



SCOTTISH
PROPERTY
FEDERATION



BRITISH
PROPERTY
FEDERATION



UKPropTech
ASSOCIATION



BPF
Futures

Purpose Built Student
Accommodation: Notice to
Leave Tenancy: Provider Survey
SPF Survey Response

Submitted on 31 October 2024

SCOTTISH PROPERTY FEDERATION

The Scottish Property Federation (SPF) is the voice for the real estate industry in Scotland. As a part of the wider British Property Federation, we include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers. Our members build Scotland's workplaces, homes, shops, schools and other facilities and the infrastructure that serves them. Our industry is therefore a core component of the Scottish economy.

BACKGROUND

This Scottish Government has been investigating potential areas of reform to the Purpose-Built Student Accommodation (PBSA) Sector which unlike the rest of the PRS, currently does not operate under the Scottish Private Rented Tenancy. As part of a PBSA Review Paper published in 2022 and with the help of the PBSA Review Group, the Government have outlined eleven recommendations. Whilst we broadly agree with most recommendations, our main concern is the implementation of recommendation 2 where the Government is proposing to introduce a 28 days' notice to quit period for students residing in PBSA.

Recommendation 2: *That the Scottish Government consults widely on the scope to legislate on PBSA regulation, specifically in respect of notice periods and cooling off period for PBSA tenants, including identifying what circumstances should apply in such cases and potential impact on investment and rent levels.*

CONSULTATION SUMMARY

Purpose built student accommodation: notice to leave tenancy: provider survey

The government is proposing to introduce a 28-day notice to quit period to allow students to terminate their leases early before the end of the academic year. The government has conducted two surveys: (1) targeting students to determine the need for a 28-day notice to quit period, and (2) targeting PBSA providers to gather evidence on the potential consequences of void periods resulting from the introduction of this notice period. The provider survey also inquires about the current impact of void periods and the number of requests currently received to end tenancies early.

As this survey is targeted at providers, we are unable to answer most questions. Instead, we provide a summary of the unintended consequences should a 28-day notice to quit period be introduced. Our response is informed by our members (many of whom are either PBSA providers or have operator clients) who raise serious concerns that this policy could disrupt the fundamental operating model of PBSA and thus, the reduce the future supply of housing of this tenure.

GENERAL COMMENTS

SPF Response

Due to the special nature of PBSA where it is aligned with the academic cycle and tailored to meet the needs of students, a blanket policy that allows students to terminate their leases early is likely to substantially increase financial risk for investors, developers, funders and University partners. In our response, we outline the operational and financial challenges for providers in this market. We explain the potential for rental increases and a reduction in the supply and choice of accommodation. We further illustrate how this affects the overall student experience as well as the potential strain on the wider PRS. We also urge the government to ensure that comprehensive data is collected to assess the impact of the proposal and to inform future decisions on student housing.

Ultimately, we urge the government to retain the current tenancy regime for PBSA (without a 28-day notice to leave entitlement) to avoid unintended consequences for the broader private rented sector (PRS) and to prevent further exacerbation of Scotland's housing crisis.

OUR RESPONSE

Question 1 [Additional Information](#)

4

Please provide any additional information you think would be useful in relation to notice periods

SPF Response to PBSA 28-day notice to leave tenancy consultation

PBSA is a unique housing tenure, aligned with the academic cycle and tailored to meet the particular needs of students, offering them safe, quality homes and rents which are inclusive of internet and utility costs. With inclusive amenities, communal areas and proximity to campuses, PBSA has been designed to enhance and support the 'student experience'. Indeed, PBSA is second only to university accommodation in its satisfaction levels and is increasingly popular with a majority of students amid rising living costs (Knight Frank UCAS 'Student Accommodation Survey Report', 2024). There is growing interest from institutional investors in the sector, as universities are increasingly looking to the private sector to help bridge the demand gap for student housing. A recent report by BNP Paribas highlights the UK's PBSA sector investment to have increased to £1.7bn in the first six months of 2024 while CBRE reported just under £4bn worth of PBSA investment deals that took place last year alone across the UK. These statistics illustrate the huge level of institutional investment involved in meeting the demand for quality student housing.

Given its distinctive operating model compared with the wider private rented sector, and its increasingly central role in providing high-quality, reliable student homes, **we urge the government to retain the current tenancy regime for PBSA (without a 28-day notice to leave entitlement) to avoid unintended consequences for the broader private rented sector (PRS) and to prevent further exacerbation of Scotland's housing crisis.**

Furthermore, we do not think the proposed 28-day notice to leave proposal is necessary given many PBSA providers already allow for cancellation rights prior to arrival and early termination on a discretionary basis, backed by the ANUK or Unipol Codes which aim to ensure transparent and professional management of PBSA. These Codes include strong dispute resolution tools designed to support students, thus reducing the likely need of a mandatory notice period. These existing mechanisms allow for early termination of tenancies on a case-by-case basis, addressing situations where a student genuinely needs to leave, and affording students the protection they need. We believe this policy will propose disproportionate challenges on providers (both in the private sector and Scotland's Universities) given the special nature of this tenure compared with the wider PRS as well as the adverse consequences on students, whose particular needs the PBSA sector has successfully catered for to date.

Below we outline the operational and financial challenges for providers in this market, the potential impact on rents, accommodation supply and choice of accommodation. We further illustrate how this affects the overall student experience as well as the potential impact on the wider PRS. We also urge the government to ensure that comprehensive data is collected to assess the impact of the proposal and to inform future decisions on student housing.

Operational and Financial Challenges

PBSA tenancy contracts typically align with the academic cycle, with bookings opening in November for the start of the academic year in the following September.

Introducing a '28 days' notice to quit period' will mean that tenancies can end at any time prior to the typical letting cycle. The government has clarified that there is currently no intention to remove the contractual end date/ introduce open ended tenancies (such that tenancies could run on into a new academic year) and whilst we appreciate a 28 days' notice to quit period (before the contractual end date) would increase flexibility for students, there will be wider unintended consequences impacting on future room availability, resulting in a further shortfall.

If students can end their tenancy agreement early, for example because they decide to move to different accommodation, this will increase vacancy periods where operators may struggle to re-let the room mid-term. Our members have expressed concerns about the difficulty in filling voids during the academic year. They have told us that most rooms that become vacant beyond first few months of the academic year cannot be relet. In addition, planning requirements designate these developments as only for students during the semesters (indeed some developments cannot be let to non-students even during summer and other vacation periods). This means there is a specific and smaller pool of renters that operators can market their accommodation to (most of whom are already in tenancies), making it

harder (if not impossible) to fill vacant rooms during off-peak letting cycles, particularly the deeper they move into the academic year.

The potential for large amounts of mid-semester vacancies substantially increases the financial risk for PBSA operators, as voids will mean a reduction in rental income with no equivalent reduction in operating costs. In fact, there will be higher turnaround management costs, a reduction in cash flow predictability and vacant rooms will also become liable for council tax. This will affect the ability of PBSA investors to reinvest funds or secure bank funding in developing new student accommodation. Existing providers could withdraw from the market altogether (by selling their assets for redevelopment/ re-purposing) and many of our members have told us this will inevitably lead to rent increases as providers try to mitigate escalating void risks and overhead costs.

The Impact on students and importance of giving students choice

PBSA plays a major role in the educational offering, with an abundance of literature highlighting its importance in providing a safe and semi-independent living environment that supports students' transition into adulthood whilst providing reassurance to parents. The tenure importantly adds to the choice of rental options available for students, catering to a wide range of preferences, particularly international students who may face additional challenges when settling into a new country. We are concerned about the potential disruption to a student's experience if multiple tenancies are terminated within the same flat because of the policy. If there are frequent changes, this may impact the living environment and the students' ability to form bonds with others. The community provided by PBSA also plays an ever-increasing important role in student wellbeing and mental health. The financial implications of the proposal may also force providers to seek a less risky model that caters to the wider PRS. This raises a wider debate about the suitability of a tenant mix in a student accommodation setting if investors are forced to alter their operating model.

A recent publication in September 2024 by CaCHE exposed an acute shortage of student beds with shortfalls of 13,852 in Edinburgh, 6,084 in Dundee and 6,093 in Glasgow suggesting the lower end of this acute shortage. Another report by Savills published prior to this in May this year, highlights Glasgow has the largest supply and demand imbalance of student beds in the UK, requiring 22,000 additional beds.

The effects of this undersupply are well documented, leading to increased rental costs, heightened competition, impacting on students' decisions on where to study and an increasing strain on the PRS. At a time when Scotland is facing a national housing emergency and there is clear evidence of growing shortages in the student housing market, it would be detrimental to impose legislation that could result in a loss of investor confidence in this sector and thus disrupt the continued operation of existing PBSA (which the current model has managed successfully to date) and the future delivery of new student homes. It may also reduce the incentive to re-invest in improving existing PBSA stock.

Scotland's Universities are also heavily reliant on PBSA to increase both supply and choice for their students. This is typically done via nominations agreements whereby the University reserves rooms and underwrites the rents for those rooms for the academic year, guaranteeing income for private

providers and their funders. The proposed 28-day notice to leave period could mean that Universities can no longer underwrite these rents, posing another risk to the viability of the continued operation and development of new PBSA.

We would not wish for a policy change that could negatively impact the student experience, reduce the choice of accommodation (for students or Universities), result in rent increases or put a strain on Scotland's (hitherto) excellent reputation in this highly competitive global marketplace.

It is widely acknowledged that the PBSA sector is crucial in supporting Scotland's overall housing demand, providing a dedicated supply of accommodation for students. Not only does this tenure improve choice and accommodation quality for students and Universities, but it also alleviates the pressure on the wider PRS. As outlined, the PBSA tenancy period is aligned with the academic cycle with students invariably wanting a room for a full academic year. This means PBSA is uniquely equipped to cope with the sudden influx in demand at the start of the academic year. Disrupting this cycle could put additional strain on the wider PRS sector, thus also impacting the availability and rents of accommodation for non-students.

Lack of Data

There is a lack of consolidated data to reflect the correct demand and the actual deficit of PBSA. We suggest there should be a common pool of data to account for demand and supply in the market and we recommend that universities conduct independent feedback so local authorities can assess student demand.

A recently published report by CaCHE (September 2024) also highlights this data deficit. It points to the volatile international student market as one of the reasons for unpredictability of the student demographic which is a barrier for both universities and local authorities to be able to plan for student housing.

There is also a lack of representation of students in homelessness statistics and other housing factors such as rent levels, landlord behaviour, student income and affordability to accurately identify reasons for students opting for other housing choices. As suggested in the report, we also support a coordinated approach to understanding the reasons for student housing choices using evidence-based data to tackle the issue of student homelessness.

Wider financial impact

We have heard experiences of PBSA constrained by section 75 obligations in major local authority areas in Scotland, where they are bound by use and occupancy whereas other asset classes might get flexibility. This means some local authorities prevent PBSA from being repurposed to support the summer economy. Planning policy in Ireland, Manchester and Birmingham allow a percentage of non-students to reside in PBSA during the summer months and we believe flexibility and unified planning legislation can help attract investment in this sector that will bring wider economic benefits. Without the

guarantee of term time tenancy and with planning restrictions which prevent summertime use, a 'notice to quit' period could result in substantially longer void periods, risking financial stability.

Additionally, newly proposed levies and standards such as the Building Safety Levy and Passivhaus standard add an additional layer of cost and complex regulation which are likely to impact project viability. These factors combined with significant alterations to the PBSA tenancy model is likely to reduce confidence in Scotland by investors, developers, funders and University partners.

We recommend that the review focus on developing codes of good practice for developers to strike a balanced approach to addressing the critical student housing challenges in Scotland, stimulate sector development, and create opportunities that bring wider economic benefits.

End of response