

SUMMER  
2013

# THE LANDLORD

paragon



Number of first-time  
landlords increasing

# HELLO

## WELCOME TO THE LANDLORD

We are very pleased to launch the first digital-only version of The Landlord magazine. This issue contains news stories, features and our latest research into the landlord market.

It has been a positive start to the year with the Council of Mortgage Lenders (CML) reporting just over £4.2 billion of buy-to-let lending in the first quarter of the year. This is a clear sign that confidence is returning to the market and that the availability of buy-to-let finance is improving.

In this edition we look at the key trends emerging in the buy-to-let market and the issues that are currently affecting landlords such as the Green Deal and Selective Licensing. We also look at what lies ahead in the coming months for the Private Rented Sector.

I hope that you enjoy the issue, and if you know of any peers within your sector that are not currently registered to receive their copy of the new digital magazine they can register at [thelandlord@paragon-group.co.uk](mailto:thelandlord@paragon-group.co.uk)

**John Heron**  
Director of Mortgages



## The Green Deal

Our latest research of landlord customers revealed that 42% of those surveyed were aware of the Green Deal and what the scheme involved. However, more than a third (38%) said that they were not aware of it.

Introduced in January, the Government initiative offers households the chance to make energy efficiency improvements to property and pay back the money - with interest - through their electricity bills over the next 25 years. Funding can be granted for improvements including insulation, new boilers and double glazing.

It is important to remember that the Green Deal Scheme will only finance energy saving changes that will pay for themselves, in as much as they are energy saving improvements.

The amount repaid for Green Deal improvements is based on what a typical household is expected to save on energy bills by having the work done. Tenants will only be liable for the repayments so long as they stay in the house - this means that during any void period, the landlord will be liable.

For more information, visit

<https://www.gov.uk/green-deal-energy-saving-measures/how-the-green-deal-works>

### Key points for landlords and the Green Deal:



- 1 The current electricity bill payer pays the Green Deal repayment
- 2 Your tenant needs **your** permission before taking out a Green Deal
- 3 You need **tenants'** permission before you take out a Green Deal
- 4 All improvements are quality assured
- 5 New tenants need to be aware of Green Deal and acknowledge the repayments they need to make

# Getting the right advice

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It's easy to feel overwhelmed by the seemingly ever-increasing number of directives, taxes and licences imposed on the Private Rental Sector (PRS) – and many of the landlords Paragon surveyed recently say they would like a bit more help and advice.

The Q1 BDRC Landlords Panel showed that 78% of those surveyed have a “significant” need for advice on landlord matters, rising to 89% for those owning more than 11 properties.

According to the report, changes to legislation and tax have only fuelled landlords' desire for more help and advice, with 46% saying they were finding it difficult to keep up with changes to legislation and a further 43% saying they were worried about the impact of Universal Credit on the PRS.

Almost all (90%) said that they believe taxes and regulation, coupled with the announcements in the Queen's Speech which charge landlords with the need to check the immigration status of their tenants, will make being a landlord tougher in the coming months.

However, there are plenty of organisations out there that can offer the much-needed help and advice many landlords seek. Organisations such as the National Landlords Association have branches and support groups across the country.

John Heron, Director of Mortgages, said: “The buy-to-let landscape never stays the same, and new regulations affect professional landlords just as much as they do those who are relative newcomers to the market.

“Paragon would always advise our customers, experienced or otherwise, to do their homework before they commit to buying a rental property - research the market, the area and also their obligations as landlords.”

**Click here for help!**

National Landlords Association  
[www.landlords.org.uk](http://www.landlords.org.uk)

Residential Landlords Association  
[www.rla.org.uk](http://www.rla.org.uk)

Association of Residential Letting Agents  
[www.arla.co.uk](http://www.arla.co.uk)

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## Calls to regulate letting market

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Earlier this year the Association of Residential Letting Agents (ARLA) called on the Government to introduce mandatory regulation of the Private Rented Sector (PRS). One of the changes likely to be implemented early 2014 is that all letting agents will have to belong to an ombudsman scheme. This is good news for landlords, if they have a complaint about an agent they can go to an independent third party such as The Property Ombudsman Scheme who will consider their complaint.

ARLA are also calling for all related parties to sign up to a code of practice. This code would be designed to ensure that letting agents demonstrate the minimum requirement and level of service against areas such as key qualifications and the holding of client monies.

Paul Clampin, Director of Underwriting, said: “Landlords already have to comply with more than 100 rules and regulations. So the market is already heavily regulated to protect landlords and tenants.

We always encourage landlords to join a trade body as it offers a valuable source of support and is a positive sign of their commitment, as landlords, to providing a quality service for their tenants.

In terms of regulation of letting agents this is a step in the right direction. There are lots of great letting agents out there that operate under professional schemes such as NALS and ARLA and display the SAFE logo, but there are a minority which operate less responsibly. We welcome this proposal by ARLA as it is good for the wider market to be as transparent as possible.”

For more information on the proposed regulation visit the ARLA website [www.arla.co.uk](http://www.arla.co.uk)



# Understanding HMOs

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Houses in Multiple Occupation - typically occupied by students and young professionals - can be some of the most profitable rental properties but they are not without their risks.

HMOs regularly top the rental yield tables but they can require a lot more work than standard buy-to-let properties.

Though there's no blanket requirement for planning when converting a property to an HMO, landlords will need a licence if the building is three or more storeys and occupied by five or more tenants in two or more households.

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..... demand for HMO housing is forecast to grow  
..... steadily over the coming years

With more people sharing hallways, kitchens and bathrooms, HMOs tend to need more maintenance and there is generally a higher degree of tenant churn as young people move up the rental property ladder as they progress with their careers.

That said, demand for HMO housing is forecast to grow steadily over the coming years. Changes to the benefits system may push more young people into house-shares, and with competition high in the private rented sector for rental property, more professionals may be turning to HMO style living.



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## Selective Licensing - an update

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Selective Licensing to curb the excesses of rogue landlords has reared its head in the media spotlight again over the past few months.

According to a recent poll by the Guardian newspaper, a third of councils are considering compulsory licensing to help eradicate the problem of rogue landlords.

The most recent census published by the Office for National Statistics shows that the number of private renters in England and Wales has grown by 88% in the decade between 2001 and 2011. In a recent announcement, the Labour Party said that a national register could see people found guilty of serious criminal behaviour being banned from acting as landlords, in a bid to crack down on serial offenders and remove the worst properties from the rental market.

The moves have come about because of councils' increasing concerns over health and safety and the sheer volume of properties coming into the sector – often owned by inexperienced newcomers to the market. Also levels of anti-social behaviour associated with poor quality property.

John Heron, Director of Mortgages, said: "The 178

councils who responded to the Guardian's survey identified reasons such as gas and electrical safety, fire safety and management standards as concerns driving councils to take more action.

..... renters in England  
..... and Wales has  
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"So, should landlords be worried? The suggestion by Labour is not new and there is still an absence of detail on how these schemes would work.

"What is apparent is that there is very little appetite for it among landlords already swamped by red tape. What we do need is a total rethink on how we weed out bad landlords – and this needs to be nationwide, not on a piecemeal council-by-council basis".

# The Private Rented Sector – what lies ahead?

Confidence is certainly returning in the buy-to-let market. The Council of Mortgage Lenders' reported that buy-to-let accounted for 11.5% of gross mortgage lending in 2012, compared to 9.8% in 2011. The market is continuing to perform, with £4.2 million of new lending to landlords in Q1 2013 (CML data).

This is good news for landlords. The Private Rented Sector (PRS) is more important than ever before with the continued squeeze on housing and the difficulties still being experienced in the first-time buyers market.

In our recent survey of landlords, two thirds (69%) said that they would describe buy-to-let finance as available and 19% said that they expected to purchase further rental property in the third quarter. These are all positive signs that the market is gaining momentum.

The dynamics of the buy-to-let market are also slowly changing too. Traditionally, growth has been driven by professional landlords with larger property portfolios. Whilst these landlords remain an important area of the market, they are for the time being at least, finding it difficult to release equity. Private investor landlords are making more head-way in terms of growing their portfolios and in recent months there has been a steady increase in first-time landlords.

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## the market is starting to gain some momentum again

Intermediaries who took part in the Q1 Paragon Mortgages tracking survey reported that in Q1 2013 22% of their buy-to-let business came from new landlords, and this has been around the 20% mark for the last 12 – 18 months.

The level of business from first-time landlords started to fall sharply in the financial crisis. As confidence slowly started to return to the buy-to-let market the levels of business from first-time landlords started to climb again, and since late 2009 has remained fairly consistent, peaking at 24% in Q3 2012.

Investing in buy-to-let property has been making the headlines across the national press over recent months, with journalists focusing on the renewed appetite from new landlords and people considering where best to invest their money.

It will be interesting to see how the market performs in the coming months and whether the investment made by landlords in further rental property starts to go some way in meeting the ever increasing demand from tenants up and down the country.



# PRS TRENDS Q2 2013

Independent research commissioned by Paragon Mortgages

## 91%

of landlords said tenant demand was stable or growing

35% of landlords think that buy-to-let finance is at least reasonably available

30% of landlords are more optimistic about the prospects for their portfolio



## 86%

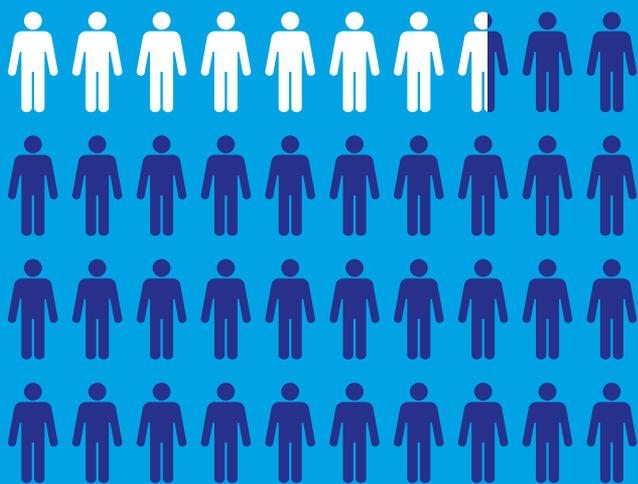
of landlords think tenant demand will grow or stabilise in Q3

## 3 weeks

average void period

## 19%

expect to buy rental property in Q3



## 6.4%

average gross rental yield



A third of landlords reported a rise in rental income

## 63%

of landlords plan to buy terraced houses in Q3

# Will your properties be left unoccupied this summer? by Towergate Insurance

**It is an unfortunate truth of renting property that you are not always guaranteed to have the property rented for 12 months of the year. At some point you may face periods where your property is empty and the rent isn't coming in, so you must be prepared for this scenario. That's why Towergate Insurance in partnership with Paragon is urging landlords and commercial property owners to take action to protect unoccupied premises.**

The number of empty homes across England has reached over 738,000, according to local authority records, and suggests that the current economic climate may tempt owners of unoccupied buildings to leave them uninsured.

## So what can you do to protect your property?

### 1. Check the premises is safe and secure

Two of the major fear factors associated with unoccupied properties as far as landlords are concerned are, Theft & Malicious Damage and Escape of water. These types of claims can, and often do, run in to tens of thousands of pounds.

If the property is going to be vacant for an extended period, it could be worth reviewing the level of security that's in place, for instance by changing or upgrading locks, doors and windows. Try and make the property appeared lived in by collecting the post regularly, opening and closing the blinds frequently, and even consider using a light timer. If possible, have a car parked in the driveway. Hopefully, these will only be brief gaps, but do make sure that your insurance covers you for vacant periods.

### 2. Understand the terms of your insurance

As a landlord you should ensure that you comply with your policy's "Unoccupancy Warrantee" as soon as you are aware that the property will be unoccupied, as terms vary by insurer. Failure to comply can invalidate your policy. As a landlord you also need to be aware that if a property is left unoccupied beyond the period allowed under the policy, usually between 30 – 60 days, cover is usually reduced to Fire, Lightening, Aircraft & Explosion/Earthquake (known as FLEA cover) only. You should be extra vigilant during periods of unoccupancy, ensuring the property is inspected regularly. Whilst you may not be covered for such perils as Escape of Water & Malicious Damage outside of the unoccupancy period, regular inspection and complying with your policy warrantees will minimise the risks as far as possible.

### 3. Take the opportunity to complete maintenance on the property

Keeping your property in good working order is another consideration you'll need to make as a landlord. Once a tenant has vacated the property you'll need to get it into the best possible state for your next tenant. By being vigilant and doing regular checks on the state of the property you could stop small problems, such as cracks and leaks, from becoming big, costly problems. You are also legally obliged to carry out yearly safety checks on gas and electrical appliances, which can cost anything between £40 and £100.

### 4. Don't forget to inform your insurance company

Property owners should also inform their insurance company once their premises becomes vacant as by not doing so they risk any claim against the building being turned down.

### 5. Contact the Paragon team at Towergate today!

Towergate Insurance in Partnership with Paragon are able to help and advise you on all aspects of property insurance, whether you have a single buy-to-let or an entire portfolio.

Call us on: **01926 439502**  
Or e-mail: **paragonteam@towergate.co.uk**



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