

PBSA a resilient play but only for those who can deliver



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Few sectors in UK real estate have demonstrated the resilience, adaptability, and sustained investor confidence of Purpose-Built Student Accommodation (PBSA) as of late. Despite economic headwinds—rising construction costs and a higher cost of capital,—the sector’s fundamentals remain compelling. Transaction volumes reached approximately £3.5bn in 2024, a 13% year-on-year increase (Savills), reinforcing investor interest.

However, success in this sector is far from guaranteed. The increasing professionalisation of PBSA gives those with deep experience a unique advantage. Those who misjudge local dynamics, underestimate planning hurdles, or fail to deliver a best-in-class operational experience will quickly fall behind. The question isn’t whether capital is still flowing, but where the next opportunities lie.

Market dynamics show conflicting pressures but strong fundamentals

PBSA investment is currently shaped by two opposing forces. On one hand, planning complexities, new building safety regulations, inflation, and higher capital costs have made development viability more challenging. On the other, persistent demand and a shortage of quality stock have strengthened the sector’s long-term investment case. Universities are struggling to house growing student populations, while

construction delays due to material cost inflation, labour shortages and new regulations, have further widened the supply gap. As a result, PBSA rental growth continues to outperform many other real estate sectors, reinforcing its reputation as a defensive, high-yielding asset class.

Shifting international student trends

If some headlines were to be believed, the UK’s international student boom is over. The reality, however, is more nuanced. International applications have actually risen by 2.7%, from 115,730 in 2024 to 118,800 in 2025.

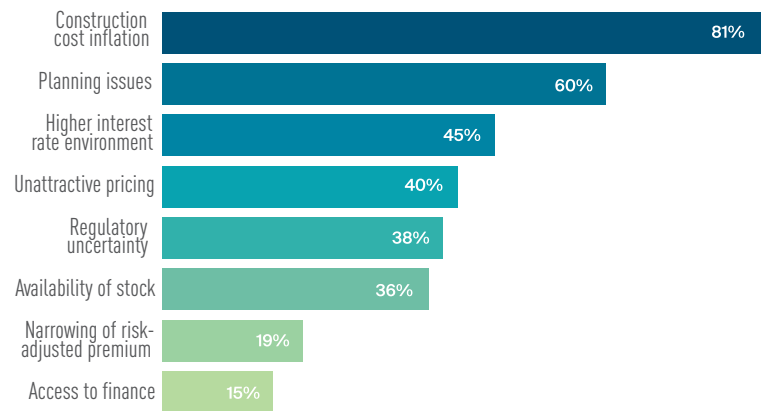
Meanwhile, policy shifts in Canada and Australia could further benefit the UK. Canada plans to cut study permits by 10% in 2025 (Reuters), while Australia has proposed capping international enrolments at 270,000—a plan facing political hurdles (The Guardian).

At the same time, the UK government has reaffirmed its commitment to attracting international students, recognising both their economic and cultural contributions. With restrictions tightening elsewhere, the UK could become an even more appealing destination.

Investment outlook focuses on best deployment of capital

Against this backdrop, developers continue to deploy capital into PBSA, not just due to demand fundamentals but also because of the sector’s relative predictability. Unlike many other real estate asset classes, student accommodation allows for annual repricing, ensuring rents keep pace with inflation. Moreover, PBSA’s defensive qualities—low correlation

What do you see as the key obstacles to the growth of Living Sectors? Respondents could select up to three



Source: Knight Frank Research

with broader real estate cycles, strong occupancy rates, and high barriers to entry—further enhance its appeal to investors.

With supply failing to meet demand, investment momentum is expected to continue into 2025. The market is unlikely to cool while students remain in bidding wars for substandard rooms and institutions scramble to secure additional beds. The key question is not whether to invest, but where capital should be deployed.

Future of PBSA investment depends on precision and the right operators

Success in PBSA demands precision, not blanket investment. The real advantage lies in targeting micro-markets where demand is strong, supply is constrained, and rental growth inevitable.

Experienced operators understand that student preferences vary—what suits an international postgraduate in London differs from a first-year in Coventry. The best balance affordability and quality, privacy and community, convenience and experience.

Top operators don’t just build; they create thriving student hubs, ensuring high occupancy, smart cost management, and seamless tech integration.

A major opportunity lies in ageing stock. Much of the pre-2012 PBSA sector is outdated, making asset revitalisation as critical as new development.

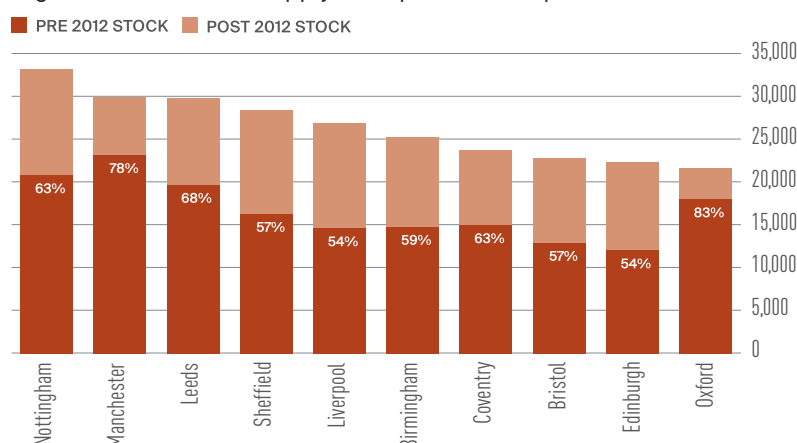
strong fundamentals alone don’t guarantee success. As the market matures, competition has intensified. While counter-cyclical demand, rental growth, and supply shortages make it compelling, only the most skilled operators will thrive. The best anticipate shifting demographics, evolving expectations, and deliver both quality accommodation and strong operations. Those who misread demand, underestimate planning and construction challenges under new BSR requirements, or fail to execute will struggle.

The opportunity remains significant. While other real estate sectors adapt to changing consumer behaviour, students will always need well-managed accommodation. The question isn’t whether PBSA is attractive—it’s who can capture the opportunity.

Navigating today’s landscape requires discipline. With elevated debt costs, securing sites at the right price, ensuring financial resilience, and structuring flexible deals are key to mitigating risk. Institutional capital is still flowing, but it follows those who execute—operators who understand demand, cost efficiencies, and sustainability.

The fundamentals are there, but execution separates success from underperformance. Those who adapt to shifting market conditions, anticipate student preferences, and take a forensic approach will capitalise on PBSA’s continued evolution.

Two tier supply market Regional cities PBSA supply built pre-2012 vs post 2012



Source: Knight Frank Research

A sector with strong fundamentals but high competition

PBSA is one of the UK’s most attractive real estate sectors, but

