

Case Studies – How We Can Help

Purchase and Conversion to HMO

Budget £290,000

Glasgow, G12

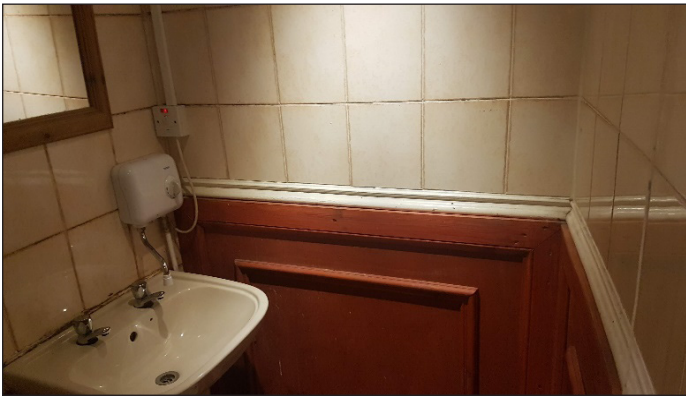
Timeframe 16 Weeks

An existing landlord client that specialises in House in Multiple Occupation had asked us to source an unlicensed or lapsed HMO property near Glasgow University with the likelihood of being granted an HMO licence in the future. In order to maximise the rental return the property should also require upgrading allowing added value and capital appreciation after works.

We eventually sourced a first floor 3 bedroom traditional tenement flat from early 1900's on Great Western Road with an EPC rating of G. The outstanding essential repairs disqualified it from standard mortgage borrowing. As a cash buyer we were able to offer favourable terms to the seller and conclude quickly. The property required extensive refurbishment including new kitchen, bathroom, windows, plasterwork, electrics and heating.

The work schedule was 16 weeks with a budget of £40,000 plus VAT. Our goal was a modern 4 bedroom HMO licenced property with a value of £300,000 achieving above average rental. Time was of the essence and the client understanding their market and portfolio strategy preferred speed over working to a tight budget. Project management was outsourced to a client approved main contractor.

Purchase Price	£230,000.00
Legal, Tax & Other Costs	£12,266.00
Total Purchase Costs / Cash Upfront	£242,266.00



Scope Of Works Summary

Strip out - all floor coverings, false ceilings (bathroom & kitchen), false wall in kitchen & wall tiles to bathroom.

Service windows

Wiring upgrade - new distribution board, bathroom extract fan, kitchen extract fan, spot lights to bathroom, spot lights to kitchen, pendant lights to hall, emergency lights to hall, 1 pendant per bedroom, sockets to kitchen plus sockets as necessary for white goods, electric cooker supply, double sockets to hall and bedrooms, heat detector to kitchen, smoke detectors to hall & 1 smoke detector per bedroom.

Electric heating system - oil filled wall mounted radiators & towel radiator.
Hot water cylinder with internal header tank.

Electrical certificate.

Plasterwork - as required

Bathroom - shower tray and enclosure, electric shower, WC, vanity unit, grey brick tiles to shower area, white brick tiles elsewhere & slate grey tiles to floor.

Kitchen - sink/taps, sink base unit, wall units above base units, freestanding electric cooker, freestanding washing machine, freestanding dishwasher, cooker hood, worktops and gloss white door fronts.

Doors - replace intumescent strips, re-connect/adjust door closers replace hinges.

Decoration

Box in electrics meter

Flooring - oak laminate to kitchen, grey carpets to hall, bedrooms and bedroom 4 cupboard.
Relocation of water tank

Replacement of rotten floor joists

£40,000.00

Furniture incl Delivery and Installation

£5686.00

HMO Licence Application

£1906.00

Letting Fees, Safety Certificates and Advertising

£650.00

Refinance Costs

£1850.00

Total Works & Expenses

£50,102

Total

£292,368



The end result is a modern, highly desirable HMO in a fantastic location with generously sized rooms and a private courtyard to the rear of the block.

The project was completed slightly over budget and 2 weeks later than scheduled mainly due to unexpected rot in the floor joists and an unforeseen issue with the water utility provider. The client achieved their end goal and returned an impressive yield including almost 83% of the initial cash invested. The refinancing was arranged via ritemoney through a specialist Ltd Company Buy To Let HMO lender.

This strategy lets investors move quickly and exit with the majority of the initial cash returned allowing the opportunity to repeat and rapidly reinvest in their next project.

Exit – Refinance	
Exit Valuation	£300,000.00
Mortgage borrowing incl Fees (80% LTV)	£241,850.00
Net Cash Invested	£50,518.00
Mortgage Payment (pm)	£798.00
Gross Rent (pa)	£25,200.00pa
	Gross Yield
	8.4%
	Return on Cash (incl Management Fees & Mortgage)
	25%

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