

Rents soaring above inflation as occupancy rates grow

Across Europe, student housing rents grew on average by 6.5% in 2023 and a further 5.4% in 2024, while the gap between rental growth and inflation is widening.

RESEARCH HIGHLIGHTS

- Student housing develops amid strong socio-economic fundamentals: beds undersupply, growing international student numbers.
- The student housing sector has fully recovered from the Covid-19 pandemic crisis, and occupancy rates are growing worldwide.

The Purpose-Built Student Accommodation (PBSA) sector in Europe is thriving amid booming demand and a 98% average occupancy rate.

Demand for the student housing in European countries keeps growing; however, as observed in all the previous editions of the BONARD Investment Intelligence Report, the PBSA sector in Europe remains severely undersupplied.

London and Paris, two of the most popular student destinations in Europe, need an additional 180,000 and 195,000 PBSA beds

respectively to meet student accommodation demand. Other cities with a particularly high shortage of beds include Warsaw (107,000), Berlin (94,000), Lisbon (78,000), Vienna (75,000), and Rome (71,000). The situation is broadly similar in other cities: across Europe, tens of thousands of PBSA beds are missing in key study destinations.

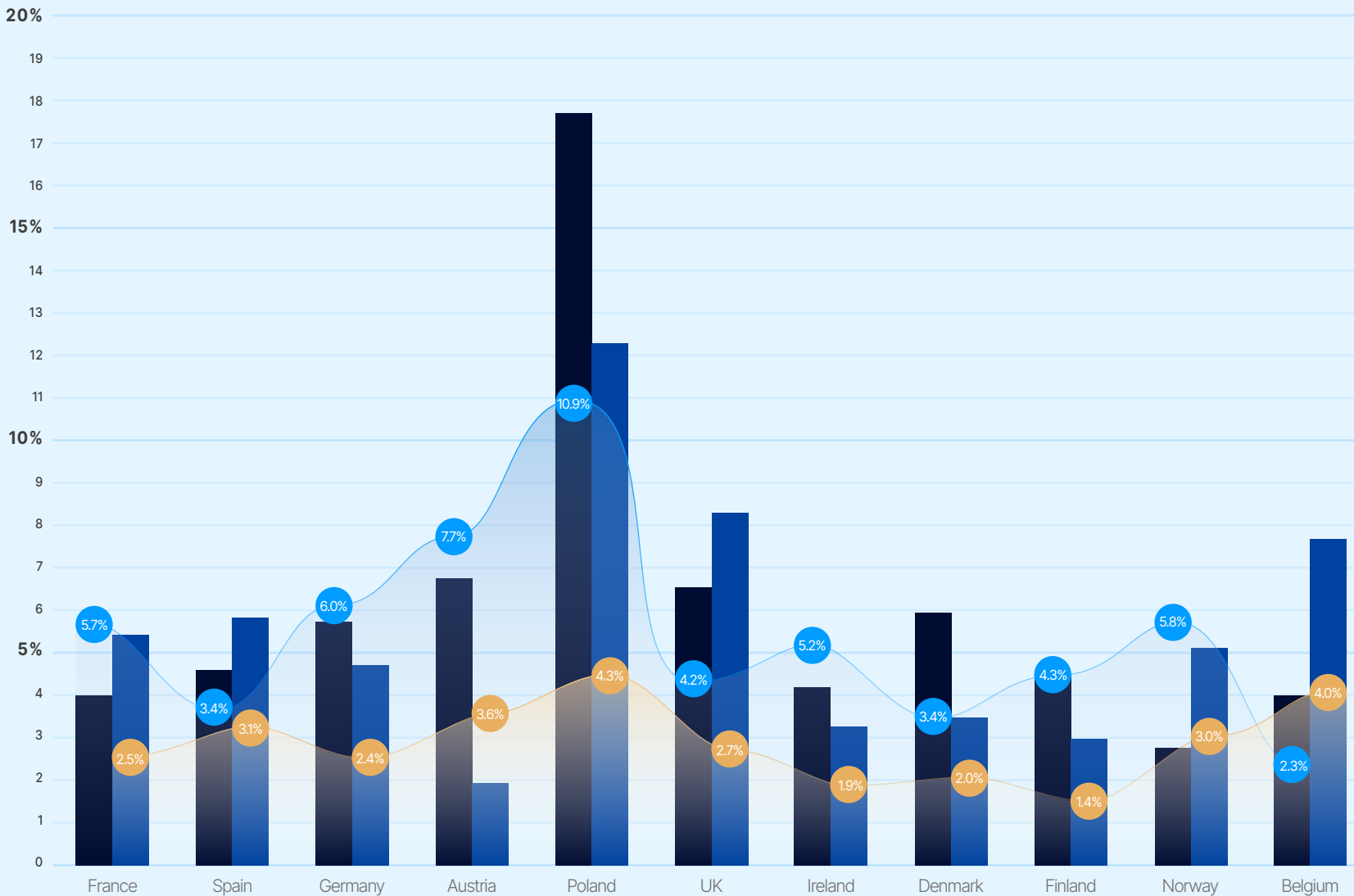
This report presents the latest time-series data and insights from BONARD's team of real estate experts. It is based on ongoing market monitoring and a survey of over 1,200 PBSA establishments in 15 European countries.



STUDENT HOUSING RENT INCREASE & COMPARISON WITH INFLATION

2024 vs. 2023

Student housing rent increase ■ 2023 ■ 2024
 Inflation ● 2023 ● 2024 (forecast)



Source: BONARD, based on data from individual student housing schemes, 2024; National banks and European Commission, 2024

A lack of quality accommodation creates a challenge for educational institutions, especially those located in student hotspots such as capital cities, and it can negatively impact their student recruitment ambitions. More investment is required to meet students' needs in Europe.

"Sizeable investment is needed to meet existing demand. The sector needs more capital to develop and reach its full potential, and it offers high IRR and a fertile environment for investment. This is a particularly advantageous time for investors to step in," Martin Varga, Real Estate Business Development Director at BONARD, explains.

"We expect rental growth to remain above inflation in the majority of countries, making student housing one of the most attractive investment opportunities on the market."



Martin Varga,
 Real Estate Business
 Development Director,
 BONARD

"Demand for PBSA has been growing steadily over the past decade, except for a slight decrease during the pandemic crisis, and all signs point to ongoing growth. Not only are student numbers rising, but student preferences are also becoming more sophisticated.

We observe a growing interest for quality PBSA options with a range of additional services and amenities."

Almost at capacity

European countries boast a sizeable domestic student population and are a popular destination for internationally mobile students.

Between 2018 and 2023, international student numbers in the European countries included in this report grew faster (5.5%) than domestic student numbers (0.7%). A solid demand for student accommodation allowed the sector to perform well even during the challenging years of the Covid pandemic and the ensuing macroeconomic turbulence.

Occupancy rates remained high in the PBSA sector even in the 2020/21 academic year and grew further in the years after the pandemic in almost all the countries surveyed. Now, PBSA establishments around Europe are almost at capacity.

On average, across the countries included in this report, occupancy rates rose from 95.7% in 2021 to 98% in 2023. Occupancy rates grew the fastest in Spain (11 percentage points), Austria (8) and the UK (7).

Rising faster and faster

"High and rising PBSA occupancy rates across the majority of European cities underscore strong student demand, which enables the market to comfortably accommodate an average rental growth of 5-8%," Varga explains.

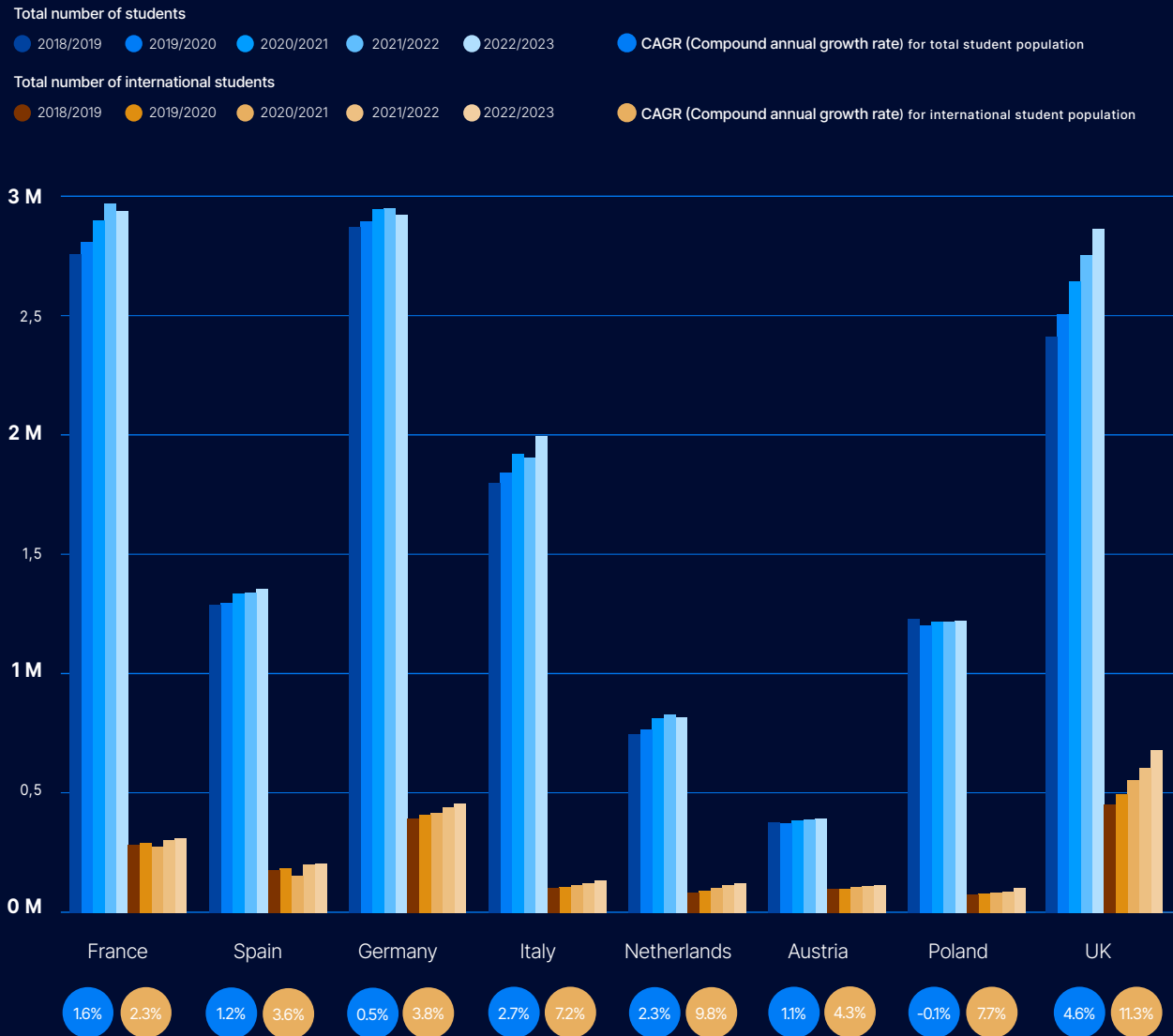
"The market is so severely undersupplied that occupancy rates are expected to rise even further. We don't anticipate any decline in the current circumstances."

"A 2-3% increase was the lowest rental growth to retain financial feasibility in the PBSA sector in 2024 due to the running costs, repairs, and maintenance."



Julia Oravec,
Rented Residential
Director, BONARD

INTERNATIONAL STUDENT DEVELOPMENT BY COUNTRY



Source: Individual national statistical offices, 2024

Provision rates remain low in most European countries. In the UK, the most mature PBSA market in Europe, the provision rate is around 40%.

In other countries, the picture is starkly different: Germany and France reach about 20%, Spain 16%, while in Italy the provision rate is only 10%.

Fuelled by rising demand, low supply, and high inflation, rents continue to rise faster than in pre-pandemic times. On average, across all the countries surveyed, rents soared between 2021 and 2023, from 2.4% in 2021 to 6.5% in 2023. With a 5.4% increase, growth was only slightly slower in 2024. In three of the countries surveyed – France, Spain, and the UK – rental growth is still accelerating.

“The UK’s case is particularly interesting: rents are growing remarkably fast – from 1.2% in 2021 to 8.1% in 2024 – even though the British PBSA market has a higher-than-average provision rate,” explains Varga.

Rental growth in capital cities broadly followed the national average, with only two cities bucking the trend. In Berlin, rents show a 7.1% increase in 2024

compared to 4.6% in the rest of Germany; in Warsaw, on the other hand, rental growth is much lower than the national average: only 6.2%, compared to 12%.

In the past two years, high inflation and interest rates made development and operation costs soar in the student housing sector. However, operators were able to adjust rents above inflation to cover costs without suffering any occupancy or demand loss.

Flying above inflation

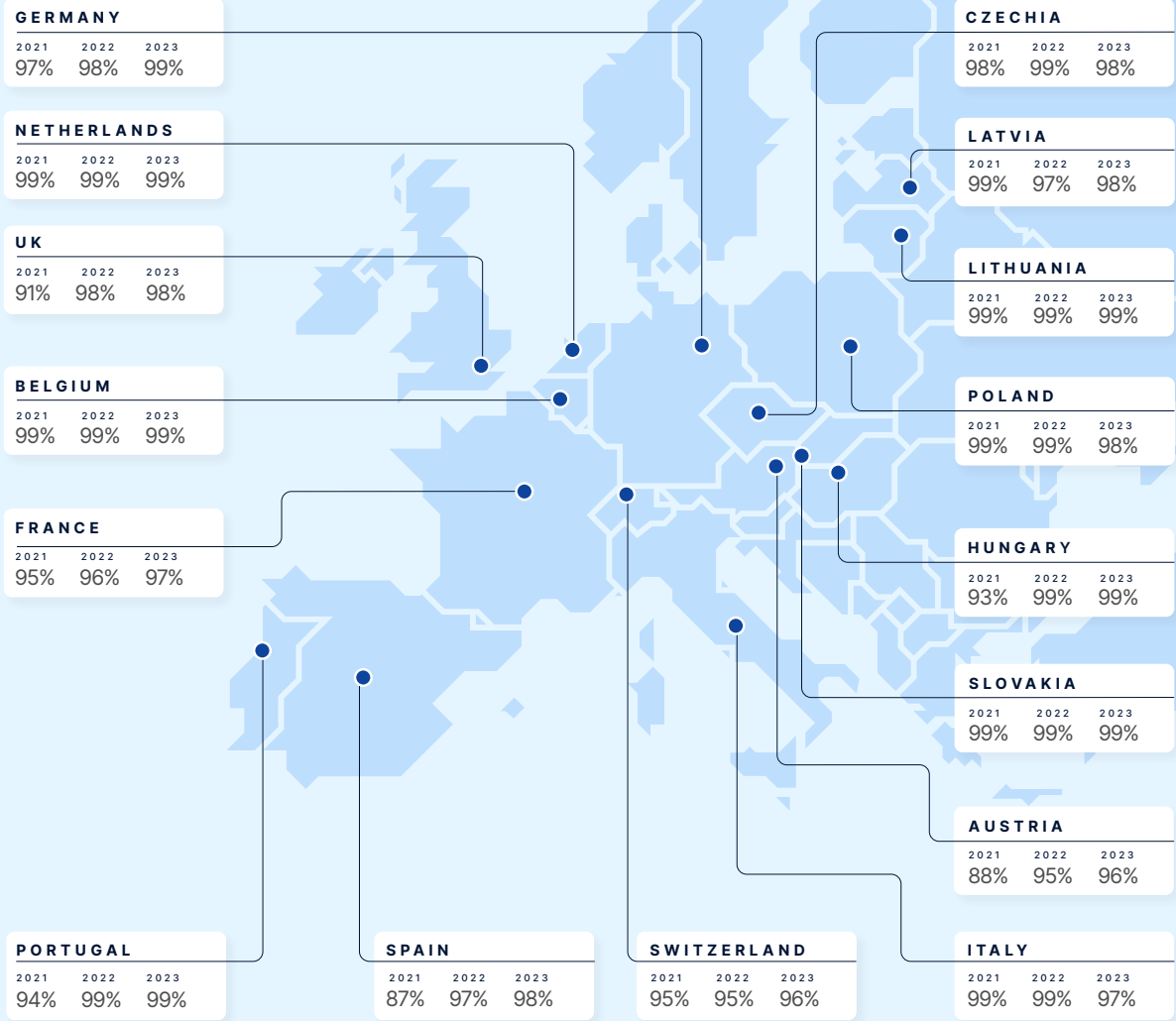
While ongoing double-digit growth is unsustainable, it is reasonable to expect rents to grow steadily in the foreseeable future. In many European countries, rents will likely keep growing above inflation.

On average, across the countries surveyed, rents grew by 6.5% in 2023 against a 5.3% inflation rate. In several countries, growth outpaced inflation by a wide margin. Poland, where rents soared by 17% in 2023 against a 10.9% inflation rate, is a particularly remarkable case.

With inflation forecast to decrease, the gap between rental growth and inflation will widen. This trend is already clear in the available figures: in 2024, while average inflation is projected to decrease to 2.6% in

OCCUPANCY RATES BY COUNTRY

END OF THE YEAR 2021 – 2023



Source: BONARD, based on the survey of individual residences and providers in selected cities

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the European countries surveyed, rents are already 5.4% higher than in 2023.

Rental growth outpaces forecast inflation rates in 10 of the 15 countries surveyed. Poland stands out again, with rents growing by 12% against a 4.3% forecast inflation rate.

"The persistent rental growth above inflation points to the opportunity to preserve operational margins amid an unstable macroeconomic environment in Europe," Varga comments.

On a steady trajectory

The scenario in Europe is unlikely to change dramatically in the next three to five years.

Student demand will grow faster than supply, keeping occupancy rates high and rents on a steady upward trajectory.

"As European study destinations remain undersupplied, it is reasonable to expect that rents

will keep growing steadily for the next 3-5 years," Oravec explains.

"We expect rental growth to remain above inflation in the majority of countries, making student housing one of the most attractive investment opportunities on the market."

"The market is so severely undersupplied that occupancy rates are expected to rise even further. We don't anticipate any decline in the current circumstances."



Martin Varga,
Real Estate Business
Development Director,
BONARD

www.bonard.com

Main office

Museumstraße 3b/16,
1070 Vienna, Austria

Asia office

Ocean Int. 1805A, Xinkai Rd,
300011 Tianjin



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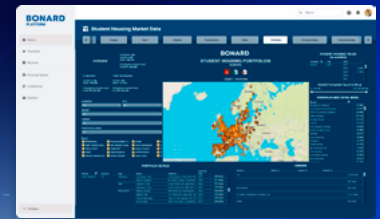
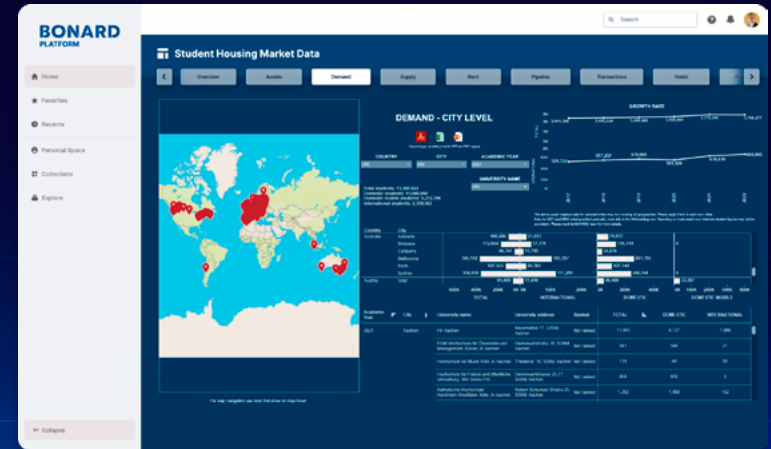


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