



**CUSHMAN &  
WAKEFIELD**

**Student Accommodation Demand  
and Supply Study**

**Preston City Council**

August 2019

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# Executive Summary

## Introduction

- i. This Student Accommodation Demand and Supply Report has been commissioned by Preston City Council to assess the scale, composition and impact of purpose-built student accommodation in the city centre. The report also considers the overall impact of the city's student population on the private rented sector.

## University Overview

- ii. Demand for purpose-built student accommodation in Preston is driven by The University of Central Lancashire, a post-1992 institution which has its roots in The Institute for the Diffusion of Knowledge which was founded in 1828 by Joseph Livesey's Temperance Society.
- iii. In 2015 the University announced its new Preston Campus Masterplan, which will see £200 million worth of investment in the University estate. It is hoped that new facilities will help to attract and retain new talent, while creating a cutting-edge environment that showcases UCLan's key principles of openness, transparency and accessibility, developing a skilled workforce which meets local, national and international needs.

## Student Demand

- iv. HESA data for the 2017/18 academic year shows that full-time student numbers at the University have risen to 17,780 – growth of 0.8% on the previous year. Despite this, trends in available HESA data show a 15% fall in student numbers between 2011/12 and 2016/17. The largest loss of students has been those who live in the North West, with this cohort falling by over 2,000 students between 2011/12 and 2016/17, accounting for two thirds of all lost students over this period. Non-regional student numbers have decreased by 1,000, or 16%, which is a marginally faster rate of decline than those from the North West.
- v. Falling student numbers have impacted demand for student accommodation in the city with students living in private sector Halls and HMOs falling, decreasing by 34% and 7% respectively, over the five-year period. UCLan has experienced falling UCAS<sup>1</sup> application numbers consistently since 2015, reflecting the position of a large number of post-1992 universities across the UK. Applications in 2018 were 14% lower than in 2017.
- vi. From publicly available data on bed spaces, it appears that UCLan is not currently planning for growth and this has been modelled throughout this report. Cushman & Wakefield believes that this is sensible in the current market environment, with the Augar Review of Higher Education Funding imminent and the recruitment issues being faced by a large number of post-1992 institutions.

## Accommodation Supply

- vii. In 2018/19 UCLan offered a total of 1,736 beds spaces, of which 61% were University-owned, with the remainder available through a number of rolling leases with private providers in the city. All rooms are available on a standard 42-week tenancy.
- viii. UCLan's current rental profile is narrow, with 75% of all bed spaces priced between £70-£80 and £100-£110 per week. Prices are also low, with the average UCLan standard and en-suite rooms priced at 25%

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<sup>1</sup> <https://www.ucas.com/data-and-analysis/>

and 28% below national university averages. Pricing strategy has limited the private sector's ability to increase rents and invest in the quality of its stock over time.

- ix. Preston is home to an extensive private sector market, with 18 private PBSA schemes totalling 3,873 bed spaces, with just under a third opening in the last three years. It is clear that to some extent, the private sector has been encouraged by the lack of bed spaces available through the University (as well as by the availability of land and favourable development appraisals associated with PBSA).
- x. The direct-let market is one of the best located in the UK, with 98% of all bed spaces in the market located within a 5-minute walk of the campus. Competition in the Preston market is undoubtedly impacting on the scope for rental increases in private sector purpose-built stock. While limited rental increases in studio products have been observed, the price of standard rooms plateaued between 2017 and 2018, while en-suite prices fell by a significant 3.6% due to the proliferation of this room type in the market, as well as falling student numbers.
- xi. There has been a clear reduction in the number of students living in HMO accommodation over recent years, with the market effectively 'hollowing out' due to falls in demand. The HMO sector in Preston is unusual in some respects in that a number of the developments on offer are of a high quality and there is little price differentiation between HMOs and purpose-built stock in the city. This means that in some areas, HMO stock is competing directly with University and private sector purpose-built stock.

## Student to bed ratios

### All-year student to bed ratio

- xii. The all-year student to bed ratio in Preston currently stands at **1.7:1**, significantly below Cushman & Wakefield's national average of **2.0:1**.
- xiii. With 4,106 first year students currently demanding a purpose-built bed, combined with 21% of the returning market, we have calculated that there are 4,548 students currently living in purpose-built stock in Preston – leaving 1,061 unfilled bed spaces in the city.
- xiv. Taking the development pipeline into account, there is potential for the number of bed spaces in the Preston market to rise to 6,274 by 2021 (excluding Sizer House). Under this scenario, 40% of returning students would need to demand a purpose-built bed space – almost double the current position and over double the national average, a very unlikely scenario (especially over the short term). With current University bed space plans suggesting no planned growth in student numbers, there is the potential for the number of unfilled bed spaces in the market to grow further. Whilst there may be a natural migration of some students away from HMO stock to purpose-built developments, especially given extensive Article 4 Directions – mirroring trends seen nationally – this is unlikely to occur at such a rate as to prevent voids in the Preston market, especially with a large number of HMO beds being available in the immediate vicinity of the University campus.
- xv. The first-year demand pool in Preston currently stands at 4,106 students in 2018/19, with 5,609 purpose-built bed spaces available to students. This means that the market is reliant on 1,503 returning students to ensure full levels of occupancy in purpose-built stock. This equates to 28% of all returning students requiring a bed space in the Preston market. However, our analysis shows that currently, only 21% of returning students in the market demand a purpose-built bed space (slightly above the national average 17%), a figure of 1,129 students.

## Recommendations

- xvi. Our review of demand and supply of student accommodation in Preston has revealed a number of key findings which have implications for future policy. In particular, it is clear that the Preston market is in a very different position to that of 2012 when the last Local Plan was produced. Importantly, UCLan has not grown as anticipated by the Plan, with student numbers falling over the course of the last seven years. Despite this, purpose-built student accommodation development has continued in the City, with a mismatch identified between supply and demand. However, the University remains key to the City and the sub-region and overall demand for student accommodation is still very significant.
- xvii. Whilst it would perhaps be appealing for the City Council to look to rule out future purpose-built student accommodation applications, this could potentially be damaging to the market over the longer term. This Report has identified a lack of quality in the Preston market, and there is a need to allow for an 'evolution' of product in the City, which has the potential to increase the attractiveness of UCLan as a study destination.
- xviii. Cushman & Wakefield believes that future policy should consider the following key areas:

### **Purpose-built student accommodation**

- **Demonstration of need** - current Local Plan policy notes that student accommodation developments will be allowed within the HS6 area. Outside of this area, there is a need to take into account the "existing supply of and need for student accommodation". Cushman & Wakefield believes that the oversupply identified in this report means that all applicants should need to show proof of demand for further development in the City – "there is a demonstrated need for the development". This Report provides the City Council with a strong evidence base to deal with poor quality research and analysis.
- **UCLan partnership** - given the Preston market there is a need for UCLan to take a proactive role alongside the Council in opposing unsuitable schemes going forward. The City Council should look to oppose any schemes going forward that do not have the support of the University (provided a good partnership relating to applications is put in place).
- **Geographical location** - this Report has identified a huge number of bed spaces within five minutes' walk of the UCLan campus and our consultations with the market have revealed student and developer disquiet with 'peripheral' developments. This reflects Cushman & Wakefield's national analysis which shows that students wish to live as close to campus as possible. In terms of future policy, priority should clearly be given to applications close to campus
- **Scheme quality** - this Report has identified a lack of quality in the Preston purpose-built accommodation market, with a clear lack of social and amenity spaces – deemed crucial by today's students – across a large number of developments. The City Council may look to impose minimum standards in terms of the amount of social space offered by developments so that new schemes only raise the quality of stock of Preston.
- **Studio bed spaces** - this Report has identified limited demand for studio bed spaces in Preston, borne out by voids in the private sector and applications for change of use to house key workers. The development pipeline has the potential to increase the number of studio bed spaces to far above the national average. Alongside the evidence base outlined in this report, Cushman &

Wakefield believes it is important that any future studio bed spaces delivered reflect the wider City Living Strategy in terms of quality and room size. Current applications for retrospective changes of use have the potential to damage wider housing market aspirations if small and lower quality developments formerly intended for use by students are marketed to young professionals.

#### **Houses in multiple occupation**

- **Article 4 and HMO proliferation** - Current Local Plan Policy relating to HMOs (Policy HS7) seeks to limit the proliferation of such stock across a range of wards close to the University campus. This Policy is sensible given the potential erosion of communities that can occur in such areas through transient populations. However, it is also important that the City Council considers wider trends in HMO accommodation – both in Preston and nationwide. Falling student numbers and a natural gravitation of students into purpose-built stock means that there is unlikely to be increased demand for such products. The City Council should prepare for a reduced scale of HMO product in Preston, but with the potential for higher quality schemes overall.

# 1.0 Introduction

## Objectives of the Report

- 1.1 This Student Accommodation Demand and Supply Report has been commissioned by Preston City Council (the City Council) at a time when the Preston Local Plan is being refreshed. The Plan will identify where new housing, employment, retail, leisure and open space should be located to 2036. To inform the Plan, the City Council has engaged Cushman & Wakefield to provide this Report to identify market demand for purpose-built student accommodation in the city, as well as the scale and impact of students on the private rented sector (Houses in Multiple Occupation – HMOs).
- 1.2 Central to the demand for student accommodation in Preston is The University of Central Lancashire (UCLan). The University is a large institution of 23,000 students that plays a key role in the local economy and the life of the city and wider sub-region. As such, its student body impacts significantly on Preston in terms of demand for accommodation
- 1.3 This Demand and Supply Report has considered a wide range of areas and outlines a range of recommendations as to future policy and the likely demand for bed spaces based on market conditions. In particular, the report focuses on:
  - Current planning policy relating to student accommodation (Policy HS6)
  - The University's publicly available information on Strategy, investment priorities and performance against its peers
  - The nature of the student population at UCLan looking at historic trends and forecasts, as well as the campus student to bed ratio (current and looking forward);
  - The existing University and private sector accommodation (type and size of stock, rents and quality), the competitive supply context, examining the supply of student residential accommodation in detail on and off campus;
  - The development pipeline of accommodation in Preston and their potential impacts on the market
  - Demand for residences in the City
  - Conclusions and recommendations relating to future policy
- 1.4 The report contains an assessment of demand for accommodation under today's demand conditions and the current forecast in light of market conditions, and the University's strategy and operations overall.



## 2.0 The Preston Local Plan, Policy HS6

### Introduction

- 2.1 The Current Preston Local Plan covers the period 2012-2026<sup>2</sup> and is designed to identify the likely scale of development and sites required as outlined in the Central Lancashire Core Strategy. It is also used to identify local issues and provide policies to manage change which will be used by decision makers to determine planning applications.
- 2.2 The current Local Plan was produced in a different Higher Education environment to that which exists today. The start of the 2012/13 academic year saw the introduction of a new tuition fee system designed to move the burden of payment away from taxpayers and to students themselves, with the maximum fee being raised to £9,000 per annum. Changes to the system were designed to bring about a transformation in Higher Education and usher in a 'marketisation' of the sector. Recommendations for changes were fuelled by the Browne Review of Higher Education Funding and Student Finance<sup>3</sup> which noted that, amongst other areas, there was a need to increase student choice.
- 2.3 The issue of choice in the sector was recognised by Browne, who noted that no Higher Education body could grow under the old system of funding and that popular institutions should be allowed to expand to meet demand. Under the new system, from 2012, institutions could effectively recruit unlimited numbers of students achieving AAB at A-Level (or equivalent), allowing high tariff universities to grow strongly to meet demand. In 2015/16 these Student Number Controls (SNCs) were removed entirely, allowing universities to recruit as many students as they felt was necessary.
- 2.4 These fundamental changes to the system of Higher Education have been transformative and have undoubtedly resulted in a divided market, with students generally gravitating to institutions that they feel are of the highest quality, with those less well renowned losing out. As a post-1992, largely teaching-focused institution, UCLan is one of those universities that can be said to have lost out under the new system in recruitment terms, and this is explored in detail throughout this report. Inevitably, this means that the market environment is now very different to when the current policy was implemented in 2012. It is unlikely that UCLan will return to the intake of students it saw pre-2012 over the short to medium term.

### Policy HS6 – University of Central Lancashire

- 2.5 The current Local Plan notes that “the University has expanded rapidly over the last decade and now has over 30,000 students. Continued growth of the University, whilst fully supported by the Council, provides challenges in ensuring sufficient accommodation is available to house students who wish to study in the City”. It is clear that the University is now operating in a very different market environment, and that planning policy may not now reflect the current environment.
- 2.6 The Preston Local Plan 2012 – 2026 Policy referring to purpose-built student accommodation is HS6, which defines a number of areas that are the sites of existing University facilities and accommodation, or near or next to University land.

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<sup>2</sup> <https://www.preston.gov.uk/yourservices/planning/planning-policy/preston-local-plan/preston-local-plan/>

<sup>3</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/422565/bis-10-1208-securing-sustainable-higher-education-browne-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/422565/bis-10-1208-securing-sustainable-higher-education-browne-report.pdf)

- 2.7 Within and adjoining the area defined as HS6 on the Policies Map, development will be permitted for educational uses (Use Classes D1, D2), or any other appropriate complementary uses, **including student accommodation** and knowledge-based and creative industries, that relate to the operation of the University, or welfare of staff and students. Outside the area defined as HS6 on the Policies Map, proposals for student accommodation will need to be justified and will be considered taking the following matters into account:
- a. The **existing supply of and need for student accommodation** (including vacancies), **gaps in the market** and provision for accommodation of students with special needs;
  - b. **The type of accommodation proposed and whether it will provide a beneficial alternative to the existing stock** of student accommodation in the area;
  - c. The surrounding land uses, whether they are residential dwellings, and the level of facilities available in the area;
  - d. The accessibility of public transport provision in the area and the strength of links with the University campuses;
  - e. The density of development including the appropriateness of the development.
- 2.8 Policy was intended to reduce student development in residential areas due to the effect on amenities and the character of these neighbourhoods, whilst supporting the growth of UCLAN, which had grown quickly pre-2012, with student numbers increasing by 3,500 between 2006/07 and 2011/12.
- 2.9 It should be noted that Policy states “the Council will seek the views of the University for all new student accommodation proposals”.

### Policy HS7 – Houses in Multiple Occupation

- 2.10 An Article 4 Direction (requiring planning permission for the change of use from single houses to HMOs) was put in place in several areas of Preston deemed to be vulnerable to the changes associated with such change, and these areas are as follows: Ashton, Deepdale, Moor Park, Riversway, St Georges, Town Centre, Tulketh, University. The policy was intended to establish control over the concentration of HMOs, as high concentrations of HMOs can lead to several issues around parking, noise and the general amenities of an area.
- 2.11 Policy states that the Council will allow proposals for the conversion of buildings into multiple occupancy units, provided that:
- a. The proposal does not erode the amenity of neighbouring properties and the character and appearance of the surrounding area;
  - b. The property is deemed suitable for conversion without the need for any substantial extensions that would have a detrimental impact on amenity of neighbouring properties and the character and appearance of the area;
  - c. the proposal would not lead to an unacceptable over-concentrated use of the property and site;
  - d. an adequate amount of garden/outdoor amenity space is provided to meet the needs of residents;

- e. the site can accommodate the necessary parking and manoeuvring areas in a way which preserves residential amenity and the quality of the street scene;
- f. adequate refuse and recycling facilities, including appropriate storage space, is provided, the proposal would not put future occupants at an unacceptable risk of flooding.

2.12 Of course, policy relating to HMO accommodation has been joined by changes to national legislation in October 2018.

### Summary

2.13 It is clear that Policy HS6 was designed at a time when the University was expanding, and the City Council was looking to effectively support and manage this growth. However, UCLan is now operating in a very different market environment. It is therefore appropriate that with the refresh of the Local Plan, the City Council is reassessing the scale of demand and supply for student accommodation in Preston.

2.14 In terms of policy relating to HMOs, there are clear student movements away from this type of accommodation and, combined with national legislative change, it is likely that the Preston market will see a gradual reduction in the number of students living in this type of accommodation over time.

2.15 Changes to demand and supply in the City are explored throughout this report.

## 3.0 About the University

### City Overview

- 3.1 As noted in the Preston Local Plan and the City Living strategy, UCLan is deemed key to maximising the area's economic potential, providing a vital source of Higher Education and helping attract targeted demographics such as; international students, postgraduates and young professionals into Preston.
- 3.2 Preston is home to the main campus of the University of Central Lancashire (UCLan), which had a full-time and sandwich student population of 17,640 in 2016/17. The total student population in 2016/17 was 24,295, a near 20% fall from the 30,000 students referenced in the Preston Local Plan. However, the University still makes a significant contribution to the local economy and the sub-region, contributing £200m in economic value and supporting 4,300 full-time equivalent jobs.<sup>4</sup>

### About the University

- 3.3 The University of Central Lancashire began as The Institute for the Diffusion of Knowledge which was founded in 1828 by Joseph Livesey's Temperance Society. The institute was housed in a classical-revivalist building on Canon Street, before expanding under the endowment of local lawyer, Edmund Robert Harris. The institute became a regional centre for the arts and sciences and existed in this state until 1932 when it changed its name to the Harris Art College. It underwent further expansion and in 1952 became Harris College. In 1973 this became Preston Polytechnic and then Lancashire Polytechnic in 1984. In 1992, full university status was awarded and the University of Central Lancashire came into existence.
- 3.4 The journalism division, now part of the School of Journalism and Media, is one of the oldest in the country, opening as part of the Harris College in 1962. In 1991, it became one of the first to teach journalism undergraduate degrees, with a strong emphasis on practical work. In 2013 the School of Dentistry and the School of Postgraduate Medical and Dental Education merged to create the School of Medicine and Dentistry.
- 3.5 The University's main urban campus is in Preston, with smaller campuses located in Burnley, Westlakes and a €53 million campus in Cyprus, which opened in 2012. The institution is diverse with students and researchers from over 100 countries and partnerships with 125 international institutions. It has a base in China's Shenzhen Virtual University Park, conducting collaborative research with some of China's leading universities into nanotechnology with application in drug delivery, water purification and fire toxicity. Within the School of Language and Global Studies, staff speak 30 languages and represent 22 nationalities. UCLAN has 98 professors, over 600 research or knowledge transfer-active members of staff, and 763 research students. There are 246 Honorary Fellows of the University.

### UCLan Strategy 2015-2020

- 3.6 In 2015 the University published its Strategy 2015-2020, setting out the institution's strategic aims and goals. The UCLan mission was identified as being to:

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<sup>4</sup> Regeneris 2015

- 3.7 'create positive change in its students, staff, business partners and wider communities, enabling them to develop their full potential by providing excellent higher education, innovation and research.'
- 3.8 The document also identifies UCLan's core values as:
- The pursuit of excellence in all that we do
  - Equality of opportunity for all, supporting the rights and freedoms of its diverse community
  - The advancement and protection of knowledge, freedom of speech and enquiry
  - Supporting the health, safety and wellbeing of all
- 3.9 Moving forward, UCLan aims to create an inspirational student experience, enabling people, irrespective of their backgrounds, to fulfil their potential, develop as global citizens and meet their life and career goals. The University will be innovative and entrepreneurial in their approach to research and knowledge exchange to maximise its positive social, environmental and economic impact locally, nationally and globally. The university recognises that it is now operating in a global market place, and has aligned its activities, such as curriculum, research and study opportunities, to be more internationally focused.

### Summary

- 3.10 UCLan seeks to remain competitive in the market through its £200m Masterplan. The plans are set to be transformation in terms of the student experience and learning on campus. The University's Strategy reflects the changes made to the Higher Education sector as a result of the Browne Review (examined earlier in this Report).
- 3.11 The University has fallen in all three major league table rankings since 2012, which is indicative of intense levels of competition in the market.

## 4.0 Student Demand

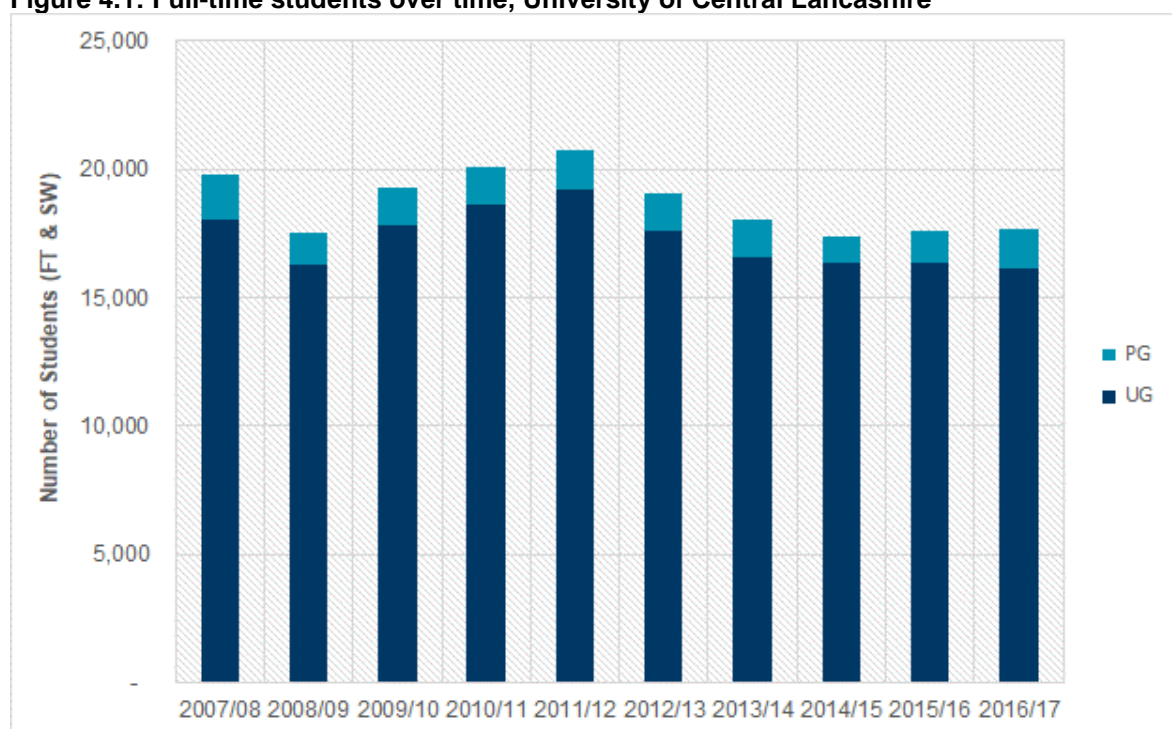
4.1 This section highlights patterns of student demand and related trends at the University of Central Lancashire. It assesses the changing demography of the student body and its potential implications for accommodation demand and therefore wider policy.

### Level of Study

4.2 Full-time student numbers at UCLan reached a peak of 20,765 in 2011/12 before a decline in student numbers to 2014/15. The initial fall in student numbers was associated with the UK Governments decision to increase tuition fees to a maximum of £9,000 per year in 2012 (now £9,250). Changes to the structure of funding of Higher Education have fundamentally altered student decision making, with a flight to the perceived highest quality institutions evident, especially amongst non-UK students. At UCLan, there has been a turnaround in student numbers post 2014, with overall intake increasing fractionally.

4.3 Emerging evidence for 2017/18 shows that full-time student numbers have risen to 17,780 – growth of 0.8% on the previous year.<sup>5</sup> This is a positive trend, especially given the University's position in an extremely competitive area of the market. The University is not currently forecasting growth over the coming years and Cushman & Wakefield believes that this is a prudent approach given macro and micro trends and impacts in the Higher Education sector.

**Figure 4.1: Full-time students over time, University of Central Lancashire**



Source: HESA 2007/08 – 2016/17

4.4 The student body has reduced in size by 15% between 2011/12 and 2016/17, compared to an average growth rate of 5% observed nationally. Student numbers have fallen at both undergraduate and

<sup>5</sup> Note that domicile and level data for 2017/18 is currently unavailable

postgraduate level, with the former reducing by 16% and the latter by 4%. Undergraduate students have decreased year-on-year since 2011/12, although the rate of decline has slowed down in recent years. However, between 2014/15 and 2016/17 postgraduate numbers have recovered substantially, growing by roughly 500 students (although numbers are still lower than pre-2012 levels).

**Table 4.1: Full-time students by level of study, University of Central Lancashire**

Level of Study	2016/17			2011/12			UCLAN	UK
	Student numbers	%	UK Comparator (%)	Student numbers	%	UK Comparator (%)	Growth 2011/12 to 2016/17	Growth 2011/12 to 2016/17
UG	16,165	92%	82%	19,225	93%	82%	-16%	5%
PG	1,475	8%	18%	1,540	7%	18%	-4%	4%
<b>Total</b>	<b>17,640</b>	<b>100%</b>	<b>100%</b>	<b>20,765</b>	<b>100%</b>	<b>100%</b>	<b>-15%</b>	<b>5%</b>

Source: HESA 2011/12 – 2016/17

## Domicile

- 4.5 The University has experienced a fall in students from all domiciles over recent years, with EU student numbers showing the most significant decline of 37% over the past five years, between 2011/12 to 2016/17. Non-EU Students have remained stable since 2013/14, at roughly 1,500. UK students have reduced by 15%, the equivalent of 2,670 students in absolute numbers. Despite this fall, UK students still make up 89% of the student population. Despite declining student numbers, students ordinarily domiciled outside of the region accounted for 31% of the overall student body, the same as five years before.

**Table 4.2: Full-time students by domicile, University of Central Lancashire**

Domicile	2016/17			2011/12			UCLAN	UK
	Student numbers	%	UK Comparator (%)	Student numbers	%	UK Comparator (%)	Growth 2011/12 to 2016/17	Growth 2011/12 to 2016/17
UK	15,685	89%	77%	18,355	88%	78%	-15%	4%
EU	435	2%	6%	695	3%	6%	-37%	9%
Non EU	1,525	9%	16%	1,715	8%	15%	-11%	7%
<b>Total Non UK</b>	<b>1,960</b>	<b>11%</b>	<b>23%</b>	<b>2,410</b>	<b>12%</b>	<b>22%</b>	<b>-19%</b>	<b>7%</b>
<b>Total</b>	<b>17,640</b>	<b>100%</b>	<b>100%</b>	<b>20,765</b>	<b>100%</b>	<b>100%</b>	<b>-15%</b>	<b>5%</b>

Source: HESA 2011/12 – 2016/17

- 4.6 The largest loss of students has been those who live in the North West, a reduction of over 2,000 between 2011/12 and 2016/17 and a figure that accounts for two-thirds of all lost students. Non-regional student numbers have decreased by 1,000, or 16% which is a marginally faster rate of decline than those from the North West. This trend has significant impacts in terms of the overall level of demand for student accommodation at the University.

## Summary

- 4.7 The University of Central Lancashire has seen a 15% fall in student numbers between 2011/12 and 2016/17, although there is evidence of a turnaround, with an increase in student numbers post 2014 and an increase of 500 postgraduate students in two years. The largest loss of students has been those who live in the North West, a reduction of over 2,000 between 2011/12 and 2016/17 and two

thirds of all lost students. Non-regional student numbers have decreased by 1,000, or 16% which is a marginally faster rate of decline than those from the North West.

- 4.8 Key to the assessment of demand in this report is the composition of the student body, with a significant decline in the number of 18-20-year olds at UCLan a result of changes to student behaviour and the impact of the demographic dip in UK 18-year olds.
- 4.9 There has also been a significant reduction in non-UK recruitment, in line with a large number of post-1992 universities since 2012 which has impacted on the demand for bed spaces. The University is far more locally recruiting than the national average and has performed poorly in terms of recruitment when measured against tariff band comparators.



## 5.0 University Accommodation

5.1 This section of the report analyses University-owned and nominated bed spaces, as well as direct-let stock across Preston). It also assesses quality and pricing in the context of the overall market.

### University Accommodation

5.2 As of the 2018/19 academic year, the university currently offers a total of 1,736 beds to its students of which the University owns 61% (1,065), with the remaining 39% available through series of rolling leases with four schemes owned and operated by; iQ, Sharples Ltd, TJ Thomas Estates Group and Sanctuary students. The University offers all rooms on a standard 42-week tenancy.

**Table 5.1: University Purpose-built Student Accommodation in Preston**

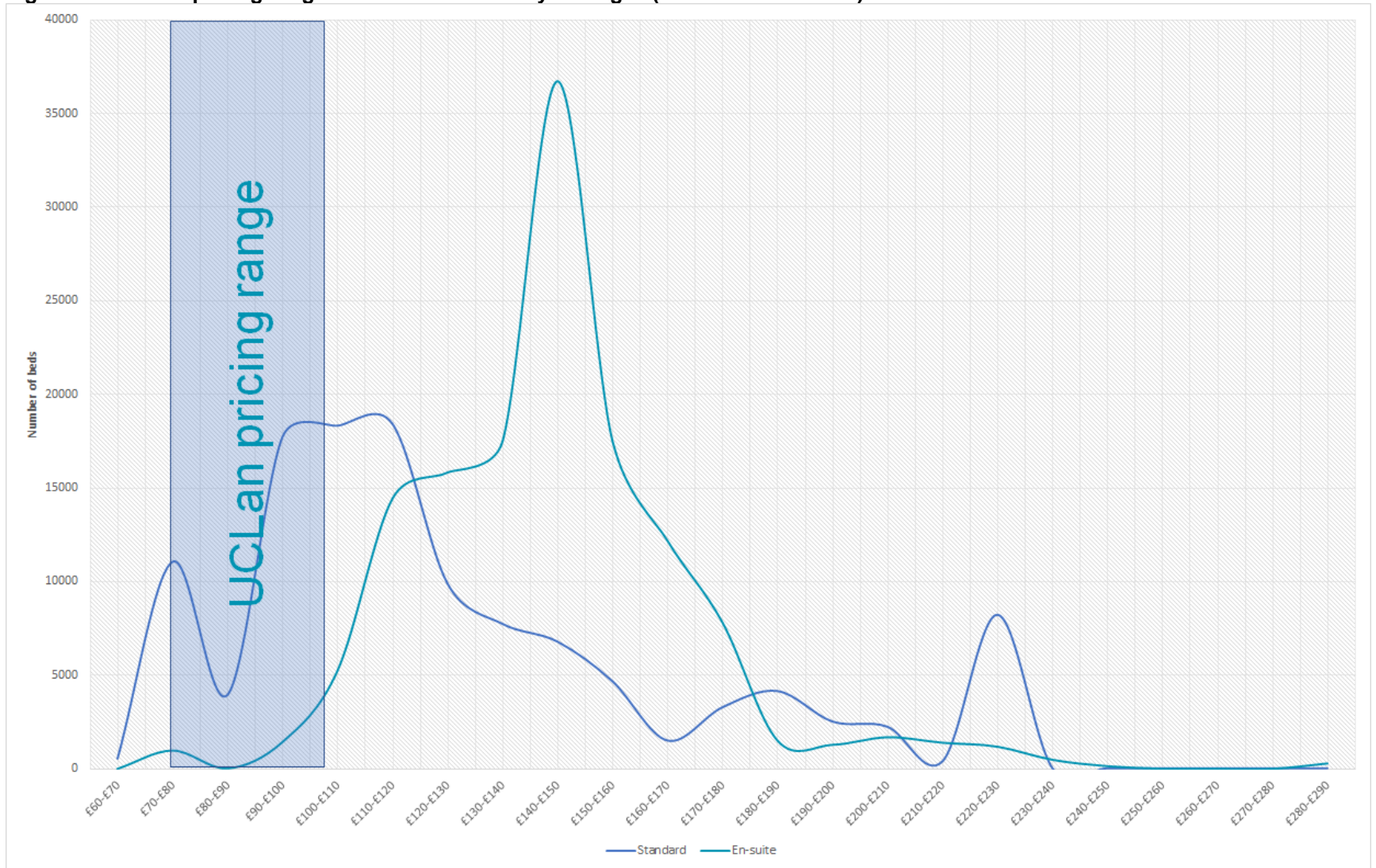
Block Name	Operator	Postcode	Room Type by Category	Weekly Rent	Let Length	Annual Rent
Boatmans Court and Bowran House	Sharples Ltd	PR1 8RQ	En-suite	£99	42	£4,171
				£105	42	£4,410
Derwent Hall	UCLan	PR1 2HE	Standard	£79	42	£3,319
Douglas Hall	UCLan	PR1 7QS	Standard	£79	42	£3,319
iQ Kopa	iQ Student	PR1 1LR	En-suite	£105	42	£4,410
Moor Lane Halls	Sanctuary Students	PR1 1JR	En-suite	£100	42	£4,201
				£105	42	£4,410
Pendle Hall	UCLan	PR1 2HE	1 Bedroom Flat	£115	42	£4,848
			2 Bedroom Flat	£96	42	£4,032
			3 Bedroom Flat	£90	42	£3,796
Ribble Hall	UCLan	PR1 7QS	Standard	£79	42	£3,319
				£87	42	£3,654
Roeburn Hall	UCLan	PR2 2QQ	En-suite	£103	42	£4,345
Whitendale Hall	UCLan	PR1 7BG	Standard	£72	42	£3,022
				£87	42	£3,654

Source: Cushman & Wakefield Student Accommodation Tracker 2018/19

5.3 As can be seen from the above table and the charts below, University rents are priced from £72 to £115 per week. Over half of all beds (54%) are priced between £100 and £110pw, accounting for the University's en-suite room offering. Standard rooms with washbasins are the University's most affordable option, with 79% of this type of room priced between £70 and £80pw.

5.4 UCLan rents are priced extremely low in a national context, with a standard bed space available through the University priced at £79 per week. This is over 25% lower than the national average price of a standard university bed space of £108.19 in 2018/19. At between £100 and £105 per week, the pricing of UCLan en-suite beds is between 25% and 28% less expensive than the national average price of a university en-suite bed of £139.40. Pricing in a national context can be seen below.

**Figure 5.1: UCLan pricing range vs national university averages (standard & en-suite)**



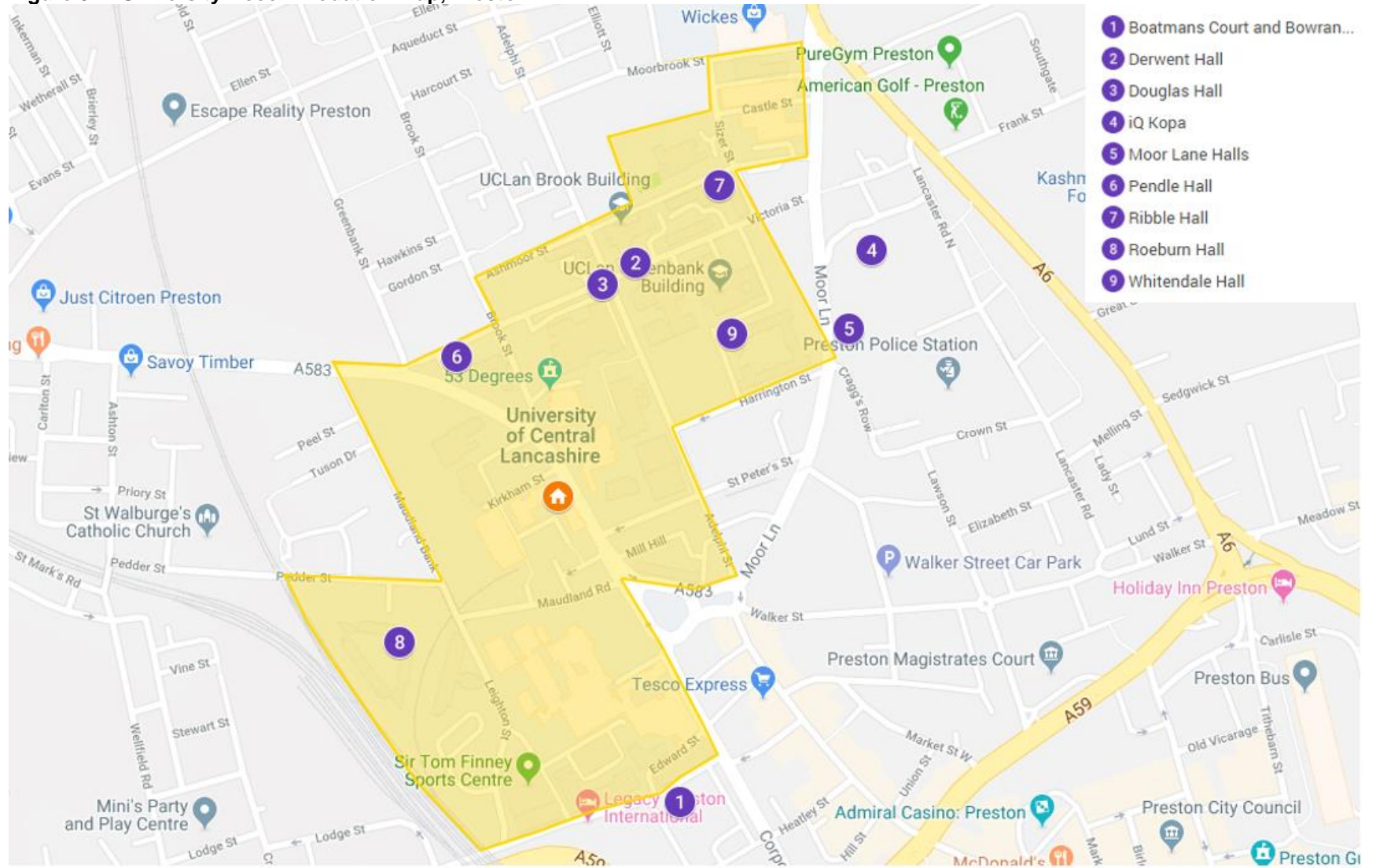
Source: Cushman & Wakefield Student Accommodation Tracker 2018/19. Note: national averages exclude catered beds and exclude London

- 5.5 As can be seen from the charts, current price banding is inexpensive, but extremely narrow in scope. This has the potential to mean that the University is not currently capturing all potential demand from students, with those looking for higher quality of accommodation opting to choose beds available through the private sector. Whilst this is not necessarily an issue for returning students, there is potential that some first-year students are being lost to the private sector through the University not offering a wider range of rooms. This potentially impacts on the levels of pastoral care provided and student behaviour in the City.
- 5.6 In terms of the pricing of accommodation, 73% of all University-provided bed spaces are priced between £100 and £110 per week, this compares with just 19% of all university bed spaces provided nationally.

## Accommodation Location

- 5.7 University accommodation is distributed around the campus, with the majority of schemes located to the north of Fylde Road. The map below shows the breakdown of accommodation by location.

**Figure 5.2: University Accommodation Map, Preston**



Source: Cushman & Wakefield Student Accommodation Tracker 2018/19

- 5.8 As can be seen, all accommodation is located either within the main campus boundary or on the campus edge (including nominated stock). This makes accommodation extremely convenient for access to all University lecture halls and amenity buildings (including the Students' Union) and means there is a significant body of students on campus in the day and in the evenings (although the University does offer a relatively small number of bed spaces overall).

### Summary

- 5.9 UCLan currently offers a limited number of bed spaces to its students. Accommodation is extremely lowly priced in a national context and when measured against the University's peers, meaning that stock is affordable but quality is lower than national averages. It can be argued that this has created a market of low expectations in Preston.
- 5.10 The University is unusual in the fact that it offers no formal and overarching marketed guarantee of accommodation to first year students and this has potential to hamper not only UCLan's appeal to potential students, but also the levels of pastoral care provided to students in the City.
- 5.11 A lack of University rental increases over an extended period of time has inhibited the private sector's ability to raise quality, possibly impacting on overall investment levels in existing stock. The table below shows average rental growth for both university and private sector stock in Preston and at a national level for the past 3 years. While other factors do impact the market, a parallel can be drawn between university and private sector rental increases. Where UCLan has restricted rental increases, the private sector has suffered, whereas at a national level, healthy university rental increases have generally been reflected in the private sector. This is especially prevalent in markets in which oversupply is an issue.

## 6.0 Private Sector Accommodation

- 6.1 The following section of the report examines the private sector purpose-built accommodation market in Preston.

### Private Sector Purpose Built Accommodation

- 6.2 Preston is home to an extensive private sector market, with 18 private PBSA schemes totalling 3,873 bed spaces (excluding those bed spaces leased by the University). It is clear that to some extent, the private sector has been encouraged by the lack of bed spaces available through the University (as well as by the availability of land and favourable development appraisals associated with PBSA). Just under a third of these bed spaces (1,027) have opened within the last three years (Canterbury Hall, The Box, Tramshed, Friargate, and Jubilee Court). This is an intensive level of development in a market reliant on a single institution that has seen a fall in student numbers over recent years. This scale of development has undoubtedly led to occupancy issues across the market, especially in products unsuited to the demand base found in Preston.
- 6.3 The table below outlines private purpose-built student accommodation in Preston for the 2018/19 academic year. The market is home to some of the largest operators in the UK, including CRM, iQ, Fresh Student Living and Homes for Students.
- 6.4 Private sector studio accommodation in Preston is generally priced significantly above en-suite bed spaces – rooms are largely priced at over £30 more per week and £2,000 on an annual basis. However, the majority of the Preston private sector market is inexpensive in a national context.

**Table 6.1: Private Purpose-built Student Accommodation in Preston**

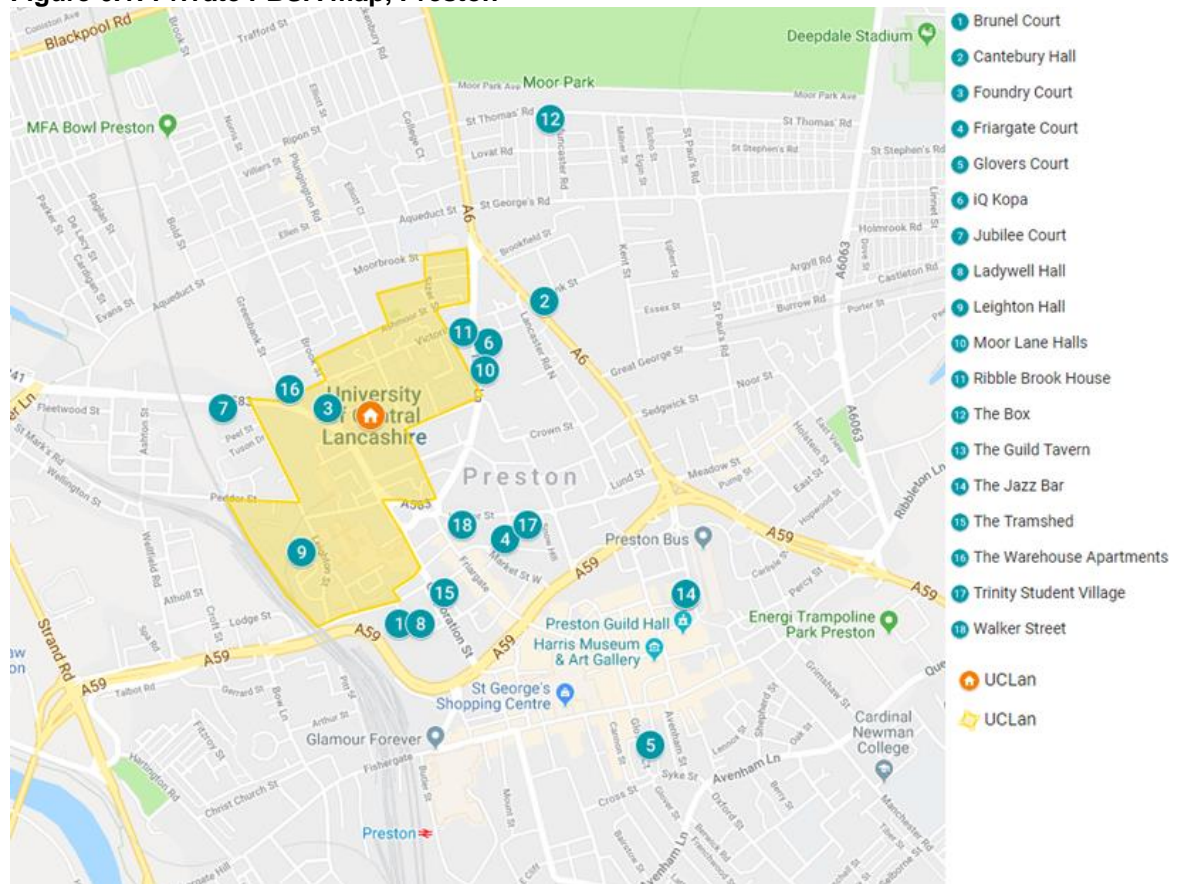
Block Name	Operator	Postcode	Room Type by Category	Weekly Rent	Let Length	Annual Rent
Brunel Court	T J Thomas Estates Group	PR1 2YF	En-suite	£79 - £83	42	£3,318 - £3,486
				£75 - £79	51	£3,825 - £4,029
			Studio	£99 - £120	42	£4,158 - £5,040
				£95 - £115	51	£4,845 - £5,865
Canterbury Hall	Student Facility Management	PR1 1RU	Studio	£118 - £170	51	£6,018 - £8,670
Foundry Court	Homes For Students	PR1 7DE	En-suite	£94	44	£4,136
				£89	51	£4,539
Friargate Court	Portergate Property Management	PR1 2HH	En-suite	£115 - £150	42	£4,830 - £6,300
			Studio	£175	42	£7,350
Glovers Court	T J Thomas Estates Group	PR1 3LS	Standard	£55	39	£2,145
iQ Kopa	IQ Student	PR1 1LR	En-suite	£90 - £130	43	£3,870 - £5,590
				£85 - £124	50	£4,250 - £6,200
			Studio	£150	43	£6,450
				£140	50	£6,450 - £7,000
Jubilee Court	Alpha Student Management	PR1 2XP	En-suite	£90 - £95	42	£3,780 - £3,990
			Studio	£120 - £125	42	£5,040 - £5,250
				£117 - £122	50	£5,850 - £6,100
Ladywell Hall	Kexgill	PR1 2XF	En-suite	£75	45	£3,375
Leighton Hall	CRM	PR1 8RH	En-suite	£85 - £89	42	£3,570 - £3,738
				£83 - £87	51	£4,233 - £4,437
			Studio	£125	51	£6,375
Moor Lane Halls	Sanctuary Students	PR1 1JR	Standard	£72	44	£3,366
				£77	50	£3,600
			En-suite	£92 - £116	44	£4,048 - £5,104
				£87 - £110	50	£4,325 - £5,500
Ribble Brook House	Your Housing Group	PR1 1LJ	En-suite	£105	50	£5,250
			Studio	£120 - £125	50	£6,000 - £6,250
			1 Bedroom Flat	£128	50	£6,375
The Box	Alpha Student Management	PR1 6AX	Standard	£70	42	£2,940
			En-suite	£80	50	£4,000
The Guild Tavern	Metro Student Accommodation	PR1 1DJ	En-suite	£95-£97	50	£4,750 - £4,850
			Studio	£128-£168	50	£6,400 - £8,400
The Jazz Bar	Metro Student Accommodation	PR1 1DJ	En-suite	£97	50	£4,850
			Studio	£144	50	£7,200
			1 Bedroom Flat	£174	50	£8,700
The Tramshed	Fresh Student Living	PR1 2XH	En-suite	£114 - £129	44	£5,016 - £5,676
			Studio	£109 - £124	50	£5,450 - £6,200
The Warehouse Apartments	Student Facility Management	PR1 7QT	En-suite	£97 - £102	44	£4,268 - £4,488
				£90 - £96	50	£4,500 - £4,800
			Studio	£115	44	£5,060
				£107	50	£5,350
Trinity Student Village	Homes For Students	PR1 2HF	En-suite	£88 - £113	44	£3,872 - £4,972
				£83 - £111	51	£4,233 - £5,661
Walker Street	Sanctuary Students	PR1 2RN	En-suite	£102 - £108	44	£4,488 - £4,752
				£96 - £102	50	£4,800 - £5,075

Source: Cushman and Wakefield Student Accommodation Tracker 2018/19



- 6.5 The direct-let market is, on the whole, one of the best located in the UK, and accommodation is generally located around the UCLan campus, with a large number of schemes between the campus and the city centre, above the A59. In fact, 98% of all bed spaces in the market are within five minutes' walk an edge of the University's campus – the highest figure seen in the UK, and one very unusual for a mid-sized, developed PBSA market.
- 6.6 There are four peripheral schemes in the context of the market: Glover's Court; The Jazz Bar; The Guild Tavern; and The Box (and arguably, Canterbury Hall). However, in most major such developments would not be considered poor locations, but Preston is relatively unique with the availability of land on and around the campus. Any scheme over five minutes' walk away from the UCLan campus is at a significant disadvantage due to the sheer amount of better located University and direct-let stock. This is borne out by our conversations with local operators. It should be noted that one consultee was aware of significant dissatisfaction from students with the location of Canterbury Hall – a new scheme located just ten minutes' walk from the Students' Union. This was reflected through our consultations with the City Council. This serves to highlight the absolute importance of location in the Preston market.

**Figure 6.1: Private PBSA map, Preston**

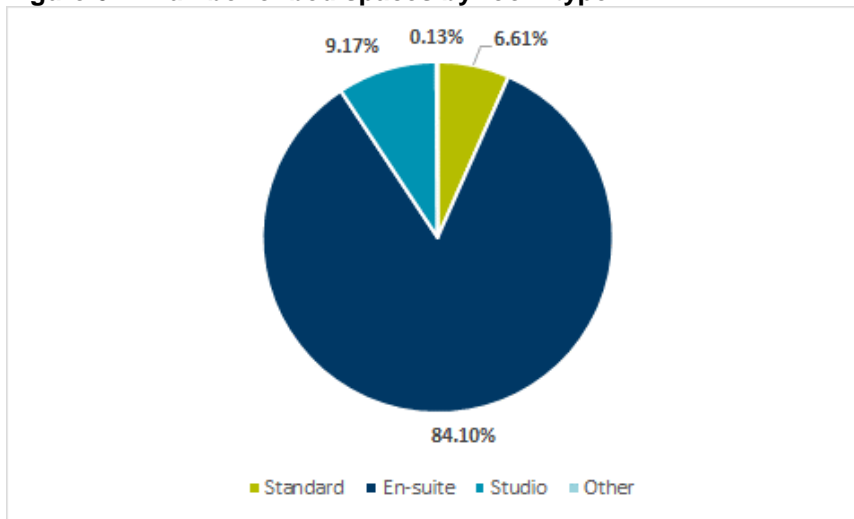


Source: Cushman and Wakefield Student Accommodation Tracker 2018/19

- 6.7 Figure 6.2 shows the breakdown of private sector accommodation by rooms type in Preston. In contrast to the University, almost private PBSA beds are en-suite (84%), with just 7% of bed spaces standard rooms. The proportion of en-suites is unusually high when measured against national averages, and a large number of these bed spaces can be seen as directly competitive with the

University's own stock. A small number of studio rooms are also available, although this is still a relatively niche product, representing just over 9% of the private sector market.

**Figure 6.2: Number of bed spaces by room type**

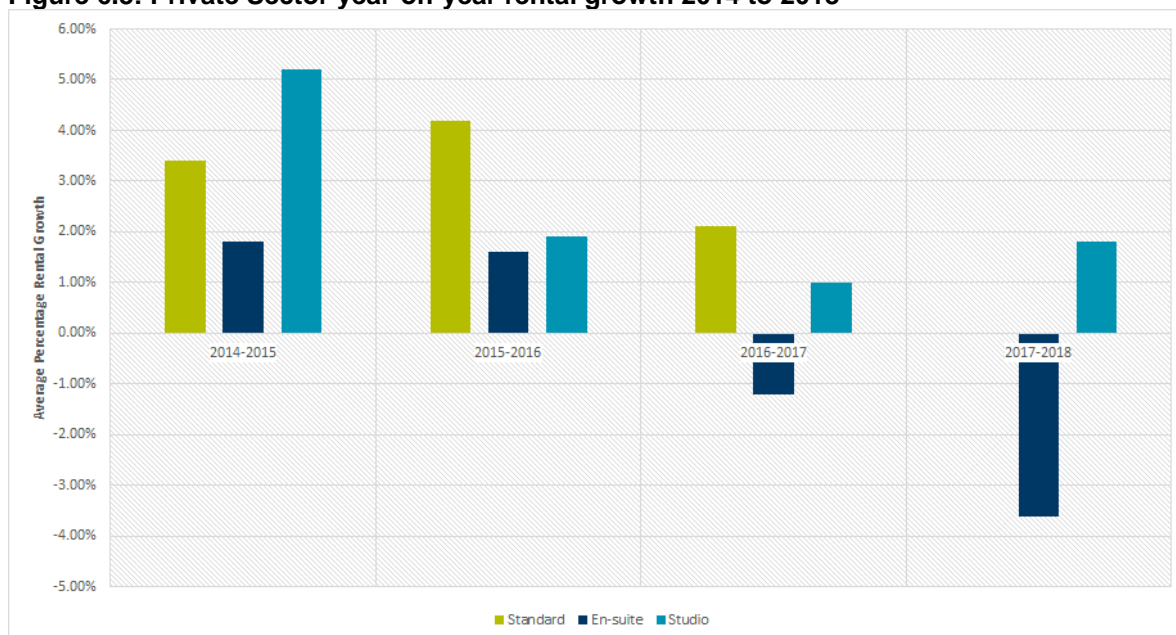


Source: Cushman & Wakefield Student Accommodation Tracker 2018/19

- 6.8 Figure 6.3 profiles the totality of purpose-built student accommodation pricing in the city of Preston. While there are a wide range of price points available it is clear that the majority of private sector en-suite accommodation is priced below that of equivalent University bed spaces, despite the low price of this stock in national terms. This differential in pricing in Preston is most likely a reaction to intensive competition in the market and is replicated in a number of other locations across the UK that are suffering from relative levels of 'oversupply'.
- 6.9 Direct-let standard rooms and University standard rooms are priced similarly, at between £60 & £80 per week, although let lengths in the direct-let sector can be longer thus direct let rooms can be a little more expensive on an annual basis. The most varied of the product types in terms of weekly rent is studio accommodation. This mirrors trends nationally, with a number of operators seemingly unable to determine a true pricing range for this product, with variation in size and specification very common due to the comparatively new nature of the product. Studios are priced between £110 and £170 per week with no clear modal price point.

- 6.10 While standard rooms are priced in line with the market, en-suite rooms are typically priced above those available in the private sector. The proliferation of private en-suite rooms in the city has led to increased competition in the private sector and restrained rental increases. A number of developers in the private sector have sought to differentiate themselves from market competition by offering a selection of premium en-suite and studio products, and these are priced significantly above University-offered rooms. Despite the relative low price of accommodation in the private sector market, Cushman & Wakefield is still aware of a significant number of voids (something explored in more detail later in this report).
- 6.11 Competition in the Preston market is undoubtedly impacting on the scope for rental increases in private sector purpose-built stock. Rental increases in studio rooms have been observed every year since 2014/15, although since 2015 these increases have been considerably below the UK market average of 2.8%. This indicates that, despite the fact that the Preston market is home to a relatively low percentage of studio beds, demand for this product is extremely limited thanks to the profile of the Preston student body.
- 6.12 Standard rooms have also, on average, increased consistently in price, however, the price has plateaued between 2017 and 2018, which is likely indicative of conditions outlined throughout this report. A healthy growth was observed in the rental price of En-suite rooms until 2017, when a large number of this type of bed were brought the market increasing competition between providers and driving prices down. En-suite prices fell by a significant 3.6% in 2018 reflecting increased competition and falling student numbers at the University.

**Figure 6.3: Private Sector year-on-year rental growth 2014 to 2018**



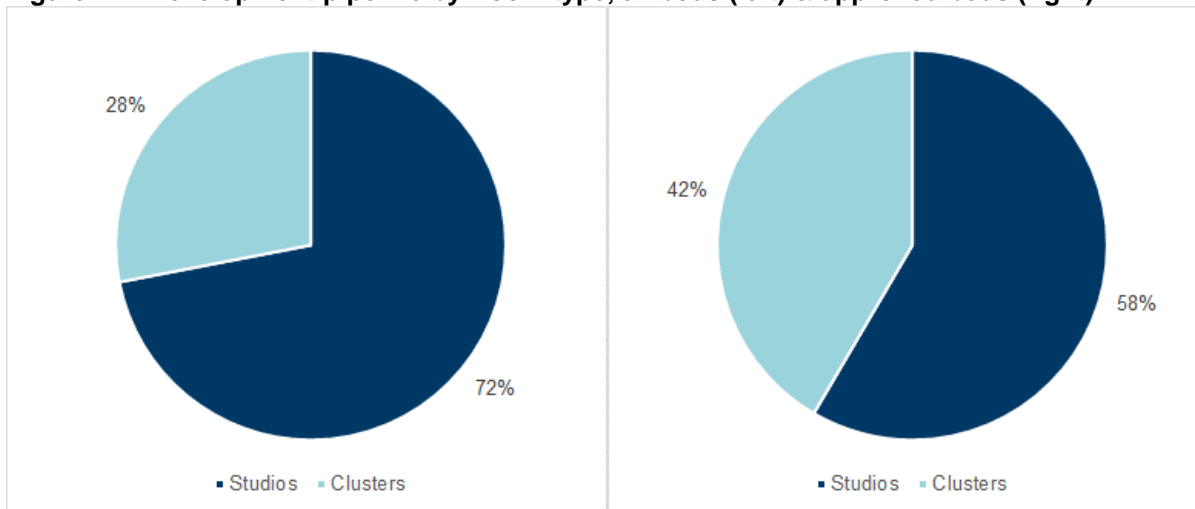
Source: Cushman & Wakefield Student Accommodation Tracker 2018/19

## 7.0 Preston Development Pipeline

### The Current Pipeline

- 7.1 The charts and table below show the current development pipeline in Preston, and we have chosen to exclude developments on hold or applications for change of use from student to another usage class. We understand that the redevelopment of Sizer House to create 452 studio apartments and the development of 75 beds at 44 Corporation Street are now on hold and are unlikely to be built under current market conditions (Cushman & Wakefield is aware of no mainstream funder that would lend on these plans). Currently, there are five schemes in planning or under construction and four have planning permission. One scheme is awaiting a decision on an outline planning application.

**Figure 7.1: Development pipeline by Room type, all beds (left) & approved beds (right)**



Source: Preston City Council January 2019

- 7.2 The development pipeline is dominated by studio beds, with developers looking to build the room type due to the higher rental returns. Cushman & Wakefield is absolutely confident that these applications are being driven by development appraisals and not by a true assessment of market demand conditions. Three quarters of the beds in the pipeline are studios but only 58% of approved beds are of this type. Of course, this proportion of bed spaces would have been far higher had the proposed Sizer House scheme been fundable.

**Table 7.1: Preston Development Pipeline**

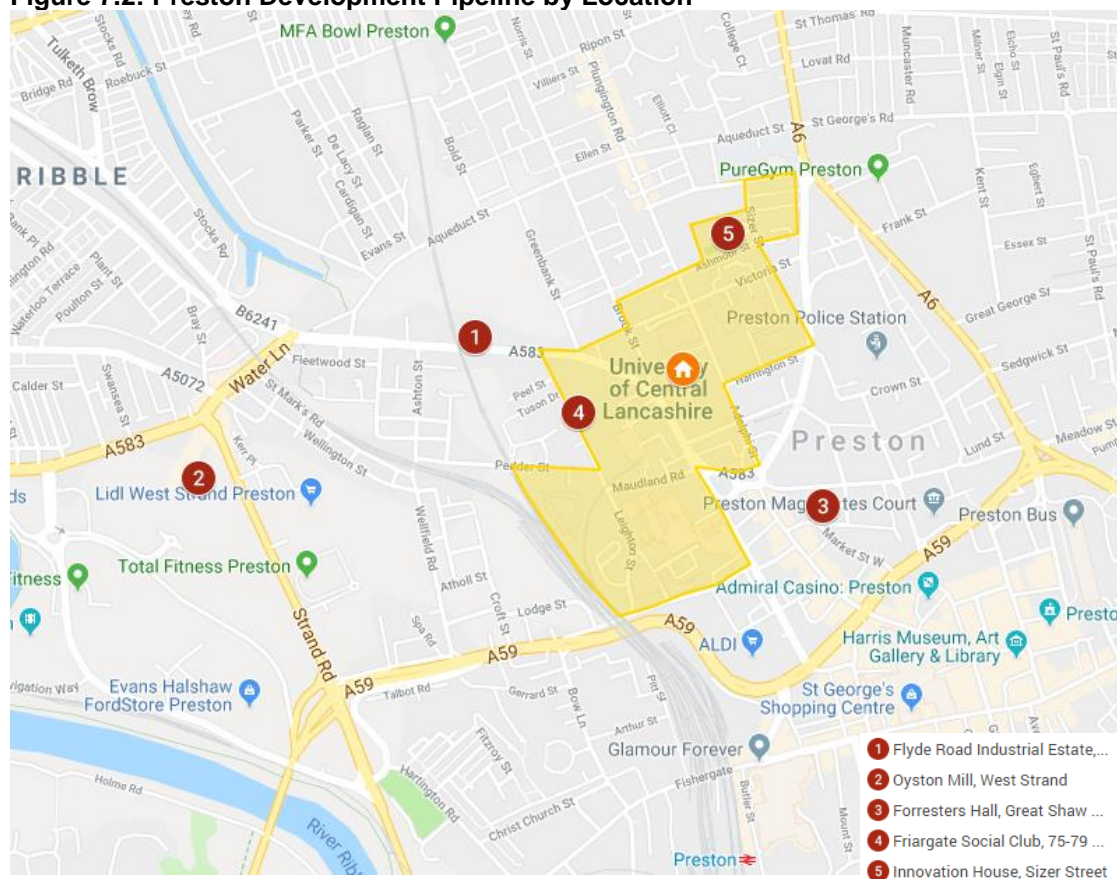
Address	Postcode	Planning reference	Status	Number of beds	Studios	Clusters	Applicant	Anticipated opening
Flyde Road Industrial Estate, Flyde Road	PR1 2TY	06/2016/1144	Approval with Conditions	4	4	0	Lime Oak Properties	May-19
Oyston Mill, West Strand	PR1 8UR	06/2017/0669	Approved	259	0	259	Denwis Ltd	Site to be sold
Forresters Hall, Great Shaw Street	PR1 2HH	06/2018/0072	Application Submitted	301	301	0	Kingswood Properties	Jul-20
Friargate Social Club, 75-79 Maudland Bank	PR1 2YL	06/2018/0614	Approved	142	142	0	Carson Sall	Nov-20
Innovation House, Sizer Street	PR1 7DR	06/2016/0828	Approved	218	218	0	Ladson Construction Ltd	TBC

Source: Preston City Council January 2019

7.3 The largest scheme in the pipeline is Forrester’s Hall, a 301-bed, all-studio development and is one that is currently awaiting decision on an outline planning application. The second largest scheme is Oyston Mill, which is a 259-bed, all en-suite cluster scheme but again this proposed scheme currently looks unlikely to be developed in the short term due to funding issues. The proposed Innovation House scheme is yet to start on site and we again understand that there have been funding issues relating to this development (despite its strong location).

7.4 Four of the five schemes in the pipeline would be well located within five minutes of the UCLan campus and would add to the large number of bed spaces already available. The proposed Oyston Mill scheme is not located in an established student location and in Cushman & Wakefield’s opinion, would be unpopular with students based on location alone.

**Figure 7.2: Preston Development Pipeline by Location**



Source: Preston City Council January 2019

- 7.5 It is Cushman & Wakefield's opinion that the planned schemes would add little to market in terms of broadening the overall scope of accommodation, with all bed spaces set to be studio accommodation (assuming Oyston Mill does not go ahead). In terms of impact on the market, the development of the three planned studio schemes has the potential to increase the number of beds of this type to 1,016 – the equivalent of 16% of an increased market.
- 7.6 This figure of 16% would be significantly above the national average of 12%, and far above any comparator locations considered elsewhere in this report. Cushman & Wakefield is confident that the overall demand pool for studio bed spaces in the market is below average given the composition of the student body, and evidence of underoccupancy of studio accommodation in the market – e.g. at Friargate Court – proves limited demand for this product in Preston. It is likely that if these schemes were to be built - given the demand profile of students in the City – there would be more retrospective applications for changes/extensions of use.

## 8.0 Houses in Multiple Occupation

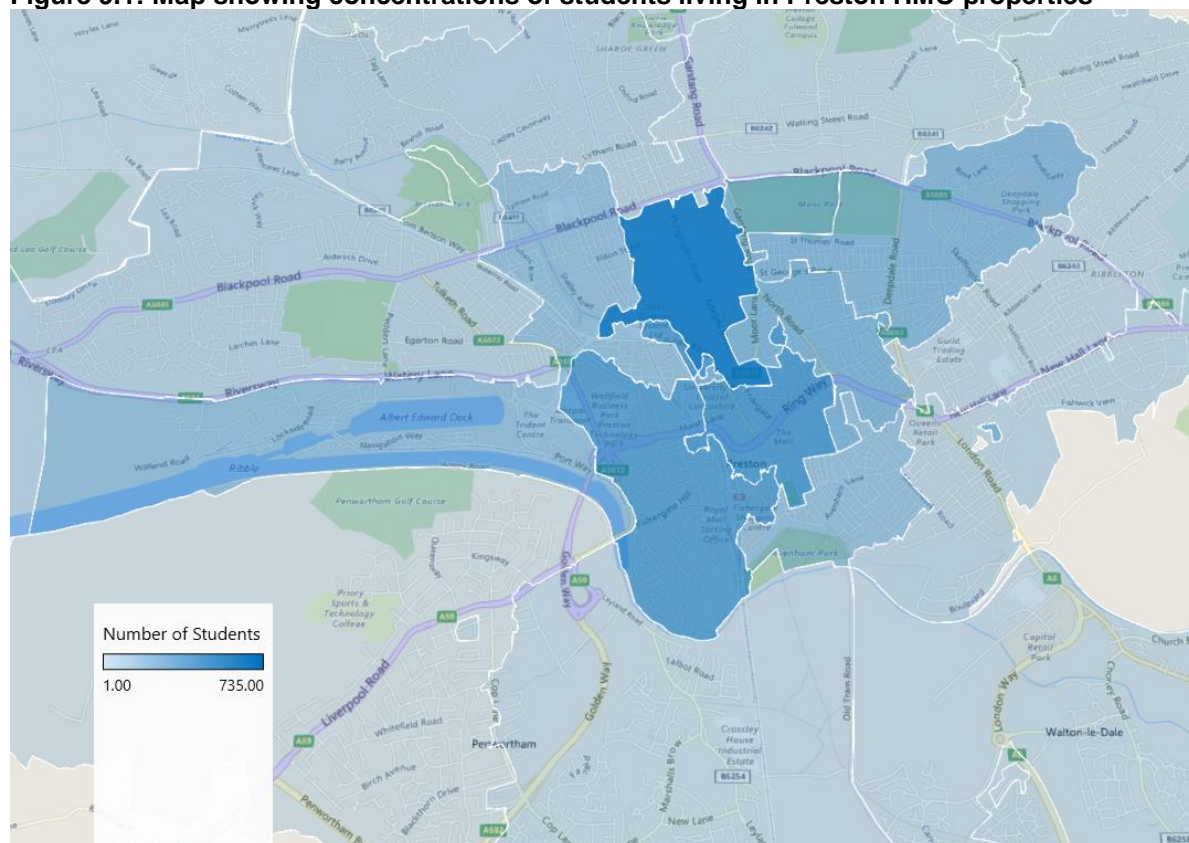
### Introduction

- 8.1 Houses in Multiple Occupation (HMOs) form an important part of accommodation supply for students (especially returners), although there are negative impacts associated with large numbers of students living in the private housing market in one area. Currently policy relating to HMOs in Preston has resulted in the imposition of Article 4 Directions across key areas of the City.

### Students in HMOs in Preston

- 8.2 There are currently 2,862 students living in Preston who residing in shared accommodation in the private rented sector, according to the 2016/17 HESA statistics (latest data available). The postcodes of PR1 2, PR1 7 and PR1 8, which surround the UCLan campus account for 59% of all students living in the private rented sector, with the remainder of students dispersed in pockets around the city and beyond. These areas reflect students' desire to live as close to campus as possible.

**Figure 9.1: Map showing concentrations of students living in Preston HMO properties**



Source: HESA 2016/17

- 8.3 Preston City Council's Housing Standards section will soon be undertaking a private sector stock review, which will include data on the City's HMO sector. The review is expected to be completed by September 2019 and should assist the Council in updating its data. The last stock condition report was carried out in 2012 and at this time the City Council estimated that there were between 2,500 and 4,000 HMO properties operating in Preston. At this time mandatory HMO licensing only applied to a small number of large HMO properties, with 150-160 licensed HMOs on operation. In October 2018,

the Housing Act 2004 was amended to include a wider definition of licensable HMO, thereby drawing a much greater number of properties in to the mandatory licensing regime. This new regime is still in its infancy in the city, with only a relatively small number of landlords so far applying for licences voluntarily. Over the coming months, the Council will be undertaking a range of proactive interventions to ensure landlords apply for their licences.

- 8.4 It has identified a 'hollowing out' of HMO demand from students over the last five years – reflecting falling student demand and wider migration of students to purpose-built products – with many developments filled with recent immigrants to the area, especially from Eastern Europe. Our conversations with the City Council do reveal an element of optimism bias from some HMO operators in the city, with a lack of realisation of wider movements away from this product into purpose-built stock close to campus. This reflects Cushman & Wakefield's own analysis elsewhere in this report, and our experience of the sector nationally.
- 8.5 Cushman & Wakefield has carried out a study of 100 HMO rooms advertised in the Preston market in late 2018 and early 2019. This study has revealed that the average price of a HMO room in the city is £76 per week. The overall quality of HMO stock on offer is mixed, with rooms typically being of a lower standard than those on offer either through the University or the private PBSA market, in line with national trends. However, in contrast to nationally observed trends, there appears to be no correlation between the quality of the rooms on offer and the prices being charged. Current pricing also puts HMO properties in direct competition with University-owned and operated schemes. In many other markets it is typical to find HMO properties being advertised at prices significantly cheaper than PBSA prices.
- 8.6 The price of HMO accommodation in the city is almost equivalent to the price of University PBSA indicative of a lack of competition between private landlords and the PBSA sector. In most markets HMOs are priced at a significant discount to PBSA stock but offer a lower quality product. This adds an added element of competition into the market, especially with sophisticated large-scale operators such as Kexgill having a presence in the Preston market.
- 8.7 The University runs its own landlord accreditation scheme which aims to maintain the quality of HMOs students are living in by setting minimum standards for landlords. The University provides landlords with a comprehensive guide with core requirements for accredited schemes. To register on the scheme landlords are charged a flat rate of £50 for the first property, up to 6 beds, and then £5 for each additional bed space. For this price the University will advertise the property on the UCLan Student Pad website, on condition of the property complying with the University's core requirements. Historically the scheme has been successful, receiving praise from the City Council for raising the quality of HMO accommodation offered to students in the city.
- 8.8 In 2018/19 there are 3,544 accredited bed spaces registered, of which just 10% (365 beds) are in HMOs. The scheme accredits 82% of the private sector, which is in direct competition both with University owned stock and beds covered by University nomination agreements. Accredited schemes are advertised alongside University accommodation, creating confusion for prospective students.

## Summary

- 8.9 Our conversations with the City Council highlight a 'hollowing' out of much of the HMO market in Preston over recent years as a result of a fall in student numbers and wider trends associated with student behaviours across the UK. In particular, these show a desire to live as close to campus as



possible and a natural movement towards purpose-built stock that can better support the student experience.

- 8.10 In terms of the future provision of HMOs, it is likely that the City Council should prepare for a more limited market focused closer to campus, with a hardcore of quality developments.

## 9.0 Student to Bed Ratios Projections

### Introduction

- 9.1 Key to this study and to future City Council policy relating to student accommodation is a true assessment of demand for bed spaces in Preston. In the following section of this Report we determine the demand pool for accommodation in the City.
- 9.2 For a number of years, Cushman & Wakefield has established a mechanism to accurately assess the number of students likely to demand a bed space – the ‘demand pool’. This figure is then calculated against the number of purpose-built beds in a particular area to create a ‘student to bed ratio’ (SBR). The C&W nationally observed average healthy student to bed ratio is around 2.0:1. A low SBR would typically indicate relative ‘oversupply’ through major development in a location or falling student numbers; or in some cases a combination of both. Conversely, a market with an SBR in excess of 2.0:1 would imply a healthy level of demand for student accommodation without occupancy issues. While it does not account for all external influences (these are considered elsewhere throughout this report), the SBR provides a valuable insight into a market.

### Demand Pools

- 9.3 In arriving at our demand pool, Cushman and Wakefield has excluded a number of students who are unlikely to demand accommodation on-campus. This includes a range of commuting students from the region not currently living in purpose-built accommodation (and that are unlikely to demand it), as well as students that are away from campus on a sandwich year. In addition, students over the age of 25 not already excluded from calculations have been deducted (with this cohort extremely unlikely to demand purpose-built stock).
- 9.4 There are two demand pool calculations considered for completeness:
- All year city-wide demand pool (considering the supply of all purpose-built stock in the city);
  - A first-year city wide demand pool;
- 9.5 The calculations below set out our assumptions of demand for student accommodation in Preston and at UCLan taking into account bed supply HESA student population data from 2011/12 to 2016/17.
- 9.6 Student numbers for 2017/18 and beyond are based on the extrapolation of HESA data. Given current market conditions, it has been assumed that the University will not grow over the coming years.
- 9.7 For forecasted student numbers post 2018/19 we have included a number of sensitivity scenarios in which the University recruits both above and below the baseline position. These have been used to allow for a City Council view to be formed even if market conditions change from those that are currently anticipated.
- 9.8 To help assess the future impact of the development pipeline on the health of the market, all demand scenarios are considered with the development of these proposed bed spaces (including and excluding the ‘on hold’ Sizer House development) against the baseline position and against the sensitivities highlighted above (-10%, -15%, +10%).

9.9 Measuring demand against available supply allows us to arrive at a student to bed ratio (SBR), the nationally recognised measure of the health of a particular location or market. For reference, Cushman & Wakefield's national average student to bed ratio stands at 2.0:1 – i.e. there are two students requiring a bed space for every purpose-built bed available in the UK. This ratio is generally indicative of a healthy demand-supply balance. Ratios below this level are at risk of potential occupancy issues, although the ability of locations to 'absorb' purpose-built developments can vary by market.

#### All year student to bed ratio

9.10 As can be seen from the table below, the city-wide student to bed ratio in Preston stands at 1.7:1, significantly below Cushman & Wakefield's national average of 2.0:1. If the student to bed ratio was to stand at the national average level then the Preston market would offer 868 fewer bed spaces to students in 2018/19. Whilst it should be recognised that a ratio of 1.7:1 is not fundamentally unhealthy in some markets, the impact of a large amount of poor quality and generic stock does exacerbate issues in the market – especially when combined with a relatively buoyant and well-located HMO market.

9.11 As can be seen from the table, the impact of the development pipeline on the Preston market has the potential to be significant, lowering the student to bed ratio to 1.6:1 by 2020 and potentially 1.5:1 by 2021. Of course, this is predicated on the University's demand pool for accommodation remaining constant. Should the University's demand pool fall by 10% over the coming years, the development pipeline has the potential to move the SBR to 1.4:1. Under a 'worst case' scenario where the demand pool was to fall by 15% and all schemes in the development pipeline (including Sizer House) were delivered, the SBR has the potential to fall to 1.2:1. Undoubtedly such a ratio would result in huge voids in the private sector market in Preston. For reference, the lowest SBR Cushman & Wakefield currently records in a major developed market is around 1.5:1. It is our view that the Preston market cannot be healthy at such a ratio.

**Table 10.1: City-wide All Year Student to Bed Ratio**

ALL YEARS																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>UCLan</b>																
<b>Total full-time and sandwich students (HESA)</b>	20,060	18,480	16,985	16,375	15,800	16,415	16,540									
Uni numbers (actuals)					16,722	16,262	16,581									
Uni numbers (forecast)								17,240	17,240	17,240	17,240	17,240	17,240	17,240	17,240	17,240
Forecast -10%								15,516	15,516	15,516	15,516	15,516	15,516	15,516	15,516	15,516
Forecast -15%								14,654	14,654	14,654	14,654	14,654	14,654	14,654	14,654	14,654
Forecast +10%								18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964
<b>Preston Demand Pool</b>																
<b>Preston Demand Pool</b>	10,525	10,315	9,554	8,675	8,535	8,940	8,870	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482
Constant demand pool							8,870	8,870	8,870	8,870	8,870	8,870	8,870	8,870	8,870	8,870
Demand pool -10%							7,983	7,983	7,983	7,983	7,983	7,983	7,983	7,983	7,983	7,983
Demand pool -15%								8,060	8,060	8,060	8,060	8,060	8,060	8,060	8,060	8,060
Demand pool +10%								10,430	10,430	10,430	10,430	10,430	10,430	10,430	10,430	10,430
<b>SUPPLY</b>																
<b>Total Preston accommodation</b>					4,647	4,708	5,211	5,590	5,609	5,609	5,609	5,609	5,609	5,609	5,609	5,609
Development pipeline										5,613	6,056	6,274	6,274	6,274	6,274	
Development pipeline (inc Sizer House)										5,613	6,056	6,726	6,726	6,726	6,726	
<b>STUDENT TO BED RATIOS</b>																
<b>City-wide</b>																
<b>Base SBR</b>					1.8	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
SBR forecast -10%					1.7	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
SBR forecast -15%					1.6	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
SBR forecast +10%					2.0	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
SBR constant demand							1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
SBR development pipeline										1.7	1.6	1.5	1.5	1.5	1.5	1.5
SBR development pipeline (inc Sizer House)										1.7	1.6	1.4	1.4	1.4	1.4	1.4
SBR development pipeline -10%										1.5	1.4	1.4	1.4	1.4	1.4	1.4
SBR development pipeline -15% (inc Sizer House)										1.4	1.3	1.2	1.2	1.2	1.2	1.2

Source: Cushman & Wakefield Accommodation Tracker, HESA 2011/12 to 2016/17

9.12 In addition to analysis of the city-wide position for all students we have also included below an analysis of the first-year position.

**Table 10.2: City-wide First Year Student to Bed Ratio**

FIRST YEARS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>UCLan</b>															
Total full-time and sandwich students (HESA)	8,955	7,560	5,750	6,480	7,030	7,130	6,710								
Uni numbers (actuals)															
Uni numbers (forecast)								7,068	7,068	7,068	7,068	7,068	7,068	7,068	7,068
Forecast -10%								6,361	6,361	6,361	6,361	6,361	6,361	6,361	6,361
Forecast -15%								6,008	6,008	6,008	6,008	6,008	6,008	6,008	6,008
Forecast +10%								7,775	7,775	7,775	7,775	7,775	7,775	7,775	7,775
<b>Preston Demand Pool</b>															
Preston Demand Pool	5,105	4,675	3,470	3,695	4,135	4,070	3,685	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106
Constant demand pool							3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685	3,685
Demand pool -10%							3,317	3,317	3,317	3,317	3,317	3,317	3,317	3,317	3,317
Demand pool -15%								3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490
Demand pool +10%								4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516
<b>SUPPLY</b>															
Total Preston accommodation					4,647	4,708	5,211	5,590	5,609	5,609	5,609	5,609	5,609	5,609	5,609
Development pipeline										5,613	6,056	6,274	6,274	6,274	6,274
Development pipeline (inc Sizer House)										5,613	6,056	6,726	6,726	6,726	6,726
<b>STUDENT TO BED RATIOS</b>															
<b>City-wide</b>															
Base SBR					0.9	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SBR forecast -10%					0.8	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SBR forecast -15%					0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
SBR forecast +10%					1.0	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
SBR constant demand							0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SBR development pipeline										0.7	0.7	0.7	0.7	0.7	0.7
SBR development pipeline (inc Sizer House)										0.7	0.7	0.6	0.6	0.6	0.6
SBR development pipeline -10%										0.7	0.6	0.6	0.6	0.6	0.6
SBR development pipeline -15% (inc Sizer House)										0.6	0.6	0.5	0.5	0.5	0.5

Source: Cushman & Wakefield Accommodation Tracker, HESA 2011/12 to 2016/17

9.13 As can be seen from the table, the current (2018/19) first year student to bed ratio in Preston stands at 0.7:1. This is significantly lower than Cushman & Wakefield's nationally-observed average ratio of 1.1:1 and means that the Preston market is significantly reliant on returning students to fill accommodation. A 15% fall in the demand pool would move the SBR to 0.6:1. Under a 'worst case' scenario where the demand pool for accommodation falls by 15% and all of the development pipeline is delivered, the SBR would move to 0.5:1. This would effectively mean that all first year students would need to live in purpose-built accommodation, along with over 2,600 returning students – an extremely unlikely scenario in the medium term.

### Student to bed ratio in focus

9.14 Our review of student to bed ratios at both all year and first year level shows that the Preston market is effectively 'oversupplied' with purpose-built student accommodation in comparison with national averages. This is borne out by our conversations with both the University and private sector providers who have both identified issues in the market. Whilst a number of operators have reported occupancy levels around 70-75%, the University itself believes that there is a total of 1,000 voids in the Preston market for the 2018/19 academic year, reflecting the ratios analysed above.

9.15 Our analysis shows that the first-year demand pool in Preston currently stands at 4,106 students in 2018/19. In addition, there are 5,609 purpose-built bed spaces available to students. This means that the market is reliant on 1,503 returning students to ensure full levels of occupancy in purpose-built stock. This is 28% of all returning students requiring a bed space in the Preston market. However, our analysis shows that currently, only 21% of returning students in the market demand a purpose-built bed space (slightly above the national average 17%), a figure of 1,129 students.

9.16 Under a scenario where all first-year students demand a bed space, 1,503 returning students would need to demand a purpose-built room to achieve full occupancy. This is 28% of the returning student demand pool – significantly higher than the 21% currently demanding a bed.

9.17 Of course, whilst it is ideal for all first-year students to live in purpose-built stock where their pastoral care needs can be met, this is generally unrealistic. Our analysis shows that around 17% of UCLan first years likely to demand a bed space are still living in HMO stock – directly in line with national averages. This equates to around 685 students. Therefore, these first years are not currently demanding a purpose-built bed space.

9.18 **With 4,106 first year students currently demanding a purpose-built bed, combined with 21% of the returning market, we have calculated that there are 4,548 students currently living in purpose-built stock in Preston – leaving 1,061 unfilled bed spaces in the city. This largely tallies with the University's own assessment of the market.**

9.19 Taking the development pipeline into account, there is potential for the number of bed spaces in the Preston market to rise to 6,274 by 2021 (excluding Sizer House). Under this scenario, 40% of returning students would need to demand a purpose-built bed space – almost double the current position and over double the national average, a very unlikely scenario (especially over the short term). With the University not planning to grow over the coming years, there is the potential for the number of unfilled bed spaces in the market to grow further. Whilst there may be a natural migration of some students away from HMO stock to purpose-built developments, especially given extensive Article 4 Directions

and changes to HMO licencing – mirroring trends seen nationally – this is unlikely to occur at such a rate as to prevent voids in the Preston market, especially with a large number of HMO beds being available in the immediate vicinity of the University campus.

- 9.20 This is especially unlikely with the University currently marketing a large number of HMO properties and offering a registration scheme for private landlords.

### Additional Sensitivities

- 9.21 As outlined above, we have also chosen to include two additional demand pool sensitivity calculations for completeness. The first of these calculates a likely ‘drop out’ rate of first year students of 10%. This can be considered a ‘realistic’ analysis of the true level of demand for beds in the Preston market. A 10% reduction in student numbers in the demand pool is already considered as part of our sensitivity analysis and shows that the ‘true’ student to bed ratio for first year students is effectively likely to be 3,695 in 2018/19. This means that the market is likely to be reliant on 1,914 returning students to ensure full occupancy across the market – far higher than the 1,129 returners currently demanding purpose-built stock.
- 9.22 As part of our analysis, we have also included a ‘Nursing student’ sensitivity given the low likelihood of these students to demand purpose-built stock given the nature of their courses. The removal of 90% of these students from the demand pool leaves an all-year demand pool of 8,317 students and a first-year pool of 3,601. At current levels of supply, the SBRs under this scenario are 1.5:1 and 0.6:1 respectively. It is therefore evident that the market is currently ‘oversupplied’ with bed spaces, especially when compared with national averages.

### Implications for City Council Policy

- 9.23 It is clear from our review of student to bed ratios that the Preston market is currently ‘oversupplied’ with purpose-built student accommodation (borne out by voids in the market), and this has implications for future policy forming part of the forthcoming revised Local Plan. This section of the Report provides a strong evidence base to the City Council on which policy can be based. However, our review has also identified a range of other factors at play which need to be considered to ensure the health of the market over the lifetime of the new Plan. These are considered in our Conclusions and Recommendations in the following section of the Report.



## 10.0 Conclusions and Recommendations

10.1 Our review of demand and supply of student accommodation in Preston has revealed a number of key findings which have implications for future policy. In particular, it is clear that the Preston market is in a very different position to that of 2012 when the last Local Plan was produced. Importantly, UCLan has not grown as anticipated by the Plan, with student numbers falling over the course of the last seven years (in line with a large number of post-1992 universities). Despite this, purpose-built student accommodation development has continued in the City, with a mismatch identified between supply and demand. However, the University remains key to the City and the sub-region and overall demand for student accommodation is still very significant. Of particular importance to future policy considerations are the following key areas:

### **Demand**

- Changes to the system of Higher Education funding have impacted universities such as UCLan significantly, with student numbers falling and little growth planned over the coming years;
- The University has lost students from all domiciles since the production of the last Local Plan;

### **Supply**

- Over 1,000 bed spaces have been added to purpose-built supply in Preston since 2016 at a time when demand for bed spaces has been falling;
- Low pricing and an inability to increase rents has resulted in a market that is low quality overall;
- The Preston market is extremely well located, with 98% of all bed spaces located within five minutes of the University campus;
- The development pipeline of purpose-built accommodation is not being driven by student demand but by developer appraisals and perceived financial returns;
- Our analysis has identified falling numbers of students living in HMO accommodation, reflecting national trends and supported by our consultations with the City Council;
- The University does not currently offer a guarantee of accommodation to first year students which is unusual in the market;

### **Student to bed ratios**

- The student to bed ratio in Preston is already below the national average and has the potential to become more unhealthy in the future;
- The unhealthy student to bed ratio has resulted in a large number of voids in purpose-built stock;

### **Wider implications**

- The lack of a City Council evidence base with which to challenge applications means the wrong products are being delivered to the market and this is potentially damaging to wider strategy relating to the housing market (Preston City Living).

10.2 Whilst it would perhaps be appealing for the City Council to look to rule out future purpose-built student accommodation applications, this could potentially be damaging to the market over the longer term. This Report has identified a lack of quality in the Preston market, and there is a need to allow for an ‘evolution’ of product in the City, which has the potential to increase the attractiveness of UCLan as a study destination. This would obviously have wider benefits for the City as a whole. There is a clear need to deliver better quality, largely en-suite schemes that support modern student living habits and enhance the student experience.

10.3 It should also be noted that wider policy decisions have the potential to impact the market (as in 2012), as do trends in student decision making. It is therefore prudent that future policy should allow for a degree of flexibility to adapt to market conditions.

10.4 Cushman & Wakefield believes that future policy should consider the following:

### **Purpose-Built Student Accommodation**

#### **Demonstration of Need**

10.5 Current Local Plan policy notes that student accommodation developments will be allowed within the HS6 area. Outside of this area, there is a need to take into account the “existing supply of and need for student accommodation”. A lack of an evidence base has undoubtedly hampered the City Council’s response to applications outside of HS6. This has resulted in applicants claiming there is need to provide beds for “32,000” UCLan students<sup>6</sup> when this is demonstrably not the case. Cushman & Wakefield believes that the oversupply identified in this report means that all applicants should need to show proof of demand for further development in the City – “there is a demonstrated need for the development”. This Report provides the City Council with a strong evidence base to deal with poor quality research and analysis.

#### **UCLan Partnership**

10.6 Current Local Plan policy states that “the Council will seek the views of the University for all new student accommodation proposals” and our consultations have revealed that this is the case. Cushman & Wakefield believes there is a need for the University to take a proactive role alongside the Council in opposing unsuitable schemes going forward. The City Council should look to oppose any schemes going forward that do not have the support of the University (provided a good partnership relating to applications is put in place).

10.7 The University itself currently offers no formal and overarching marketed guarantee of accommodation to first year students. This is unusual in the market and in relation to its peers. An accommodation guarantee to first years is increasingly used as a key tool of recruitment in a competitive marketplace and is an important method of ensuring good levels of pastoral care.

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<https://selfservice.preston.gov.uk/service/planning/ApplicationView.aspx?AppNo=06/2018/0072&Id1=201903051422425909d52af1d9a4cc>

## Geographical Location

- 10.8 This Report has identified a huge number of bed spaces within five minutes' walk of the UCLan campus and our consultations with the market have revealed student and developer disquiet with 'peripheral' developments. This reflects Cushman & Wakefield's national analysis which shows that students wish to live as close to campus as possible. In terms of future policy, priority should clearly be given to applications close to campus, with a presumption against those located more than ten minutes from a campus edge.

## Scheme Quality

- 10.9 This Report has identified a lack of quality in the Preston purpose-built accommodation market, with a clear lack of social and amenity spaces – deemed crucial by today's students – across a large number of developments. The City Council may look to impose minimum standards in terms of the amount of social space offered by developments so that new schemes only raise the quality of stock of Preston.

## Studio Development

- 10.10 This Report has identified limited demand for studio bed spaces in Preston, borne out by voids in the private sector and applications for change of use to house key workers. The development pipeline has the potential to increase the number of studio bed spaces to far above the national average. Alongside the evidence base outlined in this report, Cushman & Wakefield believes it is important that any future studio bed spaces delivered reflect the wider City Living Strategy in terms of quality and room size. Current applications for retrospective changes of use have the potential to damage wider housing market aspirations if small and lower quality developments formerly intended for use by students are marketed to young professionals.

## Houses in Multiple Occupation

### Article 4 and HMO proliferation

- 10.11 Current Local Plan Policy relating to HMOs (Policy HS7) seeks to limit the proliferation of such stock across a range of wards close to the University campus. This Policy is sensible given the potential erosion of communities that can occur in such areas through transient populations. However, it is also important that the City Council considers wider trends in HMO accommodation – both in Preston and nationwide. Falling student numbers and a natural gravitation of students into purpose-built stock means that there is unlikely to be increased demand for such products. The City Council should prepare for a reduced scale of HMO product in Preston, but with the potential for higher quality schemes overall.
- 10.12 It should be noted that many HMOs may also exist in the City that fall outside the new licencing requirements by virtue of their size. Extensions to mandatory licensing may occur in the future to include all HMOs, but this is likely to be some years away. Maintaining control over HMO stock in the City is therefore important given the number of first-year students living in such accommodation.





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WAKEFIELD**