Real value in a changing world

Oxford

Demand Report

15th April 2014

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1 Introduction

The Jones Lang LaSalle Student Housing team provides specialist advice on the student accommodation sector to universities and clients across the UK on a wide range of student residence issues. The JLL Student Housing team is the largest of its kind in the UK and has been established for 20 years, acting for both vendors and purchasers in the trading of purpose built accommodation. The department also undertakes valuations for loan security and balance sheet purposed as well as giving a wide range of professional advice to parties involve in the provision and operation of student housing.

We have been asked to provide outline analysis of the demand for, and supply of, student accommodation in Oxford with specific regard to the development of Botley District Centre. As such this report includes analysis of the higher education institution in Oxford, its student numbers, the current provision of accommodation by the university and the private sector and future development of purpose built privately-owned beds.

2 Oxford University

Oxford University is ranked 2nd in the sector by The Times Good University Guide 2014 and has 5.6 applicants per place. The latest student satisfaction survey placed Oxford 8th.

As of December 2013 the university has a total student intake of 25,670 of which 18,830 (73%) are fulltime. Of the total student intake, 16,095 (62%) are undergraduates and 9,850 (25%) are postgraduates. 27% of students are from overseas, 7,015,

The university has seen a 14% increase in full time student numbers from 2001/02 to 2011/12, with international student numbers growing to 27% over the same period (see table and graph below).international student numbers remaining consistent at 27% in 2013/14 and an increase in full time numbers from 18,760 to 18,830.

Oxford University operates a collegiate system. Each college aims to provide it students with at least 2 years of guaranteed accommodation in the first and final years of their degrees; however this is subject to variation from College to College.

Oxford University launched a Campaign in 2008 which exceeded their initial target of £1.25 billion. The have now set a new target of £3 billion and one of the aims under this Campaign is to provide new resources and infrastructure, from student accommodation to new academic buildings.

Oxford University provides accommodation for circa 14,209 of its students in a combination of collegiate and non-collegiate accommodation. The accommodation is a combination of Self-catered / Catered / Studios / En-Suites with a price range of £78 - £163 per week.

Oxford University is only able to provide 75% of its students with residential accommodation. Therefore with a total of 18,830 fulltime students, this still means 25% (4,621) of students are left to find accommodation elsewhere.

Where students are unable to obtain university accommodation they either live at home or rent HMO properties from the private sector. However, given its proximity to central Oxford means high rents for any students wishing to live close to the University.

3 Oxford Brookes University

Oxford Brookes University is ranked 50th in the sector by the Times Good University Guide 2014 and has 7.2 applicants per place. The latest student satisfaction survey placed Oxford Brookes 45.

As of December 2013 the university has a total student intake of 17,865 of which 13,070 (73%) are fulltime. Of the total student intake, 13,625 (76%) are undergraduates and 4,240 (23%) are postgraduates. 18% of students are from overseas, 3,230,

The university has seen a 26% increase in full time student numbers from 2001/02 to 2011/12, with international student numbers growing to 17% over the same period (see table and graph below).international student numbers saw an additional 1% percent increase to 18% in 2012/13 but a decrease in full time numbers from 13,540 to 13,070.

Oxford Brookes University provides 13 Halls of Residence and combines with the University owned stock of shared houses offers circa 4,297. Approximately 9% of the beds are located in the two catered halls and 91% in the remaining self-catered halls.

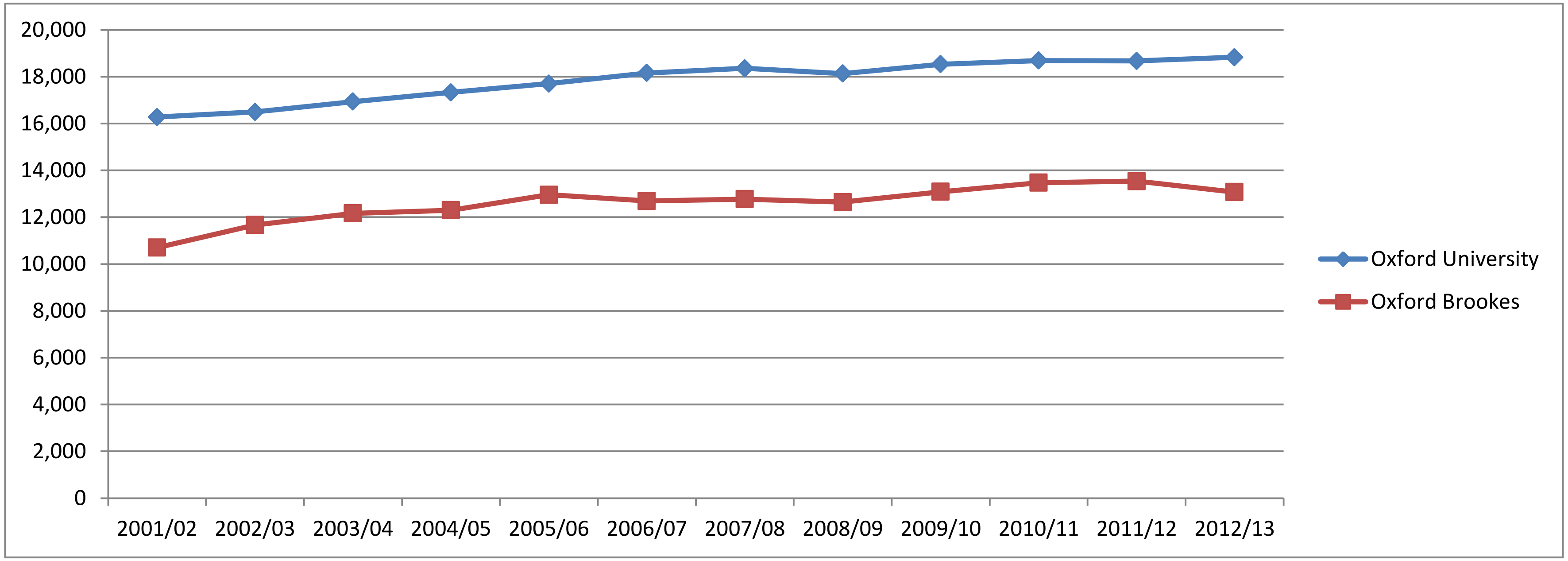
Over the Summer of 2014 Birch House is get to be demolished. Once completed a courtyard space will be created to allow for an open, outdoor space next to Union Bar and the Gibbs Building. There are currently no plans for student accommodation in the pipeline for this University.

Oxford University provides accommodation for circa 4,297 of its students in a combination of Catered / Self-catered / Studio / shared flats and En-suite. Rents range between £77 - £188 per week with the standard letting term being 38 weeks. (Extension to 50 weeks for Postgraduates)

With a total of 13,070 fulltime students, this means 67% (8,773) of students are left to find accommodation elsewhere. Where students are unable to obtain university accommodation they either live at home or rent HMO properties from the private sector. However, given its proximity to Oxford means high rents for any students wishing to live close to the University.

Historic Growth of Full Time Student Numbers

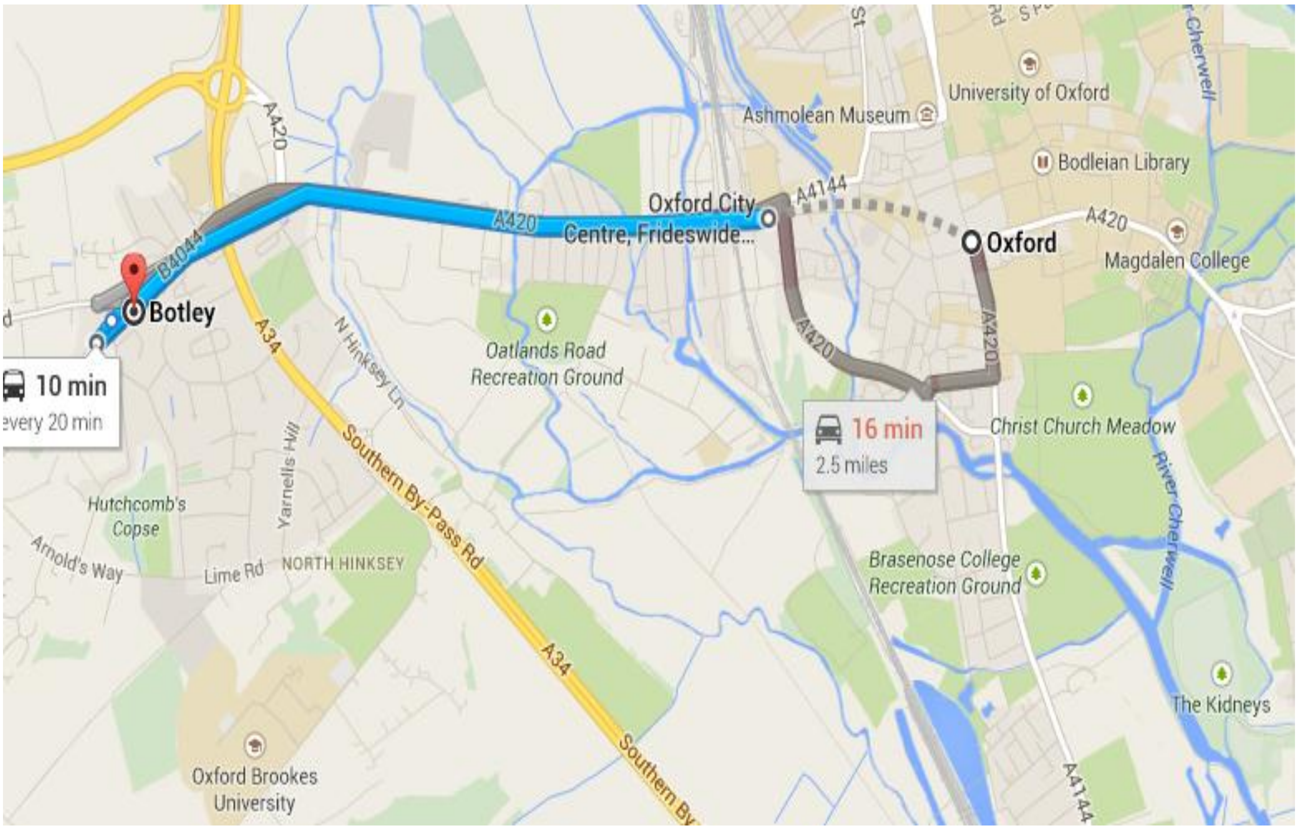
Institution	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Oxford University	16,275	16,495	16,935	17,330	17,705	18,160	18,355	18,135	18,535	18,690	18,670	18,830
Oxford Brookes	10,700	11,670	12,165	12,300	12,955	12,690	12,770	12,640	13,085	13,470	13,540	13,070



4 Botley District Centre

The proposed new development lies to the West of Oxford city centre. The site faces West Way which merges with Botley Road, a main route into the city centre. The site is in close proximity to the West Way / Oxford Ring Road which provides easy access to the whole of Oxford and all outlying areas.

The proposed property will provide a contemporary and exciting mixed use retail and leisure facility, together with a mix of new student housing and community uses for Botley, set within an attractive landscape and providing high quality regeneration to the local area. The student accommodation will be a mixture of 525 high quality student housing units including larger post grad rooms and roof gardens.



5 Demand for student accommodation

The private sector in Oxford provides a meagre 144 purpose built beds for the 31,900 students that attend the universities and are unable to live in the halls of residence and as such we are strongly of the opinion that there is a great need for further student accommodation within in the area.

We believe that the market could comfortably support over 500 purpose built beds; the universities accommodation provides a total of circa 18,506 beds as stated earlier for a total of 31,900 students with the private market supplying 144 beds. These are both Mansion schemes providing 38 studios at Cambridge Terrace and 106 en-suite clusters and studios at Glanville Road. There is a proposed pipeline of 1,198 bed spaces but not all of which will get built out.

Halls	Estimated no. of Bedrooms	Applicant/Agent	Status
St Clements Car Park	140	Watkins Jones Group Limited	Application No:12/01369/FUL Approved 06.03.2013
220-222 Cowley Road	18	RMA Properties Limited	Application No: 12/01383/FUL Approved 20.02.2013
Luther Court	82	A2Dominion Housing Group	Application No: 12/01228/FUL Decision pending
Travis Perkins Chapel Street, OX4 1XL	190	Dominion Commercial Developments	Application No: 12/01388/RES Approved 15.08.2012
Travis Perkins Chapel Street	60	Harepath LLP	Application No: 13/01215/FUL Decision Pending
Castle Mill Roger Dudman Way*	312	Fixed Asset Investments Limited	Application No: 11/02881/FUL Approved 13.08.2012
Land To The Rear Of 17 To 41 Mill Street	55	WE Black Limited	Application No: 11/02382/FUL Approved 15.02.2012
51 Union Street	26	Crampton Smith Properties	Application No: 11/02248/FUL Approved 21.12.2011
Cantay House Park End Street	44	Cantay Investments Limited	Application No: 11/02447/FUL Approved 08.02.2012
190 Iffley Road	27	190 Iffley Road Limited / Adiran James Architects	Application No: 09/01036/FUL Approved 24/.3.2010.

Land At Pembroke College And Campion Hall And Brewer Street And Littlegate Street*	96	Pembroke College / John Philips Planning Consultancy	Application No: 09/00553/FUL Approved 22/04/2010.
The Cavalier Public House, 148-150 Copse Lane	59	I And O Limited	Application No: 11/01681/FUL Approved 18.09.2011
123 To 127 Walton Street	41	Shirehall Properties Ltd	Application No: 11/00711/FUL Approved 22.08.2011
162-164 Hollow Way	19	Speedy Property Solutions	Application No: 11/00765/FUL Approved 12.09.2011
12 Friars Entry	29	Eckersley Oxford Limited	Application No: 11/01814/FUL Approved 12.10.2011
Mansfield College Mansfield Road	78	Mansfield College / John Philips Planning Consultancy	Application registered: 28/06/2013 Application No: 13/01637. Decision Pending
Ruskin College Woodstock Road	90	Exeter College, Exeter	Application registered: 11/04/2013 Application No: 13/00832/FUL Decision Pending
Total	**1,198**		

Institution	Accommodation (bed spaces)	Proportion of Students %
University of Oxford	14,248	44.1%
Oxford Brookes University	4,794	14.8%
Private Sector Operators	144	0.4%
Pipeline	1,198	3.7%
Other (Students Resident “at home” or in HMOs)	11,916	36.9%
Total	**32,300**	**100.0%**

There is great demand for accommodation in Oxford town and the current provision is hugely sought after, proven by the success of the private purpose built properties last year. As well as the two main Universities there a large number of Language schools and colleges such as Education First and College of International Education who also have a large demand for accommodation for the thousands of students who attend their courses.

Oxford City Council in their 2012-15 Housing Strategy; ‘’ Demand for housing in Oxford continues to grow, with over 6,000 households on the Housing Register for affordable housing. There are low levels of owner occupied housing and a high levels of property rented from private landlords compared to the national picture. Demand is high for private rented property and rents are increasing. A large population of students places additional pressures on housing supply. According to the Cities Outlook 2012 report Oxford is the fourth fastest growing city in the UK. This will place increasing burdens on the restricted supply of affordable and private sector housing in the City.’’

The Telegraph July 2014; ''According to Figures, 17,480 students have applied for around 3,100 places at Oxford this year – up 1.5 per cent in 12 months and eclipsing the previous record seen in 2011, just before the rise in tuition fees'' ''The rise is also believed to be down to increased demand among foreign student, particularly those from China, Hong Kong and Malaysia''

More and more students are moving out of privately rented houses to live in purpose built student accommodation. As quoted in the Accommodation Costs Survey 2012/13 'there is some evidence to suggest that in larger cities, students are beginning to live in greater numbers in purpose built student accommodation. A concomitant of this is some level of decline in numbers living in shared houses''

Given the clear demand for accommodation in Oxford we are strongly of the opinion that 525 student housing units will be highly desired by students both foreign and domestic. We are not aware of any schemes that have been granted planning permission.

6 Student accommodation and the residential sector

There is a severe supply shortage of student accommodation within Oxford, as shown in sections above, especially following an increase in student numbers. Again stated above almost one fifth of students at Oxford/Oxford Brookes Universities are from overseas, the presence of whom has great benefits to both the local economy and the UK economy as a whole. Universities across the UK are particularly keen to continue their international student recruitment drive due to the financial benefits that they and the local area receive from them but their arrivals entirely depend on the availability of good quality, purpose-built student accommodation.

Universities have a duty of care to their students and by providing high quality secure accommodation this enhances their reputation and maintains high standards. The proposed property will meet these requirements and on-site management will be provided.

Some of the particular concerns which arise from local residents with regards to students living in their neighbourhood revolve around concerns of 'studentification' and potential issues with seasonal 'ghost towns', anti-social behaviour, litter and parking. The Department of Communities and Local Government (DCLG) highlights the issue in a report from the former Housing Minister Caroline Flint:

> *"'Studentification' of university towns is a real concern especially during the summer months when neighbourhoods are left dormant because too many properties (Houses in Multiple Occupation (HMOs)) in one area are rented to groups of students".*

Operators have demonstrated that modern purpose built student accommodation is able to provide a controlled student environment with management providing for specific pastoral care needs. The accommodation would provide a secure environment. The proposed property would free up traditional HMO stock allowing more homes for local residents and a reduction of the 'studentification' effect.

Oxford has seen an increase in the number of properties that are being converted to rental properties due to the high levels of demand in the sector. The 2001 census shows that the proportion of people renting accommodation has increased from 9% (1.9m) in 2001 to 15% (3.6m) in 2011. This in part stems from the high value of properties and the inability of buyers to afford the deposit to buy their first homes.

Rentals for private sector residential accommodation do not generally include the cost of utilities and council tax.

Provision of IT (i.e. internet access) is also not included in these figures. Council tax would be payable by a student if not all of the bedrooms in the flats are let to students. We would estimate these costs to be in the region of £35-£50 per week.

Furthermore, students renting these properties generally have to pay for 52 weeks of occupation and must commit to six or twelve month tenancies.

Students are generally wary of private landlords who also generally require large deposits with six months' rental paid in advance, particularly for overseas students. It is difficult for students from outside of Oxford and those from overseas to feel comfortable taking year-long tenancies on properties they have probably not visited in advance and to arrange to share with other students from their university.

Students therefore prefer to take accommodation either on campus-based university properties or from purpose built schemes, where all the costs are included in the rent. These properties are generally well managed and provide good security arrangements for the students.

Purpose-built schemes are typically let on contracts of 38-43 weeks for cluster flats and 50 weeks for studios. During the summer months the property can be used by other students attending courses or summer schools. The full cost to the term-time student is therefore lower as they only pay for the weeks they occupy the residences (i.e. 38-43 weeks) rather than the full year that is usually required by private landlords.

As previously mentioned, a proportion of the demand for student accommodation in Oxford is from EU and non EU students. Universities are keen to continue to increase their international recruitment. The Higher Education Policy Institute reported in July 2007 that the UK benefits from approximately £3.3billion of net direct cash from fee income and living expenses from non EU students alone. There are no specific numbers quoted for Oxford but JLL conservatively estimate this amount to be approximately £2.5billion per annum.

7 Student numbers

The proposed changes to tuition fees and the funding of higher education in the UK have unsurprisingly led some to question the long term health of the student housing market in the UK. I therefore set out below some initial comments on the implications of these proposals on the higher education sector and consequently the UK student housing market;

The underlying demand for university places is very strong – with circa 210,000 unsuccessful applications to universities in the United Kingdom this year. This is unlikely to change in the short term.

Until the proposals go through parliament and have detail attached to them, it is impossible to predict exactly what will happen.

The current proposals for debt repayment on tuition fees have increased the salary threshold at which point debt needs to start to be repaid to in excess of £21,000 per annum. While students will not welcome an increase in tuition fees, I do not believe it will act as a major deterrent to the majority of middle class students. It will impact on lower income families who may be more averse to a debt burden. Students from lower income families may be more likely to attend a local university and to live at home. Recent reports from UCAS have shown that higher fees have not put off applications from poorer students as universities such as Kingston are able to offer bursaries.

A significant proportion of those staying in premium priced student accommodation are overseas students, particularly in Oxford. These students are already paying much higher tuition fees than UK students so there is unlikely to be any significant change in demand from this category of student. Demand for good quality purpose built student accommodation continues to be strong.

The revised fee regime for universities is in effect a rebasing of the fee range from £0-£3,000 per annum to £6,000-£9,000 per annum once the reduced government funding is taken into account. Therefore there is not really any prospect of there being a serious tuition fee market.

Universities try to provide accommodation in order to attract students to study at the university and also to ensure they are integrated into the ethos of the university.

Some universities therefore have to restrict an offer of a place in a hall of residence to those that live outside of a certain travel distance from the campus. This does not help the university attain its target for 'widening participation' where the government sets targets for local students in deprived areas to go to their local university.

Universities often prefer that all local students can be offered a place in a hall of residence and not stay at home as they do not get the full benefit of the “student experience” (all that the university has to offer, including integrating fully with other students).

The London School of Economics undertook a survey of its students in 2010 which confirmed that 8% of students if not offered a place at university halls would not take up their offer to study at the university.

Universities are increasingly in competition with each other, especially with the increased top up fees being introduced and demand is currently still higher than the supply. Without the offer of a residence London universities will struggle to recruit numbers.

Some universities are unable to compete commercially for sites for student housing. Purchasing sites requires significant capital investment which some universities do not have available for student accommodation.

Furthermore with the recent funding cuts initiated by the Browne Review, universities are likely to focus their resources on providing additional academic accommodation in order to attract students and also justify the respective fee level that the institution will be charging. As a result some universities are limited to their existing accommodation and have a reliance on the private sector to assist. Universities are also often unable to expand their accommodation provision to keep up with growth of student numbers. Some universities are forced to spend their limited resources on their main campus accommodation which is often tired and out of date. Therefore, as a result they rely on expert developers to provide student housing for their students

8 Conclusion

There are a total of 31,900 full time students across Oxford between Oxford University and Oxford Brookes University and only 18,650 university-managed beds meaning that 41% of students cannot obtain a place in university accommodation and therefore have to seek this in the private residential market.

There are a number of negative impacts that arise from the undersupply of student accommodation in areas such as Oxford. The most significant is the pressure that a lack of student accommodation provision has on the private sector rental market, which therefore displaces other social demographics from obtaining housing through the private sector rental market in Oxford. The provision of purpose built student accommodation will reduce the significant pressure on HMOs and the private sector rental market. HMOs often provide low quality and less secure accommodation which do not meet the needs or expectations of students. By increasing the amount of purpose built student accommodation in Oxford, the pressure on HMOs will be eased for this accommodation to be utilised by families. Large numbers of HMOs develop in areas whereas there is a lack of university or private sector provided student accommodation.

It is important for universities to provide accommodation to their students for many reasons. Those of greatest importance are listed below:

- Students will review the accommodation available at a university when making their choice of institution. If they are unable to obtain accommodation, this affects the choice of institution made.
- Students are attracted to a life in halls of residence / purpose built student accommodation (PBSA) especially in the first year of study. It assists with integration into university life and the “student experience”. Postgraduate and overseas students also often prefer halls of residence / PBSA as they generally provide a quieter, more controlled, environment for study.
- Twenty-four hour security is major advantage of purpose built student accommodation schemes. This is particularly attractive to overseas students and also UK domiciled students.
- Providing good quality halls of residence assists in the retention of students, especially first year students.

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