

UK STUDENT ACCOMMODATION

A-LEVEL RESULTS BRIEFING 2020

As of A-Level results day, UCAS reports that 358,860 students across the UK have been accepted onto a course of study, up 2.9% on 2019, with more students also accepted onto their firm course choice.

The number of acceptances to higher tariff providers has risen by almost 6%, with marginal falls in those accepted to medium and lower tariff institutions.

Over one third of acceptances (34%) are now to high tariff universities, continuing the trend of a flight to quality seen over recent years, and a rise from the 30% seen in 2012.



£5.15BN TRANSACTIONS (JANUARY - JULY)

Cushman & Wakefield has recorded £5.15bn of investment in the sector for the first seven months of 2020, which includes the iQ sale, the largest UK private real estate deal. Transactional volumes for 2020 will be one of the highest on record, although notably down on the number of transactions.



£1.50BN AVAILABLE OR CURRENTLY UNDER OFFER

Cushman & Wakefield understands there is c.£1.5bn of assets available in the UK. Approximately 15% of this is under offer. The figure is below 2019 levels which stood at £2.2bn for the same period.



NEW BEDS

Cushman & Wakefield projects 25,000 new beds should enter the UK PBSA market in 2020, which is the lowest number of new beds since 2014. Around 3,500 beds have exited the market this year, helping to temper increases in beds in what could be a turbulent academic year for some providers.



WINNERS & LOSERS

It is likely that the true impacts of COVID-19 on rental growth and occupancy will be felt very late into the letting cycle and headline rental growth for the 2020/21 academic year will be somewhat misleading in some markets. Discounting and incentivisation is widespread in certain locations, with the impacts of COVID-19 amplifying issues associated with digestion of large numbers of new beds. However, there is evidence of above inflation rental increases in the strongest markets, even in the face of the uncertainty caused by the pandemic.



£300M OF ASSETS ON HOLD

In addition to new and existing stock, there is in excess of £300m of assets on hold and likely to come back to the market later this year. With positive sentiment improving, coupled with increased stock availability, we expect an active final quarter of 2020.



60% DECREASE IN COMPLETED TRANSACTIONS

During the same timeframe (Jan to Jul), there has been an understandable fall in the number of deals completed compared to 2019. 2020 deals were tracking above 2019 for the first two months of the year and these notably slowed post COVID-19. July saw the most transactions on a monthly basis since February indicating a return in confidence for the sector.



DEVELOPMENT PIPELINE

Whilst this does not represent a slowdown in the development pipeline, many schemes have been delayed by the impact on development and will instead open in 2021. Currently, 3,400 beds initially planned and marketed for the 2020/21 academic year will open late, either in January or September 2021. Currently there are 107,000 beds in the PBSA development pipeline, of which 61,000 have full planning approval.



YIELDS HOLDING FIRM

There has been little evidence of outward movement of yields since March. Investors remain cautious to both the potential problems and practicalities of transacting in the pandemic. Investors will be closely monitoring the autumn occupancy and effects of any further lockdowns on their income. We have seen deals closing with increased vendor rental guarantees for next year's income. To date there have been no significant distressed sales because of COVID-19.