

Private Housing (Tenancies) (Scotland) Bill

Written submission to the Infrastructure and Capital investment Committee

Sanctuary Students

Introduction

- 1.1 Sanctuary Students provide housing to over 12,000 students across the UK operating as part of the Sanctuary Group, a registered housing charity.
- 1.2 Sanctuary Students manage over 4,000 of these purpose built student accommodation (PBSA) bed spaces in Scotland; working successfully to meet the interests of students, universities, student representative bodies and investors over the last thirteen years.

2 Executive Summary Recommendations

- 2.1 We believe that the Bill, as drafted, has major dis-benefits for students, landlords and investors operating in the student market.
- 2.2 We have significant and legitimate concerns that this proposed legislation will have a serious and damaging effect on the provision of accommodation for students, and the uncertainties it creates by the removal of the 'no fault' end of lease option. This change will create uncertainty for current and future student residents, increase voids, reduce income and ultimately discourage investment, all of which will see a shrinking of this vital sector at a time when all housing statistics show shortages, and when increasing student numbers are increasing the demand.
- 2.3 We recommend that the exemptions currently offered to universities be extended to cover either all lets to students or, at the very least, all lets to students in purpose built student accommodation which carries planning consent for student occupancy only. We would argue that the nature and needs of the tenant are the salient issue rather than the nature and business of the landlord.
- 2.4 The contents of this submission look to support the above recommendation.

3 The Importance of Student Accommodation

- 3.1 The provision of accommodation is a key element in a university's ability to educate. Most rely on significant numbers of students from other parts of Scotland, the rest of the UK and from outside the EU both adding significantly to the institution's income through tuition fees and providing many benefits to the local community.
- 3.2 In most cases students who do not live in the family home and are in their second and subsequent years will make their own arrangements to live in the privately rented sector. However, most entrant students, both undergraduate

and postgraduate expect a guarantee of accommodation as part of the services the university will provide. In order to deliver this guarantee for entrants universities provide their own accommodation and also use partnerships and nominations agreements with private providers to do so.

- 3.3 After the quality and reputation of the academic offering, the absolute must to attract students from outwith the local area is to offer a guaranteed place in accommodation. In addition this guarantee needs to be available in Spring/early summer to cement the commitment of the student to attend a particular institution.
- 3.4 One concern of the Bill, as currently presented, would be that the removal of the 'no fault' end of a lease will increase uncertainties as to availability of non-institutional accommodation, whether under a nomination agreement or not, for entrant students then this will in turn directly affect recruitment. Certainly at the very least we see a handicapping of Scottish academic institutions against those elsewhere in the UK and elsewhere with which they are competing for students, and where landlords are not faced with this type of issue in their accommodation offering.

4 Student Sector

- 4.1 While we applaud the continued exemption for universities and colleges who directly let to students, this exemption exists for valid reasons. These reasons also exist in the segment of the general sector used for student lettings comprising both purpose build private sector student accommodation and the more general letting of individual properties to students.
- 4.2 The student market for rented accommodation is a very different environment than that which caters for families and others who seek long-term accommodation. Students are by nature and design short-term tenants with many seeking accommodation for between six months and a year. This legislation does not recognise the challenges the short term nature of student accommodation causes for landlords who are on an annual cycle of advertising and letting and the added uncertainty of no natural end to a lease is potentially very damaging for this important sector, damaging for both students and property managers/owners.
- 4.3 In the general rented sector vacancies occur all year round and those seeking new tenancies are looking all year round and in general wish to take up early and immediate occupancy. One of the key differences in the student market is the peak of new tenancies occurring in late summer. Most students see accommodation as an annual issue and seek to resolve their housing needs prior to the summer as many go home during the summer vacation. For this reason any landlord with student properties which are vacant in October will face a considerable challenge in finding tenants.
- 4.4 This restricted timetable, allied to an increased uncertainty as to when tenants who are students will wish to end their tenancy, will unquestionably have an effect on overall occupancy with an increase in voids particularly

where the landlord owns purpose build student accommodation and therefore has no option (through planning restrictions) to seek tenants who are not students. This issue is acknowledged in item 66 of the Explanatory Notes which recognises the likelihood of increased voids but the suggestion that these can be easily mitigated through a change in management approach is unlikely to be shared by anyone who operates any market which houses primarily 18-25 year olds.

- 4.5 In addition the need for tenants to give notice could lead to possible challenges for students who, when focussed on other important academic issues, may overlook the need to give notice and may end up paying rent for a longer period that they need or want.

5 Investment

- 5.1 At a time when universities are facing financial challenges some simply do not have the resources to fund residential developments. For this reason we have seen a growth of private/public partnerships and also private developments which have helped ease the stresses that increased numbers of students have caused on the supply and demand on general rented housing. Allied to this, the students' demands for quality accommodation have risen sharply in recent years with en-suite rooms and inclusive utilities and Wi-Fi packages already regarded as a core necessity; fresh investment needs to be encouraged to ensure that the market is able to respond to these demands.
- 5.2 This change in legislation will produce less secure occupancy levels and increased voids and, we would anticipate, will affect inward investment into the sector.
- 5.3 We also believe that these uncertainties will see a rise in lenders charges, which is likely to be an additional factor that reduces the size of the sector.

6 Nominations Agreements

- 6.1 The challenges placed on the cyclical nature of student lettings will be hardest felt where universities and private providers have a current structure of nominations agreement. The lack of certainty as to availability, added to the absolute need for an early guarantee of accommodation for entrant and returning students, make these changes impracticable and unworkable.
- 6.2 For those private providers already operating these types of agreements this change will have a potentially serious effect on both accommodation availability for new intake students (returners or entrants) and future financial models and viability.
- 6.3 We cannot overstress the importance of this issue or the potential effect this will have on student recruitment.

7 Dual Use Properties

- 7.1 The guidance notes acknowledge that there will be an effect on those properties which are used for students in term time and as holiday lets in the summer months.
- 7.2 One vital point has been overlooked. In general these type of lets are popular with students who do not wish to stay in the accommodation over the summer as they go home for the vacation.
- 7.3 Most vacation accommodation is booked a year in advance or at the last minute and, for those wanting to let to this market, absolute certainty of availability is essential so that they can advertise and market their property with certainty. These changes remove this certainty and therefore reduce the likelihood of landlords being able to operate their property in this way.
- 7.4 Such dual use is vital in areas with limited housing stock relative to the size of the demands from students and holidaymakers e.g. St Andrews.
- 7.5 There are real concerns that this change will see landlords restricting their activities to one market or the other which will damage both in the long run. Such properties lost will be damaging both to the universities and to the need for Scotland to generate income from the vital tourism sector.

8 Fixed Term Tenancies and the PBSA sector

- 8.1 The current approach to providing fixed term tenancies allows a number of key benefits to the PBSA sector:
 - 8.1.1 Transparent occupancy terms and conditions, with most providers supporting late flexibility for accommodation extensions where sought by individuals.
 - 8.1.2 Guaranteed availability of accommodation in advance of new academic terms, providing an offer that aligns to the academic needs of students, institutions and investors.
 - 8.1.3 Ability for planned property void periods to allow management to deliver asset improvement and refurbishment programmes, for the benefit of the occupiers outwith occupancy periods.

9 Summary

- 9.1 We have significant and legitimate concerns that this proposed legislation will have a serious and damaging effect on the provision of accommodation for students and the uncertainties it creates by the removal of the 'no fault' end of lease option. This change will create uncertainty for current and future student residents, increase voids, reduce income and ultimately discourage investment, all of which will see a shrinking of this vital sector at a time when

all housing statistics show shortages, and when increasing student numbers are increasing the demand.

- 9.2 We recommend that the exemptions currently offered to universities be extended to cover either all lets to students or, at the very least, all lets to students in purpose built student accommodation which carries planning consent for student occupancy only. We would argue that the nature and needs of the tenant are the salient issue rather than the nature and business of the landlord.

**Sanctuary Students
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