UK STUDENT HOUSING UPDATE

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"The Augar Review has the potential to throw-up new challenges for some universities and, while the latest figures suggest that 'Brexit' has not deterred overseas applicants, future demand is contingent on decisions surrounding the UK's relationship with the EU. The medium and long-term picture however, remains bright, underpinned by positive demographics and the recently announced International Education Strategy."

A POSITIVE LONG-TERM OUTLOOK FOR STUDENT NUMBERS IN THE UK

Demand from international students remains strong despite uncertainty, while changing demographic trends should strengthen domestic demand.

More than 560,000 students applied to start a full-time undergraduate course at UK universities for the 2019/20 academic year, according to the latest applications data from UCAS. This was nearly 2,500 more applications than at the same point last year and the first year-on-year increase in applications in three years.

Understanding changing trends relating to applications and acceptances is of vital importance for accommodation providers and the purpose built student accommodation sector as it has implications for current and future student demand.

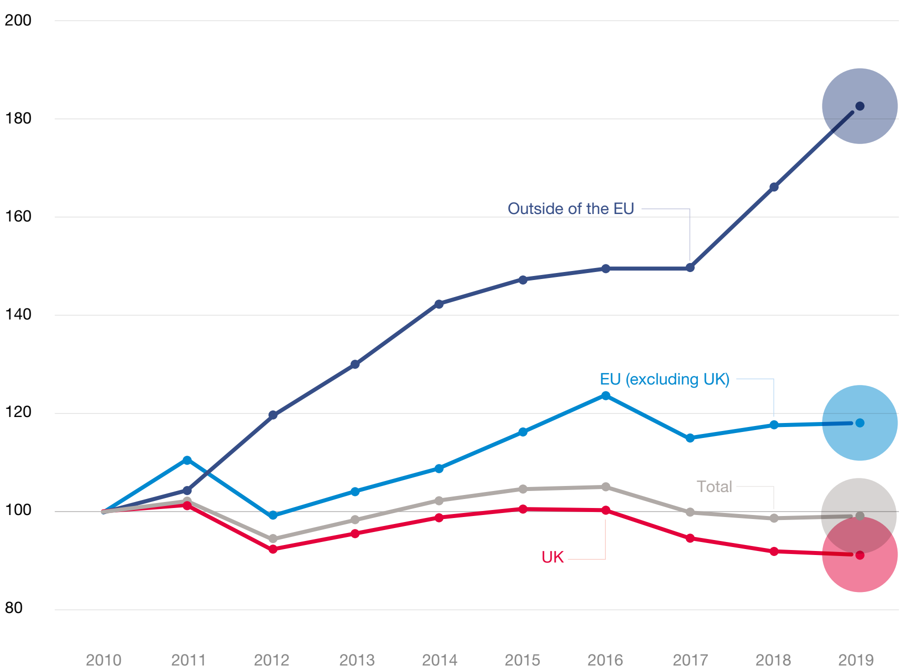
A rise in applications for the 2019/20 academic year was driven by a record number of applicants from outside of the UK, which climbed 5.7% on 2018 levels.

International student numbers increased in spite of the heightened level of political uncertainty surrounding Brexit, highlighting the ongoing global appeal of UK higher education. Overall, nearly a fifth (19.2%) of all applicants were from outside the UK.

Of particular note was a 33.3% year-on-year rise in prospective Chinese students – from 11,915 to 15,880. This follows an increase of 20.6% last year, and brings Chinese applicant numbers to nearly the same level as those from Wales and Northern Ireland (18,855 and 17,910 respectively).

Also noteworthy was a 1% increase in applications from within the European Union. Future demand from EU students will be contingent on key policy decisions on fees, financial support and immigration rules.

FIGURE 1
Applications to UK universities by domicile
Indexed, 100 = 2010 (data for 2019 at January deadline)



Source: Knight Frank Research/UCAS

International Education Strategy

The UK government's commitment to increasing international student numbers and income generated from international education is a major step forward.

The aim of the International Education Strategy, released by the government in March, is to increase international student numbers in the UK by more than 30% to 600,000 by 2030, and generate £35 billion through education exports – which include money earned through tuition fees and British schools with campuses in other countries – a rise of 75% from current levels.

The UK now boasts 11 of the world's top 100 universities, and these act as a draw to the increasingly mobile global student body. Indeed, the number of international students – those leaving their country of residence to study elsewhere - is projected to increase to 8 million by 2025, from 5 million today, according to the OECD.

Applications from UK students were fairly static compared with the previous year, falling back by less than 1%. However, this is against a backdrop of an almost 2% fall in the UK's 18 year old population. Proportionally, however, 38.2% of 18-year olds in the UK applied for a full time undergraduate course, the highest ever, beating last year's record.

It is expected that growth in student numbers will be maintained over the longer-term, with Knight Frank analysis of ONS population projections, along with entry rates from UCAS, pointing to a 15% increase in full-time undergraduate numbers between now and 2030. This would represent an increase of 220,000 students.

Increasing acceptance rates have been supported by a lifting of the cap on student places at publicly-funded institutions in England since 2015, a policy which has provided institutions with greater flexibility in managing acceptances and controlling the number and distribution of places across different faculties.

Many universities for example, have now made participation in the 'Clearing' process, which matches applicants to university places that are yet to be filled, and unconditional offers a standard part of their admissions cycle. UCAS analysis shows that one-third of applicants from England, Northern Ireland and Wales aged 18 received an unconditional offer in 2018, whilst all universities, even those with the highest tariffs (those offering courses requiring higher grades), took part in 'Clearing'.

The Augar Review of tuition fees and university funding, due to conclude this year, may result in changes to policy, though the bulk of recommendations are expected to focus on reducing tuition fees. The implications of any change will vary, with lower tariff universities generally more reliant on fees as income than higher tariff institutions.

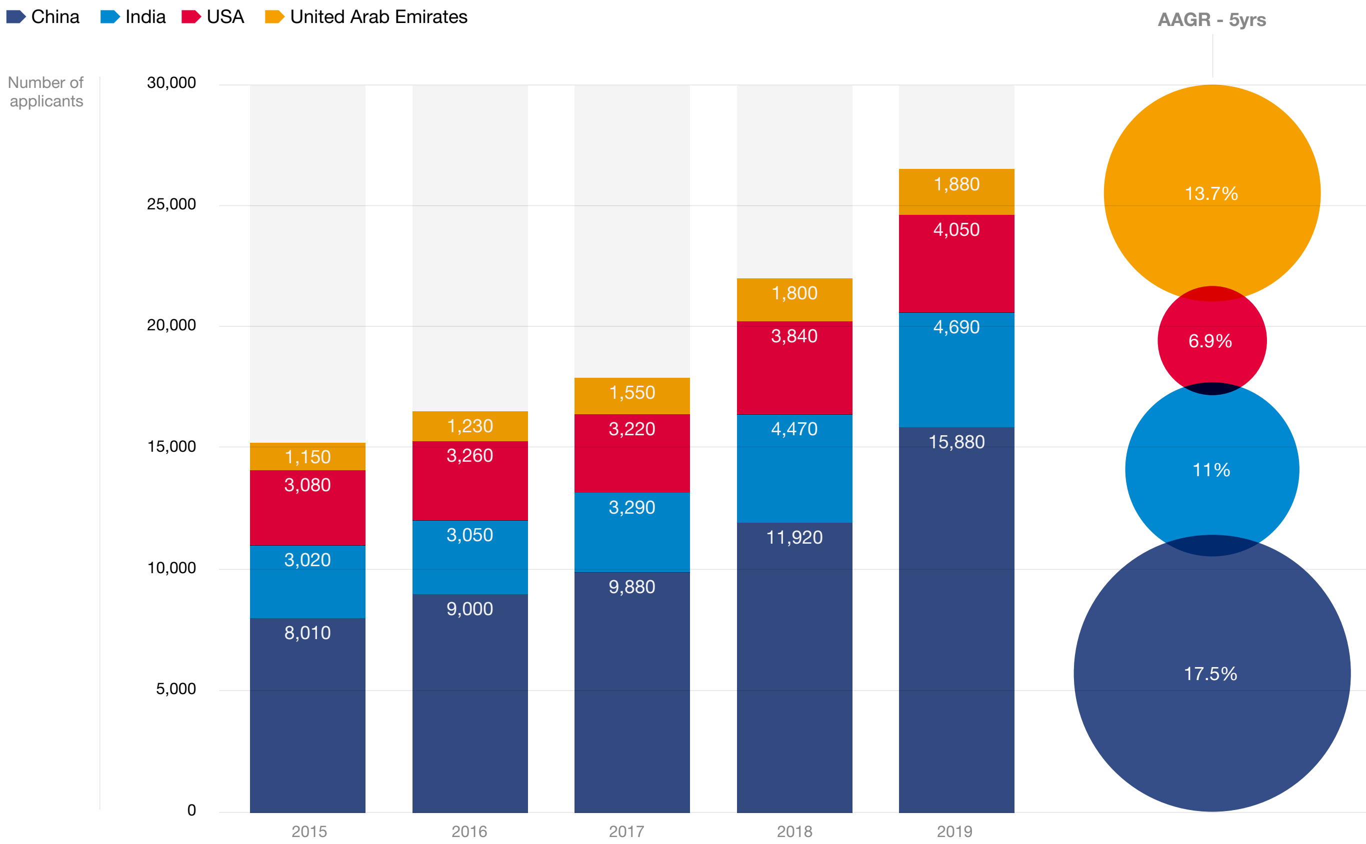
This could compound the already stark differences in demand for places across different groups and tiers of universities.

Indeed, data from HESA indicates that while overall student numbers at lower tier universities have remained flat since 2012, higher tariff universities have seen their numbers grow by 18% as students prioritise access to the highest quality courses available to them.

Lower tariff institutions within multi-university cities have been able to buck this trend, with larger, more populous student locations such as Leicester and Coventry maintaining their strong appeal. However, as the number of individuals turning 18 increases from 2021 onwards, lower tariff universities may have to work harder to attract a share of a potential increase in student numbers.

This is especially relevant given the catchments of lower tariff universities tend to be narrower. The University of Salford, for example attracted 50% of full-time undergraduate students from within Greater Manchester in 2017/18. The equivalent figure for the University of Manchester was 17%.

FIGURE 2
International applicants at UK universities by country



Source: Knight Frank Research/UCAS

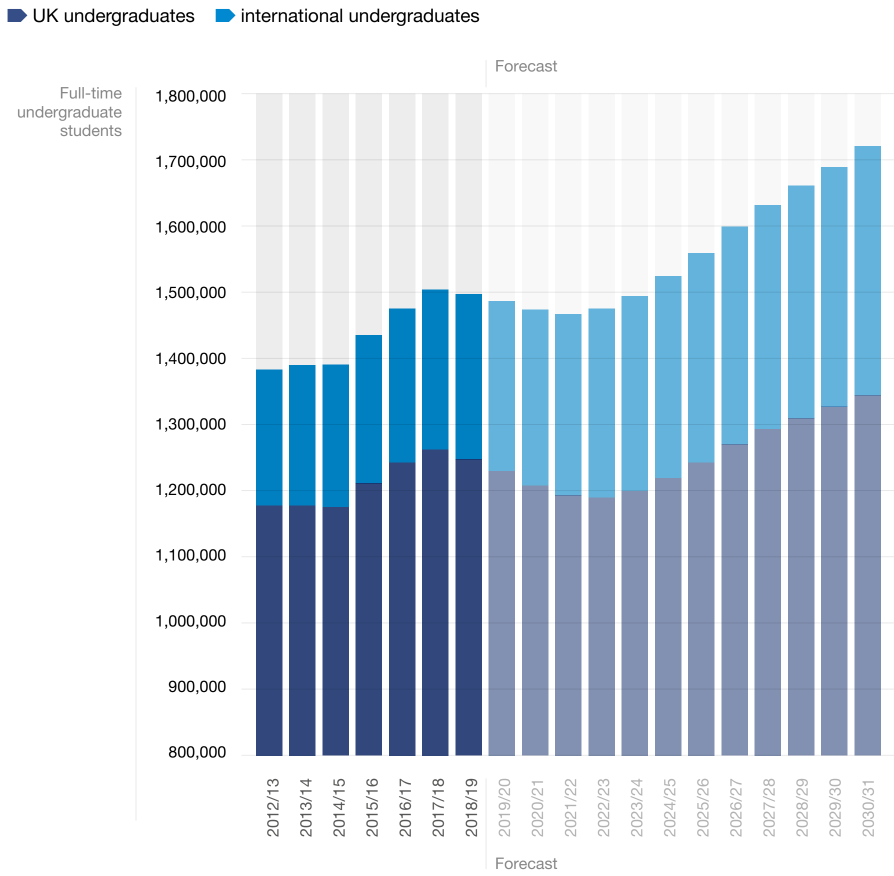
Postgraduate rise

Demographic trends suggest that overall UK-domiciled undergraduate numbers are expected to remain flat until the 2021/22 academic cycle. However, the number of first-year students who are undertaking post-graduate courses increased in 2017/18, the third consecutive year they have risen.

Post-graduate numbers rose by 6.2% year-on-year with the number of post-graduate students currently enrolled on a university course in the UK at the highest level on record, according to data from HESA. Growth last year builds on the increases seen in the 2015/16 and 2016/17 cycles.

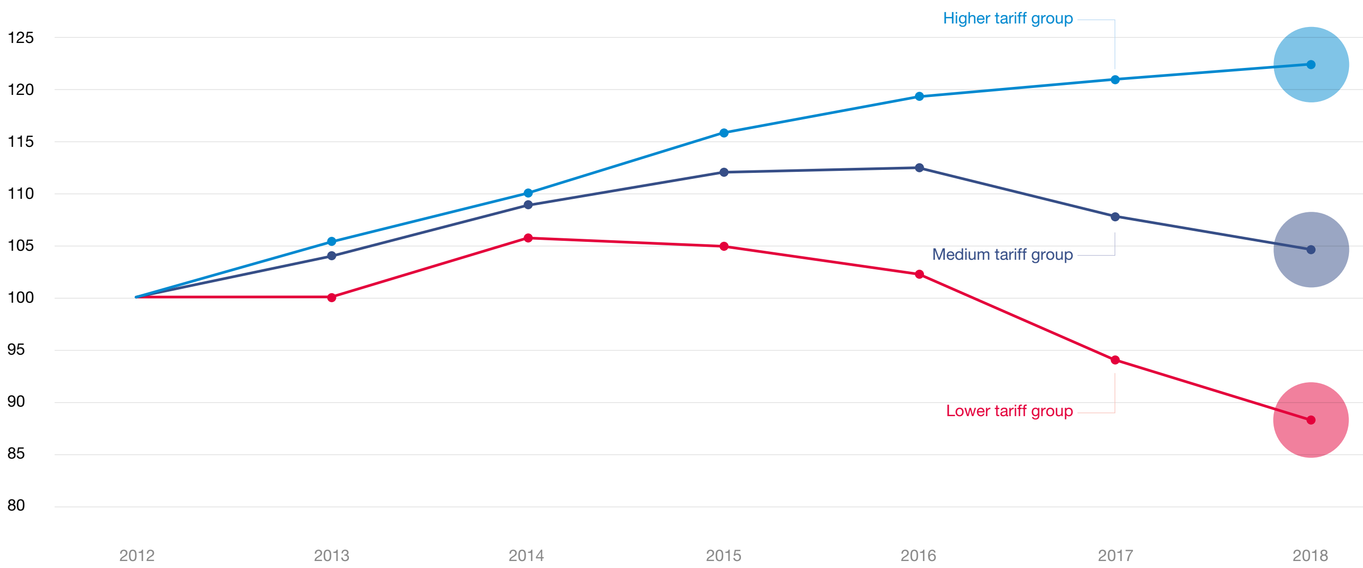
This coincides with the introduction of post-graduate loans for those students from England studying a master's course. Importantly, this level of growth is apparent in both higher and the lower tariff groups of universities.

FIGURE 3
A projection of full-time UK undergraduates



Source: Knight Frank Research, ONS, UCAS, HESA

FIGURE 4
Applications for full-time undergraduate courses at UK universities
By tariff group. Indexed, 100 = 2010 (data for 2019 at January deadline)



Source: Knight Frank Research/UCAS

Market Insight: UCAS

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Clearing continues to be an important route into higher education for students. For some universities this is also a crucial period of time for their recruitment.

It is also becoming a valid choice for an increasing number of students. In the 2018 cycle, UCAS data shows a rise of more than 3% in the number of individuals applying directly through Clearing rather than the main scheme process.

The demographic challenges facing universities are well known, but behind this are significant regional differences. In London, for example, the application rate of 18 year olds in 2019 stood at almost 50%, notably higher than in the North East, which was less than a third.

Though application rates of young people have increased in each region this year, the varied picture across the country together with changes in type of course and provider that students are applying to, mean there are challenging circumstances for some institutions. Admissions and marketing are becoming ever closer, enabling universities to be more proactive in the fast moving market.

Where places remain open following the main application process, Clearing then represents a time when many universities need to secure more applicants to achieve recruitment targets.

UCAS has seen Clearing accelerate with greater numbers of applicants placed in the days immediately following A-level results day. This has coincided with increased expenditure by universities on marketing.

Clearing will continue to be a crucial recruitment channel as more students choose to apply later in the cycle than before. Student accommodation providers will need to respond to the changing behaviour of new students and plan accordingly.

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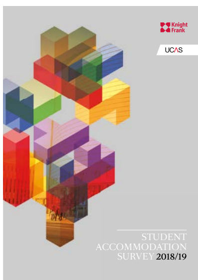

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