

Headlines

Are Rent Pressure Zones Coming to Edinburgh?

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Watch the City of Edinburgh Council Rent Pressure Zone debate at the link below (Item 9.3)

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Modest growth returns to the rental market in Q2 2017.

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Key Findings

The SNP-led City of Edinburgh Council are promoting a city-wide Rent Pressure Zone to be introduced to, "redress the balance between landlords and tenants."

Conservative Councillor Cameron Rose's suggested amendment to undertake further investigation to identify practical operations and possible unintended consequences, was voted down 36 votes to 24.

Citylets have reported a return to growth in Q2 2017, with Edinburgh and Glasgow recording c.5% annual growth, however, much of this growth occurred in mid-2016.

Themes & Trend Analysis

First steps to the introduction of Rent Pressure Zones have been taken by Edinburgh City Council.

The first motion brought before Edinburgh Council, following the local elections, has been the introduction of Rent Pressure Zones (RPZs). In a debate on the 29th June, the motion was carried, tabled by the Greens with SNP and Labour support.

Calls for further investigation into the impact of the introduction of RPZs were voted down.

While the need for affordable housing in Edinburgh is becoming an increasingly critical issue with new housing delivery at historic lows, the introduction of the first RPZ in Scotland, at a time where the PRS has seen a number of legislative and taxation changes, gives landlords another issue against which to weigh the viability of their portfolios.

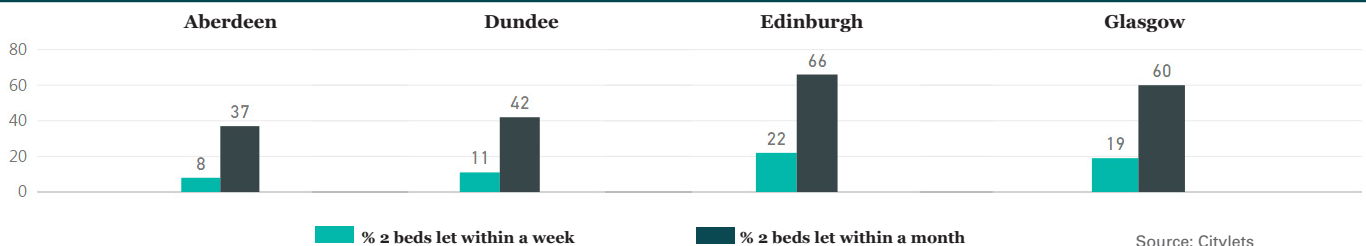
Growth returns to the main cities, but at a slower rate.

Citylets have reported strong annual growth of 5% in Edinburgh and Glasgow. However, it is worth noting that much of this growth was frontloaded to mid-2016, with Edinburgh rising 2% and Glasgow 3% in one quarter. Q3 to Q4 actually saw falls of 3% and 1% respectively. Over the past three quarters, Edinburgh and Glasgow have averaged 1% growth per quarter. The fluctuations in the market reflect the reactive nature of the rental market, quickly responding to stock, activity and wider political, economic and market confidence issues.

Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2016 Q2	2017 Q2	Y-onYA	Y-onYA(%)	2016 Q2	2017 Q2	Y-onYA	Y-onYA(%)	2016 Q2	2017 Q2	Y-onYA	Y-onYA(%)	2016 Q2	2017 Q2	Y-onYA	Y-onYA(%)
Aberdeen	£787	£724	-63	-8%	£1,161	£1,082	-79	-7%	49	49	0	0%	43	40	-3	-7%
Edinburgh	£896	£950	54	6%	£1,286	£1,350	64	5%	23	26	3	13%	35	28	-7	-20%
Dundee	£568	£575	7	1%	£815	£783	-32	-4%	27	29	2	7%	26	29	3	12%
Glasgow	£724	£766	42	6%	£1,040	£1,070	30	3%	46	41	-5	-11%	62	57	-5	-8%

Source: Citylets



Source: Citylets

Letting Market Indicators

	Mortgage Rates (BoE)					
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Bank Tracker Rate	2.30%	2.31%	2.31%	2.33%	2.34%	-
2 Year Fixed (75% LTV)	2.50%	2.45%	2.48%	2.43%	2.50%	2.49%
5 Year Fixed (75% LTV)	2.22%	2.20%	2.15%	2.09%	2.03%	1.99%
Standard Variable Rate	4.49%	4.37%	4.28%	4.54%	4.23%	4.23%

Source: BoE

	Interest Rates (BoE)					
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Official Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
3-month LIBOR	0.35%	0.34%	0.33%	0.33%	0.33%	0.32%

Source: BoE

	Mortgage Rates (BoE)				
	Oct-16	Nov-16	Dec-16	Jan-16	Feb-16
BTL Loans	6,500	6,500	6,700	5,300	6,100
BTL Value (£m)	£900	£900	£900	£900	£900

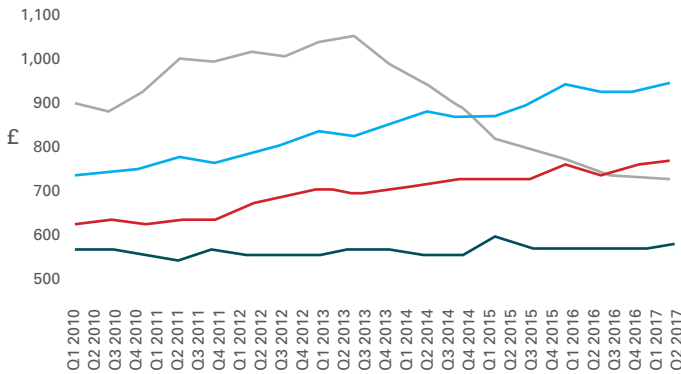
	Year	Complex Buy-to-Let Index			
		Q1	Q2	Q3	Q4
Loan to Value	2017	68%	69%	-	-
	2016	66%	66%	63%	68%
	2015	69%	67%	68%	63%
Yield	2017	5.7%	5.5%	-	-
	2016	5.8%	5.8%	5.6%	5.5%
	2015	6.4%	5.8%	5.8%	6.0%

Source: Mortgage for Business

Central Belt driving rents

Glasgow has now established itself as the city with the second highest average 2-bed rent in Scotland as the Aberdeen rental market plateaus after sustained falls. While Glasgow still lags Aberdeen in overall average rents, 2-bed apartments are the most common type in the rental market.

Average Rents by City (2 beds)

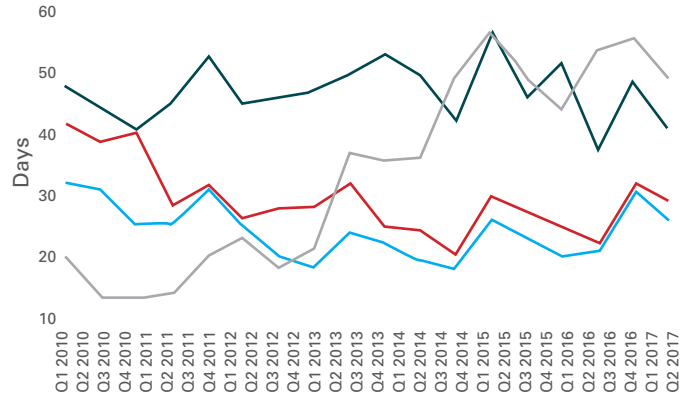


Source: Citylets

Time to let rises in the major cities

After a sluggish start to 2017, Q2 has seen TTL shorten once more. On an annual basis, however, most markets have marginally higher TTL by 2-3 days.

Time to Let by City (2 beds)

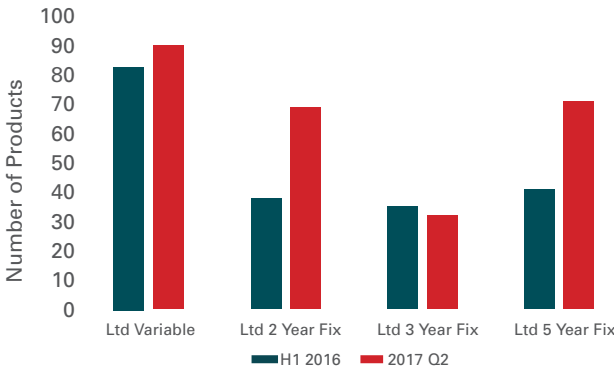


Source: Citylets

Limited Company lending continues to grow

The number of lenders with products for limited company BTLs has stayed constant at 36, with the number of products at a similar level as at the end of 2016. This levelling off comes after a year of exceptionally strong expansion, with the number of products up 77% and the number of 2-year fixed products almost doubling.

Mortgage Products for Limited Companies

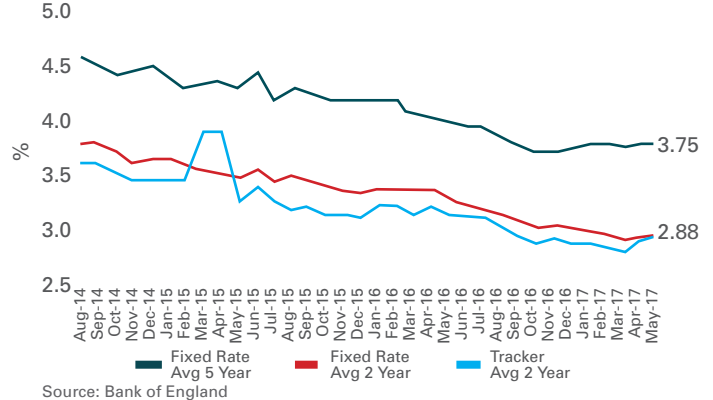


Source: Mortgage for Business

Buy to Let lending rates see marginal falls

The rates on BTL lending have levelled off during 2017, suggesting a turn in the market due to the wider economic outlook as well as legislative changes. With a surge in inflation in May, climbing to 2.9%, some commentators are predicting interest rate rises in early 2018, which would see borrowing rates increase.

Buy to Let Lending Rates (%)



Source: Bank of England

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