Drivers Jonas Deloitte.

# Crane Survey
## London student housing 2010

# Introduction

New Roman House, 10 East Road, N1

Student numbers studying at London's universities have continued to grow and the supply of student accommodation in the capital remains tight. A year on from our first survey our latest research highlights that 2,490 bedspaces have completed in the last year across the capital. Our research also uncovers that there are 4,078 bedspaces currently under construction with two thirds of these units expected to complete for the forthcoming academic year. That said, we believe we are still a long way from filling the supply gap.

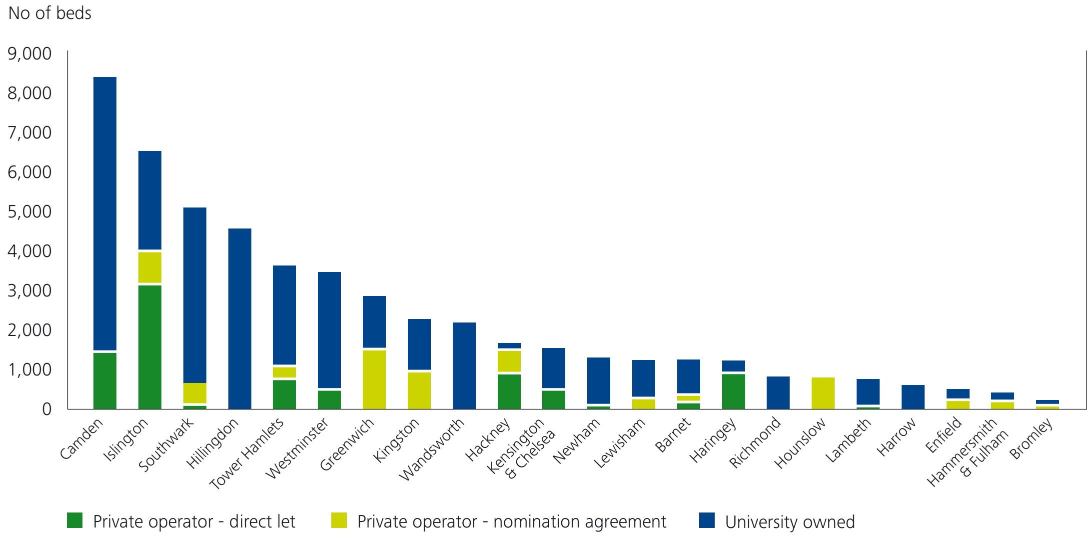
We have seen a sharp increase in the number of schemes being submitted for planning, 13 of which have gained consent. However, for many it has been far from plain sailing with schemes struggling to get approval from local authorities as a result of tightening planning policy.

The latest data from the Higher Education Statistics Agency (HESA) shows that there are currently 267,800 full time students studying in London, a 5% increase on the total recorded for the previous academic year. International students have continued to have a strong presence with the total studying in London increasing by 9% over the last year, possibly driven by the weak value of sterling against the Euro and US Dollar making London even more attractive to overseas students.

This increase in students is forecast to continue and the University and Colleges Admissions Service (UCAS) is already reporting a 22% increase in applications for this year (2011/2012). There has also been a 63% increase in people over the age of 25 applying to universities. This is likely to be a direct consequence of the economic downturn, with people choosing to retrain.

# Existing stock

**Existing stock**




Source: Drivers Jonas Deloitte

Drivers Jonas Deloitte have an in-house student accommodation database which tracks every student housing hall in the UK.

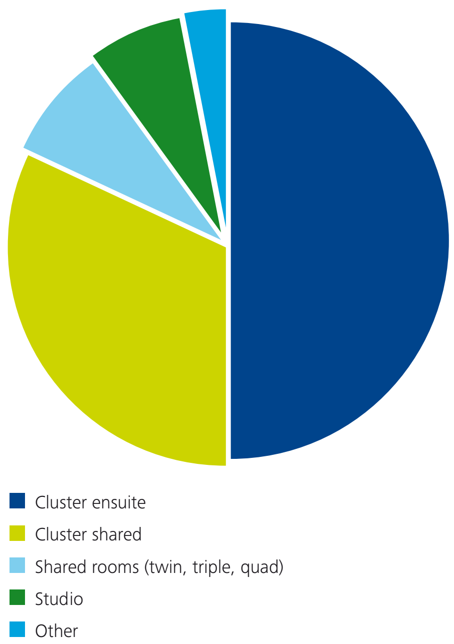
This database records a wide range of information from the location of each purpose-built hall to whether it is catered or self-catered. It captures details such as who is operating the scheme, unit types provided and the contract lengths these units are let on. We track rental values on a scheme-by-scheme basis so we can see which areas and products attract the highest rents. We hold historic rental values for previous academic years, which allows us to identify areas which have seen the greatest uplift in values. It also records any optional extras offered including gym membership, flat screen televisions and free travel cards.

Our database shows that there are currently 50,959 purpose-built bedspaces for students across London. This provides accommodation for just 19% of the total student numbers, a marginal improvement on the 18% reported last year.

### Accommodation breakdown

The current provision of purpose-built bedspaces in London is still heavily dominated by cluster accommodation which accounts for 82% of the total stock. Given that 70% of all current supply is university owned and the cluster style is the most common type this should not be surprising. Shared rooms account for 8% and studios 7% with 3% classified as 'other' - by this we mean one bedroom flats and family accommodation.

**Accommodation breakdown**



# Current activity

## Completions

Since we reported last year, nine schemes have completed, delivering 2,490 bedspaces across the capital. The largest scheme to complete was Opal Carleton's Tufnell Park in Islington, where 700 new bedspaces were delivered.

These nine schemes have resulted in an increase in stock in London of approximately 5%, of which 78% have been cluster en suite, and 18% have been studios. Studios are the favoured unit type for the direct let market. Currently 66% of studios in London are provided as direct let and this proportion is steadily increasing with each year. These direct let studios are almost entirely located in Islington, Camden, and Tower Hamlets.

## Developments underway

The results of our latest Crane Survey, which identifies student housing schemes of 50 bedspaces or more, shows there are 11 schemes currently under construction comprising 4,078 units. Two thirds of these units are due for completion this year, delivering a total of 2,713 bedspaces split across eight schemes. The total number of units under construction this year remains largely in line with the levels recorded last year.

As in our 2009 survey, Tower Hamlets has the most active development pipeline, however this figure is skewed by Nido Spitalfields which comprises 1,204 bedspaces.

Islington continues to be the second most active borough, with 1,030 units underway across three schemes. All three of these schemes are due for completion later this year, two of which are being developed by Unite: James Leicester Hall and Holloway Road.

## New starts

This survey records nine new starts, which in total comprise 2,558 bedspaces. New Roman House in Hackney is the largest scheme to commence construction this year. This joint venture between Rocket Investments and Quintain will provide 673 units and is due for completion in Q2 2012.

## Permissions

This survey records a steep increase in the number of bedspaces with planning permission. Currently there are 24 schemes with consent, up from 17 last year. These schemes have the potential to deliver 7,370 bedspaces, up 75% on the total units with planning consent a year ago. This has been bolstered by some large scale consents including Mourant Property Trustees' 661 unit scheme on Alie Street in Tower Hamlets and Q Developments scheme on Great Suffolk Street in Southwark, where 671 units gained consent late last year.

## Applications

Over the last 12 months 16 new applications have been submitted proposing in total 4,445 new bedspaces. It is clear Tower Hamlets continues to be a favoured location as it has the greatest number of units at application. In total 1,041 units are proposed for the borough split across two schemes; INTO University Partnerships' 583-bedspace scheme on Mile End Road and Palaville Ltd's 458-bedspace scheme on Commercial Road.

Southwark has the second highest number of units in the pipeline with 994 bedspaces proposed. Within the borough there are currently three schemes at application; Helical Bar's 237-unit scheme on Great Dover Street, Goldcrest Homes 232-unit scheme on Walworth Road and Investream's The Quill which at 525 units accounts for more than 50% of units at application for the borough.

# Market trends

### Contract lengths

Although rents have risen over the last year we have also witnessed a reduction in minimum contract lengths in direct let schemes, where 30% of bedspaces are offered on contracts of greater than 45 weeks, down from 55% a year ago. Average contract lengths for university halls are at the lower end of the scale, with almost 80% of university stock let on contract lengths between 35 and 40 weeks. This has remained largely unchanged over the last year.

### Rents

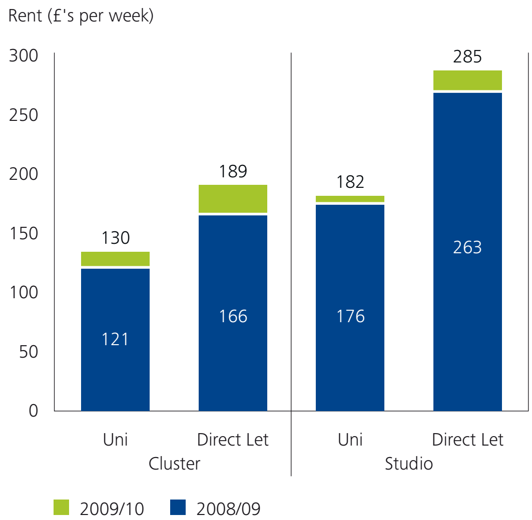
Our database records the average rent for student housing in London for the current academic year to be £134 per week across all 50,959 bedspaces. There are many sites which significantly exceed this. For example some studio units at Nido King's Cross are reporting rents of £300 per week and Unite's Canto Court scheme in Islington is letting units at £490 per week for en suite studios, albeit on a reduced contract length of 43 weeks.

Our research shows that students living in London are paying a premium - rents in the capital stand 48% above the UK average which is £90 per week. Comparing the annual rental growth for London of 3% and the UK of 1% it is clear that this gap in rents continues to widen. This is positive news for developers and investors interested in London student accommodation, however, from a student perspective it does draw into question the affordability of London when compared to the rest of the UK.

We have compared rents of the most common unit types between university and direct let accommodation in Transport for London Zones 1&2 to compare rental growth over the last year.

Within these zones rents for university en suite cluster bedspaces and studio bedspaces have risen by 7% and 3% respectively. Rents in the direct let market have increased by more, with en suite cluster flats up 14% and rents for studios up 8%. These are significant growth rates, particularly when compared with other property classes over the last 12 months. However, Rents in Zones 3+ have risen at a lower rate. When combining both unit types direct let accommodation recorded growth of just 2% over the year. University accommodation out-performed this recording growth of 5% over the same period.

**Rental increase - Zones 1&2**




### Future growth

Anecdotal evidence coupled with our knowledge of the market suggest that rents in Zones 3+ may have peaked for the time being and we expect little or no growth in 2010/11. Looking forward we expect the gap in rents between Zones 1&2 and Zones 3+ to widen. Recently the first direct let scheme in Southwark released its pricing for 2010/11 with cluster en suite rooms starting from £253 per week and studios at £374 per week, way above the London average.

### Unit types

Within those schemes due to complete in 2010/11 there are large numbers of premium unit types. Nido at their Spitalfields scheme are building out twin studios ('two-dios') and Unite on their Lavington Road scheme are building one and two bedroom flats. We expect both of these to attract higher rents than the traditional cluster and studio product. This suggests that, despite some murmurings to the contrary, developers and operators still believe there is further scope for premium product in the market.

### Investment

There is a continuing appetite from investment funds and private investors who are attracted by the income stream student housing offers. Investment yields for good quality centrally located London investment stock currently stand at around 6%. Over the last 12 months there has been an increasing number of opportunities including the disposal of the Sanctuary Housing Portfolio, Three Colts Lane and Moonraker Alley.

# The planning situation

Planning is a hot topic amongst student housing providers looking to develop new schemes. Most are well aware that the planning system is becoming more difficult. There has been a significant increase in the scope of student accommodation policy over the last 12 months and the Draft Replacement London Plan has led the way in the shift towards a needs-based approach. This will make securing planning permission for speculative student accommodation schemes increasingly difficult. Some developers have already indicated that they expect this to have serious implications on the viability of those sites currently coming forward for student housing development.

### Emerging planning policy

At the local level, several Local Planning Authorities (LPAs) have introduced draft polices that if applied rigidly would constrain supply and impact scheme viability. In Hammersmith & Fulham, Islington and Tower Hamlets policymakers are seeking to limit new student accommodation development to specific areas of the borough. In Southwark all new student accommodation development could soon be required to contribute to the supply of affordable housing, which would ultimately impact upon its viability.

### Decision-making

This tightening in planning policy has been reflected in decisions made on individual planning applications over the last 12 months. In total, 11 schemes have been refused at planning committee, three of which have subsequently been dismissed on appeal. This compares with 13 approvals over the same period.

Reasons for refusal vary. In some cases they reflect emerging planning policy, for example the absence of an identified end-user. In other cases, where there are concerns that there is too much student accommodation in the area already the approach of the planning committee appears to have been to use site-specific reasons. In these cases there may well be grounds for success on appeal.

Following the local elections on 6 May 2010, Labour have gained control of three central London boroughs: Camden and Southwark (from no overall control) and Islington (from the Liberal Democrats). It is not yet clear what the implications of these political changes will be for student accommodation decisions, but we will highlight any changes as new planning committees get to work.

### The outlook

The needs-based approach improves the negotiating position for universities in the short-term. However, planning policy which constrains supply in the longer term will limit opportunities for student accommodation investors and developers. This, in turn, could significantly impact the competitiveness of student accommodation versus other use classes. Consequently development sites such as Mail Coach Yard in Hackney and Moonraker Alley in Southwark have seen aggressive bidding when they have come to the market.

The reaction of several LPAs, in response to an increase in speculative proposals and concerns that new student accommodation development will compromise capacity to meet the need for permanent housing, appears to us to be disproportionate.

The role of the Greater London Authority will be critical in preventing LPAs 'pulling up the drawbridge'. Universities rely on sites coming forward for student accommodation in areas which are affordable and accessible, often across borough boundaries. Avoiding unnecessarily restrictive planning policy at the local level is therefore of strategic importance, to ensure the continued growth and attractiveness of London as a global higher education centre. Alternative approaches could include a more considered definition of 'need', perhaps calculated on a London-wide or sub-regional basis or over a longer time period, which could result in a situation where a scheme does not necessarily require the explicit support of a 'local' university.

### Maximising opportunities

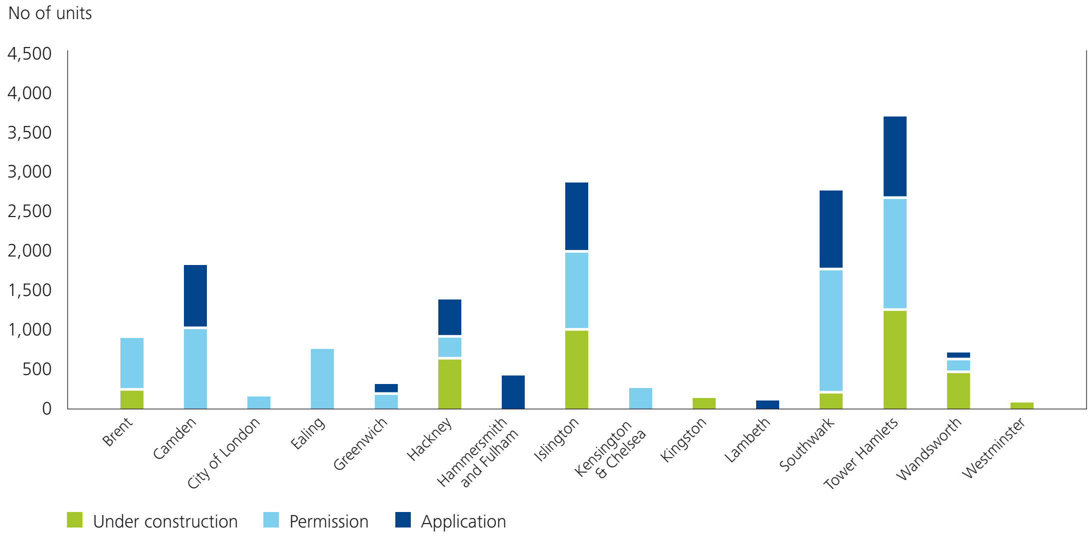
Against this challenging planning policy landscape, we believe that the best results will be realised where key players in the sector are pulling together. This could mean universities combining to achieve balanced policy outcomes and/or investors, developers and occupiers working together to ensure the best chance of securing planning permission.

We are seeing continued requirements for the right scheme, in the right location. Typically these are schemes that are located close to or within a short commute of the university. Where a specific occupier has been secured through a legal agreement, these are also the schemes that are most likely to be supported by an LPA.

Opportunities will also be maximised by engaging with local planning authorities early on, to understand local issues, agreeing a management plan with the LPA, and identifying the wider regeneration benefits of the scheme. On larger sites, schemes are more likely to be supported where a mix of uses is proposed, particularly where a contribution to the supply of permanent housing is included.

# The outlook

**London supply pipeline**




Source: Drivers Jonas Deloitte

From our analysis of the construction pipeline it is clear that there has been a continued desire to develop student accommodation during the downturn but, London is still a long way from reaching the level of provision required. Purpose-built student accommodation in the capital currently provides for only 19% of the student population and this level of undersupply looks unlikely to ease anytime soon especially in light of current proposed planning policy and the steady recovery of other sectors.

The well publicised government funding cuts are expected to create a reduction in the number of students entering higher education in future years. The more attention grabbing headlines report that potentially 200,000 applicants could miss out on a place this year. In reality, the Higher Education Funding Council for England indicates the overall number of university places is likely to only drop by 6,000.

In terms of demand for student accommodation we do not anticipate that these cuts will discourage students from study or living in good quality accommodation. Indeed students choosing to live and study in London are some of the wealthiest and in many cases receive parental support so, are likely to be less affected by funding cuts.

Developers and investors are continuing to show interest in the sector which is increasingly becoming a recognised property asset – IPD recently presented a proposal for a student housing index to launch in late 2010. Attracted by the potential rental uplifts and potentially strong covenants, the student housing sector looks to provide a lucrative investment for those with finance in place. However, developers will need to consider carefully the type of unit they deliver and the potential demand for that accommodation and location which is key.

Schemes in Zones 1&2 have continued to report high occupancy levels and both university and direct let halls have seen strong rental uplifts over the last year. Rental increases for schemes in Zones 1&2 have out-stripped those of schemes in Zones 3+ over the last year.

This year we have seen some headline rent reductions for schemes in Zones 3+. These reductions seem to be for a number of different reasons, and we suspect that these are largely due to over enthusiastic rental expectations in the first instance which in some schemes has resulted in large voids at the start of the academic year. It is too early to say whether this is a sign of things to come. However, we will be watching quoting rents in September 2010 closely to see whether Zones 3+ have indeed reached a peak, which we expect may already be the case in the more peripheral locations.

| | Borough | Address | Developer | No. of units | Completion date |
|---|---|---|---|---|---|
| **Schemes under construction** | | | | | |
| 1 | Brent | Northway Garage, North End Road, HA9 | Victoria Hall Ltd | 240 | Q3 2011 |
| 2 | Hackney | New Roman House, 10 East Road, N1 | Rocket / Quintain | 673 | Q2 2012 |
| 3 | Islington | James Leicester Hall, 34 Market Road, N7 | Unite Group Plc | 577 | Q3 2010 |
| 4 | Islington | 301 - 315 Holloway Road, N7 | Unite Group Plc | 316 | Q3 2010 |
| 5 | Islington | 29 - 30 Wakley Street and 312 - 330 Goswell Road, EC1V | Infrastructure Invest / Derwent | 136 | Q3 2010 |
| 6 | Kingston | Quebec House, Richmond Road and Cromwell Road, KT2 | Watkin Jones Group | 129 | Q4 2010 |
| 7 | Southwark | Lavington Street and Great Suffolk Street, SE1 | Unite Group Plc | 230 | Q4 2010 |
| 8 | Tower Hamlets | Nido Spitalfields 100 Middlesex Street, E1 | Nido Student Living | 1,204 | Q3 2010 |
| 9 | Tower Hamlets | Parmiter Industrial Centre, Parmiter Street, E2 | Team Ltd | 54 | Q4 2010 |
| 10 | Wandsworth | Griffon Studios, Winstanley Road, Meyrick Road & Grant Road, SW11 | St James Group Ltd / Berkeley First / Imperial College | 452 | Q3 2012 |
| 11 | Westminster | 2-4 Lancaster Place, WC2E | Duchy of Lancaster | 67 | Q3 2010 |
| | | | TOTAL | 4,078 | |
| **Schemes with permission** | | | | | |
| 12 | Brent | Wembley Park Boulevard, HA9 | Quintain Estates & Development Plc | 656 | |
| 13 | Camden | King's Cross Central, NW1 | Argent (King's Cross) Ltd | 650 | |
| 14 | Camden | 2 - 12 Harmood Street, NW1 | Hallmark Estates Ltd | 192 | |
| 15 | Camden | 13 Hawley Crescent, NW1 | Catesby Regeneration Ltd | 114 | |
| 16 | Camden | John Dodgson House, 24-36 Bidborough Street, WC1H | University College London | 61 | |
| 17 | City of London | 52 Minories, EC3N | Urbanest | 163 | |
| 18 | Ealing | BBC Site, Victoria Road, W3 | Berkeley First | 720 | |
| 19 | Greenwich | Binnie Court, 40 Greenwich High Road, SE10 | Catherdral (BC) Ltd | 200 | |
| 20 | Hackney | Mail Coach Yard, 57-63 and 67-71 Kingsland Road, E2 | Watkin Jones Group | 255 | |
| 21 | Islington | 189 - 219 Isledon Road, N7 | Ely (Alumno) | 400 | |
| 22 | Islington | 117 - 119 Seven Sisters Road, N7 | Dawnelia Properties Ltd | 189 | |
| 23 | Islington | City Forum, 250, City Road, EC1V | Land Securities Group | 160 | |
| 24 | Islington | North Star House, 556 - 564 Holloway Road, N7 | Unite Group Plc | 131 | |
| 25 | Islington | 3 - 5 Thane Villas, N7 | Tolak Establishment | 56 | |
| 26 | Kensington & Chelsea | 222 Kensal Road, W10 | Generation Estates and Blackstone | 272 | |
| 27 | Southwark | 61-63 Great Suffolk Street, SE1 | Q Developments | 671 | |
| 28 | Southwark | Kings College Hall Of Residence, SE5 | University Partnerships Programme (UPP) | 740 (276 gain) | |
| 29 | Southwark | Paris Gardens, SE1 | JG Paul LLP / Hive | 253 | |
| 30 | Southwark | Oakmayne Plaza (Castle Industrial Estate) Elephant Road, SE17 | Eadon Estates | 243 | |
| 31 | Southwark | Surrey Quays Leisure Site, Redriff Road, SE16 | CGNU Life Assurance Ltd | 123 | |
| 32 | Tower Hamlets | Former Goodmans Fields, 74 Alie Street, E1 | Mourant Property Trustees Ltd | 661 | |
| 33 | Tower Hamlets | 33 - 35 Commercial Road, E1 | Broadstone Ltd | 409 | |
| 34 | Tower Hamlets | 14 Fieldgate Street, E1 | Helical Bar | 339 | |
| 35 | Wandsworth | Land adj to Horton Halls, St Georges Grove, SW17 | St Georges University of London | 156 | |
| | | | TOTAL | 7,350 | |

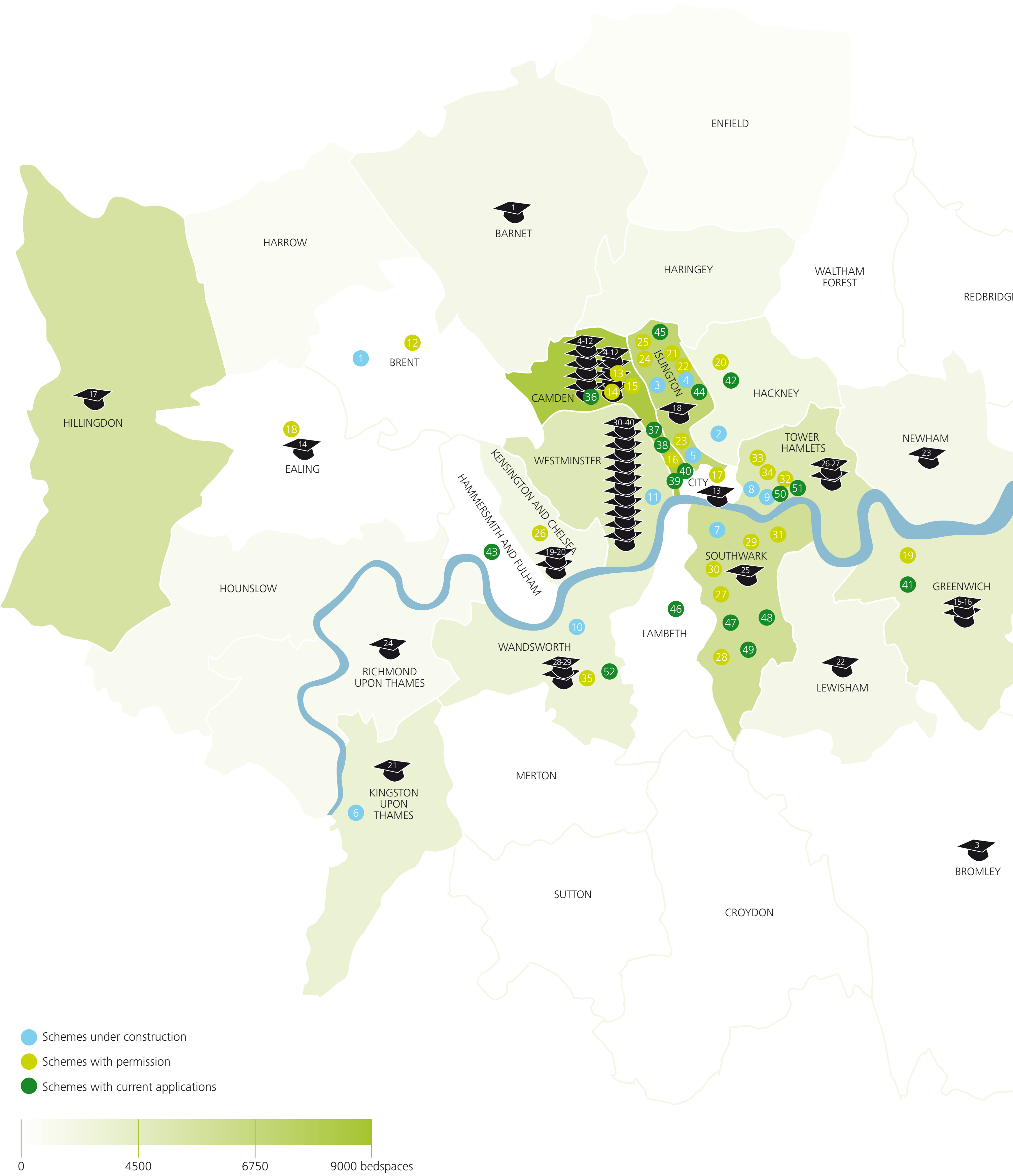
| | Borough | Address | Developer | No. of units | Completion date |
|---|---|---|---|---|---|
| **Schemes with current applications** | | | | | |
| 36 | Camden | Former Mercedes Benz Garage, Blackburn Road, NW6 | Loftus Family Trust | 347 | |
| 37 | Camden | 10A Belmont Street, NW1 | Hallmark Estates | 163 | |
| 38 | Camden | 45 Sidmouth Street, WC1H | Passion Properties (private individual) | 114 | |
| 39 | Camden | 4 Wild Court, WC2B | Kensington School of Business Ltd | 97 | |
| 40 | Camden | William Goodenough House, 35-42 Mecklenburgh Square, WC1N | Private individual | 61* | |
| 41 | Greenwich | Millenium Square, SE10 | Greenwich Peninsula Regeneration | 160 | |
| 42 | Hackney | 12-20 Paul Street, & 83-105 Clifton Street, EC2A | JG Paul LLP/ HIVE | 419 | |
| 43 | Hammersmith and Fulham | Hammersmith Palais, 242 Shepherds Bush Road, W6 | London & Regional Properties Ltd | 429 | |
| 44 | Islington | 2-10 and 14 Morris Place, N4 | John Jones Ltd & Spiritbond Finsbury Park | 475 | |
| 45 | Islington | Mallet & Porter House, 465a Caledonian Road, N7 | Mortar Developments | 398 | |
| 46 | Lambeth | 21-25 South Lambeth Road, SW8 | Catesby Property Group | 92 | |
| 47 | Southwark | The Quill, 40-46 Weston Street, SE1 | Investream | 525 | |
| 48 | Southwark | 200 Great Dover Street, SE1 | Helical Bar | 237 | |
| 49 | Southwark | 120-138 Walworth Road, SE17 | Goldcrest Homes | 232 | |
| 50 | Tower Hamlets | 438-490 Mile End Road, E1 | INTO University Partnerships | 583 | |
| 51 | Tower Hamlets | 60 Commercial Road, E1 | Palaville Ltd | 458 | |
| 52 | Wandsworth | Rear of 180-214 Upper Tooting Road, SW17 | Barrowfen Properties Ltd | 74 | |
| | | | TOTAL | 4,864 | |

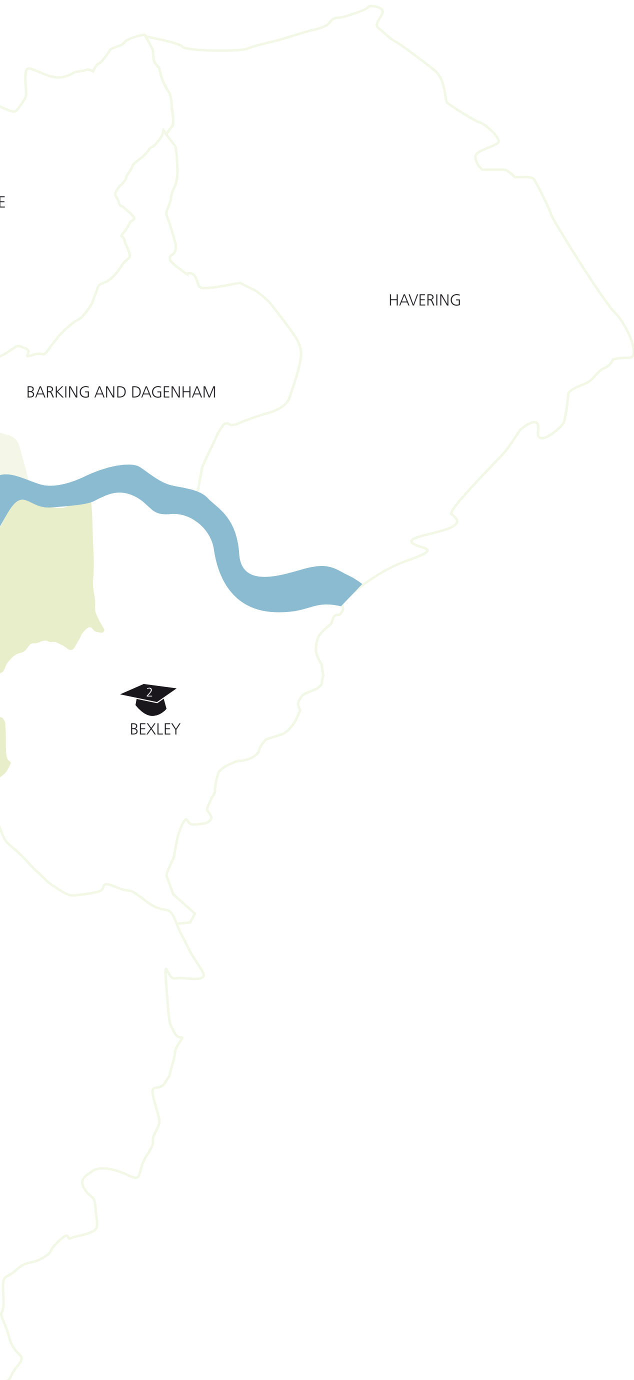
* Extension to existing halls

## We are able to provide the following services for the student housing sector:

- Valuation
- Portfolio review / Estate strategy
- Development appraisals
- Transactions
- Nomination / Lease advisory
- Planning
- Project management
- Neighbourly matters

# Development map






| No | University | Borough |
|---|---|---|
| 1 | Middlesex University | Barnet |
| 2 | Rose Bruford College | Bexley |
| 3 | Ravensbourne College of Design and Communication | Bromley |
| 4 | Birkbeck University* | Camden |
| 5 | Central School of Speech and Drama* | Camden |
| 6 | Conservatoire for Dance and Drama | Camden |
| 7 | Institute of Education* | Camden |
| 8 | London School of Hygiene and Tropical Medicine* | Camden |
| 9 | Royal Veterinary College* | Camden |
| 10 | School of Oriental and African Studies* | Camden |
| 11 | School of Pharmacy* | Camden |
| 12 | University College London* | Camden |
| 13 | Guildhall School of Music and Drama | City |
| 14 | Thames Valley University | Ealing |
| 15 | Trinity Laban | Greenwich |
| 16 | University of Greenwich | Greenwich |
| 17 | Brunel University | Hillingdon |
| 18 | City University | Islington |
| 19 | Heythrop College* | Kensington & Chelsea |
| 20 | Institute of Cancer Research* | Kensington & Chelsea |
| 21 | Kingston University | Kingston |
| 22 | Goldsmiths, University of London* | Lewisham |
| 23 | University of East London | Newham |
| 24 | St Mary's College | Richmond |
| 25 | London South Bank University | Southwark |
| 26 | London Metropolitan University (London North campus) | Tower Hamlets |
| 27 | Queen Mary, University of London* | Tower Hamlets |
| 28 | Roehampton University | Wandsworth |
| 29 | St George's University of London* | Wandsworth |
| 30 | Courtauld Institute of Art* | Westminster |
| 31 | Imperial College | Westminster |
| 32 | King's College* | Westminster |
| 33 | London Business School* | Westminster |
| 34 | London School of Economics and Political Science* | Westminster |
| 35 | Royal Academy of Music* | Westminster |
| 36 | Royal College of Art | Westminster |
| 37 | Royal College of Music | Westminster |
| 38 | Royal College of Nursing | Westminster |
| 39 | University of the Arts London | Westminster |
| 40 | University of Westminster | Westminster |

* University of London - In each case the administrative headquarters for the university has been taken.

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