

Faced with the rising costs of university, many families are turning to the property market as a means of offsetting the financial blow. Flats and houses in university towns can produce a healthy yield (typically between 6-10%) while providing somewhere for their child to live while they're studying - and a source of income when they graduate. "Student property has continued to be one of the most resilient investment sectors in the UK during the economic downturn," explains Stuart Law from property investment specialist Assetz. "Most rental incomes and property values are either stable or increasing."

Why invest in university accommodation?

University accommodation has several potential capital drivers: rent increases, rising house prices, and yield compression and typical rents are significantly higher than a comparable buy-to-let in the same city. Student property is a safe long-term investment, according to Charlie Vaughan-Lee who founded Student Cribs, www.student-cribs.com, a student letting, management and investment service. He has personal experience of being a student landlord; with help from his parents he bought a five-bedroom house in Clifton, Bristol for £310,000 in 2002 when he was a studying at Bristol University. The property is now worth approximately £500,000 and commands a 6.5% annual yield. There are other benefits to investing in the student property market: the house or apartment is tenanted

for almost all of the year and you typically know seven months in advance that your property has been let for the next academic year. If you're a pure investor, rather than a live-in landlord, there need only be two outgoings: mortgage and management fee. Meanwhile parents who put a house into their child's name, and act as a guarantor on the mortgage, may secure a better deal than a buy-to-let. A house in a child's name can also allow them to benefit from tax advantages, if the house is their primary residence. Any increase in the property's value will be free of Capital Gains Tax, provided the child lives there alone or perhaps rents out one room to a friend, although if the property is in multiple occupation, the "owner

child' will not get the full CGT relief. If you don't want to give your child complete control of the house, setting up a trust may be a way round the problem.

Factors to consider

University accommodation should be viewed as a long-term investment, according to Vaughan-Lee. "The two to three years that your child will live there during university is not usually long enough to generate a strong return," he says. "And you should view it as an income-driven investment - if you make any capital that is a bonus."

Where should I buy a student home?

Towns and cities with more than one university and a high proportion of students living off campus provide the safest student property investments. It's also crucial that a property is located within the student catchment zone of the particular town - areas such as Jericho and St Clements in Oxford, Jesmond in Newcastle and Pennsylvania in Exeter. Given that certain university towns command higher yields than others, pure

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Stable property values and rental incomes makes investing in university accommodation great financial sense, writes **Anna Tyzack**

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Renting a property to students means a guaranteed tenancy for a year

Today's students are savvy customers and properties need to be kept in good condition



investors who have no intention of living in the property themselves stand to make the most money as they invest where the highest yields are.

What type of property should I buy?

While the purpose-built managed accommodation blocks springing up in many university towns can prove to be a hassle-free investment for pure investors, live-in landlords might find them too institutional. The majority of Charlie Vaughan-Lee's clients are seeking to rent private residential accommodation with a group of friends, within the "student" area of town. "We often find students



becoming quite house proud," he says. "Many are choosing to live more like young professionals than *The Young Ones*."

If you're renting your property to five or more non-family members, and it is three storeys or more, it will need to hold a House in Multiple Occupation licence. These can be difficult to obtain so it's easiest to invest in a house which already has one. For more information see www.hmo.org.uk It's also best to buy a freehold rather than a leasehold property to ensure you are in control of any major costs such as re-roofing.

Simon Tyrrell who oversees the student letting division of Finders Keepers in Oxford www.finderskeepers.co.uk, advises parent buyers to avoid the very large student homes of six-plus bedrooms. "HMO licensing can be even more complex with these properties and maintenance sometimes experiences a reverse of 'economies of scale,'" he says.

Many students are choosing to live more like young professionals than *The Young Ones*

City	Avg Rent	Max Gross Yield
Leeds	£71.00	13.4%
Nottingham	£71.00	12.0%
Cirencester	£83.00	11.1%
Manchester	£67.00	10.7%
Loughborough	£65.00	10.6%
York	£70.00	10.6%
Durham	£75.00	10.3%
Sheffield	£67.00	9.9%
Birmingham	£62.00	9.9%
Bournemouth	£73.00	9.7%
Liverpool	£57.00	9.5%
Portsmouth	£80.00	9.3%
Hull	£57.00	8.9%
Brighton	£79.00	8.9%
Newcastle	£76.00	8.5%
Southampton	£65.00	8.4%
Cardiff	£60.00	8.4%
Norwich	£59.00	7.9%
Exeter	£93.00	7.7%
Oxford	£79.00	7.2%
Reading	£67.00	6.5%
Cambridge	£88.00	5.9%
Falmouth	£75.00	5.9%
Bristol	£73.00	5.4%

Student Cribs research - 2010

It doesn't tend to matter what your property looks like from the outside: the highest yields tend to be for less attractive homes which a landlord wouldn't choose to live in themselves. "For prettier student homes which could easily be sold as a family home in the future, prices are higher and so yields drop to 4-5%," Tyrell says. Inside though, you will need to have a separate bedroom per tenant, and a ratio of one bathroom for every two/three bedrooms.

Above all, parents should be aware of overpaying for university accommodation, warns Charlie Vaughan-Lee. "Estate agents can spot a parent buyer a mile off," he says.

The pros and cons of being a student landlord

There can be no shirking of responsibilities just because you're renting to students. "They're savvy customers," says Simon Tyrell. "And they hear about the best houses through word of mouth so you need to keep your property shipshape if you want your tenants to recommend it to their friends." Vaughan-Lee restored and managed his student property himself while he was a student, seeing it as a good opportunity to learn business skills. "I saved on rental costs and I had an immediate source of income when I graduated," he says. "Plus managing my own investment looked great on my CV and it ultimately inspired me to build a portfolio of 47 properties."

But Vaughan-Lee warns that the role of student landlord is not for the fainthearted, largely due to the conflict of interest in being a landlord and tenant. "Chasing rent from friends can be tough; when the boiler or dishwasher goes wrong you are responsible for sorting it out."

In some instances, parents manage the property on behalf of a child but this has its own pitfalls, according to Vaughan-Lee. "Parents tend to have different standards of tidiness and cleanliness to their student tenants," he says. "It's usually best if the owner and their family keep at arms length."

The most successful student landlords, according to Tyrell, tend to be those who decide to employ a managing agent as a go-between and who use the tenants' parents as a point of contact. ✍