

**PARAGON MORTGAGES PRESS RELEASE
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TENANT DEMAND STILL RISING AMID GOVERNMENT INTERVENTION

- 94% of landlords report that tenant demand is stable or growing
- Landlords expecting to sell property down to 17% from 25% (Q1 2016)
- Significant drop in intention to purchase of flats/maisonettes

Tenant demand for private rented accommodation is continuing to rise, according to Paragon Mortgages' latest Private Rented Sector (PRS) Trends report.

The Government's plans to reduce tax relief on buy-to-let mortgage interest, announced in the 2015 Summer Budget, compounded by an increase in stamp duty on new purchases, provoked uncertainty amongst landlords surveyed, with the proportion of those expecting to sell property reaching its highest ever level (25%) in Q1 2016.

However, as the tax relief changes edge nearer, landlords have begun to develop strategies to manage the impact of the changes, and the figure is now reversing, down to 17%, while the proportion of landlords willing to purchase buy-to-let property in Q1 2017 has grown to 13%, up from a record low of 9% 12 months ago.

Of the 204 landlords interviewed, 94% described tenant demand as stable or growing, with fewer than one in 30 suggesting a decline. Tenant demand continues to impact average void periods, which remain unchanged at 2.7 weeks, with 48% of respondents reporting that their properties stand empty for less than two weeks. Average yields also remained remarkably stable at 6.1%.

Among landlords expecting to purchase, these are most likely to buy terraced houses (62%), flats/maisonettes (31%) or semi-detached houses (23%). Notably, the proportion most likely to buy flats/maisonettes has decreased from 67% in the previous quarter.

John Heron, Managing Director, Paragon Mortgages, said: "With no material improvement in the supply of new housing against a background of strong population growth and household formation, it is no surprise that landlords are continuing to experience strong rental demand. It is promising

therefore that there has been some improvement in landlord buying intentions albeit from a low base.

“Any boost this gives to improving supply to the sector, however, needs to be balanced against the additional upward pressure that we are likely to see in rents as a result of the phased impact of the changes to the taxation of rental income.”

[Click here](#) to see the full PRS Trends Q4 2016 Report

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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.