

Complex Buy to Let Index Q3 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				
	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Average no. products	963	1,105	1,180	1,120
No. of lenders	33	33	33	33

Purchases versus Remortgages								
	Q4 2015		Q1 2016		Q2 2016		Q3 2016	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	38%	62%	41%	59%	38%	62%	28%	72%
HMO	24%	76%	56%	44%	47%	53%	23%	77%
MUFB	17%	93%	36%	64%	19%	81%	19%	81%
SCP	33%	67%	10%	90%	15%	85%	20%	80%

Vanilla Buy to Let				
	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Average loan size	£220,918	£216,339	£250,759	£252,964
Average property value	£331,989	£332,482	£364,409	£391,008
Average loan to value	68%	67%	69%	67%
Average yield	6.0%	5.8%	5.8%	5.6%

Houses in Multiple Occupation (HMO)				
	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Average loan size	£232,924	£146,887	£190,497	£261,099
Average property value	£347,503	£238,728	£252,471	£365,685
Average loan to value	70%	62%	75%	72%
Average yield	9.1%	10.2%	10.5%	9.7%

Multi-unit Freehold Blocks (MUFB)				
	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Average loan size	£228,837	£285,951	£195,164	£254,093
Average property value	£336,577	£424,038	£346,180	£458,267
Average loan to value	71%	67%	56%	67%
Average yield	7.9%	7.8%	9.5%	8.7%

Semi-Commercial Property (SCP)				
	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Average loan size	£477,000	£624,062	£458,285	£652,180
Average property value	£760,000	£1,041,250	£760,714	£1,014,620
Average loan to value	66%	62%	60%	69%
Average yield	7.7%	8.1%	5.2%	7.7%

LTVs average 67% across all property types over last 5 years

Lenders and Products

Thirty-three lenders currently operate in the buy to let mortgage market. This figure has stayed the same for a year* and we expect it to remain fairly steady for the next 12 months.

In contrast, the average number of buy to let mortgage products available in the quarter fell by 5%, although with actual number of products still in excess of 1,000, there remains plenty of choice.

Purchases versus Remortgages

Remortgaging continues to outstrip purchases. This is a trend is likely due in part to savvy landlords continuing to remortgage as soon as they are free from Early Redemption Charges on shorter, two and three year initial term products where the lender's reversion rate is high. Whilst rates remain low, we expect this trend to continue with landlords.

Property types

Over the five years since the index was launched, the average loan to value has changed very little from quarter to quarter, the average being 67% across all property types despite a mixed bag of changes in average property values and loan amounts.

For vanilla buy to lets average property values and loan amounts continue their gentle rise in proportion with each other, whilst the reverse can be said for HMOs and multi-unit blocks. Five years ago the average loan for an HMO was £317,907 but is now only £261,099. Similarly, the average price of multi-unit five years ago was £527,902 whereas by Q3 2016 the average price had reduced to half that - £254,093. Further analysis of our transactional data reveals two main reasons for this reduction:

- Smaller, less expensive HMOs and multi-units are being financed in areas of higher property prices
- In areas of the country where property prices remain low, there has been an increase in purchases (and subsequently refinancing) of HMOs and multi-units

No doubt, the increased interest in these more complex property types has been helped not only by the growing demand for smaller, less expensive rental accommodation but also the more attractive yields on offer.

The data set for semi-commercial property is much smaller which is why we see greater fluctuations in quarterly results, although for the most part yields are well above those for vanilla property which is why they remain popular with more experienced landlords.

**Excludes regional and less active lenders.*

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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