

The Telegraph

Do student properties make a good investment?



A record 535,200 people took up higher education places through Ucas in 2016, which means the need for good student accommodation is more pressing than ever. Is this a business opportunity for landlords?

Landlords should forget what they were prepared to put up with as undergraduates 10 or 20 years ago.

Ensuites, Wi-Fi and flat-screen TVs come as standard in modern, purpose-built residences, and students also expect similar standards from private rented accommodation.

“Today’s students will be in debt up to their eyeballs when they graduate, but they often have more ready cash than their counterparts even just a decade ago – and they are more discerning and savvy than ever,” says James Davis, chief executive of the online estate agency Upad.

“From a landlord’s perspective, students represent a lucrative opportunity,” he adds. “Despite popular belief, they are the most reliable tenants as they often have their rent subsidised by student loans or with parents as guarantors.”

Students want well-modernised, clean, low-maintenance properties that are close to their university and social life

Davis adds that students are also “happy to fill up a six-bedroom house” – but buy-to-let (BTL) investors should beware of added regulations that surround houses of multiple occupation (HMOs).

Student lets come with the added benefits that they are arranged early – often up to six months in advance – which should minimise the risk of void periods.

Sally Fraser, of Stacks Property Search, says: “With students, landlords have a guaranteed market that is predictable whatever is happening in the economy.”

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In London, in particular, there is another tier of demand from so-called “silver-spoon students”, usually from overseas and seeking top-of-the-range, centrally located apartments.



Settee slickers: student numbers in London are rapidly growing CREDIT: GETTY

Penny Mosgrove, chief executive at Quintessentially Estates, says: “It is now more common for students of this type to live on their own or in pairs in new-build developments with concierges and gyms. Examples of this are on City Road, within walking distance of City, University of London, and new developments in Mile End and Bow, handy for Queen Mary.”

Student numbers in the capital are growing at 15 times the supply of rental property, according to Mr Davis – but high entry costs and low yields are a deterrent for all but the wealthiest investors.

Rob Bence, of The Property Hub, says: “Manchester has the biggest student population in Europe, so you know demand will outstrip supply.”

Sally Fraser, of property search firm Stacks, pinpoints Brighton for its good yields (5pc to 7.5pc.) “Student property is generally a sector that suits investors seeking high returns rather than strong capital growth. Many use a student portfolio to create income in retirement rather than rely on pensions.”

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For the highest yields, however, look north. At 6.6pc, the gross rental yield on two-bedroom properties in the North West is double the 3.3pc generated in central London – and the average sale price in the middle of the capital is £1.4m compared with £99,000 in Merseyside, according to OnTheMarket.com.

The firm’s chief executive Ian Springett says: “Buy-to-let investors who focus on northern cities will benefit from the large student populations who attend well-established universities and a low point of entry to market in terms of capital.”

As tax relief on mortgage interest is phased out from April 2017 and investors increasingly buy without leverage – Savills estimates that only a third of existing stock in the private rented sector is subject to a buy-to-let mortgage – such low-entry-price, high-yielding opportunities will become increasingly sought-after.

An alternative is to invest in purpose-built student accommodation, a model highlighted in PwC’s new Emerging Trends in Real Estate Europe report.

“Investors in new schemes such as X1 The Campus in Salford see net yields of 6pc to 7pc and students experience a standard of living that would have been unimaginable a few years ago,” says Jean Liggett, of the buying agency Properties of the World.

For landlords in this sector – like students themselves – success will depend on doing their homework.

To read more, please visit: <https://www.telegraph.co.uk/property/landlord-guide/renting-to-students/>