

# HMO Investment: The Rising Tenant Demand for High Quality HMO Accommodation

**H**MOs, or houses in multiple occupation, have been a proven investment opportunity for many years. Now, however, a new type of HMO asset class is emerging – the high quality HMO.

High quality HMOs offer investors a very different kind of opportunity, with very many advantages compared to the traditional student or benefits claimant HMO.

## What is a high quality HMO?

Also known as luxury HMOs or boutique HMOs, this class of HMO offers an aspirational shared living experience aimed at young working professionals and similar.

High quality HMOs offer a similar standard of accommodation to a good quality (3\*+) hotel or serviced apartment.

These properties boast quality fixtures, fittings, furnishings and appliances.

They offer spacious bedrooms, quality contemporary kitchens, communal areas and bathrooms, frequently ensuite.

They have a designer feel throughout – properties are frequently styled/dressed by experts.

## What is driving this demand?

The cost of living crisis is a key driver. Even young professionals in well paid employment cannot afford to rent an entire property in many areas.

[This report](#) suggests many cities are becoming unaffordable to renters, and nearby areas are becoming more expensive as a result.

But – typical tenants have the disposable income to spend on quality shared accommodation.

There is also a shortage of property to rent in many locations – even if tenants can afford it.



Lifestyle trends. Communal living with like-minded housemates is a trend – especially amongst recent graduates.

The rise in the co-living market is part of this trend.

## Reasons for investing in high quality HMOs

While entry costs for high quality HMOs may be higher, so are the rewards.

Rents are typically much higher than for all other kinds of HMO. Yields should be strong too.

Data from [SpareRoom](#) says that the average room rent in the UK is now £740 per month – or £653 per month excluding London. High quality HMOs will normally be well above average.

The benefits are not merely financial however. Better tenant satisfaction means they may stay longer and landlords experience fewer voids.

Potentially fewer/no management problems – compared to traditional student or benefits HMOs (which can have many).

### **High quality HMOs – tips for investors**

Target your tenant – young working professionals.

Choose property that meets if not exceeds tenant expectations. These properties should have the 'wow' factor.

Choose locations with these tenants in mind. Favour areas with job opportunities for young, qualified professionals including graduates. Else locations with good commuter links to those places.

Areas with good social amenities – bars, eateries, gyms etc. are a bonus.

**MH**

- Houses in Multiple Occupation are evolving, moving up the value chain and attracting a new type of tenant.

- The HMO market has existed for decades but the past three years have seen a marked departure from the traditional perception of this type of shared accommodation. Properties are moving up the quality scale as tenants demand more space, better services and access to private facilities.

- HMO landlords identify a flight to quality as a trend characterising the past year, with 48% saying they'd seen growing demand for high end HMOs and 45% saying demand from young professionals was up over the past year.

Source: [Paragon Bank, The HMO Report 2022](#)

