

UK Student Market Update

Q2 2025

Knight Frank's quarterly review of the key development and investment themes in the UK student property market

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- Robust investment figures for H1 comes as the latest data paints a cautiously upbeat picture on the outlook for UK and international student numbers.

Investors shifting back to operational stock

Just shy of £830 million was invested in the UK purpose built student accommodation market in Q2, taking half year investment volumes to circa £1.6 billion. The six month total sits above the long run average of £1.1billion, reflecting a healthy first half of the year. Despite the healthy turnover achieved, the market has not been without its challenges; significant delays at the Building Safety Regulator as a result of Gateway 2, planning challenges and high build costs are all having an impact on land sales and forward fundings. As a result, appetite from investors has shifted to standing stock as a first preference. For these deals, fire safety is elongating deal times, while a later leasing cycle this year is contributing to a more cautious market particularly for stock in secondary locations. Prime assets in Russell Group cities, or assets and portfolios where investors can see a genuine value add opportunity continue to attract high levels of interest and strong bidding activity.

H2 to outpace H1?

There are several schemes and portfolios currently on the market or under offer, together totalling nearly £2 billion in value, which points to a much stronger second half of the year for investment. While investors are cautious, there is evidence of strong appetite for PBSA from investors with several new market entrants active so far in 2025 such as AustralianSuper and CVC DIF. While the outlook remains far from certain given recent weaker economic data, further falls in the cost of debt have the potential to shift the investment and funding landscape, particularly for global players. Financial markets are pricing in two further rate cuts in H2 2025 which will ensure debt margins for both operational assets and development finance become more competitive.

Applications up

The latest data on applications as at the June deadline from UCAS shows positive momentum on student numbers for the coming academic cycle. Overall applicant numbers are up by 1.3% compared with the same point last year, with particular growth from UK 18-year-olds (+2.2% year-on-year) and overseas students (+2.2%). While not all these applicants will convert into acceptances, the data is an early indication that some of the falls seen in the

Fig 1: UK PBSA investment volumes
Quarterly

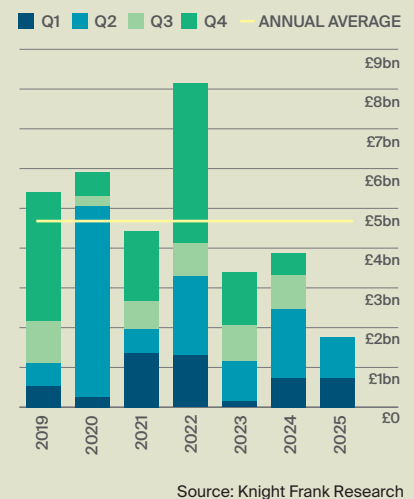
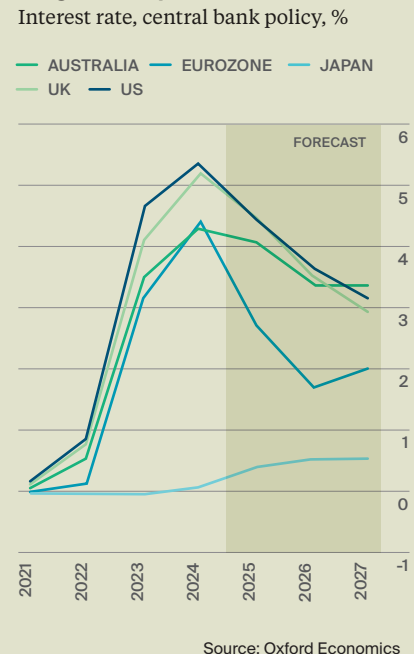


Fig 2: Deeper rate cuts expected for global capital
Interest rate, central bank policy, %



2024/25 cycle might be reversed. Applications from Chinese students as at the June deadline were up by nearly 10% year-on-year, with the US and Turkey also showing strong increases of 13.9% and 23.6% respectively. Only higher tariff universities saw an increase in non-EU applications (+7.4%), pointing to an ongoing flight to quality among international students.

Students aim high

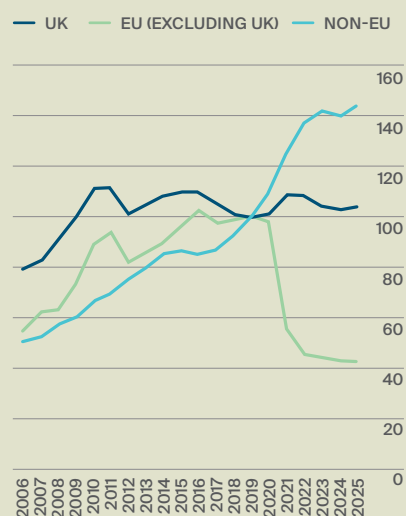
In total, higher tariff universities have seen 21% more applications for the upcoming academic cycle compared with pre-covid levels in 2019. Overall, they accounted for 44% of all applications, up from 40% back in 2019. Of these applications, higher tariff providers have offered places to more than 60% of applicants, up by nearly 7% over the last two years. By comparison, lower and medium tariff universities increased offers by around 4% over that same time, with the data suggesting that higher tariff universities are not only getting more applications, but they are also accepting more of them.

'Visa'ble improvements

There is no doubt that international student enrolment has become more volatile over the last two cycles, and proposals to reduce the graduate visa route from 24 months to 18 and to introduce a 6% levy on international student fees maintain an element of uncertainty over future numbers. However, the UK's neutral geopolitical positioning continues to offer a competitive advantage, particularly given the more hostile environment for international students in the US and elsewhere in the world. UK Home Office study visa data shows a 19.5% rise in applications so far this year (January-June) compared with the equivalent months in 2024. This is still below pre-visa change levels but suggests some recovery. The UK is already the second-largest destination for international students globally, and home to the second-highest number of top 100 universities. Short-term fluctuations in student numbers are inevitable, but the quality of UK institutions will continue to underpin demand for PBSA from international students.

Fig 3: Non-EU applicants have increased significantly in recent years

Indexed - 100 = 2019

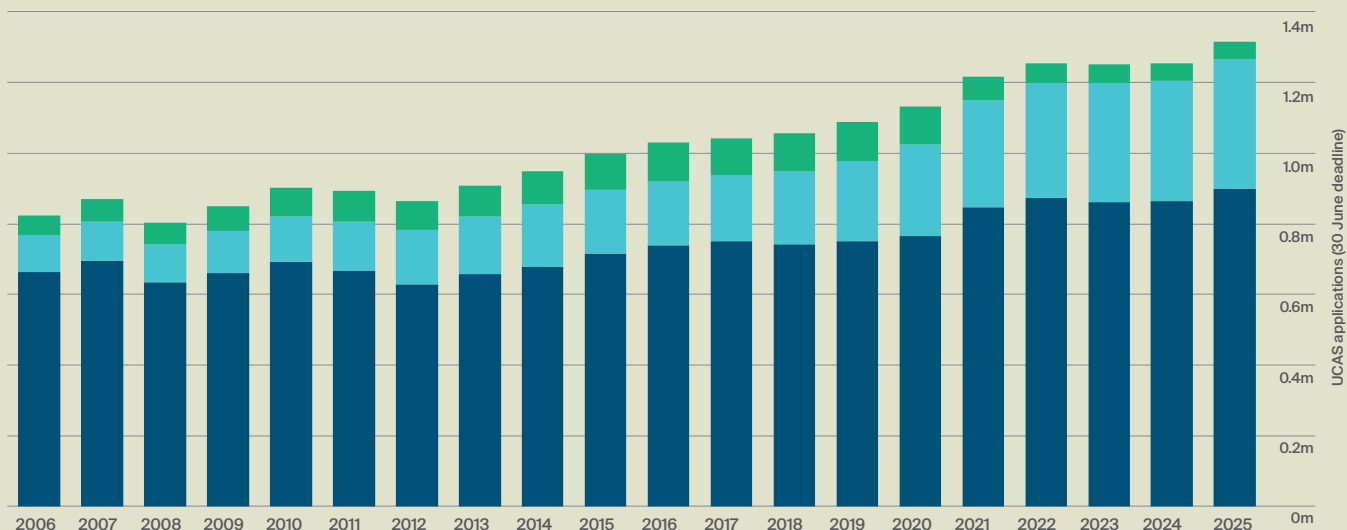


Source: Knight Frank Research, UCAS

“We are seeing a shift in applications towards higher tariff universities from both domestic and international students.”

Fig 4: Growing applications to higher tariff institutions

■ UK ■ NON-EU ■ EU (EXCLUDING UK)



Source: Knight Frank Research

“As build and financing costs ease – tender price inflation is forecast to fall back to just 2-3% per annum for 2023 and 2024 which will also ensure that more of the PBSA stock at permission stage will come forward as new starts.”

Supply remains a concern overall

Just 1,609 new student beds have been added to supply so far in 2025, with 17,802 expected to be delivered in time for the 2025/26 academic year. London, Nottingham and Leeds are expected to see the largest increases in supply over that time, but with less than 60,000 beds presently under construction across the UK, the misalignment between demand and supply remains. From a development perspective, the Building Safety Act (BSA) continues to be a blocker for new schemes across the country, with a number stuck at Gateway 2 checks, while concerns over development viability, driven by build cost inflation and the economic climate, are contributing to a slowdown in delivery, with some projects not proceeding from planning through to construction.

Measures to unblock the pipeline

There is a potential easing of some of these pressures on the horizon. Government reforms to the Building Safety Regulator – which include the introduction of a new fast track process to speed up decisions as well as better resourcing – should help unblock some schemes. As build and financing costs ease – tender price inflation is forecast to fall back to just 2-3% per annum for 2023 and 2024 which will also ensure that more of the PBSA stock at permission stage will come forward as new starts.

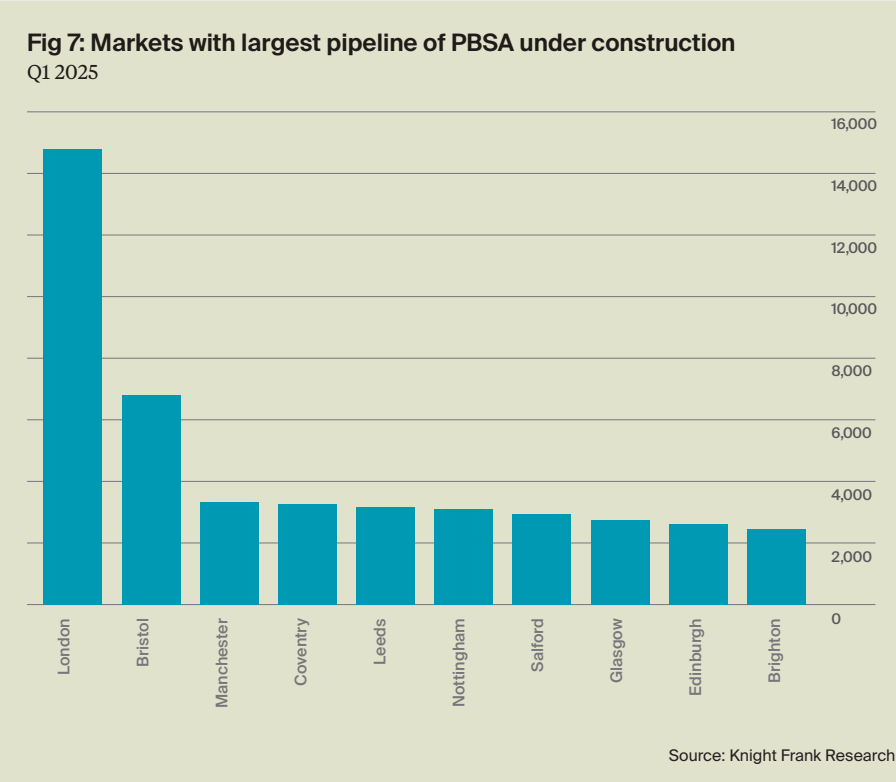
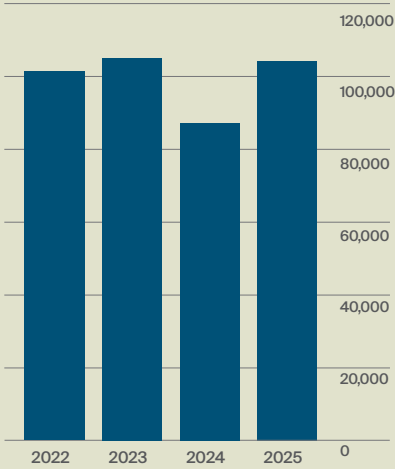


Fig 5: 2025 visa issuance is in line with recent highs

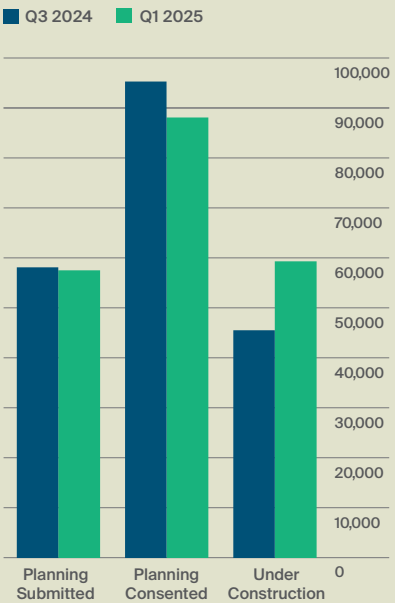
Main applicants to study in the UK in first six months



Source: Knight Frank Research, Home Office

“Just 1,609 new student beds have been added to supply so far in 2025, with 17,802 expected to be delivered in time for the 2025/26 academic year.”

Fig 6: Schemes are slowly moving through the planning cycle



Source: Knight Frank Research

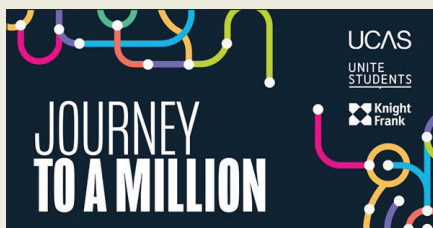
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