

**Manchester City Council
Report for Resolution**

Report to: Neighbourhoods Scrutiny Committee - 5 February 2013
Subject: Student Housing Market
Report of: Deputy Chief Executive (Neighbourhoods)

Purpose of this report:

The student housing market has been undergoing significant changes over recent years with a gradual shift from more traditional student areas of south Manchester to the City centre and fringe and a growing amount of private purpose built accommodation. These changes have been accompanied by alterations in student funding arrangements and changes to the Student Visa process. A review of the student housing market has been commissioned by the Student Strategy Board and this report outlines some of the early conclusions from this review and the implications for Manchester.

Summary

This report reviews the operation of the student housing market in Manchester in the context of changes in demand and wider housing market changes. It considers in particular:

- The impact of the growth of the purpose-built student housing market
- The impact of the Council's strategy to limit the expansion of the student market into areas of family housing
- How the Council should respond to these trends

Recommendations

Members are asked to note and comment on the content of the report and the measures that are currently being taken and are proposed to manage and monitor the impact of student accommodation across the city.

Wards Affected: Predominantly Ardwick, City Centre, Fallowfield, Hulme, Longsight, Moss Side, Old Moat, Rusholme, Withington.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Report to Executive 21st October 2009 approving the Student Strategy Implementation Plan
Report to Executive 10th March 2010 approving the Change to Planning Use Classes Order
Article 4 Direction dated 7th October 2010 (enacted 8th October 2011)
South Manchester Strategic Regeneration Framework (SRF)
Manchester City Council's response to CLG Consultation "Houses in Multiple Occupation and Possible Planning Responses"
Minutes of Communities and Neighbourhoods Overview and Scrutiny Committee meeting on 22 June 2010
Minutes of Communities and Neighbourhoods Overview and Scrutiny Committee meeting on 8th March 2011

1. Background

- 1.1 Manchester is home to the two largest universities by student numbers in the country, each with 38,000 registered students. A strong partnership exists between the City Council and the two Manchester universities at a number of different levels and the importance of a strong, successful Higher Education sector is widely recognised to the economy of the city. A Student Strategy was developed in 2009 together with an implementation plan that identified the actions that were necessary in addressing the issues associated with a large student population. The Strategy particularly focused on certain areas of the city, where issues associated with neighbourhood management and the predominance of student housing were of concern. One of the actions emerging from the strategy was to set up a Student Strategy Board which oversees issues associated with such a large student population and their associated accommodation needs.
- 1.2 Over the last couple of years the Board has become aware of significant changes to the student housing market, partly as a result of the emergence of a thriving rental market in the city centre and the city centre fringe within the generic apartment offering, and partly due to the growth in numbers of private sector student accommodation blocks. Recognising this and an anticipated reduction in student numbers as a result of increased student tuition fees, the capping of student numbers and, more recently, pressure on the number of overseas students, the Student Strategy Board commissioned a piece of research to map out the emerging and likely changes in the student population. This was done in conjunction with an overview of recent changes that have or will impact on the student housing market in the City and in particular in south Manchester.

2. Student Numbers

- 2.1 In 2010 Central Government gave universities the freedom to charge up to £9,000 per annum in tuition fees. This was a significant increase from the previous cap of £3,375 in 2011/12. This new cap came into force in autumn 2012 and applies to all English universities. Sixty four universities in England, including the University of Manchester (UoM) and Manchester Metropolitan University (MMU) are charging the full rate of £9,000. Initial evidence suggests that this has resulted in reduced demand from students looking to access higher education in England. UCAS has reported recently that the number of applications from people wishing to start university in the autumn 2013 intake has fallen by approximately 6% compared with 2012. It is not yet known whether this reduction is a temporary blip - given that a similar albeit smaller increase in tuition fees in 2006 led to an initial reduction in student numbers which recovered the following year. It is also too early to fully assess the impact of the changes for Manchester, as data on student enrolments for the current academic year will be published by UCAS after the 15th January 2013 university application deadline.

- 2.2 In addition to increased fee levels a Student Number Control (SNC) has been introduced by Government to limit the number of publicly-funded places for home and EU students at English institutions. The SNC for UoM and MMU has reduced potential student numbers for those achieving less than ABB Grades at A level by more than 1,000 for each institution. Given that both the Manchester universities continue to be popular destinations for students this restriction in places can be potentially compensated for, with little impact upon student numbers.
- 2.3 In April 2012 the Government also introduced changes to the Student Visa process. Modifications mean that institutions wanting to sponsor overseas students have to be classed as 'highly trusted' and accredited as such. Moreover, those coming to study at degree level will have to speak a higher level of English than was previously expected. UK Border Agency (UKBA) staff will be able to refuse entry to students who require an interpreter and who do not meet the required language standards.
- 2.4 The UKBA also recently revoked London Metropolitan University's (LMU's) License to sponsor students from outside the European Union. It remains to be seen how this could affect international student recruitment in Manchester. However, recent speculation and negative publicity may already be encouraging would-be applicants from some overseas countries to study at home or go to another country.
- 2.5 This has inevitably created a high degree of uncertainty in the Higher Education sector with a knock-on impact on the student housing market. MMU has reported a decline in the numbers of first year students applying to stay in their own managed Halls. It had been assumed that the fee increase would result in a rise in students choosing to remain living at home to reduce costs and although neither UoM nor MMU have evidence to support this as yet, Salford University has reported a 6% increase in students commuting from home from last year. These trends, which will need to be closely monitored, will directly impact on the number of student bed-spaces required across the City.

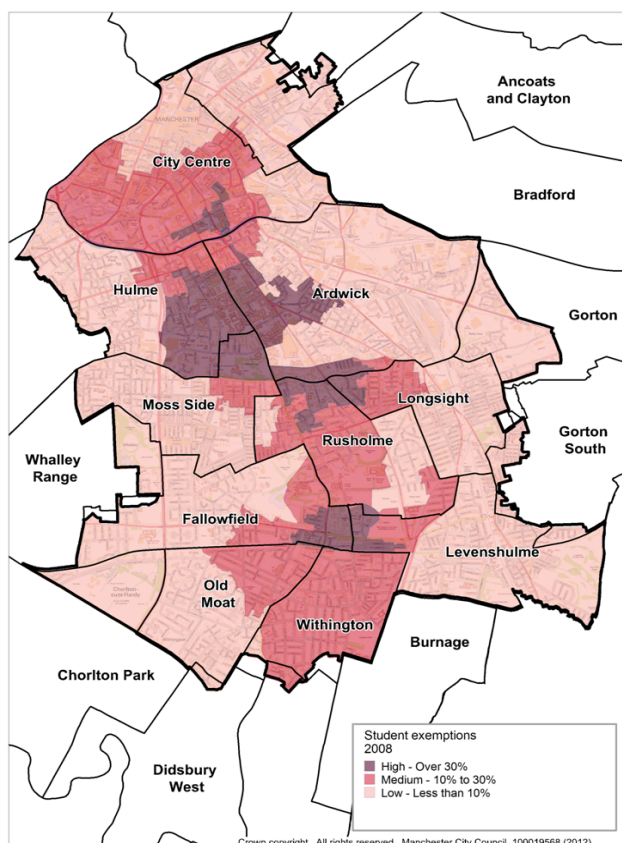
3. Manchester's Student Housing Market

- 3.1 Greater Manchester has the largest student population in Europe with 100,000 people studying at a number of Higher Education institutions, of which 26,000 are international students. There are 62,975 under and post-graduate students at Manchester Metropolitan University, the University of Manchester and the Royal Northern College of Music combined. Whilst Salford University is largely served by its own student housing market there is evidence to suggest that a considerable number of Salford University students live in Manchester. Although they do not sit on the Student Strategy Board, dialogue is ongoing with Salford University to understand both the impact of student reductions and changes in the student housing market from their perspective.
- 3.2 The student lettings market is closely aligned to the wider housing market in the City. The severe contraction in high street lending, especially for first time

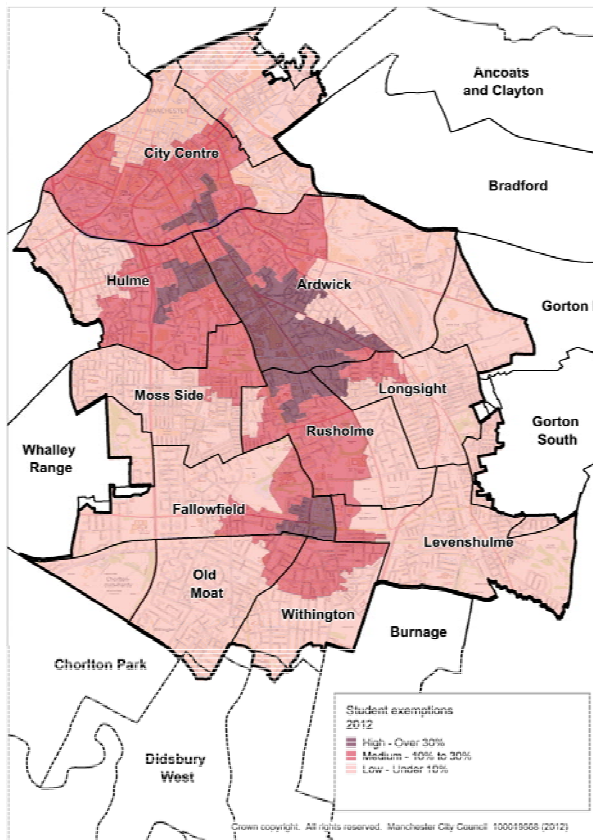
buyers, has fuelled a surge in demand for properties to let in the City centre and the City fringe market, which has also continued to grow. The growth in bespoke student accommodation, particularly in close proximity to the main University campuses, has also helped fuel the shift.

- 3.3 Up until recently, student accommodation was largely concentrated in neighbourhoods close to the Wilmslow Road corridor. However, the year on year increase in students choosing to study in the City during the last decade, together with a thriving apartment rental market and large bespoke student apartment developments, has helped facilitate a northward shift towards the City centre and the city centre fringe areas.
- 3.4 The Student Strategy Board has also identified a significant increase in the numbers of international students choosing to reside within the City centre. International students have bought into the high-spec apartment market which offers easy access into high quality services and facilities that are on offer within the Regional Centre.
- 3.5 The two plans below illustrate the change in student household exemptions between 2008 and 2012. It is clear that the pattern has moved up toward the City centre along with a narrowing of the market in key neighbourhoods in the south.

Student Exemptions 2008



Student Exemptions 2012



3.6 As mentioned above, the growth in bespoke private student accommodation has had an impact on demand for traditional student halls. MMU have confirmed a decline in the numbers of first year students applying to live in halls, whilst UoM have also highlighted a decreased demand for some of their own managed student blocks.

4. Purpose-built student accommodation – recent completions and the development pipeline

4.1 Against this backdrop of changing demands, recent years have witnessed a significant expansion in the quantity of purpose built student accommodation close to the two Manchester Universities. In total, seven schemes comprising 1840 units have been delivered in the period since 2009. These comprise:

- 520 bed spaces in the Student Castle, City Centre
- 119 bedrooms at The Arch Bar, Hulme,
- 614 bedrooms at Former Ducie Court, Moss Side,
- 416 bedrooms at 482/506 Moss Lane East, Moss Side,
- 10 bedrooms at Renshaw House, Ardwick
- 81 bedrooms at Hartley Hall, Whalley Range
- 58 bedrooms Piccadilly Point, City Centre
- 22 residential units at 20 Hulme Street, City Centre

4.2 A further 129 units have planning permission including:

- 68 units at Jabez Clegg, Portsmouth Street, Ardwick
- 59 units at Plymouth Grove/Birch Lane, Longsight

4.3 MMU have also recently submitted a reserved matters application for an additional 1171 units at Birley Fields in Hulme as part of the campus development - of which 730 units represent new provision and 441 are replacement for accommodation elsewhere.

4.4 In addition there are a number of other applications that are awaiting determination that would result in a further 456 units. These include 359 units at First Street which will be high-spec accommodation aimed in particular at the international student market.

4.5 Two further sites in Hulme are subject to planning appeals against refusal of permission totalling 252 units. These include the former Gamecock Public House (48 units) and Boundary Lodge, Boundary Lane (104 bedrooms).

4.6 An additional scheme for 470 bed spaces on a site at Coupland Street in Hulme was refused planning permission in accordance with the student accommodation policies (H12) of the Core Strategy. The applicant appealed this decision and a planning inquiry was held in December 2012. Detailed evidence supporting the refusal of permission was submitted to the inquiry, including additional supporting statements from the U of M and MMU regarding student numbers and decreased demand for managed halls.

- 4.7 The decision of the planning inspector was received in January 2013 and was overwhelmingly supportive of the policy approach set out in the Core Strategy. The appeal decision also reaffirmed the analysis contained within the Student Strategy 2009, and updated in 2010 regarding the development pipeline and the potential over – supply of purpose built student accommodation.
- 4.8 This recent decision by the planning inspectorate provides a good basis for managing any further unsupported proposals.
- 4.9 Policy H12 of the Core Strategy sets out the criteria against which proposals for purpose-built student accommodation will be assessed. It is this framework which is being challenged through the forthcoming appeals identified above.
- 4.10 Policy H12 sets out 10 criteria which schemes providing new purpose built student accommodation would need to comply with. In the policy preamble it confirms that priority will be given to schemes which are part of the universities' own redevelopment plans or which are being progressed in partnership with the universities, and which clearly meet the Council's regeneration priorities.
- 4.11 Point 9.61 of the Core Strategy goes on to confirm that,
“The Council has received an increasing number of enquiries from developers regarding purpose built accommodation proposals recently. Recent planning applications show that there is currently a potential over-supply of student bedspaces in purpose built accommodation in the planning pipeline when matched against demand from both the projected growth in student numbers to 2014/15 and latent demand from students living in the general rented sector. The consideration of `need` for additional student accommodation which developers should undertake should include....waiting lists for existing places (both University and privately-owned stock) and an appraisal of schemes in the planning pipeline (under construction, with planning permission and current applications). Assessing proposals for new purpose built accommodation against the criteria above will ensure that schemes are progressed in appropriate locations which meet the Council's regeneration priorities; and the provision of further bedspaces in purpose built student accommodation will assist in encouraging students to choose managed accommodation over HMO's. The impacts of a large number of students living in an area can be more easily mitigated when they are living in purpose built accommodation rather than unmanaged HMOs which have significant impacts on residential amenity for non-student neighbours.”.
- 4.12 Policy H12 was produced based on evidence at a particular point in time and the evidence emerging from ongoing analysis by the Student Strategy Board will be critical to enable a review of the policy's implementation.
- 4.13 The scale of new accommodation either recently developed, under construction or planned is significant. While schemes that deliver wider community and regeneration benefits that are supported by the institutions as

meeting a genuine need will continue to be supported, there is a significant risk that, if uncontrolled, the scale of future development could lead to a rapid haemorrhaging of students from existing student neighbourhoods and/or lead to purpose built accommodation lying vacant or being used for other purposes. In seeking to manage the pipeline of development the prime consideration is ensuring the future sustainability of all affected neighbourhoods across the City.

- 4.14 A further issue is the move of students into neighbourhoods that traditionally have provided family accommodation and where attempts to diversify those markets have opened up opportunities for an increase in student numbers. Both Ardwick and Hulme have seen a significant influx and a growth in student numbers. In Ardwick, particularly in the Grove Village area, this growth is impacting on the established community. It has been identified that over 50% of the new build properties on Grove Village built for sale are now privately rented with a large number occupied by students. Officers are working through ways to restrict this from being repeated when Brunswick is redeveloped through the recently approved housing PFI scheme for the area.
- 4.15 The Universities recently issued a joint statement from the Vice-Chancellors in which they expressed concerns about “the considerable growth in private sector provision of new purpose built student halls close to both universities with a real danger of overprovision in Manchester resulting in a high level of vacancy.” They argued that “student halls should only be built if there is a clear new demand identified - or it replaces old stock - and that the transfer of privately owned rented houses must be managed and led by the Council against a clear target level.” Continuing work with the universities is required to respond to this challenge, particularly in relation to changes in welfare which will have an additional impact as this transitional market continues to emerge.

5. Article 4 Direction – Houses in Multiple Occupation

- 5.1 In October 2010 Government changed Planning law in respect of changes of use from a dwellinghouse - Class C3 to a House in Multiple Occupation (HMO) Class C4 such that changes of this type became permitted development; therefore planning permission would no longer be required.
- 5.2 However, the Council has long recognised that uses of this type in residential neighbourhoods can create substantial residential disamenity for local residents. In order to control and restrict the growth of this type of use and to maintain the sustainability of neighbourhoods the Council is attempting to manage future locations of HMOs, including student house-shares which fall within this classification.
- 5.3 The Council made an Article 4 Direction on 7th October 2010 which removed permitted development rights for this type of change of use. This means that planning permission will be needed for this type of development. The Direction came into force on 8th October 2011.

- 5.4 Policy H11 in the Council's Core Strategy regarding HMOs confirms this approach and in particular refers to the Council's desire to create sustainable communities. ... "Families are particularly important because they support a range of local facilities such as schools and tend to have a greater commitment to the neighbourhood as they live their longer than other types of household. For this reason, a more restrictive approach will be applied in locations which have benefited from specific regeneration activity aimed at increasing the provision of family housing... This could include PFI schemes, CPO's and other forms of neighbourhood renewal where an increase in family-orientated accommodation was a stated aim of the intervention...".
- 5.5 Types of houses that fall within the Class C4 are dwellings lived in by 3 or more, but fewer than 7 people, as an HMO using the definition of an HMO set out in s.254 of the Housing Act 2004, (i.e. people who do not form a single household but who share one or more basic amenities).
- 5.6 However, if a family wishes to take in up to two lodgers (who would have their own bedroom but share the kitchen) this would not constitute an HMO as the Housing Act 2004 permits a freeholder/long leaseholder and their household to live with up to two other people who do not form part of their household.
- 5.7 The Article 4 Direction can also not be applied retrospectively prior to the October 2011 date of enactment. Properties that were already being used in a way that meets the Class C4 definition before that date do not need to apply for planning permission to continue to be used in this way providing they have not reverted to single household accommodation in the meantime. .
- 5.8 The on-going impact of Policy H11 and the Article 4 Direction will be monitored and managed through joint working between Planning, Neighbourhood Services and Regeneration, particularly focussed on effective monitoring and enforcement.
- 5.9 Officers are currently focussing particular attention on the Brunswick Housing PFI development to ensure that an effective strategy is adopted to protect the new development from a new influx of privately rented homes which attract students into property identified for family homes. At present limitations on leases are being used to achieve this objective.

6. Impact on the Traditional Student Housing Market

- 6.1 Increased levels of vacancies and lower / flat-lining of rents suggest that demand for student accommodation in certain parts of the south of the City is beginning to thin. Weakening demand is most evident in the sub-prime smaller properties to the south, east and west of Wilmslow Road such as Victoria Park and Fallowfield Brow. It is these houses where landlords will no longer be able to rely on the strength of historic covenant guarantees and yields to which many have become accustomed over the last twenty years.

- 6.2 However, there are also some neighbourhoods where the student market remains buoyant and the dominance of students means that there is very little the City Council can do within the current policy toolkit to rebalance tenure. There may be an argument to leave such predominantly student exclusive areas as they are, as there are other neighbourhoods where targeted intervention would deliver more effective results. The reduction in student numbers in areas such as Old Moat and parts of Withington and Fallowfield that do not have such a concentration of students could be encouraged to develop and grow into more balanced neighbourhoods in the future. This could include encouraging first time buyers and people looking to start a family. Landlords may already be beginning to think about an exit from this market and this could potentially be facilitated positively by the Council.
- 6.3 However, there are also areas of South and Central Manchester where the market is struggling. Occupancy rates in the smaller properties in some of the peripheral neighbourhoods are already falling and it is this middle to lower end market which appears most vulnerable. The drop in student numbers, coupled with increased supply of higher quality bespoke accommodation, is likely to accelerate this already established trend.
- 6.4 One of the consequences of these trends, when coupled with recent welfare benefit reform measures, is that some previous student accommodation is likely to become available to let to single room rate applicants. This trend, if established, is likely to lead to the continuation of HMO accommodation in some neighbourhoods albeit with a different tenant profile.

7. Proposed Actions

- 7.1 The pace of change in the student housing market requires regular monitoring and an effective governance arrangement to ensure that timely actions are brought forward.
- 7.2 Bespoke student housing in the City centre and fringe needs to be carefully managed. Key regeneration initiatives that deliver identified outcomes and provide a flexible model of student accommodation may be required.
- 7.3 The potential over-supply of bespoke mainstream student accommodation needs managing and the effectiveness of the current Core Strategy H12 needs to be kept under review. However demand remains for a quality product, particularly for international students at key regeneration sites in the City and City fringe areas.
- 7.4 Consideration needs to be given as to how planning policy supported by the Article 4 Direction should be applied to best effect in future and this, needs to be considered in the context of other strategies to protect traditional areas of family accommodation such as Brunswick.
- 7.5 Continuing dialogue is required with both universities with regards to their accommodation strategies in light of the changes highlighted in this report,

particularly regarding the long terms plans for their own traditional halls of residence.

- 7.6 The movement of students from traditional student areas provides opportunities to encourage and facilitate the return of these areas to become predominantly family housing. Officers intend to identify options to facilitate this movement.