

# The Student Rental Market for UK Expat and Foreign National Investors

*In this comprehensive guide, Liquid Expat Mortgages tackles the Student Rental Market, examining what makes student property a good investment and where to buy.*

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/EINPresswire.com/ -- Stuart Marshall of Liquid Expat Mortgages takes a special look at an incredibly exciting area for UK Expat and Foreign National Investors: the student rental market. In the aftermath of the COVID-19 pandemic, this sector of the rental market is creating a real stir as expat mortgage requests for student properties have risen considerably over the last six months.



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According to Savills, [investors spent £5.77 billion on purpose-built student accommodation](#) in

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*Stuart Marshall*

2020 – 5.7% higher than 2019 and the highest figure they have ever recorded. So, investors are confident in the prospects of the student sector being able to deliver strong returns on investment. This is something that UK expat and foreign national investors have taken note of.

Some Background.

One factor that’s been coming up more and more in our recent discussions with potential UK expat and foreign

national investors is the student rental market. With the end of pandemic-induced lockdowns and travel restrictions came the resurgence of a student market that is becoming increasingly rewarding for UK expat and foreign national investors. Domestic students are returning to major UK educational hubs to live, many trying to ‘make up for lost time’ after the pandemic brought

the social side of 'the student experience' to a complete halt. International students are also returning to the UK, with the UK's exceptional universities and subsequent job opportunities continuing to be attractive to overseas students post-pandemic.

#### The Student Rental Market.

The surging student demand has meant that there has been an extraordinary growth in rental prices in many areas across the UK student rental market, resulting in an increase as high as 26% in some areas.

Student rentals in the East Midlands have seen the largest growth in rental prices, rising by 26% in the last five years. Student rental growth in the North West and the Yorkshire and the Humber have also seen impressive growth over the same period, rising by 23% and 21% respectively. These increased rental costs are not acting as a deterrent to students either, with student financing and the bank of mum and dad still providing a sufficient incentive to go to university. As a result, demand continues to increase - with UCAS reporting an 8.4% rise in the number of applications for the next academic year - and prices are increasing accordingly.

One other important factor that can't be ignored when looking at the student rental market is the low supply that the UK property market is experiencing in the student sector. While there is a more general lack of supply in the rental market that is contributing to rising rents, this is also true in the student market. According to UCAS, there are currently 2.5 million students in the UK, and they predict this figure to rise to 2.9 million by 2030. This is a level of demand that cannot be met by supply in the UK. Universities - who own the majority of student accommodation in the UK - cannot cope with the rising demand and so the private rental sector will have to pick up the



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slack. This presents an excellent opportunity for UK expat and foreign national investors looking to purchase a UK investment property, many of whom are choosing to purchase with the help of a specialised expat or foreign national mortgage.

### Why Should UK Expat and Foreign National Investors Consider a Student Property?

'One of the most important things for UK expats and foreign nationals looking to invest in UK rental property' says Stuart Marshall, CEO of Liquid Expat Mortgages, 'is affordability. Student properties are one of the most affordable sectors for UK expat and foreign national investors. Because they are significantly more affordable than standard [buy-to-let](#) properties, student properties are an excellent option for UK expat and foreign national investors looking to start their investment journey. What's more, student properties are also an excellent way for more experienced UK expat and foreign national investors to diversify an existing investment portfolio. A good number of our enquiries have been for buy-to-let mortgages which are based in the city centre or on the outskirts as students want the best of both worlds.'

'Despite the affordability of student properties, the rental costs remain high due to many of the factors that we have previously mentioned, including high demand and low supply. For this reason, properties rented out to students, consistently achieve yields above 8% for UK expat and foreign national investors. This is an incredibly high rental yield and with the affordability of student properties, they can present a fantastic investment opportunity for UK expat and foreign national investors.'

Another attractive aspect of the student rental property is that it can be a relatively hands-off



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investment, presenting a robust investment opportunity for UK expat and foreign national investors who have busy working and family lives. Many student property investments are incredibly hands-off because most are run by student management companies who will take over most of the traditional landlord responsibilities that you would have to fulfil if you bought a more conventional buy-to-let property.

'There are, of course, considerations to be made before purchasing a student property as a UK expat or foreign national investor' says Stuart Marshall. 'But no more so than with a more conventional rental property. One such consideration is that [if you are looking for a property to appreciate by a large sum](#), then a student property may not be for you. Because of their nature, the capital appreciation seen by student properties is not typically commensurate with other types of buy-to-let property. However, they do tend to appreciate a small amount and their affordability means that they are still an excellent choice to get started in the rental market. Further, they can be used to fund other purchases, by using the rental income they generate to buy more investment properties or by using equity from the property towards other investments.'

'To sum up, with the affordability, high yields, and hands-off nature of the investment, student rental properties present one of the best rental opportunities for UK expat and foreign national investors looking to start or add to a rental portfolio. What's more, with a specialist expat broker to assist with your expat mortgage, there are a wide range of lenders and product options to choose from.'

#### The Foreign Student Phenomenon.

The numbers of foreign students coming to study in the UK has grown hugely over the last few years and shows no signs of abating. 'Many UK expats and foreign nationals that we talk to are aware of this' says Stuart Marshall. 'After all, a large number of our customers opt to send their own children to the UK to study as they feel the standard of qualification is recognised worldwide and provides greater job opportunities.'

There has been a 17.1% rise in the number of applications to UK universities from non-EU countries. These students are typically looking for a higher spec student accommodation and are usually willing to pay far more to secure a property that meets their needs, often because of backing from wealthy parents or families. This means that UK expat and foreign national investors catering for this segment of the student population can utilise an expat mortgage to meet the needs of student requirements. With a readymade market, investors can tap into good rental yields and strong rental income from this unique sector of renters. To give an idea of the scale of this potential market, among the 17.1% increase in non-EU student applications are 130,000 applications from Chinese students and a 60% increase in students from the US.

#### Where to Buy a Student Property as a UK Expat or Foreign National Investor.

Having established that there is a strong investment prospect presented to UK expat and foreign national investors with the student property marketplace, the question becomes 'Where should

UK expat and foreign national investors be looking to buy?’

Manchester and Liverpool.

Manchester and Liverpool are highly regarded when it comes to any discussion UK rental property. But the same can also be said of the student market in these territories.

Manchester has a student population of 100,000 – one of the largest student populations in Europe – and is home to several fantastic universities, including the University of Manchester (one of the top universities in the world). Manchester has also garnered a worthy reputation as a fantastic city to live in – ranking as the best city in the UK to live on the Global Liveability Survey. This factor is also evident in the number of graduates who choose to stay in Manchester, with 51% opting to continue living in the city (the second highest number of any city in the UK). Manchester also benefits from one of the highest population growth rates of any city in the UK, making the decision to purchase property there a shrewd one. ‘When you consider that Manchester has one of the largest and most diverse student populations in Europe, it’s no wonder that businesses choosing to relocate to the Northwest are choosing Manchester in a bid to tap into its pool of graduate talent. The graduate pipeline is further enhanced by the opportunity to collaborate with highly skilled academics within a wide variety of in-demand sectors such as advanced manufacturing; creative and media; digital and technology; fintech, including financial, professional, and business services; and life-science and healthcare. When looking at Manchester through this lens, you can see why it’s such a popular choice for students and a profitable location for UK expat and foreign national investors to own student property.

Liverpool is also an excellent choice as it is one of the most affordable locations to invest in student property. However, despite this affordability, the prices in Liverpool are still projected to grow substantially. The demand for student property is set to remain high with a student population of 70,000 and a cementing reputation as one of the best cities in the UK for its social scene.

One other consideration to make when looking at these two cities is the overseas student factor. As mentioned above, there are over 130,000 applications for UK universities from Chinese students. Manchester and Liverpool are incredibly popular choices for these students, with strong communities of native Chinese already present in both cities. In fact, 1 in 5 students at the University of Liverpool are Chinese, indicating an incredibly strong desire for students to study and live there. Manchester is similarly popular with overseas students, with around 40,000 students in Manchester coming from overseas, including at least 1 in 8 from China.

Leeds and Sheffield.

Leeds and Sheffield are increasingly popular choices for the purposes of investing in a student property. Leeds is an incredibly vibrant city with five universities and a student population of over 60,000. It boasts excellent employment prospects for its graduates with its reputation as the central employment hub in Yorkshire. With a great social scene and a reputation for fantastic nightlife, it offers everything that students look for in a university city – a great place to live, work

and study.

There are many parts of Leeds which have become sought after student areas – such as Hyde Park and Headingley – and the rental yields for properties in these parts of the city have risen greatly over the last 10 years.

Sheffield has a student population of 60,000 and offers good affordability, a thriving social scene and quality educational institutions. Sheffield's best rental yields are achieved in the city centre (the S1 postcode) which is an incredibly popular choice for students, including the 6,000 strong Chinese student population. Again, this is a factor which investors have latched onto for many years now.

Both cities are extremely affordable, especially for entry-level UK expat and foreign national investors looking to start their UK investment journey with a buy-to-let or expat mortgage product.

Nottingham and Birmingham.

Nottingham and Birmingham are the obvious picks when it comes to the Midlands. Nottingham is an incredibly popular choice for student investment – home to the 53rd best university in the world and incredibly affordable property which means an average gross yield of 6%. Nottingham is also considered to be one of the best student experiences for students, with a strong reputation for nightlife and student safety.

Birmingham is similarly popular with students – matching Manchester's 100,000 strong student population. Birmingham is incredibly culturally diverse and under-25s make up 40% of the city's population, making it a great choice for those seeking a scene which serves the young. Birmingham's ongoing regeneration programme is also incredibly attractive for those looking for solid employment prospects, with a projected 80,000 jobs predicted to come out of the various regeneration schemes. This will also contribute to good capital growth figures on, currently, very affordable property.

Wrapping Up.

The student rental market is following similar lines to both the general housing market and long-term let market. Across all these markets, London has seen negative growth over the recent years (in the case of the student rental market, rental prices have fallen 16% in the last five years), and areas of interest are the Northeast, the Northwest and Yorkshire and the Humber area.

'Many overseas investors have been able to benefit from a wide range of interest only buy-to-let mortgage products at historically low rates' says Stuart Marshall. 'This has allowed many families to buy for their children as a way of saving money on rents. Many other investors have been able to benefit from booming city centres outside London, which is prohibitive in terms of entry-level property investment prices. Lenders have adapted and developed expat mortgage products

suitable to the increased demand from overseas property buyers and these products have proved to be a popular and profitable choice for investors worldwide.'

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