

Private Housing (Tenancies) (Scotland) Bill

Written submission to the Infrastructure and Capital investment Committee

Unite Students

Thank you for your request for views from interested parties on the Bill. We are concerned with the impact of the Bill on Scotland's University accommodation market and unintended consequences that may negatively impact the private rented sector more generally. We have also earlier provided responses as part of the Consultation on a New Tenancy for the Private Sector (December 2014)¹ and the Second Consultation on a New Tenancy for the Private Sector (May 2015)² and urge that those be considered together with this submission.

About Unite Students and the PBSA sector

Unite Students is an operator of purpose-built student accommodation (**PBSA**). We have been operating across the UK since 1991 and are listed on the London Stock Exchange. We have invested heavily in Scotland, where we employ around 100 people and currently operate 14 properties providing accommodation for around 5,000 students. We have recently purchased three development sites in Scotland (two in Aberdeen and one in Edinburgh), which will provide an additional 1,600 rooms for students. The PBSA sector provides – as its name suggests – accommodation specifically built for students, similar to University residences, and provides an array of other services such as Wi-Fi, security, reception, laundry as well as various student welfare services. Prices are generally all inclusive. Accommodation in the PBSA sector is very different to the traditional private rented sector and is arguably an extension of University residences.

Impact of the Bill on PBSA and unintended consequences for the broader PRS

We support the Bill's primary policy objective and commend the Scottish Government's desire to develop a private rented sector which provides good quality homes and high management standards, inspires consumer confidence and encourages growth by attracting investment. PBSA is professionally accredited through ANUK and properties are professionally managed and thus quality and high management standards are already being met.

Our concern with the Bill is that treating the PBSA sector as part of the broader PRS in a "one size fits all" manner leads to unintended consequences undermining the Bill's laudable policy objective of creating more secure tenancies.

The PBSA market has developed in response to the growth of Scottish Universities. These have been successfully attracting students from across the UK and internationally to study in Scotland. With these students staying in PBSA, rather than traditional housing in the PRS, this naturally frees up homes for families and others looking to rent in the PRS.

¹ <http://www.gov.scot/Resource/0046/00468371.pdf>

² <http://www.gov.scot/Resource/0047/00478435.pdf>

A successful PBSA sector thus directly helps address the lack of supply in PRS. The Bill as currently drafted may, unintentionally, lead to a less successful PBSA sector and thus negative and unintended consequences for the broader PRS.

Impact of the Bill on PBSA providers and negative impact for Universities and students

We, and other PBSA providers, work directly with Scottish Universities to satisfy their student accommodation requirements. PBSA can only let to students, unlike the private rented sector, and the tenancy timing synchronises with the Universities' timetable.

In Scotland, we have agreements in place with eight Higher Education institutions across three cities; Aberdeen, Edinburgh and Glasgow. Accommodation ranks as the second most important item, after study, to students and is integral to a successful Higher Education sector.

To be competitive in the UK and global HE sector, Universities provide accommodation guarantees to first year and international students. Universities underwrite these accommodation guarantees through agreements (known as nominations agreements) that they sign with PBSA providers. The removal of the "no fault" clause in the Bill means a PBSA provider cannot guarantee supply of these rooms year to year, thus negatively impacting the Scottish Universities accommodation guarantees and their reputation. Investors in PBSA may as a result choose to invest in the sector outside Scotland, where this uncertainty does not exist and thus reducing investment in Scotland, as well as driving up prices for the students looking to study in Scotland.

As part of the consultation process, various Universities expressed their concerns with the impact of the Bill on their accommodation requirements (notably The University of Edinburgh,³ University of Aberdeen⁴, Edinburgh Napier University and Association for Student Residential Accommodation⁵).

In particular, we felt it helpful to refer to the views expressed by Edinburgh Napier University in the first consultation:

'The new tenancy proposals will not apply to Universities as the current exemptions are being carried forward. However, for large purpose-built private accommodation providers e.g. Unite, who accommodate students, often first years, this would prove very problematic as they are operated on the assumption that there is a cyclical turnover of tenants each year to accommodate new students arriving in the city. However, it would also have a knock on effect for Universities many of whom have nominations agreements with these large providers to supplement the University's own accommodation stock. There would be an effect on entrant students if we were unable to offer them guarantees of

³ <http://www.gov.scot/Resource/0047/00478362.pdf>

⁴ <http://www.gov.scot/Resource/0047/00478409.pdf>

⁵ <http://www.gov.scot/Resource/0046/00468381.pdf>

accommodation as we would not know who of the current student occupants were moving out. This might affect University student recruitment in Scotland as the guarantee of accommodation is a very strong deciding factor for new students.'

Price, building security & service are more important to PBSA tenants than security of tenure

One key aim of the Bill is to promote security of tenure. There is no evidence that insecurity of tenure is a concern for students in PBSA.

Three-quarters of our students commit to 45 week tenancies and the balance between 45-51 week tenancies. This matches the University requirements. The removal of the "no fault" ground for repossession, in effect removing a contractual end date in the tenancy for tenants, introduces considerable uncertainty for landlords without any perceivable benefit. PBSA providers will not be certain when a student will leave their accommodation and so cannot commit to a new incoming student for a future tenancy. This will lead to voids, which cannot be filled by non-students, and this will in turn raise prices.

Security of tenure for one student leads to insecurity for another. If the Bill is enacted as proposed, PBSA tenants will end up paying for security of tenure, something they does not necessarily want nor need.

Consider treating PBSA differently to the broader PRS

We understand the Scottish Government's desire for a single approach to residential tenancies for simplicity. However, this simplicity may lead to unintended consequences as outlined above.

The Bill contemplates University accommodation being treated differently (it is of course exempted under paragraph 5, Schedule 1 of the Bill). PBSA did not exist at the time of the 1988 Act but it is now a fundamental part of University accommodation.

On the basis that PBSA is more like University accommodation than accommodation in the broader PRS, we urge the Committee to consider treating PBSA differently in its scrutiny of the Bill. To fail to do so would be detrimental to students wishing to study in Scotland, Scottish Universities, investors in Scotland and the broader PRS in Scotland.

We would be delighted to meet with you and discuss the issues in this paper and our earlier submissions in the two Consultations on a New Tenancy for the Private Sector.

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