

Complex Buy to Let Index Q4 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				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Average no. products	1,105	1,180	1,120	1,238
No. of lenders	33	33	33	35

Purchases versus Remortgages								
	Q1 2016		Q2 2016		Q3 2016		Q4 2016	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	41%	59%	38%	62%	28%	72%	39%	61%
HMO	56%	44%	47%	53%	23%	77%	26%	74%
MUFB	36%	64%	19%	81%	19%	81%	14%	86%
SCP	10%	90%	15%	85%	20%	80%	-	100%

Vanilla Buy to Let				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Average loan size	£216,339	£250,759	£252,964	£243,226
Average property value	£332,482	£364,409	£391,008	£413,737
Average loan to value	67%	69%	67%	67%
Average yield	5.8%	5.8%	5.6%	5.5%

Houses in Multiple Occupation (HMO)				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Average loan size	£146,887	£190,497	£261,099	£242,744
Average property value	£238,728	£252,471	£365,685	£355,087
Average loan to value	62%	75%	72%	70%
Average yield	10.2%	10.5%	9.7%	10.4%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Average loan size	£285,951	£195,164	£254,093	£411,768
Average property value	£424,038	£346,180	£458,267	£665,222
Average loan to value	67%	56%	67%	68%
Average yield	7.8%	9.5%	8.7%	7.3%

Semi-Commercial Property (SCP)				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Average loan size	£624,062	£458,285	£652,180	£405,288
Average property value	£1,041,250	£760,714	£1,014,620	£549,000
Average loan to value	62%	60%	69%	62%
Average yield	8.1%	5.2%	7.7%	8.5%

Vanilla BTL purchase market recovers

Lenders and Products

Thirty-five lenders currently operate in the buy to let mortgage market*, up from thirty-three, with this quarter seeing both New Street Mortgages and The Family Building Society entering the market.

As might be expected, the arrival of new lenders brought with it new products, with average numbers of buy to let products reaching a record 1,238.

Purchases versus Remortgages

Remortgages continue to make up the bulk of the buy to let mortgage market, but Q4 saw vanilla and HMO buy to let properties shift back towards purchases after the incredible dominance of remortgages in Q3. With confidence beginning to return to the housing market, purchases now make up 39% of vanilla buy to let mortgages, up from a record low of 28% in Q3 and back in line with 38% Q2. More importantly, this is also in line with figures from before the announcement in 2015 of George Osborne's changes to mortgage interest tax relief and SDLT. Meanwhile, HMO mortgages shifted more subtly, with purchases up only slightly to 26%, still well short of the 47% they comprised in Q2 but comfortably in line again with the market as it stood before 2015's tax announcements.

Property types

Average property and loan amounts continue to behave differently between property types, but average loan to value (LTV) overall continues to remain stable, still sitting at 67%.

For vanilla buy to lets the average property value has risen while the average loan amount has dropped. Despite this gross yields remain largely unchanged, resting at 5.5%. Meanwhile, HMOs return to an average yield of over 10%, as a dip in property values and average loan size has not been mirrored by a similar decrease in rental incomes.

Multi-unit blocks saw a sharp increase in average property value and loan size this quarter, with average property values reaching levels not seen since Q1 2013. This is due to a number of mortgages being taken out on very high value multi-unit properties, with 30% of multi-unit applications this quarter involving properties worth at least £1,000,000, up from 19% in Q3. However, this has had an adverse effect on average rental yield, as these properties produce an average of just 4.7% annual yield against 7.3% overall and 8.4% from cheaper blocks, contributing to the lowest average yield since Q3 2015, another quarter with unusually high multi-unit property and loan values.

Semi-commercial properties remain a more uncommon investment, with average property and loan values fluctuating considerably due to the low volume of business. This quarter saw a number of lower-value applications, with the resulting improvement in yields allowing this property type to retake second place for average yield among buy to let property types.

**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](#)

Jenny Barrett, Marketing & Research Director
Tel: 01732 471 615
Email: jennyb@mortgagesforbusiness.co.uk

Graeme Wright, Data Analyst
Tel: 01732 471 636
Email: graemew@mortgagesforbusiness.co.uk