

## Complex Buy to Let Index Q3 2017

This quarterly industry index tracks buy to let 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 2016	Q1 2017	Q2 2017	Q3 2017
Average no. products	1,238	1,167	1,220	1,233
No. of lenders*	35	36	36	36

Vanilla Buy to Let				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Purchases	39%	41%	39%	41%
Remortgages	61%	59%	61%	59%
Average loan size	£243,226	£196,813	£204,147	£211,517
Average property value	£413,737	£299,075	£310,918	£326,611
Average loan to value	67%	68%	69%	69%
Average yield	5.5%	5.7%	5.5%	5.5%

HMO				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Purchases	26%	39%	29%	27%
Remortgages	74%	61%	71%	73%
Average loan size	£242,744	£224,360	£241,286	£234,217
Average property value	£355,087	£331,711	£307,171	£331,296
Average loan to value	70%	70%	70%	72%
Average yield	10.4%	9.3%	8.7%	9.2%

Multi-unit Freehold Blocks				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Purchases	14%	41%	21%	47%
Remortgages	86%	59%	79%	53%
Average loan size	£411,768	£322,364	£441,065	£273,558
Average property value	£665,222	£492,707	£742,836	£424,919
Average loan to value	68%	71%	67%	69%
Average yield	7.3%	7.8%	7.9%	8.6%

Semi-commercial Property				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Purchases	0%	50%	67%	67%
Remortgages	100%	50%	33%	33%
Average loan size	£405,288	£167,600	£268,000	£694,375
Average property value	£549,000	£228,000	£373,333	£1,124,167
Average loan to value	62%	73%	72%	66%
Average yield	8.5%	7.9%	8.7%	6.3%

\*Excludes regional and less active lenders

## **HMO property continues to provide the greatest rental yields**

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).

### **Summary**

Whilst HMO properties continue to offer landlords the highest yields, vanilla properties proved to be the most stable investment.

### **Lenders and Products**

Despite no lenders entering the sector, buy to let mortgage product availability rose throughout Q3, continuing the general upward trend. However, the rate of increase has slowed.

### **Purchases and Remortgages**

Remortgage transactions continue to outstrip purchase transactions across all property types. With just a few minor exceptions, this is a trend we have seen since inception of the index in Q1 2011. However, a different picture emerges when comparing transactions made by individuals and limited companies. While the remortgage to purchase ratio is strongly in favour of remortgages for individuals, transactions made by landlords using limited companies are predominately for purchases of vanilla, HMO and multi-unit property. This is because landlords have been incorporating their portfolios which involves selling properties owned personally to their limited company creating a buy to let mortgage purchase transaction rather than a remortgage. Many completely new acquisitions are also being made in limited companies.

### **Average Property Values, Loan Sizes and LTVs**

Until the end of 2016 vanilla properties had been steadily rising in value. However, in Q1 this year, the average value dipped sharply then resumed its climb in subsequent quarters although we have yet to see values reach the same level as Q4 2016. A similar pattern has occurred in the value of HMOs.

The average value of both multi-units and semi-commercial properties has been much less consistent, likely due to both a smaller number of transactions, differences in the number of units per property and a wide value discrepancy in locations through the UK.

Since inception of the index in Q1 2011, there has been a trend for average loans to value (LTV) to rise across all property types, except for vanilla properties where it has been static.

### **Yields**

As might be expected with rising property values, average yields have fallen slightly over the last six years for all property types except multi-units which have risen slightly. Whilst decreasing slightly over time, yields on vanilla properties tend to hover around the 6% mark compared to HMOs which regularly maintain yields in excess of 9%. Multi-units too achieve higher yields than vanilla property. It is likely that semi-commercial properties also perform better although the large variety of properties within this data set may skew the results.

## 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](mailto:jennyb@mortgagesforbusiness.co.uk)