

HMO



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## Houses of Multiple Occupation

HMO means houses in multiple occupation and this means renting houses to groups of people by the room, rather than the whole house, to an individual tenant or family. This is a fantastic way to supercharge the income you can get from a single property and you can easily double or even triple your profits by renting your house(s) out as HMO(s), rather than single lets.

HMOs or houses in multiple occupation have possibly (historically) been given a slightly negative profile, due to poor quality properties and what have been referred to as 'slum landlords'.

However, this kind of rather negative image has been replaced in recent years by professional investors, who are out there doing a really good job and providing great properties to tenants of a really high specification.

HMOs can be suitable for lots and lots of different demographic groups. With the market trending towards increases in job, personal and geographic mobility, there's lots more demand for tenants looking for small self-contained rooms, rather than renting out whole properties for a longer period of time.

HMOs can be targeted to many different demographic groups and there is strong demand in lots of different places around the United Kingdom. These groups include students, professional office workers, industrial workers and those in need of social housing.

So why would these groups of people want to rent a room rather than just go and rent out their whole house?

Well, let's have a look at some of the examples. Firstly, students are a good example as they are going to university so they're away from home for the first time and often they go into halls of residence for their first year. Then when they get to their second year, they can start tasting that little bit more freedom and often they traditionally move out into shared houses. This is where they can live out in the market with a group of friends, they can keep their costs down and so they share a house where each person rents out a room. This is called a 'student HMO'.



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Professional office workers on the other hand, might be postgraduate students wanting to extend their student lifestyle or possibly older office workers who might be employed on a contract basis. The market is trending a lot more towards short-term contracts and for workers to be a little bit more geographically mobile. Therefore, you may find that 'white-collar' professionals might move around the country a lot. They also might have a home in a different part of the country, and they might take a six-month contract somewhere else. So, if that's the case, they really want to keep their cost base low. Again, they might be working on a contract from a Monday to a Thursday for example and then go home at the weekends, so an HMO is perfectly suited to this kind of tenant profile. They can keep their costs face-down by just renting a single room rather than a whole house, and they can live there during the week and then go home at the weekends.

When it comes to industrial or what is known as 'blue collar' workers, these types of people move around a lot as well. They might move from region to region as different work contracts become available for example. Therefore again, this is a fantastic market for HMOs. This is a slightly different market to the students or to the professional office workers but based around industrial regions there are lots of demand for industrial workers wanting to rent rooms for again six or maybe nine months contracts at a time.

Again, those that fall into this demographic want to keep their cost base really low because they might live in a different part of the UK or might even live in a completely different country. They might be here for a contract and then go to another region or another country perhaps for another contract. Therefore, it's really important for them to keep their costs down by renting a room where they're only paying a share of the bills, rather than pay the council tax for an entire house, so this demographic is a really key market for your HMOs. As you can see there are lots of reasons why tenants would want to rent a single room rather than an entire house, and as we're seeing in the market this is a trend that's only getting stronger and stronger each year.

HMOs can provide an excellent investment model where you can ramp up the income from a single let by renting it out by the individual room. There is also a lot of demand from lots of different types of tenant groups for this type of property.



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However, there is a lot of regulation in the market to clear out those really bad landlords and to also really increase the standards and quality of houses in multiple occupation.

As professional landlords, we really welcome this legislation as it keeps those bad landlords out of the game and provides more opportunities to the professional landlords to provide really high-quality HMOs.

There is lots to learn about before getting into this strategy, as there is a lot of legislation around planning and licensing of houses in multiple occupation. You really need to know your stuff before you start as the penalties can be really severe for renting out houses as HMO's, without having the proper paperwork in place.



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