



## Complex Buy to Let Index Q2 2011

This quarterly industry index reports on mortgage transactions for Houses in Multiple Occupation (HMO) and Multi-unit Freehold Blocks (MUFB) compared to Vanilla Buy to Let transactions.

### Lenders and Products

Lenders and Products		
	Q1 2011	Q2 2011
<b>Average no. products</b>	298	403
<b>Average no. lenders</b>	19	22

Encouragingly both the number of lenders and products has increased giving rise to better competition in the market. New lenders to the buy to let market in this quarter were KRBS (Kent Reliance), Mortgage Trust Online (Paragon) and Skipton.

### Purchases versus Remortgages

Purchases versus Remortgages				
	Q1 2011		Q2 2011	
	Purchase	Remortgage	Purchase	Remortgage
<b>Vanilla BTL</b>	50%	50%	55%	45%
<b>HMO</b>	67%	33%	48%	52%
<b>MUFB</b>	41%	59%	19%	81%

Whilst vanilla buy to let properties and HMOs have seen a fairly even split between the number of purchases and remortgages, the numbers of multi-unit freehold blocks undergoing remortgage transactions has risen dramatically as RBS and other lenders continue to force borrowers to refinance elsewhere.

### Vanilla Buy to Let

Vanilla Buy to Let			
	2010	Q1 2011	Q2 2011
<b>Average loan size</b>	£120,250	£116,238	£126,522
<b>Average property value</b>	£190,000	£175,819	£187,708
<b>Average loan to value</b>	63%	66%	67%
<b>Average yield</b>	4.75%*	5.6%	5.8%

*\*Source: There is no published data for 2010. ARLA's last published figure was 4.66% in Q1 2008. We have estimated a slight year-on-year rise based on demand for rental properties continuing to outstrip supply. Going forward this information is recorded on our database.*



Q2 saw steady growth across this sub-sector. Whilst the average loan size and loan to value figures have risen, so too has the average yield which re-enforces press reports that rents are rising due to demand for rental properties continuing to outstrip supply. Although there were slightly more purchases than remortgages (see bottom table), we continue to see landlords remortgage to fund further purchases.

## Houses in Multiple Occupation (HMO)

Houses in Multiple Occupation (HMO)			
	2010	Q1 2011	Q2 2011
<b>Average loan size</b>	£287,800	£317,907	£321,836
<b>Average property value</b>	£469,000	£501,290	£573,836
<b>Average loan to value</b>	61%	63%	60%
<b>Average yield</b>	8.7%	9.3%	10.0%

Lending options continue to improve in this sub-sector with KRBS and WLB bringing much needed competition to the market. Paragon, TMW and Aldermore also remain extremely supportive. LTVs are holding relatively steady and as seen across the sector as a whole, yields carry on rising, albeit at a measured pace.

## Multi-Unit Freehold Blocks

Multi-unit Freehold Blocks (MUFB)			
	2010	Q1 2011	Q2 2011
<b>Average loan size</b>	£470,900	£527,902	£513,197
<b>Average property value</b>	£828,050	£932,148	£876,075
<b>Average loan to value</b>	57%	56%	59%
<b>Average yield</b>	5.3%	7.4%	6.6%

In this last quarter we have seen MUFBs of a higher quality hence the slight reduction in yield. Otherwise, the figures seem to be holding firm with activity set to increase in this sub-sector as certain banks look to reduce their exposure on this type of asset.

## More information

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