

# UK Student Market Update

Q1 2026

Knight Frank's quarterly review of the key development, policy and investment themes in the UK student property market

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## ► Handful of larger deals pushed Q1 PBSA investment to £2.1 billion

### Large cheques, normal cadence

Investors deployed £2.1 billion into UK purpose-built student accommodation (PBSA) in the first quarter of 2026, marking the strongest start to a calendar year for the sector in more than a decade. However, this headline figure warrants wider context. While the opening quarter was capital-heavy, it was not deal-heavy. A total of 20 transactions completed during the quarter, broadly consistent with long-term norms, indicating that activity was driven by a number of capital-intensive transactions rather than a broader expansion in deal flow. While transaction volumes suggest that liquidity remains intact, underlying market conditions are more nuanced. There remain persistent gaps between buyer and seller pricing expectations, contributing to elongated deal processes in certain cases. Against this backdrop, prime direct-let yields in London are circa 4.50% NIY, with regional prime pricing softer at approximately 5.25-5.50% NIY for the same product type.

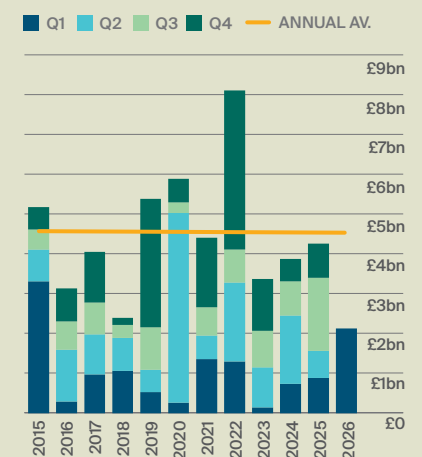
### Ticket size elevated

Transaction sizes were notably skewed in the first quarter, with five of the 20 deals transacting at values in excess of £150 million. Most prominent was the completion of Unite Group's acquisition of Empiric Student Property, agreed at approximately £720 million and adding around 7,700 beds across 68 assets in 22 cities to the Unite platform. Also finalised during the quarter was Unite Group's joint-venture agreement with Manchester Metropolitan University (MMU) to develop circa 2,300 new student beds at the MMU's Cambridge Halls site, with total development costs estimated at around £390 million. Another notable transaction saw Fusion Group, alongside Cheyne Capital, acquire a component of Art-Invest Real Estate's Dockside Canada Water scheme in Southwark, London, to deliver approximately 742 student beds, implying a scheme value of roughly £350 million.

Some 65% (13 deals) of transactions in the first quarter were operational asset sales. The tilt towards existing assets is expected to continue in 2026, with investor demand concentrated on mid-market and lower-entry pricing points, particularly assets offering embedded rental reversion while retaining alignment with 'affordable' market thresholds. Land transactions represented 20% of activity (4 deals), with joint-venture structures comprising the remaining 15% (3 deals).

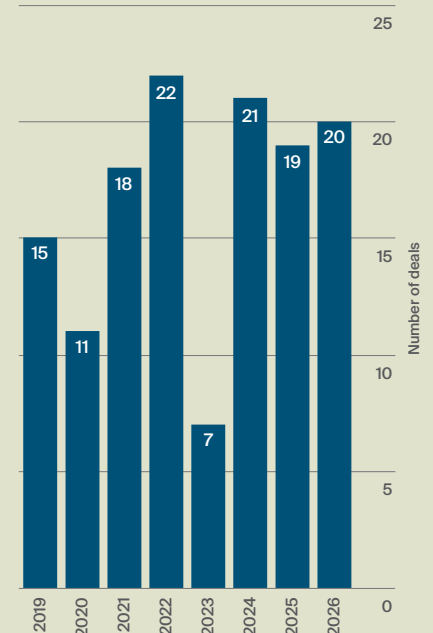
**Fig 1: UK PBSA capital flows**

Quarterly



Source: Knight Frank Research

**Fig 2: Typical PBSA deal flow for Q1**



Source: Knight Frank Research

### Size of the market

Drawing on an analysis of the UK’s current operational PBSA stock, schemes under construction, and prevailing weighted-average rents, we estimate that the professionally managed student accommodation market has a total value of £84.8 billion in 2026. Looking at the future pipeline, and assuming a modest rental growth of 1.5% per annum, broadly in line with target consumer price inflation, we estimate this value has the potential to grow to £94 billion by 2030.

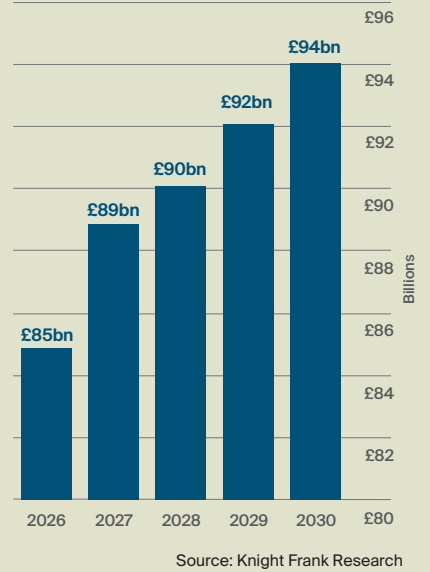
### Inflation outlook is not straight forward

The inflation outlook has become increasingly complex following the recent surge in energy prices linked to the conflict in the Middle East, prompting economists to revise up their UK inflation forecasts and complicating the Bank of England’s (BoE) monetary policy decisions. Market reaction has been swift but remains highly sensitive to the duration and severity of geopolitical disruption, with forecasts from Oxford Economics suggesting that CPI in Q4 2026 could be in the region of 4.5%. This represents a notable uptick from the outlook at the start of the year, meaning a delay in the return to target CPI of 2% until somewhere closer to 2027. As expected, the BoE kept the interest rate unchanged at 3.75% at their April monetary policy meeting, with financial markets predicting a chance of higher borrowing costs by the end of the year.

### Forecasting through the fog

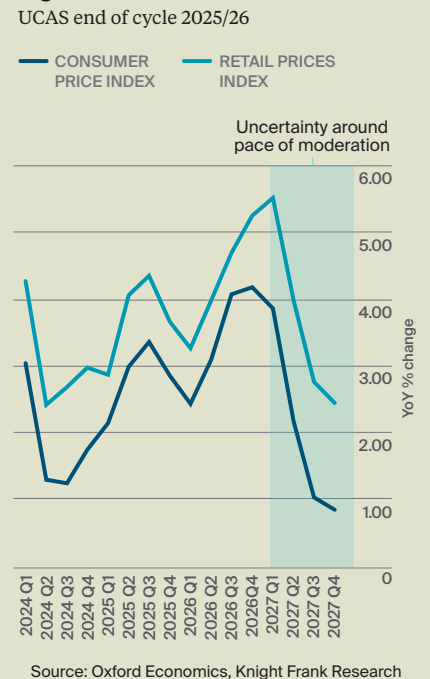
Prior to the Iran conflict, the BoE and European Central Bank (ECB) were both widely expected to remain on hold or continue a gradual easing cycle, with interest rate cuts priced into the forward curve over the coming year. Today, market pricing has shifted decisively following the recent energy shock, reversing earlier expectations of policy easing and re-establishing a more hawkish outlook. Expectations have repriced toward more than one hike in the near-term, reflecting the inflationary impulse from higher energy prices. As a result, 3 and 5 year SONIA swap rates widened by approximately 40 basis points. While some stabilisation has emerged recently, the expected policy path remains materially tighter than pre-shock levels. It worth noting that the adjustment in forward looking rate curves has, to date, been relatively modest compared with prior shocks such as the Russia-Ukraine war or COVID era supply chain disruption, both of which drove sharper and more sustained repricing.

**Fig 3: Estimated value of the UK PBSA market**

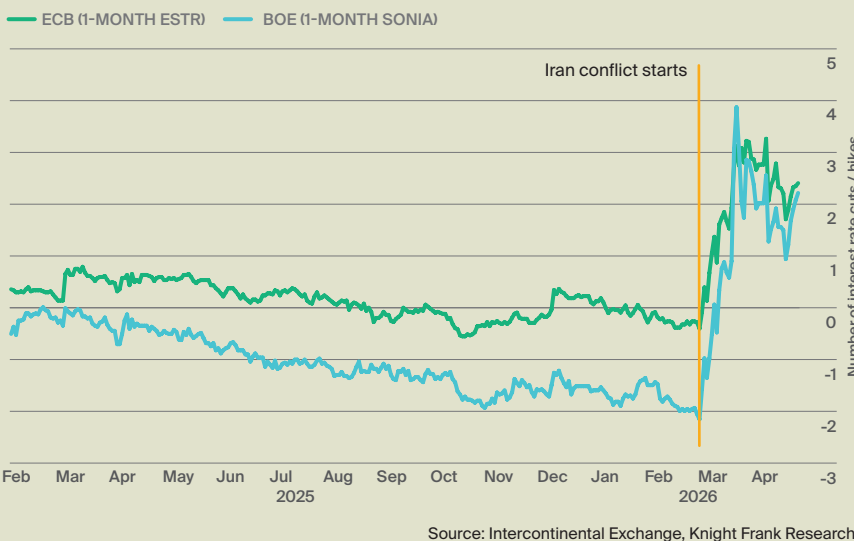


“As expected, the BoE kept the interest rate unchanged at 3.75% at their April monetary policy meeting, with financial markets predicting a chance of higher borrowing costs by the end of the year.”

**Fig 4: UK inflation outlook**



**Fig 5: UK & Europe, market implied policy path**



# Renters Rights, rewritten – what does it mean for PBSA?



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The Renters' Rights Act received Royal Assent in March 2025, marking the most significant reform of England's private rented sector in a generation. Yet for student housing, the impact is far more nuanced than the headlines suggest.

With the secondary legislation now published and coming into force on 1 May 2026, the position is finally clear. Qualifying Purpose-Built Student Accommodation (PBSA) sits outside the Act's core provisions, while the rest of the student rental market operates under a fundamentally different and more complex framework.

What follows are five key points we are discussing most - not just for compliance, but for operations, investment strategy, and long-term market positioning.

## 1. PBSA EXEMPTION CONFIRMED, BUT LIMITED TO NEW LETTINGS FROM MAY 2026

### What?

Qualifying PBSA is exempt from the Renters' Rights Act – but only for tenancies entered into on or after 1 May 2026.

### So what?

For compliant operators, fixed terms, possession certainty and established rent structures remain intact. However, all

2025/26 tenancies automatically convert to rolling agreements on 1 May 2026, regardless of contract wording. The exemption is also subject to future regulatory adjustment, not permanently fixed.

### Now what?

The core investment model is protected for new lettings, but existing stock creates

immediate operational risk. The distinction between existing and new tenancies is not a technicality – it is the most important practical question facing the sector ahead of May. Active engagement with sector codes and representative bodies remains essential to preserve the exemption long term.

## 2. A SINGLE, TIME-CRITICAL WINDOW TO RECOVER 2025/26 TENANCIES

### What?

There is a one-month statutory window (1–31 May 2026) to secure possession of existing academic-year tenancies.

### So what?

If notice is served in time, possession can be recovered but in practice, the new Ground 4A introduced for student accommodation,

cannot be used before 1 May, meaning the earliest date possession can be obtained is 31 August 2026. Miss the window and recovery becomes materially harder, with potential void and income risk.

*Note: this mechanism is only available to operators with current membership of an approved student accommodation code of practice.*

### Now what?

For large portfolios, 31 days is commercially tight. Operators must already be mapping affected tenancies, validating live code membership, and preparing notices for day one. Those who act early protect summer operations; those who delay risk material disruption.

## 3. CODE MEMBERSHIP SHIFTS FROM BEST PRACTICE TO COMMERCIAL NECESSITY

### What?

Approved code membership is now a prerequisite, not a messaging tool.

### So what?

The PBSA exemption is not automatic. For private operators, eligibility depends on current membership of a government-approved code (ANUK/Unipol or UUK/GuildHE). Where that condition is met, qualifying PBSA lettings sit outside the

Act and retain fixed-term certainty. Where it is not met, the position reverses. Those lettings fall inside the Act and are subject to its full framework, including the abolition of fixed terms and restrictions on possession. In that scenario, operators also become subject to additional requirements that are irrelevant to exempt PBSA, such as limits on advance rent collection and participation in the new national landlord and property

database, with associated disclosure obligations in marketing material.

### Now what?

Code compliance now sits alongside planning and fire safety as a core diligence item. Operators must maintain (not just obtain) membership. Developers need compliant management structures baked in from day one. Investors and lenders should treat code status as non-negotiable.

## 4. PRESSURE ON PRIVATE STUDENT LANDLORDS STRENGTHENS PBSA DEMAND

### What?

The Renters' Rights Act heavily constrains the private student rental market.

### So what?

HMOs and private rented stock lose fixed terms and easy possession, increasing management burden at a time of higher

costs and thinner margins. For many landlords, this accelerates exit - a trend already underway.

### Now what?

Students displaced from the private sector could reallocate into PBSA. With structural undersupply already present in most major

university cities, PBSA benefits from rising demand against shrinking alternatives. The Act unintentionally reinforces PBSA's relative advantage.

## 5. A PERMANENT MARKET SPLIT – WITH FIRST MOVERS BEST POSITIONED

### What?

Student housing in England is now formally divided into two markets.

### So what?

From 1 May 2026, qualifying PBSA operates with clarity and certainty outside the Act, while the rest of the sector faces ongoing

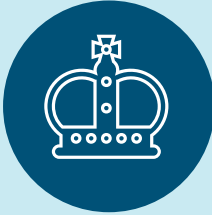




regulatory friction. This distinction is statutory and enduring, amplifying trends already visible in capital flows and operating professionalism.

### Now what?

Short-term execution matters: missing May 2026 deadlines carries real risk. Longer

term, the framework structurally favours compliant, institutional PBSA. Operators and investors who move early, lock in compliance, and are clear on where their portfolio sits within this new framework, the Renters' Rights Act is not simply a regulatory development – it is a genuine and durable market opportunity.

## Renters' Rights Act 2025: Implementation Timeline

28 OCTOBER 2025	1 MAY 2026	31 MAY 2026	31 JULY 2026	1 AUGUST 2026
				
<b>ROYAL ASSENT</b>	<b>COMMENCEMENT OF THE NEW REGIME</b>	<b>COMPLIANCE DEADLINE</b>	<b>SECTION 21 BACKSTOP</b>	<b>END OF TRANSITION</b>
The Act formally became law, confirming the government's intention to reform tenancy structures across England.	The assured tenancy system replaces assured shorthold tenancies (ASTs); the PBSA exemption becomes operational; most provisions of the Act come into force.	By the end of May, landlords and PBSA operators must complete key administrative steps required under the new framework.	Final opportunity to rely on legacy Section 21 notices issued under the pre-Act regime.	Any tenancy not resolved or properly aligned fully transitions into the new legal structure.

### PBSA – specific considerations:

Although PBSA is carved out from the core tenancy reforms introduced by the Renters' Rights Act 2025, it is not insulated from the timing and procedural demands of the transition. PBSA operators must ensure compliance with:

- The operational PBSA exemption from 1 May 2026
- Key administrative steps by the 31 May 2026 compliance deadline
- Transition requirements affecting existing tenancy structures through to 1 August 2026

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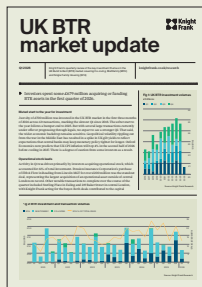


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