



**PARAGON MORTGAGES PRESS RELEASE
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LANDLORDS MOVE TOWARDS LIMITED COMPANIES AS TENANT DEMAND REMAINS HIGH

- 41% of landlords are moving, or considering moving, portfolios into corporate structures
- Larger landlords feeling impact of forthcoming stamp duty increase the most
- Yields and tenant demand remain stable

A survey of nearly 1,400 Private Rented Sector (PRS) landlords undertaken by BDRC Continental on behalf of Paragon Mortgages has revealed that, as landlords prepare for increases in stamp duty on buy-to-let purchases and cuts to landlord tax relief, increasing numbers are considering moving their property investments into limited company vehicles.

Of landlords surveyed, 41% indicated that they are considering moving their portfolio into a limited company following the Chancellor's decision to limit tax relief available to landlords last year. A further 5% have already established limited companies. For larger landlords with 20 or more properties, 14% are already operating as limited companies, while 63% are considering it.

In terms of portfolio growth, 43% of landlords surveyed agreed that the stamp-duty increase will affect their buy-to-let purchasing plans over the next couple of years. This figure rises to 63% for larger landlords with 20 or more properties.

Despite uncertainty about what impact the changes to tax relief and stamp duty might have however, tenant demand amongst landlords is still perceived as being high. Demand for rented property in Q4 2015 was strongest in the South West where 40% of landlords reported demand to be rising. Landlords in the North East experienced the weakest demand, with just under a quarter (24%) of landlords reporting increased demand.

Reflecting this demand, average yields have also remained stable and averaged 5.6% across the country – unchanged on the previous quarter. The North West saw the highest yields, at 6.2%, while outer London had the lowest, at 5.1%.

John Heron, Director of Mortgages at Paragon, said: “Recent government interventions into the buy-to-let market are now beginning to impact landlord sentiment and plans. The fundamental drivers of the market however – tenant demand and yields – remain strong so there are competing dynamics at play.

“It is interesting to see that concern about the impact of changes to stamp-duty and tax relief is greatest among larger landlords. This concern is likely to grow now that the government have confirmed that landlords with larger portfolios will have to pay the increased rate of stamp-duty on buy-to-let purchases.”

Average Yields

Tenant Demand Net Increase

	%		%
North West	6.2	South West	40
North East	6.1	East Midlands	39
East Midlands	5.9	London (outer)	39
West Midlands	5.7	London (central)	37
East of England	5.7	South East (excl London)	37
Wales	5.5	West Midlands	37
South East (excl. London)	5.5	Wales	36
South West	5.4	North West	35
Scotland	5.4	East of England	32
London (central)	5.3	Scotland	31
Yorkshire & the Humber	5.2	Yorkshire and the Humber	30
London (outer)	5.1	North East	24
Average	5.6		35

(Yield levels reported by landlords surveyed)

(number of landlords stating demand has increased)

ENDS

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NOTES TO EDITORS

Paragon Mortgages is a leading provider of buy-to-let mortgages delivering lending solutions designed for professional landlords with more complex requirements. These include lending to limited companies as well as private individuals, lending on more complex property including HMO's and multi-unit blocks, higher aggregate lending limits and the ability to accommodate more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon Mortgages introduced its first product aimed at the professional property investor in 1995 and is a member of the Council of Mortgage Lenders (CML), the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

Paragon Mortgages is part of The Paragon Group of Companies, a FTSE 250 company and a specialist provider of finance.

In February 2014 Paragon Group launched its banking subsidiary, Paragon Bank PLC. It is a retail-funded lending bank with a direct-to-consumer Internet platform for savings. Its loan products are distributed via intermediaries. The Bank is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.