Nottingham Student Accommodation Update Report

August 2024

Nottingham City Council

Background

1.1 This report is a refresh of the earlier Student Accommodation Update Report produced in January 2024 and pulls together updated and additional relevant information on the student accommodation market in Nottingham.

1.2 The main purpose of the report is to confirm the findings of the 2023-24 Purpose Built Student Accommodation (PBSA) Occupancy Survey but it also draws down on other monitoring that is undertaken by the Planning Policy team and other known evidence.

1.3 Details are also provided on the enrolment numbers for the universities for the 2023-24 academic year and the potential likely numbers in subsequent years including the reasons why there is uncertainty on what future numbers will be.

1.4 There is discussion on the delivery of new PBSA aiming to be operational for the 2024-25 academic year and the pipeline of other PBSA schemes likely to come forward in future years.

1.5 Reference is made to a review of Student Council Tax Exemptions (CTE) as an indication of where students live and changing trends in the distribution of students across the City including a fall in the overall number of on-street CTEs in the last two years particularly in Wards where there is the highest concentration of students.

1.6 An update is then provided on the Nottingham Student Living Strategy (SLS) including the establishment of the SLS Implementation Group to oversee delivery of the Strategy.

1.7 Details are provided on the rental costs of PBSA schemes in Nottingham, benchmarked against the average cost of accommodation in HMO properties. This data is provided by the Council's partner Unipol who have also produced a recent report on student accommodation costs across 10 cities in the UK including Nottingham and a summary of the findings are set out.

1.8 Finally, reference is given to the new PBSA Supplementary Planning Document (SPD) that will be consulted upon in Summer 2024 (anticipated between 19 August and 30 September 2024) including reference to background evidence that supports the Council and Universities' agreed position that new PBSA schemes should be focused to be designed to be attractive to students who are looking for shared living accommodation.

PBSA Occupancy Survey Academic Year 2023-24

1.9 Since 2014 the Council has carried out an annual occupancy survey of PBSA which has confirmed that there have been consistently very low rates of vacancies in all types of PBSA within the City.

1.10 This survey has been an important piece of evidence and has given the Council the confidence to continue to pursue its policy of promoting PBSA in appropriate locations.

1.11 The same survey has been re-run for the 2023-24 academic year and the findings show that the PBSA market has been a lot more challenging for PBSA providers with a noticeable increase in the number of voids this year. A summary of the findings is set out below.

- 31 providers responded to the survey, representing approx. **92% of the known PBSA bedspaces** within Nottingham.
- Reported **vacancy rate for the 2022-23 academic year is 3.5%** which is **a marked increase from the 2022-23 academic year which was 0.8%.**
- A much **higher proportion of studios are reported to be vacant at almost 5% (4.7%).**
- With **cluster beds having a lower vacancy rate at 3% (2.8%).**
- **In general, older PBSA schemes, outside of the City Centre and University campuses have higher number of vacancies.**
- **There is also a loose correlation that those schemes with a higher proportion of studios also having a higher proportion of vacancies.**

1.12 The vacancy rates including previous years are shown below.

Results from the PBSA vacancy surveys

Academic Year	Reported Vacancy Rate %
2023-24	3.5%
2022-23	0.8%
2021-22	1.1%
2020-21	N/A*[1]
2019-20	0.6%
2018-19	0.3%
2017-18	0.5%
2016-17	1.2%
2015-16	0.7%
2014-15	1.6%

1.13 As part of the survey the providers were also asked to confirm the breakdown of the type of students who live in their schemes, ie 1st years, returners (2nd and 3rd years), and postgraduates as well as the origins of the students, either home or international. Not all providers responded to these questions therefore the return rate is lower and doesn't allow a true comparison from the previous year.

1.14 Based on this lower return rate, the following two pie charts (Figure 1 and Figure 2) below show the breakdowns from the latest survey. Overall, approx. 49% of PBSA in Nottingham accommodates first years and just over 58% home students. This indicates a growing proportion of non-1st years (51% compared to 37% to the previous year) and a rising proportion of internationals students (39.5% compared to 33.7%) in PBSA compared to the 2022-23 survey, although this is based on different PBSA providers reporting.

[1] Due to the pandemic, alternative survey carried out – this found that 84% of providers expected the PBSA market to return to 'normal'/past trends post Covid.

Figure 1: PBSA occupancy broken down by type of student (year of study)

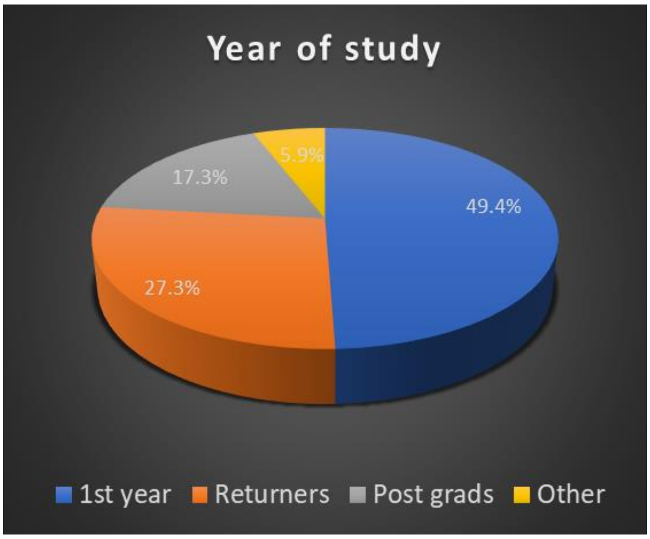
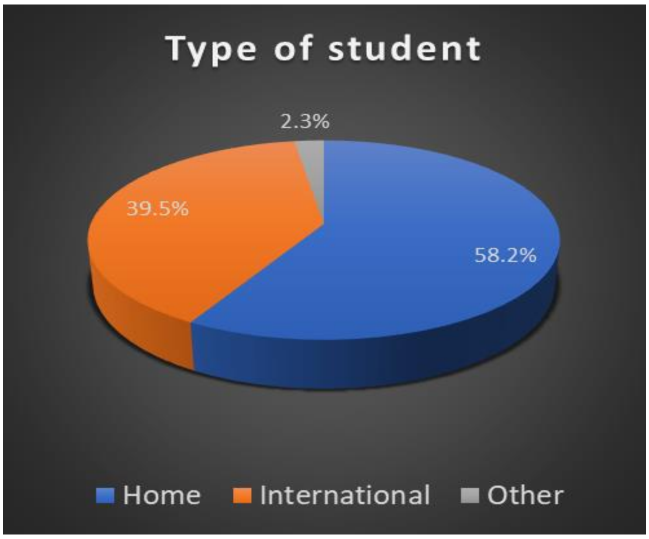


Figure 2: PBSA occupancy broken down by type of student origin



1.15 The results of the Occupancy Survey indicate that Nottingham is becoming a more competitive PBSA market, following years of under-provision of bedspaces. This will likely put pressure on providers to limit rent increases, improve existing facilities, and offer incentives to attract students to live in PBSA. It may be that some providers of smaller, older, and less well-located PBSA schemes may consider exiting the market – a trend that will need to be monitored. Additionally, the higher vacancy rates for studios compared to cluster flats suggest that Nottingham's PBSA market has a generally sufficient capacity of studio accommodation. This therefore provides further evidence on the Council's position that future PBSA schemes should be focused on shared living accommodation and limiting studios.

Overall number of students requiring accommodation

1.16 The number of students requiring accommodation in the City had seen a continual rise in recent years, inevitably increasing the number of student households. Figure 3 below shows an increase in student numbers over time, the number of PBSA bedspaces (operation and anticipated) and remaining students (who are assume to be living in on-street housing). In recent years PBSA has not kept pace with the growth in student numbers and this inevitably meant that students had to look elsewhere in the housing market to meet their accommodation needs – most in PBSA but some in on-street housing as well. If there had not been the growth in PBSA then this would have added even more pressure on the private on-street housing market and could have resulted in a student accommodation 'crisis' in Nottingham as seen in other University cities across the UK. In the most extreme cases this has meant students living in other cities from where they are studying.

1.17 Whilst it is difficult to accurately forecast student numbers for future years, the Universities had been indicating that the growth in student numbers was likely to be in line with national demographic trends which is an increase of approx. 2.8% a year to the turn of the decade (2030).

1.18 Following recent analysis and discussion with both Universities, the surge in enrolments during the COVID-affected years does now appear to be subsiding and student numbers in Nottingham are back to pre-pandemic levels. Demand for student accommodation within Nottingham for the 2023-24 academic year is reduced from the peak seen in 2022-23 which has been shown by the increased vacancy rates.

1.19 There are felt to be a number of factors influencing student enrolment numbers across the sector at present – most impact being seen from the return to pre-pandemic A-level grading methods, uncertainties for international students and potential impacts from the prevailing cost of living crisis which may have influenced student choices. The Council will continue to share and closely monitor the available data.

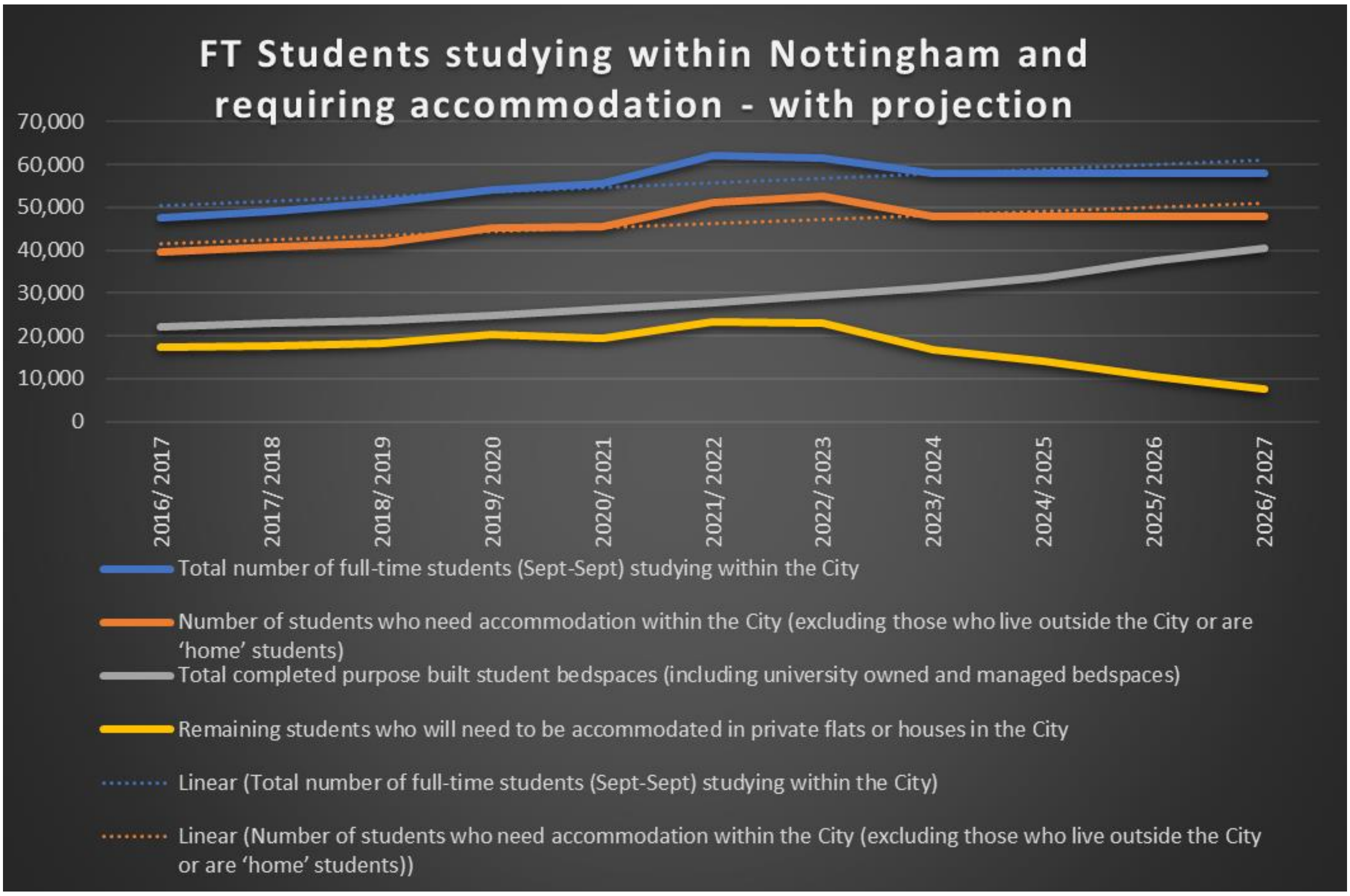
1.20 Both Universities are hugely popular choices to study at and remain amongst the best higher education institutions in the country. Whilst demographic projections demonstrate the university age population will continue to increase up to 2030, the anticipated year on year growth rate is being adjusted to reflect the prevailing headwinds for the sector. Student enrolments will continue to remain under regular review with the Universities.

1.21 There is however a notable increase in the preference for students living in purpose-built student accommodation (PBSA) within Nottingham, signalling a robust growth trajectory for this accommodation type and a shift in student housing preferences within the City. It is therefore imperative that all new PBSA schemes that come forward are of the right type to meet the needs of students, including the preference to live in shared accommodation.

1.22 Figure 3 below shows the total number of full-time students studying and living within the City (blue line). Those students who live in their own home (and therefore don't have housing need) are excluded leaving only those students studying within Nottingham with housing need (orange line). PBSA delivery including anticipated future years is shown on the grey line based on scheme with, or likely to get. planning approval. Finally, this leaves remaining students who must be living 'on-street' either in HMOs or other accommodation such as small houses or flats on the yellow line.

1.23 However, it is also worth noting that the recent change in government may encourage more international students due to a more favourable stance towards higher education. Bridget Phillipson, Secretary of State for Education Bridget Phillipson, recently acknowledged (July 2024) the positive impact international students have on the local economics and assured that the Graduate Route visa, previously under review by the last government, will be maintained under Labour. This shift comes amid a financial crisis in UK universities, exacerbated by a significant drop in study visa applications due to restrictive policies on dependents and negative messaging about migration.

Figure 3: Students with housing need in Nottingham, Growth of PBSA bedspaces and remaining students living 'on-street'.



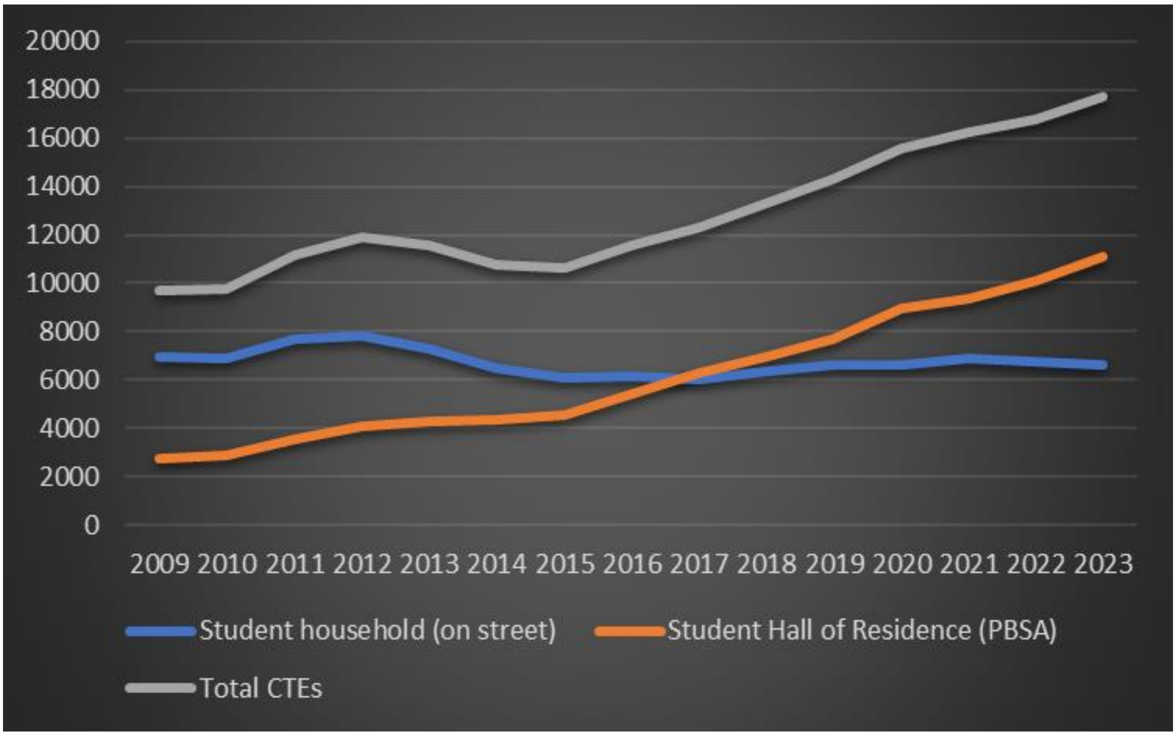
1.24 Over the next few years, if the anticipated delivery of PBSA does come forward and student numbers continue as anticipated (even with the fall in 2023-24) then the recent fall in the trend of CTEs should continue (see section below). However, what is important is that the PBSA market meets the needs of students otherwise this additional capacity will not be attractive to students who generally live in shared housing (HMOs). New schemes could be left with vacancies if too many studios are provided for example.

Student Council Tax Exemptions

1.25 To monitor the location of students within the City, Student Council Tax exemption data is used. For consistency, this data is requested from the Council Tax office on 1st November each year. The data is categorised into 'Halls' and 'Student Households'. The graph (figure 4) and table below display the figures, including the latest data from November 2023.

1.26 It should be noted that a property may not always remain CTE due to changes in resident status. If all residents are not students, the property cannot be classed as student Council Tax exempt, leading to annual fluctuations. Additionally, 'Halls' (PBSA) classified as 'households' (averaged at five students per house) differ from the number of PBSA bed spaces (students). Properties may also be rented as HMOs to non-student residents while remaining within the use class C4.

Figure 4: Student Council Exemptions (2009-2023)



Year	Student household (on-street)	Student Hall of Residence (PBSA)	Total CTEs
2023	**6,611**	**11,084**	**17,695**
2022	**6,748**	**10,064**	**16,812**
2021	**6,900**	**9,348**	**16,248**
2020	**6,620**	**8,970**	**15,590**
2019	**6,610**	**7,693**	**14,303**
2018	**6,323**	**6,970**	**13,293**
2017	**6,029**	**6,272**	**12,301**
2016	**6,170**	**5,413**	**11,583**
2015	**6,084**	**4,572**	**10,656**
2014	**6,457**	**4,321**	**10,778**
2013	**7,310**	**4,254**	**11,564**
2012	**7,800**	**4,071**	**11,871**
2011	**7,658**	**3,521**	**11,179**
2010	**6,899**	**2,885**	**9,784**
2009	**6,965**	**2,733**	**9,698**

1.27 Overall, the number of PBSA CTEs is increasing, in line with policies promoting PBSA in suitable locations. Meanwhile, the number of on-street student households has remained relatively static and has shown a decline in recent years (2% year on year).

1.28 This decline in on-street CTEs could increase the Council Tax base liability. If the recent trend continues for five years, Council Tax could increase by approximately £3.5 million over that period[2].

1.29 In November 2024 a further extract of the CTEs will be taken. It is anticipated that as student enrolments are likely to remain reasonable static and PBSA delivery continues,

[2] This assumes 150 additional properties become liable to pay Council tax per year for 5 years resulting in 750 homes liable to Council Tax. With an average cost of £1,650 (average of Band A and B).

there will be a further fall in on street CTEs. If this trend does continue for the next few years and will help to rebalance these communities where there has traditionally been high concentration levels of students.

Growth in the proportion of students living in PBSA

1.30 The Council has been very successful in encouraging the PBSA market in Nottingham with completion of a substantial number of new schemes. This additional capacity has been essential as student numbers increased and has transformed the student accommodation market with a growing proportion of students living in PBSA compared to on-street private rented accommodation as illustrated in

1.31 *Figure 5* 5.

Figure 5: Growing % of Students living in PBSA compared to On-street Accommodation.

Council Tax Exemption data split down by high concentration Wards

1.32 The graphs below show the number of CTE households split by PBSA (Figure 6) and on-street (Figure 7) households since 2015 for the five wards with the highest number of CTE households.

Figure 6: PBSA Student Council Tax Exemption for Wards with the highest number of students

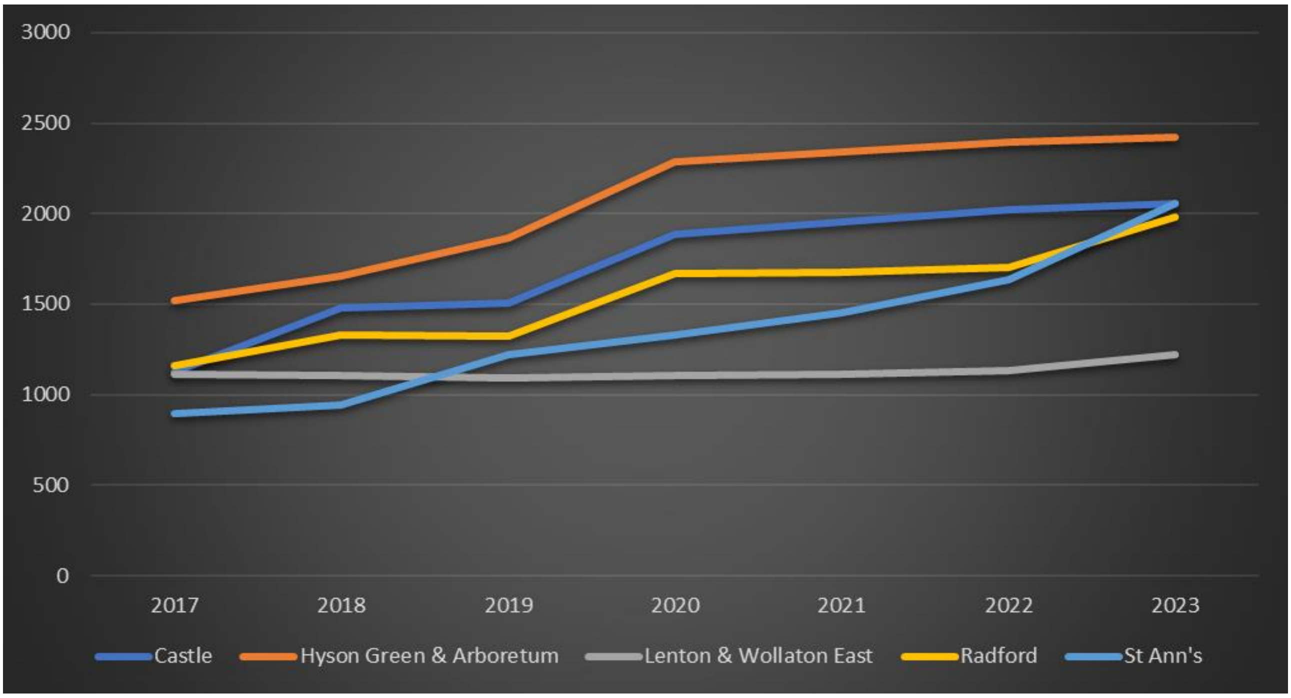
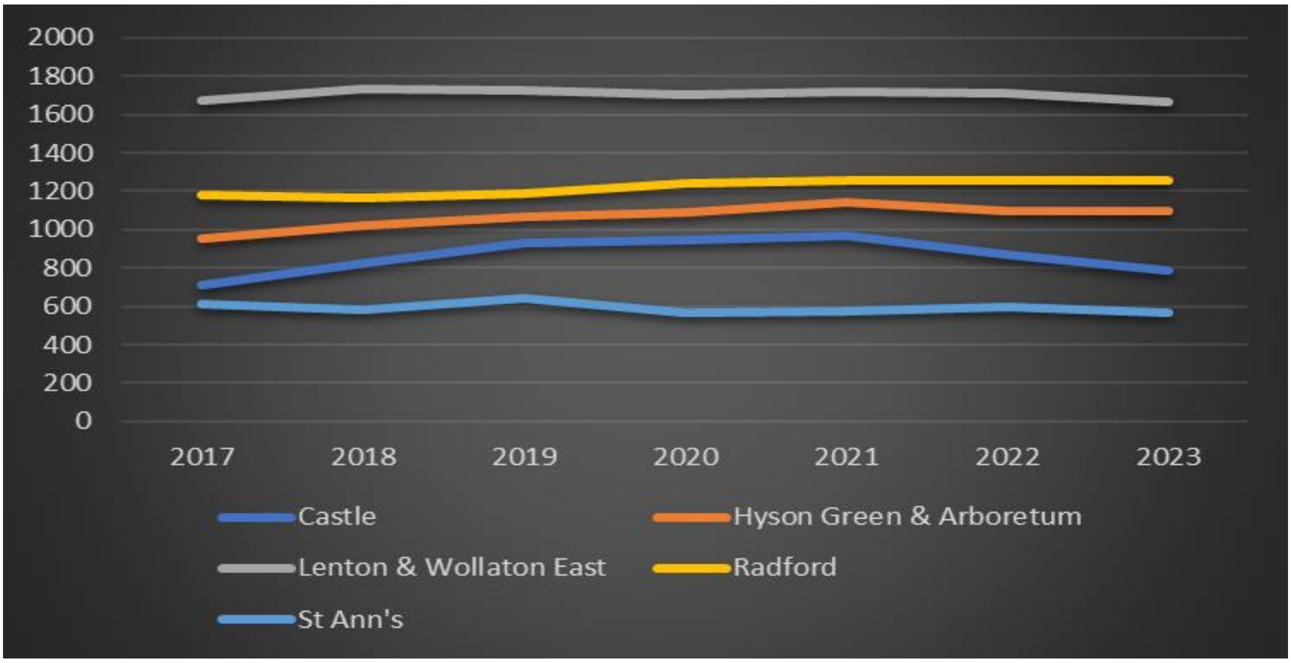


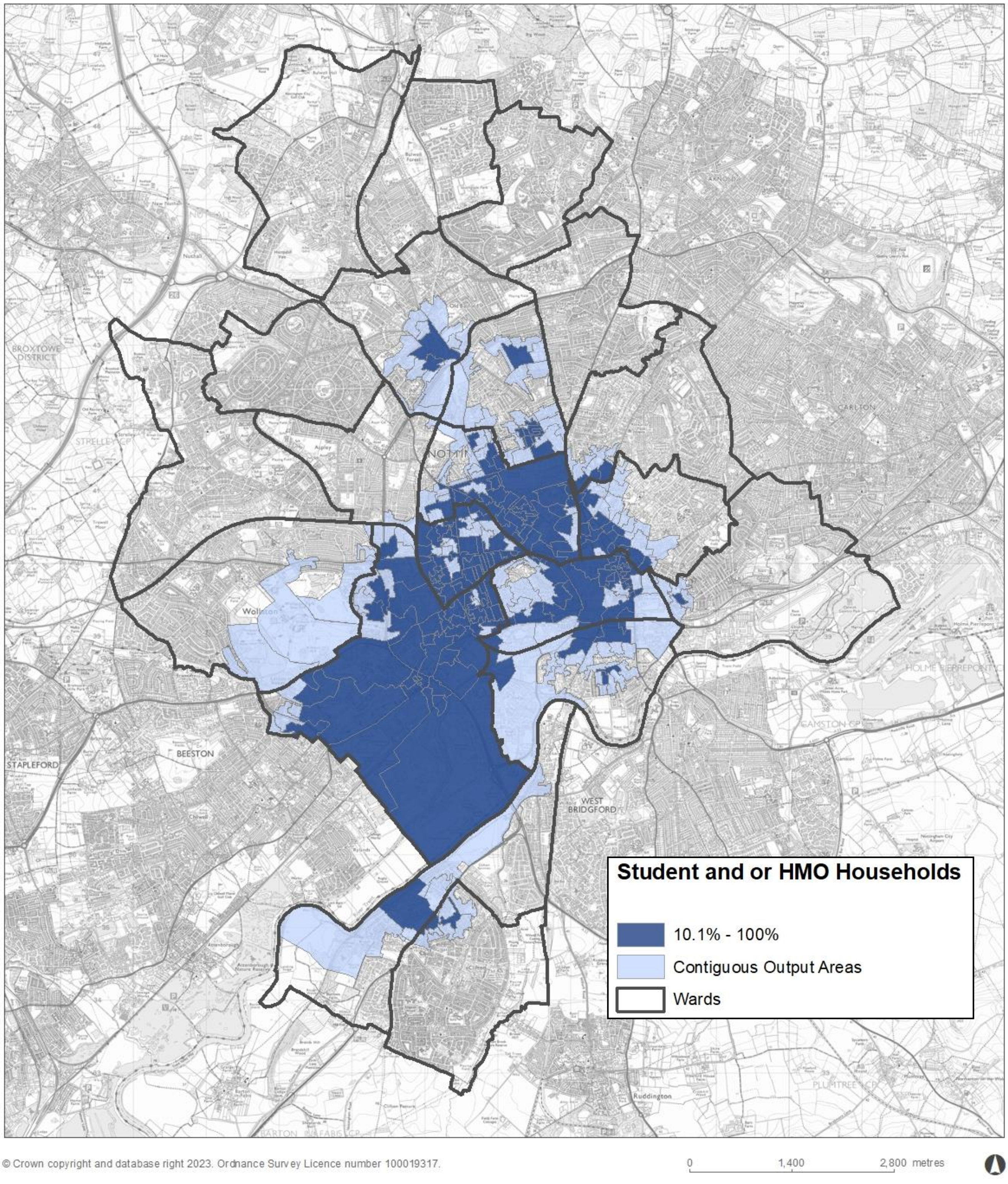
Figure 7: On-Street Student Council Tax Exemption for Wards with the highest amount of students



1.33 The data show that it is the PBSA CTEs that are driving the rise in these Wards and that the number of on-street CTEs has remained reasonably static but is now starting to show a decline. Where there is any growth in on-street CTEs, given the policy to resist the change of use to HMOs then this will be in use class C3[3] homes where there is no control over students living in those types of properties (flats or small houses). A map showing where the CTEs plus other known HMOs are concentrated is provided below (Figure 8).

[3] Class C3 is use as a family dwelling house (can be occupied by between 1-2 unrelated individuals).

Figure 8: Percentage of Households Occupied by Students and/or HMOs & Contiguous Areas (November 2023)



Student Accommodation Rental Costs

1.34 Unipol[4], the Council's partner, monitors student accommodation rents both for on-street and PBSA. They produce an annual summary of all the PBSA average rents in Nottingham and benchmark these against the average on-street rent. A summary of the latest data is provided in figure 9;

- There is a wide range of PBSA rents ranging from approx. £135 to £375 depending on the location of the scheme, the facilities offered and the size and type of room.
- The figures include both individual Studio flats as well as beds within cluster flats.
- Mean PBSA Rent (approx. £198 per week) and the Median PBSA Rent (approx. £205 per week)
- In comparison, the average cost of inclusive on street accommodation is £142.20 per week.
- There are only a few PBSA schemes which are lower in rent than on street HMOs and in these cases, it is only part of those schemes which are lower in price. These will inevitably be older PBSA which are often less accessible away from the City Centre or university campuses and likely to offer less facilities both within the room (e.g. no en-suite) or within the PBSA scheme itself (less social facilities including for example, no gym, cinema etc).
- The most expensive scheme is charging approx. £375 per week for the 2024-25 academic year.

1.35 Unipol have also recently produced a Student accommodation costs across 10 cities in the UK report which included Nottingham. This produces some clear conclusions on the 10 cities included.

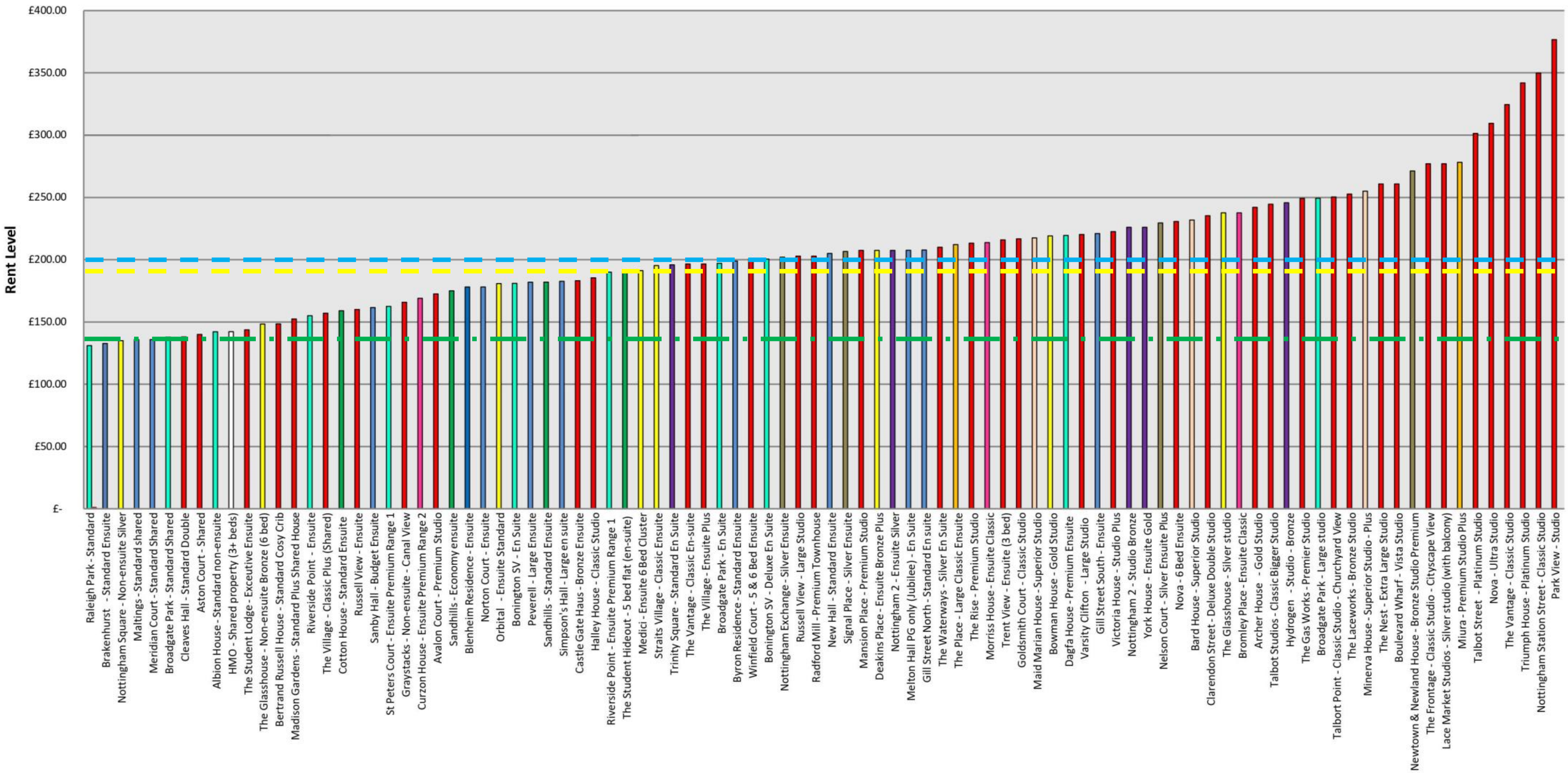
- **Rising Rents**: There has been a significant increase in rent costs across the surveyed cities from the academic years 2021/22 to 2023/24, far exceeding previous years' increments. In Nottingham specifically, the average annual rent rose to £8,427 by 2023/24, showing a 15.5% increase since 2021/22. Nottingham has one of the highest rent levels, behind Bristol, of all the cities within the study.
- **Student Maintenance**: The average maintenance loan available to full-time students in England for 2023/24 is £7,590. However, the average rent in England is £7,566, virtually consuming the entire loan amount and leaving students with limited funds for other living expenses.
- **Cost Pressures**: The escalating rents nationally are attributed to various cost pressures, including rising energy costs, inflation affecting wages, construction, supply chain, legislation, financing, and insurance costs. COVID-19 also continues to impact the market, with some providers intending to recover lost revenue through pricing adjustments.
- **Consequences**: The overall market conditions for student accommodation are challenging, with an undersupply of accommodation nationally and soaring rents. This situation particularly affects students who have limited choices and must contend with steep rent increases due to the lack of alternatives.
- **Policy Recommendations**: The report suggests several policy implications and recommendations to address the challenges, including the need to reset the student maintenance system, exploring affordability interventions, providing more information and guidance to students, increasing accommodation supply, and fostering more coordinated government policies.

[4] Unipol is a charity that provides help and assistance to students renting in the private sector, provides direct housing to students in Nottingham, run a number of accreditation schemes and trains and promotes best practice in student housing.

- **Rent Rises Analysis**: The report provides detailed insights into rent rises across cities, by provider type, room types, and rent ranges in each city. It emphasises the impact on students' financial situations and the challenges they face in meeting rising costs.

1.36 Overall, the report highlights the urgency for policy changes and interventions to address the soaring accommodation costs, the impact on students' financial situations, and the need for collaborative efforts among stakeholders to alleviate these challenges in the student accommodation market.

Figure 9: Nottingham Student Accommodation Weekly Rent Comparison (44 weeks)



Median PBSA Rent (approx. £205 per week)
Mean PBSA Rent (approx. £198 per week)
Average cost of HMO - Shared (approx. £142.20 per week)

Delivery of PBSA and future Pipeline

1.37 For the past 5 years on average there has been an increase of over 1,500 additional PBSA bedspaces with Nottingham often having the highest delivery of any city outside of London. This has prevented a student accommodation ‘crisis’ in Nottingham that many other University cities up and down the country have faced where students have struggled to find accommodation and in extreme cases have been housed outside of the city in which they are studying.

1.38 The Council has a very healthy pipeline of PBSA schemes that are likely to come forward in the next few years. This currently amounts to approx. 9,000 bedspaces based on schemes that have planning permission or are likely to get planning permission.

1.39 Currently we are anticipating a further 2,500 new bedspaces for the next academic year and a forward projection for the following 2 years (2025-26 and 2026-27) over a further. 3,000 bedspaces. Inevitably some of these schemes will slip in delivery or, given uncertainty in the wider development industry, may not get completed. However, it is still reasonable to consider that significant additional capacity will be delivered on an annual basis for the next few years.

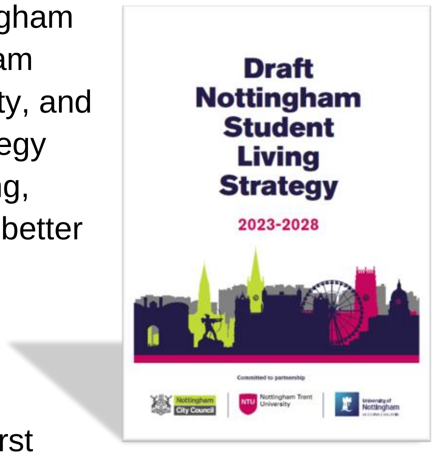
1.40 There are uncertainties on student enrolments going forward as set out above. As a result, it is imperative that any additional capacity created in the PBSA market is aimed at students who would traditionally live within ‘on-street’ accommodation in shared housing. Some students moving out of traditional housing would help to rebalance these communities. This has always been the aim of the Council’s policy of promoting PBSA but it is only now that delivery is above the growth in student numbers that this is starting to have an impact indicated by the drop in CTEs in on-street housing.

1.41 In line with the Local Plan policy, during pre-application discussions with developers for new PBSA, developers are being requested to not only outline the necessity for additional bedspaces but also specifically explain the targeted segment within the student accommodation market for which the scheme is intended. The idea being that the PBSA market must become wider and offer an extended type of accommodation to meet the needs of ‘returning’ students (2^{nd} and 3^{rd} years), postgraduates, families and other groups whose needs are not always met. It is also imperative that ‘shared accommodation’ in the form of cluster flats is the dominant type within new PBSA to attract those students who naturally choose to live in on-street accommodation to share with friends.

1.42 Nottingham has a much higher average of studio accommodation (single bedroom accommodation) at approx. 24% compared to the national average of 12%. It is also worth noting that PBSA schemes that are being built now are also ones that were negotiated prior to the Council negotiating constraint on the number of studios and as such the proportion of studios will continue to rise in the next few years as these already approved schemes are built out. This gives greater need for constraint on the number of studios.

The Nottingham Student Living Strategy (SLS)

1.43 The Student Living Strategy is a plan prepared by Nottingham City Council, the University of Nottingham, and Nottingham Trent University to improve the quality, safety, affordability, and location of student accommodation in the City. The Strategy aims to increase the choice and quality of student housing, maximise the benefits of a large student population, and better tackle any associated challenges for communities in Nottingham. The Strategy includes a focus on building more purpose-built student accommodation.



1.44 The adoption of the document in July 2023 marked the first time that the three organisations had made a formal commitment to work together on their priorities for housing and local services. The document has been seen widely as a sector leading initiative and received significant interest and praise and recently won a Royal Town Planning Institute commended award.

1.45 Since adoption of the Strategy, an SLS Implementation Group has been established to oversee the delivery of the SLS. This is made up of representatives from the three organisations as well as representatives from each of the Student Unions. The intention is that the Group will meet 3 times a year to review progress on the adopted actions and help facilitate where there may be issues on delivery. The success measures embedded within the Strategy will be key to examining how successful the actions are and the Strategy overall.

PBSA Supplementary Planning Document (SPD)

1.46 In response to one of the actions within the SLS the Council is due to publish for consultation a planning document on future PBSA in Nottingham. The PBSA Supplementary Planning Document (SPD) provides guidance on the requirements for new PBSA schemes to ensure that developments meet the evolving needs of students. In particular, it provides guidance on Policy HO5: Locations for Purpose Built Student Accommodation and Policy HO6: Houses in Multiple Occupation (HMOs) and Purpose Built Student Accommodation of the Land and Planning Policies Document - LAPP (2020) (Local Plan Part 2). The promotion of the PBSA schemes that meet the needs of students should encourage students into PBSA ensuring that existing housing stockis released to the general market to meet wider housing needs, aligning with the emerging Housing Strategy objectives. The SPD will also complement actions within the Nottingham Student Living Strategy that was adopted in 2023.

1.47 Recognising the importance of affordability and accessibility in student housing, the Council is committed to encouraging the development of PBSA that focuses on returning students and other student demographics who may have previously been deterred from choosing PBSA. By broadening the appeal of PBSA, the council is seeking to create a more inclusive and sustainable housing market for Nottingham's student population and help to rebalance communities by encouraging a direct alternative to Houses in Multiple Occupation (HMOs).

Conclusions

1.48 The Nottingham student accommodation market is undergoing significant changes driven by evolving student preferences, demographic trends, student enrolments, and the expansion of Purpose Built Student Accommodation (PBSA). Despite increases in vacancy rates for PBSA during the 2023-24 academic year, overall occupancy remains strong, particularly for shared accommodations compared to studios, but will also lead to a more competitive PBSA market.

1.49 The return to pre-pandemic levels of student enrolment has eased some pressure on accommodation demand, although future enrolment numbers remain uncertain. There is also evidence of a growing preference for PBSA over traditional on-street housing, with an increasing proportion of non-first-year students choosing PBSA.

1.50 The Nottingham Student Living Strategy (SLS), adopted in 2023, tackles key issues such as quality, safety, affordability, and the strategic location of student housing. Effective implementation of this strategy will be crucial for guiding future developments to align with student needs and preferences.

1.51 The recent increase in PBSA bedspaces, coupled with a healthy pipeline of future schemes, highlights Nottingham's proactive approach to accommodating its student population. However, despite the high rent levels for PBSA, offering a diverse range of accommodation options remains essential. Future developments should prioritise shared living accommodations in the form of more affordable cluster flats over studios to better align with the preferences of students who traditionally opt for on-street housing. The forthcoming PBSA Supplementary Planning Document (SPD) will be key in guiding these developments to ensure they meet evolving student needs and positively impact the city's housing market.

1.52 The decline in on-street Council Tax Exemptions (CTEs) and the rise in PBSA CTEs suggest a positive shift towards rebalancing residential communities. If this trend continues, it could significantly increase the Council Tax base.

1.53 Overall, Nottingham's student accommodation market is adapting effectively to current trends. Strategic planning and robust policy implementation are critical for sustaining this progress. By aligning new developments with student preferences and focusing on affordability and quality, Nottingham can continue to support its student population while helping to rebalance communities.

Briefing Note prepared by Matthew Grant, Local Plans Manager

August 2024

Nottingham City Council