

## Complex Buy to Let Index Q1 2015

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 2014	Q3 2014	Q4 2014	Q1 2015
Average no. products	637	707	817	839
No. of lenders	27	28	29	31

Purchases versus Remortgages								
	Q2 2014		Q3 2014		Q4 2014		Q1 2015	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	30%	70%	35%	65%	38%	62%	34%	66%
HMO	28%	72%	23%	77%	30%	70%	27%	73%
MUFB	31%	69%	33%	67%	58%	42%	11%	89%
SCP	17%	83%	17%	83%	14%	86%	13%	87%

Vanilla Buy to Let				
	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Average loan size	£199,232	£202,136	£222,565	£206,771
Average property value	£320,102	£326,708	£354,423	£325,891
Average loan to value	67%	68%	63%	66%
Average yield	6.3%	5.9%	6.3%	6.4%

Houses in Multiple Occupation (HMO)				
	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Average loan size	£231,525	£222,894	£194,018	£239,967
Average property value	£345,898	£313,360	£308,433	£363,155
Average loan to value	70%	71%	64%	70%
Average yield	9.3%	8.9%	9.0%	10.4%

Multi-unit Freehold Blocks (MUFB)				
	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Average loan size	£227,793	£180,928	£299,944	£332,864
Average property value	£376,878	£268,882	£479,644	£527,412
Average loan to value	66%	68%	64%	67%
Average yield	7.3%	8.6%	9.3%	6.3%

Semi-Commercial Property (SCP)				
	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Average loan size	£351,578	£938,786	£924,075	£796,220
Average property value	£712,845	£1,336,408	£1,456,363	£1,376,909
Average loan to value	59%	68%	64%	65%
Average yield	7.1%	9.7%	6.4%	7.5%

## Remortgaging continues to outstrip purchases

### Lenders and Products

Foundation Home Loans and State Bank of India entered the buy to let market in the first quarter of 2015, so it is no surprise that the number of buy to let products available has increased yet again. During Q1 2015 there was an average of 839 products available up from 817 in the previous quarter. New entrants means more competition, so again we anticipate this figure to rise with lenders diversifying their product ranges to compete for business.

### Purchases versus Remortgages

Remortgaging has outstripped purchases again in Q1 2015 and this time across all property types. For some time now we have seen a ratio of around 2 re-mortgages for every purchase whereas the Council of Mortgage Lenders has reported marginally more purchases than re-mortgages. Now, in its most recent monthly report, CML has reported that in January 2015 re-mortgages made up 58% by number and 67% by value of BTL advances. Our opinion is that experienced investors (forming the bulk of our client base) have taken the lead in refinancing to secure current low rate fixed products and to unlock capital to refurbish existing properties and expand their portfolios; maybe the rest of the BTL market is now following – at least in terms of securing some bargain basement fixed rate mortgages.

### Vanilla Buy to Let

The property value (and average loan size) decreased in Q1 2015 from the exceptional levels seen in Q4 2014. This has enabled a small rise in the average loan to value ratio which rose from 63% to a more typical level of 66%. There has been a slight increase in average yields which also increased from 6.3% to 6.4% - a level last seen in the first quarter of 2014.

### HMOs

There was a marked increase from 9.0% to 10.4% in the average yield of HMO properties in the quarter and this has helped to enable an increase in the loan to value achieved on mortgages in this sector. Whilst there are obviously higher costs in administering an HMO compared with a vanilla property, it is remarkable that less than one in ten of HMO properties in the quarter had a lower (gross) rental yield than the average vanilla property yield of 6.4%.

### Multi-Unit Freehold Blocks

The quarter saw a wide range of property values and a wide range of rental yields, from just under 4% on properties worth in excess of £1.5million to well over 11% on several properties worth under £100,000 – but overall there has been a drop in the average yield from 9.3% to the unusually low level of 6.3%.

### Semi-Commercial Property

Q4 2014 saw an unusually low rental yield on SCPs due to a predominance of higher value transactions based in London and the South East. The most recent quarter has seen a broader geographical spread of transactions and this has supported an increase in the average yield from 6.4% back to a more normal level for this type of property of 7.5%.

## 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](#)

Jenny Barrett, Head of Marketing

Tel: 01732 471 615

Email: [jennyb@mortgagesforbusiness.co.uk](mailto:jennyb@mortgagesforbusiness.co.uk)