

## LIST OF QUESTIONS SCOTTISH GOVERNMENT ONLINE SURVEY ON PBSA

1. **What is your view on the extent to which PBSA is currently meets the needs of all students, in terms of its accessibility and adaptability?**

### **SPF Comments:**

The Scottish Property Federation is the voice of the real estate industry in Scotland. Our diverse membership includes property investors, including major institutional pension and life funds; banks; developers; landlords of commercial and residential property; and professional property consultants and advisers. We are an integral part of the UK-wide British Property Federation, which represents most of the UK and Scotland's largest property stakeholders including providers of PBSA.

We have responded to the questions raised in this survey as a non-provider of PBSA. However, given the short timescale allowed we have been unable to provide the detailed response with the supporting evidence that we would have liked to. Some of our provider members have responded directly where it has been possible to do so in the time available.

[The ANUK National Code](#), of which the vast majority of providers in Scotland are [members](#), currently includes the following measures:

- *Managers will ensure that No person or group of persons applying for accommodation will be treated less favourably than any other person or group of persons because of their race, colour, ethnic or national origin, gender, disability, appearance, age, marital status, sexual orientation, or social status.*
- *As part of its commitment to assist those with disabilities, it is agreed that charges for rooms adapted for use by students with disabilities should not exceed the normal room rate for that development.*

It is worth noting that the National Code is currently out to consultation. It is under consideration whether the charges for rooms adapted for use by students with disabilities should instead be aligned with the lowest room rate for each development, which, if enforced, will further increase accessibility of private PBSA.

The majority of private PBSA has been built since 2000 and therefore postdates and complies with the Disability Discrimination Act. All developments have had to comply with local planning policy on accessibility. The BPF/SPF has seen many examples of providers adapting rooms for visually, hearing, and mobility impaired students. The proportion of accessible rooms provided in PBSA far outweighs those provided in other forms of owner-occupied accommodation.

2. **What is your view on the extent to which PBSA providers are willing and/or able to facilitate accommodation access for a care experienced or estranged students e.g., a guarantor scheme that is flexible for those in a diversity of family circumstances?**

### **SPF Comments:**

[Unipol's Accommodation Costs Survey 2018](#) showed that many private providers do not require a guarantor. In addition, providers often work with Universities or local authorities on special cases, with many working in tandem to provide rent guarantees, which aims to remove barriers for students who lack traditional family support. This is a barrier that is likely to still stand when looking at renting in a House of Multiple Occupation rather than PBSA.

**3. What is your view on the extent to which PBSA providers are willing and/or able to provide reasonable adjustments which facilitate accommodation access for disabled students?**

**SPF Comments:**

[Unipol's Accommodation Costs Survey 2018](#) showed that 30% of private providers said they had stock, which could be adapted for ambulatory disability purposes. The wording "able to provide reasonable adjustments" is appropriate but raises the point that the requirement from local authorities to make 5% of rooms accessible when developing PBSA could be misinterpreted in its implementation. Some authorities, for example both Glasgow City Council and The City of Edinburgh Council, require all accessible rooms to be complete with Doc-M Packs. This goes against NUS advice to make accessibility provision non-intrusive and does not account for the fact that each individual has different needs. A more effective requirement would be for rooms to be "capable for adaption" so they can be adapted for each tenant's needs, which are likely to change year-on-year as new students move in.

To illustrate, across one provider's portfolio they have been asked to adapt three rooms over the past 10 years, one being for a student with impaired vision, a second with hearing issues, and another with ambulatory challenges who required a carer in an adjacent room. These three different requirements each need a room adapted in a unique way.

It would also assist providers in achieving adaptability if funding opportunities from local authorities for individuals needing adaptations were clearer. In some circumstances the cost of adaptations is greater than a year's rent and there is no guarantee that students will stay for longer than a year.

**4. To what extent do you think PBSA providers currently manage to inclusively accommodate a diversity of student lifestyles, and what could be done better in this area?**

**SPF Comments:**

74% of private providers reported in Unipol's Accommodation Costs Survey 2018 that they offer one or more of the specialist or alternative accommodation types set out in the questionnaire's response options, including adapted or adaptable rooms; single-sex halls; accommodation for families; alcohol-free halls; quiet blocks; and safeguarding accommodation.

Most providers also arrange events for students focusing on different cultures, such as Chinese New Year, or supporting students fasting through Ramadan for example, and provide materials in various languages. One provider nationally has accommodated tenants from over 100 different nationalities.

**5. What do you think PBSA providers currently do well in terms of supporting student mental health, wellbeing and welfare support, and what could they do better in this area?**

**SPF Comments:**

[The BPF Student Wellbeing Guide](#) provides best practice in PBSA for mental health and wellbeing, endorsed by the UK Department for Education and with expert insight from mental health and wellbeing charities: a minimum of staff and RA training, case management, procedures in place to react during and after an incident. It recommends proactive measures including events programmes, health advice campaigns, alignment with university initiatives, etc. The Wellbeing Guide provides a variety of case studies of initiatives used by private providers to support students' mental health.

[The ANUK new code 2021](#) has a new section on Health and Wellbeing, giving guidance and template documents to facilitate compliant data sharing in situations where a student's health is in serious danger, to avoid GDPR preventing accommodation providers from getting tenants help. This was consulted on, so PBSA providers actively support this move.

**6. What is your view on the extent to which current PBSA provision and approach supports relevant Scottish Government policies, for example Widening Access?**

**SPF Comments:**

Providers do take initiatives to widen access to their schemes. However, faced with issues such as mounting costs for land, construction, etc. rent needs to be at a certain level to make a scheme viable. Widening access is ultimately an issue that universities need to take a lead on with PBSA providers in support. That being the case, many through their ESG/CSR programmes directly provide support for widening participation/access. Unite plc, the largest provider of PBSA in the UK with many schemes in Scotland, is the founder of and major donor to the Unite Foundation, a charitable trust established to support talented students facing challenging financial circumstances through the provision of free accommodation scholarships. The Foundation has so far provided scholarships for 434 young people working in close collaboration with 27 partner universities.

**7. What is your view on the extent to which the cost of renting accommodation in PBSA is currently affordable for students? For example, as a proportion of the average student living cost loan (£5,300 per year for 2018-19).**

**SPF Comments:**

The ['Save the Student' accommodation survey](#) shows that PBSA is the cheapest form of renting as opposed to University accommodation or private landlords, even though utilities and broadband are generally included as standard.

Simplistic comparisons of rents between PBSA and the common alternative of HMOs are not possible as PBSA contracts include many additional services – gyms, energy, broadband, 24/7 security and possessions insurance are, for example, often standard. Contracts are also often shorter than for HMOs which are usually one year. Looking at the past year, tens of thousands of students in contracts with private PBSA received rent rebates due to Covid-19, which was not widely the case in the wider private rented sector.

**8. What is your view on the appropriateness of the current regulatory regime that applies to PBSA?**

**SPF Comments:**

As stated above the ANUK code, of which the vast majority of providers in Scotland are members, is rigorous and widely respected. The fact that members of the ANUK Code for non-educational establishments volunteer to follow a Code, to be frequently inspected and to pay for such a regime, evidences they are seeking to follow high standards. Most large providers are inspected at least once a year – inspections cover property condition, management requirements, and regulatory requirements and are carried out by former Environmental Health Officers and University Estates professionals.

New providers are prioritised for inspection and a change of management or insolvency of the provider will also trigger a visit. Students are able to raise complaints to the Code administrator, which can also prompt an inspection. There have been examples of city-wide inspections of multiple schemes to raise standards and ensure compliance. Any provider who leaves the ANUK Code or has membership withdrawn is flagged to the local authority to make them aware of potential problem landlords in executing their own enforcement work. The ANUK Code also makes provisions for student wellbeing, requiring staff to be trained on diversity and equality policies, rooms to be adapted for disabled use, and so on.

As a contrast to this, an alternative regulatory regime such as selective licensing often results in PBSA being rarely inspected, the cost being passed on to students, and a competitive disadvantage to university providers who are exempt. Local authorities have the powers to enforce standards in the PBSA regardless of Selective Licensing.

It is vital that the importance of PBSA providers being able to end agreements at the end of the academic year, rather than the security provided to the wider sector continues to be recognised. PBSA is by its nature provides for the specific needs of the Student sector and should not be considered as a long-term home. It is therefore critical that the PBSA sector should continue to be exempt from the proposals in the Private Housing (Tenancies) (Scotland) Act 2016 Bill to require indefinite length tenancies in the same way as university-owned accommodation. PBSA has always been delivered on the basis that it is to support students in their studies and therefore is let for periods just short of a year.

There has always been a desire to guarantee first-year students a place in 'Halls', so that they are safe and assimilate better into academic life; for many their first time living away from home. As Universities have expanded, that promise increasingly relies on both University and private-owned accommodation. Accommodation is a key consideration for students in deciding which academic institution to attend. If there was less certainty around the availability of accommodation for student occupation, this could deter students and particularly the key overseas/rest of the UK student sector from choosing to study in Scotland. This will clearly have a detrimental impact on providers of higher education in Scotland, and indeed the Scottish economy. Lack of available supplemental accommodation outside the academic year for tourists or those engaged with key conferences and cultural events could also have a detrimental impact on the tourism industry in city centre locations in Scotland.

**9. If relevant, what is your view on the similarities and differences in approach to regulation and licensing across different local authority areas as this relates to the PBSA sector? For example, HMO licenses, collection of bins and recycling?**

**SPF Comments:**

In general, PBSA needs to be considered on a 'whole building' basis when it comes to licensing regimes. Units are largely identical and licensing each cluster flat or room does not cover communal areas which are equally important.

There is a fairly standard approach across local authority areas both from an HMO perspective and looking at refuse collection, although there is not great consistency on HMO fees, which can

vary widely. Different authorities set different refuse requirements based on assumptions around how much waste each student generates – for example, a typical student in Edinburgh can be assumed to generate more waste than one in Glasgow, which does not make much sense. In this respect, there should be a standard applied across the country.

**10. Has any similarity or difference in approach to regulation and licensing across different local authority areas had an impact on PBSA costs and rental prices?**

**SPF Comments:**

HMO licensing costs vary significantly in Scotland and this sometimes has to be passed on to students in higher rent. This is especially regrettable as HMO licensing does not work for PBSA and essentially amounts to double regulation for the sector, as much of what it is covered is also covered within the ANUK Code.

As illustration, one provider pays over £130k in HMO licensing costs for a single scheme. This is disproportionate to the regulatory overhead. As can be expected, it affects rent levels. This cost is paid every 3 years usually and the Local authority can decide to increase the cost. If a PBSA is sold the new owner also needs a new HMO and has to pay the same fee from the date of ownership and not from when the renewal is due.

**11. What is your view on the extent to which PBSA is distinct from, and requires a different regulatory approach to, accommodation in the Private Rented Sector or Short Term Lets?**

**SPF Comments:**

The vast majority of those who live in PBSA are students and in most instances the planning consent prohibits letting to other forms of occupant. The sector therefore requires a regulatory regime that takes a student's specific needs and attributes into account.

Further, PBSA is professionally managed, high-quality accommodation. Most PBSA buildings were built after the early 2000s when the sector started to be established. The majority of PBSA providers also volunteer to abide by the ANUK or UUK Codes, which set out stringent requirements on how they should operate, including with regards to health and fire safety, student wellbeing, transparency on contracts, disability, and equality.

The current statutory regulatory regime however fails to adequately account for these unique characteristics in a number of areas:

An arbitrary distinction is often made between university-owned and 'private' sector PBSA within regulation. This is in spite of the distinction between the two being increasingly blurred and so called private PBSA now making up over half of all provision UK-wide. For instance, universities receive a blanket exemption from council tax for their halls of residence, whereas private providers must seek exemption despite their whole tenant base, students, being generally exempted from council tax obligations. This puts one part of the sector at a competitive disadvantage, with the costs necessarily passed on to students as part of overall administrative costs.

The HMO licensing Scottish PBSA properties are subject to tends to be on a per-flat basis, despite most units within a PBSA building being identical and operators being responsible for entire buildings, including common areas. This results in significant added administration and paperwork, alongside extra costs that could be deducted from student rents. Further, per-flat licensing fails to account for the quality and safety of the operation of those common areas.

Regulation of this sector should be on a 'whole-building-basis', as the ANUK and UUK Codes already provide for.

## **12. What is your view on the extent to which currently available tenancy agreements for PBSA residents are appropriate?**

### **SPF Comments:**

Tenancy agreements across the PBSA market already provide for a significant degree of flexibility, especially when compared with those offered across other forms of accommodation within the private-rented-sector.

This has only been added to voluntarily over the course of the Covid-19 crisis, with all types of PBSA providers adding 'Book with Confidence' clauses that guarantee students their tenancies align with university start dates which have frequently been altered at short notice.

The biggest PBSA providers also tend to offer students a range of contract lengths. iQ Accommodation for example in common with many others gives students the option of 'long or short' tenancies to suit the needs of postgraduates and undergraduates respectively as well as single semester tenancies for those at university for shorter periods,

Further, in sub-sections of the market where terms are longer this is frequently because this is what is asked for by students. Contract lengths are on average longer in the private sector than in university owned PBSA for a variety of reasons, such as:

- First year undergraduates are often prioritised for university-owned provision. This means private providers are more likely to target post-graduates and returning undergraduates, who often prefer 52 week letting periods to match the Masters full academic year or because they work locally.
- In a similar vein, the private sector tends to house more international students, who are less likely to want to return home during the summer period and therefore often prefer longer contracts.

There are also factors at play, which limit the ability of the private sector to offer shorter tenancies:

- In many cases, planning restrictions imposed by local authorities on private provider developments mean that they cannot be used for other uses outside of term times. Without an alternative form of income, private providers must either push up rents or extend contracts to compete.
- Universities often have better access to summer markets, such as pre-sessional English teaching and conferences, and therefore private providers again need to longer contracts to bridge vacation income.

The PBSA sector already offers considerable contract flexibility but, in our view, the above factors materially limit the extent to which tenancy agreements can be altered further. The Scottish Government could encourage more flexibility by rectifying the ways in which regulation discriminates between what are otherwise equivalent forms of PBSA.

## **13. What is your view on the extent to which current contractual relationships between institutions (HEIs, colleges) and private providers of PBSA are appropriate? Considering for example the tender process.**

### **SPF Comments:**



PBSA providers and HEIs work together under a significant variety of contractual arrangements. These range from simple “preferred provider” deals all the way up to long term FRI leases. The often used ‘nomination agreements’ leave the parties free to negotiate terms that suit their appetite for risk/reward. Universities have made considerable use of these in Scotland and they work well. University of Edinburgh for example annually invites bids from private PBSA providers in the city to top up their bed stock once they have visibility on student application numbers. Contracts are typically for just one year only and may not involve taking 100% of beds in the selected scheme.

Borrowing limits on universities also mean off balance sheet arrangements can be desirable enabling them to focus scarce capital on core functions supporting teaching and research.

There is significant variation in the tender processes individual universities adopt but again, we believe this is appropriate. Many universities choose to follow a rigorous tender process, others prefer lighter touch market testing. All are governed by their internal financial regulations. These processes tend to be commensurate with the value of the contract, its length, and the particular circumstances. This flexibility of approach allows all parties to be fleet of foot for short term, low risk/value deals and to be extremely rigorous where values are higher. We would argue against attempts to codify it further for this reason.

#### **14. What is your view on the financial implications of the current contractual relationships between institutions (HEIs, colleges) and private providers of PBSA?**

##### **SPF Comments:**

As stated above, contractual relationships between HEIs and private providers of PBSA allow universities to devote scarce capital to their core activities. These agreements are made in an open, competitive market and are signed by parties who understand them to be in their best interests.

Some agreements tend to be on a long-term basis and these, perhaps understandably in some instances, have attracted concern given how their length translates into overall cost for the HEIs in question. These deals are however usually only attractive to the university in the first place because of the high initial premiums, sometimes running in to several millions, they received. It is ultimately a commercial decision for the university whether to partner with a private provider on the terms offered.

#### **15. What is your view on the current role and approach of Local Authorities in relation to PBSA? For example, in Local Housing Strategies, Local Development Plans, planning guidance, regeneration initiatives.**

##### **SPF Comments:**

PBSA has only been around since the 1990s and has only recently begun to be recognised as a mature asset class. Principally for this reason it is often misunderstood by local authorities and the benefits of it neglected in guidance, local housing strategies and development plans.

The PBSA sector can provide significant benefits for local economies and communities. It helps local authorities meet their overall housing need and distributes students away from the wider HMO market, allowing families to live in those family homes. Further, the sector supports local HEI institutions to attract students, particularly international students, thereby supporting jobs and driving tax revenue. As PBSA tends to be centrally located, it also has a key role to play in supporting local high streets.

We believe it is important that PBSA is recognised in local housing plans and that approaches to it are articulated so that providers have the necessary clarity to make investment decisions, as Glasgow is currently doing through its SG10 consultation. In addition, local authorities should ensure that their approach to PBSA is crafted through thorough stakeholder engagement. This should be supported by national government through direction on the benefits of the sector.

We also caution the government to discourage instances whereby authorities will only allow PBSA provision with the express backing of the local university. Depending on their model, some universities will directly benefit from a local monopoly in provision of accommodation, at the cost of less supply of appropriate student homes and upward pressure on student rents. Government should act to discourage private providers being put at a competitive disadvantage in this way. The same too applies where only one or two private providers will be considered for development opportunities.

**16. What is your view on the likely short, medium and longer term impacts that COVID-19 may have on PBSA, and – if needed – how PBSA provision can most suitably adapt? For example, considering online learning, student welfare and wellbeing, self-isolation procedures, accommodation density.**

**SPF Comments:**

It is largely too early to comment on the ultimate effect the Covid-19 crisis will have on the PBSA sector.

Market sentiment has however remained remarkably resilient over the course of the crisis, as reflected in transaction activity, new build activity and yields. We expect this to continue because of a number of factors:

- 1) Demographic trends will continue to drive increased demand for appropriate student accommodation. The UK population of 18-year-olds is expected to continuously increase until 2030.
- 2) The UK government intends to drive a substantial increase in international students in the years ahead to over 600k. This has recently been supported by a liberalisation of student immigration and will likely be followed by further measures.
- 3) Higher education is traditionally counter-cyclical, and the global recession and expected high-levels of unemployment is expected to encourage more people to take up courses at Scottish universities.
- 4) Many PBSA buildings are ahead of the curve relative to the wider residential market with regards to the facilities students will increasingly demand, both during and post Covid-19. PBSA buildings for instance regularly include study rooms and high-speed internet, allowing students to work from home effectively. Occupation levels are currently reasonably high across the sector because of this.

Counter to this however it should be noted that both university and private providers of accommodation have taken a substantial financial hit over the course of the crisis, with the vast majority of the biggest players having issued rent waivers and discounts to students, as well as increased contract flexibility. This cost now amounts to over £1bn and will inevitably dampen investment to a degree.

With regard to how PBSA provision itself may change, it is likely a wider focus on the wellbeing of young people will drive an increased focus on wellbeing provision across the sector and university co-working. It will also highlight the good things happening in the sector already when it comes to wellbeing support, certainly relative to the wider PRS where this is comparatively minimal. For further information on the sort of wellbeing support PBSA providers have in place, please see this BPF Student Wellbeing Guide.



**17. What is your view on the extent to which international students (EU and non-EU) have specific accommodation requirements, and the extent to which PBSA currently provides appropriate and suitable accommodation for international students?**

**SPF Comments:**

The Unipol/NUS Accommodation Costs Survey shows that 51% of private PBSA is occupied by international students and that 14% of institutional PBSA is occupied by international students, taking the total to 65%. Ultimately, these students vote with their feet and choose to live in PBSA because it suits their needs. This is for a number of reasons:

- 1) Potential students assessing whether to study in Scotland want the assured quality that PBSA can provide. Rooms are modern, standardised, and professionally managed.
- 2) PBSA can be booked online, which means that international students do not need to understand the intricacies of the wider PRS in order to find somewhere to live before they arrive.
- 3) The scale of PBSA developments sometimes allows them to have a relationship with a university, such as through a nomination agreement. This gives international students confidence that their accommodation will be suitable and of high quality.
- 4) PBSA has facilities that far outstrip those offered in the wider PRS and which international students demand, such as study rooms.
- 5) It also allows them the opportunity to live with a large group of people, giving them ample opportunity to make connections.

**18. Please summarise your view on the changes, if any, you anticipate being demanded by students in the future? For example, increased co-living options, increased short term accommodation to align with blended learning.**

**SPF Comments:**

Given the relatively high level of occupancy of PBSA buildings currently and the above, we do not envisage that Covid-19 will have a drastic impact upon students demands in PBSA. There are however some more long-run trends that we still expect to come, such as:

- 1) In terms of design, there might be a shift towards larger communal spaces, both internal and external being incorporated.
- 2) More PBSA will introduce study rooms, allowing blended learning on site - a true 'campus away from campus approach'.
- 3) An increased focus on affordability for students will mean that, where possible, there could be an increase the number of larger schemes where cost reductions due to scale can be passed onto students.
- 4) The sector will move more substantially into some more innovative forms of provision, such as townhouses, where the scale and knowledge of the sector now allows.
- 5) If local planning constraints allow, there could be more blended activities on site, with more co-working, incubators, and start-ups on site.
- 6) Further, if planning constraints allow, there may be more blended forms of use classes, with partial build-to-rent and partial PBSA buildings put in place. This will reflect an increased desire of students to continue living in purpose-built professional buildings when their studies end.

**19. If possible, please summarise your planned economic model for the future. This could include consideration of the issues covered in this survey, and any other factors you view as relevant, for example plans for expansion, diversification of accommodation types offered, changes to leases.**

**SPF Comments:**

An ideal economic model for the PBSA would ensure regulatory equality across the PBSA that does away with the largely arbitrary distinction between private and university owned provision.

**20. Are there any issues, in addition to those covered in this survey, that you would like to see included in the upcoming Programme for Government review of PBSA?**

**SPF Comments:**

As stated above, the review should look at the regulatory distinctions made between university and private PBSA. It would also benefit from a focus on how the Scottish Government may leverage PBSA to make Scotland more attractive to international students.

The regulatory costs of operating PBSA in Scotland is more expensive than that south of the border (significantly higher costs on HMO for example) and Universities, Colleges, etc are all competing for the same students. As stated above, operators and investors are also looking at opportunities across the UK and if costs, regulations, etc are prohibitively expensive in Scotland, offer lower returns, and subject to more regulation and resistance to entry, then investors, developers and operators will take their investment elsewhere. This would then lead to a lack of investment in new PBSA stock, and with ever increasing student expectations from their accommodation, this would be detrimental to the Universities in the long term.

The “student experience”, including their standard of accommodation, is a major factor in the decision making by a student as to where they will study, and if they do not like what they see, or for example the accommodation stock is dated, and does not have the appropriate facilities, they will simply go elsewhere.