



**ADVANTAGE
INVESTMENT LTD**

STUDENT INVESTMENT GUIDE

Is student accommodation a good investment?

Choosing the right type of investment is crucial in generating profits as a property investor and there are many different investment strategies to choose from. In order to find property investment opportunities that will not only deliver a high ROI but will also achieve your short and long-term financial objectives, a deep market analysis is required.

There are a number of key factors that must be analysed in detail, such as how much demand there is for the property type you are looking to buy. Student accommodation continues to offer great investment returns due mostly to the growing student population in the UK.

There was an estimated population of 2.75 million students at UK higher education institutions in 2020/21 according to Statista. Further to this, for the September 2022 intake, there has been an increase of 5% in UK undergraduate applications.

These figures, along with the UK's housing shortage, demonstrate that there is still large demand for student accommodation and property investors can still make excellent profits through this strategy.

With no stamp duty to pay on properties below £125,000 and typical yields being between 7%-10%, student accommodation is one of the most attractive property investment strategies right now.

Many property investors are taking advantage of the lower house prices in the North of England, where many of the top UK universities are located, to find ideal student properties that are able to deliver a high ROI.



The Types of Student Investment

There are different types of student investments to consider,

Purpose build student accommodation

This type of investment is typically built brand new by private developers for university students, and it can take the form of apartments/studios or a modernised version of halls of residence with amenities such as a lounge, gym, or outdoor space.

Student HMO

This is typically a house or flat for three or more people who will share facilities like a bathroom and kitchen.

PBSAs vs Buy-to-Let

With more students now having higher expectations of the quality of student accommodation, purpose-built apartments are becoming more in-demand. Features such as fast WiFi, modern fittings and furnishings are top priorities for many students.

Buying property to convert into a HMO will usually cost a considerable amount of money, so it will take a while to start getting a return on the investment. Investing in PBSAs has become more popular, especially with investors who are looking to make profits as quickly as possible.



Student Investment: Brexit affects

Could Brexit affect the world's 2nd most developed student property market?

Student investments are considered a long-term investment with steady returns, and whilst Brexit may have an impact on imports and exports of development materials and other variants, the service this type of investment provides will remain in demand with an estimated growing student population of 80,000 per annum in the UK. The demand for student accommodations is currently not being met, providing a huge opportunity for investors in this sector.

Surprisingly, overseas students only equate to 5% of the student population according to the HESA, Liverpool and Sheffield are of the cities that have the smallest percentage of EU students.

Research shows universities have seen a 40% drop in applications from the UE since Brexit, according to UCAS 31670 students from the EU applied during 2020/2021 with 16,025 getting accepted. It was noted that applicants from non-EU students such as USA students did however increase by 50%

Demand from overseas students

The number of students coming from China and India has been steadily growing and in 2021, the number of foreign students exceeded 500,000 for the first time. The 2021 figure of 556,625 represented a 12.15% increase in foreign students in the UK, with UK universities continuing to be a top choice for students from all around the world.

The end of many of the COVID-19 travel restrictions has also helped to ensure that foreign students are able to pursue their dreams of attending higher education at one of the great British institutions.

There has been greater demand for high-quality accommodation, both from homegrown and international students, which is why many investors are moving away from traditional buy-to-let properties and investing in purpose-built student accommodation instead.



Benefits of investing in PBSAs

- 1.** Investors can buy just one apartment or many apartments, whichever suits their financial goals, rather than buying a large property and they can build up their portfolio at the speed they prefer. There is also the advantage of having minimal involvement with setting up the property to get it ready to rent, managing the tenancy or arranging ongoing maintenance.
- 2.** Most PBSAs are developed with high-quality fixtures and fittings and the accommodation is fully managed, so the investor does not have to be a hands-on landlord. There are lucrative PBSA opportunities all over the UK, with high-quality facilities being a key requirement to be able to achieve high rental yields.
- 3.** Many PBSAs also benefit from having shared social spaces and study areas, so that students can meet other people living in their building. Development companies conduct comprehensive analysis to find the most suitable location to build new PBSAs, ensuring that it is in a prime location with easy access to the university. This means that there is going to be a high demand to live in the area, as well as the benefit of having modern facilities.

- 4.** It is usually easier to retain tenants in PBSAs, as students are often looking to live in the same PBSA for their whole study length, rather than switching to a new house every study year.

5. No stamp duty

Investors will pay no stamp duty below £125k.

6. Assured Returns

Rental is typically higher/longer as it is usually 0-3 years signed up for when they begin university.

7. Strong Demand

The number of students attending university in popular cities such as Sheffield and Liverpool is now rising.

8. Fully managed

Purchases on purpose-built accommodation come fully managed.

9. High Yield

Yields of above 7.8% are typical in current student accommodation hot spots with some reaching 9.56%.

10. Affordable

Typical apartments cost between £55k to 100k making it an easy investment even for a first-time investor.

Disadvantages of investing in PBSAs

1. There are some disadvantages to letting to students, such as usually having higher landlords' insurance premiums to pay, as the likelihood of property damage is higher. You are also limiting the types of tenants that you can rent your property to, so if student populations did decrease in the future, you could struggle to find tenants.
 2. Some UK cities are reaching market saturation, as there are too many student properties available, so before you buy a property for student accommodation, you should ensure that there is a high demand in the area.
 3. Another factor to consider is that the exit strategy may be more complicated than other types of property investment, as you will only usually be able to sell to other property investors.
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Points to consider before investing in student accommodation

1. Cash Only

Many investment opportunities on the market by way of student accommodation are limited to the funding that they can be given. PBSA can not be funded with mortgages from banks so will require a fully funded cash purchase. Student HMO's often have difficulty securing a mortgage due to additional regulations

2. Higher yields

Student investment in many areas come with higher yields than other property investments and longer assured returns. Rentals on student investment are typical 1-3 years and the average yield in large cities are 7% and above.

3. Lower Capital growth

Capital growth is usually lower than a residential investment, this is offset with additional advantages such as the security of a guaranteed income for a set amount of time

4. Location is Key

Establishing which cities and locations across the UK to invest in can be complex. Factors to consider are university size, population factors, transportation services and investment opportunities. The right locations might mean your property

is in higher demand making it a smarter long-term investment

5. PBSA or HMO

Choosing between HMO or PBSA can depend on your financial backing, the location you're choosing to invest in or your choice of management. HMOs require an HMO mortgage whilst you can't get funding for PSBA. The location depends on the demand in areas and what is available. Finally, management, PBSA usually come fully managed whereas an HMO you must manage yourself or pay an external company to do so.



The Best Places to Invest in student accommodation

The student population across the North has increased over the years. Cities, such as Manchester, Liverpool and Sheffield have been grossly affected by this in various ways, including a boost in the economy of the city.

Brexit is expected to have a negative impact on cities such as London, but it is expected to fuel the current house price growth in the North. Liverpool can currently offer an average rental yield of 5.48%. Similarly, Manchester has an average rental yield of 5.16%. Sheffield's average gross yield is up to 6.6% with up to 17.42% price growth in the past 5 years. However, Advantage can exclusively offer a PBSA with an 8% net yield in Sheffield

The largest student populated cities in the North are

- 1) Manchester**
- 2) Leeds**
- 3) Sheffield**
- 4) Liverpool**
- 5) Newcastle**

Advantage can help you make these investments in up-and-coming cities across the UK. With Cities such as Sheffield offering an 8% Net yield on our latest PBSA investment

Click now to find out more about Queens Court—a luxury new build with en suite and studio apartments available. Advantage Investment can personally source you student investments in these cities depending on your requirements, contact us today.



Queens Court Sheffield

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For more information on UK Student investments or to speak to an Investment Consultant either call or email us on:



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