

Student Accommodation: Legal Issues for Real Estate Investors

Worldwide investment in student accommodation has doubled in the last few years, with investors seeking to benefit from the stable cashflows this asset class provides.

At Allen & Overy, we have seen a growing interest in student accommodation from investors and have developed a list of key considerations for our clients covering the issues that are unique to this asset class.

Key considerations

The predictable income stream offered to investors during the university calendar year means that student accommodation is a particularly attractive asset class for real estate investors. Investors should consider the following in particular:



Operational Structure

Detailed consideration of the operating structure is required at the outset – with the day-to-day management either remaining intra-group or outsourced to a managing agent.

The choice of operating structure will be determined by a number of factors, including:

- liabilities;
- regulatory constraints;
- financial considerations;
- human resources and
- exit/selling strategies.



Planning and Zoning

Urban planning rules and applicable town planning schemes must be reviewed to ensure that residential use is permitted.

In the event that residential use criteria cannot be met, investors will need to consider alternative legal structures in accordance with local laws, such as removing a student's exclusive right to possession or offering specific additional services.



Cashflow

Whilst student housing offers attractive investment returns, long-term income streams and high occupancy rates, investors should consider additional measures to broaden the asset's income, including:

- additional services (such as laundry, sport facilities and restaurants);
- contractual terms to limit student turnover;
- occupation of rooms during university breaks; and
- rent guarantees from universities or sellers.



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17%
of all students in Europe live in student accommodation.

2.6 million
beds are currently required in European city centres to meet student accommodation demand.

