

Student Accommodation: The Facts

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About the authors

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Cover image: Storm Jameson Residence, University of Leeds

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Foreword

Nick Hillman, Director of HEPI

Whenever I speak to young people about their higher education choices, I generally advise them to think as much about their choice of accommodation as their choice of institution and course. After all, when people look back on their student days, their memories tend to be shaped as much by their living arrangements as by anything else. The people students live with are typically the first people they meet when they arrive as well as those they will spend most of their time with, living cheek by jowl.

Yet some students appear to make sub-optimal choices on deciding where to live, for example going for the plushiest accommodation they can afford rather than the accommodation with the best-designed social areas or more sense of community. Others leave their accommodation choice until the last moment – sometimes necessarily so (for example, because they found their place through Clearing) – and this can limit their choice and affect their whole student experience.

When young school leavers make their higher education choices, they are often not even legally adults and, when they arrive at their higher education institutions, they typically have stretched financial resources. Yet we expect them to make sense of the housing market in a town or city they may barely know. Making a poor choice has severe consequences, wasting money and raising the likelihood of them dropping out of their studies. Clearly, the choice of accommodation is vital and, although information is on offer from institutions and accommodation providers, some people may need even more support than has generally been available when choosing where to live.

Policymakers, the media and other close observers of higher education have become increasingly interested in the student accommodation sector in recent years: Philip Augar's independent panel report to the Review of Post-18 Education and Funding discussed the issues before calling on the Office for Students to take more interest in the issue; one recent Minister for Universities, Chris Skidmore, hosted a summit of student accommodation providers; and the House of Commons Library published a report on the issue in March 2020. Specific problems – such as accommodation blocks not

being ready for the start of the academic year, speculators going bust after promising high returns to investors and a fire in a block that compromised students' safety – have understandably intensified the focus.

This report stands up in its own right as a useful review of the current student accommodation sector and as the second publication in HEPI's new Analytical Paper series, following a survey of postgraduate education. But it is also the third piece in a HEPI trilogy on students' living arrangements, which began with David Maguire and David Morris's piece on the challenges faced by live-at-home students, *Homeward Bound: Defining, understanding and aiding 'commuter students'*, in December 2018. This was followed in September 2019 by William Whyte's history of student accommodation, *Somewhere to live: Why British students study away from home – and why it matters*. Together, these two earlier reports explore why the UK (especially, perhaps, England) has adopted the residential model of student life to a greater degree than other parts of the world, what this means for the student experience and how it can cause particular challenges for those who continue to live at home while studying.

Those two earlier reports were supported by University Partnerships Programme Ltd (UPP), which has long-term partnerships with universities to design and develop student accommodation on campus. HEPI has also worked with Unite Students, the UK's largest manager and developer of purpose-built student accommodation on two other reports, *Reality Check* (2017) and *The New Realists* (2019). This new paper is supported by Unipol, who provide housing to students in Leeds, Nottingham and Bradford, run a number of accreditation schemes and train and promote best practice in student housing. The fact that Unipol is a charity serves as a reminder of the diversity of provision.

Martin Blakey of Unipol, who co-authored the report, knows more about student accommodation than anyone I have ever met. He compiles the widely trusted *Accommodation Costs Survey*, which has been running since 1967, with the National Union of Students (NUS). Martin's co-author, Sarah Jones, is a national student accommodation adviser and expert, who worked with Unipol on the *Accommodation Costs Survey 2018*. In the following pages, they look at how student accommodation has changed, how student accommodation providers are affected by tax and regulation and how the host communities in towns and cities across the UK have been affected by the changing market for student housing.

Student accommodation providers are not just successful companies. They are not just landlords. They are not just one of the many foundation stones on which the UK higher education system rests. They are all of these things, but also – at their best –

they provide a community in which young students can transition to adulthood in a secure, safe and enjoyable environment. As the following pages make clear, this can be especially important to international students, who may need particular support when they first arrive in the UK. Student accommodation adds greatly to the student experience, to the extent that the experience of commuting students is now an area of focus for improvement.

Student accommodation providers are sometimes criticised for providing excessively luxurious and expensive living quarters. Where students are segmented by ability to pay, it is regrettable, in part because it is contrary to the concept of a university as a single community in which people from different backgrounds and with different interests mingle. However, in some respects, accommodation providers are merely responding to market demand and the free choices of individuals. More importantly, the minuscule proportion of student accommodation that seems outrageously expensive should not be allowed to mask the fact that every student has a right to comfortable and safe living arrangements, ideally within a range of pricing options. Given the many competing pressures on higher education institutions, which have been emphasised by the Covid-19 crisis, it is hard to imagine how such a high proportion of students could have benefited from that without the recent and continuing growth in purpose-built student accommodation.

Introduction

The higher education community is catching up with the reality that student housing is a major part of the educational offer. By providing the right learning environment and a stimulating and stable social experience, good quality, affordable and well-managed housing can contribute significantly to students' overall educational experience.

However, student accommodation provision has changed. Student housing no longer sits within the control of universities.¹ Private sector involvement used to be confined to shared student housing in the community. Universities, for their part, owned and ran halls of residence. Now, almost half of residences are owned by private providers, working independently or alongside university partners.

The number of students living in halls – or purpose-built student accommodation (PBSA) – is increasing year-on-year. Many universities have adopted a much lower profile in the provision of housing, but increasingly manage portfolios of mixed ownership.

The growth of private sector PBSA has caught many policymakers unawares. Policies and regulation are used to contain these large private operators within the same framework as the more traditional local landlords. But what may be appropriate to regulate a poorly converted house is likely to be a bad fit for a building housing several hundred students in relative luxury.

Recently, the Competition and Markets Authority struggled to piece together a comprehensive, up-to-date frame of reference to adjudicate a proposed merger of two of the largest private suppliers (Unite Students and Liberty Living), involving 181 buildings in 27 cities.² In February 2020, it was reported that Blackstone paid £4.7 billion to buy iQ Student Accommodation. The biggest ever private real estate transaction in the UK passed almost without comment in the education press.³ In March 2020, the House of Commons Library issued a briefing on student accommodation, highlighting the paucity of information sources they had to draw on.⁴

A debate has now started about the importance of all accommodation providers in the education process. This debate has been recently spurred on by the Coronavirus pandemic and its effect on the student residential experience.

The purpose of this report is to support this debate with a clear, accurate and factual description of what the sector is; how it works; and how it is regulated – and to do this free of industry spin and strong on fact.

To policymakers who have been students themselves, a plea: when entering the debate, set aside outdated personal experiences and concentrate on what is happening now. Things have changed a lot in student housing.

Executive summary

Introduction

This report provides:

- some key definitions for the student accommodation sector in the UK;
- a market overview; and
- a number of policy options – these are not intended as a comprehensive menu for change, but explore some areas where future thoughts could be focussed and outcomes improved.

Definitions

Student accommodation is multiply-occupied housing offered to students, for whom – generally – it is reserved.

There are three main types of student accommodation:

- **University residences** are purpose-built, multiply-occupied residences, usually sited on-campus or in a student village setting. Occupancy is characterised by a strong preponderance of first-year undergraduates.
- **Private sector purpose-built student accommodation (PBSA)** is, typically, purpose-built accommodation, owned and operated by private sector organisations as investments. Often, its occupant profile is more diverse than for university residences.
- **Student houses in multiple occupation (HMOs)** – or off-street properties – are houses or flats converted into multiple occupation for sole or majority occupation by students.⁵ Student HMOs are normally occupied by returning students.

In 2018/19, there were 627,000 rooms in the purpose-built sector. University residences accounted for just over half this stock.⁶

Of the 627,000 bed spaces covered by the National Codes, 52 per cent are in university-provided accommodation and 48 per cent in private PBSA. A House of Commons briefing identified a further 551,000 students as living in the off-street market.⁷ On these bases, at least 1.2 million students are renting housing. Of these: 28 per cent live in university-provided accommodation; 27 per cent in private sector PBSA; and 45 per cent in off-street housing.

The Higher Education Statistics Agency data consistently underestimate the number of students living in the private PBSA sector. This has been explained in the previous HEPI report *Homeward Bound: Defining, understanding and aiding 'commuter students'*.⁸ That report also highlights the importance of commuter students who continue to live at home while studying.

Rising demand for student accommodation

Since the late 1980s, it has been government policy to increase participation in UK higher education to a level that can effectively support a successful knowledge-based economy.⁹ As a consequence, the full-time UK student population has grown significantly over time.¹⁰

The special nature of student accommodation

The student accommodation sector comprises specific property types unlike any in the wider accommodation universe. Properties are typically constrained in their use and would not normally move from other sectors into student accommodation or vice versa.

The sector has a distinctive operating model, based on a single lettings cycle aligned to the academic year. Contract lengths are standardised periods of less than a year. They are shorter in university residences than in private PBSA. Student HMOs typically operate to annual contracts. Rents in university residences and private PBSA nearly always include utilities and services; some off-street landlords have followed suit.

Providers offer a range of services as part of the operating model. The accommodation is furnished, and amenity levels run from basic to luxury. New accommodation typically

incorporates high-quality social spaces. Dedicated online booking and operating systems are now a sector norm.

Sector regulation

Specific guidance has been created to regulate student accommodation nationally. Three bespoke codes of practice for student accommodation providers have been in place since 2006. Code members are expected to meet a range of minimum standards. Institutional code members can become exempt from statutory HMO licensing requirements. The two Accreditation Network UK (ANUK) Codes are accredited by independent verification visits and three-yearly self-assessment. The Universities UK (UUK) / GuildHE Code operates according to a triennial audit programme.

Affordability is an important agenda in the sector, as rents have risen faster than inflation and maintenance loans. Student accommodation is not subject to affordable housing requirements in the same way as traditional housing is. However, affordability criteria have been set by the National Union of Students (NUS) and adopted by the London Plan. The rent and amenity levels of PBSA and the type of stock occupied are measured every three years through the NUS / Unipol *Accommodation Costs Survey*.

Specific treatment in planning policy

In planning terms, PBSA is not assigned to any specific use class. Planning permission is required for each new development. Councils determine their own views on the merits of student accommodation development. The development of PBSA can contribute to a local authority's mainstream housing targets. Councils can levy charges placed on the development costs of student accommodation.

HMO licensing applies to houses over a certain size. Within an Article 4 Direction (A4D) area, planning permission is required to convert a house into a student HMO. A4Ds are in place in most core cities and large university towns. A4Ds set a boundary surrounding universities and their housing market. Local authorities use A4D powers to restrict the existing supply of student HMOs.

Policy options

As a framework for policy debate, the paper concludes with a number of proposals on how the sector needs to change:

Affordability has to be shaped by the university sector. All institutions should have an affordability policy. Universities should take the lead in protecting their low-cost accommodation, either developing it themselves or partnering with the private sector. Without the institution/developer link, private developers' fondness for reproducing forms of provision which appear to work financially will continue to squeeze out the innovation needed to create affordable solutions.

Regulation and legislation have yet fully to acknowledge the new private PBSA sector. In housing law and regulation, there is a failure to recognise the special nature of student accommodation. Institutional and commercial practitioners, as well as policymakers, need to acknowledge that:

- there should be complementary regulatory frameworks for university- and privately-provided PBSA;
- within this drive towards assimilation, different governance mechanisms need to be taken account of; and
- adaptation is a two-way street, requiring changes from both types of supplier.

Private sector housing regulation and enforcement is notoriously complex and difficult to enforce. Regulators should recognise that the Government-approved Codes of Practice are capable of achieving far more rapid change than central state regulation.

There should be greater co-operation between educational outcomes and housing regulation, reflected in greater co-operation and understanding between the Department for Education (DfE) and the Ministry of Housing, Communities & Local Government (MHCLG).

Rent-setting should be more transparent and purposeful. Students should be involved in institutional rent-setting as a matter of course.

Definitions

Student accommodation is multiply-occupied housing offered to students. Most student accommodation is reserved entirely for students (sole occupancy), but if more than half its capacity is student-dedicated (majority occupancy), it will fall within the definition.

Data held by government-approved National Codes indicate that, of the 627,000 bed spaces covered by the schemes, 52 per cent are in university-provided accommodation and 48 per cent in private PBSA. The House of Commons briefing identified a further 551,000 students as living in the off-street market.¹¹ On these bases, at least 1.2 million students are renting housing. Of these, 28 per cent live in university-provided accommodation; 27 per cent in private sector PBSA; and 45 per cent in off-street housing.

Student accommodation is generally offered to the market in three property types:

- university residences;
- private sector PBSA; and
- student HMOs or off-street properties.

Exclusions from the definitions

Properties offered as student accommodation but not covered by these definitions include:

- charitable residences;
- short-term lettings in other types of buildings;
- hotels;
- university staff and key worker accommodation;
- general HMOs; and
- built-to-rent or private rented sector (PRS) purpose-built accommodation.

University residences

University residences are purpose-built, multiply-occupied residences, usually sited on-campus or in a student village setting that can be several miles from a student's place of study. Although nationally much new provision continues to come into commission, many successful universities have struggled to keep pace with rising demand for residences.¹² Investment has prioritised new development, but, as a result, there remains a significant backlog maintenance deficit within older stock.¹³

Occupancy is characterised by a strong preponderance of first-year undergraduates. Many institutions rely on private PBSA to meet accommodation guarantees made to first-years.

Individual residences can contain 1,000+ rooms, although 300–700 capacity is more typical.

Typically, first-year undergraduates are guaranteed a place in university residences. Institutions allocate any surplus stock to postgraduates, international students in any year of study and some returning (non-first-year) students. For institutions reliant on Clearing to boost intake, having rooms available late in the admissions cycle can aid recruitment and retention. Some universities offer limited provision to students with families.

Private sector PBSA

Private sector PBSA is, typically, purpose-built accommodation, owned and operated by private sector organisations as investments, but the definition also includes properties converted for this purpose. Private sector providers have increasingly stepped in to fill the market gap created by institutional undersupply.

These residences are located close to campuses or within central urban locations with good transport links. Residences range from fewer than 15 rooms to 1,000+ beds, but typically PBSA residences have 250–500 rooms.¹⁴ Private PBSA is present in most university towns/cities.

Conversions aside, private PBSA is relatively new in comparison with most university stock. Providers have favoured the development of mid- to higher-priced room types. This is partly a function of the cost of building new residences, but also reflects the private sector's assessment of market demand for these room types. However,

affordability is increasingly in focus as a result of price competition in the higher-price ranges, rental growth outstripping maintenance loan levels and scrutiny of the cost of living by the NUS and reflected in the Augar Review.^{15,16}

The style of PBSA accommodation and its price may influence the profile of its occupant base: the highest-priced properties typically attract international students; the more affordable provision is typically rented by UK students.

Where they cannot meet demand, universities use private PBSA to house first-year undergraduates to whom they have offered an accommodation guarantee.

Universities may enter into an agreement with private providers for periods ranging between one and 99 years. Many agreements are for 35 to 50 years. There are three broad types of university / private provider arrangement.

- **Lease agreements:** where the university is responsible for letting the accommodation. The institution typically deals with housing applications, allocates rooms, issues tenancies and collects rent. The private provider is responsible only for building and facilities management. Lease agreements can be for long or short periods. They involve the university passing on students booked through their own accommodation system. Some longer agreements are embedded within the university and may, over time, come to be seen as institutional provision. For example, of UPP Group Ltd the CMA has said:

The CMA does not consider UPP to be a relevant Corporate PBSA provider for the purposes of its investigation and has therefore excluded it from national and local share of supply tables. This is because UPP has a different business model whereby it designs, builds, finances and operates on-campus PBSA properties through long-term partnerships with HEIs.¹⁷

The different business model should not disguise the fact that UPP is very much a private sector student accommodation operator, albeit working closely with institutions.

- **Nomination agreements:** where the university is responsible for guaranteeing occupation of the accommodation. Nomination agreement covers a wide range of legal agreements that universities sign to occupy some / all of the rooms in a private residence for a fixed term. They can be long or short, and usually involve the institution passing on students' details to the private provider, who then processes

and manages the tenancies. In a nomination agreement, the institution formally underwrites the occupancy of the contracted rooms.

- **Referral agreements:** where the institution has no formal responsibility to occupy the private provider's accommodation, but markets the accommodation and passes the potential booking to the provider in return for a referral fee.

Such agreements are common and usually reflect a response to student number growth: some are short-term solutions to growth; others provide more fundamental infrastructure. Some institutions broker framework arrangements with the private sector to house all their students in private PBSA, such as Sheffield Hallam University and Liverpool John Moores University.

Many private providers favour relationships with universities because it helps shield them from private competition, reduces occupancy risk and increases the predictability of income. However, there is a commercial trade-off for private providers: an agreement with a university gives the institution influence over the provider's rents.

Relationships between universities and PBSA providers can be very long-term and can transfer the control of the private accommodation to an institution.¹⁸ A university may lease accommodation from the private sector for their sole use, marketing the accommodation as if it were their own, and using the institution's own tenancy agreement. Such accommodation is often white-labelled and students may be unaware they are living in private PBSA. On this business model, the university/private provider relationship will remove considerable autonomy from the institution, particularly in rent-setting. Commercial confidentiality often makes fixed rental inflators and other indexing systems for student rents particularly inflexible and opaque.

Hybrid transactions are a feature of some markets. These involve an institution leasing its land to a private provider, who will design, build, finance and operate accommodation on the university's land, typically for 50 years, before returning the building to institutional ownership. These are on the rise nationwide.¹⁹ Such arrangements come with benefits to universities, in the form of up-front payments that can be used to reinvest on the campus. However, there can be consequences – at worst, a financial liability in a downturn of demand.

PBSA residences let directly to students are occupied by returning and first-year students. In multi-university towns, private PBSA may attract a mix of students from different institutions. Returning students who live in PBSA are most likely to be from non-UK backgrounds.²⁰

Student HMOs

Student HMOs, otherwise known as off-street properties, are houses or flats converted into multiple occupation for sole or majority occupation by students. Properties typically offer one to 15 rooms, but property configuration will reflect local housing stock. Three- and four-bed properties are common. Most student HMOs offer shared bathroom and kitchen facilities. They are generally located close to the institutions they serve. Student HMOs are normally occupied by returning students, often renting within friendship groups.

Most student HMOs are let to UK students. They tend to let to returning students earlier in the cycle, so most have gone by the time international students know they have got a place. Renting a house often entails dealing with utility payments and internet installation, but many landlords are now moving to all-inclusive rents. These houses are usually let to returning undergraduates renting as a group on joint contracts, although single room lettings are gaining in popularity.

Houses are significantly cheaper to rent than private PBSA or university residences. However, there are signs the gap is narrowing as a result of growing student expectation and market regulation. The growth in use of available housing stock as student HMOs near universities has prompted their increasing regulation through planning policy.²¹ In many university towns, planning policy has effectively stopped further growth of this sector. Any growth in demand for student accommodation now has to be met by increasing the PBSA stock.

Since 2016, the ownership of multiple houses has been subject to higher rates of Stamp Duty Land Tax and since 2018 HMO licensing has become more stringent and wider ranging.²² In Scotland, all student accommodation has to be licensed by the local authority.

Student accommodation property characteristics

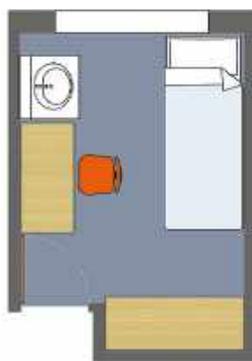
Room types and building configuration

Typical room types within purpose-built blocks (university and private): illustrations

Room type	Standard	Ensuite	Studio
Room size ²³	8m ² to 25m ²	10m ² to 15m ²	16m ² to 25m ²
Kitchen	Shared	Shared	In room
Bathroom	Shared	In room	In room
Typical flat style	Corridor style or townhouse with kitchen and living space	Cluster flat of a number of rooms sharing a kitchen and some with living space	Corridors of studios
2018 average weekly prices by type, region ²⁴	Outside London Uni: £112 Private: £146	Outside London Uni: £141 Private: £137	Outside London Uni: £175 Private: £174
	London Uni: £157 Private: £204	London Uni: £169 Private: £210	London Uni: £252 Private: £310
2018 average annual cost ²⁵	£4,872	£6,347	£9,488
2018 average contract length ²⁶	Uni: 40 weeks Private: 42 weeks	Uni: 41 weeks Private: 44 weeks	Uni: 44 weeks Private: 50 weeks
Number of rooms reported in Accommodation Costs Survey 2018 ²⁷	78,000	232,000	36,200

Room type	Standard	Ensuite	Studio
Uni %:Private % ²⁸	88%:12%	47%:53%	9%:91%
Notes	The traditional room type and stock vary in size, fit-out and quality. Some rooms have a wash-hand basin. Rooms can be catered or self-catered. Mainly university-owned.	Self-catered, ensuite rooms are the largest stock type in the sector. Size of rooms, social space design, quality of fit-out and bed size vary with price.	The smallest proportion of rooms but the fastest growing stock type due to high rents and commercial favourability. Mainly private sector provision, housing many international postgraduates, but unpopular with universities.

Room template



University of Reading



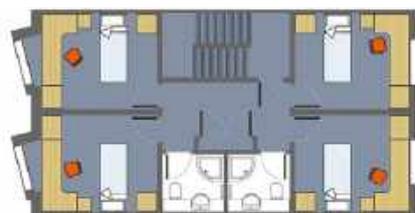
University of Reading



Sanctuary Student

The sector also includes:

- Flats: one- to three-bed flats or apartments for rent individually or by couples/families;
- Townhouses: a newer (hybrid) accommodation type. A three- or four-storey house, shared by eight to 12 students, with the ground floor dedicated to kitchen and shared lounge facilities. It echoes an off-street property design, but is newly-built, typically on-campus.²⁹ Townhouses have gained popularity because they lend themselves to sociability and are slightly cheaper than en-suite. Bathrooms are shared by two students; and
- Variations on the studio model: there are some rare adaptations of room configuration such as twodios, where students share kitchen facilities.



University of Reading, townhouse above ground-level floorplate

Social spaces in university residences and PBSA

Social spaces are provided in residences and each flat. Modern cluster-type flats incorporate spaces for students to socialise, cook and dine together.

Elsewhere in the buildings, there are spaces for study, recreation, keeping fit and socialising. Variation in social space availability across the sector is often attributable to the age of the residence. Gyms and cinema rooms are more common in private PBSA blocks. University residences tend to have fewer social amenities because of their location on/near to campus, where such provision is already made.

There is sector-wide and consumer consensus that social spaces are important to the student experience and to community-building, and are therefore a priority.³⁰ They may include study spaces, games rooms, function rooms, soft furniture, cafes/coffee machines, quiet/chill rooms, gyms and gardens with barbecues. Aerobics and yoga classes, cookery demonstrations and quiz nights are common activities organised in these areas to promote social integration.

Nature of the property

Divisibility

Student accommodation is rarely sold by individual dwelling, unlike flats or traditional houses in the private rented sector. It tends to be sold as a whole building, involving all the flats within a particular development. Planning permission may sometimes specifically prohibit fractional sales.

Saleability of property

PBSA block sales have become increasingly common since 2013, when the first portfolio of scale was sold following the liquidation of Opal. It was the third largest private PBSA provider at the time, operating 20,000 rooms in 16 cities.³¹ The sale of Opal's five portfolios and head office function was the first time that investors could purchase a large student accommodation portfolio they had not developed themselves. This event marked the start of the student accommodation investment sector and gave rise to national and international investors building new property portfolios.³²

Sales of individual buildings characterised the early years of stock trading. Recently, however, sales of large portfolios and more latterly companies have taken place, as investors have sought to consolidate scale and drive down their operational costs.³³

Since 2012, student accommodation investment activities have grown steadily. Transaction levels peaked in 2015 at £5.7 billion and have since been steady between £3.2 billion and £4.2 billion per annum. The sale of iQ Student Accommodation to Blackstone in February 2020 for £4.7 billion resulted in a new high in 2020.³⁴ This level of transaction has been higher than many other areas of the property sector and has established the student accommodation sector as an asset class in its own right.

There is a weight of undeployed international and national investment capital seeking to enter the UK student accommodation market, drawn to attractive yields. Pension funds have also assessed student accommodation returns as attractive and counter-cyclical to general economic conditions.³⁵

Transferability between property types

The following table highlights the various ways that student property can move between sub-sectors and out of student use. Properties are typically constrained in their use and would not normally move between sectors without a change of ownership and in many cases a change of use under planning regulations.

Transfer possibilities	Considerations and constraints
From university residence to private PBSA	A residence can be sold completely or transferred under a lease structure from university to private sector. Sale and leaseback arrangements can be put in place for an institution to continue to use the residence even though it has been sold.
From private PBSA to university residence	A residence can be purchased from the private sector by a university and continue to be used to house students.
From private PBSA / university residence to mainstream residential property	A purpose-built residence can be sold from student accommodation use into mainstream residential use, but there are constraints. The room sizes in student accommodation are smaller than mainstream residential. Planning policy considerations also apply.
From private PBSA to hotel	A purpose-built residence can be transferred into a hotel, subject to a change of use under the planning system. The style and design of the building is a material consideration in its fitness for purpose as a hotel.
From family house to HMO	HMO licensing applies to houses over a certain size. Within an Article 4 Direction (A4D) area, planning permission is required. Student accommodation codes of practice also need to be followed and HMO licensing applied for.
From mainstream HMO to student HMO	Landlord must sign up to the ANUK/Unipol National Code. Typically, landlords would be operating in either one market or the other.

Transferability into mainstream / non-student use

Instances of student residences being removed from the market altogether are rare. These decisions are taken only where more viable commercial options exist. Removal of a residence occurs only where there is insufficient student demand for the property.³⁶

The most common issues are:

- oversupply of residences in a city;
- unattractive location; and
- an unattractive/dated product.

To date, there have been few cases of complete and permanent change of use from student accommodation to other use classes. The standardised nature of the PBSA product and the comparatively small room types make a change into residential use difficult. In a small number of cases, where there is insufficient student demand, the use of a student residence may be changed under planning laws to become dual student / key worker accommodation or temporary accommodation for mainstream users.³⁷

The rise of co-living as part of the integration of workplace, living environment and social space has also led to investment in residential products that can be used by students and young professionals alike. Regrettably, the tax regime for construction and later VAT obligations often make this type of flexibility difficult to achieve. VAT restrictions on the alternative use of student accommodation by non-student users mean that many viable commercial uses for such accommodation are prevented, including the subsidy of student rents by summer tourists.

Valuation methodology – special characteristics

Valuation of student property has become a discipline distinct from normal residential property valuation. The discipline requires a particular appreciation of the assets' operational cost, occupancy, build cost, product types, operating models and marketing / letting cycle. Dedicated teams have evolved within real estate advisory firms to value student accommodation under the standard Royal Institution of Chartered Surveyors Red Book methodology.³⁸ Perhaps surprisingly, valuations focus on actual rental revenue raised and neglect higher education market factors.

Valuation of the operational property is the main method used in the sector. However, there are business models that require valuation of the income stream generated by

the property. This is the case in on-campus partnerships, typically funded by long-term financial instruments such as bonds and private placements.

Affordability

The central challenge to affordability is that rents in student accommodation have risen by more than inflation over time, while the maximum student loan for living costs rises only by inflation.

The average annual rent for a purpose-built student room (£6,366) accounts for 73 per cent of the maximum student loan outside London, leaving only £2,349 annually for living costs. This proportion is up from 58 per cent six years earlier.³⁹ In part, rent rises reflect higher-quality accommodation. But they also reflect local property market dynamics.

Rental variations between geographical locations and type of accommodation can be dramatic. In the *Accommodation Costs Survey 2018*, the most expensive rent recorded was a privately-provided studio in Bloomsbury (£27,285 for 51 weeks); the lowest a standard room in an institutional cluster flat in Manchester (£2,600 for 40 weeks).⁴⁰

Broadly, there are two approaches to what constitutes affordable rent. First, affordability is not about keeping all rents low – many students, particularly international – choose to rent higher-cost accommodation. Affordability is about ensuring some rents are kept low enough for those who want lower rents. Institutions should maintain a range of rents to meet this need, otherwise, as older buildings get refurbished or demolished, the natural supply of low-cost accommodation withers.

For the last nine years, the *Accommodation Costs Survey* has recommended that all institutions have an affordability policy to ensure they do not disengage from this agenda and leave it to the market. In 2018, only 34 per cent of institutions and 23 per cent of private providers had an affordability policy. Despite having a value-for-money remit, the Office for Students has offered no guidance on this matter.

Secondly, the NUS has set affordability criteria, which have emerged in London's planning system. All new student accommodation in London must reserve 35 per cent of all available bedrooms and offer them at rent no higher than 55 per cent of the student loan rate, or be subject to viability testing. This definition is set out in the London Plan (H17). Outside London, the NUS argue that a quarter of all bed stock should be maintained at half the student loan rate.

Since there has been a new emphasis on affordability as part of the London planning conditions, the pipeline of developments has reduced (ironically leading to an accommodation shortage and ultimately higher rents). However, the University of London anecdotally takes the view that the course is set for continuing steady development in partnership with institutions. Given that the University tends to aim its accommodation guarantees at first-year students, this reassurance does not address the accommodation requirements of other groups of students.

The reality is it is too early to tell whether affordability is being promoted effectively, because the planning restrictions have not yet completed a full development cycle.

On affordability, everyone agrees on two things:

- it is unlikely central Government will look at rent controls to introduce rent ceilings; and
- universities should take the lead in protecting their existing low-cost accommodation, either developing low-cost provision themselves or partnering with the private sector. Without the institution/developer link, the private developers' fondness for reproducing what already appears to work financially will continue to squeeze out the innovation needed to create affordable solutions.

Regulation and planning

Because private sector PBSA is relatively new, regulation is still based on student housing as either off-street housing or traditional university halls. Regulation and legislation have still fully to acknowledge the new private PBSA sector. This needs to change. In housing law and regulation, there is also a failure to recognise the special nature of student accommodation. So far no specific use class has emerged within the town planning system which would standardise the approach to student accommodation development.

Licensing

In the traditional off-street private sector, local authority licensing has been the main tool for improving standards and tackling rogue landlords. New PBSA has few of the problems associated with older, converted and often run-down student houses, and so licensing achieves very little. Rather than adopting a whole-building approach, licensing looks at each flat in PBSA as if it were a house in a street. Post-Grenfell, this misplaced focus misses issues connected with the design, construction and regulatory compliance of large, often high-rise buildings.

Councils have powers to extend their regulatory reach through operating additional and selective licensing schemes. Evidence shows that, although they charge private suppliers for their services (universities are exempt), they do practically nothing for their money. Many see high-quality new buildings as a cash-cow to subsidise hard-hit housing services elsewhere in the authority. Under the Liverpool landlord licensing scheme that ran from 2017 until 2020, it was estimated that over £2 million was levied in licence fees on PBSA and no visits were made to the accommodation and no enforcement action was taken.

There is no central monitoring of licensing outcomes, and local monitoring normally avoids mention of PBSA. In 2019, the Government commissioned an independent review into selective licensing. The report makes clear what is going on:

Purpose-built student accommodation

- 11.2 *Other groups are not exempt from licensing despite there being a robustly reasoned case that they should be, such as purpose-built student accommodation (PBSA). This accommodation, as a normal condition of operation mandated by the attached University, is required to implement a strict, government-recognised code of management practice (Unipol or ANUK). Such a code holds the accommodation to much higher standards of management and condition than any licence conditions could reasonably achieve. Properties are rigorously inspected on a regular basis, and again whenever any property changes ownership. Any problems identified by these inspections must be corrected in a timely fashion, and serious infractions in one property can lead to an operator's entire portfolio being removed from the scheme, resulting in their being unable to remain in the sector.*
- 11.3 *Given that these properties are already highly regulated, and equivalent properties managed by universities (to an almost identical code of practice) are exempt from licensing, licensing of such properties is manifestly redundant and extremely expensive for the operators. At the time of writing, there has been no recorded instance of licensing-based enforcement action against any of these properties countrywide. No reasonable argument in favour of licensing such properties could be advanced by any contributor to this review.⁴¹*

The Government and local authorities also interpret licensing costs as consisting of the licensing fee, whereas there is a significant added administrative cost incurred in operating application systems. For example, in one case suppliers in Nottingham were

told they needed to submit separate applications for 150 identical studio flats and in another, some 20 very similar flats. Each was processed and decided upon individually.

Regulation under the ANUK/Unipol and UUK Codes (Section 233 of the Housing Act 2004)

In 2004, as part of the Housing Act, the Government acknowledged that PBSA had particular characteristics, and, in 2006, three codes of practice for student accommodation providers were approved by Parliament. These codes allow universities to become exempt from licensing requirements. Code members are expected to meet minimum standards of property quality and maintenance, contractual management, service standards, satisfaction, wellbeing and security. A list of members appears on each code website.

The Universities UK/GuildHE Code of Practice for university-managed student accommodation applies only to universities and colleges with higher education students.⁴² It includes a three-yearly audit programme for institutions to ensure compliance. The ANUK/Unipol National Code regulates private providers and universities under two variants: one for universities and one for non-educational providers.⁴³ Licensable HMOs owned by member universities are exempt from HMO licensing. Licensable HMOs in the relevant private sector Code are not exempt, but the Ministry for Housing, Communities and Local Government (MHCLG) advises local authorities to discount their licence fee for private code members.⁴⁴ The ANUK Codes are accredited by independent verification visits and three-yearly self-assessment.

Unipol runs a training programme for student accommodation practitioners.⁴⁵ This includes high-level sector analysis and technical courses on student care and pastoral support; accommodation management; and legislation.

Regulations in Scotland and Northern Ireland differ from those in England and Wales, and have stricter rules on HMO licensing and variance in tenancy law.⁴⁶ However, the National Codes still operate effectively throughout the UK.

The National Codes cover matters that can be grouped under three headings:

- **The building** – the health and safety regime, testing and verification and all matters affecting the safety of the occupants.
- **The management** – checking that these large and high-density buildings are functioning properly, as designed and intended and that repairs and maintenance are carried out properly.

- **Student satisfaction** – not only setting the framework for existing regulatory compliance on equality and fairness, but also ensuring transparency in these areas, with special needs fully recognised and addressed. Good communication with tenants and checking (through a tenant satisfaction mechanism) that those living in the building are getting good levels of service and support to enhance their studies. These include tenants having opportunities to socialise, being able to enjoy good inter-tenant relations and being directed to appropriate help where problems are identified.

In the first two of these areas, the Code examines compliance with regulatory standards in more detail on a provider and building-by-building basis.

Student accommodation in planning policy – no use class

Planning permission is required for each new development. The tenure of student accommodation is secured through an agreement with the local authority for each building (a Section 106 Agreement). If the occupants of a student property are not students, the provider is required to contribute to affordable housing and make other contributions.

The rules for the housing market, and specifically the HMO market, are well-defined. In 2010, the Town and Country Planning (Use Classes) Order 1987 was amended to provide a new definition of HMOs and to introduce the C4 use class.

C4 houses in multiple occupation

These are small, shared houses, occupied by three to six unrelated individuals as their only/main residence. Occupants share basic amenities.

These amendments vested new powers in local planning authorities to regulate and control the change of use of normal houses (C3 class dwellings) into HMOs through the planning application system. Providers are now required to secure planning permission to change a house into an HMO. This arose from government concern about growing concentrations of student HMOs and resulting social issues, including shifting community balance and the loss of affordable housing.

As part of the Housing Act 2004 and the Prescribed Description Order 2018, all HMOs meeting the criteria are subject to licensing and monitored for compliance with established safety, management and room-size standards.⁴⁷

Planning tools have also been introduced to regulate the concentration of student HMOs through the Article 4 Direction (A4D). This enables the local planning authority

to withdraw specific permitted development rights across a defined area.⁴⁸ A4Ds are in place in most core cities and large university towns. Each A4D sets a boundary around the relevant institution and its housing market (illustrated in Appendix 2).

Local authority use of A4D powers effectively puts a tight corset around the existing supply of student HMOs, ultimately reducing students' access to the housing markets surrounding growing universities. If higher education institutions grow within the boundary, additional student housing capacity must come from institutional or private PBSA. Both national planning policy frameworks and the emerging London Plan recognise that PBSA development frees up private housing:

Where every three student bedrooms in PBSA equate to meeting the same need that one conventional housing unit meets, and contributes to meeting a borough's housing target at the same ratio of three bedrooms being counted as a single home.⁴⁹

Specific planning policy devices in London

Although not unique to the capital, the use of the Community Infrastructure Levy (CIL) in London presents an important example of how this device can be used to influence the planning and development of student accommodation. Each London borough fixes local CIL charges in addition to a mayoral levy.⁵⁰ In areas where student accommodation is most prevalent or represents a threat of overdevelopment, CIL rates are set at higher levels for student housing than for other development types. A case study of Tower Hamlets is attached in Appendix 3. Here, the student housing CIL charge is £425 per square metre (psm) of development (for schemes charged at market rent), compared to the next highest rate (for residential) of £200 psm. Notably, Tower Hamlets specifies no charge for student housing intended for letting at below-market rents, highlighting the capability of CIL to direct market behaviour towards and away from student accommodation use. Again, it is reasonable to conclude that some local authorities are using CILs on PBSA either as a cash cow or a planning disincentive to develop further stock.

The London Plan establishes rules governing the development and provision of student accommodation. The Plan's drafting was informed by advice from the Mayor's Academic Forum under a specific remit to ensure that London's universities should not be compromised by inadequate provision of student accommodation.⁵¹ 'Policy H17: PBSA' specifies that boroughs seek to ensure student accommodation contributes to a mixed and inclusive neighbourhood; the accommodation is linked to a specified university; and, in line with NUS policy, 35 per cent of provision in permitted developments is affordable student accommodation (offered at 55 per cent of the maximum student

loan for students studying away from home in London).⁵² If the 35 per cent threshold is not met, a scheme will be considered under specific viability tests.

The combination of CIL and London Plan policies has effectively prevented speculative development of student housing. As a consequence, development growth has slowed. London universities that expand can only increase accommodation provision through their own actions. While this will result in very targeted intervention, it will only selectively and slowly increase the supply in this undersupplied city.

There are other examples where universities have agreed not to increase the number of students living in private sector off-street housing, notably Oxford. Oxford has decided on a path of only limited student expansion, but other faster-growing universities frequently disregard the overall availability of accommodation for their students and limit their responsibilities to housing only their first-year students.

Planning permissions restricting student accommodation development

Councils determine their own view on the merits of student accommodation development in the wider property market context. Under MHCLG guidance, student accommodation contributes to a town's housing targets, meaning that councils can meet housing objectives by removing students from the mainstream market.⁵³ This approach has been taken in Sheffield and Bristol. In some cities, student accommodation is seen as a regeneration tool or a way to manage the general housing market, and consequently PBSA development is not restricted (for instance, Coventry, Swansea and Liverpool).⁵⁴

Planning restrictions specific to student accommodation are in place in towns and cities where there is a perceived need to curb development or the loss of land that could otherwise be usefully employed. These cities include Leicester, Manchester and Salford, where development has been restricted to prevent overdevelopment of student accommodation at the perceived expense of other opportunities.

Not taking a holistic planning approach can lead to problems. In a scenario where PBSA development is curbed, the HMO market is A4D-restricted and the universities are not managing development, students are left without a bespoke solution. In Manchester, strong student number growth has placed considerable pressure on the general residential market, signalling urgent need for further development. Students have taken city-centre flats intended for professionals, and student operators have made planning applications for build-to-rent schemes for letting as student accommodation. In Brighton, the legacy of the Council's policy to prevent PBSA development is a material

loss of housing stock to student HMOs. Where students are being provided for by other means, housing becomes ungoverned by the institutions or locally-relevant accreditation schemes.

Affordable housing requirement

Apart from London Plan provisions and guidance in Edinburgh, student accommodation is not subject to affordable housing requirements in the same way as traditional housing.⁵⁵

Identification of student housing through local authority records

Councils have to maintain records of Council Tax-exempt properties to determine their Council Tax Base. Full-time students studying for at least one year for more than 21 hours per week are exempt from Council Tax.⁵⁶ Council Tax-exempt properties are defined under The Council Tax (Exempt Dwellings) Order 1992, where classifications of property types are established.⁵⁷ Student accommodation is defined under two classifications relating to larger and smaller accommodation types:

Class M a dwelling comprising a hall of residence provided predominantly for the accommodation of students which is either–

- (a) owned or managed by an institution within the meaning of paragraph 5 of Schedule 1 to the Act(3); or*
- (b) the subject of an agreement allowing such an institution to nominate persons to occupy all the accommodation so provided;*

Class N (1) A dwelling which is either–

- (a) occupied by one or more residents all of whom are students;*
 - (b) occupied only by one or more students as term time accommodation;*
- (2) for the purposes of paragraph (1), a dwelling is to be regarded as occupied by a student as term time accommodation during any vacation in which he–*
- (a) holds a freehold or leasehold interest in or licence to occupy the whole or any part of the dwelling; and*
 - (b) has previously used or intends to use the dwelling as term time accommodation.⁵⁸*

Councils maintain records on Class M and N properties in October and May to identify exempt and empty properties for report to MHCLG.⁵⁹ The records enable local authorities to track the locations of student accommodation and how many rooms are contained in the Class M residences.

Taxation

Student housing is taxed in the same way as other residential property types:

- Student accommodation development can be classified as zero-rated for VAT purposes.⁶⁰ There are two main routes in VAT treatment of student accommodation:
 - student accommodation can be classed as a dwelling and be tax-free for construction purposes;
 - required residential purpose allows greater scope for design but restricts the accommodation to 95 per cent student use – consequently, there is little scope to utilise alternative uses, such as the summer tourist trade, that could benefit students through shorter tenancy lengths or subsidised rents.
- Corporation Tax is paid by organisations on the profits from selling assets such as land and buildings.⁶¹ Most listed private PBSA companies have adopted the Real Estate Investment Trust structure to minimise and predict their taxable load.
- Capital Gains Tax (CGT) is payable by UK taxpayers on property that is not a primary residence. CGT has been liable on the disposal of student accommodation properties owned by offshore property investors since April 2019.⁶²
- Stamp Duty Land Tax is liable on the sale of properties, including HMOs, at a higher rate for owners of multiple properties.

Student accommodation operations and marketing

Most private providers of student accommodation exclusively operate student accommodation. Universities have dedicated accommodation offices to manage their student residences.

The marketing and letting cycle

The student accommodation sector operates to a single lettings cycle. The start of the tenancy coincides with the start of the academic year in September / October. The table that follows is an illustration of the marketing cycle.

The business of marketing is complex and operates through a range of channels, both physical and online. Physical channels include banners, billboards, flyers and university accommodation fairs. Physical tours of properties are commonplace and a proportion of bookings are made in person. The marketing and letting administration of private PBSA (purpose-built student accommodation) covered by an institutional relationship works through the university's own accommodation website. Otherwise, private PBSA may have support from a students' union. Student accommodation providers sometimes establish relationships with international agents, who sell academic programmes to overseas students. Some providers have set up their own overseas offices.⁶³

Online, providers' websites are central to marketing activity. In PBSA, most bookings are taken without students physically inspecting the property. In off-street housing, physical viewing by groups of existing students is more common and arguably more necessary because of the variable nature of the housing.

In PBSA, marketing efforts include activities that drive traffic towards the website and booking engine. Search engines play a major role through advertising placement

(pay-per-click). Dedicated search engines pull together and present the accommodation offer within a host town. Wrapped around all this content is a social media presence curated by the provider.

The sector is supported by bespoke IT solutions. Dedicated booking and operating systems have been created for the sector and these continue to evolve to enhance the experience and convenience of residents.

	Existing residents (AY-1)	Current marketing cycle / academic year (AY)	Next year preparation (AY+1)
January		Major lettings period	
February			
March		Minor lettings period	
April			
May	40-week tenancies end, satisfaction survey Exams period May–June		Rents calculated for forthcoming letting cycle
June	Summer business	Major lettings period	
July			
August	50-week tenancies end	A-Levels results, major lettings period	
September		Tenancy begins, move in	
October		Occupancy monitoring, preparation for short-term lets / January intakes	Rents published (Oct–March), marketing / letting begins
November			Rebooking current residents begins
December			

Rents and rent structures

Providers advertise rents by weekly and annual cost, alongside contract length and tenancy start and end dates. Rents are displayed on provider websites at the headline rate. However, depending on market trends, providers use rent discounting and cashback incentives as marketing tactics. Students pay rent upfront or in instalments.

Rent inclusivity

In university residences and private PBSA, rents nearly always include utilities and services: heating, lighting, electricity, Wi-Fi, buildings insurance, concierge / front-desk and handling services are wrapped in. Providers (typically private PBSA) that offer gym facilities, cinema and bookable dining facilities also bundle the costs of these facilities in the rent. Students may have to pay extra if they want laundry, contents insurance, TV licences, vending and other services.

In off-street student properties, rents typically exclude utilities, as in the wider HMO market. However, landlords are increasingly including utilities costs in the rent. This is for students' convenience, but also recognises that housemates often find it stressful to deal with debts and organise joint payments. The Tenant Fees Act 2019 prevents providers making a surplus on the cost of utilities. However, as the rents are all-inclusive, the direct relationship between rents and utilities is not transparent.

Buildings maintenance and repairs caused by general wear and tear are included in the rent. Damage caused by students is charged directly to them.

Provision of services in PBSA

Providers' services can be broken down by type:

Operational services	Welfare services
Staff on site, concierge, security	Residential life and social programmes ⁶⁴
Maintenance services	Staff training in first aid and mental health ⁶⁵
Customer feedback technology	
Mail management	
Wi-Fi (at least 100mbps)	

These services are included in the rent.

Provision of goods in PBSA

Residences are furnished and equipped with basic amenities and options to buy additional goods:

Bedroom	Kitchen / living spaces
Bed, desk, wardrobe, chair, bookshelves	Cooker, fridge, freezer, kettle, toaster, microwave Some PBSA includes a TV in each kitchen
Optional extras include bedding packs	Optional additional packs can be purchased, often including pans, rice cookers, knives and utensils, cutlery and crockery ⁶⁶

In PBSA, tenants may have access to communal social spaces. These include gyms, cinemas, games rooms and bookable dining kitchens.

As part of the competitive tension evident between private PBSA providers, there has been a trend towards offering incentives to prospective tenants to book/rebook for the following year. To help maximise occupancy, providers offer cashback and prizes or goods such as TVs, games consoles and tablets. In reality, students are drawn by location more than incentives, and are retained by a great student experience – and so such incentives can only have a marginal effect.

Tenancy contracts

In England, there are two main contract types for student accommodation:

- exempt tenancies, normally offered singly and only by approved education institutions;⁶⁷ and
- Assured Shorthold Tenancies, issued singly or jointly.⁶⁸

There are legislative variations in the devolved administrations, most notably in Scotland, which has prioritised establishing more security of tenure for tenants. From December 2017, under the new Private Residential Tenancy (PRT) regime, landlords are unable to end tenancies at the end of a fixed period and tenancies can continue indefinitely unless the tenant wants to leave. It is still too early to make a judgement on how this has affected that type of student housing. PBSA was exempted from the PRT arrangements and students now sign contractual leases in those buildings.

Students generally sign contracts early, often months before occupation, but timescales differ, depending on provider type and student (first-year or returner). These are normally fixed-term contracts, aligned to the academic year.

Contracts are binding and tenants are liable for the full rental term. Contract release is only granted for specific reasons and varies by provider:

- cancellation during a cooling-off period, typically up to seven days after booking, is sometimes allowed if a request is received before A-Level results come out;⁶⁹
- not gaining a university place in the town or city where the room is booked or using the UCAS adjustment process to register at an institution in a different town;⁷⁰
- not securing a UK study visa;
- release from contract with a university's consent, following withdrawal or in light of special / mitigating circumstances such as illness or bereavement; and
- release from a university / private PBSA contract, where an alternative tenant has been found.

Contract renewal varies by provider type. Private PBSA and student HMO providers letting directly to students are most likely to prioritise retaining tenants from one academic year to the next. Universities can house returning students only if their bed spaces exceed guarantees made to the intake cohort.

Tenancy contract lengths

Contract lengths in student accommodation are standardised periods of less than one year. The *Accommodation Costs Survey 2018* reports the weighted average contract lengths for university residences as 40 weeks, rising to 46 weeks for private PBSA.⁷¹

Providers set contract lengths modelled on two main tenant types. There is, however, some crossover between tenant types and contract lengths owing to supply constraints and student preference. For undergraduates, contract lengths are typically 38 to 44 weeks, and for postgraduates 50 to 51 weeks. Private providers are more likely to offer studio rooms, which are typically let on 50 to 51 week contracts.⁷²

The range of contract length for HMO houses is significantly wider: 40 to 52 weeks. Important determinants include the target market (second- and third-year undergraduates versus families) and price competition within each local market – the

greater the competition, the more likely it is that shorter contract lengths or discounted summer rents will be offered.

How contract lengths relate to affordability and overall cost is difficult to fathom. Many longer lets are made because students have year-long study and placements or local employment commitments. Institutions with the shortest contracts often have lucrative out-of-term conference trade. Many providers view income as an annual rent, so a shorter contract may result in a higher weekly rent.

Summer usage of student accommodation varies by property type. Universities are more likely to use their stock for conferences and summer schools or to undertake refurbishment. In popular tourist areas student contracts are shorter to make way for the lucrative conference and tourist seasons. Such is the case in Edinburgh, for example, to meet demand from the Edinburgh Festival Fringe. Private providers are more likely to continue to house their existing tenants, for example through extra short-term lets and licence extensions.⁷³ Few private providers are involved in the conference and tourist business.

Fees and charges

The Tenant Fees Act 2019, which applies to both forms of tenancy, requires any administrative costs to be included in the rent. Before this legislation came into effect, booking fees were widely used in the sector to secure rooms before tenants signed up. The new legislation has ended this practice, bringing fewer hidden charges to students, but removing a level of early certainty for providers. The Tenant Fees Act was designed to bring greater clarity to the renting deal between suppliers and tenants and to stop (mainly property agents) charging often hidden and dubious fees to tenants. These practices were not prevalent within PBSA and were already outlawed by the Approved Codes. The overall effect has been beneficial outside PBSA student housing, but it has stopped universities charging a booking fee to stop speculative applications for student rooms which can result in lower levels of occupancy when an anticipated student does not show up.

Some future policy approaches

Purpose-built student accommodation (PBSA) is a particular focus of this report. For many students and parents, the question of who provides PBSA is irrelevant. What they expect is consistency of service and approach. They expect private providers and the universities they provide housing for to communicate effectively with each other and co-operate on providing levels of service and support. That said, the regulatory framework inherent in university governance structures and the Board-driven machinery of a for-profit venture are worlds apart.

Notwithstanding this, the level of accountability and transparency achieved by mechanisms governing university accommodation does not meet reasonable expectations. Simple questions about whether institutions look to generate a surplus from their accommodation operations have been difficult to answer. Calls for student accommodation to face increased regulation come from vice-chancellors who do not like what the private sector provides. The private sector is, however, already far more regulated than university accommodation: it is just that such regulation does not equate with doing what the local university wants.

In policy terms, there needs to be acknowledgement that:

- there should be similar, but bespoke, regulatory frameworks for university- and privately-provided PBSA;
- within this drive towards assimilation, different governance mechanisms need to be taken account of; and
- adaptation is a two-way street, requiring changes from both types of suppliers.

Affordability has to be shaped by the university sector. All institutions should have an affordability policy to ensure they do not disengage from this agenda.

Rent-setting should be more transparent and purposeful. In the *Accommodation Costs Survey 2018*, only 15 per cent of universities said they set rent in relationship

to cost, compared to 21 per cent of private providers. Inflationary uplift and market comparisons were the most popular indices among universities. This suggests that some institutions are content to allow rent levels to be determined primarily by general economic conditions.

Students should be involved in institutional rent-setting as a matter of course. The private sector should make greater effort to explain to students why rents cost what they do and where rental income goes. In the *Accommodation Costs Survey 2018*, 49 per cent of respondents said they did not involve students in rent-setting at all.

Student accommodation providers need to work harder to explain to prospective new students what the actual cost of rent is and what accommodation options they have. New students know rent accounts for a large chunk of their budget, but they consistently underestimate its actual cost.⁷⁴ Prospective students have a right to receive accurate and relevant information.

The 2004 government-approved Codes of Practice are widely acknowledged as a highly-successful legislative innovation. However, they have been under-utilised by regulators, notwithstanding the importance student accommodation practitioners attach to them and their value in helping drive forward change.

The fastest and most efficient way of getting greater engagement and communication between private PBSA providers and educational institutions is to use the Approved National Codes to provide detailed and specific standards that revolve around a new mission statement for all members 'to work together to the benefit of student tenants'.⁷⁵

Membership of National Codes is voluntary and therein lies their strength:

- they are quick to effect change;
- they can go into much more detail than non-specific regulation;
- if the changes are agreed by suppliers, they guarantee a buy-in by those providers, so that standards set are followed and enforced;
- the Codes can be proactive (following inspection, verification or adverse public comment) and are not reliant on student complaints – students are not great at complaining, although there is a well-publicised and efficient complaints system; and
- redress through the various complaints systems can be swift and low-cost, especially when compared with legal remedy.

Fully-compliant Code members should be taken out of regulation (mainly licensing) designed primarily for off-street properties.

In order to beef up the Codes, stern measures have to be taken for suppliers who have either not joined or have been removed from the Code for non-compliance. They should rightly be treated as a priority for regulatory enforcement under current legislation.

Universities should not undertake any partnership arrangements with providers who are not in, or about to be accepted into, a Code. Higher education institutions should also advise their students not to rent from suppliers not in membership of the relevant National Code.

There are currently a number of high-profile issues that can be tackled through the Codes.

- **Late buildings:** recently the subject of much negative press coverage (particularly in Portsmouth over the summer of 2019). When students find that their residence is still under construction, their whole transition into the world of higher education can be overwhelmed by poor communication, temporary accommodation and sequential delays in occupying their residence. A simple and effective set of no-quibble payments should be made both to encourage the timely delivery of new buildings and to ensure that meaningful compensation is paid to students if the worst happens.
- **Mental health and wellbeing:** Code standards on mental health and wellbeing procedures have recently been developed and include training, signposting and university engagement to improve the student care package.
- **Enhanced health and safety verification:** particularly important in the post-Grenfell environment and after the serious fire at The Cube student accommodation in Bolton in November 2019. This should dovetail with the new health and safety regulatory framework for high-rise buildings, by which most PBSA providers will be directly affected. Likely changes to the definition of what constitutes a high-rise building are also likely to bring much more student accommodation within this category.

The core argument here is for policymakers to accept the very special nature of student accommodation. There should be much greater co-operation between educational outcomes and housing regulation, reflected in much greater co-operation and understanding between the Department for Education and the Ministry of Housing, Communities and Local Government (MHCLG).

This requires the Government to commit, through a chosen department, to a proper five-yearly review of the content of all the Codes to ensure that they are fully up-to-date and address issues of concern. The last time MHCLG reviewed the private sector Code was in 2006. Since then, operators have been left to conduct their own review without active Government support. The Government has failed to play a co-ordinating role. With a clear policy focus on what issues it wants to be addressed, the Codes could become more effective through their existing governance and verification machinery. What proper review should achieve is common outcomes that can be tailored to the very different supplier organisations involved.

As well as the Government, all accommodation providers and the institutions they serve should view every issue through the prism of collective working for the benefit of their student tenants.

Postscript on student accommodation and the initial impact of Covid-19

The initial impact of the Coronavirus pandemic on student accommodation from March 2020 to the end of the 2020 academic year is difficult to ignore, as are its possible effects on the 2020/21 academic year. Historians would warn against trying to be over-analytical at such a short distance and the authors have heeded that perspective.

The pandemic saw the Covid-19 infection rate climb rapidly in the UK in early March 2020. On the evening of 23 March 2020 the most significant set of restrictions on British life in living memory were set in place, as the Prime Minister ordered people to stay in their homes. This prompted a shift to online teaching and the closure of university buildings.

Many students had already gone home for what they regarded as an early Easter, and never returned. Students who had remained in their accommodation could then not leave.

The initial reaction from institutions and PBSA suppliers was that students should meet their contracted rent payments. The NUS pressed strongly for rent payments to be halted for the third term. In the last week of March, several universities decided that they would either waive future payments or refund rents. The first to do this was Newcastle University, quickly followed by the University of Essex and the University of Manchester. On 25 March 2020, Unite Students announced that they would not charge rent for students who had left for home. Over the next month, most PBSA suppliers adopted a similar position. On 25 May 2020, Unipol calculated that a total of £563 million in rent had been forgone – for universities £395 million and for the private sector £168 million.

A clear link was established between whether accommodation should be paid for and the purpose for which accommodation was needed. Where a university was physically and largely closed, with provision moved online, regardless of what a fixed-term tenancy said, rent should not be charged. This was reinforced in consumer protection guidance issued by the Competition and Markets Authority on how the Coronavirus impacted on contract law.⁷⁶

Many PBSA providers have sought to build some flexibility into their 2020/21 contracts to allow for changes or disruption to that academic year.

It was widely believed that most students had gone home. In fact, most of those who had were first-year undergraduates who had been given an incentive to leave quickly in order to avoid paying rent in the third term. With hindsight, linking the waiving of rents to students who could go home quickly may not have helped the most needy, many of whom stayed in their student accommodation paying rent. A few suppliers reduced rent for all their tenants, whether they stayed or went, and this was well-received by students.

Providers housing a wider range of students and international postgraduates reported average occupancy of 52 per cent.⁷⁷ For most accommodation suppliers, buildings and the essential services connected to them remained up and running throughout lockdown. While universities remained physically closed, accommodation certainly did not. Although providers offered support, students self-isolating or needing help normally found it from their friends and housemates.

Refunding rents has, of course, cost a lot of money. Higher education institutions have borne the lion's share of the loss of revenue. Where long-term partnerships with the private sector existed, universities found themselves at the income-loss end of that deal. This is something to consider when new arrangements are made or while claiming that long-term deals reduce risk to the institution.

There is a certain inevitability that many accommodation providers will seek to recover lost income from higher rents in the future. The summer 2021 *Accommodation Costs Survey* will see if that is the case.

The uncertainty over the start of the 2020/21 academic year highlighted the dangers of students contracting for accommodation often as early as October for the following academic year. Those arguing for get-out clauses in tenancies, in the event of further academic disruption or further lockdowns, should know that by March 2020 most

returning students had already signed for their accommodation. This early renting could stop if the Government simply allowed tenants to give four weeks' notice on contracts entered into more than six months in advance of those contracts starting.

The effects of the pandemic may push affordability further down suppliers' agendas unless a real effort is made to keep it as a priority. Already, some developers are promoting the benefits of expensive studio apartments and other up-market accommodation. Their pitch is that this kind of accommodation is good for self-isolation and quarantining, represents a lower Covid-19 risk than a shared flat with no en-suite amenities and is more compliant with lockdown rules than higher-density and lower-cost development options.

All the indications are that students have not been deterred from wanting to leave home to live in their place of study. While demand for accommodation will be reduced as a result of some international students not arriving in the UK, there is no indication that other student demand has fallen. Indeed, there are signs of some enhanced demand from home students not leaving the UK to study and from additional home undergraduate numbers.

With far more limited social opportunities in prospect, the challenges of the 2020/21 academic year lie somewhat upon accommodation providers, who are going to need to find imaginative solutions to help build student residential communities and avoid the dangers of social isolation.

One conclusion from these momentous events is abundantly clear: all student accommodation providers (whether institutional or private sector) are reliant on the teaching and learning processes of their education institutions, and co-operation and communication between higher education institutions and those who provide a home for their students have never been more important.

Photographic illustrations of student room types and social spaces

Room types

Studio



*Buccleuch Street,
Edinburgh Empiric*

Modern ensuite



*Salisbury Court, Unite Students,
Edinburgh*

Traditional en-suite



*Archers Road,
University of Southampton*

Townhouse

Standard



*Constantine,
University of York*

Social spaces

Modern cluster kitchen



*Cryfield townhouse,
University of Warwick*



*Oxford House Newcastle,
Sodexo Student Living*

Modern ground-floor social space



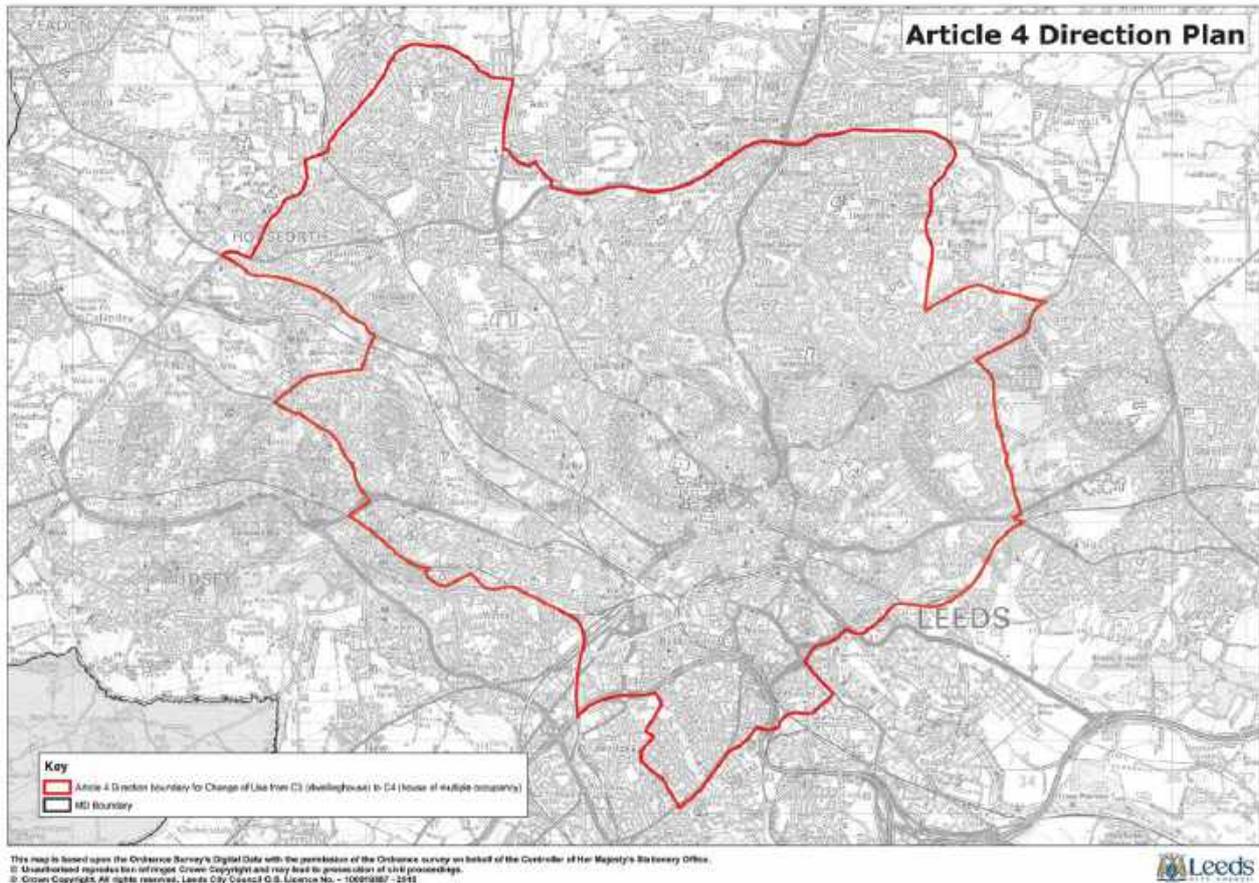
*One Mill Street, Leeds,
Unipol*

High-end scheme social spaces



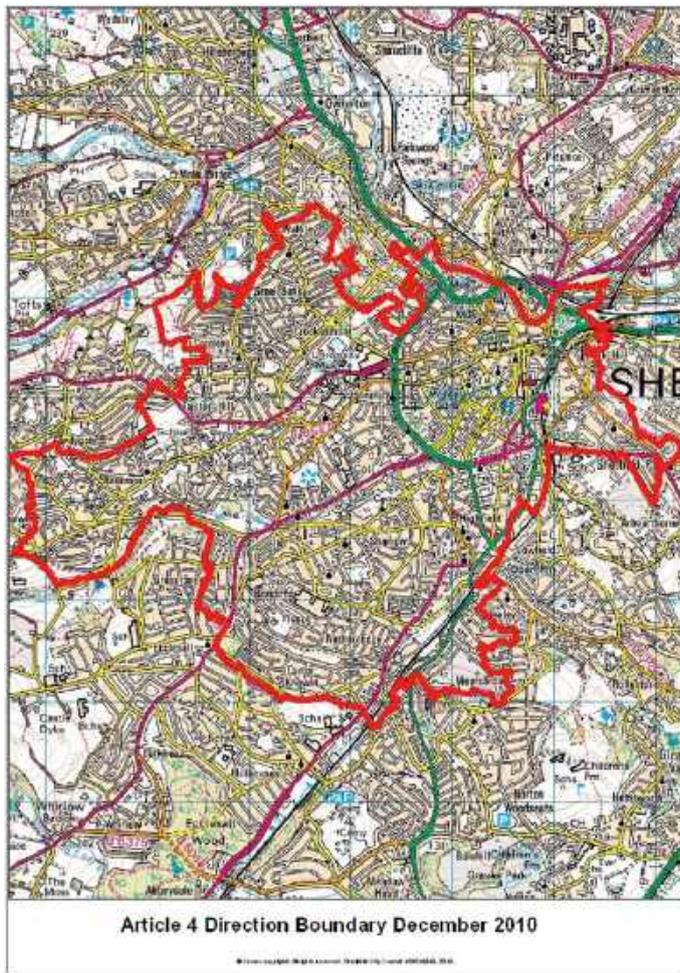
*Windsor House, Cardiff,
Empiric*

Illustrations of A4D



Leeds

www.leeds.gov.uk/planning/planning-policy/supplementary-planning-documents-and-guidance/houses-in-multiple-occupation-article-4-direction



Sheffield

www.sheffield.gov.uk/content/dam/sheffield/docs/planning-and-development/planning-applications/Article%204%20Direction%20Report.pdf

Illustration of Community Infrastructure Levy differentiating student housing

5.2 The Council is designated as the 'Collecting Authority' for the CIL of the Mayor of London. This requires a charge of £35 per square metre to be levied in addition to the amount specified in Table 1.

Table 1 Proposed Rates

Development Type	Proposed CIL Rate Per sq. m (GIA) of Development			
	Residential	Zone 1	Zone 2	Zone 3
	£200	£65	£35	Nil
Offices	City Fringe	North Docklands	Large Allocated Sites	Rest of Borough
	£90	Nil	Nil	Nil
Retail (Except Convenience Supermarkets/ Superstores and Retail Warehousing)	£70	£70	Nil	Nil
Convenience Supermarkets/ Superstores and Retail Warehousing	Borough Wide, except Large Allocated Sites			Large Allocated Sites
	£120			Nil

Development Type	Proposed CIL Rate Per sq. m (GIA) of Development	
Hotel	Borough Wide, except Large Allocated Sites	Large Allocated Sites
	£180	Nil
Student Housing Let at Market Rents	Borough Wide, except Large Allocated Sites	Large Allocated Sites
	£425	Nil
Student Housing Let at Below Market Rents	Borough Wide, except Large Allocated Sites	Large Allocated Sites
	Nil	Nil
All Other Uses	Borough Wide	
	Nil	

Community Infrastructure Levy Charging Schedule, Tower Hamlets, April 2015

www.towerhamlets.gov.uk/Documents/Planning-and-building-control/Development-control/Planning-obligations/LBTH-CIL-Charging-Schedule.pdf

Endnotes

- 1 Universities is used throughout as shorthand for relevant UK education providers.
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- 9 Department for Education, *Participation Rates in Higher Education: Academic Years 2006/2007 – 2016/2017*, 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744087/Main_text_participation_rates_in_higher_education_2006_to_2017_.pdf
- 10 www.hesa.ac.uk/data-and-analysis/sb252/figure-3 and www.universitiesuk.ac.uk/facts-and-stats/Pages/higher-education-data.aspx
- 11 *Op cit*, p.9
- 12 Association of University Directors of Estates (AUDE), *Estates Management Record*, 2017, p.65 highlights increase in the number of owned bed spaces and increasing reliance on third-party beds www.sustainabilityexchange.ac.uk/files/emr_2017_final.pdf
- 13 AUDE, *Estates Management Record*, 2017, p.63 and p.68 highlight 23 per cent of residences are condition C&D, and institutions are spending £500m per annum to address this. www.sustainabilityexchange.ac.uk/files/emr_2017_final.pdf
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- 20 The predominance of non-UK returning students in PBSA is changing in some locations. Cities with a large supply of private PBSA and inconveniently-located HMO provision have experienced a greater proportion of UK returning students opting for private PBSA.
- 21 See Section on Regulation and Planning.
- 22 Sophie Norris and Hilary Osborne, 'Stamp duty and second homes: what will I pay?', *Guardian*, 31 March 2016 www.theguardian.com/money/2016/mar/31/stamp-duty-second-homes-what-will-i-pay; Residential Landlords Association, *Guidance on mandatory licensing* www.rla.org.uk/landlord/guides/mandatory-hmo-licensing.shtml
- 23 Scottish Executive, *Houses in Multiple Occupation: A Guide for Landlords*, 2004. Note that regulations on room sizes in Scotland are different. www2.gov.scot/resource/doc/47060/0028721.pdf
- 24 *Op cit.*
- 25 *Ibid.*
- 26 Calculated from the original dataset of the *Accommodation Costs Survey 2018*, using aggregate annual prices across provider types and geographies for self-catered room types only.
- 27 The *Accommodation Costs Survey 2018* accounts for 64 per cent of the total PBSA sector.
- 28 Calculated using the original data from the *Accommodation Costs Survey 2018* by room type.
- 29 Townhouses were first developed at Lancaster University (see www.lancaster.ac.uk/accommodation/undergraduate/townhouse) but form part of new developments across the country. See also University of Kent (www.kent.ac.uk/accommodation/canterbury/undergraduate-accommodation/keynes-houses) and University of Reading (www.reading.ac.uk/ready-to-study/accommodation/accommodation-self-catered-shared-bathrooms/stenton-townhouses.aspx).
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- 32 It has also given rise to guidance to insolvency practitioners on how to manage transitional arrangements for students under contract to insolvent providers.
- 33 Most recently, the largest provider of student accommodation, Unite Student's proposed acquisition of Liberty Living, resulting in a 72,836-room portfolio; Cushman & Wakefield, *Student Accommodation Annual Report 2018/19*, p.13 www.cushmanwakefield.co.uk/en-gb/research-and-insight/2018/uk-student-accommodation-report-2018
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- 35 *Financial Times*, www.ft.com/content/84e9d62c-1265-11e8-a765-993b2440bd73
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- 39 *Accommodation Costs Survey 2018*, p.7 compared with www.gov.uk/student-finance/new-fulltime-students
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- 41 MHCLG, *An Independent Review of the Use and Effectiveness of Selective Licensing*, 2019, sections 11.1 and 11.2
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- 51 www.london.gov.uk/what-we-do/planning/who-we-work/planning-working-groups/mayor-s-academic-forum
- 52 Policy H17 of the draft London Plan: www.london.gov.uk/what-we-do/planning/london-plan/new-london-plan/draft-new-london-plan/chapter-4-housing/policy-h17-purpose-built-student-accommodation
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- 73 *Op cit*, p.27
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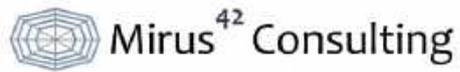
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