

MINIMIZE THE RISKS OF RENTING TO COLLEGE STUDENTS

Student Housing is an essential cornerstone of student life for any college or university. This market segment is noted for its dependable cash flows due to high demand. With vacancy rates in the U.S. as low as 2.6% in 2018 and 2.3% in 2019, the rental rates for student housing are constantly increasing. In fact, on average, rent growth of student housing units in the U.S. sits at about 3.3% per year. However, student housing is not without unique risks.

Some people are hesitant to invest in student housing because they fear the worst: high turnover, reliability of first-time renters, increased risk of property damage, and the need for additional rules and regulations due to local compliance. But by premeditating these potential risks, investors and landlords can protect their investments while obtaining dependable cash flow. We have compiled a list of ways to minimize risks associated with student housing to help you protect your investment and retire financially comfortable.



HIGH TURNOVER BETWEEN ACADEMIC YEARS

There will always be high tenant turnover in student housing markets as students are often in and out of their university in four years and are not likely to live in the same property each year. Therefore, student rentals typically come with short-term leases, leaving investors fearful of potential vacancies.

MITIGATE RISK

Offer discounted summer rates to avoid vacancies after the academic year has ended. The increased rental income during the academic year should more than cover the difference. You can also hire a property manager who has the tools to organize lease signings, marketing, and more - helping investors and landlords keep profits high and vacancies low.



RENT RELIABILITY OF FIRST-TIME RENTERS

A typical worry that keeps student housing property owners up at night is if students will pay rent on time. While students typically lack a lengthy credit history, the combination of high tenant diversity and financial backing from students' parents or financial aid contributes to the relatively low risk profile of this renter population.

MITIGATE RISK

One way to prevent this risk is to look for red flags in the rental application and screening process. Ask for housing references, proof of income, parental contacts, and even information about where the rent is coming from. Did students leave answers to these important questions blank? Maybe pass on renting to them. As for preparing for late rent payments, set aside a rainy-day fund to cover property expenses in case income is less than expected.



THE NEED FOR ADDITIONAL RULES AND REGULATIONS

Students get a bad reputation for merely a lack of experience living on their own for the first time. Paying bills, coordinating needed utilities, budgeting, and even engaging in activities such as grilling may be foreign to them. Distributing a set of Rules and Regulations for tenants living in your student housing properties can bring this to their attention, and hopefully offer some protection to your property.

MITIGATE RISK

Have students set up utilities in their names, incorporate rules for the property in the lease (such as no fireworks or grills), and rent each room separately. These rules can help keep students aware of utility usage, prevent property damage, and make sure each student is responsible for their portion of the rent. At Millers Mutual, we offer a sample Rules and Regulations document for all our Student Housing Customers.



COLLEGE RENTALS OFTEN HAVE AN INCREASED RISK OF PROPERTY DAMAGE

Property damage is every landlord's worst nightmare. When renting to college students, it is common to deal with a lack of maintenance on the property and increased wear and tear. Count on higher maintenance costs for student housing compared to traditional multifamily properties.

MITIGATE RISK

One of the best ways to protect landlords against property damage is to require all tenants to obtain Renters Insurance. Besides that, include procedures for reporting property damage in the lease and keep the lines of communication open. You can make certain small problems are caught before they grow into something worse if your tenants know how to report maintenance issues.



FOLLOW LOCAL REGULATIONS FOR STUDENT HOUSING

Student housing properties are handled differently than typical rental units. There are safety regulations put in place to protect students living in high occupancy areas, such as size of windows, number of fire alarms, and occupancy rates.

MITIGATE RISK

Landlords can protect themselves in the event student tenants ignore maximum occupancy laws by including the maximum occupancy number in the lease. As for being in compliance with various property related safety regulations, choose an insurance company with expertise in providing student housing insurance.

DIFFERENT RISKS DON'T NEGATE BENEFITS

Student housing should be approached differently than typical rental properties and when done correctly, landlords can enjoy the benefits of renting to students while reducing the risks associated with these rental properties.

At Millers Mutual, we've taken the time to understand this market segment and created a product that best protects the landlord. Find out more about our off-campus, privately owned student housing coverage today. <https://millersmutualgroup.com/products/student-housing-insurance/>

About Millers Mutual Insurance

Millers Mutual Insurance, based in Harrisburg, Pennsylvania, is the niche property & casualty insurer that brings stability to multifamily housing. As a carrier that's dedicated to understanding the intricacies of the niche, we believe our singular focus on multifamily housing results in the kind of comprehensive, stable coverage our agents—and their multifamily clients—deserve. We currently serve commercial policyholders in Pennsylvania, Delaware, Maryland, North Carolina, Ohio, Virginia, and Washington, D.C., through a network of independent agents.