

Student accommodation costs across 10 cities in the UK

Cost pressures and their consequences in
Purpose-Built Student Accommodation



Higher Education Policy Institute

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the home of student housing

HEPI Report 166

This is the final round of the *Accommodation Costs Survey (ACS)* under the watchful eye of Martin Blakey, who steps down as Chief Executive of Unipol in 2023. From all of us involved, from the survey respondents and all the students who benefit from Unipol's representation – thank you.

Foreword

Martin Blakey
Chief Executive
Unipol Student Homes

Since the 2021 survey of student accommodation costs, there have been big changes in rent levels and the supply of student accommodation.¹ These have been driven and shaped by global and national economic turbulence. High inflation, high energy costs, high building costs and high interest rates have combined to produce unprecedented rises in rent. Because of this rapid change, Unipol decided to run a shorter version of the *Accommodation Costs Survey* across summer 2023.

This shorter survey is to test, quantify and evaluate the impacts of a highly challenging market environment. It looks at what has happened to rents in the past three years across 10 key city markets in the UK; why and how these impacts have arisen; and what the consequences of these challenging times are.

In this Foreword, it is only possible to talk in generalities, but universities and the towns and cities where they operate can be very different; so too their housing markets: supply, type and cost vary considerably. The findings of this survey expose the reality that students going to one higher education provider may have a very different accommodation experience to students at another. The gaps identified are no longer of marginal consumer interest, and students may want to weigh the cost and quality of living as part of their educational options.

As student rents have gone up and some universities have encountered well-publicised accommodation shortages, interest in housing has grown among educational institutions. This report shows why it is right that universities should be concerned about what is happening.

Living away from home is, for many, an important part of being a student. As well as opening up more study options, it provides access to an immersive educational experience in a more independent living environment – where commuting to a local university may not. Student housing is not just a housing issue. It links directly into educational opportunity, widening participation and academic achievement.

The main drivers for the growth in demand for student accommodation are full-time undergraduates and, increasingly, international postgraduates on

one-year taught courses. There are important differences between – and within – these groups.

Home undergraduates are generally young, many leaving home for the first time as 18-year-olds. This is a vulnerable consumer group and universities rightly concentrate on providing a properly supportive environment to ease the transition. In an accommodation shortage, this is more difficult. The more accommodation that is secured for first-year students, the less there may be for second- and third-years.

International students are older and increasingly segmented: some are well funded; others are on limited budgets or borrowed funding. These students need accurate information about the local housing market before they arrive. Once there, they need to get accommodation quickly. If not, the search for somewhere to live can badly affect the start of what is normally intensive postgraduate study.

Institutions have, over the last 15 years, become increasingly reliant on relationships with private accommodation operators, and many universities now own and operate almost no housing of their own. This outsourcing has meant a loss of in-house expertise.

Universities are learning that they need to give prospective and incoming students better information before they arrive. They are also becoming more aware of the importance of having enough expert staff in place to help their students with often quite complex housing issues, including variable availability of accommodation across the academic year, what type of housing students want and what they can afford. Housing shortages took many students and institutions by surprise in the summer of 2022, but in 2023 a considerable improvement in the quality of accommodation information enabled many students to make a more accurate assessment of housing costs and availability.

Accommodation shortages are not just the result of rising demand. Often, they are made more acute by falling or inadequate supply. In some cases, the accommodation that is available is unaffordable, particularly for students last in the queue – often the more vulnerable undergraduates coming through Clearing. Across much of the previous decade, there were around 30,000 new bed spaces a year in Purpose-Built Student Accommodation (PBSA). In 2023, the figure dropped to under 10,000. What is more, the new bed spaces that are entering the system are priced to reflect the higher build costs. Recent research has shown that the average

rent for a new PBSA bed in 2023/24 is £205, some 22 per cent more than for an existing room (£167).²

The traditional paradigm has been for students to live in halls for their first year and then rent a shared student house (or off-street housing) with friends for the rest of their studies. This pattern is breaking down, as pressure of demand from other renter groups eats into housing supply previously dedicated to the specialist student market. This is happening against the backdrop of reducing rental supply, as smaller landlords react to higher capital costs, increasing regulation and economic uncertainty by selling up and leaving the market.

The Government's *Renters (Reform) Bill* includes proposals to treat students just like any other renters, giving them the right to come and go when they want. Education sector bodies have repeatedly flagged how important it is that accommodation is available to rent in line with the academic cycle, and they have been clear that these proposals would badly damage that alignment. In response, the Government says it is trying to 'avoid increased complexity in the system', at the same time as it is taking forward legislative steps that will compromise the supply of off-street accommodation.³

In many university towns and cities, short supply of housing for students has been pushing up rents over and above the increases already caused by rising costs. The detailed analysis in this survey amply demonstrates that rents can vary significantly between one area with a housing shortage and another with surplus supply. For example, the average weekly rent for an en-suite room in Bristol is £200. This compares to £135 in Sheffield, where supply is more available, partly because of less intense competition from other rental groups (Figure 7b).

For home undergraduates relying on a state-provided maintenance package, these cost differences have enormous consequences and, for many, will determine how much part-time work they need to take on to make ends meet. This report highlights the total inadequacy of the current undergraduate maintenance support system. Average rent now accounts for the whole of an average loan: without additional income students cannot survive.

This report shows how, on the basis of the past five years, there is a danger that the cost and availability of accommodation will shape the socio-economic profile of the student population, rather than accommodation being tailored to what students need and can afford. Put bluntly, only well-off students will be able to study in certain parts of the country.

Is there a way forward? At the end of this report are a number of specific recommendations that would help improve things, although there are no quick fixes in housing. The recent advice from Universities UK to their membership is an important first step.⁴ The consistent interest and reportage from the Higher Education Policy Institute (HEPI) has also been useful in informing people working in the sector about this issue and keeping the media briefed.⁵ It is important that student housing is seen as an educational issue and that a longer-term strategic approach is developed.

Meanwhile, the terrain for students is rough: higher prices; real-terms decline in maintenance loans; greater numbers of international students on a budget; tightening supply; volatile intakes; and a government that has not engaged. They could be excused for feeling the odds are stacked against them.

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Executive summary

Survey scope

Every three years, Unipol and the NUS undertake an Accommodation Costs Survey to look at the cost and conditions of Purpose-Built Student Accommodation (PBSA – or ‘student halls’). The last survey was in 2021 and the next will be in 2024. However, because of COVID and rapid economic change, a special survey has been commissioned to look at accommodation costs across the UK.

The scope of this survey has been limited to 10 selected university cities: Bournemouth, Bristol, Cardiff, Exeter, Glasgow, Leeds, Liverpool, Nottingham, Portsmouth and Sheffield. New data gathered for this survey covers 125,913 rooms, supplied by 34 providers in these 10 cities (18 per cent of the national total). With their own highly distinctive characteristics, London and Edinburgh have not been included.

Focused on cost pressures and their consequences, this report is a snapshot, taken in extraordinary times to deepen understanding of the changing shape of the student accommodation market and the economic forces involved.

Rents

From the academic year 2021/22 to 2023/24, rent rises in the 10 cities surveyed were much steeper than in previous years. The headline annual rent for a student room in 2021/22 was £6,520. This has risen to £7,475 in 2023/24, an increase of £955 or 14.6 per cent over the period. In both 2022/23 and 2023/24, rents grew on average by 7 per cent. By contrast, in 2021/22, annual rents rose by 4.4 per cent on the previous year.

The Retail Price Index (RPI) hit a high point of 12.6 per cent in September 2022.⁶ Although rent increases did not reach this level, they are still some of the highest ever recorded by Unipol.

In the survey, 45 per cent of rooms were university-provided and their rents rose, on average, by 10 per cent across the two-year period. Private sector rooms – the other 55 per cent – rose by 19 per cent. The private sector provides most new rooms, which tend to be more expensive.

The figures below give the average rent level for 2023/24 and the average increase over the last two years.

City	Annual average rent 2023/24	Average percentage increase since 2021/22
Bournemouth	£7,396	11.2%
Bristol	£9,200	9.0%
Cardiff	£6,632	11.1%
Exeter	£8,559	16.1%
Glasgow	£7,548	20.4%
Leeds	£7,627	14.7%
Liverpool	£6,467	6.7%
Nottingham	£8,427	15.5%
Portsmouth	£7,183	9.4%
Sheffield	£6,451	10.2%
10 cities	£7,475	14.6%

There is significant rent variation among the 10 cities, and the differences are becoming more marked. There are cost pressures across the board, but where the student accommodation market is in shortage, rents are not only higher, but rising more quickly.

The high cost of living has real implications for what kind of student some universities will be recruiting.

When accommodation shortages occur, students last in the queue often have no choice but to get their accommodation from what is left over in the private sector. Additionally, they are vulnerable to rising prices that are a consequence of those shortages. Over the two academic cycles, direct-let rent levels rose by 32 per cent in Glasgow and by 24 per cent in Bristol. Where supply is sufficient, the rental pattern is very different: in Liverpool rents increased by 10 per cent across the same two years.

Student maintenance

Although student maintenance loans are available to undergraduate students – and student finance systems vary between England, Scotland and Wales – for home students, these loans are designed to form the financial backbone of students' living costs. Maintenance loans are means-tested.

In 2023/24, on the basis of the Government forecast for England, the average maintenance loan expected to be taken up by full-time students is £7,590. **In England, the average rent of £7,566 will take up very nearly 100 per cent of the average loan received and 76 per cent of the maximum loan. Without family support or part-time work, students in England will have no money to live off, once they have paid their rent.**

Cost pressures

Rents are rising so quickly because of cost pressures. In particular, private providers have been hit by rising energy costs. All providers have also faced pressures from wages, construction, supply chain, legislation, financing and insurance costs.

COVID-19 is still affecting part of the market. Around a fifth of providers have already recouped – or intend to recoup – lost revenue through current or future pricing.

Consequences

The overall picture that has emerged is one of very challenging market conditions. While many accommodation providers acknowledge there is an undersupply of accommodation and rising rents, there are no easy fixes.

Although there is much talk of affordability, the ability of providers to build more to relieve supply pressures is being hit by high development costs. The new rooms that do get built come with a higher price tag, so that providers can recoup their development costs. The pipeline of new accommodation is being slowed by historically high interest rates which are driving up funding costs. Rent levels in existing buildings have also been increasing as a consequence of rising running costs.

All providers surveyed recognise that the result of all this is that many students are having to put up with steep rent rises because they have no other options.

Policy implications and recommendations

Both private and university providers are generally responding to demand and, in the main, seek to be fair to students. Notwithstanding this assessment, in most locations, the outlook is bleak for providers and the students they house. Without intervention, these markets are not likely to change. So what can be done?

Student maintenance arrangements: The current system is broken. This report demonstrates that the average level of maintenance loan barely covers a student's rent.

The student maintenance system needs resetting, if access to higher education is to be maintained evenly across both richer and poorer students. ‘Maintenance loans’ could more accurately be described as ‘a contribution to living costs’. The importance of the parental contribution should be highlighted rather than just mentioned in passing and parents should be provided with clearer official information on the minimum they are expected to contribute.

Maintenance support needs to be based on how much it actually costs to be a student living independently and away from home. In England, there is a golden opportunity to harvest the invaluable data collected for the government-funded *Student Income and Expenditure Survey* (SIES) and to use it as an evidence base towards a better system.

Affordability and financial intervention: Beyond the talk of affordability, the figures show that new and additional PBSA is getting more and more expensive. Rent for new beds in 2023 is 22 per cent more than for existing stock.

The main driver for the growth of PBSA is the private sector, and they are unlikely to increase their risk by going it alone on innovative products or lower-cost accommodation to fulfil an educational agenda. These options will only be developed if led by educational institutions, sharing some of the risk through private sector partnerships: universities must get more involved.

Accommodation bursaries can be effective in markets where there is a lack of affordable options. Finding resources for partnering with private providers is essential if educational institutions are going to make this support available. This is an important short-term approach, even if it serves to help shore up a dysfunctional student maintenance system.

More information, advice and guidance for students: This report exposes significant differences in the cost-of-living among these 10 university cities. Students do have a choice – and it is not just between paying high rents, commuting or not going to university at all. Liverpool, Sheffield and Cardiff, for instance, are cities where affordable rooms are still available. This is not to suggest that students’ accommodation choices should take precedence over academic considerations, but being able to afford the local cost-of-living is an important factor in staying solvent throughout the study cycle.

Universities must invest in expert housing advice that addresses individual problems instead of providing bland generalities on often out-of-date

websites. Many institutions offer almost no accommodation advice outside the letting pages for their own accommodation.

More supply: Universities should talk more to planners and their local authorities so that their needs are understood. Experience shows that where this happens the planners are keen to listen and react positively. The recent Universities UK briefing paper on student accommodation encourages this kind of dialogue. In the longer term, planning policy has a significant part to play in facilitating new development. If cities with a shortage of accommodation could increase their supply more quickly, it would alleviate pressure on rents.

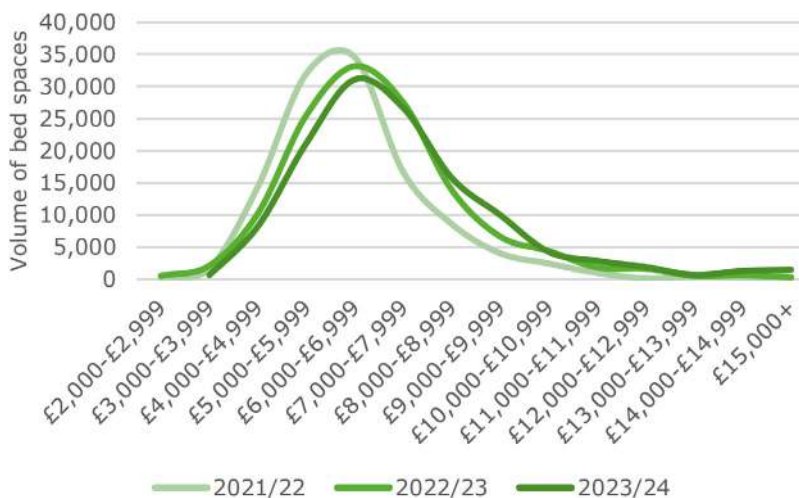
More joined-up government policy: Student housing responsibilities are divided between the Department for Levelling Up, Housing & Communities and the Department for Education. Both government Departments could have a significant role in stimulating and co-ordinating action between educational institutions, developers, sector bodies and local authorities. The two Departments should work together to highlight the importance of student accommodation, raise its profile and stimulate change.

Rent rises: what has been happening

1. Rent overview

Across the academic years 2021/22 to 2023/24 rent rises in the 10 cities surveyed were much steeper than in previous years. The headline annual rent in 2021/22 was £6,520. This went up to £7,475 in 2023/24, an increase of £955 or 14.6 per cent over the period. In both 2022/23 and 2023/24, rents grew on average by 7 per cent. By contrast, in 2021/22, annual rents rose by 4.4 per cent on the previous year, as reported in the *Accommodation Costs Survey* for that cycle.

Figure 1: Change in rent profile across 10 cities over the period 2021/22 to 2023/24 (two academic years – 2 AY)



	Annual rent	% increase 21-23 (2 AY)
2021/22	£6,520	
2022/23	£6,971	6.9%
2023/24	£7,475	7.2%
Net increase	£955	14.6%

Within the overall figures, there is some variation among the 10 cities according to both rent levels and rates of increase.

Figure 2: Average annual rent by city in 2021/22, 2022/23 and 2023/24, and average change in rent between 2021/22 and 2022/23 and 2022/23 and 2023/24



Among the 10 locations, annual rents were highest in Bristol at £9,200, an increase of 9 per cent from 2021/22 to 2023/24. Exeter was the second most expensive with an average annual rent of £8,558 (+16 per cent). Glasgow was third with £7,548, but had the fastest rent rises at 20 per cent to 2023/24. Each of these locations had a shortage of rooms over the period.⁷ As the provision of accommodation fails to keep pace with demand, this undersupply will persist at least into the medium term, and will drive further rent rises.

Figure 3: Average annual rent change by city between 2021/22 to 2022/23 and between 2022/23 to 2023/24 (percentages)



2. Rents by provider type: university portfolios and private direct-lets

Figure 4 shows the university-provided accommodation in 2023/24. On average, institutions owned 45 per cent of the bed spaces in their portfolios. The other 55 per cent were offered under contract from private providers – short- and long-term. Rent increases for private beds used by universities are often capped, helping to protect students from steep rent increases in years of high inflation. However, overall rents in private rooms offered by universities rose by 19 per cent over the two years to 2023/24, compared to an increase of 10 per cent for university-owned rooms. On average, bed spaces in university portfolios went up 14 per cent over the two-year period.

Figure 4: University portfolios – rents according to owner

2023/24	% beds offered by universities	Weekly rent	Let length (weeks)	2-AY change in annual rent
Bournemouth				
Institution	8%	£147	42.5	15%
Private used by university	92%	£162	41.0	10%
Bristol				
Institution	42%	£182	43.8	3%*
Private used by university	58%	£203	40.9	9%*
Cardiff				
Institution	90%	£138	40.3	8%
Private used by university	10%	£159	40.2	20%
Exeter				
Institution	32%	£220	39.6	2%
Private used by university	68%	£184	36.5	15%
Glasgow				
Institution	63%	£148	40.2	11%
Private used by university	37%	£178	40.2	15%*
Leeds				
Institution	67%	£159	42.6	13%
Private used by university	33%	£166	42.3	16%
Liverpool				
Institution	52%	£178	40.7	3%
Private used by university	48%	£136	39.5	5%
Nottingham				
Institution	64%	£238	41.3	15%
Private used by university	36%	£165	39.2	18%

Portsmouth

Institution	100%	£168	40.0	24%
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Sheffield

Institution	44%	£148	42.9	14%
Private used by university	56%	£133	42.3	4%

Total: 10 cities

Institution	55%	£169	41.7	10%
Private provider	45%	£166	40.5	19%
Total		£167	43.0	14%

* Only a single year of change data available (2022/23 to 2023/24)

For bed spaces let directly to students by private providers in these 10 markets, the picture is slightly different. Here, the overall average rent increased by 16 per cent over the two years. Within this figure, there was considerable variation. Prices for bed spaces let directly by the biggest private providers went up by 32 per cent in Glasgow and by 24 per cent in Bristol. Let lengths are also 46 weeks on average, up from 45 weeks in the 2021 *Accommodation Costs Survey*, adding further to headline rent increases. Again, the undersupply of accommodation in some cities is likely to have contributed to the substantial rises.

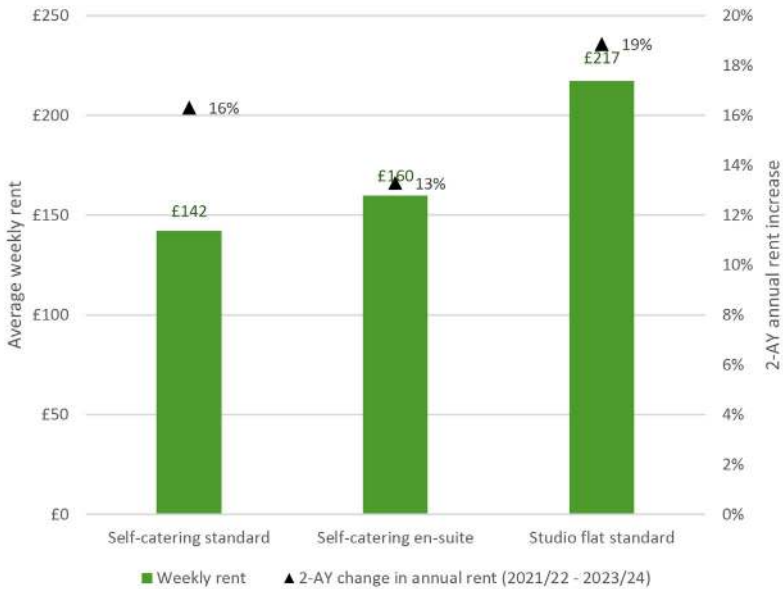
Figure 5: Bed spaces let directly by top private providers

	Weekly rent	Let length (weeks)	2-academic year change in annual rent 2021/22 – 2023/24
Bournemouth	£187	45	9%
Bristol	£223	46	24%
Cardiff	£156	48	14%
Exeter	£221	50	19%
Glasgow	£190	47	32%
Leeds	£177	47	14%
Liverpool	£140	46	10%
Nottingham	£177	46	14%
Portsmouth	£166	43	7%
Sheffield	£145	44	14%
Total	£171	46	16%

3. Pricing by room type

Across the 10 cities, prices for the main room types increased at different rates over the period. Weekly rents for 2023/24 are shown in Figure 6, alongside percentage increases.⁸ Proportional rises for standard and en-suite rooms were similar at 16 and 13 per cent respectively, but were higher for studio apartments (+18.9 per cent). The gap between studios and the other main types of accommodation continues to grow and the average weekly rent for a studio now stands at £217 for an average 49-week contract.

Figure 6: Average weekly rent for 2023/24 by main room type and percentage increases between 2021/22 and 2023/24



Let lengths for en-suite and studio rooms have grown very slightly over the two-year period analysed – by a few days each (+0.3 per cent), remaining at a mean of 44 weeks. On average, standard self-catered rooms are let for 42 weeks and en-suite rooms for 44.

Figure 7a: Weekly rents by city in 2023/24 and change since 2021/22: standard self-catered

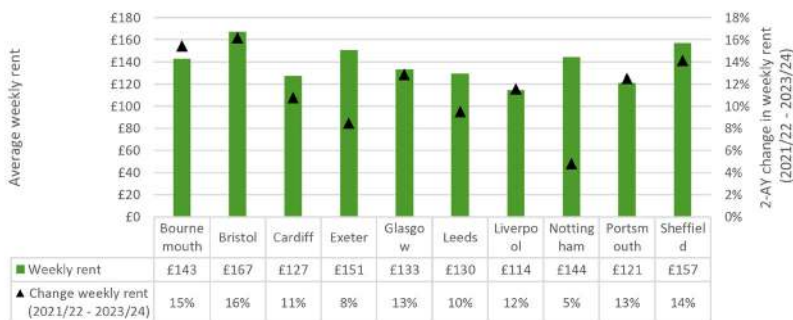
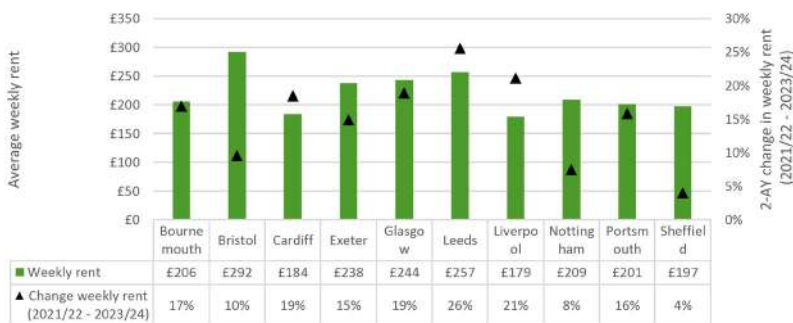


Figure 7b: Weekly rents by city in 2023/24 and change since 2021/22: en-suite



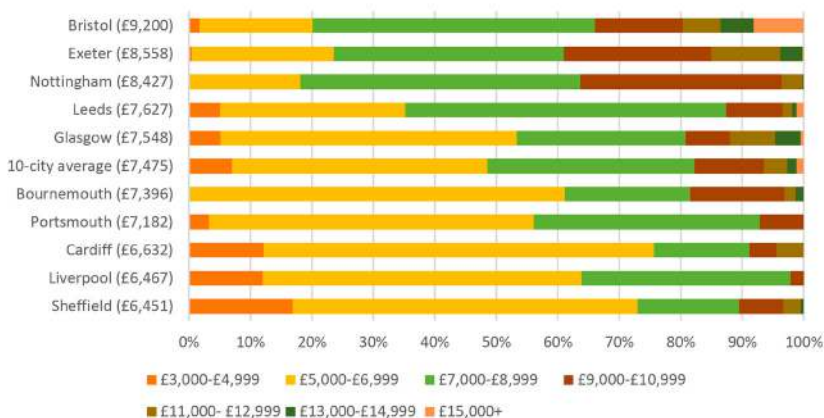
Figure 7c: Weekly rents by city in 2023/24 and change since 2021/22: studio apartments



4. Rent ranges by city

The 2023/24 rent range for each city is shown in Figure 8. The cities are ordered according to their average annual rent level for 2023/24 (highest first). Sheffield, Liverpool and Cardiff all have average annual rents in the mid-£6,000s and offer a broad spread of prices. Most expensive is Bristol with an average rent of more than £9,000, followed by Exeter and Nottingham in the mid-£8,000s. For Bristol and Exeter in particular, these levels of rent are likely to be a setback in the efforts to widen participation and rebalance populations historically dominated by students from more affluent backgrounds.

Figure 8: The 10 cities: rents by volume of rooms in annual price bandings, 2023/24



5. Rent as a proportion of the student loan

Between 2021/22 and 2023/24, the maximum loan amount in England increased by 5.2 per cent. This compares to a 14 per cent rise in average rent in the eight English cities analysed for this report.

The latest government statistics on actual student maintenance loans received by students are for 2021/22. Additionally, the Office for National Statistics has produced a forecast of the levels of maintenance loans expected to be paid each year until 2027/28.⁹ For 2023/24, the average loan in England is forecast to be £7,590. The average rent of £7,566 is therefore expected to account for virtually the whole of the average

loan in that year – as well as 76 per cent of the maximum means-tested loan. This leaves students in England whose sole income is the average maintenance loan with no money to live on once they have paid their rent.

Student loans were never meant to cover all living costs for all students. There has always been an expectation that students and their families would supplement loan income through parental contributions – something that has not been well-publicised. A major sector-wide survey conducted annually found that the proportion of students in paid employment rose from 45 per cent in 2021/22 to 55 per cent in 2022/23.¹⁰ Students also reported that they were finding it more and more difficult to balance study and working commitments, and were finding rising costs increasingly stressful: the negative impact on their overall student experience is substantial.

Why have recent rent rises been so steep?

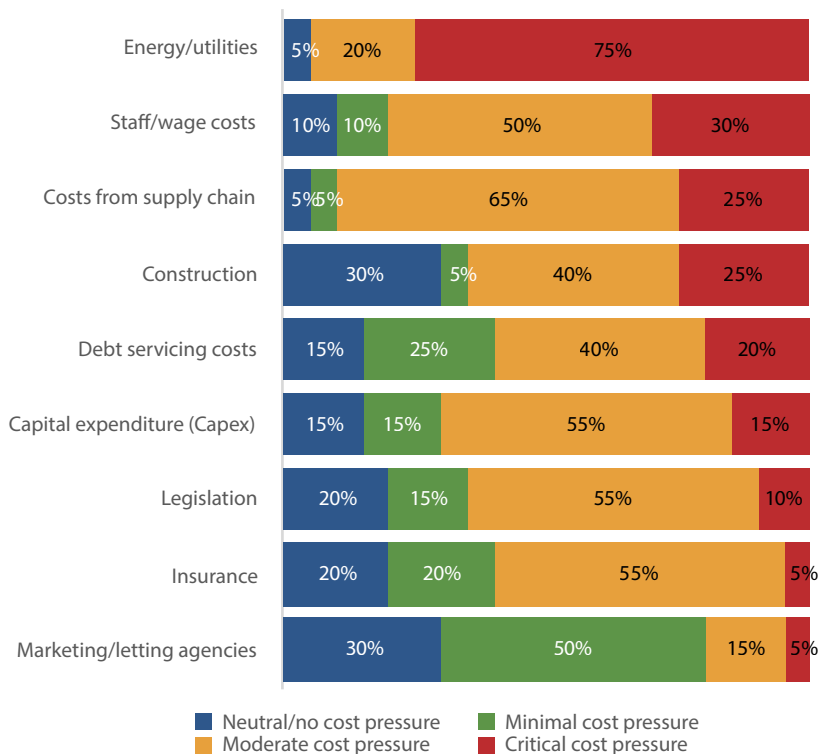
This section explores the factors influencing rents and rent increases, according to the providers who responded to the survey.

1. The key drivers of rent increases / cost pressures

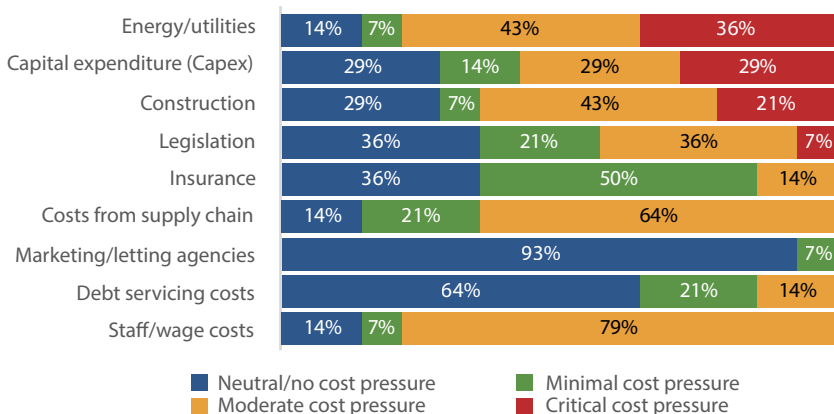
Both provider types reported they had been hit by significant rises in energy costs since the start of the war in Ukraine. Three-quarters of private providers cited energy / utilities costs as a critical factor, more than twice the proportion of universities (36 per cent). Staff / wage costs and supply chain costs were high up in the cost pressure rankings of private accommodation providers.

Figure 9: Provider cost pressures

Private provider



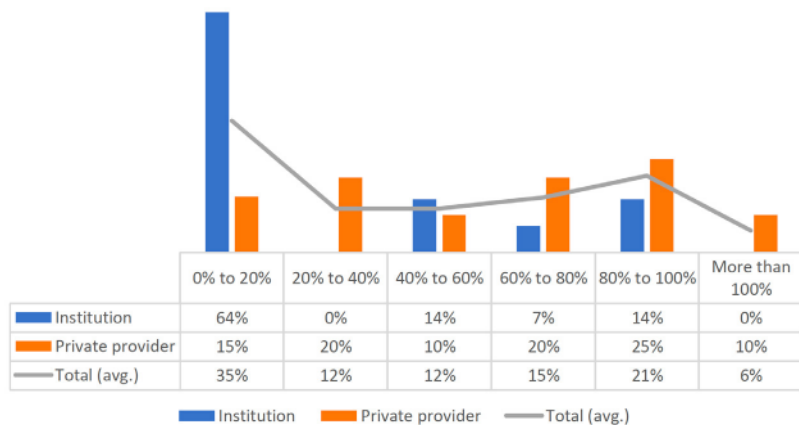
Institution



Please rank the main areas in which you are facing cost pressure (Base: 34)

For universities, all areas were less critical. Their top three pressures were reported as: energy / utilities; capital expenditure and construction; and staff costs.

Figure 10: Providers' estimates of how much their energy costs had risen since the start of the war in Ukraine

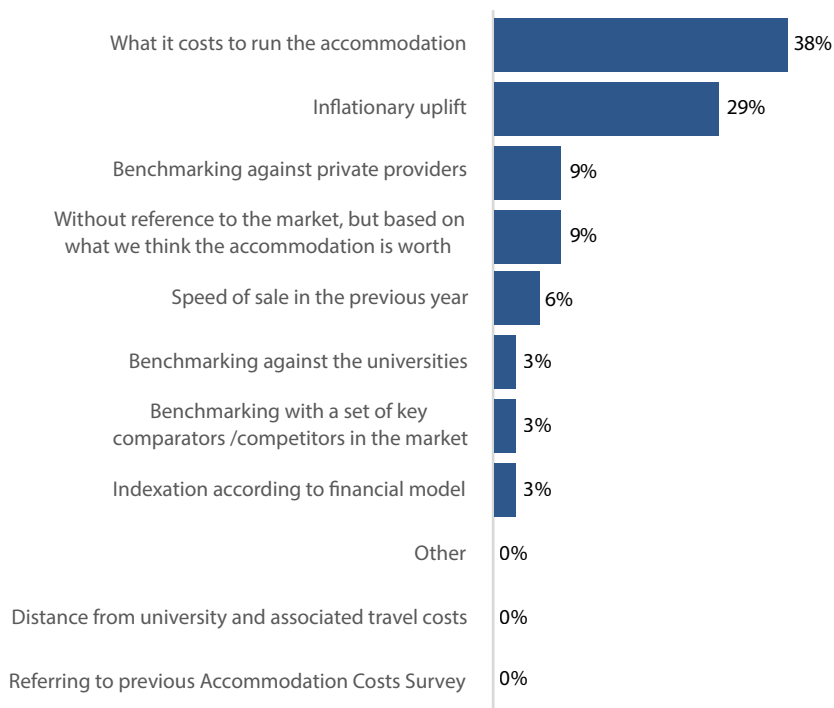


Please estimate the percentage increase in your energy costs experienced since the Ukraine invasion (Base: 34)

The most important rent setting mechanisms for all providers are set out in Figure 11. The cost of operating the accommodation and inflationary uplift were the standout determinants identified by respondents, considerably ahead of other factors.

Many contracts between universities and private providers use the Retail Price Index (RPI) as their base metric for rent increases.¹¹ Some rent levels are set without any adjustment in years of low or high inflation; others are restricted by an agreed bandwidth of permitted annual change.

Figure 11: Providers' views on the most important considerations in rent-setting



What are the main mechanisms and considerations for your organisation when setting rents? (Base: 34)

Respondents from universities and private providers attach importance to different rent-setting mechanisms (Figure 12). While half of institutions say the cost of running accommodation is the most important consideration,

there is markedly more variation in mechanisms considered most important by private providers.

Figure 12: Importance attached to rent-setting mechanisms by provider type

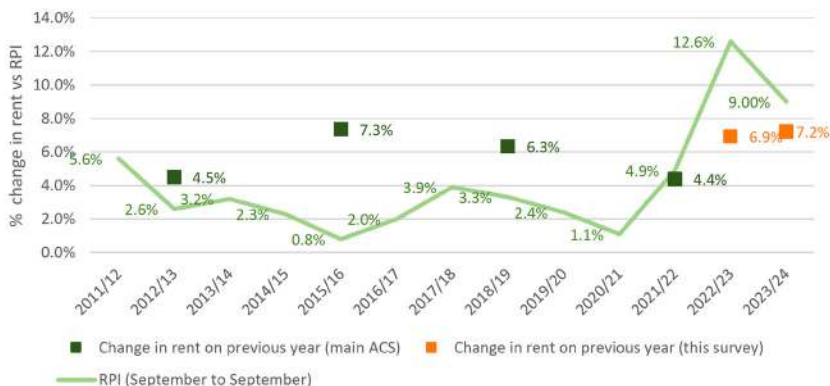
	Most Important	2 nd most important	3 rd most important	4 th most important	5 th most important
Institution	50%	36%	46%	45%	22%
	What it costs to run the accommodation	Inflationary Uplift (Based on RPI or CPI)	Benchmarking against private providers [local market or national peers]	Benchmarking against the universities [local market or national peers]	Other
Private Provider	30%	26%	21%	21%	17%
	Inflationary uplift (based on RPI or CPI) AND What it costs to run the accommodation	Benchmarking with a set of key comparators / competitors in the market	Inflationary Uplift (Based on RPI or CPI)	Benchmarking against private providers [local market or national peers]	Benchmarking with a set of key comparators / competitors in the market AND Without reference to the market, but based on what we think the accommodation is worth (level of service, specification of fit out, level of amenity, etc)

(Base: 34)

2. A closer look at inflation

Although government agencies have largely moved on to alternative metrics, RPI remains the main inflation index for student accommodation rents.¹² In the past two years, inflation has been running at historically very high levels. In September 2022, RPI hit 12.6 per cent. This will have been the figure used by many providers to set their rents in 2023/24.

Figure 13: RPI comparison with annual rent increases logged by the survey over time



In December 2021, interest rates stood at a record low of 0.1 per cent. Between then and September 2023, the Bank of England raised the base borrowing rate 14 times in order to help curb inflation. At the time of writing, the rate was 5.25 per cent.¹³ Although inflation fell to 9 per cent in July 2023, the developing crisis in the Middle East may conceivably push energy prices and inflation back up.¹⁴

For these purposes then, the steep upward trajectory in inflation had two effects:

- to increase rents to students; and
- to prompt a series of base rate rises that:
 - pushed up the cost of borrowing to all PBSA providers; and
 - thereby acted as a major block on funding new development.

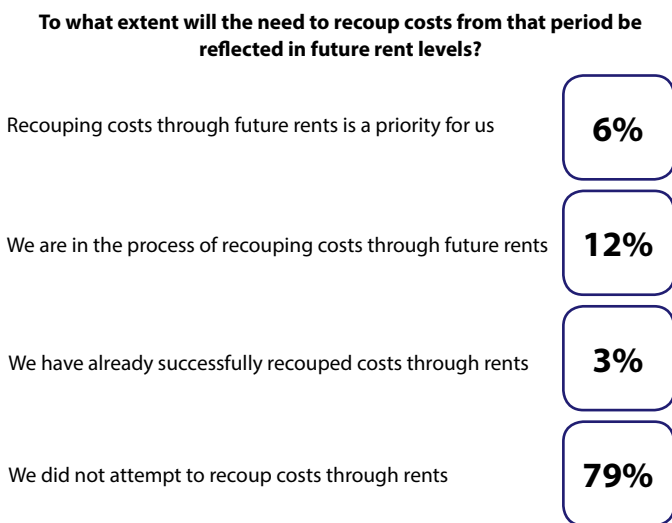
A review of past costs shows that for most cycles, actual rent increases exceeded inflation. In this instance, however, average rent increases were below the level of RPI overall, because inflation was just so high.

Even so, rent increases in this iteration were bigger than in most previous survey cycles.¹⁵

3. Recouping rents post-COVID

Four-in-five providers have not tried to recoup costs from the COVID-affected letting years by factoring associated costs into uplifted rents. However, more private providers than institutions have done so – 25 per cent versus 14 per cent. Private providers are significantly more likely to be in the process of clawing back these costs through adjustments to future rent levels.

Figure 14: Continuing impact of COVID-19 – recouping lost revenue



(Base: 34)

4. Supply and demand: the biggest driver of rent increases

Over the period from 2021/22 to 2023/24, rents increased much faster in markets with known shortages than in well-supplied markets (see Figures 2 and 3). Among the undersupplied cities, Glasgow's direct-let rents increased by 32 per cent over the two academic cycles (13 per cent in 2022/23, then 17 per cent in 2023/24); and in Bristol by 24 per cent (15 per cent, then 8 per cent). However, in Liverpool, a stable and well-supplied market, rents increased by only 10 per cent (a 5 per cent rise in each academic year). Nottingham is an interesting example of a market in transition, moving from a supply shortage into a surplus as a result of the addition of new direct-let stock.

These findings point to the conclusion that the biggest cost pressure on providers and the biggest driver of price increases in each city is the relationship between student demand and the supply of accommodation.

Figure 15: Market forces: annual average bed price and proportion of rooms priced at £11,000+



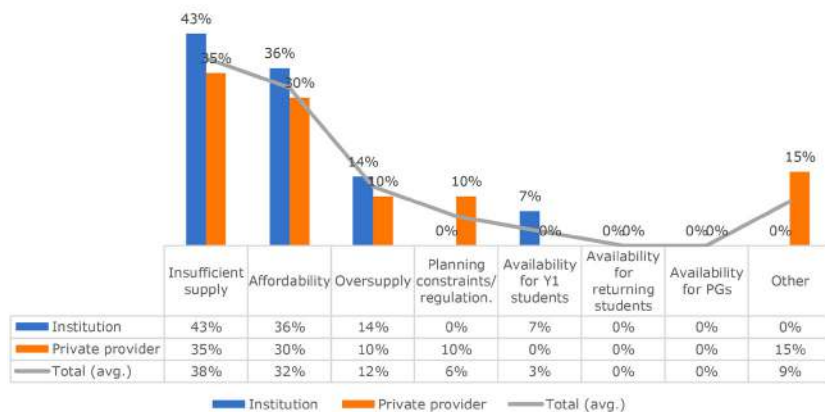
Consequences

1. Impacts on market supply

The overall picture that emerges from this survey is one of challenging market conditions. Providers' efforts to resolve the current undersupply of student accommodation continue to be frustrated by high development and operational costs and historically high interest rates. The result has been a major slowdown in the pipeline of new PBSA, and the outlook is that rents will be pushed higher. The outcome acknowledged by nearly all providers is that students are having to put up with steeply rising accommodation costs.

Private and institutional providers are in agreement that the biggest challenge in the provision of PBSA currently is insufficient supply, followed by affordability. These two problems go hand in hand, of course, as lack of accommodation drives up prices. Insufficient supply and concerns over affordability deepen when a city's student numbers increase without comparable growth in supply. This is the dynamic that is driving rent increases in cities such as Glasgow and Bristol.

Figure 16: Providers' views on their biggest challenge currently in the provision of purpose-built student accommodation



What do you think is currently the biggest challenge in the current provision of Purpose-Built Student Accommodation? (Base: 34)

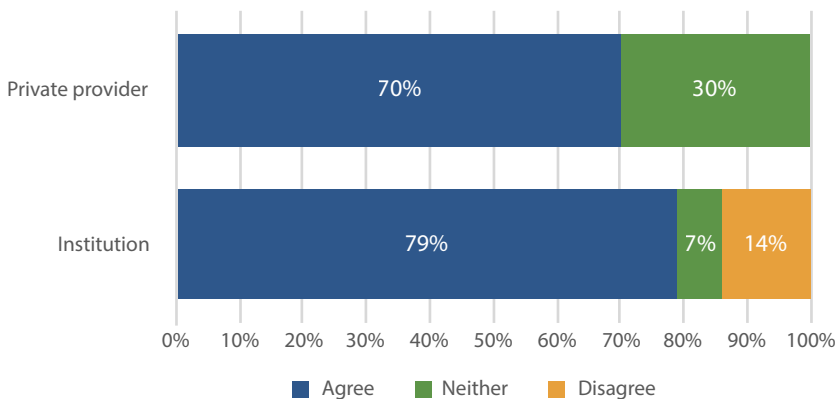
Among private providers, planning constraints / regulations are more likely to be seen as the biggest challenge. Few respondents cited PBSA for first-year students as their greatest concern: none for the private sector and just 7 per cent of universities.

1.1 Ability to progress existing development plans

Asked about how well placed they felt they were to make progress with existing development plans, universities and private providers agreed that rising costs were affecting development viability. That institutions were more pessimistic on this point may have to do with their use of a development model that often produces a higher cost per bed or lower return on investment than for private providers. This model is shaped by an institutional focus on accommodation guarantees, where they:

- pledge to offer somewhere to live to every student who comes within their guarantee;
- are concerned with offering a meaningful number of affordable bed spaces; and
- have little interest in offering high-yield studio apartments.

Figure 17: How far costs are affecting development viability



(Base: 34)

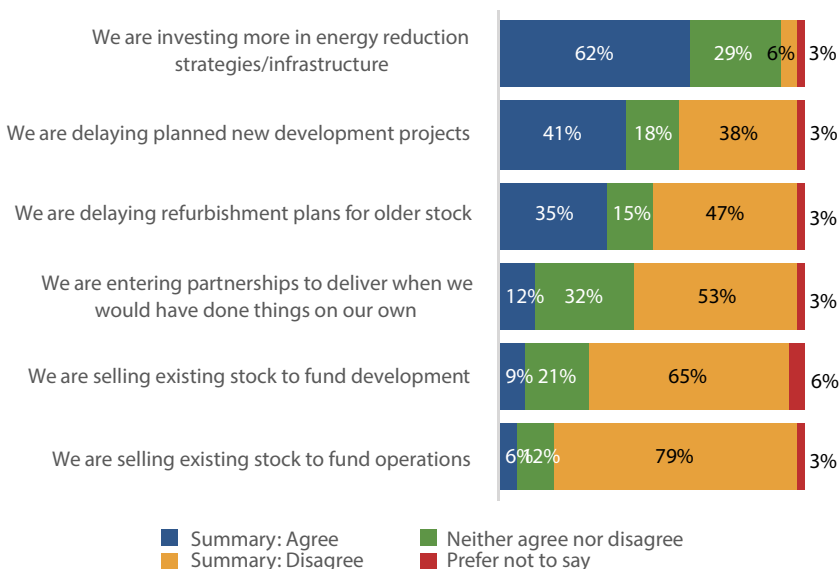
1.2 Adapting to a high-cost environment

Delays to projects are a consequence of rising costs. Two-fifths of respondents agreed with this – an assessment supported by the evidence of a very sluggish planning pipeline. Projects fully costed two years ago are no longer viable thanks to major hikes in the cost of borrowing.

Three-fifths of providers are investing more in energy reduction strategies or infrastructure as a result of higher cost pressures and economic uncertainty. Two-in-five are delaying plans for new development projects and a third are postponing refurbishment programmes.

Over 65 per cent of accommodation providers said they were not selling existing stock to fund either development or operations.

Figure 18a: How higher cost pressures and economic uncertainty are affecting providers' strategic decision-making on their stock



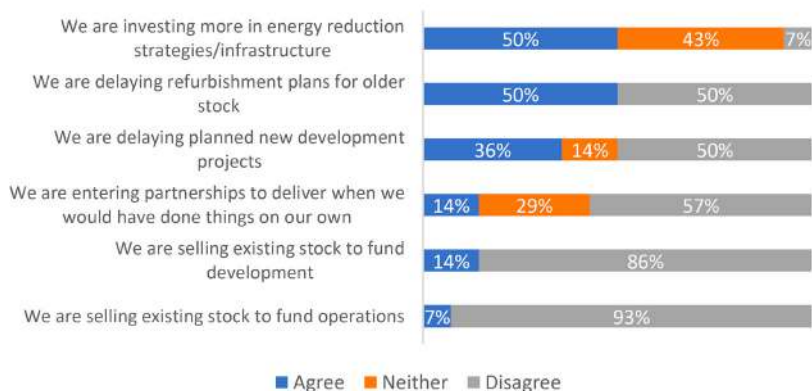
Higher cost pressures and economic uncertainty may be impacting your organisation's ability to carry out existing plans. Please indicate which of the following are consequences for your organisation (Base: 34)

There are some significant differences between private and institutional providers in how they are adapting to a high-cost environment. High

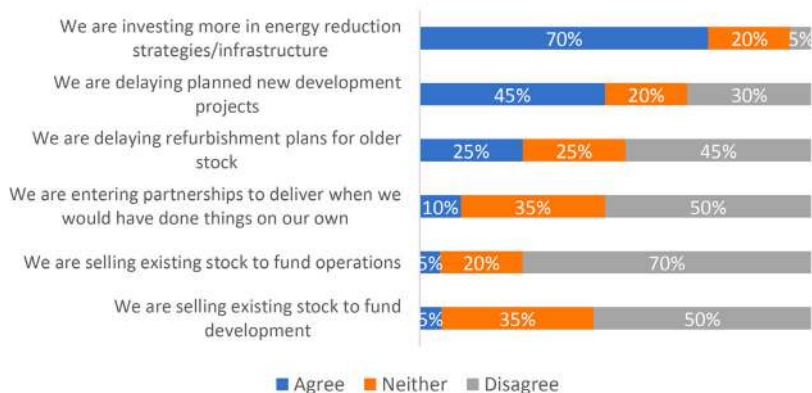
investment in more energy-reducing strategies is being driven by private providers at 70 per cent. Compared to private providers, universities are slightly more likely to agree that they are delaying new development projects and refurbishment of old stock.

Figure 18b: How higher cost pressures and economic uncertainty are affecting strategic decision-making by provider type

Institution



Private provider



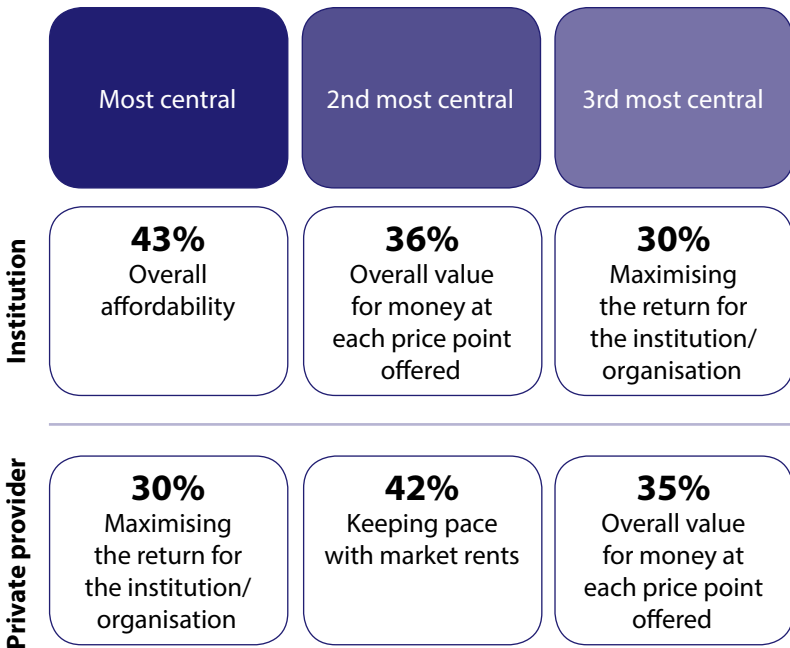
(Base: 34)

2. Rental outlook

2.1 Key drivers of future rent strategy

Institutional providers appear more student-orientated when compared to private providers, who are more focused on financial returns and keeping pace with market rents. These findings are an expression of a fundamental difference in the missions of the two provider types. Despite increasing operational links forged through partnership arrangements, universities still see themselves as having a duty to maintain a spectrum of accommodation to help ensure that realistic options are available to all students covered by institutional accommodation guarantees. By contrast, private providers have much more freedom to target specific segments of the student population and also specific geographical locations.

Figure 19: Providers' views on what will be most central to their rent strategy in the future

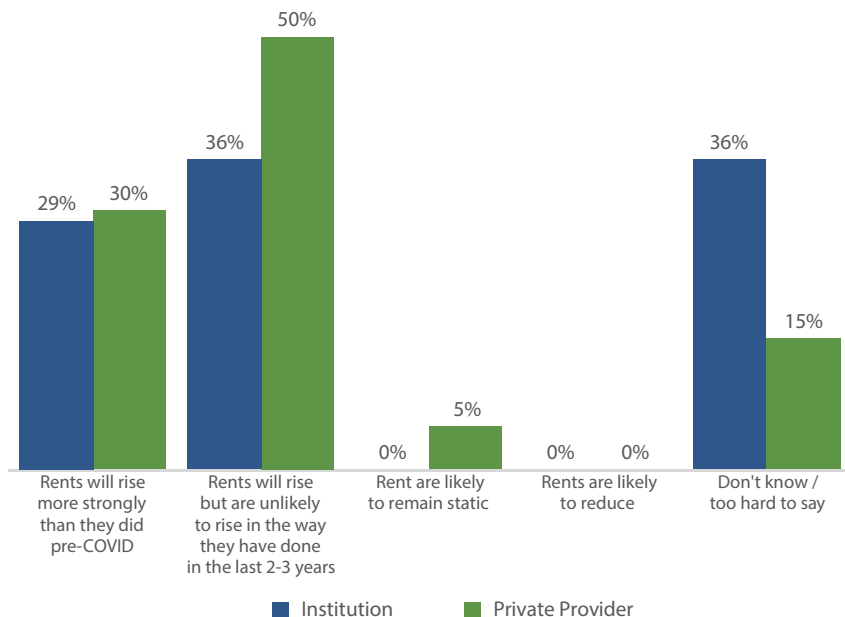


Which of these things will be most central to your rental strategy going forward? (Base: 34)

2.2 Expectations about future rent levels

All respondents thought rent levels were unlikely to reduce, although there was some uncertainty among them about how much and how quickly they might increase. Nearly one-third said rents would rise more strongly than they did pre-*COVID*.

Figure 20: Providers' views on future rent levels



Thinking about what might happen to rents in general across the sector over the next five years, please pick the statement which you feel best represents your views. (Base: 34)

2.3 Changing demographics

The survey asked providers if they had seen any particular changes in the demographic profile of their student residents. Across the cities, there has been a general shift towards more undergraduates (first-year and returning, UK and international) as a proportion of the residential base. Rising demand is strongest in Glasgow.

Figure 21: Student resident profiles by city

		Sheffield	Liverpool	Cardiff	Ports-mouth	Bourne-mouth	Glasgow	Leeds	Nottingham	Exeter	Bristol
		12	16	7	5	8	15	13	12	6	13
First-year UG	Rising	17%	31%	43%	40%	50%	67%	46%	42%	33%	54%
	Falling	42%	6%	14%	0%	0%	20%	15%	25%	17%	0%
Returning UG	Rising	25%	50%	29%	40%	50%	73%	46%	42%	17%	54%
	Falling	25%	6%	29%	0%	0%	7%	8%	17%	17%	0%
Postgraduate taught	Rising	17%	38%	29%	40%	50%	80%	62%	50%	33%	31%
	Falling	33%	13%	14%	0%	13%	13%	8%	17%	17%	15%
Postgraduate research	Rising	17%	31%	14%	20%	38%	53%	46%	33%	17%	38%
	Falling	25%	6%	0%	0%	0%	13%	15%	17%	0%	0%

2023/24 avg. rent	£6,451	£6,467	£6,632	£7,183	£7,396	£7,548	£7,627	£8,427	£8,558	£9,200
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What changes (if any) have you seen in demand for the following groups in the period 2020 to 2023? (Base: 34)

Postgraduate demand is also rising in most places.

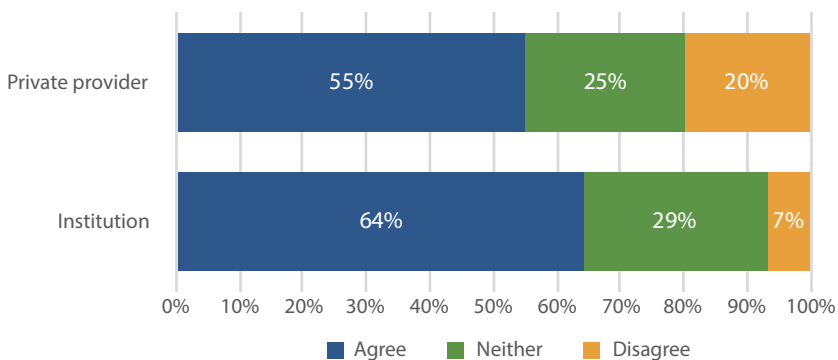
In Sheffield, however, there has been a general softening of demand. Nottingham and Exeter have felt a marginal fall in demand from all student types.

2.4 The need for more affordable accommodation

There was a level of agreement across both provider types that their highest-priced accommodation sold out first, although the survey response was stronger for universities on this point.

These findings are broadly in line with the 2021 survey.

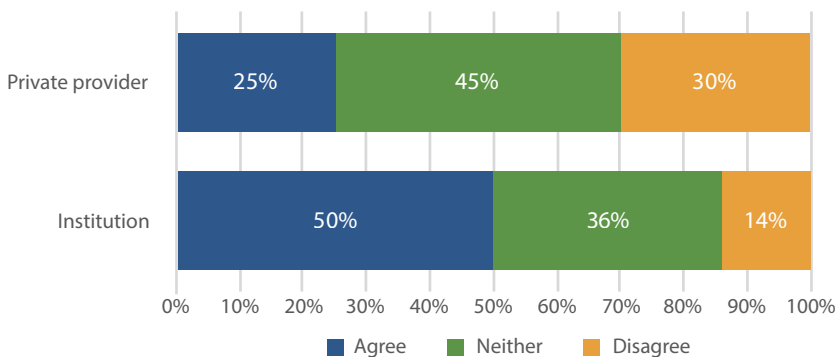
Figure 22: Highest-priced accommodation



Our highest price accommodation sells out most quickly overall (Base: 34)

The strength of rent rises seems to be a bigger concern for universities than for private providers: half of them said they needed more affordable accommodation in their portfolio, against a quarter of private providers. Again, this divergence in views can be traced to the difference in the missions of the two provider types. As already noted, most universities make some form of pledge or guarantee to offer housing to certain student cohorts (primarily full-time undergraduate intakes). By contrast, the missions of private providers are much more mixed: some are focussed on helping universities maintain a spread of provision and price points; others cherry-pick students who are in the market for more luxurious options.

Figure 23: Providers' views on the need for more affordable accommodation

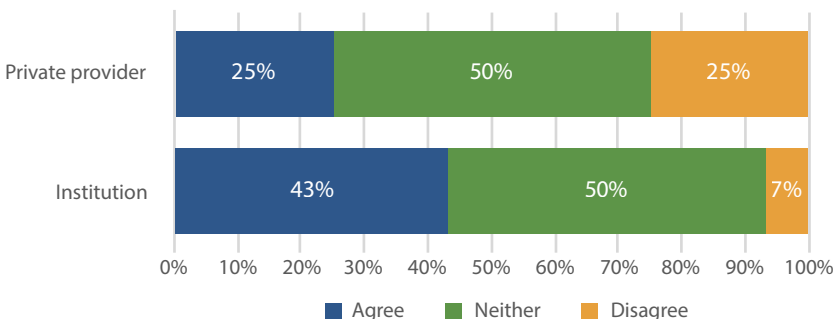


More affordable accommodation is required in our portfolio (Base: 34)

3. Affordability and innovation

Affordability is highlighted throughout this research as an area of critical concern. Figure 24 highlights that this is not an easy issue to resolve, and unfortunately, one that 57 per cent of universities and 75 per cent of private providers are not tackling.

Figure 24: Innovation on affordability

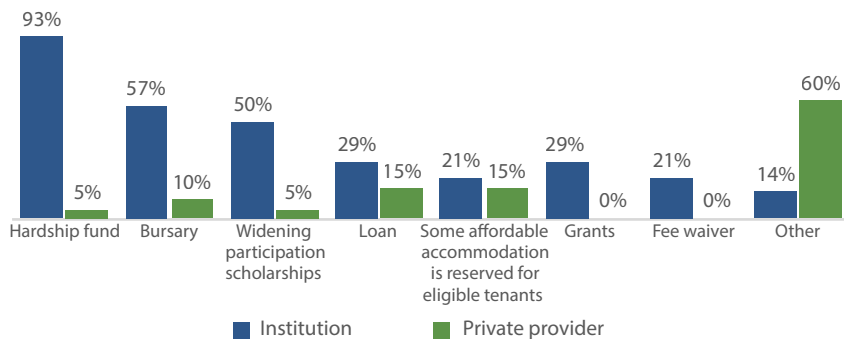


We are innovating in the area of affordability (for example new design, stock types or tenure) (Base: 34)

3.1 Bursaries and hardship

Across the board, institutional providers are more likely to provide financial support to tenants than private providers – particularly in the form of hardship funds. There are, however, examples of private providers having found institutional administrative support unforthcoming, when they have expressed a willingness to implement accommodation bursaries.

Figure 25: Financial support for tenants



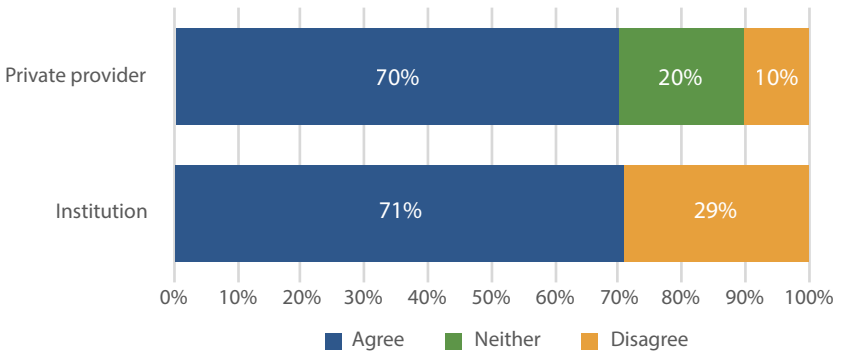
What kind of financial support is provided to tenants? (Base: 34)

Only a quarter of respondents reported that they had some kind of affordability criteria / strategy. A third (36 per cent) of institutions and 20 per cent of private providers said they had formulated an affordability strategy. Only a small number of providers make theirs public.

3.2 Overall impact on students

Providers equally highlighted the stark finding that students are having to put up with rising PBSA rents, because there are no alternatives.

Figure 26: Providers' views on the student predicament



Students are having to put up with rising costs as there is no alternative supply (Base: 34)

Policy context

This survey has taken place within a period of economic and political uncertainty, and this section highlights some areas of legislative and regulatory change.

Steep rises in the cost-of-living affect everyone, but students in England have had no extra government support for living costs in a decade in real terms, although assistance has been more generous in Scotland and Wales.¹⁶ This year's 2.8 per cent rise in the maintenance loan in England falls considerably short of the kinds of increases in accommodation costs logged in this report – around 7 per cent. At stake here is the higher education sector's UK widening participation programme, increasingly exposed to the dual threat of tightening entry requirements and living costs that deter less well-off people from applying.¹⁷

Universities are facing pressures in academic as well as residential operations. The maximum tuition fee that institutions can charge UK students was fixed at £9,000 a year in 2012, and increased to £9,250 in 2017. It has not been raised since and is set to remain frozen. Increasingly vocal about this, vice-chancellors report that they have little choice but to shore up income from home students with larger intakes of international students paying higher fees.

The sector is beginning to engage with the student housing agenda, as signalled by the recent initiative taken by its collective voice, Universities UK, to issue a briefing note for university leaders on how to support good practice in student accommodation.¹⁸ Given the gravity of undersupply and rapidly increasing rents, it is anticipated that interest will grow among policymakers. It is hoped that institutional management will be enhanced so that student number planning will take account of where students are actually going to live.

If enacted as it stands, the *Renters (Reform) Bill* will cause major turmoil in the market for student houses in England. Although PBSA will continue to use fixed-term tenancies, the Bill proposes ending these for shared student housing market from the cycles of the academic year. To disrupt the existing model further, if a single student within a joint tenancy serves a notice to quit (NTQ) the property at any time in the letting year, all the students in that house will have their tenancy ended.¹⁹ Add to this the evidence that landlords are already leaving the student housing sector because of rising borrowing and running costs and increasing overheads, and it is likely the shared student house market will fragment

and shrink further. This assessment is supported by what happened in Scotland when comparable legislative provisions were introduced there in December 2017.²⁰

Falling bed space numbers in the houses of multiple occupation (HMO) sector are driving a need for more Purpose-Built Student Accommodation.

A standout finding of this report is that in well-supplied locations – such as Liverpool where accommodation planning consents have been forthcoming and accommodation choices plentiful for students – rent increases have been more modest than in other parts of the country, where limited land availability and planning constraints have dampened development. Facilitating growth in supply has proved to be a far more realistic and sustainable method of slowing down rents than any rent-capping policy ever could be.

Taken in the round, markets that are heavily undersupplied are not going to self-correct in the short- to medium-term, because of prohibitively high borrowing and building costs. If student numbers continue to grow, the gap between supply and demand is set to widen further. Rising rents are then inevitable. In this context – and with a real-terms decline in their maintenance support – many UK students now face hard decisions about how and where they study.

Recommendations

1. The student maintenance system is broken

The student maintenance system needs resetting if access to higher education is to be maintained evenly across both richer and poorer students. The maintenance loan should be redesignated as a 'contribution to living costs', and the importance of the parental contribution should be highlighted rather than just mentioned in passing.

This survey shows that the cost of rent absorbs almost all of the student maintenance provisions available in England, Scotland and Wales. Without family support or part-time work, students can have no money to live on, once they have paid their rent.

Maintenance support needs to be based on how much it actually costs to be a student living independently and away from home. In England, there is a golden opportunity to take the valuable data from the as yet unpublished government-funded 2022 *Student Income and Expenditure Survey* (SIES) and use this as an evidence base towards a better system. There is a precedent for the SIES report to be delayed in its publication and for most of the data to remain unanalysed, but the Government says it will report soon.²¹ If that target is met, it could provide the basis for well-informed consideration of properly worked-out policy options.

2. Affordability and financial intervention

There is much talk of affordability, but, as the figures show, new and additional PBSA is expensive and becoming more so. It would be easy to dismiss this as profiteering, but with new-build costs coming out at over £100,000 per bed space (outside London), Cushman & Wakefield estimate rent levels need to be towards £170 a week for a room in a cluster flat, simply to cover the cost. This summer's new beds are 22 per cent more expensive than existing stock. The main driver for the growth of PBSA is the private sector, and they are unlikely to increase their risk by going it alone on innovative products or lower-cost accommodation in order to fulfil an educational agenda.

Innovation in stock types needs to happen more quickly. This could be in the shape of creatively-specified new-build, clever and attractive refurbishment of older accommodation, and trialling of double-occupancy rooms for students who might consider sharing to save on cost. Subsidising a proportion of rooms within a residence and offsetting the cost through accommodation at the higher end of the rent profile is a further way of increasing choice in rents.

These options will only be developed if led by educational institutions, sharing some of the risk through private sector partnerships, which need to be longer term to enable innovation. Previously, long-term partnerships often included upfront payments made to universities. In these new partnerships, the focus has to be on rent and affordability.

Accommodation bursaries and hardship funds could also be used in markets where there is a lack of affordable options. Finding resources to partner with private accommodation providers is essential if universities are to make this support available in an efficient and equitable way. This is an important short-term approach, even if it serves to help shore up a dysfunctional student maintenance system.

3. More information, advice and guidance for students

It is hoped that one of the outcomes of this report will be to raise the visibility of the significant differences in the cost-of-living across these 10 university cities. Students do have a choice – and it is not just between paying high rents, commuting, or not going to university at all. Liverpool, Sheffield and Cardiff, for instance, are all cities with a choice of university, and where affordable rooms are much more likely to be available. This is not to suggest that accommodation choices should take precedence over academic considerations, but that being able to afford the cost-of-living is an important factor in remaining financially solvent throughout the study cycle.

Universities need to invest in expert housing advice that addresses individual problems rather than providing bland generalities on often out-of-date websites. Many institutions offer almost no accommodation advice outside the letting pages for their own accommodation.

Universities need to build on the progress they have made in the last year, and be clear about accommodation availability and cost. This openness might be seen as potentially damaging to recruitment, but it should be remembered that students will work this out for themselves anyway, some after an unnecessarily painful experience.

4. More supply

Universities should talk more to planners, so that needs are understood. Experience shows that where this happens the planners are keen to listen and react positively. The recent Universities UK briefing paper puts this well:

it will be important for universities to continue to make regular, realistic assessments of likely future demand for accommodation from

their students, and the corresponding housing supply – considering not just university- and privately-managed purpose-built student accommodation (PBSA), but also other available accommodation within the local area, the bulk of which will be houses in multiple occupation (HMOs).

Where a local area has more than one higher education institution and is likely to have an impact on the same local housing stock, the benefits of doing this in partnership are clear.²²

This engagement is an important part of counterbalancing the often ill-informed pressures from some elected councillors who, while supporting the contribution of higher education to their local economy, think they have enough PBSA without realising the inherent contradiction in that.

In the longer term, planning policy has a significant part to play in facilitating new developments. If cities with a shortage of accommodation could increase their supply more quickly, it would alleviate pressure on rents. Many planners realise the need for affordable student accommodation, but then look for improved space standards, higher-specification design and lower density – all of which increase costs.

Repurposing of older assets – and particularly empty offices and shops – could have an impact on the availability of accommodation, if strictures on their use were to be relaxed. Students can be important agents of regeneration, if they are given access to affordable accommodation.

5. More joined-up government policy

Currently, student housing responsibilities are divided between the Department for Levelling Up, Housing & Communities and the Department for Education, reflecting their respective responsibilities for the private rental market and education. It is true that the use of government-approved National Codes has improved and become embedded in policy considerations: all three Codes were revised over a two-year period. But, at a higher level, policymaking can still be a victim of silo thinking.

Both these government Departments could have a significant role in stimulating and co-ordinating action between educational institutions, developers, sector bodies and local authorities. They should co-operate and work together to highlight the importance of student accommodation, raise its profile and stimulate change.

About the survey

Unipol, the UK's largest student housing charity, runs the *Accommodation Costs Survey* on a three-year rolling programme. The survey analyses trends in the provision of student accommodation and its cost, and captures the strategic direction and key issues facing student accommodation providers in the UK.

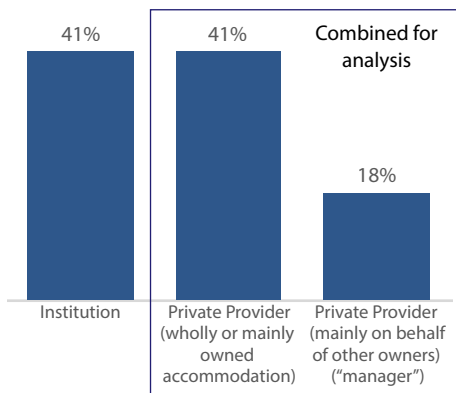
The triennial survey is a census, but the 2023 edition has focussed on 10 core university cities, aiming to give a geographical spread across the UK, but excluding Edinburgh and London where rents are so high they have a distorting effect on overall data analysis.

This year, Unipol added a further datapoint into the survey and has run an abridged version in 2023, rather than waiting for the standard cycle in 2024 – the reason: the extraordinary rises in rents and costs, and the changing demographics in the international student population. These are pressing issues being felt by students and operators in the sector today. The additional data captured in this extra survey will help inform providers' actions over the next year.

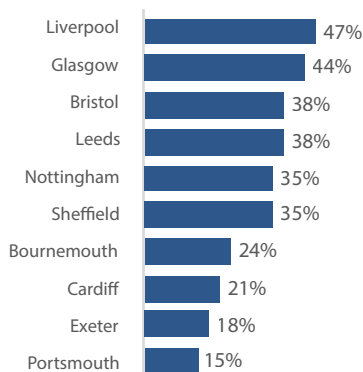
There are two elements to the *Accommodation Costs Survey*:

Qualitative survey: used to collect key facts, trends and understand strategic direction from student accommodation operators. Thirty-four providers took part in the online survey.

Respondent profile



Are you an ...?



In which of the following cities do you operate? (Base: 34)

Quantitative survey: a spreadsheet-based exercise where all providers input data about their accommodation, including residences, size, rents and type. For this iteration, respondents were asked about the years 2021/22, 2022/23 and 2023/24. Rather than the whole country being involved, Unipol selected a sample of the biggest operators in 10 cities of interest. These participants included private providers and universities.

Rent data received by city

Bed numbers in data set	2023/24
Bournemouth	5,678
Bristol	14,175
Cardiff	12,070
Exeter	9,138
Glasgow	13,358
Leeds	18,502
Liverpool	17,656
Nottingham	11,679
Portsmouth	4,604
Sheffield	19,053
Grand total	125,913

Of 718,805 rooms in the UK, the sample makes up 18 per cent of the full market.²³ As expensive capital cities, London and Edinburgh were excluded in order to give a more balanced view of rents outside these markets. Overall, the sample base comprised 34 providers and 13 universities took part.

The *Accommodation Costs Survey* has been running since 1967, making it possible to readily identify general trends and detect shifts in the market. Details of more recent surveys, and collection methodology for the publications in 2021, 2018, 2015 and 2012, along with further information about the 2021 *Accommodation Costs Survey*, and insights into the collection methods used in 2021, can also be found on the Unipol website.²⁴

Acknowledgements

We would like to thank everyone involved in the production of this survey.

All **the universities and private providers** who took part. Your responses have given us the best coverage of the 10 city markets in the history of the *Accommodation Costs Survey*. Your continuing participation exemplifies what the sector can achieve when we come together.

The **steering group** for sharing your valuable perspectives and helping shape the survey:

Name	Title	Organisation
Nick Hillman	Director	Higher Education Policy Institute (HEPI)
Robin Walsh	Housing Codes & Standards Lead Head of Residential Services	CUBO Bournemouth University
Sarah Reynolds	Chair	Association of Student Residential Advisers (ASRA)
Ian Fletcher	Director of Policy	British Property Federation (BPF)
Alex Moon	General Counsel & Chief of Staff	iQ Student Accommodation
Jenny Shaw	Higher Education External Engagement Director	Unite Students
Martin Blakey	Chief Executive	Unipol Student Homes
Ken Gibb	Director and Principal Investigator	UK Collaborative Centre for Housing Evidence (CaCHE)
Natasha Dhumma	Deputy Director (England, Wales, Liberation, Apprentices & Organising)	National Union of Students (NUS)

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Endnotes

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- 7 Martin Blakey, *Accommodation shortages: are the odds stacked against students?*, HEPI Blog, 29 August 2023 <https://www.hepi.ac.uk/2023/08/29/accommodation-shortages-are-the-odds-stacked-against-students/>
- 8 Coverage of self-catered standard provision from survey returns runs to 15,972 bed spaces. This is a much smaller data set than for the other main room types, but reflects its lower presence in the profile of UK PBSA stock.
- 9 Gov.UK, *Student loan forecasts for England*, <https://explore-education-statistics.service.gov.uk/data-catalogue/student-loan-forecasts-for-england/2022-23>
- 10 Jonathan Neves and Rose Stephenson, HEPI / Advance HE, *2023 Student Academic Experience Survey 2023*, June 2023 <https://www.hepi.ac.uk/wp-content/uploads/2023/06/Student-Academic-Experience-Survey-2023.pdf>
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- 12 See Endnote 6.
- 13 Daniel Thomas & Faisal Islam, 'UK interest rate freeze ends run of 14 straight increases', *BBC News*, 21 September 2023 <https://www.bbc.co.uk/news/business-66875739>

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- 21 The last SIES was published nine years ago in 2014/15, but used data collected two years earlier in 2011/12. It did not drill down to the level of analysis required to help relate student living costs to student support. The timing of data collection also meant that some students were receiving loans under the previous funding system and some under the new – which caused problems in the base data.
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