

Buy to Let Mortgage Update

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 2011	Q2 2011	Q3 2011	Q4 2011
Average no. products	298	403	455*	442
Average no. lenders	19	22	23	25

*Previous data for Q3 no. of products 508 was incorrect.

Purchases versus Remortgages								
	Q1 2011		Q2 2011		Q3 2011		Q4 2011	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla BTL	50%	50%	55%	45%	48%	52%	47%	53%
HMO	67%	33%	48%	52%	38%	62%	45%	55%
MUFB	41%	59%	19%	81%	37%	63%	24%	76%

Vanilla Buy to Let				
	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Average loan size	£116,238	£126,522	£144,006	£126,240
Average property value	£175,819	£187,708	£224,639	£198,529
Average loan to value	66%	67%	68%	65%
Average yield*	5.6%	5.8%	6.3%	6.13%

Houses in Multiple Occupation (HMO)				
	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Average loan size	£317,907	£321,836	£292,969	£242,913
Average property value	£501,290	£573,836	£445,948	£359,650
Average loan to value	63%	60%	66%	69%
Average yield*	9.3%	10.0%	9.3%	9.9%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Average loan size	£527,902	£513,197	£378,531	£574,258
Average property value	£932,148	£876,075	£603,583	£938,602
Average loan to value	56%	59%	64%	63%
Average yield*	7.4%	6.6%	6.9%	7.1%

Semi-Commercial Property (SCP)	
	2011
Average loan size	£410,604
Average property value	£685,909
Average loan to value	62%
Average yield*	7.8%
Purchase vs Remortgage	46% vs 54%

Complex Buy to Let Index

Solid figures for 2011

The index was launched a year ago with a single data set for 2010. The quarterly figures throughout 2011 show how the market can ebb and flow as conditions change. However the underlying data for the year provides a solidly reliable perspective across each subsector.

Lenders and Products

As anticipated the number of lenders has increased with Abbey for Intermediaries (Santander) launching its offering in December 2011. The number of products also remains high with an average of 442. Obviously the actual number of 'off-the-shelf' buy to let mortgages available at any one time fluctuates as products are withdrawn and introduced by lenders. The highest number of products available on any one day reached 517 towards the end of October 2011.

Purchases versus Remortgages

In the vanilla buy to let subsector the overall picture for 2011 shows a fairly even split between purchases and remortgages as landlords either continue to sit on their existing low rate or choose to remortgage to raise funds for further purchases. For Houses in Multiple Occupation (HMO) and Multi-Unit Freehold Blocks (MUFB), we continue to see remortgages outstrip purchases for two primary reasons. Firstly, the likes of RBS and the Irish banks carry on insisting that borrowers refinance elsewhere in order to balance their own books. And secondly, we have witnessed an increasing number of professional landlords refinance in order to expand their residential property portfolios.



HMOs and MUFBs

Results for Q4 remain fairly stable across both the HMO and the MUFB subsectors compared to previous quarters although the data shows a slight but steady increase in HMO LTVs. This is likely to be due to the availability of more highly geared products allowing landlords to maximise on the amount they can get out of their properties. In 2012 we expect some improvement in product availability which could lead to a small increase in LTVs

Semi-Commercial Property

It has been 12 months since we introduced the index and although the response has been extremely positive, feedback from landlords revealed that they wanted performance data on semi-commercial properties. Typical properties in this subsector are shops and offices with one or two flats above which means that the rental income is subject to more than one tenancy type, i.e. a commercial element as well as standard residential shorthold tenancy agreements (ASTs). To kick start our reporting of this subsector, the first data set is for the whole of 2011. Going forward we will report quarterly.



Title: Refinance of semi-commercial property

Synopsis Our client is an existing RBS customer with semi-commercial investment property consisting of two retail units with a flat above. As with many RBS borrowers, the customer was asked to refinance elsewhere as soon as possible. As the property was held in the client's limited company we had to find a niche commercial lender to assist.

Loan amount and terms £150,000 at LIBOR + 4.75%; 20 year repayment term with initial 2 years interest only. Lender arrangement fee 2%.

Completion date January 2012

Property value £250,000

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**For semi-commercial
mortgage enquiries
Call 0845 345 6788**