paragon

Mortgage Intermediary

INSIGHT REPORT

SUMMER 2024

> **Mortgage intermediaries report substantial uplifts in business compared to the Winter edition of MIIR, helping to boost broker confidence and recruitment.**

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Commercial Director – Mortgages

Mortgage business mix

Since the last edition of MIIR, published in January 2024, there has been a substantial uplift in the average number of mortgages placed by intermediaries during the previous 12-month period – 86 to 111.

This total is split evenly between new business and renewals and is made up of 58 residential mortgages, the leading source of business, and 45 buy-to-let mortgages, following respective increases of nine and 14 percentage points. 'Other' mortgages, which include bridging finance and later-life lending, made up eight cases.

Buy-to-let business

Focusing on buy-to-let lending, when compared to the Winter edition of MIIR, there is a slight uptick in limited company business amongst both portfolio landlords and non-portfolio landlords. It can also be noted that the utilisation of limited company structures remains more prominent amongst portfolio landlords – defined as those with four or more buy-to-let mortgaged properties.

Limited companies are used by just over three in 10 (31%) portfolio landlords, up by two percentage points since the last MIIR, compared to less than two in ten (18%) non-portfolio landlords.

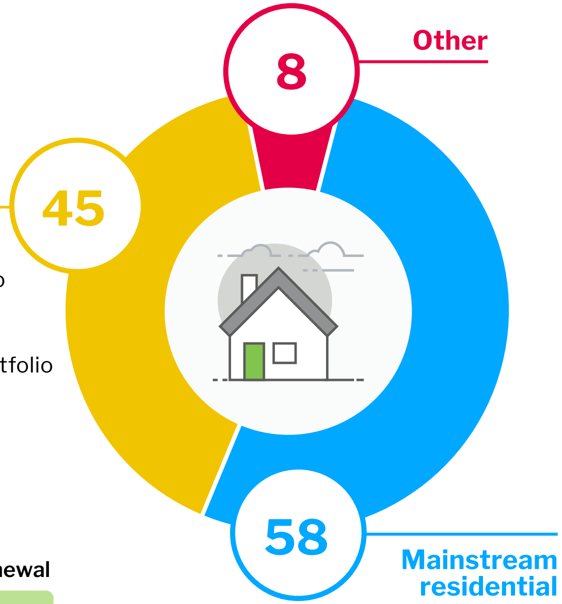
Conversely, borrowing in personal name is more common amongst non-portfolio landlords, who make up the greatest share of business at 32%, compared to portfolio landlords who constitute 21% of cases.

MORTGAGE BUSINESS MIX

Source: Paragon Bank

Buy-to-let

32% Non-portfolio
31% Limited company portfolio
21% Portfolio
18% Limited company non-portfolio
3% Trading companies



New business	Renewal
50%	50%

Buy-to-let business barriers

Asked what, if any, barriers they face in placing more buy-to-let business, almost two thirds of brokers (65%) selected affordability. Just under half of this proportion, 32%, said market uncertainty, while around a quarter of intermediaries, 26% and 25% respectively, cited a lack of suitable products and a lack of buy-to-let demand.

BUY-TO-LET BUSINESS BARRIERS

Source: Paragon Bank

65% Affordability

32% Market uncertainty

26% Lack of suitable product

The rise in limited company lending

60% Six in 10 intermediaries expect an increase in portfolio landlord limited company business over the next 12 months.

Growth in business written for portfolio landlords who utilise limited company structures is anticipated by six in 10 (60%) brokers, following a notable increase of 11 percentage points since the previous MIIR. Also increasing since the last report, albeit by a more modest two percentage points, 47% of intermediaries forecast that the next year will see an uptick in non-portfolio limited company business.

The majority of intermediaries, 49%, foresee the amount of loans written for portfolio landlords applying in personal name staying about the same throughout the next 12 months. A similar proportion, 44%, anticipate business levels from non-portfolio landlords borrowing in personal name remaining the same.

MOST POPULAR METHODS OF OBTAINING LIMITED COMPANY BUSINESS

82% Word of mouth

74% Utilise existing client base

The mortgage intermediary outlook

When compared to the last edition of MIIR, we see that mortgage intermediaries are now notably more optimistic about the outlook across four different aspects of business – the mortgage industry, the intermediary sector, their own firm and buy-to-let business.

Confidence in the prospects for the mortgage industry has seen the biggest uplift, increasing from 70% of brokers expressing some degree of confidence in Winter to 89% this wave.

Although seeing a more modest increase of six percentage points since the Winter, the highest overall levels of optimism were recorded for brokers' own firms, with 54% saying that they are fairly confident and a further 37% very confident.

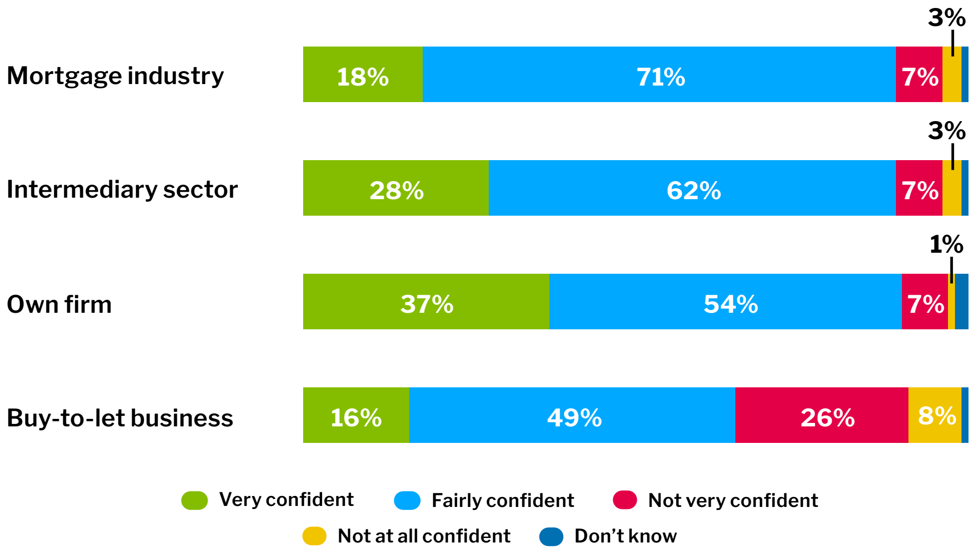
This was closely followed by the intermediary sector of the mortgage industry, with 89% of brokers feeling positive about its future, up from 79% last edition.

Despite being lower than other facets of business, confidence in buy-to-let has grown substantially in the time since the previous MIIR. Then, less than half (49%) of intermediaries felt optimistic about the outlook for buy-to-let, a figure that has since increased to more than six in 10 (65%).

INTERMEDIARY CONFIDENCE LEVELS

Source: Paragon Bank

Please note: Where percentages don't total 100 it is due to rounding.



The borrowing that will drive buy-to-let business

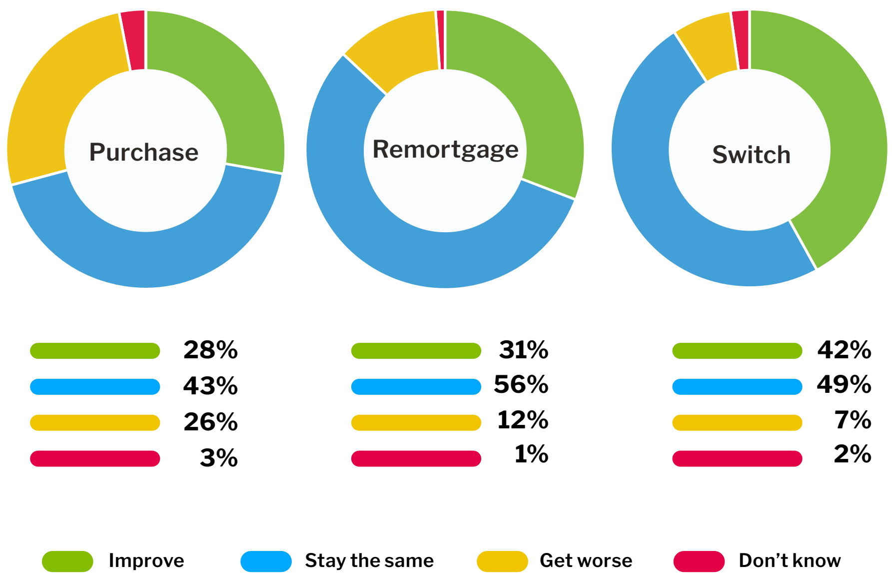
Asked to think about how different types of buy-to-let borrowing may change over the next six months, we see that brokers anticipate product switches to be the most likely growth area, with more than four in 10 (42%) expecting an improvement in business volumes.

Intermediaries also anticipate remortgaging to be a significant driver of business, with around three in 10 (31%) expecting volumes to improve during the period.

While expectations of growth in purchases is similar to that of remortgage business, with 28% of intermediaries anticipating it, a comparatively lower proportion, 43%, think it will stay the same and just over a quarter (26%) expect a drop in the next six months.

ANTICIPATED CHANGES IN BTL BORROWING

Source: Paragon Bank



Maturing buy-to-let mortgage business

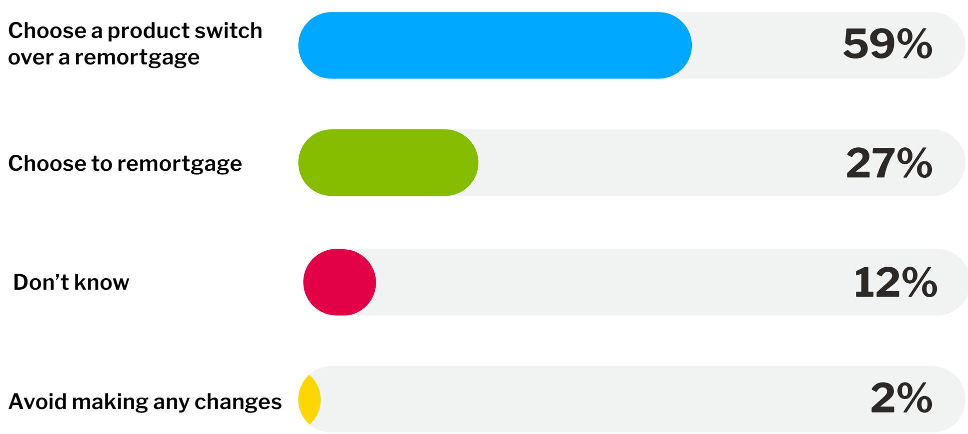
Just under six in 10 (59%) intermediaries expect borrowers with buy-to-let mortgages maturing during the next six to 12 months to opt for a product switch over a remortgage product.

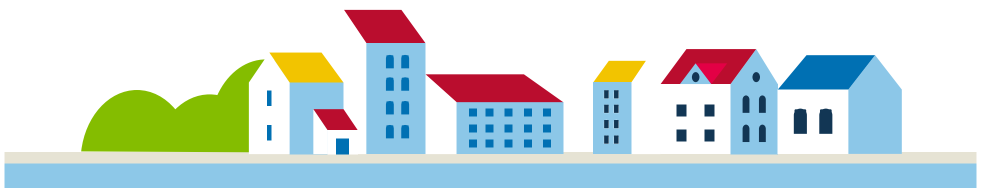
A substantially lower proportion, 27%, expect landlords with mortgages either at or set to reach maturity to remortgage, while 2% believe their clients will avoid making changes, instead opting to remain on their lender's standard variable rate.

58% of intermediaries contact their customers six months ahead of their current buy-to-let mortgage maturing, 17% three months before.

PLANS FOR PRODUCTS REACHING MATURITY

Source: Paragon Bank





Future threats to business

In addition to anticipating the most likely drivers of business over the next six months, intermediaries have identified potential future threats.

Sentiment in this edition reflects domestic political uncertainty, and a potential change of Government is deemed to be the greatest threat to business, selected by just under six in 10 (59%) advisers.

Changes to interest rates, the most commonly identified concern in previous editions of MIIR, are still seen amongst the more likely risks to business levels, chosen by 46% of intermediaries, but this is down from 61% recorded last wave.

A similar proportion, 45%, selected landlords exiting the market as a scenario with the potential to disrupt business, and 34% also chose a lack of landlords coming through.

POTENTIAL FUTURE BUSINESS THREATS

Source: Paragon Bank

58% Potential change in government

46% Interest rate changes

45% Slowing housing market

Landlords exiting the market	45%
UK economy turning down / recession	40%
Lack of new landlords coming through	34%
Changes to tax regulation	34%
Cost of living crisis	33%

Although there seems to be a sense amongst brokers that some of the threats to business are out of their control, when asked what they are doing, if anything, to mitigate any perceived threats, keeping in contact with clients and building strong relationships with them emerged as consistent themes.

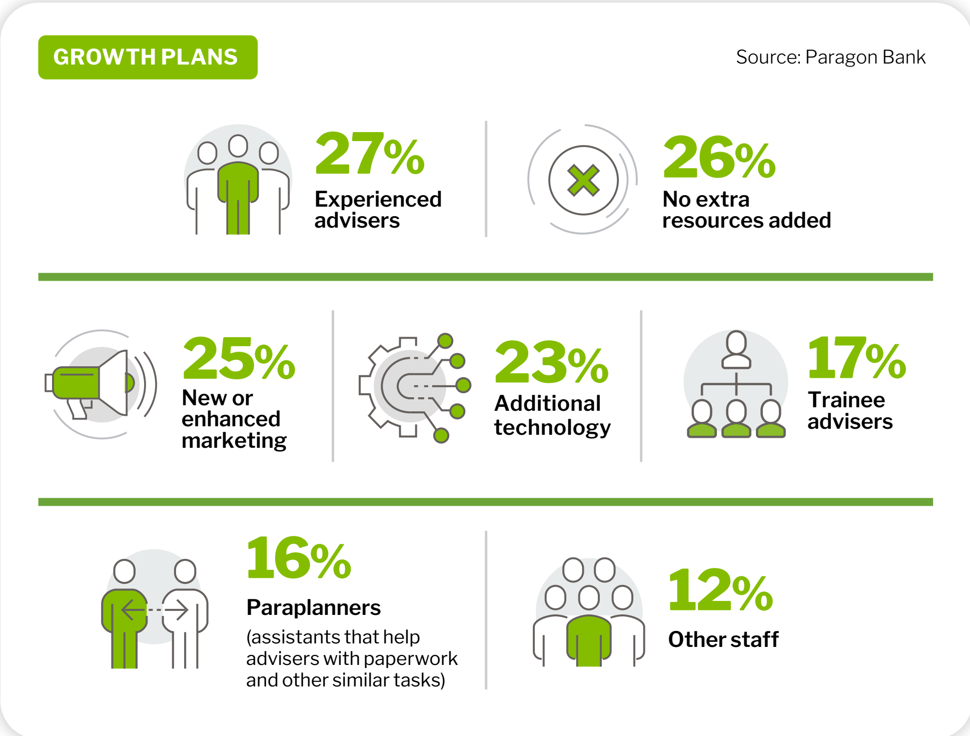
Resourcing

Aligning with the growth in confidence amongst intermediaries, since the Winter MIIR there has been a marked increase in the proportion who have said that their firm is expanding, from 38% to 51%. Four in 10 (40%) brokers noted that their firm is staying the same, while one in twenty (5%) reports that their business is reducing in size.

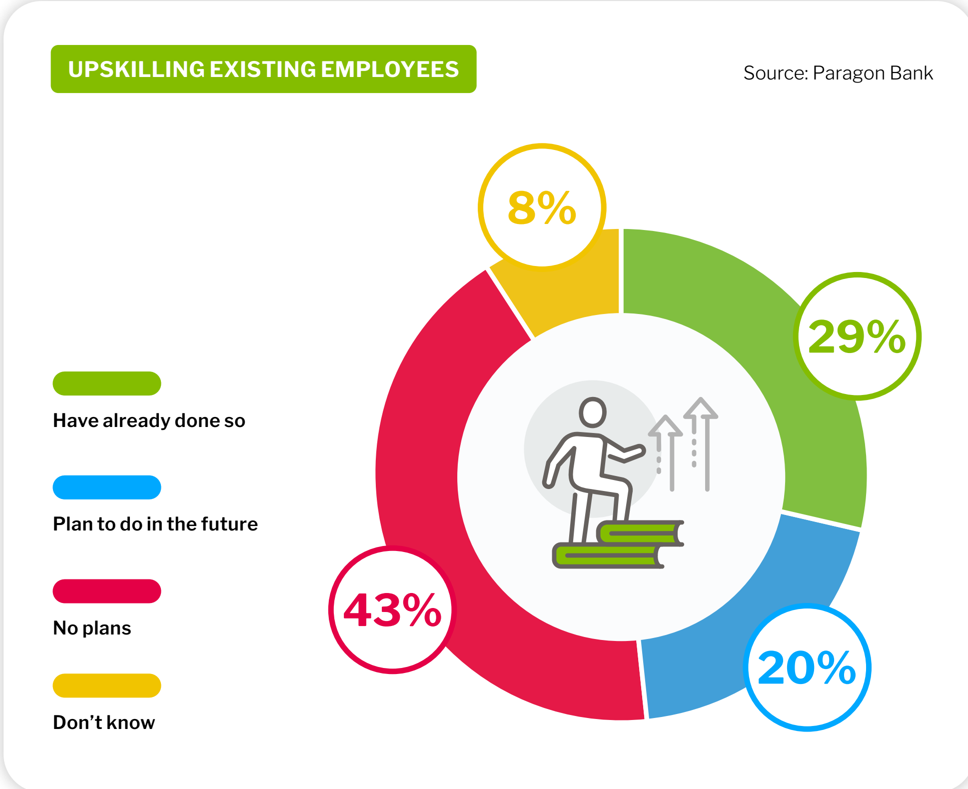
Recruiting experienced advisers is the most common method of increasing capacity, selected by 27% of brokers whose firms are expanding operations. Although perceived to be easier to attract than experienced advisers, a lower proportion of companies, 18%, will look to take on more trainee advisers.

To support advisors with admin, 23% of companies intend to hire paraplanners, whilst 12% will take on 'other' staff.

A quarter of firms (25%) will expand operations with new or enhancing marketing and a similar amount, 23%, will invest in additional technology.



Alongside those businesses that are expanding through recruitment, others are developing through an emphasis on upskilling current staff. Almost three in 10 (29%) have adopted this approach already and two in 10 (20%) are planning to in future.



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