

Investing in a Student House

There was a time when student digs were dingy backstreet rentals, but now parents see them as a way to help their children onto the first rung of the property ladder, says *Anna Tyzack*



With house prices expected to rise another 30 per cent in the next five years (Rightmove) an increasing number of parents are taking steps to ensure their children have a foot on the property ladder when they leave home. Many are setting their sights on the student property market, investing in university towns long before their child has filled out a UCAS application, while others are buying bolt holes in up-and-coming parts of the capital. ‘Investing on behalf of your children can be an excellent idea if you have liquidity,’ says Jeremy McGivern of Mercury Homesearch. ‘But it’s not completely straightforward: you need to consider what and where you are buying and the most efficient way to do so.’

Student housing can be an excellent option for parent investors, producing healthy rental yields along with capital uplift. ‘Investing in a student house is a great way to “park” capital in property, earn good net yields and hopefully make some money when you come to sell which can be put down as a deposit for your child’s first house,’ explains Charlie Vaughan-Lee who set up student housing company Student Cribs after owning his own property as a student in Bristol. There is of course the additional advantage that, if their children happen to go to that university themselves, they can enjoy living in their own student house. ‘You will then have three or four years where your child is living rent free with friends to help cover the mortgage and running costs,’ says Sarah Broughton of buying agency Prime Purchase. ‘But

that's not where it ends: you can decide to keep the property after graduation and be sure of decent growth and strong returns when letting to other students.'

Certain university cities make for better investments than others. The general rule is that the more respected the university, the safer the student property market, with Oxford and Cambridge, Bristol and Edinburgh ranked 'first class' for investors by Savills along with ten other university cities. 'We are seeing a real flight to quality institutions by students increasingly questioning the value they get from their education,' confirms Neal Hudson, Savills research analyst.

Outside these traditional hot spots, parents should look at up and coming university towns – those with improving infrastructure and facilities such as Exeter and Canterbury, where students and young professionals compete to rent houses in fashionable areas. 'Many of the traditional university towns such as Oxford and Cambridge have now become prohibitively expensive,' says Isabel Clifton of Strutt & Parker in Exeter. 'Exeter is a great place to invest as it not only has 16,000 students but there has also been extensive economic investment recently. Rental income is guaranteed and property values are likely to grow steadily for the foreseeable future.'

Before investing in a university city, parents must ensure the property is in the right area – the part of town where students want to live – and has an HMO license if it is more than three storeys high and has five or more students living in it. The property must also have all relevant electrical and gas certificates, fire alarms and insurance. 'Don't just look at the gross rental figure; factor in additional costs such as service charges, estate agents' fees and maintenance,' warns McGivern.