Unipol Student Homes

**Student Housing Sector Briefing Note**

8th November 2024

**A Guide to the UK Student Housing Sector**

Introduction

This briefing note will provide an overview of:

* A brief history of the growth of the student housing sector
* The current state of the student housing market - key trends shaping the sector, challenges faced, and opportunities for investment and development in the coming years.
* The potential impact of the upcoming Renters Rights Act
* Unipol’s recommendations to Government on the future of student housing

With continued demand for high-quality, well-located accommodation, understanding the nuances of this sector is essential for policymakers, educational institutions and private sector stakeholders alike.

Sector Overview

The student housing sector across the UK is a dynamic and evolving market, driven by steady increases in domestic and international students moving to study in Higher Education, changing living preferences, and evolving policy frameworks. To provide context on the development of the sector, it is key to understand (in brief) how this development has occurred. Prior to the election the Labour Government in 1997, student housing was primarily made up off off-street housing, and University owned and developed halls of residence. With the main tenet of their Education policy being to drive more young people into Higher Education, the Government instructed the Higher Education Funding Council for England (HEFCE) to cease the provision of funding to universities for the construction of halls of residence in 1999. The premise was to encourage Universities to take steps to manage their own housing need, and encourage the growth of private sector involvement and investment to build the required housing to accommodate a significant growth in student numbers.

Since the millennium, the privately operated PBSA sector has grown exponentially, becoming a haven for private investment, and increasingly shouldering the responsibility for the provision of student accommodation as many Universities off-load financial risk[[1]](#footnote-1) in the midst of growing financial crisis in the sector. This growth in PBSA has run parallel with the decline of supply in the off-street sector, as Article 4 directives[[2]](#footnote-2) have been implemented in a significant proportion of local authorities where Universities are present, which has virtually halted any further growth of small-shared houses for student occupation. In 2006, in response to the rapid development of PBSA, the [ANUK/Unipol National Codes for Student Accommodation](https://www.nationalcode.org/) were created – a voluntary accreditation scheme, codifying a set of best practice standards in the day-to-day management of PBSA.

Traditionally, many students followed the same journey through student housing – in their first year, they would live in University owned/managed halls of residence, followed by moving out into the wider off-street housing market in shared Houses in Multiple Occupation (HMOs)[[3]](#footnote-3) & 1/2 bed properties. The maintaining of a secure supply of off-street housing has been key to ensuring both choice in housing type and an affordable stock of properties specifically for students, as the costs of PBSA grow significantly, often above the total cost of the student loan[[4]](#footnote-4). However over the past 10 years, as different local authorities and Universities take greatly varying approaches (and interest) in managing student housing need and demand, an uneven picture has been created, evidenced by chronic (and well publicised) shortages of housing in many major Cities, such as Bristol, York and Durham.

As the sector tries to navigate these challenges in light of affordability and viability challenges, there is a risk that these supply crises will not remain contained within the boundary lines of these localities – as immediate demand to accommodate student numbers arise, Universities will look to take up voids in neighboring Cities, as evidenced in the last 3 years:

* Students studying in Bristol living and commuting from Newport, Wales
* Students studying at York, living and commuting from Hull
* Students studying in Manchester, living and commuting from Liverpool

As demand spreads, so does the insecurity of supply. Although some years these shortages may be more acute than others, the sector cannot afford to be at risk of housing scarcity if it wishes to deliver on long term goals of a sustainable and fair model of student housing.

This discoordination is coupled with a lack of involvement of National Government in student housing more generally. A major reason for this is that students present a unique challenge for the way Government departments operate – as student of an educational institution, they fall under the Department for Educations remit, but as a renter, they fall under the Ministry for Housing, Communities and Local Government. Therefore, questions and challenges for the student-housing sector have often fallen between the cracks of these two departments, with partnership working between the departments failing to materialise.

With the growth of private sector involvement post-1997, political involvement in the sector has not been required as the market reacted to provide supply, and student housing has operated in its own structure without intervention. However, in an increasingly difficult economic environment for students, viability and build costs for new PBSA reaching a premium level, and the upcoming changes under the transformational Renters’ Rights Bill, there is a need for central Government engagement. This engagement must focus on a reimagining of student maintenance support, and consideration on how to address potentially inadvertent impacts of the new legislation on the supply of in particular off-street housing.

National Codes of Practice for PBSA

There are currently three Government approved Codes for Student Accommodation:

* ANUK/Unipol National Code for Non-educational Establishments (Private Providers) – operated by Unipol Student Homes, covering over 400,000 bed spaces (approx. 94% of all privately operated PBSA Nationally)
* ANUK/Unipol National Code for Educational Establishments (Universities & Colleges) – operated by Unipol Student Homes, covering just over 35,000 bed spaces. Membership consists of a few Universities, FE Colleges, small & specialist Institutions
* Universities UK Accommodation Code of Practice (Universities) – operated by Universities UK (administered by [CUBO](https://www.cubo.ac.uk/)), this Code covers the vast majority of University accommodation in England and Wales.

All 3 Codes hold A*pproved* status under Section 233 of the 2004 Housing Act. Under this, any educational establishment registered with an approved Code is excepted[[5]](#footnote-5) from HMO licensing requirements. This exception does not extend the privately operated PBSA. However, many local authorities will exempt providers who are members of schemes from additional licensing schemes they introduce, or provide a significant discount on licenses for members.

*Overview* *of the ANUK/Unipol National Codes*

As the operators for 2 of the 3 Codes, the detail provided below only pertains to the Codes we as Unipol are responsible for:

* The Codes are a set of voluntary standards, codifying best practice and legislative requirements to for day-to-day management of PBSA
* The Codes are widely recognized as the benchmark for best practice in student accommodation, and by adhering to the Codes, accommodation providers demonstrate a commitment to maintaining high standards and offering students a secure, safe, and supportive living environment.
* The 2004 Housing Act legislation only applies to England, and different requirements exist in Wales and Scotland. However, where a provided has signed-up to the ANUK/Unipol National Codes, their requirements apply to purpose-built student accommodation throughout the whole of the UK.

*Benefits for Students*

Members of the Codes voluntarily agree to comply with good practice standards that relate to both the physical condition of a building as well as its day to day management. They also agree to be vetted to check they are meeting the standards, through our robust [verification processes](https://www.nationalcode.org/overview).

This means that, amongst other things, students living within a building covered by the Codes can expect:

* Buildings that meet and/or exceed fire safety requirements
* Managers of buildings to act in a professional and courteous manner at all times
* Managers are trained in mental health awareness
* Repairs to be completed within agreed timescales
* Compensation payments if a new building is not delivered on time for occupation
* Complaints are handled professionally, with external input from the National Codes if they cannot be resolved.

More detail on the ANUK/Unipol National Codes can be found here: <https://www.nationalcode.org/>

More detail on the Universities UK Code can be found here: <https://www.thesac.org.uk/>

Student Housing Factor: State of Play in 2024

As outlined student housing is broadly split into two categories – with both sharing similar purpose but individual characteristics, capacity and levels of regulation:

*Purpose-Built Student Accommodation (PBSA)*

* For the purposes of the National Codes, this is defined as a block of accommodation with 15 or more bed spaces. These can be operated by Universities or private providers, and is usually made up of cluster flats with shared bathrooms or en-suites, and studios/1 bedroom apartments.
* Around 94% of all privately operated PBSA is a member of the National Code, equating to just over 385,000 bed spaces.
* PBSA is often a much higher cost per week for students, with Unipol’s own Accommodation Costs Survey research illustrating above inflation rental growth in recent years[[6]](#footnote-6)

*Private Rented Sector (Off-street Housing)*

* This type of housing is the traditional shared student housing sector, consisting of both 1/2 bed properties and HMOs.
* HMOs are typically subject to specific regulations to ensure the health, safety, and welfare of the tenants. These regulations may include licensing requirements, minimum room sizes, and standards for fire safety and sanitation.
* As mentioned earlier in this note, in many local authorities where there is a significant student population, Article 4 Directives have been put in place to limit the number of new HMOs for the purposes of student occupancy.

The latest data from the Higher Education Statistical Authority (HESA) shows that in 2022-23 there were 2,356,915 students studying in the UK.

* First years mainly live in University or private sector halls (533,380)
* Second and third-year undergraduates mainly live in off-street houses (731,790)

Off-street rented housing provides an available and affordable source of housing for 30% (731,790) of students. Rents are lower and more affordable on limited student budgets, reducing the overall cost of study, averaging £130 per week compared to £190 per week in halls.

Potential Impact of the Renters’ Rights Bill

*1 and 2 Bedroom Properties*

Currently Ground 4a for possession of student properties will only apply to HMOs (properties of 3 or more), excluding 1 and 2 bedroom properties. If landlords of these smaller properties cannot bring tenancies to an end, they are likely to rent to other tenant rather than students, meaning the supply of this type of housing for students will inevitably be reduced significantly. The impact of this will be uneven across the England. To give some context 31% of non-PBSA properties listed on the national student accommodation portal [*Accommodation for Students*](https://www.accommodationforstudents.com/) are 1 and 2 bed, however the rate is much higher in some locations:

* Newcastle upon Tyne – 53.5%
* Preston – 50.38%
* Nottingham – 40.32%

Losses on this scale would dramatically reduce student housing supply in some locations, particularly those such as Preston where there isn’t a huge supply of PBSA and a non-existent planning pipeline for new developments.

*Joint Tenancies*

It is common, but not universal, student accommodation practice for off-street properties to be let on joint tenancies. At present very few student tenancies are periodic in nature. Once periodic tenancies become the norm, we can expect to see more notices to quit being served.

If a joint tenancy is periodic, any one of the joint tenants can give notice to quit and it is binding on the others – even if they are not aware of it. As the bill stands, there is a risk of unintentional homelessness if one of joint student tenants gives notice to quit, as this will leave the rest of the group (and probably their landlord), unsure of their rights and obligations. There may be an argument for that if one of a group of students gives notice to quit, the landlord must allow the remaining students to continue in occupation, with or without a replacement tenant, if they choose to do so. It may also be the case that the landlord will want possession of the property on whole, potentially leaving students to find alternative housing even if they did not wish to or plan to leave the property, disrupting academic and work scheduling.

*Student Maintenance Package*

The Bill provides for rent to be paid monthly. Many undergraduate students rely on their maintenance loan, which is paid in three instalments, to pay their rent and landlords often time their rental periods to coincide with this cycle, accepting the balance between rent in arrears and rent in advance. A move to monthly rent periods will mean students have to pay rent monthly, regardless of loan payments. Many landlords will see shorter rent payments as raising their risk of arrears and may seek to increase the use of larger deposits and guarantors.

*Guarantors*

An inadvertent impact of the legislation will likely be an increased use of guarantors as landlords seek to balance their risk levels. Often there are financial criterion that must be met to be eligible to act as a guarantor - most commonly, the landlord/provider requires evidence that the guarantor lives in the UK, earns a significant income, is a home-owner and passes a credit check.

Students from low-income backgrounds, care leavers, those estranged from their families and international students are all significantly less likely to be able to provide a rent guarantor in line with the requirements set out above. These students are at higher risk of facing housing insecurity, and places an unnecessary barrier in accessing Higher Education. Unipol itself as a housing provider does not use guarantors.

The impact on international students will be disproportionately high. Many landlords currently require international students to pay rent in advance where a guarantor cannot be provided to manage the risk of debt as it is near impossible to recover unpaid rent through the Courts against foreign nationals. If rent cannot be charged in advance, use of costly guarantor services will increase.

*Supply*

The provision of adequate off-street housing is crucial in ensuring an affordable base of student housing, as rents across the sector continue to rise, particularly in areas of accommodation shortage[[7]](#footnote-7). There is an increasing shortfall of affordable student housing available as student numbers in many towns and cities continues to expand. In most parts of the country off-street bed spaces cannot grow because of planning restrictions on HMOs and the delivery of new PBSA bed spaces (at only 8,000 beds in summer 2024) is already less than student growth: in reality the supply of student accommodation is falling as demand for it is increasing.

UCAS predicts a million applications to higher education by 2030 and any decline in supply could significantly put at risk the widening participation agenda of higher education, with many students from across all socio-economic backgrounds having their freedom to choose a study destination limited, or restricted completely, by a lack of affordable places to live.

There is also the basic macro-economic perspective that being a property owner is a commercial investment and that the greater the risk in investment, the higher the expectation of a return. Increased perception of risk, and how that might manifest itself, may be enough to see rents rise, particularly in the student sector where part of the annual renting cycle is now open to unknown levels of change.

The Student Perspective

As part of Unipol’s work on the upcoming legislative changes, the opinion of students and their representative Unions have been sought. Outlined below is the general consensus gathered on their concerns around the changes:

* Existing markets are chaotic, and subject to shortages in many University cities, with significant competition for properties and pressure to sign up early for the following academic year
* In most instances, contributors noted their students were renting for the following year starting in early October
* Costs of rents are already perceived as too high and unaffordable, with many students in part time work to support themselves
* Financial worries are having direct impacts on students academic experience
* One contributor noted that their University accommodation team had 2.5 times the number of applications in relation to the supply of available rooms, as this was seen as the only affordable option
* Housing quality is also not seen to meet the levels of rent charged currently – one contributor stated that in their city there is a shortage of housing, and therefore landlords know they can rent their properties out regardless of the condition it is in
* A number of contributors noted that their housing market crisis became much more pronounced over the last 2 years, with 1 city having 500 first years without accommodation up to 3 weeks before arrival
* Numerous instances of students having to live in neighboring Cities in previous academic years with students being subject to 1-2 hour commutes – it was noted these students reported a huge negative impact on their time at University
* Almost all contributors noted that they felt the University were over-recruiting without taking account of actual housing supply in the cities, negatively impacting the student experience
* For the current academic year, it was noted that housing supply has loosened and in some locations where there had been shortages there were now voids – but the issue of poor quality housing still persists
* Some local authorities have introduced minimum amenity/space standards to try and improve conditions, but these have had limited success

Specifically on the Renters’ Rights Bill:

* On paper, students will view the changes positively, particularly empowering them to give notice where they are in houses of very poor standard and quality – it will give students more agency over their own housing situation
* The ability to leave a tenancy due to dropping out, health issues and more will be hugely beneficial
* Some respondents said they thought it was much fairer to no longer be able to tie students into 12 month contracts when in reality they only require accommodation for the academic year
* However, there are some alarm bells:
	+ Students are already so busy, it will be difficult to fully educate them on the changes, and many will go into renting without the right preparation or knowledge under the new regime
* All contributors said they think students will definitely utilise the 2 month notice period when they finish their studies for the year/when term ends – especially as rents rise and economic circumstances continue to squeeze incomes
* Some contributors said they feel there will be more voids as a result of the bill, as students utilise the ability to service notice to quit
* Many stated they were worried landlords will leave the market or convert to professional lets/air BnB due to added complexities of renting to students, exacerbating existing shortages
	+ Additional to this, they recognised that landlords will perceive additional risk in renting to students, and this will make students a less viable tenant group to rent to
	+ Concerns on stock leaving the market, renting to other groups, and rents rising were all raised
	+ Some recognised that off-street supply reduction will put more pressure on PBSA, which then raises affordability concerns
	+ Problems with joint tenancies were also flagged, with students at risk of homelessness and housing precarity if landlords evict full groups if one student gives notice without the agreement of the other tenants
	+ Some concerns on indirect impact on local economies if students are no longer living within local communities
* One contributor stated they are working with MPs on an amendement giving students the right to ‘swap out’ – i.e. where one tenant on a joint tenancy wants to leave but the others want to remain, the amendment would allow landlords to not unreasonably refuse the tenant who wants to leave find a new student to ‘swap in’

Recommendations for Government

Alongside the upcoming legislation, Unipol makes some wider recommendations for Government to secure a sustainable future for the student housing sector:

**Central Government Ownership for Student Housing -** There is no single department with responsibility for student housing, meaning it often gets overlooked. The Department for Education should lead on this issue, with co-operation from MHCLG.

**Develop a National Student Housing Working Group –** There is a key need for dedicated consideration of student housing for its distinct role, as primarily an enabling factor for educational purposes rather than a long-term residential home. Therefore, there should be appropriate joint working in Government to understand and support this dual role and a joint working group should be established between DfE and MHCLG to develop a national strategic plan and assist in the ongoing development of a sustainable student housing sector.

This group could also explore the development of other areas, such as a National accreditation scheme for the off-street student sector, based on the same verification model as the current National Codes for PBSA to drive up standards in partnership with local authorities.

**Implement a Bespoke Student Tenancy –** The significant feature of student accommodation that separates it from other sectors of the housing market is the synchronisation of the letting cycle with the academic year – it is the ability to offer a fixed term contract that allows this supply of housing to be maintained. Whilst the assured shorthold regime presents problems for the wider sector, its introduction in the early 1990s greatly supported the growth of higher education in the UK and enabled the private sector to provide housing at the same time as central funding was removed from Universities for accommodation provision.

This note has raised a number of issues that could occur as a result of some of the legislative changes under the Renters’ Rights Bill, and opened the case for the development of a bespoke student tenancy agreement that can offer a fixed term, but offer some bespoke rights to address student concerns, such as:

* A cooling off period after booking that would enable students to cancel up to 4 months before the tenancy began, which would effectively end early renting
* A ban on requiring guarantors for students
* The ability to give notice in specified circumstances such not getting the required grades or visa to commence study, or leaving university

Students renting in the off-street market have more in common with students renting from an educational establishment than they have in common with non-student renters in the private sector. We consider that students living in the off-street sector need rights more in line with those being proposed for PBSA but with bespoke additional rights that reflect their needs.

About Unipol Student Homes

Unipol is a specialist National student housing charity, established in 1975 by the University of Leeds and Leeds Beckett University. Its mission is to make student housing better.

Since then it has expanded and now operates an approved code under the Housing Act 2004, the ANUK/Unipol National Codes for providers of purpose-built accommodation which cover over 400,000 beds. It also provides sector training, student advice, research and is also a landlord to 3,500 students.

[www.unipol.org.uk/about](http://www.unipol.org.uk/about)

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1. [*Unipol/NUS Accommodation Costs Survey 2021*](https://www.unipol.org.uk/media/ujvgzyju/accommodationcostsurvey_2021.pdf) [↑](#footnote-ref-1)
2. *An* Article 4 Directive *refers to a legal provision under the Town and Country Planning (General Permitted Development) (England) Order 2015, which allows local authorities in England to remove certain permitted development rights in specified areas. Article 4 is typically used to protect the character and amenity of certain areas, such as conservation areas or areas of high housing demand, by limiting or restricting the conversion of properties for uses like student accommodation or Houses in Multiple Occupation (HMOs).* [↑](#footnote-ref-2)
3. *A* House in Multiple Occupation *(HMO) is a property that is rented out by at least three tenants who are not from the same household and share common amenities such as a kitchen or bathroom.* [↑](#footnote-ref-3)
4. [*Unipol/HEPI 10 Cities Rent Survey 2023*](https://www.unipol.org.uk/media/vt1jgqne/ten-cities-rent-survey-2023-final-report-print.pdf) [↑](#footnote-ref-4)
5. *When something is* excepted *from legislation, it means that it is specifically* ***excluded*** *from the scope or application of that particular law or rule. In other words, the legislation does not apply to the thing that is "excepted," even though it would normally fall under the law's provisions.* [↑](#footnote-ref-5)
6. <https://www.unipol.org.uk/governance/publications-and-research/> [↑](#footnote-ref-6)
7. <https://www.hepi.ac.uk/2023/10/26/student-accommodation-costs-across-10-cities-in-the-uk/> [↑](#footnote-ref-7)