



# A housing scheme

Moving to the UK to study is a long-term personal investment in many ways, but it can be a short-term financial boon too. Antonia Windsor explains how owning a property for the duration of your course could prove a very profitable plan

If you are coming to the UK to study a postgraduate course, you may be committing to spending a substantial amount of time here – as much as four years if you are doing a one-year master’s course followed by a three-year PhD. With most student rents at least £65 a week, that means you (or your family) could spend more than £13,000 on rent alone.

But there is an alternative. If you’d rather invest that money, consider buying a house to live in while you are studying and renting out the spare rooms to your friends. Their rent should cover any mortgage you may face for the duration of your course – and when your studies finish, you should be able to sell the house on for a profit. That’s the theory, at least. Under current UK law, non-UK nationals and non-UK residents can buy property here. If you don’t have enough savings to buy with cash, you may be able to borrow money through a private or foreign bank based in the UK.

‘We’ve recently had a few savvy clients – parents of international students – who have taken advantage of a depressed

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property market,’ says Kusal Ariyawansa, a financial planner at Appleton Gerard in Manchester. ‘They have been arriving with a sizeable deposit and looking to invest. Some lenders have now realised that this is a secure market and are prepared to lend – albeit on an individual case-by-case basis.’

Ray Boulger, from independent mortgage experts John Charcol, agrees: ‘Mainstream UK banks would be looking for someone living in the UK and having an income. So this kind of mortgage would need to be on a specialist basis. We’d go to a private bank, such as Barclays Wealth, or a specialist foreign bank for this sort of deal.’

With this in mind, if you are buying a house with four bedrooms and the average student rent in your area is, say, £80 a week, then



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you have a potential income from the property of £240 a week. ‘It makes it easier to convince a bank to lend if you are planning on renting additional rooms,’ says Boulger, ‘because this gives evidence of UK income in the form of rental income, and it is quite likely that the income from three students in a four-bed property will be enough to cover the mortgage.’

### Where to start

You will need at least 25 per cent of the property’s value to put down as a deposit at the outset, or assets that could be used to guarantee the sum you are borrowing. ‘The main thing is to present a positive picture to the lender,’ says Boulger. ‘If they trust that you will be able to meet the mortgage repayments or that they won’t lose money if you were to default, then they will be happy to lend to you.’

If you are looking to buy a property that you will also rent out to friends at your university, contact your university or college accommodation officer, or look at the institution website, which often has a section on housing. Key things that will make the property attractive to both you and potential tenants (and make it easy to sell on) include distance to the university; proximity to popular shops, bars and amenities, such as a sports centre or cinema; and easy access to transport links. If you want to maximise your rental income, you will also be looking for a property that has additional good-sized rooms that can be used as bedrooms, such as dining rooms or study rooms. Many student landlords turn living rooms into bedrooms to gain an extra tenant, but that only works if you have a good-sized kitchen – otherwise everyone will regret the lack of a communal space.

Most UK properties are sold through estate agents who act on behalf of the person selling, otherwise known as the vendor.

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When you know where you want to buy, register with all the estate agents in the area. They will ask you what you are looking for and notify you when suitable properties come on the market. Take time to visit a wide selection of properties in your price bracket so you know what you can buy for your money and when you are getting a good deal. Once you find a property that satisfies your requirements and budget, the next stage is to put in an offer. This is the price you are prepared to pay for the property, which may be under the asking price (the price advertised by the estate agent).

For example, if you find a semi-detached house with four bedrooms in the popular student area of Smithdown Road in Liverpool that is on the market for £129,000, you may decide to call the estate agent and offer £115,000 for it. The estate agent will then put the offer to the vendor and let you know their reply. If they don’t accept your offer, you may decide you want to offer more. This kind of bargaining can last until both parties reach an agreed amount. The system is slightly different in Scotland, where you may have to submit a sealed bid or meet an advertised fixed price.

### The purchase

If or when your offer is accepted, you will need to appoint a local solicitor – ask your estate agent for a list of recommended people – to carry out searches of official records. The solicitor will also make the stamp duty payment (a Government tax of between 0% and 4%, depending on the value of the property) and negotiate the contact with the seller’s solicitor or conveyancer. If you are borrowing money, this is the time to complete your mortgage application. Once this has been done, the lender will value the property to make sure you are not paying more than it’s worth. It’s a good idea to get your own

survey done as this will clearly point out any flaws in the structure of the building, such as subsidence or damp, and will also independently value the property.

The agreed deposit will have to be paid once the contracts are exchanged, so now is the time to ensure this money is available, which may involve transferring it to a UK bank account. You will be legally responsible for the property the day the contracts are exchanged, so you also need to ensure the building’s insurance starts that day.

If you are planning on renting out some of the rooms, it may be worth choosing a policy that is specifically designed for letting property. These policies will often have extra cover, such as public liability, which will cover you in the event of your tenant being injured due to a fault in the building. Visit [www.landlordzone.co.uk](http://www.landlordzone.co.uk) and click the insurance link for recommended brokers. Your mortgage lender may also insist that you have life assurance (or life insurance) so that in the event of your death your mortgage will be repaid in full.

### Being a landlord

Even if you live in your house with friends, you are still the landlord and have to comply with a large amount of legislation. Before you can rent out your rooms, you must have the property formally inspected for gas safety by an engineer on the Gas Safe Register. Visit [www.gassaferegister.co.uk](http://www.gassaferegister.co.uk) for more information.

You should also ensure that all furnishings in the property conform to fire safety standards: most modern furniture has a label to state that it is fire resistant or fire retardant, so avoid second-hand furniture that doesn’t have the relevant labels.

Tenancy agreements are available to download for free from a number of websites. Fill these forms out

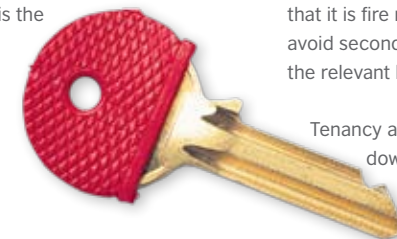


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carefully and ask your tenants to sign before they move in. This will commit them to paying the agreed monthly rent. It is a good idea to ask for their parents’ names, addresses and contact details too, just in case any payments are defaulted. It is worth creating an inventory (list) of everything that is in the house – and the condition it is in – and asking the tenants to sign that at the same time as the tenancy agreements. This will avoid any nasty disputes further down the line if things get damaged. Finally, you should agree at the start of the tenancy on how the utility bills are going to be split: whether they are going to be paid for separately or whether you are going to charge more rent to cover them.

If you don’t know people to share with, talk to your university accommodation officer, who can add you to their list of approved landlords and help you find tenants. If you want to share with people who are doing the same course as you, try advertising the rooms on your department noticeboard.

Remember that owning a property in the UK will not influence your visa status or give you leave to remain in the UK. But when you finish your course you can continue renting out the property as an absentee landlord. If you want to extend your stay in the UK after your studies you will have to fulfil the visa criteria set out by the UK Border Agency. See [www.ukba.homeoffice.gov.uk](http://www.ukba.homeoffice.gov.uk) ■



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