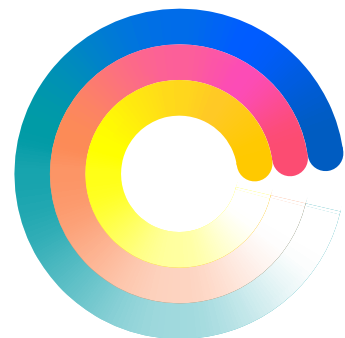
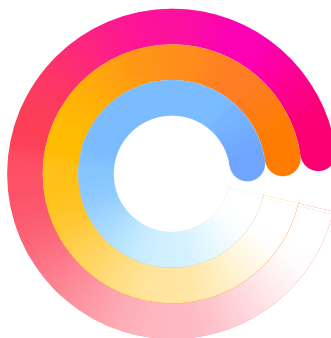
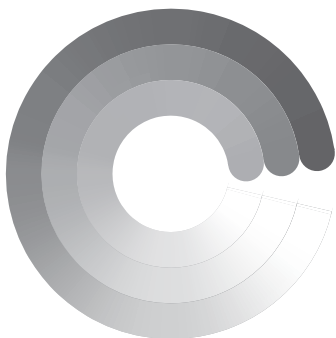
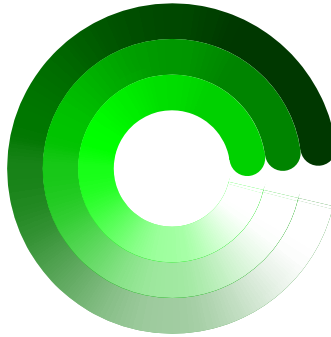
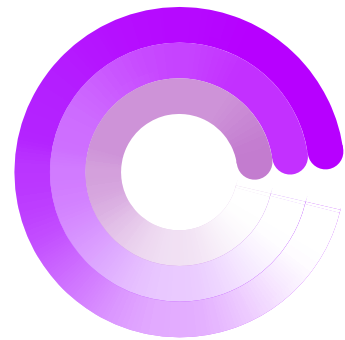
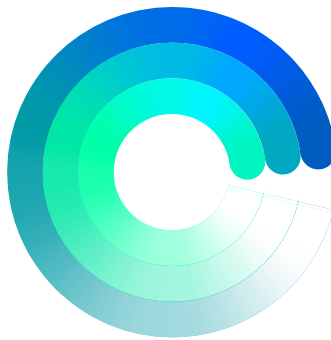


paragon
P R S Trends Q1 24

Highlighting the latest trends in the Private Rented Sector



PRS Snapshot

We outline the key landlord metrics for Q1 2024

Balance sheet

Average portfolio size



Average portfolio value



Average gross rental income

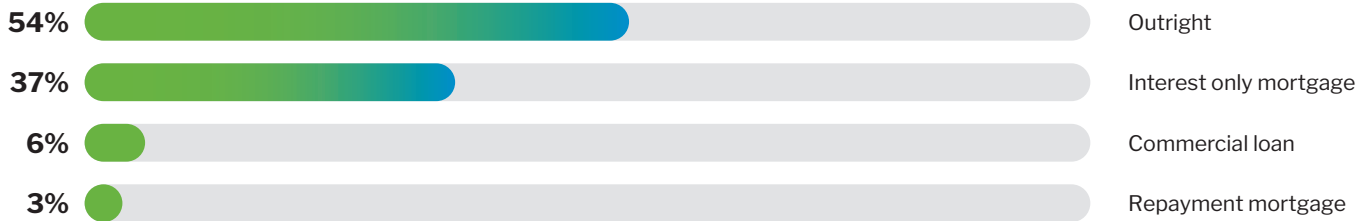


Average rental yield



Ownership structure

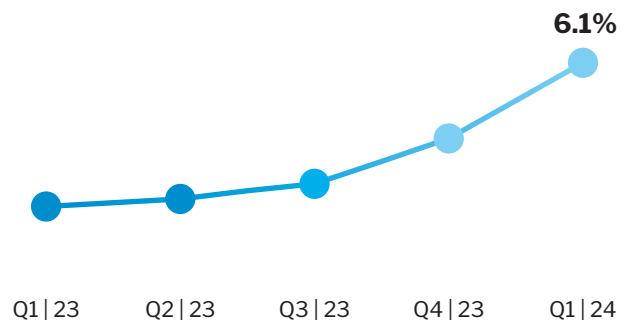
Over half of landlords own property outright



Nearly a quarter of landlords own limited company property



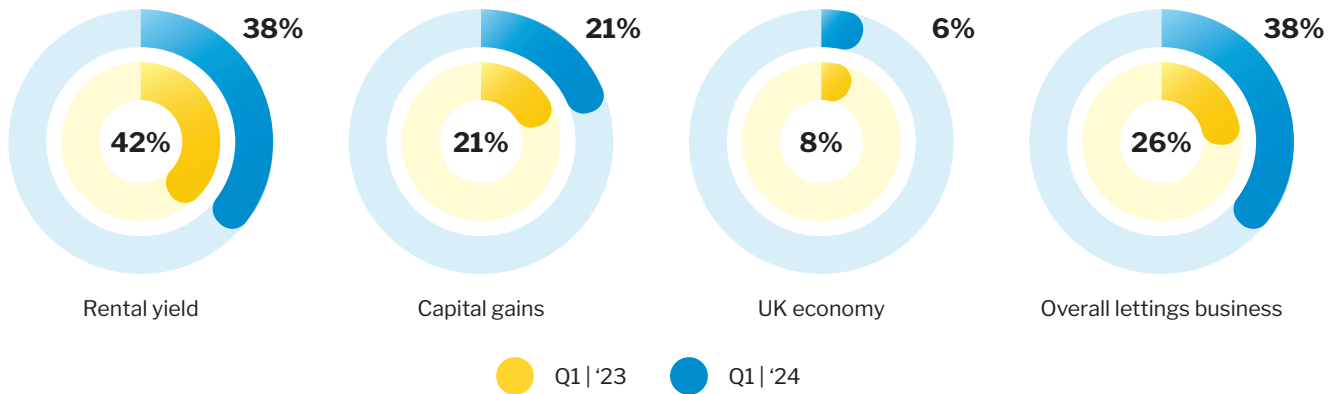
Yields have improved steadily over the past year



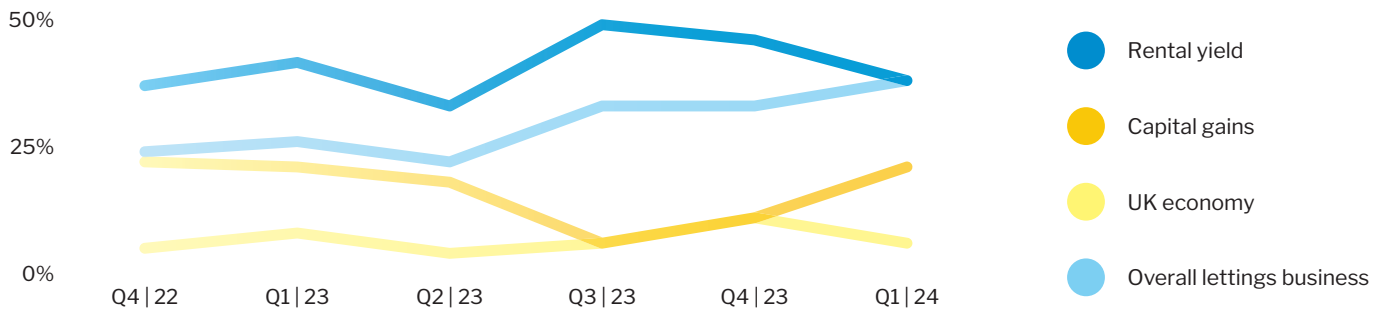
Confidence

Landlord confidence in lettings business is improving

Business expectations for next 3 months (% Good/Very Good)

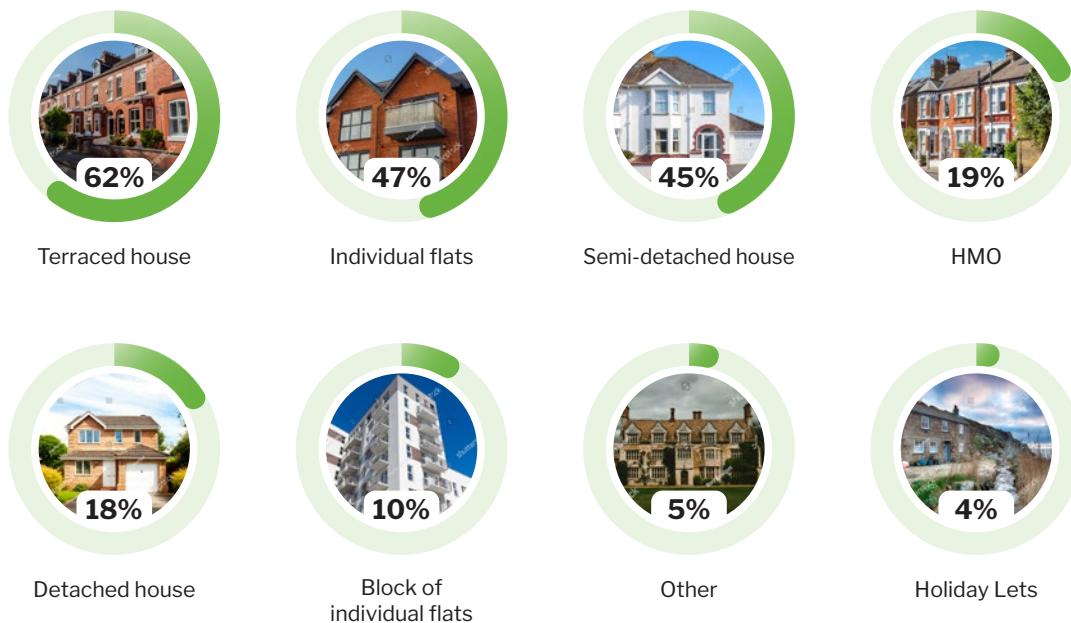


Landlord confidence in their lettings business has recovered since the Q4 2022 mini-budget



Portfolios

Terraced homes are the property type most commonly owned by PRS landlords



Rents

Rising, falling or staying the same?

Almost eight in 10 landlords (78%) have increased rents throughout the past year, while 21% made no change.

This is a continuation of an upward trend in rents seen since Q1 2020, when fewer than three in 10 landlords said that they had increased rents during the previous year and the majority, 61%, made no change.

Looking forward, almost two-thirds (63%) of landlords plan to increase rents during the next 12 months.

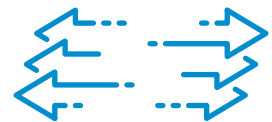
The most common cause for rental inflation is changes in interest rates, cited by 57% of landlords who plan to raise rents. A similar proportion, 53%, attributed rising rents to inflation and just under half, 49%, blamed increasing costs.

78%



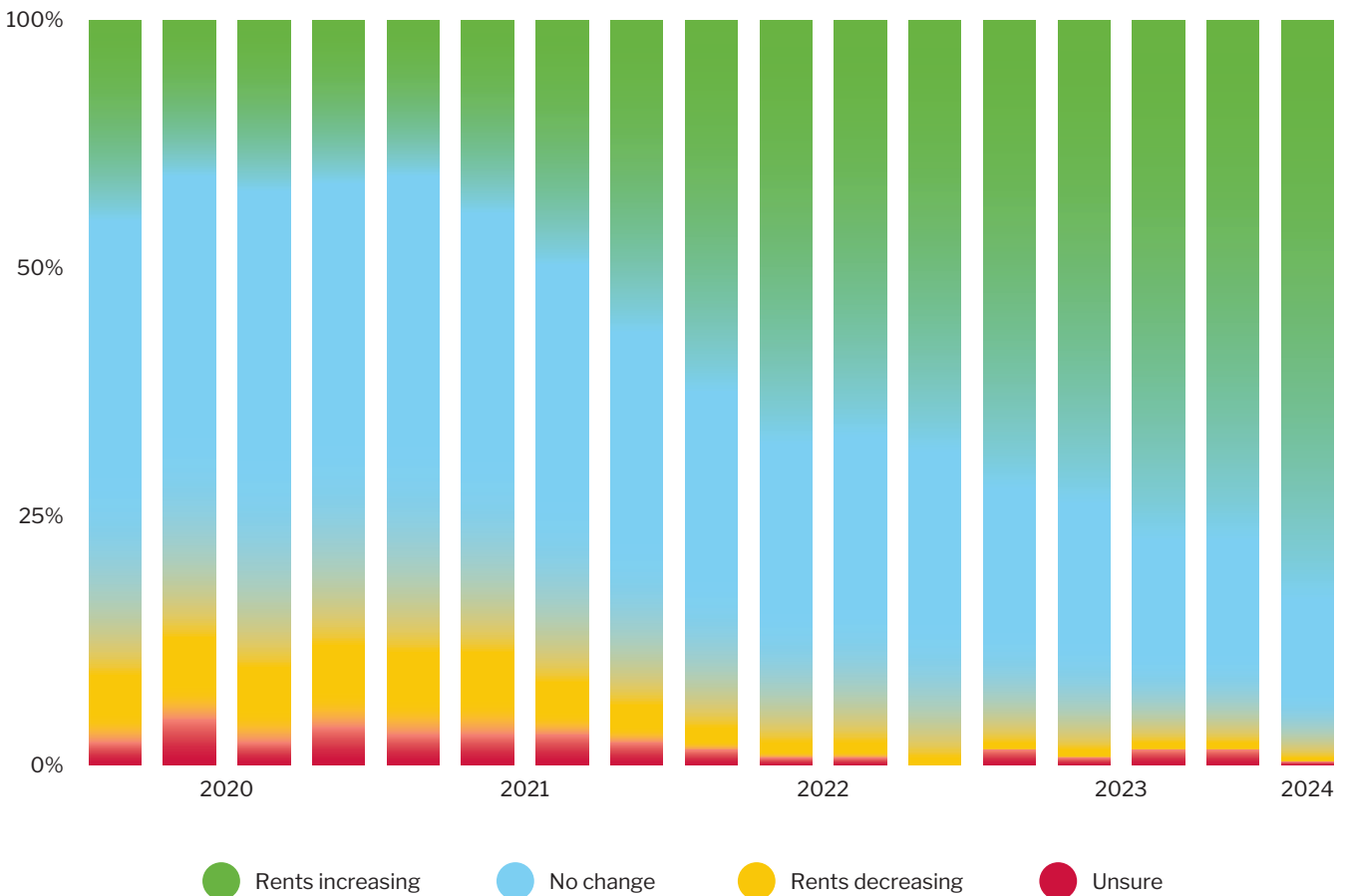
of landlords have increased rents throughout the past year

21%



made no change

Rent inflation



83%

of landlords report strong tenant demand currently



Tenant demand

More than eight in 10 landlords (83%) report strong tenant demand, with 43% saying it is strong and 40% very strong.

The South West is the region with the highest proportion of landlords experiencing strong tenant demand, broken down as 54% experiencing very strong demand and a further 30% strong demand.

While the North East and North West have a slightly higher total demand, the higher proportion of landlords in the South West who have seen 'very strong' demand means that this is the region with the highest net demand, as perceived by landlords.

Landlords reporting rising tenant demand by region

- | | |
|-------------------------------|--|
| 87%
North East | 80%
Yorkshire and The Humber |
| 85%
North West | 79%
East Midlands |
| 84%
West Midlands | 82%
Wales |
| 84%
South West | 84%
South East |
| 90%
East of England | 77% / 84%
Outer / Central London |

Buying and selling activity

During the past 12 months, 9% of landlords bought a property, while almost twice that proportion, 17%, sold. Most completed a single transaction, but with some buying or selling more than one property throughout the period, landlords invested in 1.4 properties and divested in 1.6 on average.

Asked about their future intentions, 9% of landlords plan to buy property in the next 12 months and 31% expect to sell.

Over half of those (55%) who plan to buy will look to invest in terraced houses, followed by semi detached houses (41%) and individual flats (33%).

9%

of landlords plan to buy property in the next 12 months



31%

expect to sell





Arrears and voids

29%

of landlords have experienced tenants in rent arrears in the past 12 months



Almost three in 10 landlords (29%) have experienced tenants falling into rental arrears over the past 12 months. Despite representing an increase of two percentage points since last quarter, when viewed over a longer period we see a downward trend, with arrears falling by around 20% over the past five years.

On average, 1.8 properties have been impacted by arrears and £5,273 is outstanding.

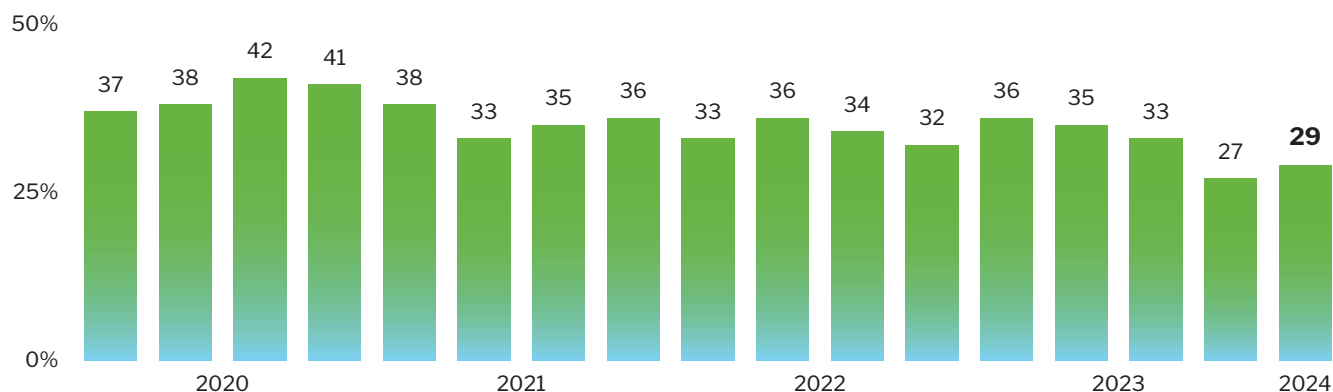
Void periods were experienced by 36% of landlords throughout the last year, with each lasting an average of 63 days and impacting 1.7 properties on average.

36%

have been impacted by voids



Proportion of landlords experiencing arrears





Profitability

Over eight in 10 landlords report making a profit from their lettings businesses, with the majority, 67%, saying that they make a small profit and a further 17% recording a large profit.

This is an average across the range of different portfolio sizes and the data reveals that profitability typically increases in line with the number of properties a landlord owns. A large profit is made by 13% of landlords who own a single property, rising to 27% amongst those with 20 or more lets.

84%

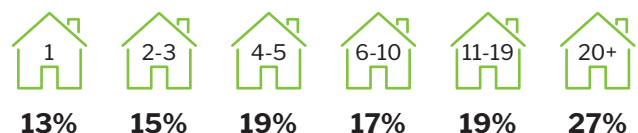
of landlords report making a profit from their lettings businesses



Landlord profitability



Proportion of landlords making 'a large profit' by portfolio size



IN FOCUS

Limited company ownership

Over three quarters (77%) of landlords own properties solely in individual name, compared to just 7% who utilise limited company structures to hold their properties. The remainder, 15%, own properties through a mixture of both structures.

The propensity to own properties through limited companies increases with portfolio size and we see that this ownership mechanism is adopted by 37% of landlords who have four or more buy-to-let mortgaged properties, compared to 15% amongst those with between one and three buy-to-let homes.

77%

of landlords own properties solely in individual name

15%

own properties through a mixture of both structures

7%

utilise limited company structures

10

Average number of properties held in limited company

