



HMOs *In & Out.*

Everything you need to know about houses in multiple occupation: what they are, the rules, the money, and how Lera builds them for you, from finding the house to the last tenant moving in.

c.25%

TARGET CASH ON CASH

5—6 mo

PURCHASE TO FULLY
LET

0%

SHARE WE TAKE

2 + 2%

OUR CLIENTS' FEES

HMOs, from the *inside out*.

Whether you've never owned a rental or you already have a portfolio, this guide walks you through everything that goes into a successful HMO, and shows exactly how we do the hard part for you.

Part 1

Understanding HMOs

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We build portfolios the way we'd build *our own*.

Lera Real Estate is for investors who can see the value in property but don't have the time to create it themselves.

We focus on one thing: converting ordinary London houses into high-quality HMOs. Letting rooms individually produces far stronger income than a single let, and a well-planned conversion adds value that can be released through a refinance.

Doing that well takes local knowledge, a firm grip on planning and licensing, and a team that delivers on budget. That's what we bring, so our investors get the returns without the learning curve. You stay in control of every key decision; we handle the work, from finding the house to the last tenant moving in.

0%

OF YOUR DEAL

The property and the profit are 100% yours. We charge a simple 2% acquisition fee and 2% management fee, and the c.25% returns we quote already include them.



25.4%

Average cash on cash across our featured projects

2 + 2%

Our clients' fees, already included in every return we quote

5–6 mo

From purchase to completed and fully let



Aligned with you

No share of your deal. The property and its profit stay yours.



Numbers first

A full appraisal on every deal. If it doesn't stack up, we don't bring it.



Compliance built in

Planning, licensing and fire safety designed in from day one.



Clear communication

Weekly updates during the build and one point of contact.

What exactly is an *HMO*?

A house in multiple occupation is a home shared by people who aren't one family. It's defined in law by the Housing Act 2004, and it's one of the most regulated, and most rewarding, ways to let property.

3+

people living in the property



2+

households, so not all one family



Shared

kitchen, bathroom or toilet

WHAT COUNTS AS A HOUSEHOLD?

A family counts as one household: parents, children, grandparents, siblings and other relatives, and couples living together. Each unrelated person is their own household. So **four friends sharing are four households**, while a couple with a child is one.

THE LERA HMO

Our HMOs are built for working professionals and Universal Credit tenants alike: typically six en-suite bedrooms, shared kitchens, bills included in one monthly rent, and fully licensed and certified before the first tenant moves in.

THE MAIN TYPES

TYPE	WHO LIVES THERE	PLANNING USE CLASS	LICENSING
Small HMO	3 to 6 unrelated people	C4. Often permitted development, unless an Article 4 direction applies	Mandatory licence if 5 or 6 people; smaller ones may need an additional licence
Large HMO	7 or more unrelated people	Sui generis. Always needs planning permission	Mandatory licence
Section 257 HMO	Converted block of flats	Varies	Applies where the conversion doesn't meet 1991 Building Regulations

Same house. *Two ways.*

The same house, let two different ways. Letting room by room is what turns an ordinary family home into a high-yield investment.

SINGLE FAMILY LET



c.£2,500 /mo

One household · c.£30,000 a year

VS

SIX-ROOM LERA HMO



c.£6,000 /mo

Six en-suite rooms · c.£72,000 a year

2.4x

the rent from the same house. HMO rent from the independent valuation of our Greenford UB6 project; single-let rent from a typical 3-bed UB6 listing. HMOs have higher running costs, which every return we quote already allows for.

INCOME

Rent by the room

Each tenant has their own agreement for their own room, so six rents add up to far more than one family rent for the same house.

RESILIENCE

One void, not zero rent

If one room is empty, the other five keep paying. In a single let, an empty house earns nothing at all.

SIMPLICITY

Bills included

Tenants pay one monthly amount covering rent, utilities and broadband, which makes rooms easy to let and easy to budget for.

Who rents rooms, *and why.*

London rents keep climbing, and a whole home is out of reach for many people. A quality room in a well-run house is the answer for a huge and growing group of renters.

£2,332

Average monthly private rent in London (August 2026), up 3.5% in a year

£932

Average London room rent (Q3 2026). Inner London £1,002, outer London £800

60%

Saving for a tenant choosing a room over the average London home

A WHOLE HOME VS A ROOM, PER MONTH

Average London home

ONS, August 2026

£2,332

Average London room

SpareRoom, Q3 2026

£932

OUR TYPICAL TENANTS



Young professionals

First jobs in the city, on salaries that don't stretch to a flat



Key workers

NHS staff, teachers and others who need to live near work



Graduates

Moving from student houses to their first professional home



Relocators

People new to London who want flexibility before they settle



Savers

Keeping costs down while they save for a deposit

WHAT THEY'RE LOOKING FOR

En-suite bathroom

Bills included in one payment

Fast broadband

Furnished, ready to move in

Near transport

Clean, safe and well managed

Flexible tenancies

Two strong tenant markets. Alongside working professionals, many HMO tenants pay their rent through Universal Credit, and the right ones qualify for the full one-bedroom housing allowance. See the next page.

A second strong market: *Universal Credit.*

HMOs aren't only for working professionals. Many tenants pay their rent through Universal Credit, and the right tenants qualify for the full **one-bedroom Local Housing Allowance rate**, even when they rent a single room in an HMO.

£1,147

One-bedroom LHA rate a month,
Outer North London (2026/27)

£1,436

One-bedroom LHA rate a month,
Inner North London (2026/27)

+10%

Outer North London one-bed rate
above the £1,042 room rent in our
worked example

— MONTHLY RENT SUPPORT VS OUR ROOM RENT

Outer North London
one-bedroom rate



£1,147

Inner North London
one-bedroom rate



£1,436

Our worked example
room rent



£1,042

— WHO GETS THE ONE-BEDROOM RATE IN AN HMO

Single tenants aged 35 and over

Under Universal Credit they get the one-bedroom rate, even when renting a room in a shared house.

Couples

A couple sharing one room is assessed at the one-bedroom rate.

Care leavers under 25

Young people who were in care at 16 or 17.

Survivors of domestic abuse

Abuse from a partner, former partner or relative since the age of 16.

Former hostel or refuge residents

At least three months in a homeless hostel or refuge.

Others exempt from the shared rate

Some disability benefit claimants, MAPPA-managed ex-offenders and survivors of modern slavery.

Worth knowing

Most single Universal Credit claimants under 35 get the lower shared accommodation rate instead, so we match each room to the right tenant. Rates are set for each area every April, and the support is capped at the LHA rate for that area.

Paid straight to you

Universal Credit is normally paid to the tenant, but a managed payment can be arranged so the housing costs go directly to the landlord, for example where there are arrears or the tenant needs support.

Why HMOs make a *great investment*.

Six reasons experienced investors choose HMOs over a standard buy-to-let.



01

Much higher rental income

Letting by the room produces far more rent than letting the whole house, which is what makes returns of around 25% cash on cash possible.



02

Income from several tenants

With six tenants, one empty room doesn't stop your income. In a single let, one void means no rent at all.



03

Strong tenant demand

High London rents mean many young professionals rent a room rather than a flat. A quality en-suite close to transport lets quickly.



04

Value you create

Converting a house adds rooms, en-suites and income. Lenders value HMOs on what they earn, so a good conversion can be worth much more than it cost.



05

Cash you can recycle

Once the house is revalued, a refinance can release much of your original cash, ready to fund the next project and grow a portfolio.



06

A real, physical asset

Your money is in bricks and mortar in London, an asset you own outright, not a share of someone else's fund.

£100,000. *One year.*



— SIDE BY SIDE · AN HONEST VIEW

	SAVINGS ACCOUNT	S&P 500 FUND	LONDON BUY-TO-LET	LERA HMO
Typical yearly return	c.4–5% interest	c.10% long-run, swings year to year	c.5% gross, less after costs	c.25% cash on cash, after costs and fees
Where returns come from	Interest	Share prices and dividends	Rent and house prices	Rent by the room, house prices and value created by the conversion
Your time	None	None	Tenants, repairs, compliance	Approve the deal, we do the rest
A real asset you own	No	No, you own shares	Yes	Yes, a London house
Get your cash back	Quickly	Sell any working day	Slow, sell the house	Most at refinance, the rest on sale
Main risk	Inflation eats the return	Market falls	Empty months, rate rises	Build costs, valuation, rates, regulation

Savings: best UK rates, Oct 2026. Buy-to-let: average London gross yield before costs (Benham and Reeves, Jun 2026). S&P 500: long-run average total return in USD, varies year to year (Fidelity). Lera: target cash on cash on money left in after refinance, after costs and fees, based on featured projects (25–26%). Illustrative, not guaranteed. Unlike savings, an HMO is not protected; values and rents can fall and property can take months to sell.

What makes a *great HMO*?

Anyone can squeeze beds into a house. A great HMO is designed around the people who live there: it lets quickly, keeps good tenants for longer and values well at refinance.



01

Kitchens that work

Enough cookers, sinks, worktop, storage and fridge space for everyone, so there's no queue at dinnertime.



02

Rooms above the minimum

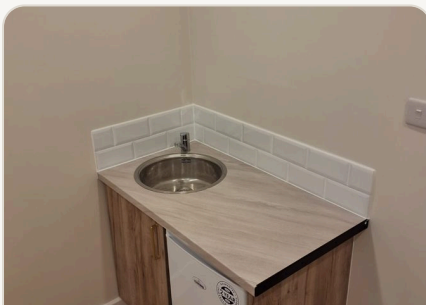
The legal minimum is 6.51 m². Bigger rooms let faster, keep tenants longer and justify higher rents.



03

En-suite in every room

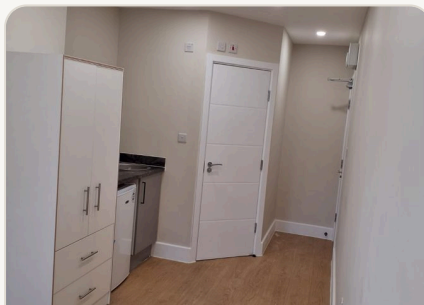
A private shower room is the single biggest driver of rent and tenant satisfaction.



04

Kitchenettes

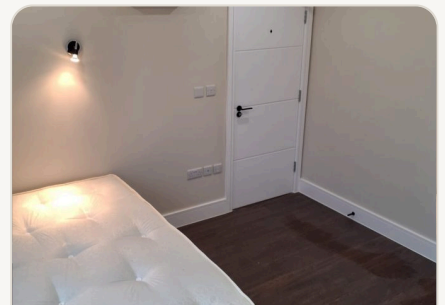
A sink and fridge in the room gives tenants extra independence and takes pressure off shared space.



05

Storage and privacy

Wardrobes, good locks, sound insulation and a layout where no bedroom opens onto the kitchen.



06

Light, warmth and wi-fi

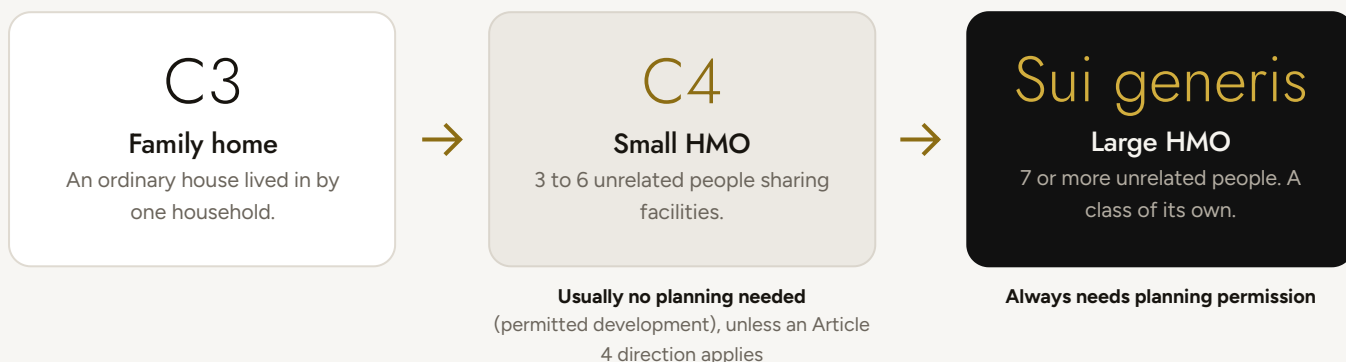
Natural light, efficient heating, good insulation and fast broadband in every room.

LOCATION MATTERS AS MUCH AS LAYOUT

We look for streets with strong transport links, local employers and proven room demand, in areas where the planning and licensing rules allow the HMO we want to build.

Can this house *become an HMO?*

Planning law sorts homes into "use classes". Turning a family home into an HMO is a change of use, and whether it needs permission depends on how many people will live there and where the house is.



What is an Article 4 direction?

A council can remove the right to convert a family home into a small HMO without permission. In an Article 4 area, even a 3-person HMO needs planning permission. Many London boroughs have them, and some also limit how many HMOs can be in one street.

Lawful Development Certificate

Where a conversion doesn't need planning permission, a Lawful Development Certificate from the council confirms the use is lawful. It's not compulsory, but it reassures lenders and future buyers.

Extensions and dormers

Loft dormers and rear extensions may fall under permitted development or need planning permission, depending on their size, the location and the property's use. Building Regulations approval applies either way.

How Lera checks

Before we put any house forward, we check the Article 4 map, the planning history, local HMO policies and the licensing scheme, so you never buy a house that can't become the HMO we've planned.

HMO licensing, *explained.*

Most HMOs need a licence from the local council. It's how councils make sure shared homes are safe, well managed and not overcrowded, and lenders won't complete without it.

EVERYWHERE IN ENGLAND

Mandatory licensing

Any HMO with 5 or more people from 2 or more households. National rules, widened to their current form in October 2018.

COUNCIL BY COUNCIL

Additional licensing

Councils can extend licensing to smaller HMOs, such as 3 or 4 sharers, across a borough or in particular areas. Common in London.

COUNCIL BY COUNCIL

Selective licensing

Some councils license every privately rented home in an area, whether or not it's an HMO.

WHAT THE COUNCIL CHECKS

Suitability

Room sizes, kitchens, bathrooms and toilets are right for the number of people.

Safety

Fire precautions, gas and electrical safety certificates, alarms and safe furniture.

Management

Proper arrangements to run the house, deal with repairs and look after tenants.

Fit and proper

The licence holder and manager have no relevant convictions or housing breaches.

DURATION

Up to 5 years

Then it must be renewed. Councils can grant shorter licences.

CONDITIONS

Rules to follow

Every licence carries mandatory conditions, and councils can add their own.

FEES

Set by each council

Usually charged per licence or per room. We build them into every appraisal.

GETTING IT WRONG IS EXPENSIVE

Unlimited

Fine if prosecuted for running an unlicensed HMO, or a civil penalty instead.

24 months

Of rent can be ordered repaid to tenants, up from 12 under the Renters' Rights Act.

Banning

Orders can stop a landlord letting or managing property at all.

No lender

Will complete an HMO mortgage without evidence of the licence.

Room sizes and *shared facilities*.

Since October 2018, every licensed HMO in England has had to meet national minimum bedroom sizes. Councils add their own standards for kitchens, bathrooms and toilets.

MINIMUM BEDROOM SIZES



10.22 m²

Two people
aged over 10



6.51 m²

One person
aged over 10



4.64 m²

One child
under 10



Under 4.64 m²

Can't be used
as a bedroom

Floor area under a ceiling lower than 1.5 m doesn't count. Squares are drawn to scale against each other.

TYPICAL AMENITY STANDARDS



Kitchens

Cookers, sinks, worktop, storage and fridge space in proportion to the number of people sharing.



Bathrooms and WCs

Enough bathrooms and toilets for the number of sharers; many councils expect at least one of each for every five people.



Heat, light and air

Fixed heating in every room, natural light and good ventilation, especially in kitchens and bathrooms.



Waste and common parts

Enough bins for the household, and shared areas kept clean, safe and in good repair.

THE LERA STANDARD

We design every bedroom comfortably above the legal minimum, give every bedroom its own en-suite shower room, and size kitchens to the number of tenants, so the layout passes the council's standards first time.

Safety, designed in *from day one*.

Shared houses carry a higher fire risk than family homes, so councils expect a higher standard. Most follow national LACORS guidance, scaled to the size of the house and the number of storeys.

1 Fire doors

30-minute fire-resisting doors with self-closers on bedrooms and kitchens.

2 Protected escape route

A hallway and staircase built to hold back fire and smoke long enough to get out.

3 Interlinked detection

Mains-wired smoke and heat alarms that sound throughout the house; the grade depends on size and layout.

4 Emergency lighting

Lights the escape route if the power fails, where the layout needs it.

5 Kitchen safety

Heat detection, a fire blanket and fire-resisting construction around the kitchen.

6 Easy exit

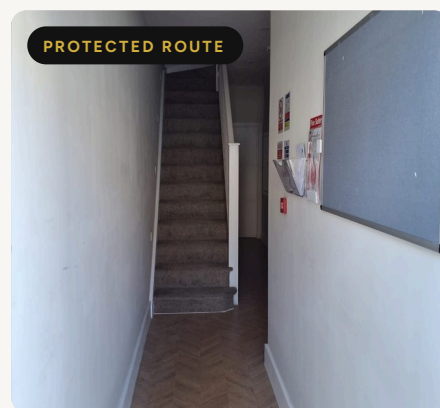
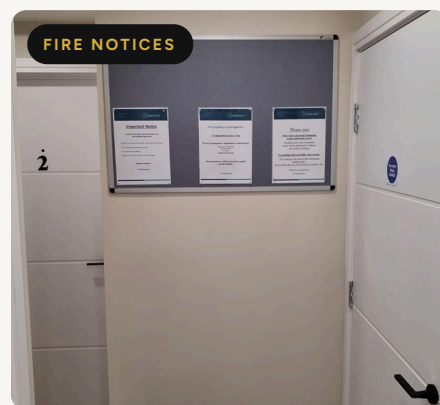
Thumb-turn locks on escape doors, so no one needs a key to get out.

7 Fire risk assessment

Required for the shared areas of an HMO, and kept under review.

8 Signs and servicing

Clear fire action notices, and alarms and lighting serviced and logged.



WHY WE DESIGN IT IN EARLY

Retro-fitting fire safety is expensive and disruptive. We plan the fire strategy at the layout stage, so walls, doors and alarms go in once, the council inspection goes smoothly and your licence isn't delayed.

The HMO *compliance calendar*.

Running an HMO means keeping on top of a long list of checks and certificates. Miss one and you risk fines, a lost licence or an invalid tenancy notice. We track every one for you.

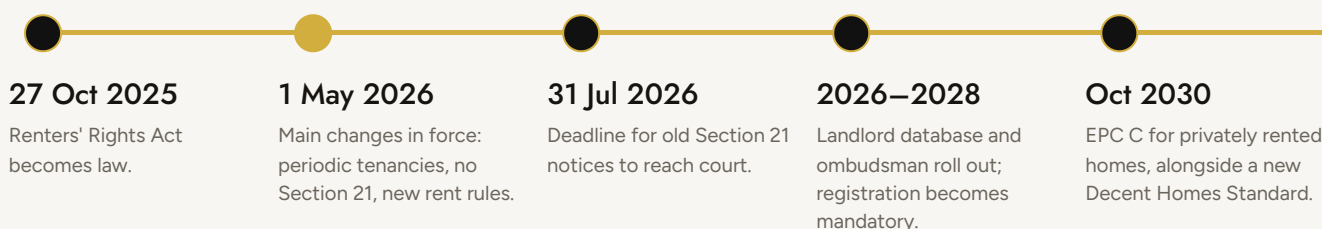
WHAT	HOW OFTEN	NOTES
Gas safety certificate	Every 12 months	Copy to tenants within 28 days of the check.
Electrical report (EICR)	At least every 5 years	Copy to tenants; any urgent remedial work completed promptly.
Energy Performance Certificate	Valid for 10 years	Minimum EPC E to let today; EPC C required by 1 October 2030, with a £10,000 cost cap.
Smoke and CO alarms	Tested at the start of every tenancy	Smoke alarm on every storey; CO alarm in any room with a fixed combustion appliance (not gas cookers).
Fire alarm and emergency lighting	Regular servicing	Serviced to British Standards, with a logbook kept.
Fire risk assessment	Reviewed regularly	Covers the shared parts of the house.
HMO licence	Renew every 5 years or less	Licence conditions kept up throughout.
Tenancy deposits	Protected within 30 days	In a government-approved scheme, with the prescribed information.
Right to Rent checks	Before each tenancy starts	Immigration status checks on every adult tenant.
Water safety	Assessed and reviewed	A legionella risk assessment of the water system.
Landlord database	When it launches	Registration on the new private rented sector database will be required before letting.

PLUS THE HMO MANAGEMENT REGULATIONS

The manager's contact details must be displayed in the house, fire escapes kept clear, shared areas, water, drainage, gas and electricity kept in good repair, and enough bins provided.

The Renters' Rights Act, *in plain English.*

The biggest change to renting in a generation came into force on 1 May 2026. It rewards professional, compliant landlords, which is exactly how we run every Lera house.



Rolling tenancies

Fixed terms are gone. All tenancies are periodic, and tenants can leave with two months' notice.

No more Section 21

"No-fault" evictions have ended. Landlords use set grounds, such as selling, moving in, or rent arrears.

Selling or moving in

Possible after the first 12 months of a tenancy, with four months' notice.

Rent increases

Once a year, through a formal notice with two months' warning. Tenants can challenge it at a tribunal.

Fair letting

No rental bidding wars, and no more than one month's rent taken in advance.

Pets

Landlords can't unreasonably refuse a tenant's request to keep a pet.

£7,000

Maximum civil penalty for most one-off breaches.

£40,000

For serious, repeated or deliberate breaches.

24 months

Of rent can be ordered repaid to tenants.

Ombudsman

Every landlord will have to join the new redress scheme.

WHAT IT MEANS FOR HMO INVESTORS

Good landlords have nothing to fear. Demand for rooms hasn't gone anywhere. What matters now is well-kept homes, correct paperwork and professional management, all of which come as standard with Lera.

How HMOs are *financed*.

Most of our projects use two kinds of borrowing: a short-term bridging loan to buy and convert the house, then a long-term HMO mortgage once it's finished and let.

STAGE 1 · MONTHS 0–6

Bridging loan

Short-term finance that covers around 75% of the purchase price plus the build. Interest is higher, but it's only for a few months, and some of it can be rolled up until refinance.



STAGE 2 · LONG TERM

HMO mortgage

Once converted, licensed and let, the house is revalued as an HMO. A long-term mortgage repays the bridge, and the extra value created comes back to you as cash.

HMO MORTGAGES TODAY (FIVE-YEAR FIXES, OCTOBER 2026)

TYPE OF HMO	TYPICAL RATE	MAX LOAN TO VALUE
Small HMO, up to 6 beds (C4)	4.5% – 5.5%	80%
Large HMO, 7+ beds (sui generis)	5.0% – 6.0%	75%
HMO on a commercial valuation	5.25% – 6.5%	70% – 75%
First HMO for a new landlord	5.0% – 6.0%	75%
HMO bought in a limited company	4.5% – 5.75%	80%

125–145%

The rent test. Lenders check the rent covers the mortgage interest by a set margin: typically 125–130% for limited companies and basic-rate taxpayers, and 140–145% for higher-rate taxpayers buying personally.

Bricks and mortar valuation

The house is valued like any other home, against local sales. Most six-bed HMOs are valued this way.

Commercial valuation

Larger, fully licensed HMOs can be valued on their rental income instead, which can come in 20–40% higher on the right property.

Tax: the main things *to know*.

Tax can make a big difference to your returns, and the right structure depends on your own situation. Here's an overview of the main taxes involved, to discuss with your accountant.

STAMP DUTY ON AN ADDITIONAL HOME

PORTION OF THE PRICE	RATE
Up to £125,000	5%
£125,001 – £250,000	7%
£250,001 – £925,000	10%
£925,001 – £1.5m	15%
Over £1.5m	17%

WORKED EXAMPLE

£37,500

Stamp duty on a £475,000 house bought as an additional property, as in our worked example. The rates include the 5% surcharge on additional homes, in place since 31 October 2024.

Owning personally

- Rental profit is taxed as income, at new property income rates of 22%, 42% and 47% from April 2027.
- Mortgage interest isn't deducted from profit; instead you get a tax credit at the basic rate (Section 24).
- Capital gains tax applies when you sell, at 18% or 24% on residential property.

Owning through a limited company

- Profits pay corporation tax at 19% to 25%, depending on profit level.
- Mortgage interest is a business cost, deducted before tax.
- Taking money out, for example as dividends, is taxed again personally.

COUNCIL TAX

In an HMO let room by room, the **landlord** is usually responsible for council tax, so it's built into the room rent and into every Lera appraisal.

This isn't tax advice. Speak to a property accountant before you buy, especially about whether to buy personally or through a company. We work with either structure.

Running an HMO, *day to day.*

An HMO is a small business with six customers under one roof. Done well, it runs smoothly and quietly. Done badly, it eats your time. Here's what goes into good management.

01 Marketing and viewings

Professional photos, listings and viewings to fill every room fast.

02 Referencing and Right to Rent

Checks on income, history and immigration status.

03 Tenancies and deposits

Compliant agreements, deposits protected within 30 days.

04 Rent collection

Collecting rent and chasing any arrears quickly.

05 Cleaning

Regular cleaning of kitchens, hallways and shared spaces.

06 Repairs and maintenance

A reliable team on call, with issues fixed promptly.

07 Inspections

Regular visits to keep the house safe and in good order.

08 Compliance

Certificates, alarms, licence conditions and records kept up to date.

09 House rules

Clear rules on noise, guests and shared spaces, and help resolving disputes.

10 Re-letting rooms

Finding the next tenant before a room falls empty.

WHO USUALLY PAYS FOR WHAT

Utilities: gas, electricity and water	Landlord, in a bills-included HMO
Broadband	Landlord, in a bills-included HMO
Council tax	Usually the landlord, when let by the room
Cleaning of shared areas	Landlord
Maintenance and repairs	Landlord
Specialist HMO landlord insurance	Landlord
Personal belongings insurance	Tenant

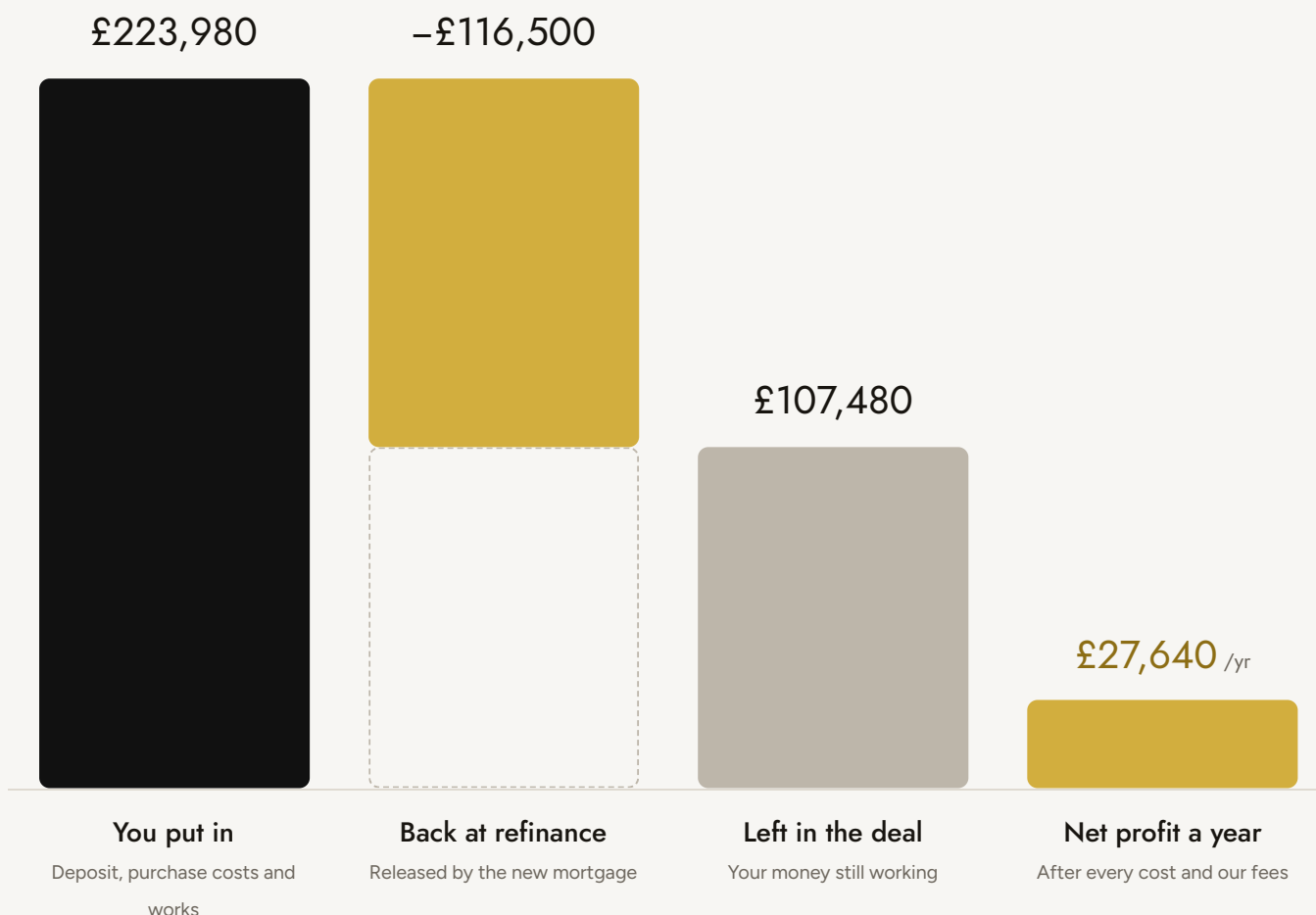
WITH LERA

You don't take the calls.

We set up professional management before the first tenant moves in. You receive the rent, and a clear monthly statement showing exactly what came in and what went out. Our worked example allows 8% for management and 2% for empty rooms.

How a project *pays you back*.

A worked example using real costs from one of our past six-room projects, from the day we buy to the rent arriving every month.



25.7%

£27,640 profit ÷ £107,480 left in
CASH-ON-CASH RETURN, EVERY YEAR

PURCHASE
£475,000

WORKS
£171,250

VALUED AT
£830,000

MORTGAGE
80% at 5.5%

RENT / YEAR
£75,000

Illustrative figures only, based on costs from one of our past projects; they must not be relied upon for any deal. The full line-by-line breakdown follows overleaf.

Every pound, *in the open.*

1 Buy the house

A bridging loan covers 75% of the price; you fund the deposit and purchase costs.

Purchase price	£475,000
Bridging loan (75%)	£356,250
Deposit (25%)	£118,750
Stamp duty (additional property rates)	£37,500
Solicitor and legal fees	£5,050
Survey	£1,300
Lera acquisition fee (2%)	£9,500

You put in £172,100

2 Convert it

The bridge also funds the £171k build. About £13k of the £33k bridging interest and fees is paid during the build; the rest is rolled up.

Build works (bridged)	£171,250
Bridging interest rolled up (paid at refinance)	£20,000
Lera management fee (2% of valuation)	£16,600
Bridging interest and fees during the build	£13,050
Structural engineer, designs, HMO licence	£3,560
Gas, electrical and fire certificates	£2,480
Furniture, blinds, room meters, locks	£6,190
Insurance, utilities and window repairs	£2,560

You put in (this stage) £44,440

3 Refinance

Converted and let, the house is revalued. An 80% mortgage repays the bridge, including rolled-up interest, and the balance comes back to you.

New value	£830,000
Mortgage (80%)	£664,000
Repays bridge, incl. rolled-up interest and fees	-£547,500
Letting fees (first tenants)	£2,180 paid
Valuation, broker and refinance solicitor	£5,260 paid

Returned to you £116,500

4 Earn every year

Six rooms bringing in £75,000 a year. After every cost, the profit is yours, measured against the cash still in the deal.

Rent (6 rooms, c.£1,042 a month each)	£75,000
Voids and re-letting (2%)	-£1,500
Mortgage interest (5.5% on £664,000)	-£36,520
Management (8%)	-£6,000
Maintenance	-£1,080
Council tax	-£2,160
Safety certificates (yearly)	-£100

Net profit a year £27,640

CASH IN

£172,100 + £44,440 +
£7,440 = £223,980

LEFT IN

£223,980 - £116,500 =
£107,480

CASH ON CASH

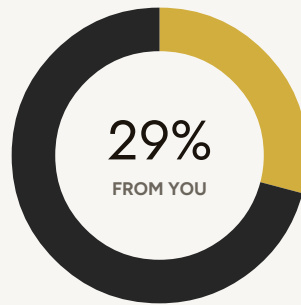
£27,640 ÷ £107,480 = 25.7%

Where every *pound* goes.



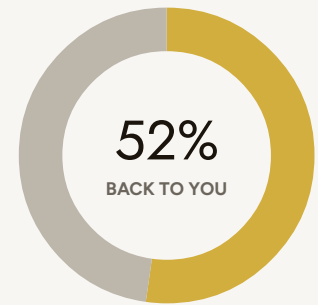
Each £1 of rent

£75,000 a year: £27,640 profit, £36,520 mortgage interest, £6,000 management, £4,840 voids and upkeep.



Who funds the project

Your £223,980 in cash; bridging finance covers the other £547,500 of purchase and build.



Your cash at refinance

£116,500 comes back; £107,480 stays in, earning c.25% a year.

STRESS TEST

What if rents or rates *move*?

Cash-on-cash return on the worked example as rent per room and the long-term mortgage rate change, holding the £830,000 valuation and 80% loan constant. HMO five-year fixes are currently around 4.5–5.75%; our example uses 5.5%, with rent of c.£1,042 per room a month (£75,000 a year).

Rent per room · rate →	4.50%	5.00%	5.50%	6.50%
£950	26.4%	23.3%	20.2%	14.0%
£1,042 · example	31.9%	28.8%	25.7%	19.5%
£1,150	38.4%	35.3%	32.2%	26.1%
£1,250	44.5%	41.4%	38.3%	32.1%

Valued at £750k 18.3%	Valued at £800k 22.1%	Refinanced at 75% 20.1%	Refinanced at 70% 16.9%
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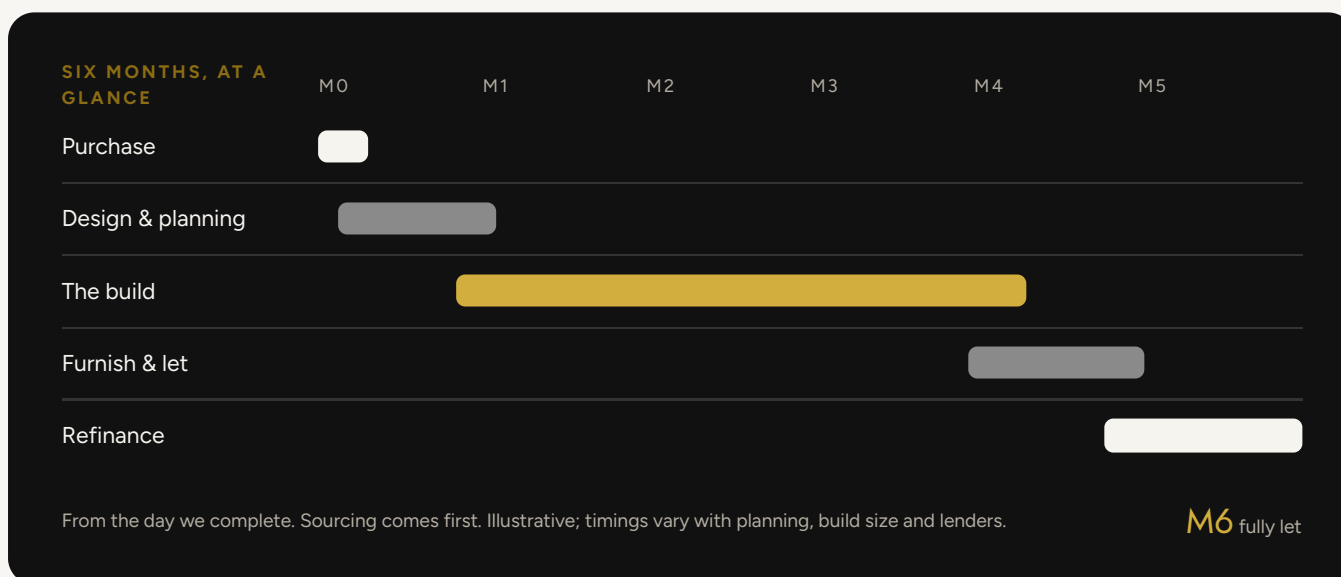
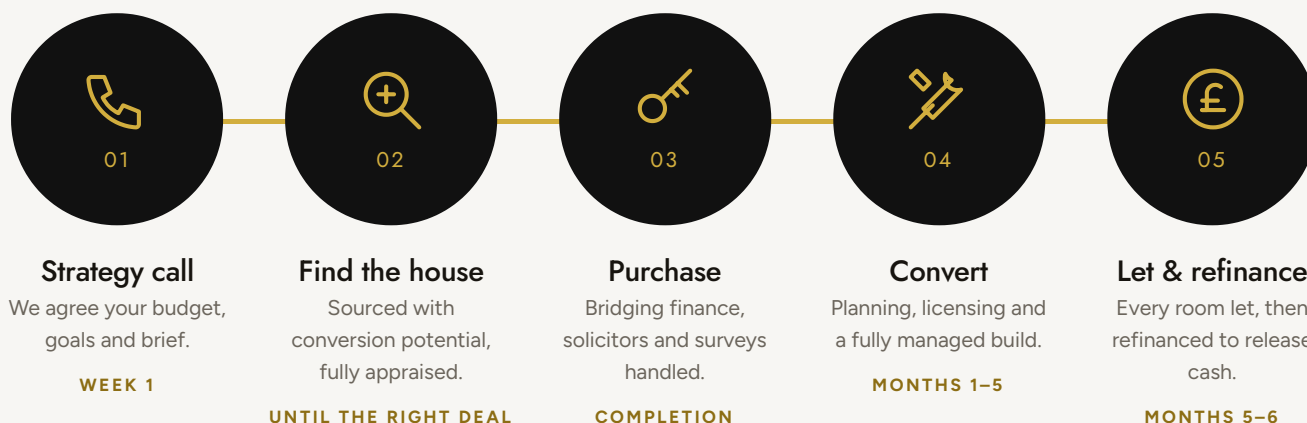
Calculated on the same basis as the calculator on lera-realestate.com, changing one assumption at a time from the worked example. Illustrative only, not a forecast or guarantee.

You could do it yourself. *Here's why investors don't.*

	DOING IT YOURSELF	WITH LERA
Finding the house	Hours of research, viewings and negotiating, often losing out to experienced buyers.	We source houses with conversion potential and send you a full appraisal.
Planning and licensing	Learning Article 4, use classes and council rules, and hoping you got them right.	Checked before you buy , with the licence application handled for you.
Design	Working out a layout that meets room sizes, amenity and fire standards.	Designed to council standards , with rooms above the minimum.
The build	Finding and managing builders, overruns and snagging.	Tendered, fixed prices and a fully managed build, with weekly photos.
Finance	Finding bridging and HMO lenders who'll lend to you.	Introductions to specialist HMO brokers.
Letting and management	Tenant calls, cleaning, repairs, compliance and disputes.	Professional management and a monthly statement.
Costly mistakes	One wrong layout, down-valuation or planning error can cost more than any fee.	Years of experience and a tested, repeatable process.
Your time	Months of evenings and weekends.	Three things: set a budget, approve the deal, receive the income.
Who owns it	100% yours.	Still 100% yours. We take no share of your deal.

From first call to *fully let*.

We don't buy ready-made HMOs. We find houses that are right for conversion, because that's where the value is created. Every project follows the same tested route.



BEFORE YOU COMMIT

A full costed appraisal: every cost, the expected value and the return.

DURING THE BUILD

Weekly photo updates and one point of contact who knows your project.

ONCE IT'S LET

Professional management and clear monthly income statements.

You invest. *We do the rest.*

An HMO earns more because it takes more work. That work is exactly what we do, so you get HMO returns without becoming a developer or a landlord.

YOUR PART

3

things



Agree your budget and goals



Approve the deal



Receive the income

OUR PART

20

things, and counting

Area research

Finding the house

Full appraisal

Negotiating

Bridging introductions

Solicitors & surveys

Planning & Article 4

Layout design

Building regs

Managing the builders

Weekly photo updates

Fire safety

HMO licence

Furnishing

Certificates

Photography

Finding tenants

Management set-up

Revaluation

Refinance support

YOUR MONEY, STAGE BY STAGE

AT PURCHASE

25%

Your deposit, plus stamp duty, legal fees and our 2% fee. A bridging loan covers the other 75%.

DURING THE BUILD

Stages

You fund the works in agreed instalments as the build progresses, never all up front.

AT REFINANCE

c.80%

A long-term mortgage of up to c.80% of the new value repays the bridge; the rest comes back to you.

EVERY MONTH AFTER

c.25%

Rent from every room, after the mortgage, running costs and our 2% management fee.

Just a few of the deals *we've delivered.*

These four are a selection from the many HMO conversions we've completed across London, each shown with its real numbers: what went in, what came back out and what it earns each year.



Enfield N9 **25.5%**

Victorian terrace → en-suite HMO · 2026

LEFT IN	NET / YEAR
£98,000	£25,000



Greenford UB6 **26%**

3-bed house → 6-bed HMO · 2024

LEFT IN	NET / YEAR
£100,000	£26,000



Harrow HA2 **25.3%**

Family house → en-suite HMO · 2025

LEFT IN	NET / YEAR
£95,000	£24,000

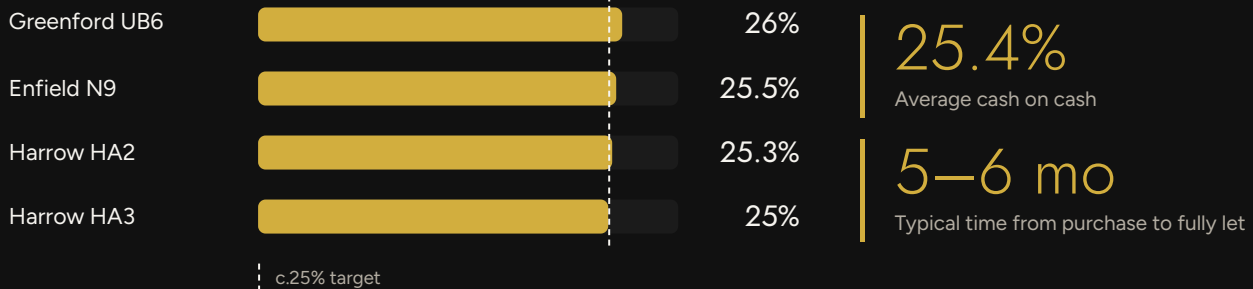


Harrow HA3 **25%**

1930s semi → en-suite HMO · 2025

LEFT IN	NET / YEAR
£96,000	£24,000

CASH ON CASH, FEATURED PROJECTS



A selection, not the full list. We've completed many more projects than we can show here. Ask us to walk you through them.

Enfield N9

Victorian terrace → en-suite HMO

25.5%

CASH ON CASH

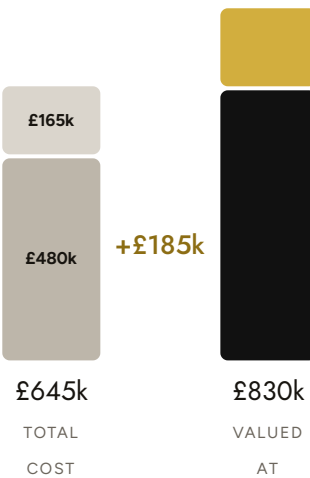
PURCHASE	WORKS	VALUED AT	CASH NEEDED	LEFT IN	NET / YEAR
£480,000	£165,000	£830,000	£215,000	£98,000	£25,000

A tired Victorian terrace with a dated kitchen and lounge, bought to convert into a high-yield HMO. We added a full-width rear dormer and a rear extension, put in new steels to open up the house, and gave every bedroom its own black-framed shower room, with parquet-effect floors and wood-effect fitted kitchens.

WHAT WE DID

- ✓ Full-width rear dormer loft extension
- ✓ Rear extension with new steels
- ✓ En-suite shower room in every bedroom
- ✓ Fitted shared kitchens
- ✓ Parquet-effect flooring and new staircase
- ✓ Fire doors, alarms and emergency lighting

VALUE CREATED



THE FINISHED HOUSE



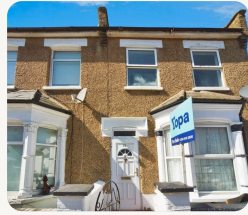
Completed June 2026: furnished, certified and ready to let. Net income is after mortgage, running costs and Lera's fees.

Stage by stage, *photo by photo.*

EARLY 2026

Before

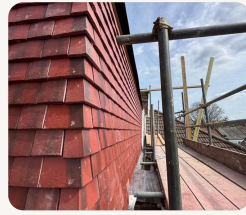
A tired Victorian terrace with a dated kitchen and lounge.



APRIL 2026

Loft dormer

Full-width rear dormer framed, insulated, tile-hung and roofed.



APRIL 2026

Steels & first fix

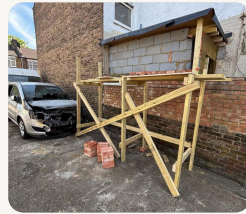
New steels, stud walls for every room and a new loft staircase.



APR-MAY 2026

Rear extension

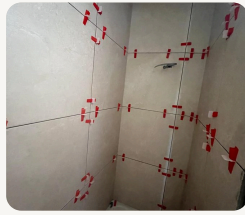
Blockwork and steel to add space on the ground floor.



APR-MAY 2026

Plaster & second fix

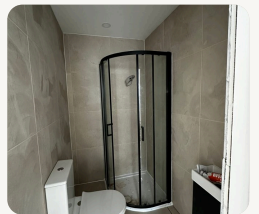
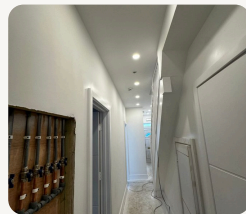
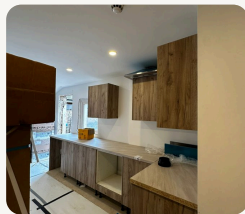
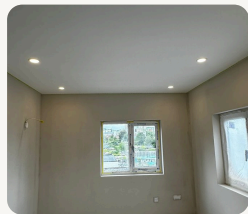
Fire-rated boarding, en-suite tiling, flooring and banisters.



MAY 2026

Decoration

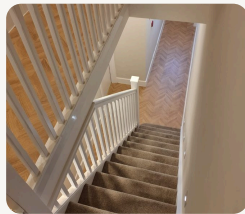
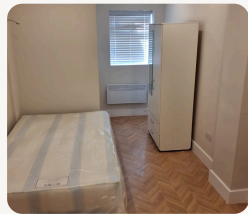
Painted and lit, kitchens installed and en-suites finished.



COMPLETED JUNE 2026

Completed HMO

Furnished, certified and fully let.



Greenford UB6

3-bed house → 6-bed HMO

26%

CASH ON CASH

PURCHASE	WORKS	FLOOR AREA	BEDROOMS	LEFT IN	NET / YEAR
£495,000	£160,000	1,437 sq ft	6 en-suite	£100,000	£26,000

A dated 1930s three-bedroom end-of-terrace with a separate lounge, dining room and one family bathroom. We stripped it back to brick, added a 3-metre rear extension and a rear dormer, and fitted all six bedrooms with their own en-suite shower room, alongside shared kitchens on two floors.

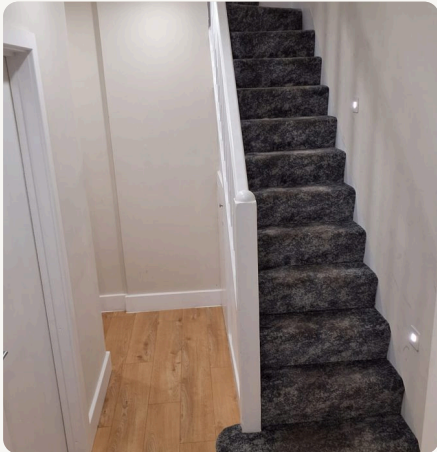
WHAT WE DID

- ✓ 3-metre single-storey rear extension
- ✓ Rear dormer loft extension
- ✓ Six bedrooms, each with an en-suite
- ✓ Shared kitchens on the first and second floors
- ✓ New flooring, lighting, heating and fire safety
- ✓ Fully furnished, certified and licensed

THE BUILD

- Before Spring 2024
- Strip-out June 2024
- Rear extension Jun-Jul 2024
- Loft dormer July 2024
- First fix Jul-Aug 2024
- Second fix & finishes Aug-Sep 2024
- Completed Jun-Sep 2024

THE FINISHED HOUSE



Completed, licensed and let. The last photo shows the same Lera finish at our Harrow HA2 project. Net income is after mortgage, running costs and Lera's fees.

Stage by stage, *photo by photo.*

SPRING 2024

Before

A dated 3-bed 1930s end-of-terrace, as we bought it.



JUNE 2024

Strip-out

Stripped back to brick, chimney breasts removed.



JUN-JUL 2024

Rear extension

New steels, foundations and blockwork for a 3m extension.



JULY 2024

Loft dormer

A full rear dormer adds a new floor with a bedroom and kitchen.



JUL-AUG 2024

First fix

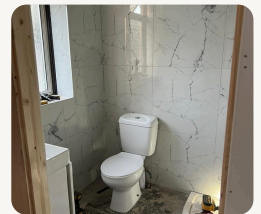
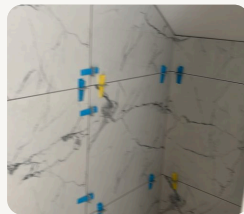
Six bedrooms and en-suites framed, new loft staircase.



AUG-SEP 2024

Second fix & finishes

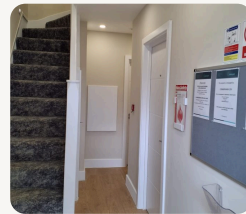
Plastering, flooring, fire doors, tiling and kitchens.



BUILT JUN-SEP 2024

Completed HMO

Furnished, licensed and let. Photos show the same Lera finish at our Harrow HA2 project.



Harrow HA2

Family house → en-suite HMO

25.3%

CASH ON CASH

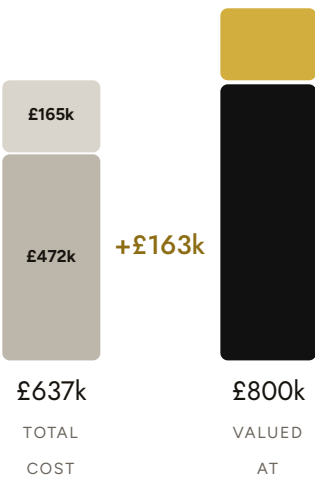
PURCHASE	WORKS	VALUED AT	VALUE CREATED	LEFT IN	NET / YEAR
£472,000	£165,000	£800,000	+£163,000	£95,000	£24,000

A tired family home with a dated kitchen, separate WC and original bathroom. New steels opened up the back of the house for a rear extension, and a loft extension added a full new floor. Every bedroom has its own shower room and kitchenette, with fitted shared kitchens on two floors.

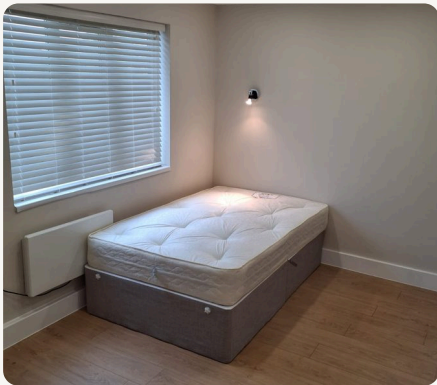
WHAT WE DID

- ✓ Rear extension with new steels
- ✓ Loft extension adding a full new floor
- ✓ En-suite and kitchenette in every bedroom
- ✓ Two fitted shared kitchens
- ✓ Fire doors, alarms and emergency lighting
- ✓ Fully furnished and certified for HMO use

VALUE CREATED



THE FINISHED HOUSE



Completed May 2025: furnished, certified and fully let. Net income is after mortgage, running costs and Lera's fees.

Stage by stage, *photo by photo.*

AUGUST 2024

Before

The house as we bought it: dated kitchen, WC and bathroom.



DEC 2024–JAN 2025

Steels & rear extension

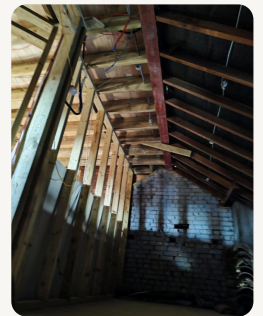
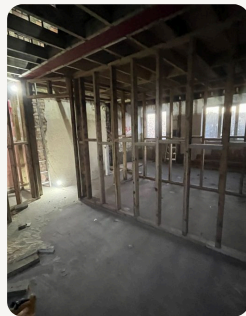
New steels open up the back; the extension goes up.



JAN–FEB 2025

First fix

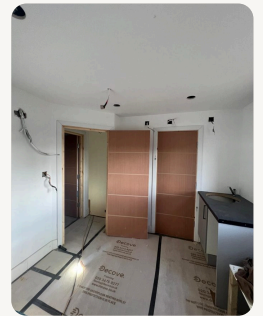
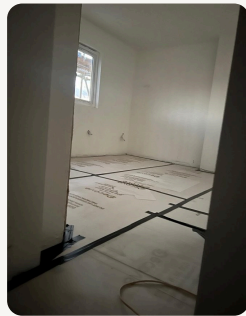
Bedrooms and en-suites framed, loft extension built, services run.



FEB–APR 2025

Plaster & second fix

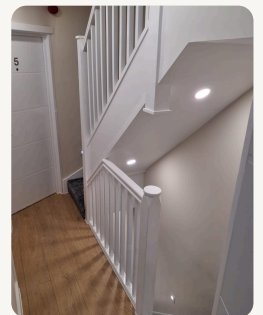
Plastering, fire doors, staircase and tiled en-suites.



COMPLETED MAY 2025

Completed HMO

Furnished, certified and fully let.



Harrow HA3

1930s semi → en-suite HMO

25%
CASH ON CASH

CASH NEEDED	BUILD	BACK AT REFINANCE	LEFT IN	NET / YEAR	CASH ON CASH
£191,000	May–Nov 2025	c.£95,000	£96,000	£24,000	25%

A tired 1930s semi with a dated kitchen, an old lean-to at the back and a single family bathroom. We demolished the lean-to, built a single-storey rear extension in facing brick and a rear dormer with tile-hung cheeks, then fitted marble-effect en-suites, shared kitchens and a loft kitchen.

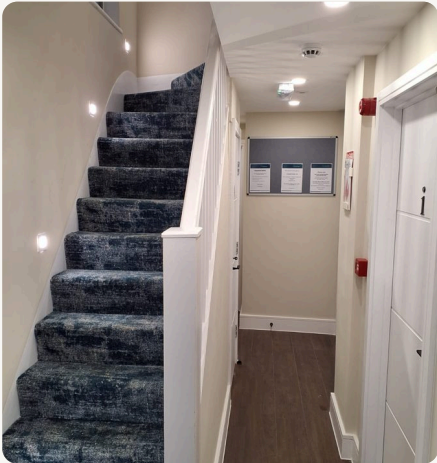
WHAT WE DID

- ✓ Single-storey rear extension in facing brick
- ✓ Marble-effect en-suite in every bedroom
- ✓ Fitted shared kitchens and a loft kitchen
- ✓ Rear dormer loft extension, tile-hung cheeks
- ✓ Fire doors, alarms and emergency lighting
- ✓ Fully furnished and certified for HMO use

THE BUILD

- Before Spring 2025
- Strip-out & demolition May 2025
- Rear extension May–Jul 2025
- Loft dormer Jun–Jul 2025
- First & second fix Jul–Oct 2025
- Completed Nov 2025

THE FINISHED HOUSE



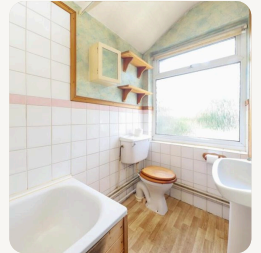
Completed November 2025: furnished, certified and ready to let. Net income is after mortgage, running costs and Lera's fees.

Stage by stage, *photo by photo.*

SPRING 2025

Before

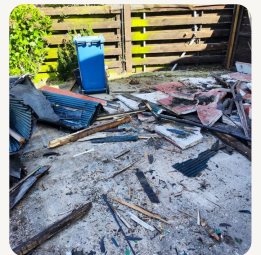
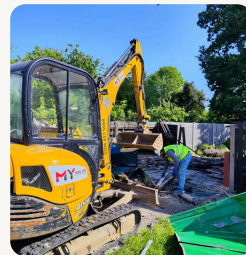
Dated kitchen, an old rear lean-to and one family bathroom.



MAY 2025

Strip-out & demolition

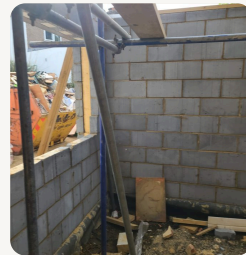
Stripped back, lean-to demolished, ground floor propped.



MAY-JUL 2025

Rear extension

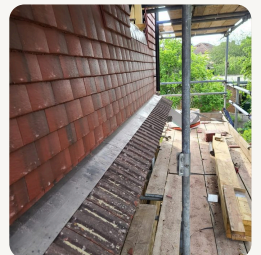
Foundations, steels, blockwork and facing brick.



JUN-JUL 2025

Loft dormer

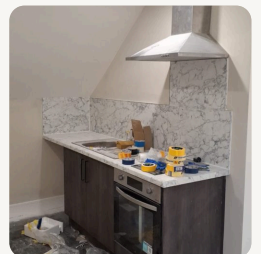
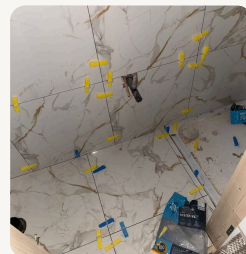
A full rear dormer adds a new top floor.



JUL-OCT 2025

First & second fix

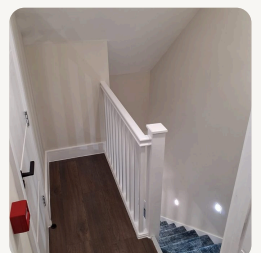
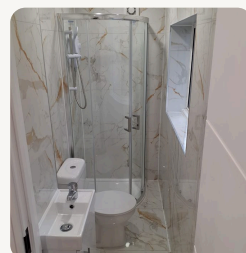
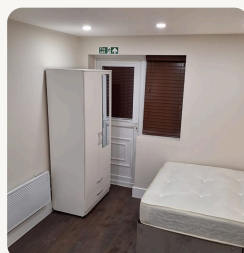
Stud walls, staircase, marble-effect tiling and kitchens.



COMPLETED NOV 2025

Completed HMO

Furnished, certified and fully let.



IN OUR INVESTORS' WORDS



I was sceptical about HMOs, but now I'm not. I really enjoy the passive income. I have already done 3 projects with them and I have instructed them to look for a 4th.

YC

Yossef C · Investor

I invested over £200k with Lera and was impressed with how smoothly the process was handled. They took care of the sourcing and coordinated the different stages, which saved me a huge amount of time and money!

JG

Jonathan G · Investor

I was initially quite cautious about putting this much money into a property deal, but the team explained everything clearly and answered all my questions. Overall, a very professional experience.

AL

Anthony L · Investor

Really happy I went for it, the team are great!

SB

Sarah B · Investor

Great returns! A good deal!

MU

Mohamed U · Investor

WHY CHOOSE LERA



Equity in your deal: 0%

We never take a share of your property or its profits. The house, the rent and the growth are 100% yours.



Expertise that protects your money

One costly mistake can cost far more than our fees: a layout that fails room sizes, the wrong planning area, an overrunning build or a down-valuation.



Years of building experience

Years delivering high-quality HMO conversions across London, from the first steel to the last tenant moving in.



A tested, repeatable process

Source, buy, convert, let and refinance, in around 5–6 months from purchase to fully let.



A trusted team

Builders, solicitors, brokers and letting agents we've worked with project after project.



Total transparency

A full costed appraisal, weekly photo updates during the build and monthly income statements.

What to watch out for, *and how we handle it.*

HMOs earn more because they take more work to get right. These are the main things to know.



Licensing and regulation

Large HMOs need a council licence, with rules on room sizes, fire safety and facilities.

Lera: We design every layout to the council's standards and handle the licence application.



Planning and Article 4

Some areas restrict HMOs, and larger ones need planning permission.

Lera: We check planning before we put forward any house.



More management

More tenants means more lettings, more queries and shared spaces to look after.

Lera: We set up professional management so you don't take the calls.



Higher running costs

Bills, furnishing, cleaning and compliance cost more than in a single let.

Lera: Every return we quote is after these costs and our fees.



Specialist finance

HMOs need lenders and valuers who understand them, and rates can change.

Lera: We introduce brokers who specialise in HMO bridging and refinance.



Returns aren't guaranteed

Values, rents and interest rates can move against you.

Lera: We build in contingency and only bring deals that work on cautious numbers.

FEES, IN FULL

2%

ACQUISITION FEE

Of the purchase price, paid once at purchase.

2%

MANAGEMENT FEE

Of the property's valuation after the works.

0%

SHARE OF YOUR DEAL

The property and the profit stay 100% yours.

When we put the building works or bridging finance out to tender, the quotes include an arrangement fee payable to Lera. The conveyancer, mortgage broker, and letting and management company we introduce may also pay us an arrangement fee. These are already built into every price, figure and illustration we show, so there are no extra costs on top.

Frequently asked *questions.*

What return can I expect?

Our projects target a cash-on-cash return of circa 25%: your yearly profit after all costs, divided by the cash left in after refinance. That already includes our fees. Results depend on the property, rates and valuation, and are not guaranteed.

How is the purchase financed?

Usually a bridging loan covering around 75% of the price plus the works. Once converted and let, it's revalued and refinanced onto a long-term mortgage that repays the bridge.

How involved do I need to be?

As little as you like. You approve the deal and sign off key decisions. Most investors never need to visit site, though you're always welcome.

Who manages the tenants afterwards?

The property is professionally managed, covering tenants, bills, cleaning and maintenance. You receive the income and a monthly statement.

Does an HMO need a licence?

In England, an HMO with five or more tenants from two or more households needs a mandatory council licence. We handle the application.

How much money do I need?

On our recent six-bedroom project, the investor needed around £225,000 to complete the deal, and around £100,000 remained in it after refinance. We give exact figures for each deal before you commit.

Can I buy through a limited company?

Yes, many investors do. Whether it suits you depends on your tax position, so speak to a property accountant first. We work with either structure.

Do I need to live near the property?

No. We invest where the numbers work and manage everything on the ground.

Do you buy existing HMOs?

No. We convert ordinary houses. Creating the HMO is what adds the value that lets you refinance and pull most of your cash back out.

Is my money at risk?

Yes. Values can fall, costs and rates can rise, and rooms can sit empty. We reduce the risk, but we can't remove it. Take independent advice if unsure.

REFER AND EARN

Know someone who'd love an HMO? *Get paid for it.*

Introduce a friend, client, colleague or relative, or simply CC info@lera-realestate.com into an email with them. For every property they do with us, we pay you 10% of our fees: around £2,610 on a project like our worked example. It's paid from our fees, so it never adds to their costs.

10%
OF OUR FEES, TO YOU

HMO questions, *answered.*

Can couples rent a room?

Yes, if the room is at least 10.22 m² and the licence allows it. Each person counts towards the total number of occupants.

Are HMOs harder to sell?

The pool of buyers is different. An HMO can be sold to another investor as a working, income-producing house, or returned to a family home, subject to the planning position.

How long does a licence take?

It varies by council, from weeks to several months. It isn't an offence to let while a properly made application is being processed, and we submit it as early as possible.

Does the Renters' Rights Act make HMOs riskier?

It raises the bar on standards and paperwork, which favours well-run, compliant houses like ours. Demand for good rooms is unchanged.

Can I see a project in person?

Yes. Come and meet us, and we can arrange to show you a completed Lera house.

What happens when a room is empty?

The other rooms keep paying, which is a big advantage over a single let. We budget for empty rooms in every appraisal and work to re-let before a room falls vacant.

Do I need landlord experience?

Not to work with us. Some lenders do ask for previous landlord experience, so we introduce brokers who know which lenders suit your situation.

What insurance do I need?

Specialist HMO landlord insurance covering the building, liability and loss of rent. Tenants insure their own belongings.

Will energy rules affect my HMO?

Rented homes will need EPC C by October 2030. We design with insulation and efficient heating in mind, so your house is ready.

How do I get started?

Book a free 30-minute call. We'll talk through your budget and goals, and whether an HMO is right for you. There's no obligation.

HMO terms, *made simple.*

Article 4 direction

A council order removing the right to convert a family home to a small HMO without planning permission.

Bridging loan

Short-term finance used to buy and convert a property before refinancing onto a mortgage.

C3 / C4

Planning use classes: C3 is a family home, C4 a small HMO of 3 to 6 unrelated people.

Cash on cash

Your yearly profit after all costs, divided by the cash you still have in the deal.

Commercial valuation

Valuing a property on the income it produces rather than on comparable house sales.

EICR

Electrical Installation Condition Report, needed at least every five years.

EPC

Energy Performance Certificate. Rented homes need E now and C by October 2030.

Fit and proper

The council's test of whether a licence holder or manager is suitable.

HHSRS

Housing Health and Safety Rating System, used by councils to assess hazards in homes.

HMO

House in multiple occupation: 3 or more people from 2 or more households sharing facilities.

ICR

Interest cover ratio: how much rent must exceed mortgage interest for a lender to lend.

LACORS guidance

National fire safety guidance for residential housing used by most councils.

LTV

Loan to value: the mortgage as a percentage of the property's value.

Mandatory licence

Required for every HMO in England with 5 or more people from 2 or more households.

Additional licensing

Council schemes that extend licensing to smaller HMOs.

Permitted development

Changes that can be made without applying for planning permission.

Refinance

Replacing the bridging loan with a long-term mortgage once the property is revalued.

Rent repayment order

A tribunal order making a landlord repay rent, now up to 24 months.

Section 24

The rule limiting tax relief on mortgage interest for individual landlords to the basic rate.

Sui generis

A planning use "of its own kind". Large HMOs of 7 or more people fall into it.

Void

A period when a room is empty and not earning rent.

Your first HMO, *in four steps.*

You've read the ins and outs. Now let us do the hard part. Here's how working with Lera begins.

01

Book a call

A free 30-minute discovery call. We'll talk through your budget, goals and timescale.

02

Agree your brief

Budget, area, the kind of house you want, and whether to buy personally or through a company.

03

Approve your deal

We find the house and send a full costed appraisal. Nothing happens until you say yes.

04

We build and let it

Purchase to fully let in around 5–6 months, with weekly photo updates throughout.

— USEFUL TO HAVE READY

- | | |
|--|---|
| ✓ Funds for the deposit, purchase costs and works | ✓ A view on how much you'd like to invest |
| ✓ Photo ID and proof of address for anti-money laundering checks | ✓ A chat with your accountant about ownership structure |
| ✓ Any questions you'd like us to answer | ✓ An idea of when you'd like to start |

READY WHEN YOU ARE

Book your free discovery call.

info@lera-realestate.com

LERA-REAL ESTATE.COM

Come and meet us for a *coffee,* or a *virtual coffee.*

Pop into our office or jump on a video call, whichever suits you. We'll talk through your budget and goals, show you more of our projects and tell you honestly whether an HMO is right for you.



IN PERSON

137–139 Brent Street
London NW4 4DJ



VIRTUAL COFFEE

Video call,
at a time that suits you

BOOK EITHER BY EMAIL

info@lera-realestate.com

ONLINE

lera-realestate.com

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