Universities Scotland

Brief on student accommodation: pressures & solutions

January 2023

Key points

- Whilst the overwhelming majority of students continue to find accommodation, this year (2022/23) has seen a real challenge for some students. Where they occurred, most shortages were resolved in a matter of days or weeks. Institutions advise most issues were addressed within September but that may have been achieved via short-term solutions.
- There has been particular pressure in the city of Glasgow[1], however a shortage of appropriate accommodation is an issue affecting a minority of students in almost every city and region.
- January 2023 could be another pressure point because of the postgraduate taught intake.
- The biggest source of pressure on accommodation is a combination of supply-side factors that are limiting availability. Recent policy and legislative changes in support of renters in Scotland has had the inadvertent effect of significantly contracting the market, disrupting the mixed model for student accommodation, which has always involved the private rental market alongside university-owned and private purpose built student accommodation (PBSA).
- To play their part in a solution, universities are providing additional support to students and working directly and with local partners to try to increase supply. Section one of this brief sets out an extensive range of actions taken by institutions in support of their students.
- Universities want to see the Scottish Government to use its Review of PBSA, due out in spring 2023, to take clear steps to stimulate the market for private PBSA, to increase supply. We also want to see action taken to encourage private landlords to re-enter the HMO market[2] which is often a more affordable option for students. The Scottish Government should not extend existing regulations of a 28-day notice period for renters to the PBSA market. Doing so threatens to undermine the business model, further limiting supply, and making university-owned PBSA financially unsustainable. We expand on further positive steps that could be taken in section 2.

1. Supporting students in a high-pressure market for accommodation

Universities have been working intensely since late summer to alleviate accommodation pressures. This work has stepped up again ahead of semester 2, from January 2023, which usually involves a higher percentage of international postgraduate students. A typically older, postgraduate cohort may be more likely to arrive as a family and in need of accommodation suitable for families[3], which is rarely

[1] A UK study of student accommodation by Cushman & Wakefield (2022) points to accommodation in Glasgow's West End as delivering the strongest rental growth anywhere in the UK, at 13.1%, due to strong demand and a significant shortage of accommodation overall. The average for all of Glasgow is 8.6%. *UK Student Accommodation Report* p 27.

[2] Houses of multiple occupancy (HMO).

[3] The UK visa system means that only postgraduate students are eligible to apply for a dependents visa. Undergraduate students cannot.

provided for in purpose built student accommodation (PBSA). Institutions have taken the following range of actions:

- Increasing staff resources in advice and support services for students, providing advice lines and webinars, walk-in advice and one-to-one support on accommodation.
- Institutions have developed a priority system for allocation based on personal circumstances.
- Sourcing short and medium-term accommodation options to meet the need beyond that which can be accommodated in permanent residences.
- Working with students accommodated across all cohorts (not just new arrivals) to maximise occupancy and accommodate everyone.
- Enhanced visibility and expansion of the university-backed guarantor schemes which assist overseas students and those from low income backgrounds to secure accommodation in the private sector, if funds are not available for full deposits;
- Arrangement between a HEI and a new, private PBSA which came into the market late in December due to construction delays and therefore was unoccupied.
- A “mothballed” student residence is being brought back into short-term use to accommodate excess demand from January 2023.
- Glasgow University is working with a local housing association to repurpose a mothballed care home as a postgraduate student residence from January 2023.
- A number of universities cite an extension of nomination agreements with private PBSA providers in their city and across Scotland. However, as several HEIs are doing this, in a finite and high-demand pool for PBSA, this solution, for some students and institutions, is likely to intensify the shortage experienced by other students/universities. More PBSA is needed.
- Hotel rooms are in use (mentioned by at least two institutions) on a short-term/emergency basis at discounted or subsidised rates.
- One institution mentioned working with a nearby college to maximise use of their student accommodation.
- Signposting accommodation options outside the city centre and/or in different cities from the university where good transport links are available.
- Campaigns in local media promoting the dynamic of the student rental market to encourage landlords to (re)enter the market.

Pressure on accommodation is an issue in other UK cities, and there is sector wide coordination on student-facing communications including:

- Various organisations which support international student recruitment (including the British Universities International Liaison Association, Student Crowd, the British Council and UCAS) have all increased their student-facing communications on the need to find accommodation early.
- UKVI is advising Tier 4 visa holders to arrive in the UK in good time to secure housing.

2. Policy adjustments that would improve the provision of accommodation

There are a number of actions which Scottish Government should pursue and action could start now:

- By Spring 2023, within the same timescale as the PBSA review, the Scottish Government should review urgently the current private rental and HMO regulations and identify adjustments which would maintain protections for tenants whilst providing for a reconnection of the market with the academic cycle, thereby giving landlords confidence to (re)enter the student market. This might include the use of fixed-term tenancies (specific to the student market) aligned to the academic cycle.

The Scottish Government's student accommodation review is due to report recommendations in spring 2023. Within the scope of the ongoing PBSA Review, we want to see the Scottish Government:

- Reconsider the planning assumptions for PBSA as an outcome of the Review. Such developments, in repurposing vacant city centre buildings or in developing brownfield land in city centres, should be supported as a key economic stimulus to the 'high street' of the future;
- Seek to give confidence to investors about the stability of the regulatory framework over the short to medium term. This could be achieved if the Review pointed to an adjustment of current regulations affecting PBSA, or it could point to non-regulatory enhancement of provision;
- Refrain from recommending that 28-day notice periods for tenants, as applied in the private sector, is extended to include PBSA. The introduction of a 28 day notice period in the private sector has fractured the link with the academic year cycle and has resulted in landlords moving away from renting to students. It is concerning to us that the December research report from the Scottish Government's PBSA Review[4] refers to PBSA's exclusion from this legislation as an "anomaly" and indicates action may be taken to address it. Applying additional regulation to PBSA would only further disincentivise PBSA development (at all price points). If applied to university-owned PBSA it risks destabilising the financial viability of accommodation (and cost jobs), as property would be left vacant, without charge, for many months. Neither of these likely consequences would benefit students or contribute to increasing the stock of suitable accommodation and they would impact negatively on the finances of our universities at a time when many are experiencing significant financial challenges.

More broadly than the PBSA Review, we want to see:

- The Scottish Government provide monitoring data on changes in the scale of the market overall.
- The Scottish Government to promote a dialogue with local authorities so that there is a stronger policy support for the maintenance of and, as appropriate, growth in provision of HMO rentals for the student market.
- The Scottish Government introduce a requirement for HMO licence applications to indicate if rental use is intended for student accommodation or other renters. This would help to build a richer picture of data of the full spectrum of accommodation available to students. This links to the interim PBSA report published in December 2022.
- The Scottish Government recognise its role in a more strategic approach to student accommodation, including working with universities and PSRB to explore fast tracking of PSRB and longer-term solutions so that Scottish higher education does not lose out to English cities. This approach, including planning policy statements and guidelines for local authorities will support local dialogue because visible leadership will help to drive planning at local authority level.

[4] Scottish Government (2022) *PBSA and Student Housing: Research Report*

- UK Visas and Immigration (UKVI) share data on the number of visa applications for dependents as linked to Tier 4 visas with universities so that institutions have a greater understanding of their students' accommodation needs and a longer lead time for planning and/or sign-posting of information and advice about accommodation. At present the Home Office collects this data but it is not made available to institutions where it could be practically applied. There is no obligation on international student offer holders to share it with institutions though institutions are increasingly asking offer-holders for this anyway (see below). Conversations at UK level with UKVI are ongoing to improve the communications and the sharing of number of visa applications for dependents between institutions and UKVI.
- The Scottish Government work with their UK Government counterparts to explore how UKVI and the Home Office could share early disaggregated data on the graduate route and those who go direct to Tier 2 immediately. This data is held by the Home Office but is not currently made available to the sector or to the Scottish Government, limiting our understanding of graduates' movement and the demand this may add to accommodation within a region. Universities would need to know a home address to scope the number of people choosing to stay local in order to support demand locally/regionally for planning departments. Data sharing here would also support the Scottish Government to make targeted interventions in line with its objectives on skills and talent retention.

What can universities do now?

- Institutions in each local authority area should establish and/or intensify a dialogue with local authorities covering both medium and long term planning issues and immediate practical actions. It should cover planning issues such as PBSA development and HMO licence policy; and management of local services such as health and schooling. It would also, helpfully, involve sharing institution's strategic plans and their projections for student recruitment.
- Intensify their communication to students before they arrive at university to encourage early planning by students for their accommodation.
- Ask international students about their intention to bring dependents, where they are not already doing so. International students are not required to share this with HEIs but several institutions have indicated that they intend to request this on a voluntary basis going forward. The earlier institutions are made aware of a student arriving with dependents (via student disclosure or data from UKVI) the more information, advice and guidance on family accommodation can be made available to students.

3. Background to current pressures: supply and demand side factors

Our research suggests that the main determinants of the shortage are due to supply-side shortages of accommodation, caused by long-term regulatory, legislative and economic factors and legacy effects of the pandemic. The Scottish Government's December 2022 research report as linked to the PBSA Review, acknowledges the decline of availability of the private rental sector (PRS).[5] Yet there are also noteworthy changes on the demand-side (some as a consequence of supply-side changes) that will be important in shaping appropriate solutions.

[5] Purpose-built student accommodation (PBSA) and student housing: research findings - gov.scot (www.gov.scot)

3a The recent background to where we are now: a mixed model of student accommodation.

- Recognising that not every HEI is the same, and each has developed an approach to student accommodation that supports the characteristics of their student body and/or region, it is fair to say that the majority of (but not all) universities provide university owned or managed halls of residence directly to students. Typically offered to new students (at undergraduate and postgraduate levels of study) several institutions make a "guarantee" or commitment to provide accommodation for first year, single students who do not live locally.
- The focus on offering accommodation to university *entrants* has historically been because of students' limited ability to organise accommodation remotely, where they are looking to move regions/country for study. Universities are better equipped than the private sector to support students with accommodation, in cases where university places are confirmed for conditional offer holders following August exam results.
- In subsequent years of study, students have been more likely to find their own accommodation in the private rental sector having established a social network and having become better acquainted with the local area. Students have typically favoured this greater independence. Often, this is in houses licensed for multiple occupancy (HMO) in close vicinity to the university.
- The private rental sector (intended to mean individual landlords letting out property owned or mortgaged in their name) has always formed a significant and essential part of the mix of student housing alongside private Purpose-Build Student Accommodation (PBSA) and university owned/managed PBSA.
- In the last few years, the private rental market for students has significantly contracted within a short timeframe, forcing increasing numbers of students to seek accommodation in private PBSA, which is neither readily available nor coming into market at a scale, pace or diversity of price-points that meet this shortfall or works adequately for students.

3b Supply-side factors contributing to pressure on student accommodation.

There are several limitations on the supply-side of student accommodation. Cumulatively, they have conspired to build the current level of pressure. The growing regulatory burden on the rental sector in Scotland is increasing pressure and increasing costs. Institutions are clear that it is supply-side factors rather than demand-side problems that are the biggest driver of current problems.

- **Contraction of the private rental sector** (PRS) was by far, the biggest single factor cited by universities. There is a contraction of this market in general, affecting others beyond higher education, but there are particular dimensions which are affecting the availability of PRS for students. The Scottish Landlord Association has highlighted the less favourable conditions for landlords as a significant reason for the reduction in rentals available. At a national level, data shows an average 12% drop in the number of privately rented properties between 2016 and early 2020.[6] Time lags in data publication mean we are unaware of more up to date data. Estimates from institutions on the contraction in their local area, over the last couple of years, put the scale of contraction at circa -12% in Stirling, -20% in Glasgow and -25% in Dundee.

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[6] The 2016 Scottish Household Survey estimated the size of the sector to be 370,000 households. Data released by the Scottish Government in February 2020 showed 325,649 properties were privately rented – a drop of around 12%[6].

- Nationally, the 'time to let', as an indicator of demand, has fallen by around 50% across Scotland and in all property sizes. There has been a rise in rental values for all rental properties in Scotland of 18% (which closely matches the rise in property values over the period). This indicates the scale of demand and further exacerbates cost of living pressures for tenants.
- **2016 legislation introducing a 28-day rolling notice period.** Several institutions highlighted this as a key determinant of landlords moving away from the student rental market. Though well intended, it has had the unintended consequence of introducing a high level of uncertainty for landlords and the inability to rely on a 12-month contract within any given academic year cycle. This is further reducing appropriate property stock for students.
- **Rent freeze in the Tenants' Protection Act.** We remain concerned that the cap on rent increases introduced in this Act in 2022 will result in a further contraction of the private rental market, which will also impact on students. The impact of this is not likely to be seen in the first review at the three-month marker (the analysis of which was conducted two months after the Bill passed in order to be ready for presentation at the three-month stage).
- **Limits imposed on Houses in Multiple Occupation (HMO).** There have been contractions in the amount of HMO accommodation available in the market. HMO is regulated by license by local authorities. There have been limits or outright bans on new HMO properties in some cities across Scotland. Where HMO can progress, it has sometimes been limited to new PBSA developments only. Where HMO is still permitted, HEIs cite delays in processing the licenses. HMO is a model of accommodation still highly favoured by students because of its relative affordability.[7]
- **Disruption to the PBSA market.** Several HEIs cite major disruptors to the model of private PBSA. There has been a fall in investor confidence with the economy given as one reason but also the extent of regulation in Scotland is cited as a reason that PBSA providers now see Scotland as a less attractive place to do business. Some providers are avoiding the Scottish market altogether which is affecting supply. For those still in the market, planning and/or construction delays with new projects is the other dimension. Six projects are known to have stalled in the city of Dundee alone. Construction costs have increased on PBSA projects due to rising inflation leaving developers to stall or withdraw. Data drawn from across the UK confirms that that the COVID-19 pandemic slowed delivery. In 2021/22 only 24,000 new beds were delivered for students across the UK, which was 25% lower than the five-year average before the pandemic.[8] There is some regional variance here though with some institutions pointing to ongoing projects in the cities of Glasgow and Aberdeen & Paisley.
- **Premium PBSA.** Several institutions point to the supply of new, private PBSA being increasingly developed with a high specification and premium cost. Whilst popular, there is insufficient development of capacity at a lower specification and breadth of services which might be attractive to some students looking for a different price point. University-owned accommodation is typically available at lower prices, which is another factor behind the rising

[7] Cushman and Wakefield (2022) *UK Student Accommodation Report* This report states that HMO properties are 20% cheaper than private PBSA on average.[7] However, students in HMO properties will be more exposed to utility bill rises from 2022 onward.

[8] Cushman and Wakefield (2022). P16.

demand from returning students. In 2021/22, the average rent in university-owned student accommodation was £5,809 compared to the private provider average of £7,322.

3c Demand-side factors

- **Supply-side problems are driving a change in student behavior.** The unavailability of accommodation in the private rental sector means HEIs are seeing increasing numbers of *returning* students seeking accommodation from their institution as well as entrants. This is a major change and universities don't have the volume of accommodation needed to meet this. One institution said that 25% of applications for university-owned accommodation are now from returners. As institutions seek expanded nomination agreements with PBSA to "guarantee" accommodation for entrants, this further restricts availability for returners. Another dimension to changing student behaviour is a change in when students look for accommodation, with a binary split occurring. Two institutions note that students are now looking for accommodation much later in the year than was previously the case. However, private landlords are moving earlier in the cycle and want to have tenants booked in pre-Christmas for the following academic year. There are two consequences from leaving it later; it clusters demand in September and, given the proximity to term dates, it means the inability to find suitable accommodation is a more urgent or "emergency" situation.
- **Cost-of-living crisis and affordability is driving a change in student behaviour.** Several HEIs believe that a growing demand for university owned PBSA could be linked to the cost comparison between the PRS and PBSA. In 2022/23, rent had been rising by 9.9% in the private sector overall[9], with the rise in rental values for 3 and 4 bed properties in Edinburgh, Glasgow and Dundee exceeding 14%. This compares to around a 4% increase in university owned PBSA[10]. Many PBSA pricing structures are inclusive of bills and do not ask for 6-months' rent upfront (as increasingly reported in PRS). Institutions also point to more students opting to live with families, further afield, and becoming commuter students due to cost (and lack of availability). Some of the newer and growing international student communities arriving into Scotland are more price sensitive and do not consider the premium PBSA market stock to be affordable.
- **International student numbers.** The Scottish Government's approach to teaching funding now involves a clear reliance on international students to cross subsidise the cost of tuition of Scotland-domiciled students. More widely, the attraction of international students brings significant educational, cultural and economic benefits. It plays a role in addressing Scotland's significant demographic challenge and offers huge 'soft power' impacts. For all these reasons the Scottish Government has committed to creating an International Education Strategy. Institutions in Scotland have been successful in international student recruitment, and this has brought additional demand for student accommodation. There is a data lag on the most recent year of entry but there has been a 17% increase in non-UK students into Scottish HE between 2018/19 and 2020/21.

[9] Year on year change to Q2 2022 for all properties for all of Scotland, data extracted from City Lets Data Hub.

[10] HEIs set prices for AY 2022/23 in early 2022, before inflation spiraled, and this price was guaranteed for the year.

- **Changing student demographics.** Several institutions cite a rising demand for accommodation that is suitable for families. This largely affects the postgraduate student market[11] and international students. Within regions, this change is relatively small in terms of actual numbers but as PBSA has typically been built to accommodate a single person, not families, there is a lack of suitable accommodation in almost all areas of Scotland.

There are still a few legacy effects from the pandemic which are having an impact on demand, including:

- **Unplanned expansion of Scottish undergraduates.** The unplanned expansion of a total of 3,800 undergraduate places over 2020 and 2021 to accommodate school-leavers with teacher-assessed grades was concentrated in just a few institutions[12], which created localised pressure in what was already a delicately balanced situation for accommodation. This has housing implications for all four years of their degrees and will remain a factor, exerting some localised pressure, until 2025.
- **COVID limits on social networks and pressure on mental health.** One institution reports that higher demand from returning students for university-owned accommodation is due to students' more limited ability to form close social networks with their peers during the pandemic. Those networks are usually the foundation for groups of students seeking tenancies in the private sector in year 2 and beyond. Taking accommodation in halls again was therefore a more likely option. Additionally, students and their parents have indicated a preference for the more supportive environment of university PBSA given mental health concerns.
- **Delayed international arrivals.** Some HEIs point to the fact that more international students may have deferred their studies and/or begun their studies remotely whilst COVID concerns (including the Omicron variant) and/or restrictions played out. This has led to a higher conversion rate (of offers to accepted offers) than normal for the January postgraduate taught intake and a concentration of arrivals in semester 2 of the current year rather than more staggered arrivals over the full academic year, which would ordinarily see some smoothing of demand.

ENDS

[11] Student visa rules mean ***only*** international students at postgraduate level can apply to bring dependents with them whilst studying. International undergraduate students cannot.
[12] Based on student choice and grade achievement.