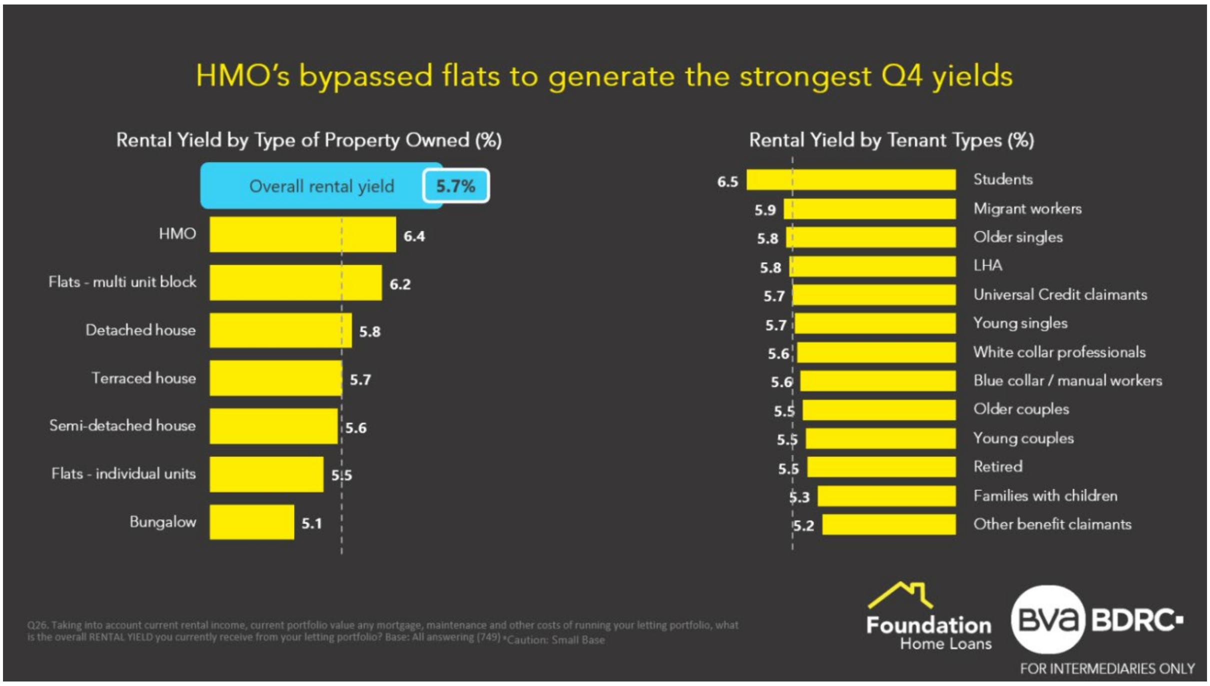
From a tenant demand, yield and cost perspective, the appeal of certain property types is likely to further intensify.

With landlords consistently evaluating the performance of existing portfolio stock - as well as any potential new additions - from a tenant demand, yield and cost perspective, the appeal of certain property types is likely to further intensify.

And this is especially apparent for those at the higher end of the yield table.

A house in multiple occupation (HMO) is a property rented out by at least 3 people who are not from 1 'household' but share facilities like the bathroom and kitchen. It's a property type which is proving to be an increasingly attractive proposition for many professional landlords due to some impressive returns.



This was evident in the latest BVA BDRC Landlord Panel research for Q4 2022 which outlined that HMO properties went back to the top spot of the rental yield table. These were reported to be offering the strongest yield by property type, at 6.4% for the quarter, followed by multi-unit blocks at 6.2%.

Data from the research suggests that the proportion of gross rental income spent on maintenance and running costs of HMOs hit a low in Q4 at 26% from the high of 29% experienced in both Q1 and Q3. For the full picture, the proportion of gross rental income spent on maintenance and running costs of HMOs was recorded at 28% in Q2 2022 and 24% in Q4 2021.

This means we are yet to see any dramatic impact from increased utility costs feeding through to the ongoing running costs of HMO properties.

These represent some significant pieces of positive data and are likely to result in the HMO attraction level continuing to rise among professional landlords. And with these types of cases tending to require additional support and specialist advice due to an increased level of complexity and legislation, this is an area in which brokers should be paying close attention to in the coming weeks and months.

For intermediaries only