

The nature and impact of student demand on housing markets

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Executive summary

Chapter 1: Introduction

- For much of the past 50 years, successive governments have shown a strong commitment to growth in the higher education sector. However, there has been limited government attention paid to accommodating the increasing student numbers. Indeed, the State has generally regarded meeting student housing need as the responsibility of higher education institutions (HEIs) themselves.
- The inability of HEIs to accommodate growing student numbers has meant the increased reliance of this group on the private rented market. Many areas have seen the development of new and existing niche markets, catering specifically for student demand. The niche market for students is particularly robust: during periods of general decline in the sector, students fared well in competition for property and letting to students often remained buoyant. Understanding the impact of this specialist, niche market on the broader housing market is the subject of this report.

Chapter 2: HEIs and student accommodation

- Despite massively increased spending on new build and the development of existing infrastructure, few HEIs have been able to meet growing student numbers with concomitant increases in the provision of accommodation. On average, just 24 per cent of students live in HEI-owned property, although this figure varies substantially according to the type of HEI.

- The rationale for providing student accommodation often combined an appreciation of student welfare issues tempered with more pragmatic concerns, such as the ability to compete with other HEIs for students. Rent levels were also set with an eye to the rents charged by comparable institutions. However, most accommodation policy officers noted that their budget was ring-fenced: rents charged generally covered the costs of accommodation provision, and there was limited subsidy.
- For some institutions, pressure on limited provision was offset to some degree by the use of head tenancy schemes, which offered a degree of flexibility: for example, the number of properties on the scheme can be allowed to dip or be augmented according to shifts in demand. The incidence of students studying from the parental home was also marked amongst some types of institution, particularly the colleges serving local demand, and the new universities that were previously polytechnics that also had a tradition of targeting local students.

Chapter 3: The student niche market

- The reliance of students on accommodation in the private rented sector (PRS) is substantial and growing. On average, 49 per cent of students are living in privately rented accommodation. The impact of this growth is best understood at a local level. Each HEI has, on average, 2,843 students living in the PRS. This situation is exacerbated by the fact that students tend to look for accommodation

in a geographically limited area, close to their HEI.

- Other features of the student niche market include the fact that property type tends to vary: the size of student households is sufficiently elastic to adapt to any sort of property, and there are no specialist requirements. Letting arrangements are often supported by the HEI, which provides accommodation lists to students and information to landlords. Student landlords tend to be small scale, and frequently have just one property to let. Their letting arrangements are often adapted to student demand, and they tend not to let to other groups. The operation of larger-scale ‘entrepreneur’ landlords was also evident in some locations.
- In most localities, the student niche market operates to the advantage of students. However, in London, student letting practices disadvantage student groups: they are often required to provide rent guarantees from their parents and letters from their HEIs, practices that would not apply to any other tenant group.

Chapter 4: The impact of student demand on housing markets

- The impact of student demand on other tenant groups depended to a large degree on the nature of the market itself and the strength of other demand groups. For example, in student-dominated markets that may have been steady for some years, other tenant groups simply no longer seek properties in the ‘student’ areas, and rent properties elsewhere. Where markets may be pressurised, with demand for property high, students may themselves be pushed out of the market by other tenant groups that may be in a better bargaining position – for example, young single professionals who may be able, jointly, to pay higher rents than groups of sharing students.
- Generally speaking, the supply of property to meet student demand tended to be good, with much of the property supply to students coming from landlords buying up properties in the owner occupied market. In some areas there was an evident tendency for the student housing market to become oversupplied with properties which landlords were then unwilling or unable to let to other tenant groups.
- There was limited evidence that student demand for property had a marked impact on property conditions, in terms of either improving or worsening standards. Standards tended to reflect the supply of properties for rental: where oversupply was evident, students enjoyed better standards. High demand for properties in very specific locations – often a characteristic of the student niche market – could mean that landlords could offer lower quality properties but still be confident of finding tenants. However, it was generally thought that students did not experience property conditions that were substantially worse than any other tenant group.
- The concentration of student demand in a given location could mean that the character of a neighbourhood might change. In some

cases, HEIs were having to deal with local residents who were unhappy about the impact of student ‘ghettoisation’ on local amenities, which were becoming reoriented to the student market.

Some principal observations and policy implications

- The wider implications of accommodating growing student populations have tended to be overlooked. The Department of the Environment, Transport and the Regions (DETR) and the Department for Education and Employment (DfEE) need to work together to assess the possible impact of growing student numbers on particular locations. Local authorities should be encouraged to work together with HEIs to produce impact assessments.
- HEIs rarely consider accommodation issues to be a central concern. The ‘ring-fenced’ nature of accommodation budgets signals a divorce between accommodation provision and ‘core activities’. The higher education sector should be encouraged to make a clear statement concerning its housing responsibilities.
- Poor relationships between students and ‘locals’ are one consequence of HEIs’ unthinking use of the local housing market. A

housing strategy should be integral to the expansion plans of every HEI, and comprise an analysis of likely impacts on the local rental market and consultation with local community groups.

- In most areas, students are in a strong position within the local rental market, which tends to be quite robust: a ready supply of properties is almost always available to meet demand. The resilience of the student niche market perhaps carries some messages for policy makers seeking to sustain the revival of the PRS: landlords are confident about entering the student market because demand is steady and predictable; there are few requirements relating to the type of property needed; information on meeting demand is readily available from HEIs; and the market is often clearly defined geographically.
- A principal consequence of growth in letting to students has in many areas been a substantial shift of properties away from the owner occupied sector, and into the PRS. This finding runs counter to the expected conclusion that the principal impact of student demand will be enhanced competition for property amongst tenant groups within the PRS. Rather, the strength of the student niche market commonly leads to tenure competition.

1 Introduction

Full-time students now comprise a large, and still increasing, group of people. They are a section of the population that form a specific key demand group for housing, having relatively clearly defined requirements that set them apart from most other people of a similar age. Little research has been completed on the subject of student housing, beyond occasional reports on particular localities or regions such as Manchester (Page, 1998) and Northern Ireland (General Consumer Council, 1996). Valuable as these reports are, they are an insufficient basis on which to draw general conclusions on how the UK meets students' housing needs; how local housing markets respond to student demand for accommodation; and the impact of meeting demand in terms of competition for housing or accommodation standards.

This report presents findings from a programme of research that addressed these issues in detail, using both quantitative and qualitative research methods. The research is based on a UK-wide survey of accommodation officers; the examination of policy relating to the accommodation provision of 20 higher education institutions (HEIs); and detailed analysis of the private rented sector (PRS) in nine localities with varying forms of student demand for housing. This analysis also included 23 interviews with statutory officers with PRS expertise in the case study areas, and 43 interviews with landlords and letting agents operating in six of the localities. These methods are described in detail at the end of this chapter. To establish a degree of context, however, this introductory chapter will begin with a brief discussion of recent developments in higher education in the UK, explore the Government's position on student housing, and move on to

examine the emergence of a student housing 'niche market' operating within the PRS.

Developments in higher education

Over the past 40 years, and in line with the majority of industrialised countries in the post-war period, the UK has seen a consistent growth in student numbers. During the 1960s there was cross-party agreement on the need for an expansion of higher education, both as a matter of economic necessity and as a basic individual right. The 1963 Robbins Report advocated the expansion of higher education facilities to accommodate all students with ability, and who would be supported by mandatory and means-tested maintenance grants (Committee on Higher Education, 1963). Since that time, the increase in student numbers has been substantial. In the two decades following the Robbins Report, student numbers more than doubled, from 217,000 to 524,000 (Jones and Wallace, 1992); between 1982 and 1992, the number of first year students on full-time courses increased by 91 per cent (Furlong and Cartmel, 1997). During the 1990s, the rate of increase has been even more marked. As recommended in a Government White Paper of 1991, many polytechnics were granted university status and further encouragement was given to expand student numbers (DES, 1991). The National Committee of Inquiry into Higher Education (1997) – known as the Dearing Report – noted that in 1995/96 the student population was 1.6 million, and predicted that demand for higher education was likely to push that figure further upwards. A university or college education has now become commonplace. Indeed, one report of 1995

indicated that 60 per cent of 18-year-olds expected to participate in higher education at some time (Smithers and Robinson, 1995).

Government policy on student housing

Despite a consistently strong commitment amongst a succession of governments to a growth in higher education opportunities, very little attention has been paid to the housing consequences of expanded student numbers. In 1963, the Robbins Report recommended that:

on educational grounds, and on grounds of necessity, provision should be made for a number equivalent to two-thirds of the additional students who will come into the universities to live in accommodation of one kind or another provided by the University. (Robbins Report, quoted in Brothers and Hatch, 1971: 45)

Essentially, the Report regarded it as unrealistic to expect more than one third of students to live either at home or in private rented lodgings, and that HEIs would therefore need to provide an increased amount of accommodation. Even by the end of the 1960s it was becoming clear that HEIs were unable to expand places in halls of residence in line with the rise in student numbers. The reasons for this were in part due to the increased cost of building and high interest rates, but also because of the restrictions placed on grants to universities: government spending did not cover the need for expanded facilities (Hapgood, 1975; Morgan and McDowell, 1979).

Since that time there have been few government statements on the responsibility to house increasing student numbers, and problems have persisted. For example, in 1991

Roof concluded that many universities and polytechnics were ill-equipped to respond to rapid increases in student populations. First-year students were being given beds in sports halls and along corridors in halls of residence, a situation that often prevailed for the whole of the first term. Although these students were essentially homeless, local councils were slow to respond and cited the need to give priority to waiting list cases. *Roof* related the statement of a Department of Education and Science spokesperson: 'there is no Government policy on student housing. This is the responsibility of individual institutions' (Todd, 1991: 14). The government has yet to declare a policy on student housing, or express an interest in doing so, despite having a ready context in the National Committee of Inquiry into Higher Education. The subsequent Dearing Report, although comprehensive in many other respects, is silent on housing issues.

Policy developments in another arena underline the general trend to view student housing as a matter to be dealt with by HEIs. The withdrawal of housing benefit is a clear signal that student housing is not regarded as a general welfare issue. Cuts in a range of social security benefits for young people have been motivated by a desire to curtail expenditure, and housing benefit for students has been no exception (Harris, 1989). The massive expansion in student numbers resulted in an unanticipated call on housing benefit: by 1986, the benefit was being claimed by half of all students during both holiday and term times (SSAC, 1986). The Housing Benefit Review of 1984/85 concluded that students were being assisted in meeting housing costs both from the educational grants system and the social security system. The

Review recommended that, in the long term, policy should aim to remove students' eligibility for housing benefit (Harris, 1989). A series of measures effected this change gradually. First, students who were living in halls became ineligible for assistance; then, housing benefit eligibility during the long vacation was removed. In its White Paper of 1988, the Conservative Government reiterated the view that 'the Benefit system is intended to serve social not educational purposes' (DES, 1988: 6). Finally, in 1990, students' entitlement was removed altogether, although some exceptional circumstances applied.

During much of the 1990s, state support for students has been further circumscribed. A period of transition has seen a shift away from a system of means tested maintenance grants and full payment of fees to one in which individual students are expected to contribute to their own tuition fees and take out loans to cover maintenance costs. Despite the substantial impact of these changes on student incomes, the government has not altered its stance on giving this group assistance with housing costs. In 1998 the Labour Government stated, as part of its clarification of the definition of a full-time student: 'the primary source of financial support for full-time higher education students should be the student loan/grant system and not the social security system' (SSAC, 1998). The removal of student eligibility for housing benefit means that governments now lack an important indicator of housing need amongst this group.

Emergence of a niche market

The fact that the student population increase

has in general run ahead of the ability of HEIs to accommodate this group has led to a growing reliance on the private rented sector. Indeed, it has been recognised that student renting comprises what might be termed a niche market. Generally speaking, a niche market is one in which supply has become adapted to meet the needs of a specific, specialised group, and displays a reluctance to meet demand from another source. With respect to students, as will be seen in more detail in Chapter 3, the niche market has particular characteristics in terms of accommodation type, letting arrangements and type of landlord. These provisions mean that letting to a student household is materially different from letting to other types of tenant. Niche letting can become extremely specialised. A 1995 report for the University of York's Bursar's Office indicated that a small number of sub-niche markets operated within York, meeting the specific location needs of students from the University, the University College of Ripon and York St John, and the Law College. Landlords serving the latter were reluctant to let to students from the other institutions (Rugg *et al.*, 1995).

The niche market for students is particularly robust. During the 1970s and 1980s, fears were expressed about the long-term decline of the private rented market, but it was generally thought that properties were still available to students. Indeed this group fared well in competition for property. For example, a 1977 study based in Brighton reported that low-income families were being pushed out of the market by sharing students seeking similar properties, but able collectively to pay a higher rent (McDowell, 1978). A Manchester study drew similar conclusions, noting that the high

rate of return on student properties had shielded that market sector from general decline: indeed, growth was evident in the student rented sector (Carver and Martin, 1987). It is possible that a number of policy changes have underlined the desirability of renting properties to students. For example, the housing benefit regulations that have been in effect since 1996 have restricted the assistance available to young single people who might otherwise compete with students for properties (Kemp and Rugg, 1998). Although student incomes are low, their access to loans means that they are usually able to meet regular rent payments and so sidestep difficulties that landlords might anticipate and experience with the processing of housing benefit payments.

Despite the number of reports that noted a ready supply of accommodation for student tenants, few studies have assessed broader questions relating to the nature of the niche market and its impact on local housing markets. This report addresses those issues, using the methods indicated in the following section.

Researching the nature and impact of student housing markets

There are a number of ways to make an assessment of the impact of demand for student housing on local rental markets. This research is based on a combination of national and local data: the first establishing a broad context in respect to the provision of accommodation for students; and the second eliciting a more detailed understanding of the way in which local rental markets operate. Rather than reporting findings from each of the research methods in turn, this study is written

thematically with analysis drawing together material from all stages of the research programme. This final section of the Introduction describes in detail each of the research methods, which included:

- a UK-wide survey of accommodation officers
- classification of HEIs
- 34 interviews with accommodation policy officers and student welfare officers based at 20 HEIs in nine case study locations
- 23 interviews with housing benefit officers, rent officers and environmental health officers in the nine case study locations
- 43 interviews with landlords and letting agents operating in six of the localities.

Survey of accommodation officers

The postal survey of accommodation officers at all HEIs was conducted during the final term of the 1998/99 academic year. A total of 153 questionnaires were completed, representing a response rate of approximately 50 per cent. The contact list for the survey was compiled from a range of sources in an attempt to ensure complete coverage of all HEIs in the UK. The sources of information included: Universities and Colleges Admissions Service (UCAS) listings; contact details provided by the Association for Student Residential Accommodation (ASRA); the University of Wolverhampton's Internet listing of UK HEIs; the National Union of Students (NUS) directory; and the 1995 *Which University* guide. It became clear during the postal survey that some

institutions only offered further education (FE) courses, and other HEIs had merged to form single institutions. As these circumstances were only apparent from the participating institutions, the response rate is necessarily an approximate figure.

The questionnaire asked for information on the number of full-time students in the current academic year, and in the academic years 1993/94 and 1988/89. The estimated proportion of students from the local area was also elicited. Specific questions were asked on the proportion of students in different types of accommodation, including that owned and leased by the HEI; PRS housing; and other types of living arrangement, for example, living at home with parents. Information on rent levels was requested. The questionnaire also asked whether there had been changes to the current pattern of where students were living. Further details were requested on the nature of local letting to students, covering issues such as competition, types of landlord, and landlords' letting preferences. Specific questions were also asked relating to the HEI's own provision of accommodation, including increases or decreases in supply, and voids. It should be noted that this report deals only with students in full-time higher education. Some HEIs offer both FE and higher education (HE) courses; accommodation officers were asked to provide data on the HE students only.

Classification of the HEIs

The HEIs that returned questionnaires were placed in one of five categories, to assist in the task of data analysis and to understand variation within the HEI sector. The classification took into account factors such as

the how long an HEI has been established (e.g. 1960s universities tended to be campus-based); the range of courses on offer (e.g. serving a national/international demand, or essentially serving a local demand); and the institution's more general history (for example, whether the HEI is an ex-polytechnic). Table 1 gives details of the categories and the number of institutions in each category.

Nine rental markets

In order to understand the impact on housing markets of student demand for rented accommodation, it was necessary to look at the way in which the niche markets operated at a local level. It was for this reason that research was completed in a number of separate locations based on local authority boundaries. It was originally intended to include six case study areas. However, it was finally decided to expand the number of London authorities (adding Tower Hamlets and Kingston-upon-Thames) to encompass a range of experiences in the capital. The inclusion of York – originally a pilot area – was also deemed appropriate since a full range of interviews was completed for that location. The initial selection of six areas was chosen in order to represent a range of different types of rental market, including those in which pressure for accommodation was acute; areas with a long-standing tradition of housing students; areas that were experiencing a sudden increase in student population; areas of low housing demand; areas that had two or more HEIs; and areas where competition for property may come from a range of sources. The final nine areas that are discussed in the report are Belfast, Cardiff, Islington, Kingston-upon-Thames, Lincoln, Middlesbrough, St Andrews,

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Table 1 HEI classification

Classification	Description	%	N	Examples
Long-established universities	Includes the long-established 'traditional' universities and the 19th/early 20th century 'redbrick' universities	16	25	University of Cambridge, University of Liverpool
1960s development universities	Universities established during the 1960s education drive (Wilson era)	7	11	University of Keele, University of Surrey
New universities	Universities established during the early 1990s, including ex-polytechnics and amalgamations of colleges	29	44	University of North London, Robert Gordon University (Aberdeen)
Vocational colleges mainly serving a national/ international demand	Small, often vocational, colleges that primarily serve a national/ international demand and often affiliated to local universities	19	29	Stranmillis College (affiliated to Queens University, Belfast), York College of Law
Colleges mainly serving a local demand	Colleges of higher education which primarily cater for a local demand; often the college also caters for FE students	29	44	Carmarthenshire College, Leeds College of Art and Design
Total		100	153	

Tower Hamlets and York. In each area, interviews were completed with statutory agencies and with the HEIs; in the original six areas, interviews were also completed with landlords and letting agents.

HEI interviews

A total of 20 HEIs were located in the nine case study areas, and 34 officer interviews were achieved. Appendix 2 lists all the HEIs that were involved in the research. In each institution, an interview took place with an officer with substantial involvement in deciding the policy on accommodation provision. Although in each case the job description included this task, the job title varied and included a Facilities and

Estates Manager, a Corporate Affairs Manager, a Dean of Students and a Director of Residential and Business Services. Within this report, this interviewee will be referred to as 'the accommodation policy officer'. The interview covered details of the accommodation provided by the HEI; the rationale for deciding the type and level of accommodation provided; rent setting; and the way in which the local market had responded to demand for student housing.

In each HEI an interview also took place with a welfare officer – either employed by the Student Union or as part of the HEI's own staff. The welfare officer interview aimed to gather an alternative perspective on student accommodation in the locality, and aimed to

cover any difficulties that students may be having in securing accommodation. Material from these two sets of interviews was used to inform an understanding of HEIs' perspectives on student housing; to create a composite picture of HEI provision of accommodation in each area; and to give a detailed perspective on the nature of student demand in each locality.

Statutory officer interviews

Interviews were also completed with 23 officers with expert hands-on knowledge of the private rented sector in the case study areas. In almost all localities, interviews were completed with the rent officer, the environmental health officer and the housing benefit officer. In Northern Ireland the interviews included the Northern Ireland Housing Executive and the Valuation and Lands Agency. Difficulties were encountered in completing interviews with some of the statutory officers based in London, due in part to a restructuring of the rent officers' organisation, and to the contracting out of housing benefit management in two of the chosen areas.

Collating private rented market information is central to the rent officers' task of establishing reference rents for housing benefit purposes. For this reason, the rent officer was deemed an essential source for data on the local rental market. The rent officer interview elicited detail on the nature of the local rental market, including property types, local rents and the existence of any niche markets in the area. An interview also took place with the environmental health officer (EHO). Local authorities are permitted to institute a registration or notification scheme for houses in multiple occupation. As a consequence, EHOs

often have detailed knowledge of the nature of shared housing arrangements in their area. The interview collected information on the nature of the rental market, and market conditions in different subsectors. Finally, interviews were completed with the housing benefit officers since the research aimed to address the issue of competition for property, particularly towards the bottom end of the rented sector. Interviews with the housing benefit officers collected information on the nature of the claimant market in the area: whether there was high demand for rented property from single people on housing benefit; where that group tended to live; and perceptions of competition between claimants and other groups for housing.

Analysis of the statutory officer interviews has taken place at a number of levels. Interview material has been used as part of the process of arriving at a narrative account of the private rented sector in each case study area. The rental markets are described in detail in Appendix 1. In addition, a number of themes have been drawn from the material, including reflections on the nature of competition in the local rental market, landlord preferences and letting practices, and the impact of student demand on local housing markets.

Landlord interviews

In six of the case study areas – Belfast, Cardiff, Islington, Lincoln, Middlesbrough and St Andrews – interviews took place with landlords and letting agents. A total of 43 interviews were achieved, and the interviewees were selected from a variety of sources including university accommodation lists, local authority private sector lists, the *Yellow Pages* and local newspapers. The landlords and letting agents

differed in terms of the tenant groups they targeted and their portfolio size, ranging from small private landlords letting rooms in their home to larger landlords who owned 80 or more properties. The landlords and letting agents were asked about their letting history, including the reasons why they started letting property, their letting preferences, rent levels, and the types of letting arrangement they had with different tenant groups. A thematic analysis took place of the interview data; much of this is discussed in Chapter 3 which deals with the nature of student letting in the private rented sector.

It should be noted that all the interview material has been anonymised, so no institution or individual will be recognisable. Where verbatim quotations are given, the text is in italics. A full description of each rental market is given in Appendix 1, and references are made to these markets throughout the text.

Structure of the report

The report has four chapters in addition to this introductory chapter. Chapter 2 discusses HEI provision of accommodation, including the proportion of students that different types of institution are capable of housing. The chapter addresses the range of factors underpinning the rationale for the level and type of accommodation, and the rents charged. There is also an examination of alternative sources of accommodation for students outside of direct renting from landlords, including headed tenancy schemes, living in the parental home, and the parental purchase of houses for student children.

Chapter 3 characterises the student niche market, and refers to the intensive concentration

of student numbers, the flexible demand in terms of property type, HEI intervention, and the nature of student market landlordism. Reference is also made to variability in the niche market. Much of this chapter underlines some of the reasons why the student submarket is such a robust sector. Chapter 4 discusses the impact of demand from students for housing in the private rented sector. The chapter addresses competition between students and other demand groups, the issue of property quality, the supply of accommodation, and perceived problems relating to intensive student demand and its effect on the character of a given locality. Chapter 5 draws together all the material, and reflects on its policy implications with respect to HEIs, the private rented sector and the broader housing market.

Appendix 1 describes each of the case study rental markets in detail; Appendix 2 lists the HEIs included in the research.

Conclusion

The growth in student numbers has taken place for the most part without any strategic policy directed towards housing this group. The withdrawal of funding for accommodation has meant that provision has largely rested on a combination of increasingly limited HEI stock and a growing demand for properties in the private rented sector. The buoyancy of the niche market for student housing has generally meant that the issue has evaded detailed exploration. However, using a range of research methods based on examination of a number of local rental markets, it can be shown that demand for student housing can have a substantial impact on local housing markets generally.

2 HEIs and student accommodation

Introduction

This chapter addresses the provision of accommodation by HEIs. It gives an account of the variable levels of student accommodation, and discusses the rationale underlying decisions relating to the amount and type of accommodation that is provided and the rents charged. The chapter also discusses the indirect provision of accommodation through head tenancy schemes. In addition to HEI-owned or leased properties, some students are housed either in the parental home, or in homes bought for them by their parents: some consideration is also given to these groups. The chapter begins by returning to the issue of student numbers and, using data returned from the accommodation officers, illustrates the rate of growth in the HEIs included in this research and highlights the continued inability of HEIs to match that growth in terms of accommodation provision. The importance of understanding the local consequences of the broad trend of student population increase is stressed. Much of this chapter reflects findings from the survey of accommodation officers and interviews with HEI personnel.

Keeping pace

Throughout the 1980s, the greater part of the expansion in student numbers took place within polytechnics and colleges of higher education. Between 1981/82 and 1991/92 the rate of expansion in these types of HEI was double the rate of growth in the then university sector (McNay, 1994). Over the ten year period to the 1998/99 academic year, the survey of accommodation officers indicates that the

greatest growth continued to take place in the same sectors: student numbers in the new universities grew by an average of 168 per cent, and in the colleges which mainly serve a local demand the average growth was 313 per cent (Table 2). Despite these two types of HEI having by far the greatest level of growth, however, the increase in student numbers in the other types was not insubstantial. The long-established universities grew by an average of about three fifths, as did the category of vocational colleges which are affiliated to universities or which serve a primarily non-local demand. Looking at the five-year growth in student numbers it is clear that the majority of HEI expansion took place during the first half of the ten years to 1998/99. The high rate of student expansion in the new universities has dropped to an average of 12 per cent over the past five years, which is less than the average growth experienced by the long-established universities over the same period. The colleges which primarily serve a local demand also had the highest growth rate over the past five years, but once again the greater part of their expansion took place during the preceding five years.

Individual examples of growth demonstrate substantial pressure being placed on particular locations. For example in Glasgow, the University of Strathclyde, Glasgow Caledonian, Glasgow School of Art, and Glasgow University all experienced increases in student numbers. Taking these four HEIs alone, the city had 7,400 more students in 1998/99 than it had in 1993/94. Three of the four HEIs noted that the proportion of their students renting in the PRS had grown. In another case, the student population of the University of Southampton has expanded by 119 per cent since 1998/99:

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Table 2 Average percentage growth in full-time student numbers to 1998/99 by type of HEI

HEI type	5 year average increase (1993/94 to 1998/99)		10 year average increase (1988/89 to 1998/99)	
	%	N	%	N
	Long-established universities	29	17	57
1960s development universities	16	6	71	4
New universities	12	22	168	17
Vocational colleges mainly serving a national/ international demand	12	16	60	13
Colleges mainly serving a local demand	66	14	313	10
Total	26	75	138	56

Source: accommodation officer survey

approximately 6,000 students from this HEI are living in the PRS.

HEIs have made a conspicuous attempt to expand the provision of accommodation to levels commensurate with growing student numbers. During the first half of the 1990s, it has been estimated that HEIs spent £1 billion to develop existing residences or build new facilities, and within the five-year period HEIs were able to house an additional 100,000 students (Blakey, 1994: 77). The limited availability of central government funds for accommodation development has meant that many HEIs have devised alternative strategies for expanding their provision. Recent developments have been characterised by partnership working with the private sector. Investment in the student accommodation market can take a number of forms, including a private company building a new hall of residence, then leasing it back to the HEI; and private companies purchasing and redeveloping existing halls of residence, which are again leased back to the HEI or even let directly to students. The move is an attractive one for

investors, since returns are steady and many universities – particularly those of long-standing – are deemed to have a strong credit rating. Unite, a property investment company based in Bristol, redevelops otherwise unlettable properties specifically to accommodate students, and is typically able to arrange 25-year leases with HEIs. In 1999 the company was looking to expand to other cities with high student populations (Watts, 1999). Rotch, another substantial investor in the market, has developed a portfolio of 20 halls of residence (Davey, 1999).

In line with the expansion of investment activity, slightly more than half the accommodation officers (52 per cent) reported that over the past five years their institution had increased the amount of accommodation – either owned or leased – that they provided for their students. However, the student growth has generally overtaken this expansion. Groves *et al.* reported that in Birmingham in 1990/91 the University of Birmingham had been able to house 42.5 per cent of its 10,104 students; by 1998/99, this proportion had dropped to 37.3

Table 3 Average proportion of students living in HEI-owned accommodation

HEI type	Average (%)	N
Long-established universities	35	22
1960s development universities	42	10
New universities	15	37
Colleges mainly serving a national/international demand	19	22
Colleges mainly serving a local demand	13	29
Total	24	120

Source: accommodation officer survey

and the student population had risen to 16,037 (Groves *et al.*, 1999: 16). Birmingham is no exception. In general terms, and despite the push towards expanding residence facilities, the percentage of students housed in HEI-owned accommodation still falls far short of the ideal figure of two thirds proposed by the Robbins Report in 1963. Just over one third of the accommodation officers (34 per cent) said that their level of provision had not changed over the past five years; and 13 per cent had actually decreased the amount of accommodation provided. Based on returns from the accommodation officers, on average just 24 per cent of students are housed in HEI accommodation.

This average figure hides a degree of variation that reflects a range of factors, including the history of the HEI, its type and its location (see Table 3). As might be expected, colleges and institutions with a remit to serve a local catchment area house a lower proportion of their students – on average, 13 per cent – since many of their students continue to live in the parental home while they study. This is not to say that this type of institution did not feel any pressure to expand facilities. One of the colleges of further and higher education included in the case study selection did not

provide any accommodation for its HE students, although this was felt to be a desirable development. The college had just 200 HE students, which was a very small proportion of its total student population. It was felt that numbers were too limited to make residence development a financially viable option; and in any case, it was thought unlikely that the institution would find affordable land close to the main campus. The colleges that were offering courses that attracted national or international students also housed a relatively small proportion of their students. The case study selection also included an HEI in this category. The accommodation policy officer there said that the college did not provide any accommodation, largely because it was located within a conservation area and so new building was restricted.

By contrast with the smaller institutions, the 1960s campus-based universities and the traditional, long-established universities were accommodating a much higher proportion of their students. However, the subsector with the largest growth rates – the new universities – was housing just 15 per cent of its students. It was perhaps in this case that demand for housing was most acutely outstripping supply. In one of the case study HEIs that had recently

become a university, rapid growth was accompanied by a residence development programme costing in excess of £20 million. However, at the time of the policy officer interview, the HEI had only recently been able to meet its guarantee to accommodate all first year students. The HEI was looking to establish new accommodation blocks but, as with other institutions, planning constraints were proving problematic.

Student housing rationale

The interviews with HEI accommodation policy officers examined the rationale underpinning three major sets of decisions made by their institution: the level of provision offered; the type of accommodation provided; and the rents to charge. These decisions take place in a context of change. In a report published in the 1970s, Brothers and Hatch noted that the rationale underpinning the provision of residences was becoming increasingly unclear. The experience of living in halls, with its opportunities for 'stimulating interplay of mind with mind', had long been considered integral to a university education (UGCR Report, 1936, quoted in Brothers and Hatch, 1971: 42). HEIs were considered *in loco parentis*, with responsibility for the welfare of the students in their charge: women, overseas students and students under the age of 21 were often afforded special protection. However, these principles were being placed under pressure from growing student numbers and the practical need to provide accommodation, particularly given the long-term contraction of the private rental market (Brothers and Hatch, 1971). This lack of clarity has prevailed, and consensus on the role

of HEI accommodation has yet to be established. Interviews with accommodation policy officers revealed a continuing and uncertain mix of principle and pragmatism.

Analysis of the policy officer interviews showed that the protective welfare ideology was still evident. This principle was highlighted most clearly in discussion of whether the institution guarantees to accommodate all first year students. For some HEIs, the first year guarantee comprises a commitment to the welfare of the student, who is often leaving home for the first time and moving away to an unfamiliar town. One of the London HEIs commented that the guarantee was particularly important when students were moving to the capital, since the local rented market was highly competitive, and students without experience or support would soon find themselves in difficulty. Other institutions extended their priority to include disabled students and overseas students. Even institutions with very limited accommodation attempted to prioritise such groups as a protective measure. However, the limits of the 'welfare' principle were tested to some degree through the willingness to accommodate students with families. This is clearly a group in need of special assistance, since their low income often means that there are difficulties finding affordable accommodation suitable to house a family. Overall, 35 per cent of HEIs provided some family accommodation. Demand clearly exceeded supply: 47 per cent of the HEIs with family accommodation either always or often had student families on a waiting list. Only four of the 20 HEIs in the case study selection offered family housing, and just one of those placed families in a priority category. In one of these

instances, an arrangement had been made with a local housing association. Despite a welfare imperative to do so, families were too problematic a group to assist according to one HEI, since it was uncertain whether student families would be eligible for assistance with the rent if they lived in HEI accommodation.

Although some welfare concerns were expressed, decisions relating to the level of accommodation that was provided tended to be based on more pragmatic concerns. The local rental market played a role in some instances, either as a factor encouraging or discouraging the expansion of facilities. For example, two of the case study HEIs in separate case study areas considered it essential to house a high proportion of their students (52 and 60 per cent), since the local rental market was thought to be unable to house large student numbers. The HEIs were located either in or close to a relatively small settlement with a limited private rented sector. For other HEIs, the local rental market had an opposite effect: the accommodation policy officers considered that the market was sufficiently flexible to deal with a growing student population, and so there was no need for the HEI to expand its own provision.

One final factor of integral importance to the level of accommodation provided was the degree of competition that the HEIs felt with other institutions with respect to recruiting students. Blakey has highlighted this issue as being one of the key drivers for new student residence building in the 1990s (Blakey, 1994). Ten of the 20 HEI accommodation policy officers noted that offering student residences comprised an advantage when it came to recruitment. Competition appeared to be evident amongst all types of HEI, with the

exception of the more local colleges. The HEIs tended to appraise their provision in relation to other comparable institutions; thus London HEIs assessed their provision in comparison with other capital-based institutions; and some of the less well established institutions, often recruiting from clearing, measured themselves against other similar HEIs.

A second major set of decisions relates to the type of accommodation to provide. There has been a substantial shift away from a tradition of large-scale, fully-catered halls of residence. Much of this movement has reflected changing expectations amongst students, and an unwillingness to live in formal supervised settings. Most HEIs now provide smaller units, with perhaps four to six students living in a flat-type arrangement, sharing kitchens, bathrooms and utility rooms, and with cleaning services provided for the common areas. The provision of *en suite* facilities has been increasing rapidly: indeed, the NUS Accommodation Costs Survey indicated that between 1995/96 and 1996/97, the number of *en suite* bedspaces trebled (NUS, 1998). The majority of the case study HEIs were in a state of flux, and where possible were redeveloping older units or building residences conforming to the newer style. In some instances, the policy officer expressed regret that the building infrastructures were insufficiently flexible to allow for redevelopment. The pace of development is slow: based on the accommodation officers' survey, 46 per cent of HEIs still provide shared rooms, which are notoriously unpopular and difficult to let. However, in some cases the traditional-style accommodation has remained undeveloped, largely because the HEI has been in a position to continue letting without high void rates, often

because of relatively high private sector rents.

The majority of the case study HEIs had a mix of facilities that included the older and newer styles. However, the unpopularity of the former often meant that there had to be a differential in the rents charged to minimise voids. Changing student expectations in terms of facilities has been one major reason underpinning the movement away from halls provision, and the provision of 'good quality, good value' accommodation is seen as an aid to student recruitment. Other economic imperatives are also evident. Where it has been possible, some HEIs have been developing accommodation that is able to meet the twin demands of student and conference or hotel business. For example, the London School of Economics is the fourth largest hotel operator in the capital: it has more than 2,500 beds available in student buildings; the rooms include a fridge, television, telephone and voice mail (Spittles, 1997). Although the majority of the HEI policy officers were in favour of this sort of development, many expressed concerns that the rents that would be required to offset the costs of development would be too high for students to pay.

HEIs also have to make decisions about the level of rent that will be charged, and again the factors feeding into that decision comprised a mixture of concern for student welfare balanced against financial imperatives. In almost all cases, the accommodation policy officer said that the accommodation budget for their institution was ring-fenced, and the rents charged were set at a level to recover expenditure. However, it was clear that in some cases there were hidden subsidies. HEIs in such places as St Andrews, Cardiff and York derived

an income from the conference trade, and in some instances used these funds to subsidise student rents during term times. For some HEIs, the rent level was not sufficiently high to finance ongoing maintenance of the residence buildings. In one case, the decision was taken to delay refurbishment work and keep rents low. Another instance provided an opposite example: rents had just been increased, to offset the costs of a repair programme.

Again, recruitment is an issue, and the policy officers often commented that they set rents with the rents of other comparable institutions in mind. One of these officers commented that their rents had actually been pegged, partly as a recruitment strategy. It is perhaps for this reason that the rents charged tended to be similar across the country, with the exception of London. The accommodation officer survey requested the maximum, minimum and typical rents payable in their properties. Outside London, the rents charged are not widely divergent: students can expect to pay a rent between an average minimum of £41 a week and an average maximum of £60 a week. Within London, differences were more marked, with institutions charging an average minimum of £49 a week and an average maximum of £75 a week. Within the case study HEIs, the need to keep rents low because of limited student incomes was an evident, but not general, concern. A few officers indicated that they could increase rents so that they were comparable with local PRS rents, but considered that 'profiteering' was not acceptable and the move would be contrary to student welfare. In just one case, the accommodation policy officer thought that the rents were too low and should be increased to a market level.

Alternative accommodation options

HEI-provided accommodation is not the only sort of housing option available to students outside direct rental in the open market. This section addresses head leasing schemes; living in the parental home; and the parental purchase of housing for students. Again, the pattern of providing these alternative accommodation options varies according to the type of institution. On average, 6 per cent of students were living in properties that had been leased by their institution from a private sector landlord; 38 per cent of the HEIs were operating this sort of scheme. Under a head tenancy scheme the institution takes over management of a particular property, effectively becoming the head tenant. The property is then 'sublet' to a group of sharing students. The HEI guarantees a set rent to the landlord for the period of control – often one academic year. For HEIs using the scheme, the number of properties adopted is often substantial. On average, 403 students per HEI are housed in this way. If the students were sharing four to a property, for example, the scheme would be covering an average of 100 properties in each area in which it operates.

The HEIs in the case study selection considered that the head tenancy scheme had a number of advantages. In some instances the scheme augmented limited direct provision. For example, one of the London HEIs instituted a head tenancy scheme that proved to be immediately popular with landlords, and that brought over 600 units into the HEI's control in an area where competition for property had tended to be acute. This sort of scheme also introduces the possibility of controlling rents.

Leased properties in London tend to be slightly cheaper than properties rented directly from landlords – according to the accommodation officer survey, the average typical rent was £67 for leased accommodation, compared with £71 on the open market. HEIs also use the schemes to enforce property standards. The scheme is not without risk to HEIs. If a property is leased and then becomes difficult to 'sublet' to students because of its location, then the HEI has to underwrite the rent payment to the landlord. Schemes were also adopted because they tended to be popular with students: the scheme offered security in having an intermediary that could obviate any anticipated poor landlord practice – for example, withholding deposits without cause; and having a headed tenancy offered a degree of independence, since the properties were away from campus, and outside direct HEI supervision.

A proportion of students were also living in accommodation that was classified as 'other' on the accommodation officer survey and included living in the parental home, owner occupation and social housing. The case study work indicates that the greatest number of these will be living in the parental home. The proportion of students living in the 'other' category varied according to institution type. As might be expected, the highest proportion of students in this group (43 per cent) were attending local colleges. New universities also had a high proportion of students (37 per cent) in the 'other' category. Traditional universities, the 1960s universities and the national/international vocational colleges all had a relatively low proportion of students in the 'other' category: 16 per cent, 20 per cent and 20

per cent respectively. These figures reflect the fact that the catchment area of these institutions tends to be national.

It is likely that these proportions will be subject to change in the long run. Overall, seven tenths of the accommodation officers who felt able to make a judgement indicated that the proportion of local students had increased. Sixty-one per cent of those officers thought that the shift was due to the fact that restrictions in student funding had meant that it was more likely that students would study from the parental home.

One further type of accommodation that was discussed with the HEIs was the incidence of students living in housing that had been bought for them by their parents, with all or part of the mortgage costs met by subletting rooms in the property to other students. In Belfast it was thought that some parents bought a property in the city, and then kept the property for perhaps five or six years, whilst all their children went through higher education – the vast proportion of HE opportunities in Northern Ireland are based in Belfast. St Andrews was another area in which parental purchase of properties was marked: indeed, there was thought to be a market in such properties, with parents selling on to other parents. Students living in this sort of arrangement were also noted in Lincoln, Cardiff and York. Although the management difficulties arising for the student-landlord were

mentioned on occasion, for the most part this trend was felt to carry few problems.

Conclusion

This chapter has discussed the pattern of HEI-owned accommodation and other housing arrangements aside from direct rental in the PRS. Although attempts have been made to keep pace with growing numbers, the HEIs have generally not succeeded in housing a substantial proportion of their students. The new universities, where increases are most marked, are having the greatest problems in meeting escalating demand for accommodation. The rationale underpinning the provision of accommodation displays an often uneasy mix of welfare considerations and more pragmatic concerns, principally the view that provision of cheaper accommodation at a reasonable standard may constitute an aid to recruiting students in what has become a highly competitive HE market. The adoption of head tenancy schemes is evidence of HEIs seeking alternative approaches to housing their students, in circumstances that offer a greater degree of protection than direct experience of private renting. However, the growing incidence of students studying within their home locality may in the long run act as a pressure-release, particularly for the new universities.

3 The student niche market

Introduction

The limited nature of accommodation provision by many HEIs means that a substantial proportion of students – 49 per cent, according to the accommodation officer survey – are living in the private rented sector. In order to assess the effect of this demand for PRS housing, it is necessary to understand the nature of what may be regarded as a niche market. This chapter addresses the particular characteristics of the niche market in student housing, and examines the issues of intensive concentration; property types; the intervention of the HEI; and the student market landlord. Much of this discussion provides some explanation of why the student housing market is such a robust subsector of the PRS. However, it should be noted that the niche market is not static or unvariable. The chapter concludes with a discussion of difference in student niche markets, principally comparing the markets in which students experience favourable conditions, and the markets in which students are at a disadvantage. Much of the chapter is based on interviews with HEI personnel, statutory officers and landlords and letting agents. Data are also drawn from the accommodation officer survey.

Student numbers in the PRS

Reliance on the private rented sector by HEI students has grown substantially. Based on the accommodation officers' survey, 60 per cent of HEIs had increased their reliance on the private rented sector over the last five years. As might be anticipated, the proportions of students in the PRS differ by type of institution (see Table 4).

Vocational colleges with a national / international catchment area have on average the largest proportion of their students in privately rented accommodation (59 per cent). This heavy reliance is explained by the low levels of direct HEI provision generally offered by this type of institution, coupled with the fact that most of the students are not local. Despite having a large proportion of their students living in 'other' types of accommodation, the new universities have nearly half their students (48 per cent) living in the PRS, a reflection of the limited accommodation such HEIs generally provide. A similar proportion of traditional universities' students are also in the PRS (45 per cent). In this case, the high proportion is a consequence of having a national catchment area and a higher number of non-local students. The large proportion of local college HE students in the PRS (47 per cent) is probably a consequence of limited HEI-owned provision amongst that group. The lowest levels of reliance on the private rented sector were evident amongst the 1960s HEIs, which tend to be campus-based and self-contained. Just over a third of their students (36 per cent) were in the private rented sector, well below the HEI average.

Intensive concentration

Increases in student numbers and a growing reliance on the PRS are perhaps best expressed through an understanding of local consequences. One of the most marked features of student use of the private rented sector is the tendency for large numbers of students to live in concentrated pockets within particular cities and towns. According to the accommodation officer survey each HEI has an average of 2,843

The nature and impact of student demand on housing markets

Table 4 Average proportion of students living in PRS accommodation

HEI type	Average (%)	N
Long-established universities	45	20
1960s development universities	36	9
New universities	48	26
Vocational colleges mainly serving a national/international demand	59	25
Colleges mainly serving a local demand	47	28
Totals	49	108

Source: accommodation officer survey

students in the PRS. London HEIs were more likely to have a higher number of students living in private sector accommodation: an average of 4,700 per institution. The figure for all the long-established universities is higher still, with an average per HEI of 6,651.

The number of students seeking accommodation is exacerbated by the fact that there is a tendency for this group to seek properties within a circumscribed radius. Generally speaking, students tended to want to live close to their place of education in order to minimise travel costs. This was particularly the case where the HEI was long established. For example:

- In Belfast, most of the students in the PRS lived as shared households in an area of approximately one square mile close to Queens University, just to the south of the city centre. The area attracts students from Queens, Stranmillis College, St Mary's College and students from the University of Ulster at Jordanstown. Some estimates put the proportion of students living there at more than half of all households; some streets in the area are almost totally comprised of student households.

- Two of Cardiff's HEIs are located close to the city centre in the Cathays area, which is described as 'student land'. One local authority official estimated that 90 per cent of the properties in Cathays were student lets.
- In St Andrews it was observed that demand for PRS housing is focused on the three streets at the heart of the city, where the majority of students aim to live. Two of these streets – Market Street and South Street – alone have 120 of the 700 properties that students rent in the town. The students are notorious for considering property which is only ten minutes walk from the town centre as being too far away.

In other case study areas with a smaller or less well-established student population, students were also concentrated but did not dominate the area to the same extent. In some locations with a number of HEIs – for example, York – the student population became dispersed throughout the city, with the students clustering in areas around their respective place of study.

Other factors competed with the HEI's location to decide where a student population

would become concentrated. The location also had to be within easy distance of amenities such as the city centre night life as well as opportunities for part-time employment. Thus in Lincoln, some students of Bishop Grosseteste College tended to live further out of town to be close to the college, but many chose to live close to the city centre, often in the same location as students from other HEIs in the city. In the Queens area of Belfast, the nightlife was considered to be good and the proliferation of bars, take-away shops and restaurants meant that there were enhanced opportunities to pick up part-time work. Perhaps most importantly, the area was considered to be neutral in sectarian terms. In Middlesbrough, students of Cleveland College, which is located towards the edge of town, tended to live halfway between the College and the city centre. According to one Middlesbrough respondent: 'Living close to town means saving on taxis, living close to College saves them walking to College, so it evens out'.

There was often a marked unwillingness for students to live in 'non-student' areas of town, and this was most evident for many HEIs in their experience of running head tenancy schemes. Often, properties were taken on by the scheme but proved difficult to let because of their location. Indeed, such properties tended to have lower rents or better facilities in an attempt to counteract this disadvantage. Generally, therefore, headed tenancy schemes tended to contribute to the intensification of student demand in particular pockets, in seeking properties in the favoured 'student' parts of town.

The concentration of student demand to specific locations meant that, to some degree,

the market tended to perpetuate itself. There is often a clear geographic definition to the student market, which means that landlords seeking to make an investment in student housing find it easy to pinpoint the most appropriate locations in which to buy property. Where pressure for student accommodation is becoming acute, it is more likely that properties in those areas that come onto the owner occupied market will be bought by student market landlords.

Property type

Another aspect of the student housing market is the ability of student households to adapt to any type of property, with perhaps the only requirement being that the property is furnished. Only a very small proportion of students prefer or can afford to live in single-person accommodation, such as bedsits or one-bed flats. Students generally share accommodation, although the property type and typical student household size varied between and within the case study areas.

- In Cardiff, students tend to share three and four bedroomed terraced housing, although in the popular Roath areas there are larger houses that can accommodate up to nine students.
- In Belfast, properties in the Queens area tend to be of the town-house type and the resulting size of the student household is quite large, with five to seven students sharing being fairly common.
- Lincoln's students tend to be in two and three bedroomed terraced housing.

- In Tower Hamlets, the properties tended to be a mix of terraced houses, flats and 1960s maisonettes.
- St Andrews students tended to live in flats in converted houses in the town centre.

The flexibility of student households places them at an advantage when compared with some other household types that may have more exact specifications: for example, families requiring a garden for their children or wanting to be in the catchment area of good local schools; older couples who may need assistance using stairs; or couples with young children who may need properties with adequate access for a pram. By contrast with all these groups, student households can be any size, and will have limited specialised requirements.

HEI intervention

A further advantage experienced by many students is that their HEI takes an active role in supporting their move into private renting. No other group within the rented subsector receives the level of assistance afforded to students in this respect. The accommodation officer survey requested information on the services that were provided to help students secure and sustain a private rented tenancy. In only one case did the accommodation officer indicate that they provided no help whatsoever for students looking to live in the PRS. The majority of institutions provided a range of services, the most common being accommodation lists (84 per cent), lists of letting agents (61 per cent), lists of approved landlords (37 per cent), and

tenancy advice services (73 per cent). Other less frequent services included the provision of financial help for deposits or rent in advance (8 per cent), various forms of legal advice (7 per cent) and a range of different forms of information packs and handbooks on the locality and renting from a private landlord (6 per cent). Three per cent of the HEIs were part of joint accommodation schemes specifically provided for students (including UNIPOL and Liverpool Homes).

Perhaps the most effective way in which HEIs mediate the experience of private renting for students is by operating head tenancy schemes. Landlords favour such schemes, particularly in areas of low demand, because they offer a number of advantages. The scheme guarantees the rent for a given period, and offers a management service that includes letting the property, providing 'vetted' tenants, forwarding the rent and returning the property in good condition. The landlord interviews included some individuals who had been part of a head tenancy scheme for some years, and they were evidently satisfied with the scheme, particularly since they were not living in the town in which the properties were located. The scheme offered the landlord a degree of certainty that would not be so readily available when letting in the open market.

Some of the case study HEIs fostered good relations with local landlords. For example, in Lincoln the accommodation officers from the three HEIs meet regularly to discuss the market, and there is strategic 'recruitment' of landlords who are considered to have good management practices, and whose properties are in good condition.

Student market landlords

A final characteristic of the student niche market is the nature of student market landlordism. Many of the landlords who were interviewed said that they had bought property with the specific intention of letting it to students, and had begun letting in the previous five to ten years. A number of these respondents said that they had been encouraged to buy properties to let in response to growing student numbers, and after reading about the high returns student lets offered. The Buy to Let Scheme had made entry into the market easier. These landlords who had bought property specifically to let to students chose properties in the popular student areas and often approached the higher education institution for advice, for example on the preferred household size, the required standard for student properties and the average student rent. On the other hand, some landlords had 'become' student market landlords by default since they had acquired property that simply happened to be in a location that was dominated by student demand. As one letting agent commented in Cardiff: 'Landlords pigeonhole themselves really with the type of property they offer and where they are located, Heath, Cathays, Roath – they are going to be students and medics'.

For the most part, the landlords letting to students run counter to the general pattern of landlord preference. Research on the PRS as a whole indicates that just 4 per cent of all English landlords most preferred letting to students, and that 24 per cent least preferred to have students as tenants (Crook and Kemp, 1996). However, the current research found that many of the landlords with a preference for letting to

students saw substantial advantages in doing so, and had letting practices that were specifically modelled to student tenants. Even landlords who had problems with students considered that this was something that they were willing to tolerate, as one agent in Lincoln explained:

They are a pain but the landlords like the money, £300 for a house but nearly £500 from students. They are very demanding as they are used to having everything done for them, they are dirty and never look after the garden ... Landlords take them on purely for the income.

Essentially, students are in the position of being able jointly to pay a higher rent than one that would be affordable to a single household. This arrangement did not mean that the landlords charged deliberately high rents to this group. In most areas the student market landlords appeared well attuned to the rent levels that students could afford, and there was little evidence of rapid rent increases accompanying increasing student demand for accommodation. It appeared to be sufficient that the joint household income could in itself provide sufficient yield. Although the high yield was a main advantage to letting to students, other factors were also mentioned. For example some, especially small, landlords felt that they were providing a service; and a number said they had children who studied away from home and thought that students were generally treated unfairly. It was admitted that students could be hard work, but this was because they were young and inexperienced – it also made them easier to manage. Other advantages included the steady level of demand from students and the constant supply of new

tenants, many of whom would stay for two years. Many landlords also appreciated the link with the higher education institution: in most areas landlords could advertise or even let their properties through the HEI. In some instances, landlords felt that they could contact the HEI if there were any problems. Another advantage to letting to students was that there were few repossession problems as students usually left after one or two years.

It was clear that two types of student market landlord were operating in the case study areas: what might be termed the 'traditional' student market landlord, and the 'entrepreneur' landlord. The traditional student market landlord operates on a small scale, and may have been in the sector for some time. Indeed, HEI interviewees often commented that certain addresses had been used by students year after year. Accommodation officers were asked a series of questions that characterised the local landlords. The officers were asked to estimate the proportion of landlords letting to their students who had letting portfolios of a given size. This is information that the officers are in a good position to hold since, as discussed above, many of them regularly collate landlord lists for circulation to students. According to the accommodation officer survey, an average of 69 per cent of the landlords letting to their students had just one letting. This figure can be compared to a general survey of landlords, taking place in 1996, which found that 26 per cent of landlords had one property only (Crook and Kemp, 1996). Thus, even within a market characterised by small-scale operation, small-scale landlords are over-represented in the student niche market. Indeed, within London especially there were a high number of resident

landlords who let out single rooms in their own home – often because student lodgers tend not to be home often, and are away during the long vacation. According to interviews with the HEI officers, student market landlordism has also been encouraged by the Buy to Let Scheme, which offers a competitive loan rate providing that certain requirements are met.

The 'entrepreneur' landlord was much more likely to have a large number of properties, specifically let to students, and be operating in more than one location. The landlord may have a shop-front letting agent, to facilitate ease of student use; the shops would be located either within or close to the main student letting area in a given town. Many of these landlords have become established recently, in order to capitalise on growing student demand. Their operation was evident in Cardiff and Lincoln. Unfortunately, limited information was available on this type of landlord since, despite frequent attempts, interviews could not be achieved with landlords in this group.

Depending on the nature of the local rental market, both types of student market landlord operated letting practices that were tailored to meet student demand. In particular, tenancy agreements might be offered that took the long vacation into account. For example in St Andrews, tenancy agreements were for nine months only. In other areas, lets were for ten months, or students were required to pay just half the rent during the summer months. In Middlesbrough, generally low demand for properties meant that landlords were particularly favourable to students: rents were very low – as little as £20 a week – and retainer fees were often not charged over the summer months. In some instances, the preference for

students precluded letting to other groups. For example, it was unusual – although not unknown – for landlords to let to mixed households that might include students, working people and people in receipt of housing benefit. To some degree, this tendency rested on council tax implications: the tax is not payable on properties that are entirely inhabited by students.

Variation in the niche market

Although the niche market in student accommodation can be characterised by all the above factors – intensive concentration; flexibility in property type; HEI intervention; and landlords marketing exclusively to students – these elements can be subject to change if the general rental market is itself under pressure. The niche markets in the case study areas can be ranged along a continuum. It has already been seen that the market can operate to the benefit of students. At the other end of the continuum, students are placed at a disadvantage. For example, in London the characteristics of student renting tended to be dictated by the landlord or letting agent. Generally the student population was dispersed. It was more common for the students studying in Islington and Kingston-upon-Thames, where property prices and rents were very high, to live in neighbouring boroughs or further afield in cheaper accommodation. Islington students chose areas such as Stoke Newington, and students studying at Kingston University lived in areas such as Surbiton where rents were cheaper, and in Wimbledon and Tooting,

towards the centre of London but with easy access by rail. Tenancy agreements tended to be assured shortholds for 12 months. There was little evidence that landlords were charging rents that took low student incomes into account. Indeed, landlords tended to prefer letting to young professionals, and the market was developing in favour of this demand group. Students were placed at a disadvantage. In addition to high deposits and rent in advance, some landlords and letting agents required a letter from the HEI, confirming that the prospective tenant was a student; and a letter from parents guaranteeing the rent payment.

Conclusion

This chapter has discussed the character of the niche market for students, in terms of the concentration of numbers in a given location; the flexibility of student demand for property type; the intervention of HEIs; and the existence of landlords with very clear views on the advantages of letting to this client group. All these factors contribute to the robustness of the niche market, in providing what is increasingly viewed as a safe investment. Many landlords operate under the aegis of an HEI that has a stake in supporting the landlords' interests, since the continued supply of private rented accommodation is often vital, given limited HEI-owned provision. These key features of the student market in private renting will feed into discussion in the next chapter, which highlights some of the broader market impacts of student demand in the PRS.

4 The impact of student demand on local housing markets

Introduction

This chapter discusses the impact of the operation of student niche renting on housing markets in the case study areas. The chapter covers four broad areas: the issue of competition between students and other renters; the broader market implications for the supply of properties for student letting; the impact of students on property conditions; and the wider impact of student 'ghettoisation' on the local non-student community. This chapter principally draws on material on students in the rental market, collated from the statutory and HEI officer interviews; and interviews with landlords and letting agents. A full description of each rental market is in Appendix 1.

Competition

One of the key complaints relating to student demand is that it 'monopolis[es] the rental sector' (Peacocke, 1999: 41), reducing supply to other tenant groups. In particular, it is often observed that students tend to crowd out low income households that are reliant on housing benefit for assistance to pay the rent. Case study material indicated that this issue is a much more complex one than a simple account of winners and losers in the competition for property. The need for a more subtle assessment is dictated by two factors in particular: first, rental markets are not static, and develop over time; and second, a number of niche markets operate within the rental sector. This section reflects on these two factors in addressing the issue of competition between students and other groups.

There have been few studies of local markets that focus on the way that the markets have developed over time in terms of the principal tenant groups, the types of properties available, and the geographic location of both supply and demand (see Groves *et al.*, 1999 for one exception). The case study area private rental markets were at different stages of development, which meant that the issue of competition for property tended not to be reflected in a uniform way in each location. This point is perhaps best illustrated using four types of market: a steady market, that had experienced little change; a market currently subject to flux; a pressurised market, experiencing high demand from all tenant groups; and a market experiencing low demand.

For the most part, St Andrews is a good example of a *steady market* where no substantial changes have taken place, perhaps for decades. The issue of competition is to some degree irrelevant, since to a large extent the battle has been fought some time ago. In St Andrews it has long been accepted that the city-centre rented properties are the domain of student households, and that other tenant groups rent elsewhere: young professionals rent properties further out of town; and people in receipt of housing benefit tend to rent outside St Andrews altogether, in the surrounding villages. Landlords and letting agents reported that few non-students bothered applying for properties with a more central location, because the prices were not affordable by single households. The concentration of young professionals, who might have been able to form shared

households, was not sufficiently high to constitute a substantial demand group and so compete with student households; and in any case, landlords and letting agents favour students because the term times dovetail well with the golf season and holiday lets.

Perhaps the most obvious *market subject to flux* in the case study selection is Lincoln. In 1996, the University of Lincoln and Humberside moved its principal departments from Hull and Grimsby to Lincoln. The move suddenly introduced demand for student housing in a location with only limited experience of meeting student need: perhaps 500 or so students from Bishop Grosseteste College have generally required accommodation in the PRS. The new university has brought over a thousand students into the market. However, on the issue of competition for properties it was reported that there were no non-student tenant groups experiencing difficulties with the supply of properties to rent. Another market experiencing flux was the area around St Mary's College, on the Falls Road in West Belfast. Traditionally the students there had rented properties in the Queens area of the city, or had access to rooms available in one of the residence blocks in the nearby hospital. However, the hospital rooms were of poor quality and were about to be withdrawn. Furthermore, the students were becoming increasingly unwilling to travel to the College from the Queens area, since the journey could take up to an hour each morning because of the limited availability of public transport. Again, there were no reports that student demand had resulted in other tenant groups experiencing difficulties in renting in the area.

This situation contrasts with that of a *pressurised market*. Here, the principal example is

Islington, where demand for accommodation comes from all tenant types. Although an intensive concentration of student residence is evident in the north of the borough, this niche market is subject to considerable threat from the gentrification of the borough spreading upwards from the south. The market is rapidly developing to favour working professionals wanting to rent higher quality properties, and landlords are taking over properties for development to meet that market. It is anticipated that this trend will begin to impinge on the areas traditionally dominated by student lets. It was observed that housing benefit clients had already to a large degree been squeezed out of the borough, and that students were in a comparatively weak position with respect to competition from working people. Students are increasingly looking for properties in locations out of the borough. Thus although demand for student accommodation is high in the north of Islington – with students from a number of HEIs seeking properties to rent there – the student market is unlikely to develop to meet that demand, and in all probability is likely to contract as other stronger niche markets expand northwards.

Middlesbrough can be characterised as a *low demand* market. Owner occupation has tended to move towards the edge of town; landlords have bought up properties at relatively low prices in the town centre, which has led to an oversupply. To some degree, this situation has been worsened by the decreasing numbers of students coming to Middlesbrough from outside the locality. A consequence of the low demand for housing is that there is limited competition for property amongst tenant groups. Although landlords favour letting to

The nature and impact of student demand on housing markets

students, and offer markedly advantageous terms – for example, including satellite TV and low rents – any tenant is welcome. Thus, in the centre of Middlesbrough, lettings to households on housing benefit are commonplace in the same areas as student lets.

Adding further complication to the image of the private rented sector as an entity in constant development is the operation of a number of other, non-student niche markets. Students are by no means the only specialised market within the PRS: the research found differential renting practices for young professional sharers and low income households. The development of a niche market depends on a number of factors, including substantial demand, landlords' sometimes personal letting preferences, and property location and type. As landlords and letting agents enter the market they may be flexible about who they take; as time goes on, however, they are more likely to focus on the market that they find most lucrative and most suitable to the types of property they have on offer. Small landlords are perhaps less likely to be flexible than the larger ones, and tend to stay more loyal to a particular market once they understand how it operates. This was certainly the case with the student market landlords. Over time, the markets can become less flexible, the niche markets become more well-established, and competition between tenants diminishes. One York respondent noted of the city:

The biggest demand groups are young professionals or couples, students and housing benefit claimants but there are clearly defined submarkets with little or no cross-over, therefore no direct competition between the three groups.

The property types suitable for one group are not suitable for others, the areas they want to live in are different, there are geographical as well as property niches.

Certainly in many of the case study areas there was often a degree of geographic demarcation, with some non-student groups living in distinctive areas. The young professionals were generally able to pay higher rents and sought better quality properties, often in locations slightly further away from the city centre than student areas. This was the case in Cardiff and Belfast. In Islington, this market is located in Pentonville and Highbury, which tends to have decent-quality housing with rents that are too expensive for most shared student households. A further, and even more expensive luxury market is evident around Finsbury and Clerkenwell, which tends to be characterised by well-paid professional and international company lettings. Although rents were generally cheap for London, a similar tendency to shift towards the higher quality market was also evident in Tower Hamlets, particularly in the development of one and two bedroomed flats in Canary Wharf.

Households reliant on housing benefit also tended to live in specific areas. In Lincoln, the low income PRS households were more likely to be located in the east and west of the city; in Belfast, this tenant group lived to the north of the city centre. The location could depend to a large degree on property type, and the incidence of dwellings in the area that fitted particular criteria. As one letting agent in Cardiff commented: 'If it's a bedsit then it's going to be HB'. There were few areas in which housing benefit claimants and students were likely to be

living in similar areas. Middlesbrough was one exception because of accommodation oversupply. London was another case. In the north of Islington – Holloway and Tufnell Park – both tenant groups were evident, living in multi-occupancy properties. In London it was more likely that the housing benefit tenants were in a position to compete with students for property at the bottom end of the market. Landlords and letting agents based in London were uniform in their dislike of housing benefit claimants as tenants, largely because of delays in the processing of housing benefit. However, both Islington and Kingston-upon-Thames councils had introduced schemes that utilised PRS properties to house homeless families and refugees. The schemes had, to some extent, strengthened a competition from households reliant on housing benefit.

Market consequences of meeting student demand

Much of this report indicates that the student rental market is buoyant, and that in general terms there is an adequate supply of properties to rent. One of the main findings of the research was the apparent ease with which local private rented sectors in most areas had been able to respond to increased demand from students. In most areas, it was clear that student increases during the 1990s were met by landlords moving into the established student housing areas to invest in property for rental. This was certainly the case in Belfast and York. As one respondent in York commented:

Landlords are flexible and can respond to the market: if there were an article in the paper about

students finding it difficult to find places to rent, there would be an influx of new lettings as landlords responded to the shortage.

Indeed, some HEI officers were confident that they could take some residences out of use for the purposes of redevelopment because the PRS would accommodate an increase.

There are wider implications for the broader housing market. In particular, the student niche market was having a substantial impact on the owner occupied sector in some localities. There was some evidence that owner occupiers had moved out of the areas around some higher education institutions. This process was ongoing around St Mary's College in Belfast. Demand for properties meant that an increasing number of owner occupiers had sold up to landlords seeking to let to students. Property prices were rising as a consequence, and many families were able to use the equity to purchase much larger properties with gardens a little further out of town. It was felt that growth in this market was likely continue, particularly since there are plans to establish a new HEI to the west of the city, which would increase student demand substantially in that area.

In some locations, competition had sprung up between owner occupiers and landlords seeking properties for students. Often the properties were of a type and in a location that was particularly suitable for first-time buyers; these are frequently single people or childless couples who are happy with properties that have a small garden and that are located close to town. In some instances, landlord demand had pushed this type of property out of the reach of many first-time buyers. This scenario was particularly marked in York, where demand

from students from the University College of Ripon and York St John became focused on a small estate of terraced housing that has traditionally been sought after by first-time buyers. The University College developed new accommodation that abutted the estate, and had opened a side gate that encouraged students to walk through the area to reach the University College. Here, the scramble of landlord investment in properties on the estate increased house prices in the area dramatically, which effectively marginalised many first-time buyers.

A further feature of the rush to supply student properties in the prime locations in some cities is the incidence of oversupply. Indeed, 21 per cent of accommodation officers indicated that there was in fact a surplus of private rented accommodation in their locality. This trend was evident in the case study localities. For example, in Lincoln, heavy investment in property to let had resulted from the movement to the city of the University of Lincoln and Humberside. However, the University was coming to a town in which there was low housing demand and so property supply was already good. In addition, many students were able to commute to the city and continue living at home. The activity of large-scale property developers – some of whom had come from Hull – further exacerbated the situation. Oversupply was also evident in Cardiff, where again larger landlords have saturated the student market, and difficulties with letting property are becoming evident.

Property conditions

One frequent issue relating to student accommodation is the poor quality of the

properties in which some students live. The image of student squalor is markedly persistent, and a number of studies of local student housing conditions have underlined the incidence of dampness, poor electrical safety, overcrowding, and inadequate facilities (Humphreys and McCarthy, 1997; Nicholson and Wasoff, 1989). Other research reports have gone beyond the ‘snapshot’ approach of detailing housing conditions, and instead have discussed the impact of student habitation with respect to declining property standards (Groves *et al.*, 1999). Research in the case study locations addressed the issue of student housing standards, and questioned environmental health officers in each area on the issues that arose from student housing for their department. It was felt that the standard of properties in the private rented sector had improved over recent years; this was seen to be the result of a number of factors, including statutory fire and safety regulations, and to a lesser degree the standards set by the local authorities that had introduced voluntary registration schemes. However, in general terms, improvements in property standards depended very much on the market, and the impact of students differed according to property supply.

In some cases, student demand for rental property has improved standards. Increasing student numbers and subsequent oversupply of property in some areas was thought to have a beneficial effect on quality, particularly in Tower Hamlets, Lincoln and Middlesbrough. Indeed, in areas where demand for property was generally low, landlords found they had to offer not only safe and secure, well maintained and decorated accommodation but also washing machines, microwave cookers and tumble driers

in order to attract student tenants. There was some indication that students in Cardiff were also beginning to enjoy higher standards as the private rented sector around Cardiff University became flooded with properties. More generally, many respondents said that students and their parents demanded far higher standards than they had in the past. Where higher education institutions had accreditation schemes or head tenancy schemes, then the high standards demanded by local universities also had an impact on raising quality in the sector generally.

In other locations, where property was in more limited supply, there was greater evidence of students being willing to live in poorer standard accommodation in order to save money or be located in what was considered the 'right' area. For example, some properties at the centre of St Andrews were not in the best condition, but there were always student households willing to accept low quality in order to be close to the University. However, student perceptions of the market also led to the perpetuation of poor standards in some areas: despite a reasonable supply of properties, some students simply did not 'shop around' for good standards. In almost all the case study areas it was reported that students tended to think that they would have difficulty finding accommodation, even though properties might be in oversupply. One example is Cardiff, where students started to look for accommodation as early as February and placed large deposits on properties for the next academic year. According to one student welfare officer in the city:

One thing that is really annoying is that every year the letting agents are panicking students earlier every year, it used to be Easter when people

started looking for houses for the second year, now it is as early as February ... And letting agents have your bond for about 18 months.

On the whole, however, the view of most of the environmental health officers was that students housing conditions tended to reflect conditions in the market generally and were on the whole quite good. Only one quality issue that was particular to student housing was noted, which was overcrowding. This was a particular concern in Belfast and Tower Hamlets. In Belfast, one student welfare officer reported that room sharing was common practice, as students sought to reduce accommodation costs. Landlords and letting agents in the city were known still to advertise properties as having, for example 'one single and two double rooms'; the students shared rooms to make savings on rental costs. In Tower Hamlets, rooms were being subdivided, and some students had very little living space. It was known in all the case study areas for houses to be let with all rooms used as bedrooms, including the living room, and so leading to overcrowding. In York a particular problem was the use as a bedroom of the small box room that is a feature of many semi-detached properties. In environmental health terms, such a room would generally be considered too small to be an adequate living space.

Student 'ghettoisation'

One final broad issue arising from student demand for private sector housing is the consequent 'ghettoisation' of those areas. An intensive concentration of student tenants in a given locality has a substantial impact in

changing the nature of that neighbourhood. Recent research assessing a rapidly growing student population in the Selly Oak area of Birmingham demonstrated that the character of the area was changing:

Traditional local retailing has been replaced by an unusual concentration of fast food restaurants, cafeterias, and take-aways, accommodation agencies; second-hand dealers in furniture and kitchen appliances; leisure services and amusement arcades; and discount supermarkets. Other changes have affected the local pubs and clubs, most of which have been re-oriented to the student and youth market.
(Groves et al., 1999: 11)

This shifting nature of the neighbourhood had begun to alienate local residents, who recognised the threat to more family-oriented facilities and schools. Within the case study selection there was evidence of conflict with local residents where student concentration was particularly marked. For example, in Lincoln the local residents were particularly well-organised. According to one respondent, 'they keep tabs on every rented property, it is a small city unlike Cardiff or somewhere'. In Belfast, a number of residents groups had sprung up in the Queens area, and voiced their concerns to the HEIs in the city and to the Northern Ireland Housing Executive. Complaints generally centred on the accumulation of rubbish, noise, difficulties with parking, and the appearance of student properties.

However, there was some degree of mixed feeling on the whole issue of 'ghettoisation'. Little sympathy was afforded the owner occupied households who felt that they were forced out by the changing nature of the area,

since they would have made a reasonable profit because of the high demand for property for student lets. Some environmental health officers felt that the problems were overstated by the residents. Certainly, any tension did not translate through to a high level of complaints to environmental health officers, although many of them noted that there were sporadic protests about rubbish being left out on the wrong day, and difficulties with parking when the student household had more than one car. Most of the environmental health officers felt that complaints about students were no different from complaints received about other tenants living in shared accommodation. One officer commented:

... generally we couldn't say that there is a particular problem with students. HMOs have their own problems with rubbish, the collection and the facilities. We do get complaints about student properties but we are not overwhelmed by them nor do they stand out as different.

Nevertheless, some higher education institutions were attempting to address the fears expressed by local residents, and were working with the police, the local council, the local residents association and other local agencies in an attempt to improve community relations. One HEI in Lincoln was attempting to persuade landlords to buy properties in different areas of the city so that the student population was dispersed to avoid the problems associated with student areas.

Conclusion

This chapter has addressed issues relating to the impact of demand for student accommodation

in the PRS. It has often been concluded that student demand pushes out other non-student tenant groups, in particular those on low incomes. The research found that the nature of competition between tenant groups was complex: for example, in some areas student demand was so well established that non-tenant groups automatically looked elsewhere. The relative strength of other subgroups in a rental market was also a factor to take into account, since in some areas the student niche market was itself subject to pressure. The impact of student demand on the owner occupied market

was clear, since it was evident that in many areas, properties were being taken out of the owner occupied property market to meet student demand. Student impacts on property conditions were variable, depending on the nature of supply and demand in the market. Finally, the chapter has indicated that tensions have arisen in some locations with respect to the intensive occupation of students in some areas, and which can have knock-on effects for communities if the nature of local amenities and services alter to cater for students.

5 Conclusion

Introduction

This final chapter draws together some key findings from the research, and revisits the questions that underlay the research programme. The ways in which the UK is meeting students' housing needs, with respect to accommodation owned by HEIs, and alternative options such as leasing arrangements and continuing use of the parental home are outlined. The methods by which local housing markets respond to student need, often through the operation of niche markets that have particular characteristics are summarised. The broader impacts of meeting demand for student accommodation are addressed. The chapter concludes with some summary observations and policy implications of the research findings.

Student housing and government policy

Substantial growth in student numbers has taken place in the majority of HEIs around the UK. Government policy has encouraged much of this growth, and continues to press for greater proportions of young people to enter higher education. Successive governments have made no statement about the responsibility to house students. It is indicative that housing benefit eligibility has been removed from full-time students: student welfare and student housing issues have evidently been designated as part of the remit of the Department for Education and Employment. However, as much of this report has demonstrated, student housing issues travel beyond the student population and affect the broader arena of private rented housing and local housing markets generally.

Meeting students' housing needs

Although growth in the provision of accommodation has been substantial in many HEIs, in general terms this expansion has not kept pace with the rapid increase of the student population. This situation is particularly marked amongst the new universities. In arriving at decisions on the amount and type of accommodation to provide and the level of rent to set, most HEIs were guided by a consideration of student welfare, which was particularly evident in the desire to house as many first year students as possible. However, other concerns were also commonplace, the most important being that HEIs were operating in an increasingly competitive higher education market. The provision of a good standard of accommodation in a style favoured by students and at a reasonable price constituted an advantage over competitors.

Many HEIs also made use of head tenancy schemes as a way of expanding the accommodation under their control but without recourse to capital expenditure. In some instances, HEIs were able to use the head tenancy system as a way of regulating a supply of properties to their students, whilst instituting a degree of rent control and property standards. However, the housing trend that was most likely to offset growing student numbers was the increasing proportion of students studying locally, and living in the parental home.

Local rental markets and student demand

On average, 49 per cent of students live in the private rented sector. In many locations, the impact of the numbers of students seeking to

rent privately is exacerbated by a tendency for this group to focus its demand on a particular area. Intensive settlement is one of the principal characteristics of the niche market in student housing. Other features include flexibility in the type of property that students are willing to rent: only single-person properties were consistently noted as being unpopular with this group, principally because of unaffordable rent levels. Student living in the PRS is often supported by services offered by HEIs, which include the collation of accommodation lists, landlord vetting and the production of information packages on issues such as tenants' rights and property conditions. Landlords serving the market tend to have smaller than average scales of operation, are often local themselves, and can be loyal to this demand group, although there are some 'entrepreneur' landlords with more substantial portfolios who also look to let in this market exclusively. All these factors mean that the student niche market tends to be robust, and students generally experience preferential terms. There is some variation. In London for example, the existence of stronger niche markets for other tenant groups in some places marginalises student demand, and students are not offered preferential terms.

The impact of student demand on housing markets

The implications of demand for student housing in the PRS have rarely been addressed in terms of issues that might travel beyond the student population itself. The research addressed some of these broader concerns. On the issue of competition, it was found that variation in the housing market and in the nature of other niche

markets was such that no clear conclusions could be drawn on the ability of students consistently to edge out other tenant groups. However, it was certain that student demand had a substantial impact on the local owner occupied market. In many areas, properties were being taken out of the owner occupied residential sector, which had the effect of reducing supply to that group and pushing up prices. In some instances, purchasers were experiencing difficulties in finding affordable properties in locations that had traditionally been deemed suitable for first-time buyers.

It has been argued that student demand for property has the effect of pushing down property quality generally, since students – for a number of reasons – are presumed to be tolerant of poor conditions. This research found that in some areas, particularly those with a degree of property oversupply, student demand led to increased quality as landlords competed to attract student tenants. It was generally agreed that students did not experience property conditions that were substantially worse than any other tenant groups; indeed, most respondents felt that tenants reliant on housing benefit generally had the worst quality housing.

Intensive student habitation in a given location also has the capacity to change the character of a particular neighbourhood; this process is currently being experienced in West Belfast and in Lincoln; and had progressed considerably in Cardiff and the Queens area of Belfast. Although few complaints filtered through to environmental health officers, the HEIs themselves were more aware of tension between student and 'resident' populations in some areas, and had begun to institute policies in an attempt to sidestep further conflict.

Principal observations and policy implications

- Confining student housing issues to the remit of the DfEE and individual institutions has meant that the wider housing consequences of accommodating the growing student population have been overlooked. The Green Paper acknowledges that housing issues must be considered in conjunction with other, related areas: housing and education is one such area. Collaborative analysis of the impact of student housing on local communities should be undertaken by the DfEE and the DETR if further increases in student numbers are envisaged. At a local level, local authorities should work together with HEIs to produce impact assessments. This finding is consonant with the Green Paper recommendation that local authorities should adopt a stronger strategic role with respect to local housing matters, ensuring a balance between a range of housing needs (DETR, 2000).
- Despite the competitive rationale underpinning the decisions on the provision of accommodation, many HEIs are in a poor position to respond to increasing demand for housing. Often, housing issues only come to the forefront of HEI strategy with respect to the recruitment of new students, when accommodation officers are pressured to accommodate as many first year students as possible. In general terms within HEIs the 'ring-fenced' nature of accommodation funding signals a divorce between an HEI's commitment to growth and its responsibility to house the student increase. The higher education sector as a whole should be encouraged to make a clear statement concerning its housing responsibilities.
- At the same time as being generally confident about the ability of the PRS to house additional students, HEIs tend to be unaware – even unconcerned – about the impacts on local housing markets of a growth in student demand. Often, HEIs only become aware of problems when local residents' groups begin to protest about student demand changing the nature of particular neighbourhoods. Poor relationships between students and 'locals' are one consequence of HEIs' unthinking use of the local housing market. A housing strategy should be integral to the expansion plans of every HEI, and comprise an analysis of likely impacts on the local rental market and consultation with local community groups.
- Poor property conditions have long been associated with student letting, and many HEIs instituted policies to educate landlords on the standards required by law. However, both HEIs and landlords have a tendency to 'panic' students into securing rented properties earlier and earlier in the academic year, which gives an implicit message to students that they do not have the time to shop around for good quality lets. In areas where property supply is good, it needs to be made clear to students that they have sufficient strength in the marketplace to negotiate good deals for themselves.
- The student niche market is particularly robust and in some locations has been operating successfully for decades. In almost all case study areas there was a ready supply

of properties to meet increased demand. Landlords' confidence in investing in the student rental market may be explained by the fact that the market is often clearly defined geographically; demand for properties is steady and predictable; and information is readily available from the HEI, which may support the letting through a headed tenancy scheme and in other less formal ways. Some lessons from the sector – particularly the information support structures available to small landlords – could be applied to the task of boosting the revival of the PRS.

- However, the niche market can be inflexible. The intensive concentration of student households in a particular locale often perpetuates itself: as owner occupiers move out, investment landlords move in. As a consequence, and in many circumstances, student housing markets have a tendency to over-supply which leads to voids that are inaccessible to other tenant groups.

Mechanisms should be put in place to alert landlords who may otherwise enter markets that are becoming over-saturated, and encouragement should be given to existing landlords in those areas to let to other tenant groups. The Buy to Let Scheme may be one route through which landlords are given relevant market information.

- A principal consequence of the growth of the student niche market is that in many areas there has been a substantial shift of properties from the owner occupied residential sector to the PRS. Intensive demand for properties for investment in a given location has had knock-on effects with respect to house prices and the supply of accommodation for purchase. This finding runs counter to expected conclusions on the principal housing impact being competition for property between different tenant groups within the PRS. Rather, the strength of the student niche market commonly leads to a tenure competition.

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Appendix 1: The case study area rental markets

Belfast

The pattern of students attending university in Northern Ireland bears a similarity to that in Scotland: 50 to 60 per cent of Belfast's students were estimated to originate from the city, and the majority of the remainder were from the rest of the Province. Most students in Belfast's PRS live as shared households in an area of approximately one square mile close to Queens University, just to the south of the city centre. Many properties in the area are of the town-house type, the resulting size of a student household typically being quite large, with five to seven students sharing being fairly common. There is a heavy concentration of student occupation in this area, with some estimates putting the proportion of students living there at more than half of all households, and others putting it much higher. Some streets in the area are almost totally comprised of student households. Services and amenities for students have developed in the Queens area, which also offer students part-time work opportunities. Many students of Stranmillis and St Mary's Colleges also live in the Queens area, as do a considerable number of the University of Ulster's students who commute to Jordanstown.

There is little direct competition for students in the Queens area due to the student market being well established, with the other key demand groups (young professionals and housing benefit (HB) tenants) mostly living in other areas. As a general rule, young professionals tended to occupy better quality, higher rent accommodation than students; and HB tenants tended to live in poorer quality, lower rent accommodation than students. There

was, however, a newly developing student area around St Mary's College to the west of the city, which was partly due to the cheaper rents and also because of being more convenient for the College's students. Here the market was responding well to the student demand, with landlords beginning to buy up properties in the area. The result was that the current owner occupiers were making large gains, making it possible for them to move further out of the city into bigger properties, but that potential owners were being priced out of the market by the landlords. It was predicted that this situation would continue for the foreseeable future, and particularly if the proposed additional nearby site for the University of Ulster materialises.

The marked increase in Belfast's students throughout the 1990s has led to landlords, who are mostly small-scale locals, buying up properties in the Queens area specifically to target the student market. Despite stagnant rent levels in the area over the past few years – the landlords appear very attuned to how much students can afford to pay – there was little evidence of landlords operating reluctantly due to the appreciation in capital values. PRS rents typically range between £30 and £38 per student in a shared house. The slow expansion of the student area has led to owner occupiers feeling marginalised, with several residents' groups being formed to voice their concerns to the HEIs and the Northern Ireland Housing Executive (NIHE). A further impact has been a reduced ability of owner occupiers, and first-time buyers in particular, to afford to purchase in the area due to the demand from landlords bidding up prices. Indications were appearing that the

Queens area was becoming saturated with student market landlords, with a small number of voids occurring for the first time.

Cardiff

The main area of student occupation in Cardiff is very close to the city centre, primarily in Cathays but also slightly further to the north in Heath. Two of the main HEIs in Cardiff are located in these areas, and there tends to be some clustering of students in the PRS around their respective institutions. The greatest concentration of student occupation is in the Cathays area, where the University of Wales, Cardiff is located, and is dominated by three to four bedroomed terraced houses, some estimates putting the level of student occupation in the area at around 90 per cent of all households. Student rents typically range between £38 and £45 per week per student in a shared house. Medical students tend to live in Heath and the northern parts of Cathays, which are closer to the University of Wales College of Medicine and the Hospital, and which as a result produces a level of competition for the PRS from working people, particularly hospital staff. There is also a degree of student occupation slightly further to the east in the Roath area, where properties are larger, and which on occasion house up to nine sharing students.

The student areas are well established. Housing benefit tenants and families tend to live in the southern areas of the city, where the quality of PRS accommodation is lower; as such they do not represent a direct source of competition, generally being unable to afford the rents in the student-dominated areas. There

is some competition from working people in the Cathays and Heath areas, but many of the employed PRS tenants tend to live slightly further afield and to the west of the city centre, where properties are of a higher quality and rents are higher. There is also a tendency for landlords operating in the student areas to cater specifically for students, who are regarded as good payers and hence are considered to represent a lucrative market. As a result, existing landlords continue to invest and new landlords are entering the student market. Vacancies in the student areas still exist at the start of the academic year – although students often do not perceive this to be the case – which means that landlords are frequently in competition with one another to secure student tenants.

Islington

There are four key demand groups for the PRS in Islington. Broadly speaking there are two groups of working people: very well-paid professionals (many of whom work in the City); and other working people, including younger professionals at the start of their careers, and whose incomes are often not insubstantial. Students and HB tenants form the other two demand groups for the PRS. Consequently Islington's private rented market has a high degree of diversity. There are some extremely exclusive and expensive areas to the south (e.g. Finsbury and Clerkenwell), containing high quality rented accommodation, some of which is occupied by young professionals living as shared households. Almost without exception, the PRS in this part of the borough is too expensive for anyone other than the well-paid

professionals market. There is also a small degree of international demand operating in this area, usually taking the form of company lets. Other working people are more likely to live slightly further north, often in the area between Pentonville and Highbury, which is broadly characterised by decent quality PRS accommodation with rents that are generally too high for students. The students who live in Islington are principally to be found in Holloway and Tufnell Park towards the north (around the University of North London), which are traditional student areas where multi-occupancy is common. Housing benefit tenants are also most likely to live in these areas of Islington.

Students of the two main HEIs in Islington often do not live within the borough, but in some of the cheaper neighbouring areas to the east and north east (Stoke Newington, South Tottenham, Finsbury Park). Students of London HEIs often tend to look to zone 2 areas, which tend to be a bit cheaper and do not involve too much travelling – students get a 25 per cent discount on public transport, and zone 2 areas are sufficiently convenient to allow the option of cycling as an alternative.

Islington has become a very fashionable place to live over the past decade. It is also close to the City and the West End and has good public transport links. The result is that demand from young professionals has increased and continues to do so, and rent levels have risen substantially. A great many landlords operating in the borough will in principal let to anyone who can afford the rent so long as they are not on housing benefit. It appears that this practice is largely because of the long delays in HB processing, with six months not being

uncommon in the borough. Many landlords are in fact targeting the growing professionals market by renovating and making improvements to their properties. There are also new developments which are aimed at the upper end of the market, such as conversions of warehouses into luxury self-contained flats. The overall impact is that property standards are improving and rents are continuing to increase, with tenants at the lower end of the market – particularly HB tenants, and to a lesser extent students – being squeezed out of the borough. The northern part of Islington is still largely dominated by students, but competition is high due to students from many HEIs, and not just those within Islington, looking to live there. In particular, there is a bottleneck during September when large numbers of students are seeking accommodation for the new academic year, with vacancies being filled on the same day they are advertised. The rents paid by students can vary considerably, depending on the area of London in which they live, but £125 per week per student in shared accommodation is a fairly typical amount. There are also additional demand pressures on the PRS at the current time due to the borough council increasingly using the sector to help deal with its homelessness problem, and housing asylum seekers and refugees.

Kingston-upon-Thames

Kingston-upon-Thames is considered to be a highly desirable place in which to live. Competition for property is remarkably high from all sectors: students, professionals and families. Since the housing market has recovered from the property recession, there has

been some movement of properties back into owner occupation, but there may be some 'compensatory' movement of investment in the sector (buying properties to rent), reflecting low interest rates. The PRS in Kingston-upon-Thames is less than 10 per cent of the housing stock. There are a handful of landlords with a mixed portfolio, but these tend not to let to students. Student market landlordism is more informal and tends not to show a particular loyalty to meeting student demand: generally properties are let to whichever households are prepared to pay the high rents that can be charged.

The London borough of Kingston-upon-Thames has just one higher education institution: the University of Kingston. The University's main buildings are located in the centre of Kingston-upon-Thames which is itself located in the north of the borough. The University has buildings outside the borough boundary in Roehampton, at Queen Mary's University Hospital. With respect to students, the significant area of movement appears to be New Malden, in the west of the borough, where a number of properties are being bought in order to rent them out to students. Some landlords specialise in student housing as a way to sidestep the houses in multiple occupation (HMO) regulations. Generally, students tend to live in the cheaper locations south of the borough, in Surbiton or towards the north and west beyond the borough boundary and along the rail route to Kingston-upon-Thames.

The group suffering the most serious consequences of competition in the housing market was people on housing benefit. It was felt that this group was being squeezed out completely, although the local authority does

offer good packages to landlords willing to take the priority homeless. In addition, it was thought that first-time buyers also had difficulty in the borough, and were seeking properties in the cheaper areas of Tolworth and Chessington.

Lincoln

The University of Lincolnshire and Humberside (ULH) opened its Lincoln campus in 1996, and has been transferring courses from Hull and Grimsby to Lincoln ever since. However, the potential which existed for an excessive level of student demand for housing in the city did not materialise, partly due to the amount of student accommodation provided by ULH, partly because of a relatively low level of demand for housing within the city, and partly because some students are able to commute from Grimsby and other surrounding areas.

The PRS tends to be concentrated fairly centrally within Lincoln, mainly in two and three bedroomed terraced housing, much of which is multi-occupied. Many students who live in the PRS tend to cluster around their respective institutions, and therefore there is only nominal direct competition amongst them for the same accommodation. However, students also live throughout the city, mainly because one of the HEIs encourages the landlords on its books to spread their lettings geographically as a way of minimising potential problems that might occur with high concentrations of students in a particular area. Rents are typically in the range £34 to £40 per week per student, living in a shared house. Overall, the quality of PRS accommodation and standards of management for students is of a good standard, the reason being that the HEIs

generally have good relationships with local landlords and carry out property checks on lettings on their accommodation registers. The accommodation officers from the three HEIs regularly meet to share information about landlords and the local rental market. Some of the HEIs specifically aim to recruit small-scale individual landlords, who are seen as taking more care of their tenants and properties. Problems between students and landlords were only considered to occur when students rented from landlords who were not on the HEI accommodation lists.

There is also little competition between students and HB tenants due to PRS accommodation being relatively plentiful within the city. HB tenants tend to live towards the east and west sides of Lincoln, which also tend to be the areas with the lowest standards of accommodation. There has been some publicity in the local press about students having an adverse impact on the city, and well organised residents' associations have been established to represent their concerns, which are mainly about the appearance of student lettings, noise and rubbish.

Middlesbrough

The PRS in Middlesbrough is characterised by a low level of demand. Much of the sector is close to the centre of the town and around the University of Teesside. There is generally regarded to be an ample supply of PRS accommodation, so there are no problems due to competition within the sector. Many landlords specifically seek to let to the student market, although many are willing to let to HB tenants rather than see their property stand empty.

There is a growing trend for owner occupiers to move to new properties on green field estates on the edge of the town. As a result, an increasing number of properties within the town are moving into the PRS as landlords buy them up at relatively low prices. This movement between the tenures has caused some difficulties where the landlords have filled their voids with tenants who have been refused social housing tenancies because of antisocial behaviour.

The over-supply of PRS lettings, which has been exacerbated by a drop in the number of students coming from outside the locality, means that landlords are competing amongst themselves to find tenants. As a result, some lettings are advertised as including things such as satellite TV and a TV licence as part of the agreement. The surplus of accommodation also means that rent levels are low. Students can pay as little as £20 per week, although some have been known to pay as much as £30 per week. In addition, landlords are willing to forgo any retainer fee over the summer vacations, they rarely prosecute students for non-payment of the rent, and they do not usually require joint tenants to pay the rental shortfall if someone leaves.

St Andrews

St Andrews thrives on its historic and environmental qualities. As a result there is limited room for expansion in any of the housing markets, and any growth that does take place is confined to the outskirts of the city. Consequently there is a high level of demand relative to supply on both the owner occupied and private rented sectors, which comes from students, holiday-makers, golf enthusiasts,

people seeking to retire to the area, and parents looking to buy somewhere for their student children.

Contrary to the pattern of many Scottish students, only a minority of St Andrews' students are from nearby. As a result, those who do not live in the University's own accommodation (about a half of the total) live in private rented accommodation within the city. Students dominate the PRS in St Andrews, to such an extent that little is known about the non-student market other than the fact that it is focused away from the city centre. The demand from students is centred on three streets in the heart of the city, where the majority aim and tend to live. However, the growing demand due to rises in student numbers means that they are increasingly having to look to rent in other areas of the city.

A typical rent for a student living in a shared house is £50 per week. Although this is a higher level of rent than in the other non-London case study areas, the density of student occupation was thought to keep prices lower than might otherwise be the case. A long tradition exists in St Andrews for students to have tenancies which last for nine months, thus allowing private landlords to let to holiday-makers over the summer months. The combined demand from students and holiday-makers leaves little room for other groups to access the market, including working people, who were priced out of the sector. A further consequence of the student demand via landlords buying up properties to let – coupled with demand from holiday-makers, people with second homes and those looking to retire to the area – was that first-time buyers had effectively been priced out of the owner occupied market.

Tower Hamlets

Tower Hamlets has one higher education institution, the Queen Mary and Westfield College, with just under 7,000 full-time students. Students live in the PRS within walking distance of the university, in Mile End, Whitechapel, Bow and Stepney Green. Properties in these areas, which include some ex-council housing, are mainly terraced houses, flats and 1960s maisonettes. There was little evidence of complaints about students, and there was the view that the student occupation had an impact of improving property standards in those areas. There were some poor quality student properties and some evidence of overcrowding but overall the standard of accommodation was thought to be improving. Landlords are keen to let to students because of the high returns which can be achieved on shared housing, with rents ranging between £60 and £85 per week for a room in a shared house. Although rent levels were high compared with other areas of the country, they were viewed as being relatively cheap by London standards.

The East End is becoming more popular and expensive and much of the private rented stock is one and two bedroomed flats in new developments, such as found in Canary Wharf. Professionals dominate the private rented market in Tower Hamlets, with the result that there is a shortage of affordable property for lower income groups and housing benefit claimants in particular. Local landlords were mainly small-scale operators, although there were a few landlords with large portfolios in the area. There was a tendency for landlords to cater for specific niche markets, such as either students or the young professionals market, but

most were reluctant to let to people in receipt of housing benefit.

York

Students are the dominant force in the PRS in several areas of York. They tend to cluster in areas nearby their respective HEIs, although some will live in other areas provided that they are close to the city centre. In such cases there were examples of students from different institutions sharing together, accessibility to the amenities of the city centre being more important than proximity to their HEI. The student subsector of the PRS is well-established and stable, with a great many landlords only being willing to let in this part of the market. The HEIs have good working relationships with the landlords on their books, and many properties had been routinely let to students from specific HEIs for many years. There was no shortage of landlords willing to let to students, with the result that there was little competition between students of different HEIs.

There is some demand from young professionals, but this is relatively insignificant compared with the student market and leads to little direct competition between the two groups. Young professionals are also much more likely to seek to live near to the city centre, which is away from the main areas of student demand. It is apparent that HB tenants experience some difficulty in securing PRS accommodation, and this is in spite of the relatively good supply of property in the sector

and the fact that voids were not uncommon amongst student market landlords. The reasons for landlords disavouring HB tenants were linked to problems with rent arrears, delays in HB payments, HB short-falls, and that HB tenants did not look after their property.

Although the student market represents the larger part of the PRS in York, and perhaps because of this fact, there was some evidence of niche activity going on within it. Earlier research on students in the PRS in York indicated that some landlords were only prepared to let to the Law College's students for example. It was apparent that this preference was because the landlords felt that they could charge these students a slightly higher rent. However, because the Law College is on the outskirts of the city, there is also little demand in the area from other students (Rugg *et al.*, 1995).

On the whole, rents in the student market have been fairly stable for several years, at around £40 per week for a room in a shared house. Rates of return, however, were thought to be good, as the total amount of rent achieved would be lower from most other types of tenant. In addition, students were generally seen as reliable tenants and good at paying the rent on time. There was some evidence that students were becoming aware of the strength of their bargaining position within the market, with there being a move away from a 52-week letting agreement as the norm, to ten or sometimes nine monthly lettings to fit in around the summer vacation.

Appendix 2: List of HEIs included in the research

Belfast

The Queens University of Belfast
Stranmillis College
St Mary's College

Cardiff

University of Wales College of Medicine
University of Wales, Cardiff
University of Wales Institute
Welsh College of Music and Drama

Islington

University of North London
City University

Kingston-upon-Thames

Kingston University

Lincoln

University of De Montfort
University of Lincoln and Humberside
Bishop Grosseteste College

Middlesbrough

University of Teesside
Cleveland College of Art and Design

St Andrews

University of St Andrews

Tower Hamlets

Queen Mary and Westfield College

York

University of York
University College of Ripon and York St John
York College

