

## Headlines

RICS forecast rising rents due to lack of supply

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IMLA raises concerns over future rental supply due to lack of investment

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Airbnb under increasing pressure as the Scottish Government considers the collaborative economy

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## Key Findings

The latest Royal Institution of Chartered Surveyors' market snapshot shows a significant imbalance between demand and supply in the rental market.

Figures released by the Intermediary Mortgage Lenders Association (IMLA) suggest net investment in Buy to Let has fallen by 80% since 2015 in the UK.

The outcome of the Scottish Government's report on the collaborative economy is keenly awaited as calls for a limit on Airbnb rentals intensify, particularly in Edinburgh which has 8,000 listings.

## Themes & Trend Analysis

RICS expect rents to rise as landlord instructions fall back

RICS reports that "tenant demand edged up in the three months to January, but landlord instructions fell back slightly once more. This imbalance prompted positive rental growth expectations for the near term." This pressure on supply reflects the finds in the IMLA investment report on the Buy to Let sector.

IMLA raise concerns about rental supply

The analysis by IMLA suggests investment in the Buy to Let sector has fallen from £25bn in 2015 to only £5bn in 2017. New tax and regulatory measures introduced in the last two years has caused an 80% slump in investment, which is a steeper fall than after the financial crisis in 2007. With 21% of landlords indicating their plans to reduce their portfolio size, concerns are rising that the combination of policy layering, tax and regulatory changes are constricting supply and driving up rents.

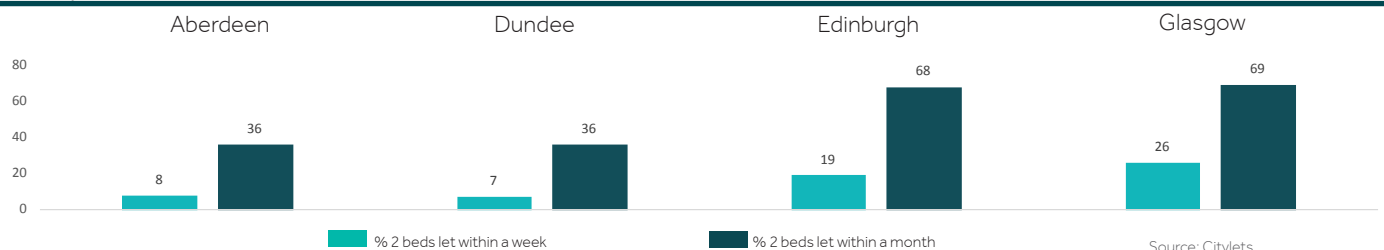
The sharing economy is in sharp focus

Airbnb, and its role in the Scottish economy, has been coming under increased focus. The company has submitted evidence to the Scottish Expert Advisory Panel for the Collaborative Economy and has also met with City of Edinburgh officials.

## Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2016 Q4	2017 Q4	Y-onYΔ	Y-onYΔ(%)	2016 Q4	2017 Q4	Y-onYΔ	Y-onYΔ(%)	2016 Q4	2017 Q4	Y-onYΔ	Y-onYΔ(%)	2016 Q4	2017 Q4	Y-onYΔ	Y-onYΔ(%)
Aberdeen	£736	£707	-29	-3.9%	£1,014	£953	-61	-6.0%	54	51	-3	-5.6%	56	58	2	3.6%
Edinburgh	£921	£946	25	2.7%	£1,268	£1,278	10	0.8%	21	24	3	14.3%	36	31	-5	-13.9%
Dundee	£567	£563	-4	-0.7%	£793	£716	-77	-9.7%	37	49	12	32.4%	37	38	1	2.7%
Glasgow	£739	£755	16	2.2%	£1,034	£982	-52	-5.0%	22	23	1	4.5%	36	39	3	8.3%

Source: Citylets



## Letting Market Indicators

	Mortgage Rates (BoE)					
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
2 Year Fixed (75% LTV)	2.37%	2.33%	2.31%	2.36%	2.36%	2.20%
5 Year Fixed (75% LTV)	1.97%	1.96%	1.90%	2.04%	2.03%	2.06%
Standard Variable Rate	4.51%	4.32%	4.31%	4.31%	4.35%	4.54%

Source: BoE

	Interest Rates (BoE)					
	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17
Official Bank Rate	0.25%	0.25%	0.25%	0.25%	0.49%	0.50%
3-month LIBOR	0.32%	0.31%	0.32%	0.35%	0.44%	-

Source: BoE

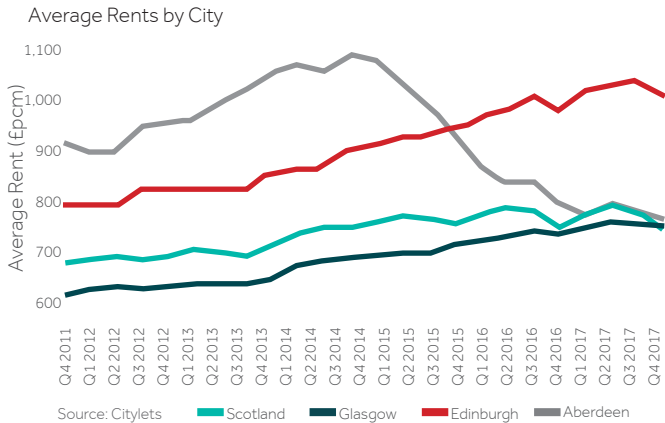
	Mortgage Rates (BoE)				
	Oct-16	Nov-16	Dec-16	Jan-16	Feb-16
BTL Loans	6,100	6,400	6,800	6,200	6,600
BTL Value (€m)	€900	€900	€1,000	€900	€900

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

Source: Mortgage for Business

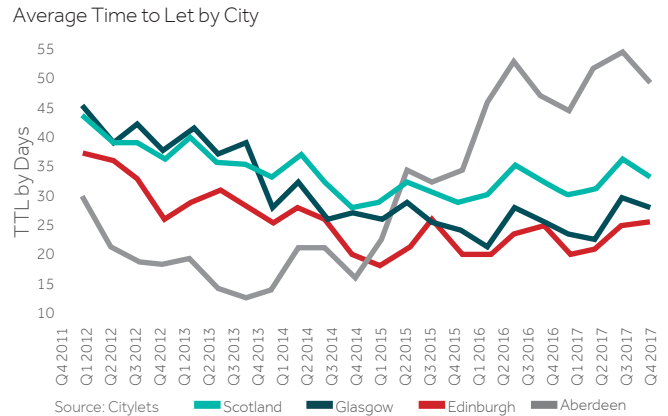
## Q4 saw a fall in average rents

All four major cities in Scotland saw rents fall back in Q4 2017, however, these falls of up to 3% were expected due to seasonal factors. Edinburgh (3.3%) and Glasgow (1.8%) both started 2018 with rents higher than a year earlier, while Aberdeen (-4.3%) and Dundee (-7.5%) were down year-on-year.



## Time to let falls again

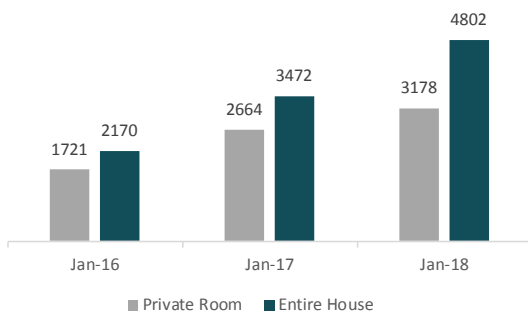
The average time taken for properties to let in Scotland is 33 days, having been on a slow rise from a low of 28 days in 2014. Edinburgh and Glasgow are both under 25 days, whilst Aberdeen now sits at 50 days, an improvement from its peak of 54 days, but well above the 13 days low recorded in 2013.



## The Airbnb Factor

With almost 8,000 Airbnb listings in Edinburgh, which is reportedly c.41% of all listings in Scotland, anticipation of the Scottish Government's report on the short-term rental sector is rising. It seems likely that a potential cap of 90 days will be called for, as it has been in other European cities. This would affect 1 in 5 Edinburgh Airbnb hosts, who rent out their properties for more than this limit.

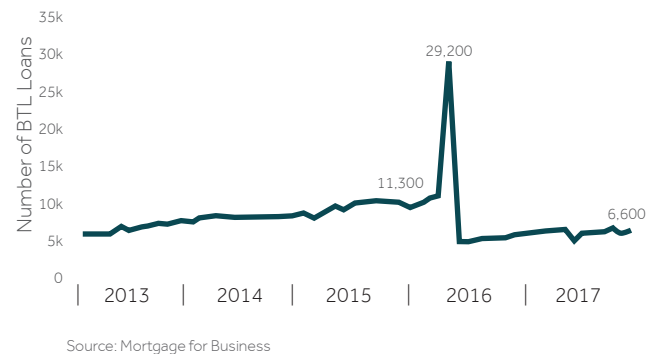
Number of Airbnb Listings in Edinburgh by Type and Year



## Buy to let lending remains suppressed

The level of BTL lending remains below that preceding the introduction of the Additional Dwelling Supplement (ADS). Lending figures are approximately 40% lower than they were before the changes to the tax regime. This change in market dynamics is having an impact on the supply of rental property coming to the market.

Buy to Let Lending Rates (%)



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