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## Student Lettings—A solid market for future income & growth

It's that time of year again—holidays are over and we're back to a busy time for student landlords, and landlords in general, as not only are students off to university, many other working and professional tenants are starting new jobs.

The student rental market is here to stay and it's expanding. Remember Tony Blair's mantra—Education, Education, Education—well student numbers have risen dramatically and will continue to do so into the future as we move to a high-tech information based economy—the new economy demands educated people.

Although letting to students, as in any multi-let (HMO) situation, is much more management intensive than letting to single and professional couples, and working people, the returns on investment can be far higher.

This higher yield is just what the doctor ordered in these days of rising interest rates,

### Welcome

What a week it's been in the markets. I've never seen a run on a bank before, not quite in such a dramatic fashion anyway.

From the market reports you read the property market is heading anywhere between a slow-down and a complete crash. Read David Smith's blog for a conservative view [economicsuk.com](http://economicsuk.com) to [house-pricecrash.co.uk](http://house-pricecrash.co.uk) for the whole range of views.

There's no doubt large sections of the commercial

but you should remember that you may need to be very much more hands-on as a property manager.

You may struggle to get agents to manage multi-lets for you, so you will need some good property management and "people management" skills, and perhaps some DIY skills thrown in.

You also need to bear in mind the added investment needed in time and money with HMO licensing and more demanding Health & Safety standards.

But as a cash generator, with assured future demand, the higher earning potential of a student house has a lot to offer landlords who are prepared to work at it.

There are a few threats on the horizon, as some of the corporates are moving into this lucrative market, but if you do your homework you should be able to compete very nicely.

In some university towns demand is such that you can

property market have dropped back, perhaps by 10% already. The residential market is less certain in my view, as there's so many positive factors supporting it.

Any set-back can be seen as an opportunity in the investment world and those sitting on a cash mountain pray for times like this—it's not all bad. Buy-to-Let generally should hold up well as even with a crash, it won't



command year round, 52 weeks a year—rent for a student house with perhaps 5, 6 or even 7 occupants.

A good student house like this can return perhaps £2500 to £3,000 per month—£30 to £36k per year, compared to perhaps £7 to £12k from a normal house letting.

Manage just a few of these and you have a full-time income with less hours than other occupations.

In this LandlordZONE Newsletter, buy to let expert David Lawrenson of [www.lettingfocus.com](http://www.lettingfocus.com) gives you the benefit of his experience and looks at the student letting market. We also have a review of two new books—two of the few on student lettings.

be any easier for FTBs to get a mortgage and actually get in the market—there will still be a health demand for renting, and rents may rise.

If you're in London at the Property Investor Show this Saturday (Excel Centre, Docklands) I shall be giving another seminar on "[Investing in Commercial Property: Successful Strategies for the Private Investor](#)"—come along and see it.

Tom Entwistle

## Consider Local Demand Carefully

Whilst the government's target of having 50% of children going through college by 2010 will lead to a 2.5% increase in student numbers each year, in the student market the supply of student accommodation can still change quickly.

A few new halls of residence and swanky self catering blocks and the university losing its attractiveness can quickly change the demand-supply balance and make rents fall and properties hard to let.

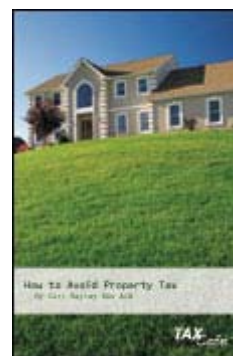
So ask the Accommodation

Office and at the Town Hall Planning Office to find out about future growth in student numbers and to see what new developments are planned.

And don't think a "Rigsbyesque" house will do. It won't. Other landlords have all raised the bar and now provide good quality accommodation with broadband connections for all their computer kit.

Unite and Bournston are just two new companies that now build and rent out a high quality of accommodation

for students providing, for example, broadband connection in their room as well as a secure and safe environment. They hope to take up the slack caused by the lack of student accommodation – Savills research has shown that the proportion of students in university provided halls has fallen from 33% to 25% over the last 10 years. However, there's always likely to be good demand for well positioned houses (close as possible to the university college) as students like to share a house with friends.



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## Watch the Licensing Rules

Be aware of the rules on houses in multiple occupation (HMOs) which say that all shared houses in England and Wales which have 3 or more storeys AND five or more tenants now need a licence.

In some areas of England and Wales and throughout Scotland and Northern Ireland, licensing has been extended by local authorities to smaller shared houses with only 3 people (at least two of whom are unrelated).

Ask at your local authority's housing office to see if licensing has been extended in your area.

The rules lay down minimum amenity standards like the number of loos and wash basins a property must have, and there are some quite stringent fire safety measures such as hard wired alarms and fire doors etc, but nothing you would not expect to find in any safety conscious hotel.

However, many who have been in the business a long time have been taking advantage of the high property prices and getting out.

This could be a good opportunity for others to move in to an established business,

providing you can buy in at the right price and you make sure you budget for any up-grading you may have to do.

One sore point with many operators is the variation in fees charged for licensing arrangements from one authority to another. Fees for licenses vary for a couple of hundred pounds up to £2,000 in some areas and there are fines of up to £20,000 and even criminal charges for not complying. For more information on Licensing see our [Dec 2006](#) issue.



[HMO Licensing—  
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## Plan your Ownership to Minimise Tax

All investor landlords should think about the tax issues, even BEFORE they invest, and it might be wise to see a tax consultant (different to a normal accountant) so they can advise on your specific situation.

There are many aspects to consider including income, capital gains and inheritance tax, whether to invest in your own name, jointly with your spouse, or civil partner or through a company?

Something worth considering when you have children of university age is to invest in a student house for them.

There are several financing options available, but the key thing is the children must have beneficial title to the property—it only works tax-savings-wise if you are fully prepared to pass on wealth to your children—but there are other options.

Think carefully about what to do with the house or flat after the kids graduate and how to structure the ownership of the property.

There are a number of options: Once your children finish studying, you have the option of taking it back as a buy to let for future students, allowing your children to retain ownership themselves and become student landlords, or if your children continue living in the

same city, you could pass it on to them as their main residence.

If you own it with the child, the child's portion of any capital gain arising will be eliminated because their share will probably qualify as their Principal Private Residence and thus be exempt from capital gains tax.

Your child could be the sole owner, financed by a gift or loan from you or you could guarantee their mortgage.

If you own it with the child, it's best to own it as Tenants in Common so you can leave your share to anyone you like in your will.

Also, any income or capital gain you and your child make will be split between both of you in the proportions you own it and each of you can apply your own CGT annual exemption of £8,800 to their own part of the gain.

If your child owns it, they can let out rooms in the house tax free up to £4,250 a year under the Rent a Room Relief Scheme. If jointly owned, they will only get half that.

If later on, you decide to gift your share of the house to your children, there will be no inheritance tax to pay if you survive seven years and don't live in the property.

However, your gift of your share to the children will give rise to / capital gains tax to pay based on the value when you transfer the property.

If you gift the house to your children or indeed, gift them cash to buy the house, don't move into the house at some later point or you could face an annual income tax charge under what's called the pre-owned assets rules.

Don't forget, buying and selling costs and the costs of any capital improvements made as well as each of your capital gains tax allowances can be deducted from any potential capital gain. You can also get taper relief if you own the property for at least 3 years—owning for 10 years is the optimum.

If you are serious about saving tax on your property investments, you may like to consider attending one of the Property Taxation Seminars offered by [Property Tax Portal](http://PropertyTaxPortal.com). These are professionally run events staged both in London and in the north. A qualified tax consultant leads you through the fine detail of all aspects of property taxation, and you will have the opportunity to share your experiences and ideas with other property investors.



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## Review: two Landlord's Guides to Student Letting

You can't beat learning from the experience of people who have actually done it, and made a success of it.

**Catherine Bancroft-Rimmer and Tony Bayliss** both have years of experience in the student letting business and they have written perhaps the only two books currently available for this specialist market.

Catherine, author of "[The Landlord's Guide to Student Lettings](#)" published by [How to Books](#) is not only an experienced landlord herself, she's been a student accommodation officer for 2 universities, so she's seen the business from both sides.

Tony, author of "[How to Profit from Student Property](#)" published by [Taxcafe](#) is a trained teacher with a lifetime in education. He's been letting student accommodation for over 20 years and is now a full-time landlord as well as an accomplished author.

There's absolutely no substitute for experience and both these titles reflect this in the insights their authors give.

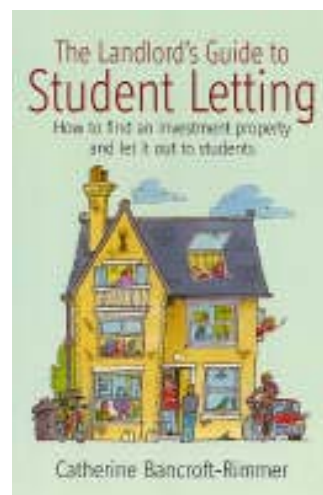
It doesn't matter how many books you read on investing in and letting property, and there's a growing number of general titles now on the market, you are guaranteed to pick something up from every one you read—tips and tricks

which in the letting business can often save you hundreds, if not thousands of Pounds.

It's far better and less costly to learn from the successes (and mistakes) of others than to learn the hard way yourself.

These books are certainly no exception and you could say they are "must reads" for anyone entering the student business for the first time.

As you would expect they are both strong on insights into actually managing student lets, and there's a lot more to it than managing normal buy-to-lets—considerably more work, but commensurately higher returns.



How to Profit from

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## Inventories & Guarantors

It's well known that students are messy and noisy, but treat them with respect and you will find they make excellent tenants, and their parents pay the bills—remember these are future lawyers and accountants!!!

Bear in mind thought, student quality varies from one university to another—it's the "Ivy League" syndrome.

Students can be hard on furnishings so get a thorough inventory check done, preferably one from the Association of Independent Inventory Clerks. (Approx charges start from £250 for a 2 bed property)

Put all the students on a

single assured shorthold tenancy in which they are individually and jointly responsible for the whole rent and get parents to be guarantors for the whole rent—which will allow you to chase any of them (or their parents) for part of or the whole rent in the event of any one of them defaulting.

Also, if any student leaves then put the onus on the others to find someone new or give them the option to could choose to cover the shortfall themselves. You will need to reference check on at least one guarantor—it's usually not worth checking students as they have no

credit history.

Find out about college run accreditation schemes for landlords and join up. These give some assurance to students, some of whom will only consider accredited landlords. Keep in with the Student Accommodation Officer. They can sometimes provide updates on all kinds of useful information relevant to landlords.

Be firm but friendly and persistent. Have a set of house rules and let them know that damage will be deducted from the deposit—this will almost always ensure the house is handed back in good order.



## The Property Investor Show—ExCel London 21-23 Sept 2007

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## Student Sector Attracts Big Investor Interest

We are seeing a move from the "cottage industry" student housing, supported by university halls, to corporate investment in the sector. We are seeing more of these "halls" that provide self catering apartments built and managed by commercial companies like Bournston, Assetz and the Unite Group.

The Bournston schemes are targeted at individual investors who want to invest di-

rectly in a specific student property within a managed student building, without having to worry about having management themselves.

Investors thinking of doing this should investigate how re-saleable or liquid the property is and the ease or otherwise of getting mortgage finance.

This of course is a potential threat to the smaller student landlords who provide house

accommodation in the university towns.

Before moving into the sector any prospective landlord investor would be wise to carry out a through market review: this calls for an audit of supply and demand, projected into the future. Find out where the existing accommodation is and ask around at the universities, planning department, accreditation schemes etc.





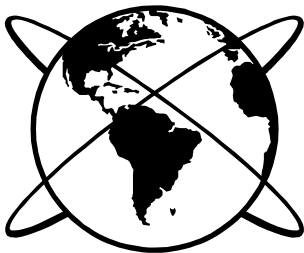
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*Property Tax Portal was founded in September 2003 by Amer Siddiq who is the managing director of the parent company Tax Portal Ltd. Amer, a former IT professional and property investor himself, is supported by a team of highly qualified tax professionals. They produce the highly successful Landlords Property Tax Manager Software and now run regular Tax Seminars for Landlords and Property Investors. The website is packed full of useful information and products to help minimise your tax payments.*

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