Universities Scotland

Brief on student accommodation: pressures & solutions

September 2023.

Scotland's universities start the new academic year (2023/24) with a greater level of confidence that they can meet student demand for accommodation in semester one for those students who have made applications in advance. This follows intense work and collaboration over the last year to maximise capacity (as far as it can be within universities' control) and to communicate with students.

However, there is still the possibility that some students will have left it until the new semester to seek accommodation and also the potential for students to arrive with dependents, with additional housing and other needs, without prior notification to the university. Universities have anticipated the potential for localised "emergency" situations for some individuals and have put enhanced support measures in place during peak periods. More detail can be found in section 1.

Despite action to address the short-term pressures, universities have only limited ability to influence the development of PBSA or the private rental market. One of the biggest, continued pressures regarding student accommodation is the unaffordability of the private accommodation that is available. We need long-term, strategic action from the Scottish Government and others to help address the challenges of availability and affordability in a sustainable way.

The structure of the brief is as follows:

- Section one summarises the range of actions that universities have taken to support students in a high-pressure market for accommodation.
- Section two talks to the range of policy interventions we would like to see from the Scottish Government and others to address acute challenges on the supply side of accommodation.
- Section three provides the latest data on pressure in the student accommodation model.

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

Universities have continued working proactively to alleviate pressure for semester 1 of 2023 and have introduced measures to service the varied and distinct needs of their student communities across all cohorts (not just new arrivals). Institutions have taken the following range of actions:

Growing the capacity of available accommodation, for example, by:

- extending nomination agreements with private PBSA providers in their city and across Scotland,
- sourcing short and medium-term accommodation options to meet the need beyond that which can be accommodated in permanent residences including those in need of emergency housing, and students with safeguarding concerns. In support of the latter, some institutions are waiving guarantor forms and advance rent payments on occasions, retaining a number of emergency rooms at campus, helping by securing hotel rooms on a short-term/emergency basis at discounted or subsidised rates and providing an emergency housing fund,
- making an arrangement with a new, private PBSA which came into the market late in December 2022 due to construction delays and therefore was unoccupied, bringing back a "mothballed" student residence into short-term use to accommodate excess demand from January 2023'
- reopening of a student residential building following refurbishment, thereby increasing campus capacity,
- working in partnership with a nearby college or neighboring university to maximise use of their student accommodation,
- working with a housing association to increase stock of family accommodation,
- working with private PBSA developments to increase capacity in time for AY 2024/25

New and modified policies around student accommodation

- changing processes to open applications for accommodation earlier and include those with 'conditional firm' status.
- putting in place a priority system for allocation based on personal circumstances and those with emergency accommodation needs. Some have introduced an accommodation tracker platform to better monitor unmet demand and support students timely.

Strategic planning on a city-wide and/or regional basis

- Institutions in Aberdeen, Dundee, Edinburgh and Glasgow have intensified their dialogue with each other, with colleges, with local authorities, with Scottish Government and key stakeholders over the last year to coordinate on a local and regional basis on immediate as well as medium- and long-term planning issues.
    - In the city of Glasgow, there has been joint work to model existing provision and future developments within the accommodation marketplace and representing this on a series of maps with appropriate filters and layers to enable an objective and accurate view of the status quo to be viewed.
    - In Edinburgh, all institutions are working together to collectively represent the needs of students with the City of Edinburgh Council and are working towards the development of a joint student living strategy for the city.
    - A range of institutions have commenced work with private PBSA developers, these are in different stages of development and progress due to a number of challenges, some of which are outside institutions' control.

Increased staff resources

- advice and support services for students, providing advice lines, live-chat functions and webinars, walk-in advice and one-to-one support on accommodation, many of which are available 24/7 with peak periods of need.
- special support staff to help students applying for accommodation from widening participation backgrounds, care experience and estranged circumstances,
- hosting dedicated private accommodation sector fairs to assist current students in sourcing accommodation for future academic years, while others offer a broader annual programme of events in support of student experience and their wellbeing through all support services.
- enhancing internal connections between support services on accommodation with recruitment and planning, faculties and student and academic support services in support of the broader student experience and wellbeing so to identify and address related issues like opening bank accounts without a long-term address or securing access to GPs, childcare or schools effectively, but also around sharing data so to establish an earlier indication of numbers and demand for accommodation.

Enhanced communications with students

- intensifying communications of timely pre-arrival information including real costs of living and documents needed by students for all types of accommodation – Private Accommodation Brochure, Contract Checking Guide, Letting Agents & Websites Listings, , Public Transport Guides and Private Student Accommodation Provider Details.
- working in partnership with student university associations to better estimate timing of available accommodation matching with student demand
- signposting accommodation options outside the city centre and/or in different cities from the university where good transport links are available.
- instigating campaigns in local media promoting the dynamic of the student rental market to encourage landlords to (re)enter the market.
- expanding and improving the visibility of university-backed guarantor schemes which in some universities are available to all students, in some are more targeted to assist overseas students and those from low-income backgrounds to secure accommodation in the private sector including third party landlords, if funds are not available for full deposits.

2. Policy adjustments that would improve the provision of accommodation

Universities are doing all they can. However, much of the student accommodation market is, and will always be, outwith university control. There are a number of actions which Scottish Government should pursue, and action could start now:

Within the scope of its ongoing PBSA Review, the Scottish Government should:

- 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;

- relatedly, consider whether public investment in PBSA might both widen supply and the diversity of business models and might contribute to economic development in some localities. The use of public land, coupled with public investment, might provide for an increased capacity and offers in the market at lower price points;

- 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;

- 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 PBSA and longer-term solutions so that Scottish higher education does not lose out to English cities. This approach, including strong Ministerial written directives and national guidelines, will support local dialogue because visible leadership will help to drive planning at local authority level.

- **not** recommend applying the tenancy legislation in the private sector to PBSA, where a 28-day notice period has fractured the link with the academic year cycle. 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), where 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. There are approaches already in place to support students who need to leave their halls at a mid-point in the academic year and these have been discussed with Scottish Government in the context of the PBSA Review.

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

- the Scottish Government to provide monitoring data on changes in the scale of the market overall.

- the Scottish Government to explore in partnership regulation and incentives for landlords to rent to students, such as special mortgage deals with capped rates and grants or loan deals for property redevelopment specifically for those renting to students.

In regard to the wider private sector HMO rental market:

- the Scottish Government should urgently review 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 can do more to promote a dialogue with local authorities (building on the city/region collaborations strengthened by universities over the last year) 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 to set a common framework for HMO inspections to create consistency across Scotland to reduce the risk of licences not being reasonably renewed.
- 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.
- **Cost of living pressure on students.** Given rising costs of rents, particularly in the private sector, the Scottish Government to undertake a comprehensive review of the levels of grant/loan available to students – in real terms as they have not grown at anything like the level of wider market costs.

3. The latest data on pressure in the student accommodation model

The pressure we have seen on student accommodation for the last couple of years is due to a mix of both reduced supply in suitable options and increased demand. However, the various and growing limitations on the supply-side, including regulatory, legislative and economic factors, are the main reason why this has become an acute and fairly sudden pressure.

A fuller account of the supply and demand-side pressures can be found in our brief dating from January 2023. The statistics below provide the most recent account we have of the contraction of the private rental sector and the impact on cost:

- Nationally, the 'time to let', as an indicator of demand, has fallen by around 50% across Scotland since the end of 2020 and is at an all-time low as of Q1 2023.
- Bed space growth in PBSA has slowed over the last 4 years across the UK. Unipol points to an average of 30,000 extra PBSA beds being created per year up to 2020. Since then, the number of new beds entering the market on an annual basis has slowed, to 14,500 across the UK in 2022 and to 13,500 across the UK in 2023.[1]
- There has been a rise in rental values for all rental properties in Scotland of 15% over the same period (which closely matches the rise in property values over the period)[2]. Recent data[3] suggests that these pressures are intensifying with Scotland seeing an annual rise in rents of 13.1% to April 2023 and a significant reduction in supply and the highest rises in demand for any part of the UK.
- Several institutions point to the supply of new, private PBSA being increasingly developed with a high specification and premium cost. This is driven by the dynamics of development,

[1] Unipol summer 2023 data reported in HEPI on 29 August.
[2] Data from City Lets Data Hub
[3] https://www.zoopla.co.uk/discover/property-news/rental-increases-outpace-earnings-for-21-months-in-a-row/

founded on land value and, in turn, increases demand for (and pressure on) university owned accommodation which is more affordable. In 2021/22, the average rent in university-owned student accommodation was £5,809 compared to the private provider average of £7,322. New data, highlighting examples including Glasgow, shows that there's been an average 19% year on year increase on rental prices in private PBSA from May 2022 to May 2023[4]. Student rent increases are significantly outpacing student loans, which further compounds affordability.

ENDS

Note: If you have any questions or queries, please contact Susannah Lane on susannah@universities-scotland.ac.uk or 07715 992 908.

[4] Student accommodation: Availability and rental growth trends July 2023 (pwc.co.uk) p. 13