



JAMES PULLAN
Head of Student Property

“We expect the market will increasingly be driven by the REITs and pension funds as economies of scale assist these institutional buyers to create increasingly large portfolios with efficiencies of operation, branding and marketing.”

Key facts 2017

A total of £3.1 billion was invested in the UK student accommodation market in 2016

Portfolio acquisitions accounted for around 60% of the total investment

Funds invested around £1.4bn into the sector over the course of the year

A key challenge for investors in 2017 will be stock availability

INTERNATIONAL EQUITY TO DOMINATE 2017 INVESTMENT

There is competitive market tension for prime operational assets with aggressive bidding from North American private equity firms and institutions in particular

Some £3.1 billion was invested in the UK Purpose Built Student Accommodation (PBSA) market in 2016, more than double the levels seen in 2013 and 2014.

Whilst total spend last year was lower than the record of £5.1bn seen in 2015, it demonstrates that demand for PBSA remains strong. Investment in 2015 was augmented by a number of exceptional deals on large portfolios made by new entrants to the market.

New investors are continuing to enter the sector and much of the activity last year has been a result of the continued trend for portfolio acquisitions. The data shows that, of the deals concluded in 2016, portfolios represented around 60% of the total.

The biggest single transaction was by Singaporean real estate fund Mapletree which made its first foray into the sector following its acquisition of the Ardent Portfolio for £417m.

Other key transactions in 2016 included Brookfield Property Partner’s acquisition of The Rose Portfolio and Global Student Accommodation’s purchase of the ThreeSixty Portfolio (formerly Knightsbridge). Notably all of the five largest deals were done by

overseas investors with a combined £1.49bn of investment.

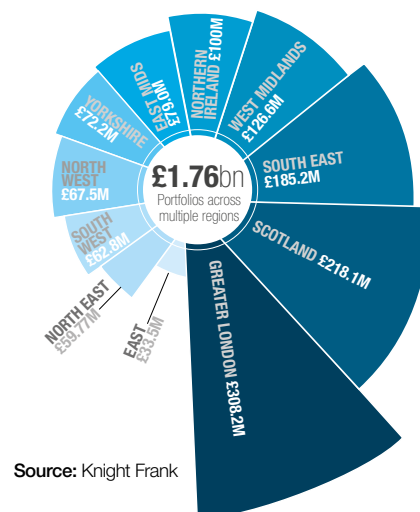
Funds were the most active investors in the sector over the course of the year investing around £1.4bn on 20 transactions, a figure which accounted for 47% of total investment. Private equity firms accounted for 24% of the total spend, with institutional investment marking up a further 12%.

REITs, such as GCP Student Living and Empiric Student Property, were also active over the course of the year following on from a busy 2015, driving just around £325m of investment, mainly for single-asset deals.

We expect that the market will continue to be driven by bulk purchases as new entrants and existing investors look to consolidate and acquire additional scale.

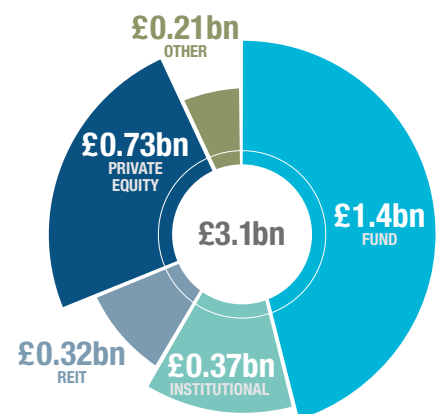
Forward funding of new developments by investors is an established feature of the market. Such deals trade at a discount to existing investment stock. This allows new developments to take place, although it is still only a small share of the market. As such, we expect a key challenge for 2017 will be the viability of secondary forward funding locations.

FIGURE 1
Total value of investment by region, 2016



Source: Knight Frank

FIGURE 2
Investment volumes by purchaser types, 2016



Source: Knight Frank

FUND	PRIVATE EQUITY	INSTITUTIONAL	REIT	
MOST ACTIVE INVESTORS	MOST ACTIVE INVESTORS	MOST ACTIVE INVESTORS	MOST ACTIVE INVESTORS	
Mapletree	Brookfield	Aviva Investors UK	Empiric Student Property	1
Global Student Accommodation	Hines	Legal & General	GCP	2
Arlington Investors	Apache	Liberty Living	N/A	3

Source: Knight Frank

Investment volumes by purchaser nationality, 2016

	Proportion of investment deals	Total value of investments
US	15%	£1.00bn
UK	56%	£0.93bn
Singapore	3%	£0.46bn
Middle East	5%	£0.42bn
Canadian	1%	£0.05bn
Hong Kong	1%	£0.02bn
Other	19%	£0.19bn
Total		£3.1bn

Source: Knight Frank

Spread of investment activity, 2016

Date	Proportion of total investment
Q1	39%
Q2	15%
Q3	34%
Q4	12%

Source: RCA

Average price per bed, 2016

Greater London	£144,112	Scotland	£65,547
North East	£112,948	Northern Ireland	£60,120
South West	£112,693	East Anglia	£56,800
South East	£110,550	North West	£52,395
East Midlands	£95,310	West Midlands	£29,933
Yorkshire	£74,247	UK average	£84,457

Source: Knight Frank

STUDENT DEVELOPMENT

James Pullan

Head of Student Property
+44 20 7861 5422
james.pullan@knightfrank.com

James Woolley

Valuations and Research
+44 20 7861 5448
james.woolley@knightfrank.com



Important Notice

© Knight Frank LLP 2017 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.