

## Headlines

10 years of Scottish rental growth

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Families in the PRS increasing

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L&G's first Scottish BTR Scheme

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## Key Findings

In the 10 years since the global financial crisis, the private rented sector (PRS) in Scotland has seen rising rents (up 19%) and rising numbers of households in the sector (now 15% of all households).

Rising rents for family homes point towards rising demand from families in the PRS, with an estimated 90,000 now in this tenure in Scotland.

Legal & General will forward fund Drum Property Group's Buchanan Wharf waterside development in their first move into the BTR sector in Scotland.

## Themes & Trend Analysis

Edinburgh leads the way over the past 10 years of rental growth in the Scottish market.

In 2008, only 9% of all households in Scotland were in the PRS. 10 years on, this figure has risen to 15%. In Edinburgh, now more than 1 in 4 households are in the PRS. This rise in demand has contributed to rising rents. Over the past 10 years, rental market pressures has seen average rents outstrip house prices. Average rents in the capital are up 46% compared to 36% for house prices, while in Glasgow rents are up 36%, ahead of the 20% house price inflation.

An estimated 90,000 families in Scotland are in the PRS.

Rising numbers of families in the PRS points towards the sector becoming more important across all age groups and life stages (family households now make-up around one-quarter of the PRS in Scotland). The largest rises in Scotland's PRS in recent quarters have been for the larger 3- and 4-bed properties.

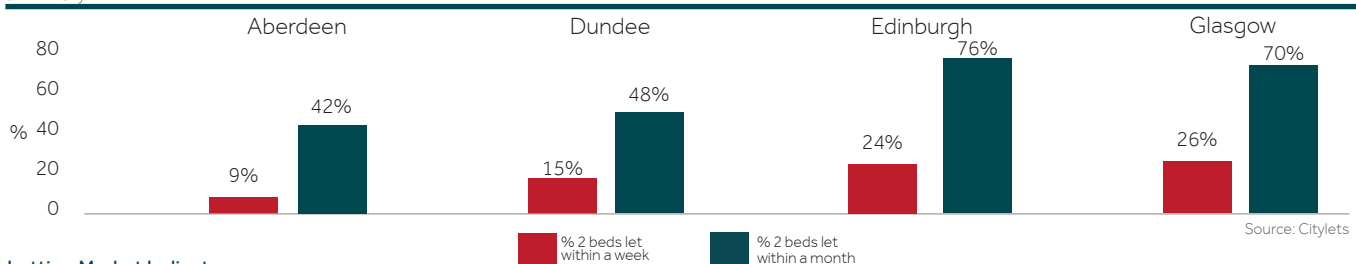
Legal & General and Drum Property Group push forward on the Clyde.

The 324-unit 18-storey dual tower development on the Clyde will include BTR amenities such as a resident's lounge and 4,250sqft roof terrace. Glasgow had been a key target for Legal & General as part of their Future Cities initiative. Buchanan Wharf represents Legal & General's fourth acquisition in Glasgow in the past year.

## Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2017 Q4	2018 Q4	Y-onYΔ	Y-onYΔ(%)	2017 Q4	2018 Q4	Y-onYΔ	Y-onYΔ(%)	2017 Q4	2018 Q4	Y-onYΔ	Y-onYΔ(%)	2017 Q4	2018 Q4	Y-onYΔ	Y-onYΔ(%)
Aberdeen	£707	£659	-48	-6.8%	£953	£972	19	2.0%	51	56	5	9.8%	58	66	8	13.8%
Edinburgh	£946	£1,017	71	7.5%	£1,278	£1,378	100	7.8%	35	33	-2	-5.7%	37	35	-2	-5.4%
Dundee	£563	£571	8	1.4%	£716	£704	-12	-1.7%	49	25	-24	-49.0%	38	32	-6	-15.8%
Glasgow	£755	£794	39	5.2%	£982	£1,037	55	5.6%	23	25	2	8.7%	39	34	-5	-12.8%

Source: Citylets



## Letting Market Indicators

	Mortgage Rates (BoE)					
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
2 Year Fixed (75% LTV)	1.73%	1.73%	1.75%	1.71%	1.79%	1.73%
5 Year Fixed (75% LTV)	2.03%	2.05%	2.03%	2.01%	2.07%	2.01%
Standard Variable Rate	4.06%	4.10%	4.35%	4.39%	4.45%	4.40%

Source: BoE

	Interest Rates (BoE)					
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Official Bank Rate	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%

Source: BoE

	Mortgage Rates (BoE)				
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
BTL Loans	5,500	6,000	5,200	6,100	6,100
BTL Value (£m)	£800	£800	£700	£800	£800

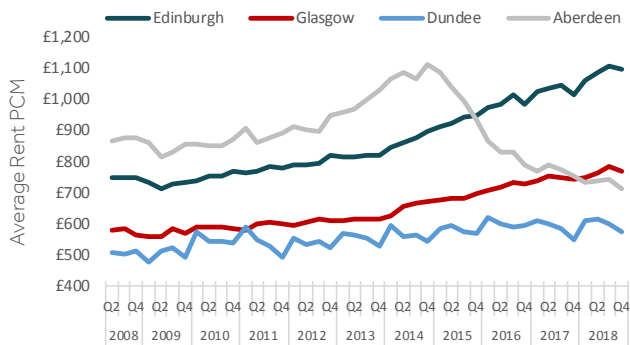
	Year	Complex Buy-to-Let Index			
		Q1	Q2	Q3	Q4
Loan to Value	2018	66%	67%	67%	68%
	2017	68%	69%	69%	67%
	2016	67%	69%	67%	67%
Yield	2018	5.6%	5.5%	5.4%	5.6%
	2017	5.7%	5.5%	5.5%	5.6%
	2016	5.8%	5.8%	5.6%	5.5%

Source: Mortgage for Business

### Seasonal slowdown in the rental market

The figures for Q4 2018 have shown average rents fall back slightly on the previous quarters, typical for Q4 figures. On a year-on-year basis, rents continue to rise and are up 5% nationally. Again, Edinburgh has led the other Scottish cities, with average rents up 7.8% on the Q4 2017, with Dundee (4.3%), Glasgow (3.9%) following on. Rents have continued to drop back in Aberdeen.

Average Rents by City

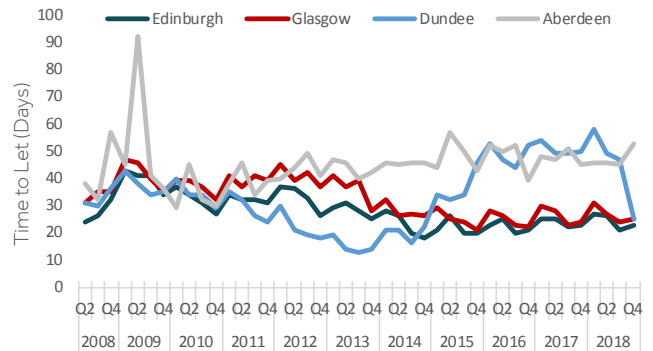


Source: Citylets

### Dundee sees falling time to let

Across Scotland, time to let (TTL) in Q4 2018 remained fairly consistent, with the exception of Dundee, which saw a notable shortening. Combined with stronger average rental growth than Glasgow in 2018, there seems to be rising demand in the city, which also has two prominent Build to Rent sites in the pipeline.

Average Time to Let by City

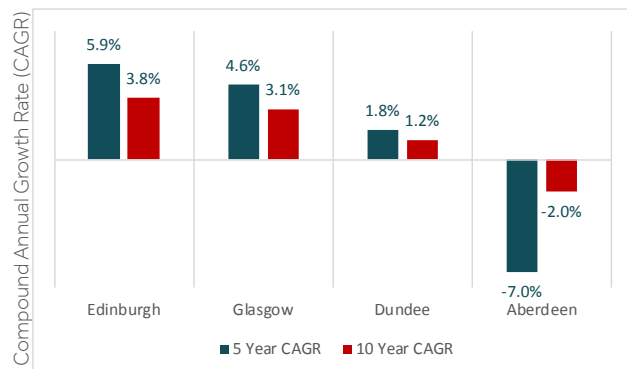


Source: Citylets

### Edinburgh leads long-term growth

Analysis of the rental growth over the past decade shows Edinburgh leading the other Scottish cities, with rents rising 46% over the past 10 years, ahead of Glasgow at 36% and Dundee at 12%. Aberdeen, beset with oil sector turmoil, has seen the average rent in the city fall 19% during this period. On an annualised basis, Edinburgh has averaged 3.8% compound annual growth rate in this time period.

Compound Annual Growth Rate (CAGR) over 5 & 10 Years

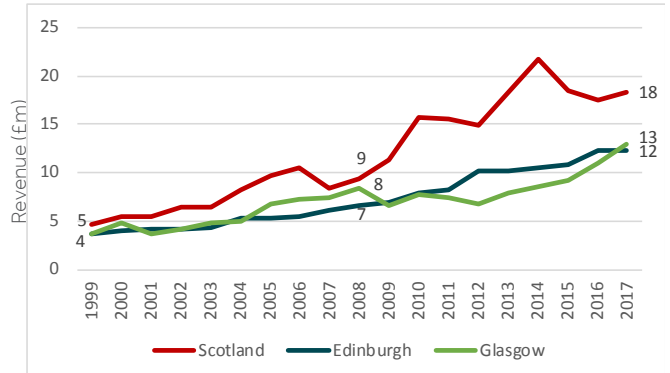


Source: Citylets / Rettie & Co.

### Families in PRS in long-term increase

The number of households in the PRS has increased significantly over the past 10 and 20 year periods, as the tenure become a more viable option for younger people and family households. This trend has not just been limited to younger households. The percentage of households between 35 and 59 years of age in the PRS has almost double in the past decade, and over the past 20 years, the level of PRS occupation in this group has tripled.

Percentage of Households in PRS Tenure: Aged 35-59 years



Source: Scottish Household Survey

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