

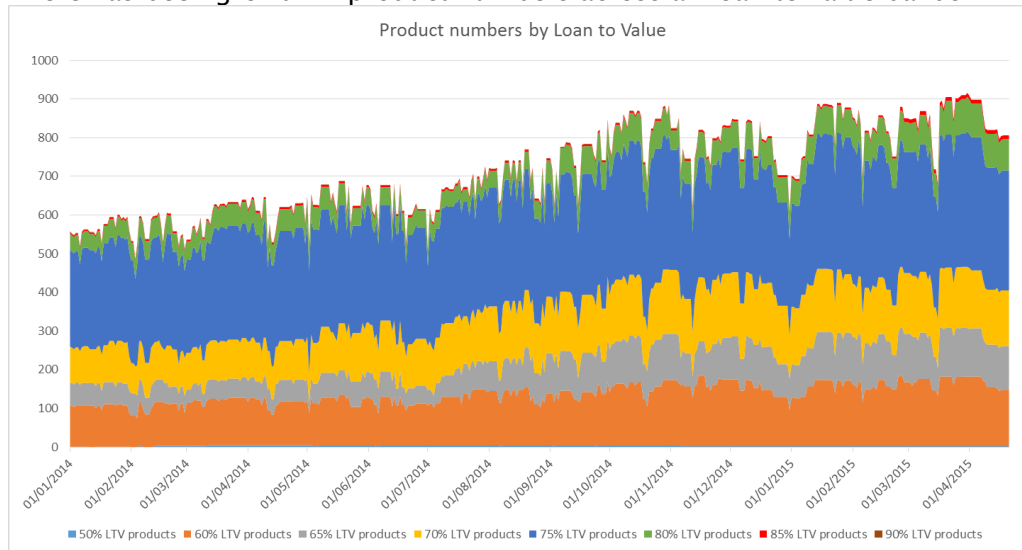
Buy to Let Mortgage Costs Index Q1 2015

Buy to Let Product Numbers

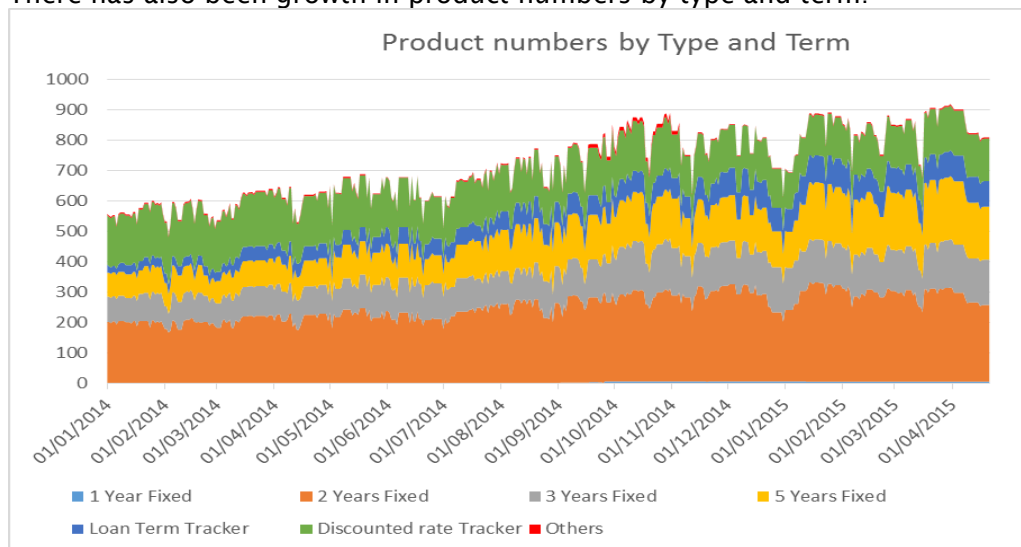
In Q1 2015 there was an average of 839 buy to let mortgage products from 31 active lenders on the market, up 21 products on the previous quarter. Whilst the rate of growth in the number of buy to let products has reduced, and indeed withdrawals of products frequently lead to short term (< a week) drops in the numbers, there is no doubt that the trend is still upwards.

This quarter has seen the launch of Foundation Home Loans and State Bank of India and products from these two lenders account for all of the increase in product numbers in the quarter.

There has been growth in product numbers across all loan to value bands:



There has also been growth in product numbers by type and term:



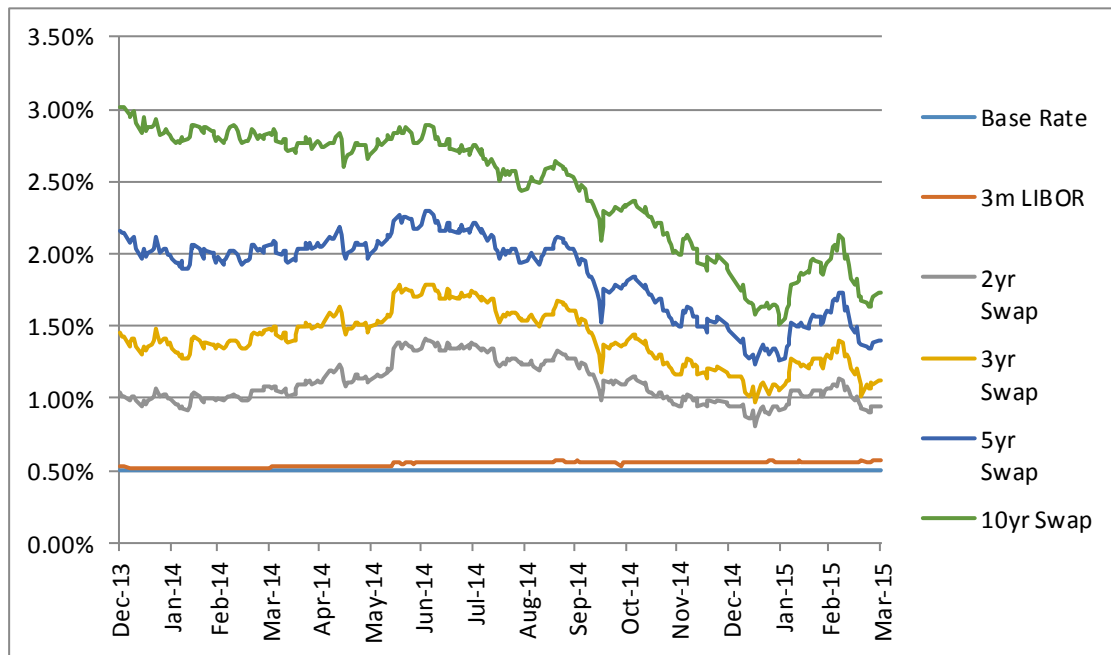
It is notable however, that the fastest growing segments are the five year fixed rate mortgages and the life of loan term trackers.

Buy to Let Product Pricing

Interest Rate Overview

During January short term (two and three y year) swap rates dipped to their lowest levels since 2013 and 10 year swap rates hit an all-time low of 1.51%. Over the following six weeks swap rates rose steadily before dropping back in the last few weeks of March and early April.

Swap Rates



Source: FT.com

Product Ranges – fixed and tracker products

Last quarter we reported on the phenomenon that fixed rate mortgages are generally being offered at lower rates than their equivalent tracker products. If anything this has become more pronounced in Q1 2015 as tracker products have generally drifted higher in price (except at high LTV) whereas fixed rate products have remained at much the same price (again excepting high LTV which has also drifted down). Two year fixed rate mortgages are now around 0.5% cheaper than trackers (more at low LTV – less at high LTV) and both three and five year fixed rate mortgages are similarly priced to trackers.

Conclusion

It continues to be our opinion that fixed rate mortgages at two, three and five years are offering considerably better value than trackers.

The spread in cost between low LTV mortgages and high LTV mortgages has stabilised at around 1.5% - 2% compared with around 1% in early 2013 – so lenders are clearly keen to attract low LTV business.

Buy to Let Mortgage Products by Initial Term

As the table below demonstrates, the absolute numbers of products available in each category are still rising – but growth in the number of five year fixed rate products has been particularly marked.

Buy to Let Mortgage Products				
Product	Q2 2014	Q3 2014	Q4 2014	Q1 2015
1 year	1%	1%	1%	1%
2 year	57%	54%	52%	49%
3 year	19%	17%	19%	18%
5 year	15%	19%	18%	22%
Loan term	8%	9%	10%	10%

Buy to Let Mortgage Charges

There has been only minimal change in the effect of costs of raising a mortgage in the quarter – with just a small reversal of the increasing charges on high LTV mortgages.

Effect of Charges on Buy to Let Mortgage Products				
Quarter	Low LTV	Medium LTV	High LTV	Average
2013 Q1	0.62%	0.70%	0.71%	0.67%
2013 Q2	0.59%	0.64%	0.77%	0.64%
2013 Q3	0.58%	0.65%	0.73%	0.64%
2013 Q4	0.56%	0.61%	0.75%	0.61%
2014 Q1	0.54%	0.59%	0.75%	0.60%
2014 Q2	0.50%	0.59%	0.76%	0.58%
2014 Q3	0.41%	0.56%	0.84%	0.54%
2014 Q4	0.39%	0.53%	0.88%	0.52%
2015 Q1	0.39%	0.53%	0.80%	0.51%

The proportion of products with no fee attached has held at the record level established in Q4 2014 but there has been a modest increase in the proportion of percentage based fee products at the expense of flat fee products.

Buy to Let Mortgage Charges				
Fee type	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Flat fee	50%	54%	53%	51%
No fee	11%	12%	15%	15%
% based fee	39%	34%	32%	34%

The average flat fee now stands at £1,477 up from £1,422 in Q4 2014.

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