



# PURPOSE BUILT STUDENT ACCOMODATION MARKET

PORTUGAL

AUGUST 2024

Better never settles



# AGENDA

## PBSA FUNDAMENTALS

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DEMAND

**02**

SUPPLY

## PBSA INVESTMENT MARKET

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KEY TAKEAWAYS



## ANA GOMES

Partner, Head of New Business & Alternatives

# Olá!

PBSA is becoming a more and more consolidated asset class in Portugal. Since 2017, when the first modern schemes began to be developed, the market's fundamental principles have shifted. We are now entering into a new phase, clearly moving from a development market to a standing, income-producing assets market!

Over the last 12 months we saw new schemes opening, projects finally starting construction and many more unfortunately still delayed. Even so, demand continues much higher than supply and provision rates remain amongst the lowest in Europe.

Contrary to previous years and notwithstanding the large portfolio deals (Smart Studios in 2022 and Xior's acquisition of the U-Hub schemes in 2019) a record number of schemes transacted over the last academic year. A new investor entered the market, bringing with them a new operator.

In this year's study we take a look at the current market fundamentals, where we are today in terms of students, schemes, rents and investment, what main challenges the market faces for the short to medium term and what trends we can anticipate going forward.

PBSA FUNDAMENTALS

# 01

## DEMAND



## Introductory Note

Although the growth of the PBSA market in Portugal is indeed happening across the country, Cushman & Wakefield (C&W) has chosen to primarily study the markets of Greater Lisbon and Greater Porto as these are the two main cities that encompass, by far, the largest proportion of students and private PBSA projects. We are also mainly focused on larger projects, with a minimum of 100 beds so any details on smaller schemes or second-tier locations will not be addressed in this document.

Images presented in this document are of PBSA projects in operation in Portugal and have been obtained mainly online through the project's websites. Likewise, the information presented regarding number of beds for each project have also been obtained either through the respective websites or through press releases issued.

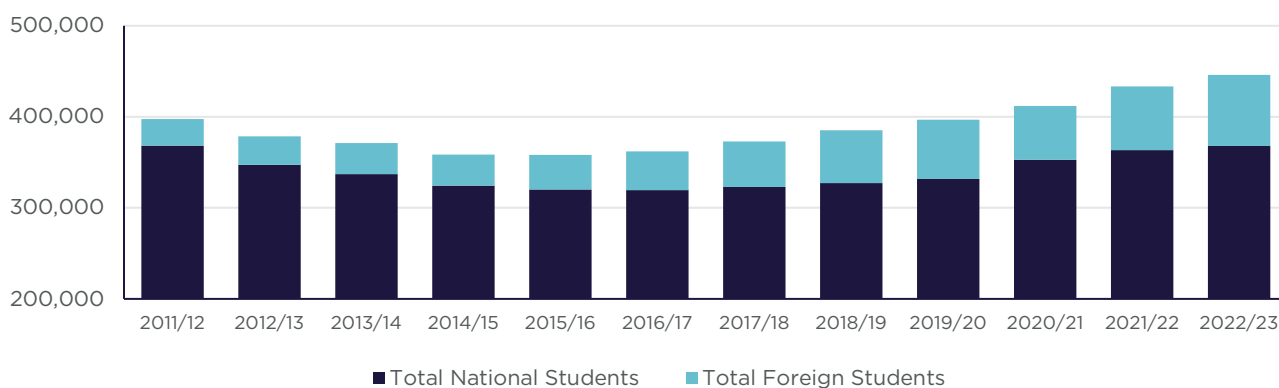


# PBSA FUNDAMENTALS

## Demand

- Most recent available data on students enrolled only go up to 2023.
- Data show a steady increase in the number of students attending higher education courses in Portugal; growth of foreign students is particularly evident (chart 1).

**Chart 1 - Evolution of University students in Portugal 2011 - 2023**



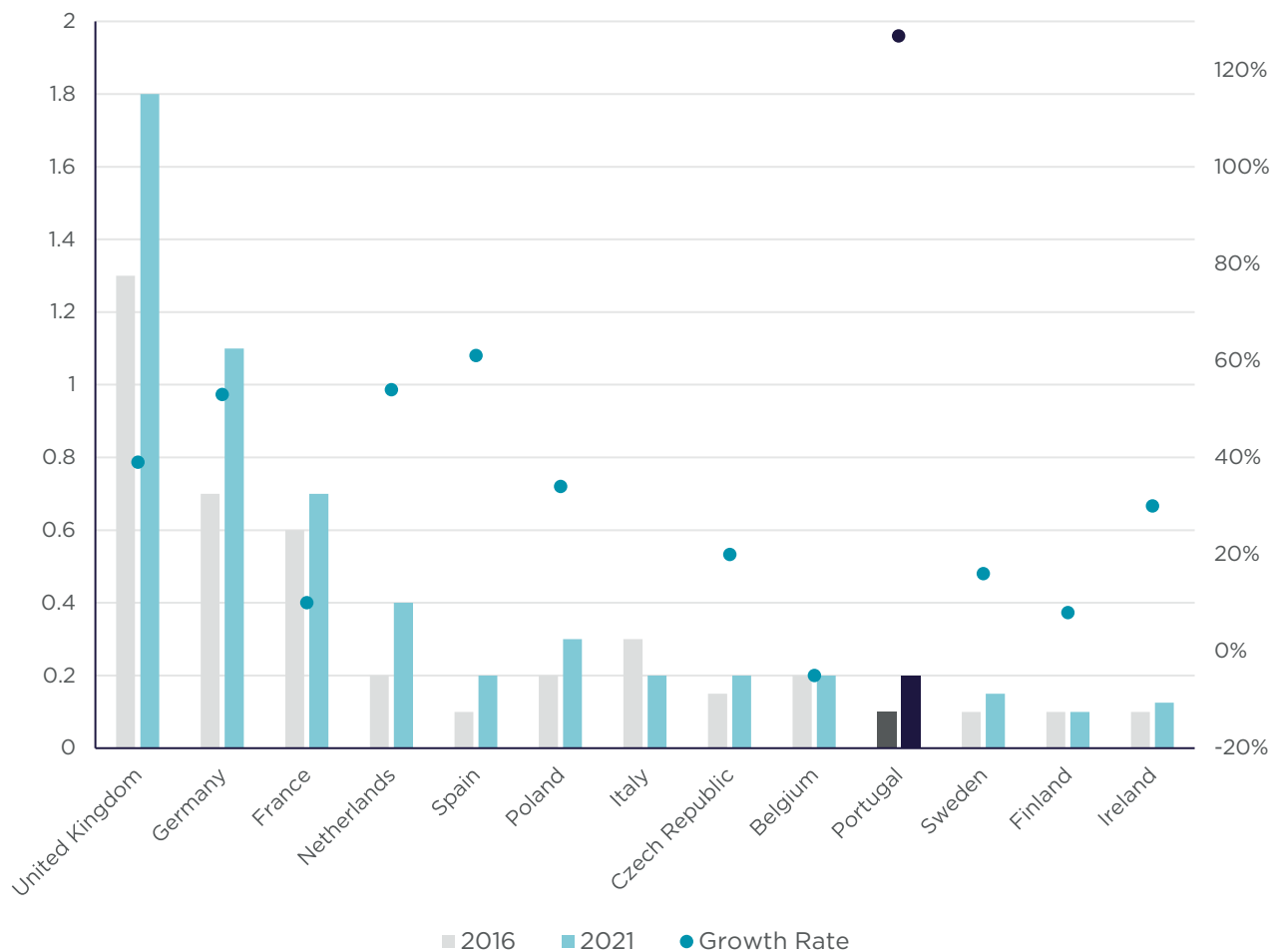
Source: DGEEC

# PBSA FUNDAMENTALS

## Demand

- International student numbers (from out of Europe) studying in Europe have increased significantly in recent years, as wealth levels and education attainment in Asian and African countries in particular have grown (chart 2).
- We expect growing international student mobility to increase demand for student housing over the next few years, depending on migration policies.
- Portugal presents the highest growth rate of foreign (non-European) students in Europe.
- The good relationships with Portuguese-speaking former colonies in Africa (Mozambique, Angola, Cape Verde Islands and Guinea Bissau) and South America (Brazil), the lower cost of living (excluding housing) and excellent climate also favor the income of students from other geographies.
- All indicators show a clear trend of demand growth for the coming years.

**Chart 2 - Growth of international students (millions) attending European Universities**



Source: OECD, May 2024

PBSA FUNDAMENTALS

02

SUPPLY

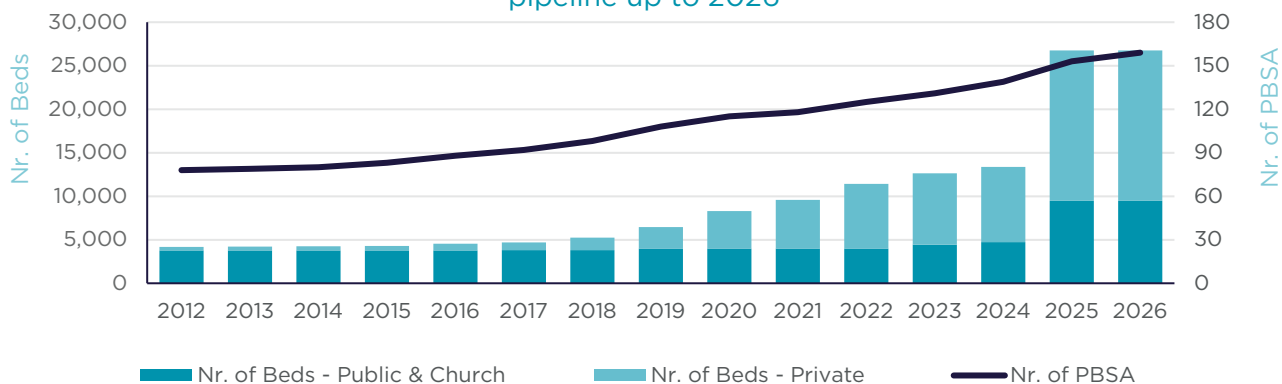


# PBSA FUNDAMENTALS

## Supply

Growth in supply over the last 12 months in Greater Lisbon and Porto was moderate, with ca. 756 new beds made available both through private and public offers, representing a 6% increase of the existing stock.

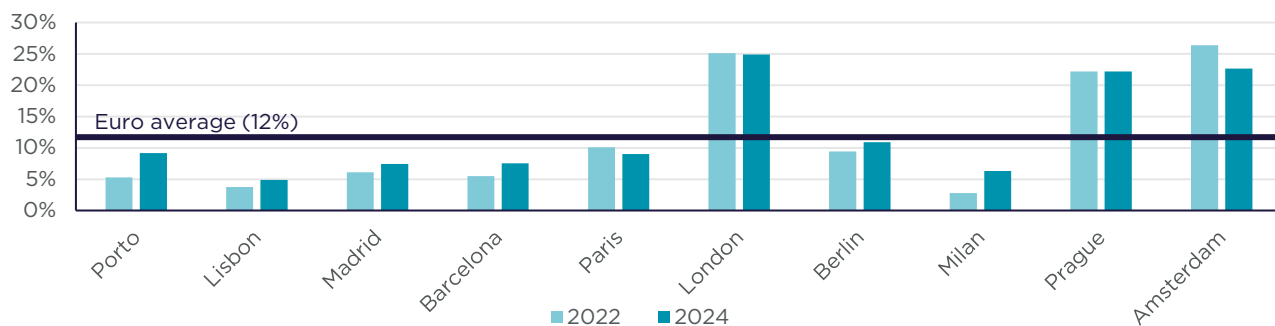
**Chart 3 - PBSA Beds in Lisbon\* and Porto 2012 - 2024 and pipeline up to 2026**



Source: Cushman & Wakefield

- Despite the 6% increase in beds available in Lisbon and Porto, the provision rate (bed/student ratio) in both cities remains low, below the European Average of 12%. Of all the European cities studied, Lisbon continues to present the lowest rate, despite having registered a slight increase over the last two years.
- Current estimations indicate the need for a minimum of 12,000 more beds in Lisbon and Porto to align with the European average.

**Chart 4 - Bed / Student Ratio European Cities 2022 - 2024**



Source: Cushman & Wakefield

## Rents

- From 2022/23 to 2023/24, an average year-on-year 8% increase in rental prices per bed was registered for both cities (compared to 14% for the previous academic year).
- Despite more controlled inflation, rents are still growing at a significant rate continuing to reflect the huge unbalance between supply and demand.

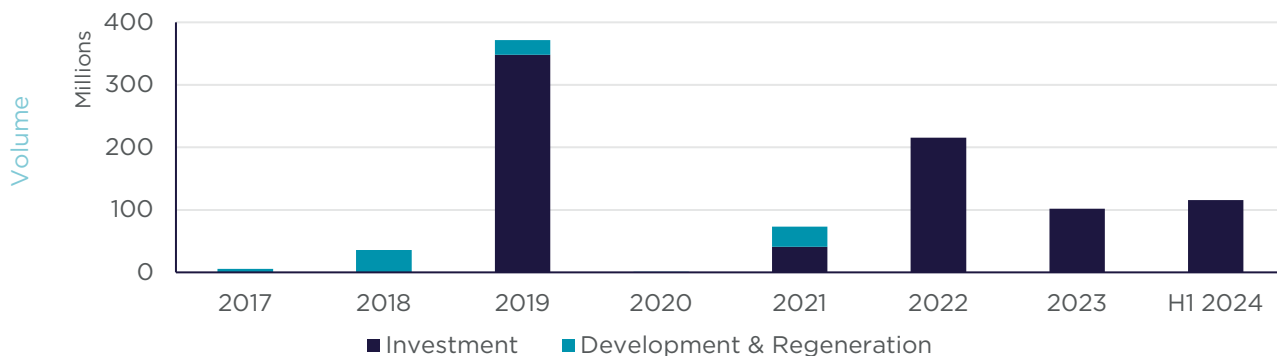


# PBSA INVESTMENT MARKET

## Transactions

- Contrary to previous years and notwithstanding the large portfolio deals (Smart Studios in 2022 and Xior's acquisition of the U-Hub schemes in 2019) a record number of six schemes transacted over the last academic year.
- Lisbon and Porto remained the focus of investors, with Lisbon attracting a forward funding operation for a project that is finally under construction after a lengthy licensing process.

**Chart 5 - Investment Volume PBSA 2017 to H1 2024**



Source: Cushman & Wakefield

Six investment transactions were concluded over the last 12 months:

Project	Location	Vendor	Buyer	Type	# Beds	Date
Odalys Campus Porto Granjo Centro	Porto	Xior Student Housing	Ageas Portugal Group	In operation	212	Nov-23
Odalys Campus Lamas Belém	Lisboa	Xior Student Housing	Ageas Portugal Group	Under Construction	124	Nov-23
Big City	Asprela, Porto	Big City	Stoneshield	In operation	241	Dec-23
Milestone	Asprela, Porto		Stoneshield	In operation	227	Dec-23
Milestone	Olaias, Lisbon	Value One	M&G	Forward Funding	333	Dec-23
Home & Co	Campo Pequeno, Lisbon	TPG / RHC	Xior	In operation	380	Jul-24

Source: Cushman & Wakefield

- Stoneshield, a new investor in Portugal, entered the market with the acquisition of two schemes in operation in Porto.
- Both schemes acquired by Stoneshield will be operated by Micampus.
- The market is moving from transacting mostly developments into standing, income-producing assets.
- Prime reference yields that serve as a benchmark for the current PBSA market in Portugal sit within the range of 5.25% and 5.75%; this has not changed over the last two years.
- Average pricing per bed sits within the €80,000 - €100,000 range, except for the Home & Co operation that transacted at €152,000/bed - a clear outlier, unmistakably showing the strength of the location in the Lisbon city center to achieve higher rents.

PBSA INV. MARKET

03

TRENDS



# PBSA INVESTMENT MARKET

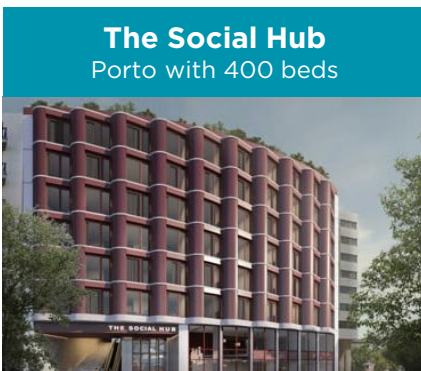
## PBSA Trends

- The unbalance between supply and demand will continue to drive the development of new PBSA projects, especially in Lisbon.
- Rents are expected to keep increasing, although at a lower pace due to lower inflation and also to affordability considerations.

Almost 1,500 new beds are expected to enter the Lisbon and Porto markets during the course of the new academic year, namely through the following main projects:



Source: Idealista



Source: The Social Hub



This image is merely for illustration purposes.  
Source: Expresso

And 2 public schemes in Lisbon totaling 317 beds:



Source: Sabado



Source: Público

- Delayed licensing continues to be an issue, especially for a couple of major projects in Lisbon including significant public schemes.
- Thousands of new beds continue to be announced by the Government, supposedly to be developed with EU funding through the Recovery and Resilience Plan (PRR), as were the two aforementioned public schemes.
- After recurrent planning delays, a number of projects have finally seen the green light in terms of licensing and are either under or about to initiate construction, namely the Milestone project in Olaias and The Social Hub in Carcavelos.
- Investor appetite for the Portuguese PBSA market remains high, and the outlook for further transactions including forward funding or forward purchase operations in the medium term is extremely positive.

PBSA INV. MARKET

# 04

## KEY TAKEAWAYS



# PBSA INVESTMENT MARKET

## Key Takeaways

- All indicators show a **clear of demand growth** for the coming years.
- Despite the 6% increase in beds available in Lisbon and Porto, **the provision rate (bed/student ratio) in both cities remains low**, below the European average of 12%. Current estimations indicate **a need of a minimum of 12,000 more beds in Lisbon and Porto** to meet growing demand.
- Both cities registered an **average year-on-year 8% increase in rental prices per bed** from 2022/23 to 2023/24 which compares to 14% for the previous academic year.
- Investor interest in the Portuguese PBSA market remains high and, with the **favorable current market fundamentals** and an increasingly **more mature market**, the outlook for more transactions including forward funding or forward purchase operations in the medium term is extremely positive.
- A **record number of six schemes transacted** over the last academic year.
- Clearly moving from a development market to a **standing, income-producing assets market!**





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**ABOUT CUSHMAN & WAKEFIELD**

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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