CUSHMAN & WAKEFIELD

UK STUDENT ACCOMMODATION REPORT

2017/18
There are now **602,000** purpose-built bed spaces available to students for the 2017/18 academic year.

The market is now clearly divided, with Russell Group and strongly performing middle tariff institutions growing at the expense of lower tariff universities.

More students than ever (1.04m) are studying away from home meaning the demand pool for accommodation continues to grow.

New en-suite bed spaces for 2017/18 are priced **8% higher** than the overall average raising questions as to whether affordability concerns are being addressed.

Only **19%** of bed spaces in the market are priced at the NUS target level of **25% of beds at £4,200** – a shortfall of **72,000**.

Average studio prices are priced **34% higher** weekly and **45% higher** annually than average en-suite prices.

**1.7m** full-time students

**23%** of all students now from outside the UK
A further £1.05bn is under offer and £1.50bn of portfolio stock is in the market which could yet transact this year.

97% of all studio beds have been delivered by the private sector in 2017/18. This room type has grown by 106% since 2014.

Across the direct let sector there has been a marked divergence in yields, with London and super prime regional operational assets much in demand.

As we approach 2018 it is estimated that around £3.6bn of stock has already been traded.

Average headline weekly rental growth between 2016 and 2017 has been 2.9%, although there are clear variations across markets.

2017 has seen a return to activity in London where around 11.5% of all deals have transacted.

602,000 purpose-built bed spaces

2.9% headline rental growth in 2017
Despite increasing levels of debt, it is clear that students still see the value in Higher Education and the majority continue to study away from their home regions – 1.0m students; a figure that has risen by 56% since 1999. Full-time student numbers are now 4% higher than in 2012/13 when maximum tuition fees rose to £9,000 per annum. The number of UCAS applicants (first year undergraduate) in 2017 were down 2.6% on 2016 but are still 7% higher than in 2012.

The removal of the student number cap has allowed high quality universities to capitalise on the ability for students to ‘trade up’ through the reformed UCAS process. This is leading not only to growth in student numbers, but also to the condensing of high grade students into the best universities.

There is now clear evidence that the ‘marketisation’ of the sector has led to greater competition between universities, and an improvement in the teaching and infrastructure facilities and services provided to students. The importance of employability and the student experience is at the forefront of competitive gain.

**TRENDS IN STUDENT NUMBERS AND APPLICATIONS 2006/07-2017/18**

**STUDENTS STUDYING OUTSIDE THEIR HOME REGION 1999/00 TO 2015/16**

Source: HESA/UCAS 2006/07 to 2017/18

Source: HESA 2005/06 to 2015/16
Overall, UK universities continue to recruit an increasing number of students from outside the UK, with EU students growing by 48% and international students by 70% over the last decade.

There are now over 397,000 students from outside the UK, making up nearly one quarter (23%) of the student population.

In funding terms these students have a much greater impact on the income profile of UK universities, making up 26% of all tuition fee income. Universities UK estimates that international students contribute £25.8bn of gross output every year. Universities continue to lobby hard to ensure that the UK remains inviting to international students and that any future immigration policy changes do not restrict the mobility of students.

The relatively weak Pound has attracted international investment and additional applications from non-EU students.

The government has recently announced that EU students applying to start in 2018 will still be able to obtain funding for the duration of their course. It is understood that discussions are taking place on the potential to offer EU students commercial loans, with students set to lose Student Loans Company funding when the UK leaves the European Union.

---

**TRENDS IN STUDENT DOMICILES 2005-2015**

- **UK from outside the region**
- **EU**
- **Non EU**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of full time students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/06</td>
<td>24%</td>
</tr>
<tr>
<td>2015/16</td>
<td>48%</td>
</tr>
<tr>
<td>2016/17</td>
<td>70%</td>
</tr>
</tbody>
</table>

Source: HESA 2005/06-2015/16

---

**LARGEST INTERNATIONAL STUDENT NATIONALITIES**

- **China**
- **Malaysia**
- **Hong Kong**
- **India**
- **Nigeria**
- **United States**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of full time students</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>102%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>94%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>123%</td>
</tr>
<tr>
<td>India</td>
<td>+1%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>94%</td>
</tr>
<tr>
<td>United States</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: HESA 2005/06 - 2015/16
INVESTMENT IN QUALITY

Changes to the tuition fee system in 2012 have resulted in fundamental changes to student decision making with a clear gravitation towards institutions of quality.

Higher Education is now seen as an investment by today’s ‘marketised’ student base, and this group is determined to see a return on their investment in terms of career and future employment prospects.

Therefore, higher tariff and better ranked institutions with good reputations and records of employability are benefiting, whilst other providers struggle to increase student applications and numbers. Research-intensive and globally renowned Russell Group institutions continue to grow, whilst a number of strongly performing post-1992 universities that have benefited from strong investment, industry links and employability outcomes have also increased student numbers.

However, lower ranked institutions have largely seen a fall in student numbers since 2012, with a need for these institutions to showcase a ‘USP’ in such a competitive market environment.

Russell Group and strongly performing post-1992 universities are particularly attractive to the international (non-EU) student population, with this cohort growing at the two university groups by 17% and 37% respectively since 2012/13. UCAS applications to study at Russell Group universities have grown by 21% between 2012 and 2016, with applications to strongly performing post-1992 universities up by 19%. In contrast, lower ranked post-1992s have experienced a 1% fall in applications.

The desire to achieve positive career outcomes is also reflected in applications for different Higher Education subjects over recent years.
“Good quality institutions continue to grow at the expense of others.”
While applications from UK and EU students have fallen, non-EU applications continue to rise, with significant increases recorded from prospective students in China, India and many parts of the Middle East. Applications from those aged 18 or under have grown by 1%, despite a 1% fall in the number of 18 year olds in the UK as a whole. Applications from older students continue to fall, down 14% in 2017.

Emerging UCAS data for 2017/18 entries shows a 1% increase in those placed at higher tariff institutions and a 2% increase in those placed at medium tariff universities. However, there has been a 5% fall in those placed at lower tariff providers. This hints at a continuation in the trends examined and students’ ongoing desire to study at institutions that will deliver positive career outcomes.

OUTLOOK FOR 2018 AND BEYOND

A -0.2% change in acceptances between 2016 and 2017 means that enrolments are the second highest on record. However, this conceals a number of wider trends in the sector.

Source: UCAS 2016-2017
FALL IN APPLICATIONS FOR 2017/18

HIGHER TARIFF UNIVERSITIES GROW ENROLMENTS BY 1%, WITH MEDIUM TARIFF INSTITUTIONS GROWING BY 2%

EMERGING 2018 DATA HEALTHY FOR QUALITY UNIVERSITIES

KEY QUESTIONS

- Will the current political climate result in changes to the tuition fee system and the model of university funding?
- Will the Teaching Excellence Framework (TEF) impact on students’ perceptions of what makes a quality institution?
- Will the Teaching Excellence Framework (TEF) and the HE paper really lead to differentiation between institutions?
- How strong will the influence of UK universities be on Government policy post-BREXIT?
- As the number of students from disadvantaged backgrounds continues to rise, will issues of affordability and student debt become more acute?
- Will applications to study STEM (Science, Technology, Engineering and Maths) subjects continue to grow at the expense of the arts and languages?
- How seriously will the sector change with the emergence of alternative/specialists HE providers?
- Can pathways to HE create additional demand, i.e. University Technological Colleges, Higher Apprenticeships?
- Can the UK continue to remain attractive in the global HE market with tuition fees being some of the most expensive in the world?
SUPPLY OF PURPOSE-BUILT STUDENT ACCOMMODATION

SUPPLY

The number of purpose-built student accommodation bed spaces in the United Kingdom has risen to 602,000 in 2017/18, with a further 13,000 beds in the three major Higher Education centres in the Republic of Ireland.

The market continues to evolve apace, with 30,000 new beds delivered for this academic year, the largest increase ever observed by Cushman & Wakefield. Over the same period, almost 8,000 beds have been taken out of use to be refurbished or repurposed. New supply has been dominated by private sector development in 2017, with 87% of all beds delivered by this part of the market. However, ongoing university activity remains strong, with a large pipeline and number of major procurement exercises in progress.

Universities still provide the largest number of bed spaces, offering 57% of all rooms available in 2017/18, with the private sector providing the remaining 43% of beds – up from 41% in 2016. The percentage of standard bed spaces has now fallen to 30% of the market, whilst studios now account for 12% of all beds.

The composition of beds offered by the two providers is markedly different, with 43% of all university beds standard, compared to only 12% of those offered by the private sector. Conversely, 24% of all beds offered by the private sector are now studios, compared to only 2% of university rooms.

En-suite and studio bed spaces continue to dominate developments, with the former accounting for 52% of all new beds available for 2017/18, and the latter for 43%. 97% of all studio bed spaces were delivered by the private sector. This room type has grown by 106% since 2014.

Source: Cushman & Wakefield Student Accommodation Tracker 2017/18
602,000
PURPOSE-BUILT BED SPACES 2017/18

30,000
NEW BEDS FOR 2017/18

87%
OF NEW BEDS DELIVERED BY PRIVATE SECTOR IN 2017/18

43%
OF ALL NEW BEDS ARE STUDIOS, 97% OF THESE ARE PRIVATE SECTOR

£133
AVERAGE WEEKLY PRICE OUTSIDE LONDON

£213
AVERAGE WEEKLY LONDON PRICE
RENTS

Weekly headline rental growth between 2016/17 and 2017/18 was 2.9%, marginally above the 2.7% observed the previous year and indicating continued health across the bulk of the market. However, there have been significant variances across individual markets reinforcing the need for micro-market knowledge to ensure success.

AVERAGE BED SPACE PRICE (EXC. LONDON)

<table>
<thead>
<tr>
<th></th>
<th>WEEKLY</th>
<th>ANNUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>£125</td>
<td>£5,172</td>
</tr>
<tr>
<td>Private</td>
<td>£136</td>
<td>£6,243</td>
</tr>
<tr>
<td>Difference</td>
<td>9%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Cushman & Wakefield Student Accommodation Tracker 2017/18

Cushman & Wakefield continues to be concerned that much studio development has been driven by land cost rather than true student demand, and there is clear evidence that a number of developments are experiencing occupancy issues – despite demand continuing to outstrip supply for bed spaces at a national level.
### PRIVATE SECTOR (EXC. LONDON)

<table>
<thead>
<tr>
<th>Type</th>
<th>Average Private Sector Rent</th>
<th>Rental Growth 2016-2017</th>
<th>Major Cities Ave Rent</th>
<th>New En-Suite Ave Rent 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EN-SUITE</strong></td>
<td>£129/£5,817</td>
<td>2.3%</td>
<td>£133 PER WEEK</td>
<td>£144 PER WEEK</td>
</tr>
<tr>
<td><strong>STUDIO</strong></td>
<td>£173/£8,430</td>
<td>3.4%</td>
<td>£175 PER WEEK</td>
<td>£187 PER WEEK</td>
</tr>
</tbody>
</table>

**RENTAL GROWTH 2016-2017**
- Down on 4.1% in 2016
- Down on 5.4% in 2016
DEVELOPMENT ACTIVITY

Strong development activity in major locations has continued this year, with over 2,300 new bed spaces on offer to students in both Liverpool and Sheffield for 2017/18. The overall pipeline stands at over 150,000 bed spaces.

Significant numbers of new bed spaces are also being offered in Glasgow, London, Edinburgh and Birmingham. The London development pipeline stands at 15,000 bed spaces, with 12,000 additional beds planned in Liverpool, although it is unlikely all of these will be delivered. However, the pipeline in other large student cities such as Nottingham remains limited.

TOP 10 OPERATORS BY NUMBER OF BEDS 2017

The Top 10 largest student accommodation operators now control 32% of all PBSA stock in the UK, with clear evidence of consolidation amongst top operators.
LONDON

The London market is now home to almost 81,000 purpose-built bed spaces, with 57% of these now provided by the private sector.

Despite ongoing development and a significant pipeline, the market still suffers from structural levels of undersupply, with the London Plan suggesting a need for between 20,000 and 31,000 additional bed spaces by 2025. Development has been impacted by high land costs, competition from other uses, and the impacts of the Community Infrastructure Levy. The London plan now sets out a requirement for providers to deliver an element of “affordable” bed spaces priced at or below £155 per week where no agreement is in place with an institution. With an average private sector en-suite price of £216 per week, these rents are 53% more expensive than the national average.

Due to the cost of development in Zones 1 and 2, activity is increasingly focused in Zones 2/3 and 4. These areas are allowing the delivery of studio bed spaces at just over £200 per week, considerably below the average London studio price of £303 per week in 2017/18.

Across all room types, London rents are 60% higher than those outside the capital and there is a fear that some students will be priced out of studying in the city. Whilst there has been a 10.2% increase in those students from CDE socioeconomic backgrounds at UK universities since 2012, those studying at London institutions have only grown by 3.1%.

AFFORDABILITY

The National Union of Students (NUS) has set out an ambition for 25% of all bed spaces to be provided at a maximum of 50% of the student maintenance loan (around £4,200 in 2017/18).

Currently, only 13% of the market is priced at or below this level, meaning there would be 72,000 additional beds below £4,200 per year if this ambition was to be achieved. Currently, only 19% of beds at or below £4,200 per year are provided by the private sector. In some markets such as Plymouth where affordability is a known concern, gaps in quality ‘affordable’ products are being filled by HMO providers. However, a number of private sector providers are attempting to address affordability issues despite ongoing increases in build costs.

Townhouse developments are increasingly being delivered, replicating the model that has proven to be so successful on campus, whilst smaller en-suite bed spaces are increasingly forming part of future plans to drive down rents by around 15%. It is clear that pricing issues are having an impact in some markets, although our analysis shows that value is perhaps more of a concern than overall pricing, with continued good levels of occupancy in high-end, boutique offerings.
UNFILLED BEDS AND THE CONCEPT OF VALUE

2017 has seen the emergence of a small but significant number of empty rooms, despite Cushman & Wakefield’s national student to bed ratio remaining healthy with over two students for every purpose-built bed space – largely in line with that seen in 2016. It is clear that students are conducting a cost benefit analysis in a number of markets and some developments – especially studios – are suffering.

Cushman & Wakefield has conducted an analysis of UK markets and has identified an average studio price reduction of 10% for discounted studio bed spaces – with some offering a discount of up to 20%. The largest incentive identified is £1,200. A number of other operators incentivise through offers such as gift cards, TVs and room cleans. However, this is not necessarily an affordability issue, but more one of whether students believe their bed space offers value. There is further evidence of ‘value’ decision making in markets such as Plymouth and Cardiff where students are making informed ‘value judgement’ decisions to not move from HMO accommodation into purpose-built.

It is clear that for students, it is not a bed at any price and complex buying decisions are being made. Cushman & Wakefield has identified no link between location and occupancy; instead, schemes that do not offer value in terms of the student experience – especially those in locations where affordability is an issue – are most at risk. Whilst a number of studio schemes offer an outstanding student and social experience, the pricing differential for some has to justify a 34% weekly and 45% annual differential in pricing from average en-suite rents.

<table>
<thead>
<tr>
<th>Percentage Change in Annual Rents</th>
<th>En-Suite</th>
<th>Studio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Bristol</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Glasgow</td>
<td>0%</td>
<td>-2%</td>
</tr>
<tr>
<td>Leeds</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Liverpool</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Manchester</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Newcastle</td>
<td>0%</td>
<td>-1%</td>
</tr>
<tr>
<td>Nottingham</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage Annual Increase in Beds</th>
<th>En-Suite</th>
<th>Studio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>Bristol</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>Glasgow</td>
<td>17%</td>
<td>25%</td>
</tr>
<tr>
<td>Leeds</td>
<td>0%</td>
<td>18%</td>
</tr>
<tr>
<td>Liverpool</td>
<td>12%</td>
<td>29%</td>
</tr>
<tr>
<td>Manchester</td>
<td>2%</td>
<td>61%</td>
</tr>
<tr>
<td>Newcastle</td>
<td>4%</td>
<td>29%</td>
</tr>
<tr>
<td>Nottingham</td>
<td>2%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Cushman & Wakefield Student Accommodation Tracker 2017/18

Pricing Difference of Studios vs En-Suites 2017/18
OUTLOOK FOR 2018

- Market divisions between high & low tariff providers are likely to continue
- A market has the potential to dip below a student to bed ratio of 1:1
- Further pushing of lease lengths will occur in the private sector but students will become wise
- There is likely to be an explosion in the provision of small en-suite and shared bathroom accommodation
- Generic studio products will continue to suffer in some markets
- Continued good levels of rental growth in strong markets
- Further discounting in struggling markets

KEY QUESTIONS

- Can we expect a cooling off in the number of studios being delivered?
- Will affordability issues result in an easing of rental growth and the development of different stock types?
- Will smaller en-suites and townhouse products help to reduce prices in both universities and the private sector?
- How big will the crossover be between PBSA and the private rented sector (PRS)?
Transaction volumes have recovered in 2017. Transactions to-date have already exceeded last year at around £3.61 bn (£3.25 bn) but unlike 2016 there is a further £1.05 bn under offer and £1.50 bn in the market, double the totals for last year.

With so much stock in the pipeline predicting the final outcome for 2017 is difficult but research indicates that volumes for 2017 could reach £5.0 bn based on known transactions and stock likely to transact this year. This could rise if a number of larger sales such as the Enigma (Curlew), Study Inn and LetterOne portfolios close before the year end.

Recent portfolio purchases have again dominated the market featuring a combination of new entrants and existing investors. There has been continued investment in the regions along with a greater activity returning to London, which accounts for 11.5% of all transactions so far. In all of 2016, only 4% of transactions occurred in the capital.

Concerns that the market had peaked, compounded by fears over the impact of Brexit on the sector, have proved unfounded. Last year’s outturn was due to a number of factors but mainly a shortage of available stock to trade in high value areas such as London and Manchester.
In 2017 over 45,000 bed spaces have changed hands so far, a marginal increase on the 43,210 bed spaces at the same point in 2016. The average capital value per bed however has increased by 8% to over £80,000. This increase is due to more activity in London and yield compression in other key cities.

### TOP TRANSACTIONS IN 2017

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Location</th>
<th>No. Beds</th>
<th>Price</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downing Portfolio</td>
<td>London and Glasgow</td>
<td>3644</td>
<td>£439,000,000</td>
<td>Tristan Capital Partners</td>
</tr>
<tr>
<td>Union State Portfolio</td>
<td>UK &amp; Overseas</td>
<td>5534</td>
<td>£410,000,000</td>
<td>Liberty Living</td>
</tr>
<tr>
<td>Rose Three Portfolio</td>
<td>UK</td>
<td>4175</td>
<td>£295,000,000</td>
<td>Brookfield Asset Management</td>
</tr>
<tr>
<td>Aston Student Village</td>
<td>Birmingham</td>
<td>3067</td>
<td>£227,000,000</td>
<td>GIC &amp; UNITE</td>
</tr>
<tr>
<td>West Campus Residences</td>
<td>Kingston-Upon-Hull</td>
<td>1462</td>
<td>£155,000,000</td>
<td>UPP Holdings</td>
</tr>
<tr>
<td>Portfolio</td>
<td>UK</td>
<td>1691</td>
<td>£153,000,000</td>
<td>Europa Generation</td>
</tr>
<tr>
<td>Woburn Place</td>
<td>London</td>
<td>455</td>
<td>£135,000,000</td>
<td>GCP Student Living</td>
</tr>
<tr>
<td>Starwood Portfolio</td>
<td>UK</td>
<td>643</td>
<td>£100,000,000</td>
<td>U Living</td>
</tr>
<tr>
<td>Portfolio</td>
<td>UK</td>
<td>630</td>
<td>£95,000,000</td>
<td>GCP Student Living</td>
</tr>
</tbody>
</table>
SUPPLY

A record number of new bed spaces (30,000) have been delivered in 2017. While the numbers of newly delivered en-suite and studios is roughly the same, the supply of studio rooms has increased by 106% since 2014. Concern over the levels of demand for this room type are growing especially given the price differentials identified in this report.

There are approximately 150,000 bed spaces in the PBSA planning pipeline in the UK. Birmingham, Liverpool, Glasgow, London and Sheffield are the cities with the largest pipeline. While a proportion of the pipeline may never be built, the success of any proposed scheme will be in aligning room types with actual demand and affordability. The rise in vacancy rates identified in 2017 is more a feature of the annual letting cycle than oversupply with new schemes having only a small window of opportunity to attract students when compared with established schemes. Oversupply of the wrong kind of stock could be a factor however.

Development opportunities in UK cities such as London and Manchester remain difficult for investors. CIL and affordability criteria in London and an ongoing moratorium on PBSA in Manchester limit opportunities in two of the largest student cities in the UK.

In the face of rising new build and land costs there is a growing trend for developers and investors to acquire refurbishment opportunities, a considerable saving over acquiring sites and new build projects in many cases.

The new Minimum Energy Efficiency Standards (MEES, 2015) are however likely to affect costs further as older buildings will be subject to new requirements from April 2018. As a result, it is likely there will be a fall in quoting prices for non compliant stock in the coming year.
AVERAGE RENTAL GROWTH UNDERPINS YIELDS

UCAS data shows that the number of university applications fell by 2.6% this year and that an increase in interest from non-EU students has failed to make up for a fall in applications from the EU and the UK.

However, small falls in student numbers are doing little to dampen rental growth. For the current academic year, average headline rents have increased by 2.9%.

While healthy average rental growth remains a key highlight of the last 12 months, care must be taken when analysing each individual market where demand may have peaked or a recent increase in the supply of new assets requires a period for additional stock to be assimilated.

There is a growing correlation between Cities which have seen high levels of development and low or negative percentage changes in annual rent in these locations. However it appears it is a student’s overall assessment of value rather than price which impacts on decision making and there is evidence to suggest that reduced headline rents and incentives are a short term reaction while markets are stabilised.

At a macro level, the market remains structurally undersupplied and overall applications for places are up 31% over a 10-year period. There still remains more than six applications made for each place at university and more students than ever are studying outside their home regions.
Outside of London there is growing evidence of yield compression for prime operational assets in the very best University regional locations, such as Manchester, Leeds, Birmingham, Bristol, Oxford and Cambridge, now classed as super prime in investment terms.

Portfolio and individual comparable transactions for direct let operational assets suggest typical yields for super prime regional assets are now between 5.00% and 5.25%. In London evidence indicates further yield improvement for zone 1 and 2 direct let propositions beyond the 4.25/4.5% level.

There has been further yield compression in the annuity sector in 2017. Investors seeking “income strip” opportunities have seen prime opportunities harden by at least 50 basis points to between 3.00% and 3.25% driven by low interest rates and low returns on other blue chip opportunities.

Based on the current sales pipeline in Q4, the value of transactions for 2017 will be around £5.0 bn. Emerging portfolios and stock will have the potential to take this figure to a record level but if not Q1 2018 could see £1.5/£2.0bn transacted pointing to another record year in 2018.

<table>
<thead>
<tr>
<th>Direct Let Proposition</th>
<th>Yields 2017</th>
<th>Yields 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>£15m - £50m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime London</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Zones 1 &amp; 2)</td>
<td>4.25%/4.75%</td>
<td>4.50%/5.00%</td>
</tr>
<tr>
<td>Prime London</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Zones 3 &amp; 2)</td>
<td>5.00%/5.25%</td>
<td>5.00%/5.50%</td>
</tr>
<tr>
<td>Super Prime Regions</td>
<td>5.00%/5.25%</td>
<td>5.25%/5.75%</td>
</tr>
<tr>
<td>Prime Regions</td>
<td>5.75%/6.25%</td>
<td>5.75%/6.25%</td>
</tr>
<tr>
<td>Secondary</td>
<td>6.50%/7.50%</td>
<td>7.25%/8.00%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>8.00%/10.00%</td>
<td>8.00%/10.00%</td>
</tr>
</tbody>
</table>
LOOKING FORWARD TO 2018, THE MARKET WILL NEED TO ACCOMMODATE NEW CHALLENGES.

Due to the current economic climate and fall in value of the pound sterling, capital from overseas is going further in the UK than ever before. The student accommodation market remains one of the most attractive asset classes. Operational assets with a proven track record are more in demand than ever before. Liquidity in the investment market will be maintained. With many of the major portfolios having traded in the last few years there may be a shortage of such stock in the near term with investors reverting to development opportunities.

An increasing supply line of student accommodation looks likely to continue. The planning pipeline is at its highest level for some time. It remains to be seen whether the vacancy and affordability issues identified in this report are the first signs of demand changes or merely market consolidation. Unlike other letting markets student lettings mainly take place once a year so the market is relatively inflexible in adjusting to supply and demand changes.

Balanced against a growing supply line, it has to be remembered that there are now more students seeking PBSA than ever before. This is evidenced by the Cushman & Wakefield student to bed ratio which measures whether a market is under or over supplied. There still remains two students for every purpose built bed space but this can vary widely across regions and cities. Portsmouth, Swansea and Brighton are amongst those with the highest student to bed ratio.