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CBRE reports positive total returns for purpose built student accommodation (PBSA) despite market challenges

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Global real estate advisor, CBRE, has released its Purpose-Built Student Accommodation (PBSA) Index reporting on the current state of the market.

The CBRE PBSA Index found total returns of 3.4%, while capital values fell by 2.0% over the twelve months to September. Income returns of 5.4% ensured that total returns remained positive, albeit at a lower level than in the previous year.

Student occupancy levels were lower this year, causing net income to decline by 1.6%, while there was a small increase in yields. As a result, capital values declined this year after four consecutive years of increases.

Performance varied markedly between locations. Assets in super prime markets saw capital values rise by 2.8%, contributing to total returns of 8.0%. In contrast London assets saw values fall by 0.8%, while assets in prime regional markets saw values fall 3.8% year-on-year.

> Tim Pankhurst (pictured), Executive Director, CBRE, Living Valuation & Advisory Services, said: “Total returns have softened as rental growth normalises post-COVID. Local supply-demand imbalances are impacting rent and occupancy in certain cities, which has skewed the overall index result. At the same time, the yield gap between ‘unicorn’ best-in-class assets and the wider market has widened, as core investors continue to require increasingly stringent criteria, particularly with regard to fire safety. This shift has placed further

downward pressure on capital values, contributing to a low total return for the index sample in 2025."

Oli Buckland, Executive Director, Living Capital Markets, CBRE, said: "Occupancy trends for this year's student intake have been multi-faceted. As operators release 26/27 rate cards imminently, many are refining their marketing strategies in some assets to boost occupancy and then return to pre-pandemic rental growth.

"Top-tier assets maintain strong net initial yields, widening the gap between 'brown' and 'clean and green' properties as sector-agnostic core capital seeks the strongest sustainability and ESG credentials in Living assets when seeking portfolio diversification. Those targeting higher returns are actively engaged in repositioning strategies, to varying degrees, which is where we see the highest liquidity and greatest depth of market.

"For all investors, regardless of cost of capital, it's essential to understand the market's dynamics. There are opportunities to secure long-term cash flows at capital values often below build costs, let alone replacement cost, suggesting future total returns will compare well to other major markets going forward."