

Market Context

Manchester has a population of c. 550,000, one of the fastest growing economies in the UK and a world-renowned Higher Education Sector.

Businesses and talent are attracted to the City because of its accessibility and connectivity; the quality of education available at its Universities; its talent pool, its cultural diversity; its iconic sporting attractions and the high quality of life which it offers.

Talent, both that local to Manchester and that attracted to the City from elsewhere, has a requirement for high quality residential accommodation in neighbourhoods of choice.

In order to meet the needs of an increasingly diverse population there is a need for a range of types of residential accommodation and for that accommodation to be available at a variety of price points and tenures.

The provision of affordable housing is acknowledged to be of particular importance (a minimum target of 6,400 homes in the period to March 2025 has been established) as is the requirement for a refreshed pipeline of PBSA if the City is to continue to attract and retain the best student-talent from around the world.

Manchester's visitor economy also continues to thrive. It is the third most visited City in the UK by international visitors (after London and Edinburgh) and the most visited local authority area in terms of domestic staying visits. The growing popularity of Manchester is driving demand for hotel accommodation, particularly in the city centre.

This section of the document provides details of the market context which underpins the Development Framework proposals.



Image source: Getty

Affordable Housing

In March 2016, MCC endorsed 'The Manchester Residential Growth Strategy' ('MRG Strategy'). This document establishes a clear vision for ensuring that the housing demands of the growing and changing City are met. At the heart of the MRG Strategy is a recognition of the interrelationship between an economically prosperous City and the delivery of a correct mix of housing types and tenures for the people who live and work in Manchester.

The MRG Strategy established a target that at least 25,000 new homes be delivered over the period (2015 – 2025); 20% of which (5,000 homes) are to be "affordable homes" (offered in a variety of tenures including social rent, affordable and shared ownership) in various formats - such as houses and apartments - and sizes.

MCC's Housing Affordability Policy Framework (HAPF) defines affordable housing in the City as:

"Decent and secure housing that meets the needs of Manchester residents that are below the average household income for Manchester".

In December 2018, MCC's Executive Committee subsequently endorsed a revised target of 32,000 new homes to be delivered in the period 2015-25 again with 20% to be affordable (6,400). The delivery of affordable housing in the City is considered to be critical.

In the period since 2015 8,867 homes⁴⁸ have been delivered and it is forecast that by March 2021, c. 20,000 new homes will have been delivered; a significant proportion of which will be located within the city centre.

With respect to "affordable housing"⁴⁹:

- 1,044 homes were completed between April 2015 and March 2019
- 1,061 homes are under construction and will be delivered by Registered Providers (RPs) or developers in conjunction with RPs between April 2019 and March 2021
- 969 homes with land and funding secured are in the pipeline to be delivered by March 2021

Overall, a total 3,074 affordable dwellings are forecast to be delivered by March 2021, 48% of the revised MRG Strategy target of 6,400.



3,400 affordable homes

are required to be delivered in the period 2021-2025 (as a minimum).

A further 3,400 affordable homes are required to be delivered in the period 2021-2025 (as a minimum).

The number of 'live applicants' on the MCC housing register has increased by 14% to c. 15,000 since 2015. Almost 5,000 of these applicants are classed as being in housing need. With the turnover of social homes at its lowest in recent years (2,500 tenancies let in 2018/19) prospective tenants are waiting longer to be rehoused; some of which will not be offered social housing for a number of years.

In order to facilitate delivery of affordable homes MCC has established a partnership with 23 RPs which together comprise the Manchester Housing Providers Partnership (MHPP). MCC is also working with other RPs to ensure the delivery of a significant proportion of the remaining affordable homes.

The availability of land for the provision of affordable homes is a critical consideration. In order to ensure an adequate supply of land for the delivery of affordable housing, MCC is committed to releasing appropriate sites in their ownership. The sites are capable of delivering a minimum of 1,700 affordable homes by 2025.

In addition, RPs are acquiring land in private ownership. The opportunity for such acquisition is, however, very challenging due to competition from those in the private sector seeking to deliver open market housing and expectations of enhanced land values from site owners.

Where sites are developed for open market housing, MCC requires a proportion of units to be provided as affordable housing (20%) through Policy H8 of the Core Strategy.

In summary, there is a clear and pressing need for the provision of affordable housing within Manchester.



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969 affordable homes

with land and funding secured are in the pipeline to be delivered by March 2021.



How the Development Framework Responds:

The Development Framework will facilitate:

- Provision of around 300 affordable homes (10% of remaining strategic requirement); in close proximity to the key institutions located within the Oxford Road Corridor;
- A range of accommodation which may include houses and apartments of various sizes (1-3 bed) and tenures (shared ownership, social rented and affordable rented); responsive to the particular requirements of the local area;
- The re-use of previously developed land for residential properties in a highly sustainable location which is located close to clusters of employment opportunities within Corridor Manchester (such as the Manchester Royal Infirmary) and well connected by public transport to the city centre;
- Further diversification of the housing stock in the Central Manchester Regeneration Area; a key priority of the adopted Core Strategy.

Purpose Built Student Accommodation

Nationally, the Higher Education Sector is now larger than ever with 1.84 million full-time students at UK Universities in 2018/19⁵⁰.

On average, student numbers are growing by 2% per annum (5% per annum for international students) and those students are increasingly seeking out the institutions which offer the highest quality of education, employment prospects and quality of overall experience, of which the residential accommodation offer is a critically important component⁵¹.

The gravitation of students to institutions of quality and with strong employability records is now entrenched and emerging evidence for 2020 shows continued application growth to the best Universities. The ability of those institutions to increase income and invest is likely to accelerate these trends over coming years.

Manchester is widely recognised as being in the top tier of international cities for higher education, with a rich provision of research excellence and innovation that is helping to drive the economy and generate jobs and growth. The University of Manchester is a member of the prestigious Russell Group of education institutions and is ranked 6th in the United Kingdom and 33rd in world. The University has 40,250 students studying at undergraduate or postgraduate level⁵², 29% of which are overseas students. In 2019, the total research income of the University was £391million⁵³. Over 12,800 members of staff are employed by the University.

Key to Manchester's ambition of developing a world class education hub is the City's ability to attract students in a highly competitive global environment.

Manchester has one of the largest student populations in Europe, with over 74,000 students enrolled at one of the City's three HEI's in 2017-18. In UK terms, Manchester's total student population is the largest concentration outside London⁵⁴.

The resident student population makes a significant contribution to the City's identity, culture, vibrancy and economy. The quality of Manchester's graduates is a critical component in the City's ability to attract high quality businesses from around the world who in turn generate high-value jobs for its residents.

An increasing proportion of Manchester's student population is from overseas. In 2017-18 over 16,000 students originated from EU and non-EU countries (China, Malaysia, India and Saudi

Arabia in particular). These figures represent a 24.7% increase in the period since 2012/13. The total international student population in Manchester is currently estimated to be c. 17,000⁵⁵.

Manchester has also experienced significant growth in the number of post-graduate students; increasing by 23% in the period 2012/13 – 2017/18 at the UoM which is reflective of the institute's increased focus upon research. Overall, post-graduate students now account for 26% (7,675) of the total student population at UoM. The number of post-graduates also increased at MMU in the same period (+39%)⁵⁶ to 3,230.

Supply

The increased number of students in Manchester (particularly from overseas and post-graduates) together with rising expectations regarding quality of provision and value for money is driving demand for the provision of purpose-built student accommodation (PBSA) in the city centre and other locations which offer convenient access to the University campuses.

PBSA offers an all inclusive lifestyle for students with buildings managed and maintained 24/7 and a choice of accommodation available (including studios and shared flats). PBSA also often offers communal study areas, amenity spaces for socialising and a programme of activities to support the health and wellbeing of residents. PBSA can also help to reduce the number of students choosing to live in traditional residential housing in the suburbs.

Over 80% of students consider the location of their accommodation to be a key factor in their happiness at University⁵⁷.

Overall, there are approximately 6,000 students living in the city centre (in postcodes M1-M4), of which two thirds are from non-European countries. In comparison, c.1,800 PBSA bed spaces have been delivered in the city centre since 2010/11⁵⁸. This means that, for many students who have a preference to live centrally, the mainstream residential market is the principal option.

The occupation of mainstream residential properties in the city centre by students gives rise to a number of strategic issues such as:

- An increased level of competition for city centre stock which is inflating rents with the consequence that some working households are unable to access the city centre housing market (particularly younger adults and those earning the average salary for a full time worker in the North West).

- The City Council experiencing reduced levels of Council Tax income as students in mainstream properties are generally exempt from paying Council Tax⁵⁹.

As Manchester's international reputation continues to grow it is likely that the proportion of international students will continue to rise, as will demand for high quality centrally located accommodation.

Manchester is structurally undersupplied with PBSA⁶⁰ at the present time. There is currently demand for 49,785 PBSA bed spaces in Manchester and a supply of 27,086. Whilst there are a small number of schemes within the development pipeline (either under construction or with planning permission) it is estimated that an additional 2,484 bed spaces need to be delivered in the period to 2023 if the number of students living in mainstream residential accommodation are to be reduced by 1,500 in the same period and growth in student numbers more generally is to be met.

An increased level of PBSA provision would help to release mainstream accommodation to working households and could help stabilise rental growth.

It could also help address issues of quality, affordability and value for money within the PBSA market itself, as described overleaf.



2,484 bed spaces needed

An additional 2,484 bed spaces need to be delivered in the period to 2023 if the number of students living in residential accommodation are to be reduced by 1500 over the same period



74,000+ students

Manchester has one of the largest student populations in Europe, with over 74,000 students enrolled at one of the City's three HEIs in 2017-18

Quality

Within the PBSA market, Manchester has a higher proportion of lower quality rooms than the national average (36% v 31%) and a lower proportion of higher quality rooms (20% v 27%)⁴¹.

This is reflective of the fact approximately 42% of private sector beds are over 15 years old and 75% of University stock is over 20 years old⁴².

Of the 19 University owned schemes only two have been redeveloped or refurbished in the last three years. Similarly, only ten of the 55 privately operated PBSA schemes have been constructed or refurbished in the last ten years⁴³. Demand for this accommodation remains high however, given the lack of alternative provision within the private sector.

Manchester also has a higher than national average level of standard accommodation (i.e. non ensuite bathrooms) and a lower proportion of en-suite accommodation (53% v 58%). The proportion of studio apartments in the City is also less than the national average (9% v 13%)⁴⁴.

Whilst Manchester continues to be highly attractive to prospective students because of the quality of education offered by the Universities, its cultural attractions and future employment prospects, the qualitative deficiencies in the City's student accommodation offer will potentially act as disincentive to students in the medium-long term unless addressed through a refreshed pipeline of development.

Over 57% of students research their accommodation choices prior to selecting their final university and the quality of student accommodation is increasingly being recognised as being critically important to student wellbeing and mental health with students placing an increased emphasis on the quality and usability of social and amenity spaces, organized events and pastoral care.

Summary

In summary the number of students in Manchester is growing and will continue to do so in the short-medium term. Growth is particularly apparent amongst post-graduates and international students who display a clear preference for PBSA accommodation in locations close to the city centre and University campuses.

Accommodation in peripheral locations is becoming increasingly unpopular (particularly where such accommodation is dated and poorly related to services and amenities).

A significant number of students are continuing to occupy mainstream residential housing both in suburban and city centre locations due to the unavailability of suitable product (either in terms of quality, location or price point). This is giving rise to increased competition with working households and rental inflation. Such pressure is likely to continue unless the supply of PBSA is increased.



49,785 PBSA demand

There is currently demand for 49,785 PBSA bedspaces in Manchester and a supply of 27,086



42%

of private sector beds are over 15 years old and 75% of University stock is over 20 years old



Over 57%

of students research their accommodation choices prior to selecting their final university and the quality of student accommodation is increasingly being recognised as being critically important to students



How the Development Framework Responds:

The Development Framework will facilitate:

- The relocation of over 890 PBSA bed spaces from iQ's accommodation within Victoria Park to the city centre;
- Redevelopment of Weston Hall, an existing PBSA site within the city centre / Oxford Road Corridor; a preferred location for students, particularly those from overseas;
- The delivery of around 1,134 additional PBSA bed spaces within Manchester at a variety of price points; addressing issues associated with structural undersupply / affordability of accommodation in the City;
- A significant uplift in the quality of accommodation offered at the Weston Hall / Pendulum Hotel site compared to that currently offered at that site and in Victoria Park;
- A stronger contribution to the ability of the City's Higher Education Institutions to attract the very best student talent from around the world;
- The delivery of energy efficient, net zero carbon accommodation in sustainable locations within the city centre close to University campuses, social/ cultural amenities and public transport facilities.