

Property Club In our weekly column for buy-to-let landlords, Zoe Dare Hall says location is key in a market with attractive yields

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.

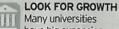
Simon Thompson, who is the managing director of accommodationforstudents.com, says student lets are high-yielding, about 4 percentage points higher than the rest of the private lettings market, because you can fit more students in a property than you can professional tenants by turning spare reception 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 nonpayment 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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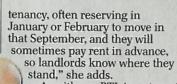
have big expansion plans, so I'd advise hunting around different university towns and investing in one where expansion is proposed as that will mean more students looking for rental properties.

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.



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 houses - need to be compliant. for non-essential luxuries, from posh furniture to great views. "Easy need an HMO (house in multiple access into town is essential, but occupation) licence - a hot topic being on the best road in the best following the Article 4 ruling area isn't," says Fraser. "Students adopted by some councils to won't want to pay more for bells and whistles," she adds. "When limit the amount of student accommodation to maintain the decorating, go for uncomplicated number of family homes. but functional. Kitchens and bathrooms should be clean and number of illegal HMOs and a modern but basic. Provide robust limited supply of official HMOs, equipment, hard-wearing flooring, plain paintwork that can be wiped

requires constant attention as this

washable material."

which is also driving up student rents - and forcing students to stay down and curtains in hardy, at home," says Simon Tyrell, head of Finders Keepers student lettings Avoid period property that division in Oxfordshire.

Student properties also

"The result is a rise in the

"In Oxford, if you let your house

will eat into your yield and create to students one year, with an HMO the need for void periods while you licence, then let the property to a do repairs. Also be conscious of the family the next year, your HMO new energy performance certificate licence will lapse and you can't get (EPC) regulations that come into it back," he adds. HMO properties such as a play in 2016 and for which all

student properties - often Victorian 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.'



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.

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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/knowledgecentre or call Direct Line on 0845 835 1491.

