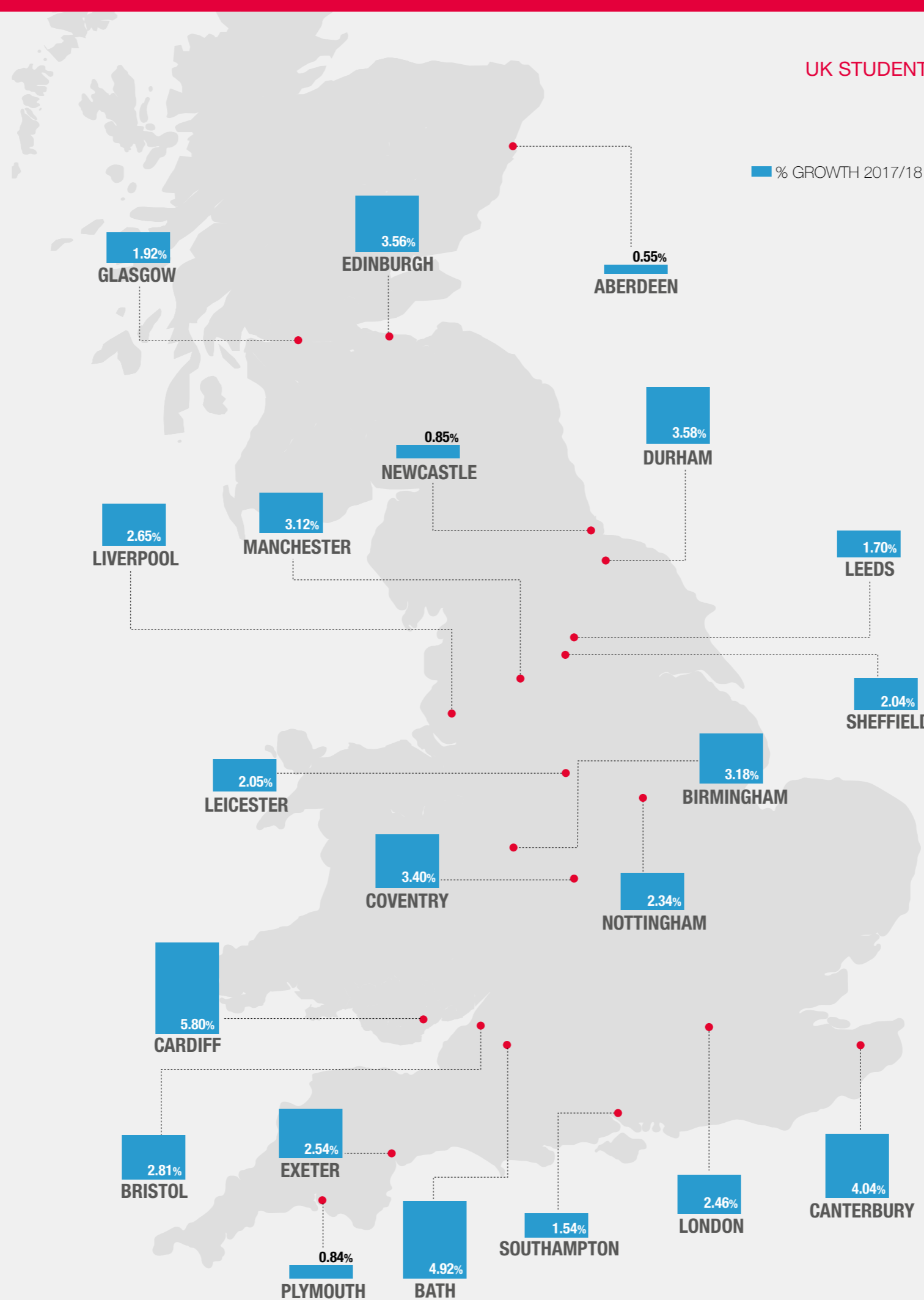
FIGURE 2  
**Development pipeline of purpose built student accommodation**

Projected volume of new student bedrooms



Source: Knight Frank

## 2017/18 HEADLINE RENTAL GROWTH

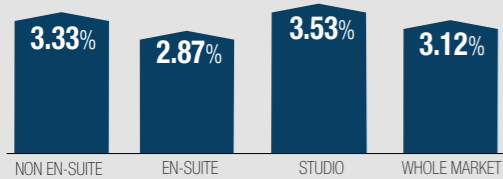


### CORE MARKETS

**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

Manchester:

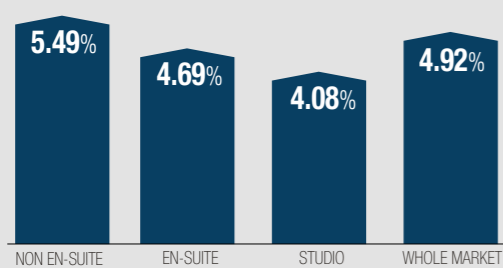


### EMERGING MARKETS

**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

Bath:

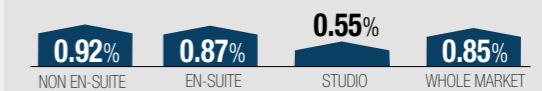


### MATURE MARKETS

**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

Newcastle:

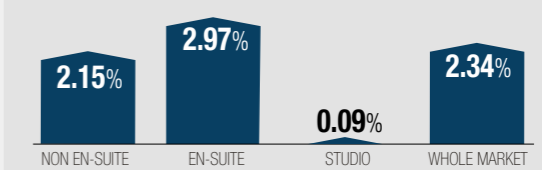


### PRICE SENSITIVE MARKETS

**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, Glasgow, Aberdeen

Nottingham:



# UK STUDENT HOUSING – RENTAL UPDATE LIBERTY LIVING



**PETER CROSS**  
Investment Director,  
Liberty Living

As the Knight Frank data demonstrates, the UK purpose built student accommodation market is enjoying a strong run. This trend is borne out in Liberty Living's own numbers, which have shown positive rental uplifts and average occupancy of 99% over the last 10 years. Like Knight Frank, we believe in the long term prospects of the student accommodation market and see the highest demand concentrated in major UK university cities, from students requiring well priced en-suite accommodation.

Our strategic focus over the last 10 years has been on investing in en-suite accommodation at mid-market rental price points. Earlier this year we completed the acquisition of the Union State portfolio from Blackstone, comprising c.6,400 beds of which nearly all was en-suite accommodation. This has taken our overall portfolio to c.25,000 student bedrooms of which c.90% is en-suite accommodation.

We see continuing demand for this type of product, driven by affordability but also student and university preferences. We have learnt that providing facilities for students to study and socialise together is a key part of the university experience, and it is core to our model.

We also believe that strong relationships with academic institutions will be increasingly important, as universities look to trusted providers with an excellent track record, strong balance sheet and a long-term commitment to the student accommodation sector. We currently operate with over 35 university partners and expect this number to continue to rise.

What is particularly interesting in Knight Frank's research is the emerging distinction between different types of student accommodation. We believe that affordable, well-located, scale assets, backed by a strong operating platform which provides a responsive service for students, parents and universities will continue to perform well.

Liberty Living looks forward to releasing its rental pricing for the 2018/19 academic year in October, with expectations for another year of positive growth.

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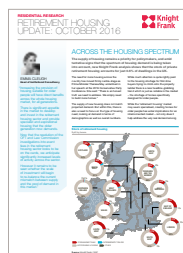
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