UK Student Market Update

Knight Frank

Q3 2026	Knight Frank's quarterly review of the key development and investment themes in the UK student property market	knightfrank.com/research

Investor sentiment remains positive, but volumes are subdued.

Investment market

UK PBSA investment has remained subdued through the first nine months of 2026. Just £422 million traded across 10 transactions in Q3, taking year-to-date investment to around £2.7 billion, materially below longer-term trends. The slowdown reflects friction over pricing and execution rather than an absence of demand. Capital remains available, but buyers are increasingly selective and the gap between vendor expectations and underwriting assumptions continues to prolong negotiations. Prime direct-let yields stand at 5.00% NIY in London and 5.75%-6.00% NIY in the regions. Marketing periods have lengthened, due diligence has deepened and greater conditionality is increasingly common. Appetite remains strongest for standing stock offering defensive entry points and opportunities to generate value-add returns, although fire-safety requirements, remediation works and a later leasing cycle continue to slow execution.

Standing stock dominates activity

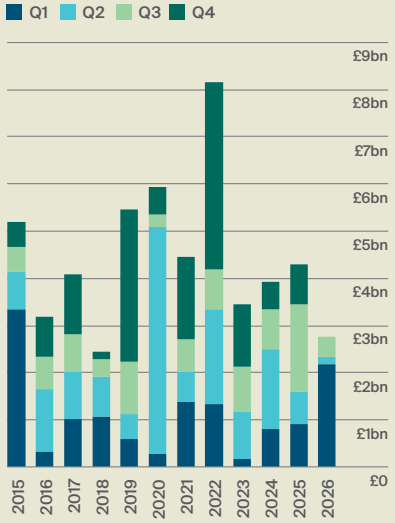
Operational stock remains at the heart of investor activity, with 27 confirmed deals in the first nine months of 2026. Buyers continue to favour established, income-producing assets that can perform from day one, particularly appropriately sized schemes of around 400-500 beds, with exposure to Russell Group universities and mid-market product capable of appealing to both domestic and international students. Pricing discipline remains critical. Investors are seeking defensive entry points, often below replacement cost, combined with opportunities to capture rental reversion or improve performance through active asset management. Portfolio activity, by contrast, has slowed sharply, with only two sales completing so far this year. Development activity also remains constrained. Nine land transactions and four forward fundings were recorded over the year-to-date, with planning, viability and Gateway 2 continuing to weigh on delivery. While the Building Safety Regulator process is becoming more predictable, regulatory timelines remain longer than previously anticipated. Combined with elevated build and financing costs, this is concentrating new development in the strongest university markets where rents and demand can support higher delivery costs.

Early admissions data points to softer start

The first UCAS figures for the 2027 admissions cycle point to a softer start. The October cut is for Medicine, Dentistry, Veterinary Medicine, Veterinary Science and all undergraduate courses at University of Oxford and University of Cambridge. Some 76,600 applicants had applied by the 15 October deadline, 3.2% fewer than a year earlier. Applications from UK 18-year-olds fell 4.9% from last year's record, although applications from UK 19-year-olds increased by 16%. International demand warrants particular attention. Undergraduate applications from overseas

Fig 1: PBSA investment volumes

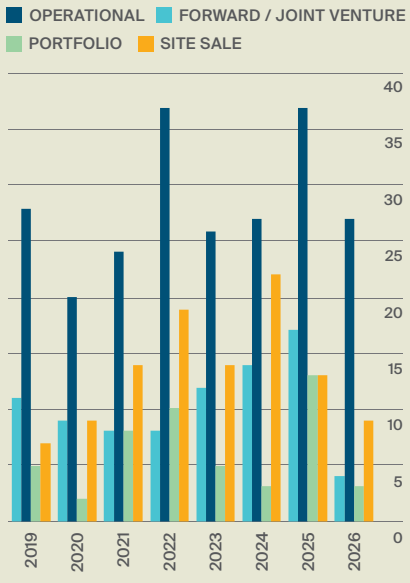
Quarterly



Source: Knight Frank Research

Fig 2: PBSA investment by type

Number of deals



Source: Knight Frank Research

students were down 7.3% year-on-year, from 24,350 to 22,560. China remained the largest international market, although applications fell by 520 year-on-year to 5,230, while applications from the US fell 16.4% and Singapore declined 7.2%. It is, however, far too early to draw firm conclusions about the 2027 intake. The October deadline typically represents only around 10% of applications received across the full cycle. The main equal consideration deadline is not until 13 January 2027, making the next release a more meaningful test of the outlook for student numbers and international demand.

Rental growth continues to normalise

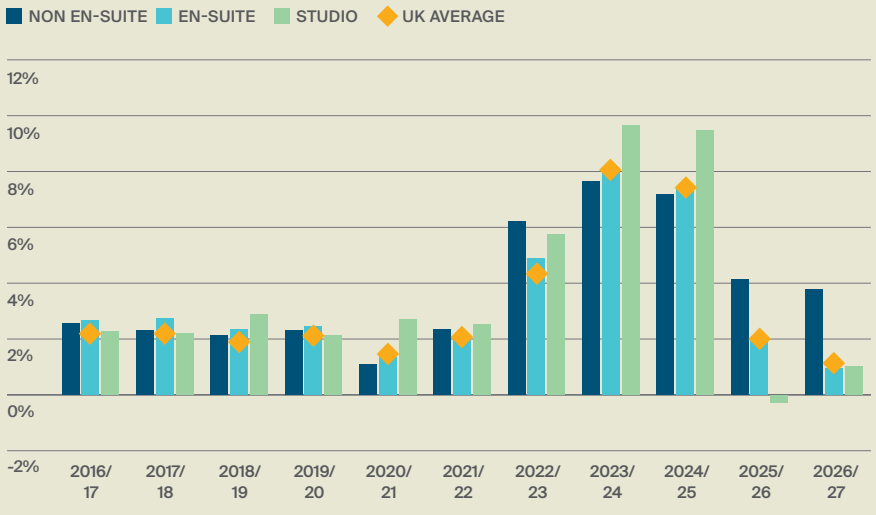
Rental growth has continued to moderate. Knight Frank's Student Property Rental Index shows average growth across all room types of 1.5% for 2026/27, down from 2.3% a year earlier and well below the recent peak of 8.3% in 2023/24. The slowdown reflects a more price-sensitive student population and increasingly competitive leasing conditions. Performance is also becoming more divergent. University-operated accommodation recorded rental growth of 4.3%, compared with a 0.7% decline across private direct-let PBSA, with university stock outperforming private accommodation in 80% of markets. Of the 77 locations covered by the index, 28 recorded rental growth above CPI of 3.1%, while 32 saw growth below 3% and 17 recorded falling rents. Some previously weaker markets, including Coventry, returned to modest growth, suggesting that repricing over the last few cycles is beginning to have an impact.

European students could provide a demand tailwind

One potentially important development for the medium-term outlook is renewed discussion around the treatment of EU students. The Government is reportedly considering allowing EU students access to lower UK university tuition fees as part of negotiations ahead of the UK-EU summit on 20 November, although no agreement has yet been reached. Since Brexit, most new EU students have been treated as international students for fee purposes, materially increasing the cost of studying in the UK. Any meaningful narrowing of the gap between domestic and EU fees could therefore improve the UK's competitiveness in attracting European students. For PBSA, the impact will depend on the eventual design of any agreement, but lower fees could help reopen an important source of demand at a time when universities are competing more aggressively for internationally mobile students. The benefits are unlikely to be evenly distributed. Highly ranked institutions with established international reputations are likely to be best placed to capture additional demand.

Fig 5: Headline PBSA rental growth moderates

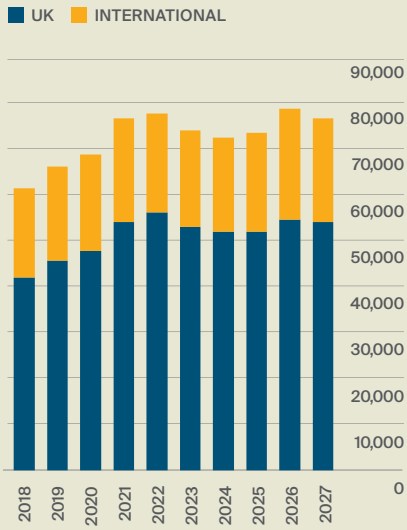
Annual % change



Source: Knight Frank Research

Fig 3: Applicants at the UCAS October Deadline

Split by domestic and international

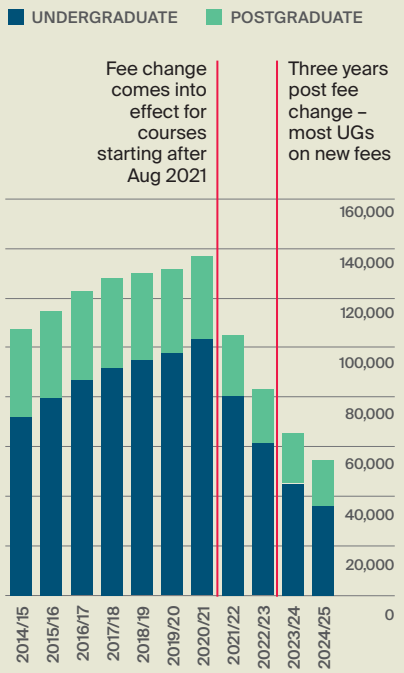


Source: Knight Frank Research, UCAS

"Knight Frank's Student Property Rental Index shows average growth across all room types of 1.5% for 2026/27."

Fig 4: EU students studying in the UK over time

Full time students



Source: Knight Frank Research

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We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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