

Students and the private rented market

Researchers from the University of York have completed a study of the impact on local housing markets of student demand for private rented housing. In looking at the housing demand from full-time students, the research was able to examine the implications for other groups seeking to live in private rented accommodation. The research assessed the ways in which landlords have been responding to student demand, examined the incidence of competition with other types of tenant, and considered the issue of property conditions for students.

- f** **The expansion of the higher education sector has taken place with minimal attention given to housing the growing student population. Accommodation provision by the higher education institutions (HEIs) has not grown commensurately with student numbers.**
- f** **One consequence is an increasing reliance on privately rented property. Increased demand has resulted in the establishment of 'niche' student markets. In most of the locations in this study, students were living in particular types of property, in geographically specific neighbourhoods, and renting from landlords who would be unwilling to let to other groups.**
- f** **Unlike other parts of the sector, the student rental market appears to be robust. Landlords are confident of their ability to profit from letting to this demand group, and supply has generally kept pace with demand.**
- f** **Intensive demand for investment properties from student market landlords in some locations has had knock-on effects for owner-occupiers. Households wishing to purchase, and first-time buyers in particular, could find themselves priced out of the market.**
- f** **There is some evidence that student markets can be subject to oversupply, leading to empty properties that are not readily available to other renting groups, either because of landlords' letting preferences or because other groups simply do not seek accommodation in the 'student areas'. Competition between landlords for student households could push up standards of amenity.**
- f** **Unless the local housing market was pressurised because of a generally high demand, other groups such as young professionals and low-income households tended not to be in competition for the same properties as students.**

Introduction

By 1997, the year of the Dearing Report (National Committee of Inquiry into Higher Education), the student population had reached 1.6 million following four decades of expansion in the higher education sector. Over that time, however, the housing needs of students have never been the subject of any form of national policy or strategy. The HEIs have responded to increased student numbers in an *ad hoc* way depending on their individual budgetary circumstances, student welfare priorities, the opportunity for physical expansion within their area, and the extent to which they are in competition with other HEIs to recruit students. In many HEIs, accommodation provision has not grown in line with their expansion in student numbers.

Tenure

A postal survey of all HEI accommodation officers in the UK found that the number of full-time students increased by an average of 138 per cent between the 1988/89 and 1998/99 academic years. Despite reporting that there was an increasing tendency for students to study in their home area, 60 per cent of the officers said that students' reliance on the private rented sector had increased. The most common reason given for this trend was that it was simply the result of an increase in their overall student population, implying that their own provision had not kept pace with the growth in student numbers. The second most common reason given was that their institution was unable to provide sufficient accommodation directly.

Almost one-half of all full-time students were living in private rented accommodation during the 1998/99 academic year (Table 1). A further quarter were living in accommodation provided by their HEI, and the majority of the remainder were living in the parental home. The extent to which students relied on the private rented market varied depending on the type of their educational establishment. Students of the universities established during the 1960s were the least likely to be renting from a private landlord, principally because this type of university tends to be campus based with high levels of student accommodation.

Interviews with university housing policy officers indicated that the amount of HEI accommodation that was provided was contingent upon three main considerations: student welfare, the nature of the local private rented market, and student recruitment. The concern for student welfare usually found expression in the principle of guaranteeing to accommodate all first-year students from outwith the locality, and overseas students in particular. However, often this practice did not extend to students with families; they were considered a problematic group to house due to their accommodation requirements and their possible reliance on state benefits.

In some instances, HEIs viewed it as essential that they house a high proportion of their students since the local market was considered unable to cater for an expanded number of students. In other instances, the opposite was the case. Here the local rental market was thought to be sufficiently flexible

Table 1: Proportion of students living in private rented accommodation

<i>Type of educational establishment</i>	<i>Private rented housing (%)</i>
1. Long-established (traditional and 'red brick')	45
2. 60s development universities	36
3. New universities (ex-polytechnics)	48
4. Colleges mainly serving a national/international demand	59
5. Colleges mainly serving a local demand	47
Total	49

Source: HEI accommodation officer survey, 1998/99 academic year

to respond to an increased demand from students, and so the HEI did not feel the need to expand its own level of provision. The availability of HEI accommodation was often an important element in the recruitment of students, especially where there was perceived to be competition with other similar institutions. In London, for example, some HEIs assessed their provision in comparison with other similar institutions within the capital. In other cases, some of the less-established institutions, often recruiting from clearing, measured themselves against other similar establishments.

Characteristics of the student private rented market

Not surprisingly, one of the consequences of the high demand from students for private rented accommodation is that there is a tendency for students to 'cluster' in specific areas. This is usually because students wish to live near to their institution to minimise travel costs. Areas that are also close to the city centre are particularly popular with students for the nightlife and part-time work opportunities. The result of the localised demand is that specific areas come to be dominated by student lettings. For example, in Cardiff the area surrounding two of the city's HEIs and close to the city centre is known locally as 'student land'. Some interviewees estimated that nine out of ten of the properties in this area of Cardiff were student lettings. A similar pattern was also evident in other areas of the UK.

A key characteristic of the student market is 'niche letting'. Landlords specifically move into student areas to target this segment of the market, and in many instances will consult with the HEI on students' requirements in terms of the locality, size and type of accommodation, and rent level which can be charged. One of the main reasons why landlords target this market is that they see students as reliable tenants, and in particular as being good at paying the rent on time. In addition, landlords can often achieve higher returns from letting a shared house to several students than can be obtained from letting to other types of household. Landlords also tend to value the fact that they believe they have a clear point of contact, in the HEI accommodation

office, should there be a problem with the tenancy. For all these reasons, as well as the clear geographical area of demand, the student market is a particularly robust niche within the private rented market.

Property conditions in student accommodation often varied depending on the nature of the local market. In low demand areas, landlords were offering not only safe and well-maintained accommodation, but in many cases were also providing amenities such as microwave cookers and satellite TV to attract students. Where HEIs operated accreditation schemes or head tenancy schemes, this also had a beneficial impact on improving standards of accommodation.

In high demand areas, there was evidence of students being willing to live in poorer quality accommodation in order to save money or to be located in what was considered to be the right area. In some instances, it was also clear that poor conditions were caused or exacerbated by the students themselves, by them not disposing of rubbish properly for example, or by not cleaning or ventilating cooking areas adequately.

The impact of student demand on local housing markets

The impact of student demand on other tenant groups depends to a large degree on the nature of the market itself and the bargaining power of other groups. In student-dominated markets that have been steady for some years, St. Andrews for example, other tenant groups simply no longer seek properties in the student areas. In markets where demand for property is high, such as in Islington, students may themselves be pushed out of the market by other tenants groups in a stronger position - for example, young single professionals who are jointly able to pay a higher rent.

As a general rule, the supply of property to meet student demand in most of the case-study areas was sufficient, with much of it coming from landlords buying on the owner-occupied market. In some areas there was a tendency for the student housing market to become oversupplied with properties which landlords were then unwilling or unable to let to other tenant groups.

The concentration of student demand in some areas meant that the character of a neighbourhood

was undergoing change due to a 'difference in lifestyles'. 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. On occasion, locals felt marginalised to the extent that they had formed residents' groups to represent their concerns to the HEI and the local authority.

A further impact of the geographically focused nature of student demand is that owner-occupiers, and first-time buyers in particular, were being priced out of the market in some areas as landlords bought up properties to let to students.

The research found that student housing markets were as a rule very robust and demand-led. Several HEIs were in fact relying on these attributes of the market to accommodate increased student numbers. However, the implications of an expanded student market on other households – including other tenant groups and first-time buyers – indicates that HEIs should liaise with local authorities at a strategic level in decisions to increase student numbers without concomitant increases in HEI accommodation.

About the study

The research was conducted in the Centre for Housing Policy at the University of York during the 1998/99 academic year. It involved several stages:

- A UK-wide postal survey of HEI accommodation officers;
- 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 case study localities.

How to get further information

The full report, **The nature and impact of student demand on housing markets** by Julie Rugg, David Rhodes and Anwen Jones, is published for the Foundation by YPS (ISBN 1 84263 002 4, price £12.95).