



## Complex Buy to Let Index Q3 2014

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 2013	Q1 2014	Q2 2014	Q3 2014
Average no. products	521	586	637	707
No. of lenders	27	27	27	28

Purchases versus Remortgages								
	Q4 2013		Q1 2014		Q2 2014		Q3 2014	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	47%	53%	35%	65%	30%	70%	35%	65%
HMO	29%	71%	25%	75%	28%	72%	23%	77%
MUFB	31%	69%	19%	81%	31%	69%	33%	67%
SCP	21%	79%	0%	100%	17%	83%	17%	83%

Vanilla Buy to Let				
	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Average loan size	£196,993	£202,917	£199,232	£202,136
Average property value	£313,035	£324,240	£320,102	£326,708
Average loan to value	68%	69%	67%	68%
Average yield	5.9%	6.4%	6.3%	5.9%

Houses in Multiple Occupation (HMO)				
	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Average loan size	£214,440	£203,865	£231,525	£222,894
Average property value	£309,035	£278,236	£345,898	£313,360
Average loan to value	70%	72%	70%	71%
Average yield	10.4%	9.6%	9.3%	8.9%

Multi-unit Freehold Blocks (MUFB)				
	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Average loan size	£413,675	£230,351	£227,793	£180,928
Average property value	£631,741	£360,860	£376,878	£268,882
Average loan to value	68%	66%	66%	68%
Average yield	6.8%	6.2%	7.3%	8.6%

Semi-Commercial Property (SCP)				
	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Average loan size	£1,037,390	£550,251	£351,578	£938,786
Average property value	£1,981,000	£1,190,000	£712,845	£1,336,408
Average loan to value	53%	52%	59%	68%
Average yield	4.8%	4.2%	7.1%	9.7%



## **Non-standard properties achieve higher yields than vanilla BTL**

### **Lenders and Products**

The average number of buy to let mortgage products increased by 70 on the previous quarter and now consistently tops the 700 mark. Incredibly there are now an average of 249 more buy to let mortgage products than there were a year ago.

This demonstrates that competition between existing buy to let mortgage lenders remains extremely strong even though only one new lender entered the market. The newcomer is recently launched peer-to-peer lender Landbay.

### **Purchases versus Remortgages**

For the seventh quarter running remortgaging remains dominant across all buy to let property types. Interestingly the CML buy to let data for July records that the number of BTL purchase loans (9,600) outstripped the number of remortgage loans (7,800) although the value of both was the same at £1.2bn each. The majority of borrowers for remortgage transactions recorded by Mortgages for Business are experienced property investors looking to raise capital to improve existing properties and make further purchases.

### **Vanilla Buy to Let**

Average loan sizes, property values and LTVs increased very slightly in Q3 but if we look across the whole of 2014 so far the figures are fairly constant suggesting that press reports of a housing bubble in recent months is not true when looked at across the country as a whole. The average yield fell for the second quarter in row which may indicate that rents have reach a ceiling of affordability for tenants.

### **HMOs**

The average property value and loan size of HMO transactions fell in the third quarter compared to Q2 where more transactions for larger HMOs were recorded. This quarter the size of HMOs was a more even mix of small, medium and large properties. Whilst the average loan to value crept up to 68%, average yields fell for the third quarter in a row and now stands at 8.9% which is still considerably higher than the performance of vanilla properties and remains a strong asset class.

### **MUFBs**

For the third quarter in a row Mortgages for Business recorded a large volume of transactions for smaller MUFBs – mostly houses converted into just two flats. This has resulted in a decrease in average loan sizes and property values. Encouragingly, gross average yields increased for the second quarter in a row and like HMOs are a strong asset class.

### **Semi-Commercial Property**

Results for semi-commercial property is skewed due to the small volume of transactions in the quarter. In Q4 2014, the majority of transactions were for higher value, lower yielding properties in London and the South East which have stronger capital growth potential than similar properties in less affluent areas of the country. The skewed data also means that the average yield has shot up to become the highest performing asset class this quarter at 9.7%. Whilst this demonstrates that niche property types generally



perform better than the vanilla asset class, we anticipate the yield to fall back next quarter if the normal spread of transactions is achieved.

## Jargon Buster

### **Vanilla Buy to Let**

These are standard buy to let transactions. Properties in this category tend to be normal 2-3 bed 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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