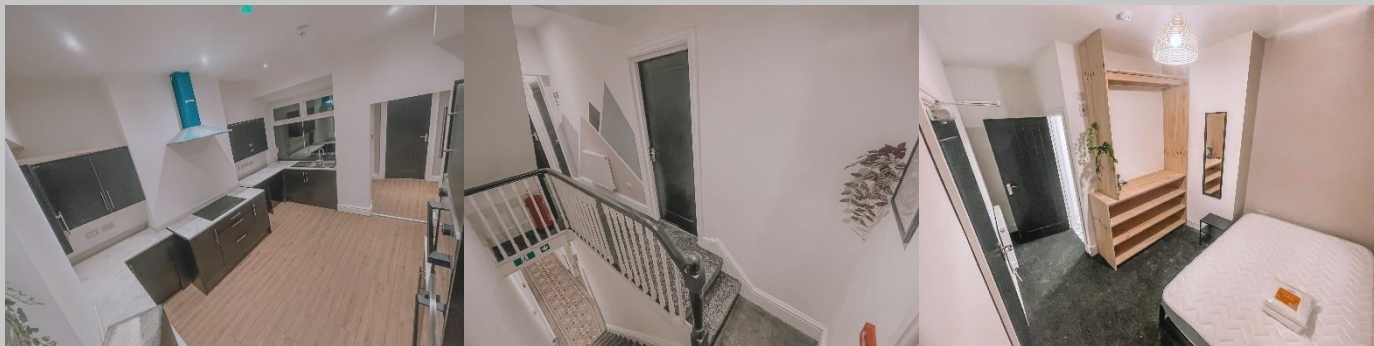


## Case Study - 6 Bedroom HMO Conversion

Merseyside



### Overview

This property investment showcases the incredible potential of a high-yield project in a thriving, high-growth area. Starting as a 4-bedroom house, this property was transformed into a 6-bedroom HMO, each with ensuite facilities, maximising rental income and property value.

Located in the thriving Merseyside area, the project required a total investment of £103,500, including acquisition and refurbishment costs. Following the conversion, the property achieved a post-refurbishment value of £280,000, generating £210,000 after refinancing at 75% LTV.

The refurbishment involved a comprehensive strip-out back to shell and core. All the ground floor required damp-proofing, and the kitchen was relocated to the former dining area to comply with council HMO guidance on size. The project included a full electrical rewire, a new central heating system complete with radiators, and modifications to accommodate waste pipes for ensuite facilities in each room. Additionally, the entire property was re-plastered, the front exterior rendered, and roofing works completed to ensure the property was fully modernised and compliant.

With a projected rental income of £3,140 per month, this deal delivers a 115% ROI (based on refinance alone), and a Gross Rental Yield of 13.46%. The entire

process was completed in just 4 months (including the Christmas period), which highlights the efficiency of our project management approach and expertise in maximising property potential.

Now fully let and operating for just under a year, this property demonstrates the significant value that can be unlocked through strategic planning and smart investment. It is an outstanding example for both seasoned and aspiring investors of how thoughtful execution can yield exceptional results.

### Key Challenges

During the refurbishment, several unexpected challenges arose. Part of the original kitchen floor slab had to be excavated as it was just soil with paving slabs placed on top. This was replaced with a proper concrete slab to meet modern standards. The original lead water supply pipe was also replaced as part of these works to ensure safety and compliance.

The property also suffered from internal wet rot caused by a broken gutter. This issue required the replacement of several joist members and a structural beam, as the wet rot had compromised the building's integrity. Unfortunately, the wet rot was not initially viable during the property survey because it had been concealed under newly installed plasterboard, adding complexity to the project timeline and cost.

## Project Breakdown

- **Property Type:** 6-bedroom HMO (6 en-suites)
- **Acquisition Price:** £105,000
  - **Deposit Required (25%):** £26,500
  - **Stamp Duty, Bridge interest and Legals:** £12,000
- **Bridging Loan:** £78,500
- **Refurbishment Costs:** £65,000
- **Total Capital Investment:** £103,500 (Deposit, Stamp, Bridge interest, Legals and Refurbishment Cost)

**Post-Refurbishment Value:** £280,000

- **Total Refinance (LTV at 75%):** £210,000
  - Repayment of Bridging Loan: 78,750
  - Repayment of Capital Investment: £103,500
  - Total returns funds: £27,750 (SURPLUS)
- **Projected Gross Rental Income:** £3,140/month
- **Project Duration:** 4 Months (including Christmas period)

## Return on Investment (ROI)

- **Post-Refurbishment Value (Property Value):** £280,000
- **Total Refinance (LTV at 75%):** £210,000
- **Total Capital Investment (incl. Bridging Loan):** £182,250
- **Return on Investment:**  $ROI = (£210,000 / £182,250) = 115\%$  (based on refinance alone)

## Gross Rental Yield Calculation

- **Post-Refurbishment Value (Property Value):** £280,000
- **Monthly Rental Income:** £3,140
- **Annual Rental Income:**  $£3,140 \times 12 = £37,680$
- **Gross Rental Yield Calculation:**  $GRY = (37,680 / 280,000) \times 100 = 13.46\%$