

UK Cities DNA



Stemming the flow: The role of housing in reversing regional brain drain

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The eighth of twelve insight papers in our UK Cities DNA initiative – putting real estate supply and demand in the context of the economic direction of travel.

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Housing the brain drain

- London has historically been a net exporter of students, whilst large regional cities such as Manchester, Leeds and Birmingham are net importers. This trend typically reverses upon graduation.
- Graduates want affordable homes in great locations, close to work and entertainment. Student accommodation has improved and professionalised over the last decade. Graduates want more of the same.
- Some 60% of final year students who plan to move into a rented property post-graduation indicated that they would consider living in a purpose-built development.
- There are 59,000 BTR homes under construction, and 102,000 with full planning permission granted. Nearly two thirds of BTR homes in the pipeline are located outside of London, led by Birmingham, Manchester, Leeds and Edinburgh.

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SHOULD I STAY OR SHOULD I GO?

Economic, social, geographical and employment factors all contribute to whether graduates decide to live and work in their chosen university towns post-study. Retention rates differ significantly among cities throughout the UK, yet there is a unanimous acknowledgement of the long-term economic benefits that retaining talent provides to each city. In the future, retaining talent will take on even greater importance in the context of the industrial, organisational and economic shifts underway across the major UK towns and cities, as explored in *Insight Papers Six* and *seven*. Consequently, devising and

implementing strategies that foster an appealing environment for skilled students to remain should be priority for local authority leaders and policymakers.

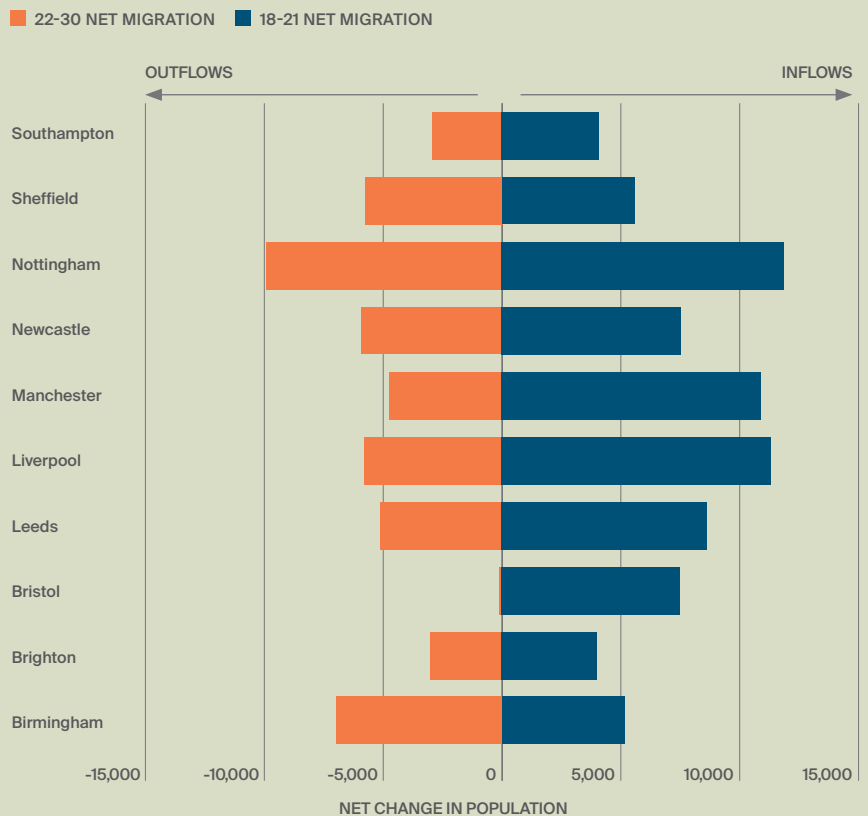
For the immediate term, though, students moving from one location to another before and after their studies continue to make up a large share of domestic migration in the UK.

LONDON CALLING

London has historically been a net exporter of students, whilst the largest regional cities such as Manchester, Leeds and Birmingham are net importers. This trend typically reverses upon graduation.

Fig 1: Large cities see net outflows of young professionals

Net change in domestic migration, 2022



Source: ONS

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Indeed, it is often reported, sometimes incorrectly, that the UK regional towns and cities experience a consistent “brain drain” of graduates to London. The magnetism of London to recent university leavers seeking postgraduate employment opportunities should come as no surprise, particularly given the extensive presence of large multinational firms that offer annual graduate intake schemes.

Breaking this migration down by age demonstrates this pattern. London experiences a large inflow of people aged 22-30, and an outflow of people aged 31 and older. Meanwhile, other large cities such as Manchester and Birmingham experience a significant inflow of people aged 18-21 – typically students – but then see outflows of people aged 22 and above.

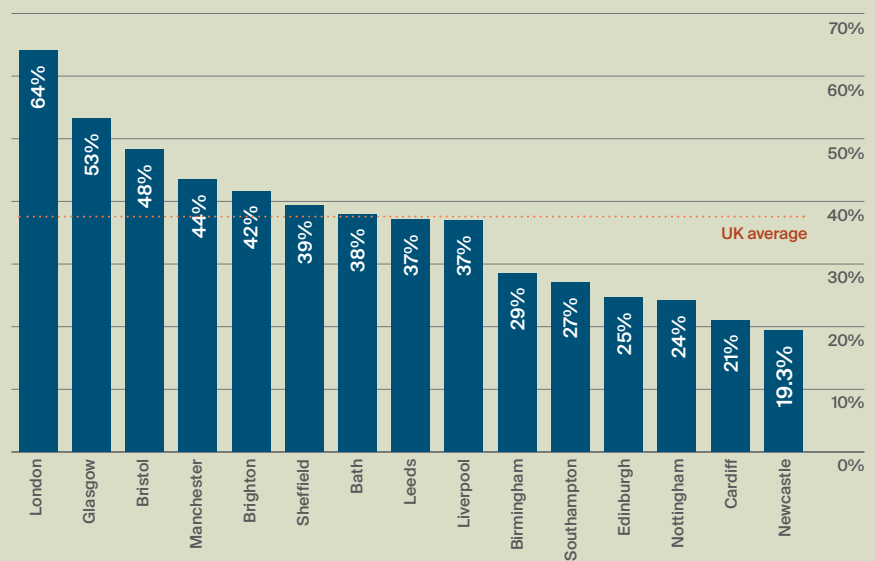
POST GRADUATION PREFERENCES

Knight Frank research into *student accommodation preferences*, conducted in partnership with UCAS, confirms this trend, with 64% of final-year students in London saying they intended to remain in the city after graduation. This figure is comfortably higher than the UK-wide average of 38% and notably above Glasgow (53%), Bristol (48%) and Manchester (44%) as the next highest-scoring regional locations.

Given the critical role that skilled individuals play in the economic development of UK cities, city leaders need to gain a deeper understanding of the migration patterns of students and graduates. This knowledge is crucial in comprehending their decisions to move to or from specific locations and shaping policy to mitigate.

Fig 2: Graduate retention by city

% of respondents indicating they will stay in the city in which they study after graduation



Source: Knight Frank/UCAS Student Accommodation Survey

Indeed, many initiatives are already in place nationwide to help drive graduate retention. Examples include setting specific graduate retention targets, creating graduate intern schemes and offering wage subsidies to businesses that hire new graduates – however, these are predominantly employment-focused.

THE ROLE OF HOUSING IN RETAINING TALENT

While access to good jobs is undoubtedly a key driver for graduates, other critical factors are at play too, with access to suitable housing high on that list. Graduates want affordable homes in great locations, close to work and entertainment. Student accommodation has improved significantly and professionalised over

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Tenure is critical in this regard. Knight Frank’s survey with UCAS indicates that – regardless of where students were moving to – more than half (51%) of final year students, equating to just shy of 470,000 individuals, plan to move directly into a property in the private rented sector following graduation. For London, that means over 70,000 graduates could be looking for accommodation. The numbers in the regional UK cities are lower but still significant – approximately 16,050 in Birmingham, around 14,500 in Leeds, 12,800 in Bristol, over 16,100 in Manchester, and almost 14,000 in Edinburgh.

COST VS VALUE

Affordability pressures are a significant challenge for graduates, who often find themselves needing to share housing costs through ‘house share’ arrangements with other graduates and young professionals. This trend is driven by the high cost of living and renting in many urban areas, which can be particularly prohibitive for those just starting their careers. Consequently, this reliance on shared living situations can exacerbate the demand for housing, putting excessive strain on the existing housing stock.

“Of the final-year students who said they would be moving into a rented property post-graduation, 60% indicated that they would consider living in a purpose-built development.”

Indeed, after experiencing the benefits of living in the professionally managed, service-oriented accommodation that PBSA offers, graduates are now keen to replicate this experience post-study. In fact, of the final-year students who said they would be moving into a rented property post-graduation, 60% indicated that they would consider living in a purpose-built development, according to Knight Frank’s work with UCAS.

BUILDING AND RETAINING TALENT TO DRIVE GROWTH

Retaining talent in a city builds human capital, and the increasing knowledge and skills held in a city will all be strongly linked to regional growth. Universities are integral to the economic fabric of any city, but the accommodation the students stay in while attending university and post-graduation play a huge role in how their experience in the city is perceived.

Each student generation demands more from their accommodation, and preferences are becoming ever more sophisticated. Second- and third-year retention in PBSA is also increasing, with some 67% of first-year students living in private PBSA responding to our latest survey with UCAS saying they would recommend their accommodation to other students.

For most, it is at graduation that the journey into high-quality and purpose-designed rental accommodation ends. However, with the right design, this trajectory can be extended post-study by delivering additional and more diverse Build to Rent (BTR) accommodation. Co-living, for example, is a crucial component of this – given the affordability that this sector can offer.

Existing BTR schemes benefit by being in central locations with excellent transport links and are fundamentally social places to live. They also come with gyms and co-working spaces, amenities that save graduates money on memberships, and are also energy efficient, saving residents money on bills, too.

In total, there are more than 122,000 complete and operational BTR homes across the UK, with this number having surpassed 100,000 earlier this year. A further 59,000 are under construction and 102,000 have full planning permission granted,

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complete and operational BTR homes across the UK

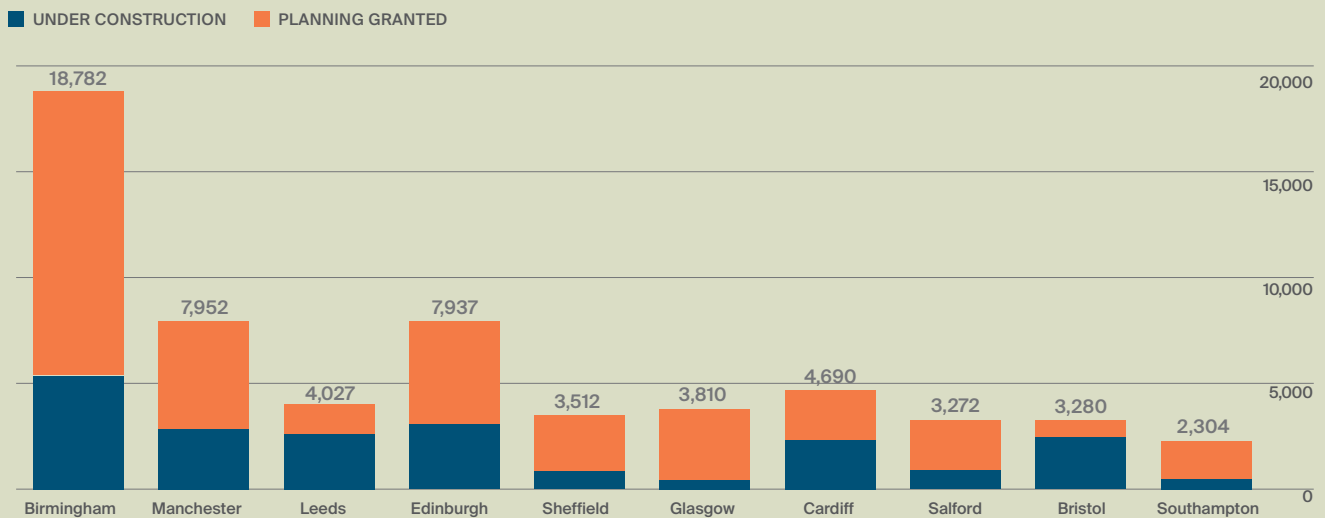
taking the total size of the sector to more than 280,000 homes. Around two thirds of BTR homes in the pipeline are located outside London, with Birmingham, Manchester, Leeds and Edinburgh demonstrating the highest concentration.

By providing the high-quality accommodation that graduates are becoming accustomed to, along with a defined career path and job opportunities, a city will fulfil two essential requirements for graduate retention. Residential investors and developers are integral components in supporting this.

Indeed, there is a significant untapped opportunity to ‘ramp up’ the delivery of co-living and BTR accommodation across the UK. This could be the key to permanently unlocking graduate retention. If designed and delivered correctly, this will become increasingly important in building human capital and creating an ecosystem to attract and retain talent in cities.

Fig 3: BTR supply picking up in regional cities

Number of units in the pipeline



Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Oliver Knight
Head of Residential
Development Research
oliver.knight@knightfrank.com



Katie O'Neill
Global Living
Sectors Research
katie.oneill@knightfrank.com



Matt Bowen
Head of Living
Sectors Research
matthew.bowen@knightfrank.com