



paragon

STUDENT BUY-TO-LET REPORT 2022



A word from Paragon Bank Managing Director of Mortgages Richard Rowntree

The student lettings market exists to provide affordable and flexible term-time homes to the growing number of domestic and international students who choose to study in the UK. As one of the most established sub-sections of the private rented sector, the student lettings market has matured as investors have honed their offering to meet the needs of their young tenants. Today, this evolution continues as landlords respond to a customer base that demands higher quality homes.

The UK's higher education system is made up of more than 150 institutions that can be found across each of the home nations.

Some of the UK's universities are considered amongst the world's oldest, existing to further knowledge from as early as the 11th century. Since then, many more institutions have formed, gradually expanding teaching from classical subjects such as astronomy, law and mathematics to the broad and forward-facing mix of courses available today. With such an extensive and eminent past, it is unsurprising that UK universities have played a part in educating some of history's most revered scholars – names such as Mahatma Gandhi, Stephen Hawking and Florence Nightingale are just three forming an extensive list.

This reputation helps UK universities to be known around the globe, with only the USA's 5,000 plus establishments attracting more foreign learners. The hundreds of thousands of international students who enrol on a UK university accredited degree course each year form a population exceeding two million, a number that hints at the value of higher education to the UK economy.

Research by Frontier Economics, commissioned by Universities UK in 2021, found that universities contribute around £95 billion to the economy and support more than 815,000 jobs. As this analysis only covers England, it is likely that the total contribution across the UK is notably higher.

This figure includes revenue generated by other associated industries, one of which is accommodation for the many students who choose to move away from home to study.

Enrolling onto an undergraduate degree course often marks the first time that students have to fend for themselves, away from the creature comforts of their family home. As a result, where they choose to stay plays an important part in their lives while studying.

This has not gone unnoticed, and the choice and standard of student accommodation has improved considerably since the days of dingy student digs. Funded by large-scale institutional investment, purpose-built student accommodation developments have sprung up in the major university towns and cities, while homes rented from individual buy-to-let landlords have long been a popular choice amongst learners.

We've explored different aspects of student lettings, such as demand, perceived risks and yield generation potential. Alongside this, we have also spoken to students to find out what they look for in their term-time accommodation and how they view their landlord. The result is a report that provides landlords with insight into what is one of the most established yet relatively niche sub-sections of the private rented sector.

Students

Following steady growth in applications from both domestic and international learners, the UK student population exceeds two million. With such a large number, it is unsurprising that universities welcome a diverse mix of people.

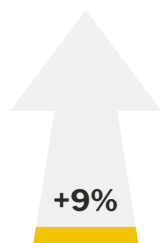
(Source: HESA, 2021)



HIGHER EDUCATION POPULATION

2,751,865

Number of higher education students in 2020/21



A 9% increase from 2019/20

GENDER



57%
Female



43%
Male

AGE

38%
20 and under

28%
21-24 years

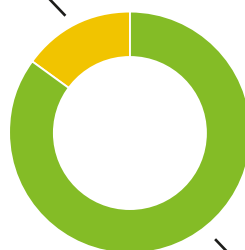
12%
25 - 29 years

22%
30 years and over

DISABILITY STATUS

15%

Known disability



85%

No known disability

ETHNICITY



74%
White



12%
Asian



8%
Black



4%
Mixed



2%
Other



Rental yields

Although significant regional variation exists, landlords letting to students consistently report achieving higher yields than those who don't have student tenants.

Looking back to 2015, we see that landlords who let to students have consistently reported achieving higher yields compared to those who don't.

Indicated as a percentage, rental yields are a measure of the revenue generated from rental income as a proportion of the property value, making them one of the most absolute and important indicators of the performance of a buy-to-let investment.

Looking back to 2015, we see that landlords who let to students have consistently reported achieving higher yields compared to those who don't.

The most recent survey of private rented sector landlords, undertaken by research agency BVA BDRC, revealed that in Q2 2022 students were the tenant type providing the strongest yields of 6.8%.

Although yields are determined by a range of factors, it is likely that central to the ability of student lets in achieving favourable returns is the observation that multiple student tenants are often housed in one property – responding to a survey, only 12% of students stated that they lived alone.

In addition, landlords letting to students are much more likely to own at least one house in multiple occupation (HMO) compared to those who don't let to students.

Comparatively cheaper than purchasing individual properties for each tenancy and often benefiting from economies of scale with overheads such as maintenance costs, HMO consistently achieve the strongest yields of all property types.

Best locations for student rental yields

Analysing Paragon data on mortgage applications for properties found in popular student postcodes has revealed that more often than not, the best yields are achieved by properties located in towns or cities with a single university.

Derby was found to be the location with the best yield generation potential. Average annual rental income of £23,544 offsets average property purchase prices of £2271,563 to result in yields of 8.67%. The city is home to one university, The University of Derby, that has a student population of 21,285, according to HESA figures.

Pontypridd, the second highest yielding student location, is home to one of the campuses of the University of South Wales, an institution that attracts a similar number of students to Derby, estimated by HESA to be 23,150. The average price paid for property in Pontypridd is £119,321, making it the most affordable of all top 10 yielding locations. The £9,918 rental income typically

generated by the town's student landlords is also the lowest amongst the top 10 yielding locations, resulting in an average yield of 8.31%.

Hull, another small city with one university, makes up the list of the top three yielding student locations. Student buy-to-let properties serving the University of Hull have an average value of £172,429. Typical yields of 8.12% can be achieved through annual average rental incomes of £14,005.

Looking at the top 10 locations for student yields reveals that only two - Liverpool and Coventry - have more than one major university.

As well as less competition from other forms of accommodation, another common theme amongst the best yielding student locations is relatively affordable property – each of the top five locations have property valued below the national average of £278,000.

The most notable examples can be seen in Pontypridd and Hull, where property can be acquired for £100,000 below the national average price, helping investors to generate yields of 8.31% and 8.12% respectively.

It is likely that property affordability is a key factor in the geographical concentrations of the highest yielding student locations because the majority of the top ten can be found in the Midlands, North of England or Wales. The south of the UK, where property is often more expensive, only has one location in the top ten list. Here, in Plymouth, average property values of £405,907 are the second highest of all of the top ten locations but annual rental income of £32,226 reflects this, leading to strong returns on investment.

University locations with the best yields — top 10

Source: Paragon

Location

£ Average Rental Income | Average Valuation | Rental yield
 🏫 Main university | Number of students

10 | Durham

£ £31,664 | £420,441 | 7.53%

🏫 Durham University | 20,645

7 | Liverpool

£ £24,780 | £314,589 | 7.88%

🏫 University of Liverpool | 29,185

🏫 John Moores University | 27,200

🏫 Liverpool Hope University | 5,685

4 | Salford

£ £17,228 | £215,326 | 8.00%

🏫 University of Salford | 23,995

2 | Pontypridd

£ £9,918 | £119,321 | 8.31%

🏫 University of South Wales
23,150

3 | Hull

£ £14,005 | £172,429 | 8.12%

🏫 University of Hull | 14,615

5 | Lincoln

£ £16,163 | £202,835 | 7.97%

🏫 The University of Lincoln | 17,565

1 | Derby

£ £23,544 | £2271,563 | 8.67%

🏫 University of Derby | 21,285

3 | Coventry

£ £27,868 | £362,405 | 7.69%

🏫 Warwick University | 28,110

🏫 Coventry University | 39,145

6 | Worcester

£ £26,368 | £331,765 | 7.95%

🏫 University of Worcester | 10,110

8 | Plymouth

£ £32,226 | £417,905 | 7.71%

🏫 University of Plymouth | 18,905



**Neil Smith**

*Head of Surveyors
Paragon Bank*

Our team of in-house surveyors assess properties across much of the UK, so we see lots of student accommodation.

Compared to major cities like London, Birmingham and Manchester, towns and small cities often have less purpose-built student accommodation that is owned by large-scale institutional investors or often by the universities they serve. In addition to this there is often a broader mix of properties available in major cities - we see high numbers of studio flats in London, for example - that can cater to the student market.

This means that student demand for privately rented homes in towns and smaller cities can be as strong as that in locations where there is more competition, helping landlords to achieve strong yields.

INSPIRE | MOTIVATE | ACHIEVE

Sports Centre



Warwick University

Meeting the needs of student tenants

By identifying which features higher education learners prioritise, landlords have the opportunity to meet the needs of students and increase the appeal of their properties.



44% of student tenants live with one or two other renters

Working with research agency Opinium, we spoke to students about different aspects of renting. We asked them to share their experiences of being tenants, what they look for in their term-time accommodation and what they think of their landlord.

Most student tenants, 44%, live with one or two other renters. Living with three or four others is the next most common, selected by 31% of survey respondents, while 11% stated that they share with five or six other students. Privately renting with seven or more other students is rare, with only 1% doing so.

On average only 12% of students live alone, with males more likely to do so compared to females – 15% vs 10%.

Student tenants appear to favour houses over flats, with 19% of students saying that they would prefer to rent a detached house, 11% a semi-detached house, 5% a terraced house and 29% selecting 'any type of house', the most popular response when asked about their preferred property type. One quarter of students (25%) selected flats, with a further 11% stating that they prefer to live alone in a studio flat.

When asked to identify what features of their privately rented accommodation are important, just over two fifths (42%) of students chose affordability, making it the most important characteristic. Good Wi-Fi and proximity to the university were other features that were seen as important, both chosen by 27% of the survey respondents, shortly followed by room size, important to 25% of student renters.

Then asked to rate their accommodation, over three quarters of students (78%) felt the overall quality was either 'good', 'very good' or 'excellent', with the remaining 22% deeming it to be 'poor' or 'fair'.



78% of student tenants felt the overall quality of their accommodation was either 'good', 'very good' or 'excellent'

STUDENT TENANTS' PREFERRED PROPERTY TYPES



Any house



Flats



Detached



Semi-detached



Terraced

WHAT STUDENTS LOOK FOR IN RENTED ACCOMMODATION



42%

Affordable rent



27%

Good Wi-Fi



27%

Proximity to university site

Room size

25%

Inclusion of bills in rent

18%

Proximity to public transport links

15%

Double beds

15%

Proximity to supermarkets

15%

En-suite bathroom

13%

Quality of furnishings/appliances

12%

More intimate/homely feel

9%

Proximity to a gym

9%

Shared living spaces

8%

Quality of decoration

8%

Good energy efficiency/low carbon footprint

8%

Parking

7%

Other

6%

Assessing the individual features of accommodation, students thought that its location was its strongest attribute, with 84% rating it as 'good', 'very good' or 'excellent' and just 16% saying it was 'fair' or 'poor'.

Other features that students rated positively were the size of beds (82% net good – 18% net poor) and the size of rooms (81% net good – 19% net poor).

While this is encouraging it highlights how there is room for improvement in some areas.

Perhaps the most difficult to address, particularly in the current market where demand exceeds supply, is affordability. The monthly rent cost, the most important feature for students, was rated net good by 67% of students, the remaining 33% believing it to be either 'poor' or 'fair'. This was the lowest rating of all features except for outdoor space that was deemed to be 'good', 'very good' or 'excellent' by 65% and 'poor' or 'fair' by 33%, the remaining 2% saying it was inapplicable, presumably due to having no outside space.

Other possible areas for improvement include the quality of decorating and homely feel of accommodation, both rated as net good by 70% of survey respondents, and Wi-Fi quality which was given a net good rating by 71% of students.



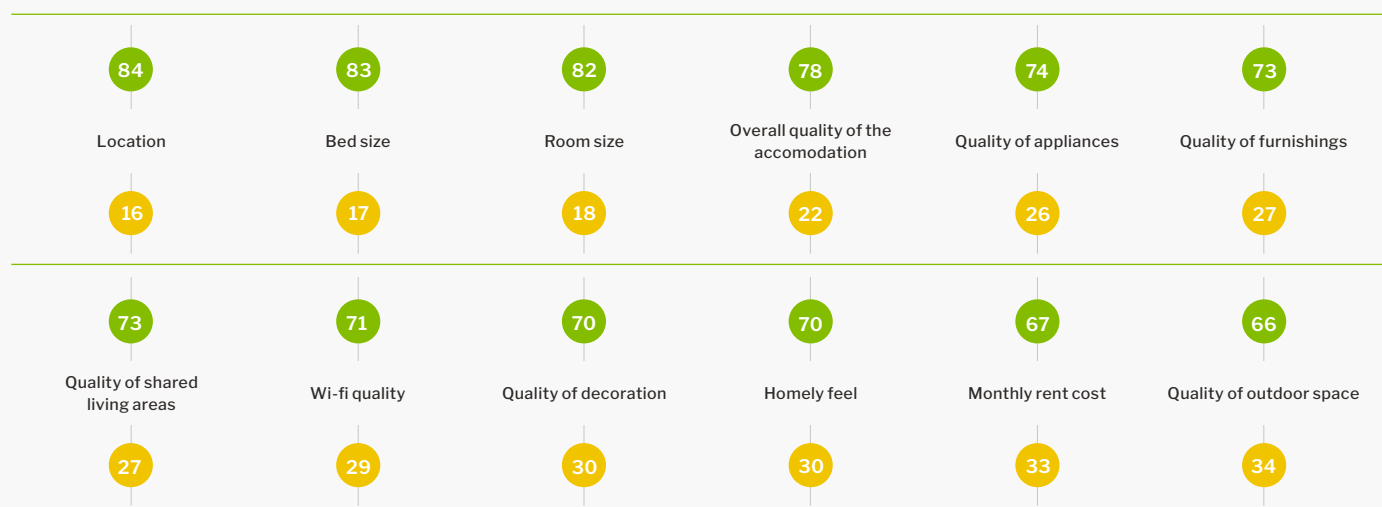
RATING OF ACCOMODATION FEATURES (%)



Good to Excellent



Fair to poor



The Student view



RUBY BRUTON-GIBNEY, STUDENT



University of Bristol

Ruby is a second-year student studying medicine at The University of Bristol.

With her family home located over 70 miles away in Bromsgrove in Worcestershire, Ruby lives in rented accommodation during term-time.

Speaking about her decision to move away to attend university Ruby said: "Although I've got a great relationship with my family and most of my friends live near to where I grew up in Bromsgrove, I knew I wanted to move away to study. Even though there are some pretty well-regarded unis closer to home, like the University of Birmingham, living in a new town or city just feels like what you do as a student."

During her first year Ruby opted for purpose-built student accommodation owned and managed by the university.

"In my first year I stayed in halls, I think pretty much all of the other first years I know did the same. My apartment wasn't the biggest but had everything I needed and was pretty modern.

"Staying in halls means you're close to the campus and kind of in the middle of everything that's going on, which I guess makes it easier to meet people."

Now entering her second year, Ruby is soon to move into privately rented accommodation with five other students, also studying medicine.

The flat is located in Bristol old city, approximately half a mile from the University of Bristol main site. This is more convenient for Ruby and

the property also benefits from much bigger rooms despite being cheaper than her previous accommodation.

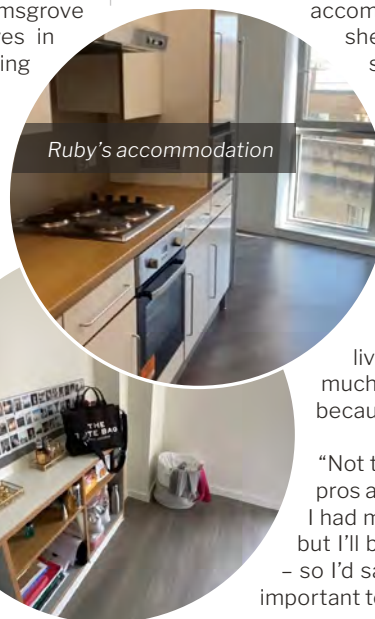
Comparing her previous accommodation with where she will live this year, Ruby said: "University halls throw you into flats with people you have never met and in my case, people very different to me who I didn't get along with. I'm really looking forward to being in accommodation with people I've chosen to live with, and I know I'll be much more comfortable there because of this.

"Not that halls are bad, there's pros and cons to both I guess - I had my own bathroom in halls but I'll be sharing in my new flat - so I'd say it depends on what is important to the individual."

Importantly for Ruby, her new accommodation is secure and has good transport links.

"As well as the reputation for the uni's medical school, one of the things that attracted me to Bristol was the atmosphere. It's pretty friendly overall but I think it's still important to choose to live somewhere that feels safe so this was something I considered when looking for my accommodation.

"I left my car in Bromsgrove so rely on public transport to get to uni as well as to the placements I do at hospitals and clinics. This means that parking doesn't matter to me but being close to bus stops makes a big difference."



Ruby's accommodation

How student tenants view landlords

Perhaps at odds with the anti-landlord sentiment described by some sections of media, students have a fairly positive perception of landlords.

Asked how they would describe their view of landlords who let to students, over half (54%) gave a net positive response. This breaks down as 16% viewing landlords very positively and 38% positively. The net negative response was lower at 19%, with 16% having a negative perception of landlords and just 3% feeling very negative towards them.

Just over one in five (21%) survey respondents were indifferent, indicating that they viewed landlords who let to students neither positively nor negatively. The remaining 6% stated that they didn't know or have not been in touch with their landlord or letting agent.



The Landlord view

FIONA MACASKILL, LANDLORD



Fiona is a landlord from Bristol who operates a successful lettings business made up of 46 buy-to-let properties, operated as limited partnership. A large proportion of these properties, 42, are let to students, both domestic and international, who attend Bristol University and the University of the West of England (UWE)



Part of Fiona's strategy involves buying run down houses and completely re-furbishing them

In building her student letting portfolio, Fiona has primarily targeted properties that have good sized rooms and outside space. She also feels that the location is an important factor, with accommodation in close proximity to universities, public transport and shops being favoured by her clients.

Part of Fiona's strategy involves buying run down houses and completely re-furbishing them, installing new kitchens and en-suite bathrooms where possible. She also usually fully re-wires and installs new central heating – commonly gas but sometimes with an air source heat pump. Fiona has now put solar panels on 20 of her houses.

Asked if she has invested in the actual properties to make them more appealing to students, Fiona said: "In my experience, students are demanding better quality accommodation, something I've always strived to provide.

"I've undertaken lots of refurbishment work and redecorating to improve the homes I rent out, I've added or improved furnishings and appliances too. On top of this, I have had faster broadband installed as this is vital in the digital age in which we live, particularly for students who rely on the internet for learning resources.

"I'm conscious that student accommodation needs to be as affordable as possible so have taken the decision to include utility bills in all our student houses. Of course, rising energy costs do impact profits as a result

"That said, I have been a landlord for long enough to see that such conditions are often transient and I'm hopeful that the current economic situation will improve in the near future."

This effort in meeting the needs of her clients seems to be reaping rewards as Fiona says that she enjoys a positive relationship with her tenants, who generally keep properties in good order.

Fiona feels that demand for student lets has increased a little and would like to increase the number she owns over the next 12 months, acquiring semi-detached or terraced properties if possible.



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Waterside apartments in Bristol

Demand

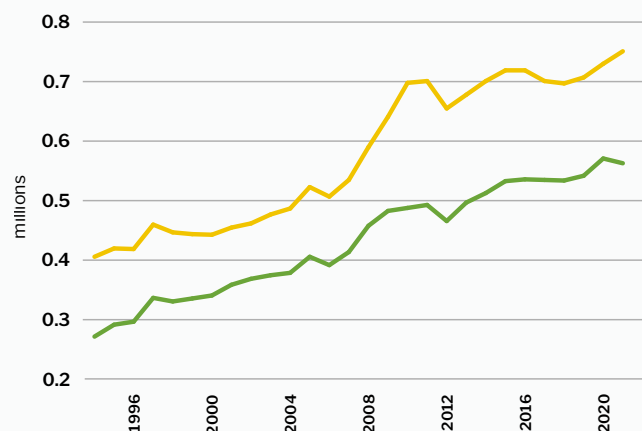
Although influenced by a range of factors, demand for privately rented student accommodation appears to have grown in the long term, with signs to suggest this trend will continue in future.

Data published by the Higher Education Statistics Agency (HESA) shows a steady increase in the number of students enrolling onto the most common courses during the last ten years, with 2020/2021 seeing 659,090 first degree enrolments and 446,800 taught postgraduate enrolments following a year-on-year increase of 8% and 16% respectively.

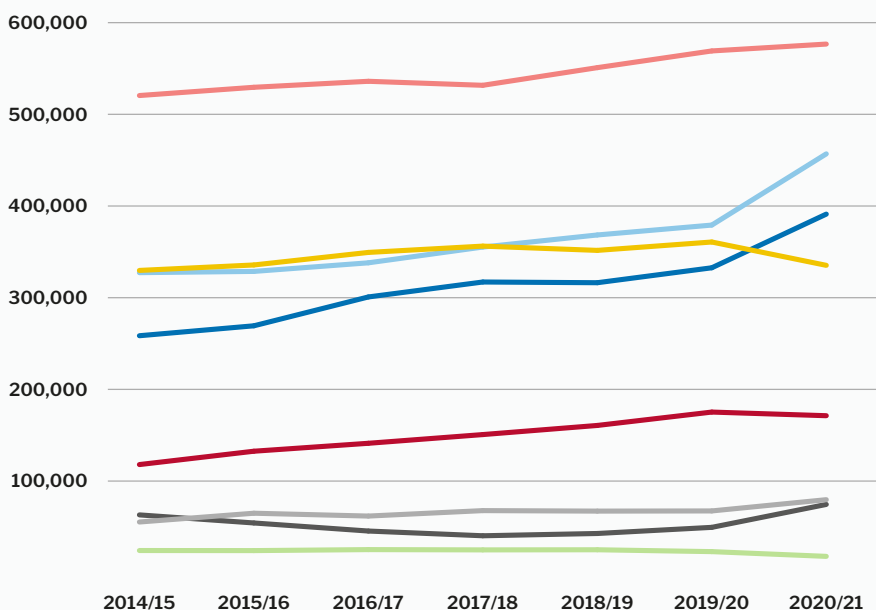
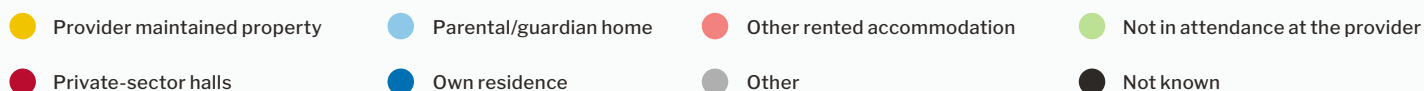
Looking further back we see that this is part of a longer-term trend, with the UK student population swelling substantially since the mid-1990s. In 1994, 271,000 students were accepted onto university courses by UCAS, newly formed following reform in the higher education sector. By 2021, this figure had more than doubled to 562,000.



APPLICANTS AND ACCEPTANCES VIA UCAS



STUDENTS' PREFERRED TERM-TIME ACCOMMODATION TYPE



Figures on term-time accommodation, collated by HESA, show that since the 2014/15 academic year there has also been an overall rise in the numbers of students staying in 'other rented accommodation', of which privately rented homes are a part.

Although the numbers of students choosing most forms of accommodation have increased during this time, 'other rented accommodation' has remained by far the most popular choice, with student tenant numbers not dipping below 500,000 since midway through the last decade.

This suggests that letting to students can offer landlords relatively consistent and growing demand, but looking at UCAS annual applicant data sets in more detail, we see that student numbers have fluctuated, apparently impacted by significant changes to the political and economic landscape.

International study and politics

The UK has long been the destination for European students seeking a quality education. At the turn of the millennium, following a steady stream of applications from the continent since the mid-1990s, EU students accounted for 45% of all overseas students. In 2021 this figure had halved to just over 22%.

Brexit is largely considered the cause of this shift.

UCAS statistics highlight a 7% year-on-year reduction in applications from EU students following the referendum vote in 2016. This appears to have had a direct impact on the student letting market with HESA data revealing a fall from 536,000 to 531,000 in the numbers of students in other private accommodation between 2016 and 2018.

Supporting this theory, Paragon research highlighted that in 2018, the year of the Brexit withdrawal agreement, an increase in voids was more likely to have been reported by landlords letting to students compared to the wider landlord base. It should be noted, however, that landlords letting to students typically have a higher number of tenancies, increasing the chance of having vacant properties.

LANDLORDS' SPLIT OF DOMESTIC AND OVERSEAS STUDENTS

47%

Domestic students

10%

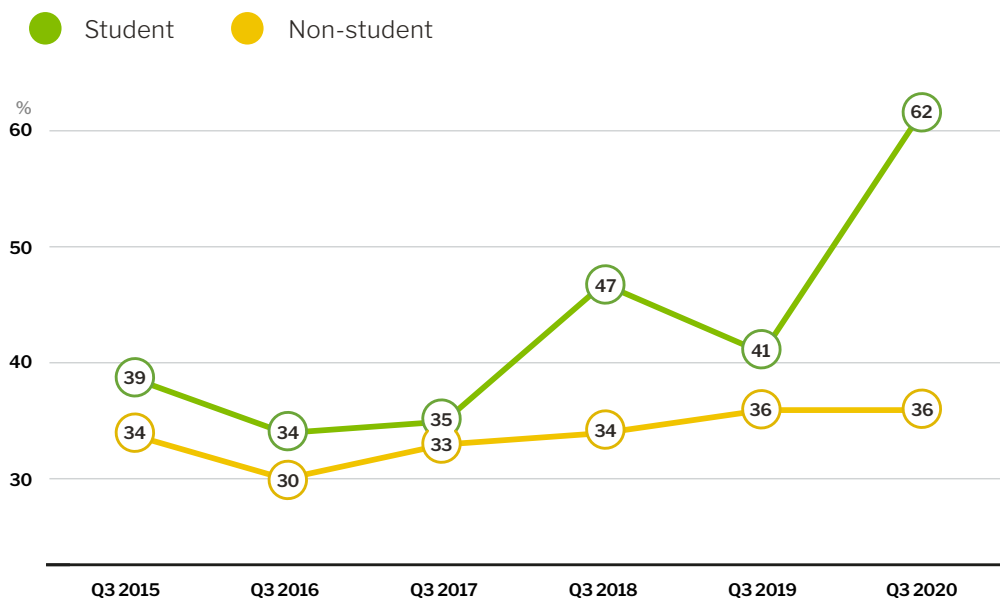
Overseas students

59%

Combination of domestic and overseas students



PROPORTION OF LANDLORDS REPORTING A VOID





The drop in numbers of European students choosing to study in the UK has been offset by enrolments from the rest of the world

The most notable impact of Brexit on UK higher education numbers was seen in 2021 when new EU students became subject to higher fees that were not eligible for fee loans. This is considered the primary driver of a 40% decline in applications from Europe.

The drop in numbers of European students choosing to study in the UK has been offset by enrolments from the rest of the world, however.

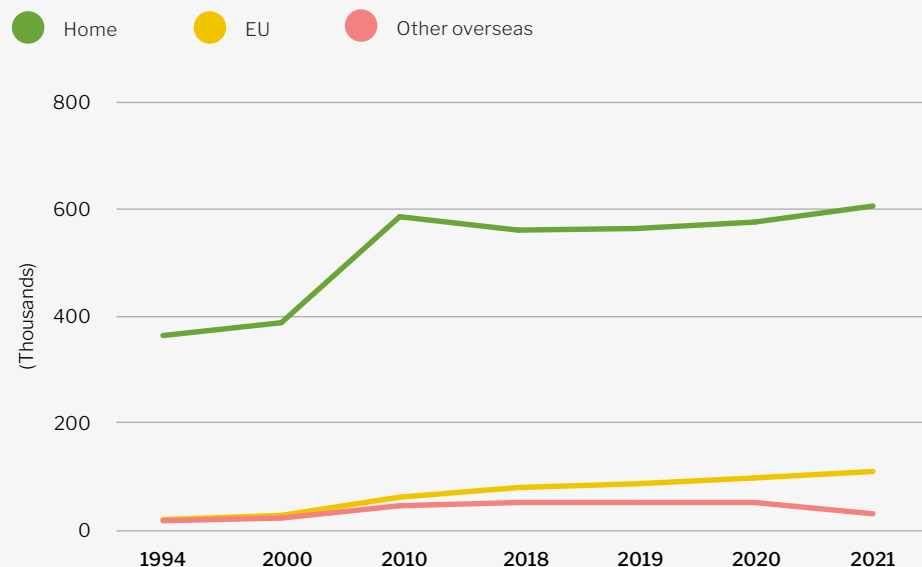
The largest proportion of overseas students originate from China. This is following continued growth since the 2016-17 academic year when HESA data shows there were 95,595 Chinese students studying at UK universities. By 2020-21 this had risen to 143,820, resulting in Chinese

students accounting for 32% of all non-EU international students.

This is important when viewed in the context of growing political tensions between China and the West. Experts have warned of the negative consequences of diplomatic relations between policymakers in London and Beijing failing, some arguing that UK educational establishments have an over-reliance on Chinese applicants.

Despite this, other nations do contribute substantial numbers to UK universities. The 2020-21 academic year saw 84,555 enrolments from Indian students while 21,305 arrived from Nigeria, a significant increase on the 13,020 students who studied in the UK during 2019-20.

UCAS APPLICATIONS FROM UK, EU AND OTHER OVERSEAS – HISTORICAL



Covid-19

Any concerns that the negative effects of Covid-19 on educational and social interaction would reduce applications were somewhat unnecessary. In 2020 UCAS recorded a 5.4% rise in the total number of accepted applicants, a new record high. This reversed by 1.5% the following year but was apparently driven by the previously mentioned decline in EU students as a 1.4% increase was seen in acceptances from domestic applicants, while those from other overseas applicants increased by 2.4%.

Despite the apparent absence of a significant drop in overall student numbers due to Covid-19, there is some evidence to suggest that student landlords were hit harder by the pandemic.



In 2020 UCAS recorded a 5.4% rise in the total number of accepted applicants

A survey covering the first quarter of 2020 showed that compared to their non-student landlord counterparts, those with student tenants recorded weaker tenant demand. This is consistent with HESA data, as seen on the 'Term-time accommodation' chart, that shows a flattening in the increase in students staying in other private accommodation as more students opted to stay in their own residence or that of their parent or guardian, likely as a result of the Covid pandemic.

Tuition fees

There appears to be a strong link between tuition fees and demand for university places, with clear dips in otherwise growing applicant numbers corresponding with changes to tuition fees.

In 2006 UCAS recorded a 4.1% decline in applications, largely attributed to the introduction of The Higher Education Act of 2004. The act led to some students, who enrolled at English universities from the 2006-2007 academic year, being charged variable annual fees of up to £3,000. A similar, albeit less acute effect was seen as a result of previous changes to tuition fees in 1998.

In the year preceding both of these changes, application numbers swelled, indicating that some students sought to commence their study ahead of anticipated increases in fees. The negative impact of tuition fees on the student population was short lived as record applicant and acceptance numbers were seen in 2007 before being surpassed in the two years that followed. Then, in 2010, rising enrolment figures were halted, likely influenced by a change to the tuition fee cap which increased to £3,225 to adjust for inflation.

Although this didn't appear to increase the incidence of voids seen by student landlords – voids were experienced by just over a third, 34%, of both student and non-student landlords – the perception of weakening demand seemed to influence the outlook for student landlord lettings businesses. Responding to a survey, student landlords were more pessimistic about each of the five business confidence measures – rental yields, capital gains, own lettings business, UK private rental sector and the UK financial market.

DEMAND REPORTED BY LANDLORDS LETTING TO STUDENT AND NON-STUDENT TENANTS IN 2020

38%
decrease

12%
increase

Students

22%
decrease

17%
increase

Non students



There appears to be a strong link between tuition fees and demand for university places

A similar effect was seen at the start of the next decade as a new record for enrolments was set in 2011. This was before a widely publicised increase in fees to £9,000 for some students resulted in a fall in applications of 7.6%



PROPORTION OF LANDLORDS LETTING TO DIFFERENT TENANT TYPES

56%



Families
with children

48%



Young couples

45%



Young singles

33%



Older singles

28%



Professional
workers

22%



Older couples

14%



Manual
workers

Appetite to let to students

Despite evidence of strong demand and yield generation potential, a relatively small proportion of landlords let to students compared to other tenant groups

The proportion of landlords who let to students is relatively low compared to other tenant types. The most research carried out by BVA BDRC on behalf of Paragon, shows that in Q2 2022 only 11% of landlords indicated that they count student tenants as clients. For comparison, 56% of landlords rent a home to at least one family with children, making it the most common cohort of tenants. This is followed by young couples and young singles, with 48% and 45% of landlords letting to them, respectively.

14%



Universal Credit
claimants

13%



Local Housing
Allowance (LHA)
claimants

11%



Students

12%



Retired

5%



Other benefit
claimants

4%



Migrant
workers

2%



Executive /
company lets



Student letting appeal

Speaking to Paragon landlord customers who indicated that they have no desire to let to students provides insight into some of the reasons for this lower appetite.

The joint most common reason was finding property damage at the end of the tenancy, which is linked to another frequent response, the perception that letting to students carries increased risk.

It seems that these concerns are not without basis. Analysis of data shows that property damage, the need to withhold deposits and tenant antisocial behaviour is all more commonly experienced by landlords who let to students compared to those who don't.

Alongside the increased risk, landlords were most commonly concerned by competition from build-to-rent or purpose-built student accommodation (PBSA).



Analysis undertaken by Knight Frank reveals that the number of PBSA developments completed in 2020 dropped considerably in 2020 as the pandemic resulted in lower demand and all but halted construction, with shortages in both manpower and materials. Last year saw the number of completed PBSA beds more than double from the 14,186 delivered in 2020 to 31,196, driven by £4.42 billion of investment.

Perhaps piquing the interest of investors from the UK and further afield is the demand for PBSA. Research carried out by Savills determined that in 2019-20 there were 2.8 full-time students for every purpose-built student bed, while students from China and India, who make up the majority of the UK's international student population, are 124% and 106% more likely to live in PBSA than domestic students, according to HESA data.

Some landlords put their lack of desire to let to students down to having property that is unsuitable or in the wrong location for the tenant

type while others cite the frequency of tenant turnover, with students often wanting to rent homes for ten months.

For those willing to accept and mitigate these risks, there are a number of aspects that make letting to students appealing. The potential to generate comparatively higher rental yields is the most notable of these, selected by 73% of landlords taking part in a Paragon survey. This was followed by reliable tenant demand, chosen by 57% of landlords and students' parents/guardians making reliable rent guarantors, appealing to 56% of landlords.

We know that for some landlords, the location of their investments is a key consideration as this can mean they are more familiar with the area and being in close proximity enables them to quickly respond to any issues. Student landlords are no different, with 42% stating that living near a university increases the appeal of letting to the tenant type.



Some landlords put their lack of desire to let to students down to having property that is unsuitable or in the wrong location for the tenant type

DUNCAN DAVIES, LANDLORD

Duncan Davies is a full-time landlord with a portfolio made up of 19 properties, 15 of which house student tenants.

With properties located in Southampton, Duncan lets to student from the UK and abroad who study at Southampton University in the South East of England.

Central to Duncan's student lettings strategy is acquiring properties close to university campuses and investing money to improve and convert them – the layouts of many of the properties are now tailored towards the student market.

Duncan said: "Despite some misconceptions, long gone are the days of run-down student digs. I recognise that students want more from their rented accommodation and rightly so, this is their home during their time at university.

"This is something that I take seriously, and I ensure all of my properties are not just well located, being close to universities, but are also good quality and well maintained.

"Properties are redecorated regularly and a couple are refurbished every year - we've made an effort to improve communal areas as well as bedrooms, providing tenants with a contemporary space to mix and relax."

This approach has helped Duncan to develop positive relationships with his student tenants and the risk of damage to his property is of no major concern.

Instead, Duncan views some of the recently proposed changes to private rented sector legislation as the biggest challenge facing his business over the next 12 months.

"While I support some of the policies proposed in the Government's Fairer Rented Sector White Paper, I think some of them are ill informed so require further consultation with people and organisations who understand the nuances of how the sector operates.

"For me, the clearest example of this is the proposed removal of fixed term tenancies. I can see that this will help regular renters to easily leave properties if they wish (and we have professional lets where this is not an issue) but the student sector works differently. This change could result in students being unable to start their tenancy at a prescribed time and unable to start their academic year with accommodation – students like to have their housing sorted for the next year many months ahead of its start.

The Landlord view



Southampton, South East

"This whole proposed legislative change will create unnecessary void periods, which we've never had before. The article 4 issue also prevents us renting to families as we would not be allowed to return the property to student rentals. The government has partially recognised there is an issue but inexplicably only addresses the large purpose built company provision.

"Additionally, without a known tenancy end date it will make it difficult for landlords to get into properties to carry out refurbishment work needed to ensure they are of a high standard for the incoming tenants."

Alongside the proposed changes to the energy efficiency requirements of privately rented properties, Duncan is awaiting more guidance from the Government to see how future policy will shape the sector. As a result, he has no plans to modify his portfolio in the near future.


"With so much change on the horizon for the PRS, as well as all of the current economic uncertainty, it doesn't feel like the right time for me to make any large scale changes to my business.

"That's not to say that this will always be the case, I know that there is always demand for good quality and affordable rented homes, but I will bide my time and wait for a bit more stability."

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