



ULTIMATE GUIDE TO
INVESTING
IN STUDENT
ACCOMMODATION

IN ASSOCIATION WITH

UNIVERSITY
BUSINESS

Ultimate Guide to Investing in Student Property 2019

Are you thinking of investing in student accommodation for 2019?

With the growth of international students coming to study in the UK, and rise in UK nationals signing up for further education, investing in student property is on the rise up 17% according to Savills. And investing in student property is proving a wise move for many landlords due to the low demands from students who are more interested in location and number of rooms than fancy up kept homes. This along with the right location will lower the risk of your student property investment being left unoccupied, making it a secure income & investment for landlords.

If you are thinking of joining those benefiting, or questioning if student accommodation is a good investment, follow our ultimate guide to investing in student property in 2019

1 Selecting your type of Student Property

As a student property landlord you have two main options to consider when investing in UK property. These are purpose-built student accommodation (PBSA) and houses of multiple occupation (HMOs).

There are currently 177,000 HMO's in England, and if you are new to this type of investment, you need to budget for a license. This is a requirement introduced by the UK government to regulate HMOs regarding student accommodation. All student landlords must pay for a licence if occupancy is above 5 persons in two or more separate households, regardless of the number of storeys the property has.

These changes are predicted to slow the number of investments for HMO's and push potential landlords towards a PBSA. Purpose Built Student Accommodation will be offered in two variations: cluster flats or studio apartments.

The best investments for PBSA investments come from going directly to PBSA providers that select a mix of both for you depending on the location and market at time of purchase, to ensure your best returns.

2 Choosing a student housing investment partner

It makes sense to choose an investment partner that specialises in student accommodation because their understanding of demand is useful when finding property that aligns with your own personal objectives as an investor.

Some landlords carry high ethics in regard to living wellbeing and environment, whilst others care hugely about sustainability and the eco friendliness of the build. It is important to consider where you stand ethically and what your values are before selecting a PBSA provider.

Space in the building for facilities such as good kitchens, common rooms, convenience shops and even luxuries like gyms can be an attractive pull to students, so considering the other features of the accommodation could make a difference to the demand of your investment and must also be researched.

Ask your PBSA provider for feedback insight from the students that have lived in their accommodation to gauge how much they research into student demand and needs.

By doing this you can ensure that you lower the risk to yourself by having your property let successfully every year.

3 Recent market growth and foreign investments

Student property is a very profitable asset class giving robust returns: according to a report by Savills, investment in student accommodation is forecast to rise by 17% this year. An increase in investment from last year to £5.3bn in purpose-built student housing is expected.

There has been a large increase in the market share of foreign investment to 65% last year which is higher than in previous years. Singapore are leading the flood of investment with firms such as Mapletree and GIC, spending a combined £1.2bn on UK student housing in 2016. James Hanmer of Savills said student housing is a favourite investment in Asia as the “UK higher education is tangible for them and they can get their head around it easily”.

According to UCAS figures, EU students represent only 6% of all full-time students in the UK, and therefore even in case of a harsh Brexit, there would still be a stable demand from UK students and other internationals

4 Increase in overseas students needing accommodation

The big issue on everyone's minds is what the Brexit decision and the slow withdrawal of the UK from Europe will mean for the demand for University spaces and the number of UCAS applications. Despite the general level of uncertainty caused by the Brexit vote, the numbers of overseas students moving to UK universities to take advantage of the premium level education on offer and the favourable exchange rate is expected to increase further. In fact, according to research from Universities UK International, 91% of international higher education students across all levels were satisfied with their university experience in the UK, so it comes to no surprise that the UK has experienced a 2.2% rise in applications from overseas students outside of the EU since 2016. According to UCAS figures, EU students represent only 6% of all full-time students in the UK, and therefore even in case of a harsh Brexit, there would still be a stable demand from UK students and other internationals limiting the impact on student numbers.

5 Good returns on buy-to-let student property

If you are looking at buy-to-let in university towns you are moving in the right direction, however you must look at the locations that give the best returns as some are better than others.

Thousands of students attend university in the UK and with 564,190 people applying to UK higher education courses for the 2017 cycle, most are in need of accommodation. This consequently raises demand and depending on the area, the rental price can start on average at £126 a week to £180 a week in locations such as Guilford, providing good returns.

Strong demand for properties in university towns combined with a letting period of around 1 year, means that landlords don't have to stress about finding new occupants. Simple Landlords Insurance published a league table stating which university towns will deliver the greatest returns. The university town where the future King of England studied, St Andrews, has ranked top in the listing. A large 6 bedroom house can be purchased for around £300,000 and with each tenant paying on average £600 a month, annual returns in this case are £36,000- a 12% annum return. Lancaster, Loughborough and Birmingham follow in the top 5 places to buy-to-let. Lowest return on investment has been found in Oxford, where properties on Iffley Road mainly occupied by students, on average cost £720,000 which offers a poorer 3.3% annum return in comparison.

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When aiming to achieve these high yields, you must look into the standards desired by students who are willing to pay within the price bracket of approximately £600 a month. For instance, they require multiple plug points, high quality furnishings and overall clean and well-equipped finish. Modern facilities are increasingly important, and they must meet all required structural work to comply with housing, health & safety standards. These include securely fitted fire alarms and having smart meters installed.

6 Pitfalls of investing in student housing

If you are considering investing in student accommodation, there are some risks associated that need to be taken in consideration.

Student rooms, otherwise known as student pods, represent a good opportunity for landlords with smaller budgets looking to climb up the student property ladder and receive guaranteed rent. However, a major disadvantage of student rooms is their resale value and capital growth potential.

With a buy-to-let, the property can be sold at any time on the open market through a reputable estate agent and expect a reasonable capital appreciation. According to The Mistoria Group, a leading student property investment specialist, selling a student room will not be as easy as “the value of property will fluctuate with the market and therefore the probability of finding potential investors is smaller than for other types of student accommodation, such as HMOs and flats”.

If you are a landlord thinking to invest into student accommodation and expand your existing portfolio, it is essential that you ensure it is managed effectively!

Arthur property management software enables property managers to do just that, by giving them control over all aspects of their portfolio from their desktop, tablet or mobile phone. Our app brings landlords, tenants, contractors, agents and owners together in a single user interface, which makes managing easy from wherever you are in the world at any time. Arthur is guaranteed to help you get your property portfolio in order, no matter what size...