

Student lets: high returns and low risk?

Student lets have one great benefit – high rental yields. Knight Frank declared student property the best performing property investment in 2012, with rental income rising by 5 per cent a year and returns averaging 11.5 per cent. In London, returns for student property rose in one year from 8.4 per cent to 15.1 per cent with students paying on average £210 a week for an ensuite bedroom.

Outside London, big university towns and cities including Nottingham, Derby and Liverpool are seeing low property prices and rising yields – the perfect combination for landlords to achieve strong profits, says Robin King, director at Move With Us.

Simon Thompson, who is the managing director of accommodationforstudents.com, says student lets are high-yielding, about 4 percentage points higher than the rest of the private lettings market, because you can fit more students in a property than you can professional tenants by turning spare reception rooms or box rooms into additional bedrooms.

Students tend to be less fussy than professional tenants, so older houses with lots of rooms are ideal. And provided you have researched fully the student market in your chosen town, finding tenants shouldn't be a problem. Gain a reputation as a good landlord in the student community and you'll see a constant supply of future lets.

Students are also unlikely to be the worst offenders for non-payment of rent. "There are systems in place that make rent collecting straightforward and students invariably come with guarantors in the shape of parents," says Sally Fraser from Stacks Property Search in Brighton. "They also have a fixed-term

Phil Spencer's tips

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LOOK FOR GROWTH
Many universities have big expansion plans, so I'd advise hunting around different university towns and investing in one where expansion is proposed as that will mean more students looking for rental properties.

THINK AHEAD
A property in a well-known student area will be worth less than a comparable property in a non-student area – unless you sell to another investor looking to cash in on student rents. The chance of that is quite high.

TOP OF THE MARKET
You'll have to pay top whack for a student property in Oxford, an eternally popular place to invest, but there is always a healthy investment market.



tenancy, often reserving in January or February to move in that September, and they will sometimes pay rent in advance, so landlords know where they stand," she adds.

As with any BTL investment, you need to choose your location carefully. Most university cities have a well-known student area – Headingley in Leeds, Edgbaston and Selly Oak in Birmingham – but buying in an area that attracts a wealthier demographic, too, such as Clifton in Bristol, will most likely mean higher capital growth and a wider audience to sell on to. "Our research shows students are

less concerned about living in a densely populated student area and proximity to the campus is the key determining factor, a luxury students are prepared to pay a premium for," says Thompson.

They may be happy to pay more for location, but they won't pay more for non-essential luxuries, from posh furniture to great views. "Easy access into town is essential, but being on the best road in the best area isn't," says Fraser. "Students won't want to pay more for bells and whistles," she adds. "When decorating, go for uncomplicated but functional. Kitchens and bathrooms should be clean and modern but basic. Provide robust equipment, hard-wearing flooring, plain paintwork that can be wiped down and curtains in hardy, washable material."

Avoid period property that requires constant attention as this

will eat into your yield and create the need for void periods while you do repairs. Also be conscious of the new energy performance certificate (EPC) regulations that come into play in 2016 and for which all student properties – often Victorian houses – need to be compliant.

Student properties also need an HMO (house in multiple occupation) licence – a hot topic following the Article 4 ruling adopted by some councils to limit the amount of student accommodation to maintain the number of family homes.

"The result is a rise in the number of illegal HMOs and a limited supply of official HMOs, which is also driving up student rents – and forcing students to stay at home," says Simon Tyrell, head of Finders Keepers student lettings division in Oxfordshire.

"In Oxford, if you let your house

to students one year, with an HMO licence, then let the property to a family the next year, your HMO licence will lapse and you can't get it back," he adds.

HMO properties such as a five-bedroom student house are also likely to suffer greater wear and tear – and Tyrell warns any dispute resolution service will take this into account.

Ultimately, students need to be treated with the same respect you would any other tenants "to garner the most mature response," says Tyrell. "That means detailed inventories, a property check-in and thorough inspections during the year with detailed reports to the tenants."

Finally, never leave a student house to be cleaned at the end of a year's tenancy. Tyrell warns: "That would be a big and very costly mistake."



Home from home: students are less fussy than professional tenants, sometimes pay rent in advance and their parents often act as guarantors

Direct Line Landlord Insurance

Being a landlord is a big responsibility and it is essential that landlords take time to understand their obligations and how to effectively manage their rental properties.

Direct Line Landlord Insurance is designed specifically for landlords, buy-to-let owners and management companies to give them peace of mind and keep their investments safe whether they have one rental property or many.

Direct Line's Landlord Knowledge Centre provides the information and guidance landlords need to ensure they have the right policy – from setting up and running a buy-to-let portfolio to choosing a letting agent, maximising rental income, calculating yield and capital growth, attracting and keeping the best tenants, developing a long-term investment programme and formulating a sound exit strategy.

Landlords insured by Direct Line have access to a free business legal advice helpline seven days a week, as well as a dedicated claims handler to oversee a claim from start to finish. They also act on behalf of a landlord to establish who is legally liable in public liability cases.

For information on how to maximise your returns, minimise costs and stay in control of your investments, visit Direct Line's dedicated Landlord Knowledge Centre online at directlineforbusiness.co.uk/knowledge-centre or call Direct Line on 0845 835 1491.

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