



**MANCHESTER
CITY COUNCIL**

TOWN AND COUNTRY PLANNING ACT 1990 (AS AMENDED) SECTION 78

**TOWN AND COUNTRY PLANNING APPEALS
(INQUIRIES PROCEDURE) RULES 2000**

**APPEAL BY
Fusion Manchester DevCo Ltd**

**AT
Land at Deansgate South
Manchester**

PROOF OF EVIDENCE BY NICHOLAS COLE BA (HONS)

Planning Inspectorate Reference: APP/B4215/W/21/3287525

Planning Application Ref: 129406/FO/2021

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1.0 QUALIFICATIONS

- 1.1 My name is Nicholas Cole. I hold a BA (Hons) degree in History and Politics from the University of Lancaster. I have over 20 years' experience in public policy across the built environment, working in both the public and private sector. I have been employed at Manchester City Council for the last 12 years. In my current role I am the Strategic Lead for Housing Strategy & Policy where I am responsible for housing strategy.
- 1.2 I am giving evidence for and on behalf of Manchester City Council, in respect of Manchester City Council's refusal of planning application 129406/FO/2021.
- 1.3 I was not the case officer for these applications and was not the author of the delegated reports which formed part of the determination of these planning applications. I am familiar with student housing issues in Manchester and in the city centre in particular.

2.0 INTRODUCTION

2.1 The Appeal Development

2.1.1 This proof of evidence has been prepared on behalf of Manchester City Council (“the Council”). It relates to a planning appeal made pursuant to section 78 of the Town and Country Planning Act 1990, made by Fusion Manchester DevCo (“The Appellant”) in respect of Land at Deansgate South, Manchester.

2.1.2 This appeal relates to the refusal of planning application 129406/FO/2021 by Manchester City Council to grant full planning permission for a 28-storey purpose built student accommodation building (Sui Generis) at Land At Deansgate South, Manchester.

2.1.3 Planning application 129406/FO/2021 was registered by the Council on 15 February 2021. Following determination by the Planning and Highways Committee at their meeting on 3 June 2021, planning application 129406/FO/2021 was refused on 4 June 2021. The first reason for refusal was as follows:

1. The proposal is not in close proximity to the University campuses or to a high frequency public transport route which passes this area and the applicant has failed to demonstrate robustly that there is unmet need for the proposed student accommodation; that they have entered into an agreement with an education provider for the provision of student accommodation; or that their proposal is deliverable. Furthermore, the proposal does not demonstrate a positive regeneration impact in its own right and would be contrary to the Great Jackson Street Development Framework and the efforts made to create a high quality residential area. It would, therefore, adversely impact upon the safety and welfare of future students, would not create a balanced high quality neighbourhood of choice and would be detrimental to the character of the area, undermining the on-going regeneration of the wider locality, including Castlefield and the Great Jackson Street area. It would thereby be contrary to policies SP1, H1, H12, CC3, CC8, CC10, T2 and DM1

of the Core Strategy for the City of Manchester and the National Planning Policy Framework.

2.2 Scope of Evidence

2.2.1 This proof addresses the Council's contention that the Appellant has failed to demonstrate robustly that there is unmet need for the proposed student accommodation. My evidence should be read alongside the other proofs of evidence that have been prepared for, and on behalf of, the Council. My evidence also responds directly to a document submitted on behalf the Appellant in support of its scheme, namely, "Evidence of Student Need, December 2020", prepared by Cushman & Wakefield (CD-A12).

2.2.2 My evidence should also be read in conjunction with the Statement of Common Ground (SoCG).

2.2.3 The issues addressed in my proof are as follows:

- i. The nature of historic trends in Manchester's student population,
- ii. The Appellant's projections for student numbers / the demand pool for student accommodation,
- iii. What constitutes demand for Purpose Built Student Accommodation (PBSA),
- iv. The scale of Manchester's PBSA pipeline in relation to the Appellant's projections for student numbers and the potential demand pool.

By reference to those 4 issues, my evidence shows that the Appellant has failed to demonstrate robustly that there is unmet need for proposed student accommodation. The consequences of that conclusion (in terms of relevant planning policies) are addressed by Anthony Mitchell (on behalf of the Council) in his proof of evidence.

3.0 THE CASE FOR THE CITY COUNCIL

3.1 Introduction & Background

3.1.1 The “Evidence of Student Need, December 2020”, prepared by Cushman & Wakefield (CD-A12), sets out the Appellant’s case that there is unmet need for student accommodation which in their view the proposed development has the potential to meet (referred to from this point forward as “the Appellant’s evidence”). At a fundamental level their case is based upon a projected growth in the student demand pool and an assumption that no PBSA (beyond the currently consented pipeline) will be built to accommodate this student growth.

3.1.2 By considering the first 3 of the key issues set out in the scope of my evidence (section 2.2.3), and expanded upon below, my view is the Appellant has not robustly evidenced that there will be the scale of growth in the student demand pool that their evidence assumes. I will also demonstrate that the scale of likely PBSA delivery is far in excess of the quantum of new PBSA beds assumed by the Appellant’s evidence. On this basis I will demonstrate that the Appellant has failed to demonstrate robustly that there is unmet need for the proposed student accommodation

3.2 The Appellant’s projections for growth in the demand pool for student accommodation

3.2.1 It is the Appellant’s position (set out in CD-A12) that the demand pool for accommodation in Manchester could grow by 1.5% p.a. from 47,495 in 2018/19 to 55,940 in 2029/30, an increase of 8,445 students. It appears that these projections are based upon three elements, which have been identified in the Appellant’s “Evidence of Student Need, December 2020” (CD-A12):

1. The recent growth in student numbers which it is assumed will continue into the future,

2. linked to this, the Appellant expects the growth in international students to continue, and,
3. finally, the Appellant points to the fact that that, in the ten-year period from 2020 to 2030 during which the Appellant projects growth, the number of 18-year-olds in the UK will increase by 25% and this is assumed to fuel significant growth in the numbers of places offered at UK Universities (including in Manchester).

3.2.2 The following evidence in sections 3.3 to 3.5 highlights weaknesses in the Appellant's methodology and provides evidence which proves that their case is not robust.

3.3 Historic trends in Manchester's student population

3.3.1 The Appellant's evidence points to the fact that Manchester's student population has grown by 11% between 2013/14 and 2018/19. Data provided in Appendix 1 demonstrates that, whilst student numbers in Manchester grew between the 2013/14 academic year and the 2018/19 academic year, this is not an appropriate period over which to consider changes in the student population. Analysing the student population over this period overlooks the fact that the number of students enrolled at the University of Manchester (UoM) and Manchester Metropolitan University (MMU) dropped-off significantly following the £9,000 undergraduate tuition fees introduction in 2012 (a decline of 3,505 between the 2011/12 and 2012/13 academic years¹), which negatively impacted student numbers (specifically undergraduate numbers) for several years afterwards.

3.3.2 Looking only at growth from 2013/14 means that the Appellant has chosen to measure the number of students from a period when enrolments were (more or less) at their lowest in recent history. What followed the 2012 tuition fee introduction was a period of recovery. A more appropriate perspective shows that the number of students enrolled at UoM and MMU recovered to a level commensurate with enrolments before the tuition fees introduction by 2016/17. From that point onwards, total enrolments at both Universities remained broadly stable in the period up to

¹ HESA data

2019/20 (equivalent to 0.6% growth in total over the three-year period²). The increase in student numbers reported in the Appellant's evidence (from the 2013/14 academic year up until 2019/20) should be considered predominately as a recovery in the student population and not characterised as growth.

3.3.3 It is important to note that there has been a sharp increase in the number of students enrolled at UoM and MMU for the 2020/21 academic year (see Appendix 1). The Universities have confirmed to me that this was the unintended consequence of teacher assessed grades which replaced exams cancelled by the pandemic. This resulted in grade inflation, with higher marks awarded than usual, and as a result more students met the offers which were made by both institutions than would normally be expected, leading to a spike in enrolments. Whilst this will inevitably take a while to flatten out as this student cohort progress through their education, once again it is not a robust approach to take this one-off event as evidence for a trend towards growth in the student population which can then be accurately projected forward with any degree of confidence.

3.3.4 Finally, the Appellant's evidence points towards growth in the number of international students living in Manchester as an important element of growing student demand. However, the evidence (see Appendix 2) shows that Manchester's student population has been internationalising for some time, without growing significantly overall. As the number (or proportion) of international (Non-EU) students living in Manchester has increased, the number of UK and EU enrolments has decreased. For example, pre-pandemic, the number of non-EU students living in Manchester increased by 14% between 2016/17 and 2019/20 whilst UK students decreased by 5%. In terms of absolute numbers, this proportional shift in the domicile of students enrolled at Manchester institutions over that 3-year period, resulted in only 18 more students living in the city.

3.3.5 With all of this in mind, it is my view that the numbers of students enrolled at Manchester Higher Education Institutions (HEI) should be regarded as relatively

² HESA data

stable. Both UoM and MMU have focused on growing the proportion of international students, and maintaining the quality of their teaching, rather than increasing the overall number of enrolments. Indeed, in the period from 2010/11 to 2019/20 (before the pandemic impacted enrolments) the total number of students enrolled at UoM increased by only 75 (0.02% p.a.) and the number of students enrolled at MMU actually decreased by 1,340 (-0.4% p.a.).

- 3.3.6 Where there have been short-term dips or spikes this has been the direct consequence of external national drivers (i.e. tuition fees, or the move to teacher assessed grades) and numbers have subsequently returned to levels comparable with those experienced before those interventions. In the period where numbers had recovered from the tuition fees introduction and before the recent impact of teacher assessed grades, it is clear that student numbers were stable and, accordingly, the Appellant's conclusions on future student numbers (based on growth between 2013/14 and 2018/19) is not justified.

3.4 Projected growth in University student numbers

- 3.4.1 The Appellant's evidence points to the fact that, in the ten-year period from 2020 to 2030, the number of 18-year-olds in the UK will increase by 25%. On this basis it is projected that extra places will be required at UK universities by 2030 to accommodate this demographic growth – with the assertion that Manchester institutions will take on an element of this additional demand. Based on the levels of historic growth (and the growing focus on internationalising the student body in Manchester), it is my view that there is no evidence to support the assertion that domestic demographic trends can be assumed to directly translate into more undergraduates (UGs)³ in Manchester or that any specific institution will necessarily increase their intake to accommodate them. This is particularly pertinent now, given the Government's recent response to the Augar review⁴, which represents a shift

³ There are a range of other post-18 education and training options (e.g. apprenticeships, traineeships and supported internships) which will also take an element of this additional demographic growth

⁴ Released on the 24th February 2022

away from the idea of university as the best choice for all students and a rowing back on earlier Labour ambitions to get 50% of 18-year-olds into universities. Most notably, the response announces a new consultation on a minimum qualification requirement to access loans to go to university which will potentially block a cohort of students from accessing finance and therefore going to university.

- 3.4.2 Further to this, it is my view that the Appellant's evidence does not robustly consider the ongoing impact of the Covid-19 pandemic on the student population in the city, nor the associated effect of new forms of "hybrid learning" (including elements of remote learning) on student demand for accommodation when appraising changes in demand. Indeed, this and the escalating cost-of-living crisis may mean more students choose to live at home, with a clear impact upon the potential demand for student accommodation in the city. These issues, along with the impact of new supply and overall student numbers as they normalise after the wider impacts of Covid-19, is being kept under careful review (subject to monitoring by the Council's Economy Scrutiny Committee) and evaluated in line with the approach set out in a report to the Council's report to Executive in December 2020 (CD-G12).

3.5 Elements of the demand pool for student accommodation

City Centre Private Rented Sector ("PRS") Market

- 3.5.1 There is limited evidence to support high numbers of students looking for specialist student accommodation in the Deansgate South location. Evidence from student council tax exemptions (see Appendix 3) demonstrates that in the city centre, council tax "Class N" exemptions data shows that the Oxford Road Corridor is the place students want to live. In 2019/20 this area held approximately 50% of all student households living in mainstream private rented sector accommodation⁵ in the city centre and this is where recent developments have demonstrated that new build PBSA supply is required to meet demand. This is a view supported by both UoM and MMU who have made various representations to suggest that they consider the

⁵ MCC Council Tax – Student Class "M" Exemption Data

location of the Appeal Scheme to be inappropriate for student accommodation (UoM) or right on the periphery of the location where student accommodation would be appropriate (MMU).

3.5.2 Furthermore, the Appellant's evidence asserts that the number of students in the private rented market at any one time should be considered "excess PBSA demand". I contend that this is not the case, as in a healthy student housing market, a significant proportion of students will always choose to live in the private rented (by which I mean non-purpose-built student accommodation) sector regardless of the availability of PBSA beds. It is notable for example that the proportion of student households in the city centre has been stable (between 21% and 23% of all households for the last 5 years)⁶. Approximately half of these households have consistently resided within the PRS (non-PBSA) sector, despite significant growth in the number of PBSA beds.

3.5.3 There are various explanations for the historic and ongoing popularity of the PRS for students in Manchester. Certain PRS blocks are exceptionally well located, close to the campuses and the wider amenities and will therefore always be attractive. The PRS can also offer a more diverse range of accommodation suitable to students with families and those with particular religious beliefs. However, perhaps the most significant driver for PRS demand lies in the diversity of stock and the associated highly competitive pricing structure of the PRS market across the city. For example, it is possible to rent privately on the Oxford Road Corridor (the most popular location for student accommodation in the city centre by far - according to MCC Tax data), for between half and two thirds of the weekly rent for the Appellant's proposed scheme (see Appendix 4).

3.5.4 Against this backdrop therefore, I contend that the PRS market can be considered as a separate demand pool – one which exists within a healthy student housing market and one which offers and performs a different role to PBSA, even in similar parts of the city centre. On this basis and when planning for future student

⁶ Based on MCC Council Tax exemptions data. A student household in a hall of residence is a Class M exemption, whilst any other household wholly occupied by students is a class N exemption.

accommodation demand, the City Council will always view the PRS in the city centre as having an important role to play in supporting a wide choice of accommodation options for different students that come to study in Manchester.

South Manchester HMO Market

- 3.5.5 Outside of the city centre in South Manchester, the Appellant has provided no evidence to demonstrate that (predominately domestic) students who currently choose to live in Houses of Multiple Occupation (HMOs) will instead choose to live in a PBSA product akin to the Fusion proposal. This is despite the Appellant including them as an essential component of demand for the proposed scheme.
- 3.5.6 It is my view that many (predominately domestic) students live in South Manchester house shares because HMOs are one of the cheapest and most affordable ways to live as a student in Manchester. Evidence presented in Appendix 4 demonstrates that the weekly rents for a studio in Fusion will be 65% higher than the average for a student HMO and 45% higher for an en-suite room. In addition, there is also an important lifestyle element in that, for many (predominately) domestic students, the opportunity to live in a house with a group of friends is often seen as an attractive option (and part of the student experience). Whilst HMOs do not provide the same level of quality or amenities that many PBSA developments offer, for many students the freedom of living independently with friends (along with the price) makes this type of accommodation a very compelling choice.
- 3.5.7 Outside of the city centre there are 15,998 students in 2020/21⁷ living in mainstream private rented accommodation – of which a significant number will be living with other students in HMOs or similar accommodation. These, more price sensitive, students are unlikely to access accommodation in the proposed scheme in significant numbers on the basis of affordability considerations, and/or lifestyle considerations. It therefore follows that students who are currently choosing to live in the mainstream PRS outside of the city centre (15,998 in 2020/21) cannot be

⁷ HESA data

assumed to form a substantial element of future demand for the Deansgate South development.

Implications for understanding supply and demand

3.5.8 Instead of students living in South Manchester, it is my view that demand for Purpose Built Student Accommodation products in the Oxford Road Corridor is more likely to come from students currently occupying mainstream private rented accommodation in the city centre. Apart from the significant number which will always chose to live in the PRS (for the reasons outlined in 3.5.1) these students could potentially be considered “latent demand” for a PBSA bed in the Oxford Road Corridor because of the more comparable, albeit still more expensive, accommodation costs (rents - see Appendix 4) and lifestyle. However, in the case of the Appellant’s proposal, any students choosing to live at Deansgate South would need to be prepared to pay higher rents for a less attractive location (i.e., some way away from the Oxford Road Corridor and the University Campuses).

3.5.9 Working on this basis, there were 6,108 students in 2020/21 with a term time address in city centre in mainstream private rented accommodation⁸ - equivalent to only 28% of the total number of students living in mainstream PRS. This alone implies a significant reduction in the figure that the Appellant has projected to be “excess PBSA demand” given that their demand pool calculations which assume that students can be attracted from all housing markets across the city.

3.5.10 In this instance therefore – taking both city centre PRS and the South Manchester HMO market into account, it is my view that the Appellant’s evidence is exaggerating the “addressable market” for the proposed development – i.e. the total demand pool that will be available to the operator in reality. Relying on the student-to-bed ratio to evidence that the market will be undersupplied, as the Appellant does, is too simplistic to truly grasp whether Manchester can absorb the proposed (specific) PBSA development or not. As set out above, in this instance the Appellant’s

⁸ Higher Education Statistics Authority

evidence has ignored the role and function of HMOs (and other sections of the PRS market) in satisfying student demand and failed to properly consider the cost and therefore attraction of what is in some instances, better located city centre accommodation.

- 3.5.11 To analyse supply and demand more robustly would require the inclusion of other highly influential local demand metrics such as unit mix preference, location, student's budgets and more. Changes to future supply and demand must also be analysed to understand whether a particular scheme will remain competitive. None of this analysis has been provided by the Appellant to a satisfactory or robust standard.

3.6 Manchester's Purpose Built Student Accommodation Pipeline

- 3.6.1 It is my view that the evidence provided by the Appellant relating to Manchester's PBSA pipeline significantly under-estimates the true scale of planned and expected development in the period up to 2029/30. The analysis provided by the Appellant is restricted and assumes that only 915 additional beds will be added to the PBSA market in the City in the period up to 2023/24 (and nothing beyond) assuming the proposed scheme is not built. These 915 beds are assumed to come from the Great Marlborough Street Car Park scheme (853 beds) and Church Inn site (62 beds). Those 2 schemes do not incorporate even the full extent of the consented pipeline. For example, 242 beds will be delivered as part of iQ's Echo Street development (which started on-site in 2019/20, but stalled during the pandemic).
- 3.6.2 Looking forward, we expect 915 new beds to complete by the start of the 2024/25 academic year (Church Inn and Great Marlborough Street Car Park) – equivalent to 457.5 rooms p.a. This is consistent with the strong level of PBSA development in the City Centre / Oxford Road Corridor which is equivalent to 496 new rooms p.a. over the last decade (Appendix 5 - 4,959 new PBSA beds delivered in Manchester city centre from 2012/13 to 2021/22). There is no evidence to suggest that this level of delivery will not be sustained. Indeed, over the last 5 years the rate of delivery

has accelerated with 3,135 new rooms delivered between 2017/18 and 2021/22 – equivalent to 627 new rooms p.a.

3.6.3 As demonstrated in Appendix 6 & 7, Manchester's recent pipeline of new PBSA rooms has almost all been delivered in policy compliant / high demand areas immediately adjacent to the core university areas, principally the Oxford Road Corridor area and Birley Fields, Hulme. The only scheme to be approved and developed in the city centre during that period, and not delivered within those locations, was the River Street Tower which opened in September 2020. In granting planning permission for that development, regeneration was a key consideration as the River Street site occupied a prominent position on a gateway route into the city centre and the proposal created the opportunity to remove a significant element of blight – i.e. the dilapidated concrete frame from a failed apartment scheme in 2004/05 which was having a detrimental impact on the area in a variety of ways (see CD-H6).

3.6.4 On the basis of historic delivery, I therefore contend that well in excess of the 915 rooms identified by the Appellant will be delivered in the period up to (and beyond) 2029/30. Further to this, ten sites have been identified which can easily sustain delivery at a level commensurate (or in excess) of the last 10 years (see Appendix 8). These sites are all either in the planning system, in a pre-planning phase, key elements of agreed regeneration frameworks, or proposals from the Universities. Importantly, they are also all in locations which are more appropriate / policy compliant for the development of student accommodation and where evidenced demand is clear in line with Policy H12 (see Appendix 9). These sites alone have the capacity to accommodate PBSA delivery at a pace and scale (661 beds p.a. for the next 10 years) in excess of that which we have seen over the preceding 5 years, notwithstanding that other developers may also come forward with additional sites in the future.

3.7 Student supply and demand analysis

3.7.1 The evidence I have set out in sections 3.3 and 3.4 demonstrates that the methodology employed by the Appellant to arrive at an assumed growth rate of 1.5% p.a. for the student demand pool is not robust. Similarly, the evidence I have set out in section 3.5 makes the argument that a student accommodation product, such as the proposed development, in the Deansgate South location will only ever target a very small proportion of the wider demand pool of students requiring accommodation. Further to this, the evidence I have set out in 3.6 identifies a pipeline of PBSA beds in excess of the scale of development set out by the Appellant.

3.7.2 Added to this and given the scale of the expected pipeline alongside Manchester's strong record of delivery, even if the student demand pool grows at the rate asserted by the Appellant, it is clear that this level of demand could be easily accommodated without the proposed development at Deansgate South. To evidence this I have used the data and evidence provided previously in this report to replicate and update the Appellant's supply and demand analysis on the following basis:

- The demand pool from 2013/14 up to 2019/20 is assumed to be the same as the Appellant's analysis – i.e. total full time students at UoM, MMU and Royal Northern College of Music (RNCM) minus students from the region not requiring accommodation, minus sandwich students away on a placement year.
- From that point forward the demand pool is estimated to grow by 1.5% a year in line with the projections provided by the Appellant.
- The number of beds is forecast to increase by 62 beds in 2022/23 and 853 beds in 2023/24 in line with expected PBSA completions (and with the Appellant's supply and demand analysis).
- From 2024/25 to 2029/30 the number of PBSA beds is expected to increase by 496 beds p.a. in line with the average number of beds delivered p.a. between 2012/13 and 2021/22 (see section 3.4 & Appendix 10)

- 3.7.3 This analysis is presented in Appendix 11. It demonstrates that the student to bed ratio (SBR)⁹ of students living in private rented accommodation is not expected to increase as the Appellant has contended, even if the demand pool is assumed to grow at 1.5%. Instead, supply will grow leading to a reduced SBR of 1.77 by 2029/30 compared to 2020/21 levels (1.8), and as opposed to an increase to 1.96 as per the Appellant's evidence. There is therefore no evidence of unmet for the proposed development.
- 3.7.4 As stated in the Appellant's evidence on student need, a SBR of 1.79 is healthy for a large market – i.e. enough demand will be maintained at this ratio to ensure that PBSA blocks remain occupied. If the SBR can be maintained at this steady level, as per the analysis, there will be no significant increases in the city centre (or HMO) private markets, whilst students will retain access to a range of housing options (including PRS) to meet their needs. If supply were to get too high without being accompanied by commensurate student number growth, then the SBR could get too low (c.1.5 and below). This would likely cause demand for PBSA beds to fall (given the increased availability within the market) and there would be occupancy issues for PBSA in the city.
- 3.7.5 This has been observed in markets such as Newcastle, Sheffield and Liverpool where the increase in beds since 2015 has not been accompanied by sufficient student number growth, meaning that the pace of development has not been absorbed by the market and rents have been heavily discounted in some schemes in an attempt to find occupiers (see CD-I23). We don't want to replicate this situation in Manchester and to this end the Council has committed to monitoring the effect of new supply (CD-G12) and, given the potential pipeline, I am confident that a "healthy" SBR can be maintained (and student need met) via high quality PBSA development (amongst other forms of accommodation) in appropriate, policy compliant, locations (see Appendix 8)

⁹ Student to bed ratio = the number of students in the demand pool divided by the total number of PBSA beds

4.0 CONCLUSION

- 4.1 In summary, the Appellant has failed to demonstrate that there is, or will be, unmet need for the proposed student accommodation. This is on the basis that the Appellant's assertions regarding the expected growth of the student demand pool alongside the scale of the proposed development's "accessible market" are not robustly evidenced. Further to this, the evidence I have provided in terms of a significantly increased quantum of expected new PBSA supply (in appropriate, policy compliant locations) will be sufficient to meet demand for student accommodation over the next ten years even if the student demand pool does grow.