

HMOs sell for up to 50% above market average

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New research from Excellion Capital, the boutique debt advisory and investment firm, reveals that HMOs sell for as much as 50% above the average house price, further increasing their investment potential after it was revealed that HMOs also create rental yields of up to 12.5%.

After previous research from Excellion Capital recently showed that the average house of multiple occupancy (HMO) can produce <u>yields as high as 12.5%</u>, exceeding those achieved in the standard rental market, their new insight shows that HMO investors are also benefiting from far superior sale values.

Excellion's analysis of HMO sold price data* reveals the average HMO licensed property in England sells for £334,260, which is 13.1% above the nation's general average house price (£295,654)*.

The main reason for this premium is the fact that a property with an HMO license in place is a strong investment purchase that will generate regular income for the owner. And unlike a typical rental property, with an HMO the landlord is renting each room individually rather than the whole property. This creates a significantly higher yield.

In some of England's major cities, this HMO premium grows significantly larger.

In Newcastle, where the general average house price currently stands at £211,160, HMOs sell for an average of £315,890. This marks a staggering price HMO premium of 49.6%.

The premium is almost as strong in Nottingham, where an average HMO sale price of £282,942 is 45.5% above the wider average house price.



This is followed by hefty premiums in the likes of Liverpool (39.9%), Birmingham (36.4%), Bristol (30%), Bradford (29.6%), Sheffield (28.1%), London (26.4%), Leicester (23.1%), Manchester (22.7%), Leeds (16.9%), and Brighton (8.8%).

The value of HMO licenses

In order to rent out an HMO in England or Wales, you must have a dedicated license.

Therefore, anyone who is looking to buy an HMO property will find it beneficial to source one that already has a license attached to it. Therefore, an HMO that is sold with a valid license is going to have increased value. But even if the license has expired, it sets a precedent that should make getting a renewed license faster and more straightforward.

Robert Sadler, Vice President of Real Estate at Excellion Capital, comments:

"We have previously spoken about the yield opportunities available from <u>snapping up relatively cheap</u> <u>homes and converting them into HMOs</u>, especially in England's regional cities, and now this additional research shows that investors who wish to buy a property, carry out the necessary conversion work, and then sell it on can also consider the sector to be one of plentiful returns.

In fact, we have worked with investors who have purchased a property, carried out the necessary conversion work and straight away seen the value of the property increase by at least a third. This is a tremendous value add over what can be a very short period of time. Now this property can, of course, be sold straight away for a good return, but those investors who choose to keep hold of the asset and benefit from the 12.5% yield we previously reported, will then also benefit from the reliable capital appreciation of their asset over the years before selling choosing to sell it, at which point they'll benefit from a sale premium of up to almost 50% provided it comes with an HMO licence in place.

By opting to finance this endeavour using debt, investors benefit from positive leverage which, when done right, significantly boosts their return on equity."

Data tables and sources

*Estimated HMO price data sourced from Property Data

*Asking vs sale price averages sourced from Knight Frank.

*Average England house price data sourced from the UK House Price Index (March 2025 - latest available)

Full data tables can be viewed online, here.