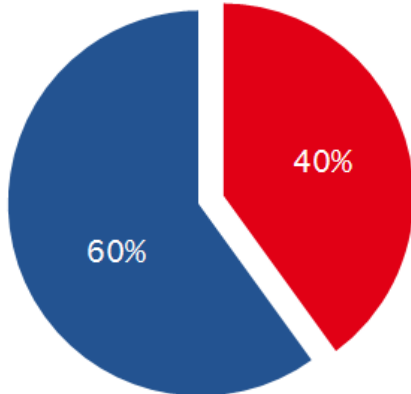


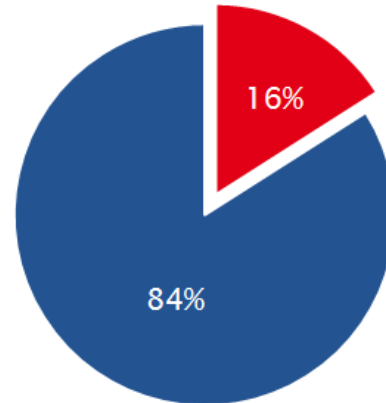
### Lenders & Products

Buy to Let Mortgage Lenders Q4 2016



- Lenders offering products to Ltd Co borrowers
- Lenders with no Ltd Co products

Buy to Let Mortgage Products Q4 2016



- Products available to Ltd Co borrowers
- Products available to Individuals

**Lenders:** In Q4 2016 the average number of buy to let lenders offering products to limited companies remained at 14, with the withdrawal of Metro Bank but the addition of The Family Building Society.

**Products:** The average number of buy to let products available to limited companies increased slightly from 195 in Q3 2016 to 198 in Q4, representing a negligible movement in both absolute number of products and proportion of total, which has remained at 16% since June 2016.

As in Q3 2016, many of the largest "mainstream" lenders still do not yet cater to limited company borrowers despite continued and growing demand for limited company borrowing in the buy to let sector.

### Pricing

The average rate of a buy to let mortgage rose to 3.4% at the end of December, up slightly from 3.3% in September. Of the products available to limited companies, rates rose from 4.3% in September to 4.4% at the end of December.

This means that rates available to limited companies remain around one percentage point higher than the market.

### Buy to Let Mortgage Products: December 2016

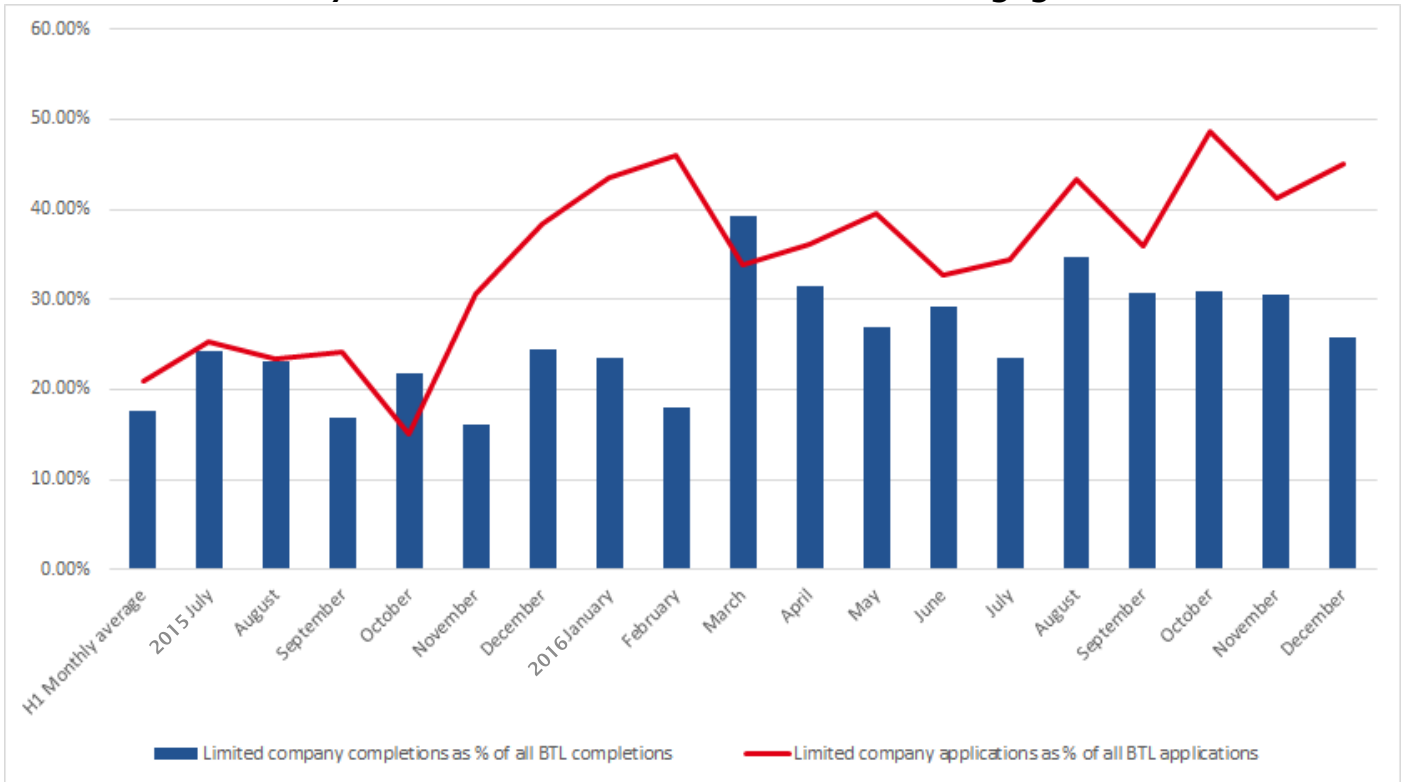
|              | Limited Company |               | Entire Market |               |
|--------------|-----------------|---------------|---------------|---------------|
|              | No.             | Av. Cost      | No.           | Av. Cost      |
| Variable     | 72              | 4.5% ↑        | 311           | 3.4% ↑        |
| 2 Year Fix   | 40              | 4.2% ↔        | 374           | 3.0% ↑        |
| 3 Year Fix   | 25              | 4.8% ↑        | 172           | 3.8% ↑        |
| 5 Year Fix   | 61              | 4.5% ↑        | 332           | 3.7% ↑        |
| <b>Total</b> | <b>198</b>      | <b>4.4% ↑</b> | <b>1,238</b>  | <b>3.4% ↑</b> |

*Source: Mortgage Flow*

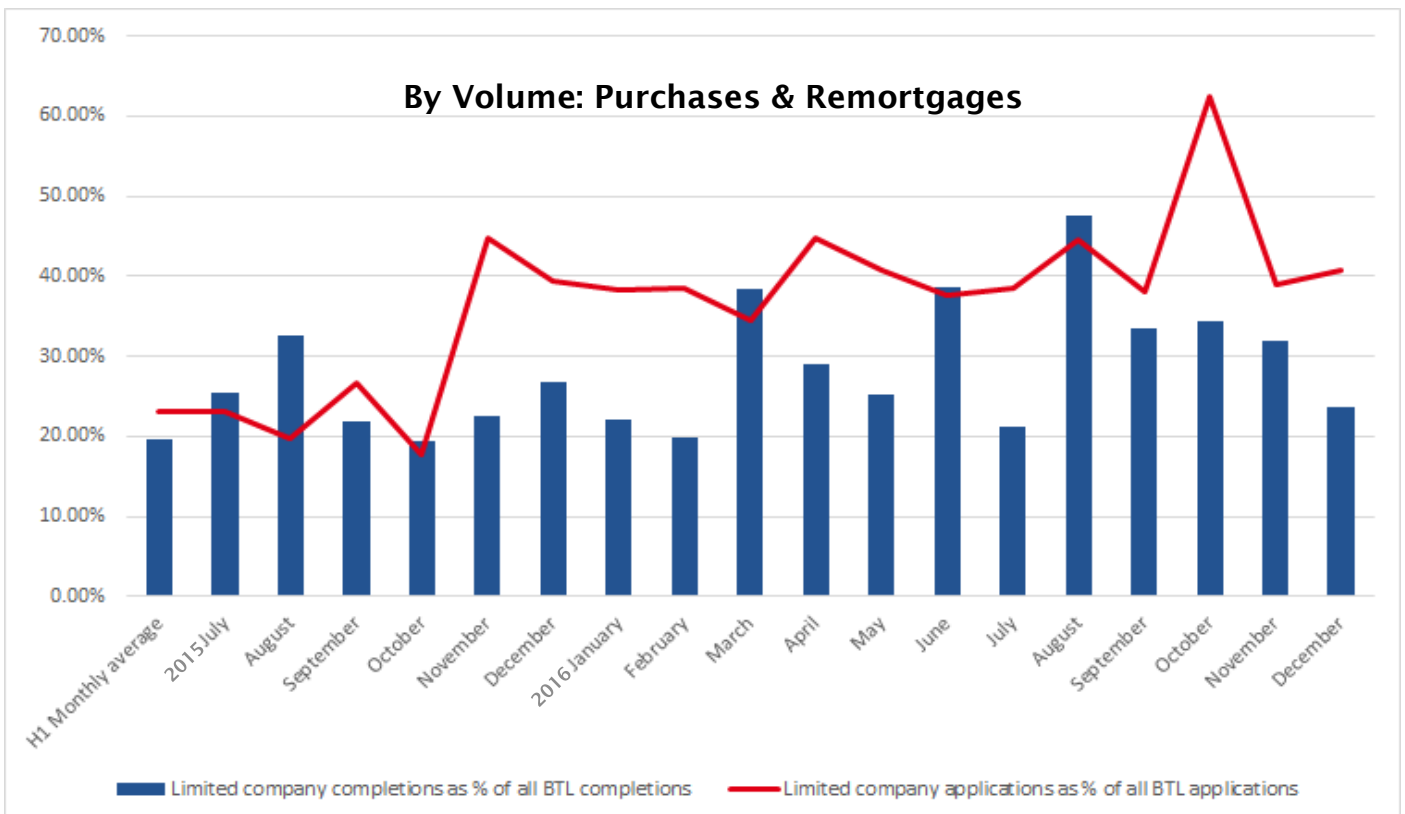
However, this is because the cheapest products are typically offered by lenders without the systems or underwriting skills in place to offer products to limited companies. For those that do, most, including Keystone Property Finance, offer the same rates to both SPV limited companies and personal borrowers. Keystone Property Finance also offers the same rates to trading limited companies.

**Transactions: Ltd Company BTL as a proportion of the whole BTL market**

**By Number of Cases: Purchases & Remortgages**



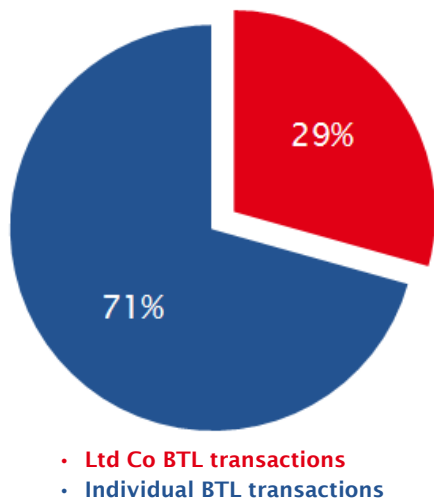
**By Volume: Purchases & Remortgages**



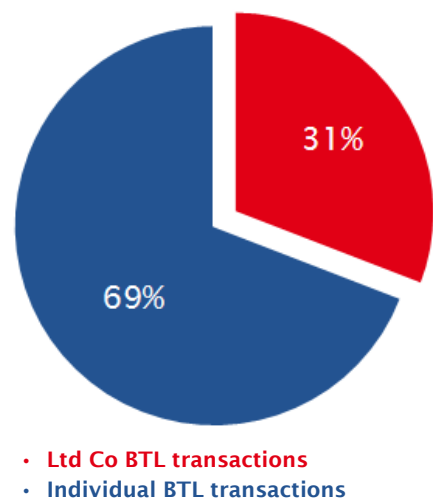
Transactions: Ltd Company BTL as a proportion of the whole BTL market

**Purchases and Remortgages**

Q4 2016 by Number of Cases



Q4 2016 by Volume £m



**Purchases and remortgages**

Limited company completions saw a very slight fall in Q4 due to unusually few limited company completions in December, likely the result of a dip in applications in September. Applications made a resurgence in October and remained strong throughout the quarter as investors continue to adopt this structure for the benefits it provides to tax and affordability calculations, so December's drop in completions should prove brief.

However, limited company completions have now remained behind applications for several months. We would expect the increase in limited company applications to translate to an increase in completions as these deals reach fruition, but there has been little sign of this since April. Closer examination of the data shows that this is because mortgage applications have been processing faster for individuals but that these improvements have not been shared by limited company applicants.

Limited companies also continue to take larger loans than individuals, such that the total value of mortgages to limited companies was just over 30% in Q4 despite making up less than 30% of transactions.

**Purchase applications now at 69% by number and value**

The proportion of purchase applications made via limited companies (as opposed to individuals) continues to rise, up from 63% in Q3 and from 21% before the changes to tax relief were announced. This is evidence of the continuing change in landlord behaviour and includes both new purchases and "transfers" i.e. purchases made by landlords selling their personally owned property to their limited company.

With the strong incentives investors have to incorporate for new purchases, this should increase limited company ownership overall and once initial rates for these investors begin to expire, this could cause limited company applications to predominate in the remortgage market as well.

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**Transactions: Ltd Company BTL as a proportion of the whole BTL market**

By value, the percentage of applications made by limited companies has now caught up and also rests at 69%, a major shift from 54% in Q3 and just 27% before the changes to tax relief were announced.

**Remortgage applications by number begin to increase**

The number of remortgage applications made via a limited company has risen noticeably this quarter, up to 31% from 23% in Q3 and 21% from before the tax relief changes were announced. This could be a sign that more investors are choosing to transfer their properties into limited company names (as described above). Since these investors would otherwise have remortgaged in their personal names, the proportion of remortgages to individuals is reduced and, by extension, the remaining limited company investors now represent a greater share of the remortgage market.

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