



Mortgage Monitor

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February 2016

Buy-to-let deadlines fuel February lending

- **February sees 72,799 house purchase approvals – the second highest monthly total since January 2014, as buy-to-let investors race to meet April deadline**
- **On an annual basis, house purchase approvals rise 17.4% in February, from 62,007 in February 2015**
- **First-time buyers also enjoy upbeat February – as proportion of small-deposit lending climbs to 15.7%, totalling 11,429 loan approvals granted**

February has seen a further buy-to-let burst, powered by the upcoming EU Mortgage Credit Directive (MCD) and looming stamp duty surcharge, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

Overall house purchase approvals (seasonally adjusted) in February totalled 72,799, forming the second highest total since January 2014, which saw 75,691 loan approvals. February's total also easily beat the average 71,173 approvals seen across the previous six months, in spite of a monthly 2.4% drop from 74,581 granted in January 2016.

Fuelling this strong borrowing trend is not only April's stamp duty hike but also the EU mortgage credit directive which will come into force by the end of March – set to bring new parameters for buy-to-let borrowing. Among these will be tougher mortgage application rules, a more arduous application process and harsher means testing for consumer landlords.

House purchase lending has risen 17.4% annually from 62,007 loans granted in February 2015, following the consistently high annual increases seen across the previous six month period. Behind these increases, first-time buyer momentum is also having an impact, with strong small-deposit lending throughout the opening months of 2016.

Richard Sexton, director of e.surv chartered surveyors, comments: *"The clock is ticking for buy-to-let investors. Over the next couple of months, stamp duty and the MCD could both make their mark. February lending reflected this powering last month's overall strong performance – for both buy-to-let and first-timers.*

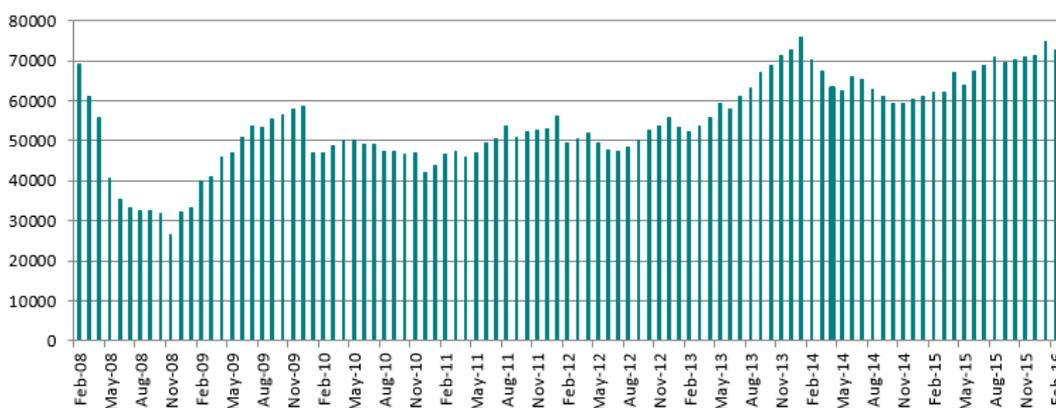
"For buy-to-let investors, the race really has been on to beat both pieces of legislation. Some concerns about these changes are overly pessimistic. Before the implementation of last year's new MMR rules, uncertainty was rife among both borrowers and lenders but the reality wasn't as dramatic as predicted by many. MMR actually brought

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in positive changes for the industry and further regulation has the potential to do the same.

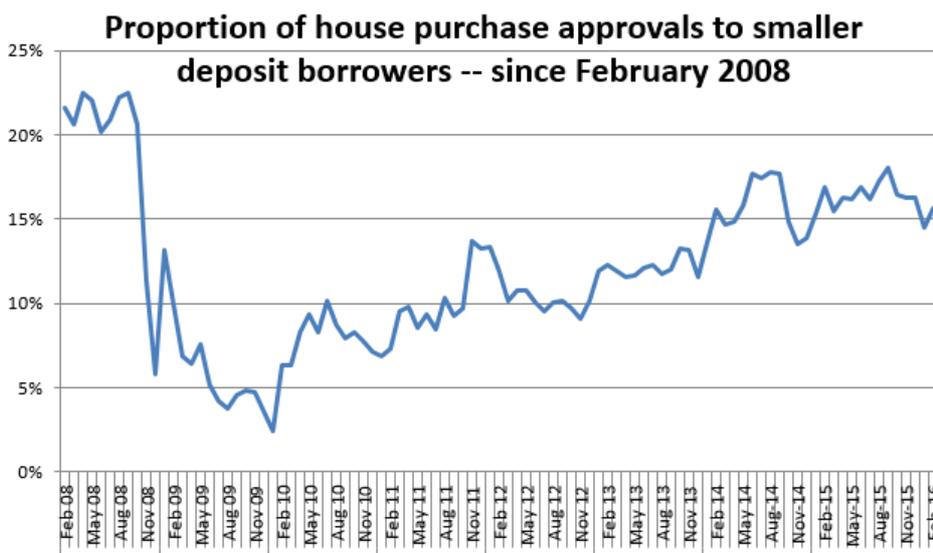
“For first-time buyers too, February has been a promising month. With both the proportion of small-deposit lending, and the actual number of loans granted rising, first-timers are taking advantage of some of the great deals on offer and the extra government support available, including Help to Buy ISAs. However, there’s work to be done to make sure that the current momentum in first-time buyer lending doesn’t wane as we get further through the year.”

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



Small-deposit lending leaps in February

February saw a numerical increase in small-deposit lending (to buyers with a deposit worth 15% or less of their properties’ total value), with 11,429 of such loans granted approval, 5.7% higher compared to 10,814 the month



before – and 9.1% up on 10,479 a year ago.

Alongside this absolute terms increase, the proportion of small-deposit lending also increased, as small-deposit borrowing accounted for 15.7% of overall house purchase loans granted – up from 14.5% the previous month.

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However, this proportion continues to lag behind the 16.3% seen across the last couple of months of 2015, as a proportional rise in buy-to-let lending makes its mark.

Although small-deposit borrowing rose in February, completed first-time buyer sales fell 4.8% month-on-month, the latest First Time Buyer Barometer from Your Move and Reeds Rains revealed, to 27,900 purchases in January. December in contrast saw 29,300 first-timer transactions. This slowdown in sales comes largely as a result of ongoing supply issues and rising deposit costs and house prices but in spite of these, annually house purchase lending rose 38.8% compared to January 2015.

Richard Sexton, a director of e.surv chartered surveyors, comments: "First-time buyers look set to enjoy an early spring, with small-deposit lending bouncing back from a January dip. The proportion of small-deposit lending has risen this month, as have the number of loans granted. This is great news but also raises some serious questions of the housing market. Demand is sustained and there do not appear any factors on the horizon that may diminish it.

"Building new homes is one answer, but it can't solve the UK's supply issues on its own. Things need to get moving again – the rhythm of moving and selling, upsizing and downsizing needs to be maintained, and encouraged. There's a danger that legislative changes, such as stamp duty, are potentially putting people off and slowing down property movements. With fewer homes on the market, it's not necessarily an easy road ahead but lending levels are encouraging. Lenders are doing their bit to support first-timers and now is the time for action to confront the supply side."

Regional snapshot: Northern Ireland jumps ahead with more small-deposit lending

Northern Ireland jumped ahead of the rest of the UK in terms of the proportion of small-deposit lending in February – which stood at 29% for the month. This was up 7 percentage points from the 22% that small-deposit borrowing represented in January – and a move upwards from its third place standing the previous month. Across the rest of the UK, it was a mixed picture, with most regions seeing the same 1 percentage point rise as the UK average – which climbed from 15% to 16% across January and February.

Region	Proportion of small-deposit loans (February 2016)	Proportion of small-deposit loans (January 2016)
Northern Ireland	29%	22%
Yorkshire	25%	24%
Northwest	24%	25%
Scotland	22%	17%
Midlands	19%	20%
UK Average	16%	15%
Eastern England	14%	13%
South/South Wales	13%	12%
South East	13%	10%
London	6%	6%

Southern regions appear to be struggling to make progress and increase small-deposit lending proportions. Eastern England saw just a 1 percentage point rise in February, from 13% up to 14%. Likewise, just 13% of overall house purchase lending in the South and South Wales was to small-deposit borrowers – rising 1 percentage point from January. London was the only region across the UK where proportional small-deposit lending remained static, while

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the Midlands and the Northwest saw falls of 1 percentage point.

LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
September	69,303	-2.3%	+13.4%
October	70,127	+1.2%	+18.0%
November	70,725	+0.9%	+19.3%
December	71,335	+0.9%	+18.3%
January	74,581	+4.6%	+21.9%
February	72,799	-2.4%	+17.4%

– 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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