



## Complex Buy to Let Index Q1 2011

Launched in January, this new quarterly industry index reports on mortgage transactions for Houses in Multiple Occupation (HMO) and multi-unit freehold blocks (MUFB) compared to vanilla buy to let transactions.

The first index looked at our data for the whole of 2010. Now that we have fully changed the way we record transactions (to differentiate between HMOs and MUFBs), we will publish results quarterly based on transactions in the previous three months. The results for Q1 2011 are:

### Lenders and Products

Lenders and Products		
	Q1 2010	Q 2011
Av. No. products	142	298
Av. No. lenders	15	19

Encouragingly the number of buy to let products has more than doubled year-on-year creating greater choice for investors. Additionally four lenders have entered (or re-entered) the market: Paragon, Aldermore, Precise and Kensington.

### Purchases versus Remortgages

Purchases versus Remortgages Q1 2011		
	Purchase %	Remortgage %
Vanilla BTL	50%	50%
HMO	67%	33%
MUFB	41%	59%

### Vanilla Buy to Let

Vanilla Buy to Let			
	2009	2010	Q1 2011
Average loan size	£96,500	£120,250	£116,238
Average property value	£154,300	£190,000	£175,819
Average loan to value	60%	63%	66%
Average yield	4.70*	4.75%*	5.6%

*\*Source: There is no published data for these years. ARLA's last published figure was 4.66% in Q1 2008. We have estimated a slight year-on-year rise based on demand for rental properties continuing to outstrip supply. Going forward this information is recorded on our database.*

The slight reduction in loan size in Q1 2011 is offset by the increase in loan to value which now stands at 66 per cent. It is also interesting to note that the average property value has dropped by nearly £25,000 and while it cannot be determined as a downward trend, it does suggest a general easing of market conditions particularly as yields are definitely on the rise.



The proportion of purchases versus remortgages (see table below) is split evenly as we have seen many landlords remortgage to fund further property purchases.

## Houses in Multiple Occupation

Houses in Multiple Occupation (HMO)		
	2010	Q1 2011
<b>Average loan size</b>	£287,800	£317,907
<b>Average property value</b>	£469,000	£501,290
<b>Average loan to value (LTV)</b>	61%	63%
<b>Average yield</b>	8.7%	9.3%

A 10 per cent increase in loan size is offset somewhat by the higher property value; the adjusted increase is approximately four per cent and is also reflected in an increased yield supporting a marginally higher level of debt at 63 per cent loan to value. Interestingly the number of purchases versus remortgages is substantially higher at 67 per cent. This could be for a variety of reasons such as an increase in finance options; more properties being classified as HMOs; or more HMOs coming onto the market as some landlords look to offload increasingly regulated properties. In the next quarter we will also start to report on the number of room per HMO.

## Multi-Unit Freehold Blocks (MUFB)

Multi-unit Freehold Blocks (MUFB)		
	2010	Q1 2011
<b>Average loan size</b>	£470,900	£527,902
<b>Average property value</b>	£828,050	£932,148
<b>Average loan to value (LTV)</b>	57%	56%
<b>Average yield</b>	5.3%	7.4%

While loan amounts and property values have increased, the average loan to value has decreased slightly. However, yields are much more where we would expect them to be - up 2.1% since last year. Interestingly 59% of transactions were remortgages which lends weight to anecdotal evidence that some banks are looking to offload their non-core property exposure, by insisting that some investors look elsewhere for funding. In the next quarter we will also report on the number of flats within each freehold block.

## More information

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