



Mortgages  
for Business

# Buy to Let Mortgage Index

Q1 2022

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## Welcome

Welcome to Buy to Let Mortgage Index, our quarterly publication.

Each edition takes a look back over the previous quarter to give a snapshot of the buy to let mortgage market.

## Data & Methodology

### Lenders and products

The information contained in this report is obtained from Mortgage Flow, our proprietary buy to let mortgage product sourcing system. Lenders tracked in our Buy to Let Mortgage Index include market-leading mainstream providers, challenger banks and specialist lenders, which cater to full-time portfolio landlords with complex borrowing requirements. Some lenders and products have been excluded, typically those with bespoke offerings and products only available on properties in smaller, regional areas.

### Interest rates

12 “standard” product ranges have been selected to allow us to track buy to let interest rates. These are two, five, seven and ten-year fixed rates and discounted/tracker (variable) mortgage products, at 65% and 75% loan to value.

### Affect of fees & charges on headline rates

Calculations are based on a “standard” mortgage value of £185,000. The total cost of the mortgage (including lender arrangement fees, valuation fees, and legal fees) is calculated over the variable or fixed-rate period to generate an annualised cost over that period. “Free” arrangement fees, valuations or legal fees are included in the calculations of costs for those products.

Our calculation is designed to recognise the total cost of borrowing during the initial period.

### Transactions

Transaction data is based on buy to let mortgage applications and completions submitted via Mortgages for Business. This proprietary data is held within our CRM database and includes information on purchases, remortgages, property type, property value, loan amounts, loan to value, rental income and gross annual yields.



# Lenders & Product Numbers

## What has happened this quarter?

**52**  
(-1)

Total BTL Lenders

**33**  
(-1)

BTL lenders with mortgage products for limited companies

**2,461**  
(+65)

Total BTL mortgage products

**1,304**  
(+98)

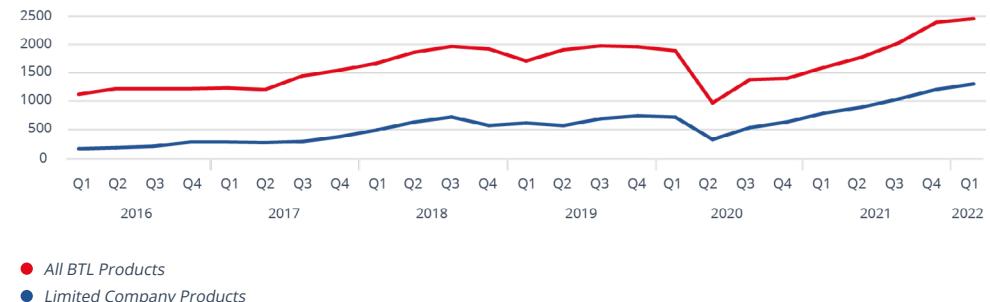
BTL mortgage products available to limited companies

The rapid increase in product volumes continued throughout Q1 2022 to reach 2,461 total products, albeit at a slightly lesser pace than in 2021.

In April 2020, total product numbers reached their lowest point since our Buy to Let Mortgage Index started. The number of BTL mortgage products contained in the MFB sourcing system was just 816, following a sharp decline due to the Coronavirus pandemic and the temporary closure of the property market.

Since Q2 2020, product numbers rapidly recovered and exceeded pre-pandemic levels. It is worth noting that within the Q1 numbers, there are now six lenders with over 120 products in each of their product ranges.

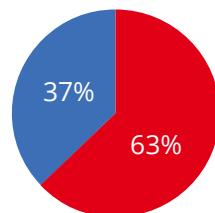
## Number of Buy to Let Mortgage Products



Lenders have faced significant pressure on their margins in the race to provide competitive products to attract the rush of purchases during the stamp duty holiday. By splitting their product ranges into more specific, niche criteria, they could price their products more competitively without reducing their margins on more costly criteria. Hence, the vast expansion of products available by lenders compared to pre-pandemic times.

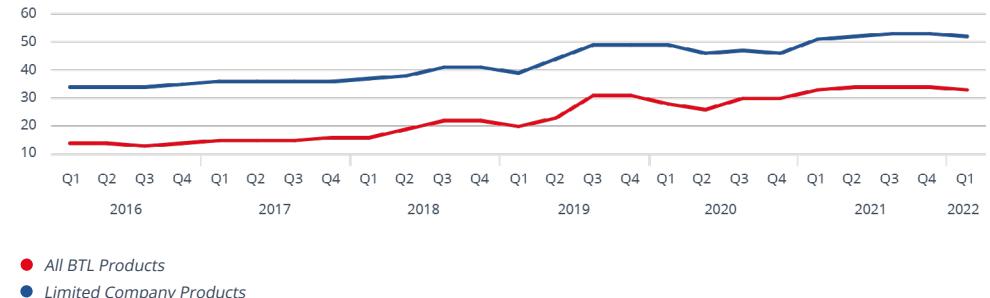
Lender volumes remained relatively consistent, with a reduction of one from the previous quarter. This lender, which served individuals and limited companies, announced a withdrawal from the UK market due to a strategic decision. Following the initial stages of the pandemic in Spring 2020, HY2 2021 showed a plateau in lender levels after the mass return to the market. Lender levels at Q1 stand at 52 in total, with 33 of those offering limited company options.

## Buy to Let Mortgage Lenders



- Lenders offering limited company products
- Lenders without limited company products

## Number of Buy to Let Mortgage Lenders



# Rates & Pricing

## Product Preferences

Variable-rate mortgages all but disappeared in Q1, with the 5-year fix further securing its reign as the most popular product type (81% of applications).

The economic landscape started to shift significantly in Q1, as the financial impact of Covid was compounded by the tragic invasion of Ukraine by Russia and the UK energy cap changes. With inflation rising faster than the UK had seen in 30 years, the Bank of England raised the Bank Rate by 0.25% in February to 0.50% and again in March to 0.75%.

In an attempt to achieve a 2% inflationary level, these widely expected increases saw borrowers start to acknowledge that the golden era of low mortgage rates was coming to an end, as lenders began to increase product pricing to maintain their already squeezed profit margins.

Landlords also started to look to 7 and 10-year fixes (4%), as the 3-year fix (0%) fell out of favour completely.

## Pricing

Product pricing for 2 and 5-year fixed rates increased following the lenders' competitive post-stamp-duty holiday period in the second half of 2021. Average 2-year and 5-year pricing rose by 0.03% and 0.05%, respectively.

Buy to Let Mortgage Index started tracking 7 and 10-year mortgage rates in June 2020, as these products increased in popularity and availability. 3-year rates have been removed due to lack of popularity.

As more lenders launch products over these periods, the average pricing will become more resilient to individual lender variation. However, as reported in NACFB (April 22), banks predict that the base rate will be higher in two years than in five or ten, which is starting to be reflected in SWAP rates and subsequently, we may see cheaper 7-year and 10-year rates competing with the more traditional 5-year rate.

Due to the relatively small number of lenders offering 7 and 10-year rates, one lender's pricing changes can impact the average pricing significantly, as seen in August 21.

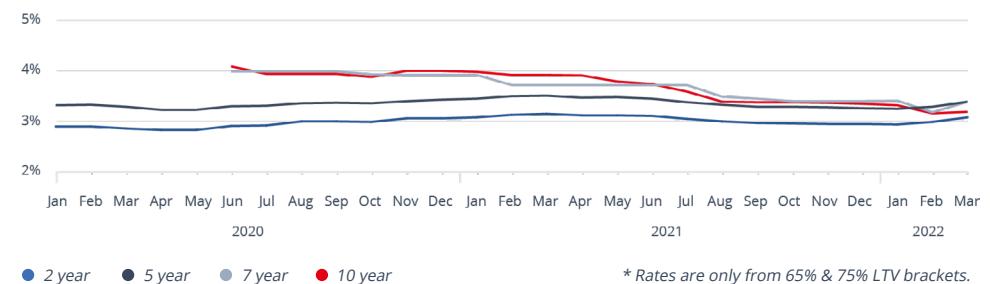
## Landlord Mortgage Preferences



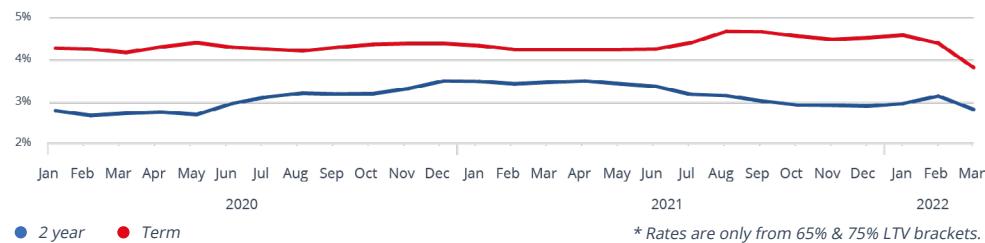
## Average Fixed Rate BTL Mortgage Prices (65% & 75% LTV)

Term	Q2 2021	Q3 2021	Q4 2021	Q1 2022
10 years	3.81% (-0.13%)	3.44% (-0.37%)	3.37% (-0.07%)	3.23% (-0.14%)
7 years	3.72% (-0.04%)	3.55% (-0.17%)	3.40% (-0.15%)	3.34% (-0.06%)
5 years	3.47% (-0.02%)	3.33% (-0.14%)	3.28% (-0.05%)	3.31% (+0.03%)
2 years	3.12% (0.00%)	3.00% (-0.12%)	2.95% (-0.05%)	3.00% (+0.05%)

## Fixed BTL Rates 65% & 75% LTV\*



\* Rates are only from 65% & 75% LTV brackets.

**Tracker BTL Rates 65% & 75% LTV\*****Average Price**

**3.4%** All BTL mortgages

**3.7%** BTL mortgages available to Ltd companies

2-year discount rates became significantly more expensive during the first half of 2021 when the criteria shifted away from the more vanilla offering. This trend started to reverse towards the end of the year, and rates started to track in line with SWAP rate changes.

**Average Tracker Rate BTL Mortgage Prices (65% & 75% LTV)**

Term	Q2 2021	Q3 2021	Q4 2021	Q1 2022
2 years	3.45% (-0.02%)	3.13% (-0.32%)	2.93% (-0.20%)	2.97% (+0.04%)
Av Term Tracker	4.26% (-0.03%)	4.60% (+0.34%)	4.54% (-0.06%)	4.24% (-0.30%)

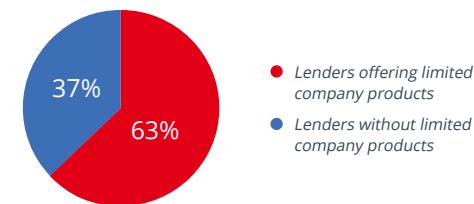
Term tracker rate pricing has, on the whole, followed the expected pattern for the first two months of 2022.

However, both product sets saw a sharp drop in March 22, contrary to what was expected given the swap rates.

The drop was an anomaly, contributed to by one lender, who, somewhat surprisingly, released a significant number of variable rate products during this month at a far lower rate than the rest of the market.

Historically, limited company borrowing has been more expensive, on average, than borrowing in the personal name. While limited company borrowing remains higher on average, the pricing gap between the two decreased in Q1 22 to its narrowest since our tracking began in 2016.

The popularity of limited company borrowing has risen significantly in the last few years, encouraging more lenders to lend in this way. 63% of lenders who offer both limited company and individual products now show no price difference.

**Lenders offering both limited company and individual products****Products available to limited companies by term**

Products	Q4 2021		Q1 2022	
	Number	Rate	Number	Rate
Variable	69	4.01%	65	3.94%
2 year fix	461	3.54%	479	3.55%
5 year fix	600	3.75%	689	3.76%
Total (weighted average)*	1130	3.68%	1233	3.69%

\* Not inclusive of 3, 7, 10 year fixed products.

**Limited Company Rates vs All BTL Rates**

# Swap Rates

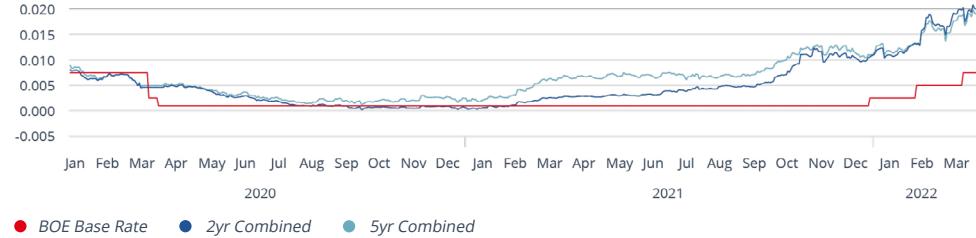
## Base Rate / 3m LIBOR / LIBOR SWAPS



## Base Rate / 3m SONIA / SONIA SWAPs



## SWAPs Combined\*



\* Vertical blue line indicates transition from LIBOR to SONIA.

## Bank Rate

The Bank of England bank rate stood at a record low of 0.10% until December 2021, when it was increased by 0.15% to 0.25%. In a bid to curb the rapid rise in inflation, the Bank of England raised the bank rate in quick succession, with a 0.25% increase in February and March, respectively, to end up on a 0.75% base rate. Further rises are expected in May, June and August 2022.

## Fees & Charges

Prior to covid, lender margins showed significant differences between the product LTV groupings. However, as previously mentioned, lender margins have become squeezed from both ends due to the ultra-competitive market and sharp increases in SWAP rates in 2022.

Interestingly, this has resulted in lender margins largely becoming aligned across all LTV groups, as lenders try to balance offering the best rates without products becoming unprofitable. This trend continued into Q1 22 and looks set to stay for the near future at least.

## Lender Margins



\* Source Mortgage Flow Database excluding product transfers.



## Lender Margins

### BTL Fixed-Rate Margins Over SWAPs Q4 2021 (LIBOR)

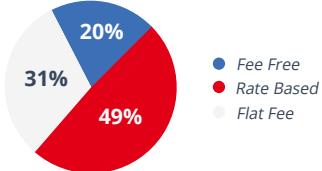
Term	High LTV	Mid LTV	Low LTV
5 years	3.09% (-0.65%)	2.20% (-0.51%)	1.67% (-0.47%)
2 years	2.99% (-0.76%)	2.01% (-0.63%)	1.51% (-0.55%)

### BTL Fixed-Rate Margins Over SWAPs Q1 2022 (SONIA)

Term	High LTV	Mid LTV	Low LTV
5 years	2.83% (-0.26%)	1.87% (-0.33%)	1.46% (-0.21%)
2 years	2.50% (-0.49%)	1.52% (-0.49%)	1.12% (-0.39%)

Fixed-rate margins over swaps have noticeably declined over the past two quarters. In Q4 2021, the squeeze on margin was due to the rapid increase in swap rates rather than lenders significantly changing their rates. In response to this, Q1 saw an increase in overall BTL product pricing, likely to try and ease the squeeze on the lender's bottom line. Although this slowed the margin decline in Q1 2022, it was not enough to reverse the trend as swap rates continued to rise significantly during the quarter.

## Lender Arrangement Fees



### Lender Arrangement Fee Splits

Lender arrangement fee preferences have remained relatively stagnant in the last 12 months, with the average flat fee remaining stable over the previous two quarters. The split of landlords choosing fee-free products, % fees, and fixed fee products has remained consistent since 2019. Before this, fee-free products were less available, but an equilibrium appears to have been reached, for now.

### Lender Arrangement Fees on BTL Mortgages

Fee Type	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Fee free	20%	21%	19%	20%
Rate based	47%	47%	47%	49%
Fixed fee	33%	32%	34%	31%
Average fixed fee	£1,617	£1,595	£1,587	£1,587

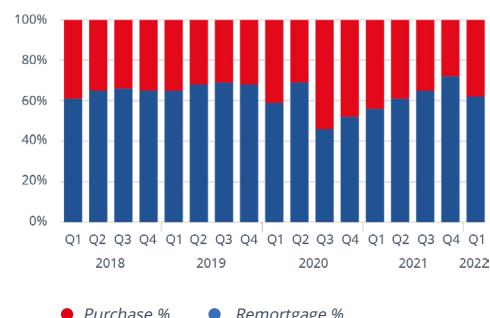
## Ltd Company BTL Transactions

### Q1 2022 Average BTL Loan Amounts

	Completed Applications	Submitted Applications
	Individuals	£204,895
Limited Companies	£223,113	£235,514

A variance will occur between the average loan amounts completed and submitted, as those completed may have been submitted in previous quarters. However, there was a significant difference between individual applications and completions (circa 10%) driven primarily by the number of individual applications for HMO and MFUB applications that failed to complete.

### Ratio of Purchase & Remortgage Applications, Individual & Limited Company



### Ratio of Purchase & Remortgage Applications, Limited Company only



\* Remortgage transactions include other lending types, including further advances, product transfers and equity release.

### Limited Company vs Personal Borrowing

Throughout the latter half of 2020 and 2021, the percentage of purchase applications decreased. This continued until Q1 2022, when the ratio started to swing back in favour of purchase application (by 10% to 38%), despite the macroeconomic background.

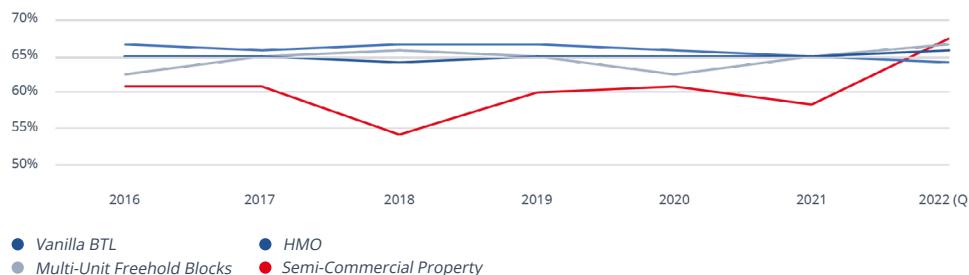
Originally, 2022 was predicted to see an increase in remortgages. However, we still may see the proportion swing back towards the end of 2022 as we reach the 5th anniversary of the PRA reducing the stress test on 5-year fixed products.

Limited company applications saw a similar pattern throughout the second half of 2020 and 2021. Q1 2022 also saw an increase in the proportion of purchases, rising to take the majority at 53%.



# Property Types

## Average Loan to Value



## Average Rental Yields



Trusty 'vanilla' BTL yields remain consistent in the mid 5% range over the years. The Q1 22 yield remained stable at 5.4%, indicating that rents kept up with the increase in property prices to maintain the yield.

HMOs currently and consistently produce the highest yields, although this has shown a slight decrease by 0.5% to 7.6% in Q1, continuing the downward trend from Q3 2020. Average HMO property values jumped significantly (32%) from Q4 21 to Q1 22, but average rents failed to keep up, despite an increase of 23%, impacting the average yield.

Multi-unit freehold blocks (MUFBs) and semi-commercial properties have traditionally shown greater fluctuation due to the smaller data set. However, MUFBs have consistently shown yields between 6% and 7% over the past three years, averaging 6.8% for the quarter.

Semi-commercial or mixed-use properties are not strictly BTL but have a residential element. Despite the fluctuations in average rental yield, mixed-use property yields remained level over the last three quarters.

## Vanilla Buy to Let

	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Purchases	41%	35%	29%	39%
Remortgages	59%	65%	71%	61%
Average rent	£1,496	£1,468	£1,528	£1,362
Average loan size	£214,558	£203,317	£215,364	£211,409
Average property value	£319,451	£299,684	£338,317	£305,451
Average loan to value	67%	68%	64%	69%
Average yield	5.62%	5.88%	5.42%	5.35%

## Houses in Multiple Occupation (HMO)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Purchases	33%	37%	22%	20%
Remortgages	67%	63%	78%	80%
Average rent	£2,332	£2,968	£2,853	£3,510
Average loan size	£213,831	£279,153	£282,487	£374,978
Average property value	£317,670	£407,440	£422,611	£556,350
Average loan to value	67%	69%	67%	67%
Average yield	8.81%	8.74%	8.10%	7.57%

## Multi-Unit Freehold Blocks (MUFBs)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Purchases	4%	35%	25%	72%
Remortgages	96%	65%	75%	28%
Average rent	£2,443	£4,274	£4,382	£4,660
Average loan size	£266,903	£535,963	£511,714	£575,228
Average property value	£396,192	£782,989	£857,768	£823,481
Average loan to value	67%	68%	60%	70%
Average yield	7.40%	6.55%	6.13%	6.79%

## Semi-Commercial Property (SCP)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Purchases	36%	27%	73%	70%
Remortgages	64%	73%	27%	30%
Average rent	£4,875	£3,007	£2,505	£2,898
Average loan size	£335,888	£349,695	£233,624	£405,083
Average property value	£719,545	£561,181	£344,727	£571,111
Average loan to value	47%	62%	68%	71%
Average yield	8.13%	6.43%	8.72%	6.09%



# Regional Rental Yields

## Q4 2021

Region	Average Price	Average Rent	Average Rent (p.a)	Rental Yield
London	£544,669.68	£1,918.46	£23,021.52	4.23%
South East	£330,610.76	£1,248.89	£14,986.67	4.53%
South West	£282,750.00	£1,614.75	£19,377.00	6.85%
West Midlands	£254,148.54	£970.77	£11,649.23	4.58%
East Midlands	£158,058.27	£720.68	£8,648.18	5.47%
North East	£195,152.78	£1,125.81	£13,509.78	6.92%
North West	£184,610.08	£1,002.54	£12,030.49	6.52%
Yorkshire and the Humber	£115,147.06	£701.94	£8,423.29	7.32%
Wales	£163,652.63	£972.13	£11,665.50	7.13%
Scotland	£129,911.76	£733.53	£8,802.35	6.78%

## Q1 2022

Region	Average Price	Average Rent	Average Rent (p.a)	Rental Yield
London	£511,657.00	£1,826.00	£21,914.00	4.30%
South East	£366,178.00	£1,861.00	£22,329.00	6.10%
South West	£318,182.00	£1,594.00	£19,124.00	6.00%
West Midlands	£268,712.00	£1,084.00	£13,014.00	4.80%
East Midlands	£286,747.00	£960.00	£11,523.00	4.00%
North East	£274,787.00	£1,551.00	£18,607.00	6.80%
North West	£186,254.00	£992.00	£11,898.00	6.40%
Yorkshire and the Humber	£156,889.00	£788.00	£9,460.00	6.00%
Wales	£148,300.00	£706.00	£8,471.00	5.70%
Scotland	£133,479.00	£653.00	£7,835.00	5.90%

### Property Values

Q1 2022 saw property value on applications dramatically increase in the East Midlands, with an 81% increase from Q4 2022 to an average of £286,747. The second-highest increase was in the North East, with a 41% improvement to £274,787. London and Wales were the only regions to decline in value, with a -6% and -9% respective reduction.

### Rental Income

The overall average rental value increased between Q4 2021 and Q1 2022. However, this is largely swayed by significant increases in the South East (49%), East Midlands (33%) and the North East (38%). London, the South West, the North West and Scotland all saw decreases, with Wales seeing the most significant reduction in rental value, losing on average £266 pcm (-27%).

### Yields

Unsurprisingly, the South East saw the biggest gains in average yields (34.7%), with significant increases in average rental income against a more moderate rise in average property price. Despite the healthy rental rises in the North East and East Midlands, average yields actually declined (-1.7% and -26.9% respectively) due to even more substantial increases in average property value.

# Jargon

## Applications

Full buy to let mortgage applications that have been submitted to the lender but not yet completed, i.e. in progress.

## Case Count

The number of buy to let mortgages transacted via Mortgages for Business, i.e. application and/or completion.

## Completions

Buy to let mortgage applications that have been formally offered and drawn down. This includes remortgages.

## Vanilla Buy to Let

These are standard buy to let transactions. Properties in this category tend to be normal 2-3 bed houses and 1-2 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 (HMO)

A house in multiple occupation (HMO) is a property that is rented out by at least 3 people who are not from 1 'household' (for example, a family), but share facilities such as the bathroom and kitchen.

## 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/Edwardian houses converted into flats.

## Semi-Commercial Property

Also known as mixed-use investments, as both names suggest these properties are made up of part commercial and part residential elements. Typically shops or offices with a flat/flats above.

## SWAP Rates\*

A swap rate is the rate of the fixed leg of a swap as determined by its particular market and the parties involved. In an interest rate swap, it is the fixed interest rate exchanged for a benchmark rate such as SONIA plus or minus a spread. It is also the exchange rate associated with the fixed portion of a currency swap.

Swap rates are applied to different types of swaps. An interest rate swap refers to the exchange of a floating interest rate for a fixed interest rate. A currency swap refers to the exchange of interest payments in one currency for those in another currency. In both types of transactions, the fixed element is referred to as the swap rate.

\* Source: Investopedia.

# About Mortgages for Business

## Finding the right mortgage for you

Established in 1990 by three men and a dog, Mortgages for Business is an award-winning, independent mortgage brokerage with an expert team of 50+. Specialising in complex buy to let, commercial, semi-commercial and homebuyer mortgages, and development and short-term finance, we help make property investors' plans a reality in every sector. With a head office just outside West Malling, Kent, and another in Wilmslow, Cheshire, our team covers England, Scotland and Wales.

Our specialist brokers have a combined experience of around 400 years! This depth of knowledge allows us to deal with the most complex property finance cases and guide our clients seamlessly through the process. Not only is this experience recognised by our clients but also our peers; we work with lenders to develop new products to suit the changing needs of property investors better.

Our clients benefit from a dedicated broker and client relationship manager providing a truly personal service; including independent advice, updates and expert guidance right through to completion and beyond. Over the years, we've designed our bespoke systems to ensure a smooth and efficient process for our clients, helping to take the stress out of purchasing and remortgaging property. We benefit from unique relationships with some of the most prominent specialist buy to let lenders, ensuring our clients receive the best service and mortgage solutions tailored to their individual property finance needs.

## Have a question? We're happy to help!

[enquiry@mortgagesforbusiness.co.uk](mailto:enquiry@mortgagesforbusiness.co.uk)  
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REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

