JLL anticipates investment volumes to reach £2.5bn for PBSA (Purpose built student accommodation) market this year and a rebound in 2024

2 years ago

JLL’s research forecasts full-year volumes for the PBSA sector will reach circa £2.5bn for 2023, reflecting a 30% decrease compared to the record-breaking year of 2022.

This can be largely attributed to the wider economic context, with interest rates rising from 1.75% to 5.25% across the past year which has spurred a more cautious investment market.

Despite muted volumes, in its latest event ‘Back to Uni – the year ahead’ which provided insights into the current state and future trajectory of the living/PBSA sector, JLL revealed that investor sentiment for the sector is strong. In JLL’s latest investor survey carried out in July, 41% of investors considered it the most resilient sector, exhibiting an increase from 30% in the January survey.

However, there has been a shift in expectations regarding the timing of recovery. The majority of respondents now anticipate a recovery in the second half of 2024, compared to the initial projection of the second half of 2023. The delay in recovery could be attributed to the expectation of lower real estate pricing over the next 12 months in generally although the PBSA sector is well-positioned well to limit declines in capital values.

Undoubtedly, the sector’s resilience, growing demand, strong occupancy rates, and potential for rental growth have contributed to the bolstered investor sentiment for PBSA.

Research has also revealed that whilst yields across all sectors have witnessed a softening from the peak rates of 2022, the living sectors, including PBSA, have demonstrated more resilience than traditional 'core' sectors. Ultimately, the determination of pricing lies in the intersection between the seller's expectations and the buyer's affordability. It is estimated that yields have shifted by approximately 100 basis points from peak pricing.

Huw Forrest, Head of UK Student Housing – Living Capital Markets at JLL said, "While the economic environment is very challenging, investor sentiment remains positive and the PBSA sector upholds itself as a resilient market and deals are happening. With rental growth forecasted to be 5% or more in the coming years, available stock at sensible pricing and a relatively less competitive buyer pool, now is an opportune time for cash buyers or those who can consider delaying finance to invest. We expect a far more competitive pool of buyers next year as the market reacts to what is hopefully the peak of interest rates and the confidence that will bring."