

## Complex Buy to Let Index Q2 2012

This quarterly industry index tracks mortgage transaction data for Vanilla Buy to Let, Houses in Multiple Occupation (HMO), Multi-unit Freehold Blocks (MUFB) and Semi-Commercial Property (SCP).

Lenders and Products				
	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Average no. products	455	442	442	456
Average no. lenders	23	25	25	25

Purchases versus Remortgages								
	Q3 2011		Q4 2011		Q1 2012		Q2 2012	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	48%	52%	47%	53%	57%	43%	53%	47%
HMO	38%	62%	45%	55%	38%	62%	28%	72%
MUFB	37%	63 %	24%	76%	43%	57%	15%	85%
SCP	N/A	N/A	N/A	N/A	42%	58%	28%	72%

Vanilla Buy to Let				
	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Average loan size	£144,006	£126,240	£123,002	£138,557
Average property value	£224,639	£198,529	£191,470	£217,374
Average loan to value	64%	64%	64%	64%
Average yield	6.3%	6.1%	6.3%	6.1%

Houses in Multiple Occupation (HMO)				
	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Average loan size	£292,969	£242,913	£246,865	£258,930
Average property value	£445,948	£356,650	£363,692	£385,833
Average loan to value	66%	66%	69%	67%
Average yield	9.3%	9.9%	10.7%	9.2%

Multi-unit Freehold Blocks (MUFB)				
	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Average loan size	£378,531	£574,258	£280,798	£286,308
Average property value	£603,583	£938,602	£500,000	£442,223
Average loan to value	63%	61%	56 %	65 %
Average yield	6.9%	7.1%	6.2%	7.5%

Semi-Commercial Property (SCP)			
	2011	Q1 2012	Q2 2012
Average loan size	£410,604	£506,916	£446,568
Average property value	£685,909	£824,500	£1,054,913
Average loan to value	60%	61%	42%
Average yield	7.8%	7.3%	7.4%

## A steady quarter for complex property transactions

### Lenders and products

The number of lenders remains steady at 25; even though Keystone Buy to Let Mortgages launched in April 2012. This is because funding for the exclusive Keystone range is provided by Aldermore Bank.

It is encouraging to see that after half a year of relatively static product numbers, there has now been a rise taking the total number of 'off-the-shelf' buy to let products available over the 450 mark. Obviously the number of buy to let mortgages available at any one time fluctuates as old products are withdrawn and new ones are introduced.

### Purchases versus Remortgages

The proportion of purchases compared with remortgages in the vanilla buy to let subsector has returned to the same level as Q4 2011 suggesting that the increase in purchases in Q1 2012 was spurred on by market 'froth' created by the impending removal of the stamp duty holiday for first time buyers. The split between purchases and remortgages is once again fairly evenly divided.

We continue to see a marked increase in the proportion of remortgages of Houses in Multiple Occupation (HMO), Multi-Unit Freehold Blocks (MUFb) and Semi-commercial Property (SCP). As per last quarter we speculate that investors continue to free

up capital in order to make further purchases and this would now appear to be happening. This rise in remortgaging may also be due to RBS Group and the Irish banks' on-going programme to reduce their exposures on property by asking many clients to refinance elsewhere.

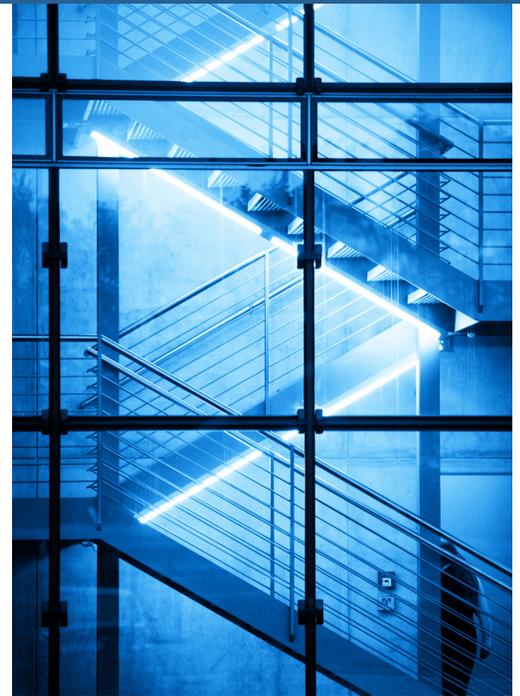
### Vanilla Buy to Let

For the past year, average advances have been consistent at around 64 per cent loan to value, although both average loan amounts and average property prices have risen in the last quarter. This is likely to be due to purchases being made in higher property value areas where demand for rental properties continues to outstrip supply rather than a general rise in property prices across the country.

Gross yields remain fairly constant and have dipped back down to pre Q1 2012 levels suggesting that rents have hit a natural ceiling above which tenants cannot afford or are not prepared to exceed. However, future data is needed to ascertain whether this surmise is true.

### HMOs

While average property prices, loan amounts and LTVs remain fairly steady, surprisingly yields on HMOs fell by 1.5 per cent this quarter whereas in Q1 2012 they had leapt up by near one per cent quarter-on-quarter. We may well need to



see how future quarters pan out to establish what is happening in this regard.

In Q1 2012 we predicted that LTVs would rise (due to the launch of Keystone Buy to Let Mortgages); however, to date this has not happened and in fact average LTVs have dropped by one per cent.

### MUFbS

Average property values have fallen for the third consecutive quarter. Looking through the data, the majority of transactions were completed on smaller MUFbS, typically those with just two or three units on a single title compared to the transactions in Q4 2011 where there were a greater number of units (on average four to six) within each block. It is encouraging to see that LTV and yields have increased.

### Semi-Commercial Property

Whilst the average loan size has dipped a small amount, proportionally the average value of semi-commercial property has risen significantly which in turn has affected the average loan to value. This is likely to be due to the higher number of remortgages (72%) – when refinancing, lower LTVs tend to occur more often. Yields remain fairly constant.

### Buy to let purchased at auction in a limited company

**Synopsis** Our client is an experienced property investor who recently set up a limited company which purchased its first property for cash at auction as the transaction was required to complete within 14 days. He is now looking to refinance inside six months and we have found a lender that will assist against the purchase price.

**Property value** £560,000

**Loan amount and product** £392,000 at BBR + 3.99% loan term tracker, 70% LTV

**Term** 15 years interest only

**Lender arrangement fee** 1.6%

**Completion date** July 2012

**Consultant** Chris Longhurst 01732 471607



For semi-commercial mortgage enquiries  
Call 0845 345 6788