



## Complex Buy to Let Index Q1 2014

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 2013	Q3 2013	Q4 2013	Q1 2014
Average no. products	465	458	521	586
No. of lenders	27	27	27	27

Purchases versus Remortgages								
	Q2 2013		Q3 2013		Q4 2013		Q1 2014	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	35%	65%	38%	62%	47%	53%	35%	65%
HMO	16%	84%	23%	77%	29%	71%	25%	75%
MUFB	12%	88%	30%	70%	31%	69%	19%	81%
SCP	10%	90%	75%	25%	21%	79%	0%	100%

Vanilla Buy to Let				
	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Average loan size	£175,800	£168,862	£196,993	£202,917
Average property value	£273,914	£260,758	£313,035	£324,240
Average loan to value	68%	68%	68%	69%
Average yield	6.1%	6.3%	5.9%	6.4%

Houses in Multiple Occupation (HMO)				
	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Average loan size	£222,745	£216,457	£214,440	£203,865
Average property value	£325,613	£306,706	£309,035	£278,236
Average loan to value	71%	71%	70%	72%
Average yield	9.5%	11.8%	10.4%	9.6%

Multi-unit Freehold Blocks (MUFB)				
	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Average loan size	£347,089	£213,041	£413,675	£230,351
Average property value	£544,312	£326,403	£631,741	£360,860
Average loan to value	66%	62%	68%	66%
Average yield	6.4%	7.6%	6.8%	6.2%

Semi-Commercial Property (SCP)				
	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Average loan size	£741,356	£355,875	£1,037,390	£550,251
Average property value	£1,092,857	£541,250	£1,981,000	£1,190,000
Average loan to value	65%	66%	53%	52%
Average yield	11.4%	9.8%	4.8%	4.2%



## **Strong start to 2014 for buy to let mortgage transactions**

### **Lenders and Products**

No new lenders entered the market whilst the average number of buy to let mortgage products increased for the second quarter in a row by more than 60. This is very good news as it not only offers increasing choice but once again shows that the market is continuing to gather pace.

### **Purchases versus Remortgages**

For the fifth quarter in a row remortgaging remains dominant. This is because borrowers are still being asked to refinance away from the likes of RBS and the Irish Banks, but perhaps more importantly, investors continue to refinance to expand their portfolios. For yet another quarter there was only a small number of transactions for semi-commercial property which creates wider variances in data – in this case 100% remortgages.

### **Vanilla Buy to Let**

For the second quarter in a row, the average property value and loan amount for vanilla buy to lets increased which may reflect recent industry data that house prices are, once again, on the rise. The average LTV crept up slightly. Encouragingly, average yields rose above the 6% mark again, suggesting that the drop to 5.9% in Q4 2013 was just a blip.

### **HMOs**

Average property values and loan amounts dipped slightly which may have been due to a higher number of transactions in the north of the country where property values are generally lower. Yields dipped below the 10% mark for the first time in a year but HMOs remain the strongest yielding buy to let asset class. Average LTVs rose slightly which is a positive sign for those looking to invest in HMO property.

### **MUFBs**

Average loan amounts and property values fell back to levels witnessed in Q3 2013. This may be due to the larger volume of transactions for smaller MUFBs, most of which were houses converted into just two flats. The performance of this asset class is less competitive than vanilla properties for only the second time since this index was launched at the beginning of 2011.

### **Semi-Commercial Property**

As discussed earlier, data for semi-commercial property is skewed due to the small volume of transactions in the quarter. The majority of transactions, all of which were remortgages, were for property in the South East, but not London, where borrowers refinanced to release equity for further purchases in other asset classes.



## 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](mailto:jennyb@mortgagesforbusiness.co.uk)