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## Would you buy your child a property for university? Here's how to do it



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By **Alexandra Goss**

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In common with most students, Arjun Verma spent the first year of his engineering degree in halls of residence, getting to know his fellow undergraduates and settling into university life in London. After finishing his exams this summer, the 19-year-old started looking for a flat to rent for the second year. Something easier said than done.

“All the rentals were so expensive – we were looking for properties in the £1,600-£3,000 a month range but the conditions were appalling or, if they were decent, the landlords were not willing to let to students,” says Arjun’s mother, Bhakti, 43. “It got to the stage where we were wondering what to do because Arjun is studious and didn’t want to share with five or so others in a large house. That’s when we started to think of an investment property.”

Bhakti, a lawyer, and her husband, Rahul, 44, an accountant, have just completed on a one-bedroom apartment costing £560,000 in St John’s Wood, north-west London, where Arjun will live for the next three years of his four-year course.

“We are fortunate enough to be able to help our son out right now and he can be in a property he likes,” says Bhakti, who lives in [Milton Keynes](https://www.telegraph.co.uk/luxury/property-and-architecture/time-think-milton-keynes-new-mk-gallery-architectural-gem/) (<https://www.telegraph.co.uk/luxury/property-and-architecture/time-think-milton-keynes-new-mk-gallery-architectural-gem/>). “If he gets a job in London, he can continue to live there and pay us a small rent, allowing him to save up for his own property. If he ends up working elsewhere, we can always let the flat out. At the end of the day, this gives our son a better quality of life and gives us an investment.”

Many parents will want to follow the Vermas’ lead and – if they are fortunate enough – buy a rental property for their children to live in while at university and afterwards if they stay on and get a job in the same place. And if the child moves on after graduation, there is always the option to let to a new generation of fresh-faced students, subject to any mortgage lender restrictions.

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Buying digs in some university cities doesn't make financial sense, however: property prices in Oxford and Cambridge are eye-watering, and most undergraduates spend the majority of their degrees living in college accommodation, rather than privately rented properties.

Also, depending on how they structure their purchase, parents could face paying the 3 per cent surcharge levied on second homes. "Different ways of buying have different tax and financial implications – and there are specific rules governing houses in multiple occupation – so anyone buying a student property should seek professional advice," says Mark Harris of mortgage broker SPF Private Clients.

Estate agency Hamptons has looked at 25 key English university towns and cities, ranking them according to average yields; typical property prices and rents; house-price growth over two and 10 years; and the average profit made by sellers. Here are some of the locations at the top of the class.



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## Manchester

This youthful, energetic city has a fantastic music scene, buzzing nightlife and shops that could make a serious dent in your student loan – and it is heading for a first in terms of investment prospects, too.

"Manchester has seen the strongest house price growth (<https://www.telegraph.co.uk/property/best-residential-investments/manchester-market/>) over the past three years of 18 per cent, with values up 53 per cent over a decade. Although, at an average of £178,700, prices are a lot lower than in other major cities," says Aneisha Beveridge, head of research at Hamptons.

"Despite the fact rising property prices have caused returns to fall slightly, the typical gross yield is still a very strong 6.9 per cent."



Canalside flat in Manchester, £600,000 with JLL CREDIT: TOM BIRD

Buying here could be a good way to future-proof your investment, as 51 per cent of students at Manchester's universities stay on after they graduate, the second highest retention rate after London, according to the think tank Centre for Cities.

"I advise clients to buy something that could suit their child for five to 10 years," says Thea Carroll, founder of Thea Carroll Property Consultancy. "As such, look for a two-bedroom, ground-floor flat – ideally with a garden.

"This means that if your child meets a partner there is less pressure to move out straight away and, if they have a baby, the property will be pram-accessible."

With this in mind, consider skipping a typical student area such as Fallowfield and buying in Didsbury, which is pricier, but more popular with young professionals.

## Bournemouth

Seven miles of sandy beaches, superfast broadband and a riotous party reputation – what more could a young person want?

This Dorset town has thrown off its blue-rinse reputation and is a happening hub for students at the two universities and thousands of young professionals.



House in Bournemouth, £450,000 with Purplebricks

Many financial firms' headquarters are based here, with the largest being JP Morgan. This is crucial for making a savvy property investment.

Yields are typically 5.5 per cent, with properties averaging £251,00. While you may think you can save money by buying a doer-upper, that is no longer a given in today's property market. "The parental enthusiasm of a refurb can mean that you overspend and, even if something needs work, you may not be adding the value you thought," Carroll says.

"You need to do your sums to work out if you may be better off buying something with an acceptable finish. Look out for properties that have been on the market for a long period, as you might be able to negotiate a great discount."

## London

Apartment in London, £695,000 with Knight Frank

Granted, it's still expensive – the average home costs £473,000 – but the recent price falls (<https://www.telegraph.co.uk/business/2019/07/17/20000-wiped-average-london-house-price-growth-falls-six-year/>) mean that now could be an opportune moment to buy in the capital.

Over three years, values are up just 1 per cent, the lowest of all 25 locations analysed by Hamptons, while gross yields have ticked up over the past couple of years to an average of 4.4 per cent.

“In London you need to choose a location that works for university and, importantly, potential workplaces,” says Henry Sherwood of The Buying Agents. “Zone 2 represents the best value for money and the yields are much better than in central London.”

## Nottingham

Along with Sheffield, Bath and Bristol, Nottingham is one of the hotspots for people taking out the Buy for Uni loan from Bath Building Society, says Steve Matthews, head of mortgages at the mutual.

A penthouse in Nottingham, £315,000 with Savills

Buying in this way means that the child – who can borrow up to 100 per cent of the property if their parents act as guarantors – can benefit from the first-time buyer stamp duty exemption if the property costs less than £300,000, and means parents avoid paying the second-home surcharge. The loan is valid for properties with a maximum of three occupiers and, after graduation, borrowers have to remortgage on to another deal or sell up.

The fact that Nottingham has two universities – students make up about 12 per cent of the city's 329,000 residents – plus the Queen's Medical Centre, the UK's largest teaching hospital, means there is a huge demand for rentals; this is boosted by large graduate employers, including the pharmaceuticals firm Pfizer and Boots.

Landlords can expect average yields of 6.7 per cent, Hamptons says, while the average property costs just £142,790; expect to pay more for an apartment in a lively area such as the Lace Market.

Look out for rental regulations: Nottingham City Council has introduced a new licensing scheme, meaning landlords have to obtain a licence for each rental property to ensure its safety and quality standards.

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