



Example HMO investment

Location	Coventry	Jun-20
type	2 bed terraced converted to 5 bed HMO	
Investment Model	Investor pays for purchase and loan	
JV	50% share of equity and income	

1. Purchase the Property

Purchase Price	150000
cost of purchase	6000
Sourcing Fee	5000

2. Development

Phase 1	strip out /demolish	30000
Phase 2	upto 1st fix	30000
Phase 3	snags done	30000
Furniture	beds / TV	5000
Misc	Architect / Licences etc	4000
TOTAL INVESTMENT		260000

3. Refinance

Revaluation Fee		1500
Refinance costs		2500
Revaluation estimate	value added	10% 286000 NEW GDV
new loan	75%	214500
less costs		4000
balance returned to investors		210500
Original loan		260000
Amount returned		210500
Amount left in the deal		49500

4. Income phase

Rental income Est PA	11 months	28875
Mortgage	4%	7507.5
utilities	250 pcm	3000
maint	100 pcm	1200
letting agent	8%	2310
Fees / Misc / comtingency	100 pcm	1200
council tax / not for students		1500
TOTAL	Annual profit	12157.5
	Monthly	1013.125

5.ROI

yield		10%
ROCE		25%
50% share of return	507 PCM	12%

6. Future Benefits

Increase in rent each year	very likely
Increase in capital	very likely
Potential Article 4 Area to reduce competition	somewhat Likely
return of investors money left in at refinance stage	likely

7. Risks - happy to discuss mitigations

Inflation increases costs
Compliance rules increase costs
HMO stricter regulations
Student market competition
Professional market competition
Recession
Fire / theft / death
non payment
Revaluations of GDV are low

8. FAQs - happy to discuss the answers

How long does the project take
How long do we partner for
What security do I have
What if we don't succeed
What skin do you have in the game
Are you doing this for income to live on
How do we ensure a its fair to both sides
What experience do you have
Why in Coventry
Are other locations possible
How many of these can we do
How do we separate our interests in the future
What support and mentorship do you have
How do I know I can be trusted
Can I just provide a loan instead
Do you need all the money upfront
What if it costs more or less than expected
How long does it to take to fine a suitable property
What if I say yes don't have the money when I need it