

HMO: Gaining familiarity with the term

In the property industry, acronyms, abbreviations and often incomprehensible jargon are thrown around like confetti, usually under the assumption that everyone knows exactly what they mean. Well, it's confession time. A lot of the talk is unnecessarily confusing, laden with irrelevant complications and littered with industrial strength nonsense. What you want is clear definitions that explain not only what something means, but also its relevance and how it applies to you.

So, with that in mind, let's take a look Houses in Multiple Occupation (HMO). In its simplest terms, an HMO is a property shared by three or more tenants who are unrelated. Members of the same family living together cannot make a property an HMO, unless there are also two non-family members paying rent on the property, which basically never occurs. Typically, the following types of accommodation are considered HMOs:

- Shared flats and houses (with three or more tenants...obviously)
- Bedsits
- Hotels/Bed and Breakfasts with permanent residents, such as staff (or Alan Partridge)
- Hostels
- Boarding houses
- Supported accommodation. E.g. 'move on' residencies for homeless people.

The main benefit of running an HMO, you'll be glad to hear, is financial. They are substantially more profitable than other residential lettings, often generating two or three times as much rental income than single households. On the flip side, they are a lot more work. The time and effort required to effectively manage an HMO is far greater than with other residential lettings, as is the initial cost outlay in order to meet the old favorites, health and safety.

The Housing Health and Safety Rating System (HHSRS) will come calling to ensure your property meets the criteria of their Management Regulations and Inspections. In some cases, you will need to be granted a licence, which is valid for three years.

Let's say you decide to take the plunge. The first thing to do is to consult the local authorities in your area. The Environmental Health and Fire departments will be able to give advice on the requirements your property will have to meet. It's also important to remember that any planned conversions will require both planning permission and a successful building inspection.

In addition to the standard obligations of keeping the residence in good order, landlords of HMOs will also need to consider and ensure that:

- The property is maintained in a condition that is both safe and habitable.
- They are registered with the relevant local authorities, providing them with details of the residents and informing them of any changes in occupancy.
- The layout of and facilities within the property meet the minimum standards outlined by the local authority.
- The contact details of whoever is identified as being responsible for the management of the property are displayed prominently.
- Fire alarms and extinguishers are both maintained and tested on a regular basis.

The renting and letting of an HMO is a two way street, with tenants expected and obligated to cooperate with landlords when it comes to ensuring that the regulations are being complied with. This usually means allowing access to the rooms of the property at fair and reasonable times.

The landlord is also responsible for the occupier's Council Tax so be sure to include this in the rent fees. A specialised and specific insurance policy will also be required. In addition, the landlord may be held partly responsible if nuisance claims by neighbours, particularly those concerning noise and littering, are not managed effectively.

In summary, then, there's a lot to think about. It's a fair amount of work, but a potential goldmine lies at the end of it.