

## Investing in HMOs

**Platinum Property Partners, the world's first property investment franchise, mentors and provides first-class ongoing training and support to people who want to build highly profitable portfolios. Sarah Walker, PPP Franchise Partner and former presenter of BBC1's 'To Buy or Not To Buy', explains the sound business sense in investing in HMOs.**

In any business, cash flow is king, and over the past couple of years - post-boom - many landlords who relied too heavily on capital growth as an investment strategy have suffered heavy losses. Some have found themselves in the worst-case scenario of having to walk away from negative equity portfolios because they simply can't afford to subsidise them any longer; then there are many who are staying afloat...but only just. Their capital is tied up in 90% LTV properties that are now starting to need money spent on them to keep attracting decent tenants, and there's nothing in the pot.

The landlords who have come through the recession with record profits have a core

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buy to let portfolio that's really focused on maximising cashflow, so that regardless of what happens to capital values, the portfolio is still profitable. By far the best rental returns come from HMOs rented out to working adults, but it's not an easy strategy and not one to be taken on lightly. If you want to build a decent, long-term

property business, you need a solid plan in place. You have to secure - and keep - the best tenants, who will pay top-end prices and treat the property well, and ensure voids - the cash flow killer - are kept to an absolute minimum.

When PPP Founder Steve Bolton started building his own portfolio in the early 'noughties', he was shocked by the number of 'rogue' landlords he found operating sub-standard and illegal HMOs and pledged to contribute to cleaning up the sector. The result is a current franchise network of 74 investors, all following the same business model to provide high-quality accommodation. The franchise is committed to ethical business practice and to raising the standard of HMOs across the UK, working within national government planning guidelines and supporting local council strategic aims and endeavours.

Carol McEvoy and Liz Bunton, landlords in South London, both had small portfolios when they came across PPP. Says Carol, "We suddenly realised that there was a way to invest in property and create an income from it that could eventually replace our salaries. We wanted to be in business for ourselves but not by ourselves, so joining PPP as Franchise Partners was the perfect solution."

## HMO Sapient cont...

You need to research your area thoroughly to make sure the demand for this specific type of HMO is there, but the model is proven to work in most towns and cities. If you have houses currently let out as single units but that could offer 4 or more bedrooms, still leaving a decent kitchen, at least one bathroom (two, if you have more than 5 people in the property) and a good communal space, then look at converting it to an HMO, because it could roughly double the rental income. You will need to apply

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for planning permission to change the use from a C3 class to C4 (although this law is likely to change again in October this year), and ensure any works comply with building regulations, but most councils should be amenable to reasonable applications, because there is little doubt as to the demand.

"Shared homes ensure people who want to live and work in towns and cities can do so and are vital to the economy."

Grant Shapps, Housing Minister, June 2010

Carol and Liz are proof that it is worth persevering with planning applications. "In setting up our house shares we have taken poor quality properties in pleasant neighbourhoods and refurbished them to 4\* or 5\* hotel standards. Some councils are not overly keen on granting planning permission for HMOs and our initial applications have been rejected on several

occasions. However, we have fought back, appealed and convinced our Planning Departments that we are different...and succeeded every time."

HMOs are capital intensive, but there are ways you can work with passive investors to fund purchases, conversions and refurbishments. Doing it the right way and getting the kind of cash flow that it's possible to achieve, means you can afford to split profits or share equity, and if you have the right team in place supporting you, you can continue to expand and make profits through these uncertain economic times.

**Click here** to register your details - and claim your FREE DVD 'The 3 Simple Steps to earning £100,000 a year from property' - and find out how you can join the increasing number of existing landlords who are investing in the Platinum Property Partners franchise.

Or, simply visit [www.platinumpropertypartners.net](http://www.platinumpropertypartners.net), then call our Investment Team on 0845 293 2977 or email [info@platinumpropertypartners.net](mailto:info@platinumpropertypartners.net)

