

# PBSA: a resilient sector in challenging times

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**Turley**



# Introduction



The Unipol Accommodation Costs Report 2021 estimates that 358,000 extra places will be needed in England by 2035<sup>4</sup>

The purpose built student accommodation (PBSA) sector has demonstrated resilience during uncertain times and continued to attract strong recognition from global investors.

As an asset class, PBSA looks set to fair better than other more established real estate sectors as investment shows no sign of slowing with new entrants challenging existing market players. PBSA is now a global scale market in full force, attracting significant institutional capital.

Despite fears that COVID-19 and Brexit may have a negative impact on international student numbers and PBSA, these concerns are unfounded in terms of the overall number of applicants. International student enrolment has remained consistent with 111,630 applications in 2021 and 111,410 in 2022. A steady increase in non-EU international applications has counteracted a decline in EU applications over the last four years.

High level domicile	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>UK</b>	474,310	489,940	497,550	495,940	469,490	457,070	453,840	452,220	504,740	499,320
<b>International</b>	84,500	90,070	94,740	97,780	94,700	101,950	107,580	116,110	111,630	111,410
<b>EU (excluding UK)</b>	37,760	39,510	42,450	44,950	41,810	43,240	43,560	42,750	25,740	20,820
<b>Not EU</b>	46,750	50,560	52,290	52,830	52,900	58,720	64,030	73,360	85,890	90,590
<b>Total</b>	<b>558,820</b>	<b>580,000</b>	<b>592,290</b>	<b>593,720</b>	<b>564,190</b>	<b>559,030</b>	<b>561,420</b>	<b>568,330</b>	<b>616,360</b>	<b>610,720</b>

Source: UCAS Data and analysis <https://www.ucas.com/data-and-analysis/undergraduate-statistics-and-reports/ucas-undergraduate-releases/applicant-releases-2022-cycle/2022-cycle-applicant-figures-26-january-deadline>

In February 2022 a 12% increase in Chinese student applications and 11% increase in Indian applicants was reported, continuing a trend of year-on-year increasing numbers of applicants from these countries<sup>1</sup>. This is significant because overall, international students are 66% more likely to live in PBSA than domestic students.<sup>2</sup>

In addition, the Government’s International Education Strategy is targeting growth in international student numbers to at least 600,000 by 2030. This represents at least an additional 80,000 international students<sup>3</sup>.

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So it seems the PBSA market is proving itself to be resilient and robust in the face of volatility. As a specialist residential market sector, it presents unique requirements and challenges. Which - accompanied by a PBSA policy landscape which varies, dependant on local authority attitudes - highlights the importance of specialist local knowledge in delivering PBSA development.

1 <https://www.ucas.com/corporate/news-and-key-documents/news/uk-universities-and-colleges-see-record-applications-key-international-markets-ucas-launches>

2 <https://www.hesa.ac.uk/data-and-analysis/students>

3 <https://www.gov.uk/government/publications/international-education-strategy-2021-update/international-education-strategy-2021-update-supporting-recovery-driving-growth>

4 Unipol Accommodation Costs Survey 2020: <https://www.unipol.org.uk/news/accommodation-costs-survey-2021-launched>

# Factors impacting PBSA provision



400,000 more domestic students will be in higher education by 2030”

## Impact of Brexit

Since 2021, EU students have been required to apply for a student visa unless exempt. In addition, EU undergraduates will no longer benefit from home fee status, which increases the tuition fees by more than 50% on average from £9,250 to the higher rates paid by other EU students, who will also no longer have access to a tuition fee loan. Applications were down by 40% in 2021/22 as a consequence of the lack of home fee status and COVID-19 travel restrictions. If this reduction is sustained it would lead to a reduction of around 3% of total students by 2023. As noted above however, this potential reduction in the number of EU students will be more than off-set by non-EU student growth.

## Impact of COVID-19

COVID-19 created some challenges for the PBSA market, the 1.8% growth was a reduction on the 2.6% delivered in 2019/20<sup>5</sup> and a reduction in occupancy from 98% to 83% in the same time period.<sup>6</sup>

This led to PBSA operators refocussing their offer to appeal to domestic students. This market has proven to be remarkably resilient, and could potentially lead to high occupancy levels if successfully targeted.

However, to strengthen their appeal to domestic students PBSA providers must address issues around affordability and access to good quality accommodation. This is vital as a predicted 400,000<sup>7</sup> more domestic students will be in higher education by 2030 and provide a key opportunity for growth.

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Athletic Stores, Upper Queen Street, Belfast



<sup>5</sup> Cushman & Wakefield

<sup>6</sup> JLL's Student Housing Leasing Survey

<sup>7</sup> Education Policy Institute: <https://www.hepi.ac.uk/2020/10/22/demand-for-higher-education-to-2035/>

## Higher education policy

The Government published its interim conclusions on the Augar Review Post-18 education and funding in 2021. Its key objectives are to drive up the quality of higher education provision, improve accessibility and maintain a sustainable student finance system.

The Government also produced a Skills for Jobs White Paper in January 2021. It sets out a blueprint that enables every young person with the aptitude and desire to go to university and ensures provision is aligned to the needs of employers. It also includes a new Lifetime Skills Guarantee which gives lifelong access to the equivalent of four years of post-18 education.

## ESG & net zero

There is pressure on PBSA providers to support Government ambitions and achieve net zero by 2030 with investors and universities instrumental in pushing for high levels of sustainability. It has been estimated that the cost of compliance for new builds could add 2-10% to the cost base. Retrofitting older buildings will also lead to increased costs.<sup>8</sup>

In addition, it is likely that a student population increasingly aware of social issues will look to providers who are able to demonstrate the best net zero credentials.<sup>9</sup>



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Jocelyn Square,  
Glasgow

8 Osborne Clarke  
9 PWC



# PBSA in planning

There is a need and appetite for PBSA development across the United Kingdom, particularly in cities. However, the approach to delivering PBSA, and the prospect of obtaining planning approval for such developments, varies significantly across geographies. This is primarily due to differing planning policy contexts and local-level politics.

The pattern of who is providing student accommodation has shifted noticeably. In 2021/22, higher education institutions account for less than a quarter (23.6%) of the sector, and private providers for more than three quarters (76.4%).

 At Government level, the National Planning Policy Framework 2021 states that in order to ensure the delivery of a sufficient supply of homes, the needs of groups with specific housing requirements must be addressed and be reflected in planning policies (paragraph 62). The Planning Practice Guidance (PPG) also stipulates that local planning authorities should plan for sufficient student accommodation.”

Given this national planning context, it is not surprising that most local planning authorities now have at least some form of supplementary planning guidance in place to inform PBSA planning applications, if not an emerging or formally adopted planning policy.

Some planning authorities are well versed in this area, with the likes of Manchester, Portsmouth, Bournemouth, Christchurch and Poole, and London Boroughs having some form of PBSA planning policy in place for over a number of years.

Elsewhere cities such as Norwich are looking to get PBSA specific planning policy in place for the first time. Even where PBSA policy has been long established, it commonly evolves over time as local authorities adopt and review their Local Plans or put interim guidance in place.

A key challenge for providers is not having a clear and consistent approach for local planning authorities to adopt. It is evident that local guidance and policy are often set with differing criteria and levels of restriction in controlling PBSA development.

We have set out several key planning issues that feature across the sector. However, it is important to remember that achieving planning permission for PBSA is not a one size fits all approach.

**Westfield Road,  
Edinburgh**

Image courtesy of  
S Harrison



## Housing need vs student accommodation need

It is commonly recognised by local authorities for major student cities and towns that insufficient provision of good standard PBSA has a knock-on effect to the private rental sector and adds pressure for family housing stock to be converted to HMOs (Houses of Multiple Occupancy).



Gorgie Road,  
Edinburgh

Image courtesy of  
S Harrison

- In 2014, Belfast City Council estimated that the student population of Belfast was c.43,000 and at that time there were only 3,700 beds available within PBSA development schemes and nearly 50% of students were living in private rented accommodation. Subsequently, Belfast has now generated a pipeline of 9,000 approved bed-spaces.
- In 2019, Norwich City Council produced an interim advice note, which concluded that 85% of its student population required rental student accommodation, but from evidence in 2018 it was found that PBSA provided only c. 35% of student bed-spaces in Norwich. The note acknowledged that the improved provision of PBSA would help to take some pressure off the private rented sector and reduce reliance on HMOs.
- In 2019, Manchester City Council undertook a review of its planning policy position and prepared an updated evidence base to inform its future assessments of PBSA proposals. Of note, it recognised that there is currently a high reliance on the HMO market to accommodate students and, as such, high incidences of Council Tax exemption in the city centre, which has increased by 24% between 2010 and 2019. The City now has aspirations to address this need, with a particular outcome being to enable HMOs to be repurposed and returned to the family housing market.

National guidance formalises this recognition of the role PBSA has in meeting a specific housing need which should be recognised as contributing to the overall housing supply.

The Housing Delivery Test includes communal student accommodation in the calculation of housing supply, with an assumption that 2.5 units of student rooms equates to one unit of housing. However, critically this approach is only adopted in England and not applicable for Scotland, Northern Ireland and Wales, where PBSA is not counted towards meeting housing need.

Despite national guidance and the approach taken in the Housing Delivery Test, local planning authorities regularly require developers to demonstrate how PBSA schemes will meet an identified need.

In some instances, need is considered to be best demonstrated through the provision of a nominations agreement with a higher education institute. This approach is evident in the City of Cambridge, Manchester City and Greater London. However, in other cases, planning applications are to provide a clear case set out in a PBSA Needs Assessment, or equivalent.

In some areas, irrespective of being able to demonstrate a need for student housing local authorities will still not permit such development if it would impair the delivery of standard housing. The London Borough of Wandsworth and Bournemouth Council are just two examples where this 'housing first' approach will be taken for any sites allocated for housing or subject to an existing housing permission.

Edinburgh City Council also has a 'housing first' stance, but instead implements this position through setting non-statutory guidance requiring sites of over 0.25 hectares to also make provision for general market residential use, as well as any other proposed uses.

## Direct let or nominations only

In the majority of cases, although it may be helpful in demonstrating a PBSA need, there is no formal requirement for any form of agreement with a higher education provider re-letting PBSA at planning application stage, thereby allowing direct-let models to be delivered. However, there are instances where policy restrictions are in place that strongly influence the approach to, and nature of, PBSA delivery that will come forward in specific local authority areas.

Under the London Plan, the GLA requires all PBSA schemes to provide a majority of bedrooms (at least 51%), including all affordable bedrooms, to be nominated to one or more HEIs for the lifetime of the scheme (this is to prove need for such accommodation in the proposed location). As such, it precludes a direct-let PBSA model; if a scheme were to be proposed as fully direct-let the GLA would instead consider this as Purpose Built Shared Living (PBSL) (otherwise known as 'co-living') and therefore be assessed under a different London Plan policy.

Despite the clear stance of the GLA, this is often in direct conflict with the aspirations and approaches of different London Boroughs. In the case of LB Southwark, their recently adopted Local Plan policy allows for either a nominations or a direct-let approach. To date, this has led to referable schemes adopting a somewhat hybrid approach to nominations vs direct-let in LB Southwark, but with the London Plan and the LB Southwark Local Plan now both adopted, it remains to be seen how this policy conflict will play out for referable PBSA planning applications in this borough. Although LB Southwark is alone in London in terms of this differing policy, we know that other boroughs are following this approach outside of policy, like LB Haringey.

Cambridge City Council has taken a similar position to the GLA, whereby the 2018 Local Plan brought in new policy that did not support the principle of speculative student accommodation. Instead, each application for PBSA has to be supported, at submission stage, by an agreement with an education establishment(s) which offers courses of a minimum one year duration. The agreement also needs to confirm that they require the accommodation for their own students and that it meets their affordability criteria and layout requirements. The effect of this policy has been to skew the market and change the delivery for PBSA within the City of Cambridge, with more accommodation now being brought forward by the HE institutions themselves, rather than via private developers.

### New Wakefield Street, Manchester

Image courtesy of SimpsonHaugh







With some local authorities already seeking affordable provision through PBSA schemes, it can be anticipated that others may look to follow suit in the near future”

## Does affordable housing apply?

Historically, provision of affordable housing is not something that has been a consideration for PBSA developments in determining planning applications. In recent years, however, it has featured more significantly as an expectation in some areas.

The London Plan requires a provision of 35% of student accommodation to be secured at affordable student rent levels to avoid having to provide a viability assessment as part of a planning application. This rises to 50% where student accommodation developments are proposed on public or industrial land. The London Plan defines affordable student accommodation as *“a PBSA bedroom that is provided at a rental cost for the academic year equal to or below 55% of the maximum income that a new full-time student studying in London and living away from home could receive from the Government’s maintenance loan for living cost for that academic year”*.

Whilst the GLA has focused on achieving affordable student accommodation, other authorities have developed policy approaches which require PBSA developments to contribute towards general residential affordable housing:

- Nottingham City Council’s Local Plan Part 2 (2020) and supporting Affordable Housing Contributions from PBSA Supplementary Planning Document (2021) stipulates that PBSA schemes are to provide a commuted sum as payment in lieu of on-site affordable housing provision. The policy does not apply to PBSA schemes of fewer than 50 bed spaces, and operates on a tiered basis where schemes of 50-74 bed spaces are required to provide a financial contribution equivalent to 10% affordable and schemes of more than 75 bedrooms are required to provide a contribution equivalent to 20% affordable. The contribution is calculated on the assumption that five student beds equates to one standard dwelling and the financial contribution is set at £43,877 per affordable house. By way of example a 50 bed space PBSA scheme would equate to 10 dwellings, 10% of which would be one affordable dwelling, generating a requirement for a contribution of £43,877.
- LB Southwark’s newly adopted Local Plan (2022) requires any PBSA scheme for direct-lets at market rent to provide the maximum amount of conventional affordable housing subject to viability, with a minimum expectation of 35%. In addition to this, 37% of student rooms must be let at a rent that is affordable to students as per the London Plan. This runs counter to the policy position at regional level in the London Plan (as above) and it still remains to be seen how this may play out in practice for GLA referable developments.
- Reading Borough Council does not usually require an affordable housing contribution to be made for PBSA schemes, unless it is proposed on a site that is allocated for general market housing (and not specifically for student housing).

With some local authorities already seeking affordable provision through PBSA schemes, it can be anticipated that others may look to follow suit in the near future. Such requirements have significant implications for scheme viability, deliverability and management, and will potentially become a more prominent key battleground for the sector at policy drafting and application determination stage.

## Location specific, but avoiding over concentration

There are a number of examples of locational factors forming a key strand of planning policies and guidance for PBSA. A number of planning authorities are specifically supportive of an on-campus or campus adjacent approach, such as in Norwich, Reading and Warwick. Others, such as Belfast, Portsmouth and Southampton allow greater flexibility, requiring that PBSA schemes are located where they will have good accessibility to higher education institutions and public transport, or within town or city centre locations.

One factor that is often applied with regard to the location of PBSA schemes is the requirement to avoid over concentration of student housing or similar accommodation. This is driven by concerns of the impact such accommodation can have to the mix, character and amenity of an existing area, particularly in predominantly residential locations, and the tensions which can result between established communities and more transient student populations. This concern is often one that cannot solely be addressed by the provision of a management plan or by demonstrable experience of managing similar properties.

The desire to avoid over-concentration of PBSA is often a challenge for major student towns and cities, and can be seen as sometimes running counter to other policy drivers that require PBSA schemes to be located in certain areas (e.g. in close proximity to higher education institutions). Many local authorities set a policy that puts the onus on the developer to demonstrate on a site by site basis that no excessive concentration of PBSA will result in an area.

Other authorities, however, apply clear geographical restrictions of their own, for example:

- Glasgow City Council has recently introduced 'Areas of High Student Concentration' where the local authority will resist future applications for PBSA and the redevelopment of existing student accommodation will only be acceptable where there is no net increase in the number of student beds.
- Warwick District Council's Local Plan identifies the main centres of Leamington and Kenilworth as already experiencing the detrimental effects of over concentrations of HMO households, and as such it set a number of prescriptive criteria regarding the geographical proportion of student dwellings in these centres, relative to overall housing numbers.
- Leicester City Council's draft Local Plan, aims to encourage PBSA in sustainable locations close to higher education institutions but not within areas which have Article 4 restrictions in place which prevent the change of use from dwellings to small HMOs. This has faced criticism as the Article 4 locations are close to both Leicester and De Montfort universities and existing well managed PBSA.
- The London Borough of Lambeth in its recently adopted Local Plan (September 2021) states that student housing must not lead to an 'over concentration of similar uses which may be detrimental to the balance and mix of uses in the area' and goes further in the supporting text of the policy to state that there is an 'existing concentration of this type of accommodation in the Miles Street character area of Vauxhall' and therefore student accommodation here is 'unlikely' to be supported.

## Regeneration benefit

Alongside the demonstration of need and appropriate location, the regeneration benefits of PBSA can often feature as a consideration in determining planning applications.

Coventry City Council’s Local Plan for example, confirms that PBSA schemes will be encouraged where *“such development can play a part in the regeneration of the immediate neighbourhoods without disadvantage to local services”*. Similarly, Manchester’s planning policy H12 goes further and stipulates that schemes should demonstrate a *“positive regeneration impact in their own right”*. This can include matters such as contribution to or impact on district centres, providing an appropriate mix of uses and how such schemes should integrate with existing neighbourhoods *“to contribute in a positive way to their vibrancy”*. This approach played out for at the River Street scheme for c. 800 beds, where the scheme was supported by the city council on the basis of an exceptional regeneration case. In that instance, the scheme involved the redevelopment of a prominent eyesore site adjacent to the Mancunian Way, which had been the subject of a series of unsuccessful attempts for non-PBSA residential schemes.

PBSA planning applications are often a classic case of weighing the negative and positive impacts of an individual scheme and local authorities coming to a decision based on their assessment of the overall planning balance. As such, regardless of whether it is a specific policy requirement, the presentation of a clear regeneration or public benefit case is recommended when preparing PBSA planning applications to best ensure a successful route through the determination process.



The presentation of a clear regeneration or public benefit case is recommended when preparing PBSA planning applications”

**Alscot Road,  
Bermondsey Spa,  
Southwark**

Image courtesy  
of Greenaway  
Architecture



# Concluding thoughts

Notwithstanding the effects of Brexit and COVID-19, PBSA will continue to grow in the period to 2030 and beyond. This is driven by underlying demographic trends, further education and higher education policy, and evidence of growth in non-EU overseas student demand.

PBSA has become firmly established as a recognised sub-sector of the residential market with its own needs and challenges. Local authorities have different levels of experience of dealing with PBSA proposals and are at different stages in the development of local PBSA policies, with London acting as a bellwether for potential policy directions.

Within this varied PBSA policy landscape, and in the absence of a clearer steer from national guidance, a number of themes will continue to challenge PBSA delivery and influence the PBSA landscape.

Affordability and the delivery of units at affordable student rents, will undoubtedly rise as a key issue in the context of ensuring that participation in higher education is broad-based and that UK students from lower-income households, and overseas students on a tighter budget, are not excluded, or discouraged from entering into, HE. Providers will need to engage with the development of innovative solutions to deliver more affordable student accommodation and to create better metrics and performance indicators to define affordability.

Debate will continue at a local level on the priority which should be given to the use of sites for general market housing as opposed to PBSA, particularly in situations where the supply of available sites is, or is perceived to be, constrained. In our experience, there is a need for the PBSA sector to be more vocal and more visible in articulating the need for specific provision to be made at the plan-making and policy formulation stage.

The importance of nominations agreements versus direct-let provision will continue to be contentious. On the one hand, the requirement for a nominations agreement can be argued to represent unwarranted interference in the market for provision of PBSA, giving HE institutions (many of whom have reduced their own provision) an unwarranted influence on the type of accommodation which is provided, and by whom. Conversely, it can be argued that it is the HE institutions who are best placed to understand the needs and affordability constraints affecting their students and to exert their influence to ensure that these are addressed by PBSA providers.

The regeneration and socio-economic benefits of PBSA are significant. They include releasing traditional housing stock back into the general housing market, generation of student expenditure in local areas, alongside the advantages of physical and environmental regeneration. Where clearly articulated, these benefits will continue to be influential in giving local authorities and decision makers a reason to say 'yes' to PBSA proposals.

# A joined-up approach



The PBSA sector can deliver tangible economic benefit to towns and cities while playing a major role in the future of the residential market and tackling the housing shortage”

While there is clearly much to celebrate about the potential growth of the PBSA market and the efforts made by many local authorities to support student accommodation delivery as part of Local Plans, there continues to be a distinct lack of central planning policy to support PBSA development.

The PBSA sector can deliver tangible economic benefit to towns and cities while playing a major role in the future of the residential market and tackling the housing shortage. However, it must be supported by a clear and unified planning legislative framework driven by Government that simplifies the development process for developers.

The long-awaited planning reforms could hold the key to this, however the current delays to the publication of the reforms could be set to continue for some time with the current Government flux.

Until then, working alongside a trusted planning and development consultancy to advise and support on navigating the oftentimes complex planning policy is key.

At Turley, our national consultancy expertise is buoyed by our local knowledge, meaning our dedicated team of experts understand the challenges and regional complexities PBSA developers face.

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