



## Complex Buy to Let Index Q3 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				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Average no. products	444	434	465	484
No. of lenders	26	27	27	27

Purchases versus Remortgages								
	Q4 2012		Q1 2013		Q2 2013		Q3 2013	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	57%	43%	31%	69%	35%	65%	38%	62%
HMO	20%	80%	31%	69%	16%	84%	23%	77%
MUFB	22%	78%	25%	75%	12%	88%	30%	70%
SCP	25%	75%	54%	46%	10%	90%	75%	25%

Vanilla Buy to Let				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Average loan size	£156,143	£169,481	£175,800	£168,862
Average property value	£241,882	£260,278	£273,914	£260,758
Average loan to value	65%	69%	68%	68%
Average yield	6.4%	6.4%	6.1%	6.3%

Houses in Multiple Occupation (HMO)				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Average loan size	£217,210	£192,044	£222,745	£216,457
Average property value	£305,340	£278,356	£325,613	£306,706
Average loan to value	71%	72%	71%	71%
Average yield	10.9%	10.5%	9.5%	11.8%

Multi-unit Freehold Blocks (MUFB)				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Average loan size	£214,472	£575,340	£347,089	£213,041
Average property value	£340,861	£852,069	£544,312	£331,757
Average loan to value	63%	66%	66%	67%
Average yield	8.0%	7.7%	6.4%	7.6%

Semi-Commercial Property (SCP)				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Average loan size	£439,250	£222,269	£741,356	£355,875
Average property value	£711,875	£424,419	£1,092,857	£541,250
Average loan to value	62%	59%	65%	66%
Average yield	9.0%	8.2%	11.4%	9.8%



## Landlords benefit from increasing yields

### **Lenders and Products**

No new lenders entered the market and the average number of buy to let mortgage products increased by just 19. This is not a vast increase but it is encouraging to see a small increase in product choice.

### **Purchases versus Remortgages**

For the third quarter in a row remortgaging remains dominant for vanilla, HMO and MUFB property as the Government's Funding for Lending Scheme continues to filter through the market, helping lenders reduce rates and encouraging borrowers to raise capital to make future purchases. It should be noted that whilst remortgaging outstrips purchases, overall transaction volumes have risen suggesting that even more existing landlords are becoming active in the market.

As per Q2 2013, the number of borrowers being asked to refinance away from the likes of RBS and the Irish Banks continues as these lenders maintain their programme of reducing exposure on property.

The only property type to buck the remortgaging trend is semi-commercial property. In Q2, remortgaging accounted for 90% of transactions but in Q3 only 75% of transactions related to purchases. This is because the volume of SCP transactions in the last quarter was unusually small, skewing the results.

### **Vanilla Buy to Let**

For the fifth 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 in many areas (albeit slowly). The average loan to value remains steady at 68% for the second consecutive quarter. Landlords will be pleased to see that gross yields have increased 0.2 of 1%.

### **HMOs**

Average property values and loan sizes dipped very slightly (not enough to cause concern) but LTVs remain relatively high at 71% which shows that lenders operating in the HMO space continue to support landlords with their financing requirements. Perhaps most significantly, gross yields rose to 11.8%, up 1.3% on the previous quarter.

### **MUFBs**

Average property values and loan sizes dropped to similar levels last seen in Q4 2012. This is due to a higher number of transactions for much smaller multi-unit blocks, typically houses converted into just two flats. After two quarters when figures have been skewed by several high value proposals the figures appear to have reverted to type.

### **Semi-Commercial Property**

This quarter we witnessed an unusually low number of transactions in this sector; however, average property values and loan amounts remain relatively healthy. LTVs were fairly consistent at 66%. Whilst yields dropped back to 9.8%, the Q2 2013 average yield of 11.4% was skewed by a few high yielding, high value properties. The yield continues to run at the top of what we consider to be the normal range of 8-10% for these types of property.

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## 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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