

Complex Buy to Let Index Q4 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				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average no. products	839	861	953	975
No. of lenders	31	32	33	33

Purchases versus Remortgages								
	Q1 2015		Q2 2015		Q3 2015		Q4 2015	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	34%	66%	38%	62%	34%	66%	38%	62%
HMO	27%	73%	10%	90%	28%	72%	24%	76%
MUFB	11%	89%	18%	82%	11%	89%	17%	93%
SCP	13%	87%	32%	68%	100%	-	33%	67%

Vanilla Buy to Let				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average loan size	£206,771	£222,447	£197,717	£220,918
Average property value	£325,891	£351,107	£318,898	£331,989
Average loan to value	66%	66%	63%	68%
Average yield	6.4%	5.8%	5.0%	6.0%

Houses in Multiple Occupation (HMO)				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average loan size	£239,967	£196,370	£217,498	£232,924
Average property value	£363,155	£295,832	£309,458	£347,503
Average loan to value	70%	69%	70%	70%
Average yield	10.4%	9.1%	9.0%	9.1%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average loan size	£332,864	£218,885	£418,874	£228,837
Average property value	£527,412	£339,125	£660,877	£336,577
Average loan to value	67%	67%	69%	71%
Average yield	6.3%	7.1%	6.1%	7.9%

Semi-Commercial Property (SCP)				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average loan size	£796,220	£765,442	N/A	£477,000
Average property value	£1,376,909	£1,632,500	N/A	£760,000
Average loan to value	65%	54%	N/A	66%
Average yield	7.5%	5.9%	N/A	7.7%

BTL purchases could outstrip remortgages in 2016

Lenders and Products

For the third quarter in a row, no new lenders entered the buy to let lending market. However the average number of products available to borrowers increased slightly in the quarter. It is interesting to note that at the beginning of December there were 1,168 buy to let mortgage products available. It is unlikely that this figure will be topped going forward unless new lenders enter the market.

Purchases versus Remortgages

In most instances remortgage transactions outstripped purchases throughout 2015 as landlords took advantage of competitive rates and raised capital for improvements or further acquisitions. We anticipate that Q1 2016 may reverse this trend as borrowers rush to complete purchases before 1st April when the new 3% stamp duty surcharge on purchases of additional rental properties kicks in. This trend will be reinforced by “transfers” into limited companies, which will be treated as purchases.

Vanilla Buy to Let

The average loan size and property price has returned to levels similar to those seen in Q2. Figures reported in Q3 were slightly distorted because of two extremely large portfolio transactions, so it was good to see that results for the last quarter returned to more normal levels. LTVs were up slightly on the first half of the year as were yields which will be some consolation for landlords who have seen yields dip against a backdrop of ever-increasing property prices, particularly in the South East.

HMOs

Throughout the year, HMO transactions remained fairly steady returning healthy yields for landlords operating in this niche. We expect this sub-sector to continue to perform next year as the number of tenants looking for less expensive accommodation rises and more landlords enter this more profitable asset class.

Multi-Unit Freehold Block

In Q3 figures were skewed due to one extremely large transaction - a 71 unit property in South West London. Results for Q4 show that whilst transactions remain broadly similar to the first half of 2016, yields continue to creep up. The average yield for multi-units in 2015 was 6.9%, well above the average for vanilla properties demonstrating that niche sectors can provide better returns.

Semi-Commercial Property

In general this asset class has been problematic to monitor because transaction levels are generally lower than for other types of rental property. However, yields tend to perform better than vanilla BTL and we would expect more landlords to enter this sub-sector as mixed use properties are technically classed a commercial premises and as such will not be liable for the 3% stamp duty surcharge imposed on purchases of additional residential property.

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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