

Morlet Properties

READING DEMAND STUDY

40-68 Silver St, Reading, RG1 2ST

DEMAND ASSESSMENT & MARKET ANALYSIS

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EXECUTIVE SUMMARY

HIGHER EDUCATION	DEMAND	SUPPLY	PRICING	OUTLOOK
University of Reading is ranked 29th in the UK and between 201st and 250th in the World by Times Higher Education (THE). The University of Reading will seek to rank among the top 25 of UK universities and at the same time remain in the top 1% of institutions worldwide. It will also seek to grow its income by 25% by 2026. The university has outlined its intention to grow student numbers. 18,100 undergraduate applications were made to the University of Reading for the 2019/20 academic cycle, of which 3,840 students accepted places.	There are approximately 15,250 full-time students currently attending higher education courses in Reading as of 2017/18. The total across Reading has increased by 27.9% since 2013/14. The total number of full time undergraduates across the town, representing 80.5% of the total student population, has increased by 33% since 2013/14 – representing an additional 760 students per annum. There are 4,840 full time students living within a 1 mile radius of the Silver Street site. 91% of these students are studying at the University of Reading. International students represent 38% of total full time students within a 1 mile radius of Silver Street site.	There are an estimated 6,859 PBSA bed spaces in Reading representing 45% of total full time students. The supply of Purpose Built Student Accommodation (PBSA) across Reading has increased by 32% since 2013. The University of Reading provides accommodation for approximately 5,077 students. Approximately 50% (2,523 bed spaces) of accommodation ensuites, 40% (1,935 bed paces) non-ensuites and 12% (619 bed spaces) are studios. Privately operated direct let accommodation represents 26% of the total PBSA provision (1,782 bed spaces). The privately operated PBSA is predominantly studio accommodation (67%) with some ensuite rooms (33%). There are four schemes totalling 281 bed spaces have been identified as having been granted consent (not under construction), and a further scheme totalling 182 bed spaces has been submitted. The total potential pipeline comprises 453 bed spaces.	Knight Frank’s Student Property Index indicates headline rental growth across Reading at +3.2% for the 2019/20 academic year. This is much higher than UK wide performance say at +2.4%. University rents for a standard room with a shared bathroom, range from approximately £120 per week through to £173 for a premium ensuite room (at a letting term of 51 weeks). Private direct let rents range from around £162 per week for an ensuite room through to £259 for a premium studio room (at a letting term of 51 weeks). Headline rental growth for en-suite and studios within purpose built student accommodation (PBSA) across Reading was 3.7% and 1.1%, respectively, for the 2019/20 academic year.	Approximately 55% of full time students in Reading are required to find accommodation within private rented HMOs or by living with parents/other family members and would otherwise be unable to access university or private sector purpose-built accommodation First year full time undergraduate students at the University of Reading are projected to increase by 37% during the next 5 years. Given this projected increase the proportion of students living in private rented non-purpose built/HMO accommodation will increase if further PBSA provision is not delivered. The current supply of Purpose Built Student Accommodation in Reading equates to a ratio of 2.1 full time students per bed space. If the consented development and planning pipeline of approximately 420 bed spaces is included within supply alongside the projected increase in student numbers, the estimated future full time student to bed space ratio will increase to 3.2 students per bed space.

1. INTRODUCTION

Knight Frank Global Research and Knight Frank Student Property have been instructed by Morlet Properties to produce a bespoke analysis of the student housing market in Reading. This is in support of a proposed Purpose Built Student Accommodation scheme (71 bed spaces) at 40-68 Silver Street (RG1 2ST). The new accommodation will operate as an extension to the existing accommodation under construction and due for delivery in September 2020 at 79 Silver Street.

Specifically, the research assesses the demand for student accommodation across Reading and specifically in relation to the proposed Silver Street scheme. The research also identifies the extent of competing supply, as well as analysing the rent profile of student housing in close proximity to Silver Street.

This report provides the following analysis:

- Demand side drivers - socio-economic profile, growth projections;
- Existing supply of student accommodation – existing PBSA, HMO accommodation within the mainstream rental market;
- Development pipeline – across Reading and within close proximity to Silver Street.
- Housing market profile - supply and demand balance, and pricing trends.

Catchment

We have assessed demand across Reading and where applicable presented demand/supply metrics at lower levels of geography based on distance/travel times from the proposed Silver Street scheme. This reflects the location of the site and travel times to and from the university and other amenities.

Given the very close proximity of the proposed Silver Street scheme to the main campuses of the University of Reading's London Road campus and close proximity to the main Whiteknights campus, it is our expectation that a significant proportion of residents will be enrolled at the University. However, Silver Street has a high level of connectivity, and as such, is also likely to attract demand from the University of London Berkshire Campus and OnCampus Reading for any bed spaces available to let on a direct-let basis.

Figure 1 presents the scheme's location and local information relating to public transport service access and access to amenities. The proposed scheme is in a location that is readily accessible by public transport (on foot, by cycle or by bus) to the university and college campuses.

Reading Borough Council Local Plan

Reading Borough Council outlines in its Local Plan the overall strategic direction and long term vision for the economic, social and environmental wellbeing of Reading.

A new Reading Borough Local Plan was adopted in November 2019. This document sets out the Council's planning policies for development in Reading up to 2036, and is the main consideration in deciding planning applications.

The Local Plan replaces the previous development plans - the Core Strategy, Reading Central Area Action Plan and Sites and Detailed Policies Document - which no longer apply.

Policy H12

"New student accommodation will be provided on or adjacent to existing further or higher education campuses, or as an extension or reconfiguration of existing student accommodation."

"There will be a presumption against proposals for new student accommodation on other sites unless it can be clearly demonstrated how the proposal meets a need that cannot be met on the above sites"

Policy H12 limits the provision of student accommodation to developments at or adjacent to existing students halls sites unless a special case can be made in respect of student needs that cannot be met by allocated sites. The accompanying text does however recognise the importance that sufficient accommodation is provided to enable

students to live close to where they study. However, the policy is restrictive in comparison to other local authorities with similar sized higher education provision. The Council recognises the benefits of purpose-built student accommodation where there is a partnership arrangement with a further or higher education institution and where it offers accommodation that meets the needs of students in terms of facilities, convenience to places of study and in terms of the cost of accommodation.

The University of Reading, as the main provider has an exclusive partnership with UPP and as such no other providers other than UPP will be able to create a partnership arrangement with the University of Reading.

The SHMA (2016) looked at the issue of need for additional student housing. It anticipated a growth in student numbers at the University of Reading from 13,135 in 2015 to 16,095 in 2018. However, the SHMA notes that, as this is in line with historic high student numbers, that it should not result in the need for significant new accommodation. More recent evidence from the University indicates that this growth, underpinned by changes to the tuition fee system and the removal of student number controls, has indeed generated a need for new accommodation. Actual growth over the period to 2018 has surpassed this estimate, with students now totalling 16,996, according to latest data from HESA.

There is a current shortfall in University accommodation of around 1,000 bed spaces for first year students and, across all years of study, for 2017/18, Reading Borough Council estimates that 5,000 students were not housed in purpose built student accommodation.

Reading Borough Council's approach to student housing

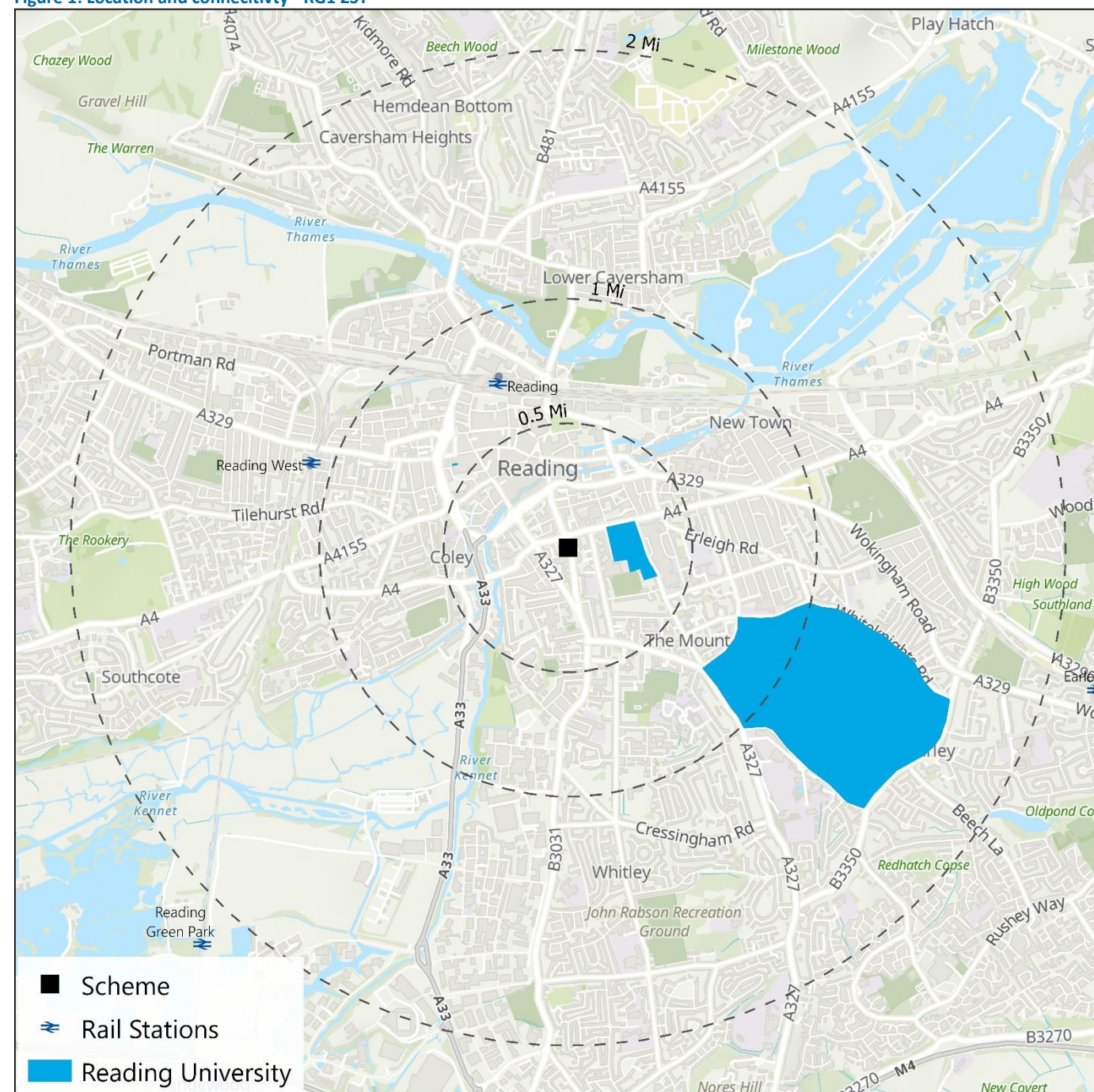
Reading Borough Council considers that existing need should be met on campus or through reconfiguration and redevelopment of existing halls of residence, where possible. However, the future need for student accommodation is highly dependent on any expansion of the University. The University has expressed intentions for significant growth in student numbers up to 2028. The need for future expansion of accommodation will be most dependent upon this growth. However, evidence from recent survey research undertaken by Knight Frank and UCAS indicates a growing preference for PBSA among students across all year groups.

The role of and provision of new student accommodation in relation to other types of housing also needs to be considered. Rents within the wider housing market across Reading have increased by 16% in the last five years.

It is likely that purpose built student housing, where it is affordable to those students currently in HMOs, can free up some existing homes to meet more general needs, and there is evidence that in those recent years where numbers of students in HMOs have dropped, this has coincided with the opening of new purpose built student accommodation. Reading Borough Council indicates that development for students should therefore be prioritised towards established student locations, unless a specific need for a development in a certain location can be clearly demonstrated. Knight Frank's experience of PBSA markets across the UK indicates that location is important to students. However, of more importance in the decision making of students on their accommodation is value for money and location is just one factor in this.

Between 2011/12 and 2019/20 there has been an addition of over 2,600 new PBSA bed spaces entering the Reading market and a 48% increase in Council Tax exempt homes (student HMOs) over the same time period (based on latest Local Authority Housing Statistics data). The town looks to increase the retention rate of graduates, recognising the most likely destination for this group is within the private rented sector (PRS).

Figure 1: Location and connectivity - RG1 2ST



Source: Knight Frank Global Research

University of Reading Strategic Plan

The University of Reading's Strategic Plan outlined its vision and objectives for the period to 2026 – at which point the university will mark its centenary. Its vision for 2026 is that the University of Reading will be a vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around us. To achieve this, the University of Reading expects to be significantly larger in terms of students, global reach and presence, and revenue.

Specifically, the University of Reading will look to achieve the following:

- Building our educational portfolio by further developing a research-informed, intellectually challenging, relevant and attractive curriculum, designed around interactive and experiential learning and supporting multiple levels and modes of study;
- Transforming student experiences by designing complete learning experiences that enable all students to benefit from a comprehensive range of academic, developmental and professional opportunities, encouraging full and ongoing engagement with the University;
- Growing research strengths by consolidating and growing worldclass cross-disciplinary research capabilities to build research power and impact around distinctive areas of excellence – particularly those related to securing and sustaining societies;
- Engaging with policy and practice to grow the University of Reading's influence, facilitating collaborations with experts from related fields and promotion of research-informed policy, practice and professional education, and
- Growing our global presence by expanding our international footprint beyond current operations in Malaysia and South Africa and by enabling students to access our services through a diverse range of face-to-face, online and hybrid channels. Some will be offered directly, others through partnerships and joint ventures with other institutions and learning providers; all will bear the hallmark of the University of Reading.

The University of Reading will seek to rank among the top 25 of UK universities and at the same time remain in the top 1% of institutions worldwide. It will also seek to grow its income by 25% by 2026. The university outlines its intention to grow student numbers but it does not provide a target or projection.

OnCampus, Reading

Located at the London Road Campus of the University of Reading, OnCampus, which is part of the Cambridge Education Group, provides foundation degrees to international students looking to progress to undergraduate degrees. OnCampus has expanded student numbers recently. It places international students into private halls near London Road including the Unite scheme at Crown Street and Kendrick Hall.

Berkshire Institute for Health

The University of West London is ranked 57th by the Guardian University Guide 2020 and comprises campuses in Ealing, Brentford, Reading and Slough. The university in total is home to over 8,500 full time students, of which 91.4% are full time undergraduates.

The Berkshire Institute of Health, located on the Reading campus, hosts 920 full time students. In partnership with over 20 NHS Primary Care and Hospital Trusts, the university is a major provider of nursing and midwifery courses in Berkshire and West London. According to the Guardian University League Tables 2019, the Berkshire Institute of Health ranked 1st in London and 23rd in the UK for nursing and midwifery. An impressive 98% of graduates are in employment or further study within six months of graduating.

University College of Estates Management

The University College of Estates Management provides exclusively online programmes, does not have a campus and therefore does not relate to the operation of the student housing market in Reading.

2. UK STUDENT MARKET

2.1 Higher Education

A record-breaking 39% of all 18 year olds in the UK submitted an application to start studying at UK universities in September 2019, according to data from UCAS. Applicants from outside of the UK also increased to their highest levels on record. Overall, a fifth of all applicants (20.7%) for study this year were from outside the UK.

Increasing participation rates are just one of a host of factors underpinning the student accommodation market, alongside an undersupply of purpose built student accommodation (PBSA) and investors looking to residential investment as a way of securing outperformance.

UK student numbers

Applications from UK students were fairly static compared with the previous year, falling back by less than 1%. However, this is against a backdrop of an almost 2% fall in the UK's 18 year old population.

Increasing acceptance rates have been supported by a lifting of the cap on student places at publicly-funded institutions in England since 2015, a policy which has provided institutions with greater flexibility in managing acceptances and controlling the number and distribution of places across different faculties.

Many universities for example, have now made participation in the 'Clearing' process, which matches applicants to university places that are yet to be filled, and unconditional offers a standard part of their admissions cycle. UCAS analysis shows that one-third of applicants from England, Northern Ireland and Wales aged 18 received an unconditional offer in 2018, whilst all universities, even those with the highest tariffs (those offering courses requiring higher grades), took part in 'Clearing'.

Student numbers by tariff group

Data from HESA indicates that while overall student numbers at lower tier universities have remained flat since 2012, higher tariff universities have seen their numbers grow by 18% as students prioritise access to the highest quality courses available to them.

Lower tariff institutions within multi-university cities have been able to buck this trend, with larger, more populous student locations such as Leicester and Coventry maintaining their strong appeal. However, as the number of individuals turning 18 increases from 2021 onwards, lower tariff universities may have to work harder to attract a share of a potential increase in student numbers. This is especially relevant given the catchments of lower tariff universities tend to be narrower. The University of Salford, for example attracted 50% of full-time undergraduate students from within Greater Manchester in 2017/18. The equivalent figure for the University of Manchester was 17%.

Postgraduate students

Demographic trends suggest that overall UK-domiciled undergraduate numbers are expected to remain flat until the 2021/22 academic cycle. However, the number of first-year students who are undertaking post-graduate courses increased in 2017/18, the third consecutive year they have risen.

Post-graduate numbers rose by 6.2% year-on-year with the number of postgraduate students currently enrolled on a university course in the UK at the highest level on record, according to data from HESA. Growth last year builds on the increases seen in the 2015/16 and 2016/17 cycles.

This coincides with the introduction of post-graduate loans for those students from England studying a master's course. Importantly, this level of growth is apparent in both higher and the lower tariff groups of universities.

The Augar Review

The independent government-commissioned report highlights a number of recommendations for post-18 education which, if enacted, could have wide-ranging consequences for the higher education sector.

The headline undergraduate fee cut was widely speculated on ahead of its release and a recommendation that tuition fees are capped at £7,500 (down from £9,250 currently) dominated the headline recommendations, alongside more financial support for disadvantaged students.

Whilst no specific recommendations were made with regards to the provision of accommodation, the cost of accommodation is raised within the review as a key concern.

It notes that the public subsidy of student maintenance, much of which is spent on accommodation, gives the government a legitimate stake in monitoring provision in terms of costs, rents, profitability and value for money – a task it indicates should be monitored by the Office for Students (OFS).

In order to achieve this it suggests the OFS seeks to gain a clearer picture of private sector involvement in student accommodation, recommending it commissions a comprehensive financial analysis of private developers and operators of PBSA to understand the profits that businesses and investors are making from student rents.

In addition, the review links accommodation with wellbeing and indicates that universities retain a responsibility for overall student welfare and delivering value for money and that this extends to university accommodation, whether or not they are the direct provider.

If the panel's recommendations are implemented in full, the higher education sector as a whole should receive the same total amount of funding, but it will be distributed differently.

Whilst tuition fee income will fall from £9,250 to £7,500 a year per student, the review indicates that the government would step in to top up the difference via direct teaching grants – an estimated £2bn.

However, under the recommendations the government would have discretion to adjust allocations dependant on course. Courses which are perceived to offer poor value for money may, as a result, receive less allocation at the expense of courses which the government believes are costlier, strategically more important for economic prosperity or of higher quality.

The review also recommends an extension of the 2018/19 and 2019/20 freeze of the average per-student funding for a further three years.

This equates to a real terms reduction of 8% between 2019/20 and 2022/23, and a reduction of 11% compared to 2018/19 funding levels. This freeze aligns with the current plan for a government spending review covering the years in the current parliament, up to 2022/23.

This does pose a significant challenge to the sector. However, the review believes that these pressures can be alleviated by a growth in the number of UK students. The review projects an increase from 2020 onwards, surpassing 2009 levels (6% higher than currently) by 2025.

International Education Strategy

The UK government's commitment to increasing international student numbers and income generated from international education is a major step forward. The aim of the International Education Strategy, released by the government in March, is to increase international student numbers in the UK by more than 30% to 600,000 by 2030, and generate £35 billion through education exports – which include money earned through tuition fees and British schools with campuses in other countries – a rise of 75% from current levels.

The UK now boasts 11 of the world's top 100 universities, and these act as a draw to the increasingly mobile global student body. Indeed, the number of international students – those leaving their country of residence to study elsewhere - is projected to increase to 8 million by 2025, from 5 million today, according to the OECD.

2.2 The Outlook for Purpose Built Student Accommodation

Historically, the rising number of full-time students in higher education (HE) has meant that traditional student halls of residence have been unable to accommodate the increase in demand for student bed space. Typically, students end up in shared accommodation in the private rental sector when they are unable to access traditional student accommodation, be it university halls or PBSA. They often reside in second hand housing stock or Houses of Multiple Occupation (HMOs) which present a cheaper housing alternative. Following the rise in student fees, there are higher expectations for the entire university experience and student accommodation is increasingly being regarded as a crucial element of this experience. Accommodation now ranks alongside the course, the location and the reputation that the institution offers. As a result there are significant opportunities for investors and developers in the student property sector.

Knight Frank's own Student Accommodation Survey undertaken in 2018, alongside partners UCAS, demonstrated higher levels of satisfaction with purpose built student accommodation over mainstream rental accommodation. The market is at a juncture where large injections of investment will in time mean a new level of stock in the market, creating a more vibrant investment market as well as higher quality accommodation for students.

Whilst HMOs provide competition to PBSA at the lower end of the price and quality scale, many local authorities have noticed the impact this HMO based student housing is having on local property markets and local government revenues. As such, numerous consultations are underway to restrict the supply of new HMO stock in markets that already contain a high number of student households. If successful, local authorities will be faced with the need to provide alternative desirable student accommodation to counterbalance any displacement of student demand, which will find itself diverted to purpose-built student accommodation. Local authorities that have sought to discourage/contain student HMOs have also typically encouraged or at least accepted increased levels of PBSA to accommodate the displaced student demand. Leeds City Council and Exeter City Council are both examples of this. Both local authorities have restricted HMOs and encourage the development of PBSA in locations that have supported or capitalised on local economic development.

Both the market and policy environment for PBSA are positive for further growth in the sector. However, picking the correct location and type of units are critical to ensure the best returns. There is also a firm limit on how much students can and will pay for rent on a weekly basis. The default setting for investors is to look at how to maximise income through rents (especially if the scheme is operated on a direct let basis). However, operators are now looking at creating a profitable model taking into account the budget constraints of consumers. It is in this sense that investors and new entrants to the market are looking to take advantages of any opportunity to try and 'add value' either through 'rebranding' or price discrimination by offering different products at different price points. It is the view of Knight Frank's Student Property Team that the next evolution in the student market will be for an increasing focus on 'brand' and 'market segmentation'.

2.3 UK Student Market Projection

The demographic challenges facing universities are well known, but behind this are significant regional differences. In London, for example, the application rate of 18 year olds in 2019 stood at almost 50%, notably higher than in the North East, which was less than a third. Though application rates of young people have increased in each region this year, the varied picture across the country together with changes in type of course and provider that students are applying to, mean there are challenging circumstances for some institutions. Admissions and marketing are becoming ever closer, enabling universities to be more proactive in the fast moving market. Where places remain open following the main application process, Clearing then represents a time when many universities need to secure more applicants to achieve recruitment targets. UCAS has seen Clearing accelerate with greater numbers of applicants placed in the days immediately following A-level results day. This has coincided with increased expenditure by universities on marketing. Clearing will continue to be a crucial recruitment channel as more students choose to apply later in the cycle than before.

It is our expectation that the growth in student numbers will be maintained over the longer-term, with Knight Frank analysis of ONS population projections, along with entry rates from UCAS, pointing to a 15% increase in full-time undergraduate numbers between now and 2030. This would represent an increase of 220,000 students. This is driven by continuing demand from international students for UK higher education and a growth in the UK 18 year old cohort from 2021/2022 onwards. The University of Reading has relatively high levels of out of region and international students. The combination of both of these factors alongside one of the highest projected regional demographic increases means that the university is well placed to continue increasing numbers.

3. DEMAND PROFILE

3.1 Student Population Profile

The Silver Street site is located around the corner from the University of Reading's London campus (0.2 miles and is within an easy twenty minute walking distance of the main Whiteknights campus (1 mile). Silver Street is also in close proximity to the centre of Reading's retail and amenity offering.

- 2017/18 data from the Higher Education Statistics Authority (HESA) indicates that there are 4,843 full time students living within a one mile radius of the Silver Street site. 4,390 (91%) of these students are studying at the University of Reading with 130 at Berkshire Institute for Health. Less than 3% of these students are identified within the data as living at home with parents. Of the 4,725 full time students not living at home with parents, 81% (3,812) are full time undergraduates. A further 913 full time postgraduate students currently live within a one mile radius of Silver Street.
- There are 3,812 full-time undergraduate students living within a one mile radius of the Silver Street site and this number has increased by 34% over the previous three years.
- International, non-UK domiciled students represent 38% of total full time students within a one mile radius (1,807 students). Over the last four years their numbers have increased by 33%.

University of Reading

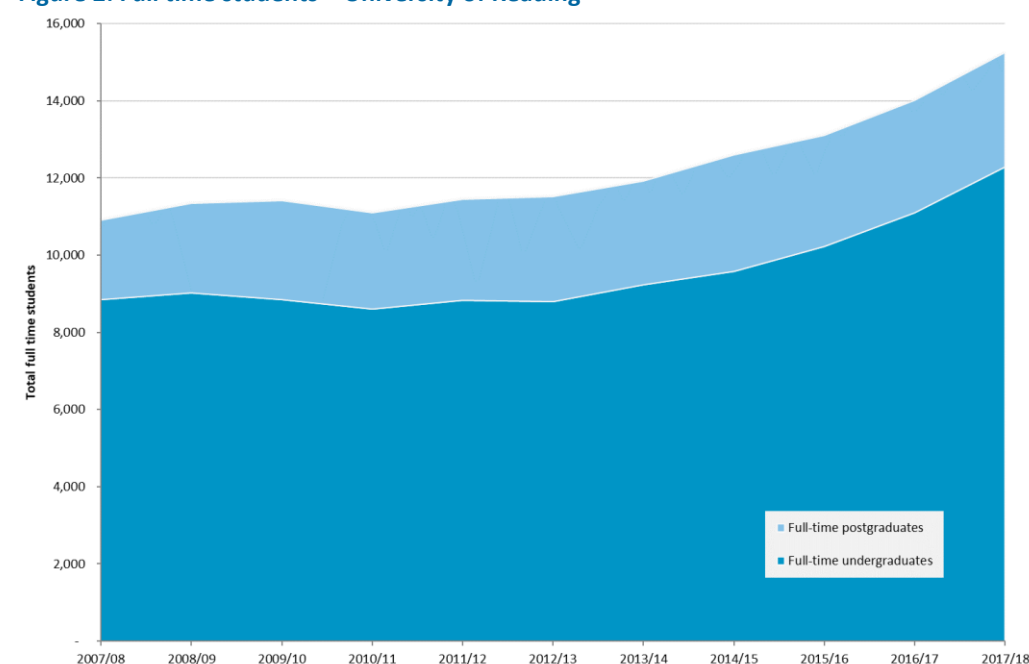
- There are approximately 15,252 full time students currently attending higher education courses at the University of Reading as of 2017/18. This total has increased by 27.9% over the period 2013/14 – 2017/18.
- The total number of full time undergraduates at the University of Reading, representing 89.7% of the total student population, has increased by 33% over the same time period - approximately 762 additional students in this group per annum. First year students specifically have increased by 31.5% at a rate of over 420 per annum.
- International students at University of Reading have increased by 29.5% since 2013/14, representing 26% of total student population.

Table 1: Student Profile – 2017/18 academic cycle

HE Student Population	University of Reading	%	% change from 2013/14
Undergraduate	12,378	72.8	33.0
UK	9,862	58.0	26.9
Non-UK	2,516	14.8	62.7
Postgraduate	4,618	27.2	8.0
UK	2,771	16.3	13.0
Non-UK	1,847	10.9	1.3
Total student population	16,996	100.0	25.0
Total international students	4,363	25.7	29.5
Full time undergraduates	12,280	80.5	33.0
Full time students	15,252	89.7	27.9

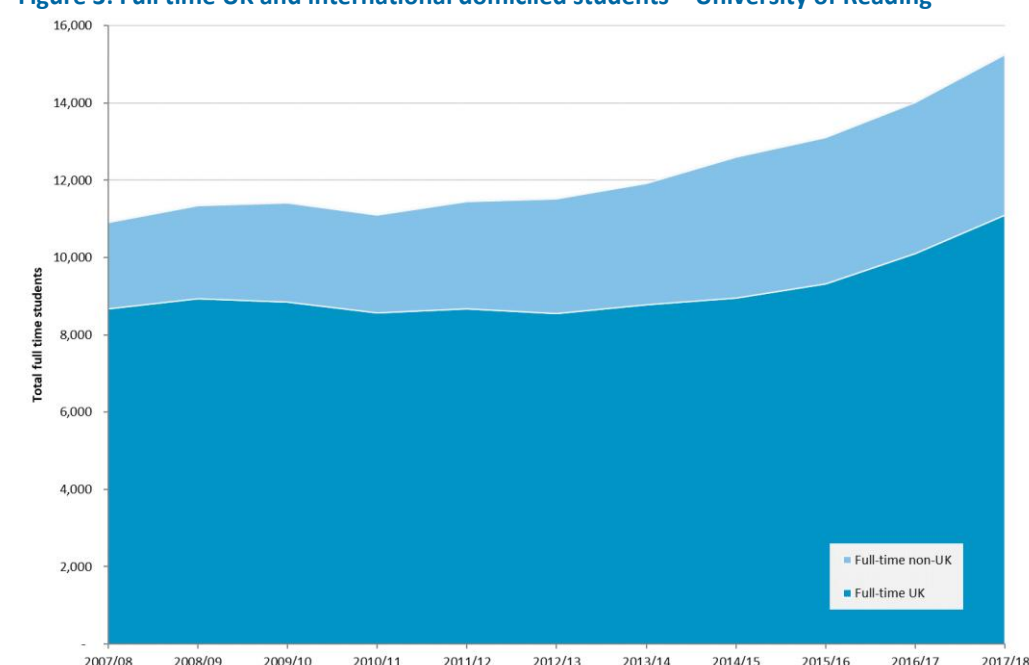
Source: HESA, Knight Frank Residential Research

Figure 2: Full time students – University of Reading



Source: HESA, Knight Frank Residential Research

Figure 3: Full time UK and international domiciled students – University of Reading



Source: HESA, Knight Frank Residential Research

- There are 4,618 postgraduate students at the University of Reading, of which, 64% (2,972) are studying full time. The number of full time postgraduate students has increased by 10.5% since 2013/14 and represents an additional 70 students per annum over the last four years. This coincides with the introduction of postgraduate student loans for those students in England studying a master's course. Overall across the UK the number of first year students undertaking postgraduate taught courses is up 9.5% on 2012/13 levels and is at its highest point in ten years.

University of Reading is ranked 29th in the UK and between 201st and 250th in the World by Times Higher Education (THE). The most recent Times and Sunday Times Good University Guide 2020, awarded the university a student satisfaction ranking of 110th in the UK. As students have ever greater expectations of their time at university, the

demands placed on student accommodation will intensify. Students from around the world want to be in the right place, in good quality accommodation with facilities and communities that add value to that experience. A Knight Frank survey, in partnership with UCAS in the UK, demonstrates that accommodation is a key factor in supporting student wellbeing and overall satisfaction with their university experience.

Domicile

- UK domiciled students at the University of Reading represent 74% of total students. HESA Student Record data has shown that in 2018, 18-year-old entry rates were at their highest recorded levels for students domiciled in England and Scotland. 73% of full time students at the University of Reading are from the UK and their number has increased by 26.5% since 2013/14.
- The overall number of non-UK domiciled students at the University of Reading has increased significantly by approximately 29.5% (250 students) over the period 2013/14 – 2017/18. 95% of international student study full time, with 60% studying undergraduate degrees.
- There are 2,511 full time international undergraduates at the University of Reading and their number has increased by a massive 63% since 2013/14. Full time postgraduates from outside of the UK (1,641 students) have increased by just 2.1%. The growth in international students across the city is being driven by undergraduate recruitment.

Total full time students across Reading

Full time student numbers studying at HEPs across Reading have increased by 27.9% overall between 2013/14 and 2017/18, representing a net increase of approximately 832 students per annum.

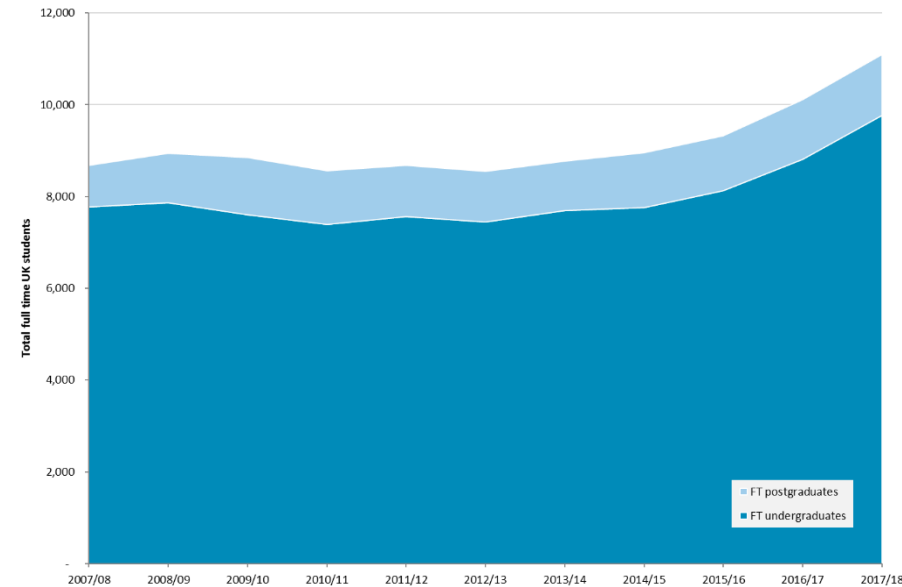
Full time UK domicile undergraduates have increased by 27% over the last four years and are higher than they were in 2011/12 levels (pre the introduction of higher tuition fees in 2012). Across this period year on year growth averages a net gain of approximately 519 students per annum. Following the introduction of higher tuition fees in 2012, numbers had previously diminished slightly at -2.7% from 2007/08 – 2011/12 and have since increased more substantially each year to 2017/18.

Full time non-UK domiciled students represent 27.2% of full time students across Reading (the average across all UK HE providers is 18.4%). The number of full time non-UK domiciled students has increased by 32% between 2013/14 and 2017/18. Across the UK as a whole, full time non-UK domiciled students have increased by 9.3%.

3.2 Applications & Acceptances

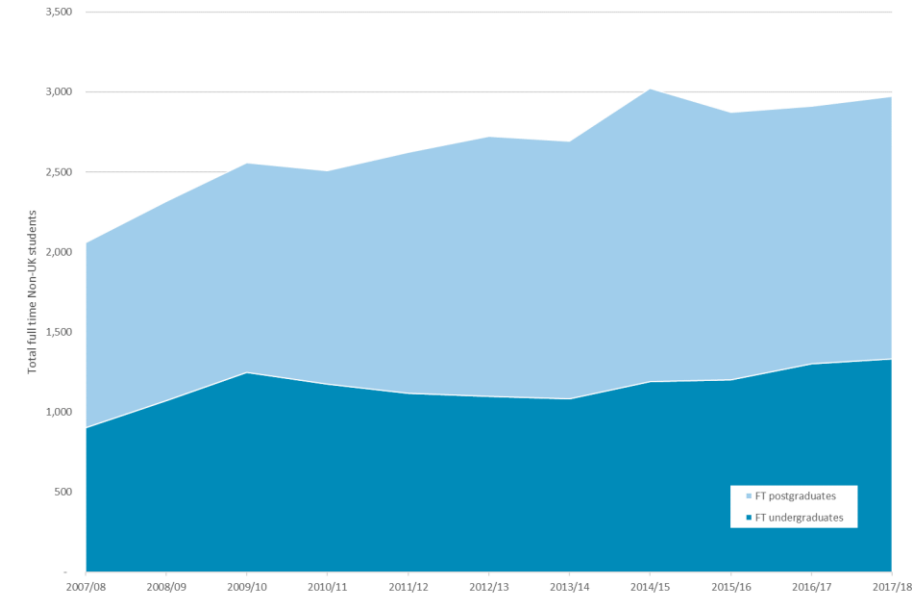
- In 2019, the University of Reading received 18,100 applications for places, a decrease of 12.9% on the volume of applications in 2014. In 2019, there were 4.7 applications for every accepted place at Reading. This ratio has dropped over the previous five years.
- Applications from international students are significantly lower than levels in 2014 (~21%). However, 2019 levels are approximate to those in 2018. Applications from students within the EU are down 17% on 2014 levels.
- In contrast, acceptances of places at Reading have increased on levels in 2014, but have decreased year on year since 2017. International student acceptances have however, increased by 11% since 2014.

Figure 4: Full time UK domiciled students – University of Reading



Source: HESA, Knight Frank Residential Research

Figure 5: Full time non-UK domiciled students – University of Reading



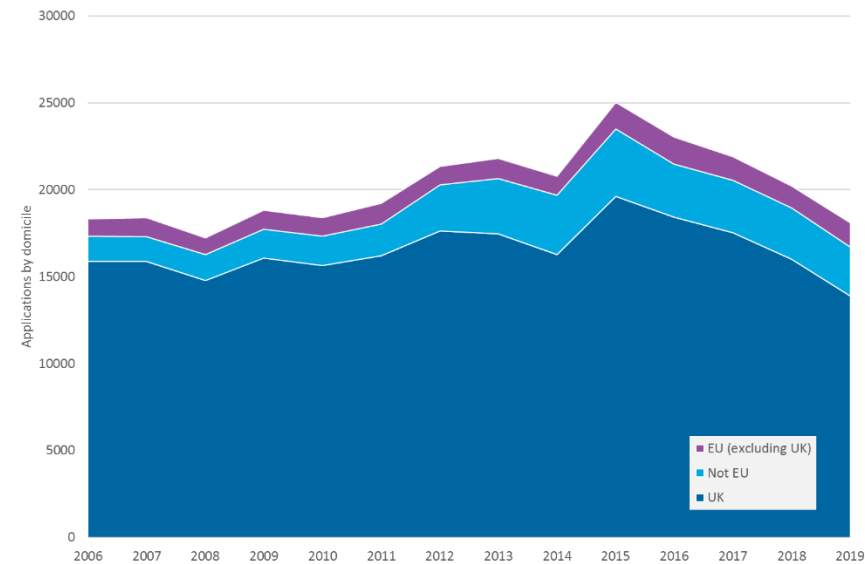
Source: HESA, Knight Frank Residential Research

Table 2: Applications & Acceptances – Ratios

Year	University of Reading		
	Applications	Acceptances	Ratio
2014	20,775	3,560	5.8
2015	25,005	3,775	6.6
2016	23,020	4,050	5.7
2017	21,910	4,650	4.7
2018	20,225	3,970	5.1
2019	18,100	3,840	4.7
% change	-12.9%	7.9%	-

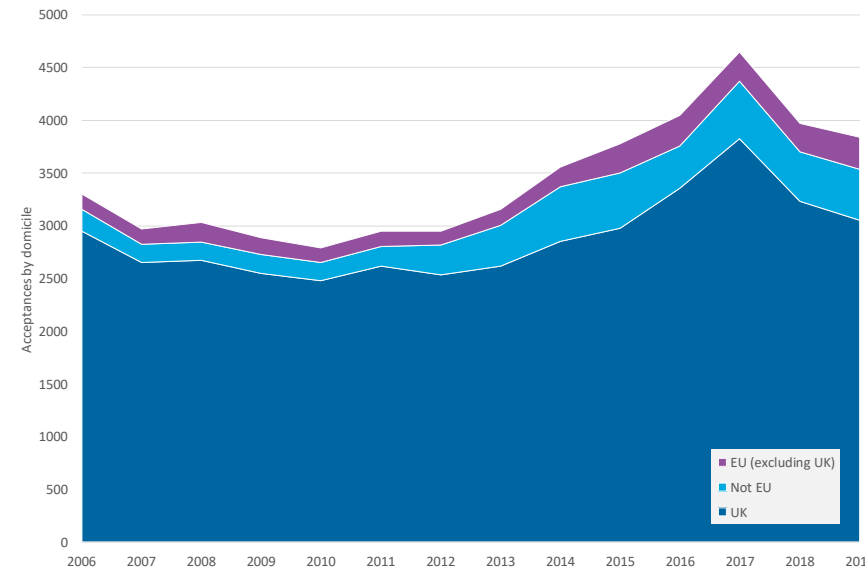
Source: UCAS, Knight Frank Residential Research

Figure 6: Applications by domicile – University of Reading



Source: UCAS, Knight Frank Residential Research

Figure 7: Acceptances by domicile – University of Reading



Source: UCAS, Knight Frank Residential Research

3.3 UK student origins

Using the postcode of UK domiciled students it is also possible to map the home address for students studying in Reading. Table 3 presents the top ten LA origins of UK domiciled students, studying at the University of Reading.

At 3.5%, the highest proportion of students originate from Reading, with the next largest population originating from Wokingham (2.4%). Overall, approximately 16% of higher education students that study in Reading are within the top ten locations (including Reading).

Table 3: Origin of UK students studying in Reading – Top 10 locations

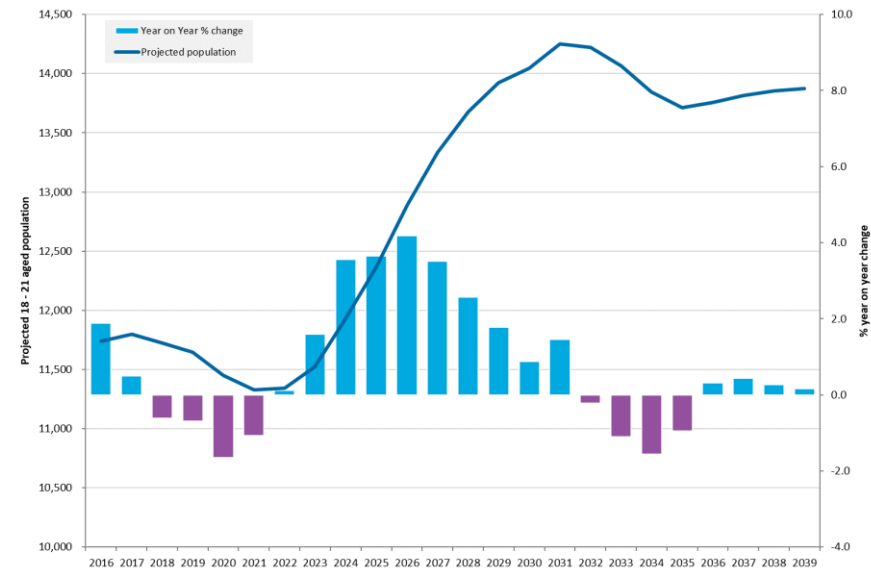
Local Authority	Number of students 2017/18	%	Cumulative %	% change from 2013/14
Reading	840	3.5	3.5	13.2
Wokingham	579	2.4	5.9	17.2
West Berkshire	351	1.5	7.3	15.5
Wiltshire	325	1.3	8.7	22.6
Hillingdon	332	1.4	10.1	65.2
Windsor and Maidenhead	333	1.4	11.5	29.6
South Oxfordshire	313	1.3	12.8	27.8
Bracknell Forest	237	1.0	13.7	13.9
Ealing	236	1.0	14.7	71.0
Slough	253	1.1	15.8	57.1

Source: HESA, Knight Frank Residential Research

3.4 Regional population projections

Regional population growth is integral to demand for undergraduate places at the institutions within Reading. Figure 8 presents ONS population projection data for 18 – 21 year olds across the whole of the Reading catchment area to 2039. The 18 – 21 year old population is projected to diminish to 2020 before making a sharp increases until 2022, whereby it will remain relatively stable for the next four years. The population is predicted to continue to gradually increase until 2031, before falling for the next three years. The expected total population of 18 – 21s within the Reading catchment area is set to increase by 21% in the period to 2039.

Figure 8: Population Projection – 18 – 21 year olds – Reading catchment area



Source: ONS, Knight Frank Residential Research

4. SUPPLY

4.1 Aggregate supply of Purpose Built Student Accommodation (PBSA)

University operated accommodation

There are 15 halls of residence operated by universities across Reading, providing 5,077 bed spaces; none of which are provided through a nominations agreement with a private sector owner. Overall, the accommodation is split between standard ensuite rooms (49.7%) and standard rooms with a shared bathroom (38.1%). Universities in Reading provide 74% of total PBSA, however of the number provided, 54% (2,752 bed spaces) are within a one mile radius of the Silver Street site.

Table 4: Summary of University Operated Accommodation – Reading

Bed space type	All Reading		1 mile radius		0.5 mile radius	
	# bed spaces	%	# bed spaces	%	# bed spaces	%
Non-ensuite	1,935	38.1	1,042	37.9	0	0.0
Ensuite	2,523	49.7	1,287	46.8	0	0.0
Studio	619	12.2	423	15.4	0	0.0
Total	5,077	100.0	2,752	100.0	0	0.0

Source: Knight Frank Residential Research

Private Direct Let Purpose Built Student Accommodation (PBSA)

There are nine privately owned PBSA schemes within Reading, all of which are operated on a direct let basis. Collectively, these schemes provide 1,782 bed spaces for students (26% of the total). The accommodation comprises of ensuite rooms (32.9%) and studio rooms (67.1%). There are thought to be no standard rooms with shared bathrooms within the direct let stock. Private Direct Let PBSA provides 38% of total PBSA within a one mile radius of Silver Street.

Table 5: Summary of Direct-let Accommodation – Reading

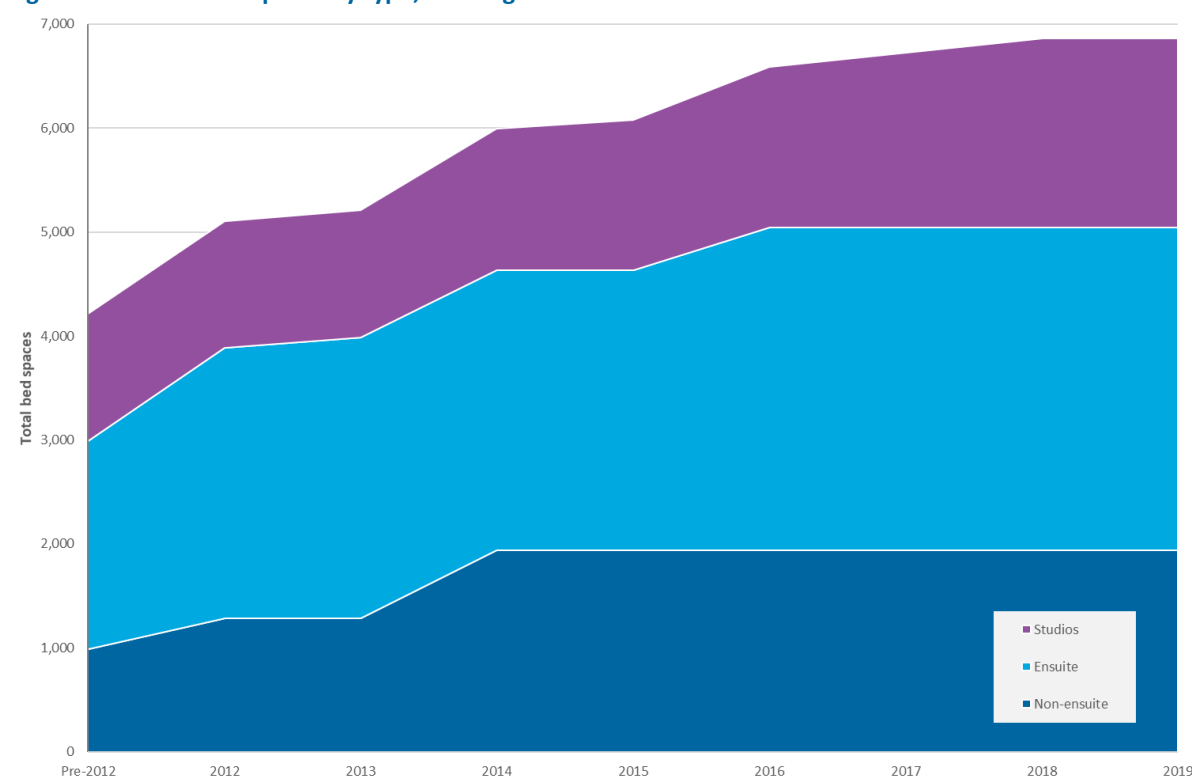
Bed space type	All Reading		1 mile radius		0.5 mile radius	
	# bed spaces	%	# bed spaces	%	# bed spaces	%
Non-ensuite	0	0.0	0	0.0	0	0.0
Ensuite	586	32.9	485	28.9	75	14.3
Studio	1,196	67.1	1,196	71.1	451	85.7
Total	1,782	100.0	1,681	100.0	526	100.0

Source: Knight Frank Residential Research

Changing composition of PBSA

The supply of Purpose Built Student Accommodation (PBSA) across Reading has increased by approximately 32% since 2013. New PBSA has been delivered each year since 2012. The majority of new stock has been delivered by private operators, comprising predominantly studio and ensuite rooms. The supply of university stock has similarly comprised studio and ensuite rooms. In total since 2012, there has been only been 649 new non-ensuite bed spaces provided.

Figure 9: Student bed spaces by type, Reading – time series*



* NOTE: It is not possible to estimate the construction date of every scheme in the market and so the total does not sum to Knight Frank's estimate for total bed spaces as of 2018/19 letting cycle
Source: Knight Frank Student Property

Since 2012 there have been over 2,650 PBSA bed spaces delivered in Reading, predominantly located around the southern edge of the town centre.

4.2 Satisfaction with PBSA & Student Preferences

Student Accommodation Survey 2019/2020

The Knight Frank/UCAS Student Accommodation Survey was undertaken in the period between February and November 2019 and comprises both applicants, current students and new students who started university in the 2019/2020 academic year. The survey received a response from 30,850 applicants and 30,995 current or new students.

Students living in private purpose-built student accommodation, or university run halls are the most satisfied with their accommodation, according to the results of the Knight Frank/UCAS Student Accommodation Survey 2019, with some 78% of such respondents indicating that this was the case. Whilst those living in the private rented sector were satisfied overall, a lower proportion (71%) said this was the case.

Overall, more than 80% of students living in shared PBSA accommodation, e.g. a twodio - a two bedroom flat with shared kitchen and bathroom - a shared house operated by the university, or in a cluster flat (with en suite) within either private or university operated accommodation said they were happy with their living arrangements. While still positive, levels of happiness were slightly lower for students living in privately rented house shares, with 75% saying they were happy with their accommodation.

Despite these differences, a clear majority of students said they are happy with their accommodation choice. Where students were dissatisfied, the most cited reasons among students living in privately operated PBSA related to a lack of value for money and problems with the building whilst for those in university operated accommodation it was a lack of value for money and noise problems.

For students living in privately rented house-shares the most commonly cited reasons for dissatisfaction were problems with the building and having problems with the landlord/agent.

The survey shows that, in addition to property type, other key drivers of happiness with private PBSA are location, the option to live with friends and the quality of accommodation. Looking specifically at private PBSA, efforts to create a community were also highlighted as being important, with the atmosphere and social scene provided within their accommodation rated positively by 48% and 30% of respondents respectively.

In total, 75% of students who lived in private PBSA said that they would recommend their accommodation to new first-year students, up from 69% in 2018's survey. Some 79% of those in university-run accommodation said the same, up from 77% in 2018. The survey also asked second year students living in private PBSA if they would recommend their accommodation to first year students with 78% indicating that they would do so.

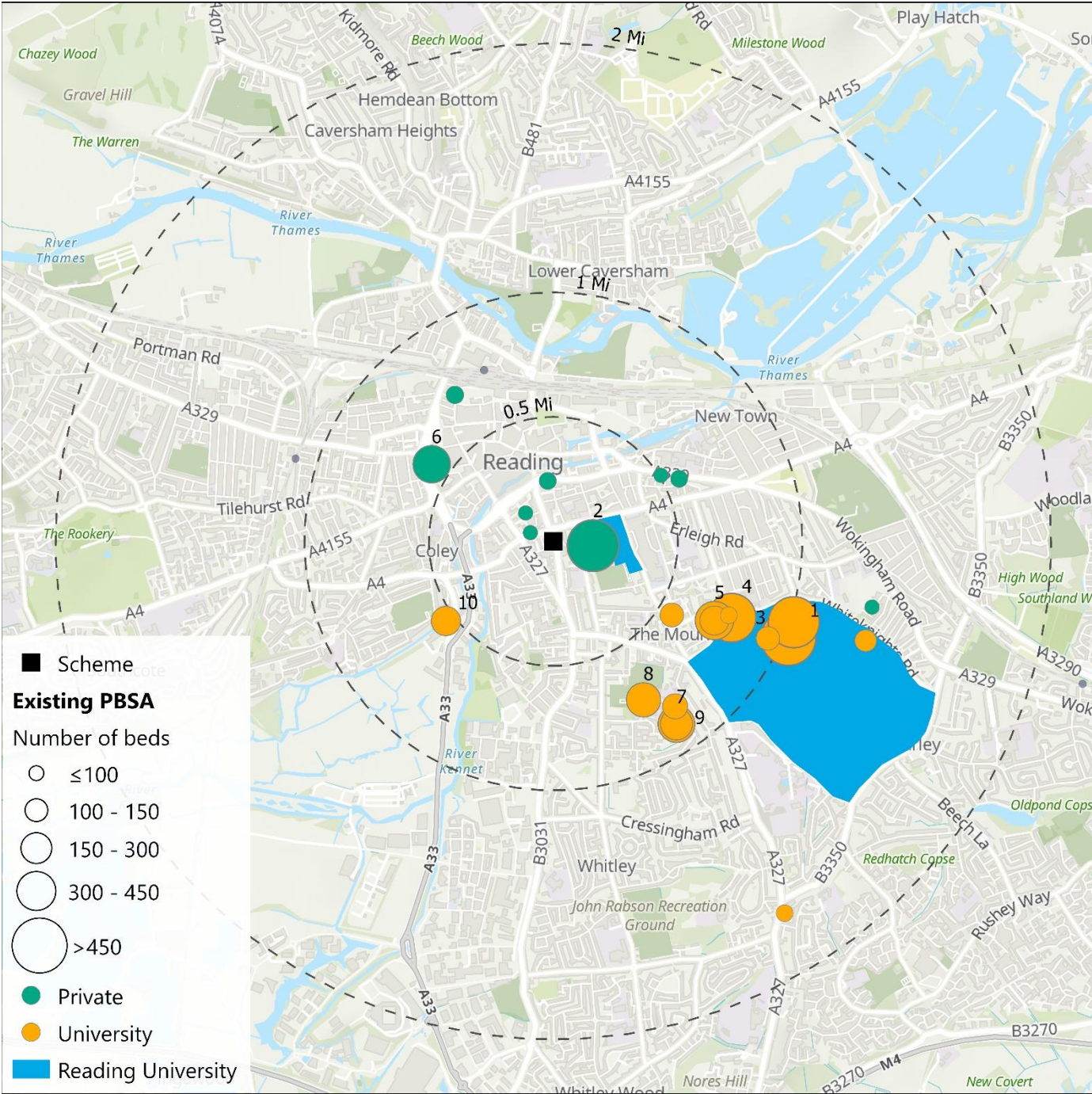
The single most important factor influencing the choice students make about where they live is value for money. Some 98% of respondents rated this as being important to them, with just under half (49%) rating it as "extremely important".

Across the UK just under half (49%) of students indicated that their current accommodation represented 'extremely good' or 'good' value for money. Overall, the survey suggests a preference for high-quality accommodation that provides clear and obvious elements that add value. Other factors identified by students as "extremely important" included the cleanliness of the bedroom (96%), the quality of the accommodation (95%) and the facilities offered (91%).

More subjective factors include reviews of the accommodation by other students, and the level of daylight in the bedroom. Indeed, these two factors were particularly important to first-year students, with over 80% saying it helped them decide on their accommodation. Second and third-year students also sought value for money but were equally influenced by the absolute cost of accommodation, with 92% rating this as either "very" or "extremely important".

This compared with 88% of new students. Second and third-year students deemed being able to maintain friendship groups as important when looking for accommodation, with over 65% of this group identifying the number of bedrooms available in a property, and the effect this had on being able to live either with friends or alone, as influencing their choice. This is up from 60% of the response in last year's survey.

Figure 10: Existing Purpose Built Accommodation – Reading



* A reference table is provided in Appendix 1.
Source: Knight Frank Residential Research

4.3 Private rented housing

The majority of the private-sector accommodation is in the form of HMOs let through the private rental market. Private rented supply to students living across Reading consists predominantly of terraced houses and flats in the RG1 and RG6.

Accommodation consists of single and double rooms with shared bathroom and kitchen amenities. Some of the accommodation consists of ensuite rooms but, based on data from respective councils on licenced HMOs and matching this to listings data, this is a low proportion of total number of bed spaces.

Reading Borough Council has granted HMO licenses against 5,241 properties (as of February 2020). Analysis of online listing data indicates that over 2,000 private rented sector (PRS) properties explicitly marketed at students came up for rent within Reading in the year to February 2020. Most of these rentals were four, five and six bedroom properties. Less than 10% of the total PRS supply consists of one bedroom properties, whilst larger five or more bedroom properties represented 34.3%. Collectively these PRS properties supplied approximately 9,200 bed spaces within Reading.

Table 6: Student PRS supply 2019/20

Accommodation type	All Reading			1 mile radius		
	#	%	Imputed bed spaces	#	%	Imputed bed spaces
Studio	19	0.9	19	14	1.1	14
One bedroom	112	5.5	112	96	7.7	96
Two bedrooms	141	7.0	282	107	8.6	214
Three bedrooms	198	9.8	594	132	10.6	396
Four bedrooms	586	28.9	2,344	347	27.8	1,388
Five bedrooms	316	15.6	1,580	171	13.7	855
Six bedrooms	417	20.6	2,502	216	17.3	1,296
Seven bedrooms	138	6.8	966	82	6.6	574
Eight or more	100	4.9	800	81	6.5	648
Total	2,027	100.0	9,199	1,246	100.0	5,481

Source: Knight Frank Residential Research

HMO supply is thought to have decreased marginally across the catchment in the previous five years. It must be acknowledged that only a proportion of all HMOs will be marketed at and occupied by students. Shared houses are also popular with graduates and young professionals.

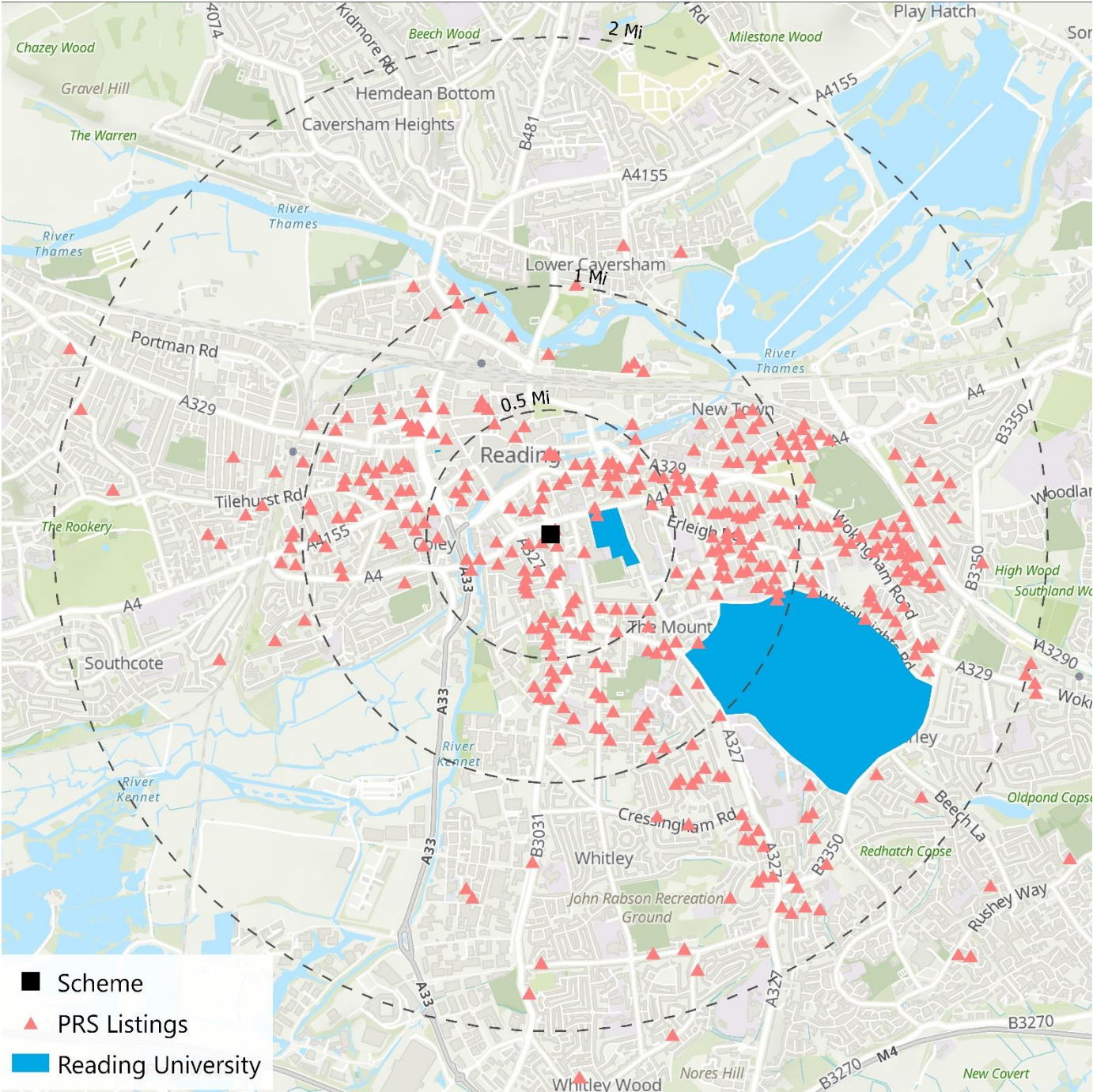
Total existing supply

The universities across Reading provide accommodation for approximately 5,077 students, which represent 33% of the total full time student population across the city (15,252 students). There are currently a further nine additional private purpose built student accommodation (PBSA) schemes across the city providing 1,782 bed spaces on a direct let basis. In total, there are 6,859 PBSA bed spaces across Reading. This represents 45% of total full time students studying in Reading.

According to HESA, there are more than 15,000 full-time students at the University of Reading, of which only 2,125 (14%) live at home with parents. As illustrated in Figure 9, there are 6,859 PBSA bed spaces in Reading which may indicate that up to 6,270 (41%) of its full-time students live in non-PBSA accommodation/HMO within the private rented sector. If student numbers increase at the University of Reading and the development pipeline is unable to match this, then the number of students living in HMO accommodation will increase.

Further detail on the distribution of bed space rental prices is presented in section 5 below.

Figure 11: Mainstream rental market student listings – 2019



Source: Rightmove, Knight Frank Residential Research

4.4 Pipeline supply

The supply pipeline has been compiled by collecting all residential accommodation records from Egi planning data and data from the planning departments at Reading Borough Council. This data has been combined and sorted dependent on planning and construction status.

As of June 2020, there are two schemes identified as being currently under construction. However, four schemes totalling 420 bed spaces have been identified as having been granted consent. total potential pipeline comprises 420 bed spaces.

Table 7: Development Pipeline – Reading

Ref.	Address	Owner	Total Beds	Planning Status	Location	Status	Estimated completion Date
CONSENTED (NOT UNDER CONSTRUCTION)							
1	New Century, East Street, Reading, RG1 4AW	Studios Building (Reading) Ltd	135	Detailed plans granted	RG1 4AW	On site	2020
2	79 Silver Street, Reading, Berkshire, RG1 2SU	Chamberwell Investment Services Ltd	61	Detailed plans granted	RG1 2SU	On site	2020/21
3	Trinity Hall, South Street, Reading, Berkshire, RG1 4QU	The United Reform Church Wessex Trust LTD	42	Detailed plans granted	RG1 4QU	-	2022
4	205-207 Kings Road, Reading, RG1 4LS	Jansons Property	182	Detailed plans granted	RG1 4LS	Pre tender	2021
TOTAL CONSENTED (NOT UNDER CONSTRUCTION)			420				
TOTAL SUBMITTED			0				
TOTAL PLANNING PIPELINE			420				

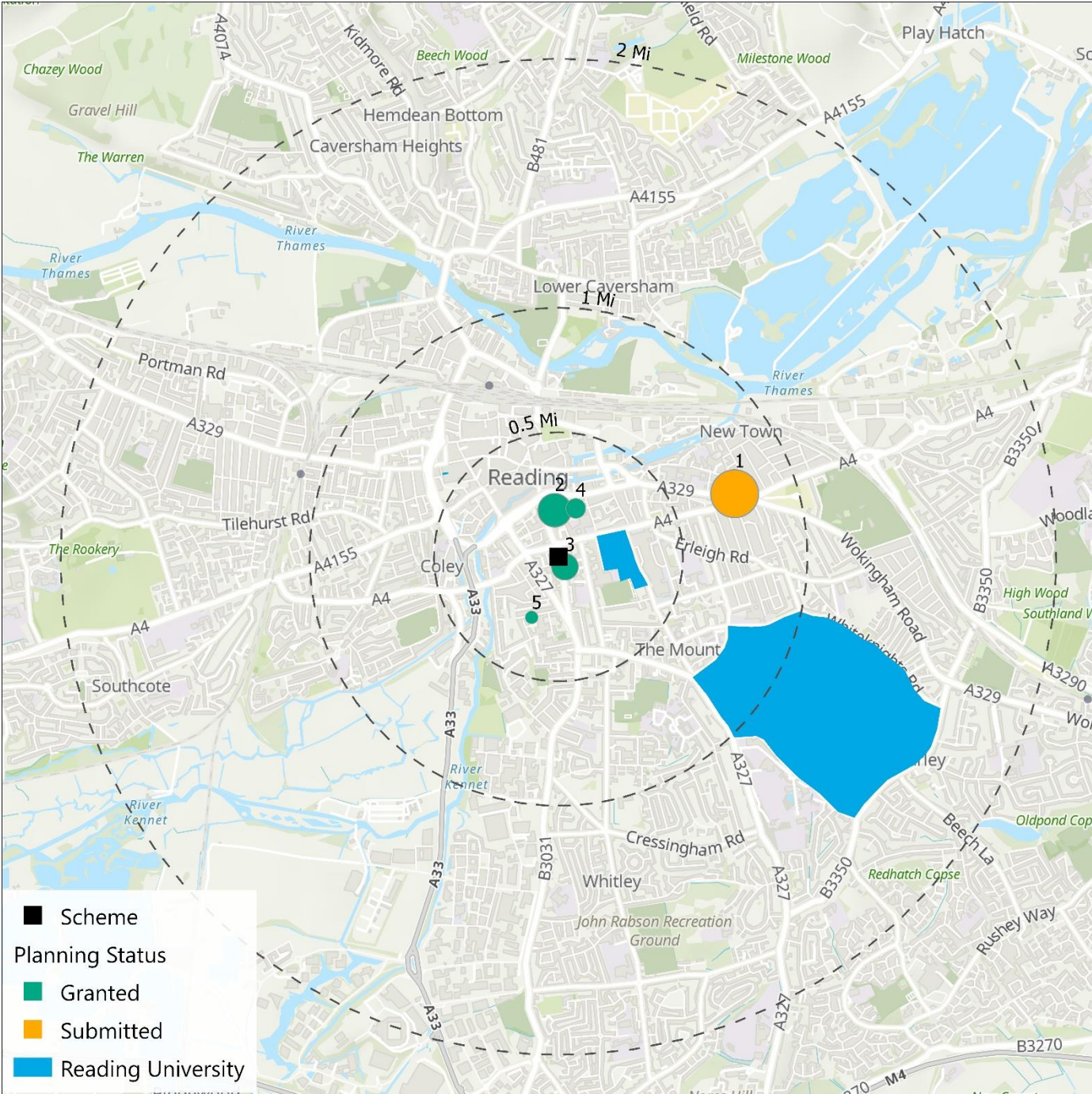
Source: Knight Frank Student Property

In terms of where new supply will be delivered, 57% (238 bed spaces) of the total potential pipeline is located within 0.5 miles of the University of Reading's London Road campus to the east. A further 43% (182 bed spaces) are located within one mile of both the London Road and main campus locations to the west.

Timeline

We have assessed the delivery timeline using estimated construction start dates and estimated construction project duration lengths. Where time information was unavailable, we have assumed that the project will not commence until 2022, at the earliest. The supply of potential PBSA bed spaces in Reading is set to be evenly delivered over the next three years. 47% (196 bed spaces) of the pipeline is estimated to complete in 2020/2021 with a further 43% (182 bed spaces), estimated for 2021. The remaining 10% (42 bed spaces) has been estimated to complete post 2022.

Figure 12: Development Pipeline – Reading



Source: Knight Frank Student Property Team

Demand/Supply ratios

- There are an estimated 6,859 PBSA bed spaces in Reading representing 45% of total full time students. This equates to a gross ratio of 2.2 students per bed space (0.45 bed spaces per student). If the current potential pipeline (420 bed spaces with or without planning) is included the gross ratio decreases to 2.1 students per bed space (0.48 bed spaces per student).
- HESA estimate that the number of full time students living at home with parents in Reading is 14%. If this figure is subtracted from total full time students to create a net student number requiring accommodation – the current ratio reduces to 1.9 full time students to each PBSA bed space.

Table 8: Existing and Potential Total Supply of Bed Spaces & Total Student Numbers

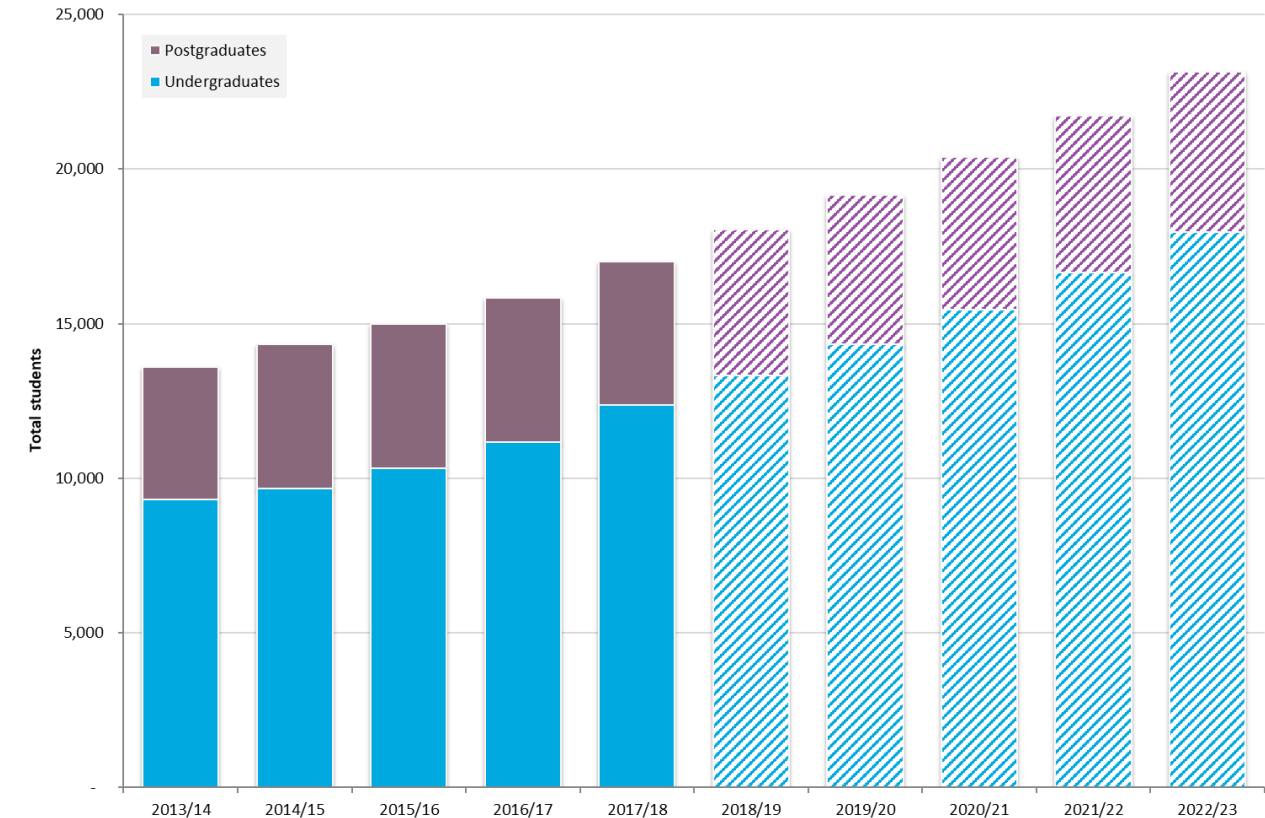
University City	FT students	Existing PBSA bed spaces	Estimated % of students in PBSA	Potential supply PBSA bed space	Total potential future bed spaces	Current number of bed spaces per student	Future number of bed spaces per student*
Leicester	37,711	14,687	39	2,414	17,101	0.39	0.45
York	22,949	9,838	43	492	10,330	0.43	0.45
Bristol	44,834	14,217	32	3,450	17,667	0.32	0.39
Cardiff	34,292	15,917	46	3,161	19,078	0.46	0.56
Sheffield	51,818	23,952	46	5,717	29,669	0.46	0.57
Exeter	22,065	9,845	45	4,003	13,848	0.45	0.63
Edinburgh	54,498	18,498	34	3,006	21,504	0.34	0.39
Birmingham	70,546	28,068	40	4,070	32,138	0.4	0.46
London	297,337	84,381	28	16,857	101,238	0.28	0.34
Reading	15,252	6,859	45	420	7,279	0.45	0.48
Nottingham	57,150	26,959	46	5,650	32,609	0.47	0.57
Leeds	54,680	22,289	41	4956	27,245	0.41	0.5
Manchester	65,549	25,072	38	6037	31,109	0.38	0.47
Bournemouth	18,808	7,733	41	1511	9,244	0.41	0.49
Loughborough	16,070	7,184	45	681	7,865	0.45	0.49
Aberdeen	21,524	8,521	40	2860	11,381	0.4	0.53
Bath	23,142	7,524	33	1723	9,247	0.33	0.4
Newcastle	57,947	13,416	23	1739	15,155	0.23	0.26
Southampton	32,279	14,388	45	1632	16,020	0.45	0.5
Coventry	50,513	18,924	37.46	6,517	25,441	0.37	0.5
UK	1,844,546	630,000	34	149,225	779,225	0.34	0.42

* assuming no change in student numbers
Source: Knight Frank Residential Research, Knight Frank Student Property, GLENIGAN, HESA

Projected student numbers – Reading

- Based on previous trends for key student groups, the total number of full time students within the combined Reading area is projected to increase by 36.6% over the next five years (see table 14 and figure 20 in Appendix 2 for breakdown of student number projection analysis in Reading). This represents an increase of approximately 1,230 students per annum.
- If the potential development and planning pipeline across Reading of 420 bed spaces is included within supply alongside the projected five-year increase in full time student numbers, the future student to bed space ratio increases from 2.1 to 3.2 students per bed space (0.32 bed spaces per student).

Figure 13: Projected full-time student numbers – University of Reading



Source: HESA, Knight Frank Residential Research

Table 9: Projected full-time student numbers – University of Reading

Academic cycle	UK	International	ALL
2013/14	9,318	4,276	13,594
2014/15	9,662	4,665	14,327
2015/16	10,316	4,663	14,979
2016/17	11,172	4,667	15,839
2017/18	12,378	4,618	16,996
2018/19	13,314	4,723	18,036
2019/20	14,336	4,831	19,167
2020/21	15,446	4,945	20,391
2021/22	16,655	5,063	21,717
2022/23	17,971	5,186	23,157
% Growth 2013/14 - 2017/18	32.8	8.0	25.0
% Projected 5 yr. growth	45.2	12.3	36.2

Source: HESA, Knight Frank Residential Research

*The projected student numbers in figure 13 and table 9 illustrate strong growth over the next five years, however, the model used to produce this projection is based on recent trends and does not take into account other limiting factors such university capacity and university student number growth plans.

5. PRICING ANALYSIS

- Knight Frank's Student Property Index indicates headline rental growth for purpose built student accommodation (PBSA) across Reading of +3.20% for the 2019/20 academic year. This is higher than performance across the UK as a whole (+2.36%).
- There is a 16% difference in the pricing of ensuite university and private direct let rooms. University rents for a standard room with a shared bathroom, range from approximately £120 per week through to £260 for a premium studio room (at a letting term of 51 weeks) let by a private operator.

Table 10: 3 year price performance by accommodation type – Reading

Accommodation Type	2017/18	2018/19	2019/20
Standard (shared bathroom)	1.57%	3.67%	3.00%
Ensuite	5.39%	4.07%	3.65%
Studio	2.66%	2.45%	1.12%

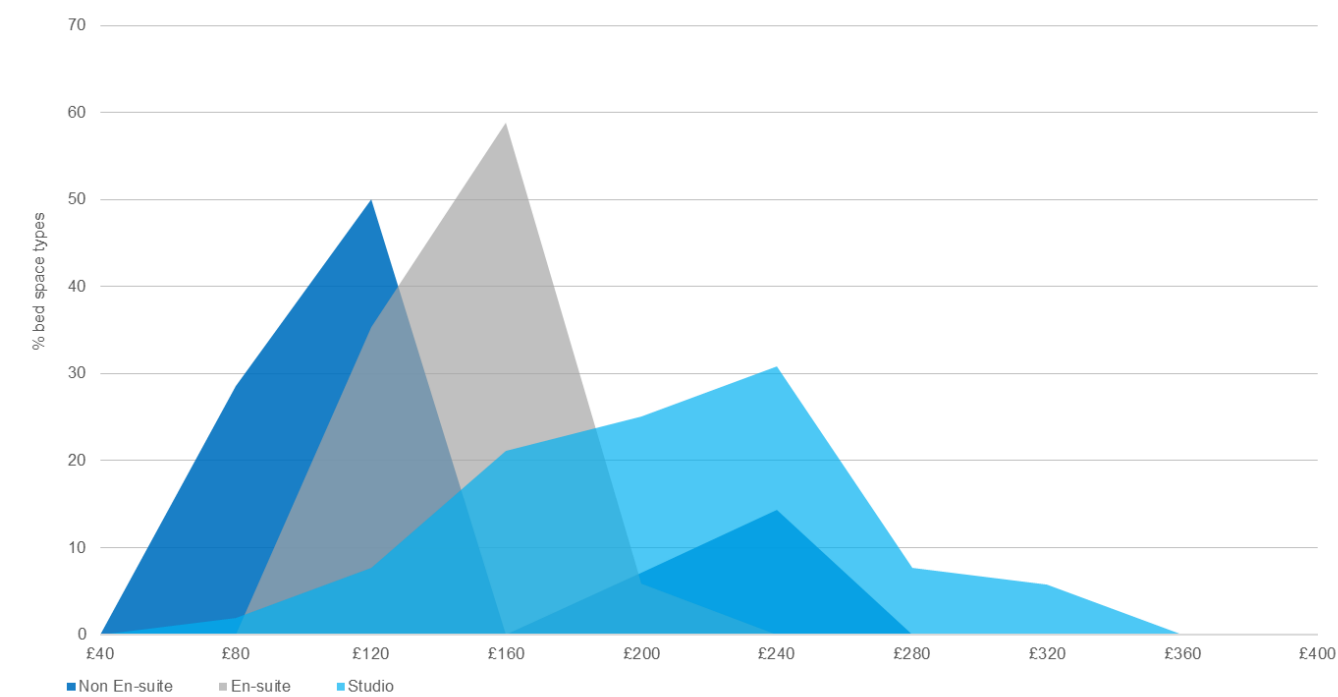
Source: HESA, Knight Frank Residential Research

Table 11: University & Private Direct Let Accommodation (51 week letting term) – 2019/20

Type	University				Private				Total			
	Lower Quartile	Median	Upper Quartile	Mean	Lower Quartile	Median	Upper Quartile	Mean	Lower Quartile	Median	Upper Quartile	Mean
Standard	£121	£127	£140	£142	n/a	n/a	n/a	n/a	£121	£127	£140	£142
Ensuite	£140	£146	£173	£150	£162	£172	£179	£174	£146	£162	£179	£161
Studio	£140	£157	£157	£153	£201	£237	£259	£236	£196	£234	£259	£230

Source: HESA, Knight Frank Residential Research

Figure 14: Distribution of self-catered accommodation by type (University controlled and Direct Let)



Source: Knight Frank Residential Research

6. ECONOMIC IMPACT OF STUDENTS & PBSA

6.1 Economic impact of students

Economic activity

The 2011 Census indicates that approximately 39% of full-time students within Reading LA are economically active (i.e. employed or searching for employment). This equates to approximately 5,950 students based on 2017/18 student numbers. Given that the costs of Higher Education for students have increased (tuition fees increasing from approximately £3k per annum to over £9k per annum) the proportion of students undertaking paid work is likely to have increased. A recent survey by Knight Frank of students nationally found that 30% of students nationally had part time jobs whilst studying full time. PBSA that is located in close proximity to the town centre will provide students with easy access to employment opportunities.

This is supported by the 2011/12 Student Income and Expenditure Survey by the department for Business Innovation & Skills which concluded:

A.

"During the 2011/12 academic year, earnings from paid work made up 15 per cent of income among all full-time students, contributing £1,662 on average, making work the second most significant source of income for full-time students..."

...More than a quarter (28 per cent) of all full-time students had a continuous job during the 2011/12 academic year and a similar proportion (29 per cent) had non-continuous/casual work."

(Department for Business Innovation & Skills, 2013)

Student spend

Latest Family Spending Survey data from 2015 indicates that students make a significant contribution to the economy – nationally student households spend a weekly average of £593 or nearly £267 per student per week. If this average spend is applied to students living within a one-mile radius, the total spend of students in the area per annum is £52m, assuming a 40 week academic year.

Students nationally therefore appear to have similar spending power as a 'lower managerial and professional' employee and are the third largest spending socio-economic group.

Whilst around 51% of household spend is on housing and education costs, the remainder is free to allocate to the local economy. On average this equates to a weekly student household spend of nearly £384 on local services and commodities.

Furthermore, a recent study examining the costs and benefits of international students on local economies found that the net benefit for the Silver Street area (Reading East constituency) from international students to be £82m.¹

Table 12: Household expenditure by socio-economic classification

Commodity / Service	Socio-economic Classifications									
	A	B	C	D	E	F	G	H	I	J
Food & non-alcoholic drinks	80.7	73	64.9	58.8	67.5	65.1	54.6	56.4	46.6	54.4
Alcoholic drinks, tobacco & narcotics	14.8	13	12.8	12.5	15.3	17.2	11.9	13.9	9	7.2
Clothing & footwear	51.3	34.1	33.2	26.1	27.6	28.2	22.3	17.8	14.3	28.4
Housing (net), fuel & power	80.5	91.5	80.5	74.2	71.6	74.6	78.3	76.9	39.7	225.4
Household goods & services	62.4	60.6	47.8	34.9	40.9	38	24.2	19.6	12.6	22.9
Health	12	8.3	7	4.8	5.6	7.2	3.9	4.8	4.6	3.1
Transport	136	126.9	108.1	82	88.4	82.2	57.1	46.9	19.5	68.1
Communication	20.6	18.8	18.2	17.3	17.4	19.3	15.6	16.2	8.9	21
Recreation & culture	144.1	103.6	89.7	68	72.7	64	46.1	43.6	20.1	50.2
Education	20.3	23.8	10.4	5	6.5	2.6	1.1	1	1.5	178.7
Restaurants & hotels	79.4	70.1	59	42.1	50.3	49.3	28.1	25.8	17.7	60.8
Miscellaneous goods & services	79.3	57.6	57.9	43.3	43.6	42.3	29	26.8	11.5	34.8
Other expenditure items	137	112.1	109.4	83.3	73.9	71.3	48.4	46.2	10.1	29.6
Average Weekly Household Expenditure	918.4	793.4	698.9	552.3	581.5	561.2	420.7	395.8	216.1	784.7
Average Weekly Spend Per Person	331.1	300.1	258.5	214.6	210	196.5	158.8	146.7	75.3	266.5

Source: ONS: Family Spending Survey (2015) – Table A22

Socio-economic classifications:

- A.
- Large employers & higher managerial
- B.
- Higher professional
- C.
- Lower managerial & professional
- D.
- Intermediate
- E.
- Small employers
- F.
- Lower supervisory
- G.
- Semi-routine
- H.
- Routine
- I.
- Long-term unemployed
- J.
- Students

¹ The costs and benefits if international students by parliamentary constituency, January 2018, HEPI, Kaplan, London Economics.

5.2 Economic impacts of PBSA

Excluding those living at home with parents, the majority of full time students within one-mile of Silver Street currently live in HMO stock of varying quality. This is corroborated by HESA data which estimates that over 40% of students are living in shared private rented sector dwellings.

Using ONS geographies and data on the number of students living within neighbourhoods populated by students, it is possible to estimate the potential loss of tax to the council through exemptions. The majority of students within the private rented sector share properties of either four or five bedrooms.

Assuming a 2019/20 'A Band' council tax charge of £1,266 per property (average across all neighbourhoods). If 10% of listed HMOs (112) within a one-mile radius of Silver Street, are returned to occupancy by non-exempt households, the increase in tax revenue to the council equates to approximately £142k per annum. Assuming a typical household size of three/four people, this represents the accommodation of approximately 450 students and approximates the consented purpose built student accommodation pipeline in the Reading area (section 4.2 above).

Housing market impacts

While students are a positive contributor to the local economy, their flexible lifestyles and different priorities mean they can be viewed as disruptive if the density of student households become too concentrated and overly visible in a particular locality (i.e. if student clustering within the mainstream housing stock becomes too dense).

According to the DCLG such imbalances are due to a lack of adequate alternative accommodation:

B. *"...the growth in student numbers has not been met by an adequate increase in purpose-built accommodation. This has led to an increasing reliance upon the private rented sector to meet student housing needs, to the extent that in 2000 approximately half of students (49 per cent) were accommodated in the traditional private rented sector."*

(Ecotec, 2008)

PBSA developments therefore offer students a formal version of the homogenous, secure and dense communities that they otherwise attempt to create within HMOs and the mainstream PRS. This increasingly high quality housing product/type of product is far removed from the traditional image of 'student digs'.

It is therefore not surprising to read academic articles equating 'studentification' through purpose-built student housing to gentrification. Hubbard analysed the successful impact of new PBSA development on the concentrations of students and HMOs in Brighton, concluding that:

C. *"The fact such [PBSA] developments constitute 'gated communities' is not irrelevant given evident tendencies among students to 'self-segregate' and to create exclusive geographies...it appears that the types of students who will move into managed accommodation are not the expansive or mobile students prepared to live outside the more 'studenty' areas to save money or have secure parking, but are those who want to retain some of the sociability of hall living and consider purpose-built developments to offer comparable value for money with houses in the [town's core student areas]."*

The implication here is that there may be destudentification in the principal areas of HMOs, with landlords whose properties are regarded as least attractive to students forced to refurbish, drop rents, or target different rental groups."

(Hubbard, 2009)

The proposed development of Purpose Built Student Accommodation at Silver Street will reduce the pressure on the mainstream private rented sector. This will increasingly be the case as higher proportions of both UK and non-UK domiciled students choose PBSA over mainstream rental and HMO housing. Knight Frank's Student Accommodation Survey, conducted with partners UCAS, identifies that value for money is the key determinant of students' decision making on where to live at university. Both university and private operated PBSA score higher

value for money scores than accommodation in the private rented sector. Furthermore, 75% of students who lived in private PBSA said that they would recommend their accommodation to new first-year students, up from 69% in 2018's survey. Some 79% of those in university-run accommodation said the same, up from 77% in 2018. The survey also asked second year students living in private PBSA if they would recommend their accommodation to first year students with 78% indicating that they would do so.

PBSA offers a much safer and all inclusive offering to students. It is particularly popular with international students through out their study. It is becoming increasingly preferable to UK domiciled students also.

SUMMARY

7.1 Key market drivers

Based on our analysis the key demand and supply-side factors for the student market relating to the Reading market, are as follows:

Key demand side factors

- 2017/18 data from the Higher Education Statistics Authority (HESA) indicates that there are 4,843 full time students living within a one mile radius of the proposed Silver Street development. 4,390 (91%) of these students are studying at the University of Reading. Less than 3% of these students are identified within the data as living at home with parents. Of the 4,725 full time students not living at home with parents, 81% (3,812) are full time undergraduates. A further 913 full time postgraduate students currently live within one mile of Silver Street.
- There are 3,812 full-time undergraduates at the University of Reading living within a one mile radius of the proposed Silver Street development and this number has increased 34% over the previous three years.
- The total number of full time students studying at the University of Reading has increased by 33% since 2013/14. First year students specifically have increased by 32% over the same period.
- 2017/18 data indicates that 26% of students (4,363) studying at the University of Reading were from origins outside of the UK. Overall, international students at the University of Reading have increased by 30% since 2013/14. A high proportion of these students live within a 1 mile radius of Silver Street.
- Over 18,000 applications were made to the University of Reading for the 2019/20 academic cycle, of which 3,800 students accepted places. Applications for the University of Reading have gradually decreased by 13% since 2014. Acceptances, however, have increased by 8% since 2014.
- The total number of full time students at the University of Reading is projected by Knight Frank to increase by 37% over the next five years. This represents an increase of approximately 1,200 students per annum. This significant growth is projected to be driven by both UK (+45%) and international students (+12%).
- As with other areas the 18 – 21 year old population is projected to diminish to 2020, before sharply increasing to 2031. Overall, the population of 18-21 years olds across the catchment for students at the University of Reading, is set to increase by 21% in 2039.
- An increasing preference for PBSA rather than HMO accommodation amongst upper years and post graduate students is a further demand side factor to be considered in meeting overall needs.

Key supply side factors

- The current supply of student bed space within Reading largely comes from PBSA provided by The University of Reading and private operators. Combined this is deemed to represent approximately 45% of accommodation for full time students across the city.
- The University of Reading provides accommodation for approximately 5,077 students. Approximately 50% (2,523 bed spaces) of accommodation are standard single occupancy en-suite rooms and a further 40% (1,935 bed spaces) are standard rooms with shared bathrooms. The remaining 12% (619 bed spaces) of rooms are self-contained studio.
- Privately operated direct let accommodation represents 26% of the total city wide purpose built bed space provision (1,782 bed spaces). The privately operated PBSA is predominantly studio accommodation (67%) with the remainder single occupancy en-suite accommodation (33%).
- There are 6,859 PBSA beds in close proximity to the University of Reading which may indicate that up to 8,393 (55%) of its full-time students live in non-PBSA accommodation/HMO within the private rented sector.

If student numbers increase at the University of Reading and the development pipeline is unable to match this, then the number of students living in HMO accommodation will increase.

- Our analysis of pipeline supply shows that there are approximately 420 bed spaces with planning consent. 47% (196 bed spaces) of the pipeline is estimated to complete in 2020/2021 with a further 43% (182 bed spaces), estimated for 2021. The remaining 10% (42 bed spaces) has been estimated to complete post 2022.

Concluding statement

Our study confirms that the Silver Street location of the proposed new PBSA development is preferable as a location to live for students, and in particular those from the University of Reading – the data presented above indicates that there is an existing market for both PBSA and conventional rented housing within both the Silver Street area itself and within a one mile catchment. Silver Street is evidently within an established location for students and is especially well located in relation to the London Road Campus and for walking, cycling and bus access to the Whiteknights campus.

Currently, approximately 55% of full time Higher Education students across Reading are required to find accommodation within private rented HMOs or by living with parents/other family members and would otherwise be unable to access university or private sector purpose-built accommodation.

There are currently 2.2 students per available purpose built bed space (0.45 students per bed) in Reading. Full time student numbers across Reading are projected to increase by 37% over the next five years (1,200 students per annum), whilst the development pipeline of student accommodation over the same period will not meet this increase in demand (assuming all 453 bed spaces are built). The student housing demand/supply shortfall is projected to increase to 3.2 students per bed space (0.32 students per bed), and as a result this imbalance will continue to place unwanted pressure on the local private rented market.

Furthermore, only a proportion of the need/ demand for student accommodation in Reading, will be met by schemes on the university's own sites. The Silver Street scheme extension will provide larger higher quality studio accommodation, a separate option to the existing on-campus accommodation. Full time international students, who typically occupy this type of accommodation, have increased by 63% since 2013/14, and are especially focused on student accommodation in the Silver Street vicinity. This type of accommodation will not be provided within any development of the university's own sites.

The propose student accommodation extension at Silver Street therefore meets the needs of Policy H12 within Reading Borough Council's Local Plan:

“New student accommodation will be provided on or adjacent to existing further or higher education campuses, or as an extension or reconfiguration of existing student accommodation.”

The University of Reading and Reading Borough Council have acknowledged that the number of students living in HMOs has dropped in the past at times when there has been an increasing supply of purpose built accommodation. This is likely to have re-purposed the HMO stock as homes for young professionals and graduates. However, the continuous and rapid growth in student numbers is likely to have reduced this impact.

A very low proportion of students that live within the one mile catchment area surrounding Silver Street live at home with parents (3%). Given this and the projected increase in students across the city and specifically at the University of Reading (given that 91% of students in the catchment study at this university) – the proportion of students living in private rented non-purpose built/HMO accommodation will increase if further PBSA provision is not delivered.

There is a clear requirement for additional student accommodation across Reading. The projected increase in student numbers, the existing expansion plans of the University of Reading and growing demand from students in second and third or more year studies for PBSA will increase this requirement in future years.

APPENDIX 1

Existing Purpose Built Student Accommodation - Reading

Map Ref	Scheme	Postcode	Controlling Entity	Total bed spaces
1	Bridges Hall	RG6 6JH	University	649
2	Kendrick Hall	RG1 5AE	Private	604
3	Childs Hall	RG1 5JW	University	594
4	Mackinder Hall	RG1 5JN	University	563
5	St Georges Hall	RG1 5HZ	University	423
6	Queens Court	RG1 7PT	Private	410
7	Stenton Hall	RG2 7EY	University	402
8	Benyon Hall	RG2 7EZ	University	368
9	Sherfield Hall	RG2 7EY	University	336
10	Stenton Townhouses	RG1 6JN	University	300
11	St Patricks Hall	RG1 5HZ	University	297
12	Northcourt Houses	RG2 7HB	University	244
13	Wantage Hall	RG1 5JG	University	224
14	Windsor Hall	RG1 5JL	University	221
15	Wessex Hall	RG6 6BQ	University	196
16	Central Studios Reading	RG1 1NP	Private	141
17	New Century Place	RG1 4ET	Private	135
18	CityBlock Reading	RG1 4HP	Private	134
19	Dunsden Crescent	RG1 5JA	University	130
20	Greenow and McCombie	RG2 8HA	University	130
21	Loddon House	RG6 7AD	Private	101
22	Crown House	RG1 2SE	Private	99
23	Saxon Court	RG1 2SQ	Private	83
24	191 Kings Road	RG1 4NY	Private	75

Source: Knight Frank Student Property

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