



Complex Buy to Let Index Q2 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				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Average no. products	458	521	586	637
No. of lenders	27	27	27	27

Purchases versus Remortgages								
	Q3 2013		Q4 2013		Q1 2014		Q2 2014	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	38%	62%	47%	53%	35%	65%	30%	70%
HMO	23%	77%	29%	71%	25%	75%	28%	72%
MUFB	30%	70%	31%	69%	19%	81%	31%	69%
SCP	75%	25%	21%	79%	0%	100%	17%	83%

Vanilla Buy to Let				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Average loan size	£168,862	£196,993	£202,917	£199,232
Average property value	£260,758	£313,035	£324,240	£320,102
Average loan to value	68%	68%	69%	67%
Average yield	6.3%	5.9%	6.4%	6.3%

Houses in Multiple Occupation (HMO)				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Average loan size	£216,457	£214,440	£203,865	£231,525
Average property value	£306,706	£309,035	£278,236	£345,898
Average loan to value	71%	70%	72%	70%
Average yield	11.8%	10.4%	9.6%	9.3%

Multi-unit Freehold Blocks (MUFB)				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Average loan size	£213,041	£413,675	£230,351	£227,793
Average property value	£326,403	£631,741	£360,860	£376,878
Average loan to value	62%	68%	66%	66%
Average yield	7.6%	6.8%	6.2%	7.3%

Semi-Commercial Property (SCP)				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Average loan size	£355,875	£1,037,390	£550,251	£351,578
Average property value	£541,250	£1,981,000	£1,190,000	£712,845
Average loan to value	66%	53%	52%	59%
Average yield	9.8%	4.8%	4.2%	7.1%



Rising house prices keep yields in check

Lenders and Products

The average number of buy to let mortgage products increased by 51 on the previous quarter. Compared to Q2 2013, there are now an average of 172 more products available and towards the end of June the number of products actually topped the 700 mark. This demonstrates that competition between existing BTL lenders remains extremely strong even though no new lenders entered the market.

Purchases versus Remortgages

For the sixth quarter running remortgaging remains dominant across all buy to let property types. This echoes the CML data for April 2014 which recorded £1.2bn of BTL remortgages compared to £1bn of purchases. The majority of borrowers for remortgage transactions recorded by Mortgages for Business are experienced property investors looking to raise capital to improve existing properties and make further purchases.

Vanilla Buy to Let

Average loan sizes, property values and LTVs decreased very slightly despite press reports of a housing bubble. The dip may be attributed to a larger number of transactions for properties outside of London and the South East where prices are generally lower. The average yield also fell to 6.3% from 6.4% in the previous quarter due to rent rises not increasing as much as house prices.

HMOs

In Q2 2014 Mortgages for Business recorded more transactions for larger HMOs which explains why average loan sizes and property values increased. LTVs dipped very slightly quarter on quarter but remain broadly flat over the last 12 months. For the second quarter in a row the average gross yield dropped, again indicating that rents are not increasing as much as house prices. However, at 9.3% HMOs still represent the strongest yielding asset class.

MUFBs

For the second quarter in a row Mortgages for Business recorded a large volume of transactions for smaller MUFBs – mostly houses converted into just two flats. This has resulted in a decrease in average loan sizes and property values such that they remain akin to levels witnessed in Q3 2013. Encouragingly, gross average yields recovered in the quarter and are now 1% higher than for vanilla properties.

Semi-Commercial Property

Average property values and loan sizes were smaller in Q2 2014 due to a larger volume of smaller remortgage transactions, typically premises with a retail unit on the ground floor and one or two flats above. Much of the remortgaging was for raising capital to make further purchases which appears to have increased the LTV ratio. Gross average yields climbed back over 7% demonstrating that niche property types generally perform better than the vanilla asset class.



Jargon Buster

Vanilla Buy to Let

These are standard buy to let transactions. Properties in this category tend to be normal 2-3 bed 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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