

HOUSE IN MULTIPLE OCCUPATION **HIGH RENTAL YIELDS**

Replace your current income with 1 property



Total rental income PCM: **£1400**

Annual Return On Money Left In – 15.14%

£85,000

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Business Strategy

Student Houses in Multiple Occupation (HMO) has been smashed apart by the building of “Student Pods”. This has left student HMO’s harder to rent year on year. More and more Landlords are exiting this market due to these harder rental conditions. Student HMO’s from being sold at a premium are now coming on the market for a lot lower price than has been seen for many years.

The NGU Group has seen this change in the market and has moved to fill this gap by buying and sourcing these properties and turning them into professional furnished luxury HMOs.

The old student HMO market was about cramming in as many rooms into a property with separate bathrooms and toilets to accommodate these rooms. The student market of the past worked so well because the properties are located in sought after areas, right on the door step of Newcastle City Centre. Students however, now have an alternative option due to new “Student Pods”.

The NGU Group has grasped this opportunity and produced a very simple business model that works:

- “Old and tired” student HMO properties are bought in the sought after area of Gateshead, right on the door step of Newcastle City Centre.
- We add value to the property by changing the layout to add an additional room.
- We expand into the loft where ever possible to add additional rooms to add value onto the property.
- The property is refurbished to a boutique standard.
- Each room is fully inclusive, so a tenant pays only one fixed fee per month. This includes rent, gas, electric, water, fibre optic internet, sky television, council tax and a fortnightly cleaner.
- The property development is done to offer the best accommodation you will find in Newcastle.

By adding value with more rooms and offering a boutique refurbishment, rents of £50.00 per week per room are the thing of the past. The average rent per room for a fully furnished ensuite bedroom that the NGU Group develops sees an increase in this rent to an average of £90.00 per week per room. This added value and increase in rents not only produces extremely high rental yields but also sees properties go up in value to allow the potential for “little money left in” finance strategy.

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Local area: Gateshead



Background

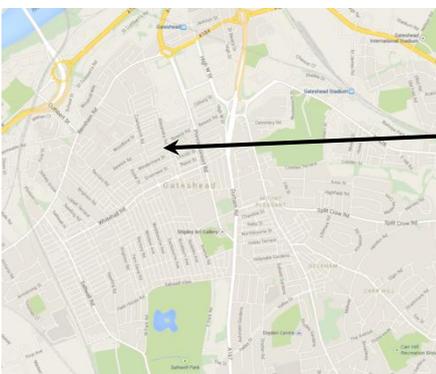
United by seven bridges across a spectacular rivers cape, Gateshead a town on the south bank of the River Tyne forms a single, diverse and extremely vibrant visitor destination.

With so many different areas each offering new sights, sounds and experiences, you'll be amazed at how much is on offer whatever your tastes. World-class culture, vibrant nightlife, award-winning dining, inspiring heritage, fantastic shopping and acclaimed architecture are linked here, as nowhere else, by the famous Geordie spirit.

With so much to see and do, where do you start? Whether you're visiting Gateshead for a city break or you're a local looking to explore the North East - the list of must see will ensure you experience the best Gateshead has to offer. With popular tourist attractions like the Angel of the north, standing tall and watching over Gateshead, this iconic work of public art by Antony Gormley is admired by 150,000 visitors a year.

At 54m wide and 20m high, it dominates the Gateshead skyline and is an awe-inspiring symbol of North East pride and culture.

Map of the area



Gateshead and surrounding area

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You have the opportunity to own a HMO in the North East

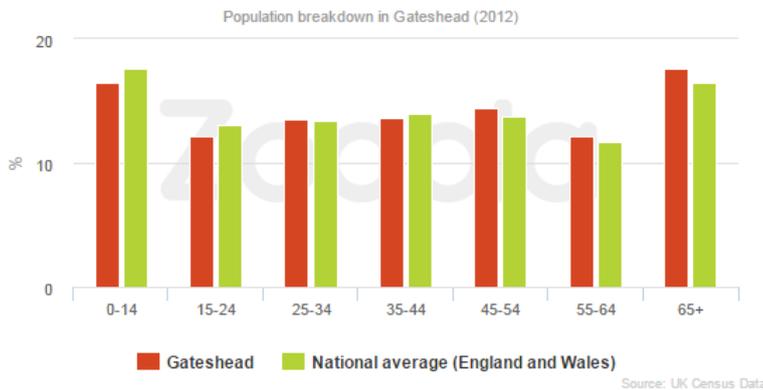
Nearby transport

-  Newcastle (1.0 mile)
-  Manors (1.3 miles)
-  Dunston (1.3 miles)
-  Newcastle Airport (6.7 miles)
-  Durham Tees Valley Airport (31.6 miles)
-  Leeds Bradford International Airport (75.3 miles)
-  Newcastle International Ferry Terminal (6.9 miles)
-  South Shields Ferry Terminal (7.4 miles)
-  North Shields Ferry Terminal (7.4 miles)

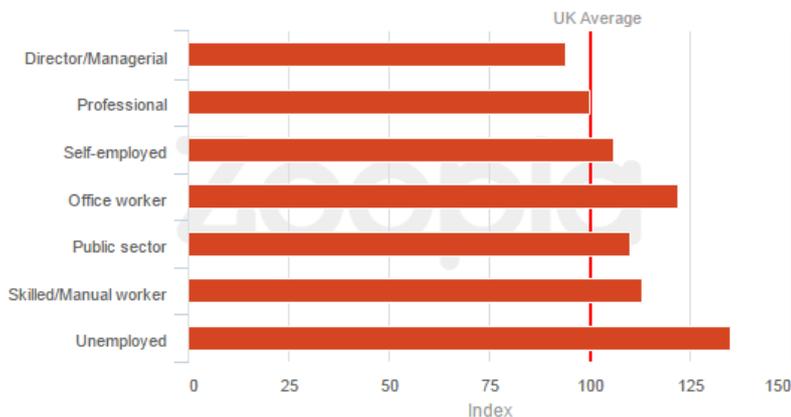
Nearby schools

-  Caedmon Community Primary School (0.2 miles)
-  Brighton Avenue Primary School (0.2 miles)
-  Gateshead Jewish Primary School (0.3 miles)
-  Gateshead Jewish Boarding School (0.1 miles)
-  Gateshead College (0.8 miles)
-  Dryden School (1.0 mile)
-  Central Newcastle High School (2.0 miles)
-  Newcastle-upon-Tyne Church High School (2.2 miles)
-  Northern Counties School (2.4 miles)

Population breakdown in Gateshead vs The National Average

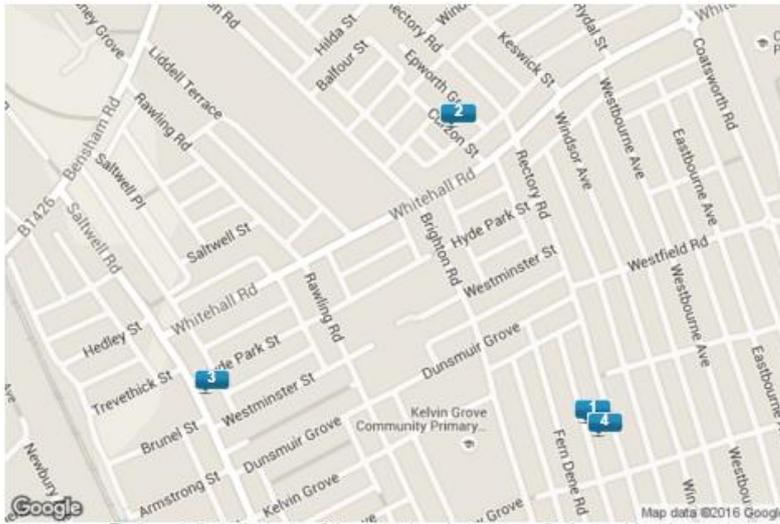


About the neighbourhood-employment



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Market value analysis- RIGHTMOVE Comparable



The icons indicate the centre of the postcode and not necessarily the exact location



Offers in Excess of £129,950

4 bedrooms | Maisonette
Gateshead

Archived 1
Marketed from: 29-09-2014 to 09-04-2015 (193 days)

Sold STC. A spectacular upper maisonette which is located at the 'Park End' of Rectory Road and is beautifully styled with a layout which is sure to impress a young first time buyer. The apartment is presented over two floors and has the benefit of Upvc double glazing, gas central heating via a combi boiler...

[Full brochure, extra pictures and map available](#)

Sold Price History: 15 Jan 2015: £129,000 12 Dec 2007: £92,000



Guide Price £120,000

4 bedrooms | Flat
Curzon Street, Gateshead

For sale 2
Marketed from: 19-04-2015

For Sale by way of Auction - at the Newcastle Marriott Hotel, Gosforth Park. Auction Terms and Conditions apply see www.agentspropertyauction.com. A PAIR OF FLATS - BOTH 2 BEDROOMED. The properties are being offered for sale with vacant possession and an early inspection is recomm...

[Full brochure, extra picture and map available](#)



£120,000

5 bedrooms | Maisonette
Saltwell Road, Gateshead

For sale 3
Marketed from: 03-08-2015

This spacious five bed Maisonette is pleasantly positioned on Saltwell Road appealing to professionals, families and investors due to the size and layout. Offering versatile living space briefly comprising:- Lounge, Kitchen, Five Bedrooms and Two Shower Rooms. Viewing comes highly recommended ...

[Extra picture and map available](#)

Sold Price History: 21 Sep 2007: £70,000 4 Aug 2006: £67,000 6 Jan 2003: £22,000



£116,500

4 bedrooms | Flat
Rectory Road, Gateshead

Archived 4
Marketed from: 28-04-2015 to 29-09-2015 (155 days)

Sold STC. Blackberry Estates are delighted that you have taken the time to look at the property below, not only can you see the information listed on line, you can also take this opportunity to take a tour around the property via our 360 degree tour (if applicable) or you can visit our head office in Low f...

[Full brochures, extra pictures, Virtual Tour and map available](#)

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Rental analysis per room for a professional HMO

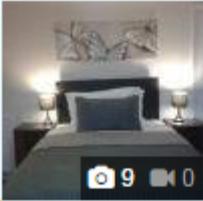
Single + 4 doubles, Gateshead (NE8) **£70 - 110 pw**
Available 15 Feb Bills inc.



New Luxury Professional House in Gateshead
LARGE LUXURY HOUSE IN GATESHEAD - COMPLETELY REFURBISHED!! HASSLE FREE LIVING WITH ALL BILLS INCLUDED....

New Today Free to Contact [☆ Save](#) [More info](#)

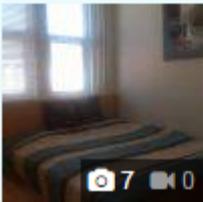
Single + 4 doubles, Gateshead (NE8) **£110 - 140 pw**
Available Now Bills inc.



Beautiful Accommodation - Long/Short Term
When contacting me registering your interest, state your ideal moving date, duration of stay and your profession and your place of work/university...

NEW Free to Contact [☆ Save](#) [More info](#)

Double room, Gateshead (NE8) **£85 pw**
Available Now Bills inc.



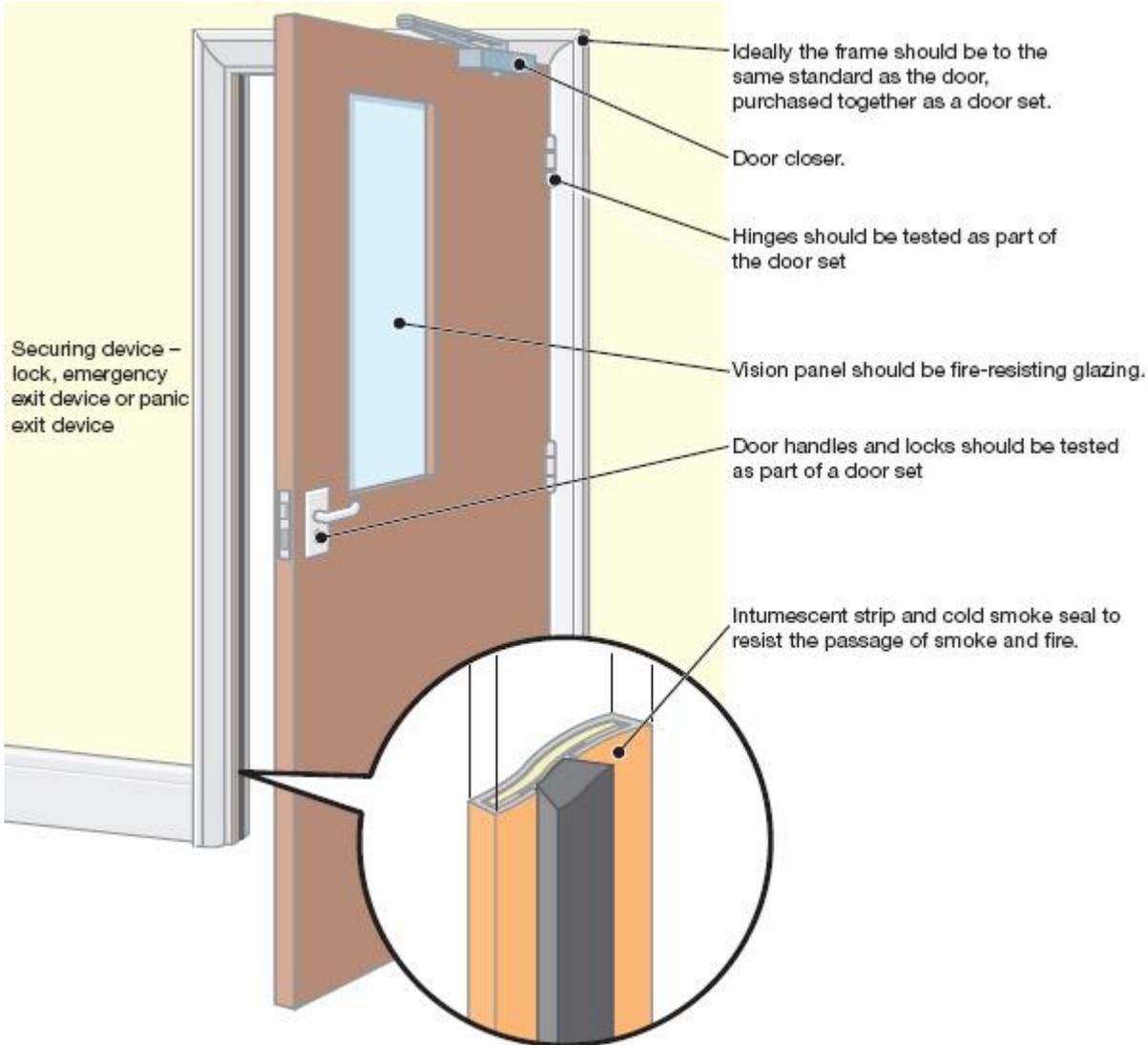
(G) From £85/week all bills incl. top spec ro...
Double and single bedrooms in luxurious properties, fully furnished and equipped. We can discuss special offers for longer contracts. They...

NEW Free to Contact [☆ Save](#) [More info](#)

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Examples of what modifications are needed in a HMO

The right fixture and fittings-fire doors throughout



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The right protection-hard wired smoke alarms and emergency signage in communal areas



Electric lock door systems so there is no need to change locks when a tenant leaves.



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NGU Homelettings- getting you a tenant

Background

- NGU Homelettings is approved by ARLA (Association of Residential Lettings Agents)
- NGU Homelettings manages 700+ properties throughout the North East
- We are landlords ourselves and own over 150+ properties
- In 2014, only £53.00 of rear arrears was written off across the company owned properties

Tenant Find

- Professional tenants credit checked and employment checked and they must earn a minimum of 30x the monthly rental income
- Tenant find fee-£100.00 plus VAT per tenant

Fully Management

- Day to day maintenance care
- In-house rent collection
- Rents paid monthly
- 12% plus VAT full management

Queries

If you have any queries regarding this property, contact us on:

Tel. 0191 491 0344

Note:

In accordance with the Property Mis-descriptions ACT (1991) we have prepared these sales particulars as a general guide to give a broad description of the property. They are not intended to constitute part of an offer or contract. We have not carried out a structural survey and the services, appliances and specific fittings have not been tested. All photographs, measurements, floor plans and distances referred to are given as a guide only and should not be relied upon for the purchase of carpets or any other fixtures or fittings. Tenure and boundary information are given as a guide only and should be checked and confirmed by your Solicitor prior to exchange of contracts

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How the process works

THE BUYING STAGE

We present the financial figures showing how much it will be to purchase, convert and the rent that can be achieved on your selected property. We aim for any HMO Property that we source to be refinanced (if desired) to allow the purchase price and development costs to be taken back out through the up lift in the property's value after the development. Our aim is for any HMO property that we source to be "NO MONEY LEFT IN" or as near as possible after the development.

Before we can source a property we must see proof of funds to confirm any investor is in a position to buy. We do this to confirm an investor is a "Serious Investor". There is a waiting list due to the interest that we are currently receiving. The reservation fee that will be required is £1,000 which will be deducted from the final development and project management fee.

We can recommend a mortgage advisor for you at this stage if you need to speak about finance options if you are not a cash buyer.

Once you have confirmed you are happy with the property we have presented to you, we will put an offer in on your behalf which hopefully will be accepted. We work closely alongside Estate Agents in the area and due to them knowing that we have investors waiting for properties that are suitable to convert to professional HMO's; they often present the properties to us first before they go onto the open market.

NGU Property Investments organise project management for the conversion into a HMO. The property completes and you are now the legal owner.

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CONVERSION INTO A HMO

NGU Homelettings re-confirms the initial development costs to convert the property into a HMO and confirms the time frames for the completion of the development with the contractors.

A HMO project development takes 14 weeks from start to finish (in week 11-12 the development of your property will be finished and we will be furnishing it ready to be let).

We have specialist HMO tradesmen that work alongside the business. To make sure HMO developments go to plan, we need a minimum of 30 days' notice to fit any new HMO development project into our current schedule of work.

You pay a deposit of the development costs before work can start. Once the property development has been completed, the remaining balance needs to be paid within 7 days (please note you must have the finance to pay for a project development and it must not be reliant on a refinance strategy).

TENANT FIND AND FULL MANAGEMENT

We will advertise your new HMO on all of the relevant websites to get it rented quickly with quality tenants. Advertising for your property begins at week 12, giving us 2 clear weeks to find you tenants before the development is finished.

All rooms will be "staged" to provide professional photographs to attract the best working tenants on the market. We will credit check all new tenants and verify their employment details and sign them up to a 6 month short hold tenancy agreement.

An inventory will be provided of the communal areas which will be updated annually. A furniture inventory will be made of the communal areas which will be updated annually. A separate inventory will be performed on individual rooms when a new tenancy agreement begins.

NGU Homelettings details will be provided to your new tenants so we can collect the rent and organise any relevant maintenance when it occurs.

Your property will then be inspected once a month by a member of the NGU Homelettings team. This inspection will be an informal visit and feedback will be provided verbally. An NGU representative will also collect any money that is received from the washer and dryer use (£1 per washer use and £2 per dryer use).

Your HMO property will have the communal areas cleaned every 2 weeks and the tenants will have the option of having their own room cleaned for an additional £5 extra per week on their rent. Every 6 months a formal property inspection can be organised to confirm its condition (we highly recommend this) and then we will organise an annual inspection thereafter.

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Finance Options

1) Cash

Example Illustrated –

Purchase for £85,000

Development costs £35,000

Total Cost - £120,000

Annual Rent Estimate –£16,800

Annual Estimated Running Cost - £4,056

Annual Return on Investment – 10.62%

2) Bridging/ HMO Commercial Finance – Stages Explained

You can finance the property with bridging finance. The usual deposit required for bridging is between 20-30% of the purchase price.

- The buying and development process is complete.
- Different lenders have their own formulas for calculating the end value, on average we find that they will calculate the end value using bricks and mortar valuation from recent sold comparisons.
- Using this comparisons provided, the targeted end value would be approx. £120,000
- Once the development is complete you can refinance on HMO commercial finance, allowing you to potentially refinance up to 75% of the end value (£90,000)
- This allows you to repay the bridging loan and recoup the development costs.

NO MONEY LEFT IN OR LITTLE MONEY LEFT IN

Example Illustrated –

- **Potential Value - £120,000**
- **Potential Refinance Limit £90,000**
- **Refinanced Amount - £26,250**
- **Amount Left In The Deal - £38,480**
- **Annual Rent Estimate –£16,800**
- **Annual Estimated Running Cost - £4,056**
- **Return On Money Left In – 15.27%**

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Deal Structure

HMO Buying Machine - Stage 1		TOTAL OUTLINED BUYING COSTS	
Purchase Price £	85000	Bridging Deposit	21250
Bridging LTV	75.00%	Development costs	35000
Outstanding Bridging Finance £	63750	Brokerage Fee	1000
Deposit £	21250	Stamp Duty	0
Stamp Duty £	0	Survey	0
Sourcing Fee £5000+VAT	6000	Legal	1000
LDC Application Professional Fees	0	Other Costs	6480
Brokerage Fee £	500	Total Buying Cost	64730
Survey inc VAT £	0	Outstanding Finance	90000
Legal £	1000	End Value	120000
Other Costs	0	Amount Refinanced	26250
Total Buying Costs £	28750	Money left in	-38480
HMO Deal Machine - End Value - Stage 2			
Number of Bedrooms	4	Initial Tenant Find Fee £	480
Purchase		Cashflow	
Target End Value £	120000	Price Per Room	30000.00
HMO Finance LTV	75.00%	Monthly Average Rent Per Room £	350.00
Outstanding Finance £	90000	Total Monthly Rent £	1400.00
Deposit Left In £	30000	Monthly Management +VAT	12%
Balance For Development	35000	Monthly Management Fee £	201.60
Brokerage Fee £	500	Monthly Bills £	298
Survey inc VAT £	0	Monthly Insurance £	40
Legal's £	0	Service Charge and Ground Rent £	0
Total Buying Costs £	35500	Finance Interest Rate	5.00%
Cashflow Summary		Monthly Finance Payment I/O £	375.00
Gross Yield	14.00%	Total Monthly Cost £	914.60
Net Yield	4.85%	Monthly Net Profit £	485.40
Annual Return on Investment	9.00%	Occupancy to Break Even	65%
Return On Money Left In	15.14%	Annual Net Profit £	5824.8

The deal structure above is an example and the figures are based on our estimates. To ensure the conversion is possible, and the figures stack up, we recommend a property project development department surveys the property.

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