

## Complex Buy to Let Index Q2 2015

Buy to let mortgage lending now accounts for around 18% of the overall mortgage market. 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 |         |         |         |         |
|----------------------|---------|---------|---------|---------|
|                      | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 |
| Average no. products | 707     | 817     | 839     | 861     |
| No. of lenders       | 28      | 29      | 31      | 32      |

| Purchases versus Remortgages |          |      |          |      |          |      |          |      |
|------------------------------|----------|------|----------|------|----------|------|----------|------|
|                              | Q3 2014  |      | Q4 2014  |      | Q1 2015  |      | Q2 2015  |      |
|                              | Purchase | Remo | Purchase | Remo | Purchase | Remo | Purchase | Remo |
| Vanilla                      | 35%      | 65%  | 38%      | 62%  | 34%      | 66%  | 38%      | 62%  |
| HMO                          | 23%      | 77%  | 30%      | 70%  | 27%      | 73%  | 10%      | 90%  |
| MUFB                         | 33%      | 67%  | 58%      | 42%  | 11%      | 89%  | 18%      | 82%  |
| SCP                          | 17%      | 83%  | 14%      | 86%  | 13%      | 87%  | 32%      | 68%  |

| Vanilla Buy to Let     |          |          |          |          |
|------------------------|----------|----------|----------|----------|
|                        | Q3 2014  | Q4 2014  | Q1 2015  | Q2 2015  |
| Average loan size      | £202,136 | £222,565 | £206,771 | £222,447 |
| Average property value | £326,708 | £354,423 | £325,423 | £351,107 |
| Average loan to value  | 68%      | 63%      | 66%      | 66%      |
| Average yield          | 5.9%     | 6.3%     | 6.4%     | 5.8%     |

| Houses in Multiple Occupation (HMO) |          |          |          |          |
|-------------------------------------|----------|----------|----------|----------|
|                                     | Q3 2014  | Q4 2014  | Q1 2015  | Q2 2015  |
| Average loan size                   | £222,894 | £194,018 | £239,967 | £196,370 |
| Average property value              | £313,360 | £308,433 | £363,155 | £295,832 |
| Average loan to value               | 71%      | 64%      | 70%      | 69%      |
| Average yield                       | 8.9%     | 9.0%     | 10.4%    | 9.1%     |

| Multi-unit Freehold Blocks (MUFB) |          |          |          |          |
|-----------------------------------|----------|----------|----------|----------|
|                                   | Q3 2014  | Q4 2014  | Q1 2015  | Q2 2015  |
| Average loan size                 | £180,928 | £299,944 | £332,864 | £218,885 |
| Average property value            | £268,882 | £479,644 | £527,412 | £339,125 |
| Average loan to value             | 68%      | 64%      | 67%      | 67%      |
| Average yield                     | 8.6%     | 9.3%     | 6.3%     | 7.1%     |

| Semi-Commercial Property (SCP) |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|
|                                | Q3 2014    | Q4 2014    | Q1 2015    | Q2 2015    |
| Average loan size              | £938,786   | £924,075   | £796,220   | £765,442   |
| Average property value         | £1,336,408 | £1,456,363 | £1,376,909 | £1,632,500 |
| Average loan to value          | 68%        | 64%        | 65%        | 54%        |
| Average yield                  | 9.7%       | 6.4%       | 7.5%       | 5.9%       |

## **Remortgaging still the name of the game**

### **Lenders and Products**

In Q1 2015 one new lender entered the market – Axis Bank which helped push up the average number of products to 861. There are now more than 200 buy to let mortgage products available than one year ago.

### **Purchases versus Remortgages**

For the second quarter in a row, remortgaging outstripped purchases across all property types as investors continue to secure current low, fixed rate products and unlock capital to expand portfolios and refurbish existing property.

### **Vanilla Buy to Let**

Property values and average loan sizes increased in Q2 2015 back up to similar, exceptional levels seen in Q4 2014. Despite this LTVs maintained more typical levels, although gross yields dipped slightly below 6%.

### **HMOs**

Property values and average loan sizes dipped back to levels seen in Q4 2014. This was due to a larger number of transactions for slightly smaller HMOs than witness in the last quarter. Average LTVs dipped marginally and, as might be expected with smaller HMOs, average gross yields dropped (to 9.1%).

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

The quarter saw a large number of transactions for less expensive multi-units, many in areas outside of the Southeast. Whilst LTVs remained constant at 67%, average gross yields crept back up over the 7.0% mark demonstrating once again that more complex property types generally produce greater yields.

### **Semi-Commercial Property**

In Q2 2015 yields dipped to an unusual low of 5.9% due to a majority of transactions for higher value property located in London and the Southeast. Average LTVs also dropped, although this was mainly due to investors choosing to keep their gearing in check on this type of property, leaving room for further refinancing if required.

## 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)