Buy to let range

Helping the unconventional with buy-to-let

Example scenarios

octopus real estate

A brighter way

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Buy-to-let range

Specialised solutions

Our buy-to-let product is focused on solutions for more unconventional cases. Borrowers include portfolio landlords, first-time buyers, foreign nationals, expats, and investors in semi-commercial properties.

We're a specialist lender and these are specialist products, that can combine several borrower complexities in one simple product. The process is streamlined, making it more convenient for introducers to work with us.

Deferred interest

The interest rate charged on our products reflects the risk and increased complexity of the loan. That includes more extensive underwriting, while still maintaining fast turnaround times. Therefore, we have designed the product in a way which allows the customer to defer some of the interest until redemption. This means that we keep monthly costs as low as possible, freeing up cash flow for our customers.

Get **indicative terms** by filling in a quick enquiry, we will aim to respond within 4 hours.

Submit a quick enquiry

For an **agreement in principle** submit a full enquiry. Our credit team will review and aim to respond within 24 hours.

Submit an individual application

or a company application

About Octopus Real Estate

Octopus Real Estate is a leading specialist real estate investor, with a team of 90 professionals. We provide award-winning finance for UK property investment and development.

We have over £2 billion under management on behalf of institutional and retail investors, with a focus on the property lending and healthcare sectors.

The property lending team provides bespoke, customer focused financing solutions across the residential, commercial and development sectors. The team has lent more than £5 billion across over 3,800 loans, providing competitively priced financing throughout the UK and spanning the property investment lifecycle, with loans typically ranging from £100,000 to £50 million.

The healthcare team manages over £1 billion of investments, with a focus on care homes and retirement communities – sectors requiring significant investment given the UK's ageing population. The team also creates strategic partnerships with leading healthcare operators, to deliver exceptional healthcare facilities you'd choose for your loved ones.

Client scenarios

Helping foreign nationals obtain finance

Scenario

Arun is a client from Singapore, who already owns one investment property in the UK. Having purchased a new-build property off plan, he had planned to sell at a profit after the value had risen. However, since the purchase was agreed, the value hasn't increased enough, due to various outside factors.

Arun has now switched his strategy. He intends to hold the property as a buy-to-let investment for two years and then re-evaluate the situation. He originally paid a 20% deposit against the purchase price of £600,000. Held in Arun's personal name, the property is currently generating an annual rental income of £23,820.

Our solution

As Arun is already the owner of a UK investment property, he meets the criteria and has opted for the 5.49% product. This is fixed for two years at the pay rate of 4.99% with 0.5% interest deferred until redemption.

It's up to Arun to opt to defer interest, but it's an option worth considering. In some cases deferring interest enables us to lend more, as we stress test on the pay rate at 125% Interest Coverage Ratio (ICR).

We're well aware of the difficulties foreign nationals can face when looking for a buy-to-let mortgage in the UK. As a specialist, taking a case-by-case approach to underwriting, we're able to offer flexible finance. This applies to foreign nationals living in another country, or those residing in the UK on a VISA or on a temporary basis.

Property value	£600,000
Monthly rental income	£1,985
Loan amount	**£381,883**
Rate	4.99% fixed for two years + 0.5% deferred until redemption*
LTV	64%
Arrangement fee	1.5%

***It is highly important that clients understand that deferred interest is collected on redemption at the end of the term.**

Buy to Let - Developer exit

Scenario

Meet Harry and Jess, developers and landlords. They have recently completed a new development of 8 houses in a residential area on the outskirts of Derby.

They used development finance to build the houses and have successfully sold 4 at asking price.

Their development model has always been to sell half and hold the other half for investment.

In this scenario they are seeking a loan of 60% on the remaining 4 houses with a 2 year fixed rate. They will repay in full the outstanding development finance and capital raise to release additional funds to put towards their next project.

The houses have a value of £400,000 each and rent for £23,400 p/a each.

Our solution

As Harry and Jess are experienced landlords and are re-financing four properties, we can offer them a loan at 5.49% fixed for two years, with 0.5% deferred until redemption.*

At Octopus we are comfortable lending across multiple assets on one facility and allowing borrowers to raise funds for onward developments.

Developers that decide to hold some of their new properties for rental can sometimes find it difficult to find lenders who can understand the transaction. Some developers may decide to put the properties they are holding into a different company which can add a complexity, or they may wish to extract some of the capital they have created which are scenarios that Octopus can understand.

Property value	£1,600,000
Monthly rental income	£7,800
Loan amount	**£960,000**
Rate	5.49% fixed for two years with 0.5% deferred until redemption*
LTV	60%
Arrangement fee	1.5%

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Helping first time buyers become buy-to-let landlords

Scenario

James is a young professional working in financial services. He lives with his partner in rented accommodation in London. The two hope to own their own home one day, but at this stage London prices are out of reach. However, with disposable income and an annual bonus, James is in a position to look at other options.

James already knows that there is a good market outside London, for example in Manchester, for houses of multiple occupation (HMOs). He can see that this kind of investment would be a first step on the property ladder. It will also provide a healthy return.

James does his homework, including going to property networking events. This brings him an opportunity to buy a five-bedroom HMO property near Manchester. It will be let to professionals; the rental income is set to produce a healthy yield and he can use a local lettings agent to manage the property for him.

Our solution

We're pleased to be able to lend to first-time buyers. And we do it knowing that there is always more risk while first timers gain experience. But as specialists in unconventional cases, we consider each case on its own individual merits.

In this scenario James has enough additional income to cover any potential voids in lettings. He is also buying a high quality property in an area with a track record of demand for HMOs. In view of these positive factors, we can offer him a loan at 5.99% fixed for five years.

Many clients aspire to become buy-to-let landlords. However, for first-time buyers it can be challenging to get their foot on the ladder. In the current market first timers may also look for less conventional buy-to-let properties, as they seek out the best returns, whether from an HMO or a property in a different location to where they live. This can further reduce the options available. However, we welcome applications from those launching property careers, with no requirements around experience or limitations on property type.

Property value	£205,000
Monthly rental income	£1,674
Loan amount	**£143,500**
Rate	5.99% fixed for five years
LTV	70%
Arrangement fee	1.5%

Supporting investment in semi-commercial assets

Scenario

Claire is an experienced landlord who already owns several residential buy-to-let properties. She has recently been looking at adding to her portfolio. Having factored in stamp duty costs, she doesn't feel that adding another completely residential buy-to-let property is the best way to use funds.

Claire has instead been looking into semi-commercial, and a local property has become available within walking distance of the high street. It has an estate agent on the ground floor, with separate access to two flats above and a commercial lease for a further five years. The property is near a train station, which in Claire's view makes it a great position for the estate agent as well as for tenants who commute. Although Claire has never owned a commercial property before, she is convinced that this will be a strong addition to her portfolio.

Our solution

We're happy to be able to lend to landlords looking at alternative strategies for their portfolios. And we do things differently from mainstream lenders that may offer mortgages on mixed-use properties, but with a raft of additional criteria.

In contrast, we work to make the lending process as quick and efficient as possible. Here, as Claire is already an experienced landlord, we can offer her a loan at 5.49% fixed for three years. The pay rate would be 4.99% with Claire opting to defer 0.5% of the interest until redemption.

Ever since the introduction of the surcharge in stamp duty on residential assets, coupled with the introduction of Section 24 mortgage-interest tax relief, semi-commercial assets have been steadily growing in popularity. With different tax treatments, and multiple income streams, landlords are looking at ways to diversify their portfolios in order to generate the best returns possible. To help, we offer lending to support the expansion of multi-asset portfolios that include semi-commercial properties.

Property value	£380,000
Monthly rental income	£2,123
Loan amount	**£266,000**
Rate	4.99% fixed for three years + 0.5% deferred until redemption*
LTV	70%
Arrangement fee	1.5%

***It is highly important that clients understand that deferred interest is collected on redemption at the end of the term.**

Helping expats fund properties in the UK

Scenario

Bob, who works for a global hedge fund in the City, has been asked to head up its new office in Malaysia. His contract will see him working abroad for the next five years. When he returns to the UK he aims to continue growing his property portfolio.

Bob owns his home along with four rental properties that he has been letting out for four years. On advice from his accountant, Bob has decided to buy more, but through a new Special Purpose Vehicle (SPV) limited company. Bob has recently seen a multi-unit freehold, consisting of four one-bedroom flats, that he thinks would be an ideal purchase. He plans to buy and has a 25% deposit of £112,500.

Our solution

While Bob might fall outside other lenders' criteria as an expat, we're focused on the fact that he has a UK profile. He is also an experienced landlord who already owns several properties. And we can accommodate his intended purchase through our unrestricted approach to assets. This includes lending tailored specifically to multi-unit freehold blocks (MUFBs).

We're able to offer Bob a loan at 5.49% fixed for three years. This enables him to continue with his plan: buying the flats and expanding his portfolio in preparation for his return to the UK.

Working abroad is something that appeals to many, or forms part of career progression. Some expats will also be thinking ahead to their future when they return home. They may already own UK property, while others may be thinking about how they can get on the ladder and invest their money at home. Yet, obtaining financing as an expat can prove difficult. We offer lending to meet client needs, wherever an expat is based, whether leaving or returning, and in view of tax and investment considerations.

Property value	£450,000
Monthly rental income	£2,000
Loan amount	**£337,500**
Rate	5.49% fixed for three years
LTV	75%
Arrangement fee	1.5%

Helping clients who have experienced adverse credit

Scenario

Valerie is a UK resident working full time, who owns her one bedroom flat. She has the chance to buy the property next to hers, another one bedroom flat. As a local resident, Valerie knows the area well. And, living next door, she will be able to maintain the flat and monitor tenants' activities. The property has an open market value of £450,000 and Valerie needs £275,000 to fund the purchase.

However, Valerie is at a disadvantage due a £4,250 county court judgement (CCJ) that has been served against her. She is not directly responsible for the CCJ, which is due to previous business dealings with her brother. Despite having now settled the CCJ, it keeps her in a higher risk category. As a result, despite being a UK homeowner and taxpayer, as well as supplying a full credit report, Valerie has not been able to obtain financing from mainstream lenders.

Our solution

We can often find a home for cases that fall outside mainstream lending criteria. That's because we treat each client as an individual and apply a common-sense approach to lending.

In assessing Valerie's situation, we see that she does not have an extensive history of adverse credit. We can also consider that her planned purchase, alongside her work and home, could strengthen her financial position over the long term. We can offer Valerie a loan, taking a view on the CCJ, on our rate of 5.49%.

Beyond the challenges that core client types experience in obtaining financing, we know that adverse credit can make finding lending difficult. As a specialist lender we can often take these on and work to find solutions. We can often offer a rate for clients that need a short to medium term loan, before re-financing to more competitive pricing.

Property value	£450,000
Monthly rental income	£2,150
Loan amount	**£275,000**
Rate	5.49% fixed for two years*
LTV	61%
Arrangement fee	1.5%

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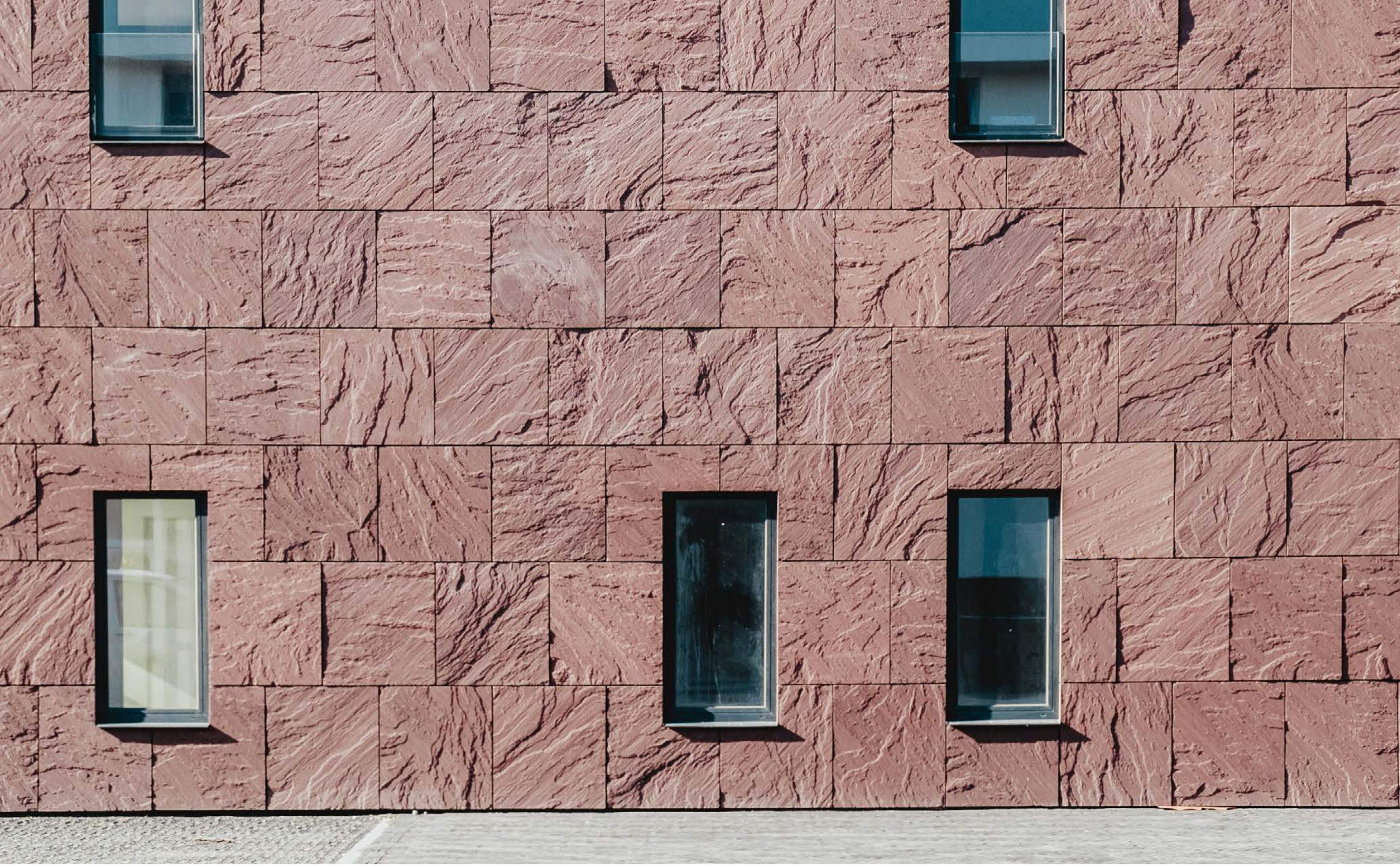
Octopus through and through

Octopus is a group of innovative, entrepreneurial businesses investing in the people, ideas and industries that will help to change the world. We are experts in financial services and energy, transforming these markets by offering our customers access to smart and simple solutions that do what we say they will. Today we manage more than £9 billion on behalf of retail and institutional investors. Octopus Energy, Octopus Investments, Octopus Renewables, Octopus Real Estate, Octopus Ventures and Octopus Wealth are all part of Octopus Group.

octopusgroup.com.



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