

**PARAGON MORTGAGES PRESS RELEASE  
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**LANDLORD LTVs LOW AND GETTING LOWER**

- Average investment portfolio in Q1 2017 is 13 properties, in line with long-term average
- Landlords predict no change in portfolio size over the next 12 months
- Gearing on a downward trend, with average LTV down to 35%

Gearing amongst landlords remained low in Q1 2017, with the average loan-to-value (LTV) ratio decreasing by 2% to 35%, according to Paragon Mortgages' latest PRS Trends Report for Q1 2017, based on interviews with 203 experienced residential landlords.

68% of landlords now have borrowings of less than half the value of their investment property portfolios and, since Q2 2012, average gearing has reduced significantly, from 42%, indicating the PRS is de-leveraging and has been for some time.

On average, landlords spend 30% of their rental income on mortgage payments, with almost half (43%) in Q1 2017 saying they spend less than a quarter.

Although buying intentions remain subdued, there has been no large-scale sell off by landlords of buy-to-let properties. The size of the average portfolio is 13 properties, unchanged from Q4 2016 and the forecast is stable, as landlords indicate they do not expect their property portfolios to change in size over the next 12 months.

The average value of investment property portfolios is unchanged at £1.7 million following a sharp increase in Q4 2016 and is now reaching its highest ever levels. 25% of landlords expect value to increase in the next 12 months, whilst just 8% think it will decrease.

According to our panel, demand for private rental properties has eased in the previous three months, with 38% of landlords saying tenant demand is 'growing' or 'booming'. However, sentiment remains historically high and almost half (46%) of landlords believe tenant demand will increase over the next 12 months.

John Heron, Managing Director, Paragon Mortgages, said: “Average gearing is low and getting lower, and this long-term de-leveraging demonstrates just how financially conservative buy-to-let landlords are. Looking ahead, it’s realistic to expect this downward drift in gearing to continue as the PRA’s new buy-to-let underwriting standards take effect.

“Our PRS Trends Report indicates a resilient sector in Q1 2017 but, as the mortgage interest rate tax changes filter through between now and 2021, landlord confidence may be eroded further which could well result in a reduction in the supply of property to the sector and, in turn, higher rents.”

### **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.