

Headlines

New report shows rising generational rental differences

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Buy to let lending down 8.8% year-on-year

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Tenants on Local Housing Allowance struggling to afford properties in Edinburgh & Glasgow

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Key Findings

A report by the Resolution Foundation Intergenerational Commission has highlighted the issues with rising intergenerational inequality, including access to home ownership and social housing, which is driving Private Rental Sector demand.

Figures from UK Finance shows that BTL lending for purchases has fallen 8.8% in February compared to the previous year.

The Scottish Government's Annual Report on Welfare Reform has found that, in Edinburgh and Glasgow, tenants on LHA can no longer afford properties in lower 30% of the market without supplementing rents themselves.

Themes & Trend Analysis

The Resolution Foundation report details that lack of access to home ownership and social housing is driving millennials into the private rental sector (PRS).

"A New Generational Contract: The final report of the Intergenerational Commission" by the Resolution Foundation has found that millennial families are half as likely to own their own home by the age of 30 as baby boomers. Reduced access to social sector housing also means that 4 in 10 millennial families at 30 years old live in the PRS, four times the rate of baby boomers at the same age.

The most recent figures by UK Finance show falling BTL Lending for home purchases but rising re-mortgaging rates.

February figures for BTL lending has shown an 8.8% decline year-on-year for home purchases at the same time as a 20.5% increase in BTL re-mortgaging completions. Industry commentators suggest tax changes have made the sector less attractive to new market entrants and are encouraging current participants to restructure their finances in light of the changes.

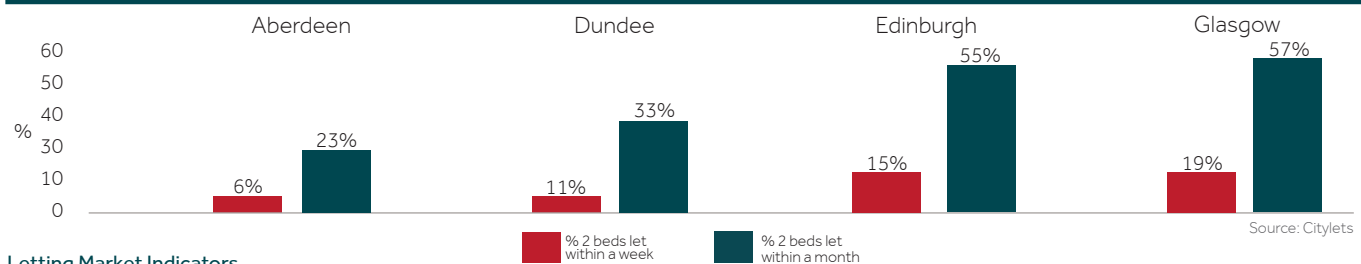
A freeze on LHA and rising rents have priced out many households on benefits from the Edinburgh & Glasgow rental markets.

The Scottish Government's latest Annual Report on Welfare Reform shows that fewer than 5% of one-bedroom private rented properties in the Lothians would be affordable to households on benefits. This means that tenants on benefits in the Lothians would have to find an extra £24 per week, and tenants in Glasgow £11.50 per week, to afford the cheapest 30% of one-bedroom places.

Lettings Market Statistics

Area	Average Rents								Average Time to Let							
	Two-Bed Property				Three-Bed Property				Two-Bed Property				Three-Bed Property			
	2017 Q1	2018 Q1	Y-onYA	Y-onYA(%)	2017 Q1	2018 Q1	Y-onYA	Y-onYA(%)	2017 Q1	2018 Q1	Y-onYA	Y-onYA(%)	2017 Q1	2018 Q1	Y-onYA	Y-onYA(%)
Aberdeen	£727	£692	-35	-4.8%	£995	£976	-19	-1.9%	56	64	8	14.3%	60	66	6	10.0%
Edinburgh	£928	£956	28	3.0%	£1,347	£1,393	46	3.4%	31	32	1	3.2%	23	24	1	4.3%
Dundee	£565	£579	14	2.5%	£848	£813	-35	-4.1%	49	50	1	2.0%	48	44	-4	-8.3%
Glasgow	£756	£764	8	1.1%	£1,059	£1,024	-35	-3.3%	32	33	1	3.1%	33	42	9	27.3%

Source: Citylets



Letting Market Indicators

	Mortgage Rates (BoE)					
	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
2 Year Fixed (75% LTV)	1.55%	1.61%	1.57%	1.53%	1.49%	1.53%
5 Year Fixed (75% LTV)	2.04%	2.04%	2.07%	1.98%	1.99%	2.02%
Standard Variable Rate	4.31%	4.34%	4.54%	4.24%	4.23%	4.14%

Source: BoE

	Interest Rates (BoE)					
	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Official Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
3-month LIBOR	0.43%	0.52%	0.52%	0.52%	0.58%	0.69%

Source: BoE

	Mortgage Rates (BoE)				
	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
BTL Loans	6,700	6,700	5,300	5,600	5,200
BTL Value (£m)	£1,000	£900	£800	£800	£700

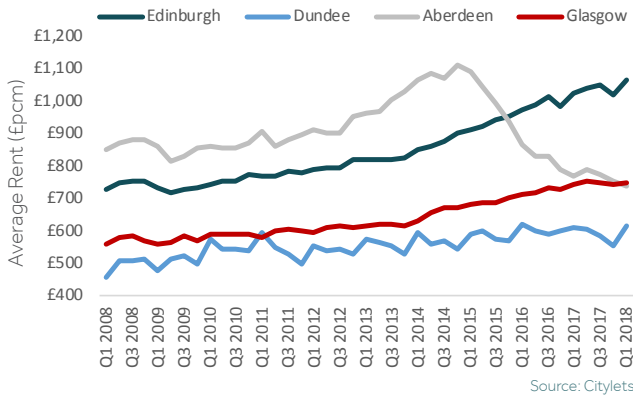
	Year	Complex Buy-to-Let Index			
		Q1	Q2	Q3	Q4
Loan to Value	2018	66%	-	-	-
	2017	68%	69%	69%	67%
	2016	67%	69%	67%	67%
Yield	2018	5.6%	-	-	-
	2017	5.7%	5.5%	5.5%	5.6%
	2016	5.8%	5.8%	5.6%	5.5%

Source: Mortgage for Business

Glasgow overtakes Aberdeen

The combination of rising rents in Glasgow, and falling rents in Aberdeen, has seen the average rent in the Granite City fall below that of the Dear Green Place for the first time. Edinburgh continues to perform strongly as undersupply is met with strong demand.

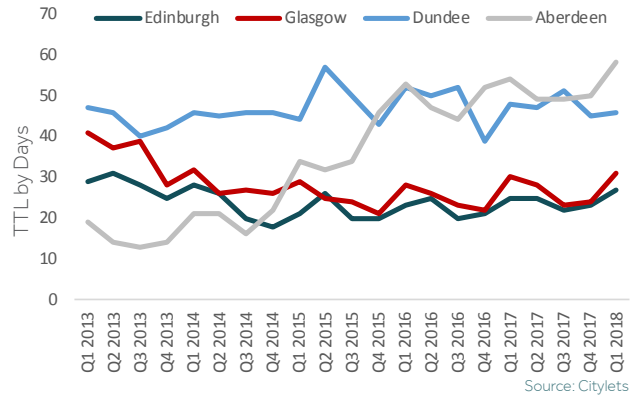
Average Rents by City



Time to let adopts seasonal trends

In Q1 2018, the rental market saw a seasonal upturn in TTL times, which is typical of the start of the year. Both Glasgow and Edinburgh are 1 to 2 days up on the previous year, but TTL times have remained fairly consistent over the past two years.

Average Time to Let by City



Landlord incorporation continues

The attraction for landlords to incorporate, in light of recent tax changes in the sector, has seen mortgage providers continue to enter the sector. The number of mortgage products being made available to limited companies has grown sharply in recent years and, in Q1 2018, has increased again to a new record high.

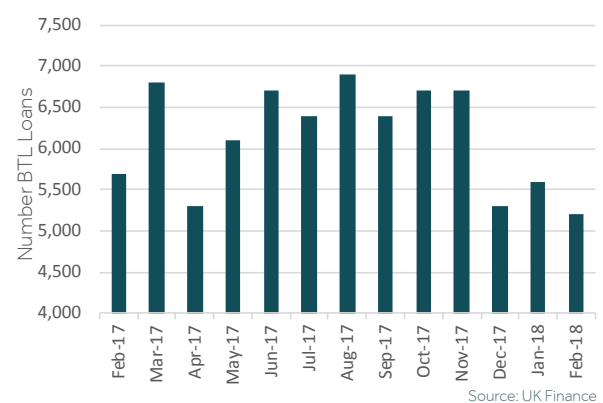
Number of Lending product for Ltd Company



Buy to let lending slows

Figures from UK Finance have shown an 8.8% year-on-year drop in BTL lending for home purchase, while re-mortgaging has increased 20.5% in the same period. Changes to tax legislation are largely being attributed to this shift in market appetite, with restructuring and consolidation rather than expansion being preferable as the market adjusts to the new tax regime.

Buy to Let Lending for Purchase



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