

UNDER EMBARGO: 00:01 TUESDAY 3rd FEBRUARY 2015

Buy to Let Mortgage Surge Favours Cautious Landlords

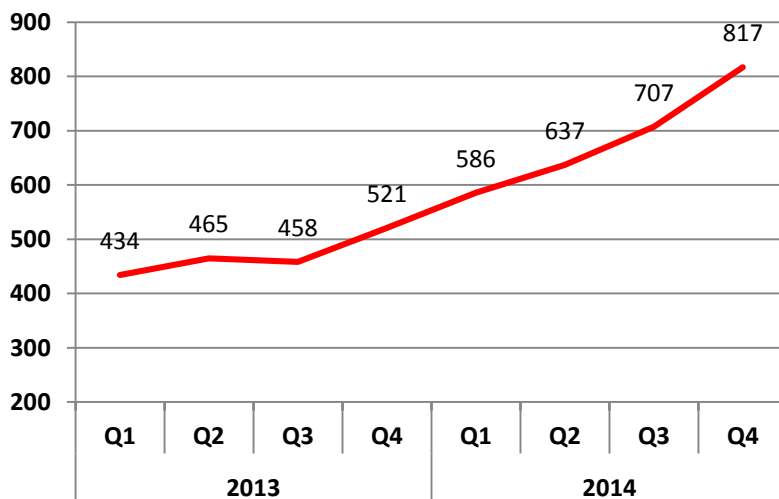
- Record number of buy to let mortgages now available, with landlords able to choose from 817 different products – up 16% since the previous quarter
- Lower LTV fixed rate mortgages now cheaper than equivalent tracker products – even before rates rise
- Mortgage charges fall further for lower LTVs while landlords at higher LTVs pay extra fees

Competition has intensified in the buy to let mortgage market with more products as well as cheaper charges and fees, according to the latest Buy to Let Mortgage Costs Index from Mortgages for Business.

The choice of buy to let mortgage products has beaten the previous record with 817 different products now available compared to 707 at the end of Q3. A new lender also entered the market (Fleet Mortgages), adding to the growing number of buy to let products.

However, the cheapest mortgage rates and lowest fees have been reserved for low loan to value (LTV) ratios.

Number of available Buy to Let mortgage products



David Whittaker, managing director at Mortgages for Business, comments:

“Lenders continue to compete fiercely for the ever-growing buy to let market with more than 100 extra products available in the last three months.

“This unprecedented pick up reflects the huge increase in demand as well as the wider importance of the buy to let industry.

“Looking at total lending in 2014 the trend is clear. For a

second consecutive year the value of the BTL market grew by almost a quarter. We anticipate further growth in 2015 but at a slower rate as the market takes an inevitable breather after such a huge sustained spurt.”

Fixing already cheaper than betting against rate rises

Fixed rate mortgages are proving to be better value than their respective tracker counterparts, particularly for lower loan-to-value borrowers. Low LTV mortgages now outperform their tracker equivalents at 2, 3 and 5 year periods. Likewise, at medium LTVs, the costs for a two year fixed rate is 4.4% compared with 4.7% for the tracker equivalent, while for three year products the costs are the same and only 0.3% higher than the tracker products for five years.

Even for fixed rate high LTV mortgages, the current cost of borrowing is only marginally higher than tracker products. To fix for 5 years at a high LTV is just 0.4 percentage points more than the corresponding tracker.

LTV Band	2 Year Products		3 Year Products		5 Year Products	
	Fixed Rate	Trackers	Fixed Rate	Trackers	Fixed Rate	Trackers
High LTV	5.8%	5.8%	6.3%	5.7%	6.0%	5.6%
Medium LTV	4.4%	4.7%	5.0%	5.0%	5.0%	4.7%
Low LTV	3.5%	4.0%	4.1%	4.6%	4.2%	4.5%

Landlords taking advantage of record low fixed rates

Only one in a hundred landlords now opts for a one year initial mortgage term. More widely, the popularity of short-term mortgages continues to wane – 52% opted for a two year deal down from 57% six months ago despite the very attractive 2-year rates on offer. By contrast longer term mortgages are growing in popularity, with the proportion choosing 5 year mortgages rising from 15% in Q2 to almost one in five (18%) in the fourth quarter.

David Whittaker comments: “It’s astounding that fixed rate mortgages are already better value than their respective tracker counterparts. Again the real advantage is for the ‘safest’ landlords with the lowest LTV loans. But even though tracker products are a little bit cheaper at higher LTVs, in these cases too it soon won’t be enough to compensate for the likely increase in cost of trackers when rates inevitably rise. If customers are paying only a few percentage points above the negligible Bank base rate, then if this jumps it could mean a huge proportional increase in future costs.

“Capital markets are still reeling from tumbling inflation and a dovish outlook from the Bank of England that no one would have predicted six months ago. This is only just starting to have its full impact on the mortgage market and the finances of landlords. Yet it’s already clear that landlords haven’t completely abandoned caution – and are beginning to look at longer fixes and planning for higher rates within the next couple of years.”

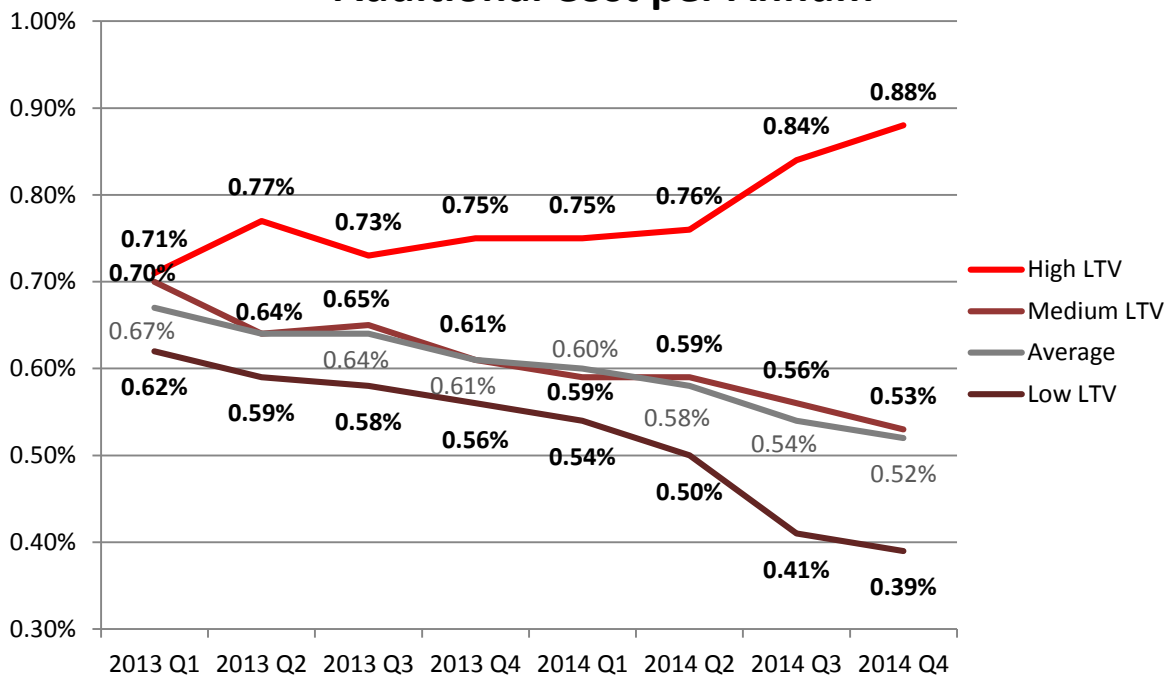
Fees and charges worst at high LTVs

The effect of product charges on the cost of borrowing has improved for low and medium LTV mortgages. At the lowest LTVs, the effect of charges have now fallen to 0.39% from 0.62% in Q1 2013. Medium LTV borrowers have also benefited with effective charges dropping to 0.53% in Q4 2014 from 0.70% at the beginning of 2013.

Overall, the effect of charges levied on mortgage products across all LTVs has dropped further from 0.54% in Q3 to 0.52% at the end of 2014. However by contrast, charges for high LTVs have risen from 0.84% in Q3 2014 to 0.88% in Q4.

David Whittaker concludes: “These trends indicate that lenders prefer the safest borrowers who now have a vast array of competitive products to choose from. However, with rates bound to rise soon these kind of pricings won’t last for ever and we would advise borrowers to take advantage of the fixed rate deals on offer in 2015.”

Effect of Charges on Buy to Let Mortgages: Additional Cost per Annum



- Ends -

About Mortgages for Business

Mortgages for Business is an independent UK mortgage broker with whole of market access, specialising in buy to let, complex residential and commercial mortgages. It also brokers short term and property development finance.



Sourcing finance for of thousands of UK property investors and professional landlords, Mortgages for Business has access to market leading mortgage rates and products. It is a founding member of the National Association of Commercial Finance Brokers and is regulated by the FCA.

Mortgages for Business is currently the only UK broker to have been awarded NACFB Fellowship Status for excellence in business practices and customer service.

In 2014 Mortgages for Business won several awards. Best Broker for Customer Service, What Mortgage Awards, and for the third year running Buy to Let Mortgage Broker of the Year, Business Moneyfacts Awards, where it was also the runner up in the Best Commercial Broker category. In 2009 David Whittaker, MD, received a Lifetime Achievement Award at the Business Moneyfacts Awards.

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