

# UK PBSA

Market surges despite economic uncertainty



Record student numbers • Scarcity of stock • Development league table



**KEY POINTS**

**8%**

Growth in full-time student numbers in 2020/21

**Largest**

First year intake on record in 2021

**£969m**

Scape Living and Blackstone / iQ purchased GCP Student Living in Q4 2021

**£14bn**

Of dry powder targeting the sector

**Headwinds**

For Developers due to build cost inflation

**Scarcity**

Of operational assets and challenges delivering new stock

# How has the student population evolved in the past 2 years?

## 2020/21 - The largest first year intake on record

2020/21 saw the UK's total full-time student population grow by 8.0%, based on the latest data from HESA. This continues a trend of accelerating student population numbers seen over the past few years.

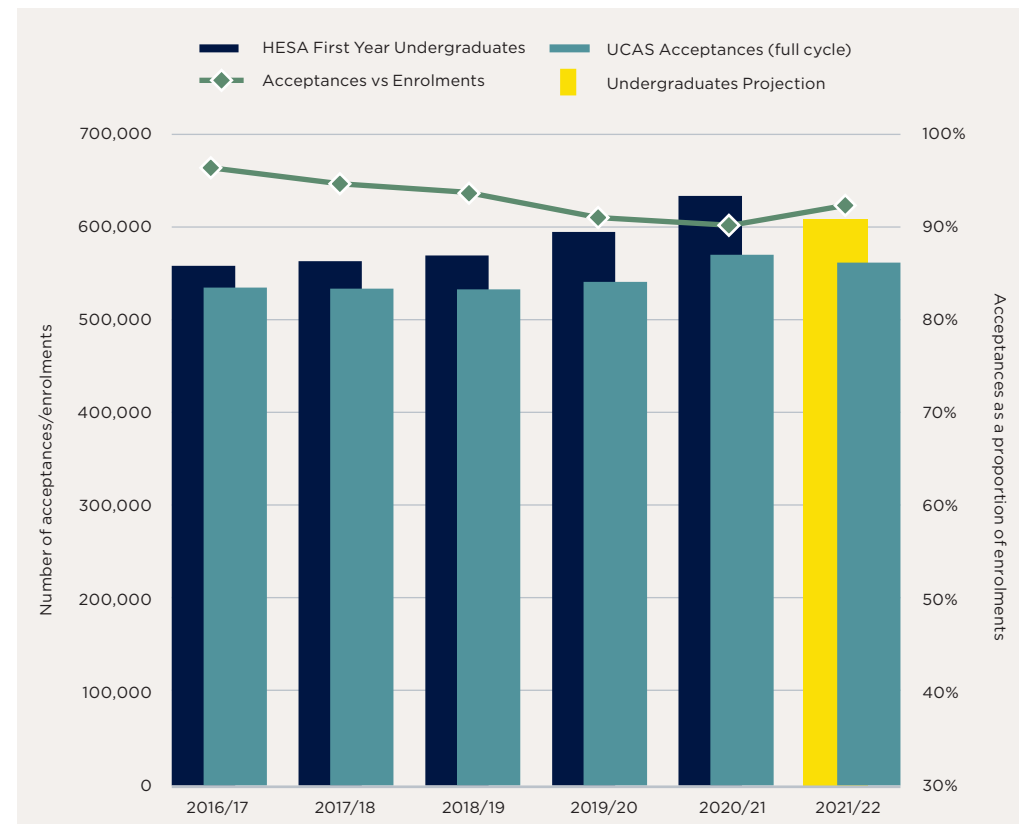
There was a particularly large intake of first year students: over 630,000 full-time undergraduates started in 2020/21, and more than 340,000 full-time first year postgraduates. This is the largest intake on record by a substantial margin and is perhaps in part due to weaker employment prospects during Covid-19 increasing the appeal of higher education.

## How did acceptances translate to enrolments in the Autumn of 2021?

2021 was a record year for UCAS applicants, reaching almost 750,000. From these, there were 560,000 acceptances, the second highest number of acceptances on record.

While UCAS numbers show most undergraduate applications, there are also deferred entries and alternative application routes, so the actual number of first years will be slightly higher. UCAS acceptances typically represent c.92% of enrolments, so we estimate the total number of full-time undergraduate first years in 2021/22 to be just under 610,000.

## Acceptances vs enrolments



Source UCAS, HESA, Savills Research (NB 2021/22 undergraduates are a projection)

Domestic and non-EU international acceptances both grew, by 1.4% and 2.4% respectively, while the number of EU acceptances halved. This pattern has been anticipated since the UK's exit from the EU, and the strength of domestic and other international demand has helped broadly maintain total intake.

Traditionally, PBSA has been disproportionately occupied by international students, so the strong growth in that segment should mean solid demand for purpose built accommodation.

# What do we project for Autumn 2022, based on the January '21 deadline?

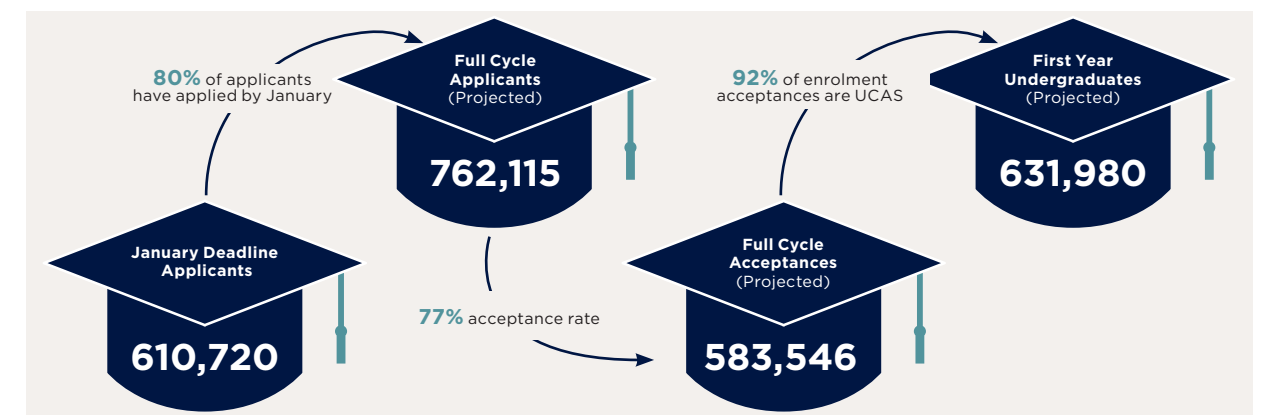
2021 and 2022 are the only two application cycles in history where we have seen over 600,000 applicants by the January deadline (616,000 and 611,000, respectively). 2022 also continued the pattern of domestic and non-EU international students growing strongly, while EU numbers reduced – a trend that shows little sign of changing.

Around 80% of UCAS applicants have usually applied by January. If this holds true in 2022 it would mean more than

760,000 applicants in this full cycle.

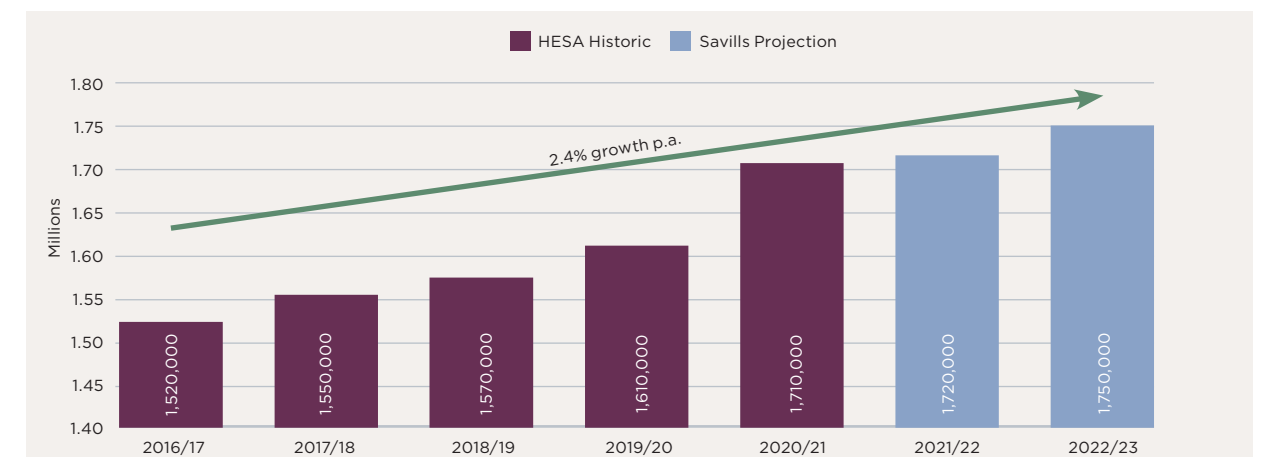
Acceptance rates are typically about 77%, so based on these assumptions we project more than 580,000 acceptances and just over 630,000 enrolments in Autumn 2022 (as there will also be deferrals and alternative application routes). This would mean three years in a row with over 600,000 first year undergraduates, and (in Autumn 2022) a total of 1.75 million full-time undergraduates across all years.

## Our projections for the 2022/23 academic year



Source UCAS, HESA, Savills Research (percentages are based on 5 year averages)

## Total full-time undergraduate population



Source HESA, UCAS, Savills Research (projections allow for a dropout rate of 6.6%, the average since 2016)

## What does this demand mean for PBSA?

These elevated student numbers will create enormous pressure on university accommodation. The demand is also coming at a time when supply of rental stock in the wider private rented sector (PRS), e.g. HMOs, is becoming increasingly constrained. A combination of tax and regulatory changes has put pressure on buy-to-let investors, leading a lot of them to sell up.

Many universities will need to look to nominations agreements with the private sector, in order to meet student demand. The growth in domestic student numbers creates a particular opportunity for PBSA operators, who could tap into this demand pool by providing stock of a different type and price point.

# 2021 finished on a high note and hunger for assets remains strong in 2022

Investor demand for PBSA remains very high, with the final quarter of 2021 being the most active in the year. £4.1bn was traded through the full year, including the keynote deal of APG and Blackstone's £969m acquisition of GCP Student Living.

In the last decade, the years with the highest investment volumes (perhaps unsurprisingly) saw large portfolio transactions, demonstrating the confidence in the sector. Since 2015, there has been at least one portfolio sale each year for more than £0.5 billion, with each of the last three years seeing a portfolio deal worth c. £1bn+.

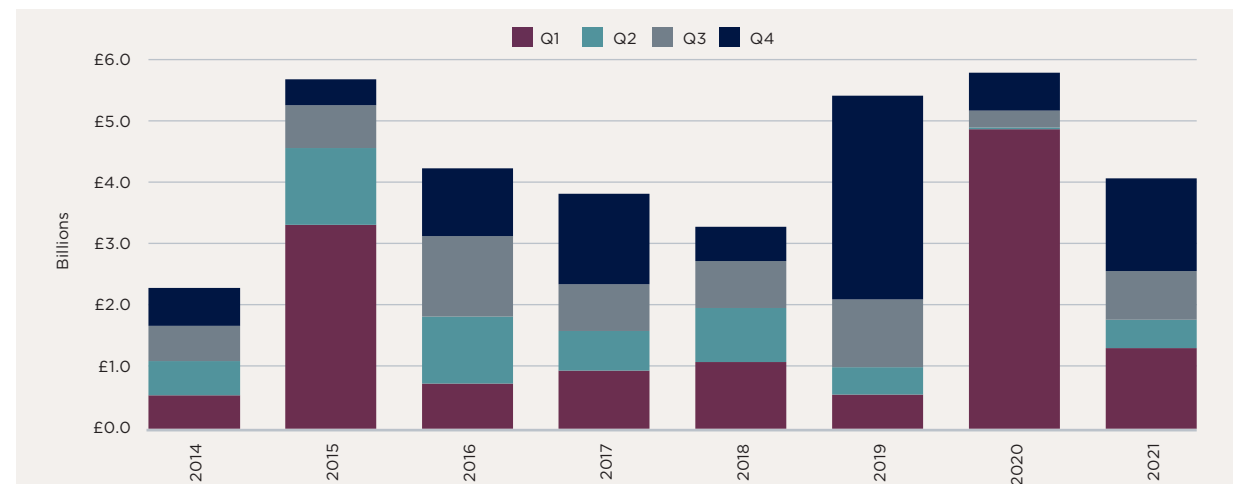
There is still at least £14bn of dry powder targeting the sector. PBSA has a proven track record of income generation and a fundamentally strong demand outlook. Much of this capital is pursuing core or core plus returns, but there is little operational stock expected to come to market, and opportunities to purchase a portfolio of scale are even more limited.

The last few years have seen substantial consolidation in the PBSA market, limiting opportunities for non-platform buyers. As a result, we now expect market participants to make a meaningful move to a development cycle. While there are signs of this happening, there are also challenges to navigate.

Firstly, acquiring land for development is very competitive, with developers of e.g. Multifamily or Logistics often pursuing the same opportunities.

Secondly, build cost inflation continues to impact viability - Arcadis have increased their build cost inflation forecasts for 2022 and 2023 from 3% p.a. to 5% p.a. Material costs were the major contributor to build cost inflation in 2021, with energy prices and labour shortages now adding additional upward pressure. To mitigate these risks, investors will need to partner with developers that have a consistent track record and a strong handle on their supply chains. The natural result is either a reduction in land prices or tighter yields. At the current time, sharper yields is the market trajectory.

## Total PBSA investment



Source Savills Research

## Development League Table - movers & shakers

As we move into a development cycle, which markets should investors target?

Our PBSA Development League Table shows the locations we believe are the most attractive for PBSA development. In line with the consistent patterns of student growth over the past few years, much of the League Table is unchanged since our last release.

The top tier cities have seen a combination of strong student population growth, a high student to bed ratio and/or a limited pipeline, so the need for new accommodation remains high. Bristol has moved up to the First tier: it has a reasonable pipeline, including some stock as part of the new Temple Quarter campus, mostly coming forward in the next three years. However, it has had well publicised struggles accommodating its first years locally, resulting in some having to live in Bath. We therefore believe the city still presents a strong opportunity for further development.

Cities in the Upper and Lower Second tiers also have strong demand scores, but typically have more standing stock and/or a larger pipeline. Cardiff has moved up to the Upper Second, as the development over the last delivery cycle has been well absorbed and the pipeline is now limited, whilst there has been strong growth in undergraduate applications. Nottingham has moved down to the Lower Second, owing to its large pipeline of c.10,000 beds. Even though not all pipeline schemes will make it through Planning, prospective owners will need to be cautious about the extent of future competition in each market.

The League Table can help with prioritising opportunities for development, but that doesn't mean that 'lower tier' locations should be ignored. A well-located scheme in a lower tier, close to university campuses or other amenities, with the right design specification and price point, can perform as robustly as a scheme in a higher tiered city.

Key		Full-time students		Annual % change in UG applications				
<b>First</b>								
Bath	Birmingham (around University of Birmingham)	Brighton	Edinburgh	London	Manchester	Oxford	St Andrews	Bristol +1
24,125 4.9%	72,505 5.4%	33,385 -8.0%	58,100 1.1%	313,145 4.1%	66,155 4.6%	33,430 2.6%	9,560 8.0%	49,985 0.6%
<b>Upper Second</b>								
Belfast (around Queens University)	Birmingham (city centre)	Canterbury	Durham	Glasgow (around University of Glasgow)	Guildford	Newcastle	York	Cardiff +1
21,065 -5.8%	72,505 4.3%	26,680 -0.9%	18,505 6.4%	64,550 2.3%	15,715 -8.6%	50,760 5.7%	24,250 -0.9%	36,520 9.2%
<b>Lower Second</b>								
Belfast (around University of Ulster city campus)	Bournemouth	Cambridge	Chichester	Colchester	Egham (Royal Holloway)	Exeter	Glasgow (city centre/East end)	Lancaster
21,065 -2.3%	18,335 1.2%	41,150 2.0%	4,405 19.2%	14,745 -12.2%	10,535 N/A	24,420 2.0%	64,550 2.3%	14,230 14.4%
Leeds	Liverpool	Northampton	Norwich	Reading	Sheffield	Southampton	Stirling	Warwick
60,560 2.0%	53,110 6.3%	9,675 -3.2%	18,330 -5.7%	15,310 12.3%	52,535 3.9%	30,645 -0.2%	10,505 -3.5%	55,575 -4.6%
Winchester	Nottingham -1	Leicester -1	Loughborough -1					
6,910 0.1%	63,905 1.9%	40,085 -1.0%	17,115 3.6%					
<b>Third</b>								
Aberdeen	Aberystwyth	Bangor	Buckingham	Chelmsford	Cheltenham	Chester	Coventry	Derby
22,140 0.6%	6,060 9.9%	9,000 -1.3%	2,750 -6.7%	4,850 -2.5%	6,690 8.7%	9,970 -7.1%	55,575 -9.3%	13,940 4.0%
Dundee	Falmouth	Farnham	Hatfield	High Wycombe	Huddersfield	Ipswich	Inverness	Kingston-upon-Thames
16,565 -8.5%	N/A 12.0%	4,410 2.1%	19,570 -2.9%	11,930 N/A	14,350 0.1%	8,445 9.7%	5,915 4.5%	15,781 3.0%
Lincoln	Portsmouth	Salford	Swansea	Twickenham	Worcester			
15,850 -5.6%	22,150 -3.6%	18,675 -0.6%	18,500 3.0%	4,413 N/A	8,530 -4.5%			
<b>Pass</b>								
Bolton	Bradford	Carlisle	Cirencester	Hull	Luton	Middlesbrough	Newport	Paisley
6,595 22.4%	8,005 2.7%	5,054 -2.9%	1,074 N/A	12,475 -5.2%	13,720 N/A	12,615 N/A	3,070 -4.4%	13,468 0.2%
Plymouth	Pontypridd	Preston	Stoke on Trent	Sunderland	Uxbridge	Wolverhampton	Wrexham	
19,180 2.3%	16,554 N/A	19,380 5.5%	9,535 5.0%	13,400 2.1%	11,210 N/A	13,885 4.8%	2,750 0.0%	

Source HESA, UCAS, Savills Research



---

### Savills Research

We are a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all property sectors throughout the Americas, the UK, continental Europe, Asia Pacific, Africa, India and the Middle East.

**Richard Valentine-Selsey**

Director, Research  
+44 (0) 7870 403 193  
richard.valentineselsey@savills.com

**Lawrence Bowles**

Director, Research  
+44 (0) 7855 999 466  
lbowles@savills.com

**Jacqui Daly**

Director, Research  
+44 (0) 7968 550 399  
jdaly@savills.com

**Nicholas Gibson**

Associate, Research  
+44 (0) 7970 686 094  
nicholas.gibson@savills.com

### Savills Operational Capital Markets

We provide our clients with valuation, consultancy, transactional and financing advice in the Residential (PRS), Student Accommodation, Co-Living, Senior Living and Healthcare sectors - across the UK and EMEA. Our track record is unrivalled, having advised our clients on over £20bn of transactions in the last three years.

**James Hanmer**

Head of UK PBSA  
Investment & Co-Living  
+44 (0) 7967 555 897  
jhanmer@savills.com

**Lizzie Beagley**

Director, UK PBSA  
Investment & Co-Living  
+44 (0) 7807 999 174  
lizzie.beagley@savills.com

**Richard McKenna**

Director, UK PBSA  
Investment & Co-Living  
+44 (0) 7972 000 092  
rmckenna@savills.com

**Rachel Coates**

Director, Head of UK  
PBSA Valuation  
+44 (0) 7732 211 205  
rachel.coates@savills.com