



Mortgage Monitor

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January 2016

Buy-to-let growth boosts lending market

- **A surge in buy-to-let lending ahead of April's tax changes means January sees 85,432 house purchase approvals, up 20.6% from 70,837 house purchase approvals in December**
- **Total house purchase approvals reach highest levels for nine years, alongside an annual increase of 39.3% – up from 61,341 in January 2015**
- **First-time buyers have a positive January – as number of small-deposit loans granted reaches 12,388, increasing from 11,546 the previous month**

As pressure mounts on the private rented sector ahead of tax changes set to be introduced in April, a growth in buy-to-let mortgage approvals has taken home lending to its highest peak in nine years, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

January saw 85,432 house purchase approvals – up 20.6% month-on-month from 70,837 in December 2015. This substantial monthly rise has been fuelled by an increase in buy-to-let investors, looking to beat upcoming legislative changes this April. It meant January saw the highest number of monthly house purchase approvals since 87,594 in October 2007 – nearly nine years ago.

On an annual basis, house purchase lending has risen 39.3% from 61,341 approved loans in January 2015. After a consistent run of annual increases, this yearly spike in house purchase lending signals the short-term impact of a surge in buy-to-let borrowing amid the wider strength of the lending market.

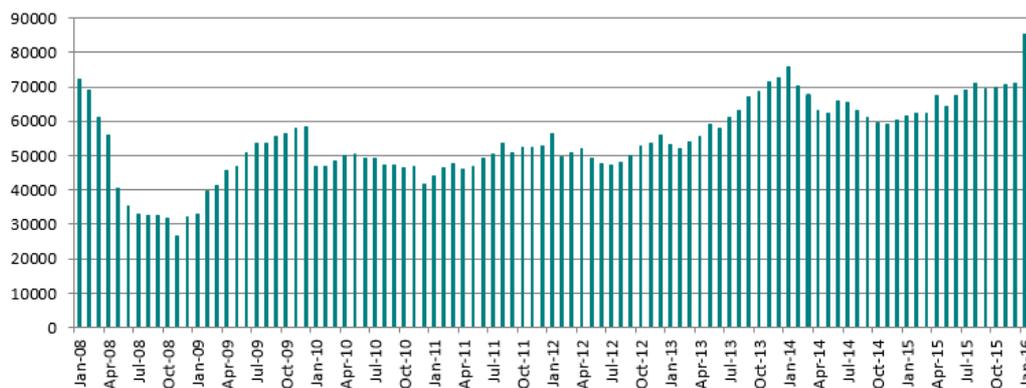
Richard Sexton, director of e.surv chartered surveyors, comments: *“Buy-to-let approvals contributed to the growth in January home lending. Concerns about the sector's growth have sparked a wave of legislation but as stamp duty changes come into effect this April, there's been a rush to get buy-to-let loans approved. Many have predicted a narrowing of the buy-to-let sector but actually what we're seeing in lending quarters appears to be the opposite.*

“This buy-to-let rise also hasn't been at the expense of first-time buyers. The number of small-deposit loans granted has risen in January, and this is a great sign that lenders still have the appetite to give first-timers a chance. Rising wages and a delayed interest rate rise have also boosted first-timer's prospects.

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“For those investing in a second property it’s also a race to beat April’s legislation – adding an extra boost to overall house purchase approval levels.”

**Loans for house purchase since January 2008
(seasonally adjusted)**



Small-deposit lending lags in the run-up to the end of the year

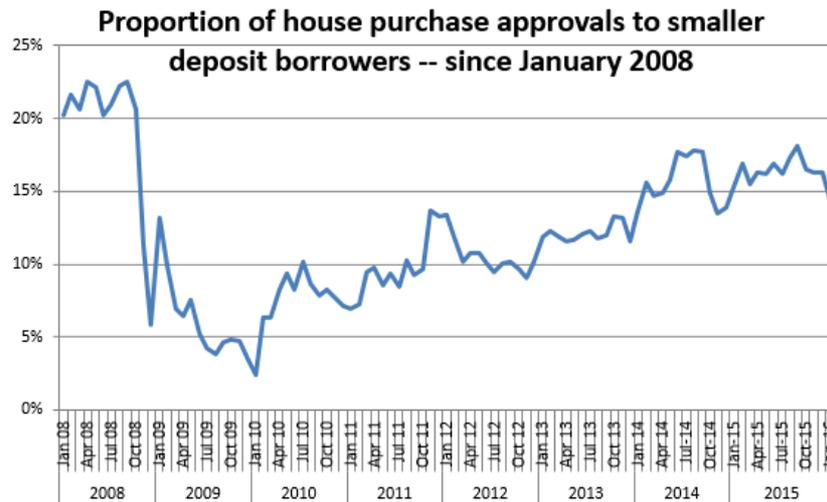
Small deposit lending (to buyers with a deposit worth 15% or less of their properties’ total value) increased in January to total 12,388 loan approvals in absolute terms, climbing from December’s total of 11,546. On an annual basis, this increase was even more significant, climbing substantially from the 9,385 small-deposit loans granted in January 2015.

Although January saw a numerical increase in the number of small-deposit loans granted this may not necessarily translate to increasing sales. The latest First Time Buyer Tracker from Your Move and Reeds Rains reveals that December 2015 saw 26,600 first-time buyer sales, down 4.7% monthly from 27,900 in November. This slight dip came amid a lower average deposit cost standing at £25,292 in December, down from £25,409 in November.

Alongside this, the proportion of total lending comprised by small-deposit approvals in January decreased to 14.5%. This fell from the 16.3% seen across both November and December 2015 – and formed the lowest proportion seen since 13.9% in December 2014.

Richard Sexton, a director of e.surv chartered surveyors, comments: *“A buy-to-let surge has pushed down the proportion of small-deposit lending – but this figure conceals a more realistic and upbeat picture. In fact, January has been a positive month for small-deposit borrowers – the number of loans approved have reached their highest total for four months, since September 2015. And so the slowdown in small-deposit lending seen towards the end of 2015 hasn’t continued into 2016 so far.”*

“For first-time buyers, prospects are looking bright. Government initiatives introduced to help first-timers onto the property ladder appear to be working. According to the Treasury, large numbers of aspiring homeowners have taken advantage of the Help to Buy ISA, and this is an incredibly promising start.¹ Challenges do remain, supply issues are ongoing and the promise of starter homes may take longer to be realised, but for first-time buyers, lenders remain willing to support credit-worthy borrowers.”



Regional snapshot: Scotland defies the trend to see a proportional increase in small-deposit lending

Scotland was able to withstand widespread falls in the proportion of small-deposit lending throughout January – managing to record a six percentage point increase. As the only part of the UK operating a separate property tax system, it seems Scotland has avoided a buy-to-let surge – despite planning the same stamp duty surcharges as the rest of the UK and to the same timetable. Buy-to-let is also less significant in Scotland. The latest ONS figures reveal that, as of 2012, the private rented sector in Scotland comprised 15% of the housing market, while in England it equated to 19% – perhaps explaining why looming legislative changes to the buy-to-let sector have not had the same impact on the mix of lending in Scotland.

Region	Proportion of small-deposit loans (January 2016)	Proportion of small-deposit loans (December 2015)
Northwest	25%	26%
Yorkshire	24%	26%
Northern Ireland	22%	23%
Midlands	20%	21%
Scotland	17%	11%
UK Average	15%	16%
Eastern England	13%	15%
South/South Wales	12%	15%
South East	10%	11%
London	6%	7%

¹ <http://bit.ly/1R5pDLF>

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The Northwest overtook the Midlands as the region with the highest proportion of small-deposit lending – with a quarter (25%) of all house purchase approval lending to borrowers with small deposits. Yorkshire saw a 2% drop, from 26% of all lending made up of small-deposit loans falling to 24%. Although both regions saw marginal falls, the North continues to be a heartland for small-deposit borrowing – and therefore first-time buyers. The UK average also fell by 1% between December and January, with London continuing to see the lowest proportion of lending to small-deposit borrowers (6%).

LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
August	70,933	+2.9%	+12.7%
September	69,212	-2.4%	+13.3%
October	69,933	+1.0%	+17.7%
November	70,424	+0.7%	+18.8%
December	70,837	+0.6%	+17.5%
January	85,432	+20.6%	+39.3%

– ENDS –

Notes to Editors

Methodology

e.surv analyses detailed data on over one million mortgage valuations the firm carried out between August 2006 and today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers for the whole of the UK, weeks before the BBA, CML and Bank of England.

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About e.surv

e.surv is one of the UK's largest valuation providers, directly employing surveyors across the UK, supported by a network of consultant valuers. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property. The business also provides a number of private survey products direct to the home-buying public. e.surv is a subsidiary of LSL Property Services plc. For further information, see www.lslps.co.uk.

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