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PRESS RELEASE

Strong pipeline in the UK higher education and student accommodation construction markets

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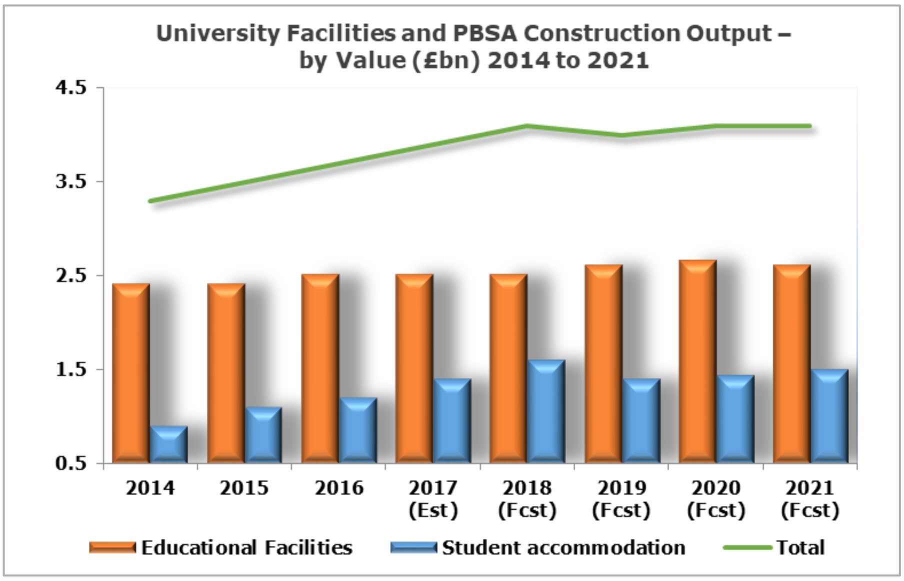

Source: AMA Research/Barbour-ABI/PBSA Operators

Total construction output in the higher education (HE) sector was estimated to be worth around £3.9bn in 2017, and this is forecast to rise as the market for university construction work steadily increases. Despite the increase in tuition fees, student numbers continue to expand in the higher education sector placing great pressure upon university teaching, research and residential infrastructure.

Investment continues to increase among UK universities as competition to attract students intensifies, and there is a buoyant pipeline of ongoing new work at a number of universities as part of major long-term development programmes. While these projects are at varying stages of development they indicate an upward trend in construction work in the HE sector and are expected to translate into a rise in output over the medium term. As such, the HE sector remains an important driver of construction activity and output.

The expansion in the number of students has also led to increased pressure on university residential accommodation. Only around 20% of students are currently catered for in university run halls and around one third of this accommodation was built before 1979 and in need of significant upgrading.

The shortfall in university owned accommodation continues to be met by commercial providers and the purpose-built student accommodation (PBSA). The PBSA sector has seen significant growth in recent years and commercially run student accommodation now accounts for over 50% of the market by value.

The regional student accommodation market has become very mature in places such as Aberdeen, Newcastle, Sheffield, Liverpool and Glasgow, where large numbers of beds have been added in recent years and where the pipeline of developments still remains strong. In these very mature market areas, any new development has to compete on price and quality.

Development prospects are stronger in prime markets such as Birmingham, Exeter, Oxford, Bristol, Manchester, Leeds and particularly Coventry, where strong demand together with rising student numbers alongside limited supply, make these cities attractive for new student development.

London is the most undersupplied area in the student property market and recent changes to the planning regime have made such development more difficult over recent years. The provision of university-managed accommodation has not kept pace with the growth in student numbers and London remains a key investment region for student accommodation driven by growing demand by overseas and postgraduate students.

Going forward, higher education sector workloads are expected to be boosted by key long-term capital building programmes announced by universities as they seek to invest in research, teaching and accommodation facilities, compete to attract the highest paying students and prepare for the challenges that lie ahead as a result of Brexit.

"The market for purpose built student accommodation (PBSA) has emerged as a key investment sector over the past decade, with a growing interest from investors, developers and private operators" said Keith Taylor, Director of AMA Research.

"With the main PBSA operators and developers indicating a significant forward pipeline of bed-spaces, the outlook for contractors in the sector remains buoyant, with around £5.5bn worth of contracts in the student accommodation sector estimated for the construction industry between 2018 and 2022."

However, rates of completion are expected to moderate after 2018, as the market matures in many areas and concern continues over the impact of Brexit on overseas student numbers. Rising build and site costs are also likely to continue to put pressure on developer margins and the trend for more affordable accommodation is likely to shape the forward PBSA pipeline.

The 'Construction in the Higher Education and Student Accommodation Sector - UK 2018-2022' report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

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