

Unipol Student Homes

Briefing on Market Conditions and Performance in the Nottingham Student Housing Market

16th July 2010

Unipol is committed to giving owners up to date information on both the student accommodation market and developments from across the sector. The latest briefing was given by Martin Blakey, Chief Executive and Scott Blakeway, Development Manager on Friday 16th July 2010 in the Unipol Board Room.

A summary of the presentation is below, which includes a number of updated figures which have become available since the briefing took place.

Bureau News

Jamie Woolley, Nottingham Accommodation Bureau Manager, introduced the briefing with an update on recent activity in the bureau. Since the commencement of house hunting in January 2010, Unipol has been present at housing events to advise students about the Unipol DASH Code and the importance of renting a Code property for students. In addition, the main publications have been reviewed and updated, namely the house hunting guide, moving in/moving out guide and the introduction of a deposit leaflet for students leaving their accommodation.

Owners were also provided with information on improving adverts through the use of good quality photographs and floor plans, with a number of real examples seen in the Bureau given to those present.

Unipol/The Dispute Service Deposit Protection Scheme

A short presentation was made by Ben Beadle, Casework Scrutiny Manager for The Dispute Service providing an insight into the adjudication process. The presentation also explored the use of inventories, requirements to provide sufficient evidence and other useful information for landlords using the TDS scheme. A number of interesting issues were raised including the fact that of adjudications made by TDS thus far, 44% are awarded to the landlord and 56% to the tenant.

The presentation highlighted that existing private sector tenancies with rental values of up to £100,000 a year will become ASTs from 1st October 2010. This will mean any associated deposit will need to be protected by 14th October 2010. Tenants must be provided with the same prescribed information and tenancy clauses in their agreements that would be used for any other AST. More details are expected to emerge on this issue and Unipol will keep owners up to date with developments.

Market Briefing

Student Numbers

National Demand for Higher Education

The latest application figures for courses starting in September 2010 show that as of June 30th, 660,953 people have applied to start full-time undergraduate courses compared to 592,312 by this point in 2009. This represents an overall 11.6% annual rise in applicant numbers at the same point last year.

It is worth noting that at the briefing the only available figures were the early numbers from January which showed a 22.9% rise in applications. This emphasises the high volume of students applying early with those who missed out on places in 2009 being encouraged to re-apply as well as a trend to apply earlier in the cycle due to the general competitiveness of the market.

There continues to be very significant increases in applications from those over 20 years of age, with applications from 21 to 24 year olds up 14.9% and from over 25s up 22.7%. Again, many of these applicants applied early in the cycle which is an indication that mature students continue to seek to increase their employability through gaining qualifications during difficult economic times.

Applications from overseas are up 15% from 89,396 to 99,379 with a large number of institutions looking to increase the number of overseas students. It is likely that this will be a key growth area amongst many institutions as fee income is uncapped, although it is not subsidised by central Government.

The Impact of the Points Based Visa System

Students coming from overseas to start courses in September 2009 were the first to experience the Points Based Visa System which placed new restrictions on students wishing to enter the UK to study. It was not known how much this system would affect the numbers of international students arriving in the UK but figures show that there was in fact a slight increase in students arriving in the UK. There were, however, significant delays in the processing of a number of student visas which meant students were still arriving as late in the year as November meaning some voids were filled later in the cycle than usual.

For 2010 entry, there has been a further tightening of the system which imposes new requirements on students entering the UK:

- applicants from outside the EU will have to speak *English to a higher level*
- students on courses below degree can only work for *10 hours a week*
- students on courses which last under six months *cannot bring dependants*
- visas for courses below degree level with a work placement will be granted only if the institution is on the *Highly Trusted Sponsors List*

Future Shape and Funding of Higher Education

There are a number of issues emerging which will impact upon the higher education sector over the coming years and these were explored during the briefing.

Higher Education Cuts

The coalition Government has announced cuts across the board and Higher Education is no exception with cuts estimated at around £2.6 billion over the next 4 years. Cuts of course, are not just about institutional funding but the impact this has on student numbers going forward which will affect the housing sector. It is expected that, despite the increase in applications (above) we will see virtually static intake from undergraduates - the very group that drove and responded to the expansion of accommodation.

Browne Review

The "Independent Review of Higher Education Funding and Student Finance" was launched on the 9th November 2009. The review is tasked with making recommendations to Government on the future of fees policy and financial support for full and part-time undergraduate and postgraduate students. The review will not report on its findings until after the party conferences in October 2010, but a number of discussion topics are emerging.

Following the briefing, the Business Secretary, Vince Cable gave his first speech on Higher Education and raised the idea of a Graduate contribution, or "tax." It is expected that the Browne review will examine this as an option as a number of groups, including NUS, have called for this approach. Since this time, a number of senior Conservative ministers have appeared to rule out the notion of a graduate tax saying it will be 'rejected'.

Regardless of the outcome of this review, one thing is clear; higher fees will have an effect on affordability of accommodation. The NUS/Unipol Accommodation Costs Survey 2010 highlighted a 22% rise in the cost of student accommodation in large developments, 13% above the rate of inflation. The full report is available [here](#).

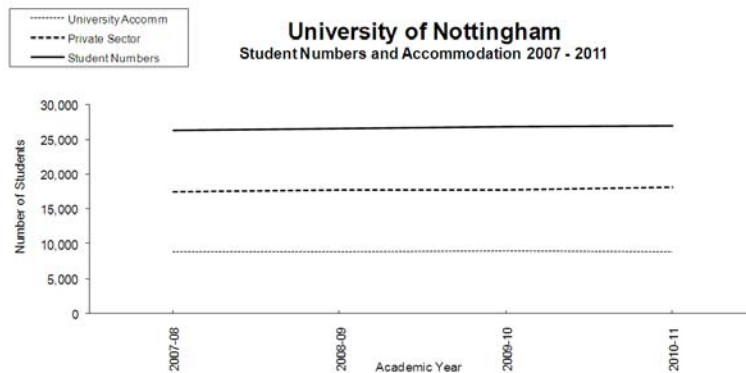
Student Numbers in Nottingham

University of Nottingham

Intake at the University of Nottingham is expected to mirror that of September 2009, with a modest increase of around 200 students, with growth mainly coming from overseas. Undergraduate student numbers have remained constant for the past couple of years, in a similar fashion to many other leading institutions.

For courses commencing in September 2010, the University has seen a 9.6% increase in applications and, although these won't all convert to places due to Government restrictions (see above) this is a strong application pattern.

The graph below illustrates the stable level of student numbers, although there has been steady growth over recent years.

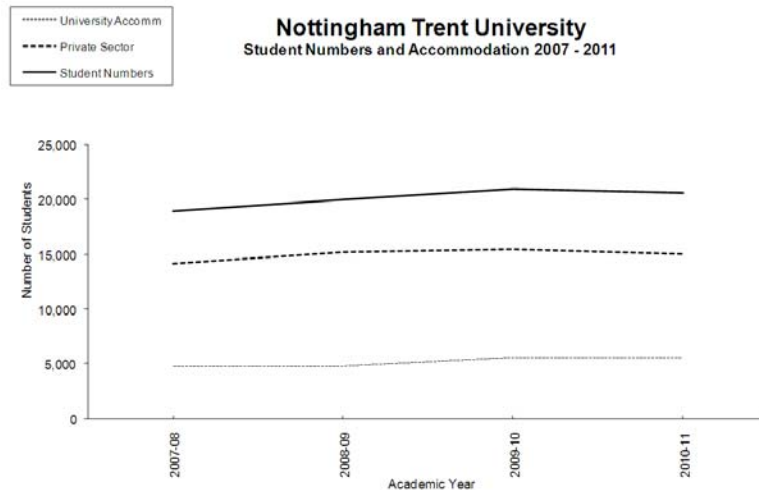


Nottingham Trent University

Nottingham Trent University has expanded rapidly over recent years, taking an additional 2,000 plus students since 2008. It too is set to halt this growth with restrictions from Government taking effect, although it is worth remembering that this growth has already occurred so there are large numbers of students in the system.

This has resulted in the University planning for a reduction in student numbers of some 300-400 for September 2010, which is likely to continue into future years. Applications are up by over 30% so there will be a large number of students who are unsuccessful in gaining a place at NTU.

The rapid growth, followed by the forthcoming slow down is illustrated by the graph below:



Overview

The total private rented sector residential need for 2009-2010 is estimated at 33,170 students. This will drop back by up to 400 students for 2010-2011 which is likely to carry through into further years, resulting in around 1,200 fewer students. Unipol's figures show that for 2009-2010, all large developments in Nottingham are full and this strong performance is likely to be carried forward to September 2010 when there will be few voids (if any).

Supply/Demand

In terms of the supply of accommodation, development has generally slowed down due to the lack of available finance for many large developments, however in Nottingham there are still some developments planned:

2010-2011

Opal will bring 300 extra bed spaces online in September at Opal 1, Chettles Yard

2011-2012

600 bed spaces are under development at Clifton Campus for Nottingham Trent University

2012-2013

Further 400 bed spaces planned for Opal development

2010-2011 will be the first year Nottingham has seen a reduced intake for some years as a result of the cuts meaning little or no expansion in the number of students. Added to this, the intention of NTU to reduce its student numbers, it is likely there will be some 1,200 fewer students in Nottingham by 2013 and at least 900 new purpose built bed spaces due to come online.

A situation is developing where there may well be increased supply of accommodation, particularly in large developments, and falling demand with fewer students entering the system due to Government funding restraints. Almost all of the unlet rooms will be in off-street properties if current trends are followed as large developments are full.

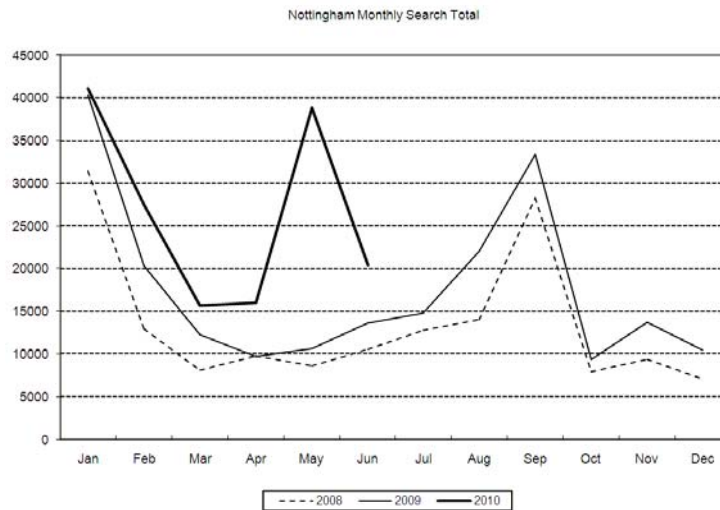
This will have a significant impact on the estimated surplus bed spaces in the student market

- 2008 4,500 (original estimate)
- 2009 2,000 (rapid growth)
- 2010 2,300 (reduced intake)
- 2011 3,000 (reduced intake and Opal)
- 2012 4,000 (reduced intake and Clifton)

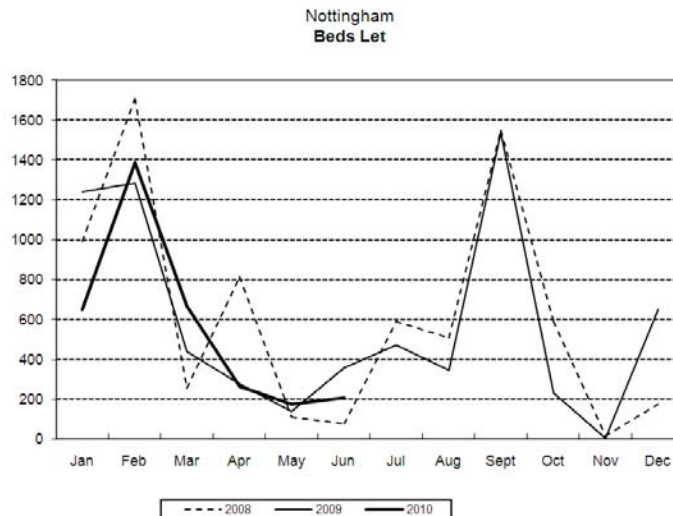
Market Activity 2010

The website has had 8,956 bed spaces displayed in the first half of 2010, with 4,379 were in off street properties and 4,577 in large developments. Importantly, activity on the Unipol website continues to increase, with hits up nearly 40% (to 7,877,596) and searches up over 50% to 161,695. In addition, more Nottingham Trent students are now using the site to perform searches, with 34% coming from NTU hosted computers and 36% from University of Nottingham. The remaining searches are made up of those providing internet through developments or residential lines such as ask4 or virgin.

The Official start to House Hunting 2010 was Friday 22nd January and searches have remained significantly above 2009 levels, with 25,628 searches in the first six days of house hunting compared to 25,044 for the same period last year. There was a further peak in the number of searches, during May when NTU released their room allocations which were quickly filled and students were advised to visit the NTU/Unipol websites.



Lettings were slower in January as more students heeded advice to wait – particularly prevalent amongst University of Nottingham students following an active campaign by the students union. Letting activity peaked in February and has remained above 2009 levels consistently through this period. The high level of search activity in May did not result in higher lettings for off-street properties, with many of these students likely to rent rooms in larger developments.

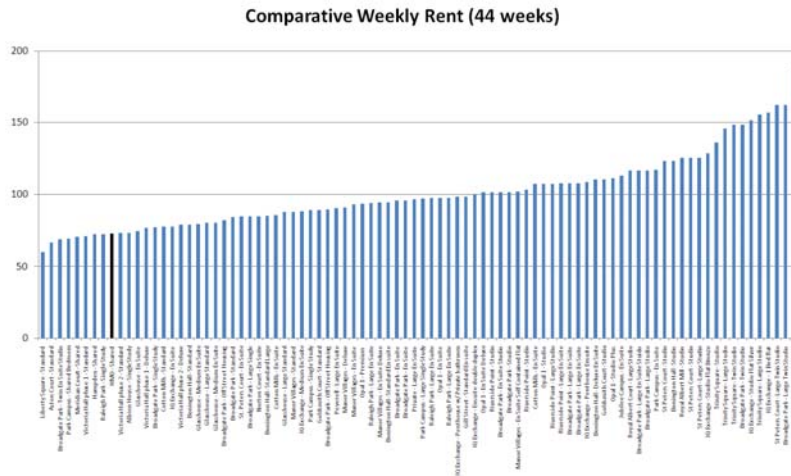


The average rent for shared house during the first half of the year is £66.47, compared to £63.77 for the same period in 2009. This represents a 5% increase showing the strength of the market during 2009-2010 with these students now seeking accommodation in the private rented sector. The average rent achieved for a Unipol DASH Code property is higher at £66.82 compared to £64.04. In addition, Unipol DASH Code properties let quicker than non-Code properties, with the average time taken for a shared house to let as follows:

Code 63 days
 Non Code 74 days

By way of comparison, the NUS/Unipol Accommodation Costs Survey found that rents in large developments have risen by around 25% since 2007, which is 13% above inflation over this period.

As discussed earlier in the briefing, the future funding arrangements for students will have implications for affordability of accommodation and it is evident from this and the graph below that shared housing is one of the cheapest options in Nottingham - even with allowance made for inclusivity. There is some evidence that rents in some large developments are dropping back, with some providers offering discounts and incentives to students.



Unipol DASH Code

The Unipol DASH Code now covers 8,506 bed spaces, which is estimated at 50% of the total available and 1,855 properties. In 2010 a further 29 landlords have become accredited bringing the total number of landlords to 376. 101 inspections have been carried out this year bringing the total number of inspections carried out to 1,215.

There will be increased activity in terms of inspections as many owners are reaching the end of their 3 year cycle within the code. There is strong emphasis currently on re-inspections to check new applicants to the Code have completed required works to enable applications to be confirmed.

Following a technical 1 year review of the Unipol Code, the feed in period for landlords to comply with the requirement that Residual current device (RCD) protection to be provided to all consumer units has been pushed back to October 1st 2011. This is in response to conflicting advice from contractors relating to the 17th Edition and it is hoped more clarity will be in place in a year's time to enable landlords to comply with this requirement. It is expected that any additional wiring or re-wiring of properties will comply with any interpretation of this requirement.

Code Supporters

The Unipol DASH Code Supporters Scheme developed for managing agents continues to progress well and there are now 7 agents that are Supporters. A further 40 agents have been contacted by Unipol with a number requesting further information as they look to join the scheme.

There are 6 managing agents that are *full members* of the Unipol DASH Code:

- Cunningham Lettings
- Grant Management
- Megaclose
- PAD Student Lettings
- Shields Student Homes
- Tomlinsons Estate Management

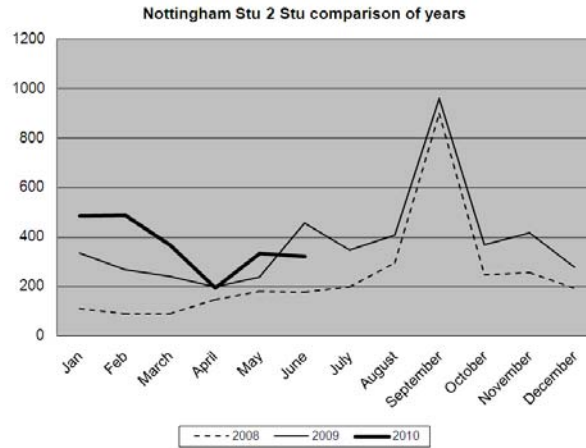
and 7 managing agents that are Supporters of the Unipol DASH Code:

- Broadgate Property Management
- CP Walker
- Hutchins & Butlin
- Martin & Co
- Oak Student Letts
- Purple Frog
- Student Cribs

For agents in particular, the Unipol DASH Code Supporters Scheme can provide a useful opportunity to take a look at the portfolio and gain guidance on issues identified as required. The Code inspections are intended to be helpful and transparent to enable all owners to improve and agents receive a dedicated webpage on the Unipol website with links to the agents own site.

Student to Student Notice Board

A total of 2,196 messages have been posted on the notice board in the first half of 2010, representing a 27.5% increase compared with 1,723 during this period in 2009. The most popular usage for the notice board is students with accommodation available seeking to find someone to take their room. A comparison of the last three years is illustrated below:



Garden Survey

The 3rd annual garden survey took place on the 9th June 2010 with 604 gardens being inspected by volunteers from NAG and NCC as well as Unipol staff.

The survey was carried out in

- Dunkirk
- Forest Fields
- Radford
- Wollaton
- Lenton (certain streets)

Inspections looked at the condition of each garden in the area generally and focussed on a number of specific issues:

- Are the boundary walls and fences in good repair?
- Is the path to the door in good repair and free from obstruction?
- Is the outside of the property clear of rubbish/litter?
- Are any plants/shrubs reasonably maintained?
- Do any plants/shrubs obstruct the pavement or public area?

433 Gardens out of the 604 inspected complied with the requirements representing a 72% compliance rate. This is a slight reduction on the 77% of gardens that complied in 2009 although a wider area was inspected. Interestingly, Unipol DASH Code landlords had a 74% compliance rate, compared with Non-Code landlords who had a lower rate of compliance at 64%.

The most common problem was litter and furniture in front and back gardens although poor maintenance of planted areas was also common. It was clear that some gardens had not received any maintenance for a considerable amount of time.



Good example



Bad example

Overview of Recent Legislation

Letting Boards Initiative

The trial of the Voluntary To Let board restriction has now ended and a report is being submitted to Nottingham City Council. Generally, compliance with the scheme was low even amongst those who signed up to the scheme and even the EMPO scheme was not adhered to. Nottingham City Council will consider the report before making a formal decision on how to proceed.

The images below illustrate the problem to be addressed:



Use Classes Order

The Use Classes Order, which was amended in April 2010 before the General Election so planning permission would be required for a C4 'small HMO' has been revisited by the Coalition Government. A consultation has been carried out looking at options to amend this piece of legislation so that permitted development is granted between C3 and C4. It remains a possible option that local authorities will be able to allocate exclusion areas where this right is removed.

Additional Measures

The Housing Minister, Grant Shapps MP has also moved to promise "no more red tape" for landlords and has instead urged councils to use the wide range of powers they already have at their disposal to tackle rogue landlords including:

- Powers to require landlords to take action to rectify hazards in their property;
- Where landlords resist, the ability to make and charge for improvements and to prohibit use of the affected parts of the property; and
- Discretionary licensing powers to tackle areas blighted by poorly managed privately rented stock.

In addition, the government has also taken steps to scrap plans to introduce:

- a National Register of Landlords
- regulation of letting and managing agents
- compulsory written tenancy agreements.

The annual Christmas Briefing will be held later this year with a full analysis of the market performance at a date to be confirmed.