

**Bridging NewcastleGateshead**

**Student & Graduate Housing Study**  
**Executive Summary**

February 2007

---

DTZ  
51 Grey Street  
Newcastle Upon Tyne  
NE1 6EE  
United Kingdom

# CONTENTS

**PAGE**

<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
-------------------------------	----------

# FINAL

## Executive Summary

### Remit and Overview

Bridging NewcastleGateshead (BNG) is one of nine Housing Market Renewal (HMR) pathfinders in the North and Midlands, set up by the Government for 2002/3 to tackle abandoned and low demand housing. BNG, in alignment with the North East Regional Economic Strategy, has identified that attracting students and even more importantly, encouraging graduate retention is important to the future success of the local and regional economy. This baseline review identifies the drivers of the student and graduate housing markets, and considers potential housing interventions that could be used to attract and retain students and graduates in the BNG area. The objective is to consider how these markets and possible housing interventions can contribute to the regeneration of communities within BNG, given that there are problems of low demand housing within the area and that Newcastle has one of the largest student populations in the UK. The underlying question for Stage 1 is to explore whether there is a case and/or opportunity for attracting and retaining students and graduates to the BNG area.

As our evidence shows, DTZ believes there is strong case for both attracting and retaining students and graduates as a part of the regeneration strategy for BNG. There is also a need for further targeted research on both markets to address key information gaps and follow up work to support project development and policy innovation that will contribute the regeneration of the BNG area.

### Approach

Our study approach for Stage 1 has involved a mix of literature reviews and secondary data collection and analysis, supplemented with a limited number of interviews with BNG and key stakeholders. Stage 2 will delve deeper into any gaps and focus on the housing aspirations of graduates. Our work has included the following tasks:

- a review of existing published research (UK and local) relating to students and graduates in the housing market
- a review of the legislative and policy context and its impact upon the market
- an assessment of where students currently live and emerging trends
- the current supply of housing for students and graduates
- current and future demand levels for student and graduate housing
- a review of research on housing aspirations
- a comparison of a well established student housing market area (Jesmond, Newcastle) with selected neighbourhoods from within the BNG area to establish their potential to attract students.

The baseline review study was acknowledged at the outset to be both wide ranging but also designed to allow more focus to be given to a Stage 2.

## FINAL

### **Current Supply Conditions for Students and Graduates in the Pathfinder Area**

The baseline review has established that current housing stock within the Pathfinder area together with its image is not of sufficient quality to support significant student housing markets at the present time but some potential opportunities have arisen for this and the graduate market in the future. To attract these markets there is a need for a new emphasis in considering a range of interventions. More research into graduate needs is required but a combination of smaller affordable entry-level properties and perhaps larger, 5 bedroom houses which they can rent/buy together may be beneficial.

Current house prices (particularly in parts of Newcastle) make it very difficult for first time buyers to enter the property market; even flats are outside the reach of those on low incomes. For graduates employed locally and used to living within the conurbation centre the alternative is to either rent, to move beyond the conurbation centre to the BNG area, to move further afield and commute from locations where house prices are more affordable, or to gain better paid employment elsewhere.

### **Size of the Student and Graduate Housing Markets**

DTZ has provisionally estimated the size of the NewcastleGateshead student housing market to be around 25,600 units and the graduate market to be around 8,200 units.

The student body is estimated to contain approximately 44,000 higher education students in Newcastle and Gateshead<sup>1</sup>, of which some 29,400 students are full-time; these being the core of the 'student housing market demand pool'. Of these around 17,500 are estimated to be living in the private rented sector (PRS), while some 7,000 students live within University halls accommodation (mainly first years, but also international and post graduate students) with the balance (around 5,000) living at home. The size of the student market is clearly very large and represents a major opportunity for the BNG area. The size of the graduate market is harder to quantify<sup>2</sup>, but it is large and represents a major opportunity for BNG. Crucially, the North East has historically retained more graduates who have always lived in the region (59% of graduates fall into this category against a English regional average of 40%<sup>3</sup>), and has experienced high levels of retention of those from outside the region who have been attracted to the area to study (16% of graduates against a English regional average of 15%).

---

<sup>1</sup> Higher Education (HE) students at Newcastle and Northumbria universities and Newcastle College and Gateshead College. We estimate that ca 500 FE students are in halls. Details relating to the Jewish College are not available, although it attracts around 1500-2000 students a year from other nations.

<sup>2</sup> As a provisional estimate we have used nationally recognised data sources on the average age of a first time buyer (33 years old), the cohort of the workforce with a degree (or above) and made some adjustment for household formation and the proportion who are economically active.

<sup>3</sup> Source: [www.Prospect.ac.uk](http://www.Prospect.ac.uk) - please refer to table P14 for further details.

## FINAL

### **Student and Graduate Housing Market Demand Trends**

Based on university forecasts, DTZ estimates the overall student demand pool will remain broadly stable for the next five years, although we do expect continuing change in the balance between the PRS and the halls market, *where* this market is satisfied and *how* it is satisfied in relation to investment in new and improved stock. This will create further growth in the student housing market.

Student demand trends at the UK level will see students studying closer to home, an increase in number of postgraduates (with differing housing needs and aspirations to undergraduates) and an increase in international students. Significantly, there is strong growth in student numbers from outside the region at Newcastle University, but in Northumbria University the opposite trend is evident – with more students coming from the local region. If this trend persists, the pool of students who are likely to demand accommodation within the housing market will increasingly be from Northumbria University.

The student housing market has a number of distinct sub-markets and niche areas and these differences are important, for example BNG seek to attract more students and graduates to their area; this will help to reduce concentrations in traditional student areas. Key sub-sector differences include:

- for undergraduate first years there is a strong tendency to be in university halls (directly controlled by the university or by the private sector) and for these to be located close to the university and within easy reach of a range of support services;
- compared with UK university averages, Newcastle University has a greater number of non-EU (international) students and these students either demand very high quality accommodation and facilities, or live in more modest accommodation due to financial pressures (the two market extremes);
- postgraduate housing needs are also quite different to those of undergraduates, mainly due to the intensive nature of their courses, segregation from other students in the University, the age differential and different life stage.

All these factors will combine to create new student housing market opportunities. Large scale opportunities for commercial halls will be limited, but there is likely to be scope for some new commercial halls within the overall mix of new developments within the BNG area, located close to traditional areas and the city centre.

Regarding the graduate market, it is important to recognise that the North East already has the highest graduate retention rates among English regions and its graduate supply over the period 1997/98 to 2001/02 has increased substantially by 31%.

Whilst the City region is a net importer of students, it is, however, a net exporter of graduates. Whilst DTZ would expect graduate employment 'leakage' given the character of the regional economy, we believe that encouraging more graduates to remain should remain a key economic development, regeneration and housing priority and that this has real relevance to the BNG area, particularly with the

## FINAL

graduate employment opportunities to be provided by the Regional Economic Strategy growth areas of Baltic Business Quarter and Science Central.

### **Student Housing Locations and Trends**

The main student location clusters across NewcastleGateshead have been mapped (see main report) and these are in the wards of Jesmond and Heaton, with concentrations also evident in Sandyford and South Gosforth. Trends since 1991 show that Jesmond and Heaton have remained popular, although Heaton's popularity has declined in the last three years.

Generally, there has been a progressive concentration of the student housing market over time moving closer to the university and city centre locations. In the Pathfinder area, and specifically the Wingrove ward, the student population has declined significantly from 1991 to 2001 (from 13.7% of all households to only 4.2%), although there is some evidence of increasing numbers in nearby areas of Newcastle Inner West and around the Baltic in Gateshead.

Anecdotal evidence suggests that knowledge of local market areas is not only important to students and university advisers – but that present and future housing opportunities in the BNG area are not well known. Having an evidential basis about student perceptions of the BNG housing areas would enable specific locations, publicity and potential housing interventions to be better understood and we recommend that this is further explored through a survey of students some time in the future.

### **Positive and Negative Factors associated with Student Housing**

The study identified a range of positive and negative factors associated with student housing: Positive factors include:

- Student housing can support inner-city urban areas which may otherwise experience decline;
- Students and graduates help to maintain levels of in-migration and counter balance out-migration;
- Students and graduates have high (relative) disposable income to spend in the local economy in local businesses;
- A critical mass of students can ensure better services for the benefit of the whole community and bring life to a community;
- High demand for student housing provides a stimulus to the private rented sector which leads to rising house prices, providing a level of incentive for upgrading properties which might otherwise remain empty, languish in a neglected state or be generally unfit for habitation; this also improves the attractiveness of the area.

Negative factors associated with student housing:

- Degrading the residential environment – student houses are often badly maintained and many students who are renting are less likely to take care of

## FINAL

their accommodation especially the exteriors (gardens etc.) - making the areas less attractive to others;

- Incidence of late night noise and anti-social behaviour and parking problems;
- Changes to local commercial facilities - shops and services geared towards student population; and potentially the decline of community facilities - church congregations, youth facilities all see lower use and viability can be threatened;
- Areas that attract students and graduates are often similar to areas attracting first time buyers – buy-to-let student landlords are often squeezing first time buyers out of the market;
- Expansion of HMOs in traditional owner-occupied family areas can lead to changes in nature of communities, gradually reinforcing the unpopularity of areas for families wishing to bring up children.

Overall, the assessment demonstrates that there is a considerable *net balance of benefits* associated with student housing and that the main challenges are to both moderate and manage the negative impacts, whilst also using policy initiatives to guide where and how new developments might be considered. One such example of the latter within the BNG area would be to consider how student housing developments might support regeneration plans for Gateshead town centre.

### **Graduate Housing Market Data and Locations**

The evidential base for understanding the graduate market is far less clear. There is anecdotal evidence that some graduates remain in the well-established student areas, such as Heaton and Jesmond, although these are recognised to be high priced areas, with few options for first time buyers. There is also evidence that some graduates choose Gateshead as a location. The BNG New Build Buyers Study found that the area is already attracting the younger market, singles, couples and younger families. New build and improvement of substantial numbers of existing properties in BNG may have the potential to attract graduates, looking outside the city centre (for price and product reasons). The alumni office of both universities will hold much more information, although it has not been possible to obtain this during the course of this study. Primary research on graduate views on the Pathfinder will be captured in stage 2.

Overall, we have concluded that this key housing market needs further study and would recommend a focussed study on graduate housing markets.

### **Policy and Regulatory Context**

There are a range of policy and regulatory measures that impact on student and graduate housing markets. In some cases these are controlled and exercised locally (by BNG partners) – whilst others are national in character:

- At the national level, there is a commitment to increase participation in higher education to 50%. Rises in rates of participation for those from lower income households/backgrounds and more mature students are expected. This will have the effect of increasing demand for study closer to home.

## FINAL

- ONE North East Regional Development Agency strategies and the Tyne and Wear City Region Development Plan seek to encourage higher skill levels and the growth of knowledge based industries.
- Changes to tuition fees and the increased levels of debt from studying will impact upon a graduate's capacity to buy a home, it is likely that graduates will rent for longer, and may share housing with other recent graduates during that time. Products and websites are now starting to become available to assist graduates to enter the housing market in new ways.
- At the national level in relation to the provision of student housing, the Housing Act 2004 introduced changes to Houses in Multiple Occupation legislation, which gives Local Authorities the powers to ensure the safety and quality of privately rented housing. The evidence to conclude that the overall supply of private rented accommodation may reduce as a consequence of the costs associated with improving properties has yet to emerge but our view is that this is likely.
- There are currently no specific local lettings initiatives by social landlords for students or graduates.
- Each University has an influential role in the PRS through its use of some 400 accredited landlords and its influence directly and indirectly with the private commercial halls market. For example, BNG's partners could play a proactive role in the commercial halls market and pursue initiatives designed to encourage more (existing and new) landlords to operate and be registered within BNG.
- As a part of the Local Development Framework Newcastle City Council has already issued Draft Supplementary Guidance on student housing. A key regulatory concept within the Guidance is the identification of locations where policies seek to limit an over-concentration of student housing and to set out conditions and remedial actions which can mitigate adverse impacts. The policy is currently under review.

Of course, over and above these regulatory frameworks BNG and its partners will have a range of other measures that can stimulate the market - through planning policies, land purchases, planning consents, development briefs and marketing and communication ventures.

### Main Findings

The study has assembled a wealth of data as a baseline for this topic. Our initial conclusions are that:

- The student and graduate housing markets are **very large, growing** and represent a **major opportunity for the BNG area**.
- Students and graduates do act as **major regeneration agents**, providing high levels of spending and interaction with locally based businesses, services and the property market. There are also 'downsides' associated with highly concentrated groups of students, although it is not expected that BNG interventions are likely to result in massive movement of students to the area. To secure benefits for the BNG area, public sector intervention will be needed;

## FINAL

- Making these benefits work for a wider community requires a **conurbation-wide approach** to managing some of the adverse impacts and balancing market forces and students' desire to cluster with the scope for promoting market opportunities within the BNG area. **Further development of conurbation-wide policy work in the student and graduate markets would be useful;**
- To attract students to the Pathfinder, **perceptions** will need to improve in the eyes of estate agents and university accommodation officers – those who students and graduates turn to for advice on where to live;
- **There are clear information gaps and it would be sensible to consider further work to assess the potential for graduate housing and student market** policies and interventions in BNG. At this stage anecdotal evidence suggests that the graduate market may require medium-sized homes to share (if renting or buying jointly) or smaller homes and low cost home ownership options (if buying);
- The Pathfinder area is cheaper to live in than areas with established concentrations of students, such as Newcastle city centre and Jesmond.
- Although **rental rates and property prices in the Pathfinder are more affordable, price is not always the most important factor in student choice, and students and graduate standards of living are higher than ever before.** Debt levels are rising and reflect the willingness of many students to continue to spend on goods and services. Again these issues could be explored through student and graduate housing surveys;
- **Availability of services and facilities is very important to support students and graduates wherever they live.** In typical student areas, an economy grows up around the student body, with bars, cafés, bookshops and a whole range of supporting infrastructure. The larger the cluster of students the faster supporting infrastructure grows up around it and, in turn, makes the area more attractive to students.

### Next Steps

Our summary recommendations are that over the next few months BNG and the stakeholders consider four key actions arising from our work:

- Undertake focused primary research on the graduate market for BNG;
- Undertake focused primary research on the student housing market for Newcastle and Gateshead, including the BNG area.
- Based on the outputs of the research there is a case to review planning policies for student housing – ideally at the city wide (Newcastle) level and liaising with Gateshead in respect of the opportunity student housing can provide in the future regeneration of the Town Centre. Such policies should not only seek to manage the negative aspects of student housing, but might take a more proactive guiding role for this market, including the role that parts of the BNG area might play in the future; and

## FINAL

- Based on the results of the Stage 2 research assessment should be made on how the results of this work can inform *specific housing interventions* – which create better places to live in.