



## Complex Buy to Let Index Q2 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				
	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Average no. products	465	444	434	465
No. of lenders	25	26	27	27

Purchases versus Remortgages								
	Q3 2012		Q4 2012		Q1 2013		Q2 2013	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	58%	42%	57%	43%	31%	69%	35%	65%
HMO	19%	81%	20%	80%	31%	69%	16%	84%
MUFB	34%	66%	22%	78%	25%	75%	12%	88%
SCP	39%	61%	25%	75%	54%	46%	10%	90%

Vanilla Buy to Let				
	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Average loan size	£139,065	£156,143	£169,481	£175,800
Average property value	£210,197	£241,882	£260,278	£273,914
Average loan to value	68%	65%	69%	68%
Average yield	6.7%	6.4%	6.4%	6.1%

Houses in Multiple Occupation (HMO)				
	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Average loan size	£162,921	£217,210	£192,044	£222,745
Average property value	£228,037	£305,340	£278,356	£325,613
Average loan to value	71%	71%	72%	71%
Average yield	11.1%	10.9%	10.5%	9.5%

Multi-unit Freehold Blocks (MUFB)				
	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Average loan size	£174,271	£214,472	£575,340	£347,089
Average property value	£297,938	£340,861	£852,069	£544,312
Average loan to value	65%	63%	66%	66%
Average yield	8.8%	8.0%	7.7%	6.4%

Semi-Commercial Property (SCP)				
	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Average loan size	£441,292	£439,250	£222,269	£741,356
Average property value	£779,761	£711,875	£424,419	£1,092,857
Average loan to value	62%	62%	59%	65%
Average yield	7.1%	9.0%	8.2%	11.4%



## Buy to let remortgaging continues apace

### Lenders and Products

No new lenders entered the market although the average number of buy to let mortgage products increased by 31 to bring the current average back up to 465, the same number as in Q3 last year.

### Purchases versus Remortgages

Remortgaging remains dominant particularly for the more complex property types as the Government's Funding for Lending Scheme continues to affect the market, helping lenders reduce rates and encouraging borrowers to raise capital in readiness for further purchases. The stream of borrowers looking to refinance away from the likes of RBS and the Irish Banks shows no sign of abating as these lenders maintain their programme of reducing exposure on property.

In particular, in the semi-commercial property sector, a massive 90% of all transactions were remortgages whereas in the previous quarter, 54% of transactions were purchases. Looking in detail at the data, this reversal can be attributed to a greater number of transactions involving high value, high yielding properties than would normally be received.

### Vanilla Buy to Let

For the fourth consecutive quarter we see that both average property values and loan amounts have risen steadily reflecting market indices which confirm that house prices are on the rise (albeit slowly). Yet again the average loan to value in this sector remains steady as does the average gross yield which had dropped by a mere 0.3%.

### HMOs

Average property values and loan amounts rose 16% and 17% respectively in Q2 as borrowers made a return to financing slightly larger HMOs than in the previous quarter. However the size of HMO remains relatively small compared to two years ago when the average value and loan amount was £573,836 and £321,836 respectively. As might be expected, the achievable LTV is higher with the smaller HMOs. Interestingly average gross yields have fallen by 1% bringing the figure down to less than 10% for the first time in 12 months.

### MUFBS

The average value and loan amount for multi-unit freehold blocks fell by 36% and 39% respectively suggesting that the rise in Q1 was not the start of a trend. LTVs remain constant for the second quarter in a row although it was disappointing to report that average gross yields fell again, this time by 1.3%.

### Semi-Commercial Property

This quarter we have seen a greater volume of transactions for more expensive properties than in previous quarters. A large proportion of these were located in the London area, so have skewed the figures to some extent. However, we also saw some transactions for larger mixed use units in other regions. LTVs have edged up to 65% but more importantly average gross yields performed most strongly of all the property types in Q2.



## 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](#)

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