

Complex Buy to Let Index Q3 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				
	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Average no. products	817	839	861	953
No. of lenders	29	31	32	33

Purchases versus Remortgages								
	Q4 2014		Q1 2015		Q2 2015		Q3 2015	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	38%	62%	34%	66%	38%	62%	34%	66%
HMO	30%	70%	27%	73%	10%	90%	28%	72%
MUFB	58%	42%	11%	89%	18%	82%	11%	89%
SCP	14%	86%	13%	87%	32%	68%	100%	—

Vanilla Buy to Let				
	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Average loan size	£222,565	£206,771	£222,447	£197,717
Average property value	£354,423	£325,891	£351,107	£318,898
Average loan to value	63%	66%	66%	63%
Average yield	6.3%	6.4%	5.8%	5.0%

Houses in Multiple Occupation (HMO)				
	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Average loan size	£194,018	£239,967	£196,370	£217,498
Average property value	£308,433	£363,155	£295,832	£309,458
Average loan to value	64%	70%	69%	70%
Average yield	9.0%	10.4%	9.1%	9.0%

Multi-unit Freehold Blocks (MUFB)				
	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Average loan size	£299,944	£332,864	£218,885	£418,874
Average property value	£479,644	£527,412	£339,125	£660,877
Average loan to value	64%	67%	67%	69%
Average yield	9.3%	6.3%	7.1%	6.1%

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

Investors have choice of 1,000+ BTL products

Lenders and Products

Although no new lenders entered the buy to let lending market, the average number of products increased by 11% quarter-on-quarter, demonstrating lenders' ongoing commitment to the space. There are 35% more products available than in the same period last year. Throughout September there were several periods when product availability topped the 1,000 mark.

Purchases versus Remortgages

For the fourth consecutive quarter remortgages outperformed purchases on vanilla, HMO and multi-unit property as investors continued to take advantage of competitively priced fixed rate products in advance of pending rate rises. Only semi-commercial property (also known as mixed use) appeared to buck the trend however, unusually there were only two mixed use transactions in the quarter – a figure which is too low to obtain a credible data set.

Vanilla Buy to Let

Both loan amounts and property values for transactions in the quarter fell compared to Q2 2015. This can be attributed to greater activity outside of London and the South East where properties are generally less expensive. LTVs dropped to an average of 63% which can be attributed to two extremely large portfolio transactions, which if excluded from the data set, increase the average loan to value to 66%. Disappointingly for investors, average gross yields also decreased considerably but once again if we exclude the two larger transactions, yields only dropped to 5.3%. This may be a sign that rental income has not kept pace with rising property prices.

HMOs

Whilst average loan sizes, property values and LTVs increased quarter-on-quarter, the variation since the beginning of the year has been slight. Like vanilla transactions, average yields dropped for the second consecutive quarter suggesting that rental income is currently relatively static. However, it should be noted that yields for HMOs continue to outperform all other types of property.

Multi-Unit Freehold Blocks

Average loan amounts increased a mighty 91% quarter on quarter although LTVs only crept up marginally. This is due to one extremely large transaction (a 71 unit property in South West London) which has skewed the figures. Excluding this transaction the average loan amount would have been a more reasonable £282,000 – an increase of 29% quarter on quarter.

Semi-Commercial Property

Unusually, only two transactions for semi-commercial property were completed in Q3, rendering the data set inadequate for reporting purposes.

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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