

Nottingham Owners' Briefing

The text below summarises the main points of the Owners' Briefing given by Martin Blakey, Chief Executive of Unipol Student Homes, in Nottingham on 17th December 2008.

Most Recently Updated: Monday 2nd March 2009

Introduction

This briefing is designed to inform owners about trends and developments in student housing including; the national picture of supply and demand, estimated student numbers in Nottingham, information about Unipol's operations in Nottingham, developments in accreditation and the Unipol DASH Code and observations on the Nottingham student housing market.

The National Picture of Demand for Higher Education

The most recently released figures from UCAS, the central universities admissions body, mean it is too early to show the final intake for 2008. Provisional figures on October 15th showed applications were up 5.4% to 582,657 from 531,898 in 2007. Of course, not all applications are transferred into acceptances, but acceptances are up by 9.7% to 451,871, which is the highest acceptance rate to applications since 2002.

Figures for applications come with a slight caveat as choices made by students to UCAS were reduced as of 2008-2009 year from 6 to 5. This meant that where students were previously able to apply to 6 institutions, they could now only apply to 5. Therefore, actual application rates have tended to be reduced across the board, but as can be seen from the table below, this still equates to substantial growth in numbers.

The table gives the % change in applicants in 2007 followed by the actual number of additional students. Although there is some relationship, because of the change in the number of held places, that relationship is complex.

Institution	% change over 2007	Actual
Nottingham University	-0.4	+250
Nottingham Trent	+9.5	+1,100
Leeds University	-3.5	+250
Leeds Met	-3.7	+700
Liverpool	-17.2	+300
Sheffield Hallam	+5.0	+1,800
Southampton Solent	+6.4	+900

International Student Demand

As of 10 September 2008, applications from international students were up by 4% to 47,802. There have been significant rises in applications from China (14.7%) as well as Hong Kong, Malaysia, Singapore and Canada. In contrast, reductions have been seen in applications from USA (down 13%) and Nigeria (12%). There appears to be a direct link in this respect to the global economic crisis, and countries at the heart of this see fewer students going abroad to study. However, looking to the future, there is the potential that the 'credit crunch' affect on international student markets may be off-set by the weak pound which has

seen Higher Education in this country become 30% cheaper for most foreign students. For 2009-2010, international applications are up 11% which perhaps reflects the weak pound.

Demographic Change and Participation in Higher Education

It has been widely publicised that in the coming years, there will be a demographic shift meaning that there will be fewer University aged students. It has been suggested that this could amount to 70,000 students by the end of the next decade, according to an analysis for Universities UK. [Click here for more information on this.](#)

Counterbalancing this is some [TellUs3 research](#), which sampled 150,000 10-15 year olds, reported in September 2008 that 54% of 10-15 year olds planned to go to University, compared to just 13% who wanted to get a job at 16 and 19% aiming to get a job at 18. It is likely that the continued increase in demand for Higher Education, coupled with continually expanding international markets, will soften the impact of the demographic change.

The Government's target of moving towards half of all 18 to 30-year-olds in England into higher education by 2010 is illustrated by the Higher Education Initial Participation Rate, which currently stands at 40% for 2006-2007, a 2% decrease on the 2005-2006 figure.

Student Numbers in Nottingham

Overall student numbers do not reflect students with residential need because some students live at home and others, although registered in Nottingham, study away from the City (sometimes abroad). The total residential need for 2008-2009 of both universities is 33,889. For 2008-2009 there are 15,729 bed spaces in larger developments and of these, 8,136 are tied up in nomination arrangements which leaves 7,593 in the market. 26,296 bed spaces come from the off street market which represents a 5.4% increase in demand for accommodation in 2008-2009 which is good news for providers. It is important to recall that students who took up courses in 2005-2006, the first year of top-up fees when intake numbers reduced, are set to end their courses this year and this level of reduced demand will leave the market. The three year cycle of this year's growth, coupled with expected (but smaller) increases next year will see the surplus capacity absorbed still further.

University of Nottingham

Following a successful intake this year, the University of Nottingham has expanded its number of students with a residential need by 250 to 27,550. This represents a modest increase, but is still significant in terms of residential demand.

First Year Accommodation

The University houses 8,875 students itself or in nomination agreements leaving a demand of 18,675 bed spaces for the private sector. In 2009-2010 the demand is expected to rise by a further 250 students to 27,800 due to the proposed cap on University expansion.

Nottingham Trent University

In 2007-2008, there were 18,893 students at Nottingham Trent with a residential need, however for 2008-2009 this has increased dramatically by a further 1,100 to 19,993.

First Year Accommodation

The University houses 3,973 students itself or in nomination agreements and for this year was able to buy in a number of bed spaces at short notice to deal with the increase in student numbers (approximately 800). As a result, 15,214 private sector bed spaces were required for 2008-2009. Demand is expected to increase by 250 to 20,243, but the University may seek to expand further if the Government allows

Future Demand for Higher Education

The expansion in student numbers this summer has taken the Government somewhat by surprise and has resulted in an announcement by [John Denham on October 30](#) that HEFCE should allocate no more than 10,000 additional student numbers for 2009-2010. There is a theory that this may not ultimately be the case considering the current economic climate, but at present there is a real threat from the Government that any unplanned expansion may be unwelcome.

It is worth remembering that this limit on growth for 2009-2010 is based on the existing figures, so you could say that as there was such rapid growth this year, the 'rush' for expansion has already happened. It

is expected that Nottingham's share of the 10,000 students would equate to around 250 per institution but there remains the possibility of greater expansion.



Effects of The Credit Crunch on Demand

At times of economic downturn there are two theories in terms of demand for Higher Education;

- In harder times parents will be less able to help and students less willing to take on debt so applications from undergraduates will fall
- In time of unemployment people are keener to invest in their skills base so other sacrifices are made and numbers continue to rise.

There tends to be a preference for the second theory for a number of reasons, looking at under-graduate admissions, going to University is seen as a long term investment and the benefits can outweigh the short term pressures and debt now associated with this. There is also the chance that post-graduate admissions increase as people take the opportunity to re-skill and ensure that they are well qualified to either maintain their job or to have the best opportunity of finding another.

International markets tend to be more volatile at times of economic down turn and as mentioned previously, those countries most feeling the strain of the credit crunch are seeing fewer students leave to study in the UK.

Supply

The supply of student accommodation has slowed dramatically in terms of purpose built, large developments on the back of the credit crunch. Aside from those developments already in the building phase, funding for large scale projects has been reduced and there is unlikely to be much addition to the stock after the summer of 2009 when the last of the big developments come on line. The only development of note is Opal 1 which is 1,000 bed spaces on St Peter's Street in Radford.

The Private Larger Commercial Suppliers

Recent research undertaken for Unipol in Nottingham indicates that Large Developments are attractive mainly to first year students. This is due to the social aspects of living in this type of accommodation, all inclusive rents, on-site management and perceived good security. However, once students have made lots of friends and become accustomed to University life style, their preference for accommodation shifts and off-street properties become much more attractive. Just 21% of students after their first year want to live in a large development, showing the substantial demand for the

private sector from students. Students cited the noise levels of large developments and management styles as things which make them want to live in a 'real' home alongside people they have chosen to live with.

The Effect of the Credit Crunch on Supply

Larger Developers

- Slow down of growth
- Rationalisation of portfolios
- Increased emphasis on revenues - rising rents and running costs being cut
- Shift towards owner/manager arrangements rather than the use of management companies
- Some "new build" is now entering the danger period of 8-10 years
- Requirement to reinvest and upgrade in order to stop "tired building syndrome"

Off Street Properties

- Owners who thought they might sell after increased regulation will not
- Some bankruptcies, especially in middle sized local companies
- Shift towards managing agents, many of whom offer a poor quality service

The Market 2008-2009

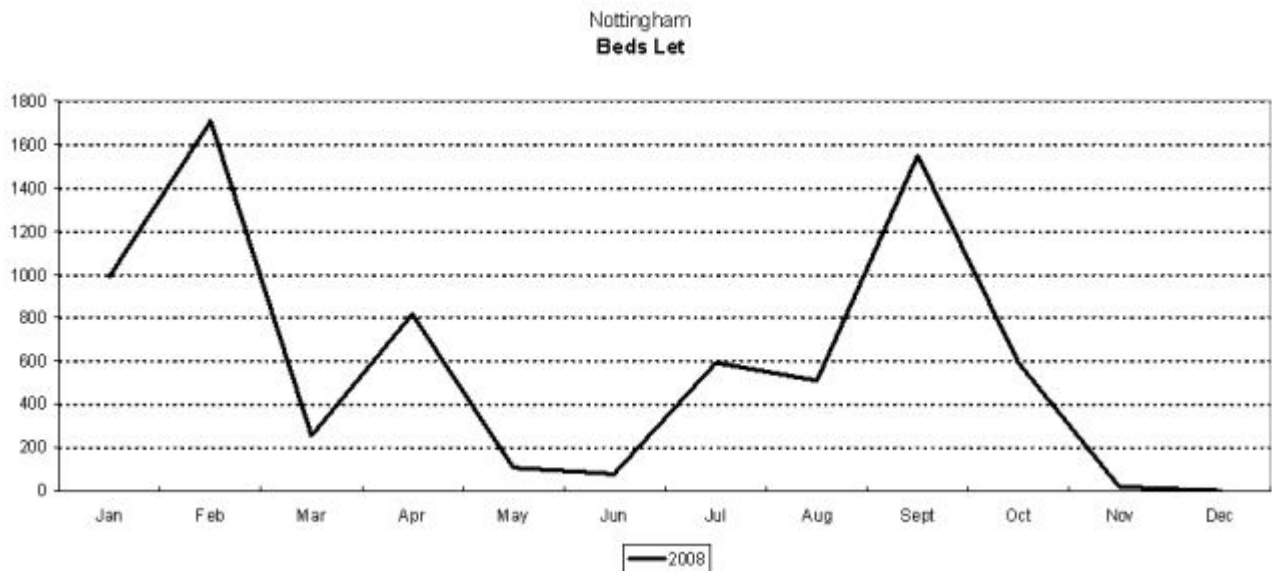
The enhanced intake means that neither University will have voids this year and a few more students will therefore rent properties in the private sector. The increased intake also feeds through into second and third year housing demand in future years.

The surplus for 2009-2010 is expected to decline by an estimated 1,800 beds in 2009-2010. Following this, any future building will be some way off as a direct cause of the credit crunch and any expansion by institutions in Nottingham will result in lowering the surplus further.

In general terms the 2007-2008 letting year was stronger than 2006-2007 and the 2008-2009 letting year was stronger than 2007-2008. With the number of students at each institution increasing so rapidly over the summer of 2008 it can be forecast that this next letting year will be even stronger.

House Hunting Pattern 2008-2009

In November 2007 most house hunting came from tenants staying in the same house not from groups looking to find a new house. House hunting activity was not significant until January 2008. In December 2008 there was a slightly increased level of activity on the website caused by the enhanced intake of students in September 2008.



Marketing on the Web

When advertising on the internet photographs are very important. To reflect this, landlords are now able to decide which photo they would like to put on the initial display page in the search listings. Landlords must however display an external image in their photo selection.

In 2009 it will be possible to put floor plans on the property details page, although this is regrettably not going to be available by the start of advertising for the 2009-2010 letting year.

7 bed Shared House
1 room available now

Rent: £69.00 pppw
Deposit: £185.00

Collected: Quarterly
Tenancy Agreement: Assured Shorthold
Owner/Agent: Unipol Housing

Ground Floor

Bed-room
Living Room

VIEW ALL PHOTOS
VIEW LOCATION

Rent Levels

Below are some examples of weekly rent levels in Nottingham by street. For future briefings it will be possible to compare changes in rent levels in certain areas of Nottingham.

Area	Rent 2008-2009
Lenton Boulevard	£65.41
Kimbolton Avenue	£66.86
Marlborough Street	£60.53
Beeston Road	£56.11
Gregory Boulevard	£63.87
North Sherwood Street	£62.81
Foxhall Road	£63.43

The following table shows average rent levels and deposits by type of accommodation in Nottingham.

Area	Rent 2008-2009	Deposit
Private Hall	£76.15	£247.88
Self Contained Flat	£74.94	£251.91
Shared Flat	£62.35	£256.09
Shared House	£62.87	£244.02
Owner Occupier	£76.24	£180.79
Studio Flat	£79.75	£334.78

Unipol Nottingham Website Usage

The total number of hits on the website in 2008 was 6,782,589 (the first full year of operation on the website) from 1,900,719 from its launch in August 2007 until December 2007. The number of unique users has increased from 3,729 in 2007 to 29,563 in 2008. Searches carried out on the website have also increased from 34,662 in 2007 to 145,102 in 2008. This all goes to show that the website is becoming

more widely known by students in Nottingham and is becoming the central point for students looking for accommodation.

The website has had 16,559 bed spaces advertised on it up to the 1st of December 2008. Of these 9,104 are in off street properties which are estimated at 57% of the market. 7,455 of these bed spaces are in larger developments which are estimated at 95% of the available market.

For the traditional University of Nottingham areas there are large clusters of accredited properties which shows that accreditation in these areas is growing and that students have a real choice good quality properties. Within the areas traditionally popular with Nottingham Trent University students, accredited housing numbers are continuing to grow and increases in inspections continue to be seen as the University has changed its advice on accreditation to reflect the Unipol DASH Code.

There were 1070 Unipol DASH code bedspaces that did not let however 84% of all code properties have let. By contrast only 69% of non-code properties were let. We are beginning to see a clear preference from students for accredited properties. This preference has been much more pronounced after March 2008 as the Unipol DASH Code progressed.

Student to Student Notice board

In 2008 there were a total of 2,673 messages left on the student to student noticeboard. This was an increase from 899 messages left in 2007. In Leeds, there had been concerns that Social Networking websites would mean the student to student notice board would become less popular; however, through promoting Unipol via Facebook there has actually been an increase in the usage of the noticeboard. The Unipol Nottingham Facebook page contains the Unipol films and a message board as well as links to the mainstream Unipol web pages. Although social networks continue to increase in both usage and popularity, it is clear that the student to student notice board is a place where students can conduct 'business' in a safe and moderated manner.

The Unipol Nottingham Bureau

Both Nottingham office locations are now complete, with the main office on University of Nottingham's University Park Campus being particular popular with students and landlords. The 'out-post' at Nottingham Trent Students Union is now complete and has full Unipol signage on display.

Nottingham Trent University/Unipol Partnership

Unipol are in discussions with Nottingham Trent University about improving access for NTU students to a city wide service. The Unipol house hunting guide will be distributed to all students in Nottingham Trent University halls of residence and the University is working towards a unified house hunting strategy. The Unipol DASH Code is fully supported by Nottingham Trent University and owners are being informed of the need to join the Unipol DASH Code. Nottingham Trent University Students Union are holding a house hunting fair on the 28th of January 2009.

Unipol DASH Code

The Unipol DASH Code was launched on August 1st 2008 and now carries the new 'thumbs up' logo. This will be promoted by the universities and Students Unions as the code for student accommodation and students are advised to rent code properties.

Since November 2007 (up to December 17th 2008) Unipol has inspected 624 off street properties and have verified most larger suppliers. Re-inspections have been carried out at 36 properties after necessary works have been completed.

So far 213 landlords have been accredited which is 67% of registered landlords. This has increased by 33 between the October and December briefings.

There are 174 inspections planned before the end of December 2008. This will mean that around 80% of registered landlords will be accredited.



A new category has been introduced to the code for [managing agents](#) called the “Code Supporter” whereby agents agree to promote the code and can accredit individual properties which meet the standards of the code. This type of accreditation requires much higher levels of verification and inspection and has meant Unipol has set on the services of 2 consultants to support the accreditation officer.



The increase in inspections is intended to assist landlords in improving their portfolio and a standard report is now issued. The theory behind increased inspections is that the system relies less on complaints and can be more pro-active in supporting landlords. Unipol now writes to all Code properties twice a year reminding students that they are protected in a Code house. This is advantageous to landlords because students then value this information.

In Unipol's research in May 2008 (undertaken by University of Nottingham) 79% of students in Nottingham valued accreditation as an important factor when they chose accommodation. In the Leeds University Union's research (2007), in response to: “How Important are the following when Looking at a Property”: the answer was (very important and important):

- Code of Standards: 86%
- Cost: 90%
- Who I live with: 89%

Other initiatives for the Unipol DASH Code include:

- More merchandising
- Four tabloids a year, only open to Code owners
- Specialist briefings (on market conditions and legislation)
- A bigger garden competition for the student houses that have one
- Additional help with photos and room plans
- Access to the Tenancy Deposit Scheme being run by Unipol
- Specialist booklet being designed for 2009 for students who have rented a code house.

Amenity Levels (%)

	2007	2008
<i>Smoke Detection</i>		
Battery Smoke Detectors	15	21
Mains Interlinked	59	60
Zoned	15	9
Burglar Alarm	81	71
Microwave	70	76
Washing Machine	97	95
Washer Dryer	27	31
Dishwasher	23	17

Most rents do not include utilities:

	2007	2008
Water charges	81%	73%
Gas	96%	89%
Electricity	96%	89%

Guarantors

Unipol has softened its advice on guarantors in response to the market in Nottingham. Despite this, the percentage of bed spaces requiring a guarantor has reduced from 55% in 2007-2008 to 47% in 2008-2009

Deposit Protection

Deposit protection was introduced in April 2007, so has so far been operational for 1 full year of student tenancies. The original estimates by CLG were that £768 million was been held in deposits and the average deposit was £477. As of April 2008, these figures had already been exceeded and £900 million had been taken with an average deposit of £1,000 meaning CLG now estimates that £1,350 million is held in deposits.

The largest scheme operator is The Dispute Service, and as of December 1st 2008 they had registered;

- 538,536 landlords
- 738,097 tenancies
- 1,152,974 tenants
- meaning that £729,466 million has been protected.

Unipol is in discussions with The Dispute Service about undertaking a scheme where Code landlords can join at very low cost. Details of this will be announced to owners when they have been confirmed, but it is expected that owners can complete the details on line or in the Bureau. Unipol will then undertake all subsequent paperwork and provide landlords with the prescribed information

Energy Performance Certificates

From October 2008, adverts for property have been required to display an EPC showing the environmental impact of a property. These are displayed on the Unipol website in the form of a bar chart, and users considering renting a property can also view the full EPC via a link on the advert. Once an EPC has been completed, it lasts for 10 years, and although there is currently a low level of compliance, Unipol will be requiring all adverts on the website to display an EPC by March 1st 2009.

The Future

The surplus in the student market will level at 3,960 for the foreseeable future, with limited large developments being constructed and a number of owners deciding not to sell during the economic down turn. Should the institutions in Nottingham make any further expansion, then this will reduce the surplus, but this of course depends on the Governments position over student numbers.

There is likely to be a growth in rents for off-street properties of around 3.5% for 2009-2010 but this is minimal compared to the large increases predicted in large developments. Increases of between 7% and 15% are expected as the cost of running these developments has soared in recent years.

The first release of data from UCAS on the number of applicants applying for full-time higher education courses that start in 2009 show that, overall, the number of people applying is up 6.5% from 60,532 at this point last year to 64,438.

Latest Updates

As predicted, demand for Higher Education has increased nationally by 7.8% or 33,678, meaning a strong increase for the third successive year amongst full-time undergraduates. Across the UK, there is a pronounced increase in mature applicants with the 21-24 age group showing a rise of 12.9% and an increase of 12.6% from applicants over the age of 24.

International recruitment continues to rise with an overall increase of 11.2% from all non-UK countries and over 10% increases from The Republic of Ireland, Cyprus, Singapore, France, Greece, Pakistan and India. China remains the largest provider of non-EU applicants with 3,641 - a rise of 7.5%.

Much of this growth has been attributed to the recession which, as reported at the briefing, is a historically a driver in applications for Higher Education. For more details on this [click here](#).