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## **HMOs produce highest BTL yields in 2017**

- **HMO yields average at 8.9%**
- **Landlords opt for cheaper vanilla property**
- **444% increase in BTL mortgage products**

HMOs produced average yields of 8.9% in 2017, the highest of all buy to let property types according to the latest *Complex Buy to Let Index* published today by Mortgages for Business. This is the first time that yields for this type of property have dipped below 9% since the index was launched in 2011.

Commenting on the findings, Jeni Browne, Sales Director at Mortgages for Business said:

*“The attractiveness of HMOs as a buy to let investment has increased in recent years not only because of the higher yields on offer but because serious investors are keener to diversify their portfolios. With more landlords vying for these properties, prices have been pushed up more quickly than the rents which, I would suggest, is one of the main reasons we are seeing their yields drop, although, I suspect that the granting of fewer new HMO licences is also having an impact.”*

Multi-units, such as blocks of flats, came a close second in 2017 generating yields of 8.1% compared to 8.3% the year before. By comparison vanilla properties produced, lower yet more consistent yields averaging 5.6% in 2017.

The average value of a vanilla buy to let property in 2017 was £305,283, a 19% decrease on the average in 2016 (£375,409). These results suggest that landlords are seeking lower value properties and, anecdotally, we hear that they have been looking further north for their acquisitions where prices are cheaper. The benefits of this strategy include less stamp duty, future capital growth, and scope for rental increases which thus allow for slightly higher yields. Jeni Browne added.

*“Savvy landlords like to have a good mix of properties. They like the consistency of vanilla BTLs and the higher returns of more complex property types. Although lower than previously, 8.9% is still an excellent return for HMOs, not only when compared to vanilla buy to lets but also other, non-property assets.”*

Whilst there was no change in the number of lenders operating in the sector in Q4 2017, product numbers continued to rise. In fact, there has been a 444% increase in buy to let mortgage products since the index was launched in 2011, a rise resulting from lenders responding to the growing popularity of buy to let by offering a seemingly ever-expanding range of products to suit a variety of properties and borrowing requirements.

Commenting specifically on product numbers, Jeni Browne said:

*“Looking forward, it is widely anticipated that buy to let lending will contract this year in response to the tax and regulatory measures being imposed on the sector. As such, I would expect product numbers to peak in Q1 2018 and we have already seen some lenders trimming their ranges, leaving a core of great products which have been designed to reflect the changing needs of landlords.”*

The index can be found [on the Mortgages for Business website](#).

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#### **About Mortgages for Business**

Mortgages for Business is an independent UK mortgage broker with whole of market access, specialising in buy to let, complex residential and commercial mortgages. It also brokers short term and property development finance.

Sourcing finance for thousands of UK property investors, businesses and home-buyers, Mortgages for Business has access to market leading rates and products. It is a founding member of the National Association of Commercial Finance Brokers and is regulated by the FCA. Mortgages for Business is currently the only UK broker to have been awarded NACFB Fellowship Status for excellence in business practices and customer service.

Every year for many years, Mortgages for Business has won numerous industry awards for excellence. In 2017 titles included Best Mortgage Adviser at the Personal Finance Awards, Best Specialist Mortgage Adviser at the What Mortgage Awards and Buy to Let Mortgage Broker of the Year at the Business Moneyfacts Awards (6th year running).

**For further information contact: Jenny Barrett, Marketing & Research Director**  
T: 01732 471615 | E: [jennyb@mortgagesforbusiness.co.uk](mailto:jennyb@mortgagesforbusiness.co.uk)