



Student accommodation impact report

How students' priorities can become
developer opportunities

octopus real estate
A brighter way

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Introduction

UK universities are recognised worldwide, continuing to attract domestic and international students. As a result, there is an overwhelming need for more purpose-built student accommodation (PBSA).

In 2018-19 the number of full-time students outweighed PBSA bed spaces by 3:1.¹ This brings huge potential for developers.

Predicted to be worth over £50 billion² this year, the sector is well researched on the investor and developer front, with a large body of analysis from think tanks, agents and law firms. However, changes are being driven by the attitudes of the end customer: students.

We believe it's crucial to understand what students want from PBSA. This report, focused on their needs, stems from research we commissioned through a survey of over 1,000 students aged 18 to 25. Participants currently attend, or have completed, an undergraduate degree at a British university.

The report highlights how important accommodation is to students, influencing their academic results and entire university experience. In turn, it highlights the opportunity for developers who can meet students' requirements.

Octopus Real Estate is an active lender in the PBSA market. We know it's still a relatively small part of the accommodation on offer in the UK, with estimates of around 30%.³ So, we're proud to champion the growth of this sector and the positive impact it has on students.

Gavin Eustace

Head of Residential Development
Octopus Real Estate



“Changes are being driven by the attitudes of the end customer: students.”



225-unit purpose-built student accommodation in Bristol City Centre, funded by a £16m Octopus Real Estate loan.

¹Knight Frank UK Student Housing - Development Pipeline, 2018-19.

²Knight Frank Student Property Report, 2018. ³UK Student Housing Update, Knight Frank, 2018-19.

Key findings



Better accommodation makes for higher grades

Many students are aware of the importance of high-quality accommodation in creating the right environment for studying and achieving their goals. Those who lived in PBSA are more likely to report top grades. Similarly, many post-graduates feel that they should have chosen different accommodation for higher results.

PBSA is best for student wellbeing

There's a link between quality of accommodation and university experience, and students know it. From their first to third year, students are more likely to be satisfied with their wellbeing, if they're living in PBSA, in comparison to halls of residence.

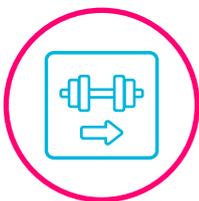


Students prioritise technology

Technology is a must, especially as our research shows it's directly related to results. Those who achieve top grades are more likely to have prioritised technology when choosing their accommodation. International students place great importance on it, while all rate technology in PBSA highly.

UK vs. international students: different priorities

With international students a key segment, their choices can't be ignored. From the outset, international students are more likely than British students to focus on accommodation when choosing a university, considering how it can affect their results. This continues to apply in each year of study.



Students will pay more for extra facilities

Crucially for developers, extra facilities are highly desirable to students. These range from a private bathroom, to their own cooking facilities, to access to a gym or swimming pool. Students are willing to pay more for these, indicating ongoing demand for better PBSA.



A lot of the interest in the sector is being driven by the fact that students today in that age group (18-25) have a more demanding vision of what they want to live in than previous generations of students.”

Andrew Jamieson, EREC Estates

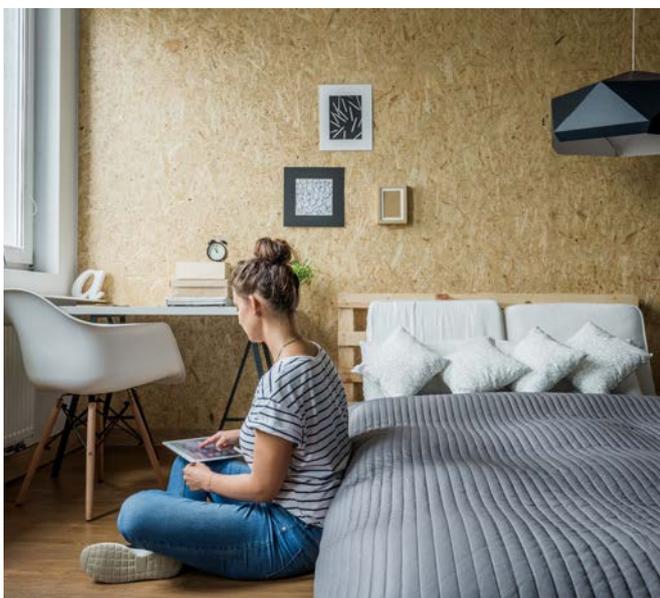
The opportunity for developers

It's clear that UK-based students recognise the role of PBSA in how much they enjoy university and how well they do in their degree. As a result they have very specific requirements when it comes to choosing where they live.

Students want space and privacy to study, a technology-enabled environment, and facilities that enhance their independence and wellbeing. Developers who can meet these requirements will be well placed to capitalise on student demand.



Purpose-built student accommodation in Ealing and Greenwich, funded by a £16m Octopus Real Estate loan. Ealing has 124 bed spaces and Greenwich has 33 en-suite apartments.



“

It's about students feeling comfortable in the space. We don't want them to see it as a space that they only spend year one in before they go somewhere else.”

Mark Jones, Development Director, Studio HIVE

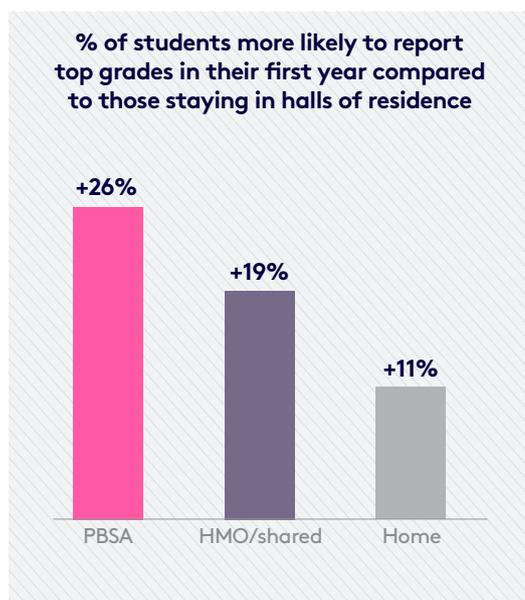
Better accommodation makes for higher grades

Students face uncertainty, including higher debt and a tough job market. The average student in England will graduate with debts of over £50,000.¹ As a result, many students have a strong focus on their final grade. They are also aware of the impact that accommodation can have on learning and results.

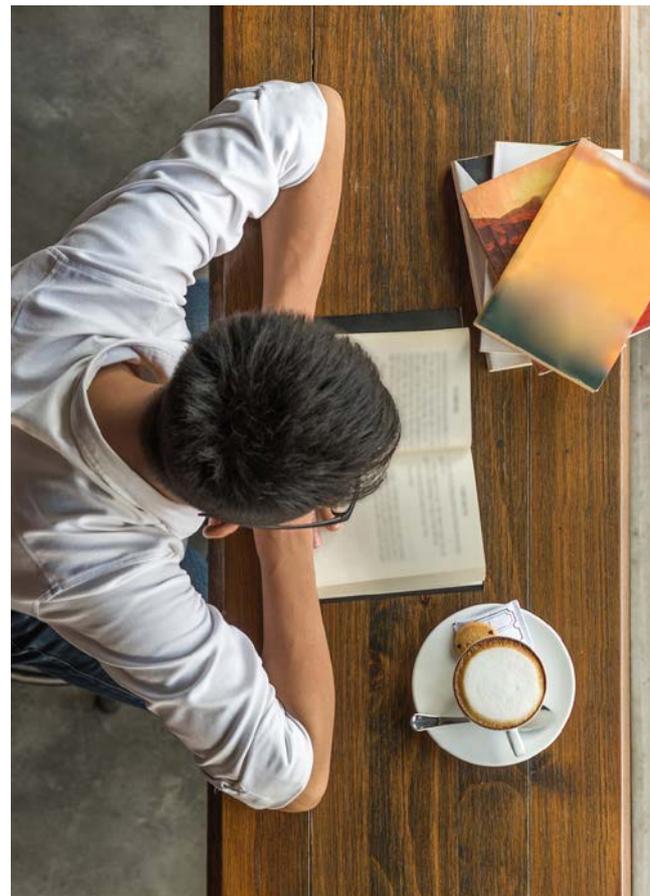
This leads to a strong link between PBSA and academic results.

Those in PBSA are 26% more likely to report top grades² in their first year of university, than those living in halls of residence.

This trend continues as students progress through each year of university.



6 in 10 students believe that “staying in different accommodation would have helped me achieve higher grades.”



“

We go to every effort to ensure that our students recognise that we are a great deal more than just a landlord... all of this support will lead to a more enjoyable experience and better grades.”

Andrew Jamieson, EREC Estates

¹Institute of Fiscal Studies, 2017.

²Students who received an average percentage score of 70% or over.

PBSA is best for student wellbeing

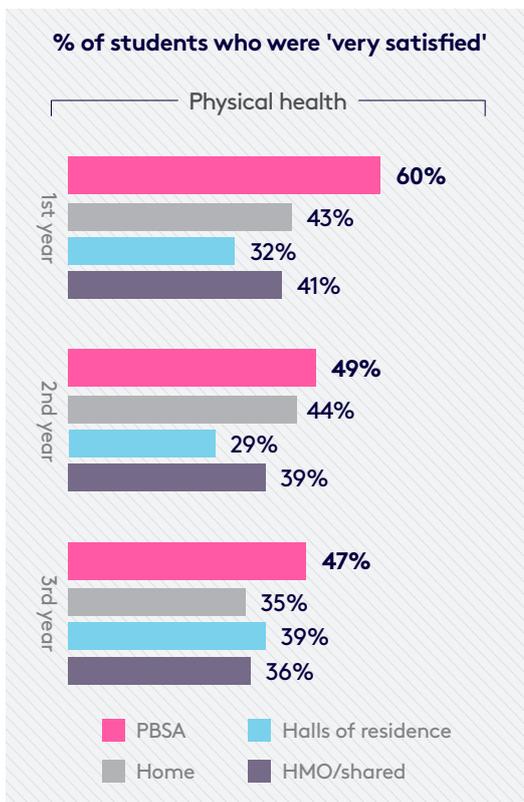
Student wellbeing forms part of the discussion around mental health in the UK, with a focus on this alongside degree results. Students are recognised as being vulnerable to isolation, facing life changes that bring social, academic and financial pressures.

A recent study into the UK academic experience reported low levels of satisfaction.¹ By students' own reckoning, whether starting their degree or being close to finals, accommodation affects happiness levels.

Good for physical health

Those living in PBSA in their first year are almost twice as likely to be 'very satisfied' with their physical health (60%), than those living in halls of residence (32%).

Throughout their stay, university students continue to be more satisfied with their physical health when living in PBSA than other accommodation options. Students are increasingly focusing on their physical health, suggesting more opportunities for gyms in PBSA.



“

Providers have to respond to the desires of students for not just much better facilities and amenities, but what I'd call life support services to support the whole student experience.”

Andrew Jamieson, EREC Estates

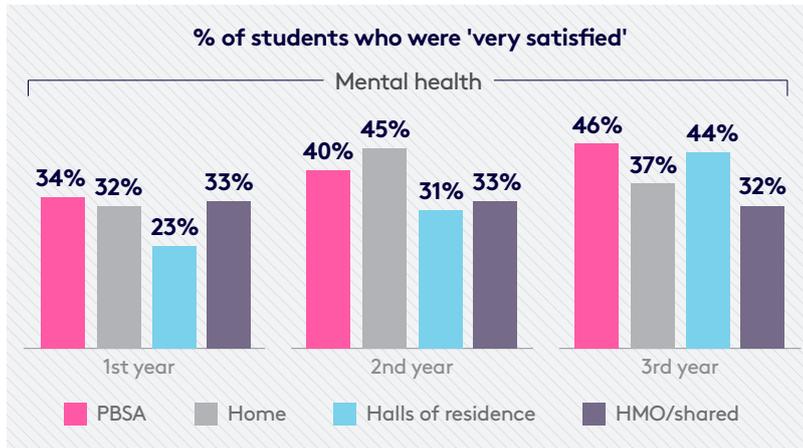


¹Student Academic Experience Survey 2019, Higher Education Policy Institute (Hepi) and Advance HE.

PBSA is best for student wellbeing

Good for mental health

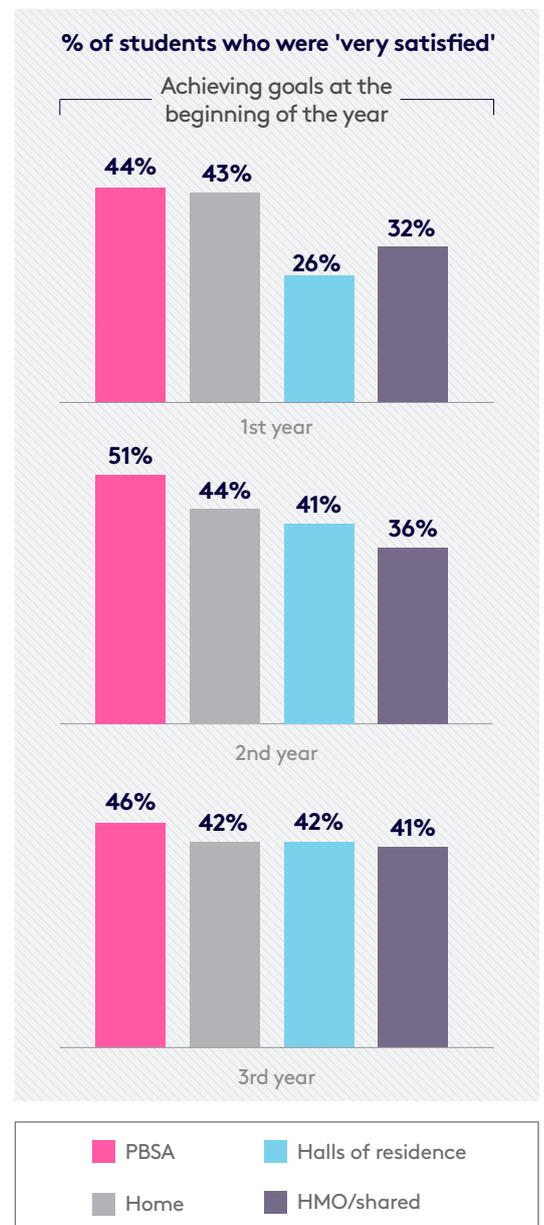
In the first year, they're also more likely to be 'very satisfied' with their mental health (**34%**), than those living in halls (**23%**). This trend continues throughout the years at university.



Good for personal goals

Similarly, **44%** are 'very satisfied' in 'achieving the personal goals set at the beginning of the year' – **18%** more than those living in halls.

Given the importance of this issue, developers of PBSA have an important role in delivering accommodation that aids wellbeing, and gives a rounded student experience.



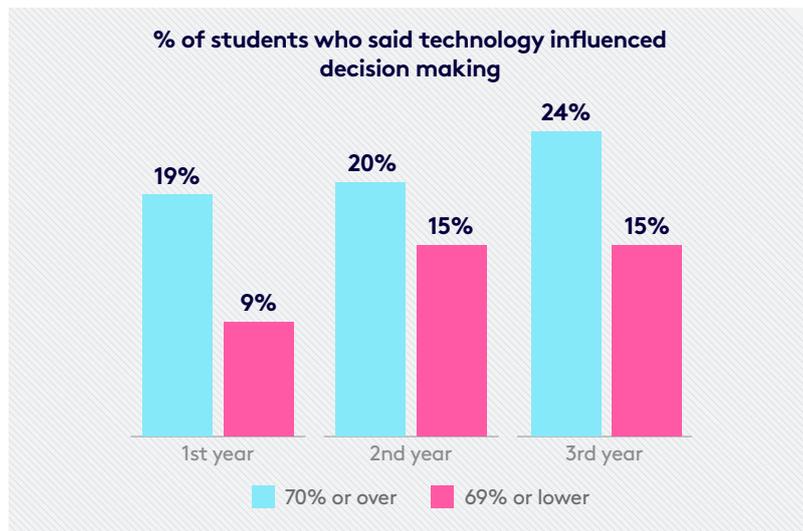
Students prioritise technology

Nearly everything we do is underpinned by technology. For Millennials and Generation Z, growing up with tablets and smart phones, its use is second nature. Technology has also transformed education, with students using online learning for convenience and different learning styles.

Better technology, better grades

In the first year, students who achieved top grades¹ are twice more likely to have prioritised the use of technology when choosing accommodation (**19%**), than those who achieved 69% in their grades or lower (**9%**). This trend continues in the second year.

Similarly, in the third year, those who achieved top grades were significantly more likely (**24%**) to prioritise technology in their accommodation than those who achieved 69% or lower (**15%**).



Aligned with this, students are demanding technology in accommodation.

“What hasn’t changed is that students want faster internet, a double bed and a high quality of service. They have an expectation of accommodation on a par with a hotel, as opposed to hostels that were available 20 years ago.”
Nick Lake, MCR Property



¹Students who received an average percentage score of 70% or over.

Students prioritise technology

Technology in PBSA comes out top

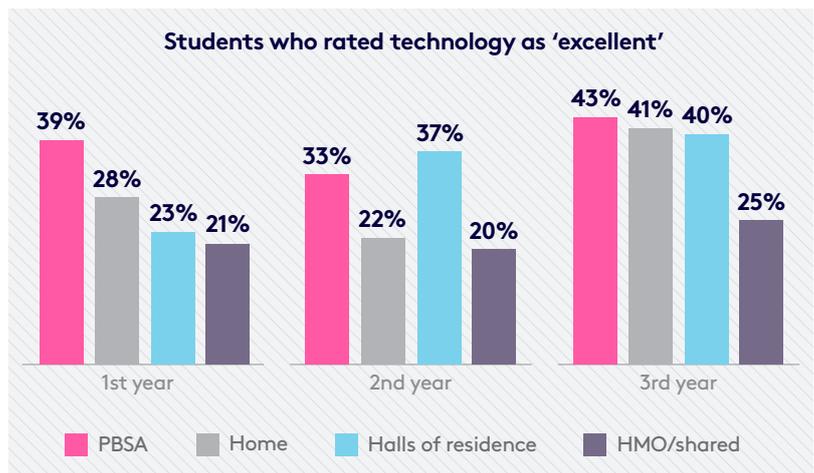
Technology in PBSA was rated as 'excellent' by **39%** of students living in PBSA in their first year, compared to less than a quarter (**23%**) in halls of residence.

In the second year, as more students face the decision of whether to move into PBSA or an HMO/shared house, the gap between alternative accommodation widens to almost double (**33%** compared to **20%** in an HMO/shared house), and increases for third year students (**43%** compared with **25%**).

Technology is key for international students

International students are more likely to prioritise technology (**20%**), than British students (**14%**). This includes being more likely to ensure accommodation has speedy and dependable WiFi/internet (**23%** compared to **15%**).

With technology being imperative for students, developers should make it part of project plans.



UK vs. international students: different priorities

The UK is the second most popular study destination worldwide. As of 2017/18, according to official international enrolment statistics, 458,490 international students were attending university in the UK.¹

With extra pressures and additional costs, international students take their studies seriously, reflected in their attitude to accommodation.

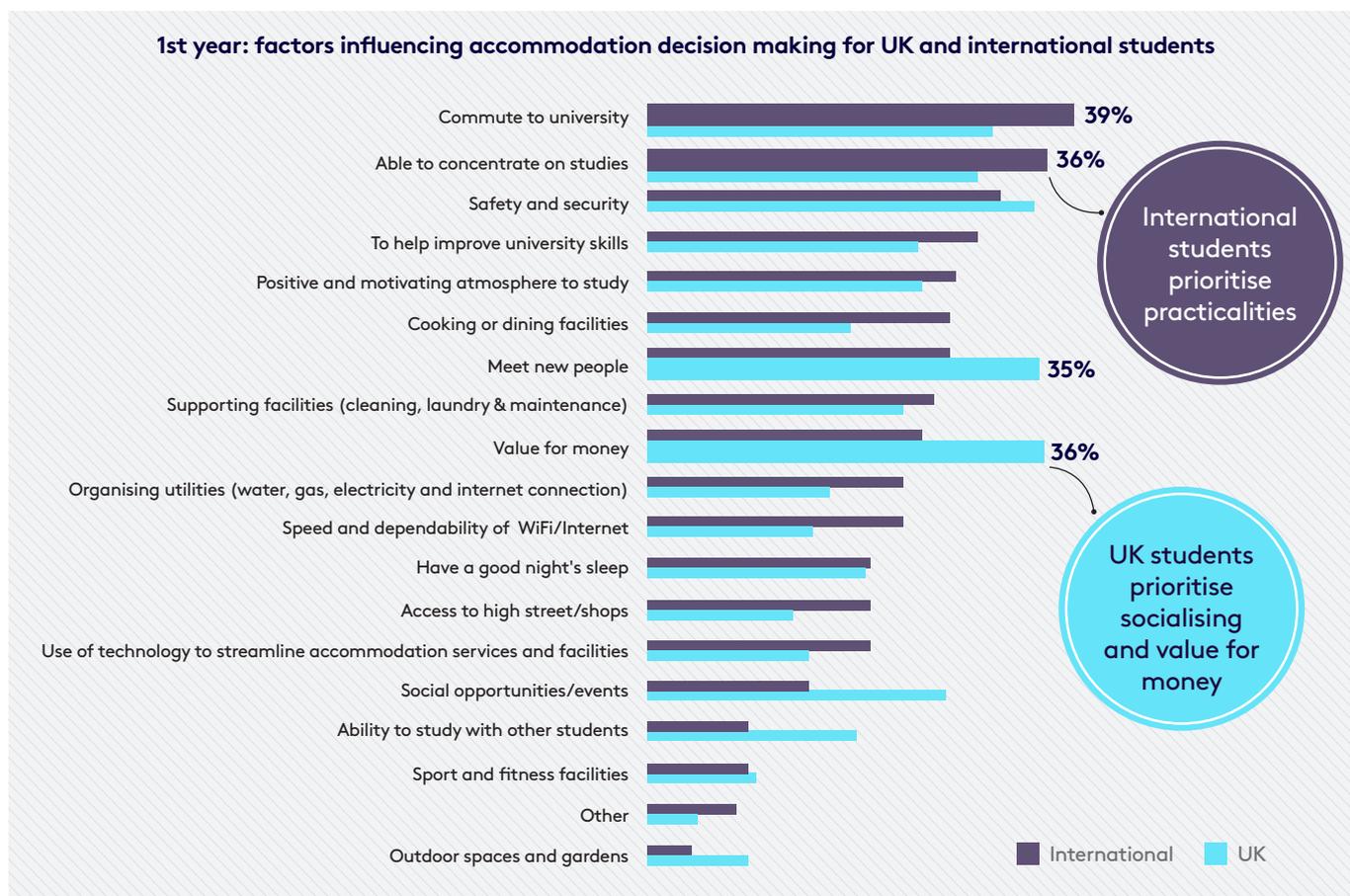
The challenge for developers of PBSA becomes clear when you look at the drivers behind students' accommodation decision making.

In short, in the first year, British students choose accommodation based on the ability to socialise: international students prioritise practicalities.



From the perspective of someone focused towards the international student, we spend a great deal of time ensuring their experience is a good one, as that is an increasingly important requirement.”

Andrew Jamieson, EREC Estates



¹Higher Education Student Statistics, 2017/18

UK vs. international students: different priorities

As international students move into the second year, they prioritise accommodation to help improve their grades.



With international students representing a significant proportion of the market, it pays for developers to heed their concerns and provide PBSA supporting academic goals.



Students will pay more for extra facilities

Students' tuition fees and living costs continue to be debated. Yet while most operate on a limited budget, many are willing to spend more on accommodation.

Research from Save the Student¹ found that one in two students say they struggle to pay rent, and that more than a third believe that money worries affect their studies.

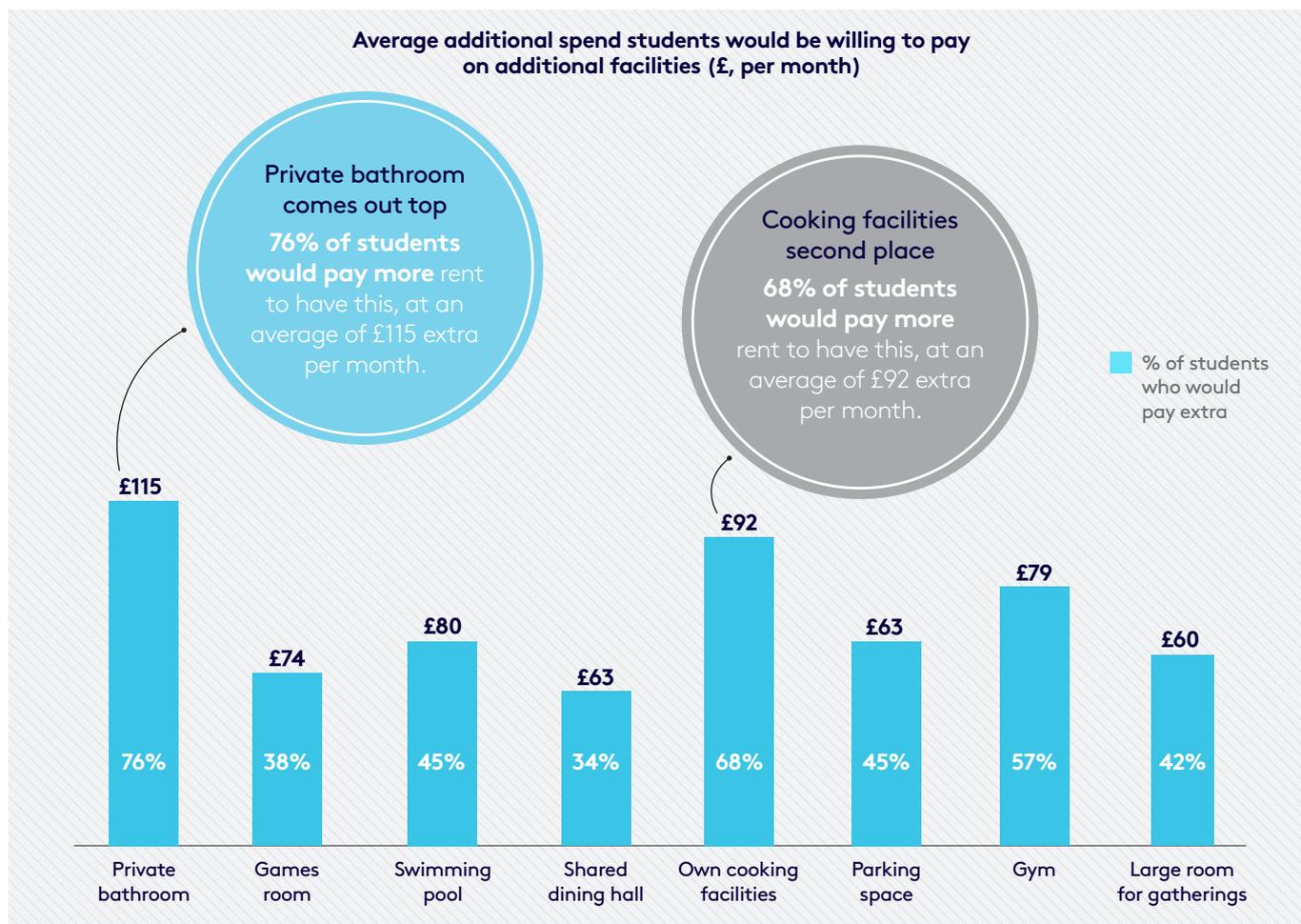
At the same time, there continues to be a significant number of students who would pay for extra facilities in their accommodation.

The appetite for these facilities gives room for developers to expand plans and deliver better, affordable PBSA to more students.



Providing something that isn't en-suite is becoming harder and harder to get away with. We are always staggered by what students are able to pay, getting really, really nice student accommodation for an extra £25 a week. They want something functional but good quality."

Nick Lake, MCR Property



¹National Student Accommodation Survey, Save the Student 2018.

Conclusion

This report has revealed that student accommodation has an impact on undergraduate performance. There is a clear correlation between academic achievement and where students live, with PBSA making for higher results. We also found a positive link between PBSA and student wellbeing, with UK and international students valuing PBSA as an accommodation option throughout university.

The demand for accommodation, combined with it being key to success, provides a fantastic opportunity for UK developers. While political outcomes could affect the numbers of international students in the UK, we believe PBSA will continue to be popular and improve the overall student experience in comparison to other accommodation options.



A key theme for us is the sector's resilience to wider economic activity. Demand remains strong with student enrolment numbers robust."

Andrew Jamieson, EREC Estates

Methodology

This research was conducted online with n=1,105 students (aged 18 to 25 years old), who presently attend, or have completed an undergraduate degree at a British university.

Results were weighted to be reflective of Higher Education Statistics Agency 2017 figures for gender, university attended and region of students' origin.

Respondents were able to complete the survey at a time most convenient to them and on desktop or mobile devices.

Further information on the results and methodology can be obtained by emailing **dan.healy@fticonsulting.com**.

Please note that the standard convention for rounding has been applied and consequently some totals may not add up to 100%.



Find out more

Octopus Real Estate is a large-scale business working across several specialist property sectors, including healthcare and property lending. Octopus Real Estate has approx. £2 billion in funds under management and a team of over 110 professionals.

The property team is an award-winning specialist lender. Over the last 14 years we have lent over £4bn to 3,100 customers in the UK.

With an understanding of the challenges developers face in getting fast and flexible finance, we continue to use our track

record and experience to partner with them through to the successful completion of their development.

We're an active lender in the PBSA market, backing schemes in the UK. If you have questions on this report, or would like to discuss partnering with us on a development project, get in touch by emailing us at sales@octopusproperty.com or calling **0800 294 6850**.

33 Holborn: our offices.



For more information or to speak to our sales team, call **0800 294 6850**
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