

CMS Student Accommodation: Expertise and Capabilities

CMS Student Accommodation

The purpose built student accommodation (PBSA) sector is one that has grown exponentially over the previous decade both domestically and internationally, so much so that the PBSA market has matured enough to no longer be considered an alternative asset class. It is a high performing and extremely attractive asset class of huge importance to developers, funders and of course to the end-users – universities, colleges and students.

- **Experience:** We have over two decades' worth of experience in acting for the top players in the PBSA market. We understand the market both from investment and end-user perspectives as we have a proven track record acting for clients on both sides of the table.
- **Capacity and coverage:** As the largest European law firm and the sixth largest global law firm, we have an extensive network of offices across the UK, Europe and further afield, as well as close relationships with many other firms. The scope of our team means that we can provide experienced specialists in key locations worldwide, across all levels and disciplines.
- **One-stop-shop:** We advise our clients on the full PBSA investment lifecycle, from acquisition, financing and development, asset management and optimisation right through to exit.
- **Multidisciplinary:** We are recognised for our full-service expertise in the sector, boasting multiple workstreams with industry specialists across corporate, real estate, banking, IP, franchising, tax, employment, construction and planning.
- **Industry insight:** We are at the heart of the debate in relation to regulation and reform in the sector as active members of the BPF's Student Accommodation Committee. We are also providing input to the SPF's response documents to the Scottish Government on the financial implications of the Private Housing (Tenancies) (Scotland) Bill and its fitness for purpose in the PBSA sector.

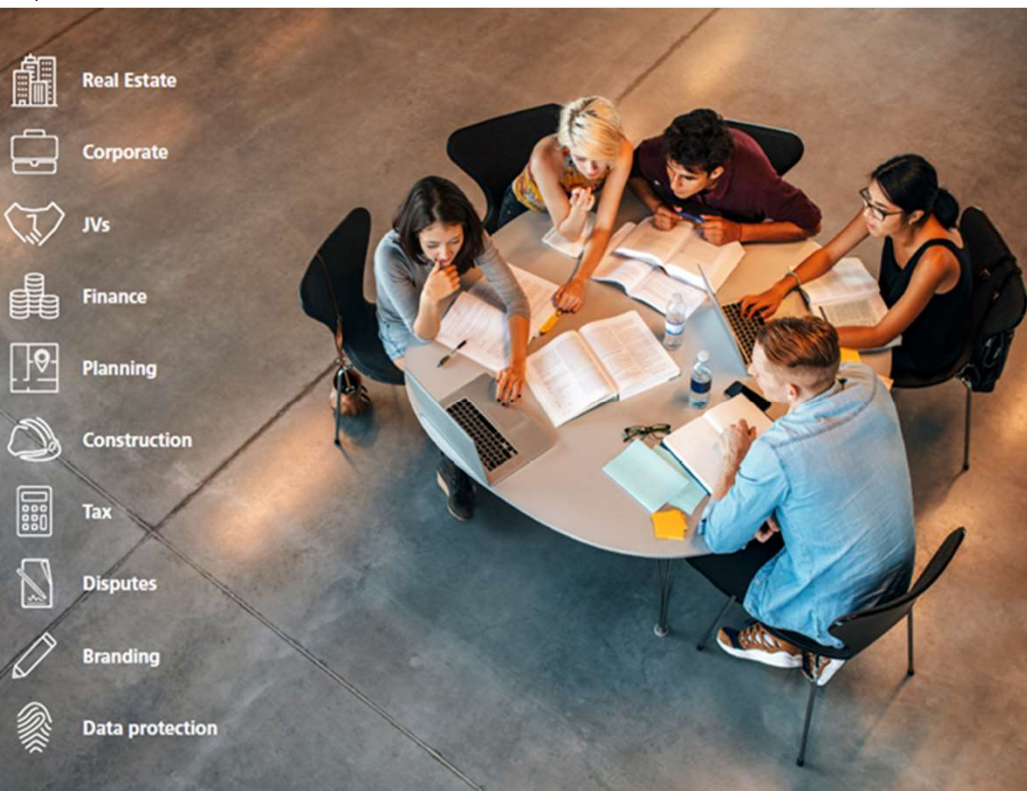


With a real depth of experience and an impressive breadth of resources, CMS is hands down, one of the strongest firms in the global real estate industry.

Legal 500

CMS Student Accommodation

Experts in



PBSA

Asset class in its own right: a competitive environment with strong growth

- **Demand will outweigh supply:** Student occupancy is at record levels and demographic trends indicate that the student population, and demand for PBSAs, will continue to grow.
 - Student accommodation is countercyclical and growth is sustained in difficult periods, with demand for higher education having increased in past recessions.
 - PBSAs are often occupied by majority international students, whose numbers show strong growth year on year.
 - Competitors, such as HMOs (houses in multiple occupation), are being pushed out by other factors such as increases in council tax and new regulation.
 - It is predicted that there will be a shortfall of 620,000 student beds across the UK by 2026.
 - Evidence that students have higher levels of satisfaction with PBSAs over mainstream rental accommodation, implying that they are an increasingly popular option.
- **Demand from investors:** The PBSA market offers opportunities to enter at all stages, from early development to whole portfolio sales.
 - PBSA block sales have become increasingly common over the last decade, with large portfolio sales often higher than many other areas of the property sector.

What's next?

- **Investment entry stages:** Consolidation in the PBSA market over recent years is excluding non-platform buyers. Market participants should consider focusing on investment in the full development cycle.
- **Regulation:** Authorities have been blindsided by previous growth in the PBSA market which is likely to come under increasing regulation.
 - There is comfort however that the government recognises the specific needs of the PBSA market. This was demonstrated in the government proposal to specifically exclude PBSAs, which require flexibility around tenancies tied to the academic year, from the abolition of the no-fault eviction ground for assured shorthold tenancies soon facing the rest of the private rental sector.
 - The residual aftermath of the Building Safety Act 2022 demonstrates the extent to which increasing health and safety concerns can impact not just future investments but previous ones.
- **Changes in higher education:** Demographic trends can give insight into the student population generally, however higher education is switching to more unpredictable supply-led growth which might cast uncertainty over region-specific future forecasts

The PBSA Sector – *what to consider*

Timing is critical and presents a unique challenge to this specific asset class. Market participants will need to ensure they have legal comfort in the event of delays outside of their control.

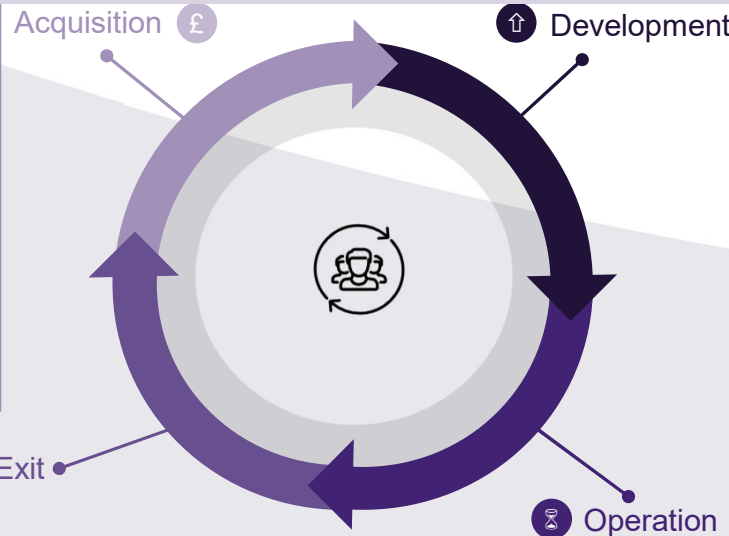
- ✓ Student accommodation needs to be ready for occupation by the start of term. Missing this deadline could result in significant costs such as sourcing alternative accommodation for students.
- ✓ An even earlier deadline to begin marketing and secure tenants, which in the UK, starts around May and often commences before then in parts of Europe. Failure to have enough development certainty to market the property can result in empty rooms, emphasising the need for your legal team to understand the rhythms of this asset class.

Concentration of supply and opportunity varies across the UK. Market players must consider the advantages and disadvantages of different areas, and understanding and navigating the local planning process is critical.

- **Lack of specific use class:** PBSAs do not fall under a specific use class in planning regulations. As a result, councils make such determinations based on the project's merits.
- **Restrictions on speculative development:** For example, in London, local authorities have imposed higher rates for student housing in areas where it's most prevalent, affecting the economics of PBSA projects and investment decisions.
- **Zoning restrictions:** Different council zoning boundaries dictate the geography of development ambitions.
- **Acquisition structures:** The acquisition of PBSAs often follows corporate structures rather than traditional asset sales. This approach is influenced by tax considerations, costs and other factors.

The student accommodation market buyer pool continues to grow, however the unique features of this asset class means that there remains limitations as to flexibility and liquidity.

- **Buyer pool:** In 2021, £4.1bn of PBSA assets transacted – including APG and Blackstone's £969 million acquisition of GCP Student Living.
- **Change of use considerations:** Due to their specific use and design, PBSAs may rarely undergo a change of use after development. Where they can be repurposed, this requires careful planning, regulatory compliance, and assessment of market demand.
- **Valuation factors:** Operational PBSAs are typically valued on revenue, profitability, and operational metrics such as occupancy rates and management efficiency.
- **Exit strategy sensitivity:** Forward planning and flexibility are key to adapt to the evolving market and to optimise exit opportunities.



PBSAs significantly differ from other accommodation assets, with various factors and third parties to be considered.

- **Distinctive operating model:** Student accommodation comprises of a single annual letting cycle aligned with utilities and other services typically bundled into rental charge.
- **Sustainability and technology adoption:** Increasing use in the market of EnviroTech tools help with cost control and property management, and align with environmental concerns.
- **University relationships:** Operators of student accommodation work closely with universities which can have additional implications. Market players can even enter into lease agreements (where the university will be responsible for letting), nomination agreements (where the university effectively underwrites occupation), or hybrid agreements (where the university leases land to a private provider who returns it decades later).

The PBSA market faces the challenge of balancing affordability requirements with rising building and energy costs.

- **Affordability:** Affordability criteria and rent limits make this asset class unique.
 - Rent is outpacing student maintenance loan levels.
 - The National Union of Students sets affordability criteria for student accommodation, which means that rents are divorced from market forces. This insulates from some degree of market risk but might restrict profits.
- **Rising building costs:** Building materials have experienced price inflation to the extent that redevelopment can have better project economics. However, Arcadis forecasts show UK building inflation in 2024/25 to remain low at 3%, a reduction from a prediction of 5% for 2023.
- **Typical financing models:** Forward funding is a common financing model in the PBSA market, aligning with investor preferences. High-quality PBSA assets often provide investors with reasonable confidence in occupancy rates compared to traditional properties, reducing the need for tenant buy-ins.
- **Challenges of late completion:** Late completion can result in significant lost profit, making risk mitigation critical. Risk mitigation through insurance is hindered by factors like swap rate shifts, limited availability of development financial, and rising utility costs.
- **Working in partnership:** Investors will need to collaborate with developers who have a consistent track record and a strong command of their supply chains.
- **Sustainability and net zero development:** There are growing incentives and student concerns driving PBSA development to prioritise sustainability considerations.

Selected Experience: Operators and Universities

CMS is uniquely placed to be able to leverage its experience from across the sector. Some examples of our recent experience of acting for operators and universities are set out below.

Urbanest Advising on its acquisition of the entity holding 2 Trafalgar Way in Canary Wharf to develop a mixed-use development, including a campus, student accommodation, residential homes and recreational spaces, and advising on the conversion and establishment of its student accommodation REIT and transfer of its portfolio to the new structure.	Vita Group Advising on its sale of student accommodation assets in Edinburgh, Belfast and Warwick for £300m to Savills Investment Management. Vita Student will continue to operate the 1,300-bedroom portfolio.	Imperial College Advising on the acquisition and development of various post-graduate and student accommodation schemes in Central London including 600+ post-graduate rooms at Imperial's White City Campus and the construction of 736 student beds at the former Perfume Factory in Acton.
Urbanest Advising on the £100m refinancing from M&G and Aviva of Urbanest's 32-storey PBSA scheme in Vauxhall, South West London.	The Dot Group Advising The Dot Group on the acquisition of CRM Students Limited from Corestate Capital. CRM Students operates more than 100 student schemes in seven countries, providing 26,000 bedrooms and other bespoke services in key jurisdictions, including the UK, Italy, Spain and Portugal. Contracts were exchanged in October 2023.	University of Glasgow, Strathclyde and Glasgow Caledonian Advising all three universities in a collaborative leasing arrangement under which the universities agreed to 'pool' a high volume of bed spaces for use as accommodation during a major sporting event held in Glasgow, ensuring consistent terms and conditions negotiated with the event organisers and best value for all participants.
Liberty Living (now Unite Group) Advising on all operational aspects of their UK student portfolio, including acting on the sale of the student accommodation business to the Canada Pension Plan Investment Board for £1.1bn; providing advice and support on commercial matters including in relation to the online bookings process and website.	Yugo Advising on the operating and management agreements of various student accommodation assets as it has expanded across key jurisdictions such as Germany, Spain, Ireland and the UK.	Middlesex University Advising on three distinct projects providing over 1,250 bedrooms on three sites, including acting on the acquisition of the sites, settling the forms of building contract, including drafting and subsequently negotiating bespoke design and build contracts.

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They're brilliant – commercially minded with a real depth of resources and cross-border capabilities

Chambers





The team's key strength is its in-depth understanding and know-how of the market, including the key players and new developments.

Legal 500



Selected Experience: Investors

CMS is uniquely placed to be able to leverage its experience from across the sector. Some examples of our recent experience of acting for investors into the student space are set out below.

QuadReal <p>Advising on the creation of a £1bn urban logistics platform in the UK, France and Germany with Valor Real Estate Partners and their £580m build to rent and student accommodation portfolio acquisition in JV with Realstar, together with their investment in the Realstar UK Management business which owns the UK rights to the UNCLE brand.</p>	DTZ Investors COLIV <p>Advising on the structuring, establishment and further closings of COLIV, the world's first fund to buy and build co-living accommodation in London launched in partnership with The Collective, focusing on buying and building co-living residential assets with ESG objectives.</p>	VITA Student <p>Advising on the landmark sale of its £600m portfolio sale of "Vita Student" assets to DWS's real estate funds. The portfolio comprised a total of 3,198 beds, catering to local and international students which Vita will continue to manage on behalf of DWS.</p>	IQ <p>Advising on a £427.5m loan with Deutsche Postbank refinancing a portfolio of three student accommodation residences, a £115m loan with M&G financing a portfolio of student residences across the UK and a £70m loan with M&G to finance a new build site in Shoreditch, London.</p>
Student Homes Management <p>Advising on fundraising aspects relating to the launch of its flagship fund focused on student HMOs and co-living opportunities across the UK.</p>	Global Student Accommodation / GIC <p>Advising on the establishment of the joint venture to acquire and invest in a PBSA portfolio located in the major university towns and cities in the UK valued at c.£700m. The team also advised on the simultaneous acquisition of The Student Housing Company operating platform, which continues to manage the sites under the GSA umbrella.</p>	Global Student Accommodation <p>Advising on the acquisition of a portfolio of seven student accommodation assets across the UK, including buying six assets out of an existing joint venture with Harrison Street, and an asset held in a separate joint venture between Harrison Street and Structured House Group.</p>	Volcap Real Estate <p>Advising Volcap, a first time real estate fund manager, on the launch and closings of a UK closed-ended value-added platform structured as a Jersey Private Fund and focused on student housing opportunities in regional UK cities. Also advising them on the implementation of a strategic partnership with a sector specialist operator.</p>
Liberty Living <p>Advising on their acquisition of the 5,500 bed Union State student accommodation portfolio and business in the UK, Bremen and Valencia from Blackstone.</p>	Curlew Capital <p>Advising on the £520m corporate disposal of a 5,400-bed space portfolio across the UK through the sale of five Guernsey unit trusts to Brookfield Asset Management.</p>	Assured Guaranty & Pension Insurance Corporation (PIC) <p>Advising on their investment in Duncan House, a 511-bed student housing development for the University of London. The development includes 44 residential flats, 33,906 square foot of academic space, 404 cycle spaces, roof gardens and a sky lounge.</p>	 

Selected Experience: International

CMS is uniquely placed to be able to leverage its experience from across key jurisdictions and markets. Some examples of our recent experience of acting for international clients are set out below.

CBRE IM Advising on the sale to the Dutch fund PGGM of the largest platform of student residences in Spain for €900m.	Collegiate AC Advising on its establishment of a new platform in Italy backed by €100m of committed funding from funds advised by US private equity manager Proprium Capital Partners, the contribution of a seed asset in Milan and associated asset management and development management arrangements.	Bouwfonds Advising on the acquisition of a student residence in Hamburg, a student residence in Hanover and two student residences in Dresden.	Liberty Living (now Unite Group) Advising on a portfolio of 13 student accommodation residences, comprising 6,484 beds, in the UK, Germany and Spain.
Global Student Accommodation / Harrison Street Advising on an agreement to acquire more than 10,000 student beds in Spain, initially adding 8,000 new student rooms in Madrid and Barcelona in addition to the 2,000 existing bedrooms already acquired.	Guter Hirte Acquisition and development of student flats and listed residential properties in Germany for division into WEG units (share deal, forward transaction).	Catella Group Ongoing advice on multiple real estate investment transactions, including the acquisition and development of several student residences.	Insurance Company Advising on the acquisition of a new student dormitory to be built in Hamburg.
STAYERY Advising STAYERY on a strategic collaboration with a joint venture consisting of CBRE Global Investors and CR Investment to develop serviced apartments in Germany.	Cube Asset II Advising on the acquisition, development and sale of student residences and apartment buildings in Germany as well as mixed-use commercial site developments.	<i>All our lawyers work extensively with international colleagues across CMS</i>	

CMS Student Accommodation

75 cities 

44 countries 

France

Luxembourg

Germany

Spain

Italy

Singapore

Selected Experience: Full-Service Offering

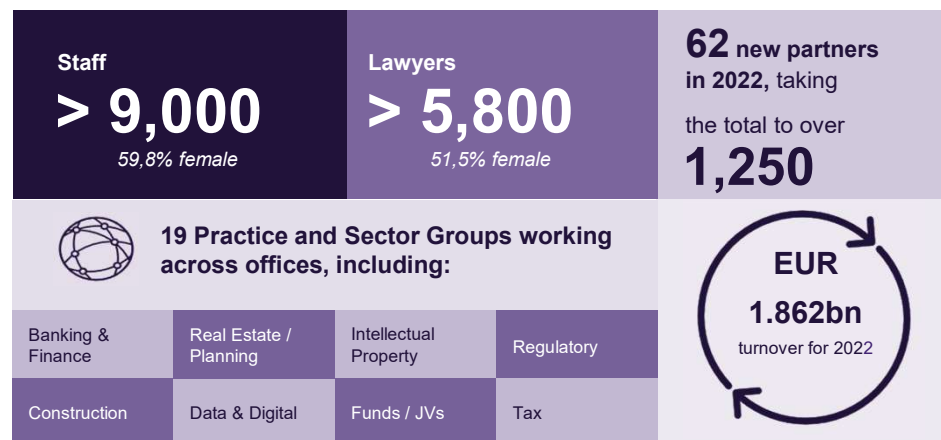
CMS is uniquely placed to be able to leverage its Tier 1 core real estate, construction and funds practices to advise on all aspects of PBSA investment, development and management. Recent highlights are set out below.

Cuscaden	University of Surrey
Advising on the refinancing of Cuscaden's UK PBSA portfolio with United Overseas Bank (Singapore) and Malayan Banking Berhad (Malaysia), who extended a new term facility of £365m. Advice included on all finance aspects as well as conducting intensive real estate and construction diligence.	Advising on the construction aspects for the development of student residences at Manor Park, in which the completed phase 1 contains 750 units and phase 2 (560 units) is under construction.

Assured Guaranty	University of Brighton
Advising on the £159m guaranteed financing to Civitas Living in relation to the construction of 1,480 new bed spaces for students at the University of York.	Advising on the construction procurement arrangements for new student accommodation and academic facilities at Falmer campus.

Nationwide Building Society	Balfour Beatty Investments Limited
Advising in relation to funding provided to refinance Lysander Properties Limited, a student accommodation provider with the Keir Construction Group, which involved two separate buildings in Glasgow which were redeveloped for the purposes of direct student letting in high quality accommodation.	Advising on their student accommodation project at the University of Edinburgh which involved the design, build, finance and operation of 1,200-bed accommodation on either side of Holyrood Road.

We have an immense depth of understanding of the sectors in which we operate and you will work with the right combination of lawyers from our full service practice.



Key contacts

If you would like to discuss our PBSA expertise, or any other aspects of our PBSA offering, please feel free to get in touch with one of our key PBSA specialists below.

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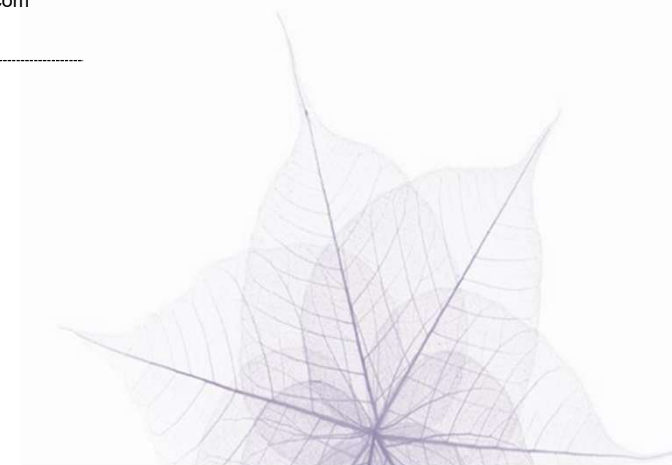
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deals with the toughest
deadlines and delivers the
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