

ReeceRealty
Newcastle
and Maitland

BUYING STUDENT ACCOMMODATION

Things you should know before you invest



Allen Reece
Independent - Local - Informed

P: 02 4950 2025 E: rentals@reecerealty.com.au
22 Blue Gum Road, JESMOND NSW 2299
www.reecerealty.com.au

Student Accommodation



The reason people invest in student accommodation is for the higher than average rental yield. There are different types of off campus properties but here we will concentrate on private houses being rented on a room by room basis to university students. Renting your property out by the room can be a profitable strategy however there are many things you need to consider. To begin with generally these houses will need to have more rooms than the standard family home (or be modified to have), say 5 or 6.

There are many more factors that come into play the moment you rent your residence to multiple unrelated parties. Some things to consider:

Security

- ▶ Each room you rent will require its own locks with individual keys.
- ▶ Common doors like the front and back doors will require access by all tenants (these doors will need to have different keys than the individual rooms)
- ▶ It is also recommended that you have lockable cupboards in the kitchen to avoid the issue so common in shared tenancies of people eating each others food.



Furnishings

In most cases you'll need to have basic furniture:

- ▶ Each bedroom requires a bed, desk & chair and preferably a cupboard or wardrobe.
- ▶ Living areas need some comfortable, hard wearing seating and a table with chairs to eat meals.



- ▶ Kitchen cupboards should be stocked with crockery, cutlery and some basic cookware including kettle, toaster & microwave.

► if you are renovating a property for this style of accommodation install tiles instead of carpet or polished wooden floors to reduce maintenance costs.

► Students are more frequently looking for double or queen sized beds and things like this can make the difference between a vacant and a rented room.

Consider there will be greater wear and tear on furnishings with multiple unrelated tenants (and their individual circles of friends). If something is damaged you can't hold any one tenant responsible unless they admit to causing the damage. The same issue would not arise in a residential rental.

Utilities

► **Students expect internet and we always recommend an unlimited data plan as the most common complaint amongst student tenants is slow or no internet.**



► In most cases you won't be able to charge individually for water, gas and electricity (unless the property is purpose built with individual meters for each room). This means that water and electricity come out of your gross rent which reduces your net return.

Cleaning & Maintenance

An ongoing problem in a share house is working out who is responsible for cleaning. You can leave it up to the tenants but as a general rule they are as likely to do it as a teenager at home. Tenant arguments can potentially increase tenant turnover as well as making it hard to rent vacant rooms because of messy common areas every time your property manager shows a new tenant through.

The only real way to ensure cleaning of the common areas is kept up to date is to hire a professional

cleaner which will reduce your rental return further. **Reece Realty use well priced cleaning contractors who are familiar with the 'special' requirements for student accommodation.**

If applicable you'll also need to pay for garden maintenance (another avoidable cost with a single tenant)

Vacancy

The Good: Renting out each individual room to a separate tenant will result in a higher rental return. For example, a five bedroom house rented out for \$130 p/week per bedroom with tenants sharing common areas such as bathrooms and kitchen would return \$650 p/week. The same property may rent on the general market for around \$450 per week.

The Bad: The vacancy rate can be higher as rooms that are vacated at the end of the University year can be difficult to rent until classes resume in February (a good residential tenant could be there for years). **At Reece Realty we aim to lock students into 12 month leases that expire in January** so that if tenants choose to move out at the end of their lease it is at a time where we are most likely to be able to secure a new tenant.



Many students may change accommodation a few times during their course of study.

Other costs

- Landlords Insurance - premium may be higher for this type of accommodation. Ask us for the names of insurers that are familiar with Student Accommodation.
- Government Regulations - eg fire safety and water

restrictions - check with our Property Management team for current requirements.

After considering these factors you've decided this is the investment choice for you, the following information may assist in your property selection.

Location

Properties that are within walking distance of a university campus or major shopping and business centre are always easier to rent with this style of accommodation. Proximity to public transport is also important as many students do not have cars and for those that do parking can be an issue close to the University.

Fixtures and fittings

Make sure your property has hard-wearing fixtures and fittings.

Keep your options open

If you are planning to make changes to your property to make it suitable for this type of accommodation, keep in mind that it will be easier to sell later on if it can be converted back to a normal residence. If, however, you have chosen the right property and you can make it work, you just might increase your sale price based on your increased rental returns.

Made your decision?

If you do want to give it a go, make sure you budget accurately for all the increased expenses you will incur and don't forget to include the increased time it will take to look after the property. **Remember also that Reece Realty manages over 700 student rooms and can relieve you of some of these responsibilities for no extra cost than managing a standard residential property.**

Welcome to Reece Realty

Reece Realty is an independently owned and operated real estate agency. Being an independent agency allows us to give our clients throughout Newcastle & the Greater Hunter, Port Stephens and beyond, tailored and personalised service. We have dedicated staff in our property management and sales departments looking after your best interests.

Our success is based on discipline, persistence, a genuine care for what we do and respect for the people we assist. Keeping up to date with current property trends, market fluctuations and industry regulations is a responsibility we take seriously. It is knowledge that allows us to offer a comprehensive and informed service to our clients whether you are buying, selling, investing or needing advice on professional property management.

Our office is located in the heart of Jesmond shopping precinct with high exposure from Blue Gum Road (opposite Jesmond Fruit Barn) and Hirst Street (opposite Woolworths main entry) with plenty of free parking available. Only 1.5kms from the University of Newcastle Callaghan Campus we also specialises in management of Student Accommodation.

The experienced team here at Reece Realty Newcastle look forward to assisting you

Allen Reece

Owner and Licencee
Reece Realty Newcastle

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