PARAGON MORTGAGES PRESS RELEASE
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BUY-TO-LET VOLUMES INCREASE IN Q1 2016, BUT UNCERTAINTY REMAINS OVER THE LONG-TERM

Paragon Mortgages' latest Financial Advisor Confidence Tracking (FACT) report, reveals a modest increase in the volume of buy-to-let business being written by mortgage advisers in Q1 2016. Financial Advisors do however, have concerns about longer-term prospects for the market.

Financial advisors surveyed reported that 24% of their business in Q1 2016 consisted of buy-to-let, up from 23% in the previous quarter. Volumes of first-time and next-time buyers also increased. Reflecting these increases, remortgages declined from 35% of intermediary business in the previous quarter, to 32% currently.

Recent government policy has affected confidence in future business, however, with 13% of respondents expecting all types of mortgage business to decrease over the coming quarter, while 53% expect business to remain stable and just over a third (34%) expect an increase. On buy-to-let, opinion is evenly divided with 49% of intermediaries expecting demand for buy-to-let products to increase or stay the same, as compared to 50% who expect a decline in demand – with 1% unsure.

Despite this uncertainty the number of intermediaries stating that landlords will 'keep current properties but not buy any more' as a result of changes to income tax relief, has nearly halved from 32% in Q4 2015 to 18% currently, indicating that purchase intentions may be returning to the buy-to-let market. Likewise 23% of intermediaries stated that changes to tax relief would make 'no difference' to landlord plans, up from 19% in the previous quarter.

Remortgages continue to constitute the largest proportion of buy-to-let business in Q1 2016, accounting for 38% of business, up from 36%. Nevertheless, nearly a third of new buy-to-let finance in Q1 2016 (32%) was secured for portfolio expansion.

John Heron, Director of Mortgages at Paragon, said: "Our latest FACT report reveals that advisers are circumspect about future volumes of BTL business as a result of recent policy developments. Over the short term around half of intermediaries expect to see a decline in buy-to-let business. That said, on the question of what impact income tax changes will have over the longer-term, sentiment appears to have improved materially over the last quarter with a sharp reduction in the proportion of landlords that are expected to sell property.

“Increased volumes of remortgaging in the buy-to-let market shows that there is healthy competition with landlords shopping around for a better deal. Whether the market remains as competitive once all the fiscal and regulatory changes are implemented remains to be seen.”

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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.