
PBSA
CUSHMAN &
WAKEFIELD
PURPOSE
BUILT STUDENT
ACCOMODATION MARKET
Portugal
August 2023
PBSA

HELLO!

PBSA is a thriving asset class in Portugal! The first modern scheme opened only 6 years ago; these days the main projects in the top cities are packed, many are fully booked for the first semester before the academic year begins, rents keep rising and so do waiting lists.
With a growing number of international students and a very challenging residential market, the (still small) student accommodation and co-living market in Portugal has consistently exceeded expectations. We had a good feeling about this market back in 2017, when it all started. But it was hard to anticipate that growth would be this steady and this strong. We can safely say that the only way is up!



ANA GOMES
Partner, Head of Development & Living

We issued our first paper on the PBSA market in Portugal exactly a year ago. Back then, market evidence already suggested the growing difficulty in finding alternative residential accommodation in Portugal's two main cities – Lisbon and Porto. Over the last 12 months, this problem has grown with more and more families renting flats that were previously shared by students. There is also virtually no accommodation for corporate rentals - executives and young professionals. New supply for the mid-market housing segment is shrinking, causing a massive strain for anyone in need of alternative accommodation. But, above all, it is causing an abrupt demand for PBSA that we anticipate will be sustained for years to come.

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SEBASTIÃO MADEIRA
Senior Consultant, Development & Living

The existing Purpose-Built Student Accommodation (PBSA) schemes, both in Lisbon and Porto, registered near full occupancy during the last academic year, causing a steep rise in prices per bed. This scenario is not expected to change in the short to medium term.
On the contrary, demand levels are expected to continue to exceed supply, even with several projects in the pipeline.

INTRODUCTION

Since last year's report by Cushman & Wakefield regarding the PBSA market in Portugal several new schemes came to the market, increasing the number of beds available for students. However, a sharp rise in demand has caused an increase on rental levels.

The main reason for this increase is the turbulence felt in the real estate housing market in Portugal, where the worrying lack of new construction has led to a severe increase in sales prices for both new and used homes, driving more and more people to rent as a last resource.

There is a clear correlation between the PBSA occupancy market and the residential rental market. The lack of new construction is so noticeable that the perspectives for the near to medium term are not bright.


Photo: milestone.net

PBSA MARKET

Last year's supply in the PBSA market was quite dynamic, with ca. 1,900 new beds being made available in Lisbon and Porto for the private sector. This increase represents a year-on-year variation of around 25%, one of the biggest increases in recent years. As the number of students registered a slight growth, the provision rate (the ratio between the number of beds available in PBSA schemes and the total number of students attending universities) both in Lisbon and Porto increased to ca. **6,7%, though still quite far from the European average (13%).**

Typical schemes operating in Lisbon and Porto offer a wide range of solutions for students - from the single studio with incorporated bathroom and kitchenette, to more collaborative solutions including shared kitchens for an average of 8 rooms, or in some specific cases, some solutions with shared bathrooms (Twodios). Average prices vary according to the schemes' specifications and locations.

A year-on-year 14% increase in prices per bed was registered for both cities - even for Porto, a smaller city with a proportionally higher supply of beds.

+25% IN THE NUMBER OF BEDS AVAILABLE



+14% INCREASE IN PRICES PER BED

City / year	2022	2023	Δ yoy (%)
Lisbon	640€	730€	14%
Porto	550€	630€	14%

In terms of pipeline, there were not many projects permitted or announced recently. Some projects announced in the past are still awaiting permits. The delay in new projects is stressing the demand vs supply equilibrium, as Lisbon and Porto continue attracting more international students and the number of available beds remains low. As such, the provision rate will continue to compare poorly **with the rest of Europe, and the pressure on prices per bed will continue.**

RESIDENTIAL RENTAL MARKET

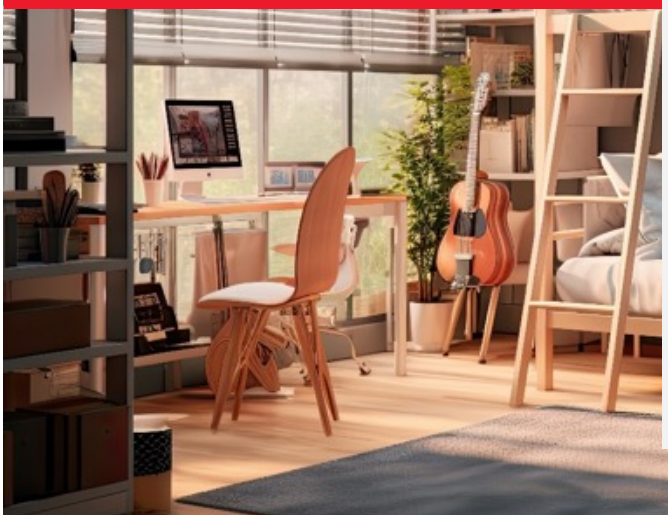
Despite the recent modernization of the PBSA market, the residential rental market in Portugal is still the biggest competitor of PBSA operators. It is very common to have students renting bedrooms in shared apartments to decrease costs and facilitate their accommodation. This is particularly common for domestic students.

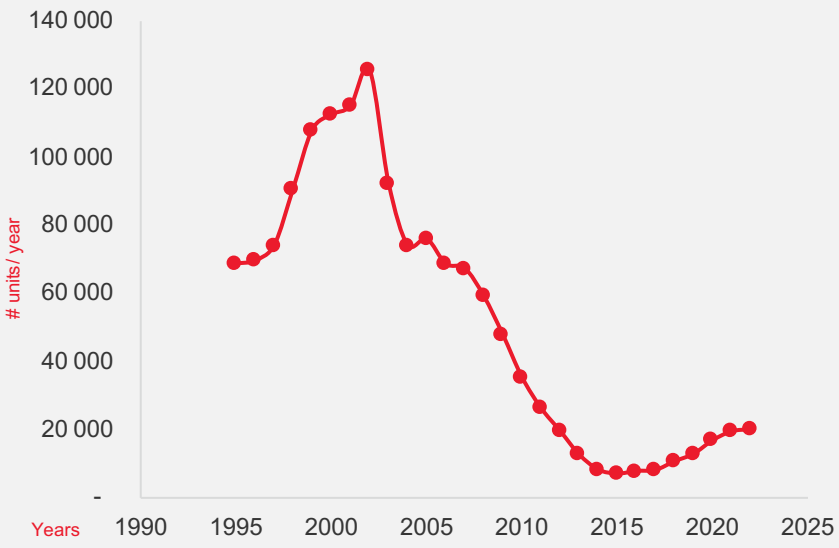
The number of residential units built in Portugal over the whole of the last decade (2013 – 2022) was identical to the number of units built in 2002 alone (ca. 120k)!

This limited supply has directly impacted the availability of apartments and their rental values. These are mostly being taken up by families for longer term contracts, as they can no longer afford to buy.

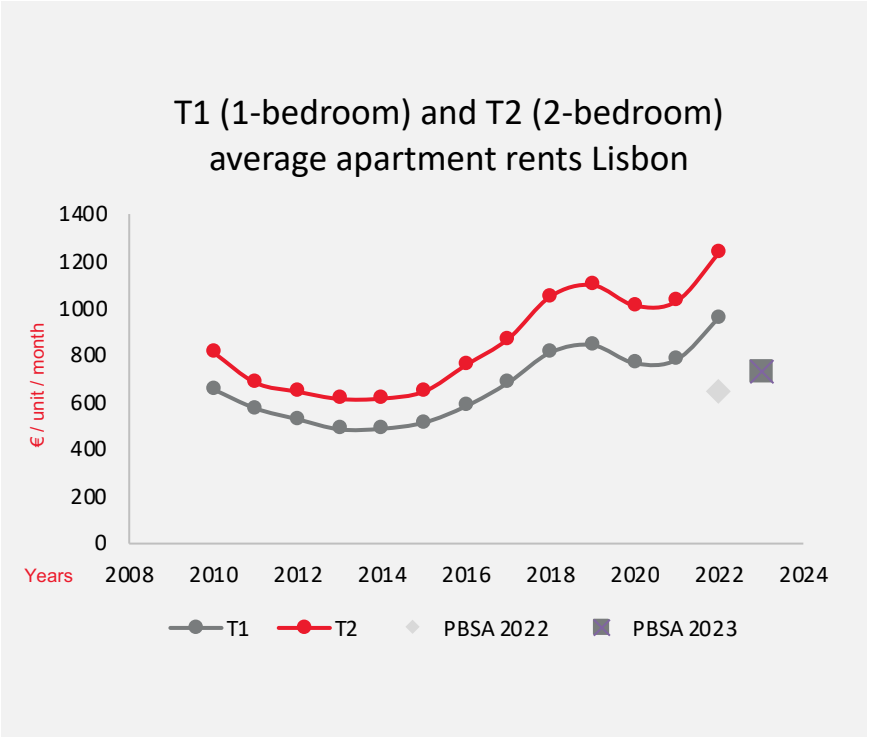
THIS HAS LED TO AN INCREASE IN RESIDENTIAL RENTAL VALUES, WITH ONE AND TWO-BEDROOM FLATS – THE MOST SOUGHT AFTER BY STUDENTS – REACHING VALUES ABOVE THE RENTS VERIFIED IN THE PBSA SCHEMES.

AVAILABILITY OF QUALITY ALTERNATIVE ACCOMODATION WILL CONTINUE TO DECREASE



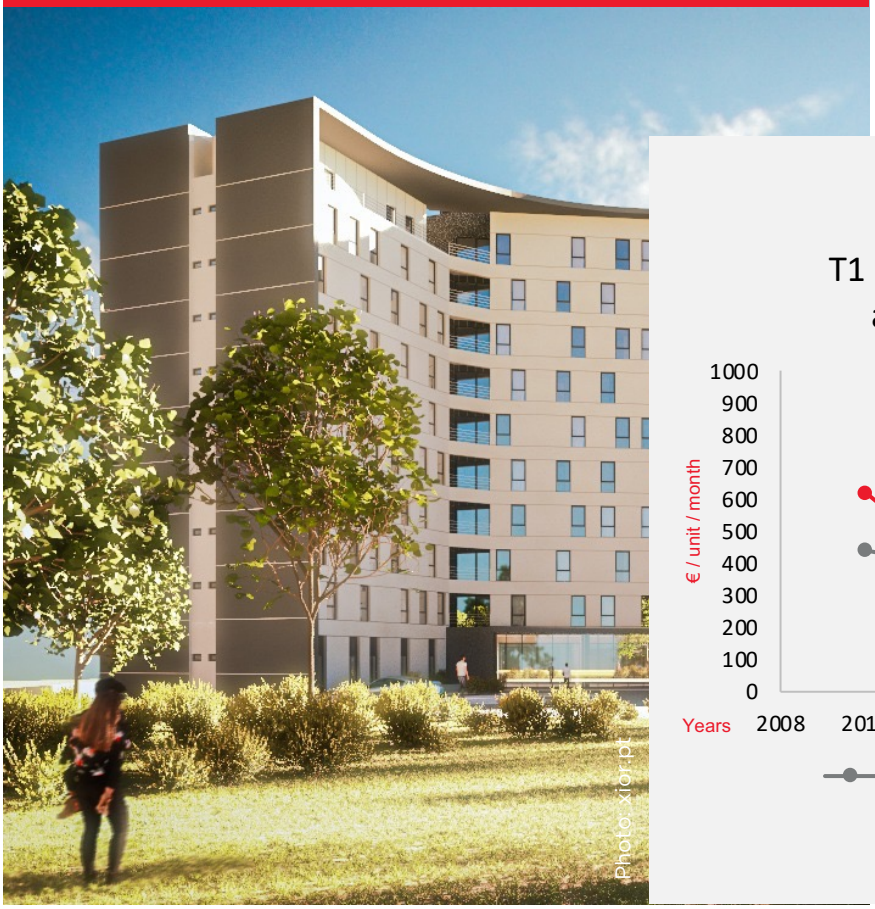


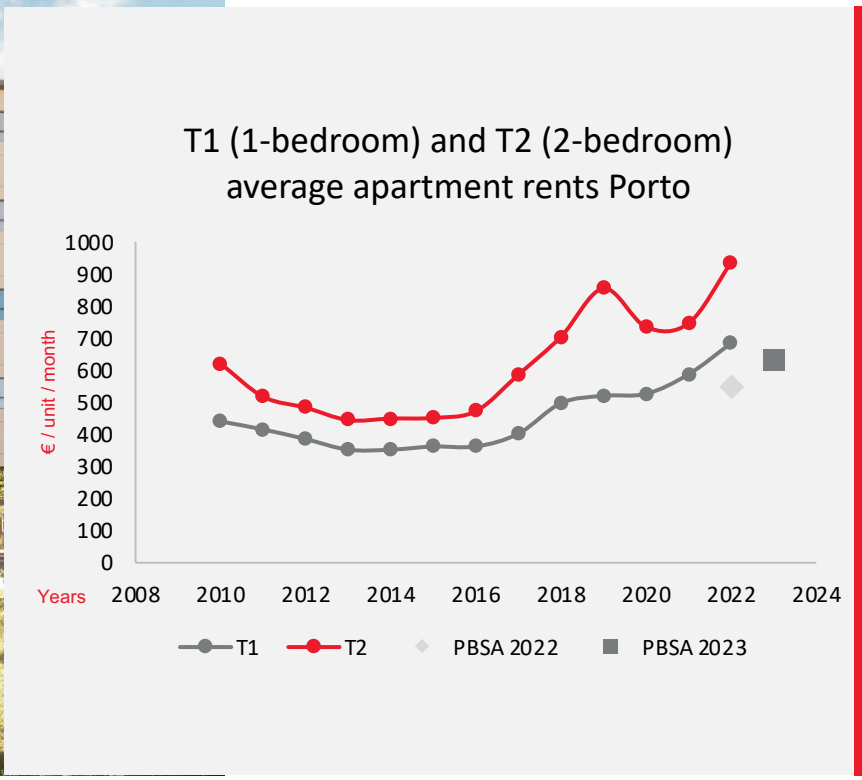
RESIDENTIAL RENTAL MARKET



The SIR – *Sistema de Informação Residencial* database has access to contracts signed between landlords and tenants and duly registered in the tax registry.

According to SIR, the number of contracts signed and registered in the period of analysis (2010-2022) varies between 170 in 2010 and more than 1,140 in 2022 in Lisbon - and between 11 and more than 330 in Porto for the same years. These numbers, though surprisingly low, show an increasingly professionalized market despite the lack of operational (or under development) built-to-rent residential projects. These contracts are for scattered apartments.





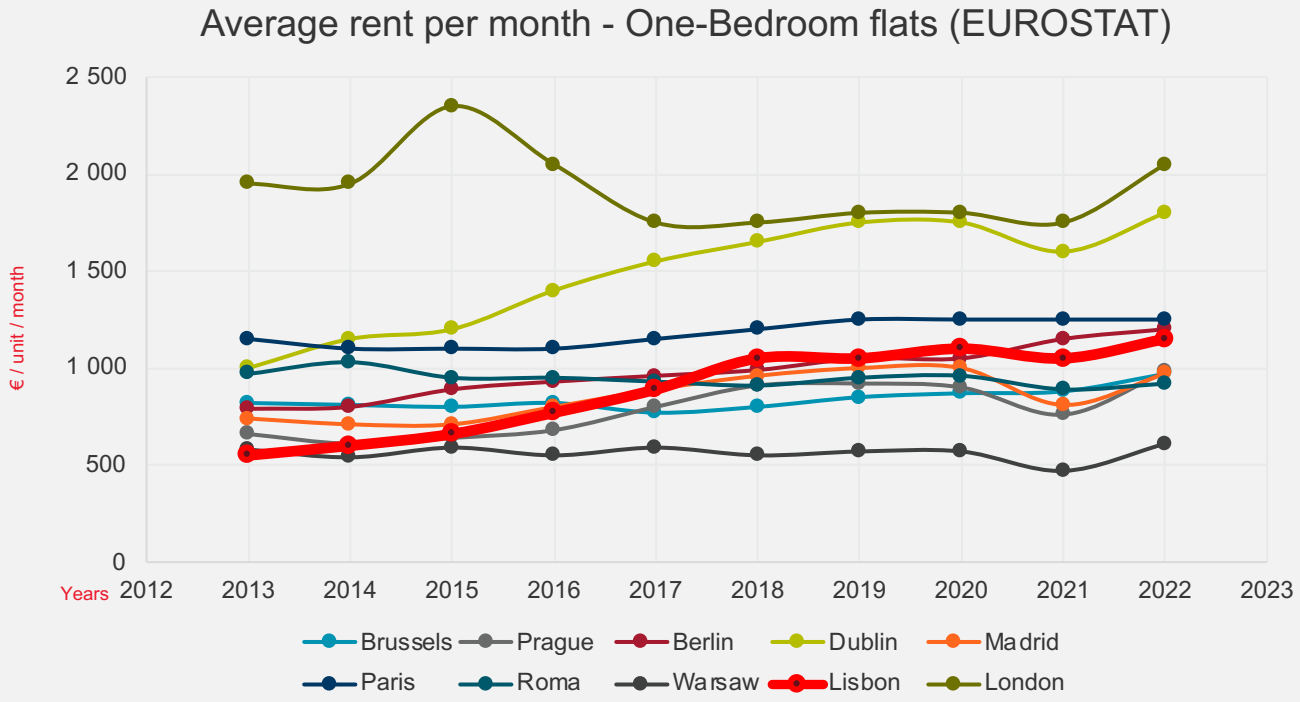
RESIDENTIAL RENTAL MARKET

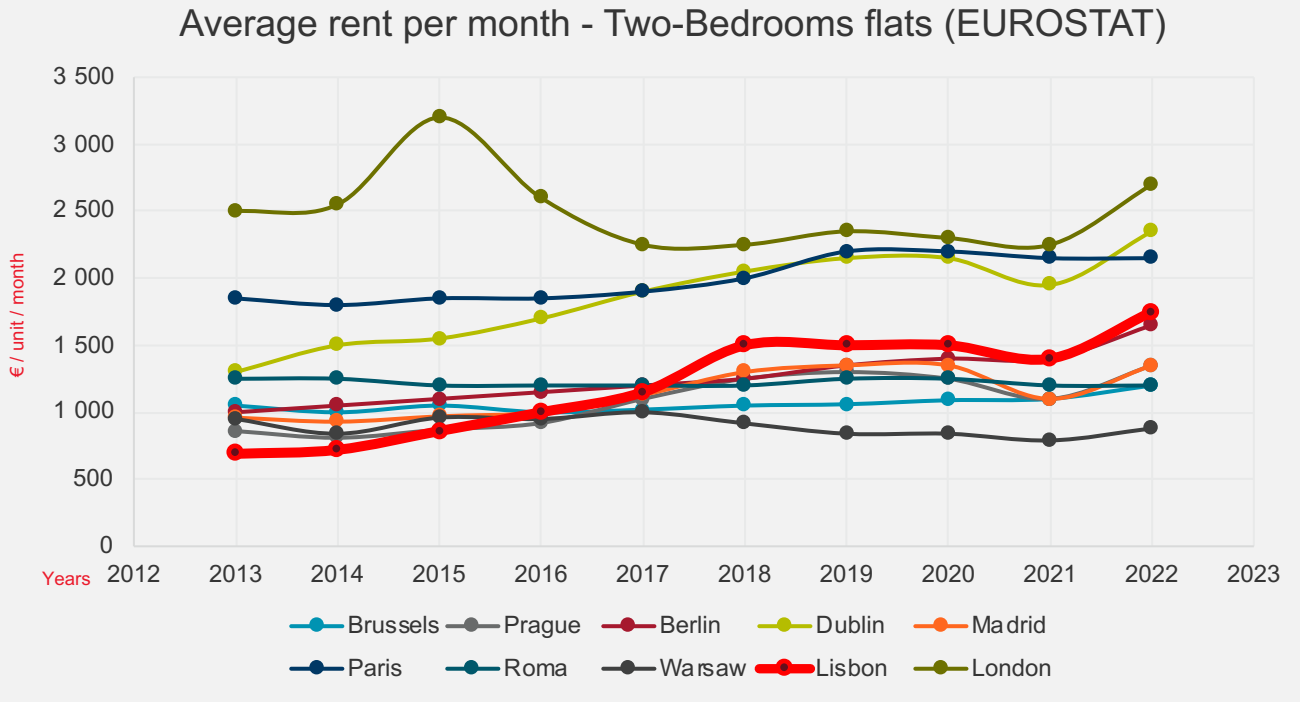
Additionally, according to EUROSTAT data, Lisbon is currently among the most expensive cities to rent an apartment in Europe and, of the ten main cities analyzed (Brussels, Prague, Berlin, Dublin, Madrid, Paris, Rome, Warsaw, Lisbon and London), Lisbon is the only city where rents have more than doubled over the last ten years - reaching an average rent of €1,150 per month for a one-bedroom and €1,750 per month for a two-bedroom apartment.

It is important to bear in mind that the data shared by EUROSTAT is based on information provided by real estate agents for various types of accommodation, excluding charges and utilities and for unfurnished property. The quality of the accommodation should be good to very good, but not luxurious, built or modernized within the last 10 years and located in specific middle to upper middle-class neighborhoods.



RESIDENTIAL RENTAL MARKET





PBSA VS RESIDENTIAL RENTAL MARKET

With the remarkably low supply of new construction and considering the Portuguese government's recent new housing regulation, increasing tax benefits for landlords that agree long term rental leases to families, the availability of apartments for alternative accommodation (rooms for students or shared apartments with leases up to a year) will most likely continue to decrease.

Typically, apartments available on the residential rental market are non-furbished and without any equipment. This leads to an increase in cost for the occupier. Also, all utilities such as water, electricity, gas and communications are charged separately and borne directly by the tenant. This is particularly relevant for students.



PBSA VS RESIDENTIAL RENTAL MARKET

When comparing rental values for both segments plus extra costs, it is clear **PBSA schemes have a lower price per bed** than one-bed or two-bed apartments.
The increasing cost of the residential rental market is making **investment in PBSA schemes more profitable than before**. Bearing in mind the long cycle of any real estate development and understanding (i) the increased cost of construction, (ii) the availability of affordable land and time for licensing, as well as (iii) the affordability issues many middle-class families are facing, we don't see the market changing any time soon. **The push towards PBSA will certainly continue**.

The scale of most PBSA schemes, with a large number of beds, creates important synergies which allow charging lower rents than in the residential rent market. They also boast attractive amenities such as a gym, swimming pool, and several types of common areas allowing students to have an **overall better experience at a better price**, when compared to the rental market.

KEY TAKEAWAYS

- There is room for **significant growth in PBSA**, as provision rates remain lower than other cities in Europe. **The current pipeline will not be enough** to change this.
- **PBSA rents** in Lisbon and Porto **increased 14% over the last 12 months** (2022/2023).
- Rental values in the residential market increased significantly and supply is low, causing **PBSA schemes to be more attractive for students.**
- **Enhanced offer of PBSA** with amenities and all-in rental cost, creates a better experience for students.

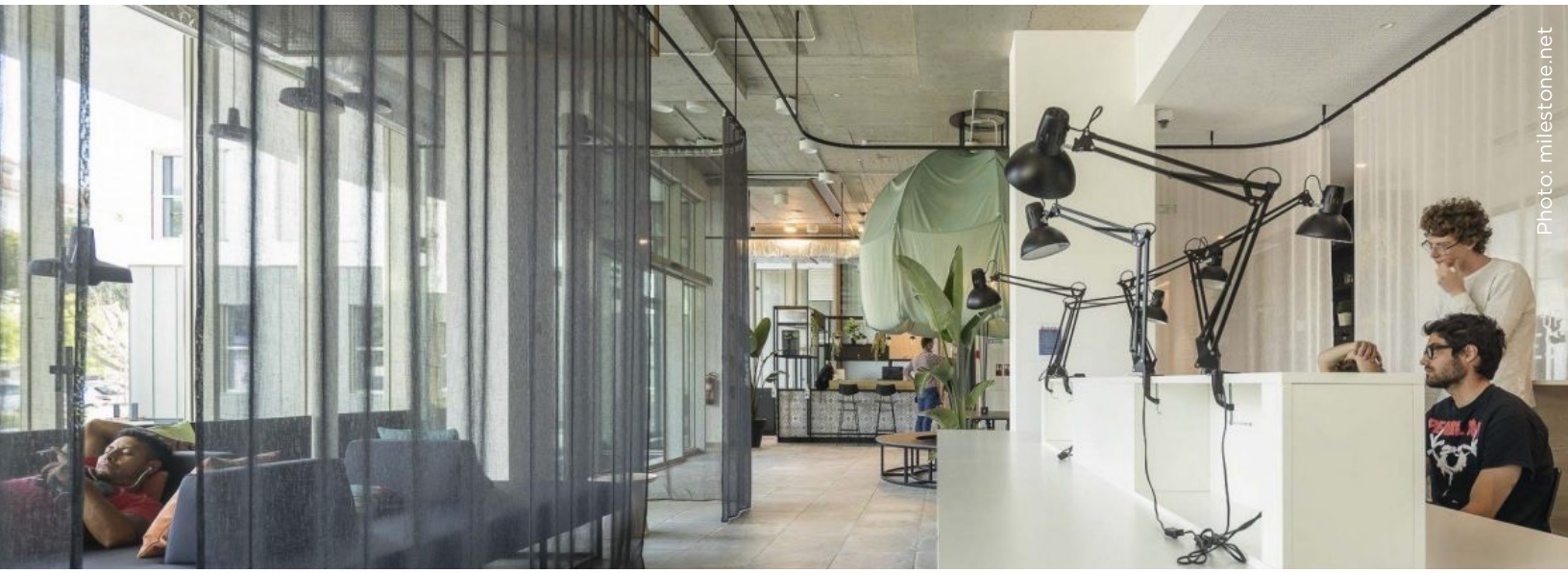


Photo: milestone.net



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