

# Portfolio landlord report 2024

Portfolio landlords are the backbone of the private rented sector. In our latest report, we examine who these landlords are, how they feel about their property business and their plans for expansion.



# Introduction



Portfolio landlords, defined as those who own four or more properties, are the backbone of the private rented sector. They are the landlords who are driving investment in the sector, upgrading property and providing quality homes to millions of tenants across the country.

Over the course of the past 30 years in which buy-to-let has been in existence, the Private Rental Sector has become increasingly professionalised, with larger, portfolio landlords providing the majority of the stock.

There may be more one, two or three property landlords in number, and they too offer a fantastic product, but it is portfolio landlords who provide the bulk of the stock.

We specialise in working with this cohort of landlord, so we are well positioned to understand their needs and aspirations. Based on research of this landlord group, this latest report details who these landlords are, how they feel about the market and their plans for 2024.

Positively, they have entered the new year on the front foot, with a significantly higher number planning to expand their portfolios compared to those who are looking to reduce stock or exit the sector altogether.

The proportion of those who display confidence in the level of tenant demand for their properties, the outlook for their portfolio and profitability also significantly outweighs landlords who feel more negatively about their prospects.

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Although being a portfolio landlord can be rewarding, both financially and because of the important societal aspect of providing homes, it is not an easy job. Managing properties and tenancies is labour intensive and we hear about some of the challenges landlords have faced over the past 12 months and how they manage these.

With the Renters Reform Bill on the horizon, the challenges are only set to become greater.

We also look at how they are adapting their portfolios for a greener future, with many taking action into their own hands in the face of a lack of direction from Government.

**Richard Rowntree**  
**Managing Director of Mortgages**  
**Paragon Bank**

# Portfolio profile

## Property type

Portfolio landlords own residential property, but one in five also owns commercial property.

What type of property do you let?

Source: Paragon

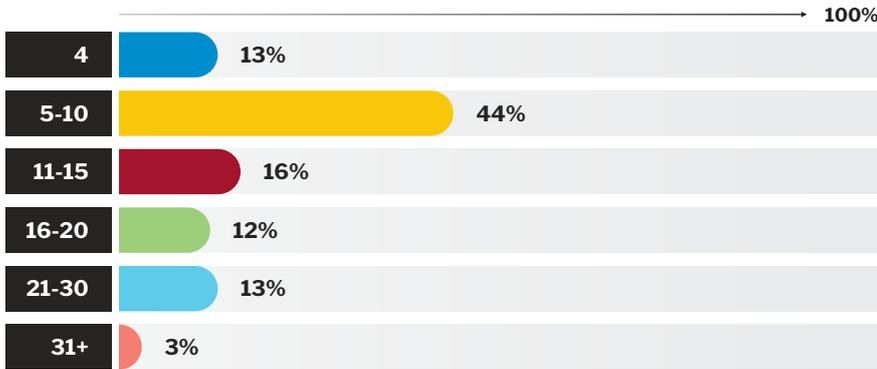
80%

Residential only

20%

Residential and commercial

## Portfolio size



Over half of portfolio landlords hold between four and 10 properties (56%), with 28% between 11 and 20. The remaining 16% hold more than 21 properties in their portfolio.

## Portfolio structure

A third of landlords hold a mix of property in individual name and Limited Company, with near equal proportions holding their properties only in personal name (27%) or a Limited Company (24%).



How do you hold your rental property?

Source: Paragon

33%

Mixed – some are held as an individual, some as part of a Limited Company

27%

In personal name

24%

As part of a Limited Company

8%

Other

7%

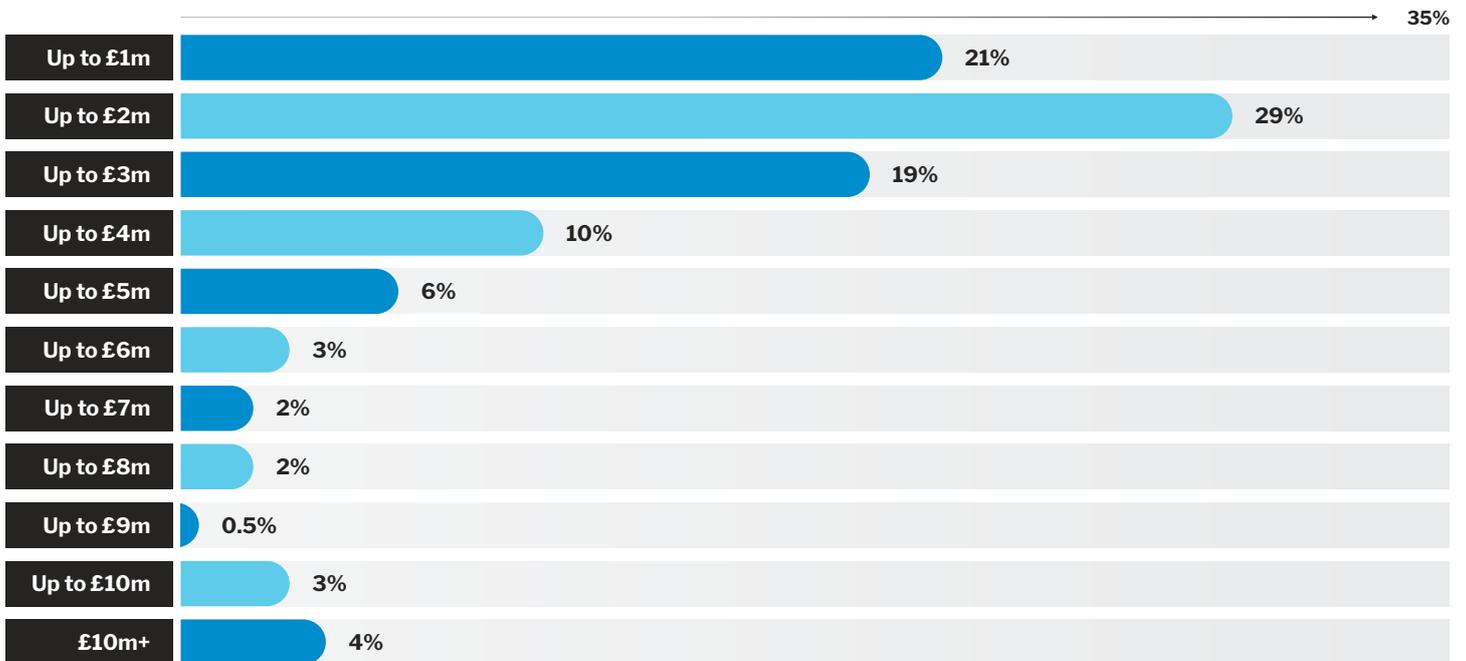
As an informal 'partnership'

## Portfolio value

Half of portfolios have an estimated market value of up to £2 million, with over a third valued between £2 million and £5 million. Nearly 15% have a value of over £5 million.

### Estimated portfolio market value

Source: Paragon



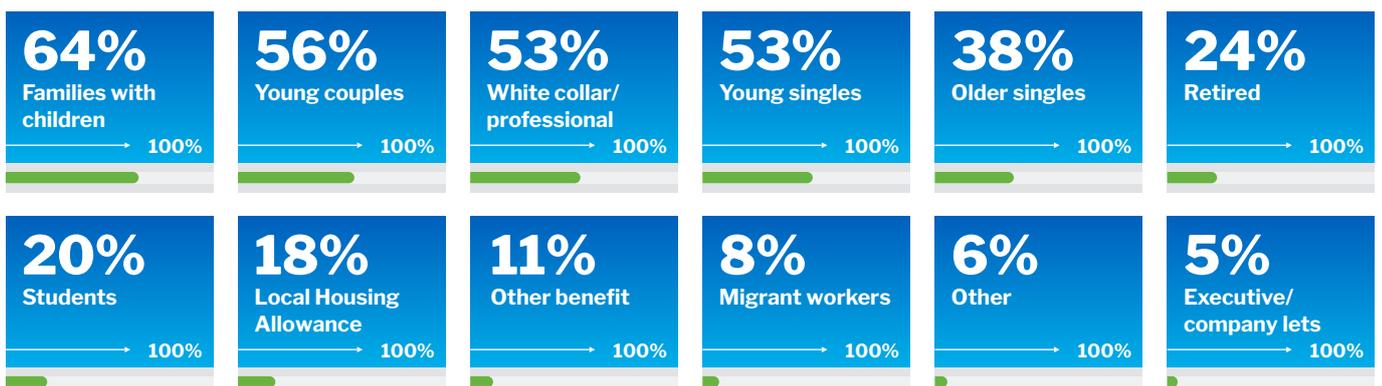
## Tenant type

Given the nature of portfolios, landlords let to a wide group of tenant types, with families, young couples, professionals and young singles featuring prominently.



### What type of tenants do you have in your properties?

Source: Paragon



# What drives portfolio landlords and their purchase strategies?

## Long-term capital gains, pension provision and establishing a main source of income drive landlord investment.

As opposed to accidental landlordism, often those who inherit property or gain a home to rent through the formation of a new relationship, portfolio landlords demonstrate strategic and deliberate intentions to develop their property business.

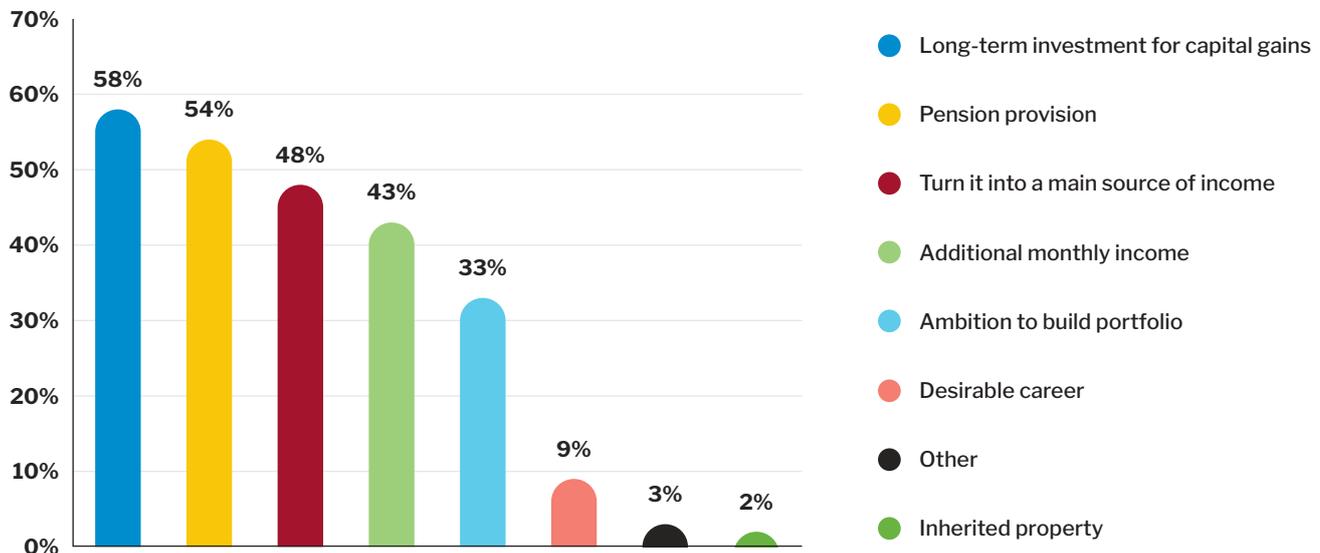
A desire for long-term capital gains, pension provision and establishing a main source of income are the key drivers for investment.

Nearly six in 10 (58%) are seeking the value of their properties to increase during ownership, with 54% building a portfolio to support their pension. Nearly half (48%) are building a portfolio so it becomes their main source of income, with 43% looking for supplementary income to support their main job.



## What motivates you to invest in rental properties?

Source: Paragon



With regards to the type of property portfolio landlords prefer to buy, the staple of the private rented sector – the terraced home – remains the most popular choice, followed closely by semi-detached properties.

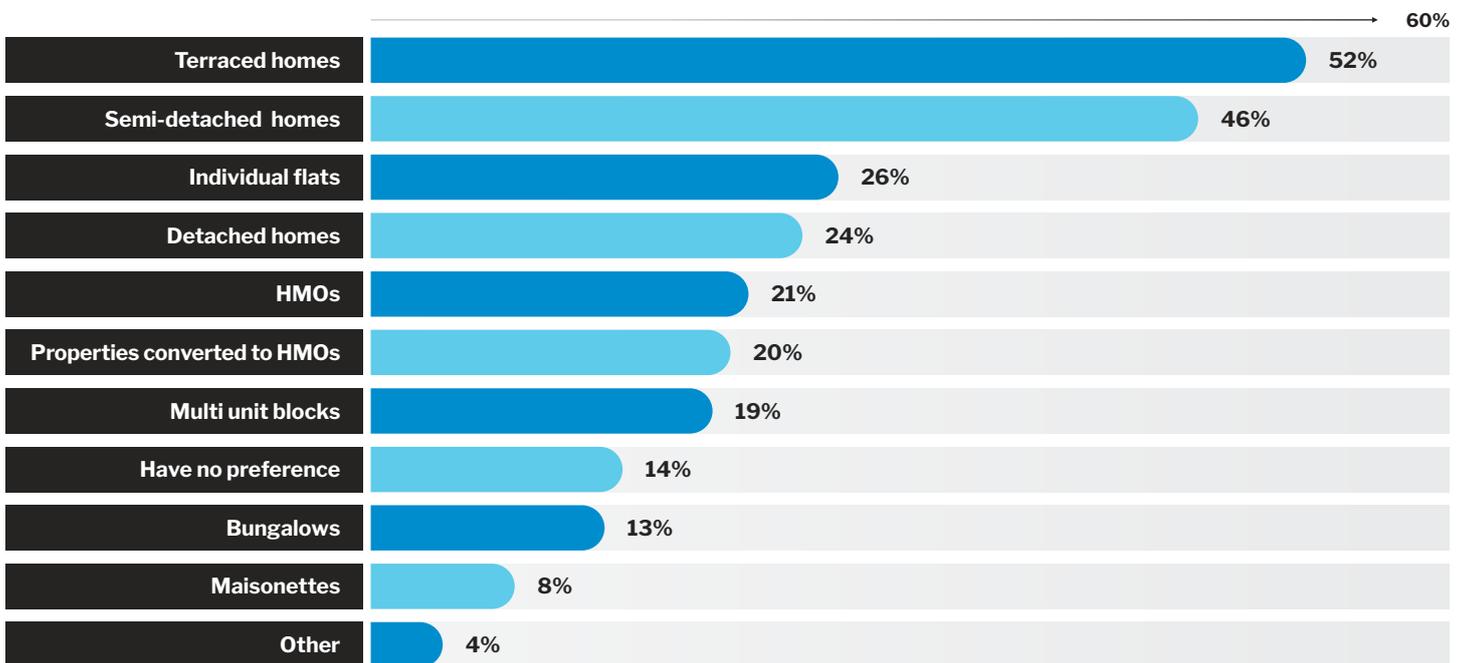
Given the greater level of experience typically associated with portfolio landlords, Houses in Multiple Occupation and Multi-unit Blocks are also popular, with 21% preferring to acquire ready-made HMOs or properties suitable for converting into HMOs (20%).

Landlords also show a preference for property they can improve or upgrade. Over half seek property in need of major (33%) or minor (22%) refurbishment, with just 13% preferring a property that is ready to accept tenants immediately.



## What type of properties do you prefer to purchase?

Source: Paragon



## Ready made or a 'doer-upper'?

Source: Paragon



Purchase property in need of major refurbishment



Purchase property in need of minor refurbishment



Purchase property that is ready to live in



No preference



# How portfolio landlords see themselves

**The term ‘landlord’ has been much debated, but for the majority of portfolio landlords that is still very much how they view their business.**

There has been much debate regarding the role of a landlord in recent years and whether the term is outdated and unreflective of the wide service the majority provide their tenants.

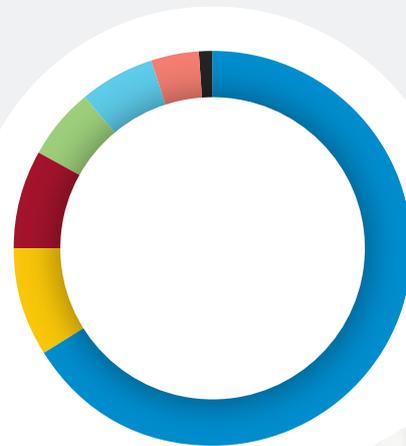
However, although most generate turnover and operate balance sheets akin to a small-to-medium sized enterprise, the majority (67%) still see themselves most closely aligned to the landlord label.

Other labels portfolio landlords associate themselves with include lettings business (9%), property management (8%), real estate and an SME (both 6%).

## How would you class your business?

Source: Paragon

- Landlord (67%)
- Lettings business (9%)
- Property management business (8%)
- Real estate business (6%)
- Small to medium-sized enterprise (6%)
- Housing provider (4%)
- Other (1%)



Over a third (37%) of landlords are self-employed running their property business, with 25% combining their role as a landlord with a full or part-time job. A further 18% are self-employed in another capacity, with 16% retired.



## What best describes your employment status?

Source: Paragon



# Property-related interests

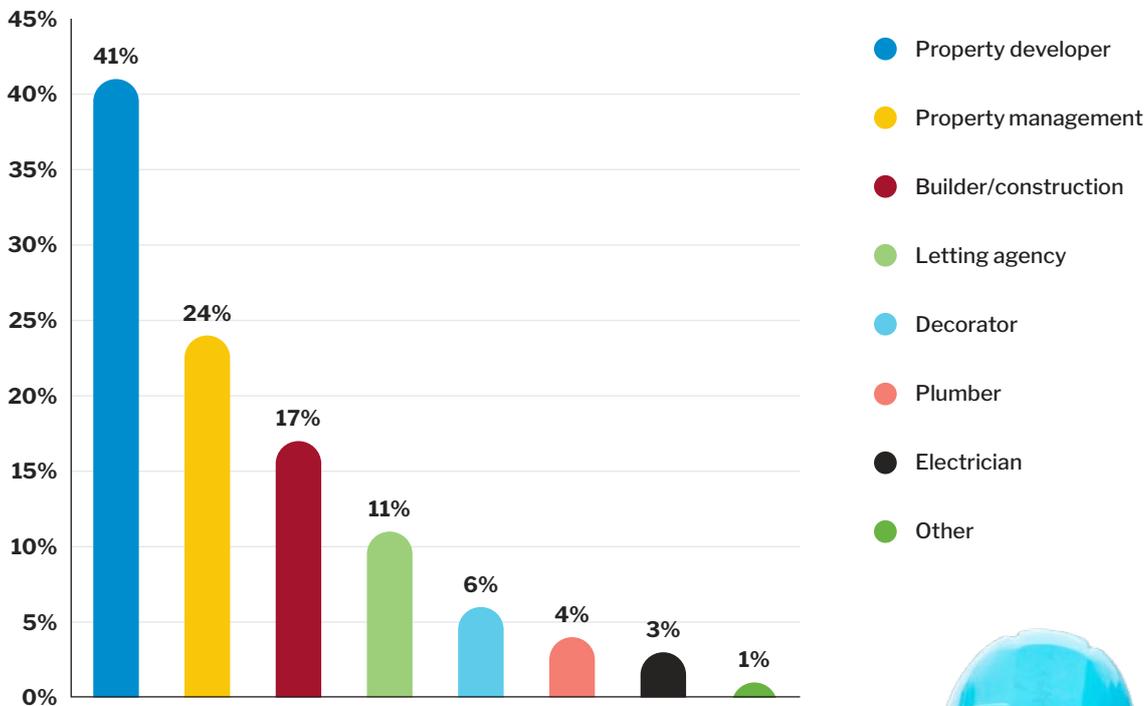
A high proportion of landlords are also involved in other property-related businesses, with 45% having some other property-focused income or business relationship.

Of that cohort, 41% are involved in property development, 24% in property management and 17% in the building or construction trade. Other activities include letting agent (11%) or a tradesperson (13%).



## Are you involved in other businesses relating to property?

Source: Paragon



# Portfolio landlords remain resilient

## Landlords are confident in the performance of their own portfolios and sustained tenant demand, but are less optimistic about the wider economy.

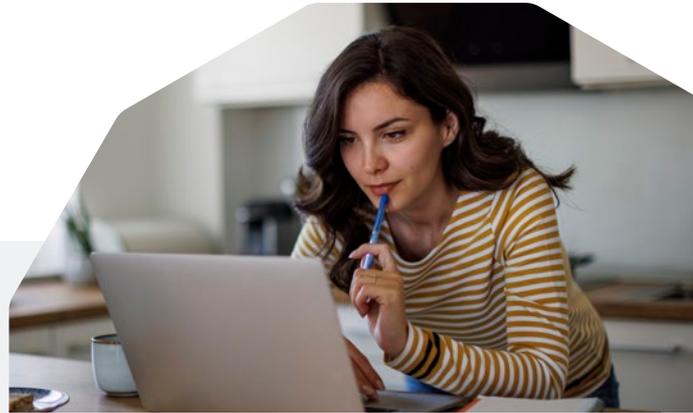
Landlord confidence broadly has taken a buffeting since the mini-budget of September 2022, with industry-wide tracking surveys revealing declining levels of confidence across most of last year.

However, portfolio landlords enter 2024 in a cautiously buoyant mood, with strong levels of confidence in their own lettings business, the financial performance of their portfolio and, particularly, sustained levels of tenant demand for rental property.

Over nine in 10 (92%) landlords believe tenant demand for their property will remain strong this year, the overwhelming frontrunner in the driver of landlord confidence.

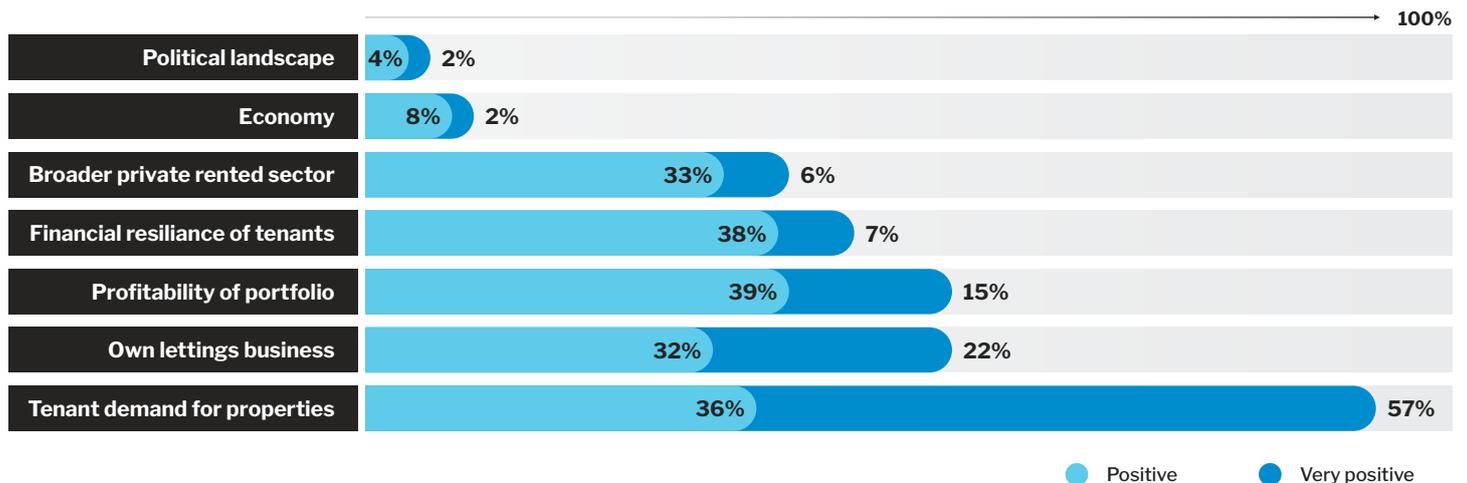
Over half (54%) are either positive or very positive in the prospects for their lettings business, compared to 16% feeling negative about their prospects. Similarly, 53% remain confident in the profitability of their portfolios, although 24% feel more negative.

Portfolio landlords feel less optimistic about the performance of the economy this year, with just 10% expressing positivity, and a tiny 6% showing any sort of good feeling about the outlook for the political landscape.



## How confident are you about the below aspects of your lettings business in 2024?

Source: Paragon



# Landlords in expansive mood

**Over a third of portfolio landlords plan to add new property in 2024, with capital raising from existing stock a popular choice.**

After a subdued 2023, dogged by increasing borrowing costs and uncertain property prices, landlords enter this year in a more confident mood.

Nearly four out of 10 (37%) landlords are planning to increase the size of their portfolio in 2024, compared to 21% seeking to reduce stock.

Drivers of the expansion decision include the individual landlord's portfolio expansion strategy, the long-term demand for rental property, retirement planning and a preference for property over other investment types.



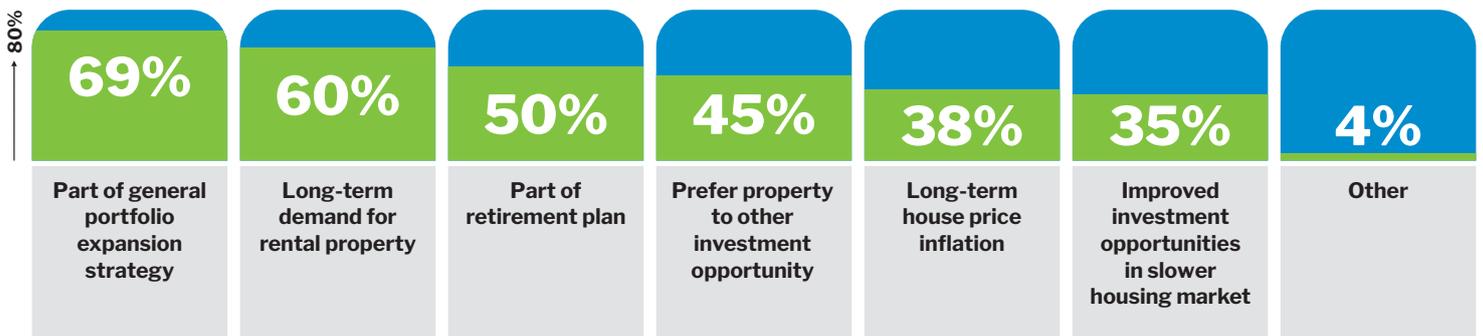
## What are your plans over the next 12 months for your portfolio?

Source: Paragon



## What is driving your intention to expand your portfolio?

Source: Paragon



## How do you plan to raise capital for property purchases?

Source: Paragon



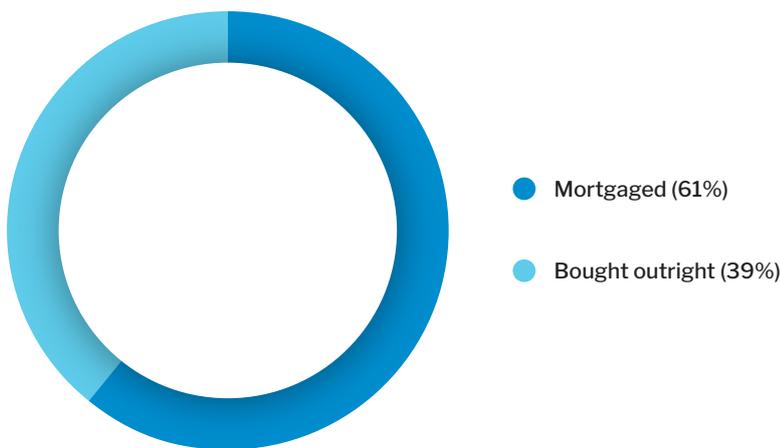
Landlords plan to use a combination of savings (58%) or releasing equity from existing properties (55%) in their portfolios to fund fresh acquisitions, whilst one in 10 plan to sell an existing property to raise investment capital.

Additionally, 61% of landlords intend to use mortgage lending to acquire new property, compared to 39% who plan to buy outright.

Landlords are also seeking diversification opportunities; 43% of those planning to buy are seeking to buy different property types from what they currently have in their portfolios, with 20% adding property in a new region.

## Mortgaged or bought outright?

Source: Paragon



# The burning question

## The Conservative Government has shelved plans to introduce new minimum energy performance standards for rented property, but what will portfolio landlords do next?

In October last year, Prime Minister Rishi Sunak called a press conference to announce the culling of a raft of planned green-focused regulations.

For landlords, the key announcement related to the energy performance of rented property. The Government had proposed that all new tenancies must have a minimum Energy Performance Certificate rating of C by April 2025, extending that to all tenancies by 2028.

Landlords were left in limbo; the Government launched the proposals in 2021 and then silence until the Prime Minister's announcement last year.

This made planning difficult as landlords were uncertain whether the proposals would be introduced at the intended date, delayed or amended. Paragon's [report](#) into the actions they undertook highlighted the confusion.

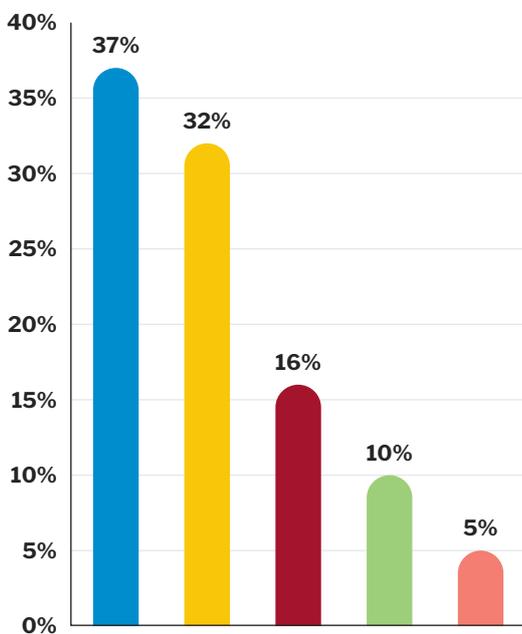
So where next? With a General Election on the horizon and a potential change in Government, the proposals could be back on the cards.

Given the uncertainty, the majority of landlords are carrying on as planned, with 37% continuing to upgrade their properties to meet EPC C standard, where possible. However, 16% have postponed undertaking any work until there is clarity.



## With the EPC legislation now postponed, what do you plan to do?

Source: Paragon



Of those with property to upgrade, just under half (46%) expect that it would take up to two years to complete the works across their portfolio, whilst 17% expect it would take five years or longer.

- Continue to improve properties to a minimum of EPC C, where possible
- All my properties are already at EPC C or above
- Postpone undertaking any works until the EPC C legislation is brought back
- EPC C rules have no bearing on my portfolio strategy
- Don't know/not applicable

## When do you anticipate improvement works to reach EPC C rating will be completed across your portfolio?

**18%** within 12 months

**28%** 1 to 2 years

**22%** 3 to 4 years

**17%** 5 years or longer

**15%** don't know

Source: Paragon

# Portfolio management challenges

## Portfolio landlords and their tenants typically enjoy a harmonious relationship, yet issues consistently arise.

Operating a property portfolio isn't easy. With approximately 170 pieces of legislation to comply with, and more on the horizon, it can be a complex business. Maintaining property, complying with tax and regulatory requirements, managing tenant relationships and overseeing strategy are all facets of portfolio management.

The majority of landlords utilise the skills and support of employees to support with their property business. Half (51%) employ full-time staff, with 52% employing part-time workers.

Additionally, 45% of portfolio landlords state they have a 'very close' working relationship with their letting agent, with support also sought from mortgage brokers (35%), accountants (35%) and, to a lesser extent, financial advisers (15%).

Research undertaken on behalf of Paragon revealed that 80% of tenants like the property in which they live and 85% enjoy a good relationship with their landlord.

On the whole, tenants and landlords enjoy a harmonious relationship. Research undertaken on behalf of Paragon revealed that 80% of tenants like the property in which they live and 85% enjoy a good relationship with their landlord.

However, issues can arise and, over the course of the past 12 months, 37% of landlords experienced late payments from tenants and just under a third suffered arrears, a figure that aligns with wider industry surveys. A quarter have experienced voids, with 17% reporting property damage by tenants.

## In the past 12 months, have you experienced any of the below?

Source: Paragon



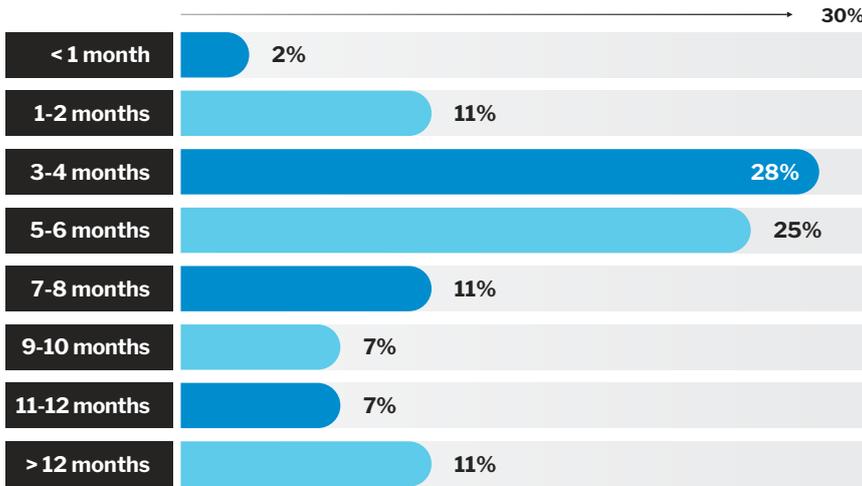
Where a landlord has experienced arrears, in the majority of cases (53%) the landlord has initiated a repayment plan with the tenant, but in some instances, an eviction has been the chosen route.

Nearly one in five portfolio landlords (17%) had to evict a tenant from one of their properties, with the most common route being a Section 21 notice (72%), followed by a Section 8 notice (36%). In over half of cases (53%), it took between three and six months for the eviction to take place, but in one in 10 cases it took longer than a year.

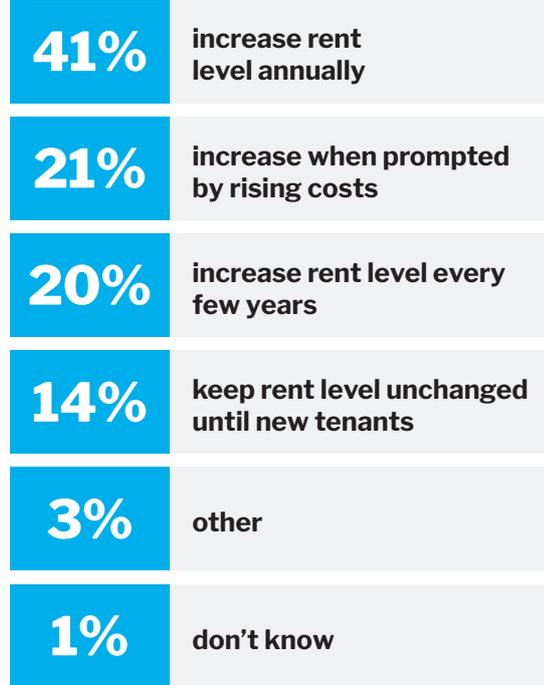


## On average, how long did it take to evict tenants?

Source: Paragon



## When do you increase rents?



Source: Paragon

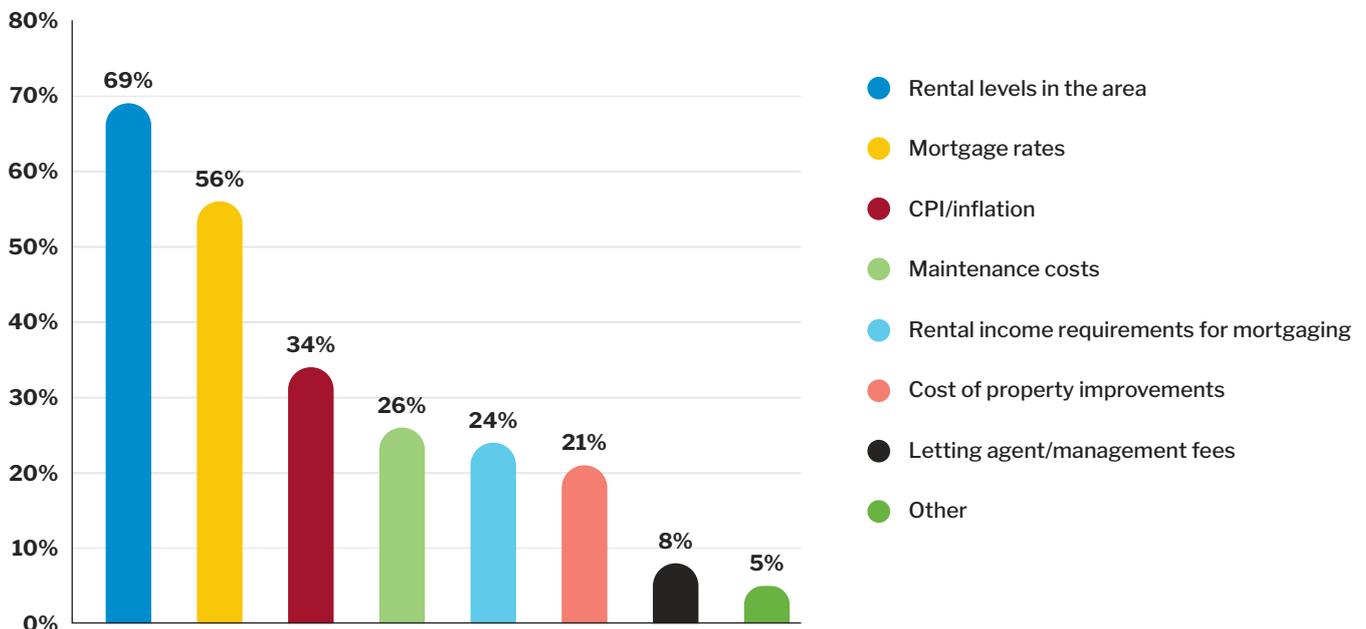
## Managing rents

The preferred route for landlords is to increase rents on an annual basis (41%). Other catalysts for rent increases include when the landlord experiences a cost increase, such as mortgage payments, or new tenancies.

The key drivers when setting the new rent levels include local market rents and the landlord's borrowing costs. Other lesser factors include the general rate of inflation, maintenance costs, property improvements and letting agent or management fees.

## What are your main considerations when increasing rent levels?

Source: Paragon





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