

## Complex Buy to Let Index Q1 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				
	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Average no. products	403	455	442	442
Average no. lenders	22	23	25	25

Purchases versus Remortgages								
	Q2 2011		Q3 2011		Q4 2011		Q1 2012	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla BTL	55%	45%	48%	52%	47%	53%	57%	43%
HMO	48%	52%	38%	62%	45%	55%	38%	62%
MUFB	19%	81%	37%	63%	24%	76%	43%	57%
SCP	N/A	N/A	N/A	N/A	N/A	N/A	42%	58%

Vanilla Buy to Let				
	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Average loan size	£126,522	£144,006	£126,240	£123,002
Average property value	£187,708	£224,639	£198,529	£191,470
Average loan to value	67%	68%	65%	67%
Average yield	5.8%	6.3%	6.1%	6.3%

Houses in Multiple Occupation (HMO)				
	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Average loan size	£321,836	£292,969	£242,913	£246,865
Average property value	£573,836	£445,948	£359,650	£363,692
Average loan to value	60%	66%	69%	67%
Average yield	10.0%	9.3%	9.9%	10.7%

Multi-unit Freehold Blocks (MUFB)				
	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Average loan size	£513,197	£378,531	£574,258	£280,798
Average property value	£876,075	£603,583	£938,602	£500,000
Average loan to value	59%	64%	63%	63%
Average yield	6.6%	6.9%	7.1%	6.2%

Semi-Commercial Property (SCP)		
	2011	Q1 2012
Average loan size	£410,604	£506,916
Average property value	£685,909	£824,500
Average loan to value	62%	60%
Average yield	7.8%	7.3%

# Buy to Let Mortgage Update

## HMO yields continue to rise

### Lenders and products

No new lenders entered the buy to let space in Q1 and the average number of 'off-the-shelf' products available remained static but high at 442. Obviously, the number of products available at any one time fluctuates as products are withdrawn and introduced by lenders. However, the highest number of products available on any one day reached 472 on 23 March 2012.

### Purchases versus remortgages

There was a small increase in the proportion of purchases compared with remortgages in the vanilla buy to let subsector, possibly spurred on by some market "froth" created by the impending removal of stamp duty "holiday" for first time buyers. However, as commented previously, the overall picture remains fairly even split between purchases and remortgages. We have seen a marked increase in the proportion of purchases of Multi-Unit Freehold Blocks (MUFB), although for both MUFBs and Houses in Multiple Occupation (HMO) we continue to see remortgages outstrip purchases. Last quarter we speculated that some of the remortgaging was being undertaken in order to free up capital for purchases and this would now appear to be happening.



### Vanilla Buy to Let

Average advances have been consistently at around 64 per cent LTV for the last year. Average rental yields on vanilla buy to let properties have increased from around 4.75 per cent in 2010 to 5.6 per cent in early 2011, and since then they have been consistent at around 6.3 per cent reflecting the generally buoyant demand for rental properties.

### HMOs and MUFBs

Yields on HMOs reached a new peak of 10.7 per cent per annum in the quarter as rental demand continues to outstrip supply of available units. We anticipate that higher LTV mortgages will become available for HMOs in the second quarter of this year and this is likely to have some impact on the value of this asset class as more investors chase the high yields currently available. By way of contrast the yields on MUFBs are more closely aligned to that of vanilla buy to let properties. The loan amount on MUFBs reduced simply due to a new product range from Kent Reliance Banking Services designed to attract smaller properties which coincidentally contributed to a higher yield in the quarter.

## Residential remortgage to consolidate debt



**Synopsis** The client had a residential mortgage of £191,000 which was costing £390 pcm on an interest only basis. They also had unsecured debt of £24,600 which was costing an additional £1,145 pcm. I arranged a remortgage and raised sufficient funds to clear the unsecured debt. The new monthly payment is now £750 almost halving their overall costs. The mortgage was arranged on an interest only basis with the saved money invested to provide a repayment vehicle to clear the whole mortgage off in 20-25 years.

**Loan amount and terms** £216,000 at 4.19% fixed for 2 years, 78.5 % LTV. Lender arrangement fee £995

**Property value** £275,000

**Completion date** Mar 2012

**Consultant** Jeni Browne 01732 471647

### Semi-Commercial Property

This is the first quarter of reporting for semi-commercial property. The last data set was for the year 2011. Although we can see that average property values and loan sizes have crept up, LTVs and yields remain relatively constant. Encouragingly, for investors looking to move into this sector, yields are nearly one per cent higher than for vanilla buy to let property.

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