

Complex Buy to Let Index Q3 2012 Results

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 2011	Q1 2012	Q2 2012	Q3 2012
Average no. products	442	442	456	465
Average no. lenders	25	25	25	25

Purchases versus Remortgages								
	Q4 2011		Q1 2012		Q2 2012		Q3 2012	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	47%	53%	57%	43%	53%	47%	58%	42%
HMO	45%	55%	38%	62%	28%	72%	19%	81%
MUFB	24%	76 %	43%	57%	15%	85%	34%	66%
SCP	N/A	N/A	42%	58%	28%	72%	39%	61%

Vanilla Buy to Let				
	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Average loan size	£126,240	£123,002	£138,557	£139,065
Average property value	£198,529	£191,470	£217,374	£210,197
Average loan to value	64%	64%	64%	68%
Average yield	6.1%	6.3%	6.1%	6.7%

Houses in Multiple Occupation (HMO)				
	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Average loan size	£242,913	£246,865	£258,930	£162,921
Average property value	£359,650	£363,692	£385,833	£228,037
Average loan to value	68%	68%	67%	71%
Average yield	9.9%	10.7%	9.2%	11.1%

Multi-unit Freehold Blocks (MUFB)				
	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Average loan size	£574,258	£280,798	£286,308	£174,271
Average property value	£938,602	£500,000	£442,223	£297,938
Average loan to value	61%	56%	65%	65%
Average yield	7.1%	6.2%	7.5%	8.8%

Semi-Commercial Property (SCP)				
	2011	Q1 2012	Q2 2012	Q3 2012
Average loan size	£410,604	£506,916	£446,568	£441,292
Average property value	£685,909	£824,500	£1,054,913	£779,761
Average loan to value	60%	61%	42%	62%
Average yield	7.8%	7.3%	7.4%	7.1%

Complex Buy to Let Index Q3 2012 Analysis

Investors take advantage of continued rental demand in areas of suppressed house prices

Lenders and products

Whilst the number of lenders remains unchanged at 25, the average number of products has crept up by nine units to 465. Taking both figures into account over the past year, this flattening out suggests that the buy to let market may be stabilising after a period of regrowth post credit crunch and we believe that is unlikely that product numbers will return to the 700 or so available at the height of the market in 2007.

NB: The actual number of buy to let mortgages available at any one time fluctuates as old products are withdrawn and new ones are introduced.

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.

The figures for HMOs are more complex. Despite the changes in Stamp Duty, the number of applications for purchases has remained static whilst remortgages have increased dramatically as the year has progressed. The steep rise in both the number and value of remortgages can be attributed to the availability of the Keystone Buy to Let Mortgages range of products that has been targeted at providing mortgages for what have been historically more difficult properties.

Vanilla Buy to Let

After the dip in average loan size in the

first quarter of this year (due to the end of the Stamp Duty "holiday"), average loan size has been maintained at the same level as in the last quarter due primarily to the impact of increasing numbers of high value (more than £300,000) remortgages.

Average property values have dropped by more than £7,000 on the quarter before. Looking at the underlying data in greater detail, this is due to an increasing number of investors purchasing properties in areas where house prices remain suppressed but demand for rental properties continues to outstrip supply. This demand means that rental values have not dipped in line with house prices. This in turn has led to higher achievable LTVs and perhaps more importantly a 0.6% increase in gross yields.

HMOs

Historically there has been very little choice for a borrower seeking to raise finance on low value HMO properties with the result that borrowers were forced to use expensive short term funding. The availability of the Keystone Buy to Let Mortgages range of products for HMOs has offered a real alternative and as a result we have seen a large number of applications for remortgages at under £200,000. These lower value properties tend to have a higher yield than more valuable properties and this has therefore caused an uplift in average yields.

MUFBs

In a similar situation as HMOs, average MUFB property and loan sizes decreased dramatically in this quarter as we have

transacted a much increased number of both purchases and remortgages at the lower end of the market. We have seen an extraordinarily large number of smaller multi-unit remortgage transactions, typically Victorian and Edward terrace houses converted into two flats. Whilst LTVs remain constant quarter on quarter at 65%, average gross yields have increased to 8.8%.

Semi-Commercial Property

Average loan sizes have remained relatively flat quarter-on-quarter but property prices for semi-commercial transactions have dipped. We continue to see many lenders including RBS Group and the Irish banks asking investors to refinance elsewhere as these banks maintain their programme to reduce exposure on property. This quarter the majority of these property transactions have been smaller units, mainly independent shops with flats above. Gross yields too remain relatively flat.

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 flats above.

Bridging loan for purchase & refinance within 6 months

Synopsis Our client, an experienced property investor, came to us to find finance for the purchase of a property that was in an acceptable condition for mortgage purposes but was tired and dated. In this case we determined that short term finance was the best option in order that he could carry out an upgrade of both the kitchen and bathroom and complete internal redecoration. The client is currently spending around £20k on the refurbishment before deciding whether to retain or sell on the property. Should the property be completed early and be added to his portfolio, we have two lenders willing to consider a refinance of this bridging loan within the six months term granted.



Property value £165,000 (purchase price)

Loan amount £107,000

TV 65%

Product details 0.7% per month (equivalent to 7.45% + LIBOR per annum)

Term 6 months

Lender arrangement fee 1.95%. 1.75% added to loan and 0.25% payable at completion.

Completion date 31/08/2012

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