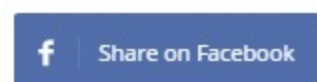


Student property investment enjoys second biggest year

By **Ivan Radford** - January 17, 2017



Student property had its second biggest year on record in 2016, with the sector on course for a total investment of £3.1 billion.

New research from Cushman & Wakefield shows that demand for student accommodation remains strong in the UK, with 1.7 million people now studying full-time, up 0.4 per cent from the previous year. At the start of 2017, therefore, the student property sector is bullish about its stability.

With over £1bn of potential investments currently queued for sale, Mike Mitchell, Partner in Cushman & Wakefield's Student Residential Investment team, predicts that 2017 will "undoubtedly" be another strong year for transactions, with investors – particularly those from overseas – increasingly turning to alternative assets, such as student accommodation, in search of returns unavailable elsewhere.

"The Brexit vote is by no means all about uncertainty; on the contrary, investors in student property will come to appreciate just how stable the sector is," agrees Magdalena Pecheanu, Marketing Manager at **Emerging Property**.

The sector has already proven that it is counter-cyclical during times of economic instability, as the global financial crisis had no negative effect upon the proportion of young people attending university. The UK's exit from the EU is expected to be no different, with any immediate weakness in the pound only making the country more affordable to overseas students.

"When we leave the EU, it won't affect non-EU overseas students who already need a visa," adds Magdalena. "As for EU students, they only represent 5 per cent of the UK student body. But those who do want to come will have to go through the usual application procedures; a visa will just be another form among many and really shouldn't put anybody off a British university education.

"With no limit on the number of students being taken in by UK universities since 2015, all of this indicates that numbers are set to continue growing."

At its heart, meanwhile, the student accommodation sector continues to be powered by a fundamental imbalance between supply and demand.

Despite intensive development in some areas, the ratio of students seeking a purpose-built bed has increased, reveals Cushman & Wakefield's data, with the national student-to-bed ratio climbing from an average of 2.1 to 2.3 students per bed space.

With demand outstripping supply, rents have risen by an average of 2.7 per cent, a trend that experts expect to continue in the coming year.

"The historical demand for a British education shows no signs whatsoever of easing up. New student numbers hit record levels in the UK in 2016 for the fourth year in a row – and this included a sizeable increase in those coming from the continent," say Emerging Property.

With the UK the second most popular university destination after the US, the company argue that the demand "isn't going to be satisfied anywhere else".

Of course, supply levels differ across the country; one noteworthy trend in 2016 was the shift in focus of investment activity away from oversaturated major cities such as London into key undersupplied regional cities.

"On top of this, the wider housing shortage is still growing, and further attempts by the government to free up residential homes for families – and not students – is highlighting the necessity for purpose built alternatives in the sector," adds Ms. Pecheanu.

At the same time, **the growing headwinds facing buy-to-let** may well drive more investors from that sector into student property.

Emerging Property say they has already seen a "large number" of experienced buy-to-let investors getting in touch to discuss Purpose Built Student Accommodation.

"We expect this to continue into 2017," they conclude.