



## Complex Buy to Let Index Q4 2012

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				
	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Average no. products	442	456	465	444
No. of lenders	25	25	25	26

Purchases versus Remortgages								
	Q1 2012		Q2 2012		Q3 2012		Q4 2012	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	57%	43%	53%	47%	58%	42%	57%	43%
HMO	38%	62%	28%	72%	19%	81%	20%	80%
MUFB	43%	57%	15%	85%	34%	66%	22%	78%
SCP	42%	58%	28%	72%	39%	61%	25%	75%

Vanilla Buy to Let				
	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Average loan size	£123,002	£138,557	£139,065	£156,143
Average property value	£191,470	£217,374	£210,197	£241,882
Average loan to value	64%	64%	68%	65%
Average yield	6.3%	6.1%	6.7%	6.4%

Houses in Multiple Occupation (HMO)				
	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Average loan size	£246,865	£258,930	£162,921	£217,210
Average property value	£363,692	£385,833	£228,037	£305,340
Average loan to value	68%	67%	71%	71%
Average yield	10.7%	9.2%	11.1%	10.9%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Average loan size	£280,798	£286,308	£174,271	£214,472
Average property value	£500,000	£442,223	£297,938	£340,861
Average loan to value	56%	65%	65%	62%
Average yield	6.2%	7.5%	8.8%	8.0%

Semi-Commercial Property (SCP)				
	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Average loan size	£506,916	£446,568	£441,292	£439,250
Average property value	£824,500	£1,054,913	£779,761	£711,875
Average loan to value	61%	42%	62%	63%
Average yield	7.3%	7.4%	7.1%	8.0%



## **Remortgaging remains the name of the game for complex properties**

### **Lenders and products**

The average number of products fell in Q4 2012 from 465 in the previous quarter to 444. However this is no cause for alarm as many lenders withdraw a larger number of products over the Christmas holiday period and don't introduce new ranges until the New Year.

Only one new lender, InterBay Commercial, entered the buy to let market in Q4 2012 and it is encouraging to see that it has chosen to join the likes of Shawbrook, Aldermore, Kent Reliance and Paragon at the more complex end of the market. Although its buy to let products are very similar to Shawbrook and Kent Reliance, it is offering a more generous stress test.

### **Purchases versus Remortgages**

We continue to see more vanilla buy to let purchases than remortgages as investors take advantage of the stalled residential market and snap up properties that might previously have been available to first time buyers. However, the split in favour of mortgages has reduced by one per cent and we would expect the number of remortgages to increase in Q1 2013 as the Government's Funding for Lending Scheme kicks in.

For the more complex properties remortgaging remains dominant as the likes of RBS Group and the Irish banks maintain their programme to reduce exposure on property by asking clients to refinance elsewhere. We have also seen an increasing number of landlords raising capital to make further investment property purchases.

### **Vanilla Buy to Let**

The average loan to value has decreased three per cent and now stands at 65 per cent. The average loan size has increase for the fourth consecutive quarter. This could be because we have seen more transactions for properties in the south east of the country which generally command a higher price. Average gross yields have dipped slightly but still remain above the six per cent mark.

### **HMOs**

Even though average loan sizes and property values have increased since the last quarter, they still remain lower than in the first half of 2012 as we continue to see borrowers seeking to raise finance on lower value HMO properties. As per Q3 2012, the average loan to value is 71 per cent which is three per cent higher than for vanilla properties. Average gross yields have dipped marginally but are still hovering around 11 per cent.

### **MUFBS**

Like HMOs, average loan sizes and property values for multi-unit freehold blocks have increased quarter on quarter although they still remain much lower than in the first half of 2012. We have continued to see larger numbers of smaller MUFB remortgage transactions, typically Victorian and Edwardian terraced or semi-detached houses converted into two flats. The average loan to value has dipped three per cent. Average gross yields have also decreased but still remain at a healthy eight per cent.



Mortgages for Business

### **Semi-Commercial Property**

For the third consecutive quarter, average loan sizes have stayed relatively flat whilst property values for commercial transactions have gone down. Like Q3 2012 the majority of transactions have been remortgages on smaller units, typically independent shops with flats above. Interestingly gross yields have moved up to eight per cent from 7.1 per cent in Q3 2012 reflecting the continuous attraction to investors of this class of property.

### **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 of offices with flat above.

### **For more information**

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

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