



Complex Buy to Let Index Q1 2013

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				
	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Average no. products	456	465	444	434
No. of lenders	25	25	26	27

Purchases versus Remortgages								
	Q2 2012		Q3 2012		Q4 2012		Q1 2013	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	53%	47%	58%	42%	57%	43%	31%	69%
HMO	28%	72%	19%	81%	20%	80%	31%	69%
MUFB	15%	85%	34%	66%	22%	78%	25%	75%
SCP	28%	72%	39%	61%	25%	75%	54%	46%

Vanilla Buy to Let				
	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Average loan size	£138,557	£139,065	£156,143	£169,481
Average property value	£217,374	£210,197	£241,882	£260,278
Average loan to value	64%	68%	65%	69%
Average yield	6.1%	6.7%	6.4%	6.4%

Houses in Multiple Occupation (HMO)				
	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Average loan size	£258,930	£162,921	£217,210	£192,044
Average property value	£385,833	£228,037	£305,340	£278,356
Average loan to value	67%	71%	71%	72%
Average yield	9.2%	11.1%	10.9%	10.5%

Multi-unit Freehold Blocks (MUFB)				
	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Average loan size	£286,308	£174,271	£214,472	£575,340
Average property value	£442,223	£297,938	£340,861	£852,069
Average loan to value	65%	65%	63%	66%
Average yield	7.5%	8.8%	8.0%	7.7%

Semi-Commercial Property (SCP)				
	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Average loan size	£446,568	£441,292	£439,250	£222,269
Average property value	£1,054,913	£779,761	£711,875	£424,419
Average loan to value	42%	62%	62%	59%
Average yield	7.4%	7.1%	9.0%	8.2%



Funding for Lending Scheme starts to kick-in

Lenders and Products

For the second quarter running the average number of products has fallen, although this time only by 10. We believe the decrease to be as result of trimming by the lenders as they drop the less popular products in favour of ones that have greater appeal.

Only one new lender, Investec Professional Mortgages, entered the buy to let market in Q1 2013. Its products sit in the mainstream although the borrower profile is extremely niche so its immediate impact on the market is likely to be negligible, particularly with above average rates.

Purchases versus Remortgages

As predicted in the Q4 2012 results, this quarter has seen significantly more remortgage activity than purchases on vanilla property now that the Government's Funding for Lending Scheme begins to filter through. Indeed remortgaging made up more than two-thirds of vanilla, MUFB and HMO transactions. The number of remortgages of multi-unit freehold blocks was also high at 75%, although this is 3% lower figure than the previous quarter.

In addition to the effect of the FLS, remortgage transactions are high because of the likes of RBS Group and the Irish banks who have maintained their programmes to reduce exposure on property by asking investors to refinance elsewhere. We also continue to see reasonably high numbers of landlords remortgaging to raise capital for further purchases.

Vanilla Buy to Let

The average loan to value has increased slightly but looking at LTVs over the last year the figure is relatively consistent. Average property prices on transactions are a third higher than at the start of 2012 and consequently loan amounts have risen for the fourth consecutive quarter; in part this is attributable to the fact that most of the properties in our sample are in the South East where prices are generally increasing, but most of this increase must be because investors are purchasing property in more expensive areas. Average gross yields remain static at a healthy 6.4%.

HMOs

Average property prices and loan amounts dipped and as in Q4 2012 they still remain lower than in the first half of 2012 as we continue to see borrowers seeking to raise finance on lower value HMOs. The average loan to value has increased marginally whilst average gross yields have gone down a small amount. However, at 10.5% this still represents a strong performance and remains the highest yielding asset class.

MUFBs

This quarter we have seen larger numbers of transactions of higher value multi-unit freehold blocks than of late and it is too early to say whether this is a trend. There has been little movement in LTVs and yields with the former increasing slightly and the latter dipping. Yields in this sub-sector are still much healthier than for vanilla properties.



Semi-Commercial Property

Average property values and loan amounts have dropped significantly this quarter due to the large number of smaller property transactions completed, typically independent shops with a single flat above. Like MUFBs there has been little movement in LTVs and yields with both reducing slightly. Yields in this sub-sector are still much healthier than for vanilla properties.

Jargon Buster

Vanilla Buy to Let

These are standard buy to let transactions. Properties in this category tend to be normal 2-3 houses and flats. Both borrowers and properties fit the general lending criteria for off-the-shelf products offered by the mainstream buy to let lenders.

Houses in Multiple Occupation (HMOs)

An HMO is when unrelated tenants have exclusive access to their rooms and share part of the accommodation, such as the kitchen or the bathroom. Examples include bedsit style housing or student shared housing. An HMO may require a licence based on the number of storeys and/or the number of tenants, depending on the local authority.

Multi-Unit Freehold Blocks (MUFBs)

This is a single building with multiple, separate, independent residential units owned under a single freehold title. Examples include purpose-built blocks of flats or Victorian houses converted into flats.

Semi-Commercial Property

Also known as mixed investments, as both names suggest these properties are made up of part commercial and part residential elements, typically shops or offices with flat above.

For more information

To view previous results visit: [Complex Buy to Let Index](#)

Jenny Barrett, Head of Marketing

Tel: 01732 471 615

Email: jennyb@mortgagesforbusiness.co.uk