My free guide to investing in HMO properties.

Although I am experienced in several methods of making money from property my advice to the newcomer is to start with an HMO.

I have been in this business for twelve years now and have successfully built portfolios for myself and others so let me outline to you the basic details of what an HMO business is and the benefits of property investing.

What is an H.M.O ?.

H.M.O. is an abbreviation of Houses in Multiple Occupation.

So, a house which has been divided up into several rooms which are then let on a room by room basis – as straightforward as that.

Originally this was a standard 3 bedroomed house and chosen for this article so you can see it doesn't need to be anything special – this property yields £1385.00 net per month and was bought without a mortgage and with "no money down".

What is the benefit of an HMO property over a standard buy to let property ?.

a) **Income.**

Say you invest in a 3-bedroomed,2 reception rooms house.
You decide to rent this out to a family or a group of friends on a single tenancy.
Depending on the geographical area and for the sake of choosing a nice round figure you might get £1000 per month rental income for that house.

However if you were to turn this house into an HMO and create 5 individual letting rooms and charge a modest £400 per room then your rental income would double to £2000 per month – here is a simple demonstration of how the HMO business model works.

b) **Cashflow.**

As you can see from a) this business provides very attractive monthly cashflow so much so that usually an individual earning an average salary can give up their day job after 3-4 properties.
Most people will need to take out a mortgage to obtain their first HMO and so another benefit of this investment is the ability to cover your outgoings (message me if you would like more information on outgoings).
With a standard single let property when your family or group of friends move out then you have to cover the cost of the mortgage whilst looking out for your next tenant – so a void period costs you.
With an HMO you could have two at a push three (although in twelve years of doing this I've never had three) tenants move out and still cover the mortgage and any expenses – a void period does not mean paying out of your own pocket.

As well as my own properties I am part of two national property investor networks and I can safely say that those investors who operate in the South of England and own their investment properties, regularly clear £1000 net profit each month on each property.
Indeed, depending on the layout and the number of rooms then there are some of my colleagues who bring in £1000 net profit per week.
Statistics from YPN (Your Property Network magazine) have estimated that the rate of return on HMO's is between 2 and 5 times greater than from single lets.

c) <u>Increase in Value – your pension pot.</u>

As well as monthly income wouldn't it be nice to achieve longer term wealth gains ?

Before the credit crunch it was regularly commented on that in the South of England notably "property doubles in value every ten years".

When I first invested, the figures quoted to me in my area in Hampshire were: "properties double in value in 10 years and triple in 15 years".

A sweeping statement and the economic landscape has fluctuated considerably since 2007 however please read the following from The Telegraph property writer Rosalind Russell:

In 1988, the owners of a six-bedroom house on Albert Bridge Road, Battersea, sold it for £210,000 and no doubt thought they'd done a pretty good deal. Four years later, John D Wood sold it again, this time for £465,000. Today it's on the market for £2.175 million.

Admittedly London is a law unto itself but any of you who own your home know that property prices have risen consistently over the last twenty years and most homeowners have a sizeable chunk of wealth in their property so why not replicate that whilst enjoying monthly cashflow too.

d) <u>The Marketplace.</u>

Anna White – property correspondant at The Telegraph wrote in February 2015 that:

The value of Great Britain's homes has rocketed by **£1.412 trillion** to **£5.752 trillion** over the past 10 years - more than the combined GDP of France, Germany and Italy.

Historically it is very easy to plot the wealth created by investing in property.

Going forward no one has a crystal ball.

However the Office of National Statistics figures in June 2017 showed a 538,000 increase in the UK population to 65.6 million people so these people need a roof over their head.

This is an island – there is limited space so my simple logic tells me property is still a wise investment.

e) Can this business be truly passive income ?

If you have enough disposable income then truly you can delegate the acquisition,refurbishment,maintenance and ongoing mangaement to an individual or agency and sit back and watch the bank balance grow.

However, assuming there isn't a bottomless pit of money (just yet!) then you need to involve yourself and learn the mechanics of a new business venture.

If you've already bought and own your house then much of this experience is a known already and so it is a more natural extension of skills already learnt.

I am a property mentor and have guided others through this process and so can offer help and guidance.

I have molded my business so that my committed working week commences around 10am on a Monday morning and ends about 2.30pm that same day – so not completely passive but enough to allow me to choose exactly what I wish to do for the rest of the week.

When I was the MD of my own digital print business I completely handed over the reins to a manager and so the business was passive.

If this type of lifestyle appeals to you then drop me a line via the "Let's Connect" page and I'll answer your questions and help you get started.