

## Complex Buy to Let Index Q4 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				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Average no. products	586	637	707	817
No. of lenders	27	27	28	29

Purchases versus Remortgages								
	Q1 2014		Q2 2014		Q3 2014		Q4 2014	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	35%	65%	30%	70%	35%	65%	38%	62%
HMO	25%	75%	28%	72%	23%	77%	30%	70%
MUFB	19%	81%	31%	69%	33%	67%	58%	42%
SCP	0%	100%	17%	83%	17%	83%	14%	86%

Vanilla Buy to Let				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Average loan size	£202,917	£199,232	£202,136	£222,565
Average property value	£324,240	£320,102	£326,708	£354,423
Average loan to value	69%	67%	68%	63%
Average yield	6.4%	6.3%	5.9%	6.3%

Houses in Multiple Occupation (HMO)				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Average loan size	£203,865	£231,525	£222,894	£194,018
Average property value	£278,236	£345,898	£313,360	£308,433
Average loan to value	72%	70%	71%	64%
Average yield	9.6%	9.3%	8.9%	9.0%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Average loan size	£230,351	£227,793	£180,928	£299,944
Average property value	£360,860	£376,878	£268,882	£479,644
Average loan to value	66%	66%	68%	64%
Average yield	6.2%	7.3%	8.6%	9.3%

Semi-Commercial Property (SCP)				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Average loan size	£550,251	£351,578	£938,786	£924,075
Average property value	£1,190,000	£712,845	£1,336,408	£1,456,363
Average loan to value	52%	59%	68%	64%
Average yield	4.2%	7.1%	9.7%	6.4%

## **BTL yields nudge up whilst LTVs drop**

### **Lenders and Products**

One new lender, Fleet Mortgages, entered the market adding to the already growing number of buy to let mortgage products available. The average number of products increased by a staggering 110 on the previous quarter. There are now nearly 300 more buy to let mortgages available than one year ago. We anticipate that this figure will continue to rise as lenders diversify their product ranges and continue to compete with one another on price.

### **Purchases versus Remortgage**

Apart from on multi-units, remortgaging continues to outstrip purchases across the various property types due to experienced investors looking to raise capital to improve existing properties and make further purchases. Interestingly, our data continues to be at odds with that of the Council of Mortgage Lenders which reported more BTL purchases (9,900) than remortgages (9,500) in October 2014 (latest published figures).

### **Vanilla Buy to Let**

Average loan sizes, property values and yields increased considerably for the first time after nine months of stagnation, although the loan to value dropped from an average of 68% in the first three-quarters of the year, to just 63%.

### **HMOs**

Average loan sizes, property values fell in Q4. This was due to a larger number of transactions in less expensive areas of the country. As would be expected, the fall in average property values led to a slight increase in yields which are now back up to the 9% mark, which represents a healthy return for investors of this type of property.

### **Multi-Unit Freehold Blocks**

For the fourth quarter in a row, Mortgages for Business recorded a large volume of transactions for smaller multi-units – mostly houses converted into two flats. Once again this has resulted in a decrease in average loan sizes and property values. Again, the average LTV fell which has pushed up yields beyond the 9% mark and like, HMOs, multi-units remain a strong asset class.

### **Semi-Commercial Property**

In Q4 2014, there were fewer transactions than usual and the majority of these were for higher value properties primarily in London and the South East. Whilst these properties have stronger capital growth potential than similar properties in less affluent areas of the country, they usually produce lower yields as can be seen in the results. In Q4 2014 the yields for SCPs were akin to vanilla buy to let property.

## 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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