



# THE COMPLETE HMO SETUP CHECKLIST

## Your Step-by-Step Roadmap from Property

Selection to First Tenant



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# Welcome to Your HMO Journey

Setting up your first HMO (House in Multiple Occupation) can feel overwhelming. With years of experience across the North West, I've learned what works and what doesn't. This checklist will save you months of trial and error and help avoid costly mistakes.

## What You'll Learn:

- ✓ How to identify profitable HMO opportunities
- ✓ Legal and safety requirements you must follow
- ✓ Refurbishment priorities to maximise returns
- ✓ Tenant acquisition strategies that actually work
- ✓ Ongoing management systems for success

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# PROPERTY SELECTION & PURCHASE (WEEKS 1-12)

## Location Research: Finding Your Goldmine

Success starts with location. The right area can make or break your HMO.

### Market Research Checklist:

- Use Rightmove and SpareRoom to check rental demand
- Research average room rents in your target area
- Identify your target tenants: students, professionals, key workers
- Check council HMO licensing requirements and fees
- Verify Article 4 directions restricting HMO conversions
- Analyse transport links to universities, business districts, hospitals
- Calculate potential rental yield (aim for 8%+ gross)
- Check local competition and vacancy rates
- Review planning history for similar conversions
- Speak to local letting agents about demand

### Red Flags to Avoid:

- Areas with too many existing HMOs
- Poor transport connections
- High crime rates or antisocial behaviour
- Restrictive council policies
- Declining local employment

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# Property Criteria: Your Investment Blueprint

## Size & Layout Requirements:

- ⦿ Minimum 6 bedrooms for best returns
- ⦿ 125m<sup>2</sup>+ total floor space preferred (can work closer to 100m<sup>2</sup>)
- ⦿ Each bedroom minimum 6.51m<sup>2</sup> (2023 regulations)
- ⦿ Good natural light in all rooms
- ⦿ Potential for en-suite bathrooms (premium rent)
- ⦿ Separate kitchen and living areas
- ⦿ Room-to-bathroom ratio: max 1 bathroom per 3 people or en-suite

## Structural & Condition Checklist:

- ⦿ Sound structure (avoid major issues)
- ⦿ Ceiling height  $\geq 2.3\text{m}$
- ⦿ Proper ventilation
- ⦿ Parking availability
- ⦿ Garden or outdoor space preferred
- ⦿ Modern electrical installation (or budget for rewiring)
- ⦿ Working central heating system

## Financial Criteria:

- ⦿ Purchase price under £200k (North West sweet spot)
- ⦿ Total project cost allows for 8%+ yield
- ⦿ Refinancing potential at 75% LTV
- ⦿ Positive cash flow after expenses
- ⦿ Contingency budget: 20%

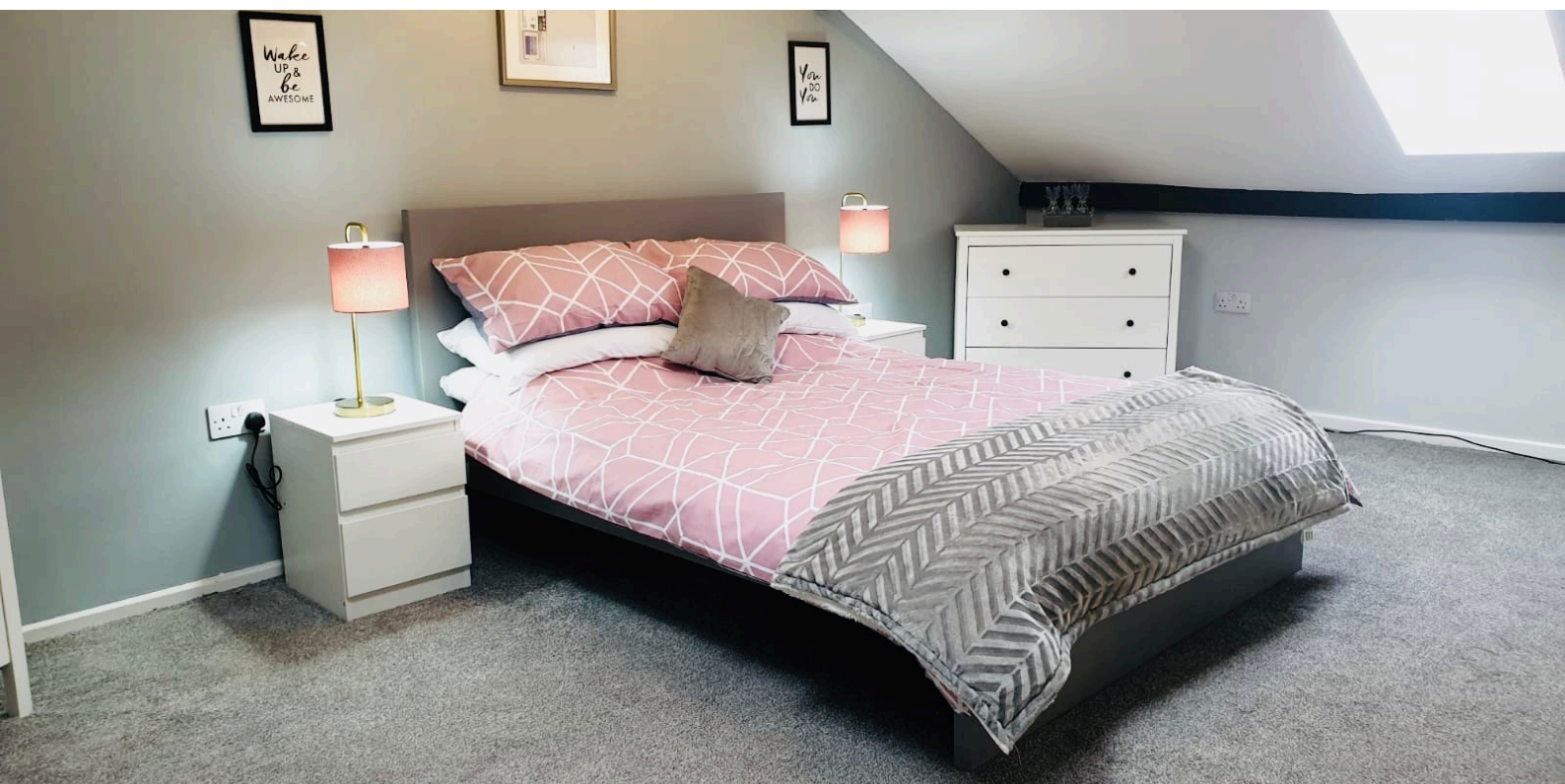
# Due Diligence: Legal, Planning & Surveys

## Legal & Planning:

- Planning permission for HMO confirmed
- No restrictive covenants
- Building regulations compliance
- No enforcement notices
- Freehold or long leasehold (999+ years preferred)
- Reasonable management company charges (leasehold)

## Surveys & Inspections:

- Full structural survey by a qualified surveyor
- Electrical installation condition report (EICR)
- Gas safety inspection (if applicable)
- Asbestos survey (pre-1980 properties)
- Damp and timber inspection
- Energy Performance Certificate review



### Financing Your HMO:

- Bridging loan arranged, interest rate 1–2% per month
- Exit fees and arrangement fees understood
- Loan-to-value 70–75%
- Legal and broker fees included

### Exit Strategy Planning:

- BTL mortgage lender identified
- Rental assessment booked
- Required rental coverage confirmed (125–145%)
- Personal affordability assessment completed
- Refinancing timeline: 6–9 months

### Cash Flow Projections:

- Monthly rental income conservatively projected
- All running costs included (insurance, maintenance, voids)
- Management fees considered
- Tax implications factored in
- Break-even analysis completed





# REFURBISHMENT & COMPLIANCE (WEEKS 13-48)

## Safety First: Legal Requirements

HMO safety rules are strict, non-compliance can result in fines or uninsurable property.

### Fire Safety Essentials:

- Professional fire risk assessment
- Fire doors with 30-minute fire resistance
- Self-closing mechanisms
- Emergency lighting tested
- Smoke detectors in every room and communal area
- Heat detectors in kitchens
- Fire blankets and extinguishers in place
- Emergency evacuation plan displayed
- Annual fire safety equipment testing

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## Electrical Safety Compliance:

- Full EICR and remedial work completed
- PAT testing for appliances
- RCD protection installed
- Adequate sockets in all rooms
- Emergency lighting on separate circuit
- Electrical certificate valid for 5 years

## Gas Safety Requirements:

- Annual gas safety certificate
- Appliances serviced by Gas Safe engineer
- Carbon monoxide detectors installed
- Gas isolation valves accessible
- Flues and ventilation certified

# Room Configuration: Maximising Space & Compliance

## Bedroom Requirements:

- Minimum 6.51m<sup>2</sup> floor space
- Adequate natural light (10% of floor area)
- Proper ventilation
- Ceiling height  $\geq$  2.3m
- Lockable doors
- Minimum 4 electrical sockets per room
- Space for bed, wardrobe, desk, chair
- En-suite potential for premium rooms

## Shared Facilities:

- Kitchen sufficient for maximum occupancy
- Bathroom provision: 1 per 5 tenants max
- Adequate food storage
- Laundry: washing machine & tumble dryer
- Communal area if space allows

## Refurbishment Priorities:

- Central heating service/upgrade
- Plumbing for additional bathrooms
- Insulation & energy efficiency
- Windows/roof repairs as needed
- Kitchens: modern appliances & storage
- Bathrooms: contemporary standards
- Flooring: durable for high traffic
- Fresh paint (neutral colors)
- Quality fixtures & fittings

## Budget Guidelines:

- Electrical: £3,000–£8,000
- Plumbing: £2,000–£5,000
- Kitchen: £3,000–£8,000
- Bathroom: £2,000–£4,000 each
- Painting: £500 per room
- Flooring: £15–£30/m<sup>2</sup>



# LICENSING & MARKETING (WEEKS 49–52)

## HMO Licensing:

- 🕒 Application completed with all certificates
- 🕒 Management arrangements approved
- 🕒 Fit & proper person test passed
- 🕒 License fee paid (£500–£1,500)
- 🕒 Property inspection arranged
- 🕒 Remedial work completed promptly
- 🕒 License conditions understood

## Additional Considerations:

- 🕒 Check additional/selective licensing
- 🕒 Display planning/building certificates
- 🕒 Update insurance for HMO use



## Room Preparation:

- Quality beds & mattresses
- Wardrobe, study desk, chair
- Bedside table & lamp
- Mirror & good lighting
- Curtains/blinds
- Suitable flooring
- Heating radiators

## Room Dressing:

- Neutral color scheme with accents
- Bedding & pillows (£30 per room)
- Decorative accessories (artwork, plants, cushions)
- Ceiling + table/floor lighting
- Storage solutions
- Welcome pack with house info

## Professional Marketing:

- Professional photos of rooms & communal areas
- External shots showing location benefits
- Virtual tour if possible
- Compelling descriptions & key selling points
- List on SpareRoom, Rightmove, Facebook Marketplace
- Contact university accommodation services & employers
- Work with letting agents

# TENANT ACQUISITION (WEEKS 52-56)

## Tenant Screening:

- Application form with full details
- Employment & income verified (2.5x rent)
- Credit check through reputable agency
- Previous landlord references
- Character references
- Right to rent documentation checked

