Student accommodation looking healthy

Property Week's 11th annual Student Accommodation conference debated the state of the market. Helen Crane offers some of the highlights

The weight of money coming into the sector is still huge, because investors still see opportunities,” said Cushman & Wakefield partner Sarah Jones, adding that money from overseas was beginning to displace domestic capital.

One such investor is Straits Capital, part of Singapore Press Holdings. “The UK looks like very good value,” said David Mathewson, partner and head of acquisitions at Straits Capital. “Where others are stepping off, we are a long-term investor so can take a view about income over a long period, allowing us to ride out things like Brexit.”

After the raft of big portfolio deals in the past couple of years, there was talk of whether the student sector was in a bubble. In a poll, 50% of the audience said they thought it was — although most (69%) said they did not think it would burst until after 2021.

However, others disagreed, including Bob Crompton, retired chief executive and founder of Freewest Developments, who said student accommodation still provided the best returns per square foot of any residential asset class in most cities. “For the past 15 years, student accommodation has had the best returns in housing,” he said. “I don’t think there is a bubble.” It would only “go pear-shaped” if others followed the lead of London mayor Sadiq Khan and implemented restrictive planning policies, he added.

“The next frontier is affordability — it has to be on this sector’s agenda,” said David Fenney, associate director of interdisciplinary advisory at Cushman & Wakefield. “The private sector will need to work with universities to deliver affordability but also flexibility and a great student experience.

More affordable schemes could mean fewer amenities, but Stewart Moore, chief executive of CRM Students, said that would not necessarily be a problem. He said he had noticed a “kick-back” by developers against provision of high-end amenities and felt the high-end market was reaching its peak.

“Students don’t need a pilates room with walls that change colour — they want something affordable and safe where their mental health is taken care of,” Moore said. “If 60% of students can afford your building, it will always be full.”

There was much debate about how the EU withdrawal deal would affect the student accommodation sector. Vincenzo Raimo, pro-vice chancellor, global engagement at the University of Reading, pointed out that around half of EU undergraduate students at his institution already paid their fees upfront, which suggested that they — or at least their parents — had substantial financial means. Raimo says the biggest risk to the HE sector from Brexit is losing EU PhD students and therefore future university staff, which could have a knock on effect on research quality. “That tells me that if the price point is right, we will continue to have EU students, assuming there is no cap on numbers,” he said. “Where I am really worried is PhD students, many of whom are self-funded or receive grants.”

However, others said the overall Brexit impact could be more significant. The importance of students’ wellbeing and mental health was also high on the agenda. Sarah Jones of Cushman and Wakefield said that developing cluster flats, rather than studios, was important in this regard. “It has got to the point where [the industry] thinks ensuite cluster flats are a bit boring, but they really appeal to students and parents,” she said. “It is really important to have community around you. You can’t get away with staying in your room and people not noticing if you’re not around.”

Natasha Devon, a campaigner and author who advises universities on mental health, called for universities to appoint “mental health first-aiders” — academic or services staff who are trained to be on hand for mental health emergencies.