

Complex Buy to Let Index Q1 2016

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 2015	Q3 2015	Q4 2015	Q1 2016
Average no. products	816	926	963	1105
No. of lenders	32	33	33	33

Purchases versus Remortgages								
	Q2 2015		Q3 2015		Q4 2015		Q1 2016	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	38%	62%	34%	66%	38%	62%	41%	59%
HMO	10%	90%	28%	72%	24%	76%	56%	44%
MUFB	18%	82%	11%	89%	17%	93%	36%	64%
SCP	32%	68%	100%	-	33%	67%	10%	90%

Vanilla Buy to Let				
	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Average loan size	£222,447	£197,717	£220,918	£216,339
Average property value	£351,107	£318,898	£331,989	£332,482
Average loan to value	66%	63%	68%	67%
Average yield	5.8%	5.0%	6.0%	5.8%

Houses in Multiple Occupation (HMO)				
	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Average loan size	£196,370	£217,498	£232,924	£146,887
Average property value	£295,832	£309,458	£347,503	£238,728
Average loan to value	69%	70%	70%	62%
Average yield	9.1%	9.0%	9.1%	10.2%

Multi-unit Freehold Blocks (MUFB)				
	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Average loan size	£218,885	£418,874	£228,837	£285,951
Average property value	£339,125	£660,877	£336,577	£424,038
Average loan to value	67%	69%	71%	67%
Average yield	7.1%	6.1%	7.9%	7.8%

Semi-Commercial Property (SCP)				
	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Average loan size	£765,442	N/A	£477,000	£624,062
Average property value	£1,632,500	N/A	£760,000	£1,041,250
Average loan to value	54%	N/A	66%	62%
Average yield	5.9%	N/A	7.7%	8.1%

Returns on HMOs increase

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 did increase significantly as lenders introduced new products targeted at limited company borrowers. It is likely that this figure will increase further going forward – as more lenders enter the market for buy to let mortgages for limited companies.

Purchases versus Remortgages

Remortgage transactions yet again outstripped purchases in all categories of mortgages other than HMOs where the number of purchases were slightly higher. However, all types of residential investment showed a marked increase in the number of purchase transactions as investors rushed to beat the 3% SDLT surcharge deadline at the end of the quarter. This included transactions for investors selling their buy to let properties into a new limited company in order to avoid the proposed restrictions on tax relief on interest costs. This same SDLT imperative does not apply to Semi Commercial Properties – thus this category did not follow the same trend.

Vanilla Buy to Let

There was little change for vanilla buy to let property. The average loan size, loan to value and yield decreased slightly, with only the average property value rising, but by just under £500 it's hardly worth noting.

HMOs

As predicted in our last Complex Buy to Let Index, HMO transactions continued to return healthy yields for landlords operating in this niche. The number of tenants looking for less expensive accommodation and more landlords wanting to enter this more profitable asset class has also clearly had an impact on purchase numbers, which have risen to 56% from 24% in Q4 2015. Interestingly the average property value has decreased by almost a third, possibly due to more investors purchasing property outside of London.

Multi-Unit Freehold Block

Whilst transactions remain broadly similar to the last quarter of 2015, yields have slipped marginally as the average property price and loan amount rose. The average yield for multi-units in Q1 2016 was 7.8%, well above the average for vanilla properties demonstrating that niche sectors can provide better returns.

Semi-Commercial Property

Average yields for semi-commercial property rose to 8.1% making it the second highest yielding property type in the first quarter of 2016. We would expect more landlords to enter this sub-sector in the coming months as mixed use properties are technically classed as 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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