

Headlines

Additional Dwelling Supplement increased to 4%

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RentPassport and deposit free renting introduced

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Scotland's largest Build to Rent Scheme gains planning approval

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Key Findings

In the latest Scottish Budget, the Finance Secretary Derek Mackay has announced an increase to ADS from 3% to 4%.

Rettie & Co. and Canopy launch Scotland's first deposit-free renting scheme and allows rental payments to contribute towards credit rating.

Get Living has been granted planning permission for their 727 unit £200m investment in Scotland's largest Build to Rent scheme in Glasgow city centre.

Themes & Trend Analysis

The Scottish Government increases Additional Dwelling Supplement to 4%

Since its introduction in the 2016/17 financial year, ADS has proved to be a useful source of additional revenue to LBTT, which has underperformed against original budgetary forecasts. The latest increase by 1% of ADS to a new 4% rate increases the role this tax will play in Government revenue based on the latest budget forecasts. The rise will take effect from 25 January 2019.

Scotland's first deposit free mid-market rental development introduced in Edinburgh

Rettie & Co. have partnered with Canopy in order to trial deposit free renting and RentPassport at the mid-market Build to Rent development Harbour Gateway in Edinburgh. This removes the need to pay a large deposit upfront and instead introduces an insurance premium that covers the landlord and tenant in the same way as a cash deposit would. The RentPassport is backed by Experian and allows for rental payments to contribute to tenants' credit ratings.

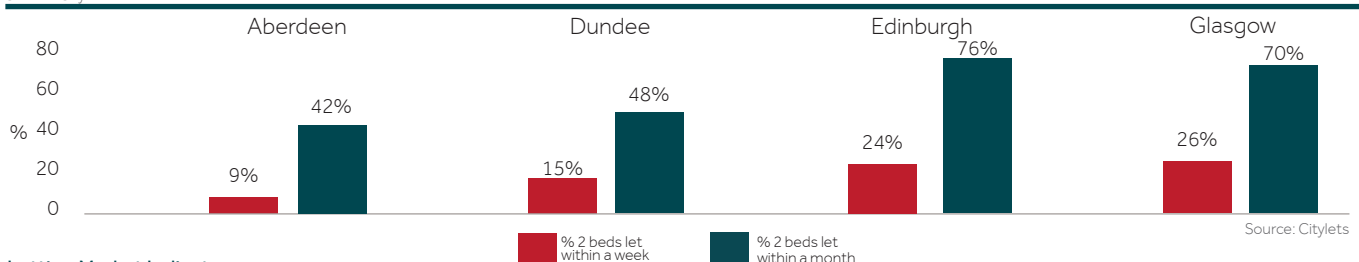
Get Living are set to begin building 727 homes in 2019.

Get Living, a London-based property firm, have secured planning permission to build Scotland's largest Build to Rent scheme. The currently derelict site, located behind High Street train station in Glasgow, will be built out from 2019 and will provide 727 homes for rent. The development in Glasgow is the first scheme that Get Living will manage outside of London.

Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2017 Q3	2018 Q3	Y-onYΔ	Y-onYΔ(%)	2017 Q3	2018 Q3	Y-onYΔ	Y-onYΔ(%)	2017 Q3	2018 Q3	Y-onYΔ	Y-onYΔ(%)	2017 Q3	2018 Q3	Y-onYΔ	Y-onYΔ(%)
Aberdeen	£704	£683	-21	-3.0%	£1,079	£1,040	-39	-3.6%	50	46	-4	-8.0%	46	49	3	6.5%
Edinburgh	£967	£1,033	66	6.8%	£1,322	£1,394	72	5.4%	32	31	-1	-3.1%	33	34	1	3.0%
Dundee	£574	£574	0	0.0%	£717	£796	79	11.0%	52	45	-7	-13.5%	55	48	-7	-12.7%
Glasgow	£764	£798	34	4.5%	£1,066	£1,132	66	6.2%	23	24	1	4.3%	28	31	3	10.7%

Source: Citylets



Letting Market Indicators

	Mortgage Rates (BoE)					
	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
2 Year Fixed (75% LTV)	1.73%	1.73%	1.73%	1.71%	1.71%	1.73%
5 Year Fixed (75% LTV)	2.03%	2.03%	2.05%	2.01%	2.01%	2.02%
Standard Variable Rate	4.06%	4.10%	4.33%	4.39%	4.39%	4.45%

Source: BoE

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

Source: BoE

	Mortgage Rates (BoE)				
	May-18	Jun-18	Jul-18	Aug-18	Sep-18
BTL Loans	5,500	5,400	5,500	6,000	5,200
BTL Value (£m)	£700	£700	£800	£800	£700

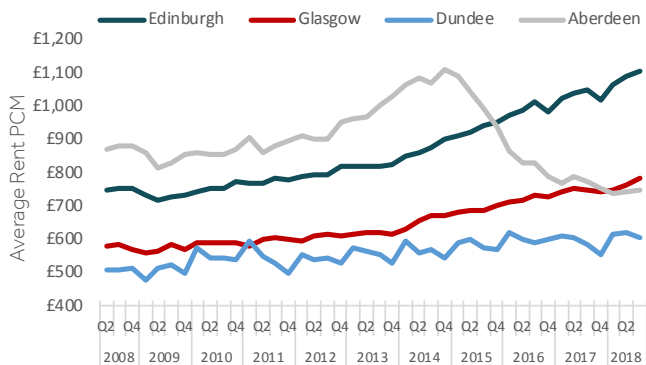
	Year	Complex Buy-to-Let Index			
		Q1	Q2	Q3	Q4
Loan to Value	2018	66%	67%	67%	-
	2017	68%	69%	69%	67%
	2016	67%	69%	67%	67%
Yield	2018	5.6%	-	-	-
	2017	5.7%	5.5%	5.5%	5.6%
	2016	5.8%	5.8%	5.6%	5.5%

Source: Mortgage for Business

Rental growth continues in Q3 2018

Upward pressure on rents has continued in Q3 2018, seeing the average rent rise in 3 of Scotland's 4 major cities on the previous quarter, with Dundee rents falling very slightly. This upturn is also a positive sign for the Aberdeen market, which has seen rents stabilise over the course of 2018.

Average Rents by City

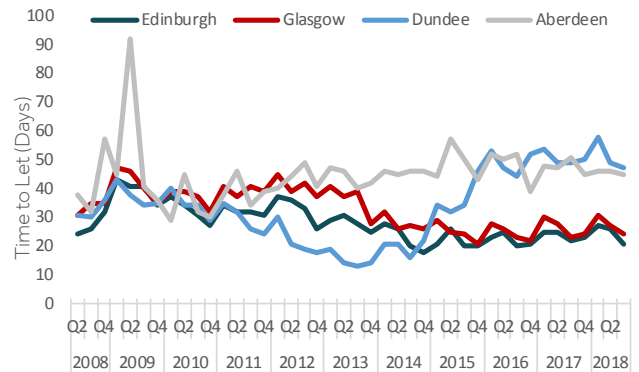


Source: Citylets

Time to let falls slightly in autumn market

Seasonal pressure on rental demand has seen the average time to let in all Scottish cities fall over the course of Q3 2018. While falling slightly, the average time to let has remained fairly consistent over the course of 2017 and 2018, pointing to sustained pressures in the rental market.

Average Time to Let by City

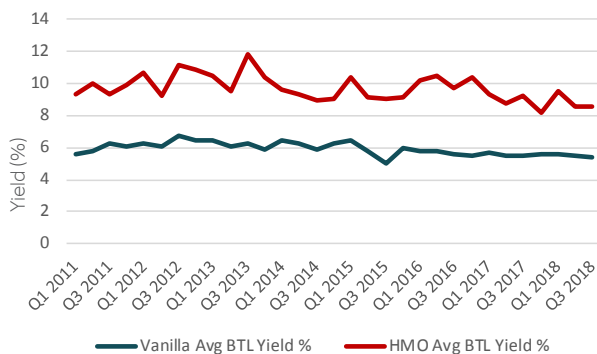


Source: Citylets

Average BTL yields softening slightly

Zoopla have reported Scottish cities having some of the strongest BTL student yields with a gross yield of 6.59% is achievable in the BTL student accommodation market within Edinburgh. Figures from Mortgages for Business show overall rental yields have been softening over the past couple of years as price growth has returned to the market. In Scotland, strong upward pressure on rents have compensated against UK trends.

Average UK BTL Yield for BTL and HMO Properties

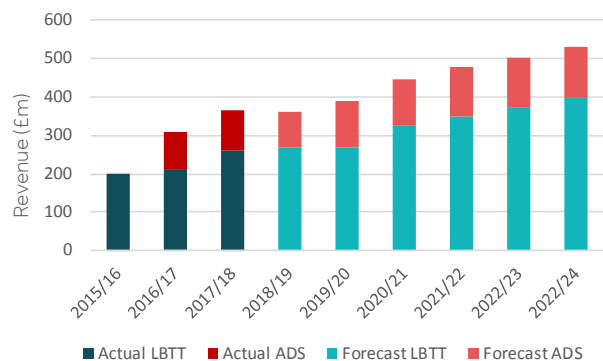


Source: Mortgage for Business

ADS increasingly important for government revenue

Under the latest Government budgetary forecasts, ADS is set to account for 45% of Residential LBTT revenue in the financial year 2019/20. The government expects revenue from ADS will increase from £94m in 2018/19 to £122m in 2019/20, an increase of almost 30%. Forecasts for Non ADS LBTT revenue is only forecast to increase by £2m in the same period.

Actual and Forecast LBTT & ADS from 2019/20 Budget



Source: Scottish Government

Rettie & Co. Asset Management

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- Insurance backed rent guarantee and legal expenses cover available to protect your income.
- Comprehensive block insurance policy to protect the value of your buy to let asset and contents.
- Dedicated Portfolio Manager providing Landlord clients and their tenants with a single point of contact.
- One of very few Scottish agencies to be regulated by both RICS and ARLA.
- In excess of £650M in residential assets under management.
- Direct access to data from the largest residential research team in Scotland.

If you are considering letting a property or looking for advice from the people with the facts, then please contact us.



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