RETTIE

BUILD TO RENT SCOTLAND

Scottish Market Review
Summer 2021

Opportunity Knocks

As we emerge from the pandemic lockdown, there can be no doubt that we now live in a changed world. New norms, new approaches to work, new life choices and new priorities. With these changes come new opportunities.

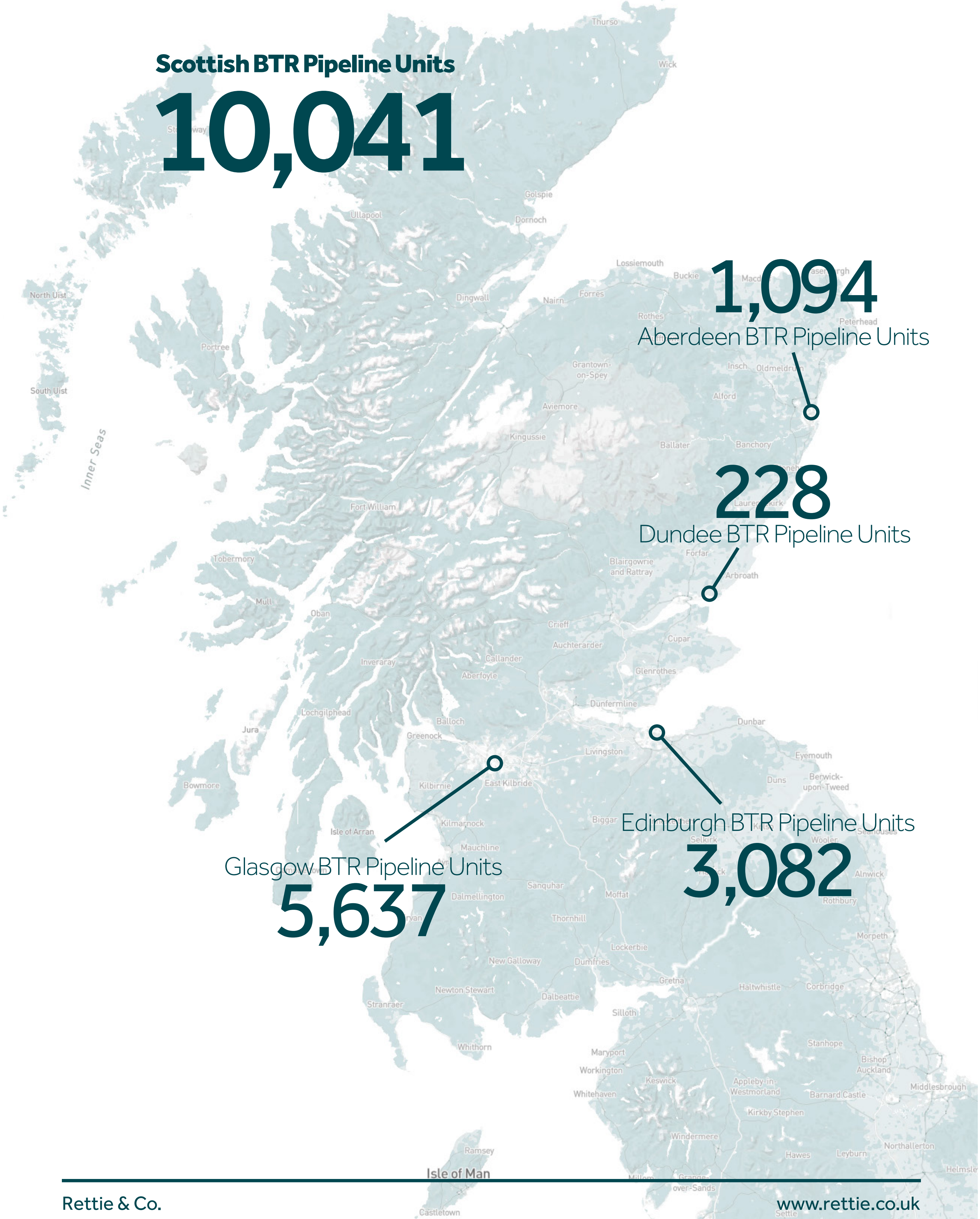
During the lockdown, the BTR sector has performed robustly compared to other property classes, especially the challenged retail, tourism and office sectors. Even with life returning to the high street and offices starting to open once again, the considerations of funds, investors, occupiers, developers, operators and tenants are all shifting. In this new landscape, BTR holds great potential and is attracting increased interest.
The UK BTR sector remains less established than the more proven US multi family model, with Scotland lagging England in terms of market penetration. Experience from the US suggests that the UK market could account for up to 20% of new build development if similar patterns of development from the US took hold in the UK.

If this level of BTR penetration occurred in Scotland, then we could expect around 4,500 BTR units to be built per year. While this is a theoretical figure, and quite some way ahead of the current 10,000 units pipeline, which has taken the best part of a decade to develop, this does show the potential of the UK and Scottish BTR sectors when compared to the mature US multifamily housing sector.

A key component of the more mature US market is the prevalence of suburban development, rather than the UK's more ubiquitous flatted approach. The development of family housing for rental has been gaining interest in Scotland. Developments are progressing for not only open market BTR, but also rental variants like mid market and intermediate rents. If this interest grows and can be converted into more deals then BTR's potential for more rapid growth has a chance of being fulfilled.

In a post-pandemic world where the stability and reliability of the residential asset class has come to the fore, new opportunities are emerging rapidly and its with excitement that we look beyond the lockdown.

Gillian McLees
Director of BTR



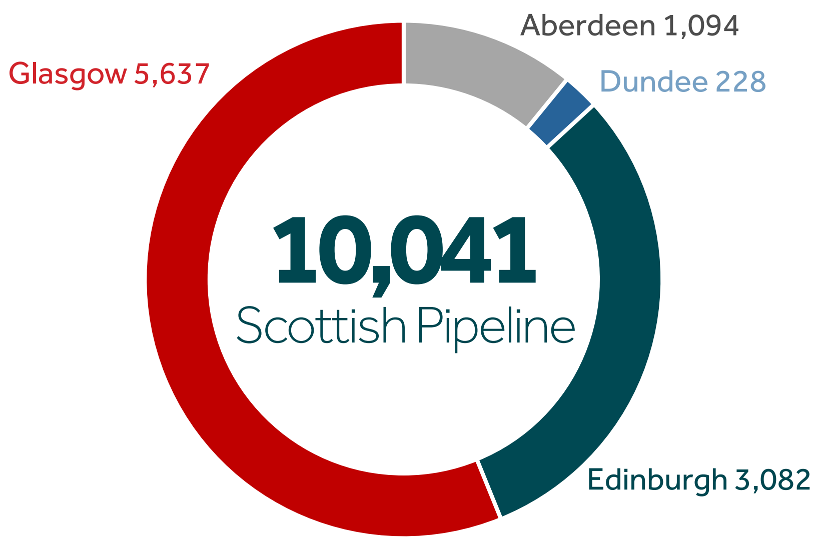
Supply by City

The Scottish BTR sector has continued to see schemes progress through the planning system, driving the total identified pipeline of BTR units to over 10,000. Over half of the BTR units are located in Glasgow, which now has over 5,600 units, ranging from boutique 20 units schemes, to plans for the tallest building in Glasgow with Watkin Jones 30 storey plans for Portcullis House.

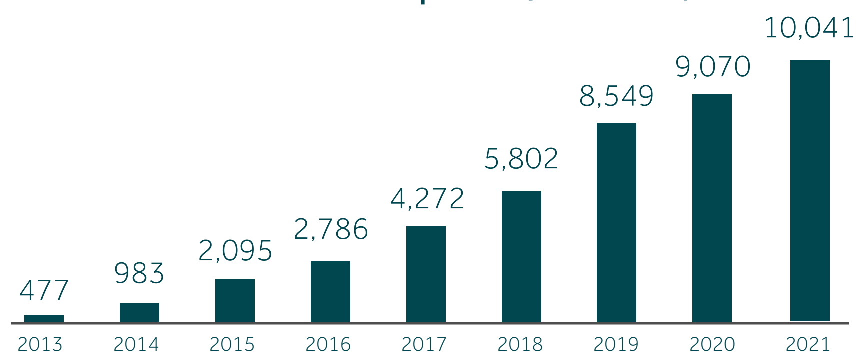
Edinburgh has seen developments continue to progress through the planning system, with over 3,000 units now planned for the city. There are a range of schemes in the Capital, from high density urban flatted projects, through to developments on the city boundary and in suburban locations. There are a number of sites currently exploring the viability of BTR versus the traditional for-sale models, and if these progress, then the gap between Edinburgh and Glasgow may narrow. The current pipeline in Glasgow represents around 1.9% of all households in the City, lower than the 2.2% which BTR represents in London. Currently, Edinburgh lags Glasgow, with the number of planned BTR homes representing 1.3% of Edinburgh households. Within Edinburgh, there is also a significant supply of Mid Market Rent units identified at the likes of Western Harbour, which while not open market BTR, could be considered as affordable BTR.

Looking ahead, the shifting patterns of demand for other use classes, such as retail and office, may see further opportunities come to the market in Scotland's city centres as life in the post-pandemic world settles down.

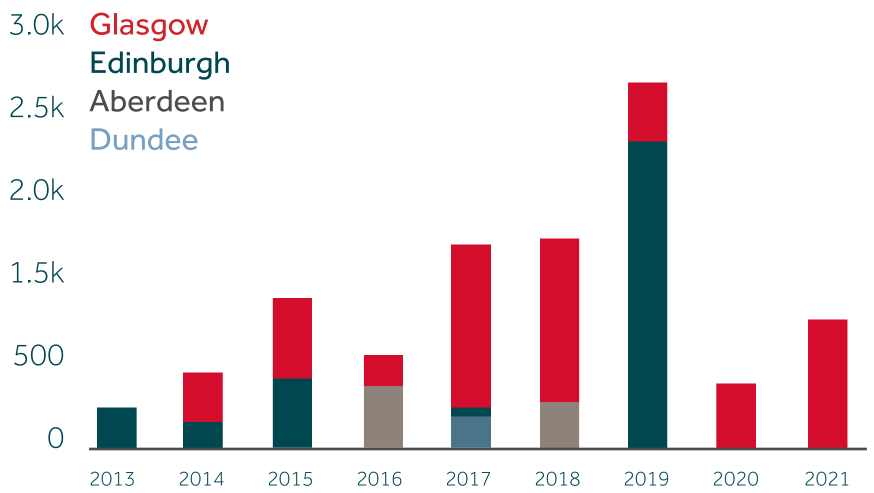
Count of Pipeline of Units by City



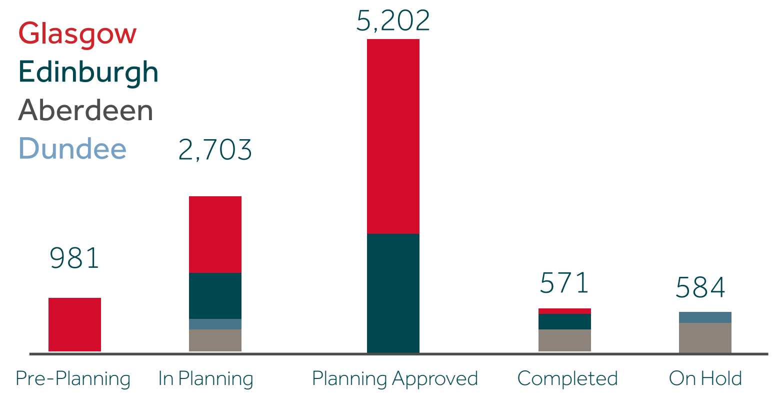
Scottish Cumulative BTR Pipeline (No. Units)



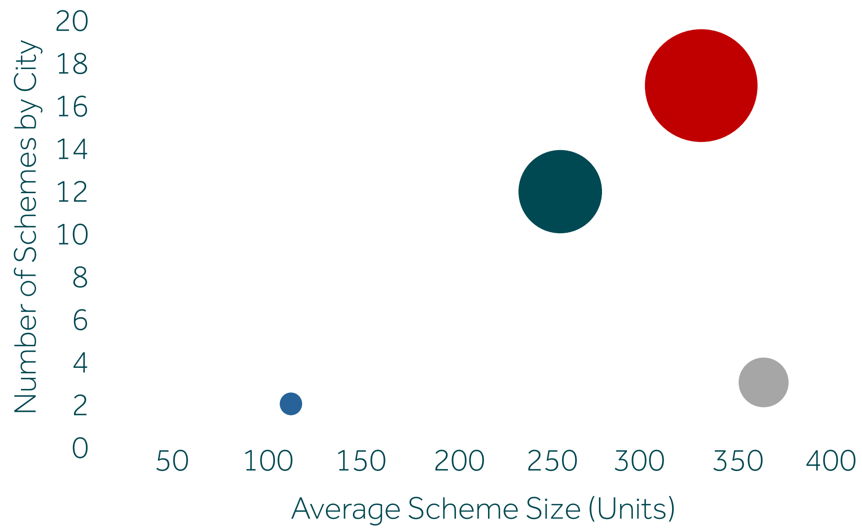
Count of Units by Year & City



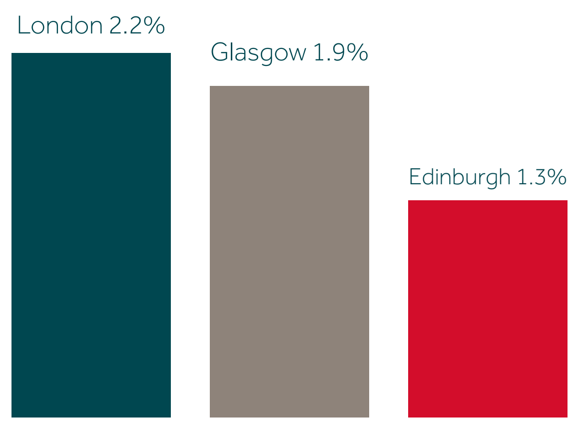
Total Units by Planning Status & City



Average Scheme Size / Number of Schemes by City



BTR Pipeline as Percentage of All Households



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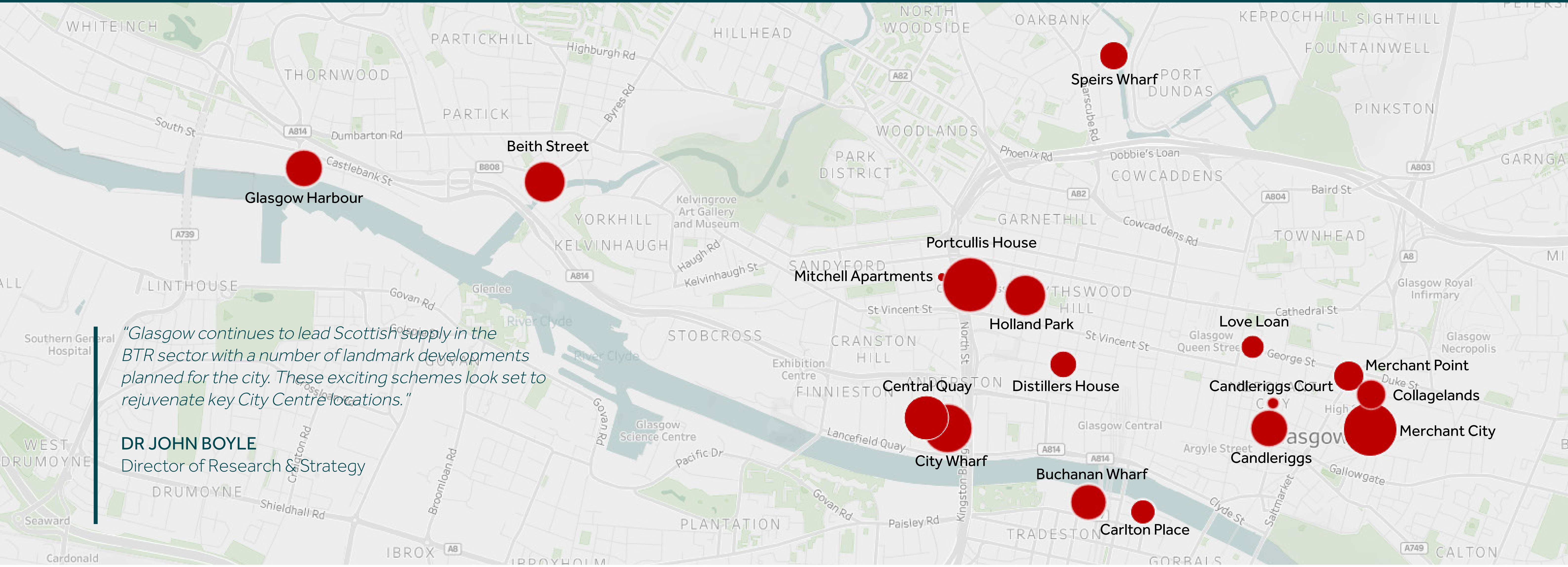
Glasgow Pipeline



"Glasgow continues to lead Scottish supply in the BTR sector with a number of landmark developments planned for the city. These exciting schemes look set to rejuvenate key City Centre locations."

DR JOHN BOYLE
Director of Research & Strategy

City Wharf
Dandara
603 Units

Buchanan Wharf
Drum
324 Units

Merchant Point
Structured House
231 Units

Merchant City
Get Living
727 Units

Glasgow Harbour
Dandara
348 Units

Candleriggs Court
Kelvin Properties
36 Units

Central Quay
PLATFORM_
498 Units

Holland Park
MODA
433 Units

Candleriggs
Drum
346 Units

Beith Street
KR Development
424 Units

Portcullis House
Watkin Jones
750 Units

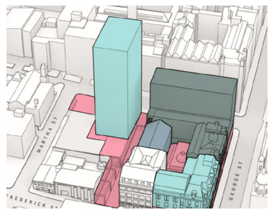
Distillers House
Brickland Ltd
182 Units

Carton Place
Third Line Studio
155 Units

Speirs Wharf
Hoxton Securities
203 Units

Mitchell Apartments
Kelvin Properties
20 Units

Love Loan
Chris Stewart Group
136 Units



Collagelands
Vastint
221 Units

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Edinburgh Pipeline

"The BTR pipeline of supply in Edinburgh currently lags Glasgow, but major masterplanned expansions look set to narrow the gap as scheme enter and proceed through the planning system."

SANDY GILMOUR
Associate Director - Land & Development

Newbridge Village
3H York / Mac Mic
242 Units

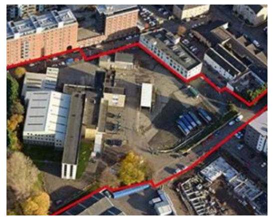
Edinburgh Park
Parabola
906 Units

Skyliner
S1 Developments
253 Units

New Waverley
Artisan REI
62 Units

Broughton School
Kingsford
75 Units

Bonnington
PLATFORM_
339 Units



Springside
MODA
461 Units

Lochrin Quay
Aberdeen Standard
113 Units

Freer Street
Vastint
175 Units

India Quay
Edinburgh Living
259 Units

New Town North
Ediston
150 Units

Build to Rent

Our Build to Rent (BTR) team is at the heart of the private rented sector in Scotland, with almost £1bn in assets under management. We provide a comprehensive range of BTR services and have the research expertise, experience and network to make Build to Rent work north of the border.

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Consultancy & Research

Our Consultancy & Research team is the largest in the Scottish Private Sector and provides a broad range of services to both private and public sector clients. Covering all parts of the Scottish residential market, the team provides clients with in-depth, reliable and up-to date information that enables evidence-based decision making.

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Structured Finance & Development Services

Our Structured Finance team provides innovative funding solutions for both private and public sector developments. We are expert in all project stages including: initial financial modelling; JV/contract structuring; sourcing and securing short- or long-term funding; legal negotiations; public sector procurement; and asset management and rental.

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Land & Development

Our Land & Development team advises on land and property development projects, on residential investments and Build to Rent. We cover residential, non-residential and mixed-use development sites and advise on every stage of the project cycle, from early appraisals and funding through to site disposals.

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