UK Student Accommodation Outlook

Investing through the noise

2026/27

This report examines investment trends, policy risks, and rental dynamics, alongside insights from our seventh annual Student Accommodation Survey. Together, they reveal how structural demand and evolving student preferences underpin opportunity, despite headwinds.

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Introduction

The UK Purpose-Built Student Accommodation (PBSA) market is entering a new phase. Policy debate, geopolitical uncertainty and affordability concerns have created more noise than at any point in the last decade.

Yet the data tells a more nuanced story. For investors able to distinguish signal from distraction, the sector's underlying fundamentals remain remarkably resilient. Investing through the noise is the central theme of this report.

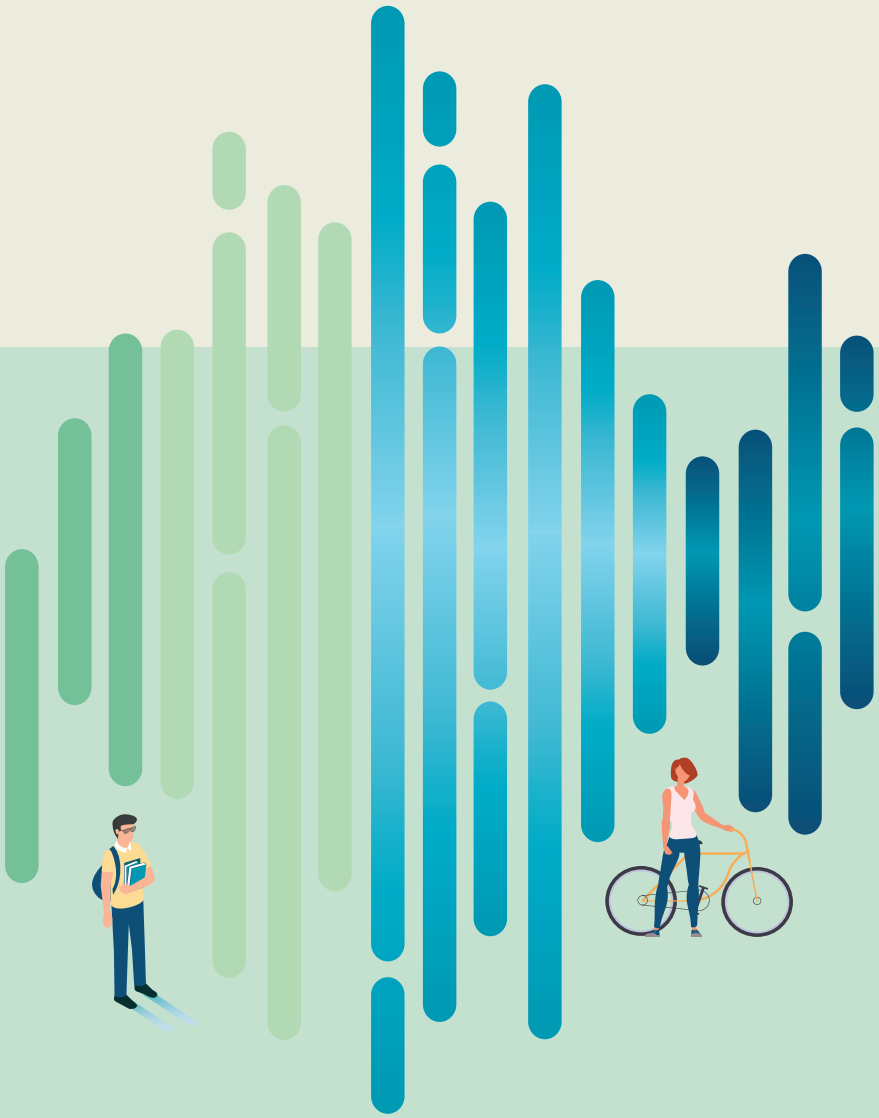
This report is structured around the three big questions we have heard from clients in 2026:

1 **HOW ARE INVESTORS NAVIGATING THE INVESTMENT AND POLICY LANDSCAPE?**

2 **WHAT IS THE OUTLOOK FOR RENTAL GROWTH AND WHERE DOES FUTURE OUTPERFORMANCE COME FROM?**

3 **WHAT DOES THE STUDENT THINK?**

Each piece of analysis speaks to a different layer of the PBSA market: capital, operations, and end-user, but together they reveal a sector that, despite the noise and nuance, continues to offer opportunity.



The quick take

Below we highlight some of the key findings from Section 1 and 2

KEY TAKEAWAYS

£2.7bn
invested in UK PBSA so far in 2026

Provisional estimates put third quarter investment at around £425 million, which would take year-to-date volumes to approximately £2.7 billion, materially below long-term trends. The slowdown reflects friction over pricing rather than weaker demand with buyers and sellers continuing to disagree on value. More on investment on **Page 4**.

57%
cross-border capital invested in 2025

International capital remains active, albeit more selective. Consequently, cross-border flows into the UK have eased from recent peaks, to 57% of capital spent on UK PBSA in 2025. Knight Frank is tracking more than £1.5 billion of UK PBSA assets under offer, with interest led by North American investors. See **Page 6** for more.

130-150 bps
income growth driving returns

Adjusted for gilt-implied inflation, the spread between UK PBSA yields and gilts remains positive at around 130–165 bps through 2026, having recovered from negative territory in 2021/22. That premium only holds true where income keeps pace with inflation, which favours those markets with deep demand-supply imbalances. Discussed on **Page 7**.

303,200

In the year to September, 303,200 sponsored study visa main applications were processed, down 20% on the year previous and 15% lower than the comparable period in 2024. More on policy on **Page 9**.

1.5%
rental growth for all room types

Knight Frank's Student Property Rental Index shows average growth for all room types across the UK sat at 1.5% in 2026/27, a further easing from 2.3% from the previous academic year. For the second consecutive year, university rental growth (4.8%) has outperformed that of the private direct let sector (0.3%). Covered in detail on **Page 12**.

4.7%
of annual rent based on incentives

For the third consecutive year, providers have increased their use of rental incentives to attract tenants. In fact, in the 2026/27 cycle, incentives accounted for 4.7% of advertised annual rent at the end of September. For operators, the domino effect of incentive offering is clear and once one provider starts advertising offers, the ripple effect starts on schemes in that area. See **Page 15** for more.

SECTION 1

Investing through the noise

The drivers of PBSA investment are changing. In a more constrained capital markets environment, investors are placing greater emphasis on income growth, operational execution and institutional resilience.

A NOISY MARKET...

The UK purpose-built student accommodation (PBSA) market looks markedly different in 2026. Headline investment volumes, pricing and the deal pipeline are sending mixed signals, which leaves investors with more noise to navigate than in recent cycles. The sector has become increasingly fragmented, with no single trend defining it. Activity in 2026 illustrates this clearly. Second quarter investment totalled £164 million across 13 transactions, one of the lowest quarterly volumes on record and below the five-year Q2 average of 17 deals. Yet a strong first quarter took half-year volumes to £2.3 billion, keeping year-to-date activity ahead of 2025. Provisional estimates put third quarter investment at around £425 million, which would take year-to-date volumes to approximately £2.7 billion, materially below long-term trends.

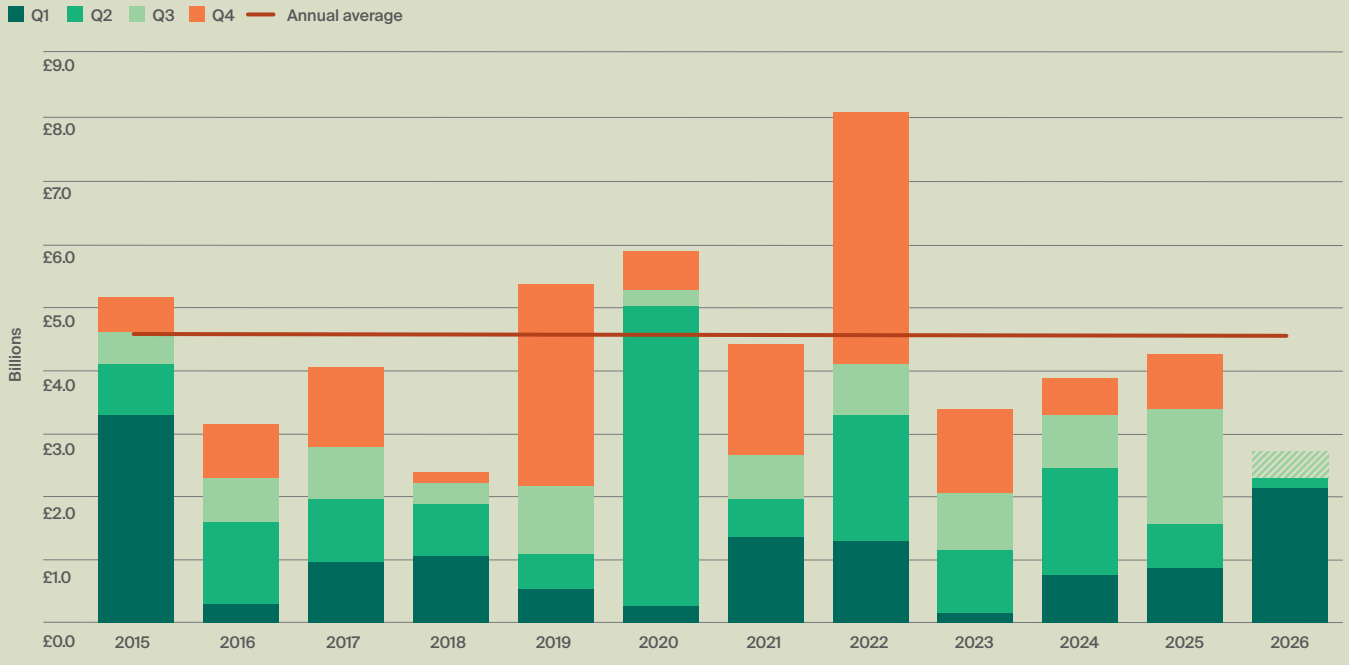
The slowdown reflects friction over pricing rather than weaker demand. Buyers and sellers continue to disagree on value, which is prolonging negotiations and delaying execution. Prime direct-let yields stand at circa 5.00% NIY in London and 5.75%-6.00% NIY in the regions. Buyers want evidence of value, so marketing periods are longer, due diligence is deeper, and deal structures are increasingly carrying more conditions. Appetite remains strongest for first-generation standing stock, particularly where there is scope for value-add returns. Even here, fire safety requirements, remediation works and a later leasing cycle continue to delay transactions.

WHO'S BUYING WHAT?

PBSA is operationally intensive, but a mature market and a broad range of management platforms now allow institutions to enter the sector while keeping operational risk in check. Ownership of private direct-let stock remains highly concentrated, with nine investors controlling around 40% of the market. The rest is fragmented, which makes competition for scale intense.

Single-asset operational stock remains the cornerstone of investor activity, with 20 confirmed operational deals in H1 2026. Buyers want assets that perform from day one, which means plug-and-play schemes with established operations that need little intervention after acquisition are in demand. Asset composition matters just as much – demand is concentrated on schemes with 100% Russell Group exposure, manageable sizes of 400–500 beds and mid-market product that appeals to both domestic and international

UK PBSA capital flows



* Q3 2026 volumes are provisional and may be subject to change. Source: Knight Frank Research

students. Pricing discipline underpins this – buyers are looking for defensive entry points, often below replacement cost, and pairing them with active asset management to capture rental reversion and improve risk-adjusted returns.

Portfolio activity, by contrast, has slowed sharply from last year. Only one portfolio sale completed in the first six months of 2026, with another reportedly closing in September. A joint venture of Partners Group and Aboria Capital, have bought a five-asset portfolio from HSBC Asset Management for a gross price of £180 million. Investors still want scale across core-plus and value-add platforms – for now, though, realism about local market conditions is outweighing broader confidence about the sector fundamentals.

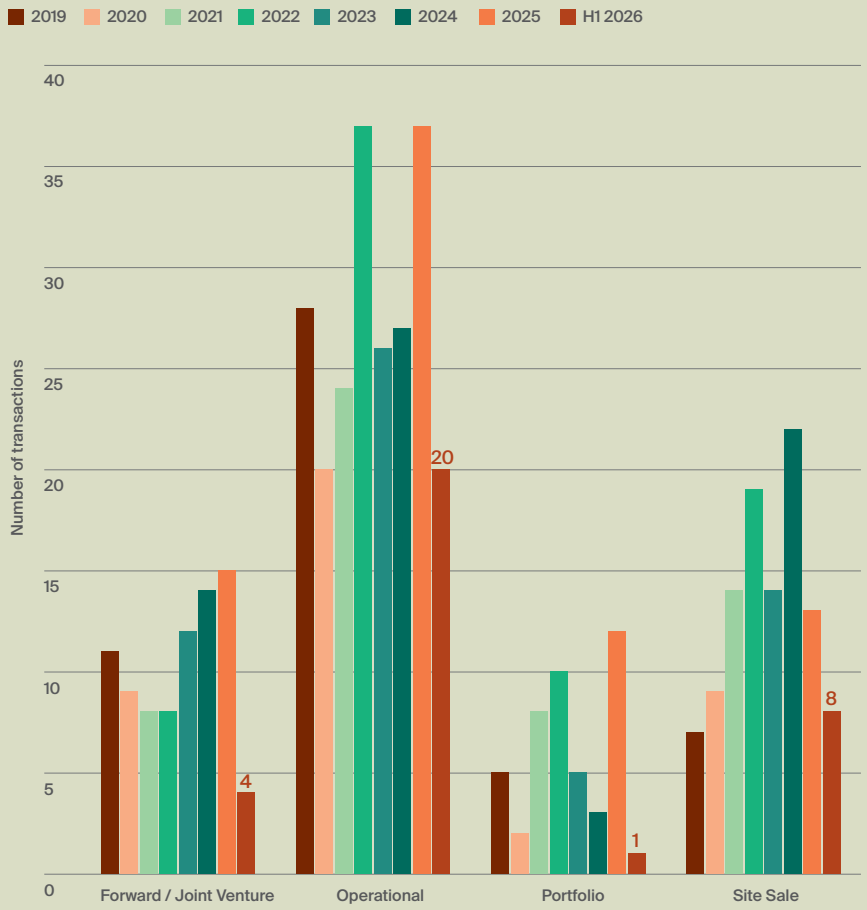
Land transactions and forward funding structures have recorded a slow opening six months to the year, recording eight and four deals, respectively. A tougher development landscape, including Gateway 2 approval delays, planning constraints and viability pressures, continues to weigh on development activity and capital allocation. While there are signs that the Building Safety Regulator process is becoming more predictable than immediately after implementation, regulatory timelines remain materially longer than many investors and developers had anticipated.

Construction inflation may have moderated from its peak, but build costs remain elevated relative to pre-pandemic levels. Together with higher financing costs and more extensive regulatory requirements, this continues to challenge the viability of new development in some locations. The result is a more selective development market, particularly outside the strongest university cities where rents can support higher delivery costs.

AND WITH WHAT CAPITAL?

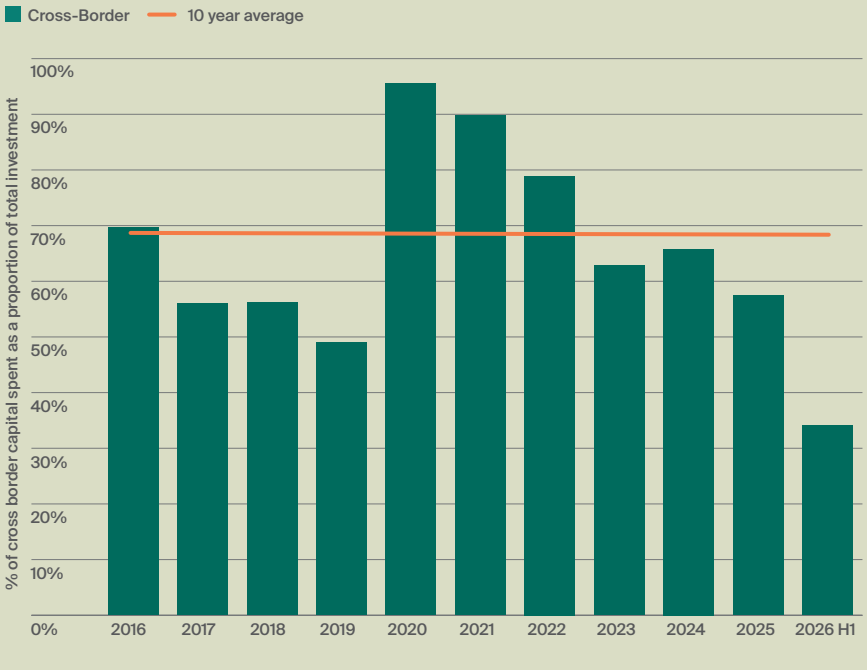
Global appetite for PBSA remains deep. Investors now have a wider range of opportunities across Europe, particularly in markets where student housing remains earlier in its

Demand for operational stock drives the investment market



Source: Knight Frank Research

Cross-border flows moderating from recent peaks



Source: RCA, Knight Frank Research

institutionalisation cycle and yield spreads are wider. Consequently, cross-border flows into the UK have eased from recent peaks, to 57% of capital spent on UK PBSA in 2025, below the 10 year-average of 68%. Domestic capital has become the backbone of the market over the past 18 months, with UK investors the most active buyer group so far in 2026. Led by large-scale moves from established players including Unite Group's agreed acquisition of Empiric Student Property, at approximately £720 million, and its joint venture with Manchester Metropolitan University, where total development costs are estimated at around £390 million.

International capital remains active, albeit selective. Knight Frank is tracking more than £1.5 billion of UK PBSA assets under offer, and much of the due diligence on these opportunities is being done by North American investors. Canadian capital is at the front of the pack. La Caisse is under offer on a portfolio operated by Vita, which would be its first acquisition in UK PBSA.

Two plays for H2



1. FIX AND FLIP

Short-hold, value-add strategies are in demand. Investors are targeting tired or under-managed stock where repositioning, refurbishment and better operations can unlock rental reversion. Success depends on getting in at the right price, because the business plan has to absorb capex, remediation risk and leasing cycle timing and still deliver the target return. Exit is the harder part.

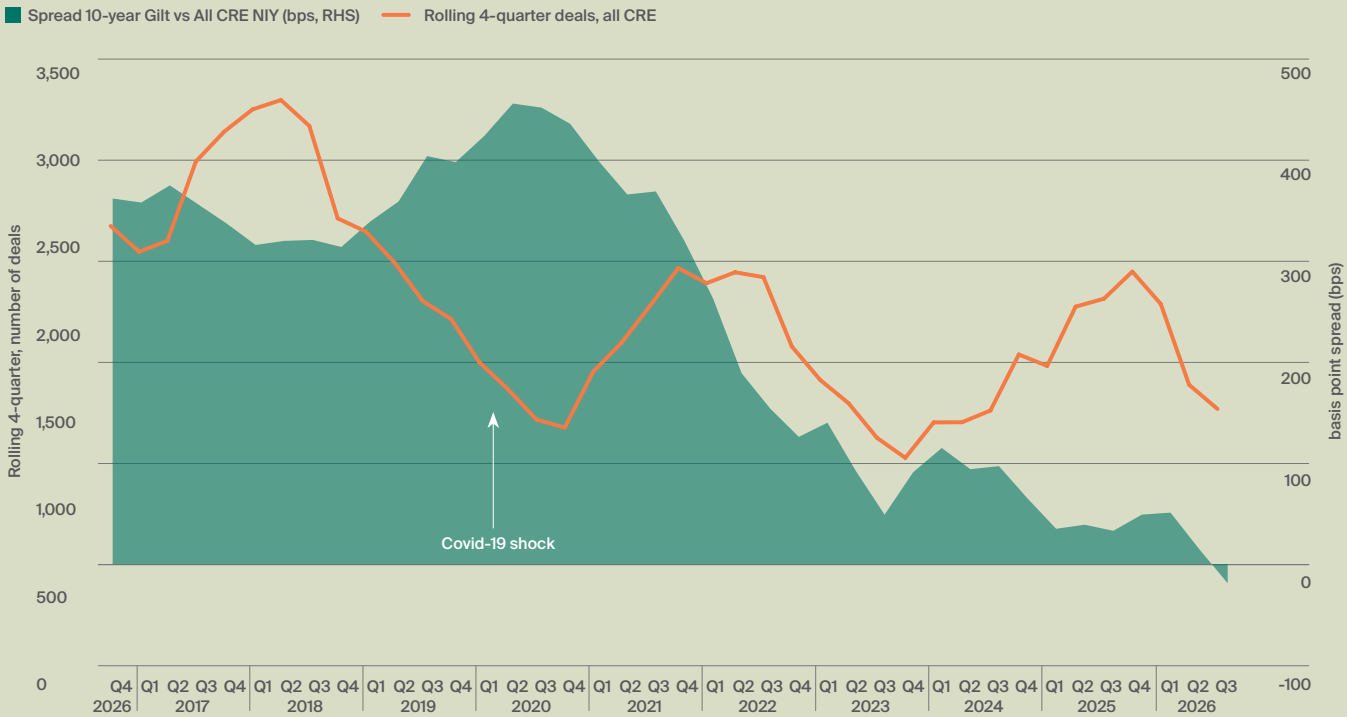
A repositioned asset needs a buyer with a lower cost of capital, typically core or core-plus money. Those buyers remain selective, so value-add capital may struggle to find a ready exit at the price its returns require. As such, investors should underwrite the exit as carefully as the entry.



2. SUCCESS WITH DISTRESS

Distress is becoming a more visible source of opportunity. Higher refinancing costs, maturing debt and capex pressures are pushing more assets into lender-led and receivership sales. Distressed vendors are often more motivated, and pricing can be more realistic, so these processes are helping to close the bid-ask gap that has slowed the wider market. For well-capitalised buyers that can move quickly and take on operational or remediation risk, distress offers a route to secure assets at a discount to replacement cost. Disciplined due diligence on asset quality and compliance remains essential.

Cap rate spread vs deal count growth, all CRE UK



Source: Knight Frank Research, RCA, Oxford Economics

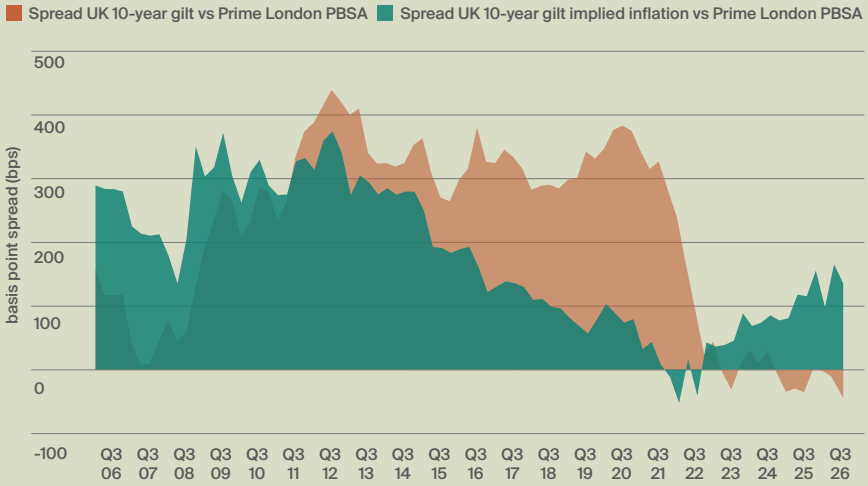
THIN MARGINS, THIN DEAL FLOW

Government bond yields are now structurally higher. As a result, the spread between UK gilts and property yields has compressed to around zero basis points (bps) and turned negative in some cases. History suggests this matters for liquidity. Leaving aside the COVID-19 shock, spread width and deal volumes in UK commercial real estate have moved closely together. In each previous episode when spreads fell below 150 bps (2007, 2022 and 2023), transaction numbers declined over the following six months. That threshold has been breached again in 2026, and the outlook offers little relief. Fiscal concerns and softer growth are shaping monetary policy expectations, and forecasts point to the Bank of England raising rates by at least 25 bps by year-end. Higher rates could place further upwards pressure on gilt yields and erode what little spread remains. Where spreads are already negative, the inversion would deepen, adding pressure on pricing and making deals harder to execute.

PBSA IS A REAL ASSET, NOT A BOND PROXY

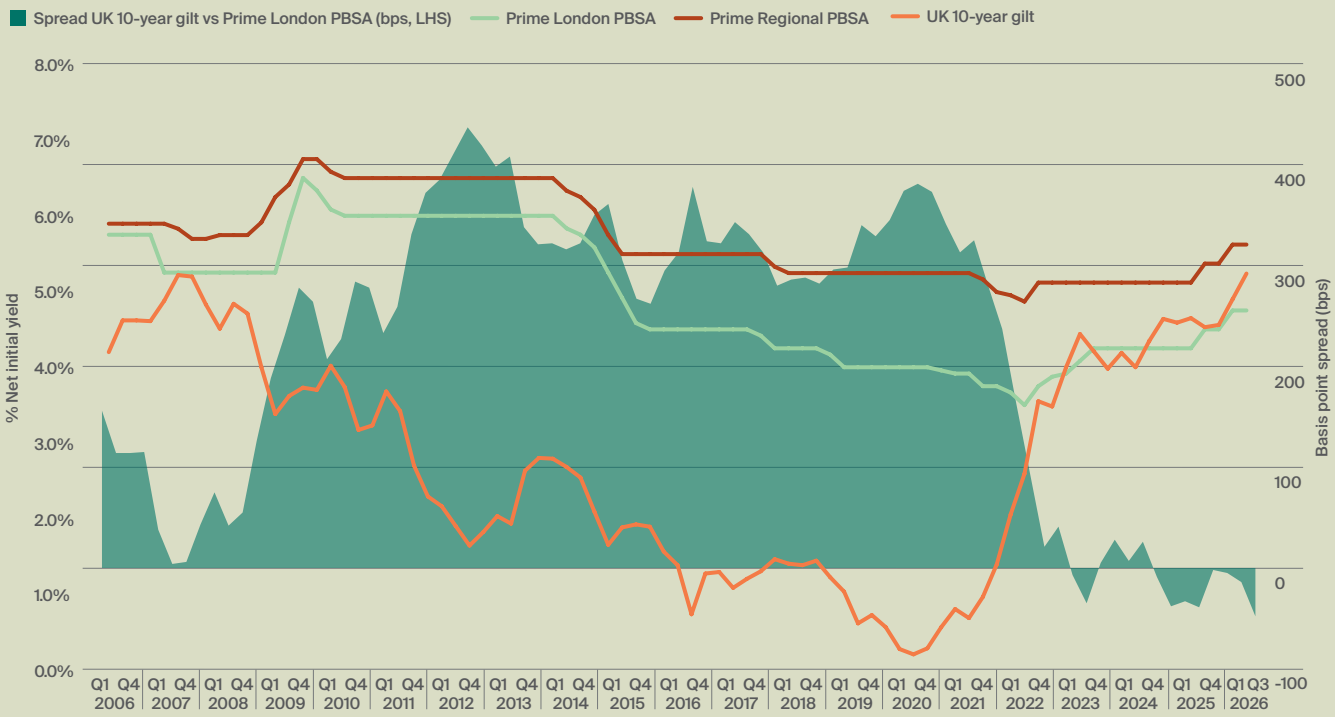
However, a thin headline spread overstates how much relative value has been lost. A 10-year gilt pays a fixed nominal coupon and returns par at maturity, and inflation erodes the real value of both the income and the capital. Property returns work differently: initial yield plus expected income growth, net of depreciation. In PBSA, direct-let rents reset every academic year. Income can therefore reprice with inflation far faster than in long-leased commercial property, which gives the asset a route to capital growth that a gilt cannot offer. Adjusted for gilt-implied inflation, the spread remains positive at around 130–165 bps through 2026, having recovered from negative territory in 2021/22. That premium only holds true where income genuinely keeps pace with inflation, which favours markets with deep demand-supply imbalances.

London PBSA NIY vs gilts: nominal and real spreads



*PBSA yields reflect Prime Direct Let PBSA assets. Source: Knight Frank Research, Oxford Economics

Long run performance of UK PBSA NIY vs UK 10-year gilt



* Prime PBSA series reflects Direct Let PBSA assets. Source: Knight Frank Research, Oxford Economics

TOTAL RETURNS: FROM CAPITAL TO INCOME

This makes the make-up of returns central to underwriting. Over the past seven years, UK PBSA has gone through a full cycle. Capital growth drove outperformance as yields compressed, a sharp repricing then reversed it, and income now accounts for most of total return. With income carrying performance, the key question is how much rent reaches the bottom line. Headline rental growth can overstate performance where operating costs, including higher incentives and agency fees, are rising faster. Underwriting should therefore focus on how resilient net operating income is, driven by cost control, net effective rent, occupancy and asset positioning. Performance will diverge as a result, and well-located, efficiently run schemes are set to pull ahead of older assets with high operating costs – see **Section 2** for further UK PBSA rental market analysis.

> "With income carrying performance, the key question is how much rent reaches the bottom line."

The debt view: from sentiment to fundamentals

The UK PBSA market narrative has shifted. Higher interest rates, softer capital values and pockets of weaker occupancy have resulted in a more selective lending environment, with lenders taking a case-by-case approach.

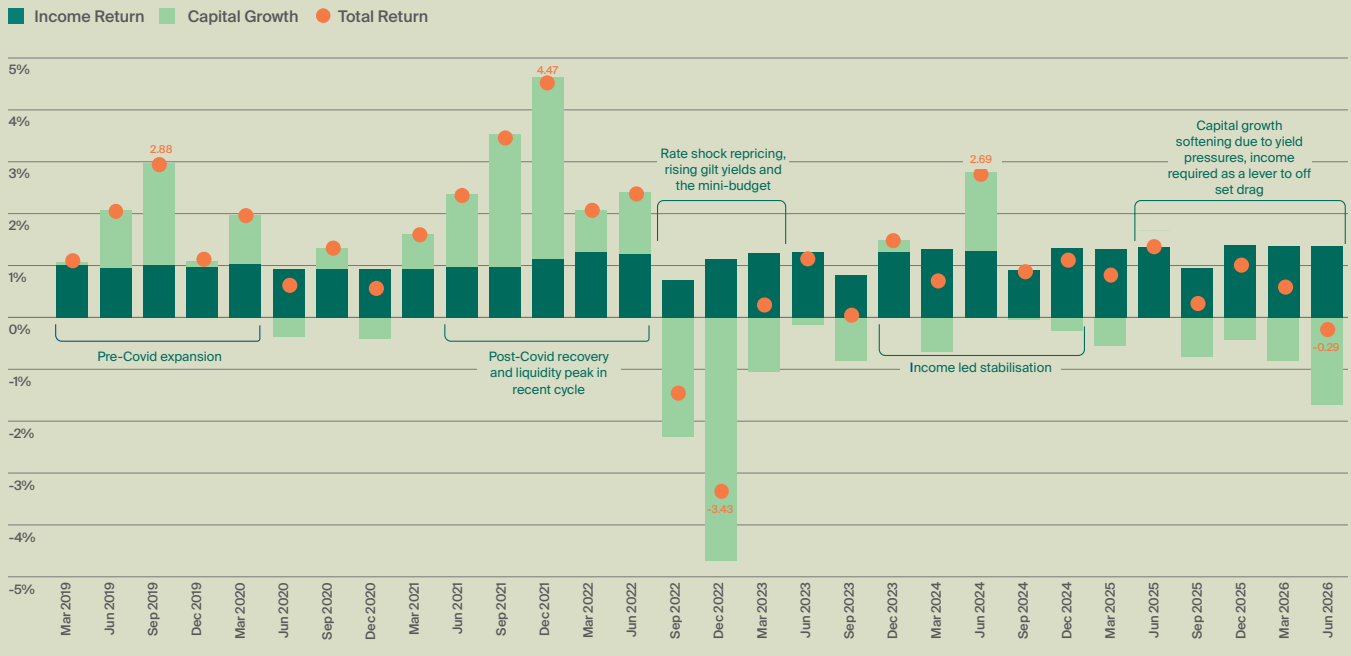
WHAT HAS CHANGED FOR LENDERS?

- **Sizing has become more technical, but lenders are exhibiting flexibility.** Widening yields have impacted values and tightened LTV constraints, while softer NOI has reduced Interest Cover Ratio headroom in certain cases. Once comfortable with the underlying fundamentals, however, lenders are demonstrating flexibility on structure and covenants to deliver a workable outcome.
- **Leverage now cuts into returns.** In late September, 5yr SONIA swaps sat at roughly 4.7%. Indicative PBSA senior margins start at approximately 1.5% over SONIA. Combined, that puts all-in senior debt at about 7% or above (indicative). Prime direct-let PBSA yields are 5.00% in London and 5.75% to 6.00% in the regions. As a result, leverage is broadly dilutive across prime stock at current pricing levels. In the absence of income growth and operational outperformance, yields will need to move before leverage can become accretive again.

WHERE THE OPPORTUNITY LIES FOR INVESTORS?

- **Refinancing remains a viable alternative to disposal.** For owners unwilling to sell into a softer valuation environment, refinancing can provide an attractive route to retain exposure while, in the right circumstances, releasing equity rather than crystallising a discount.
- **The right assets continue to attract strong competition.** Well-located schemes with a credible operator and demonstrable income continue to generate genuine competition amongst lenders, with attractive pricing across the leverage curve. The difference today lies in the way assets differentiate themselves; while lenders are still prepared to lend against quality properties, they are becoming more careful about location, performance, and business plan execution.

PBSA total return split by capital and income return



Source: MSCI, Knight Frank Research

Institutional resilience is as important as student demand

MIND THE (VISA) GAP

Home Office data shows the number of main visa applicants under the sponsored study route fell to 71,600 in September, down from 79,800 last year, a fall of 8,200 applicants, and the lowest total for that month for five years. That drop follows an even sharper decline in visa applications in August – the busiest month for visa applications – when only 99,500 students applied, down from 120,300 in August 2025 and 147,200 in August 2023.

In the year to September, 303,200 sponsored study visa main applications were processed, down 20% on the year previous and -15% on the comparable period in 2024. The latest figures come amid growing concerns over rising visa refusal rates across several key overseas markets, including Pakistan, Nigeria and India. This has raised concerns about university compliance. Since June 2026, a university risks losing its licence to sponsor international students if it repeatedly records a visa refusal rate above 5%, down from the previous 10% threshold. The falls are steep in some markets. Pakistani student visa grants fell to 19,600 in the year to June 2026, down from 37,000 in the previous 12 months, a decline of nearly half.

FINANCING THE GAP

The Office for Students' (OfS) financial sustainability report 2026 found 36% of English institutions reported deficits last year, a marginal improvement on the 43% figure predicted by the watchdog in its last annual report. Despite the improvement, the OfS expects more than four in ten universities to post deficits next year.

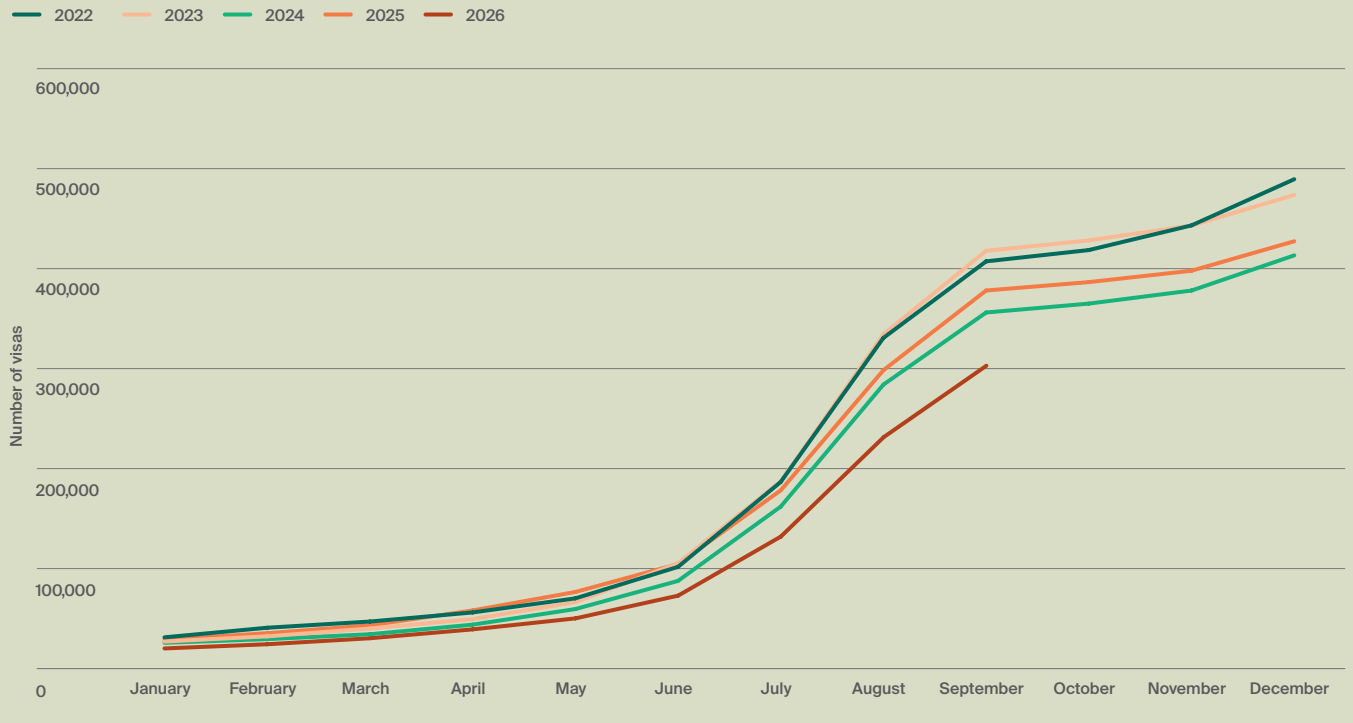
The average tuition fee for an overseas undergraduate studying at the country's leading universities is expected to increase to almost £34,700 by 2028-29, up 29% from 2024-25, according to analysis by the OfS. While domestic students pay a fixed fee, the cost of tuition for those coming from abroad varies between subjects and institutions. The data underlines the sector's growing reliance on overseas students to compensate for a domestic funding shortfall brought about by years of frozen tuition fees for UK students. British undergraduates starting this autumn will pay up to £9,790 a year, just £790 higher than in 2012, although fees do now rise in line with inflation after the Labour government recently ended years of freezes.

WHO PAYS FOR THE FUTURE?

The OfS has repeatedly warned against "persistent over-optimism" about student recruitment after years of volatility that have contributed to a financial crisis in the sector, which gets a fifth of its income from international fees. Providers have projected an increase in total income of £8.4 billion between 2024-25 and 2028-29. Nearly

> "Providers have projected an increase in total income of £8.4 billion between 2024-25 and 2028-29."

UK student visa sponsored study main applicants



Source: Home Office Immigration Statistics, Knight Frank Research

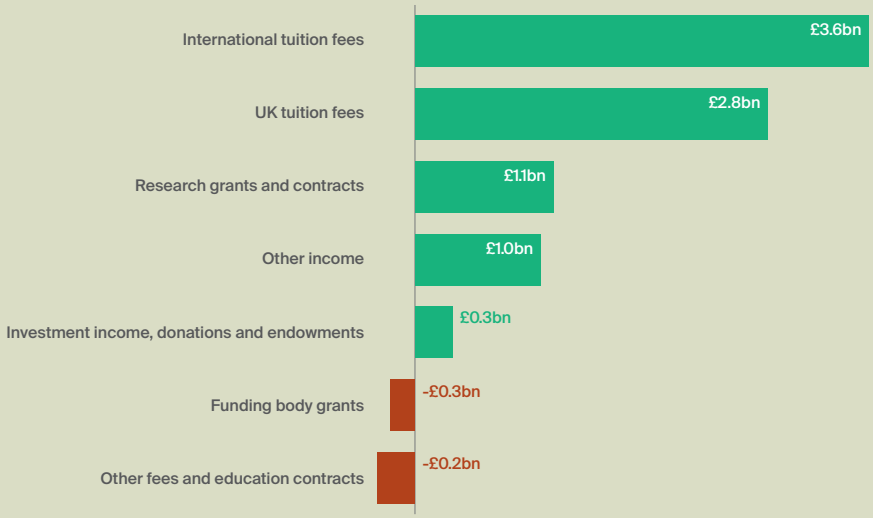
£7 billion of this increase is from course fees and education contracts, with more than 50% of the anticipated increase from overseas tuition fees.

To test the resilience of universities' assumptions, OfS modelled three plausible scenarios, the most severe (Scenario #3) would see cumulative losses of £4.2 billion pushing almost 200 providers into deficit by 2028/29, representing 70% of the sector. Under the 'no growth' scenario (#1) assuming flat student recruitment going forward, nearly 60% of England's universities are forecast to be in deficit in five years.

> "Andy Burnham's premiership has made universities part of the government's growth strategy."

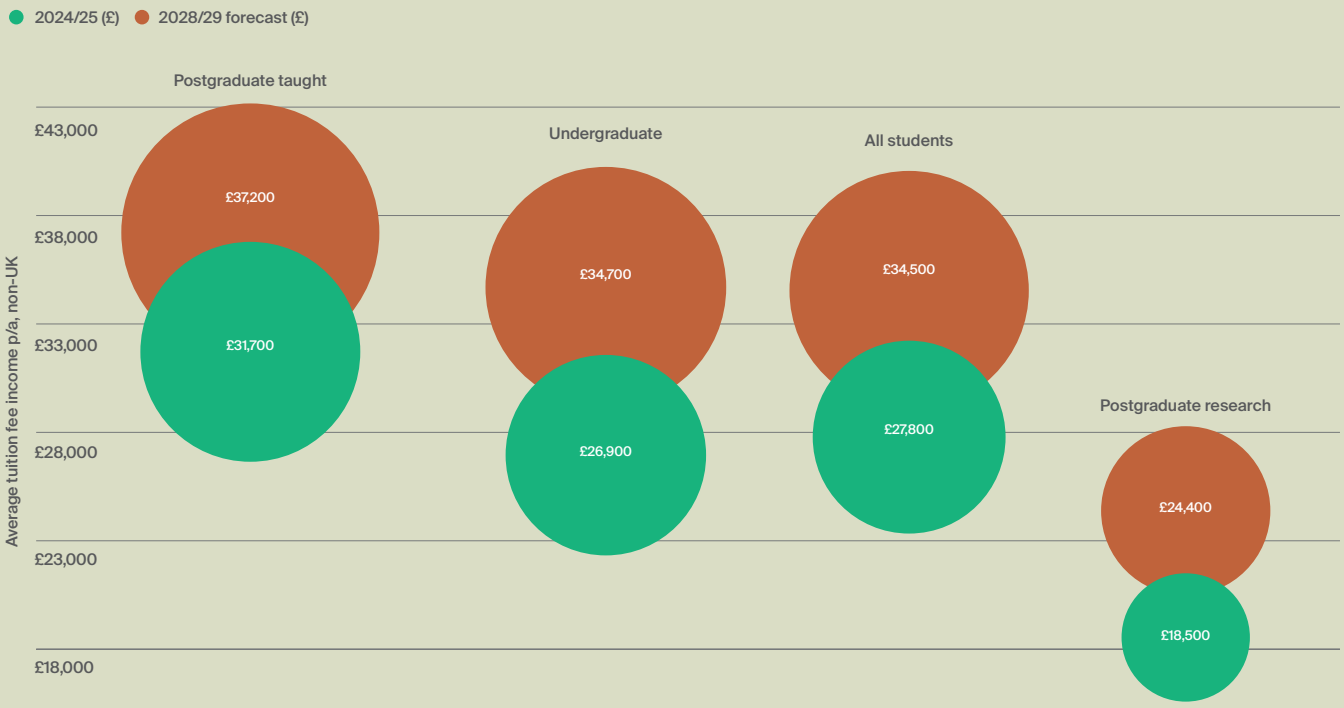
An annual international levy of £925 per student, which will take effect in August 2028, is expected to increase the financial strain on universities. The impact analysis forecasts conducted by the Department of Education stated that student enrolments will decline by 14,000 in the first year, costing the sector circa £270 million.

Projected change in UK Higher Education sector income
2024-25 to 2029-29 (£bn)



Source: Office for Students Annual Financial Returns

Research intensive universities are forecasting a rise in income per overseas student



Source: Office for Students Annual Financial Returns

REINVENTION OF UK HIGHER EDUCATION

UK higher education is restructuring, and mergers are becoming a mainstream response to fiscal pressure. Notable examples include The University of Greenwich and the University of Kent completing their merger in August 2026, while the new London and South East University Group (LASE) is described as the UK's first "super-university", and its group structure is designed so that other universities can join later.

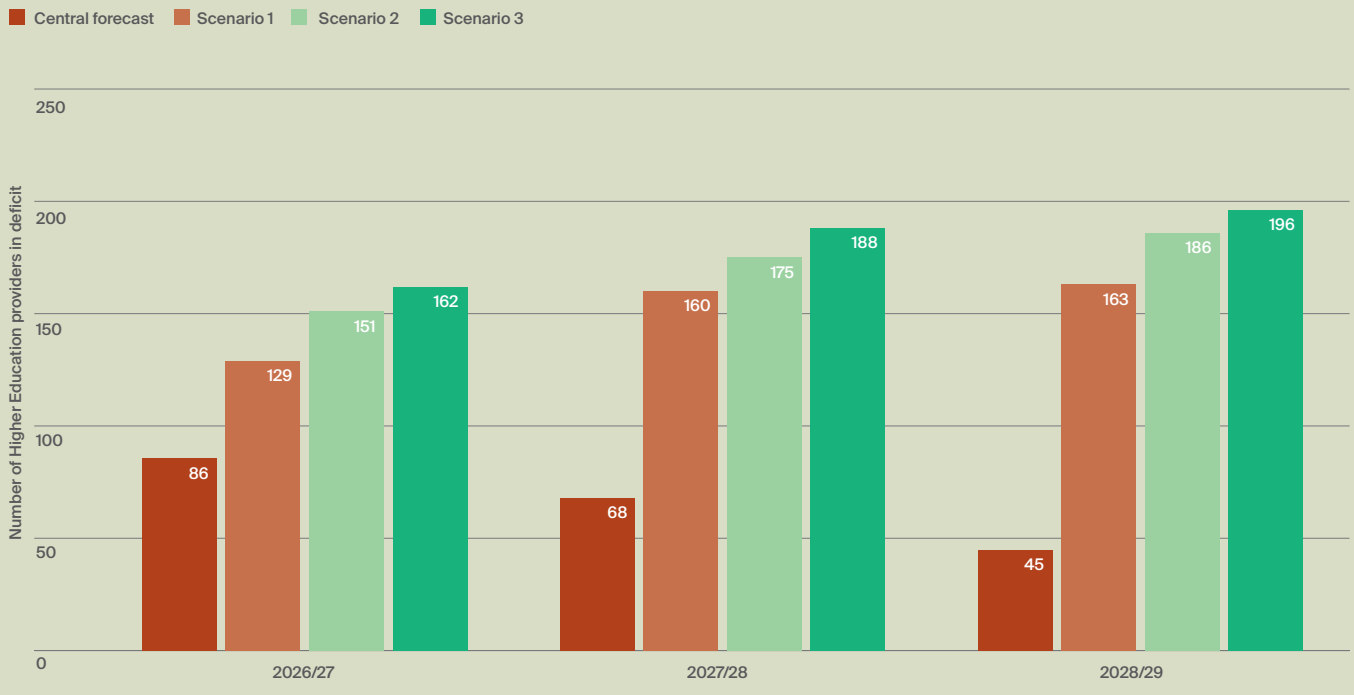
The UK should pay close attention to the US, where consolidation is already well advanced. Since March 2020, just shy of 50 US colleges have closed or announced closures and at least 40 have merged, affecting an estimated 53,440 students, according to ACE (American Council of Education). Closures have been concentrated in the Northeast and Midwest, where demographics are weaker. While McKinsey found that higher education M&A in the US has roughly tripled over the last decade. For UK PBSA investors, the lesson is that university covenant strength now matters as much as the city an asset is in. Demand is likely to become increasingly concentrated around financially resilient institutions. Assets that rely on a single fiscally weak university, or on a campus that could be rationalised, face rising occupancy and nomination risk.

TALENT WHERE IT'S TRAINED

Andy Burnham's premiership has made universities part of the government's growth strategy. Before taking office, he pledged to put them "at the heart of local economies" and to make the UK the world's leading "innovation nation". Devolution has since become the defining theme of his government, and universities are expected to develop graduate talent and keep it where it can raise local productivity. The agenda isn't entirely positive for the sector, though. Burnham has pledged to end a school system "configured entirely around the university route" and to give technical education equal status with academic study.

International students remain central to this agenda, and how they are counted is just as important. Net migration fell to an estimated 171,000 in 2025. Even so, students and their dependants made up 47% of non-EU arrivals, which keeps them firmly in the political spotlight. The Office for Budget Responsibility (OBR) is changing how it forecasts migration, but not the definition it uses. It still follows the ONS rule that anyone staying more than 12 months is a long-term migrant, so students continue to count. Pressure for a more detailed approach is building - the Institute for Fiscal Studies (IFS) argues that forecasts should reflect the mix of migrants, because people on different visa routes have different effects on tax receipts and public spending. For universities, and for the PBSA demand that depends on them, a model that treats students as temporary residents rather than permanent arrivals would ease the political pressure on international recruitment.

Higher Education providers reporting deficits



Source: Office for Students Annual Financial Returns

SECTION 2

PBSA rental market

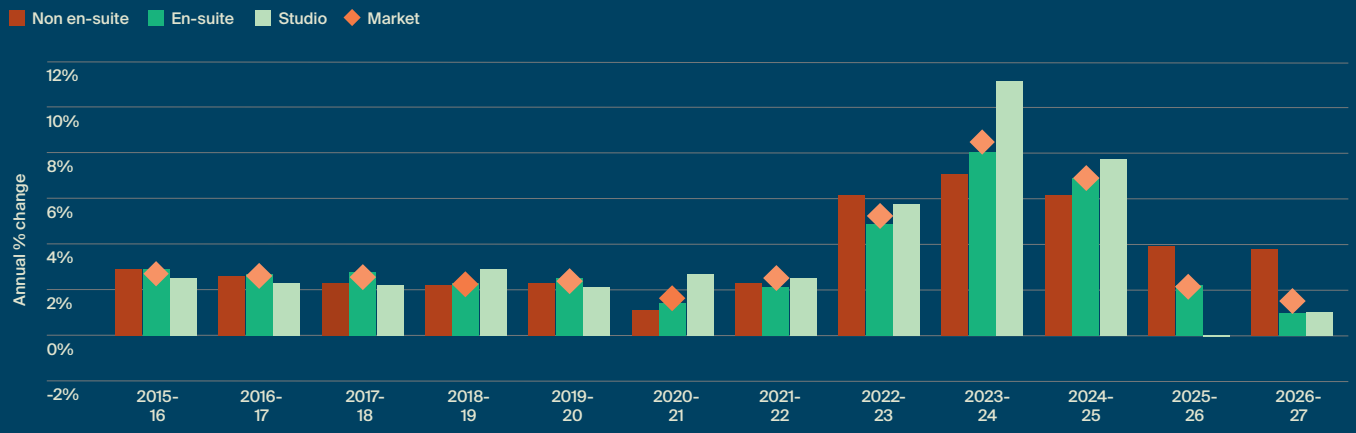
While strong demand and occupancy continue to support rent increases in some locations, growth has moderated from recent highs and performance is becoming more uneven across markets, cities and individual assets. Affordability constraints are creating a more selective environment, placing greater emphasis on operational performance, customer experience and brand strength as drivers of outperformance.

Three recurring themes for rents

1. Average PBSA rental growth moderates to 1.5% in 2026/27

So what?

Knight Frank's Student Property Rental Index shows average growth for all room types across the UK sat at 1.5% in 2026/27, a further easing from 2.3% for the previous academic year and down from a recent peak of 8.3% in 2023/24. The more muted market reflects a price sensitive student base and a more competitive leasing environment which has led operators to adjust strategies.



Source: Knight Frank Research

2. University stock outperforms the private market

So what?

The pattern of university-owned stock outperforming the private direct let market has continued for a second consecutive year. University-owned stock outperformed private PBSA in 80% of markets. Rents for university operated PBSA grew 4.3% in 2026/27, compared with a fall of 0.7% for private direct let stock.

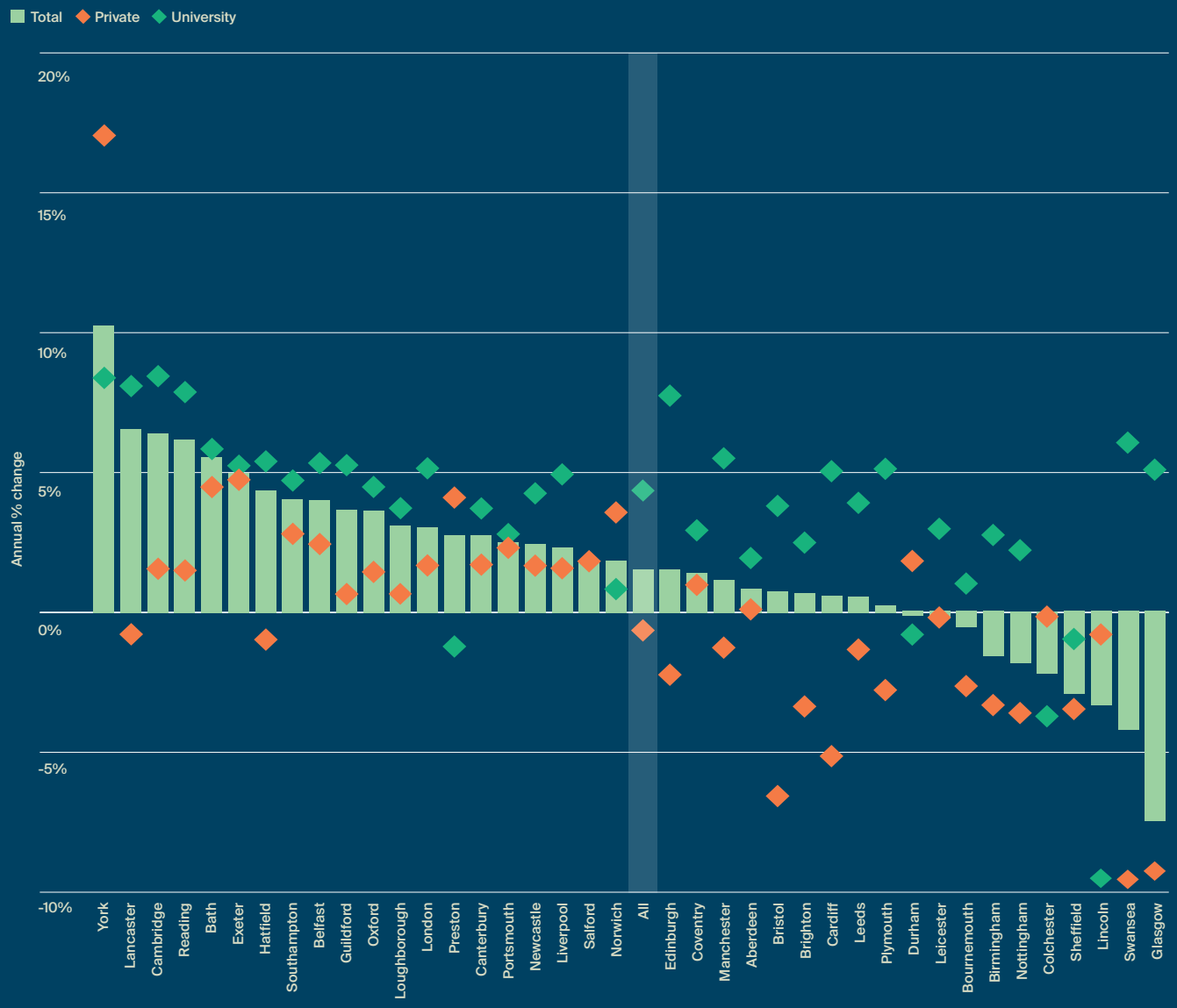


Source: Knight Frank Research

3. Wide variations in performance dependent on market

So what?

Of the 78 locations covered by the index, 28 recorded rental growth for all room types above CPI over the year to August (+3.1%). A further 32 markets recorded annual growth of sub-3%, and 17 markets were in negative territory. Some markets that had underperformed in recent years, such as Coventry, returned to slight growth in 2026/27, suggesting a period of repricing has had an impact.



Source: Knight Frank Research

SPECIFICATION PREMIUM ≠ GROWTH PREMIUM

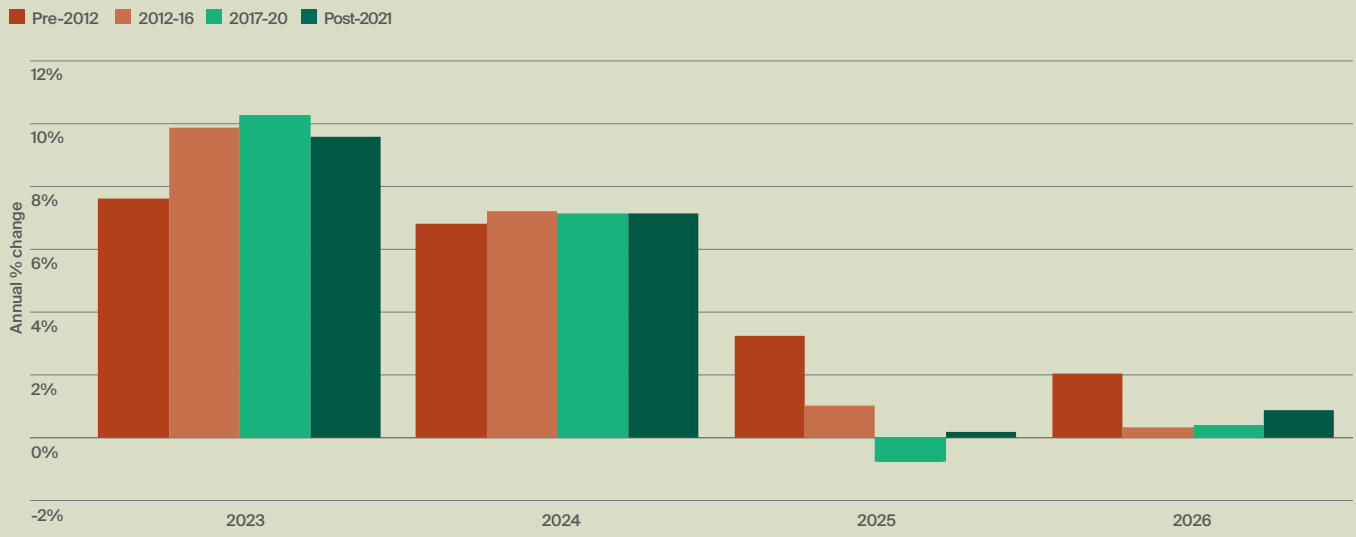
Investment activity has largely focused on value-add and refurbishment opportunities, but the relationship between asset age and rental growth is not straightforward. As affordability pressures have intensified and leasing conditions have softened over the last three cycles, newer schemes no longer appear to command a consistent rental growth premium.

Segmenting the PBSA market by development age reveals little evidence of a sustained rental premium for newer assets. In fact, older schemes have outperformed in the last two leasing cycles despite typically offering a lower level of specification. First-generation assets built before 2012 recorded rental growth of 3.2% in 2025 and 2.1% in 2026, outperforming newer schemes in both years. The findings reflect the large share of university stock in that age bracket but also point to affordability becoming an increasingly important driver of demand, which has supported rental growth in lower-cost accommodation even as overall market conditions have weakened.

THE OP-EX IMPLICATION

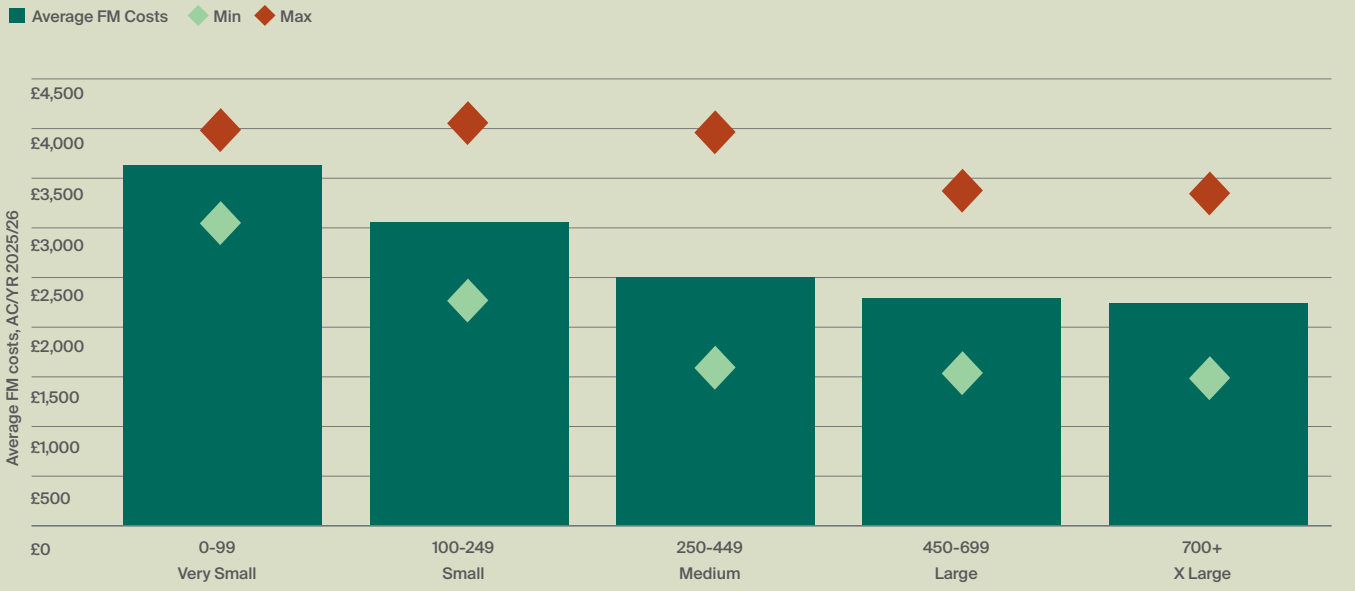
The stronger rental performance of older assets must be considered alongside a materially higher cost base for operators. Ageing schemes carry

Older assets outperform but the spread is small
Annual rental growth by asset age



Source: Knight Frank Research

Larger PBSA schemes benefit from economics of scale in their operational overheads



Source: Knight Frank Research

greater expenditure on maintenance, repairs and lifecycle capital works, while weaker energy efficiency translates directly into higher utility costs and a growing capital requirement as safety standards tighten. As a result, investors are balancing affordability-led demand in older stock against the cost of keeping those buildings operating and compliant. The ability to improve operational efficiency while preserving affordability is therefore becoming an increasingly important differentiator.

Staffing represents a principal driver of this cost pressure. Aggregated evidence across UK PBSA schemes indicates wage costs increased 5.4% in the 2026/27 cycle, exceeding the 4.1% statutory uprating of the National Living Wage and confirming that operators are absorbing cost growth beyond the regulatory minimum. Rises in employer National Insurance compounds this, elevating the fixed cost of each role on site further. Critically, the exposure is concentrated in non-discretionary functions: front-of-house, security, cleaning and maintenance underpin the resident experience and cannot be reduced without consequence for operational performance.

Utilities represent the second major source of operating cost pressure and structurally are more difficult to forecast. PBSA operates on an all-inclusive rent model, which places the entirety of energy price risk with the operator rather than the resident. Thus, the income line is fixed at the point of booking, while the cost line remains exposed to the market for the duration of the tenancy and typically commercial contracts carry no regulatory price ceiling.

One tangible defence against these costs can be scale. Fixed operational functions such as site management, compliance, and security cover, do not scale linearly with bed count, and larger schemes spread that fixed overhead across a wider income base. Smaller and older assets absorb the same regulatory and staffing burden across fewer beds, with a correspondingly sharper effect on net operating income.

THE COST OF FILLING A BUILDING...

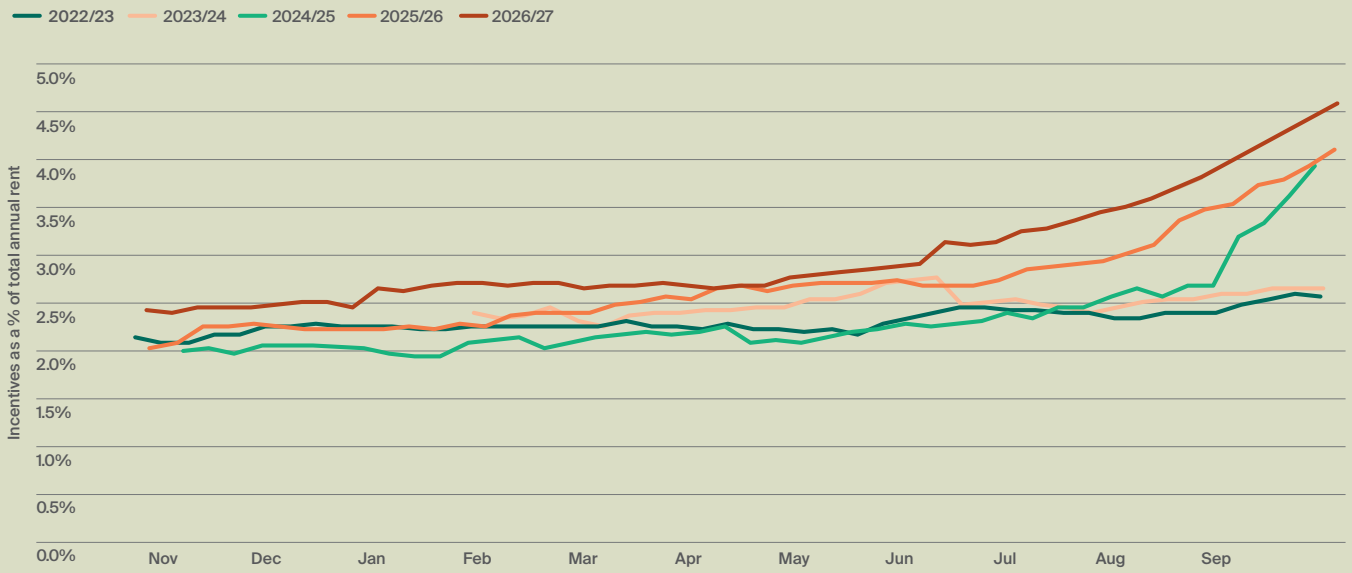
Against a more challenging leasing backdrop, operators are also facing growing costs associated with securing bookings. For the third consecutive year, providers have increased their use of rental incentives to attract tenants.

In the 2026/27 cycle, maximum incentives accounted for 4.7% of advertised annual rent in schemes with availability remaining at the end of September, up from 4.2% a year earlier. Operators are also deploying incentives earlier in the leasing cycle and more aggressively than in previous years. This reflects a slower booking environment, alongside a growing tendency for students to secure accommodation later in the cycle.

> "For the third consecutive year, providers have increased their use of rental incentives to attract tenants."

In addition, fees paid by operators to third party marketplaces to support international bookings and maximise occupancy are also rising – averaging 5%-15% per booking – this is particularly the case in more challenging markets, or for schemes with a greater reliance on international students. Together it means the "cost of sales" has increased, putting pressure on net effective rents and, ultimately, impacting yearly revenue growth even where rental and occupancy metrics appear positive.

Incentives offered earlier in the cycle as a larger share of rent



Source: Knight Frank Research
NB: Value of incentive used is highest level advertised

... & THE INVESTMENT IMPLICATION

The consequence of using incentives and third-party distribution is the widening divergence between headline and net effective rental growth. A 4.7% incentive draw and distribution fees at the upper end of the range can absorb the majority of a reported headline uplift before a single operating cost is applied, meaning a scheme can report both rental growth and full occupancy while delivering flat or negative net effective growth.

This matters for investor underwriting in two respects. First, headline rental growth is no longer a reliable proxy for revenue growth, and valuation inputs drawn from advertised rents have the potential to overstate achievable income. Second, because incentive levels are inversely correlated with leasing velocity, they function as a live indicator of pricing power – schemes requiring the deepest discounts to clear their available rooms, by theory, are those struggling with their rental tone. It is therefore unsurprising that in today's market we see some investors placing the same status on net effective rent as they do on headline rents and interrogating the cost of achieving occupancy with the same rigour applied to the occupancy figure itself.

"We see some investors affording net effective rent with the same status as headline rents."

Operational excellence is the new alpha



OUTPERFORMANCE THROUGH EXECUTION

In previous cycles, performance was supported by a favourable investment backdrop characterised by low interest rates, yield compression and abundant liquidity. That environment rewarded capital deployment to a greater extent than active management: entry pricing and leverage did the work, and the distinction between a well-run asset and an adequately run one was largely absorbed by the direction of the market. That environment no longer exists. With the exit yield no longer reliably doing the heavy lifting, returns must increasingly be manufactured within the holding period, and performance is therefore differentiated at the manager level.

Pricing, occupancy, renewals, ancillary revenues, maintenance and the quality of the student experience all feed directly into financial performance, and each is a decision taken by an operator rather than a wider function of the market. The consequence is that two physically comparable assets in the same submarket can deliver materially different net operating income and increasingly do. Operational capability is now a source of alpha in its own right.



WHERE THE VALUE ACTUALLY ACCRUES: PROPCO AND OPCO

The structural separation between PropCo and OpCo makes this visible. PropCo owns the building and captures value through the capitalisation of income; OpCo runs the business and determines what that income actually is. In a yield-driven cycle, investors were effectively underwriting PropCo and treating OpCo as a service function and line item in the cashflow. In a cycle where value is created through income growth rather than yield movement, that hierarchy has inverted. OpCo is where the levers sit, it sets the rent, manages the incentive draw, controls the distribution channel and owns the cost base. PropCo then benefits from the outcome.

This has practical consequences for how PBSA is underwritten and structured. The choice between a leased and an operational structure is a decision about how much of the operational upside the investor wishes to retain. A fixed lease exports volatility but also exports the margin available from stronger management. A management agreement retains that margin, but only for investors with the governance, reporting infrastructure and operator oversight to realise it. Increasingly, the operator relationship is itself an underwriting variable with platform quality, rebooker rates, brand strength and the ability to sustain occupancy without deepening incentives as very legitimate inputs to the income assumption.

CASE STUDY – PBSA'S COMPETITIVE ADVANTAGE IS BEING TESTED

Accommodation options for students are broadening and increasing competition for PBSA, with pressure emerging on both the supply and pricing side. To illustrate this dynamic, our analysis focuses on Manchester and Leeds, two major regional student markets where investors and operators are increasingly having to assess both availability and relative value: who is competing for the resident, and at what price?

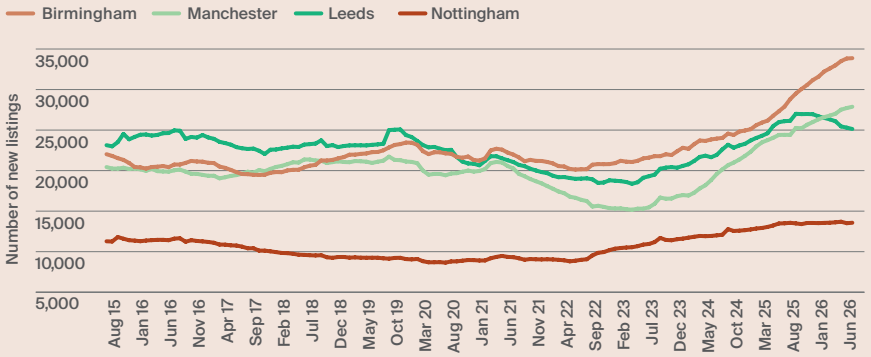
The growth of purpose-built BTR is expanding the pool of professionally managed rental accommodation available to students in some markets, particularly where products overlap on location, specification and price. While these products serve different customer groups – and many BTR schemes operate caps on student numbers – an overlap especially among older postgraduate and international students.

At the same time, availability across the wider PRS market has begun to improve in certain locations, reversing some of the contraction in rental supply seen in recent years. Part of this increase reflects the delivery of new BTR schemes – Manchester and Leeds have seen a combined 15,682 new BTR homes added to supply since 2020, for example – alongside improving availability within the traditional PRS. While not all of this stock will be available, affordable or suitable for students, a larger pool of rental options increases consumer choice and reduces the scarcity advantage that has supported performance. In markets where this coincides with softer rental growth, the impact can be felt through longer lease-up periods, greater price sensitivity and, ultimately, increased pressure on occupancy.

Competition is not only about the number of available beds. As rental growth moderates across parts of the wider residential market, the relative pricing of PBSA becomes increasingly important. Students are effectively comparing PBSA rents against a broader set of housing options, meaning that PBSA's premium must increasingly be justified by the value of its offer, including utilities, amenities,location and service. Where that value proposition becomes stretched, pricing rather than total supply may become the more significant competitive pressure. Leeds and Manchester provide a clear example, with limited pricing differentiation between private direct-let PBSA studios and BTR one bed apartments – particularly when newer BTR schemes offer greater floorspace at a comparable rent, the value proposition of PBSA comes under increasing pressure.

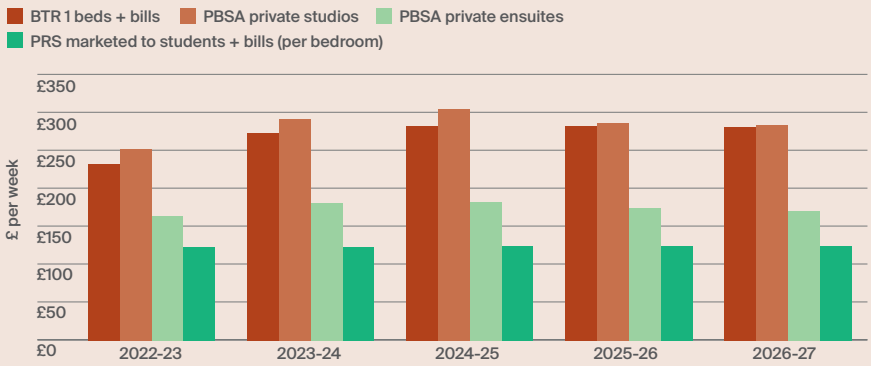
Supply picks up across the PRS market

Count of new rental listings, rolling 12m total



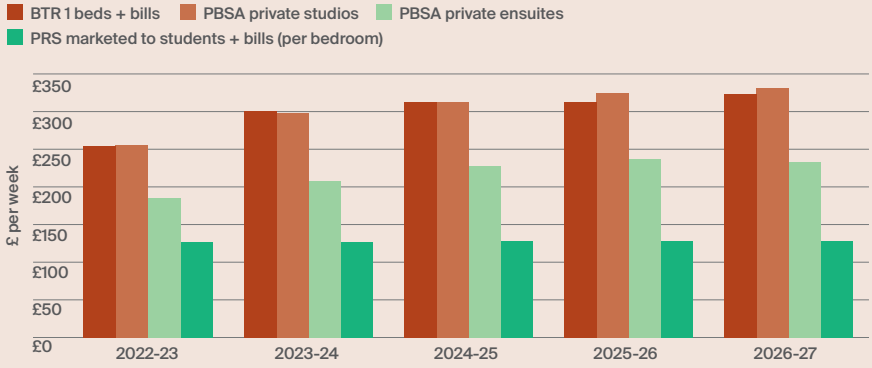
Source: Knight Frank Research using Rightmove

Rental pricing comparison: Leeds



Source: Knight Frank Research, Oxford Economics
NB. Bills include electricity, gas and water charges

Rental pricing comparison: Manchester

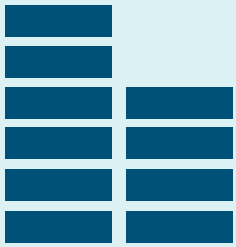


Source: Knight Frank Research, Oxford Economics
NB. Bills include electricity, gas and water charges

SECTION 3

What does the student think?

The Knight Frank Student Accommodation survey, now in its seventh year, was delivered by UCAS on behalf of Knight Frank. Our work provides unique insights into the opinions and preferences of students about where they live and what they want from their accommodation. Student preferences are evolving and accommodation providers need to move with that change. Our survey focus was on the views and expectations of incoming students, of which we surveyed 1,502.



89%

OF STUDENTS SAY THE PRICE OF ACCOMMODATION IS IMPORTANT OR VERY IMPORTANT WHEN CHOOSING WHERE TO LIVE.

Alongside cost, students continue to prioritise the fundamentals of accommodation. Quality, proximity to campus and certain facilities such as en-suite bathrooms also rank highly.



84%

OF STUDENTS SAID THAT THE AVAILABILITY OF ACCOMMODATION HAD SOME INFLUENCE OVER THEIR DECISION ON WHERE TO APPLY.

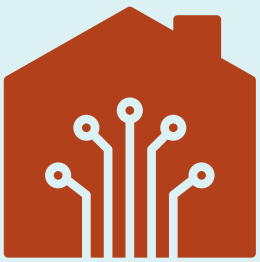
The importance of ensuring a wide range of accommodation options, spanning affordable, mid-market and prime options, is further reinforced when it comes to decisions about where to study.



69%

SAY THEIR PREFERRED FIRST-YEAR LIVING EXPERIENCE WOULD BE LIVING ON CAMPUS.

Demand for a campus-based living experience remains strong. Only 23% of our survey respondents say their preferred option would be to study and live in their hometown.



33%

SAY THEY ARE LIKELY OR VERY LIKELY TO USE AI TOOLS TO SOURCE ACCOMMODATION.

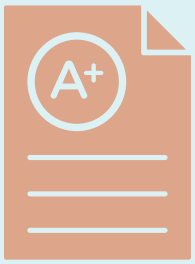
Interest in AI tools is developing but uptake remains relatively balanced. Around a third of students say they are likely or very likely to use ChatGPT or equivalent AI tools to source accommodation, while 37% say they would use AI tools to track accommodation pricing.



88%

SAY THEIR ACCOMMODATION WILL BE IMPORTANT OR VERY IMPORTANT IN SUPPORTING THEIR WELLBEING.

Affordability is not just a financial issue; it is a wellbeing issue. Students overwhelmingly link cost to mental health and quality of life, reinforcing the need for providers to balance pricing with value.



90%

AGREE OR STRONGLY AGREE THAT THEIR ACCOMMODATION ENVIRONMENT WILL IMPACT THEIR ACADEMIC PERFORMANCE.

The survey data illustrates that students view accommodation as more than just a place to live. It is a foundation for academic success, personal wellbeing, and environmental responsibility.

Survey results

Accommodation influences academic success, social life, and independence. Our insights examine what students want most and how their choices impact their university experience.

Price continues to be one of the most important considerations when students choose accommodation. Some 64% of respondents describe price as very important, while a further 25% say it is important. Perceived value for money ranks similarly highly, with 85% of students considering it important or very important. The inclusion of bills also remains a key consideration, at 83% on the same measure.

Alongside cost, students continue to prioritise the fundamentals of accommodation. Quality of accommodation is rated as very important by 56% of respondents, while 41% say the same about proximity to campus. Having an en-suite bathroom is very important to 49% of students.

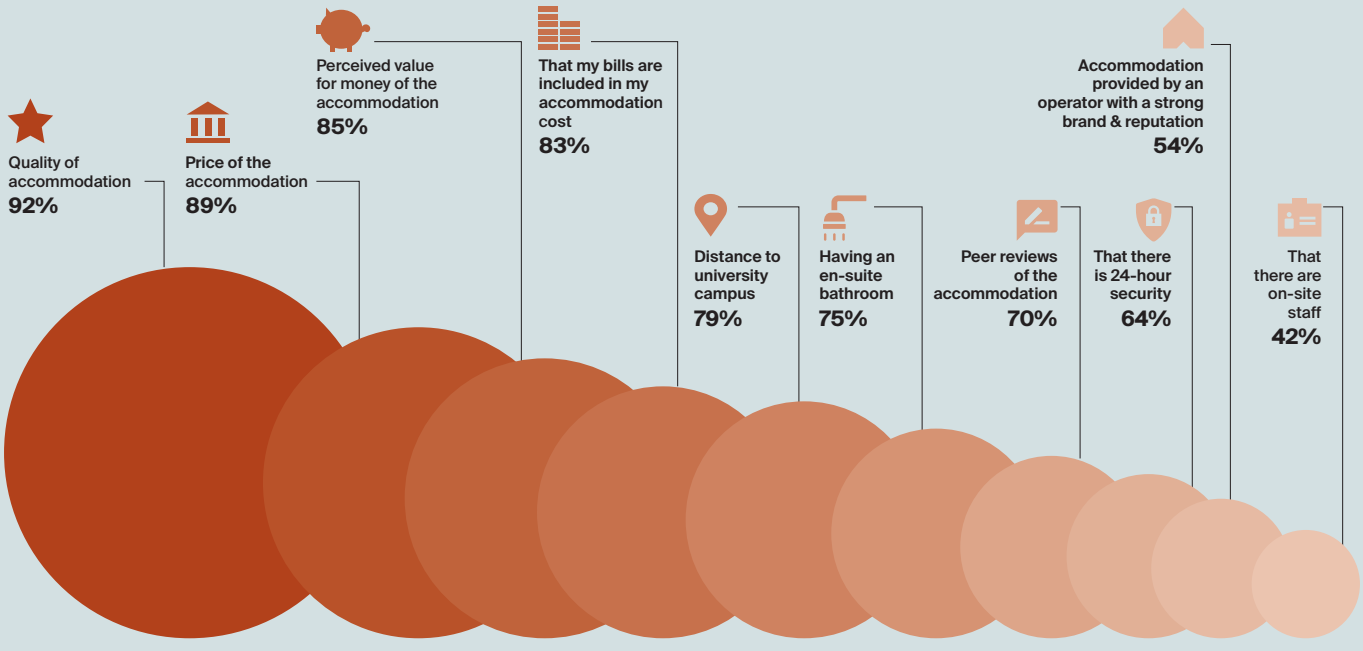
20%
OF APPLICANTS SAID THEY HAD INCREASED THEIR BUDGET

FUNDING THE FUTURE

As has been the case in previous surveys, cost remains one of the most significant concerns for students entering university. Nearly one in five students report increasing their accommodation budget during their search process. Among this group, 52% say their budget increased by between 6% and 10%, while 22% increased their budget by between 11% and 20%. A further 6% report increasing their budget by more than 20%.

Financial concerns remain prevalent. Some 77% of students agree or strongly agree that they are worried about how much their accommodation will cost this year, while 61% agree or strongly agree that they regularly worry about not having enough money to live on. At the same time, 64% agree

How important are the following factors when choosing your accommodation?
% of respondents choosing "very important" or "important"



Source: Knight Frank Student Accommodation Survey 2026/27

or strongly agree that they regularly budget their spending.

The financial stretch is evident in what students consider reasonable rent. The median maximum rent students would consider reasonable is £200 per week, with the upper quartile at £250 per week. These figures underline the challenge for operators and universities alike: students understand the cost of accommodation, but there is a clear ceiling to what many consider acceptable.

Students rely on a variety of income sources to fund their accommodation and living expenses. Many students expect employment to form part of their financial strategy while at university indicating that tuition and living costs are not fully met by existing financial support systems.

The funding mix reinforces this point. Parents, step-parents or guardians remain the most commonly selected source of support, cited by 56% of respondents. Maintenance loans are expected to be used by 46%, while 39% expect to rely on salary from part-time work. A further 31% expect to draw on their own savings, overdrafts or personal loans, and 29% expect to use bursaries, scholarships, grants or related support.

64%

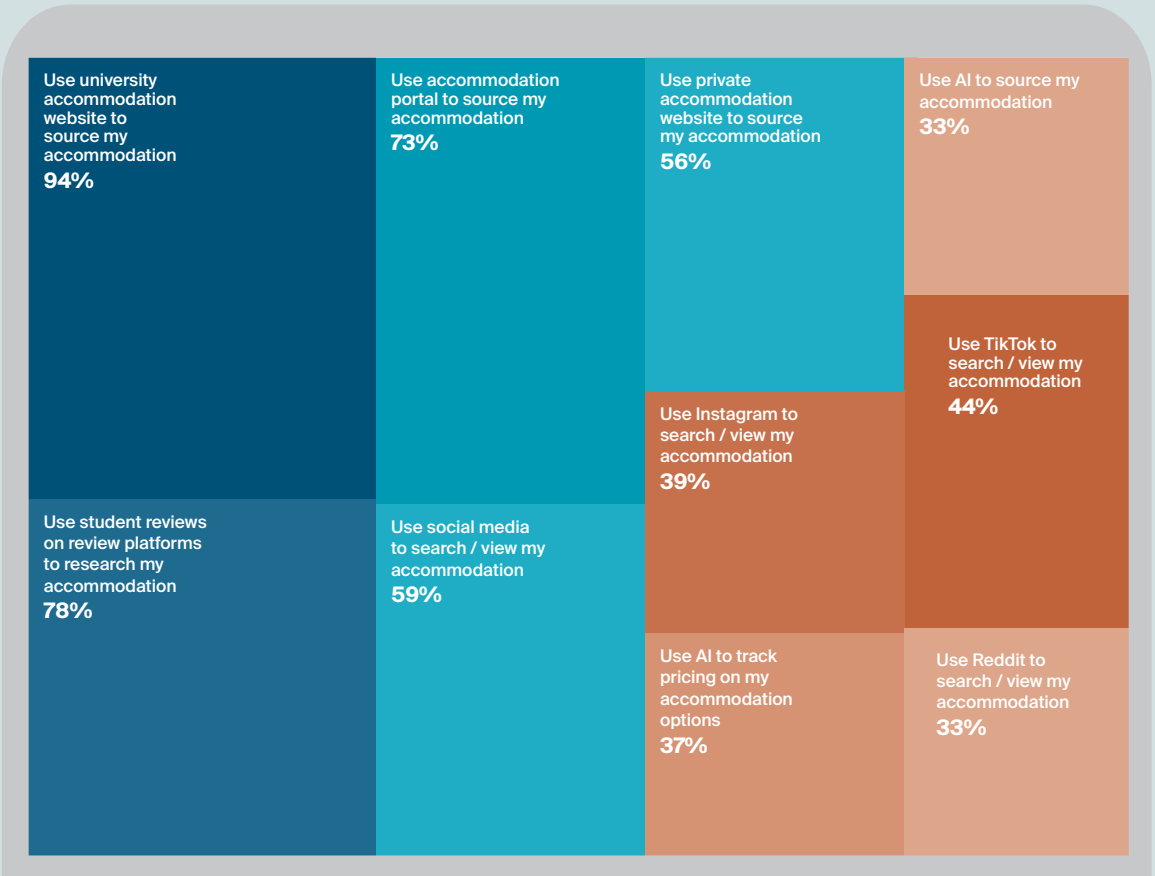
OF RESPONDENTS SAY THE AVAILABILITY OF ACCOMMODATION HAD EITHER A MODERATE OR STRONG INFLUENCE ON THEIR DECISION ABOUT WHERE TO APPLY TO STUDY

ACCOMMODATION AT THE INTERSECTION

Accommodation availability is increasingly connected to students' higher education choices. Overall, 64% of respondents say the availability of accommodation had either a moderate or strong influence on their decision about where to apply to study. Only 17% say accommodation availability had no influence at all.

When asked about their biggest concerns ahead of university, financial issues dominate. Living costs excluding accommodation are cited by 71% of respondents, while accommodation costs are selected by 61%. Academic performance is a concern for 60% of students, followed by making new

Thinking about researching your accommodation, how likely are you to do the following?
% of respondents choosing "very likely" or "likely"



Source: Knight Frank Student Accommodation Survey 2026/27

friends (49%) and feeling isolated or lonely in accommodation (43%). The data highlights the extent to which financial, academic and social concerns overlap with accommodation sitting at the intersection of all three.

ON CAMPUS

Despite these concerns, demand for a campus-based living experience remains strong. More than two-thirds of respondents (69%) say that, given the option, their preferred first-year living arrangement would be accommodation on campus. Only 23% say they would prefer to study and live in their hometown.

The importance of ensuring a wide range of accommodation options, spanning affordable, mid-market and prime options, is further reinforced when it comes to decisions about where to study. Indeed, while predicted grades, the quality of education and the overall student experience are critical, students also think about practicalities. Some 84% of those applying to university for the first time said that the availability of accommodation had some influence over their decision on where to apply.

94%

OF RESPONDENTS SAY THEY ARE LIKELY OR VERY LIKELY TO USE UNIVERSITY ACCOMMODATION WEBSITES

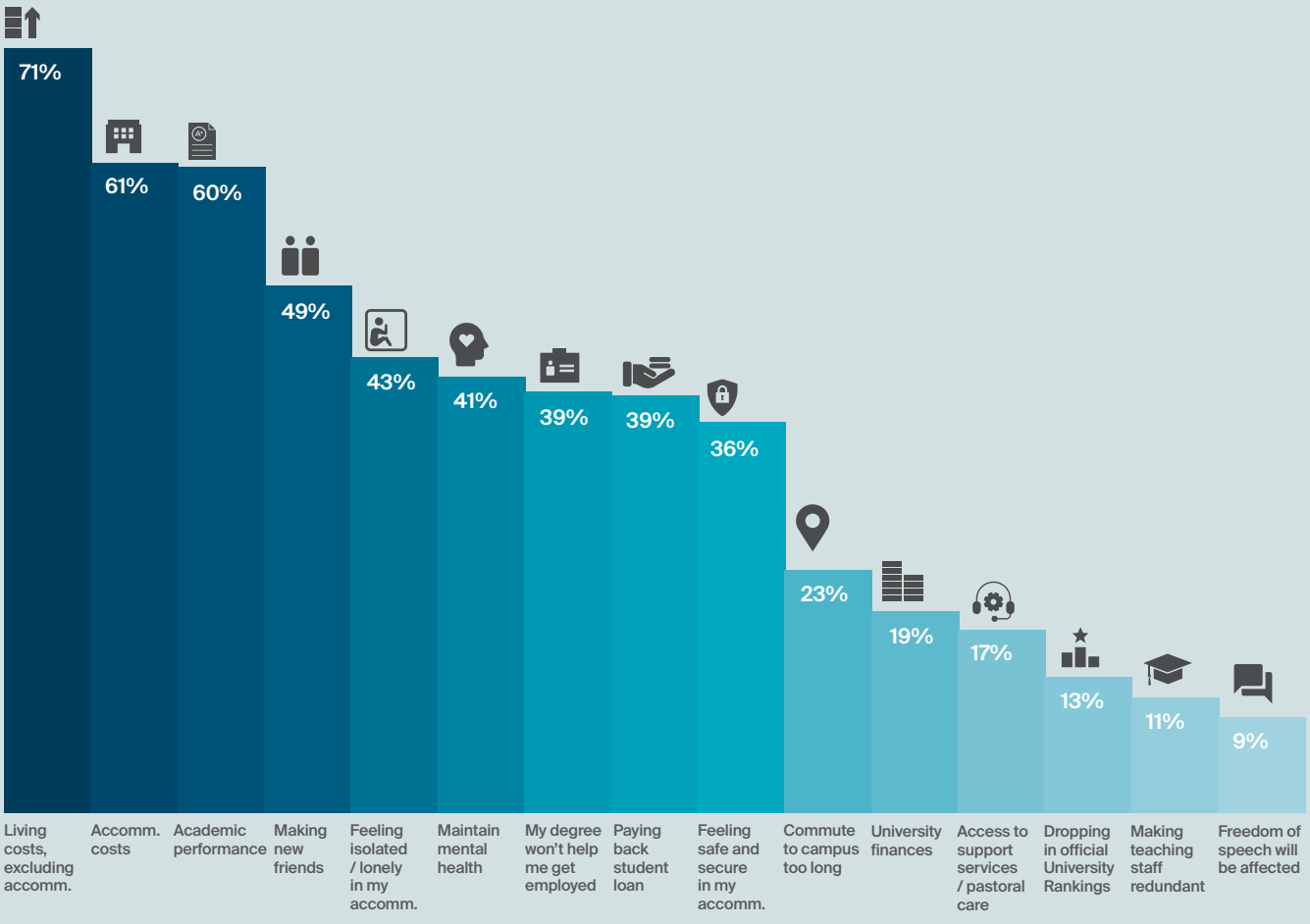
SWITCHING CHANNELS

Technology is playing an increasingly central role in shaping the student accommodation experience, with applicants to university valuing digital tools that can enhance convenience, support wellbeing, and help manage costs.

University accommodation websites remain the most frequently used source of information. Some 94% of respondents say they are likely or very likely to use them when researching accommodation options. Student review platforms also play a significant role, with 78% likely or very likely to use review-based sources, while 73% would use accommodation portals such as Student.com or Rightmove.

Social media channels show more mixed levels of engagement. TikTok records a

What are your biggest concerns about starting your university journey?
Respondents could select multiple options



Source: Knight Frank Student Accommodation Survey 2026/27

combined likely/very likely score of 44%, compared with 39% for Instagram and 33% for Reddit.

Interest in AI tools is developing but uptake remains relatively balanced. Around a third of students (33%) say they are likely or very likely to use ChatGPT or equivalent AI tools to source accommodation, while 37% say they would use AI tools to track accommodation pricing. For operators, the direction of travel is important. AI may not replace established search channels in the near term, but it could influence how students compare options, monitor pricing and narrow their choices – particularly as tools become more prevalent.

FORM FOLLOWS FUNCTION

The survey also provides a clear view of where students see value in accommodation. Some 92% say the quality of accommodation is important or very important when choosing where to live. Distance to campus is important or very important for 79%, while having an en-suite bathroom is important or very important for 75%. Peer reviews also carry weight, with 70% rating them as important or very important.

When asked which amenities they would remove in return for cheaper rent, students draw a clear distinction between lifestyle extras and functional essentials. Podcast rooms are the most dispensable, selected by 78%, followed by cinema rooms at 69%, gaming rooms at 66%, glamour rooms at 65% and on-site swimming pools at 60%. Bike hire is selected by 45%, other sports facilities by 41% and in-house events by 40%.

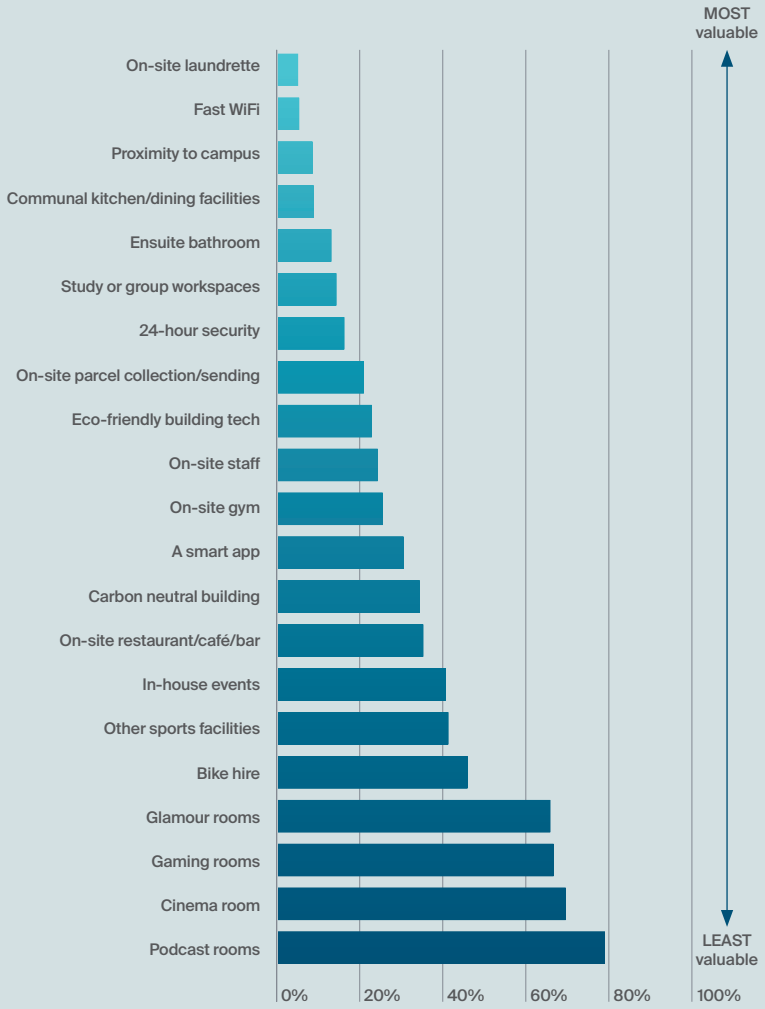
By contrast, the amenities least likely to be sacrificed are those that support the day-to-day functioning of student life. Only 5% would remove an on-site laundrette, 5% would remove fast WiFi, 8% would remove proximity to campus and 9% would remove communal kitchen or dining facilities. Just 16% would remove 24-hour security. The message is clear: students are prepared to trade amenity for affordability, but not at the expense of convenience, safety or basic utility.

90%

OF APPLICANTS WHO AGREE OR STRONGLY AGREE THAT THE QUALITY OF THEIR ACCOMMODATION IMPACTS THEIR ACADEMIC OUTCOME

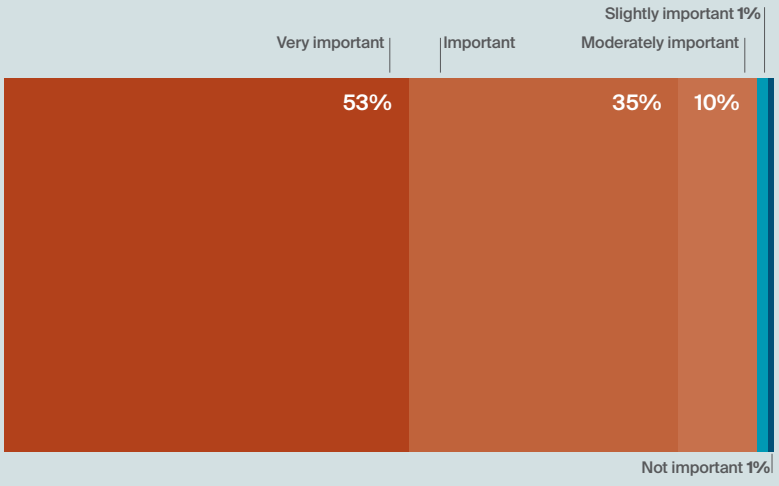
Which amenities would students EXCLUDE from their accommodation for a cheaper rent?

% of students willing to remove certain amenities



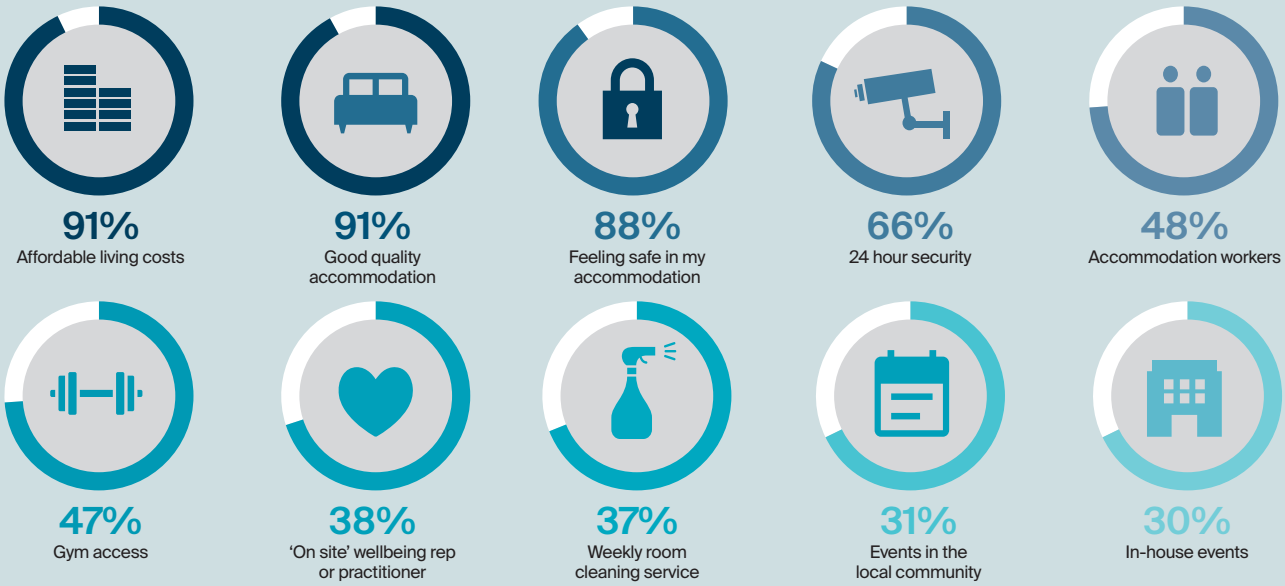
Source: Knight Frank Student Accommodation Survey 2026/27

How important do you think your accommodation at university will be in supporting your own wellbeing?



Source: Knight Frank Student Accommodation Survey 2026/27

How important are the following factors in supporting your wellbeing in your accommodation?
% of respondents choosing "very important" or "important"



Source: Knight Frank Student Accommodation Survey 2026/27

MORE THAN A HOME

Accommodation is seen as a key part of student wellbeing. Some 88% of respondents say their accommodation will be important or very important in supporting their wellbeing. This is closely connected to perceptions of safety, cost and quality. Feeling safe in accommodation is rated important or very important by 88% of students, affordable living costs by 91% and good quality accommodation by 91%.

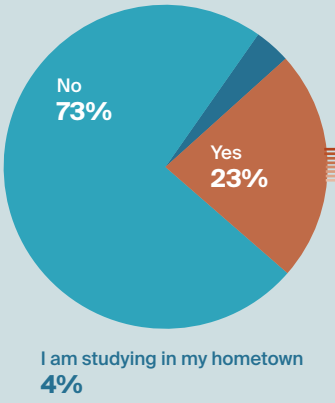
Students also draw a strong connection between their accommodation and academic outcomes. Nine in ten respondents agree or strongly agree that their accommodation environment will impact their academic performance.

Affordability is central to wellbeing. Some 91% of students consider affordable living costs essential. As the market evolves, investors, developers and operators will need to focus on the affordability of their offering to students and understand how accommodation costs feed into students' decision making. This is highlighted by the fact that more than half (52%) of students indicated that the student funding and financial support available to them had a bearing on their decision to study.

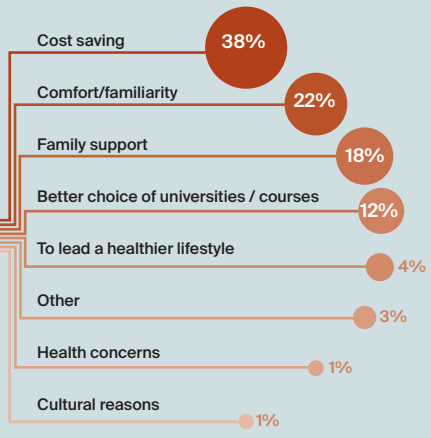
More broadly, the results suggest that universities need to work more closely with the private sector to ensure that the housing options available – to both new and existing students – are sufficient. That's especially relevant given funding constraints on the part

88%
OF STUDENTS RATED FEELING SAFE IN ACCOMMODATION IS IMPORTANT OR VERY IMPORTANT

If you had the option available to you, would you have chosen to study in your hometown?



What is the main reason for this choice?



Source: Knight Frank Student Accommodation Survey 2026/27

of institutions mean partnerships to build new or refurbish existing stock are likely to become more widespread.

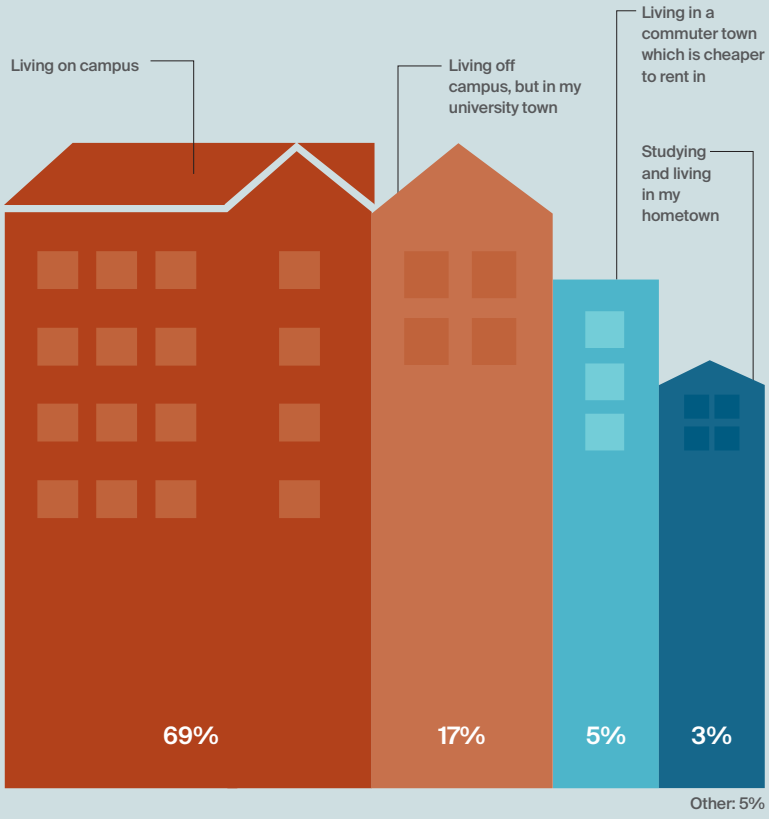
THE ROLE OF PBSA BEYOND FIRST YEAR

Students remain open to PBSA accommodation beyond their first year, but affordability is a major factor. When asked what would make them consider PBSA in their second or third year, 74% select "more affordable", 71% select quality of accommodation, 69% select bills being included and 68.2% select better value for money. Distance from campus is also important, selected by 68%.

Amenities still matter, with 53% saying they would make them consider PBSA, while 48% cite the social environment and 45% improved safety or security. However, these factors sit behind affordability, quality and certainty of costs. Enhanced wellbeing support is selected by 24%, enhanced academic outcome by 36% and environmental credentials by 16%. This does not mean these themes are unimportant, but it does suggest they are unlikely to compensate for a product that feels too expensive or poor value.

Overall, the survey suggests that affordability, value, quality and location remain the principal drivers of student accommodation decisions across both first-year and later-year accommodation choices.

If you had the option available to you, what is your preferred living experience for your first-year of university?

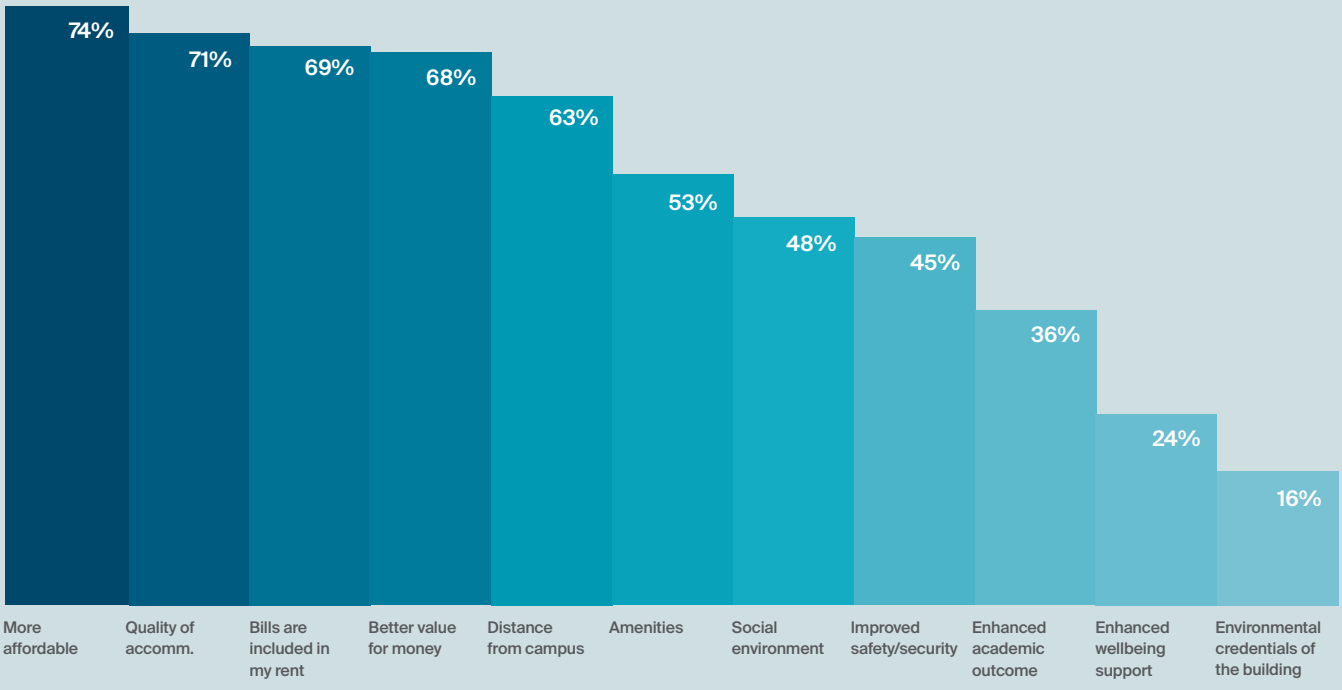


Other: 5%

Source: Knight Frank Student Accommodation Survey 2026/27

What would make you consider choosing purpose-built student accommodation in your second or third year?

Respondents could select multiple options



Source: Knight Frank Student Accommodation Survey 2026/27

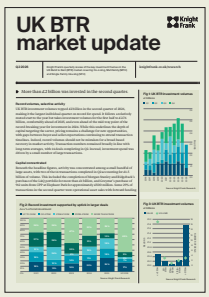
Rental growth methodology statement

The Knight Frank Student Rental Growth Model has been developed by Knight Frank's Living Sectors Research and Modelling and Intelligence team in collaboration with the Student Property team. The model monitors rental price dynamics within the UK purpose-built student accommodation (PBSA) sector using room-level data collected weekly. The model covers 64 markets, calculating rental values and subsequent year-on-year growth rates disaggregated by city, room-type, and ownership structure (private versus university-operated halls). The model employs a weighted repeat-rent methodology, using strict like-for-like matching criteria to enhance statistical robustness and ensure the reliability of inferred rental growth trends.

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Research



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