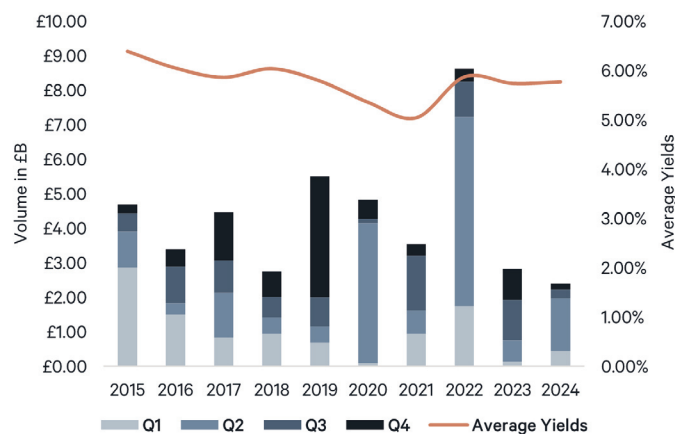


The Kimmeridgean

UK Student Investment Market Overview

Transaction Values and Yields



Key Deals

- 1. PGIM acquired 6 Unite properties for £181.5m
- 2. Mapletree acquired 31 properties across the UK and Germany from Hotel Properties Ltd JV Temasek, for a price of £1billion (£964m allocated to the UK properties)
- 3. Apollo Global acquired 599 bed Pavillion Court from DWS Group for £125m

Yield Trend

The yield levels have generally remained stable across both direct-let and leased student schemes in the UK on YoY basis.

Direct-Let Sector Trend

Historical trends indicate that the direct-let sector has garnered increased investor attention over the past decade, experiencing a net yield contraction of approximately 125 basis points (bps) in regional assets. In contrast, London asset yields have contracted by 150 bps during the same period. Following the 2022 mini-budget, direct-let sector yields have only widened by 25-50 bps. The significant growth in student numbers and rental rates has been a pivotal factor driving the demand for direct-let assets in the investment market.

Leased Sector Trend

Prior to 2022, the leased sector witnessed the most substantial yield compression, with regional leased assets showing a contraction of 175 bps, while London assets experienced a contraction of 125 bps. However, post-mini-budget, the leased sector experienced the greatest impact, with yields expanding by 100 bps in both regional and London markets. Over a decade, regional yields have contracted by 75 bps, while London yields have contracted by 25 bps.

Market Overview

The UK student investment market has demonstrated a significant decline in transaction volumes over the past two years, following a record peak of £8.6 billion in 2022. Year 2024 saw just c£2.4b worth of transactions in the student housing sector compared to £2.8b a year ago.

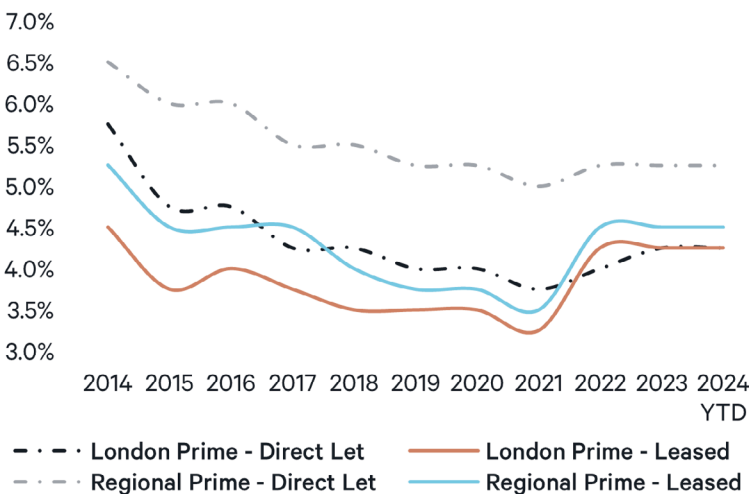
Pricing

The average transaction pricing has been approximately £117,150 per bed. Portfolio deals have driven 63% of the market volumes, with the acquisition of Hotel Properties Ltd. JV Temasek portfolio by Mapletree for £1 billion being a key market driver.

Capital Flows

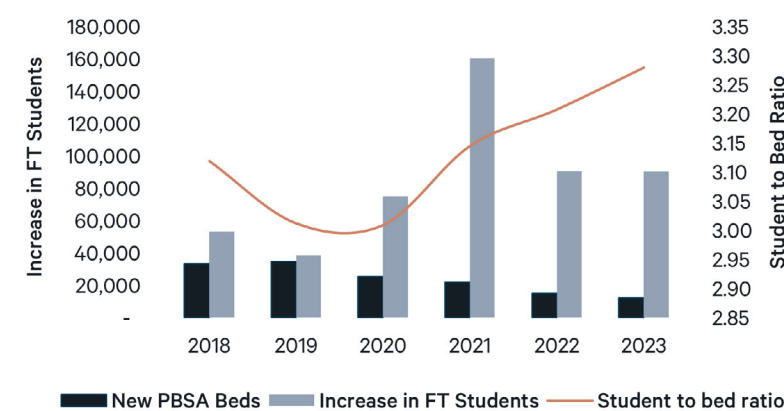
Since 2014, cross-border and institutional investors have been net buyers in the student sector, while private investors have maintained a net seller position. A detailed analysis of net acquisition levels among REITs, institutional investors, cross-border funds, and private investors reveals an intriguing trend: despite the reduction in transaction volumes in 2024, the student sector has attracted approximately £108 million of new capital this year, not sourced from sales of other student assets. This compares to £87.8 million in 2023 and £139.5 million in 2022.

UK Student Market - Prime Yields



UK Student Occupational Market Overview

PBSA - Supply & Demand



Overview

The UK student market faces a significant undersupply of Purpose-Built Student Accommodation (PBSA) beds, with approximately 3.30 students per PBSA bed. This imbalance has worsened post-COVID-19 due to the following factors:

Growth in Student Numbers: The reopening of the graduate route for international students in July 2021 increased international applications.

Supply Constraints: COVID-19 disrupted new PBSA deliveries, and subsequent inflation raised construction costs. The Bank of England's interest rate hikes further strained financial viability.

Interest Rates: The Bank of England's base rate hit 5.25% in August 2024 before dropping to 4.75%.

Construction Costs: As of September 2024, construction costs remain 23% higher than April 2021 levels.

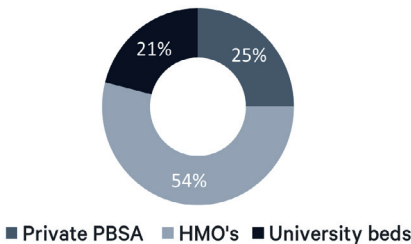
Current Supply Mix

As of now, StuRent data indicates approximately 730,000 Purpose-Built Student Accommodation (PBSA) beds exist in the UK, across both university and privately managed segments. These constitute only 46% of total student beds when including Houses in Multiple Occupation (HMOs) in the student market. Although HMOs also house non-students as well, British students show a preference for HMOs over PBSAs, whereas international students favour PBSAs. Additionally, Build-to-Rent (BTR) developments are gaining popularity, with a strong pipeline across the UK with achieving current student occupancy rates between 10-40%.

Rental Growth

Year 2024-25 experienced volatility in demand, yet PBSA rents increased by 8.1% on a like-for-like basis, outpacing the 5.3% growth seen by HMOs. Glasgow experienced the highest rental growth at 10.2%, driven by strong demand and limited new supply. Conversely, Coventry saw a 0.7% decline in rents, reflecting a significant mismatch between supply and demand growth, with some schemes in the area reporting rental declines of up to 15%.

Student Market Make-Up



Pipeline

There are c. 159,000 beds in the supply pipeline at present. By the end of Q3 2024, 26,000 beds were approved out of 31,000 beds for which the application was submitted this year. Furthermore, 71% of the pipeline is located in just 10 locations. 45% of the pipeline is made up of studios which may cast doubt on the future sustainability of this particular segment as the current booking velocity and rental growth is pushing it beyond the affordable levels.

Booking Velocity

In 2024-25, the booking velocity for studio beds decreased compared to the previous year, with cluster bed bookings also declining but less significantly. The year 2024 was pivotal due to substantial immigration policy reforms affecting student, graduate, and skilled-worker visas, influencing student behaviour. International students preferred studios, whereas local students favoured cluster beds. Additionally, rental growth in studio accommodations has made them less affordable for students on maintenance loans, shifting demand towards cluster beds. Furthermore, the number of higher tariff beds has increased since 2019, while medium and low tariff stock levels have remained flat or declined. The average occupancy levels to Sep-24 were 91.7% compared to 92.6% of previous year.

To speak to one of the Kimmre Alternatives & Retail team, please contact:

Mike Burden

+44 (0)20 7952 6103
+44 (0)7815 305 180
mike.burden@kimmre.com

Rory Turner

+44 (0)20 7952 6302
+44 (0)7852 247 977
rory.turner@kimmre.com

Naveen Kumar

+44 (0)20 3198 9640
+44 (0)7767 736 180
naveen.kumar@kimmre.com

Sam Webster

+44 (0)20 3198 9636
+44 (0)7710 183 429
sam.webster@kimmre.com