

## Complex Buy to Let Index Q2 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				
	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Average no. products	926	963	1105	1,180
No. of lenders	33	33	33	33

Purchases versus Remortgages								
	Q3 2015		Q4 2015		Q1 2016		Q2 2016	
	Purchase	Remo	Purchase	Remo	Purchase	Remo	Purchase	Remo
Vanilla	34%	66%	38%	62%	41%	59%	38%	62%
HMO	28%	72%	24%	76%	56%	44%	47%	53%
MUFB	11%	89%	17%	93%	36%	64%	19%	81%
SCP	100%	-	33%	67%	10%	90%	15%	85%

Vanilla Buy to Let				
	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Average loan size	£197,717	£220,918	£216,339	£250,759
Average property value	£318,898	£331,989	£332,482	£364,409
Average loan to value	63%	68%	67%	69%
Average yield	5.0%	6.0%	5.8%	5.8%

Houses in Multiple Occupation (HMO)				
	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Average loan size	£217,498	£232,924	£146,887	£190,497
Average property value	£309,458	£347,503	£238,728	£252,471
Average loan to value	70%	70%	62%	75%
Average yield	9.0%	9.1%	10.2%	10.5%

Multi-unit Freehold Blocks (MUFB)				
	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Average loan size	£418,874	£228,837	£285,951	£195,164
Average property value	£660,877	£336,577	£424,038	£346,180
Average loan to value	69%	71%	67%	56%
Average yield	6.1%	7.9%	7.8%	9.5%

Semi-Commercial Property (SCP)				
	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Average loan size	N/A	£477,000	£624,062	£458,285
Average property value	N/A	£760,000	£1,041,250	£760,714
Average loan to value	N/A	66%	62%	60%
Average yield	N/A	7.7%	8.1%	5.2%

## A strong quarter for HMOs and multi-units

### Lenders and Products

The average number of lenders operating in the buy to let sector remains at 33, although product numbers increased by 75 due in part to some lenders creating separate products with differing stress test calculations for individual and limited company borrowers.

### Purchases versus Remortgages

The longstanding trend for remortgages outstripping purchase continued into the second quarter of 2016 as investors took advantage of low interest rates. Purchases in Q1 had risen due to investors wanting to get their cases over the line before the SDLT increase, but Q2 saw this fall back to a similar level as previous quarters.

### Vanilla Buy to Let

Average property prices and loan amounts rose in Q2, hitting the highest figures recorded since the index began in Q1 2011. However, although the loan to value increased to 69%, LTVs have remained relatively steady over the last five years, at an average of 67%. Similarly, gross yield are holding steady at 5.8% compared to the five year average of 6.1%.

### Houses in Multiple Occupation

For the second consecutive quarter, the spread between purchases and remortgages of HMOs remains much more evenly distributed compared other types of property. We continue to see a strong number of investors financing properties outside of London and the South East. This has kept average property values in check despite LTVs increasing to an all-time average high of 75% suggesting that investors are keen to stretch borrowing on this asset class due to the consistently high returns on offer. In this regard, average gross yields increased slightly to a very healthy 10.5% in Q2. This compares well with the five year average of 9.9%.

### MUFBS

Average loan sizes and property values dropped quarter on quarter. This is due to a larger number of transactions for smaller multi-unit properties situated outside of the South East. The average LTV also fell to just 56%, way below the five year average of 64%. Despite this, average yields grew to a very positive 9.5%, well above the five year average of 7.4% demonstrating that landlords can often achieve greater yields by taking on more complex property types.

### Semi-Commercial Property

Semi-commercial property performed less well than in the previous quarter, with average loan sizes and yields both down well compared to Q1. However, looking at transactions over the last four years (since tracking of this property type commenced) we can see performance is regularly much more inclined to wider variation in this asset class than the others. Going

forward, it will be interesting to see whether any trends develop as more investors are expected move into this arena.

## 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](#)

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