THE PLANNING BRIEF
DEEP DIVE

HMO Development in Nottingham

Saturation Analysis & Article 4 Risk Assessment

March 2026

Based on analysis of 45 HMO applications, 2,388 price-paid transactions, and market intelligence from 8 East Midlands councils.

OVERALL RISK RATING

8/10	**13.5%**	**76%**	**£183k**
ARTICLE 4 RISK	NET YIELD	RETROSPECTIVE	AVG. PRICE
Implementation 12–18 months	NG7 terraced HMOs	Certificate of Lawfulness apps	NG7 terraced stock

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EXECUTIVE SUMMARY

Market at Inflection Point

Nottingham's HMO market shows clear signs of policy tightening and enforcement escalation, with 76% of recent applications seeking retrospective approval through Certificate of Lawfulness applications rather than new conversions. Our analysis of 45 HMO applications reveals concentrated activity in NG7 (34 applications, 76% of total), driven by proximity to the University of Nottingham, while rental yields remain attractive at 13.5% net for terraced properties.

> *Investment Window Closing: Current average terraced prices of £182,789 in NG7 offer a final opportunity before stricter controls. Article 4 Direction implementation is rated 8/10 probability within 12–18 months, based on concentration patterns matching Leeds and Oxford pre-intervention levels.*

KEY FINDINGS

- **Enforcement Risk High:** 20 applications (44%) show 'other' status, indicating withdrawals, refusals, or enforcement complications.
- **Article 4 Implementation Imminent:** Risk rating 8/10 based on application volume patterns, enforcement trajectory, and direct parallels with five UK cities that have already implemented.
- **Concentration Threshold Reached:** Lenton ward estimated at 25–30% HMO density, matching Headingley (Leeds) at 42% and East Oxford at 35% before their respective Article 4 Directions.
- **Geographic Shift Required:** NG8 and NG6 offer 2–3% yield advantage over NG7 at current pricing, with lower regulatory risk and identical rental demand from overflow student population.

INVESTMENT RECOMMENDATION

> **PROCEED WITH CAUTION:** Target immediate acquisition of 5–7 properties in NG7 value postcodes with 6-month conversion timeline and 12-month exit strategy preparation. Not recommended for first-time HMO investors or those requiring 3+ year horizons.

SECTION 01

HMO Application Activity

Our database contains 45 HMO-related applications in Nottingham City, representing the most comprehensive available snapshot of current market activity. The data reveals a market dominated by retrospective regularisation rather than new investment — a pattern that historically precedes regulatory intervention.

Note: The weekly briefing identified 69 applications in NG7 across all application types. This deep dive analyses the subset of 45 applications specifically classified as HMO-related (C4 use class, sui generis, and Certificate of Lawfulness for HMO use). The difference reflects householder extensions, commercial applications, and other non-HMO submissions in the same postcode area.

GEOGRAPHIC DISTRIBUTION

POSTCODE	APPLICATIONS	% OF TOTAL	STATUS PATTERN
NG7	**34**	**76%**	High retrospective activity — enforcement-driven submissions
NG1	3	7%	City centre mixed use conversions
NG8	2	4%	Emerging outer area — potential overflow market
NG5	2	4%	Northern expansion corridor
NG2	2	4%	East Nottingham growth area
Other	2	4%	Scattered activity across NG3, NG6

APPLICATION TYPE BREAKDOWN

The dominance of Certificate of Lawfulness applications (76%) is the single most important data point in this analysis. This pattern indicates widespread unauthorised conversions now being regularised, likely driven by increased enforcement activity from Nottingham City Council.

APPLICATION TYPE	COUNT	% TOTAL	MARKET SIGNIFICANCE
Certificate of Lawfulness	**34**	**76%**	Retrospective regularisation — enforcement indicator
New C4 Applications	6	13%	Limited new conversion appetite
Sui Generis (7+ beds)	5	11%	Large-scale commercial HMO operations

STATUS ANALYSIS

The 44% 'other' status rate is significantly above the regional average of 15–20% for planning applications generally. This elevated failure rate suggests active policy resistance from Nottingham City Council and should be factored into all investment appraisals as a material risk.

SECTION 02

Price Paid Analysis

Our analysis draws on 2,388 price-paid transactions across NG7 and surrounding postcodes from HM Land Registry data (2022–2026). All figures reflect completed transactions registered with the Land Registry and are subject to the standard 1–2 month reporting lag.

NG7 MARKET POSITION

YEAR	TRANSACTIONS	AVG. PRICE	YOY CHANGE
2022	320	£187,594	+8.8%
2023	292	£174,630	-6.9% (mortgage rate peak)
2024	271	£189,306	+8.4% (recovery)
2025	229	£179,574	-5.1% (BTL lending restrictions)

STREET-LEVEL INVESTMENT TARGETS

The following streets represent the optimal balance of acquisition price, rental demand, and HMO conversion suitability based on property stock, location, and current market activity.

STREET	AVG. PRICE	VOLUME	INVESTMENT GRADE
Ewart Road	**£114,000**	14 sales	Outstanding — best value entry point
Hazelwood Road	£129,722	18 sales	Excellent — strong demand, undervalued
Russell Road	£136,803	16 sales	Good — established area, moderate activity
Bobbers Mill Road	£140,058	17 sales	Good — transport links, value pricing
Cedar Road	£146,294	17 sales	Moderate — family area in transition

Avoid: Castle Boulevard (£309k avg), Beech Avenue (£264k avg) — acquisition costs too high for viable HMO conversion.

HMO PREMIUM ANALYSIS

NG7 commands a 28.8% premium over NG6 (£141,973) and 9.9% over NG8 (£166,304) for identical Victorian terraced stock. This premium reflects intense investor competition and is widening — the 4-bedroom price differential has grown from £15,000 (2022) to £28,000 (2025). Auction results in NG7 consistently exceed guide prices by 15–25%, compared to 5–10% in adjacent postcodes.

> *Yield Compression Warning: Properties purchased at current NG7 pricing require 11–12% gross yields to achieve target returns, compared to 9–10% achievable in NG8. Investors should consider*

> *NG8/NG6 alternatives where identical rental rates can be achieved at lower acquisition costs, providing a 2–3% yield advantage.*

SECTION 03

Rental Yield Analysis

Nottingham HMO yields significantly exceed national buy-to-let averages (5–7%), reflecting strong dual-university student demand and relatively low acquisition costs. The following analysis assumes standard market conditions, current room rates, and typical occupancy patterns. All yield calculations should be stress-tested against a 10% void rate scenario before committing capital.

CURRENT ROOM RATES

ROOM TYPE	MONTHLY RATE	MARKET POSITION
Standard room	£500–550	Volume market
En-suite room	£575–625	Premium standard
Premium / large room	£600–650	Top tier
Bills included premium	+£50–75	Standard practice

WORKED EXAMPLE: 6-BED EWART ROAD (£114,000)

ITEM	AMOUNT
Purchase price	£114,000
Conversion costs (loft, en-suites, fire safety)	£28,000
Legal / survey / fees	£3,500
Total investment	**£145,500**
Gross monthly income (6 × £525)	£3,150
Monthly mortgage (75% LTV, 5.5%)	-£500
Management fee (12%)	-£378
Insurance + maintenance + licensing	-£260
Void allowance (5%)	-£158
Net monthly profit	**£1,854**
Annual net profit	**£22,248**
Cash-on-cash return (on £36,375 deposit)	**61.0%**

Assumptions: Full occupancy at current market rates. 75% LTV BTL mortgage at 5.5%. Standard management and licensing costs. Yields should be stress-tested against 10% void and 7% interest rate scenarios before committing capital.

YIELD BY INVESTMENT LEVEL

INVESTMENT TIER	COST	GROSS YIELD	NET YIELD	RISK
Value Entry	£100–130k	20–25%	15–18%	Medium
Standard Market	£150–180k	15–20%	11–15%	Low-Med
Premium Location	£200–250k	12–16%	9–12%	Low