

### Headlines

Largest Build to Rent deal in Scotland has been signed

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Scottish rental market growth flat overall year-on-year as the Central Belt and Aberdeen diverge

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Lending continues to increase to Limited Companies

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### Key Findings

Moda Living and Apache have acquired the Fountainbridge site in West Edinburgh City Centre from Grosvenor, with advice from Rettie & Co.

The Scottish rental market has reported mixed returns year-on-year, with double digit drops in Aberdeen average rents offsetting growth rates in the Central Belt

The number of mortgage products for Limited Companies has continued to increase ahead of legal and taxation changes coming to the rental sector. This has seen a jump in the number of available products from 198 to 266 between Q4 2016 and Q1 2017.

### Themes & Trend Analysis

**Moda Living have signed the largest BtR deal done in Scotland**

Moda Living and its joint venture partner Apache Capital have acquired the Fountainbridge site from Grosvenor and now plan a £215m investment to create over 500 homes for rent as well as significant commercial space. Rettie & Co. have been advising a number of clients on some high profile BtR sites in Glasgow and Edinburgh as institutional investors are increasingly seeing the nascent Scottish BtR sector as offering opportunity.

**Very modest growth in the Scottish rental market**

Annual growth rates have slightly cooled in Edinburgh and Glasgow, dropping to 5.2% and 4.2% respectively. This is contrasted by Aberdeen's continued decline, down 11.2% year-on-year, and Dundee's slightly negative performance of -1.6%. Overall, this has led to the Scottish market recording a very modest 0.1% year-on-year increase.

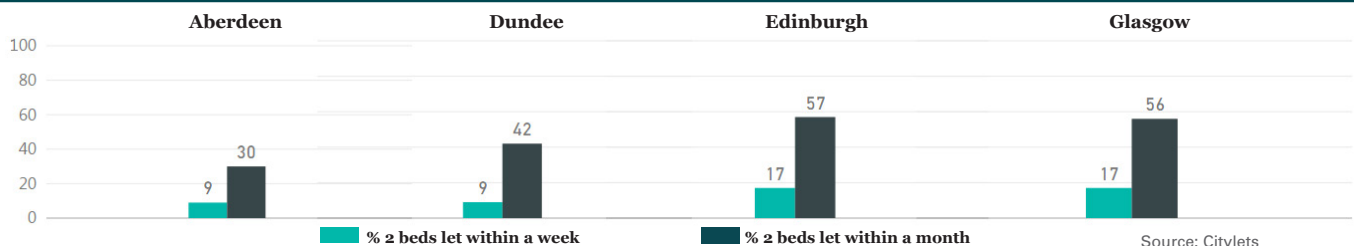
**Q1 saw an increase in both lenders and mortgages targeting Limited Companies**

The changes to mortgage interest tax relief coming in to effect this year continues to be a key driver in encouraging landlords to move towards incorporation. Having seen a strong increase in lending to this sector over the past year, Q1 2017 saw a marked increase in available products as well as the entry of a new lender to the marketplace. The professionalisation of the sector through incorporation and institutional BtR reflects the UK's changing rental tenure. Tenancy reform in Scotland is another potential impacting factor.

### Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2016 Q1	2017 Q1	Y-onYΔ	Y-onYΔ(%)	2016 Q1	2017 Q1	Y-onYΔ	Y-onYΔ(%)	2016 Q1	2017 Q1	Y-onYΔ	Y-onYΔ(%)	2016 Q1	2017 Q1	Y-onYΔ	Y-onYΔ(%)
Aberdeen	£814	£727	-87	-11%	£1,125	£995	-130	-12%	57	56	-1	-2%	51	60	9	18%
Edinburgh	£870	£928	58	7%	£1,254	£1,347	93	7%	26	31	5	19%	25	23	-2	-8%
Dundee	£591	£565	-26	-4%	£813	£848	35	4%	30	32	2	7%	29	33	4	14%
Glasgow	£721	£756	35	5%	£991	£1,059	68	7%	57	49	-8	-14%	62	48	-14	-23%

Source: Citylets



### Letting Market Indicators

	Mortgage Rates (BoE)						Mortgage Rates (BoE)				
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Oct-16	Nov-16	Dec-16	Jan-16	Feb-16
Bank Tracker Rate	2.18%	2.2%	2.2%	2.29%	2.29%	2.3%					
2 Year Fixed (75% LTV)	1.69%	1.59%	1.51%	1.42%	1.45%	1.42%					
5 Year Fixed (75% LTV)	2.39%	2.34%	2.27%	2.26%	2.26%	2.19%					
Standard Variable Rate	4.3%	4.24%	4.24%	4.28%	4.23%	4.49%					
BTL Loans							6,200	6,700	6,400	5,900	5,700
BTL Value (£m)							£900	£900	£900	£800	£800

Source: HMRC

	Interest Rates (BoE)					
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Official Bank Rate	0.28%	0.25%	0.25%	0.25%	0.25%	0.25%
3-month LIBOR	0.47%	0.36%	0.37%	0.38%	0.38%	0.34%

Source: HMRC

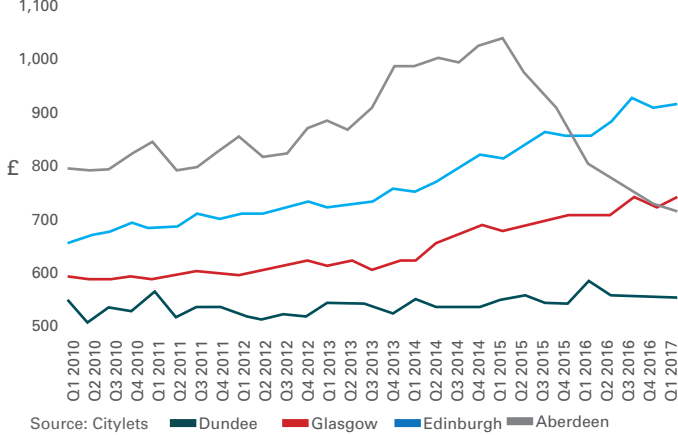
	Year	Complex Buy-to-Let Index			
		Q1	Q2	Q3	Q4
Loan to Value	2017	68%	-	-	-
	2016	66%	66%	63%	68%
	2015	69%	67%	68%	63%
Yield	2017	5.7%	-	-	-
	2016	5.8%	5.8%	5.6%	5.5%
	2015	6.4%	5.8%	5.8%	6.0%

Source: Mortgage for Business

## Central Belt driving rents

The Scottish market overall has paused for breath after a strong period of growth. Over the past 2 years, the economic centres of Edinburgh and Glasgow have returned double digit rental growth, while Dundee has remained comparatively flat and Aberdeen has seen values fall by 30%.

### Average Rents by City (2 beds)

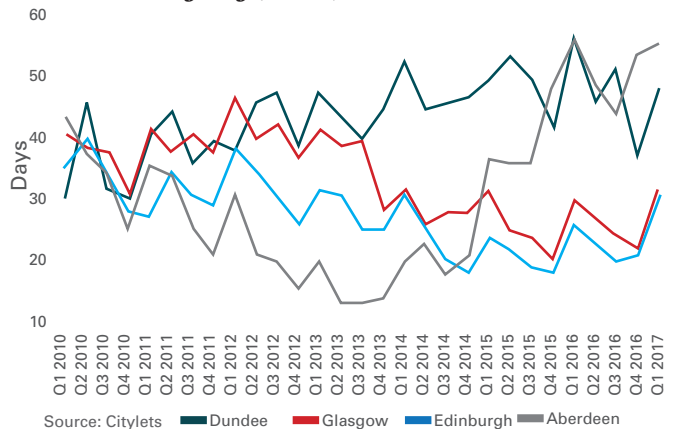


Source: Citylets

## Time to let rises in the major cities

The cooling market conditions in the Scottish rental market have been reflected in the time taken to let, with upward trends now across all major cities. In both Edinburgh and Glasgow, 2-bed apartments have seen a jump upwards from just over 20 days to over 30 days in Q1 2017.

### Time to Let by City (2 beds)

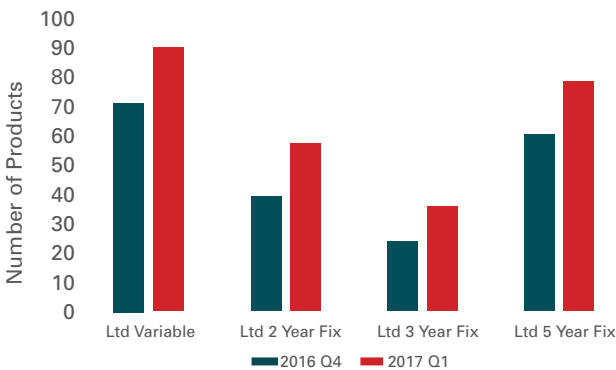


Source: Citylets

## Limited Company lending continues to grow

The availability of mortgage products for limited companies has jumped by over a third in Q1 2017, increasing from under 200 to over 260. This increase was across all product types.

### Mortgage Products for Limited Companies

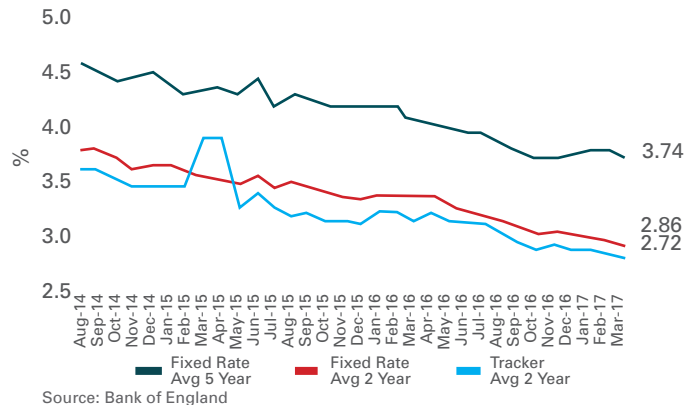


Source: Mortgage for Business

## Buy to Let lending rates see marginal falls

Rates on Buy to Let lending have once again fallen in the Spring market, with average 2-year fixed rate and tracker loans staying under 3% for the 6th month running. They have now also been joined by 5-year tracker products under this level.

### Buy to Let Lending Rates (%)



Source: Bank of England

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Stuart Montgomery  
Director  
Lettings & Management  
0131 624 9065  
stuart.montgomery@rettie.co.uk



Louise Amos  
Director  
Edinburgh Festival Rentals  
0131 624 4163  
louise@edinburghfestivalrentals.com



Charles McCosh  
Lettings & Investment Valuer  
Edinburgh Lettings  
0131 202 6198  
charles.mccosh@rettie.co.uk



Dawn Pianosi  
Branch Manager  
Edinburgh Lettings  
0131 624 4197  
dawn.pianosi@rettie.co.uk



Grace Reilly  
Branch Manager  
Glasgow Lettings  
0141 223 7887  
grace.reilly@rettie.co.uk