

STAMP DUTY INSPIRED MALAISE EASING AS LANDLORDS LOOK TO BUY MORE PROPERTY

- Landlords report improved buying intentions
- Growth in tenant demand and yields
- Landlord confidence stable but remains at subdued levels

A survey of more than 1,000 Private Rented Sector (PRS) landlords undertaken by BDRG Continental on behalf of Paragon Mortgages reveals that, while confidence remains low among landlords as a result of recent government interventions in the buy-to-let market, buyers are slowly returning to the market.

Following an increase in the rate of stamp-duty payable on buy-to-let purchases, and with a staged reduction in income tax relief available on rental income due start next year, landlord confidence remained low in Q1 2016. Asked about expected business in the next three months, just 41% of landlords rated their prospects as being either 'good' or 'very good'. This is down from 65% during the same period last year, prior to the government's clampdown on buy-to-let. Indicating that falling levels of confidence may have stabilised however, the figure is just 2% down on Q4 2015.

Reflecting this, Q1 2016 also saw landlords' property purchase intentions edge above selling intentions, reversing the situation seen in Q4 2015 when more landlords were looking to sell property than were looking to buy. Nearly a fifth (19%) of landlords indicated that they intend to purchase a property in the coming year, up from 17% in Q4 2015. 16% of landlords indicated that they intend to sell a property, down from 19% in the previous quarter.

Driving this trend, Q1 2016 saw an increase in tenant demand, with 39% of landlords reporting demand as increasing either slightly or significantly, up from 34% in Q4 2015. Reflecting this increase, landlords reporting tenant demand as being stable declined from 40% to 36%. Yields in Q1 2016 also grew slightly on the previous quarter, averaging 5.7%.

Despite negativity persisting around business expectations over the short-term, rental property as an asset class is still viewed favourably by landlords. 38% of landlords polled believe investing in the PRS to be 'much better' than other investment options such as stocks and shares. A further 33% believe investing in the PRS to be a 'little better' than other investments and just 10% believe an investment in the PRS is worse than other investments.

John Heron, Director of Mortgages at Paragon, said: "Increased stamp duty, as well as reduced levels of income tax relief for landlords due to come into force next April, have undoubtedly impacted landlord sentiment. Confidence by

some measures is down by around a third when compared to the same period last year. That said, this data does suggest that confidence is stabilising.

“In the previous quarter we saw more landlords respond very negatively to the announcements on stamp duty and tax on rental income with more intending to sell rather than buy property, this trend is now reversed and purchase intentions have risen. Likewise, although confidence remains low, the significant falls we have seen in previous quarters have abated.

“The main driver of this recovery remains, as ever, tenant demand, which has risen in Q1 2016 along with yields. Landlords are clearly taking the view that buy-to-let remains an attractive long-term, demand driven investment, which continues to outperform other asset classes.”

Average Yields

Proportion of landlords stating tenant demand has increased

	%		%
North West	6.1	Wales	51
South West	6.0	East of England	51
Yorkshire & the Humber	6.0	South West	42
North East	5.9	London (outer)	41
Wales	5.8	Yorkshire & the Humber	41
West Midlands	5.7	East Midlands	40
East Midlands	5.6	South East (excl. London)	39
East of England	5.6	North West	38
South East (excl. London)	5.6	West Midlands	34
London (outer)	5.2	Scotland	33
London (central)	5.0	London (central)	31
Scotland	4.2	North East	28
Average	5.7		39

(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.