

Understanding application and enrolment trends is of vital importance for the accommodation sector given the implications for both current and future demand

Focus on: UK PBSA

Q1 2021

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The number of students applying to and accepting places at UK universities rose this academic year, though there remain differences between institutions and cities as the Higher Education market becomes increasingly competitive. These trends will have implications for demand for accommodation.

The latest data on student numbers makes for positive reading, despite the pandemic. Applications from international students were strong this academic cycle, while changing demographic trends are already demonstrating strengthening domestic demand. More than 728,000 students applied to start a full-time undergraduate course at UK universities for the 2020/21 academic year, according to the latest end of cycle applications data from UCAS. This was nearly 22,500 more applicants than the previous year and only the second year-on-year increase in applications in the last five years.

A record 41% of all 18 year olds in the UK applied for a full time

undergraduate course, while there was also an uptick in the number of applications from outside of the UK, which climbed 7.5% on 2019 levels.

In total, just over a fifth (21%) of all applicants in 2020/21 were from outside the UK.

Higher application volumes supported a rise in total acceptances, with the number of students enrolling on a university course up by 5.4%. The data suggests that initial fears of a downturn in enrolment – particularly from overseas as a result of campus closures – haven't transpired.

That said, a deeper dive into the figures shows stark differences in demand for places at universities in different cities, and across different groups and tiers of universities.

University applicants for 2020/21

up 3.2% year-on-year and only the second increase in applications in the last five years

AT A GLANCE...



41% of all 18-year olds in the UK applied for a full time undergrad course



13.2% year-on-year increase in enrolments at higher tier universities



8.4% year-on-year increase in the start of the 2021/2022 cycle (applications for January deadline courses)



17.1% year-on-year increase in non-EU applicants for 2021/22 January deadline courses

728,000

"The latest applicant figures suggest that demand for UK higher education remains robust overall, but the fallout from a highly competitive enrolment process may create challenges in some markets if universities are unable to build their numbers back up"

MATT BOWEN, HEAD OF STUDENT PROPERTY RESEARCH

Continuing a trend which has been evident since 2012, enrolment across higher tariff universities (which traditionally require higher exam grades for entry) was up 13.2% on last year. By comparison, medium and lower tariff universities saw acceptances increase by 3.7% and 1.1% respectively.

It means that, longer term, while overall student numbers at lower tariff universities have remained flat since 2012, higher tariff institutions have seen numbers swell by 25% as students prioritise access to the highest quality courses available to them.

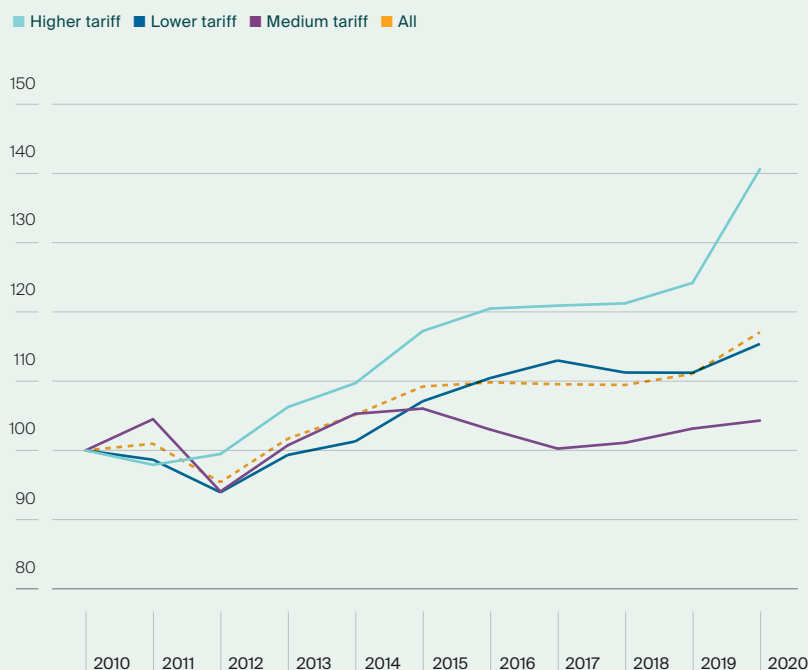
There was some notable outperformance recorded this year by certain universities regardless of tariff group. Leeds Trinity, for example, which sits in the lower tariff group, recorded a year-on-year increase in accepted applicants of 74%.

At a city level, Manchester saw an increase in enrolments of 16.8% across its universities. Birmingham, with five universities, recorded an increase of 7.2%. In Bath, with two universities, enrolments decreased by 5.5%, whilst in Coventry, they dropped by 24%, though this should be measured against an increase of 20% the previous year.

Some 53% of universities that reported a fall in enrolments also had a fall in the number of applications.

1 Accepted applicants by tariff group

Number of accepted applicants (Indexed, 100 = 2010)



Source: Knigh UCAS

A STRENGTHENING CASE FOR INVESTMENT

Student property has been a key performer in previous recessions because demand has proved to be counter cyclical. Applications increased by 30% in the period following the Global Financial Crisis, for example, with people using the time to upskill.

And while the current academic cycle continues to be a challenge for operators with most students unable to return to campus to start the spring term, future demand is likely to be underpinned by their response to the crisis. Knight Frank's Student Accommodation Survey 2021, undertaken in partnership with UCAS, suggests that operators of purpose built student accommodation (PBSA) have dealt better with the challenges that the pandemic has created than landlords in the wider rental market.

Some 69% of students living in purpose-built student accommodation (PBSA), either privately operated or university operated, were pleased with their provider's approach and handling of the pandemic. By comparison, just 25% of students living within house-shares rented from landlords in the wider private rented sector said the same.

The benefits of high-quality professionally managed accommodation have come to the fore across the pandemic and this will further help to underpin demand for purpose built student accommodation as student numbers increase.

25%

Higher tier institutions outperform

Since 2012, acceptances at higher tier universities have increased by 25%. Acceptances at lower tier institutions have been flat by comparison

2 Total student numbers and annual change in new student acceptances

By city

	Full time students	Average annual change 2017-19	Annual % change 2020
1 EXETER	22,947	5.1%	18.7%
2 MANCHESTER	65,434	0.5%	16.8%
3 SHEFFIELD	52,206	-4.3%	11.3%
4 LEEDS	57,851	2.1%	10.9%
5 SWANSEA	26,953	-6.6%	10.6%
6 LIVERPOOL	51,617	1.7%	10.1%
7 LONDON	284,159	1.5%	10.0%
8 EDINBURGH	56,230	-0.7%	9.1%
9 GLASGOW	61,736	1.0%	8.6%
10 BIRMINGHAM	69,810	1.6%	7.2%



	Full time students	Average annual change 2017-19	Annual % change 2020
11 NOTTINGHAM	59,397	8.0%	5.8%
12 CARDIFF	35,294	-1.5%	4.3%
13 SOUTHAMPTON	30,223	-6.6%	3.6%
14 NEWCASTLE	47,511	0.7%	2.9%
15 BRISTOL	46,398	5.7%	2.0%
16 BOURNEMOUTH	18,761	-0.6%	2.0%
17 PLYMOUTH	20,001	-5.2%	-0.5%
18 BATH	23,252	1.2%	-5.5%
19 BRIGHTON	33,915	-2.1%	-6.4%
20 COVENTRY	30,232	8.3%	-23.9%

Source: HESA, UCAS, Knight Frank Research

What next?

There are early indications that student demand will rise again for the 2021/22 academic year, with January deadline data pointing to an 8.4% increase in applications compared with at the same point in the previous cycle.

The rise is the highest comparable year-on-year increase since 2010 and was driven predominantly by an increase in UK applicants, which are 11.6% higher than last year. This rise coincides with an increase in the 18-year-old population in the UK, the first time in six academic cycles this has been the case. Assuming current levels

of participation continue, this will drive domestic demand, with UCAS predicting it will result in 90,000 additional UK applicants by 2025.

Looking beyond our shores,

17.1%

Global demand

Applications from non-EU students continue to rise according to UCAS data for the start of the 2021/2022 cycle (applications for January deadline courses)

applications from outside of the EU increased by 17.1%, driven by strong demand from the usual recruitment markets like China (+21.5%) and India (25.5%). Applicants from within the European Union were down by almost 40%, a factor which is likely a result of changes to fees in the wake of Brexit.

Overall, this means a slight downturn in international student applicants at this stage, though the overall growth in UK-domiciled applications and prospective students from outside of the EU gives much reason to be optimistic in the medium term.

INTERNATIONAL EDUCATION STRATEGY - 2021 UPDATE

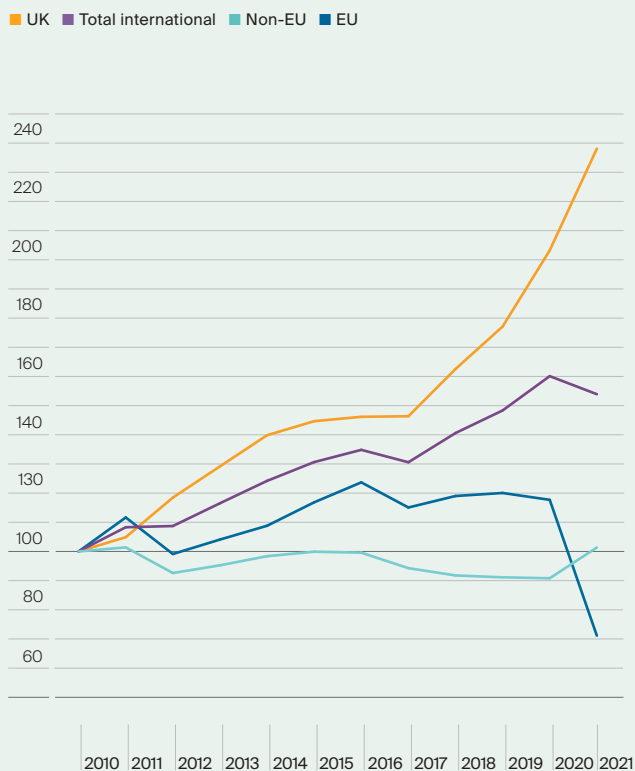
The UK government's commitment to increasing international student numbers and income generated from international education was reiterated in the 2021 update of its International Education Strategy. The update builds on the aim to increase international student numbers to 600,000 by 2030, and generate £35 billion through education exports (predominantly international tuition fees).

It also presents the Government's new Turing Scheme exchange programme, starting in September. The scheme will provide funding for around 35,000 students in universities, colleges and schools to go on placements overseas. Also included is the introduction of a new points-based immigration route.

International graduates have also been granted a period of 2 years (3 years if studying at PhD level) to stay in the UK to work, or look for work, after they have completed their degree in the UK. This positions the UK in line with the US and other destinations for international students, the impact of which is evident in the uptick in demand from both Chinese and Indian students who in the past have been more sensitive to the postgraduate opportunities available to them.

3 January deadline applicants by domicile

Applicants for September 2021 (Indexed, 100 = 2010)

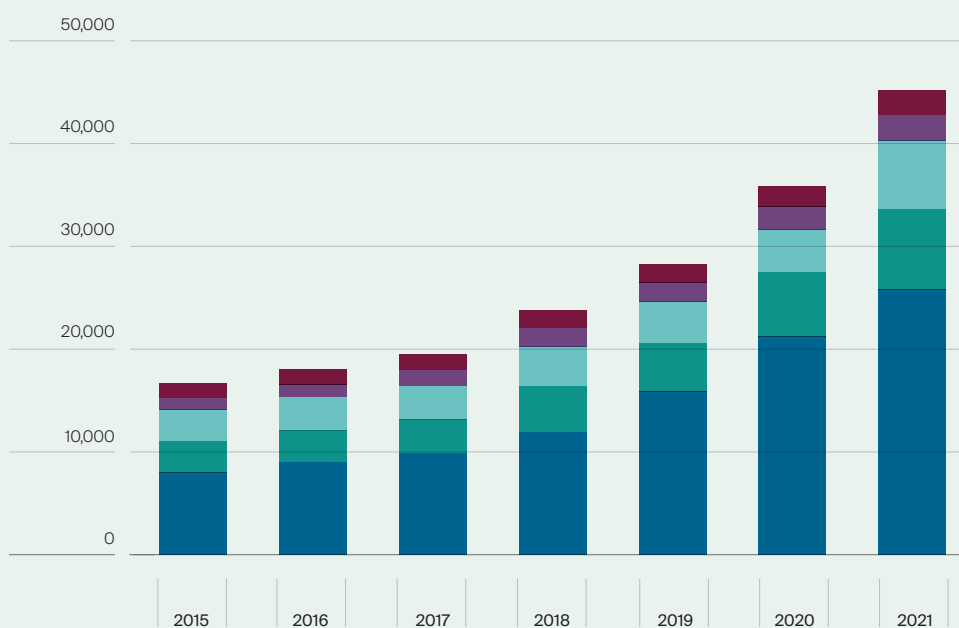


Source: UCAS

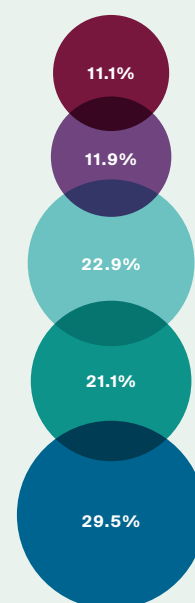
4 Chinese and Indian students on the rise

International applicants by country of domicile (selected countries)

■ China ■ India ■ United States of America ■ United Arab Emirates ■ Pakistan



Average annual increase
2019-2021



Source: UCAS

SECTOR VIEW



ALEX PEASE, CHIEF INVESTMENT OFFICER
WATKIN JONES

The UK's student accommodation sector has been through one of the toughest operational periods possible, but these figures match our view that the underlying dynamics looking forward are robust. Conversations with our stakeholders and investors remain very positive. Parties are looking past the pandemic and see student accommodation as a place for secure returns against a backdrop of wider uncertainty.

This positive outlook and commitment to the sector is supported by ongoing economic and demographic drivers, alongside the enduring desirability and strength of UK higher education. Importantly, the sector's continued growth is driven by both international and home students, deepening the market for

purpose-built accommodation.

We expect the acceleration of online learning to compliment rather than replace the social experience of university with community and social interaction a key attraction for students. Location as always is critical. Increased student numbers concentrated amongst higher tariff universities will further emphasize significant undersupply in these cities.

The popularity of individual schemes will remain reliant on good customer and operational insight translating into great design that anticipates resident's expectations. Tailoring the right balance between amenity provision and pricing is key in delivering successful communities, as is demonstrating value to wider local populations.

Post COVID the sector will potentially attract increased demand from second and third-year students, alongside postgraduates. More than ever, students and their parents are seeking safe, supportive and well managed accommodation, which provides a significant opportunity for PBSA to further demonstrate its value.

Across the whole Residential for Rent spectrum we are seeing a similar increase in recognition of the benefits and differentiation that purpose built and operated rental homes offer against traditional residential offerings. With a customer centric approach to design and management and a strong welfare and community focus, PBSA, Co-living and BTR are proving increasingly attractive to customers and investors alike.

Please get in touch with us

For further commentary on student property and other residential sectors please contact



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