Next generation

Landlord report 2024

We spoke to 500 landlords with aspirations to develop property portfolios about what is driving them, their influences and how they plan to grow their property business.

Foreword

It's vital that the UK has a thriving private rental sector (PRS). Everybody who needs or wants to rent a home should have access to a good quality property at a reasonable price.

Until recent years, the market has worked well. But in a post-pandemic world, we are experiencing a severe imbalance between supply and demand. Recent data shows that tenant demand is twice the level of pre-Covid, whilst supply is down by a third.

> **The PRS needs a consistent flow of new landlords coming into the sector, those with aspirations to develop the portfolios of the future.**

Buy-to-let is coming up to its 30th anniversary and it is a UK success story. With approximately £300 billion in buy-to-let mortgages outstanding across two million loans, it is a mature financial product that has weathered many economic storms.

However, those early landlord pioneers of the buy-to-let market in the mid-90s are now coming to an age where they may be looking to downsize their portfolios or sell entirely in retirement. Sadly, some are no longer with us.

The PRS therefore needs a consistent flow of new landlords coming into the sector, those with aspirations to develop the portfolios of the future. Our analysis of industry data shows that over the past 10 years, the average age of landlords purchasing a buy-to-let property with a mortgage has fallen.

This is encouraging as it highlights that property investment is still viewed as an attractive asset class by a demographic with so many investment opportunities competing for their capital.

We spoke to some of those – landlords with between one and three properties – who have made their first forays into property investment and have an eye on future growth. We wanted to understand what is motivating them to build portfolios, what attracted them to property investment and how they operate their portfolios currently.

It is clear there is a committed group of younger landlords who stand ready to take the mantle and provide the rental homes of the future. What they require is a regulatory and fiscal environment that encourages them to do so.

Richard Rowntree
Paragon Bank
Managing Director of Mortgages

The shifting age dynamic of buy-to-let landlords

Contrary to the perception of an ageing landlord population, the average age of active buy-to-let investors is heading downwards.

Buy-to-let is typically associated with an ageing cohort of landlords who are looking to maintain their existing holdings or shrink their portfolios.

However, analysis of UK lending data paints a different story, with younger landlords amongst the most active acquirers of new buy-to-let property. The average age of those purchasing a new buy-to-let property has reduced from 46.4 in 2014 to 42.9 in 2023.

Paragon's analysis of the age of landlords acquiring property with a buy-to-let mortgage shows that the proportion of those in their thirties has risen from 21% of total purchases in 2014 to 31% last year.

Similarly, those aged between 18 and 29 accounted for one in 10 buy-to-let mortgaged house purchases last year, compared to 6% in 2014.

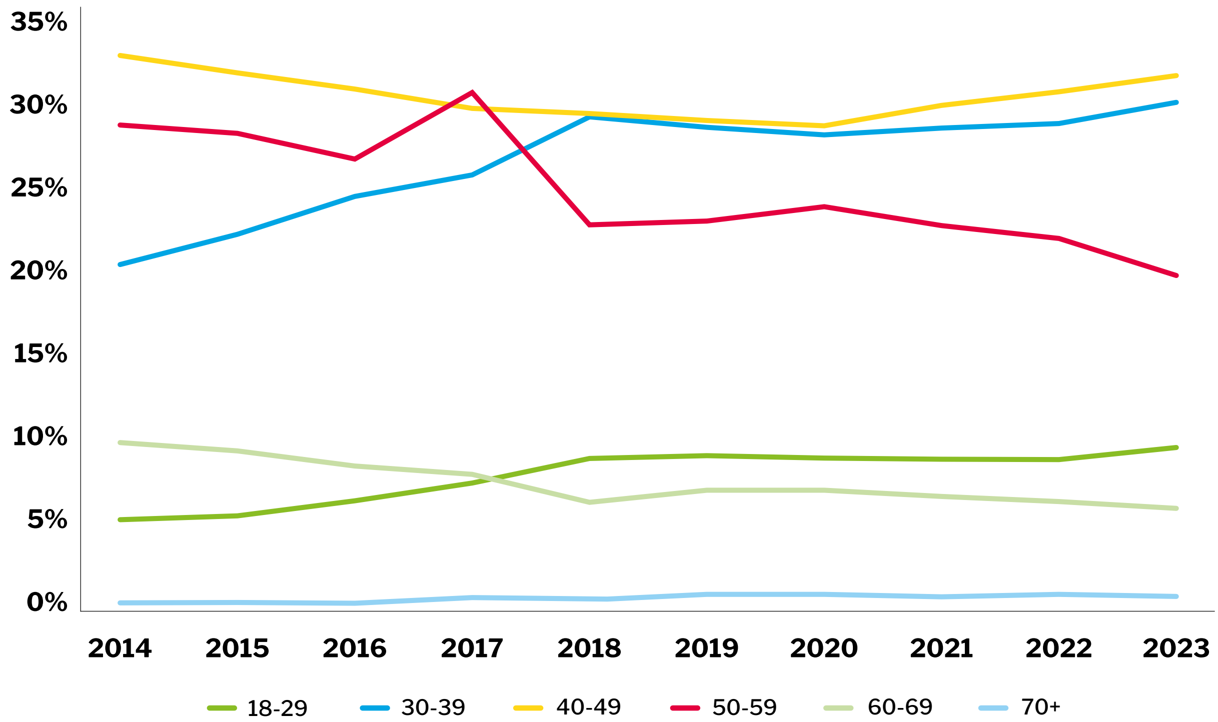
Conversely, landlords in their fifties have reduced from 29% of purchases to 20% across the same time period, whilst those aged 60+ now account for 7% of purchases compared to one in 10 a decade ago.

Landlords in their forties remain the dominant group, accounting for 32% of buy-to-let house purchases last year, compared to 34% in 2014.

Overall, nearly three quarters of buy-to-let properties purchased last year were made by a landlord aged 49 or younger, compared to six in 10 a decade previously.

> **the proportion of those in their thirties has risen from 21% of total purchases in 2014 to 31% last year.**

Proportion of mortgaged BTL house purchase by age



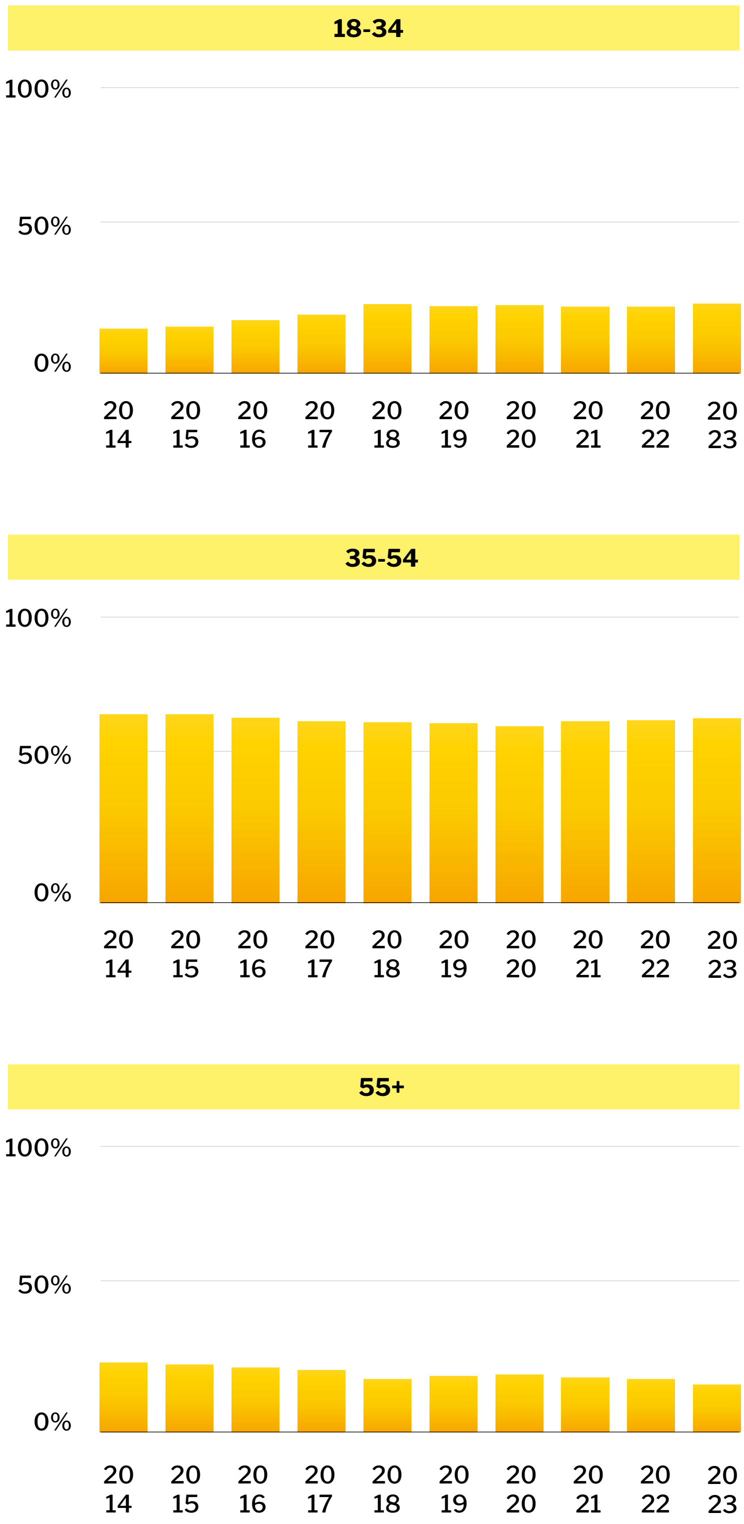
Source: Paragon analysis of UK Finance data

Average age of landlord using BTL mortgage for house purchase

46.4	2014
46.1	2015
45.4	2016
44.9	2017
43.6	2018
43.9	2019
44.0	2020
43.7	2021
43.6	2022
42.9	2023

Source: Paragon analysis of UK Finance data

Proportion of mortgaged BTL purchase by age



Source: Paragon analysis of UK Finance data

Who are the next generation of portfolio landlords?

We examine the profile of landlords with up to three properties with aspirations to grow their portfolios.

Demand for privately rented property significantly outweighs supply and that gap will only widen unless investment into the sector continues. [Zoopla data] shows that demand is currently twice the level it was before the Covid pandemic, yet the supply of rental property is down by a third.

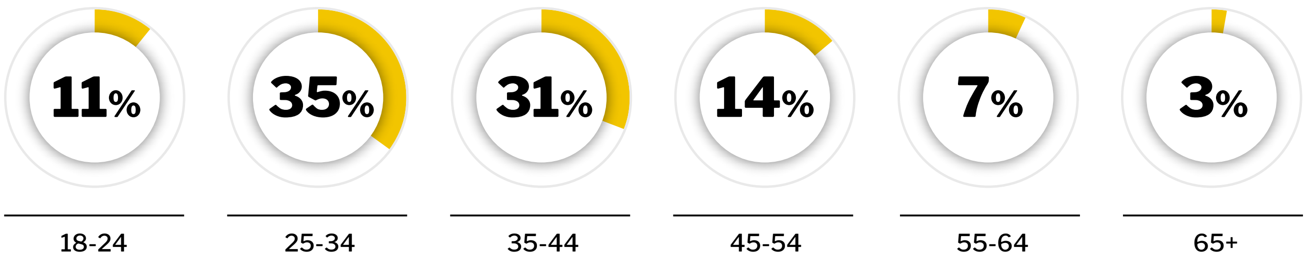
Landlords who developed their portfolios in the early days of the buy-to-let market nearly 30 years ago are in retirement or nearing retirement age, so a new breed of landlord will be required to step up and provide the rental homes of the future.

We surveyed 500 landlords with between one and three properties who have expressed a desire to grow their portfolios to understand what this future cohort looks like and what is driving their property ambitions.

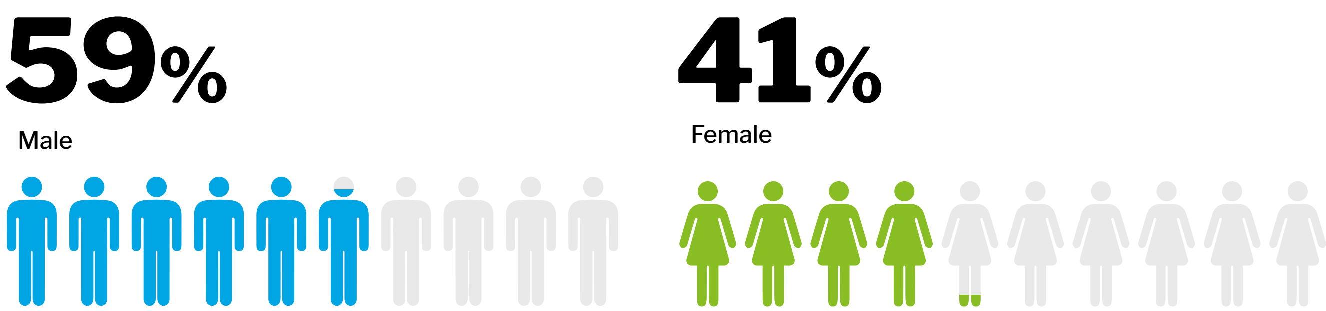
Demographics

Age

The average age of aspirational portfolio landlords is 37.8. The highest proportion of landlords were aged between 25 and 34 (35%), followed by 35 to 44 (31%).



Gender



Source: Paragon

Employment status

Full-time employee	77%
Self-employed	11%
Part-time employee	8%
Retired	2%
Looking after family at home	1%

Annual income

Three quarters of aspirant portfolio landlords are higher rate taxpayers.

£0-£9,999	1%
£10,000-£24,999	3%
£25,000-£49,999	18%
£50,000-£74,999	21%
£75,000-£99,999	17%
£100,000-£149,999	20%
£150,000-£199,999	7%
£200,000-£249,999	5%
£250,000+	7%
Prefer not to answer	2%

Where do you live?

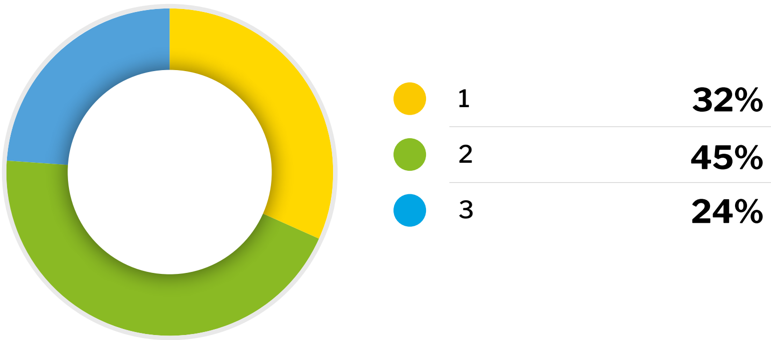
London	32%
North West	12%
South East	9%
Yorkshire and the Humber	7%
East Midlands	7%
East of England	6%
West Midlands	6%
Scotland	6%
Wales	5%
South West	3%
North East	3%
Northern Ireland	2%

Source: Paragon

Portfolios

Portfolio size

Nearly half of landlords with ambitions to develop a portfolio currently own two rental properties, while a third own one property.



Property type

47% Individual flats

36% Detached houses

36% Semi-detached houses

26% Terraced houses

14% Multi-unit blocks

11% Bungalows

8% HMOs

6% Maisonettes

Ownership structure

71% In personal name

9% As an informal partnership

7% As part of a limited company (LTD)

5% As a trading company

3% As part of a limited liability partnership (LLP)

3% Mixed - individual and limited company

1% Other

Source: Paragon

Location

Over half own property in London and the South East.

London	38%
South East	15%
North West	14%
Yorkshire & the Humber	12%
East Midlands	10%
West Midlands	9%
East of England	9%
Scotland	7%
North East	7%
South West	6%
Wales	5%
Northern Ireland	2%

Tenants

Families and young couples are most common tenant groups

Families with children	60%
Young couples	59%
White collar/ professional	38%
Young singles	30%
Older couples	21%
Students	17%
Older singles	16%
Migrant workers	9%
Local housing allowance (LHA)	8%
Retired	8%
Executive/ company lets	7%
Other benefits	4%

Solo landlord or in a partnership?

With my partner/spouse	46%
Just me	44%
With a family member	7%
With a friend	4%
With a business partner	4%

Source: Paragon

Motivations for becoming a landlord

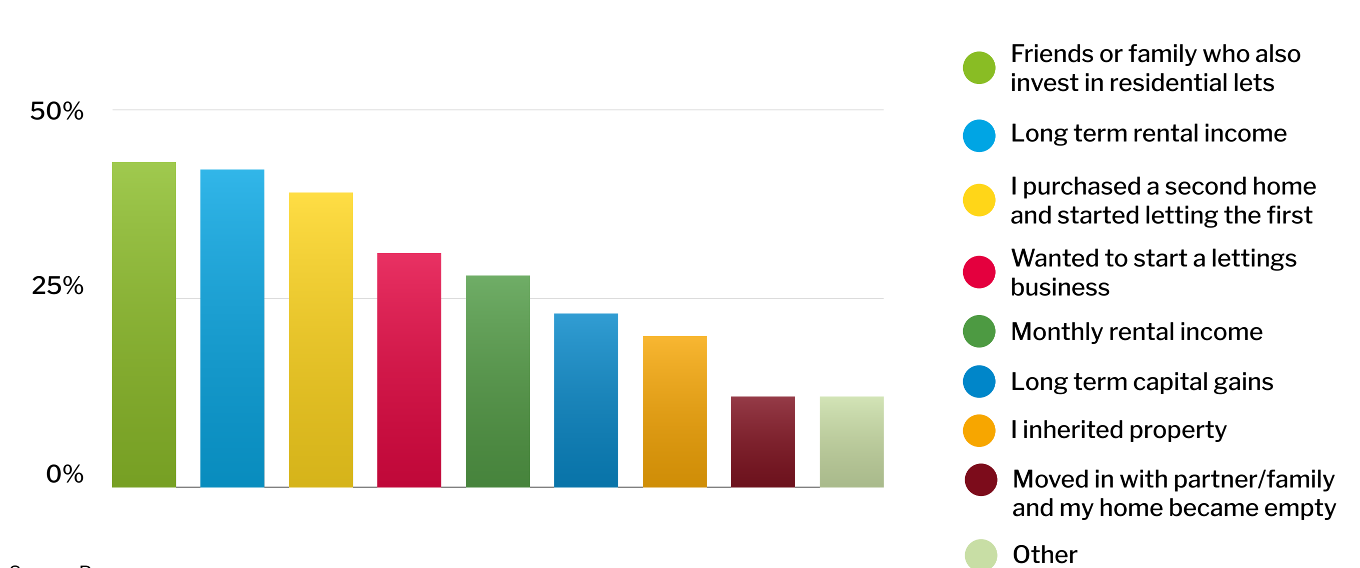
Friends and family are a major influence on landlords entering property investment, with a preference for tangible assets also a factor.

Family and friends with existing property business was a key driver for 43% of next-generation portfolio landlords to initially become a landlord, followed by a desire to develop long-term rental income.

However, a large proportion of landlords also began letting property through the accidental route.

Nearly four in 10 (39%) purchased a second home and started letting out their first, a fifth inherited property and 12% started renting their home after moving in with a new partner or friend.

What motivated you to first get into residential lets?

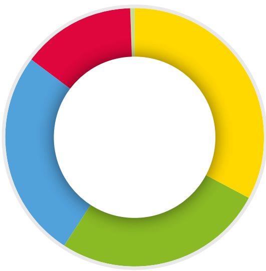


Source: Paragon

Property investors also prefer physical element of bricks and mortar. When asked why they choose to invest in property over other asset classes, two thirds (67%) cite property as a tangible asset as the driving reason.

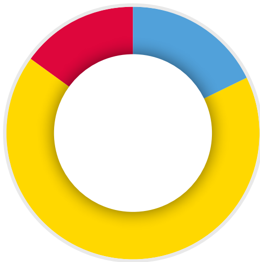
The ability to accelerate wealth, leaving property as an inheritance and a simple preference over other asset types were also given as influences.

Why did you choose property investment over other asset classes?



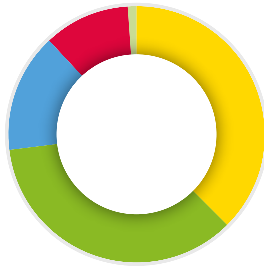
It provides tangible assets	67%
Allows me to build wealth faster	54%
It can be left as inheritance	53%
Prefer it to savings or other investments	29%
Other	1%

What is your investment risk appetite?



Low risk	18%
Medium risk	67%
High risk	15%

How did you finance your first BTL property?



Buy to let mortgage	38%
Purchased outright	36%
Let to buy mortgage	15%
Received as inheritance	11%
Other	1%

Over half (51%) are also involved in some form of property-related business, which could influence their decision to move into property investment.

Nearly a quarter (23%) are in property development, with around a fifth either in property management, lettings or building/construction.

Are you involved in other property related sectors?

No involvement in property related businesses	49%
Property development	23%
Property management	20%
Lettings agency	18%
Building/construction	17%
Decorating	13%
Electrics	7%
Plumbing	4%

Source: Paragon

How aspirational portfolio landlords are preparing for growth

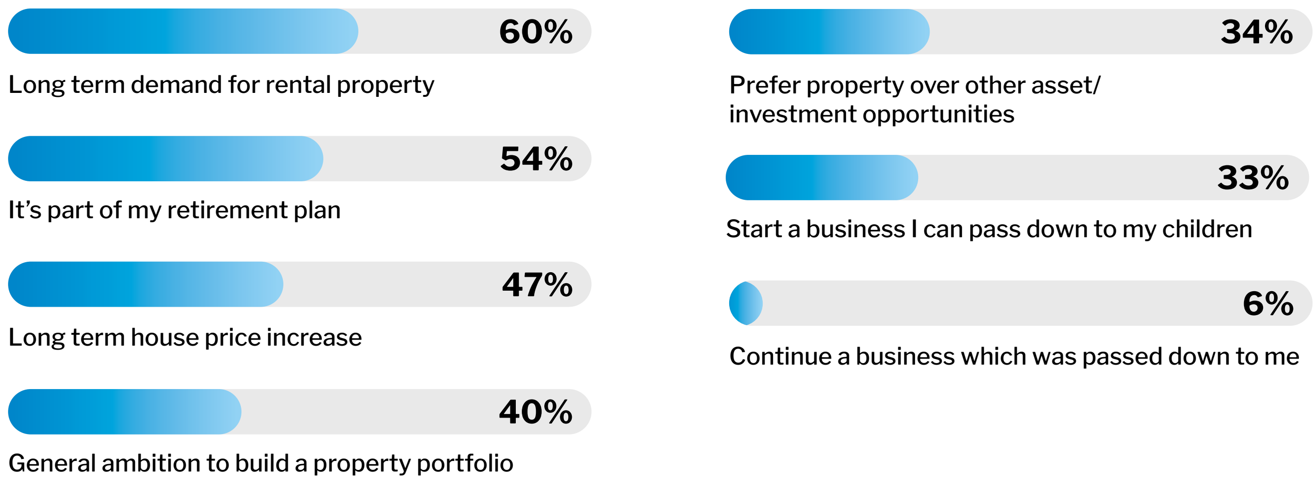
Building wealth is one of the main drivers for aspiring portfolio landlords to expand their property business, underpinned by long-term tenant demand.

Long-term tenant demand, retirement and house price growth are the key drivers of growth for landlords seeking to expand their portfolios.

Six in 10 landlords cited tenant demand for rental homes as a key motivator, followed by 54% who said it was part of their retirement planning. A further 47% cited long-term house price inflation, with other driving factors including a general ambition to build a portfolio (40%) and a preference for property over other assets or investments (34%).

A desire to start a business that can be passed down to children was referenced by a third of landlords.

What is driving your decision to expand your portfolio?

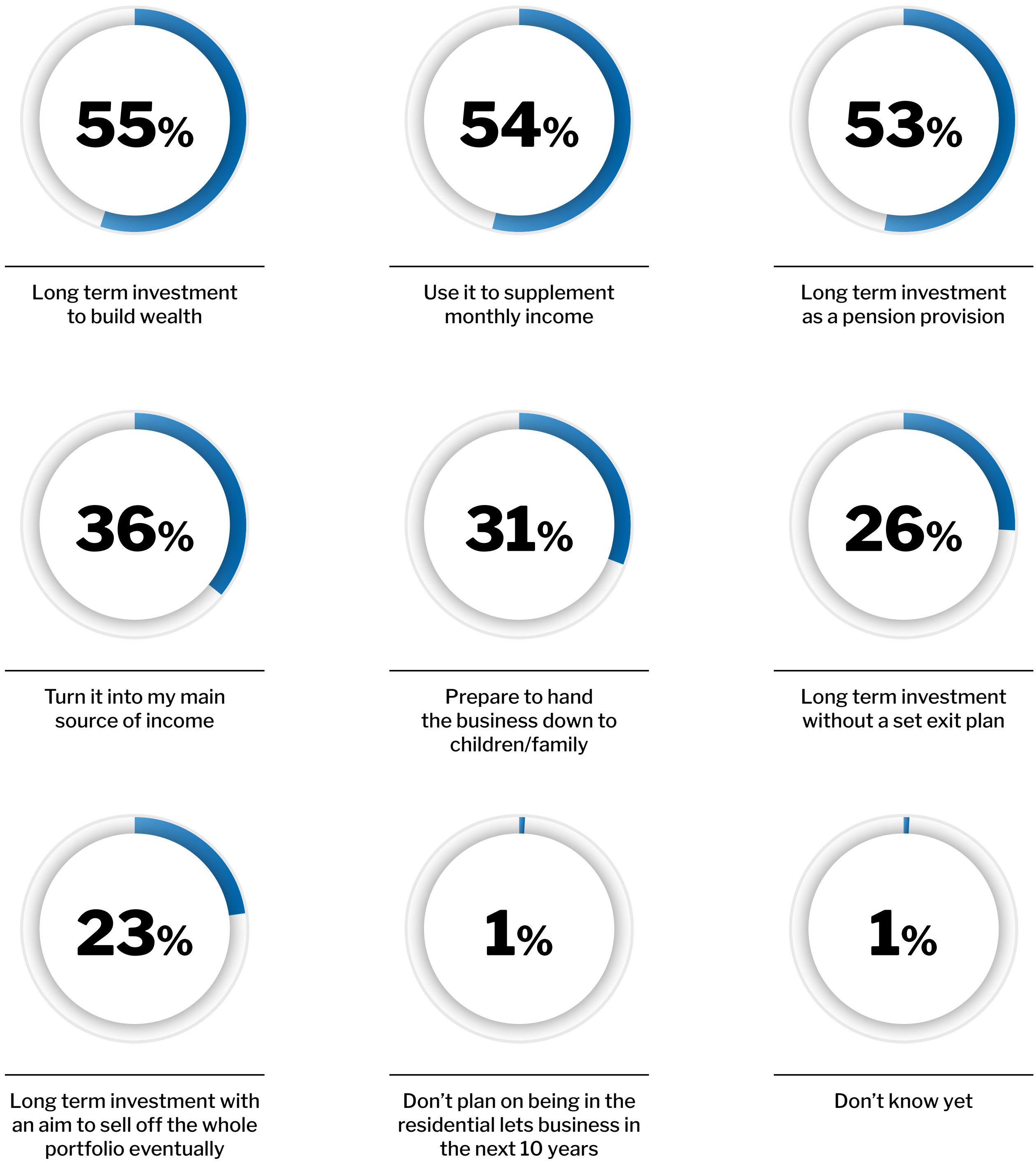


Source: Paragon

Looking to the future, 55% of aspirational portfolio landlords want to build a portfolio over the next 10 years as they see it as a long-term investment to build wealth. A similar proportion view their portfolio as providing supplementary income, with 53% building it for a pension.

Just over a third want to build it for their main source of income, whilst 23% expect to sell the portfolio as a whole eventually.

What are your long-term plans (10 years+) when it comes to your residential lets business?



Future portfolio focus

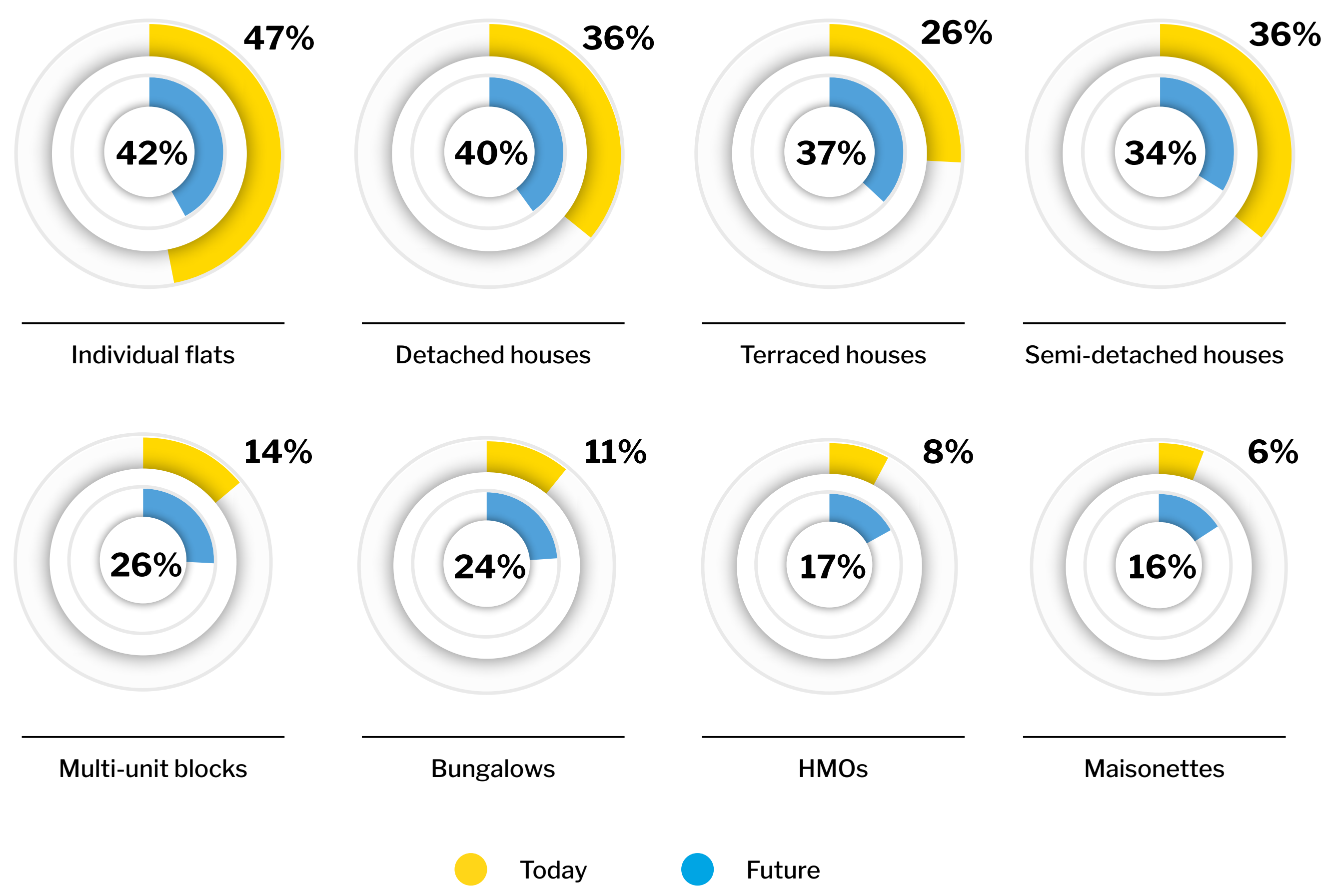
Looking to the future, flats, detached homes and terraced houses remain the most popular property type, but landlords are also seeking more complex propositions.

Aspiring portfolio landlords have so far built their property business on the bedrock properties of the private rental sector – flats and single self-contained houses, including a combination of detached, semi-detached and terraced.

Looking forward, there is a greater desire to invest in more complex propositions. Today, only 8% of these landlords invest in houses in multiple occupation but that rises to 17% when thinking about the future. Similarly, 14% of landlords invest in multi-unit blocks currently and, in future, that is expected to grow to 26%.

Elsewhere, we see a large jump in the proportion who are targeting terraced housing, the staple of the rental market, rising from 26% currently to 37% in future.

Portfolio composition - today vs future



Source: Paragon

Landlords also show a preference for acquiring property in need of some work to improve the capital value and rental income of the asset. Nearly eight out of 10 (79%) target property in need of maintenance, with 44% preferring minor refurbishment and 35% seeking properties requiring more significant work.

What property condition will you target?

44%

Purchase property in need of minor refurbishment eg painting

35%

Purchase property in need of major refurbishment eg new windows, plastering

17%

Purchase property that is ready to live in

4%

No preference

Source: Paragon

The operational challenge of being a landlord

Despite current modest portfolios, most growth aspiring landlords have experienced challenges.

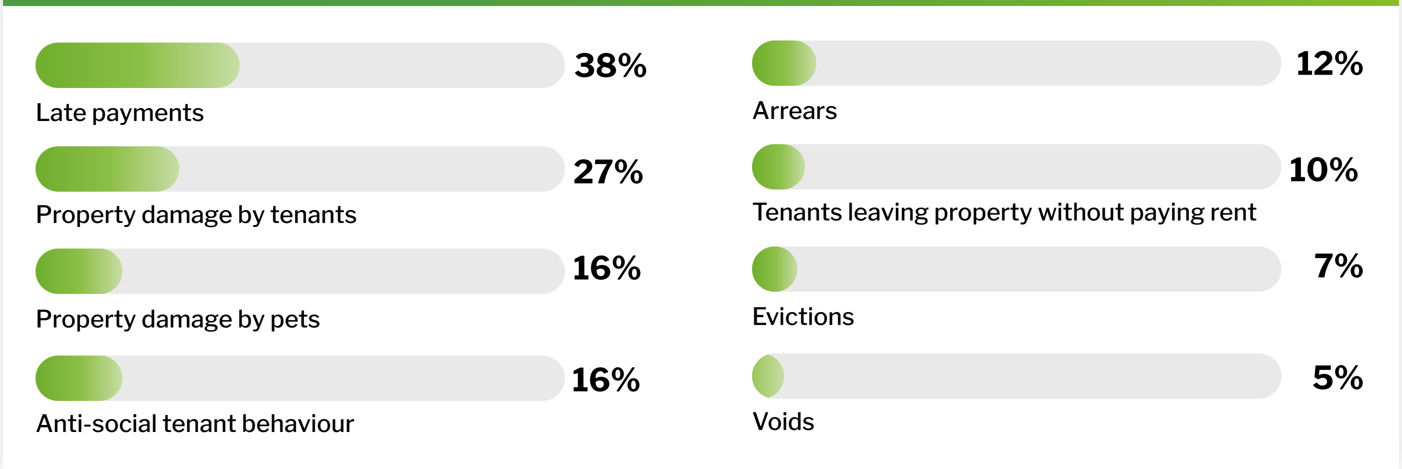
The majority of aspirational portfolio landlords like to have a hands-on role in managing their properties. Two thirds (67%) say they like to be involved in all aspects of running their portfolios, with three in 10 relying more heavily on the support of agents and other partners to operate their business.

Nearly all landlords will use the services of professional organisations to support their businesses to varying degrees. The most commonly used professionals are accountants (84%) and lettings agents (83%), followed by financial advisors (80%).

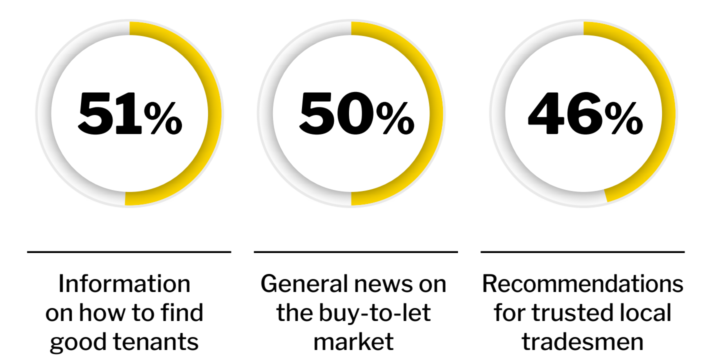
As many landlords will testify, running a portfolio isn't easy and many face challenges.

Late payment is the most common issue landlords with between one and three properties have faced in the past 12 months, followed by property damage by tenants or their pets. Other issues include anti-social tenant behaviour, arrears and tenants leaving the property without paying.

Issues faced by 1-3 property landlords in the past 12 months

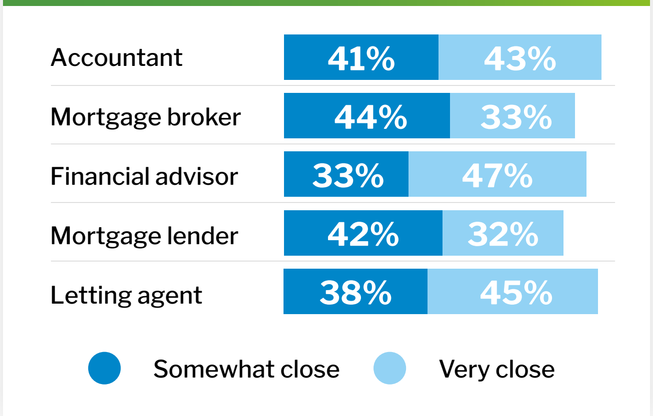


Top 3 areas of support in running portfolio



Source: Paragon

How closely do you work with the following professionals?



What matters most to aspiring portfolio landlords?

Wealth, health and friends and family are most important.

Landlords who are seeking to build portfolios place their financial security and their physical wellbeing as top of their lifestyle priority list. Seven in 10 included financial stability in their top five priorities, with 61% selecting physical health and wellbeing in the top five.

Other areas landlords prioritised included spending time with friends and family (58%), work/life balance (53%) and building wealth (50%).

Less important to this group was making a positive impact on society, holidays and leisure and limiting their environmental impact.

Which of the below factors do you consider most important to you?

70%
Financial stability

61%
Physical health and wellbeing

58%
Spending time with friends and family

53%
Work/life balance

50%
Mental health

50%
Building wealth

41%
Holidays and leisure

36%
Positive impact on society

33%
Personal growth and development

23%
Limiting my impact on the environment

20%
Embracing creativity and self-expression

Source: Paragon

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