

# HOW TO IMPROVE FINANCIAL RESILIENCE IN PBSA PORTFOLIOS

Senior figures from across the built environment industry joined Yardi and *BE News* to discuss the practical steps firms should be taking to protect their margins and build investor confidence



## INDUSTRY GUESTS:

**Matthew-Blaine Young**, head of originations, Atelier

**Zac Dang**, investment associate, global real estate, Host

**Justin Harley**, senior regional director UK and Ireland, Yardi

**Dominika Klekner**, head of asset management, Dominus Group

**Laura Kurt**, managing director, Fusion Students

**Dan Lutterodt**, partner, Re:shape Living

**Stuart Henderson**, managing director, Luna Students

**Ryan Jakes**, head of living and commercial, HB Reavis

**Raoul Malhotra**, chief executive, Orka Investments

**Joss Muirie**, chief executive, Abodus Student Living

**Sam Scott**, managing director, Fresh Property Group

**Liz Hamson**, editor-in-chief, *BE News* (chair)



The purpose-built student accommodation (PBSA) sector is entering a period of sustained pressure: higher operating costs, unpredictable student demand patterns, an evolving regulatory environment and greater scrutiny from investors who expect consistent financial performance.

C-suite and finance leaders are being asked to deliver more resilient, more transparent and more predictable PBSA

portfolios. Yet many still lack the unified data, visibility and operational alignment necessary to deliver.

So what are the practical steps firms should be taking now to strengthen their financial resilience, protect their margins and build investor confidence? What does the future hold for the PBSA sector? Where are the biggest opportunities and how can these be unlocked?

These were among the issues debated by leading industry commentators at a roundtable event hosted by Yardi.



Joss Muirie



Raoul Malhotra



Dominika Klekner

**QUESTION:** Looking back on the year, how was it on balance for you and for the PBSA sector in general?

**MUIRIE:** We're fortunate that we carefully invested in certain locations. We achieved 96% occupancy, but we're at 96% of our underwrite because of dynamic rent.

My concern is that what happened in 2025 isn't in the publicly unavailable information – it's in the information in terms of the levels of occupancy achieved, but not compared with the actual economic occupancy. Therein lies my underlying worry of what went on, and what scares me is what happened in the wider market. I don't yet know.

**QUESTION:** How has this distinction between economic occupancy and occupancy rates affected business?

**MALHOTRA:** I see this from two lenses: managing my current portfolio and looking at new pipeline. We bought three sites from sellers who had the same story – they grew rents and were trading well through the booking period. Suddenly, summer came and they couldn't fill any more beds, and they finished the year on 75% to 80% occupancy. That created a great buying opportunity for us.

Meanwhile, in my existing portfolio, I'd seen the same problem the year before the rest of the market did, whereas in the first few years after Covid it was all about growing the



***There's been a shift from lower- and mid-tariff universities to high-tariff. The data proves it***

*Dominika Klekner*

rents by 5% or 6% – pick whatever number you want. These things filled themselves, and suddenly it didn't work anymore.

Between yield management and dynamic pricing, we have worked hard to correct the occupancy story. We eventually got there in the book we were managing, but that also meant we had a trade-off in rental growth.

**KLEKNER:** There's been a shift from lower- and mid-tariff universities to high-tariff. The data proves it. That doesn't mean assets can't be filled, but asset managers and investors alike need to be on board. We need to be hands-on, we need to understand every single step and we need to dynamically price very carefully. ➤

**KURT:** We had a time pre-Covid where we could expect the exact same cycle every year, and then we've set those expectations. But since 2020 we've not had a single cycle that's been the same and we're not adjusting our plans to that. We're just assuming it will go back to 2019 at some point. But it won't – the world's very different. University dynamics are also incredibly different now.

Yes, we need to be flexible, but also proactive. We can't just expect customers to come to us anymore. We must work a little bit harder. That's why there's more nervousness, because people don't want to put the effort in – especially after 2022 when, apparently, everybody was just filling beds at Easter at ridiculous rental growth. That's never going to happen again.

**QUESTION:** Does the commercial viability of PBSA depend on international students?

**LUTTERODT:** Yes. This is shown through the difference between economic occupancy and in-place occupancy that many investors and operators are experiencing. Student numbers from China have dropped by 17% year on year, while from India it's around 9%.

Occupancy will remain high due to student operators offering dynamic pricing and a high level of incentives to entice domestic students. International students are typically seen as less price-agnostic given the rent is being paid by their parents.



Laura Kurt

**MUIRIE:** Anybody who builds their business around international students is batshit crazy. The growth of UK student numbers is behind the growth of student accommodation.

It has been the same tenant for 30 years. What has changed is the make-up of those international students. They used to be almost exclusively EU and now they're almost exclusively non-EU.

**SCOTT:** If you're looking at development and your rental prices to stack up, you are likely to be looking at an international audience coming in. From my stock, the split is 60% international and 40% domestic.

Then if you look at the pipeline coming



Sam Scott

through in 2027, there are fewer beds being built. This is a very cyclical thing. We've had a big flux of new beds on the market. But there are many factors going on, geopolitically, and everything else around it that's causing everyone to pause. It will reset, however, and then build back up. A good building in the right city, in the right location, won't have a challenge.

**QUESTION:** What should anyone who lends money and makes money out of lending to the PBSA sector look for?

**YOUNG:** Setting aside the primary risks of general construction and scheme delivery,



***A good building in the right city, in the right location, won't have a challenge***

Sam Scott



Matthew-Blaine Young

one of the fundamentals will be the borrowers' track record and being able to clearly demonstrate their ability to operate the scheme successfully.

As a development funder, we lend into numerous other sectors. However, out of all of those, the student sector is perhaps the one we would apply the greatest level of scrutiny to in terms of the level of management and operation post-completion, as ultimately our facility exit is at the mercy of the ability to refinance it.

A key area we would assess and would need to understand in terms of how readily a project can be refinanced is the operational costs of the scheme to establish the gross-to-net and what this could potentially look like at the point of the first year of operation.

As a high-level indication, we would benchmark a minimum projected net interest cover that provides suitable coverage above that of passing interest on term loan debt.

**QUESTION:** Where does PBSA sit in comparison with build to rent (BTR)? Which sector is currently more appealing? Will we see a reset in the PBSA market?

**LUTTERODT:** BTR development is unviable unless you get a subsidy from a quasi-government body. For co-living, it's a great time to buy because co-living stacks up from

a viability perspective, whereas BTR doesn't due to higher yields, higher operating costs and increased build costs, which is reflected in the lower starts for new-build BTR schemes across the UK. By focusing in the right way on PBSA, it's got good prospects leading into 2028.

**HARLEY:** Is it a reset? No. This is about how business develops. In its annual report, Unite talks about how it intends to become a more profitable organisation. In February this year, the PBSA specialist posted a 78% fall in profits.]

The company is investing a stack of money in technology, which is forecast to save it around £7m a year. That's 7% on the bottom line. The company has made a strategic decision to go through a substantial overhaul to achieve efficiency.

This is the next stage – getting ready to take advantage of what AI is going to bring. That is ultimately where these things are going and in the longer term it is about optimisation and profitability.

**QUESTION:** What's your approach to AI tech and data?

**MUIRIE:** We talk about AI and the advances it can bring, but one thing we cannot fundamentally forget is how important the human element is. You can't replace that with a hologram or a blog. It just doesn't work. ➤



Dan Lutterodt



Stuart Henderson

**HENDERSON:** Cost inflation, particularly through the energy crisis, forced many operators to reduce operational spend under pressure from clients and investors. As energy costs had started to stabilise – before the Iran war – the challenge moved towards cost of acquisition and understanding your customer.

Across the sector, there's a growing reliance on discounting, cashback and agent commissions to fill buildings.

But ideally your proposition, brand and



Justin Harley

marketing strategy should be strong enough to not heavily rely on incentives to drive occupancy.

The risk is that as other cost pressures remain, people and onsite teams are going to be the next thing to squeeze. But the best-performing PBSA assets are usually those with strong, well-trained teams delivering a great resident experience.

Sales and marketing teams are critical in getting assets over the line. AI and tech absolutely have a role to play in supporting



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Justin Harley

operations and improving efficiency, but this remains a people business.

**KLEKNER:** The most reasonable way of looking at this is that technology needs to be the enabler – removing the administration and the manual work that teams must do so they can focus on the quality of customer service.

**HARLEY:** It's never about the tech. It always must be about people... It still is about giving people the tools to empower them to make decisions better, faster.

**QUESTION:** What impact will the Renters Rights' Act have on the PBSA sector?

**MUIRIE:** It's going to be one of the biggest reforms that has an impact on our sector in the last few years, by a long shot. And it's going to be interesting to see how it unfolds.

My gut tells me the main issue will be the marketing window. Those of us in PBSA are going to market as we normally have. Whereas, depending on when your tenancy finished, in houses in multiple occupation (HMOs) you're not going to be able to market for more than six months before the start of the next tenancy.

**KURT:** We're not going to suddenly see an influx of students going "we can leave – let's go and cancel our tenancies". It's going



Ryan Jakes

to be part of our marketing education to encourage students to stay longer in that city. It helps universities; it helps areas economically and commercially. We want students to do longer tendencies.

**QUESTION:** How optimistic are you about the sector's prospects over the next 12 to 24 months?

**SCOTT:** Over the coming 12 to 18 months, my advice to clients is: get out of it what you need, not what you want. Bring forward decisions early in the cycle. In terms of market opportunity, it is about resetting the product slightly and making it more domestic facing, which is where the opportunity is.

**DANG:** There's demand softness now, into 2027, meaning net supply across the UK for PBSA stock is going to be at its lowest levels ever.

That can only mean one thing for standing stock: increased rent. Once rents go high enough, developers will come back in, and things will start getting built. It's market by market, but overall it will help the resilience of the sector.

But occupancy is the key and the threat to that occupancy is demand. In the short term, I'm neutral on the market, but positive in the longer term beyond 24 months.



Zac Dang

**JAKES:** I'm positive about entering the PBSA sector specifically when viewing the London development landscape across different sectors. We see a great long-term opportunity to support some of the best universities in the world that exist in London, but we also see there being some risk for non-Russell Group universities because of their operating deficits and debt levels.

Combine this with unchanged tuition fees, cost inflation, higher interest rates and fewer international students paying higher fees – then universities will need to make cuts, which will have an impact on student places and PBSA demand.

**HARLEY:** I'm an outsider looking in and I am filled with optimism because the fundamentals are strong. Many of you have been operating these buildings for a long time so you know what to do. And I'm confident you will do it. □



***Once rents go high enough, developers will come back in, and things will start getting built***

*Zac Dang*



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