

APPENDIX 6: THE STUDENT HOUSING MARKET

Student housing affects mainly Leicester and Loughborough urban areas, but plays an important role in both these markets. It has changed considerably over recent years, and now warrants specific targeted policies to limit adverse effects and imbalances.

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6) The student housing market

6.1 Introduction

6.1.a As in many university towns the student housing markets in both Leicester and Loughborough have been undergoing large scale change over the past ten years, due to various factors. These are:-

- a continuing high growth in student numbers
- changes in the financing of students from grants to loans
- provision of specialist student accommodation by private developers, landlords, housing associations and universities themselves
- growth in the buy to let market and house price inflation
- an increase in on line commercial and university accommodation services
- an increasingly business-like and profit maximising approach to accommodation from the Universities
- a greater focus on customer choice within a free market.

6.1.b These have come together in various ways to affect how student housing operates, and its impact on the wider market.

6.1.c Recent expansion in student numbers has put pressure on universities for accommodation and other infrastructure improvements, and there has been a need to address past under-investment and provide additional and appropriate spaces for teaching, research and student accommodation.

6.1.d Future growth in student numbers is expected and encouraged at a National level and total student numbers are forecast to rise to over 1.5 million by the 2008/09 academic year. By 2010, the Government hopes to provide university places for around 50% of 18-30 year olds; however, the introduction of tuition fees in September 2006 has had a slowing effect on this growth in students numbers, potentially from the lower socio economic backgrounds.

6.1.e The expansion in student numbers has also been driven by an increase in overseas students applying to UK universities. The number of overseas students wanting to attend UK universities is predicted to double over the next 15 years to reach more than 870,000 by 2020. Whilst this will benefit the UK economy, increasing competition from abroad could threaten the UK's overseas intake unless there is sufficient investment in university infrastructure to continue to attract them, and the universities are aware of this possibility.

- 6.1.f The move towards loans has had various complex effects. It has, arguably, discouraged students from poorer backgrounds from going to university and so resulted in more of those who do attend being from wealthier socio economic groups and having greater parental resources available to them. Loans have also, paradoxically, reportedly made students less aware of the cost of housing, because parents now often pay housing costs direct, – many landlords set up payment systems that expect this -; and if not the cost merely adds to the loan or overdraft.
- 6.1.g The student accommodation sector has therefore been a lucrative market, though highly fragmented, and has experienced significant growth over recent years, with an increasing number of financial institutions, commercial developers, landlords and housing associations operating in the market. This, along with modern construction techniques such as prefabrication, pod kitchens and bathrooms, etc, has resulted in an increase in the supply of new purpose built student housing in both Leicester and Loughborough over the last few years.
- 6.1.h Notwithstanding the continuing efforts to increase the provision of purpose built student accommodation, it is unlikely that all students will want, or be able, to opt out of private rented general needs housing as their courses progress. Indeed, to change the presumption that following the first year of university all students move into shared houses (with the friends they made in Halls or other purpose built accommodation) would require not only a large increase in the provision of alternatives, but also a change in student culture and the perception of student life.
- 6.1.i Consideration also needs to be given to the perception of ‘freedom’ that accompanies students’ occupation of private housing, and the common complaint of excessive fees and additional charges being ‘tacked on’ by halls of residence and purpose built student blocks. Indeed one of the conflicts reportedly facing universities is the difference in lifestyle and expectations between foreign and indigenous students, and how ‘control’ measures (such as having guests to stay overnight) can be seen as positive by some and negative by others.
- 6.1.j On the other hand, concentrations of students in private renting in particular areas has led to ‘studentification’, a now widely recognised process, and in reaction attempts by local authorities to adopt planning policies to restrict its impact and growth. A new term of “Univercities”

has been used to label the dramatic effects of this dynamic change to a neighbourhood.

6.1.k So new provision in both Leicester and Loughborough does not meet total demand, and many students still have, or choose, to live in the traditional private rented sector, mainly consisting of existing houses.

6.1.l At the same time buy to let has continued to increase, with letting to students being seen by many landlords as a very favourable option. Students have a number of advantages over traditional families for private landlords. These include:-

- The combined rent paying capability of several students in a shared house gives a higher income. It is common in student lets for the “living room” and/or dining room to be utilised as an additional bedroom(s).
- Rental cash flow is now normally secured by post dated cheques, usually from parents.
- There is a regular turnover each year, which allows rent increases and removal of any specific problems
- Deposits cover renewal and replacement costs, and may often in effect provide extra, free income, as students often do not pursue their recovery very assiduously.
- Properties are allocated on an “assured shorthold” basis to protect the owners security of tenure
- Properties are often let on a continuous basis with rent received all year round.
- In the past resale houses have been bought to let to students more than flats, which increases competition with families for this type of housing. The price effect of this has been investigated by the NHPAU , as discussed in the section on Housing Supply.

6.1.m Methods of extracting increasing amounts of the students’ loan cheques are now well established, including by University and housing association providers. Students are often not in strong market bargaining positions: – they are usually new to an area, need to find housing quickly, are young, inexperienced, and their behaviour can reduce the options made available to them.

6.1.n However, one power that students do have is not to live in the accommodation that is on offer but to go elsewhere once they have become more established; and because of the annual changeover this can result in quite rapid market shifts. The first term of an academic year regularly results in significant changes to students living arrangements, this is why Universities charge a termly fee in most circumstances.

- 6.1.o An increase in on line advertising and letting has also greatly streamlined the process of advertising spaces to let for landlords and of finding and securing housing for the student customers. There are numerous student housing web sites, and buyer awareness grows rapidly once they are at the university town or city. A fragmented market where cost versus quality is the key issue has developed in Leicester and to a lesser extent in Loughborough.
- 6.1.p The process of on the one hand marketing of student housing by landlords and commercial agencies; and on the other seeking new housing by students, is therefore an increasingly competitive arena. It has led to a situation where a gross surplus of accommodation may be becoming possible, and student housing has become a much more mature market, with considerable elasticity on the demand side. Options in the free market range from purpose built complexes with swimming pools, gyms and 24 concierge services to seven or eight students sharing a three bedroom house.
- 6.1.q This is exemplified in different ways. Private landlords attempt to secure contracts with prospective student tenants in advance, going as far as marketing at 'freshers week' for next years accommodation, or seeking to tempt students off campus halls during the course of the year. In a similar vein, landlords also often have permanent 'student house to let' boards on display on their houses, sometimes resulting in many concentrated in small areas.
- 6.1.r This has led to complaints by permanent residents who see it as advertising their area as 'studentified' and having high turnover, noise, and so on. The overall effect of these more mature but fragmented markets is to increase choice for customers. This has several implications:-
- Downward pressure on prices for comparable lets
 - Customer choice and selection based on quality and value
 - Surplus supply, leading to empty properties.
- 6.1.s Although all these things happen and people make different choices the general effect, in housing terms (because it is so fundamental to comfort and security) is that students- like other housing consumers tend to go for the best quality they can get at a reasonable price, and not for the cheapest on offer. This therefore leads to the poorest quality accommodation in the areas that are least attractive falling to the bottom of the market , and suffering longer and longer void periods.

- 6.1.t The least attractive factors for students are not however necessarily the same as for other lifestage groups. Convenience to university, entertainments, and freedom from regulation can be seen as more important than environment, space, facilities and amenities. But again in a free market all options appeal to someone.
- 6.1.u All of this suggests that the supply side of the student housing sector needs to change, and landlords and providers will need to consider the market and their position in it quite carefully. Continued development of new purpose built student accommodation may bring an increasing risk of either not finding sufficient demand unless it appeals to its potential customers enough; or of adversely affecting demand for existing student housing, either other purpose built schemes or traditional rented street houses.

6.2 Effects in the wider market

- 6.2.a Student housing interacts with the wider market in various ways. One impact of the scenario described above is that poorer quality traditional terraced rented houses increasingly remain empty. This is being experienced in both Leicester and Loughborough, affecting mainly less desirable older terraced houses, for example in the Narborough Road area of Leicester and the Golden Triangle in Loughborough. However some of these properties are now being let and sold to other types of household, such as couples and families, with officers from the local authorities and universities describing the process as having 'gone full circle'. A cycle of studentification may lead to a period of decline or regeneration and gentrification, depending upon the wider housing market pressures and the policy response from the Local Authority and its partners.
- 6.2.b Another interaction is with the recent increase in the development of city flats. Many of these have been bought to let (one developer estimates 80% in Leicester City), and when working tenants are not easy to attract due to oversupply in this sector lettings to students become more common. This is creating more competition for both the new and old student housing, and can have the effect of changing the perception of new blocks such that it may deter further purchases for owner occupation.

Student housing estimates for the whole SHMA

6.2.c The affect of student housing is clearly most pronounced in Loughborough and Leicester (with a student village of halls in the boundary of Oadby and Wigston). Census table UV698 shows 2,544 multiperson student households in the HMA, virtually all in Leicester and Loughborough, but this may be affected by the timing of the Census survey, although student households are more likely to be counted in the vacation than individual students.

Figure 1 multiperson student households

LA	multiperson student households
Leicester	1763
Blaby	0
Charnwood	748
Harborough	0
Hinckley and Bosworth	9
Melton	6
North West Leicestershire	18
Oadby and Wigston	0

Source: ONS Census 2001 table UV68

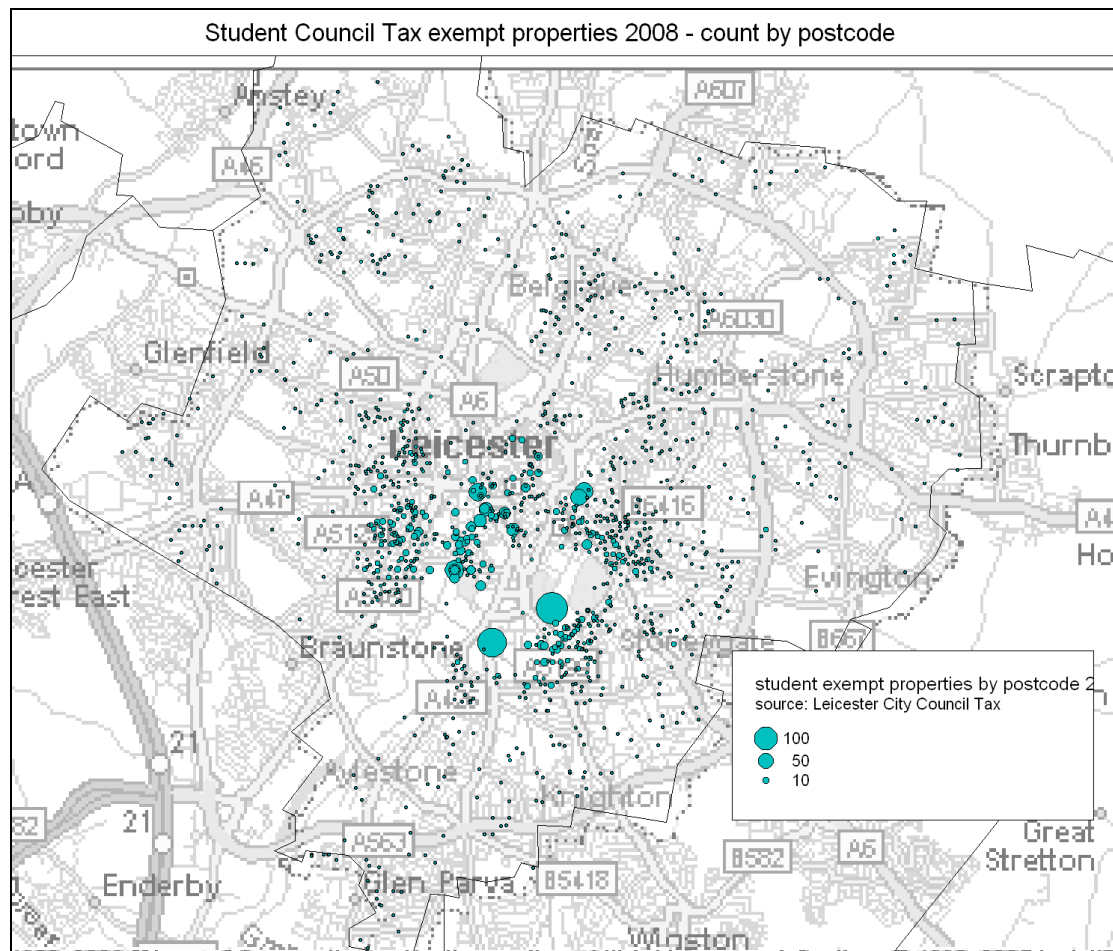
6.2.d Census data table UV05 shows a total of just over 9,000 Students in Full-time Education Living Away From Home During Term-time in the whole HMA, with nearly 7,000 of these in Leicester. This appears to be considerably less than would be expected from 30,000 students in term time, and may be due to the timing of the Census close to the Easter vacation coupled with a lower completion rate of the census by students.

6.2.e The 2002 Leicester Housing Needs Survey found 74 student households, which grossed up to the whole population suggests 1,991 student only households in Leicester City.

6.2.f Council Tax records can be another source of up to date data on the number of student households, although because it is a reason for paying no Council Tax the data can be distorted by failure to report when the house is no longer all student. Although even if some members cease to be students these properties often remain essentially similar to student housing.

6.2.g Council Tax data on student exemptions was provided by North West Leicestershire, showing 90 student exempt properties, and Melton, showing 67. The situation in the City is that 4325 households are exempt and over 505 of this total are found in the two wards of Castle and Westcotes. This is a source of data that could be used more in the relevant local authorities to ensure that the negative side affects of studentification are contained. Locations are shown in the map below

Figure 2 Council Tax student exemption



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Source: Leicester City Council Tax

6.2.h Acorn lifestyle data from CACI includes a postcode classification of Student flats and cosmopolitan sharers, of which there are 281 in the HMA. These can be used to give another estimate of the total number of student households, although it depends on how many households of this type are needed to put the postcode into that category. Two estimates are shown, at 50% and 90% in each postcode of around 15 addresses.

Figure 3 Postcodes classified as Student flats and cosmopolitan sharers

Local authority	postcodes	estimated student hhlds	
		50% of postcode	90% of postcode
Leicester	207	1553	2795
Blaby	2	18	27
Charnwood	68	612	918
Hinckley and Bosworth	3	27	41
Totals	280	2210	3780

Source: CACI Acorn

6.2.i The implication from these triangulated data sources appears to be that there may be fewer student “households” than might be expected from the total student numbers. Multiperson shared student households can be large, and the number of shared student households suggested by these sources of up to 4,400 in Leicester and over 1,000 in Loughborough could account for 20-30,000 students housed within the HMA, about 18-20,000 in Leicester, and 4,000 plus in Loughborough.

6.3 Student housing in Leicester City

6.3.a The policy approaches taken by De Montfort University and Leicester University are set out in this section, followed by the situation in Loughborough and then recommendations for the way forward are made.

The research team interviewed staff involved with student accommodation at the three Universities. It is interesting that the Universities see themselves as in direct competition and were reluctant to share sensitive commercial information with the team.

Student numbers and households – De Montfort University (DMU)

6.3.b The strategy pursued by the University over the last decade has been to pursue an aggressive asset management approach. The older halls of residence have been de-commissioned and sales proceeds have been recycled in to direct educational investment, such as the award winning campus and library. While numbers of students are well recorded by the University, comprehensive data on where they all live is not robust. De Montfort University has more than 20,000 students, but many of these are part time and live at home so the University has a requirement for about 2500 bedspaces per annum to meet its policy

of offering all first year students from outside the County a place in a hall of residence.

6.3.c The directly owned and managed stock has been significantly reduced over the last ten years and there are now only 454 bedspaces of DMU owned direct provision, these are Bede (239 bedspaces) and New Wharf (215 bedspaces). The strategic reason for this has been that the private sector can produce good quality and affordable accommodation on a commercial basis, freeing up scarce University capital resources for direct educational and research provision. The University has therefore agreed a series of leases and nomination agreements with Housing Associations and Commercial student accommodation providers. Of a total of 2443 bedspaces with a nomination agreement DMU reserved 1799 for the 2007-08 academic year. Clearly, this approach leaves DMU with substantial “headroom” to reserve additional bedspaces in line with the nomination agreements if they are required. The net total from all sources for DMU is therefore:

Figure 4 De Montfort Student Accommodation

Location	Provider	Beds	Reserved by DMU	Let by Provider	Completion Date
			2007/08		
1. DMU Halls of Residence:					
Bede	DMU	239	239	N/A	1998
New Wharf	DMU	215	215	N/A	1995
Total - DMU Halls of Residence:		454	454		
2. Private Halls subject to Leases:					
Grange Court	Western Challenge Housing Association	156	156	N/A	1970
Waterway Gardens	Derwent Living	90	90	N/A	1998
Total - Private Halls subject to Leases:		246	246		
3. Private Halls subject					
4. to Nomination Agreements:					
Victoria Hall	Victoria Hall Ltd	541	378	163	2003
Newarke Point	Unite Integrated Solutions Ltd	653	335	318	2003/2004
Gosling Court	Westmanor Properties Ltd	112	112	0	2001
Kingfisher Court	Westmanor Properties Ltd	113	113	0	2003

Liberty Park	Liberty Living Ltd	650	526	124	2003
Grosvenor House	Opal Property Group Ltd	270	231	39	2003
Albion Court	Westmanor Properties Ltd	104	104	0	2003
Total - Private Halls subject to Nomination Agreements:		2,443	1,799	644	
5. Other Private Halls					
6. within the Vicinity:					
Benjamin Russell Court	Derwent Living	423			
Filbert Street Village	Unite Integrated Solutions Ltd	650			
Western Rd/Upperton Rd	Popat Bros	100			
St Martin's House	Unite Integrated Solutions Ltd	180			
Stibbe Apartments	?	50			
Friar Lane Apartments	?	75			
Grange Lane Development	Westmanor Properties Ltd	50			
Charles St Development	Popat Bros	30			
Jarrom Court	Leicester Newarke Housing Association	100			
Pennine Place	Leicester Newarke Housing Association	150			
Millstone Court	Leicester Newarke Housing Association	100			
Leslie Holes Court	Leicester Newarke Housing Association	200			
De Montfort House	De Montfort Housing Association	300			
Regent's Court (formerly Kenneth Holmes Hall)	Megaclose Ltd	182			
Queen's Court (formerly Lawrence Kershaw Hall)	Megaclose Ltd	144			
Deacon House - Deacon St	?	182			
33 - 43 Newarke Street	Sonoa Developments Ltd	40			

Total - Other Private Halls within the Vicinity:		4,128			
	SUMMARY				
No rooms - DMU Halls:		454			
No rooms reserved - Leases & Nomination Agreements:		2,045			
Total No. rooms reserved by DMU: DMU + Private Halls:		2,499			
Remaining No. rooms - Private Halls:		3922			
TOTAL:		6421			
NB Opal Ct (650) and the Grange (220) are not shown as these are leased to Leicester University					

Source: DMU

6.3.d The benefit of DMU's approach is that approximately £75m of capital investment has been made in the City by the private sector with no investment from DMU. The commercial provision of student accommodation has clearly been a major factor in regenerating a large area to the West of the City Centre, as shown by the following table.

Figure 5 Completed student housing schemes (1996-2006)

Site Address	Development	Flats	Bed Spaces
Oxford Court, York Road	factory redevelopment	42	198
Leslie Holes Court, York Road	factory redevelopment	18	90
Millstone Court, 26-30 Millstone Lane	office conversion	11	40
Pennine Place, 31-33 Millstone Lane	office conversion	20	96
142 Charles Street	office conversion	7	32
10 Albion Street	factory conversion	7	28
14-16 Albion Street	factory conversion	8	16
18-20 Albion Street	office conversion	9	36
45 Chatham Street	factory conversion	6	17
14-16 York Street	factory conversion	20	80
24-32 George Street/70 Bedford St North	redevelopment for town houses	6	27
34 Deacon Street	factory conversion	18	18
Gateway Street/Henshaw Street	factory conversion & new build block	13	19
Benjamin Russell Court, Grasmere Street	factory conversion & new build block	95	422
1 Marble Street/25 Millstone Lane	factory conversion	6	26
126 Mere Road	conversion of hotel	n/a	27
84 London Road	conversion of offices	4	19

Gosling Court, 11-19 Grange Lane	factory conversion & new build block	20	112
Opal Court, Lancaster Road	redevelopment of former offices	172	669
Kingfisher Court, 21 Grange Lane	factory redevelopment	24	113
St Martin's House, 38-50 King Street	vacant land (former factory)	40	148
Albion Court, Western Road	factory redevelopment	21	104
Liberty Park, Eastern Boulevard	factory redevelopment	137	679
Victoria Hall, Castle Street	redev. of DMU exhibition centre	87	377
Grosvenor House, Newarke Street (Phase 1)	redevelopment of former pub & factory	44	255
Grosvenor House, Newarke Street (Phase 2)	former car park	35	129
Newarke Point, 8 Newarke Close	factory redevelopment	177	653
Filbert Village, Filbert Street	mixed residential redevelopment	176	664
The Grange, Grange Lane/Deacon Street	factory redevelopment/extensions	67	214
Kenneth Holmes Halls, Rawson Street	Refurbishment & Extension	38	182
1 Western Road	factory conversion	3	20
52 Grange Lane	factory conversion & extensions	25	74
Victoria Hall, St Nicholas Circle (S106)	New Block of cluster flats	39	163
19 Newarke Street	factory conversion	5	24
sub-total completed units		1400	5771

Schemes comprising 10 or more student bedspaces

Source: Leicester City Council Planning.

6.3.e Leicester City's Planning database shows that over a thousand student housing units have been added since 2001, which suggests a slowing of the rate of new supply.

Figure 6 Completions by type in Leicester City 2001-2007

year reported	Bungalows	Flats	Houses	Student Housing	Total
01/02	15	181	288		484
02/03	9	578	296	8	891
03/04	18	326	595	534	1473
04/05	29	671	306	440	1446
05/06	13	878	254	41	1186
06/07	14	899	375	64	1352
Total	98	3533	2114	1087	6832

Source: Leicester City Council Planning database

This total is largely student cluster flats which equates to over 5,000 bed spaces.

6.3.f DMU welcomes the competition between the providers and recognises that they must maintain a good working relationship to ensure their target of a minimum of 2500 bedspaces per annum is delivered. At present only about 20% of this requirement is being met by direct DMU

provision (454 bedspaces) and it is possible that future directly provided residential schemes will be developed by the University. The affects of further provision on an apparently “saturated” mature market are considered later in this section.

6.4 Student numbers and households- Leicester University

6.4.a Leicester University has a different approach to residential accommodation, preferring to continue owning a large part of their historical estate. However, over the last three years they have undertaken a more pro-active asset management strategy that has seen the sale of several sites with re-provision being delivered directly by retaining ownership. A masterplan is currently being devised and a new estates strategy will be adopted at the end of 2008, when the maintenance condition survey has been completed.

6.4.b In the interim the University is selling all of its sites in Knighton, Stoneygate and Highfields to the private sector. The fact that these sites have been sold outright to develop market apartments and houses has meant that the University has maximised sales proceeds and intends to embark on a £60m to £80m remodelling programme of its portfolio in the next 3 to 5 years. Partnership procurement routes with the private sector are still being actively considered.

The position with student housing is set out in the following figure;

Figure 7 Leicester University Student numbers

Current accommodation	Bed spaces	Nominations	Leased
Oadby Student Village *			
John Foster Hall catered:	486		
self catered	248		
Beaumont Hall catered:	282		
self catered:	36		
Digby Hall catered:	274		
Gilbert Murray/Stamford Hall catered:	436		
self catered:	223		
Sub total for Student Village	1985		
Self Catered Properties			

Freemen's Common Houses self catered:	307		
Nixon Court catered:	707		
Salisbury Houses self catered:	145		
Mary Gee Houses self catered:	360		Closing June 2008
	1519		
Privately owned			
Goscote House	132		Leicester City Council
Opal Court	655		Opal managed
The Grange	220		Unite Group
Sub total for privately owned	1007		
Total bed spaces	4511		

* Located in Borough of Oadby and Wigston

6.4.c The strategy behind this approach is similar to DMU's, there is a recognition that residential units can be provided on a commercial basis by the private sector to free up capital investment by the University. Clearly the University had a more substantial and valuable landholding than DMU had and this has influenced its approach.

The long term aim is to retain a focus on the student village at Oadby and accommodation "near" to the City Centre campus. A specific need for families and post graduate provision has been recognised.

6.5 Student numbers and households – Loughborough

6.5.a Loughborough has over 14,000 students in a town with a population of around 58,000, so they are almost a quarter of the population. The University has a well established and proactive accommodation service, owning and providing some 4814 bedspaces, mostly on campus; and provides accreditation and house finder services for the private rented sector.

6.5.b A short and medium term objective is to provide additional purpose built accommodation through commercial partnerships. At present, the University is working with University Partnership Projects to deliver 1300 additional bedspaces under a private finance initiative.

6.5.c The University has also secured planning consents to provide an additional 2500 bedspaces on the Campus site, although it has no immediate plans to deliver these schemes they will be built out as an element of a medium term asset management strategy where older

and uneconomic premises are de-commissioned and reprovided with private capital.

Figure 8 Loughborough University Student numbers

The following figure shows the direct provision by the University; Current accommodation	Bedspaces	Leased	Comments
Owned directly			
Self catered			
Butler	354		
Telford	175		
Harry French	360		
William Morris	467		New provision
The Holt	213		
Faulkner Eggington Courts	499		
Forest Court	144		
Somerton	11		
Sub Total	2223		
Catered			
David Collett	316		
Elvyn Richards	647		
Towers	318		
Hazlerigg/Rutland	148		
Cayley	259		
Faraday	310		
Rutherford Hall	283		
Royce	310		
Sub total	2591		
TOTAL	4814		
Under Construction		1300	University Partnership Projects
Extant Planning consent		2500	
Total potential bedspaces	8614		

6.5.d The university understands that Charnwood Borough Council are keen to see the maximum amount of student accommodation provided on the Campus site as this will free up the existing student lets in the Golden Triangle and adjacent areas. The Local Authority have also adopted policies, in conjunction with the University, to prevent the permanent display of 'student house to let boards', with some success. Problems with student housing and nuisance and caused by students are followed up by dedicated Environmental Health officers.

6.5.e The "culture" of the various halls is an interesting subject, overseas students tend to "gravitate" to specific sites and there appears to be a different social approach . Students from overseas have traditionally

been viewed as being more studious and less likely to be involved in anti-social behaviour, the “new overseas students” that are being attracted to British Universities do not appear to meet this stereotypical perception.

6.6 Modelling the future student housing market

6.6.a An optimistic and a pessimistic approach to the effects of students on the wider market in both Leicester and Loughborough is a useful method of considering the issues. The final contents of this section will then set out a series of potential policy responses to ensure that both Local Authorities, the three Universities and their partners achieve an outcome closer to the optimistic than the pessimistic scenario. As with all aspects of policy formulation the future is an unknown and the status quo in terms of how students and Universities are funded and statutorily influenced has been assumed for the purpose of understandability.

The optimistic scenario.

6.6.b Growth in overall student numbers is a political objective of government. Setting out spending commitments for higher education in January 2008, John Denham said ministers want a 60,000 increase in student numbers by 2010/11. This is part of a wider commitment to increasing and widening participation in higher education. This represents about a 3.2% increase on the total of around 1.9 million students in England.

6.6.c In this optimistic scenario the three local Universities all out-perform the national growth targets, say with a 5% increase in newly accepted students from 2009-10. The asset management approach to existing provision continues and there are no new entrants to the market as a pro-active planning response limits future consents for purpose built schemes. The effects on private lets are minimal, students continue to choose the street terraced housing on value for money grounds.

6.6.d The assumptions of future numbers made by the Universities are within a reasonable tolerance and local communities make more efforts to integrate with an increasingly socially aware student body.

6.6.e However the reality and actual rate of growth does not necessarily match this optimistic scenario. A report by Universities UK on *the future*

size and shape of the higher education sector in the UK: demographic projections gives a breakdown of these changes, projecting an increase of 2.9% in full time undergraduates by 2026.

Figure 9 Universities UK demographic projections

	2005/06	Tentative projection, 2026/27	Percentage change, 2005/06 to 2026/27
Full-time undergraduate			
Home	865,600	893,800	3.3%
EU	38,400	35,100	-8.6%
Other international	72,800	75,800	4.0%
Sub total full-time undergraduates	976,800	1,004,700	2.9%
Part-time undergraduate			
Degree	164,000	175,100	6.8%
Non-degree	309,600	329,500	6.4%
Sub total part-time undergraduates	473,600	504,600	6.5%

6.6.f This is considerably slower than government intentions, but may be increased by the policy and funding changes introduced.

The pessimistic scenario

6.6.g In the competitive higher education environment, the three local universities suffer a decline in student numbers of 10%. Increased competition from other British and overseas Universities makes Leicester and Loughborough unattractive.

6.6.h The actual number of acceptances over the last three years is as follows;

Figure 10 Acceptances by university

	Undergraduates aged under 24 accepted		
University	2005	2006	2007
De Montfort	5616	3642	3947
Leicester	2729	2477	3022
Total to Leicester	10350	8125	8976
Loughborough	3544	3451	3837

Source: UCAS

- 6.6.i The full totals accepted were higher than this, but only undergraduates aged under 24 from the UCAS data are shown as these are more likely to move to specifically student housing.
- 6.6.j So there are different scenarios for short term future demand for student housing, and even if overall numbers of students increase in line with government policy or national projections, local demand may not follow this path. Actual acceptance figures show that numbers in Leicester have declined slightly since 2005 (although the picture for Loughborough is healthier).
- 6.6.k The key issue is that the large numbers of purpose built schemes are now competing for student consumers. It would appear in the Leicester context that provision has “overshot” the immediate demands and there is a very real danger that marginal private lets will be left empty.
- 6.6.l A new policy response is clearly required by Leicester City and Charnwood Borough Councils to ensure that future planning consents do not de-stabilise the market.
- 6.6.m A scheme for 650 bedspaces has been refused consent in Loughborough. In Leicester some substantial applications have been submitted against a backdrop of objections from De Montfort University that large numbers of additional bedspaces are not required.

6.7 Summary and policy options

- 6.7.a The commercialisation of student housing has developed over the last ten years as new multi-national specialist providers have entered the market in Leicester (although not yet in Loughborough).

- 6.7.b The development of blocks of student housing, plus the growth in numbers of city flats, linked with the increase in Buy to Let has all led to a situation where there is greater supply of housing for students and those at a similar lifestage.
- 6.7.c Student numbers have grown but not in any simple or predictable way, and with falls in some years. A situation of a surplus of supply over demand is now very likely in the short term in the Leicester market..
- 6.7.d When this occurs, market forces give more choice to consumers, and the poorest quality and/or poorest value forms of accommodation are likely to remain empty. This is often seen as development of a 'mature market'.
- 6.7.e The commercial risks of provision of more new schemes will increase, and developers would be wise to carefully research future local demand; but if new developments do attract students then other schemes or types of student housing may suffer the loss of demand. This should in theory result in a gradual improvement in the quality and value of student accommodation.
- 6.7.f The difficulty is that the accommodation that has been developed is often in the form of medium and high rise cluster flats for shared living and may not be attractive to families. The need will be to attract other single , working people in to the schemes and this could be at a time when there are significant numbers of high quality apartments coming on to the market in Leicester.
- 6.7.g Market adjustments are inevitably troubled, and tactics to retain or increase market share can become questionable. Reports from the universities suggest that there is a tendency for providers to use various marketing devices to attract market share, such as free gifts, incentives, and including trying to get potential tenants under contract earlier, and before they can research the market better. Good advice services which understand what is occurring provided directly by the universities will become even more important.
- 6.7.h If some areas of terraced housing lose out in this competition, as they appear to be doing, this could provide an opportunity to introduce policies and incentives to help switch housing that is more suitable for families back to family use. This could include measure such as targeted support for new owners, grants and loans for works, envelope renewal schemes, environmental improvements and focus on local

schools in the appropriate areas.

- 6.7.i There is evidence that many young Polish migrant workers are now living in areas like Narborough Road, providing a substitute demand, although there are also indications that this may not hold up in the longer term.

Policy option

- 6.7.j The three Universities will work closely with their relevant Local Authority to devise a holistic solution to the existing and future issues with student accommodation.
- 6.7.k University policies of closing out of town halls and selling sites off for development appears wholly rational and responsive to the free market demands of students. In a wider strategic housing market sense it could increase polarisation by concentrating more young people in central areas, and more affluent families in suburban areas, but this should be offset by planning requirements by a further recommendation;

Policy option

- 6.7.l Leicester City Council urgently investigates a new planning element of the Local Development Framework to refuse planning consent for specialist student developments of more than 50 units.