

What you need to know about investing in student accommodation

While anybody thinking of investing in a rental property usually starts with two main considerations - the right location and the demand for rental property in that location, student accommodation is one of those property investments where the location is predetermined and the demand far exceeds the supply, making for the ideal foundation for a lucrative investment. But like any other property investment, it's important to do your homework before you start painting the walls and drawing up the lease agreements, says Giel Viljoen, principal at Leapfrog Stellenbosch.



© albertus engbers – 123RF.com

Consider the context

Currently the reality in South Africa is that student numbers at public tertiary institutions around the country are growing but the accommodation to house these students is not growing at the same rate. “Hundreds – thousands in some cases – of students are seeking affordable accommodation off-campus, which means investors have a guaranteed supply of tenants each year,” Viljoen explains.

What’s more, student accommodation can often generate more income per square metre than for example a property that is let by a family of four because their needs are vastly different.

“Student accommodation also virtually guarantees year-on-year tenants, which isn’t always the case with other types of rental properties. In many cases the student’s parents pay the rent, which also mitigates the risk somewhat,” Viljoen explains.

Always approach with caution

While all of this makes it a fairly low-risk investment, Viljoen says it is still important to approach the investment rationally and with a keen awareness of the potential hassles and pitfalls.

“Students have something of a reputation for noise and property damage, so it’s important to ensure the lease agreement protects and covers you against these problems,” Viljoen advises.

A watertight vetting process is a good start, and make sure to include a clause for immediate termination or that allows you to deal with tenants that break the laws in a swift and efficient manner, Viljoen suggests. “A trusted property advisor will be able to advise you on how to best approach the matter,” he says.

“It may even be a good idea to make provision for a routine inspection at regular intervals, or consider providing a cleaning service once a month to keep the property in good shape,” Viljoen adds.

Another thing to simply be aware of is that student accommodation generally has a much higher tenant turnover than almost any other type of rentals, which means having to repeatedly do the paperwork that comes with a new lease agreement, Viljoen cautions.

Potential pitfalls aside, the benefits are still plentiful

Decent living conditions and a property that is safe, well maintained and has everything in good working order goes without saying, but beyond that students are generally not too fussy. “Because student accommodation by its very nature is temporary, the tenants tend to not be too concerned about the amenities and features,” Viljoen says of his experience with this market.

The temporary nature of this arrangement means it is easy to raise the rent in accordance with inflation, whereas with long-term tenants the rental tends to be lower than the area average.

More homework

Like with any other property investment it is crucial to do your homework. In the case of student accommodation it includes familiarising yourself with the area and the types of units students in the area prefer. “A trusted property advisor will definitely be able to offer insights around whether students prefer a house share of a bachelor flat, for example,” Viljoen says.

Another important consideration is the property’s proximity to campus. “Most students don’t have cars and walk everywhere, often at night, a property that offers a safe and well-lit route to campus is generally a winner,” Viljoen believes.

Ensuring the safety of the property itself also adds to its appeal. Things like safety gates, burglar bars and potentially even an alarm system definitely adds to the value.

When it comes to the interior of the property you’re always better off with practical and hard-wearing finishes and amenities, like ceramic floors instead of carpets.

Furthermore, a property that has high-speed internet and good cellphone reception practically lets itself, Viljoen jokes, though there is much truth to the sentiment.

“At the end of the day, the question around whether to invest in student accommodation begs that same questions as any other property investment, where your own investment goals are the main consideration,” Viljoen concludes.

For more, visit: <https://www.bizcommunity.com>