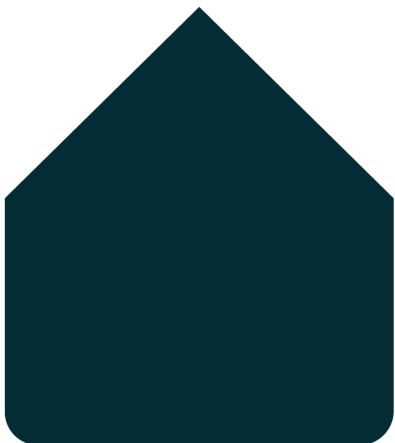


# An Alternatives View 2026

Insights into the UK's alternative assets

## Residential



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## Executive Summary

**T**he Residential Living sector continues to perform, driven by supply/demand dynamics and ongoing investor interest in relatively secure long-income streams.

However, they are not without challenges. Across Affordable Housing, BTR, Care & Retirement and PBSA, viability is constricting development with many stakeholders pivoting towards standing assets where there are refurbishment and repositioning opportunities, as well as putting in place more intelligent operational real estate strategies. A planning system that is currently experiencing inertia whilst new policy changes are filtering through also hasn't helped, nor do the lack of asset specific use classes for PBSA and Care & Retirement, for example, which continues to impede these types of development from being naturally allocated in Local Plans.

On the Affordable Housing side, on top of viability challenges for new stock, legislation continues to pile on the pressure. Registered Providers are juggling waves of policy compliance including Awaab's Law, the new Decent Homes Standard, Decarbonisation, Tenant Transparency and The Building Safety Act, coupled with a more empowered Regulator and squeezed finances.

The Building Safety Act also has implications for other sectors - in particular BTR (multifamily) and PBSA. We are yet to see a real impact from the Renters Rights Act with the ink on that hardly dry, but are likely to see some dislocation on tenancy lengths and potentially more churn as a result which may or may not dissuade investors.

Across all of these, institutional investment is crucial to delivery and performance. The Government has a very real opportunity to incentivise and leverage the interest from such sources of capital but big decisions will need to be taken - tinkering with s106 and planning simply won't go far enough to meet targets to house the nation.



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## Affordable Housing



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**T**he Affordable Housing sector continues to dominate political and media agendas as we move through 2026, with the Labour Government's ambitious target of 1.5 million new homes within this parliament remaining both the driving force and the source of ongoing debate. Delivering the biggest boost to social and affordable housing in a generation remains the stated ambition, but translating political intent into bricks and mortar continues to present formidable challenges.

Against a backdrop of persistent undersupply, 2024-25 saw some incremental progress: 64,762 affordable homes were delivered in England, the highest number of completions since 2014-15. Starts also edged upward by 3% to 45,418 in the same period – though this remains considerably below the average of 62,000 starts per year recorded between 2017-18 and 2022-23. The gap between delivery and need remains acute, with some 150,000 affordable homes required annually in England to meet demand.

The most significant structural development of the past 12 months has been the June 2025 Spending Review announcement of a new 10-year, £39 billion Social and Affordable Homes Programme (SAHP), covering 2026 to 2036. Described as the biggest long-term investment in social and affordable housing in recent memory, the programme opened for bids in February 2026. In London, the Mayor secured up to £11.7 billion for the London Social and Affordable Homes Programme over the same period, targeting at least 60% of new homes for social rent. These announcements represent a genuine step change in funding commitment, even if the true pipeline impact will take years to materialise.

The outgoing 2021-26 Affordable Homes Programme delivered 82,395 starts on site and 33,072 completions by March 2025, with the current programme requiring all starts to be on site by March 2026 – meaning the sector now faces a transition period before the full weight of the new SAHP funding flows through. For many Registered Providers (RPs) and 'For Profit' providers, the next 12 to 18 months will be characterised by careful portfolio management rather than aggressive expansion, particularly while borrowing rates, construction costs and asset management liabilities remain elevated.

Awaab's Law, which came into force on 27 October 2025, is now a live operational reality for all social landlords. Phase 1 requires landlords to investigate significant damp and mould hazards within 10 working days, provide written findings within three days of inspection, and make properties safe within five working days. Emergency hazards must be addressed within 24 hours. Phase 2, due in 2026, will expand requirements to excess cold, fire, electrical and hygiene hazards, with Phase 3 extending to remaining Housing Health and Safety Rating System hazards in 2027. Combined with the ongoing costs of cladding remediation, net zero compliance and the consultation to bring all social rented stock to EPC Band C by 2030, the operational and financial burden on RPs is substantial and will continue to intensify.

Rapleys is seeing huge demand for 100% stock condition surveys but this requirement brings time pressure with it. There is also the challenge of so-called 'cowboy' operators who, like the insulation crisis, are targeting the sector in droves. It is crucial that surveys are carried out by experienced and professional operators to be able to really ascertain the scale of the problem when it comes to crucial upgrades to meet requirements. The biggest obstacle in completing surveys in 2026 is being able to gain access. At present this is impacting some 15% of properties. Out of 110,000 recent surveys, 5-10% of properties were found to have issues with around 3-5% needing urgent work.

The 'For Profit' Registered Provider market continues to expand. There were 78 such providers at the end of March 2025, representing 21% of private registered providers' net growth in social housing stock in the previous 12 months. Private ownership has risen 40% over three years, though together these still account for only around 1% of total stock. Rapleys expects this number to continue growing as the SAHP opens new routes for institutional capital to enter the sector at scale.

Local authorities are also re-emerging as meaningful acquirers of development stock, in part driven by homelessness and temporary housing pressures. Homes England's Section 106 clearing service, launched to match unsold s106 units with purchasers, continues to attract interest from councils, private providers and funds looking to deploy patient capital. Whilst this is aimed to clear the backlog, longer term strategies and

incentives are still required. On that note, the grey belt planning reforms, which remove viability challenges on appropriate grey belt sites, represent a tangible opportunity to bring forward additional units in locations previously constrained by land value uplift arguments. With no viability challenge required on such sites, the quantum of deliverable schemes should increase over the medium term.

Rapleys believes that there are four core initiatives that would make an instrumental difference to deliverability of stock:

1. Grant funding: A further increase in grant funding would have the most significant impact. This would close the viability gap, increase RP spending capacity, reduce reliance on cross-subsidy and stabilise delivery. Historically grant funding was the backbone of all delivery, and we need to bring it back to a significant level.

2. Government/Homes England guaranteed buyers: Another measure would be to line up Homes England or the Government as a guaranteed buyer of last resort. This would eliminate the perceived risk of developing and help to stabilise the system.

3. Get Councils building again: In the 1970s, councils were the biggest developer of housing but are now the smallest. Yet they sit on swathes of land. If local authorities could be pressured into developing again, this would drive delivery.

4. Incentivise private investment into the RP sector: Vehicles to encourage and attract further private investment into the sector alongside tax breaks should be considered. Whilst the latter could prove politically unpopular – after all, many of the biggest investors in this part of the market will no doubt be global/institutional funds – it would allow investors to view the asset class as less risky.

The sector waits to see how the SAHP's competitive bidding process rewards different development typologies, and whether modular construction – battered by high-profile contractor failures in recent years – can recover sufficient credibility and investment to play the meaningful role in delivery targets that the Government needs it to.

## TOP CHALLENGES



- Transition gap between end of AHP 2021-26 and full SAHP deployment
- Awaab's Law operational compliance costs alongside widening hazard scope in 2026 and 2027
- EPC Band C by 2030 mandate adding further financial pressure to RPs
- High construction costs and contractor capacity

## TOP OPPORTUNITIES



- £39bn SAHP 2026-2036: biggest long-term social housing investment in a generation
- Grey belt planning reform removes viability hurdles and opens new sites
- Growing 'For Profit' RP sector attracting institutional and pension fund capital
- Local authority demand to plug gaps left by traditional RPs
- s106 clearing service creating new routes for fund acquisition of stalled units

## OUTLOOK

SAHP funding and grey belt reform support a positive medium-term outlook, tempered by near-term delivery gaps and rising RP cost burdens.



## Build to Rent (BTR)



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**T**he Build to Rent (BTR) market enters 2026 in a position of genuine momentum, even as structural headwinds persist. Investment in 2025 reached a new record of approximately £5.2 billion, with almost half attributed to Single Family Housing (SFH) – and forecasts from multiple research houses point to total annual investment exceeding £5.7 billion in 2026, driven by continued institutional appetite and a growing pool of operational stock entering the market.

Completions surged by more than 13% in 2025 to an estimated 146,728 BTR units, bringing the total completed stock in the UK to that level and demonstrating the sector's capacity to deliver at scale. However, the units under construction at year-end fell by nearly 15% year-on-year to around 50,597, which signals a possible short-term delivery gap in the 2027-28 window. Those developers and investors who can mobilise quickly through the current pipeline slowdown will benefit from a 'first restarter' advantage as the new development cycle takes hold.

The most significant legislative development shaping the sector is the Renters' Rights Act 2025, which received Royal Assent on 27 October 2025 and was 'switched on' from 1 May 2026. From that date, all fixed-term Assured Shorthold Tenancies were abolished and replaced with Assured Periodic Tenancies. Section 21 'no fault' evictions are now consigned to history: the biggest transformation to the private rented sector in nearly 40 years. While this creates greater security for tenants (a broadly positive outcome for the professionally managed BTR sector, which has always operated on longer-term tenancy principles), it introduces new operational complexity around possession grounds, rent increase procedures and the forthcoming Private Rented Sector Landlord Database. Scotland's Build to Rent sector has also been given renewed impetus by the Scottish Government's exemption of BTR from rent controls, re-opening the country's major cities to institutional investment after three years of uncertainty.

However, other legislation also continues to cause a headache across England and Wales: the second storey staircase and continuing amends to Building Safety (Part T coming soon), are just two examples, whilst Wales has its own Building Safety Act coming down the line, with some significant differences and stricter guidelines than the existing English version.

Rental growth is moderating from the peaks of 2023-24. UK-wide rental growth (excluding London) averaged 2.2% in the year to December 2025, while London returned to positive territory at 2.8% after a brief dip. Forecasts for 2026 point to growth of around 3.7% nationally: a sustainable trajectory underpinned by structural undersupply rather than speculative demand. Q1 2026 investment of £795 million was the strongest first quarter since 2022, driven primarily by acquisitions of operational stock (accounting for 68% of deployed capital).

Single Family Housing continues to be the sector's most dynamic sub-segment, attracting new international investment interest. SFH investment reached £2.7 billion in 2025, a 56% year-on-year increase and more than double 2024's volumes, with the final quarter alone accounting for £1.56 billion. The UK's 12 Core Cities now hold around 108,000 such units in the pipeline, up 3% on a year earlier. The north-south divide in SFH is gradually narrowing; while the East Midlands and Cambridgeshire ARC remain sweet spots, platforms such as Present Made (Apache Capital) and Savills IM are actively targeting Home Counties locations where affordability constraints and mortgage market pressures have created significant unmet demand from families. With rents for often poorer quality rental housing stock remaining high, there's a growing demographic that are actively attracted to purpose-built, high-quality construction with, or without, amenities.

The case for amenity-lite BTR is in fact strengthening as viability pressures persist and a broader renter demographic (beyond the young professional segment) seeks purpose-built accommodation. Operational efficiency remains the primary lever for value creation in the current environment: those operators with genuine in-house capability to manage utilities, maintenance cycles and resident experience are outperforming. Technology and data remain central to this, with AI-powered platforms now enabling real-time optimisation of pricing, usage and occupancy management across large portfolios.

The sector is also seeing a rising confidence in co-living with several institutions and developers actively looking to place capital into this fast-growing sub-sector buoyed by demand from recent graduates and a trend to live in socially cohesive and well-amenitised schemes.

However, competition for sites remains strong with many smaller parcels most often going to foodstore or care sector use and, thanks to tightened yields, the UK institutions are now more focused on acquiring PRS blocks with the likes of Blackstone buying kit off Vistry for example. This is a trend that is set to continue in the short term with private landlords leaving the sector thanks to wave after wave of increasing costs and taxation amends, whilst 'traditional' BTR players have gone quiet, unwilling to take on development risk at this point in the cycle. In fact, in 2025, just over 600 BTR unit starts were recorded in London, a drop of 80% on 2024 figures, whilst regional starts dropped 37% - this despite an increase in planning consents.

The Government's housing strategy increasingly acknowledges BTR's role in meeting overall delivery targets, but concrete incentivisation, such as reduced s106 obligations for BTR schemes or tax-efficient structures for intermediate housing products between private sale and social housing, has yet to materialise. This remains the clearest lever available to Government to unlock the private capital that is ready and waiting to deliver homes at scale.



### TOP CHALLENGES



- Renters' Rights Act 2025: operational adaptation to periodic tenancies and new possession grounds from May 2026
- 15% decline in units under construction means a potential mid-term delivery gap
- Viability: construction costs, contractor capacity and compressed margins
- Yield spread still narrow relative to risk-free rate, holding back some investment
- Lack of Government incentivisation to unlock intermediate housing supply

### TOP OPPORTUNITIES



- Record investment forecast: £5.7bn+ in 2026; SFH doubling year-on-year
- 'First restarter' advantage for developers who mobilise now ahead of a delivery trough
- Scotland's BTR rent control exemption reopens major city pipelines
- Amenity-lite product broadening market access beyond young professionals
- Operators with in-house operational capability driving superior income returns

### OUTLOOK

Record investment and 13%+ completions growth underpins a strong outlook, with Renters' Rights Act adaptation, expert operational strategies, and pipeline management the key near-term tasks.



## Care Homes & Retirement



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**C**are and Retirement property in the UK continues to attract significant investor interest as the demographic case becomes ever more compelling. The UK's over-65 population currently makes up around 20% of the total population: a figure projected to reach 21.8% by 2030 and to grow by a further 1.5 million people over the next five years alone. Meanwhile, the over-85 cohort – the group most likely to require residential care – is set to grow by 35% by 2035, creating a structural demand imperative that no amount of economic uncertainty can fundamentally undermine.

Despite this, supply continues to lag profoundly. Only 0.6% of all over-65s in the UK currently live in dedicated retirement communities: a fraction of comparable figures in Australia and the United States where the later living sector is far more institutionally mature. England adds fewer than 7,000 new later living homes per year, against a Government-estimated requirement of 30,000-50,000 annually.

On the care homes side, LaingBuisson data shows that the annualised value of care in residential settings reached £26.2 billion in 2024, with the retirement homes market projected to reach £12.0 billion in 2026, a 3.2% Compound Annual Growth Rate (CAGR) over the preceding five years. Yet despite these large figures, England added just 86 net new care home beds in 2024, demonstrating the yawning gap between market value and physical capacity growth.

The retirement living market did however enter 2026 with renewed momentum following two years of slower activity driven by a sluggish residential sales market. The merger of Audley Group and Elysian Residences, creating a platform of 26 operational villages, is a landmark transaction that signals accelerating consolidation. Despite a different product-type, McCarthy & Stone remains the only operator with significant at-scale portfolio reach, but further mergers and joint ventures are widely expected. US REITs such as Welltower and Omega have been prominent investors in the care homes segment, drawn by the sector's resilience during economic downturns. The care homes investment market is 'nearly triple' the 2024 figure in activity terms entering 2026, a reflection of pent-up capital deployment following a period of muted transactions.

Rental models in later living continue to gain ground, in line with a wider cultural shift in which renting across all life stages is increasingly normalised. Over the past decade there has been an increase of 200% in schemes offering rental tenures and nearly 400% in the number of rental units in the sector. Patient capital, forward-funding structures and core-plus institutional investors are increasingly comfortable underwriting rental retirement income, attracted by predictable Net Operating Income, limited correlation with the wider housing market, and strong ESG credentials.

The absence of a dedicated planning use class for later living remains one of the sector's most persistent structural barriers. Without its own classification, later living sits awkwardly across a range of use classes depending on the level of on-site care, meaning Local Plans often fail to allocate appropriately for the fastest-growing demographic segment. This creates planning risk and uncertainty that depresses the number of viable schemes coming forward, particularly in high-demand locations. Industry bodies continue to lobby for reform, and there are indications that the Planning and Infrastructure Bill may provide some clarification, but the sector remains watchful.

Staff costs and availability remain a core operational challenge. National Living Wage uplifts, changes to employer National Insurance Contributions and persistent recruitment difficulties – particularly in nursing and clinical roles – are squeezing margins for operators across the sector. Providers with integrated care on-site face the greatest pressure, which partly explains why many schemes are pivoting towards residential and lifestyle-led models rather than full care, deferring the care-provision challenge until residents' needs escalate.

Conversion of underperforming commercial assets such as former bus stations, car garages and edge-of-town retail into later living schemes continues to demonstrate creative problem-solving in a constrained planning environment. In fact, the care sector is one of the most successful in bidding for such edge of town or suburban sites, with main competition coming from foodstores and industrial uses.

Families supporting older relatives into later living remain increasingly focused on wellbeing, social engagement and the prevention of loneliness with the 'eldest daughter' often the key decision maker. Those operators that invest in community programming, biophilic design and staff training to support resident quality of life are differentiating themselves meaningfully in a market where word-of-mouth recommendation is critical to occupancy. The sales cycle remains longer than in conventional residential, given the emotional weight of leaving the family home – a process that is evolving but unlikely to accelerate dramatically.

### TOP CHALLENGES



- No dedicated planning use class: later living absent from Local Plans despite fastest-growing demographic
- National Living Wage uplifts and NIC changes increasing operational costs significantly
- Staff shortages in nursing and clinical roles constraining care-integrated development
- Long sales cycles and exit fee complexity deterring some buyers
- Viability pressure as construction costs remain elevated

### TOP OPPORTUNITIES



- Over-85 population growing 35% by 2035 – structural demand case undeniable
- Rental retirement models attracting institutional and pension fund capital at scale
- US REIT interest (Welltower, Omega) bringing fresh capital and operational expertise
- Consolidation (e.g. Audley-Elysian) creating clearer exit routes and investor confidence
- Conversion of obsolete commercial assets as planning-efficient development route

### OUTLOOK

Fundamental demand dynamics are overwhelming. Investment activity is surging. The primary risks are regulatory: planning reform and operational cost management remain the key battlegrounds alongside viability of construction.



## Churches



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**C**hurch properties continue to be transacted in reasonably robust numbers as they become surplus to community requirements, driven by a combination of declining attendance, the ongoing merger of faith communities and the relentless pressure of maintenance and upkeep costs. The long-term structural picture has not changed materially: the Church of England's Statistics for Mission 2024, published in autumn 2025, confirmed that whilst attendance has risen for the fourth consecutive year in a row, total figures remain significantly below pre-pandemic levels.

Average weekly Church of England attendance stood at approximately 702,000 in 2024, with all-age average Sunday attendance at 581,000, up 1.5% on the prior year. Whilst these figures represent genuine, if modest, recovery, the underlying trend since 2019 remains one of structural contraction rather than revival. A survey-based report entitled 'The Quiet Revival', published in April 2025 and based on polling data, suggested that Church of England attendance had risen by 25% from 2018 to 2024. However, the Church's own statistical team has robustly challenged this methodology, noting that official returns, which capture regular attenders at parish level, tell a more cautious story. In short, churchgoing continues to decline as a cultural norm across most demographics, and the flow of surplus church properties to the open market shows no sign of abating.

Since 2021 it is estimated that around 300 churches overall have ceased to operate as places of worship, and 2024 saw another record year for church transactions, with 2025 not far behind. The buyer pool remains split between other faith groups who tend to target London-centric properties with strong transport links and accessible locations, and private buyers who account for the majority of sales outside the capital and who typically seek to convert to residential use. Developers continue to approach such properties with caution: the planning complexity, irregular build configurations and lower standard development margins mean that professional developers rarely find these assets competitive against alternatives.

The utilities challenge has sharpened. Church buildings can no longer assume EPC exemptions will protect them through change of use: where planning consent is sought for residential conversion, an EPC of at least

Band C will typically be required for the resulting dwelling to be mortgageable and sellable in the post-2030 regulatory environment. Heating inefficiency (as many older buildings still rely on oil, electric storage heaters or ageing gas systems) means that conversion budgets must account for significant fabric improvement works: insulation, glazing upgrades, mechanical ventilation and modern heating systems. These works can be substantial and need to be carefully appraised at the outset of any acquisition.

There is also a rise in demand for quinquennial surveys for other Christian denominations. These inspections are comprehensive condition surveys conducted every five years and are undertaken to ensure churches remain in good repair. They identify defects, planning maintenance and highlight any future red flags before they become expensive long-term problems. Whilst mandatory for Church of England properties, they are becoming increasingly popular with the Baptist Union, Methodist Church, and Church of Scotland to ensure good stewardship of their building stock.

Planning constraints remain the most complex variable. To obtain change of use, buyers must demonstrate to the local authority that the building is genuinely surplus to community need, typically evidenced by the owning faith body confirming that the congregation has alternative provision nearby. In straightforward cases, this can be achieved relatively quickly, particularly where the diocese or ecclesiastical body is co-operative. Where the local community contests the disposal or where heritage designations apply (listed building, conservation area), the process can be protracted and expensive.

Graveyards continue to present a specific management obligation for buyers. The duty of care to maintain the dignity of burial grounds, avoid unnecessary disturbance and preserve memorial structures is both a legal and moral responsibility, and one that requires specialist legal and surveying advice at the point of acquisition. Not all church properties come with active or closed graveyards, but buyers should appraise this carefully before committing.

One area of growing interest is the repurposing of ancillary church buildings such as halls, youth centres, multi-purpose rooms and vicarages which do not carry the same heritage constraints as ecclesiastical buildings proper and can therefore be converted to offices, nurseries, community facilities and even small-scale commercial uses more straightforwardly. Demand for prime church sites from appropriately funded buyers remains good, but competition is thinning; faith group buyers face tighter capital constraints, and private buyer activity is moderating in response to higher mortgage costs and rising material and labour inflation. Only well-resourced parties with a clear plan and specialist advisory support are well-positioned to compete successfully in the current market.

### TOP CHALLENGES



- EPC Band C requirements post-2030 raising conversion costs materially
- Planning complexity: proving surplus to community need, heritage designations
- Graveyard and burial ground management obligations
- Heating infrastructure typically archaic and expensive to remediate
- Dwindling supply of prime sites suitable for straightforward residential conversion

### TOP OPPORTUNITIES



- Church of England attendance still declining overall – steady flow of surplus assets
- Non-ecclesiastical ancillary buildings offer simpler conversion routes
- Repurposing into restaurants, offices, nurseries and community uses gaining traction
- End value uplift through sensitive conversion can be significant
- Few competitors in the market: well-funded specialists operate with less competition

### OUTLOOK

Supply of surplus churches remains steady. Rising conversion costs are moderating capital values, but rental conversion values and conversion planning activity continue to edge up.



## PBSA



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**U**K PBSA has confirmed its status as one of the most resilient and institutionally mature operational real estate asset classes in Europe. Investment over the 12 months to Q1 2026 rose by 45.9%, exceeding £5.6 billion in total, with Q1 2026 alone accounting for £2.1 billion, the highest single-quarter figure recorded in at least three years. This builds on the £4.3bn invested across full-year 2025, a 10% year-on-year increase that took cumulative investment in the sector beyond £50 billion over the past decade. A total of 79 transactions complete across 2025, up 20% on 2024, driven by the return of portfolio-level transactions and a record number of funding deals and joint ventures as investors sought scale and de-risked operational entry points.

The structural case is built on a supply-demand imbalance that shows no sign of resolving, despite some locations seeing provision competition such as Leeds and Nottingham. Overall, there is an estimated UK bed shortfall of 620,000 by 2026, with 2.2 million students requiring accommodation. Deliveries of new PBSA beds are down approximately 50% compared to pre-pandemic levels, with only around 17,000 new beds expected to enter the market in 2026, hampered by high construction material costs, stringent planning permissions and complex funding environments.

The UK now has well over 700,000 purpose-built student beds but the development pipeline is insufficient to close the gap at current rates of delivery. The 50,250 beds currently under construction are concentrated in London (14,600 beds), Bristol (5,000), Glasgow (4,300), Coventry (3,600) and Manchester (3,500): five cities that together account for 62% of all active development. However, various sources cite that fewer than one in five PBSA schemes currently planned have even broken ground due to viability constraints. Unite Students' full-year 2025 results indicated that new regional PBSA developments now require average weekly rents of at least £230 to meet return thresholds: a figure reflecting elevated construction costs, higher financing costs and longer delivery timelines linked to Building Safety Regulator approvals.

The city-level supply-demand picture is stark. Using amalgamated data across 20 key markets, the table below illustrates the scale of shortfall, average weekly PBSA rents and the student-to-bed ratio in each major university city: published in July 2025 showed 7,930 applications from American students, a nearly 14% year-

on-year increase, driven directly by the perception that the US is becoming a less welcoming and less stable study destination. US university enrolments were down 17,000 in December 2025 alone, with analysts projecting an acceleration of this trend in 2026, forecasting a further 10-15% decline. British Council research notes that the 'Trump effect' is creating 'a reasonably positive environment' for UK universities to gain market share in 2026, particularly in English-speaking student flows that previously defaulted to the US.

### UK PBSA: City-Level Bed Shortfall, Student-to-Bed Ratios & Average Weekly Rents (2025/26)

City	Full-Time Students	PBSA Beds Available	Student-To-Bed Ratio	Est. Additional Beds Needed	Avg. Weekly Rent (En-suite)	Avg. Weekly Rent (Studio)
London	400,000	100,000	3.6	100,000	£335-£430	£420-£550
Glasgow	75,000	20,000	3.8	22,000	£175-£230	£220-£290
Bristol	55,000	16,000	3.5	18,000	£335-£382	£380-£450
Edinburgh	55,000	21,000	2.6	17,000	£214-£301	£280-£360
Birmingham	80,000	30,000	2.7	12,000	£165-£200	£200-£260
Manchester	100,000	40,000	2.5	15,000	£200-£260	£249-£295
Leeds	65,000	28,000	2.3	10,000	£152-£190	£190-£240
Brighton	35,000	12,000	2.9	8,000	£230-£285	£285-£341
Nottingham	30,000	28,000	2.1	6,000	£160-£195	£195-£250
Sheffield	60,000	35,000	1.7	4,000	£111-£155	£155-£200
Liverpool	55,000	30,000	1.8	3,000	£130-£165	£165-£215
Oxford	25,000	17,000	1.5	Broadly met	£220-£290	£290-£380

\*Additional beds needed to reach a student-to-bed ratio of 1.5, the accepted market norm.

UK PBSA rental growth has moderated from the unsustainable peaks of 2022-24, with average growth across all room types slowing to around 2% in 2025-26, down from a peak of 8.3%. This marks a return to the long-term trend of 2-3% annual average growth despite growth for en suites and studios at a much higher level (at between 20-35%).

Occupancy also has remained robust at the prime end of the market, with PBSA occupancy in prime locations consistently exceeding 97%, many properties in high-demand cities fully booked by spring, months before

the September intake. However, some of the largest PBSA providers reported reservations below prior-year levels in recent trading updates, and concerns around occupancy have surfaced in certain markets.

As such, despite 2025 having the strongest Q3 investment on record, pricing softened by 25 basis points through the first nine months of the year. This bifurcation between prime stock near top-ranked universities running at near-full occupancy and secondary stock in weaker locations facing emerging voids is the defining operational theme of 2026 and underscores the importance of location and asset selectivity.

A 'flight to quality' is increasingly evident within the application data which is filtering through into investor demand. Some 43% of all UK undergraduate applications were for higher-tariff universities in 2025–26, up from 39% in 2019. Applications to these institutions grew 6% year-on-year. For PBSA investors, this concentration of demand at research-intensive Russell Group and allied universities, where accommodation supply is tightest and students have the highest willingness to pay for quality, further underpins the case for targeting locations anchored by top-ranked institutions. In 2025, the UK's biggest PBSA transaction was QuadReal's purchase of a portfolio of eight standing regional assets for £500m, with all of them being within easy distance of Russell Group universities and near full occupancy.

The demographic backdrop strengthens the long-term picture. The number of UK 18-year-olds is in a rising cycle that is expected to continue for several years. The recent emergence of Spain and Italy as core European student destinations, particularly for overseas students, may impact the UK over the coming 12 months, particularly given their attractive lifestyle, culture and visa opportunities, aligned with their rise in global university rankings and an increasing number of English-language courses.

The most significant geopolitical development affecting global student mobility in 2025–26 has been the Trump administration's increasingly hostile stance towards international students in the United States. UCAS data published in July 2025 showed 7,930 applications from American students, a nearly 14% year-on-year increase. US university enrolments were down 17,000 in December 2025 alone, with analysts projecting a further 10–15% decline in 2026. British Council research notes that the Trump effect is creating a reasonably positive environment for UK universities to gain market share, particularly in English-speaking student flows that previously defaulted to the US. The latest (May 2025) Immigration White Paper introduced further changes to the UK's international student framework since Brexit. The proposed reduction of the Graduate Route visa to 18 months, the international student levy of £925 per student per year, and the growing dependence on Chinese students (now 28% of all international UCAS applicants, up from 15% in 2019) are other challenges that may see the continent benefit more from such geopolitical shifts.

Recent UK policy shifts such as the Renters Right Act and the Planning & Infrastructure Bill have nuanced implications for PBSA with the former exempting PBSA for the most part, and the latter being more positive towards the sector, but falling short of providing it with its own use class. This is something the sector has long called for in order to ensure Local Authorities and Planners not only understand the asset class but actively allocate sites towards it.

The UK Government has confirmed it will rejoin the Erasmus+ student exchange programme in 2027 at a cost of £570m pa. The return of Erasmus+ is likely to add around 12,000 bed spaces of additional demand, with the top three receiving institutions in the last year of operation (2018–19) being Edinburgh, Warwick and Glasgow. This positive development for PBSA in cities with strong European exchange traditions in our opinion should be factored into development and investment appraisals now.

The PBSA sector has proved its resilience over the last seven years (Pandemic, Ukraine war, inflation rises and cost of living crisis) with its consistent returns to investors. The continued demand for quality PBSA accommodation alongside the ability to have greater control and flexibility over the operational costs and yield management, provides most investors with a dynamic business model and increasing returns.

**£4.3  
billion**

invested in UK PBSA in 2025 - up 10% year-on-year and the 10th consecutive year of institutional-scale investment. Cumulative investment in the sector has now passed £50 billion.

**620,000**

estimated bed shortfall across the UK by 2026, with 2.2 million students requiring accommodation against a supply of well over 700,000 purpose-built beds – a structural gap that underpins the entire investment thesis.

**95-99%**

occupancy rate across the UK in Q1 2026, illustrating the demand intensity that makes PBSA one of the most defensive asset classes in UK real estate. This figure falls to around 85% for some more regional UK real estate. Students in Q3 2024, with similar levels anticipated for 2025–26 illustrating the demand intensity that makes PBSA one of the most operationally defensive asset classes in UK real estate.

# PBSA cont.

## TOP CHALLENGES



- Graduate Route visa reduced to 18 months from Jan 2027: weakens UK competitiveness vs Australia and Canada
- £925/student international levy: further squeezing university finances and recruitment
- China dependency: 28% of international applicants
- Building Safety Act adding 12+ months to taller PBSA development programmes
- No PBSA use class: inconsistent Local Plan allocation causing planning delays in key university cities
- Trump effect' risk is double-edged: other locations may be favoured residential conversion

## TOP OPPORTUNITIES



- 620,000-bed structural shortfall: 10-year demand tailwind
- Trump effect driving US student applications to UK up 14%
- Record 619,360 UCAS applications for 2026-27 (+3%); international applications up 5%; Chinese applicants up 10%
- Renters' Rights Act PBSA carve-out confirmed from May 2026
- UK rejoining Erasmus+ in 2027: restoring European inbound student flows
- Operational PBSA outperforming: AI, PropTech and wellbeing programming driving success

## OUTLOOK

Strong fundamentals, confirmed regulatory carve-outs and geopolitical demand tailwinds outweigh near-term immigration and visa headwinds. Best-in-class locations and operators will continue to outperform.



**75**  
YEARS

OF  
PROACTIVE  
PROPERTY  
ADVICE



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