Student Accommodation in Nottingham

January 2024

Nottingham City Council

Background

This report pulls together the monitoring that the Local Plan team carries out on student accommodation. This includes a review of Student Council Tax Exemptions (CTE) as an indication of where students live and trends in changes to the distribution of students across the city including a fall in the overall number of on-street CTEs in the last two years in wards where there are the highest concentration of students.

In addition, the report provides the findings of the 2022-23 Purpose Built Student Accommodation (PBSA) Occupancy Survey which shows for the 9th year that the vacancies rate has remained extremely low across the PBSA market within Nottingham.

There is also discussion on the delivery of new PBSA, the pipeline of schemes likely to come forward and the need to widen out the PBSA market to ensure that new schemes are attractive to students who traditionally choose to live in shared housing in communities close to the two Universities.

Finally, an update is provided on the Nottingham Student Living Strategy (SLS) including the establishment of the SLS Implementation Group to oversee delivery of the Strategy.

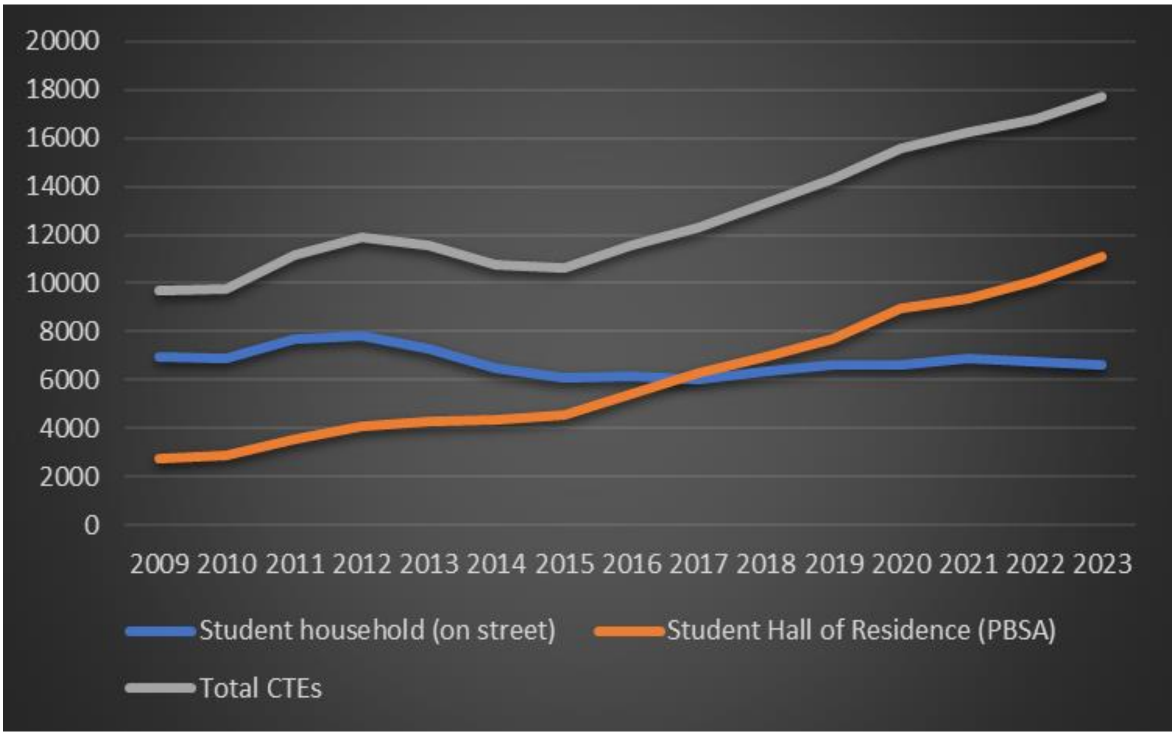
Student Council Tax Exemptions

To monitor the 'location' of students within the City, Student Council Tax exemption data is utilised. For consistency year on year, this is requested from Council Tax on 1 November each year. This data can be split down by 'Halls' and 'Student Households' (terms provided by Council Tax).

The data supplied by Council Tax has to be reclassified for our monitoring needs (to ensure consistency) so for example a whole 'hall' can be classed as 1 CTE where as some PBSA schemes can be the same number CTE as the number of the studios in the scheme. A note of this process is provided in Appendix 1 which also explains some of the limitations of the data.

The graph below and subsequent table shows the amended figures including the latest data set from November 2023.

Figure 1: Student Council Exemptions (2009-2023)



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

Overall it is clear that it is the number of PBSA CTEs that is increasing (in line with policy of promoting PBSA in appropriate locations – see column 2) whilst the number on-street households has remained reasonably static and for the last couple of years has started to show a slight decline.

This fall in CTEs in on-street accommodation has the potential to increase the Council Tax base liability. If, for example the trend of falling CTEs in on-street accommodation seen in the last 2 years were to be repeated over a 5 year period, this would increase Council Tax over that period by approx. £3.5m[1] and longer term even more.

On-street CTE are not all HMOs

It is not always possible to tell what type of house/flat the on-street housing is – it could be C3[2] or C4[3] (House in Multiple Occupation - HMO) as this data is not captured by Council Tax and there is no complete database that can be used to match it against. The Council does have an HMO database from Environmental Health but this is not complete and there will be properties that are not licenced but operating as HMOs. However, it is considered that as there is a Local Plan policy to restrict further C3 to C4 conversions, any growth in on-street CTE's has either been in areas where policy allows (concentration less than 25% previously and now 10% since the policy changed in 2020) or in flats or small houses (C3) where there are no controls. There is some evidence to show an increase in CTEs in new block of flats within the City Centre eg Saffron Court, London Road etc.

It is also worth noting that once a property is CTE it does not necessarily stay CTE, and there is 'churn' across the housing market. So, for example if not all residents are students then the property cannot be classed as student Council Tax exempt, so this may change from year to year. Also, worth noting that the 'Halls' (PBSA) classified as 'households' (averaged at 5 students per house) are obviously different to the number of PBSA bedspaces (students). It could be that a property is rented out as an HMO to non student residents for a period but this would still be permitted within the C4 classification.

[1] This assumes 150 additional properties become liable to pay Council tax per year for 5 years resulting in 750 homes liable to Council Tax. With an average cost of £1,650 (average of Band A and B).
[2] Class C3 is use as a **family dwelling house (can be occupied by between 1-2 unrelated individuals).**
[3] Class C4 is use as for small shared dwelling houses occupied by between 3-6 unrelated individuals, as their only or main residence, who share basic amenities such as a kitchen or bathroom.

Council Tax Exemption data split down by high concentration wards

The graphs below show the number of CTE households split by PBSA (Figure 2) and on-street (Figure 3) households since 2015 for the 5 wards with the highest number of CTE households.

Figure 2: PBSA Student Council Tax Exemption for wards with the Highest number of students

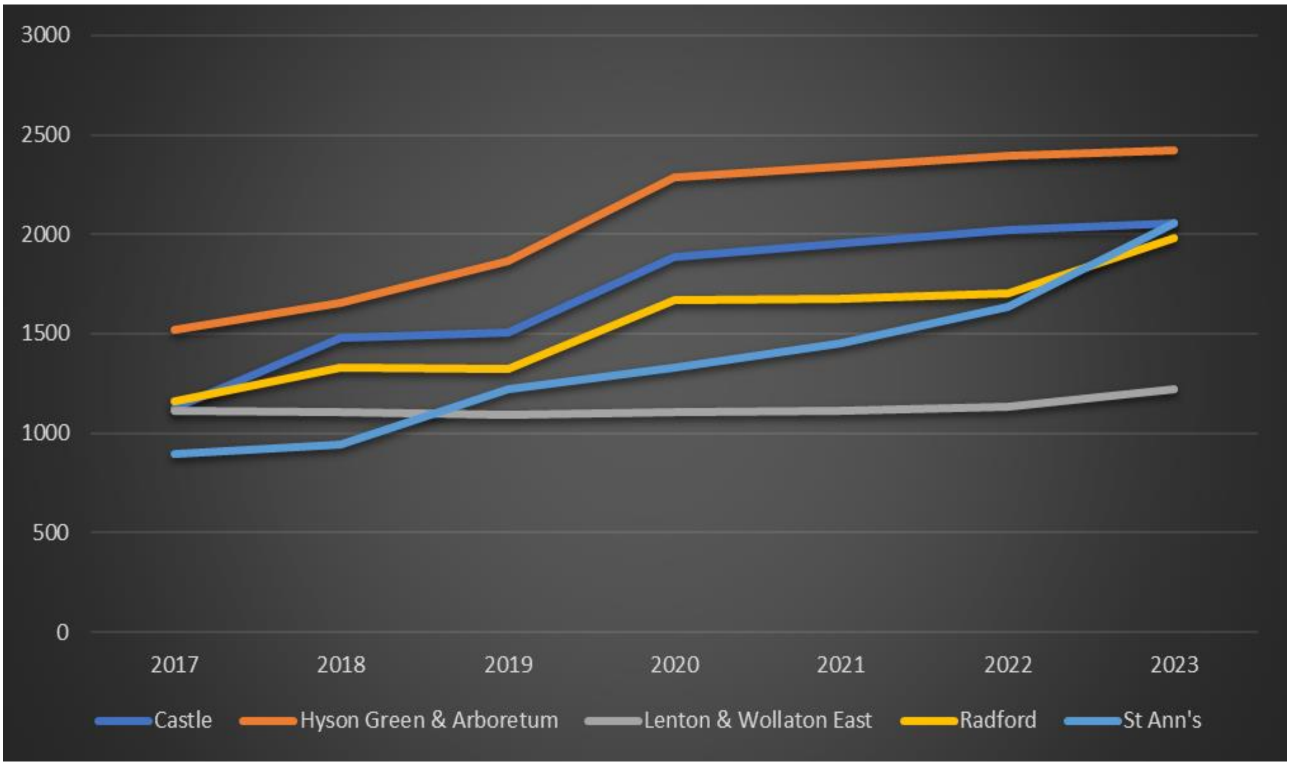
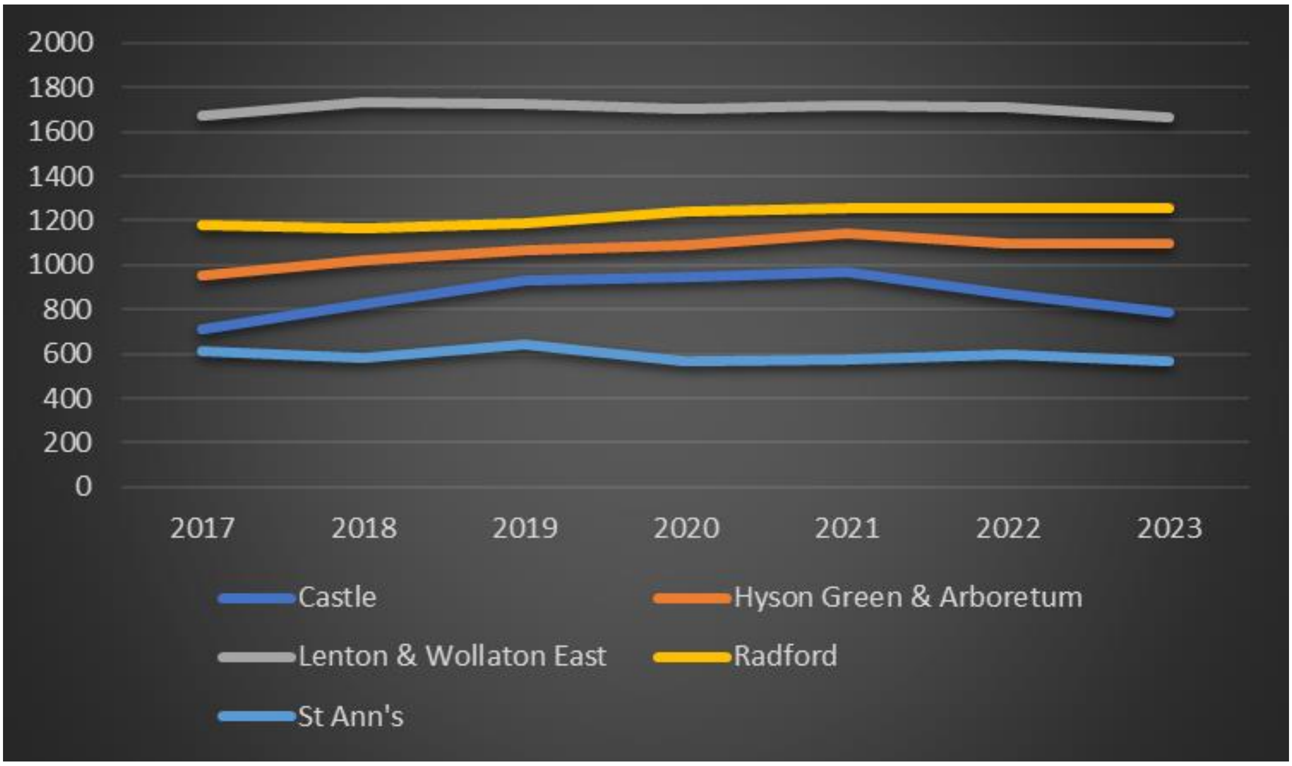
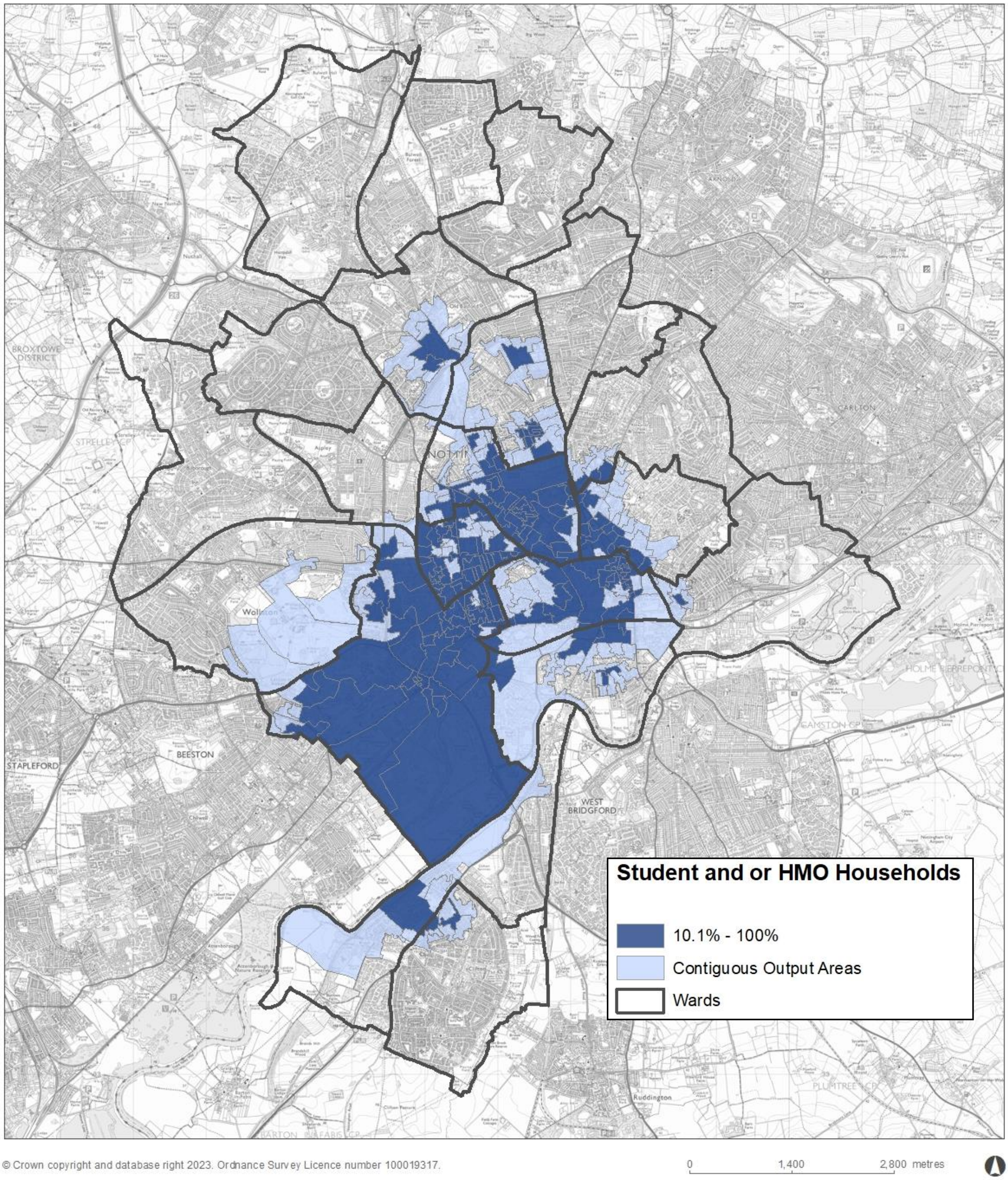


Figure 3: On-Street Student Council Tax Exemption for wards with the Highest amount of students



These graphs clearly show that it is the PBSA CTEs that are driving the rise in these wards and that the number of on-street CTEs has remained reasonably static but now starting to show some falls. Where there is any growth in on-street CTEs, given the policy to resist the change of use to HMOs then this will be in C3 homes where there is no control over students living in those types of properties (flats or small houses). A map showing where the CTEs plus other known HMOs are concentrated is provided below (Figure 4).

Figure 4: Percentage of Households Occupied by Students and/or HMOs & Contiguous Areas (November 2023)



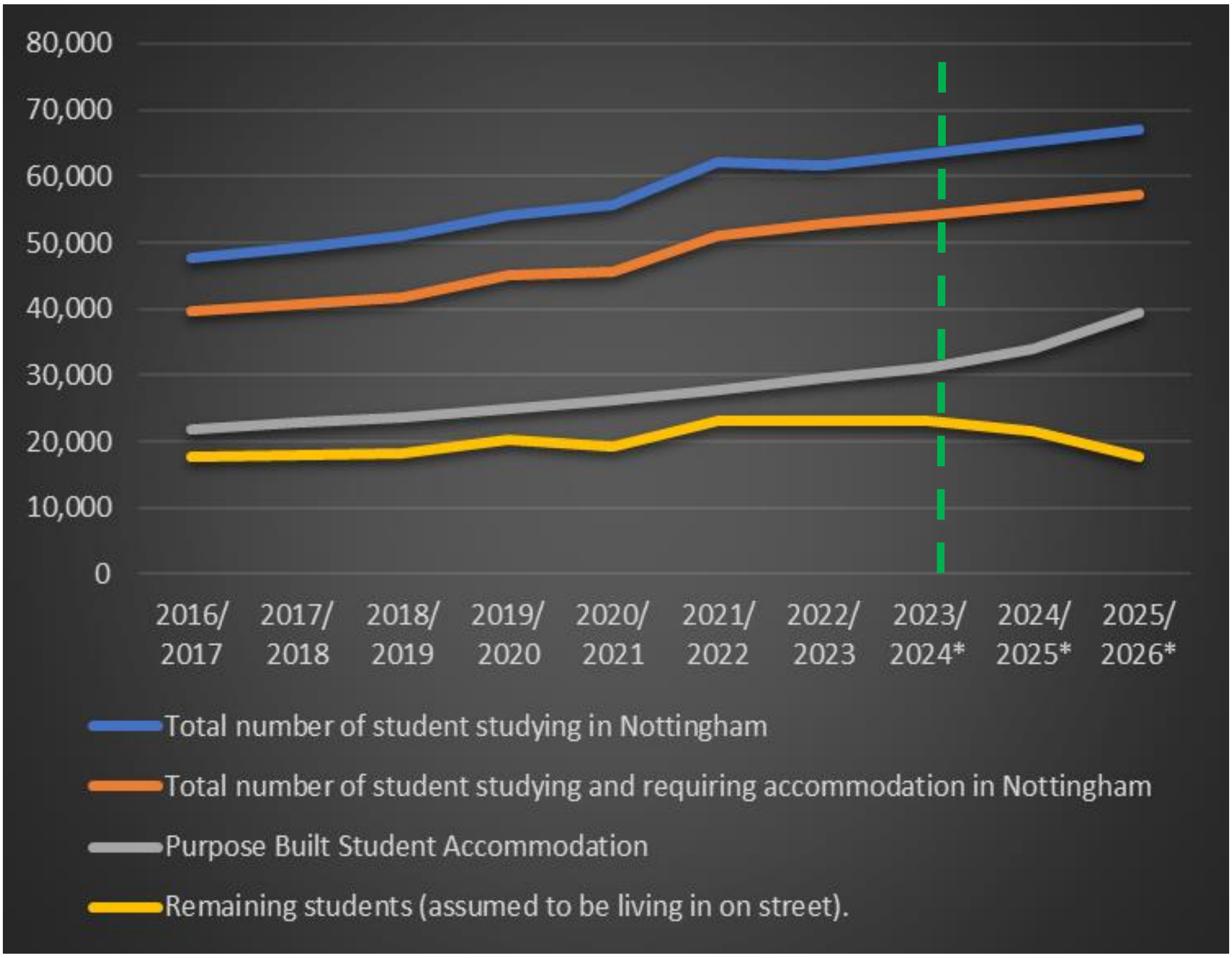
Rising number of Students requiring accommodation

The number of students requiring accommodation in the City has also continued to rise and these students will therefore have had to find somewhere to live, inevitably increasing the number of households. The graph below shows increase in student numbers over time, number of PBSA bedspaces and remaining students (who are living on-street). In recent years PBSA has not kept pace with the growth in student numbers and this has inevitably meant that students had to look elsewhere in the housing market to meet their accommodation needs – most in PBSA but some in on-street housing as well. If there had not been the growth in PBSA then this would have added even more pressure on the private on-street housing market and could have resulted in the 'crisis' in student accommodation seen in other University cities across the UK.

Clearly it is difficult to accurately forecast likely increases in student numbers, however for future years, the Universities have indicated that the growth in student numbers will likely be in line with national demographic trends which is an increase of approx. 2.8% a year. This still results in approx. 1,500 additional students needing to be housed in the city each year.

The graph below shows the total number of students studying within the city (blue line). Those students who either live outside of the city, or in their own home (and therefore don't have housing need) are excluded leaving only those students studying within Nottingham with housing need shown on the orange line. PBSA delivery including future years is show on the grey line. Finally this leaves remaining students who must be living 'on-street' either in HMOs or other small accommodation such as small houses or flats.

Figure 5: Students with housing need in Nottingham, Growth of PBSA bedspaces and remaining students living 'on-street'.



Over the next few years, if the anticipated delivery of PBSA does come forward and student numbers grow as anticipated then the recent fall in the trend of CTEs should continue (seen by the drop in the yellow line). However, what is important here is that the PBSA that comes forward, must be meeting the needs and desires of students who traditionally live in communities.

Student Accommodation Rental Levels

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

- Average **on-street student accommodation** in shared HMO is approx. **£145 per week** but in most cases this on-street accommodation is cheaper than PBSA accommodation.
- There is a wide range of PBSA rents from approx. **£120 to £325** depending on the location of the scheme, the facilities offered and the size and type of room.
- The figures include both individual studio flats as well as bedspaces within cluster flats.
- There are only a few PBSA schemes which are lower in rent than on street HMOs and in these cases, it is only part of those schemes which are lower in price. These will inevitably be older PBSA which are often less accessible and likely to offer less facilities both within the room (e.g. no En-Suite) or within the PBSA scheme itself (fewer social facilities including for example, gyms, cinemas etc).
- The most expensive scheme is charging approx. **£325 per week** for the 2023-24 academic year.

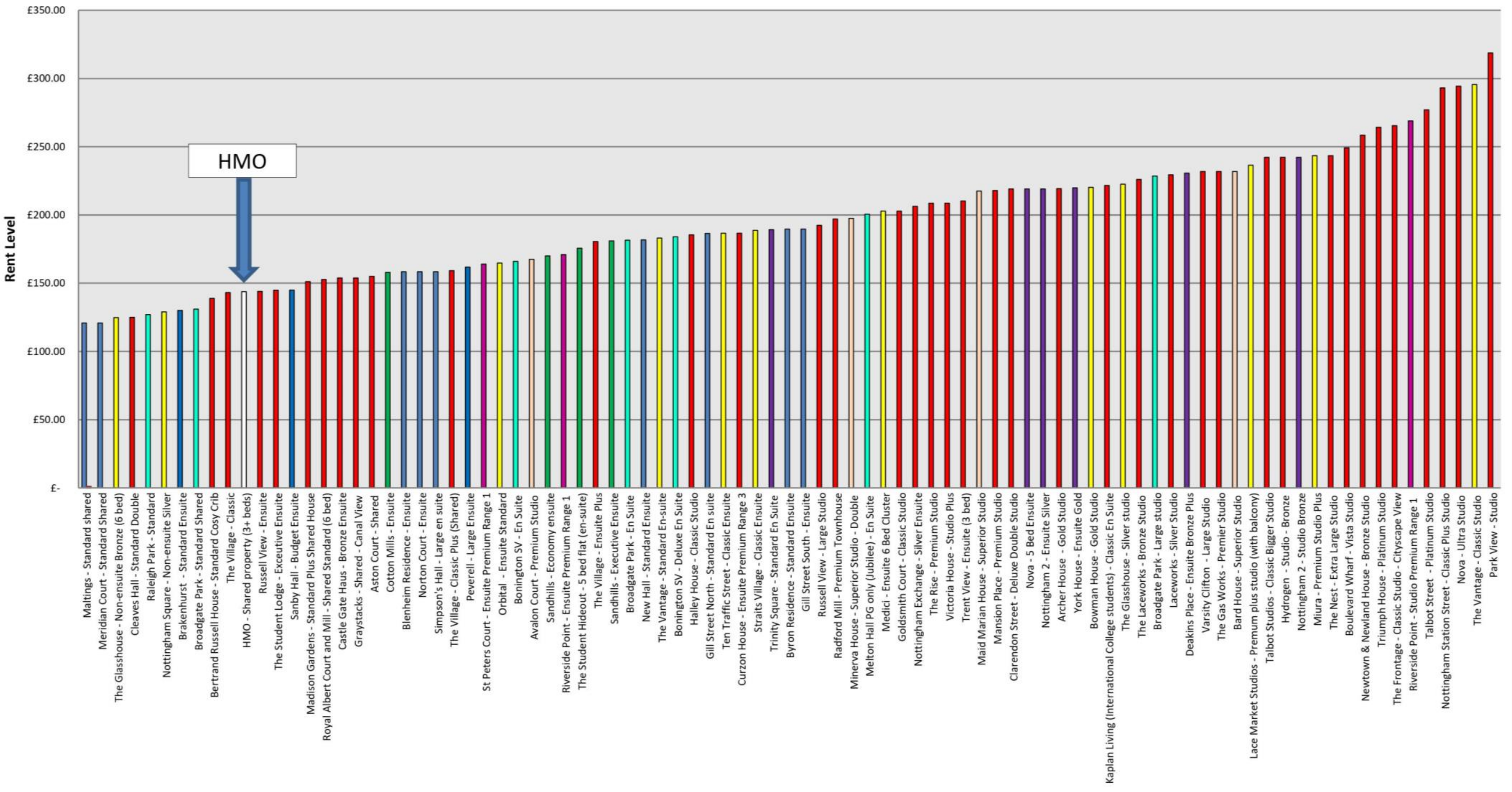
Unipol have also recently produced a Student accommodation costs across 10 cities in the UK report. This produces some clear conclusions on the 10 cities it used.

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

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

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

Figure 6: Graph showing weekly rent comparison (44 weeks)



PBSA Occupancy Survey Academic Year 2022-23

Since 2014 the Council has carried out a vacancy survey of PBSA which has confirmed that there have been consistently very low rates of vacancies in all types of PBSA within the city. This survey has been an important piece of evidence and has given the Council the confidence to continue to pursue its policy of promoting PBSA in appropriate locations whilst many commentators considered that too much student accommodation has been created.

Summary from the 2022-23 survey;

- 33 providers responded representing approx. **90% of the known PBSA bedspaces** within Nottingham.
- Reported **vacancy rate for the 2022-23 academic year is 0.8%.**
- Giving rising costs, it is not surprising that **55% of the PBSA providers said that they will be increasing rents in 2023/24**.
- **27%** said that they will be **carrying out refurbishment**.
- **24%** were considering offering **a range of different incentives** to attract students to return.
- **20%** of providers are considering adding **additional bedspaces to their scheme(s)**.
- **18%** looking at **improved social facilities**.
- **12% are not proposing any changes.**
- **14%** of providers are considering **adding additional scheme(s)**.
- **9%** said they are considering **lowering rents**.
- **9% are adding new scheme**(s).
- **3%** said they will add **additional bedspaces**.

The previous year's vacancy survey results are shown below.

Results from the PBSA vacancy surveys

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

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

As part of the survey the providers are also asked to confirm the breakdown of the type of students who live in their schemes including 1st years, returners, postgraduates as well as the origins of the students, either home or international. The two pie charts below show these breakdowns from the latest survey.

Figure 7: PBSA occupancy broken down by type of student (year of study)

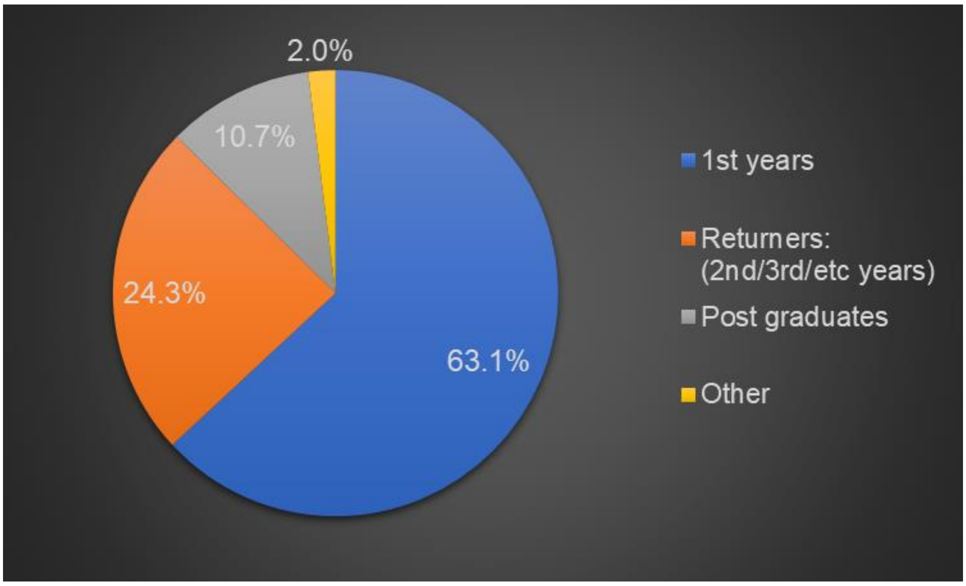
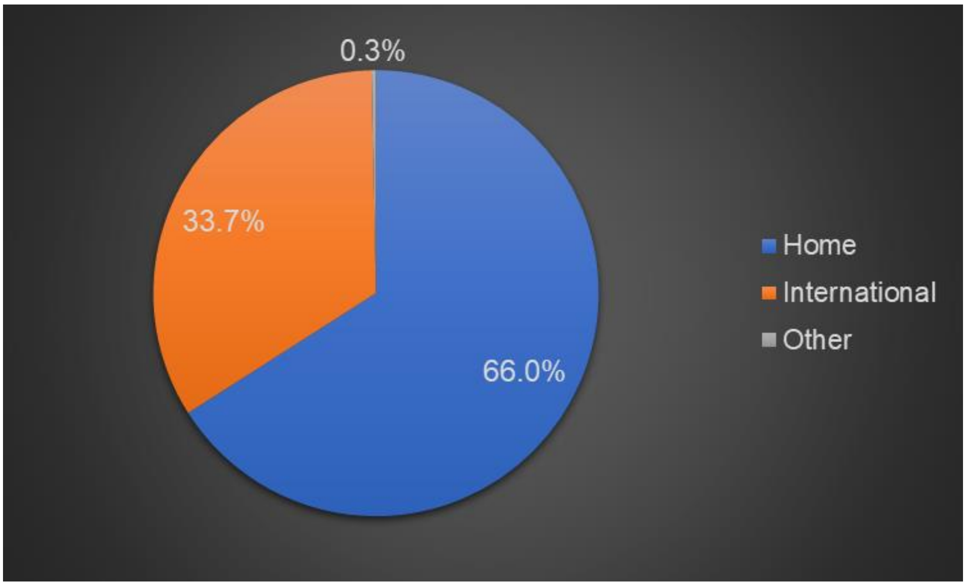


Figure 8: PBSA occupancy broken down by type of student origin



Delivery of PBSA and future Pipeline

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

The Council has a very healthy pipeline of PBSA schemes that are likely to come forward in the next few years. This amounts to approx. 8,500 bedspaces based on schemes that have planning permission or are likely to get planning permission.

Currently we are anticipating a further approx. 3,000 bedspaces next year (2024/25 academic year) and over 5,000 for the following year (2025/26) academic year. Inevitably some of these schemes will slip in delivery or, given uncertainty in the wider development industry, may not get completed. However, it is still reasonable to consider that well over **2,500 bedspaces** will be delivered per year on an annual basis.

The Universities have indicated that their growth rate is likely to be around 2.8%. As a result, it is imperative that any additional capacity being created in the PBSA market must be aimed at students who would traditionally live within ‘on-street’ accommodation. Such a switch of some students moving out of traditional housing would help to rebalance these communities. This has always been the aim of the Council’s policy of promoting PBSA but it is only now that delivery is above the growth in student numbers that this is starting to have an impact indicated by the drop in CTEs in on-street housing.

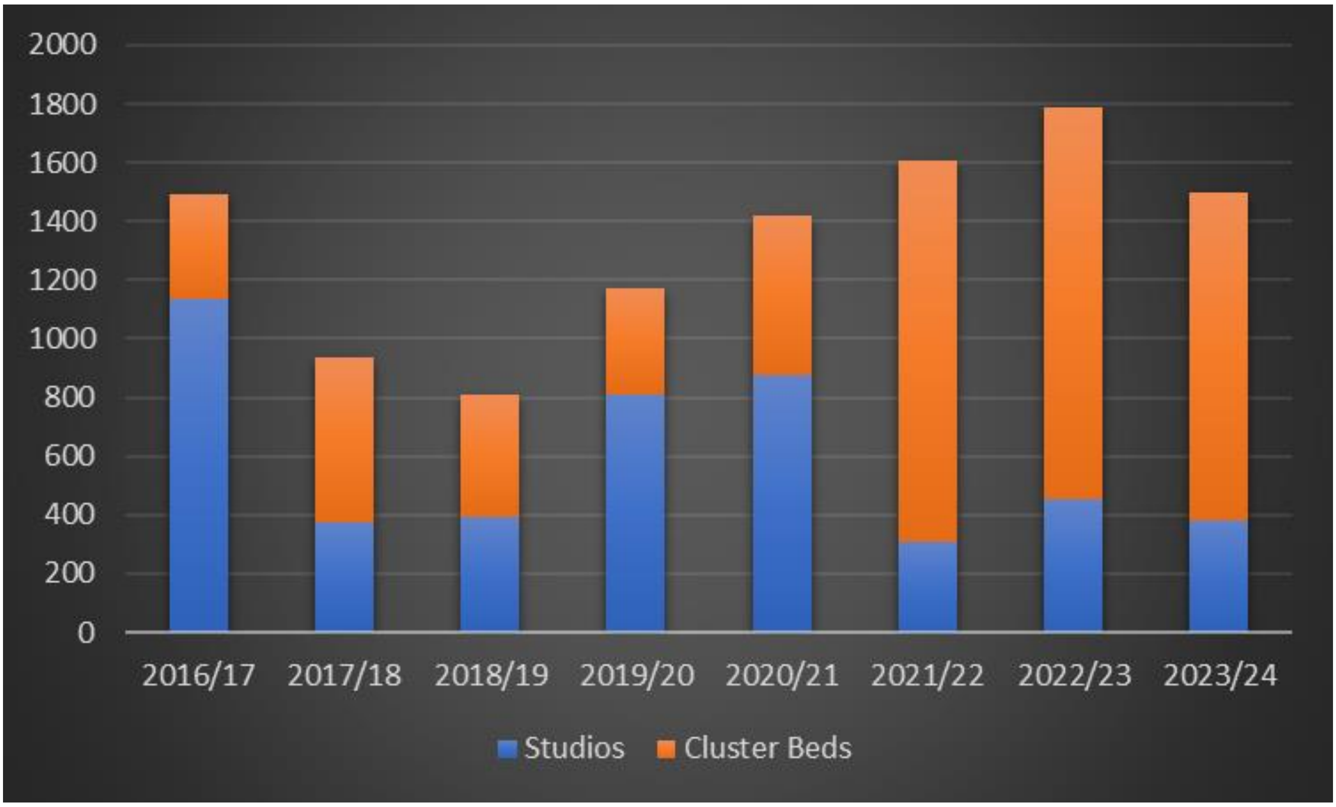
In line with the Local Plan policy, during pre-application consultations with developers for new PBSA, developers are now being requested to not only an outline the necessity for additional bedspaces but also specifically explain the targeted segment within the student accommodation market for which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

Nottingham has a much higher average of studio accommodation (single bedroom accommodation) at approx. 22% compared to the national average of 12%. Therefore, developers are being strongly encouraged to provide cluster led schemes in new PBSA.

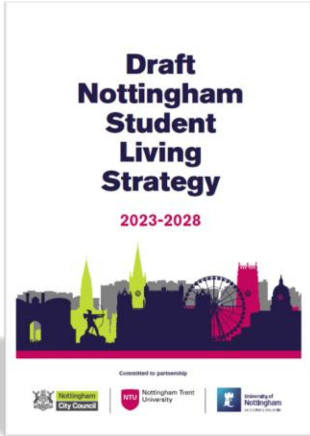
An action with the Student Living Strategy is for the Council to produce a PBSA Supplementary Planning Document (SPD) that will provide further clarification on the future PBSA schemes to the current Local Plan policies including ensuring a supply of accommodation to meet these identified needs.

The graph below shows the breakdown of delivery of PBSA by the proportion of cluster beds and studios with a growing trend in recent years of reducing the proportion of studio flats. A trend which it is hoped can be extended with the SPD in place supporting the Local Plan policy.

Figure 9: PBSA delivery broken down by cluster beds and studios



The Nottingham Student Living Strategy



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

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

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

Conclusions

Several key conclusions and trends can be drawn on the Student Accommodation market in Nottingham from the data set out within this report.

1. **PBSA Growth and Occupancy Rates**: The Purpose Built Student Accommodation (PBSA) sector has experienced consistent growth over the years, with occupancy rates remaining remarkably high. This low vacancy rate, consistently below 1%, suggests a persistent demand for purpose-built student housing in Nottingham.

2. **Shift in Accommodation Preferences**: There is a growing shift in student accommodation preference from traditional on-street housing (especially Houses in Multiple Occupation - HMO) towards purpose-built student residences. The rise in PBSA Council Tax Exemptions (CTEs) compared to a relatively static or declining trend in on-street CTEs indicates this shift.

3. **Increasing Student Population**: The student population in Nottingham has continued to rise steadily. While PBSA has been able to accommodate a significant portion, many students still reside in on-street housing due to the insufficient growth of purpose-built accommodation in line with the increase in student numbers.

4. **Pipeline and Future Deliveries**: There is a healthy pipeline of PBSA schemes anticipated in the next few years, aiming to address the demand for student accommodation. However, it is crucial to ensure that these developments align with the changing needs of students, encompassing different types of accommodation beyond traditional studio flats and catering to various student demographics like postgraduates and returning students.

5. **Rent levels for PBSA are high**: The study that Unipol has undertaken has shown not only have prices raised significantly in Nottingham, they remain some of the highest in the country.

6. **Student Living Strategy Implementation**: The Nottingham Student Living Strategy aims to improve the quality, safety, and availability of student accommodation in collaboration with

local universities. The formation of the SLS Implementation Group signifies a concerted effort among key stakeholders to oversee the strategy's execution and address challenges effectively.

7. **Policy Impact**: The policy to restrict C3 to C4 conversions and control new HMOs has contributed to the shift in student housing preferences towards PBSA. However, the trend also indicates an increase in students living in C3 houses where the Council has limited control.

8. **Increase in Council Tax liability**: If the number of on-street CTEs continues to reduce, this could lead to additional revenue for the Council.

9. **Need for Diversified PBSA Offerings**: To cater to a broader spectrum of student preferences, the focus should be on offering a diverse range of housing options within PBSA, particularly encouraging cluster-based accommodations rather than single-bedroom studios. This approach aims to attract students who traditionally prefer shared living arrangements in on-street housing.

In summary, while the PBSA sector in Nottingham has shown significant growth and stability, it is crucial to align future developments with evolving student needs, diversify accommodation options, and continue collaborating among key stakeholders to manage the increasing student population effectively.

Briefing Note prepared by Matthew Grant, Local Plans Manager
January 2024

Appendix 1: Summary of process to calculate student household numbers

- On 1st November each year a list is obtained of the properties that are exempt from paying Council Tax due to being wholly occupied by students.
- The addresses are categorised by Council Tax as ‘student households’ and ‘halls of residence’ .
- Often, purpose built student blocks will be categorised as ‘student households’ (i.
house, Boulevard Works etc).
- For our purposes, a check is done and where necessary reclassificatio
into ‘student households’ (on-street houses or flats that could be l
the future), or ‘halls/ PBSA’ (flats in student only blocks).
- This results in different split to the original Council Tax data.
- An additional problem is that Council Tax valuation officers record some ‘halls’, such as those on University Park as a single property, where others, consisting of several hundred bedspaces, are counted as several hundred records. For our purposes this causes an issue as an area like University Park could potentially show a low concentration of student households despite housing thousands of students.
- As we are interested in concentrations of students we standardise the data by excluding the Council Tax ‘halls’ figures and adding in an approximation of Purpose Built ‘households’ from our intelligence around Purpose Built bedspaces, (by counting 5 bedspaces as a household).

To complicate matters further, for calculating student concentrations for DM, these days we also obtain the latest list of licensed HMOs, and match it to the final student households list – to enable us to add in any HMOs that are NOT exempt from Council tax due to being wholly occupied by students.
So, the numerator for these threshold calculations is the sum of the number of Council Tax exempt student households, the number of Purpose Built ‘households’, and the number of non-student HMOs.
The denominator is the latest list of Residential Properties; minus Council Tax 'halls'; but with the number of Purpose Built ‘households’ added in.

Limitations of the Data

If a property is ‘wholly occupied by students’, it can be exempt from Council Tax. All residents living in the property must be registered as full-time students. Therefore, there will be other households where students live either at their own home, or with friends, relatives or perhaps as a lodger where this would not get recorded.

Nottingham
City Council