HMOs – AND THE COST OF GETTING THEM WRONG!

PRACTICAL FIXES TO COMMON PROBLEMS TO MAKE YOUR PROPERTIES MORE PROFITABLE

By **Matt Baker**

You might think the biggest threat to your HMO profits is a bad refurb or an overambitious deal. But in reality, it's what happens after the rooms are filled that will often quietly eat into your long-term returns. Poor HMO management doesn't always show up on a spreadsheet – but it will show up in your bottom line.

As investors, we often focus on the front-end metrics: purchase price, refurb costs, rent per room, yield. But it's what happens post-refurb – the tenant experience, on-going maintenance, compliance (especially in today's changing legal landscape!), and void management – that determines long-term profitability. And when management slips, the costs start stacking up in ways that aren't always obvious.

Here's a breakdown of the real cost of getting it wrong – and how to fix it.

1 Tenant turnover: The quiet killer!

Poor management = unhappy tenants. Unhappy tenants leave.

Let's say you've got a six-bed HMO in an average English town where rooms rent for £600/month. If each room is vacant for just one month each year due to tenant churn, that's:

6 rooms x £600 = £3,600 in annual lost rent.

Now factor in cleaning (£60), re-marketing and your or your agent's admin fees (£300 per room), for a full churn cycle on all six rooms, that's:

£3,600 (voids) + £960 (cleaning) + £1,800 (admin) = £6,360 per year gone.

Multiply that across even three HMOs and you've got a nearly £20,000 per year invisible drain, purely from people leaving too soon.

2 Deferred maintenance = bigger bills

A leaky tap doesn't just drip – it erodes the tenants' trust in management. But more importantly, it can become a damp issue, trigger mould growth, or even lead to a floor repair if left unchecked. We had one leaky shower that caused such an issue whilst the tenant below was on holiday, that nobody noticed the ceiling of the en-suite fall in until he returned home! That was a costly exercise that could have been avoided. I have learned this the hard way, so you don't have to. Be pro-active instead.

Reactive vs proactive costs:

Issue	Reactive Cost	Proactive Cost
Dripping tap vs damp wall	£450 (plaster + repaint)	£65 (fix tap)
Boiler breaks in winter	£2,000 (emergency callout + parts)	£80 (annual service)
Leaky shower vs ceiling collapse	£1,200 (plasterboard, redecoration, lost rent)	£90 (reseal + tenant check-in)

If you avoid one proactive fix per quarter and end up dealing with reactive issues, using the examples above, the difference comes to £1,740 per year per property. This includes the costs of fixing a dripping tap, servicing a boiler, resealing a shower, and one additional minor issue – all manageable proactively but costly if left.

Now scale that over a five-HMO portfolio: £8,700 lost through poor maintenance planning.

3 Housemate conflict = reputation damage

Tenant disputes are more common than you might think. Messy kitchens, noise complaints, unbalanced personality mixes. When management is less attentive to these issues, these flare-ups get worse, and they drive tenants out. We have experienced this in more than one occasion – one bad apple leads to every else moving out.

But it's not just the cost of the void.

What if a former tenant leaves a 1-star Google review for you or your management agency? Or posts a scathing comment on Facebook or SpareRoom? Future tenants think twice about your properties affecting future viewings. Your average room now takes three weeks to fill instead of one.

Let's assume:

- **Six-bed HMO with a two-week longer fill time per room.**
- **£600/month rent = £20/day per room**
- **6 rooms x 2 weeks x £20 = £1,680 in lost rent annually.**

Add the reputational cost of being *that landlord* locally, and it means you'll also have to lower your rent or offer incentives to stay competitive.

4 Bad tenants = bigger headaches

Poor management often starts at the tenant selection and vetting stage. If your letting agent is rushed – or incentivised by commissions per let rather than quality – they may skip thorough referencing.

Let's say one rogue tenant:

- **Misses two months' rent = £1,200 loss**
- **Leaves a damaged room = £400 redecoration**
- **Requires a court eviction = £1,000–£2,000**

That's £2,600 to £3,600 from one bad tenant.

If one in every 12 tenants falls into this category, that's £1,800+ per year in expected losses per six-bed HMO over time.

5 Compliance oversights = legal risk

Even experienced landlords can be tripped up here:

- **Outdated gas certificates**
- **Missed licence renewals**
- **Fire alarm checks not being properly documented**
- **Overdue PAT tests**

In some areas, the fine for an unlicensed HMO is £30,000 per offence and with the likely new rules in the Renters Rights Bill, potential on-the-spot fines of £7,000 per offence.

Even without enforcement, missing a licence can:

- **Invalidate your insurance**
- **Prevent you from refinancing to release capital**
- **Allow tenants to reclaim rent via Rent Repayment Orders (all your hard-earned rent going back the tenants!)**

You may think your property is compliant, but is your paperwork? Poor management often means gaps in documentation, which is what councils really care about.

6 Landlord burnout: The hidden drain

This one's personal! When you're managing everything yourself – tenants, maintenance, compliance, voids – your energy gets sucked into fire-fighting instead of growing the business.

Time is money. If you spend eight hours a week dealing with avoidable issues, that's 416 hours/year. What else could you be doing with that time? Finding new deals? Refinancing for better rates? Creating a better onboarding system?

Even at a modest self-valuation of £50/hour, that's £20,800/year of lost opportunity.

How to fix this: Professionalise and systemise

You don't need 100 units to run your portfolio like a business. You just need the right systems and support.

Practical fixes:

- **Onboarding funnel: Automate reference checks, contracts, deposits, and welcome packs using reliable software.**
- **Maintenance software: Use a tool like COHO, or even something simple like Google Forms to log and triage issues.**
- **Quarterly compliance check-ins: Build a checklist and block out time every three months to review certificates, safety procedures and licences.**
- **Tenant communication: DON'T set up a WhatsApp group for each house, unless you want to become your tenants' agony aunt or uncle. Use your management software for ALL communications to set boundaries and expectations.**
- **Use your regular cleaner to be your weekly or fortnightly eyes and ears. Train them to report issues early, like a dripping tap or broken handle.**
- **Tenant surveys: Ask every six months how they're doing and what you can improve. Then act on it.**

Poor HMO management is never intentional. It creeps in through inexperience, lack of systems, or handing the reins to the wrong agent. Potentially, as I have experienced, it could be because your attention is diverted to the next shiny penny, the next deal. But if left unattended, the costs – voids, damage, reputation, fines, and time – are real and they compound.

Being a landlord is no longer about collecting rent. It's about delivering a consistent service to paying customers in a market which is becoming more and more regulated.

If you want to stay profitable in today's HMO landscape, you've got two options: step up your systems or step out of the game.

Contact Matt

matt@auraventures.co.uk

www.auraventures.co.uk