

# EPRG

UNIVERSITY OF ST ANDREWS



# STUDENT ACCOMMODATION IN ST ANDREWS

## ABSTRACT

The Economic Policy & Research Group investigates the nature of higher than average student rental price in St Andrews.

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## **I. About EPRG**

The Economic Policy & Research Group (EPRG) was founded in 2015 with the aim of promoting thought leadership in economics at the University of St Andrews. Since then we have rapidly grown in our scope and reach to deliver a wide range of projects. Highlights include governmental consultations, the following report and the successful launch of the Student Research Scheme in cooperation with the School of Economics and Finance.

## **II. Context**

The high cost of student accommodation within the town of St Andrews is a fact that cannot be denied. Indeed, St Andrews has been noted to be a town with the highest level of housing need (Fife Housing Partnership 2011). This pressure arises in part due to St Andrews being a relatively small university town, which not only attracts increasing numbers of students every year, but also many holidaymakers due to its coastal features and its being a reputable location for golf (MacLennan, et al. 2013). St Andrews is the third most expensive city to live in for students (taking into account rent and other living costs), with London and Glasgow taking first and second place respectively (Royal Bank of Scotland 2017). University accommodation is also one of the highest in Scotland with prices ranging from £4000 to £8000. This naturally gives rise to dissatisfaction, with many claiming that prospective students from lower-income backgrounds are dissuaded from applying to the University of St Andrews by the high cost of living in the town.

In this brief report, EPRG investigates the nature of the high cost of accommodation, particularly with regards to non-university residences. A survey conducted on over 400 students assesses the motivations of accommodation choice. Contributing factors to the high cost of accommodation will be discussed, notably including the effect of the current HMO legislation.

## 1. Current Housing Situation

Every year, the Royal Bank of Scotland commissions the Student Living index report which looks into how student expenditure compares across universities in the UK. The sample from the most recent report was taken from 3,407 students based in 35 universities across the UK. The report shows that St Andrews students paid the third highest rent at £509.44 on an average monthly basis, behind only Exeter (£559.94) and London (£584.32). This is significantly higher than the average UK student rent of £448.00, and a long way off the next most expensive university in Scotland – Edinburgh – at £449.66.

In order to gauge the cost of living for students in these universities, the Royal Bank of Scotland calculates the Student Living Index, which can be calculated as follows:

$$\text{Student living index} = \frac{\text{Average monthly living and accommodation costs}}{\text{Average monthly income}}$$

The Student Living Index for St Andrews was measured at 0.87. This is the third highest in the country behind only Glasgow and London respectively, and testifies to the high cost of living for students in St Andrews. Moreover, these high costs are evidently not restricted to students, as upward price pressures have seen the overall renting population in St Andrews increase from 6% to 16%, and the number of home-owners opting to rent out their property decreasing from 68% to 60% (MacLennan, et al. 2013).

This high Student Living Index may detract prospective students from lower income households from applying to the University, worsening an already bad situation when it comes to equal access in St Andrews. Indeed, this is illustrated by the Higher Education Policy Institute, which applied a Gini coefficient analysis<sup>1</sup> to universities across the UK (Martin 2018). According to the HEPI, the University has the second lowest intake of students from poorer backgrounds in the UK, with an estimated Gini inequality index of 0.44. For reference, only the University of Cambridge scored a higher Gini coefficient than the University of St Andrews (0.48), whilst the UK average was 0.18. As a measure of income distribution, this coefficient highlights the difficulty facing the university in encouraging students from lower-income backgrounds to apply.

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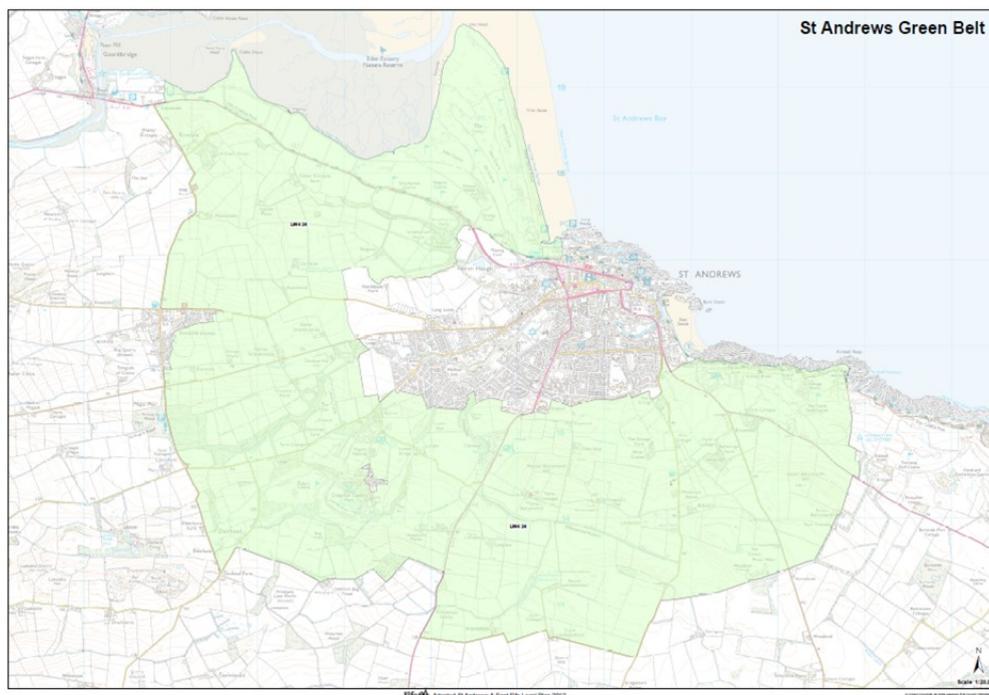
<sup>1</sup> A Gini inequality index of 0 represents a perfectly equal distribution of income, whereas an index of 1 represents perfect inequality.

This problem is compounded by the University of St Andrews expanding its intake of students. Between 2002 and 2012, the student population grew by 37%, and this influx of new students into the housing market was accompanied by a 67% increase in staff numbers (MacLennan, et al. 2013). Currently the University is the largest local employer with some 2,000 employees, meaning that they directly provide for 60% of local jobs (MacLennan, et al. 2013). Expanding this group leads to an increase in demand for housing. Although it is worth mentioning that this effect is somewhat dampened by the fact that the staff employed in clerical, operative and technical roles tend to be drawn from the local labour market and therefore were already members of the local housing market.

## 2. Geography and Green Belt

One topic of discussion that exerts upward pressure in rent prices is that of the green belt, shown in Figure 1.

Figure 1- St Andrews Green Belt (source: Fife Council)



Upon inspection, St Andrews has a large green belt area. This limits potential areas for development. Fife Council's policy on green belts states that "Development in designated green belts will only be supported where it...is for housing where it: (a) is for rehabilitation and/or

conversion of complete or substantially complete existing buildings; (b) is for the demolition and subsequent replacement of an existing house..." (Adopted FIFEplan, Policy9: Green Belt). Therefore, it appears that there is little leeway in the policy and that no major development will take place within the green belt.

Moreover, it should be noted that development of student housing in this green belt may not help to alleviate the problem of high student rent prices, as students display a preference to being situated close to the centre of town (see survey results later). Any new accommodation in the green belt would be situated out of the centre of town.

The TAYPlan Strategic Development Plan for 2012-2032 states that Local Development Plans shall "continu[e] to designate green belt boundaries at [...] St. Andrews [...] to preserve [its] settings, views and special character [and to] assist in safeguarding the countryside from encroachment" (TAYplan 2012). The plan also mentions proposed plans for the St Andrews West and Science Park, which will have space for 1,090 homes.

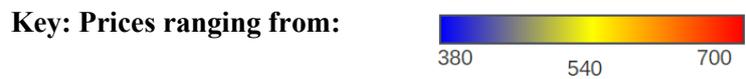
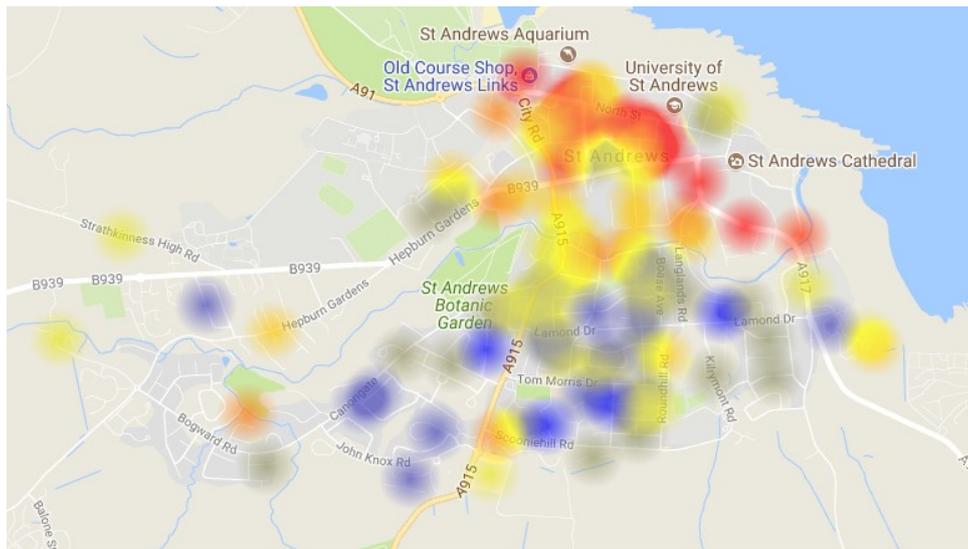
### **III. Research**

As part of our research, we conducted a survey on St Andrews students living in private accommodation, i.e. non-university managed. Responses were gathered from November until January 2018, and we gathered over 400 responses. Each respondent was asked to anonymously submit their monthly rent, which we compiled into the following heat map<sup>2</sup>. The map shows how prices vary across the town, with red being the most expensive.

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<sup>2</sup> NOTE: Some data had to be omitted due to the address either being outwith St. Andrews or not compatible with our heat mapping software.

Figure 2 – St Andrews heat map<sup>3</sup>



The heat map displays a strong pattern of negative correlation between rent prices and proximity to the town's three main streets: South Street, Market Street, and North Street. This is as we expected. The most expensive streets in our survey were found to be The Links, Ellice Place, Muttoes Lane and Union Street. The latter three are very close to town, with The Links being situated parallel to the world famous Old Course. The least expensive streets were Auchterlonie Court, Drumcarrow Road, Fraser Avenue, Shields Avenue, and Woodburn Terrace, all of which are situated away from town.

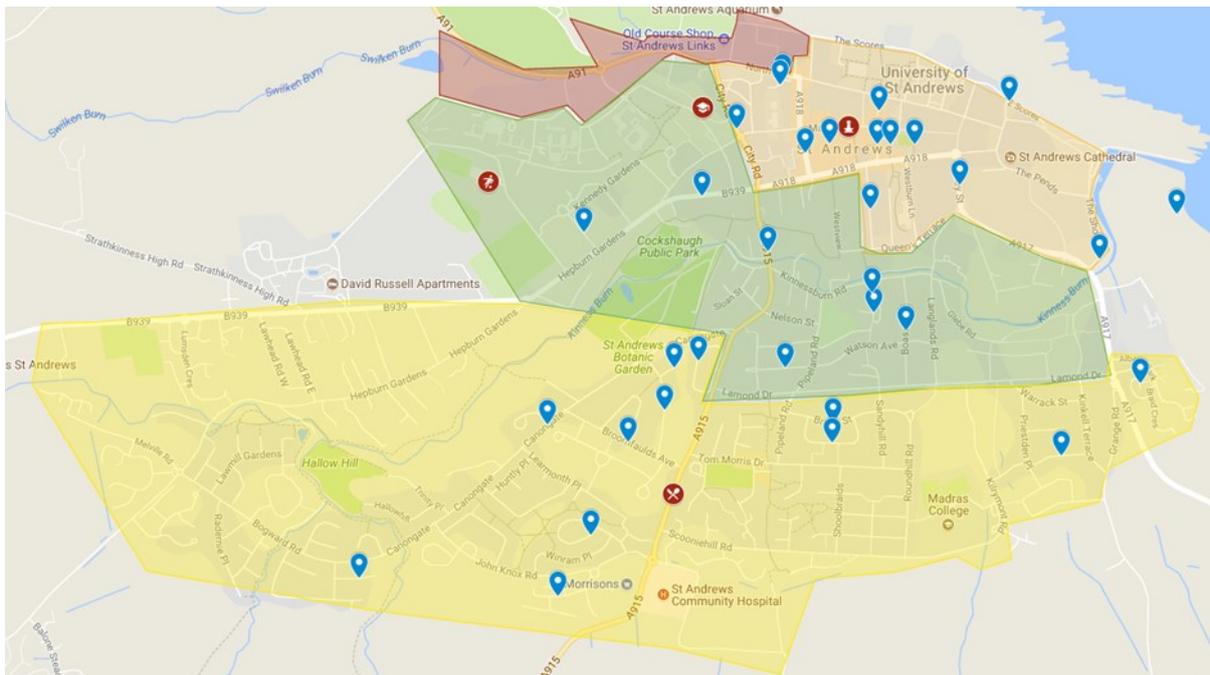
The average rent of the study came in at £542.57. This would place the average rent above the value found in the Royal Bank of Scotland's survey, and reinforce St Andrews' status as being the third most expensive university town in the UK. It is worth noting that while the sample size for our survey was of 401, the Royal Bank of Scotland's sample of 3407 was taken across 35 different universities, so it does not seem insensible to question the number of St Andrews students who were surveyed for the purposes of that study, and whether the true average student rent price lies closer to EPRG's measured mean of £542.57. Regardless, it appears that the true mean of rental accommodation prices in the UK is likely to be high.

Upon closer inspection, the town can be divided into the following four areas, illustrated in Figure 3, from most to least expensive:

<sup>3</sup> Please visit [https://maps.esp.tl/maps/\\_EPRG-Rent-Project-Heat-Map/pages/map.jsp?geoMapId=475673&TENANT\\_ID=202269](https://maps.esp.tl/maps/_EPRG-Rent-Project-Heat-Map/pages/map.jsp?geoMapId=475673&TENANT_ID=202269) to interact with our heat map.

1. Red zone: Properties opposite the Golf course
2. Orange zone: Encompasses the areas surrounding the town centre, the Abbey, Madras and St Leonards
3. Green zone: East of City Road and South of Queen's Terrace
4. Yellow zone: Everything South of Lamond Drive

Figure 3



The red zone has a very low percentage of student residents but conversely has the highest property and rent prices in town. Golf Place is the most expensive street in Scotland with an average house price of £2,179,000 (BBC News 2016). This is partly due to its location next to the golf course. Indeed, the average cost of a home near the Old Course was £715,886 whilst the rest of the St Andrews area has an average home value of £308,895 (Clapham 2015).

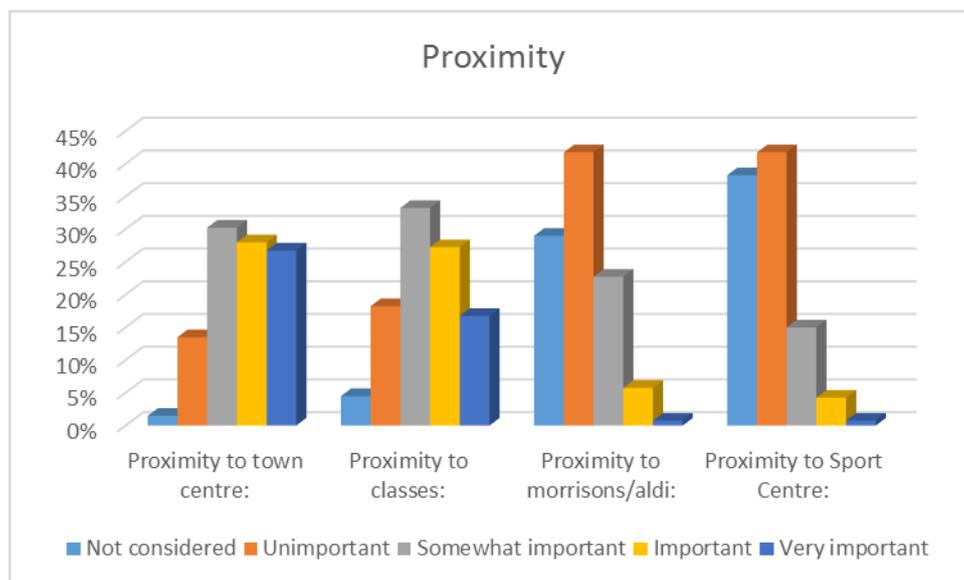
There are rather large preferential differences among these different zones. This is mainly attributable to students' placing a high value on proximity to certain areas of town. Respondents of the survey were asked to rank how important the following were to them when searching for a property: proximity to the centre of town, proximity to classes, proximity to Morrisons/Aldi and proximity to the Sports Centre. Proximity to the Morrisons/Aldi shopping hub was included as it was assumed that students may place a high value on being closer to these supermarkets for budgetary purposes. Table 1 and Figure 4 summarise these results. Overall, 85% of respondents felt that proximity to the town centre was of some importance, with 55%

qualifying it as important to very important. Proximity to Classes came out overall as the second most important factor with 77% considering it somewhat important. Proximity to Morrisons/Aldi and the Sports centre were only considered somewhat important by 23% and 15% of the respondents respectively.

Table 1

	Town Centre	Classes	Morrisons/Aldi	Sports Centre
<b>Not considered</b>	2%	5%	29%	38%
<b>Unimportant</b>	14%	18%	42%	42%
<b>Somewhat important</b>	30%	33%	23%	15%
<b>Important</b>	28%	27%	6%	4%
<b>Very Important</b>	27%	17%	1%	1%

Figure 4



The conclusion seems to be that overall, students place the most value on being close to the Town Centre and the lecture facilities where their classes are held. Despite this, 79% of survey respondents considered the monthly rent to be "Important" or "Very Important" when searching

for accommodation (see Table 2). Hence there appears to be a trade-off between how much students are willing to pay and proximity to the Town Centre.

Once these positions are mapped out there seems to be a clear relation between proximity to these key areas and housing prices. Furthermore, students hold stronger locational preferences than the non-student town population, as 82% of all 16-24-year-olds resided in the centre and in the western and eastern peripheries of the town (Walker 2013). Thus, it appears that students are somewhat less price-sensitive if it means they are closer to the Town Centre.

Table 2

	<b>Price</b>	<b>Number of rooms</b>	<b>Condition of property</b>	<b>Size of rooms/property in general</b>
<b>Not considered</b>	2%	2%	0%	1%
<b>Unimportant</b>	3%	7%	3%	17%
<b>Somewhat important</b>	16%	27%	24%	44%
<b>Important</b>	32%	35%	46%	30%
<b>Very Important</b>	47%	30%	27%	9%

## **IV. Future Outlook**

### **1. Houses in Multiple Occupation (HMO)**

The HMO ban is subject to wide discussion within the town of St Andrews. A House in Multiple Occupation (HMO) is a property rented out to three or more people who are not of the same family, but share the same facilities (e.g. they use the same bathroom). Landlords must apply for a HMO License if they wish to rent out their property to three or more unrelated people, and by extension students.

In 2011, the local council introduced a ban on issuing new HMO licences in the centre of town. The move came with the aim of maintaining a balance between student and non-student residents in the town centre, as well as dampening the upward trend in house prices. However, a recent Fife Council review highlights that this ban "failed to do as intended and further inflated house prices" (Peebles 2017).

A key debate within academic literature is whether increased numbers of student occupied accommodation, particularly students living off campus in HMOs, triggers a process of urban renewal or sets in motion a process of housing stock deterioration and “blight” (Hubbard, 2009).

The number of students in St Andrews has increased threefold during the last 15 years or so to over 8500, leading to an increase in demand for private rental accommodation. Economic theory does state that restricting supply, especially alongside a greater than proportional increase in demand, will drive up prices; the slow rate of extra accommodation is not keeping up with the increasing demand for it. Therefore, restrictions of the supply of homes caused by the increased levels of HMO in St Andrews are likely to have such an effect. There are two main effects this will have, mainly impacting non-students. These are discussed and outlined by Brown (2018) in his thorough report on HMO within St Andrews.

Firstly, there is an artificial stimulation of the overall housing market entailing inflationary pressures. This is caused by fewer properties being available to the local population and families looking to move to St Andrews. As we saw earlier, students place a higher value on being in the centre of town than non-students. However, the ban on new HMO Licences meant that whilst these growing number of students wanted to live in the centre of town, there were simply not enough HMO-licensed properties. This forced more students to move further out of town, where young families tend to prefer to live.

Secondly, lower income families will be pushed out of the local housing market in terms of affordable housing. This may, as Brown (2018) describes, create ‘micro-climates’ in residential areas. For example, families may not feel comfortable buying properties next to neighbourhoods that are majority HMO-licenced. As a result, the only interested parties in buying such properties will be letting agencies or landlords, compounding the effects discussed earlier. Similarly, with the number of St Andrew students increasing, new staff may be priced out and forced to move to towns outside of St Andrews, especially younger cohorts of staff (MacLennan, et al. 2013).

Cumulatively, such factors will negatively affect the town of St Andrews socially and academically. The growing pressure on rent prices and the housing market from the HMO ban will deter both upcoming academics and younger parents wishing to move to St Andrews. This lack of long-term residency risks reducing the demand of local services such as efficient public transport (which is already chronically lacking) and schools. In addition, this indirect

displacement stifles the University's and other local organisations' efforts towards increasing social cohesion and the integration of students and the local community. At worst, this HMO effect will exacerbate the very problem they are trying to solve.

Given such effects, the Fife council is still reviewing the HMO moratorium, with a view to either maintaining, removing, or extending the HMO ban across town.

## **2. University Accommodation Changes**

The university published its Accommodation Action plan in 2016, which outlined plans to invest over £70 million into creating 900 new bed spaces for students, bringing the total number of 'university-managed student bedrooms' to 4,900. There are also plans to refurbish parts of existing residences. The plan outlines changes to Gregory Place, University Hall, Angus and Stanley Smith Houses, Albany Park, Agnes Blackadder Hall, Andrew Melville Hall.

Two new university residences will open in September 2018. Powell Hall and Whitehorn Hall, located adjacent to Agnes Blackadder Hall and University Hall respectively, will contain 389 rooms.

The university plans to build 'new, affordable housing' (University of St Andrews 2016) which will be offered to postgraduate students and staff. The development will take place on a five-acre area of farmland owned by the university called The Grange.

These plans are welcome, as they go some way to increasing the supply of accommodation near to the centre of town, which is of most value to students. This will also free up private accommodation further out of town for young families to move into, thus contributing to the long-term development of the town.

## **3. Legislative Changes**

Another point worth mentioning concerns the legislative changes in The Private Housing (Scotland) (Tenancies) Act 2016, which came into effect on 1st December 2017 and included the following changes:

- No more 'no fault' evictions

- No end date, tenants can give notice to end lease

This new legislation essentially allows students to choose the length of their lease, rather than being bound by their lease to pay rent during the summer months when they are not living in St Andrews. In theory, this will allow students to save money on their total yearly rent since they will not be required to pay rent for the full year, as was sometimes the case before the legislation came into force. However, one concern is that in order to offset the expected loss this legislation will incur for landlords and letting agencies, average monthly rents will simply increase. How these actors will react to the new legislation remains to be seen.

## **v. Recommendations**

### **1. Supply and Demand**

Although there is evidence that market forces are partly to blame for the current rent crisis, it can be argued that market forces do not play enough of a role in the accommodation sector within St Andrews. This is especially true of the Green Belt issue; if a portion of the Green Belt were to be sectioned off and authorised for house building, this would increase supply and help satisfy the ever-increasing demand – dampening the increase in prices. However, as stated earlier in the report this alone will not be enough. Doing away with HMO Licences would reduce admin fees for landlords and agents which may in turn enable them to lower prices. To counteract students’ unwillingness to live outside of town, an extension of transport links would be required. On this note, this is where the University would need to take responsibility and not rely on concentrating most classes on just three streets and the North Haugh area. Expanding the campus would alleviate the problem of students prioritizing class proximity. Nonetheless this seems an implausible solution.

More realistically, the HMO ban should be reversed as it has not fulfilled its original purpose, thus allowing more students to live in the centre of town where they prefer to be, whilst at the same time freeing up accommodation further out of town for young families and members of staff who are in rented accommodation.

## 2. Greater political recognition

As outlined by Brown (2018), there should be calls for greater recognition by politicians and policy makers, in order to tackle the negative spill-overs associated with rapid student population expansion within St Andrews. More intense levels of strategic planning, stakeholder engagement and community participation by both the Council and the University are therefore required.

In the end, on a slight pessimistic note, there is little that can be done. Even if many homes were built on the Green Belt, the expansion of the University campus seems unlikely as this would involve the purchase or lease of buildings that are not necessarily easily available. Transport links are already frequent, with the 99 bus coming in and out every 10 minutes. From this, instead, a huge infrastructure change would be needed, one that would transform the town into a city: multiple frequent transport links, shops of all kind at every corner, University campus buildings dotted here and there, topped with a glut of housing available for both families and students. But a more metropolitan town would change the very identity of St Andrews, something very few of us would countenance, as that is what makes the St Andrews experience so unique.

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