



## Complex Buy to Let Index Q4 2013

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 2013	Q2 2013	Q3 2013	Q4 2013
Average no. products	434	465	458	521
No. of lenders	27	27	27	27

Purchases versus Remortgages								
	Q1 2013		Q2 2013		Q3 2013		Q4 2013	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	31%	69%	35%	65%	38%	62%	47%	53%
HMO	31%	69%	16%	84%	23%	77%	29%	71%
MUFB	25%	75%	12%	88%	30%	70%	31%	69%
SCP	54%	46%	10%	90%	75%	25%	21%	79%

Vanilla Buy to Let				
	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Average loan size	£169,481	£175,800	£168,862	£196,993
Average property value	£260,278	£273,914	£260,758	£313,035
Average loan to value	69%	68%	68%	68%
Average yield	6.4%	6.1%	6.3%	5.9%

Houses in Multiple Occupation (HMO)				
	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Average loan size	£192,044	£222,745	£216,457	£214,440
Average property value	£278,356	£325,613	£306,706	£309,035
Average loan to value	72%	71%	71%	70%
Average yield	10.5%	9.5%	11.8%	10.4%

Multi-unit Freehold Blocks (MUFB)				
	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Average loan size	£575,340	£347,089	£213,041	£413,675
Average property value	£852,069	£544,312	£326,403	£631,741
Average loan to value	66%	66%	62%	68%
Average yield	7.7%	6.4%	7.6%	6.8%

Semi-Commercial Property (SCP)				
	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Average loan size	£222,269	£741,356	£355,875	£1,037,390
Average property value	£424,419	£1,092,857	£541,250	£1,981,000
Average loan to value	59%	65%	66%	53%
Average yield	8.2%	11.4%	9.8%	4.8%



## **Robust year for buy to let properties**

### **Lenders and Products**

No new lenders entered the market whilst the average number of buy to let mortgage products increased by 37. This is the highest quarterly increase we have seen all year and also took the average number of products to a yearly high of 521. This is very good news as it not only offers more choice but also shows that the market is continuing to gather pace.

### **Purchases versus Remortgages**

Remortgages were definitely the winner in 2013 due to three main reasons: 1. Landlords remortgaging to raise finance to make further purchases; 2. Effects of the Government's Funding for Lending Scheme; 3. The likes of RBS and the Irish banks forcing borrowers to refinance elsewhere in order to reduce their exposure to risk on property. Remortgages outstripped purchases in Q4 for vanilla, HMO and MUFB property, just as they had for the preceding three quarters.

However, purchases did actually gain ground in this quarter and increased market-share in vanilla, HMO and MUFB property. This suggests that the remortgaging by landlords to release equity for further purchases is starting to take hold. We have also seen large numbers of new investors entering the buy to let space.

Semi-commercial property continues to be the only property type that has proved difficult to forecast due to smaller business volumes creating wider variances in data. In Q4 we processed a preponderance of high-value remortgages which was almost the mirror image of the previous quarter.

### **Vanilla Buy to Let**

For the second quarter in a row, the average property value and loan amount for vanilla buy to lets increased which may reflect recent industry data that house prices are, once again, on the rise. However, the average LTV remains flat. Average yields fell below 6% for the first time since Q2 2011. This is most likely due to the recent rise in house prices, static average LTVs and rents levelling off.

### **HMOs**

Average property values, loan amounts and LTVs remained broadly static and although yields dropped by 1.4% in Q4, the average HMO gross yield in 2014 was 10.6% - still a strong performance north of the 10% mark bring the year to a solid end.

### **MUFBs**

Average property value and loan amount almost doubled in size. Encouragingly the average the LTV increased to 68% and although the yield dropped slightly, the average for the year was a healthy 7.1%.



### **Semi-Commercial Property**

As discussed earlier, data for semi-commercial property is skewed due to the small volume of transactions in the quarter. In Q4, the majority of transactions were for higher value, lower yielding properties in London and the South East which have stronger capital growth potential than similar properties in less affluent areas of the country. Having said that, at 8.6% the average yield on SCPs for the year was still higher than for vanilla buy to lets and multi-unit property.

### **Jargon Buster**

#### **Vanilla Buy to Let**

These are standard buy to let transactions. Properties in this category tend to be normal 2-3 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 of offices with flat above.

#### **For more information**

To view previous results visit: [Complex Buy to Let Index](#)

Jenny Barrett, Head of Marketing

Tel: 01732 471 615

Email: [jennyb@mortgagesforbusiness.co.uk](mailto:jennyb@mortgagesforbusiness.co.uk)

[www.mortgagesforbusiness.co.uk](http://www.mortgagesforbusiness.co.uk)