

Confidence up as mortgage intermediaries see increased activity in Q3 2017

- FACT Index scores 105.9, the highest score since Q4 2015
- Average number of mortgages per office is 24, up 9% on the quarter and 8% on the year
- Intermediaries report stronger tenant demand in Q3 2017, up 3%

Confidence amongst mortgage intermediaries reached its highest level since 2015 as mortgage activity increased in Q3 2017, according to Paragon's latest Financial Advisers Confidence Tracking (FACT) Index report, based on interviews with 199 mortgage intermediaries.

The FACT Index, calculated as a percentage of a baseline figure, and adjusted to account for the volume of business which advisers expect to complete over the following quarter, scored 105.9 in Q3 2017, the first increase for a year, the highest score since Q4 2015, and the second successive quarterly increase.

This is in part due to increased activity in the mortgage market, with the average number of mortgages introduced per advisers' office in Q3 2017 at 24, up 9% on the previous quarter and 8% on the previous year. This is the third highest recorded figure since the 2008 financial crash and maintains the long-term recovery from a record low of 14 in 2009.

Remortgaging remained the most common type of borrowing, with a slightly reduced majority of 36%. There was little fluctuation in all other borrower types, with buy-to-let borrowing stable again at 17% (up1%) in Q3 2017 following a sharp decline in the previous year. First time buyers also saw a 1% increase on the quarter and maintains a modest long-term upward trend over the last decade.

On average, mortgage advisers expect to do 2.4% more mortgage business in Q4 2017, with the expected number of cases in the next three months stable at four, maintaining the reversal of a two-year downward trend between 2014-2016.

Half (50%) of brokers said that, compared with the last 12 months, they expect buy-to-let business to stay the same in the next 12 months. On average, mortgage advisers expect to do 3% less buy-to-let mortgage business in that period. This is the same as Q2 2017 but remains comfortably higher than the historic low of 6% seen in Q1 2016.

In buy-to-let, 9%, an increase of 3%, of intermediaries described landlord demand as 'strong' or 'very strong', whilst the majority (53%) described demand as 'weak' or 'very weak', the same as in Q2 2017.

Remortgaging remained the most popular reason for obtaining a buy-to-let mortgage in Q3 2017, accounting for a slightly reduced majority of 50% of all buy-to-let business. The steep upward trend in remortgaging since Q4 2013 has been matched by a long-term decline of first time landlords, which grew slightly from a near-record low proportion of 13% in Q2 2017 to 14% in Q3.

Brokers reported a record number of landlords remortgaging to achieve a better interest rate in Q3 2017, accounting for 56% of all cases, whilst an historic low of 33% of landlords remortgaged for the purpose of capital raising in the same period. This is the culmination of a long-term trend and

fewer landlords raising capital can be linked to the small decrease in overall remortgage cases in Q3 2017.

John Heron, Managing Director – Mortgages at Paragon said: “A wide variety of recent data on housing has pointed to a market that has been finely balanced. Low transaction numbers have been bolstered by higher numbers of first time buyers, house prices outside London have been creeping up and landlord activity has stabilised.

“These trends are confirmed by our latest intermediary survey with confidence now at the highest level for some time. Despite a rather uncertain environment intermediaries are seeing higher levels of remortgage activity and at least stable demand from buy-to-let landlords.”

Ends

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For further information contact:

Shaun Staff
PR Account Manager
Tel: 0121 712 2414

www.paragonbank.co.uk

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Paragon lends to private individuals and limited companies and has mortgages suitable for single, self-contained properties, as well as HMOs and multi-unit blocks. Paragon can accommodate higher aggregate lending limits and more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

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

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